UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
(Amendment No. 1)

(Mark One)

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

For the annual period 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 001-40683

SNAP ONE HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1800 Continental Boulevard, Suite 200
Charlotte, North Carolina

(Address of principal executive offices)

82-1952221

(I.R.S. Employer Identification No.)

28273

(Zip Code)

(704) 927-7620

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 $.01 per share	**SNPO**	The Nasdaq Global Select Market

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 and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The registrant was not a public company as of June 25, 2021, the last business day of its most recently completed second fiscal quarter, and therefore, cannot calculate the aggregate market value of its voting and non-voting common equity held by non-affiliates as of such date.

The registrant had outstanding 75,882,589 shares of common stock as of March 18, 2022.

EXPLANATORY NOTE

This Amendment No. 1 to Form 10-K (this “Amendment”) amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, originally filed with the Securities and Exchange Commission (the “SEC”) on March 23, 2022 (the “Original Filing”). We are filing this Amendment to amend Item 7 of the Original Filing to add discussions regarding our financial condition and results of operations for the fiscal year ended December 27, 2019 and comparisons between such fiscal year and the fiscal year ended December 25, 2020. In addition, we are filing this Amendment to amend Item 8 of the Original Filing to include information for the fiscal year ended December 27, 2019 that was inadvertently omitted from the audited financial statements included in the Original Filing and to make conforming changes to the report of our independent registered public accounting firm included therein. The information with respect to the fiscal year ended December 27, 2019 included in this Amendment was previously included in our prospectus filed with the SEC on July 29, 2021 pursuant to Rule 424(b) under the Securities and Exchange Act of 1933, as amended, and this Amendment does not make any changes to such previously filed information.

In addition, in connection with the filing of this Amendment and pursuant to the rules of the SEC, we are including with this Amendment new certifications of our principal executive officer and principal financial officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 and a new consent of our independent registered public accounting firm. Accordingly, Item 15 of Part IV has also been amended to reflect the filing of these new certifications and consent.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing.

As used in this Amendment, unless otherwise indicated, references to the “Company,” “Snap One,” “we,” “us,” and “our” refer to Snap One Holdings Corp. and its consolidated subsidiaries. References to the “Former Parent Entity” means Crackle Holdings, L.P., the entity that, until the completion of our initial public offering, held all of our outstanding equity.

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Unless otherwise indicated, references to the "Company," "Snap One," "we," "us," and "our" refer to Snap One Holdings Corp. and its consolidated subsidiaries. References to the "Former Parent Entity" means Crackle Holdings, L.P., the entity that, until the completion of our initial public offering, held all of our outstanding equity.

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 our consolidated financial statements and the related notes thereto included elsewhere in this Amendment. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Actual results could differ materially from those discussed in or implied by forward-looking statements due to various factors, including those discussed below and elsewhere in this Amendment or in the Original Filing, particularly in the "Risk Factors" or in other sections of this Amendment or the Original Filing.

We operate on a 52-week or 53-week fiscal year ending on the last Friday of December each year. Our fiscal year is divided into four quarters of 13 weeks, each beginning on a Saturday and containing one 5-week period followed by two 4-week periods. When a 53-week fiscal year occurs, we report the additional week in the fourth fiscal quarter. References to fiscal year 2019 are to our 52-week fiscal year ended December 27, 2019; references to fiscal year 2020 are to our 52-week fiscal year ended December 25, 2020 and references to fiscal year 2021 are to our 53-week fiscal year ended December 31, 2021.

Overview

Snap One powers smart living by enabling professional integrators to deliver seamless experiences in the connected homes and small businesses where people live, work and play. The combination of our end-to-end product ecosystem delivered through our powerful distribution network and further bolstered by our technology-enabled workflow solutions delivers a compelling value proposition to our loyal and growing network of professional do-it-for-me ("DIFM") integrator customers. We distribute and provide integrators with a leading, comprehensive proprietary and third-party suite of connected, infrastructure, entertainment, and software solutions so the entire smart living experience is exceptional for the end consumer. Our product and service offerings encompass all of the elements required by integrators to build integrated smart living systems that are easy to install and simple to manage, serving the needs of both integrators and end consumers. Our differentiated technology and software-enabled workflow tools have been designed to support the integrator throughout the project lifecycle, enhancing their operations and helping them to profitably grow their businesses.

We derive the majority of our net sales from the sale of both proprietary and third-party products to DIFM integrators in home technology, security and commercial end markets. Our comprehensive suite of solutions allows integrators to find everything they need in one place and to deliver high-quality, reliable and configurable systems to end consumers. We also have two subscription-based services that we monetize with end consumers. Parasol is enabled by our OvrC software and is a subscription-based service that gives homeowners and small businesses access to a continuous remote support service to troubleshoot devices on their network. 4Sight, our remote system management software for end consumers, is enabled by our Control4 software and is a subscription sold to homeowners and small businesses. While it accounts for a smaller share of our current net sales, we intend to continue to invest in the expansion of existing subscription-based services and the development of new ones.

We are vertically integrated with the majority of our Net Sales and Contribution Margin coming from our proprietary-branded, internally developed products that are only available to integrators directly from Snap One. These proprietary products are manufactured on an asset-light basis through our network of contract manufacturing and joint development suppliers located primarily in Asia. In addition, we offer a curated set of leading third-party products to enhance the one-stop shop experience for integrators, driving customer stickiness and sales growth.

Recent Developments

IPO

On July 30, 2021, we completed our initial public offering ("IPO") of 13.9 million shares of our common stock, and on August 18, 2021, we completed the sale of 1.2 million shares of additional common stock to the underwriters pursuant to their option to purchase additional shares, at an offering price of $18.00 per share. We raised net proceeds of $249.2 million through the IPO, after deducting underwriting discounts and other offering costs of $21.2 million. During fiscal year 2021, we expensed $4.8 million of IPO costs related to the IPO. Our registration statement on Form S-1 relating to our IPO was declared effective by the SEC on July 27, 2021. See Note 1 of the Notes to the Consolidated Financial Statements for more information regarding our IPO.

In conjunction with the IPO, we issued 1.7 million restricted shares of common stock to convert all outstanding and unvested incentive units under the Former Parent Entity Class B Unit Incentive Plan (the “2017 Plan”). These restricted shares are subject to similar vesting terms and conditions that applied to the incentive units under the 2017 Plan prior to the conversion. Additionally, we issued 5.4 million stock options to holders of incentive units under the 2017 Plan. The stock options allow the recipient to purchase common stock following the IPO at a strike price of $18.00 and have similar vesting terms and conditions that applied to the incentive units under the 2017 Plan. As a result of issuance of the stock options, we recorded $21.5 million of share-based compensation expense in the fiscal year ended December 31, 2021 based on the grant-date fair value of the awards.

In connection with our IPO, we executed a TRA with certain pre-IPO owners which provides for payment by the Company to the TRA Participants of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that is actually realized, or deemed to be realized (calculated using certain assumptions), as a result of the utilization of such tax benefits. Upon the closing of the IPO, the Company recognized a non-current liability of $112.7 million, which represented undiscounted aggregate payments that we expected to pay the TRA Participants under the TRA. Additionally, we paid $13.2 million with cash on hand to certain pre-IPO owners for their interests in lieu of their participation in the TRA. Approximately $2.8 million of the cash payments to pre-IPO owners are subject to vesting requirements and will be held in escrow. The cash payments held in escrow will be expensed over the requisite vesting period. The remaining $10.4 million of the cash payments were paid and expensed in conjunction with the closing of the IPO. See Note 15 of the Notes to the Consolidated Financial Statements for more information regarding the TRA.

Debt Obligations

On August 4, 2021, we used a portion of the net proceeds from the IPO to repay a portion of the Incremental Term Loan outstanding under the Old Credit Agreement (as defined below) totaling approximately $215.9 million, plus accrued interest of $1.0 million. We also incurred a charge of $6.6 million related to the write-off of unamortized debt issuance costs. See Note 8 of the Notes to the Consolidated Financial Statements for more information regarding the debt prepayment.

On December 8, 2021, we entered into a new credit agreement (the “Credit Agreement”) with various financial institutions consisting of a $465.0 million in aggregate principal amount of senior secured term loans maturing in seven years (the “New Term Loan”) and a $100.0 million senior secured revolving credit facility (which includes borrowing capacity available for letters of credit) maturing in five years (the “New Revolving Credit Facility”).

In connection with the closing of the Credit Agreement, the Company repaid in full approximately $451.4 million of borrowings, including accrued interest, under that certain credit agreement, dated as of August 4, 2017, by and among Crackle Purchaser LLC (formerly known as Crackle Purchaser Corp., a subsidiary of the Company that was dissolved at the time of the IPO), WirePath, LLC, the lenders from time-to-time party thereto, UBS AG, as the administrative agent, collateral agent, swingline lender and letter of credit issuer, and the other parties from time-to-time party thereto (as amended from time to time, the “Old Credit Agreement”). The term loan and revolving credit facilities and related agreements and documents under the Old Credit Agreement were terminated upon the effectiveness of the Credit Agreement.

Acquisition of Staub Electronics

On January 20, 2022, we announced the acquisition of Staub Electronics, Ltd, a long-time Canadian distribution partner. The acquisition brings together two long-time business partners to provide more product choice, faster fulfillment, and superior support for professional integrators across Canada. The acquisition adds two Canadian locations to our local branch footprint and brings the total to 33 locations.

Key Factors Affecting Our Performance

Our historical financial performance has been primarily driven by the following factors, which we also expect to be the primary drivers of our financial performance in the future.

Wallet Share Growth Drives Increased Average Spend per Integrator. Increasing wallet share with integrators depends in part on our ability to continue expanding our omni-channel coverage, extending our product suite, bolstering our support services, and creating deeper integration across our products to make it compelling for integrators to use Snap One as their one-stop shop. Average wallet share with our integrators varies across DIFM markets, with particular strength in home technology and demonstrated success in commercial and security.

New DIFM Integrator Additions in Home Technology, Security, Commercial and Internationally. We are a market leader in our core domestic home technology market, and we believe that our value proposition appeals to integrators in attractive adjacent markets. We are utilizing our proven strategy of acquiring integrators in the home technology market to attract integrators in security and commercial markets, where we are less penetrated but have displayed a track record of growth. We believe that strategic investments in expanding our product portfolio and targeted sales, marketing and new integrator onboarding initiatives will allow us to grow our network of integrators across these markets. We also believe there is a meaningful opportunity to expand our existing market share in non-U.S. markets. We plan to grow in these markets by investing in sales resources, broadening our available product portfolio, and strengthening our direct-to-integrator sales approach.

Investments in Our Integrated Platform. Our end-to-end product and software ecosystem and technology-enabled workflow solutions create an integrated platform of leading offerings, which we believe drive significant value for our integrators and personalized, immersive experiences for end consumers.

Omni-Channel Strategy Expansion. Our business model is built around an e-commerce centric, omni-channel go-to-market strategy. We provide a comprehensive e-commerce portal, which allows integrators to easily research products, design projects, receive training and certifications, order products, and solicit ongoing support. Our e-commerce portal is complemented by a growing network of 31 domestic local branches and seven distribution centers as of December 31, 2021. The local branch presence is an important part of our strategy as it allows us to better serve integrators locally by providing same-day product availability when necessary, creating a site for relationship building with our support team and for training and product demonstration sessions. We believe integrators value the relationships and support we can deliver at the local level, and this further increases their loyalty to our business across channels.

Strategic Acquisitions. In addition to our organic growth, we continue to grow our business through strategic acquisitions such as our acquisitions of Access Networks and Staub Electronics to better serve existing and new integrators, broaden our product categories, and extend the geographic reach of our omni-channel capabilities. We will continue to pursue disciplined, accretive acquisitions that enhance our products, software and workflow solutions and expand into adjacent markets that allow us to serve our integrator base.

Impact of the COVID-19 Pandemic

Throughout the pandemic, we have supported professional integrators with their challenges, including staff considerations and the dynamic of practicing social distancing with their customers, to allow them to continue to provide their customers the infrastructure and connectivity needed to create personalized experiences for individuals and families who are spending more time at home.

Following initial demand declines for our products and services in March and April 2020, sales recovered in 2021 as professional integrators' services became increasingly important for homeowners working and seeking entertainment from home. Our favorable liquidity position, disciplined supply chain execution and inventory availability drove strong performance. This resulted in accelerated growth in our business and reinforced that we provide a mission-critical function to our integrators. More recently, COVID-19 has affected our supply chain, including component sourcing and shipping and logistics challenges resulting in cost inflation, consistent with its effect across many industries. When combined with the demand for our products, these supply chain impacts have resulted in delayed product availability in some cases. We expect these impacts, including potential delayed product availability, to continue for as long as the global supply chain is experiencing these challenges. We continue to invest in supply chain initiatives to meet integrator demand and manage cost inflation, and while the situation caused by COVID-19 is dynamic, we have considered its impact when developing our estimates and assumptions. Actual results and outcomes may differ from our estimates and assumptions. For additional information of risks related to COVID-19, refer to "Risk Factors."

Key Metrics and Reconciliation of Non-GAAP Financial Data

In addition to the measures presented in our consolidated financial statements, we use the following additional key business metrics to help us monitor the performance of our business, measure our performance, identify trends affecting our business and assist us in making strategic decisions:

Adjusted EBITDA and Adjusted Net Income

We define Adjusted EBITDA as net loss, plus interest expense, net, income tax benefit, depreciation and amortization, further adjusted to exclude equity-based compensation, acquisition-related and integration-related costs, IPO costs and certain other non-recurring, non-core, infrequent or unusual charges as described below.

We define Adjusted Net Income as net loss, plus amortization, further adjusted to exclude equity-based compensation, acquisition-related and integration-related costs, IPO costs and certain non-recurring, non-core, infrequent or unusual charges, including the estimated tax impacts of these adjustments.

Adjusted EBITDA and Adjusted Net Income are key measures used by management to understand and evaluate our financial performance and trends, as well as generate future operating plans. Management uses these key measures to 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 Adjusted EBITDA and Adjusted Net Income 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.

Adjusted EBITDA and Adjusted Net Income 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, Adjusted EBITDA and Adjusted Net Income may not be comparable to similarly titled metrics of other companies due to differences among the methods of calculation.

The following table presents a reconciliation of net loss to Adjusted EBITDA for the periods presented:

	For the Years Ended		
	December 31, 2021	December 25, 2020	December 27, 2019
	(in thousands)		
Net loss	$ (36,457)	$ (25,228)	$ (34,461)
Interest expense	33,162	45,529	35,244
Income tax benefit	(6,642)	(4,351)	(13,357)
Depreciation and amortization	56,581	57,972	39,657
Other expense (income), net	(878)	(1,827)	(1,048)
Loss on extinguishment of debt	12,072	—	—
Equity-based compensation	21,522	4,284	3,673
Compensation expense for payouts in lieu of TRA participation[(a)]	10,925	—	—
Initial public offering costs[(b)]	4,755	542	—
Fair value adjustment to contingent value rights[(c)]	4,900	800	314
Deferred acquisition payments[(d)]	6,532	9,649	13,615
Deferred revenue purchase accounting adjustment[(e)]	540	1,012	831
Acquisition- and integration-related costs[(f)]	407	5,341	20,179
Other[(g)]	3,337	735	299
Adjusted EBITDA	$ 110,756	$ 94,458	$ 64,946

The following table presents a reconciliation of net loss to Adjusted Net Income for the periods presented:

	For the Years Ended		
	December 31, 2021	December 25, 2020	December 27, 2019
	(in thousands)		
Net loss	$ (36,457)	$ (25,228)	$ (34,461)
Amortization	48,553	47,491	31,488
Equity-based compensation	21,522	4,284	3,673
Foreign currency (gains) loss	131	(172)	(1,101)
Gain on sale of business	—	(979)	561
Loss on extinguishment of debt	12,072	—	—
Compensation expense for payouts in lieu of TRA participation[(a)]	10,925	—	—
Initial public offering costs[(b)]	4,755	542	—
Fair value adjustment to contingent value rights[(c)]	4,900	800	314
Deferred acquisition payments[(d)]	6,532	9,649	13,615
Deferred revenue purchase accounting adjustment[(e)]	540	1,012	831
Acquisition and integration related costs[(f)]	407	5,341	20,179
Other[(g)]	3,172	760	225
Income tax effect of adjustments[(h)]	(23,489)	(15,189)	(15,630)
Adjusted Net Income	$ 53,563	$ 28,311	$ 19,694

(a) Represents non-recurring expense related to payments to certain pre-IPO owners in lieu of their participation in the 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.

(b) Represents expenses related to professional fees in connection with preparation for our IPO.

(c) Represents noncash gains and losses recorded from fair value adjustments related to contingent value right liabilities (“CVR liabilities”). Contingent value right liabilities represent potential obligations to the prior sellers in conjunction with the acquisition of the Company by investment funds managed by H&F in August 2017 and are based on estimates of expected cash payments to the prior sellers based on specified targets for the return on the original capital investment.

(d) Represents expenses incurred related to deferred payments to employees associated with our Control4 acquisition and other historical acquisitions. The deferred payments are cash retention awards for key personnel from the acquired companies and are expected 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 an adjustment related to the fair value of deferred revenue related to the Control4 acquisition.

(f) Represents costs directly associated with acquisitions and acquisition-related integration activities. For fiscal year 2020, the costs relate primarily to third-party consultant and information technology integration costs directly related to the Company’s acquisition of Control4 in August 2019. These costs also include certain restructuring costs (e.g., severance) and other third-party transaction advisory fees associated with the acquisitions.

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

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

Contribution Margin

We define Contribution Margin for a particular period as net sales, less cost of sales, exclusive of depreciation and amortization, divided by net sales. Management uses this key measure to understand and evaluate our financial performance, trends and 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 is a useful measurement 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 has limitations as an analytical tool. This measure is 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 may not be comparable to similarly titled metrics of other companies due to differences among the methods of calculation.

The following table presents the calculation of Contribution Margin:

	For the Years Ended		
	December 31, 2021	December 25, 2020	December 27, 2019
	($ in thousands)		
Net sales	$ 1,008,013	$ 814,113	$ 590,842
Cost of sales, exclusive of depreciation and amortization[a]	599,923	474,778	354,821
Net sales less cost of sales, exclusive of depreciation and amortization	$ 408,090	$ 339,335	$ 236,021
Contribution Margin	40.5 %	41.7 %	39.9 %

(a) Cost of sales, exclusive of depreciation and amortization, for fiscal years 2021, 2020 and 2019, excludes depreciation and amortization of $56,581, $57,972 and $39,657, respectively.

Free Cash Flow

We define Free Cash Flow as net cash (used in) provided by 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). We believe it is useful to exclude capital expenditures from our Free Cash Flow in order to measure the amount of cash we generate because the timing of such capital investments made may not directly correlate to the underlying financial performance of our business operations. Free Cash Flow is not a measure 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, Free Cash Flow may not be comparable to similarly titled metrics of other companies due to differences among methods of calculation. Free Cash Flow provides useful information to investors and others in understanding and evaluating our ability to generate additional cash from our business in the same manner as our management and board of directors. Free Cash Flow may be affected in the near to medium term by the timing of capital investments (such as purchases of information technology and other equipment and leasehold improvements), fluctuations in our growth and the effect of such fluctuations on working capital and changes in our cash conversion cycle due to increases or decreases of vendor payment terms as well as inventory turnover.

The following table presents a reconciliation of net cash (used in) provided by operating activities to Free Cash Flow for the periods presented:

	For the Years Ended		
	December 31, 2021	December 25, 2020	December 27, 2019
	(in thousands)		
Net cash (used in) provided by operating activities	$ (30,415)	$ 64,227	$ (4,099)
Purchases of property and equipment	(10,004)	(10,245)	(4,496)
Free Cash Flow	$ (40,419)	$ 53,982	$ (8,595)

Basis of Presentation and Key Components of Results of Operations

Net Sales

We generate net sales by selling hardware products to our integrators both with and without embedded software, which are then resold to end consumers, typically in the installation of an audio/video, IT, smart-home, or surveillance-related package. We act both as a principal in selling proprietary products, and as an agent in selling certain third-party products through strategic partnerships with outside suppliers. In addition, we generate a small but growing percentage of our revenue through recurring revenue from subscription services associated with product sales including hosting services, technical support, and access to unspecified software updates and upgrades. Revenue is recognized when the integrator obtains control of the product, which occurs upon shipment, in an amount that reflects the consideration expected to be received in exchange for those products net of estimated discounts, rebates, returns, allowances and any taxes collected and remitted to government authorities. Revenue allocated to subscription services is recognized over time as services are provided. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates and Policies — Revenue Recognition."

Cost of sales, exclusive of depreciation and amortization

Cost of sales, exclusive of depreciation and amortization, includes expenses related to production of proprietary finished goods, including raw materials and inbound freight, purchase costs for third-party products produced by strategic partners and sold by Snap One, rebates, inventory reserve adjustments and employee costs related to assembly services. The components of our cost of sales, exclusive of depreciation and amortization may not be comparable to our peers. The changes in our cost of sales, exclusive of depreciation and amortization generally correspond with the changes in net sales and may be impacted by any significant fluctuations in the components of our cost of sales, exclusive of depreciation and amortization.

Selling, general and administrative expenses

Selling, general and administrative costs include payroll and related costs, occupancy costs, costs related to warehousing, distribution, outbound shipping to integrators, credit card processing fees, warranty, purchasing, advertising, research and development, non-income-based taxes, equity-based compensation, acquisition-related expenses, compensation expense for payouts in lieu of TRA participation and other corporate overhead costs. We expect that our selling, general and administrative expenses will increase at a growth rate below net sales growth when adjusted for one-time expenses, in future periods as we continue to grow, and due to additional legal, accounting, insurance and other expenses that we are incurring as a public company, including compliance with the Sarbanes-Oxley Act.

Depreciation and amortization

Depreciation expense is related to investments in property and equipment. Amortization expense consists of amortization of intangible assets originating from our acquisitions. Acquired intangible assets include developed technology, customer relationships, trademarks and trade names. We expect in the future that depreciation and amortization may increase based on acquisition activity, development of our platform and capitalized expenditures.

Interest expense

Interest expense includes interest expense on debt, including term loans and revolving credit facilities (each of which is described in more detail below under "— Liquidity and Capital Resources — Debt Obligations"), as well as the non-cash amortization of deferred financing costs.

Loss on extinguishment of debt

Loss on extinguishment of debt includes costs related to the write-off of unamortized debt issuance costs.

Other (expense) income, net

Other (expense) income, net includes interest income, foreign currency remeasurement, TRA liability adjustments and transaction gains and losses.

Income tax expense (benefit)

We are subject to U.S. federal, state and local income taxes as well as foreign income taxes based on enacted tax rates in each jurisdiction, as adjusted for allowable credits and deductions. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. As a result, we recognize tax liabilities based on estimates of whether additional taxes will be due.

Results of Operations

The following table sets forth our results of operations and results of operations data expressed as a percentage of net sales for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results.

	For the Years Ended					
	December 31, 2021	% of Net sales	December 25, 2020	% of Net sales	December 27, 2019	% of Net sales
	($ in thousands)					
Net Sales	$ 1,008,013	100.0 %	$ 814,113	100.0 %	$ 590,842	100.0 %
Costs and expenses:						
Cost of sales, exclusive of depreciation and amortization	599,923	59.5 %	474,778	58.3 %	354,821	60.1 %
Selling, general and administrative expenses	350,252	34.7 %	267,240	32.8 %	209,986	35.5 %
Depreciation and amortization	56,581	5.6 %	57,972	7.1 %	39,657	6.7 %
Total costs and expenses	1,006,756	99.9 %	799,990	98.3 %	604,464	102.3 %
Income (loss) from operations	1,257	0.1 %	14,123	1.7 %	(13,622)	(2.3)%
Other expenses (income):						
Interest expense	33,162	3.3 %	45,529	5.6 %	35,244	6.0 %
Loss on extinguishment of debt	12,072	1.2 %	—	— %	—	— %
Other expense (income), net	(878)	(0.1)%	(1,827)	(0.2)%	(1,048)	(0.2)%
Total other expenses	44,356	4.4 %	43,702	5.4 %	34,196	5.8 %
Loss before income taxes	(43,099)	(4.3)%	(29,579)	(3.6)%	(47,818)	(8.1)%
Income tax benefit	(6,642)	(0.7)%	(4,351)	(0.5)%	(13,357)	(2.3)%
Net loss	(36,457)	(3.6)%	(25,228)	(3.1)%	(34,461)	(5.8)%
Net loss attributable to noncontrolling interest	(55)	0.0 %	(344)	0.0 %	(97)	0.0 %
Net loss attributable to Company	$ (36,402)	(3.6)%	$ (24,884)	(3.1)%	$ (34,364)	(5.8)%

Fiscal Year 2021, Compared to Fiscal Year 2020

Net Sales

	For the Years Ended			
	December 31, 2021	December 25, 2020	$ Change	% Change
	($ in thousands)			
Net Sales	$ 1,008,013	$ 814,113	$ 193,900	23.8 %

Net sales increased by $193.9 million, or 23.8%, in fiscal year 2021, compared to fiscal year 2020. The 53rd week in fiscal year 2021 added approximately $17.9 million in net sales. Excluding the 53rd week, net sales increased approximately 21.6%. Growth was strong across geographies, markets and product categories as we added new integrators and increased spend per integrator. Additionally, in the prior year net sales were affected by initial declines in demand due to the impact of COVID-19. Growth was also driven by the benefit of ownership of Access Networks and the cumulative ramp of eight local branches opened since the end of the fourth quarter of fiscal year 2020. Additionally, the Company benefited from two price increases enacted across its proprietary product portfolio in the first and third quarters of fiscal year 2021. While supply chain challenges represented a headwind in the year, the Company took proactive measures to mitigate and deliver for its integrators.

Cost of Sales, exclusive of depreciation and amortization

	For the Years Ended			
	December 31, 2021	December 25, 2020	$ Change	% Change
	($ in thousands)			
Cost of sales, exclusive of depreciation and amortization	$ 599,923	$ 474,778	$ 125,145	26.4 %
As a percentage of net sales	59.5 %	58.3 %		

Cost of sales, exclusive of depreciation and amortization, increased $125.1 million, or 26.4%, in fiscal year 2021, compared to fiscal year 2020, primarily driven by higher sales volume. As a percentage of net sales, cost of sales, exclusive of depreciation and amortization, increased to 59.5% in the current period from 58.3% in the prior period. The increase in cost of sales, exclusive of depreciation and amortization, as a percentage of net sales, was primarily due to growth in third-party product sales outpacing growth of proprietary product sales as we further execute our omni-channel strategy by opening local branches which typically sell more third-party product than proprietary product. Additionally, supplier costs and inbound freight costs increased due to ongoing supply chain pressures. This increase in cost of sales, exclusive of depreciation and amortization, as a percentage of net sales resulted in a lower Contribution Margin of 40.5% for fiscal year 2021, compared to 41.7% for fiscal year 2020.

Selling, General and Administrative (“SG&A”) Expenses

	For the Years Ended			
	December 31, 2021	December 25, 2020	$ Change	% Change
	($ in thousands)			
Selling, general and administrative expenses	$ 350,252	$ 267,240	$ 83,012	31.1 %
As a percentage of net sales	34.7 %	32.8 %		

Selling, general and administrative expenses increased $83.0 million, or 31.1%, in fiscal year 2021, compared to fiscal year 2020. The increase in selling, general and administrative expenses was primarily due to the recognition of $21.5 million in equity-based compensation expenses and $10.9 million in compensation costs paid to certain pre-IPO owners for their interests in lieu of their participation in the TRA entered into in connection with the IPO. The remaining increase in selling, general and administrative expenses was due to increases in variable operating expenses (including outbound shipping, credit card processing fees and warranty) driven by higher sales volume, increased costs associated with becoming and operating as a public company, ongoing investments to support strategic growth initiatives, and a return to normalized spending levels when compared to cost reduction actions taken to mitigate the impacts of the COVID-19 pandemic in fiscal year 2020.

Depreciation and Amortization

	For the Years Ended			
	December 31, 2021	December 25, 2020	$ Change	% Change
	($ in thousands)			
Depreciation and amortization	$ 56,581	$ 57,972	$ (1,391)	(2.4)%
As a percentage of net sales	5.6 %	7.1 %		

Depreciation and amortization expenses decreased by $1.4 million, or 2.4%, in fiscal year 2021, compared to fiscal year 2020. Depreciation expense decreased primarily due to certain software assets that became fully depreciated during fiscal year 2020, offset by an increase in amortization expense associated with intangible assets acquired.

Interest Expense

	For the Years Ended			
	December 31, 2021	December 25, 2020	$ Change	% Change
	($ in thousands)			
Interest expense	$ 33,162	$ 45,529	$ (12,367)	(27.2)%
As a percentage of net sales	3.3 %	5.6 %		

Interest expense decreased by $12.4 million, or 27.2%, in fiscal year 2021, compared to fiscal year 2020. The decrease was primarily driven by lower average borrowing rates on our debt and a lower average outstanding balance on our revolving credit facility and term loans in the current period.

Loss on extinguishment of debt

	For the Years Ended			
	December 31, 2021	December 25, 2020	$ Change	% Change
	($ in thousands)			
Loss on extinguishment of debt	$ 12,072	$ —	$ 12,072	— %
As a percentage of net sales	1.2 %	— %		

Loss on extinguishment of debt increased by $12.1 million in fiscal year 2021, compared to fiscal year 2020. The increase was related to write-off of unamortized debt issuance costs, $6.6 million of which was due to a portion of the term loan being repaid from the net proceeds of the IPO on August 4, 2021, and $5.5 million due to the extinguishment of the Old Credit Agreement on December 8, 2021.

Other Expense (Income), net

	For the Years Ended			
	December 31, 2021	December 25, 2020	$ Change	% Change
	($ in thousands)			
Other expense (income)	$ (878)	$ (1,827)	$ 949	(51.9)%
As a percentage of net sales	(0.1)%	(0.2)%		

Other expense (income) increased by $0.9 million, or 51.9%, in fiscal year 2021, compared to fiscal year 2020, primarily due to a gain on the sale of a business in the prior year.

Income Tax Benefit

	For the Years Ended			
	December 31, 2021	December 25, 2020	$ Change	% Change
	($ in thousands)			
Income tax benefit	$ (6,642)	$ (4,351)	$ (2,291)	52.7 %
As a percentage of net sales	(0.7)%	(0.5)%		

Income tax benefit increased by $2.3 million, or 52.7%, in fiscal year 2021, compared to fiscal year 2020. The effective tax rate for fiscal year 2021, was a benefit of 15.4% compared to a benefit of 14.9% for fiscal year 2020. The change in the effective tax rate for fiscal year 2021, and the difference from the U.S. federal statutory rate of 21%, was primarily the result of one-time transaction costs, a payment to pre-IPO owners in lieu of TRA participation, the permanent disallowance of stock compensation, and the adjustment of deferred tax liabilities and the benefit of certain tax credits.

Fiscal Year 2020, Compared to Fiscal Year 2019

Net Sales

	For the Years Ended			
	December 25, 2020	December 27, 2019	$ Change	% Change
	($ in thousands)			
Net Sales	$ 814,113	$ 590,842	$ 223,271	37.8 %

Net sales increased by $223.3 million, or 37.8%, for fiscal year 2020 compared to fiscal year 2019. The primary driver of this growth in fiscal year 2020 was the full year benefit of acquisitions of Marketing Representatives, Inc. (“MRI”), Custom Plus Distributing, Inc. (“CPD”) and Control4 which occurred in fiscal year 2019. In addition to the full year benefit of the fiscal year 2019 acquisitions, we increased net sales growth through the opening of four new local branches and the ramp up of existing local branches, the continued realization in fiscal year 2020 of revenue synergies from the Control4 acquisition in August 2019 and overall widespread growth across most product categories as a result of increased end consumer spending in residential upgrades and construction in the second half of 2020. Growth was particularly strong across our home technology and security markets. The increase in net sales was partially offset by significant demand declines in March and April of 2020 due to the initial work stoppages caused by COVID-19. On a pro forma basis to give effect to the acquisitions of MRI, CPD and Control4 as if they had occurred on the first day of fiscal year 2019 our combined net sales in fiscal year 2019 would have been $763.8 million, Our net sales for fiscal year 2020 represents growth of 6.6% compared to the pro forma net sales for fiscal year 2019.

Net sales within the United States increased by $190.8 million, in fiscal year 2020, or 36.1%, from $528.6 million in fiscal year 2019 to $719.4 million in fiscal year 2020, largely due to the full year benefit of the MRI, CPD and Control4 acquisitions. International net sales increased $32.5 million in fiscal year 2020, or 52.2%, from $62.2 million in fiscal year 2019 to $94.7 million in fiscal year 2020 driven by the full year benefit of owning Control4, which is the primary contributor to our international net sales. International net sales primarily consist of sales activity in the United Kingdom, Australia and Canada.

Cost of Sales, exclusive of depreciation and amortization

	For the Years Ended			
	December 25, 2020	December 27, 2019	$ Change	% Change
	($ in thousands)			
Cost of sales, exclusive of depreciation and amortization	$ 474,778	$ 354,821	$ 119,957	33.8 %
As a percentage of net sales	58.3 %	60.1 %		

Cost of sales, exclusive of depreciation and amortization increased $120.0 million, or 33.8%, for fiscal year 2020 compared to fiscal year 2019 primarily due to sales growth, which included the full year impact of acquisitions completed in fiscal year 2019 including MRI, CPD and Control4. As a percentage of sales, cost of sales, exclusive of depreciation and amortization declined to 58.3% in fiscal year 2020 from 60.1% in fiscal year 2019. The decline was primarily due to the realization of the full year benefit of sales of lower cost proprietary control and lighting products added through the Control4 acquisition, which generated higher profitability relative to third-party products. On a pro forma basis to give effect to the acquisitions of MRI, CPD and Control4 as if they had occurred on the first day of fiscal year 2019, our combined cost of sales, exclusive of depreciation and amortization in fiscal year 2019 would have been $436.5 million.

Selling, General and Administrative (“SG&A”) Expenses

	For the Years Ended			
	December 25, 2020	December 27, 2019	$ Change	% Change
		($ in thousands)		
Selling, general and administrative expenses	$ 267,240	$ 209,986	$ 57,254	27.3 %
As a percentage of net sales	32.8 %	35.5 %		

Selling, general and administrative expenses increased $57.3 million, or 27.3%, in fiscal year 2020 compared to fiscal year 2019 primarily as a result of the full year impact of acquisitions, along with other investments made in personnel, products and systems to support strategic growth initiatives. These increases in SG&A expenses were partially offset by savings from a decline in travel and entertainment expenses and limited event marketing spend after the first quarter of fiscal year 2020, due to COVID-19 impacts. We also incurred lower transaction costs associated with acquisitions in fiscal year 2020 as compared to the prior year. As a percentage of net sales, SG&A expenses fell to 32.8% in fiscal year 2020 compared to 35.5% in fiscal year 2019.

Depreciation and Amortization

	For the Years Ended			
	December 25, 2020	December 27, 2019	$ Change	% Change
		($ in thousands)		
Depreciation and amortization	$ 57,972	$ 39,657	$ 18,315	46.2 %
As a percentage of net sales	7.1 %	6.7 %		

Depreciation and amortization expenses increased by $18.3 million, or 46.2%, for fiscal year 2020 as compared to fiscal year 2019, primarily due to the customer relationships, trade name and technology intangible assets acquired as a result of the Control4 and other acquisitions in fiscal year 2019. Amortization expense associated with intangible assets acquired in fiscal year 2019 increased from $12.0 million in fiscal year 2019 to $28.2 million in fiscal year 2020. Depreciation expense increased approximately $2.3 million due to additional equipment, computers and leasehold improvements purchased in fiscal year 2020 associated with expansion of certain distribution and testing facilities, increased manufacturing and tooling equipment, and increased local branches driven by recent growth in our business. Additionally, depreciation expense in fiscal year 2020 includes the full-year impact of depreciation of property and equipment acquired in the Control4 and other acquisitions in fiscal year 2019.

Interest Expense

	For the Years Ended			
	December 25, 2020	December 27, 2019	$ Change	% Change
		($ in thousands)		
Interest expense	$ 45,529	$ 35,244	$ 10,285	29.2 %
As a percentage of net sales	5.6 %	6.0 %		

Interest expense increased by $10.3 million, or 29.2%, for fiscal year 2020 as compared to fiscal year 2019. The increase was primarily driven by higher average borrowings in fiscal year 2020 as well as higher amortization of deferred financing costs resulting from the issuance of additional long-term debt of $390.0 million in August 2019 to fund the Control4 acquisition. The above factors were partially offset by lower average borrowing rates in fiscal year 2020 as compared to fiscal year 2019.

Other Income

	For the Years Ended			
	December 25, 2020	December 27, 2019	$ Change	% Change
	($ in thousands)			
Other income	$ (1,827)	$ (1,048)	$ (779)	74.3 %
As a percentage of net sales	(0.2)%	(0.2)%		

Other income increased by $0.8 million, or 74.3%, for fiscal year 2020 as compared to fiscal year 2019, primarily due to a $1.0 million gain on sale of a business in fiscal year 2020.

Income Tax Benefit

	For the Years Ended			
	December 25, 2020	December 27, 2019	$ Change	% Change
	($ in thousands)			
Income tax benefit	$ (4,351)	$ (13,357)	$ 9,006	(67.4)%
As a percentage of net sales	(0.5)%	(2.3)%		

Income tax benefit decreased by $9.0 million, or 67.4%, for fiscal year 2020 as compared to fiscal year 2019. The effective tax rate changed from 28.4% in fiscal year 2019 to 14.9% in fiscal year 2020. The effective tax rate in fiscal year 2020 differs from the statutory rate primarily due to an increase in valuation allowances related to state and foreign net operating losses and certain state research and development credits that are not expected to be utilized in the future as well as a remeasurement adjustment of our net deferred tax liabilities. Research and development tax credits partially offset the decreases to the effective rate in fiscal year 2020. In fiscal year 2020, we generated a capital loss which is not expected to be utilized in the future and we have provided a full valuation allowance. In fiscal year 2019, the effective rate differs from the statutory rate primarily due to research and development tax credits, partially offset by changes in uncertain tax positions and valuation allowances. See Note 13 to our consolidated financial statements for a reconciliation of our effective income tax with the statutory rate for fiscal year 2020 and fiscal year 2019.

We entered into a tax receivable agreement on July 29, 2021 that provides for the payment by us to the TRA Participants of 85.0% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we actually realize, or are deemed to realize (calculated using certain assumptions), as a result of the utilization of our net operating losses, credits and other tax benefits subject to the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. Please see "- Contractual Obligations - Tax Receivable Agreement" below.

Liquidity and Capital Resources

Sources of Liquidity

Our primary sources of liquidity are net cash provided by operating activities and availability under our Credit Agreement. We assess our liquidity in terms of our ability to generate adequate amounts of cash to meet current and future needs. Our expected primary uses on a short-term and long-term basis are for working capital requirements, capital expenditures, geographic or service offering expansion, acquisitions, debt service requirements and other general corporate purposes. Our primary working capital requirements are for the purchase of inventory, payroll, rent, other facility costs, distribution costs and general and administrative costs. Our working capital requirements fluctuate during the year, driven primarily by seasonality and the timing of inventory purchases. Our capital expenditures are primarily related to infrastructure-related investments, including investments related to upgrading and maintaining our information technology systems, ongoing location improvements (joint design and manufacturing tooling), expenditures related to our distributions centers, and new local branch openings.

We have historically funded our operations and acquisitions primarily through internally generated cash on hand and our Credit Facilities, except for the acquisition of Control4 which was partially funded by a capital contribution from the

Former Parent Entity. Most recently, we completed our IPO of 13.9 million shares of our common stock, and on August 18, 2021, we completed the sale of 1.2 million shares of additional common stock to the underwriters pursuant to their option to purchase additional shares, at an offering price of $18.00 per share. We raised net proceeds of $249.2 million through the IPO, after deducting underwriting discounts and other offering costs of $21.2 million.

Working Capital, Excluding Deferred Revenue

The following table summarizes our cash, cash equivalents, accounts receivable and working capital, which we define as current assets minus current liabilities excluding deferred revenue, for the periods indicated:

	As of	
	December 31, 2021	December 25, 2020
	(in thousands)	
Cash and cash equivalents	$ 40,577	$ 77,458
Accounts receivable, net	$ 52,620	$ 49,363
Working capital, excluding deferred revenue	$ 208,433	$ 141,476

Our cash and cash equivalents as of December 31, 2021, are available for working capital purposes. We do not enter into investments for trading purposes, and our investment policy is to invest any excess cash in short term, highly liquid investments that reduce the risk of principal loss; therefore, our cash and cash equivalents are held in demand deposit accounts that generate very low returns.

We believe that our existing cash and cash equivalents, together with expected cash flow from operating activities, will be sufficient to fund our operations and capital expenditure requirements for the next 12 months. Beyond the next 12 months, our primary capital requirements primarily consist of required principal and interest payments on long-term debt and lease payments under non-cancelable lease commitments as further described in Notes 8 and 16 to our Consolidated Financial Statements. If cash provided by operating activities and borrowings under our Credit Agreement are not sufficient or available to meet our short and long-term capital requirements, then we may consider additional equity or debt financing in the future. There can be no assurance debt or equity financing will be available to us if we need it or, if available, the terms will be satisfactory to us. Our sources of liquidity could be affected by factors described under “Risk Factors.”

Debt Obligations

On December 8, 2021, we entered into a Credit Agreement with various financial institutions consisting of a $465.0 million aggregate principal amount New Term Loan maturing in seven years and a $100.0 million New Revolving Credit Facility (which includes borrowing capacity available for letters of credit) maturing in five years.

Borrowings under the New Term Loan will bear interest at a rate per annum equal to, at the Company’s option, either (1) an applicable margin plus a base rate determined by reference to the highest of (a) 0.50% per annum plus the federal funds effective rate, (b) the prime rate and (c) the eurocurrency rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00%; provided that such rate is not lower than a floor of 1.50% or (2) an applicable margin plus a eurocurrency rate determined by reference to the cost of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs; provided that such rate is not lower than a floor of 0.50%.

Borrowings under the New Revolving Credit Facility will bear interest at a rate per annum equal to an applicable margin based upon a leverage-based pricing grid, plus, at the Company’s option, either (1) a base rate determined by reference to the highest of (a) 0.50% per annum plus the federal funds effective rate, (b) the prime rate and (c) the eurocurrency rate determined by reference to the cost of funds adjusted for certain additional costs, plus 1.00%; provided such rate is not lower than a floor of 1.00% or (2) a eurocurrency rate determined by reference to the applicable cost of funds for such borrowing adjusted for certain additional costs; provided such rate is not lower than a floor of zero.

The New Term Loan amortizes in fixed equal quarterly installments in an amount equal to 1.0% per annum of the total aggregate principal amount thereof immediately after borrowing, with the balance due at maturity. We may voluntarily prepay loans or reduce commitments under the Credit Agreement, in whole or in part, subject to minimum amounts, with prior notice but without premium or penalty (subject to customary exceptions, including prepayments of the New Term Loan in connection with a repricing transaction that is consummated prior to June 8, 2022). We may be required, with certain exceptions, to make mandatory payments under the Credit Agreement using a percentage of our annual excess cash flows or net proceeds from any non-ordinary course asset sales or certain debt issuances, if any.

The Credit Agreement contains various customary affirmative and negative covenants. We were in compliance with such covenants as of December 31, 2021.

In addition, the New Revolving Credit Facility is subject to a first lien secured net leverage ratio of 7.50 to 1.00, tested quarterly commencing with the fiscal quarter ending on or about June 30, 2022, if, and only if, the aggregate principal amount from the revolving facility loans, letters of credit (to the extent not cash collateralized or backstopped or, in the aggregate, not in excess of the greater of $10.0 million and the stated face amount of letters of credit outstanding on the initial closing date of the Credit Agreement) and swingline loans outstanding and/or issued, as applicable, exceeds 35.0% of the total amount of the New Revolving Credit Facility commitments.

On August 4, 2021, we used a portion of the net proceeds from the IPO to repay a portion of the Incremental Term Loan outstanding under the Old Credit Agreement totaling $215.9 million in principal, plus accrued interest of $1.0 million. We also incurred a charge of $6.6 million related to the write-off of unamortized debt issuance costs.

In connection with the closing of the Credit Agreement, we repaid in full approximately $451.4 million of borrowings, including accrued interest, under the Old Credit Agreement. The term loan and revolving credit facilities and related agreements and documents under the Old Credit Agreement were terminated upon the effectiveness of the Credit Agreement.

Historical Cash Flows

The following table sets forth our cash flows for fiscal years 2021, 2020 and 2019:

	For the Year Ended		
	December 31, 2021	December 25, 2020	December 27, 2019
		(in thousands)	
Net cash (used in) provided by operating activities	$ (30,415)	$ 64,227	$ (4,099)
Net cash used in investing activities	$ (37,383)	$ (9,566)	$ (588,602)
Net cash provided by (used in) financing activities	$ 31,837	$ (10,863)	$ 617,904

Operating Activities

Net cash used in operating activities was $30.4 million in fiscal year 2021, as compared to net cash provided of $64.2 million in fiscal year 2020, a decrease of $94.6 million. The change from cash provided by operating activities to cash used in operating activities was primarily attributable to a net increase in cash used for operating assets and liabilities related to the strategic use of the balance sheet to protect against supply chain uncertainty, including an increase in cash used in inventory of $59.7 million and an increase in prepaid vendor deposits of $15.2 million. These increases in cash used were partially offset by an increase in cash provided of $17.2 million from equity-based compensation and loss on extinguishment from debt of $12.1 million. Additionally, in the prior year, we managed our working capital position more rigorously in response to the initial impact of the COVID-19 pandemic by increasing focus on collections of accounts receivable, managing inventory levels, and negotiating extended payment terms with vendors, resulting in increased cash flow from operations in fiscal year 2020.

Net cash provided by operating activities increased by $68.3 million from net cash used of $4.1 million in fiscal year 2019 to net cash provided of $64.2 million in fiscal year 2020. The increase primarily resulted from a decrease in net loss as adjusted for non-cash items as well as actions taken to improve working capital in response to the COVID-19 pandemic. The increase in cash generated in fiscal year 2020 was attributable to growth of our overall business, the full year benefit of operations from the acquisitions of MRI, CPD and Control4, including lowered transaction costs, as well as a decline in travel and entertainment and event marketing spend due to the COVID-19 impacts. Additionally, we significantly improved our working capital position in light of the COVID-19 pandemic by increasing focus on collections of accounts receivable, managing inventory levels, and negotiating extended payment terms with vendors, resulting in increased cash flow from operations in fiscal year 2020.

Investing Activities

Net cash used in investing activities was $37.4 million in fiscal year ended 2021, as compared to $9.6 million in fiscal year 2020, an increase of $27.8 million. The increase in net cash used in investing activities for fiscal year 2021 was primarily due to the acquisition of Access Networks in the second quarter of 2021.

Net cash used in investing activities decreased by $579.0 million from $588.6 million in fiscal year 2019 to $9.6 million in fiscal year 2020. Net cash used in investing activities in fiscal year 2020 primarily consisted of $10.2 million of capital expenditures for equipment, computers and leasehold improvements. Net cash used in investing activities in 2019 included $584.2 million associated with the acquisitions of MRI, CPD and Control4 as well as $4.5 million of capital expenditures. See Note 3 to our consolidated financial statements included elsewhere in this Amendment for further discussion of our acquisitions.

Financing Activities

Net cash provided by financing activities was $31.8 million for fiscal year 2021, compared to net cash used in financing activities of $10.9 million in fiscal year 2020, an increase of $42.7 million. The increase in net cash provided by financing activities for fiscal year 2021, was due to net proceeds from our IPO of $249.2 million, a portion of which we used to pay down and refinance long-term debt. Additionally, in the prior period, net cash used in financing activities included payments on long-term debt and net payments and proceeds related to the Old Revolving Credit Facility.

Net cash used in financing activities decreased by $628.8 million from net cash provided of $617.9 million in fiscal year 2019 to net cash used of $10.9 million in fiscal year 2020. Net cash used in financing activities in fiscal year 2020 included $6.8 million of payments on long-term debt and net payments of $5.0 million on our Revolving Credit Facility. In fiscal year 2019, net cash provided by financing activities was driven by proceeds of $390.0 million from the issuance of the Incremental Term Loan and $255.0 million in capital contributions both of which were related to the acquisition of Control4. We also paid $20.2 million in debt issuance costs associated with the Incremental Term Loan and $4.0 million in net payments on our Revolving Credit Facility in fiscal year 2019. See Note 8 to our consolidated financial statements included elsewhere in this Amendment for further discussion of our debt obligations.

Off-Balance Sheet Arrangements

As of December 31, 2021 and December 25, 2020, we had off-balance sheet arrangements totaling $4.9 million related to our outstanding letters of credit as further described in Note 8 of the Notes to the Consolidated Financial Statements.

Contractual Obligations

Debt Obligations

On August 4, 2021, we used a portion of the net proceeds from the IPO to repay a portion of the incremental term loan outstanding under the Old Credit Agreement totaling $215.9 million, plus accrued interest of $1.0 million. See Note 8 of the Notes to the Consolidated Financial Statements for more information regarding the repayment. On December 8, 2021, we entered into our Credit Agreement with various financial institutions consisting of a $465.0 million New Term Loan and our $100.0 million New Revolving Credit Facility.

In connection with the closing of the Credit Agreement, we repaid in full approximately $451.4 million of borrowings, including accrued interest, under the Old Credit Agreement. The term loan and revolving credit facilities and related agreements and documents under the Old Credit Agreement were terminated upon the effectiveness of the Credit Agreement.

Tax Receivable Agreement

On July 29, 2021, we executed the TRA with the TRA Participants. The TRA provides for the payment by us to the TRA Participants of 85% of the amount of cash savings, if any, in U.S. federal, state, and local income tax that we actually realize, or are deemed to realize (calculated using certain assumptions), as a result of the utilization of such tax benefits, including certain tax benefits attributable to payments under the TRA. See Note 15 of the Notes to the Consolidated Financial Statements for more information regarding the TRA.

Contingent Valuation Rights ("CVRs")

In connection with the acquisition of Snap One by H&F, we issued CVRs to the sellers. Each CVR gives the holder the ability to earn cash payments based on the return of H&F's original investment hitting stated thresholds in relation to the proceeds received from disposition of H&F's initial ownership units, which collectively entitle the sellers to receive from us, in certain circumstances, payments in an aggregate of up to $25 million. The CVRs were issued at two thresholds. The first CVR is payable to the holders when H&F's return on investment grows to between 2.25 and 2.5 times H&F's original investment. The second CVR is payable to the holders when H&F's return on investment grows to between 2.5 and 2.67 times H&F's original investment. Beginning on September 24, 2021, we have recorded CVR obligations at fair value utilizing the Monte Carlo simulation in an option-pricing framework. Adjustments to the fair value of CVR liabilities are included in selling, general and administrative expenses in our consolidated statement of operations. See Note 9 of the Notes to the Consolidated Financial Statements for more information regarding CVRs.

Lease Commitments

The Company leases offices, warehouse space, and distribution centers. These leases are classified as operating leases with various expiration dates through 2032. See Note 16 of the Notes to the Consolidated Financial Statements for more information regarding Lease Commitments.

Seasonality

Our business experiences a moderate amount of seasonality. Sales activity is generally highest in the second quarter when our outdoor solutions, which include outdoor audio, video, surveillance and access points, come into season. Sales continue to be strong in the third and fourth quarters due to end consumers' desire to complete home projects prior to the holidays, followed by a modest slowdown in sales activity in the first quarter due to reduced integrator activity following the holiday season. Additionally, we generally experience a modest sales lift at the end of each calendar quarter as integrators seek to meet loyalty program spend thresholds.

Critical Accounting Estimates and Policies

Our accounting policies are more fully described in Note 2 to our consolidated financial statements included elsewhere in this Form 10-K. Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, net sales, expenses and related disclosures during the reported period. In accordance with GAAP, we base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, and to the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. Our most critical accounting estimates and policies are summarized below.

Revenue Recognition

We sell hardware products to professional integrators, who then resell the products to end consumers, typically in the installation of an audio/video, information technology, smart-home or surveillance-related package. In certain instances, we sell specific products directly to end consumers. Our products consist of hardware products with and without embedded software, as well as third-party products. We provide services associated with product sales including the ability to access our hosted OvrC application ("hosting"), technical support, subscription services and access to unspecified software updates and upgrades. The OvrC application provides customers and integrators with a cloud-based remote management and monitoring platform to assist end consumers. These services are typically provided at no additional charge to the customer.

For product sales, revenue is recognized when the integrator or, in the case of direct sales, customer obtains control of the product, which occurs upon shipment, in an amount that reflects the consideration expected to be received in exchange for those products. For services, revenue is recognized ratably over the contract period in an amount that reflects the consideration expected to be received in exchange for those services as the integrator or customer receives such services on a consistent basis throughout the contract period. The technical support represents a series of distinct performance obligations that have the same pattern of transfer to the integrator or customer, and thus are recognized as a single performance obligation ratably over the estimated life of the related product.

Our contracts with integrators, distributors and retailers can include promises to transfer multiple products and services. Determining whether multiple products and services are considered distinct performance obligations that should be accounted for separately rather than as a combined performance obligation can require significant judgment.

For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation based on the relative standalone selling price ("SSP"). Judgment is required to determine the SSP for each distinct performance obligation that is not sold separately, including technical support, customer reward programs, unspecified software updates and upgrades and hosting. In instances where SSP is not directly observable, the primary method used to estimate the SSP is the expected cost plus an estimated margin approach, under which we forecast the expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct service based on margins for similar services sold on a standalone basis.

For hardware products sold with embedded software, the products are dependent on, and highly interrelated with, the underlying software, and accounted for as a single performance obligation with revenue recognized at the point in time when control is transferred to the integrator or customer, which is at the time the product is shipped. In cases where there is more than one performance obligation, a portion of the transaction price is allocated to hosting, unspecified software updates and upgrades and technical support based on a relative stand-alone selling price method, as these services are provided at no additional charge. The allocated transaction price and corresponding revenue is deferred at the time of sale and recognized ratably over the estimated life of the related devices as this method best depicts the progress towards the completion of the related performance obligation.

We offer a subscription service that allows end consumers to control and monitor their homes remotely and allows the end consumer's respective integrator to perform remote diagnostic services. With a subscription, the integrator simultaneously receives and consumes the benefits provided by us throughout the subscription period as we make the service available for use. There is a single performance obligation associated with the subscription services and the related revenue is deferred and recognized ratably over the contract period, which is typically one year, as this method best depicts the progress towards the completion of the related performance obligation.

We generate our revenue from the sale of products and services primarily as a principal, and for certain third-party product sales, as an agent. We have determined that we are the agent for such third-party product sales where the supplier is the party responsible for ensuring fulfillment of the orders, has the obligation to mitigate any issues the customers may have with the products and has the discretion in establishing the price for the products. In such cases, we do not control the promised good before it is transferred. We record sales for which we act as an agent on a net basis.

We have various customer rewards programs ("marketing incentive programs"), which enable participants to earn points for qualifying rewards. The points are redeemed for rewards, including various prizes or product credits for future purchases. The marketing incentive programs provide the integrator or customer a material right and gives rise to a separate performance obligation. The related revenue and expense incurred are recognized at the time of redemption, expiration or forfeiture, as that is the point at which the performance obligation related to this incentive program is satisfied.

Certain integrators or customers may receive cash-based incentives or credits ("volume rebates") which are accounted for as variable consideration. We record reductions to revenue for integrator incentives at the time of the initial sale, which is based on estimates of the sales volume customers will reach during the measured period. Revenue is recognized net of estimated discounts, rebates, returns, allowances and any taxes collected from integrators or customers, which are subsequently remitted to governmental authorities. We estimate the reduction to sales and cost of sales for returns based on current sales levels and historical return trends.

Share-Based Compensation

Former Parent Entity Incentive Plan — In October 2017, the Former Parent Entity approved the 2017 Plan pursuant to the Former Parent Entity's partnership agreement ("Partnership Agreement"), which established the terms and provided for grants of certain incentive units to employees, officers, directors, consultants, and advisors of the Former Parent Entity containing service-based and/or market-based vesting criteria. Class B-1 Incentive Units ("B-1 Units") issued under the 2017 Plan vest in installments over a five-year period, subject to the grantee's continued employment or service. Class B-2 Incentive Units ("B-2 Units" and collectively with the B-1 Units, "Incentive Units") issued under the 2017 Plan contain both service conditions consistent with the B-1 Units and market-based vesting conditions that require the achievement of a specified return hurdle to the controlling shareholders in order to vest.

The grant date fair value of all Incentive Units is estimated using the Black-Scholes option pricing model and is not remeasured. The pricing model requires assumptions, which include the expected holding period, the risk-free rate of return, the expected dividend yield, discount for lack of marketability and expected volatility of the units over the expected life, which significantly impacts the fair value. We account for forfeitures as they occur. In connection with the IPO, all Incentive Units were replaced with restricted stock awards or exchanged into shares of our common stock. See Note 13 to the Notes to the Consolidated Financial Statements for more information regarding Incentive Units and the Equity Award Conversion.

2021 Incentive Plan — On July 16, 2021, the Company adopted the 2021 Equity Incentive Plan ("2021 Plan") in order to provide a means through which to attract, retain and motivate key personnel. Awards available for grant under the 2021 Plan include non-qualified and incentive stock options, restricted shares of our common stock, other equity-based awards tied to the value of our common stock and cash-based awards. The fair value of restricted stock awards and units granted are based on the Company's closing stock price on the date of grant. The Company also granted Time-based and Market-based options. The Company recognizes share based compensation expense based on the fair value of the awards at the grant date. The Company utilized the Black-Scholes option pricing model to estimate the fair value of the Time-based Options. The Company used a Monte Carlo simulation to estimate the fair value and derived service period of the Market-based Options. Significant assumptions included in these models were the risk-free interest rate, the expected volatility, and the expected dividend yield. Volatility was estimated based on historical volatility of comparable companies. The average expected term for the Market-based Options was derived based on an average of the outcomes of various scenarios performed under the Monte Carlo simulation. Both pricing models require various highly judgmental assumptions including volatility and expected option term. If any of the assumptions used in the models change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. See Note 13 to the Notes to the Consolidated Financial Statements for more information regarding stock based compensation.

Income Taxes

We estimate certain components of our provision for income taxes. Our estimates and judgments include, among other items, the calculations used to determine the deferred tax asset and liability balances, effective tax rates for state, local and foreign income taxes, uncertain tax positions, amounts deductible for tax purposes, and related reserves. We adjust our annual effective income tax rate as additional information on outcomes or events becomes available. Further, our assessment of uncertain tax positions requires judgments relating to the amounts, timing and likelihood of resolution.

We account for income taxes under the liability method whereby deferred tax assets and liabilities are measured using enacted tax laws and rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effects on deferred tax assets and liabilities of subsequent changes in the tax laws and rates are recognized in income during the year the changes are enacted.

In assessing the realizability of deferred tax assets, we consider whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

We follow the applicable authoritative guidance with respect to the accounting for uncertainty in income taxes recognized in our consolidated financial statements. It prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. We record any interest and penalties associated as additional income tax expense in the consolidated statements of operations. See Note 14 to the Notes to the Consolidated Financial Statements for further information.

Tax Receivable Agreement

On July 29, 2021, we executed a TRA with the TRA Participants that provides for payment by the Company to the TRA Participants of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the Company utilizes in the future from net operating losses and certain other tax benefits that arose prior to the IPO. We recognize this contingent liability in our consolidated financial statements when incurrence of the liability becomes probable and amounts are reasonably estimable. The TRA liability is an estimate and estimating the amount of payments that may be made under the TRA is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The amount and timing of any payments under the TRA will vary depending upon a number of factors, including the amount, character and timing of the Company’s income. Subsequent changes to the measurement of the TRA liability are recognized in the statements of income as a component of other (expense) income, net.

Business Combinations

All of our acquisitions have been accounted for under ASC 805, Business Combinations. Accordingly, the accounts of the acquired companies, after adjustments to reflect fair values assigned to assets and liabilities, have been included in the consolidated financial statements from their respective dates of acquisition. We record purchase price in excess of amounts allocated to identifiable assets and liabilities as goodwill. Goodwill includes, but is not limited to, the value of the workforce in place, ability to generate profits and cash flows, and an established going concern.

Customer relationships have been valued using the multi-period excess earnings method, a derivative of the income approach. The multi-period excess earnings method estimates the discounted net earnings attributable to the customer relationships that were acquired after considering items, such as possible customer attrition. Estimated useful lives were determined based on the length and trend of projected cash flows. The length of the projected cash flow period was determined based on how quickly the customer relationships are expected to amortize, which is based on our historical experience in renewing and extending similar customer relationships and future expectations for renewing and extending similar existing customer relationships. The useful life of the customer relationships intangible assets represents the number of years over which we expect the customer relationships to economically contribute to the business.

The trade names have been valued using the relief from royalty method under the income approach to estimate the cost savings that will accrue to us, which we would otherwise have to pay royalties or license fees on revenue earned through the use of the assets. Estimated useful lives were determined based on management’s estimate of the period the name will be in use.

Technology has been valued using the relief from royalty method to value technology related to three major categories: Other Home Automation, Lighting, and Speakers. The relief from royalty method, a derivative of the income approach, was used to estimate the cost savings that will accrue to us, which we would otherwise have to pay royalties or license fees on revenue earned through the use of the asset. Estimated useful lives were determined based on management’s estimate of the period the technology will be in use.

Inventories, Net

Inventory is stated at the lower of cost or net realizable value, cost being determined under the moving- average method of inventory, first-in, first-out (FIFO) basis of inventory and specific identification basis of inventory. Inventory costs include the net acquisition cost from the factory, the cost of transporting the product to our warehouses and product assembly costs. Reserves for slow-moving and obsolete inventories are provided on historical experience, inventory aging and product demand. Our reserve estimates require us to make assumptions based on the current rate of sales, age, salability of inventory and profitability of inventory, all of which may be affected by changes in our product mix and consumer preferences. We do not believe there is a reasonable likelihood that there will be a material change in the assumptions we use to calculate our inventory reserves. However, if actual results are not consistent with our estimates and assumptions, we may be exposed to losses or gains that could be material. We evaluate the adequacy of these reserves and make adjustments to reserves, as required.

Goodwill and Intangible Assets

Goodwill and identifiable indefinite lived intangible assets have historically been tested for impairment annually as of the end of the third quarter of each fiscal year, or more frequently upon the occurrence of certain events or substantive changes in circumstances that indicate impairment is more likely than not. During the current year, we changed the date of the annual impairment test from the last day of the third quarter to the first day of the fourth quarter of each year. This change is preferable because it aligns our impairment testing procedures with our annual business planning and budgeting process and allows us to maximize time and resources required to perform the impairment analysis. We do not consider this change in impairment testing date to be a material change in the application of an accounting principle. We performed annual impairment tests for goodwill and indefinite lived intangible assets at September 24 and September 25, 2021, and concluded there was no impairment.

In assessing potential goodwill impairment, we may first assess qualitative factors to determine whether events or circumstances indicate it is more likely than not that the fair value of our net assets is less than the carrying amount of our single reporting unit. If the qualitative factors indicate it is more likely than not that the fair value of net assets is less than its carrying amount, we perform a quantitative impairment test. In the quantitative assessment, we compare the fair value of the reporting unit to its carrying value. We estimate the fair value of the reporting unit using generally accepted valuation techniques which include a weighted combination of income and market approaches. The income approach incorporates a discounted future cash flows analysis with key assumptions in the cash flow model for future net sales, operating costs, working capital changes, capital expenditures and a discount rate that approximates our weighted-average cost of capital. The market approach considers our results of operations and information about our publicly traded competitors, such as earnings multiples, making adjustments to the selected competitors based on size, strengths and weaknesses, as well as publicly announced acquisition transactions.

Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and projections of future operating performance. If these assumptions differ materially from future results, we may record impairment charges in the future.

We review identifiable definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For fiscal years 2021, 2020 and 2019, we determined that there were no indicators of impairment relating to identifiable definite lived intangible assets.

Warranties

We provide assurance-type warranties on most of our proprietary products covering periods that vary between one year and the lifetime of the product. The warranties cover products that are defective under normal conditions of use and are in-line with industry standards. We estimate the costs that may be incurred under these warranties and record the liability at the time product sales are recorded. The warranty liability is primarily based on historical failure rates and costs to repair or replace the product, including any necessary shipping costs.

Contingent Valuation Rights ("CVRs")

In connection with the acquisition of Snap One by H&F, we issued CVRs to the sellers. Each CVR gives the holder the ability to earn cash payments based on the return of H&F's original investment hitting stated thresholds in relation to the proceeds received from disposition of H&F's initial ownership units. The CVRs were issued at two thresholds. The first CVR is payable to the holders when H&F's return on investment grows to between 2.25 and 2.5 times H&F's original investment. The second CVR is payable to the holders when H&F's return on investment grows to between 2.5 and 2.67 times H&F's original investment. Beginning on September 24, 2021, we have recorded CVR obligations at fair value utilizing the Monte Carlo simulation in an option-pricing framework, where a range of possible scenarios are simulated, in order to determine the fair value of the CVRs. Key inputs and assumptions using a Monte-Carlo simulation include the current stock price, probabilities of exit scenarios, risk-free interest rates and equity volatility. The fair value estimate of the

CVR is based, in part, on subjective assumptions and could differ materially in the future. Any future increase in the fair value of the CVR obligations, based on an increased likelihood that the underlying milestones will be achieved, and the associated payment or payments will, therefore, become due and payable, will result in a charge to selling, general and administrative expenses in the period in which the increase is determined. Similarly, any future decrease in the fair value of the CVR obligations will result in a reduction in selling, general and administrative expenses.

Recent Accounting Pronouncements

See Note 2 of the Notes to the Consolidated Financial Statements for information regarding recently issued accounting pronouncements.

Emerging Growth Company Status

We qualify as an "emerging growth company" as defined in the JOBS Act. An emerging growth company may take advantage of reduced reporting requirements that are not otherwise applicable to public companies. These provisions include, but are not limited to:

- not being required to comply with the requirement to provide the auditor attestation report on internal controls over financial reporting under Section 404(b) of the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation arrangements in our periodic reports, proxy statements and registration statements; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We may use these provisions until the last day of our fiscal year in which the fifth anniversary of the completion of our IPO occurs (which will be December 25, 2026). However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer," our annual gross revenues exceed $1.07 billion, or we issue more than $1.0 billion of nonconvertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

Under the JOBS Act, emerging growth companies also can delay adopting new or revised accounting standards until such time as those standards would otherwise apply to private companies. We currently intend to take advantage of this exemption.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Snap One Holdings Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Snap One Holdings Corp. and subsidiaries (the "Company") as of December 31, 2021 and December 25, 2020, the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows, for each of the three fiscal 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 December 25, 2020, and the results of its operations and its cash flows for each of the three fiscal years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

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 Public Company Accounting Oversight Board (United States) (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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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.

/s/ DELOITTE & TOUCHE LLP
Charlotte, North Carolina
March 23, 2022

We have served as the Company's auditor since 2014.

Snap One Holdings Corp. and Subsidiaries

Consolidated Balance Sheets
(in thousands, except par value)

	As of	
	December 31, 2021	**December 25, 2020**
Assets		
Current assets:		
Cash and cash equivalents	$ 40,577	$ 77,458
Accounts receivable, net	52,620	49,363
Inventories, net	210,964	157,099
Prepaid expenses and other current assets	35,114	9,650
Total current assets	339,275	293,570
Long-term assets:		
Property and equipment, net	22,603	20,208
Goodwill	580,761	559,735
Other intangible assets, net	587,192	617,616
Other assets	10,550	6,409
Total assets	$ 1,540,381	$ 1,497,538
Liabilities and stockholders' equity		
Current liabilities:		
Current maturities of long-term debt	$ 3,488	$ 21,149
Accounts payable	72,781	68,941
Accrued liabilities	75,517	80,658
Total current liabilities	151,786	170,748
Long-term liabilities:		
Long-term debt, net of current portion	449,256	630,864
Deferred income tax liabilities, net	48,555	55,518
Tax receivable agreement liability	112,406	—
Other liabilities	30,103	22,669
Total liabilities	792,106	879,799
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Common stock, $0.01 par value, 500,000 shares authorized; 74,427 shares issued and outstanding as of December 31, 2021 and 59,217 shares issued and outstanding at December 25, 2020	744	592
Preferred stock, $0.01 par value; 50,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in capital	826,718	659,093
Accumulated deficit	(79,420)	(43,018)
Accumulated other comprehensive (loss) income	(28)	756
Company's stockholders' equity	748,014	617,423
Noncontrolling interest	261	316
Total stockholders' equity	748,275	617,739
Total liabilities and stockholders' equity	$ 1,540,381	$ 1,497,538

See accompanying Notes to the Consolidated Financial Statements.

Snap One Holdings Corp. and Subsidiaries

Consolidated Statements of Operations
(in thousands, except per share amounts)

	For the Years Ended		
	December 31, 2021	December 25, 2020	December 27, 2019
Net sales	$ 1,008,013	$ 814,113	$ 590,842
Costs and expenses:			
Cost of sales, exclusive of depreciation and amortization	599,923	474,778	354,821
Selling, general and administrative expenses	350,252	267,240	209,986
Depreciation and amortization	56,581	57,972	39,657
Total costs and expenses	1,006,756	799,990	604,464
Income (loss) from operations	1,257	14,123	(13,622)
Other expenses (income):			
Interest expense	33,162	45,529	35,244
Loss on extinguishment of debt	12,072	—	—
Other expense (income), net	(878)	(1,827)	(1,048)
Total other expenses	44,356	43,702	34,196
Loss before income taxes	(43,099)	(29,579)	(47,818)
Income tax benefit	(6,642)	(4,351)	(13,357)
Net loss	(36,457)	(25,228)	(34,461)
Net loss attributable to noncontrolling interest	(55)	(344)	(97)
Net loss attributable to Company	$ (36,402)	$ (24,884)	$ (34,364)
Net loss per share, basic and diluted	$ (0.56)	$ (0.42)	$ (0.59)
Weighted average shares outstanding, basic and diluted	65,541	58,865	58,103

See accompanying Notes to the Consolidated Financial Statements.

Snap One Holdings Corp. and Subsidiaries

Consolidated Statements of Comprehensive (Loss) Income
(in thousands)

	For the Years Ended		
	December 31, 2021	December 25, 2020	December 27, 2019
Net loss	$ (36,457)	$ (25,228)	$ (34,461)
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(784)	795	(39)
Comprehensive loss	(37,241)	(24,433)	(34,500)
Comprehensive loss attributable to noncontrolling interest	(55)	(344)	(97)
Comprehensive loss attributable to Company	$ (37,186)	$ (24,089)	$ (34,403)

See accompanying Notes to the Consolidated Financial Statements.

Snap One Holdings Corp. and Subsidiaries

Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Stockholders' Equity
Balance - December 25, 2020	59,217	$ 592	$ 659,093	$ (43,018)	$ 756	$ 316	$ 617,739
Net loss	—	—	—	(36,402)	—	(55)	(36,457)
Equity Contributions	—	—	10,025	—	—	—	10,025
Foreign currency translation adjustments	—	—	—	—	(784)	—	(784)
Equity-based compensation	—	—	21,522	—	—	—	21,522
Issuance of common stock for initial public offering, net of offering costs	15,021	150	249,004	—	—	—	249,154
Issuance of common stock pursuant to equity incentive plans	189	2	(2)	—	—	—	—
Establishment of income tax receivable liability	—	—	(112,681)	—	—	—	(112,681)
Other	—	—	(243)	—	—	—	(243)
Balance - December 31, 2021	74,427	$ 744	$ 826,718	$ (79,420)	$ (28)	$ 261	$ 748,275

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Stockholders' Equity
Balance - December 27, 2019	58,140	$ 581	$ 654,420	$ (18,134)	$ (39)	$ 99	$ 636,927
Net loss	—	—	—	(24,884)	—	(344)	(25,228)
Equity Contributions	—	—	400	—	—	561	961
Foreign currency translation adjustments	—	—	—	—	795	—	795
Equity-based compensation	—	—	4,284	—	—	—	4,284
Additional share issuance	1,077	11	(11)	—	—	—	—
Balance - December 25, 2020	59,217	$ 592	$ 659,093	$ (43,018)	$ 756	$ 316	$ 617,739

Snap One Holdings Corp. and Subsidiaries

Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Stockholders' Equity
Balance - December 28, 2018	58,077	$ 581	$ 395,255	$ 16,230	$ —	$ 64	$ 412,130
Net loss	—	—	—	(34,364)	—	(97)	(34,461)
Equity Contributions	63	—	255,510	—	—	132	255,642
Foreign currency translation adjustments	—	—	—	—	(39)	—	(39)
Equity-based compensation	—	—	3,673	—	—	—	3,673
Repurchase of equity units	—	—	(18)	—	—	—	(18)
Balance - December 27, 2019	58,140	$ 581	$ 654,420	$ (18,134)	$ (39)	$ 99	$ 636,927

See accompanying Notes to the Consolidated Financial Statements.

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

	For the Years Ended		
	December 31, 2021	**December 25, 2020**	**December 27, 2019**
Cash flows from operating activities:			
Net loss	$ (36,457)	$ (25,228)	$ (34,461)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation and amortization	56,581	57,972	39,657
Amortization of debt issuance costs	5,053	6,101	3,895
Loss on extinguishment of debt	12,072	—	—
Unrealized loss on interest rate cap	—	5	257
Deferred income taxes	(7,977)	(5,423)	(13,772)
(Gain) loss on sale of business	—	(979)	561
Loss on sale and disposal of property and equipment	437	29	—
Equity-based compensation	21,522	4,284	3,673
Bad debt expense	801	1,094	838
Fair value adjustment to contingent value rights	4,900	800	314
Valuation adjustment to TRA liability	(275)	—	—
Change in operating assets and liabilities:			
Accounts receivable	(2,956)	(4,231)	(3,191)
Inventories	(51,844)	7,862	(9,332)
Prepaid expenses and other assets	(27,407)	1,932	1,934
Accounts payable and accrued liabilities	(4,865)	20,009	5,528
Net cash (used in) provided by operating activities	(30,415)	64,227	(4,099)
Cash flows from investing activities:			
Acquisition of business, net of cash acquired	(26,025)	—	(584,192)
Purchases of property and equipment	(10,004)	(10,245)	(4,496)
Issuance of notes receivable	(925)	—	—
Proceeds from sale of business	—	600	—
Other	(429)	79	86
Net cash used in investing activities	(37,383)	(9,566)	(588,602)
Cash flows from financing activities:			
Proceeds from long-term debt	465,000	—	390,000
Payments on long-term debt	(672,608)	(6,824)	(2,923)
Payments of debt issuance costs	(9,709)	—	(20,198)
Proceeds from revolving credit facility	—	52,000	34,000
Payments on revolving credit facility	—	(57,000)	(38,000)
Proceeds from initial public offering, net of offering costs	249,154	—	—
Proceeds from capital contributions	—	961	255,043
Repurchase of equity units	—	—	(18)
Net cash provided by (used in) financing activities	31,837	(10,863)	617,904
Effect of exchange rate changes on cash and cash equivalents	(920)	483	(125)
Net (decrease) increase in cash and cash equivalents	(36,881)	44,281	25,078
Cash and cash equivalents at beginning of the period	77,458	33,177	8,099
Cash and cash equivalents at end of the period	$ 40,577	$ 77,458	$ 33,177
Supplementary cash flow information:			
Cash paid for interest	$ 34,273	$ 42,845	$ 21,939
Cash paid (refunds) for taxes, net	$ 2,065	$ 217	$ (1,591)
Noncash investing and financing activities:			
Noncash tax receivable agreement liability	$ 112,681	$ —	$ —
Noncash equity contribution	$ 10,025	$ 428	$ 599
Capital expenditure in accounts payable	$ 775	$ 140	$ 349

See accompanying Notes to the Consolidated Financial Statements.

1. Organization and Description of Business

Snap One Holdings Corp. (referred to herein as “Snap One” or “Company”) is incorporated in Delaware with its principal executive offices located in Charlotte, North Carolina and Draper, Utah. The Company provides products, services, and software to its network of professional integrators that enable them to deliver smart living experiences for their residential and small business end users. The Company’s hardware and software portfolio includes leading proprietary and third-party offerings across connected, infrastructure, and entertainment categories. Additionally, the Company provides technology-enabled workflow solutions to support the integrator throughout the project lifecycle, enhancing their operations and helping them to profitably grow their businesses.

Initial Public Offering — On July 30, 2021, the Company completed its initial public offering (“IPO”) of 13,850 shares of its common stock, and on August 18, 2021, completed the sale of 1,171 shares of additional common stock to the underwriters pursuant to their option to purchase additional shares, at an offering price of $18.00 per share. The Company raised net proceeds of $249,154 through the IPO, after deducting underwriting discounts and other offering costs of $21,219. During the year ended December 31, 2021, the Company expensed $4,755 of IPO costs. The Company’s registration statement on Form S-1 (File No. 333-257624) relating to its IPO was declared effective by the Securities and Exchange Commission (“SEC”) on July 27, 2021.

2. Significant Accounting Policies

Basis of Presentation — The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (“GAAP”). The consolidated financial statements include the accounts of the Company and all subsidiaries required to be consolidated. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

The Company’s fiscal year is the 52 or 53-week period that ends on the last Friday of December. Fiscal year 2021 is a 53-week period, and fiscal years 2020 and 2019 were 52-week periods.

Use of Accounting Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. Accordingly, the actual amounts could differ from those estimates. If actual amounts differ from estimates, revisions are included in the consolidated statements of operations in the period the actual amounts become known.

Significant estimates relied upon in preparing these consolidated financial statements include, but are not limited to, the amortization period associated with customer relationships, estimated standalone selling prices associated with products that contain distinct performance obligations not sold separately, warranty reserves, excess and obsolete inventory reserves, impairment of long-lived assets, impairment of indefinite lived intangibles and goodwill, assumptions related to the valuation of CVRs and equity awards, the valuation allowance associated with deferred tax assets, and the valuation of assets and liabilities associated with acquisitions. If actual amounts differ from estimates, revisions are included in the consolidated statements of operations in the period the actual amounts become known.

Segment Information — Operating segments are identified as components of an enterprise for which discrete financial information is available for evaluation by the chief operating decision-maker, or CODM, in making decisions regarding resource allocation and assessing performance. The Company’s CODM is its Chief Executive Officer. The Company’s CODM views its operations and manages the business as a single operating segment and reportable segment.

Fair Value Measurements — GAAP defines fair value as the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Assets and liabilities recorded at fair value are measured and classified in accordance with a three-tier fair value hierarchy based on the observability of the inputs available in the market used to measure fair value:

(in thousands, except per share amounts)

Level 1—Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date.

Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

This fair value hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company's financial instruments that are remeasured at fair value on a recurring basis include CVRs and the interest rate cap (see Note 9). Additionally, cash and cash equivalents, accounts receivable, net, prepaid expenses, accounts payable, and accrued liabilities are classified as Level 1 and the carrying value of these assets and liabilities approximate their fair value due to the short-term nature of these financial instruments. See Note 9 for further details on fair value measurements.

Certain non-financial assets, such as property and equipment, goodwill and other intangible assets, are adjusted to fair value when an impairment charge is recognized using predominantly Level 2 and Level 3 inputs.

Cash and Cash Equivalents — The Company considers all cash on hand, credit card receivables, and short-term investments with original maturities of three months or less to be cash and cash equivalents.

Accounts Receivable, **Net** — Accounts receivable are recorded at the invoiced amount less allowances for doubtful accounts and do not bear interest. The allowance for nonpayment by customers is based on the creditworthiness and historical payment experience of the Company's customers, age of receivables and current market conditions. Provisions for uncollectible receivables are recorded in selling, general and administrative expenses in the consolidated statements of operations. The Company writes off accounts receivable balances to the allowance for doubtful accounts when it becomes likely that they will not be collected.

Changes in the Company's allowance for doubtful accounts for the years ended December 31, 2021, December 25, 2020 and December 27, 2019 are as follows:

Allowance for doubtful accounts - December 28, 2018	$	615
Bad debt expense		838
Write-offs		(697)
Allowance for doubtful accounts acquired		1,380
Allowance for doubtful accounts - December 27, 2019	$	2,136
Bad debt expense		1,094
Write-offs		(877)
Allowance for doubtful accounts - December 25, 2020	$	2,353
Bad debt expense		801
Write-offs		(686)
Allowance for doubtful accounts - December 31, 2021	$	2,468

Concentration of Credit Risk — The Company's cash and cash equivalents and accounts receivable are potentially subject to concentration of credit risk. Certain balances in cash and cash equivalents exceed the Federal Deposit Insurance Corporation limit of $250. The Company believes credit risk related to these deposits is minimal. Accounts receivable are derived from revenue earned from customers. For the years ended December 31, 2021, December 25, 2020 and December 27, 2019, no customer accounted for more than 10% of net sales. No individual customer accounted for more than 10% of accounts receivable, net, at December 31, 2021 or December 25, 2020.

Property and Equipment, Net — Property and equipment, net is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in selling, general and administrative expenses on the consolidated statements of operations.

(in thousands, except per share amounts)

The following table summarizes the estimated useful lives of each respective asset category:

Equipment	2 - 10 years
Computers and software	3 - 5 years
Furniture and fixtures	2 - 7 years
Leasehold improvements	Shorter of 15 years or life of lease

Property and equipment, net is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverability of property and equipment, net is evaluated by comparing the carrying amount to the estimated undiscounted cash flows. If the carrying amount exceeds the estimated undiscounted cash flows, an impairment charge would be recognized for the amount by which the carrying amount exceeds the fair value of the property and equipment, net. There were no impairment losses recognized by the Company for the years ended December 31, 2021, December 25, 2020 and December 27, 2019.

Internal-Use Software — The Company capitalizes costs associated with customized internal-use software systems once they have reached the application development stage. Such capitalized costs include external direct costs utilized in developing or obtaining the applications and payroll and payroll-related expenses for employees who are directly associated with the development of the applications. Capitalization of such costs begins when the preliminary project stage is complete and ceases at the point in which the project is substantially complete and is ready for its intended purpose.

Goodwill and Other Intangible Assets — Goodwill and identifiable indefinite lived intangible assets were historically tested for impairment annually as of the end of the third quarter of each fiscal year, or more frequently upon the occurrence of certain events or substantive changes in circumstances that indicate impairment is more likely than not. During the current year, the Company changed the date of its annual impairment test from the last day of the third quarter to the first day of the fourth quarter of each year. This change is preferable because it aligns the Company's impairment testing procedures with its annual business planning and budgeting process and allows the Company to maximize time and resources required to perform the impairment analysis. The Company does not consider this change in impairment testing date to be a material change in the application of an accounting principle. The Company performed annual impairment tests for goodwill and indefinite lived intangible assets at September 24 and September 25, 2021, and concluded there was no impairment.

In assessing potential goodwill impairment, the Company has the option to first assess qualitative factors to determine whether events or circumstances indicate it is more likely than not that the fair value of the Company's net assets is less than the carrying amount of the Company's single reporting unit. If the qualitative factors indicate it is more likely than not that the fair value of net assets is less than its carrying amount, the Company performs a quantitative impairment test. In the quantitative assessment, the Company compares the fair value of the reporting unit to its carrying value. The Company determines fair value of its reporting unit using an income or market approach incorporating market participant considerations and management's assumptions on revenue growth rates, operating margins, discount rates and expected capital expenditures.

The Company's valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and projections of future operating performance. If these assumptions differ materially from future results, the Company may record impairment charges in the future.

The Company reviews identifiable definite lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the years ended December 31, 2021, December 25, 2020 and December 27, 2019, the Company determined there were no indicators of impairment relating to identifiable definite lived intangible assets. The Company amortizes definite lived intangible assets using the straight-line method over their estimated useful lives. See Note 7.

Notes Receivable — Notes receivable are presented in other assets. The Company accrues interest on notes receivable based on the contractual terms of the notes. As of December 31, 2021, and December 25, 2020, the outstanding notes receivable balance was $6,484 and $5,115, respectively, and no allowance was recorded against the balance.

Self-Insured Liabilities — The Company is self-insured for employee medical coverage. The Company records a liability for estimates of the aggregate ultimate losses and claims incurred but not reported. Adjustments to the reserve are made when the facts and circumstances change. If actual settlements of medical claims are greater than estimated amount, additional expense will be recognized. As of December 31, 2021, and December 25, 2020, the liability was $1,556 and $1,215, respectively.

Contingent Value Rights — In connection with the acquisition of the Company by the Former Parent Entity, the Company issued CVRs to the sellers. Each CVR gives the holder the ability to earn cash payments based on the return of H&F's original investment hitting stated thresholds. The CVRs were issued at two thresholds. The first CVR is payable to the holders when H&F's return on investment grows to between 2.25 and 2.5 times H&F's original investment. The second CVR is payable to the holders when H&F's return on investment grows to between 2.5 and 2.67 times H&F's original investment. The Company records CVR obligations at fair value. See Note 9 for more information relating to CVR obligations. Contingent consideration obligations generally become due and payable to the holders of these rights if specified future events occur or conditions are met. There were no amounts due and payable during the fiscal years ended December 31, 2021, and December 25, 2020.

Warranties — The Company provides assurance-type warranties on most of its proprietary products covering periods that vary between one year and the lifetime of the product. The warranties cover products that are defective under normal conditions of use and are in-line with industry standards. The Company estimates the costs that may be incurred under its warranties and records the liability at the time product sales are recorded. The warranty liability is primarily based on historical failure rates and costs to repair or replace the product, including any necessary shipping costs. Changes in the Company's accrued warranty liability for the years ended December 31, 2021, December 25, 2020 and December 27, 2019 can be found in Note 11.

Tax Receivable Agreement — On July 29, 2021, the Company executed a TRA with TRA Participants that provides for payment by the Company to the TRA Participants of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the Company utilizes in the future from net operating losses and certain other tax benefits that arose prior to the IPO. The Company recognizes this contingent liability in its consolidated financial statements when incurrence of the liability becomes probable and amounts are reasonably estimable. Subsequent changes to the measurement of the TRA liability are recognized in the statements of income as a component of other (expense) income, net. See Note 15 for more information about the TRA.

Revenue Recognition — The Company sells hardware products to professional installers, who then resell the products to end users, in the installation of an audio/video, IT, smart-home, or surveillance-related package. In certain instances, the Company sells specific products directly to end users. The Company's products consist of proprietary hardware products with and without embedded software, as well as third party products. The Company provides services associated with product sales including the ability to access the Company's hosted OvrC application ("hosting"), technical support, subscription services, and access to unspecified software updates and upgrades. The OvrC application provides the Company's customers, professional installers and other dealers, a cloud-based remote management and monitoring platform to assist end users ("end consumers"). These services are typically provided at no additional charge to the customer.

For product sales, revenue is recognized when the customer obtains control of the product, which occurs upon shipment, in an amount that reflects the consideration expected to be received in exchange for those products. For services, revenue is recognized ratably over the contract period in an amount that reflects the consideration expected to be received in exchange for those services as the customer receives such services on a consistent basis throughout the contract period. The technical support represents a series of distinct performance obligations that have the same pattern of transfer to the customer and are recognized as a single performance obligation ratably over the estimated life of the related product.

The Company's contracts with dealers, distributors, and retailers can include promises to transfer multiple products and services. Determining whether multiple products and services are considered distinct performance obligations that should be accounted for separately rather than as a combined performance obligation can require significant judgment.

For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation based on the relative standalone selling price ("SSP"). Judgment is required to determine the SSP for each distinct performance obligation that is not sold separately, including technical support, customer reward programs, unspecified software updates and upgrades, and hosting. In instances where SSP is not directly observable, the primary method used to estimate the SSP is the expected cost plus an estimated margin approach, under which the Company forecasts the expected costs of satisfying a performance obligation and then adds an appropriate margin for that distinct service based on margins for similar services sold on a standalone basis.

For hardware products sold with embedded software, the products are dependent on and highly interrelated with the underlying software and accounted for as a single performance obligation with revenue recognized at the point in time when control is transferred to the customer, which is at the time the product is shipped. In cases where there is more than one performance obligation, a portion of the transaction price is allocated to hosting, unspecified software updates and upgrades, and technical support based on a relative stand-alone selling price method, as these services are provided at no additional charge. The allocated transaction price and corresponding revenue is deferred at the time of sale and recognized ratably over the estimated life of the related devices as this method best depicts the progress towards the completion of the related performance obligation.

The Company offers a subscription service that allows consumers to control and monitor their homes remotely and allows the consumer's respective dealer to perform remote diagnostic services. With a subscription, the dealer simultaneously receives and consumes the benefits provided by the Company throughout the subscription period as the Company makes service available for use. There is a single performance obligation associated with the subscription services and the related revenue is deferred and recognized ratably over the contract period, which is typically one year, as this method best depicts the progress towards the completion of the related performance obligation.

The Company evaluates whether the Company is the principal or the agent for all customer sales. Generally, the Company reports revenue on a gross basis (the amount billed to customers is recorded as revenue, and the amount paid to vendors is recorded as cost of sales, exclusive of depreciation and amortization). The Company is the principal in these instances because the Company controls the inventory before it is transferred to customers. The Company's control is evidenced by the sole ability to monetize the inventory, being primarily responsible to customers, having discretion in pricing, or a combination of these factors. The Company also generates revenue through agency for certain third-party product sales where the supplier is the party responsible for ensuring fulfillment of the orders, has the obligation to mitigate any issues the customers may have with the products, and has the discretion in establishing the price for the products. In such cases, the Company does not control the promised good before it is transferred. The Company records sales for which the Company acts as an agent on a net basis.

The Company has various customer rewards programs ("marketing incentive programs"), which enable participants to earn points for qualifying rewards. The points are redeemed for rewards, including various prizes or product credits for future purchases. The marketing incentive programs provide the customer a material right and give rise to a separate performance obligation. The related revenue and expense incurred are recognized at the time of redemption, expiration, or forfeiture, as that is the point at which the performance obligation related to this incentive program is satisfied. As of December 31, 2021, and December 25, 2020, deferred revenue relating to marketing incentive programs was $768 and $1,508, respectively. The deferred revenue relating to marketing incentive programs is recorded in accrued liabilities on the Company's consolidated balance sheets. The expense associated with the marketing incentive programs was $1,245 and $1,672 for the years ended December 31, 2021, and December 25, 2020, respectively, and was included in cost of sales, exclusive of depreciation and amortization, in the accompanying consolidated statements of operations. There was no expense associated with marketing incentive programs for the year ended December 27, 2019.

Certain customers may receive cash-based incentives or credits ("volume rebates") which are accounted for as variable consideration. The Company records reductions to revenue for dealer incentives at the time of the initial sale, which is based on estimates of the sales volume customers will reach during the measured period.

Revenue is recognized net of estimated discounts, rebates, and return allowances. The Company estimates the reduction to sales and cost of sales, exclusive of depreciation and amortization for returns based on current sales levels and the Company's historical return trends. Sales return allowances and rebates were $9,275 and $7,403 as of December 31, 2021, and December 25, 2020, respectively.

The Company has elected to account for shipping and handling costs as activities to fulfill the promise to transfer the goods. As a result of this accounting policy election, the Company does not consider shipping and handling activities as promised services to its customers. Therefore, shipping and handling costs billed to customers are recorded in net sales, and the related costs in selling, general and administrative expenses.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined the contracts do not include a significant financing component. The invoicing terms provide customers with a simplified and predictable way to purchase products and services and are not intended to provide the customer with financing from the Company. The Company records revenue net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

ASC 606 requires companies to recognize an asset for the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. The Company has elected to immediately expense contract acquisition costs that would be amortized in one year or less. The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the benefit of those costs is expected to be longer than one year. These incremental costs were not material for all periods presented. There were no capitalized costs to fulfill a contract with a customer.

Selling, General and Administrative Expenses — Selling, general and administrative expenses include office expenses such as payroll and occupancy costs, costs related to warehousing, distribution, outbound transportation to the Company's customers, warranty, advertising, purchasing, insurance, non-income based taxes, research and development, and corporate overhead costs.

The Company includes the cost of shipping and handling products sold to customers in selling, general and administrative expenses, and records the cost as incurred. Shipping charges billed to customers are included in net sales. For the years ended December 31, 2021, December 25, 2020, and December 27, 2019, shipping and handling costs totaled $27,500, $21,993, and $18,340, respectively.

Research and Development Expenses — Research and development expenses consist primarily of personnel-related expenses for employees working on the product development and software and device engineering teams, including salaries, bonuses, stock-based compensation, benefits and other personnel costs, consulting and contractor expenses, as well as costs for prototypes, facilities, and travel. Research and development expenses were $65,459, $51,967 and $41,520 for the years ended December 31, 2021, December 25, 2020, and December 27, 2019, respectively.

Advertising — Advertising costs, which are expensed as incurred, consist primarily of direct mail and print advertising, internet marketing and advertising, and trade show events. Advertising expenses were $5,789, $4,476 and $5,653 for the years ended December 31, 2021, December 25, 2020 and December 27, 2019, respectively.

Share Based Compensation — The Company recognizes share based compensation expense based on the fair value of the awards at the grant date. The Company utilized the Black-Scholes option pricing model to estimate the fair value of the Time-based Options. The Company used a Monte Carlo simulation to estimate the fair value and derived service period of the Market-based Options. Compensation cost is recognized ratably over the vesting period of the related equity-based compensation award. Forfeitures are accounted for as they occur. For further discussion, see Note 13.

Other Expense (Income) — Other expense (income) primarily consists of interest income, gains and losses on disposal of businesses, and foreign currency remeasurement and transaction gains and losses.

Income Taxes — The Company files a consolidated federal income tax return and accounts for income taxes in accordance with ASC 740, *Income Taxes*, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or income tax returns. Under this method, deferred income tax assets and liabilities are recognized based on the differences between the consolidated financial statement amounts and income tax basis of assets and liabilities using enacted tax rates in effect for the period in which the differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amount expected to be realized. For additional information, see Note 14.

The Company records liabilities for income tax positions taken, or expected to be taken, when those positions are deemed uncertain to be upheld upon examination by taxing authorities. Interest and penalties, if incurred, would be recorded within the income tax provision in the accompanying consolidated statements of operations.

Foreign Currency Translation and Foreign Currency Transactions — The functional currency of the Company's foreign subsidiaries is the pound sterling for the United Kingdom, Germany and Serbia; the Australian dollar for Australia; and the U.S. dollar for China and India. For subsidiaries with a functional currency different from the U.S. dollar, the subsidiaries' assets and liabilities have been translated to U.S. dollars using the exchange rates in effect at the balance sheet dates. Statements of operations amounts have been translated using the monthly average exchange rate for each year. Foreign currency translation gains or losses are reflected in accumulated other comprehensive loss as a component of equity in the accompanying consolidated balance sheets. Foreign currency remeasurement and transaction gains and losses are included in other income.

Net Loss Per Share — The Company calculates net loss per share by dividing the net loss by the weighted average number of common shares outstanding. See Note 18 for information regarding the calculation of basic and dilutive shares for the periods presented.

Emerging Growth Company Status — The JOBS Act permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. The Company has elected not to "opt out" of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company will adopt the new or revised standard at the time private companies adopt the new or revised standard and will do so until such time that the Company either (i) irrevocably elects to "opt out" of such extended transition period or (ii) no longer qualifies as an emerging growth company. The Company may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for private companies.

Recent Accounting Pronouncements Pending Adoption — In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. This new guidance requires lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. Recently, the FASB issued ASU 2020-05, which deferred the effective date to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

The Company will adopt the new leasing standard as of January 1, 2022 using the modified retrospective approach through a cumulative-effect adjustment at the beginning of the period of adoption. Leases will be accounted for under ASC 842 subsequent to January 1, 2022, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting under ASC 840. The Company expects to elect the package of practical expedients permitted under the transition guidance within the standard, which eliminates the reassessment of whether existing contracts contain a lease, lease classification and capitalization of initial direct costs. The Company also expects to make an accounting policy election to not recognize assets or liabilities for leases with a term of less than 12 months, not to separate lease and non-lease components and will not elect to use the hindsight practical expedient. The adoption of the new leasing standard is expected to result in the recognition of material right-of-use assets and liabilities on the Company's consolidated balance sheets for its operating lease commitments. The Company does not believe that the adoption of the standard will have a material impact on the Company's consolidated statements of operations or to the consolidated statements of cash flows.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses*. The ASU sets forth a current expected credit loss ("CECL") model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. This ASU was effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. In November 2019, the FASB issued ASU 2019-10 which deferred the effective date to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company does not believe that the adoption of the standard will have a material impact on the Company’s consolidated statements of operations or to the consolidated statements of cash flows.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASC 848”). The amendments in this ASU were put forth in response to the market transition from the LIBOR and other interbank offered rates to alternative reference rates. GAAP requires entities to evaluate whether a contract modification, such as the replacement or change of a reference rate, results in the establishment of a new contract or continuation of an existing contract. ASC 848 allows an entity to elect not to apply certain modification accounting requirements to contracts affected by reference rate reform. The standard provides this temporary election through December 31, 2022 and cannot be applied to contract modifications that occur after December 31, 2022. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848)*. The objective of the new reference rate reform standard is to clarify the scope of Topic 848 and provide explicit guidance to help companies applying optional expedients and exceptions. This ASU is effective immediately for all entities that have applied optional expedients and exceptions. The company is in the process of evaluating the effect that the adoption of this standard will have on our financial position and results of operations.

Recently Adopted Accounting Pronouncements — In January 2017, the FASB issued ASU No. 2017-04, *Intangibles — Goodwill and Other (Topic 350) — Simplifying the Test for Goodwill Impairment*, which removes step two of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment amount will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Recently, the FASB issued ASU 2019-10, which deferred the effective date for annual or interim goodwill impairment tests to fiscal years beginning after December 15, 2022, with early adoption permitted for goodwill impairment tests performed after January 1, 2017. The Company adopted this standard for the year starting December 28, 2019. The adoption of this standard has not had a material impact on the Company’s consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract.* The guidance aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This standard is effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021.The Company adopted the standard for the fiscal year beginning December 26, 2020. Adoption of the standard did not have a material impact on the consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.* This update simplifies accounting for income taxes by eliminating some exceptions to the general approach in Accounting Standards Codification (“ASC”) 740, *Income Taxes*, related to intra-period tax allocation, the methodology for calculating income tax in an interim period and the recognition of deferred tax liabilities for outside basis differences. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The amendments in this update should be applied on either a retrospective basis, a modified retrospective basis, or prospectively, depending on the provision within the amendment. The Company adopted the standard for the fiscal year beginning December 26, 2020. Adoption of the standard did not have a material impact on the consolidated financial statements.

3. Acquisitions

All of the Company’s acquisitions have been accounted for under ASC 805, *Business Combinations*. Accordingly, the accounts of the acquired companies, after adjustments to reflect fair values assigned to assets and liabilities, have been included in the consolidated financial statements from their respective dates of acquisition. The accounting for the business combinations outlined below were complete as of December 31, 2021. There were no material acquisitions during the year ended December 25, 2020.

Customer relationships have been valued using the multi-period excess earnings method, a derivative of the income approach. The multi-period excess earnings method estimates the discounted net earnings attributable to the customer relationships that were acquired after considering items, such as possible customer attrition. Estimated useful lives were determined based on the length and trend of projected cash flows. The length of the projected cash flow period was determined based on the expected attrition of the customer relationships, which is based on the Company's historical experience in renewing and extending similar customer relationships and future expectations for renewing and extending similar existing customer relationships. The useful life of the customer relationships intangible assets represents the number of years over which the Company expects the customer relationships to economically contribute to the business.

The trade names have been valued using the relief from royalty method under the income approach to estimate the cost savings that will accrue to the Company, which would otherwise have to pay royalties or license fees on revenue earned by using the asset. Estimated useful lives were determined based on management's estimate of the period of time the name will be in use.

Technology has been valued using the relief from royalty method to value technology related to three major categories: Other Home Automation, Lighting and Speakers. The relief from royalty method, a derivative of the income approach, was used to estimate the cost savings that will accrue to the Company, which would otherwise have to pay royalties or license fees on revenue earned through the use of the asset. Estimated useful lives were determined based on management's estimate of the period the technology will be in use.

Transaction Completed in Fiscal Year 2021 — On May 4, 2021, the Company entered into a Purchase Agreement ("Purchase Agreement") pursuant to which it acquired the issued and outstanding shares of ANLA, LLC. ("Access Networks"), an enterprise-grade networking solutions provider offering networking products, design, configuration, monitoring and support services. The acquisition enhances the Company's networking solutions for residential and commercial networks. The Company agreed to a purchase price of $36,334, consisting of both cash and equity, plus contingent consideration of up to $2,000 based upon the achievement of specified financial targets. The acquisition closed on May 28, 2021. During the measurement period, certain adjustments were recorded to increase the purchase price to $36,641 and goodwill to $21,026 to account for updated working capital and deferred tax liability calculations.

The Company recorded tangible and intangible assets acquired and liabilities assumed in the transaction according to the acquisition method of accounting, under ASC 805, *Business Combinations*. The consideration was allocated to the assets acquired and liabilities assumed based on their fair values as of the closing date and are subject to change within the measurement period, which does not exceed twelve months after the closing date. The Company allocated any excess purchase price over the fair value of the net tangible and intangible assets acquired and liabilities assumed to goodwill. Goodwill arising from the acquisition primarily consists of synergies from integrating the distribution of products through the Company's existing distribution channels.

The Company may be required to pay additional consideration upon the achievement of a revenue-based earnout. As of the acquisition date, the fair value of the contingent consideration was $2,000 and recorded in other liabilities in the accompanying consolidated balance sheet.

The acquisition was initially funded using cash consideration of $26,309, rollover equity of $10,025, and contingent consideration of $2,000. During the measurement period, cash consideration increased to $26,616 to account for updated working capital calculations.

(in thousands, except per share amounts)

The allocation of the purchase price for the acquisition is as follows:

Total purchase consideration	$	38,641
Cash and cash equivalents	$	795
Accounts receivable		794
Inventory		2,029
Property and equipment		77
Identifiable intangible assets		17,700
Total identifiable assets acquired		21,395
Accounts payable		1,266
Accrued liabilities		1,218
Other liabilities		586
Deferred income tax liabilities		710
Total liabilities assumed		3,780
Net identifiable assets acquired		17,615
Goodwill		21,026
Net assets acquired	$	38,641

For income tax purposes, a carryover basis in goodwill of $13,616 will be deductible in future periods.

The Company recorded intangible assets related to the acquisition based on estimated fair value, which consisted of the following:

	Useful Lives (Years)		Acquired Value
Customer relationships	10	$	14,400
Trade name	6		3,300
Total intangible assets		$	17,700

Other liabilities assumed consisted primarily of warranty reserves and deferred revenue. The long-term warranty reserves are primarily based on historical failure rates, costs to repair or replace the product, and any necessary shipping costs, which are considered to approximate the fair value of the remaining obligation. Deferred revenue was recorded at fair value, resulting in a cumulative balance for the acquisition of $883 in accrued liabilities and $586 in other liabilities.

The Company recognized $197 of transaction-related expenses, consisting primarily of advisory, legal, and other professional fees related to the acquisition. These transaction-related expenses were incurred by and for the benefit of the Company, and were included in selling, general, and administrative expenses in the consolidated statements of operations.

Pro forma financial information related to the Access Networks acquisition has not been provided as it is not material to the Company’s consolidated results of operations. The results of operations of the Access Networks acquisition are included in the Company’s consolidated results of operations from the date of acquisition and were not significant for the year ended December 31, 2021.

Transactions Completed in Fiscal Year 2019 — On March 14, 2019, the Company executed a stock purchase agreement with Marketing Representatives, Inc. (“MRI”), a New England based distributor of audiovisual equipment to home installers for cash consideration of $9,260, net of cash of $201, to expand the Company’s retail presence. The MRI Acquisition was funded by a combination of the Company’s cash on hand and borrowings.

On July 17, 2019, the Company executed a stock purchase agreement with Custom Plus Distributing, Inc. (“CPD”), a West Coast based distributor of audio-visual equipment to home installers for $12,507, net of cash of $814, to expand the Company’s retail presence. The CPD Acquisition was funded by a combination of the Company’s cash on hand and borrowings.

(in thousands, except per share amounts)

On May 8, 2019, the Company entered into an agreement and plan of merger to acquire all the issued and outstanding shares of common stock of Control4 Corporation ("C4" or "Control4"). On August 1, 2019, the transaction was executed for $563,024, net of cash of $21,272, to expand the Company's product offerings. The acquisition of Control4 was funded through a cash contribution from H&F to the Company of $218,695, proceeds from the incremental borrowing under the amendment to the Company's Old Credit Agreement of $365,002 (see Note 8), and the rollover shareholders' interest valued at $599.

The Company records purchase price in excess of amounts allocated to identifiable assets and liabilities as goodwill. Goodwill includes, but is not limited to, the value of the workforce in place, ability to generate profits and cash flows, and an established going concern.

Together, these three acquisitions are referred to as the "2019 acquisitions". The allocation of the purchase price for the 2019 acquisitions is as follows:

	MRI	CPD	C4	Total
Accounts receivable	$ 902	$ 437	$ 21,725	$ 23,064
Inventories	5,908	6,084	49,654	61,646
Prepaid expenses and other current assets	84	64	8,716	8,864
Property and equipment	219	174	8,914	9,307
Other intangible assets	3,397	8,078	297,152	308,627
Deferred tax assets	166	150	675	991
Other assets	—	—	1,038	1,038
Total identifiable assets acquired	10,676	14,987	387,874	413,537
Accounts payable	2,694	4,153	20,551	27,398
Accrued liabilities	950	681	39,256	40,887
Other liabilities	—	—	6,985	6,985
Deferred tax liabilities	—	—	41,003	41,003
Total liabilities assumed	3,644	4,834	107,795	116,273
Total fair value of net assets, excluding goodwill	7,032	10,153	280,079	297,264
Goodwill	2,228	2,354	282,945	287,527
Total purchase consideration, net of cash	$ 9,260	$ 12,507	$ 563,024	$ 584,791

Accounts receivable, prepaid expenses and other current assets, accounts payable, and accrued liabilities and other current liabilities (with the exception of deferred revenue as discussed below) were stated at their historical carrying values, which approximated their fair value given the short-term nature of these assets and liabilities for the 2019 acquisitions.

The cumulative fair value of accounts receivables acquired in the 2019 acquisitions includes gross amounts due of $24,444, of which $1,380 is expected to be uncollectible.

Inventories were also stated at their historical carrying value, which approximated their fair value based on the nature of the inventory acquired and analysis of current replacement costs and obsolescence.

Property and equipment acquired consisted of equipment, computers and software, furniture and fixtures, and leasehold improvements. The historical carrying value of property and equipment was considered to approximate the fair value based on the nature of the assets acquired and analysis of physical deterioration and obsolescence.

For income tax purposes, a carryover basis in goodwill of $1,698, $1,146, and $356 will be deductible in future periods for MRI, CPD and C4, respectively.

(in thousands, except per share amounts)

The Company recorded intangible assets related to the 2019 acquisitions based on their estimated fair values, which consisted of the following:

	Useful Lives (Years)	MRI	CPD	C4	Total
Customer relationships	13 - 25	$ 2,575	$ 7,144	$ 155,000	$ 164,719
Trade name	2 - 10	822	934	47,000	48,756
Technology- Other Home Automation	5	—	—	65,152	65,152
Technology- Lighting	10	—	—	24,000	24,000
Technology- Speakers	15	—	—	6,000	6,000
Total Intangible Assets		$ 3,397	$ 8,078	$ 297,152	$ 308,627

Other liabilities assumed consisted primarily of warranty reserves and deferred revenue. The long-term warranty reserves are primarily based on historical failure rates, costs to repair or replace the product, and any necessary shipping costs, which is considered to approximate the fair value of the remaining obligation for the 2019 acquisitions.

Deferred revenue was valued using the bottom-up method, a derivative of the income approach, whereby the estimated costs required to fulfill the obligation plus an appropriate profit margin were discounted to fair value, resulting in a cumulative balance for the 2019 acquisitions of $4,971 in accrued liabilities and $3,123 in other liabilities.

The Company recognized $11,828 of transaction-related expenses, consisting primarily of advisory, legal, and other professional fees related to the 2019 acquisitions. These transaction-related expenses were incurred by and for the benefit of the Company, and were included in selling, general and administrative expenses in the consolidated statements of operations.

The operating results of C4, MRI and CPD have been included in the Company's consolidated statements of operations and comprehensive loss since the respective acquisition dates. The following table shows the net sales and net income (loss) attributable to each acquired entity from the acquisition date until the end of the Company's fiscal year ending December 27, 2019.

Acquired entity	Time period	Net Sales	Net Income (Loss)
MRI	March 14, 2019 to December 27, 2019	$ 26,854	$ 825
CPD	July 17, 2019 to December 27, 2019	$ 15,693	$ (300)
Control4	August 1, 2019 to December 27, 2019	$ 108,377	$ (8,084)

Unaudited Pro Forma Information — The unaudited pro forma information below presents the consolidated results of operations for the fiscal year ending December 27, 2019, as if the acquisitions had occurred on the first day of the fiscal year (December 29, 2018). The adjustments reflected in the pro forma results relate to interest expense on the debt to fund the acquisitions, the amortization of acquired intangibles, adjustments for revenue recognition and the related tax effects of these adjustments.

	2019
Net sales	$ 763,783
Net loss	$ (69,377)

This information is presented for informational purposes only and does not necessarily represent what the combined company's results of operations would have been if the acquisition had occurred as indicated or serve to project such results in future periods. The pro forma results do not include any anticipated synergies, cost savings or other expected benefits of an acquisition.

(in thousands, except per share amounts)

4. Revenue and Geographic Information

Contract Balances — Amounts invoiced in advance of revenue recognition are recorded as deferred revenue on the consolidated balance sheets. Deferred revenue primarily relates to unspecified software updates and upgrades, hosting, technical support, marketing incentive programs, and subscription services.

The following table represents the changes in deferred revenue for the years ended December 31, 2021, December 25, 2020 and December 27, 2019:

	December 31, 2021	December 25, 2020	December 27, 2019
Deferred revenue – beginning of period	$ 30,466	$ 23,820	$ 9,292
Amounts billed, but not recognized	28,536	28,366	16,596
Recognition of revenue	(27,086)	(21,720)	(10,162)
Deferred revenue acquired	1,469	—	8,094
Deferred revenue – end of period	$ 33,385	$ 30,466	$ 23,820

The Company recorded deferred revenue of $20,944 in accrued liabilities and $12,441 in other liabilities as of December 31, 2021. The Company recorded deferred revenue of $18,654 in accrued liabilities and $11,812 in other liabilities as of December 25, 2020.

Disaggregation of Revenue — The following table sets forth revenue from the United States and all international dealers and distributors for the years ended December 31, 2021, December 25, 2020 and December 27, 2019:

	2021	2020	2019
United States	$ 889,000	$ 719,429	$ 528,634
International	119,013	94,684	62,208
Total	$ 1,008,013	$ 814,113	$ 590,842

Additionally, the Company's revenue includes amounts recognized over time and at a point in time, and are as follows for the years ended December 31, 2021, December 25, 2020 and December 27, 2019:

	2021	2020	2019
Products transferred at a point in time	$ 980,927	$ 792,393	$ 580,623
Services transferred over time	27,086	21,720	10,219
Total	$ 1,008,013	$ 814,113	$ 590,842

Disaggregation of Property & Equipment — Property and equipment, net, by geography as of December 31, 2021 and December 25, 2020:

	2021	2020
United States	$ 18,027	$ 15,550
International	4,576	4,658
Total	$ 22,603	$ 20,208

(in thousands, except per share amounts)

5. Inventories, Net

Inventory is stated at the lower of cost or net realizable value, cost being determined under the moving-average method, first-in, first-out (FIFO) basis, or specific identification. Inventory costs include the net acquisition cost from the factory, the cost of transporting the product to the Company's warehouses, and product assembly costs. Reserves for slow-moving and obsolete inventories are provided on historical experience, inventory aging, and product demand. The Company evaluates the adequacy of these reserves and makes adjustments to reserves, as required.

As of December 31, 2021, and December 25, 2020, the Company's inventory consisted of the following:

	2021	2020
Finished goods	$ 210,540	$ 155,618
Raw materials	10,454	11,340
Work in process	548	591
Reserve for obsolete and slow-moving inventory	(10,578)	(10,450)
Total inventories, net	$ 210,964	$ 157,099

The Company recorded prepaid deposits on future inventory purchases of $15,220 in prepaid expenses and other current assets as of December 31, 2021.

Changes in the Company's reserve for obsolete and slow-moving inventory as of December 31, 2021, December 25, 2020, and December 27, 2019 consisted of the following:

Inventory Reserve - December 28, 2018	$ 878
Valuation allowance	3,740
Write-offs	(1,457)
Inventory reserves acquired	3,428
Inventory Reserve - December 27, 2019	$ 6,589
Valuation allowance	4,579
Write-offs	(718)
Inventory Reserve – December 25, 2020	$ 10,450
Valuation allowance	4,578
Write-offs	(4,450)
Inventory Reserve – December 31, 2021	$ 10,578

(in thousands, except per share amounts)

6. Property and Equipment, Net

Property and equipment, net, as of December 31, 2021, and December 25, 2020, consisted of the following:

	2021	2020
Equipment	$ 13,422	$ 11,422
Computers and software	22,438	20,490
Furniture and fixtures	3,609	3,240
Leasehold improvements	11,505	8,673
Construction in progress	4,512	2,035
Total property and equipment	55,486	45,860
Less: Accumulated depreciation	(32,883)	(25,652)
Property and equipment, net	$ 22,603	$ 20,208

Total depreciation expense for the years ended December 31, 2021, December 25, 2020, and December 27, 2019 was $8,028, $10,481 and $8,169, respectively.

7. Goodwill and Other Intangible Assets, Net

Goodwill as of December 31, 2021, and December 25, 2020, was $580,761 and $559,735, respectively. Goodwill increased by $21,026 in 2021 due to the acquisition of Access Networks. See Note 3 for more information regarding Access Networks. There were no changes to goodwill during the year ended December 25, 2020.

Goodwill and identifiable indefinite lived intangible assets have historically been tested for impairment annually as of the end of the third quarter of each fiscal year, or more frequently upon the occurrence of certain events or substantive changes in circumstances that indicate impairment is more likely than not. During the current year, the Company changed the date of its annual impairment test from the last day of the third quarter to the first day of the fourth quarter of each year. This change is preferable because it aligns the Company's impairment testing procedures with its annual business planning and budgeting process and allows the Company to maximize time and resources required to perform the impairment analysis. The Company does not consider this change in impairment testing date to be a material change in the application of an accounting principle. The Company performed annual impairment tests for goodwill and indefinite lived intangible assets at September 24 and September 25, 2021, and concluded there was no impairment.

The Company tests goodwill and identifiable indefinite lived intangible assets for impairment annually as of the end of the third quarter of each fiscal year, or more frequently upon the occurrence of certain events or substantive changes in circumstances that indicate impairment is more likely than not. Management qualitatively assessed goodwill to determine whether testing was necessary. Factors that management considers in this assessment include macroeconomic conditions, industry and market considerations, overall financial performance (both current and projected), changes in management and strategy, and changes in the composition and carrying amounts of net assets. If this qualitative assessment indicates that it is more likely than not that the fair value of the reporting unit is less than its carrying value, a quantitative assessment is then performed. For indefinite lived intangible assets, the Company conducted an impairment assessment of indefinite lived intangible assets using discounted cash flow models. These models include assumptions we believe are consistent with those a market participant would use. If the carrying amount exceeds the fair value, an impairment charge is recognized in an amount equal to that excess.

(in thousands, except per share amounts)

As of December 31, 2021, and December 25, 2020, other intangible assets, net, consisted of the following:

		December 31, 2021		
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	5 – 25 years	$ 509,162	$ (96,149)	$ 413,013
Technology	5 – 15 years	95,078	(38,221)	56,857
Trade names – definite	2 – 10 years	57,660	(16,902)	40,758
Trade names – indefinite	indefinite	76,564	—	76,564
Total intangible assets		$ 738,464	$ (151,272)	$ 587,192

		December 25, 2020		
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	5 – 25 years	$ 494,333	$ (70,060)	$ 424,273
Technology	5 – 15 years	95,078	(22,406)	72,672
Trade names – definite	2 – 10 years	54,360	(10,253)	44,107
Trade names – indefinite	indefinite	76,564	—	76,564
Total intangible assets		$ 720,335	$ (102,719)	$ 617,616

Total amortization expense for intangible assets for the years ended December 31, 2021, December 25, 2020 and December 27, 2019 was $48,553, $47,491 and $31,488, respectively. The weighted-average useful life remaining for amortizing definite lived intangible assets was approximately 15.2 years as of December 31, 2021.

As of December 31, 2021, the estimated amortization expense for intangible assets for the next five fiscal years and thereafter are as follows:

2022	$ 48,321
2023	47,183
2024	40,681
2025	33,065
2026	33,065
Thereafter	308,313
Total	$ 510,628

8. Debt Agreements

On August 4, 2017, the Company's wholly owned subsidiary, Wirepath, LLC, ("Borrower"), entered into a credit agreement (as amended from time to time, "Old Credit Agreement"), consisting of a senior secured term loan ("Initial Term Loan") and a senior secured revolving credit facility ("Old Revolving Credit Facility"). On February 5, 2018, the Borrower repriced the Old Credit Agreement to reduce the margin on the Initial Term Loan and Old Revolving Credit Facility. On October 31, 2018, the Borrower repriced the Initial Term Loan facility to further reduce the margin under the Initial Term Loan, increased the aggregate amount of the Initial Term Loan, and further reduced the margin under the Old Revolving Credit Facility. On August 1, 2019, the Borrower amended the Old Credit Agreement to borrow an additional senior secured term loan ("Incremental Term Loan" and, together with the Initial Term Loan, as amended, "Old Term Loans") and increased the commitments under the Old Revolving Credit Facility. Debt issuance costs of $20,198 incurred in connection with the 2019 amendment were deferred and amortized over the life of the related debt. The Company made fixed equal quarterly installments on the Old Term Loans in an amount equal to 1.0% per annum of the total aggregate principal thereof immediately after borrowing, with balance due at maturity.

On August 4, 2021, the Company used a portion of the net proceeds from the IPO to prepay $216,902 in aggregate of the amount of the Incremental Term Loan outstanding under the Old Credit Agreement. The prepayment consisted of $215,874 in principal plus accrued interest of $1,028. In connection with the prepayment, the Company incurred a charge of $6,645 related to the write off of the proportionate amount of the unamortized debt issuance costs at the time of the prepayment which was recorded in loss on extinguishment of debt on our consolidated statement of operations. The unamortized debt issuance costs are allocated between the remaining original loan balance and the portion of the loan paid down on a pro-rata basis.

On December 8, 2021, the Company entered into a Credit Agreement (the “Credit Agreement”) with various financial institutions consisting of a $465,000 in aggregate principal amount of senior secured term loans maturing in seven years (the “New Term Loan Facility”) and a $100,000 senior secured revolving credit facility (which includes borrowing capacity available for letters of credit) maturing in five years (the “New Revolving Credit Facility”).

In connection with the closing of the Credit Agreement, the Company repaid in full approximately $451,400 of borrowings, including accrued interest, under the Old Credit Agreement. The Old Term Loans and Old Revolving Credit Facility and related agreements and documents under the Old Credit Agreement were terminated upon the effectiveness of the Credit Agreement.

The issuance of the Credit Agreement and repayment of the Old Term Loans were evaluated in accordance with ASC 470-50-40 - *Debt-Modifications and Extinguishments - Derecognition*, to determine whether the refinancing transaction should be accounted for as a debt modification or extinguishment. Each lender involved in the refinancing transaction was analyzed to determine if its participation was a debt modification or an extinguishment. Debt issuance costs for exiting lenders who chose not to participate in the New Term Loan Facility were accounted for as extinguishments. Debt discounts and costs incurred with third parties for the issuance of the New Term Loan Facility totaling $9,079 were capitalized and amortized over the term of the New Term Loan Facility. These capitalized fees associated with new and continuing lenders are presented as cash flows from financing activities on the consolidated statements of cash flows. The Company wrote off $5,427 in debt issuance costs related to the extinguishment of the Old Term Loans which was recorded in loss on extinguishment of debt on our consolidated statement of operations.

Borrowings under the New Term Loan will bear interest at a rate per annum equal to, at the Company’s option, either (1) an applicable margin plus a base rate determined by reference to the highest of (a) 0.50% per annum plus the federal funds effective rate, (b) the prime rate and (c) the eurocurrency rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00%; provided that such rate is not lower than a floor of 1.50% or (2) an applicable margin plus a eurocurrency rate determined by reference to the cost of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs; provided that such rate is not lower than a floor of 0.50%.

Borrowings under the New Revolving Credit Facility will bear interest at a rate per annum equal to an applicable margin based upon a leverage-based pricing grid, plus, at the Company’s option, either (1) a base rate determined by reference to the highest of (a) 0.50% per annum plus the federal funds effective rate, (b) the prime rate and (c) the eurocurrency rate determined by reference to the cost of funds adjusted for certain additional costs, plus 1.00%; provided such rate is not lower than a floor of 1.00% or (2) a eurocurrency rate determined by reference to the applicable cost of funds for such borrowing adjusted for certain additional costs; provided such rate is not lower than a floor of zero. As of December 31, 2021, the interest rate for the New Term Loan Facility was 5.00%.

The New Term Loan amortizes in fixed equal quarterly installments in an amount equal to 1.0% per annum of the total aggregate principal amount thereof immediately after borrowing, with the balance due at maturity. We may voluntarily prepay loans or reduce commitments under the Credit Agreement, in whole or in part, subject to minimum amounts, with prior notice but without premium or penalty (subject to customary exceptions, including prepayments of the New Term Loan in connection with a repricing transaction that is consummated prior to June 8, 2022).

(in thousands, except per share amounts)

The Company’s outstanding debt as of December 31, 2021 and December 25, 2020 was as follows:

	Maturity Date	December 31, 2021		December 25, 2020	
Credit Agreement					
New Term Loan	12/8/2028	$	465,000	$	—
New Revolving Credit Facility	12/8/2026	$	—	$	—
Old Credit Agreement (as amended)					
Initial Term Loan	8/4/2024	$	—	$	286,50
Incremental Term Loan	8/4/2024	$	—	$	386,10
Old Revolving Credit Facility	8/4/2022	$	—	$	—

As of December 31, 2021, the Company had no borrowings outstanding under the New Revolving Credit Facility and $4,894 of outstanding letters of credit. The amount available under the New Revolving Credit Facility was $95,106 as of December 31, 2021.

As of December 25, 2020, the Company had no borrowings outstanding under the Old Revolving Credit Facility and $4,894 of outstanding letters of credit. The amount available under the Old Revolving Credit Facility was $55,106 as of December 25, 2020. The Company borrowed $47,375 under the Old Revolving Credit Facility during the first half of 2020 in order to enhance liquidity as a precautionary measure in response to the COVID-19 pandemic, and repaid the borrowings in full later in the year ending December 25, 2020. As of December 25, 2020, the effective interest rate for the Initial Term Loan and Incremental Term Loan under the Old Credit Agreement were 4.22% and 4.97%, respectively.

As of December 31, 2021, the future scheduled maturities of the above notes payable are as follows:

2022	$	3,488
2023		4,650
2024		3,488
2025		4,650
2026		4,650
Thereafter		444,074
Total future maturities of long-term debt		465,000
Unamortized debt issuance costs		(12,256)
Total indebtedness		452,744
Less: Current maturities of long-term debt		3,488
Long-term debt	$	449,256

Unamortized costs related to the issuance of the New Term Loan Facility were $12,256 as of December 31, 2021, and was presented as a direct deduction from the carrying amount of long-term debt. Unamortized costs related to the issuance of the New Revolving Credit Facility were $1,506 as of December 31, 2021, and was included in other assets in the consolidated balance sheet. The costs related to debt issuances are amortized to interest expense over the life of the related debt.

Unamortized costs related to the issuance of the Old Term Loans were $20,595 as of December 25, 2020, and was presented as a direct deduction from the carrying amount of long-term debt. Unamortized costs related to the issuance of the Old Revolving Credit Facility were $583 as of December 25, 2020, and was included in other assets in the consolidated balance sheet. The costs related to debt issuances are amortized to interest expense over the life of the related debt.

During the year ended December 31, 2021, the Company incurred total charges of $12,072 related to the write-off of unamortized debt issuance costs, which was recorded in loss on extinguishment of debt on our consolidated statements of operations.

(in thousands, except per share amounts)

As of December 31, 2021, the future amortization of debt issuance costs was as follows:

2022	$	1,858
2023		1,925
2024		1,993
2025		2,066
2026		2,123
Thereafter		3,797
Total	$	13,762

Interest expense as of December 31, 2021, December 25, 2020 and December 27, 2019 consisted of the following:

	2021	2020	2019
Interest expense from Old Term Loans	$ 26,124	$ 37,776	$ 29,975
Interest expense from Old Revolving Credit Facility	462	1,632	1,146
Interest expense from New Term Loan	1,485	—	—
Interest expense from New Revolving Credit Facility	38	—	—
Interest expense from Rate Cap	—	20	228
Amortization of debt issuance costs	5,053	6,101	3,895
Total interest expense	$ 33,162	$ 45,529	$ 35,244

Debt Covenants and Default Provisions — The Credit Agreement contains various customary affirmative and negative covenants. The Company was in compliance with all debt covenants as of December 31, 2021 and December 25, 2020.

In addition, the New Revolving Credit Facility is subject to a first lien secured net leverage ratio of 7.50 to 1.00, tested quarterly commencing with the fiscal quarter ending on or about June 30, 2022, if, and only if, the aggregate principal amount from the New Revolving Credit Facility loans, letters of credit (to the extent not cash collateralized or backstopped or, in the aggregate, not in excess of the greater of $10.0 million and the stated face amount of letters of credit outstanding on the initial closing date of the Credit Agreement) and swingline loans outstanding and/or issued, as applicable, exceeds 35.0% of the total amount of the New Revolving Credit Facility commitments.

The Company may also be required to make additional payments under the financing agreement equal to a percentage of the Company's annual excess cash flows or net proceeds from any non-ordinary course asset sales or certain debt issuances, if any. The lender has the option to decline the prepayment. As of December 25, 2020, in accordance with these provisions, the Company estimated a mandatory excess cash flow payment offer related to the term loans of $14,325 to the lender. The entire amount of the expected payment was classified within current maturities of long-term debt on the consolidated balance sheet as of December 25, 2020. After the issuance of the Company's audited financial statements as of and for the period ended December 25, 2020, the Company elected an option available in the financing agreement to accelerate the consideration of expected cash outlays in fiscal year 2021 that would eliminate the requirement for an excess cash flow payment for fiscal year 2020. As a result, the estimated excess cash payment was not made and only the contractual payments under the financing agreement are considered current maturities of long-term debt as of December 31, 2021.

(in thousands, except per share amounts)

9. Fair Value Measurement

Fair Value of Financial Instruments — The fair values and related carrying values of financial instruments that are not required to be remeasured at fair value on the consolidated statements of operations were as follows:

	As of December 31, 2021		As of December 25, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Notes receivable, net	$ 6,484	$ 6,764	$ 5,115	$ 5,494
Liabilities				
Initial Term Loan	$ —	$ —	$ 286,508	$ 267,169
Incremental Term Loan	$ —	$ —	$ 386,100	$ 384,652
New Term Loan	$ 465,000	$ 462,675	$ —	$ —

The fair value of notes receivable is estimated using a discounted cash flow analysis using interest rates currently offered for loans with similar credit quality which represent Level 2 inputs. The fair value of long-term debt was established using current market rates for similar instruments traded in secondary markets representing Level 2 inputs. Additionally, cash and cash equivalents, accounts receivable, net, prepaid expenses, accounts payable, and accrued liabilities are classified as Level 1 and the carrying value of these assets and liabilities approximates the fair value due to the short-term nature of these financial instruments.

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis — The fair value of the interest rate cap is determined using widely accepted valuation techniques based on its maturity and observable market-based inputs, including interest rate curves. This measurement is considered a Level 2 measurement. The interest rate cap expired on December 31, 2021 and had no value as of December 31, 2021 and December 25, 2020.

The fair value of the contingent consideration liability related to the Access Networks acquisition is based on unobservable inputs, including management estimates and assumptions about future revenues, and is, therefore, classified as Level 3. The fair value of the contingent consideration was $2,000 as of December 31, 2021.

The Company utilizes a Monte Carlo simulation in an option pricing framework, where a range of possible scenarios are simulated, in order to determine the fair value of the CVR. Any future increase in the fair value of the CVR obligations, based on an increased likelihood that the underlying milestones will be achieved, and the associated payment or payments will, therefore, become due and payable, will result in a charge to selling, general and administrative expenses in the period in which the increase is determined. Similarly, any future decrease in the fair value of the CVR obligations will result in a reduction in selling, general and administrative expenses. CVR liabilities are categorized as other liabilities in the accompanying consolidated balance sheets and are classified as Level 3.

	Fair value at December 31, 2021	Valuation Technique	Unobservable Input	Volatility
Contingent Value Rights	$8,900	Monte Carlo	Volatility	45 -50%

Changes in the CVRs for the years ended December 31, 2021, December 25, 2020 and December 27, 2019 were as follows:

	December 31, 2021	December 25, 2020	December 27, 2019
CVR fair value – beginning of period	$ 4,000	$ 3,200	$ 2,886
Fair value adjustments	4,900	800	314
CVR fair value – end of period	$ 8,900	$ 4,000	$ 3,200

There were no transfers into or out of Level 3 during the years ended December 31, 2021 or December 25, 2020.

(in thousands, except per share amounts)

10. Accrued Liabilities

Accrued liabilities as of December 31, 2021, and December 25, 2020, consisted of the following:

	December 31, 2021	December 25, 2020
Payroll, vacation, and bonus accruals	$ 21,340	$ 29,700
Deferred revenue	20,944	18,654
Warranty reserve	14,549	11,767
Customer rebate program	4,775	2,140
Sales return allowance	3,999	3,741
Taxes	1,774	752
Incurred but not reported self-insurance	1,556	1,215
Interest payable	1,523	7,576
Other accrued liabilities	5,057	5,113
Total accrued liabilities	$ 75,517	$ 80,658

11. Warranties

Changes in the Company's accrued warranty liability for the years ended December 31, 2021, December 25, 2020 and December 27, 2019, were as follows:

Accrued warranty – December 28, 2018	$ 11,335
Warranty claims	(9,686)
Warranty provisions	15,795
Acquired warranty liability	2,545
Accrued warranty – December 27, 2019	$ 19,989
Warranty claims	(12,252)
Warranty provisions	8,786
Accrued warranty – December 25, 2020	$ 16,523
Warranty claims	(12,455)
Warranty provisions	14,704
Accrued warranty – December 31, 2021	$ 18,772

As of December 31, 2021, the Company has recorded accrued warranty liabilities of $14,549 in accrued liabilities and $4,223 in other liabilities in the accompanying consolidated balance sheet. As of December 25, 2020, the Company has recorded accrued warranty liabilities of $11,767 in accrued liabilities and $4,756 in other liabilities.

12. Retirement Plan

The Company has a 401(k) plan that covers eligible employees as defined by the plan agreement. As of January 1, 2020, the Company matches 100% of employee contributions to the plan, up to 3% of the employees' total compensation, and 50% of employee contributions to the plan, up to 6% of the employees' total compensation. Prior to January 1, 2020, the Company matched 50% of employee contributions to the plan, up to 3% of the employees' total compensation. As a result of the Control4 acquisition, transitioning employees remained on their legacy 401(k) benefit plan through December 31, 2019. Under this plan, the Company matched 100% of the first 1% of employee contributions and 70% of the next 5% of employee contributions, which vested immediately.

Company contributions to the plan, net of forfeitures, were $4,471, $3,727 and $2,069 for the years ended December 31, 2021, December 25, 2020 and December 27, 2019, respectively.

(in thousands, except per share amounts)

13. Equity Agreements and Incentive Equity Plans

Former Parent Entity Incentive Plan — In October 2017, the Former Parent Entity approved the Class B Unit Incentive Plan ("2017 Plan") pursuant to the Former Parent Entity's partnership agreement ("Partnership Agreement"), which established the terms and provided for grants of certain incentive units to employees, officers, directors, consultants, and advisors of the Former Parent Entity containing service-based and/or market-based vesting criteria. Class B-1 Incentive Units ("B-1 Units") issued under the 2017 Plan vest in installments over a five-year period, subject to the grantee's continued employment or service. Class B-2 Incentive Units ("B-2 Units" and collectively with the B-1 Units, "Incentive Units") issued under the 2017 Plan contain both service conditions consistent with the B-1 Units and market-based vesting conditions that require the achievement of a specified return hurdle to the controlling shareholders in order to vest. The fair value of equity-classified awards is determined on the date of grant and is not remeasured. All B-1 Units and B-2 Units are classified as equity awards. For B-2 Units, the determination of the fair value of these awards takes into consideration the likelihood of achievement of the market condition. Prior to the modification of the Incentive Units in connection with the Company's IPO on July 27, 2021, the Company recognized $2,605 of compensation expense related to the Incentive Units within selling, general and administrative expenses in the accompanying consolidated statements of operations during the year ended December 31, 2021. The Company recognized $4,284 and $3,673 of compensation expense within selling, general and administrative expenses related to Incentive Units for the years ended December 25, 2020 and December 27, 2019, respectively.

Prior to the IPO, the B-1 and B-2 units granted and the total grant-date fair value of B-1 Units that vested during the year ended December 31, 2021 were not significant. The fair value of Incentive Units granted during the years ended December 25, 2020 and December 27, 2019 was estimated using an option pricing model with the following key assumptions:

	2020	2019
Expected holding period	4 years	5 years
Risk-free rate of return	0.20 - 0.30%	1.76 %
Expected dividend yield	— %	— %
Expected volatility	47 - 51%	30 %
Discount for lack of marketability	20 - 25%	20 %

The Company estimated a discount for lack of marketability ("DLOM") using a put option model. The DLOM reflects the lower value placed on securities that are not freely transferable, as compared to those that trade frequently in established markets.

The weighted-average grant date fair value per share of B-1 Units granted during the years ended December 25, 2020 and December 27, 2019 was $0.42 and $0.40, respectively. The weighted-average grant date fair value per share of B-2 Units granted during the year ended December 27, 2019 was $0.21. There were no B-2 Units granted during the year ended December 25, 2020. The total grant-date fair value of B-1 Units that vested during the years ended December 25, 2020 and December 27, 2019 was $4,260 and $2,546, respectively.

2021 Incentive Plan — On July 16, 2021, the Company adopted the 2021 Equity Incentive Plan ("2021 Plan") in order to provide a means through which to attract, retain and motivate key personnel. Awards available for grant under the 2021 Plan include non-qualified and incentive stock options, restricted shares of our common stock, other equity-based awards tied to the value of our common stock and cash-based awards.

Equity Award Conversion — During the year ended December 31, 2021, and in connection with the IPO, all outstanding unvested Incentive Units were replaced with newly issued shares of our restricted common stock based on:

- a ratio that takes into account the number of unvested Incentive Units held,
- the applicable distribution threshold applicable to the Incentive Units, and
- the value of distributions that the holder would have been entitled to receive had the Former Parent Entity liquidated on the date of such replacement in accordance with the terms of the distribution "waterfall" set forth in the Partnership Agreement.

Vested Incentive Units were exchanged into shares of our common stock using the same formula as unvested Incentive Units (together, the "Equity Award Conversion"). The Equity Award Conversion resulted in a modification of the Incentive Units for accounting purposes.

B-1 Incentive Unit Modification

The restricted stock awards issued in exchange for unvested B-1 Units were of commensurate value and did not result in any incremental fair value provided to the holders of such awards. The restricted shares of common stock that the holders received in exchange for their unvested B-1 Units are subject to the same vesting terms that applied to the B-1 Units prior to the Equity Award Conversion. The Company will recognize the remaining unrecognized compensation expense prospectively over the requisite service period under the straight-line method.

B-2 Incentive Unit Modification

Prior to the exchange for newly issued restricted stock awards, B-2 Units vested based upon the satisfaction of an explicit service period and a market condition. The restricted stock awards issued to replace B-2 Units vest based upon achievement of one or more of: (i) a total return hurdle, (ii) an average return hurdle and/or (iii) a volume weighted average price hurdle, which are substantially the same as the previous market-condition vesting criteria of the B-2 Units. Although the restricted stock awards that replace the B-2 Units do not contain an explicit service condition, the vesting is subject to continued employment and will be forfeited if these hurdles, which include both market and performance conditions, are not achieved on or prior to February 4, 2024, resulting in a derived service period. For the majority of B-2 Units, the requisite service period was extended as a result of the modification, however, the acceleration of compensation expense due to the modification of vesting terms was immaterial.

Awards issued in connection with the 2021 Plan — Under the 2021 Plan and in connection with the Equity Award Conversion, the Company granted 4,243 options to holders of B-1 Units ("Time-based Options") and 1,155 options to holders of B-2 Units ("Market-based Options" and collectively with the Time-based Options, "Leverage Replacement Options"). The Leverage Replacement Options have an exercise price equal to the initial public offering price per share of the Company's common stock and a contractual term of ten years from the initial grant date of the related Incentive Unit. The Time-based Options are subject to the same time-based vesting and the Market-based Options are subject to the same market-condition vesting criteria outlined for the restricted stock awards issued for the Incentive Units. Additionally, recipients of the Leverage Replacement Options received both vested and unvested Leverage Replacement Options in the same proportion as their vested and unvested B-1 and B-2 Units held immediately prior to the IPO and upon the Equity Award Conversion. The Company immediately recognized compensation expense for vested Time-based Options on the grant date as the awards provide value to the holders that is incremental to the value of B-1 Units held prior to the IPO and related modification. There were no vested B-2 Units at the date of the IPO and therefore no immediate expense recognition. In addition to the Leverage Replacement Options, the Company issued additional Time-based Options which vest over three years during the year ended December 31, 2021.

Restricted Stock Awards

In connection with the IPO, the Company issued restricted common stock to holders of unvested B-1 Units and B-2 Units. The grant date fair value of restricted stock awards was determined to be $18.00 per share, based on the initial listing price of the Company's common stock on the grant date.

(in thousands, except per share amounts)

	Restricted Stock Awards			
	B-1 Incentive Units		B-2 Incentive Units	
	Number of Units (in 000's)	Weighted-Average Grant-Date Fair Value	Number of Units (in 000's)	Weighted-Average Grant-Date Fair Value
Outstanding at December 25, 2020	—	$ —	—	$ —
Granted	833	18.00	807	18.00
Vested	189	18.00	—	—
Forfeited	10	18.00	—	—
Outstanding at December 31, 2021	633	$ 18.00	807	$ 18.00

Stock Options

The Company utilized the Black-Scholes option pricing model to estimate the fair value of the Time-based Options. The Company used a Monte Carlo simulation to estimate the fair value and derived service period of the Market-based Options. Significant assumptions included in these models were the risk-free interest rate, the expected volatility, and the expected dividend yield. Volatility was estimated based on historical volatility of comparable companies. The average expected term for the Market-based Options was derived based on an average of the outcomes of various scenarios performed under the Monte Carlo simulation. The fair values of the stock options were derived using the following key assumptions:

	Time-based Options	Market-based Options
Expected term	3.1-7.0 years	2.5 years
Risk-free rate of return	0.4 -1.0%	0.6 %
Expected dividend yield	— %	— %
Expected volatility	45 %	45 %

The summary of the Company's option activity as of December 31, 2021 is as follows:

	Time-based Options			Market-based Options		
	Number of Units (in 000's)	Weighted-Average Grant-Date Fair Value	Aggregate Intrinsic Value (a)	Number of Units (in 000's)	Weighted-Average Grant-Date Fair Value	Aggregate Intrinsic Value (a)
Outstanding at December 25, 2020	—	$ —	$ —	—	$ —	$ —
Granted	4,443	6.47	—	1,155	5.66	—
Exercised	—	—	—	—	—	—
Forfeited	(50)	6.95	—	—	—	—
Outstanding at December 31, 2021	4,393	$ 6.49	$ 13,532	1,155	$ 5.66	$ 3,558
Options exercisable at December 31, 2021	2,307	$ 6.00	$ 7,105	—	$ —	$ —

(a) The intrinsic value represents the amount by which the fair value of the Company's stock exceeds the option exercise price as of December 31, 2021

Restricted Stock Units — Following the completion of the IPO, the Company awarded restricted stock units ("RSUs") under the 2021 Plan to its employees and directors. These RSUs are subject to time-based vesting conditions based on the continued service of the RSU holder. RSUs granted typically have an initial annual cliff vest and then vest quarterly over the remaining service period, which is generally one to four years. The grant date fair value of the RSUs issued in connection with the IPO was determined to be $18.00 per share based on the initial listing price of the Company's common stock on the grant date. The fair value of RSUs granted after the IPO date is based on the Company's closing stock price on the date of grant. During the year ended December 31, 2021, the Company granted 403 RSUs with an aggregate fair value of $7,343 and a weighted-average grant date fair value of $18.22. During the year ended December 31, 2021, 13 RSUs with a weighted average grant date fair value of $18.00 were forfeited. No awards vested during the period, resulting in 390 awards with a weighted-average grant date fair value of $18.22 outstanding as of December 31, 2021.

(in thousands, except per share amounts)

Total equity-based compensation expense — Equity-based compensation expense is included within selling, general and administrative expenses in the accompanying consolidated statements of operations. For all equity-based compensation awards, the Company recognizes forfeitures as they occur. Compensation expense for the year ended December 31, 2021 and unrecognized stock compensation expense and weighted average remaining expense period as of December 31, 2021 consisted of:

	Year Ended December 31, 2021	As of December 31, 2021	
	Compensation Expense	Unrecognized compensation expense	Weighted-Average Remaining Contractual Term (Years)
2017 Plan			
Incentive units	$ 2,605	$ —	—
2021 Plan			
Restricted stock awards	1,975	8,945	2.00
Time-based options	14,152	14,453	2.59
Market-based options	1,113	5,426	2.09
Restricted stock units	1,677	5,435	2.06
Total	$ 21,522	$ 34,259	2.37

Control4 Equity Awards — In connection with the acquisition of Control4 Corporation (“Control4”) in 2019, the Company agreed to a settlement of Control4 equity awards that were outstanding immediately prior to the acquisition date, consisting of stock options (“C4 Stock Options”) and restricted stock units (“C4 RSUs” and, together with C4 Stock Options, “C4 Equity Awards”). As of the acquisition date, 2,998 shares of C4 Equity Awards were cancelled and converted into rights to receive cash payments (“Replacement Awards”). During the year ended December 31, 2021, there were eight forfeited Replacement Awards. As of December 31, 2021, 41 unvested Replacement Awards remain outstanding and no vested Replacement Awards remain outstanding.

The Company recognized $4,265, $7,353 and $10,790 of compensation expense relating to the Replacement Awards within selling, general and administrative expenses in the accompanying consolidated statement of operations during the years ended December 31, 2021, December 25, 2020 and December 27, 2019, respectively.

There was approximately $507 of unrecognized compensation expense related to the nonvested Replacement Awards, which is expected to be recognized subsequent to December 31, 2021 over a weighted-average period of less than one year. Total unrecognized compensation expense will be adjusted for any future forfeitures.

14. Income Taxes

Income (loss) before income taxes, excluding loss for noncontrolling interests, consists of the following:

	December 31, 2021	December 25, 2020	December 27, 2019
Domestic	$ (44,650)	$ (26,998)	$ (43,760)
Foreign	1,606	(2,237)	(3,961)
Total	$ (43,044)	$ (29,235)	$ (47,721)

(in thousands, except per share amounts)

The components of income tax benefit for the years ended December 31, 2021, December 25, 2020 and December 27, 2019, were as follows:

	December 31, 2021	December 25, 2020	December 27, 2019
Current			
Federal	$ —	$ —	$ -
State	1,005	96	20
Foreign	330	976	21
Total	1,335	1,072	41
Deferred			
Federal	(5,708)	(8,778)	(12,85
State	(1,963)	3,756	(82
Foreign	(306)	(401)	(9
Total	(7,977)	(5,423)	(13,77
Income tax benefit	$ (6,642)	$ (4,351)	$ (13,35

The tax effects of temporary differences and carryforwards that gave rise to deferred tax assets and liabilities as of December 31, 2021 and December 25, 2020, are as follows:

	2021	2020
Deferred Tax Assets		
Net operating loss	$ 17,815	$ 24,766
Interest carryforward	8,442	6,549
Accrued liabilities and reserves	14,864	11,380
Uniform capitalization	352	1,231
Capital loss carryforward	8,719	8,719
R&D credits	17,923	17,072
Deferred revenue	3,724	3,022
Depreciable property	1,661	1,917
Stock compensation	4,294	—
Other	746	522
Total deferred tax assets	78,540	75,178
Valuation allowance	(15,044)	(15,658)
Total deferred tax assets, net of valuation allowance	63,496	59,520
Deferred Tax Liabilities		
Amortization of intangibles	(96,952)	(103,381)
Amortization of goodwill	(13,401)	(10,035)
Transaction Costs	(219)	(449)
Total deferred tax liabilities	(110,572)	(113,865)
Net deferred tax liabilities	$ (47,076)	$ (54,345)

The components of the Company’s net deferred tax liabilities as of December 31, 2021 and December 25, 2020, are as follows:

	December 31, 2021	December 25, 2020
Domestic deferred tax liabilities	$ (48,555)	$ (55,518)
Foreign deferred tax assets	1,479	1,173
Net deferred tax liabilities	$ (47,076)	$ (54,345)

(in thousands, except per share amounts)

The Company's deferred tax assets related to net operating losses and credits are shown net of their related unrecognized tax benefit.

Significant judgment is required in determining the Company's provision for income taxes and recording valuation allowances against deferred tax assets. In evaluating the ability to recover its deferred tax assets, in full or in part, the Company considers all available positive and negative evidence, including past operating results, forecast of future market growth, forecasted earnings, future taxable income, and prudent and feasible tax planning strategies.

The Company determined, based on the available evidence, that it is uncertain whether certain of its jurisdictions will generate sufficient future taxable income and of the correct character to recognize certain of these deferred tax assets. As a result, the Company's deferred tax asset for net operating losses, capital loss carryforwards and credits reflect a valuation allowance of $15,044 and $15,658 as of December 31, 2021 and December 25, 2020, respectively.

Given its overall deferred tax liability position, the Company expects to fully utilize its U.S. federal and state net operating loss carryforward balances with an exception of a portion of the Utah state net operating loss. However, the Company expects a small portion of their U.S. federal research and development credits to expire unused in the next few years along with the majority of their remaining state research and equipment credits. A partial valuation allowance has been established for the portion of credits expected to expire unused. The Company will continue to maintain a full valuation allowance against the foreign tax credit carryovers. In 2020, the Company sold the stock of their fully owned subsidiary, Autonomic Controls, Inc., for $1,104, incurring a capital loss of $35,039 for tax purposes. The Company has determined the capital loss will not be utilized due to insufficient capital gains. A full valuation allowance has been recorded against this asset for both federal and state.

Net operating loss and tax credit carryforwards as of December 31, 2021 are as follows:

	Amount	Expiration Years
Net operating losses, federal	$ 39,930	2027-2038
Net operating losses, federal	18,194	Indefinite
Net operating losses, state	74,163	2022-2042
Net operating losses, state	628	Indefinite
Tax credit carryforwards, federal	23,474	2023-2041
Tax credit carryforwards, state	2,102	2022-2030
Net operating losses, foreign	17,857	2022-2026
Capital loss carryforwards, federal	35,039	2025
Capital loss carryforwards, state	22,640	2025

The Company has performed Section 382 analyses to determine whether it experienced one or more ownership changes, as defined by Section 382, during the analysis period (the acquisition date in 2017 through the IPO effective date in July 2021) as well as other ownership changes. While an annual limitation does exist related to the net operating losses and credits carried forward, the Company does not anticipate that this limitation will cause any net operating losses and credits to expire before their utilization. U.S. Federal net operating losses incurred after 2017 are subject to an 80% limitation on taxable income.

The Company recorded gross unrecognized tax benefit (expense) of $161, $(187) and $7,234 during the years ended December 31, 2021, December 25, 2020 and December 27, 2019, respectively. During the next 12 months, a federal statute of limitation related to uncertain tax positions will lapse, resulting in a reduction in unrecognized tax benefit and an expense of $85.

The Company's treatment of interest and penalties related to the resolution of uncertain tax positions is to report them as a component of income tax expense. However, the Company's current unrecognized tax benefits are presented net with their related deferred tax assets, therefore, no interest and penalties have been included in the Company's income tax expense for years ended December 31, 2021, December 25, 2020 and December 27, 2019.

(in thousands, except per share amounts)

Balance - December 28, 2018	$	1,047
Additions for tax position of the current year		7,234
Reduction for tax positions of prior years for:		
Changes in judgment		—
Lapses of applicable statutes of limitations		—
Balance - December 27, 2019	$	8,281
Additions for tax position of the current year		538
Reduction for tax positions of prior years for:		
Changes in judgment		(670)
Lapses of applicable statutes of limitations		(55)
Balance - December 25, 2020	$	8,094
Additions for tax position of the current year		400
Reduction for tax positions of prior years for:		
Changes in judgment		(162)
Lapses of applicable statutes of limitations		(76)
Balance - December 31, 2021	$	8,256

The Company files income tax returns in the United States, including various state and local jurisdictions. The Company's subsidiaries file income tax returns in the United Kingdom, Australia, China, Germany, India, New Zealand, Switzerland, and Serbia. The Company is subject to federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company is no longer subject to income tax examinations for the following jurisdictions and years: federal, for years before 2017; state and local, for years before 2016; or foreign, for years before 2015. However, federal net operating loss and credit carryforwards from all years are subject to examination and adjustments for at least three years following the year in which the attributes are used.

Starting December 27, 2019, and forward, the Company's position is that its overseas subsidiaries will not invest undistributed earnings indefinitely. Future unremitted earnings when distributed are expected to be either distributions of GILTI or Sub F — previously taxed income or eligible for 100% dividends received deduction. The withholding on any unremitted earnings and related state income taxes on such earnings are not considered material. Therefore, the Company has not provided deferred U.S. income taxes from non-U.S. subsidiaries.

(in thousands, except per share amounts)

The reconciliation of the Company's effective income tax rate with the statutory rate is as follows:

	December 31, 2021	December 25, 2020	December 27, 2019
Federal income tax rate	21.00 %	21.00 %	21.00 %
State income taxes	1.04 %	1.57 %	1.60 %
Foreign income taxes	(0.07)%	1.03 %	0.23 %
Deferred rate change	0.46 %	(6.00)%	(0.25)%
Foreign tax rate differences	0.42 %	(1.31)%	(0.03)%
Autonomic sale (tax)	— %	29.82 %	— %
Incentive stock compensation	(2.23)%	(3.08)%	(1.64)%
Cash in lieu of Tax Receivable Agreement	(5.06)%	— %	— %
Research and development tax credits	2.84 %	14.37 %	26.21 %
Valuation allowance	1.42 %	(41.61)%	(2.03)%
Changes in uncertain tax positions	(0.41)%	0.64 %	(15.80)%
Other items, net	(3.99)%	(1.55)%	(0.94)%
Effective income tax rate	15.42 %	14.88 %	28.35 %

Due to pretax losses in the years ended December 31, 2021, December 25, 2020 and December 27, 2019, the effective rate items listed above with negative signs represent increases to income tax expense and positive amounts represent decreases to income tax expense.

In March 2021, the U.S. Internal Revenue Service ("IRS") began an examination of the Company's 2018 U.S. federal income tax return. In July 2021, the state of California began an examination of the Company's 2018 California income tax return. Although these examinations are part of a routine and recurring cycle, the Company cannot predict the final outcome or expected conclusion dates of the audits.

15. Tax Receivable Agreement

On July 29, 2021, the Company executed the TRA with the TRA Participants. The TRA provides for payment by the Company to the TRA Participants of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that is actually realized, or deemed to be realized (calculated using certain assumptions), as a result of the utilization of such tax benefits, including certain tax benefits attributable to payments under the TRA. The Company will retain the benefit of the remaining 15% of these cash tax savings.

Payments under the TRA will not begin until after the filing of the Company's 2021 federal tax return. If the Company does not have taxable income (before considering deductions that are subject to the TRA), it is not required (absent circumstances requiring an early termination payment, other acceleration of its obligations under the TRA or a change of control) to make payments under the TRA for that taxable year because no cash tax savings will have been realized. However, unutilized deductions that do not result in realized benefits in a given tax year as a result of insufficient taxable income may be applied to taxable income in future years and accordingly would impact the amount of cash tax savings in such future years and the amount of corresponding payments under the TRA in such future years.

Upon the closing of the IPO, the Company recognized a non-current liability of $112,681, which represented undiscounted aggregate payments that it expects to pay the TRA Participants under the TRA, with an offset to additional paid-in capital. Subsequent changes in the measurement of the liability will be adjusted through the consolidated statement of operations. The TRA liability is an estimate and estimating the amount of payments that may be made under the TRA is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The amount and timing of any payments under the TRA will vary depending upon a number of factors, including the amount, character and timing of the Company's income. The tax receivable liability as of December 31, 2021 was $112,406. For the year ended December 31, 2021, the Company recognized measurement adjustments of $275 which were recognized in other income on the consolidated statements of operations.

(in thousands, except per share amounts)

With respect to certain pre-IPO owners that are not TRA Participants, the Company paid $13,210 with cash on hand for their interests in lieu of their participation in the TRA. Approximately $2,754 of the cash payments to pre-IPO owners are subject to vesting requirements and are held in escrow until vested. The cash payments held in escrow are included in the consolidated balance sheet in prepaid expenses and other current assets and other assets and are expensed over the requisite service period. The remaining $10,456 of the cash payments were expensed and paid or accrued in conjunction with the closing of the IPO. In total, $10,925 was recorded as compensation expense within selling, general and administrative expenses in the accompanying consolidated statement of operations for the year ended December 31, 2021.

16. Commitments and Contingencies

Legal Proceedings — During the normal course of business, the Company is occasionally involved with various claims and litigation. Reserves are established in connection with such matters when a loss is probable, and the amount of such loss can be reasonably estimated. As of December 31, 2021 and December 25, 2020, no material reserves were recorded. The determination of probability and the estimation of the actual amount of any such loss are inherently unpredictable, and it is therefore possible that the eventual outcome of such claims and litigation could exceed the estimated reserves, if any. However, the Company does not expect the outcome of the matters currently pending will have a material adverse effect on the consolidated financial statements.

Lease Commitments — The Company leases offices, warehouse space, and distribution centers. These leases are classified as operating leases with various expiration dates through 2032. In addition to base rent, the Company is obligated to reimburse certain common area maintenance costs required to operate the facilities. Substantially all the leases include renewal options with varying terms. The Company recognizes rental expense and amortizes tenant improvement allowances on a straight-line basis over the stated lease term, including renewal periods if reasonably assured of being exercised. Total rental expense was approximately $12,325, $10,909 and $6,388 for the years ended December 31, 2021, December 25, 2020 and December 27, 2019, respectively.

As of December 31, 2021, future minimum lease payments under non-cancelable lease commitments for the next five fiscal years and thereafter were as follows:

2022	$	13,168
2023		9,255
2024		7,558
2025		6,357
2026		4,510
Thereafter		5,460
Total future minimum lease payments	$	46,308

17. Stockholders' Equity

Holders of voting common stock are entitled to one vote per share and to receive dividends. The Company had noncontrolling interests of $261 and $316 as of December 31, 2021, and December 25, 2020, respectively.

Changes in noncontrolling interests each period include net income attributable to noncontrolling interests and cash contributions by minority partners to the Company's consolidated subsidiaries. There were no material cash contributions by minority partners for the years ended December 31, 2021, December 25, 2020 and December 27, 2019.

In July 2021, the Company amended its Amended and Restated Certificate of Incorporation which, among other things, effected a 150-for-1 stock split of its shares of common stock, increased the par value of its common stock from $0.001 to $0.01 per share, increased the authorized number of shares of its common stock to 500,000 and authorized 50,000 shares of preferred stock. There was no preferred stock outstanding as of December 31, 2021, and December 25, 2020. All references to share and per share amounts in the Company's consolidated financial statements have been retrospectively revised to reflect the stock split, the increase in par value and the increase in authorized shares.

(in thousands, except per share amounts)

18. Loss Per Share

Basic loss per share represents net loss divided by the weighted-average shares outstanding. Diluted loss per share is the same as basic income or loss per share, as the Company had no potentially dilutive securities during the years ended December 31, 2021, December 25, 2020 and December 27, 2019. The following table presents the calculations of basic and diluted loss per share for the years ended December 31, 2021, December 25, 2020 and December 27, 2019:

	For the Years Ended		
	December 31, 2021	December 25, 2020	December 27, 2019
Net loss attributable to Company	$ (36,402)	$ (24,884)	$ (34,364)
Weighted-average shares outstanding - basic and diluted	65,541	58,865	58,103
Loss per share - basic and diluted	$ (0.56)	$ (0.42)	$ (0.59)

The Company's restricted stock awards, stock options and restricted stock units were excluded from the computation of diluted net loss per share because their effect would have been anti-dilutive. Awards with performance and market-based vesting conditions are excluded from the calculation of dilutive potential common shares until the conditions have been satisfied. The following potentially dilutive shares were excluded from the computation of diluted net income (loss) per share attributable to common stockholders:

	December 31, 2021
Restricted stock awards	635
Time-based options	1,870
Market-based options	489
Restricted stock units	162
Total	3,156

19. Related Parties

The Company's controlling shareholder, H&F, owns an insurance brokerage vendor used by the Company. For the year ended December 31, 2021, the Company incurred $1,874 of expenses from this vendor, which included $114 of brokerage fees. The Company incurred no expenses for the years ended December 25, 2020 and December 27, 2019 related to this vendor. Additionally, H&F also has an ownership interest in a human capital management, payroll, HR service and workforce management vendor used by the Company. For the years ended December 31, 2021 and December 25, 2020, the Company incurred $541 and $347 of expenses. These expenses are included in selling, general and administrative expenses in the accompanying consolidated statements of operations. The Company incurred no expenses for the year ended December 27, 2019 related to this vendor. Amounts owed by the Company in connection with the expenses described above were not material as of December 31, 2021, December 25, 2020 and December 27, 2019, respectively.

The Company received no capital contributions from the Former Parent Company during the years ended December 31, 2021 and December 25, 2020, and $254,205 during the year ended December 27, 2019. There were no other related party transactions to report.

20. Subsequent Events

On January 20, 2022, the Company entered into a Share Purchase Agreement (the "Purchase Agreement") pursuant to which it acquired all of the issued and outstanding shares of Staub Electronics, Ltd. ("Staub"), a Canadian distributor of technology solutions focused on residential and commercial AV integrators, and automotive electronics installers.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Amendment:

1. *Consolidated Financial Statements*. We have filed the consolidated financial statements listed in the index to Consolidated Financial Statements, Schedules and Exhibits in Part II, Item 8, of this Amendment.
2. *Financial Statement Schedules and Other*. All financial statement schedules have been omitted because they are not applicable, not material or the required information is shown in the consolidated financial statements or the notes thereto.
3. *Exhibits*. The exhibits listed below are filed or incorporated by reference as part of this Amendment.

(b) Exhibits:

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of June 19, 2017, by and among Crackle Purchaser Corp., Crackle Merger Sub I Corp., Crackle Merger Sub II Corp., General Atlantic (Amplify) Hold co LLC, Amplify Holdings LLC, General Atlantic (Amplify) LLC, GA Escrow, LLC and JWF Rollover, LLC (incorporated by reference to Exhibit 2.1 of Snap One Holding Corp.'s Registration Statement on Form S-1, as filed with the SEC on July 2, 2021 (hereinafter the "Registration Statement filed on July 2")).
3.1	Third Amended and Restated Certificate of Incorporation of Snap One Holdings Corp. (incorporated by reference to Exhibit 3.1 of the 10-Q for Snap One Holdings Corp. for the quarterly period ending June 25, 2021, filed on August 27, 2021).
3.2	Second Amended and Restated Bylaws of Snap One Holdings Corp. (incorporated by reference to Exhibit 3.2 of the 10-Q for Snap One Holdings Corp. for the quarterly period ending June 25, 2021, filed on August 27, 2021).
4.1	Form of Stock Certificate for Common Stock (incorporated by reference to Exhibit 4.1 of the Registration Statement filed on July 2).
4.2	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.2 of the 10-K for Snap One Holdings Corp. for the fiscal year ended December 31, 2021).
10.1	Stockholders Agreement, dated as of July 27, 2021 among Snap One Holdings Corp. and the other parties named therein (incorporated by reference to Exhibit 10.1 of the 10-Q for Snap One Holdings Corp. for the quarterly period ending June 25, 2021, filed on August 27, 2021).
10.2+	Form of Indemnification Agreement between Snap One Holdings Corp. and directors and officers of Snap One Holdings Corp. (incorporated by reference to Exhibit 10.7 of Snap One Holdings Corp.'s Registration Statement filed on July 2).
10.3+	Snap One Holdings Corp. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 of Snap One Holdings Corp.'s Registration Statement, as filed with the SEC on July 19, 2021(hereinafter the "Registration Statement filed on July 19").
10.4+	Form of Option Agreement under the Snap One Holdings Corp. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 of Snap One Holdings Corp.'s Registration Statement filed on July 2).
10.5+	Form of Restricted Stock Unit Agreement under the Snap One Holdings Corp. 2021 Equity Incentive Plan (Employee) (incorporated by reference to Exhibit 10.10 of the Registration Statement filed on July 2).

10.6+	Form of Restricted Stock Unit Agreement under the Snap One Holdings Corp. 2021 Equity Incentive Plan (Director) (incorporated by reference to Exhibit 10.11 of the Registration Statement filed on July 2).
10.7+	Snap One Holdings Corp. 2021 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.12 of the Registration Statement filed on July 19).
10.8+	Snap One Holdings Corp. Directors Deferral Plan (incorporated by reference to Exhibit 10.13 of the Registration Statement filed on July 19).
10.9	Tax Receivable Agreement dated July 27, 2021 between Snap One Holdings Corp. and the TRA Participants named therein (incorporated by reference to Exhibit 10.14 of the 10-Q for Snap One Holdings Corp. for the quarterly period ending June 25, 2021, filed on August 27, 2021).
10.10	Form of Exchange Agreement among Snap One Holdings Corp. and the other parties named therein (Employee) (incorporated by reference to Exhibit 10.15 of the Registration Statement filed on July 19).
10.11	Form of Exchange Agreement among Snap One Holdings Corp. and the other parties named therein (Director) (incorporated by reference to Exhibit 10.16 of the Registration Statement filed on July 19).
10.12	Form of Escrow Agreement among Snap One Holdings Corp. and the other parties named therein (incorporated by reference to Exhibit 10.17 of the Registration Statement filed on July 19).
10.13+	Amended and Restated Employment Agreement, dated as of August 4, 2017, by and between Wirepath Home Systems, LLC (d/b/a SnapAV) and John Heyman (incorporated by reference to Exhibit 10.18 of the Registration Statement filed on July 19).
10.14+	Employment Agreement, dated as of March 22, 2016, by and between Wirepath Home Systems, LLC (d/b/a SnapAV) and Jeffrey Hindman (incorporated by reference to Exhibit 10.19 of the Registration Statement filed on July 19).
10.15+	Offer Letter, dated as of August 4, 2017, by and between Wirepath Home Systems, LLC (d/b/a SnapAV) and Jeffrey Hindman (incorporated by reference to Exhibit 10.20 of the Registration Statement filed on July 19).
10.16+	Employment Agreement, dated as of October 7, 2014, by and between Wirepath Home Systems, LLC (d/b/a SnapAV) and Michael Carlet (incorporated by reference to Exhibit 10.21 of the Registration Statement filed on July 19).
10.17+	Offer Letter, dated as of August 4, 2017, by and between Wirepath Home Systems, LLC (d/b/a SnapAV) and Michael Carlet (incorporated by reference to Exhibit 10.22 of the Registration Statement filed on July 19).
10.18	Credit Agreement, dated as of December 8, 2021, among the Company, as borrower, the lenders and letter of credit issuers party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent, collateral agent and swingline lender (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on December 9, 2021).
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 of the 10-K for Snap One Holdings Corp. for the fiscal year ended December 31, 2021).

23.1*	Consent of Deloitte & Touche LLP.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.
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.
101	The following financial information from Snap One Holdings Corp.'s Annual Report on Form 10-K for the year ended December 31, 2021 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Loss, (iv) the Consolidated Statements of Changes in Stockholders Equity, (v) the Consolidated Statements of Cash Flows, and (vi) Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

+ Indicates a management contract or compensatory plan or arrangement.

* Filed herewith.

** Furnished herewith. The certifications attached as Exhibit 32.1 and 32.2 that accompany this Amendment are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Snap One Holdings 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 this Amendment, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 report to be signed on its behalf by the undersigned, thereunto duly authorized

Snap One Holdings Corp.

April 25, 2022	By:	/s/ John Heyman
		Name: John Heyman
		Title: Chief Executive Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-258212 on Form S-8 of our report dated March 23, 2022, relating to the financial statements of Snap One Holdings Corp. appearing in this Annual Report on Form 10-K/A for the year ended December 31, 2021.

/s/ Deloitte & Touche LLP

Charlotte, NC
April 25, 2022

Exhibit 31.1

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, John Heyman, certify that:

1. I have reviewed this amended Annual Report on Form 10-K of Snap One Holdings 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;

Date: April 25, 2022

/s/ John Heyman

John Heyman
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Carlet, certify that:

1. I have reviewed this amended Annual Report on Form 10-K of Snap One Holdings 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;

Date: April 25, 2022

/s/ Michael Carlet

Michael Carlet
Chief Financial Officer
(Principal Financial and Accounting Officer)

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**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, John Heyman, the Chief Executive Officer of Snap One Holdings Corp. (the “Company”), hereby certify, that, to my knowledge:

1. The amended Annual Report on Form 10-K for the period ended December 31, 2021 (the “Report”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 25, 2022

/s/ John Heyman

John Heyman
Chief Executive Officer and Director
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Michael Carlet, the Chief Financial Officer of Snap One Holdings Corp. (the “Company”), hereby certify, that, to my knowledge:

1. The amended Annual Report on Form 10-K for the period ended December 31, 2021 (the “Report”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 25, 2022

/s/ Michael Carlet

Michael Carlet
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.