

May 4, 2023



Floor & Decor Holdings, Inc. Announces First Quarter Fiscal 2023 Financial Results

Net sales of \$1,122.1 million increased 9.1% from the first quarter of fiscal 2022

Comparable store sales decreased 3.3%

Diluted earnings per share of \$0.66 was flat compared to the first quarter of fiscal 2022

Opened three new warehouse stores

ATLANTA--(BUSINESS WIRE)-- Floor & Decor Holdings, Inc. (NYSE: FND) (“We,” “Our,” the “Company,” or “Floor & Decor”) announces its financial results for the first quarter of fiscal 2023, which ended March 30, 2023.

Tom Taylor, Chief Executive Officer, stated, “We take pride in these first-quarter 2023 earnings results as they demonstrate the continuing strong execution of our long-term growth strategies and our near-term agility in adapting to the significant year-over-year declines in existing home sales and broader macroeconomic challenges. As consumers prioritize value and savings, we are capitalizing on our low prices and value options, our trend-forward broad assortments, in-stock job lot quantities, and superior customer service provided by our store associates.”

Mr. Taylor continued, “We are excited about achieving another milestone in our company’s history in May 2023, when we expect to open our 200th warehouse store, towards our goal of operating at least 500 warehouse stores over time. In the first quarter of 2023, we opened three new warehouse-format stores, and still intend to open 32 to 35 warehouse stores in fiscal 2023. We ended the first quarter by operating 194 warehouse stores and five design studios across 36 states.”

Please see “Comparable Store Sales” below for information on how the Company calculates period-over-period changes in comparable store sales.

For the Thirteen Weeks Ended March 30, 2023

- Net sales increased 9.1% to \$1,122.1 million from \$1,028.7 million in the first quarter of fiscal 2022.
- Comparable store sales decreased 3.3%.
- We opened three new warehouse stores during the first quarter of fiscal 2023, ending the quarter with 194 warehouse stores and five design studios.
- Operating income increased 1.6% to \$95.5 million from \$94.0 million in the first quarter of fiscal 2022. Operating margin decreased 60 basis points to 8.5%.
- Net income increased 0.8% to \$71.5 million from \$71.0 million in the first quarter of

fiscal 2022. Diluted earnings per share ("EPS") of \$0.66 was flat compared to the first quarter of fiscal 2022.

- Adjusted EBITDA* increased 10.2% to \$149.6 million from \$135.8 million in the first quarter of fiscal 2022.

**Non-GAAP financial measures. Please see "Non-GAAP Financial Measures" and "Reconciliation of GAAP to Non-GAAP Financial Measures" below for more information.*

Outlook for the Fiscal Year Ending December 28, 2023:

- Net sales of approximately \$4,610 million to \$4,750 million
- Comparable store sales of approximately (3.0)% to flat
- Diluted EPS to be in the range of \$2.55 to \$2.85
- Adjusted EBITDA* in the range of \$605 million to \$650 million
- Depreciation and amortization expense of approximately \$190 million
- Interest expense, net of approximately \$17 million to \$18 million
- Tax rate of approximately 23%
- Diluted weighted average shares outstanding of approximately 108 million shares
- Open 32 to 35 new warehouse-format stores
- Capital expenditures in the range of approximately \$620 million to \$675 million

**Non-GAAP financial measure. Please see "Non-GAAP Financial Measures" and "Reconciliation of GAAP to Non-GAAP Financial Measures" below for more information.*

Conference Call Details

A conference call to discuss the first quarter fiscal 2023 financial results is scheduled for today, May 4, 2023, at 5:00 p.m. Eastern Time. A live audio webcast of the conference call, together with related materials, will be available online at ir.flooranddecor.com.

A recorded replay of the conference call is expected to be available within two hours of the conclusion of the call and can be accessed both online at ir.flooranddecor.com and by dialing 844-512-2921 (international callers please dial 412-317-6671). The pin number to access the telephone replay is 13737411. The replay will be available until May 11, 2023.

About Floor & Decor Holdings, Inc.

Floor & Decor is a multi-channel specialty retailer and commercial flooring distributor operating 194 warehouse-format stores and five design studios across 36 states as of March 30, 2023. The Company offers a broad assortment of in-stock hard-surface flooring, including tile, wood, laminate, vinyl, and natural stone along with decorative accessories and wall tile, installation materials, and adjacent categories at everyday low prices. The Company was founded in 2000 and is headquartered in Atlanta, Georgia.

Comparable Store Sales

Comparable store sales refer to period-over-period comparisons of our net sales among the comparable store base and are based on when the customer obtains control of the product, which is typically at the time of sale. A store is included in the comparable store sales calculation on the first day of the thirteenth full fiscal month following a store's opening, which is when we believe comparability has been achieved. Changes in our comparable

store sales between two periods are based on net sales for stores that were in operation during both of the two periods. Any change in the square footage of an existing comparable store, including for remodels and relocations within the same primary trade area of the existing store being relocated, does not eliminate that store from inclusion in the calculation of comparable store sales. Stores that are closed for a full fiscal month or longer are excluded from the comparable store sales calculation for each full fiscal month that they are closed. Since our e-commerce, regional account manager, and design studio sales are fulfilled by individual stores, they are included in comparable store sales only to the extent the fulfilling store meets the above mentioned store criteria. Sales through our Spartan Surfaces, LLC ("Spartan") subsidiary do not involve our stores and are therefore excluded from the comparable store sales calculation.

Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA (which are shown in the reconciliation below) are presented as supplemental measures of financial performance that are not required by, or presented in accordance with, accounting principles generally accepted in the United States ("GAAP"). We define EBITDA as net income before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as net income before interest, taxes, depreciation and amortization, adjusted to eliminate the impact of non-cash stock-based compensation expense and certain items that we do not consider indicative of our core operating performance. Reconciliations of these measures to the most directly comparable GAAP financial measure are set forth in the table below.

EBITDA and Adjusted EBITDA are key metrics used by management and our board of directors to assess our financial performance and enterprise value. We believe that EBITDA and Adjusted EBITDA are useful measures, as they eliminate certain items that are not indicative of our core operating performance and facilitate a comparison of our core operating performance on a consistent basis from period to period. We also use Adjusted EBITDA as a basis to determine covenant compliance with respect to our credit facilities, to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, and to compare our performance against that of other peer companies using similar measures. EBITDA and Adjusted EBITDA are also frequently used by analysts, investors and other interested parties as performance measures to evaluate companies in our industry.

EBITDA and Adjusted EBITDA are non-GAAP measures of our financial performance and should not be considered as alternatives to net income as a measure of financial performance, or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of liquidity or free cash flow for management's discretionary use. In addition, these non-GAAP measures exclude certain non-recurring and other charges. Each of these non-GAAP measures has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the items eliminated in the adjustments made to determine EBITDA and Adjusted EBITDA, such as stock compensation expense, distribution center relocation expenses, fair value adjustments related to

contingent earn-out liabilities, and other adjustments. Our presentation of EBITDA and Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Definitions and calculations of EBITDA and Adjusted EBITDA differ among companies in the retail industry, and therefore EBITDA and Adjusted EBITDA disclosed by us may not be comparable to the metrics disclosed by other companies.

Please see “Reconciliation of GAAP to Non-GAAP Financial Measures” below for reconciliations of non-GAAP financial measures used in this release to their most directly comparable GAAP financial measures.

Floor & Decor Holdings, Inc.
Consolidated Statements of Income
(In thousands, except for per share data)
(Unaudited)

	Thirteen Weeks Ended				% Increase (Decrease)
	March 30, 2023		March 31, 2022		
	Amount	% of Net Sales	Amount	% of Net Sales	
Net sales	\$ 1,122,052	100.0%	\$ 1,028,734	100.0%	9.1%
Cost of sales	652,934	58.2	620,676	60.3	5.2%
Gross profit	469,118	41.8	408,058	39.7	15.0%
Operating expenses:					
Selling and store operating	303,671	27.1	249,500	24.3	21.7%
General and administrative	61,911	5.5	54,645	5.3	13.3%
Pre-opening	8,020	0.7	9,941	1.0	(19.3)%
Total operating expenses	373,602	33.3	314,086	30.5	18.9%
Operating income	95,516	8.5	93,972	9.1	1.6%
Interest expense, net	4,862	0.4	1,162	0.1	318.4%
Income before income taxes	90,654	8.1	92,810	9.0	(2.3)%
Income tax expense	19,130	1.7	21,859	2.1	(12.5)%
Net income	\$ 71,524	6.4%	\$ 70,951	6.9%	0.8%
Basic weighted average shares outstanding	105,962		105,398		
Diluted weighted average shares outstanding	107,718		107,539		
Basic earnings per share	\$ 0.67		\$ 0.67		—%
Diluted earnings per share	\$ 0.66		\$ 0.66		—%

Consolidated Balance Sheets

(In thousands, except for share and per share data)
(Unaudited)

	As of March 30, 2023	As of December 29, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,034	\$ 9,794
Income taxes receivable	—	7,325
Receivables, net	87,992	94,732
Inventories, net	1,181,147	1,292,336
Prepaid expenses and other current assets	54,300	53,298
Total current assets	<u>1,328,473</u>	<u>1,457,485</u>
Fixed assets, net	1,344,987	1,258,056
Right-of-use assets	1,231,509	1,205,636
Intangible assets, net	151,590	152,353
Goodwill	255,473	255,473
Deferred income tax assets, net	14,073	11,265
Other assets	9,088	10,974
Total long-term assets	<u>3,006,720</u>	<u>2,893,757</u>
Total assets	<u>\$ 4,335,193</u>	<u>\$ 4,351,242</u>
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of term loan	\$ 2,103	\$ 2,103
Current portion of lease liabilities	113,798	105,693
Trade accounts payable	572,475	590,883
Accrued expenses and other current liabilities	285,557	298,019
Income taxes payable	18,178	—
Deferred revenue	14,418	10,060
Total current liabilities	<u>1,006,529</u>	<u>1,006,758</u>
Term loan	195,248	195,351
Revolving line of credit	106,500	210,200
Lease liabilities	1,251,567	1,227,507
Deferred income tax liabilities, net	36,816	41,520
Other liabilities	10,116	12,730
Total long-term liabilities	<u>1,600,247</u>	<u>1,687,308</u>
Total liabilities	<u>2,606,776</u>	<u>2,694,066</u>
Stockholders' equity		
Capital stock:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; 0 shares issued and outstanding at March 30, 2023 and December 29, 2022	—	—
Common stock Class A, \$0.001 par value; 450,000,000 shares authorized; 106,271,016 shares issued and outstanding at March 30, 2023 and 106,150,661 issued and outstanding at December 29, 2022	106	106
Common stock Class B, \$0.001 par value; 10,000,000 shares authorized; 0 shares issued and outstanding at March 30, 2023 and December 29, 2022	—	—
Common stock Class C, \$0.001 par value; 30,000,000 shares authorized; 0 shares issued and outstanding at March 30, 2023 and December 29, 2022	—	—
Additional paid-in capital	482,878	482,312
Accumulated other comprehensive income, net	3,488	4,337
Retained earnings	1,241,945	1,170,421
Total stockholders' equity	<u>1,728,417</u>	<u>1,657,176</u>
Total liabilities and stockholders' equity	<u>\$ 4,335,193</u>	<u>\$ 4,351,242</u>

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Thirteen Weeks Ended	
	March 30, 2023	March 31, 2022
Operating activities		
Net income	\$ 71,524	\$ 70,951
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	46,352	34,613
Stock-based compensation expense	6,741	5,980
Change in fair value of contingent earn-out liabilities	1,434	364
Deferred income taxes	(7,211)	237
Interest cap derivative contracts	28	29
Loss on asset impairments and disposals, net	(177)	—
Changes in operating assets and liabilities, net of effects of acquisition:		
Receivables, net	6,740	(16,291)
Inventories, net	111,189	(141,363)
Trade accounts payable	47,176	27,661
Accrued expenses and other current liabilities	(68,733)	(3,969)
Income taxes	25,495	19,842
Deferred revenue	4,358	7,529
Other, net	5,364	(8,916)
Net cash provided by (used in) operating activities	250,280	(3,333)
Investing activities		
Purchases of fixed assets	(139,398)	(100,904)
Acquisition, net of cash acquired	—	(490)
Net cash used in investing activities	(139,398)	(101,394)
Financing activities		
Payments on term loans	(526)	(1,051)
Borrowings on revolving line of credit	215,400	—
Payments on revolving line of credit	(319,100)	—
Payments of contingent earn-out liabilities	(5,241)	(2,571)
Proceeds from exercise of stock options	2,130	577
Proceeds from employee stock purchase plan	2,558	1,963
Tax payments for stock-based compensation awards	(10,863)	(1,807)
Net cash used in financing activities	(115,642)	(2,889)
Net decrease in cash and cash equivalents	(4,760)	(107,616)
Cash and cash equivalents, beginning of the period	9,794	139,444
Cash and cash equivalents, end of the period	<u>\$ 5,034</u>	<u>\$ 31,828</u>
Supplemental disclosures of cash flow information		
Buildings and equipment acquired under operating leases	\$ 55,701	\$ 61,180
Cash paid for interest, net of capitalized interest	\$ 4,692	\$ 1,099
Cash paid for income taxes, net of refunds	\$ 1,651	\$ 1,763
Fixed assets accrued at the end of the period	\$ 109,161	\$ 104,230

Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands)

(Unaudited)

EBITDA and Adjusted EBITDA

	Thirteen Weeks Ended	
	March 30, 2023	March 31, 2022
Net income (GAAP):	\$ 71,524	\$ 70,951
Depreciation and amortization (a)	45,926	34,120
Interest expense, net	4,862	1,162
Income tax expense	19,130	21,859
EBITDA	141,442	128,092
Stock-based compensation expense (b)	6,741	5,980
Other (c)	1,434	1,705
Adjusted EBITDA	\$ 149,617	\$ 135,777

(a) Excludes amortization of deferred financing costs, which is included as part of interest expense, net in the table above.

(b) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on the timing of awards and forfeitures.

(c) Other adjustments include amounts management does not consider indicative of our core operating performance. Amounts for the thirteen weeks ended March 30, 2023 relate to changes in the fair value of contingent earn-out liabilities. Amounts for the thirteen weeks ended March 31, 2022 primarily relate to expenses for our Houston distribution center relocation.

Forward-Looking Statements

This release and the associated webcast/conference call contain forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact contained in this release and the associated webcast/conference call, including statements regarding the Company's future operating results and financial position, expectations related to our acquisition of Spartan, business strategy and plans, and objectives of management for future operations, are forward-looking statements. These statements are based on our current expectations, assumptions, estimates and projections. These statements involve known and unknown risks, uncertainties and other important factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are based on management's current expectations and assumptions regarding the Company's business, and the economy and other future conditions.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "seeks," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "budget," "potential," "focused on" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements contained in this release are only predictions. Although the Company believes that the expectations reflected in the forward-looking statements in this release and the associated webcast/conference call are reasonable, the Company cannot guarantee future events, results, performance or achievements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements in

this release or the associated webcast/conference call, including, without limitation, (1) an overall decline in the health of the economy, the hard surface flooring industry, consumer confidence and spending and the housing market, including as a result of rising inflation or interest rates, (2) demand fluctuations in the housing industry, and demand for our products and services may be adversely affected by unfavorable economic conditions, including rising interest rates, inflation, a decline in disposable income levels and recession fears, (3) an economic recession or depression, (4) global inflationary pressures on raw materials, energy, commodity, transportation, and other costs could cause our vendors to seek further price increases on the products we sell, (5) any disruption in our supply chain, including carrier capacity constraints, port congestion, higher shipping, rail, and trucking prices and other supply chain costs or product shortages, (6) our failure to successfully anticipate consumer preferences and demand, (7), our inability to pass along cost increases at rates consumers are willing to pay, or reduced demand due to pricing increases, (8) our inability to manage our growth, (9) our inability to manage costs and risks relating to new store openings, (10) our inability to find available locations for our stores on terms acceptable to us, (11) demand for our products and services may be adversely affected by unfavorable economic conditions, (12) any disruption in our distribution capabilities, including from difficulties operating our distribution centers, (13) our failure to execute our business strategy effectively and deliver value to our customers, (14) our inability to find, train and retain key personnel, (15) the resignation, incapacitation or death of any key personnel, (16) the inability to staff our stores and distribution centers sufficiently, (17) the effects of weather conditions, natural disasters or other unexpected events, including global health crises, such as the COVID-19 pandemic, may disrupt our operations, (18) our dependence on foreign imports for the products we sell, which may include the impact of tariffs and other duties, (19) geopolitical risks, such as the ongoing war in Ukraine, that impact our ability to import from foreign suppliers or raise our costs, (20) if the use of “cookie” tracking technologies is further restricted, the amount of internet user information we collect would decrease, which could require additional marketing efforts and harm our business and operating results, (21) violations of laws and regulations applicable to us or our suppliers, (22) our failure to adequately protect against security breaches involving our information technology systems and customer information, (23) suppliers may sell similar or identical products to our competitors, (24) competition from other stores and internet-based competition, (25) impact of acquired companies, including Spartan, (26) our inability to manage our inventory obsolescence, shrinkage and damage, (27) our inability to maintain sufficient levels of cash flow or liquidity to meet growth expectations, (28) our inability to obtain merchandise on a timely basis at prices acceptable to us, (29) restrictions imposed by our indebtedness on our current and future operations, and (30) our variable rate debt subjects us to interest rate risk that could cause our debt service obligations to increase significantly. Additional information concerning these and other factors are described in “Forward-Looking Statements,” Item 1, “Business” and Item 1A, “Risk Factors” of Part I and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 9A, “Controls and Procedures” of Part II of the Company’s Annual Report for fiscal 2022 filed with the Securities and Exchange Commission (the “SEC”) on February 23, 2023 (the “Annual Report”) and elsewhere in the Annual Report, and those described in Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 1A, “Risk Factors” of the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 30, 2023 (the “10-Q”) and elsewhere in the 10-Q, and those described in the Company’s other filings with the SEC.

Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The forward-looking statements contained in this release or the associated webcast/conference call speak only as of the date hereof. New risks and uncertainties arise over time, and it is not possible for the Company to predict those events or how they may affect the Company. If a change to the events and circumstances reflected in the Company's forward-looking statements occurs, the Company's business, financial condition and operating results may vary materially from those expressed in the Company's forward-looking statements. Except as required by applicable law, the Company does not plan to publicly update or revise any forward-looking statements contained herein or in the associated webcast/conference call, whether as a result of any new information, future events or otherwise.

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