

Fox Factory Holding Corp.

NASDAQ: FOXF · Performance suspension & premium sports equipment · Research note · August 2026

BUY	\$16.37 MARKET PRICE	\$59.65 INTRINSIC VALUE (DCF)	~264% IMPLIED UPSIDE	8.98% WACC (CAPM)	1.48 BETA (5-YR MONTHLY)
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Investment Thesis

- **The market is pricing cyclical, leverage-driven weakness as permanent.** FOXF trades near multi-year lows after a post-pandemic inventory correction across OEM and aftermarket channels and a debt-funded acquisition that compressed GAAP earnings.
- **The core franchise is intact.** Premium brand equity, ~250 OEM relationships (Ford, Polaris, Toyota, Trek, Specialized), ~16,000 dealers and distributors worldwide, and vertically integrated manufacturing remain undamaged by the downcycle.
- **Two normalizations drive the recovery:** channel inventory is being worked down toward reorder levels, and management has made deleveraging its top capital-allocation priority, which directly rebuilds earnings as interest expense declines.
- A 10-year discounted cash flow model yields an intrinsic value of **\$59.65 per share** against a market price of \$16.37 — a Buy on a long-term horizon.

Company Overview

Fox Factory designs and manufactures performance-defining suspension and components for mountain bikes, off-road trucks, side-by-sides, ATVs, snowmobiles, and motorcycles, and owns Marucci Sports in premium baseball equipment. Fiscal 2024 net sales were roughly \$1.39 billion across three segments: Powered Vehicles (33% of sales — OEM suspension for trucks and off-road vehicles, including Live Valve semi-active technology), Aftermarket Applications (30% — lift kits, wheels, and performance upfitting), and Specialty Sports (37% — bike suspension and Marucci). North America represents ~79% of sales. OEMs account for ~44% of revenue, dealers and distributors ~49%, and direct-to-consumer ~7%; Ford alone was ~15% of 2024 sales. Most products are manufactured and final-assembled in-house — anchored by the Gainesville, GA facility — supporting quality control, customization, and responsiveness.

Why the Stock Is Down

- **Inventory correction:** dealers and OEMs over-ordered during the pandemic outdoor-recreation surge and spent the following two years digesting excess stock, shrinking orders to FOX across all three segments.
- **Acquisition leverage:** the ~\$559M Marucci acquisition (2023) was funded largely with debt, lifting annual interest expense from under \$10M to roughly \$58M and absorbing most of operating income.
- **Non-cash impairment:** a goodwill impairment further depressed reported GAAP earnings — optically ugly, but not reflective of ongoing cash operating performance.

Q3 FY2025 Earnings Call Takeaways

Management (CEO Michael Dennison, CFO Dennis Schemm; call held November 6, 2025) struck a cautiously optimistic tone: gradual recovery, not a rapid rebound, with emphasis on “controlling what we can control” — costs, operational efficiency, and integration. Key signals for the thesis:

- OEM inventory normalization is the dominant theme; PVG volumes pressured but stabilizing, with the Ford relationship and electronic suspension innovation intact.
- Aftermarket demand remains sensitive to consumer financing conditions; premium positioning maintained despite pricing pressure.
- Cycling channel is still normalizing; Marucci performing relatively stronger within Specialty Sports.
- Capital allocation explicitly prioritizes deleveraging and free cash flow over aggressive M&A — the exact behavior the valuation depends on.

Valuation Methodology

- **NOPAT conversion:** GAAP net income was converted to net operating profit after tax to separate operating performance from financing effects — essential given the leverage-driven distortion in reported earnings.
- **Forecast:** free cash flow projected over 10 years, with revenue growth starting at 5.5% (recovery from the inventory correction) and tapering to ~3% at the terminal period (normalized long-run growth).
- **Discount rate:** beta of 1.48 calculated from five years of FOXF vs. S&P 500 monthly returns, applied through CAPM and weighted against the actual capital structure (~47% equity / ~53% debt) for a WACC of 8.98%.
- **Output:** enterprise value less net debt, divided by shares outstanding, yields intrinsic value of **\$59.65 per share**.

Risks to the Thesis

- Prolonged discretionary-spending weakness in premium bikes, trucks, and upfitting.
- Customer concentration (Ford ~15% of sales; top 10 customers ~36%) and OEM chassis supply dependence.
- Supplier concentration in key components, including the exclusive Kashima coating relationship.
- Integration execution on Marucci and Marzocchi; variable-rate debt exposure if deleveraging stalls.
- Tariffs, trade policy, and geopolitical exposure across the global supply chain.

Recommendation

Buy, long-term horizon. Current earnings weakness is cyclical and leverage-driven, not structural. As channel inventories normalize and the balance sheet deleverages, both revenue and net earnings power recover toward the levels the DCF reflects. At \$16.37 against an intrinsic value of \$59.65, the market is offering the franchise at a steep discount to fundamental value. The full Excel model — statements, NOPAT bridge, FCF forecast, beta calculation, and WACC build — accompanies this note.