

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 26 , 2024

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 001-38070

Floor & Decor Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

27-3730271

(State or Other Jurisdiction of Incorporation or Organization)

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

2500 Windy Ridge Parkway SE

Atlanta, Georgia

(Address of principal executive offices)

30339

(Zip Code)

Registrant's telephone number, including area code (404) 471-1634

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.001 par value per share	FND	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

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 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 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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the Registrant's Common Stock held by non-affiliates as of June 27, 2024, based on the closing sale price per share as reported by the New York Stock Exchange on such date, was \$ 10.8 billion. There were 107,395,508 shares of Common Stock outstanding as of February 17, 2025.

Documents Incorporated by Reference:

Portions of the Registrant's proxy statement for the Annual Meeting of Shareholders to be filed pursuant to Regulation 14A of the Exchange Act on or before April 25, 2025, are

Reference to the Registrant's proxy statement for the Annual Meeting of Shareholders to be held pursuant to Registration 2 in the Exchange Act on or before April 29, 2020, are incorporated by reference into Part III of this Form 10-K. Except as expressly incorporated by reference, the Registrant's proxy statement shall not be deemed to be part of this report.

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FORWARD-LOOKING STATEMENTS.

The discussion in this Form 10-K for the fiscal year ended December 26, 2024 (the “Annual Report”), including under Item 1A, “Risk Factors” and 1C, “Cybersecurity” of Part I and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Part II, contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact contained in this Annual Report, including statements regarding our future operating results and financial position, business strategy and plans, and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “seeks,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “budget,” “potential,” or “continue” or the negative of these terms or other similar expressions.

The forward-looking statements contained in this Annual Report are based on our current expectations, assumptions, estimates, and projections regarding the Company’s business, the economy, and other future conditions. These statements involve known and unknown risks, uncertainties, and other important factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements in this Annual Report are reasonable, we 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 Annual Report, including, without limitation, those factors described in Item 1A, “Risk Factors” of Part I of this Annual Report, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Part II of this Annual Report, and elsewhere in the Company’s filings with the Securities and Exchange Commission (the “SEC”). Some of the key factors that could cause actual results to differ from our expectations include the following:

- an overall decline in the health of the economy, the hard surface flooring industry, consumer confidence and discretionary spending, and the housing market, including as a result of persistently high or rising inflation or interest rates;
- our failure to successfully manage the challenges that our planned new store growth poses or the impact of unexpected difficulties or higher costs during our expansion;
- our inability to lease or acquire new store locations on acceptable terms, renew or replace our current store leases, or make payments under our leases;
- our failure to maintain and enhance our brand image and awareness;
- our failure to successfully anticipate and manage trends, consumer preferences, and demand;
- our inability to successfully manage increased competition;
- geopolitical risks, U.S. policies related to global trade and tariffs, and any antidumping and countervailing duties, any of which could impact our ability to import from foreign suppliers or raise our costs;
- our inability to manage our inventory, including the impact of inventory obsolescence, shrink, and damage;
- any disruption in our distribution capabilities, supply chain, and our related planning and control processes, including carrier capacity constraints, port congestion, strike, or shut down, and other supply chain costs or product shortages;
- any increases in wholesale prices of products, materials, and transportation costs beyond our control, including increases in costs due to inflation;
- the resignation, incapacitation, or death of any key personnel, including our executive officers;
- our inability to attract, hire, train, and retain highly qualified managers and staff;
- the impact of any labor activities;
- our dependence on foreign imports for the products we sell, including risks associated with obtaining products from abroad;
- any failure by any of our suppliers to supply us with quality products on attractive terms and prices or to adhere to the quality standards that we set for our products;
- our inability to locate sufficient suitable natural products;
- the effects of weather conditions, natural disasters, or other unexpected events, including public health crises, that may disrupt our operations;

- restrictions imposed by our indebtedness on our current and future operations, including risks related to our variable rate debt;
- any allegations, investigations, lawsuits, or violations of laws and regulations applicable to us, our products, or our suppliers;
- our inability to adequately protect the privacy and security of information related to our customers, us, our associates, our suppliers, and other third parties;
- any material disruption in our information systems, including our website;
- our ability to manage our comparable store sales;
- our inability to maintain sufficient levels of cash flow or liquidity to fund our expanding business and service our existing indebtedness;
- new or changing laws or regulations, including tax laws and trade policies and regulations;
- any failure to protect our intellectual property rights or disputes regarding our intellectual property or the intellectual property of third parties;
- the impact of any future strategic transactions; and
- our ability to manage risks related to corporate social responsibility.

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 Annual Report speak only as of the date hereof. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. If a change to the events and circumstances reflected in our forward-looking statements occurs, our business, financial condition, and operating results may vary materially from those expressed in our forward-looking statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, or otherwise.

PART I

ITEM 1. BUSINESS.

Except where the context suggests otherwise, the terms “Floor & Decor Holdings, Inc.,” “Floor & Decor,” the “Company,” “we,” “us,” and “our” refer to Floor & Decor Holdings, Inc., a Delaware corporation, together with its consolidated subsidiaries.

Our fiscal year is the 52- or 53-week period ending on the Thursday on or preceding December 31. The following discussion contains references to fiscal 2025, fiscal 2024, fiscal 2023, fiscal 2022, fiscal 2021, and fiscal 2020, which represent our fiscal years ended or ending, respectively, December 25, 2025, December 26, 2024, December 28, 2023, December 29, 2022, December 30, 2021, and December 31, 2020. Fiscal years 2025, 2024, 2023, 2022, and 2021 are 52-week periods, and fiscal 2020 is a 53-week period. When a 53-week fiscal year occurs, the Company reports the additional week at the end of the fiscal fourth quarter.

Our Company

Founded in 2000, Floor & Decor is a high-growth, differentiated, multi-channel specialty retailer of hard surface flooring and related accessories and seller of commercial surfaces. Floor & Decor Holdings, Inc. was incorporated as a Delaware corporation in October 2010 in connection with the acquisition of Floor and Decor Outlets of America, Inc. in November 2010 by our previous sponsor owners. As of December 26, 2024, we operated 251 warehouse-format stores and five small-format design studios across 38 states. We believe that we offer the broadest in-stock assortment of laminate and vinyl, tile, wood, and natural stone flooring and installation materials and decorative accessories, as well as adjacent categories, at everyday low prices. This positions us as the one-stop destination for our customers’ entire hard surface flooring needs. We appeal to a variety of customers, including professional installers and commercial businesses (“Pro”) and homeowners, which are comprised of do-it-yourself customers (“DIY”) and buy-it-yourself customers who buy the products for professional installation (“BIY”).

Our warehouse-format stores, which average approximately 77,000 square feet, are typically larger than any of our specialty retail flooring competitors' stores. Other large format home improvement retailers only allocate a small percentage of their floor space to hard surface flooring and accessories. By carrying a deep level of in-stock hard surface flooring inventory and wide range of tools and accessories, we seek to offer our customers immediate availability of everything they need to complete their entire flooring project. In addition to our stores, our website, *FloorandDecor.com*, showcases our products, offers informational training and design ideas, and provides product availability for in-store pickup or delivery. Our ability to purchase directly from manufacturers through our direct sourcing model enables us to be fast to market with a balanced assortment of best-seller and unique, hard-to-find items that are the latest trend-forward products. We believe these factors create a differentiated value proposition for Floor & Decor and drive customer loyalty with our Pro and homeowner customers in our markets.

Our Competitive Strengths

We believe our strengths, described below, set us apart from our competitors and are the key drivers of our success.

Unparalleled Customer Value Proposition. Our customer value proposition is a critical driver of our business. The key components include:

- Differentiated Assortment Across a Wide Variety of Hard Surface Flooring Categories. We carry a comprehensive in-stock, trend-forward product assortment with on average approximately 4,400 stock keeping units ("SKUs") in each store, which, based on our market experience, is a far greater in-stock offering than any other flooring retailer. Additionally, we customize our product assortment at the store level for the local preferences of each market. We work with our suppliers to quickly introduce new products and styles in our stores. We appeal to a wide range of customers through our "good/better/best" merchandise selection, our broad range of product styles from classic to modern, and our new trend-forward products. We consistently innovate with proprietary brands.
- Low Prices. We leverage our ability to source directly from manufacturers and quarries to offer our flooring products and related accessories at everyday low prices throughout the year instead of engaging in frequent promotional activities. We believe this strategy creates trust with our customers because they consistently receive low prices at Floor & Decor without having to wait for a sale or negotiate to obtain the lowest price.
- One-Stop Project Destination with Immediate Availability. We carry an extensive range of products, including flooring and decorative accessories, as well as installation materials and tools, to fulfill a customer's entire flooring project. In addition, we have adjacent categories such as vanities, bathroom accessories, shower doors, and custom countertops. Our stores carry a large in-stock assortment and job size quantities to differentiate us from our competitors. When a product is not available in the store, our four regional distribution centers and neighboring stores can often quickly ship the product to meet a customer's needs. Customers also have access to our full catalog of inventory for in-store pickup or delivery through *FloorandDecor.com*.

Unique and Inspiring Shopping Environment. Our stores are typically designed with warehouse features including high ceilings, clear signage, bright lighting, and industrial racking and are staffed with knowledgeable store associates. We offer an easy-to-navigate store layout with clear lines of sight and departments organized by our major product categories, and we invest heavily in large, visually inspiring merchandise displays that showcase our assortment as well as marketing throughout our stores to highlight product features, benefits, and design elements. These features educate our customers and enable them to visualize how the product would look in their homes or businesses. The majority of our stores have design centers, with multiple different vignettes that showcase project ideas to further inspire our customers, and we employ experienced designers in all of our stores to provide free design consulting. Additionally, we provide a robust online experience for potential customers on *FloorandDecor.com*.

Extensive Service Offerings to Enhance the Pro Customer Experience. We provide an efficient one-stop shopping experience for our Pro customers, offering everyday low prices on a broad selection of high-quality flooring products, deep inventory levels to support immediate availability of our products, credit offerings, free storage for purchased inventory, the convenience of early store hours, and separate entrances for merchandise pick-up. We also offer design services through our experienced designers, which helps our Pro customers serve their customers. Additionally, each store has a dedicated Pro sales force with technology to service our Pro customer more efficiently. We have a Pro loyalty rewards program, which rewards Pro customers based on purchases and provides business-building tools. Rewarding our Pro customers through this program is intended to improve their loyalty to Floor & Decor, and by serving the needs of Pro customers, we drive repeat and high-ticket purchases, customer referrals, and brand awareness from this attractive and loyal customer segment.

Decentralized Culture with an Experienced Store-Level Team and Emphasis on Training. We have a decentralized culture that empowers managers at the store and regional levels to make key decisions to maximize the customer experience. Our store managers, who carry the title Chief Executive Merchant ("CEM"), have significant flexibility to customize product mix, pricing, marketing, merchandising, visual displays, and other elements in consultation with their regional leaders. We create and implement localized assortments that are trend-forward, which often set trends in the industry. We believe this approach differentiates us from our national competitors, who tend to have standardized assortments across markets. Throughout the year, we regularly train our employees on a variety of topics, including product knowledge, sales strategies, leadership, and store operations. Our store managers and store department managers are an integral part of our company, and many have years of relevant industry experience in retail.

Sophisticated, Global Supply Chain. Our merchandising team has developed direct sourcing relationships with manufacturers and quarries in 26 countries. We currently source our products from more than 240 vendors worldwide and have long-term relationships with many of them. We often collaborate with our vendors to design products to address emerging customer preferences that we observe in our stores and markets. We procure the majority of our products directly from manufacturers, which eliminates additional costs from exporters, importers, wholesalers, and distributors. Direct sourcing is a key competitive advantage, as many of our specialty retail flooring competitors are too small to have the scale or the resources to work directly with suppliers.

Highly Experienced Management Team. Led by our Chief Executive Officer, Tom Taylor, our management team brings substantial expertise from leading retailers and other companies across various core functions, including store operations, merchandising, marketing, real estate, e-commerce, supply chain management, finance, legal, and information technology. Our management team drives our organization with a focus on strong merchandising, superior customer experience, expanding our store footprint, and fostering a strong, decentralized culture.

Our Growth Strategy

We expect to drive growth in net sales and profitability through the following strategies:

Open Warehouse-Format Stores in New and Existing Markets. Our disciplined approach to new store development integrates an analytical, research-driven site selection methodology with a rigorous real estate review and approval process, incorporating strategic store size optimization based on market-specific conditions. Through our site selection process, we evaluate key market characteristics including age of homes, housing density, length of home ownership, median income, competitor concentration, and other demographic variables in both new and existing markets. Based on these characteristics, we believe there is a significant opportunity to expand our warehouse-format store base from 251 stores as of December 26, 2024 to at least 500 in the United States over the long-term. We plan to target store openings in new and existing markets across various market sizes. We intend to open a range of store sizes from 50,000 to 80,000 square feet to serve different expected market sales potentials to achieve our desired rate of return over the long-term. When opening new stores, inventory orders are placed several months prior to a new store opening. Substantial investment is made in constructing the site, hiring and training employees, and marketing the new store through pre-opening events. Our historical new store performance, the performance of our more mature stores, and our disciplined real estate expansion strategy in successfully opening retail stores support our belief in the store expansion opportunity.

Increase Comparable Store Sales. We expect to grow comparable store sales over the long-term by continuing to offer our customers a dynamic and expanding selection of compelling, everyday low priced hard surface flooring and accessories while maintaining strong service. Because approximately 55% of our stores have been open for less than five years, we believe they will continue to drive comparable store sales growth as newer stores ramp up to maturity. We believe that we can continue to enhance our customer experience by focusing on service, optimizing sales and marketing strategies, investing in store staff and infrastructure, remodeling existing stores, and improving visual merchandising and the overall aesthetic appeal of our stores. We also believe that growing our proprietary credit offering, Pro, Commercial, and design strategies, further integrating connected customer strategies, and enhancing other key information technology, will contribute to increased comparable store sales. As we increase awareness of Floor & Decor's brand, we believe there is a significant opportunity to gain additional market share.

Enhance Our "Connected Customer" Experience. Floor & Decor's online experience allows our customers to explore our product selection and design ideas before and after visiting our stores and offers the convenience of making online purchases for delivery or pick up in-store. We believe our online platform reflects our brand attributes and provides a powerful tool to educate, inspire, and engage our consumers. We continuously invest in our connected customer strategies to improve how customers experience our brand. Our connected customer sales represented approximately 19% of our total net sales for fiscal 2024.

Continue to Invest in the Pro Customer. We believe our differentiated focus on Pro customers has created a competitive advantage for us and will continue to drive sales growth. We continue to invest in gaining and retaining Pro customers due to their frequent and high-ticket purchases, loyalty, and propensity to refer other potential customers. We have made important investments in the Pro services regional teams to better recruit and train the Pro services team in each store. We have also invested in technology to help us further penetrate and grow our Pro business. We continue to invest in refreshing and expanding our services to Pros to better facilitate our growing Pro business.

Continue to Invest in Design Services. Our design services offer a unique experience to large format retail, which leads our customers through a seamless, inspirational design process to complete their projects at no additional cost. According to our internal research, we believe when a designer is involved, customer satisfaction, gross margin, and average ticket are higher, and customers are more likely to follow through with a purchase. We invest in recruiting top design talent and provide extensive design-focused training, tools, and technology to ensure our teams are knowledgeable and prepared to deliver a start-to-finish consultative selling experience.

Expand Our Sales in Commercial Surfaces. We continue to grow our commercial surfaces business both organically and through acquisitions, applying many of the same strategies that have allowed us to be successful in selling residential retail hard surface flooring, including high quality, trend-forward hard surface flooring sourced at a low cost directly from the manufacturer. In fiscal 2021, we acquired Spartan Surfaces, LLC ("Spartan"), a seller of commercial surfaces. We intend to continue to focus on both organic and inorganic growth to address the entire commercial surfaces market.

Enhance Margins Through Increased Operating Leverage. Operating margin improvement opportunities will include enhanced product sourcing processes and overall leveraging of our store-level fixed costs, existing infrastructure, supply chain, corporate overhead, and other fixed costs resulting from increased sales productivity, as well as cost reductions due to operational efficiencies and managing expenses. We anticipate that the planned expansion of our store base and growth in comparable store sales will also support increasing economies of scale over the long-term while still making significant investments in our business.

Our Industry

Floor & Decor operates in the large, growing, and highly fragmented U.S. retail hard surface flooring market and commercial surfaces market. We believe that long-term growth in the hard surface flooring market will continue to be driven by several home remodeling demand drivers. These include a large supply of aging homes, existing-home sales, rising home equity values, and the secular shift from carpet to hard surface flooring. In addition, we believe we have an opportunity to increase our market share as many of our competitors are unable to effectively compete with our combination of price, service, and broad in-stock assortment. The competitive landscape of the hard surface flooring market includes big-box home improvement centers, national and regional specialty flooring retailers, independent flooring retailers, and distributors.

We believe we have an opportunity to continue to gain share in the hard surface flooring market with the largest in-stock selection of laminate and vinyl, tile, wood, and natural stone flooring and installation materials and decorative accessories. Our strong focus on the customer experience drives us to remain innovative and locally relevant while maintaining everyday low prices and in-stock merchandise in a one-stop shopping destination.

Our Products

Our merchandise is comprised of the following major product categories:

- *Laminate and vinyl:* Wood-based laminate flooring, luxury vinyl, and engineered/composite rigid core vinyl.
- *Tile:* Porcelain and ceramic tile, porcelain mosaics, and porcelain tile slabs.
- *Installation materials and tools:* Grout, mortar, backer board, tools, adhesives, underlayments, moldings, and stair treads.
- *Decorative accessories and wall tile:* Decorative tiles and mosaics, which includes natural stone, porcelain, ceramic, and glass, wall tile, and decorative trims.
- *Wood:* Solid prefinished hardwood, solid unfinished hardwood, engineered hardwood, bamboo, and wood countertops.
- *Natural stone:* Marble, limestone, travertine, slate, ledger, prefabricated countertops, thresholds, and shower benches.
- *Adjacent categories:* Vanities, shower doors, bath accessories, faucets, sinks, custom countertops, bathroom mirrors, and bathroom lighting.

Refer to Note 2, "Revenue" of the notes to our consolidated financial statements included in this Annual Report for our net sales by major product category.

Connected Customer

We aim to elevate the total customer experience through our website *FloorandDecor.com*. Enhancements to our connected customer experience are critical to our increasingly interconnected customers who often perform extensive online research for their project before going to our store. *FloorandDecor.com* is an important tool for engaging our homeowner customers throughout their process. Our Pro customers use the website and our Pro app to browse our broad product assortment, to continually educate themselves on new techniques and trends, to share our virtual catalog and design ideas with their customers, and to utilize tools such as our calculators to aid with shopping. We designed the website to be a reflection of our stores and to promote our wide selection of high-quality products and everyday low prices. To this end, we believe the website provides not only the same region-specific product selection that customers can expect in our stores, but also the opportunity to extend our assortment by offering our entire portfolio of products.

In addition to highlighting our broad product selection, *FloorandDecor.com* offers a convenient opportunity for customers to purchase products online and pick them up in our stores or have them delivered. As we continue to grow, we believe connected customer will become an increasingly important part of our strategy.

Marketing and Advertising

We use a multi-platform approach to increasing Floor & Decor's brand awareness, while historically maintaining low advertising costs of approximately 2% to 3% of net sales. We use a blend of digital and traditional advertising media to share the Floor & Decor story with a growing audience based on what we believe will most effectively drive awareness, customer acquisition, and sales. To further enhance our impact, our store managers have input into their respective stores' marketing spend.

Sourcing

Floor & Decor has a well-developed and geographically diverse supplier base. Our largest supplier, which is multinational, accounted for 11% of our net sales in fiscal 2024, while no other individual supplier accounted for 10% or more of our net sales. We are focused on bypassing importers, exporters, wholesalers, distributors, and other middlemen in our supply chain in order to reduce costs and lead time. Our direct sourcing model and the resulting relationships we have developed with our suppliers are distinct competitive advantages. The cost savings we achieve by directly sourcing our merchandise enable us to offer our customers everyday low prices. Additionally, our close relationships with suppliers allow us to collaborate with them directly to develop and quickly introduce innovative and quality products that meet our customers' evolving tastes and preferences.

We have established a Global Sourcing and Compliance Department to, among other things, enhance our policies and procedures with respect to addressing compliance with applicable regulatory bodies, including compliance with the requirements of the Lacey Act, the California Air Resources Board, and the Environmental Protection Agency. This department also addresses compliance with Floor & Decor's supplier compliance policies, such as specifications and packaging of the products we purchase. We utilize third-party consultants and service providers for audits, testing, and surveillance to ensure product safety and compliance. We have invested in technology and personnel to collaborate throughout the entire supply chain process.

Distribution and Order Fulfillment

Merchandise inventory is our most significant working capital asset and is considered "in-transit" or "available for sale," based on whether we have physically received the products at an individual store location or in one of our four distribution centers. In-transit inventory generally varies due to contractual terms, country of origin, transit times, international holidays, weather patterns, and other factors.

We have invested significant resources to develop and enhance our distribution network. As of December 26, 2024, we have four distribution centers strategically located across the United States in port cities near Savannah, Houston, Los Angeles, and Baltimore and a transload facility near Los Angeles. Logistics service providers arrange the shipping of our international and domestic purchases to our distribution centers and stores and bill us for shipping costs in accordance with our service agreements. All of our distribution centers are Company-operated facilities, and we have warehouse management and transportation management systems tailored to our unique needs across all distribution centers. We believe this system helps service levels, reduces shrink and damage, helps us better manage our inventory, and allows us to better implement our connected customer initiatives. We plan to continue to seek further opportunities to enhance our distribution capabilities and align them with our strategic growth initiatives. In particular, in 2025 and 2026, we anticipate opening additional distribution centers near Seattle and Baltimore.

Management Information Systems

Technology plays a crucial role in the continued growth and success of our business. We have sought to integrate technology into all facets of our business, including supply chain, merchandising, store operations, point-of-sale, e-commerce, finance, accounting, and human resources. The integration of technology allows us to analyze the business in real time and react accordingly. Our inventory management system is our primary tool for forecasting and placing orders and managing in-stock inventory. The data-driven platform includes sophisticated forecasting tools based on historical trends in sales, inventory levels, and vendor lead times at the store and distribution center level by SKU, allowing us to support store managers in their regional merchandising efforts. We rely on the forecasting accuracy of our system to maintain the in-stock, job-lot quantities that our customers rely on. In 2024, we began an upgrade to our existing core financial and merchandising systems, which is expected to occur in phases over the next few years.

Competition

The retail hard surface flooring market is highly fragmented and competitive. We face significant competition from big-box home improvement centers, national and regional specialty flooring retailers, independent flooring retailers, and distributors. We believe the key competitive factors in the retail hard surface flooring industry include: localized product assortment, design services, product innovation, in-store availability of products in job-lot quantities, product sourcing, product presentation, customer service, store management, store location, and low prices. We believe that we compete favorably with respect to these factors by providing a highly diverse selection of products to our customers, at an attractive value, in appealing and convenient retail stores. For further discussion regarding competition, refer to Item 1A, "Risk Factors" of Part I of this Annual Report.

Human Capital

We have built a strong team of employees to support our continued success. Each of our stores is led by a CEM and is supported by an operations manager, product category department managers, a design team, a Pro sales and support team, and a number of additional associates. Outside of our stores, we have employees dedicated to store support, infrastructure, e-commerce, customer care, and similar functions as well as support for our distribution centers and sourcing office. We dedicate significant resources to training our employees as they are key to our success. Our Chief Human Resources Officer, supported by the entire executive team, is responsible for developing and executing our human capital strategy. This includes the attraction, development, engagement, safety, and retention of talent and the design of associate compensation and benefits programs.

As of December 26, 2024, we had 13,690 employees, 10,413 of whom were full-time. Of the total employees, 11,717 work in our stores, 1,440 work in our store support center, customer care, or similar functions, 523 work in our distribution centers, and 10 work in our Asia sourcing office in Shanghai, China.

Currently none of our associates are represented by a union (for more information, refer to Item 1A, "Risk Factors" of Part I of this Annual Report).

We look at a variety of measures and objectives related to the attraction, development, engagement, safety, and retention of our employees, including:

- *Store Staffing.* In order to provide the level of customer service that we expect, it is important that we adequately staff our stores with trained employees. As of December 26, 2024, the majority of our stores were staffed at a level that we deem appropriate.
- *Training.* Training associates is also important to ensuring appropriate levels of customer service. We have a Learning Department, and in 2024, associates engaged in approximately 300,000 hours of training.
- *Internal Advancement Opportunities.* Our growth opportunities are a critical way to attract and retain employees, and we encourage a promote-from-within environment when internal resources permit. In 2024, more than 1,600 employees were promoted to more senior positions.
- *Culture.* We are mindful of the benefits of associate engagement in all aspects of the employment cycle as they are key to our culture and long-term success. We seek to build a workplace where we can leverage our collective talents, striving to ensure that all associates are treated with dignity and respect.
- *Safety.* Maintaining a safe shopping environment is very important to us. Our Safety & Loss Prevention team works closely with our Store Operations team on safety training and initiatives.
- *Rewards.* We reward our associates for their hard work on behalf of Floor & Decor and provide a variety of incentives to allow associates to share in the Company's success, including (i) incentive compensation plans for all associates, (ii) a 401(k) plan with Company-sponsored match, (iii) health care benefits for full-time associates, (iv) an employee stock purchase plan that facilitates purchases of Company stock at a discount by eligible associates, and (v) other benefits such as an employee assistance program.

Government Regulation

We are subject to extensive and varied federal, state, and local laws and regulations that impact us, our operations, properties, and suppliers, including those relating to employment, the environment, protection of natural resources, import and export, advertising, labeling, public health and safety, product safety, zoning, fire codes, and other operations of our retail stores and distribution facilities. We operate our business in accordance with standards and procedures designed to comply with applicable laws and regulations. Compliance with these laws and regulations has not historically had a material effect on our capital expenditures, earnings, competitive position, financial condition, or operating results; however, the effect of compliance in the future cannot be predicted.

Trademarks and Other Intellectual Property

We have registered trademarks and several pending trademark applications in the United States and other countries on a number of our brands, slogans, and products. We regard our intellectual property, including our many proprietary brands, as having significant value, and our brand is an important factor in the marketing and merchandising of our products. Accordingly, we have taken, and continue to take, appropriate steps to protect our intellectual property.

Seasonality

Historically, our business has had very little seasonality. Our specialty hard surface flooring and decorative home product offering makes us less susceptible to holiday shopping seasonal patterns compared to other retailers.

Available Information

We maintain a website at www.FloorandDecor.com. The information on or available through our website is not, and should not be considered, a part of this Annual Report. You may access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as well as other reports relating to us that are filed with, or furnished to, the Securities and Exchange Commission (the "SEC") free of charge on the Investor Relations page of our website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC.

ITEM 1A. RISK FACTORS.

You should carefully consider the risks described below, together with all of the other information included in this Annual Report, including our consolidated financial statements and the related notes thereto, before making an investment decision. The risks and uncertainties set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition, and operating results. If any of the following events occur, our business, financial condition, and operating results could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business and Industry

Declines in certain economic conditions, which impact consumer discretionary spending, could adversely affect our business, financial condition, and results of operations.

Consumer discretionary spending affects our sales and is impacted by factors outside of our control, including general economic and political conditions, interest rates, the residential housing market, unemployment rates, inflation, disposable income levels, consumer confidence, recession fears, energy costs, consumer credit availability and terms, consumer debt levels, salaries and wage rates, and geopolitical events and uncertainty. Declines in the level of consumer confidence and spending and high interest rates have adversely affected, and could continue to adversely affect, consumer spending habits and consumer discretionary spending, which have resulted in, and may continue to result in, reduced demand for our products.

The hard surface flooring industry is highly dependent on existing home sales because homeowners often replace flooring before selling a home or shortly after purchasing a home and, to a lesser extent, on new home construction. The increase in interest rates in 2022 and 2023 and persistently higher interest rates in 2024 has contributed to several years of negative existing home sales, with such sales near record lows in 2024. We believe such inflationary pressure has resulted in elevated mortgage rates and adversely impacted consumer behavior. High interest rates, housing affordability, and any such shift in consumer behavior may adversely affect the demand for existing homes, remodeling, and new home construction. In addition, existing home sales, remodeling, and new home construction depend on a number of other factors that are beyond our control, including inflation, tax policy, trade policy, employment levels, consumer confidence, credit availability, real estate prices, home-price appreciation, demographic trends, weather conditions, natural disasters, geopolitical or public safety conditions, and general economic conditions. In particular, interest rates and inflation could remain at high levels, continue to rise, or decline at too slow a rate, undermining consumer confidence and eroding discretionary income; home-price appreciation could slow or turn negative; and regions where we have stores could be impacted by hurricane, fire, or other natural disasters.

We believe any one or a combination of these factors has resulted, and could continue to result in, decreased demand for our products, reduced spending on homebuilding or remodeling of existing homes, or a decline in purchases of new and existing homes, each of which has adversely affected and could continue to adversely affect our business, financial condition, and operating results.

If we fail to successfully manage the challenges that our planned new store growth poses or encounter unexpected difficulties or higher costs during our expansion, our operating results and future growth opportunities could be adversely affected.

We have 251 warehouse-format stores and five small-format standalone design studios located throughout the United States as of December 26, 2024. We plan to continue opening new stores for the next several years. This growth strategy and the investment associated with the development of each new store may cause our operating results to fluctuate and be unpredictable or decrease our profits. We cannot ensure that new store locations will be available to us, or that they will be available on terms acceptable to us. If additional retail store locations are unavailable on acceptable terms, we may not be able to carry out a significant part of our growth strategy or our new stores' profitability may be lower. Certain of our new store openings are expected to be smaller stores in smaller markets. We have limited experience executing this strategy, and we cannot guarantee that we will be successful in this strategy. Our future operating results and ability to grow will depend on various other factors, including our ability to successfully select new markets and store locations; drive brand awareness, particularly in new markets; attract, train and retain highly qualified managers and staff; manage store opening costs, including rising construction costs and costs due to delays in obtaining necessary permits and completing construction; manage the impact of cannibalization by new stores on nearby existing store sales; and manage and expand our infrastructure to accommodate growth.

In addition, stores opened more recently have had, and many continue to have, higher construction, occupancy, and operating costs than stores opened in the past, and such stores may have lower profitability than stores opened in the past. Furthermore, laws or regulations may make opening new stores more difficult or cause unexpected delays. For example, we have experienced unexpected delays in opening new stores due to delays in obtaining necessary construction and occupancy permits, which have resulted in higher costs than previously anticipated. As we continue to open new stores, the ultimate cost of future store openings could continue to rise significantly due to construction-related or other reasons, including construction and other delays and cost overruns, such as shortages of materials; shortages of skilled labor or work stoppages; unforeseen construction, scheduling, engineering, environmental or geological problems; governmental or permitting delays; weather interference, fires or other casualty losses; and unanticipated cost increases. We cannot guarantee that any project will be completed on time, and delays in store openings have had, and may continue to have, a negative impact on our business and operating results. In addition, consumers in new markets may be less familiar with our brand, and we may need to increase brand awareness in such markets through additional investments in advertising or higher cost locations with more prominent visibility.

As a result of these factors and other factors that may be outside of our control, newly opened stores may not succeed or may not reach profitability at all, or may be slower to reach profitability than we expect. Future markets and newly opened stores may not be successful and, even if they are successful, our comparable store sales may not increase at historical rates or may decrease. To the extent that we are not able to overcome these various challenges, our operating results and future growth opportunities could be adversely affected. Furthermore, we may incur costs associated with the closure of underperforming stores, and such store closures may adversely impact our revenues.

If we are unable to enter into leases or acquire properties for additional stores on acceptable terms or renew or replace our current store leases, or if one or more of our current leases is terminated prior to expiration of its stated term and we cannot find suitable alternate locations, our growth and profitability could be adversely affected.

We currently lease the majority of our real estate, including most of our store locations and distribution centers and our store support center. Our growth strategy largely depends on our ability to identify and open future store locations, which can be difficult because our warehouse-format stores in major metropolitan markets generally require at least 60,000 square feet of floor space.

Our ability to negotiate acceptable lease terms for these store locations, to re-negotiate acceptable terms on expiring leases, or to negotiate acceptable terms for suitable alternate locations depends on conditions in the real estate market, competition for desirable properties, our relationships with current and prospective landlords, and other factors that are not within our control. We are required to use a significant portion of cash generated by our operations to satisfy our fixed lease obligations, which could adversely affect our ability to obtain future financing to support our growth or other operational investments. We will require substantial cash flows from operations to make our payments under our operating leases, all of which provide for periodic increases in rent. If we are not able to make payments under our operating leases, this could trigger defaults under other leases or, in certain circumstances, under our credit facilities, which could cause the counterparties or lenders under those agreements to accelerate the obligations due thereunder. We also intend to continue to purchase the real property for new locations, and such strategy may not be successful. Any or all of these factors and conditions could adversely affect our growth and profitability.

Our business largely depends on a strong brand image and awareness, and if we are unable to maintain and enhance our brand image and awareness, particularly in new markets where we have limited brand recognition, we may be unable to increase or maintain our level of sales.

We believe that our brand image and awareness contribute significantly to the success of our business. We rely on our reputation for offering everyday low prices, superior service and a broad assortment of high-quality, trend-forward, safe products. We also believe that maintaining and enhancing our brand image and awareness, particularly in new markets where we have limited brand recognition, is important to preserving and expanding our customer base and growing sales. Our ability to successfully integrate newly opened stores into our surrounding communities, to expand into new markets, and to maintain the strength and distinctiveness of our brand in our existing markets will be adversely impacted if we fail to connect with our existing or target customers. Maintaining, promoting, and positioning our brand will depend largely on the success of our marketing and merchandising efforts and our ability to provide a consistent, high-quality product and customer experience. These efforts may require us to make substantial investments, which could adversely affect our cash flows and which may ultimately be unsuccessful. Failure to successfully market, maintain and grow our brand image and awareness in new and existing markets could harm our business, results of operations, and financial condition.

Furthermore, our brand image could be jeopardized if we fail to maintain high standards for merchandise quality, if we fail to comply with local laws and regulations, or if we experience negative publicity or other negative events that affect our image and reputation. Customers are increasingly using social media and other electronic means to provide feedback and information about our Company in a manner that can be quickly and broadly disseminated. Customers value readily available information and often act on such information without further investigation and without regard to its accuracy. Negative publicity surrounding product matters, including publicity about other retailers, may harm our reputation and affect the demand for our products. Negative incidents can erode trust and confidence quickly, and adverse publicity, whether or not based in fact, could damage our brand and reputation; undermine our customers' confidence in us; reduce demand for our products and services; affect our ability to recruit, engage, motivate, and retain associates; result in litigation; attract regulatory scrutiny; and impact our relationships with current and potential suppliers. Our suppliers' business practices and positions may also be attributed to us, regardless of our actions, meaning the actions of third parties may pose similar risks to our brand and reputation.

Any failure by us to successfully anticipate trends may lead to loss of consumer acceptance of our products, resulting in reduced net sales.

Each of our stores is stocked with a localized product mix based on consumer demands in a particular market. Our success depends on our ability to anticipate and respond to changing trends and consumer demands in these markets in a timely manner. Our ability to accurately forecast demand for our products could be affected by many factors. If we fail to identify and respond to emerging trends, consumer acceptance of our merchandise and our image with current or potential customers may be harmed, which could reduce our net sales. Additionally, if we misjudge market trends, we may significantly overstock unpopular products, incur excess inventory costs, and be forced to reduce the sales price of such products or incur inventory write-downs, which would adversely affect our operating results. Conversely, shortages of products that prove popular could also reduce our net sales through missed sales and a loss of customer loyalty.

Increased competition could cause price declines, decrease demand for our products, and decrease our market share.

We operate in the hard surface flooring industry, which is highly fragmented and competitive. We face significant competition from big-box home improvement centers, national and regional specialty flooring retailers, independent flooring retailers, and distributors. Among other things, we compete on the basis of breadth of product assortment, everyday low prices, locations of stores, in-store availability of job-lot quantities, the quality of our products, customer service and innovation. We face growing competition from omni-channel retailers who may have similar product offerings. In addition, while the hard surface flooring category has a relatively low threat of new internet-only entrants due to the nature of the product, the growth opportunities presented by e-commerce could outweigh these challenges and result in increased competition in this portion of our connected customer strategy. Customers are increasingly able to quickly comparison shop and determine real-time product availability and price using digital tools. We will be at a competitive disadvantage if, over time, our competitors are more effective than us in their utilization and integration of rapidly evolving technologies. Further, as we expand into new and unfamiliar markets, we may experience different competitive conditions than in the past.

Some of our competitors are organizations that are larger, better capitalized, have existed longer, have product offerings that extend beyond hard surface flooring and related accessories, and have a more established market presence with substantially greater financial, marketing, delivery, customer loyalty, personnel and other resources than we have. Competitors may forecast market developments more accurately than we do, offer similar products at a lower cost, have better delivery offerings, or adapt more quickly to new trends and technologies or evolving customer requirements than we do. Further, because the barriers to entry into the hard surface flooring industry are relatively low, manufacturers and suppliers of flooring and related products, including those whose products we currently sell, could enter the market and start directly competing with us. Intense competitive pressures from any of our present or future competitors could cause price declines, decrease demand for our products, and decrease our market share. Also, as we continue to grow and become more well-known, other companies may change their strategies to present new competitive challenges.

All of these factors may harm us and adversely affect our net sales, market share, and operating results.

Rising geopolitical tensions and U.S. policies related to global trade and tariffs, including with respect to antidumping and countervailing duties, could adversely affect our business, financial condition, and results of operations.

The current domestic and international political environment, including existing and potential changes to U.S. policies related to global trade and tariffs, have resulted in uncertainty surrounding the future state of the global economy. In particular, the ongoing trade dispute between the U.S. and China has resulted in the U.S. announcing on February 1, 2025, an additional 10% tariff for all products from China, beyond the previous 25% tariff already imposed on the vast majority of the products we import from China. Approximately 18% of the products we sold in fiscal 2024 were produced in China. The current U.S. presidential administration has also indicated the possibility of imposing significantly increased tariffs on imports into the U.S., not only from China but also from other countries. Any further expansion in the types or levels of tariffs implemented on China or other countries has the potential to negatively impact our business, financial condition, and results of operations. Additionally, there is a risk that the U.S. tariffs on imports are met with tariffs on U.S. produced exports and that a further trade conflict could ensue, which has the potential to significantly impact global trade and economic conditions, including the imposition of new measures with little notice. Potential costs and any attendant impact on pricing arising from these tariffs and any further expansion in the types or levels of tariffs implemented could require us to modify our current business practices and could adversely affect our business, financial condition, and results of operations.

In addition, the U.S. government has imposed import restrictions under withhold release orders for goods from the Xinjiang Uyghur Autonomous Region and under the Uyghur Forced Labor Prevention Act. These restrictions effectively prohibit imports of any goods made either wholly or in part in Xinjiang, which may induce greater supply chain compliance costs and delays to us and to our suppliers. While we do not believe that our suppliers source materials from Xinjiang for the products they sell to us, certain of our products, including luxury vinyl plank, have been subject to detentions and inquiries. While such detentions and inquiries have not had a material impact on our business as of December 26, 2024, any detentions, withhold release orders, inquiries, or other policy developments could result in shortages, delays, and/or price increases that could disrupt our own supply chain, adversely affect our relationships with our suppliers, or cause our suppliers to fail to perform their obligations. While we have developed multiple supply sources in a variety of countries and believe our vendor compliance program reflects our commitment to a supply chain free of forced labor, we could still be adversely affected by increases in our costs, negative publicity related to the industry, or other adverse consequences to our business.

Rising geopolitical tensions could adversely affect our business, financial condition, and results of operations. In particular, in recent years, tensions between mainland China and Taiwan have further escalated, with China accelerating the development of military capabilities in order to "reunite Taiwan by force." In case of a military conflict between China and Taiwan, our ability to import products from China could be limited. Similarly, the ongoing wars between Russia and Ukraine and in the Middle East could impact our ability to import products and result in further increases in energy costs, and attacks on shipping in the Red Sea have impacted and may continue to increase our supply chain costs. The uncertain nature, magnitude, and duration of hostilities stemming from such conflicts, including the potential effects of sanctions and countersanctions, and retaliatory cyberattacks on the world economy and markets, have contributed to increased market volatility and uncertainty, which could have an adverse impact on macroeconomic factors that affect our business and operations.

Our operating results may be adversely affected if we do not successfully manage our inventory.

We currently maintain a high level of inventory in order to have a broad assortment of products across a wide variety of hard surface flooring categories in job-lot quantities, with inventory per warehouse-format store consisting of on average approximately 4,400 SKUs and approximately \$2.7 million of inventory at cost as of December 26, 2024. We also carried an additional \$507.9 million of inventory outside our stores, primarily at our distribution centers and in-transit to our distribution centers, as of December 26, 2024. The investment associated with this high level of inventory is substantial, and as we continue to broaden our supplier base, we may increase the number of SKUs and investments associated with inventory. The success of our business depends in part on our ability to identify shifts in consumer preferences, expectations and needs, as well as broader changes in the macroeconomic environment, and correspondingly forecast necessary inventory levels. If we fail to adequately project the amount or mix of our inventory, we may miss sales opportunities or have to take unanticipated markdowns or hold additional clearance events to sell through excess inventory, which will adversely affect our operating results.

In the past, we have incurred costs associated with inventory markdowns and obsolescence. Due to the likelihood that we will continue to incur such costs in the future, we generally include an allowance for such costs in our projections. However, the costs that we actually incur may be substantially higher than our estimates and may adversely affect our operating results.

Any disruption in our distribution capabilities, our supply chain, or our related planning and control processes may adversely affect our business, financial condition, and operating results.

Our success is highly dependent on our planning and distribution infrastructure, which includes the ordering, transportation, and distribution of products to our stores and the ability of suppliers to meet distribution requirements. We need to continue to identify and improve our processes and supply chain and maintain and build a distribution infrastructure and supply chain that can keep pace with our anticipated growth and increased number of stores. The cost of these enhanced processes could be significant and any failure to maintain, grow, or improve them could adversely affect our business, financial condition, and operating results. We will continue to add distribution centers as needed to support our operations and growth. Increasing the size of our distribution centers and adding additional distribution centers may decrease the efficiency of our distribution costs. As we continue to add distribution centers, we may incur unexpected costs, and our ability to distribute our products may be adversely affected. Due to the long lead time it takes to open a new distribution center, we also risk over-investing in distribution capabilities ahead of sufficient consumer demand, which could cause us to incur higher costs and adversely affect our operating results.

A disruption within our logistics or supply chain network could adversely affect our ability to deliver inventory in a timely manner, which could impair our ability to meet customer demand for products and result in lost sales, increased supply chain costs, or damage to our reputation. In recent years, global ports, trade lanes, and U.S. ports have been impacted by capacity constraints, port congestion and delays, periodic labor disputes, security issues, geopolitical or military conflicts, weather- and climate-related events, and natural disasters. Disruptions to our supply chain due to any of the factors listed above could negatively impact our financial performance or financial condition.

In addition, our success is also dependent on our ability to provide timely delivery to our customers. Our business could also be adversely affected if fuel prices increase or there are delays in product shipments due to freight difficulties, inclement weather, labor disputes, or other difficulties. If we are unable to deliver products to our customers on a timely basis, they may decide to purchase products from our competitors instead of from us, which would adversely affect our business, financial condition, and operating results.

Our operating results may be adversely affected by increases in wholesale prices of products, materials and transportation costs beyond our control, including increases in costs due to inflation.

Our operating results may be affected by the wholesale prices of hard surface flooring products, setting and installation materials, and the related accessories that we sell. These prices may increase based on a number of factors beyond our control, including the price of raw materials used in the manufacture of our products, transportation costs, energy costs, changes in supply and demand, concerns about inflation, general economic conditions, labor costs, competition, import duties, tariffs, currency exchange rates, government regulation, geopolitical or military conflicts, the impact of natural disasters, including those due to the effects of climate change, and other import costs. A material component of the cost of our products includes transportation costs to move the products from the manufacturer to our stores, and, as we have experienced, these costs could increase due to the factors listed above and in the other risk factors, which can have a material impact on inventory and cost of sales. We may not be able to adjust the prices of our products, especially in the short-term, to recover these cost increases, and a continual rise in such costs could adversely affect consumer spending and demand for our products, which could adversely affect our business, financial condition, and operating results.

Our success depends substantially upon the continued retention of our key personnel, including our executive officers.

We believe that our success has depended and continues to depend to a significant extent on the efforts and abilities of our key personnel, including our executive officers, and the loss of the services of one or more of our executive officers could have a material adverse effect on us and would be potentially disruptive to our business until such time as a suitable replacement is hired. For example, Trevor Lang, who initially joined the Company in 2011 and served as our President since 2022, has announced his retirement effective March 1, 2025. As we announced in January 2025, we have appointed a new President, Bradley Paulsen, who will join the Company in March 2025. Although our previous executive transitions have been smooth, any future changes to our key personnel, including our executive officers, or our failure to successfully manage the transition or engage in effective succession planning, may be disruptive to our business, including by distracting management from our core business and impacting employee productivity. Further, we may have difficulty identifying, attracting and integrating new executives to replace any losses of our other existing or future executive officers, all of which could adversely affect our business, financial condition, and operating results.

Our success depends upon our ability to attract, hire, train, and retain highly qualified managers and staff.

Our success depends in part on our ability to attract, hire, train, and retain qualified managers and staff. Purchasing hard surface flooring is an infrequent event for consumers, and the typical consumer has limited knowledge of the range, characteristics and suitability of the products available before starting the purchasing process. Therefore, consumers in the hard surface flooring market expect to have sales associates serving them who are knowledgeable about the entire assortment of products offered by the retailer and the process of choosing and installing hard surface flooring.

Each of our stores is managed by a store manager who has the flexibility, with the support of regional managers, to use knowledge of local market dynamics to customize each store in a way that is most likely to increase net sales and profitability. Our store managers are also expected to anticipate, gauge and quickly respond to changing consumer demands in these markets. Further, it generally takes a substantial amount of time for our store managers to develop the entrepreneurial skills we expect to make our stores successful.

Any failure by us to attract, hire, train, and retain highly qualified managers and staff could adversely affect our operating results and future growth opportunities, and any increased labor costs due to competition, increased wage costs (including various federal, state, and local actions to increase minimum wages), associate benefit costs, unionization activity, or other factors would adversely impact our operating expenses.

Labor activities could cause labor relations difficulties for us.

Currently none of our associates are represented by a union; however, our associates have the right at any time to form or affiliate with a union. As we continue to grow, enter different regions, and operate distribution centers, unions may attempt to organize all or part of our associate base at certain stores or distribution centers within certain regions. Future organizational activities could result in distractions to our management and workforce, increased labor costs, work stoppages or strikes, disruption of our operations, limitations on our operational flexibility and efficiency, and other adverse effects that we cannot currently predict, all of which could adversely affect our business, financial condition, and operating results.

We procure the majority of our products from suppliers located outside of the United States, and as a result, we are subject to risks associated with obtaining products from abroad that could adversely affect our business, financial condition, and results of operations.

We procure the majority of our products from suppliers located outside of the United States. As a result, we are subject to a number of risks associated with obtaining products from abroad. These risks include the imposition of new or different duties (including antidumping and countervailing duties), tariffs, taxes and/or other charges on exports or imports, including as a result of errors in the classification of products upon entry or changes in the interpretation or application of rates or regulations relating to the import or export of our products; political unrest, acts of war, terrorism and economic instability resulting in the disruption of trade from foreign countries where our products originate; disruption due to public health crises; currency exchange fluctuations; the imposition of new or more stringent laws and regulations, including those relating to environmental, health and safety matters and climate change issues, labor conditions, quality and safety standards, trade restrictions, and restrictions on funds transfers; the risk that one or more of our suppliers will not adhere to applicable legal requirements, including fair labor standards, the prohibition on child labor, environmental, product safety or manufacturing safety standards, anti-bribery and anti-kickback laws such as the Foreign Corrupt Practices Act (the "FCPA"), and sourcing laws such as the Lacey Act; or disruptions or delays in production, shipments, delivery or processing through ports of entry, including those resulting from strikes, lockouts, work-stoppages or slowdowns, or other forms of labor unrest.

Additionally, approximately 18% of the products we sold in fiscal 2024 were produced in China. The Chinese government has in the past imposed restrictions on manufacturing facilities, including a shut-down of transportation of materials and power plants to reduce air pollution. If, in the future, restrictions are imposed that include our operations, our suppliers' ability to supply current or new orders would be significantly impacted. These and other factors beyond our control could disrupt the ability of our suppliers to ship certain products to us cost-effectively or at all, expose us to significant operational and legal risk, and negatively affect our reputation, any of which could adversely affect our business, financial condition, and results of operations.

We depend on a number of suppliers, and any failure by any of them to supply us with quality products on attractive terms and prices may adversely affect our business, financial condition, and operating results.

We depend on our suppliers to deliver quality products to us on a timely basis at attractive prices. We source our products from over 240 domestic and international suppliers. Although we purchase from a diverse supplier base, purchases from our largest supplier, which has operations in China, accounted for approximately 11% of our net sales in fiscal 2024. No other singular vendor supplied products representing 10% or more of net sales in fiscal 2024. Our ability to receive adequate quantities of our products from suppliers depends on our ability to identify and develop relationships with qualified suppliers who can satisfy our responsible product sourcing criteria, and can be impacted by economic or political instability, sanctions, tariffs or other trade-related actions, the financial instability of suppliers, supplier noncompliance with applicable law, contract disputes, disruptions in our suppliers' logistics or supply chain networks or information technology systems, raw material or other shortages, and other factors beyond our control. If we are unable to acquire desired merchandise in sufficient quantities on terms acceptable to us, or if we experience a change in business relationship with any of our major suppliers, it could impair our relationship with our customers, impair our ability to attract new customers, reduce our competitiveness, and adversely affect our business, financial condition, and operating results.

Additionally, we provide certain of our suppliers access to supply chain financing arrangements with financial institutions with whom we have relationships. The terms of such supply chain financing arrangements could be modified or canceled by such financial institutions at any time. If such programs are modified or cancelled, our suppliers may not be able to obtain alternate financing at all or on acceptable terms. If our suppliers experience difficulty obtaining financing, it may result in delays or non-delivery of shipments of our products or require us to pay our suppliers more quickly, which would have a negative impact on our liquidity.

The failure of our suppliers to adhere to the quality standards that we set for our products could lead to investigations, litigation, write-offs, recalls or boycotts of our products, which could damage our reputation and our brand, increase our costs, and otherwise adversely affect our business.

We do not control the operations of our suppliers. Although we conduct due diligence prior to engaging our suppliers, require our suppliers to certify compliance with applicable laws and regulations, and have in place ongoing quality assurance and compliance programs, we cannot guarantee that our suppliers will comply with applicable laws and regulations or operate in a legal, ethical and responsible manner. Violation of applicable laws and regulations by our suppliers, or their failure to operate in a legal, ethical or responsible manner, could expose us to legal risks, cause us to violate laws and regulations and reduce demand for our products if, as a result of such violation or failure, we attract negative publicity. In addition, the failure of our suppliers to adhere to the quality standards that we set for our products could lead to government investigations, litigation, write-offs and recalls, which could damage our reputation and our brand, increase our costs, and otherwise adversely affect our business.

Our ability to offer compelling products to our customers depends on the continued availability of sufficient suitable natural products.

Our business strategy depends on offering a wide assortment of compelling products to our customers. We sell, among other things, flooring made from various wood species and natural stone from quarries throughout the world. Our ability to obtain an adequate volume and quality of hard-to-find products depends on our suppliers' ability to furnish those products, which, in turn, could be affected by many things, including events such as forest fires, insect infestation, tree diseases, prolonged drought, other adverse weather and climate conditions, and the exhaustion of stone quarries. Government regulations relating to forest management practices also affect our suppliers' ability to harvest or export timber and other products, and changes to regulations and forest management policies, or the implementation of new laws or regulations, could impede their ability to do so. If our suppliers cannot deliver sufficient products, and we cannot find replacement suppliers, our net sales and operating results may be adversely affected.

The effects of weather conditions, natural disasters or other unexpected events, including public health crises, may disrupt our operations and have a negative impact on our business.

The effects of extreme weather conditions and natural disasters occurring more frequently or with more intense effects, or the occurrence of unexpected events including wildfires, tornadoes, hurricanes, earthquakes, floods, tsunamis, and other severe hazards, could adversely affect our business, financial condition, results of operations, and cash flows. Extreme weather, natural disasters, power outages or other unexpected events have in the past disrupted and could in the future disrupt our operations by, among other things, impacting the availability and cost of materials needed for manufacturing and causing physical damage and partial or complete closure of supplier manufacturing sites, our retail stores, our store support center or our distribution centers; causing loss of human capital; causing temporary or long-term disruption in the manufacturing and supply of products and services; and causing disruption in our ability to deliver products and services to customers. These events and disruptions could also adversely affect our customers' and suppliers' financial condition or ability to operate, resulting in reduced customer demand, delays in payments, or supply chain disruptions, including adverse effects on our ability to stock our stores and deliver products to our customers. Further, these events and disruptions could increase insurance and other operating costs, including impacting our decisions regarding construction of new stores and distribution centers to select areas less prone to climate change risks and natural disasters, which could result in indirect financial risks passed through the supply chain or other price modifications to our products and services.

Public health crises in the U.S. or countries where we source or sell products could adversely affect our operations and financial performance. Further, any national, state or local government mandates or other orders taken to minimize the spread of a public health crisis could restrict our ability to conduct business as usual, as well as the business activities of our key customers and suppliers, including the potential for labor shortages. In particular, the ultimate extent of the impact of any epidemic, pandemic or other public health crisis on our business, financial condition, and results of operations will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the duration and severity of such public health crisis, actions taken to contain or prevent its further spread, and the pace of global economic recovery following containment of the spread.

Our business exposes us to personal injury, product liability and warranty claims and related governmental investigations, which could result in negative publicity, harm our brand and adversely affect our business, financial condition, and operating results.

Our stores and distribution centers are warehouse environments that involve the operation of forklifts and other machinery and the storage and movement of heavy merchandise, all of which are activities that have the inherent danger of injury or death to associates or customers despite safety precautions, training and compliance with federal, state and local health and safety regulations. While we have insurance coverage in place in addition to policies and procedures designed to minimize these risks, we may nonetheless be unable to avoid material liabilities for an injury or death arising out of these activities.

In addition, we face an inherent risk of exposure to product liability or warranty claims or governmental investigations in the event that the use of our products is alleged to have resulted in economic loss, personal injury, or property damage or violated environmental or other laws. If any of our products proves to be defective or otherwise in violation of applicable law, we may be required to recall such products and be subject to legal action.

In connection with the installation or delivery of our products, customers may engage third parties associated with us to enter their homes. In addition, we are providing in-home design services. While we believe we have appropriate indemnification and risk management practices in place, such activities involve liability and reputational risk, which could adversely affect us.

Federal, state or local laws and regulations, or our failure to comply with such laws and regulations, could increase our expenses, restrict our ability to conduct our business and expose us to legal risks.

We are subject to a wide range of general and industry-specific laws and regulations imposed by federal, state and local authorities in the countries in which we operate, including those related to customs, foreign operations (such as the FCPA), truth-in-advertising, consumer protection (such as the California Consumer Privacy Act and Telephone Consumer Protection Act), privacy, product safety (such as the Formaldehyde Standards in Composite Wood Products Act), the environment (such as the Lacey Act), import and export controls (such as the Uyghur Forced Labor Prevention Act), intellectual property infringement, immigration, the use, storage, generation, transportation, treatment, emission, release and disposal of certain hazardous materials and wastes, zoning and occupancy matters, and the operation of retail stores and distribution facilities. In addition, various federal and state laws govern our relationship with, and other matters pertaining to, our associates, including wage and hour laws, laws governing independent contractor classifications, requirements to provide meal and rest periods or other benefits, paid and unpaid leave mandates, requirements regarding working conditions and accommodations to certain associates, citizenship or work authorization and related requirements, insurance and workers' compensation rules and anti-discrimination laws.

In recent years, we and other parties in the flooring industry have been or currently are parties to litigation involving claims that allege violations of these laws, including claims related to product safety and patent claims. Similarly, we and other retailers have in recent years experienced an increase in the number of wage and hour class action claims that allege misclassification of overtime eligible workers and/or failure to pay overtime-eligible workers for all hours worked. In addition, if more stringent laws or regulations are adopted in the future, we may have difficulty complying with the new requirements imposed by such laws and regulations, and in turn, our business, financial condition, and operating results could be adversely affected.

We operate our business in accordance with standards and procedures designed to comply with the applicable laws and regulations in these areas and work closely with our suppliers in order to comply with such laws and regulations. Although we believe that we have complied with these laws and regulations, there is nevertheless a risk that we will become subject to additional claims that allege we or our suppliers have failed to do so. If we or our suppliers violate or are alleged to have violated these laws and regulations, or if we become subject to unfavorable allegations, government investigations or legal actions involving our products or us, we could incur significant costs, be liable for damages, experience delays in shipments of our products, be subject to fines, penalties, injunctions, litigation, potential criminal charges or other legal risks, or suffer reputational harm, any of which could reduce demand for our products and adversely affect our business, financial condition, and operating results.

Certain of our products may require us to spend significant time and resources in order to comply with applicable advertising, labeling, importation, exportation, environmental, health and safety laws and regulations, because if we violate these laws or regulations, we could experience delays in shipments of our goods, be subject to fines or penalties, be liable for costs and damages or suffer reputational harm, any of which could reduce demand for our merchandise and adversely affect our business, financial condition, and operating results.

Any changes to these laws or regulations, increased or expanded enforcement of these laws or regulations, or any new laws or regulations that are passed or go into effect may make it more difficult for us to operate our business and in turn adversely affect our operating results.

If our efforts to protect the privacy and security of information related to our customers, us, our associates, our suppliers and other third parties are not successful, we could become subject to litigation, investigations, liability and negative publicity that could significantly harm our reputation and relationships with our customers and adversely affect our business, financial condition, and operating results.

Our business, like that of most retailers, involves the receipt, use, storage and transmission of customers' personal information, consumer preferences and payment card data, as well as other confidential information related to us, our associates, job applicants, our suppliers and other third parties, some of which is entrusted to third-party service providers and vendors that provide us with technology, systems and services that we use in connection with the receipt, use, storage and transmission of such information. Techniques used for cyberattacks designed to gain unauthorized access to these types of sensitive information by breaching or sabotaging critical systems of organizations, including those that use artificial intelligence, are constantly evolving and generally are difficult to recognize and react to effectively. We or our third-party service providers may be unable to anticipate these techniques or to implement adequate preventive or reactive security measures. High profile electronic security breaches leading to unauthorized release of sensitive information have occurred in recent years with increasing frequency at a number of major U.S. companies, including several large retailers, notwithstanding widespread recognition of the cyberattack threat and improved data protection methods.

Despite our security measures and those of third parties with whom we do business, our respective systems and facilities may be vulnerable to criminal cyberattacks or security incidents due to malfeasance, intentional or inadvertent security breaches by associates, or other vulnerabilities such as defects in design or manufacture. Unauthorized parties may also attempt to gain access to our systems or facilities through fraud, trickery or other forms of deception or coercion targeted at our customers, associates, suppliers and service providers. Any such, incidents could compromise our networks, and the information stored there could be accessed, misused, publicly disclosed, lost or stolen.

An actual or anticipated attack or security incident may cause us to incur additional costs, including costs related to diverting or deploying personnel, implementing preventative measures, training associates and engaging third-party experts and consultants. Further, any security breach incident could expose us to risks of data loss, regulatory and law enforcement investigations, litigation and liability and could seriously disrupt our operations, and any resulting negative publicity could significantly harm our reputation and relationships with our customers, associates, or suppliers, all of which could adversely affect our business, financial condition, and operating results.

A disruption in our information systems, including our website, could adversely affect our business or operating results and lead to reduced net sales and reputational damage.

We rely on our information systems to process transactions, summarize our results of operations and manage our business. In particular, our website is an important part of our integrated connected customer strategy, and customers use our website as an information source on the range of products available to them and as a way to order our products. In addition, we rely on our enterprise resource planning, telecommunications, inventory tracking, billing and other information systems to track transactions, billing, payments, inventory and a variety of day-to-day business decisions. Therefore, the reliability and capacity of our information systems is critical to our operations and the implementation of our growth initiatives. However, our information systems are subject to damage or interruption from upgrades in technology interfaces, power outages, computer and telecommunications failures, computer viruses, cyberattacks or other security breaches, and catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and misconduct or usage errors by our associates. Furthermore, not all of our systems are fully redundant, and our disaster recovery planning may not be sufficient, despite our testing, to meet our business needs in the event of a material disruption. If our information systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, and we may suffer losses of critical data and/or interruptions or delays in our operations.

Some of our information technology systems are currently outsourced to, or using cloud-based services provided by, third parties. If these third parties are unable, unwilling, or otherwise experience interruptions in their ability to provide services to us or to provide us access to the systems on which we rely, or if these third parties are unable to secure our data from cyberattacks and other cyber incidents, our operations may be disrupted, and we may incur significant costs, harm to our reputation or relationships with our customers, associates, and suppliers, or otherwise experience a material adverse effect on our business, financial condition or operating results. In addition, cybersecurity threat actors are increasingly sophisticated and are targeting employees, contractors, service providers and third parties through various techniques that involve social engineering and/or misrepresentation (such as phishing attempts and similar techniques). The increased use of associate-owned devices for communications as well as work-from-home arrangements may exacerbate cybersecurity risk, including presenting additional operational risks to our information technology systems and increased risks of cyberattacks.

The cybersecurity threat landscape is vast, and techniques used to obtain unauthorized access, disable, degrade service or sabotage information technology systems evolve frequently. Cybersecurity threat actors may attempt to intrude, damage, or disrupt our information technology systems through a number of techniques, including via computer viruses or worms, malware (including ransomware), phishing attacks, spyware, and denial of service attacks, among others. Data breaches and other cybersecurity events have become increasingly commonplace, including as a result of emerging technologies, such as artificial intelligence and machine learning. As a result, these techniques may be difficult to detect and are often not recognized until launched against a target. Accordingly, we may be unable to anticipate these techniques or implement adequate countermeasures. To keep pace with changing technology and the increasing risk posed by cybersecurity threat actors, we must continuously implement new information technology systems as well as enhance our existing systems, including an upgrade to our existing core financial and merchandising systems that began in fiscal 2024. Moreover, the successful execution of some of our growth strategies, in particular the expansion of our connected customer and online capabilities, is dependent on the design and implementation of new systems and technologies and/or the enhancement of existing systems. If we encounter implementation or usage problems with these new systems or other related systems and infrastructure, or if the systems do not operate as intended, do not give rise to anticipated benefits, or fail to integrate properly with our other systems or software platforms, then the costs of such new information technology systems may be more than we anticipate. Any material disruption in our information systems, or delays or difficulties in implementing or integrating new systems or enhancing or expanding current systems, could result in our increased vulnerability to cybersecurity events, which could have an adverse effect on our business and our operating results and could lead to reduced net sales and reputational damage.

We may continue to have negative comparable store sales or future comparable store growth lower than we expect, which has had and may continue to have a negative impact on our net sales, business, financial condition, and operating results.

Our comparable store sales decreased 7.1% for the fiscal year ended December 26, 2024 and by 7.1% for the fiscal year ended December 28, 2023, primarily due to decreased consumer demand for the products we sell. This decrease in comparable store sales has had a negative impact on our net sales for the fiscal year ended December 26, 2024, and while future net sales growth will depend substantially on our plans for new store openings, our comparable store sales growth is a significant driver of our net sales, profitability, cash flow, and overall business results. Because numerous factors affect our comparable store sales growth, as discussed in the other risk factors, it is possible that we will not achieve our targeted comparable store sales growth or that the change in comparable store sales could continue to be negative. If this trend continues, it is likely that overall net sales growth would be adversely affected, which could have a negative impact on our business, financial condition, and operating results.

We will require significant capital to fund our expanding business and service our existing indebtedness, and such capital may not be available to us on satisfactory terms or at all. If we are unable to maintain sufficient levels of cash flow or if we are unable to meet our debt service obligations under our credit facilities, we may not meet our growth expectations or we may require additional financing, which could adversely affect our financial health and impose covenants that limit our business activities.

We plan to continue investing for growth, including opening new stores, remodeling existing stores, adding staff, adding distribution center capacity, upgrading our information technology systems and other infrastructure, and engaging in strategic acquisitions. These investments will require significant capital, which we plan on funding with cash flow from operations and borrowings under our \$800.0 million asset based revolving credit facility (the “ABL Facility”).

If our business does not generate sufficient cash flow from operations to fund these activities or if these investments do not yield cash flows in line with past performance or our expectations, we may need additional equity or debt financing. If such financing is not available to us, or is not available on satisfactory terms, our ability to operate and expand our business or respond to competitive pressures would be curtailed, and we may need to delay, limit or eliminate planned store openings or operations or other elements of our growth strategy. If we raise additional capital by issuing equity securities or securities convertible into equity securities, our stockholders’ ownership would be diluted.

Further, our ability to pay interest on and principal of our debt obligations under our ABL Facility and our \$200.3 million senior secured term loan facility (as amended to date, the “Term Loan Facility” and together with the ABL Facility, our “Credit Facilities”) will primarily depend upon our future operating performance. As a result, prevailing economic conditions and financial, business, and other factors, many of which are beyond our control, will affect our ability to make these payments.

If we do not generate sufficient cash flow from operations to satisfy our debt service obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling our assets, reducing or delaying capital investments, or seeking to raise additional capital. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. From time to time, capital markets may experience periods of disruption and instability. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for further information regarding our liquidity.

Changes in tax laws, trade policies, or regulations and newly enacted tax laws, trade policies, or regulations may impact our effective tax rate or may adversely affect our business, financial condition, and operating results.

Changes in tax laws in any of the multiple jurisdictions in which we operate, or adverse outcomes from tax audits that we may be subject to in any of the jurisdictions in which we operate, could result in an unfavorable change in our effective tax rate, which could adversely affect our business, financial condition, and operating results. Developments in tax policy or trade relations could also have a material adverse effect on our business, results of operations, and liquidity.

We are subject to payments-related risks that could increase our operating costs, expose us to fraud, subject us to potential liability and potentially disrupt our business.

We accept payments using a variety of methods, including credit cards, debit cards, gift cards, cash, and physical bank checks. These payment options subject us to many compliance requirements, including, but not limited to, compliance with the Payment Card Industry Data Security Standards, which represents a common set of industry tools and measurements to help ensure the safe handling of sensitive information, and compliance with contracts with our third-party processors. These payment options also subject us to potential fraud by criminal elements seeking to discover and take advantage of security vulnerabilities that may exist in some of these payment systems.

We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards and gift cards, and it could disrupt or harm our business if these companies become unwilling or unable to provide these services to us, experience a data security incident, or fail to comply with applicable rules and industry standards. We are also subject to payment card association operating rules, including data security rules, certification requirements, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or if our data security systems or payment card information of our customers are breached or compromised, there is the potential that parties could seek damages from us; we may be liable for card issuing banks’ costs, subject to fines and higher transaction fees, and lose our ability to accept credit cards and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments; we could lose the confidence of customers; and our business, financial condition, and operating results could be adversely affected.

Our intellectual property rights are valuable, and any failure to protect them could reduce the value of our products and brand and harm our business.

We regard our intellectual property as having significant value, and our brand is an important factor in the marketing of our products. However, the steps we take to protect our trademarks or intellectual property may not be adequate to prevent others from copying or using our trademarks or intellectual property without authorization, which could harm the value of our brand.

We may be involved in disputes from time to time relating to our intellectual property and the intellectual property of third parties.

We are and may continue to become parties to disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in these disputes. Third parties have raised and may raise future claims against us alleging infringement or violation of the intellectual property of such third-party. Some third-party intellectual property rights may be extremely broad, and it may not be possible for us to conduct our operations in such a way as to avoid violating any such intellectual property rights. Any such intellectual property claim, regardless of whether such claim has merit, could subject us to material and costly disputes or litigation and impose a significant strain on our financial resources and management personnel.

We may, from time to time, consider or engage in strategic transactions. Any such strategic transactions would involve risks, which could have an adverse impact on our financial condition and results of operation, and we may not realize the anticipated benefits of these transactions.

From time to time, we consider strategic transactions, including mergers, acquisitions, investments, joint ventures, alliances, and other growth and market expansion strategies, with the expectation that these transactions will result in increases in sales, cost savings, synergies and various other benefits. Assessing the viability and realizing the benefits of these transactions is subject to significant uncertainty. Additionally, in connection with evaluating potential strategic transactions and assets, we may incur significant expenses for the evaluation, due diligence investigation, and negotiation of any potential transaction. We have limited experience acquiring companies, and any future acquisitions may not be successful. If we complete an acquisition, we would need to determine the appropriate level of integration of the target company's products, services, associates, and systems into our business operations, and then successfully manage that integration into our corporate structure. The integration of businesses may create increased complexity in our financial systems, internal controls, technology and cybersecurity systems, and operations, and may make them more difficult to manage. Integration can be a complex and time-consuming process, and if any such integration is not fully successful or is delayed for a material period of time, we may not achieve the anticipated synergies or benefits of the acquisition. Furthermore, even if a target company is successfully integrated, an acquisition may fail to further our business strategy as anticipated, expose us to increased competition or challenges with respect to our products or services, and expose us to additional liabilities. Any impairment of goodwill or other intangible assets acquired in a strategic transaction may reduce our earnings.

We face risks related to our indebtedness.

As of December 26, 2024, the principal amount of our total indebtedness was \$200.3 million related to our indebtedness outstanding under the Term Loan Facility. In addition, as of December 26, 2024, we had the ability to access \$718.0 million of unused borrowings available under the ABL Facility without violating any covenants thereunder.

Our indebtedness, combined with our lease and other financial obligations and contractual commitments, could adversely affect our business, financial condition, and operating results by:

- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including restrictive covenants and borrowing conditions, which may lead to an event of default under the agreements governing our debt;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of cash flows to fund current operations and future growth;
- exposing us to the risk of increased interest rates and increased debt service obligations as our borrowings under our Credit Facilities are at variable rates;
- restricting us from making strategic acquisitions;
- requiring us to comply with financial and operational covenants that may restrict us, among other things, from placing liens on our assets, making investments, incurring debt, making payments to our equity or debt holders and engaging in transactions with affiliates;
- limiting our ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, execution of our business and growth strategies or other purposes; and
- limiting our ability to obtain credit from our suppliers and other financing sources on acceptable terms or at all.

Certain of the variable rate indebtedness extended to us uses the Secured Overnight Financing Rate ("SOFR") as a benchmark for establishing the interest rate. While we believe we will continue to use SOFR, other factors may impact SOFR, including factors causing SOFR to cease to exist, new methods of calculating SOFR to be established, or the use of an alternative reference rate(s). These consequences are not entirely predictable and could have an adverse impact on our financing costs, returns on investments, valuation of derivative contracts and our financial results.

The credit agreements governing our Credit Facilities contain, and any future indebtedness would likely contain, a number of customary financial, operative and other restrictive covenants that impose significant operating and financial restrictions, including restrictions on our subsidiaries paying dividends and otherwise transferring cash or other assets to us except in certain limited circumstances, and other restrictions on our ability to engage in acts that may be in our best long-term interests. Such financial, operative and other restrictive covenants in our current debt agreements and any future financing agreements could adversely affect our ability to finance future operations or capital needs or to engage in other business activities.

We may incur substantial additional indebtedness in the future, subject to the restrictions contained in our Credit Facilities. If such new indebtedness is in an amount greater than our current debt levels, the related risks that we now face could intensify. However, we cannot give assurance that any such additional financing will be available to us on acceptable terms or at all.

Risks Related to the Ownership of Our Common Stock

We do not currently expect to pay any cash dividends.

The continued operation and growth of our business will require substantial funding. Accordingly, we do not currently expect to pay any cash dividends on shares of our common stock. Any determination to pay dividends in the future will be at the discretion of our Board of Directors (the "Board") and will depend upon our operating results, financial condition, contractual restrictions, restrictive covenants under our Credit Facilities, restrictions imposed by applicable law and other factors our Board deems relevant. Accordingly, realization of a gain on an investment in our common stock will depend on the appreciation of the price of our common stock, which may not occur. See Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" for more information.

Certain provisions in our organizational documents and Delaware law could impair a takeover attempt and adversely affect existing stockholders and the market value of our common stock.

Certain provisions of our certificate of incorporation and bylaws and applicable provisions of Delaware law may have the effect of rendering more difficult, delaying or preventing an acquisition or change of control of the Company that stockholders may consider to be favorable. These provisions, among other things:

- authorize the Board to issue "blank check" preferred stock without stockholder approval, which, if issued, would increase the number of outstanding shares of our capital stock, make it more difficult for someone to acquire us, and potentially adversely affect the voting power of the holders of our other classes of voting stock;
- establish the sole power of a majority of our Board to fix the number of directors;
- require that certain advance notice procedures be followed for our stockholders to submit nominations of candidates for election to our Board and to bring other proposals before a meeting of the stockholders;
- provide our Board with the ability to amend our bylaws without stockholder approval;
- provide that any vacancy on the Board, whether such vacancy occurs as a result of an increase in the number of directors or otherwise, may only be filled by a majority of the Board members still in office;
- provide that only the Board or the chairperson of the Board may call special meetings of stockholders;
- prohibit stockholder action by written consent, thus requiring all stockholder actions to be taken at a meeting of stockholders; and
- require that, to the fullest extent permitted by law, certain proceedings against or involving us or our directors, officers, or associates be brought exclusively in the Court of Chancery in the State of Delaware.

Further, Delaware law imposes conditions on the voting of "control shares" and on certain business combination transactions with "interested stockholders."

These provisions in our organizational documents and Delaware law could delay or prevent hostile takeovers and changes in control or changes in our management. Also, the issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences, or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in our common stock less attractive. Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control or otherwise makes an investment in our common stock less attractive could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

General Risk Factors

We are engaged from time to time in various legal actions, claims and proceedings, and, while we cannot predict the outcomes of such proceedings and other contingencies with certainty, some of these outcomes and any potential future proceedings could have an adverse impact on us.

We are engaged in various legal actions, claims and proceedings, including claims related to breach of contract, product liabilities, intellectual property matters and employment-related matters resulting from our business activities. We also have been and may in the future be the target of securities-related litigation. As with most actions such as these, an estimate of any possible and/or ultimate liability cannot always be determined. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors. We maintain insurance to mitigate the risks associated with potential claims; however, we are responsible for meeting certain deductibles under such policies, and, in any event, the insurance coverage may not adequately protect us from all claims made against us. Additionally, we cannot guarantee that we will not become engaged in additional legal actions, claims, proceedings, or governmental investigations in the future. Any such action could result in negative publicity, harm our reputation, and adversely affect our business, financial condition, and operating results. See the information disclosed under "Litigation" in Note 9, "Commitments and Contingencies" to the notes to our consolidated financial statements included in this Annual Report for further detail on legal proceedings.

We are subject to risks related to corporate social responsibility.

Regulators, customers, investors, associates, and other stakeholders are increasingly focusing on environmental, social, and governance matters and related disclosures. Changing rules, regulations, and stakeholder expectations have resulted in, and are likely to continue to result in, additional obligations, increased general and administrative expenses, increased management time and attention spent complying with or meeting such regulations and expectations, and heightened risks of litigation and enforcement actions. We risk damage to our brand and reputation for our actions or inactions. Adverse incidents related to these matters could negatively impact the value of our brand, operating costs, and relationships with investors, all of which could adversely affect our business and operating results.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 1C. CYBERSECURITY.

Cybersecurity is the responsibility of our information security team, overseen by our Chief Information Security Officer ("CISO"). Our CISO reports to our Chief Information Officer ("CIO"), and our CISO and CIO regularly meet with our Chief Legal Officer ("CLO") to review cybersecurity risks and evaluate their nature and severity, as well as identify potential mitigations and assess the impact of those mitigations on residual risk. Our enterprise risk management program also considers cybersecurity risks, including risks associated with our use of third-party service providers, alongside other company risks, and as part of these efforts, we gather information necessary to identify cybersecurity risks and evaluate their nature and severity, as well as identify mitigations and assess the impact of those mitigations on residual risk. Our enterprise risk management program is reviewed annually with our Board.

We maintain a system of data protection and cybersecurity resources, technology, and processes. We regularly evaluate new and emerging risks and ever-changing legal and compliance requirements. We make strategic investments to address these risks and compliance requirements. We also perform annual and ongoing cybersecurity awareness training, which includes regular simulated phishing campaigns. We also run tabletop exercises, including with external advisors, to simulate a response to a cybersecurity incident, and we use the findings to improve our practices, procedures, incident response plan, and technologies. In the event of a cybersecurity incident, we have worked with external advisors to develop an incident response plan, which provides guidelines for responding to an incident and facilitates coordination across multiple parts of our Company. The incident response plan includes a procedure for notifying the CISO and CIO of any incident as well as a procedure for reporting any material incidents to the Audit Committee of our Board (the "Audit Committee") and Board as appropriate.

Our cybersecurity risk program is structured according to the National Institute of Standards and Technology (NIST) Cybersecurity framework. This program includes multiple layers of security controls, including network segmentation, security monitoring, endpoint protection, and identity and access management. The Company annually engages third parties to advise and assess the Company's cybersecurity programs, including to engage in penetration testing. The results of these assessments are reported to the CISO, and our CISO, in consultation with our CIO and CLO, uses the findings to improve our practices, procedures, and technologies. A summary of our cybersecurity efforts is reported periodically to the Audit Committee, which has primary responsibility for oversight and review of guidelines and policies with respect to risk assessment and risk management, including cybersecurity. Our Board also receives periodic updates relating to information security and cybersecurity risks. We have also purchased cyber liability insurance to provide a level of financial protection against the potential losses arising from a cybersecurity incident. However, there is no assurance that our insurance coverage will cover or be sufficient to cover all losses or claims that may result from a cybersecurity incident.

Our CISO, CIO, and CLO collectively have over 35 years of business experience managing risks from cybersecurity threats and developing and implementing cybersecurity policies and procedures. Team members who support our information security program have relevant educational and industry experience.

During fiscal years 2024, 2023, and 2022, we did not experience a material information security breach incident, and the expenses we have incurred from information security breach incidents have been immaterial. We are not currently aware of any cybersecurity risks that are reasonably likely to materially affect our business. However, future incidents could have a material impact on our business strategy, results of operations, or financial condition. For additional discussion of the risks posed by cybersecurity threats that are reasonably likely to materially affect us, refer to Item 1A, "Risk Factors" in Part I of this Annual Report.

ITEM 2. PROPERTIES.

As of December 26, 2024, we operated 251 warehouse-format stores located in 38 states as shown in the table below:

State	Number of Stores	State	Number of Stores
Alabama	4	Nebraska	1
Arizona	7	Nevada	4
California	27	New Hampshire	1
Colorado	8	New Jersey	12
Connecticut	3	New Mexico	1
Florida	33	New York	10
Georgia	13	North Carolina	5
Illinois	11	Ohio	7
Indiana	2	Oklahoma	2
Iowa	1	Oregon	2
Kansas	2	Pennsylvania	4
Kentucky	2	Rhode Island	1
Louisiana	4	South Carolina	3
Maine	1	Tennessee	5
Maryland	6	Texas	33
Massachusetts	7	Utah	3
Michigan	4	Virginia	9
Minnesota	3	Washington	5
Missouri	3	Wisconsin	2
		Total	251

The following table presents the percentage of our owned versus leased facilities in operation at the end of fiscal 2024 and their total square footage:

<i>square footage in thousands</i>	Owned	Leased	Total Square Footage
Stores	7 %	93 %	19,307
Distribution centers	20 %	80 %	5,680
Offices and other	— %	100 %	546
Total			25,533

Stores include our 251 warehouse-format stores and five small-format design studios. Distribution centers include our four distribution centers located in or near Houston, Savannah, Los Angeles, and Baltimore and our transload facility near Los Angeles. Offices and other include our headquarters, which we refer to as our store support center, our product review center, and our sample fulfillment center, all located in Atlanta, and other administrative, sales, and warehousing facilities supporting our Spartan subsidiary. The property tables above exclude locations where we have taken possession of the premises but are not yet operating. See Note 9, "Commitments and Contingencies" of the notes to our consolidated financial statements included in this Annual Report for additional details related to our leases.

ITEM 3. LEGAL PROCEEDINGS.

We are engaged in various legal actions, claims and proceedings arising in the ordinary course of business, including claims related to breach of contracts, product liabilities, intellectual property matters, and employment-related matters resulting from our business activities. As with most actions such as these, an estimation of any possible and/or ultimate liability cannot always be determined. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors. See the information disclosed under "Litigation" in Note 9, "Commitments and Contingencies" of the notes to our consolidated financial statements included in this Annual Report for further detail on legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

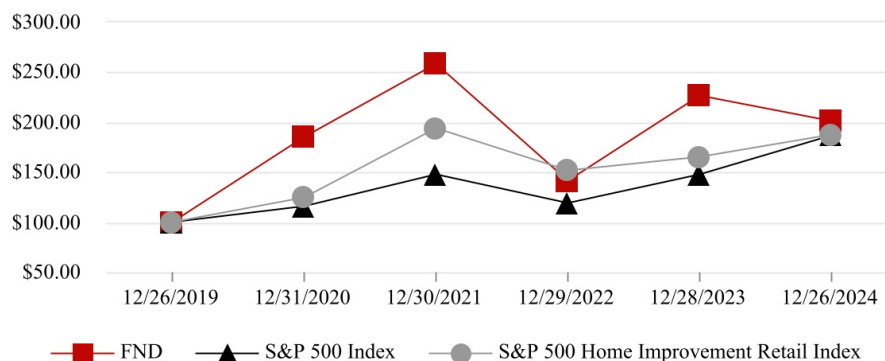
Our common stock has been listed for trading on the New York Stock Exchange under the symbol "FND" since April 27, 2017. On February 17, 2025, there were 19 stockholders of record of our Class A common stock. The actual number of stockholders is greater than the number of record holders stated above, and includes stockholders who are beneficial owners, but whose shares are held in "street name" by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

No dividends have been declared or paid on our common stock since our initial public offering. We intend to continue to retain all available funds and any future earnings for use in the operation and growth of our business, and therefore we do not currently expect to pay any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our Board and will depend on then existing conditions, including our operating results, financial condition, contractual restrictions, capital requirements, business prospects and other factors that our Board may deem relevant.

Stock Performance Graph

The following graph shows a comparison of cumulative total return to holders of our common stock against the cumulative total return of the S&P 500 Index and the S&P 500 Home Improvement Retail Index for our fiscal years 2020 through 2024. The comparison of the cumulative total returns for each investment assumes that \$100 was invested in our Class A common stock and the respective indices on December 26, 2019 (the last trading day of fiscal 2019) through December 26, 2024, including reinvestment of any dividends. Historical share price performance should not be relied upon as an indication of future share price performance.



Fiscal Year Ended	FND	S&P 500 Index	S&P 500 Home Improvement Retail Index
December 26, 2019	\$ 100.00	\$ 100.00	\$ 100.00
December 31, 2020	\$ 184.59	\$ 115.93	\$ 124.08
December 30, 2021	\$ 258.41	\$ 147.50	\$ 193.46
December 29, 2022	\$ 141.13	\$ 118.81	\$ 151.76
December 28, 2023	\$ 226.42	\$ 147.64	\$ 165.38
December 26, 2024	\$ 200.93	\$ 186.35	\$ 187.30

Unregistered Sales of Equity Securities and Use of Proceeds

During fiscal 2024, the Company did not sell any unregistered equity securities.

Issuer Purchases of Equity Securities

The following table presents the number and average price of the Company's common shares repurchased in each fiscal month of the fourth quarter of fiscal 2024:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)		Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)	
September 27, 2024 - October 24, 2024	—	\$ —	N/A		N/A	
October 25, 2024 - November 21, 2024	63	103.76	N/A		N/A	
November 22, 2024 - December 26, 2024	—	—	N/A		N/A	
Total	63	\$ 103.76	N/A		N/A	

(1) Under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan (the "2017 Plan"), participants may surrender shares as payment of applicable tax withholding on the vesting of restricted stock awards. Shares so surrendered by participants in the 2017 Plan are repurchased pursuant to the terms of the 2017 Plan and applicable award agreements and not pursuant to any publicly announced share repurchase programs.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes thereto and other financial information included elsewhere in this filing. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those discussed in Item 1A, "Risk Factors." See the cautionary note regarding forward-looking statements set forth at the beginning of this Annual Report.

Overview

Founded in 2000, Floor & Decor is a high-growth, differentiated, multi-channel specialty retailer of hard surface flooring and related accessories and seller of commercial surfaces with 251 warehouse-format stores across 38 states as of December 26, 2024. We believe our unique approach to selling hard surface flooring and our consistent and disciplined culture of innovation and reinvestment create a differentiated business model in the hard surface flooring category. We believe that we offer the broadest in-stock assortment of laminate and vinyl, tile, wood, and natural stone flooring and installation materials and decorative accessories, as well as adjacent categories, at everyday low prices. This positions us as the one-stop destination for our customers' entire hard surface flooring needs. We appeal to a variety of customers, including Pros and homeowners, which are comprised of DIY and BIY customers. Our warehouse-format stores, which average approximately 77,000 square feet, carry on average approximately 4,400 SKUs, approximately 1.0 million square feet of flooring products, and \$2.7 million of inventory at cost as of December 26, 2024. We believe that our inspiring design centers and creative and informative visual merchandising also greatly enhance our customers' renovation experience. In addition to our stores, our website, *FloorandDecor.com*, showcases our products.

The following table presents a performance summary of our results of operations for fiscal years 2024 and 2023:

	Fiscal Year Ended			
	December 26, 2024		December 28, 2023	
<i>dollars in thousands</i>				
Net sales	\$	4,455,770	\$	4,413,884
Net income	\$	205,872	\$	245,980
Adjusted EBITDA	\$	512,504	\$	551,133
Comparable store sales		(7.1) %		(7.1) %
Number of warehouse-format stores		251		221

During fiscal 2024, we opened 30 new warehouse-format stores, ending the year with 251 warehouse-format stores and five design studios.

The housing market continued to be impacted by a number of macroeconomic factors during fiscal 2024, including elevated interest rates and higher home prices putting pressure on housing affordability. This resulted in a decline in existing home sales, inflation, and a continued shift in consumer spending toward services. We believe these factors directly contributed to a slowdown in demand for flooring resulting in year-over-year declines in our comparable store sales and net income. These factors, coupled with rising construction costs, have made it difficult to achieve new store initial sales and profitability targets compared with those opened in prior years. Consequently, our class of 2022, 2023, and 2024 new stores are experiencing lower first year sales and initial returns compared to new stores opened in prior years. To optimize our return on investment, we focused on strategically reducing the construction costs and operating expenses. Despite these macroeconomic challenges, we believe that our continued focus on providing exceptional value to customers through our broad assortment and everyday low price strategy, while remaining disciplined to maintain profitability through cost control and strategic growth investments, have been instrumental in helping us to navigate this challenging housing market. However, the potential significance and duration of these macroeconomic difficulties is uncertain, and further pressures on the housing market could have an adverse impact on our business.

Key Performance Indicators

We consider a variety of performance and financial measures in assessing the performance of our business. The key measures we use to determine how our business is performing are comparable store sales, the number of new store openings, gross profit and gross margin, operating income, and EBITDA and Adjusted EBITDA.

Comparable Store Sales

Our comparable store sales growth is a significant driver of our net sales, profitability, cash flow, and overall business results. We believe that comparable store sales growth is generated by continued focus on providing a dynamic and expanding product assortment in addition to other merchandising initiatives, quality of customer service, enhancing sales and marketing strategies, improving visual merchandising and overall aesthetic appeal of our stores and our website, effectively serving our Pro customers, continued investment in store staff and infrastructure, growing our proprietary credit offering, and further integrating connected customer strategies and other key information technology enhancements.

Comparable store sales refer to period-over-period comparisons of our net sales at the time of sale among the comparable store base. 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 at the time of sale 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 subsidiary do not involve our stores and are therefore excluded from the comparable store sales calculation.

Definitions and calculations of comparable store sales differ among companies in the retail industry; therefore, comparable store metrics disclosed by us may not be comparable to the metrics disclosed by other companies.

We believe that comparable store sales is a useful measure as it allows management, analysts, investors, and other interested parties to evaluate the sales performance of our retail stores. In addition, comparable store sales highlights our sales and market share growth. Management uses comparable store sales to evaluate the effectiveness of our selling strategies, to make budgeting decisions, and to compare our performance against that of other peer companies using similar measures.

Number of New Stores

The number and timing of new store openings, and the costs and fixed lease obligations associated with those openings, have had, and are expected to continue to have, a significant impact on our results of operations. The number of new stores reflects the number of stores opened during a particular reporting period. Before we open new stores, we incur pre-opening expenses, which are defined below under the heading "Other Key Financial Definitions." Net sales at new stores are generally lower than net sales at our stores that have been open for more than one year. Our ability to open new, profitable stores is important to our long-term sales and profit growth goals.

Gross Profit and Gross Margin

Our gross profit is variable in nature and generally follows changes in net sales. Our gross profit and gross margin can also be impacted by changes in our prices, our merchandising assortment, customer preferences, shrink, damage, selling of discontinued products, the cost to transport our products from the manufacturer to our stores, and our distribution center costs. With respect to our merchandising assortment, certain of our products generate higher margins than other products within the same product categories or among different product categories. We have experienced inflation increases in certain of our product categories but historically have been able to source from a different manufacturer or pass increases on to our consumers. Our gross profit and gross margin, which reflect our net sales and our cost of sales and any changes to the components thereof, allow us to evaluate our profitability and overall business results.

Gross profit is calculated as net sales less cost of sales. Gross profit as a percentage of net sales is referred to as gross margin. Cost of sales consists of merchandise costs, as well as freight costs to transport inventory to our distribution centers and stores, and duty and other costs that are incurred to distribute the merchandise to our stores. Cost of sales also includes shrink, damage, warehousing costs, sourcing and compliance costs. We receive cash consideration from certain vendors related to vendor allowances and volume rebates, which is recorded as a reduction of costs of sales as the inventory is sold or as a reduction of the carrying value of inventory while the inventory is still on hand. Costs associated with arranging and paying for freight to deliver products to customers is included in cost of sales. The components of our cost of sales may not be comparable to the components of cost of sales, or similar measures, of other retailers. As a result, data in this filing regarding our gross profit and gross margin may not be comparable to similar data made available by other retailers.

We believe that gross profit and gross margin are useful measures as they allow management and analysts, investors, and other interested parties to evaluate the cost and profitability of our products and overall cost of sales, which is our largest expense. Management uses gross profit and gross margin, among other measures, to make decisions related to product, pricing, supplier, and distribution strategies as well as other areas affecting the products we offer to our customers.

Operating Income, EBITDA, and Adjusted EBITDA

Operating income, EBITDA, and Adjusted EBITDA are key metrics used by management and our Board to assess our financial performance and enterprise value. We believe that operating income is a useful measure as it is an indicator of the productivity of our business and our ability to manage expenses. We also believe that EBITDA and Adjusted EBITDA are useful measures, as they eliminate certain expenses that are not indicative of our core operating performance and facilitate comparisons 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. Operating income, 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 supplemental measures of financial performance that are not required by or presented in accordance with GAAP. We define EBITDA as net income before interest, taxes, and depreciation and amortization. We define Adjusted EBITDA as net income before interest, taxes, and 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.

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-based compensation expense, litigation settlement recovery, fair value adjustments related to contingent earn-out liabilities, and other 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.

Other Key Financial Definitions

Net Sales

Net sales reflect our sales of merchandise, less discounts and estimated returns, and include our in-store sales, connected customer sales, and commercial sales. In certain cases, we arrange and pay for freight to deliver products to customers and bill the customer for the estimated freight cost, which is also included in net sales. Revenue is recognized when we satisfy the performance obligations in contracts with our customers, which is typically when the customer obtains control of the underlying inventory.

The retail and commercial sectors in which we operate are cyclical, and consequently our sales are affected by general economic conditions. Purchases of our products are sensitive to trends in the levels of consumer spending, which are affected by a number of factors such as consumer disposable income, housing market conditions, unemployment trends, stock market performance, consumer debt levels and consumer credit availability, interest rates and inflation, tax rates, and overall consumer confidence in the economy.

Selling and Store Operating Expenses

Selling and store operating expenses consist primarily of store personnel wages, bonuses and benefits, rent and infrastructure expenses, supplies, depreciation and amortization, training expenses, and advertising costs. Credit card fees, insurance, personal property taxes, and other miscellaneous operating costs are also included. We expect that our selling and store operating expenses will increase in future periods with future growth. Selling and store operating expenses include variable as well as fixed components, which may not directly correlate with net sales. The components of our selling and store operating expenses may not be comparable to the components of similar measures of other retailers.

General and Administrative Expenses

General and administrative expenses consist primarily of costs incurred outside of our stores and include administrative personnel wages in our store support center and regional functions, bonuses and benefits, supplies, depreciation and amortization, and store support center expenses. Insurance, legal expenses, information technology costs, consulting, and other miscellaneous operating costs are also included. We expect that our general and administrative expenses will increase in future periods with future growth. General and administrative expenses include fixed as well as variable components, which may not directly correlate with net sales. The components of our general and administrative expenses may not be comparable to the components of similar measures of other retailers.

Pre-opening Expenses

We account for non-capital operating expenditures incurred prior to opening a new store or relocating an existing store as “pre-opening” expenses in our Consolidated Statements of Operations and Comprehensive Income. Our pre-opening expenses begin, on average, three months to one year in advance of a store opening or relocating due to, among other things, the amount of time it takes to prepare a store for its grand opening. The majority of pre-opening expenses are incurred during the three months before a store opens. Pre-opening expenses primarily include the following: rent, advertising, recruiting, training, utilities, personnel, and equipment rental. A store is considered to be relocated if it is closed temporarily and re-opened within the same primary trade area.

Segments

We have two operating segments and one reportable segment. For additional segment information, refer to Note 14, “Segment Reporting” of the notes to the consolidated financial statements included in this Annual Report.

Results of Operations

The comparison of the fiscal years ended December 28, 2023 and December 29, 2022 can be found in our annual report on Form 10-K for the fiscal year ended December 28, 2023 (the "2023 Annual Report") located within Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Results of operations for prior periods should not be considered indicative of future results. For information about the potential impacts that risks, such as declines in economic conditions that affect the residential housing market and consumer spending for hard surface flooring, interest rates, inflation, global supply chain disruptions, regulatory and political conditions, trade policy, and geopolitical instability, among others, may have on our results of operations and overall financial performance for future periods, see "Overview" further above and Item 1A, "Risk Factors" in Part I of this Annual Report.

The following tables summarize key components of our results of operations for the periods indicated:

	Fiscal Year Ended					
	December 26, 2024		December 28, 2023		Increase (Decrease)	
dollars in thousands	Amount	% of Net Sales	Amount	% of Net Sales	\$	%
Net sales	\$ 4,455,770	100.0 %	\$ 4,413,884	100.0 %	\$ 41,886	0.9 %
Cost of sales	2,527,519	56.7	2,555,536	57.9	(28,017)	(1.1)%
Gross profit	1,928,251	43.3	1,858,348	42.1	69,903	3.8 %
Operating expenses:						
Selling and store operating	1,362,325	30.6	1,239,225	28.1	123,100	9.9 %
General and administrative	266,165	6.0	252,713	5.7	13,452	5.3 %
Pre-opening	43,585	0.9	44,982	1.0	(1,397)	(3.1)%
Total operating expenses	1,672,075	37.5	1,536,920	34.8	135,155	8.8 %
Operating income	256,176	5.8	321,428	7.3	(65,252)	(20.3)%
Interest expense, net	2,773	0.1	9,897	0.2	(7,124)	(72.0)%
Income before income taxes	253,403	5.7	311,531	7.1	(58,128)	(18.7)%
Income tax expense	47,531	1.1	65,551	1.5	(18,020)	(27.5)%
Net income	\$ 205,872	4.6 %	\$ 245,980	5.6 %	\$ (40,108)	(16.3)%

	Fiscal Year Ended			
	December 26, 2024		December 28, 2023	
Comparable store sales	(7.1)	%	(7.1)	%
Comparable average ticket	(2.5)	%	0.2	%
Comparable transactions	(4.7)	%	(7.2)	%
Number of warehouse-format stores	251		221	
Adjusted EBITDA (in thousands) (1)	\$ 512,504		\$ 551,133	
Adjusted EBITDA (% of net sales)	11.5	%	12.5	%

(1) Refer to "Reconciliation of Non-GAAP Financial Measures" below for a reconciliation of Adjusted EBITDA to net income.

Net Sales

Net sales during fiscal 2024 increased \$41.9 million, or 0.9%, compared to fiscal 2023 due to sales from the 30 new warehouse-format stores that we opened during the year and growth in Spartan, partially offset by a decrease in comparable store sales of 7.1%. The comparable store sales decline during the period of 7.1%, or \$299.1 million, was due to a 4.7% decrease in comparable transactions and a 2.5% decrease in comparable average ticket. We believe the decrease in comparable transactions was largely driven by the impact of lower existing home sales. The decrease in comparable average ticket was primarily due to smaller average project sizes. Non-comparable sales of \$341.0 million during the same period were primarily driven by new stores and, to a lesser extent, revenue from Spartan.

We estimate that retail sales during fiscal 2024 were approximately 51% from homeowners and 49% from Pros compared to approximately 55% from homeowners and 45% from Pros during fiscal 2023.

Gross Profit and Gross Margin

Gross profit during fiscal 2024 increased \$69.9 million, or 3.8%, compared to fiscal 2023. The increase in gross profit was primarily driven by the 0.9% increase in net sales and an increase in gross margin to 43.3%, up approximately 120 basis points from 42.1% in fiscal 2023. The increase in gross margin was primarily driven by a decrease in supply chain costs.

Selling and Store Operating Expenses

Selling and store operating expenses during fiscal 2024 increased \$123.1 million, or 9.9%, compared to fiscal 2023. The increase in selling and store operating expenses was primarily driven by \$156.7 million for new stores and \$5.6 million at Spartan, partially offset by a decrease of \$39.2 million at our comparable stores. As a percentage of net sales, selling and store operating expenses increased by approximately 250 basis points to 30.6% from 28.1% in fiscal 2023. This increase was primarily attributable to deleverage from a decrease in comparable store sales and the addition of new stores.

General and Administrative Expenses

General and administrative expenses during fiscal 2024 increased \$13.5 million, or 5.3%, compared to fiscal 2023. Our general and administrative expenses as a percentage of net sales increased by approximately 30 basis points to 6.0% from 5.7% in fiscal 2023. The increase in general and administrative expenses in total and as a percentage of net sales was primarily driven by an increase of \$21.3 million in personnel expenses due primarily to incentive compensation and additional staffing costs, partially offset by a legal settlement recovery of \$6.8 million.

Pre-Opening Expenses

Pre-opening expenses during fiscal 2024 decreased \$1.4 million, or 3.1%, compared to fiscal 2023. The decrease in pre-opening expenses primarily resulted from a decrease in the number of stores that we opened compared to the prior year.

Interest Expense, Net

Net interest expense during fiscal 2024 decreased \$7.1 million, or 72.0%, compared to fiscal 2023 primarily due to a decrease in average amounts outstanding under our ABL Facility and higher interest income as a result of higher cash balances.

Income Tax Expense

Income tax expense was \$47.5 million in fiscal 2024 compared to \$65.6 million in fiscal 2023. The effective tax rate was 18.8% for fiscal 2024 compared to 21.0% for fiscal 2023. The effective tax rate decrease was primarily due to a decrease in state income taxes and an increase in excess tax benefits related to stock-based compensation awards that were partially offset by limitations on deductions for compensation to certain employees under Internal Revenue Code Section 162(m).

Reconciliation of Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA

For the periods presented, the following table reconciles EBITDA and Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP:

	Fiscal Year Ended	
	December 26, 2024	December 28, 2023
<i>in thousands</i>		
Net income	\$ 205,872	\$ 245,980
Depreciation and amortization (a)	230,293	199,856
Interest expense, net	2,773	9,897
Income tax expense	47,531	65,551
EBITDA	486,469	521,284
Stock-based compensation expense (b)	33,695	27,240
Litigation settlement recovery (c)	(6,794)	—
Other (d)	(866)	2,609
Adjusted EBITDA	\$ 512,504	\$ 551,133

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

(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) Net proceeds received related to the derivative litigation settlement in fiscal 2024.

(d) Other adjustments include amounts management does not consider indicative of our core operating performance. Amounts for both fiscal 2024 and fiscal 2023 relate to changes in the fair value of contingent earn-out liabilities.

Liquidity and Capital Resources

Liquidity is provided primarily by cash flows from operations and our \$800.0 million ABL Facility. Unrestricted liquidity as of December 26, 2024 was \$905.7 million, consisting of \$187.7 million in cash and cash equivalents and \$718.0 million immediately available for borrowing under the ABL Facility without violating any covenants thereunder. Our liquidity is generally not seasonal.

Our primary cash needs are for merchandise inventories, payroll, store rent, and other operating expenses and capital expenditures associated with opening new stores and remodeling existing stores as well as information technology, e-commerce, store support center, and distribution center infrastructure. We also use cash for the payment of taxes and interest and, as applicable, acquisitions. We expect that cash generated from operations together with cash on hand, the availability of borrowings under our Credit Facilities, and if necessary, additional funding through other forms of external financing, will be sufficient to meet liquidity requirements, anticipated capital expenditures, and payments due under our Credit Facilities for the next twelve months and the foreseeable future.

Total capital expenditures in fiscal 2025 are planned to be between approximately \$330 million to \$400 million and are expected to be funded primarily by cash generated from operations and borrowings under the ABL Facility. Our capital needs may change in the future due to changes in our business, new opportunities that we choose to pursue, or other factors. We currently expect the following for capital expenditures in fiscal 2025:

- invest approximately \$200 million to \$245 million to open 25 warehouse-format stores and begin construction on stores opening after fiscal 2025;
- invest approximately \$20 million to \$25 million in new distribution centers near Seattle and Baltimore;
- invest approximately \$50 million to \$60 million in existing stores and distribution centers; and
- invest approximately \$60 million to \$70 million in information technology infrastructure, e-commerce, and other store support center initiatives.

Cash Flow Analysis

A summary of our operating, investing, and financing activities is shown in the following table:

	Fiscal Year Ended	
	December 26, 2024	December 28, 2023
<i>in thousands</i>		
Net cash provided by operating activities	\$ 603,155	\$ 803,589
Net cash used in investing activities	(446,826)	(564,966)
Net cash used in financing activities	(3,042)	(214,035)
Net increase in cash and cash equivalents	\$ 153,287	\$ 24,588

Net Cash Provided by Operating Activities

Cash provided by operating activities consists primarily of (i) net income adjusted for non-cash items, including depreciation and amortization, stock-based compensation, deferred income taxes, and changes in the fair values of contingent earn-out liabilities and (ii) changes in working capital.

Net cash provided by operating activities was \$603.2 million for fiscal 2024 and \$803.6 million for fiscal 2023. The decrease in net cash provided by operating activities was primarily driven by the change in inventory and a decline in cash earnings after adjusting net income for non-cash items, which were partially offset by an increase in trade accounts payable, accrued expenses and other current liabilities, and income taxes.

Net Cash Used in Investing Activities

Investing activities typically consist primarily of capital expenditures for new store openings and existing store remodels, including leasehold improvements, racking, fixtures, vignettes, design centers, and new infrastructure and information systems. Cash payments to acquire businesses are also included in investing activities.

Net cash used in investing activities was \$446.8 million for fiscal 2024 and \$565.0 million for fiscal 2023. The decrease in net cash used in investing activities was due to a decrease in capital expenditures and cash paid for an acquisition in fiscal 2023. The year-over-year decline in capital expenditures was driven by the timing of construction payable settlements for recently completed stores and a decrease in new stores under construction.

Net Cash Used in Financing Activities

Financing activities consist primarily of borrowings and related repayments under our credit agreements, tax payments related to the vesting or exercise of stock-based compensation awards, proceeds from the exercise of stock options and our employee share purchase program, and payments of contingent earn-out consideration.

Net cash used in financing activities was \$3.0 million for fiscal 2024 and \$214.0 million for fiscal 2023. The decrease in net cash used in financing activities was primarily driven by a decrease in net ABL Facility repayments.

Our Credit Facilities

As of December 26, 2024, total Term Loan Facility debt was \$200.3 million, and no amounts were outstanding under our ABL Facility. For additional information regarding our Term Loan Facility and ABL Facility, including applicable covenants and other details, please refer to Note 10, "Debt" of the notes to the consolidated financial statements included in this Annual Report.

Credit Ratings

Our credit ratings are periodically reviewed by rating agencies. As of December 26, 2024, our Standard & Poor's issuer credit rating of BB with a stable outlook and Moody's issuer credit rating of Ba3 with a stable outlook remain unchanged from December 28, 2023. These ratings and our current credit condition affect, among other things, our ability to access new capital. Negative changes to these ratings may result in more stringent covenants and higher interest rates under the terms of any new debt. Our credit ratings could be lowered or rating agencies could issue adverse commentaries in the future, which could have a material adverse effect on our business, financial condition, results of operations, and liquidity. In particular, a weakening of our financial condition, including an increase in our leverage or decrease in our profitability or cash flows, could adversely affect our ability to obtain necessary funds, result in a credit rating downgrade or change in outlook, or otherwise increase our cost of borrowing.

Supply Chain Finance Programs

As part of our ongoing efforts to improve cash flow and liquidity, we facilitate supply chain finance programs through financial intermediaries. Suppliers that participate in a supply chain finance program extend our payment terms by approximately 40 days on average. Amounts due to financial intermediaries for suppliers that elected to participate in a supply chain finance program totaled \$167.7 million and \$114.0 million as of December 26, 2024 and December 28, 2023, respectively, and are included in trade accounts payable in our Consolidated Balance Sheets. See Note 13, "Supply Chain Finance" of the notes to our consolidated financial statements included in this Annual Report for additional details related to our supply chain finance programs.

Material Cash Requirements, including Contractual Obligations to Third Parties

We enter into long-term obligations and commitments in the normal course of business, primarily non-cancelable operating leases and debt obligations. Our material cash requirements over the next several periods from known contractual or other obligations as of December 26, 2024 are described below.

Operating Leases. We enter into operating leases during the normal course of business. Most lease arrangements provide us with the option to renew the leases at defined terms. The future operating lease obligations would change if we were to exercise these options or enter into additional operating leases. Refer to Note 9, "Commitments and Contingencies" of the notes to our consolidated financial statements included in this Annual Report for a summary of our operating lease obligations as of December 26, 2024.

Debt. Refer to Note 10, "Debt" of the notes to our consolidated financial statements included in this Annual Report for a summary of our long-term debt obligations as of December 26, 2024.

Purchase Obligations. Purchase obligations include agreements to purchase goods or services that are legally binding and non-cancellable. Our purchase obligations primarily relate to certain software and license commitments, advertising programs, and enterprise resource planning system costs. The reported amounts exclude liabilities included in our Consolidated Balance Sheet. As of December 26, 2024, purchase obligations totaled \$82.2 million, of which \$44.5 million is due within 12 months. We issue inventory purchase orders in the normal course of business, which are typically cancellable by their terms and are excluded from the amounts above.

Performance Guarantees. In the ordinary course of business, we are required to post letters of credit as financial guarantees of our performance. As of December 26, 2024, letters of credit totaled \$37.1 million. We do not currently provide cash collateral for outstanding letters of credit. We have negotiated a letter of credit sublimit as part of our ABL Facility. The amount available to be borrowed under our ABL Facility is reduced by the cumulative amount of any outstanding letters of credit.

Off-Balance Sheet Arrangements. For fiscal 2024, we were not party to any material off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, net sales, expenses, results of operations, liquidity, capital expenditures, or capital resources. We do not have any relationship with unconsolidated entities or financial partnerships for the purpose of facilitating off-balance sheet arrangements or for other contractually narrow or limited purposes.

U.S. Tariffs and Global Economy

The current domestic and international political environment, including existing and potential changes to U.S. policies related to global trade and tariffs, have resulted in uncertainty surrounding the future state of the global economy. In particular, the ongoing trade dispute between the U.S. and China has resulted in the U.S. announcing on February 1, 2025, an additional 10% tariff for all products from China, beyond the previous 25% tariff already imposed on the vast majority of the products we import from China. While exclusions from the previous 25% tariff were granted for certain products from China that we sell, nearly all of those exclusions have expired. In fiscal 2024, approximately 18% of the products we sold were produced in China. The current U.S. presidential administration has also indicated the possibility of imposing significantly increased tariffs on imports into the U.S. not only from China but also from other countries. As we continue to manage the impact these tariffs may have on our business, we continue taking steps to mitigate some of these cost increases through negotiating lower costs from our vendors, sourcing from alternative countries, and increasing retail pricing as we deem appropriate. While our efforts have mitigated a substantial portion of the overall effect of increased tariffs to date, the enacted tariffs have increased our inventory costs and associated cost of sales for the remaining products still sourced from China and may impact sales of products sourced from China or other countries if new or higher tariffs are imposed.

Recently Adopted and Recently Issued Accounting Pronouncements

Refer to Note 1, "Summary of Significant Accounting Policies" of the notes to the consolidated financial statements included in this Annual Report for information on the recently adopted and recently issued accounting pronouncements that are applicable to the Company.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events that affect amounts reported in our consolidated financial statements and related notes as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Management evaluates its accounting policies, estimates, and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions, and such differences could be material to the consolidated financial statements.

Management evaluated the development and selection of its critical accounting policies and estimates and believes that the following accounting policies are critical as they involve a higher degree of judgment or complexity and are the most significant to reporting our results of operations and financial position. The following critical accounting policies reflect the significant estimates and judgments used in the preparation of our consolidated financial statements. With respect to critical accounting policies, even a relatively minor variance between actual and expected experience can potentially have a materially favorable or unfavorable impact on subsequent results of operations. All of our significant accounting policies are discussed in Note 1, "Summary of Significant Accounting Policies" of the notes to our audited consolidated financial statements included in this Annual Report.

Revenue Recognition

Description. We recognize revenue and the related cost of sales when we satisfy the performance obligations in contracts with our customers in accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606"). Our performance obligations for our retail store sales, as well as for orders placed through our website and shipped to our customers, are satisfied at the point-of-sale, which is typically the point at which the customer obtains control of the inventory. In some cases, merchandise is not physically ready for transfer to the customer at the point-of-sale, and revenue recognition is deferred until the customer has control of the inventory. Shipping and handling activities are accounted for as activities to fulfill the promise to transfer goods rather than as separate performance obligations as outlined within ASC 606. Payment is generally due from the customer immediately at the point-of-sale for both retail store sales and website sales with the exception of a small number of commercial clients purchasing through our commercial credit program, which typically offers longer payment terms.

Judgments and uncertainties involved in the estimate. Our customers have the right to return the goods sold to them within a reasonable time period, typically 90 days. The right of return is an element of variable consideration as defined within ASC 606. We estimate a reserve for future returns of previously sold goods based on historical experience and various other assumptions that we believe to be reasonable. Merchandise exchanges of similar product and price are not considered merchandise returns and, therefore, are excluded when calculating the sales returns reserve. While we believe that our current sales returns reserves are adequate, there can be no assurances that historical data and trends will accurately predict returns or that future developments might not lead to a significant change in the reserve.

Effect if actual results differ from assumptions. A 10% change in our sales returns reserves and related return asset accruals at December 26, 2024 would have had a net impact of approximately \$1.3 million on operating income in fiscal 2024. Sales returns reserves and related return asset accruals over the last few years have fluctuated primarily based on changes in sales levels and, to a lesser extent, changes in customer return rates.

Merchandise Inventories

Description. Inventories consist of merchandise held for sale and are stated at the lower of cost or net realizable value. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recorded in cost of sales in the Consolidated Statements of Operations and Comprehensive Income as a loss in the period in which it occurs. We determine inventory costs using the moving weighted average cost method. We capitalize transportation, duties, and other costs to get product to our retail locations.

Judgments and uncertainties involved in the estimate. We provide provisions for losses related to shrink and other amounts that are otherwise not expected to be fully recoverable. These provisions are calculated based on historical shrink, selling prices, margins, and current business trends. The estimates have calculations that require management to make assumptions based on the current rate of sales, age, salability and profitability of inventory, historical percentages that can be affected by changes in our merchandising mix, customer preferences, and changes in actual shrink trends.

Effect if actual results differ from assumptions. A 10% change in our inventory valuation and shrink reserves at December 26, 2024 would have affected operating income by approximately \$0.7 million in fiscal 2024. Inventory valuation and shrink reserves typically fluctuate in proportion to changes in inventory balances.

Vendor Rebates and Allowances

Description. Vendor allowances consist primarily of volume rebates that are earned as a result of reaching certain inventory purchase levels and advertising allowances or incentives for the promotion of vendors' products. These vendor allowances are accrued as earned and are estimated based on annual projections. Vendor allowances earned are initially recorded as a reduction to the carrying value of inventory and a subsequent reduction in cost of sales when the related product is sold. Certain incentive allowances that are reimbursements of specific, incremental, and identifiable costs incurred to promote vendors' products are recorded as an offset against these promotional expenses.

Judgments and uncertainties involved in the estimate. For vendor allowances, we develop accrual rates based on the provisions of the agreements in place. We perform analyses and review historical purchase trends and volumes throughout the year, adjust accrual rates as appropriate, and confirm actual amounts with select vendors to ensure the amounts earned are appropriately recorded. Amounts accrued throughout the year could be impacted if actual purchase volumes differ from projected purchase volumes, especially in the case of programs that provide for increased funding when graduated purchase volumes are met.

Effect if actual results differ from assumptions. If actual results are not consistent with the assumptions and estimates used, we could be exposed to additional adjustments that could positively or negatively impact gross margin and inventory. However, substantially all receivables associated with vendor rebates and allowances do not require subjective long-term estimates because they are collected soon after each quarter end, primarily within the first two months. Adjustments to gross margin and inventory in the following fiscal year have historically not been material.

Leases

Description. We recognize lease assets and corresponding lease liabilities for all operating leases on our Consolidated Balance Sheets, excluding short-term leases (leases with terms of 12 months or less) as described under ASC 842, *Leases* ("ASC 842"). The majority of our long-term operating lease agreements include options to extend, which are also factored into the recognition of their respective assets and liabilities when appropriate based on management's assessment of the probability that the options will be exercised. Lease payments are discounted using the rate implicit in the lease, or, if not readily determinable, a third-party secured incremental borrowing rate based on information available at lease commencement. The secured incremental borrowing rate is estimated based on yields obtained from Bloomberg for U.S. consumers with a BB credit rating and is adjusted for collateralization as well as inflation. Additionally, certain of our lease agreements include escalating rents over the lease terms, which, under ASC 842, results in rent being expensed on a straight-line basis over the life of the lease that commences on the date we have the right to control the property.

Judgments and uncertainties involved in the estimate. The determination of an appropriate secured incremental borrowing rate requires judgments in selecting an appropriate yield curve and estimating adjustments for collateralization and inflation.

Effect if actual results differ from assumptions. Based on the volume of new store leases that we enter into each year, a significant increase or decrease in the incremental borrowing rates used to discount lease payments could have a significant impact on the value of operating lease liabilities and right-of-use assets subsequently reported on our Consolidated Balance Sheets.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risk represents the risk of changes in the value of market risk sensitive instruments caused by fluctuations in foreign exchange rates, interest rates and commodity prices. Changes in these factors could cause fluctuations in the results of our operations and cash flows. In the ordinary course of business, we are primarily exposed to foreign currency, interest rate risks, and risks from the impact of inflation or deflation. See further discussion in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional details.

Foreign Currency Risk

Our primary supplier contracts outside of the U.S. are with third parties in Asia and Europe. While substantially all of these contracts are stated in U.S. dollars, there can be no assurance that the cost for the future production of our products will not be affected by exchange rate fluctuations between the U.S. dollar and the local currencies of these suppliers. Due to the number of currencies involved, we cannot quantify the potential impact of future currency fluctuations on net income or loss in future years. To date, such exchange fluctuations have not had a material impact on our financial condition or results of operations.

Interest Rate Risk

Our operating results are subject to risk from interest rate fluctuations on our Credit Facilities, which have variable interest rates. Based on the \$200.3 million total outstanding principal balance of our Credit Facilities as of December 26, 2024, a 1.0% increase in the effective interest rate of this debt would cause an increase in interest expense of approximately \$2.0 million over the next twelve months, excluding the impact of our interest rate cap agreement. To lessen our exposure to interest rate risk, we entered into an interest rate cap agreement in January 2024 with a notional value of \$150.0 million. The interest rate cap agreement effectively caps SOFR-based interest payments on a portion of the Company's Term Loan Facility at 5.50% beginning in May 2024 and will continue until the agreement expires in April 2026. We do not anticipate that our outstanding interest rate cap agreement will significantly impact interest expense in the immediate near term as interest rates have decreased to a level below the specified SOFR cap. For additional information related to the Company's Credit Facilities, refer to Note 10, "Debt" of the notes to the consolidated financial statements included in this Annual Report.

Impact of Inflation/Deflation

Substantial increases in costs, including the price of raw materials, labor, energy, transportation, and other inputs used in the production and distribution of our merchandise, could have a significant impact on our business and the industry. Additionally, while deflation could positively impact our merchandise costs, it could have an adverse effect on our average unit retail price, resulting in lower net sales and operating results.

Commodity Price Risk

We experience inflation and deflation related to our purchase of certain commodity products. There can be no assurance that this price volatility will not affect our financial condition and/or our results of operations. In order to mitigate price volatility, we monitor commodity price fluctuations and may adjust our selling prices accordingly; however, our ability to recover higher costs through increased pricing may be limited by the competitive environment in which we operate. To date, such fluctuations have not had a material impact on our financial condition or results of operations.

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 Floor & Decor Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Floor & Decor Holdings, Inc. and subsidiaries (the Company) as of December 26, 2024 and December 28, 2023, the related consolidated statements of operations and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 26, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 26, 2024 and December 28, 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 26, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 26, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 20, 2025 expressed an unqualified opinion thereon.

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 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. 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Right-of-use assets and lease liabilities

Description of the Matter

As discussed in Notes 1 and 9 to the consolidated financial statements, the Company recognizes right-of-use assets and corresponding lease liabilities for all leases on the balance sheet, excluding short-term leases (leases with terms of 12 months or less) as described under Accounting Standards Codification 842 ("ASC 842"). Because most of the Company's leases do not provide a determinable implicit rate, the Company used a third party to assist in determining its incremental borrowing rates, which were used to calculate its right-of-use assets and lease liabilities. As of December 26, 2024, the Company's right-of-use assets were \$1,331.2 million and lease liabilities were \$1,489.9 million (of which \$138.6 million was current and \$1,351.3 million was long-term).

Auditing the Company's right-of-use assets and lease liabilities was challenging due to the requirement that management estimate its incremental borrowing rates used in the application of ASC 842 because the Company does not have debt financing or other instruments that have directly comparable collateral or similar terms as its leased assets. Therefore, our procedures involved a high degree of subjective auditor judgment because of the significant judgments required for management to develop the estimates, including selection of an appropriate yield curve and estimating adjustments for collateralization.

How We Addressed the Matter in Our Audit

We obtained an understanding of and tested controls that address the risks of material misstatement relating to the valuation of the Company's right-of-use assets and lease liabilities. We tested controls over management's review of the incremental borrowing rate estimates, including selection of an appropriate yield curve and adjustments for collateralization.

To test the right-of-use assets and lease liabilities recorded by the Company for new or modified leases entered into during the year ended December 26, 2024, our audit procedures included, among others, evaluating the methodology, the significant assumptions discussed above and underlying data used by the Company. We involved our valuation specialists to assist in evaluating the Company's methodology to develop the incremental borrowing rates and preparing an independent calculation of the rates, which we compared to management's estimates.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2011.

Atlanta, Georgia

February 20, 2025

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Floor & Decor Holdings, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Floor & Decor Holdings, Inc. and subsidiaries' internal control over financial reporting as of December 26, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Floor & Decor Holdings, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 26, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 26, 2024 and December 28, 2023, the related consolidated statements of operations and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 26, 2024, and the related notes and our report dated February 20, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Atlanta, Georgia

February 20, 2025

Floor & Decor Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 26, 2024	December 28, 2023
<i>in thousands, except for share and per share data</i>		
Assets		
Current assets:		
Cash and cash equivalents	\$ 187,669	\$ 34,382
Income taxes receivable	21,735	27,870
Receivables, net	101,486	99,513
Inventories, net	1,132,599	1,106,150
Prepaid expenses and other current assets	48,896	48,725
Total current assets	1,492,385	1,316,640
Fixed assets, net	1,786,587	1,629,917
Right-of-use assets	1,331,238	1,282,625
Intangible assets, net	150,203	153,869
Goodwill	257,940	257,940
Deferred income tax assets, net	17,082	14,227
Other assets	15,043	7,332
Total long-term assets	3,558,093	3,345,910
Total assets	<u>\$ 5,050,478</u>	<u>\$ 4,662,550</u>
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of term loan	\$ 2,103	\$ 2,103
Current portion of lease liabilities	138,646	126,428
Trade accounts payable	794,855	679,265
Accrued expenses and other current liabilities	295,425	332,940
Deferred revenue	13,163	11,277
Total current liabilities	1,244,192	1,152,013
Term loan	194,527	194,939
Lease liabilities	1,351,282	1,301,754
Deferred income tax liabilities, net	67,832	67,188
Other liabilities	22,487	15,666
Total long-term liabilities	1,636,128	1,579,547
Total liabilities	2,880,320	2,731,560
Commitments and contingencies (Note 9)		
Stockholders' equity		
Capital stock:		
Preferred stock, \$ 0.001 par value; 10,000,000 shares authorized; 0 shares issued and outstanding at December 26, 2024 and December 28, 2023	—	—
Common stock Class A, \$ 0.001 par value; 450,000,000 shares authorized; 107,356,999 shares issued and outstanding at December 26, 2024 and 106,737,532 issued and outstanding at December 28, 2023	107	107
Additional paid-in capital	547,818	513,060
Accumulated other comprehensive income (loss), net	(40)	1,422
Retained earnings	1,622,273	1,416,401
Total stockholders' equity	2,170,158	1,930,990
Total liabilities and stockholders' equity	<u>\$ 5,050,478</u>	<u>\$ 4,662,550</u>

See accompanying notes to consolidated financial statements.

Floor & Decor Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income

	Fiscal Year Ended		
	December 26, 2024	December 28, 2023	December 29, 2022
<i>in thousands, except for per share data</i>			
Net sales	\$ 4,455,770	\$ 4,413,884	\$ 4,264,473
Cost of sales	2,527,519	2,555,536	2,536,757
Gross profit	1,928,251	1,858,348	1,727,716
Operating expenses:			
Selling and store operating	1,362,325	1,239,225	1,078,466
General and administrative	266,165	252,713	213,848
Pre-opening	43,585	44,982	38,642
Total operating expenses	1,672,075	1,536,920	1,330,956
Operating income	256,176	321,428	396,760
Interest expense, net	2,773	9,897	11,138
Income before income taxes	253,403	311,531	385,622
Income tax expense	47,531	65,551	87,427
Net income	\$ 205,872	\$ 245,980	\$ 298,195
Change in fair value of hedge instruments, net of tax	(1,462)	(2,915)	3,802
Total comprehensive income	\$ 204,410	\$ 243,065	\$ 301,997
Basic earnings per share	\$ 1.92	\$ 2.31	\$ 2.82
Diluted earnings per share	\$ 1.90	\$ 2.28	\$ 2.78

See accompanying notes to consolidated financial statements.

Floor & Decor Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

	Common Stock Class A		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
<i>in thousands</i>						
						1,323,199
Balance, December 31, 2021	105,761	\$ 106	\$ 450,332	\$ 535	\$ 872,226	\$
Stock-based compensation expense	—	—	22,233	—	—	22,233
Exercise of stock options	352	—	7,592	—	—	7,592
Forfeiture of restricted stock awards	(59)	—	—	—	—	—
Issuance of common stock upon vesting of restricted stock units	59	—	—	—	—	—
Shares issued under employee stock purchase plan	62	—	4,379	—	—	4,379
Common stock redeemed for tax liability	(24)	—	(2,224)	—	—	(2,224)
Other comprehensive gain, net of tax	—	—	—	3,802	—	3,802
Net income	—	—	—	—	298,195	298,195
					1,170,421	1,657,176
Balance, December 29, 2022	106,151	\$ 106	\$ 482,312	\$ 4,337	\$	\$
Stock-based compensation expense	—	—	27,240	—	—	27,240
Exercise of stock options	491	1	10,959	—	—	10,960
Issuance of common stock upon vesting of restricted stock units	151	—	—	—	—	—
Shares issued under employee stock purchase plan	84	—	5,159	—	—	5,159
Common stock redeemed for tax liability	(139)	—	(12,610)	—	—	(12,610)
Other comprehensive loss, net of tax	—	—	—	(2,915)	—	(2,915)
Net income	—	—	—	—	245,980	245,980
					1,416,401	1,930,990
Balance, December 28, 2023	106,738	\$ 107	\$ 513,060	\$ 1,422	\$	\$
Stock-based compensation expense	—	—	33,695	—	—	33,695
Exercise of stock options	457	—	10,115	—	—	10,115
Issuance of common stock upon vesting of restricted stock units	226	—	—	—	—	—
Shares issued under employee stock purchase plan	59	—	5,459	—	—	5,459
Common stock redeemed for tax liability	(123)	—	(14,511)	—	—	(14,511)
Other comprehensive loss, net of tax	—	—	—	(1,462)	—	(1,462)
Net income	—	—	—	—	205,872	205,872
					1,622,273	2,170,158
Balance, December 26, 2024	107,357	\$ 107	\$ 547,818	\$ (40)	\$	\$

See accompanying notes to consolidated financial statements.

Floor & Decor Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Fiscal Year Ended		
	December 26, 2024	December 28, 2023	December 29, 2022
<i>in thousands</i>			
Operating activities			
Net income	\$ 205,872	\$ 245,980	\$ 298,195
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	232,473	201,869	155,023
Stock-based compensation expense	33,695	27,240	22,233
Loss on asset impairments and disposals, net	2,103	925	20
Deferred income taxes	(1,807)	23,722	2,525
Change in fair value of contingent earn-out liabilities	(866)	2,609	2,529
Interest cap derivative contracts	136	113	114
Changes in operating assets and liabilities, net of effects of acquisitions:			
Receivables, net	(1,973)	1,151	(12,150)
Inventories, net	(26,449)	194,890	(283,438)
Trade accounts payable	122,338	96,985	(84,732)
Accrued expenses and other current liabilities	31,477	7,507	38,716
Income taxes	5,657	(18,413)	(8,865)
Deferred revenue	1,886	1,217	(4,432)
Other, net	(1,387)	17,794	(13,288)
Net cash provided by operating activities	603,155	803,589	112,450
Investing activities			
Purchases of fixed assets	(446,826)	(547,613)	(456,600)
Acquisitions, net of cash acquired	—	(17,353)	(3,810)
Proceeds from sales of property	—	—	4,773
Net cash used in investing activities	(446,826)	(564,966)	(455,637)
Financing activities			
Payments on term loan	(2,103)	(2,103)	(2,103)
Borrowings on revolving line of credit	258,600	518,900	1,047,100
Payments on revolving line of credit	(258,600)	(729,100)	(836,900)
Payments of contingent earn-out liabilities	(2,002)	(5,241)	(2,571)
Proceeds from exercise of stock options	10,115	10,960	7,592
Proceeds from employee stock purchase plan	5,459	5,159	4,379
Debt issuance costs	—	—	(1,736)
Tax payments for stock-based compensation awards	(14,511)	(12,610)	(2,224)
Net cash (used in) provided by financing activities	(3,042)	(214,035)	213,537
Net increase (decrease) in cash and cash equivalents	153,287	24,588	(129,650)
Cash and cash equivalents, beginning of the period	34,382	9,794	139,444
Cash and cash equivalents, end of the period	\$ 187,669	\$ 34,382	\$ 9,794
Supplemental disclosures of cash flow information			
Buildings and equipment acquired under operating leases	\$ 186,937	\$ 201,486	\$ 225,968
Cash paid for interest, net of capitalized interest	\$ 5,830	\$ 9,595	\$ 7,403
Cash paid for income taxes, net of refunds	\$ 42,875	\$ 61,027	\$ 92,923
Fixed assets accrued at the end of the period	\$ 65,188	\$ 135,707	\$ 116,997

See accompanying notes to consolidated financial statements.

Floor & Decor Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Nature of Business

Floor & Decor Holdings, Inc., together with its subsidiaries (the “Company,” “we,” “our,” or “us”) is a high-growth, differentiated, multi-channel specialty retailer of hard surface flooring and related accessories and seller of commercial surfaces. The Company offers a broad in-stock assortment of laminate and vinyl, tile, wood, and natural stone flooring and installation materials and decorative accessories, as well as adjacent categories, at everyday low prices. Our stores appeal to a variety of customers, including professional installers and commercial businesses (“Pro”) and homeowners, which are comprised of do-it-yourself customers (“DIY”) and buy-it-yourself customers, who buy our products for professional installation (“BIY”).

As of December 26, 2024, the Company, through its wholly owned subsidiary, Floor and Decor Outlets of America, Inc. (“Outlets”), operates 251 warehouse-format stores, which average 77,000 square feet, and five small-format standalone design studios in 38 states, as well as four distribution centers, an e-commerce site, *FloorandDecor.com*, and a commercial surfaces business through its subsidiary, Spartan Surfaces, LLC (“Spartan”). Substantially all of the Company’s operating assets and liabilities are held by Outlets.

Fiscal Year

The Company’s fiscal year is the 52- or 53-week period ending on the Thursday on or preceding December 31st. The fiscal years ended December 26, 2024 (“fiscal 2024”), December 28, 2023 (“fiscal 2023”), and December 29, 2022 (“fiscal 2022”) include 52 weeks. 52-week fiscal years consist of thirteen-week periods in each quarter of the fiscal year. When a 53-week fiscal year occurs, the Company reports the additional week at the end of the fiscal fourth quarter.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

Use of Estimates

The preparation of the financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the period. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash consists of currency and demand deposits with banks.

Receivables

Receivables consist primarily of amounts due from credit card companies, vendor receivables, and commercial credit receivables. The Company typically collects its credit card receivables within three to five business days of the underlying sale to the customer, while commercial credit receivables are typically collected within 40 days after the customer takes possession of the goods. The Company has agreements with a majority of its large merchandise vendors that allow for specified rebates based on purchasing volume. Generally, these agreements are on an annual basis, and the Company collects the majority of rebates earned each quarter subsequent to quarter end. Additionally, the Company has agreements with substantially all vendors that allow for the return of certain damaged or defective merchandise throughout the normal course of business. When inventory is identified to return to a vendor, it is removed from inventory and recorded as a receivable on the Consolidated Balance Sheet, and any variance between capitalized inventory cost associated with the return and the expected vendor reimbursement is expensed in cost of sales in the Consolidated Statements of Operations and Comprehensive Income when the inventory is identified to be returned to the vendor. The Company reserves for estimated uncollected receivables based on historical trends, which historically have been immaterial. The allowance for doubtful accounts was \$ 1.2 million and \$ 0.2 million as of December 26, 2024 and December 28, 2023, respectively.

Credit Program

Credit is offered to the Company's customers through a proprietary credit card underwritten by third-party financial institutions at no recourse to the Company. The Company also offers limited credit to its commercial clients. The Company's total credit exposure for receivables not insured by a third party at the end of fiscal 2024 and fiscal 2023 was \$ 11.4 million and \$ 18.3 million, respectively.

Merchandise Inventories

Inventories consist of merchandise held for sale and are stated at the lower of cost or net realizable value. If the net realizable value of inventory falls below its cost, the difference is recorded in cost of sales in the Consolidated Statements of Operations and Comprehensive Income in the period in which it occurs. The Company determines inventory costs using the moving weighted average cost method. The Company capitalizes transportation, duties, and other costs to get product to its retail locations. The Company records reserves for estimated losses related to shrink and other amounts that are otherwise not expected to be fully recoverable. These reserves are calculated based on historical shrink, selling prices, margins, and current business trends. The estimates have calculations that require management to make assumptions based on the current rate of sales, age, salability, and profitability of inventory, historical percentages that can be affected by changes in the Company's merchandising mix, customer preferences, and changes in actual shrink trends. These reserves totaled \$ 6.8 million and \$ 6.5 million as of December 26, 2024 and December 28, 2023, respectively.

Physical inventory counts and cycle counts are performed on a regular basis in each store and distribution center to ensure that amounts reflected in the accompanying Consolidated Balance Sheets are properly stated. During the period between physical inventory counts in its stores, the Company accrues for estimated losses related to shrink on a store-by-store basis. Shrink is the difference between the recorded amount of inventory and the physical inventory. Shrink may occur due to theft or loss, among other things.

Fixed Assets

Fixed assets consist primarily of furniture, fixtures, and equipment, computer software and hardware, leasehold improvements (including those that are reimbursed by landlords as tenant improvement allowances), buildings and improvements, and land. The Company capitalizes interest on borrowings during the active construction period of certain capital projects. Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated utilizing the straight-line method over the assets' estimated useful lives.

Leasehold improvements are amortized using the straight-line method over the shorter of (i) the original term of the lease, (ii) renewal term of the lease if the renewal is reasonably certain or (iii) the useful life of the improvement. The Company's fixed assets are depreciated using the following estimated useful lives:

	Useful Life
Furniture, fixtures, and equipment	2 - 7 years
Computer software and hardware	3 - 7 years
Leasehold improvements	10 - 25 years
Buildings and improvements	10 - 35 years

The cost and related accumulated depreciation of assets sold or otherwise disposed are removed from the accounts, and the related gain or loss is reported in the Consolidated Statements of Operations and Comprehensive Income.

Internal-Use Software Costs

The Company capitalizes certain costs related to the acquisition and development of internal-use software, which are included within fixed assets, net in the Consolidated Balance Sheets. Capitalized internal-use software costs are amortized using the straight-line method over the estimated useful life of the software within selling and store operating expense or general and administrative expense in the Consolidated Statements of Operations and Comprehensive Income. Costs related to internal-use software not meeting the criteria for capitalization are expensed as incurred.

Cloud Computing Arrangements

The Company capitalizes certain costs to implement cloud computing arrangements that are service contracts ("CCA") hosted by third-party vendors. CCA implementation costs meeting the criteria for capitalization are included within prepaid expenses and other current assets and other assets in the Consolidated Balance Sheets and are amortized using the straight-line method over the expected term of the related contract, which may include reasonably certain renewals. Amortization expense for capitalized implementation costs is presented in the Consolidated Statements of Operations and Comprehensive Income based on where the hosting fees for the related service contract are recognized, which is either selling and store operating expense or general and administrative expense.

Goodwill and Other Indefinite-lived Intangible Assets

Goodwill represents the excess of purchase price over the fair value of net assets acquired. The Company does not amortize goodwill and other intangible assets with indefinite lives resulting from business combinations but, in accordance with ASC 350, *Intangibles—Goodwill and Other*, does assess the recoverability of goodwill annually in the fourth quarter of each fiscal year, or more often if events occur or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. Such circumstances could include, but are not limited to, a significant adverse change in customer demand or business climate or an adverse action or assessment by a regulator. Each year, the Company may assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to complete quantitative impairment assessments. The Company has two reporting units, which are Floor & Decor Retail ("Retail") and Spartan.

Impairment Assessment of Goodwill and Other Indefinite-lived Intangible Assets

The Company tests goodwill and its trade names, which are indefinite-lived intangible assets, for impairment annually in the fourth quarter of each fiscal year, or more often if events occur or changes in circumstances indicate that the carrying amount of goodwill or indefinite-lived intangible assets may not be recoverable. The Company has the option to assess the value of its goodwill and other indefinite-lived intangible assets under either a qualitative or quantitative approach. Under a qualitative approach, the Company evaluates various market and other factors to determine whether it is more likely than not that the Company's goodwill or other indefinite-lived intangible assets have been impaired. In performing the qualitative assessment, the Company considers the carrying value of each reporting unit compared to its fair value as well as events and changes in circumstances that could include, but are not limited to, a significant adverse change in customer demand or business climate, an adverse action or assessment by a regulator, and significant adverse changes in the price of the Company's common stock. If such qualitative assessment indicates that impairment may have occurred, an additional quantitative assessment is performed by comparing the carrying value of the assets to their respective estimated fair values. If the recorded carrying value of goodwill or an other indefinite-lived intangible asset exceeds its estimated fair value, an impairment charge is recorded to write the asset down to its estimated fair value.

During the fourth quarter of fiscal 2024, the Company qualitatively assessed whether it was more likely than not that the goodwill and indefinite-lived intangible assets were impaired. Based on these assessments, the Company determined it was more likely than not that its goodwill and other indefinite-lived intangible assets were not impaired as of October 25, 2024. No events or changes in circumstances have occurred since the date of the Company's most recent annual impairment assessment that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The Company's goodwill and other indefinite-lived intangible assets impairment assessments contain uncertainties because they require management to make significant judgments in estimating the fair value of the Company's reporting unit and other indefinite-lived intangible assets and, if a quantitative assessment is deemed necessary, may include the projection of future cash flows, assumptions about which market participants are the most comparable, the selection of discount rates, and the weighting of the income and market approaches. These calculations contain uncertainties because they require management to make assumptions such as estimating economic factors, including the profitability of future business operations and, if necessary, the fair value of the reporting unit's assets and liabilities. Further, the Company's ability to realize the future cash flows used in its fair value calculations is affected by factors such as changes in economic conditions, changes in the Company's operating performance, and changes in the Company's business strategies. Significant changes in any of the assumptions involved in calculating these estimates could affect the estimated fair value of the Company's reporting unit and indefinite-lived intangible assets and could result in impairment charges in a future period.

Long-lived Assets

Long-lived assets, such as fixed assets, operating lease right-of-use assets, and intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of an asset, significant changes or planned changes in the Company's use of an asset, a product recall, or an adverse action by a regulator. In accordance with ASC 360, *Property, Plant and Equipment*, the evaluation is performed at the lowest level for which identifiable cash flows are available that are largely independent of the cash flows of other assets or asset groups. If the sum of the estimated undiscounted future cash flows is less than the carrying value of the related asset or asset group, an impairment loss is recognized equal to the difference between carrying value and fair value.

Since there is typically no active market for the Company's definite-lived intangible assets, the Company estimates fair value based on expected future cash flows at the time they are identified. When events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company estimates future cash flows based on store-level historical results, current trends, and operating and cash flow projections. Definite-lived intangible assets are amortized over their respective estimated useful lives on a straight-line basis, which the Company believes to be the amortization methodology that best matches the pattern of economic benefit that is expected from the assets. The useful lives of definite-lived intangible asset are evaluated on an annual basis.

Leases

The Company recognizes lease right-of-use assets and corresponding lease liabilities for all operating leases on the balance sheet, excluding short-term leases (leases with terms of 12 months or less) as described under ASC 842, *Leases* ("ASC 842"). The majority of the Company's long-term operating lease agreements include options to extend, which are also factored into the recognition of their respective assets and liabilities when appropriate based on management's assessment of the probability that the options will be exercised. Lease payments are discounted using the rate implicit in the lease, or, if not readily determinable, a third-party secured incremental borrowing rate based on information available at lease commencement. The secured incremental borrowing rate is estimated based on yields obtained from Bloomberg for U.S. consumers with a BB credit rating and is adjusted for collateralization as well as inflation. Additionally, certain of the Company's lease agreements include escalating rents over the lease terms, which, under ASC 842, results in rent being expensed on a straight-line basis over the life of the lease that commences on the date the Company has the right to control the property.

Insurance Reserves

The Company maintains insurance coverage with individual and aggregate limits for workers' compensation and general liability claims above certain dollar amounts and is responsible for costs below these limits. The Company's liabilities represent estimates of the ultimate cost for claims incurred, including loss adjusting expenses, as of the balance sheet date. The estimated liabilities are not discounted and are established based upon analysis of historical data, actuarial estimates, regulatory requirements, an estimate of claims incurred but not yet reported, and other relevant factors. Management utilizes independent third-party actuarial studies to help assess the liability on a regular basis.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

Asset Retirement Obligations

An asset retirement obligation ("ARO") represents a legal obligation associated with the retirement of a tangible long-lived asset that is incurred upon the acquisition, construction, development, or normal operation of that long-lived asset. The Company's AROs are primarily associated with leasehold improvements that, at the end of a lease, the Company is contractually obligated to remove in order to comply with certain lease agreements. The ARO is recorded in other liabilities on the Consolidated Balance Sheets and will be subsequently adjusted for changes in fair value. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life.

Changes in (i) inflation rates and (ii) the estimated costs, timing, and extent of future store closure activities each result in (a) a current adjustment to the recorded liability and related asset and (b) a change in the liability and asset amounts to be recorded prospectively. Any changes related to the assets are then recognized in accordance with the Company's depreciation policy, which would generally result in depreciation expense being recognized prospectively over the shorter of the remaining lease term or estimated useful life.

As of December 26, 2024 and December 28, 2023, ARO assets included in fixed assets, net were \$ 13.6 million and \$ 5.8 million, respectively, and ARO liabilities included in other long-term liabilities were \$ 18.5 million and \$ 8.9 million, respectively.

Fair Value Measurements

The Company estimates fair values in accordance with ASC 820, *Fair Value Measurement* ("ASC 820"). ASC 820 provides a framework for measuring fair value and requires disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Additionally, ASC 820 defines levels within a hierarchy based upon observable and non-observable inputs. If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the overall fair value measurement of the instrument.

- Level 1: Quoted prices in active markets for identical assets or liabilities as of the reporting date;
- Level 2: Inputs other than quoted prices in active markets for identical assets or liabilities that are either directly or indirectly observable as of the reporting date; and
- Level 3: Unobservable inputs that reflect the reporting entity's own estimates about the assumptions market participants would use in pricing the asset or liability.

Derivative Financial Instruments

Changes in interest rates impact the Company's results of operations. In an effort to manage exposure to this risk, the Company enters into derivative contracts and may adjust its derivative portfolio as market conditions change. Derivative contracts are recognized at fair value on the Consolidated Balance Sheets. Unrealized changes in the fair value of hedged derivative instruments are recorded in accumulated other comprehensive income (loss) ("AOCI") within the stockholders' equity section of the Consolidated Balance Sheets.

The effective portion of the gain or loss on effective cash flow hedges is reported as a component of AOCI and reclassified into earnings in the same period in which the hedged transaction affects earnings. To the extent that hedges are not highly effective, the ineffective portion of the hedge is immediately recognized in earnings. The Company performs an assessment of the effectiveness of its derivative contracts designated as hedges, including assessing the possibility of counterparty default. If it is determined that a derivative is no longer expected to be highly effective, hedge accounting is discontinued prospectively, and subsequent changes in the fair value of the hedge are recognized in earnings. See Note 8, "Derivatives and Risk Management" for additional information.

Business Combinations

The Company accounts for acquisitions in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805"). The purchase price of an acquisition is measured as the aggregate fair value of the consideration transferred at the date of acquisition. The purchase price is allocated to the fair values of the tangible and intangible assets acquired and liabilities assumed, with any excess recorded as goodwill. These fair value determinations require judgment and may involve the use of significant estimates and assumptions. The purchase price allocation may be provisional during a measurement period of up to one year from the acquisition date to provide reasonable time to obtain the information necessary to identify and measure the assets acquired and liabilities assumed. Only facts and circumstances that existed as of the acquisition date are considered for subsequent adjustment to the purchase price allocation, and any such adjustment will be recognized in the period in which it is determined prior to completion of the measurement period. Transaction costs associated with acquisitions are expensed as incurred.

Revenue Recognition

In accordance with ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), revenue and cost of sales are recognized when the related performance obligations in contracts with customers are settled. Performance obligations for the Company's retail store sales, as well as for orders placed through its website and shipped to customers, are satisfied at the point at which the customer obtains control of the inventory, which is typically at the point-of-sale. In some cases, merchandise is not physically ready for transfer to the customer at the point-of-sale, and revenue recognition is deferred until the customer has control of the inventory. Shipping and handling activities are accounted for as activities to fulfill the promise to transfer goods rather than as separate performance obligations as outlined within ASC 606. Payment is generally due from the customer immediately at the point-of-sale for both retail store sales and website sales. The nature of the goods offered primarily includes hard surface flooring and related accessories. The Company does not perform installation services, and free design services are offered in-store. The transaction price recognized in revenue represents the selling price of the products offered. Sales taxes collected are not recognized as revenue as these amounts are ultimately remitted to the appropriate taxing authorities.

The Company provides customers the right to return the goods sold to them within a reasonable time period, typically 90 days. The right of return is an element of variable consideration as defined within ASC 606. Reserves for future returns of previously sold goods are estimated based on historical experience and various other assumptions that management believes to be reasonable. These reserves reduce sales and cost of sales and establish a related return asset and refund liability as defined in ASC 606. The return asset is included within prepaid expenses and other current assets, and the refund liability is included within accrued expenses and other current liabilities, each respectively on the Consolidated Balance Sheets. Merchandise exchanges of similar product and price are not considered merchandise returns and, therefore, are excluded when calculating the sales returns reserve.

Gift Cards and Merchandise Credits

The Company sells gift cards to customers through its stores and website and also issues merchandise credits in its stores. Gift cards and merchandise credits are accounted for by recognizing a liability at the time the gift card is sold or the merchandise credit is issued. The liability is relieved and revenue is recognized upon redemption. We recognize breakage revenue that is not subject to escheatment based on historical redemption patterns for the portion of gift card values that are not expected to be redeemed. Accordingly, in fiscal years 2024, 2023, and 2022, the Company recognized gift card breakage income related to unredeemed gift cards of \$ 7.7 million, \$ 5.1 million, and \$ 3.7 million, respectively, within net sales in the Consolidated Statements of Operations and Comprehensive Income.

Loyalty Program

Our Pro Premier loyalty program allows customers to earn points through purchases in our stores and our website. The Company allocates the transaction price between the goods and services sold and the loyalty points earned based on their relative standalone selling prices, which takes into account the portion of loyalty points expected to be redeemed. Eligible transactions typically earn loyalty points at a rate of one percent of the merchandise selling price. However, our high-volume customers may earn loyalty points at a rate of three percent. These points are recognized as a liability at the time of sale and are only redeemable for goods and services fulfilled by third parties. Breakage for loyalty point rewards is estimated based on historical customer redemption patterns and may change in the future as the program matures.

Sales Returns and Allowances

The Company accrues for estimated sales returns based on historical results. The allowance for sales returns at December 26, 2024 and December 28, 2023, was \$ 28.4 million and \$ 27.4 million, respectively.

Cost of Sales

Cost of sales consists of merchandise costs as well as freight, duty, and other costs to transport inventory to the Company's distribution centers and stores. Cost of sales also includes costs for shrink, damaged product disposals, distribution, warehousing, sourcing, compliance, and arranging and paying for freight to deliver products to customers. The Company receives cash consideration from certain vendors related to vendor allowances and volume rebates, which is recorded as a reduction to the carrying value of inventory if the inventory is on hand and a reduction to cost of sales when the inventory is sold.

Vendor Rebates and Allowances

Vendor allowances consist primarily of volume rebates that are earned as a result of attaining certain inventory purchase levels and advertising allowances or incentives for the promotion of vendors' products. These vendor allowances are accrued as earned and are estimated based on annual projections.

Vendor allowances are recorded as a reduction to the carrying value of inventory when earned and subsequently reduce cost of sales when the related product is sold. Certain incentive allowances that are reimbursements of specific, incremental, and identifiable costs incurred to promote vendors' products are recorded as an offset against these promotional expenses.

Total Operating Expenses

Total operating expenses consist primarily of store and administrative personnel wages and benefits, infrastructure expenses, supplies, fixed asset depreciation, store and corporate facility expenses, pre-opening costs, training costs, and advertising costs. Credit card fees, insurance, personal property taxes, legal expenses, and other miscellaneous operating costs are also included.

Advertising Expenses

The Company expenses advertising costs as the advertising takes place. Advertising costs incurred during the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022 were \$ 108.2 million, \$ 112.1 million, and \$ 104.3 million, respectively, and are included in selling and store operating expenses and pre-opening expenses in the accompanying Consolidated Statements of Operations and Comprehensive Income.

Pre-Opening Expenses

The Company accounts for non-capital operating expenditures incurred prior to opening a new store as pre-opening expenses in its Consolidated Statements of Operations and Comprehensive Income. The Company's pre-opening expenses begin on average three months to one year in advance of a store opening or relocating due to, among other things, the amount of time it takes to prepare a store for its grand opening. Pre-opening expenses primarily include rent, advertising, recruiting, training, utilities, personnel, and equipment rental. A store is considered to be relocated if it is closed temporarily and re-opened within the same primary trade area.

Stock-Based Compensation

The Company accounts for stock-based compensation, including employee stock options, restricted stock awards, restricted stock units, and employee stock purchase plans, in accordance with ASC 718, *Compensation – Stock Compensation* ("ASC 718"), which requires measurement of compensation cost for all stock awards at fair value on the date of grant and recognition of compensation, net of forfeitures, over the requisite service period for awards expected to vest. As necessary, the Company obtains independent third-party valuation studies to assist with determining the grant date fair value of employee stock awards. Stock-based compensation cost is recognized as expense over the requisite service period based on the number of years for which the requisite service is expected to be rendered. Refer to Note 11, "Stockholders' Equity" for additional details related to the Company's stock-based compensation awards.

Income Taxes

The Company accounts for income taxes under the liability method in accordance with ASC 740, *Income Taxes* ("ASC 740"), which requires the recognition of deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in the period that includes the enactment date of such a change.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the associated temporary differences became deductible. On a quarterly basis, the Company evaluates whether it is more likely than not that its deferred tax assets will be realized in the future and concludes whether a valuation allowance must be established.

The Company includes any estimated interest and penalties on tax-related matters in income taxes payable and income tax expense. The Company accounts for uncertain tax positions in accordance with ASC 740. ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements using a two-step process for evaluating tax positions taken, or expected to be taken, on a tax return. The Company may only recognize the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. In addition, the Company recognizes a loss contingency for uncertain tax positions when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Amounts recognized for uncertain tax positions require that management make estimates and judgments based on provisions of the tax law, which may be subject to change or varying interpretations. The Company includes estimated interest and penalties related to uncertain tax position accruals within accrued expenses and other current liabilities in the Consolidated Balance Sheets and within income tax expense in the Consolidated Statements of Operations and Comprehensive Income.

Recently Adopted Accounting Pronouncements

Segment Reporting. In November 2023, the FASB issued Accounting Standards Update ("ASU") No. 2023-07, *"Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures."* This ASU expands disclosure of reportable segments by requiring more enhanced information about a reportable segment's expenses, interim segment profit or loss, and how the chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. In fiscal 2024, the Company adopted ASU 2023-07 on a retrospective basis. The adoption did not have a material impact on the Company's financial position, results of operations, or cash flows as the standard only impacts financial statement footnote disclosures. For additional information, refer to Note 14, "Segment Reporting."

Leases. In March 2023, the FASB issued ASU No. 2023-01, *“Leases (Topic 842), Common Control Arrangements.”* The amendments in the ASU applying to public business entities clarify the accounting for leasehold improvements associated with common control leases, reducing diversity in practice and providing investors with financial information that will better reflect the economics of those transactions. In the first quarter of fiscal 2024, the Company adopted ASU No. 2023-01 on a prospective basis to all new leasehold improvements. The adoption of ASU 2023-01 did not have an impact on the Company’s consolidated financial statements or related disclosures and would only have an impact to the extent that the Company has future common control leases.

Supplier Finance Programs. In September 2022, the FASB issued ASU No. 2022-04, *“Liabilities - Supplier Finance Programs (Subtopic 405-50).”* The ASU requires disclosure of the key terms of outstanding supply chain finance programs and a rollforward of the related amounts due to vendors participating in these programs. In the first quarter of fiscal 2023, the Company adopted the portion of the ASU 2022-04 guidance requiring disclosure of key terms of supply chain finance programs. In fiscal 2024, the Company adopted the portion of the ASU 2022-04 guidance requiring a rollforward of activity within supply chain finance programs on a prospective basis. The adoption did not have a material impact on the Company’s financial position, results of operations, or cash flows as the standard only impacts financial statement footnote disclosures. For additional information, refer to Note 13, “Supply Chain Finance.”

Recently Issued Accounting Pronouncements

Disaggregation of Income Statement Expenses. In November 2024, the FASB issued ASU No. 2024-03, *“Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40).”* ASU 2024-03 improves disclosures about expenses by requiring disaggregated disclosure, in the notes to the financial statements, of relevant expense captions within the income statement. The guidance in ASU No. 2024-03 is effective for fiscal years beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027, and can be applied either prospectively or retrospectively. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2024-03 on the Company’s consolidated financial statements and related disclosures.

Codification Improvements. In March 2024, the FASB issued ASU No. 2024-02, *“Codification Improvements - Amendments to Remove References to the Concepts Statements.”* ASU 2024-02 removes references to various FASB Concepts Statements within the Codification. The guidance in ASU No. 2024-02 is effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years, and can be applied either prospectively to all new transactions recognized on or after the date that the entity first applies the amendments or retrospectively to the beginning of the earliest comparative period presented in which the amendments were first applied. Early adoption is permitted. The adoption of ASU 2024-02 is not expected to have a material impact on the Company’s consolidated financial statements or related disclosures.

Income Taxes. In December 2023, the FASB issued ASU No. 2023-09, *“Income Taxes (Topic 740).”* The amendments in this ASU improve the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. Additionally, this ASU improves the effectiveness and comparability of disclosures by adding disclosures of pretax income (or loss) and income tax expense (or benefit) to be consistent with SEC Regulation S-X §210.4-08(h) and by removing disclosures that no longer are considered cost beneficial or relevant. This guidance in ASU No. 2023-09 is effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption of the standard is permitted. The adoption of ASU 2023-09 is not expected to have a material impact on the Company’s consolidated financial statements or related disclosures.

Presentation and Disclosure Requirements. In October 2023, the FASB issued ASU No. 2023-06, *“Disclosure Improvements - Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative.”* The ASU amends the disclosure or presentation requirements related to various subtopics in the FASB ASC. The ASU was issued in response to the SEC’s August 2018 final amendments in Release No. 33-10532, *Disclosure Update and Simplification*, that updated and simplified disclosure requirements that the SEC believed were duplicative, overlapping, or outdated. The guidance in ASU 2023-06 is intended to align GAAP requirements with those of the SEC and to facilitate the application of GAAP for all entities. The amendments introduced by ASU 2023-06 are effective if the SEC removes the related disclosure or presentation requirement from its existing regulations by June 30, 2027. If, by June 30, 2027, the SEC has not removed the applicable requirements from its existing regulations, the pending content of the associated amendment will be removed from the ASC and will not become effective for any entities. Early adoption is permitted. The adoption of ASU 2023-06 is not expected to have a material impact on the Company’s consolidated financial statements or related disclosures.

2. Revenue

Net sales consist of revenue associated with contracts with customers for the sale of goods and services in amounts that reflect the consideration the Company is entitled to receive in exchange for those goods and services.

Deferred Revenue & Contract Liabilities

In accordance with ASC 606, the Company recognizes revenue when the customer obtains control of the inventory. Amounts in deferred revenue at period-end reflect orders for which the inventory was not yet ready for physical transfer to customers.

Contract liabilities within the Consolidated Balance Sheets as of December 26, 2024 and December 28, 2023 primarily consisted of deferred revenue as well as unredeemed gift cards in accrued expenses and other current liabilities. As of December 26, 2024, contract liabilities totaled \$ 20.2 million and included \$ 13.2 million of deferred revenue and \$ 7.0 million of unredeemed gift cards. As of December 28, 2023, contract liabilities totaled \$ 24.0 million and included \$ 11.3 million of deferred revenue and \$ 12.7 million of unredeemed gift cards. Of the contract liabilities outstanding as of December 28, 2023, approximately \$ 18.5 million was recognized in revenue during fiscal 2024.

Disaggregated Revenue

The Company has one reportable segment. The following table presents the net sales of each major product category for each of the last three fiscal years (dollars in thousands):

Product Category	Fiscal Year Ended					
	December 26,		December 28,		December 29,	
	2024		2023		2022	
	Net Sales	% of Net Sales	Net Sales	% of Net Sales	Net Sales	% of Net Sales
Laminate and vinyl	\$ 1,083,694	24 %	\$ 1,153,476	26 %	\$ 1,184,636	28 %
Tile	1,027,385	23	1,033,830	23	963,999	23
Installation materials and tools	909,817	21	828,601	19	713,127	17
Decorative accessories and wall tile	758,304	17	743,571	17	744,888	17
Wood	275,634	6	258,359	6	274,528	6
Natural stone	204,968	5	208,286	5	212,167	5
Adjacent categories	103,797	2	83,525	2	69,820	2
Other (1)	92,171	2	104,236	2	101,308	2
Total	\$ 4,455,770	100 %	\$ 4,413,884	100 %	\$ 4,264,473	100 %

(1) Other includes delivery, sample, and other product revenue and adjustments for deferred revenue, sales returns reserves, and other revenue related adjustments that are not allocated on a product-category basis.

3. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of December 26, 2024 and December 28, 2023 consisted of the following:

in thousands	December 26, 2024	December 28, 2023
Loyalty program liability	\$ 54,404	\$ 45,645
Accrued construction in progress	43,237	102,163
Wages and payroll taxes payable	31,899	28,762
Accrued incentive compensation	31,844	22,417
Sales returns and allowances	28,366	27,406
Sales taxes payable	25,288	24,064
Insurance reserves	25,222	21,650
Unredeemed gift cards	6,973	12,668
Other	48,192	48,165
Accrued expenses and other current liabilities	\$ 295,425	\$ 332,940

4. Fixed Assets

Fixed assets as of December 26, 2024 and December 28, 2023 consisted of the following:

<i>in thousands</i>	December 26, 2024	December 28, 2023
Leasehold improvements	\$ 892,485	\$ 758,462
Buildings and improvements (1)	718,234	567,926
Furniture, fixtures, and equipment	462,882	451,142
Computer software and hardware	241,870	209,199
Land	123,381	97,361
Construction in process	115,471	168,198
Fixed assets, at cost	2,554,323	2,252,288
Less: accumulated depreciation and amortization	767,736	622,371
Fixed assets, net	<u>\$ 1,786,587</u>	<u>\$ 1,629,917</u>

(1) Represents buildings and improvements on land that the Company owns as well as on land that the Company is leasing through ground leases.

Depreciation and amortization on fixed assets for the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022 was \$ 225.9 million, \$ 195.8 million, and \$ 149.6 million, respectively.

5. Intangible Assets

Goodwill and changes in the carrying amount of goodwill are as follows for the periods presented:

<i>in thousands</i>	December 26, 2024	December 28, 2023
Goodwill, balance at beginning of year	\$ 257,940	\$ 255,473
Acquisition (1)	—	2,467
Goodwill, balance at end of year	<u>\$ 257,940</u>	<u>\$ 257,940</u>

(1) Reflects goodwill related to the Salesmaster Associates ("Salesmaster") acquisition completed in fiscal 2023. See Note 15, "Acquisitions" for additional details.

The gross carrying amount and accumulated amortization of other intangible assets as of December 26, 2024 and December 28, 2023 are as follows:

<i>in thousands</i>	December 26, 2024			December 28, 2023		
	Gross carrying amount	Accumulated amortization	Net carrying value	Gross carrying amount (1)	Accumulated amortization	Net carrying value
Amortizable intangible assets:						
Customer relationships	\$ 43,216	\$ (11,747)	\$ 31,469	\$ 43,216	\$ (8,147)	\$ 35,069
Non-compete agreement	300	(235)	65	300	(169)	131
Total amortizable intangible assets	<u>43,516</u>	<u>(11,982)</u>	<u>31,534</u>	<u>43,516</u>	<u>(8,316)</u>	<u>35,200</u>
Indefinite-lived intangible assets:						
Trade names	118,669	—	118,669	118,669	—	118,669
Total intangible assets	<u>\$ 162,185</u>	<u>\$ (11,982)</u>	<u>\$ 150,203</u>	<u>\$ 162,185</u>	<u>\$ (8,316)</u>	<u>\$ 153,869</u>

(1) Refer to Note 15, "Acquisitions" for details related to intangible assets acquired during fiscal 2023.

Customer relationships and the non-compete agreement are amortized over their useful lives of 12 years and five years, respectively. Amortization expense related to amortizable intangible assets was \$ 3.7 million, \$ 3.5 million, and \$ 3.1 million for the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022, respectively, and was included within general and administrative expenses on the Company's Consolidated Statements of Operations and Comprehensive Income.

As of December 26, 2024, the estimated aggregate future amortizable expense related to other intangible assets is as follows:

<i>in thousands</i>	Amount
2025	\$ 3,667
2026	3,601
2027	3,601
2028	3,601
2029	3,601
Thereafter	13,463
Total	<u>\$ 31,534</u>

6. Income Taxes

The components of income tax expense are as follows:

<i>in thousands</i>	Fiscal Year Ended		
	December 26, 2024	December 28, 2023	December 29, 2022
Current expense:			
Federal	\$ 40,764	\$ 29,737	\$ 73,463
State	8,574	12,092	16,489
Total current expense	49,338	41,829	89,952
Deferred expense (benefit):			
Federal	1,024	24,792	(78)
State	(2,831)	(1,070)	(2,447)
Total deferred (benefit) expense	(1,807)	23,722	(2,525)
Income tax expense	<u>\$ 47,531</u>	<u>\$ 65,551</u>	<u>\$ 87,427</u>

The following is a summary of the differences between the total income tax expense as shown on the financial statements and the income tax expense that would result from applying the federal statutory tax rate of 21% for the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022 to income before income taxes:

<i>in thousands</i>	Fiscal Year Ended		
	December 26, 2024	December 28, 2023	December 29, 2022
Computed "expected" income tax expense at statutory rate	\$ 53,215	\$ 65,421	\$ 80,984
State income taxes, net of federal income tax benefit (1)	4,538	8,824	11,744
Permanent differences:			
Excess tax benefit related to stock-based compensation awards	(10,769)	(8,748)	(3,762)
Other	3,013	1,714	874
Total permanent differences	(7,756)	(7,034)	(2,888)
Provision to return	(1,005)	578	183
Federal tax credits	(2,277)	(2,019)	(1,535)
Uncertain tax positions	810	—	(848)
Other, net	6	(219)	(213)
Income tax expense	<u>\$ 47,531</u>	<u>\$ 65,551</u>	<u>\$ 87,427</u>

(1) Includes state excess tax benefits related to stock-based compensation awards for fiscal years 2024, 2023, and 2022 of \$ 2.1 million, \$ 1.8 million, and \$ 0.8 million, respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and (liabilities) are presented below:

	Fiscal Year Ended	
	December 26, 2024	December 28, 2023
<i>in thousands</i>		
Deferred tax assets:		
Lease liabilities	\$ 375,909	\$ 362,958
Accruals not currently deductible for tax purposes	24,011	20,072
Inventories	11,552	10,596
Other intangibles	8,292	6,289
Stock-based compensation	7,559	10,039
Gift card liability	1,682	3,109
Other	1,853	2,918
Total deferred tax assets	430,858	415,981
Deferred tax liabilities:		
Right-of-use assets	(332,596)	(322,033)
Fixed assets	(116,400)	(113,130)
Intangible assets	(27,358)	(27,493)
Other	(5,254)	(6,286)
Total deferred tax liabilities	(481,608)	(468,942)
Net deferred tax liabilities	\$ (50,750)	\$ (52,961)

The Company utilized no tax-effected state net operating losses in fiscal years 2024 and 2023. As of December 26, 2024, approximately \$ 1.0 million of tax-effected state net operating losses were available to reduce future income taxes. The state net operating losses expire in various amounts beginning in fiscal 2033.

In assessing the realization of deferred tax assets, including net operating losses, management considered whether it is more likely than not that some portion or all 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 taxable income in prior carryback periods, future reversals of existing taxable temporary differences, tax planning strategies, and future taxable income exclusive of reversing temporary differences and carryforwards in making this assessment, and accordingly, has concluded that no valuation allowance is necessary as of December 26, 2024 or December 28, 2023.

The Company files income tax returns with the U.S. Federal government and various state jurisdictions. Prior tax years beginning in fiscal year 2021 remain open to examination by the Internal Revenue Service. Foreign, state, and local income tax returns are generally subject to examination for a period of three to five years after filing of the respective returns.

The following is a reconciliation of the beginning and ending balance of unrecognized tax benefits for the periods presented:

	Fiscal Year Ended		
	December 26, 2024	December 28, 2023	December 29, 2022
<i>in thousands</i>			
Unrecognized tax benefits balance at beginning of fiscal year	\$ —	\$ —	\$ 1,073
Additions based on tax positions related to the current year	334	—	—
Additions for tax positions of prior years	476	—	—
Reductions for tax positions of prior years	—	—	(1,073)
Unrecognized tax benefits balance at end of fiscal year	\$ 810	\$ —	\$ —

As of December 26, 2024, there were \$ 0.8 million of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate, while there were no such unrecognized tax benefits as of December 28, 2023. The Company's policy is to classify interest and penalties related to unrecognized tax benefits in income tax expense. The Company did not recognize interest expense related to unrecognized tax benefits during fiscal years 2024, 2023, or 2022.

7. Fair Value Measurements

As of December 26, 2024 and December 28, 2023, the Company had certain financial assets and liabilities on its Consolidated Balance Sheets that were required to be measured at fair value on a recurring or non-recurring basis. The estimated fair values of financial assets and liabilities such as cash and cash equivalents, receivables, prepaid expenses and other current assets, other assets, accounts payable, and accrued expenses and other current liabilities approximate their respective carrying values as reported within the Consolidated Balance Sheets. Refer to Note 1, "Summary of Significant Accounting Policies" and Note 15, "Acquisitions" for a discussion of the valuation of goodwill and intangible assets, respectively. See Note 10, "Debt" for discussion of the fair value of the Company's debt.

Recurring Fair Value Measurements

As of December 26, 2024, the Company's contingent earn-out liabilities had an aggregate estimated fair value of \$ 4.5 million, of which \$ 3.4 million is included in accrued expenses and other current liabilities and \$ 1.1 million is included in other liabilities within the Consolidated Balance Sheets. The contingent earn-out liabilities are classified as Level 3 within the fair value hierarchy due to the use of unobservable inputs that are significant to their respective valuations. For the fiscal year ended December 26, 2024, \$ 0.9 million was recognized as a benefit in general and administrative expense within the Consolidated Statements of Operations and Comprehensive Income due to a net decrease in the fair value of the contingent earn-out liabilities. The table below summarizes changes in contingent earn-out liabilities during the fiscal year ended December 26, 2024:

	Contingent Earn-out Liabilities
<i>in thousands</i>	
Balance at December 28, 2023	\$ 11,137
Fair value adjustments	(866)
Payments	(5,769)
Balance at December 26, 2024	<u>\$ 4,502</u>

In fiscal 2024, the Company adjusted the fair value of the contingent earn-out liabilities based on actual performance relative to performance period targets for fiscal 2024. The earn-outs related to the fiscal 2024 performance period will be paid in the first quarter of fiscal 2025. The fair value of the remaining contingent earn-out liability related to Salesmaster was determined using an internal model which included significant unobservable inputs related to projected revenue and gross margin. Payout of the remaining contingent consideration is subject to the achievement of certain annual gross margin and gross profit targets in fiscal 2025.

Interest Rate Cap Contracts

The Company has outstanding interest rate cap contracts that were valued primarily using Level 2 inputs based on data readily observable in public markets. The Company's interest rate cap contracts were negotiated with counterparties without going through a public exchange. Accordingly, the Company's fair value assessments for these derivative contracts gave consideration to the risk of counterparty default as well as the Company's own credit risk. For the fiscal years ended December 26, 2024 and December 28, 2023, the change in fair value of the Company's interest rate cap contracts was approximately \$ 1.5 million and \$ 2.9 million, respectively, which is presented on the Consolidated Statements of Operations and Comprehensive Income net of tax of \$ 0.4 million and \$ 1.0 million, respectively.

Non-recurring Fair Value Measurements

Except for the acquisition-related fair value measurements described in Note 15, "Acquisitions," there were no assets or liabilities as of December 26, 2024 or December 28, 2023 that resulted from fair value measurements made on a non-recurring basis.

8. Derivatives and Risk Management

Interest Rate Risk

The Company's exposure to market risk from adverse changes in interest rates is primarily associated with its long-term debt obligations, which carry variable interest rates. Market risk associated with the Company's variable interest rate long-term debt relates to the potential negative impact to future earnings and cash flows from an increase in interest rates.

In an effort to manage exposure to the risk associated with variable interest rate long term debt, the Company periodically enters into interest rate derivative contracts. These interest rate derivative contracts are used to convert the interest rate exposure on a portion of the Company's debt portfolio from a floating rate to a capped rate and are designated as cash flow hedges.

Derivative Position as of December 26, 2024:

<i>in thousands</i>	Notional Balance		Final Maturity Date	Other Current Assets	Other Assets	AOCI, Net of Tax
<i>Designated as cash flow hedge:</i>						
Interest rate cap	\$	150,000	U.S. dollars	April 2026	\$ 11	\$ 42
						\$ (40)

Derivative Position as of December 28, 2023:

<i>in thousands</i>				Final Maturity	Other Current		Other	AOCI, Net
	Notional Balance			Date	Assets		Assets	of Tax
<i>Designated as cash flow hedges:</i>								
Interest rate cap	\$	75,000	U.S. dollars	April 2024	\$	909	\$ —	\$ 711
Interest rate cap	\$	75,000	U.S. dollars	April 2024	\$	910	\$ —	\$ 711

Designated Hedge Gains

Gains related to designated hedge contracts are as follows:

<i>in thousands</i>	Effective Portion Reclassified From AOCI to Earnings			Effective Portion Recognized in Other Comprehensive Income		
	Fiscal Year Ended			Fiscal Year Ended		
	December 26, 2024	December 28, 2023	December 29, 2022	December 26, 2024	December 28, 2023	December 29, 2022
Interest rate caps (cash flow hedges)	\$ 1,877	\$ 5,069	\$ 914	\$ 415	\$ 2,154	\$ 4,716

Credit Risk

To manage credit risk associated with the Company's interest rate hedges, the Company selects counterparties based on their credit ratings and limits exposure to any one counterparty.

The counterparties to the Company's derivative contracts are financial institutions with investment grade credit ratings. To manage credit risk related to its derivative financial instruments, the Company periodically monitors the credit risk of its counterparties, limits its exposure in the aggregate and to any single counterparty, and adjust its hedging positions, as appropriate. The impact of credit risk, as well as the ability of each party to fulfill its obligations under the derivative financial instruments, is considered in determining the fair value of the contracts. Credit risk has not had a significant effect on the fair value of the Company's derivative contracts. The Company's derivative financial instruments do not have any credit risk-related contingent features or collateral requirements.

9. Commitments and Contingencies
Lease Commitments

The Company accounts for leases in accordance with ASC 842. The majority of the Company's long-term operating lease agreements are for its retail locations, distribution centers, and corporate office, which expire in various years through 2055. Most of these agreements are retail leases wherein both the land and building are leased. The Company also has ground leases in which only the land is leased. The initial lease terms for the Company's retail locations, distribution centers, and corporate office typically range from 10 - 20 years. The majority of the Company's leases also include options to extend, which are factored into the recognition of their respective assets and liabilities when appropriate based on management's assessment of the probability that the options will be exercised. Lease payments used in measurement of the lease liability typically do not include executory costs, such as taxes, insurance, and maintenance, unless those costs can be reasonably estimated at lease commencement. Additionally, one building lease contains variable lease payments, which are determined based on a percentage of retail sales over a contractual level, and the Company subleases real estate within one of its distribution centers to a third party. Certain of the lease agreements include escalating rents over the lease terms, which, under ASC 842, results in rent being expensed on a straight-line basis over the life of the lease that commences on the date the Company has the right to control the property. The Company's lease agreements do not contain any residual value guarantees or restrictive covenants that would reasonably be expected to have a material impact on the business.

When readily determinable, the rate implicit in the lease is used to discount lease payments to present value; however, substantially all of the Company's leases do not provide a readily determinable implicit rate. If the rate implicit in the lease is not readily determinable, the Company uses a third party to assist in the determination of a secured incremental borrowing rate, determined on a collateralized basis, to discount lease payments based on information available at lease commencement. The secured incremental borrowing rate is estimated based on yields obtained from Bloomberg for U.S. consumers with a BB credit rating and is adjusted for collateralization as well as inflation. As of December 26, 2024 and December 28, 2023, the Company's weighted average discount rate was 5.8 % and 5.7 %, respectively. As of both December 26, 2024 and December 28, 2023, the weighted average remaining lease term of the Company's leases was approximately 12 years.

Lease Costs

The table below presents components of lease expense for operating leases.

		Fiscal Year Ended		
		December 26, 2024	December 28, 2023	December 29, 2022
<i>in thousands</i>	<i>Classification</i>			
Fixed operating lease cost:	Selling and store operating	\$ 178,343	\$ 157,106	\$ 139,603
	Cost of sales	25,955	24,058	25,465
	Pre-opening	13,679	15,171	9,971
	General and administrative	4,119	4,161	4,622
Total fixed operating lease cost		<u>\$ 222,096</u>	<u>\$ 200,496</u>	<u>\$ 179,661</u>
Variable lease cost (1):	Selling and store operating	\$ 69,785	\$ 57,527	\$ 49,605
	Cost of sales	4,184	4,009	3,894
	Pre-opening	674	976	666
	General and administrative	2,024	1,420	787
Total variable lease cost		<u>\$ 76,667</u>	<u>\$ 63,932</u>	<u>\$ 54,952</u>
Sublease income	Cost of sales	(2,758)	(2,722)	(2,722)
Total operating lease cost (2)		<u>\$ 296,005</u>	<u>\$ 261,706</u>	<u>\$ 231,891</u>

(1) Includes variable costs for common area maintenance, property taxes, and insurance on leased real estate.

(2) Excludes short-term lease costs, which were immaterial for the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022.

Undiscounted Cash Flows

Future minimum lease payments under non-cancelable operating leases as of December 26, 2024 were as follows:

<i>in thousands</i>	Amount
2025	\$ 220,563
2026	215,662
2027	204,385
2028	183,446
2029	170,959
Thereafter	1,156,957
Total minimum lease payments (1) (2)	2,151,972
Less: amount of lease payments representing interest	662,044
Present value of future minimum lease payments	1,489,928
Less: current obligations under leases	138,646
Long-term lease obligations	\$ 1,351,282

(1) Future lease payments exclude approximately \$ 444.9 million of legally binding minimum lease payments for operating leases signed but not yet commenced.

(2) Operating lease payments include \$ 261.5 million related to options to extend lease terms that are reasonably certain of being exercised.

For the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022, cash paid for amounts included in the measurement of operating lease liabilities was \$ 213.6 million, \$ 194.0 million, and \$ 178.0 million, respectively.

Litigation

On November 15, 2021, the Company was added as a defendant in a wrongful death lawsuit, Nguyen v. Inspections Now, Inc., No. 21-DCV-287142, pending in the 434th Judicial District Court of Fort Bend County, Texas. Bestview International Company ("Bestview International") is also named as a defendant in the case; former defendants Inspections Now, Inc., Jason Post Homes, LLC and Bestview (Fuzhou) Import & Export Co. LTD have been dismissed. Plaintiff's petition alleges that "wood paneling" allegedly purchased from the Company was installed in the vicinity of plaintiff's fireplace and caught fire while the fireplace was lit. The fire consumed plaintiff's home and resulted in injuries to plaintiff and another occupant and the death of plaintiff's three children and mother. Plaintiff alleges product defect and failure to warn claims against the Company and product defect, failure to warn, and strict liability claims against Bestview International. Plaintiff's petition seeks damages in excess of \$ 1.0 million for property damage, personal injury, and wrongful death. The petition also seeks exemplary damages. Plaintiff's ex-husband, brother, and the additional occupant have since intervened as plaintiffs in the lawsuit. Intervenor's allege the same claims against the Company and Bestview International and collectively seek damages in excess of \$ 11.0 million for property damage, personal injury (as to the other occupant), wrongful death, and exemplary damages. The Company has answered all petitions, denying the allegations. The case is currently set for trial in the third quarter of fiscal 2025.

The Company maintains insurance that may cover any liability arising out of the above-referenced litigation up to the policy limits and subject to meeting certain deductibles and to other terms and conditions thereof. Estimating an amount or range of possible losses resulting from litigation proceedings is inherently difficult, particularly where the matters involve indeterminate claims for monetary damages and are in the stages of the proceedings where key factual and legal issues have not been resolved. For these reasons, the Company is currently unable to predict the ultimate timing or outcome of or reasonably estimate the possible losses or a range of possible losses that may result from the above-referenced litigation.

On June 18, 2020, an alleged stockholder filed a putative derivative complaint, *Lincolnshire Police Pension Fund v. Taylor, et al.*, No. 2020-0487-JTL, in the Delaware Court of Chancery, purportedly on behalf of the Company against certain of the Company's officers, directors, and stockholders. The complaint, as amended, alleged breaches of fiduciary duties and unjust enrichment. The factual allegations underlying these claims are similar to the factual allegations made in the previously dismissed *In re Floor & Decor Holdings, Inc. Securities Litigation*, as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. The complaint sought unspecified damages and restitution for the Company from the individual defendants and the payment of costs and attorneys' fees. On September 17, 2024, the defendants entered into a Stipulation of Compromise and Settlement (the "Stipulation") with the plaintiffs setting forth the terms and conditions of a proposed settlement. The Stipulation provides, among other things, for a full release of the claims that the plaintiffs or any other Company stockholder asserted or could have asserted in the litigation against any of the defendants in exchange for (1) an \$ 8.0 million payment to the Company, net of payment of the fees and expenses of plaintiffs' counsel, and (2) the Company's agreement to implement and/or maintain certain corporate governance measures. The settlement was approved by the Court on December 23, 2024, resulting in the dismissal with prejudice of this litigation.

A net recovery of \$ 6.8 million was recorded by the Company in the fourth quarter of fiscal 2024 and included as a reduction of general and administrative expenses on the Company's Consolidated Statements of Operations and Comprehensive Income. The recovery primarily consists of insurance proceeds, net of plaintiffs' counsel fees and expenses. As of December 26, 2024, the Company's Consolidated Balance Sheet included \$ 7.8 million in receivables, net and \$ 1.2 million in trade accounts payable related to the settlement agreement.

The Company is also subject to various other legal actions, claims, and proceedings arising in the ordinary course of business, which may include claims related to general liability, workers' compensation, product liability, intellectual property, and employment-related matters resulting from its business activities. As with most actions such as these, an estimation of any possible and/or ultimate liability cannot always be determined. The Company establishes reserves for specific legal proceedings when it determines that the likelihood of an unfavorable outcome is probable and the amount of loss can be reasonably estimated. These various other ordinary course proceedings are not expected to have a material impact on the Company's consolidated financial position, cash flows, or results of operations. Regardless of the outcome, however, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources, and other factors.

10. Debt

The following table summarizes the Company's long-term debt as of December 26, 2024 and December 28, 2023:

in thousands	Maturity Date	Interest Rate Per Annum at		December 26, 2024	December 28, 2023
		December 26, 2024			
Credit Facilities:					
Term Loan Facility (1)	February 14, 2027	6.57 %	Variable	\$ 200,293	\$ 202,396
Asset-based Loan Facility ("ABL Facility")	August 4, 2027	5.59 %	Variable	—	—
Total secured debt at par value				200,293	202,396
Less: current maturities				2,103	2,103
Long-term debt maturities				198,190	200,293
Less: unamortized discount and debt issuance costs				3,663	5,354
Total long-term debt				\$ 194,527	\$ 194,939

(1) The applicable interest rate for the Term Loan Facility as presented herein does not include the effect of the interest rate cap agreement, which caps Secured Overnight Financing Rate ("SOFR") based interest payments for \$ 150.0 million of the Term Loan Facility at 5.50 %. Refer to Note 8, "Derivatives and Risk Management" for additional details related to the Company's interest rate cap agreement.

The following table summarizes scheduled maturities of the Company's debt as of December 26, 2024:

in thousands	Amount
2025	\$ 2,103
2026	2,629
2027	195,561
Total minimum debt payments	\$ 200,293

Components of interest expense are as follows for the periods presented:

	Fiscal Year Ended		
	December 26, 2024	December 28, 2023	December 29, 2022
<i>in thousands</i>			
Total interest expense, net of interest income (1)	\$ 11,816	\$ 16,905	\$ 14,942
Less: interest capitalized	9,043	7,008	3,804
Interest expense, net	\$ 2,773	\$ 9,897	\$ 11,138

(1) Total interest expense, net of interest income includes interest income related to the Company's interest rate cap agreements totaling \$ 1.9 million, \$ 5.1 million, and \$ 0.9 million during fiscal years 2024, 2023, and 2022, respectively. Refer to Note 8, "Derivatives and Risk Management" for additional details related to the Company's interest rate cap agreements.

Term Loan Facility

The Term Loan Facility bears interest at a rate equal to either (a) a base rate determined by reference to the highest of (1) the "Prime Rate," (2) the U.S. federal funds rate plus 0.5 % and (3) the one-month Term SOFR plus 1.0 %, or (b) Adjusted Term SOFR, plus, in each case, the Applicable Margin (each term as defined in the Term Loan Facility credit agreement). The Applicable Margin for base rate loans will be between 1.00 % and 1.25 %, and the Applicable Margin for SOFR loans will be between 2.00 % and 2.25 % (subject to a floor of 0.00 %), in each case, if the Company exceeds certain leverage ratio tests.

All obligations under the Term Loan Facility are secured by (1) a first-priority security interest in substantially all of the property and assets of Outlets and the other guarantors under the Term Loan Facility (other than the collateral that secures the ABL Facility on a first-priority basis), with certain exceptions, and (2) a second-priority security interest in the collateral securing the ABL Facility on a first-priority basis.

ABL Facility

As of December 26, 2024, the Company's ABL Facility had a maximum availability of \$ 800.0 million with actual available borrowings limited to the sum, at the time of calculation, of (a) eligible credit card receivables multiplied by the credit card advance rate, plus (b) the cost of eligible inventory, net of inventory reserves, multiplied by the applicable appraisal percentage, plus (c) 85 % of eligible net trade receivables, plus (d) all eligible cash on hand, plus (e) 100 % of the amount for which any eligible letter of credit must be honored after giving effect to any draws, minus certain Availability Reserves (each component as defined in the ABL Facility). The ABL Facility is available for issuance of letters of credit and contains a sublimit of \$ 50.0 million for standby letters of credit and commercial letters of credit combined. Available borrowings under the facility are reduced by the face amount of outstanding letters of credit. The Company's ABL Facility allows for the Company, under certain circumstances, to increase the size of the facility by an additional amount up to \$ 200.0 million.

All obligations under the ABL Facility are secured by (1) a first-priority security interest in the cash and cash equivalents, accounts receivable, inventory, and related assets of Outlets and the other guarantors under the ABL Facility, with certain exceptions, and (2) a second-priority security interest in substantially all of the other property and assets of Outlets and the other guarantors that secure the Term Loan Facility on a first-priority basis.

As of December 26, 2024, net availability under the ABL Facility was \$ 718.0 million as reduced by letters of credit of \$ 37.1 million.

Covenants

The credit agreements governing the Term Loan Facility and ABL Facility contain customary restrictive covenants, which, among other things and with certain exceptions, limit the Company's ability to (i) incur additional indebtedness and liens in connection with such indebtedness, (ii) pay dividends and make certain other restricted payments, (iii) effect mergers or consolidations, (iv) enter into transactions with affiliates, (v) sell or dispose of property or assets, and (vi) engage in unrelated lines of business. In addition, these credit agreements subject the Company to certain reporting obligations and require that the Company satisfy certain financial covenants, including, among other things, a requirement that if borrowings under the ABL Facility exceed 90 % of availability, the Company will maintain a certain fixed charge coverage ratio (defined as Consolidated EBITDA less non-financed capital expenditures and income taxes paid to consolidated fixed charges, in each case as more fully defined in the ABL Facility).

The Term Loan Facility has no financial maintenance covenants. The Company is currently in compliance with all covenants under the credit agreements.

Deferred Debt Issuance Costs and Original Issue Discounts

Deferred debt issuance costs related to the ABL Facility were approximately \$ 1.2 million as of December 26, 2024 and \$ 1.7 million as of December 28, 2023 and are included in other assets on the Consolidated Balance Sheets. Deferred debt issuance costs and original issue discounts related to the Term Loan Facility were \$ 3.7 million as of December 26, 2024 and \$ 5.4 million as of December 28, 2023 and are included in term loan on the Consolidated Balance Sheets. For the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022, deferred debt issuance and original issue discount amortization expense was \$ 2.2 million, \$ 2.2 million, and \$ 2.0 million, respectively, and is included in interest expense, net on the Company's Consolidated Statements of Operations and Comprehensive Income.

Fair Value of Debt

Market risk associated with the Company's long-term debt relates to the potential change in fair value and negative impact to future earnings, respectively, from a change in interest rates. The aggregate fair value of debt is based primarily on the Company's estimates of interest rates, maturities, credit risk, and underlying collateral. The estimated fair value and classification within the fair value hierarchy of the Term Loan Facility was as follows as of December 26, 2024 and December 28, 2023:

<i>in thousands</i>	Fair Value Hierarchy Classification	December 26, 2024	December 28, 2023
Term Loan Facility	Level 3	\$ 199,542	\$ 201,637

The Term Loan Facility fair value is classified as Level 3 within the fair value hierarchy due to the use of unobservable inputs significant to the valuation, including indicative pricing from counterparties and discounted cash flow methods. No amounts were outstanding under the ABL Facility as of December 26, 2024 and December 28, 2023.

11. Stockholders' Equity

Common Stock

The Company has one class of common stock known as Class A. The holders of Class A common stock are entitled to share equally, on a per share basis, in dividends or other distributions. Class A common stockholders are entitled to one vote per share held. In the event of the voluntary liquidation or dissolution of the Company, Class A common stockholders will share equally, on a per share basis, in all the assets of the Company that are available for distribution to stockholders. In fiscal 2021, the Company's Certificate of Incorporation was amended to eliminate Class B and Class C common stock.

Stock Incentive Plans

On January 13, 2011, the Company adopted the 2011 Stock Option Plan (as amended, restated, supplemented or otherwise modified from time to time, the "2011 Plan") to provide for the grant of stock options to employees (including officers), consultants and non-employee directors of the Company and its subsidiaries. The Company ceased granting awards under the 2011 Plan upon the implementation of the 2017 Plan (as defined below).

On April 13, 2017, the board of directors approved the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan (as amended, restated, supplemented or otherwise modified from time to time, the "2017 Plan"), which was subsequently approved by the Company's stockholders. The 2017 Plan authorizes the Company to grant equity awards, including options, restricted stock units, restricted stock awards, and other stock-based awards to eligible employees (including officers), consultants, and non-employee directors up to an aggregate of 9,000,000 shares of Class A common stock. As of December 26, 2024 and December 28, 2023, there were 4,952,065 and 5,187,323 shares available for grant pursuant to awards under the 2017 Plan, respectively.

Stock-based Compensation

In accordance with ASC 718, the Company measures compensation cost for all stock-based awards at fair value on the date of grant and recognizes compensation expense, net of forfeitures, using the straight-line method over the requisite service period of awards expected to vest, which for each of the awards is the service vesting period. Stock-based compensation expense within the Company's Consolidated Statements of Operations and Comprehensive Income for the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022 was \$ 33.7 million, \$ 27.2 million, and \$ 22.2 million, respectively.

Stock Options

Stock options are granted with an exercise price equal to the closing price of the Company's Class A common stock on the date of grant, as authorized by the Company's board of directors or compensation committee. Options granted have contractual terms of ten years and vesting provisions ranging from one year to five years. Stock option grants are generally subject to forfeiture if employment terminates prior to vesting. Stock option award grant date fair values were estimated using the Black-Scholes-Merton option pricing model. No stock options were granted during fiscal years 2024, 2023, and 2022.

The table below summarizes stock option activity for the fiscal year ended December 26, 2024:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 29, 2023	1,607,341	\$ 28.51		
Exercised	(457,074)	\$ 22.13		
Forfeited or expired	(2,867)	\$ 72.09		
Outstanding at December 26, 2024	1,147,400	\$ 30.93	3.1	\$ 80,544
Vested and exercisable at December 26, 2024	1,135,906	\$ 30.22	3.1	\$ 80,477

The fair value of stock options vested during the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022 was \$ 1.9 million, \$ 3.0 million, and \$ 7.9 million, respectively. The aggregate intrinsic value of stock options exercised was \$ 42.2 million, \$ 37.9 million, and \$ 20.4 million for the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022, respectively.

The Company's total unrecognized compensation cost related to stock options as of December 26, 2024 and December 28, 2023 was \$ 0.1 million and \$ 1.0 million, respectively. The unrecognized compensation cost remaining as of December 26, 2024 is expected to be recognized over a weighted average period of 0.2 years.

Restricted Stock Units

The Company periodically grants restricted stock units ("RSUs"), each of which represents an unfunded, unsecured right to receive a share of the Company's Class A common stock upon vesting. During the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022, the Company granted RSUs to certain employees, executive officers, and non-employee directors comprised of service-based RSUs, performance-based RSUs, and total shareholder return ("TSR") awards. Service-based RSUs vest based on the grantee's continued service through the vesting date. The performance-based RSUs cliff vest based on (i) the Company's achievement of predetermined financial metrics at the end of a three-year performance period and (ii) the grantee's continued service through the vesting date. Depending on the performance-based RSU grant and the extent to which the relevant performance goals are achieved, the number of common shares earned upon vesting may range from 0 % to 200 % of the award granted. The TSR awards cliff vest based on (i) the Company's relative TSR compared to a specified peer group and (ii) the grantee's continued service through the vesting date. The number of common shares earned upon vesting of the TSR awards may range from 0 % to 150 % of the TSR awards granted with no vesting above the target awards amount if the Company's three-year absolute TSR is negative. The Company assesses the probability of achieving all performance goals on a quarterly basis. The service period for RSUs granted during the period varies by grantee and is one year from the grant date for non-employee directors and ranges between two to four years from the grant date for employees and executive officers.

The following table summarizes restricted stock unit activity during the fiscal year ended December 26, 2024:

	Restricted Stock Units					
	Service-based		Performance-based		Total shareholder return	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Unvested at December 29, 2023	608,140	\$ 90.40	188,543	\$ 90.38	58,854	\$ 104.67
Granted	257,113	\$ 114.91	50,855	\$ 115.97	—	\$ —
Vested	(226,178)	\$ 88.78	—	\$ —	—	\$ —
Forfeited	(50,014)	\$ 98.35	(15,230)	\$ 91.75	(4,204)	\$ 104.67
Unvested at December 26, 2024	589,061	\$ 101.03	224,168	\$ 96.09	54,650	\$ 104.67

The grant-date fair value of service-based RSUs and performance-based RSUs is based on the closing market price of the Company's Class A common stock on the date of grant. The grant-date fair value of TSR awards is estimated using a Monte Carlo valuation method, which included the following assumptions for TSR awards granted during fiscal 2023:

	Fiscal Year Ended December 28, 2023
Expected term (in years)	2.8
Risk-free interest rate	4.5 %
Expected volatility	49.5 %
Dividend yield	— %

The total unrecognized compensation cost related to restricted stock units as of December 26, 2024 and December 28, 2023 was \$ 41.9 million and \$ 42.8 million, respectively. The unrecognized compensation cost remaining as of December 26, 2024 is expected to be recognized over a weighted average period of 1.8 years.

The weighted average grant date fair value per share of restricted stock units granted during the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022 was \$ 115.08 , \$ 91.86 , and \$ 92.31 , respectively. The total fair value of restricted stock units that vested during the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022 was \$ 26.7 million, \$ 13.7 million, and \$ 5.3 million, respectively.

Restricted Stock Awards

Restricted stock awards are issued to certain executive officers and non-employee directors. The fair value of performance-based and service-based restricted stock awards is based on the closing market price of the Company's Class A common stock on the date of grant. The fair value of the TSR restricted stock awards is estimated on the grant date using the Monte Carlo valuation method. Compensation cost for restricted stock awards is recognized using the straight-line method over the requisite service period, which for each of the awards is the service vesting period, typically three to four years . No restricted stock awards were granted during fiscal years 2024, 2023, and 2022. The following table summarizes restricted stock award activity during the fiscal year ended December 26, 2024:

	Restricted Stock Awards					
	Service-based		Performance-based (1)		Total shareholder return (1)	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Unvested at December 29, 2023	34,783	\$ 66.30	47,662	\$ 57.70	31,056	\$ 44.28
Vested	(30,889)	\$ 62.60	(47,662)	\$ 57.70	(31,056)	\$ 44.28
Forfeited	(395)	\$ 95.68	—	\$ —	—	\$ —
Unvested at December 26, 2024	3,499	\$ 95.68	—	\$ —	—	\$ —

(1) The performance-based and total shareholder return restricted stock awards that vested during the period were issued at 100 % of target based on achievement of the predetermined performance and total shareholder return criteria as specified in the underlying grant agreements.

As of December 26, 2024 and December 28, 2023, total unrecognized compensation cost related to unvested restricted stock awards was \$ 0.1 million and \$ 0.7 million, respectively. The unrecognized compensation cost remaining as of December 26, 2024 is expected to be recognized over a weighted average period of 0.2 years.

The total fair value of restricted stock awards that vested during the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022 was \$ 12.8 million, \$ 19.2 million, and \$ 2.2 million, respectively.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan (the "ESPP") is a tax-qualified plan under Section 423 of the Internal Revenue Code and permits eligible employees to purchase shares of the Company's common stock through payroll deductions, subject to certain limitations. The Company has designated a purchase price per share of common stock acquired under the ESPP at the lesser of 90 % of the lower of the fair market value of its common stock on either the first or last trading day of each six-month offering period. There are 1,500,000 shares of the Company's Class A common stock, par value \$ 0.001 per share, approved for issuance under the ESPP, 58,665 , 83,686 , and 62,274 of which were issued during fiscal years 2024, 2023, and 2022, respectively. During fiscal years 2024, 2023, and 2022, the Company recognized stock-based compensation expense related to the ESPP totaling \$ 1.4 million, \$ 1.3 million, and \$ 1.2 million, respectively.

12. Earnings Per Share

Net Income per Common Share

The Company calculates basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding adjusted for the dilutive effect of share-based awards using the treasury stock method.

The following table shows the computation of basic and diluted earnings per share for the periods presented:

	Fiscal Year Ended		
	December 26, 2024	December 28, 2023	December 29, 2022
<i>in thousands, except per share data</i>			
Net income	\$ 205,872	\$ 245,980	\$ 298,195
Basic weighted average shares outstanding	107,075	106,264	105,626
Dilutive effect of share-based awards	1,244	1,618	1,817
Diluted weighted average shares outstanding	108,319	107,882	107,443
Basic earnings per share	\$ 1.92	\$ 2.31	\$ 2.82
Diluted earnings per share	\$ 1.90	\$ 2.28	\$ 2.78

The following potentially dilutive securities were excluded from the computation of diluted earnings per share as a result of their anti-dilutive effect:

	Fiscal Year Ended		
	December 26, 2024	December 28, 2023	December 29, 2022
<i>in thousands</i>			
Stock options	1	55	69
Restricted stock units	—	12	267

13. Supply Chain Finance

The Company facilitates supply chain finance programs through financial intermediaries, which provide certain suppliers the option to be paid by the financial intermediaries earlier than the due date on the applicable invoice. When a supplier utilizes one of the supply chain finance programs and receives an early payment from a financial intermediary, the supplier takes a discount on the invoice. The Company then pays the financial intermediary the full amount of the invoice on the original due date. The Company does not reimburse suppliers for any costs they incur for participation in the program. Supplier participation is voluntary, and there are no assets pledged as security or other forms of guarantees provided for the committed payment to the financial intermediaries. As a result, all amounts owed to the financial intermediaries are presented as trade accounts payable in the Consolidated Balance Sheets. Amounts due to the financial intermediaries reflected in trade accounts payable at December 26, 2024 and December 28, 2023 were \$ 167.7 million and \$ 114.0 million, respectively.

The following table shows a rollforward of obligations confirmed and paid during fiscal 2024:

	December 26, 2024
<i>in thousands</i>	
Confirmed obligations outstanding at the beginning of the year	\$ 113,985
Invoices confirmed during the year	514,430
Confirmed invoices paid during the year	(460,684)
Confirmed obligations outstanding at the end of the year	\$ 167,731

14. Segment Reporting

The Company operates as a multi-channel specialty retailer of hard surface flooring and related accessories and seller of commercial surfaces. The Company primarily sells hard surface flooring and related accessories through retail stores located in the United States and through its website.

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") for purposes of allocating resources and evaluating financial performance. The Company's CODM, its Chief Executive Officer, reviews financial information about the Company's two operating segments, Retail and Spartan, for purposes of allocating resources and evaluating financial performance. The Spartan segment, which engages in selling commercial surfaces and is entirely comprised of the Company's Spartan subsidiary, does not meet the materiality criteria of ASC 280, *Segment Reporting* ("ASC 280"), and is therefore not disclosed separately as a reportable segment. The Company files a consolidated income tax return and does not allocate income taxes and other corporate-level expenses, including interest expense, to Spartan. All material corporate costs are included in the Retail segment.

The Company concluded that the economic and operating characteristics of its one reportable segment, Retail, are similar across its retail operations, including the net sales, gross profit and gross margin, and operating income of its retail stores as well as the nature of products and services offered, customer base, marketing initiatives, operating procedures, store layouts, employee incentive programs, methods of distribution, competitive and operating risks, and the level of shared resources across the business.

The accounting policies of the Retail segment are the same as those described in Note 1, "Summary of Significant Accounting Policies." The CODM assesses performance for the Retail segment and decides how to allocate resources based on operating income. The CODM considers budget to actual variances on a monthly basis to monitor performance. The Company does not report capital expenditures or assets at the segment level as the information is not regularly provided to the CODM. The Company does not have intersegment sales.

The following table presents the Company's segment information for each of the last three fiscal years:

in thousands	Fiscal Year Ended								
	December 26, 2024			December 28, 2023			December 29, 2022		
	Retail	Other (1)	Consolidated	Retail	Other (1)	Consolidated	Retail	Other (1)	Consolidated
Net sales	\$ 4,240,556	\$ 215,214	\$ 4,455,770	\$ 4,218,328	\$ 195,556	\$ 4,413,884	\$ 4,128,930	\$ 135,543	\$ 4,264,473
Less:									
Cost of sales	2,379,694			2,425,472			2,444,952		
Personnel expense (2)	719,360			644,356			576,036		
Property cost (3)	532,079			467,388			383,683		
Other segment items (4)	367,511			378,801			340,555		
Operating income (5)	241,912	14,264	256,176	302,311	19,117	321,428	383,704	13,056	396,760
Interest expense, net			2,773			9,897			11,138
Income before income taxes			\$ 253,403			\$ 311,531			\$ 385,622

(1) Represents the Company's non-reportable operating segment.

(2) Personnel expense is primarily comprised of store and store support center compensation including wages, incentive compensation, and benefits.

(3) Property cost is primarily comprised of rent, common area maintenance, utilities, property taxes, and insurance, as well as depreciation and amortization of leasehold improvements, buildings and improvements, furniture, fixtures, and equipment, and computer software and hardware at stores and the store support center.

(4) Other segment items expense is primarily comprised of advertising costs, credit card fees, information technology costs, and other operating expenses.

(5) Includes depreciation and amortization expense of \$ 225.8 million, \$ 195.7 million, and \$ 149.9 million for the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022, respectively, in our Retail segment.

15. Acquisitions

The Company made acquisitions during fiscal 2023 and fiscal 2022 to expand its commercial surfaces business that are accounted for in accordance with ASC 805. The results of operations, financial position, and cash flows related to these acquisitions have been included in the Company's consolidated financial statements since their respective acquisition dates. During fiscal 2023, the Company recognized business acquisition and integration costs totaling \$ 0.9 million in general and administrative expenses within the Consolidated Statements of Operations and Comprehensive Income. The Company incurred no business acquisition and integration costs during fiscal 2024, and costs incurred during fiscal 2022 were immaterial.

Salesmaster

On June 7, 2023, the Company acquired 100 % of Salesmaster, a seller of commercial surfaces, for total purchase consideration of \$ 20.1 million. Total purchase consideration was comprised of \$ 17.4 million cash, net of cash acquired, and \$ 2.8 million of contingent consideration. The Company recorded the following assets and liabilities at their respective estimated acquisition date fair values: \$ 12.1 million of net working capital consisting primarily of inventory and receivables, \$ 6.0 million of lease right-of-use assets and fixed assets, \$ 5.0 million of customer relationships, \$ 2.5 million of goodwill, and \$ 5.5 million of operating lease liabilities. The estimated fair value of the customer relationships was determined with assistance from a third-party valuation specialist using the multi-period excess earnings method and included significant assumptions such as the amount and timing of projected cash flows, growth rates, customer attrition rates, and discount rates, resulting in a Level 3 classification within the fair value hierarchy. Refer to Note 7, "Fair Value Measurements" for additional information regarding the contingent consideration.

Other Sellers of Commercial Surfaces

During fiscal 2022, the Company acquired three small sellers of commercial surfaces for total consideration of \$ 4.6 million, including \$ 3.8 million of cash and \$ 0.8 million of contingent earn-out consideration.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act has been appropriately recorded, processed, summarized and reported on a timely basis and are effective in ensuring that such information is accumulated and communicated to the Company’s management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 26, 2024, our disclosure controls and procedures were effective.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), pursuant to Rule 13a-15(c) of the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

A company’s internal control over financial reporting includes policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, we assessed the effectiveness of our internal control over financial reporting as of December 26, 2024, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on this assessment, management concluded that the Company’s internal control over financial reporting was effective as of December 26, 2024.

Ernst & Young LLP, our independent registered public accounting firm, has issued an unqualified opinion on the effectiveness of internal control over financial reporting as of December 26, 2024, which is included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) during the fourth quarter of our fiscal year ended December 26, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The Company has begun a multi-year implementation of portions of our enterprise resource planning (ERP) system, which will replace our existing core financial and merchandising systems. The implementation is expected to occur in phases over the next few years. As the phased implementation occurs, it may result in changes to our processes and procedures, which may result in changes to our internal controls over financial reporting. As such changes occur, we will evaluate quarterly whether they materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Rule 10b5-1 Trading Plans

On November 20, 2024, George Vincent West, Vice Chairman of the Company's Board, adopted a Rule 10b5-1 trading arrangement intended to satisfy the affirmative defense of Rule 10b5-1(c) for American West Investment Corporation, of which he is the President and sole shareholder, and West Family Partners, LLLP, of which he is the General Partner. The Rule 10b5-1 trading arrangement provides for (i) the sale of up to 50,000 shares of the Company's common stock by American West Investment Corporation, subject to certain conditions, and (ii) the sale of up to 50,000 shares of the Company's common stock by West Family Partners, LLLP, subject to certain conditions. The plan will begin on February 25, 2025 and expire on August 24, 2025, or on any earlier date on which all of the shares have been sold.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item will be contained in our definitive Proxy Statement in connection with our 2025 Annual Meeting of Stockholders, which will be filed with the SEC within 120 days after the end of our fiscal year ended December 26, 2024 (the "Proxy Statement"), and is incorporated herein by reference, under the sections entitled "Election of Directors," "Other Board and Corporate Governance Information," "Executive Officers," and "Other Matters."

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item will be set forth in the Proxy Statement and is incorporated herein by reference, under the captions "Executive Compensation" and "Compensation of Our Directors," provided, however, that the subsections entitled "Compensation Committee Report" and "Pay Versus Performance" shall not be deemed to be incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item will be set forth in the Proxy Statement and is incorporated herein by reference, under the captions "Securities Authorized for Issuance Under Equity Compensation Plans" and "Security Ownership of Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item will be set forth in the Proxy Statement and is incorporated herein by reference, under the captions "Certain Relationships and Related Transactions," and "Other Board and Corporate Governance Information—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The Information required under this Item will be included in the Proxy Statement and is incorporated herein by reference, under the caption "Ratification of Appointment of Independent Auditors."

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) **Documents filed as part of the Annual Report:**

1. **Financial Statements filed in Part II, Item 8 of this Annual Report:**

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 26, 2024 and December 28, 2023

Consolidated Statements of Operations and Comprehensive Income for the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022

Consolidated Statements of Changes in Stockholders' Equity for the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022

Consolidated Statements of Cash Flows for the fiscal years ended December 26, 2024, December 28, 2023, and December 29, 2022

Notes to Consolidated Financial Statements

2. **Financial Statement Schedules:**

There are no Financial Statement Schedules included with this filing for the reason that they are not applicable or are not required or the information is included in the financial statements or notes thereto.

3. **Exhibits:**

Exhibit	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended & Restated Certificate of Incorporation of Floor & Decor Holdings, Inc.	10-Q	001-38070	3.1	8/5/2021
3.2	Third Amended and Restated Bylaws of Floor & Decor Holdings, Inc.	10-Q	001-38070	3.2	11/2/2023
4.1	Specimen Class A Common Stock Certificate	S-1/A	333-216000	4.1	4/17/2017
4.2	Registration Rights Agreement, dated May 2, 2017, by and among Floor & Decor Holdings, Inc., Ares Corporate Opportunities Fund III, L.P., FS Equity Partners VI, L.P. and the other stockholders party thereto	8-K	001-38070	4.1	5/2/2017
4.3	Description of Securities*				
10.1	FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan#	S-1/A	333-216000	10.1	4/7/2017
10.2	First Amendment to FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan#	S-1/A	333-216000	10.2	4/7/2017
10.3	Second Amendment to FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan#	S-1/A	333-216000	10.3	4/7/2017
10.4	Third Amendment to FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan#	S-1/A	333-216000	10.4	4/7/2017
10.5	Fourth Amendment to FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan#	S-1	333-221525	10.5	11/13/2017
10.6	Form of Stock Option Agreement under the FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan#	S-1/A	333-216000	10.5	4/7/2017
10.7	Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan#	8-K	001-38070	10.1	5/2/2017
10.8	Amendment No. 1 to the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan#	8-K	001-38070	10.1	5/12/2023
10.9	Form of Stock Option Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan#	S-1/A	333-216000	10.7	4/17/2017
10.10	Form of Restricted Stock Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan#	S-1/A	333-216000	10.8	4/7/2017
10.11	Form of Performance Restricted Stock Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan#	8-K	001-38070	10.6	2/4/2020
10.12	Form of Non-CEO Restricted Stock Unit Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan#	10-K	001-38070	10.11	2/23/2023
10.13	Form of CEO Restricted Stock Unit Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan#	10-K	001-38070	10.12	2/23/2023
10.14	Form of Non-CEO Performance Restricted Stock Unit Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan#	10-K	001-38070	10.13	2/23/2023
10.15	Form of CEO Performance Restricted Stock Unit Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan#	10-K	001-38070	10.14	2/23/2023
10.16	Form of Non-CEO Performance Restricted Stock Unit Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan#	10-Q	001-38070	10.1	5/4/2023
10.17	Form of CEO Performance Restricted Stock Unit Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan#	10-Q	001-38070	10.2	5/4/2023
10.18	Form of Non-CEO 2023 Special Performance and Service Restricted Stock Unit Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan#	10-Q	001-38070	10.3	5/4/2023
10.19	Form of CEO 2023 Special Performance and Service Restricted Stock Unit Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan#	10-Q	001-38070	10.4	5/4/2023
10.20	Form of Indemnification Agreement by and between Floor & Decor Holdings, Inc. and its directors and officers#	10-K	001-38070	10.11	2/25/2021

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Exhibit	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.21	Second Amended and Restated Employment Agreement, dated February 3, 2020, between Floor and Decor Holdings, Inc., Floor and Decor Outlets of America, Inc. and Thomas V. Taylor#	8-K	001-38070	10.1	2/4/2020
10.22	Consulting Agreement, dated December 3, 2012, by and between Floor and Decor Outlets of America, Inc., FDO Holdings, Inc. and George Vincent West#	S-1/A	333-216000	10.11	4/7/2017
10.23	First Amendment, dated March 11, 2019, to Consulting Agreement by and between Floor and Decor Outlets of America, Inc., FDO Holdings, Inc., and George Vincent West#	10-Q	001-38070	10.1	5/2/2019
10.24	Second Amended and Restated Employment Agreement, dated February 3, 2020, between Floor and Decor Holdings, Inc., Floor and Decor Outlets of America, Inc. and Trevor S. Lang#	8-K	001-38070	10.2	2/4/2020
10.25	Second Amended and Restated Employment Agreement, dated February 3, 2020, between Floor and Decor Holdings, Inc., Floor and Decor Outlets of America, Inc. and David V. Christopherson#	8-K	001-38070	10.5	2/4/2020
10.26	Addendum to Employment Agreement, dated March 26, 2020, between Floor & Decor Holdings, Inc., Floor and Decor Outlets of America, Inc. and Thomas V. Taylor#	10-Q	001-38070	10.9	4/30/2020
10.27	Addendum to Employment Agreement, dated March 26, 2020, between Floor & Decor Holdings, Inc., Floor and Decor Outlets of America, Inc. and David V. Christopherson#	10-Q	001-38070	10.10	4/30/2020
10.28	Addendum to Employment Agreement, dated March 26, 2020, between Floor & Decor Holdings, Inc., Floor and Decor Outlets of America, Inc. and Trevor S. Lang#	10-Q	001-38070	10.12	4/30/2020
10.29	Addendum to Employment Agreement, dated August 3, 2022, between Floor & Decor Holdings, Inc., Floor and Decor Outlets of America, Inc. and Trevor S. Lang#	8-K	001-38070	10.2	8/4/2022
10.30	Employment Agreement, dated February 23, 2023, between Floor & Decor Holdings, Inc., Floor and Decor Outlets of America, Inc., and Bryan Langley#	10-K	001-38070	10.27	2/23/2023
10.31	Employment Agreement, dated February 23, 2023, between Floor & Decor Holdings, Inc., Floor and Decor Outlets of America, Inc., and Ersan Sayman#*				
10.32	Addendum to Employment Agreement, dated August 1, 2023, between Floor & Decor Holdings, Inc., Floor and Decor Outlets of America, Inc. and Thomas V. Taylor#	10-Q	001-38070	10.1	8/3/2023
10.33	Addendum to Employment Agreement, dated August 1, 2023, between Floor & Decor Holdings, Inc., Floor and Decor Outlets of America, Inc. and Trevor S. Lang#	10-Q	001-38070	10.2	8/3/2023
10.34	Addendum to Employment Agreement, dated August 1, 2023, between Floor & Decor Holdings, Inc., Floor and Decor Outlets of America, Inc. and David V. Christopherson#	10-Q	001-38070	10.3	8/3/2023
10.35	Addendum to Employment Agreement, dated August 1, 2023, between Floor & Decor Holdings, Inc., Floor and Decor Outlets of America, Inc. and Bryan Langley#	10-Q	001-38070	10.5	8/3/2023
10.36	Addendum to Employment Agreement, dated August 1, 2023, between Floor & Decor Holdings, Inc., Floor and Decor Outlets of America, Inc. and Ersan Sayman#*				
10.37	Addendum to Employment Agreement, dated February 22, 2024, between Floor & Decor Holdings, Inc., Floor and Decor Outlets of America, Inc. and David V. Christopherson#	8-K	001-38070	10.1	2/22/2024
10.38	Floor & Decor Holdings, Inc. Employee Stock Purchase Plan#	DEF 14A	001-38070	Annex A	3/27/2018
10.39	First Amendment to Floor & Decor Holdings, Inc. Employee Stock Purchase Plan#	S-8	333-225092	99.2	5/22/2018
10.40	Second Amendment to Floor & Decor Holdings, Inc. Employee Stock Purchase Plan#	10-Q	001-38070	10.1	11/1/2018
10.41	Amended and Restated Credit Agreement, dated as of September 30, 2016, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., Wells Fargo Bank, National Association, as administrative agent and collateral agent and swing line lender, the lenders from time to time party thereto, Bank of America, N.A. and U.S. Bank National Association, as each as syndication agent, and Wells Fargo Bank, National Association, Bank of America, N.A. and U.S. Bank National Association as joint lead arrangers and joint book managers	S-1/A	333-216000	10.16	4/7/2017
10.42	Amended and Restated Security Agreement, dated as of September 30, 2016, by and among Floor and Decor Outlets of America, Inc., the other borrowers and guarantors from time to time party thereto, Wells Fargo Bank, National Association, as collateral agent	S-1/A	333-216000	10.17	4/7/2017
10.43	Credit Agreement, dated as of September 30, 2016, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., the lenders from time to time party thereto, UBS AG, Stamford Branch, as administrative agent and collateral agent, the lenders from time to time party thereto and UBS Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities LLC, as joint lead arrangers and joint bookrunners	S-1/A	333-216000	10.18	4/7/2017
10.44	Security Agreement, dated as of September 30, 2016, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., the other loan parties from time to time party thereto and UBS AG, Stamford Branch, as collateral agent	S-1/A	333-216000	10.19	4/7/2017
10.45	Guaranty Agreement, dated as of September 30, 2016, by FDO Acquisition Corp. in favor of UBS AG, Stamford Branch, as collateral agent	S-1/A	333-216000	10.20	4/7/2017
10.46	Amendment No. 1 to Credit Agreement, dated as of March 31, 2017, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., the other loan parties party thereto, the lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent	S-1/A	333-216000	10.21	4/7/2017

10.47	Amendment No. 2 to Credit Agreement, dated as of November 22, 2017, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., the other loan parties party thereto, the lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent	10-K	001-38070	10.23	3/5/2018
10.48	Amendment No. 3 to Credit Agreement and Amendment No. 1 to Security Agreement, dated as of February 14, 2020, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., FD Sales Company, LLC, the lenders party thereto and UBS AG, Stamford Branch, as administrative agent and collateral agent	8-K	001-38070	10.1	2/19/2020
10.49	Amendment No. 4 and Incremental Term Loan Agreement to Credit Agreement, dated as of May 18, 2020, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., FD Sales Company, LLC, the lenders party thereto and UBS AG, Stamford Branch, as administrative agent and collateral agent	8-K	001-38070	10.1	5/18/2020

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Exhibit	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.50	Amendment No. 5 and Incremental Term Loan Agreement to Credit Agreement, dated as of February 9, 2021, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., FD Sales Company LLC, the lenders party thereto, UBS AG, Stamford Branch, as administrative agent and collateral agent and Golub Capital LLC, as additional initial term Loan arranger	8-K	001-38070	10.1	2/9/2021
10.51	Amendment No. 6 to Credit Agreement, dated as of November 15, 2022, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., FD Sales Company LLC and UBS AG Stamford Branch, as administrative agent and collateral agent	8-K	001-38070	10.1	11/15/2022
10.52	Amendment No. 1 to Amended and Restated Credit Agreement and Amendment No. 1 to Amended and Restated Security Agreement, dated as of February 14, 2020, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., FD Sales Company LLC, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent and collateral agent	8-K	001-38070	10.2	2/19/2020
10.53	Amendment No. 2 to Amended and Restated Credit Agreement and Amendment No. 2 to Amended and Restated Security Agreement, dated as of August 4, 2022, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., FD Sales Company LLC, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent and collateral agent	8-K	001-38070	10.1	8/4/2022
10.54	Floor & Decor Holdings, Inc. Director Nonqualified Excess Plan	10-K	001-38070	10.38	2/25/2021
10.55	Floor & Decor Holdings, Inc., Incentive Compensation Recoupment Policy, effective as of May 2, 2019, as amended and restated as of November 1, 2023#	10-K	001-38070	10.56	2/22/2024
19	Insider Trading Policy*				
21.1	List of Subsidiaries*				
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm*				
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*				
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*				
32.1	Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**				
97	Dodd-Frank Clawback Policy	10-K	001-38070	97	2/22/2024
101.INS	XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.*				
101.SCH	Inline XBRL Taxonomy Extension Schema Document*				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*				
104	Cover Page Interactive Data File- the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.*				

Denotes a management contract or compensatory plan or arrangement.

Filed herewith.

These certifications are not deemed filed by the SEC and are not to be incorporated by reference in any filing we make under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language in any filings.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FLOOR & DECOR HOLDINGS, INC.

By: /s/ Thomas V. Taylor

Thomas V. Taylor
Chief Executive Officer

Date: February 20, 2025

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities indicated on February 20, 2025.

Signature	Title	Date
<u>/s/ Thomas V. Taylor</u> Thomas V. Taylor	Chief Executive Officer (Principal Executive Officer) and Director	February 20, 2025
<u>/s/ Bryan H. Langley</u> Bryan H. Langley	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 20, 2025
<u>/s/ Norman H. Axelrod</u> Norman H. Axelrod	Chairman of the Board	February 20, 2025
<u>/s/ George Vincent West</u> George Vincent West	Vice Chairman of the Board	February 20, 2025
<u>/s/ Nada A. Aried</u> Nada A. Aried	Director	February 20, 2025
<u>/s/ William T. Giles</u> William T. Giles	Director	February 20, 2025
<u>/s/ Dwight L. James</u> Dwight L. James	Director	February 20, 2025
<u>/s/ Melissa D. Kersey</u> Melissa D. Kersey	Director	February 20, 2025
<u>/s/ Ryan R. Marshall</u> Ryan R. Marshall	Director	February 20, 2025
<u>/s/ Peter M. Starrett</u> Peter M. Starrett	Director	February 20, 2025
<u>/s/ Richard L. Sullivan</u> Richard L. Sullivan	Director	February 20, 2025
<u>/s/ Felicia D. Thornton</u> Felicia D. Thornton	Director	February 20, 2025
<u>/s/ Charles D. Young</u> Charles D. Young	Director	February 20, 2025

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

Floor & Decor Holdings, Inc. (the "Company") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934. In this Exhibit 4.3, when we refer to "Floor & Decor," the "Company," "we," "us" or "our" or when we otherwise refer to ourselves, we mean Floor & Decor Holdings, Inc. excluding, unless otherwise expressly stated or the context requires, our subsidiaries; all references to "common stock" refer only to common stock issued by us and not to any common stock issued by any subsidiary.

DESCRIPTION OF COMMON STOCK

The general terms and provisions of our common stock are summarized below. This summary does not purport to be complete and is subject to, and is qualified in its entirety by express reference to, the provisions of our Amended and Restated Certificate of Incorporation (our "Certificate of Incorporation") and our Third Amended and Restated Bylaws (our "Bylaws"), each of which is filed as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.3 is a part. We encourage you to read our Certificate of Incorporation and Bylaws, and the applicable provisions of the Delaware General Corporation Law (the "DGCL") for additional information.

General

Our authorized capital stock consists of (i) 450,000,000 shares of common stock, \$0.001 par value per share, and (ii) 10,000,000 shares of preferred stock, \$0.001 par value per share. No shares of preferred stock are issued or outstanding.

Our common stock is listed on the New York Stock Exchange as Class A common stock under the ticker symbol "FND." References herein to Class A common stock refer to our common stock. Under Delaware law, our stockholders generally will not be personally liable for our debts or obligations.

Dividend Rights

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive and share equally dividends out of funds legally available at the times and in the amounts that our board of directors may determine.

Voting Rights

Each holder of our Class A common stock is entitled to one vote for each share of Class A common stock held on all matters submitted to a vote of stockholders. Our stockholders do not have cumulative voting rights.

Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights and is not subject to redemption. The rights of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that our board of directors may designate and issue in the future.

Liquidation Rights

Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time after payment of liquidation preferences, if any, on any outstanding shares of preferred stock and payment of other claims of creditors.

Exclusive Venue

Our Certificate of Incorporation requires, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL or our Certificate of Incorporation or Bylaws or (iv) any action asserting a claim against us governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware. In addition, our Bylaws provide that, unless we consent in writing to the selection of an alternative forum, any complaints asserting a cause of action arising under the Securities Act of 1933, as amended (the “Securities Act”) must be brought only in the federal district courts of the United States. Although we have included exclusive venue provisions in our Certificate of Incorporation and Bylaws, it is possible that a court could rule that such provisions are inapplicable or unenforceable. Although we believe these provisions benefit us by providing increased consistency in the application of applicable law in the types of lawsuits to which they apply, the provisions may have the effect of discouraging lawsuits against our directors and officers. In addition, these provisions would not affect the ability of our stockholders to seek remedies under the federal securities laws. These provisions would not apply to any suits brought to enforce any liability or duty created by the Securities Exchange Act of 1934, as amended, or any other claim for which the federal courts of the United States have exclusive jurisdiction.

Certain Provisions in our Certificate of Incorporation or Bylaws

We are governed by the DGCL. Our Certificate of Incorporation and Bylaws contain certain provisions that could have the effect of delaying, deterring or preventing another party from acquiring control of us. These provisions, which are summarized below, may discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate more favorable terms with an unfriendly or unsolicited acquirer outweigh the disadvantages of potentially discouraging a proposal to acquire us.

Undesignated Preferred Stock

As discussed above, our board of directors has the ability to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire control of us. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of us.

Limits on Ability of Stockholders to Act by Written Consent or Call a Special Meeting

Our Certificate of Incorporation provides that, subject to the terms of any series of preferred stock, our stockholders may not act by written consent, which may lengthen the amount of time required to take stockholder actions. As a result, a holder controlling a majority of our capital stock would not be able to amend our Bylaws or remove directors without holding a meeting of our stockholders called in accordance with our Bylaws. In addition, our Certificate of Incorporation and Bylaws provide that special meetings of the stockholders may be called only by the chairperson of our board or our board of directors. Stockholders may not call a special meeting, which may delay the ability of our stockholders to force consideration of a proposal or for holders controlling a majority of our capital stock to take any action, including the removal of directors.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our Bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors or a committee of our board of directors. Our Bylaws also establish certain qualifications for candidates for our board of directors that are nominated by stockholders. These provisions may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed. These provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

Removal of Directors; Vacancies

Directors may only be removed for cause by the affirmative vote of at least a majority of the voting power of our common stock. Our board of directors has the sole power to fill any vacancy on the board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise.

No Cumulative Voting

Our Certificate of Incorporation and Bylaws do not permit cumulative voting in the election of directors. Cumulative voting allows a stockholder to vote a portion or all of the stockholder's shares for one or more candidates for seats on the board of directors. Without cumulative voting, a minority stockholder may not be able to gain as many seats on our board of directors as the stockholder would be able to gain if cumulative voting were permitted. The absence of cumulative voting makes it more difficult for a minority stockholder to gain a seat on our board of directors to influence our board of directors' decision regarding a takeover or otherwise.

Amendment of Charter and Bylaw Provisions

The amendment of certain of the above provisions of our Certificate of Incorporation requires approval by holders of at least a majority of our outstanding Class A common stock. Our Certificate of Incorporation provides that our board of directors may from time to time adopt, amend, alter or repeal our Bylaws by a vote of a majority of our board of directors without stockholder approval and that our stockholders may adopt, amend, alter or repeal our Bylaws by the affirmative vote of the holders of at least a majority of our outstanding Class A common stock.

Delaware Anti-Takeover Statute

Our Certificate of Incorporation provides that we are not governed by Section 203 of the DGCL, which, in the absence of such provision, would have imposed additional requirements regarding mergers and other business combinations.

The provisions of our Certificate of Incorporation and Bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, might also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions might also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders might otherwise deem to be in their best interests.

Limitations of Liability, Indemnification and Advancement

Our Certificate of Incorporation and Bylaws provide that we will indemnify and advance expenses to our directors and officers, and may indemnify and advance expenses to our employees and other agents, to the fullest extent permitted by Delaware law, which prohibits our Certificate of Incorporation from limiting the liability of our directors for the following:

- any breach of the director's duty of loyalty to us or to our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; and
- any transaction from which the director derived an improper benefit.

If Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. Our Certificate of Incorporation does not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, remain available under Delaware law. This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Under our Certificate of Incorporation and Bylaws, we are also empowered to purchase insurance on behalf of any person whom we are required or permitted to indemnify.

In addition to the indemnification and advancement of expenses required in our Certificate of Incorporation and Bylaws, we have entered into indemnification agreements with each of our current directors and executive officers. These agreements provide for the indemnification of, and the advancement of expenses to, such persons for all reasonable expenses and liabilities, including attorneys' fees, judgments, fines and settlement amounts, incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were serving in such capacity. We believe that these charter and bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability, indemnification and advancement provisions in our Certificate of Incorporation and Bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. There is no material pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any material pending or threatened litigation that may result in claims for indemnification or advancement by any director or officer.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Equiniti Trust Company, LLC.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is entered into effective as of February 23, 2023 (the "Effective Date") between Floor and Decor Outlets of America, Inc., a Delaware corporation (the "Operating Company"), Floor & Decor Holdings, Inc., a Delaware corporation (f/k/a FDO Holdings, Inc.) ("Holdings") and, together with the Operating Company, the "Company") and Ersan Sayman, the undersigned individual ("Executive").

RECITALS

WHEREAS, Executive is currently employed as the Executive Vice President – Merchandising of the Company;

WHEREAS, the parties desire to enter into this Agreement, subject to the terms and provisions herein contained.

AGREEMENT

NOW, THEREFORE, the parties mutually agree as follows:

1. Employment.

(a) Term; Duties and Responsibilities. Beginning on the Effective Date, and during the Employment Period (defined below), Executive shall continue to serve as the Executive Vice President – Merchandising of the Company. The term of employment hereunder shall commence on the Effective Date and terminate on the fourth anniversary of the Effective Date, unless earlier terminated as set forth herein; provided, that commencing on the fourth anniversary of the Effective Date and each anniversary date thereafter, the term of this Agreement shall automatically be extended for one additional year (subject to earlier termination, as set forth herein) unless, not later than 60 calendar days prior to any such anniversary date, either the Company or Executive, in such party's sole discretion, shall elect that such extension shall not take effect and shall have given timely written notice of such election not to extend. The period of time between the Effective Date and the termination of Executive's employment hereunder shall be referred to herein as the "Employment Period."

(b) Duties and Responsibilities. During the Employment Period, Executive shall at all times, except as expressly set forth below: (i) devote substantially all working time and efforts to the business and affairs of the Company and its subsidiaries on a full-time basis, (ii) faithfully, industriously and to the best of Executive's ability, experience and talent, perform all duties that may be reasonably required by the Company, and observe and comply with all rules, regulations, policies and practices in effect on the Effective Date or amended or adopted by the Company in the future and (iii) not engage in any other business activities, as a director, officer, employee or consultant or in any other capacity, whether or not he receives compensation therefor, without the prior written consent of the Board of Directors of Holdings (the "Board"). Notwithstanding the foregoing, Executive may serve on the boards of charitable organizations, engage in charitable and community affairs and activities and manage his personal investments so long as such activities do not interfere with the performance of Executive's Duties and Responsibilities (as defined below) hereunder. Executive will be reporting to the Chief Executive Officer of the Company and shall have all the authority, duties and responsibilities customarily exercised by an individual serving in the position of an Executive Vice President – Merchandising at an entity engaged in a retail business which is national in scope, set forth in the bylaws of the Company, provided in the Delaware General Corporation Law and such additional duties and responsibilities as may from time to time be assigned or prescribed to him by the Chief Executive Officer of the Company, consistent with the Executive's position (collectively, "Executive's Duties and Responsibilities").

(c) Location. Executive's principal place of employment shall be at the Company's principal executive offices, currently located in Atlanta, Georgia, with Executive being provided an office and secretarial and administrative support that is customary for a similarly situated executive. Executive acknowledges that the Duties

and Responsibilities to be performed by Executive hereunder are such that Executive may be required to travel extensively at times.

2. Compensation.

(a) Base Salary. During the Employment Period, Executive shall initially be paid a base salary at the annual rate of \$400,000 ("Base Salary"), payable in installments consistent with Company's normal payroll practices.

(b) Annual Bonus. In addition to Executive's Base Salary, during the Employment Period, Executive will be eligible to earn an annual bonus ("Bonus") under the Company's Corporate Incentive Compensation Plan (the "Bonus Plan"). The target Bonus for any fiscal year shall be 50% of Executive's Base Salary for such year, with the actual amount of the Bonus being determined based on the level of achievement of certain performance goals in accordance with the Bonus Plan. Executive must be actively employed by the Company on the date the Bonus is paid in order to receive the Bonus for any fiscal year, and Executive's Bonus, if any, shall be paid to him as provided under the Bonus Plan or, if no payment date is provided in the Bonus Plan, no later than March 15 of the calendar year following the fiscal year for which the Bonus is payable. The Company may amend the Bonus Plan at any time.

(c) Payment. Payment of all compensation and other amounts to Executive hereunder shall be made in accordance with the relevant Company policies in effect from time to time, including normal payroll practices, and shall be subject to all applicable withholding, including employment and withholding taxes.

3. Other Employment Benefits.

(a) Business Expenses. Upon timely submission of itemized expense statements and other documentation in conformance with the procedures specified by the Company, Executive shall be entitled to reimbursement for reasonable business and travel expenses duly incurred by Executive in the performance of Executive's Duties and Responsibilities under this Agreement during the Employment Period.

(b) Benefit Plans. During the Employment Period, Executive shall be entitled to participate in the Company's employee benefit plans and programs (sometimes "Benefit Plan" or "Benefit Plans") as they may exist from time to time, in each case as offered by the Company to its executive officers generally, subject to the terms and conditions thereof. Nothing in this Agreement shall require the Company to maintain any Benefit Plan, or shall preclude the Company from terminating or amending any Benefit Plan from time to time.

(c) Vacation. Executive shall be entitled to four weeks of paid vacation annually in accordance with the Company's vacation policy for senior executives. Executive acknowledges that given his position at the Company, Executive will use Executive's best efforts to remain generally available and accessible to the Company's senior managers in person or through an electronic means of communication when reasonably possible (the Company acknowledging that some vacation activities may prevent or limit such availability and accessibility).

4. Termination of Employment. Notwithstanding anything herein to the contrary,

(a) For Cause. The Company may terminate Executive's employment For Cause immediately upon written notice for any of the following reasons: (i) Executive's (x) commission of, or being indicted for, a felony under U.S. or applicable state law, or (y) commission of a misdemeanor where imprisonment may be imposed other than for a traffic-related offense, (ii) any act of material misconduct or gross negligence by Executive in the performance of Executive's Duties and Responsibilities or any act of moral turpitude by Executive, (iii) Executive's commission of any act of theft, fraud or material dishonesty, (iv) Executive's willful failure to perform any reasonable duties assigned to him by the Chief Executive Officer of the Company or Executive's refusal or failure to follow the lawful directives of the Company after written notice from the Company of, and 30 calendar days to cure, such refusal or failure, (v) any material breach by Executive of this Agreement or any other written agreement executed by Executive with the Company or any of its affiliates that is not cured within ten calendar days

following written notice of such breach, and (vi) Executive's unlawful appropriation of a material corporate opportunity (For Cause). Upon termination of Executive's employment For Cause, the Company shall be under no further obligation to Executive, except to pay or provide (A) all accrued but unpaid Base Salary through the date of termination within 30 days following such termination, less all applicable deductions, and (B) any benefits and payments pursuant to the terms of any Benefit Plan, including any rights under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (the payments and benefits described in subsections (A) and (B) herein shall be referred herein as the "Accrued Benefits").

(b) Without Cause; Company Non-Renewal; Good Reason. The Company may terminate Executive's employment at any time "Without Cause," immediately upon written notice; the Company may terminate Executive's employment by electing not to extend the Employment Period, upon 60 days' written notice, as provided for in Section 1(a) above ("Company Non-Renewal"); and Executive may terminate Executive's employment at any time for "Good Reason." Upon termination of Executive's employment by the Company Without Cause, a Company Non-Renewal or by Executive for Good Reason, Executive shall be entitled to receive, in each case less all applicable deductions, (i) the Accrued Benefits, plus (ii) contingent on Executive executing and not revoking a release of any and all claims that the Executive may have against the Company substantially in the form set forth in Exhibit A (the "Separation Agreement"), and subject to Section 11(f) hereof, severance in an amount equal to one times Executive's Base Salary on the date of termination, payable over 12 months in substantially equal installments on the Company's regular pay dates, commencing on the first regular pay date following the 60th calendar day following Executive's termination date. If the Separation Agreement fails to become effective and irrevocable prior to the 60th calendar day following Executive's employment termination date because Executive delays, fails or refuses to execute or revokes the Separation Agreement, the Company shall have no obligation to make the payments provided by Section 4(b)(ii). A termination of Executive under this Section 4(b) does not include a termination by reason of Executive's Disability or upon the death of Executive.

"Good Reason" shall mean, without Executive's written consent, (i) a material diminution in Executive's then authority, duties or responsibilities; (ii) a material diminution in Executive's Base Salary; (iii) relocation of Executive's office to a location that is more than 50 miles from the Atlanta, Georgia metropolitan area; or (iv) any material breach of this Agreement by the Company, provided, that Executive must provide the Company with written notice of the existence of the event or change constituting Good Reason within 30 calendar days of any such event or change having occurred and allow the Company 60 calendar days from receipt of such notice from Executive to cure the same. If the Company so cures the event or change, Executive shall not have a basis for terminating his employment for Good Reason with respect to such cured event or change. If such event or change is not cured within such 60-day period, Executive must resign his employment with the Company within 30 calendar days of the end of the cure period or Executive will be deemed to have waived his right to terminate his employment for Good Reason based upon such event or change.

(c) Resignation; Executive's Election not to Renew.

(i) Resignation. Executive may resign his employment upon 60 calendar days prior written notice to the Company. If Executive fails to provide such notice, such resignation shall constitute a breach of this Agreement for which Executive shall be liable to the Company for any damages the Company sustains. In addition, the Company shall have the right to terminate Executive's employment before the end of the 60-day notice period and such termination shall not be treated as a termination Without Cause. Upon termination of Executive's employment under this Section 4(c)(i), the Company shall be under no further obligation to Executive, except to pay the Accrued Benefits.

(ii) Non-Renewal. Executive's timely notice of his option not to extend the term of the Employment Period shall not be considered to be a breach of this Agreement. In the event that Executive elects not to renew this Agreement, the Company shall be under no further obligation to Executive, except to pay the Accrued Benefits through the end of the Employment Period.

(d) Disability of Executive. The Company may terminate this Agreement if Executive experiences a Disability (as defined below, "Disability" means an illness, injury or other incapacitating condition as a result of which Executive is unable to perform, with or without reasonable accommodation, the services required to be performed under this Agreement for more than: (i) 90 consecutive calendar days during the Employment Period or (ii) a period or periods aggregating more than 120 calendar days in any 12 consecutive months. If, at the time the question of possible termination for Disability arises, the Company is subject to the Federal Family and Medical Leave Act, any applicable state equivalent, or any federal or state disability discrimination laws, the requirements of those laws shall, to the extent required, supersede the provisions of this paragraph. Executive agrees to submit to such medical examinations as may be reasonably requested by the Company, from time to time, to determine whether a Disability exists. Any determination as to the existence of a Disability shall be made as follows: first, the Company shall be entitled to engage a physician to determine the existence of a Disability; then, if Executive disagrees with such determination, Executive shall give written notice of Executive's disagreement within ten days after Executive is notified in writing of such determination, and Executive shall be entitled to engage a physician to determine the existence of a Disability; and if Executive's physician disagrees with the determination made by the Company's physician, then these two physicians shall mutually agree upon a third physician who shall make a determination whether a Disability exists, and such determination shall be final and binding upon the Company and Executive. The Company and Executive shall share equally in the costs of such third physician. Upon such termination, the Company shall be under no further obligation to Executive, except to pay the Accrued Benefits.

(e) Cooperation. Following termination for any reason, Executive shall (i) reasonably cooperate with the Company, as reasonably requested by the Company, to effect a transition of Executive's responsibilities and to ensure that the Company is aware of all matters being handled by Executive and (ii) cooperate and provide assistance to the Company at its reasonable request in connection with any action, suit or proceeding brought by or against the Company or any of its affiliates (or in which any of them is or may be a party) or that relates in any way to Executive's acts or omissions while employed by the Company. The Company agrees to promptly reimburse Executive for reasonable expenses incurred by him in connection with assisting the Company in the manner described in the immediately preceding sentence. Reimbursement shall be made in accordance with the applicable policy of the Company then in effect. Upon termination for any reason, Executive shall be deemed to have resigned from all offices and directorships then held with the Company or any of its subsidiaries. Executive's obligations under this Section 4(e) shall survive the termination of Executive's employment and the expiration or termination of the Agreement.

(f) Company Property. All assets, property and equipment and all tangible and intangible information relating to the Company, its affiliates and their respective employees, customers or vendors furnished to, obtained by or prepared by Executive or any other person during the course of or incident to Executive's employment by the Company or any of its subsidiaries are and shall remain the sole property of Company ("Company Property"). Company Property includes, but is not limited to, computer equipment, books, manuals, records, reports, notes, correspondence, contracts, customer lists, business cards, advertising, sales, financial, personnel, operations, and manufacturing materials and information, data processing reports, computer programs, software, customer information and records, business records, price lists or information, and samples, and in each case shall include all copies thereof in any medium, including paper, electronic and magnetic media and all other forms of information storage. Following termination of Executive's employment for any reason, Executive must return all Company Property to the Company without demand or request by the Company therefor. Executive shall further permanently delete any Company information from any computers or other electronic storage devices owned by Executive. Upon request of the Company, Executive shall certify in writing that Executive has complied with the requirements of this Section 4(f). Notwithstanding the foregoing, Executive shall be permitted to retain one or more copies of his contacts list and his appointment calendars. Executive's obligations under this Section 4(f) shall survive termination of Executive's employment and the expiration or termination of the Agreement until Executive has returned all Company Property to the Company.

1. Death of Executive. In the event of the death of Executive during the Employment Period, the Company's obligations hereunder shall automatically cease and terminate; provided, that the Company shall pay to

the Executive's personal representatives under Executive's last will and testament, and if none exists, to his heirs at law, the Accrued Benefits.

2. Restrictive Covenants.

(a) Definitions. When capitalized and used herein, the following terms shall have the following meanings set forth below:

(i) "Business" means the business (whether operated in physical locations or online over the internet) of selling hard surface flooring materials.

(ii) "Competitive Area" means the 30 mile radius around any location where the Company (A) has a then current location (including the Company's current locations listed on Exhibit B attached hereto) and (B) has *abona fide* intention to open a new location.

(iii) "Competitive Business Activity" shall mean providing services to a Competitor that are the same or similar to Executive's Duties and Responsibilities under this Agreement, whether as an employee, independent contractor or consultant.

(iv) "Competitor" means any Person (other than the Company and its affiliates) engaged in the Business. To the extent that a Competitor is engaged in any business activities other than the Business, the term "Competitor" does not restrict Executive's involvement with such other business activities.

(v) "Confidential Information" means information developed by or on behalf of any of the Company or its affiliates that is not generally known by persons not employed by the Company or its affiliates and that could not easily be determined or learned by someone outside the Company, including information concerning (A) Customers, Suppliers, internal corporate policies and strategies, corporate opportunities, financial and sales information, personnel information, forecasts, business and marketing plans, (B) the affairs or assets of the Company and its affiliates, accounts, or clients for which the Company or its any of its affiliates performs, directly or indirectly, services, or (C) the nature and material terms of business opportunities, investors, business and proposals available to the Company or its affiliates. Confidential Information (x) includes both written information and information not reduced to writing, whether or not explicitly designated as confidential, (y) is of a special and unique nature and value to the Company, its affiliates and their respective businesses and (z) provides the Company or its affiliates with a competitive advantage. Confidential Information does not include information that is publicly available or is readily ascertainable from publicly available information.

(vi) "Customer" means any Person who is a customer or client of the Company or its affiliates that is a professional contractor and with whom Executive had material business-related contact (whether in person, by telephone or by paper or electronic correspondence), on behalf of the Company or its affiliates.

(vii) "Person" means any individual or entity.

(viii) "affiliates" means a Person's subsidiaries, affiliates, successors, transferees or assigns that are engaged in the Business.

(ix) "Restricted Period" means the time period beginning on the Effective Date of this Agreement and ending one year after the termination of Executive's employment with the Company for any reason, whether by Executive or Company.

(x) "Supplier" means any Person who supplies products or services to the Company in support of the Company's Business and with whom Executive had material business-related contact

(whether in person, by telephone or by paper or electronic correspondence), on behalf of the Company or its affiliates.

(b) Confidentiality. Executive shall not, while employed under this Agreement and after the Employment Period terminates, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person any Confidential Information, other than in the course and scope of Executive's Duties and Responsibilities under this Agreement. In the event that Executive receives a subpoena or other request having force of law, or reasonably believes that disclosure of Confidential Information is required by law, Executive shall promptly provide the Company, to the extent reasonably possible, with written notice thereof, and shall reasonably cooperate, at no expense to Executive, with the Company if the Company elects to seek a judicial protective order or other appropriate judicial protection of such Confidential Information.

In accordance with 18 U.S.C. Section 1833, notwithstanding anything to the contrary in this Agreement: (i) Executive shall not be in breach of this Agreement and shall not be held criminally or civilly liable under any federal or state trade secret law (A) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (B) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (ii) if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney, and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

(c) Whistleblowers. Nothing in this Agreement shall be construed to prohibit Executive, or any officer or director of the Company, from reporting possible violations of law or regulation to any governmental agency or regulatory body or making other disclosures that are protected under any law or regulation, or from filing a charge with or participating in any investigation or proceeding conducted by any governmental agency or regulatory body. Executive and any officer or director of the Company do not need the prior authorization of the Company to make any such reports or disclosures and are not required to notify the Company that they have made such reports or disclosures.

(d) Noncompete. Executive will not, during the Restricted Period, directly or indirectly, engage in a Competitive Business Activity in a Competitive Area.

(e) Executive's Consent to Reasonable Restrictions. Executive agrees that this covenant is *reasonable with respect to its duration, geographical area and scope*, in light of the nature and geographic scope of the Business subject to this restriction. Executive represents, warrants, acknowledges and agrees that he has been fully advised by counsel in connection with the negotiation, preparation, execution and delivery of this Agreement; and no reasonable Person in the position of the Company would employ Executive under the terms and conditions of this Agreement without the benefit of the restrictive covenants applicable to Executive under Sections 6(b) through 6(h) of this Agreement, and without the other agreements by Executive contained herein (collectively, the "Restrictive Covenants and Agreements"). Accordingly, Executive agrees to be bound by the Restrictive Covenants and Agreements contained in this Agreement to the maximum extent permitted by law, it being the intent and spirit of the parties that the Restrictive Covenants and Agreements contained herein shall be valid and enforceable in all respects.

(f) Non-Solicitation of Customers and Suppliers. Executive shall not, during the Restricted Period (whether on Executive's own behalf or on behalf of another Person), directly or indirectly: (a) solicit Customers to purchase products on behalf of a Competitor, or (b) solicit Suppliers to provide products or services to support a Competitor.

(g) Non-Solicitation of Employees. Executive shall not, during the Restricted Period (whether on Executive's own behalf or on behalf of some other Person), directly or indirectly solicit or attempt to hire any individual who is at that time an employee, independent contractor or other agent of the Company or any of its affiliates or (b) induce or encourage any employee, independent contractor or other agent of the Company or any of

its affiliates to terminate or materially reduce, as applicable, his employment or other business relationship or affiliation with the Company or any of its affiliates.

(h) Non-Disparagement. Except as occurs performing Executive's Duties and Responsibilities during the Employment Period (such as chastising or criticizing store management, suppliers and others doing business with the Company for performing in a manner Executive in good faith believes is not in the best interests of the Company and the Business), while employed by the Company and for a period of three years after the Employment Period terminates, Executive will not directly or indirectly, make or publish any disparaging or derogatory statements or otherwise disparage the business reputation of the Company or any of its affiliates or take any actions that are harmful, in any material respect, to the Company's (or any of its affiliates') goodwill with its Customers, Suppliers, employees, the media or the public. While Executive is employed by the Company and for a period of three years after the Employment Period terminates, the Company shall instruct its officers and directors not to, directly or indirectly, make or publish any disparaging or derogatory statements or otherwise take any actions that disparage Executive's business reputation or take any actions that are harmful, in any material respect, to Executive's goodwill with the Company's Customers, Suppliers, employees, the media or the public, except as occurs performing their duties during the Employment Period (such as chastising or criticizing Executive for performing in a manner such officers or directors in good faith believe are not in the best interests of the Company and the Business). Provided, however, the foregoing shall not prohibit the Executive or any director or officer of the Company from making truthful statements when required, or based upon advice of legal counsel, Executive, or any officer or director of the Company, in good faith believes is required, by law, rule, regulation or judicial or governmental administrative subpoena, order or process in connection with any legal proceeding, to a governmental agency or body or its representative, or in connection with any governmental administrative proceeding.

(i) Reformation. If any court determines that any of the Restrictive Covenants and Agreements, or any part thereof set forth in this Section 6, is or are unenforceable due to over breadth or any other reason, such court shall have the power to modify such provision to the extent necessary to make it reasonable and enforceable and such modified provision shall then be enforceable to the maximum extent permitted by applicable law. Executive acknowledges and agrees that the Restrictive Covenants and Agreements of Executive in this Agreement are reasonable and valid in geographic and temporal scope and in all other respects. If, however, any court subsequently determines that any of the Restrictive Covenants and Agreements, or any part thereof, is or are invalid or unenforceable and not capable of modification, the remainder of the Restrictive Covenants and Agreements shall not thereby be affected and shall be given full effect without regard to the invalid portions.

(j) Survival. Executive's obligations under this Section 6 shall survive the termination of Executive's employment and the expiration or termination of this Agreement in accordance with the terms and conditions herein. The Restrictive Covenants and Agreements, and Executive's obligations under this Section 6, are in addition to and not in lieu of any restrictive covenants or similar covenants, conditions, or obligations applicable to Executive pursuant to any other agreement, plan, policy or arrangement with the Company.

3. Inventions.

(a) Executive acknowledges and agrees that all *ideas, methods*, inventions, discoveries, improvements, work products or developments (collectively, "Inventions"), whether patentable or unpatentable, made or conceived by Executive, solely or jointly with others, that are related to Executive's work as an employee or other service provider to the Company, shall belong exclusively to the Company (or its designee), whether or not patent applications are filed thereon. For the avoidance of doubt, Executive understands that the provisions of this Section 7 requiring assignment of Inventions to the Company do not apply to any Invention that Executive developed entirely on his own time without using the Company's equipment, supplies, facilities, or trade secret information except for those Inventions that either (1) relate at the time of conception or reduction to practice of the Invention to the Company's Business, or actual or demonstrably anticipated research or development of the Company; or (2) result from any work performed by an employee for the Company (other than Executive). Executive will assign to the Company the Inventions and all patents that may issue thereon in any and all countries, whether during or subsequent to the Employment Period, together with the right to file, in Executive's name or in the name of the Company (or its designee), applications for patents and equivalent rights (the "Applications").

Executive will, at any time during and for a period of three years subsequent to the Employment Period, make such applications, sign such papers, take all rightful oaths, and perform all acts as may be reasonably requested from time to time by the Company with respect to the Inventions, provided that Executive shall not be obligated to incur any expense in connection therewith. Executive will also execute assignments to the Company (or its designee) of the Applications, and give the Company and its attorneys all reasonable assistance (including the giving of testimony), at no expense to Executive, to obtain the Inventions for its benefit, all without additional compensation to Executive from the Company.

(b) In addition, the Inventions will be deemed Work for Hire, as such term is defined under the copyright laws of the United States, on behalf of the Company and Executive agrees that the Company will be the sole owner of the Inventions, and all underlying rights therein, in all media now known or hereinafter devised, throughout the universe and in perpetuity without any further obligations to Executive. If the Inventions, or any portion thereof, are deemed not to be Work for Hire, Executive hereby irrevocably conveys, transfers and assigns to the Company, all rights, in all media now known or hereinafter devised, throughout the universe and in perpetuity, in and to the Inventions, including all of Executive's right, title and interest in the copyrights (and all renewals, revivals and extensions thereof) to the Inventions, including all rights of any kind or any nature now or hereafter recognized, including the unrestricted right to make modifications, adaptations and revisions to the Inventions, to exploit and allow others to exploit the Inventions and all rights to sue at law or in equity for any infringement, or other unauthorized use or conduct in derogation of the Inventions, known or unknown, including the right to receive all proceeds and damages therefrom. In addition, Executive hereby waives any so-called "moral rights" with respect to the Inventions. Executive hereby waives any and all currently existing and future monetary rights in and to the Inventions and all patents that may issue thereon, including any rights that would otherwise accrue to Executive's benefit by virtue of Executive being an employee of, or other service provider to the Company. Executive's obligations under this Section 7 shall survive the termination of employment and the expiration or termination of this Agreement in accordance with the terms and conditions herein.

4. No Inconsistent Obligations. Executive hereby represents, warrants and agrees that: (a) there are no restrictions or agreements, oral or written, to which Executive is a party or by which Executive is bound that prevent or make unlawful Executive's execution and delivery of, or performance under, this Agreement; (b) to the best actual knowledge and belief of Executive, none of the information supplied by Executive to Company in connection with Executive's employment by Company misstated a material fact or omitted material facts necessary to make the information supplied by Executive not materially misleading; (c) Executive does not have any business or employment relationship that creates a conflict between the interests of Executive and the Company or any of its subsidiaries; and (d) Executive will not disclose to the Company, or use, or induce the Company to use, any proprietary information or trade secrets of others.

5. Indemnification of Executive. While employed by the Company and for so long thereafter as liability exists with regard to the Executive's activities while employed by the Company, the Company shall indemnify and advance expenses to, and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, Executive to the extent Executive is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he, or a person for whom he is the legal representative, is or was an officer of the Company or, while an officer of the Company, is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such indemnitee. Notwithstanding the preceding sentence, the Company shall be required to indemnify, or advance expenses to, Executive in connection with a proceeding (or part thereof) commenced by Executive only if the commencement of such proceeding (or part thereof) by Executive was authorized by the Board; provided, that the Company shall be required to advance expenses to Executive in connection with a proceeding (or part thereof) commenced by Executive to enforce indemnification rights. The rights to indemnification and to the advance of expenses conferred in this Section 9 shall not be exclusive of any other right that Executive may have or hereafter acquire under FDO Holdings, Inc.'s ("Holdings") Certificate of Incorporation or Bylaws, the Shareholders Agreement, dated November 24, 2010,

among Holdings and the investors party thereto, as amended from time to time, any statute, agreement, vote of stockholders or disinterested directors or otherwise.

6. Section 409A. Notwithstanding anything herein to the contrary:

(a) Although the Company does not guarantee to Executive any particular tax treatment relating to the payments and benefits under this Agreement, it is intended that such payments and benefits be exempt from, or comply with, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations and guidance promulgated thereunder (collectively, "Section 409A"), and all provisions of this Agreement shall be administered, interpreted and construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding any other provision hereof, in no event shall the Company be liable for, or be required to indemnify Executive for, any liability of Executive for taxes or penalties under Section 409A.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A and, for purposes of any such provision, references to a "termination," "termination of employment" or like terms shall mean "separation from service."

(c) With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided, that this clause (ii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect; and (iii) such payments shall be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred.

(d) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within ten calendar days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company. If under this Agreement, an amount is to be paid in two or more installments, for purposes of Section 409A, each installment shall be treated as a separate payment.

(e) Notwithstanding any other provision hereof, if Executive is, as of the date of termination, a "specified employee" for purposes of Treas. Reg. § 1.409A-1(i), then any amount payable to Executive pursuant to Section 4 hereof that is neither a short-term deferral within the meaning of Treas. Reg. § 1.409A-1(b)(4) nor within the involuntary separation pay limit under Treas. Reg. § 1.409A-1(b)(9)(iii)(A) will not be paid before the date that is six months after the date of termination, or if earlier, the date of Executive's death. Any payments to which Executive would otherwise be entitled during such non-payment period will be accumulated and paid or otherwise provided to Executive on the first day of the seventh month following such date of termination, or if earlier, within 30 calendar days of Executive's death to his surviving spouse (or to his estate if Executive's spouse does not survive him).

7. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to conflict of law principles.

(b) Assignment and Transfer. Executive's rights and obligations under this Agreement shall not be transferable by assignment or otherwise, and any purported assignment, transfer or delegation thereof shall be

void. This Agreement shall inure to the benefit of, and be binding upon and enforceable by, any purchaser of substantially all of the Company's assets, any corporate successor to the Company or any assignee thereof.

(c) Entire Agreement. This Agreement, any outstanding equity agreements between Executive and Holdings relating to an award under Holdings' 2011 Amended & Restated Stock Incentive Plan or 2017 Stock Incentive Plan, and the Company's policies and procedures, contain the entire agreement and understanding between the parties hereto with respect to the subject matter hereof, and supersede any prior or contemporaneous written or oral agreements, representations and warranties between them respecting the subject matter hereof.

(d) Amendment and Waiver; Rights Cumulative. This Agreement may be amended, waived or discharged only by a writing signed by Executive and by a duly authorized representative of Holdings and the Operating Company (other than Executive). No failure or neglect of either party hereto in any instance to exercise any right, power or privilege hereunder or under law shall constitute a waiver of any other right, power or privilege or of the same right, power or privilege in any other instance. All waivers by either party hereto must be contained in a written instrument signed by the party to be charged and, in the case of Holdings and the Operating Company, by a duly authorized representative of Holdings and the Operating Company (other than Executive). The rights and remedies provided by this Agreement are cumulative, and the exercise of any right or remedy by either party hereto (or by its successor), whether pursuant to this Agreement, to any other agreement, or to law, shall not preclude or waive its right to exercise any or all other rights and remedies.

(e) Severability. If any term, provision, covenant or condition of this Agreement, or the application thereof to any person, place or circumstance, shall be held to be invalid, unenforceable or void, the remainder of this Agreement and such term, provision, covenant or condition as applied to other persons, places and circumstances shall remain in full force and effect.

(f) Remedy for Breach. In the event of breach or threatened breach of any Restrictive Covenants and Agreements of Executive hereunder, including any breach of Sections 4(e), 4(f), 6 or 7, the damage or imminent damage to the value and the goodwill of the Company and its subsidiaries' business would be inestimable and irreparable, and therefore any remedy at law or in damages shall be inadequate. Accordingly, (i) the provisions of Section 11(h) shall not preclude the Company from obtaining provisional relief, including injunctive relief, from a court of appropriate jurisdiction to protect its rights under this Agreement, and (ii) the Company shall be entitled to seek an injunction to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions thereof in addition to any other remedy (including damages) to which they are entitled at law or in equity. Each party agrees and consents to personal jurisdiction, service of process and venue in any federal or state court within the State of Delaware, County of New Castle, in connection with any action brought in connection with a request for any such provisional or injunctive relief, and in connection with any action to enforce this arbitration clause or an award in arbitration. The prevailing party in any action instituted pursuant to this Agreement shall be entitled to recover from the other party its reasonable attorneys' fees and other expenses incurred in such action. In the event Executive violates (i) the Restrictive Covenants and Agreements (pursuant to the terms thereof) or (ii) Executive's obligations in Sections 4(e) or 4(f) or Section 7 above, and does not cure such violations within 30 days after written notice from the Company to Executive that such violation has occurred, then any obligations to pay amounts to Executive pursuant to Section 4(b) of this Agreement (other than the Accrued Benefits) shall immediately cease. This Section 11(f) shall survive Executive's termination of employment and the expiration or termination of this Agreement.

(g) Notices. All notices, demands or requests made pursuant to, under or by virtue of this Agreement must be in writing and sent to the party to which the notice, demand or request is being made by (i) by nationally recognized overnight courier delivery for next business day delivery, (ii) by hand delivery, or (iii) by facsimile or electronic mail transmission followed by overnight delivery the next business day to the addresses listed below; or to such other street address to which hand deliveries may be made as is specified by a party by not less than five days prior notice to the other party given in accordance with the provisions of this Section. Any notice given in accordance with the provisions of this Section shall be deemed given on the date of initial delivery or initial attempted delivery in the event of rejection or other refusal to accept or inability to deliver because of changed address of which proper notice was not given shall be deemed to be receipt of the notice, request, demand

or other communication, provided that such delivery or attempted delivery at the addresses listed below must be on a business day between 8:30 a.m. and 5:30 p.m. in the time zone in which such address is located. Legal counsel for the respective parties may send to the other party any notices, requests, demands or other communications required or permitted to be given hereunder by such party.

If to Executive:

At the address shown
on the records of the Company

If to the Company:

Floor and Decor Outlets of America, Inc.
2500 Windy Ridge Parkway, SE
Atlanta, Georgia 30339
Telephone: (404) 471-1634
Facsimile: (404) 393-3540
Attention: General Counsel

with copies to:

Floor & Decor Holdings, Inc.
2500 Windy Ridge Parkway, SE
Atlanta, Georgia 30339
Telephone: (404) 471-1634
Facsimile: (404) 393-3540
Attention: General Counsel

and

Proskauer Rose LLP
Eleven Times Square
New York, NY 10036
Telephone: (212) 969-3215
Facsimile: (212) 969-2900
Attention: Ekaterina P. Napalkova, Esq.

(h) Arbitration. Subject to Section 11(f), any dispute, claim, controversy or cause of action, in law (but not in equity), directly or indirectly relating to or arising out of or related to this Agreement, the termination or validity hereof, including the determination of the scope or applicability of this agreement to arbitrate, or the employment relationship, shall, to the fullest extent permitted by law, be exclusively determined by final, binding and confidential arbitration in Wilmington, Delaware conducted by JAMS, Inc. ("JAMS"), or its successor, pursuant to the JAMS Comprehensive Arbitration Rules and Procedures in effect as of the Effective Date. If Executive files a demand for arbitration hereunder, Executive shall not be required to pay the cost of the filing fees in excess of the amount Executive would be required to pay to commence a comparable action in the applicable state or federal courts of Delaware and the Company shall be responsible for the payment of any excess. There shall be limited discovery prior to the arbitration hearing as follows: (a) exchange of witness lists and copies of documentary evidence and documents relating to or arising out of the issues to be arbitrated, (b) depositions of all party witnesses and (c) such other depositions as may be allowed by the arbitrators upon a showing of good cause. Depositions shall be conducted in accordance with Delaware law, the arbitrators shall be required to provide in writing to the parties the basis for the award or order of such arbitrator, and a court reporter shall record all hearings, with such record constituting the official transcript of such proceedings. The arbitrator shall, in their award, allocate all of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing party, against the party who did not prevail. The award in the arbitration shall be final and binding. The

arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§1–16, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The arbitrator will have the same, but *no greater, remedial authority than would a court of law* (except that the arbitrator shall not have the power or authority to award punitive damages, consequential damages, lost profits or speculative damages to either party). This agreement to resolve any disputes by binding arbitration extends to claims by or against the Company and claims by or against any of its affiliates, and applies to claims directly or indirectly arising under or out of (i) federal, state and local laws, including claims of alleged discrimination on any basis, or (ii) the common law. In the event of a conflict between this provision and any provision in the applicable rules of JAMS, the provisions of this Agreement will prevail. The parties shall keep confidential the existence of the claim, controversy or disputes from third parties (other than the arbitrator), and the determination thereof, unless otherwise required by law or necessary for the business of the Company or the other parties to the arbitration, provided that notwithstanding the foregoing, Executive shall be entitled to disclose the existence of, and information and documentation regarding, the claim, controversy or disputes to Executive's accountants, lawyers and financial and other consultants on a "need to know" basis who are assisting or representing such Executive in connection with the arbitration proceeding. **If for any reason this arbitration clause becomes not applicable, then each party, to the fullest extent permitted by applicable law, hereby irrevocably waives all right to trial by jury as to any issue relating hereto in any action, proceeding, or counterclaim arising out of or relating to this Agreement or any other matter involving the parties hereto.** Each of the parties hereto agree and consent to personal jurisdiction, service of process and venue in any federal or state court within the City of Wilmington in the State of Delaware in connection with any action brought to enforce an award in arbitration. This Section 11(h) shall survive Executive's termination of employment and the expiration or termination of this Agreement.

By initialing below, the parties hereby agree to the provisions set forth in this Section 11(h):

EXECUTIVE: /s/ES OPERATING COMPANY: /s/TVT HOLDINGS: /s/TVT

(i) Further Assurances. Executive shall, upon the Company's reasonable request, execute such further documents and take such other actions as may be permitted or reasonably required by law to implement the purposes, objectives, terms, and provisions of this Agreement. The Company shall, upon the Executive's reasonable request, execute such further documents and take such other actions as may be permitted or reasonably required by law to implement the purposes, objectives, terms, and provisions of this Agreement.

(j) Interpretation. The headings and captions of this Agreement are provided for convenience only and are intended to have no effect in construing or interpreting this Agreement. The language in all parts of this Agreement shall be in all cases construed according to its fair meaning and not strictly for or against the Company or Executive. As used herein: (i) reference to any gender includes each other gender; (ii) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof; (iii) reference to any law, rule or regulation means such law, rule or regulation as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any law, rule or regulation means that provision of such law, rule or regulation from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision; (iv) "hereunder," "hereof," "hereto," and words of similar import shall be deemed references to this Agreement as a whole and not to any particular article, section or other provision hereof; (v) numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement; (vi) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; (vii) "or" is used in the inclusive sense of "and/or"; (viii) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto; and (ix) reference to dollars or \$ shall be deemed to refer to U.S. dollars.

(k) Acknowledgement. Executive understands the terms and conditions set forth in this Agreement and acknowledges having had adequate time to consider whether to agree to the terms and conditions and to consult a lawyer or other advisor of Executive's choice.

(l) Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be considered to have the force and effect of an original.

(m) Each Party the Drafter. Executive understands the terms and conditions set forth in this Agreement and acknowledges having had adequate time to consider whether to agree to the terms and conditions and to consult a lawyer or other advisor of Executive's choice. This Agreement and the provisions contained herein shall not be construed or interpreted for or against any party to this Agreement because that party drafted or caused that party's legal representative to draft any of its provisions.

(n) Time of Essence. Time is and shall be of the essence in connection with this Agreement and the terms and conditions contained herein.

(o) Survival. To the extent not otherwise expressly provided in this Agreement, all rights and obligations of any party to this Agreement not fully satisfied or performed, as applicable, on the date Executive's employment is terminated, shall survive the termination of Executive's employment and the expiration or termination of the Agreement, including Sections 4, 5, 6, 7, 8, 9 and 11 of the Agreement.

[Remainder of Page Intentionally Left Blank / Signatures on Next Page]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first written above.

FLOOR & DECOR HOLDINGS, INC.

By: /s/ Thomas V. Taylor
Name: Thomas V. Taylor
Title: CEO

FLOOR AND DECOR OUTLETS OF AMERICA, INC.

By: /s/ Thomas V. Taylor
Name: Thomas V. Taylor
Title: CEO

ERSAN SAYMAN

By: /s/ Ersan Sayman

EXHIBIT A

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (this "Agreement"), between Floor and Decor Outlets of America, Inc., a Delaware corporation (the "Operating Company"), Floor & Decor Holdings, Inc., a Delaware corporation ("Holdings" and together with the Operating Company, the "Company") and Ersan Sayman ("Employee" or "You"), each of whom agrees to the following terms and conditions regarding the separation of Employee's employment with the Company:

1. No Admission. This Agreement shall not be construed as (i) an admission of liability or wrongdoing by either the Company or any of the Releasees (as defined below) or you or (ii) an admission by either the Company or you that you would otherwise have standing or eligibility to bring any claims under the statutes referenced herein (including the statutes specified in Section 7). This Agreement simply reflects the parties' desire to end their service relationship in a business-like fashion.

2. Separation Date. You have been advised of the separation of your employment with the Company effective [●●●●] [●], 20[●●] (the "Separation Date"). You agree that after the Separation Date, you shall not represent yourself as being associated with, or an employee or representative of, the Company for any purpose, and you hereby resign as an officer of the Company and all of its affiliates, from all directorships and other positions with the Company and its affiliates and as a fiduciary of any benefit plan. The Separation Date shall be the termination date of your employment for purposes of participation in and coverage under all benefit plans and programs sponsored by or through the Company, except as otherwise provided in Section 3 of this Agreement.

3. Separation Benefits. In exchange for and subject to your waiver and release of claims against the Company (and non-revocation thereof) and your compliance with the other terms and conditions of this Agreement, the Company agrees to provide you with a severance payment in the gross amount of \$[●●●●]¹ (less applicable tax withholdings and other payroll deductions) pursuant to Section 4(b) of Employee's employment agreement with the Company, effective [●] (the "Employment Agreement"). This payment shall be made in substantially equal installments on the Company's regular pay dates, payable over the 12 month period commencing on the pay day following the 60th calendar day following the Separation Date.

4. Unemployment. The Company will not contest any application for unemployment filed by you.

5. No Claims. You represent that you have not filed any claims or charges against the Company, nor against any of the Releasees (as defined below), with any governmental agency or court based upon any actions or omissions by the Company or any of the Releasees that occurred prior to the execution of this Agreement. You further represent that you have not assigned the right to bring a claim or charge against the Company, nor against any of the Releasees, with any governmental agency or court to any third party.

6. Full Discharge; Payments Represent Additional Amounts. You acknowledge and agree that the payment(s) and other benefits provided pursuant to this Agreement: (i) are in full discharge of any and all liabilities and obligations of the Company to you, monetarily or with respect to employee benefits or otherwise, including but not limited to any and all obligations arising under any alleged written or oral employment agreement, policy, plan or procedure of the Company and/or any alleged understanding or arrangement between the Company and you and any Company representative and you; and (ii) exceed(s) any payment, benefit, or other thing of value to which you might otherwise be entitled under any policy, plan or procedure of any of the Company and/or any agreement between the Company and you, including but not limited to any severance plan or policy of the Company.

7. Release.

(a) In exchange for the consideration set forth in Section 3, you, for yourself and for your heirs, executors, administrators, successors and assigns (referred to collectively as "Releasor"), forever release and discharge the Company and any and all of the Company's affiliates, successors and assigns, and any and all of its and their past and present officers, directors, partners, managers, agents, employees, employee benefit plans and

¹ To be calculated in accordance with Section 4(b) of Employee's employment agreement with the Company.

their fiduciaries and administrators, successors and assigns (referred to collectively as the "Releasees"), from any and all claims, demands, causes of action, fees and liabilities of any kind whatsoever, whether known or unknown, which Releasor ever had, now has or may have against Releasees or any of them by reason of any actual or alleged act, omission, transaction, practice, conduct, occurrence or other matter up to and including the date Employee signs this Agreement.

(b) Without limiting the generality of the foregoing, this Agreement is intended to and shall release Releasees from any and all claims, whether known or unknown, up to and including the date Employee signs this Agreement, that Releasor ever had, now has or may have against Releasees or any of them arising out of Employee's employment with the Company, the terms and conditions of such employment and/or the termination of such employment, including but not limited to any claim under: (i) the Age Discrimination in Employment Act, as amended; (ii) the Employee Retirement Income Security Act of 1974, as amended, (iii) Title VII of the Civil Rights Act of 1964, as amended; (iv) the Americans with Disabilities Act, as amended; (v) the Family Medical Leave Act; (vi) the Fair Labor Standards Act, as amended; (vii) the Older Workers Benefit Protection Act; (viii) the Delaware Discrimination in Employment Act, the Delaware Handicapped Persons Employment Protections Act, the Delaware Whistleblower's Protection Act, Delaware's equal pay laws (Del. Code Ann. § 1107A), Delaware's worker's compensation laws (Del. Code Ann. tit. 19, §2365) and Delaware's wage payment laws (Del. Code Ann. tit. 19, §1101 *et seq.*); (ix) the Georgia Fair Employment Practices Act of 1978, the Georgia Equal Pay Act, the Georgia Equal Employment for People with Disabilities Code, Georgia's age discrimination laws (Ga. Code Ann. § 34-1-2), Georgia's whistleblower protection laws (Ga. Code Ann. § 45-1-4(d)) and Georgia's payment laws (Ga. Code Ann. § 34-4-1 *et seq.*); (x) any other claim of discrimination, harassment or retaliation in employment (whether based on federal, state or local law, statutory or decisional); (xi) any claim sounding in tort or contract (express or implied); and (xii) any claim for attorneys' fees, costs, disbursements or the like.

(c) You acknowledge and agree that by virtue of the foregoing, you have waived any relief available to you (including monetary damages, equitable relief and reinstatement) under any of the claims and/or causes of action waived in this Agreement. Therefore you agree that you will not accept any award or settlement from any source or proceeding (including but not limited to any proceeding brought by any other person or by any government agency) with respect to any claim or right waived in this Agreement.

(d) Nothing herein, however, shall constitute a waiver of claims arising after the date Employee signs this Agreement, or of any rights to accrued, vested benefits under any qualified or non-qualified employee benefit plan of the Company (in accordance with the terms of the official plan documents and applicable law) or claims for benefits under the Company's group medical, dental and vision plans (in accordance with the terms of such plans and applicable law), or any claim that cannot be waived by law. In addition, nothing herein shall be a waiver of Employee's right to file a charge with, provide truthful information about this Agreement or Releasees to, or to cooperate with any investigation being conducted by any governmental agency; provided, however, Employee acknowledges that by virtue of his release, he has waived and may not recover monetary or equitable relief of any kind from Releasees in connection with the claims he has waived in this Agreement.

8. EEOC Charges or Investigations. Nothing set forth in Sections 5 or 7 of this Agreement shall prevent you from filing a charge with or participating in an investigation conducted by any governmental agency, including the United States Equal Employment Opportunity Commission ("EEOC"), or applicable state/city fair employment practices agency to the extent required or permitted by law. However, by signing this Agreement, you acknowledge and agree that you are waiving any entitlement to seek or accept any monetary damages (including, but not limited to, attorneys' fees and costs) and/or equitable relief with respect to any claims or causes of action released and/or waived in this Agreement.

9. Claims Based Upon Different or Additional Facts Also Released. You understand and agree that if, hereafter, you discover facts different from or in addition to those which you now know or believe to be true, that the waivers and releases of Section 7 of this Agreement shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery of such facts.

10. Voluntary Agreement. You understand and acknowledge the significance and consequences of this Agreement, that it is voluntary, that it has not been given as a result of any coercion, and you expressly confirm that

it is to be given full force and effect according to all of its terms, including those relating to unknown claims as specified in Sections 7 and 9. You were hereby advised of your right to seek the advice of an attorney prior to signing this Agreement. You acknowledge that you have signed this Agreement only after full reflection and analysis, that you understand it and that you are entering into it voluntarily.

11. Continuing Obligations. You acknowledge and agree that you are still subject to the obligations under Sections 4, 6, 7, and 11 of the Employment Agreement. Such Sections of the Employment Agreement as well as Sections 5, 8 and 9 shall survive your termination of employment with the Company in accordance with the terms thereof.

12. Cooperation. Following the Separation Date, Employee shall (i) reasonably cooperate with the Company, as reasonably requested by the Company, to effect a transition of Employee's responsibilities and to ensure that the Company is aware of all matters being handled by Employee and (ii) cooperate and provide assistance to the Company at its reasonable request in connection with any action, suit or proceeding brought by or against the Company or any of its affiliates (or in which any of them is or may be a party) or that relates in any way to Employee's acts or omissions while employed by the Company. The Company agrees to promptly reimburse Employee for reasonable expenses incurred by him in connection with assisting the Company in the manner described in the immediately preceding sentence. Reimbursement shall be made in accordance with the applicable policy of the Company then in effect.

13. Return of Property. By the close of business on the Separation Date, you agree to return to the Company all Company Property (as defined below). All assets, property and equipment and all tangible and intangible information relating to the Company, its affiliates and their respective employees, customers or vendors furnished to, obtained by or prepared by Employee or any other person during the course of or incident to Employee's employment by the Company or any of its subsidiaries are and shall remain the sole property of Company ("Company Property"). Company Property includes, but is not limited to, computer equipment, books, manuals, records, reports, notes, correspondence, contracts, customer lists, business cards, advertising, sales, financial, personnel, operations, and manufacturing materials and information, data processing reports, computer programs, software, customer information and records, business records, price lists or information, and samples, and in each case shall include all copies thereof in any medium, including paper, electronic and magnetic media and all other forms of information storage. Employee shall further permanently delete any Company information from any computers or other electronic storage devices owned by Employee. Upon request of the Company, Employee shall certify in writing that Employee has complied with the requirements of this Section 13. Notwithstanding the foregoing, Employee shall be permitted to retain one or more copies of his contacts list and his appointment calendars.

14. Severability. If any provision of this Agreement is held to be illegal, void, or unenforceable, such provision shall be of no force or effect. However, the illegality or unenforceability of such provision shall have no effect upon, and shall not impair the enforceability of, any other provision of this Agreement. Further, to the extent any provision of this Agreement is deemed to be overbroad or unenforceable as written, such provision shall be given the maximum effect permissible under law.

15. Complete Agreement. This Agreement, the Employment Agreement and the Company's policies and procedures state the entire understanding between the parties hereto with respect to the subject matter hereof, supersede any and all prior agreements and understandings (whether oral or written) with respect to the subject matter hereof, and may not be changed or modified except by a written agreement signed by both of the parties hereto after the Effective Date. You represent and agree that, in signing this Agreement, you are not relying on any promises or representations not contained in this Agreement and acknowledge that you are not entitled to any other compensation or benefits from the Company except as otherwise expressly provided for herein.

16. Governing Law and Exclusive Venue. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware. Additionally, any action to enforce the terms of this Agreement shall be commenced exclusively in the state of Delaware. Both parties consent to personal jurisdiction in federal and state courts in the state of Delaware.

17. Specific Performance. In the event of breach or threatened breach of any Restrictive Covenants and Agreements (as defined in the Employment Agreement) of Employee hereunder, including any breach of Sections

11, 12 or 13 above, the damage or imminent damage to the value and the goodwill of the Company and its subsidiaries' business would be inestimable and irreparable, and therefore any remedy at law or in damages shall be inadequate. Accordingly, (i) the provisions of Section 18 shall not preclude the Company from obtaining provisional relief, including injunctive relief (without the necessity of posting a bond), from a court of appropriate jurisdiction to protect its rights under this Agreement, and (ii) the Company shall be entitled to seek an injunction to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions thereof in addition to any other remedy (including damages) to which they are entitled at law or in equity. Each party agrees and consents to personal jurisdiction, service of process and venue in any federal or state court within the State of Delaware, County of New Castle, in connection with any action brought in connection with a request for any such provisional or injunctive relief, and in connection with any action to enforce this arbitration clause or an award in arbitration. The prevailing party in any action instituted pursuant to this Agreement shall be entitled to recover from the other party its reasonable attorneys' fees and other expenses incurred in such action. In the event Employee violates (i) the Restrictive Covenants and Agreements (pursuant to the terms thereof) or (ii) Employee's obligations in Sections 11, 12 or 13 above, and does not cure such violations within 30 days of written notice from the Company to Employee that such violation has occurred, then any obligations to pay amounts to Employee pursuant to Section 3 above shall immediately cease.

18. **Arbitration.** Subject to Section 17 above, any dispute, claim, controversy or cause of action, in law (but not in equity), directly or indirectly relating to or arising out of or related to this Agreement, the termination or validity hereof, including the determination of the scope or applicability of this agreement to arbitrate, or the employment relationship, shall, to the fullest extent permitted by law, be exclusively determined by final, binding and confidential arbitration in Wilmington, Delaware conducted by JAMS, Inc. ("**JAMS**"), or its successor, pursuant to the JAMS Comprehensive Arbitration Rules and Procedures in effect as of the Effective Date (as defined in the Employment Agreement). If Employee files a demand for arbitration hereunder, Employee shall not be required to pay the cost of the filing fees in excess of the amount Employee would be required to pay to commence a comparable action in the applicable state or federal courts of Delaware and the Company shall be responsible for the payment of any excess. There shall be limited discovery prior to the arbitration hearing as follows: (a) exchange of witness lists and copies of documentary evidence and documents relating to or arising out of the issues to be arbitrated, (b) depositions of all party witnesses and (c) such other depositions as may be allowed by the arbitrators upon a showing of good cause. Depositions shall be conducted in accordance with Delaware law, the arbitrators shall be required to provide in writing to the parties the basis for the award or order of such arbitrator, and a court reporter shall record all hearings, with such record constituting the official transcript of such proceedings. The arbitrator shall, in their award, allocate all of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing party, against the party who did not prevail. The award in the arbitration shall be final and binding. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§1-16, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The arbitrator will have the same, but no greater, remedial authority than would a court of law (except that the arbitrator shall not have the power or authority to award punitive damages, consequential damages, lost profits or speculative damages to either party). This agreement to resolve any disputes by binding arbitration extends to claims by or against the Company and claims by or against any of its affiliates, and applies to claims directly or indirectly arising under or out of (i) federal, state and local laws, including claims of alleged discrimination on any basis, or (ii) the common law. In the event of a conflict between this provision and any provision in the applicable rules of JAMS, the provisions of this Agreement will prevail. The parties shall keep confidential the existence of the claim, controversy or disputes from third parties (other than the arbitrator), and the determination thereof, unless otherwise required by law or necessary for the business of the Company or the other parties to the arbitration, provided that notwithstanding the foregoing, Employee shall be entitled to disclose the existence of, and information and documentation regarding, the claim, controversy or disputes to Employee's accountants, lawyers and financial and other consultants on a "need to know" basis who are assisting or representing such Employee in connection with the arbitration proceeding. **If for any reason this arbitration clause becomes not applicable, then each party, to the fullest extent permitted by applicable law, hereby irrevocably waives all right to trial by jury as to any issue relating hereto in any action, proceeding, or counterclaim arising out of or relating to this Agreement or any other matter involving the parties hereto.** Each of the parties hereto agree and consent to personal jurisdiction, service of process and venue in any federal or state court within the City of Wilmington in the State of Delaware in connection with any action brought to enforce an award in arbitration.

By initialing below, the parties hereby agree to the provisions set forth in this Section 18:

EMPLOYEE: _____ OPERATING COMPANY: _____ HOLDINGS: _____

19. Attorneys Fees. Should the Company or you institute any legal action or administrative proceeding with respect to any claim waived by this Agreement, or pursue any dispute or matter covered by this Section 19 by any method other than said arbitration, the responding party shall be entitled to recover from the other party all damages, costs, expenses and attorneys' fees incurred as a result of such action.

20. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of (a) the Company and any entity it succeeds by acquisition, merger or otherwise to all, or substantially all, of the Company's business and (b) Employee and Employee's heirs, legatees, executors, and administrators and legal representatives. Employee may not assign this Agreement, and any such purported assignment shall be void, but the Company may freely assign this Agreement and the benefits hereunder without the consent of Employee at any time to any person or entity.

21. Execution of Agreement. You acknowledge that you: (a) have carefully read this Agreement in its entirety; (b) have had an opportunity to consider the terms of this Agreement for at least 21 days; (c) have been and are hereby advised by the Company in writing to consult with an attorney of your choice before signing this Agreement; (d) fully understand the significance of all of the terms and conditions of this Agreement and have discussed them with an attorney of your choice, or have had a reasonable opportunity to do so; and (e) are signing this Agreement voluntarily and of your own free will and agree to abide by all the terms and conditions contained herein.

22. Manner of Acceptance; Revocation. You may accept this Agreement by signing it before a notary public, inserting the date of signature in the space provided, and sending it to FLOOR AND DECOR OUTLETS OF AMERICA, INC.; 2500 WINDY RIDGE PARKWAY, SE, ATLANTA, GEORGIA 30339; ATTENTION: GENERAL COUNSEL, by first class mail or certified mail on or before the later of the 21st day after you receive this Agreement. After signing this Agreement, you shall have seven days (the "Revocation Period") to revoke your decision. If the last day of the Revocation Period falls on a Saturday, Sunday or a legal holiday, then the last day of the Revocation Period will be deemed to be the next business day. You may exercise your right to revoke your decision by doing so in writing and sending such written notice of revocation to the General Counsel of the Company, as applicable, at the above address by first class or certified mail or by facsimile with the written original mailed by no later than the last day of the Revocation Period. Provided you do not revoke this Agreement during the Revocation Period, the Effective Date of this Agreement shall be the day after the last day of the Revocation Period (the "Effective Date"). You understand that if you revoke this Agreement you will not be entitled to any of the payments and benefits set forth hereunder, whether under Section 3 or otherwise.

23. Miscellaneous. This Agreement shall also be subject to the following miscellaneous terms and conditions:

(a) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instruments.

(b) Headings. The headings of the sections and sub-sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

(c) Amendment. This Agreement may not be modified, altered or changed except upon express written consent of both parties wherein specific reference is made to this Agreement.

(d) Interpretation or Construction. Should any provision of this Agreement require interpretation or construction, it is agreed by the parties that the entity interpreting or constructing this Agreement shall not apply a presumption against one party by reason of the rule of construction that a document is to be construed more strictly against the party who prepared the document.

(e) Third Party Beneficiaries. Each of the Releasees is a third party beneficiary of this Agreement.

(f) Taxes. All payments to be made to you under this Agreement will be subject to any applicable deductions or withholdings required by law or authorized by you, including but not limited to withholding of federal, state and local income and employment taxes.

(g) Section 409A. The intent of the parties is that payments and benefits under this Agreement comply with, or be exempt from, Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively, "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall the Company or any of its affiliates be liable for any additional tax, interest or penalty that may be imposed on you by Code Section 409A or any damages for failing to comply with Code Section 409A.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first written above.

FLOOR & DECOR HOLDINGS, INC.

By: _____
Name: _____
Title: _____

FLOOR AND DECOR OUTLETS OF AMERICA, INC.

By: _____
Name: _____
Title: _____

ERSAN SAYMAN

By: _____
Date: _____

EXHIBIT B – COMPETITIVE AREA

101 - Brookhaven (Relo) 1690 NE Expy NE Brookhaven, GA 30329	209 - Thornton 16161 Grant Street Thornton, CO 80020
103 - Jacksonville 8102 Blanding Boulevard Jacksonville, FL 32244	210 - Burlingame 1541 Adrian Road Burlingame, CA 94010
104 - Dallas 2350 Alberta Drive Dallas, TX 75229	211 - Everett 1502 SE Everett Mall Way Everett, WA 98208
105 - Houston North Freeway 17211 North Freeway Houston, TX 77090	212 - Saugus 180 Main Street Saugus, MA 01906
106 - Kennesaw 1200 Ernest Barrett Pkwy Kennesaw, GA 30144	213 - Algonquin 826 South Randall Road Algonquin, IL 60102
107 - Houston - Almeda 11542 Gulf Freeway Houston, TX 77034	214 - Pineville 9579 South Blvd. Charlotte, NC 28273
108 - Pompano Beach 1914 W Atlantic Blvd Pompano Beach, FL 33069	215 - Bridgeton 11968 Paul Mayer Avenue Bridgeton, MO 63044
109 - Arlington 2540 E. Pioneer Pkwy Arlington, TX 76010	216 - Sacramento Delta Shores Sacramento, CA 95832
110 - Orlando (Relo) 3111 East Colonial Drive Orlando, FL 32803	217 - St. Louis 4441 Lemay Ferry Road St. Louis, MO 63169
111 - Glendale 5880 West Bell Rd. Glendale, AZ 85308	218 - Irving Park 3443 W. Addison Street Chicago, IL 60618
112 - Plano 800A West 15th Street Plano, TX 75075	219 - Humble 18840 HWY 59 Humble, TX 77338
113 - West Oaks - Houston 14409 Park Hollow Dr Houston, TX 77091	220 - El Paso 9801 Gateway Boulevard W. El Paso, TX 79925
114 - Brandon 10059 East Adamo Dr. Tampa, FL 33619	221 - Wichita 9629 E. Kellogg Dr Wichita, KS 67207
115 - Tempe 7500 S. Priest Dr. Tempe, AZ 85283	222 - Moreno Valley 24318 Hemlock Avenue Moreno Valley, CA 92557
116 - Clearwater 21760 US Hwy 19N Clearwater, FL 33765	223 - Tolleson West of the SWC of McDowell Road and 91st Avenue Tolleson, AZ 85353
117 - Arvada 7350 West 52nd Avenue Arvada, CO 80002	224 - Columbus 6300 Tussing Road Reynoldsburg, OH 43068

118 - Highlands Ranch 1980 E County Line Rd Highlands Ranch, CO 80126	225 - Shelby Township 14453 Hall Road Shelby Township, MI 48315
119 - San Antonio (Relo) 125 NW Loop 410, Suite 240 San Antonio, TX 78216	226 - San Gabriel 7279 Rosemead Boulevard San Gabriel, CA 91775
120 - Henderson 1080 W Sunset Rd Henderson, NV 89014	227 - La Quinta 79315 Highway 111 La Quinta, CA 92253
121 - Austin 4501 West Braker Lane Austin, TX 78759	228 - Pleasant Hill 200 Golf Club Road Pleasant Hill, CA 94523
122 - Doral (Relo) 2525 NW 82nd Avenue Doral, FL 33122	229 - Dorchester 729 Morrissey Boulevard Dorchester, MA 02122
123 - Norco 200 Hidden Valley Pkwy Norco, CA 92860	230 - Novi 44075 West 12 Mile Road Novi, MI 48377
124 - Gretna 4 Westside Shopping Center Gretna, LA 70053	231 - Dallas Design Studio 1301 Oak Lawn Avenue Dallas, TX 75207
125 - Hilliard 3785 Park Mill Run Dr Hilliard, OH 43026	232 - San Diego 960 Sherman Street San Diego, CA 92110
128 - Garden District Design Center 2801 Magazine St New Orleans, LA 70115	233 - West San Antonio 7126 West Loop 1604 North San Antonio, TX 78250
129 - Santa Ana 1801 East Dyer Rd Santa Ana, CA 92705	234 - Salt Lake City 550 West 1700 South Salt Lake City, UT 84115
130 - Roswell 610 Holcomb Bridge Rd Roswell, GA 30076	235 - Elizabeth 900 Ikea Drive Elizabeth, NJ 07021
131 - Mesquite 1330 North Town East Blvd Mesquite, TX 75150	236 - Toms River 213 NJ Route 37 Toms River, NJ 08753
132 - Lombard 1000 North Rohlwing Rd Lombard, IL 60148	237 - Nashua 255 Amherst Street Nashua, NH 03063
133 - Boynton Beach 1974 High Ridge Rd Boynton Beach, FL 33426	238 - San Leandro 1700 Fairway Drive San Leandro, CA 94577
134 - Pembroke Pines 13650 Pines Blvd Pembroke Pines, FL 33027	239 - Murrieta 39835 Alta Murietta Drive Murrieta, CA 92563
135 - North Richland Hills 6801 NE Loop 820 North Richland Hills, TX 76180	240 - South Austin 9601 South I-35 Austin, TX 78744
136 - Arlington Heights 600 East Rand Road Arlington Heights, IL 60004	241 - McKinney, (Owned) W University Drive McKinney, TX 75071
137 - Memphis 5234 Summer Ave. Memphis, TN 38122	242 - Houston (Dacoma Street) 4330 Dacoma Street Houston, TX 77092

138 - Aurora 307 S. Route 59 Aurora, IL 60504	243 - West Covina 730 S Orange Ave West West Covina, CA 91790
139 - Richmond 5432 Glenside Dr Richmond, VA 23228	244 - Danbury (Owned) 116 Federal Rd. Danbury, CT 06811
140 - Sarasota 8415 Lockwood Ridge Rd. Sarasota, FL 34243	245 - Gainesville 923 NW 76th Blvd Gainesville, FL 32606
141 - Tucson 7125 E. Broadway Boulevard Tucson, AZ 85710	246 - Wesley Chapel 25737 Sierra Center Blvd Lutz, FL 33559
142 - Cincinnati 3430 Highland Avenue Cincinnati, OH 45213	247 - Webster 20740 Gulf Freeway Webster, TX 77598
143 - Lakeland 919 Lakeland Park Center Dr Lakeland, FL 33809	248 - Fresno 6417 N. Riverside Drive Fresno, CA 93722
144 - Reno 4823 Kietzke Lane Reno, NV 89509	249 - Greenville 401 Roper Mountain Rd Greenville, SC 29615
145 - Skokie 3300 Oakton Street Skokie, IL 60067	251 - Garden City 650 Stewart Ave. Garden City, NY 11530
146 - Potomac Mills 14041 Worth Avenue Woodbridge, VA 22192	252 - Waltham 80 2nd Ave Waltham, MA 02451
147 - Camelback 1800 E. Highland Ave. Phoenix, AZ 85016	253 - Tulsa 10303 E 71st St Tulsa, OK 74133
148 - Sugar Land 3665 Highway 6 Sugar Land, TX 77478	254 - North Portland 11919 N Jantzen Dr Portland, OR 97217
149 - Miami Gardens 1400 NW 167th Street Miami Gardens, FL 33169	255 - Fairfield 290 Tunxis Hill Rd Fairfield, CT 06825
150 - Rocklin 6681 Stanford Ranch Road Rocklin, CA 95667	256 - Des Moines 1400 22nd St West Des Moines, IA 50266
151 - McDonough 1120 Town Center Village McDonough, GA 30253	257 - Bohemia 5151 Sunrise Hwy Holbrook, NY 11716
152 - Savannah 1800 E Victory Drive, 1 Savannah, GA 31404	258 - Bakersfield 6915 Colony St Bakersfield, CA 93307
153 - Greensboro 1302 Bridford Parkway Greensboro, NC 27407	259 - Greenwood 1049 N Emerson Ave Greenwood, IN 46143
154 - Langhorne 1501 East Lincoln Highway Levittown, PA 19047	260 - Columbia 3700 Fernandina Rd Columbia, SC 29210
155 - Fullerton 202 Imperial Hwy. Fullerton, CA 92835	261 - Denton 2201 I-35 E Denton, TX 76205

156 - Wayne 77 Willowbrook Blvd. Wayne, NJ 07470	262 - Tacoma 7601 S Hosmer St Tacoma, WA 98408
157 - Downey 8925 Apollo Way Downy, CA 90242	263 - Commack 4 Henry Street Commack, NY 11725
158 - Fort Myers 3853 Cleveland Ave. Fort Myers, FL 33901	264 - Leesburg 950 Edwards Ferry Rd NE Leesburg, VA 20176
158 - Ft. Myers (Consent to Sublease) 3853 Cleveland Ave. Fort Myers, FL 33901	265 - Naples 2157 Pine Ridge Rd Naples, FL 34109
159 - Draper 12101 S. State Street #100 Draper, UT 84020	266 - Conyers, GA 1478 Old Salem Road SE Conyers, GA 30013
160 - Mall of Georgia 2918 Buford Drive Buford, GA 30519	267 - Rancho Cucamonga 8250 Day Creek Blvd Rancho Cucamonga, CA 91739
161 - The Colony 5651 State Hwy 121, Suite 100 The Colony, TX 75056	268 - Oxnard 9100 Ventura Blvd Oxnard, CA 93030
162 - Countryside 1 Countryside Plaza, Suite 300 Lagrange, IL 60525	269 - Tinley Park 7061 W 159th St Tinley Park, IL 60487
163 - Moorestown 1001 Nixon Drive Moorestown, NJ 08057	270 - Monona 2101 W. Broadway Monona, WI 53713
164 - Knoxville 146 Moss Grove Blvd Knoxville, TN 37922	271 - Chatham 125 West 87th St Chicago, IL 60620
165 - Nashville 5330 Cane Ridge Rd. Antioch, TN 37013	272 - Miami Design Studio 3800 NE Miami Court Miami, FL 33137
166 - Gaithersburg 18501 N Frederick Ave Gaithersburg, MD 20879	273 - Warrensville Heights 4291 Richmond Road Warrensville Heights, OH 44122
167 - Cypress 20502 Hempstead Rd. Houston, TX 77065	274 - Baton Rouge (Owned) 9969 Professional Blvd Baton Rouge, LA 70809
168 - North Dale Mabry 2913 N. Dale Mabry Hwy. Tampa, FL 33607	275 - Houston Design Center 5080 Richmond Ave Houston, TX 77056
169 - Woodland Hills 22840 Victory Boulevard Los Angeles, CA 91367	276 - McAllen 1101 W Expressway 83 McAllen, TX 78503
170 - Katy 24633 Katy Fwy Katy, TX 77494	277 - Omaha 402 Rose Blumkin Drive Omaha, NE 68114
171 - Devon 176 W. Swedesford Rd Devon, PA 19333	278 - Live Oak (Owned) 4022 Ikea RBFCU Parkway Live Oak, TX 78233
172 - Sanford 221 Towne Center Blvd Sanford, FL 32771	279 - Oak Ridge North (Owned) 26904 Interstate 45 Oak Ridge North, TX 77386

173 - Riviera Beach 7540 Byron Drive Riviera Beach, FL 33404	280 - Capitol Heights 1853 Ritchie Station Court Capitol Heights, MD 20790
175 - Gurnee 6100 West Grand Avenue Gurnee, IL 60031	281 - Fern Park (Owned) 355 SR 436 Fern Park, FL 32730
176 - Fountain Valley 9065 Warner Ave. Fountain Valley, CA 92708	282 - Cumming (Owned) 1090 Buford Highway Cumming, GA 30041
177 - Alexandria 4607 Eisenhower Avenue Alexandria, VA 22304	283 - Vienna Design Studio 1929 Old Gallows Road Vienna, VA 22182
178 - Carmel Mountain 14340 Penasquitos Drive San Diego, CA 92129	284 - Stockton 1880 E. Hammer Lane Stockton, CA 95210
179 - Concord 8094 Concord Mills Blvd Concord, NC 28027	285 - Parkville (Towson) 8980 Waltham Woods Road Parkville, MD 21234
180 - Mesa 7022 East Hampton Ave. Mesa, AZ 85209	286 - West Hartford 46 Kane Street West Hartford, CT 06119
181 - Fort Lauderdale 2100 West Sunrise Blvd Fort Lauderdale, FL 33311	287 - Pearland (Owned) Business Center Drive Pearland, TX 77584
182 - Paramus 50 A&S Drive Paramus, NJ 07652	288 - Ypsilanti 4110 Carpenter Road Ypsilanti, MI 48197
183 - North Austin (Parmer) 12901 N I-35 Austin, TX 78753	289 - Wilmington 816 South College Road Wilmington, NC 28403
184 - Farmingdale 1024 Broadhollow Farmingdale, NY 11735	291 - Maple Grove 12575 Elm Creek Boulevard North Maple Grove, MN 55369
185 - Milpitas 1585 North McCarthy Blvd Milpitas, CA 95053	292 - Coral Springs 11711 West Sample Road Coral Springs, FL 33065
186 - Homewood 230 Green Springs Highway Homewood, AL 35209	293 - Timnath Swetsville Zoo Road Timnath, CO 80528
187 - Louisville 3430 Preston Highway Louisville, KY 40213	294 - Lexington 2909 Richmond Road Lexington, KY 40509
188 - Brookfield 16300 West Bluemound Road, A & B Brookfield, WI 53005	297 - Surprise SEC Loop 303 & Waddell Rd Surprise, AZ 85379
189 - Hampton 2053 Executive Drive Hampton, VA 23666	298 - Tomball (Owned) 25510 TX-249 Tomball, TX 77375
190 - Overland Park 7601 Frontage Rd. Overland Park, KS 66204	299 - Mooresville 236 Norman Station Boulevard Mooresville, NC 28117
191 - Port St. Lucie 2260 SW Gatlin Blvd. Port St. Lucie, FL 34953	300 - Cedar Park (Owned) 1200 Arrow Point Drive Cedar Park, TX 78613

192 - Kendall 8295 S.W. 124th Ave Miami, FL 33183	302 - Brentwood 7105 Moores Lane Brentwood, TN 37207
193 - Fort Worth Hulen 5201 S. Hulen Street Fort Worth, TX 76132	303 - Las Vegas (Sears Grand) 4355 S Grand Canyon Drive Las Vegas, NV 89147
194 - Kirkwood 1599 Memorial Drive SE Atlanta, GA 30317	304 - Atlanta Design Studio 3365 Piedmont Road NE Atlanta, GA 30305
195 - St. Petersburg 2010 34th Street N. St. Petersburg, FL 33710	305 - Bellingham 217 Hartford Avenue Bellingham, MA 02019
196 - St. Johns Town Center 10595 Brightman Blvd. Jacksonville, FL 32246	308 - Woodbury 10470 Hudson Road Woodbury, MN 55129
197 - Oklahoma City 6100 SW 5th Street Oklahoma City, OK 73128	311 - Rancho Cordova 11051 Olson Drive Rancho Cordova, CA 95670
198 - Riverdale 1060 West Riverdale Rd Riverdale, UT 84405	798 - Marietta (SFC) 2125 Corporate Drive Marietta, GA 30067
199 - Tukwila 17651 Southcenter Parkway Tukwila, WA 98188	799 - Marietta (PRC) 2151 Northwest Parkway, Suite 101 Marietta, GA 30067
200 - Albuquerque 4936 Pan American Freeway Albuquerque, NM 87109	90000 - SSC (Relo) Atlanta 2500 Windy Ridge Parkway SE Atlanta, GA 30339
201 - Carson 500 Carson Town Center Drive Carson, CA 90745	972 - Port of Los Angeles Transload 720 Watson Center Rd Carson, CA 90745
202 - Las Vegas 3071 and 3075 N. Rainbow Boulevard Las Vegas, NV 89108	990 - Savannah Port (Land) (Owned) S H Morgan Pkwy Bloomingtondale, GA 31302
203 - Indianapolis 8310 Castleton Corners Dr. Indianapolis, IN 46250	990 - Savannah Port Warehouse (relo) 400 S. H. Morgan Parkway Bloomingtondale, GA 31302
204 - Virginia Beach 312 Constitution Drive Virginia Beach, VA 23462	991 - Baytown (Relo) (Owned) TBD Baytown, TX 77523
205 - Denver 10075 East 40th Ave, Building No. 2 Denver, CO 80238	992 - Carson Port Warehouse 901 East 233rd St Carson, CA 90745
206 - Avon 80 Stockwell Drive Avon, MA 02322	992 - Moreno Valley Warehouse 24101 Iris Ave Moreno Valley, CA 91764
207 - Mission Viejo 25872 Muirlands Blvd. Mission Viejo, CA 92691	994 - Baltimore Warehouse 6331 Tradepoint Avenue Sparrows Point, MD 21219
208 - North Charleston 6029 Rivers Avenue North Charleston, SC 29406	

ADDENDUM TO EMPLOYMENT AGREEMENT

THIS ADDENDUM TO EMPLOYMENT AGREEMENT (this "Addendum") is dated as of August 1, 2023, by and among Floor and Decor Outlets of America, Inc., a Delaware corporation (the "Operating Company"), Floor & Decor Holdings, Inc., a Delaware corporation ("Holdings" and, together with the Operating Company, the "Company"), and Ersan Sayman, the undersigned individual ("Executive"), and is intended to modify the Employment Agreement, dated as of February 23, 2023 (the "Employment Agreement"), by and between the Company and Executive. Any capitalized term not defined herein will have the meaning ascribed to such term in the Employment Agreement.

The Company and Executive desire to amend the non-solicitation provisions of the Employment Agreement to reflect changes in applicable law or other relevant guidance, as set forth below.

1. The Employment Agreement shall be amended to replace the entirety of Section 6(g) thereof with the following:

"Non-Solicitation of Employees. Executive shall not, during the Restricted Period (whether on Executive's own behalf or on behalf of some other Person) and in the Competitive Area, Georgia, or any state in which the Company conducts business in the United States, (a) directly or indirectly solicit or attempt to hire any individual who is at that time an employee, independent contractor or other agent of the Company or any of its affiliates or (b) induce or encourage any employee, independent contractor or other agent of the Company or any of its affiliates to terminate or materially reduce, as applicable, his employment or other business relationship or affiliation with the Company or any of its affiliates. This provision is limited to those employees, independent contractors, or agents with whom Executive had material contact during the one-year period before Executive's date of termination or about which Executive possesses Confidential Information."

Additionally, Executive hereby acknowledges and agrees that "Good Reason" under the Employment Agreement has not occurred prior to or as a result of this Addendum. Except as expressly hereby amended, the Employment Agreement will remain in full force and effect in accordance with the terms thereof. To the extent a conflict arises between the terms of the Employment Agreement and this Addendum, the terms of this Addendum will prevail.

EXECUTIVE

By: /s/ Ersan Sayman
Name: Ersan Sayman

FLOOR AND DECOR OUTLETS OF AMERICA, INC.

By: /s/ Thomas V. Taylor
Name: Thomas V. Taylor
Title: CEO

FLOOR & DECOR HOLDINGS, INC.

By: /s/ Thomas V. Taylor
Name: Thomas V. Taylor
Title: CEO

Floor and Decor Insider Trading Policy

Effective Date April 2017

Updated December 23, 2024

In order to take an active role in the prevention of insider trading violations by the officers, directors, employees and other related individuals of Floor & Decor Holdings, Inc. (the "Corporation") and its subsidiaries, the Corporation has adopted this Insider Trading Policy (this "Policy"). It is also our policy that the Corporation shall not engage in transactions involving the Corporation's securities in violation of applicable laws.

General

Who does this Policy apply to?

Covered Persons

Certain provisions of this Policy cover all individuals who are officers, directors and employees of the Corporation or its subsidiaries, as well as their Family Members and Controlled Entities (collectively, "Covered Persons").

For the purposes of this Policy:

"Family Members" means, collectively, a person's (i) family members who reside with such person (including any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, and including adoptive relationships) and members of their households and (ii) family members who are not living in their household but whose transactions in securities are directed by such person or are subject to such person's influence or control, such as parents or children who consult with such person before they trade in securities.

"Controlled Entities" means any entities influenced or controlled by a person, including any corporations, partnerships or trusts.

"Legal Department" means the Chief Legal Officer, or the General Counsel, or another member of the legal department designated by either of the foregoing.

Pre-Clearance Persons and Trading Window Insiders

This Policy also includes provisions that are applicable only to individuals who are:

- (a)(i) directors of the Corporation, (ii) officers identified by the Corporation as being officers for purposes of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and (iii) individuals who meet the criteria set forth on Exhibit A hereto, as updated by or at the direction of the Legal Department from time to time, in each case as well as any of their Family Members and Controlled Entities (collectively, "Pre-Clearance Persons"), and
- (b) individuals who meet the criteria set forth on Exhibit B hereto, as updated by or at the direction of the Legal Department from time to time, in each case as well as any of their Family Members and Controlled Entities (collectively, "Trading Window Insiders").

What types of transactions are covered?

This Policy applies to all transactions, direct or indirect, in the Corporation's securities and in the securities of third parties with whom the Corporation and its subsidiaries do business.

The term "securities" includes common and preferred equity, partnership interests, limited liability interests, debt securities, options or derivative instruments with respect to such securities, and securities that are convertible into or exchangeable for other securities.

Definition of Material Nonpublic Information

Material nonpublic information (and all other Corporation confidential information, including information about the Corporation's growth strategies or pending transactions) should be communicated only to those people who need to know it for a legitimate business purpose and who are authorized to receive the information.

What is "material" information?

Whether information is "material" is not always clear. Generally speaking, information is "material" where there is a substantial likelihood that a reasonable investor would consider the information important in deciding whether to buy or sell the securities in question or where the information, if disclosed, could be viewed by a reasonable investor as having significantly altered the "total mix" of information available. Where the nonpublic information relates to a possible or contingent event, materiality depends upon a balancing of both the probability that the event will occur and the anticipated magnitude of the event in light of the totality of the activities of the issuer of the securities.

Common, but by no means exclusive, examples of what may be "material" include the following:

- Financial performance, including net sales, comparable store sales, gross margin, operating income and net income and sales performance;
- Financial forecasts, including earnings estimates;
- Changes in previously disclosed financial information or guidance or the decision to suspend earnings guidance;
- Significant changes in management or operations;
- Dividend or distribution declarations (cash or securities) or stock splits;
- Dividend or distribution increases or decreases;
- A change in dividend or distribution policy;
- Mergers, acquisitions, joint ventures or tender offers;
- Acquisitions or dispositions of significant assets;
- Proposed issuances of new securities;
- Share repurchase programs;
- Major litigation;
- Extraordinary borrowings or liquidity problems;
- Purchases or sales of substantial assets;
- Governmental investigations, criminal actions or indictments and any collateral consequences;
- Significant related party transactions or material changes to those transactions;
- Defaults under outstanding debt;
- Changes in auditors or notifications that an auditor's report may no longer be relied on;
- Developments with respect to product or service offerings;
- Developments regarding significant customers or suppliers;

- Significant cybersecurity incidents; and
- Bans on trading the Corporation's securities or the securities of another company.

Information could also be material because of its expected effect on the price of the Corporation's outstanding securities, the securities of another company not related to the Corporation or the securities of several such companies. As a result, the prohibition against the misuse of material information includes not only restrictions on trading in the Corporation's outstanding securities but also restrictions on trading in the securities of third parties with whom the Corporation and its subsidiaries do business and are impacted by the material information until such information becomes public or is no longer material.

Because materiality determinations are often challenged with the benefit of hindsight, if a Covered Person has any doubt as to whether certain information is "material," the information should be considered to be material and the Covered Person should consult with the Legal Department before making any decision to disclose such information or to trade in or recommend securities to which that information relates.

What is "nonpublic" information?

Information is "nonpublic" until it has been made available to investors generally. In this respect, one must be able to point to some fact to show that the information is generally public, such as the inclusion of such information in reports filed by the issuer of the securities with the U.S. Securities and Exchange Commission (the "SEC") or press releases issued by the issuer of the securities or reference to such information in wire services or publications of general circulation such as Reuters, Bloomberg, Dow Jones, *The Wall Street Journal* or *The New York Times*. However, some time, at a minimum 24 hours, must be allowed after publication for this information to be considered to have been effectively communicated to the public. In addition, the fact that information has been disclosed to a few members of the public does not necessarily make it "public" for insider trading purposes.

As with questions of materiality, if there is any doubt as to whether certain information is "nonpublic," the information should be considered to be nonpublic and Covered Persons should consult with the Legal Department before making any decision to disclose such information or to trade in or recommend securities to which that information relates.

Common, but by no means exclusive, examples of what may be "nonpublic" information include the following:

- Information available to the Corporation's lenders;
- Undisclosed facts that are the subject of rumors, even if the rumors are widely circulated; and
- Information entrusted to the Corporation on a confidential basis.

Please note that material nonpublic information can be conveyed through a number of sources, including but not limited to documents, discussions, meetings, software systems, emails and other correspondence.

How do I protect material nonpublic information?

The following practices should be followed to help prevent the misuse of material nonpublic information and other types of confidential information:

- Do not communicate (including in person, on the telephone, through the Internet – including the use of social media – or at a conference) any information regarding the Corporation to anyone outside the Corporation except as permitted in accordance with the Corporation's policies.
- Avoid discussing or even speculating about confidential matters in places where you may be overheard by people who are not authorized to receive such information. Do not discuss confidential information with friends, relatives or social acquaintances.
- Always put confidential documents away when not in use. Do not leave documents containing confidential information where they may be seen by persons who do not have a need to know the content of the documents.
- Do not give your computer IDs and passwords to any other person. Password protect computers and log off when they are not in use.
- Comply with the specific terms of any confidentiality agreements of which you are aware.

Prohibitions Applicable to All Covered Persons

This Policy prohibits all Covered Persons:

- (i) from engaging in transactions in any securities of the Corporation or its subsidiaries while in possession of material nonpublic information regarding the Corporation or its subsidiaries;
- (ii) from engaging in transactions in any securities of any other issuer with which the Corporation or its subsidiaries does business while in possession of material nonpublic information regarding any such issuer of such securities; and
- (iii) from communicating any material nonpublic information to any person who could use such information to purchase or sell securities (so-called "tipping").

Additional Prohibitions Applicable to Covered Persons

In addition to the above prohibitions, this Policy prohibits Covered Persons who are officers, directors and employees of the Corporation or its subsidiaries, as well as any of their Family Members or Controlled Entities, from:

- Buying or selling puts or calls or other derivative securities based on the Corporation's securities;
- Engaging in the short sale of the Corporation's securities;
- Holding the Corporation's securities in a margin account or pledging the Corporation's securities as collateral for a loan; and
- Entering into hedging or monetization transactions or similar arrangements with respect to the Corporation's securities.

Notwithstanding the foregoing, for the avoidance of doubt, the prohibitions in this section shall not apply to the purchase of the Corporation's securities pursuant to the Corporation's employee stock purchase plan.

Trading Window Insiders and Open Trading Windows

What additional prohibitions are applicable to Trading Window Insiders?

In addition to the prohibitions that apply to Covered Persons, Trading Window Insiders may conduct transactions involving the Corporation's securities **ONLY** during the Corporation's Open Trading Windows (as defined below) unless approved in advance by the Legal Department.

When are the Corporation's Open Trading Windows?

The Corporation generally has an "Open Trading Window" during the period beginning 24 hours after the release of the Corporation's quarterly earnings and ending on the last trading day that is three calendar weeks after the first day of such Open Trading Window but in no event later than 28 days before the end of the current fiscal quarter (or on such other date as is determined by the Legal Department) or, if such day does not fall on a business day, on the immediately preceding business day.

However, from time to time, material nonpublic information regarding the Corporation (such as negotiation of mergers, acquisitions or dispositions, new product developments or material cyber incidents) may be pending and not publicly disclosed. While such material nonpublic information is pending, the Corporation may close Open Trading Windows or otherwise impose special blackout periods. If the Corporation imposes a special blackout period, it will notify the persons affected. Thereafter, and until they receive notice that the special blackout period has ended, such individuals shall be prohibited from engaging in any transactions involving the Corporation's securities and from disclosing the fact of such suspension of trading to others.

Trading during Open Trading Windows should not be considered a "safe harbor," and all Covered Persons should use good judgment at all times. If a Covered Person is in possession of material nonpublic information, even during an Open Trading Window, then the Covered Person should not trade in the Corporation's securities until the information has been made publicly available or is no longer material.

Pre-Clearance Persons and Pre-Clearance

Does anyone have to pre-clear transactions prior to trading?

Pre-Clearance Persons are required to obtain clearance from the Legal Department by providing the information included in the pre-clearance form attached hereto as Exhibit C to the Legal Department at ***@flooranddecor.com before conducting any transactions involving the Corporation's securities (including any transactions that must be reported by such Pre-Clearance Person pursuant to Section 16 of the Exchange Act), even if the transaction would occur during an Open Trading Window. Clearance of a transaction will generally be valid only during Open Trading Windows for a two-business-day period or such other period specified by the Legal Department. If the transaction is not completed within the two-business-day or other specified period, pre-clearance of the transaction must be re-requested. If clearance is denied, the fact of such denial must be kept confidential by the person requesting such clearance.

What other procedures are applicable to Pre-Clearance Persons?

All Pre-Clearance Persons are required to comply with the obligations and restrictions imposed by the Exchange Act and the related rules and regulations of the SEC, including complying with any applicable holding periods and reporting relevant transactions by filing any required Section 16 reports.

In addition, individual directors and certain Pre-Clearance Persons designated by the Corporation's board of directors are required to file Form 144 before making an open market sale of the Corporation's securities. Form 144 notifies the SEC of a person's intent to sell the Corporation's securities.

Penalties for Insider Trading and Violations of this Policy

What are the penalties for insider trading?

Liability and penalties for insider trading or tipping are severe, both for individuals involved in such unlawful conduct and their employers. The purchase or sale of securities while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then trade in possession of such information, is prohibited by federal and state laws. Insider trading violations are pursued vigorously by the SEC, U.S. Attorneys and state enforcement authorities as well as the laws of foreign jurisdictions. A Covered Person can be subject to some or all of the penalties below even if he or she does not personally benefit from the violation (for example, where the Covered Person tipped another).

Penalties and liabilities include:

- Civil injunctions;
- Private civil damage actions;
- Jail sentences;
- Disgorgements of profits (or the amount of losses avoided) plus statutory interest;
- Civil penalties for the person who committed the violation of up to three times the profit gained or loss avoided, whether or not the person actually received a benefit (for example, where the person tipped another);
- Criminal fines for the insider;
- Civil penalties for the employer or other controlling person of up to the greater of \$1,000,000 or three times the amount of the profit gained or loss avoided; and
- Criminal fines for the employer or other controlling persons.

While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other "controlling persons" if they fail to take reasonable steps to prevent insider trading by company personnel. Regulators have also prosecuted insider trading violations where an employee or insider has traded in the stock of another related company based on material nonpublic information learned in connection with their employment or role as an insider.

What are the penalties for violating this Policy?

Any violation of this Policy can be expected to result in serious sanctions by the Corporation, including dismissal for cause of the persons involved.

Complaints about potential insider trading and/or violations of this policy may be submitted to the Legal Department or using the procedures set forth in the Corporation's Associate Handbook, including confidential, anonymous submissions using the Corporation's Associate Concern Line at ***. The Corporation prohibits retaliation against anyone for good faith reporting of concerns relating to or arising from this Policy.

Exceptions to this Policy

Are transactions under the Corporation's incentive plans covered by this Policy?

The receipt or vesting of any award granted under the Corporation's incentive plans is generally exempt from the prohibitions on trading. The exercise of a stock option acquired pursuant to the Corporation's incentive plans for cash in a manner permitted by the applicable stock option agreement, or the withholding of securities for the purposes of satisfying applicable tax withholding obligations, will not be subject to this Policy. However, this Policy does apply to any sale of the Corporation's securities as part of a broker-assisted cashless exercise of a stock option, or any other market sale of the Corporation's securities, including for the purposes of generating the cash needed to pay the exercise price of such option or satisfy the applicable tax withholding obligations.

Are transactions under the Corporation's employee stock purchase plan covered by this Policy?

The election to participate in the Corporation's employee stock purchase plan (the "Employee Stock Purchase Plan") and the purchase of securities pursuant to the Employee Stock Purchase Plan are generally exempt from the prohibitions on trading outlined in this Policy. However, this Policy does apply to any sale of the Corporation's securities, including the sale of any securities acquired pursuant to the Employee Stock Purchase Plan.

Are transactions pursuant to an approved 10b5-1 Plan covered by this Policy?

The prohibitions on trading outlined in this Policy do not apply to transactions under a pre-existing written plan, contract, instruction or arrangement (a "Rule 10b5-1 Plan") pursuant to Rule 10b5-1 of the rules and regulations of the SEC under the Exchange Act that: (i) has been reviewed and approved by the Legal Department prior to entering into the Rule 10b5-1 Plan; (ii) was entered into in good faith by the Covered Person at a time when the Covered Person was not in possession of material nonpublic information about the Corporation and could have otherwise engaged in a transaction in the Corporation's securities pursuant to the terms of this Policy; and (iii) (A) explicitly specifies the amount of securities to be purchased or sold and the price at which and the date on which the securities are to be purchased or sold; (B) includes a written formula or algorithm, or computer program, for determining the amount of securities to be purchased or sold and the price at which and the date on which the securities are to be purchased or sold; or (C) gives a third party the discretionary authority to execute such purchases and sales, outside the influence or control of the Covered Person, so long as such third party does not possess any material nonpublic information about the Corporation. Rule 10b5-1 Plans may only be entered into during an Open Trading Window.

Once a Rule 10b5-1 Plan (other than a plan adopted by the Corporation in connection with a share repurchase program) is pre-cleared and is adopted or modified, it is subject to a “cooling-off” period before execution of the first trade. The “cooling-off” period for directors and officers subject to Section 16 of the Exchange Act ends on the later of: (1) 90 days following the Rule 10b5-1 Plan adoption or modification or (2) two business days following the disclosure in a Quarterly Report on Form 10-Q or an Annual Report on Form 10-K of the Corporation’s financial results for the fiscal quarter in which the Rule 10b5-1 Plan was adopted or modified (however, the cooling-off period will not exceed 120 days following plan adoption or modification). For all other individuals, a 30 day cooling-off period is required.

A person or entity (other than the Corporation) may not enter into overlapping Rule 10b5-1 Plans (subject to certain exceptions) and may only enter into one single-trade Rule 10b5-1 Plan during any 12-month period (subject to certain exceptions). Directors and officers subject to Section 16 of the Exchange Act must include a representation in their Rule 10b5-1 Plan certifying that: (i) they are not aware of any material nonpublic information; and (ii) they are adopting the Rule 10b5-1 Plan in good faith and not as part of a plan or scheme to evade the prohibitions in Rule 10b-5.

Each Covered Person shall instruct the third party effecting transactions on its behalf under a 10b5-1 Plan to send duplicate confirmations of all transactions effected under the 10b5-1 Plan to the Legal Department.

Are transactions in mutual funds that are invested in Corporation securities covered by this Policy?

Transactions in mutual funds that are invested in the Corporation’s securities are not transactions subject to this Policy.

EXHIBIT A

Pre-Clearance Persons

- (i) all Executive Vice Presidents, Senior Vice Presidents and Vice Presidents of the Corporation or any subsidiary designated by the Legal Department, including their administrative assistants;
- (ii) all members of the Financial Planning & Analysis department at the Director-level or senior;
- (iii) all members of the Accounting department at the Director-level or senior; and
- (iv) the CEO and CFO of Spartan Surfaces, LLC.

EXHIBIT B

Trading Window Insiders

- (i) all employees whose main place of business or work is the Store Support Center located at 2500 Windy Ridge Pkwy SE, Atlanta GA 30339 (this includes remote positions that are classified as corporate Store Support Center positions);
- (ii) all regional and divisional team associates;
- (iii) all Chief Executive Merchants ("CEMs") or CEMs in training ("CEM-ITs"); all Distribution Center General Managers; and all members of the Accounting department;
- (iv) all employees whose main place of business or work is the Asia Sourcing Office in Shanghai, China; and
- (v) all equity-eligible employees of Spartan Surfaces, LLC not otherwise covered by Exhibit A.

EXHIBIT C

**FLOOR & DECOR HOLDINGS, INC.
PRE-CLEARANCE REQUEST FORM**

To: Floor & Decor Holdings, Inc. (the "Corporation") Legal Department

From: _____

Re: Pre-Clearance of Proposed Transaction pursuant to the Corporation's Insider Trading Policy

This is to advise you that the undersigned proposes to execute a transaction in the Corporation's securities between or on the following dates _____, 20__, and requests that the Legal Department pre-clear the transaction as required by the Corporation's Insider Trading Policy (the "Policy").

A general description of the proposed transaction follows (e.g., open market purchase/sale of common stock, single trade, multiple trades, etc.):

The undersigned hereby certifies that he/she is not in possession of material nonpublic information about the Corporation and will not enter into the transaction if the undersigned comes into possession of material nonpublic information about the Corporation between today's date and the proposed trade execution date(s).

The undersigned has read and understands the Policy and hereby certifies that the above proposed transaction will not violate the Policy.

The undersigned agrees to advise the Corporation promptly if, as a result of future developments, any of the above information becomes inaccurate or incomplete in any respect. The undersigned understands that the Corporation may require additional information about the transaction, and agrees to provide such information upon request.

The undersigned understands that any clearance may be rescinded prior to the undersigned's effecting the requested transaction if material nonpublic information regarding the Corporation arises and, in the judgment of the Corporation, the completion of the undersigned's trade would be inadvisable. The undersigned understands that the ultimate responsibility for compliance with the insider trading provisions of the federal securities laws rests with the undersigned and that clearance of any proposed transaction should not be construed as a guarantee that the undersigned will not later be found to have been in possession of material nonpublic information.

The undersigned understands that the purchase or sale of securities while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then trade in possession of such information, is prohibited by federal and state laws.

The undersigned understands that any violation of this Policy can be expected to result in serious sanctions by the Corporation, including dismissal for cause of the persons involved.

List of Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation, Organization or Formation
FDO Acquisition Corp.	Delaware
Floor and Decor Outlets of America, Inc.	Delaware
FD Sales Company LLC	Delaware
Floor and Decor Services, LLC	Delaware
Floor and Decor Business Information Consultancy (Shanghai) Co., Ltd.	Shanghai
Spartan Surfaces, LLC	Delaware
Salesmaster Associates, LLC	Delaware
Great Northern Associates, LLC	Delaware

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-217474) pertaining to the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan & FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan,
- (2) Registration Statement (Form S-8 No. 333-225092) pertaining to the Floor & Decor Holdings, Inc. Employee Stock Purchase Plan, and
- (3) Registration Statement (Form S-8 No. 333-272080) pertaining to the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan

of our reports dated February 20, 2025, with respect to the consolidated financial statements of Floor & Decor Holdings, Inc. and Subsidiaries and the effectiveness of internal control over financial reporting of Floor & Decor Holdings, Inc. and Subsidiaries included in this Annual Report (Form 10-K) of Floor & Decor Holdings, Inc. for the year ended December 26, 2024.

/s/ Ernst & Young LLP

Atlanta, Georgia

February 20, 2025

CERTIFICATION OF CHIEF 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

I, Thomas V. Taylor, certify that:

1. I have reviewed this annual report on Form 10-K of Floor & Decor Holdings, Inc.;
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;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2025

/s/ Thomas V. Taylor

Thomas V. Taylor

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION OF CHIEF 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

I, Bryan H. Langley, certify that:

1. I have reviewed this annual report on Form 10-K of Floor & Decor Holdings, Inc.;
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;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2025

/s/ Bryan H. Langley

Bryan H. Langley

Executive Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 10-K of Floor & Decor Holdings, Inc. (the "Company"), for the fiscal year ended December 26, 2024, as filed with the Securities and Exchange Commission (the "SEC") on the date hereof (the "Periodic Report"), Thomas V. Taylor, as Chief Executive Officer of the Company, and Bryan H. Langley, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of his knowledge:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. § 78m or 78o(d)); and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 20, 2025

/s/ Thomas V. Taylor

Thomas V. Taylor

Chief Executive Officer

(Principal Executive Officer)

Date: February 20, 2025

/s/ Bryan H. Langley

Bryan H. Langley

Executive Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement as required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version 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 SEC or its staff upon request.