

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 30, 2023

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
(State or other jurisdiction of incorporation or organization)

27-3730271
(I.R.S. Employer Identification No.)

2500 Windy Ridge Parkway SE
Atlanta, Georgia
(Address of principal executive offices)

30339
(Zip Code)

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 1, 2023
Class A common stock, \$0.001 par value per share	106,271,329

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Forward-Looking Statements

The discussion in this Quarterly Report, including under this Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Part I and Item 1A, “Risk Factors” 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 Quarterly Report, including statements regarding our future operating results and financial position, expectations related to our acquisition of Spartan Surfaces, Inc. (“Spartan”), business strategy and plans, objectives of management for future operations, are forward-looking statements. These statements are based on our current expectations, assumptions, estimates, and projections. These statements involve known and unknown risks, uncertainties, and other important factors that may cause 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. Forward-looking statements are based on management’s current expectations and assumptions regarding the Company’s business, the economy, and other future conditions, including the impact of natural disasters on sales. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “seeks,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “budget,” “potential,” or “continue” or the negative of these terms or other similar expressions.

The forward-looking statements contained in this Quarterly Report are only predictions. Although we believe that the expectations reflected in the forward-looking statements in this Quarterly 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 Quarterly Report, including, without limitation, those factors described in this Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Part I and Item 1A, “Risk Factors” of Part II. 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 spending, and the housing market, including as a result of rising inflation or interest rates;
- demand fluctuations in the housing industry, and demand for our products and services, may be adversely affected by unfavorable economic conditions, including rising interest rates, inflation, a decline in disposable income levels, and recession fears;
- an economic recession or depression;
- global inflationary pressures on raw materials, energy, commodity, transportation, and other costs could cause our vendors to seek further price increases on the products we sell;
- any disruption in our supply chain, including carrier capacity constraints, port congestion, higher shipping, rail, and trucking prices, and other supply chain costs or product shortages;
- our failure to successfully anticipate consumer preferences and demand;
- our inability to pass along cost increases at rates consumers are willing to pay, or reduced demand due to pricing increases;
- our inability to manage our growth;
- our inability to manage costs and risks relating to new store openings;
- our inability to find available locations for our stores on terms acceptable to us;
- demand for our products and services may be adversely affected by unfavorable economic conditions;
- any disruption in our distribution capabilities, including from difficulties operating our distribution centers;
- our failure to execute our business strategy effectively and deliver value to our customers;
- our inability to find, train and retain key personnel;
- the resignation, incapacitation, or death of any key personnel;
- the inability to staff our stores and distribution centers sufficiently;
- the effects of weather conditions, natural disasters, or other unexpected events, including global health crises, such as the COVID-19 pandemic, may disrupt our operations;
- our dependence on foreign imports for the products we sell, which may include the impact of tariffs and other duties;

- geopolitical risks, such as the ongoing war in Ukraine, that impact our ability to import from foreign suppliers or raise our costs;
- if the use of “cookie” tracking technologies is further restricted, the amount of internet user information we collect would decrease, which could require additional marketing efforts and harm our business and operating results;
- violations of laws and regulations applicable to us or our suppliers;
- our failure to adequately protect against security breaches involving our information technology systems and customer information;
- suppliers may sell similar or identical products to our competitors;
- competition from other stores and internet-based competition;
- impact of acquired companies, including Spartan;
- our inability to manage our inventory obsolescence, shrinkage, and damage;
- our inability to maintain sufficient levels of cash flow or liquidity to meet growth expectations;
- our inability to obtain merchandise on a timely basis at prices acceptable to us;
- restrictions imposed by our indebtedness on our current and future operations; and
- our variable rate debt subjects us to interest rate risk that could cause our debt service obligations to increase significantly.

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 Quarterly 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 – FINANCIAL INFORMATION
Item 1. Financial Statements

Floor & Decor Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

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

See accompanying notes to condensed consolidated financial statements.

Floor & Decor Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Thirteen Weeks Ended	
	March 30, 2023	March 31, 2022
<i>in thousands, except for per share data</i>		
Net sales	\$ 1,122,052	\$ 1,028,734
Cost of sales	652,934	620,676
Gross profit	469,118	408,058
Operating expenses:		
Selling and store operating	303,671	249,500
General and administrative	61,911	54,645
Pre-opening	8,020	9,941
Total operating expenses	373,602	314,086
Operating income	95,516	93,972
Interest expense, net	4,862	1,162
Income before income taxes	90,654	92,810
Income tax expense	19,130	21,859
Net income	\$ 71,524	\$ 70,951
Change in fair value of hedge instruments, net of tax	(849)	1,554
Total comprehensive income	\$ 70,675	\$ 72,505
Basic earnings per share	\$ 0.67	\$ 0.67
Diluted earnings per share	\$ 0.66	\$ 0.66

See accompanying notes to condensed consolidated financial statements.

Floor & Decor Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

<i>in thousands</i>	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Class A					
	Shares	Amount				
Balance, December 30, 2022	106,151	\$ 106	\$ 482,312	\$ 4,337	\$ 1,170,421	\$ 1,657,176
Stock-based compensation expense	—	—	6,741	—	—	6,741
Exercise of stock options	79	—	2,130	—	—	2,130
Issuance of common stock upon vesting of restricted stock units	117	—	—	—	—	—
Shares issued under employee stock purchase plan	43	—	2,558	—	—	2,558
Common stock redeemed for tax liability	(119)	—	(10,863)	—	—	(10,863)
Other comprehensive loss, net of tax	—	—	—	(849)	—	(849)
Net income	—	—	—	—	71,524	71,524
Balance, March 30, 2023	106,271	\$ 106	\$ 482,878	\$ 3,488	\$ 1,241,945	\$ 1,728,417

<i>in thousands</i>	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Class A					
	Shares	Amount				
Balance, December 31, 2021	105,761	\$ 106	\$ 450,332	\$ 535	\$ 872,226	\$ 1,323,199
Stock-based compensation expense	—	—	5,980	—	—	5,980
Exercise of stock options	32	—	577	—	—	577
Issuance of common stock upon vesting of restricted stock units	47	—	—	—	—	—
Shares issued under employee stock purchase plan	21	—	1,963	—	—	1,963
Common stock redeemed for tax liability	(19)	—	(1,807)	—	—	(1,807)
Other comprehensive gain, net of tax	—	—	—	1,554	—	1,554
Net income	—	—	—	—	70,951	70,951
Balance, March 31, 2022	105,842	\$ 106	\$ 457,045	\$ 2,089	\$ 943,177	\$ 1,402,417

See accompanying notes to condensed consolidated financial statements.

Floor & Decor Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

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

See accompanying notes to condensed consolidated financial statements.

Floor & Decor Holdings, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation and Summary of Significant Accounting Policies

Nature of Business

Floor & Decor Holdings, Inc., together with its subsidiaries (the “Company,” “we,” “our,” or “us”) is a multi-channel specialty retailer and commercial flooring distributor. The Company offers a broad assortment of in-stock hard-surface flooring, including tile, wood, laminate, vinyl, and natural stone along with decorative accessories and wall tile, installation materials, and adjacent categories at everyday low prices. Our stores appeal to a variety of customers, including professional installers and commercial businesses (“Pro”), do it yourself customers (“DIY”), and buy it yourself customers who buy our products for professional installation (“BIY”). We operate within one reportable segment.

As of March 30, 2023, the Company, through its wholly owned subsidiary, Floor and Decor Outlets of America, Inc. (“F&D” or “Outlets”), operates 194 warehouse-format stores, which average 79,000 square feet, and five small-format standalone design studios in 36 states, as well as four distribution centers and an e-commerce site, *FloorandDecor.com*. 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 year ending December 28, 2023 (“fiscal 2023”) and the fiscal year ended 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, we report the additional week at the end of the fiscal fourth quarter.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information. The Condensed Consolidated Balance Sheet as of December 29, 2022 has been derived from the audited Consolidated Balance Sheet for the fiscal year then ended. The interim condensed consolidated financial statements should be read together with the audited consolidated financial statements and related footnote disclosures included in the Company’s Annual Report on Form 10-K for fiscal 2022, filed with the Securities and Exchange Commission (the “SEC”) on February 23, 2023 (the “Annual Report”). Management believes the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments considered necessary for a fair statement of results for the interim periods presented. Results of operations for the thirteen weeks ended March 30, 2023 are not necessarily indicative of the results to be expected for the full year.

Summary of Significant Accounting Policies

There were no significant changes to our Significant Accounting Policies as disclosed in the Annual Report. For more information regarding our Significant Accounting Policies and Estimates, see the “Summary of Significant Accounting Policies” section of “Item 8. Financial Statements and Supplementary Data” of our Annual Report.

Recently Adopted Accounting Pronouncements

Supplier Finance Programs. In September 2022, the Financial Accounting Standards Board (“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. The adoption of ASU 2022-04 did not affect the Company’s financial position, results of operations, or cash flows as the standard only impacts financial statement footnote disclosures. The guidance is effective in the first quarter of fiscal 2023, except for a rollforward of activity within supply chain finance programs, which is effective beginning in fiscal 2024. For additional information, refer to Note 9, “Supply Chain Finance Program.”

Business Combinations. In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.* The ASU addresses diversity and inconsistency related to the recognition and measurement of contract assets and contract liabilities acquired in a business combination and requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. The Company adopted ASU No. 2021-08 in the first quarter of 2023 on a prospective basis. The adoption of ASU No. 2021-08 did not have a material impact on the Company's consolidated financial statements or related disclosures and is only applicable to the extent that the Company has future business combinations.

Recently Issued Accounting Pronouncements

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 clarifies 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. This guidance in ASU No. 2023-01 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years, and can be applied prospectively to all new leasehold improvements, prospectively to all new and existing leasehold improvements, or retrospectively to the beginning of the period in which the entity first applied Topic 842. Early adoption of the standard is permitted, including adoption in an interim period. The adoption of ASU 2023-01 is not expected to have an impact on the Company's consolidated financial statements or related disclosures and would only be applicable to the extent that the Company has future common control leases.

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 Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, 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 Condensed Consolidated Balance Sheets as of March 30, 2023 and December 29, 2022 primarily consisted of deferred revenue as well as amounts in accrued expenses and other current liabilities related to the Pro Premier Rewards loyalty program and unredeemed gift cards. As of March 30, 2023, contract liabilities totaled \$64.9 million and included \$14.4 million of deferred revenue, \$36.6 million of loyalty program liabilities, and \$13.9 million of unredeemed gift cards. As of December 29, 2022, contract liabilities totaled \$57.0 million and included \$10.1 million of deferred revenue, \$33.8 million of loyalty program liabilities, and \$13.1 million of unredeemed gift cards. Of the contract liabilities outstanding as of December 29, 2022, approximately \$11.3 million was recognized in revenue during the thirteen weeks ended March 30, 2023.

Disaggregated Revenue

The Company has one reportable segment. The following table presents the net sales of each major product category (in thousands):

Product Category	Thirteen Weeks Ended			
	March 30, 2023		March 31, 2022	
	Net Sales	% of Net Sales	Net Sales	% of Net Sales
Laminate and vinyl	\$ 299,378	27 %	\$ 282,235	27 %
Tile	264,584	24	230,611	22
Installation materials and tools	202,069	18	167,845	16
Decorative accessories and wall tile	198,578	18	191,035	19
Wood	62,221	6	71,946	7
Natural stone	55,025	5	53,456	5
Adjacent categories	20,012	1	16,188	2
Other (1)	20,185	1	15,418	2
Total	\$ 1,122,052	100 %	\$ 1,028,734	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-level basis.

3. Debt

The following table summarizes the Company's long-term debt as of March 30, 2023 and December 29, 2022:

in thousands	Maturity Date	Interest Rate Per Annum at 3/30/2023 (1)		March 30, 2023	December 29, 2022
Credit Facilities:					
Term Loan Facility	February 14, 2027	6.62%	Variable	\$ 203,973	\$ 204,499
Asset-based Loan Facility ("ABL Facility")	August 4, 2027	6.03%	Variable	106,500	210,200
Total secured debt at par value				310,473	414,699
Less: current maturities				2,103	2,103
Long-term debt maturities				308,370	412,596
Less: unamortized discount and debt issuance costs				6,622	7,045
Total long-term debt				\$ 301,748	\$ 405,551

(1) The applicable interest rate for the Term Loan Facility as presented herein does not include the effect of interest rate cap agreements.

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 following table summarizes scheduled maturities of the Company's debt as of March 30, 2023:

in thousands	Amount
Thirty-nine weeks ending December 28, 2023	\$ 1,577
2024	2,103
2025	2,103
2026	2,629
2027	302,061
Total minimum debt payments	\$ 310,473

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

<i>in thousands</i>	Thirteen Weeks Ended	
	March 30, 2023	March 31, 2022
Total interest costs, net of interest income	\$ 6,186	\$ 1,875
Interest capitalized	1,324	713
Interest expense, net	<u>\$ 4,862</u>	<u>\$ 1,162</u>

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 Secured Overnight Financing Rate (“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, with certain exceptions, and (2) a second-priority security interest in the collateral securing the ABL Facility.

ABL Facility

As of March 30, 2023, 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 the 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 under the Term Loan Facility.

Net availability under the ABL Facility, as reduced by outstanding borrowings and fees of \$106.5 million and letters of credit of \$33.3 million, was \$660.2 million based on financial data as of March 30, 2023.

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.

Fair Value of Debt

The estimated fair values and classifications within the fair value hierarchy of the Term Loan Facility and the ABL Facility were as follows as of March 30, 2023 and December 29, 2022:

<i>in thousands</i>	Fair Value Hierarchy Classification	March 30, 2023	December 29, 2022
Term Loan Facility	Level 3	\$ 199,894	\$ 196,575
ABL Facility	Level 2	106,500	210,200
Total		\$ 306,394	\$ 406,775

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. The carrying amount of borrowings under the ABL Facility approximates fair value as the ABL Facility variable interest rates are based on prevailing market rates, which are a Level 2 input.

4. Income Taxes

Effective tax rates for the thirteen weeks ended March 30, 2023 and March 31, 2022 were based on the Company's forecasted annualized effective tax rates and were adjusted for discrete items that occurred within each period. The Company's effective income tax rate was 21.1% and 23.6% for the thirteen weeks ended March 30, 2023 and March 31, 2022, respectively. For the thirteen weeks ended March 30, 2023 and March 31, 2022, the effective income tax rate was higher than the statutory federal income tax rate of 21.0% primarily due to state income taxes that were partially offset by tax deductions in excess of book expense related to stock-based compensation awards.

5. Commitments and Contingencies

Lease Commitments

The Company accounts for leases in accordance with ASC 842, *Leases*. 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 2048. Most of these agreements are retail leases wherein both the land and building are leased, additionally, the Company 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.

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 March 30, 2023 and March 31, 2022, the Company's weighted average discount rate was 5.5% and 5.1%, respectively. As of March 30, 2023 and March 31, 2022, the Company's weighted average remaining lease term was approximately 12 years and 11 years, respectively.

Lease Costs

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

<i>in thousands</i>	<i>Classification</i>	Thirteen Weeks Ended	
		March 30, 2023	March 31, 2022
Fixed operating lease cost:	Selling and store operating	\$ 38,144	\$ 33,460
	Cost of sales	6,258	6,501
	Pre-opening	3,066	2,353
	General and administrative	1,072	1,141
Total fixed operating lease cost		\$ 48,540	\$ 43,455
Variable lease cost (1):	Selling and store operating	\$ 14,486	\$ 12,223
	Cost of sales	1,119	1,419
	Pre-opening	131	167
	General and administrative	303	226
Total variable lease cost		\$ 16,039	\$ 14,035
Sublease income	Cost of sales	(679)	(680)
Total operating lease cost (2)		\$ 63,900	\$ 56,810

(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 thirteen weeks ended March 30, 2023 and March 31, 2022.

Undiscounted Cash Flows

Future minimum lease payments under non-cancelable operating leases as of March 30, 2023 were as follows:

<i>in thousands</i>	Amount
Thirty-nine weeks ending December 28, 2023	\$ 131,847
2024	196,087
2025	183,737
2026	172,602
2027	165,262
Thereafter	1,093,035
Total minimum lease payments (1) (2)	1,942,570
Less: amount of lease payments representing interest	577,205
Present value of future minimum lease payments	1,365,365
Less: current obligations under leases	113,798
Long-term lease obligations	\$ 1,251,567

(1) Future lease payments exclude approximately \$246.1 million of legally binding minimum lease payments for operating leases signed but not yet commenced.

(2) Operating lease payments include \$201.3 million related to options to extend lease terms that are reasonably certain of being exercised.

For the thirteen weeks ended March 30, 2023 and March 31, 2022, cash paid for operating leases was \$6.4 million and \$43.0 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. *Inspections Now, Inc.*; *Bestview International Company*; and *Bestview (Fuzhou) Import & Export Co. LTD* are also named as defendants in the case. 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; product defect, failure to warn, and strict liability claims against the Bestview entities; and negligent inspection claims against *Inspections Now*. 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 in the lawsuit. Intervenor's allege the same claims against the Company, *Inspections Now*, and the Bestview entities 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, and is seeking dismissal of the lawsuit in favor of a first-filed lawsuit against other defendants (but arising from the same fire) pending in Harris County, Texas. The trial court denied the Company's motion seeking dismissal on February 23, 2023. On March 27, 2023, the Company filed a petition seeking mandamus relief from that ruling in the Court of Appeals for the First Judicial District of Texas, No. 01-23-00225-cv. The petition for mandamus relief remains pending.

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. An amended complaint was filed on September 14, 2022. The Company along with the other defendants filed a motion to dismiss on October 31, 2022. The plaintiffs then filed a second amended complaint on December 22, 2022. On February 6, 2023, the Company, along with the other defendants, filed a motion to dismiss the operative complaint. The complaint alleges 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 seeks unspecified damages and restitution for the Company from the individual defendants and the payment of costs and attorneys' fees.

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 resulting from the above-referenced litigation.

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, however regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources, and other factors.

6. Stock-based Compensation

In accordance with ASC 718, *Compensation-Stock Compensation*, 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.

The table below presents components of stock-based compensation expense within the Company's Condensed Consolidated Statements of Operations and Comprehensive Income:

<i>in thousands</i>	Thirteen Weeks Ended	
	March 30, 2023	March 31, 2022
General and administrative	\$ 6,367	\$ 5,980
Selling and store operating	374	—
Total stock-based compensation expense	<u>\$ 6,741</u>	<u>\$ 5,980</u>

Stock Options

The table below summarizes stock option activity for the thirteen weeks ended March 30, 2023.

	Options	Weighted Average Exercise Price
Outstanding at December 30, 2022	2,101,559	\$ 27.10
Exercised	(79,452)	26.81
Forfeited or expired	(231)	47.12
Outstanding at March 30, 2023	<u>2,021,876</u>	\$ 27.11
Vested and exercisable at March 30, 2023	<u>1,900,479</u>	\$ 24.74

Restricted Stock Units

The Company periodically grants restricted stock units ("RSUs") that represent an unfunded, unsecured right to receive a share of the Company's Class A common stock upon vesting. During the thirteen weeks ended March 30, 2023, the Company granted RSUs to certain employees, 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 either 0% to 150% or 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 periods for RSUs granted during the period varies by grantee and ranges between approximately two to four years from the grant date.

The following table summarizes restricted stock unit activity during the thirteen weeks ended March 30, 2023:

	Restricted Stock Units			
	Service-based	Performance-based	Total shareholder return	Total Restricted Stock Units
Unvested at December 30, 2022	408,829	36,117	—	444,946
Granted	350,518	188,543	58,854	597,915
Vested	(116,594)	—	—	(116,594)
Forfeited	(3,175)	—	—	(3,175)
Unvested at March 30, 2023	<u>639,578</u>	<u>224,660</u>	<u>58,854</u>	<u>923,092</u>

The aggregate fair value for all restricted stock units granted during the thirteen weeks ended March 30, 2023 was \$4.8 million. 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 the period:

	Thirteen Weeks Ended March 30, 2023
Expected term (in years)	2.8
Risk-free interest rate	4.5 %
Expected volatility	49.5 %
Dividend yield	— %

Restricted Stock Awards

The following table summarizes restricted stock award activity during the thirteen weeks ended March 30, 2023:

	Restricted Stock Awards			
	Service-based	Performance-based (1)	Total shareholder return (1)	Total Restricted Stock Awards
Unvested at December 30, 2022	103,326	134,318	87,517	325,161
Vested	(50,178)	(86,656)	(56,461)	(193,295)
Unvested at March 30, 2023	53,148	47,662	31,056	131,866

(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.

7. 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.

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

<i>in thousands, except per share data</i>	Thirteen Weeks Ended	
	March 30, 2023	March 31, 2022
Net income	\$ 71,524	\$ 70,951
Basic weighted average shares outstanding	105,962	105,398
Dilutive effect of share-based awards	1,756	2,141
Diluted weighted average shares outstanding	107,718	107,539
Basic earnings per share	\$ 0.67	\$ 0.67
Diluted earnings per share	\$ 0.66	\$ 0.66

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

<i>in thousands</i>	Thirteen Weeks Ended	
	March 30, 2023	March 31, 2022
Stock options	62	70
Restricted stock units	291	212

8. Fair Value Measurements

As of March 30, 2023 and December 29, 2022, the Company had certain financial assets and liabilities on its Condensed 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 Condensed Consolidated Balance Sheets. See Note 3, "Debt" for discussion of the fair value of the Company's debt.

Contingent Earn-out Liabilities

As of March 30, 2023, the contingent earn-out liabilities had an aggregate estimated fair value of \$7.2 million (classified as level 3 within the fair value hierarchy), of which \$2.8 million is included in other liabilities and \$4.4 million is included in accrued expenses and other current liabilities within the Condensed Consolidated Balance Sheets. The table below summarizes changes in contingent earn-out liabilities during the thirteen weeks ended March 30, 2023.

<i>in thousands</i>	Contingent Earn-out Liabilities
Balance at December 29, 2022	\$ 11,019
Fair value adjustments	1,434
Payments	(5,241)
Balance at March 30, 2023	<u>\$ 7,212</u>

The \$1.4 million net increase in the fair value of contingent earn-out liabilities during the thirteen weeks ended March 30, 2023 was recognized in general and administrative expense within the Condensed Consolidated Statements of Operations and Comprehensive Income.

Interest Rate Cap Contracts

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.

The Company has outstanding interest rate cap contracts that are designated as cash flow hedges. The effective portion of the gain or loss on effective cash flow hedges is reported as a component of Accumulated Other Comprehensive Income ("AOCI") and reclassified into earnings in the same period in which the hedged transaction affects earnings. The effective portion of the derivative represents the change in fair value of the hedge that offsets the change in fair value of the hedged item. To the extent the change in the fair value of the hedge does not perfectly offset the change in the fair value of the hedged item, the ineffective portion of the hedge is immediately recognized in earnings.

The Company's outstanding interest rate cap contracts 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. As of March 30, 2023 and December 29, 2022, the total fair value of the Company's interest rate cap contracts was approximately \$4.7 million and \$5.9 million, respectively, which are presented as a component of AOCI within stockholders' equity on the Condensed Consolidated Balance Sheets net of tax of \$1.1 million and \$1.4 million, respectively. During the thirteen weeks ended March 30, 2023, the Company reclassified \$1.1 million of interest income from AOCI into earnings related to the interest rate cap contracts. No interest income was reclassified from AOCI into earnings during the thirteen weeks ended March 31, 2022.

9. 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, it takes a discount on the invoice. The Company then pays the financial intermediary 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 Condensed Consolidated Balance Sheets. Amounts due to the financial intermediaries reflected in trade accounts payable at March 30, 2023 and December 29, 2022 were \$104.1 million and \$82.5 million, respectively.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of our operations should be read together with the financial statements and related notes of Floor & Decor Holdings, Inc. and Subsidiaries included in Item 1 of this quarterly report on Form 10-Q (this “Quarterly Report”) and with our audited financial statements and the related notes included in our Annual Report on Form 10-K for the fiscal year ended December 29, 2022 and filed with the Securities and Exchange Commission (the “SEC”) on February 23, 2023 (the “Annual Report”). As used in this Quarterly Report, except where the context otherwise requires or where otherwise indicated, the terms “Floor & Decor,” “Company,” “we,” “our,” or “us” refer to Floor & Decor Holdings, Inc. and its subsidiaries.

Overview

Founded in 2000, Floor & Decor is a high-growth, differentiated, multi-channel specialty retailer and commercial distributor of hard surface flooring and related accessories with 194 warehouse-format stores across 36 states as of March 30, 2023. We believe that we offer the industry’s broadest in-stock assortment of tile, wood, laminate, vinyl, and natural stone flooring along with decorative and installation accessories and adjacent categories at everyday low prices, positioning 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”), do it yourself customers (“DIY”), and buy it yourself customers who buy the products for professional installation (“BIY”).

We operate on a 52- or 53-week fiscal year ending the Thursday on or preceding December 31. The following discussion contains references to the first thirteen weeks of fiscal 2023 and fiscal 2022, which ended on March 30, 2023 and March 31, 2022, respectively.

During the thirteen weeks ended March 30, 2023, we continued to make long-term key strategic investments, including:

- opening three new warehouse-format stores, ending the quarter with 194 warehouse-format stores and five design studios;
- focusing on innovative new products and localized assortments, supported by inspirational in-store and online visual merchandising solutions;
- investing in our Pro, connected customer, in-store designer, customer relationship, and store focused technology;
- adding more resources dedicated to serving our Pro customers, including hiring professional external sales staff to drive more commercial sales; and
- investing capital to continue enhancing the in-store shopping experience for our customers.

Key Performance Indicators

We consider a variety of performance and financial measures in assessing the performance of our business. The key performance and financial 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. For definitions and a discussion of how we use our key performance indicators, see the “Key Performance Indicators” section of “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report. See “Non-GAAP Financial Measures” below for a discussion of how we define EBITDA and Adjusted EBITDA and a reconciliation of EBITDA and Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with accounting principles generally accepted in the United States (“GAAP”).

Other key financial terms we use include net sales, selling and store operating expenses, general and administrative expenses, and pre-opening expenses. For definitions and a discussion of how we use other key financial terms, see the “Other Key Financial Definitions” section of “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report.

Results of Operations

See Item 1A., “Risk Factors” for information about the potential impacts that risks, such as global supply chain disruptions, inflation, geopolitical instability, and COVID-19, among others, may have on our results of operations and overall financial performance for future periods.

The following table summarizes key components of our results of operations for the periods indicated (certain numbers may not sum due to rounding):

<i>dollars in thousands</i>	Thirteen Weeks Ended				Increase (Decrease)	
	March 30, 2023		March 31, 2022		\$	%
	Amount	% of Net Sales	Amount	% of Net Sales		
Net sales	\$ 1,122,052	100.0 %	\$ 1,028,734	100.0 %	\$ 93.3	9.1 %
Cost of sales	652,934	58.2	620,676	60.3	32.3	5.2 %
Gross profit	469,118	41.8	408,058	39.7	61.1	15.0 %
Operating expenses:						
Selling and store operating	303,671	27.1	249,500	24.3	54.2	21.7 %
General and administrative	61,911	5.5	54,645	5.3	7.3	13.3 %
Pre-opening	8,020	0.7	9,941	1.0	(1.9)	(19.3)%
Total operating expenses	373,602	33.3	314,086	30.5	59.5	18.9 %
Operating income	95,516	8.5	93,972	9.1	1.5	1.6 %
Interest expense, net	4,862	0.4	1,162	0.1	3.7	318.4 %
Income before income taxes	90,654	8.1	92,810	9.0	(2.2)	(2.3)%
Income tax expense	19,130	1.7	21,859	2.1	(2.7)	(12.5)%
Net income	\$ 71,524	6.4 %	\$ 70,951	6.9 %	\$ 0.6	0.8 %

Selected Financial Information

	Thirteen Weeks Ended			
	March 30, 2023		March 31, 2022	
		%		%
Comparable store sales	(3.3)	%	14.3	%
Comparable average ticket	7.3	%	16.7	%
Comparable customer transactions	(9.9)	%	(2.1)	%
Number of warehouse-format stores	194		166	
Adjusted EBITDA (in thousands) (1)	\$ 149,617		\$ 135,777	
Adjusted EBITDA (% of net sales)	13.3	%	13.2	%

(1) EBITDA and Adjusted EBITDA are non-GAAP financial measures. See the "Non-GAAP Financial Measures" section below for additional information and a reconciliation of EBITDA and Adjusted EBITDA to net income.

Net Sales

Net sales during the thirteen weeks ended March 30, 2023 increased \$93.3 million, or 9.1%, compared to the corresponding prior year period primarily due to sales from the net 28 new warehouse-format stores that we opened since March 31, 2022, partially offset by a decrease in comparable store sales of 3.3%. The comparable store sales decrease during the period of 3.3%, or \$32.5 million, was driven by a 9.9% decrease in comparable customer transactions, partially offset by a 7.3% increase in comparable average ticket. Non-comparable store sales during the period were \$125.8 million driven by new stores opened after March 31, 2022 and revenue from our Spartan subsidiary.

We believe the decrease in comparable customer transactions for the thirteen weeks ended March 30, 2023 was primarily driven by declines in existing home sales, higher borrowing costs for consumers, and inflation. We partially offset the decrease in comparable customer transactions with a higher average ticket. The higher average ticket is primarily due to retail price increases to offset higher supply chain and product costs compared to the same period last year. In addition, our average ticket continues to benefit from a higher penetration of sales through our ecommerce, Pro, and design initiatives.

Gross Profit and Gross Margin

Gross profit during the thirteen weeks ended March 30, 2023 increased \$61.1 million, or 15.0%, compared to the thirteen weeks ended March 31, 2022. The increase in gross profit was driven by the 9.1% increase in net sales and an increase in gross margin to 41.8%, up approximately 210 basis points from 39.7% in the same period a year ago primarily due to retail price increases taken to offset higher supply chain and product costs.

Selling and Store Operating Expenses

Selling and store operating expenses during the thirteen weeks ended March 30, 2023 increased \$54.2 million, or 21.7%, compared to the thirteen weeks ended March 31, 2022. As a percentage of net sales, selling and store operating expenses increased approximately 280 basis points to 27.1% from 24.3% in the corresponding prior year period. These increases during the thirteen weeks ended March 30, 2023 were primarily attributable to growth in new stores, wage increases, higher credit card transaction processing fees, and deleverage in occupancy and other fixed costs resulting from lower comparable store sales.

General and Administrative Expenses

General and administrative expenses during the thirteen weeks ended March 30, 2023 increased \$7.3 million, or 13.3%, compared to the thirteen weeks ended March 31, 2022 due to costs to support store growth, including increased store support staff, higher depreciation related to technology and other store support center investments, and operating expenses related to our Spartan subsidiary. General and administrative expenses as a percentage of net sales increased approximately 20 basis points to 5.5% from 5.3% in the prior year quarter primarily due to deleverage from lower comparable store sales.

Pre-Opening Expenses

Pre-opening expenses decreased \$1.9 million, or 19.3%, during the thirteen weeks ended March 30, 2023 compared to the corresponding prior year period. The decrease primarily resulted from opening fewer stores during the thirteen weeks ended March 30, 2023 compared to the corresponding prior year period.

Interest Expense

Net interest expense during the thirteen weeks ended March 30, 2023 increased \$3.7 million, or 318.4%, compared to the thirteen weeks ended March 31, 2022. The increase in interest expense was primarily due to an increase in amounts borrowed under our ABL Facility and interest rate increases on outstanding debt, partially offset by increases in interest capitalized and interest income from our interest cap derivative contracts.

Income Tax Expense

Income tax expense was \$19.1 million during the thirteen weeks ended March 30, 2023 compared to \$21.9 million during the thirteen weeks ended March 31, 2022. The effective tax rate was 21.1% for the thirteen weeks ended March 30, 2023 compared to 23.6% in the prior year quarter. The decrease in the effective tax rate was primarily due to year-over-year increases in excess tax benefits related to stock-based compensation awards.

Non-GAAP Financial Measures

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

EBITDA and Adjusted EBITDA are 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, depreciation and amortization. We define Adjusted EBITDA as net income before interest, taxes, depreciation and amortization adjusted to eliminate the impact of non-cash stock-based compensation expense and certain items that we do not consider indicative of our core operating performance. See below for a reconciliation of EBITDA and Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

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

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:

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

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

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

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

Liquidity and Capital Resources

Liquidity is provided primarily by our cash flows from operations and our \$800.0 million ABL Facility. Unrestricted liquidity based on our March 30, 2023 financial data was \$665.2 million, consisting of \$5.0 million in cash and cash equivalents and \$660.2 million immediately available for borrowing under the ABL Facility without violating any covenants thereunder. Our liquidity is not generally seasonal, and our uses of cash are primarily tied to when we open stores and make other capital expenditures.

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, and store support 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 2023 are planned to be between approximately \$620 million to \$675 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 2023 (projected amounts are based on the gross costs that we expect to accrue for these investments on the Condensed Consolidated Balance Sheets in fiscal 2023, which may include amounts incurred but not yet settled in cash during the period):

- invest approximately \$495 million to \$525 million to open 32 to 35 warehouse-format stores, relocate stores, and begin construction on stores opening in fiscal 2024;
- invest approximately \$95 million to \$110 million in existing store remodeling projects and our distribution centers; and
- invest approximately \$30 million to \$40 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:

<i>in thousands</i>	Thirteen Weeks Ended	
	March 30, 2023	March 31, 2022
Net cash provided by (used in) operating activities	\$ 250,280	\$ (3,333)
Net cash used in investing activities	(139,398)	(101,394)
Net cash used in financing activities	(115,642)	(2,889)
Net decrease in cash and cash equivalents	<u>\$ (4,760)</u>	<u>\$ (107,616)</u>

Net Cash Provided by (Used in) Operating Activities

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

Net cash provided by operating activities was \$250.3 million for the thirteen weeks ended March 30, 2023 compared to net cash used in operating activities of \$3.3 million for the thirteen weeks ended March 31, 2022. The increase in net cash provided by operating activities was primarily the result of a net decrease in inventory purchases and other working capital items.

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, and design centers, as well as new infrastructure and information systems. Cash payments to acquire businesses are also included in investing activities.

Net cash used in investing activities during the thirteen weeks ended March 30, 2023 and March 31, 2022 was \$139.4 million and \$101.4 million, respectively. The increase in cash used in investing activities was due to an increase in capital expenditures. The year-over-year growth in capital expenditures was primarily driven by an increase in new stores under construction and settlement of outstanding construction payables for recently completed stores compared to the corresponding prior year period.

Net Cash Used in Financing Activities

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

Net cash used in financing activities for the thirteen weeks ended March 30, 2023 and March 31, 2022 was \$115.6 million and \$2.9 million, respectively. The increase in net cash used in financing activities was primarily driven by net ABL Facility repayments of \$103.7 million and a \$9.1 million increase in tax payments related to the vesting or exercise of stock-based compensation awards.

Our Credit Facilities

As of March 30, 2023, total Term Loan Facility debt was \$204.0 million, and the total amount borrowed under our ABL Facility was \$106.5 million. For additional information regarding our Term Loan Facility and ABL Facility, including applicable covenants and other details, please refer to Note 3, “Debt.”

Credit Ratings

Our credit ratings are periodically reviewed by rating agencies. Standard & Poor’s issuer credit rating of BB with a stable outlook and Moody’s issuer credit rating of Ba3 with a positive outlook remain unchanged as of March 30, 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.

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. imposing tariffs of 25% on many products from China. While exclusions from tariffs were granted for certain products from China, nearly all of these exclusions have expired. In fiscal 2022, approximately 29% of the products we sold were produced in China. 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, increasing retail pricing as we deem appropriate, and sourcing from alternative countries. While our efforts have mitigated a substantial portion of the overall effect of increased tariffs, the enacted tariffs have increased our inventory costs and associated cost of sales for the remaining products still sourced from China.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect reported amounts. The estimates and assumptions are based on historical experience and other factors management believes to be reasonable. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

For a description of our critical accounting policies and estimates, refer to Part II, Item 7, “Critical Accounting Policies and Estimates” in our Annual Report. There have been no material changes to our critical accounting policies and estimates as disclosed in our Annual Report. See Note 1 to our condensed consolidated financial statements included in this Quarterly Report, which describes recent accounting pronouncements adopted by us.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk affecting the Company, see “Quantitative and Qualitative Disclosures About Market Risk” in Item 7A of Part II of the Annual Report. While our exposure to market risk has not changed materially since December 29, 2022, uncertainty with respect to the economic effects of global supply chain disruptions, inflation, geopolitical instability, including from the ongoing war in Ukraine, and COVID-19, among others, have introduced significant volatility in the financial markets, including interest rates and foreign currency exchange rates. See further discussion in Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional details.

Interest Rate Risk

Our operating results are subject to risk from interest rate fluctuations on our Credit Facilities, which carry variable interest rates. As of March 30, 2023, our Term Loan Facility and ABL Facility, which have variable interest rates, had remaining principal balances of \$204.0 million and \$106.5 million, respectively. A 1.0% increase in the effective interest rate for these debt instruments would cause an increase in interest expense of approximately \$3.1 million over the next twelve months, excluding the impact of interest rate cap agreements. To lessen our exposure to changes in interest rate risk, we entered into two \$75.0 million interest rate cap agreements in May 2021. The contracts effectively cap Secured Overnight Financing Rate (“SOFR”) based interest payments on a portion of our Term Loan Facility to less than 1.68% through April 2024. The U.S. Federal Reserve has continued raising interest rates in fiscal 2023. As a result, these agreements are partially offsetting increases in interest expense on our Term Loan Facility as rates have increased to a level above the specified SOFR caps. For additional information related to the Company’s Credit Facilities, refer to Note 3, “Debt.”

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are designed to provide reasonable assurance that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in reports filed or submitted under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. The Company’s management, including the Chief Executive Officer and the Chief Financial Officer, have reviewed the effectiveness of the Company’s disclosure controls and procedures as of March 30, 2023 and, based on their evaluation, have concluded that the Company’s disclosure controls and procedures were effective at the reasonable assurance level. The condensed consolidated financial statements included in this Quarterly Report fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) during the fiscal quarter ended March 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See the information under the “Litigation” caption in Note 5, Commitments and Contingencies to our Condensed Consolidated Financial Statements included in this Quarterly Report, which we incorporate here by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors described in Part I, “Item 1A. Risk Factors” in our Annual Report filed with the SEC on February 23, 2023, which could materially affect our business, financial condition, and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents the number and average price of the Company's common shares repurchased in each fiscal month of the first quarter of fiscal 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share
December 30, 2022 - January 26, 2023	—	\$ —
January 27, 2023 - February 23, 2023	—	—
February 24, 2023 - March 30, 2023	83,134	90.95
Total	83,134	\$ 90.95

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 agreement and not pursuant to any publicly announced share repurchase programs.

Item 6. Exhibits

Exhibit No.	Exhibit Description
3.1	Amended & Restated Certificate of Incorporation of Floor & Decor Holdings, Inc. (1)
3.2	Second Amended and Restated Bylaws of Floor & Decor Holdings, Inc. (2)
10.1	Form of Non-CEO Performance Restricted Stock Unit Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan
10.2	Form of CEO Performance Restricted Stock Unit Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan
10.3	Form of Non-CEO 2023 Special Performance and Service Restricted Stock Unit Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan
10.4	Form of CEO 2023 Special Performance and Service Restricted Stock Unit Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan
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.
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.

(1) Filed as an exhibit to the Registrant's Form 10-Q (File No. 001-38070) filed with the SEC on August 5, 2021, and incorporated herein by reference.

(2) Filed as an exhibit to Amendment No. 4 to the Registrant's Registration Statement on Form S-1 (File No. 333-216000) filed with the SEC on April 24, 2017, and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements 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.

Dated: May 4, 2023

By: /s/ Thomas V. Taylor
Thomas V. Taylor
Chief Executive Officer
(Principal Executive Officer)

Dated: May 4, 2023

By: /s/ Bryan H. Langley
Bryan H. Langley
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated: May 4, 2023

By: /s/ Luke T. Olson
Luke T. Olson
Vice President, Chief Accounting Officer
(Principal Accounting Officer)

FLOOR & DECOR HOLDINGS, INC.

**Form of Performance Stock Unit Agreement
Pursuant to the
Floor & Decor Holdings, Inc.
2017 Stock Incentive Plan**

AGREEMENT (this “**Agreement**”), dated as of _____ (the “**Grant Date**”) between Floor & Decor Holdings, Inc., a Delaware corporation (the “**Company**” and, collectively with its controlled Affiliates, the “**Employer**”), and _____ (the “**Participant**”).

Preliminary Statement

Subject to the terms and conditions set forth herein, the Committee hereby grants the Participant the right to receive the number of shares of Common Stock specified in Section 1 (the “**Performance Stock Units**”), as an Eligible Employee, Consultant or Non-Employee Director, on the Grant Date pursuant to the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan, as it may be amended from time to time (the “**Plan**”). Except as otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan. By signing and returning this Agreement, the Participant acknowledges having received and read a copy of the Plan and agrees to comply with it, this Agreement and all applicable laws and regulations.

Accordingly, the parties hereto agree as follows:

1. **Grant of Performance Stock Units.** Subject to the Plan and the terms and conditions set forth herein and therein, including the conditions set forth in Section 2 hereof, the Participant is hereby granted Performance Stock Units on the Grant Date as follows. Each Performance Stock Unit represents an unfunded, unsecured right to receive one (1) share of Common Stock on the Payment Date(s) specified in Section 2(d) hereof.

Target Number of Performance Stock Units: _____

Maximum Number of Performance Stock Units: _____

2. **Vesting.**

(i) The number of Performance Stock Units (if any) that become vested shall be determined upon the date on which the Committee determines and certifies the extent to which the performance goals set forth in Exhibit A attached hereto (the “**Performance Goals**”) have been achieved (or not), which date shall occur as soon as practicable following the end of the Performance Period (as defined in Exhibit A attached hereto), but in no event later than 60 days following the end of the Performance Period (the “**Measurement Date**”); provided that the Participant has not incurred a Termination prior to the Measurement Date (except as otherwise set forth in this Agreement). In no event shall the number of Performance Stock Units that vest hereunder exceed the Maximum Number of Performance Stock Units indicated above. All Performance Stock Units that do not become vested as of the Measurement Date shall be automatically forfeited without consideration therefor. The Committee’s determination and certification of (i) the achievement of Performance Goals and (ii) the number of Performance Stock Units that vest (if any) pursuant to this Section 2(a), shall be final and binding on the Participant.

Notwithstanding anything herein to the contrary, the Committee shall have discretion to adjust the Performance Goals, or the metrics used to determine achievement of the Performance Goals, to reflect (A) a change in accounting standards or principles, (B) a significant acquisition or divestiture, (C) a significant capital transaction, (D) a change to or

difference in the applicable fiscal year, or (E) any other unusual, nonrecurring or other extraordinary event or item.

(ii) Detrimental Activity.

(1) In consideration for the grant of the Performance Stock Units and in addition to any other remedies available to the Company, the Participant acknowledges and agrees that the Performance Stock Units are subject to the provisions in the Plan regarding Detrimental Activity. If the Participant engages in any Detrimental Activity prior to, or during the two-year period after, any vesting of the Performance Stock Units, all unvested Performance Stock Units, and vested Performance Stock Units that have not been settled, shall be forfeited, without compensation, and the Committee shall be entitled to recover from the Participant (at any time within one year after such engagement in Detrimental Activity) an amount equal to the Fair Market Value as of the vesting date(s) of any Performance Stock Units that had vested and been settled in the period referred to above.

(2) The restrictions regarding Detrimental Activity are necessary for the protection of the business and goodwill of the Company and are considered by the Participant to be reasonable for such purposes. Without intending to limit the legal or equitable remedies available in the Plan and in this Agreement, the Participant acknowledges that engaging in Detrimental Activity will cause the Company material irreparable injury for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such activity or threat thereof, the Company shall be entitled, in addition to the remedies provided under the Plan, to obtain from any court of competent jurisdiction a temporary restraining order or a preliminary or permanent injunction restraining the Participant from engaging in Detrimental Activity or such other relief as may be required to specifically enforce any of the covenants in the Plan and this Agreement without the necessity of posting a bond, and in the case of a temporary restraining order or a preliminary injunction, without having to prove special damages.

(iii) **Termination; Forfeiture.** Except as provided in this Section 2(c), the Participant shall forfeit, without compensation, any and all unvested Performance Stock Units upon the Participant's Termination for any reason. Notwithstanding anything in the foregoing to the contrary, in the event of the Participant's Termination by the Company without Cause within the one (1) year period immediately following a Change in Control, the Performance Stock Units shall become vested at a Payout Percentage of 100% and shall become payable in accordance with Section 2(d), in each case subject to and conditioned upon, (i) the Participant's continued compliance with all confidentiality obligations and restrictive covenants to which the Participant is subject, and (ii) the Participant's timely execution and delivery (without revocation) to the Company of a general release of all claims of any kind that the Participant has or may have against the Company and its Affiliates and their respective officers, directors, employees, shareholders, agents, representatives, and advisors (in a form satisfactory to the Company and that is delivered to the Participant no later than the date of the Participant's Termination), within twenty-one (21) days (or such longer period as may be required by law).

(iv) **Payment.** The Company shall, as soon as reasonably practicable following the earliest of (i) the Measurement Date and (ii) the date the Performance Stock Units otherwise become vested in accordance with Section 2(c) (and in no event later than March 15th of the calendar year following the calendar year in which the applicable date occurs) (each, a "**Payment Date**"), deliver (or cause to be delivered) to the Participant one share of Common Stock with respect to each vested Performance Stock Unit, as settlement of such Performance Stock Unit and each such Performance Stock Unit shall thereafter be cancelled.

(v) **Withholding.** Unless otherwise directed or permitted by the Committee, the Participant shall pay or provide for all applicable withholding taxes in respect of the settlement of the Performance Stock Units by (i) remitting the aggregate amount of such taxes to the Company in full, by cash, or by check, bank draft or money order payable to the order of the Company,

(ii) to the extent permitted by the Company, having the Employer withhold, from shares of Common Stock delivered upon settlement of the Performance Stock Units, a number of whole shares of Common Stock having a Fair Market Value equal to an amount necessary to satisfy all required federal, state, local and other non-U.S. withholding obligations using up to the maximum statutory withholding rates, as determined by the Company, for federal, state, local or non-U.S. tax purposes, including payroll taxes, or (iii) to the extent permitted by the Company, by making arrangements with the Company to have such taxes withheld from other compensation due to the Participant.

3. **Dividend Equivalents.** With respect to ordinary cash dividends in respect of shares of Common Stock covered by any outstanding Performance Stock Units, Participant will have the right to receive an amount in cash equal to the product of (i) the amount of any ordinary cash dividend paid with respect to a share of Common Stock on or after the Grant Date and on or prior to the earlier to occur of (A) the Payment Date, or (B) the termination or forfeiture for any reason of the outstanding Performance Stock Units, multiplied by (ii) the number of shares of Common Stock covered by such Performance Stock Units (a “**Dividend Equivalent**”). A Dividend Equivalent shall be subject to the same vesting restrictions and payment conditions as the Performance Stock Units to which such Dividend Equivalent relates, as set forth in Section 2(a) and subject to Section 2(c). Any Dividend Equivalents in respect of Performance Stock Units that do not vest, shall be forfeited and retained by the Company. For the avoidance of doubt, (I) if a Performance Stock Unit does not ultimately become vested hereunder, no Dividend Equivalent payments shall be made with respect to such unvested Performance Stock Unit, and (II) in no event shall a Dividend Equivalent be paid that would result in Participant receiving both the Dividend Equivalent and the actual dividend with respect to a Performance Stock Units and the corresponding share of Common Stock.

4. **Termination and Change in Control.** Except as expressly provided in Section 2(c), the provisions in the Plan regarding Termination and Change in Control shall apply to the Performance Stock Units.

5. **Performance Stock Unit Transfer Restrictions.** Unless otherwise determined by the Committee, Performance Stock Units may not be directly or indirectly transferred, sold, assigned, pledged, hypothecated, encumbered or otherwise disposed of whether for value or for no value and whether voluntarily or involuntarily (including by operation of law) by the Participant (a “**Transfer**”) other than by will or by the laws of descent and distribution, and any other purported Transfer shall be void and unenforceable against the Company and its Affiliates.

6. **Provisions of Plan Control.** This Agreement is subject to all the terms, conditions and provisions of the Plan, including the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. If and to the extent that this Agreement conflicts or is inconsistent with the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly.

7. **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:

- (i) unless otherwise specified by the Company in a notice delivered by the Company in accordance with this Section 7, any notice required to be delivered to the Company shall be properly delivered if delivered to:

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

with a copy (which shall not constitute notice) to:

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

(b) if to the Participant, to the address on file with the Employer.

Any notice, demand or request, if made in accordance with this Section 7 shall be deemed to have been duly given: (i) when delivered in person; (ii) three days after being sent by United States mail; or (iii) on the first business day following the date of deposit if delivered by a nationally recognized overnight delivery service.

8. **No Right to Employment/Consultancy/Directorship.** This Agreement shall not give the Participant or other Person any right to employment, consultancy or directorship by the Employer, or limit in any way the right of the Employer to terminate the Participant's employment, consultancy or directorship at any time.

9. **Waiver of Jury Trial.** EACH PARTY TO THIS AGREEMENT, FOR ITSELF AND ITS AFFILIATES, HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE ACTIONS OF THE PARTIES HERETO OR THEIR RESPECTIVE AFFILIATES PURSUANT TO THE PLAN OR THIS AGREEMENT OR IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT OF THE PLAN OR THIS AGREEMENT.

10. **Dispute Resolution.** All controversies and claims arising out of or relating to this Agreement, or the breach hereof, shall be settled by the Employer's mandatory dispute resolution procedures as may be in effect from time to time with respect to matters arising out of or relating to Participant's employment with the Employer.

11. **Severability of Provisions.** If at any time any of the provisions of this Agreement shall be held invalid or unenforceable, or are prohibited by the laws of the jurisdiction where they are to be performed or enforced, by reason of being vague or unreasonable as to duration or geographic scope or scope of the activities restricted, or for any other reason, such provisions shall be considered divisible and shall become and be immediately amended to include only such restrictions and to such extent as shall be deemed to be reasonable and enforceable by the court or other body having jurisdiction over this Agreement and the Company and the Participant agree that the provisions of this Agreement, as so amended, shall be valid and binding as though any invalid or unenforceable provisions had not been included.

12. **Governing Law.** All matters arising out of or relating to this Agreement and the transactions contemplated hereby, including its validity, interpretation, construction, performance and enforcement, shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to its principles of conflict of laws.

13. **Section 409A.** Although the Company makes no guarantee with respect to the tax treatment of the Performance Stock Units, the award of Performance Stock Units and Dividend Equivalents pursuant to this Agreement is intended to comply with, or to be exempt from, Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. The Performance Stock Units and Dividend Equivalents shall be limited, construed and interpreted in accordance with such intent; provided that the Employer does not guarantee to the Participant any particular tax treatment of the Performance Stock Units or Dividend Equivalents. In no event whatsoever shall the Employer be liable for

any additional tax, interest or penalties that may be imposed on the Participant by Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. Dividend Equivalents shall be treated separately from the Performance Stock Units and the rights arising in connection therewith for purposes of the designation of time and form of payments required by Section 409A of the Code.

14. **Interpretation.** Unless a clear contrary intention appears: (a) the defined terms herein shall apply equally to both the singular and plural forms of such terms; (b) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by the Plan or this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually; (c) any pronoun shall include the corresponding masculine, feminine and neuter forms; (d) 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; (e) 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; (f) "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; (g) numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement; (h) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; (i) "or" is used in the inclusive sense of "and/or"; (j) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto; and (k) reference to dollars or \$ shall be deemed to refer to U.S. dollars.

15. **No Strict Construction.** This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

FLOOR & DECOR HOLDINGS, INC.

By: _____
Name: _____
Title: _____

PARTICIPANT

By: _____
Name: _____

FLOOR & DECOR HOLDINGS, INC.

**Form of Performance Stock Unit Agreement
Pursuant to the
Floor & Decor Holdings, Inc.
2017 Stock Incentive Plan**

AGREEMENT (this "**Agreement**"), dated as of _____ (the "**Grant Date**") between Floor & Decor Holdings, Inc., a Delaware corporation (the "**Company**") and, collectively with its controlled Affiliates, the "**Employer**"), and _____ (the "**Participant**").

Preliminary Statement

Subject to the terms and conditions set forth herein, the Committee hereby grants the Participant the right to receive the number of shares of Common Stock specified in Section 1 (the "**Performance Stock Units**"), as an Eligible Employee, Consultant or Non-Employee Director, on the Grant Date pursuant to the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan, as it may be amended from time to time (the "**Plan**"). Except as otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan. By signing and returning this Agreement, the Participant acknowledges having received and read a copy of the Plan and agrees to comply with it, this Agreement and all applicable laws and regulations.

Accordingly, the parties hereto agree as follows:

1. **Grant of Performance Stock Units.** Subject to the Plan and the terms and conditions set forth herein and therein, including the conditions set forth in Section 2 hereof, the Participant is hereby granted Performance Stock Units on the Grant Date as follows. Each Performance Stock Unit represents an unfunded, unsecured right to receive one (1) share of Common Stock on the Payment Date(s) specified in Section 2(d) hereof.

Target Number of Performance Stock Units: _____

Maximum Number of Performance Stock Units: _____

2. **Vesting.**

(i) The number of Performance Stock Units (if any) that become vested shall be determined upon the date on which the Committee determines and certifies the extent to which the performance goals set forth in Exhibit A attached hereto (the "**Performance Goals**") have been achieved (or not), which date shall occur as soon as practicable following the end of the Performance Period (as defined in Exhibit A attached hereto), but in no event later than 60 days following the end of the Performance Period (the "**Measurement Date**"); provided that the Participant has not incurred a Termination prior to the Measurement Date (except as otherwise set forth in this Agreement). In no event shall the number of Performance Stock Units that vest hereunder exceed the Maximum Number of Performance Stock Units indicated above. All Performance Stock Units that do not become vested as of the Measurement Date shall be automatically forfeited without consideration therefor. The Committee's determination and certification of (i) the achievement of Performance Goals and (ii) the number of Performance Stock Units that vest (if any) pursuant to this Section 2(a), shall be final and binding on the Participant.

Notwithstanding anything herein to the contrary, the Committee shall have discretion to adjust the Performance Goals, or the metrics used to determine achievement of the Performance Goals, to reflect (A) a change in accounting standards or principles, (B) a significant acquisition or divestiture, (C) a significant capital transaction, (D) a change to or

difference in the applicable fiscal year, or (E) any other unusual, nonrecurring or other extraordinary event or item.

(ii) Detrimental Activity.

(1) In consideration for the grant of the Performance Stock Units and in addition to any other remedies available to the Company, the Participant acknowledges and agrees that the Performance Stock Units are subject to the provisions in the Plan regarding Detrimental Activity. If the Participant engages in any Detrimental Activity prior to, or during the two-year period after, any vesting of the Performance Stock Units, all unvested Performance Stock Units, and vested Performance Stock Units that have not been settled, shall be forfeited, without compensation, and the Committee shall be entitled to recover from the Participant (at any time within one year after such engagement in Detrimental Activity) an amount equal to the Fair Market Value as of the vesting date(s) of any Performance Stock Units that had vested and been settled in the period referred to above.

(2) The restrictions regarding Detrimental Activity are necessary for the protection of the business and goodwill of the Company and are considered by the Participant to be reasonable for such purposes. Without intending to limit the legal or equitable remedies available in the Plan and in this Agreement, the Participant acknowledges that engaging in Detrimental Activity will cause the Company material irreparable injury for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such activity or threat thereof, the Company shall be entitled, in addition to the remedies provided under the Plan, to obtain from any court of competent jurisdiction a temporary restraining order or a preliminary or permanent injunction restraining the Participant from engaging in Detrimental Activity or such other relief as may be required to specifically enforce any of the covenants in the Plan and this Agreement without the necessity of posting a bond, and in the case of a temporary restraining order or a preliminary injunction, without having to prove special damages.

(iii) Termination; Forfeiture. Except as provided in this Section 2(c), the Participant shall forfeit, without compensation, any and all unvested Performance Stock Units upon the Participant's Termination for any reason (for the avoidance of doubt, in the event that the Participant becomes a Consultant or a Non-Employee Director upon the termination of his employment, unless otherwise determined by the Committee no Termination of Employment shall be deemed to occur until such time as such Eligible Employee is no longer an Eligible Employee, a Consultant or a Non-Employee Director). Notwithstanding anything in the foregoing to the contrary, in the event of the Participant's Termination by the Company without Cause or due to the Participant's Termination for Good Reason, in each case within the one (1) year period immediately following a Change in Control, the Performance Stock Units shall become vested at a Payout Percentage of 100% and shall become payable in accordance with Section 2(d), in each case subject to and conditioned upon, (i) the Participant's continued compliance with all confidentiality obligations and restrictive covenants to which the Participant is subject, and (ii) the Participant's timely execution and delivery (without revocation) to the Company of a general release of all claims of any kind that the Participant has or may have against the Company and its Affiliates and their respective officers, directors, employees, shareholders, agents, representatives, and advisors (in a form satisfactory to the Company and that is delivered to the Participant no later than the date of the Participant's Termination), within twenty-one (21) days (or such longer period as may be required by law).

(iv) Payment. The Company shall, as soon as reasonably practicable following the earliest of (i) the Measurement Date and (ii) the date the Performance Stock Units otherwise become vested in accordance with Section 2(c) (and in no event later than March 15th of the calendar year following the calendar year in which the applicable date occurs) (each, a "**Payment Date**"), deliver (or cause to be delivered) to the Participant one share of Common Stock with respect to each vested Performance Stock Unit, as settlement of such Performance Stock Unit and each such Performance Stock Unit shall thereafter be cancelled.

(v)Withholding. Unless otherwise directed or permitted by the Committee, the Participant shall pay or provide for all applicable withholding taxes in respect of the settlement of the Performance Stock Units by (i) remitting the aggregate amount of such taxes to the Company in full, by cash, or by check, bank draft or money order payable to the order of the Company, (ii) to the extent permitted by the Company, having the Employer withhold, from shares of Common Stock delivered upon settlement of the Performance Stock Units, a number of whole shares of Common Stock having a Fair Market Value equal to an amount necessary to satisfy all required federal, state, local and other non-U.S. withholding obligations using up to the maximum statutory withholding rates, as determined by the Company, for federal, state, local or non-U.S. tax purposes, including payroll taxes, or (iii) to the extent permitted by the Company, by making arrangements with the Company to have such taxes withheld from other compensation due to the Participant.

3. **Dividend Equivalents.** With respect to ordinary cash dividends in respect of shares of Common Stock covered by any outstanding Performance Stock Units, Participant will have the right to receive an amount in cash equal to the product of (i) the amount of any ordinary cash dividend paid with respect to a share of Common Stock on or after the Grant Date and on or prior to the earlier to occur of (A) the Payment Date, or (B) the termination or forfeiture for any reason of the outstanding Performance Stock Units, multiplied by (ii) the number of shares of Common Stock covered by such Performance Stock Units (a “**Dividend Equivalent**”). A Dividend Equivalent shall be subject to the same vesting restrictions and payment conditions as the Performance Stock Units to which such Dividend Equivalent relates, as set forth in Section 2(a) and subject to Section 2(c). Any Dividend Equivalents in respect of Performance Stock Units that do not vest, shall be forfeited and retained by the Company. For the avoidance of doubt, (I) if a Performance Stock Unit does not ultimately become vested hereunder, no Dividend Equivalent payments shall be made with respect to such unvested Performance Stock Unit, and (II) in no event shall a Dividend Equivalent be paid that would result in Participant receiving both the Dividend Equivalent and the actual dividend with respect to a Performance Stock Units and the corresponding share of Common Stock.

4. **Termination and Change in Control.** Except as expressly provided in Section 2(c), the provisions in the Plan regarding Termination and Change in Control shall apply to the Performance Stock Units.

5. **Performance Stock Unit Transfer Restrictions.** Unless otherwise determined by the Committee, Performance Stock Units may not be directly or indirectly transferred, sold, assigned, pledged, hypothecated, encumbered or otherwise disposed of whether for value or for no value and whether voluntarily or involuntarily (including by operation of law) by the Participant (a “**Transfer**”) other than by will or by the laws of descent and distribution, and any other purported Transfer shall be void and unenforceable against the Company and its Affiliates.

6. **Provisions of Plan Control.** This Agreement is subject to all the terms, conditions and provisions of the Plan, including the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. If and to the extent that this Agreement conflicts or is inconsistent with the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly.

7. **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:

- (i) unless otherwise specified by the Company in a notice delivered by the Company in accordance with this Section 7, any notice required to be delivered to the Company shall be properly delivered if delivered to:

Floor & Decor Holdings, Inc.
2500 Windy Ridge Parkway, SE
Atlanta, GA 30339
Attention: General Counsel

Telephone: (404) 471-1634
Facsimile: (404) 393-3540

with a copy (which shall not constitute notice) to:

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

(b) if to the Participant, to the address on file with the Employer.

Any notice, demand or request, if made in accordance with this Section 7 shall be deemed to have been duly given: (i) when delivered in person; (ii) three days after being sent by United States mail; or (iii) on the first business day following the date of deposit if delivered by a nationally recognized overnight delivery service.

8. **No Right to Employment/Consultancy/Directorship.** This Agreement shall not give the Participant or other Person any right to employment, consultancy or directorship by the Employer, or limit in any way the right of the Employer to terminate the Participant's employment, consultancy or directorship at any time.

9. **Waiver of Jury Trial.** EACH PARTY TO THIS AGREEMENT, FOR ITSELF AND ITS AFFILIATES, HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE ACTIONS OF THE PARTIES HERETO OR THEIR RESPECTIVE AFFILIATES PURSUANT TO THE PLAN OR THIS AGREEMENT OR IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT OF THE PLAN OR THIS AGREEMENT.

10. **Dispute Resolution.** All controversies and claims arising out of or relating to this Agreement, or the breach hereof, shall be settled by the Employer's mandatory dispute resolution procedures as may be in effect from time to time with respect to matters arising out of or relating to Participant's employment with the Employer.

11. **Severability of Provisions.** If at any time any of the provisions of this Agreement shall be held invalid or unenforceable, or are prohibited by the laws of the jurisdiction where they are to be performed or enforced, by reason of being vague or unreasonable as to duration or geographic scope or scope of the activities restricted, or for any other reason, such provisions shall be considered divisible and shall become and be immediately amended to include only such restrictions and to such extent as shall be deemed to be reasonable and enforceable by the court or other body having jurisdiction over this Agreement and the Company and the Participant agree that the provisions of this Agreement, as so amended, shall be valid and binding as though any invalid or unenforceable provisions had not been included.

12. **Governing Law.** All matters arising out of or relating to this Agreement and the transactions contemplated hereby, including its validity, interpretation, construction, performance and enforcement, shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to its principles of conflict of laws.

13. **Section 409A.** Although the Company makes no guarantee with respect to the tax treatment of the Performance Stock Units, the award of Performance Stock Units and Dividend Equivalents pursuant to this Agreement is intended to comply with, or to be exempt from, Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. The Performance

Stock Units and Dividend Equivalents shall be limited, construed and interpreted in accordance with such intent; provided that the Employer does not guarantee to the Participant any particular tax treatment of the Performance Stock Units or Dividend Equivalents. In no event whatsoever shall the Employer be liable for any additional tax, interest or penalties that may be imposed on the Participant by Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. Dividend Equivalents shall be treated separately from the Performance Stock Units and the rights arising in connection therewith for purposes of the designation of time and form of payments required by Section 409A of the Code.

14. **Interpretation.** Unless a clear contrary intention appears: (a) the defined terms herein shall apply equally to both the singular and plural forms of such terms; (b) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by the Plan or this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually; (c) any pronoun shall include the corresponding masculine, feminine and neuter forms; (d) 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; (e) 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; (f) "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; (g) numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement; (h) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; (i) "or" is used in the inclusive sense of "and/or"; (j) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto; and (k) reference to dollars or \$ shall be deemed to refer to U.S. dollars.

15. **No Strict Construction.** This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

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IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

FLOOR & DECOR HOLDINGS, INC.

By: _____
Name: _____
Title: _____

PARTICIPANT

By: _____
Name: _____

FLOOR & DECOR HOLDINGS, INC.

**Form of 2023 Special Performance and Service Restricted Stock Unit Agreement
Pursuant to the
Floor & Decor Holdings, Inc.
2017 Stock Incentive Plan**

AGREEMENT (this "**Agreement**"), dated as of _____ (the "**Grant Date**") between Floor & Decor Holdings, Inc., a Delaware corporation (the "**Company**") and, collectively with its controlled Affiliates, the "**Employer**"), and _____ (the "**Participant**").

Preliminary Statement

Subject to the terms and conditions set forth herein, the Committee hereby grants the Participant the right to receive the number of shares of Common Stock specified in Section 1 and Section 2 hereof (the "**Performance and Service Restricted Stock Units**"), as an Eligible Employee, Consultant or Non-Employee Director, on the Grant Date pursuant to the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan, as it may be amended from time to time (the "**Plan**"). Except as otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan. By signing and returning this Agreement, the Participant acknowledges having received and read a copy of the Plan and agrees to comply with it, this Agreement and all applicable laws and regulations.

Accordingly, the parties hereto agree as follows:

1. **Grant of Service Restricted Stock Units.** Subject to the Plan and the terms and conditions set forth herein and therein, the Participant is hereby granted _____ Restricted Stock Units on the Grant Date, which are designated as "Service Restricted Stock Units". Each Service Restricted Stock Unit represents an unfunded, unsecured right to receive one (1) share of Common Stock on the Payment Date(s) specified in Section 5 hereof. The Service Restricted Stock Units shall vest, if at all, on the dates (each a "**Vesting Date**") and in the cumulative number of Service Restricted Stock Units provided in the table below, rounded to the nearest whole Service Restricted Stock Unit, subject to the Participant not having incurred a Termination prior to the applicable Vesting Date. There shall be no proportionate or partial vesting in the periods between the vesting dates.

<u>Vesting Date</u>	<u>Cumulative Vested Percentage</u>
Second anniversary of the Grant Date	25%
Third anniversary of the Grant Date	50%
Fourth anniversary of the Grant Date	100%

2. **Grant of Performance Restricted Stock Units.** Subject to the Plan and the terms and conditions set forth herein and therein, the Participant is hereby granted Restricted Stock Units on the Grant Date as follows, which Restricted Stock Units are designated as "Performance Restricted Stock Units". Each Performance Restricted Stock Unit represents an unfunded, unsecured right to receive one (1) share of Common Stock on the Payment Date(s) specified in Section 5 hereof.

Target Number of Performance Restricted Stock Units: _____

Maximum Number of Performance Restricted Stock Units: _____

The number of Performance Restricted Stock Units (if any) that become vested shall be determined upon the date on which the Committee determines and certifies the extent to which the Performance Goals set forth in Exhibit A attached hereto have been achieved (or not), which date shall occur as soon as practicable following the end of the Performance Period (as defined in Exhibit A attached hereto), but in no event later than 60 days following the end of the Performance Period (the "**Measurement Date**"); provided that the Participant has not incurred a Termination prior to the fourth anniversary of the Grant Date (except as otherwise set forth in this Agreement). In no event shall the number of Performance Restricted Stock Units that vest hereunder exceed the Maximum Number of Performance Restricted Stock Units indicated above. All Performance Restricted Stock Units that do not become vested as of the Measurement Date shall be automatically forfeited without consideration therefor. The Committee's determination and certification of (i) the achievement of Performance Goals and (ii) the number of Performance Restricted Stock Units that vest (if any) pursuant to this Section 2, shall be final and binding on the Participant.

Notwithstanding anything herein to the contrary, the Committee shall have discretion to adjust the Performance Goals, or the metrics used to determine achievement of the Performance Goals, to reflect (A) a change in accounting standards or principles, (B) a significant acquisition or divestiture, (C) a significant capital transaction, (D) a change to or difference in the applicable fiscal year, or (E) any other unusual, nonrecurring or other extraordinary event or item.

3. Detrimental Activity.

(a) In consideration for the grant of Performance and Service Restricted Stock Units and in addition to any other remedies available to the Company, the Participant acknowledges and agrees that the Performance and Service Restricted Stock Units are subject to the provisions in the Plan regarding Detrimental Activity. If the Participant engages in any Detrimental Activity prior to, or during the two-year period after, any vesting of the Performance Stock Units, all unvested Performance Stock Units, and vested Performance Stock Units that have not been settled, shall be forfeited, without compensation, and the Committee shall be entitled to recover from the Participant (at any time within one year after such engagement in Detrimental Activity) an amount equal to the Fair Market Value as of the vesting date(s) of any Performance Stock Units that had vested and been settled in the period referred to above.

(b) The restrictions regarding Detrimental Activity are necessary for the protection of the business and goodwill of the Company and are considered by the Participant to be reasonable for such purposes. Without intending to limit the legal or equitable remedies available in the Plan and in this Agreement, the Participant acknowledges that engaging in Detrimental Activity will cause the Company material irreparable injury for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such activity or threat thereof, the Company shall be entitled, in addition to the remedies provided under the Plan, to obtain from any court of competent jurisdiction a temporary restraining order or a preliminary or permanent injunction restraining the Participant from engaging in Detrimental Activity or such other relief as may be required to specifically enforce any of the covenants in the Plan and this Agreement without the necessity of posting a bond, and in the case of a temporary restraining order or a preliminary injunction, without having to prove special damages. For purposes of this Section 3(b), a material breach of any agreement between the Participant and the Company or an Affiliate of the Company as described in prong (e) of the definition of "**Detrimental Activity**" shall include, but not be limited to, the breach of the covenants set forth in Exhibit B attached hereto and incorporated herein by reference.

4. Forfeiture. The Participant shall forfeit to the Company, without compensation, any and all unvested Performance and Service Restricted Stock Units upon the Participant's Termination for any reason.

5. Payment. The Company shall, as soon as reasonably practicable (a) with respect to the Performance Restricted Stock Units, following the fourth anniversary of the Grant Date and (b) with respect to the Service Restricted Stock Units, following the applicable Vesting Date, as applicable (and in no event later than March 15th of the calendar year following the calendar year in which the applicable

date occurs) (each, a “**Payment Date**”), deliver (or cause to be delivered) to the Participant one (1) share of Common Stock with respect to each vested Performance and Service Restricted Stock Unit as settlement of such Performance and Service Restricted Stock Unit and each such Performance and Service Restricted Stock Unit shall thereafter be cancelled.

6. **Withholding.** Unless otherwise directed or permitted by the Committee, the Participant shall pay or provide for all applicable withholding taxes in respect of the settlement of the Performance and Service Restricted Stock Units by (a) remitting the aggregate amount of such taxes to the Company in full, by cash, or by check, bank draft or money order payable to the order of the Company, (b) to the extent permitted by the Company, having the Employer withhold, from shares of Common Stock delivered upon settlement of the Performance and Service Restricted Stock Units, a number of whole shares of Common Stock having a Fair Market Value equal to an amount necessary to satisfy all required federal, state, local and other non-U.S. withholding obligations using up to the maximum statutory withholding rates, as determined by the Company, for federal, state, local or non-U.S. tax purposes, including payroll taxes, or (c) to the extent permitted by the Company, by making arrangements with the Company to have such taxes withheld from other compensation due to the Participant.

7. **Dividend Equivalents.** With respect to ordinary cash dividends in respect of shares of Common Stock covered by any outstanding Performance and Service Restricted Stock Units. Participant will have the right to receive an amount in cash equal to the product of (a) the amount of any ordinary cash dividend paid with respect to a share of Common Stock on or after the Grant Date and on or prior to the earlier to occur of (i) the Payment Date, or (ii) the termination or forfeiture for any reason of the outstanding Performance and Service Restricted Stock Units, multiplied by (b) the number of shares of Common Stock covered by such Performance and Service Restricted Stock Units (a “**Dividend Equivalent**”). A Dividend Equivalent shall be subject to the same vesting restrictions and payment conditions as the Performance and Service Restricted Stock Units to which such Dividend Equivalent relates as set forth in [Section 1](#) or [Section 2](#), as applicable, and subject to [Section 4](#). Any Dividend Equivalents in respect of Performance and Service Restricted Stock Units that do not vest, shall be forfeited and retained by the Company. For the avoidance of doubt, (A) if a Performance and Service Restricted Stock Unit does not ultimately become vested hereunder, no Dividend Equivalent payments shall be made with respect to such unvested Performance and Service Restricted Stock Unit, and (B) in no event shall a Dividend Equivalent be paid that would result in Participant receiving both the Dividend Equivalent and the actual dividend with respect to a Performance and Service Restricted Stock Unit and the corresponding share of Common Stock.

8. **Termination and Change in Control.** The provisions in the Plan regarding Termination and Change in Control shall apply to the Performance and Service Restricted Stock Units.

9. **Performance and Service Restricted Stock Unit Transfer Restrictions.** Unless otherwise determined by the Committee, Performance and Service Restricted Stock Units may not be directly or indirectly transferred, sold, assigned, pledged, hypothecated, encumbered or otherwise disposed of whether for value or for no value and whether voluntarily or involuntarily (including by operation of law) by the Participant (a “**Transfer**”) other than by will or by the laws of descent and distribution and any other purported Transfer shall be void and unenforceable against the Company and its Affiliates.

10. **Provisions of Plan Control.** This Agreement is subject to all the terms, conditions and provisions of the Plan, including the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. If and to the extent that this Agreement conflicts or is inconsistent with the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly.

11. **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:

(1) unless otherwise specified by the Company in a notice delivered by the Company in accordance with this [Section 11](#), any notice required to be delivered to the Company shall be properly delivered if delivered to:

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

with a copy (which shall not constitute notice) to:

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

(b) if to the Participant, to the address on file with the Employer.

Any notice, demand or request, if made in accordance with this Section 11 shall be deemed to have been duly given: (a) when delivered in person; (b) three days after being sent by United States mail; or (c) on the first business day following the date of deposit if delivered by a nationally recognized overnight delivery service.

12. **No Right to Employment/Consultancy/Directorship.** This Agreement shall not give the Participant or other Person any right to employment, consultancy or directorship by the Employer, or limit in any way the right of the Employer to terminate the Participant's employment, consultancy or directorship at any time.

13. **Waiver of Jury Trial.** EACH PARTY TO THIS AGREEMENT, FOR ITSELF AND ITS AFFILIATES, HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE ACTIONS OF THE PARTIES HERETO OR THEIR RESPECTIVE AFFILIATES PURSUANT TO THE PLAN OR THIS AGREEMENT OR IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT OF THE PLAN OR THIS AGREEMENT.

14. **Dispute Resolution.** All controversies and claims arising out of or relating to this Agreement, or the breach hereof, shall be settled by the Employer's mandatory dispute resolution procedures as may be in effect from time to time with respect to matters arising out of or relating to Participant's employment or service with the Employer.

15. **Severability of Provisions.** If at any time any of the provisions of this Agreement shall be held invalid or unenforceable, or are prohibited by the laws of the jurisdiction where they are to be performed or enforced, by reason of being vague or unreasonable as to duration or geographic scope or scope of the activities restricted, or for any other reason, such provisions shall be considered divisible and shall become and be immediately amended to include only such restrictions and to such extent as shall be deemed to be reasonable and enforceable by the court or other body having jurisdiction over this Agreement and the Company and the Participant agree that the provisions of this Agreement, as so amended, shall be valid and binding as though any invalid or unenforceable provisions had not been included.

16. **Governing Law.** All matters arising out of or relating to this Agreement and the transactions contemplated hereby, including its validity, interpretation, construction, performance and enforcement, shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to its principles of conflict of laws.

17. **Section 409A.** Although the Company makes no guarantee with respect to the tax treatment of the Performance and Service Restricted Stock Units, the award of Performance and Service Restricted Stock Units and Dividend Equivalents pursuant to this Agreement is intended to comply with, or to be exempt from, Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. The Performance and Service Restricted Stock Units and Dividend Equivalents shall be limited, construed and interpreted in accordance with such intent; provided that the Employer does not guarantee to the Participant any particular tax treatment of the Performance and Service Restricted Stock Units or Dividend Equivalents. In no event whatsoever shall the Employer be liable for any additional tax, interest or penalties that may be imposed on the Participant by Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. Dividend Equivalents shall be treated separately from the Performance and Service Restricted Stock Units and the rights arising in connection therewith for purposes of the designation of time and form of payments required by Section 409A of the Code.

18. **Interpretation.** Unless a clear contrary intention appears: (a) the defined terms herein shall apply equally to both the singular and plural forms of such terms; (b) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by the Plan or this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually; (c) any pronoun shall include the corresponding masculine, feminine and neuter forms; (d) 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; (e) 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; (f) "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; (g) numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement; (h) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; (i) "or" is used in the inclusive sense of "and/or"; (j) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto; and (k) reference to dollars or \$ shall be deemed to refer to U.S. dollars.

19. **No Strict Construction.** This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

FLOOR & DECOR HOLDINGS, INC.

By: _____
Name: _____
Title: _____

PARTICIPANT

By: _____
Name: _____

FLOOR & DECOR HOLDINGS, INC.

**Form of 2023 Special Performance and Service Restricted Stock Unit Agreement
Pursuant to the
Floor & Decor Holdings, Inc.
2017 Stock Incentive Plan**

AGREEMENT (this “**Agreement**”), dated as of _____ (the “**Grant Date**”) between Floor & Decor Holdings, Inc., a Delaware corporation (the “**Company**” and, collectively with its controlled Affiliates, the “**Employer**”), and _____ (the “**Participant**”).

Preliminary Statement

Subject to the terms and conditions set forth herein, the Committee hereby grants the Participant the right to receive the number of shares of Common Stock specified in Section 1 and Section 2 hereof (the “**Performance and Service Restricted Stock Units**”), as an Eligible Employee, Consultant or Non-Employee Director, on the Grant Date pursuant to the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan, as it may be amended from time to time (the “**Plan**”). Except as otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan. By signing and returning this Agreement, the Participant acknowledges having received and read a copy of the Plan and agrees to comply with it, this Agreement and all applicable laws and regulations.

Accordingly, the parties hereto agree as follows:

1. **Grant of Service Restricted Stock Units.** Subject to the Plan and the terms and conditions set forth herein and therein, the Participant is hereby granted _____ Restricted Stock Units on the Grant Date, which are designated as “Service Restricted Stock Units”. Each Service Restricted Stock Unit represents an unfunded, unsecured right to receive one (1) share of Common Stock on the Payment Date(s) specified in Section 5 hereof. The Service Restricted Stock Units shall vest, if at all, on the dates (each a “**Vesting Date**”) and in the cumulative number of Service Restricted Stock Units provided in the table below, rounded to the nearest whole Service Restricted Stock Unit, subject to the Participant not having incurred a Termination prior to the applicable Vesting Date. There shall be no proportionate or partial vesting in the periods between the vesting dates.

<u>Vesting Date</u>	<u>Cumulative Vested Percentage</u>
Second anniversary of the Grant Date	33%
Third anniversary of the Grant Date	100%

2. **Grant of Performance Restricted Stock Units.** Subject to the Plan and the terms and conditions set forth herein and therein, the Participant is hereby granted Restricted Stock Units on the Grant Date as follows, which Restricted Stock Units are designated as “Performance Restricted Stock Units”. Each Performance Restricted Stock Unit represents an unfunded, unsecured right to receive one (1) share of Common Stock on the Payment Date(s) specified in Section 5 hereof.

Target Number of Performance Restricted Stock Units: _____

Maximum Number of Performance Restricted Stock Units: _____

The number of Performance Restricted Stock Units (if any) that become vested shall be determined upon the date on which the Committee determines and certifies the extent to which the Performance Goals set forth in Exhibit A attached hereto have been achieved (or not), which date shall occur as soon as practicable following the end of the Performance Period (as defined in Exhibit A attached hereto), but in no event later than 60 days following the end of the Performance Period (the “**Measurement Date**”); provided that the Participant has not incurred a Termination prior to the third anniversary of the Grant Date (except as otherwise set forth in this Agreement). In no event shall the number of Performance Restricted Stock Units that vest hereunder exceed the Maximum Number of Performance Restricted Stock Units indicated above. All Performance Restricted Stock Units that do not become vested as of the Measurement Date shall be automatically forfeited without consideration therefor. The Committee’s determination and certification of (i) the achievement of Performance Goals and (ii) the number of Performance Restricted Stock Units that vest (if any) pursuant to this Section 2, shall be final and binding on the Participant.

Notwithstanding anything herein to the contrary, the Committee shall have discretion to adjust the Performance Goals, or the metrics used to determine achievement of the Performance Goals, to reflect (A) a change in accounting standards or principles, (B) a significant acquisition or divestiture, (C) a significant capital transaction, (D) a change to or difference in the applicable fiscal year, or (E) any other unusual, nonrecurring or other extraordinary event or item.

3. **Detrimental Activity.**

(a) In consideration for the grant of Performance and Service Restricted Stock Units and in addition to any other remedies available to the Company, the Participant acknowledges and agrees that the Performance and Service Restricted Stock Units are subject to the provisions in the Plan regarding Detrimental Activity. If the Participant engages in any Detrimental Activity prior to, or during the two-year period after, any vesting of the Performance Stock Units, all unvested Performance Stock Units, and vested Performance Stock Units that have not been settled, shall be forfeited, without compensation, and the Committee shall be entitled to recover from the Participant (at any time within one year after such engagement in Detrimental Activity) an amount equal to the Fair Market Value as of the vesting date(s) of any Performance Stock Units that had vested and been settled in the period referred to above.

(b) The restrictions regarding Detrimental Activity are necessary for the protection of the business and goodwill of the Company and are considered by the Participant to be reasonable for such purposes. Without intending to limit the legal or equitable remedies available in the Plan and in this Agreement, the Participant acknowledges that engaging in Detrimental Activity will cause the Company material irreparable injury for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such activity or threat thereof, the Company shall be entitled, in addition to the remedies provided under the Plan, to obtain from any court of competent jurisdiction a temporary restraining order or a preliminary or permanent injunction restraining the Participant from engaging in Detrimental Activity or such other relief as may be required to specifically enforce any of the covenants in the Plan and this Agreement without the necessity of posting a bond, and in the case of a temporary restraining order or a preliminary injunction, without having to prove special damages. For purposes of this Section 3(b), a material breach of any agreement between the Participant and the Company or an Affiliate of the Company as described in prong (e) of the definition of “**Detrimental Activity**” shall include, but not be limited to, the breach of the covenants set forth in Exhibit B attached hereto and incorporated herein by reference.

4. **Forfeiture.** The Participant shall forfeit to the Company, without compensation, any and all unvested Performance and Service Restricted Stock Units upon the Participant’s Termination for any reason.

5. **Payment.** The Company shall, as soon as reasonably practicable (a) with respect to the Performance Restricted Stock Units, following the third anniversary of the Grant Date and (b) with respect to the Service Restricted Stock Units, following the applicable Vesting Date, as applicable (and in no event later than March 15th of the calendar year following the calendar year in which the applicable date occurs) (each, a “**Payment Date**”), deliver (or cause to be delivered) to the Participant one (1) share of Common Stock with respect to each vested Performance and Service Restricted Stock Unit as settlement

of such Performance and Service Restricted Stock Unit and each such Performance and Service Restricted Stock Unit shall thereafter be cancelled.

6. **Withholding.** Unless otherwise directed or permitted by the Committee, the Participant shall pay or provide for all applicable withholding taxes in respect of the settlement of the Performance and Service Restricted Stock Units by (a) remitting the aggregate amount of such taxes to the Company in full, by cash, or by check, bank draft or money order payable to the order of the Company, (b) to the extent permitted by the Company, having the Employer withhold, from shares of Common Stock delivered upon settlement of the Performance and Service Restricted Stock Units, a number of whole shares of Common Stock having a Fair Market Value equal to an amount necessary to satisfy all required federal, state, local and other non-U.S. withholding obligations using up to the maximum statutory withholding rates, as determined by the Company, for federal, state, local or non-U.S. tax purposes, including payroll taxes, or (c) to the extent permitted by the Company, by making arrangements with the Company to have such taxes withheld from other compensation due to the Participant.

7. **Dividend Equivalents.** With respect to ordinary cash dividends in respect of shares of Common Stock covered by any outstanding Performance and Service Restricted Stock Units. Participant will have the right to receive an amount in cash equal to the product of (a) the amount of any ordinary cash dividend paid with respect to a share of Common Stock on or after the Grant Date and on or prior to the earlier to occur of (i) the Payment Date, or (ii) the termination or forfeiture for any reason of the outstanding Performance and Service Restricted Stock Units, multiplied by (b) the number of shares of Common Stock covered by such Performance and Service Restricted Stock Units (a "**Dividend Equivalent**"). A Dividend Equivalent shall be subject to the same vesting restrictions and payment conditions as the Performance and Service Restricted Stock Units to which such Dividend Equivalent relates as set forth in [Section 1](#) or [Section 2](#), as applicable, and subject to [Section 4](#). Any Dividend Equivalents in respect of Performance and Service Restricted Stock Units that do not vest, shall be forfeited and retained by the Company. For the avoidance of doubt, (A) if a Performance and Service Restricted Stock Unit does not ultimately become vested hereunder, no Dividend Equivalent payments shall be made with respect to such unvested Performance and Service Restricted Stock Unit, and (B) in no event shall a Dividend Equivalent be paid that would result in Participant receiving both the Dividend Equivalent and the actual dividend with respect to a Performance and Service Restricted Stock Unit and the corresponding share of Common Stock.

8. **Termination and Change in Control.** The provisions in the Plan regarding Termination and Change in Control shall apply to the Performance and Service Restricted Stock Units.

9. **Performance and Service Restricted Stock Unit Transfer Restrictions.** Unless otherwise determined by the Committee, Performance and Service Restricted Stock Units may not be directly or indirectly transferred, sold, assigned, pledged, hypothecated, encumbered or otherwise disposed of whether for value or for no value and whether voluntarily or involuntarily (including by operation of law) by the Participant (a "**Transfer**") other than by will or by the laws of descent and distribution and any other purported Transfer shall be void and unenforceable against the Company and its Affiliates.

10. **Provisions of Plan Control.** This Agreement is subject to all the terms, conditions and provisions of the Plan, including the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. If and to the extent that this Agreement conflicts or is inconsistent with the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly.

11. **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:

(1) unless otherwise specified by the Company in a notice delivered by the Company in accordance with this [Section 11](#), any notice required to be delivered to the Company shall be properly delivered if delivered to:

Floor & Decor Holdings, Inc.

2500 Windy Ridge Parkway, SE
Atlanta, GA 30339
Attention: General Counsel
Telephone: (404) 471-1634
Facsimile: (404) 393-3540

with a copy (which shall not constitute notice) to:

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

(b) if to the Participant, to the address on file with the Employer.

Any notice, demand or request, if made in accordance with this Section 11 shall be deemed to have been duly given: (a) when delivered in person; (b) three days after being sent by United States mail; or (c) on the first business day following the date of deposit if delivered by a nationally recognized overnight delivery service.

12. **No Right to Employment/Consultancy/Directorship.** This Agreement shall not give the Participant or other Person any right to employment, consultancy or directorship by the Employer, or limit in any way the right of the Employer to terminate the Participant's employment, consultancy or directorship at any time.

13. **Waiver of Jury Trial.** EACH PARTY TO THIS AGREEMENT, FOR ITSELF AND ITS AFFILIATES, HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE ACTIONS OF THE PARTIES HERETO OR THEIR RESPECTIVE AFFILIATES PURSUANT TO THE PLAN OR THIS AGREEMENT OR IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT OF THE PLAN OR THIS AGREEMENT.

14. **Dispute Resolution.** All controversies and claims arising out of or relating to this Agreement, or the breach hereof, shall be settled by the Employer's mandatory dispute resolution procedures as may be in effect from time to time with respect to matters arising out of or relating to Participant's employment or service with the Employer.

15. **Severability of Provisions.** If at any time any of the provisions of this Agreement shall be held invalid or unenforceable, or are prohibited by the laws of the jurisdiction where they are to be performed or enforced, by reason of being vague or unreasonable as to duration or geographic scope or scope of the activities restricted, or for any other reason, such provisions shall be considered divisible and shall become and be immediately amended to include only such restrictions and to such extent as shall be deemed to be reasonable and enforceable by the court or other body having jurisdiction over this Agreement and the Company and the Participant agree that the provisions of this Agreement, as so amended, shall be valid and binding as though any invalid or unenforceable provisions had not been included.

16. **Governing Law.** All matters arising out of or relating to this Agreement and the transactions contemplated hereby, including its validity, interpretation, construction, performance and enforcement, shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to its principles of conflict of laws.

17. **Section 409A.** Although the Company makes no guarantee with respect to the tax treatment of the Performance and Service Restricted Stock Units, the award of Performance and Service Restricted Stock

Units and Dividend Equivalents pursuant to this Agreement is intended to comply with, or to be exempt from, Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. The Performance and Service Restricted Stock Units and Dividend Equivalents shall be limited, construed and interpreted in accordance with such intent; provided that the Employer does not guarantee to the Participant any particular tax treatment of the Performance and Service Restricted Stock Units or Dividend Equivalents. In no event whatsoever shall the Employer be liable for any additional tax, interest or penalties that may be imposed on the Participant by Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. Dividend Equivalents shall be treated separately from the Performance and Service Restricted Stock Units and the rights arising in connection therewith for purposes of the designation of time and form of payments required by Section 409A of the Code.

18. **Interpretation.** Unless a clear contrary intention appears: (a) the defined terms herein shall apply equally to both the singular and plural forms of such terms; (b) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by the Plan or this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually; (c) any pronoun shall include the corresponding masculine, feminine and neuter forms; (d) 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; (e) 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; (f) "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; (g) numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement; (h) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; (i) "or" is used in the inclusive sense of "and/or"; (j) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto; and (k) reference to dollars or \$ shall be deemed to refer to U.S. dollars.

19. **No Strict Construction.** This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

FLOOR & DECOR HOLDINGS, INC.

By: _____
Name: _____
Title: _____

PARTICIPANT

By: _____
Name: _____

**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 Quarterly Report on Form 10-Q of Floor & Decor Holdings, Inc. for the fiscal quarter ended March 30, 2023;
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 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 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.

te: May 4, 2023

/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 Quarterly Report on Form 10-Q of Floor & Decor Holdings, Inc. for the fiscal quarter ended March 30, 2023;
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 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 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: May 4, 2023

/s/ Bryan H. Langley

Bryan H. Langley

Executive Vice President and Chief Financial Officer

(Principal Financial 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 Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2023 of Floor & Decor Holdings, Inc. (the "Company") as filed with the Securities and Exchange Commission (the "SEC") on the date hereof (the "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. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of his knowledge:

- (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2023

/s/ Thomas V. Taylor
Thomas V. Taylor
Chief Executive Officer
(Principal Executive Officer)

Date: May 4, 2023

/s/ Bryan H. Langley
Bryan H. Langley
Executive Vice President and Chief Financial Officer
(Principal Financial 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.