



## EQUITY AND INDUSTRY RESEARCH

September 30, 2021

# Snap One Holdings

(SNPO: \$15.84 Outperform; \$25 PT)*A Leading Supplier of Smart Living/Home Solutions to Integrators; Initiating Coverage with an Outperform Rating and PT of \$25***Brian Ruttenbur**  
615-293-8234[bruttenbur@imperialcapital.com](mailto:bruttenbur@imperialcapital.com)**Key Data**

Symbol: SNPO  
 Price (9/30/21): \$15.84  
 Rating: Outperform  
 Price Target: \$25

**Estimates (\$000):**

2021E EBITDA: \$105.2  
 2022E EBITDA: \$118.6  
 2021E Adj. EPS: \$0.77  
 2022E Adj. EPS: \$0.84  
 2021E EV/EBITDA: 14.8x  
 2022E EV/EBITDA: 13.1x

**Consensus Estimates:**

2021 Adj. EPS: \$0.78  
 2022 Adj. EPS: \$0.85

**Company Description**

Founded in 2005 and came public in 2021. Snap One Holdings Corp. provides smart living solutions to integrators and distributors, as well as through e-commerce portal in the US and internationally. The company has 27 stores in the US and is headquartered in Charlotte, NC

**Figure 1. Snap One Holdings—Key Company Data, Prices as of 9/30/21)**

Key Data	FY: Dec	2020	2021E	2022E	2023E
Price:	\$15.84	<u>Adj. EPS</u>	<u>Actual</u>	<u>Current</u>	<u>Current</u>
<b>Price Target:</b>	<b>\$25.00</b>	Q1	-0.04	0.15	0.11
52-Week Range:	15.25-23.81	Q2	0.13	0.23	0.26
<b>Market Cap (\$mm):</b>	<b>937.7</b>	Q3	0.25	0.18	0.25
Shares Out. (mm):	59.2	Q4	0.15	0.21	0.22
Avg. Daily Vol. (mm):	0.56	<b>Year</b>	<b>0.49</b>	<b>0.77</b>	<b>0.84</b>
Beta:	NA		32.6x	20.5x	18.9x
					14.6x
Total Debt (mm):	651.5	<u>Adj. EBITDA (\$000)</u>	<b>94,878</b>	<b>105,182</b>	<b>118,562</b>
Net Debt (mm):	615.6	<u>EV/EBITDA</u>	16.4x	14.8x	13.1x
					10.8x
<b>EV (\$mm):</b>	<b>1,553</b>	<u>Revenue (\$000)</u>			
		Q1	172,611	220,468	247,100
Dividend:	\$0.00	Q2	189,119	253,305	285,100
Dividend yield:	0.00%	Q3	226,276	254,100	283,000
		Q4	226,107	267,100	288,000
		<b>Year</b>	<b>814,113</b>	<b>994,973</b>	<b>1,103,200</b>
		<b>EV/Sales</b>	<b>1.9x</b>	<b>1.6x</b>	<b>1.4x</b>
					1.3x

Sources: CapIQ and Imperial Capital, LLC. Post IPO in July 2021 we estimate the company had ~\$35 million of cash and cash equivalents and \$435 million in total debt.

**Financial Summary**

Snap One ended FY 2020 (December) with \$814 million of revenue, \$94.5 million of Adj. EBITDA, and \$0.48 of Adj. EPS. In June 2021 (2Q 2021) the company reported \$253.3 million of revenue, \$29.3 million of Adj. EBITDA, and \$0.23 of Adj. EPS. Post IPO in July 2021 we estimate the company had ~\$35 million of cash and cash equivalents on its Balance Sheet and \$435 million in total debt.

Guidance for FY 2021. Management expects revenue of \$985-\$1,000 million and Adj. EBITDA in the range of \$102 - \$109 million.

**View**

We are initiating coverage on shares of SNPO with an Outperform rating and price target of \$25. Snap One is a leading partner and supplier of Smart Living/Home Solutions primarily to professional integrators (16k of the estimated 70k integrators in the US use Snap One). Snap One products go-to-market strategy is two pronged: SnapAV.com (primarily on-line) and physical store fronts (27 retail stores are concentrated in Southern California and the Northeast with plans to add 6-10 new stores per year). The company strives to support its integrators with products, services (training, design tools, outsourced technical assistance), and software solutions (Control 4 and OvrC). We view the company as the go-to source for small to medium size integrators (5-10 employees) that are primarily working on installing higher end home audiovisual/smart home solutions. We anticipate long-term revenue growth in the low double digits with gross margins moderating over time in the low 40s. As the company grows, we see operating leverage driving Adj. EBITDA margins above 11%. Post IPO in July 2021 the company has ~\$35mm in cash and ~\$435mm in debt. We see several risk factors that could impact shares of SNPO including the overhang of Hellman & Friedman, exposure to the upper end of the housing market, and geographic concentration in its physical stores. While we mention these risks, we believe the company has a superior offering, a large market to grow into and expand its offerings. Our price target of \$25 implies an enterprise value of \$1.9 billion. We value Snap One at 16x EV/EBITDA based on 2022 estimates.

**Important Disclosures, Certifications and Other Information**

See the last page of this report for important disclosures, analyst certifications and other information concerning conflicts of interest that may exist between the subject of this report and Imperial Capital, LLC, Imperial Capital Asset Management, LLC and/or the author(s) of this report.

Additional information is available upon request.

## Capitalization

**Figure 2. Snap One Holdings—Capitalization as of 6/30/21, Prices as of 9/30/21)**

LTM Revenue (\$000)	(6/30/21)	926,156	Debt	Net Debt	Net Debt	Price / YTM	Interest Exp.
LTM EBITDA (\$000)	(6/30/21)	109,944	Face	Face	Market	Analysis	Analysis
LTM EBITDA %	(6/30/21)	11.9%					
FY21E Revenues (\$000)		994,973					
FY21E EBITDA (\$000)		105,182					
FY21E EBITDA %		10.6%					
LTM CapEx (\$000)	(6/30/21)	10,245					
LTM "Simple" FCF (\$000)	(6/30/21)	(9,028)					
Settlement Date	10/04/21						
			LTM	Net	Net		
			Cum. EBITDA	Cum. EBITDA	Cum. EBITDA		
			Debt 109,944	Debt 109,944	Debt 109,944		
			Face Mult.	Face Mult.	Mkt Mkt Mult.	Price YTM Cash Mat.	Rate/ Est. Coup. Int. Exp.
Cash and Cash Equivalents	Balance	35,850					
<b>Sr. Secured Debt</b>							
Term Loan A	276,182					100	
Incremental Loan	375,286					100	
Total Unsecured Debt	651,468	651,468	5.9x	615,618	375,286		8/4/2024
			6.2x	5.6x	339,436		8/4/2024
				5.9x			
<b>Amount Available</b>							
Revolver	60,000						
Total Amount Available	60,000	651,468	5.9x	615,618	375,286		8/4/2022
Total Debt	651,468		6.2x	5.6x			
				5.9x			
<b>Equity Market Cap</b>							
Shares Outstanding (mm)	59.2						
Stock Price	\$15.84						
Total Market Cap	\$937.7						
							Interest 18,576.7

Sources: Company reports and Imperial Capital, LLC. Post IPO, the company has ~\$35mm in cash and \$435mm in debt.

### View (continued)

**Leader in Smart Living/Home Solutions for Integrators.** Snap One is the leading supplier of Smart Living/Home Solutions to higher end smart home solutions integrators (16k of the estimated 70k integrators in the US use Snap One which is 2x large than its closest competitor). Snap One is playing in the fast-growing home automation market which is currently estimated at over \$40 billion annually and growing in the high single digits per year. The company designs and produces (outsourced manufacturing) proprietary brands for the home automation market. Proprietary brands make up 70% of product sales for Snap One (the company stocks over 2,800 SKUs and introduces over 450 new proprietary products per year) with 30% coming from third-party brands (distributor of leading smart home solutions). The company's integrator network continues to expand as Snap One offers not just products but support and training programs for its integrator customers/partners. In the 2021 CE Pro 100 Brand Analysis Awards, Snap One's proprietary product brands received the most number one votes by the top 100 integrators in the industry. The company was built by integrators for integrators and the goal of management is to deliver the best total solution to integrator community.

**Two-Pronged Go-Market Strategy.** Snap One products are sold through two go-to market/ sales channels - SnapAV.com (primarily online) and physical store fronts.

- **Snap AV (70-75% of product sales are through the Snap AV ecommerce website).** Smart living solution products that enable the whole-home connectivity and control over services ranging from entrainment, security to energy control. The company stocks over 2800 proprietary SKUs, to sell directly to their 16,000 integrators as well as residential homeowners. Each product (roughly 70% of the products are proprietary) is engineered to provide a seamless integration process, which reduces installation times for integrators.
- **Store Front (~25% of product sales are through store fronts).** In 2018, Snap One purchased four regional chain stores. As of June 30<sup>th</sup>, 2021 the company had 27 retail stores that were concentrated in Southern California and the Northeast. The store layouts are designed to maximize the experience for local integrators with open layouts and each store has technical consultants available for integrators to interact. Management sees the store layouts as a critical point in their strategy to increase their wallet share in the products integrators purchase. Over the coming years, management expects to open 6-10 additional stores a year.

**Support (Training, Software, Operating System) Ties Snap One Products with Integrators.** The company was built by integrators for integrators and the goal of management is to deliver the best total solution to the integrator community. The company strives to support its products with services and software. In 2019 the merger with Control4 transformed Snap One (then Snap AV) from a products provider to an ecosystem that connects products (both the company's proprietary home automation products as well as leading distribution products), compounding the value proposition for integrators and homeowners. The Control4 remote system identifies problems in the set up and enables integrators to reduce wasted time on their job. Control 4's operating system, OS3, provides homeowners the ability to control energy usage, audio, visual, and security settings from tablets and other devices. Today, Control 4's operating system is provided with the purchase of a control device and is used by over 400,000 homes. Additionally, Snap One enables Integrators to remotely monitor and diagnose systems through the OvrC network. OvrC's software enables integrators to resolve home automation problems remotely and quickly, reducing the frustration of homeowners/customers. There are many other applications including 4Sight and Parasol which are both paid subscription services which combined make up 1% of revenues (management aims to grow their recurring revenue to 3% in the coming years).

**Expect Double Digit Growth.** Management is guiding for calendar 2021 sales in the range of \$985 million and \$1 billion, an increase of ~20% year over year. Longer-term we project ~10% revenue growth driven by repeat integrator customers with roughly 70% of sales annually comes from existing customers (management instituted a 5.6% price hike in August 2021 and has not received negative feedback from its customers on the increase). Management has expressed their intentions to grow both organically and through acquisitions. The company has stated they have a strong pipeline of target companies for future expansion of their distribution capabilities and product offerings (hardware and software).

- **Distribution Expansion.** The company will look to expand store front locations (opening 6-10 new retail stores per year) becoming the distributor of choice by offering best-in-class service to its fragmented integrator customers. As stated earlier, Snap One operates in a fragmented market (~70K integrator customers currently transaction with just over 20% of these integrators). Each storefront provides delivery and technical consulting abilities in their regions. In addition to their stores, Snap One leverages e-commerce (currently ~70% of sales is e-commerce) to increase sales distribution.
- **Products Expansion.** The company plans to add both hardware and software products to its portfolio. The company introduces over 450 new proprietary hardware products per year (product production is asset light/outourced manufacturing) and will look to accelerate the number of number products through acquisitions. The company is committed to expanding its offering of software services and has ~135 full-time software engineers on staff to develop new tools and features for both Control4 OS and OvrC (building additional RMR sources of revenue). The company is also evaluating acquisitions in the software solutions sector.

**Strong Margins.** The company expects long-term gross margins of ~ 40% and Adj. EBITDA of 11%. We anticipate long-term revenue growth in the low double digits with gross margins moderating over time in the low 40s. Gross margins should be further driven higher as the company adds new software solutions and RMR goes from 1% to 3%. As the company grows, we see operating leverage driving Adj. EBITDA margins beyond 11%. In 2021 we see Adj. EBITDA margins at 10.6%, going to 10.7% in 2022 and 11.7% in 2023. In 2021, management views growth potential from five main categories— build new products, increase wallet share of integrators, expand their global integrator network, develop new software service verticals, and acquire prospective companies at reasonable prices.

**Solid BS and Positive Growing Cash Flow.** Post IPO we estimate the company has ~\$35mm in cash and ~\$435mm in debt. We look at Free Cash Flow (FCF) in two ways 1. Adj. EBITDA minus Capital Expenditures for 2021 which equals \$93mm (assumes \$12mm of Capital Expenditures) and for 2022 using a similar calculation equal \$103mm (assumes \$16mm of Capital Expenditures) 2. The second way to look at FCF is very conservative, taking GAAP net income plus D&A less Capital Expenditures. For 2021 using the traditional FCF would be \$40mm (assuming similar Capital Expenditures levels each year) and for 2022 would be \$58mm of FCF. Given the company's strong balance sheet and cash flows we believe management has the financial resources to grow both internally and externally the next few years.

**Risks to Consider.** We believe it is fair to highlight three factors that could impact shares of SNPO (we will discuss these further in the risk factors section). The first is the overhang from the Hellman & Friedman ownership (owns/controls ~74% of the outstanding shares with a lock-up period of 6 months post IPO). The second is the company's exposure to the upper end of the housing market (the typical consumer of a Snap One solution spends \$10K-20K). Finally, the company has a concentrated geographic exposure with its retail stores (physical stores are primarily located in the Northeast and Southern California). While we mention these risks, we believe the company has a superior offering, a large market to grow into and expand its offerings. We therefore are initiating coverage with an Outperform rating and PT of \$25.00.

## Company Overview

Founded in 2005, Snap One (SNPO) specializes in the design and distribution of smart home technologies to provide an ecosystem of internet connection, entertainment, surveillance, and energy monitoring. Snap One was founded by three professional integrators and have built their business model around capturing the professional integrator market. The company sells over 2,800 products that come from both their own proprietary designs and third-party companies. Snap One competes in two distinct installation markets: Do-It-Yourself (DIY) or Do-It-For-Me (DIFM). For their DIFM market, Snap One has existing relationships with over 16,000 of the 70,000 domestic professional integrators.

Snap One completed 10 acquisitions for an aggregate value of \$750mm since 2015. The most recent acquisitions can be found below.

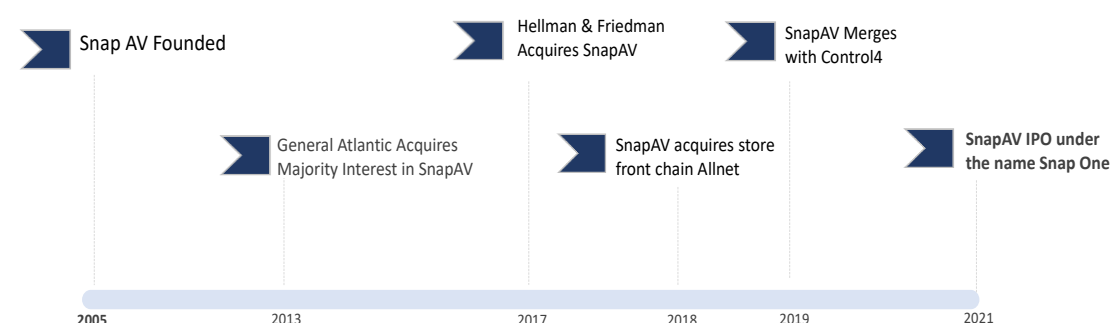
**Figure 3. Snap One Recent Acquisitions**

Acquisition	Valuation and Price	Closed	Financials	Key offerings
Action Networks	\$38.1 million in cash & issued equity	04/01/21	\$16m in Sales in 2020	<ul style="list-style-type: none"> <li>Improve hardware technology offering for internet connection devices</li> </ul>
Control4	\$680 million all cash deal	08/01/19	~25x EBITDA FY17 (\$28m)	<ul style="list-style-type: none"> <li>Enable internet accessibility software control of Snap One products</li> <li>1,200+ employees with expertise in software development and smart home technologies</li> </ul>
Custom Plus Distributing	\$12.5 million in Cash & borrowings	07/17/19	\$17m in Sales and \$327k net loss from July to Dec-19	<ul style="list-style-type: none"> <li>Expand retail DIY and DIFM physical store presence on the west coast</li> </ul>
Marketing Representatives	\$9.3 million in Cash & borrowings	03/14/19	\$26m in Sales and \$825k net income from March to Dec-19	<ul style="list-style-type: none"> <li>Expand retail DIY and DIFM presence in northeast</li> <li>Improve audiovisual product offering in the northeast to home installers</li> </ul>

Source: Company reports and Imperial Capital, LLC.

We believe the Control 4 merger (Control 4 was publicly traded prior to the merger Snap AV) was the most significant transaction in the company history. Prior to this acquisition then Snap AV (now Snap One) lacked an operating system. Control4 functions as the operating system of the home, integrating audio, video, lighting, temperature, security, communications, and other devices into a unified automation solution. We note Control 4 has a recurring revenue stream based on a subscription service that enables end customers to remotely access, monitor, and adjust settings in their homes and receive event-based email alerts from their system. Furthermore, it offers products and services with embedded software, such as controllers, interface and networking devices, audio and video solutions, lighting products, comfort products, security products, and communication products.

**Figure 4. Snap One Timeline**



Source: Company reports and Imperial Capital, LLC.

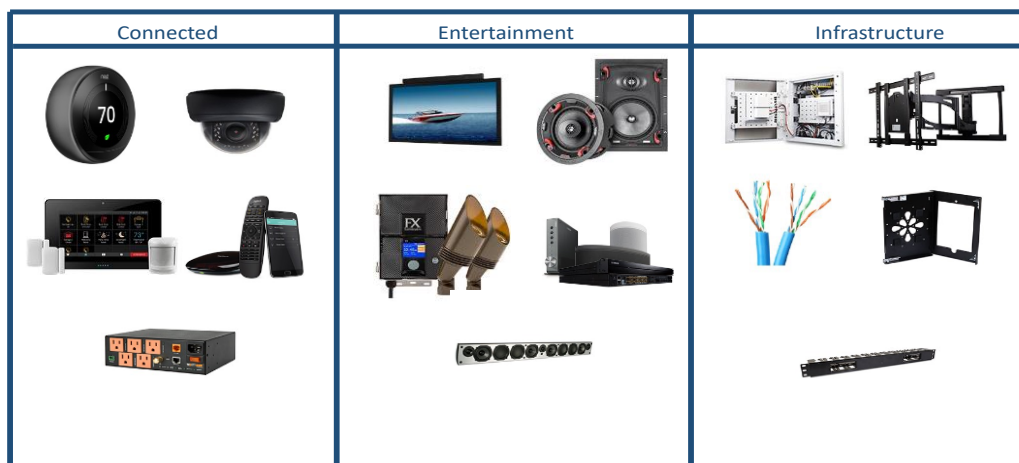


## Solution Offerings

Snap One is a leading partner and supplier of Smart Living/Home Solutions primarily to professional integrators (16k of the estimated 70k integrators in the US use Snap One). Snap One products go-to-market strategy is two pronged: SnapAV.com (primarily on-line ecommerce) and physical store fronts (27 retail stores are concentrated in southern California and the Northeast with plans to add 6-10 new stores per year). The company further supports its integrator customers through its software solutions and operating system, Control4.com (primary operating system to integrate all products) and OVERC (remote management of network devices).

Below is a chart that provides an overview of the company's product offerings focused on Smart Living/Home Solutions including connectivity, entertainment and infrastructure. Roughly 70% of product sales are proprietary and the company adds 450-500 new SKUs per year.

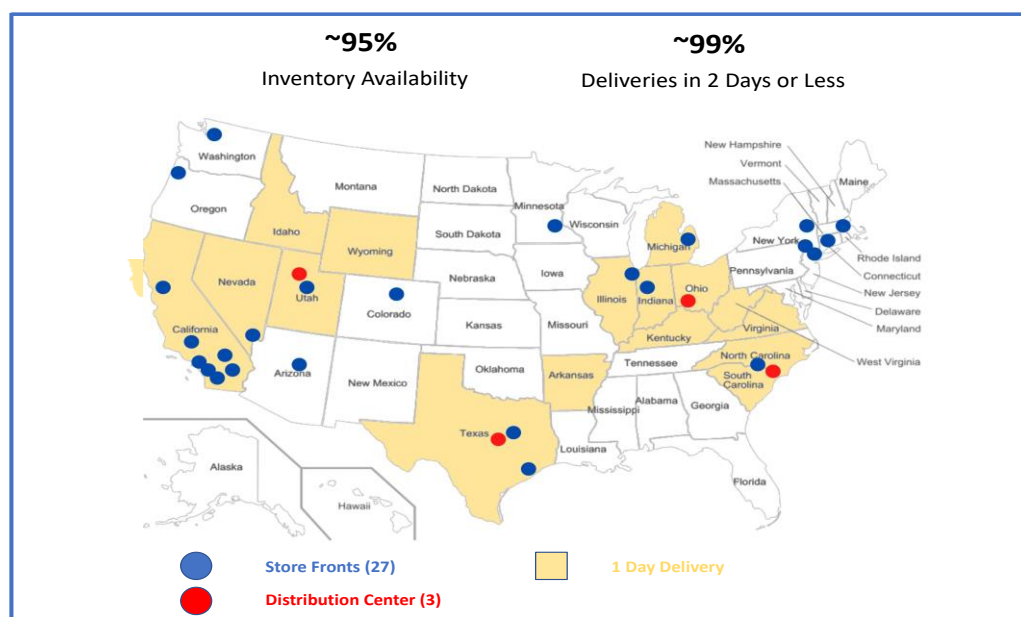
**Figure 5. Snap One Product Offerings ~2,800 SKUs (70% are Proprietary)**



Source: Company reports and Imperial Capital, LLC.

Below is a chart that shows the locations of the 27 store fronts with 3 distribution centers. These retail stores are concentrated in southern California and the Northeast (management plans to add 6-10 new stores per year).

**Figure 6. Snap One Retail and Distribution Locations**

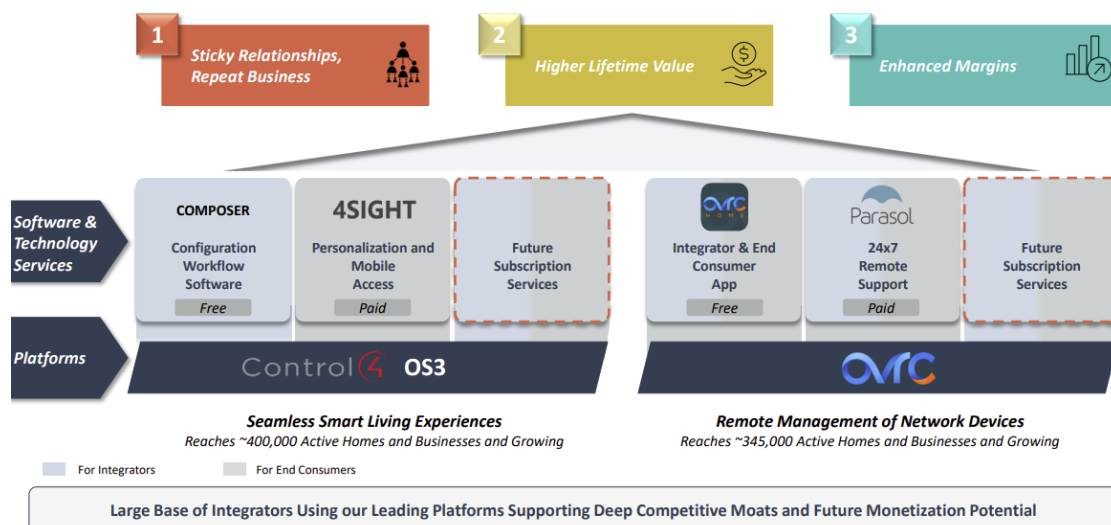


Source: Company reports and Imperial Capital, LLC.

There are many companies that supply and distribute smart home products. However, the key to keeping, growing and adding value to both integrators and end consumers is software and support.

Below is a chart that shows the software value proposition of the company's operating platform and the OvrC remote management platform.

**Figure 7. Software Delivers Value to Integrator and End Consumers**



Source: Company reports and Imperial Capital, LLC.

Composer is an application that provides the integrator or end users the ability to craft a custom home automation solution. Composer enables the programming of music, lighting preferences, and custom commands through a project tree program. Composer is provided free of charge.

4Sight (.9% of revenues) is a paid subscription service. 4Sight enables customers to communicate with systems directly from their mobile devices or home. End users receive alerts on their mobile devices about developments such as open garage doors, temperature control, and security. The service costs \$100/year, providing an affordable service to the 400k Control4 homes.

OvrC Integrator & End Consumer Application enables users and integrators to monitor their home automation systems. The integrator can see household statistics and device feedback from their phone. Notifications pushed to the integrator when wifi speeds are slow, or a device is offline allowing the integrator to fix the problem from their app before the homeowner notices. For the homeowner, the application reports the connectivity of every linked device and provides solutions when a problem arises. This is a free solution.

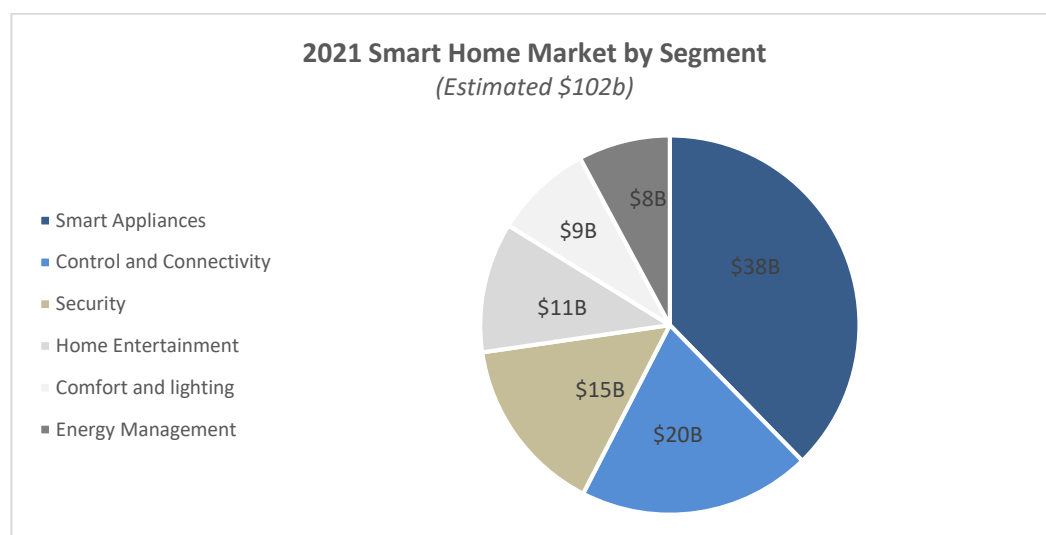
OvrC Parasol (.1% of revenues) is a paid subscription service. Parasol is a 24/7 customer service center. Pricing for the service is \$29.99 - \$49.99/month. Customers can contact a service professional, which resolves 85% of issues immediately (per Parasol.com). The experience reduces the friction of customers calling integrators, allowing them to reduce their time managing their clientele.

Both OvrC and Control4 provide customer stickiness and should Snap One with opportunities for non-cyclical reoccurring subscription revenues, although we estimate this is currently less than \$20mn in annual revenue. Today, OvrC's system operates in 330k+ home and commercial locations and monitors 9.2M devices. OvrC added 7k new home locations per month and was used by 12k integrators.

## Market Opportunity

Snap One's market is the total wallet spend from integrators on home and commercial smart living solution installations in the United States. In total, Frost & Sullivan estimate integrator spend to be \$43 billion in 2020 and grow at a 8.7% CAGR to \$65.2 billion in 2025. Snap One categorizes their market into two segments: residential and commercial integrators. In the residential market, Snap One has existing sales with 90% of the 17,000 domestic residents. and looks to increase their wallet share of these integrators in the coming years. In the commercial segment, the company has relationships with 10% of the 25,000 integrators. The company aims to expand their product offerings by 450 new designs a year to increase their market share in the commercial space.

**Figure 8. Smart Home Technologies Market 2021**



Sources: Statista, Frost & Sullivan, and Imperial Capital, LLC.

## Competition

Snap One faces competition in the Smart Living/Home Automation sector from a number of large and smaller competitors. We believe Snap One's closest public peers are Alarm.com and Resideo. In the section below we will compare and contrast both Alarm.com and Resideo to Snap One. We will also summarize some other Smart Living/Home Automation including ADT (ADT), Allegion PLC (ALLE), Identiv Inc (INVE), and Napco Security Technologies Co (NNSC), and Vivint (VVNT). We note there are many large technology companies like Google and Amazon offering smart devices into the sector, but we do not view these technology companies as direct competition to Snap One.

**Alarm.com (ALRM):** Alarm.com is a significant player in the home automation/security market. Alarm.com is projected to generate over \$715 million in revenue in 2021, with gross margins in the 60's and has a market cap of \$4.2 billion (primarily on an RMR based model). Alarm.com and Snap One have many similar offerings from interactive security, video monitoring, automation, and energy management. Below we will break down the differences between the companies, in our opinion.

- **Go-to-Market Strategy.** Snap One sells primarily to integrators with on line (~70% of revenues) and retail store fronts vs. Alarm.com sells a cloud-based software (we view as "Intel inside") through 10,000 dealers worldwide with no retail store fronts.
- **Revenue Model.** Snap One sells a customizable solution to integrators and generates most of its revenues through product sales vs. Alarm.com is a cloud-based (SaaS) operating system that powers subscribers (nearly 8mm end users) to intelligently manage and control their residential and commercial properties. The margin profile of the two companies is very different as a result with Alarm.com generating gross margins in the low 60's vs. Snap One in the low 40's.
- **End Customer/Solution.** – Snap One sells a highly customizable solution targeting upper-income households. Snap One solutions are ideal for integrators that provide customized higher end solutions for home automation (Spending \$10K-\$20K for a system plus monthly fees). Alarm.com is a broader less customizable solution targeting a broader market for smart security and smart home automation. Alarm.com is less expensive (average RMR for Alarm.com for its

solutions is ~\$6 – though this is marked up by the partners/integrators) and less customizable solution for the end users.

In summary Snap One and Alarm.com are both in the same broad smart home segment. However, we believe the two companies are addressing the market differently in terms of distribution, revenue model, end customer, and solution offering. We therefore see little direct competition between Snap One and Alarm.com.

**Resideo (REZI):** Resideo is a leading global provider in the home automation/security solutions in residential and small to medium business (SMB) environments. Resideo operates via two main businesses, Honeywell Home and ADI Global Distribution. Resideo sells its security products and solutions to over 10,000 dealers and 2,000 integrators and has a global footprint reaching over 100 countries and claims 150 million homes. Resideo is estimated to generate over \$5.9 billion in revenue in 2021 and has a market cap of \$3.8 billion. Resideo has many offerings from security, entertainment, energy efficiency products.

- **Product Offering.** Roughly 70% of Snap One's product sales comes from proprietary products with the remaining ~30% from distribution. Snap One focuses on the customized higher end solutions for home automation (with specific focus on Audio Visual). Resideo is focused more on the security and home automation market as both proprietary products producer and distributor (~58% of revenue is generated from ADI Distribution). Below is a chart highlighting some of Resideo's offerings.

**Figure 9. Resideo Offerings**



Sources: Company reports and Imperial Capital, LLC.

- **Gross Margins.** Snap One generates gross margins in the low 40's which is the result of only 30% of its sales from distribution and the benefit of its software and solutions offerings. Resideo generates gross margins in the high 20's due to its high percentage of distribution business.

We see competition between Snap One and Resideo primarily in the security product line with both companies offering proprietary products as well as acting as a distributor.

#### Other Companies in the Sector

**ADT (ADT):** ADT is the leading security alarm monitoring company and is rapidly evolving into a leading smart home automation company with \$2.2 billion in projected 2021 revenues and a market cap of \$8.5 billion. ADT is known for its security but is gaining traction in home automation (~ 80% of new subscribers are getting home automation systems in addition to security). We note that ADT is in a \$450mm partnership with Google to develop their own operating system. Known as a monitoring company, we view ADT as highly focused on monitoring and access control (a very different business model vs. Snap One) and therefore has little direct competitive overlap with Snap One's offerings.

**Allegion PLC (ALLE):** Allegion is one of the largest physical security companies with \$3.1 billion in projected 2021 revenues and a market cap of \$12.3 billion. Allegion operates in both the commercial and home sectors. For the home, they offer mechanical and electronic locks. Allegion currently partners with Apple, Amazon, and Google and has expressed interest in innovating in the residential security space. Allegion is solidifying its position as a technology leader among the large lock and access control companies. We view Allegion as highly focused on access control and the physical security market and therefore has little direct competition with Snap One's offerings.











Identiv Inc (INVE): Identiv is a leading provider of ID card readers and software, chips, card firmware, RFID, and NFC racking solutions with \$103 million in projected 2021 revenues and a market cap of \$534 million. We believe Identiv is in the middle of a macro surge taking place in identity and tracking/tracing that includes but encompasses far more than just security. We view Identiv as highly focused on access control (ID cards and RFID) and therefore has little direct competition with Snap One's offerings.

Napco Security Technologies Co (NSSC): Napco specializes in commercial (roughly 80% of revenues) and residential security products and solutions and is projected to generate \$114 million in revenue during 2021 and has a market cap of \$850 million. Napco specializes in commercial (roughly 80% of revenues) security products and solutions. We view Napco as a leader in the commercial security technology space and see limited direct competition to Snap One.

Vivint (VVNT): Vivint is a leading provider in home automation and security and is projected to generate \$650 million in revenue during 2021 and has a market cap of \$2.7 billion. Vivint is a vertically integrated home automation company and is creating a portfolio of subscribers that reinforces the brand and drives a longer-lived customer. Vivint provides a closed turnkey solution to its end customers. We view Vivint as highly focused on monitoring and home automation providing the entire solution from start to finish. This is a very different business model vs. Snap One and therefore has little direct competitive overlap with Snap One's offerings.

On the next page is table highlighting Snap One with Alarm.com, Allegion, Identiv, Napco, and Resideo.

Figure 10. Snap One Competition

	Smart Living/Home Automation					
Company						
Public or Private	Public	Public	Public	Public	Public	Public
Symbol	SNPO	ALRM	ALLE	INVE	NSSC	REZI
Rating	Outperform	Outperform	In-Line	Outperform	Outperform	Outperform
Stock Price	\$15.84	\$79.42	\$135.22	\$18.57	\$43.75	\$25.42
Shares Outstanding (mm)	59.2	52.4	90.6	28.8	18.4	148.3
Market Cap (mm)	\$937.7	\$4,157.6	\$12,250.9	\$534.8	\$805.0	\$3,769.8
Outstanding Debt (mm)	\$651.5	\$500.0	\$1,214.0	\$0.0	\$0.0	\$1,194.0
Cash (mm)	\$35.9	\$642.0	\$460.0	\$36.3	\$40.2	\$579.0
Enterprise Value (mm)	\$1,553	\$4,016	\$13,005	\$499	\$765	\$4,385
Total Revenues FY 2021(mm)	\$995.0	\$715.8	\$2,926.5	\$102.8	\$114.0	\$5,897.0
EBITDA FY 2021 (mm)	\$105.2	\$134.1	\$661.1	\$6.7	\$19.5	\$632.1
Gross Margin FY 2021	40.8%	61.0%	43.2%	37.9%	44.0%	26.7%
Est. Revenues FY 2022 (mm)	\$1,103.2	\$755.3	\$2,948.6	\$121.7	\$136.4	\$6,170.0
Est. EBITDA FY 2022 (mm)	\$118.6	\$151.6	\$624.5	\$10.4	\$31.5	\$784.4
Gross Margin FY 2022	<b>40.5%</b>	<b>62.4%</b>	<b>43.8%</b>	<b>38.7%</b>	<b>46.7%</b>	<b>27.5%</b>
FY 2021 EV/Revenue	1.6x	5.6x	4.4x	4.8x	6.7x	0.7x
Est. FY 2022 EV/Revenue	1.4x	5.3x	4.4x	4.1x	5.6x	0.7x
FY 2021 EV/EBITDA	<b>14.8x</b>	<b>29.9x</b>	<b>19.7x</b>	<b>74.9x</b>	<b>39.2x</b>	<b>6.9x</b>
Est. FY 2022 EV/EBITDA	13.1x	26.5x	20.8x	47.8x	24.3x	5.6x

Source: Company reports and Imperial Capital, LLC.

## Valuation

Shares of SNPO are currently trading at and 14.8x EV/ EBITDA in 2021. Our price target of \$25 implies an enterprise value of \$1.9 billion (based on net debt of ~\$400 million post IPO). We value Snap One at 16x EV/EBITDA based on FY 2022 estimates. Shares of Snap One are currently trading at a premium to Resideo but a substantial discount to Alarm.com. We view SNPO a mix of products company (similar to Resideo) and a security software company (similar to Alarm.com) and therefore believe shares of SNPO should trade between REZI and ALRM.

## Management Team

### John Heyman - Director and Chief Executive Officer

Mr. Heyman has served as CEO and a member of the board of directors since 2015. Prior to serving in these roles, Mr. Heyman served as the company's Chief Executive Officer of Radiant Systems, a publicly traded provider of technology to the hospitality and retail industries. From 2011 to his joining of Snap, Mr. Heyman founded Actuate Partners, a private investment firm, and sat as the executive chairman of Influence Health Corporation. In addition to his current role, Mr. Heyman served as a member of the Audit Committee of Manhattan Associates, a publicly traded supply chain software company. In total, Mr. Heyman has over 30 years of experience in the technology industry.

### Mike Carlet - Chief Financial Officer

Mr. Carlet has served as CFO since 2014. Prior to joining Snap One, Mr. Carlet was the Chief Operating Officer and Chief Financial Officer of the automotive division at Sear's Holdings. Before Sears, Mr. Carlet worked for Driven Brands, the parent company of Meineke Car Care Centers and other automotive franchises, where he served as the Chief Financial Officer from 2002 to 2013. Mr. Carlet began his career in public accounting with Ernst & Young.

### Jefferson Dungan - Chief Operations Officer

Mr. Dungan has served in his current role of Chief Operations Officer since December of 2018. Before the appointment to his current role, Mr. Dungan served as a leader at Control4 in their marketing and operations divisions. He was responsible for Control4's acquisition of Leaf, PakEdge, and Triad. Before his time with Control4, Mr. Dungan spent time in leadership roles at HP and Celestica.

### Erik Ragatz - Chairman of the Board

Mr. Ragatz has served as the Chairman of the Board since 2017. In addition to his position at Snap One, Mr. Ragatz has been a Partner at Hellman & Friedman since 2001 and leads their investments in consumer and industrial sectors. Additionally, Mr. Ragatz serves as the Chairman of the Board of Grocery Outlet, a publicly traded value retailer of consumable products, and as a board member at Wand TopCo Inc, an auto repair and paint shop chain. Before his current roles, Mr. Ragatz was the former Chairman of the Board of Goodman Global from 2008 to 2012 and Associated Materials from 2010 to 2020.

**Figure 11. Snap One Holdings— Financial Summary**

FY: December	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E
<b>Revenues:</b>																
<b>Total Revenues</b>	<b>172,611</b>	<b>189,119</b>	<b>226,276</b>	<b>226,107</b>	<b>814,113</b>	<b>220,468</b>	<b>253,305</b>	<b>254,100</b>	<b>267,100</b>	<b>994,973</b>	<b>247,100</b>	<b>285,100</b>	<b>283,000</b>	<b>288,000</b>	<b>1,103,200</b>	<b>1,224,500</b>
% change y/y	NM	NM	NM	NM	NM	28%	34%	12%	18%	22%	12%	13%	11%	8%	11%	11%
<b>Cost of Goods Sold:</b>																
Total Cost of Goods Sold	100,390	109,243	133,131	132,014	532,750	128,876	152,140	150,834	157,188	589,038	145,048	170,490	168,102	172,800	656,440	735,754
<b>Gross Profit</b>	<b>72,221</b>	<b>79,876</b>	<b>93,145</b>	<b>94,093</b>	<b>281,363</b>	<b>91,592</b>	<b>101,165</b>	<b>103,266</b>	<b>109,912</b>	<b>405,935</b>	<b>102,052</b>	<b>114,610</b>	<b>114,898</b>	<b>115,200</b>	<b>446,761</b>	<b>488,746</b>
Gross Margin	41.8%	42.2%	41.2%	41.6%	34.6%	41.5%	39.9%	40.6%	41.2%	40.8%	41.3%	40.2%	40.6%	40.0%	40.5%	39.9%
<b>Operating Expenses:</b>																
Selling, General, and Administrative	67,386	60,095	66,962	72,797	267,240	75,357	78,657	84,500	86,750	325,264	83,800	85,900	86,400	87,900	344,000	365,400
% of revenue	39.0%	31.8%	29.6%	32.2%	32.8%	34.2%	31.1%	33.3%	32.5%	32.7%	33.9%	30.1%	30.5%	30.5%	31.2%	29.8%
Depreciation and Amortization	14,483	14,500	14,368	14,621	57,972	13,712	14,198	14,700	14,950	57,560	15,300	15,550	15,600	15,625	62,075	62,900
% of revenue	8.4%	7.7%	6.3%	6.5%	7.1%	6.2%	5.6%	5.8%	5.6%	5.8%	6.2%	5.5%	5.5%	5.4%	5.6%	5.1%
Total Operating Expenses	81,869	74,595	81,330	87,418	325,212	89,069	92,855	99,200	101,700	382,824	99,100	101,450	102,000	103,525	406,075	428,300
<b>Operating Income</b>	<b>(9,648)</b>	<b>5,281</b>	<b>11,815</b>	<b>6,675</b>	<b>14,123</b>	<b>2,523</b>	<b>8,310</b>	<b>4,066</b>	<b>8,212</b>	<b>23,111</b>	<b>2,952</b>	<b>13,160</b>	<b>12,898</b>	<b>11,675</b>	<b>40,686</b>	<b>60,446</b>
% of revenue	-5.6%	2.8%	5.2%	3.0%	1.7%	1.1%	3.3%	1.6%	3.1%	2.3%	1.2%	4.6%	4.6%	4.1%	3.7%	4.9%
Interest Income (Expense)	(12,803)	(11,742)	(11,330)	(9,654)	(45,529)	(9,535)	(9,543)	(6,000)	(6,000)	(31,078)	(5,950)	(5,900)	(5,850)	(5,850)	(23,550)	(23,150)
Other (Expense), Income	(883)	2,217	224	269	1,827	213	296	100	200	809	100	100	100	100	400	400
Income Before Taxes	(23,334)	(4,244)	709	(2,710)	(29,579)	(6,799)	(937)	(1,834)	2,412	(7,158)	(2,898)	7,360	7,148	5,925	17,536	37,696
% of revenue	-14%	-2%	0%	-1%	-4%	-3%	0%	-1%	1%	-1%	-1%	3%	3%	2%	2%	3%
(Benefit From) Provision for income taxes	(4,316)	(1,015)	(694)	1,674	(4,351)	(763)	119	(700)	100	(1,244)	(290)	1,472	1,430	1,778	4,389	9,424
Tax rate	NM	NM	NM	NM	15%	11%	-13%	38%	4%	17%	10%	20%	20%	30%	25%	25%
Net Income	(19,018)	(3,229)	1,403	(4,384)	(25,228)	(6,036)	(1,056)	(1,134)	2,312	(5,914)	(2,608)	5,888	5,718	4,148	13,146	28,272
Net (Income) Loss Attributable to Noncontrolling Interest	(24)	(16)	(14)	(290)	(344)	-22	-12	0	0	(34)	0	0	0	0	0	0
Net Income Attributable to Snap One	(18,994)	(3,213)	1,417	(4,094)	(25,572)	(6,058)	(1,044)	(1,134)	2,312	(5,924)	(2,608)	5,888	5,718	4,148	13,146	28,272
Net Margin	-11%	-2%	1%	-2%	-3%	-3%	0%	0%	1%	-1%	-1%	2%	2%	1%	1%	2%
Shares Outstanding (Diluted 000)	58,106	58,885	58,900	58,900	58,900	59,200	59,217	59,237	59,237	59,237	59,257	59,277	59,297	59,317	59,317	59,397
GAAP EPS	(0.33)	(0.05)	0.02	(0.07)	(0.43)	(0.10)	(0.02)	(0.02)	0.04	(0.10)	(0.04)	0.10	0.10	0.07	0.22	0.48
GAAP Net Income Attributable to Snap One	(18,994)	(3,213)	1,417	(4,094)	(24,884)	(6,058)	(1,044)	(1,134)	2,312	(5,924)	(2,608)	5,888	5,718	4,148	13,146	28,272
Income from Noncontrolling Interest	24	16	14	290	344	(22)	(12)	0	0	(34)	0	(20)	(20)	(20)	(60)	(80)
Amortization	12,095	11,872	11,900	11,900	47,767	11,868	12,079	12,100	12,100	48,147	12,100	12,079	12,129	12,279	48,587	50,235
Foreign currency (gains) loss	1,142	(985)	(100)	(300)	(243)	(48)	(143)	(150)	(150)	(491)	(150)	(150)	(150)	(150)	(600)	(600)
Gain on sale of business	0	(979)	0	0	(979)	0	0	0	0	0	0	0	0	0	0	0
Equity-based compensation	1,389	1,185	1,000	700	4,274	1,060	1,178	1,200	1,250	4,688	1,200	1,200	1,200	1,200	4,800	5,300
Fair value adjustment to contingent value rights	(300)	(700)	1,300	50	350	1,310	1,530	250	250	3,340	250	250	100	100	700	400
Acquisition and integration related costs	3,478	899	600	300	5,277	14	222	100	100	436	100	100	100	100	400	400
Initial public offering costs	0	0	0	500	500	1,711	1,210	2,000	200	5,121	0	0	0	0	0	0
Deferred revenue purchase accounting adjustment	370	280	200	200	1,050	148	141	100	100	489	100	100	100	100	400	400
Deferred acquisition payments	3,302	2,933	2,000	1,400	9,635	2,152	1,428	1,000	1,000	5,580	1,000	1,000	850	800	3,650	3,200
Other	(62)	(46)	0	900	792	690	1,067	200	200	2,157	200	200	200	200	800	800
Income tax effect of adjustments	(4,856)	(3,570)	(3,600)	(3,200)	(15,226)	(3,855)	(3,790)	(5,000)	(5,200)	(17,845)	(5,500)	(5,500)	(5,500)	(5,500)	(22,000)	(24,000)
Total Adjustments	16,582	10,905	13,314	12,740	53,541	15,028	14,910	11,800	9,850	51,588	9,300	9,259	9,009	9,109	36,677	36,055
Non-GAAP Net Income	(2,412)	7,692	14,731	8,646	28,657	8,970	13,866	10,666	12,162	45,664	6,692	15,147	14,727	13,257	49,823	64,327
<b>Adjusted EPS</b>	<b>(0.04)</b>	<b>0.13</b>	<b>0.25</b>	<b>0.15</b>	<b>0.49</b>	<b>0.15</b>	<b>0.23</b>	<b>0.18</b>	<b>0.21</b>	<b>0.77</b>	<b>0.11</b>	<b>0.26</b>	<b>0.25</b>	<b>0.22</b>	<b>0.84</b>	<b>1.08</b>
<b>Adjusted EBITDA</b>	<b>13,179</b>	<b>24,409</b>	<b>31,315</b>	<b>25,975</b>	<b>94,878</b>	<b>23,342</b>	<b>29,312</b>	<b>25,391</b>	<b>27,137</b>	<b>105,182</b>	<b>21,245</b>	<b>33,143</b>	<b>33,748</b>	<b>30,425</b>	<b>118,562</b>	<b>143,196</b>
<b>Adjusted EBITDA Margin</b>	<b>7.6%</b>	<b>12.9%</b>	<b>13.8%</b>	<b>11.5%</b>	<b>11.7%</b>	<b>10.6%</b>	<b>11.6%</b>	<b>10.0%</b>	<b>10.2%</b>	<b>10.6%</b>	<b>8.6%</b>	<b>11.6%</b>	<b>11.9%</b>	<b>10.6%</b>	<b>10.7%</b>	<b>11.7%</b>

Sources: Company filings and Imperial Capital, LLC.



## *Risk Factors*

- Chip shortages pose a threat to the company's ability to manufacture many of their software dependent products (entertainment, energy monitoring, etc). Continued backlogs in the chip manufacturing supply chain could impact contribution margins or fulfillment of product orders in the future. The company has a large Asian based supply chain for numerous products which adds to the logistics and freight expenses.
- The company remains tied to the health of the housing market and disposable income from consumers. Given an economic recession, a decrease in housing starts could lead to unfulfilled growth prospects in the coming fiscal years.
- The company relies on established relationships with professional integrators. If the company lacks supplies of needed components or if the company's reputation is diminished, the company could lose business with key integrators.
- Hellman & Friedman currently owns 74% of the outstanding shares. Hellman & Friedman ( has a 6 month lock-up post IPO) has expressed interest in maintaining significant ownership of Snap One.

Companies under coverage: Brian Rutenbur: AeroVironment (AVAV), Ambarella (AMBA), ADT Inc. (ADT), Alarm.com (ALRM), Allegion plc (ALLE), Cognyte Software (CGNT.O), Evolv Technologies Holding, Inc. (EVLV), Identiv Inc. (INVE), Napco Security Technologies, Inc. (NSSC), OSI Systems (OSIS), Resideo Technologies, Inc. (REZI), Snap One Holdings Corp (SNPO), ShotSpotter (SSTI), Universal Electronics (UEIC), and Vivint Smart Home (VVNT)



# Important Disclosures, Certifications and Other Information

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Equity Ratings Definitions (as of 7/1/09)		
Outperform	81.82%	<b>Outperform:</b> TRR expected to exceed basket by at least 10%
In-Line	18.18%	<b>In-Line:</b> TRR expected to be in-line with basket
Underperform	0.00%	<b>Underperform:</b> TRR expected to underperform basket by at least 10%
This Equity Ratings Distribution reflects the percentage distribution for rated equity securities for the twelve month period 7/1/20 through 6/30/21. Rating definitions are expressed as the total rate of return (TRR) relative to the expected performance of a basket of like securities over a 12-month period. Within the twelve month period ended 6/30/21, IC has provided investment banking services to 22.22% of companies with equity rated an Outperform, 0.00% of companies with equity rated an Underperform, and 18.18% of companies with equity rated an In-Line. As of 6/30/21.		
Fixed Income Ratings Definitions and Equity Ratings Definitions (prior to 7/1/09)		
<b>Buy:</b> TRR expected to exceed basket by at least 10%		
<b>Hold:</b> TRR expected to be in-line with basket		
<b>Sell:</b> TRR expected to underperform basket by at least 10%		
Rating definitions are expressed as the total rate of return (TRR) relative to the expected performance of a basket of like securities over a 12-month period. Please refer to our publication dated 7/1/09 for details associated with the transition of our Equity Ratings to the current definitions.		

**For a discussion of the valuation methods used to determine our price target, if any, please see page(s) 3. See page 5 for the risks that may impede achievement of such price target, and page 6 for our ratings history and price chart.**

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### COMPANY

### DISCLOSURE

Snap One Holdings	None
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