UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 June 29, 2025

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: 001-39599

HOLLEY INC.

(Exact name of registrant as specified in its charter)

Delaware	**87-1727560**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2445 Nashville Road, Suite B1, Bowling Green, KY 42101
(Address of principal executive offices)

(270) 782-2900
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report) N/A

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001	HLLY	New York Stock Exchange
Warrants to purchase common stock	HLLY WS	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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

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 Rule12b-2 of the Exchange Act). Yes ☐ No ☒

There were 120,499,661 shares of Common Stock, including 1,093,750 restricted earn-out shares, par value $0.0001 per share, issued and outstanding as of August 4, 2025.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are intended to enjoy the protection of the safe harbor for forward-looking statements provided by the Securities Act and Exchange Act, as well as protections afforded by other federal securities laws. These forward-looking statements relate to expectations for future financial performance, business strategies or expectations for the Company's business. Forward-looking statements may be accompanied by words such as "believe," "estimate," "expect," "project," "forecast," "may," "will," "should," "seek," "plan," "scheduled," "anticipate," "intend" or similar expressions. These forward-looking statements are subject to various risks and uncertainties, many of which are outside our control. Therefore, you should not place undue reliance on such statements. Actual results could differ materially due to numerous factors, including but not limited to the Company's ability to do any of the following:

- execute its business strategy, including monetization of services provided and expansions in and into existing and new lines of business;
- anticipate and manage through disruptions and higher costs in manufacturing, supply chain, logistical operations, and shortages of certain company products in distribution channels;
- anticipate and manage through supply shortages of key component parts used in our products and the need to shift the mix of products offered in response thereto;
- respond to the impact of geopolitical events, including military conflicts (including the conflict in Ukraine, the conflict in the Middle East, the possible expansion of such conflicts and potential geopolitical consequences), tariffs, the interruption from catastrophic events and problems such as terrorism, and public health crises;
- maintain key strategic relationships with partners and resellers;
- anticipate and manage through the impact of elevated interest rate levels, which cause the cost of capital to increase, as well as respond to inflationary pressures and tariffs;
- manage and mitigate the impact of changing trade policies, including tariffs;
- enhance future operating and financial results, whether through anticipated organic or external growth initiatives or through the implementation of cost savings initiatives;
- respond to uncertainties associated with product and service development and market acceptance;
- anticipate and manage through increased constraints in consumer demand and/or shifts in the mix of products sold;
- attract and retain qualified employees and key personnel;
- protect and enhance the Company's corporate reputation and brand awareness;
- recognition of goodwill and other intangible asset impairment charges;
- effectively respond to general economic and business conditions;
- acquire and protect intellectual property;
- collect, store, process and use personal and payment information and other consumer data;
- comply with privacy and data protection laws and other legal obligations related to privacy, information security, and data protection;

- manage the impact of any security breaches, cyber-attacks, or other cybersecurity threats or incidents, or the failure of any key information technology systems;
- meet future liquidity requirements and comply with restrictive covenants related to long-term indebtedness;
- obtain additional capital, including through the sale of equity or debt securities;
- finance operations on an economically viable basis;
- maintain Holley's New York Stock Exchange ("NYSE") listing of its common stock ("Common Stock") and warrants to purchase Common Stock ("Warrants");
- comply with existing and/or future laws and regulations applicable to our business, including laws and regulations related to environmental health and safety or climate-related disclosures;
- respond to litigation, complaints, product liability claims and/or adverse publicity;
- anticipate the significance and timing of contractual obligations;
- anticipate the impact of, and response to, new accounting standards;
- maintain proper and effective internal controls;
- respond to the impact of changes in U.S. tax laws and regulations, including the impact on deferred tax assets;
- anticipate the impact of changes in consumer spending patterns, consumer preferences, local, regional and national economic conditions, crime, weather, and demographic trends; and
- respond to other risks and factors, listed under the caption "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2024, as filed with the U.S. Securities and Exchange Commission (the "SEC") on March 14, 2025, and/or as disclosed in any subsequent filings with the SEC.

Forward-looking statements are based on information available as of the date of this Quarterly Report on Form 10-Q and our management's expectations, forecasts and assumptions, and involve a number of judgements, risks and uncertainties, and actual results, developments and business decisions may differ materially from those envisaged by such forward-looking statements. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date. We undertake no obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

HOLLEY INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

	As of	
	June 29, 2025	December 31, 2024
ASSETS		
Cash and cash equivalents	$ 63,842	$ 56,087
Accounts receivable, less allowance for credit losses of $1,904 and $2,026 respectively	51,011	36,123
Inventory	180,827	192,523
Prepaids and other current assets	7,533	12,614
Total current assets	303,213	297,347
Property, plant, and equipment, net	44,543	40,983
Goodwill	372,340	372,340
Other intangibles assets, net	403,713	386,676
Right-of-use assets	34,421	35,974
Total assets	$ 1,158,230	$ 1,133,320
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 44,492	$ 44,781
Accrued liabilities	52,188	43,190
Current portion of long-term debt	6,879	7,201
Total current liabilities	103,559	95,172
Long-term debt, net of current portion	543,271	545,385
Warrant liability	733	813
Earn-out liability	744	1,148
Deferred taxes	35,796	37,391
Other noncurrent liabilities	36,288	32,259
Total liabilities	720,391	712,168
Commitments and contingencies (Refer to Note 15 - Commitments and Contingencies)		
Stockholders' equity:		
Preferred stock, $0.0001 par value, 5,000,000 shares authorized, none issued and outstanding on June 29, 2025 and December 31, 2024	—	—
Common stock, $0.0001 par value, 550,000,000 shares authorized, 119,405,911 and 118,748,697 shares issued and outstanding on June 29, 2025 and December 31, 2024, respectively	12	12
Additional paid-in capital	379,610	377,557
Accumulated other comprehensive loss	(208)	(1,162)
Retained earnings	58,425	44,745
Total stockholders' equity	437,839	421,152
Total liabilities and stockholders' equity	$ 1,158,230	$ 1,133,320

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOLLEY INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Net sales	$ 166,661	$ 169,496	$ 319,705	$ 328,132
Cost of goods sold	97,103	99,203	186,059	205,780
Gross profit	69,558	70,293	133,646	122,352
Selling, general, and administrative	32,954	34,570	69,653	67,566
Research and development costs	5,086	4,311	9,179	9,123
Amortization of intangible assets	3,350	3,435	6,882	6,871
Restructuring costs	355	(3)	818	612
Other operating expense	299	102	257	94
Total operating expense	42,044	42,415	86,789	84,266
Operating income	27,514	27,878	46,857	38,086
Change in fair value of warrant liability	(7)	(3,402)	(80)	(6,529)
Change in fair value of earn-out liability	(219)	(1,058)	(404)	(1,707)
Loss on early extinguishment of debt	—	—	—	141
Interest expense, net	13,374	13,178	29,082	24,182
Total non-operating expense	13,148	8,718	28,598	16,087
Income before income taxes	14,366	19,160	18,259	21,999
Income tax expense	3,503	2,055	4,579	1,164
Net income	$ 10,863	$ 17,105	$ 13,680	$ 20,835
Comprehensive income:				
Foreign currency translation adjustment	1,239	44	954	(142)
Total comprehensive income	$ 12,102	$ 17,149	$ 14,634	$ 20,693
Common Share Data:				
Weighted average common shares outstanding - basic	119,162,895	118,470,358	119,005,954	118,171,093
Weighted average common shares outstanding - diluted	119,790,625	119,261,236	119,676,684	119,383,282
Basic net income per share	$ 0.09	$ 0.14	$ 0.11	$ 0.18
Diluted net income per share	$ 0.09	$ 0.14	$ 0.11	$ 0.17

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOLLEY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share data) (unaudited)

	Common Stock			Accumulated		
	Shares	Amount	Additional Paid-In Capital	Other Comprehensive Loss	Retained Earnings	Total
Balance at December 31, 2023	117,707,280	$ 12	$ 373,869	$ (710)	$ 67,980	$ 441,151
Net income	—	—	—	—	3,730	3,730
Equity compensation	—	—	1,141	—	—	1,141
Foreign currency translation	—	—	—	(186)	—	(186)
Tax withholding related to vesting of restricted stock units	—	—	(921)	—	—	(921)
Issuance of shares for restricted stock units	604,061	—	—	—	—	—
Balance at March 31, 2024	118,311,341	$ 12	$ 374,089	$ (896)	$ 71,710	$ 444,915
Net income	—	—	$ —	$ —	$ 17,105	$ 17,105
Equity compensation	—	—	1,621	—	—	1,621
Foreign currency translation	—	—	—	44	—	44
Tax withholding related to vesting of restricted stock units	—	—	(516)	—	—	(516)
Issuance of shares for restricted stock units	372,131	—	—	—	—	—
Balance at June 30, 2024	118,683,472	$ 12	$ 375,194	$ (852)	$ 88,815	$ 463,169
Balance at December 31, 2024	118,748,697	$ 12	$ 377,557	$ (1,162)	$ 44,745	$ 421,152
Net income	—	—	—	—	2,817	2,817
Equity compensation	—	—	1,495	—	—	1,495
Foreign currency translation	—	—	—	(285)	—	(285)
Tax withholding related to vesting of restricted stock units	—	—	(594)	—	—	(594)
Issuance of shares for restricted stock units	333,960	—	—	—	—	—
Balance at March 30, 2025	119,082,657	$ 12	$ 378,458	$ (1,447)	$ 47,562	$ 424,585
Net income	—	—	$ —	$ —	$ 10,863	$ 10,863
Equity compensation	—	—	1,408	—	—	1,408
Foreign currency translation	—	—	—	1,239	—	1,239
Tax withholding related to vesting of restricted stock units	—	—	(256)	—	—	(256)
Issuance of shares for restricted stock units	323,254	—	—	—	—	—
Balance at June 29, 2025	119,405,911	$ 12	$ 379,610	$ (208)	$ 58,425	$ 437,839

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOLLEY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands) (unaudited)

	For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024
OPERATING ACTIVITIES:		
Net income	$ 13,680	$ 20,835
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	4,514	5,133
Amortization of intangible assets	6,882	6,871
Amortization of deferred loan costs	904	871
Amortization of right of use assets	2,642	2,810
Fair value adjustments to warrant liability	(80)	(6,529)
Fair value adjustments to earn-out liability	(404)	(1,707)
Fair value adjustments to interest rate collar	5,243	(2,355)
Equity compensation	2,903	2,762
Change in deferred taxes	(1,595)	(4,901)
Loss on early extinguishment of long-term debt	—	141
Gain on disposal of property, plant and equipment	—	(568)
Provision for inventory reserves	2,671	11,694
Provision for credit losses	169	369
Change in operating assets and liabilities:		
Accounts receivable	(14,865)	(8,114)
Inventories	9,152	6,814
Prepaids and other current assets	4,044	(716)
Accounts payable	(359)	14,951
Accrued interest	—	(96)
Accrued and other liabilities	(2,864)	(3,744)
Net cash provided by operating activities	32,637	44,521
INVESTING ACTIVITIES:		
Capital expenditures	(7,808)	(2,645)
Acquisition of license agreement	(13,090)	—
Proceeds from the disposal of fixed assets	—	229
Net cash used in investing activities	(20,898)	(2,416)
FINANCING ACTIVITIES:		
Principal payments on long-term debt	(3,608)	(28,605)
Payments from stock-based award activities	(850)	(1,437)
Net cash used in financing activities	(4,458)	(30,042)
Effect of foreign currency rate fluctuations on cash	474	(64)
Net change in cash and cash equivalents	7,755	11,999
Cash and cash equivalents:		
Beginning of period	56,087	41,081
End of period	$ 63,842	$ 53,080
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 19,525	$ 26,582
Cash paid for income taxes	4,894	6,361
Supplemental non-cash investing activity:		
Property and equipment additions included in accounts payable	$ 1,612	$ 124
Purchase price of license agreement included in accrued liabilities	$ 10,710	$ —

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

1. DESCRIPTION OF THE BUSINESS, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Holley Inc., a Delaware corporation headquartered in Bowling Green, Kentucky, conducts operations through its wholly owned subsidiaries. These operating subsidiaries are comprised of Holley Performance Products Inc., Hot Rod Brands, Inc., Simpson Safety Solutions, Inc., B&M Racing and Performance Products, Inc., and Speedshop.com, Inc. When used in these notes, the terms the “Company” or “Holley” mean Holley, Inc. and all entities included in its consolidated financial statements.

The Company designs, manufactures and distributes high-performance automotive products to customers primarily in the United States, Canada and Europe. The Company is a leading manufacturer of a diversified line of performance automotive products, including carburetors, fuel pumps, fuel injection systems, nitrous oxide injection systems, superchargers, exhaust headers, mufflers, distributors, ignition components, engine tuners and automotive performance plumbing products. The Company is also a leading manufacturer of exhaust products as well as shifters, converters, transmission kits, transmissions, tuners and automotive software. The Company’s products are designed to enhance street, off-road, recreational and competitive vehicle performance through increased horsepower, torque and drivability. The Company has locations in the United States, Canada, Italy and China.

Emerging Growth Company Status

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company is an emerging growth company, and, as such, has elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards.

Risks and Uncertainties

The Company's business and results of operations, financial condition, and liquidity are impacted by broad economic conditions, as well as by geopolitical events, including the conflict in Ukraine, the conflict in the Middle East, and the possible expansion of such conflicts and potential geopolitical consequences. The Company's business is impacted by various economic factors that affect both consumers and the automotive aftermarket industry, including but not limited to inflation, fuel costs, wage rates, trade restrictions, including tariffs, supply chain disruptions, hiring, and other economic conditions. The global and regional economic and political conditions, as well as changes in trade policies, may cause volatility in demand for the Company's products, materials and logistics, and transportation delays, and as a result may impact the pricing of the Company's products and product availability.

In 2025, the U.S. introduced trade policy actions that have increased import tariffs across a wide range of countries at various rates, with certain exemptions, and these evolving tariff policies in the U.S., along with responsive measures enacted by other countries, have created additional uncertainty and complexity in the global trade environment. In response, the Company has implemented a range of initiatives to mitigate the impact of tariffs, including conducting harmonized tariff code audits to ensure accurate classification and compliance, diversifying supplier locations outside of China, reshoring products to North America, and exploring direct shipping from suppliers to international customers to reduce tariff exposure on goods entering the U.S. The Company continues to monitor international trade developments, including potential changes in tariff rates and the possibility of new exemptions or retaliatory actions, in order to analyze their impact on the business. The Company additionally continues to evaluate and implement additional strategies to further minimize the impact of tariffs on its operations. If current tariff levels are sustained or increased, there remains a risk that our profitability, cash flows, and financial estimates could be negatively affected.

Additionally, in response to inflationary impacts and supply chain disruptions, the Company has attempted to minimize potential adverse impacts on its business with cost savings initiatives, price increases to customers, and increased attention to maintaining appropriate inventory levels in the distribution channel. The Company's profitability has been, and may continue to be, adversely affected by constrained consumer demand, a shift in sales to lower-margin products, and demands on our performance that increase our costs. Should the ongoing macroeconomic conditions not improve, or worsen, or if the Company's attempt to mitigate the impact on its supply chain, operations and costs is not successful, the Company’s business, results of operations and financial condition may be adversely affected.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP" or “GAAP”) and applicable rules and regulations of the SEC regarding interim financial reporting. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2024, as filed with the SEC on March 14, 2025, in the Company’s annual report on Form 10-K. In management’s opinion, the unaudited interim condensed consolidated financial statements reflect all adjustments, which are of a normal and recurring nature, that are necessary for a fair presentation of financial results for the interim periods presented. Operating results for any quarter are not necessarily indicative of the results for the full fiscal year.

The Company operates on a fiscal year that ends on December 31. The three- and six-month periods ended June 29, 2025 and June 30, 2024 each included 13 weeks and 26 weeks, respectively.

Principles of Consolidation

These unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Recent Accounting Pronouncements

Accounting Standards Not Yet Adopted

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements: Codification Amendments in Response to SEC's Disclosure Update and Simplification Initiative. This ASU amends the disclosure or presentation requirements related to various subtopics in the FASB Accounting Standards Codification. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company will monitor the removal of various requirements from the current regulations in order to determine when to adopt the related amendments, but it does not anticipate that the adoption of the new guidance will have a material impact on the Company’s consolidated financial statements and related disclosures. The Company will continue to evaluate the impact of this guidance on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU requires additional disclosures of various income tax components that affect the rate reconciliation based on the applicable taxing jurisdictions, as well as the qualitative and quantitative aspects of those components. The standard also requires information pertaining to taxes paid to be disaggregated for federal, state and foreign taxes, and contains other disclosure requirements. This ASU is effective for fiscal years beginning after December 15, 2024 and interim periods within fiscal years beginning after December 15, 2025, with early adoption permitted. While early adoption is permitted, the Company has determined it will not early adopt the standard. The Company does not believe the adoption of the standard will have a material effect on the Company's consolidated financial position or results of operations.

(in thousands, except share data)

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40). The objective of ASU 2024-03 is to improve disclosures about a public entity's expenses, primarily through additional disaggregation of income statement expenses. In January 2025, the FASB further clarified the effective date of ASU 2024-03 with the issuance of Accounting Standards Update 2025-01, Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40) ("ASU 2025-01"). ASU 2024-03 is effective for annual periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted and may be applied either on a prospective or retrospective basis. The Company is currently evaluating the impact ASU 2024-03 will have on its financial statement disclosures.

2. INVENTORY

Inventories of the Company consisted of the following:

	As of	
	June 29, 2025	December 31, 2024
Raw materials	$ 50,231	$ 58,858
Work-in-process	4,273	3,416
Finished goods	126,323	130,249
	$ 180,827	$ 192,523

3. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment of the Company consisted of the following:

	As of	
	June 29, 2025	December 31, 2024
Land	$ 1,230	$ 1,230
Buildings and improvements	13,314	12,874
Machinery and equipment	69,728	65,333
Construction in process	12,982	8,221
Total property, plant and equipment	97,254	87,658
Less: accumulated depreciation	52,711	46,675
Property, plant and equipment, net	$ 44,543	$ 40,983

(in thousands, except share data)

The Company’s long-lived assets by geographic location are as follows:

	As of	
	June 29, 2025	December 31, 2024
United States	$ 42,082	$ 38,606
International	2,461	2,377
Total property, plant and equipment, net	$ 44,543	$ 40,983

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the premium paid over the fair value of the net tangible and identifiable intangible assets acquired in the Company's business combinations. There were no changes to goodwill during the 26-week period ended June 29, 2025.

No goodwill impairment charges were incurred during the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024, respectively. Potential changes in the Company's costs and operating structure, the implementation of synergies, and overall performance in the automotive aftermarket industry, could negatively impact near-term cash-flow projections and could trigger a potential impairment of the Company's goodwill and / or indefinite-lived intangible assets. In addition, failure to execute the Company's strategic plans as well as increases in weighted average costs of capital could negatively impact the fair value of the reporting unit and increase the risk of future impairment charges.

On January 1, 2025, the Company, entered into an agreement with Cataclean Global Limited ("Cataclean") to purchase a perpetual exclusive license in North America for developing, manufacturing, marketing, distributing, using and selling existing Cataclean products as well as future product formulations in all sales channels in North America for a total purchase price of $23,800. The Cataclean perpetual license agreement of $23,800 is included in other intangible assets, net in the condensed consolidated balance sheets. As of June 29, 2025, the Company paid $13,090 and the remaining $10,710 is included in accrued liabilities in the condensed consolidated balance sheets.

Intangible assets consisted of the following:

	June 29, 2025		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:			
Customer relationships	$ 269,168	$ (72,593)	$ 196,575
Tradenames	13,775	(6,656)	7,119
Technology	27,559	(16,618)	10,941
Total finite-lived intangible assets	$ 310,502	$ (95,867)	$ 214,635
Indefinite-lived intangible assets:			
Tradenames	$ 165,278	—	$ 165,278
License agreement	23,800	—	23,800
Total indefinite-lived intangible assets	$ 189,078	—	$ 189,078

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

	December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:			
Customer relationships	$ 269,950	$ (67,426)	$ 202,524
Tradenames	13,775	(6,294)	7,481
Technology	26,676	(15,265)	11,411
Total finite-lived intangible assets	$ 310,401	$ (88,985)	$ 221,416
Indefinite-lived intangible assets:			
Tradenames	$ 165,260	—	$ 165,260

The following outlines the estimated amortization expense related to intangible assets held as of June 29, 2025:

2025 (excluding the twenty-six weeks ended June 29, 2025)	$ 7,017
2026	13,552
2027	13,546
2028	13,546
2029	13,546
Thereafter	153,428
Total	$ 214,635

5. ACCRUED LIABILITIES

Accrued liabilities of the Company consisted of the following:

	As of	
	June 29, 2025	December 31, 2024
Accrued freight	$ 3,215	$ 1,673
Accrued employee compensation and benefits	11,264	11,646
Accrued returns and allowances	10,042	12,257
Accrued taxes	3,260	4,053
Current portion of operating lease liabilities	5,476	5,324
Accrued warranties	2,534	2,332
Cataclean license accrual	10,710	-
Accrued other	5,687	5,905
Total accrued liabilities	$ 52,188	$ 43,190

HOLLEY INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

6. DEBT

Debt of the Company consisted of the following:

	As of	
	June 29, 2025	December 31, 2024
First lien term loan due November 17, 2028	$ 557,648	$ 560,933
Other	308	630
Financing lease	268	—
Less unamortized debt issuance costs	(8,074)	(8,977)
	550,150	552,586
Less current portion of long-term debt	(6,879)	(7,201)
	$ 543,271	$ 545,385

On November 18, 2021, the Company entered into a credit facility with a syndicate of lenders and Wells Fargo Bank, N.A., ("Wells Fargo") as administrative agent for the lenders, letter of credit issuer and swing line lender (the "Credit Agreement"). The financing consisted of a seven-year $600,000 first lien term loan, a five-year $125,000 revolving credit facility, and a $100,000 delayed draw term loan. The proceeds of delayed draw loans made after closing were available to the Company to finance acquisitions. Upon the expiration of the delayed draw term loan in May 2022, the Company had drawn $57,000, which is included in the amount outstanding under the first lien term loan due November 17, 2028. Proceeds from the credit facility were used to repay in full the Company’s obligations under its previously existing first lien and second lien notes and to pay $13,413 in deferred financing fees related to the refinancing.

The revolving credit facility includes a letter of credit facility in the amount of $10,000, pursuant to which letters of credit may be issued as long as revolving loans may be advanced and subject to availability under the revolving credit facility. The Company had $2,509 in outstanding letters of credit on June 29, 2025.

The first lien term loan is to be repaid in quarterly payments of $1,643 through September 30, 2028 with the balance due upon maturity on November 17, 2028. The Company is required to make annual payments on the term loan in an amount equal to 50% of annual excess cash flow greater than $5,000, as defined in the Credit Agreement. This percentage requirement may decrease or be eliminated if certain leverage ratios are achieved. Based on the Company's results for 2024, no excess cash flow payment is expected to be required in 2025. Any such payments offset future mandatory quarterly payments. The Credit Agreement permits voluntary prepayments at any time, in whole or in part.

As of June 29, 2025, amounts outstanding under the credit facility accrue interest at a rate equal to either the Secured Overnight Financing Rate ("SOFR") or base rate, at the Company's election, plus a specified margin. In the case of revolving credit loans and letter of credit fees, the specified margin is based on the Company's Total Leverage Ratio, as defined in the Credit Agreement. Commitment fees payable under the revolving credit facility are based on the Company's Total Leverage Ratio. On June 29, 2025, the weighted average interest rate on the Company's borrowings under the credit facility was 8.2%. As of June 29, 2025, the Company did not have any borrowings outstanding on its revolving credit facility.

The Company has entered into interest rate collars in the notional amounts of $500,000 and $400,000 to hedge the Company's exposure to fluctuations in interest rates on its variable-rate debt. Refer to Note 8, "*Derivative Instruments*," for additional information.

Obligations under the Credit Agreement are secured by substantially all of the Company’s assets, including a secured interest in the Company's headquarters, with a carrying value of $3,325. The Credit Agreement includes representations and warranties and affirmative and negative covenants customary for financings of this type, including, but not limited to, limitations on restricted payments, additional borrowings, additional investments, and asset sales.

(in thousands, except share data)

In February 2023, the Company entered into an amendment to the Credit Agreement which, among other things, increases the Total Leverage Ratio applicable under the Credit Agreement as of the quarter ending July 2, 2023 to initially 7.25:1.00, and provides for modified step-down levels for such covenant thereafter through the fiscal quarter ending June 30, 2024 (the “Covenant Relief Period”). As of June 30, 2024, the required Total Leverage Ratio was 5.00:1.00. As a condition to the Covenant Relief Period, the Company also agreed to (i) a minimum liquidity test, (ii) an interest coverage test, (iii) an anti-cash hoarding test at any time revolving loans are outstanding, and (iv) additional reporting obligations. Under the amended Credit Agreement, the revolving credit facility contains a minimum liquidity financial covenant of $45,000, which includes unrestricted cash and any available borrowing capacity under the revolving credit facility. In July 2023, the Company entered into a second amendment to the Credit Agreement in which the interest rate on any outstanding borrowings under the Credit Agreement was changed from LIBOR to SOFR. In May 2023, the Company entered into a third amendment to the Credit Agreement in which certain defined terms were clarified. The Company incurred $2,106 of deferred financing fees related to these amendments. On June 29, 2025, the Company was in compliance with all financial covenants.

Some of the lenders that are parties to the Credit Agreement, and their respective affiliates, have various relationships with the Company in the ordinary course of business involving the provision of financial services, including cash management, commercial banking, investment banking or other services.

On December 4, 2024, the Company entered into an amendment to its Credit Agreement that extends the revolver maturity date to November 18, 2029, which date may occur earlier if the maturity date of the existing term loan is not extended, and reduces the revolving credit facility from $125,000 to $100,000. The amendment permits our total leverage ratio for the benefit of the revolving credit lenders to be tested only for fiscal quarters in which there are outstanding revolving credit loans on the last day of such fiscal quarter.

Future maturities of long-term debt and amortization of debt issuance costs as of June 29, 2025 are as follows:

	Debt	Debt Issuance Costs
2025 (excluding the twenty-six weeks ended June 29, 2025)	$ 3,595	$ 1,341
2026	6,571	2,244
2027	6,571	2,244
2028	541,219	2,245
	$ 557,956	$ 8,074

7. COMMON STOCK WARRANTS AND EARN-OUT LIABILITY

The Company consummated a business combination (the “Business Combination”) pursuant to that certain Agreement and Plan of Merger dated March 11, 2021 (the “Merger Agreement”), by and among Empower Ltd., (“Empower”), Empower Merger Sub I Inc., Empower Merger Sub II LLC, and Holley Intermediate Holdings, Inc. (“Holley Intermediate”) on July 16, 2021, (the “Closing” and such date, the “Closing Date”). Upon the Closing, there were 14,666,644 Warrants, consisting of 9,999,977 public warrants ("Public Warrants") and 4,666,667 private warrants ("Private Warrants" and together with the Public Warrants, the “Warrants”), outstanding to purchase shares of Common Stock that were issued by Empower prior to the Business Combination. Each Warrant entitles the registered holder to purchase one share of Common Stock at a price of $11.50 per share, subject to adjustments, provided that the Company has an effective registration statement under the Securities Act covering the shares of Common Stock issuable upon exercise of the Warrants and a current prospectus relating to them is available and such shares are registered, qualified or exempt from registration under the securities laws of the state of residence of the holder. The Warrants may be exercised only for a whole number of shares of Common Stock. The Warrants expire on July 16, 2026, the date that is five years after the Closing Date, or earlier upon redemption or liquidation. Additionally, the Private Warrants will be non-redeemable and are exercisable on a cashless basis so long as they are held by Empower Sponsor Holdings, LLC (the "Sponsor") or any of its permitted transferees. If the Private Warrants are held by someone other than the Sponsor or its permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

The Company may redeem the Public Warrants at a price of $0.01 per warrant upon 30 days' notice if the closing price of Common Stock equals or exceeds $18.00 per share, subject to adjustments, on the trading day prior to the date on which notice of redemption is given, provided there is an effective registration statement and current prospectus in effect with respect to the ordinary shares underlying such Warrants throughout the 30-day redemption period. If the foregoing conditions are satisfied and the Company issues a notice of redemption of the Warrants, the Warrant holder is entitled to exercise his, her or its Warrant prior to the scheduled redemption date. Any such exercise requires the Warrant holder to pay the exercise price for each Warrant being exercised. Further, the Company may redeem the Public Warrants at a price of $0.10 per warrant upon 30 days' notice if the closing price of Common Stock equals or exceeds $10.00 per share, subject to adjustments, on the trading day prior to the date on which notice of redemption is given. Beginning on the date the notice of redemption is given until the Warrants are redeemed or exercised, holders may elect to exercise their Warrants on a cashless basis and receive that number of shares of Common Stock as determined by reference to a table in the warrant agreement.

During any period when the Company has failed to maintain an effective registration statement, warrant holders may exercise Warrants on a cashless basis in accordance with Section 3(a)(9) of the Securities Act or another exemption, and the Company will use its commercially reasonable best efforts to register or qualify the shares under applicable blue-sky laws to the extent an exemption is not available.

The Company’s Warrants are accounted for as a liability in accordance with ASC 815-40 and are presented as a warrant liability on the balance sheet. The warrant liability was measured at fair value at inception and on a recurring basis, with changes in fair value recognized as non-operating expense. As of June 29, 2025 and December 31, 2024, a warrant liability with a fair value of $733 and $813, respectively, was reflected as a long-term liability in the condensed consolidated balance sheet. A decrease of $7 and $3,402 in the fair value of the warrant liability was reflected as change in fair value of warrant liability in the condensed consolidated statements of comprehensive income for the 13-week periods ended June 29, 2025 and June 30, 2024, respectively. A decrease of $80 and $6,529 in the fair value of the warrant liability was reflected as change in fair value of warrant liability in the condensed consolidated statements of comprehensive income for the 26-week periods ended June 29, 2025 and June 30, 2024, respectively.

Additionally, the Sponsor received 2,187,500 shares of Common Stock upon the Closing, which vest in two equal tranches upon achievement of certain market share price milestones during the earn-out period, as outlined in the Merger Agreement (the “Earn-Out Shares”). The first tranche of Earn-Out Shares vested during the first quarter of 2022. Upon vesting, the first tranche of 1,093,750 Earn-Out Shares were issued and a liability of $14,689, representing the fair value of the shares on the date of vesting, was reclassified from liabilities to equity. The remaining tranche of Earn-Out Shares will be forfeited if the applicable conditions are not satisfied before July 16, 2028 (seven years after the Closing Date). The unvested Earn-Out Shares are presented as an earn-out liability on the balance sheet and are remeasured at fair value with changes in fair value recognized as non-operating expense. As of June 29, 2025 and December 31, 2024, an earn-out liability with a fair value of $744 and $1,148, respectively, was reflected as a long-term liability in the condensed consolidated balance sheet. A decrease of $219 and $1,058 in the fair value of the earn-out liability was reflected as change in fair value of earn-out liability in the condensed consolidated statements of comprehensive income for the 13-week periods ended June 29, 2025 and June 30, 2024, respectively. A decrease of $404 and $1,707 in the fair value of the earn-out liability was reflected as change in fair value of earn-out liability in the condensed consolidated statements of comprehensive income for the 26-week periods ended June 29, 2025 and June 30, 2024, respectively.

(in thousands, except share data)

8. DERIVATIVE INSTRUMENTS

The Company from time to time enters into derivative financial instruments, such as interest rate collar agreements (each, a "Collar"), to manage its exposure to fluctuations in interest rates on the Company's variable rate debt. On January 4, 2023, the Company entered into a Collar with Wells Fargo with a notional amount of $500,000 that expires on February 18, 2026. The Collar has a floor of 2.811% and a cap of 5% (based on three-month SOFR). On January 30, 2025, the Company entered into another Collar with Wells Fargo with a notional amount of $400,000 that expires on November 18, 2028. The Collar has a floor of 3.35% and a cap of 4.99% (based on three-month SOFR). The structure of these Collars is such that the Company receives an incremental amount if the Collar index exceeds the cap rate. Conversely, the Company pays an incremental amount to Wells Fargo if the Collar index falls below the floor rate. No payments are required if the Collar index falls between the cap and floor rates.

As of June 29, 2025, the Company recognized a derivative liability of $5,303 for the Collar in other noncurrent assets on the condensed consolidated balance sheet. The Company recorded a net change in the fair value of the Collar as an increase to interest expense of $1,431 and $5,243 for the 13-week and 26-week periods ended June 29, 2025, respectively.

The fair value of the Collar is determined using observable market-based inputs and the impact of credit risk on the derivative's fair value (the creditworthiness of the Company's counterparty for assets and the creditworthiness of the Company for liabilities) (a Level 2 measurement, as described in Note 9, *"Fair Value Measurements"*).

9. FAIR VALUE MEASUREMENTS

The Company's financial liabilities subject to fair value measurement on a recurring basis and the level of inputs used for such measurements were as follows:

	Fair Value Measured on June 29, 2025			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Warrant liability (Public)	$ 491	$ —	$ —	$ 491
Warrant liability (Private)	—	—	242	242
Earn-out liability	—	—	744	744
Interest rate collar liability	—	5,303	—	5,303
Total fair value liabilities	$ 491	$ 5,303	$ 986	$ 6,780

	Fair Value Measured on December 31, 2024			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Warrant liability (Public)	$ 548	$ —	$ —	$ 548
Warrant liability (Private)	—	—	265	265
Earn-out liability	—	—	1,148	1,148
Interest rate collar liability	—	60	—	60
Total fair value liabilities	$ 548	$ 60	$ 1,413	$ 2,021

(in thousands, except share data)

As of June 29, 2025, the Company's derivative liabilities for its Private and Public Warrants, earn-out liability, and derivative asset for its Collar are measured at fair value on a recurring basis (see Note 7, "*Common Stock Warrants and Earn-Out Liability*," and Note 8, "*Derivative Instruments*," for more details). The fair values of the Private Warrants and earn-out liability are determined based on significant inputs not observable in the market (Level 3). The valuation of the Level 3 liabilities uses assumptions and estimates the Company believes would be made by a market participant in making the same valuation. The Company assesses these assumptions and estimates on an on-going basis as additional data impacting the assumptions and estimates are obtained. The Company uses a Monte Carlo simulation model to estimate the fair value of its Private Warrants and earn-out liability. The fair value of the Collar, which is included in other noncurrent assets on the condensed consolidated balance sheets, is determined based on models that reflect the contractual terms of the derivative, yield curves, and the credit quality of the counterparties. Inputs are generally observable and do not contain a high level of subjectivity (Level 2). The fair value of the Public Warrants is determined using publicly traded prices (Level 1). Changes in the fair value of the derivative liabilities related to Warrants and the earn-out liability are recognized as non-operating expense in the condensed consolidated statements of comprehensive income. Changes in the fair value of the Collar is recognized as an adjustment to interest expense in the condensed consolidated statements of comprehensive income. Changes in the fair value of the derivative liabilities related to Warrants and the earn-out liability and changes in the fair value of the Collar are recognized in net cash provided by operating activities on the condensed consolidated statements of cash flows.

The fair value of Private Warrants was estimated as of the measurement date using the Monte Carlo simulation model with the following assumptions:

	June 29, 2025	December 31, 2024
Valuation date price	$ 2.00	$ 3.02
Strike price	$ 11.50	$ 11.50
Remaining life (in years)	1.04	1.54
Expected dividend	$ —	$ —
Risk-free interest rate	3.87%	4.12%
Price threshold	$ 18.00	$ 18.00

The fair value of the earn-out liability was estimated as of the measurement date using the Monte Carlo simulation model with the following assumptions:

	June 29, 2025	December 31, 2024
Valuation date price	$ 2.00	$ 3.02
Expected term (in years)	3.04	3.54
Expected volatility	90.93%	64.33%
Risk-free interest rate	3.61%	4.21%
Price hurdle	$ 15.00	$ 15.00

As of June 29, 2025 and December 31, 2024, the Company has accounts receivable, accounts payable and accrued expenses for which the carrying value approximates fair value due to the short-term nature of these instruments. The carrying value of the Company's long-term debt approximates fair value as the rates used approximate the market rates currently available to the Company.

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The reconciliation of changes in Level 3 liabilities during the 26-week periods ended June 29, 2025 and June 30, 2024 is as follows:

	Private Warrants	Earn-Out Liability	Total
Balance at December 31, 2023	$ 2,903	$ 3,479	$ 6,382
Gains included in earnings	(2,294)	(1,707)	(4,001)
Balance at June 30, 2024	$ 609	$ 1,772	$ 2,381
Balance at December 31, 2024	$ 265	$ 1,148	$ 1,413
Gains included in earnings	(23)	(404)	(427)
Balance at June 29, 2025	$ 242	$ 744	$ 986

10. REVENUE

The principal activity from which the Company generates its revenue is the manufacturing and distribution of after-market automotive parts for its customers, comprised of resellers and end users. The Company recognizes revenue at a point in time, rather than over time, as the performance obligation is satisfied when customer obtains control of the product upon title transfer and not as the product is manufactured or developed. The amount of revenue recognized is based on the purchase order price and adjusted for revenue allocated to variable consideration (i.e., estimated rebates, co-op advertising, etc.).

The Company collects sales tax and other taxes concurrent with revenue-producing activities which are excluded from revenue. Shipping and handling costs incurred after control of the product is transferred to our customers are treated as fulfillment costs and not a separate performance obligation.

The Company allows customers to return products when certain Company-established criteria are met. These sales returns are recorded as a charge against gross sales in the period in which the related sales are recognized, net of returns to stock. Returned products, which are recorded as inventories, are valued at the lower of cost or net realizable value. The physical condition and marketability of the returned products are the major factors considered in estimating realizable value. The Company also estimates expected sales returns and records the necessary adjustment as a charge against gross sales.

The Company's payment terms with customers are customary and vary by customer and geography but typically range from 30 to 365 days. The Company elected the practical expedient to disregard the possible existence of a significant financing component related to payment on contracts, as the Company expects that customers will pay for the products within one year. The Company has evaluated the terms of our arrangements and determined that they do not contain significant financing components. Additionally, as all contracts with customers have an expected duration of one year or less, the Company has elected the practical expedient to exclude disclosure of information regarding the aggregate amount and future timing of performance obligations that are unsatisfied or partially satisfied as of the end of the reporting period. The Company provides limited warranties on most of its products against certain manufacturing and other defects. Provisions for estimated expenses related to product warranty are made at the time products are sold. Refer to Note 15, "*Commitments and Contingencies*" for more information.

The following table summarizes total revenue by division category during the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024. The Company's category definitions were revised by management during the first quarter of 2025. The prior-year period has been revised to conform with the current presentation. There is no change to total sales.

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(unaudited)

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Domestic Muscle	$ 101,412	$ 104,876	$ 193,254	$ 203,308
Euro & Import	12,208	12,318	23,163	21,825
Truck & Off-Road	35,017	31,809	66,246	63,499
Safety & Racing	18,024	20,493	37,042	39,500
Net sales	$ 166,661	$ 169,496	$ 319,705	$ 328,132

The following table summarizes total revenue based on geographic location from which the product is shipped:

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
United States	$ 162,414	$ 163,422	$ 309,905	$ 316,747
Italy	4,247	6,074	9,800	11,385
Net sales	$ 166,661	$ 169,496	$ 319,705	$ 328,132

Accounts receivable, less allowance was $50,894 and $36,123 as of March 30, 2025 and December 31, 2024, respectively.

11. INCOME TAXES

The Company's effective income tax rate is based on expected income, statutory rates and tax planning opportunities available in the various jurisdictions in which it operates. For interim financial reporting, the Company estimates the annual income tax rate based on projected taxable income for the full year and records a quarterly income tax provision or benefit in accordance with the anticipated annual rate. The Company refines the estimates of the year's taxable income as new information becomes available, including actual year-to-date financial results. This continual estimation process often results in a change to the expected effective income tax rate for the year. When this occurs, the Company adjusts the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected income tax rate. Significant judgment is required in determining the effective tax rate and in evaluating tax positions.

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Income tax expense (benefit)	$ 3,503	$ 2,055	$ 4,579	$ 1,164
Effective tax rate	24.4%	10.7%	25.1%	5.3%

For the 13-week period ended June 29, 2025, the Company's effective tax rate of 24.4% differed from the 21% federal statutory rate primarily due to federal research and development tax credits, state taxes, the impact of foreign taxes in higher tax rate jurisdictions, and excess tax deficiencies from share-based compensation recognized during the period. For the 13-week period ended June 30, 2024, the Company’s effective tax rate of 10.7% differed from the 21% federal statutory rate primarily due to permanent differences related to changes in fair value of the warrant and earn-out liabilities recognized during the period and the impact of foreign taxes in higher tax rate jurisdictions.

For the 26-week period ended June 29, 2025, the Company's effective tax rate of 25.1% differed from the 21% federal statutory tax rate primarily due to federal research and development tax credits, state taxes, the impact of foreign taxes in higher tax rate jurisdictions, and excess tax deficiencies from share-based compensation recognized during the period. For the 26-week period ended June 30, 2024, the Company's effective tax rate of 5.3% differed from the 21% federal statutory rate primarily due to permanent differences related to changes in fair value of the warrant and earn-out liabilities recognized during the period, federal research and development tax credits, and the impact of foreign taxes in higher tax rate jurisdictions. In addition, the Company incurred expenses related to product rationalization that were determined to be significant and infrequent in nature; therefore, the full tax benefit of these expenses were recorded during the quarter as a discrete adjustment.

(in thousands, except share data)

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted in the U.S. The OBBBA includes significant provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and the restoration of favorable tax treatment for certain business provisions. We are currently unable to estimate the financial impacts of OBBBA, which could be material to our consolidated financial statements.

12. EARNINGS PER SHARE

The following table sets forth the calculation of basic and diluted earnings per share:

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Numerator:				
Net income	$ 10,863	$ 17,105	$ 13,680	$ 20,835
Denominator:				
Weighted average common shares outstanding - basic	119,162,895	118,470,358	119,005,954	118,171,093
Dilutive effect of potential common shares from RSUs	346,941	790,878	462,500	1,110,038
Dilutive effect of potential common shares from PSUs	280,789	—	208,230	102,151
Weighted average common shares outstanding - diluted	119,790,625	119,261,236	119,676,684	119,383,282
Earnings per share:				
Basic	$ 0.09	$ 0.14	$ 0.11	$ 0.18
Diluted	$ 0.09	$ 0.14	$ 0.11	$ 0.17

(in thousands, except share data)

The following outstanding shares of Common Stock equivalents were excluded from the calculation of diluted earnings per share because their effect would have been anti-dilutive. Warrants to purchase shares of Common Stock having an exercise price greater than the average share market price are excluded from the calculation of diluted earnings per share.

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Anti-dilutive shares excluded from calculation of diluted EPS:				
Warrants	14,633,311	14,633,311	14,633,311	14,633,311
Stock options	437,268	454,064	437,268	454,064
Restricted stock units	2,058,769	1,685,423	2,058,769	1,685,423
Performance stock units	2,264,503	2,133,100	2,264,503	2,133,100
Unvested Earn-Out Shares	1,093,750	1,093,750	1,093,750	1,093,750
Total anti-dilutive shares	20,487,601	19,999,648	20,487,601	19,999,648

13. EQUITY-BASED COMPENSATION PLANS

In 2021, the Company adopted the 2021 Omnibus Incentive Plan (the “2021 Plan”), under which awards, including stock options, restricted stock units ("RSUs") and performance stock units ("PSUs") may be granted to employees and non-employee directors. The 2021 Plan authorized 8,850,000 shares of Common Stock to be available for award grants. As of June 29, 2025, 3,281,662 shares of Common Stock remained available for future issuance under the 2021 Plan.

Equity-based compensation expense included the following components:

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Restricted stock units	$ 1,017	$ 968	$ 1,976	$ 1,742
Performance stock units	386	495	878	885
Stock options	5	158	49	135

All equity-based compensation expenses are recorded in selling, general and administrative costs in the condensed consolidated statements of comprehensive income.

Restricted Stock Awards

RSUs and PSUs are collectively referred to as "Restricted Stock Awards". The Compensation Committee has awarded RSUs to select employees and non-employee directors and has awarded PSUs to select employees. The RSUs vest ratably over one to four years of continued employment or board services, as applicable. The grant date fair value of a time-based award or a performance-based award without a market condition is equal to the market price of Common Stock on the grant date and is recognized over the requisite service period. The grant date fair value of a performance-based award with a market condition is determined using a Monte Carlo simulation and is recognized over the requisite service period. On June 29, 2025, there was $7,264 of unrecognized compensation cost related to unvested Restricted Stock Awards that is expected to be recognized over a remaining weighted average period of 1.7 years.

(in thousands, except share data)

The weighted-average grant-date fair value of Restricted Stock Awards granted during the 13-week periods ended June 29, 2025 and June 30, 2024, was $2.48 and $4.12, respectively. The fair value of Restricted Stock Awards vested and converted to shares of Common Stock during the 26-week period ended June 29, 2025 and June 30, 2024, was $2,444 and $5,262, respectively.

The following table summarizes Restricted Stock Award for the 26-week period ended June 29, 2025:

	Unvested Restricted Stock Awards	
	Number of RSAs	Weighted Average Grant Date Fair Value
Balance on December 31, 2024	4,195,161	$ 3.12
Granted	2,311,107	2.48
Vested	(1,051,186)	3.32
Forfeited	(418,252)	3.13
Balance on June 29, 2025	5,036,830	$ 2.78

Performance-based Restricted Stock Units

The PSUs granted under the 2021 Plan represent shares of Common Stock that are potentially issuable in the future based on a combination of performance and service requirements. On March 21, 2025, the Company granted 812,256 PSUs under the 2021 Plan to key employees with a grant date fair value of $2.53. On March 31, 2025 the Company granted 10,943 PSUs with a grant date fair value of $2.57; and on April 21, 2025, the Company granted 27,134 PSUs with a grant date fair value of $1.98. The PSUs granted to employees were based on salary and include annual net sales and adjusted EBITDA growth targets with threshold and stretch goals. The awards vest ratably over three years, subject to the employee's continuous employment through the vesting date and the level of performance achieved. The number of PSUs granted reflects the target number able to be earned under a given award. Non-vested PSU compensation expense is based on the most recent performance assumption available and is adjusted as assumptions change. The fair value of a PSU at the grant date is equal to the market price of Common Stock on the grant date. The cost estimates for PSU grants represent initial target awards until the Company can reasonably forecast the financial performance of each PSU award grant. The actual number of shares of Common Stock to be issued at the end of each performance period will range from 0% to 150% of the initial target awards.

Stock Options

Stock option grants have an exercise price at least equal to the market value of the underlying Common Stock on the date of grant, have ten-year terms, and vest ratably over three years of continued employment. In general, vested options expire if not exercised within 90 days of termination of service. Compensation expense for stock options is recorded based on straight-line amortization of the grant date fair value over the requisite service period. As of June 29, 2025, all stock options vested and there was no additional compensation cost to recognize.

(in thousands, except share data)

The following table summarizes stock option activity for the 26-week period ended June 29, 2025:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)
Options outstanding on December 31, 2024	437,268	$ 10.99	
Forfeited	-	-	
Expired	-	-	
Options outstanding on June 29, 2025	437,268	$ 10.99	6.31
Options exercisable on June 29, 2025	437,268	$ 10.99	6.31

14. LEASE COMMITMENTS

The Company leases retail stores, manufacturing, distribution, engineering, and research and development facilities, office space, equipment, and automobiles under operating lease agreements. Leases have remaining lease terms of one to 10 years, inclusive of renewal options that the Company is reasonably certain to exercise.

The following table summarizes operating lease assets and obligations, and provides information associated with the measurement of operating lease obligations.

	As of	
	June 29, 2025	December 31, 2024
Assets:		
Operating right of use assets	$ 34,421	$ 35,974
Liabilities:		
Current operating lease liabilities - Accrued liabilities	$ 5,476	$ 5,324
Long-term operating lease liabilities - Other noncurrent liabilities	30,089	31,876
Total lease liabilities	$ 35,565	$ 37,200
Lease term and discount rate		
Weighted average remaining lease term (in years)	6.1	6.6
Weighted average discount rate	6.50%	5.91%

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(in thousands, except share data)
(unaudited)

The following summarizes the components of operating lease expense and provides supplemental cash flow information for operating leases:

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Components of lease expense:				
Operating lease expense	$ 1,876	$ 1,361	$ 3,864	$ 3,506
Variable Lease Expense	62	276	444	704
Short-term lease expense	186	106	288	186
Total lease expense	$ 2,124	$ 1,743	$ 4,596	$ 4,396
Supplemental cash flow information related to leases:				
Cash paid for amounts included in measurement of operating lease liabilities	$ 1,897	$ 1,818	$ 3,781	$ 3,667
Right-of-use assets obtained in exchange for new operating lease liabilities	1,115	2,362	1,125	4,376
Decapitalization of right-of-use assets upon lease termination or modification	31	—	31	1,360

The following table summarizes the maturities of the Company's operating lease liabilities as of June 29, 2025:

2025 (excluding the twenty-six weeks ended June 29, 2025)	$ 3,831
2026	7,444
2027	7,441
2028	6,885
2029	5,860
Thereafter	11,722
Total lease payments	43,183
Less imputed interest	(7,618)
Present value of lease liabilities	$ 35,565

15. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is a party to various lawsuits and claims in the normal course of business, as well as the putative securities class action described below. While the lawsuits and claims against the Company cannot be predicted with certainty, management believes that the ultimate resolution of such matters will not have a material effect on the consolidated financial position or liquidity of the Company; however, in light of the inherent uncertainties involved in such lawsuits and claims, some of which may be beyond the Company's control, an adverse outcome in one or more of these matters could be material to the Company's results of operations or cash flows for any particular reporting period. The Company has established loss provision for matters in which losses are probable and can be reasonably estimated. Although management will continue to reassess the estimated liability based on future developments, an objective assessment of such claims may not always be predictive of the outcome and actual results may vary from current estimates.

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A putative securities class action was filed on November 6, 2023, against the Company, Tom Tomlinson (the Company's former Director, President, and Chief Executive Officer), and Dominic Bardos (the Company's former Chief Financial Officer) in the United States District Court for the Western District of Kentucky (the "Complaint") and is captioned City of Fort Lauderdale General Employees' Retirement System v. Holley, Inc., f/k/a Empower LTD., Tom Tomlinson, and Dominic Bardos, Civil Action No. 1:23-cv-148-S.

On February 26, 2024, the court appointed City of Fort Lauderdale General Employees' Retirement System to serve as lead plaintiff to prosecute claims on behalf of a proposed class of stockholders who purchased or otherwise acquired Holley securities between July 21, 2021, and February 6, 2023. On April 26, 2024, the lead plaintiff filed an amended Complaint, adding Vinod Nimmagadda (the Company's Executive Vice President of Corporate Development and New Ventures) as a defendant. Lead plaintiff alleges that statements made regarding the Company's business, operations, and prospects violated Sections 10(b), Section 20(a) and Rule 10b-5 of the Securities Exchange Act of 1934 and seeks class certification, damages, interest, attorneys' fees, and other relief. The Company filed a motion to dismiss on June 28, 2024. On January 7, 2025, the lead plaintiff filed a motion for leave to file a supplemented amended Complaint, which the court granted on March 20, 2025. The Company filed a motion to dismiss the supplemented amended Complaint on April 3, 2025, and briefing on the motion to dismiss was completed on May 8, 2025.

Due to the early stage of this proceeding, we cannot reasonably estimate the potential range of loss, if any. The Company disputes the allegations and intends to vigorously defend against them.

Product Warranties

The Company generally warrants its products against certain manufacturing and other defects. These product warranties are provided for specific periods of time depending on the nature of the product. The accrued product warranty costs are based primarily on historical experience of actual warranty claims and are recorded at the time of the sale.

The following table provides the changes in the Company's accrual for product warranties, which is classified as a component of accrued liabilities in the condensed consolidated balance sheets.

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Beginning balance	$ 2,327	$ 4,771	$ 2,332	$ 3,325
Accrued for current year warranty claims	2,451	3,403	4,160	6,747
Settlement of warranty claims	(2,244)	(2,128)	(3,958)	(4,026)
Ending balance	$ 2,534	$ 6,046	$ 2,534	$ 6,046

Employee Savings Plans

The Company has a defined-contribution savings plan under Section 401(k) of the Internal Revenue Code that covers United States-based employees. United States-based eligible employees may contribute up to the current statutory limits under the Internal Revenue Service regulations. Holley matches employee contributions to the 401(k) Plan up to 3.5% each pay period, and an additional discretionary match of up to 1.5% is made based on company performance targets. The Company also has a defined-contribution saving plan for Canada-based employees. Canada-based eligible employees may contribute up to the current statutory limits for a Registered Retirement Savings Plan. Holley matches employee contributions to the Group Savings Plan up to 3.0% each pay period, and an additional discretionary match of up to 1.5% is made based on company performance targets.

HOLLEY INC.
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(in thousands, except share data)
(unaudited)

During the 13-week periods ended June 29, 2025 and June 30, 2024, the Company made matching contributions under the savings plans totaling $478 and $512, respectively. During the 26-week periods ended June 29, 2025 and June 30, 2024, the Company made matching contributions under the savings plan totaling $1,090 and $1,129, respectively.

16. SEGMENTS

The Company operates as one operating segment. The Company's chief operating decision maker ("CODM") is its Chief Executive Officer, who reviews financial information presented on a consolidated basis. The CODM uses consolidated gross margin and net income to assess financial performance and allocate resources. These financial metrics are used by the CODM to make key operating decisions, such as the determination of the rate at which the Company seeks to grow gross margin and the allocation of budget between cost of revenues, sales and marketing, research and development, and general and administrative expenses.

The following table presents selected financial information with respect to the Company's single operating segment for the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024:

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Net sales	$ 166,661	$ 169,496	$ 319,705	$ 328,132
Cost of goods sold	97,103	99,203	186,059	205,780
Gross profit	69,558	70,293	133,646	122,352
Selling, general, and administrative	32,954	34,570	69,653	67,566
Research and development costs	5,086	4,311	9,179	9,123
Amortization of intangible assets	3,350	3,435	6,882	6,871
Restructuring costs	355	(3)	818	612
Other operating income	299	102	257	94
Total operating expense	42,044	42,415	86,789	84,266
Operating income	27,514	27,878	46,857	38,086
Change in fair value of warrant liability	(7)	(3,402)	(80)	(6,529)
Change in fair value of earn-out liability	(219)	(1,058)	(404)	(1,707)
Loss on early extinguishment of debt	—	—	—	141
Interest expense, net	13,374	13,178	29,082	24,182
Total non-operating expense	13,148	8,718	28,598	16,087
Income before income taxes	14,366	19,160	18,259	21,999
Income tax expense (benefit)	3,503	2,055	4,579	1,164
Net income	$ 10,863	$ 17,105	$ 13,680	$ 20,835

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

Unless the context requires otherwise, references to “Holley,” “we,” “us,” “our” and “the Company” in this section are to the business and operations of Holley Inc. and its subsidiaries unless the context otherwise indicates. The following discussion and analysis should be read in conjunction with Holley’s condensed consolidated financial statements and related notes thereto included in this Quarterly Report on Form 10-Q. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties, and assumptions that could cause Holley’s actual results to differ materially from management’s expectations. Factors that could cause such differences are discussed herein and under the caption, “Cautionary Note Regarding Forward-Looking Statements.”

Overview

We are a leading designer, marketer, and manufacturer of high performance automotive aftermarket products serving car and truck enthusiasts, with sales, processing, and distribution facilities reaching most major markets in the United States, Canada, Europe, and China. We design, market, manufacture and distribute a diversified line of performance automotive products including fuel injection systems, tuners, exhaust products, carburetors, safety equipment and various other performance automotive products. Our products are designed to enhance street, off-road, recreational, and competitive vehicle performance and safety.

Innovation is at the core of our business and growth strategy. We have a history of developing innovative products, including new products in existing product families, product line expansions, and accessories, as well as products that bring us into new categories. We have thoughtfully expanded our product portfolio over time to adapt to consumer needs.

In addition, we have historically used strategic acquisitions to (i) expand our brand portfolio, (ii) enter new product categories and consumer segments, (iii) increase direct-to-consumer scale and connection, (iv) expand share in current product categories and (v) realize value-enhancing revenue and cost synergies. While we believe our business is positioned for continued organic growth, we intend to continue evaluating opportunities for strategic acquisitions that would complement our current business and expand our addressable target market.

Factors Affecting our Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed above, under the caption, "Cautionary Note Regarding Forward-Looking Statements," in this Quarterly Report on Form 10-Q, under the caption, “Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2024, as filed with the SEC on March 14, 2025, and in our subsequent filings with the SEC.

Business Environment

Our business and results of operations, financial condition, and liquidity are impacted by broad economic conditions, as well as by geopolitical events, including the conflict in Ukraine, the conflict in the Middle East, and the possible expansion of such conflicts and potential geopolitical consequences. Our business is impacted by various economic factors that affect both consumers and the automotive industry, including by not limited to inflation, fuel costs, wage rates, supply chain disruptions, hiring, and other economic conditions. In response to inflationary impacts and supply chain disruptions, we have attempted to minimize potential adverse impacts on our business with cost savings initiatives, price increases to customers, and increased attention to maintaining appropriate inventory levels in the distribution channel. Our profitability has been, and may continue to be, adversely affected by constrained consumer demand, a shift in sales to lower-margin products, and demands on our performance that increase our costs. Should the ongoing macroeconomic conditions not improve, or worsen, or if our attempt to mitigate the impact on our supply chain, operations and costs is not successful, our business, results of operations and financial condition may be adversely affected.

Impact of Tariffs and International Trade Policy on Our Operations

Since February 2025, the United States government has imposed new tariffs on imports from certain countries and regions, including China, Canada, Mexico and the European Union. In response, some foreign governments have implemented retaliatory measures. These developments have introduced new complexities to global supply chains; however, we believe Holley's business model and sourcing strategies have positioned us to manage these challenges effectively.

We believe that our international exposure is currently primarily centered in China. Tariffs on Chinese imports have been a factor in our sourcing strategies for several years, and we have proactively developed and implemented plans to mitigate their impact. These initiatives include, but are not limited to, conducting a harmonized tariff code audit to ensure accurate classification and compliance, changing to supplier locations outside of China, reshoring products to North America and exploring direct shipping from suppliers to international customers to reduce tariff exposure on goods entering the United States. We continue to evaluate additional strategies to further minimize the impact of tariffs on our operations.

Because our production costs are primarily U.S.-based and we have a broad product portfolio with a strong concentration of manufacturing and sourcing in the United States, we believe our U.S. focus enables us to better manage and mitigate the impact of tariffs on pricing more effectively than competitors who are less diversified and more reliant on single-source imports from China. During the second quarter of 2025, we undertook the initiatives discussed above to mitigate the economic impact of tariffs on our product portfolio. We believe these initiatives combined with our pricing actions have allowed us to successfully manage the impact of the latest tariff decisions. However, if current tariff levels are sustained or increased, there is a risk that our profitability, cash flows and estimates inherent in our financial statements could be negatively affected.

We continue to monitor international trade developments closely, including potential changes in tariff rates and the possibility of new exemptions or retaliatory actions, in order to analyze their impact on our business and identify possible actions to minimize adverse effects. The extent and duration of these tariffs, as well as their broader impact on macroeconomic conditions and our business, remain uncertain and will depend on a variety of factors outside of our control. Nevertheless, we remain committed to optimizing our operations, managing costs and leveraging our diversified supply chain to minimize the impact of tariffs on our results of operations and financial condition.

Key Components of Results of Operations

Net Sales

The principal activity from which we generate sales is the designing, marketing, manufacturing, and distribution of performance after-market automotive parts for our end consumers. Sales are displayed net of rebates and sales returns allowances. Sales returns are recorded as a charge against gross sales in the period in which the related sales are recognized.

Cost of Goods Sold

Cost of goods sold consists primarily of the cost of purchased parts and manufactured products, including materials and direct labor costs. In addition, warranty, incoming shipping and handling and inspection and repair costs are also included within costs of goods sold. Reductions in the cost of inventory to its net realizable value are also a component of cost of goods sold.

Selling, General, and Administrative

Selling, general, and administrative costs consist of payroll and related personnel expenses, IT and office services, office rent expense, and professional services. In addition, self-insurance, advertising, research and development, outgoing shipping costs, pre-production and start-up costs are also included within selling, general, and administrative.

Restructuring Costs

Restructuring costs include charges attributable to operational restructuring and integration activities, including professional and consulting services; termination related benefits; facilities relocation; and executive transition costs.

Interest Expense

Interest expense consists of interest due on the indebtedness under our credit facilities. Interest is based on SOFR or the base rate, at the Company's election, plus the applicable margin rate. As of June 29, 2025, $557.6 million was outstanding under our Credit Agreement.

Results of Operations

13-Week Period Ended June 29, 2025 Compared With 13-Week Period Ended June 30, 2024

The table below presents Holley's results of operations for the 13-week periods ended June 29, 2025 and June 30, 2024 (dollars in thousands):

	For the thirteen weeks ended			
	June 29, 2025	June 30, 2024	Change ($)	Change (%)
Net sales	$ 166,661	$ 169,496	$ (2,835)	(1.7) %
Cost of goods sold	97,103	99,203	(2,100)	(2.1) %
Gross profit	69,558	70,293	(735)	(1.0%)
Selling, general, and administrative	32,954	34,570	(1,616)	(4.7%)
Research and development costs	5,086	4,311	775	18.0 %
Amortization of intangible assets	3,350	3,435	(85)	(2.5%)
Restructuring costs	355	(3)	358	n/a
Other operating expense	299	102	197	193.1 %
Operating income	27,514	27,878	(364)	(1.3%)
Change in fair value of warrant liability	(7)	(3,402)	3,395	n/a
Change in fair value of earn-out liability	(219)	(1,058)	839	n/a
Interest expense, net	13,374	13,178	196	1.5%
Income before income taxes	14,366	19,160	(4,794)	(25.0%)
Income tax expense	3,503	2,055	1,448	70.5 %
Net income	10,863	17,105	(6,242)	(36.5) %
Foreign currency translation adjustment	$ 1,239	$ 44	1,195	2715.9%
Total comprehensive income	$ 12,102	$ 17,149	$ (5,047)	(29.4) %

Net Sales

Net sales for the 13-week period ended June 29, 2025 decreased $2.8 million, or 1.7%, to $166.7 million, as compared to $169.5 million for the 13-week period ended June 30, 2024. Lower sales volume resulted in a decrease of approximately $4.2 million, offset partially by improved price realization of approximately $1.4 million compared to the prior year period.

The table below presents our net sales for the 13-week periods ended June 29, 2025 and June 30, 2024, as well as sales related to divestitures and sales part of our strategic product rationalization project. The divestitures sales relate to divested businesses prior to the divestiture date. The divestitures include Detroit Speed Engineering, Gear FX, and Proforged. The strategic product rationalization sales related to a 2024 initiative to discontinued stock keeping units ("SKUs").

	For the thirteen weeks ended	
	June 29, 2025	June 30, 2024
Net Sales	$ 166,661	$ 169,496
Divestitures	—	3,397
Strategic Product Rationalization	—	5,626

Cost of Goods Sold

Cost of goods sold for the 13-week period ended June 29, 2025 decreased $2.1 million, or 2.1%, to $97.1 million, as compared to $99.2 million for the 13-week period ended June 30, 2024. The decrease in cost of goods sold in the second quarter of 2025, a period in which product sales decreased 1.7%, was due to lower inbound freight costs, which is one of the Company's cost saving initiatives.

Gross Profit and Gross Margin

Gross profit for the 13-week period ended June 29, 2025 decreased $0.7 million, or 1.0%, to $69.6 million, as compared to $70.3 million for the 13-week period ended June 30, 2024. Gross margin for the 13-week period ended June 29, 2025 was 41.7% as compared to a gross margin of 41.5% for the 13-week period ended June 30, 2024. Gross profit margin increased primarily due to significant clearance activity in prior year and not repeating in 2025.

Selling, General and Administrative

Selling, general and administrative costs for the 13-week period ended June 29, 2025 decreased $1.6 million, or 4.7%, to $33.0 million, as compared to $34.6 million for the 13-week period ended June 30, 2024. Selling, general and administrative costs expressed as a percentage of sales decreased to 19.8% for the 13-week period ended June 29, 2025 compared to 20.4% for the 13-week period ended June 30, 2024. The decrease in selling, general and administrative costs was due to the Company's realignment of employees' roles and responsibilities from selling, general and administrative to research and development. Overall, salaries increased for the Company in the second quarter of 2025, compared to the second quarter of 2024. The increase is due to the furlough that occurred during 2024. The increase was offset by a decrease in transformative consulting fees.

Research and Development Costs

Research and development costs for the 13-week period ended June 29, 2025 slightly increased to $5.1 million as compared to $4.3 million for the 13-week period ended June 30, 2024, primarily due to the Company's realignment of employees' roles and responsibilities from selling, general and administrative to research and development.

Amortization and Impairment of Intangible Assets

Amortization of intangible assets was $3.4 million for the 13-week period ended June 29, 2025 compared to $3.4 million for the 13-week period ended June 30, 2024.

Restructuring Costs

Restructuring costs for the 13-week period ended June 29, 2025 increased by $0.4 million to $0.4 million, as compared to less than $0.1 million for the 13-week period ended June 30, 2024, reflecting restructuring and integration activities associated with our implementation of resource allocation efforts in support of portfolio development optimization.

Operating Income

As a result of factors described above, operating income for the 13-week period ended June 29, 2025 decreased $0.4 million, or 1.3%, to $27.5 million, as compared to $27.9 million for the 13-week period ended June 30, 2024.

Change in Fair Value of Warrant Liability

For the 13-week periods ended June 29, 2025 and June 30, 2024, we recognized a gain of less than $0.1 million and $3.4 million, respectively. The warrant liability reflects the fair value of the Warrants issued in connection with the Business Combination.

Change in Fair Value of Earn-Out Liability

For the 13-week periods ended June 29, 2025 and June 30, 2024, we recognized a gain of $0.2 million and $1.1 million, respectively. The earn-out liability reflects the fair value of the unvested Earn-Out Shares resulting from the Business Combination.

Interest Expense

Interest expense for the 13-week period ended June 29, 2025 increased $0.2 million, or 1.5%, to $13.4 million, as compared to $13.2 million for the 13-week period ended June 30, 2024, reflecting the negative impact of the interest rate collar. The Company recognized interest expense of $1.4 million and interest income of $(0.1) million related to the interest rate collar for 13-week periods ended June 29, 2025 and June 30, 2024, respectively.

Income before Income Taxes

As a result of factors described above, we recognized $14.4 million and $19.2 million of income before income taxes for the 13-week periods ended June 29, 2025 and June 30, 2024, respectively.

Income Tax Expense

Income tax expense for the 13-week period ended June 29, 2025 was $3.5 million, as compared to income tax expense of $2.1 million for the 13-week period ended June 30, 2024. Our effective tax rate for the 13-week period ended June 29, 2025 was 24.4%. The difference between the effective tax rate for the 13-week period ended June 29, 2025 and the federal statutory rate in 2025 was due to federal research and development tax credits, state taxes, the impact of foreign taxes in higher tax rate jurisdictions, and excess tax deficiencies from share-based compensation recognized during the period. The effective tax rate for the 13-week period ended June 30, 2024 was 10.7%. The difference between the effective tax rate for the 13-week period ended June 30, 2024 and the federal statutory rate in 2024 was due to permanent differences related to changes in fair value of the warrant and earn-out liabilities recognized during the period and the impact of foreign taxes in higher tax rate jurisdictions.

Net Income and Total Comprehensive Income

As a result of factors described above, we recognized net income of $10.9 million and $17.1 million for the 13-week periods ended June 29, 2025 and June 30, 2024, respectively. Additionally, we recognized total comprehensive income of $12.1 million for the 13-week period ended June 29, 2025, as compared to total comprehensive income of $17.1 million for the 13-week period ended June 30, 2024. Comprehensive income includes the effect of foreign currency translation adjustments.

Results of Operations

26-Week Period Ended June 29, 2025 Compared With 26-Week Period Ended June 30, 2024

The table below presents Holley's results of operations for the 26-week periods ended June 29, 2025 and June 30, 2024 (dollars in thousands):

	For the twenty-six weeks ended			
	June 29, 2025	June 30, 2024	Change ($)	Change (%)
Net sales	$ 319,705	$ 328,132	$ (8,427)	(2.6) %
Cost of goods sold	186,059	205,780	(19,721)	(9.6) %
Gross profit	133,646	122,352	11,294	9.2%
Selling, general, and administrative	69,653	67,566	2,087	3.1%
Research and development costs	9,179	9,123	56	0.6 %
Amortization of intangible assets	6,882	6,871	11	0.2%
Restructuring costs	818	612	206	33.7 %
Other operating expense	257	94	163	173.4 %
Operating income	46,857	38,086	8,771	23.0%
Change in fair value of warrant liability	(80)	(6,529)	6,449	n/a
Change in fair value of earn-out liability	(404)	(1,707)	1,303	n/a
Loss on early extinguishment of debt	—	141	(141)	n/a
Interest expense, net	29,082	24,182	4,900	20.3%
Income before income taxes	18,259	21,999	(3,740)	(17.0%)
Income tax expense	4,579	1,164	3,415	293.4 %
Net income	13,680	20,835	(7,155)	(34.3) %
Foreign currency translation adjustment	$ 954	$ (142)	1,096	(771.8%)
Total comprehensive income	$ 14,634	$ 20,693	$ (6,059)	(29.3) %

Net Sales

Net sales for the 26-week period ended June 29, 2025 decreased $8.4 million, or 2.6%, to $319.7 million, as compared to $328.1 million for the 26-week period ended June 30, 2024. Lower sales volume resulted in a decrease of approximately $12.2 million, offset partially by improved price realization of approximately $3.8 million compared to the prior year period.

The table below presents our net sales for the 26-week periods ended June 29, 2025 and June 30, 2024, as well as sales related to divestitures and sales part of our strategic product rationalization project. The divestitures sales relate to divested businesses prior to the divestiture date. The divestitures include Detroit Speed Engineering, Gear FX, and Proforged. The strategic product rationalization sales related to a 2024 initiative to discontinued stock keeping units ("SKUs").

	For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024
Net Sales	$ 319,705	$ 328,132
Divestitures	—	7,182
Strategic Product Rationalization	—	12,378

Cost of Goods Sold

Cost of goods sold for the 26-week period ended June 29, 2025 decreased $19.7 million, or 9.6%, to $186.1 million, as compared to $205.8 million for the 26-week period ended June 30, 2024. The decrease in cost of goods sold in 2025, a period in which product sales decreased 2.6%, was due to the $9.1 million of product rationalization initiative in 2024. The initiative focused on eliminating unprofitable or slow-moving SKUs. Lower freight costs also contributed to the decrease.

Gross Profit and Gross Margin

Gross profit for the 26-week period ended June 29, 2025 increased $11.3 million, or 9.2%, to $133.6 million, as compared to $122.4 million for the 26-week period ended June 30, 2024. Gross margin for the 26-week period ended June 29, 2025 was 41.8% as compared to a gross margin of 37.3% for the 26-week period ended June 30, 2024. Gross profit margin increased primarily due to inventory charges in 2024, driven by the product rationalization initiative. The increase was also due to improvements in freight costs.

Selling, General and Administrative

Selling, general and administrative costs for the 26-week period ended June 29, 2025 increased $2.1 million, or 3.1%, to $69.7 million, as compared to $67.6 million for the 26-week period ended June 30, 2024. Selling, general and administrative costs expressed as a percentage of sales increased to 21.8% for the 26-week period ended June 29, 2025 compared to 20.6% for the 26-week period ended June 30, 2024. The increase in selling, general and administrative costs was driven by an increase in legal fees of $2.3 million, which included $1.3 million in legal settlement costs.

Research and Development Costs

Research and development costs for the 26-week period ended June 29, 2025 slightly increased to $9.2 million as compared to $9.1 million for the 26-week period ended June 30, 2024, primarily due to the Company's realignment of employees' roles and responsibilities from selling, general and administrative to research and development.

Amortization and Impairment of Intangible Assets

Amortization of intangible assets was $6.9 million for the 26-week period ended June 29, 2025 compared to $6.9 million for the 26-week period ended June 30, 2024.

Restructuring Costs

Restructuring costs for the 26-week period ended June 29, 2025 increased by $0.2 million to $0.8 million, as compared to $0.6 million for the 26-week period ended June 30, 2024, reflecting restructuring and integration activities associated with our implementation of resource allocation efforts in support of portfolio development optimization.

Operating Income

As a result of factors described above, operating income for the 26-week period ended June 29, 2025 increased $8.8 million, or 23.0%, to $46.9 million, as compared to $38.1 million for the 26-week period ended June 30, 2024.

Change in Fair Value of Warrant Liability

For the 26-week periods ended June 29, 2025 and June 30, 2024, we recognized a gain of $0.1 million and $6.5 million, respectively. The warrant liability reflects the fair value of the Warrants issued in connection with the Business Combination.

Change in Fair Value of Earn-Out Liability

For the 26-week periods ended June 29, 2025 and June 30, 2024, we recognized a gain of $0.4 million and $1.7 million, respectively. The earn-out liability reflects the fair value of the unvested Earn-Out Shares resulting from the Business Combination.

Interest Expense

Interest expense for the 26-week period ended June 29, 2025 increased $4.9 million, or 20.3%, to $29.1 million, as compared to $24.2 million for the 26-week period ended June 30, 2024, reflecting the negative impact of the interest rate collar. The Company recognized interest expense of $5.2 million and interest income of $2.4 million related to the interest rate collar for 26-week periods ended June 29, 2025 and June 30, 2024, respectively.

Income before Income Taxes

As a result of factors described above, we recognized $18.3 million and $22.0 million of income before income taxes for the 26-week periods ended June 29, 2025 and June 30, 2024, respectively.

Income Tax Expense

Income tax expense for the 26-week period ended June 29, 2025 was $4.6 million, as compared to income tax expense of $1.2 million for the 26-week period ended June 30, 2024. Our effective tax rate for the 26-week period ended June 29, 2025 was 25.1%. The difference between the effective tax rate for the 26-week period ended June 29, 2025 and the federal statutory rate in 2025 was due to federal research and development tax credits, state taxes, the impact of foreign taxes in higher tax rate jurisdictions, and excess tax deficiencies from share-based compensation recognized during the period. The effective tax rate for the 26 week period ended June 30, 2024 was 5.3%. The difference between the effective tax rate and the federal statutory rate in 2024 was due to permanent differences related to changes in fair value of the warrant and earn-out liabilities recognized during the period, federal research and development tax credits, and the impact of foreign taxes in higher tax rate jurisdictions. In addition, the company incurred expenses related to product rationalization that were determined to be significant and infrequent in nature, therefore, the full tax benefit of these expenses was recorded during the year as a discrete adjustment.

Net Income and Total Comprehensive Income

As a result of factors described above, we recognized net income of $13.7 million and $20.8 million for the 26-week periods ended June 29, 2025 and June 30, 2024, respectively. Additionally, we recognized total comprehensive income of $14.6 million for the 26-week period ended June 29, 2025, as compared to total comprehensive income of $20.7 million for the 26-week period ended June 30, 2024. Comprehensive income includes the effect of foreign currency translation adjustments.

Non-GAAP Financial Measures

We present certain information with respect to EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Diluted EPS, and Free Cash Flow as supplemental measures of our operating performance and believe that such non-GAAP financial measures are useful to investors in evaluating our financial performance and in comparing our financial results between periods because they exclude the impact of certain items that we do not consider indicative of our ongoing operating performance. We believe that the presentation of these non-GAAP financial measures enhances the usefulness of our financial information by presenting measures that management uses internally to establish forecasts, budgets and operational goals to manage and monitor our business. We believe that these non-GAAP financial measures help to depict a more realistic representation of the performance of our underlying business, enabling us to evaluate and plan more effectively for the future.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Diluted EPS, and Free Cash Flow are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. These measures should not be considered as measures of financial performance under GAAP, and the items excluded from or included in these metrics are significant components in understanding and assessing our financial performance. These metrics should not be considered as alternatives to net income, gross profit, net cash provided by operating activities, or any other performance measures, as applicable, derived in accordance with GAAP.

Adjusted EBITDA

We define EBITDA as earnings before depreciation, amortization of intangible assets, interest expense, and income tax expense. We define Adjusted EBITDA as EBITDA adjusted to exclude, to the extent applicable, acquisition and restructuring costs, which includes operational restructuring and integration activities, termination related benefits, facilities relocation, and executive transition costs; changes in the fair value of the warrant liability; changes in the fair value of the earn-out liability; equity-based compensation expense; loss on the early extinguishment of debt; notable items that we do not believe are reflective of our underlying operating performance, including litigation settlements, transformative consulting fees and certain costs incurred for advisory services related to identifying performance initiatives; and other expenses or gains, which includes gains or losses from disposal of fixed assets, franchise taxes, and gains or losses from foreign currency transactions. We define Adjusted EBITDA Margin as Adjusted EBITDA divided by net sales.

The following unaudited table presents the reconciliation of net income, the most directly comparable GAAP measure, to EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin for the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024 (dollars in thousands):

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Net income	$ 10,863	$ 17,105	$ 13,680	$ 20,835
Adjustments:				
Depreciation	2,215	2,669	4,514	5,133
Amortization of intangible assets	3,350	3,435	6,882	6,871
Interest expense, net	13,374	13,178	29,082	24,182
Income tax expense	3,503	2,055	4,579	1,164
EBITDA	33,305	38,442	58,737	58,185
Change in fair value of warrant liability	(7)	(3,402)	(80)	(6,529)
Change in fair value of earn-out liability	(219)	(1,058)	(404)	(1,707)
Equity-based compensation expense	1,408	1,621	2,903	2,762
Loss on early extinguishment of debt	—	—	—	141
Restructuring costs	355	(3)	818	612
Notable items	1,287	2,594	1,484	5,694
Other income	299	102	257	94
Adjusted EBITDA	$ 36,428	$ 38,296	$ 63,715	$ 59,252
Net sales	$ 166,661	$ 169,496	$ 319,705	$ 328,132
Net income margin	6.5%	10.1%	4.3%	6.3%
Adjusted EBITDA Margin	21.9%	22.6%	19.9%	18.1%

Adjusted EBITDA for 2024 includes the impact of a $9.1 million, non-cash charge related to a previously announced strategic product rationalization. For 2024, Adjusted EBITDA includes $2.8 million benefit also related to the strategic product rationalization, netting to $6.3 million non-cash charge.

Adjusted Net Income and Adjusted Diluted EPS

We define Adjusted Net Income as earnings excluding the after-tax effect of changes in the fair value of the warrant liability, changes in the fair value of the earn-out liability, and gain or loss on the early extinguishment of debt. We define Adjusted Diluted EPS as Adjusted Net Income on a per share basis. Management uses these measures to focus on on-going operations and believes that it is useful to investors because it enables them to perform meaningful comparisons of past and present consolidated operating results. We believe that using this information, along with net income and net income per diluted share, provides for a more complete analysis of the results of operations.

The following unaudited tables present the reconciliation of net income and net income per diluted share, the most directly comparable GAAP measures, to Adjusted Net Income and Adjusted Diluted EPS for the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024 (dollars in thousands):

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Net income	$ 10,863	$ 17,105	$ 13,680	$ 20,835
Special items:				
Adjust for: Change in fair value of Warrant liability	(7)	(3,402)	(80)	(6,529)
Adjust for: Change in fair value of earn-out liability	(219)	(1,058)	(404)	(1,707)
Adjust for: Loss on early extinguishment of debt	—	—	—	141
Adjusted Net Income	$ 10,637	$ 12,645	$ 13,196	$ 12,740

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Net income per diluted share	$ 0.09	$ 0.14	$ 0.11	$ 0.17
Special items:				
Adjust for: Change in fair value of Warrant liability	—	(0.03)	—	(0.05)
Adjust for: Change in fair value of earn-out liability	—	(0.01)	—	(0.01)
Adjusted Diluted EPS	$ 0.09	$ 0.10	$ 0.11	$ 0.11

We define Free Cash Flow as net cash provided by operating activities minus cash payments for capital expenditures, net of dispositions. Management believes providing Free Cash Flow is useful for investors to understand our performance and results of cash generation after making capital investments required to support ongoing business operations.

The following unaudited table presents the reconciliation of net cash provided by operating activities, the most directly comparable GAAP measure, to Free Cash Flow for the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024 (dollars in thousands):

	For the thirteen weeks ended		For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Net cash provided by operating activities	$ 40,487	$ 25,678	$ 32,637	$ 44,521
Capital expenditures	(4,828)	(1,380)	(7,808)	(2,645)
Proceeds from the disposal of fixed assets	—	55	—	229
Free Cash Flow	$ 35,659	$ 24,353	$ 24,829	$ 42,105

Liquidity and Capital Resources

Our primary cash needs are to support working capital, capital expenditures, acquisitions, and debt repayments. We have generally financed our historical needs with operating cash flows, capital contributions and borrowings under our credit facilities. These sources of liquidity may be impacted by various factors, including demand for our products, investments made in acquired businesses, plant and equipment and other capital expenditures, and expenditures on general infrastructure and information technology.

As of June 29, 2025, the Company had cash of $63.8 million and availability of $97.4 million under its revolving credit facility. The Company has a senior secured revolving credit facility with $100.0 million in borrowing capacity. As of June 29, 2025, the Company had $2.5 million in letters of credit outstanding under the revolving credit facility. In February 2023, the Company entered into an amendment to its Credit Agreement which, among other things, contains a minimum liquidity financial covenant of $45.0 million, which includes unrestricted cash and any available borrowing capacity under the revolving credit facility. The amendment also increased the Total Leverage Ratio applicable under the Credit Agreement as of the fiscal quarter ending April 2, 2023, to initially 7.25:1.00, and provides for modified step-down levels for such covenant thereafter through the fiscal quarter ending June 30, 2024. The Company successfully exited the Covenant Relief Period.

The Company is obligated under various operating leases for facilities, equipment and automobiles with estimated lease payments of approximately $3.8 million, including short term leases, due during the remainder of fiscal year 2025. See Note 14, "*Lease Commitments*" in the Notes to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information related to the Company’s lease obligations.

See Note 6, "*Debt*" in the Notes to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for further detail of our credit facility and the timing of principal maturities. As of June 29, 2025, based on the then current weighted average interest rate of 8.2%, expected interest payments associated with outstanding debt totaled approximately $22.8 million for the remainder of fiscal year 2025.

As discussed under “Business Environment” above, although the future impact of supply chain disruptions and inflationary pressures are highly uncertain, we believe that cash generated through our current operating performance, and our operating plans, cash position, and borrowings available under our revolving credit facility, will be sufficient to satisfy our liquidity needs and capital expenditure requirements for the next 12 months and thereafter for the foreseeable future.

Cash Flows

The following table provides a summary of cash flows from operating, investing, and financing activities for the periods presented (dollars in thousands):

26-week period ended June 29, 2025 Compared With 26-week period ended June 30, 2024

	For the twenty-six weeks ended	
	June 29, 2025	June 30, 2024
Cash flows provided by operating activities	$ 32,637	$ 44,521
Cash flows used in investing activities	(20,898)	(2,416)
Cash flows used in financing activities	(4,458)	(30,042)
Effect of foreign currency rate fluctuations on cash	474	(64)
Net increase in cash and cash equivalents	$ 7,755	$ 11,999

Operating Activities. Net cash provided by operating activities for the 26-week period ended June 29, 2025 was $32.6 million compared to net cash provided by operating activities of $44.5 million for the 26-week period ended June 30, 2024. Significant changes in the year-over-year change in working capital activity included negative fluctuations in accounts receivable and accrued and other liabilities of $14.9 million and $2.9 million, respectively. Partially offsetting the decrease was a positive fluctuation from inventories of $9.2 million.

Investing Activities. Net cash used in investing activities for the 26-week periods ended June 29, 2025 and June 30, 2024 was $20.9 million and $2.4 million, respectively, due to the cash payments related to the acquisition of the perpetual license agreement with Cataclean in January 2025 and other capital expenditures.

Financing Activities. Net cash used in financing activities for the 26-week periods ended June 29, 2025 was $4.5 million, which primarily reflects principal payments on long-term debt and deferred financing fees. Cash used in financing activities for the 26-week period ended June 30, 2024 was $30.0 million, which primarily reflects the repurchase of $28.6 million outstanding principal on the first lien term loan, principal payments on long-term debt.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, sales, expenses and related disclosures. We evaluate our estimates, judgements and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. For a discussion of our critical accounting estimates, refer to the section entitled “Critical Accounting Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2024, as filed with the SEC on March 14, 2025. For further information see also Note 1, “*Description of the Business, Basis of Presentation, and Summary of Significant Accounting Policies*” in the Notes to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. There have been no material changes to the Company’s critical accounting estimates included in our Annual Report on Form 10-K for the year ended December 31, 2024.

Recent Accounting Pronouncements

For a discussion of Holley’s new or recently adopted accounting pronouncements, see Note 1, “*Description of the Business, Basis of Presentation, and Summary of Significant Accounting Policies*,” in the Notes to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk. Holley is exposed to market` risk in the normal course of business due to the Company’s ongoing investing and financing activities. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. Holley has established policies and procedures governing the Company’s management of market risks and the use of financial instruments to manage exposure to such risks. When appropriate, the Company uses derivative financial instruments to mitigate the risk from its interest rate exposure. The Company's interest rate collar is intended to mitigate some of the effects of increases in interest rates. As of June 29, 2025, a total of $557.6 million of term loan and revolver borrowings were subject to variable interest rates, with a weighted average borrowing rate of 8.2%. A hypothetical 100 basis point increase in interest rates would result in an approximately $0.6 million increase in annual interest expense, while a hypothetical 100 basis point decrease in interest rates would result in an approximately $5.6 million decrease to Holley’s annual interest expense.

Credit and other Risks. Holley is exposed to credit risk associated with cash and cash equivalents and trade receivables. As of June 29, 2025, the majority of the Company’s cash and cash equivalents consisted of cash balances in an overnight sweep account where funds are transferred to an interest-bearing deposit account that is insured by the Federal Deposit Insurance Corporation ("FDIC"). The FDIC insures financial institution deposits up to $250 thousand. Holley maintains deposits in certain accounts which exceed the insurance coverage provided on such deposits. The Company does not believe that its cash equivalents present significant credit risks because the counterparties to the instruments consist of major financial institutions. Substantially all trade receivable balances of the business are unsecured. The credit risk with respect to trade receivables is concentrated by the number of significant customers that the Company has in its customer base and a prolonged economic downturn could increase exposure to credit risk on the Company’s trade receivables. To manage exposure to such risks, Holley performs ongoing credit evaluations of the Company’s customers and maintains an allowance for potential credit losses.

Exchange Rate Sensitivity. As of June 29, 2025, the Company is exposed to changes in foreign currency exchange rates. While historically this exposure to changes in foreign currency exchange rates has not had a material effect on the Company's financial condition or results of operations, foreign currency fluctuations could have a material adverse effect on business and results of operations in the future. Historically, Holley's primary exposure has been related to transactions denominated in the Euro and Canadian dollars. The majority of the Company's sales, both domestically and internationally, are denominated in U.S. Dollars. Historically, the majority of the Company's expenses have also been in U.S. Dollars, and we have been somewhat insulated from currency fluctuations. However, Holley may be exposed to greater exchange rate sensitivity in the future. Currently, the Company does not hedge foreign currency exposure; however, the Company may consider strategies to mitigate foreign currency exposure in the future if deemed necessary.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Management, which includes our President, Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Annual Report.

Our management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 29, 2025, the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were not effective because of a previously reported material weakness in our internal control over financial reporting, which we describe in Part II, Item 9A of our Form 10-K for the fiscal year ended December 31, 2024, and because of the material weakness affecting the fiscal quarter ended June 29, 2025 described below.

Management's Report on Internal Control Over Financial Reporting

As disclosed in our Form 10-K, we concluded that we did not have sufficient resources with the appropriate accounting expertise that resulted in a lack of adequate controls with respect to the preparation and precision of review of reconciliations, manual journal entries and third-party reports supporting journal entries. Accordingly, management has determined that this control deficiency constituted a material weakness. This material weakness has not been remediated as of June 29, 2025.

Remediation of the Material Weakness

We have undertaken and are continuing to design and implement remediation measures intended to address the material weakness. Following the identification of the material weakness, and with the oversight of the Audit Committee of our Board of Directors, we have commenced and will continue to implement remediation efforts to enhance our environmental controls, which are described below.

- Hiring and augmenting our accounting team with knowledgeable and qualified accounting and finance professionals.
- Engaging a third-party expert to conduct an external evaluation, provide recommended options, support, and validate our approach.
- Enhancing related policies and process documentation, redesigning existing controls or implementing new controls, and improving the skills of process owners.
- Implementation of a reconciliation and review process.
- Training process owners, evaluating the adoption of revised policies and procedures, and monitoring results.
- Developing and maintaining documentation to promote knowledge transfer upon personnel and function changes.

We are committed to successfully implementing the remediation plan as promptly as possible and believe that these actions will remediate the material weakness. Our plans can only be accomplished over time, and we can offer no assurance that these initiatives will ultimately have the intended effects. See our Form 10-K Risk Factors for the year ended December 31, 2024, as filed with the SEC on March 14, 2025.

Changes in Internal Control over Financial Reporting

Our plans for remediating the material weaknesses described above will constitute changes in our internal control over financial reporting, prospectively, when such remediation plans are effectively implemented. There were no changes in our internal control over financial reporting during the quarter, other than the remediation actions, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

See Litigation in Note 15 “Commitments and Contingencies” to the condensed consolidated financial statements, which is incorporated by reference in this Item 1. Legal Proceedings.

Item 1A. Risk Factors

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially affect our operations. Factors that could materially affect our actual results, levels of activity, performance or achievements include, but are not limited to, those under the caption “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2024, as filed with the SEC on March 14, 2025. Such risks, uncertainties and other factors may cause our actual results, performance, and achievements to be materially different from those expressed or implied by our forward-looking statements. If any of these risks or events occur, our business, financial condition or results of operations may be adversely affected.

If significant tariffs or other restrictions are placed on products or materials we import, or any related counter-measures are taken by foreign countries, our revenue and results of operations may be materially harmed.

Tariffs and other trade restrictions—such as those imposed or threatened by the U.S. on goods from China and other countries—have increased uncertainty in global trade and may materially impact our operations. Several countries, including China, have responded with retaliatory tariffs and other counter-measures, which could escalate further. These actions affect products and raw materials we import and may result in higher input costs, supply chain disruptions and reduced competitiveness. The extent of the impact on our financial condition and results of operations will depend on the scope and duration of these tariffs and related trade policies, as well as our ability to mitigate associated cost pressures.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Trading Plans

During the fiscal quarter ended June 29, 2025, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of March 11, 2021, by and among Empower Ltd., Empower Merger Sub I Inc., Empower Merger Sub II LLC and Holley Intermediate Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 12, 2021).
3.1	Certificate of Incorporation of the Company, dated July 16, 2021 (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the SEC on July 21, 2021).
3.2	Amended and Restated By-Laws of the Company, dated August 8, 2023 (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the SEC on August 9, 2023).
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline 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 (embedded within the Inline XBRL Document and include in Exhibit 101)

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.

Holley Inc.

/s/ Jesse Weaver

Jesse Weaver
Chief Financial Officer (Duly Authorized Officer)

August 6, 2025

Exhibit 31.1

CERTIFICATIONS

I, Matthew Stevenson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Holley Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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.

/s/ Matthew Stevenson

Matthew Stevenson
President and Chief Executive Officer

August 6, 2025

Exhibit 31.2

CERTIFICATIONS

I, Jesse Weaver, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Holley Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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.

/s/ Jesse Weaver

Jesse Weaver
Chief Financial Officer

August 6, 2025

Exhibit 32.1

CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of Holley Inc. (the "Company") on Form 10-Q for the period ended June 29, 2025, as filed with the Securities and Exchange Commission (the "Report"), I, Matthew Stevenson, President and Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Matthew Stevenson

Matthew Stevenson
President and Chief Executive Officer

August 6, 2025

A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Exhibit 32.2

CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of Holley Inc. (the "Company") on Form 10-Q for the period ended June 29, 2025, as filed with the Securities and Exchange Commission (the "Report"), I, Jesse Weaver, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jesse Weaver
Jesse Weaver
Chief Financial Officer

August 6, 2025

A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.