

**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 **March 30, 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
(State or other jurisdiction of incorporation or organization)

87-1727560
(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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

There were 120,180,639 shares of Common Stock, including 1,093,750 restricted earn-out shares, par value \$0.0001 per share, issued and outstanding as of May 5, 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	
	March 30, 2025	December 31, 2024
ASSETS		
Cash and cash equivalents	\$ 39,068	\$ 56,087
Accounts receivable, less allowance for credit losses of \$1,803 and \$2,026 respectively	50,894	36,123
Inventory	189,143	192,523
Prepays and other current assets	9,081	12,614
Total current assets	288,186	297,347
Property, plant, and equipment, net	41,664	40,983
Goodwill	372,340	372,340
Other intangibles assets, net	407,130	386,676
Right-of-use assets	34,841	35,974
Total assets	<u>\$ 1,144,161</u>	<u>\$ 1,133,320</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 37,586	\$ 44,781
Accrued liabilities	56,164	43,190
Current portion of long-term debt	7,068	7,201
Total current liabilities	100,818	95,172
Long-term debt, net of current portion	544,194	545,385
Warrant liability	740	813
Earn-out liability	963	1,148
Deferred taxes	37,308	37,391
Other noncurrent liabilities	35,553	32,259
Total liabilities	719,576	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 March 30, 2025 and December 31, 2024	—	—
Common stock, \$0.0001 par value, 550,000,000 shares authorized, 119,082,657 and 118,748,697 shares issued and outstanding on March 30, 2025 and December 31, 2024, respectively	12	12
Additional paid-in capital	378,458	377,557
Accumulated other comprehensive loss	(1,447)	(1,162)
Retained earnings	47,562	44,745
Total stockholders' equity	424,585	421,152
Total liabilities and stockholders' equity	<u>\$ 1,144,161</u>	<u>\$ 1,133,320</u>

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	
	March 30, 2025	March 31, 2024
Net sales	\$ 153,044	\$ 158,636
Cost of goods sold	88,956	106,577
Gross profit	64,088	52,059
Selling, general, and administrative	36,699	32,996
Research and development costs	4,093	4,812
Amortization of intangible assets	3,532	3,436
Restructuring costs	463	615
Other operating income	(42)	(8)
Total operating expense	44,745	41,851
Operating income	19,343	10,208
Change in fair value of warrant liability	(73)	(3,127)
Change in fair value of earn-out liability	(185)	(649)
Loss on early extinguishment of debt	—	141
Interest expense, net	15,708	11,004
Total non-operating expense	15,450	7,369
Income before income taxes	3,893	2,839
Income tax expense (benefit)	1,076	(891)
Net income	\$ 2,817	\$ 3,730
Comprehensive income (loss):		
Foreign currency translation adjustment	(285)	(186)
Total comprehensive income	\$ 2,532	\$ 3,544
Common Share Data:		
Weighted average common shares outstanding - basic	118,845,487	117,871,829
Weighted average common shares outstanding - diluted	119,559,217	119,505,330
Basic net income per share	\$ 0.02	\$ 0.03
Diluted net income per share	\$ 0.02	\$ 0.03

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		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount				
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	<u>118,311,341</u>	<u>\$ 12</u>	<u>\$ 374,089</u>	<u>\$ (896)</u>	<u>\$ 71,710</u>	<u>\$ 444,915</u>
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	<u>119,082,657</u>	<u>\$ 12</u>	<u>\$ 378,458</u>	<u>\$ (1,447)</u>	<u>\$ 47,562</u>	<u>\$ 424,585</u>

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 thirteen weeks ended	
	March 30, 2025	March 31, 2024
OPERATING ACTIVITIES:		
Net income	\$ 2,817	\$ 3,730
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	2,299	2,464
Amortization of intangible assets	3,532	3,436
Amortization of deferred loan costs	452	436
Amortization of right of use assets	1,316	1,421
Fair value adjustments to warrant liability	(73)	(3,127)
Fair value adjustments to earn-out liability	(185)	(649)
Fair value adjustments to interest rate collar	3,812	(2,281)
Equity compensation	1,495	1,141
Change in deferred taxes	(83)	(1,911)
Loss on early extinguishment of long-term debt	—	141
Gain on disposal of property, plant and equipment	—	(514)
Provision for inventory reserves	1,876	10,338
Provision for credit losses	19	76
Change in operating assets and liabilities:		
Accounts receivable	(14,928)	(467)
Inventories	1,009	(2,257)
Prepays and other current assets	3,461	(302)
Accounts payable	(7,051)	6,599
Accrued interest	—	(13)
Accrued and other liabilities	(7,618)	582
Net cash provided by (used in) operating activities	(7,850)	18,843
INVESTING ACTIVITIES:		
Capital expenditures	(2,980)	(1,265)
Acquisition of license agreement	(4,760)	—
Proceeds from the disposal of fixed assets	—	174
Net cash used in investing activities	(7,740)	(1,091)
FINANCING ACTIVITIES:		
Principal payments on long-term debt	(1,776)	(16,748)
Payments from stock-based award activities	(594)	(921)
Net cash used in financing activities	(2,370)	(17,669)
Effect of foreign currency rate fluctuations on cash	941	(37)
Net change in cash and cash equivalents	(17,019)	46
Cash and cash equivalents:		
Beginning of period	56,087	41,081
End of period	\$ 39,068	\$ 41,127
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 11,724	\$ 13,307
Cash paid for income taxes	—	—
Supplemental non-cash investing activity:		
Property and equipment additions included in accounts payable	\$ 736	\$ —
Purchase price of license agreement included in accrued liabilities	\$ 19,040	\$ —

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, supply chain disruptions, hiring, and other economic conditions. 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.

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

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

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. The Company is currently evaluating the effect of this new guidance on its consolidated financial statements and related disclosures.

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	
	March 30, 2025	December 31, 2024
Raw materials	\$ 54,042	\$ 58,858
Work-in-process	5,821	3,416
Finished goods	129,280	130,249
	<u>\$ 189,143</u>	<u>\$ 192,523</u>

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

3. PROPERTY, PLANT AND EQUIPMENT, NET

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

	As of	
	March 30, 2025	December 31, 2024
Land	\$ 1,230	\$ 1,230
Buildings and improvements	9,887	12,874
Machinery and equipment	65,217	65,333
Construction in process	10,603	8,221
Total property, plant and equipment	86,937	87,658
Less: accumulated depreciation	45,273	46,675
Property, plant and equipment, net	\$ 41,664	\$ 40,983

The Company's long-lived assets by geographic locations are as follows:

	As of	
	March 30, 2025	December 31, 2024
United States	\$ 39,266	\$ 38,606
International	2,398	2,377
Total property, plant and equipment, net	\$ 41,664	\$ 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 13-week period ended March 30, 2025.

No goodwill impairment charges were incurred during the 13-week period ended March 30, 2025 and March 31, 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 March 30, 2025, the Company paid \$4,760 and the remaining \$19,040 is included in accrued liabilities in the condensed consolidated balance sheets.

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

Intangible assets consisted of the following:

	March 30, 2025		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:			
Customer relationships	\$ 269,352	\$ (69,788)	\$ 199,564
Tradenames	13,775	(6,509)	7,266
Technology	27,449	(16,220)	11,229
Total finite-lived intangible assets	\$ 310,576	\$ (92,517)	\$ 218,059
Indefinite-lived intangible assets:			
Tradenames	\$ 165,271	—	\$ 165,271
License agreement	23,800	—	23,800
Total indefinite-lived intangible assets	\$ 189,071	—	\$ 189,071
	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 future amortization expense related to intangible assets held as of March 30, 2025:

2025 (excluding the thirteen weeks ended March 30, 2025)	\$ 10,243
2026	13,552
2027	13,546
2028	13,546
2029	13,546
Thereafter	153,626
Total	\$ 218,059

5. ACCRUED LIABILITIES

Accrued liabilities of the Company consisted of the following:

	As of	
	March 30, 2025	December 31, 2024
Accrued freight	\$ 2,183	\$ 1,673
Accrued employee compensation and benefits	12,348	11,646
Accrued returns and allowances	9,945	12,257
Accrued taxes	2,229	4,053
Current portion of operating lease liabilities	5,272	5,324
Cataclean license accrual	19,040	-
Accrued other	5,147	8,237
Total accrued liabilities	\$ 56,164	\$ 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	
	March 30, 2025	December 31, 2024
First lien term loan due November 17, 2028	\$ 559,290	\$ 560,933
Other	497	630
Less unamortized debt issuance costs	<u>(8,525)</u>	<u>(8,977)</u>
	551,262	552,586
Less current portion of long-term debt	<u>(7,068)</u>	<u>(7,201)</u>
	<u>\$ 544,194</u>	<u>\$ 545,385</u>

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 March 30, 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 March 30, 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 March 30, 2025, the weighted average interest rate on the Company's borrowings under the credit facility was 8.2%.

The Company has entered into interest rate collars in the notional amount 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 \$3,559. 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.

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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 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 "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 April 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 March 30, 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 March 30, 2025 are as follows:

	Debt	Debt Issuance Costs
2025 (excluding the thirteen weeks ended March 30, 2025)	\$ 5,426	\$ 1,793
2026	6,571	2,244
2027	6,571	2,244
2028	541,219	2,244
	<u>\$ 559,787</u>	<u>\$ 8,525</u>

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.

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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 March 30, 2025 and December 31, 2024, a warrant liability with a fair value of \$740 and \$813, respectively, was reflected as a long-term liability in the condensed consolidated balance sheet. A decrease of \$73 and \$3,127 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 March 30, 2025 and March 31, 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 March 30, 2025 and December 31, 2024, an earn-out liability with a fair value of \$963 and \$1,148, respectively, was reflected as a long-term liability in the condensed consolidated balance sheet. A decrease of \$185 and \$649 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 March 30, 2025 and March 31, 2024, respectively.

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 Collars index exceed 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 March 30, 2025, the Company recognized a derivative liability of \$3,872 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 \$3,812 for the 13-week period ended March 30, 2025 and a decrease to interest expense of \$2,281 for the 13-week period ended March 31, 2024.

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").

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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 March 30, 2025			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Warrant liability (Public)	\$ 498	\$ —	\$ —	\$ 498
Warrant liability (Private)	—	—	242	242
Earn-out liability	—	—	963	963
Interest rate collar liability	—	3,872	—	3,872
Total fair value liabilities	\$ 498	\$ 3,872	\$ 1,205	\$ 5,575

	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

As of March 30, 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:

	March 30, 2025	December 31, 2024
Valuation date price	\$ 2.57	\$ 3.02
Strike price	\$ 11.50	\$ 11.50
Remaining life (in years)	1.29	1.54
Expected dividend	\$ —	\$ —
Risk-free interest rate	3.91%	4.12%
Price threshold	\$ 18.00	\$ 18.00

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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:

	March 30, 2025	December 31, 2024
Valuation date price	\$ 2.57	\$ 3.02
Expected term (in years)	3.29	3.54
Expected volatility	69.48%	64.33%
Risk-free interest rate	3.82%	4.21%
Price hurdle	\$ 15.00	\$ 15.00

As of March 30, 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.

The reconciliation of changes in Level 3 liabilities during the 13-week periods ended March 30, 2025 and March 31, 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	(1,135)	(649)	(1,784)
Balance at March 31, 2024	<u>\$ 1,768</u>	<u>\$ 2,830</u>	<u>\$ 4,598</u>
Balance at December 31, 2024	\$ 265	\$ 1,148	\$ 1,413
Gains included in earnings	(23)	(185)	(208)
Balance at March 30, 2025	<u>\$ 242</u>	<u>\$ 963</u>	<u>\$ 1,205</u>

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.

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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. 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.

	For the thirteen weeks ended	
	March 30, 2025	March 31, 2024
Domestic Muscle	\$ 91,842	\$ 98,432
Euro & Import	10,955	9,507
Truck & Off-Road	31,229	31,690
Safety & Racing	19,018	19,007
Net sales	<u>\$ 153,044</u>	<u>\$ 158,636</u>

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

	For the thirteen weeks ended	
	March 30, 2025	March 31, 2024
United States	\$ 147,491	\$ 153,325
Italy	5,553	5,311
Net sales	<u>\$ 153,044</u>	<u>\$ 158,636</u>

Accounts receivable, less allowance was \$36,123 and \$48,360 as of December 31, 2024 and 2023, 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	
	March 30, 2025	March 31, 2024
Income tax expense (benefit)	\$ 1,076	\$ (891)
Effective tax rate	27.6%	(31.4)%

For the 13-week period ended March 30, 2025, the Company's effective tax rate of 27.6% 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 March 31, 2024, the Company's effective tax rate of -31.4% 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.

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12. EARNINGS PER SHARE

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

	For the thirteen weeks ended	
	March 30, 2025	March 31, 2024
Numerator:		
Net income	\$ 2,817	\$ 3,730
Denominator:		
Weighted average common shares outstanding - basic	118,845,487	117,871,829
Dilutive effect of potential common shares from RSUs	578,059	1,429,198
Dilutive effect of potential common shares from PSUs	135,671	204,303
Weighted average common shares outstanding - diluted	119,559,217	119,505,330
Earnings per share:		
Basic	\$ 0.02	\$ 0.03
Diluted	\$ 0.02	\$ 0.03

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	
	March 30, 2025	March 31, 2024
Anti-dilutive shares excluded from calculation of diluted EPS:		
Warrants	14,633,311	14,633,311
Stock options	437,268	701,849
Restricted stock units	1,484,272	61,470
Performance stock units	2,514,393	797,879
Unvested Earn-Out Shares	1,093,750	1,093,750
Total anti-dilutive shares	20,162,994	17,288,259

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 March 30, 2025, 3,502,607 shares of Common Stock remained available for future issuance under the 2021 Plan. On June 6, 2023, the Company granted 1,000,000 RSUs and 1,520,000 PSUs to its new President and Chief Executive Officer. These awards were granted outside of the 2021 Plan as employment inducement awards and did not require shareholder approval under the rules of the NYSE or otherwise.

Equity-based compensation expense included the following components:

	For the thirteen weeks ended	
	March 30, 2025	March 31, 2024
Restricted stock units	\$ 960	\$ 774
Performance stock units	491	390
Stock options	44	(23)

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

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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 March 30, 2025, there was \$8,201 of unrecognized compensation cost related to unvested Restricted Stock Awards that is expected to be recognized over a remaining weighted average period of 2.0 years.

The weighted-average grant-date fair value of Restricted Stock Awards granted during the 13-week periods ended March 30, 2025 and March 31, 2024, was \$2.57 and \$4.25, respectively. The fair value of Restricted Stock Awards vested and converted to shares of Common Stock during the 13-week periods ended March 30, 2025 and March 31, 2024, was \$1,084 and \$3,364, respectively.

The following table summarizes Restricted Stock Award for the 13-week period ended March 30, 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	1,782,319	2.57
Vested	(558,921)	3.04
Forfeited	(234,692)	3.37
Balance on March 30, 2025	5,183,867	\$ 2.93

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. 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 March 30, 2025, there was \$5 of unrecognized compensation cost related to unvested stock options that is expected to be recognized over a remaining weighted-average period of 0.1 years.

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The following table summarizes stock option activity for the 13-week period ended March 30, 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 March 30, 2025	<u>437,268</u>	\$ 10.99	6.56
Options exercisable on March 30, 2025	422,582	\$ 7.58	4.52

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	
	March 30, 2025	December 31, 2024
Assets:		
Operating right of use assets	\$ 34,841	\$ 35,974
Liabilities:		
Current operating lease liabilities - Accrued liabilities	\$ 5,272	\$ 5,324
Long-term operating lease liabilities - Other noncurrent liabilities	30,754	31,876
Total lease liabilities	<u>\$ 36,026</u>	<u>\$ 37,200</u>
Lease term and discount rate		
Weighted average remaining lease term (in years)	6.4	6.6
Weighted average discount rate	5.90%	5.91%

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

	For the thirteen weeks ended	
	March 30, 2025	March 31, 2024
Components of lease expense:		
Operating lease expense	\$ 1,988	\$ 2,145
Short-term lease expense	382	428
Variable lease expense	102	80
Total lease expense	<u>\$ 2,472</u>	<u>\$ 2,653</u>
Supplemental cash flow information related to leases:		
Cash paid for amounts included in measurement of operating lease liabilities	\$ 1,884	\$ 1,849
Right-of-use assets obtained in exchange for new operating lease liabilities	10	2,014
Decapitalization of right-of-use assets upon lease termination or modification	—	1,360

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The following table summarizes the maturities of the Company's operating lease liabilities as of March 30, 2025:

2025 (excluding the thirteen weeks ended March 30, 2025)	\$	5,585
2026		7,079
2027		7,100
2028		6,669
2029		5,736
Thereafter		11,671
Total lease payments		43,840
Less imputed interest		(7,814)
Present value of lease liabilities	\$	<u>36,026</u>

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.

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. Briefing on the motion to dismiss will be complete 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.

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

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	
	March 30, 2025	March 31, 2024
Beginning balance	\$ 2,332	\$ 3,325
Accrued for current year warranty claims	1,709	3,343
Settlement of warranty claims	(1,714)	(1,897)
Ending balance	<u>\$ 2,327</u>	<u>\$ 4,771</u>

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.

During the 13-week periods ended March 30, 2025 and March 31, 2024, the Company made matching contributions under the savings plans totaling \$612 and \$616, respectively.

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

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 periods ended March 30, 2025 and March 31, 2024

	For the thirteen weeks ended	
	March 30, 2025	March 31, 2024
Net sales	\$ 153,044	\$ 158,636
Cost of goods sold	88,956	106,577
Gross profit	64,088	52,059
Selling, general, and administrative	36,699	32,996
Research and development costs	4,093	4,812
Amortization of intangible assets	3,532	3,436
Restructuring costs	463	615
Other operating income	(42)	(8)
Total operating expense	44,745	41,851
Operating income	19,343	10,208
Change in fair value of warrant liability	(73)	(3,127)
Change in fair value of earn-out liability	(185)	(649)
Loss on early extinguishment of debt	—	141
Interest expense, net	15,708	11,004
Total non-operating expense	15,450	7,369
Income before income taxes	3,893	2,839
Income tax expense (benefit)	1,076	(891)
Net income	\$ 2,817	\$ 3,730

17. SUBSEQUENT EVENT

Subsequent to March 30, 2025, the Company settled a litigation case for \$1,146, which will be paid during the second quarter of 2025.

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, which remains a significant source of certain raw materials and components. 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 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. 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 March 30, 2025, \$559.3 million was outstanding under our Credit Agreement.

Results of Operations

13-Week Period Ended March 30, 2025 Compared With 13-Week Period Ended March 31, 2024

The table below presents Holley's results of operations for the 13-week periods ended March 30, 2025 and March 31, 2024 (dollars in thousands):

	For the thirteen weeks ended			
	March 30, 2025	March 31, 2024	Change (\$)	Change (%)
Net sales	\$ 153,044	\$ 158,636	\$ (5,592)	(3.5)%
Cost of goods sold	88,956	106,577	(17,621)	(16.5)%
Gross profit	64,088	52,059	12,029	23.1%
Selling, general, and administrative	36,699	32,996	3,703	11.2%
Research and development costs	4,093	4,812	(719)	(14.9)%
Amortization of intangible assets	3,532	3,436	96	2.8%
Restructuring costs	463	615	(152)	(24.7)%
Other operating income	(42)	(8)	(34)	n/a
Operating income	19,343	10,208	9,135	89.5%
Change in fair value of warrant liability	(73)	(3,127)	3,054	n/a
Change in fair value of earn-out liability	(185)	(649)	464	n/a
Loss on early extinguishment of debt	—	141	(141)	n/a
Interest expense	15,708	11,004	4,704	42.7%
Income before income taxes	3,893	2,839	1,054	37.1%
Income tax expense (benefit)	1,076	(891)	1,967	(220.8)%
Net income	2,817	3,730	(913)	(24.5)%
Foreign currency translation adjustment	(285)	(186)	(99)	53.2%
Total comprehensive income	\$ 2,532	\$ 3,544	\$ (1,012)	(28.6)%

Net Sales

Net sales for the 13-week period ended March 30, 2025 decreased \$5.6 million, or 3.5%, to \$153.0 million, as compared to \$158.6 million for the 13-week period ended March 31, 2024. Lower sales volume resulted in a decrease of approximately \$8.0 million, offset partially by improved price realization of approximately \$2.4 million compared to the prior year period.

The table below presents our net sales for the 13-week periods ended March 30, 2025 and March 31, 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	
	March 30, 2025	March 31, 2024
Net Sales	\$ 153,044	\$ 158,636
Divestitures	—	3,785
Strategic Product Rationalization	—	6,752

Cost of Goods Sold

Cost of goods sold for the 13-week period ended March 30, 2025 decreased \$17.6 million, or 16.5%, to \$89.0 million, as compared to \$106.6 million for the 13-week period ended March 31, 2024. The decrease in cost of goods sold in the first quarter of 2025, a period in which product sales decreased 3.5%, 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 13-week period ended March 30, 2025 increased \$12.0 million, or 23.1%, to \$64.1 million, as compared to \$52.1 million for the 13-week period ended March 31, 2024. Gross margin for the 13-week period ended March 30, 2025 was 41.9% as compared to a gross margin of 32.8% for the 13-week period ended March 31, 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 13-week period ended March 30, 2025 increased \$3.7 million, or 11.2%, to \$36.7 million, as compared to \$33.0 million for the 13-week period ended March 31, 2024. Selling, general and administrative costs expressed as a percentage of sales increased to 24.0% for the 13-week period ended March 30, 2025 compared to 20.8% for the 13-week period ended March 31, 2024. The increase in selling, general and administrative costs was driven by \$0.8 million of internal control related investments, \$0.8 million of external sales support and \$1.4 million related to the timing impact of marketing expenses.

Research and Development Costs

Research and development costs for the 13-week period ended March 30, 2025 slightly decreased to \$4.1 million as compared to \$4.8 million for the 13-week period ended March 31, 2024, primarily due to headcount reductions, reflecting the implementation of resource allocation efforts in support of portfolio development optimization.

Amortization and Impairment of Intangible Assets

Amortization of intangible assets was \$3.5 million for the 13-week period ended March 30, 2025 compared to \$3.4 million for the 13-week period ended March 31, 2024.

Restructuring Costs

Restructuring costs for the 13-week period ended March 30, 2025 decreased by \$0.1 million to \$0.5 million, as compared to \$0.6 million for the 13-week period ended March 31, 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 March 30, 2025 increased \$9.1 million, or 89.5%, to \$19.3 million, as compared to \$10.2 million for the 13-week period ended March 31, 2024.

Change in Fair Value of Warrant Liability

For the 13-week periods ended March 30, 2025 and March 31, 2024, we recognized a gain of \$0.1 million and \$3.1 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 March 30, 2025 and March 31, 2024, we recognized a gain of \$0.2 million and \$0.6 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 March 30, 2025 increased \$4.7 million, or 42.7%, to \$15.7 million, as compared to \$11.0 million for the 13-week period ended March 31, 2024, reflecting the negative impact of the interest rate collar. The Company recognized interest expense of \$3.8 million and interest income of \$2.3 million related to the interest rate collar for 13-week periods ended March 30, 2025 and March 31, 2024, respectively.

Income before Income Taxes

As a result of factors described above, we recognized \$3.9 million and \$2.8 million of income before income taxes for the 13-week periods ended March 30, 2025 and March 31, 2024, respectively.

Income Tax Expense (Benefit)

Income tax expense for the 13-week period ended March 30, 2025 was \$1.1 million, as compared to income tax benefit of \$0.9 million for the 13-week period ended March 31, 2024. Our effective tax rate for the 13-week period ended March 30, 2025 was 27.6%. The difference between the effective tax rate for the 13-week period ended March 30, 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 March 31, 2024 was -31.4%. The difference between the effective tax rate and the federal statutory rate in 2024 was 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 was recorded during the quarter as a discrete adjustment.

Net Income and Total Comprehensive Income

As a result of factors described above, we recognized net income of \$2.8 million and \$3.7 million for the 13-week periods ended March 30, 2025 and March 31, 2024, respectively. Additionally, we recognized total comprehensive income of \$2.5 million for the 13-week period ended March 30, 2025, as compared to total comprehensive income of \$3.5 million for the 13-week period ended March 31, 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 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 period ended March 30, 2025 and March 31, 2024 (dollars in thousands):

	For the thirteen weeks ended	
	March 30, 2025	March 31, 2024
Net income	\$ 2,817	\$ 3,730
Adjustments:		
Depreciation	2,299	2,464
Amortization of intangible assets	3,532	3,436
Interest expense, net	15,708	11,004
Income tax expense (benefit)	1,076	(891)
EBITDA	25,432	19,743
Change in fair value of warrant liability	(73)	(3,127)
Change in fair value of earn-out liability	(185)	(649)
Equity-based compensation expense	1,495	1,141
Loss on early extinguishment of debt	—	141
Restructuring costs	463	615
Notable items	200	3,100
Other income	(42)	(8)
Adjusted EBITDA	\$ 27,290	\$ 20,956
Net sales	\$ 153,044	\$ 158,636
Net income margin	1.8%	2.4%
Adjusted EBITDA Margin	17.8%	13.2%

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 \$2.1 million benefit also related to the strategic product rationalization, netting to \$7.0 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 period ended March 30, 2025 and March 31, 2024 (dollars in thousands):

	For the thirteen weeks ended	
	March 30, 2025	March 31, 2024
Net income	\$ 2,817	\$ 3,730
Special items:		
Adjust for: Change in fair value of Warrant liability	(73)	(3,127)
Adjust for: Change in fair value of earn-out liability	(185)	(649)
Adjust for: Loss on early extinguishment of debt	—	111
Adjusted Net Income (Loss)	<u>\$ 2,559</u>	<u>\$ 65</u>

	For the thirteen weeks ended	
	March 30, 2025	March 31, 2024
Net income per diluted share	\$ 0.02	\$ 0.03
Special items:		
Adjust for: Change in fair value of Warrant liability	—	(0.03)
Adjust for: Change in fair value of earn-out liability	—	-
Adjusted Diluted EPS	<u>\$ 0.02</u>	<u>\$ -</u>

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 period ended March 30, 2025 and March 31, 2024 (dollars in thousands):

	For the thirteen weeks ended	
	March 30, 2025	March 31, 2024
Net cash provided by operating activities	\$ (7,850)	\$ 18,843
Capital expenditures	(2,980)	(1,265)
Proceeds from the disposal of fixed assets	—	174
Free Cash Flow	<u>\$ (10,830)</u>	<u>\$ 17,752</u>

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 March 30, 2025, the Company had cash of \$39.1 million and availability of \$97.4 million under its revolving credit facility. The Company has a senior secured revolving credit facility with \$100 million in borrowing capacity. As of March 30, 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 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. During the 13-week period ended March 30, 2025, 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 \$1.6 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 March 30, 2025, based on the then current weighted average interest rate of 8.2%, expected interest payments associated with outstanding debt totaled approximately \$11.3 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):

13-week Period Ended March 30, 2025 Compared With 13-week Period Ended March 31, 2024

	For the thirty-nine weeks ended	
	March 30, 2025	March 31, 2024
Cash flows provided by operating activities	\$ (7,850)	\$ 18,843
Cash flows used in investing activities	(7,740)	(1,091)
Cash flows used in financing activities	(2,370)	(17,669)
Effect of foreign currency rate fluctuations on cash	941	(37)
Net increase in cash and cash equivalents	\$ (17,019)	\$ 46

Operating Activities. Net cash used in operating activities for the 13-week period ended March 30, 2025 was \$7.9 million compared to net cash provided by operating activities of \$18.8 million for the 13-week period ended March 31, 2024. Significant changes in the year-over-year change in working capital activity included negative fluctuations in accounts receivable and accounts payable of \$14.5 million and \$13.7 million, respectively. Partially offsetting the decrease was a positive fluctuation from inventories of \$3.3 million.

Investing Activities. Cash used in investing activities for the 13-week periods ended March 30, 2025 and March 31, 2024 was \$7.7 million and \$1.1 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. Cash used in financing activities for the 13-week period ended March 30, 2025 was \$2.4 million, which primarily reflects principal payments on long-term debt and deferred financing fees. Cash used in financing activities for the 13-week period ended March 31, 2024 was \$17.7 million, which primarily reflects the repurchase of \$15.0 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 March 30, 2025, a total of \$559.3 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 March 30, 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 March 30, 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 March 30, 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 March 30, 2025 described below.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our executive management and effected by our board of directors, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Based on this assessment, our management has determined that our internal control over financial reporting was not effective as of March 30, 2025, due to the material weakness described below. A material weakness is a control deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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.

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 tool.
- 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, other than the remediation actions described below, 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 March 30, 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

<u>Exhibit No.</u>	<u>Description</u>
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).
10.1	Cataclean License and Distribution Agreement
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)

May 7, 2025

LICENSE AND DISTRIBUTION AGREEMENT

This License and Distribution Agreement (together with all of its schedules, this "Agreement") is made and entered into as of the Effective Date, by and between Cataclean Global Limited, a limited liability company organized under the laws of England and Wales with a principal place of business at Cataclean House, 30-48 Wellington Employment Park, 34 Dunes Way, Liverpool, United Kingdom ("Licensor") and Holley Performance Products Inc., 2445 Nashville Road, Suite B1, Bowling Green, Kentucky 42101 ("Licensee"), each also referred to herein individually as a "Party" or collectively as the "Parties," and supersedes all prior agreements between the parties relating to the subject matter hereof.

RECITALS

WHEREAS, Licensor wishes to grant an exclusive license to the Intellectual Property (as defined below) to Licensee for the purpose of development, manufacturing, marketing and sale of the product defined below; and

WHEREAS, Licensee wishes to receive such license to the Intellectual Property in order to engage in the development, manufacture, marketing and sale of the Product.

NOW THEREFORE, in consideration of the mutual promises, covenants, and conditions contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. DEFINITIONS

1.1. "Affiliate" means and shall include 1) any entity that directly controls a Party to this Agreement, e.g., a parent company that owns a majority stake in one of the Parties; and/or 2) any entity that is indirectly controlled by a Party to the Agreement, e.g., a subsidiary in the corporate group of one of the Parties.

1.2. "Confidential Information" means any information which is disclosed by one Party (the "Disclosing Party") to the other Party (the "Receiving Party"), directly or indirectly, in writing, orally, verbally, visually, graphically, via data files and software, or by inspection of tangible objects (including documents, prototypes, samples, plant, and equipment), and which is identified by the Disclosing Party and/or its Affiliates as proprietary or confidential, or which the Receiving Party and/or its Affiliates should reasonably regard as confidential. The Parties agree and acknowledge that Confidential Information shall include, without limitation, inventions, improvements, developments, derivative work, copyrighted material, trademark material, trade secret material, test protocols and test results, technical information, business information, financial information and marketing information. Confidential Information will not include information which at the time of disclosure i) was already known to the Receiving Party other than through disclosure under this Agreement, as evidenced by its written records, or ii) which is or will become published or otherwise generally available to the public (except as a result of improper disclosure by the Receiving Party), or iii) which is or will be obtained by the Receiving Party from a third party provided that the third party does not have an obligation of confidentiality with respect to such information, or iv) which will be developed or obtained independently of information received from the other party. This Section will survive any cancellation or termination of this Agreement for a period of ten (10) years after such cancellation or termination.

1.3. "Governmental Body" means any court or governmental department, commission, board, bureau, agency, or instrumentality, federal province, state, territory, county, municipality, city, town, or other political jurisdiction whether domestic or foreign and whether now or in the future constituted or existing having or purporting to have jurisdiction over the business that is the subject of this Agreement or over any Party.

1.4. "Intellectual Property" shall mean the patent and trademarks identified in Schedule A to this Agreement (including, without limitation, originals, divisions, continuations, continuations-in-part, provisional, extensions or reissues), and all Improved Products as defined below, inventions, discoveries, improvements, designs, design rights (whether registered or not and all applications for the foregoing), copyrights, methods, techniques, formulae, diagrams, rules, simulation models, test protocols and results, applications to register any of the aforementioned rights, trade secrets, rights in unpatented know-how, and any other intellectual or industrial property rights of any nature whatsoever in any part of the world, in each case, owned or controlled by Licensor or its Affiliates now or in the future.

1.5. "Product" shall mean a commercially available fuel and exhaust system cleaner based on, related to or incorporating the Intellectual Property, including Licensor's bottle, label and all packaging

1.6. "Effective Date" shall mean the date on which this Agreement is executed by both Parties.

1.7. "Representative" of a Party means any director, officer, employee, contractor, agent, consultant, accountant, auditor, attorney, or other representative of such Party.

1.8. "Territory" shall mean the United States, Canada, and Mexico.

2.1. GRANT OF LICENSE

2.1.1. Licensor hereby grants to Licensee an exclusive license to the Intellectual Property in the Territory for the term of this Agreement, solely and exclusively for developing, manufacturing, marketing, distributing, using and selling the Product. For clarity, the foregoing license grant shall include the right to market, distribute, and sell the Product through all sales channels, including all retail outlets and vendors, in the Territory and in Licensee's discretion.

2.2. LIMITATIONS ON GRANT OF LICENSE

2.2.1. Licensee shall not be authorized to use and shall not use or authorize any third party to use any Intellectual Property except as expressly authorized by Section 2.1, except that Licensee may grant sub-licenses to authorized manufacturers and distributors to manufacture, distribute and sell the Product, provided Licensor takes commercially reasonable measures to ensure that sub-licensees abide by the packaging and quality requirements of this Agreement.

2.2.2. Licensee is prohibited from using the Intellectual Property on behalf of any agent. Licensee understands and agrees that it is receiving Confidential Information solely for its own use, and except for Licensee's Affiliates, Licensee shall not disclose Confidential Information to any third party, unless mutually agreed by the Parties.

2.2.3. Licensee shall not develop, manufacture, market (except for internet websites and other marketing which, by its nature, is not limited to the Territory) or sell the Product outside the Territory, without the prior written consent of Licensor.

2.2.4. Any and all goodwill associated with the Trademarks identified in Schedule A that is developed by Licensee in the Territory shall inure exclusively to the benefit of Licensor.

2.2.5. Nothing herein shall be construed as an assignment of any right in the Intellectual Property from Licensor to Licensee or as conferring any ownership rights in the Intellectual Property from Licensor to Licensee.

3. COMMERCIAL TERMS.

3.1. MANUFACTURE BY LICENSEE. All Product shall, in the Licensee's discretion, be manufactured directly by Licensee or under Licensee's sub-contract to another for such manufacture.

3.2. LICENSE FEE; ROYALTY PAYMENT AND REPORTING.

3.2.1. License Fee. Licensee shall pay to the Licensor a fee as set forth in Schedule B.

3.2.2. Royalty. Within thirty (30) days after the end of each fiscal month, the Licensee will remit to the Licensor the royalty due on bottles of the Products manufactured as set forth in Schedule B during the immediately preceding month, and provide the Licensor with a written report, specifying the number of bottles of the Products that Licensee has manufactured or had manufactured during the immediately prior month and the calculation of the royalties due to the Licensor in connection therewith. (For example, all products manufactured in January 2025 would be paid within 30 days after the fiscal month-end of January 2025, or no later than February 2025.)

3.3. MINIMUM SALES. Licensee will sell 750,000 bottles of the Product each year within the Territory during the Term of this Agreement.

3.4. LATE CHARGES. Regardless of manufacturer, any payment or part of a payment that is not paid when due shall bear interest at the rate of 1.5 percent (1.5%) per month from its due date until paid. Failure of the Licensee to pay any sum when due for three (3) consecutive months shall constitute sufficient cause for the Licensor to immediately suspend its performance hereunder and/or to terminate this Agreement pursuant to Section 12.

4. INDEMNIFICATION.

4.1. BY LICENSOR. The Licensor agrees to indemnify, defend, and hold the Licensee and its Affiliates and its/their respective Representatives harmless from and against any and all losses, penalties, judgments, proceedings, investigations, suits, costs, claims, liabilities, assessments, awards, damages, judgments, settlements, fines, fees, and expenses (including, without limitation, interest, court costs, costs incurred in connection with any investigation or proceeding by any Governmental Body, reasonable fees of attorneys, accountants, or other experts, , mitigation expenses and expenses incurred in connection with the assessment or pursuit of rights to indemnification hereunder (collectively "Losses"), incurred by, imposed upon or asserted against the Licensee as a result of relating to or arising out of (i) the breach of any representation, undertaking, warranty, obligation, agreement or covenant of the Licensor in this Agreement, and (ii) any claims, demands, threats, proceedings or other actions taken by any other person claiming any right, title or interest in or to the Intellectual Property or Product, and (iii) any claims, demands, threats, proceedings or other actions taken by any customer or third-party against the Licensee or Affiliates or personnel that is attributable to any breach or failure on the part of the Licensor under this Agreement.

4.2. BY LICENSEE. The Licensee agrees to indemnify, defend, and hold the Licensor harmless from and against any and all Losses incurred by, imposed upon or asserted against the Licensor as a result of relating to or arising out of (i) the breach of any representation, undertaking, warranty, obligation, agreement or covenant of the Licensee in this Agreement, and (ii) any claims, demands, threats, proceedings or other actions taken by any customer, sub-licensee or other third-party against the Licensor or its personnel that is attributable to any breach or failure on the part of the Licensee under this Agreement.

5. ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS. Each party shall promptly notify the other of any suspected third party infringement of the Intellectual Property. The primary right to institute a suit to enjoin such infringement shall be with Licensor, and if Licensor so elects, then all costs associated with pursuing legal recourse will be borne by the Licensor, and any recovery shall inure solely to the benefit of the Licensor. In the event that Licensor declines to institute a suit within ninety (90) days of learning of such infringement, then Licensee shall have the right, but not the obligation, to pursue legal recourse. In said circumstance, the costs incurred by Licensee in connection with such litigation shall be the sole obligation of Licensee, and any recovery shall inure solely to the benefit of the Licensee; provided that, however, any recovery obtained by Licensee for the full value of lost sales shall be subject to the royalty payment set forth herein to Licensor.

6. PRODUCT RECALL. If Licensee uses a different formula and produces a revised Product, Licensee shall be responsible for the organization and execution of any recall of a Product in the Territory. If Licensor provides the Product, or if Licensee produces the Product based on Licensor's formula, Licensor shall be responsible for the organization and execution of any recall of the Product in the Territory.

7. BOOKS AND RECORDS

7.1. Licensee will maintain adequate books and records relating to the manufacture and sale of the Products. Such books and records shall be available at their place of keeping during normal business hours for inspection by the Licensor its representative, for the purpose of determining whether the correct royalties have been paid to the Licensor in accordance with the terms of this Agreement, and whether the Licensee has otherwise complied with the terms of this Agreement. Licensor shall have the right to conduct such an audit upon thirty (30) days' advance notice twice each year. In the event that such an audit discloses an underpayment of more than five percent (5%), then the Licensee shall pay the costs of such audit.

7.2. Licensee will provide Licensor with the following reports:

7.2.1. Monthly report detailing by SKU actual total monthly sales and orders by customer and a twelve (12) month rolling forecast of sales and orders, with the first thirty (30) days frozen;

7.2.2. A quarterly copy of its price list reflecting for each SKU the current trade and retail prices for the Products in the Territory.

7.2.3. Monthly report on manufacturing returns by SKU.

8. QUALITY CONTROL AND PACKAGING.

8.1. Upon reasonable notice by Licensor to Licensee, Licensee shall provide to Licensor a random sample of Product for analysis by Licensor. In the event the sample fails to conform to Licensor's specifications for the Product, Licensor shall so notify Licensee, providing sufficient detail to allow Licensee to remedy the failure to conform. In the event Licensee is not able to produce commercial quantities of a conforming Product within ninety (90) days of notification by Licensor of the non-conforming condition, Licensor shall have the right to require Licensee to discontinue distribution of Product until such rectification has occurred.

8.2. Licensee shall market and sell the Product only in association with Product packaging and labels, including bottles, approved in advance by Licensor. Approved packaging, labels and bottles as of the Effective Date are identified in Schedule C to this Agreement. Licensor may change the approved packaging at any time upon reasonable notice to the Licensee, provided the packaging complies with all applicable laws within the Territory and conforms to commercially reasonable standards for manufacture, shipping, display and sale.

8.3. Licensee shall not develop, market or sell any "white label" version of the Product without the advance written consent of Licensor.

8.4. Licensee will mark all Products with appropriate patent markings.

9. ADDITIONAL OBLIGATIONS.

9.1. ADDITIONAL LICENSEE OBLIGATIONS.

9.1.1. Licensee shall establish a sales network consisting of sales representatives and other sales partners in the Territory. Such sales partners shall possess the know-how and structures necessary to effectively sell the Product. The Licensee shall conduct its business and exploit the market according to commercially reasonable standards.

9.1.2. Licensee agrees to comply with all applicable laws and regulations and to obtain any required government approvals in the Territories pertaining to the sale, distribution and advertising of the Product.

9.1.3. Licensee shall attempt to monitor applicable government regulations governing development and sale of the Product in the Territory and will inform Licensor of any changes to the Product that it may find through such attempts to be required to conform to such regulations. Under no circumstances does this clause remove or lessen any obligation of the Licensor to provide regulation-conforming Product to Licensee.

9.1.4. Licensee shall maintain a four million dollar (\$4,000,000) general commercial umbrella insurance policy, naming Licensor as an additional insured.

9.1.5. Licensee shall be solely responsible for payment of all taxes incurred by the Licensee in connection with its sales activities.

9.2. ADDITIONAL LICENSOR OBLIGATIONS.

9.2.1. The Licensor agrees to take all commercially reasonable steps to supply all Product to meet customer demand throughout the Territory.

9.2.2. Licensor agrees to maintain the patents and trademarks identified in Exhibit A in full force and effect during their legal term by timely complying with all applicable fees, filings, laws and regulations. Licensor shall promptly provide to Licensee information and documentation concerning the status of the Intellectual Property or any new notices or requirements.

9.2.3. Licensor shall immediately disclose to Licensee all updates regarding Licensor's development of all improvements to the Products, complementary products, new products and any products that may impact the sales of the Products (collectively "Improved Products"). Licensor shall immediately disclose to Licensee any new filings related to the Intellectual Property or the Improved Products, along with all prosecution of the Intellectual Property. Licensor will also give Licensee written notice (including by email) of Improved Products not less than ninety (90) days prior to the date such Improved Products are first offered for sale. Such notice shall include such information as is reasonably necessary for Licensee to understand the new or improved features. Notice shall also include the minimum advertised price as agreed upon per Schedule B, suggested retail and wholesale prices. Licensor will provide Licensee with commercially reasonable advance notice of other changes in specifications, formulation and packaging of the Product. All such Improved Products and changes shall automatically be included in the Products under this Agreement.

10. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION

10.1. The Receiving Party shall not, at any time during the term of this Agreement, or thereafter, communicate or disclose to any unauthorized person, without the advance written consent of the Disclosing Party, any Confidential Information of the Disclosing Party. All Confidential Information will remain the property of the Disclosing Party. Any portion of the Confidential Information which consists of documents prepared by the Receiving Party regarding the Disclosing Party's Confidential Information shall be the Confidential Information of the Disclosing Party. Nothing in this Agreement shall preclude the Receiving Party and its attorneys from complying with any applicable law regarding document preservation, or the requirement of disclosure due to a court order. Nothing in this Agreement shall preclude Licensee from disclosing Confidential Information to Licensee's Affiliates and authorized subcontractors, their authorized subcontractors and Licensee's parent company.

10.2. To the extent the Disclosing Party grants the Receiving Party permission to disclose Confidential Information, such permission will be conditional on the Receiving Party obtaining from the third-party an executed confidentiality agreement in a form approved in advance by the Disclosing Party. However, the Receiving Party may disclose certain test protocols and test results in order to prove efficacy of the Product.

10.3. Promptly upon termination of this Agreement, all Confidential Information will be returned to the Disclosing Party without the Receiving Party retaining any copies thereof.

10.4. The confidentiality requirements set forth herein shall survive termination of this Agreement.

11. NON-COMPETITION. In order for the Licensor to reasonably protect its interests against the competitive use of any Intellectual Property or Confidential Information, because of the special nature of this Agreement, Licensee and its undersigned officers shall not, during the term of this Agreement and for a period of two (2) years thereafter, directly or indirectly, by ownership of securities or otherwise, engage in any business that distributes treatments specifically directed to cleaning catalytic converters or become associated with or render services to any person, business or enterprise so engaged, or engage in the development, manufacture or marketing of any other product specifically directed to cleaning catalytic converters, other than the Products.

12. TERM AND TERMINATION.

12.1. This Agreement will commence upon the Effective Date and will be perpetual, unless earlier terminated pursuant to the express termination rights specified in this Section 12 (the "Term").

12.2. Either Party may terminate this Agreement for cause at any time as follows:

12.2.1. In the event of a default or material breach of the terms of this Agreement by either Party, written notice thereof shall be given to the defaulting Party. Thereafter, the defaulting Party shall have sixty (60) days to cure said breach. In the event that said breach has not been cured within said sixty (60) day period, the non-defaulting Party may, in its reasonable discretion: (a) extend the cure period if the defaulting Party has commenced reasonable efforts to cure such breach, or (b) terminate this Agreement upon notice immediately after the expiration of the cure period.

12.2.2. By either Party upon written notice to the other Party if such other Party (A) becomes insolvent or bankrupt; (B) admits in writing its inability to pay its debts; (C) has a receiver or trustee appointed for it or its property, provided that if such appointment is involuntary, it is not terminated within sixty (60) days; (D) makes an assignment for the benefit of its creditors; (E) has commenced by, for or against it any proceedings under any law related to bankruptcy, insolvency or the reorganization or the release of debtors, provided that if such proceeding is involuntary, it is not terminated within sixty (60) days after its commencement; or (F) becomes liquidated or dissolved.

13. REPRESENTATIONS AND WARRANTIES.

13.1. Each Party represents and warrants that it has the full legal right, power, authority and capacity to execute, deliver and fully perform its obligations under this Agreement. This Agreement has been duly executed and delivered by the Party and constitutes the legal, valid and binding agreement of the Party, enforceable against the Party in accordance with its terms.

13.2. Licensor represents and warrants that there are no liens, claims against or other encumbrances on any Intellectual Property rights conferred by this Agreement, nor has Licensor conveyed any rights to any other party with respect to the Intellectual Property rights outside of the Territory conferred by this Agreement.

14. LIMITATION OF LIABILITY. EXCEPT IN CONNECTION WITH EACH PARTY'S INDEMNIFICATION OBLIGATIONS, AND BREACH OF CONFIDENTIALITY OBLIGATIONS HEREUNDER, AND FOR INTENTIONAL, RECKLESS OR GROSSLY NEGLIGENT BREACHES OF THIS AGREEMENT, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR LOST PROFITS OR FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES ARISING FROM THE SUBJECT MATTER OF THIS AGREEMENT, REGARDLESS OF THE TYPE OF CLAIM AND EVEN IF THAT PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

15. GENERAL PROVISIONS

15.1. INJUNCTION. Each Party agrees that the obligations assumed by the other Party hereunder are necessary and reasonable in order to protect the other Party and its operations, and each Party expressly agrees that monetary damages will not alone be adequate to compensate the other Party for any breach. Accordingly, each Party agrees that any such violation or threatened violation will cause irreparable injury to the other Party and that, in addition to any other remedies that may be available at law, equity, or otherwise, each Party shall be entitled to injunctive relief against a threatened breach of this Agreement or the continuation of any such breach by the other Party, without the necessity of proving actual damages. In any action for a breach hereof, in addition to any damages that may be awarded to the prevailing party, the prevailing Party shall be entitled to recover its reasonable attorneys' fees and other litigation costs from the other Party.

15.2. DISPUTE RESOLUTION. Any dispute, claim or controversy arising out of hereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined under by arbitration in the Commonwealth of Kentucky, in the City of Bowling Green and the County of Warren, located in the United States of America before one arbitrator. The arbitration shall be administered by JAMS or pursuant to JAMS' Streamlined Arbitration or relating to this Agreement or the breach, termination, enforcement, interpretation or validity Rules and Procedures. Judgment on the Award may be entered in any United States federal or state court having jurisdiction. This clause shall not preclude Parties from seeking provisional remedies in aid of arbitration from any United States federal or state court of appropriate jurisdiction within Bowling Green, Warren County, Commonwealth of Kentucky in the United States of America. The arbitrator shall have the authority to issue all remedies, including equitable and injunctive relief, to enforce all provisions of this Agreement. The arbitrators shall apply law of the Commonwealth of Kentucky, of the United States of America without regard to choice of law

15.3. NO ASSIGNMENT BY LICENSEE. Licensee shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of Licensor.

15.4. RIGHT OF FIRST OFFER. If Licensor desires to sell, assign, or otherwise transfer any or all of its rights, titles, or interest in and to the Intellectual Property (including any merger, change of control, sale of all or substantially all of its relevant assets, or otherwise), Licensor shall deliver to Licensee prior written notice of its intent to transfer, and Licensee shall have the right of first offer to acquire all such rights, titles, and interest. Within fifteen (15) days of the date of the foregoing notice, the Parties shall begin to discuss in good faith the determination of the purchase price. If the Parties cannot so agree within ninety (90) days of the date such discussion began, the Licensor shall have the option to sell, assign or otherwise transfer such rights, titles, and interest to an entity other than Licensee. If any other entity's offer is materially the same as Licensee's best offer, Licensor will notify Licensee again before finalizing a sale to such other Person.

15.5. CHANGE OF CONTROL. Notwithstanding any change of control or sale of ownership interest in either party, this Agreement shall remain in full force and effect and all obligations hereunder shall continue to be binding upon the successor entity.

15.6. USE OF TRADEMARKS. Except as set forth herein, neither Party shall use any name, trade name or other designation of the other Party (including any contraction, abbreviation, or simulation of the foregoing), or reference or disclose the contents this Agreement, without the prior written consent of the other Party.

15.7. SEVERABILITY. If any term or provision of this Agreement shall, in any jurisdiction and to any extent, be considered invalid or unenforceable, the unenforceable term or provision shall be ineffective only to the extent of such invalidity or unenforceability, without invalidating or rendering unenforceable any other term or provision of this Agreement, so long as the remainder of this Agreement still effectuates the essential purposes of this Agreement. If such essential purposes cannot be effectuated, this Agreement shall either be renegotiated or terminated without cause by either Party.

15.8. WAIVER. The failure of a Party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver, nor shall it deprive that Party of the right to insist later on adherence thereof, or thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any waiver must be in writing to be effective.

15.9. HEADINGS. The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

15.10. COMPLIANCE WITH LAW. Each Party to this Agreement agrees to comply with all applicable laws, rules, regulations, licenses and approvals of any duly constituted governmental authority having jurisdiction.

15.11. NO AGENCY. This Agreement establishes a contractual relationship but does not create any legal structure such as a partnership, joint venture or any agency relationship between the Parties, nor shall either Party hold itself out as such contrary to the terms hereof by advertising or otherwise, nor shall either Party be bound or become liable because of any representation, action or omission of the other Party. Each Party is an independent contractor of the other and this Agreement does not create an agency relationship between them. Neither party assumes any liability or responsibility for personnel of the other.

15.12. NOTICE. All communications and notices between the Parties concerning this Agreement shall be in writing and delivered either in person or by mail to the person and address specified below. Such communications and notices shall be effective upon receipt.

For Licensor: Paul Reid, or the sitting Managing Director of Cataclean Global Limited

For Licensee: Jesse Weaver, or the sitting Chief Financial Officer of Holley Performance Products Inc.

15.13. SURVIVAL. Sections 4, 10.1, 11, 14, 15.1, 15.2, and 15.12 shall survive the expiration of this Agreement and shall remain in effect beyond such termination or expiration until fulfilled and shall apply to each Party's successors and assigns.

15.14. ENTIRE AGREEMENT. This Agreement is the complete and exclusive statement of the agreement of the parties concerning the subject matter hereof and shall supersede all prior agreements and understandings, oral or written, between or among the Parties respecting the subject matter hereof. This Agreement may not be changed or terminated orally by or on behalf of any Party. Any amendments to this Agreement shall be in writing and signed by authorized representatives of both Parties.

15.15. FORCE MAJEURE. The obligations of either party to perform under this Agreement shall be excused during any period of delay if such delay arises from any cause or causes which are beyond the reasonable control of the party obligated to perform, including, but not limited to, the following: acts of God, acts or omissions of any government, or any rules, regulations or orders of any Governmental Body or any officer, department, agency or instrumentality thereof, act of terrorism, war, fire, storm, flood, earthquake, insurrection, riot, invasion or strikes. The affected party shall use commercially reasonable efforts to remedy the effects of such force majeure. Any force majeure shall not excuse performance by the party, but shall postpone performance. If such force majeure shall continue for a period of ninety (90) days, the party seeking performance may cancel its obligations hereunder.

15.16. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed in duplicate originals by its duly authorized representative on the respective dates entered below.

CATACLEAN GLOBAL LIMITED

By: Paul Reid

Title: Managing Director

Date: 1/1/2025

HOLLEY PERFORMANCE PRODUCTS INC.

By: /s/ Jesse Weaver

Title: CFO

Date: 1/1/2025

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

May 7, 2025

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

May 7, 2025

**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 March 30, 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

May 7, 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.

**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 March 30, 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

May 7, 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.