

**Holley, Inc.**  
**First Quarter 2023 Earnings Call**  
**May 11, 2023**

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**Presenters**

**Michelle Gloeckler, Interim President and Chief Executive Officer**

**Matt Rubel, Executive Chairman**

**Jesse Weaver, Chief Financial Officer**

**Vinny Nimmagadda, EVP Corporate Development & New Ventures**

**Ross Collins, Managing Director of Alpha IR**

**Q&A Participants**

**Martin - Raymond James**

**Madison Callinan - Canaccord**

**John Lawrence - Benchmark Company**

**Alex Perry - Bank of America**

**Bret Jordan - Jefferies**

**Michael Baker - D.A. Davidson**

**Joe Feldman - Telsey Advisory Group**

**Operator**

Good morning, ladies and welcome to the conference call to discuss the results from Holley's first quarter of 2023. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions for asking questions will be provided at that time. We ask that participants limit themselves to one question and one related follow-up during the Q&A period. Please be advised that reproduction of this call in all or in part is not permitted without written authorization of Holley. As a reminder, this call is being recorded and will be made available for future playback.

I would now like to introduce your host for today's call, Mr. Ross Collins, Managing Director of Alpha IR. Please go ahead.

**Ross Collins**

Thank you, operator. Good morning, everyone. Thank you for taking the time to join us today. On the call with me today are Matt Rubel, Executive Chairman; Michelle Gloeckler, Interim President and Chief Executive Officer; Jesse Weaver, Chief Financial Officer; and Vinny Nimmagadda, Executive Vice President of Corporate Development and New Ventures. After their prepared remarks, we will open the call for questions.

Now, I will reference the Safe Harbor provisions under the Private Securities Litigation Reform Act of 1995. This call may contain certain forward-looking statements that are subject to

significant risks and uncertainties, including the future operating and financial performance of the company. In many cases, these risks and uncertainties are beyond the company's control.

Although the company believes the expectations reflected in these forward-looking statements are reasonable, they can give no assurance that such expectations or any of its forward-looking statements will prove to be correct, and actual results may differ materially from expectations. Important risk factors that could cause actual results to differ materially from those reflected in the forward-looking statements are included in the company's recent 10-K, S4, and S1 filings with the Securities and Exchange Commission.

The information contained in this call is accurate only as of the date discussed. Investors should not assume that statements will remain relevant and operative at a later time. Holley undertakes no obligation to update any information discussed in this call in the future. Additionally, we will be discussing certain non-GAAP financial measures. A reconciliation of these items to U.S. GAAP are included in today's press release, which is also posted on our Investor Relations website.

At this time, I'd like to turn the call over to Michelle Gloeckler, Holley's Interim President and Chief Executive Officer. Michelle?

**Michelle Gloeckler**

Thanks, Ross. Good morning, and thank you for joining. As we begin today, we would like to thank and celebrate our Holley shops and team members across the company for their commitment to delivering against our strategic pillars and priorities. We have visited most of all of our shops this quarter and appreciate their achievements. When we last spoke, we shared our strategic pillars and priorities for 2023. The Board and leadership team of Holley remain laser-focused on executing these initiatives.

Early traction drove solid first-quarter results, with both sequential top-line and bottom-line growth. Quarter-over-quarter, our gross profit and adjusted EBITDA increased by 43 percent and 125 percent, respectively. Holley remains steadfast in its vision to inspire and enable enthusiasts in their automotive adventures by bringing innovation, discovery, and fun to motor life. Our team of enthusiasts supports the journeys of our enthusiast customers by focusing on five key pillars of our strategy.

Those are: one, prioritizing key categories and platforms; two, product innovation; three, mergers and acquisitions; four, our customer-focused channel strategy; and five, engaging and inspiring the enthusiast. I'd like to update you on the progress we've made on each of these pillars.

First, on key categories and platforms, we completed our SKU rationalization program, vastly reducing complexity in our facilities and simplifying the customer's purchase decisions, all with minimal impact on revenue. Our team made substantial progress in the quarter working down

the inventory of those rationalized SKUs, and I've personally walked our 400,000 square foot distribution center several times in this past quarter, and I have seen the difference firsthand.

We continue to make progress on our past-due orders in the non-electronic segments of our business. During the quarter, company-wide past-due orders decreased slightly, by 600,000. By segment, mechanical, exhaust, accessories, and safety all declined in the 17 percent to 28 percent range. However, most of that improvement was offset by an increase in electronics of 26 percent.

As we discussed in last quarter's call, automotive-grade microchip availability continues to be a challenge as it relates to building and shipping our Holley EFI products. However, our team was able to leverage our supply network during the quarter and secured ships to make and ship more Terminator and Dominator EFI products within the Holley EFI product line, albeit at less profitable levels, given higher prices paid to secure those chips.

We did, however, take targeted pricing actions to help offset the impact of the higher chip acquisition costs on the spot market. While we are encouraged by our improved shipping rates on these products, new orders in our electronics category continue to outpace our ability to supply, as indicated by the increased level of past dues. These higher levels of past dues are reflected in our current financial guidance.

With that said, our supply chain management efforts are paying off, and we now have line of sight on future chip deliveries, which reduce downside risk to our revenue guidance. Product redesign efforts to access a wider available supply of chips continue, and we expect to provide an update on this later this year regarding potential 2024 impacts.

Optimizing our operations is critical, but our team is also committed to driving innovation that delights our enthusiasts. Historically, Holley has excelled in anticipating the future needs of its customers, which is at the heart of our innovation pillar. Later this year, we will be launching Holley Sniper 2.0, an extension of one of our most popular electronic fuel injection platforms.

In addition, we are encouraged by the aftermarket tuning technologies created by our R&D team, which recently launched a collaboration with Dodge to utilize Holley aftermarket tuning technologies to enhance vehicle performance for owners while maintaining factory warranty coverage with installation handled by dealers. These are historic milestones for both Holley and the industry to better serve our growing base of enthusiasts.

With our third pillar, M&A, we continue to accelerate synergy capture from recent acquisitions and remain on track to capture \$3 million to \$3.5 million of cost synergies in 2023. As a reminder, the near-term focus of our M&A effort is to accelerate value capture from recent transactions. We are on schedule in adding acquired brands to our holley.com site, our ERP system, and our distribution center.

We continue to make strong progress on our fourth pillar this quarter, delivering strong direct-to-consumer growth. DTC sales were up 6 percent year-over-year, and DTC sales growth continues to outpace overall company-wide sales. As expected, we also began to see our resellers build inventory ahead of the racing season. A return to normal seasonal stocking cycle is a key indicator that we are on a path to demand normalization in a post-COVID era.

Progress on our fifth pillar, engaging and inspiring the enthusiasts, will be more evident as we enter the heart of our event season. We are currently planning seven Holley events this year, and we are working on something big for our electric vehicle event, Holley High Voltage. This year, we are taking the high voltage experience to Tesla Takeover, one of the largest Tesla EV gatherings in the United States, which enable Holley to reach new EV enthusiasts and expose many production EV owners to exciting EV conversions and testing the performance of their vehicles in a motor sports environment.

This event will take place in July in San Luis Obispo, California. As always, Holley High Voltage will bring an incredible display of leading-edge and unique EV conversions and a fun motor sports experience that enables our enthusiasts to test the limits of their EV vehicles. We recently hosted Holley LS Fest West in Las Vegas which saw great turnout in late April above what we experienced last year.

We continue to offer interactive opportunities for our multigenerational enthusiast customers, and we will meet them when and where they choose to engage. Underpinning these five strategic pillars is a strong foundation of talent as well as our commitment to operational excellence. We have the right team in place, we are equipped with the right strategy, and we will continue to be a leader in this attractive auto enthusiast market.

As part of our commitment to operational excellence, we continue our efforts to rightsize our operational structure and reduce costs, delivering solid progress in the first quarter. Key contributions were a reduction in force, reduced logistics cost, and savings from location consolidation. We estimate that we drove \$9 million in total savings year-over-year in the first quarter and are on track to achieve \$30 million of year-over-year savings during 2023. Looking at the balance of 2023, we remained focused, and our leadership team is committed to driving the change that Holley needs.

This includes streamlining operations, capturing synergies, and improving both supply chain and working capital management. We will drive innovation and focus on serving the needs of our enthusiast customer base. While we continue to expect demand normalization throughout the year, we see additional opportunities to reduce inventories and work down our past-due orders in electrical categories through both the proactive acquisition of chips on the spot market and chip board redesigns.

Overall, we remain encouraged by Holley's business outlook, and we continue to believe the performance aftermarket will organically grow at 6 percent to 7 percent per year as COVID

demand normalizes. Furthermore, we made solid progress on profitability this quarter, and we still expect to achieve our targeted levels of profitability, including 40 percent gross margin and greater than 20 percent EBITDA margin in the near future.

We are driving fundamental improvement in our business that will continue to add value, and we will inspire our large and loyal base of enthusiasts with innovative new products across our strong roster of brands. We are making meaningful progress toward exiting 2023 as a much stronger company, and we look forward to updating you on future calls,

With that, I will now pass the call to Jesse to provide an overview of our financial results. Jesse?

**Jesse Weaver**

Thank you, Michelle. And good morning, everyone. Holley delivered net sales of \$172.2 million in the first quarter, a decrease of \$27.9 million, or 13.9 percent, compared to the first quarter of 2022. Non-comparable sales associated with acquisitions contributed \$1.8 million, or 0.9 percent, of year-over-year growth. The remaining comparable sales decreased by \$29.6 million, or 14.8 percent, compared to the prior year quarter.

As Michelle highlighted, past due orders declined by \$600,000 in the quarter, to \$26.2 million. Past-due improvements were driven by our mechanical, exhaust, accessories, and safety categories, but were largely offset by past-due increases in electronics. While the team made notable progress on securing additional chips on the spot market, we expect elevated past dues within our electronics category for the remainder of fiscal year 2023, which is reflected in our guidance.

While sales levels and total orders were down from the prior year, it is important to note that our first quarter of 2022 is an exceptionally tough comparable period. Sales levels during this period in 2022 were up 25 percent to 26 percent, and we believe overall consumer demand was likely still benefiting from COVID-19 consumer habits and stimulus.

Additionally, Holley delivered significant sequential top and bottom-line improvements relative to the fourth quarter of 2022 with sales and adjusted EBITDA increasing by 12 percent and 125 percent, respectively, driven primarily by sales leverage and cost reduction initiatives beginning to flow through.

As it relates to our direct-to-consumer channel, we are pleased to see continued solid demand as DTC sales were up \$2 million, or 6 percent, year-over-year against the strong results of 39 percent we delivered in the first quarter of 2022. This further demonstrates our commitment to meet our customers where they want to shop. DTC sales continue to make up a large share of our revenue, representing 22 percent of first-quarter sales, which is up from 18 percent last year.

Gross margin decreased from 41.3 percent last year to 39.3 percent in the first quarter of 2023. The year-over-year decrease in gross margin can primarily be attributed to sales deleverage combined with inflationary factors, including increases in manufacturing costs and the shift of our sales mix towards products with lower gross margin. This was partially offset by freight and current material cost improvements.

Sequentially, our gross margin improved by 870 basis points, up from 30.7 percent in the fourth quarter of 2022. The sequential improvement was driven by a positive operating leverage and lack of non-cash product rationalization cost in the first quarter. We also began to see the impacts of our recently negotiated logistics contract.

Total selling, general, and administrative expenses decreased \$5.8 million to \$36.7 million in the first quarter of 2023 versus the same quarter of 2022. The decrease in selling, general, and administrative costs was driven by a decrease in equity compensation costs and a decrease in personnel costs, which was a key piece of our recent cost-saving actions.

Interest expenses for the quarter increased \$10.9 million to \$18.3 million, as compared to \$7.4 million in the first quarter of 2022. As a reminder, in an effort to reduce exposure to floating interest rates, we entered into a cost-less interest rate collar during the first quarter that hedges \$500 million of our debt against three-month SOFR rate fluctuations, above 5 percent and below 2.8 percent through mid-February of 2026.

Notably, our interest expense for the first quarter includes a \$3 million non-cash charge related to the change in fair value of the collar. Excluding this non-cash charge, our interest paid for the period is aligned with the guidance we laid out last quarter. Going forward, our interest expense will need to be adjusted for the change in valuation associated with the interest collar to arrive at our true cash interest paid.

We recorded net income of \$4.2 million in the first quarter of 2023. Net income for the quarter was unfavorably impacted by \$1.9 million non-cash increase in liabilities for warrants and earn-out shares. On an adjusted basis, net income was \$6.1 million versus net income of \$21.5 million in the first quarter of 2022.

Adjusted EBITDA decreased to \$34 million in the first quarter, down from \$46 million in the first quarter of 2022. From a balance sheet and liquidity perspective, we generated positive free cash flow and paid down \$7.3 million in debt during the quarter. We ended the quarter with \$20.8 million in cash and only \$5 million drawn on our \$125 million revolver.

Turning to our outlook and financial priorities for the remainder of 2023, as we discussed in our last call, the focal points for the year include restoring Holley's profitability, improving free cash flow, optimizing working capital, and delevering the balance sheet. We fully expect to deliver on these initiatives in 2023, and they are reflected in our forward-looking expectations for the business.

For the full year, we are reaffirming our previously provided guidance ranges. As a reminder, we are projecting net sales in the range of \$625 million to \$675 million, and adjusted EBITDA in the range of \$108 million to \$122 million. Given the strong progress we made on our operational improvement and cost-savings initiatives during the first quarter, we are increasingly confident in our outlook, and we expect improving year-over-year performance as we progress through 2023, both in terms of revenue growth and EBITDA margin.

We expect 2023 results to include capital expenditures of \$10 million to \$15 million, depreciation and amortization between \$23 million and \$25 million, and interest expense in a range of \$60 million to \$65 million, which excludes the impact of any non-cash interest rate hedge revaluation.

Regarding our working capital levels and free cash flow, we are continuing to see inventory turn to come back in line with historical pre-COVID levels. And as I alluded to in our last call, we do not anticipate the free cash flow headwinds we experienced from working capital over the course of last year.

While we secured additional financial flexibility to execute our strategy through our recently amended credit agreement, we remain committed to driving free cash flow, paying down debt, and keeping overall leverage levels in check in 2023. At the quarter end, our net leverage ratio, as defined by our financial partners and lenders, was 5.7 times, which remains well below the thresholds negotiated as part of the amendment process.

In closing, while we continue to face supply chain uncertainty and continue normalization of demand during the quarter, we are pleased with our results and the progress we are making. Our leadership team is committed to executing our strategy and making the necessary changes to drive value for our shareholders.

As these various headwinds subside over the next 6 to 12 months, as the market returns to more normalized growth levels, we are confident that Holley will get back to achieving its long-term gross margin and EBITDA targets of 40 percent and more than 20 percent, respectively. We continue to believe that Holley's position as an industry leader with ample runway for long-term profitable growth is unchanged.

That concludes our prepared remarks. Ross, we can open the call up for questions.

**Ross Collins**

Absolutely, Jesse. As a reminder, we ask that you please limit yourself to one question with one related follow-up, as needed. Operator, please open the line for questions from our participants.

**Operator**

Ladies and gentlemen, at this time, you may register your desire to ask a question by pressing star, then one on your phone. Once you have been called upon, please make sure you are not on mute and proceed with your question.

Our first question comes from the line of Joe Altobello with Raymond James. Please proceed with your questions.

**Martin**

Good morning. This is Martin on for Joe Altobello. Quick question. Congratulations on the quarter. Given the (inaudible) relative to the street, and you didn't raise the guide, is there anything unusual in the first quarter, or are you just being conservative?

**Jesse Weaver**

Hey, this is Jesse. What I would say is, look, we're pleased with the quarter. I mean, our full-year guidance was the guidance that we laid out. I think if we kind of look back a year ago from now, there were some difficulties in forecasting 2022. And we feel maintaining the current guidance range and getting some more visibility into, really, after Q2 will give us sort of the visibility that we need to be in a much better position.

But, I think all in, we're pleased with seeing that we are knocking on the door of the 40 percent gross margin, 20 percent EBIDTA. When you look at the guide for the back half of the year, we expect those trends on a year-over-year basis to continue to improve. And, like I said, that visibility after we get through Q2 will give us, I think, a bit more of the comfort we need in this environment to probably look at it differently.

**Martin**

Got it. Thank you. And you mentioned that the wholesalers are starting to restock. Can you give us an idea of the magnitude or any additional color around that?

**Michelle Gloeckler**

Yeah. This is Michelle. And the wholesaler, while we don't give quarterly guidance, we do have a kind of split for the year of 52/48. And we're seeing that continue as it has historically. They also stock and ramp up their inventories for race season and consumer demand to maximize in stocks.

**Jesse Weaver**

And I'll build on that a little bit. I would say that what we're seeing and the visibility that we have into our reseller inventories and what we would call out-the-door sales, looking back at last year, it looked there was quite a bit of stocking up in anticipation of probably a much stronger year that we felt on the back half of last year.

And so, from an inventory level perspective this year, I think they've been much more conservative on their stock level. So, we aren't expecting at this time, and, again, getting that

visibility into Q2 will help us kind of confirm this, but we're not expecting at this time that they are in an over-inventory position relative to demand.

**Martin**

Very helpful. Thank you.

**Jesse Weaver**

Absolutely.

**Operator**

Thank you. Our next questions come from the line of Brian McNamara with Canaccord. Please proceed with your questions.

**Madison Callinan**

Hi, this is Madison Callinan on for Brian. We imagine many prospective investors aren't particularly car enthusiasts or gear heads per se. And your business is pretty complex. How do you plan to make it easier for investors to understand in layman terms moving forward? Thanks.

**Michelle Gloeckler**

Hi, Madison. This is Michelle. And thank you for the question. We understand that the business is complex for folks outside of our core base of enthusiasts. What we try to do is provide a lot of transparency and one-on-one conversations. And you'll find attached material to our earnings release that are not only financials and charts and graphs.

But, on Page 17, there is kind of an image of an automobile that shows all the areas where Holley provides products and then, furthermore, the brands within each of those categories. For example, you'll see the driver is in safety gear. Our safety brands our Steelo, Simpson, and Racequip. You'll see all the different areas of the car, both under the hood, the wheels. And hopefully, that can help break down where our categories and brands fit and how we look at the business from a performance mechanical, performance electronics, safety, et cetera. It's a great question. Thank you.

**Jesse Weaver**

Yeah. And, Madison, I think it could be helpful for investors, too, to maybe not get to in the weeds, even, at times on what all the different components are but get into more of the mindset of an enthusiast. And an enthusiast category that I would assume more investors are comfortable with would be something like golf.

And in that category, I think what you see is a lot of enthusiasts would sacrifice spending in other areas in order to improve their golf game. The next new club came out, they can take a couple strokes off. Same concept here. You can improve your air-to-fuel ratio. That will

improve your off the drag strip. I mean, there's so many different analogies here to other enthusiast categories that I think are much more relatable to this investor base.

**Madison Callinan**

Great. Thank you guys so much.

**Operator**

Thank you. Our next questions come from the line of John Lawrence with the Benchmark Company. Please proceed with your questions.

**John Lawrence**

Yeah, thanks. Congrats, guys. Would you comment a little bit about, Jesse, the \$9 million savings marching toward the \$30 million for the year. Just talk about those buckets a little bit and maybe visibility. I know it's hard to, just talk about the visibility of how those buckets go through the year, please.

**Jesse Weaver**

Sure. Yeah, thank you, John. I would say that the \$9 million is great. It's going to move a bit around with the volume that you would see on the net sales. It gives us confidence in the \$30 million in cost savings that we had outlined. In terms of the buckets, it is a little more heavily weighted in the COGS bucket from the freight perspective with about \$6 million to \$7 million of it coming from cost to goods and the balance in SG&A. Hopefully, that gives you a little more comfort in the number. But, we're, I would say from a cost perspective, a lot of the COGS is going to move with volumes.

**John Lawrence**

Great. Thanks. And just a follow-up, I guess late April, you had a couple events, the Las Vegas and Texas events. Can you sort of comment on the participation of those outings, please?

**Michelle Gloeckler**

Yes. We had the, and thank you for the compliment up front, too, by the way. We appreciate that. The Las Vegas LS Fest West, we had strong attendance. We had good weather. And we had good participation as well as far as number of people that registered to actually show their vehicles.

LS Fest Texas is coming up in the coming weeks, and then we've announced our other events throughout the remainder of the year, including the one we announced in today's comments around Holley High Voltage in July in San Luis Obispo, California, tied in with the Tesla Takeover. So, we are encouraged by the early attendance and are prepared to meet those needs going forward.

**John Lawrence**

Great. Thanks. Good luck.

**Jesse Weaver**

Thank you, John.

**Operator**

Thank you. Our next questions come from the line of Alex Perry with Bank of America. Please proceed with your questions.

**Alex Perry**

Hi. Thanks for taking my questions. I guess first I wanted to ask about the electronics category. Any help in sort of thinking about sort of what the guidance includes in terms of the electronics category? If you are able to drive growth in electronics like you did in the first quarter, will be that upside to the year? And then, are you still seeing, it seemed like there was a pretty strong ability to secure chips in the quarter. Like is that sort of, maybe it's on the spot market. But, are you still seeing that momentum continue? Thanks.

**Michelle Gloeckler**

Yeah. I'm going to try to break down the electronics piece for you. We did see our past dues in electronics grow. You're correct. We are seeing -- we are able to procure chips and are producing. We're not able to produce enough to keep up with the past dues. That is baked into our guidance.

When you think about the EFI ecosystem, though, it was important to recognize our Sniper EFI announcement today. And that is an ecosystem that would include the throttle body, the ignition, under the Hyperspark brand and modern electric fuel pumps. These are being designed on more readily available chips. And that is also baked into our estimate.

These Sniper EFI systems will improve performance in areas like cold start, fuel economy, drivability. And it really modernizes classic vehicles' compatibility with today's fuel. So, we're excited about this launch, and it does use a more readily available set of chips. I'll leave you with the fact that we are still producing and taking orders for Terminator and Dominator. We are still working to redesign those boards with more available chips. And those are the ones we're procuring on the spot market. So, thanks, and hopefully that's helpful.

**Alex Perry**

That's incredibly helpful. And then, I guess my follow-up is actually going to be on the Sniper 2.0 launch. Did you see when it's launching? And should we expect, should that be a sort of meaningful revenue contributor this year? How should we expect that to sort of play into the model? Thanks.

**Michelle Gloeckler**

Thank you for the follow-up. We're excited about it because of the features of the product. We didn't give you a date. We want to make sure that we have the opportunity to share the

features and benefits and timing of that launch with our important partners who help us extend our reach. It is planned for our guidance, and we are very excited. And we will share that it is back half.

**Alex Perry**

Perfect. That's really helpful. Best of luck going forward.

**Michelle Gloeckler**

Thank you.

**Operator**

Thank you. As a reminder, if you would like to ask a question, please press star, one on your telephone keypad. Our next questions come from the line of Bret Jordan with Jefferies. Please proceed with your questions.

**Bret Jordan**

Hey, good morning, guys.

**Jesse Weaver**

Hey, Bret. Good morning.

**Bret Jordan**

Could you talk about the mix? I mean, obviously, you've got your revenue snapshot in the deck. But, if you were to segment it by actual race product versus street use, and then, and maybe talk about the cadence of demand between the two of those. Is one of them more discretionary than the other?

**Vinny Nimmagadda**

Yeah, Bret. It's Vinney. Great question. When we look at electronics especially, I think in each of these categories, you'll see that there's a healthy balance in things like electronics, where you'll see more of our Holley EFI products used in racing applications. But, there's also electronic tuning and more of our handheld tuners that gets used in a number of street applications.

Mechanical also kind of runs the gamut. But, the vast majority of safety, as you can imagine, is going to be racing-oriented. And that's, really, I think, the material ones to call out in terms of how we look at it.

**Bret Jordan**

And do you see any difference in demand between the two? I mean, is, obviously, if you have to race, you have to race. But, you don't have to put a chip in the street car. Do you see, is there any difference in cadence?

**Vinny Nimmagadda**

I think in enthusiast category, there's reasons why folks do budget these spends on a recurring basis. Even for the street applications, these are definitely purchases that folks are planning for, and there's a clear, heavily researched product that folks want and on the front end do a lot of research into getting. But, I think from a stability standpoint, we see reasons to believe in both categories being stable and enthusiast-driven.

**Michelle Gloeckler**

Yeah. And I would only add that we haven't seen any material shift in that mix over time between street and race. One of the things we do know is both segments respond really well to innovation, so we're very excited about the Sniper 2.0 announcement today.

**Bret Jordan**

Okay. And then, a quick question on the Tesla Fest. What is the addressable market? If you were to sort of look at a Tesla and say I can, I sell everything in my catalog to that car, what's the value of a Tesla from an addressable market?

**Vinny Nimmagadda**

It's still in its infancy, Bret, I mean, when you look at overall vehicles in operation and the car parts being as largely (inaudible) as it is. Factory, battery electric vehicles are still small and less than 1 percent of vehicles on the road. And what we see in the aftermarket in enthusiasts is they're modifying cars that are older or in line with more of the average vehicle age. But, I think as these Teslas continue to age, and there's more on the road, there's going to be higher modification rates and more enthusiasts that want to personalize them.

I think the graphic that Michelle actually flagged on Slide 17 in the deck also just shows you the depth and breadth of categories that we serve bumper to bumper. And you can start to get a feel for more of the corners of the vehicle, the safety applications, and a number of the areas and categories and accessories that would be applicable and are power train-agnostic.

**Bret Jordan**

Okay. All right. Thank you.

**Jesse Weaver**

Thanks, Bret.

**Bret Jordan**

Yeah, thank you.

**Operator**

Thank you. Our next questions come from the line of Michael Baker with D.A. Davidson. Please proceed with your questions.

**Michael Baker**

Okay. Hi. Thanks, guys. I just wanted to ask you about the demand trends. Did you see anything noteworthy through the quarter month by month, maybe as the weather got better, any impact from tax refunds? I don't think that's your customer, but anything in terms of the trend and/or economic sensitivity as we think about the coming quarters? And, just to clarify, you said that it's first half 52 percent, second half 48 percent typically in your sales. Is that right?

**Michelle Gloeckler**

Yes, Michael. It's Michelle. You have that correct. And as far as trends, we saw very traditional, historical lines. We do look at all those things with respect to tax refunds, money in the market, stimulus. And I would say that we see a more normalization of that pre-COVID demand.

**Jesse Weaver**

And the other thing that I would build on that, Mike, is you're going to see more of that immediate consumer change in wallet at the reseller, out-the-door sales level than you will with us because our resellers are going to be a little bit more reactive to those things on a more real-time basis as they, then, order from us based upon the response. And right now--

**Michael Baker**

--It will trickle back to you eventually.

**Jesse Weaver**

That's right. And so right now, based on what we're seeing from our resellers, their sales are relatively down, slightly flat in some cases on their out-the-door sales of our products. And this kind of goes back to my earlier comment where they were restocking quite a bit in the back half of last year, and they got their inventory levels to where they are able to service the demand that they serviced effectively last year.

But, last year, they had so much more in stock, probably more than they needed. So, when we look at our cumulative estimate of their inventory levels this year versus last year, I mean, we're estimating it down roughly \$20 million for those that we're able to get information on.

**Michael Baker**

Okay. Thank you for that. For a follow-up, maybe for Mr. Rubel if he's there, things are going in the right direction. Any update on the CEO search, not to put you on the spot? But, it still has Michelle listed as interim in the press release so was just wondering what's going on with that search.

**Matt Rubel**

No, I am on the call, and that's an appropriate question. The search continues to go very well. We've had a tremendous amount of really qualified and interested candidates that really see

the value of the business and, quite honestly, were impressed with the strength of the team as well. So, while in this call today, I can't commit to anything explicit on timing, I would just say we've made great progress and are moving forward at a pace that I feel very comfortable with.

**Michael Baker**

Great, appreciate that. Thank you.

**Operator**

Thank you. Our next questions come from the line of Joe Feldman with Telsey Advisory Group. Please proceed with your questions.

**Joe Feldman**

Yeah. Hey, guys. Thanks for taking the questions, and congrats on the quarter coming in better. Do you guys, I wanted to ask you about pricing and what you're seeing in the market these days. I would think, especially on the electronics side, there's probably a bit of pricing power. But, I wanted to just get your thoughts on what you're seeing and how the market is taking on that price.

**Michelle Gloeckler**

Yes. Joe, it's Michelle. Thank you for the compliment. And specifically on pricing, it is something that we assess, not only on our input costs but our, the competitive landscape within the industry plus demand. And we'll continue that review as we've done it historically annually. But, I did mention in the script that we did take some pricing on electronics to reflect the higher cost of securing those chips on the spot market. That said, we are still filling past-due orders at an old price, so it is something that we'll blend over time.

**Joe Feldman**

Got it. Okay. That's helpful. Thank you. And then, for the last one, Jesse, when you were talking about the, I guess the cadence of the year, sort of, presumably, will it be linear progressive improvement through the year? Or like did we see like second quarter still going to be tough, second half starts to look better? Or can you help us a little bit more with maybe how the year might flow from a top and bottom-line perspective?

**Jesse Weaver**

Yeah, Joe, I would say that on a year-over-year basis, if you look at our margins last year, you see the back half was, on an EBITDA basis was pretty challenged. And so, that's where you would see most of the accretion on a year-over-year basis. And then, as it relates to the year-over-year top-line growth, a similar sort of flow there, where we were down over 13 percent here in Q1.

That should get progressively better, given that what we've said here is roughly 52 percent on the guidance here, kind of gets you to a number for Q2, I think, in some respects. And then, the

back half seasonality, I think we've been pointing people to 2019 as a good benchmark for how those quarters should split out.

**Joe Feldman**

That's helpful. Thank you, and good luck with this quarter. Thanks, guys.

**Jesse Weaver**

Thank you.

**Operator**

Thank you. As a reminder, if you would like to ask a question, please press star, one on your telephone keypad. There are no further questions in the queue at this time. With that, I would like to close the call out. We thank you for joining today's teleconference. We appreciate your participation. You may disconnect your lines at this time, and enjoy the rest of your day.