

**Holley, Inc.**  
**First Quarter 2025 Earnings Results**  
**May 7, 2025**

---

**Presenters**

**Anthony Rosmus, Investor Relations**  
**Matt Stevenson, President and Chief Executive Officer**  
**Jesse Weaver, Chief Financial Officer**

**Q&A Participants**

**Christian Carlino - JPMorgan**  
**Mike Swartz -Truist Securities**  
**Bret Jordan – Jefferies**  
**Phillip Blee - William Blair**  
**Joe Feldman -Telsey Advisory Group**  
**Brian McNamara - Canaccord Genuity**

**Operator**

Good morning, ladies and gentlemen, and welcome to the conference call to discuss Holley's First Quarter 2025 Earnings Results.

At this time, all participants are in listen only mode. Later, we'll conduct a question-and-answer session and instructions for asking questions will be provided at that time. We ask that participants please limit themselves to one question and one related follow-up during the Q&A period.

Please be advised that reproduction of this call, in whole or in part, is not permitted without written authorization of Holley. And 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, Anthony Rosmus with Investor Relations. Please go ahead.

**Anthony Rosmus**

Good morning, and welcome to Holley's first quarter 2025 earnings conference call. On the call with me today are President and Chief Executive Officer, Matt Stevenson, and Chief Financial Officer, Jesse Weaver.

This webcast and the presentation materials, including non GAAP reconciliations, are available on our Investor Relations website.

Our discussion today includes forward looking statements that are based on our best view of the world and our businesses as we see them today and are subject to risks and uncertainties, including the ones described in our SEC filings. This morning, we will review our financial results for the first quarter and discuss guidance for the full year 2025.

At the conclusion of our prepared remarks, we will open the line up for questions.

With that, I'll turn the call over to our CEO, Matt Stevenson.

**Matt Stevenson**

Thank you, Anthony, and good morning, everyone. As we review the first quarter results for 2025, I'm excited to share the early achievements from the transformation we embarked on, over eighteen months ago.

We have seen significant progress in our business and your support has been greatly appreciated as we navigated dynamic macroeconomic and consumer environment. Despite the challenges, we have made considerable strides and I'm eager to present that to you, today. We will present compelling evidence demonstrating how the focus areas of our strategic plan and the initiatives within them are driving growth across our business.

For the first time in five quarters, we have experienced growth in our core business across both direct to consumer and business to business channels. As a reminder, core business excludes divested businesses and discontinued products from our SKU rationalization efforts, last year.

Our comprehensive omnichannel approach is crucial to driving our growth. We are dedicated to meeting our customers wherever they prefer to do business, whether through e-retailers, distributors, wholesalers, third party marketplaces, installers, national retailers and our own e-commerce platform.

Now despite a challenging macroeconomic environment, we are successfully gaining market share from our competitors. We have accomplished this by creating captivating consumer experiences through our events and expert merchandising, leveraging best in class digital capabilities, implementing a new third party marketplace strategy and introducing great new products across our divisions.

Additionally, we have strengthened our partnerships with B2B customers who are adopting more of our product line due to enhanced support, better data quality and our robust marketing calendar.

While focusing on growth, we are also committed to improving operations by eliminating non-value-added costs and enhancing our operational KPIs, across the business. These efforts enable us to reinvest in the business while maintaining margins, despite decreased market demand.

Before we delve into the specific highlights for Q1 of 2025, I would like to address the current macroeconomic environment and its impact on our business.

Tariffs have become a significant topic across our economy, and Holley is no exception. Although the majority of our production costs are based in The United States, we are still affected by these tariffs. The fluid nature of the situation with weekly changes in policies from the administration, coupled with the hard work our teams are doing to mitigate the impact, make it challenging to model the exact effects of tariffs on our business, at this time.

We anticipate gaining better clarity on the permanence of these policies and the results of our initiatives, when we report our second quarter results in early August.

During this call, we will outline how we are addressing the dynamic situation of tariffs and safeguarding the health of our business.

It is important to note that the guidance Jesse will present later in the call does not reflect any impact from the tariffs on our business, nor does it consider any macroeconomic impact the overall tariff situation may have on the domestic economy and consumer discretionary spending for the remainder of the year. It is simply too early to tell, and we are reporting based on what we are currently observing in our business.

Regarding demand in the first quarter, our results were driven by capturing market share through our growth initiatives. As of today, we are seeing no material pre-buy from our customers in the second quarter. We are closely monitoring behavior and demand from both our D2C and B2B channels but so far, we have not observed any significant changes one way or the other.

Now, let's turn to Slide 5, which includes some highlights for the first quarter of 2025.

Despite the challenging market conditions, we have achieved meaningful revenue growth of 3.3% in our core business, across all divisions. We also improved our gross margins through enhanced labor and overhead efficiencies, along with a reduction in warranty costs.

These operational efficiencies have played a crucial role in our financial performance, allowing us to reinvest in growth, while maintaining or even increasing margins. This growth across our business was felt in 25 brands in both our direct to consumer business to business channels. This broad-based growth highlights the impact of our strategic initiatives and the power of our brands.

In the B2B channel, we have strengthened relationships with our partners, resulting in over 2.5% growth. Additionally, we are gaining market share based on our calculations of out the door sales and the commentary from our B2B partners. This growth is a direct result of our increased sales support and commitment to our partners.

Our direct to consumer channel has also seen significant growth with more than a 10% increase. Notably, third party platforms such as Amazon and eBay experienced growth of over 50%. Third

party marketplaces are a key growth channel within our direct to consumer strategy, and we are meeting customers where they want to be met with our enhanced third party marketplace approach.

Product innovation is the driving force behind our consumer enthusiast platform and Q1 saw significant contributions from numerous new products across our portfolio. Plus, our strategic price initiatives crafted to hit the elasticity sweet spot for both our consumers and distribution partners are aiding in propelling growth and maximizing total profitability, across the channels.

New products, combined with these strategic pricing efforts, resulted in revenue contribution of \$8.1 million for the quarter.

To mitigate the impacts of tariffs, we are implementing proactive cost reductions and strategic sourcing initiatives. I'll go into these details in an upcoming slide.

Now let's turn to Slide 6, which features some more quantitative highlights from the first quarter of 2025. We achieved net sales of \$153 million, representing a 3.3% increase in the core business, compared to the prior year. This growth underscores the effectiveness of our robust strategic initiatives and the hard work our teams are delivering across our business.

Our gross margins also saw significant improvement, rising year over year to 41.9%. While there are various factors contributing to the sizable increase, which Jesse will elaborate on later in the call, it is important to note that approximately 200 basis points of this improvement are directly attributable to our continuous improvement efforts to enhance labor and overhead efficiency, as well as reduce warranty costs.

Despite these positive developments, our free cash flow for the quarter was negative \$10.8 million, a decrease of \$28.6, compared to the prior year.

As we noted in previous calls, changes in our accounts payable process extended the timing of some payables into Q1 of last year. Additionally, slow demand trends in January and February driven by weather conditions shifted a significant portion of demand into March. This shift elevated our receivables for the quarter with subsequently converted to cash in this current quarter.

Our adjusted EBITDA margin improved to 17.8%, an increase of 460 basis points from the prior year. However, this figure can be somewhat confusing, due to the one time effects of the SKU rationalization implemented in the first quarter of last year. When factoring in the decline in overall Q1 revenue, year over year, which includes the impact of divested businesses and these discontinued product lines, our EBITDA margins are actually down by approximately 100 basis points, due to the lower volume.

In Q1, we continued to innovate and expand our product offerings across various divisions. Just a few of the notable launches in our portfolio include the Sniper 2 EFI HyperSpark bundles and the NOS Octane Booster from our Domestic Muscle vertical.

In the modern truck and off road division, we continue to broaden our offerings of performance packages. Under the Dinan brand in the Euro segment, we introduced inline tuning modules for the BMW S58 engine found in many popular BMW M cars.

Lastly, in the Safety division, we launched the next version of the leading head and neck restraint in racing, the HANS IV.

This is just a minor selection of the great new products launched in the quarter. These products are well received and expected to drive further revenue growth. In a few slides, we will touch on some of the new products coming this quarter.

Our commitment to operational excellence is evident in several key metrics. We achieved a 2% year over year increase in the in stock rates of our top 2,500 products, ensuring better availability for our customers.

Additionally, we improved operational efficiency by over \$1 million, year over year, and reduced past-dues by 16%, compared to the previous year. Moreover, we made significant progress in reducing inventory levels, achieving a reduction of over \$3 million since year end, 2024. This reduction aligns with our strategic goal of optimizing inventory management and improving cash flow.

The continuous refinement of our marketing calendar led to a successful outcome in the first quarter. During the IRS sale held in the period, our ecommerce growth rate increased by 27%, year over year.

Plus, our strategic communications and PR efforts generated nearly 600 million earned media impressions from over 1,300 media clips. And we continue to reach a large population of enthusiasts with 8 million followers across our various social media platforms, a number that has increased, since the previous year. These achievements demonstrate our marketing effectiveness and the ability to enhance our engagement with enthusiasts.

In summary, our first quarter results reflect our focus on strategic initiatives and the collective effort of our teams to drive growth and operational excellence.

Slide 7 provides a comprehensive overview of the meaningful growth in our core business achieved across our divisions.

In the Domestic Muscle vertical, the division experienced a 3% year over year growth with the three power brands listed here averaging an impressive 11% growth. The modern truck and off

road division saw an overall growth of 2%, with some power brands achieving remarkable year over year growth rates as high as 27%.

Our Euro and Import division recorded the highest growth at 17%, driven by renewed focus, product innovation and an emphasis on comprehensive platform packages.

The Safety and Racing division also experienced 3% growth with the power brands listed contributing significantly more, such as Stilo, which saw an 8% year over year increase in the quarter. These results demonstrate that by strategically focusing our resources on the power brands within our four division structure, we are driving growth and gaining market share even in a generally softer market, year over year.

On Slide 8, you'll find a reminder of the eight areas of our strategic framework that we discussed during our last earnings call. At the core of this framework are our steering principles.

The first principle is fueling our teammates, which aligns with our goal of making Holley a designated great place to work. We aim to create an engaging workplace where employees have a voice, opportunities for growth and an environment they are excited to come to, every day.

The second principle is supercharging our customer relationships, whether it's with our consumer enthusiasts or B2B partners. This principle encompasses three key areas of our strategic framework: designing and implementing the premier consumer journey in our space; being a trailblazing trusted partner for our B2B customers by discovering new and exciting ways to drive mutual growth; and launching innovative new products that are the envy of their categories.

All this is achieved while, actively, managing and merchandising our entire portfolio with clear differentiation.

The final principle, accelerating profitable growth, includes expanding into new global and adjacent markets, transformational M&A and funding our growth through operational improvements. These efforts, along with the others mentioned, culminate in our ultimate goal of delivering superior financial results.

Now on Slide 9, I'm pleased to share the highlights and achievements for the first quarter, as reflected in our strategic initiative tracker.

Let's begin with our trailblazing trusted partner pillar, which encompasses our B2B sales initiatives. We have continued to see significant growth through our targeted efforts with national retailers. Our partnership with R&R for additional B2B sales support has yielded impressive results, particularly in data adoption and increasing our presence among the top 50 accounts.

Additionally, we have launched the Holley Pros initiative, which provides a strategic approach to engaging with smaller accounts. These efforts have, collectively, contributed to an additional \$2.5 million in revenue.

Moving on to the premier consumer journey pillar, which focuses on the direct to consumer. Our ecommerce growth has been strong, exceeding 10%, year over year. This growth has included focused efforts on third party platforms, particularly Amazon, where we saw an increase of over 15%. These initiatives have resulted in an additional \$3.3 million of revenue for the quarter.

Furthermore, we restructured Holley events to enhance customer experiences, which will not only drive future revenue increases, but will also boost media value during our upcoming event season.

In product innovation and portfolio management, we launched several new products across our divisions and are gaining momentum in our performance packages. These innovative products and solutions contributed approximately \$4 million in revenue for the quarter. Additionally, our portfolio management efforts, including strategic pricing changes, generated an additional \$4 million.

Our global expansion and new market initiatives are also progressing, well. We are on track with the early stages of our Mexico market expansion, which includes on-the-ground activation events and promotions. To date, we have signed up 15 distributors in this market.

In the Car Dealer channel, a relatively new market for us, we've increased engagement with BMW dealers with now 22 participating in the program. These combined efforts have generated \$300,000 of revenue. As they continue to develop, we anticipate greater contributions in the future.

Under the Fund the Growth pillar, we completed and implemented projects related to purchasing savings amounting to \$2.1 million. Additionally, we achieved approximately \$1 million in operational improvements during the quarter and are on track to reach \$6 million for the fiscal year. These initiatives have, collectively, contributed \$3.1 million in cost reductions for Q1.

Lastly, our commitment to being a great place to work is yielding positive results. We saw a 3% increase in our Great Place to Work Survey scores, reflecting our ongoing efforts to gain an engaging and supportive work environment.

In summary, our strategic initiatives have driven \$15 million in revenue across key areas, achieved \$3.1 million in cost reductions and improved our Great Place to Work scores, by 3%.

In addition to advancing our strategic initiatives, the team has been dedicating a significant amount of their time to mitigating the impact of the excessive tariffs announced since our last meeting. The changes in the tariff policies since we last met in March have been meaningful for

our business, but the team is proactively addressing the challenge and making substantial progress.

If we turn to Slide 10, you can see that we are, first and foremost, proactively managing our businesses cost structure. We have implemented comprehensive plans across the company to manage costs and help offset the tariff headwinds we are facing. Our approach is multifaceted, focusing on spend optimization, operational improvements, along with tariff mitigation and strategic pricing actions.

First, let's discuss our spend optimization efforts. We have taken decisive steps to eliminate discretionary spending. This includes reducing expenses such as travel, off-site meetings and other nonessential items. By prioritizing key projects that are aligned with our major growth initiatives within our strategic priorities, we are effectively reducing planned expenditures in both operational and capital expenditures.

Additionally, we are optimizing our spending on professional services by transitioning to lower cost vendors and renegotiating agreements in areas such as legal, benefits, marketing and auditing.

Transitioning to operational improvement, we have accelerated our efforts to enhance operational efficiency. This includes reducing warranty spend and returns, as well as improving first-time yield and minimizing waste.

We have also evaluated and accelerated site consolidation, putting new sites on hold to optimize our existing infrastructure.

Furthermore, we have frozen headcount and we will, proactively, adjust our workforce management to match new volume reality, should they occur. Also, we will reduce overtime and tightly manage frontline operations.

A key aspect of our operational improvement strategy is to reduce existing and inbound inventory by minimizing order quantities and enhancing demand planning through our improved sales inventory and operational planning processes.

Next, let's address our tariff mitigation related pricing strategies on Slide 11.

We are overseeing these efforts through a swiftly established comprehensive project management office. Now to tackle the various aspects of tariff mitigation, we have developed five major work streams: governance, products, logistics and supply chain, regulatory and classifications and pricing and margin protection.

Our approach is multifaceted, involving daily meetings to ensure we stay on track. Each work stream is specifically designed to tackle unique challenges and opportunities, ensuring a coordinated and effective response.

Workstream governance has been established to oversee the entire process. We have set up a steering committee and brought in outside PMO supporting contractors to assist with daily and weekly reporting. A burndown chart has been established to track progress and ensure accountability.

Product work streams have been a critical component of our strategy. We conducted an ideation workshop involving 11 product teams with dedicated team leaders. This workshop focused on prioritization and developing consistent action playbook, which includes supplier negotiations, relocations, resourcing, footprint analysis and make versus buy decisions.

Additionally, we have verified product classifications to ensure compliance and optimize tariff coding.

Logistics and supply chain efforts have been focused on optimizing tariff volatility. We secured a bonded warehouse in Memphis to manage inbound containers and inventories from high tariff countries. SKU rationalization and inventory analysis have been components of this work stream, helping us streamline our logistics and reduce costs.

The regulatory and classifications work stream has evolved utilizing third party expertise, such as various custom brokers and trade advisory services, along with legal experts to assist us in navigating this complex situation.

We have identified exemptions for lobbying, particularly non-auto parts and are actively engaging with organizations such as CMA, MEMA and local governments to advocate for favorable tariff classifications.

Pricing and margin protection has been another crucial area of focus for us. We announced a comprehensive pricing action on April 11, with an 8.75% increase to be implemented on June 9, allowing for a sixty day notice to the market. Additionally, are looking at implementing category specific actions where needed with plans to roll those out, potentially by Q4.

In summary, our strategic measures to mitigate tariff impacts are thorough and well-coordinated. By establishing dedicated work streams, conducting workshops, securing logistics solutions, engaging with regulatory experts and implementing strategic pricing actions, we are addressing the challenges posed by tariffs.

We plan to update you during our August call when we have better clarity on the permanence of the tariffs and the effects of our mitigation efforts.

Now, before I turn it over to Jesse, let's turn to Slide 12 to highlight just a few of the exciting product innovations occurring in the second quarter of 2025, across our four divisions.

In the Domestic Muscle vertical, we are pleased to announce the latest addition to our chemical product line, the new Holley fuel system and carburetor cleaner. Expanding our chemical

offerings is a strategic priority, as these products represent a significant growth opportunity within the national retailer channel.

Following the successful launch of our Bluetooth capability on our entry level Sniper fuel injection line, we are excited to extend this feature to our Terminator X fuel injection series. This enhancement will allow users to control functionality and access display features directly from their phones, providing a seamless and convenient experience.

In the realm of modern trucks and off road vehicles, we continue to broaden our package availability.

A key differentiator for Holley Performance Brands is the breadth and depth of our product line, touching more parts of the vehicle than any other performance aftermarket company. This unique capability enables us to design components that work seamlessly together, meeting consumer demand for integrated and easily accessible products.

Our new packages will also cater to the UTV market, including a range of products such as shocks, brakes, exhaust system and tuning capabilities from various brands, within our portfolio.

In our Euro division, we are actively expanding our range of performance packages for BMW, vehicles under the Dinan brand. Additionally, we are finalizing the at-home flash tuning product for Dinan and look forward to discussing this in upcoming quarters.

For the APR brand, which focuses on Audi, VW and Porsche performance, we are preparing packages for key high volume models. We are developing these offerings with exhaust solutions such as those developed for the Audi S4 and S5.

In our Safety and Racing division, our commitment extends beyond ensuring safety with cutting edge technology. We also prioritize style for both, riders and drivers.

For our motorcycle line for Simpson, we are introducing a wider range of colors for our popular Outlaw Bandit helmet, responding to consumer demand. On the automotive side of Simpson, we are expanding our seat line to be FIA certified with more colors, appealing to a broader range of global markets.

Additionally, we are launching new product lines within our Airspeed Racewear collection, designed to keep drivers safe while looking great.

This is just a fraction of the great new products arriving across the Holley Performance Brands portfolio in Q2.

At this point, I would like to hand over the presentation to Jesse, who will offer a more detailed financial analysis and comparisons of our Q1, 2025, results. Jesse.

**Jesse Weaver**

Thank you, Matt, and good morning, everyone. I'd like to start by providing an overview of our updated financial priorities for '25 and then discuss our first quarter '25 financial results.

As we navigate a dynamic operating environment, we remain focused on our financial priorities. Free cash flow generation continues to be a top priority for the entire organization, and we remain committed to supporting this priority in '25 to a focus on operating efficiency, to drive profitability and working capital optimization.

In '25, we are continuing to work towards restoring historical profitability through elimination of inefficiencies in operations, which have already saved \$1 million in Q1. We anticipate savings of \$5 million to \$10 million, through improved distribution, manufacturing efficiency, return policy compliance and quality enhancements to better the customer experience throughout the year.

Our second priority remains to optimize working capital to unlock free cash flow generation and financial flexibility. Given the potential impacts related to tariffs, we are adopting a more proactive approach in managing our portfolio to reduce inventory held in non-working inventory such as work in progress and raw materials. Concurrently, we are actively advancing initiatives to better align our product mix with market demand.

Furthermore, we are enhancing our sales, inventory and operations planning and forecasting processes to create a more agile and demand-driven operating model. By improving alignment between production, inventory and market demand, we not only increase accuracy and responsiveness, but also strengthen our ability to anticipate shifts in the market and drive more informed strategic decisions.

Additionally, we are optimizing safety stock levels and lead times as part of a broader effort to create a more efficient and resilient supply chain.

These measures enable us to, systematically, reduce slow moving inventory while maintaining the high service levels that our customers expect, thereby, positioning us for greater operational excellence and resilience. Collectively, these efforts have resulted in a reduction of inventory of \$3.4 million, since the end of the year.

While this represents a strong start, further work remains to be done as we are targeting an overall reduction of between \$10 million and \$15 million in inventory, by the end of 2025.

On Slide 15, we'll walk through our key financial metrics for the first quarter.

Net sales for the first quarter were \$153 million versus \$158.6 million in the same period a year ago. The decrease was primarily related to lower sales volume, which was offset partially by improved price realization, compared to the prior year period. That said, excluding approximately \$10.5 million of divestitures and strategic product rationalization sales from net sales for the first quarter '24, we achieved growth of roughly 3.3% and exceeded our expectations for the quarter.

As Matt pointed out, this growth came across all divisions and is a byproduct of the execution across all aspects of our strategic framework for '25, as we have improved working relationships with our distribution partners, improved our processes related to new product development and improve our marketing calendar support.

Gross profit for the quarter was \$64.1 million, compared to \$52.1 million in the same period last year. Gross margin for the quarter was 41.9%, an increase of 910 basis points versus 32.8 in the prior year. This increase was primarily due to inventory charges in 2024, driven by the strategic product rationalization initiative, as well as improvement in freight costs.

SG&A, including R&D expenses for the first quarter was \$40.8 million versus \$37.8 million in the same period from the prior year. The increase in SG&A was driven by investments related to supporting Sarbanes Oxley, external sales support and the timing impact of marketing expenses.

Net income for the first quarter was \$2.8 million versus a net income of \$3.7 million in the first quarter of 2024. Adjusted net income in the first quarter was \$2.6 million versus a net income of \$65,000 in the same period of last year.

Adjusted EBITDA for the first quarter was \$27.3 million versus \$21 million in the prior year. Q1, 2024, adjusted EBITDA includes the impact of \$9.1 million non-cash charge related to a previously announced strategic product rationalization.

Adjusted EBITDA margin was up 460 basis points to 17.8% versus 13.2% in the first quarter of 2024.

On Slide 16, free cash flow for the quarter was negative \$10.8 million, compared to \$17.8 million in positive free cash flow, a year ago.

In the first quarter of '25, significant sales were booked in March, resulting in Accounts Receivables increases of \$14.9 million. Although this created a headwind in the first quarter, it is expected to contribute, positively, in the second quarter free cash flow. It should also be noted that during the first half of '24, an atypical Q1 AP tailwind provided benefits which have now reversed in the first quarter of '25, as the Accounts Payable balance was normalized and AP operations were improved. Therefore, generating free cash flow in the second quarter is expected.

Free cash flow in the first half will be lower compared to the previous year, mainly due to non-recurring benefits from AP that posed a headwind in the latter half of last year.

Slide 17 presents our net leverage at the end for the first quarter, which was 4.32x, compared to 4.16x, a year earlier. While reporting our covenant leverage ratio, we amended our senior secured revolving credit facility to a covenant light structure that only test the covenant of 5x total net leverage when the revolver is strong.

At the end of the quarter, there was no outstanding balance on our revolver, and we concluded the quarter with \$39 million in cash and no expectation of drawing on the revolver in the near term.

Before we move to our guidance, I'd like to provide some context to the broader macroenvironment and the health of the consumer from where we sit, today. While we are extremely proud of the team's efforts to drive core topline growth in the quarter, and the current trend observed in the overall business, the financial health of consumers continues to show signs of strain, most recently reflected in significant drops in sentiment.

The University of Michigan Consumer Sentiment Index has declined, sharply, to its lowest level, since November of '22. This decline indicates growing consumer concerns regarding persistent inflation, interest rate uncertainty and broader economic viability. Although this sentiment hasn't yet resulted in a broad reduction in spending, it suggests that consumers are becoming more selective and value conscious, particularly in discretionary categories, which could moderate spending in the near term.

As we all know, the external global trade policy on tariffs remains fluid. As discussions continue, potential changes in trade terms introduce an additional layer of uncertainty that we are actively monitoring and addressing, proactively. In response to these conditions, we are maintaining a disciplined focus on operational excellence through our strategic framework and heightened emphasis on cash flow optimization.

We believe that the measures outlined today will help us navigate near-term challenges, while preserving free cash flow. We are confident in our ability to execute our strategic framework, supported by the strength of our leadership team and the adaptability of our business, as conditions evolve.

As such, we are maintaining our '25 guidance due to the strong in our business during the first quarter and excluding any potential impacts from tariffs, we continue to expect 2025 revenue of \$580 million to \$600 million, which implies approximately a 2.5% growth at the midpoint, over the core business base of roughly \$575 million in 2024.

As a reminder, we originally forecasted most of the growth in the back half of the year. Any further deterioration in the consumer may have an impact on our outlook, as we continue to assess, throughout the year.

Additionally, we are maintaining our guidance of '25 adjusted EBITDA of \$113 million to \$130 million.

Overall, we are proud of the strong progress we've made to start '25, particularly, through the disciplined execution of our strategic initiatives. These actions have not only driven robust business growth in the first quarter but, also, have outperformed industry growth rates, based on the intel we receive from our distribution partners.

While we remain mindful of the evolving macroeconomic environment and the fluid tariff situation, we are confident the operational discipline and momentum we have built will continue to serve us, well, as we move through the balance of the year.

This concludes our prepared remarks. We would like to now open up the line for questions.

**Operator**

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, you may press “\*”, “1” on your telephone keypad, and a confirmation tone will indicate your line is in the question queue. You may press “\*”, “2” if you would like to withdraw your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset, before pressing the star keys. In the interest of time, we ask that everyone to please ask one question and one related follow-up. Thank you.

Our first question is from the line of Christian Carlino with JPMorgan. Please proceed with your questions.

**Christian Carlino**

Good morning, thanks for taking our questions. Your response to the tariff you laid out in slides is really impressive. So, I’m curious how both your sourcing mix and maybe your broader capabilities to respond differs versus peers and spending on the category aside, would you expect share gains to accelerate and that the current tariff backdrop persists?

**Matt Stevenson**

Good morning, Christian, and thank you for the question. One of the big differentiators for Holley is the breadth and depth of product that we have across various categories. And so, for us, it’s really a category by category approach within their--based on our competitive dynamic, based on our sourcing strategy.

So, Christian, we’ve got to see how it ultimately plays out but we think Holley is poised to take share just based on the majority of our production cost and our cost of goods sold being in the U.S. versus some of our competitors and other categories that are primarily sourced out of Asia.

**Christian Carlino**

Got it, that’s helpful. And as a big segue to my follow-up, which is basically, what’s been the feedback to the price increase you announced in April from the distribution partners, and what are they saying about how this level compares to maybe what peers are requesting? And is this a broad increase across the portfolio and then you maybe sensitize it to product and categories later on? Just a bit more color on how you’re thinking about that and what the distinct back spend. Thanks.

**Matt Stevenson**

Yeah, thanks, Christian. Overall, the feedback has been positive relative to our approach. I think our distribution partners appreciated our blending approach across portfolios versus just hitting harder in the impacted products.

Now, in the marketplace, we have seen price increases well in excess of what we put out into the market. I mean, we've seen increases as high as 30% or more on some categories from some competitors. So overall, think our distribution partners understand the situation and appreciated our approach. And really, their skepticism and pushback is on competitors that have that north of double-digit increases.

**Christian Carlino**

Got it, that's really helpful. Thanks a lot.

**Matt Stevenson**

Thank you, Christian.

**Operator**

Our next question is coming from the line of Mike Swartz with Truist Securities. Please proceed with your questions.

**Mike Swartz**

Hey, guys, good morning. Could you just elaborate a little more? There was a comment in the press release and I think, Matt, you mentioned it on your prepared remarks just around maybe some moderation and demand that you've witnessed, through the first quarter. I'm just trying to understand what that maybe means on a quantifiable basis, out the door sales, maybe what we've seen in the last month or two versus what we saw in the first quarter. Or is this more tied to broader statements around the consumer, consumer sentiment, things of that nature?

**Matt Stevenson**

Yeah, Mike, good morning. Thank you for the question. In general, March was quite strong and yeah, the out the door performance of our products, as well with the distributors overall business was quite healthy.

My comment referenced slow sales in January and February. And we commented on the last earnings call about just there's a lot of weather, cold weather that extended much further south than typically normal, which caused demand maybe somewhat slow in January and February.

But March was really good. And my other comment was, in the prepared remarks, as we sit here today, we really haven't seen demand trends go either way. I mean, we're generally on the same course that we saw coming out of March, and there hasn't been any material pre-buy or slowdown from what we're seeing. But it's still early in the quarter. We've got to see how things play out.

**Mike Swartz**

Okay, that's helpful. And then, I guess maybe just follow up on the pricing question, previously. Maybe just a little more color. I think you said that retailers are approving the approach that you're taking. So maybe what is that approach? Are you doing anything in terms of surcharges where this is more temporary pricing, based on the outcome of everything or maybe just a little more context around that comment.

**Matt Stevenson**

Yeah, Mike, our approach was to blend the impact across our portfolio. And again, a big differentiator for us in the marketplace is the breadth and depth of products that we cover, as well as the majority of our production costs being in the U.S. So, we had that ability to do that and take roughly that 8.75 and a blended approach across our portfolio.

With a few exceptions, not all products got that increase versus some of our competitors who didn't have that luxury in taking significant price increases, double digits or more on specific categories of products because they're sole sourced out of Asia and may only compete in one or two product categories.

**Mike Swartz**

Okay, wonderful. Thanks for the comments.

**Matt Stevenson**

Yeah, thanks, Mike.

**Operator**

Our next questions are from the line of Bret Jordan with Jefferies. Please proceed with your questions.

**Bret Jordan**

Hey, good morning, guys.

**Matt Stevenson**

Good morning, Bret.

**Bret Jordan**

Could you talk about the third-party platform strategy that more, I guess, real growth there, is the margin profile comparable to your core B2C and I guess, is there any channel conflict as you grow those businesses with Amazon or eBay? Do any of your legacy customers see them as a threat?

**Jesse Weaver**

Yeah, hey, Bret, it's Jesse. So, we haven't seen a lot of strength there. The team has done a great job on the data and the output of the data work is continued improvement on the third-party.

What we found, internally, is that it's highly incremental. In 2023, when I was here, we were seeing changes in the algos, changes in what was happening with data. And Amazon dropped off and it was being picked up in the other channels. So, that signaled to us that there really is very limited channel conflict.

And then that kind of gets into your question on the margin profile. There are different fee structures there. Obviously, we sell that at retail but then you have to pay other fees associated with it. But given the incrementality there, we view it as a viable growth channel that we will continue to lean into, just along our approach of what we want to be where the customers want to shop.

**Bret Jordan**

And are the selling prices on the same SKU basis the same? I mean, are you sort of doing a fixed price model?

**Jesse Weaver**

Yeah, I mean, we comply with MAP on those channels, and that's an area that as we continue to enhance our support of the distribution partners, that we have monitored even more closely as we do have distribution partners who also sale on those marketplaces.

**Bret Jordan**

Great, thank you.

**Matt Stevenson**

Thanks, Bret.

**Operator**

The next questions are from the line of Phillip Blee with William Blair. Please proceed with your questions.

**Phillip Blee**

Good morning, guys, thanks for the question. Just a quick point of clarification. Your guide does not include the impact of tariffs. So, does it exclude the impact of some of those, the pricing that consigned for early June and some of the other cost savings and mitigation efforts. Just trying to get a feel for the level of conservatism embedded here.

**Jesse Weaver**

Thanks, Phillip, it's Jesse. Yes, it exclude the impacts, obviously, of tariffs, as we made clear. There's two potential impacts as it relates to tariffs. One is the obvious one that we all talk about, write about, know about.

But then the other one is just like the general impact of the tariffs and the price increases across the economy and what it does to consumer sentiment. And so, with our guide, there's certainly

a bit of understanding that needs to be done as we kind of venture into the back half before I feel like we would feel confident enough to kind of quantify anything for you, at this time.

**Phillip Blee**

Okay, that makes sense. And then, you reiterated your guide for low mid-single digit growth in the core business. So, along with your expectations for price, can you just talk about some of your assumptions and impacts around volume and what kind of elasticity you think that, based on historical results, or have you seen maybe less of an impact on volume with some of your previous pricing actions? Thank you.

**Jesse Weaver**

Yeah, I think at this moment, what's implied in that, Phillip, as we talked about the price increase goes into effect, it will be later this quarter. And without changing the sales piece, there is an implication on the volume side that would be offset on the pricing increase.

Certainly, that would come through a higher margin but I think, as we've all talked about, there's just uncertainty around the ultimate tariff impact. So, that is the volume, to answer your volume question. There is a volume sort of offset to that with holding sales flat with that higher price.

**Phillip Blee**

Okay, makes sense. Thanks, guys, best of luck.

**Matt Stevenson**

Thanks, Phillip.

**Operator**

Next questions are from the line of Joe Feldman with Telsey Advisory Group. Please proceed with your questions.

**Joe Feldman**

Yeah, thanks, guys. Just again on the tariff thing, can you clarify how much exposure you do have to China? I know you keep saying there's not a lot of exposure to tariffs and yet, there's a lot of work being done to mitigate them. So, I'm just trying to reconcile those two comments that a majority of it's U.S. based but you still have decent exposure.

I mean, it would just help to kind of quantify, I think for some of us, what that would be.

**Matt Stevenson**

Yeah, Joe, good morning, I appreciate the question. Yeah, a lot has changed since we reported on the last earnings call with the numerous changes in the administration regarding the tariffs and the new ones that have been implemented, as well as increase, over the last, roughly, two months.

So, we spoke prior, the tariffs at the current state can be covered just with a pretty moderate price increase. Now, as those tariffs have escalated, they become meaningful for a business, hence, the work that is going into mitigate those, as well as the pricing action that we just took.

But we remain optimistic, Joe. It's a definitely fluid situation. The team is doing a ton of hard work and is finding opportunities to mitigate these, daily. As well, we're optimistic in the changes in the administration, as the dust starts to settle and things get more permanence on what actually these tariffs will be.

So, for us, to give you any insight really into the exact number right now, it just wouldn't be accurate because it's a fluid situation and the great work the team is doing, every day, is mitigating those tariffs. And we will know more when we come back to you in early August.

**Joe Feldman**

Thank you. And then, maybe an unrelated question is, you mentioned the Holley events, changing structure a bit and trying to generate more revenue from them because of that change. Can you share a little more color on that? I'm just curious how that you would change it.

**Jesse Weaver**

Our events are just an amazing opportunities to connect with enthusiasts. And attendance continues to grow. We just had our LS Fest West in Las Vegas. Attendance was up and our merchandise sales were up. And there was just great opportunities there for our enthusiasts for our enthusiasts to partake in these great events in the culture of high-performance brands.

And for us, we offer more opportunity whether it's VIP experiences, different merchandise, different events are participated in, as well, look to the value that we provided in our pricing structure. But overall, just continuing to optimize how we produce and put on our events and not only to enhance the enjoyment of our enthusiasts but to provide opportunities to grow revenue in the process.

**Joe Feldman**

Got it, thank you. Good luck this quarter

**Jesse Weaver**

Thanks, Joe.

**Operator**

Our next question is from the line of Brian McNamara with Canaccord Genuity. Please proceed with your questions.

**Brian McNamara**

Hey, good morning, guys, thanks for taking the question.

**Jesse Weaver**

Hey, good morning, Brian.

**Brian McNamara**

So, first--good morning, guys. So, first off, I think when you guys reported Q4, I think March 11, sales were core to date were flattish. I know they ended up pretty nicely. You guys seem pretty confident that there's no pre-buying. I guess, how do you know kind of thing because we saw auto sales jump towards the end of March and things like that.

Just curious what gives you confidence there's no pre-buying after all the tariff noise that we saw on Liberation Day on April 2.

**Matt Stevenson**

Yeah, Brian, it's the information we get from our B2B partners. And of course, with our direct consumer platform, January and February were so soft relative to the patterns that were driven in the weather.

And so, the feeling from our distribution partners and from what we're seeing in our business is just consumers didn't get a chance to work on their cars. And so, when the weather started to break in March, a lot of that demand for people wanting to take on projects and get in their garage was a bit delayed.

So, we really feel that was the driver in March. And as we sit here, today, the conversations from our distribution partners are more of a wait and see attitude, relative to seeing how things will play out. But again, it's still early in the quarter. Our pricing increase goes in on June 9, and we'll see how that plays out for the rest of the quarter here in terms of the demand patterns.

**Brian McNamara**

Got it. And then, I have a pretty technical question on tariffs, at least as they relate to China. So, we cover an eclectic group of companies and we learned from another coverage company that the Steel 232 tariffs supersede the reciprocal tariff for China. So, I'm just curious if there's any nuance as it relates to your tariff exposure to China.

**Matt Stevenson**

Yeah, Brian, it is a very complex situation. And there's Section 232 auto parts, there's Section 232 steel and aluminum. There's reciprocal out of China. There's a number of ones that are in play.

Now, the administration made a change, last week, that the stacking of steel and aluminum are reciprocal has come off. But we literally have to go product by product and analyze what tariffs are applicable and stay up with the changes.

And so, this is why we have a host of firms on the outside that are helping us navigate and validate the situation as it changes because there's a whole flow chart that you walk through the various tariffs and exceptions and yes, no causes to determine what is the applicable percentage on our product line.

**Brian McNamara**

All right, thanks a lot, Matt, appreciate it.

**Matt Stevenson**

Thanks, Brian.

**Operator**

Thank you. At this time, I will now turn the floor back to Matt for closing remarks.

**Matt Stevenson**

Okay, thank you, Rob. Slide 20 highlights the compelling investment narrative we see surrounding Holley Performance Brands. This market, driven by automotive enthusiasts, is more than just a hobby; it's a passion and a way of life for our customers.

We have a vast addressable market nearing 40 billion, and Holley leads the industry with a collection of storied brands, known for their legacy of innovation. Our history is also marked by successful acquisitions and value creation through strategic integrations.

Additionally, we have a unique opportunity to create a new digital frontier that will transform how our consumers and our distribution partners engage with our brands, giving us competitive advantage and fostering growth.

As we are emerging from this transformation, our commitment is to deliver stable organic topline growth of at least 6%, maintain 40% gross margin targets and achieve greater than 20% in adjusted EBITDA margin targets.

We aim to generate sustainable free cash flow and establish a platform that unlocks value and strategic acquisitions. Accommodation of our automotive enthusiasts' marketplace and Holley's distinguished brand portfolio presents an exceptional investment opportunity.

In closing, I want to express my sincere appreciation to our team members for their dedication to serving our customers, daily, and to our remarkable consumers who support our brands, and to our distribution partners, many of whom have been integral to our success, for decades.

So, with that, I'd like to thank you for your attendance on the call today and have a wonderful rest of the week. Thank you.

**Operator**

This will conclude today's conference. You may disconnect your lines at this time. Thank you for your participation and have a wonderful day.