

Holley
4Q '25 Earnings Call
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Presenters

Anthony Rozmus, IR
Matthew Stevenson, President and CEO
Jesse Weaver, CFO

Q&A Participants

Brian McNamara - Canaccord Genuity
Christian Carlino - JP Morgan
Bret Jordan - Jefferies
Joe Feldman - Telsey Advisory Group

Operator

Good morning, ladies and gentlemen, and welcome to the conference call to discuss Holley's fourth quarter and full year 2025 earnings results. 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 to limit themselves to one question and one related follow up for 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 turn the call over to your host, Anthony Rozmus with Investor Relations. Anthony, please go ahead.

Anthony Rozmus

Good morning and welcome to Holley's Fourth Quarter and Full Year 2025 Earnings Conference Call. On the call with me today are President and Chief Executive Officer, Matthew 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 of 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 fourth quarter and full year 2025 and discuss guidance for the full year 2026. At the conclusion of the prepared remarks, we will open the line up for questions. With that, I'll turn the call over to our CEO, Matthew Stevenson.

Matthew Stevenson

Thank you, Anthony, and good morning to everyone joining us. As we reflect on 2025, I am pleased to report that our disciplined approach delivered strong fourth quarter results in a year of meaningful progress for Holley. This was a pivotal year and not because of one standout

quarter but because of sustained performance across all four quarters. For the first time since 2021, we delivered full year net sales growth while achieving adjusted EBITDA margins above 20%, highlighting the earnings capability of our business model. Our core business generated net sales growth in every quarter of 2025, culminating in double-digit growth in the fourth quarter, our strongest performance of the year and clear evidence of the accelerating momentum as we enter 2026. When we refer to core, we are excluding divested operations and strategically rationalized product lines. Four straight quarters of core growth demonstrate that the underlying business is performing and that our strategy is producing measurable results.

Throughout the year, we operated with focus and rigor, driving volume-led growth, sharpening pricing execution, strengthening operational capabilities, and maintaining financial discipline. Full year net sales growth was driven primarily by volume, complemented by pricing, a balanced mix that reflects solid underlying demand for our leading brands. In the fourth quarter, we saw growth across B2B and direct-to-consumer channels, underscoring the resilience of our omnichannel platform and the strength of our relationships with distributors, e-tailers, marketplaces, installers, and our own digital ecosystem. This strategy, centered on serving enthusiasts wherever they choose to engage, drove growth across all 4 divisions and 22 key brands in 2025. Just as importantly, we reinforced our financial foundation. We generated meaningful free cash flow and ended the year with net leverage below the target we set out at the beginning of 2025, demonstrating balance sheet discipline and strong financial control. Consistent growth, expanding margins, strong cash generation, and leverage reduction all achieved simultaneously. That combination reflects disciplined focused performance.

Let's turn to slide five, which outlines how the sustained performance translated into measurable financial results for both the fourth quarter and full year 2025. As noted, for the first time since 2021, we delivered both full year net sales growth and adjusted EBITDA margins above 20%, a clear indication that our multiyear transformation is taking hold. Core net sales grew in every quarter of 2025, accelerating to 13.5% growth in Q4, reflecting solid demand and stronger commercial execution. For the full year, net sales totaled 613.5 million. Core net sales increased 6.6%, driven primarily by 3.8% volume growth with an additional 2.8% contribution from pricing, a healthy mix that speaks to the quality of our growth. Performance was broad-based with growth across all divisions, 22 key brands, and in both the B2B and direct-to-consumer channels, demonstrating the strength and diversification of our portfolio. Our strategic initiatives continue to drive tangible results. Revenue programs contributed meaningfully in 2025, while cost and efficiency actions delivered approximately 20 million in savings through purchasing discipline, tariff mitigation, operational improvements, and productivity efforts. We generated 34.2 million of free cash flow for the year including 3.9 million in the fourth quarter, an improvement year-over-year even as we continue investing in the business. We also prepaid an additional 10 million of debt in Q4, bringing total prepayments to 100 million since September of 2023. We ended the year below 3.8x leverage, achieving our stated target and enhancing our financial flexibility. The takeaway from the slide

is alignment. Revenue growth, margin expansion, cost discipline, cash generation, and leverage reduction all progressed together, reinforcing the durability of our operating model.

Turning to slide six, let's take a closer look at the fourth quarter results. Net sales were 155.4 million, increasing 10.9% year-over-year with 13.5% core growth, our strongest core growth performance of 2025. Gross margin expanded to 46.8%, up 120 basis points versus the prior year, driven by pricing discipline, favorable mix, and continued operational improvements across sourcing and manufacturing. Adjusted EBITDA margin improved to 21.4%, up 56 basis points year-over-year with an adjusted EBITDA increasing to 33.2 million from 29.1 million last year. We delivered net income of 6.3 million in the fourth quarter, representing a meaningful year-over-year improvement. Now innovation remains central to our strategy. During the quarter, we launched new products from all four divisions, including multiple Snell 2025 certified motorsports helmets such as the popular Stilo ST6, new APR power packages for Volkswagen, Audi, and Porsche platforms, and plug-and-play Edge module for late model GM trucks and SUVs, enabling consistent full-time VA performance. New product launches contributed to approximately 23 million in new product sales for the full year, underscoring the ongoing vitality of our portfolio. Operationally, we maintained an average in-stock rate of approximately 91% across our top 2,500 SKUs, supporting performance through disciplined inventory management and strong product availability. In addition, we completed approximately 20 million in combined purchasing savings, tariff mitigation, and operational improvements during 2025, structural actions that strengthen the business for the long term. The fourth quarter is also an important engagement period for our brands. We participated in both SEMA and PRI, two of the industry's most significant events, further deepening relationships with enthusiasts, installers, and distribution partners. Taken together, our fourth quarter results reflect strong commercial performance, expanding margins, operational discipline, and continued investment in innovation and brand engagement.

Turning to slide seven, you can see how fourth quarter core growth translated across each division. American performance increased 10% year-over-year with several lifestyle and power brands delivering double-digit growth. Truck and off-road grew 5.4% led by Baer Brakes as new truck-focused offerings gained traction. Euro and import maintained strong momentum, finishing the quarter up 21.5% and capping a solid year for the division. Safety and racing faced earlier headwinds as we navigated the October transition to Snell 2025 Motorsport helmet certification. Following the launch, performance accelerated, driven by new helmet introduction and continued strength in motorcycle safety. The division closed up the quarter 13.3%. Importantly, every division contributed to fourth quarter growth, underscoring the breadth of our portfolio. We have structured the organization around focused divisional leadership with clear accountability, supported by shared capabilities across multiple centers of excellence. Fourth quarter results demonstrate the model is working as intended, driving divisional performance while maintaining enterprise alignment.

Let's move next to slide eight where we revisit the strategic framework that continues to guide our execution and support long-term growth. At the foundation of our approach are three clear

priorities: fueling our teammates, strengthening customer relationships, and accelerating profitable growth. These are not abstract concepts. They shape how we allocate capital, how we measure performance, and how we prioritize initiatives across the organization. Throughout 2025, this framework provided clarity and consistency in decision-making. It aligned our teams, sharpened our focus, and ensured the progress you've seen across revenue, margins, cash flow, and leverage was intentional, not incidental. As we walk through the strategic initiative tracker, you'll see how these priorities translate into measurable actions and tangible results.

Turning to slide nine. The strategic initiative tracker quantifies the impact of our execution in the fourth quarter and across the full year 2025. Under Trailblazing Trusted Partner, we generated revenue of 14.7 million in Q4 and 43.9 million for the year, driven by improvements in product data quality and deeper collaboration with key customers. Under premier consumer journey, Q4 contributed 4.1 million, bringing the full year total to 12.5 million. Third-party marketplaces grew 24% in 2025 led by strong Amazon performance. Under Product Innovation and portfolio management, we delivered 10.8 million in Q4 and 40.3 million for the full year. Approximately 23 million came from our new product launches with an additional 16 million driven by focused portfolio management across our B2B network. Under global expansion and new markets, we contributed 1.2 million in Q4 and 3.7 million for the year, reflecting continued progress in Mexico and expansion within powersports. Under fund the growth, we generated 7 million in Q4 and approximately 20 million for the full year through purchasing savings, tariff mitigation, and operational efficiencies. Under great place to work, employee engagement improved by four points while revenue per employee reached approximately 460,000, exceeding our 2025 objective and reinforcing our focus on culture and productivity. Collectively, these initiatives delivered meaningful revenue contribution and significant structural cost savings in 2025, clear evidence that our strategic framework is translating into measurable financial results.

Turning to slide 10. Our strategic framework in eight key focus areas continue to guide execution and long-term value creation. This slide outlines several of the priority initiatives that will drive performance in 2026. Under premier consumer journey, we are continuing to optimize our product launch process to accelerate adoption and improve speed to market. At the same time, we are enhancing digital merchandising and expanding our presence across key third-party marketplaces, ensuring we meet enthusiasts wherever they choose to shop. Within Trailblazing Trusted Partner, we are deepening relationships with our largest B2B customers while applying the same structured data-driven approach to midsized accounts. We are also expanding the reach of our direct sales organization and advancing meaningful growth initiatives with national retailers to further strengthen our brick-and-mortar presence. Product innovation remains central to our strategy. In 2026, we will expand our performance chemicals portfolio including new vehicle care products while continuing to grow packaged solutions and modern truck through partnerships serving both OEM dealers and consumers. We are applying a similar approach in Euro and import working closely with leading dealers alongside our direct-to-consumer efforts. International expansion continues to represent opportunity as we introduce more of our portfolio to enthusiasts globally. Powersports also remains a growth

priority, supported by deeper collaboration with major distributors to increase awareness and adoption of our UTV and safety offerings.

While remaining committed to our deleveraging objectives, we will selectively evaluate strategic M&A opportunities that strengthen priority growth categories and unlock operational synergies. Supporting these growth initiatives are focused operational actions, eliminating non-value-added costs, reducing tariff exposure, driving strategic sourcing savings, improving facility efficiency, and optimizing our manufacturing footprint. In 2026, we will also begin the early stages of implementing a new ERP and warehouse management systems to support scalable long-term operational excellence. Collectively, these initiatives position us to deliver over 4% revenue growth and more than 15 million in cost synergies this year. Now, with that, I'll turn it over to Jesse to review our fourth quarter and full year 2025 financial results in more detail and provide additional perspective on our outlook for 2026. Jesse?

Jesse Weaver

Thank you, Matt, and good morning, everyone. Before diving into the details, I want to reinforce Matt's earlier comments that we closed '25 having achieved several meaningful financial milestones. We delivered four consecutive quarters of core business growth and returned to full year reported net sales growth for the first time since '21, driven by the focused execution of our strategy across both our D2C and B2B commercial engines. Importantly, the quality of this growth reflects the transformation of our company across virtually every department, creating a durable growth engine and a level of operational excellence that simply did not exist before. We also strengthened the balance sheet, completing \$25 million of debt prepayments in 2025 and surpassing \$100 million in total prepayments in September of '23. And importantly, we achieved full year adjusted EBITDA margins above 20% for the first time since 2021. Taken together, these milestones reflect tangible progress against the strategy. And with that context, I'd like to walk through our progress in more detail, starting with an update on progress against our '25 financial priorities on slide 12. Our efforts in '25 remain centered on reinforcing the core strengths of our business: restoring historical profitability, improving working capital management, and deleveraging the balance sheet. On profitability, the team delivered \$10 million in operational savings during the year, achieving the top end of our stated target. These results were driven by optimized staffing models and sustained efficiency gains across our manufacturing and distribution network. We also advanced facility consolidation and disciplined network-wide cost actions that further strengthened the structural profitability of the business and enhanced our operating foundation.

Turning to working capital. Excluding tariff impacts on product costs, we closed the year with a \$9 million improvement including 4.5 million realized in the fourth quarter alone. While inventory levels did not fully reach our original reduction targets for the year, the outcome reflects deliberate operational decisions aimed at improving supply chain efficiency. These actions temporarily elevated inventory but represent important steps towards building a more resilient and consistent operating model. We also made meaningful progress in strengthening the balance sheet. During the fourth quarter, we prepaid \$10 million of debt, bringing total

payments for the year to 25 million and over \$100 million since 2023. As a result of our transformation focused on restoring profitability, improving working capital discipline, and executing targeted debt reduction, we reduced leverage from a peak of 5.67x in the first quarter of '23 to 3.75x at year-end in '25, a significant improvement in the strength and flexibility of our capital structure.

On slide 13, I will review our key financial metrics for the fourth quarter. Net sales for the fourth quarter increased 10.9% to 155.4 million compared to 140.1 million in the prior year period. Growth was driven by a healthy balance of price and volume, contributing approximately 5.6% and 5.4% respectively. It's worth noting that the way the Christmas and New Year holidays fell this year provided an estimated 2 to 3 percentage points of benefit from incremental in-office days from our major partners. Even adjusting for that timing impact, growth was solid and reflects continued underlying momentum in the business. This marks our second consecutive quarter of reported net sales growth, which is the first sustained growth we've delivered since 2023. Excluding approximately \$3 million of prior year sales related to divestitures and strategic product rationalization, core sales increased approximately 13.5%, representing our fourth consecutive quarter of consistent growth in the business coming from a combination of price and volume, contributing approximately 5.7% and 7.8% respectively in the quarter.

We are particularly encouraged that this growth was broad-based across both D2C and B2B channels and throughout all divisions, reflecting the continued impact of our commercial transformation initiatives. Gross profit for the quarter was 72.8 million, an increase of 14% versus the prior year. Gross margin reached 46.8%, expanding 120 basis points year-over-year. Margin improvement was supported by the flow-through of pricing actions as well as operational gains across our facilities, lower excess inventory write-downs, and continued enhancements in product quality reflected in reduced warranty claims. SG&A, inclusive of R&D, totaled 47.9 million compared to 39.4 million in the same period last year. The year-over-year change reflects the comparison against reduced payroll expense in the prior year due to furlough actions, lower incentive compensation accruals in '24, and increased '25 investment in SOX readiness, cybersecurity, and tariff mitigation initiatives. Net income for the quarter was 6.3 million, representing an improvement of 44.1 million versus the prior year period. We had combined goodwill and trademark impairment of approximately 49 million. Adjusted net income was 4.6 million compared to 12.6 million last year. Adjusted EBITDA for the fourth quarter was 33.2 million, up from 29.1 million in the prior year. Adjusted EBITDA margin reached 21.4%, expanding 56 basis points year-over-year.

On slide 14, we highlight continued positive cash generation with fourth quarter free cash flow of 3.9 million compared to 1.8 million in the prior year period. For fiscal '25, free cash flow totaled 34.2 million, marking our third consecutive year of positive cash generation. And this performance reflects strong execution and disciplined financial management across the organization. On slide 15, we continue to reduce our covenant net leverage at the end of the fourth quarter to 3.75x versus 3.91x in Q3 and 4.17x a year ago. Our leverage continued to

decline as a result of stronger operating performance and disciplined cash management. We achieved our goal of being below 4.0x by year-end, which reflects continued progress in strengthening our capital structure. We ended the quarter with 37 million of cash on hand and no outstanding balance on our revolver. Our liquidity position remains solid, and we remain committed to maintaining a conservative balance sheet posture as we continue to execute on our broader financial priorities.

Now turning to financial results for full year of '25. Net sales for fiscal '25 were 613.5 million, representing 1.9% growth compared to fiscal '24, making the first full year of reported top line growth since '21 and a testament to the organizational focused execution against the strategic initiatives targeted at driving the commercial engine of the business. Excluding approximately 26.8 million of divestiture-related and strategic product rationalization sales from the prior year period, underlying core growth was approximately 6.6%, coming through a combination of price and volume, contributing 2.8% and 3.8% respectively. Once again, core business momentum was broad-based across divisions and channels, reflecting continued traction from our commercial transformation in both B2B and D2C. Gross profit for the year was 266.2 million, an increase of 27.7 million versus the prior year. Gross margin reached 43.4%, an expansion of 378 basis points year-over-year. Margin performance reflects a combination of pricing benefits and ongoing operational progress, specifically, facility level efficiencies, lower excess inventory adjustments and improved product quality, evidenced by reduced warranty claims. Year-over-year improvement also reflects the absence of the 8.2 million in strategic product rationalization charge recorded in 2024, which had negatively impacted gross margin and EBITDA in the prior year.

SG&A, inclusive of R&D, totaled 165 million for the year compared to 150.9 million last year. Year-over-year changes largely reflected the comparison against lower payroll expense in '24 related to furlough actions, reduced '24 incentive compensation accruals, increased investment in external sales support, and higher '25 investment in SOX compliance, cybersecurity, and tariff mitigation initiatives. Net income for the year was 19.2 million, representing an improvement of 42.4 million versus the year-end of 2024. Adjusted net income was 21.2 million compared to 24.8 million last year. Adjusted EBITDA for year-end '25 was 124 million, up 13.5 million from '24. Adjusted EBITDA margin was 20.2%, an increase of 191 basis points year-over-year and delivering on our commitment of achieving at least 20% EBITDA on an annual basis since the transformation began upon Matt's appointment in June of '23.

Turning to slide 17 where we'll walk through guidance for '26. As we enter the year, the consumer backdrop remains uneven in this increasingly K-shaped economy. Middle and lower-income households continue to face pressure from elevated prices and tighter credit while higher income consumers remain willing to spend. While overall sentiment is still subdued, recent improvements and stable spending trends suggest conditions are gradually stabilizing as we move into the year. We are incorporating these dynamics into our '26 guidance and outlook while also recognizing that significant winter weather events impacted consumer spending as we began the year. For '26 revenue, we are expecting a range of 625 million to 655 million,

which implies approximately 4% to 4.5% growth at the midpoint of the range. Our adjusted EBITDA guidance is 127 million to 137 million, representing approximately 6.5% growth at the midpoint. As it relates to capital expenditures, we expect to invest between \$15 million and \$20 million this year, modestly above our historical range. This increase reflects targeted investments and facility consolidations to drive structural efficiencies, ERP implementation to enhance operational scalability, and incremental product development to support our next-generation EFI platform. We view this as a temporarily elevated level of investment tied to high-return initiatives that strengthen the operating model and support long-term growth, not a structural shift in the capital intensity of the business. In support of this outlook, the financial priorities that have underpinned our transformation remain firmly in place for '26.

On slide 18, you'll see the specific objectives aligned to each of these priorities. First, as it relates to profitability through operational efficiency, we are targeting an incremental 5 million to 7 million in savings through continued network optimization, facility consolidation, and disciplined cost actions. Second, improving working capital remains a key focus area through enhanced forecasting, tighter safety stock management, supplier negotiations on minimum order quantities, and continued refinement of our SIOP processes. We are targeting 10 million to 15 million in inventory reduction by year-end. And third, the combination of earnings growth, working capital improvement, and disciplined capital allocation is expected to further strengthen the balance sheet, positioning us to exit the year below 3.5x leverage and continue progressing toward our longer-term objective of approximately 3x in 2027. Taken together, these priorities reflect a continued commitment to profitable growth, stronger cash generation, and more resilient capital structure. As we conclude fiscal '25, we are encouraged by the progress we have made and the foundation we have built for the year ahead. Our focus remains centered on reinforcing our balance sheet, driving sustainable free cash flow, and allocating capital with discipline, all of which support our long-term growth trajectory heading into '26 and beyond. We are proud of the team for closing the year on a strong note and continuing progress in 2026. This concludes our prepared remarks. We would now like to open the line up for questions.

Operator

Certainly. We will now be conducting a question-and-answer session. If you'd like to be placed in the question queue, please press star one on your telephone keypad. As a reminder, we ask that you please ask one question and one follow up then return to the queue. A confirmation tone will indicate your line is in the question queue when you press star one. If you'd like to remove your question from the queue, please press star two. Once again, that's star one and please ask one question, one follow up, then return to the queue. Our first question is coming from Brian McNamara from Canaccord Genuity. Your line is now live.

Brian McNamara

Hey. Good morning, guys. Congrats on the strong year and the progress on your initiatives here. So, market growth in 2025, can you guys quantify that and what your expectation is for 2026? I know I see a plus 4.3 at the midpoint for guidance versus your historical kind of mid-single-digit

market growth number. Just trying to assess relative conservatism here relative to market growth.

Jesse Weaver

Yeah. I would say market growth last year, I mean, we obviously did pretty strong and core growth of 6.6. I want to say, based on our intel from the market, it was out-the-door sales were probably in the 3% to 4% range. So, we continue to take share throughout the year, and I think that partnership with distribution partners is really paying off there. I would say for next year, Brian, our plan would indicate that the share gains continue, maybe not to the pace that we saw last year, but it is implicit in what we've guided to right now.

Brian McNamara

Great. And then secondly on pricing. 2025 volumes were better than we would have thought. Can you remind us of the timing and frequency of pricing you take in a typical year and how much pricing growth is contemplated in guidance? And is that 8.75 pricing you took last year kind of still working through the P&L? Thanks, guys.

Jesse Weaver

Yeah, I'll take that. Typically, the pricing cadence is middle of the year. We did, obviously, in Q3 -- or sorry, at the end of Q2, take some price in the 8.75%, and then the Q3 call, we talked about how it wasn't all completely flowing through. We obviously picked up more of that flow-through in Q4. And this year, we're recognizing the market probably doesn't have a stomach for the level of pricing that we took last year to kind of support the tariff impacts that we're all experiencing. We did take a modest price increase at the very beginning of the year. But I would suspect that that's going to be slightly offset with continued sort of partnership with distribution partners and selective channel margin enhancements to continue to drive growth. So, not a lot anticipated there or a price increase middle of the year at least at this point.

Brian McNamara

Great. I'll pass it on. Thanks, guys.

Matthew Stevenson

Thanks, Brian.

Operator

Thank you. Your next question today is coming from Christian Carlino from JP Morgan. Your line is now live.

Christian Carlino

Hi. Good morning. Thanks for taking our question and congrats on a strong year. Could you talk about how you're thinking about elasticity as you annualize the impact of tariffs into the second half? It's less apparent right now seeing that eight to nine points part because of B2B growing faster. But compared to your typical low single-digit price increases, if that normalizes over the

year, to what extent are you assuming an improvement in unit trends to offset this as maybe real wages theoretically pick up later in the year? And just any broader comments on maybe cadence of the year would be helpful.

Jesse Weaver

Yeah. I'd say, Christian, obviously, we talked about the strategy around the pricing increase to make sure we were able to maintain margin and free cash flow. And as you can see in our guide, like, that is playing out. To your question around volume impacts, I mean, we're continuing to see on the out-the-door sales continued growth. I would say there has been, in some select areas, some volume implications there, but the team is maniacally focused on taking surgical pricing actions to address those things as they come up. You take a shot here, and then you kind of refine along the way. I think as we talked about just in the previous question, we do anticipate some volume increases here to achieve our guidance. In terms of the actual cadence of the sales throughout the year, I think as we've talked about in the past, in a perfectly normal year, which no year, as we all know, is perfectly normal, it would be about 52, 48. I think that's what we hit last year. And then just depending on inventory levels and how the weather is doing in a particular period, that could shift a bit. And I think you probably heard in my remarks, Q1 with the January weather event and then a double whammy with the early February weather event in the Northeast, I would say this year is probably going to shape up more like a 51, 49 with more of the sales kind of shifting to the back half but not to veer too far off from that.

Christian Carlino

Got it. That's really helpful. And I guess could you, to the extent you can, quantify the impact from the weather so far this year? And then my question was going to be about are distributors ordering any more aggressively in anticipation of stronger demand during tax refund season, or would you expect them to chase if they need to? And I guess what's your assessment of both channel inventory levels in terms of their need to potentially chase and then your own inventory levels in terms of your ability to fulfill that if they end up needing to chase inventory? Thanks.

Matthew Stevenson

Yeah. Christian, generally speaking, what we're seeing, to Jesse's point, is the out-the-doors are pretty healthy. With that said, though, there were some weeks there in late January and early February that impacted all of us including our distribution partners quite significantly as people were bearing out from either ice or snow. And so, if you take those out of the equation, like I said, the out-the-doors are pretty healthy. And then the month of March -- just for the seasonality of the business, the month of March is a big month, and at the same time, we run a promotional event, our marketing calendar to capture that demand as the season starts to pick up. Now, in terms of any out of the ordinary stock-ups or anything for tax refund season or anything, we're not seeing anything out of the ordinary there. And then generally speaking, inventory levels, taking into consideration those weeks that were quite slow due to the weather

conditions. They're a little heavier, but that would be the only real indication of impact on the inventory levels.

Christian Carlino

Got it. Thank you very much. Best of luck.

Matthew Stevenson

Yep. Thanks, Christian.

Operator

Thank you. Next question is coming from Bret Jordan from Jefferies. Your line is now live.

Bret Jordan

Hey. Good morning, guys.

Matthew Stevenson

Hey, Bret.

Bret Jordan

You commented on seeing some recent consumer improvement. I guess when you think about the four segments of the business, are any of those more cyclical than others? Is Euro and import more of a luxury buyer who's less sensitive? I guess when you look across the portfolio, are there areas that are brighter than others?

Matthew Stevenson

Yes, Bret. And I think in Jesse's prepared remarks, he talked about that K economy. And we see it in our portfolio. In the Euro business, you saw the robust growth there that we had in 2025, significant double digits there on the core, up over 20%. And so, those buyers of Euro cars tend to be more affluent. We're also seeing some of those patterns in our safety business around our Stilo brand, which is ultra-premium, almost consider luxury helmets in the motorsports segment, and we're seeing phenomenal growth on that segment, as well. But generally speaking, things are still generally healthy across the portfolio for our numbers that we provided there for '25, but you're definitely seeing some spikes driven by more of that K economy phenomenon with a more affluent customer.

Bret Jordan

And then within chemicals, I guess it looks like a sort of an expansion year for that. Could you talk about the TAM and sort of maybe the margin profile of that category? And does it become a fifth segment, or is this sort of just overlaid across the existing business lines?

Matthew Stevenson

Yeah. We've actually bucketed it in our American performance vertical under our accessories group just because of the kind of the legacy nature of some of our existing portfolio focus is

there. But on chemicals, they're great margin products for us, and we just saw natural expansion opportunities based on our enthusiast consumer base. So, we recently introduced the NOS Octane Booster, which is now getting placement in national retailers, which is very exciting. And then as we get into here 2026 in the back half of the year, we'll introduce a new car care line, which is with the reach we have with millions and millions of enthusiasts just makes complete sense. So, we're really excited about that. And eventually, we'll have a strategy. It takes a little longer to get into national retailers and such. But eventually, that is the goal to get that on shelves as well as third-party marketplaces in our own e-commerce platform.

Bret Jordan

Okay. Great. Thank you.

Matthew Stevenson

Yep. Thanks, Bret.

Operator

Thank you. As a reminder, that's star one to be placed in the question queue. Our next question is coming from Joe Feldman from Telsey Advisory Group. Your line is now live.

Joe Feldman

Hey, guys. Good morning and congrats on the quarter and the year. I wanted to ask, can you share a little more color on the ERP and the WMS system? Maybe just remind us what's the plan for that this year, like how that gets implemented? And -- because occasionally, that can be a little bumpy, and I know you guys said there's more work to do there. So, just curious if you could share more thought on that.

Matthew Stevenson

Yeah, Joe. I appreciate the question. Joe, for this year, it's most of the year just preparation alignment that also drives some capital expense in Jesse's outlook really for the implementation go live more in early 2027. But right now, the team, of course, has a lot of work to be done prior to going live and that investment that will happen. But in terms of any potential business impact, our job, of course, is to make sure that doesn't happen, but that wouldn't even be on the table here for '26 regardless.

Joe Feldman

Okay. That's helpful. Thank. And then with that, I know everybody asked about AI these days, so I figured I'll ask too. But are you incorporating, or will the new systems allow you to incorporate AI maybe for better design or better demand, visibility, things like that?

Matthew Stevenson

Yeah. I mean, the team is already using AI in various facets. But yes, the more modern ERP will allow other API plug-ins with AI to continue to evolve our competencies around that. So, that's one of the many benefits that we see in the new ERP implementation.

Joe Feldman

Got it. Thank you. And then maybe just one quick one for Jesse -- well, I don't know if it's quick, but can you share a little more color -- you talked about I guess some operating expense savings. Presumably, does that mean we'll see that line versus gross margin? Like maybe you can share a little color on the complexion for 2026, how those should shape up?

Jesse Weaver

You're asking, Joe, where will the 5 million to 7 million in operation savings come in and the timing of that?

Joseph Feldman

Well, yeah, effectively. And like should we see more gross margin strength in 2026, or would it be more SG&A leverage? How we should look at that.

Jesse Weaver

Yeah. I mean, obviously, we don't break those out in our guidance, but it would be pretty much like the operating savings line is also kind of helping with mitigating some of any pressure that would be residual from tariff mitigation actions, as well. So, you'll see most of that just flow through the gross margin line. And then on the SG&A side, it's just more the margin expansion there is just through leverage on fixed costs.

Joe Feldman

Okay. Thank you, guys. Good luck with this quarter and year.

Operator

Thank you. We have reached the end of our question-and-answer session. I'd like to turn the floor back over for any further or closing comments.

Matthew Stevenson

All right. Thank you, Kevin. Slide 20 underscores a compelling investment narrative for Holley Performance Brands. We operate in a nearly 40 billion passion-driven enthusiast market where loyalty runs deep and performance matters. With a portfolio of iconic innovation-led brands, Holley holds a clear leadership position. In addition, we have a proven track record of disciplined acquisitions and value creation through integration. Looking ahead, we see meaningful opportunity to expand our digital ecosystem, enhancing how enthusiasts and distribution partners engage with our brands and further strengthening our competitive advantage. Our long-term commitments are clear: deliver mid-single-digit organic top line growth, maintain 40% gross margins, maintain at least 20% adjusted EBITDA margins, generate sustainable free cash flow, pursue disciplined value-creating acquisitions. In closing, 2025 was

defined by consistency and discipline. We delivered core growth every quarter, expanded margins, generated meaningful free cash flow, and reduced leverage below our target, all while continuing to invest in innovation, customer relationships, and operational excellence. We enter 2026 with a stronger foundation, greater financial flexibility, and a clear focus on disciplined profitable growth. Thank you to our team members, our passionate enthusiasts, and our long-standing distribution partners for the commitment that drives our collective success. We thank you for your participation today and have a wonderful day. Thank you.

Operator

Thank you. That does conclude today's teleconference and webcast. You may disconnect your lines at this time and have a wonderful day. We thank you for your participation today.