

Holley
1Q26 Earnings Call
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Presenters

Matthew Stevenson, President, CEO and Director
Jesse Weaver, CFO

Q&A Participants

Brian McNamara - Canaccord Genuity Corp.
Christian Carlino - JPMorgan Chase & Co
Olivia May Witte - William Blair & Company L.L.C.
Martin Mitela - Raymond James & Associates, Inc.
Joseph Feldman - Telsey Advisory Group
Bret Jordan - Jefferies
Michael Baker - D.A. Davidson & Co.

Operator

Good morning, ladies and gentlemen, and welcome to the conference call to discuss Holley's First Quarter 2026 Earnings Results. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. And instructions for asking questions will be provided at that time. We ask that participants limit themselves to one question and one related follow-up during the Q and 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 Rozmus, with Investor Relations. Please go ahead.

Anthony Rozmus

Good morning, and welcome to Holley's First Quarter 2026 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 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 of 2026. At the conclusion of the prepared remarks, we will open the call 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 today. Before we get into the first quarter details, I wanted to provide some context for the quarter. As discussed on our last earnings call, Q1 began with a couple of temporary headwinds. Distributor inventories were elevated coming into the year as partners worked towards their year-end rebate targets and stocked up in advance of our January 1 price increase. We expected this inventory to normalize through January and February, but more severe winter weather slowed retail activity and delayed that process, shifting some demand out of the quarter. That said, here's the key takeaway for Q1.

Beginning in week 8, as weather conditions improved and channel dynamics normalized, we saw steady improvement in purchasing patterns. We exited the quarter with momentum and early Q2 trends are encouraging with healthier inventory levels across the channel and improving order activity. The spring selling season is building. More importantly, the underlying business performed solidly. Adjusted EBITDA remained essentially flat year-over-year at \$27.3 million despite the revenue decrease, reflecting disciplined execution. Net income increased, margins expanded, and free cash flow improved. We are also making progress on key strategic initiatives, including advancing our new portfolio rebalancing efforts and closing the acquisition of HRX. While we're investing in innovation, deepening our connection with enthusiasts and competing to gain share, we're also prioritizing cost control and portfolio optimization. We believe that this combination positions us well for the balance of the year. Let's please turn to Slide 5.

Net sales were \$147.3 million, down 3.7% versus the prior year, reflecting the elevated partner inventory levels and weather impacts we just discussed. Adjusted EBITDA was \$27.3 million, in line with the prior year period. Holding EBITDA flat on lower revenue reflects the progress we've made in our continuous improvement efforts, as adjusted EBITDA expanded 71 basis points year-over-year to 18.5%. Free cash flow was negative \$6.3 million, an improvement of approximately \$4.5 million year-over-year, still negative for the quarter, but trending in the right direction, and we expect meaningful improvement through the remainder of the year. We delivered \$6.5 million in cost savings in Q1 through purchasing discipline, tariff mitigation and operational improvements. Three of the four divisions grew, and 12 brands performed positively across B2B and D2C. That reflects the breadth of the portfolio working as intended. Strategically, we closed HRX, and we are advancing our portfolio rebalancing initiative, which we expect to generate more than \$15 million of proceeds to reinvest in higher growth areas of the business.

Slide 6 provides additional insight into recent highlights across the business. Since our last earnings call, we've introduced several new products, including our engine swap solution packages and the Holley performance car care line, both of which have been well received by our enthusiast customer base. On the operational front, we continue to make solid progress. We maintained approximately a 92% in-stock rate on our top 2,500 SKUs and delivered \$3.8 million in purchasing and tariff savings and \$2.7 million in operational improvements during the

quarter. We also reengaged our M&A efforts with the closing of HRX. In further slides, I'll provide more detail on its strategic importance and the broader approach we're taking to rebalance our portfolio.

Slide 7 breaks out the Q1 divisional performance, and I think the story here is clear once you understand the context. American Performance declined 9.7% in the quarter. This segment saw the most impact from weather and some temporary inventory dynamics at a small number of key partners. As conditions improved over the course of the quarter, demand trends strengthened, and we expect the business to return to growth. Truck and Off-Road was up 3.8%, a solid result given the market dynamics. The truck category continues to have real momentum and the product introductions we've been building out over the past year are gaining commercial traction. Euro and Import was up 1%. This business would have been stronger, but some product availability constraints earlier in the quarter, which have since been addressed, limited performance. Safety and Racing grew 10.2%, driven by the Snell 2025 helmet certification cycle, strong demand for our Stelo brand and continued strength in motorcycle safety. There is a solid foundation here as we move through the year. Three of our four divisions delivered growth, with the fourth impacted by a defined set of weather and inventory-related factors that are normalizing and are actively improving. Our divisional operating model anchored in clear prioritization, accountability and resource alignment continues to support consistent progress across the company.

Slide 8, which we have shared in the past, outlines our long-term strategic framework, which continues to guide how we operate and allocate resources. It's built around eight pillars, starting with making Holley a great place to work, then premier consumer journey, Trailblazing and trusted partner, product innovation and portfolio management, global expansion in new markets, transformational M&A, funding the growth, our operational improvements, all culminating with delivering results. The value of a framework like this is how it keeps the organization aligned and focused, particularly in a more dynamic environment. Through the first quarter, our teams remain disciplined, stay focused on execution and continue to deliver against our priorities. You'll see that reflected in our initiative progress.

Slide 9 outlines some of the highlights for each of these initiatives within the strategic framework for 2026, which we introduced on our last call. There was solid underlying progress across these initiatives in the first quarter. This includes innovative new products such as our package engine swap solutions and the new car care line, along with continued momentum in national retail accounts and international markets. On the operations side, the team is tracking ahead of our 2026 targets, delivering meaningful material cost savings, mitigating tariff exposure and driving improved efficiency and productivity across our manufacturing facilities. Overall, these efforts position us well to continue execution against our plan and delivering on our objectives for 2026.

With that, let's turn to the detailed initiative tracker on Slide 10. The strategic initiative tracker provides a clear view of our Q1 performance, highlighting both areas of progress and those

impacted by temporary external factors. Trailblazing trusted partner was down \$7.9 million versus the prior year, reflecting elevated inventory levels at a handful of larger accounts and slower seasonal sell-through due to weather. Encouragingly, roughly half of the B2B portfolio delivered positive momentum, and our national retailer channel grew approximately 10%, supported by improved SKU penetration, enhanced product data, expanded e-commerce presence and enhanced in-store placement. Now, as inventory levels are normalizing and seasonal demand builds, we are seeing growth in the B2B channel. Premier consumer journey was essentially flat to the prior year. Direct-to-consumer performance was impacted by weather early in the quarter, but improved as conditions normalized, returned to year-over-year growth in March. Third-party marketplaces led by Amazon delivered growth of approximately 3%. The improvement in March is a positive indicator as we move into the next quarter. Product innovation contributed approximately \$3.6 million, driven by solid performance in safety with new motorcycle helmets and the Snell 2025 motorsports offerings as well as in modern Truck and Off-road with new tuning solutions. Global expansion in new markets contributed approximately \$2 million, including \$1.4 million from international distributor growth with continued expansion planned in Q2 and approximately \$0.6 million from the globalization of powersports and safety categories, led by the Simpson brand and motorcycle helmets. Fund the Growth delivered approximately \$6.5 million in savings, including \$3.8 million from purchasing initiatives and tariff mitigations and \$2.7 million from operational improvements. Our focus on managing input costs and tariffs continues to contribute positively to results. Overall, the tracker highlights our disciplined execution and strategic progress, effectively navigating near-term external pressures while delivering strong performance across new product innovations, expansion into new markets and cost reduction initiatives, all progressing as expected.

Now, Slide 11 outlines our new portfolio rebalancing initiative, which we view as an important driver of long-term value creation. The first step is to exit brands that are not meeting our growth, profitability or strategic criteria. These businesses tend to consume a disproportionate amount of time and capital relative to their returns. Second, these actions along with facility consolidations help simplify the portfolio, reduce complexity and improve free cash flow and cost structure. Third, we redeploy that capital into disciplined bolt-on acquisitions. Our focus is on businesses with attractive growth profile, strong margins and positive cash flow characteristics. The recent HRX acquisition is a good example of this approach in action. Finally, over time, we anticipate these higher growth additions will contribute to improved earnings and cash generation, supporting further reinvestment and balance sheet strength. We are targeting 5 to 10 bolt-on acquisitions over the next 24 months. While this is a focused goal, we believe we have the pipeline and processes in place to execute effectively. Overall, portfolio rebalancing is a key component of how we are positioning the business for sustained long-term growth.

Slide 12 outlines our site and brand optimization program, which represents the operational component of our broader portfolio rebalancing efforts. As part of this initiative, we are in the process of exiting 5 brands and consolidating 5 facilities, and we are approximately halfway

through this work. This includes reducing our warehouse footprint by approximately 100,000 square feet and streamlining our workforce by about 9%. We are also rationalizing roughly 11,000 SKUs, about 25% of our portfolio by count, reflecting a focus on reducing complexity while maintaining core capabilities. From a financial standpoint, we expect our portfolio rebalancing efforts to generate more than \$15 million of one-time net cash, along with adjusted EBITDA margin expansion of approximately 75 to 150 basis points, including at least \$1 million in annualized benefits. We also expect a modest improvement in leverage of around 0.15x and approximately a 5% improvement in inventory turns. Overall, we are creating a more streamlined and focused operating model, enhancing efficiency, strengthening margins and improving cash generation while positioning the business around its strongest opportunities for growth.

Slide 13 outlines our M&A acquisition profile, reflecting a disciplined and thoughtful approach to bolt-on acquisitions as well as how these efforts connect to our broader portfolio optimization work. As we streamline the business through our site and brand optimization initiatives, reducing complexity and generating incremental cash, we are focused on redeploying that capital into higher growth opportunities that we can scale over time. Within M&A, we are primarily targeting founder-led businesses. These companies often bring strong brand equity, deep customer relationships and a proven operating capability. Our role is to support and accelerate that foundation through our distribution network, commercial infrastructure and broader customer reach. We structure transactions with alignment in mind, including shared business plans and incentives that encourage continued growth post close. Our financial criteria is consistent and disciplined. Typically, \$5 million to \$10 million in revenue at acquisition, established double-digit revenue growth and the ability to achieve EBITDA margins of 20% or greater post synergies with positive free cash flow. These are not turnaround situations, but rather businesses with solid fundamentals where we believe that we can help unlock additional value. Strategic fit is equally important. We prioritize businesses that align well with our existing portfolio, where we can leverage shared customers, channels and capabilities to drive incremental growth. Overall, we believe that this approach allows us to take the benefits of our optimization efforts and reinvest them in scalable, higher-growth brands.

Slide 14 provides additional detail on the HRX acquisition, which is a strong example of the M&A framework I just outlined in action. HRX is based in Turin, Italy and specializes in premium racing apparel and safety equipment, including suits, gloves, shoes and teamwear. Product line is FIA homologated and the business has developed a proprietary digital platform that enables scalable customization, an important differentiator in a category where fit, performance and certification are critical to the customer. The company is founder-led with established double-digit revenue growth, strong EBITDA margin characteristics and positive free cash flow. It also has a growing international presence, particularly in Europe, with additional opportunities as we leverage Holley's broader distribution and commercial capabilities. From a strategic standpoint, HRX is a strong fit within our Safety division. It enhances our position in motorsport safety, adds premium manufacturing capabilities and expands our presence in the European

market, an area we see meaningful opportunity for growth. More broadly, HRX reflects the type of disciplined strategic aligned acquisition we are targeting. It demonstrates how we can deploy capital generated through our optimization efforts into higher growth opportunities, and we expect to continue pursuing similar transactions over time.

So, stepping back, while Q1 was impacted by temporary external factors, primarily weather and channel inventory, the underlying business performed well. We expanded margins, improved cash flow and made meaningful progress on our strategic priorities. And as conditions normalized, demand improved, and we exited the quarter with momentum that's carrying into Q2. With that, I'll turn it over to Jesse to walk through the full financials and provide additional perspective on the 2026 outlook. Jesse?

Jesse Weaver

Thank you, Matt. Picking up on Matt's comments, the weather and channel inventory dynamics played out as he previously described. And even with those factors, we delivered strong financial performance in the quarter. This result reflects our consistent commitment as an organization to our financial priorities. Let's take a look at these on Slide 16.

Our financial priorities for '26 remain consistent: restore historical profitability, improve working capital discipline and continue to deleverage. On profitability, we continue to see tangible progress from disciplined operational execution. In the first quarter, continuous improvement initiatives delivered \$2.7 million of benefit, supporting continued year-over-year adjusted EBITDA margin expansion for the quarter. These efforts are centered on optimized staffing, manufacturing and distribution efficiencies and targeted facility and network cost actions. For full year '26, we continue to expect \$5 million to \$7 million of additional operational improvements, reinforcing structural margin expansion.

Turning to working capital. Inventory was up modestly in Q1, primarily reflecting Q1 sales performance. The actions we put in place starting in January around improved forecasting, right-sized safety stock and a more just-in-time approach on high velocity SKUs are starting to pay off in Q2, and we continue to target \$10 million to \$15 million in inventory reduction for the year. On the balance sheet, deleveraging remains a core focus. We ended the first quarter at 3.84x net leverage, down 0.48x from a year ago. Based on current trends, we expect steady progress toward our year-end target of below 3.5x. Our actions across operations, working capital and the balance sheet are strengthening the fundamentals of the business. We believe this positions us well to drive sustained profitability, generate free cash flow and further enhance balance sheet flexibility over the course of 2026.

On Slide 17, we'll walk through our key financial metrics for the first quarter. Net sales for the first quarter were \$147.3 million versus \$153 million in the same period a year ago. Gross profit was \$60.7 million in the quarter compared to \$64.1 million in the same period last year. Gross margin for the quarter was 41.2%, a decrease of 65 basis points versus 41.9% in the prior year. Margin compression was driven by fixed cost deleverage, partially offset by operational

efficiency gains. SG&A, including R&D for the first quarter, was \$39.4 million versus \$40.8 million in the same period last year. The decrease reflects improved efficiency in legal and marketing spend, as well as reduced outbound freight from lower sales volumes. Net income for the first quarter was \$7.3 million, a \$4.4 million improvement compared to \$2.8 million in the first quarter of '25. Adjusted net income in the first quarter was \$5.7 million versus \$2.6 million in the same period last year. Adjusted EBITDA for the first quarter was \$27.3 million, in line with the prior year. Adjusted EBITDA margin was 18.5%, a 71-basis point improvement versus 17.8% in the first quarter of '25.

On Slide 18, we improved our free cash flow in the first quarter year-over-year by \$4.5 million. Similar to last year, first quarter free cash flow is expected to be the low point in the year. And with the elevated inventory levels in the quarter anticipated to come back in line in the second quarter, we expect Q2 free cash flow to meaningfully improve quarter-over-quarter, furthering our progress on leverage, which I'll walk you through on Slide 19.

Covenant net leverage ended the first quarter at 3.84x, down from 4.32x a year ago. We exited 2025 below the 4-turn target we set during the year, and we expect to be below 3.5 turns at the end of '26. This progress reflects a sustained commitment to margin improvement, working capital discipline and disciplined capital allocation rather than reliance on any onetime actions. Note that leverage moved up modestly from year-end, reflecting the seasonal working capital build in the HRX acquisition. We expect the trajectory to resume downward through the balance of the year as the team's initiatives on working capital are expected to begin generating incremental free cash flow. We ended the quarter with \$33.1 million of cash on hand and \$10 million drawn on the revolving credit facility. The revolver draw was taken proactively to fund the final Cataclean [ph] payment and the HRX acquisition. We retain substantial availability under the facility and ample liquidity to run the business, and we plan to fully repay the revolver in the coming weeks with cash on hand.

Overall, we have come a long way in strengthening the balance sheet with continued progress expected during the remainder of the year. We remain committed to a conservative financial position using free cash flow to continue deleveraging while preserving flexibility to support disciplined bolt-on acquisitions.

Turning to our '26 outlook. Our core business revenue range is unchanged. We are updating full year net sales guidance to \$610 million to \$640 million, which reflects the net \$15 million revenue reduction tied to the portfolio optimization actions Matt previously discussed. Importantly, our '26 adjusted EBITDA guidance is unchanged at \$127 million to \$137 million. The portfolio optimization is expected to be slightly accretive to adjusted EBITDA on a net basis while generating more than \$15 million of incremental cash and reducing operational complexity through the SKU rationalization Matt outlined. Capital expenditures, depreciation and amortization and interest expense ranges are also unchanged. Q2 is starting out on a positive note with mid-single-digit growth in April, supported by winter being behind us and

normalizing inventory at our distribution partners. We view that as a constructive signal for the balance of the quarter. And with that, we will open the line up for questions.

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you would like to ask a question, please press Star and 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press Star and 2 if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the Star key. Ladies and gentlemen, we will wait for a moment, while we poll for questions. We take the first question from the line of Brian McNamara from Canaccord Genuity. Please go ahead.

Brian McNamara

Hey, good morning, guys. Thanks for taking our questions. Apologies if I missed this in the prepared remarks, but what was the gap in Q1 sell-in versus out-the-door sales? And what was the actual Q1 core sales growth?

Jesse Weaver

So, Brian, we didn't talk about the core because in this particular quarter, all the sales were core. We weren't rolling over anything in Q1. So, what you're seeing reported in the down 3.7% is all core. I would say versus out-the-door sales, out-the-door sales were very strong within the quarter for our distribution partners. And we're probably in the plus 4% range. And I think that kind of gets to some of the remarks Matt and I had on the call, which is between the combination of weather, which we're estimating probably accounts for 3% and then the inventory kind of coming into the quarter a little stronger or heavier than we would have liked, that gets you to another 4%, that kind of bridges the gap there.

Brian McNamara

Great. That's helpful. And then on the portfolio optimization, I'm sure you guys consistently review the portfolio. But I guess what drove this decision in terms of the next set of brand and SKU exits? And what brands are you culling if you care to opine? Thanks.

Matthew Stevenson

Yes, Brian, thanks. This is Matt. Yes, we constantly look at the portfolio just to see where business has taken a disproportionate amount of resources compared to the contribution they offer. And there were some things on the bubble and just the changing environment relative to freight rates, tariffs, we monitor that closely. And these businesses do not fall in the bucket of performance or offer that true competitive differentiation and scalability that we look for in the market. So, we've been looking at these. There was nothing previously that really stood out. But I'd say over the last 6 months, these businesses came more into focus as well as the growth opportunities on the other end to reinvest those proceeds into these higher-growth businesses.

Brian McNamara

And then just finally on M&A. Your renewed commitment there is pretty noteworthy. I think HRX was your first deal in like 3.5 years. I'm assuming that doesn't happen unless you have confidence in your base business? And is the sales contribution from HRX this year material, and then I'm done there. Thanks, guys.

Matthew Stevenson

Yes. On HRX, we're really excited. It's a great business and fills an opportunity in our portfolio. For competitive dynamics, we're not giving specifics into the size of that business. But generally speaking, Brian, in the prepared remarks that those types of businesses that are in that range, the \$5 million to \$10 million of top line revenue, double-digit EBITDA, high growth rates, etcetera, that it squarely fits in that bucket.

Brian McNamara

Great, guys. Thanks. Pass it on.

Matthew Stevenson

All right. Thanks, Brian.

Operator

Thank you. We take the next question from the line of Christian Carlino from JPMorgan Chase & Company. Please go ahead.

Christian Carlino

Hi. Good morning. Thanks for taking our question. You had talked about the difficult channel inventory position and the storms pressuring some of the orders from the distribution partners when you reported in early March. So, I guess, could you talk through more, I guess, what drove the miss versus your expectations? Did you expect a more healthy ramp of orders into March that didn't materialize maybe due to the headline shock of gas prices and consumer sentiment? Just any further color on that.

Matthew Stevenson

Yes. Thanks for the question, Christian. Yes, as Jesse just mentioned on Brian's question there, I think it was the Q&A in the last call, we talked about, hey, we think about 2% to 3% of the growth in Q4 normally would have fell into Q1 due to more working days and some of our distribution partners leaning out to hit their rebate targets. That ended up being from what we surmised here, probably north of 4%. And although, as Jesse just commented, the out-the-doors were healthy, those weeks really impacted the sellout rates in late January and early February at some of our key partners based on the weather. You got to remember, there's a bit of a seasonality effect in our business. People start working on their cars a lot more earlier in the South that really had unprecedented weather conditions. And we saw that by state in our D2C business as well and of course, impacted our D2C business in those weeks.

Christian Carlino

Got it. That's really helpful. And I know it's small, but one of the businesses you sold was Arizona Desert Shocks, and I think that's been a priority growth vertical in the past couple of years. So, is it that maybe the vertical simply isn't growing what it was in the post-COVID days? Or is it still a priority, but there was something specific about that business that didn't make sense? And I guess more broadly, it seems like with the bolt-ons that you're planning, it's more about maybe filling in gaps in the portfolio versus expanding the TAM and growing into new verticals. So, I guess could you just talk a bit more about the broader M&A philosophy and sort of what multiples are you looking to pay for these bolt-ons?

Matthew Stevenson

Yes. So, on Arizona Desert Shocks, I mean, great brand, great team. But effectively, what we found is the scalability of that business where they concentrated on really high-end racing shocks was just something that was not scalable. And so, when we looked at that business and the great team down there, it just made sense to return that business back to its former owner. But that is a segment that the core more of OE replacement plus that you see in Fox and King and Bilstein and other things, it is a nice growing segment. We were just at the very upper end of that and we're missing the meat of what that market truly is. Now, when you take a look at HRX, I mean, you saw it in the numbers here, and you saw it in the fourth quarter of '25, our safety business is growing really nicely. And when you look at our portfolio, one of the things that was really an extension of it here was getting into more European kind of fit design racing suits that really are the preferred cut and look of racers around the world. We have, of course, racing suits with Simpson, and those are more of the Americana, NHRA, NASCAR-type suits and HRX filled an opportunity for us for FIA suits in that aesthetic around the world. So, we're very excited about the business. It's growing really nicely. We've got a great team over there. We're happy to have part of the family.

Christian Carlino

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

Matthew Stevenson

Thanks, Christian.

Operator

Thank you. We take the next question from the line of Phillip Blee from William Blair. Please go ahead.

Olivia May Witte

This is Olivia Witte on for Phillip. First, I wanted to ask, could you talk about your exposure to rising transportation costs as well as changes in tariff policy? Do you have any concerns there? And are you embedding any price increases into your guide to help offset?

Matthew Stevenson

Yes. Good morning, Olivia. Thanks for the question here. Yes, just based on what's going on in the kind of the macro environment, we're seeing some increases relative to freight and some other PPV coming through on resins and other components driven by some of the increases in oil prices. So, we'll be looking to take a moderate price increase. We're still finalizing the exact number, somewhere around the mid-June time frame and give our distributors ample notice in advance. When we look at the tariff landscape, of course, there's been a lot of puts and takes over time on there. So, some of the IEEPA's were reduced, of course, but that really was the minority of our tariff costs on an annual basis. Those got reduced. Other tariffs came in, ended up being somewhat of a wash overall when you looked at our overall tariff exposure on an annual run rate.

Olivia May Witte

Okay. Great. That's helpful. And then could you also talk about, obviously, the first quarter was choppy across the board, broader retail environment with weather and whatnot. But curious how you view your performance versus the industry during the quarter. Do you think you maintained the level of share gains that you saw during the fourth quarter?

Matthew Stevenson

Yes. I mean, ultimately, the out-the-door is a true testament, our consumers preferring our brands and buying our products. And as Jesse commented there a few minutes ago, the out-the-doors, generally speaking, were pretty healthy when you take out the weather effect. So, as we're -- we continue to maintain share in our key categories, we're seeing growth in other categories. So overall, we think that momentum we've built over the last 12 to 18 months is continuing. And just we had this temporary effect of the weather that, as you just commented, were seen in a lot of consumer businesses in the first quarter.

Olivia May Witte

Okay, great. Thank you. I'll pass it on.

Matthew Stevenson

Thank you.

Operator

Thank you. We take the next question from the line of Joseph Altobello from Raymond James. Please go ahead.

Martin Mitela

Hey, good morning. This is Martin on for Joe. I just wanted to quickly touch on the weather impact. You've quantified around \$3 million. I'm wondering if you view that as completely lost? Or could we see some recovery of it sort of in the second quarter?

Matthew Stevenson

I think ultimately, Martin, we got to see how the quarter continues to play out. As we sit here in early May, April was over 6% growth, right? So, it was a nice recovery going in the month of April, and we're seeing those demand trends stay consistent into May. So ultimately, we got to see if that demand washed out of the quarter completely or it's recoverable here as we go through the remainder of the year.

Martin Mitela

Thank you. And just really quickly touching on the guidance, you've taken down the sales guidance a bit. Is that entirely the product optimization? And just sort of have you seen any kind of retailer concern on consumer confidence because of the Iran war and the increased energy pricing?

Jesse Weaver

Yes. This is Jesse. Good question. On the guide adjustment, that's purely the net impact of the portfolio optimization. So, that includes both the businesses that we've identified that we need to find new homes for, offset by what we're getting -- picking up in HRX. And then on the question around retailers, can you restate that one?

Martin Mitela

Yes. Just have you had any concern from retailers about consumer confidence? I think you've said at least ordering patterns have normalized, but are you hearing anything about consumer confidence concerns?

Matthew Stevenson

Yes. I think our large customers and partners, they read the headlines and those like Michigan Consumer Confidence Index and such. But at the same time, they're reporting to us the sellouts, generally speaking, are good. And the enthusiast customer base, this is a passion for them, right? This isn't something they do every five to ten years or like some of these other consumer durables, like this is their thing. This is what they go and do in the evenings and the weekends. This is what they do with family and friends. They work on car modifications, or they go race on the track or do they go road motorcycles, parts of our business. So, we're cautiously optimistic. Of course, with the extended conflict in the Middle East, we've got to see how that plays out. But right now, our large partners aren't reporting outside of the weather impact, any negative impact so far.

Martin Mitela

Great. Thank you and best of luck.

Matthew Stevenson

Thank you.

Operator

Thank you. We take the next question from the line of Joe Feldman from Telsey Advisory Group. Please go ahead.

Joseph Feldman

Yes, thanks guys for taking the questions. With regard to the portfolio rebalancing, did any of that happen already in the first quarter? Did that impact any sales in the first quarter? And how should it impact, I guess, each of the next few quarters? Is it ratable? Is it all at once in the second quarter? Or how should we think about it?

Matthew Stevenson

Joe, it's a great question. So, for Q1, no impact really in Q1. I would say for Q2, Q3 and Q4 to kind of put to the \$15 million on the top and bottom end of the guidance that was adjusted specifically for this activity, you probably see about \$1 million in Q2 and about \$7 million in Q3 and \$7 million in Q4. The one caveat to that is, obviously, this is our current estimate of timing of when these transactions would take place. But right now, that's our current pacing. And we'll obviously update as we go forward throughout this year on an apples-to-apples comparison, which as you can see in our guide, that hasn't changed at this point. The range is still the 2% to 7% on the core business, which would exclude the impacts of those pieces.

Joseph Feldman

Excellent. Thanks for that. That's helpful. And then with regard to the bolt-on acquisitions that you guys are talking about, is that contemplated in the CapEx guidance that you gave? Or is that going to be incremental? Or I guess, how do we think of that portion of it?

Matthew Stevenson

Yes. The CapEx guidance would not account for any bolt-on acquisition activity as it currently is laid out. I would say to Matt's earlier comments, these are businesses that we feel like have sustained long-term double-digit growth trajectory, and they're in the relatively small range. I mean, we're talking \$5 million to \$10 million with huge upside and things that we feel very confident we could fund with free cash flow. So, they're not in the guide at the moment. But as they come along, we will absolutely be funding those with free cash flow.

Joseph Feldman

Got it. That's helpful. Thanks, guys. Good luck with this quarter.

Matthew Stevenson

Thanks, Joe.

Jesse Weaver

Thanks, Joe.

Operator

Thank you. We take the next question from the line of Bret Jordan from Jefferies. Please go ahead.

Bret Jordan

Hey, good morning, guys.

Matthew Stevenson

Hey, Bret.

Jesse Weaver

Morning, Bret.

Bret Jordan

What was the contribution year-over-year in same SKU price?

Matthew Stevenson

Pricing was in the mid-single digits, Bret, from a price realization, similar to kind of how we were pacing more and more throughout the end of last year, so mid-single digits.

Bret Jordan

Okay. And then I guess the 12 brands that you saw growth, could you sort of give us just as perspective, how many brands in total you are running, I guess, post the SKU cull here?

Matthew Stevenson

The ones when we talk about the SKU rationalization, Bret, there are only about 5, relatively speaking, in that bucket. But when we talk about our lifestyle and power brands, it's roughly about 20 that we really concentrate across our four divisions and through our organization. And you saw nice growth in some of the brands. In my prepared comments, I commented Euro was a bit behind just for some product availability because Q4 demand was quite strong. So, that limited some of the growth. You saw nice growth in safety and growth in Truck and Off-Road. And the decline there in American Performance was really just a concentration of inventory at some key partners that primarily focus on American Performance. So, that's where you saw the differences across those four divisions.

Bret Jordan

Okay. And I guess a quick question on HRX. I guess, international distribution, are there other brands that you have in your portfolio that you can lever into the HRX distribution?

Matthew Stevenson

I'd say I'd look at it, Bret, in a broader context. International opportunity for our organization, we believe, is quite extensive. We're underpenetrated in Asia Pacific, Europe, South America, Mexico, a number of these areas that we're developing strategies for or executing on like we

are in Mexico and Latin America. So, we include HRX in our lifestyle and power brands, and they'll be part of this larger global expansion effort that we will coordinate.

Bret Jordan

Great. Thank you.

Matthew Stevenson

Thanks, Bret.

Operator

Thank you. We take the next question from the line of Mike Baker from D.A. Davidson. Please go ahead.

Michael Baker

Okay. Great. Thanks. I guess just a follow-up on a previous question. Because it seems like your sales guidance is just in line with the portfolio rebalancing both the positive addition and subtraction. Doesn't that necessarily mean that you expect the lost sales from the first quarter to come back? Am I misinterpreting that? I know that was already asked, but I just wanted a clarification on that.

Matthew Stevenson

Yes. No, it's a good clarification, Mike. I mean I think that is exactly what that would imply. I mean we're seeing pretty strong in April and what that would imply for the balance of the year is 6% to 7% on each of the subsequent quarters. It may not phase out exactly that way. But based on what we're seeing in April, we still feel like there's a lot of year left and reason to believe. I mean some of the things that we've spoken to in the past were pretty significant new product development that's rolling out in Q3 and Q4. I mean I think this -- we hadn't spoken as much until this quarter about the new Car Care line, but we've seen really positive feedback from consumers as we started to introduce that at LS Fest West. And that's just a really big TAM, something that we always knew could be big, but we feel really good about. In addition to that, you've got our CTS 4, which is one of our top products. We also have the continued growth in the Snell cycle, growth in safety and new products coming out within the EFI product line. So, that is what's implied.

Michael Baker

Okay. That's helpful. And maybe two quick, related follow-ups. One, I guess with all the moving pieces of this -- the weather shift and the exits and acquisitions, etcetera, last quarter, you had said expect the year to be 51% in the first half, 49% in the second half, versus typically 52%, 48%. Can you help us sort of adjust that with all these moving parts? And then a related follow-up, the rebound in April and continuing into May, is that primarily on the American business? Has that improved from, I think, the minus 10% in the first quarter?

Matthew Stevenson

Yes. Mike, I'll take the back half of that question, and I'll defer to Jesse for the first half. No, we're seeing a nice recovery across the portfolio here as we get into April into May. Like I had commented, a lot of that concentration of that inventory is in American Performance in Q1, and we're seeing that turn around as that inventory has normalized in the weather and continuing to see nice growth across the board in all four divisions.

Jesse Weaver

Yes. And Mike, to answer your question, after all the changes with the portfolio rebalancing just on the first half, second half, it probably is going to be a bit more of the -- closer to 50% to 51% in the first half versus the 51% guide that we gave before. So, a little bit less in the first half as a result of these.

Michael Baker

Understood. Thank you.

Jesse Weaver

Thanks, Mike.

Operator

Thank you. Ladies and gentlemen, as there are no further questions, with that, we conclude the question-and-answer session. I will now hand the conference over to Matthew Stevenson for his closing comments.

Matthew Stevenson

All right. Thank you, Ryan. Let's turn to Slide 22. First quarter reinforced what we believe about this business. The fundamentals are durable. Despite temporary headwinds early in the quarter, we held adjusted EBITDA essentially flat year-over-year, a reflection of disciplined execution by our team and the resilience of our brand portfolio. With April showing mid-single-digit growth and channel inventory normalizing, we are entering Q2 with genuine momentum. We are managing the portfolio with intention, streamlining where it creates value, investing where we see competitive advantage. Adjusted for our planned portfolio optimization actions, our full year outlook for our core business is unchanged. We remain committed to the long-term financial targets we set out, at least 6% organic top line growth, 40% gross margins and greater than 20% adjusted EBITDA margin. That conviction hasn't wavered. The automotive enthusiast market is a near \$40 billion space, driven by passion, loyal and a culture that extends generations. Holley's portfolio of storied brands sits at the center of it. We believe we are better positioned than anyone to serve that market and to grow in it through a combination of our brand heritage and the digital platform we are building. The path forward is clear: disciplined growth, margin expansion and sustainable free cash flow while continuing to invest in the innovation and experiences that keep our consumers at the heart of everything we do.

In closing, I want to thank our team members for their dedication and hard work every single day, our consumers whose passion and performance drives everything we build, our distribution partners whose long-standing commitment has been essential to our success and all of you on this call for your continued interest in Holley. We look forward to updating you on our progress throughout the year. Thank you and have a great rest of the day.

Operator

Thank you. Ladies and gentlemen, the conference of Holley has now concluded. Thank you for your participation. You may now disconnect your lines.