

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2024

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number: 001-39599

HOLLEY INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

87-1727560
(I.R.S. Employer Identification No.)

2445 Nashville Road, Suite B1, Bowling Green, KY 42101
(Address of principal executive offices)

(270) 782-2900
(Registrant's telephone number, including area code) (Zip code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.0001	HLLY	New York Stock Exchange
Warrants to Purchase Common Stock	HLLY WS	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of June 30, 2024, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates, computed by reference to the closing sales price of \$3.58 reported on the New York Stock Exchange, was approximately \$155 million.

There were 119,958,936 shares of Common Stock, including 1,093,750 restricted earn-out shares, par value \$0.0001 per share, issued and outstanding as of March 11, 2025.

Documents incorporated by reference: Parts of the registrant's Proxy Statement for the registrant's 2025 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are intended to enjoy the protection of the safe harbor for forward-looking statements provided by the Securities Act and Exchange Act, as well as protections afforded by other federal securities laws. These forward-looking statements relate to expectations for future financial performance, business strategies or expectations for the Company's business. Forward-looking statements may be accompanied by words such as "believe," "estimate," "expect," "project," "forecast," "may," "will," "should," "seek," "plan," "scheduled," "anticipate," "intend" or similar expressions. These forward-looking statements are subject to various risks and uncertainties, many of which are outside our control. Therefore, you should not place undue reliance on such statements. These forward-looking statements are subject to a number of risks and uncertainties and actual results could differ materially due to numerous factors, including, but not limited to, the Company's ability to do any of the following:

- execute our business strategy, including monetization of services provided and expansions in and into existing and new lines of business;
- anticipate and manage through disruptions and higher costs in manufacturing, supply chain, logistical operations, and shortages of certain company products in distribution channels;
- anticipate and manage through supply shortages of key component parts used in our products and the need to shift the mix of products offered in response thereto;
- respond to the impact of geopolitical events, including military conflicts (including the conflict in Ukraine, the conflict in Israel and surrounding areas, the possible expansion of such conflicts and potential geopolitical consequences), tariffs, the interruption from catastrophic events and problems such as terrorism and public health crises;
- maintain key strategic relationships with partners and distribution partners;
- anticipate and manage through the impact of elevated interest rate levels, which cause the cost of capital to increase, as well as respond to inflationary pressures and tariffs;
- enhance future operating and financial results;
- respond to uncertainties associated with product and service development and market acceptance;
- anticipate and manage through fluctuations in consumer demand and/or shifts in the mix of products sold;
- attract and retain qualified employees and key personnel;
- protect and enhance the Company's corporate reputation and brand awareness;
- assess potential impairment of goodwill and other intangible asset impairment charges;
- effectively respond to general economic and business conditions;
- acquire and protect intellectual property;
- collect, store, process and use personal and payment information and other consumer data;
- comply with privacy and data protection laws and other legal obligations related to privacy, information security, and data protection;
- manage the impact of any security breaches, cyber-attacks, or other cybersecurity threats or incidents, or the failure of any key information technology systems;
- meet future liquidity requirements and comply with restrictive covenants related to long-term indebtedness;
- obtain additional capital, including use of the debt market;
- manage to finance operations on an economically viable basis;
- maintain Holley's New York Stock Exchange ("NYSE") listing of our common stock ("Common Stock") and warrants to purchase Common Stock ("Warrants");
- comply with existing and/or future laws and regulations applicable to our business, including laws and regulations related to environmental health and safety;
- respond to litigation, complaints, product liability claims and/or adverse publicity;

- anticipate the significance and timing of contractual obligations;
- anticipate the impact of, and response to, new accounting standards;
- maintain proper and effective internal controls;
- respond to the impact of changes in U.S. laws and regulations, including the impact on deferred tax assets;
- anticipate the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act");
- anticipate the impact of changes in consumer spending patterns, consumer preferences, local, regional and national economic conditions, crime, weather, and demographic trends; and
- other risks and factors, listed under the caption "Risk Factors" included in this Annual Report on Form 10-K, and/or as disclosed in any subsequent filings with the SEC.

Forward-looking statements are based on information available as of the date of this Annual Report on Form 10-K and our management's expectations, forecasts and assumptions, and involve a number of judgements, risks and uncertainties, and actual results, developments and business decisions may differ materially from those envisaged by such forward-looking statements. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date. We undertake no obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

SUMMARY OF RISK FACTORS

The following summarizes the principal factors that make an investment in Holley speculative or risky. You should carefully consider the following risks as well as the other information included in this Annual Report on Form 10-K, including "Cautionary Note Regarding Forward-Looking Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes thereto included elsewhere herein, before investing in our securities. See "Risk Factors" for a more detailed discussion of the risk factors listed below.

Risk Related to Our Business and Industry

- A downturn in consumer spending, including as a result of a severe or prolonged economic downturn, could adversely impact our financial condition and results of operations.
- Inflation and tariffs could result in higher costs and decreased profitability.
- Disruptions of supply or shortages of raw materials or components used in our products could harm our business and profitability, as well as the financial condition of our distributors.
- A significant disruption in the operations of our manufacturing facilities or distribution centers could have a material adverse effect on our business, sales, financial condition and results of operations.
- Pandemics, epidemics or other public health crises could adversely affect our business, sales, financial condition and results of operations and our ability to access current or obtain new lending facilities.
- Failure to compete effectively or to develop and market new products and a reduction in demand for our products could reduce our business, financial condition and results of operations.
- Increased electric vehicles ownership could impact our financial condition and results of operations.
- Inaccurate forecasting of product demand could harm our financial performance.
- We may not be able to effectively manage our growth.
- Our growth partially depends on attracting new customers in a cost-effective manner and expanding into additional consumer markets and we may not successfully do so.
- Our failure to protect our brand could harm our financial condition and results of operations.
- Our profitability may decline as a result of increasing pressure on pricing.
- Our failure to maintain relationships with retail partners or increase sales through our direct-to-consumer ("DTC") channel could harm our business.

- Our success depends on the continuing efforts of our employees and retention of skilled personnel, and our results of operations may be adversely affected by labor shortages, turnover and labor cost increases.
- Our operations and reputation may be negatively impacted if our information technology systems fail to perform adequately or if we experience an interruption in our operations due to security threats or disruptions.
- Adverse developments affecting the financial services industry, such as bank failures, could have an adverse impact on our financial condition and results of operations.
- Our indebtedness may limit our ability to invest in the ongoing needs of our business, and if we are unable to comply with the covenants in our current credit agreements, our business, sales, financial condition, and results of operations could be harmed.
- Our failure to maintain effective internal controls over financial reporting could harm us and we have identified a material weakness in our internal control over financial reporting and may identify additional weaknesses in the future.
- We may acquire or invest in other companies to complement our organic growth, which may not be successful and may divert financial and management resources.
- Our management team does not have extensive experience managing a public company.
- If our goodwill, other intangible assets, or fixed assets become impaired, we may be required to record a charge to earnings.
- If our estimates relating to our accounting policies prove to be incorrect, our results of operations could be harmed.
- Our disclosure controls and procedures may not prevent or detect all acts of fraud.
- Our business could be negatively impacted by the effects of global climate change or the increasing scrutiny and evolving expectations with respect to our environment, social and governance practices.
- We are exposed to political and country risks inherent in conducting business globally and in certain regions.
- Failure to adopt new technologies like artificial intelligence could expose us to risks.
- Unauthorized sales of our products could harm our reputation.

Legal, Regulatory and Compliance Risks Related to Our Business

- We may become involved in legal or regulatory proceedings, including intellectual property claims or lawsuits that could cause us to incur significant costs or that could prohibit us from selling our products.
- We are subject to environmental, health and safety laws and regulations as well as privacy laws, regulations, and standards, which could subject us to liabilities, increase costs or restrict operations in the future.
- Our insurance policies may not provide adequate levels of coverage against all claims, and we may incur losses that are not covered by our insurance.

Risks Related to Ownership of Our Securities

- Certain of our stockholders, including Holley Parent Holdings, LLC (the “Holley Stockholder”) and the Empower Sponsor Holdings LLC (the “Sponsor”) (together with its affiliates), may have conflicts of interest with other stockholders and may limit your ability to influence corporate matters.
- Warrants are exercisable for Common Stock, which could increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.
- The Warrants may never be in the money, they may expire worthless, or the terms of the Warrants may be amended in a manner adverse to a holder if holders of at least 50% of the then-outstanding Warrants approve of such amendment.
- The market price and trading volume of Common Stock and Warrants may be volatile.
- Reports published by analysts could adversely affect the market price and trading volume of Common Stock and Warrants.
- Future sales of Common Stock and Warrants in the public market could cause our stock price to fall.
- We may redeem unexpired Warrants to their exercise at a time that is disadvantageous to the Warrant holders, thereby making the Warrants worthless.

PART I

Item 1. Business

About Us

Founded in 1903, Holley, Inc. has been a part of the automotive industry for well over a century. We design, manufacture, and distribute high-performance automotive aftermarket products to car and truck enthusiasts primarily in the United States, Canada and Europe. Our products span a number of automotive platforms and are sold across multiple channels. We are a leading manufacturer of a diversified line of performance automotive products, including carburetors, fuel pumps, fuel injection systems, nitrous oxide injection systems, superchargers, exhaust headers, mufflers, distributors, ignition components, engine tuners and automotive performance plumbing products. We are also a leading manufacturer of exhaust products as well as shifters, converters, transmission kits, transmissions, tuners and automotive software. Our products are designed to enhance street, off-road, recreational and competitive vehicle performance through increased horsepower, torque and drivability. We have locations in the United States, Canada, Italy and China.

We attribute a major component of our success to our brands, including Holley EFI, Holley, MSD, Simpson, EDGE, Superchips, Diablosport, Accel and Flowmaster, among others. Through these strategic acquisitions, we have increased our market position in the otherwise highly fragmented performance automotive aftermarket industry.

We operate in the performance automotive aftermarket parts industry. We believe there is ample opportunity to continue our expansion into new products and markets, such as exterior accessories and mobile electronics, representing a natural progression for us to grow market share as these adjacencies are driven by passionate enthusiasts, consistent with our core categories. See also “*Risk Factors—Risks Relating to Holley’s Business and Industry—If the Company is unable to successfully design, develop and market new products, the Company business may be harmed*” for a discussion of the risks related to the Company’s new product development.

On July 16, 2021, we consummated a business combination (the “Business Combination”) pursuant to that certain Agreement and Plan of Merger dated March 11, 2021 (the “Merger Agreement”), by and among Empower Ltd., (“Empower”), Empower Merger Sub I Inc., a direct wholly owned subsidiary of Empower (“Merger Sub I”), Empower Merger Sub II LLC, a direct wholly owned subsidiary of Empower (“Merger Sub II”), and Holley Intermediate Holdings, Inc. (“Holley Intermediate”) on July 16, 2021, (the “Closing” and such date, the “Closing Date”). The Merger Agreement provided for, among other things, the following transactions: (i) Merger Sub I merged with and into Holley Intermediate, the separate corporate existence of Merger Sub I ceased, and Holley Intermediate became the surviving corporation, and (ii) Holley Intermediate merged with and into Merger Sub II, the separate corporate existence of Holley Intermediate ceased, and Merger Sub II became the surviving limited liability company. On the Closing Date, Empower changed its name to Holley Inc. and its trading symbol on the NYSE from “EMPW” to “HLLY.”

Business Strategy

For over 100 years, we have pursued our mission of bringing innovation, discovery and fun to motor life. Today, as Holley Performance Brands, we are the leader in delivering high performance platform solutions, driven to accelerate the passion of auto enthusiasts around the globe. Through our portfolio of leading brands – ranging from icons of the American Road, to emerging technologies – we serve a large, diverse community of expert partners and enthusiast consumers across four distinct consumer verticals, including Domestic Muscle, Modern Truck & Off-Road, Euro & Import, and Safety & Racing.

We plan to unlock the full potential of Holley’s innovation-led research and development (“R&D”) product portfolio and brand powerhouse in the performance automotive aftermarket across all four verticals through our highly focused Steering Principles of Fueling our Teammates, Supercharging our Customers and Accelerating Profitable Growth.

- **Fueling our teammates:** At the heart of our growth strategy lies not just innovation, but the people who drive it. Our first objective is to create a premier place to work that attracts, retains, and empowers talented individuals who share our passion for automotive performance. We will do this by creating an environment that excites, empowers, and nurtures our teammates to their full potential by providing them with the resources, knowledge, encouragement, and motivation they need to excel in their roles. This commitment extends beyond traditional employee engagement strategies; it recognizes the critical link between an enthusiast-driven workforce and the development of highly differentiated products that resonate with our target market. By fostering an environment where our teammates’ automotive passions thrive, with shared goals, we will create a synergy that sparks creative solutions, fuels collaboration, and propels us to new heights.
- **Supercharging our Customers:** As a leading enthusiast platform in the automotive performance aftermarket, our objective is to deliver exceptional value, innovation, and support to our customers, ultimately creating a loyal and satisfied base of consumer and distribution partners who continue to choose Holley Performance Brands for their automotive needs. We have a comprehensive marketing strategy tailored to the specific needs of the targeted consumer verticals. Our objective is sales growth through our DTC channel and our loyal distribution partners. We intend to balance the growth between these two channels based on the needs of the consumer verticals and our overall cost to serve the end customer through each channel. Our comprehensive marketing strategy is focused on creating pull for our products through digital and non-digital platforms and partnering with our distribution partners to ensure our products are available and well represented in their offering. In addition, we have a long history of creating excitement around our brands by hosting and participating in experiential enthusiast events. We believe events create the opportunity for us to remain closely connected to our enthusiast consumer, get feedback directly from enthusiasts on our offering, and broaden our understanding of the latest consumer trends.

- **Accelerating Profitable Growth:** Our third strategic objective is to significantly increase revenue by expanding our market share while maintaining and improving profitability. We aim to achieve those objectives more quickly than in the past by focusing on our four go-to-market consumer verticals and launching innovative new products, entering new product categories, implementing sales and marketing strategies to boost revenue, and through strategic acquisitions. We also intend to achieve sustainable and long-term profitability by lowering our cost to serve, improving operational efficiencies, and focusing on higher-margin products and services.

Competition

The performance automotive industry is highly competitive, and we face substantial competition in all the markets that we serve. The principal factors on which industry participants compete include technical features, performance, product design, innovation, reliability and durability, brand, time to market, customer service, reliable order execution, and price. Our success in the marketplace depends on our ability to execute our Business Strategy discussed above.

The performance automotive aftermarket parts industry in the United States is large and highly fragmented. In addition, we have seen consistent growth within the automotive aftermarket parts industry over the last two decades. Products in the performance automotive aftermarket parts industry range from functional products that enhance vehicle performance to products that improve safety, stability, handling and appearance.

Our core competitive set is comprised of four primary types of competitors with fragmentation across the majority of our major product categories:

- **Multi-product category providers:** legacy brands with coverage across multiple performance aftermarket products with multiple brands often under one banner and built through acquisition. We are one of the largest multi-product category brands in the performance automotive aftermarket based on gross sales.
- **Single-product category providers:** established companies focused on one product category in the market primarily selling via distribution partners. Single-product category providers generally offer either lower priced products or higher-quality products focused within one product category.
- **E-Tailer Private Labels:** traditional online distribution partners sell other manufactured products and offer private label products, often at a lower price point. E-tailer private labels generally occupy the value end of the market and have a greater presence in less engineered categories with less product-specific brand strength.
- **Niche custom manufacturers:** while not our core competitors, smaller shops typically focus on fully customizing specific make or model vehicles. Niche custom manufacturers are typically local or regionally focused, and some also may distribution partners customized products from other manufactured brands.

We believe the following factors distinguish Holley from its competitors:

- **Brand that resonates with enthusiasts:** we actively engage enthusiasts at the platform level across multiple channels (e.g., events, digital media, online communities, etc.), creating reference networks for potential consumers.
- **Innovative product development:** we invest heavily in product research, innovation and development, and introduce products that meet latest platform and use case-specific needs of our enthusiast consumers.
- **Operational ability that enables efficient order execution:** we make significant investments in sourcing, manufacturing and distribution excellence, enabling management of multiple product lines while maintaining scale and attractive relative pricing.
- **Differentiated go-to-market strategy:** we offer a mix of single product and platform-oriented solutions across DTC and distribution partner channels, delivering a strong overall consumer experience.

Brands

We have a strong portfolio of brands covering various product categories. Our portfolio consists of over 70 brands spanning across over 30 product categories. Our top five brands generated 55% of our sales in 2024.

- **Holley EFI:** Currently our largest brand and represented 14% of our sales for 2024. Our Holley EFI brand focuses on electronic fuel injection technology and showcases our new product development engine.
- **Holley:** Currently our second largest brand and represented 15% of our sales for 2024. The Holley brand resonates with consumers as the majority of automotive enthusiast consumers recognize the Holley brand. Holley offers a variety of products across multiple categories but traces its roots back to carburetors which originally made the brand famous with automotive enthusiasts.
- **MSD:** Currently our third leading brand and represented 10% of our sales for 2024. MSD has historically been focused on production of ignition products and recently has been more focused on developing electronics for the powertrain category.
- **Simpson:** Currently our fourth leading brand and represented 10% of our sales for 2024. Simpson is focused on motorsport safety products including helmets, head and neck restraints, seat belts and fire suits.
- **Flowmaster:** Currently our seventh largest brand and represented 6% of our sales in 2024. Flowmaster's main focus is on developing exhaust products.

We believe the popularity of our brands is the result of consistently delivering high quality, innovative products that resonate with our enthusiast consumers. Our brands have allowed us to build direct, trusted and long-lasting relationships with our consumers and distribution partners.

Product Development

We offer our enthusiast consumers a comprehensive suite of performance automotive aftermarket products to meet a wide range of needs. We are continuously innovating and evolving our product offerings to meet ever-changing consumer needs. We invest heavily in developing new products, spending an average of \$24.7 million per year on research and development since 2020 . We believe our product development capabilities will enable us to create sustainable long-term growth and margin enhancements for our business.

We have a history of developing innovative products, including new products in existing categories like Electronic Fuel Injection, product line expansions, and products that bring us into new markets. We have thoughtfully expanded our product portfolio over time to adapt to consumer needs and find solutions to new consumer demands. We expand our existing product families and enter new product categories by creating solutions grounded in our expert insights and relevant market knowledge. We believe we have a meaningful runway across our target product categories and product vintages, and we are well positioned for future growth by expanding in adjacent and transformational categories that present opportunities for further market penetration in the Performance Suspension, Braking and Powertrain Conversion Systems markets. We believe there are also opportunities to capitalize on growing our powertrain agnostic categories like Automotive and Motorcycle Safety.

Suppliers

We run a flexible sourcing model with a mix of global sourcing and in-house manufacturing. Our best value sourcing model decisions are based on a mix of cost, quality and service. We have a diverse global supplier base and no material supplier concentration. Our efficient sourcing model enables strong gross margins and cash conversion.

We believe there is an adequate supply of raw materials and key components; however, there can be no assurance over the long term that the availability of materials and components or increases in commodity prices will not materially affect our business or results of operations. Ongoing supply chain disruptions, resulting in supply shortages and higher shipping charges, have and could continue to impact our ability to maintain supplies of products and the costs associated with obtaining raw materials and key components.

Marketing

We reach and engage our consumers where they participate in the performance automotive aftermarket – online and in person. Our marketing strategy is centered on strong brand equity, leading new product innovation capabilities and delivering consistently high-quality products. In 2024, we spent approximately \$13.5 million (or approximately 2.1% of our 2024 annual gross sales) on marketing and advertising. Going forward, consistent with our value creation strategies, we intend to continue our investments in direct consumer marketing and advertising as well as refocus some of our efforts to support our distribution network to fully meet our customers everywhere they shop. In addition, we have established dedicated consumer verticals that are focusing on our go-to-market strategy for the following four vertical markets: Domestic Muscle, Modern Truck & Off-Road, Euro & Import, and Safety & Racing. Our current mix of spending is towards activities believed to generate the highest return on investment. We believe these strategies will have a meaningfully positive impact across our brand portfolio.

In recent years, we have shifted our marketing efforts towards digital advertising and have increased investments in consumer engagement directly via digital and social media platforms and campaigns. Additionally, since mid-2020 we increased resources focused on expanding our e-commerce and digital platforms. These efforts have included turning Holley.com into a destination for automotive enthusiasts and launching Motor Life, our internal digital publication that is available to the public on our website. As a result, we have experienced a significant increase in social media and online engagement since that time. Continued expansion of and investment in digital and social media are expected in the future to support our DTC channel as well as our complete distribution network.

We have also spent significant time and effort in curating engaging, in-person events to build the Holley enthusiast community. These events focus on creating memorable experiences for enthusiasts, celebrate car culture, build community, and show enthusiasts how Holley products can help them get more performance and enjoyment from their vehicles. Our events have grown in total annual attendance from 14,000 in 2015 to 114,000 in 2024. We hosted seven events in 2024: LS Fest East, LS Fest West, Ford Fest, MoParty, Weekend On The Edge, Haus Party, and LS Fest Texas.

Sales and Distribution

We have a diverse omni-channel distribution strategy focused on delivering the best customer experience to our enthusiast consumers and distribution partners. Our omni-channel model enables us to reach our consumers through DTC, E-tailer, warehouse distributor, traditional retailer, and jobber/ installer channels. We have mutually beneficial relationships with our distribution partners and are able to maintain strong pricing discipline across our channels with strict conformance to minimum advertised pricing.

DTC channel: Our DTC channel provides consumers full access to all of our brands, our unique branded content and our full product assortment. We have turned Holley.com into our primary hub for consumer communication and continue to add features and brands that make it an increasingly attractive digital destination for our consumers. Our DTC channel enables us to directly interact with our customers, more effectively control our brand experience, better understand consumer behavior and preferences, and offer exclusive products, content, and customization capabilities. We believe our control over our DTC channel provides our customers with quality brand engagement and further builds customer loyalty, while generating attractive margins.

Distribution Partners: We have historically sold the majority of our products through distribution partners who purchase our products and distribute them through various channels. These partners consist of E-tailers, warehouse distributors, traditional retailers, and jobber/installers with E-tailers and warehouse distributors accounting for 55% of our sales in 2024, and our top ten distribution partners accounting for 42% of our sales in 2024 with our largest making up 21% of our sales in 2024.

We have established mutually beneficial and long-term relationships with our distribution partners. We believe our partners benefit from our broad suite of product offerings that they can leverage to meet consumer demand across multiple product categories. Based on the value that we offer to our distribution partners, we are able to operate with pricing discipline that supports the value of our products in the marketplace and buttresses our profit margins. We believe our approach to pricing allows us to better understand consumer demand and identify what our end consumers are buying.

Intellectual Property

Patents, trademarks, and other proprietary rights are important to the continued success of our business. We own and have licensing arrangements for a number of U.S. and foreign patents, trademarks, and other proprietary rights related to our products and business. We also rely upon continuing technological innovation and licensing opportunities to develop and maintain our competitive position. We protect our proprietary rights through a variety of methods, including the use of confidentiality and other similar agreements. We do not consider our business to be dependent on any single patent, nor is the expiration of any patent expected to materially affect our business. Our current patents will expire over various periods and we continue to file new patent applications on newly developed technology. From time to time, we become aware of potential infringement of our patent, trademark, or other proprietary rights, and we investigate instances of alleged infringement where we believe it is merited and take appropriate actions under applicable intellectual property laws in response to such infringements where we determine it is valuable to do so. Similarly, from time to time we are the subject of intellectual property and other proprietary rights related suits and other litigation.

Seasonality

Holley's operating results have fluctuated on a quarterly and annual basis in the past and can be expected to continue to fluctuate in the future as a result of a number of factors, some of which are beyond the Company's control. Traditionally, our sales in the first half of the year are generally higher than in the second half of the year. Due to these factors and others, which may be unknown to the Company at this time, operating results in future periods can be expected to fluctuate. Accordingly, the Company's historical results of operations may not be indicative of future performance.

Regulations

We are subject to a variety of federal, state, local and foreign laws and regulations, including those governing the discharge of pollutants into the air or water, the management and disposal of hazardous substances or wastes, and the cleanup of contaminated sites. Some of our operations require environmental permits and controls to prevent and reduce air and water pollution. These permits are subject to modification, renewal and revocation by issuing authorities. We believe we are in substantial compliance with all material environmental laws and regulations applicable to our plants and operations. Historically, our annual costs of achieving and maintaining compliance with environmental, health and safety requirements have not been material to our financial results.

Increasing global efforts to control emissions of carbon dioxide, methane, ozone, nitrogen oxide and other greenhouse gases and pollutants, as well as the shifting focus of regulatory efforts towards total emissions output, have the potential to impact our facilities, costs, products and customers. The U.S. Environmental Protection Agency has taken action to control greenhouse gases from certain stationary and mobile sources. In addition, several states have taken steps, such as adoption of cap-and-trade programs or other regulatory systems, to address greenhouse gases. There have also been international efforts seeking legally binding reductions in emissions of greenhouse gases. These developments and further actions that may be taken in the U.S. and in other countries, states or provinces could affect our operations both positively and negatively (e.g., by affecting the demand for or suitability of some of our products).

We also may be subject to liability as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act and similar state or foreign laws for contaminated properties that we currently own, lease or operate or that we or our predecessors have previously owned, leased or operated, and sites to which we or our predecessors sent hazardous substances. Such liability may be joint and several so that we may be liable for more than our share of any contamination, and any such liability may be determined without regard to causation or knowledge of contamination. We or our predecessors have been named potentially responsible parties at contaminated sites from time to time. We do not anticipate any potential liability relating to contaminated sites to be material to our financial results.

Employees

Holley's employees are integral to our strategic growth and success. We consider our team members to be our most valuable asset and seek to attract and maintain the highest quality talent by offering competitive benefits and wellness services, opportunities to grow professionally, and regular evaluations, among other initiatives. On December 31, 2024, we employed 1,467 full-time employees and 53 temporary employees. Approximately 46% of our full-time employees are based primarily in our Bowling Green, KY headquarters, distribution center and manufacturing plants. None of our employees are subject to collective bargaining agreements or represented by a labor union. We believe our facilities are in labor markets with ready access to adequate numbers of skilled and unskilled workers, and we believe our relations with our employees are good.

Many of our employees are automotive enthusiasts. We pride ourselves on having a platform built for enthusiasts by enthusiasts. On December 31, 2024, our Engineering function included approximately 103 employees, including many enthusiast-focused engineers who are passionate about cars. We continue to seek out top level talent that will help accomplish our mission and vision moving forward. Our goal is to create an inclusive and safe environment for our employees that keeps them engaged in their work.

Compensation and Benefits. We strive to hire, develop and retain top talent. We attract and reward our employees by providing competitive benefits, including market-competitive compensation, medical, dental and vision insurance, short-term and long-term disability insurance, basic life and accidental death and dismemberment insurance, voluntary supplemental coverages, flexible spending accounts, paid time off, and our 401(k) program. During the 2024 fiscal year, Holley matched employee contributions to the 401(k) Plan up to 3.5% each pay period, and made an additional discretionary match of up to 1.5% based on company performance to target. We suspended the 401(k) match effective July 2024, but we are committed to providing an array of benefits that meet the needs of our workforce. For example, we added an HSA-eligible health plan in 2024.

We are committed to providing an array of benefits that meet the needs of our workforce, as demonstrated by the addition of an HSA-eligible health plan in 2024.

Health, Safety and Wellness. Holley is committed to the health and well-being of its employees and designs its compensation and benefit programs to demonstrate this commitment. Our programs are intended to support the physical and mental well-being of our employees and their families by providing the tools and resources for employees to improve or maintain their health and to lessen concerns about missing work and the potential financial impact.

Employee health and safety in the workplace is one of our top priorities. We have implemented programs and training designed to eliminate workplace incidents, risks and hazards. The core training provided includes Emergency Response, OSHA Reporting, Fire Safety, Slips, Trips and Falls, and Office Ergonomics. We also review and monitor our performance closely. We follow local, state and federal regulations issued by the Occupational Safety and Health Administration and are prepared to implement any applicable workplace requirements in order to keep our employees safe.

Inclusion. We know that diversity throughout our company creates stronger teams, leads to innovation, and results in an organization that provides the best service to our customers. We have a recruitment strategy that encourages diversity across the company. We leverage our employee referral program to identify diverse talent during the recruitment process.

We believe our employees should reflect the customers we serve. Notably, approximately 30% of Holley consumers are female. Accordingly, we recognize the benefits of female representation in our workforce, and in 2024 39% of our workforce were women. We are committed to closing the gender gap and our recruitment and retention strategies support improving women's representation in leadership roles.

Our Culture. At Holley, we believe that an engaged workforce leads to a more innovative, productive, and profitable organization. For this reason, we measure employee engagement through periodic culture surveys. These surveys allow our employees to provide confidential feedback on culture, company strategy and trust in their direct leaders. This feedback helps create action plans to improve the engagement of our employees. These survey results have demonstrated that our employees have a strong sense of belonging, trust in management, and confidence in Holley. These strengths provide a foundation for our success, and we are dedicated to enhancing the employee experience at Holley.

Talent Development. The development of our employees' skills and knowledge is critical to Holley's success. Our educational assistance program is designed to encourage personal development by helping employees maintain and improve their skills or knowledge related to their current job or a potential future position at Holley through reimbursement of certain educational expenses, including external training programs or educational courses, pursuit and maintenance of job-related professional licenses and certifications, workshops, seminars, and professional conferences. Further, we introduced an internship program designed to provide students in the community with an opportunity to gain practical experience. We are committed to fostering an equitable work environment that seeks to ensure fair treatment, equality of opportunity, and fairness in access to information and resources.

Social Responsibility. We are committed to social responsibility. Our socially responsible initiatives include donations to community organizations, sponsorship of local sports teams and weekend family events. Through these programs, Holley and its employees are able to give back to the community through monetary donations and by providing community services. Holley gives its subsidiaries the ability to lead their own community engagement initiatives through contributions to charities and participation in fundraising events. This is demonstrated by both the Company's and its team members' participation in philanthropic causes such as local food drives and programs that provide holiday gifts to those in need.

Available Information

Our principal executive offices are located at 2445 Nashville Rd., Suite B1, Bowling Green, KY 42101, and our telephone number is (270) 782-2900. Our Internet address is www.holley.com. The information on our website is not, and should not be considered, part of this Form 10-K and is not incorporated by reference in this Form 10-K. The website is, and is only intended to be, for reference purposes only. We make available free of charge on or through our website our Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. These reports and other information are also available, free of charge, at www.sec.gov. In addition, we will provide, at no cost, paper or electronic copies of our reports and other filings made with the SEC. Requests can be made in writing or by phone.

Item 1A. Risk Factors

The following discussion of "Risk Factors" identifies factors that may adversely affect our business, operations, financial condition or future performance. This information should be read in conjunction with "Cautionary Note Regarding Forward-Looking Statements," "Management's Discussion and Analysis of Financial Condition and Result of Operations" and the consolidated financial statements and related notes. The following discussion of risks is not all-inclusive but is designed to highlight what we believe are the material factors to consider when evaluating our business and expectations. These factors could cause our future results to differ materially from our historical results and from expectations reflected in forward-looking statements.

Risks Relating to Our Business and Industry

Global economic and financial market conditions beyond our control might materially and negatively impact us.

General economic factors beyond our control could adversely affect our business and results of operations. These factors include, but are not limited to, recent supply chain disruptions, labor shortages, wage pressures, rising inflation, changes in trade policies, including tariffs, and potential economic slowdown or growing recession risk, as well as input costs including fuel and energy costs (for example, the price of gasoline or fuel shortage), foreign currency exchange rate fluctuations, and other matters that influence consumer spending and preferences.

In addition, public health crises, geopolitical instability (including the conflicts in Ukraine and Israel and surrounding areas, and the possible expansion of such conflicts and China-Taiwan relations), tariffs, as well as other global events have significantly increased global macroeconomic uncertainty and volatility. In response to unfavorable economic conditions, there has been and, in the future, could be a reduction in discretionary spending, which may lead to reduced net sales or cause a shift in our product mix from higher-margin to lower-margin product offerings or a shift of consumer purchasing patterns to lower cost options. This shift could force us to reduce prices for our products in order to compete. Conversely, rapid increases in demand due to improving economic conditions could lead to supply chain challenges.

Global markets continued to face threats and uncertainty during fiscal year 2024. Uncertain economic and financial market conditions may also adversely affect the financial condition of our customers, suppliers and other business partners. Any significant decrease in purchases of our products or our inability to collect accounts receivable resulting from an adverse impact of the global markets on customers' financial condition could have a material adverse effect on our business, financial condition and results of operations. Additionally, disruptions in financial markets could reduce our access to debt and equity capital markets, negatively affecting our ability to implement our business strategy.

We must successfully manage the demand, supply, and operational challenges brought about by any disease outbreak, including epidemics, pandemics, or similar widespread public health concerns.

Our operations are impacted by consumer spending levels, the availability of our products to retailers and our ability to manufacture, store and distribute products to our customers in an effective and efficient manner. The fear of exposure to or actual effects of a disease outbreak or similar widespread public health concern, could negatively impact our overall business, financial condition and results of operations. These impacts may include, but are not limited to:

- Significant reductions, shifts or fluctuations in demand for one or more of our products;
- Inability to meet our customers' needs due to disruptions in our manufacturing and supply chain arrangements caused by the loss or disruption of essential manufacturing and supply chain elements. In addition, we may incur higher costs for transportation, workforce and distribution capability in order to maintain the supply of product to our customers;
- Failure of third parties upon which we rely, including our suppliers, contract manufacturers, distributors, contractors and commercial banks, to meet their obligations to us in a timely manner; and
- Significant changes in the political and regulatory landscape in the markets in which we manufacture, sell or distribute our products, which may include, but are not limited to, restrictions on international trade, governmental or regulatory actions, closures or other restrictions that limit or suspend our or our third-party partners' or customers' operating and/or manufacturing capabilities, including operations necessary for the production, distribution, sale, and support of our products, which could adversely impact our results.

Unfavorable economic conditions could have an adverse impact on consumer discretionary spending and therefore adversely impact our business, sales, financial condition and results of operations.

Our products are largely recreational in nature and are therefore discretionary purchases for consumers. Consumers are generally more willing to make discretionary purchases of automotive products during favorable economic conditions and when consumers are feeling confident and prosperous. Discretionary spending is also affected by many other factors, including general business conditions, inflation, interest rates, the availability of consumer credit, taxes, and consumer confidence in future economic conditions. Purchases of our products could decline during periods when disposable income is lower, or during periods of actual or perceived unfavorable economic conditions. A significant or prolonged decline in general economic conditions or uncertainties regarding future economic prospects that adversely affect consumer discretionary spending, whether in the United States or in our international markets, could result in reduced sales of our products, which in turn would have an adverse impact on our business, sales, financial condition and results of operations.

Inflation could result in higher costs and decreased profitability.

Inflation may continue to adversely affect us by increasing the cost of raw materials. Our products contain various raw materials, including corrosion-resistant steel, non-ferrous metals such as aluminum and nickel, and precious metals such as platinum and palladium. We use raw materials directly in manufacturing and in components that we purchase from our suppliers. We generally purchase components with significant raw material content on the open market. Volatility in the prices of raw materials such as steel, aluminum and nickel could continue to increase the cost of manufacturing our products. In some cases, those cost increases can be passed on to customers in the form of price increases, in other cases, they cannot. Transportation and freight service costs are susceptible to volatility and inflationary pressures due to fuel costs, limited capacity and/or availability of containers, shipping vessels, and/or receiving port services. If the prices of raw material and other inputs increase, and we are not able to charge our customers higher prices to compensate, our results of operations would be adversely affected.

Many of the markets in which we sell have been experiencing high levels of inflation, which may depress consumer demand for our products and reduce our profitability. Even in the event that increased costs can be passed through to customers, our gross margin percentages may decline. Additionally, our suppliers are also subject to fluctuations in the prices of raw materials and may attempt to pass all or a portion of such increases on to us. In the event they are successful in doing so, our margins would decline. If prolonged, and if they cannot be passed on to customers in the form of price increases, these fluctuations in the price of raw materials, product components, other inputs, and/or transportation services could have a material adverse effect on our business, sales, financial condition and results of operations.

Disruptions of supply or shortages of raw materials or components used in our products could harm our business and profitability.

We have experienced, and may continue to experience, disruptions and higher costs in manufacturing, supply chain, logistical operations, and shortages of steel, non-ferrous metals and precious metals. If our supply of these products continues to be adversely affected, there can be no assurance that we will be able to obtain adequate replacements for the existing components or that supplies will be available on terms and prices that are favorable to us, if at all.

Our success depends in part on our ability to anticipate and react to changes in supply costs and disruptions in the supply chain due to factors beyond our control. We have taken steps to minimize the adverse impacts of supply chain volatility and rising inflation by implementing cost savings initiatives, increasing prices to customers, increasing inventory levels of certain products, and working closely with our suppliers and customers to minimize disruptions in delivering products to customers. Despite the actions we have undertaken to minimize these impacts, there can be no assurance that unforeseen future events in the global supply chain and our ability to pass on inflationary costs to our customers could have a material adverse effect on our business, financial condition and results of operations.

A significant disruption in the operations of our manufacturing facilities or distribution centers could have a material adverse effect on our business, sales, financial condition and results of operations.

A significant disruption at any of our manufacturing facilities or distribution centers could materially and adversely affect our business, sales, financial condition and results of operations. Our manufacturing facilities and distribution centers are highly automated, which means that our operations are complicated and may be subject to a number of risks related to computer viruses, the proper operation of software and hardware, electronic or power interruptions, and other system failures, including failures caused by factors outside of our control, such as political unrest, terrorist attacks, military conflicts (including the conflict in Ukraine, the conflict in Israel and surrounding areas, the possible expansion of such conflicts and potential geopolitical consequences), natural disasters or extreme weather (including events that may be caused or exacerbated by climate change). Risks associated with upgrading or expanding these facilities may significantly disrupt or increase the cost of our operations, which may have an immediate, or in some cases prolonged, impact on our margins. Our risk management, business continuity and disaster recovery plans may not be effective at preventing or mitigating the effects of such disruptions, particularly in the case of catastrophic events or longer-term developments, such as the impacts of climate change.

Failure to compete effectively could reduce our market share and significantly harm our business, sales, financial condition and results of operations.

Our industry is highly competitive, and our success depends on our ability to compete with suppliers of automotive aftermarket products. Due to the diversity of our product offering, we compete with several large and medium-sized companies and a large number of smaller regional and specialty companies and numerous category-specific competitors. In addition, we face competition from original equipment manufacturers, which, through their automotive dealerships, supply many of the same types of replacement parts that we sell. Existing competitors may expand their product offerings and sales strategies, and new competitors may enter the market.

Some of our competitors may have larger customer bases and significantly greater financial, technical and marketing resources than we do. These factors may allow our competitors to respond more quickly than we can to new or emerging technologies and changes in customer requirements by devoting greater resources than we can to the development, promotion and sale of automotive aftermarket products. Increased competition could put additional pressure on us to reduce prices or take other actions, which may have an adverse effect on our business, sales, financial condition and results of operations. We may also lose significant customers or lines of business to competitors.

If we are unable to successfully design, develop and market new products, our business may be harmed.

To maintain and increase sales, we must continue to introduce new products on a timely basis to respond to new and evolving consumer preferences and improve or enhance our existing products. The success of our new and enhanced products depends on many factors, including anticipating consumer preferences, finding innovative solutions to consumer problems, differentiating our products from those of our competitors, and maintaining the strength of our brands. The design and development of our products is costly, and we typically have several products in development at the same time. Problems in the design or quality of our products, or delays in product introduction, may harm our brands, business, sales, financial condition and results of operations. Any new products that we develop and market may not generate sufficient revenues to cover our development, production, marketing, selling and other costs.

A drive toward electric vehicles or away from vehicle ownership in general could impact our business, sales, financial condition and results of operations.

There has been an increase in consumer preferences for mobility on demand services, such as car and ride sharing, as opposed to automobile ownership, which may result in a long-term reduction in the number of vehicles per capita. Accordingly, if we do not continue to innovate and develop, or acquire, new and compelling products that capitalize upon new technologies in response to original equipment manufacturer and consumer preferences, or if there is a future shift in consumer preferences towards ownership of more utilitarian vehicles or vehicles that are otherwise less interesting to a large portion of our customers who are automotive enthusiasts, or if there is otherwise a future shift away from automobile ownership among consumers in general, our and our subsidiaries' business, sales, financial condition and results of operations could be impacted.

Our business depends on maintaining and strengthening our brands to generate and maintain ongoing demand for our products, and a significant reduction in such demand could harm our business, sales, financial condition and results of operations.

Our success depends on the value and reputation of our brands, which, in turn, depends on factors such as the quality, design, performance, functionality, and durability of our products, the image of our e-commerce platform and retail partner floor spaces, our communication activities, including advertising, social media, and public relations, and our management of the customer experience, including direct interfaces through customer service. Maintaining, promoting, and positioning our brands are important to expanding our customer base, and will largely depend on the success of our marketing and merchandising efforts and our ability to provide consistent, high-quality customer experiences. We intend to continue making investments in these areas in order to maintain and enhance our brands, and such investments may not be successful. Ineffective marketing, negative publicity, product diversion to unauthorized distribution channels, product or manufacturing defects, counterfeit products, unfair labor practices, and failure to protect the intellectual property rights in our brands are some of the potential threats to the strength of our brands, and those and other factors could rapidly and severely diminish our relationships with customers and suppliers. These factors could cause our customers to lose the personal connection they feel with our brands and reduce our ability to attract new customers and lead to suppliers terminating their relationships with us. We believe that maintaining and enhancing the image of our brands in our current markets and in new markets where we have limited brand recognition is important to expanding our customer base. If we are unable to maintain or enhance our brands in current or new markets, our business, sales, financial condition and results of operations could be harmed.

If we inaccurately forecast demand for our products, we may manufacture either insufficient or excess quantities, which, in either case, could adversely affect our financial performance.

We plan our manufacturing capacity based upon the forecasted demand for our products. Forecasting the demand for our products is very difficult given the manufacturing lead time and the amount of specification involved, especially given market volatility. Aside from supply chain disruptions and inflationary pressures, forecasting demand for specific automotive parts can also be challenging due to changing consumer preferences and competitive pressures and longer supply lead times. The nature of our business makes it difficult to quickly adjust our manufacturing capacity if actual demand for our products varies from forecasted demand. If actual demand for our products exceeds forecasted demand, we may not be able to produce sufficient quantities of new products in time to fulfill actual demand, which could limit our sales and adversely affect our financial performance. On the other hand, if actual demand is less than forecasted demand for our products, we could produce excess quantities, resulting in excess inventories and related obsolescence charges that could adversely affect our financial performance.

We may not be able to effectively manage our growth.

As we grow our business, slower growing or reduced demand for our products, increased competition, a decrease in the growth rate of our overall market, failure to develop and successfully market new products, or the maturation of our business or markets could harm our business. We have made and expect to continue to make significant investments in our research and development and sales and marketing organizations, expand our operations and infrastructure both domestically and internationally, design and develop new products, and enhance our existing products. If our sales do not increase at a sufficient rate to offset these increases in our operating expenses, our profitability may decline in future periods.

We only have a limited history operating our business as a public company at its current scale. Consequently, if our operations grow at a rapid pace in the future, we may experience difficulties in managing this growth and building the appropriate processes and controls. Future rapid growth may increase the strain on our resources, and we could experience operating difficulties, including difficulties in sourcing, logistics, recruiting, maintaining internal controls, marketing, designing innovative products, and meeting consumer needs. If we do not adapt to meet these evolving challenges, the strength of our brands may erode, the quality of our products may suffer, we may not be able to deliver products on a timely basis to our customers, and our corporate culture may be harmed.

We have set certain growth initiatives for our business to meet long-term strategic objectives and improve stockholder value. We may incur certain costs to achieve our growth initiatives, and we may not meet anticipated implementation timetables or stay within budgeted costs. As these growth initiatives are undertaken, we may not achieve our expected results, which could adversely impact our customer retention or results of operation.

If we fail to attract new customers, or fail to do so in a cost-effective manner, we may not be able to increase sales.

Our success depends, in part, on our ability to attract customers in a cost-effective manner. In order to expand our customer base, we must appeal to and attract customers ranging from automotive enthusiasts to individuals who simply value products of uncompromising quality and design. We have made, and expect to continue to make, significant investments in attracting new customers, including through the use of traditional, digital, and social media and participation in, and sponsorship of, community events. Marketing campaigns can be expensive and may not result in the cost-effective acquisition of customers. Further, as our brands become more widely known, future marketing campaigns may not attract new customers at the same rate as past campaigns. If we are unable to attract new customers, or fail to do so in a cost-effective manner, our growth could be slower than we expect, and our business may be harmed.

Our growth depends, in part, on expanding into additional consumer markets, and we may not be successful in doing so.

We believe that our future growth depends not only on continuing to reach our current core demographic, but also continuing to broaden our retail partner and customer bases. The growth of our business will depend, in part, on our ability to continue to expand our retail partner and customer bases in the United States, as well as in international markets. In these markets, we may face challenges that are different from those we currently encounter, including competition, merchandising, distribution, hiring, and other difficulties. We may also encounter difficulties in attracting customers due to a lack of consumer familiarity with or acceptance of our brands, or a resistance to paying for premium products, particularly in international markets. We continue to evaluate marketing efforts and other strategies to expand the customer base for our products. In addition, although we are investing in sales and marketing activities to further penetrate newer regions, including expansion of our dedicated sales force, we cannot ensure that we will be successful. If we are not successful, our business, sales, financial condition and results of operations may be harmed.

Competitors have attempted, and will likely continue to attempt to, imitate our products and technology. If we are unable to protect or preserve the image of our brands and proprietary rights, our business, sales, financial condition and results of operations may be harmed.

As our business continues to expand, our competitors have imitated or attempted to imitate, and will likely continue to imitate or attempt to imitate, our product designs and branding, which could harm our business, sales, financial condition and results of operations. Only a portion of the intellectual property used in the manufacture and design of our products is patented, and we, therefore, rely significantly on trade secrets, trade and service marks, trade dress, and the strength of our brands. We regard our patents, trade dress, trademarks, copyrights, trade secrets, and similar proprietary rights as critical to our success. We also rely on trade secret protection and confidentiality agreements with our employees, consultants, suppliers, manufacturers, and others to protect our proprietary rights. Nevertheless, the steps we take to protect our proprietary rights against infringement or other violations may be inadequate, and we may experience difficulty in effectively limiting the unauthorized use of our patents, trademarks, trade dress, and other intellectual property and proprietary rights worldwide. We also cannot guarantee that others will not independently develop technology with the same or similar function to any proprietary technology that we rely on to conduct our business and differentiate Holley from our competitors. Unauthorized use or invalidation of our patents, trademarks, copyrights, trade dress, trade secrets, or other intellectual property or proprietary rights may cause significant damage to our brands and harm our business, sales, financial condition and results of operations.

While we actively develop and protect our intellectual property rights, there can be no assurance that we will be adequately protected in all countries in which we conduct our business or that we will prevail when defending our patent, trademark, and proprietary rights. Additionally, we could incur significant costs and management distraction in pursuing claims to enforce our intellectual property rights through litigation and defending any alleged counterclaims. If we are unable to protect or preserve the value of our patents, trade dress, trademarks, copyrights, or other intellectual property rights for any reason, or if we fail to maintain the image of our brands due to actual or perceived product or service quality issues, adverse publicity, governmental investigations or litigation, or other reasons, our brands and reputation could be damaged, and our business may be harmed.

Our profitability may decline as a result of increasing pressure on pricing.

Our industry is subject to significant pricing pressure caused by many factors, including unfavorable economic conditions, intense competition, tariffs and other trade restrictions, consolidation in the retail industry, pressure from retailers to reduce the costs of products, and changes in consumer demand. The current economic conditions and macroeconomic trends, including heightened inflation, capital market volatility, interest rate and current rate fluctuations, have had and may continue to have an impact on pricing. Some of these factors may cause us to reduce our prices to retailers and customers or engage in more promotional activity than we anticipate, which could adversely impact our margins and cause our profitability to decline if we are unable to offset price reductions with comparable reductions in our operating costs. This could materially harm our business, sales, financial condition and results of operations. If we fail to attract new customers, or fail to do so in a cost-effective manner, we may not be able to increase sales.

Our current and future products may experience quality problems from time to time that can result in negative publicity, litigation, product recalls, and warranty claims, which could result in decreased sales and operating margin, and harm to our brand.

Although we extensively and rigorously test new and enhanced products, there can be no assurance we will be able to detect, prevent, or fix all defects. Defects in materials or components can unexpectedly interfere with the products' intended use and safety and damage our reputation. Failure to detect, prevent, or fix defects could result in a variety of consequences, including a greater number of product returns than expected from customers and retail partners, litigation, product recalls, and credit claims, among others, which could harm our business, sales, financial condition and results of operations. The occurrence of real or perceived quality problems or material defects in our current and future products could expose us to product recalls, warranty, or other claims. In addition, any negative publicity or lawsuits filed against us related to the perceived quality and safety of our products could also harm our brand and decrease demand for our products.

Our reliance on foreign suppliers for some of the automotive parts we sell to our customers or include in our products presents risks to the business.

A portion of automotive parts and components we use in our manufacturing processes are imported from suppliers located outside the U.S. As a result, we are subject to various risks of doing business in foreign markets and importing products from abroad, and these risks may become heightened as a result of unfavorable global economic conditions. These risks may include, but are not limited to:

- shortages of key component parts used in our products sourced from non-U.S. suppliers;
- increased transportation costs;
- significant delays in the delivery of cargo due to port security considerations;
- imposition of duties, taxes, tariffs or other charges on imports;
- potential recalls or cancellations of orders for any product that does not meet our quality standards;
- disruption of imports by labor disputes or strikes and local business practices;
- currency exchange rate fluctuations;
- heightened terrorism security concerns, which could subject imported goods to additional, more frequent or more thorough inspections, leading to delays in deliveries or impoundment of goods for extended periods;
- political tensions and military conflicts (including the conflict in Ukraine, the conflict in Israel and surrounding areas, and the possible expansion of such conflicts);
- natural disasters, disease, epidemics and health related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas;
- inability of our non-U.S. suppliers to obtain adequate credit or access liquidity to finance their operations; and
- our ability or inability to enforce any agreements with our foreign suppliers.

Any of the foregoing factors, or a combination of them, could increase the cost or reduce the supply of products available to us and materially and adversely impact our business, sales, financial condition and results of operations.

We depend on retail partners to display and present our products to customers, and our failure to maintain and further develop our relationships with retail partners could harm our business.

We sell a significant amount of our products through knowledgeable national, regional, and independent retail partners. Our retail partners service customers by stocking and displaying our products, explaining the attributes of our products, and sharing the story of our brands. Our relationships with these retail partners are important to the authenticity of our brands and the marketing programs we continue to deploy. Our failure to maintain these relationships with our retail partners or financial difficulties experienced by these retail partners could harm our business.

We have key relationships with national retail partners. If we lose any of our key retail partners or any key retail partner reduces their purchases of our existing or new products or their number of stores or operations, or promotes products of our competitors over ours, our sales would be harmed. Because Holley is a premium brand, our sales depend, in part, on retail partners effectively displaying our products, including providing attractive space and point of purchase displays in their stores, and training their sales personnel to sell our products. If our retail partners reduce or terminate those activities, we may experience reduced sales of our products, resulting in lower gross margins, which would harm our business, financial condition and results of operations.

If our plans to increase sales through our DTC channel are not successful, our business, sales, financial condition and results of operations could be harmed.

For 2024, we generated approximately \$149.5 million in gross sales through our DTC channel. Part of our growth strategy involves increasing sales through our DTC channel. The level of customer traffic and volume of customer purchases through our website is substantially dependent on our ability to provide a content-rich and user-friendly website, a hassle-free customer experience, sufficient product availability, and reliable, timely delivery of our products. If we are unable to maintain and increase customers' use of our website, allocate sufficient product to our website, and increase any sales through our website, our business, sales, financial condition and results of operations could be harmed.

Our future success depends on the continuing efforts of our management and key employees, and on our ability to attract and retain highly skilled personnel and senior management.

We depend on the talents and continued efforts of our senior management and key employees. The loss of members of management or key employees may disrupt our business and harm our business, sales, financial condition and results of operations. Furthermore, our ability to manage further expansion will require us to continue to attract, motivate, and retain additional qualified personnel. Competition for this type of personnel is intense, and we may not be successful in attracting, integrating, and retaining the personnel required to grow and operate our business effectively. There can be no assurance that our current management team or any new members of the management team will be able to successfully execute our business and operating strategies.

Our results of operations may be adversely affected by increases in labor costs, labor shortages, and/or turnover.

An overall labor shortage, lack of skilled labor, increased turnover or labor inflation, increase in federal or state minimum wages, or increase in general labor costs as a result of general macroeconomic factors, could have a material adverse impact on our operations, results of operations, liquidity or cash flows. A sustained labor shortage or increased turnover rates within our employee base, caused by worsening economic conditions or other national or international emergencies, could lead to increased costs, such as increased overtime to meet demand and increased salaries and wage rates to attract and retain employees. Further, labor shortages or increased turnover rates could negatively affect our ability to efficiently operate our business if we are unable to hire and retain employees capable of performing at a high-level, or if mitigation measures we take to respond to a decrease in labor availability have unintended negative consequences. If we are unable to hire or retain skilled personnel, our results of operations would suffer.

Our operations and reputation may be negatively impacted if our information technology systems fail to perform adequately or if we experience an interruption in our operations due to security threats or disruptions.

Our business operations are dependent on information technology systems, which manage crucial functions such as manufacturing, distribution, sales, accounting, and communications. Effective resource allocation and management are vital for building, sustaining, and safeguarding these systems. Failure to do so, including inadequate oversight of system upgrades or third-party service providers, could negatively impact our business and financial results. The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction or reporting errors, processing inefficiencies and the loss of sales and customers, causing our business and results of operations to suffer.

Furthermore, our information technology systems, and the systems of our customers, vendors, suppliers, and other third-party service providers, are subject to cyber-attacks or other security incidents including computer viruses or other malicious codes, phishing attacks, unauthorized access attempts, cyber extortion, business email compromise, social engineering schemes, denial of service attacks, hacking, ransomware, or other cyberattacks attempting to exploit vulnerabilities. Cybercriminals have increasingly demonstrated advanced capabilities, such as use of zero-day vulnerabilities, and rapid integration of new technology such as generative artificial intelligence. Such incidents could result in unauthorized access to information including customer, consumer or other company confidential data as well as disruptions to operations. To address the risks to our information technology systems and data, we maintain an information security program that includes updating technology, developing security policies and procedures, implementing and assessing the effectiveness of controls, monitoring and routine testing of our information systems, and designing business processes to mitigate the risk of such breaches. We believe that these preventative actions provide adequate measures of protection against security breaches and generally reduce our cybersecurity risks. However, cyber-threats are constantly evolving, are becoming more sophisticated and are being made by groups of individuals with a wide range of expertise and motives, which increases the difficulty of detecting and successfully defending against them. There can be no assurance that these measures will prevent or limit the impact of a future incident. Moreover, the development and maintenance of these measures requires continuous monitoring as technologies change and efforts to overcome security measures evolve. Additionally, we rely on services provided by third-party vendors for certain information technology processes and functions, which makes our operations vulnerable to a failure by any one of these vendors to perform adequately or maintain effective internal controls. If they fail to deter, detect or report cyber incidents in a timely manner, we may suffer financial and other harm, including to our information, operations, performance, and reputation. We face additional cybersecurity risks due to our reliance on internet technology and hybrid work arrangements, which could strain our technology resources or create additional opportunities for cybercriminals to exploit vulnerabilities. We are also subject to increasing and evolving government, customer and other cyber and security requirements, including disclosure obligations. If we are unable to prevent or adequately respond to and resolve a cybersecurity incident, it may have a material, negative impact on our operations or business reputation, and we may experience other adverse consequences such as loss of assets, remediation costs, litigation, regulatory investigations, and the failure by us to retain or attract customers following such an event, any of which could adversely affect our reputation, operations, financial performance and condition.

Our information systems are also vulnerable to damage or interruption from computer system failures, software defects, natural disasters, power loss, human error, and network failures. Such incidents could adversely affect our company, including incurring unanticipated costs to remediate impacts and lost business. Our customers and suppliers face similar risks that, if realized, could also adversely impact our operations.

We have experienced in the past, and expect to continue to experience, cybersecurity threats and attacks. To date these incidents have not had a material adverse effect on our business and results of operations; however, there can be no assurance that such impacts will not be material in the future. The occurrence and impact of these various risks are difficult to predict, but one or more of them could temporarily disrupt our ability to manage our operations, provide services to our customers and perform vital financial processes, any of which could have a materially adverse effect on our business, cash flows, financial condition and results of operations. While we have contingency plans and insurance coverage for potential liabilities of this nature, they may not be sufficient to cover all claims and liabilities and in some cases are subject to deductibles and layers of self-insured retention.

We are exposed to risks related to the failure to protect the integrity of individually identifiable information of our customers, vendors, suppliers and employees.

As our information technology systems contain certain information about individuals and businesses, our failure to maintain the security of the data we hold, whether as a result of our own error or the malfeasance or errors of others, could lead to disruptions in our online ordering system or other data systems, and could lead to unauthorized release of confidential or otherwise protected information or corruption of data. Failure to maintain security of the data we hold could also result in violations of applicable privacy, data security and other laws, potentially subjecting us to lawsuits, fines and other forms of regulatory enforcement. While we have implemented security measures, our information technology systems remain susceptible to cyber-attacks, viruses and other disruptions and security compromises. Any unauthorized or inadvertent disclosure of personally identifiable information, whether through a compromise of our network by an unauthorized party, employee theft, misuse, error, or otherwise, has the potential to damage our reputation, impair our ability to attract website visitors, or subject us to claims or litigation arising from damages suffered by consumers. This could adversely affect our operations, financial performance and condition.

We depend on cash generated from our operations to support our growth, and we may need to raise additional capital, which may not be available on terms acceptable to us, or at all.

We primarily rely on cash flow generated from our sales to fund our current operations and growth initiatives. As we expand our business, we will need significant cash from operations to purchase inventory, increase product development, expand our manufacturer and supplier relationships, pay personnel, pay for the increased costs associated with operating as a public company and further invest in sales and marketing efforts. If our business does not generate sufficient cash flow from operations to fund these activities and sufficient funds are not otherwise available from our current or future credit facility, we may need additional equity or debt financing. If such financing is not available to us on satisfactory terms, our ability to operate and expand our business or to respond to competitive pressures could be harmed. Moreover, if we raise additional capital by issuing equity securities or securities convertible into equity securities, the ownership of our existing stockholders may be diluted. The holders of new securities may also have rights, preferences or privileges which are senior to those of existing holders of our Common Stock. In addition, any indebtedness we incur may subject us to covenants that restrict our operations and will require interest and principal payments that could create additional cash demands and financial risk for us.

Events affecting the financial services industry could have an adverse impact on the Company's business operations, financial condition, and results of operations.

The closures of certain regional banks have created bank-specific and broader financial institution liquidity risk and concerns. Future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages, impair the ability of companies to access working capital needs, and create additional market and economic uncertainty.

Although we do not have any funds in any of the banks that have been placed into receivership to date, we cannot guarantee that the banks or other financial institutions that hold our funds will not experience similar issues. These events have resulted in market disruption and volatility and future similar events could lead to greater instability in the credit and financial markets and a deterioration in confidence in economic conditions. Our operations may be adversely affected by any such economic downturn, liquidity shortages, volatile business environments, or unpredictable market conditions. These events could also make any necessary debt or equity financing more difficult and/or costly.

The future effect of these events on the financial services industry and broader economy are unknown and difficult to predict but could include failures of other financial institutions to which we or our customers, vendors, or other counterparties face direct or more significant exposure. Any such developments could adversely impact our results of operation and financial position, and there may be other risks we have not yet identified.

Our indebtedness may limit our ability to invest in the ongoing needs of our business and if we are unable to comply with the covenants in our current credit agreements, our business, sales, financial condition and results of operations could be harmed.

On November 18, 2021, we entered into a credit facility with a syndicate of lenders and Wells Fargo Bank, N.A., as administrative agent for the lenders, letter of credit issuer and swing line lender (as amended, the "Credit Agreement"). On December 31, 2024, \$560.9 million in principal was outstanding under the credit facility. We are required to make quarterly payments of principal plus accrued interest. The Credit Agreement imposes various restrictions and contains customary affirmative and restrictive covenants, including, without limitation, certain reporting obligations, certain limitations on restricted payments, and limitations on liens, encumbrances and indebtedness. In addition, borrowings under the Credit Agreement are jointly and severally guaranteed by us and certain of our wholly owned material subsidiaries and our future subsidiaries that become guarantors (collectively the "Loan Parties"). The First Lien Credit Agreement is secured by a first-priority lien on substantially all of the Loan Parties' assets, in each case subject to certain customary exceptions. If we fail to comply with the covenants or payments specified in the Credit Agreement, the lender could declare an event of default, which would give it the right to declare all borrowings outstanding, together with any accrued and unpaid interest and fees, to be immediately due and payable.

The Credit Agreement places certain conditions on us including, subject to certain conditions, reductions and exceptions, requiring us to utilize a portion of our and our subsidiaries' cash flow from operations to make payments on our and our subsidiaries' indebtedness, reducing the availability of cash flow to fund working capital, capital expenditures, development activity, return capital to our stockholders, and other general corporate purposes. Our and our subsidiaries' compliance with these conditions may limit our and our subsidiaries' ability to invest in ongoing business needs. For example, complying with these conditions:

- increases vulnerability to adverse economic or industry conditions;
- limits flexibility in planning for, or reacting to, changes in business or markets;
- increases vulnerability to higher interest rates, as borrowings under the Credit Agreement bear interest at variable rates;
- limits our ability to obtain additional financing in the future for working capital or other purposes; and
- potentially places us at a competitive disadvantage compared to our competitors that have less indebtedness.

The Credit Agreement places certain limitations on our and certain of our subsidiaries' ability to incur additional indebtedness. However, subject to the certain exceptions and baskets in the Credit Agreement, we and our subsidiaries may incur substantial additional indebtedness under and outside of such credit agreement. The Credit Agreement also limits or prohibits, among other things, and in each case, subject to exceptions, materiality thresholds and baskets, our and certain of our subsidiaries' ability to: (a) pay dividends on, redeem or repurchase stock, or make other distributions; (b) incur or guarantee additional indebtedness; (c) sell stock in certain of our subsidiaries; (d) create or incur liens; (e) make acquisitions or investments; (f) transfer or sell certain assets or merge or consolidate with or into other companies; (g) make certain payments or prepayments of indebtedness subordinated to our obligations under the Credit Agreement; and (h) enter into certain transactions with our affiliates.

In addition to the restrictions described above, the Credit Agreement requires us and certain of our subsidiaries to comply with certain other covenants, including a financial maintenance covenant regarding our total net leverage ratio on the last day of each fiscal quarter, with step downs to lower total net leverage ratio levels at specified times as set forth therein.

In February 2023, the Company entered into an amendment to its Credit Agreement which, among other things, increased the consolidated net leverage ratio financial covenant level applicable under the Credit Agreement as of the fiscal quarter ending April 2, 2023 to initially 7.25:1.00, and provides for modified step-down levels for such covenant thereafter through the fiscal quarter ending June 30, 2024 (the "Covenant Relief Period"). Commencing with the fiscal quarter ending June 30, 2024, the consolidated net leverage financial covenant reverted back to 5:00:1.00.

Failure to comply with these covenants and certain other provisions of the Credit Agreement, or the occurrence of a change of control, could result in an event of default and an acceleration of the Loan Parties' obligations under the Credit Agreement or other indebtedness that we and our subsidiaries may incur in the future. If such an event of default and acceleration of the Loan Parties' obligations occurs, subject to intercreditor agreements agreed to by the lenders, the lenders under the Credit Agreement would have the right to proceed against the collateral the Loan Parties granted to them to secure such indebtedness. If the debt under the Credit Agreement were to be accelerated, we and our subsidiaries may not have sufficient cash or be able to sell sufficient collateral to repay this debt, which would immediately and materially harm our and our subsidiaries' business, sales, financial condition and results of operations. The threat of our debt being accelerated in connection with a change of control could make it more difficult for us to attract potential buyers or to consummate a change of control transaction that would otherwise be beneficial to our stockholders.

Our failure to maintain effective internal controls over financial reporting could harm us.

As a public company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of internal control over financial reporting. As an emerging growth company, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404, but we anticipate this to be applicable for the 2025 10-K. At such time, our independent registered public accounting firm may issue a report that is adverse in the event that it is not satisfied with the level at which our controls are documented, designed or operating.

Any failure to maintain internal control over financial reporting, or any failure to fully remediate the existing or any future material weaknesses that may be found to exist, could inhibit our ability to accurately and on a timely basis report our cash flows, results of operations or financial condition in compliance with applicable securities laws. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our Common Stock and Warrants could decline and we could be subject to sanctions or investigations by NYSE, the SEC or other regulatory authorities. Failure to remediate any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets and negatively impact the price and trading market for our Common Stock and Warrants.

We have identified a material weakness in our internal control over financial reporting that if not remediated could result in material misstatements in our financial statements and cause us to fail to meet our reporting and financial obligations.

We are responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934. As more fully described under Item 9A, "Controls and Procedures," our management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures and internal control over financial reporting. Based on that evaluation, we have concluded that our disclosure controls and procedures were not effective as of December 31, 2024, due to a material weakness in internal control over financial reporting. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Recognizing this material weakness, management has concluded that our audited financial statements included in this Annual Report on Form 10-K are fairly stated in all material respects in accordance with U.S. GAAP for each of the periods.

We have implemented and continue to implement remediation measures, and we are in the process of identifying any additional appropriate remediation measures. Until our remediation plan is fully implemented, our management will continue to devote significant time and attention to these efforts. Any failure to implement our remediation plan or any difficulties we encounter with our remediation plan could result in additional material weaknesses or deficiencies in our internal control or future material misstatements in our annual or interim financial statements. Moreover, our failure to remediate the material weakness identified in this Form 10-K or the identification of additional material weaknesses, could adversely affect our stock price and investor confidence.

As noted above, management has determined that the audited financial statements included in this Annual Report on Form 10-K are accurately presented in all material respects in accordance with U.S. GAAP for each period.

Our disclosure controls and procedures may not prevent or detect all acts of fraud.

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to management and is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Our management expects that our disclosure controls and procedures and internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within our company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by an unauthorized override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and we cannot assure that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

We may acquire or invest in other companies to complement our organic growth, which may not be successful and may divert financial and management resources.

Historically our growth has been dependent on our acquisition strategy, and our future growth may continue to depend, in part, on our acquisition strategy and the successful integration of acquired businesses into our existing operations. We intend to continue to identify appropriate opportunities to acquire or invest in businesses or assets that we believe could complement or expand our business, enhance our capabilities, or otherwise offer growth opportunities. However, we may not be successful in identifying suitable acquisition opportunities or completing such transactions. The pursuit of potential acquisitions may divert the attention of management and cause us to incur costs in identifying, investigating, and pursuing acquisitions, whether or not they are consummated. Our ability to enter into and complete acquisitions may be restricted by, or subject to, various approvals under U.S. or other applicable law or may not otherwise be possible, may result in a possible dilutive issuance of our securities, or may require us to seek additional financing.

In addition, following completion of an acquisition, our management and resources may be diverted from their core business activities due to the integration process, which diversion may harm the effective management of our business. We may experience difficulties integrating acquired operations, technology, and personnel into our existing business and operations. It may not be possible to achieve the expected synergies or the actual cost of delivering such benefits may exceed the anticipated cost. We cannot provide assurance that any acquisition, once integrated, will perform as planned, be accretive to earnings, or prove to be beneficial to our results of operations or cash flow. Completed acquisitions may also expose us to potential risks, including risks associated with the assumption of product liabilities, or contingent or undisclosed liabilities, acquisition-related litigation, difficulties in maintaining uniform standards, impact to our corporate culture, the diversion of resources from our existing business, and the potential loss of, or harm to, relationships with our suppliers, business relationships or employees as a result of our integration of new businesses.

We may also face liability with respect to acquired businesses for violations of environment laws occurring prior to the date of acquisition, which may not be covered by environment insurance secured to mitigate the risk or by indemnification from the sellers of the acquired businesses. We could also incur significant costs, including, but not limited to, remediation costs, natural resources damages, civil or criminal fines and sanctions, and third-party claims, as a result of past or future violations of, or liabilities, associated with environmental laws. Any of these factors may have an adverse effect on our business, results of operations and financial condition.

Our management team does not have extensive experience managing a public company.

Most members of our management team do not have extensive experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage us as a public company that is subject to significant regulatory oversight and reporting obligations under federal securities laws and the continuous scrutiny of securities analysts and investors. These obligations and constituents require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, results of operations and financial condition.

If our goodwill, other intangible assets, or fixed assets become impaired, we may be required to record a charge to earnings.

We may be required to record future impairments of goodwill, other intangible assets, or fixed assets to the extent the fair value of these assets falls below their book value. Our estimates of fair value are based on assumptions regarding future cash flows, gross margins, expenses, discount rates applied to these cash flows, and current market estimates of value. Estimates used for future sales growth rates, gross profit performance, and other assumptions used to estimate fair value could cause us to record material non-cash impairment charges, which could harm our financial condition and results of operations.

We assess the potential impairment of goodwill and indefinite-lived intangible assets on an annual basis or whenever events or changes in circumstances indicate the carrying value of these assets may have been impaired. The Company completed its annual goodwill impairment analysis in the fourth quarter of fiscal 2024, in conjunction with its budgeting and forecasting process for fiscal year 2025 and concluded that impairment existed for its reporting unit. Based on the quantitative assessment in the fourth quarter of 2024, we concluded that it is necessary to record a goodwill and trade name impairments of \$40.9 million and \$7.7 million, respectively.

Global climate change and related regulations could negatively affect our business.

The effects of climate change, such as extreme weather conditions, create financial risks to our business. The demand for our products may be affected by extreme weather conditions, such as droughts, wildfires and flooding. These types of extreme weather events have and may continue to adversely impact us, our suppliers, our customers and their ability to purchase our products and our ability to timely receive appropriate raw materials to manufacture and transport our products on a timely basis. The effects of climate change could also disrupt our operations by impacting the availability and cost of materials needed for manufacturing and could increase insurance and other operating costs. We could also face indirect financial risks passed through the supply chain and disruptions that could result in increased prices for our products and the resources needed to produce them.

Furthermore, the long-term impacts of climate change, whether involving physical risks (such as extreme weather conditions, drought, or rising sea levels) or transition risks (such as regulatory or technology changes) are expected to be widespread and unpredictable. Certain impacts of physical risk may include: temperature changes that increase the heating and cooling costs at our facilities; extreme weather patterns that affect the production or sourcing of certain components; flooding and extreme storms that damage or destroy our buildings and inventory; and heat and extreme weather events that cause long-term disruption or threats to the habitability of our customers' communities. Relative to transition risk, certain impacts may include: changes in energy and commodity prices driven by climate-related weather events; prolonged climate-related events affecting macroeconomic conditions with related effects on consumer spending and confidence; stakeholder perception of our engagement in climate-related policies; and new regulatory requirements resulting in higher compliance risk and operational costs.

Climate change is continuing to receive ever increasing attention worldwide, which could lead to additional legislative and regulatory efforts to increase transparency and standardization of reporting of greenhouse gas emissions, energy policies, and renewable energy usage. Additionally, new federal or state restrictions on emissions of carbon dioxide that may be imposed on vehicles and automobile fuels could adversely affect demand for vehicles, annual miles driven or the products we sell or lead to changes in automotive technology. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require increased capital expenditures to improve our product portfolio to meet such new laws, regulations and standards.

Increasing scrutiny and evolving expectations with respect to our environmental, social and governance ("ESG") practices may impose additional costs on us or expose us to new or additional risks.

In addition to the increased legislative and regulatory attention to climate change, customer, investor, and employee expectations in ESG have been rapidly evolving and changing. While we have been committed to continuous improvements to our product portfolio to meet anticipated regulatory standard levels, if customers, regulators or investors demand we increase our greenhouse gas emission or renewable energy disclosures or our ESG initiatives, we may have to implement additional reporting standards and reporting requirements. If we fail to meet customer, investor, or employee expectations, we may be unable to attract or retain our consumer base or talent. Further, there can be no assurance that our commitments will be successful, that our products will be accepted by the market, that proposed regulation or deregulation will not have a negative competitive impact, or that economic returns will reflect our investments in new product development.

The standards by which ESG efforts and related matters are measured are developing and evolving, and we could be criticized for the scope of our initiatives and goals, or lack thereof. If we fail to comply with the evolving customer or investor or employee expectations and standards, or if we are perceived to have failed to adequately respond to such expectations and standards (including opposition to various ESG practices), we may suffer from reputational damage, which could have an adverse impact on our business or financial condition.

We are exposed to political or country risk inherent in doing business in some countries, including China.

We conduct business in several countries, including Canada, Italy and China. As a result of our global operations, which can vary substantially by country, we are subject to certain risks that could disrupt our operations or force us to incur unanticipated costs or exit a specific country, including:

- the burdens of complying with a wide variety of foreign laws and regulations, and the risks of non-compliance, including the increased burden of complying with anti-bribery regulations, such as the Foreign Corrupt Practices Act (“FCPA”) of the United States, and the risk associated with non-compliance with such laws;
- fluctuations in currency exchange rates;
- impact of inflation on local economies;
- import and export license requirements, tariffs, economic sanctions, contractual limitations and other trade barriers;
- difficulties in managing the geographically remote personnel and changes in labor conditions;
- the complexities of foreign tax systems and changes in their tax rates and rules;
- stringent consumer protection and product compliance regulations that are costly to comply with and may vary from country to country;
- limited protection and enforcement regimes for intellectual property rights in some countries; and
- increased financial accounting and reporting burdens and complexity.

For example, the ongoing geopolitical and economic uncertainty between the U.S. and China, the unknown impact of current and future U.S. and Chinese trade regulations, and other geopolitical risks with respect to China and Taiwan may cause disruptions in the markets and industries we serve and our supply chain and limit our ability to offer our products and services.

If we are unable to effectively adopt or react to the risks posed by and the opportunity presented by, new technology, such as artificial intelligence, machine learning, blockchain or other new approaches to data mining, we may be exposed to risks related to the adoption and application of such technology.

The effective use of new technology is important for our business. We may face competitive risks related to the adoption and application of new technologies, such as artificial intelligence (AI) and machine learning by our competitors and other market participants. New technology may enhance efficiency or improve product offerings. To remain competitive, we may be required to implement new technology solutions and develop technical expertise to keep pace with technology advancement, industry standards and customer preferences.

Developing and integrating new technologies in our operations may require significant investments, and there is no assurance that these efforts will achieve the intended results. For example, some technological initiatives may not be accepted in the marketplace or may not deliver the anticipated benefits, resulting in accelerated recognition of expenses or loss of competitive advantage. Additionally, if we fail to anticipate or respond to these technological developments in a timely and cost-effective manner, or if our competitors adopt more advanced or cost-effective technologies, our market position could be adversely affected.

Furthermore, reliance on third-party technologies introduces risks outside of our control, including potential challenges related to data privacy, intellectual property rights, and compliance with evolving regulatory standards.

If we are unable to develop or deploy new technologies as effectively or efficiently as our competitors, our business, financial condition, and results of operations could be materially and adversely impacted.

Legal, Regulatory and Compliance Risks Related to Our Business

We may become involved in legal or regulatory proceedings and audits.

Our business requires compliance with many laws and regulations, including labor and employment, sales and other taxes, customs, and consumer protection laws and ordinances that regulate retailers generally and/or govern the importation, promotion, and sale of merchandise, and the operation of stores and warehouse facilities. Failure to comply with these laws and regulations could subject us to lawsuits and other proceedings, and could also lead to damage awards, fines, and penalties. We may become involved in a number of legal proceedings and audits, including government and agency investigations, and consumer, employment, tort, and other litigation. The outcome of some of these legal proceedings, audits, and other contingencies could require us to take, or refrain from taking, actions that could harm our operations or require us to pay substantial amounts of money, harming our business, sales, financial condition and results of operations. Additionally, defending against these lawsuits and proceedings may be necessary, which could result in substantial costs and diversion of management's attention and resources, harming our business, sales, financial condition and results of operations. Any pending or future legal or regulatory proceedings and audits could harm our business, sales, financial condition and results of operations.

We may become subject to intellectual property claims or lawsuits that could cause us to incur significant costs or pay significant damages or that could prohibit us from selling our products.

Our competitors also seek to obtain patent, trademark, copyright or other protection of their proprietary rights and designs for automotive products. From time to time, third parties have claimed or may claim in the future that our products infringe upon their proprietary rights. We evaluate any such claims and, where appropriate, have obtained or sought to obtain licenses or other business arrangements. To date, there have been no significant interruptions in our business as a result of any claims of infringement. However, in the future, intellectual property claims could force us to alter our existing products or withdraw them from the market or could delay the introduction of new products.

Various patents have been issued to our competitors in the automotive parts industry and these competitors may assert that our products infringe their patent or other proprietary rights. If our products are found to infringe third-party intellectual property rights, we may be unable to obtain a license to use such technology, and we could incur substantial costs to redesign our products, withdraw them from the market, and/or to defend legal actions.

Sales of our products by unauthorized retailers or distributors could adversely affect our authorized distribution channels and harm our reputation.

Some of our products may find their way to unauthorized outlets or distribution channels. This "gray market" for our products can undermine authorized retailers and foreign wholesale distributors who promote and support our products and can injure our brands in the minds of our customers and consumers. On the other hand, stopping such commerce could result in a potential decrease in sales to those customers who are selling our products to unauthorized distributors or an increase in sales returns over historical levels. While we have taken some lawful steps to limit commerce of our products in the "gray market" in both the United States and abroad, we have not stopped such commerce.

We are subject to environmental, health, safety, and other governmental laws and regulations, which could subject us to liabilities, increase our costs or restrict our operations in the future.

Our properties and operations are subject to a number of environmental, health and safety laws and regulations in each of the jurisdictions in which we operate, including, among others, regulations of the California Air Resources Board. These laws and regulations govern, among other things, air emissions, water discharges, handling and disposal of solid and hazardous substances and wastes, soil and groundwater contamination and employee health and safety. Our failure to comply with such environmental, health and safety laws and regulations could result in substantial civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring remedial or corrective measures, installation of pollution control equipment or other actions.

We may also be subject to liability for environmental investigations and cleanups, including at properties that we currently or previously owned or operated, even if such contamination was not caused by us, and we may face claims alleging harm to health or property or natural resource damages arising out of contamination or exposure to hazardous substances. We may also be subject to similar liabilities and claims in connection with locations at which hazardous substances or wastes we have generated have been stored, treated, otherwise managed, or disposed. Environmental conditions at or related to our current or former properties or operations, and/or the costs of complying with current or future environmental, health and safety requirements (which have become more stringent and complex over time) could materially adversely affect our business, sales, financial condition and results of operations.

Compliance with new and proposed climate disclosure requirements, including the climate change disclosure requirements in various jurisdictions could require significant effort and divert management's attention and resources, which could adversely affect our operating results. We are also subject to evolving data privacy and cybersecurity laws and regulations (including applicable standards), compliance with which may also increase our costs of doing business.

Changes in, or any failure to comply with, privacy laws, regulations, and standards may adversely affect our business.

Personal privacy and data security have become significant issues in the United States, Europe, China, and in many other jurisdictions in which we operate. The regulatory framework for privacy and security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Furthermore, federal, state, or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws and regulations affecting data privacy, all of which may be subject to invalidation by relevant foreign judicial bodies.

Industry organizations also regularly adopt and advocate for new standards in this area. In the United States, these include rules and regulations promulgated under the authority of federal agencies and state attorneys general and legislatures and consumer protection agencies, including, but not limited to, the California Consumer Privacy Act. Internationally, many jurisdictions in which we operate have established their own data security and privacy legal framework with which we or our customers must comply, including, but not limited to, the European General Data Protection Regulation, which imposes certain privacy-related obligations and potential penalties and risks upon our business. In many jurisdictions, enforcement actions and consequences for noncompliance are also rising. In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that either legally or contractually apply to us. Any inability or perceived inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable privacy and data security laws, regulations, and policies, could result in additional cost and liability to us, damage our reputation and adversely affect our business.

Our insurance policies may not provide adequate levels of coverage against all claims, and we may incur losses that are not covered by our insurance.

We maintain insurance of the type and in amounts that we believe are commercially reasonable and that are available to businesses in our industry. We carry various types of insurance, including general liability, auto liability, workers' compensation, cyber, and excess umbrella, from highly rated insurance carriers. Market forces beyond our control could limit the scope of the insurance coverage that we can obtain in the future or restrict our ability to buy insurance coverage at reasonable rates. We cannot predict the level of the premiums that we may be required to pay for subsequent insurance coverage, the level of any deductible and/or self-insurance retention applicable thereto, the level of aggregate coverage available or the availability of coverage for specific risks. In the event of a substantial loss, the insurance coverage that we carry may not be sufficient to compensate us for the losses we incur or any costs we are responsible for.

Changes in tax law or regulation, effective tax rates and unanticipated tax liabilities could adversely affect our effective income tax rate and profitability.

We are subject to income taxes in the United States (federal and state) and various foreign jurisdictions. Our future effective income tax rate could be subject to volatility or adversely affected by a number of factors, including changes in the valuation of deferred tax assets and liabilities, changes in tax laws, regulations, accounting principles, or interpretations and application thereof. In particular, the U.S. government may enact significant changes to the taxation of business entities including, among others, an increase in the corporate income tax rate, the imposition of minimum taxes or surtaxes on certain types of income, significant changes to the taxation of income derived from international operations, and an addition of further limitations on the deductibility of business interest. For example, the U.S. government enacted the Inflation Reduction Act which, among other things, imposes a minimum tax on certain corporations with book income of at least \$1 billion, subject to certain adjustments, and a 1% excise tax on certain stock buybacks and similar corporate actions. Any of these or similar developments or changes in federal, state, or international tax laws or tax rulings could adversely affect our effective tax rate and our operating results.

We are also subject to the continuous examination of our income and other tax returns by the Internal Revenue Service and other tax authorities globally. It is possible that tax authorities may disagree with certain positions we have taken, and an adverse outcome of such a review or audit could have a negative effect on our financial position and operating results. There can be no assurance that the outcomes from such examinations, or changes in tax law or regulation impacting our effective tax rates, will not have an adverse effect on our business, financial condition and results of operations.

Risks Related to Ownership of Our Securities

Certain of our stockholders, including the Holley Stockholder and the Sponsor, may have conflicts of interest with other stockholders and may limit other stockholders' ability to influence corporate matters.

On December 31, 2024, the Holley Stockholder and the Sponsor (together with its affiliates) beneficially own, in the aggregate, approximately 43% of shares of Common Stock, excluding any Warrants exercisable for Common Stock held by Sponsor or its affiliates (or 46% inclusive of shares of Common Stock underlying Warrants held by Sponsor and its affiliates). As a result of this concentration of stock ownership, these parties acting together have sufficient voting power to effectively control most matters submitted to our stockholders for approval, including director elections and proposed amendments to our certificate of incorporation and bylaws. On July 16, 2021, (the "Closing" and such date, the "Closing Date"), the Company, the Sponsor, certain affiliates of the Sponsor, the Holley Stockholder and Sentinel Capital Partners V, L.P., Sentinel Capital Partners V-A, L.P. and Sentinel Capital Investors V, L.P., controlling affiliates of the Holley Stockholder entered into the Stockholders' Agreement, pursuant to which the Holley Stockholder and the Sponsor have the right to designate nominees for election to our board of directors subject to certain beneficial ownership requirements.

In addition, this concentration of ownership may delay or prevent a merger, consolidation or other business combination or change in control of our company and make some transactions that might otherwise give stockholders the opportunity to realize a premium over the then-prevailing market price of our securities more difficult or impossible without their support. Because we have opted out of Section 203 of the Delaware General Corporation Law ("DGCL") regulating certain business combinations with interested stockholders, these parties may transfer their shares of Common Stock and such control of us to a third party, which would not require the approval of our board of directors or other stockholders and may limit the price that investors are willing to pay in the future for shares of our Common Stock. The interests of these parties may not always coincide with our interests as a company or the interests of other stockholders. Accordingly, these parties could cause us to enter into transactions or agreements of which other stockholders may not approve or make decisions with which other stockholders would disagree. This concentration of ownership may also adversely affect the trading prices of our securities.

Each of the Holley Stockholder and the Sponsor is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. The certificate of incorporation provides that none of the Holley Stockholder, the Sponsor, any of their affiliates or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his or her director and officer capacities) or his or her affiliates will have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. Each of the Holley Stockholder and the Sponsor also may pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us.

Warrants are exercisable for Common Stock, which could increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

On December 31, 2024, we had an aggregate of 14,633,311 Warrants issued and outstanding, representing the right to purchase an equivalent number of shares of Common Stock. The exercise price of the Warrants is \$11.50 per share. To the extent such Warrants are exercised, additional shares of Common Stock will be issued, which will result in dilution to our stockholders and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such Warrants may be exercised could adversely affect the market price of our Common Stock. However, there is no guarantee that the Warrants will ever be in the money prior to their expiration, and as such, the Warrants may expire worthless.

The Warrants may expire worthless, and the terms of the Warrants may be amended in a manner adverse to a holder if holders of at least 50% of the then-outstanding Warrants approve of such amendment.

The Warrant Agreement provides that the terms of the Warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but it requires the approval by the holders of at least 50% of the then-outstanding Warrants to make any change that adversely affects the interests of the registered holders of the Warrants. Accordingly, we may amend the terms of the Warrants in a manner adverse to a holder if holders of at least 50% of the then-outstanding Warrants approve of such amendment. Although our ability to amend the terms of the Warrants with the consent of at least 50% of the then outstanding Warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the Warrants, shorten the exercise period or decrease the number of Common Stock purchasable upon exercise of a Warrant.

The market price and trading volume of Common Stock and Warrants may be volatile.

Stock markets, including the NYSE, have from time-to-time experienced significant price and volume fluctuations. Even if an active, liquid and orderly trading market develops and is sustained for Common Stock and Warrants, the market price of Common Stock and Warrants may be volatile and could decline significantly, whether or not any price changes are related to matters specific to us. In addition, the trading volume in Common Stock and Warrants may fluctuate and cause significant price variations to occur. If the market price of Common Stock and Warrants declines significantly, stockholders may be unable to resell shares of Common Stock and Warrants at or above the market price of Common Stock and Warrants. We cannot guarantee that the market price of Common Stock and Warrants will not fluctuate widely or decline significantly in the future in response to a number of factors, including, among others, the following:

- the realization of any of the risk factors presented in this Annual Report;
- actual or anticipated differences in our estimates, or in the estimates of analysts, for our revenues, results of operations, level of indebtedness, liquidity or financial condition;
- additions and departures of key personnel;
- failure to comply with the requirements of the NYSE;
- failure to comply with the Sarbanes-Oxley Act or other laws or regulations;
- future issuances, sales or resales, or anticipated issuances, sales or resales, of Common Stock;
- perceptions of the investment opportunity associated with Common Stock relative to other investment alternatives;
- the performance and market valuations of other similar companies;
- future announcements concerning our business or our competitors' businesses;
- broad disruptions in the financial markets, including sudden disruptions in the credit markets;
- speculation in the media, social media or investment community;
- actual, potential or perceived control, accounting or reporting problems;
- changes in accounting principles, policies and guidelines; and
- general economic and political conditions, such as inflation, labor shortages, disruption of the supply chain, interest rates, fuel prices and other transportation costs, international currency fluctuations, geopolitical instability, military conflicts (including the conflict in Ukraine, the conflict in Israel and surrounding areas, and the possible expansion of such conflicts) or terrorism.

Securities class action litigation has often been instituted against companies following periods of volatility in the market price of their securities. The trading price of our common stock has experienced significant volatility. In addition, we and certain of our former executive officers and current management and current management have been named as defendants in a putative securities class action lawsuit. See Litigation in Note 18 "Commitments and Contingencies." We could face additional securities litigation class action lawsuits in the future. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on us.

Reports published by analysts, including projections in those reports that differ from our actual results, could adversely affect the market price and trading volume of Common Stock and Warrants.

The market for Common Stock and Warrants depends in part on the research and reports that securities or industry analysts publish about us or our business. Securities research analysts may establish and publish their own periodic projections for Holley. These projections may vary widely and may not accurately predict the results we actually achieve. Our share price may decline if our actual results do not match the projections of these securities research analysts. Similarly, if one or more of the analysts who write reports on us downgrades our stock or publishes inaccurate or unfavorable research about our business, our share price could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for Common Stock and Warrants could decrease, which might cause the market price and trading volume of our Common Stock and Warrants to decline significantly.

Future sales of our Common Stock and Warrants in the public market could cause our stock price to fall.

On December 31, 2024, the Holley Stockholder and the Sponsor (together with its affiliates) beneficially own, in the aggregate, approximately 43% of our shares of Common Stock, excluding any warrants exercisable for Common Stock held by Sponsor or its affiliates (or 46% inclusive of shares of Common Stock underlying Warrants held by Sponsor and its affiliates). All shares held by our affiliates are eligible for resale in the public market, subject to applicable securities laws, including the Securities Act. Therefore, unless shares owned by any of our affiliates are registered under the Securities Act, these shares may only be resold into the public markets in accordance with the requirements of an exemption from registration or safe harbor, including Rule 144 and the volume limitations, manner of sale requirements and notice requirements thereof. However, pursuant to the terms the Amended and Restated Registration Rights Agreement, of which the Company entered into with the Sponsor and the Holley Stockholder at the closing of the Business Combination, the Sponsor and the Holley Stockholder have the right to demand that we register their shares under the Securities Act as well as the right to include their shares in any registration statement that we file with the SEC, subject to certain exceptions. The registration statement, which was filed pursuant to these registration rights, and any registration of other shares we may file in the future, enables those securities to be sold in the public market. Any sale by the Holley Stockholder, the Sponsor or other affiliates and stockholders, or any perception in the public markets that such a transaction may occur could cause the market price of our Common Stock and Warrants to decline materially.

We may redeem unexpired Warrants prior to their exercise at a time that is disadvantageous to the Warrant holders, thereby making the Warrants worthless.

We have the ability to redeem outstanding Warrants at any time prior to their expiration, at a price of \$0.01 per Warrant, provided that the last reported sales price of Common Stock equals or exceeds \$18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) on the trading day prior to the date on which we send the notice of redemption to the Warrant holders. If and when the Warrants become redeemable by us, we may not exercise our redemption right if the issuance of shares of Common Stock upon exercise of the Warrants is not exempt from registration or qualification under applicable state blue sky laws or we are unable to effect such registration or qualification. We will use our best efforts to register or qualify such shares of Common Stock under the blue-sky laws of the state of residence in those states in which the Warrants were offered. Redemption of the outstanding Warrants could force stockholders (i) to exercise the Warrants and pay the exercise price therefor at a time when it may be disadvantageous to do so, (ii) to sell the Warrants at the then-current market price when stockholders might otherwise wish to hold the Warrants or (iii) to accept the nominal redemption price which, at the time the outstanding Warrants are called for redemption, is likely to be substantially less than the market value of the Warrants. None of the Private Warrants will be redeemable by us so long as they are held by the Sponsor, or its permitted transferees.

The NYSE may delist our securities from trading on its exchange, which could limit stockholders' ability to make transactions in our securities and subject us to additional trading restrictions.

Our Common Stock and Warrants are currently listed on NYSE. We cannot assure that our securities will continue to be listed on the NYSE. In order to continue listing our securities on the NYSE, we are required to maintain certain financial, distribution and stock price levels. Generally, we are required to maintain a minimum amount of stockholders' equity.

If the NYSE delists our securities from trading on its exchange for failure to meet the exchange's continued listing standards or otherwise, and we are not able to list our securities on another national securities exchange, our securities could be quoted on an over-the-counter market, but no assurance of this can be given. If this were to occur, we and our stockholders could face significant material adverse consequences including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that our Common Stock is a "penny stock" which will require brokers trading in our Common Stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as “covered securities.” Since our Common Stock and Warrants are listed on the NYSE, they are covered securities. Although the states are preempted from regulating the sale of our securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case. Further, if we were no longer listed on the NYSE, our securities would not be covered securities, and we would be subject to regulation in each state in which we offer our securities.

Future issuances of debt securities and equity securities may adversely affect us, including the market price of Common Stock and may be dilutive to existing stockholders.

There is no assurance that we will not incur debt or issue equity ranking senior to Common Stock. Those securities will generally have priority upon liquidation. Such securities also may be governed by an indenture or other instrument containing covenants restricting their operating flexibility. Additionally, any convertible or exchangeable securities that the Company issues in the future may have rights, preferences and privileges more favorable than those of Common Stock. Separately, additional financing may not be available on favorable terms, or at all. Because our decision to issue debt or equity in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. As a result, future capital-raising efforts may reduce the market price of Common Stock and be dilutive to existing stockholders.

We do not intend to pay cash dividends for the foreseeable future.

We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and do not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in future agreements and financing instruments, business prospects and such other factors as our board of directors deems relevant.

The JOBS Act permits “emerging growth companies” like us to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies.

We qualify as an “emerging growth company” as defined in Section 2(a)(19) of the Securities Act, as modified by the JOBS Act. As such, we take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as we continue to be an emerging growth company, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, (ii) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements and (iii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. As a result, our stockholders may not have access to certain information they deem important. We will remain an emerging growth company until December 31, 2025.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7(a)(2)(B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies, but any such election to opt out is irrevocable. We have elected to avail ourselves of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

We cannot predict if investors will find our Common Stock and Warrants less attractive because we will rely on these exemptions. If some investors find our Common Stock and Warrants less attractive as a result, there may be a less active trading market for our Common Stock and Warrants and more stock price volatility.

Delaware law and our certificate of incorporation and bylaws contain certain provisions, including anti- takeover provisions that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.

The certificate of incorporation, bylaws and the DGCL contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our Common Stock, and therefore depress the trading price of Common Stock. These provisions could also make it difficult for stockholders to take certain actions, including electing directors who are not nominated by the current members of our board of directors or taking other corporate actions, including effecting changes in our management. Among other things, the certificate of incorporation and bylaws include provisions regarding:

- a classified board of directors with staggered, three-year terms;
- prevent stockholders from acting by written consent;
- limit the ability of stockholders to amend our certificate of incorporation;
- limit the ability of stockholders to remove directors;
- prevent stockholders from calling special meetings of stockholders;
- the ability of the board of directors to issue shares of preferred stock, including “blank check” preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder;
- the certificate of incorporation prohibits cumulative voting in the election of directors;
- the limitation of the liability of, and the indemnification of, our directors and officers;
- the ability of the board of directors to amend the bylaws; and
- advance notice procedures with which stockholders must comply to nominate candidates to the board of directors or to propose matters to be acted upon at a stockholders’ meeting.

These provisions, alone or together, could discourage, delay or prevent hostile takeovers and changes in control, including transactions in which the acquirer may offer a premium price for our Common Stock and Warrants, or changes in our board of directors or management. In addition, our Incentive Plan provides for accelerated vesting of awards that are assumed or substituted in connection with a change in control of the Company as a result of the change in control if a participant experiences a qualifying termination within two years following the change in control, which could discourage, delay or prevent a merger or acquisition at a premium price.

The provisions of the certificate of incorporation requiring exclusive forum in the Court of Chancery of the State of Delaware for certain types of lawsuits may have the effect of discouraging lawsuits against our directors and officers.

The certificate of incorporation provides that, unless we select or consent in writing to the selection of an alternative forum, to the fullest extent permitted by the applicable law: (a) the sole and exclusive forum for any complaint asserting any internal corporate claims, to the fullest extent permitted by law, and subject to applicable jurisdictional requirements, shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have, or declines to accept, jurisdiction, another state court or a federal court located within the State of Delaware); and (b) the sole and exclusive forum for any complaint asserting a cause of action arising under the Securities Act of 1933, to the fullest extent permitted by law, shall be the federal district courts of the United States of America. For purposes of the foregoing, “internal corporate claims” means claims, including claims in the right of the Company that are based upon a violation of a duty by a current or former director, officer, employee or stockholder in such capacity, or as to which the DGCL confers jurisdiction upon the Court of Chancery. Any person or entity purchasing or otherwise acquiring any interest in any shares of Common Stock will be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the certificate of incorporation’s exclusive forum provision (an “FSC Enforcement Action”), and (ii) having service of process made upon such holder of Common Stock in any such FSC Enforcement Action by service upon such holder of Common Stock’s counsel in such action as agent for such holder of Common Stock.

These provisions may have the effect of discouraging lawsuits against our directors and officers. The enforceability of similar choice of forum provisions in other companies’ certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in the certificate of incorporation to be inapplicable or unenforceable in such action.

Item 1B. Unresolved Staff Comments

None

Item 1C. Cybersecurity

Holley recognizes the importance of maintaining the safety and security of our information systems and data and has risk-based processes in place for overseeing and managing material risks from cybersecurity threats. Our cybersecurity program, which is further described below, is supported by our information technology team, management and our board of directors. Additionally, our cybersecurity processes and reporting structure are incorporated into our enterprise risk management program, which addresses both the corporate information technology environment and customer-facing products. We will continue to invest in the security and resiliency of our networks and to enhance our internal controls and processes, which are designed to help protect our systems and infrastructure, and the information they contain.

Management's Role

Holley's information technology team, which is responsible for developing and implementing our cybersecurity program, currently operates under the oversight of our Chief Information Officer ("CIO"). The CIO is generally responsible for managing risks from cybersecurity threats, as well as overseeing the safeguarding and fortification of our networks and systems. The CIO reports directly to the Chief Financial Officer ("CFO"). Combined the two have a proven track record in developing and leading data science teams. The CFO's expertise in business, finance and technology enables him to guide the team in making strategic information technology investments that strike a balance between growth opportunities, risk mitigation and return on investment. The information technology team is comprised of cybersecurity professionals with broad experience and expertise, including in cybersecurity threat assessments and detection, mitigation technologies, cybersecurity training, incident response, penetration testing processes and methodologies, and risk communication and reporting. Our Chief Information Officer ("CIO") is overseeing our cybersecurity program and is responsible for the management and oversight of Holley's cybersecurity program.

Board Oversight

Our board of directors, in coordination with the Audit Committee, oversees Holley's enterprise risk management activities, including the management of risks from cybersecurity threats. Our Audit Committee directly oversees our cybersecurity program. The Audit Committee receives updates, biannually or more frequently, as needed, from management on the Company's cyber risk management processes, including reports on risk trends related to cybersecurity. If a cybersecurity incident is identified, the information technology team, in conjunction with management, will take appropriate actions to mitigate and remediate the incident in a timely manner. Management will determine the materiality of the incident and inform the Audit Committee, as appropriate.

Technical Safeguards and Continuous Monitoring

As part of our cybersecurity program, we regularly assess and deploy technical safeguards designed to protect our information systems from cybersecurity threats. Such safeguards are regularly evaluated and improved based on vulnerability assessments, cybersecurity threat intelligence and incident response experience. We utilize data analytics to detect anomalies and search for cyber threats. Our cybersecurity processes include a continuous monitoring system which supports comprehensive cyber threat detection and response capabilities and complements the technology, processes and threat detection techniques we use to monitor, manage and mitigate cybersecurity threats. Cyber partners are a key part of Holley's cybersecurity infrastructure. We partner with leading cybersecurity companies, leveraging third-party technology and expertise. We engage with these partners to monitor and maintain the performance and effectiveness of products and services that are deployed in our environment.

Training and Awareness

We provide awareness training to our employees to help identify, avoid and mitigate cybersecurity threats. Our employees with network access participate annually in required training, including privacy and security training designed to enhance employee awareness of how to detect and respond to cybersecurity threats. We have created an Incident Response Plan that provides our support team with a clear framework for effectively responding to significant incidents.

Third-Party Risk Management

Our information technology team is responsible for identifying and managing any cybersecurity threats that occur with our vendors and suppliers. The team communicates with our suppliers and vendors and relies on them to apprise Holley of any cybersecurity issues.

We have not identified risks from cybersecurity threats that have materially affected us, including our financial position, results of operations, cash flows, or reputation, although certain risks, if realized, are reasonably likely to materially affect us. For more information regarding the risks we face from cybersecurity threats and how those risks could affect us, please see Item 1A. "Risk Factors."

Item 2. Properties

Our corporate headquarters is located at 2445 Nashville Rd, Suite B1, Bowling Green, Kentucky 42101. We lease the property and building where our headquarters is located. Our facility is approximately 74,000 square feet.

We own property at 1801 Russellville Rd, Bowling Green, Kentucky 42101, and is approximately 200,000 square feet. We have a number of leased locations across the United States, Canada and Italy that serve multiple functions, including distribution, engineering, manufacturing, office space, R&D, and retail sales. We have 15 facilities that perform manufacturing of our products and 11 distribution locations. We also have 14 R&D/Engineering facilities designed to develop our new product innovations.

Item 3. Legal Proceedings

See Litigation in Note 18 "Commitments and Contingencies."

Item 4. Mine Safety Disclosures

Not applicable

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The principal market on which Holley’s Common Stock and Warrants are listed for trading is the New York Stock Exchange. Holley’s Common Stock and Warrants trade under the symbols “HLLY” and “HLLY WS,” respectively.

Holders of Record

As of March 11, 2025, there were approximately 34 stockholders of record of Common Stock, although we believe that a larger number of beneficial owners hold our shares in street name by brokers and other nominees.

Dividend Policy

Holley has never declared or paid any cash dividends on its Common Stock and does not currently anticipate paying any cash dividends in the foreseeable future. Holley may consider declaring and paying a cash dividend in the future; however, there can be no assurance that it will do so.

Issuer Repurchase of Equity Securities

None

Unregistered Sales of Equity Securities

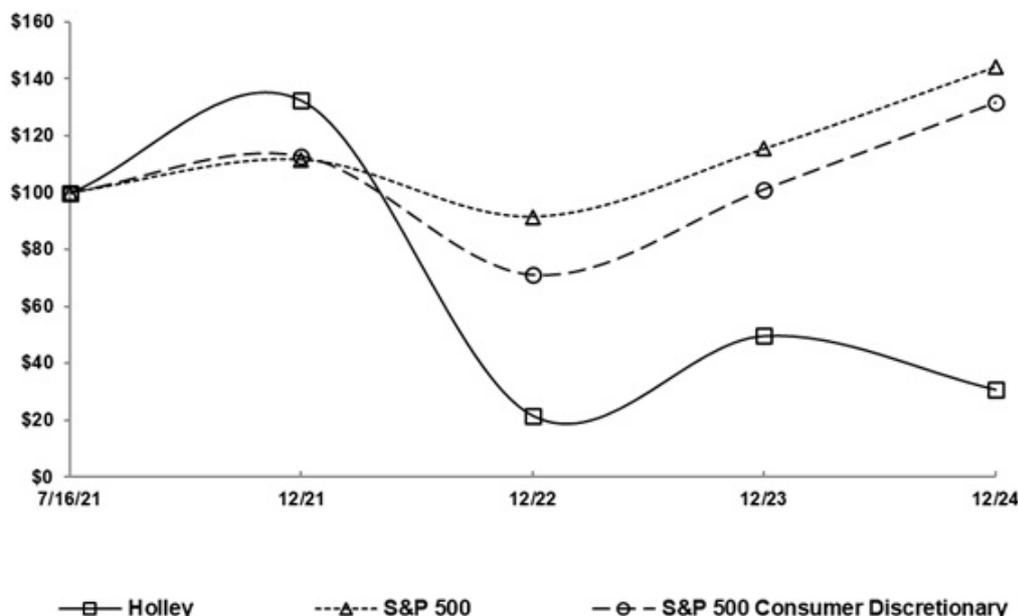
Except as previously disclosed in a Current Report on Form 8-K, no unregistered sales of the Company’s equity securities were made during the year ended December 31, 2024.

Stock Performance Graph

The following graph shows a comparison from July 16, 2021, (the date the Company’s common stock commenced trading on the NYSE) through December 31, 2024, of the cumulative total return for the Company’s common stock, the Standard & Poor’s 500 Stock Index (S&P 500 Index), and the Standard & Poor’s Consumer Discretionary (Sector) Index. The graph assumes that \$100 was invested in the Company’s common stock at the close of the market on July 16, 2021. In the case of the S&P 500 Index and the S&P Consumer Discretionary Index, the graph assumes that \$100 was invested at the close of the market on July 16, 2021, and assumes reinvestments of dividends. The stock price performance of the following graph is not necessarily indicative of future stock price performance.

COMPARISON OF 42 MONTH CUMULATIVE TOTAL RETURN*

Among Holley, the S&P 500 Index
and the S&P 500 Consumer Discretionary Index



*\$100 invested on 7/16/21 in stock or 6/30/21 in index, including reinvestment of dividends. Fiscal year ending December 31.

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Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless the context requires otherwise, references to "Holley," "we," "us," "our" and "the Company" in this section are to the business and operations of Holley Inc. The following discussion and analysis should be read in conjunction with Holley's consolidated financial statements and related notes thereto included in this Annual Report on Form 10-K. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties, and assumptions that could cause Holley's actual results to differ materially from management's expectations. Factors that could cause such differences are discussed herein and under the caption, "Cautionary Note Regarding Forward-Looking Statements."

Overview

We are a designer, marketer, and manufacturer of high-performance automotive aftermarket products serving car and truck enthusiasts, with sales, processing, and distribution facilities reaching most major markets in the United States, Canada, Europe and China. Holley designs, markets, manufactures and distributes a diversified line of performance automotive products including fuel injection systems, tuners, exhaust products, carburetors, safety equipment and various other performance automotive products. Our products are designed to enhance street, off-road, recreational and competitive vehicle performance and safety.

Central to our business and growth strategy is a commitment to innovation. We have a history of developing innovative products, including new additions to existing product families, expansions of product lines, accessory offerings, and ventures into entirely new categories. We believe this strategic approach allows us to continually adapt to evolving consumer needs. Furthermore, strategic acquisitions have played a significant role in our evolution. These acquisitions have enabled us to expand our brand portfolio, enter new product categories and consumer segments, enhance DTC scale and connection, increase market share in existing product categories, and realize valuable revenue and cost synergies. While we anticipate continued organic growth, we intend to continue evaluating opportunities for strategic acquisitions that align with our current business, expanding our reach within the target market.

Factors Affecting our Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in the section of this Form 10-K titled "Risk Factors."

Business Combination

On July 16, 2021, we consummated the Business Combination pursuant to the Merger Agreement, by and among Empower, Merger Sub I, Merger Sub II, and Holley Intermediate. The Merger Agreement provided for, among other things, the following transactions: (i) Merger Sub I merged with and into Holley Intermediate, the separate corporate existence of Merger Sub I ceased and Holley Intermediate became the surviving corporation, and (ii) Holley Intermediate merged with and into Merger Sub II, the separate corporate existence of Holley Intermediate, and Merger Sub II became the surviving limited liability company. Upon closing of the Business Combination, Empower changed its name to Holley Inc. and its trading symbol on the NYSE from "EMPW" to "HLLY."

The Business Combination was accounted for as a reverse recapitalization in accordance with GAAP. Holley Intermediate was deemed the accounting acquirer with Holley Inc. as the successor registrant. As such, Empower was treated as the acquired company for financial reporting purposes, and financial statements for periods prior to the Business Combination are those of Holley Intermediate.

As a result of the Business Combination, Holley Inc. listed on the NYSE, which required us to hire additional personnel and implement procedures and processes to address public company regulatory requirements and customary practices. We have incurred and expect to continue to incur additional annual expenses as a public company for, among other things, directors' and officers' liability insurance, director fees, and additional internal and external accounting, legal, and administrative resources, including increased personnel costs, audit and other professional service fees.

Acquisitions

We have historically pursued a growth strategy through both organic growth and acquisitions. We have pursued acquisitions that we believe will help drive profitability, cash flow and stockholder value. We target companies that we believe are market leaders, expand our geographic presence, provide a highly synergistic opportunity and/or enhance our ability to provide a wide array of our products to our customers through our distribution network.

The acquisitions have all been accounted for in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*, and the operations of the acquired entities are included in our historical results for the periods following the closing of the applicable acquisition. See Note 1, "*Description of the Business, Basis of Presentation, and Summary of Significant Accounting Policies*" in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information related to our acquisitions and investments.

Business Environment

Our business and results of operations, financial condition, and liquidity are impacted by broad economic conditions including inflation, labor shortages, disruption of the supply chain, and potential tariffs, as well as by geopolitical events, including military conflicts (including the conflict in Ukraine, the conflict in Israel and surrounding areas, and the possible expansion of such conflicts). Our operations have been adversely impacted, and may continue to be adversely impacted, by inflationary pressures primarily related to transportation, labor and component costs. In response to the global supply chain volatility and inflationary impacts, we have attempted to minimize potential adverse impacts on our business with cost savings initiatives, price increases to customers, and by increasing inventory levels of certain products and working closely with our suppliers and customers to minimize disruptions in delivering products to customers. Our profitability has been, and may continue to be, adversely affected by constrained consumer demand, a shift in sales mix to lower-margin products, which is offset by our cost cutting and operating efficiency gains. Should the ongoing macroeconomic conditions not improve, or worsen, or if our attempts to mitigate the impact on our supply chain, operations and costs is not successful, our business, results of operations and financial condition may be adversely affected.

Key Components of Results of Operations

Net Sales

The principal activity from which we generate our sales is the designing, marketing, manufacturing and distribution of performance aftermarket automotive parts for our end consumers. Sales are displayed net of rebates and sales returns allowances. Sales returns are recorded as a charge against gross sales in the period in which the related sales are recognized.

Cost of Goods Sold

Cost of goods sold consists primarily of the cost of purchased parts and manufactured products, including materials and direct labor costs. In addition, warranty, incoming shipping and handling and inspection and repair costs are also included within costs of goods sold. Reductions in the cost of inventory to its net realizable value are also a component of cost of goods sold.

Selling, General, and Administrative

Selling, general, and administrative consist of payroll and related personnel expenses, IT and office services, office rent expense and professional services. In addition, self-insurance, advertising, research and development, outgoing shipping costs, pre-production and start-up costs are also included within selling, general, and administrative. We have incurred additional expenses as a result of operating as a public company, including expenses necessary to comply with the rules and regulations applicable to companies listed on a national securities exchange and related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, as well as higher expenses for general and director and officer insurance, investor relations and other professional services.

Restructuring Costs

Restructuring costs consist of professional fees for legal, accounting, consulting, administrative, and other professional services directly attributable to restructuring.

Impairment of Indefinite-lived Assets

Impairment of indefinite-lived assets relates to indefinite-live trade name impairment charges.

Impairment of Goodwill

Impairment of goodwill relates to goodwill impairment charges.

Loss on Sale of Assets

Loss on sale of assets relates to the loss incurred related to the sale of Detroit Speed Engineering.

Interest Expense

Interest expense consists of interest due on the indebtedness under our credit facilities. On December 31, 2024, \$560.9 million was outstanding under the Credit Agreement. Interest is based on the SOFR or prime rate, plus the applicable margin rate.

Results of Operations

Year Ended December 31, 2024 Compared With Year Ended December 31, 2023

The table below presents our results of operations for the years ended December 31, 2024 and 2023 (dollars in thousands):

	For the years ended December 31,			
	2024	2023	Change (\$)	Change (%)
Net sales	\$ 602,224	\$ 659,704	\$ (57,480)	(8.7)%
Cost of goods sold	363,680	403,615	(39,935)	(9.9)%
Gross profit	238,544	256,089	(17,545)	(6.9)%
Selling, general, and administrative	132,149	120,244	11,905	9.9%
Research and development costs	18,710	23,844	(5,134)	(21.5)%
Amortization of intangible assets	13,884	14,557	(673)	(4.6)%
Impairment of indefinite-lived intangible assets	7,695	—	7,695	100.0%
Impairment of goodwill	40,906	—	40,906	100.0%
Loss on sale of assets	9,234	—	9,234	100.0%
Restructuring costs	1,566	2,641	(1,075)	(40.7)%
Other expense	(268)	765	(1,033)	(135.0)%
Operating income	14,668	94,038	(79,370)	(84.4)%
Change in fair value of warrant liability	(7,570)	4,111	(11,681)	nm
Change in fair value of earn-out liability	(2,333)	2,303	(4,636)	(nm)
Loss (gain) on early extinguishment of debt	141	(701)	842	(120.1)%
Interest expense	50,690	60,746	(10,056)	(16.6)%
Income (loss) before income taxes	(26,260)	27,579	(53,839)	(195.2)%
Income tax expense (benefit)	(3,025)	8,399	(11,424)	(136.0)%
Net income (loss)	(23,235)	19,180	(42,415)	(221.1)%
Foreign currency translation adjustment	(452)	234	(686)	(293.2)%
Total comprehensive income (loss)	\$ (23,687)	\$ 19,414	\$ (43,101)	(222.0)%

Net Sales

Net sales for the year ended December 31, 2024, decreased \$57.5 million, or 8.7%, to \$602.2 million as compared to \$659.7 million for the year ended December 31, 2023. Lower sales volume resulted in a decrease of approximately \$67.7 million offset partially by improved price realization of approximately \$10.2 million compared to the prior year period. Major categories driving the comparable year-over-year results include a decrease in electronic systems sales of \$33.4 million (11.6% category decline), a decrease in mechanical systems sales of \$11.5 million (7.3% category decline), a decrease in accessories sales of \$10.6 million (10.7% category decline) and a decrease in exhaust system sales of \$6.3 million (10.5% category decline.) This was partially offset by an increase in safety products sales of \$4.2 million (7.5% category incline).

The table below presents our net sales for the year ended December 31, 2024 and 2023, as well as sales related to divestitures and sales part of our strategic product rationalization project. The divestitures sales relate to divested businesses prior to the divestiture date. The divestitures include Detroit Speed Engineering, Gear FX and Proforged. The strategic product rationalization sales relate to discontinued SKUs.

	For the year ended December 31,	
	2024	2023
Net Sales	\$ 602,224	\$ 659,704
Divestitures	12,821	13,437
Strategic Product Rationalization	13,953	7,298

Cost of Goods Sold

Cost of goods sold for year ended December 31, 2024, decreased \$39.9 million, or 9.9%, to \$363.7 million as compared to \$403.6 million for the year ended December 31, 2023. The decrease in cost of goods sold during the year ended December 31, 2024, resulted from a 8.7% decrease in product sales and lower freight costs, partially offset by \$8.2 million of strategic product rationalization charge that is part of a portfolio transformation aimed at eliminating unprofitable or slow-moving stock keeping units ("SKUs"), which was completed in the first quarter of 2024.

Gross Profit and Gross Margin

Gross profit for the year ended December 31, 2024, decreased \$17.5 million, or 6.9%, to \$238.5 million as compared to \$256.1 million for the year ended December 31, 2023. Gross margin for the year ended December 31, 2024, was 39.6% as compared to a gross margin of 38.8% for the year ended December 31, 2023. The decrease in gross profit was primarily due to lower sales volume and a \$8.2 million related to the strategic product rationalization charge. The improvement in gross margin was largely driven by cost to serve efforts related to lower freight costs and improved warranty performance, as well as reduced write-downs for excess and obsolete inventory, partially offset by the million related to the strategic product rationalization charge.

Selling, General and Administrative

Selling, general and administrative costs for the year ended December 31, 2024, increased \$11.9 million, or 9.9%, to \$132.2 million as compared to \$120.2 million for the year ended December 31, 2023. When expressed as a percentage of sales, selling, general and administrative costs increased to 21.9% of sales for the year ended December 31, 2024, compared to 18.2% of sales in 2023. The net increase in selling, general and administrative costs was predominately driven by a \$2.0 million reserve related to litigation settlements, an increase in marketing and advertising to support growth, and incremental spend related to advisory services supporting transformation initiatives. These increases were partially offset by furloughs and temporary headcount reductions from earlier in the year, reflecting resource allocation efforts for portfolio development optimization.

Research and Development Costs

Research and development costs for the year ended December 31, 2024, decreased \$5.1 million, or 21.5%, to \$18.7 million as compared to \$23.8 million for the year ended December 31, 2023. The decrease was primarily due to headcount reductions, reflecting the implementation of resource allocation efforts in support of portfolio development optimization.

Amortization and Impairment of Intangible Assets

Amortization of intangible assets for the year ended December 31, 2024, decreased \$0.7 million, or 4.6%, to \$13.9 million as compared to \$14.6 million for the year ended December 31, 2023.

Impairment of Indefinite-lived Assets

Impairment of indefinite-lived assets for the year ended December 31, 2024 was \$7.7 million, which related to our tradenames. Refer to Note 5, "Goodwill and Other Intangible Assets" in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information related to our recognition of impairment charges.

Impairment of Goodwill

Impairment of goodwill for the year ended December 31, 2024 was \$40.9 million. Refer Note 5, "Goodwill and Other Intangible Assets" in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information related to our recognition of impairment charges.

Loss on Sale of Assets

Loss on sale of assets for the year ended December 31, 2024 was \$9.2 million, which relates to the sale of Detroit Speed Engineering.

Restructuring Costs

Restructuring costs for the year ended December 31, 2024, decreased \$1.1 million to \$1.6 million, as compared to \$2.6 million for the year ended December 31, 2023, reflecting a reduction in restructuring and integration activities associated with acquisitions.

Operating Income

As a result of factors described above, operating income for the year ended December 31, 2024, decreased \$79.3 million, or 84.4%, to \$14.7 million as compared to \$94.0 million for the year ended December 31, 2023, which is primarily attributable to the \$48.6 million impairment charges.

Change in Fair Value of Warrant Liability

For the year ended December 31, 2024, we recognized a gain of \$7.6 million due to the change in fair value of the warrant liability. This compares to a loss of \$4.1 million for the year ended December 31, 2023, a period during which Holley's stock price increased. The warrant liability reflects the fair value of the Warrants issued in connection with the Business Combination.

Change in Fair Value of Earn-Out Liability

For the year ended December 31, 2024, we recognized a gain of \$2.3 million due to the change in fair value of the earn-out liability, which reflects a decrease in Holley's stock price during 2024. This compares to a loss of \$2.3 million for the year ended December 31, 2023, a period during which Holley's stock price increased. The earn-out liability reflects the fair value of the unvested Earn-Out Shares resulting from the Business Combination.

Loss (Gain) on Early Extinguishment of Debt

For the year ended December 31, 2024, we recognized a loss of \$0.1 million on the early extinguishment of debt as compared to a gain of \$0.7 million for the year ended December 31, 2023. The loss in the year ended December 31, 2024 was recognized on the repurchase of \$25.0 million of our first lien term loan at a discount to par, net of the write-off of unamortized debt issuance costs. The gain in the year ended December 31, 2023 was recognized on the repurchase of \$38.8 million of our first lien term loan at a discount to par, net of the write-off of unamortized debt issuance costs (refer to Note 7, "Debt" for further discussion).

Interest Expense (Benefit)

Interest expense for the year ended December 31, 2024, decreased \$10.1 million, or 16.6%, to \$50.7 million as compared to \$60.8 million for the year ended December 31, 2023, reflecting a lower outstanding debt balances, offset in part by a higher effective interest rate on outstanding debt. The Company recognized \$1.1 million of interest income and \$1.2 million of interest expense related to the interest rate collar for the year ended December 31, 2024 and 2023, respectively.

Income (Loss) before Income Taxes

As a result of factors described above, we recognized \$26.3 million of loss before income taxes for the year ended December 31, 2024, as compared to net income before income taxes of \$27.6 million for the year ended December 31, 2023.

Income Tax Expense (Benefit)

We recognized income tax benefit of \$3.0 million for the year ended December 31, 2024, as compared to income tax expense of \$8.4 million for the year ended December 31, 2023. The effective tax rate was 11.5% and 30.5% for the years ended December 31, 2024 and 2023, respectively. The difference between the effective tax rate and the federal statutory rate in 2024 was primarily due to permanent differences resulting from state income taxes, foreign rate differentials, compensation limits with respect to covered employees, goodwill asset impairment, valuation allowance and the change in fair value of warrant and earn-out liabilities. The difference between the effective tax rate and the federal statutory rate in 2023 was primarily due to permanent differences resulting from state income taxes, foreign rate differentials, compensation limits with respect to covered employees, and the change in fair value of warrant and earn-out liabilities.

Net Income (Loss) and Total Comprehensive Income (Loss)

As a result of factors described above, we recognized net loss of \$23.2 million for the year ended December 31, 2024, as compared to net income of \$19.2 million for the year ended December 31, 2023. Additionally, we recognized total comprehensive loss of \$23.7 million for the year ended December 31, 2024, as compared to total comprehensive income of \$19.4 million for the year ended December 31, 2023. Comprehensive income includes the effect of foreign currency translation.

Year Ended December 31, 2023 Compared With Year Ended December 31, 2022

The table below presents our results of operations for the years ended December 31, 2023 and 2022 (dollars in thousands):

	For the years ended December 31,			
	2023	2022	Change (\$)	Change (%)
Net sales	\$ 659,704	\$ 688,415	\$ (28,711)	(4.2%)
Cost of goods sold	403,615	434,757	(31,142)	(7.2%)
Gross profit	256,089	253,658	2,431	1.0%
Selling, general, and administrative	120,244	150,728	(30,484)	(20.2%)
Research and development costs	23,844	29,083	(5,239)	(18.0%)
Amortization of intangible assets	14,557	14,683	(126)	(0.9%)
Impairment of indefinite-lived intangible assets	—	2,395	(2,395)	(100.0%)
Acquisition and restructuring costs	2,641	4,513	(1,872)	(41.5%)
Other operating expense	765	1,514	(749)	(49.5%)
Operating income	94,038	50,742	43,296	85.3%
Change in fair value of warrant liability	4,111	(57,021)	61,132	nm
Change in fair value of earn-out liability	2,303	(10,731)	13,034	nm
Gain on early extinguishment of debt	(701)	—	(701)	(100.0%)
Interest expense	60,746	40,227	20,519	51.0%
Income before income taxes	27,579	78,267	(50,688)	nm
Income tax expense	8,399	4,493	3,906	86.9%
Net income	19,180	73,774	(54,594)	nm
Foreign currency translation adjustment	234	(990)	1,224	(123.6%)
Pension liability gain	—	302	(302)	(100.0%)
Total comprehensive income	\$ 19,414	\$ 73,086	\$ (53,672)	nm

Net Sales

Net sales for the year ended December 31, 2023, decreased \$28.7 million, or 4.2%, to \$659.7 million as compared to \$688.4 million for the year ended December 31, 2022. The decline in sales was driven by supply chain constraints in electronic components and a return to the sales trends experienced prior to the increased demand experienced during the COVID-19 pandemic. As a result, lower unit volume drove a decrease of approximately \$42.3 million that was partially offset by improved price realization of approximately \$13.6 million compared to the prior year period. Comparable year-over-year results by category include a decrease in safety products sales of \$9.4 million (14.3% category decline), a decrease in accessories sales of \$9.3 million (8.6% category decline), a decrease in mechanical systems sales of \$7.6 million (4.6% category decline), a decrease in exhaust system sales of \$6.8 million (10.2% category decline), and electronic systems sales growth of \$4.4 million (1.5% category growth).

Cost of Goods Sold

Cost of goods sold for year ended December 31, 2023, decreased \$31.1 million, or 7.2%, to \$403.6 million as compared to \$434.8 million for the year ended December 31, 2022. The decrease in cost of goods sold during the year ended December 31, 2023, reflects the decrease in product sales during such period combined with lower freight costs.

Gross Profit and Gross Margin

Gross profit for the year ended December 31, 2023, increased \$2.4 million, or 1.0%, to \$256.1 million as compared to \$253.7 million for the year ended December 31, 2022. Gross margin for the year ended December 31, 2023, was 38.8% as compared to a gross margin of 36.8% for the year ended December 31, 2022. The increase in gross profit and gross profit margin, during a period in which sales volume was down, was driven primarily by meaningful improvements in freight, lower warranty costs, and product mix.

Selling, General and Administrative

Selling, general and administrative costs for the year ended December 31, 2023, decreased \$30.5 million, or 20.2%, to \$120.2 million as compared to \$150.7 million for the year ended December 31, 2022. When expressed as a percentage of sales, selling, general and administrative costs decreased to 18.2% of sales for the year ended December 31, 2023, compared to 21.9% of sales in 2022. The decrease selling, general and administrative costs was driven by a lower equity compensation cost and the implementation of cost-saving initiatives, which resulted in decreases in outbound shipping and handling, professional fees, personnel and marketing costs.

Research and Development Costs

Research and development costs for the year ended December 31, 2023, decreased \$5.2 million, or 18.0%, to \$23.8 million as compared to \$29.1 million for the year ended December 31, 2022. The decrease in research and development costs was primarily due to headcount reductions, reflecting the implementation of cost-saving initiatives.

Amortization and Impairment of Intangible Assets

Amortization of intangible assets for the year ended December 31, 2023, decreased \$0.1 million, or 0.9%, to \$14.6 million as compared to \$14.7 million for the year ended December 31, 2022. Additionally, an impairment charge of \$2.4 million was recognized on certain indefinite-lived tradenames during 2022 (see Note 5, "Goodwill and Other Intangible Assets" in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information related to our recognition of impairment charges).

Acquisition and Restructuring Costs

Acquisition and restructuring costs for the year ended December 31, 2023, decreased \$1.9 million to \$2.6 million, as compared to \$4.5 million for the year ended December 31, 2022, reflecting a reduction in restructuring activities associated with acquisitions.

Operating Income

As a result of factors described above, operating income for the year ended December 31, 2023, increased \$43.3 million, or 85.3%, to \$94.0 million as compared to \$50.7 million for the year ended December 31, 2022.

Change in Fair Value of Warrant Liability

For the year ended December 31, 2023, we recognized a loss of \$4.1 million due to the change in fair value of the warrant liability, which reflects an increase in Holley's stock price during 2023. This compares to a gain of \$57.0 million for the year ended December 31, 2022, a period during which Holley's stock price declined. The warrant liability reflects the fair value of the Warrants issued in connection with the Business Combination.

Change in Fair Value of Earn-Out Liability

For the year ended December 31, 2023, we recognized a loss of \$2.3 million due to the change in fair value of the earn-out liability, which reflects an increase in Holley's stock price during 2023. This compares to a gain of \$10.7 million for the year ended December 31, 2022, a period during which Holley's stock price declined. The earn-out liability reflects the fair value of the unvested Earn-Out Shares resulting from the Business Combination.

Gain on Early Extinguishment of Debt

For the year ended December 31, 2023, we recognized a gain of \$0.7 million on the early extinguishment of debt. The gain was recognized on the repurchase of \$38.8 million of our first lien term loan at a discount to par, net of the write-off of unamortized debt issuance costs (refer to Note 7, "Debt" for further discussion).

Interest Expense

Interest expense for the year ended December 31, 2023, increased \$20.5 million, or 51.0%, to \$60.8 million as compared to \$40.2 million for the year ended December 31, 2022, reflecting a higher effective interest rate on outstanding debt. Interest expense for 2023 is net of a \$1.2 million fair value adjustment on the interest rate collar and \$0.6 million in cash payments received on the interest rate collar.

Income before Income Taxes

As a result of factors described above, we recognized \$27.6 million of income before income taxes for the year ended December 31, 2023, as compared to net income before income taxes of \$78.3 million for the year ended December 31, 2022.

Income Tax Expense

We recognized income tax expense of \$8.4 million for the year ended December 31, 2023, as compared to \$4.5 million for the year ended December 31, 2022. The effective tax rate was 30.5% and 5.7% for the years ended December 31, 2023 and 2022, respectively. The difference between the effective tax rate and the federal statutory rate in 2023 was primarily due to permanent differences resulting from state income taxes, foreign rate differentials, compensation limits with respect to covered employees, and the change in fair value of warrant and earn-out liabilities. The difference between the effective tax rate and the federal statutory rate in 2022 was primarily due to permanent differences resulting from the change in fair value of warrant and earn-out liabilities.

Net Income and Total Comprehensive Income

As a result of factors described above, we recognized net income of \$19.2 million for the year ended December 31, 2023, as compared to net income of \$73.8 million for the year ended December 31, 2022. Additionally, we recognized total comprehensive income of \$19.4 million for the year ended December 31, 2023, as compared to total comprehensive income of \$73.1 million for the year ended December 31, 2022. Comprehensive income (loss) includes the effect of foreign currency translation and pension liability adjustments.

Non-GAAP Financial Measures

We present EBITDA and Adjusted EBITDA as supplemental measures of our operating performance and believe that such non-GAAP financial measures provide useful information to investors, because they exclude the impact of certain items that we do not consider indicative of our ongoing operating performance and we believe are useful in comparing our results of operations between periods. We believe that the presentation of EBITDA and Adjusted EBITDA enhances the usefulness of our financial information by presenting measures that management uses internally to establish forecasts, budgets and operational goals to manage and monitor our business. We believe that these non-GAAP financial measures help to depict a more realistic representation of the performance of our underlying business, enabling us to evaluate and plan more effectively for the future.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Diluted EPS, and Free Cash Flow are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. These measures should not be considered as measures of financial performance under GAAP, and the items excluded from or included in these metrics are significant components in understanding and assessing our financial performance. These metrics should not be considered as alternatives to net income, gross profit, net cash provided by operating activities, or any other performance measures, as applicable, derived in accordance with GAAP.

Adjusted EBITDA

We define EBITDA as earnings before depreciation, amortization of intangible assets, interest expense, and income tax expense. We define Adjusted EBITDA as EBITDA adjusted to exclude, to the extent applicable, restructuring costs, which includes transaction fees and expenses, termination related benefits, facilities relocation, and executive transition costs; changes in the fair value of the warrant liability; changes in the fair value of the earn-out liability; equity-based compensation expense; impairment of goodwill and indefinite-lived intangible assets; loss on assets sold; loss or (gain) on the early extinguishment of debt; related party acquisition and management fee costs; notable items that we do not believe are reflective of operating performance, which for the year ended December 31, 2024, includes: \$2.0 million legal settlement accrual, costs incurred for advisory services related to identifying performance initiatives, for the year ended December 31, 2023, includes certain costs incurred for advisory services related to identifying performance initiatives, and for the year ended December 31, 2022, included a non-cash adjustment related to the adoption of ASC Topic 842, "Leases," and legal fees and costs related to a settlement; and other expenses or gains, which for the year ended December 31, 2022, includes a \$1.0 million loss on the sale of a business and for all periods includes net gains or losses from disposal of fixed assets, franchise taxes, and gains or losses from foreign currency transactions.

EBITDA and Adjusted EBITDA are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. These measures should not be considered as measures of financial performance under GAAP, and the items excluded from or included in these metrics are significant components in understanding and assessing Holley's financial performance. These metrics should not be considered as alternatives to net income (loss) or any other performance measures derived in accordance with GAAP.

The following unaudited table presents the reconciliation of net income (loss), the most directly comparable GAAP measure, to EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin for the years ended December 31, 2024, 2023 and 2022 (dollars in thousands):

	For the years ended December 31,		
	2024	2023	2022
Net income (loss)	\$ (23,235)	\$ 19,180	\$ 73,774
Adjustments:			
Depreciation	10,551	10,308	10,107
Amortization of intangible assets	13,884	14,557	14,683
Interest expense, net	50,690	60,746	40,227
Income tax expense (benefit)	(3,025)	8,399	4,493
EBITDA	48,865	113,190	143,284
Restructuring costs	1,372	2,641	4,513
Change in fair value of warrant liability	(7,570)	4,111	(57,021)
Change in fair value of earn-out liability	(2,333)	2,303	(10,731)
Equity-based compensation expense	5,170	7,291	24,395
Impairment of indefinite-lived intangible assets	7,695	—	2,395
Impairment of goodwill	40,906	—	—
Loss on assets sold	9,234	—	—
(Gain) loss on early extinguishment of debt	141	(701)	—
Notable items	7,100	1,285	1,838
Other expense	(86)	765	477
Adjusted EBITDA	\$ 110,494	\$ 130,885	\$ 109,150

Adjusted EBITDA for 2024 and 2023 includes the impact of an \$8.2 million and \$(0.8) million, respectively, non-cash charge related to a previously announced strategic product rationalization. For 2024, Adjusted EBITDA includes \$1.7 million benefit also related to the strategic product rationalization, netting to \$6.5 million non-cash charge.

Adjusted Net Income and Adjusted Diluted EPS

We define Adjusted Net Income as earnings excluding the after-tax effect of changes in the fair value of the warrant liability, changes in the fair value of the earn-out liability, impairment of goodwill and indefinite-lived intangible assets, loss on sale of assets, and gain or loss on the early extinguishment of debt. We define Adjusted Diluted EPS as Adjusted Net Income on a per share basis. Management uses these measures to focus on on-going operations and believes that it is useful to investors because it enables them to perform meaningful comparisons of past and present consolidated operating results. We believe that using this information, along with net income and net income per diluted share, provides for a more complete analysis of the results of operations.

The following unaudited tables present the reconciliation of net income and net income per diluted share, the most directly comparable GAAP measures, to Adjusted Net Income and Adjusted Diluted EPS for the years ended December 31, 2024, 2023 and 2022 (dollars in thousands):

	For the years ended December 31,		
	2024	2023	2022
Net income (loss)	\$ (23,235)	\$ 19,180	\$ 73,774
Special items:			
Adjust for: Change in fair value of warrant liability	(7,570)	4,111	(57,021)
Adjust for: Change in fair value of earn-out liability	(2,333)	2,303	(10,731)
Adjust for: Impairment of indefinite-lived intangible assets	7,695	-	2,395
Adjust for: Impairment of goodwill	40,906	-	-
Adjust for: Loss on sale of assets	9,234	-	-
Adjust for: Loss (gain) on early extinguishment of debt	141	(701)	-
Adjusted Net Income	\$ 24,838	\$ 24,893	\$ 8,417

	For the years ended December 31,		
	2024	2023	2022
Net income (loss) per diluted share	\$ (0.20)	0.16	\$ 0.63
Special items:			
Adjust for: Change in fair value of warrant liability	(0.06)	0.03	(0.48)
Adjust for: Change in fair value of earn-out liability	(0.03)	0.02	(0.09)
Adjust for: Impairment of indefinite-lived intangible assets	0.06	-	0.02
Adjust for: Impairment of goodwill	0.35	-	-
Adjust for: Loss on sale of assets	0.08	-	-
Adjust for: Loss (gain) on early extinguishment of debt	-	-	-
Adjusted Diluted EPS	\$ 0.20	\$ 0.21	\$ 0.08

We define Free Cash Flow as net cash provided by operating activities minus cash payments for capital expenditures, net of dispositions. Management believes providing Free Cash Flow is useful for investors to understand our performance and results of cash generation after making capital investments required to support ongoing business operations.

The following unaudited table presents the reconciliation of net cash provided by operating activities, the most directly comparable GAAP measure, to Free Cash Flow for the years ended December 31, 2024, 2023 and 2022 (dollars in thousands):

	For the years ended December 31,		
	2024	2023	2022
Net cash provided by operating activities	\$ 46,899	\$ 88,092	\$ 12,312
Capital expenditures	(6,804)	(5,934)	(13,590)
Proceeds from the disposal of fixed assets	1,726	1,481	888
Cash paid for acquisitions, net	—	—	(14,301)
Free Cash Flow	\$ 41,821	\$ 83,639	\$ (14,691)

Liquidity and Capital Resources

Our primary cash needs are to support working capital, capital expenditures, acquisitions, and debt repayments. We have generally financed our historical needs with operating cash flows, capital contributions and borrowings under our credit facilities. These sources of liquidity may be impacted by various factors, including demand for our products, investments made in acquired businesses, plant and equipment and other capital expenditures, and expenditures on general infrastructure and information technology.

On December 31, 2024, we had cash of \$56.1 million and availability of \$97.8 million under our revolving credit facility. We have a senior secured revolving credit facility with \$100 million in borrowing capacity. On December 31, 2024, we had \$2.2 million in letters of credit outstanding under the revolving credit facility. In March 2023, the Company entered into an amendment to its Credit Agreement which, among other things, contains a minimum liquidity financial covenant of \$45 million, which includes unrestricted cash and any available borrowing capacity under the revolving credit facility. The amendment also increased the Total Leverage Ratio applicable under the Credit Agreement as of the fiscal quarter ending April 2, 2023, to initially 7.25:1.00, and provides for modified step-down levels for such covenant thereafter through the fiscal quarter ending June 30, 2024. During the year ended December 31, 2024, the Company successfully exited the Covenant Relief Period.

We are obligated under various operating leases for facilities, equipment, and automobiles with estimated lease payments of approximately \$6.4 million, including short-term leases, due in fiscal year 2025. See Note 15, "Lease Commitments" in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information related to our lease obligations.

Our capital expenditures for the year ended December 31, 2024 of \$6.8 million are primarily related to ongoing maintenance and improvements, including investments related to upgrading and maintaining our information technology systems, tooling for new products, vehicles for product development, and machinery and equipment for operations. We expect capital expenditures of up to \$16 million in fiscal year 2025.

See Note 7, "Debt" in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K for further detail of our credit facility and the timing of principal maturities. On December 31, 2024, based on the then current weighted average interest rate of 8.4%, expected interest payments associated with outstanding debt totaled approximately \$47.3 million for fiscal year 2025.

As discussed under "Business Environment" above, although the future impact of supply chain disruptions, potential tariffs and inflationary pressures are highly uncertain, we believe that our current operating performance, operating plan, cash position, and borrowings available under our revolving credit facility will be sufficient to satisfy our liquidity needs and capital expenditure requirements for at least the next twelve months and thereafter for the foreseeable future.

Cash Flows

The following table provides a summary of cash flows from operating, investing, and financing activities for the periods presented (dollars in thousands):

	For the years ended December 31,		
	2024	2023	2022
Cash flows provided by operating activities	\$ 46,899	\$ 88,092	\$ 12,312
Cash flows (used in) provided by investing activities	2,021	(4,453)	(25,037)
Cash flows (used in) provided by financing activities	(34,605)	(69,008)	2,850
Effect of foreign currency rate fluctuations on cash	691	300	(300)
Net (decrease) increase in cash and cash equivalents	<u>\$ 15,006</u>	<u>\$ 14,931</u>	<u>\$ (10,175)</u>

Operating Activities. Cash provided by operating activities for the year ended December 31, 2024, was \$46.9 million compared to cash provided by operating activities of \$88.1 million for the year ended December 31, 2023. Cash provided by inventory of \$38.2 million for the year ended December 31, 2023 decreased to cash used by inventory of \$16.6 million for the year ended December 31, 2024, resulting in a decrease of operating cash flows due to inventory of \$54.8 million. Offsetting this decrease were increases in cash provided by accrued interest, accounts receivable, and accounts payable of \$5.1 million, \$13.0 million, and \$2.9 million, respectively. The changes in accounts receivable, accounts payable, and inventory are impacted by fluctuations in sales and accrued interest, accounts receivable and accounts payable are impacted by the timing of receipts and payments.

Cash provided by operating activities for the year ended December 31, 2023, was \$88.1 million compared to cash provided by operating activities of \$12.3 million for the year ended December 31, 2022. Cash provided by inventory and prepaids and other current assets increased by \$96.6 million and \$1.4 million, respectively. Offsetting these increases were decreases in cash used by accrued interest, accounts receivable, and accounts payable of \$8.2 million, \$6.1 million, and \$0.9 million, respectively. The changes in accounts receivable, accounts payable, and inventory are impacted by fluctuations in sales and accrued interest, accounts receivable and accounts payable are impacted by the timing of receipts and payments.

Investing Activities. Cash provided by investing activities for the year ended December 31, 2024, was \$2.0 million, primarily relating to the sales of Detroit Speed Engineering, which was partially offset by capital expenditures of \$6.8 million. Cash used in investing activities for the year ended December 31, 2023, was \$4.5 million, primarily relating to capital expenditures of \$5.9 million. For the year ended December 31, 2022, cash used in investing activities was \$25.0 million, primarily relating to acquisitions of \$14.3 million and capital expenditures of \$13.6 million.

Financing Activities. Cash used in financing activities for the year ended December 31, 2024, was \$34.6 million, which primarily reflected principal payments on long-term debt. Cash used in financing activities for the year ended December 31, 2023, was \$69.0 million, which primarily reflected principal payments on long-term debt. Cash provided by financing activities for the year ended December 31, 2022, was \$2.9 million, which primarily reflected net borrowings on long-term debt.

Working Capital. On December 31, 2024, working capital was \$202.2 million compared to \$203.6 million on December 31, 2023. For the year ended December 31, 2024, prepaids and other current assets decreased by \$3.1 million and accrued liabilities decreased by \$1.1 million. Offsetting this decrease in working capital was an increase in cash of \$15.0 million.

Holley's working capital on December 31, 2023, decreased \$20.1 million from \$223.7 million on December 31, 2022. For the year ended December 31, 2023, inventories decreased by \$41.3 million. Offsetting this decrease in working capital was an increase in cash of \$14.9 million.

Critical Accounting Estimates

The discussion and analysis of Holley's financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with GAAP. See Note 1, "*Description of the Business, Basis of Presentation, and Summary of Significant Accounting Policies*", in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K for a complete summary of the significant accounting policies used in the presentation of our financial statements. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts and related disclosures of assets, liabilities, revenue, and expenses. We evaluate our estimates and assumptions on an ongoing basis. The estimates and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, impacting our reported results of operations and financial condition.

Critical accounting policies and estimates are those that management considers the most important to the portrayal of our financial condition and results of operations because they require the most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We believe that our most critical accounting estimates are related to accounting for inventory reserves, the fair value of assets and liabilities acquired in the Business Combination and acquisitions, and accounting for goodwill and intangible assets. These critical accounting policies are addressed below.

Inventory Reserve

Our inventories are stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, for estimated excess, obsolescence or impaired balances. See Part IV, Item 15 in this Annual Report on Form 10-K for additional information related to our inventory valuation reserve.

We regularly monitor inventory quantities on hand and on order and record write-downs for excess and obsolete inventories based on our estimate of the demand for our products, potential obsolescence of technology, product life cycles, and when pricing trends or forecast indicate that the carrying value of inventory exceeds our estimated selling price. These factors are affected by market and economic conditions, technology changes, and new product introductions and require estimates that may include elements that are uncertain. Actual demand may differ from forecasted demand and may have a material effect on our gross margin. If inventory is written down, a new cost basis will be established that cannot be increased in future periods.

Fair Value of Acquired Assets and Liabilities

Assigning fair market values to the assets acquired and liabilities assumed at the date of an acquisition requires knowledge of current market values and the values of assets in use, and often requires the application of significant judgment regarding estimates and assumptions. The same applies to assigning fair market values to the liabilities assumed in the Business Combination at the date of the transaction and at each reporting date thereafter. While the ultimate responsibility resides with management, for certain acquisitions we retain the services of certified valuation specialists to assist with assigning estimated values to certain acquired assets and assumed liabilities, including intangible assets, tangible long-lived assets, and liabilities assumed in the Business Combination. Acquired intangible assets, excluding goodwill, are valued using various methodologies including discounted cash flows, relief from royalty, and multiperiod excess earnings depending on the type of intangible asset purchased. These methodologies incorporate various estimates and assumptions, such as projected revenue growth rates, profit margins and forecasted cash flows based on discount rates and terminal growth rates. We use a Monte Carlo simulation model to estimate the fair value of our Private Warrants and earn-out liability assumed in the Business Combination, which requires certain subjective inputs and assumptions, including expected common stock price volatility, expected term, and risk-free interest rates. These estimates and assumptions could vary significantly, which could result in material differences in the fair values assigned to the assets and liabilities. See Note 10, "Fair Value Measurements" in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information related to our assets and liabilities measured at fair value.

Goodwill and Intangible Assets

Goodwill and intangible assets deemed to have indefinite lives are not amortized but rather are tested at least annually for impairment, or more often if events or changes in circumstances indicate that more likely than not the carrying amount of the asset may not be recoverable.

Goodwill is tested for impairment at the reporting unit level. A reporting unit represents an operating segment or a component of an operating segment. Goodwill is tested for impairment by either performing a qualitative evaluation or a quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. We may elect not to perform the qualitative assessment and perform a quantitative impairment test. The estimate of the fair value of our reporting unit is based on the best information available as of the date of the assessment. We base our fair value estimate on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain. We generally use a blended analysis of the present value of discounted cash flows and the market valuation approach. The discounted cash flow model uses the present values of estimated future cash flows. Considerable management judgment is necessary to evaluate the impact of operating and external economic factors in estimating our future cash flows. The assumptions we use in our evaluations include projections of growth rates and profitability, our estimated working capital needs, as well as our weighted average cost of capital. The market valuation approach indicates the fair value of a reporting unit based on a comparison to comparable publicly traded firms in similar businesses. Estimates used in the market value approach include the identification of similar companies with comparable business factors. These key assumptions are inherently uncertain and require a high degree of estimation and are subject to change based on, among others, industry and geopolitical conditions, our ability to navigate changing macroeconomic conditions and trends and the timing and success of strategic initiatives. Changes in economic and operating conditions impacting the assumptions we made could result in additional goodwill impairment in future periods. If the carrying value of the reporting unit exceeds fair value, goodwill is considered impaired. A goodwill impairment loss is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit.

The Company completed its annual goodwill impairment analysis in the fourth quarter of fiscal 2024, in conjunction with its budgeting and forecasting process for fiscal year 2024 and concluded that impairment existed for its reporting unit. Immediately prior to the goodwill impairment analysis in the fourth quarter of fiscal year 2024, the carrying value of goodwill was \$413.2 million, which was ascribed to one reporting unit. For the fiscal 2024 impairment analysis, the Company performed a quantitative assessment for its reporting unit. The estimated fair value of the reporting unit was below its carrying value based on the analysis performed by 4%. As a result of this evaluation, a pre-tax impairment of \$40.9 million was recognized on goodwill. As of December 31, 2024, the carrying value of goodwill was reduced to \$372.3 million.

During our annual impairment assessment and in subsequent interim quarters, we review events that occur or circumstances that change, including the macroeconomic environment, our business performance and our market capitalization, to determine if a quantitative impairment assessment is necessary. If assumptions are not achieved or market conditions decline, potential impairment charges could result. Impairments to goodwill and other intangible assets may be caused by factors outside our control, such as increasing competitive pricing pressures, changes in discount rates based on changes in cost of capital (i.e., as a result of changes in interest rates or other conditions), lower than expected sales and profit growth rates, changes in industry EBITDA multiples, the inability to quickly replace lost co-manufacturing business, or the bankruptcy of a significant customer.

Intangible assets include trade names, customer relationships and developed technology obtained through business acquisitions. Acquired finite-lived intangible assets are initially recorded at fair value and are amortized on a straight-line basis over their estimated useful lives. Indefinite life intangible assets are not amortized but are tested for impairment at least annually or more often if circumstances indicate that the carrying amounts may not be recoverable. During the fourth quarter of 2024, a quantitative assessment of indefinite life intangible assets identified certain tradenames for which the carrying amounts might not be recoverable. As a result of this evaluation, a pre-tax impairment of \$7.7 million was recognized on certain indefinite-lived tradenames.

Recent Accounting Pronouncements

For a discussion of Holley's new or recently adopted accounting pronouncements, see Note 1, "*Description of the Business, Basis of Presentation, and Summary of Significant Accounting Policies*," in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk. Holley is exposed to market risk in the normal course of business due to the Company's ongoing investing and financing activities. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. Holley has established policies and procedures governing the Company's management of market risks and the use of financial instruments to manage exposure to such risks. When appropriate, the Company uses derivative financial instruments to mitigate some of the effects of increases in interest rates. On December 31, 2024 the Company had \$560.9 million of floating-rate debt outstanding under the Credit Agreement with a weighted average borrowing rate of 8.4%. A hypothetical 100 basis point increase in interest rates would result in an approximately \$0.6 million increase in annual interest expense, while a hypothetical 100 basis point decrease in interest rates would result in an approximately \$5.6 million decrease to Holley's annual interest expense.

Credit and other Risks. Holley is exposed to credit risk associated with cash and cash equivalents and trade receivables. On December 31, 2024, the majority of the Company's cash and cash equivalents consisted of cash balances in non-interest-bearing checking accounts which exceed the insurance coverage provided on such deposits. Substantially all trade receivable balances of the business are unsecured. The credit risk with respect to trade receivables is concentrated by the number of significant customers that the Company has in its customer base and a prolonged economic downturn could increase exposure to credit risk on the Company's trade receivables. To manage exposure to such risks, Holley performs ongoing credit evaluations of the Company's customers and maintains an allowance for potential credit losses.

Exchange Rate Sensitivity. On December 31, 2024, the Company was exposed to changes in foreign currency exchange rates. While historically this exposure to changes in foreign currency exchange rates has not had a material effect on the Company's financial condition or results of operations, foreign currency fluctuations could have an adverse effect on business and results of operations in the future. Historically, Holley's primary exposure has been related to transactions denominated in the Euros and Canadian dollars. The majority of the Company's sales, both domestically and internationally, are denominated in U.S. Dollars. Historically, the majority of the Company's expenses have also been in U.S. Dollars, and it has been somewhat insulated from currency fluctuations. However, Holley may be exposed to greater exchange rate sensitivity in the future. Currently, the Company does not hedge foreign currency exposure; however, the Company may consider strategies to mitigate foreign currency exposure in the future if deemed necessary.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements and accompanying notes listed in Part IV, Item 15(a)(1) of this Annual Report on Form 10-K are included immediately following Part IV hereof and incorporated by reference herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Management, which includes our President, Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Annual Report. Based upon that evaluation, our President, Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were not effective due to the material weakness in internal control over financial reporting described below. We believe the financial information presented herein is materially correct and fairly presents the financial position and operating results of the fiscal year ended December 31, 2024 in accordance with U.S. GAAP.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our executive management and effected by our board of directors, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Based on this assessment, our management has determined that our internal control over financial reporting was not effective as of December 31, 2024, due to the material weakness described below. A material weakness is a control deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

We concluded that we did not have sufficient resources with the appropriate accounting expertise that resulted in a lack of adequate controls with respect to the preparation and precision of review of reconciliations, manual journal entries and third party reports supporting journal entries. Accordingly, management has determined that this control deficiency constituted a material weakness.

Notwithstanding this material weakness, management has concluded that our audited financial statements included in this Annual Report on Form 10-K are fairly stated in all material respects in accordance with U.S. GAAP for each of the periods.

Remediation Plan

Following the identification of the material weakness, and with the oversight of the Audit Committee of our Board of Directors, we have commenced and will continue to implement remediation efforts to enhance our environmental controls, which are described below.

- Hiring and augmenting our accounting team with knowledgeable and qualified accounting and finance professionals.
- Engaging a third-party expert to conduct an external evaluation, provide recommended options, support, and validate our approach.
- Enhancing related policies and process documentation, redesigning existing controls or implementing new controls, and improving the skills of process owners.
- Implementation of a reconciliation and review tool.
- Training process owners, evaluating the adoption of revised policies and procedures, and monitoring results.
- Developing and maintaining documentation to promote knowledge transfer upon personnel and function changes.

We are committed to successfully implementing the remediation plan as promptly as possible and believe that these actions will remediate the material weakness. Our plans can only be accomplished over time, and we can offer no assurance that these initiatives will ultimately have the intended effects. See Risk Factors—Risks Related to Our Business and Industry.

(c) Changes in Internal Control Over Financial Reporting

Our plans for remediating the material weaknesses described above will constitute changes in our internal control over financial reporting, prospectively, when such remediation plans are effectively implemented. There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 will appear in the Company's Proxy Statement for its 2025 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by Item 11 will appear in the Company's Proxy Statement for its 2025 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 will appear in the Company's Proxy Statement for its 2025 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 will appear in the Company's Proxy Statement for its 2025 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 will appear in the Company's Proxy Statement for its 2025 Annual Meeting of Stockholders and is incorporated herein by reference.

Part IV**Item 15. Exhibits, Financial Statement Schedules**

The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements:

The financial statements are filed as part of this Annual Report on Form 10-K under "Item 8. Financial Statements and Supplementary Data."

(2) Financial Statement Schedules:

Schedule II-Valuation and Qualifying Accounts is included below. The rest of the schedules required by this item have been omitted as they are either not required, not applicable or the information required is presented in the financial statements and notes thereto under "Item 8. Financial Statements and Supplementary Data" of this report.

Holley Inc. and Subsidiaries
Schedule II - Valuation and Qualifying Accounts
Years Ended December 31, 2024, 2023, and 2022

	Balance at Beginning of Period	Charged (Credited) to Costs and Expenses	Reserves from Acquisitions	Charged Against Allowances (1) (2)	Balance at End of Period
Accounts receivable reserve:					
Year ended December 31, 2022:					
Bad debt reserve	\$ 956	\$ 878	\$ —	\$ 672	\$ 1,162
Cash discount reserve	430	5,941	—	5,983	388
Year ended December 31, 2023:					
Bad debt reserve	1,162	1,016	—	1,122	1,056
Cash discount reserve	388	5,991	—	5,858	521
Year ended December 31, 2024:					
Bad debt reserve	1,056	1,343	—	705	1,694
Cash discount reserve	521	5,238	—	5,427	332
Inventory valuation reserve:					
Year ended December 31, 2022:					
Expired and obsolete reserve	26,280	13,410	—	1,156	38,534
Year ended December 31, 2023:					
Expired and obsolete reserve	38,534	1,802	—	6,362	33,974
Year ended December 31, 2024:					
Expired and obsolete reserve	33,974	11,057	—	9,889	35,142

(1) Write-off of uncollectible accounts, net of recoveries.

(2) Write-off of obsolete inventory, net of inventory adjustments.

(3) Exhibits:

See Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

Item 16. Form 10-K Summary

None

HOLLEY INC.

INDEX TO FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Holley Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Holley Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and financial statement schedule included under Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2020

Cincinnati, Ohio
March 14, 2025

HOLLEY INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31,	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 56,087	\$ 41,081
Accounts receivable, less allowance for credit losses of \$2,026 and \$1,577, respectively	36,123	48,360
Inventory	192,523	192,260
Prepays and other current assets	12,614	15,665
Total current assets	297,347	297,366
Property, plant, and equipment, net	40,983	47,206
Goodwill	372,340	419,056
Other intangibles assets, net	386,676	410,465
Right-of-use assets	35,974	29,250
Total assets	<u>\$ 1,133,320</u>	<u>\$ 1,203,343</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 44,781	\$ 43,692
Accrued interest	-	455
Accrued liabilities	43,190	42,129
Current portion of long-term debt	7,201	7,461
Total current liabilities	95,172	93,737
Long-term debt, net of current portion	545,385	576,710
Warrant liability	813	8,383
Earn-out liability	1,148	3,479
Deferred taxes	37,391	53,542
Other noncurrent liabilities	32,259	26,341
Total liabilities	712,168	762,192
Commitments and contingencies (Refer to Note 18 - Commitments and Contingencies)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, none issued and outstanding on December 31, 2024 and December 31, 2023	—	—
Common stock, \$0.0001 par value, 550,000,000 shares authorized, 118,748,697 and 117,707,280 shares issued and outstanding on December 31, 2024 and December 31, 2023, respectively	12	12
Additional paid-in capital	377,557	373,869
Accumulated other comprehensive loss	(1,162)	(710)
Retained earnings	44,745	67,980
Total stockholders' equity	421,152	441,151
Total liabilities and stockholders' equity	<u>\$ 1,133,320</u>	<u>\$ 1,203,343</u>

See accompanying notes to consolidated financial statements.

HOLLEY INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	For the years ended December 31,		
	2024	2023	2022
Net sales	\$ 602,224	\$ 659,704	\$ 688,415
Cost of goods sold	363,680	403,615	434,757
Gross profit	238,544	256,089	253,658
Selling, general, and administrative	132,149	120,244	150,728
Research and development costs	18,710	23,844	29,083
Amortization of intangible assets	13,884	14,557	14,683
Impairment of indefinite-lived intangible assets	7,695	-	2,395
Impairment of goodwill	40,906	-	-
Restructuring costs	1,566	2,641	4,513
Loss on sale of assets	9,234	-	1,037
Other operating expense (income)	(268)	765	477
Total operating expense	223,876	162,051	202,916
Operating income	14,668	94,038	50,742
Change in fair value of warrant liability	(7,570)	4,111	(57,021)
Change in fair value of earn-out liability	(2,333)	2,303	(10,731)
Loss (gain) on early extinguishment of debt	141	(701)	-
Interest expense, net	50,690	60,746	40,227
Total non-operating expense (income)	40,928	66,459	(27,525)
Income (loss) before income taxes	(26,260)	27,579	78,267
Income tax expense (benefit)	(3,025)	8,399	4,493
Net income (loss)	\$ (23,235)	\$ 19,180	\$ 73,774
Comprehensive income (loss):			
Foreign currency translation adjustment	(452)	234	(990)
Pension liability gain	-	-	302
Total other comprehensive income (loss)	(452)	234	(688)
Total comprehensive income (loss)	\$ (23,687)	\$ 19,414	\$ 73,086
Common Share Data:			
Weighted average common shares outstanding - basic	118,441,580	117,378,854	116,762,928
Weighted average common shares outstanding - diluted	118,441,580	118,510,800	117,248,296
Basic net income (loss) per share	\$ (0.20)	\$ 0.16	\$ 0.63
Diluted net income (loss) per share	\$ (0.20)	\$ 0.16	\$ 0.14

See accompanying notes to consolidated financial statements.

HOLLEY INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Gain (Loss)	Retained Earnings (Accumulated Deficit)	Total
	Shares	Amount				
Balance on December 31, 2021	115,807,337	\$ 12	\$ 329,705	\$ (256)	\$ (24,974)	\$ 304,487
Net income	—	—	—	—	73,774	73,774
Equity compensation	—	—	24,395	—	—	24,395
Foreign currency translation	—	—	—	(990)	—	(990)
Pension liability adjustment	—	—	—	302	—	302
Issuance of vested Earn-Out Shares	1,093,750	—	14,689	—	—	14,689
Warrants exercised	33,333	—	383	—	—	383
Tax withholding related to vesting of restricted stock units	—	—	(1,050)	—	—	(1,050)
Issuance of shares for restricted stock units	213,577	—	—	—	—	—
Balance on December 31, 2022	117,147,997	12	368,122	(944)	48,800	415,990
Net income	—	—	—	—	19,180	19,180
Equity compensation	—	—	7,291	—	—	7,291
Foreign currency translation	—	—	—	234	—	234
Tax withholding related to vesting of restricted stock units	—	—	(1,544)	—	—	(1,544)
Issuance of shares for restricted stock units	559,283	—	—	—	—	—
Balance on December 31, 2023	117,707,280	12	373,869	(710)	67,980	441,151
Net loss	—	—	—	—	(23,235)	(23,235)
Equity compensation	—	—	5,170	—	—	5,170
Foreign currency translation	—	—	—	(452)	—	(452)
Tax withholding related to vesting of restricted stock units	—	—	(1,482)	—	—	(1,482)
Issuance of shares for restricted stock units	1,041,417	—	—	—	—	—
Balance on December 31, 2024	<u>118,748,697</u>	<u>\$ 12</u>	<u>\$ 377,557</u>	<u>\$ (1,162)</u>	<u>\$ 44,745</u>	<u>\$ 421,152</u>

See accompanying notes to consolidated financial statements.

HOLLEY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the years ended December 31,		
	2024	2023	2022
OPERATING ACTIVITIES:			
Net income (loss)	\$ (23,235)	\$ 19,180	\$ 73,774
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation	10,551	10,308	10,107
Amortization of intangible assets	13,884	14,557	14,683
Impairment of indefinite-lived intangible assets	7,695	-	2,395
Impairment of goodwill	40,906	-	-
Amortization of deferred loan costs	1,756	1,780	1,707
Amortization of right of use assets	5,234	5,480	5,666
Gain on termination of leases	-	-	(279)
Fair value adjustments to warrant liability	(7,570)	4,111	(57,021)
Fair value adjustments to earn-out liability	(2,333)	2,303	(10,731)
Fair value adjustments to interest rate collar	(1,104)	1,164	-
Equity compensation	5,170	7,291	24,395
Change in deferred taxes	(16,151)	(4,848)	(11,655)
Loss on sale assets	9,234	-	1,037
Loss (gain) on early extinguishment of long-term debt	141	(701)	-
Loss (gain) on disposal of property, plant and equipment	(568)	(192)	253
Provision for inventory reserves	11,057	1,802	13,410
Provision for credit losses	1,343	1,016	878
Change in operating assets and liabilities:			
Accounts receivable	10,756	(2,280)	3,777
Inventories	(16,557)	38,199	(58,406)
Prepays and other current assets	2,979	2,555	1,142
Accounts payable	1,233	(1,626)	(740)
Accrued interest	(455)	(5,539)	2,635
Accrued and other liabilities	(7,067)	(6,468)	(4,715)
Net cash provided by operating activities	46,899	88,092	12,312
INVESTING ACTIVITIES:			
Capital expenditures	(6,804)	(5,934)	(13,590)
Proceeds from the disposal of fixed assets	1,726	1,481	888
Proceeds from sale of business	7,099	-	1,966
Cash paid for acquisitions, net	-	-	(14,301)
Net cash (used in) provided by investing activities	2,021	(4,453)	(25,037)
FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	-	-	37,000
Principal payments on long-term debt	(32,444)	(66,038)	(33,483)
Deferred financing fees	(679)	(1,427)	-
Payments from stock-based award activities	(1,482)	(1,543)	(1,050)
Proceeds from issuance of common stock in connection with the exercise of Warrants	-	-	383
Net cash (used in) provided by financing activities	(34,605)	(69,008)	2,850
Effect of foreign currency rate fluctuations on cash	691	300	(300)
Net change in cash and cash equivalents	15,006	14,931	(10,175)
Cash and cash equivalents:			
Beginning of period	41,081	26,150	36,325
End of period	\$ 56,087	\$ 41,081	\$ 26,150
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ 52,160	\$ 64,693	\$ 36,868
Cash paid for income taxes	11,142	16,041	6,834
Noncash investing and financing activities:			
Property and equipment additions included in accounts payable	\$ 1,134	\$ -	\$ -
Vested Earn-Out Shares issued to Empower Sponsor Holdings LLC	\$ -	\$ -	\$ 14,689

See accompanying notes to consolidated financial statements.

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

1. Description of the Business, Basis of Presentation, and Summary of Significant Accounting Policies

Holley Inc., a Delaware corporation headquartered in Bowling Green, Kentucky conducts operations through its wholly owned subsidiaries. These operating subsidiaries are comprised of Holley Performance Products Inc., Hot Rod Brands, Inc., Simpson Safety Solutions, Inc., B&M Racing and Performance Products, Inc., and Speedshop.com, Inc. When used in these notes, the terms the “Company” or “Holley” mean Holley, Inc. and all entities included in its consolidated financial statements.

The Company consummated a Business Combination in 2021 pursuant to the Merger Agreement, by and among Empower, Merger Sub I, Merger Sub II, and Holley Intermediate on the Closing Date. The Business Combination was accounted for as a reverse recapitalization in accordance with GAAP in which Holley Intermediate was deemed the accounting acquirer with Holley Inc. as the successor registrant. As such, Empower was treated as the acquired company for financial reporting purposes. On the Closing Date, Empower changed its name to Holley Inc. and its trading symbol on the NYSE from “EMPW” to “HLLY.”

The Company designs, manufactures and distributes performance automotive products to customers primarily in the United States, Canada and Europe. The Company is a leading manufacturer of a diversified line of performance automotive products, including carburetors, fuel pumps, fuel injection systems, nitrous oxide injection systems, superchargers, exhaust headers, mufflers, distributors, ignition components, engine tuners and automotive performance plumbing products. The Company is also a leading manufacturer of exhaust products as well as shifters, converters, transmission kits, transmissions, tuners and automotive software. The Company’s products are designed to enhance street, off-road, recreational and competitive vehicle performance through increased horsepower, torque and drivability. The Company has locations in the United States, Canada, Italy and China.

Emerging Growth Company Status

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company is an emerging growth company, and, as such, has elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards.

Risks and Uncertainties

The Company's business and results of operations, financial condition, and liquidity are impacted by broad economic conditions including inflation, labor shortages, and disruption of the supply chain, as well as by geopolitical events, including military conflicts (including the conflict in Ukraine, the conflict in Israel and surrounding areas, and the possible expansion of such conflicts). The Company's operations have been adversely impacted by inflationary pressures primarily related to transportation, labor and component costs. Sales growth in certain products has been constrained by supply chain challenges. In response to the global supply chain volatility and inflationary impacts, the Company has attempted to minimize potential adverse impacts on its business with cost savings initiatives, price increases to customers, and by closely monitoring inventory levels of certain products and working closely with its suppliers and customers to minimize disruptions in delivering products to customers. Our profitability has been, and may continue to be, adversely affected by constrained consumer demand, a shift in sales to lower-margin products, and demands on our performance that increase our costs. Should the ongoing macroeconomic conditions not improve, or worsen, or if the Company's attempt to mitigate the impact on its supply chain, operations and costs is not successful, the Company's business, results of operations and financial condition may be adversely affected.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. These estimates require the use of judgment as future events, and the effect of these events, cannot be predicted with certainty. The estimates will change as new events occur, as more experience is acquired and as more information is obtained. The Company evaluates and updates assumptions and estimates on an ongoing basis and may consult outside experts to assist as considered necessary.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company's cash and cash equivalents include cash and deposits, including an overnight sweep account where funds are transferred to an interest-bearing deposit account that is insured by the Federal Deposit Insurance Corporation ("FDIC"). The FDIC insures financial institution deposits up to \$250. The Company maintains deposits exceeding \$250 in certain accounts at financial institutions in the United States. On December 31, 2024 and 2023, the Company had cash in foreign bank accounts of \$5,605 and \$4,975, respectively. Cash and cash equivalent in foreign bank accounts are primarily held in Italy. Italian deposits are insured up to €100 per depositor, per bank. The Company maintains deposits exceeding €100 in certain accounts at financial institutions in Italy. The Company has not incurred any losses in these accounts.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable represent amounts due from customers in the ordinary course of business. The receivables are stated at the amount management expects to collect. The Company is subject to risk of loss from uncollectible receivables in excess of its allowance. The Company maintains an allowance for credit losses for estimated losses from customers' inability to make required payments. In order to estimate the appropriate level of this allowance, the Company analyzes historical bad debts, customer concentrations, current customer creditworthiness, current economic trends and changes in customer payment patterns. Accounts are written off when management determines the account is uncollectable. Interest is not charged on past due accounts. Accounts receivable, less allowance was \$36,123, \$48,360 and \$47,083 as of December 31, 2024, 2023 and 2022, respectively.

Inventory Valuation

The Company's inventories are stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, for estimated excess, obsolescence or impaired balances.

Segments

The Company's operations are managed and reported to its Chief Executive Officer ("CEO"), the Company's chief operating decision maker, on a consolidated basis. The CEO assesses performance and allocates resources based on the consolidated results of operations. Under this organizational and reporting structure, the Company has one reportable segment.

Goodwill

Goodwill represents the excess of purchase price over the fair value of the net assets of businesses acquired. On an annual basis or whenever events or changes in circumstances indicate the carrying value of goodwill may have been impaired, the Company may perform a qualitative assessment to determine if it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If the Company determines that the fair value of the reporting unit is less than its carrying amount or elects not to perform a qualitative assessment, it will perform a quantitative analysis; otherwise, no further evaluation is necessary. For the quantitative impairment assessment, the Company compares the fair value of the reporting unit to its carrying value, including goodwill. The Company determines the fair value of the reporting unit based on a weighting of income and market approaches. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and no further testing is performed. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company will recognize a loss equal to the excess, limited to the total amount of goodwill allocated to that reporting unit. Impairments, if any, are charged directly to earnings.

Intangible Assets Other Than Goodwill

Tradenames acquired in certain business combinations were determined to have indefinite useful lives and are not amortized, but instead are tested for impairment on an annual basis and when facts and circumstances indicate that the carrying values of the assets may be impaired. If such review indicates an asset's carrying value may not be recoverable, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset.

As part of separate business acquisitions, the Company's customer relationships, technology and certain tradenames were identified as definite-lived intangible assets. The customer relationship intangible assets are being amortized over a ten to twenty-five year life based on the attrition rate of customers with a weighted-average amortization period of 23.6 years. The technology intangible assets are being amortized over a five to twenty year life based on the lifecycle of previous technology with a weighted-average amortization period of 12.1 years. The tradenames are being amortized over a fifteen to twenty year life based on the estimated life of the tradename with a weighted-average amortization period of 19.2 years. The weighted-average amortization period for all amortizable intangibles on a combined basis is 22.5 years.

Property, Plant and Equipment

Property, plant and equipment acquired in various acquisitions have been recorded at fair value. All other property, plant and equipment is recorded at cost. Depreciation and amortization are provided for using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for new property, plant and equipment additions are seven to twenty-five years for buildings, three to ten years for machinery and equipment, and the shorter of the estimated lease term or useful life for leasehold improvements. Maintenance, repairs, and betterments which do not enhance the value of or increase the life of the assets are expensed as incurred.

Leases

Operating lease right of use ("ROU") assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. The Company's leases may include options to extend or terminate the lease. These options to extend are included in the lease term when it is reasonably certain that the Company will exercise that option. Some leases have variable payments, however, because they are not based on an index or rate, they are not included in the ROU assets and liabilities. Variable payments for real estate leases primarily relate to common area maintenance, insurance, taxes and utilities. Since the Company's leases generally do not provide an implicit rate, the Company applies a portfolio approach using an estimated incremental borrowing rate based on the lease term and other information available at the commencement date in determining the present value of lease payments. The rate applied is based on the currency of the lease. Leases having a lease term of 12 months or less are not recorded on the balance sheet and the related lease expense is recognized on a straight-line basis over the term of the lease. In addition, the Company has applied the practical expedient to account for the lease and non-lease components as a single lease component for all of the Company's leases.

Debt Issuance Costs

Debt issuance costs include fees and costs incurred to obtain financing. Debt issuance costs related to the Company's term loans are presented in the consolidated balance sheet as a direct deduction from the carrying amount of the term loans. These fees and costs are being amortized using the effective interest method over the term of the related loans and are included in interest expense in the Company's consolidated statements of comprehensive income (loss). If the debt is retired before its scheduled maturity date, any remaining unamortized debt issuance costs are written off in the period the debt is retired as a non-operating expense in the statement of operations as loss on the early extinguishment of debt. For the years ended 2024, 2023 and 2022, the amortization of debt issuance costs included in interest expense was \$1,756, \$1,780, and \$1,707, respectively.

Self-Insurance

The Company is self-insured for employee medical and prescription drug benefits up to certain stop loss coverage amounts. The Company accrues an estimate for unpaid claims, as well as incurred but not reported claims, based upon the Company's claim experience and expectations of future claim activity. The resulting liability and expense are reflected as a component of accrued expenses, cost of sales and selling, general and administrative expenses in the accompanying consolidated balance sheets and consolidated statements of comprehensive income (loss), respectively.

Revenue Recognition

The Company recognizes revenue with customers when control of the promised goods transfers to the customer. This generally occurs when the product is shipped to the customer. Revenue is recorded at the amount of consideration the Company expects to be entitled to in exchange for the delivered goods, which includes an estimate of variable consideration, expected returns, or refunds when applicable. The Company estimates variable consideration, such as sales incentives, by using the most likely amount approach, which considers the single most likely amount from a range of possible consideration amounts. Estimates of variable consideration result in an adjustment to the transaction price such that it is probable that a significant reversal of cumulative revenue would not occur in the future. Sales incentives and allowances are recognized as a reduction to revenue at the time of the related sale. Revenue is recorded net of sales tax. Shipping and handling fees billed to customers are included in net sales, while costs of shipping and handling to customers are included in selling, general and administrative costs.

For more information about the Company's revenue from contracts with customers, see Note 11, "Revenue".

Customer Sales Incentives

Sales incentives provided take the form of either sales discounts or rebates and are treated as a reduction of net sales. The Company also maintains a cooperative advertising program with its customers and provides sales incentives to the extent of the estimated value of advertising provided by the customer on behalf of the Company. The costs incurred under the cooperative advertising program are included as a reduction of net sales.

Product Warranty

The Company generally warrants its products against certain manufacturing and other defects. These product warranties are provided for specific periods of time depending on the nature of the product. The accrued product warranty costs are based primarily on historical experience of actual warranty claims and are recorded at the time of the sale. These obligations are recorded within accrued liabilities in the consolidated balance sheets (see also Note 18, "Commitments and Contingencies" for additional information on warranty reserves). Significant judgments and estimates must be made and used in connection with establishing warranty allowances in any accounting period. Revision of these estimates is made, when necessary, based upon changes in these factors.

Sales Returns

Estimated sales returns and allowances are recorded as a charge against gross sales in the period in which the related sales are recognized, net of returns to stock. The Company's customers are permitted to return new, undamaged products within customer-specific limits (which are generally limited to a specified percentage of their annual purchases) in the event that they have overstocked their inventories. The Company estimates sales returns based primarily upon actual historical returns, planned product discontinuances, and promotional sales. Returned products, which are recorded as inventories, are valued at the lower of cost or net realizable value. The physical condition and marketability of the returned products are the major factors considered in estimating realizable value.

Cost of Goods Sold

Cost of goods sold primarily consists of materials and labor expense in the manufacturing of the Company's products sold to its customers. Cost of goods sold also includes provisions for excess and obsolete inventory, warranty costs, certain allocated costs for facilities, depreciation and other manufacturing overhead.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include personnel costs for employees in selling, general and administrative functions (including equity-based compensation); costs to operate shop locations, corporate offices and back-office support centers; costs to transport products from facilities to our customers; and other selling, general and administrative expenses, such as professional fees, supplies, and advertising expenses.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes income tax positions only if those positions are “more likely than not” of being sustained upon examination by taxing authorities. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company recognizes interest expense and penalties on liabilities for uncertain tax positions within income tax expense. The Company has \$68 and \$130 accrued for such interest or penalties, respectively, on December 31, 2024 and 2023. The Company files income tax returns in the U.S. federal jurisdiction and various foreign and state jurisdictions.

On December 31, 2024 and 2023, the Company had approximately \$384 and \$329 of unrecognized tax benefits, respectively. The statute of limitations remains open for U.S. federal income tax examinations for the years ended December 31, 2021, through December 31, 2023. U.S. state jurisdictions have statutes of limitations generally ranging from three to eight years. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Impairment or Disposal of Long-Lived Assets

The Company accounts for long-lived assets, including intangible assets subject to amortization, in accordance with the provisions that require long-lived assets, such as property and equipment, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the sum of undiscounted net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Advertising

Advertising production costs are expensed the first time the advertising takes place. Total advertising expenses were \$9,355, \$5,987, and \$7,159 for the years ended December 31, 2024, 2023, and 2022, respectively. Advertising costs are classified as a component of selling, general and administrative costs in the accompanying consolidated statements of comprehensive income (loss).

Research and Development Costs

Research, development, pre-production and start-up costs related to both present and future products are expensed as incurred. Such costs amount to \$18,710, \$23,844, and \$29,083 for the years ended December 31, 2024, 2023, and 2022, respectively.

Other Comprehensive Income (Loss)

Comprehensive income (loss) encompasses all changes in stockholder’s equity and includes net income, change in the foreign currency translation adjustment and minimum pension liability gains. The Company’s accumulated other comprehensive loss shown on the consolidated balance sheets on December 31, 2024 and 2023 consists of foreign currency translation adjustments of \$1,162 and \$710, respectively.

Foreign Currencies

The functional currency of the Company’s Italian subsidiary is the Euro. Assets and liabilities of foreign operations are translated using period end exchange rates. Revenue and expenses are translated using average exchange rates during each period reported. Translation gains (losses) are reported in accumulated other comprehensive loss as a component of shareholders equity and were \$452, \$234, and (\$990) for the years ended December 31, 2024, 2023 and 2022, respectively. The Company recognizes foreign currency transaction gains (losses) on certain assets and liabilities. These transaction (gains) losses are reported in other expense in the consolidated statements of comprehensive income (loss) and were (\$568), \$278, and (\$97) for the years ended December 31, 2024, 2023 and 2022, respectively.

Earnings per Share

Earnings per share is computed by dividing net income or loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. The dilutive effect of these potential common shares is reflected in diluted earnings per share by application of the treasury stock method.

Warrants

The Company accounts for warrants to purchase its common stock as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in Accounting Standards Codification ("ASC") Topic 480, *Distinguishing Liabilities from Equity*, and ASC Topic 815, *Derivatives and Hedging*. The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC Topic 480, meet the definition of a liability pursuant to ASC Topic 480, and whether the warrants meet all of the requirements for equity classification under ASC Topic 815, including whether the warrants are indexed to the Company's own shares and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

Equity-Based Compensation

The Company accounts for equity-based awards granted to employees and nonemployees under the fair value method prescribed by ASC Subtopic 718-10, Stock Compensation. Equity-based compensation cost is measured based on the estimated grant date fair value of the award and is recognized as expense over the requisite service period (generally the vesting period). The fair value of stock options is estimated using the Black Scholes option-pricing model. Restricted stock units are valued at the stock price on the grant date. The fair value of profit interest units granted by the Holley Stockholder is estimated based on the Company's estimated equity value for each unit class at the time of granting using the Black-Scholes option-pricing model, discounted to reflect market considerations for illiquidity.

Performance share units that vest based on the achievement of company-designated performance targets are valued at the stock price on the grant date. Compensation expense in respect of such performance share units is recognized each period based on the expected level of achievement and, to the extent that the expected levels of achievement change, compensation cost is adjusted in the period of change with the remaining unrecognized cost recognized over the remaining requisite service period. For performance share units that vest based on the achievement of predetermined market conditions, the Company estimates the grant date fair value using a Monte Carlo simulation model. The fair value associated with each tranche of the award is recognized, straight-line, over the associated requisite service period for that tranche, subject to acceleration if the market condition is met prior to the end of the derived service period.

Unless the awards contain a market condition, previously recognized expense related to forfeited awards is reversed in the period in which the forfeiture occurs. For awards containing a market condition, previously recognized stock-based compensation expense is not reversed when the awards are forfeited as long as the service is provided for the duration of the required service period.

Fair Value Measurements

Fair value is defined as the price that would be received for sale of an asset or paid for transfer of a liability, in an orderly transaction between market participants at the measurement date. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible. The inputs used to measure fair value are prioritized based on a three-level hierarchy, which are defined as follows:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives in accordance with ASC Topic 815, Derivatives and Hedging. For derivative financial instruments that are accounted for as assets or liabilities, the derivative instrument is initially recorded at its fair value on the grant date and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. Derivative assets and liabilities are classified on the balance sheet as current or non-current based on whether or not net cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

The Company uses derivative instruments to manage its exposure to changes in interest rates on borrowings under its debt facility. These derivative instruments are primarily valued on the basis of quotes obtained from banks, brokers, and/or dealers. The valuation of the derivative instruments considers future expected interest rates on the notional principal balance remaining, which is comparable to what a prospective acquirer would pay on the measurement date. Valuation pricing models consider inputs such as forward rates, anticipated interest rate volatility relating to the reference rate, as well as time value, counterparty risk and other factors underlying derivative instruments.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist primarily of cash and accounts receivable. The Company controls its exposure to credit risk associated with these instruments by (i) placing cash and cash equivalents with several major financial institutions and (ii) maintaining strict policies over credit extension that include credit evaluations, credit limits and monitoring procedures. For more information on the Company's net sales to its three largest customers, see Note 16 "Major Distribution Partner Customers".

Recent Accounting Pronouncements

Accounting Standards Recently Adopted

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This ASU requires entities to apply the definition of a performance obligation under ASC Topic 606, *Revenue from Contracts with Customers*, to recognize and measure contract assets and contract liabilities (i.e., deferred revenue) relating to contracts with customers that are acquired in a business combination. Prior to the adoption of ASU 2021-08, an acquirer generally recognized assets acquired, and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers, at fair value on the acquisition date. ASU No. 2021-08 results in the acquirer recording acquired contract assets and liabilities on the same basis that would have been recorded by the acquiree before the acquisition under ASC Topic 606. The Company adopted ASU 2021-08 on January 1, 2023. Adoption of ASU 2021-08 did not impact the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, requiring public entities to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. The Company adopted ASU 2023-07 during the year ended December 31, 2024. See Note 19 Segment in the accompanying notes to the consolidated financial statements for further detail.

Accounting Standards Not Yet Adopted

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to SEC's Disclosure Update and Simplification Initiative*. This ASU amends the disclosure or presentation requirements related to various subtopics in the FASB Accounting Standards Codification. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company will monitor the removal of various requirements from the current regulations in order to determine when to adopt the related amendments, but it does not anticipate that the adoption of the new guidance will have a material impact on the Company's consolidated financial statements and related disclosures. The Company will continue to evaluate the impact of this guidance on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU requires additional disclosures of various income tax components that affect the rate reconciliation based on the applicable taxing jurisdictions, as well as the qualitative and quantitative aspects of those components. The standard also requires information pertaining to taxes paid to be disaggregated for federal, state and foreign taxes, and contains other disclosure requirements. This ASU is effective for fiscal years beginning after December 15, 2024 and interim periods within fiscal years beginning after December 15, 2025, with early adoption permitted. The Company is currently evaluating the effect of this new guidance on its consolidated financial statements and related disclosures.

2. BUSINESS COMBINATION AND DIVESTITURES

BUSINESS COMBINATION

On July 16, 2021, Holley consummated the Business Combination pursuant to the terms of the Merger Agreement, whereby (i) Merger Sub I, a direct wholly owned subsidiary of Empower, merged with and into Holley Intermediate, with Holley Intermediate surviving such merger as a wholly owned subsidiary of Holley ("Merger I") and (ii) Merger Sub II, a direct wholly owned subsidiary of Empower, merged with and into Holley Intermediate, with Merger Sub II surviving such merger as a wholly owned subsidiary of Holley ("Merger II").

Pursuant to the Merger Agreement, at the Closing, all outstanding shares of Holley Intermediate common stock as of immediately prior to the effective time of Merger I were cancelled and the Holley Stockholder, the sole stockholder of Holley Intermediate, received \$264,718 in cash and 67,673,884 shares of common stock (at a deemed value of \$10.00 per share). The Company's common stock is listed on the NYSE under the symbol "HLLY."

In connection with the Business Combination, a number of subscribers purchased from the Company an aggregate of 24,000,000 shares of Common Stock (the "PIPE"), for a purchase price of \$10.00 per share, or \$240,000 in the aggregate. Per the Merger Agreement, \$100,000 of the PIPE proceeds were used to partially pay off Holley's debt.

Pursuant to the Amended and Restated Forward Purchase Agreement ("A&R FPA"), at the Closing, 5,000,000 shares of the Company's Common Stock and 1,666,667 Warrants were issued to certain investors for an aggregate purchase price of \$50,000. Pursuant to the A&R FPA, each Warrant entitles the holder to purchase one share of the Company's Common Stock at a price of \$11.50 per share (the "Public Warrants"), subject to certain conditions.

The Company also assumed 8,333,310 Public Warrants and 4,666,667 private placement warrants (the "Private Warrants", and together with the Public Warrants, the "Warrants") upon the Business Combination, all of which were issued in connection with Empower's initial public offering. Each Warrant represents the right to purchase one share of the Company's common stock at a price of \$11.50 per share, subject to certain conditions. The Warrants are exercisable commencing on October 9, 2021 (the one-year anniversary of Empower's initial public offering) and expire on July 16, 2026 (five years after the Closing Date). The Public Warrants are listed on the NYSE under the symbol "HLLY WS."

Additionally, Empower Sponsor Holdings LLC (the "Sponsor") received 2,187,500 shares of the Company's common stock, which vest in two equal tranches upon achieving certain market share price milestones as outlined in the Merger Agreement during the earn-out period ("the "Earn-Out Shares"). The first tranche of Earn-Out Shares vested during the first quarter of 2022. The remaining tranche of Earn-Out Shares will be forfeited if the applicable conditions are not satisfied before July 16, 2028 (seven years after the Closing Date).

The Business Combination was accounted for as a reverse recapitalization in accordance with U.S. GAAP. This determination was primarily based on the Holley Stockholder having a relative majority of the voting power of the Company, the operations of Holley prior to the acquisition comprising the only ongoing operations of the Company, and senior management of Holley comprising the majority of the senior management of the Company. Under this method of accounting, Empower was treated as the acquired company for financial reporting. Accordingly, the Business Combination was accounted for as the equivalent of Holley issuing stock for the net assets of Empower, accompanied by a recapitalization. The net assets of Empower are stated at historical cost, with no goodwill or other intangible assets recorded. Reported amounts from operations included herein prior to the Business Combination are those of Holley Intermediate.

DIVESTITURE

In the fourth quarter of 2024, the Company sold Detroit Speed Engineering for \$5,000, and recognized a loss of \$9,234, which was reported as loss on sale of assets in the Consolidated Statements of Comprehensive Income (Loss). The Company also sold land at Porter Pike for \$2,099, and did not recognize a gain or loss.

In the fourth quarter of 2022, the Company made the decision to sell Finspeed in connection with a strategic review of its product portfolio. Finspeed generated approximately \$426 in net sales in 2022. The Company received \$1,966 cash consideration and recorded a pre-tax loss of \$1,037 on the sale of the business, which included a \$268 write-down of intangible assets, and was reported as other operating expense in the Consolidated Statements of Comprehensive Income (Loss).

3. INVENTORY

Inventories of the Company consisted of the following:

	December 31,	
	2024	2023
Raw materials	\$ 58,858	\$ 63,552
Work-in-process	3,416	22,619
Finished goods	130,249	106,089
	<u>\$ 192,523</u>	<u>\$ 192,260</u>

4. PROPERTY, PLANT AND EQUIPMENT, NET

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

	December 31,	
	2024	2023
Land	\$ 1,230	\$ 3,326
Buildings and improvements	12,874	11,404
Machinery and equipment	65,333	73,332
Construction in process	8,221	6,224
Total property, plant and equipment	87,658	94,286
Less: accumulated depreciation	46,675	47,080
Property, plant and equipment, net	<u>\$ 40,983</u>	<u>\$ 47,206</u>

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

	December 31,	
	2024	2023
United States	\$ 38,606	\$ 44,931
International	2,377	2,275
Total property, plant and equipment, net	<u>\$ 40,983</u>	<u>\$ 47,206</u>

5. GOODWILL AND OTHER INTANGIBLE ASSETS

The following presents changes to goodwill for the periods indicated:

Goodwill, net as of December 31, 2022	\$	418,121
Measurement period adjustments		935
Goodwill, net as of December 31, 2023		<u>419,056</u>
Goodwill disposed		(5,810)
Accumulated goodwill impairment		(40,906)
Goodwill, net as of December 31, 2024	\$	<u>372,340</u>

Goodwill represents the premium paid over the fair value of the net tangible and identifiable intangible assets acquired in the Company's business combinations. The measurement period for the valuation of assets acquired and liabilities assumed ends as soon as information on the facts and circumstances that existed as of the acquisition date becomes available, not to exceed 12 months. Adjustments in purchase price allocations may require a change in the amounts allocated to goodwill during the periods in which the adjustments are determined.

Goodwill is tested for impairment at the reporting unit level. A reporting unit represents an operating segment or a component of an operating segment. Goodwill is tested for impairment by either performing a qualitative evaluation or a quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. We may elect not to perform the qualitative assessment and perform a quantitative impairment test. The estimate of the fair value of our reporting unit is based on the best information available as of the date of the assessment. We base our fair value estimate on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain. We generally use a blended analysis of the present value of discounted cash flows and the market valuation approach. The discounted cash flow model uses the present values of estimated future cash flows. Considerable management judgment is necessary to evaluate the impact of operating and external economic factors in estimating our future cash flows. The assumptions we use in our evaluations include projections of growth rates and profitability, our estimated working capital needs, as well as our weighted average cost of capital. The market valuation approach indicates the fair value of a reporting unit based on a comparison to comparable publicly traded firms in similar businesses. Estimates used in the market value approach include the identification of similar companies with comparable business factors. These key assumptions are inherently uncertain and require a high degree of estimation and are subject to change based on, among others, industry and geopolitical conditions, our ability to navigate changing macroeconomic conditions and trends and the timing and success of strategic initiatives. Changes in economic and operating conditions impacting the assumptions we made could result in additional goodwill impairment in future periods. If the carrying value of the reporting unit exceeds fair value, goodwill is considered impaired. A goodwill impairment loss is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit.

The Company completed its annual goodwill impairment analysis in the fourth quarter of fiscal 2024, in conjunction with its budgeting and forecasting process for fiscal year 2024 and concluded that impairment existed for its reporting unit. We identified the following facts and circumstances: decline in our market capitalization and our sales forecasted. Immediately prior to the goodwill impairment analysis in the fourth quarter of fiscal 2024, the carrying value of goodwill was \$413,245, which was ascribed to one reporting unit. For the fiscal 2024 impairment analysis, the Company performed a quantitative assessment for its reporting unit. The estimated fair value of the reporting unit did not exceed its carrying value based on the analysis performed by 4%. As a result of this evaluation, a pre-tax impairment of \$40,906 was recognized on goodwill. As of December 31, 2024, the carrying value of goodwill was reduced to \$372,340.

During our annual impairment assessment and in subsequent interim quarters, we review events that occur or circumstances that change, including the macroeconomic environment, our business performance and our market capitalization, to determine if a quantitative impairment assessment is necessary. If assumptions are not achieved or market conditions decline, potential impairment charges could result. Impairments to goodwill and other intangible assets may be caused by factors outside our control, such as increasing competitive pricing pressures, changes in discount rates based on changes in cost of capital (i.e., as a result of changes in interest rates or other conditions), lower than expected sales and profit growth rates, changes in industry EBITDA multiples, the inability to quickly replace lost co-manufacturing business, or the bankruptcy of a significant customer.

Intangible assets consisted of the following:

	December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:			
Customer relationships	\$ 269,950	\$ (67,426)	\$ 202,524
Tradenames	13,775	(6,294)	7,481
Technology	26,676	(15,265)	11,411
Total finite-lived intangible assets	\$ 310,401	\$ (88,985)	\$ 221,416
Indefinite-lived intangible assets:			
Tradenames	\$ 165,260	—	\$ 165,260
	December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:			
Customer relationships	\$ 269,950	\$ (55,732)	\$ 214,218
Tradenames	13,775	(5,569)	8,206
Technology	26,676	(13,800)	12,876
Total finite-lived intangible assets	\$ 310,401	\$ (75,101)	\$ 235,300
Indefinite-lived intangible assets:			
Tradenames	\$ 175,165	—	\$ 175,165

The following outlines the estimated future amortization expense related to intangible assets held on December 31, 2024:

2025	\$	13,658
2026		13,552
2027		13,546
2028		13,546
2029		13,546
Thereafter		153,568
Total	\$	<u>221,416</u>

Intangible assets include trade names, customer relationships and developed technology obtained through business acquisitions. Acquired finite-lived intangible assets are initially recorded at fair value and are amortized on a straight-line basis over their estimated useful lives. Indefinite life intangible assets are not amortized but are tested for impairment at least annually or more often if circumstances indicate that the carrying amounts may not be recoverable. In the fourth quarter of 2024, management evaluated its trade names for impairment as part the Company's annual impairment analysis. As a result of this evaluation, a pre-tax impairment of \$7,695 was recognized on certain indefinite-lived tradenames due to a decrease in sales and sales projections.

The fair value of the indefinite-lived tradenames was estimated using the relief from royalty method, a form of the income approach. Significant judgement is required in estimating the fair value of intangible assets and in performing impairment tests. The most significant assumptions utilized in the determination of the estimated fair values of the indefinite-lived tradenames were the sales projections and long-term earnings growth rates, the royalty rate and the discount rate. The long-term earnings growth rate represents the expected rate at which the brands are expected to grow beyond the shorter-term business planning period. The royalty rate is based on observed market royalty rates for various industrial, consumer and commercial trademarks. The discount rate is based on the Company's weighted average cost of capital adjusted for risk. Due to the inherent uncertainty in forecasting future sales, actual results in the future may vary significantly from the forecasts.

Potential changes in our costs and operating structure, the implementation of synergies, and overall performance in the automotive aftermarket industry, could negatively impact our near-term cash-flow projections and could trigger a potential impairment of the Company's goodwill and / or indefinite-lived intangible assets. In addition, failure to execute the Company's strategic plans as well as increases in weighted average costs of capital could negatively impact the fair value of the reporting unit and increase the risk of future impairment charges.

6. ACCRUED LIABILITIES

Accrued liabilities of the Company consisted of the following:

	December 31,	
	2024	2023
Accrued freight	\$ 1,673	\$ 5,654
Accrued employee compensation and benefits	11,646	11,696
Accrued returns, allowances and warranties	12,257	11,267
Accrued taxes	4,053	1,475
Current portion of operating lease liabilities	5,324	4,948
Accrued other	8,237	7,089
Total accrued liabilities	\$ 43,190	\$ 42,129

7. DEBT

Debt of the Company consisted of the following:

	December 31,	
	2024	2023
First lien term loan due November 17, 2028	\$ 560,933	\$ 592,505
Revolver	—	—
Other	630	1,974
Less unamortized debt issuance costs	(8,977)	(10,308)
	552,586	584,171
Less current portion of long-term debt	(7,201)	(7,461)
	<u>\$ 545,385</u>	<u>\$ 576,710</u>

On November 18, 2021, the Company entered into a credit facility with a syndicate of lenders and Wells Fargo Bank, N.A., as administrative agent for the lenders, letter of credit issuer and swing line lender (the "Credit Agreement"). The financing originally consisted of a seven-year \$600,000 first lien term loan, a five-year \$125,000 revolving credit facility, and a \$100,000 delayed draw term loan. The proceeds of delayed draw loans made after closing were available to the Company to finance acquisitions. Upon the expiration of the delayed draw term loan in May 2022, the Company had drawn \$57,000, which is included in the amount outstanding under the first lien term loan due November 17, 2028.

The revolving credit facility includes a letter of credit facility in the amount of \$10,000, pursuant to which letters of credit may be issued as long as revolving loans may be advanced and subject to availability under the revolving credit facility. The Company had \$2,150 in outstanding letters of credit on December 31, 2024.

The first lien term loan is to be repaid in quarterly payments of \$1,643 through September 30, 2028, with the balance due upon maturity on November 17, 2028. The Company is required to make annual payments on the term loan in an amount equal to 50% of annual excess cash flow greater than \$5,000, as defined in the Credit Agreement. This percentage requirement may decrease or be eliminated if certain leverage ratios are achieved. Based on the Company's results for 2024, no excess cash flow payment is expected to be required in 2025. Any such payments offset future mandatory quarterly payments. The Credit Agreement permits voluntary prepayments at any time, in whole or in part. The Company paid down an aggregate of \$31,571 in principal on its outstanding first lien term loan during the year ended December 31, 2024, which includes standard quarterly payments and a repurchase of \$25,000 at a discount to par.

On December 31, 2024, amounts outstanding under the credit facility accrue interest at a rate equal to either the SOFR or base rate, at the Company's election, plus a specified margin. In the case of revolving credit loans and letter of credit fees, the specified margin is based on the Company's Total Leverage Ratio, as defined in the Credit Agreement. Commitment fees payable under the revolving credit facility are based on the Company's Total Leverage Ratio. On December 31, 2024, the weighted average interest rate on the Company's borrowings under the credit facility was 8.4%.

Obligations under the Credit Agreement are secured by substantially all of the Company's assets, including a secured interest in property owned by the Company, with a carrying value of \$2,602. The Credit Agreement includes representations and warranties, and affirmative and negative covenants customary for financings of this type, including, but not limited to, limitations on restricted payments, additional borrowings, additional investments, and asset sales. The Credit Agreement also requires that Holley maintain, on the last day of each quarter, a Total Leverage Ratio not to exceed a maximum amount.

In February 2023, the Company entered into an amendment to its Credit Agreement, which, among other things, increases the Total Leverage Ratio applicable under the Credit Agreement as of the fiscal quarter ending April 2, 2023 to initially 7.25:1.00, and provides for modified step-down levels for such covenant thereafter through the fiscal quarter ending June 30, 2024 (the "Covenant Relief Period"). As of December 31, 2024, the required Total Leverage Ratio was 5.00:1.00. As an ongoing condition to the Covenant Relief Period, the Company also agreed to (i) a minimum liquidity test, (ii) an interest coverage test, (iii) an anti-cash hoarding test at any time revolving loans are outstanding, and (iv) additional reporting obligations. Under the amended Credit Agreement, the revolving credit facility contains a minimum liquidity financial covenant of \$45,000, which includes unrestricted cash and any available borrowing capacity under the revolving credit facility. In April 2023, the Company entered into a second amendment to the Credit Agreement in which the interest rate on any outstanding borrowings under the Credit Agreement was changed from LIBOR to SOFR. In May 2023, the Company entered into a third amendment to the Credit Agreement in which certain defined terms were clarified. The Company incurred \$2,106 of deferred financing fees related to these amendments. On December 31, 2024, the Company was in compliance with all financial covenants.

Some of the lenders that are parties to the Credit Agreement, and their respective affiliates, have various relationships with the Company in the ordinary course of business involving the provision of financial services, including cash management, commercial banking, investment banking or other services.

On December 4, 2024, the Company entered into an amendment to its Credit Agreement that extends the revolver maturity date to November 18, 2029, which date may occur earlier if the maturity date of the existing term loan is not extended, and reduces the revolving credit facility from \$125,000 to \$100,000. The amendment permits our total leverage ratio for the benefit of the revolving credit lenders to be tested only for fiscal quarters in which there are outstanding revolving credit loans on the last day of such fiscal quarter.

Future maturities of long-term debt and amortization of debt issuance costs on December 31, 2024, are as follows:

	Debt	Debt Issuance Costs
2025	\$ 7,201	\$ 2,244
2026	6,571	2,244
2027	6,571	2,244
2028	541,220	2,245
	<u>\$ 561,563</u>	<u>\$ 8,977</u>

8. COMMON STOCK WARRANTS AND EARN-OUT LIABILITY

Upon the Closing, there were 14,666,644 Warrants, consisting of 9,999,977 Public Warrants and 4,666,667 Private Warrants, outstanding to purchase shares of the Company's common stock that were issued by Empower prior to the Business Combination. Each Warrant entitles the registered holder to purchase one share of Common Stock at a price of \$11.50 per share, subject to adjustments, commencing on October 9, 2021 (the one-year anniversary of Empower's initial public offering), provided that the Company has an effective registration statement under the Securities Act covering the shares of Common Stock issuable upon exercise of the Warrants and a current prospectus relating to them is available and such shares are registered, qualified or exempt from registration under the securities laws of the state of residence of the holder. The Warrants may be exercised only for a whole number of shares of Common Stock. The Warrants expire on July 16, 2026, the date that is five years after the Closing date, or earlier upon redemption or liquidation. Additionally, the Private Warrants will be non-redeemable and are exercisable on a cashless basis so long as they are held by the Sponsor or any of its permitted transferees. If the Private Warrants are held by someone other than the Sponsor or its permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

The Company may redeem the Public Warrants at a price of \$0.01 per warrant upon 30 days' notice if the closing price of the Company's common stock equals or exceeds \$18.00 per share, subject to adjustments, on the trading day prior to the date on which notice of redemption is given, provided there is an effective registration statement and current prospectus in effect with respect to the ordinary shares underlying such Warrants throughout the 30-day redemption period. If the foregoing conditions are satisfied and the Company issues a notice of redemption of the Warrants, the Warrant holder is entitled to exercise his, her or its Warrant prior to the scheduled redemption date. Any such exercise requires the Warrant holder to pay the exercise price for each Warrant being exercised. Further, the Company may redeem the Public Warrants at a price of \$0.10 per warrant upon 30 days' notice if the closing price of Common Stock equals or exceeds \$10.00 per share, subject to adjustments, on the trading day prior to the date on which notice of redemption is given. Beginning on the date the notice of redemption is given until the Warrants are redeemed or exercised, holders may elect to exercise their Warrants on a cashless basis and receive that number of shares of Common Stock as determined by reference to a table in the warrant agreement.

During any period when the Company has failed to maintain an effective registration statement, warrant holders may exercise Warrants on a cashless basis in accordance with Section 3(a)(9) of the Securities Act or another exemption, but the Company will use its commercially reasonable best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

The Warrants are accounted for as a liability in accordance with ASC Subtopic 815-40, *Derivatives and Hedging - Contracts in Entity's Own Equity*, and are presented as a warrant liability on the balance sheet. The warrant liability was measured at fair value at inception and on a recurring basis, with changes in fair value recognized as non-operating expense. On December 31, 2024 and 2023, a warrant liability with a fair value of \$813 and \$8,383, respectively, was reflected as a long-term liability in the consolidated balance sheet. As of both December 31, 2024 and 2023, there were 14,633,311 Warrants outstanding. For the year ended December 31, 2024, a decrease of \$7,570 in the fair value of the warrant liability as compared to an increase of \$4,111 in the fair value of the warrant liability for the year ended December 31, 2023, was reflected as change in fair value of warrant liability in the consolidated statements of comprehensive income.

Additionally, the Sponsor received 2,187,500 shares of Common Stock upon the Closing, which vest in two equal tranches upon achievement of certain market share price milestones during the earn-out period, as outlined in the Merger Agreement (the "Earn-Out Shares"). The first tranche of Earn-Out Shares vested during the first quarter of 2022. Upon vesting, the first tranche of 1,093,750 Earn-Out Shares were issued and a liability of \$14,689, representing the fair value of the shares on the date of vesting, was reclassified from liabilities to equity. The remaining tranche of Earn-Out Shares will be forfeited if the applicable conditions are not satisfied before July 16, 2028 (seven years after the Closing Date). The unvested Earn-Out Shares are presented as an earn-out liability on the balance sheet and are remeasured at fair value with changes in fair value recognized as non-operating expense. On December 31, 2024 and 2023, an earn-out liability with a fair value of \$1,148 and \$3,479, respectively, was reflected as a long-term liability in the consolidated balance sheet. For the year ended December 31, 2024, a decrease of \$2,333 in the fair value of the earn-out liability as compared to an increase of \$2,303 in the fair value of the earn-out liability for the year ended December 31, 2023, was reflected as change in fair value of earn-out liability in the consolidated statements of comprehensive income.

9. DERIVATIVE INSTRUMENTS

The Company from time to time enters into derivative financial instruments, such as interest rate collar agreements (each, a “Collar”), to manage its exposure to fluctuations in interest rates on the Company’s variable rate debt. On January 4, 2023, the Company entered into a Collar with Wells Fargo Bank, N.A. (“Wells Fargo”) with a notional amount of \$500,000 that expires on February 18, 2026. The Collar has a floor of 2.811% and a cap of 5% (based on three-month SOFR). The structure of this Collar is such that the Company receives an incremental amount if the Collar index exceeds the cap rate. Conversely, the Company pays an incremental amount to Wells Fargo if the Collar index falls below the floor rate. No payments are required if the Collar index falls between the cap and floor rates.

On December 31, 2024 and 2023, the Company recognized a derivative liability of \$60 and \$1,164, respectively, for the Collar in other noncurrent liabilities on the consolidated balance sheet. For the year ended December 31, 2024, the Company recorded a net change in the fair value of the Collar as a decrease to interest expense of \$1,104. Cash receipts for the Collar totaled \$1,429 for the year ended December 31, 2024.

The fair value of the Collar is determined using observable market-based inputs and the impact of credit risk on the derivative’s fair value (the creditworthiness of the Company’s counterparty for assets and the creditworthiness of the Company for liabilities) (a Level 2 measurement, as described in Note 10, “Fair Value Measurements”).

10. FAIR VALUE MEASUREMENTS

The Company’s financial liabilities subject to fair value measurement on a recurring basis and the level of inputs used for such measurements were as follows:

	Fair Value Measured on December 31, 2024			
	Level 1	Level 2	Level 3	Total
Warrant liability (Public)	\$ 548	\$ —	\$ —	\$ 548
Warrant liability (Private)	—	—	265	265
Earn-out liability	—	—	1,148	1,148
Interest rate collar liability	—	60	—	60
Total fair value liabilities	\$ 548	\$ 60	\$ 1,413	\$ 2,021

	Fair Value Measured on December 31, 2023			
	Level 1	Level 2	Level 3	Total
Warrant liability (Public)	\$ 5,480	\$ —	\$ —	\$ 5,480
Warrant liability (Private)	—	—	2,903	2,903
Earn-out liability	—	—	3,479	3,479
Interest rate collar liability	—	1,164	—	1,164
Total fair value liabilities	\$ 5,480	\$ 1,164	\$ 6,382	\$ 13,026

On December 31, 2024 and 2023, the Company’s liabilities for its Private and Public Warrants, earn-out liability, and Collar are measured at fair value on a recurring basis (see Note 8, “Common Stock Warrants and Earn-Out Liability,” and Note 9, “Derivative Instruments,” for more details). The fair values of the Private Warrants and earn-out liability are determined based on significant inputs not observable in the market (Level 3). These assumptions are believed to be reasonable at the time, but such assumptions are subject to inherent uncertainty. The valuation of the Level 3 liabilities uses assumptions and estimates the Company believes would be made by a market participant in making the same valuation. The Company assesses these assumptions and estimates on an on-going basis as additional data impacting the assumptions and estimates are obtained. The Company uses a Monte Carlo simulation model to estimate the fair value of its Private Warrants and earn-out liability. The fair value of the Collar, which is included in other noncurrent liabilities on the consolidated balance sheet, is determined based on models that reflect the contractual terms of the derivative, yield curves, and the credit quality of the counterparties. Inputs are generally observable and do not contain a high level of subjectivity (Level 2). The fair value of the Public Warrants is determined using publicly traded prices (Level 1). Changes in the fair value of the derivative liabilities related to Warrants and the earn-out liability are recognized as non-operating expense in the consolidated statements of comprehensive income (loss). Changes in the fair value of the Collar are recognized as an adjustment to interest expense in the consolidated statements of comprehensive income (loss). Changes in the fair value of the Warrants, the earn-out liability, and the Collar, along with cash flows associated with the Collar, are presented in operating activities on the consolidated statements of cash flows.

The fair value of Private Warrants was estimated on December 31, 2024 and 2023 using the Monte Carlo simulation model with the following assumptions:

	2024	2023
Valuation date price	\$ 3.02	\$ 4.87
Strike price	\$ 11.50	\$ 11.50
Remaining life (in years)	1.54	2.54
Expected dividend	\$ —	\$ —
Risk-free interest rate	4.12%	4.01%
Price threshold	\$ 18.00	\$ 18.00

The fair value of the earn-out liability was estimated on December 31, 2024 and 2023 using the Monte Carlo simulation model with the following assumptions:

	2024	2023
Valuation date price	\$ 3.02	\$ 4.87
Expected term (in years)	3.54	4.54
Expected volatility	64.33%	67.20%
Risk-free interest rate	4.21%	3.79%
Price hurdle	\$ 15.00	\$ 15.00

On December 31, 2024 and 2023, the Company had accounts receivable, accounts payable and accrued expenses for which the carrying value approximates fair value due to the short-term nature of these instruments. The carrying value of the Company's long-term debt approximates fair value as the rates used approximate the market rates currently available to the Company. Fair value measurements used in the impairment reviews of goodwill and intangible assets are Level 3 measurements.

The reconciliation of changes in Level 3 during the years ended December 31, 2024 and 2023 is as follows:

	Private Warrants	Earn-Out Liability	Total
Balance on December 31, 2022	\$ 1,581	\$ 1,176	\$ 2,757
Losses included in earnings	1,322	2,303	3,625
Balance at December 31, 2023	\$ 2,903	\$ 3,479	\$ 6,382
Gains included in earnings	(2,638)	(2,331)	(4,969)
Balance on December 31, 2024	\$ 265	\$ 1,148	\$ 1,413

11. REVENUE

The principal activity from which the Company generates its revenue is the manufacturing and distribution of after-market automotive parts for its customers, comprised of distribution partners and end users. The Company recognizes revenue at a point in time, rather than over time, as the performance obligation is satisfied when customer obtains control of the product upon title transfer and not as the product is manufactured or developed. The amount of revenue recognized is based on the purchase order price and adjusted for revenue allocated to variable consideration (i.e., estimated rebates, co-op advertising, etc.).

The Company collects sales tax and other taxes concurrent with revenue-producing activities which are excluded from revenue. Shipping and handling costs incurred after control of the product is transferred to our customers are treated as fulfillment costs and not a separate performance obligation.

The Company allows customers to return products when certain Company-established criteria are met. These sales returns are recorded as a charge against gross sales in the period in which the related sales are recognized, net of returns to stock. Returned products, which are recorded as inventories, are valued at the lower of cost or net realizable value. The physical condition and marketability of the returned products are the major factors considered in estimating realizable value. The Company also estimates expected sales returns and records the necessary adjustment as a charge against gross sales.

The Company's payment terms with customers are customary and vary by customer and geography but typically range from 30 to 365 days. The Company elected the practical expedient to disregard the possible existence of a significant financing component related to payment on contracts, as the Company expects that customers will pay for the products within one year. The Company has evaluated the terms of its arrangements and determined that they do not contain significant financing components. Additionally, as all contracts with customers have an expected duration of one year or less, the Company has elected the practical expedient to exclude disclosure of information regarding the aggregate amount and future timing of performance obligations that are unsatisfied or partially satisfied as of the end of the reporting period. The Company provides limited warranties on most of its products against certain manufacturing and other defects. Provisions for estimated expenses related to product warranty are made at the time products are sold. Refer to Note 18, "Commitments and Contingencies" for more information.

The following table summarizes total revenue by product category.

	For the years ended December 31,		
	2024	2023	2022
Electronic systems	\$ 253,853	\$ 287,215	\$ 282,865
Mechanical systems	145,964	157,427	165,007
Exhaust	53,618	59,938	66,767
Accessories	88,350	98,899	108,150
Safety	60,439	56,225	65,626
Net sales	\$ 602,224	\$ 659,704	\$ 688,415

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

	For the years ended December 31,		
	2024	2023	2022
United States	\$ 583,413	\$ 644,652	\$ 669,187
Italy	18,811	15,052	19,228
Net sales	\$ 602,224	\$ 659,704	\$ 688,415

12. INCOME TAXES

Income tax expense of the Company consisted of the following:

	For the years ended December 31,		
	2024	2023	2022
Current income tax expense:			
Federal	\$ 10,266	\$ 10,909	\$ 12,356
State	1,028	927	1,253
Foreign	1,832	1,715	2,450
Total current income tax expense	13,126	13,551	16,059
Deferred income tax expense (benefit):			
Federal	(14,579)	(5,986)	(8,679)
State	(1,572)	811	(2,591)
Foreign	—	23	(296)
Total deferred income tax expense (benefit)	(16,151)	(5,152)	(11,566)
Total income tax expense (benefit)	\$ (3,025)	\$ 8,399	\$ 4,493

The Company's income before income taxes was subject to taxes in the following jurisdictions:

	For the years ended December 31,		
	2024	2023	2022
United States	\$ (33,234)	\$ 23,971	\$ 72,276
Foreign	6,974	3,608	5,991
Income (loss) before income taxes	\$ (26,260)	\$ 27,579	\$ 78,267

Reported income tax expense for the years ended December 31, 2024, 2023 and 2022 differs from the “expected” tax expense (benefit), computed by applying the U.S. Federal statutory income tax rate of 21% to income before income taxes as follows:

	For the years ended December 31,		
	2024	2023	2022
Expected tax expense (benefit) at U.S. Federal statutory rates	\$ (5,515)	\$ 5,792	\$ 16,479
State income tax expense (benefit)	(1,581)	1,373	(1,057)
Goodwill impairment	5,964	—	—
Permanent tax differences	(189)	375	4,275
Foreign-derived intangible income deduction	(1,476)	(397)	(298)
Section 162(m) limitation	366	709	—
Foreign rate differential	368	782	560
Withholding Tax	456	—	—
Tax credit	(428)	(1,506)	(1,393)
Earn-outs	(490)	484	(2,254)
Change in fair value of Warrants	(1,590)	863	(11,974)
Uncertain tax positions	486	—	—
Valuation allowance	1,129	—	—
Other differences, net	(525)	(76)	155
Total income tax expense (benefit)	\$ (3,025)	\$ 8,399	\$ 4,493

The tax effects of temporary differences that give rise to significant portions of the Company’s deferred tax assets and deferred tax liabilities consisted of the following:

	December 31,	
	2024	2023
Deferred tax assets:		
Reserves on assets	\$ 9,958	\$ 10,283
Liabilities not yet deductible	4,563	781
Interest expense limitation	22,250	16,040
Right-of-use liability	8,498	6,791
Section 174 expenses	13,017	10,049
Net operating losses	1,609	2,446
Other	840	1,118
Total gross deferred tax assets	60,735	47,508
Valuation allowance	(1,134)	(5)
Total gross deferred tax assets, net of valuation allowance	59,601	47,503
Deferred tax liabilities:		
Tradename	32,630	33,801
Intangible assets	39,867	41,715
Goodwill	11,099	12,310
Property, plant and equipment	5,167	6,634
Right-of-use asset	8,229	6,585
Total gross deferred tax liabilities	96,992	101,045
Net deferred tax liabilities	\$ 37,391	\$ 53,542

Based on the Company’s projected pretax earnings, reversal of deferred tax liabilities and other relevant factors, management believes that it is more likely than not that the Company’s deferred tax assets on December 31, 2024 and 2023 will be realized, with the exception of certain state net operating loss carryforwards and state interest expense carryforwards.

On December 31, 2024, the Company’s federal and state net operating loss carryforwards for income tax purposes were immaterial. A majority of the U.S. net operating loss carryforwards have no expiration date. The remaining state net operating loss carryforwards expire at various dates through 2035. The entire amount of federal net operating loss carryforward of \$170 and a significant portion of state net operating loss carryforward of \$1,439 relate to acquisitions, and, as a result, are limited in the amount that can be recognized in any one year.

Changes in the valuation allowance for deferred tax assets were as follows:

	December 31, 2024
Valuation allowance, January 1	\$ 5
Additions charged to expense accounts	1,129
Valuation allowance, December 31	<u>\$ 1,134</u>

The valuation allowance on December 31, 2024 is primarily related to certain state interest expense carryforwards and net operating losses which are not more likely than not to be realized.

Uncertain Tax Positions

Under the accounting rules for income taxes, the Company is not permitted to recognize the tax benefit attributable to a tax position unless such position is more likely than not to be sustained upon examination by taxing authorities, including resolution of any related appeals and litigation processes, based solely on the technical merits of the position. The Company had uncertain tax positions of \$384 for the year ended December 31, 2024, and \$329 for the year ended December 3, 2023.

The Company recognizes interest accrued related to uncertain tax positions and penalties as income tax expense. In 2024, the Company recognized \$68 of interest and \$130 of penalties for uncertain tax positions in its consolidated statements of comprehensive income (loss). The liability for the gross amount of interest and penalties at December 31, 2024 is \$198. In 2023, the Company did not recognize any amount of interest and penalties for uncertain tax positions in its consolidated statements of comprehensive income (loss).

Changes in unrecognized tax benefits were as follows:

	December 31, 2024
Gross unrecognized tax benefits, January 1	\$ 329
Changes in balance related to tax position taken during prior periods	279
Changes in balances related to tax position taken during current period	105
Settlements	(329)
Gross unrecognized tax benefits, December 31	<u>\$ 384</u>

As of December 31, 2024, \$303 of this total represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods.

The Company regularly engages in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions in which it conducts business. The Company is unable to make a reasonably reliable estimate as to when or if cash settlements with taxing authorities may occur. Although the timing of the resolutions and/or closures of audits is highly uncertain, the Company does not anticipate that the resolution of these tax matters or any events related thereto will result in a material change to its consolidated financial position, results of operations or cash flows.

The Company files federal, state, and non-U.S. tax returns in various foreign jurisdictions. For state and non-U.S. tax returns, the Company is generally no longer subject to tax examinations for years prior to 2015. For federal tax returns, the Company is no longer subject to tax examinations for years prior to 2021. The federal tax returns for 2021 through 2023 remain open for examinations. State income tax returns remain open for examination in various states for tax years 2015 through 2023.

13. EARNINGS PER SHARE

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

	For the years ended December 31,		
	2024	2023	2022
Numerator:			
Net income (loss)	\$ (23,235)	\$ 19,180	\$ 73,774
Less: fair value adjustment for Warrants	—	—	(57,021)
Net income (loss) - diluted	\$ (23,235)	\$ 19,180	\$ 16,753
Denominator:			
Weighted average common shares outstanding - basic	118,441,580	117,378,854	116,762,928
Dilutive effect of potential common shares from RSUs	—	952,161	101,290
Dilutive effect of potential common shares from PSUs	—	179,785	—
Dilutive effect of potential common shares from Warrants	—	—	384,078
Weighted average common shares outstanding - diluted	118,441,580	118,510,800	117,248,296
Earnings (loss) per share:			
Basic	\$ (0.20)	\$ 0.16	\$ 0.63
Diluted	\$ (0.20)	\$ 0.16	\$ 0.14

The following outstanding shares of common stock equivalents were excluded from the calculation of diluted earnings per share due to the anti-dilutive effect such shares would have on net loss per common share.

	For the years ended December 31,		
	2024	2023	2022
Anti-dilutive shares excluded from calculation of diluted EPS:			
Warrants	14,633,311	14,633,311	—
Stock options	437,268	886,046	1,709,690
Restricted stock units	1,292,993	146,475	540,344
Performance stock units	2,051,256	1,822,994	—
Unvested Earn-Out Shares	1,093,750	1,093,750	1,093,750
Total anti-dilutive shares	19,508,578	18,582,576	3,343,784

14. EQUITY-BASED COMPENSATION PLANS

In 2021, the Company adopted the 2021 Omnibus Incentive Plan (the "2021 Plan"), under which awards, including stock options, time-based restricted stock units ("RSUs"), and performance-based restricted stock units ("PSUs") may be granted to employees and non-employee directors. The 2021 Plan authorized 8,850,000 shares of Common Stock to be available for award grants. On December 31, 2024, 4,817,648 shares of Common Stock remained available for future issuance under the 2021 Plan. On June 6, 2023, the Company granted 1,000,000 time-based RSUs and 1,520,000 PSUs to its new President and Chief Executive Officer. These awards were granted outside of the 2021 Plan as employment inducement awards and did not require shareholder approval under the rules of the NYSE or otherwise.

Restricted Stock Awards

RSUs and PSU are collectively referred to as "Restricted Stock Awards". The Compensation Committee has awarded RSUs to select employees and non-employee directors and has awarded PSUs to select employees. The RSUs vest ratably over one to four years of continued employment. The grant date fair value of a time-based award or a performance-based award without a market condition is equal to the market price of Common Stock on the grant date and is recognized over the requisite service period. The grant date fair value of a performance-based award with a market condition is determined using a Monte Carlo simulation and is recognized over the requisite service period. On December 31, 2024, there was \$6,342 of unrecognized compensation cost related to unvested Restricted Stock Awards that is expected to be recognized over a remaining weighted average period of 1.8 years.

The weighted-average grant-date fair value of Restricted Stock Awards granted during the years ended December 31, 2024, 2023, and 2022, was \$4.06, \$2.60 and \$5.87, respectively. The fair value of Restricted Stock Awards vested and converted to shares of Common Stock was \$5,807 for the year ended December 31, 2024.

	Unvested Restricted Stock Awards	
	Number of RSAs	Weighted Average Grant Date Fair Value
Balance on December 31, 2023	4,904,801	\$ 2.86
Granted	1,538,364	4.06
Vested	(1,431,014)	3.03
Forfeited	(816,990)	3.48
Balance on December 31, 2024	4,195,161	\$ 3.12

Performance-based Restricted Stock Units

The PSUs granted under the 2021 Plan represent shares of Common Stock that are potentially issuable in the future based on a combination of performance and service requirements. On March 4, 2024, the Company granted 340,895 PSUs under the 2021 Plan to key employees with a grant date fair value of \$4.22 and on March 18, 2024, the Company granted an additional 26,020 PSUs with a grant date fair value of \$4.25. On April 1, the Company granted 5,654 PSUs with a grant date fair value of \$4.49; on April 8, the Company granted 30,544 PSUs with a grant date fair value of \$4.44; on April 15, the Company granted 36,144 PSUs with a grant date fair value of \$4.15; on April 29, the Company granted 28,741 PSUs with a grant date fair value of \$4.05; on May 13, the Company granted 14,138 PSUs with a grant date fair value of \$3.93; on July 22, the Company granted 25,195 PSUs with a grant date fair value of \$3.67; on August 19, the Company granted 1,965 PSUs with a grant date fair value of \$3.09; and on September 30, the Company granted 4,138 PSUs with a grant date fair value of \$2.95.

On June 6, 2023, the Company granted 1,520,000 PSUs to its new President and Chief Executive Officer as an employment inducement award. These shares are potentially issuable in the future based on a combination of achievement of certain stock price metrics and service requirements through the expiration date of December 31, 2030. Share-based compensation expense will not be adjusted solely because the market condition is not satisfied, and the award is therefore not earned, provided the requisite service is rendered. The fair value of this award was determined as of the date of the grant using a Monte Carlo valuation model with the following assumptions:

	For the year ended December 31, 2023
Expected volatility	60.5%
Expected dividend	—
Risk-free interest rate	3.67%

The Company's estimates of fair value may be impacted by certain variables including, but not limited to, stock price volatility, the risk-free interest rate, expected dividend yields, and the Company's performance. Expected volatility is based on a size and leverage-adjusted peer volatility estimate since the Company has limited historical volatility. The expected dividend yield is assumed to be zero since the Company has never paid dividends and does not have current plans to pay any dividends. The risk-free interest rate is based on a term-matched zero-coupon risk-free interest rate derived from the Treasury Constant Maturities yield curve on the valuation date.

Stock Options

Stock option grants have an exercise price at least equal to the market value of the underlying Common Stock on the date of grant, have ten-year terms, and vest ratably over three years of continued employment. In general, vested options expire if not exercised within 90 days of termination of service. Compensation expense for stock options is recorded based on straight-line amortization of the grant date fair value over the requisite service period. On December 31, 2024, there was \$49 of unrecognized compensation cost related to unvested stock options that is expected to be recognized over a remaining weighted-average period of 0.2 years.

The following table presents a summary of stock option activity for the year ended December 31, 2024:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Options outstanding on December 31, 2023	886,046	\$ 10.97		
Forfeited	(142,919)	11.08		
Expired	(305,859)	10.91		
Options outstanding on December 31, 2024	<u>437,268</u>	\$ 10.99	6.47	\$ —
Options exercisable on, December 31, 2024	<u>378,277</u>	\$ 10.88	6.36	\$ —

The weighted-average grant-date fair value of stock options granted during the year ended December 31, 2022 was \$4.65. The fair value of each stock option granted in 2022 was estimated on the grant date using a Black-Scholes option pricing model with the following assumptions:

	For the year ended December 31, 2022
Weighted-average expected term	6.0 years
Expected volatility	36.0% - 40.0%
Expected dividend	—
Risk-free interest rate	1.98% - 3.06%

The expected term has been estimated using a simplified method, which calculates the expected term as the mid-point between the vesting date and the contractual life of the awards since the Company does not have an extended history of actual exercises. The expected dividend yield is assumed to be zero since the Company has never paid dividends and does not have current plans to pay any dividends. The risk-free interest rate is based on yields of U.S. Treasury securities with maturities similar to the expected term of the options. Expected volatility is based on an evenly weighted blend of implied volatility and historical volatility of publicly traded peer companies since the Company has limited historical volatility.

Profit Interest Units

The Holley Stockholder authorized an incentive pool of 41,400,000 units of Holley Stockholder that its management had the right to grant to certain employees of the Company. The units, which are designated as Profit Interest Units ("PIU's"), are a special type of limited liability company equity unit that allows the recipient to potentially participate in a future increase in the value of the Company. The PIUs were issued for no consideration and generally provided for vesting over a requisite service period, subject to the recipient remaining an employee of the Company through each vesting date. Compensation expense related to PIUs is recorded based on the grant-date fair value over the requisite service period. For the year ended December 31, 2022, 36,506,814 PIUs vested with total grant-date fair values of \$20,276.

In October 2022, the Holley Stockholder amended the vesting criteria to allow for immediate vesting of all outstanding and unvested PIUs. The changes to these awards were deemed to be modification events under ASC Subtopic 718-10, *Stock Compensation*. Accordingly, during the year ended December 31, 2022, the Company recognized a cumulative adjustment of \$11,351, including incremental fair value resulting from the modification, as applicable to each award grant, presented in selling, general and administrative expenses. At that time all PIUs were fully vested with no remaining unrecognized compensation cost, and there are no remaining PIUs authorized for issuance.

Prior to October 2022, the Holley Stockholder's had granted 24,074,944 PIUs that contained certain performance vesting criteria related to the attainment of specified levels of return for certain other investors in the Holley Stockholder and the occurrence of certain events. Compensation expense for these performance-based awards was not recognized prior to the early vesting date, as meeting the necessary performance conditions for vesting was not considered probable. The early vesting of these awards was classified as a Type III: Improbable to Probable modification event under ASC Subtopic 718-10, and the fair value of the modified awards was estimated on the modification date using a Black-Scholes option pricing model. The fair value of PIUs was estimated on the grant date with the following assumptions:

	For the year ended December 31, 2022
Weighted-average expected term	3.0 years
Expected volatility	65.0%
Expected dividend	—
Risk-free interest rate	4.3%

Determining the fair value of PIUs is affected by estimates involving inherent uncertainties, as well as assumptions regarding a number of other complex and subjective variables. These variables include the fair value of the equity unit classes, value adjustments for a reduction in marketability, expected unit price volatility over the expected term of the units, unit redemption and cancellation behaviors, risk-free interest rates and expected dividends.

The expected term has been estimated based on the contractual terms, vesting schedules and expectations of future unit holder behavior. The expected dividend yield is assumed to be zero since the Company has never paid dividends and does not have current plans to pay any dividends. The risk-free interest rate is based on yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group. As the Holley Stockholder is a private company and does not have a trading history for its equity units, the expected price volatility for the equity units is estimated by taking the average historical price volatility for industry peers. Industry peers, which the Company has designated, consist of several public companies in the industry similar in size, stage of life cycle and financial leverage.

The components of share-based compensation expense, included within selling, general and administrative costs in the consolidated statements of comprehensive income, is as follows:

	For the years ended December 31,		
	2024	2023	2022
Restricted stock units	\$ 3,586	\$ 4,371	\$ 4,304
Performance stock units	1,291	2,343	—
Stock options	293	577	2,349
Profit interest units	—	—	17,742

15. LEASE COMMITMENTS

The Company leases retail stores, manufacturing, distribution, engineering, and research and development facilities, office space, equipment, and automobiles under operating lease agreements. Leases have remaining lease terms of one to 14 years, inclusive of renewal options that the Company is reasonably certain to exercise. Taxes, insurance and maintenance expenses relating to all leases are obligations of the Company.

The following table summarizes operating lease assets and obligations and provides information associated with the measurement of operating lease obligations:

	December 31,	
	2024	2023
Assets:		
Operating right of use assets	\$ 35,974	\$ 29,250
Liabilities:		
Current operating lease liabilities - Accrued liabilities	\$ 5,324	\$ 4,948
Long-term operating lease liabilities - Other noncurrent liabilities	31,876	25,177
Total lease liabilities	\$ 37,200	\$ 30,125
Lease term and discount rate		
Weighted average remaining lease term (in years)	6.6	7.2
Weighted average discount rate	5.91%	6.21%

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

	For the years ended December 31,	
	2024	2023
Components of lease expense:		
Operating lease expense	\$ 7,201	\$ 6,629
Short-term lease expense	1,572	1,953
Variable lease expense	345	314
Total lease expense	\$ 9,118	\$ 8,896
Supplemental cash flow information related to leases:		
Cash paid for amounts included in measurement of operating lease liabilities	\$ 7,159	\$ 7,024
Right-of-use assets obtained in exchange for new operating lease liabilities	13,572	6,531
Decapitalization of right-of-use assets upon lease termination or modification	1,374	1,320

The following table summarizes the maturities of the Company's operating lease liabilities on December 31, 2024:

2025	\$ 7,469
2026	7,079
2027	7,100
2028	6,669
2029	5,769
Thereafter	11,671
Total lease payments	45,757
Less imputed interest	(8,557)
Present value of lease liabilities	\$ 37,200

16. MAJOR DISTRIBUTION PARTNER CUSTOMERS

The Company's distribution partner customers include many large and well-known automotive parts retailers and distributors. The following table summarizes distribution partners that individually account for more than 5% of the Company's net sales in any of the periods presented:

	For the years ended December 31,		
	2024	2023	2022
Customer A	20.8%	21.4%	19.2%

The following distribution partner customers accounted for 10% or more of the Company's account receivable balance in any of the periods presented:

	December 31,	
	2024	2023
Customer A	7.7%	16.4%

17. ACQUISITION, RESTRUCTURING AND MANAGEMENT FEE COSTS

The following table summarizes total acquisition, restructuring and management fee costs:

	For the years ended December 31,		
	2024	2023	2022
Acquisitions (1)	\$ -	\$ -	\$ 1,887
Restructuring (2)	1,566	2,641	2,626
Total acquisition and restructuring costs	\$ 1,566	\$ 2,641	\$ 4,513

(1) Includes professional fees for legal, accounting, consulting, administrative, and other professional services directly attributable to acquisitions.

(2) Includes costs incurred as part of the restructuring of operations including professional and consulting services and executive severance.

18. COMMITMENTS AND CONTINGENCIES**Litigation**

The Company is a party to various lawsuits and claims in the normal course of business, as well as the putative securities class action described below. While the lawsuits and claims against the Company cannot be predicted with certainty, management believes that the ultimate resolution of such matters will *not* have a material effect on the consolidated financial position or liquidity of the Company; however, in light of the inherent uncertainties involved in such lawsuits and claims, some of which *may* be beyond the Company's control, an adverse outcome in *one* or more of these matters could be material to the Company's results of operations or cash flows for any particular reporting period. The Company has established loss provision for matters in which losses are probable and can be reasonably estimated. Although management will continue to reassess the estimated liability based on future developments, an objective assessment of such claims *may not* always be predictive of the outcome and actual results *may* vary from current estimates.

A putative securities class action was filed on November 6, 2023, against the Company, Tom Tomlinson (the Company's former Director, President, and Chief Executive Officer), and Dominic Bardos (the Company's former Chief Financial Officer) in the United States District Court for the Western District of Kentucky (the "Complaint") and is captioned City of Fort Lauderdale General Employees' Retirement System v. Holley, Inc., f/k/a Empower LTD., Tom Tomlinson, and Dominic Bardos, Civil Action No. 1:23-cv-148-S.

On February 26, 2024, the court appointed City of Fort Lauderdale General Employees' Retirement System to serve as lead plaintiff to prosecute claims on behalf of a proposed class of stockholders who purchased or otherwise acquired Holley securities between July 21, 2021 and February 6, 2023. On April 26, 2024, lead plaintiff filed an amended complaint, adding Vinod Nimmagadda (the Company's Executive Vice President of Corporate Development and New Ventures) as a defendant. Lead plaintiff alleges that statements made regarding the Company's business, operations, and prospects violated Sections 10(b), Section 20(a) and Rule 10b-5 of the Securities Exchange Act of 1934 and seeks class certification, damages, interest, attorneys' fees, and other relief. The Company filed a motion to dismiss on June 28, 2024. That motion is pending. On January 7, 2025, lead plaintiff filed a motion for leave to file a supplemented amended complaint, which the Company opposed. That motion also is pending.

Due to the early stage of this proceeding, we cannot reasonably estimate the potential range of loss, if any. The Company disputes the allegations and intends to vigorously defend against them.

The Company remains involved in a legal action brought by Specialty Auto Parts USA ("Specialty") captioned *Specialty Auto Parts USA, Inc., v. Holley Performance Products, Inc.*, 17-cv-00147 (W.D. Ky.). The action was first filed in 2017 in the State of Michigan before it was removed to the Federal District Court for the Western District of Kentucky. Specialty amended its complaint on June 24, 2021, alleging a single cause of action for breach of contract regarding the Company's manufacturing of products allegedly subject to a prior settlement agreement. Following discovery, the parties fully brief cross motions for summary judgment between June 2022 and August 2023, and on March 27, 2024, the court denied the Company's motion and granted Specialty's motion, awarding Specialty \$2,028 in disgorgement damages, which is included in accrued liabilities in our Consolidated Balance Sheet.

Product Warranties

The Company generally warrants its products against certain manufacturing and other defects. These product warranties are provided for specific periods of time depending on the nature of the product. The accrued product warranty costs are based primarily on historical experience of actual warranty claims and are recorded at the time of the sale.

The following table provides the changes in the Company's accrual for product warranties, which is classified as a component of accrued liabilities in the consolidated balance sheets.

	For the years ended December 31,		
	2024	2023	2022
Beginning balance	\$ 3,325	\$ 3,584	\$ 3,994
Accrued for current year warranty claims	8,405	11,362	12,261
Settlement of warranty claims	(9,398)	(11,621)	(12,671)
Ending balance	\$ 2,332	\$ 3,325	\$ 3,584

Employee Savings Plans

The Company has a 401(k) savings plan for salaried and non-salaried employees. Participation in the plan is optional. The Company matches employee contributions up to 3.5% each pay period. The Company's matching contributions for the years ended December 31, 2024, 2023, and 2022, include additional discretionary matching contributions of 1.2%, 0%, and 1% based on the Company's performance targets for 2023, 2022 and 2021, respectively. The Company made matching contributions of \$1,169, \$3,154, and \$2,579 for the years ended December 31, 2024, 2023, and 2022, respectively. The decrease is due to the suspension of the match by the Company in July 2024.

19. SEGMENTS

The Company operates as one operating segment. The Company's chief operating decision maker ("CODM") is its Chief Executive Officer, who reviews financial information presented on a consolidated basis. The CODM uses consolidated gross margin and net income to assess financial performance and allocate resources. These financial metrics are used by the CODM to make key operating decisions, such as the determination of the rate at which the Company seeks to grow gross margin and the allocation of budget between cost of revenues, sales and marketing, research and development, and general and administrative expenses.

The following table presents selected financial information with respect to the Company's single operating segment for the years ended December 31, 2024, 2023 and 2022:

	For the years ended December 31,		
	2024	2023	2022
Net sales	\$ 602,224	\$ 659,704	\$ 688,415
Cost of goods sold	363,680	403,615	434,757
Gross profit	238,544	256,089	253,658
Selling, general, and administrative	132,149	120,244	150,728
Research and development costs	18,710	23,844	29,083
Amortization of intangible assets	13,884	14,557	14,683
Impairment of indefinite-lived intangible assets	7,695	-	2,395
Impairment of goodwill	40,906	-	-
Restructuring costs	1,566	2,641	4,513
Loss on sale of assets	9,234	-	-
Other operating expense	(268)	765	1,514
Total operating expense	223,876	162,051	202,916
Operating income	14,668	94,038	50,742
Change in fair value of warrant liability	(7,570)	4,111	(57,021)
Change in fair value of earn-out liability	(2,333)	2,303	(10,731)
Loss (gain) on early extinguishment of debt	141	(701)	-
Interest expense, net	50,690	60,746	40,227
Total non-operating expense (income)	40,928	66,459	(27,525)
Income (loss) before income taxes	(26,260)	27,579	78,267
Income tax expense (benefit)	(3,025)	8,399	4,493
Net income (loss)	\$ (23,235)	\$ 19,180	\$ 73,774

20. SUBSEQUENT EVENTS

On January 1, 2025, the Company, entered into an agreement with Cataclean Global Limited ("Cataclean") to purchase a perpetual exclusive license in North America for developing, manufacturing, marketing, distributing, using and selling existing Cataclean products as well as future product formulations in all sales channels in North America for a total purchase price of \$23.8 million. There are future royalty payments associated with this agreement.

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated as of March 11, 2021, by and among Empower Ltd., Empower Merger Sub I Inc., Empower Merger Sub II LLC and Holley Intermediate Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 12, 2021).
3.1	Certificate of Incorporation of the Company, dated July 16, 2021 (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the SEC on July 21, 2021).
3.2	Amended and Restated Bylaws of the Company, dated August 8, 2023 (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the SEC on August 9, 2023).
4.1	Description of Securities.
4.3	Warrant Agreement, dated October 6, 2020, by and between Empower Ltd. and Continental Stock Transfer & Trust Company, as warrant agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on October 13, 2020).
4.4	Specimen Common Stock Certificate of Holley Inc. (incorporated by reference to Exhibit 4.5 to Amendment No. 1 to the Company's Registration Statement on Form S-4/A (File No. 333-255133), filed with the SEC on May 25, 2021).
4.5	Specimen Warrant Certificate (incorporated by reference to Exhibit 4.3 to Amendment No. 1 to the Company's Registration Statement on Form S-1/A (File No. 333-248899), filed with the SEC on September 25, 2020).
10.1	Amended and Restated Registration Rights Agreement, dated as of July 16, 2021, by and among Empower Sponsor Holdings LLC, Holley Parent Holdings LLC and Holley Inc. (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K, filed with the SEC on July 21, 2021).
10.2	Stockholders' Agreement, dated as of July 16, 2021, by and among Holley Inc., Empower Sponsor Holdings LLC, MidOcean Partners V, L.P., MidOcean Partners V Executive, L.P., Holley Parent Holdings, LLC, Sentinel Capital Partners V, L.P., Sentinel Capital Partners V-A, L.P., and Sentinel Capital Investors V, L.P. (incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K, filed with the SEC on July 21, 2021).
10.3	Holley 2021 Stock Incentive Plan (incorporated by reference to Exhibit 10.12 of Amendment No. 1 to the Company's Registration Statement on Form S-4/A, filed with the SEC on May 25, 2021).
10.4	#New Executive Agreement, effective July 16, 2021, by and among Holley Intermediate Holdings Inc. and Thomas W. Tomlinson (as assigned to Holley Inc.) (incorporated by reference to Exhibit 10.9 of the Company's Current Report on Form 8-K, filed with the SEC on July 21, 2021).
10.5	#Employment Agreement, dated as of December 12, 2022, by and between Holley Inc. and Jesse Weaver (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 12, 2022).
10.6	#Severance Agreement and General Release, dated March 28, 2023, by and between Holley Intermediate Holdings LLC and Thomas W. Tomlinson (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2023).
10.7	#Employment Agreement, dated as of March 30, 2022, by and between Holley Inc. and Carly Kennedy (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K, filed with the SEC on March 15, 2023).
10.8	#Offer Letter, dated as of November 8, 2022, by and between Holley Performance Products, Inc. and Brian Appelgate (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K, filed with the SEC on March 15, 2023).
10.9	#Form of Indemnification Agreement of Holley Inc. (incorporated by reference to Exhibit 10.14 of the Company's Current Report on Form 8-K, filed with the SEC on July 21, 2021).
10.10	#Form of Option Grant Notice and Agreement (incorporated by reference to Exhibit 10.22 of the Company's Current Report on Form 8-K, filed with the SEC on July 21, 2021).
10.11	#Form of Restricted Stock Unit Grant Notice and Agreement (incorporated by reference to Exhibit 10.23 of the Company's Current Report on Form 8-K, filed with the SEC on July 21, 2021).
10.12	Non-Disclosure Agreement, dated as of August 10, 2021, between the Company, Sentinel Capital Partners, L.L.C., Owen Basham and James Coady (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed with the SEC on August 12, 2021).

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10.13	Non-Disclosure Agreement, dated as of August 10, 2021, between the Company, MidOcean US Advisor, LP, Matthew Rubel and Graham Clempson (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K, filed with the SEC on August 12, 2021).
10.14	Credit Agreement dated as of November 18, 2021, by and among Holley Inc. as Borrower, Wells Fargo Bank, N.A. as administrative agent, and other lender parties thereto (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed with the SEC on November 19, 2021).
10.15	Amendment No. 1 to Credit Agreement, dated as of March 3, 2023, by and among the Company, and certain of its subsidiaries as the Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and other lender parties thereto (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed with the SEC on March 9, 2023).
10.16	Amendment No. 2 to Credit Agreement, dated as of April 20, 2023, by and among the Company and certain of its subsidiaries, as the Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and other lender parties thereto (incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2023).
10.17	Amendment No. 4 to Credit Agreement, dated as of December 4, 2024, by and among Holley Inc. and certain of its subsidiaries, as the Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and other lender parties thereto (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed with the SEC on December 5, 2024).
10.18	Amended and Restated Forward Purchase Agreement, dated as of March 11, 2021, by and between Empower Ltd. and Empower Funding LLC, as assigned to MidOcean Partners V, L.P. and MidOcean Partners V, L.P. (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-4 (File No. 333-255133), filed with the SEC on April 8, 2021).
10.19	Form of Subscription Agreement, by and between Empower and the Subscriber party thereto (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on March 12, 2021).
10.20	Sponsor Agreement, dated as of March 11, 2021, by and among Empower Ltd., Empower Sponsor Holdings LLC, and Holley Parent Holdings, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 12, 2021).
10.21	#Indemnity Agreement, dated October 9, 2020, between Empower and Matthew Rubel (incorporated by reference to Exhibit 10.7 of Empower's Form 10-K, filed with the SEC on March 8, 2021).
10.22	#Form of Performance Stock Unit Grant Notice and Agreement (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K, filed with the SEC on March 15, 2023).
10.23	#Inducement Award Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 99.1 of the Company's Registration Statement on Form S-8 (File No. 333-272436) filed with the SEC on June 6, 2023).
10.24	#Inducement Award Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 99.2 of the Company's Registration Statement on Form S-8 (File No. 333-272436) filed with the SEC on June 6, 2023).
10.25	#Letter Agreement, dated February 20, 2023, by and between the Company and Michelle Gloeckler (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2023).
19	Insider Trading Policy
21.1	Subsidiaries of Holley Inc.
23.1	Consent of Grant Thornton LLP.
24.1	Power of attorney (included in the signature page hereof).
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97.1	#Policy Relating to Recovery of Erroneously Awarded Compensation (incorporated by reference to Exhibit 97.1 to the Company's Annual Report on Form 10-K, filed with the SEC on March 14, 2024).
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

Indicates management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Holley Inc.

/s/ Matthew Stevenson

Matthew Stevenson
President and Chief Executive Officer
(Principal Executive Officer)

March 14, 2025

/s/ Jesse Weaver

Jesse Weaver
Chief Financial Officer
(Principal Financial and Accounting Officer)

March 14, 2025

Pursuant to the requirements of the Securities and Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/S/ Matthew Stevenson</u> Matthew Stevenson	Director, President and Chief Executive Officer (principal executive officer)	March 14, 2025
<u>/S/ Jesse Weaver</u> Jesse Weaver	Chief Financial Officer (principal financial and accounting officer)	March 14, 2025
<u>/S/ Michelle Gloeckler</u> Michelle Gloeckler	Director	March 14, 2025
<u>/S/ James Coady</u> James Coady	Director	March 14, 2025
<u>/S/ Owen Basham</u> Owen Basham	Director	March 14, 2025
<u>/S/ Anita Sehgal</u> Anita Sehgal	Director	March 14, 2025
<u>/S/ Graham Clempson</u> Graham Clempson	Director	March 14, 2025
<u>/S/ Matthew Rubel</u> Matthew Rubel	Director and Executive Chairman	March 14, 2025
<u>/S/ Ginger Jones</u> Ginger Jones	Director	March 14, 2025

HOLLEY INC.
DESCRIPTION OF SECURITIES

The following sets forth a summary of certain terms of the securities of Holley Inc. (the “Company”, “we” or “our”), including certain provisions of the Delaware General Corporation Law (the “DGCL”) and of the Company’s certificate of incorporation and the bylaws. This summary is not intended to be a complete summary of the rights and preferences of such securities and is qualified entirely by reference to the certificate of incorporation, bylaws and the Warrant Agreement, dated October 6, 2020, between Continental Stock Transfer & Trust Company, as Warrant agent, and Empower Ltd. (the “Warrant Agreement”). You should refer to our certificate of incorporation, bylaws and the Warrant Agreement, which are incorporated by reference as exhibits to our Annual Report on Form 10-K, for a complete description of the rights and preferences of our securities. The summary below is also qualified by reference to the provisions of the DGCL, as applicable.

Authorized and Outstanding Stock

The certificate of incorporation authorizes the issuance of 555,000,000 shares of capital stock, consisting of (i) 550,000,000 shares of common stock, par value \$0.0001 per share (“Common Stock”) and (ii) 5,000,000 shares of preferred stock, par value \$0.0001 per share (“Preferred Stock”).

Common Stock

Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock, under the certificate of incorporation, the holders of Common Stock possess all voting power for the election of our directors and all other matters requiring stockholder action and are entitled to one vote per share on matters to be voted on by stockholders and are not entitled to cumulative voting in the election of directors. Subject to certain limited exceptions, the holders of Common Stock shall at all times vote together as one class on all matters submitted to a vote of the holders of Common Stock under the certificate of incorporation. Subject to preferences that may be applicable to any outstanding series of preferred stock, the holders of our Common Stock will receive ratably any dividends declared by our board of directors out of funds legally available for the payment of dividends. In the event of our liquidation, dissolution or winding-up, the holders of our Common Stock will be entitled to share ratably in all assets remaining after payment of or provision for any liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding.

Preferred Stock

The certificate of incorporation provides that shares of preferred stock may be issued from time to time in one or more series. The board of directors is authorized to fix the voting rights, if any, designations, powers, preferences and relative, participating, optional, special and other rights, if any, and any qualifications, limitations and restrictions thereof, applicable to the shares of each series. The Company’s board of directors is able, without stockholder approval, to issue preferred stock with voting and other rights that could adversely affect the voting power and other rights of the holders of the Common Stock and could have anti-takeover effects. The ability of the Company’s board of directors to issue preferred stock without stockholder approval could have the effect of delaying, deferring or preventing a change of control of us or the removal of existing management.

Dividends

Under the certificate of incorporation, holders of Common Stock are entitled to receive ratable dividends, if any, as may be declared from time-to-time by our board of directors out of legally available assets or funds, subject to preferences that may be applicable to any outstanding series of preferred stock.

Preemptive or Other Rights

The certificate of incorporation does not provide for any preemptive or other similar rights.

Election of Directors

Under the terms of the certificate of incorporation, the board of directors is divided into three classes designated as Class I, Class II and Class III. Class I directors will initially serve for a term expiring at the 2022 annual meeting of stockholders. Class II and Class III directors will initially serve for a term expiring at the 2023 and 2024 annual meeting of stockholders, respectively. At each succeeding annual meeting of stockholders, directors will be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting of the stockholders. There will be no limit on the number of terms a director may serve on the board of directors of the Company.

Under the certificate of incorporation, directors are elected by a plurality voting standard, whereby each of our stockholders may not give more than one vote per share towards any one director nominee. There are no cumulative voting rights.

Annual Stockholder Meetings

The bylaws provide that annual stockholder meetings will be held at a date, time and place, if any, as exclusively selected by the board of directors. To the extent permitted under applicable law, the Company may conduct meetings by remote communications.

Dissenters' Rights of Appraisal and Payment

Under the DGCL, with certain exceptions, the Company's stockholders have appraisal rights in connection with a merger or consolidation of the Company. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

Stockholders' Derivative Actions

Under the DGCL, any of the Company's stockholders may bring an action in the Company's name to procure a judgment in the Company's favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of the Company's shares at the time of the transaction to which the action relates or such stockholder's stock thereafter devolved by operation of law.

Limitations on Liability and Indemnification of Officers and Directors

The certificate of incorporation and bylaws provide for the indemnification of current and former officers and directors of the Company to the fullest extent permitted by Delaware law. The DGCL permits a corporation to limit or eliminate a director's personal liability to the corporation or the holders of its capital stock for breach of fiduciary duty. This limitation is generally unavailable for acts or omissions by a director which (i) were not in good faith, (ii) were the result of intentional misconduct or a knowing violation of law, (iii) the director derived an improper personal benefit from (such as a financial profit or other advantage to which the director was not legally entitled) or (iv) breached the director's duty of loyalty. The DGCL also prohibits limitations on director liability under Section 174 of the DGCL, which relates to certain unlawful dividend declarations and stock repurchases. We have entered into agreements with our officers and directors to provide contractual indemnification in addition to the indemnification provided for in our certificate of incorporation. We have purchased a policy of directors' and officers' liability insurance that insures our officers and directors against the cost of defense, settlement or payment of a judgment in some circumstances and insures us against our obligations to indemnify our officers and directors. In connection with the consummation of that certain business combination (the "Closing") contemplated by that certain Agreement and Plan of Merger dated March 11, 2021 (the "Merger Agreement"), by and among Empower Ltd., ("Empower" and predecessor to the Company), Empower Merger Sub I Inc., Empower Merger Sub II LLC, and Holley Intermediate Holdings, Inc., we purchased a tail policy with respect to liability coverage for the benefit of our officers and directors prior to the Closing on the same or substantially similar terms of our existing policy. Pursuant to the Merger Agreement, we are required to maintain such tail policy for a period of no less than six years following the Closing.

These provisions may discourage current stockholders and future stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against officers and directors, even though such an action, if successful, might otherwise benefit us and our stockholders and stockholders. Furthermore, a stockholder's or stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against officers and directors pursuant to these indemnification provisions.

We believe that these provisions, the directors' and officers' liability insurance and the indemnity agreements are necessary to attract and retain talented and experienced officers and directors.

Exclusive Forum

The certificate of incorporation provides that, unless the Company selects or consents in writing to the selection of an alternative forum, to the fullest extent permitted by the applicable law: (a) the sole and exclusive forum for any complaint asserting any internal corporate claims, to the fullest extent permitted by law, and subject to applicable jurisdictional requirements, shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have, or declines to accept, jurisdiction, another state court or a federal court located within the State of Delaware); and (b) the sole and exclusive forum for any complaint asserting a cause of action arising under the Securities Act of 1933, to the fullest extent permitted by law, shall be the federal district courts of the United States of America. For purposes of the foregoing, “internal corporate claims” means claims, including claims in the right of the Company that are based upon a violation of a duty by a current or former director, officer, employee or stockholder in such capacity, or as to which the DGCL confers jurisdiction upon the Court of Chancery. Any person or entity purchasing or otherwise acquiring any interest in any shares of Common Stock will be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the exclusive forum provision of the certificate of incorporation, and (ii) having service of process made upon such holder of Common Stock in any such action by service upon such holder of Common Stock’s counsel in such action as agent for such holder of Common Stock.

Certain Anti-Takeover Provisions of Delaware Law; Certificate of Incorporation and Bylaws

The certificate of incorporation, bylaws and DGCL contain provisions, as summarized in the following paragraphs that are intended to enhance the likelihood of continuity and stability in the composition of our board of directors. These provisions are intended to avoid costly takeover battles, reduce the Company’s vulnerability to a hostile change of control and enhance the ability of the Company’s board of directors to maximize stockholder value in connection with any unsolicited offer to acquire the Company. However, these provisions may have an anti-takeover effect and may delay, deter or prevent a merger or acquisition of the Company by means of a tender offer, a proxy contest or other takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the prevailing market price for the shares of Common Stock held by stockholders.

Advanced Notice Requirements for Stockholder Meetings, Nominations and Proposals

The bylaws provide that special meetings of the stockholders may be called only by or at the direction of the chairman of our board of directors, the chief executive officer, the secretary, or the board of directors pursuant to a resolution adopted by a majority of the board. Our bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers or changes in control or management of the Company.

The bylaws establish an advance notice procedure for stockholders who wish to present a proposal before an annual meeting of stockholders, including the nomination of a director candidate. The bylaws provide that the only business that may be conducted at an annual meeting of stockholders is business that is (i) specified in the notice of such meeting (or any supplement or amendment thereto) given by or at the direction of the board of directors, (ii) otherwise properly brought before such meeting by or at the direction of the board of directors, or (iii) otherwise properly brought before such meeting by a stockholder who (A) is (1) a stockholder of record and (2) with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner is the beneficial owner of shares of Common Stock, in any case, both at the time of giving the notice and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with (1) the provisions set forth in the bylaws and (2) all requirements of the Exchange Act and other applicable legal requirements in connection with such business. To be timely for the Company’s annual meeting of stockholders, the Company’s secretary must receive the written notice at the Company’s principal executive offices not earlier than the 120th day and not later than the 90th day before the one-year anniversary of the preceding year’s annual meeting. In the event that no annual meeting was held in the previous year or the date of the annual meeting is advanced by more than thirty (30) days or delayed (other than as a result of adjournment) by more than thirty (30) days from the first anniversary of the previous year’s annual meeting, notice by a stockholder to be timely must be received not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the date on which public announcement of the date of such meeting is first made. Nominations and proposals also must satisfy other procedural and information requirements set forth in the bylaws. The Chairperson of the board of directors of the Company or the board of directors of the Company may refuse to acknowledge the introduction of any stockholder proposal not made in compliance with the foregoing procedures. These provisions may also defer, delay or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to influence or obtain control of the Company.

No Cumulative Voting

The DGCL provides that a stockholder's right to vote cumulatively in the election of directors does not exist unless the certificate of incorporation specifically provides otherwise. Our certificate of incorporation does not provide for cumulative voting.

Classified Board of Directors

Our certificate of incorporation provides that our board of directors is divided into three classes of directors, with the classes to be as nearly equal in number as possible, designated Class I, Class II and Class III. Class I, II and III directors shall initially serve until our 2022, 2023 and 2024 annual meetings of stockholders, respectively. Commencing with the 2024 annual meeting of stockholders, directors of each class the term of which shall then expire shall be elected to hold office for a three-year term. The classification of directors has the effect of making it more difficult for stockholders to change the composition of our board of directors.

Removal of Directors; Vacancies

Our certificate of incorporation provides that directors may be removed only for cause and only upon the affirmative vote of holders of a majority of the voting power of all the then outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class. In addition, our certificate of incorporation provides that any newly created directorships and any vacancies on our board of directors will be filled only by the affirmative vote of the majority of remaining directors. Therefore, stockholders are not able to elect new directors to fill any resulting vacancies that may be created as a result of such a special meeting.

Supermajority Vote Requirement to Amend the Bylaws and Certificate of Incorporation

The affirmative vote of at least (i) 66 2/3% of the voting power of all the then-outstanding shares of capital stock entitled to vote generally in the election of directors, voting as a single class, is required for stockholders to adopt, amend or repeal Article VI of the bylaws, (ii) 66.7% of the voting power of all the then-outstanding shares of capital stock entitled to vote generally in the election of directors is required for stockholders, voting as a single class, to adopt, amend or repeal Section 4.2 and Articles V, VII, VIII, X, XI and XII of the certificate of incorporation and (iii) 80% of the voting power of all the then-outstanding shares of capital stock entitled to vote generally in the election of directors is required for stockholders, voting as a single class, to adopt, amend or repeal Article IX of the certificate of incorporation.

Stockholder Action by Written Consent

The DGCL permits any action required to be taken at any annual or special meeting of the stockholders to be taken without a meeting, without prior notice and without a vote if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of stock entitled to vote thereon were present and voted, unless the certificate of incorporation provides otherwise. Our certificate of incorporation precludes stockholder action by written consent.

Authorized but Unissued Shares

Our authorized but unissued shares of Common Stock and preferred stock are available for future issuance without stockholder approval. The DGCL does not require stockholder approval for any issuance of authorized shares. However, the rules of the New York Stock Exchange require stockholder approval of certain issuances equal to or exceeding 20% of the then-outstanding voting power or the then-outstanding number of shares of Common Stock. No assurances can be given that our shares will remain so listed. We may use additional shares for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. As discussed above, our board of directors has the ability to issue preferred stock with voting rights or other preferences, without stockholder approval. The existence of authorized but unissued shares of Common Stock and preferred stock could render more difficult or discourage an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise.

Warrants

As of January 25, 2022, there were 14,666,644 warrants outstanding, consisting of 9,999,977 public warrants, each representing the right to purchase one share of Common Stock at a price of \$11.50 per share, subject to certain conditions set forth in the Warrant Agreement (the “Public Warrants”) and 4,666,667 private placement warrants, each representing the right to purchase one share of Common Stock at a price of \$11.50 per share, subject to certain conditions set forth in the Warrant Agreement (the “Private Warrants”, together with the Public Warrants, the “Warrants”).

Public Warrants

Each whole Warrant entitles the registered holder to purchase one share of Common Stock at a price of \$11.50 per share, subject to adjustment as discussed below, at any time commencing on October 9, 2021 (the one year anniversary of Empower’s initial public offering), except as discussed below. Pursuant to the Warrant Agreement, a Warrant holder may exercise its Warrants only for a whole number of shares of Common Stock. This means only a whole Warrant may be exercised at a given time by a Warrant holder. The Warrants will expire on July 16, 2026, the date that is five years after the Closing Date, at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

We will not be obligated to deliver any shares of Common Stock pursuant to the exercise of a Warrant and will have no obligation to settle such Warrant exercise unless a registration statement under the Securities Act with respect to the shares of Common Stock underlying the Warrants is then effective and a prospectus relating thereto is current, subject to our satisfying our obligations described below with respect to registration, or a valid exemption from registration is available. As of the date hereof, all of the (i) outstanding Public Warrants and the underlying shares of Common Stock to such Public Warrants and (ii) outstanding Private Warrants and the underlying shares of Common Stock to such Private Warrants have been registered for resale pursuant to a registration statement, and such registration statements have been declared effective by the SEC. It is the Company’s expectation that it will continue to maintain the effectiveness of such registration statements. No Warrant will be exercisable and we will not be obligated to issue a share of Common Stock upon exercise of a Warrant unless the share of Common Stock issuable upon such Warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the Warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a Warrant, the holder of such Warrant will not be entitled to exercise such Warrant and such Warrant may have no value and expire worthless. In no event will we be required to net cash settle any Warrant.

We have agreed that as soon as practicable, but in no event later than twenty business days after the Closing, we will use our commercially reasonable efforts to file with the SEC a registration statement for the registration, under the Securities Act, of the shares of Common Stock issuable upon exercise of the Warrants, and we will use our commercially reasonable efforts to cause the same to become effective within 60 business days after the Closing, and to maintain the effectiveness of such registration statement and a current prospectus relating to those shares of Common Stock until the Warrants expire or are redeemed, as specified in the Warrant Agreement. As of the date hereof, all of the (i) outstanding Public Warrants and the underlying shares of Common Stock to such Public Warrants and (ii) outstanding Private Warrants and the underlying shares of Common Stock to such Private Warrants have been registered for resale pursuant to a registration statement, and such registration statements have been declared effective by the SEC. It is the Company’s expectation that it will continue to maintain the effectiveness of such registration statements. However, if our shares of Common Stock are at the time of any exercise of a Warrant not listed on a national securities exchange such that they satisfy the definition of a “covered security” under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of Public Warrants who exercise their Warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event we so elect, we will not be required to file or maintain in effect a registration statement, but we will use our commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available. If a registration statement covering the shares of Common Stock issuable upon exercise of the Warrants is not effective by the 60th business day after the Closing, Warrant holders may, until such time as there is an effective registration statement and during any period when we will have failed to maintain an effective registration statement, exercise Warrants on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act or another exemption, but we will use our commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available. In such event, each holder would pay the exercise price by surrendering the Warrants for that number of shares of Common Stock equal to the lesser of (A) the quotient obtained by dividing (x) the product of the number of shares of Common Stock underlying the Warrants, multiplied by the excess of the fair market value less the exercise price of the Warrants by (y) the fair market value and (B) 0.361 per Warrant. The “fair market value” as used in this paragraph shall mean the volume weighted average price of the shares of Common Stock for the 10 trading days ending on the trading day prior to the date on which the notice of exercise is received by the Warrant agent.

Redemption of Warrants when the price per share of Common Stock equals or exceeds \$18.00.

We may redeem the outstanding Warrants (except as described herein with respect to the Private Warrants) in whole and not in part, at a price of \$0.01 per Warrant, upon a minimum of 30 days' prior written notice of redemption to each Warrant holder, if, and only if, the closing price of the Common Stock equals or exceeds \$18.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a Warrant as described under the heading "*— Anti-dilution Adjustments*") on the trading day prior to the date on which we send the notice of redemption to the Warrant holders.

We will not redeem the Warrants as described above unless a registration statement under the Securities Act covering the issuance of the shares of Common Stock issuable upon exercise of the Warrants is then effective and a current prospectus relating to those shares of Common Stock is available throughout the 30-day redemption period. If and when the Warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws.

We have established the last of the redemption criterion discussed above to prevent a redemption call unless there is at the time of the call a significant premium to the Warrant exercise price. If the foregoing conditions are satisfied and we issue a notice of redemption of the Warrants, each Warrant holder will be entitled to exercise his, her or its Warrant prior to the scheduled redemption date. Any such exercise would not be done on a "cashless" basis and would require the exercising Warrant holder to pay the exercise price for each Warrant being exercised. However, the price of the shares of Common Stock may fall below the \$18.00 redemption trigger price (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a Warrant as described under the heading "*— Anti-dilution Adjustments*") as well as the \$11.50 per share of Common Stock exercise price after the redemption notice is issued.

Redemption of Warrants when the price per share of Common Stock equals or exceeds \$10.00.

We may redeem the outstanding Warrants (except as described herein with respect to the Private Warrants) in whole and not in part, at a price of \$0.10 per Warrant, upon a minimum of 30 days' prior written notice of redemption if, and only if, the closing price of our shares of Common Stock equals or exceeds \$10.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a Warrant as described under the heading "*— Anti-dilution Adjustments*") on the trading day prior to the date on which we send the notice of redemption to the Warrant holders.

Beginning on the date the notice of redemption is given until the Warrants are redeemed or exercised, holders may elect to exercise their Warrants on a cashless basis. The numbers in the table below represent the number of shares of Common Stock that a Warrant holder will receive upon such cashless exercise in connection with a redemption by us pursuant to this redemption feature, based on the "fair market value" of our shares of Common Stock on the corresponding redemption date (assuming holders elect to exercise their Warrants and such Warrants are not redeemed for \$0.10 per Warrant), determined for these purposes based on volume weighted average price of our shares of Common Stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of Warrants, and the number of months that the corresponding redemption date precedes the expiration date of the Warrants, each as set forth in the table below. We will provide our Warrant holders with the redemption fair market value no later than one business day after the 10-trading day period described above ends.

The share prices set forth in the column headings of the table below will be adjusted as of any date on which the number of shares issuable upon exercise of a Warrant or the exercise price of a Warrant is adjusted as set forth under the heading "*— Anti-dilution Adjustments*" below. If the number of shares issuable upon exercise of a Warrant is adjusted, the adjusted share prices in the column headings will equal the share prices immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the number of shares deliverable upon exercise of a Warrant prior to such adjustment and the denominator of which is the number of shares deliverable upon exercise of a Warrant immediately so adjusted. In such an event, the number of shares in the table below shall be adjusted by multiplying such share amounts by a fraction, the numerator of which is the number of shares deliverable upon exercise of a Warrant immediately prior to such adjustment and the denominator of which is the number of shares deliverable upon exercise of a Warrant as so adjusted. If the exercise price of a Warrant is adjusted pursuant to the second paragraph under the heading "*— Anti-dilution Adjustments*" below, the adjusted share prices in the column headings will equal the share prices immediately prior to the adjustment less the decrease in the exercise price of a Warrant pursuant to such exercise price adjustment.

**Redemption Date
(period to expiration of
Warrants)**

Fair Market Value of share of Common Stock

	<10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	>18.00
60 months	0.261	0.281	0.297	0.311	0.324	0.337	0.348	0.358	0.361
57 months	0.257	0.277	0.294	0.310	0.324	0.337	0.348	0.358	0.361
54 months	0.252	0.272	0.291	0.307	0.322	0.335	0.347	0.357	0.361
51 months	0.246	0.268	0.287	0.304	0.320	0.333	0.346	0.357	0.361
48 months	0.241	0.263	0.283	0.301	0.317	0.332	0.344	0.356	0.361
45 months	0.235	0.258	0.279	0.298	0.315	0.330	0.343	0.356	0.361
42 months	0.228	0.252	0.274	0.294	0.312	0.328	0.342	0.355	0.361
39 months	0.221	0.246	0.269	0.290	0.309	0.325	0.340	0.354	0.361
36 months	0.213	0.239	0.263	0.285	0.305	0.323	0.339	0.353	0.361
33 months	0.205	0.232	0.257	0.280	0.301	0.320	0.337	0.352	0.361
30 months	0.196	0.224	0.250	0.274	0.297	0.316	0.335	0.351	0.361
27 months	0.185	0.214	0.242	0.268	0.291	0.313	0.332	0.350	0.361
24 months	0.173	0.204	0.233	0.260	0.285	0.308	0.329	0.348	0.361
21 months	0.161	0.193	0.223	0.252	0.279	0.304	0.326	0.347	0.361
18 months	0.146	0.179	0.211	0.242	0.271	0.298	0.322	0.345	0.361
15 months	0.130	0.164	0.197	0.230	0.262	0.291	0.317	0.342	0.361
12 months	0.111	0.146	0.181	0.216	0.250	0.282	0.312	0.339	0.361
9 months	0.090	0.125	0.162	0.199	0.237	0.272	0.305	0.336	0.361
6 months	0.065	0.099	0.137	0.178	0.219	0.259	0.296	0.331	0.361
3 months	0.034	0.065	0.104	0.150	0.197	0.243	0.286	0.326	0.361
0 months	—	—	0.042	0.115	0.179	0.233	0.281	0.323	0.361

For example, if the volume weighted average price of our shares of Common Stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of the Warrants is \$11.00 per share, and at such time there are 57 months until the expiration of the Warrants, holders may choose to, in connection with this redemption feature, exercise their Warrants for 0.277 shares of Common Stock for each whole Warrant. However, the exact fair market value and redemption date may not be set forth in the table above, in which case, if the fair market value is between two values in the table or the redemption date is between two redemption dates in the table, the number of shares of Common Stock to be issued for each Warrant exercised will be determined by a straight-line interpolation between the number of shares set forth for the higher and lower fair market values and the earlier and later redemption dates, as applicable, based on a 365 or 366-day year, as applicable. For example, if the volume weighted average price of our shares of Common Stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of the Warrants is \$13.50 per share, and at such time there are 38 months until the expiration of the Warrants, holders may choose to, in connection with this redemption feature, exercise their Warrants for 0.298 shares of Common Stock for each whole Warrant. In no event will the Warrants be exercisable on a cashless basis in connection with this redemption feature for more than 0.361 shares of Common Stock per Warrant (subject to adjustment). Finally, as reflected in the table above, if the Warrants are out of the money, they cannot be exercised on a cashless basis in connection with a redemption by us pursuant to this redemption feature, since they will not be exercisable for any shares of Common Stock.

This redemption feature differs from the typical Warrant redemption features used by many other blank check companies, which typically only provide for a redemption of Warrants for cash (other than the Private Warrants) when the trading price for the shares of Common Stock exceeds \$18.00 per share for a specified period of time. This redemption feature is structured to allow for all of the outstanding Warrants to be redeemed when the shares of Common Stock are trading at or above \$10.00 per share, which may be at a time when the trading price of our shares of Common Stock is below the exercise price of the Warrants. This redemption feature was established to provide us with the flexibility to redeem the Warrants without the Warrants having to reach the \$18.00 per share threshold discussed above. Holders choosing to exercise their Warrants in connection with a redemption pursuant to this feature will, in effect, receive a number of shares for their Warrants based on an option pricing model with a fixed volatility input as of the date of the initial public offering prospectus. This redemption right provides us with an additional mechanism by which to redeem all of the outstanding Warrants, and therefore have certainty as to our capital structure as the Warrants would no longer be outstanding and would have been exercised or redeemed. We will be required to pay the applicable redemption price to Warrant holders if we choose to exercise this redemption right and it will allow us to quickly proceed with a redemption of the Warrants if we determine it is in our best interest to do so. As such, we would redeem the Warrants in this manner when we believe it is in our best interest to update our capital structure to remove the Warrants and pay the redemption price to the Warrant holders.

As stated above, we can redeem the Warrants when the shares of Common Stock are trading at a price starting at \$10.00, which is below the exercise price of \$11.50, because it will provide certainty with respect to our capital structure and cash position while providing Warrant holders with the opportunity to exercise their Warrants on a cashless basis for the applicable number of shares. If we choose to redeem the Warrants when the shares of Common Stock are trading at a price below the exercise price of the Warrants, this could result in the Warrant holders receiving fewer shares of Common Stock than they would have received if they had chosen to wait to exercise their Warrants for shares of Common Stock if and when such shares of Common Stock were trading at a price higher than the exercise price of \$11.50.

No fractional shares of Common Stock will be issued upon exercise. If, upon exercise, a holder would be entitled to receive a fractional interest in a share, we will round down to the nearest whole number of the number of shares of Common Stock to be issued to the holder. If, at the time of redemption, the Warrants are exercisable for a security other than the shares of Common Stock pursuant to the Warrant Agreement, the Warrants may be exercised for such security. At such time as the Warrants become exercisable for a security other than the shares of Common Stock, the Company (or surviving company) will use its commercially reasonable efforts to register under the Securities Act the security issuable upon the exercise of the Warrants.

Maximum Percentage Procedures.

A holder of a Warrant may notify us in writing in the event it elects to be subject to a requirement that such holder will not have the right to exercise such Warrant, to the extent that after giving effect to such exercise, such person (together with such person's affiliates), to the Warrant agent's actual knowledge, would beneficially own in excess of 9.8% (or such other amount as a holder may specify) of the shares of Common Stock issued and outstanding immediately after giving effect to such exercise.

Anti-dilution Adjustments.

If the number of outstanding shares of Common Stock is increased by a capitalization or share dividend payable in shares of Common Stock, or by a split-up of ordinary shares or other similar event, then, on the effective date of such capitalization or share dividend, split-up or similar event, the number of shares of Common Stock issuable on exercise of each Warrant will be increased in proportion to such increase in the outstanding Common Stock. A rights offering made to all or substantially all holders of Common Stock entitling holders to purchase shares of Common Stock at a price less than the "historical fair market value" (as defined below) will be deemed a share dividend of a number of shares of Common Stock equal to the product of (i) the number of shares of Common Stock actually sold in such rights offering (or issuable under any other equity securities sold in such rights offering that are convertible into or exercisable for shares of Common Stock) and (ii) one minus the quotient of (x) the price per share of Common Stock paid in such rights offering and (y) the historical fair market value. If the rights offering is for securities convertible into or exercisable for shares of Common Stock, in determining the price payable for shares of Common Stock, there will be taken into account any consideration received for such rights, as well as any additional amount payable upon exercise or conversion. For these purposes, "historical fair market value" means the volume weighted average price of a share of Common Stock as reported during the 10 trading day period ending on the trading day prior to the first date on which the shares of Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights.

In addition, if we, at any time while the Warrants are outstanding, pay a dividend or make a distribution in cash, securities or other assets to all or substantially all of the holders of the shares of Common Stock on account of such shares of Common Stock (or other securities into which the Warrants are convertible), other than (a) as described above, (b) any cash dividends or cash distributions which, when combined on a per share basis with all other cash dividends and cash distributions paid on the shares of Common Stock during the 365-day period ending on the date of declaration of such dividend or distribution does not exceed \$0.50 (as adjusted to appropriately reflect any other adjustments and excluding cash dividends or cash distributions that resulted in an adjustment to the exercise price or to the number of shares of Common Stock issuable on exercise of each Warrant) but only with respect to the amount of the aggregate cash dividends or cash distributions equal to or less than \$0.50 per share or (c) to satisfy the redemption rights of the holders of Common Stock in connection with a stockholder vote to amend our certificate of incorporation or bylaws with respect to any other provision relating to the rights of holders of Common Stock, then the Warrant exercise price will be decreased, effective immediately after the effective date of such event, by the amount of cash and/or the fair market value of any securities or other assets paid on each share of Common Stock in respect of such event.

If the number of outstanding shares of Common Stock is decreased by a consolidation, combination, reverse share sub-division or reclassification of shares of Common Stock or other similar event, then, on the effective date of such consolidation, combination, reverse share sub-division, reclassification or similar event, the number of shares of Common Stock issuable on exercise of each Warrant will be decreased in proportion to such decrease in outstanding shares of Common Stock. Whenever the number of shares of Common Stock purchasable upon the exercise of the Warrants is adjusted, as described above, the Warrant exercise price will be adjusted by multiplying the Warrant exercise price immediately prior to such adjustment by a fraction (x) the numerator of which will be the number of shares of Common Stock purchasable upon the exercise of the Warrants immediately prior to such adjustment and (y) the denominator of which will be the number of shares of Common Stock so purchasable immediately thereafter.

In case of any reclassification or reorganization of the outstanding shares of Common Stock (other than those described above or that solely affects the par value of such shares of Common Stock), or in the case of any merger or consolidation of us with or into another corporation (other than a consolidation or merger in which we are the continuing corporation and that does not result in any reclassification or reorganization of our outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of us as an entirety or substantially as an entirety in connection with which the Company is dissolved, the holders of the Warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Warrants and in lieu of the shares of Common Stock issuable upon exercise thereof, the kind and amount of shares of Common Stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the Warrants would have received if such holder had exercised their Warrants immediately prior to such event. However, if such holders were entitled to exercise a right of election as to the kind or amount of securities, cash or other assets receivable upon such consolidation or merger, then the kind and amount of securities, cash or other assets for which each Warrant will become exercisable will be deemed to be the weighted average of the kind and amount received per share by such holders in such consolidation or merger that affirmatively make such election, and if a tender, exchange or redemption offer has been made to and accepted by such holders under circumstances in which, upon completion of such tender or exchange offer, the maker thereof, together with members of any group (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) of which such maker is a part, and together with any affiliate or associate of such maker (within the meaning of Rule 12b-2 under the Exchange Act) and any members of any such group of which any such affiliate or associate is a part, own beneficially (within the meaning of Rule 13d-3 under the Exchange Act) more than 50% of the issued and outstanding shares of Common Stock, the holder of a Warrant will be entitled to receive the highest amount of cash, securities or other property to which such holder would actually have been entitled as a stockholder if such Warrant holder had exercised the Warrant prior to the expiration of such tender or exchange offer, accepted such offer and all of the shares of Common Stock held by such holder had been purchased pursuant to such tender or exchange offer, subject to adjustment (from and after the consummation of such tender or exchange offer) as nearly equivalent as possible to the adjustments provided for in the Warrant Agreement. If less than 70% of the consideration receivable by the holders of shares of Common Stock in such a transaction is payable in the form of shares of Common Stock in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the Warrant properly exercises the Warrant within thirty days following public disclosure of such transaction, the Warrant exercise price will be reduced as specified in the Warrant Agreement based on the Black-Scholes value (as defined in the Warrant Agreement) of the Warrant. The purpose of such exercise price reduction is to provide additional value to holders of the Warrants when an extraordinary transaction occurs during the exercise period of the Warrants pursuant to which the holders of the Warrants otherwise do not receive the full potential value of the Warrants.

The Warrants are issued in registered form under the Warrant Agreement whereby the terms of the Warrants may be amended without the consent of any holder for the purpose of (i) curing any ambiguity or correcting any mistake, or defective provision (ii) amending the provisions relating to cash dividends on ordinary shares as contemplated by and in accordance with the Warrant Agreement or (iii) adding or changing any provisions with respect to matters or questions arising under the Warrant Agreement as the parties to the Warrant Agreement may deem necessary or desirable and that the parties deem to not adversely affect the rights of the registered holders of the Warrants, provided that the approval by the holders of at least 50% of the then-outstanding Public Warrants is required to make any change that adversely affects the interests of the registered holders. The Warrant holders do not have the rights or privileges of holders of shares of Common Stock and any voting rights until they exercise their Warrants and receive shares of Common Stock.

Private Placement Warrants

Except as described below, the Private Warrants have terms and provisions that are identical to those of the Public Warrants. The Private Warrants (including the shares of Common Stock issuable upon exercise of the Private Warrants) were not transferable, assignable or salable until August 15, 2021, the date that was 30 days after the Closing Date (except pursuant to limited exceptions to our officers and directors and other persons or entities affiliated with the initial purchasers of the Private Warrants), and they will not be redeemable by us so long as they are held by Empower Sponsor Holdings LLC (the “Sponsor”) or its permitted transferees. Our Sponsor, or its permitted transferees, has the option to exercise the Private Warrants on a cashless basis. If the Private Warrants are held by holders other than our Sponsor or its permitted transferees, the Private Warrants will be redeemable by us in all redemption scenarios and exercisable by the holders on the same basis as the Public Warrants. Any amendment to the terms of the Private Warrants or any provision of the Warrant Agreement with respect to the Private Warrants will require a vote of holders of at least 50% of the number of the then outstanding Private Warrants.

If a holder of the Private Warrants elects to exercise a Private Warrant on a cashless basis, the holder would pay the exercise price by surrendering his, her or its Warrants for that number of shares of Common Stock equal to the quotient obtained by dividing (x) the product of the number of shares of Common Stock underlying the Warrants, multiplied by the excess of the “Sponsor fair market value” (defined below) over the exercise price of the Warrants by (y) the Sponsor fair market value. For these purposes, the “Sponsor fair market value” shall mean the average reported closing price of the shares of Common Stock for the 10 trading days ending on the third trading day prior to the date on which the notice of Warrant exercise is sent to the Warrant agent. The reason these Warrants permit a cashless exercise so long as they are held by our Sponsor and its permitted transferees is because it was not known at time of issuance whether they would be affiliated with us following the Business Combination, which would significantly limit their ability to sell our securities in the open market. We have policies in place that restrict insiders from selling our securities except during specific periods of time. Even during such periods of time when insiders will be permitted to sell our securities, an insider cannot trade in our securities if he or she is in possession of material non-public information. Accordingly, unlike public investors who could exercise their Warrants and sell the shares of Common Stock received upon such exercise freely in the open market in order to recoup the cost of such exercise, the insiders are significantly restricted from selling such securities.

HOLLEY INC.

INSIDER TRADING POLICY

I. INTRODUCTION

Federal and state laws prohibit buying, selling, or making other transfers of securities by persons who have material information that is not generally known or available to the public. These laws also prohibit persons with such material nonpublic information from disclosing this information to others who trade.

Holley Inc. (together with its subsidiaries, the “**Company**”) has adopted the following policy (this “**Policy**”) regarding trading in securities by members of the Company’s Board of Directors, officers, and employees. This Policy also applies to your family members who reside with you (including a spouse, a child, a child away at college, stepchildren, grandchildren, parents, stepparents, grandparents, siblings and in-laws), anyone else who lives in your household (other than household employee), and any family members who do not live in your household but whose transactions in Company securities are directed by you or are subject to your influence or control, such as parents or children who consult with you before they trade in Company securities (collectively referred to as “**family members**”). This Policy also applies to corporations or other business entities controlled, influenced, or managed by you or your family members, and trusts for which you are the trustee or have a beneficial or pecuniary interest (collectively referred to as “**controlled entities**”). The Company may also determine that other persons should be subject to this Policy, such as contractors or consultants who have access to Material Nonpublic Information (as defined below). *All references in this Policy to “you” or “employees of the Company” should be read to include all of your family members and controlled entities.*

You are responsible for ensuring that you do not violate federal or state securities laws or this Policy, and any action on the part of the Company or any employee or director pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. We designed this Policy to promote compliance with the federal securities laws and to protect the Company and you from the serious liabilities and penalties that can result from violations of these laws.

If you violate the insider trading laws, you may have to pay civil fines of up to three times the profit gained or loss avoided by such trading, as well as criminal fines of up to \$5 million. You also may have to serve a jail sentence of up to 20 years. In addition, to the potential criminal and civil liabilities mentioned above, in certain circumstances, the Company may be able to recover all profits made by an insider who traded illegally, plus collect other damages. Furthermore, the Company (and its directors and executive officers) could face penalties of up to \$25 million for failing to take steps to prevent insider trading in the Company’s securities.

Without regard to the civil or criminal penalties that may be imposed by others, willful violation of this Policy and its procedures may constitute grounds for dismissal.

Both the Securities and Exchange Commission (“**SEC**”) and the New York Stock Exchange (“**NYSE**”) are very effective at detecting and pursuing insider trading cases. The SEC has successfully prosecuted cases against employees trading through foreign accounts, trading by family members and friends, and trading involving only a small number of shares. Therefore, it is important that you understand the breadth of activities that constitute illegal insider trading. This Policy sets out the Company’s policy in the area of insider trading and should be read carefully and complied with fully.

This Policy will be reviewed, evaluated and revised by the Company from time to time in light of regulatory changes, developments in the Company's business and other factors.

It is also the policy of the Company that the Company will not engage in transactions in the Company's securities while aware of Material Nonpublic Information about the Company.

II. POLICIES AND PROCEDURES

A. Trading Policy

1. You may not engage in transactions in a company's securities when you have Material Nonpublic Information about that company. This Policy against "insider trading" applies to trading in (a) Company securities and (b) the securities of other companies, such as the Company's customers, suppliers, or competitors or a company with which the Company is evaluating or negotiating a business relationship or major transaction, if you obtained Material Nonpublic Information about such other company in the course of your employment with or other services provided to the Company.

2. You may not convey Material Nonpublic Information about the Company or another company to others. You also may not suggest that anyone purchase or sell any company's securities while you are aware of Material Nonpublic Information about that company. These practices, known as "tipping," also violate the U.S. securities laws and can result in the same civil and criminal penalties that apply if you engage in insider trading directly, even if you do not receive any money or derive any benefit from trades made by persons to whom you passed Material Nonpublic Information. This Policy against "tipping" applies to information about the Company and its securities, as well as to information about other companies. This Policy does not restrict legitimate business communications on a "need to know" basis.

3. It is against Company policy for you to engage in short-term or speculative transactions in Company securities. As such, you may not engage in: (a) short-term trading (generally defined as selling Company securities within six months following a purchase); (b) short sales (selling Company securities you do not own); (c) transactions involving publicly traded options or other derivatives, such as trading in puts or calls with respect to Company securities; and (d) hedging transactions. Additionally, because securities held in a margin account or pledged as collateral may be sold without your consent, if you fail to meet a margin call or if you default on a loan, a margin or foreclosure sale may result in unlawful insider trading. Because of this danger, you are prohibited from holding Company securities in a margin account or pledging Company securities as collateral for a loan.

The foregoing restrictions apply to all directors, officers, and employees, as well as family members and such persons' controlled entities. The SEC and federal prosecutors may presume that trading by family members is based on information you supplied and may treat any such transactions as if you had traded yourself. There is no exception for small transactions or transactions that may seem necessary or justifiable for independent reasons, such as the need to raise money for an emergency expenditure.

For purposes of this Policy, references to “trading” and “transactions” includes, among other things:

- purchases and sales of Company securities in public markets;
- sales of Company securities obtained through the exercise of employee stock options granted by the Company;
- making gifts of Company securities; and
- using Company securities to secure a loan.

Conversely, references to “trading” and “transactions” do not include:

- the exercise of Company stock options if no shares are to be sold or if there is a “net exercise” (as defined below);
- the vesting of Company stock options, restricted stock or restricted stock units; or
- the withholding of shares to satisfy a tax withholding obligation upon the vesting of restricted stock or restricted stock units.

Therefore, you may freely exercise your stock options, engage in “net exercises” and have the Company withhold shares to satisfy your tax obligations without violating this Policy. Note that a “net exercise” (which is permitted) is the use of the underlying shares to pay the exercise price and/or tax withholding obligations, whereas a broker-assisted cashless exercise (which is not permitted) involves the broker selling some or all of the shares underlying the option on the open market.

You should consult the General Counsel if you have any questions regarding what constitutes a trade or transaction.

B. What is “Material Nonpublic Information”?

1. *Material Information*

Material information generally means information where there is a reasonable likelihood that a reasonable investor would consider the information important in making an investment decision to buy, hold, or sell securities. Either positive or negative information may be material. Depending on the circumstances, common examples of information that may be material include:

- earnings, revenue, or similar financial information; forecasts of future results;
- unexpected financial results;

- unpublished financial reports or projections;
- extraordinary borrowing or liquidity problems;
- changes in control or sale of all or part of the Company's business;
- changes in directors, senior management or auditors;
- information about current, proposed, or contemplated transactions, business plans, financial restructurings, acquisition targets or significant expansions or contractions of operations;
- changes in dividend policies, the declaration of a stock split or the proposed or contemplated issuance, redemption, or repurchase of securities;
- material defaults under agreements or actions by creditors, clients, or suppliers relating to a company's credit rating;
- information about major contracts;
- gain or loss of a significant customer or supplier;
- major new products or designs, significant advances in product development, or price changes on major products;
- a new cybersecurity risk or cybersecurity incident, whether known to be critical or potentially significant;
- major marketing changes;
- the interruption of production or other aspects of a company's business as a result of an accident, fire, natural disaster, or breakdown of labor negotiations or any major shutdown;
- labor negotiations;
- product recalls;
- major environmental incidents;
- bankruptcy or liquidity concerns or developments;
- institution of, or developments in, major litigation, investigations, or regulatory actions or proceedings; and
- information about Company affiliates.

Federal and NYSE investigators will scrutinize a questionable trade after the fact with the benefit of hindsight, so you should always err on the side of deciding that the information is material and not trade.

If you have questions regarding what constitutes material information, please contact the General Counsel.

2. *Nonpublic Information*

Nonpublic information is information that is not generally known or available to the public. We consider information to be available to the public only when:

- it has been released to the public by the Company through appropriate channels (e.g., by means of a press release, an SEC filing or a widely disseminated statement from a senior officer); and
- enough time has elapsed to permit the investment market to absorb and evaluate the information.

C. Unauthorized Disclosure

All directors, officers, and employees must maintain the confidentiality of Company information for competitive, security and other business reasons, as well as to comply with securities laws. All information you learn about the Company or its business plans is potentially nonpublic information until it is publicly disclosed. You should treat this information as confidential and proprietary to the Company. You may not disclose it to others, such as family members, other relatives, or business or social acquaintances.

Also, legal rules govern the timing and nature of our disclosure of material information to outsiders or the public. Violation of these rules could result in substantial liability for you, the Company and its management. For this reason, we permit only specifically designated representatives of the Company to discuss the Company with the news media, securities analysts and investors and only in accordance with the Company's Guidelines For Public Disclosures And Communications With The Investment Community. If you receive inquiries of this nature, refer them to the General Counsel.

D. When and How to Trade Company Stock

1. *Overview*

Directors, officers, and certain other employees who are so designated from time to time, as well as members of their family members and their controlled entities ("**Restricted Persons**") are for purposes of this Policy required to comply with the restrictions covered below. Even if you are not a Restricted Person, however, following the procedures listed below may assist you in complying with this Policy.

2. *Window Periods*

Restricted Persons may only trade in Company securities from the date that is two full trading days after an earnings release to the close of business on the date that is seven days prior to the end of each quarter (such period, the “**Window Period**”).

However, even if the Window Period is open, you may not trade in Company securities if you are aware of Material Nonpublic Information about the Company. In addition, if you are subject to the Company’s pre-clearance policy (described below), you must pre-clear transactions even if you initiate them when the Window Period is open.

From time to time during the Window Period, the Company may close trading due to developments (such as a significant event or transaction) that involve Material Nonpublic Information. In such cases, the Company may notify particular individuals that they should not engage in any transactions involving the purchase or sale of Company securities, and should not disclose to others the fact that trading has been prohibited.

Even if the Window Period is closed, you may exercise Company stock options, to the extent applicable, if no shares are to be sold – you may not, however, effect sales of stock issued upon the exercise of stock options (including same-day sales and cashless exercises). Generally, all pending purchase and sale orders regarding Company securities that could be executed while the Window Period is open must be cancelled before it closes.

In light of these restrictions, if you expect a need to sell Company securities at a specific time in the future, you may wish to consider entering into a prearranged Rule 10b5-1 trading plan, as discussed below.

3. *No Short-Term Trading of Company Securities*

Any Company securities purchased on the open market by the Company’s Restricted Persons or any such persons’ family members or controlled entities must be held for a minimum of six months. Note that the SEC’s short-swing profit rules already penalize Section 16 Reporting Persons (defined below) who sell any Company securities within six months of a purchase by requiring such person to disgorge all profits to the Company whether or not such person had knowledge of any material, nonpublic information. “**Section 16 Reporting Persons**” are members of the Company’s Board of Directors and certain executive officers who are subject to the reporting and “short-swing profit” liability provisions of Section 16 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”).

For avoidance of doubt, same day cashless exercises of stock options are not subject to this prohibition, provided that there were no previous purchase transactions on the open market within six months of the exercise date.

4. *Pre-clearance*

The Company requires its Restricted Persons to contact the Chief Financial Officer or General Counsel in advance of effecting any purchase, sale or other trading of Company securities and to obtain prior approval of the transaction. A request for pre-clearance should be submitted at least two business days in advance of the proposed transaction. The Chief Financial Officer or General Counsel, as applicable, will respond to the request within two business days. **The pre-clearance policy applies to Restricted Persons even if they are initiating a transaction while a Window Period is open.** The pre-clearance policy also applies to anyone that lives in the household (other than household employees) of a Restricted Person, as well as controlled entities of a Restricted Person.

If a transaction is approved under the pre-clearance policy, the transaction must be executed prior to the close of the current Window Period, but regardless may not be executed if you acquire Material Nonpublic Information concerning the Company during that time. If a transaction is not completed within the period described above, the transaction must be approved again before it may be executed.

If a proposed transaction is not approved under the pre-clearance policy, you may not transact in Company securities, and you should not inform anyone within or outside of the Company of the restriction. Any transaction under a Rule 10b5-1 trading plan (discussed below) will not require pre-clearance at the time of the transaction.

5. *Post-Termination Transactions*

This Policy will continue to apply to your transactions in Company securities after your employment or service has terminated with the Company until such time as you are no longer aware of Material Nonpublic Information or until that information has been publicly disclosed or is no longer material.

E. Rule 10b5-1 Trading Plans

Rule 10b5-1 under the Exchange Act provides for an affirmative defense against insider trading liability if trades occur pursuant to a prearranged “trading plan” that meets specified conditions.

Under Rule 10b5-1, if you enter into a binding contract, an instruction or a written plan that specifies the amount, price and date on which securities are to be purchased or sold, and these arrangements are established at a time when you are not aware of Material Nonpublic Information (a “**Rule 10b5-1 Plan**”), you may claim a defense to insider trading liability if the transactions under the trading plan occur at a time when you have subsequently learned Material Nonpublic Information.

Because this rule is complex, you are required to use E-Trade Financial Corporation in connection with entering into any Rule 10b5-1 trading plan. All Rule 10b5-1 Plans adopted by directors, officers and employees of the Company must comply with the Company’s Individual Rule 10b5-1 Trading Plan Guidelines, which are attached hereto as Annex A.

All Rule 10b5-1 Plans are required to be reviewed and approved by the General Counsel for compliance with Rule 10b5-1 and the Company’s policies concerning such programs, prior to implementing any such Rule 10b5-1 Plan. In addition, all terminations of an existing Rule 10b5-1 Plan must be reviewed and approved by the General Counsel prior to effecting any such termination.

Transactions pursuant to Rule 10b5-1 Plans that are effected in accordance with this Policy and the Company's Individual Rule 10b5-1 Trading Plan Guidelines and may occur notwithstanding the other prohibitions included herein.

F. Noncompliance

Anyone who fails to comply with this Policy will be subject to appropriate disciplinary action, up to and including termination of employment.

G. Certification

All directors, officers, and employees will be required to certify their understanding of and intent to comply with this Policy annually.

Questions about this Policy should be directed to the General Counsel.

Adopted: February 20, 2025

Holley Inc.
Individual Rule 10b5-1 Trading Plan Guidelines

The Securities and Exchange Commission enacted Rule 10b5-1 (the “**Rule**”) to give directors, officers and employees who were often in possession of material, nonpublic information (“**Insiders**”) greater flexibility to engage in transactions in their company’s stock. If Insiders follow the requirements of the Rule, they have an affirmative defense from insider trading liability for trades made under an effective written plan for trading securities (commonly referred to as a Rule 10b5-1 Plan). In each case, Insiders must act in good faith with respect to the Plan and not as part of a scheme to evade the prohibitions against unlawful insider trading.

As set forth in the Holley Inc. Insider Trading Policy (the “**Policy**”), Holley Inc. (the “**Company**”) permits its Insiders to purchase or sell shares of Company common stock pursuant to a Rule 10b5-1 plan (a “**Plan**”) under certain circumstances. The Legal Department has set forth the following guidelines (the “**Guidelines**”) to provide Insiders with clarity as to what parameters must be followed in order to adopt a Plan that is compliant with the Company’s Policy. These Guidelines are in addition to, and not in lieu of, the requirements and conditions of the Rule. Any questions regarding the Guidelines should be directed to the General Counsel.

1. Pre-Clearance. All Plans must be submitted in writing and pre-cleared by the Company’s General Counsel (or his or her designee) at least five business days prior to the entry into the Plan. The Company reserves the right to withhold pre-clearance of any Plan that the Company determines is not consistent with the rules regarding such Plans. Notwithstanding any pre-clearance of a Plan, the Company assumes no liability for the consequences of any transaction made pursuant to such Plan.
2. Plan Adoption. All Plans must be entered into during an open trading window and when the Insider is not in possession of any material, nonpublic information.
3. Plan Format. All Plans must be in writing and must not allow the Insider to exercise any subsequent influence over how, when or whether to effect trades in Company securities under the Plan. Additionally, Plans must (a) expressly state the amount, price and dates on which transactions may be executed, (b) provide a written formula for determining amounts, prices and dates or (c) delegate discretion on those matters to an independent third party.
4. Cooling-Off Period.

A. If the Insider is a Company director or officer (as defined in Rule 16a-1 under the Securities Exchange Act of 1934, as amended (a “**Section 16 Person**”)), the Plan must not permit any trades to occur until the later of (a) 90 days following adoption or modification of the Plan or (b) two business days following the disclosure of the Company’s financial results in a Form 10-Q or Form 10-K for the fiscal quarter in which the Plan was adopted or modified (but, in any event, this required cooling-off period is subject to a maximum of 120 days after adoption of the Plan).

B. If the Insider is not a Section 16 Person (but is also not the Company), the Plan must not permit any trades to occur until the expiration of a cooling-off period 30 days after the adoption or modification of such Plan.

5. Multiple Plans. Pursuant to the Rule only one Plan may be in effect at any time, unless one of three exemptions is met, which are:

A. A person may enter into more than one Plan with different broker-dealers or other agents and treat the Plans as a single Plan so long as, when taken as a whole, the “plan” complies with all of the rule’s requirements;

B. A person may adopt one later-commencing Plan so long as trading under the later-commencing Plan is not authorized to begin until after all trades under the earlier-commencing Plan are completed or expire without execution. If the earlier-commencing Plan is terminated earlier, the later-commencing Plan must have a cooling-off period that starts when the first Plan terminates; and

C. A person may have an additional Plan set up solely to sell securities as necessary to satisfy tax-withholding obligations arising exclusively from the vesting of a compensatory award, otherwise known as “sell-to-cover” transactions.

Further, a person may only rely on the affirmative defense for a single-trade plan once during any consecutive 12-month period. A single-trade plan is a 10b5-1 trading plan designed to effect the purchase or sale of the total amount of the securities subject to the plan as a single transaction.

6. Trades Outside of the Plan. Once a Plan is established, Insiders may transact in securities that are not subject to the currently existing Plan. Such transactions continue to require pre-clearance and be subject to the Company’s Policy. Under no circumstances will opposite-way open market transactions be permitted.

7. Plan Duration. The minimum duration of a Plan is six months and the maximum duration is two years.

8. Certification. When entering into a Plan, an Insider must certify that at the time of adoption of the Plan that the Insider: (1) is not aware of any material, non-public information; and (2) is adopting the Plan in good faith and not as part of a plan or scheme to evade the prohibitions of the Rule.

9. Modifications. Unless otherwise approved in advance by the Company’s General Counsel or his/her designee, Plan modifications are prohibited. As provided in the Rule, any modification or change to the amount, price, or timing of the purchase or sale of the securities underlying a Plan is a termination of such Plan and the adoption of a new Plan. In addition, a Plan modification, such as the substitution or removal of a broker that is executing trades pursuant to a Rule 10b5-1 arrangement on behalf of the person, that changes the price or date on which purchases or sales are to be executed, is a termination of such Plan and the adoption of a new Plan.

10. Early Terminations. The early termination of a Plan could affect the availability of the Rule's affirmative defense for prior Plan transactions if it calls into question whether the Plan was entered into in good faith and not as part of a plan to avoid the insider trading rules. **Because of this risk, early terminations are strongly discouraged.** In the event an Insider determines to terminate a Plan early, every effort should be taken to terminate the Plan during an open window. Early termination of a Plan during a quiet (or blackout) period requires extenuating circumstances and is subject to legal review. In the event an Insider early terminates his or her Plan, such Insider will be subject to the cooling off period for any subsequent Plan, as noted above in Section 4, or with respect to overlapping Plans, that starts when the first Plan is terminated as set forth in Section 5.
11. Brokers and Broker Reporting. Each Plan must require the broker counterparty to promptly report to the Company's designated representative the details of every transaction executed under a Plan, but in any event, such detail shall be provided no later than one business day after the execution date.
12. Public Disclosure of Plan Transactions. Transactions executed pursuant to a Plan will be indicated as such on the Insider's Form 4. In addition, when required by SEC rules, the Company will disclose in its periodic reports (i.e., 10-Qs and 10-Ks) the adoption or termination of a Plan by any Section 16 Person during the last completed quarter, including a description of the material terms of such a Plan, other than terms with respect to price.
13. Securities Laws. A Plan does not relieve Insiders from their obligations to comply with the requirements of applicable securities laws. You will need to coordinate with your broker and the Company to ensure that all of these requirements are satisfied and that all required notices and reports are timely and accurately filed.

Subsidiaries of the Registrant

Holley Intermediate Holdings LLC
Holley Purchaser, Inc.
Holley High Performance Holdings, Inc.
High Performance Industries, Inc.
Holley Performance Products Inc.
Hot Rod Brands, Inc.
Speedshop.com, Inc.
Simpson Safety Solutions, Inc.
B&M Racing & Performance Products, Inc.
Holley Performance Products (Canada), Inc.
Simpson Performance Products, Inc.
Team Simpson Partners, Inc.
Simpson Partners, Inc.
Stilo S.r.L
Aero Wings, Inc.
Accel Performance Group, LLC
MSD, LLC
MSDP Trading Shanghai Company Ltd.
Powerteq, LLC
APR, LLC
APR Germany GP, LLC
APR Germany LLC & Co. KG

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 14, 2025, with respect to the consolidated financial statements included in the Annual Report of Holley Inc. on Form 10-K for the year ended December 31, 2024. We consent to the incorporation by reference of said report in the Registration Statements of Holley Inc. on Form S-1 (File No. 333-258075), Forms S-8 (File No. 333-272436 and File No. 333-259744) and Forms S-3 (File No. 333-276324 and File No. 333-266779).

/s/ Grant Thornton LLP

Cincinnati, Ohio
March 14, 2025

CERTIFICATIONS

I, Matthew Stevenson, certify that:

1. I have reviewed this annual report on Form 10-K of Holley Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Matthew Stevenson

Matthew Stevenson

Director, President and Chief Executive Officer

March 14, 2025

CERTIFICATIONS

I, Jesse Weaver, certify that:

1. I have reviewed this annual report on Form 10-K of Holley Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jesse Weaver
Jesse Weaver
Chief Financial Officer

March 14, 2025

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report on Form 10-K of Holley Inc. (the "Company") for the year ended December 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), Matthew Stevenson, Director, President and Chief Executive Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Matthew Stevenson

Matthew Stevenson

Director, President and Chief Executive Officer

March 14, 2025

A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report on Form 10-K of Holley Inc. (the "Company") for the year ended December 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), Jesse Weaver, Chief Financial Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jesse Weaver
Jesse Weaver
Chief Financial Officer

March 14, 2025

A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

HOLLEY INC.

CLAWBACK POLICY

Effective December 1, 2023

If Holley Inc., a Delaware corporation (together with its subsidiaries, the “*Company*”), is required to prepare an Accounting Restatement (as defined below), then the Company will recover reasonably promptly the amount of Erroneously Awarded Compensation (as defined below) Received (as defined below) by any current or former Executive Officer (as defined below) during the Recovery Period (as defined below).

The Company will not be required to enforce this policy if the Compensation Committee (the “*Committee*”) of the Board of Directors of the Company (the “*Board*”) determines that (i) recovery would be impracticable, as determined by the Committee, and (ii) one of the conditions of (A), (B), or (C) are satisfied:

- (A) The direct expense paid to a third party to assist in enforcing this policy would exceed the amount to be recovered; provided, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, document such reasonable attempt(s) to recover, and provide that documentation to the New York Stock Exchange (the “*NYSE*”).
- (B) Recovery would violate home country law where that law was adopted prior to November 28, 2022; provided, that before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company must obtain an opinion of home country counsel, acceptable to the NYSE, that recovery would result in such a violation, and must provide such opinion to the NYSE.
- (C) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to the Company’s employees, to fail to meet the requirements of the Internal Revenue Code of 1986, as amended.

The Company is prohibited from indemnifying any current or former Executive Officer against the loss of any Erroneously Awarded Compensation or paying or reimbursing such Executive Officers for insurance premiums to recover losses incurred under this policy.

This policy is intended to comply with Section 303A.14 of the NYSE Listed Company Manual (the “*Manual*”), as required by Section 10D of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), and Rule 10D-1 promulgated thereunder. The Committee shall have express discretionary authority to interpret and administer this policy and to make all determinations with respect to this policy in its sole discretion which shall be final and binding on all parties.

Definitions: For purposes of this policy:

- “*Accounting Restatement*” means an accounting restatement triggered by the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.
- “*Executive Officer*” means the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the issuer in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the issuers. Executive officers of the Company parent(s) or subsidiaries are deemed executive officers of the Company if they perform such policy making functions. Identification of an Executive Officer for purposes of this policy and Section 303A.14 of the Manual would include at a minimum executive officers identified pursuant to 17 CFR 229.401(b).
- “*Erroneously Awarded Compensation*” means the amount of Incentive-Based Compensation Received by an Executive Officer that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the restated amounts, which amount must be computed without regard to any taxes paid.
- “*Financial Reporting Measure*” are measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also Financial Reporting Measures. A Financial Reporting Measure need not be presented within the financial statements or included in a filing with the U.S. Securities and Exchange Commission.
- “*Incentive-Based Compensation*” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of any Financial Reporting Measure.
- “*Received*” with respect to Incentive-Based Compensation means the fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.
- “*Recovery Period*” means the three (3) completed fiscal years immediately preceding the date that the Company is required to prepare an Accounting Restatement, which date is the earlier to occur of (a) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is

required to prepare an Accounting Restatement or (b) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement. In addition to these last three (3) completed fiscal years, the Recovery Period also applies to any transition period (that results from a change in the Company's fiscal year) within or immediately following those three (3) completed fiscal years. However, a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine (9) to twelve (12) months would be deemed a completed fiscal year.