



# Investor Presentation

APRIL 25, 2022



# Forward-Looking Statements and Non-GAAP Financial Measures

## Forward-Looking Statements

This presentation contains, and oral statements made from time to time by our representatives constitute, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements related to the COVID-19 pandemic, net sales, diluted and adjusted diluted earnings per share, adjusted diluted earnings per share growth, gross profit, gross margin, adjusted gross margin, free cash flow, SG&A, adjusted SG&A, income tax expense, income before income taxes, net income, cash and cash equivalents, indebtedness, liquidity, the Company’s share repurchase program, the Company’s outlook and distribution facility costs and productivity initiatives. Words such as “believe,” “demonstrate,” “expect,” “estimate,” “forecast,” “anticipate,” “should,” “will” and “likely” and similar expressions identify forward-looking statements. However, the absence of these words does not mean the statements are not forward-looking. In addition, statements that are not historical should also be considered forward-looking statements. Readers are cautioned not to place undue reliance on those forward-looking statements, which speak only as of the date such statements were made. Such forward-looking statements are based on current expectations that involve a number of known and unknown risks, uncertainties and other factors (many of which are outside of our control). Such risks, uncertainties and other factors relate to, among other things: the impacts of COVID-19; competition in and the evolution of the automotive aftermarket industry; changes in our relationships with, or the loss of, any customers or suppliers; our ability to develop, market and sell new and existing products; our ability to anticipate and meet customer demand; our ability to purchase necessary materials from our suppliers and the impacts of any related logistics constraints; financial and economic factors, such as our level of indebtedness, fluctuations in interest rates and inflation; political and regulatory matters, such as changes in trade policy, the imposition of tariffs and climate regulation; our ability to protect our intellectual property and defend against any claims of infringement; and our ability to protect our information security systems and defend against cyberattacks. Please refer to “Statement Regarding Forward-Looking Statements” and “Item 1A. Risk Factors” located in Part I of our in the Company’s Annual Report on Form 10-K for the fiscal year ended December 25, 2021 filed with the Securities and Exchange Commission (“SEC”), as updated by our subsequent filings with the SEC, for a description of these and other risks and uncertainties that could cause actual results to differ materially from those projected or implied by the forward-looking statements. The Company is under no obligation to, and expressly disclaims any such obligation to, update any of the information in this document, including but not limited to any situation where any forward-looking statement later turns out to be inaccurate whether as a result of new information, future events or otherwise.

## Non-GAAP Financial Measures

This presentation includes adjusted diluted earnings per share and free cash flow, each a “Non-GAAP Financial Measure” as defined under the rules of the Securities and Exchange Commission. These non-GAAP financial measures should not be used as a substitute for GAAP measures, or considered in isolation, for the purpose of analyzing our cash flows or results of operations. Additionally, these non-GAAP measures may not be comparable to similarly titled measures reported by other companies. Reconciliations of these non-GAAP measures to the most directly comparable GAAP financial measures are included in this presentation.



# Agenda

- Dorman Snapshot
- Industry Dynamics
- Growth Strategy
- Financial Results
- Summary

# Dorman History

- Founded in 1978
  - NASDAQ listed since 1991: DORM
  - Founding family ~17% ownership<sup>1</sup>
- A Leading Supplier of Replacement Parts in the Automotive Aftermarket Industry
- 2021 Net Sales of \$1.3 Billion
  - Year-over-year Net Sales growth of 23%
  - 5-year CAGR of 9%

Dorman offers<sup>1</sup>:  
~320 product categories  
~118,000 distinct parts

<sup>1</sup>Data as of 12/25/2021.

# Dorman's Core Automotive Competencies



## NEW TO THE AFTERMARKET

Distinctive Business Model  
A Leading Aftermarket Innovator  
Robust Ideation Network



## GLOBAL SOURCING

Global Design, Development  
and Sourcing Capabilities



## BROAD DISTRIBUTION\*

56% - Retail  
33% - Traditional  
11% - Heavy Duty and Other

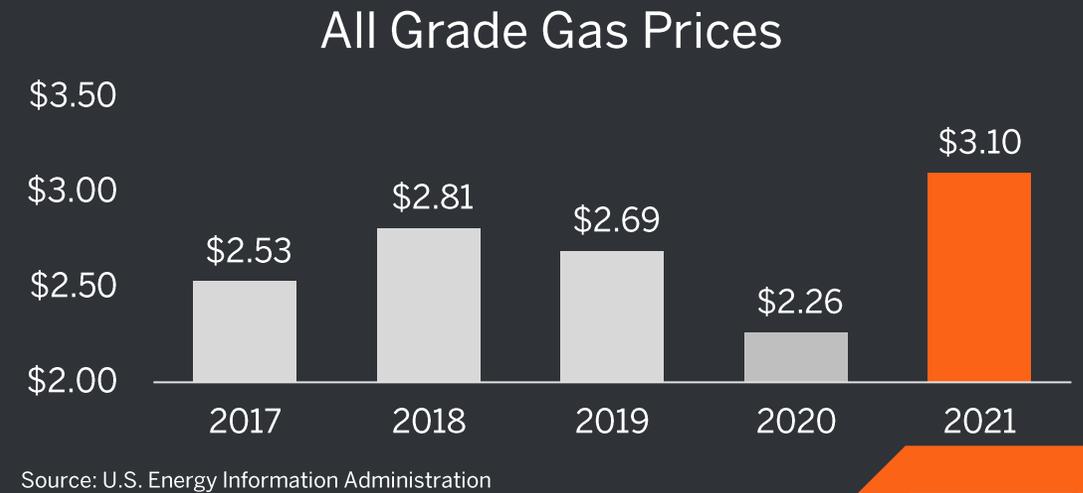
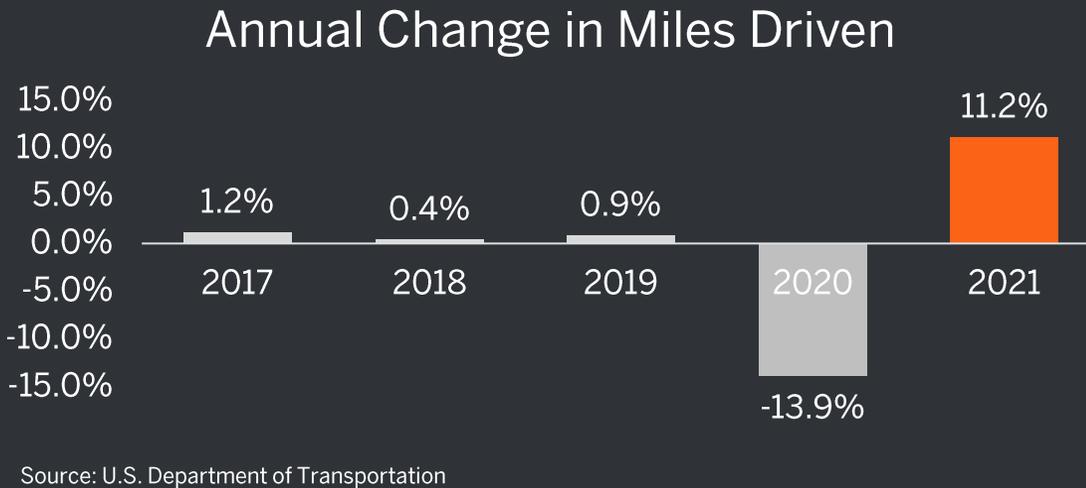
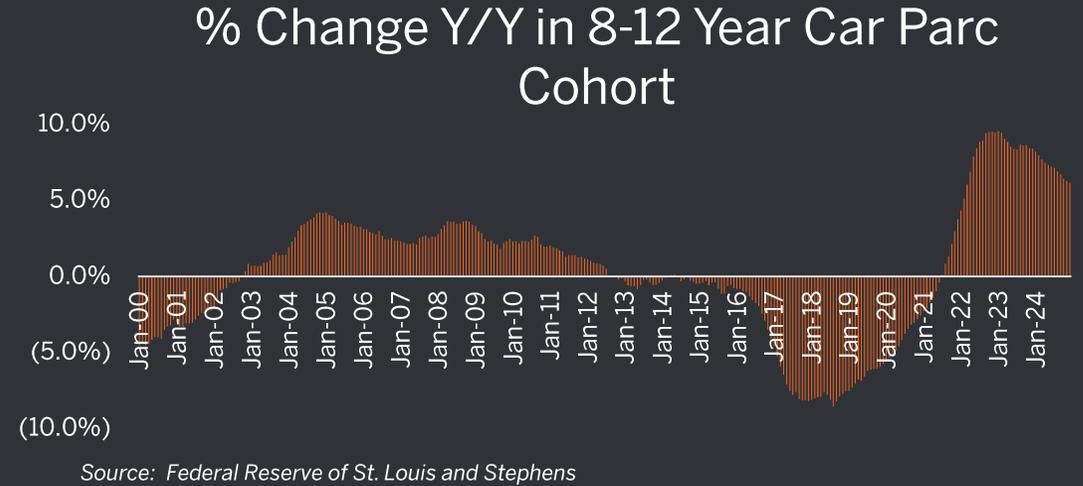
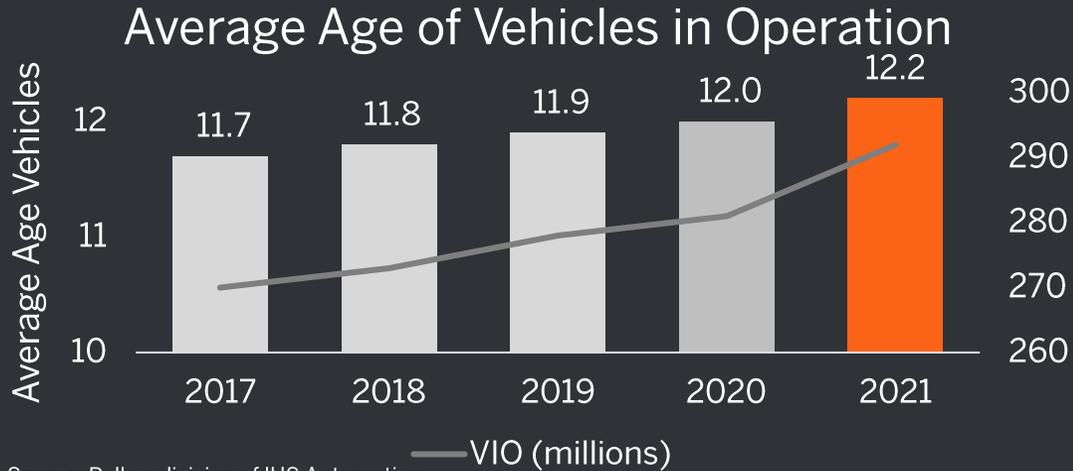


## CATEGORY BREADTH\*

40% - Powertrain  
34% - Chassis  
22% - Automotive Body  
4% - Hardware

\* Percentages for fiscal year ended December 25, 2021

# Industry Dynamics

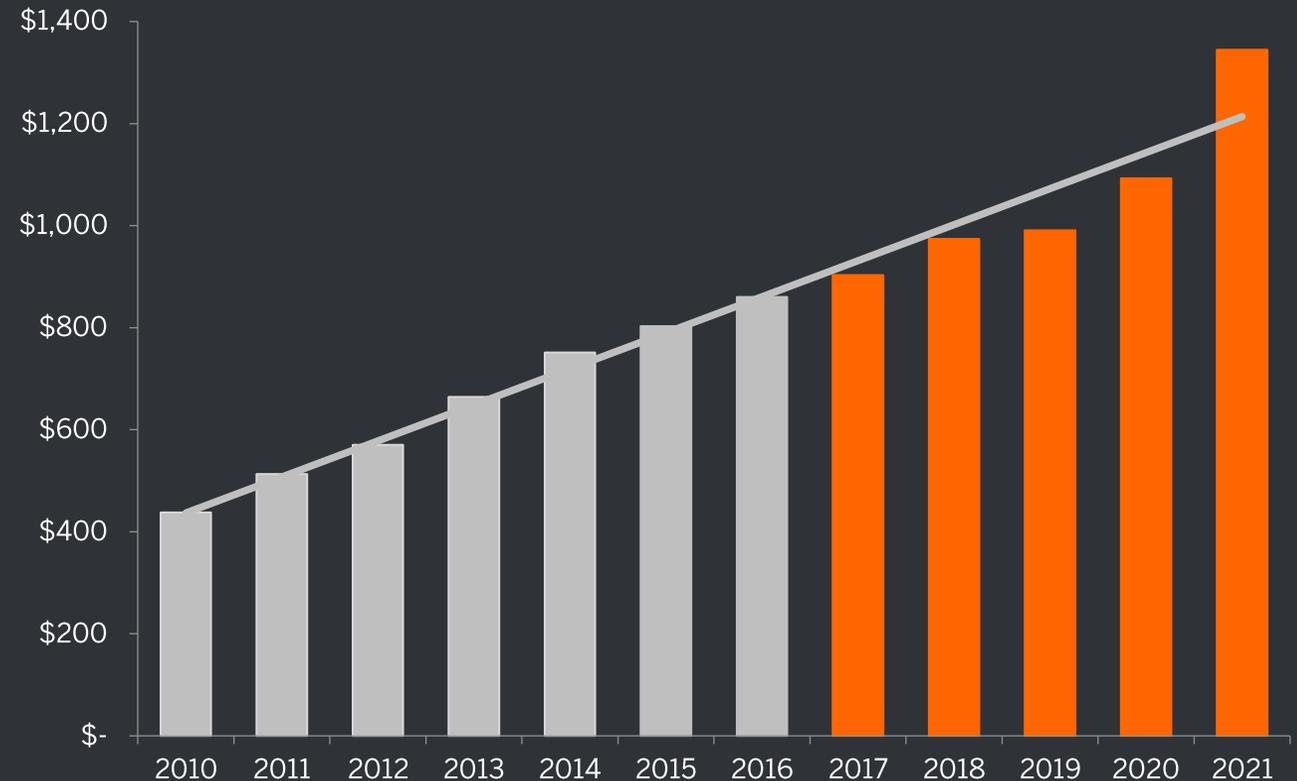


# New Products Driving Growth

- Dorman Net Sales 5-Year CAGR of ~9% for 2021 Outpaced the Broader Aftermarket
- New Product Revenue Creates Growth Opportunities
  - Items previously only available at the OE Dealer or Salvage Yard
  - New Products = Comp Store Sales Growth Opportunities for Customers

**Aftermarket ~2.8%<sup>1</sup>**

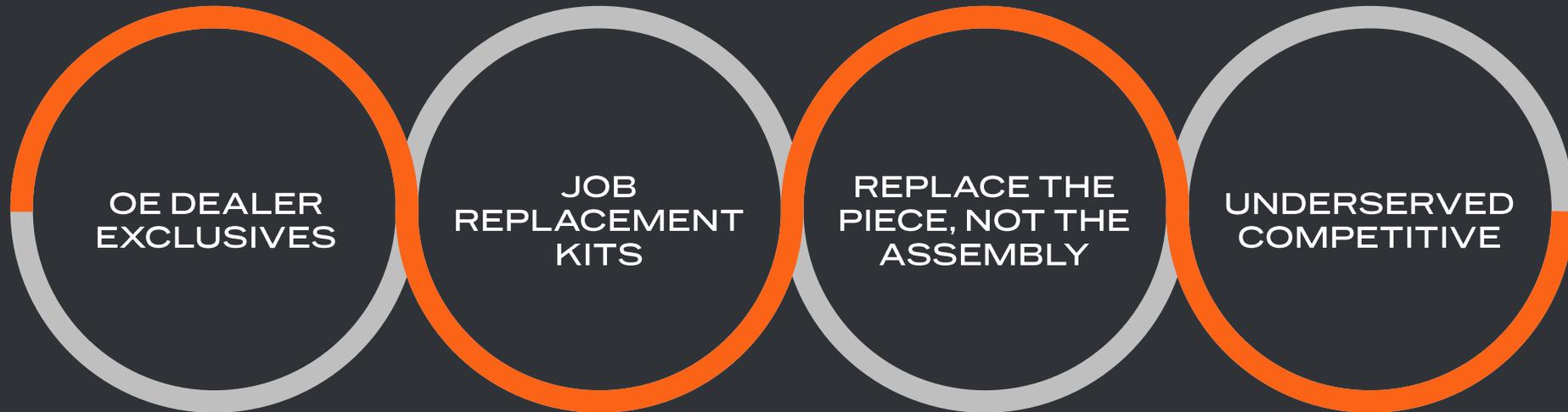
**Dorman Net Sales (in Millions)**



<sup>1</sup>Source: 2022 Auto Care Association Factbook, 2016-2021 data

# New to the Aftermarket Products

	2019	2020	2021
New to the Aftermarket	1,625	1,433	990
Line Extensions (Many of which are exclusive items)	3,614	2,046	3,325
<b>Total Distinct Parts Introduced</b>	<b>5,239</b>	<b>3,479</b>	<b>4,315</b>



# New to the Aftermarket Engine

- Installer Relationship and Feedback Network Help Identify Failure-prone OEM Parts
- Culture of Contribution Drives Innovation
  - 365+ product, engineering, and quality contributors in 8 co-located teams in US and Asia with emphasis on first to market
  - Clear decision-making model
- Manufacturing Base of Several Hundred Suppliers
  - ~74% sourced internationally<sup>1</sup>
  - No supplier > 10% of Dorman purchases<sup>1</sup>

R&D Investments (in \$ Millions)



<sup>1</sup>Data for fiscal year ended December 25, 2021

<sup>2</sup>Includes results of Dayton Parts for the period from 8/10/21 through 12/25/21

# Marketing Strategy

Tradeshow / Training



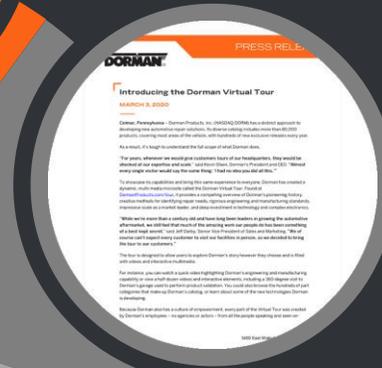
National Advertising



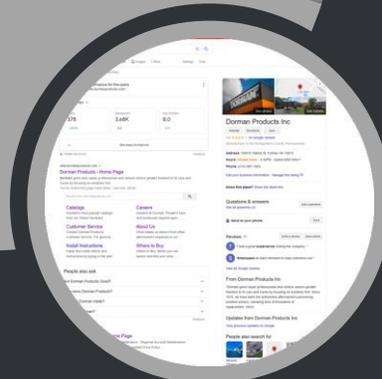
Social Media



Industry Press Releases



SEO/SEM AdWord



# Growth Opportunities

## Market Expansion

- US & Canadian Light-Duty Automotive Market
- Medium & Heavy-Duty Aftermarket
- Support our customers' expansion into new geographies & product categories

## Strategic Acquisitions

- Bolt-on acquisitions in Light Duty
- Leverage Dayton acquisition and further penetrate Heavy-Duty channel
- Opportunistically evaluate adjacent markets & regional expansion

## Future Technology

- Significant investment in R&D over last 5 years
- Expanding offer in new technologies
- Leading edge of aftermarket development and new solutions

# Acquisition of Dayton Parts

## OVERVIEW

- On August 10, 2021, Dorman Products acquired Dayton Parts for total consideration of \$345.5 million in cash (net of \$8.8 million of acquired cash), subject to certain customary post-acquisition purchase price adjustments
- Dayton Parts offers a complete line of brake, spring, steering, suspension, driveline and hitch & coupling products for commercial vehicles in the USA and Canada, and is a leader in the undercarriage category
- Transaction expected to significantly accelerate Dorman's efforts to drive heavy-duty business growth strategy, and is consistent with Dorman's acquisition strategy

## VALUE CREATION

- Dayton Parts generated \$168 million in net sales for the twelve months ended December 2020
- Transaction expected to enhance net sales growth, generate cost savings, and deliver strong margins
- The transaction to be immediately accretive to adjusted diluted earnings per share, excluding one-time charges and acquisition-related intangible assets amortization

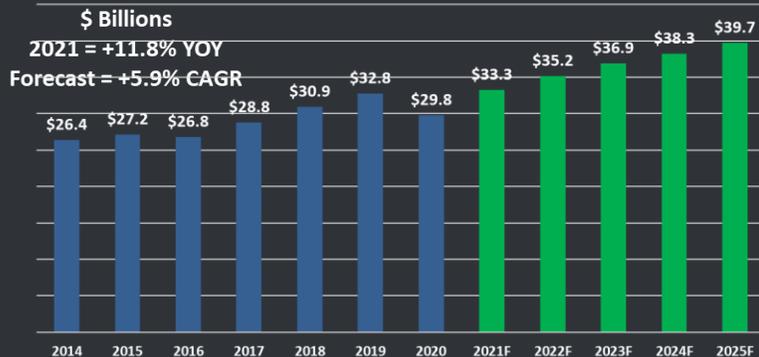
## CAPITAL STRUCTURE

- Dorman entered into a new \$600 million Revolving Credit Facility in connection with the transaction, which replaced its existing revolving credit facility
- Borrowings under the new facility that were used to complete the transaction resulted in less than 1.0X net leverage at closing
- Combined entities expected to generate significant free cash flow
- Sufficient liquidity post-closing to fund operations and pursue additional ongoing opportunistic acquisition strategy

# Strategic Rationale for Dayton Parts Acquisition

## Heavy Duty is a Growing Industry with Favorable Trends

United States Aftermarket Demand Class 6-8, Trailers, CC

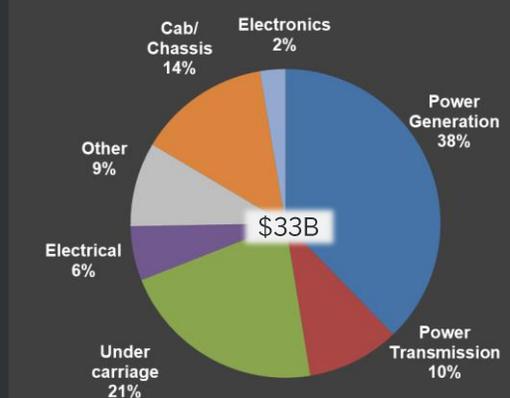


Source: MacKay & Company, 2021

- Growing heavy duty aftermarket demand
- Accelerating aftermarket parts purchases and shifting channel share
- Increasing trucking mileage and tonnage
- Expanding trucking fleets
- High utilization for existing fleets

## Undercarriage is a Top-3 Heavy Duty Category

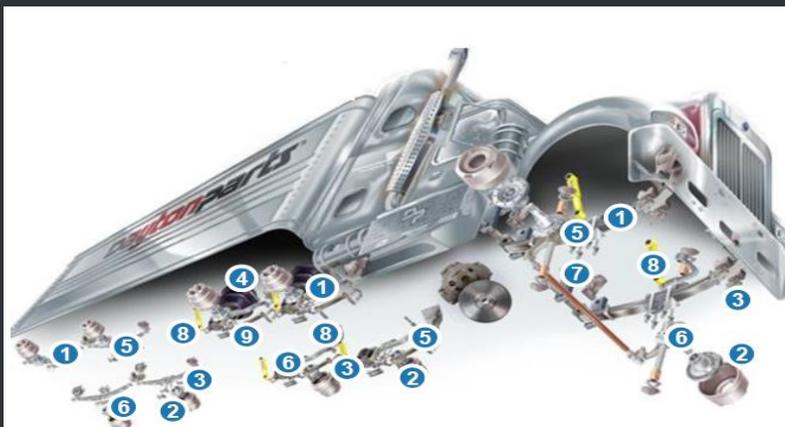
United States Aftermarket Demand Class 6-8, Trailers, CC



Source: MacKay & Company, 2021

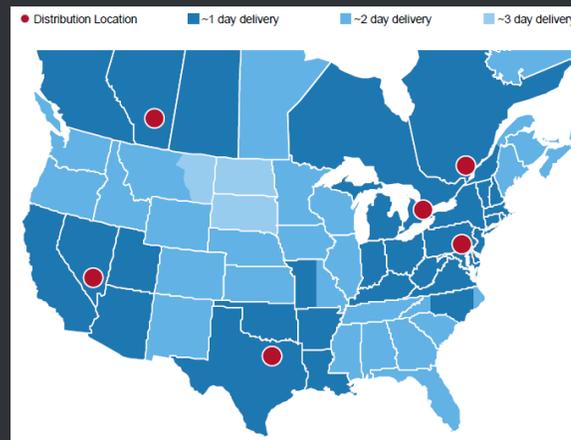
- High turn category: customers accessing Dayton Parts' content every day which provides visibility across entire parts catalog and drives brand recognition into new categories
- Mature: well catalogued, easily stocked and sold
- Proliferated: customer is comfortable with product and repair and can sell the lines
- Sustainable: not susceptible to technological change

## Best-in-Class Mission Critical Products; Predictable, Non-Deferrable Replacement Cycles



Product	Expected Replacement Cycle
1 Leaf Springs	5 - 8 years
2 Brakes	2 - 4 years
3 Attaching Parts	4 - 6 years
4 Air Springs	3 - 4 years
5 U-bolts	5 - 8 years
6 Bushings	5 - 6 years
7 Steering Components	3 - 5 years
8 Shocks	3 - 4 years
9 Torque Rods	3 - 5 years

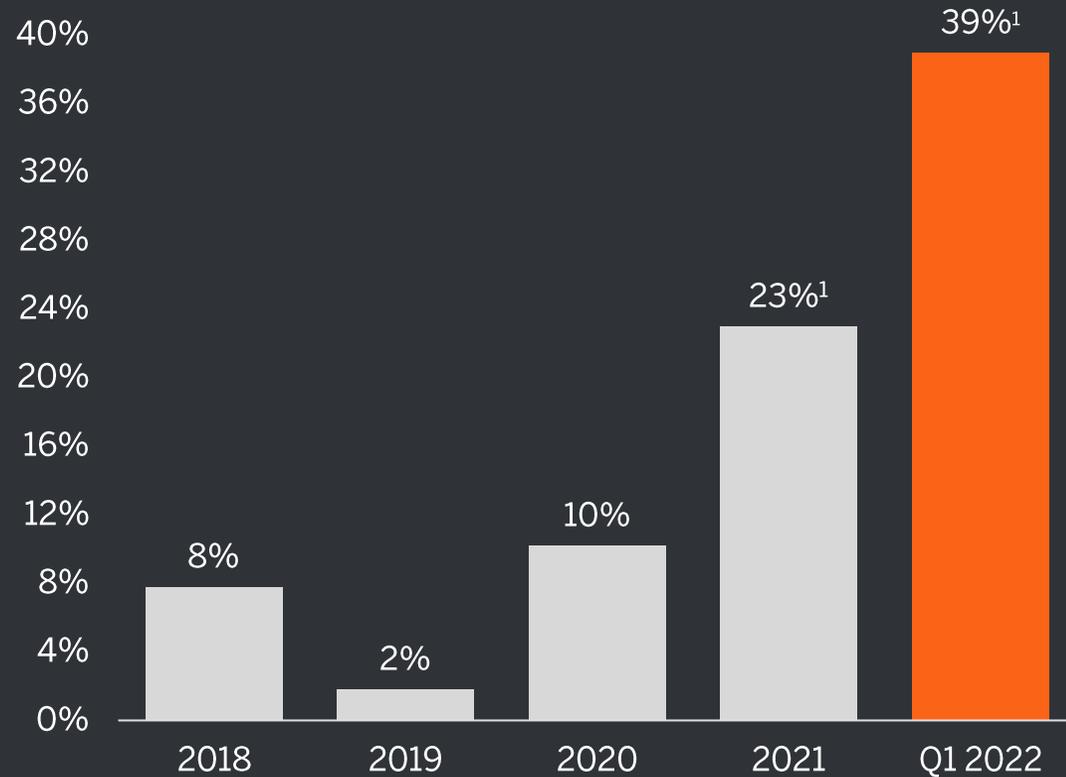
## Just-in-Time Distribution System Across US and Canada



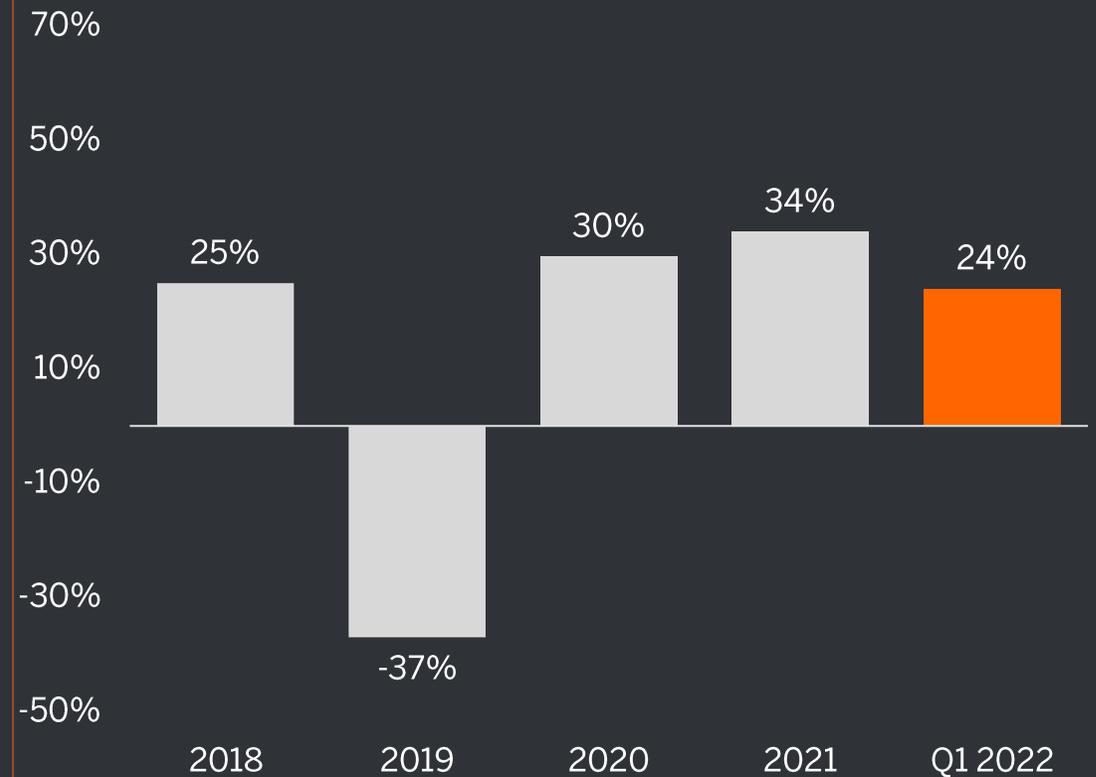
- In a highly fragmented industry, Dayton Parts' facilities, logistical capabilities, and inventory differentiates its best-in-class turnaround times and fill rates
- Combination of flexible manufacturing capabilities and a broad distribution footprint supports the capability to deliver orders on average in 1-2 days across North America

# Net Sales and EPS Growth Rebound

## Net Sales Growth Rates



## Adjusted Diluted Earnings Per Share Growth Rates<sup>2</sup>



<sup>1</sup> Includes Impact of Dayton Parts Acquisition. Growth is 21% for Q1 2022 and 16% for Fiscal 2021, excluding Dayton Parts.

<sup>2</sup> Refer to Non-GAAP reconciliation in Appendix for additional details of adjustments for each period

# Summary Income Statement

IN MILLIONS, EXCEPT PER SHARE DATA

	Three Months Ended	
	3/26/22 <sup>1</sup>	3/27/21
<b>Net sales</b>	<b>\$401.6</b>	<b>\$288.0</b>
Cost of goods sold	268.3	183.5
<b>Gross profit</b>	<b>133.2</b> <b>(33.2%)</b>	<b>104.5</b> <b>(36.3%)</b>
Selling, general and administrative expenses	86.5	62.9
<b>Income from operations</b>	<b>46.7</b> <b>(11.6%)</b>	<b>41.6</b> <b>(14.5%)</b>
Interest expense	1.2	0.1
Other income, net	(0.1)	(0.1)
Provision for income taxes	10.4	8.9
<b>Net income</b>	<b>\$ 35.2</b>	<b>\$ 32.7</b>
<b>Diluted earnings per share</b>	<b>\$ 1.11</b>	<b>\$ 1.02</b>

<sup>1</sup>Includes results of Dayton Parts

# Summary Balance Sheet

IN MILLIONS

	3/26/2022	12/25/2021
Cash	\$ 53.4	\$ 58.8
Accounts receivable, net	456.1	472.8
Inventories	565.2	532.0
Prepays and other current assets	13.5	13.0
Property, plant and equipment, net	116.2	114.9
Goodwill and other intangible assets	374.2	376.1
Other long-term assets	145.7	105.5
<b>Total Assets</b>	<b>1,724.3</b>	<b>1,673.1</b>
Revolving credit facility	229.4	239.4
Other current liabilities	423.2	425.7
Long-term liabilities	112.3	75.3
Shareholders' equity	959.4	932.7
<b>Liabilities and Shareholders' Equity</b>	<b>\$ 1,724.3</b>	<b>\$ 1,673.1</b>
<b>Net Working Capital</b>	<b>\$ 435.6</b>	<b>\$ 411.5</b>

- Strong balance sheet with good cash position and ample liquidity
- Accounts receivable consistent, with strong sales growth offset by factoring and collections
- Increased inventory position to help meet continued strong demand and mitigate global supply chain challenges
- Other long-term assets and long-term liabilities reflect new lease for warehouse services effective March 2022
- Revolving credit facility reflects repayment of \$10 million in Q1 2022

# Summary Statement of Cash Flows

IN MILLIONS

For the Year Ended	3/26/2022 <sup>1</sup>	3/27/2021
Net Income	\$ 35.2	\$ 32.7
Depreciation, amortization, and accretion	9.7	7.3
Change in accounts receivable	16.7	8.3
Change in inventories	(33.0)	(39.0)
Change in accounts payable	(12.4)	0.7
Other adjustments and changes in working capital	7.0	11.0
<b>Cash provided by operating activities</b>	<b>23.2</b>	<b>21.0</b>
Proceeds from purchase price adjustment	0.6	–
Property, plant, and equipment additions	(7.2)	(6.2)
<b>Cash used in investing activities</b>	<b>(6.6)</b>	<b>(6.2)</b>
Payments on revolving credit line	(10.0)	–
Purchase and cancellation of common stock	(10.8)	–
Other financing activities	(1.2)	(3.8)
<b>Cash used in financing activities</b>	<b>(22.0)</b>	<b>(3.8)</b>
Net (decrease) increase in cash and cash equivalents	(5.4)	11.0
Cash and cash equivalents, beginning of period	58.8	155.6
Cash and cash equivalents, end of period	\$ 53.4	\$ 166.6
Cash provided by operating activities	\$ 23.2	\$ 21.0
Property, plant, and equipment additions	(7.2)	(6.2)
<b>Free cash flow<sup>2</sup></b>	<b>\$ 16.0</b>	<b>\$ 14.8</b>

- Ended Q1 2022 with \$53 million of cash and cash equivalents
- Generated \$23 million of cash from operating activities in Q1 2022
- Repaid \$10 million on revolving credit line in Q1 2022
- Historical capex averaged ~2.3%<sup>3</sup> of annual net sales
- \$500 million share repurchase program through Dec. 2022
  - Approximately \$136 million available for repurchase under the program<sup>4</sup>

<sup>1</sup> Includes results of Dayton Parts

<sup>2</sup> Non-GAAP Financial Measure

<sup>3</sup> For the period 2017-2021

<sup>4</sup> Based on purchases through 3/26/22



## Recap

- A Leading Supplier of Replacement Parts in the Automotive Aftermarket
- Strong Growth Opportunities
- Historical Track Record of Net Sales and EPS Growth
- Strong Balance Sheet

# Questions



**KEVIN OLSEN**

President & CEO



**DAVID HESSION**

SVP & CFO

# Appendix: Non-GAAP Reconciliation

Earnings Per Share Growth	Fiscal Year Ended					Three Months Ended	
	2017	2018	2019	2020	2021	2021	2022
<b>Diluted earnings per share (GAAP)</b>	\$ 3.13	\$ 4.02	\$ 2.56	\$ 3.30	\$ 4.12	\$ 1.02	\$ 1.11
Percentage change from PY	2%	28%	-36%	29%	25%		9%
<u>Adjustments to diluted earnings per share:</u>							
Pretax acquisition-related intangible assets amortization	0.01	0.06	0.08	0.10	0.20	0.02	0.09
Pretax acquisition-related transaction and other costs	0.05	0.14	0.04	0.14	0.47	0.00	0.13
Pretax gain on equity method investment	–	–	–	(0.08)	–	–	–
Noncash impairment related to equity method investment	–	0.03	–	0.06	–	–	–
Tax adjustment (related to above items)	(0.02)	(0.05)	(0.03)	(0.06)	(0.14)	(0.01)	(0.05)
Tax (benefit) charge related to pre-2016 state tax matters	0.07	(0.01)	–	–	–	–	–
Deferred tax asset revaluation related to the Tax Cuts and Jobs Act	0.13	–	–	–	–	–	–
Tax benefit for reversal of deferred tax liability for equity method investment	–	–	–	(0.03)	–	–	–
<b>Adjusted diluted earnings per share (Non-GAAP)</b>	\$ 3.37	\$ 4.20	\$ 2.65	\$ 3.45	\$ 4.64	\$ 1.04	\$ 1.29
Percentage change from PY	10%	25%	-37%	30%	34%		24%

Amounts may not add due to rounding