



# DORMAN PRODUCTS, INC.

Q3 2024 EARNINGS PRESENTATION  
NOVEMBER 1, 2024



# Forward-Looking Statements & Non-GAAP Financial Measures

## **Forward-Looking Statements**

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. Words such as “may,” “will,” “should,” “likely,” “probably,” “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “views,” “estimates” and similar expressions are used to identify these 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 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: competition in and the evolution of the motor vehicle 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; widespread public health pandemics; political and regulatory matters, such as changes in trade policy, the imposition of tariffs and climate regulation; our ability to protect our information security systems and defend against cyberattacks; our ability to protect our intellectual property and defend against any claims of infringement; and financial and economic factors, such as our level of indebtedness, fluctuations in interest rates and inflation. More information on these risks and other potential factors that could affect the Company’s business, reputation, results of operations, financial condition, and stock price is included in the Company’s filings with the Securities and Exchange Commission (“SEC”), including in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of the Company’s most recently filed periodic reports on Form 10-K and Form 10-Q and subsequent filings. 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 non-GAAP financial measures 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.



## Q3 2024 Highlights

- 1** Net Sales of \$503.8 million, up 3.2% over Q3 2023
- 2** Adjusted Operating Margin<sup>1</sup> of 17.1%, 290 bps improvement over Q3 2023
- 3** Adjusted Diluted EPS<sup>1</sup> of \$1.96, a 40% increase over Q3 2023
- 4** Generated \$36 million in Free Cash Flow<sup>1</sup>; repaid \$11 million of debt; repurchased \$27 million of Dorman shares
- 5** Updated 2024 Guidance<sup>2</sup>:
  - Net Sales growth of 3.5% to 4.5%
  - Adjusted Diluted EPS<sup>1</sup> range of \$6.85 to \$6.95

<sup>1</sup> See reconciliations of non-GAAP amounts on slide 11 and in appendix of this presentation.

<sup>2</sup> See slide 13 for more information on the Company's guidance, including certain exclusions and assumptions

# Segment Observations



## Light Duty

- Positive macro trends continued through the third quarter, with YOY increase in vehicle miles traveled
- Shipments were generally aligned with customer POS in the quarter
- Automation and operational efficiencies delivered strong profit margin expansion
- Continued the geographical diversification of our supply chain



## Heavy Duty

- Market softness continued, but appears to be stabilizing
- New product releases more than doubled YTD through Q3 compared to the prior-year period
- Commercialization processes and tools continued to enhance customer experience and generate growth opportunity



## Specialty Vehicle

- High interest rates and consumer sentiment continued to negatively impact sector
- Continued new product development and new dealer growth initiatives offset sector softness
- Additional non-discretionary repair parts continued enhancing product portfolio
- Cost savings initiatives drove improved margin profile

# Emerging Technologies Shaping the Future of Transportation

## Powertrain Agnostic: Multi-Platform Approach Accelerating Growth Opportunity

### Internal Combustion Engine (ICE)



- Expected to remain ~90% of VIO through 2035\*
- Regulation and platform changes provide significant aftermarket opportunity

### Hybrid Vehicles



- Dual powertrain provides greater opportunity for aftermarket repair
- In VIO “sweet spot” currently, with increased adoption across OEMs for future models

### Electric Vehicles (EV)



- Lower VIO exposure today, but applying Dorman approach to innovation strategy
- Higher component average selling price



**+6,000 SKUs** Hybrid / EV  
Body & Suspension Application Components



**+2,500 SKUs** ICE / Hybrid / EV  
Complex Electronics & Smart Motors



**+1,700 SKUs** Hybrid / EV  
Drivetrain Application Components



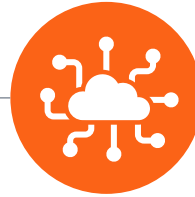
**+500 SKUs** ICE / Hybrid / EV  
Advance Driver Assist Systems (ADAS)

# Our Complex Electronics Capabilities Drive Long-term Differentiation



## Failure Identification & Assessment

- Robust network of technical intel



## Testing & Datalogging

- Specialized process and infrastructure



## Proprietary Code Development

- Technical data analysis competency

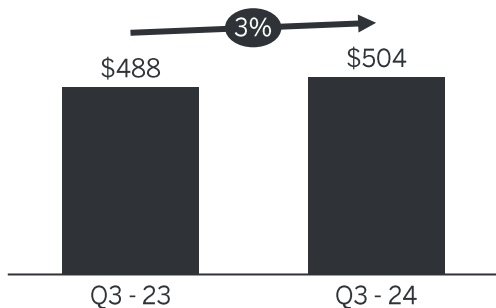


## Software Design & Validation

- Global software engineering teams

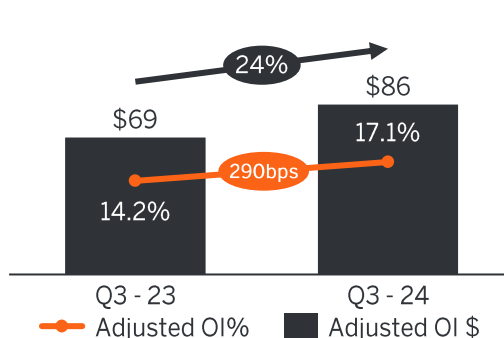
# Q3 2024 Performance Highlights

## Net Sales<sup>1</sup>



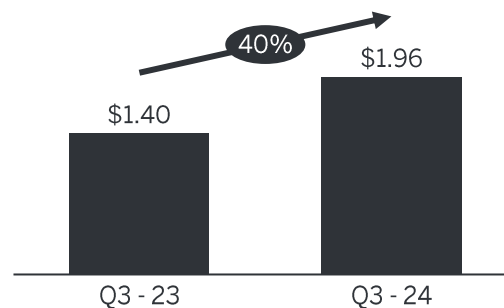
- Top-line growth driven by solid demand in Light Duty
- Heavy Duty and Specialty Vehicle segments performed well in challenging markets
- New product innovation continued to drive growth

## Adj. Operating Income<sup>1</sup>



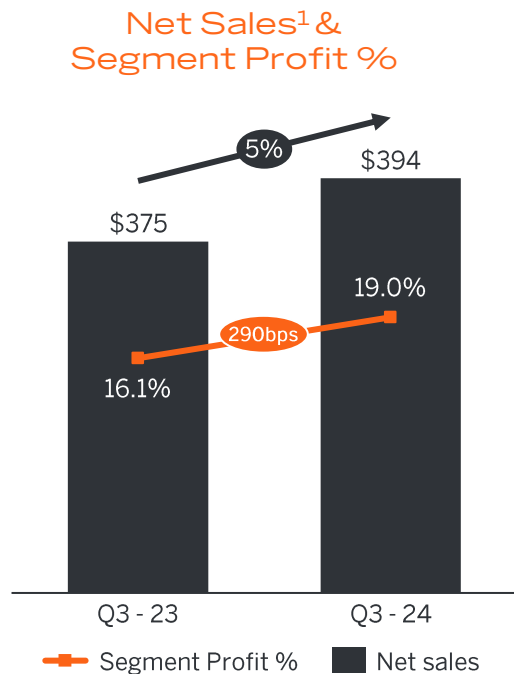
- Strong profitability growth across enterprise
- Segment Profit Margin improved in each business
- Gross Margin expansion driven by continued easing of inflationary pressures, operational efficiencies, and favorable product mix

## Adj. Diluted EPS<sup>1</sup>



- Adjusted Diluted EPS<sup>1</sup> growth continued in the quarter, driven by favorable margins and balance sheet improvements
- Recent debt repayments coupled with lower interest rates drove reduced interest expense
- Total diluted shares reduced by 816K from Q3 2023

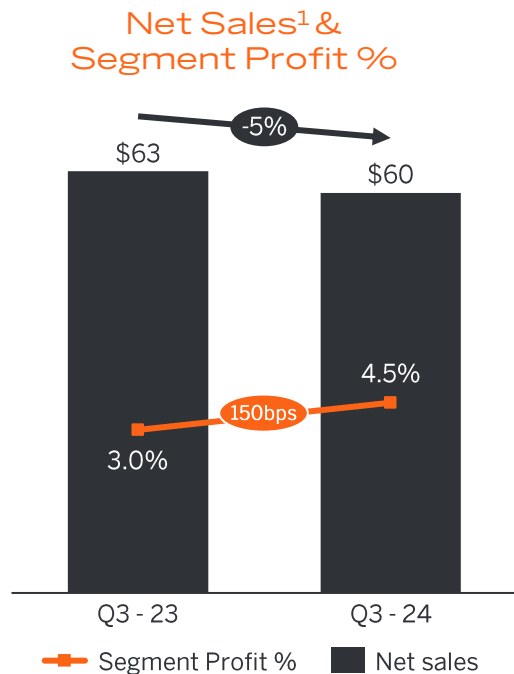
# Light Duty Segment Quarterly Financials



- Shipments and POS were generally aligned in the quarter and year-to-date
- New products and strength of Dorman brand continued to drive growth
- Segment Profit Margin continued to improve on reduced inflationary effects, positive new product mix, and operational excellence initiatives driving cost savings

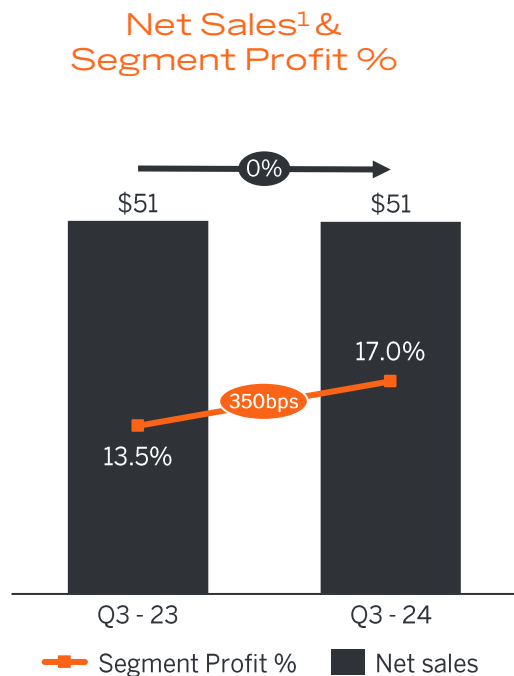


# Heavy Duty Segment Quarterly Financials



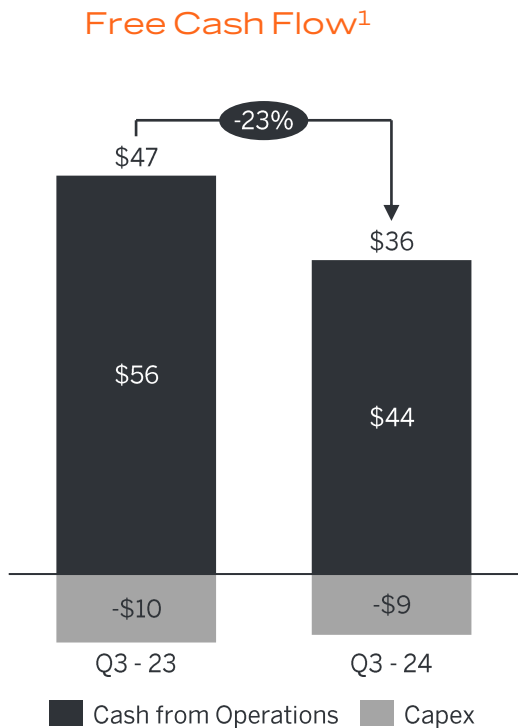
- Freight industry softness continued through the quarter; sector was estimated to be down approximately mid-single digits
  - Saw signs of stabilization from recent recessionary trend
- Solid Profit Margin expansion on easing inflationary pressures and operational efficiency initiatives
- New product launches continued to drive improved customer experience

# Specialty Vehicle Segment Quarterly Financials



- Higher financing rates and general economic uncertainty driving sector headwinds
- While net sales were flat, sector was estimated to be down high-single digits
- Outperformance driven by:
  - Growth in non-discretionary categories
  - Dealer channel expansion
- Segment Profit Margin continued to increase on new product mix and cost savings initiatives

# Free Cash Flow



- Cash from Operations lower as inventory increased compared to Q3 2023
- Repaid \$11 million of debt during the quarter
- Repurchased \$27 million of common stock, or approximately 274,000 shares
- New share repurchase authorization of up to \$500 million covering 2025 through 2027

# Leverage & Liquidity

## Strong Balance Sheet and Liquidity Position

### Net Leverage

Revolving Credit Facility	\$62
Term Loan	\$475
Less: Cash and Cash Equivalents	(\$45)
<b>Net Debt</b>	<b>\$492</b>
LTM Consolidated EBITDA <sup>1</sup>	\$361
<b>Total Net Leverage Ratio<sup>1</sup></b>	<b>1.36x</b>

### Liquidity

Total Revolver Commitment	\$600
Less: Revolver Draw Outstanding <sup>2</sup>	(\$63)
<b>Available Revolver Capacity</b>	<b>\$537</b>
Cash and Cash Equivalents	\$45
<b>Total Liquidity</b>	<b>\$582</b>

Note: Last twelve months ending September 28, 2024. Dollar amounts in millions.

<sup>1</sup> As determined under the Company's Credit Agreement, dated August 10, 2021, as amended, filed with the U.S. Securities and Exchange Commission.

<sup>2</sup> Includes \$61.8 million in drawn revolver and \$1.2 million in letters of credit.

# Updated 2024 Guidance

	Updated 2024 Guidance (as of November 1, 2024)	Prior 2024 Guidance
Net Sales change vs. previous year	3.5% - 4.5%	3% - 5%
Diluted EPS	\$6.15 - \$6.25	\$5.32 - \$5.52
<i>Change vs. previous year</i>	<i>50% - 52%</i>	<i>30% - 35%</i>
Adjusted Diluted EPS <sup>1</sup>	\$6.85 - \$6.95	\$6.00 - \$6.20
<i>Change vs. previous year</i>	<i>51% - 53%</i>	<i>32% - 37%</i>

- Adjusted Diluted EPS<sup>1</sup> midpoint increases \$0.80 (+13%)
- Excludes any potential impact from future M&A, supply chain disruptions, significant inflation, interest rate changes, and additional share repurchases
- Assumes 24% effective tax rate





# Appendix – Non-GAAP Reconciliations

# Reconciliation of Adjusted SG&A

(\$ in thousands)	Three Months Ended			
	9/28/24	% of Sales*	9/30/23	% of Sales*
SG&A expenses (GAAP)	\$ 124,532	24.7%	\$ 119,010	24.4%
Pretax acquisition-related intangible assets amortization	(6,173)	-1.2%	(5,485)	-1.1%
Pretax acquisition-related transaction and other costs	(395)	-0.1%	(459)	-0.1%
Pretax fair value adjustment to contingent consideration	—	—	1,000	0.2%
Pretax reduction in workforce costs	(76)	-0.0%	—	—
Adjusted SG&A expenses (Non-GAAP)	<u>\$ 117,888</u>	<u>23.4%</u>	<u>\$ 114,066</u>	<u>23.4%</u>

\*Amounts may not add due to rounding

# Reconciliation of Adjusted Operating Income

(\$ in thousands)	<b>Three Months Ended</b>			
	<u>9/28/24</u>	<u>% of Sales</u>	<u>9/30/23</u>	<u>% of Sales</u>
Income from operations (GAAP)	\$ 79,271	15.7%	\$ 64,208	13.2%
Pretax acquisition-related intangible assets amortization	6,173	1.2%	5,485	1.1%
Pretax acquisition-related transaction and other costs	396	0.1%	465	0.1%
Pretax fair value adjustment to contingent consideration	—	—	(1,000)	-0.2%
Pretax reduction in workforce costs	76	0.0%	—	—
Adjusted operating income (Non-GAAP)	<u>\$ 85,916</u>	<u>17.1%</u>	<u>\$ 69,158</u>	<u>14.2%</u>
Net sales	\$ 503,773		\$ 488,186	



# Reconciliation of Adjusted Diluted EPS

(\$ in thousands, except per share amounts)	<b>Three Months Ended</b>	
	<u>9/28/24</u>	<u>9/30/23</u>
Net income (GAAP)	\$ 55,253	\$ 40,522
Pretax acquisition-related intangible assets amortization	6,173	5,485
Pretax acquisition-related transaction and other costs	396	465
Pretax fair value adjustment to contingent consideration	—	(1,000)
Pretax reduction in workforce costs	76	—
Tax adjustment (related to above items)	<u>(1,654)</u>	<u>(1,214)</u>
Adjusted net income (Non-GAAP)	<u>\$ 60,244</u>	<u>\$ 44,258</u>
Diluted earnings per share (GAAP)	\$ 1.80	\$ 1.28
Pretax acquisition-related intangible assets amortization	0.20	0.17
Pretax acquisition-related transaction and other costs	0.01	0.01
Pretax fair value adjustment to contingent consideration	—	(0.03)
Pretax reduction in workforce costs	0.00	—
Tax adjustment (related to above items)	<u>(0.05)</u>	<u>(0.04)</u>
Adjusted diluted earnings per share (Non-GAAP)*	<u>\$ 1.96</u>	<u>\$ 1.40</u>
Weighted average diluted shares outstanding	30,739	31,555

\*Amounts may not add due to rounding

# Reconciliation of Adjusted Diluted EPS - Guidance

	<b>Year Ending 12/31/2024</b>	
	<u>Low End</u>	<u>High End</u>
Diluted earnings per share (GAAP)	\$ 6.15	\$ 6.25
Pretax acquisition-related intangible assets amortization	0.73	0.73
Pretax acquisition transaction and other costs	0.05	0.05
Pretax reduction in workforce costs	0.15	0.15
Tax adjustment (related to above items)	(0.23)	(0.23)
Adjusted diluted earnings per share (Non-GAAP)	<u>\$ 6.85</u>	<u>\$ 6.95</u>
Weighted average diluted shares outstanding (in thousands)	31,000	31,000