Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 28, 2024

OR

☐ **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: 0-18914

Dorman Products, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2078856**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3400 East Walnut Street, Colmar, Pennsylvania	**18915**
(Address of principal executive offices)	**(Zip Code)**

(215) 997-1800
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	DORM	The Nasdaq Stock Market LLC

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	☒	Accelerated filer	☐
Non-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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of October 29, 2024, the registrant had 30,517,484 shares of common stock, par value $0.01 per share, outstanding.

DORMAN PRODUCTS, INC.
INDEX TO QUARTERLY REPORT ON FORM 10-Q
September 28, 2024

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

DORMAN PRODUCTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
(in thousands, except per share data)	**September 28, 2024**	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Net sales	$ 503,773	$ 488,186	$ 1,475,425	$ 1,435,492
Cost of goods sold	299,970	304,968	890,775	944,291
Gross profit	203,803	183,218	584,650	491,201
Selling, general and administrative expenses	124,532	119,010	378,489	353,681
Income from operations	79,271	64,208	206,161	137,520
Interest expense, net	9,762	12,215	30,569	36,733
Other income, net	1,615	605	1,711	1,358
Income before income taxes	71,124	52,598	177,303	102,145
Provision for income taxes	15,871	12,076	41,812	23,170
Net income	$ 55,253	$ 40,522	$ 135,491	$ 78,975
Other comprehensive income:				
Change in foreign currency translation adjustment	651	(1,214)	(967)	(529)
Comprehensive Income	$ 55,904	$ 39,308	$ 134,524	$ 78,446
Earnings per share:				
Basic	$ 1.81	$ 1.29	$ 4.39	$ 2.51
Diluted	$ 1.80	$ 1.28	$ 4.37	$ 2.50
Weighted average shares outstanding:				
Basic	30,570	31,483	30,888	31,462
Diluted	30,739	31,555	31,019	31,540

See accompanying Notes to Condensed Consolidated Financial Statements

DORMAN PRODUCTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands, except for share data)	September 28, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 45,127	$ 36,814
Accounts receivable, less allowance for doubtful accounts of $1,647 and $3,518	571,051	526,867
Inventories	665,237	637,375
Prepaids and other current assets	34,661	32,653
Total current assets	1,316,076	1,233,709
Property, plant and equipment, net	165,734	160,113
Operating lease right-of-use assets	107,176	103,476
Goodwill	443,340	443,889
Intangible assets, net	284,138	301,556
Other assets	47,633	49,664
Total assets	$ 2,364,097	$ 2,292,407
Liabilities and shareholders’ equity		
Current liabilities:		
Accounts payable	$ 205,905	$ 176,664
Accrued compensation	27,003	23,971
Accrued customer rebates and returns	208,274	204,495
Revolving credit facility	61,760	92,760
Current portion of long-term debt	18,750	15,625
Other accrued liabilities	39,631	33,636
Total current liabilities	561,323	547,151
Long-term debt	455,038	467,239
Long-term operating lease liabilities	94,294	91,262
Other long-term liabilities	9,203	9,627
Deferred tax liabilities, net	9,637	8,925
Commitments and contingencies (Note 7)		
Shareholders’ equity:		
Common stock, $0.01 par value; 50,000,000 shares authorized; 30,516,759 and 31,299,770 shares issued and outstanding in 2024 and 2023, respectively	305	313
Additional paid-in capital	110,595	101,045
Retained earnings	1,127,259	1,069,435
Accumulated other comprehensive loss	(3,557)	(2,590)
Total shareholders’ equity	1,234,602	1,168,203
Total liabilities and shareholders' equity	$ 2,364,097	$ 2,292,407

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

DORMAN PRODUCTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

	Three Months Ended September 28, 2024					
	Common Stock					
(in thousands, except share data)	Shares Issued	Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at June 29, 2024	30,765,672	$ 308	$ 106,714	$ 1,098,506	$ (4,208)	$ 1,201,320
Exercise of stock options	15,269	—	1,207	—	—	1,207
Compensation expense under incentive stock plans	—	—	3,767	—	—	3,767
Purchase and cancellation of common stock	(276,063)	(3)	(497)	(26,499)	—	(26,999)
Issuance of common stock under incentive stock plans, net of cancellations	17,177	—	—	—	—	—
Other stock-related activity	(5,296)	—	(596)	(1)	—	(597)
Change in foreign currency translation adjustment	—	—	—	—	651	651
Net income	—	—	—	55,253	—	55,253
Balance at September 28, 2024	30,516,759	$ 305	$ 110,595	$ 1,127,259	$ (3,557)	$ 1,234,602

	Three Months Ended September 30, 2023					
	Common Stock					
(in thousands, except share data)	Shares Issued	Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at July 1, 2023	31,488,164	$ 315	$ 94,452	$ 993,923	$ (2,618)	$ 1,086,072
Exercise of stock options	460	—	37	—	—	37
Compensation expense under incentive stock plans	—	—	2,901	—	—	2,901
Purchase and cancellation of common stock	(2,010)	—	(3)	(177)	—	(180)
Issuance of common stock under incentive stock plans, net of cancellations	1,419	—	—	—	—	—
Other stock-related activity	(539)	—	(45)	—	—	(45)
Change in foreign currency translation adjustment	—	—	—	—	(1,214)	(1,214)
Net income	—	—	—	40,522	—	40,522
Balance at September 30, 2023	31,487,494	$ 315	$ 97,342	$ 1,034,268	$ (3,832)	$ 1,128,093

	Nine Months Ended September 28, 2024					
	Common Stock					
(in thousands, except share data)	Shares Issued	Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2023	31,299,770	$ 313	$ 101,045	$ 1,069,435	$ (2,590)	$ 1,168,203
Exercise of stock options	24,358	—	1,766	—	—	1,766
Compensation expense under incentive stock plans	—	—	10,547	—	—	10,547
Purchase and cancellation of common stock	(867,385)	(9)	(1,561)	(77,569)	—	(79,139)
Issuance of common stock under incentive stock plans, net of cancellations	83,055	1	960	—	—	961
Other stock-related activity	(23,039)	—	(2,162)	(98)	—	(2,260)
Change in foreign currency translation adjustment	—	—	—	—	(967)	(967)
Net income	—	—	—	135,491	—	135,491
Balance at September 28, 2024	30,516,759	$ 305	$ 110,595	$ 1,127,259	$ (3,557)	$ 1,234,602

	Nine Months Ended September 30, 2023					
	Common Stock					
(in thousands, except share data)	Shares Issued	Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2022	31,430,632	$ 314	$ 88,750	$ 956,870	$ (3,303)	$ 1,042,631
Exercise of stock options	17,489	—	1,167	—	—	1,167
Compensation expense under incentive stock plans	—	—	8,336	—	—	8,336
Purchase and cancellation of common stock	(11,850)	—	(21)	(987)	—	(1,008)
Issuance of common stock under incentive stock plans, net of cancellations	76,747	1	1,003	—	—	1,004
Other stock-related activity	(25,524)	—	(1,893)	(590)	—	(2,483)
Change in foreign currency translation adjustment	—	—	—	—	(529)	(529)
Net income	—	—	—	78,975	—	78,975
Balance at September 30, 2023	31,487,494	$ 315	$ 97,342	$ 1,034,268	$ (3,832)	$ 1,128,093

See accompanying Notes to Condensed Consolidated Financial Statements

DORMAN PRODUCTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)	Nine Months Ended September 28, 2024	Nine Months Ended September 30, 2023
Cash Flows from Operating Activities:		
Net income	$ 135,491	$ 78,975
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, amortization and accretion	43,015	40,786
Fair value adjustment to contingent consideration	—	(13,400)
Provision for doubtful accounts	74	2,721
Provision for deferred income taxes	694	3,319
Provision for stock-based compensation	10,547	8,407
Changes in assets and liabilities:		
Accounts receivable	(44,304)	(59,786)
Inventories	(27,962)	130,156
Prepaids and other current assets	(4,450)	(6,597)
Other assets	(406)	(3,981)
Accounts payable	29,067	(21,615)
Accrued customer rebates and returns	3,784	(101)
Accrued compensation and other liabilities	14,072	(9,774)
Cash provided by operating activities	159,622	149,110
Cash Flows from Investing Activities:		
Acquisition, net of cash acquired	—	67
Property, plant and equipment additions	(31,245)	(32,936)
Cash used in investing activities	(31,245)	(32,869)
Cash Flows from Financing Activities:		
Payments of revolving credit line	(31,000)	(119,700)
Payments of long-term debt	(9,375)	(9,375)
Payment of deferred acquisition consideration	(200)	—
Proceeds from exercise of stock options	1,766	1,167
Purchase and cancellation of common stock	(79,923)	(1,008)
Other stock-related activity	(1,301)	(1,389)
Cash used in financing activities	(120,033)	(130,305)
Effect of exchange rate changes on Cash and Cash Equivalents	(31)	(17)
Net Increase (Decrease) in Cash and Cash Equivalents	8,313	(14,081)
Cash and Cash Equivalents, Beginning of Period	36,814	46,034
Cash and Cash Equivalents, End of Period	$ 45,127	$ 31,953
Supplemental Cash Flow Information		
Cash paid for interest expense	$ 26,865	$ 38,613
Cash paid for income taxes	$ 39,761	$ 27,242

See accompanying Notes to Condensed Consolidated Financial Statements

DORMAN PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 28, 2024 AND SEPTEMBER 30, 2023
(UNAUDITED)

1. Basis of Presentation

As used herein, unless the context requires otherwise, "Dorman," the "Company," "we," "us," or "our" refers to Dorman Products, Inc. and its subsidiaries. Our ticker symbol on The Nasdaq Stock Market LLC is "DORM."

The accompanying unaudited condensed consolidated financial statements have been prepared under U.S. generally accepted accounting principles ("GAAP") for interim financial information and under the rules and regulations of the U.S. Securities and Exchange Commission. However, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 28, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2024 or any future period. We may experience significant fluctuations from quarter to quarter in our results of operations due to the timing of orders placed by our customers and the introduction of new products and product lines to customers. These financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

2. Sales of Accounts Receivable

We have entered several customer-sponsored programs administered by unrelated financial institutions that permit us to sell (factor) certain accounts receivable at discounted rates to the financial institutions. Transactions under these agreements were accounted for as sales of accounts receivable and the related accounts receivable were removed from our Condensed Consolidated Balance Sheets at the times of the sales transactions. Sales of accounts receivable under these agreements, and related factoring costs, which were included in selling, general and administrative expenses, were as follows:

	Three Months Ended		Nine Months Ended	
(in thousands)	**September 28, 2024**	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Sales of accounts receivable	$ 254,657	$ 233,513	$ 791,413	$ 713,190
Factoring costs	11,939	12,255	38,171	37,674

3. Inventories

Inventories include the cost of material, freight, direct labor and overhead utilized in the processing of our products and are stated at the lower of cost or net realizable value. Inventories were as follows:

(in thousands)	**September 28, 2024**	**December 31, 2023**
Raw materials	$ 28,975	$ 29,750
Bulk product	226,419	211,805
Finished product	400,812	387,668
Packaging materials	9,031	8,152
Total	$ 665,237	$ 637,375

4. Goodwill and Intangible Assets

Goodwill

Goodwill included the following:

(in thousands)	Light Duty	Heavy Duty	Specialty Vehicle	Consolidated
Balance at December 31, 2023	$ 313,704	$ 57,876	$ 72,309	$ 443,889
Foreign currency translation	—	(549)	—	(549)
Balance at September 28, 2024	$ 313,704	$ 57,327	$ 72,309	$ 443,340

Intangible Assets

Intangible assets included the following:

	September 28, 2024			December 31, 2023		
Intangible assets subject to amortization	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
(in thousands)						
Customer relationships	$ 173,430	$ 38,461	$ 134,969	$ 175,430	$ 31,678	$ 143,752
Trade names	67,690	13,848	53,842	67,690	10,676	57,014
Product portfolio	107,800	14,702	93,098	107,800	9,720	98,080
Technology	2,167	1,254	913	2,167	1,069	1,098
Patents and other	2,230	914	1,316	2,230	618	1,612
Total	$ 353,317	$ 69,179	$ 284,138	$ 355,317	$ 53,761	$ 301,556

Amortization expense was $6.3 million and $5.5 million during the three months ended September 28, 2024 and September 30, 2023, and $17.4 million and $16.5 million during the nine months ended September 28, 2024 and September 30, 2023, respectively.

5. Debt

As of September 28, 2024 and December 31, 2023, the interest rate on the outstanding borrowings under our credit facility was 6.60% and 6.96%, respectively.

6. Segment and Geographic Information

Segment results are as follows:

	For the Three Months Ended		For the Nine Months Ended	
(in thousands)	**September 28, 2024**	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Net Sales:				
Light Duty	$ 393,577	$ 374,697	$ 1,138,228	$ 1,076,619
Heavy Duty	59,615	62,841	178,613	199,495
Specialty Vehicle	50,581	50,648	158,584	159,378
Total	$ 503,773	$ 488,186	$ 1,475,425	$ 1,435,492
Segment profit:				
Light Duty	$ 74,632	$ 60,457	$ 198,339	$ 122,917
Heavy Duty	2,660	1,861	5,390	10,595
Specialty Vehicle	8,624	6,840	25,823	23,625
Total	$ 85,916	$ 69,158	$ 229,552	$ 157,137

A reconciliation of segment profit to income before income taxes is as follows:

	For the Three Months Ended		For the Nine Months Ended	
(in thousands)	**September 28, 2024**	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Segment profit	$ 85,916	$ 69,158	$ 229,552	$ 157,137
Acquisition-related intangible assets amortization	(6,173)	(5,485)	(17,138)	(16,336)
Acquisition-related transaction and other costs	(396)	(465)	(1,327)	(14,880)
Pretax reduction in workforce costs	(76)	—	(4,926)	(1,801)
Fair value adjustment to contingent consideration	—	1,000	—	13,400
Interest expense, net	(9,762)	(12,215)	(30,569)	(36,733)
Other income, net	1,615	605	1,711	1,358
Income before income taxes	$ 71,124	$ 52,598	$ 177,303	$ 102,145

The following table presents our net sales by geographic region:

	Three Months Ended		Nine Months Ended	
(in thousands)	**September 28, 2024**	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Net sales to U.S. customers	$ 464,132	$ 448,360	$ 1,355,501	$ 1,317,353
Net sales to non-U.S. customers	39,641	39,826	119,924	118,139
Total	$ 503,773	$ 488,186	$ 1,475,425	$ 1,435,492

7. Commitments and Contingencies

Acquisitions

We have contingent consideration related to acquisitions due to the uncertainty of the ultimate amount of any payments that will become due as earnout payments if performance targets are achieved. If the remaining performance targets for the acquisitions are fully achieved, the maximum additional contingent payments to be made under the transaction documents would be $102.0 million in aggregate.

As of September 28, 2024 and December 31, 2023, we estimated that no such contingent payments are expected to become due in connection with the acquisitions, and therefore accrued no liability.

The contingent consideration liability is measured each reporting period and recorded at fair value. The inputs used to calculate the fair value of the contingent consideration liability are considered to be Level 3 inputs due to the lack of relevant observable market activity and significant management judgment. The approach to valuing the contingent consideration uses unobservable factors such as projected revenues and cost of goods sold over the term of the earnout period, discounted for the period over which the contingent consideration is measured, and volatility rates. Based upon these assumptions, the contingent consideration is then valued using a Monte Carlo simulation. An increase in future revenue and gross profit may result in a higher estimated fair value, while a decrease in future revenue and gross profit may result in a lower estimated fair value of the contingent consideration liability.

Other Contingencies

We are a party to or otherwise involved in legal proceedings that arise in the ordinary course of business, such as various claims and legal actions involving contracts, employment claims, competitive practices, intellectual property infringement, product liability claims and other matters arising out of the conduct of our business. In the opinion of management, none of the actions, individually or in the aggregate, taking into account relevant insurance coverage, would likely have a material financial impact on the Company and we believe the range of reasonably possible losses from current matters, taking into account relevant insurance coverage, is immaterial. However, legal matters are subject to inherent uncertainties and there exists the possibility that the ultimate resolution of any of these matters could have a material adverse impact on the Company’s cash flows, financial position or results of operations in the period in which any such effects are recorded.

8. Stock-Based Compensation

Restricted Stock Awards (“RSAs”) and Restricted Stock Units (“RSUs”)

We grant RSUs, and prior to January 2020 we granted RSAs, to participants in our equity plans. Performance-based RSUs granted in the nine months ended September 28, 2024 included certain grants that vest based on our total shareholder return ranking relative to the Nasdaq US Benchmark Auto Parts Index over a three-year performance period (market condition), and other grants that vest based upon achievement of return on invested capital targets over a three-year performance period (performance condition).

Compensation cost related to RSA and RSU grants was $3.4 million and $2.4 million for the three months ended September 28, 2024 and September 30, 2023, respectively, and $9.1 million and $6.7 million for the nine months ended September 28, 2024 and September 30, 2023, respectively, and was included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

The following table summarizes our RSA and RSU activity for the nine months ended September 28, 2024:

	Shares	Weighted Average Fair Value
Balance at December 31, 2023	257,554	$ 97.33
Granted	187,645	$ 98.95
Vested	(72,701)	$ 89.90
Canceled	(28,792)	$ 112.06
Balance at September 28, 2024	343,706	$ 98.56

For the nine months ended September 28, 2024, we granted 32,109 performance-based RSUs containing a market condition with a grant date fair value of $138.58 per share. For the nine months ended September 30, 2023, we granted 29,399 performance-based RSUs containing a market condition with a grant date fair value of $113.15 per share.

As of September 28, 2024, there was $21.7 million of unrecognized compensation cost related to unvested RSA and RSU grants that is expected to be recognized over a weighted average period of 2.1 years.

Stock Options

From time to time, we grant stock options to participants in our equity plans. Compensation cost related to stock option grants was $0.3 million and $0.5 million for the three months ended September 28, 2024 and September 30, 2023, respectively, and $1.1 million and $1.5 million for the nine months ended September 28, 2024 and September 30, 2023, respectively, and was included as selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

The following table summarizes our stock option activity for the nine months ended September 28, 2024:

	Shares	Weighted Average Price	Weighted Average Remaining Term (years)	Aggregate Intrinsic Value (in thousands)
Balance at December 31, 2023	311,217	$ 86.52		
Canceled	(10,936)	$ 95.80		
Exercised	(25,580)	$ 72.88		
Balance at September 28, 2024	274,701	$ 87.42	4.7	$ 7,187
Exercisable at September 28, 2024	174,775	$ 83.34	4.1	$ 5,284

As of September 28, 2024, there was $2.5 million of unrecognized compensation cost related to unvested stock options that is expected to be recognized over a weighted average period of 2.1 years.

Employee Stock Purchase Plan ("ESPP")

During the nine months ended September 28, 2024, we issued 13,555 shares under the ESPP. During the nine months ended September 30, 2023, we issued 14,975 shares under the ESPP.

9. Earnings Per Share

Basic earnings per share was calculated by dividing our net income by the weighted average number of common shares outstanding during the period, excluding unvested RSAs which are considered to be contingently issuable. To calculate diluted earnings per share, common share equivalents are added to the weighted average number of common shares outstanding. Common share equivalents are calculated using the treasury stock method and are computed based on outstanding stock-based awards.

For the three months ended September 28, 2024 and September 30, 2023, there were approximately 214,000 shares and 294,000 shares, respectively, and for the nine months ended September 28, 2024 and September 30, 2023 there were approximately 253,000 shares and 295,000 shares, respectively, that were excluded from the calculation of diluted earnings per share because their effect would have been anti-dilutive.

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

	Three Months Ended		Nine Months Ended	
(in thousands, except per share data)	**September 28, 2024**	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Net income	$ 55,253	$ 40,522	$ 135,491	$ 78,975
Denominator:				
Weighted average basic shares outstanding	30,570	31,483	30,888	31,462
Effect of stock-based compensation awards	169	71	131	78
Weighted average diluted shares outstanding	30,739	31,555	31,019	31,540
Earnings Per Share:				
Basic	$ 1.81	$ 1.29	$ 4.39	$ 2.51
Diluted	$ 1.80	$ 1.28	$ 4.37	$ 2.50

10. Common Stock Repurchases

We periodically repurchase, at the then current market price, and cancel common stock issued to the Dorman Products, Inc. 401(k) Retirement Plan and Trust (the "401(k) Plan"). 401(k) Plan participants can no longer purchase shares of Dorman common stock as an investment option under the 401(k) Plan. Shares are generally purchased by the Company from the 401(k) Plan when participants sell units as permitted by the 401(k) Plan or elect to leave the 401(k) Plan upon retirement, termination or other reasons. The following table summarizes the repurchase and cancellation of common stock by the Company for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 28, 2024	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Shares repurchased and canceled	2,410	2,010	11,414	11,850
Total cost of shares repurchased and canceled (in thousands)	$ 262	$ 181	$ 1,048	$ 1,009
Average price per share	$ 108.70	$ 89.99	$ 91.85	$ 85.11

Separately, our Board of Directors previously authorized the repurchase of up to $600 million of our common stock through December 31, 2024 under a share repurchase program and subsequent authorizations (the "Existing Program"). At September 28, 2024, $134.6 million was available for repurchase under the Existing Program. The Existing Program will expire on December 31, 2024, along with all amounts that remain available for use under the Existing Program as of that date.

In October 2024, the Company's Board of Directors authorized the purchase of up to $500 million of our common stock under a new share repurchase program that is effective from January 1, 2025 through December 31, 2027 (the "New Program").

Under each of the Existing Program and the New Program, share repurchases may be made from time to time depending on market conditions, share price, share availability and other factors at the

Company's discretion. These share repurchase programs do not obligate us to acquire any specific number of shares.

The following table summarizes the repurchase and cancellation of common stock under the Existing Program:

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Shares repurchased and canceled	273,653	—	855,971	—
Total cost of shares repurchased and canceled (in thousands)	$ 26,737	$ —	$ 78,091	$ —
Average price per share	$ 97.70	$ —	$ 91.23	$ —

11. Income Taxes

At September 28, 2024, we had $3.4 million of net unrecognized tax benefits, all of which would lower our effective tax rate if recognized. Interest and penalties related to uncertain tax positions are recognized in income tax expense and were not material as of September 28, 2024.

We file income tax returns in the United States, Canada, China, India, and Mexico. The statute of limitations for tax years before 2020 is closed for U.S. federal income tax purposes. The statute of limitations for tax years before 2017 is closed for the states in which we filed. The statute of limitations for tax years before 2021 is closed for income tax purposes in Canada and China. The statute of limitations for tax years before 2020 is closed for income tax purposes in India. The statute of limitations for tax years before 2019 is closed for income tax purposes in Mexico.

12. Related-Party Transactions

Prior to December 1, 2023, we leased our Colmar, PA facility from an entity in which Steven Berman, our Non-Executive Chairman, and certain of his family members are owners. On December 1, 2023, the Colmar facility was sold to a third party, subject to our lease. We also lease a portion of our Lewisberry, PA facility from an entity in which Mr. Berman and certain of his family members are owners. The Colmar lease was, and the Lewisberry lease is, a non-cancelable operating lease. The Lewisberry lease expires December 31, 2027.

We also lease our facilities in Madison, IN and Shreveport, LA, from entities in which Lindsay Hunt, our President, Specialty Vehicle, and certain of her family members are owners. Each lease is a non-cancelable operating lease, was renewed in October 2022 in connection with the acquisition of Super ATV, LLC, a leading supplier to the powersports aftermarket ("SuperATV"), and will expire on October 31, 2027.

We have service agreements with counterparties that are majority-owned by a family member of Ms. Hunt. These agreements provide for various warehouse and facility-related services at agreed-upon rates.

The following table represents the estimated payments for the year ending December 31, 2024 and actual payments for the year ended December 31, 2023 under the related party agreements described above:

	Year Ending	Year Ended
(in thousands)	December 31, 2024	December 31, 2023
Facility leases with Steven Berman related entities	$ 715	$ 2,918
Facility leases with Lindsay Hunt related entities	$ 2,757	$ 2,603
Service agreements with Lindsay Hunt related entities	$ 54	$ 200

We are a partner in a joint venture with one of our suppliers and own a minority interest in two other suppliers. Two of these investments are accounted for under the equity method and one is accounted for under the cost method.

13. Fair Value Disclosures

The carrying value of financial instruments such as cash and cash equivalents, accounts receivable, accounts payable, and other current assets and liabilities approximate their fair value based on the short-term nature of these instruments. The carrying value of borrowings under our credit facility approximates fair value because these borrowings bear interest at rates indexed to a market rate (Term SOFR).

14. New and Recently Adopted Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Improvements to Reportable Segment Disclosures. The ASU requires additional disclosures about reportable segments' significant expenses on an interim and annual basis. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 on a retrospective basis.

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures. The ASU expands disclosures in the income tax rate reconciliations table and cash taxes paid and is effective for annual periods beginning after December 15, 2024.

We expect to implement these new standards by their effective dates, and do not expect their adoption to have an impact on our results of operations, financial condition or cash flows.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

"Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the condensed consolidated financial statements and related notes thereto included in PART I, ITEM 1 of this Quarterly Report on Form 10-Q. As used herein, unless the context requires otherwise, "Dorman," the "Company," "we," "us," or "our" refers to Dorman Products, Inc. and its subsidiaries.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this document constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements related to net sales, diluted earnings per share, gross profit, gross margin, selling, general and administrative expenses, 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, the Company's growth opportunities and future business prospects, operational costs and productivity initiatives, inflation, customs duties and mitigation of tariffs, long-term value, acquisitions and acquisition opportunities, investments, cost offsets, quarterly fluctuations, new product development, customer concessions, and fluctuations in foreign currency. Words such as "may," "believe," "demonstrate," "expect," "estimate," "forecast," "project," "plan," "anticipate," "intend," "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 the 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) which may cause actual events to be materially different from those expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected.

Please refer to "Statement Regarding Forward-Looking Statements" and "Item 1A. Risk Factors" located in PART I of our most recent Annual Report on Form 10-K 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.

Introduction

The following discussion and analysis, as well as other sections in this Quarterly Report on Form 10-Q, should be read in conjunction with the unaudited condensed consolidated financial statements and footnotes thereto of Dorman Products, Inc. included in "PART 1, ITEM 1. Financial Statements" of this Quarterly Report on Form 10-Q and with Management's Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

This Quarterly Report on Form 10-Q contains the registered and unregistered trademarks or service marks of Dorman and are the property of Dorman Products, Inc. and/or its affiliates. This

Quarterly Report on Form 10-Q also may contain additional trade names, trademarks or service marks belonging to other companies. We do not intend our use or display of other parties' trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with or endorsement or sponsorship of us by these parties.

Overview

We are one of the leading suppliers of replacement and upgrade parts in the motor vehicle aftermarket industry, serving passenger cars, light-, medium-, and heavy-duty trucks, as well as specialty vehicles, including utility terrain vehicles (UTVs) and all-terrain vehicles (ATVs). We operate through three business segments: Light Duty, Heavy Duty, and Specialty Vehicle, consistent with the sectors of the motor vehicle aftermarket industry in which we operate. For more information on our segments, refer to Note 8, "Segment Information," to the Consolidated Financial Statements, included under Part II, ITEM 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

As of December 31, 2023, we marketed approximately 133,000 distinct parts compared to approximately 129,000 as of December 31, 2022, many of which we designed and engineered. This number excludes private label stock keeping units and other variations in how we market, package and distribute our products, includes distinct parts of acquired companies and reflects distinct parts that have been discontinued at the end of their lifecycle. Our products are sold under our various brand names, under our customers' private label brands or in bulk. We are one of the leading aftermarket suppliers of parts that were traditionally available to consumers only from original equipment, or OE, manufacturers or salvage yards. These parts include, among other parts, leaf springs, intake manifolds, exhaust manifolds, window regulators, radiator fan assemblies, tire pressure monitor sensors, exhaust gas recirculation (EGR) coolers, UTV windshields, and complex electronics modules.

We generate most of our net sales from customers in North America, primarily in the United States. Our products are sold primarily through aftermarket retailers; through online platforms; dealers; national, regional and local warehouse distributors and specialty markets; and salvage yards. We also distribute aftermarket parts outside the United States, with sales primarily into Canada and Mexico, and to a lesser extent, Europe, the Middle East and Australia.

We may experience significant fluctuations from quarter to quarter in our results of operations due to the timing of orders placed by our customers as well as our ability, and the ability of our suppliers, to deliver products ordered by our customers. The introduction of new products and product lines to customers, as well as business acquisitions, may also cause significant fluctuations from quarter to quarter.

Critical Accounting Policies

There have been no material changes to the Company's critical accounting policies as described in the Annual Report on Form 10-K for the year ended December 31, 2023.

New Product Development

New product development is an important success factor for us and has been a source of our growth. We have made incremental investments to increase our new product development efforts to grow our business and strengthen our relationships with our customers. The investments primarily have been in the form of increased product development resources, increased customer and end-user awareness programs, and customer service improvements. These investments historically have enabled us to provide an expanding array of new product offerings and grow revenues at levels that generally have exceeded market growth rates.

In the nine months ended September 28, 2024, we introduced 4,498 new distinct parts to our customers and end-users, including 1,374 "New-to-the-Aftermarket" parts. We introduced 6,106 new distinct parts to our customers and end-users in the fiscal year ended December 31, 2023, including 1,791 "New-to-the-Aftermarket" parts.

One area of focus for the light-duty sector has been our complex electronics program, which capitalizes on the growing number of electronic components being utilized on today's OE platforms. New vehicles contain an average of approximately 100 electronic modules, with some high-end luxury vehicles exceeding that. Our complex electronics products are designed and developed in-house and tested to help ensure consistent performance, and our product portfolio is focused on further developing our leadership position in the category.

Another area of focus has been on products we market for the heavy-duty sector. We believe that this sector provides many of the same growth opportunities that the light-duty sector has provided us. We specialize in offering parts to this sector that were traditionally only available from OE manufacturers or salvage yards, similar to how we approach the light-duty sector.

Within the specialty vehicle sector, we focus on providing performance parts and accessories, and nondiscretionary repair parts for UTVs and ATVs. We develop products designed to be compatible across a wide variety of makes and models to enhance both the performance and appearance of customers' vehicles.

Acquisitions

A key component of our strategy is growth through acquisitions, including the October 2022 acquisition of SuperATV and the August 2021 acquisition of Dayton Parts. SuperATV is a leading independent supplier to the powersports aftermarket with a family of highly respected brands spanning functional accessories and upgrades, as well as replacement parts for specialty vehicles. Dayton Parts is a manufacturer of chassis and other parts designed to serve the heavy-duty vehicle sector of the aftermarket. We may acquire businesses in the future to supplement our financial growth, increase our customer base, add to our distribution capabilities or enhance our product development resources, among other reasons.

Industry Factors

The Company's financial results are also impacted by various industry factors, including, but not limited to the number, age and condition of vehicles in operation at any one time, and the miles driven by those vehicles.

Vehicles in Operation

The Company's products are primarily purchased and installed on a subsegment of the passenger and light-duty vehicles in operation in the United States ("VIO"), specifically weighted towards vehicles aged 8-to-13 years old. Each year, the United States seasonally adjusted annual rate ("US SAAR") of new vehicles purchased adds a new year to the VIO. According to data from the Auto Care Association ("Auto Care"), the US SAAR experienced a decline from 2008 to 2011 as consumers purchased fewer new vehicles as a result of the Great Recession of 2008. We believe that the declining US SAAR during that period resulted in a follow-on decline in our primary VIO subsegment (8-to 13-year-old vehicles) commencing in 2016. However, following 2011 and the impact of the Great Recession of 2008, U.S. consumers began to increase their purchases of new vehicles which over time caused the US SAAR to recover and return to more historical levels. The 8-to-13-year-old vehicle car parc has continued to grow over the past several years, which we expect will expand demand for aftermarket replacement parts as more vehicles remain in operation.

In addition, we believe that vehicle owners generally are operating their current vehicles longer than they did several years ago, performing necessary repairs and maintenance to keep those vehicles well maintained. We believe this trend has supported an increase in VIO, which increased to 295.9 million in 2023, a 1% increase over 2022. According to data published by Polk, a division of IHS Automotive, the average age of VIO increased to 12.6 years as of October 2023 from 12.4 years as of October 2022.

Miles Driven

The number of miles driven is another important statistic that impacts our business. Generally, as vehicles are driven more miles, the more likely it is that parts will fail and there will be increased demand for replacement parts, including our parts. According to the U.S. Department of Transportation, the number of miles driven through October 2023 increased 2.1% year over year in the light-duty sector. However, global gasoline prices remained high during fiscal 2023 and, if they continue, they may negatively impact miles driven as consumers reduce travel or seek alternative methods of transportation.

Brand Protection

We operate in a highly competitive market. As a result, we are continuously evaluating our approach to brand, pricing and terms to our different customers and channels. For example, we maintain brand protection policies, which are designed to ensure that certain of our branded products are not advertised below certain approved pricing levels. In addition, we may pursue legal remedies when we see third parties violating our intellectual property rights, including those that violate our patents, wrongfully represent our products as their own or use our product images for their own marketing efforts.

Discounts, Allowances and Incentives

We offer a variety of customer discounts, rebates, defective and slow-moving product returns and other incentives. We may offer cash discounts for paying invoices in accordance with the specified discount terms of the invoice. In addition, we may offer pricing discounts based on volume purchased from us or other pricing discounts related to programs under a customer's agreement. These incentives can be in the form of "off-invoice" discounts that are immediately deducted from sales at the time of sale. For those customers that choose to receive their incentives on a quarterly or annual basis instead of "off-invoice," we provide rebates and accrue for such incentives as the related sales are made and reduce sales accordingly. Finally, rebates and discounts are provided to customers to support promotional activities such as advertising and sales force allowances.

Our customers, particularly our larger retail customers, regularly seek more favorable pricing and product return provisions, and extended payment terms when negotiating with us. We attempt to avoid or minimize these concessions as much as possible, but we have granted pricing concessions, indemnification rights and extended customer payment terms, and allowed a higher level of product returns in certain cases. These concessions impact net sales as well as our profit levels and may require additional capital to finance the business. We expect our customers to continue to exert pressure on our margins.

We may incur change-over costs to induce a customer to switch from a competitor's brand. These costs are recorded as a reduction to revenue when incurred.

Product Warranty and Overstock Returns

We warrant our products against certain defects in material and workmanship when used as designed on the vehicle on which it was originally installed. We offer a limited lifetime warranty on most of our products in the light-duty parts categories, with more limited warranties for our heavy-duty and specialty vehicle products. In addition to warranty returns, we may permit our customers to return new, undamaged products to us within customer-specific limits if they have overstocked their inventories. At the time products are sold, we accrue a liability for product warranties and overstock returns as a percentage of sales based upon estimates established using historical information on the nature, frequency and average cost of the claim and the probability of the customer return. Significant judgments and estimates must be made and used in connection with establishing the sales returns and other allowances in any accounting period. Revisions to these estimates are made when necessary, based upon changes in these factors. We regularly study trends of such claims.

Foreign Currency

Many of our products and related raw materials and components are purchased from suppliers in a variety of non-U.S. countries. The products generally are purchased through purchase orders with the purchase price specified in U.S. dollars. Accordingly, we generally do not have exposure to fluctuations in the relationship between the U.S. dollar and various foreign currencies between the time of execution of the purchase order and payment for the product.

To the extent that the U.S. dollar changes in value relative to those foreign currencies in the future, the prices charged by our suppliers for goods under new purchase orders may change in equivalent U.S. dollars. The largest portion of our overseas purchases comes from China. The Chinese yuan to U.S. dollar exchange rate has fluctuated over the past several years. Any future changes in the value of the Chinese yuan relative to the U.S. dollar may result in a change in the cost of goods that we purchase from China. However, the cost of the goods we procure is also affected by other factors, including raw material availability, labor costs, tariffs and transportation costs.

We have operations located outside the United States with various functional currencies. Because our consolidated financial statements are denominated in U.S. dollars, the assets, liabilities, net sales, and expenses that are denominated in currencies other than the U.S. dollar must be converted into U.S. dollars using exchange rates for the current period. As a result, fluctuations in foreign currency exchange rates may impact our financial results.

Impact of Labor Market and Inflationary Costs

We experienced broad-based inflationary impacts during the year ended December 31, 2023, notably in the first six months of the year, due primarily to global transportation and logistics constraints, which resulted in significantly higher transportation costs; tariffs; material costs; and wage inflation from an increasingly competitive labor market. Uncertain global supply chain and logistics stability driven by geopolitical events, higher labor costs and material inflation costs may negatively impact our results in the future. We attempt to offset inflationary pressures with cost-saving initiatives, price increases to customers and the use of alternative suppliers. There can be no assurance that we will be successful in implementing pricing increases in the future to recover increased inflationary costs.

Impact of Interest Rates

Our business is subject to interest rate risk under the terms of our customer accounts receivable sales programs, as a change in the Term Secured Overnight Financing Rate (“Term SOFR”) or alternative discount rate affects the cost incurred to factor eligible accounts receivable. Additionally, our outstanding borrowings under our credit facility bear interest at variable rates tied to Term SOFR or the applicable base rate. Under the terms of the credit facility, a change in interest rates affects the rate at which we can borrow funds thereunder and also impacts the interest cost on existing borrowings. Interest rates may hold steady at their current rates for prolonged periods or may increase in the future, resulting in increased costs associated with our accounts receivable sales programs and outstanding borrowings. During the year ended December 31, 2023, we saw significant increases in Term SOFR and other reference rates. Interest rates remained elevated throughout the first nine months of 2024 but have shown recent signs of beginning to decline.

Impact of Tariffs

In the third quarter of 2018, the Office of the United States Trade Representative (USTR) began imposing additional tariffs on products imported from China, including many of our products, ranging from 7.5% to 25%. The tariffs enacted to date increase the cost of many of the products that are manufactured for us in China. We have taken several actions to mitigate the impact of the tariffs including, but not limited to, price increases to our customers and cost concessions from our suppliers. We expect to continue mitigating the impact of tariffs primarily through, among other things, diversification of suppliers across geographies and selling price increases to offset the higher tariffs incurred.

In March 2022, the USTR reinstated tariff relief for certain categories of products imported from China that had expired. Absent further action by the USTR, the reinstated tariff relief will expire on May 31, 2025. The reinstated tariff relief applies to a limited number of our products and is not expected to materially impact our operating results.

Results of Operations

The following table sets forth, for the periods indicated, the percentage of net sales represented by certain items in our Condensed Consolidated Statements of Operations:

	Three Months Ended*				Nine Months Ended*			
(in thousands, except percentage data)	September 28, 2024		September 30, 2023		September 28, 2024		September 30, 2023	
Net sales	$503,773	100.0 %	$488,186	100.0 %	$1,475,425	100.0 %	$1,435,492	100.0 %
Cost of goods sold	299,970	59.5 %	304,968	62.5 %	890,775	60.4 %	944,291	65.8 %
Gross profit	203,803	40.5 %	183,218	37.5 %	584,650	39.6 %	491,201	34.2 %
Selling, general and administrative expenses	124,532	24.7 %	119,010	24.4 %	378,489	25.7 %	353,681	24.6 %
Income from operations	79,271	15.7 %	64,208	13.2 %	206,161	14.0 %	137,520	9.6 %
Interest expense, net	9,762	1.9 %	12,215	2.5 %	30,569	2.1 %	36,733	2.6 %
Other income, net	1,615	0.3 %	605	0.1 %	1,711	0.1 %	1,358	0.1 %
Income before income taxes	71,124	14.1 %	52,598	10.8 %	177,303	12.0 %	102,145	7.1 %
Provision for income taxes	15,871	3.2 %	12,076	2.5 %	41,812	2.8 %	23,170	1.6 %
Net income	$ 55,253	11.0 %	$ 40,522	8.3 %	$ 135,491	9.2 %	$ 78,975	5.5 %

* Percentage of sales information may not add due to rounding

Three Months Ended September 28, 2024 Compared to Three Months Ended September 30, 2023

Net sales increased $15.6 million, or 3.2%, for the three months ended September 28, 2024 compared to the prior year period, driven primarily by increased customer demand and sales of new products launched in our Light Duty segment, partially offset by soft market conditions in the heavy duty and specialty vehicle sectors.

Gross profit as a percentage of net sales increased 300 basis points compared to the prior year period primarily due to the easing of inflationary pressures across the businesses and favorable mix from higher sales of new products, as well as operational efficiency initiatives delivering cost-savings.

Selling, general and administrative expenses ("SG&A") increased $5.5 million, or 30 basis points as a percentage of net sales, for the three months ended September 28, 2024, compared to the prior year period due to higher compensation and benefits costs. In the prior year period, SG&A benefited from a $1.0 million fair value adjustment to the estimated contingent consideration related to a prior acquisition.

Our effective tax rate decreased to 22.3% for the three months ended September 28, 2024 from 23.0% for the three months ended September 30, 2023 due to favorable discrete items in the three months ended September 28, 2024.

Nine Months Ended September 28, 2024 Compared to Nine Months Ended September 30, 2023

Net sales increased $39.9 million, or 2.8%, for the nine months ended September 28, 2024 compared to the prior year period, driven primarily by volume, including from new product introductions.

Gross profit as a percentage of net sales increased 540 basis points compared to the prior year period primarily due to sales of lower-cost inventory and cost savings initiatives.

Selling, general and administrative expenses ("SG&A") increased $24.8 million, or 110 basis points as a percentage of net sales, for the nine months ended September 28, 2024, compared to the prior year period, primarily due to $13.4 million of favorable fair value adjustments in the prior year period to the estimated contingent consideration obligation for an acquisition and higher compensation and benefits costs in the current year period.

Our effective tax rate increased to 23.6% for the nine months ended September 28, 2024 from 22.7% for the nine months ended September 30, 2023 primarily due to favorable discrete items applied to a lower income before income taxes in the nine months ended September 30, 2023.

Segment Operating Results

Segment operating results were as follows:

(in thousands)	For the Three Months Ended September 28, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 28, 2024	For the Nine Months Ended September 30, 2023
Net Sales:				
Light Duty	$ 393,577	$ 374,697	$ 1,138,228	$ 1,076,619
Heavy Duty	59,615	62,841	178,613	199,495
Specialty Vehicle	50,581	50,648	158,584	159,378
Total	$ 503,773	$ 488,186	$ 1,475,425	$ 1,435,492
Segment profit:				
Light Duty	$ 74,632	$ 60,457	$ 198,339	$ 122,917
Heavy Duty	2,660	1,861	5,390	10,595
Specialty Vehicle	8,624	6,840	25,823	23,625
Total	$ 85,916	$ 69,158	$ 229,552	$ 157,137

Three Months Ended September 28, 2024 Compared to Three Months Ended September 30, 2023

Light Duty

Light Duty net sales increased $18.9 million, or 5.0%, for the three months ended September 28, 2024 compared to the prior year period, primarily due to increased customer demand and sales of new products launched.

Light Duty segment profit as a percentage of net sales increased to 19.0% for the three months ended September 28, 2024, from 16.1% for the three months ended September 30, 2023. This increase was primarily driven by the easing of inflationary pressures, favorable mix driven by higher new product sales, and operational excellence initiatives delivering cost-savings, partially offset by higher compensation and benefits costs.

Heavy Duty

Heavy Duty net sales decreased $3.2 million, or 5.1%, for the three months ended September 28, 2024 compared to the prior year period. The decrease in net sales primarily reflects reduced customer demand from lower freight industry shipping volumes, partially offset by sales of new products in the three months ended September 28, 2024.

Heavy Duty segment profit as a percentage of net sales increased 150 basis points for the three months ended September 28, 2024, compared to the prior year period. This increase was primarily driven by sales of lower-cost inventory, and the impact of investments we made as part of initiatives to grow sales and improve margins on a long-term basis.

Specialty Vehicle

Specialty Vehicle net sales remained flat for the three months ended September 28, 2024, compared to the prior year period.

Specialty Vehicle segment profit as a percentage of net sales increased to 17.0% from 13.5% for the three months ended September 28, 2024 and September 30, 2023, respectively. This increase was primarily driven by sales of lower-cost inventory and cost savings initiatives.

Nine Months Ended September 28, 2024 Compared to Nine Months Ended September 30, 2023

Light Duty

Light Duty net sales increased $61.6 million, or 5.7%, for the nine months ended September 28, 2024 compared to the prior year period, primarily due to volume increases, including sales of new products launched.

Light Duty segment profit as a percentage of net sales increased to 17.4% for the nine months ended September 28, 2024, from 11.4% for the nine months ended September 30, 2023. This increase was primarily driven by the sell-through of lower-cost inventory and operational excellence initiatives delivering cost-savings, partially offset by higher compensation and benefits costs.

Heavy Duty

Heavy Duty net sales decreased $20.9 million, or 10.5%, for the nine months ended September 28, 2024 compared to the prior year period. The decrease in net sales primarily reflects reduced customer demand from lower freight industry shipping volumes in the nine months ended September 28, 2024, as well as sales performance in the nine months ended September 30, 2023 driven by customers' inventory restocking at the end of the global pandemic.

Heavy Duty segment profit as a percentage of net sales decreased by 230 basis points for the nine months ended September 28, 2024, compared to the prior year period. This decrease was primarily driven by the deleveraging of fixed costs on lower net sales and the impact of investments we made as part of initiatives to grow sales and improve margins on a long-term basis.

Specialty Vehicle

Specialty Vehicle net sales remained relatively flat for the nine months ended September 28, 2024, compared to the prior year period.

Specialty Vehicle segment profit as a percentage of net sales increased to 16.3% for the nine months ended September 28, 2024, from 14.8% for the nine months ended September 30, 2023. This increase was primarily driven by the sell-through of lower-cost inventory and cost savings initiatives compared to the nine months ended September 30, 2023.

Liquidity and Capital Resources

Historically, our primary sources of liquidity have been our invested cash and the cash flow we generate from our operations, including accounts receivable sales programs facilitated through certain customers. Key components of our liquidity and capital resources were as follows:

(in thousands)	September 28, 2024	December 31, 2023
Cash and cash equivalents	$ 45,127	$ 36,814
Working Capital	$ 754,753	$ 686,558
Shareholders' equity	$ 1,234,602	$ 1,168,203

Based on our current operating plan, we believe that our sources of available capital are adequate to meet our ongoing cash needs for at least the next twelve months. However, our liquidity could be negatively affected by extending payment terms to customers, a decrease in demand for our products, higher interest rates, the outcome of contingencies or other factors. See Note 7, "Commitments and Contingencies", in the accompanying condensed consolidated financial statements for additional information regarding commitments and contingencies that may affect our liquidity.

Payment Terms and Accounts Receivable Sales Programs

Over the past several years, we have continued to extend payment terms to certain customers as a result of customer requests and market demands. These extended terms have resulted in increased accounts receivable levels and significant uses of cash. Where available and when we deem appropriate, we participate in accounts receivable sales programs with several customers that allow us to sell our accounts receivable to financial institutions to offset the negative cash flow impact of these payment term extensions. However, any sales of accounts receivable through these programs ultimately result in us receiving a lesser amount of cash upfront than if we collected those accounts receivable ourselves in due course, resulting in accounts receivable factoring costs. Moreover, since these accounts receivable sales programs bear interest at rates tied to the Term SOFR or other reference rates, increases in these applicable rates increase our cost to sell our receivables and reduce the amount of cash we receive. See PART I, ITEM 3. Quantitative and Qualitative Disclosures about Market Risk for more information. Further extensions of customer payment terms would result in additional uses of cash or increased costs associated with the sales of accounts receivable.

Sales of accounts receivable under these programs, and related factoring costs were as follows:

	Three Months Ended		Nine Months Ended	
(in thousands)	**September 28, 2024**	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Sales of accounts receivable	$ 254,657	$ 233,513	$ 791,413	$ 713,190
Factoring costs	11,939	12,255	38,171	37,674

If receivables had not been sold over the previous twelve months, approximately $557.7 million and $526.4 million of additional accounts receivable would have been outstanding at September 28, 2024 and December 31, 2023, respectively, based on our standard payment terms. We had capacity to sell more accounts receivable under these programs if the needs of the business warranted.

Credit Agreement

The Company has a credit agreement that provides a $600.0 million revolving credit facility and also includes a $500.0 million term loan with quarterly amortization payment requirements. The credit agreement matures on October 4, 2027. As of September 28, 2024, there was $61.8 million in outstanding borrowings under the revolving credit facility and $475.0 million in outstanding borrowings under the term loan. Also on that date, we had outstanding letters of credit for $1.2 million in aggregate. Net of outstanding borrowings and letters of credit, we had $537.0 million available under the credit facility at September 28, 2024.

Our credit agreement contains affirmative and negative covenants. As of September 28, 2024, we were not in default with respect to our credit agreement.

Refer to Note 7, “Long-Term Debt” to the Notes to Consolidated Financial Statements contained in PART II, ITEM 8 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, for additional information.

Cash Flows

The following summarizes the activities included in the Condensed Consolidated Statements of Cash Flows:

(in thousands)	Nine Months Ended September 28, 2024	Nine Months Ended September 30, 2023
Cash provided by operating activities	$ 159,622	$ 149,110
Cash used in investing activities	(31,245)	(32,869)
Cash used in financing activities	(120,033)	(130,305)
Effect of foreign exchange on cash and cash equivalents	(31)	(17)
Net increase (decrease) in cash and cash equivalents	$ 8,313	$ (14,081)

For the nine months ended September 28, 2024, cash provided by operating activities increased $10.5 million over the prior year period, primarily driven by higher net income, partially offset by favorable working capital in the prior year period from significant inventory reductions.

Investing activities used cash of $31.2 million and $32.9 million during the nine months ended September 28, 2024 and September 30, 2023, respectively. The decrease in cash used in investing activities during the nine months ended September 28, 2024 compared to the prior year period is primarily due to higher additions for property, plant and equipment in the prior year period.

Financing activities during the nine months ended September 28, 2024 included $78.1 million paid to repurchase 855,971 shares of common stock under our share repurchase plan, and the repayments of $31.0 million of outstanding borrowings under our revolving credit facility and $9.4 million of our term loan balance under our credit agreement. During the nine months ended September 30, 2023, we repaid $119.7 million of outstanding borrowings under our revolving credit facility and $9.4 million of our term loan balance under our credit agreement. The remaining uses of cash from financing activities in each period resulted primarily from the repurchase of our common stock from our 401(k) Plan and income tax withholding in connection with the vesting of restricted stock awards (“RSAs”) and restricted stock units (“RSUs”).

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Our market risk is the potential loss arising from adverse changes in interest rates. Accounts receivable factored under our customer-sponsored accounts receivable sales programs bear interest at rates tied to Term SOFR or alternative discount rates and result in us incurring costs as those accounts receivable are factored. Additionally, interest expense from our variable rate debt is impacted by reference rates.

Under the terms of our customer-sponsored programs to sell accounts receivable, a change in the reference rate would affect the amount of financing costs we incur, and the amount of cash we receive upon the sales of accounts receivable under these programs. A one-percentage-point increase in Term SOFR or the discount rates on the accounts receivable sales programs would have increased our factoring costs and reduced the amount of cash we would have received by approximately $2.0 million for both the three months ended September 28, 2024 and September 30, 2023, and $6.3 million and $6.0 million for the nine months ended September 28, 2024 and September 30, 2023, respectively.

Under the terms of our credit agreement, a change in the reference rate or the lender’s base rate would affect the rate at which we could borrow funds thereunder. A one-percentage-point increase in the reference rate or base rate would have increased our interest expense on our variable rate debt under our credit agreement by approximately $1.4 million and $1.6 million for the three months ended

September 28, 2024 and September 30, 2023, respectively, and $4.2 million and $5.3 million for the nine months ended September 28, 2024 and September 30, 2023, respectively.

ITEM 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, conducted an evaluation, as of the end of the period covered by this report, of the effectiveness of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures, as defined in Rule 13a-15(e), were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act), that occurred during the three months ended September 28, 2024 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Control systems, no matter how well-conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The Company conducts periodic evaluations of its internal controls to enhance, where necessary, its procedures and controls.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

The information set forth under Note 7, “Commitments and Contingencies,” to the Notes to Condensed Consolidated Financial Statements contained in PART I, ITEM 1 of this report is incorporated herein by reference.

ITEM 1A. Risk Factors

There have been no material changes in our risk factors from the risks previously reported in PART 1, ITEM 1A, “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2023. You should carefully consider the factors discussed in PART I, ITEM 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

During the three months ended September 28, 2024, we purchased shares of our common stock as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (3)
June 30, 2024 through July 27, 2024	167,563	$ 94.75	167,563	$ 145,426,139
July 28, 2024 through August 24, 2024 (1)	106,130	$ 102.38	106,090	$ 134,565,161
August 25, 2024 through September 28, 2024 (2)	2,410	$ 108.70	—	$ 134,565,161
Total	276,103		273,653	$ 134,565,161

(1) Includes 40 shares of our common stock withheld from participants for income tax withholding purposes in connection with the vesting of restricted stock awards (“RSAs”) during the period. The RSAs were granted to participants in prior periods pursuant to our 2008 Stock Option and Stock Incentive Plan.

(2) Includes 2,410 shares purchased from the Dorman Products, Inc. 401(k) Plan and Trust.

(3) On December 12, 2013 we announced that our Board of Directors authorized a share repurchase program, authorizing the repurchase of up to $10 million of our outstanding common stock by the end of 2014. Through several actions taken since that time, our Board of Directors expanded the program to $600 million and extended the program through December 31, 2024 (the “Existing Program”). At September 28, 2024, $134.6 million was available for repurchase under the Existing Program. The Existing Program will expire on December 31, 2024, along with all amounts that remain available for use under the Existing Program as of that date.

In October 2024, the Company’s Board of Directors authorized the purchase of up to $500 million of our common stock under a new share repurchase program that is effective from January 1, 2025 through December 31, 2027 (the “New Program”).

Under each of the Existing Program and the New Program, share repurchases may be made from time to time depending on market conditions, share price, share availability and other factors at the Company's discretion. These share repurchase programs do not obligate us to acquire any specific number of shares.

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. Mine Safety Disclosures

Not Applicable

ITEM 5. Other Information

Director and Executive Officer Trading Arrangements

During the quarter ended September 28, 2024, no director or executive officer adopted or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408(a) of Registration S-K).

Share Repurchase Program

In October 2024, the Company's Board of Directors authorized the purchase of up to $500 million of our common stock under a new share repurchase program that is effective from January 1, 2025 through December 31, 2027 (the "New Program"). Under the New Program, share repurchases may be made from time to time depending on market conditions, share price, share availability and other factors at the Company's discretion. The share repurchase program does not obligate us to acquire any specific number of shares.

ITEM 6. Exhibits

(a) Exhibits

The Exhibits included in this report are listed in the Exhibit Index on page 29, which is incorporated herein by reference.

EXHIBIT INDEX

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished with this report). **
101	The following financial statements from the Dorman Products, Inc. Quarterly Report on Form 10-Q as of and for the quarter ended September 28, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations; (ii) the Condensed Consolidated Balance Sheets; (iii) Condensed Consolidated Statements of Shareholders' Equity; (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q as of and for the quarter ended September 28, 2024, formatted in Inline XBRL (included as Exhibit 101).

* Filed herewith

** Furnished herewith

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.

Dorman Products, Inc.

November 1, 2024

/s/ Kevin M. Olsen

Kevin M. Olsen
President, Chief Executive Officer
(principal executive officer)

November 1, 2024

/s/ David M. Hession

David M. Hession
Senior Vice President and
Chief Financial Officer
(principal financial and accounting officer)