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LKQ Corp. (LKQ)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

Joseph P. Boutross
Vice President-Investor Relations

Rick Galloway
Chief Financial Officer & Senior Vice President

Justin L. Jude
President, Chief Executive Officer & Director

OTHER PARTICIPANTS

Craig Kennison
Robert W. Baird & Co., Inc.

Bret Jordan
Jefferies LLC

John P. Babcock
Barclays Capital, Inc.

Jash Patwa
JPMorgan Securities LLC

Jeff Lick
Stephens, Inc.

Jack Weisenberger
ROTH Capital Partners LLC

MANAGEMENT DISCUSSION SECTION

Joseph P. Boutross
Vice President-Investor Relations

GAAP AND NON-GAAP FINANCIAL MEASURES

- During this call, we will present both GAAP and non-GAAP financial measures
- A reconciliation of GAAP to non-GAAP measures is included in today's earnings press release and slide presentation

Justin L. Jude
President, Chief Executive Officer & Director

BUSINESS HIGHLIGHTS

Performance

- Q1 was another quarter of solid progress across our operating segments, and we're increasingly confident in our positioning as North America continues to recover
- This quarter reflected the team's operating discipline and relentless focus on the things within our control
 - Taking market share
 - Protecting margins
 - And improving productivity

- LKQ has started 2026 with a strong foundation, featuring a more focused organization, disciplined execution, and an unwavering commitment to long-term value creation
- Now I'll provide a brief update on each segment, highlighting demand trends, commercial execution, and the actions we're taking to expand profitability
- North America organic revenue declined 0.5% on a per day basis, an improvement over last year's Q1 decline of 4.1% and a sequential improvement from Q4's decline of 1%
 - These results highlight a gradual recovery and reinforce our confidence in the direction of our North American operations

REPAIRABLE CLAIMS

- Repairable claims were down approximately 2% to 4%, demonstrating steady recovery from the levels we saw throughout 2025
- Importantly, we achieved strong performance in our aftermarket collision product line, surpassing the growth levels of the segment
 - This positive momentum was partly driven by an increase in the utilization of alternative parts, which reached a record high of nearly 40% through February

MSO Agreements

- And we anticipate that this favorable trend continues in March as well
- We also renewed several MSO agreements and further integrating ordering capabilities with our key partners
 - These integrations are designed to increase the ease and velocity of ordering, improve procurement workflows, and position us to capture more share of wallet
- Elitek, our calibrations and diagnostics business, delivered strong organic growth and healthy EBITDA margins in the quarter

Bumper-to-Bumper

- For context, an increasing share of collision repairs require calibration and diagnostics, and we estimate that requirement has risen to roughly 75% today from about 62% three years ago
- We view this as a durable, long-term tailwind and a compelling opportunity to extend our service offering
- Our Bumper-to-Bumper hard parts business in Canada again delivered positive growth, and as I've mentioned in the past, we plan to methodically expand this business further given the still fragmented Do-It-For-Me hard parts market across North America
 - We're seeing promising signs of stabilization in North America that reinforce our optimism for the business

Growth and Margin Expansion

- Used car prices are climbing, non-comprehensive total loss rates are declining, and auto insurance premiums are easing, all positive indicators for our industry
- Notably, used car values improved every month this quarter, with March alone up 6.2%
- These trends will drive a reduction in total loss frequency and boost the proportion of accidents that translate into repairable claims, supporting continued growth and opportunity for our company
 - While we can't predict the exact timing of a broader recovery, the indicators are moving in a direction that supports our model

- And importantly, we believe we've built a stronger operating foundation
- So as volumes improve, we're confident in our ability to convert that into growth and margin expansion

Europe

- In Europe, we saw softness early in the quarter similar to what we experienced in Q4 followed by steady, month-over-month improvement, with March showing stronger demand
- While the macro backdrop remains mixed, we're focused on controlling what we can control: service levels, execution, and cost
- Overall, performance was in line with our expectations as we continue to execute operational initiatives to improve service and further optimize our cost structure
- Eastern Europe and Germany delivered positive organic revenue growth, and while the UK and Italy were down y-over-y, we were encouraged to see sequential improvement

Private Label Initiative

- Our private label initiative continues to make progress in the quarter, with volume penetration reaching 25.3%, up from 25.1% in Q4, which aligns with our objective of reaching 30% over the coming years
- We are continuing to use targeted introductory pricing to support adoption, and we expect to thoughtfully improve pricing as customers gain confidence in the quality and reliability of our exclusive branded products

Key European Markets

- As previously communicated, we executed a planned ERP migration in one of our key European markets, which was completed during the first week of April
- We anticipated temporary sales disruption associated with the conversion and appropriately reflected that in our full year guidance
- The project is progressing ahead of our initial expectations, and while we are not yet fully optimized post-conversion, our priority is maintaining customer service and we are seeing daily improvements in sales levels
- ERP conversions are intensive projects, but we approached it with deliberate execution
 - This achievement supports our integration roadmap and enables future process standardization, cost reduction initiatives, and enhancing the ability to become a seamless pan-European distributor

Specialty

- Lastly, turning to Specialty
- Specialty delivered another solid quarter, with organic revenue up 3.4%
 - That marks three consecutive quarters of positive organic growth
- RV revenue growth was nearly double digits, and we also saw strong growth in marine, reflecting continued demand and strong execution by the team
- Last quarter, I noted the Specialty process was robust, with strong interest from both strategic buyers and financial sponsors
 - That remains true

CREDIT MARKETS

- At the same time, the recent geopolitical tensions have introduced uncertainty into the credit markets, and some potential buyers have seen their lenders tighten financing terms as a result
- We haven't shut down the process, but given the environment, we felt it was important to be transparent with our shareholders about the timing and the dynamics we're seeing

Ongoing Strategic Review

- Before I hand the call over to Rick, I want to provide an update on our ongoing strategic review
- We are still early in the process, and we intend to be thoughtful and pragmatic
- We have engaged both Bank of America Securities and Goldman Sachs, alongside the board and management, to identify and evaluate a full range of alternatives with the objective of maximizing long-term shareholder value
- We believe there are multiple paths to create value, and we are committed to evaluating them rigorously
- Management and the board are aligned to take a careful, strategic look at the business
- We know we have a strong company and we will be active, thoughtful, and deliberate as we assess the path forward
- Given where we are with the process, investors should not expect an immediate update, but you should expect that we are treating this with urgency and evaluating alternatives thoroughly
- Finally, to be clear, our teams remain fully focused on executing day to day, and the strategic review does not change our operating priorities or our commitment to serving customers and delivering results, something our teams never lose sight of, and for that I am extremely proud of their continued dedication

Rick Galloway

Chief Financial Officer & Senior Vice President

FINANCIAL HIGHLIGHTS

Performance

- Our performance reflected solid execution in North America, improving trends throughout the quarter in Europe, and continued focus on productivity and cost actions
- These positives were partially offset by headwinds from fuel, bad debt, and pricing and mix pressure in certain areas
 - We reported revenues of \$3.5B, a 4.3% increase y-over-y
- Diluted EPS was \$0.30 and includes \$0.17 per share impairment related to our equity method investment in Mekonomen, which is excluded from adjusted net income

Adjusted Basis

- On an adjusted basis, diluted EPS was \$0.67 compared to \$0.74 in the prior year
- On FCF, the quarter tracked close to our expectations and reflected normal seasonality
- As we have observed historically, first quarter working capital is a headwind, with receivables increasing from year-end as volumes built through each month of the quarter
- FCF was negative \$96mm vs. negative \$57mm a year ago
- As in prior years, we expect Q1 to be a use of cash and the remaining quarters to generate positive FCF

North America

- In North America, top line performance remained solid despite y-over-y headwinds from repairable claims and tariffs, and we believe we continue to gain market share
- Consistent with prior quarters, pricing remains competitive, and our ability to fully pass through higher costs while maintaining margins is constrained
- As we anniversary the tariff increases in the cost of sales in the back half of the year, we expect to see EBITDA margins normalize on a y-over-y basis
- Other revenue grew due to higher metals prices and higher volumes
- Segment EBITDA was 14.1%, down 130BPS y-over-y, but up 140BPS sequentially
- Gross margin in North America was 42.4%
 - While down y-over-y, driven primarily by the dilutive effect of passing through tariff pricing and customer mix, gross margin improved sequentially

Aftermarket Business

- The sequential improvement was supported by strength in the aftermarket business and higher commodity prices, partially offset by pressure in salvage due to softer salvage revenue and higher car costs
- As we lap the tariff-related cost step-up in the back half, we continue to expect y-over-y margin comparisons to improve
- SG&A in North America improved by 90BPS as a percentage of revenue compared to the prior year, reflecting our focus on controlling what we can control, cost discipline and that drove operating leverage on higher revenue

Europe

- In Europe, revenue benefited from FX, but organic volumes remained pressured, and top line pressure flowed through to margins
- The segment EBITDA declining 150BPS to 7.8%
- Gross margin in Europe was 38.3% in the quarter, a 50-basis point reduction due to a competitive pricing environment in certain key markets and higher input costs
- SG&A costs increased approximately 80BPS to 30.9%
 - While lower volumes and inflation pressured overhead leverage, aggressive productivity and restructuring initiatives helped partially offset this impact
- With the cost actions we've undertaken, we believe the business is well-positioned when market conditions normalize

Specialty Business

- In our Specialty business, revenue was in line with expectations for Q1
- For the quarter, organic revenue was up 3.4% vs. prior year while EBITDA decreased by \$3mm
- Gross margins increased in line with revenue but higher SG&A, primarily related to \$6mm in higher-than-normal credit losses related to a non-trade receivable, more than offset the increases in margin dollars

Balance Sheet

- Turning to the balance sheet

- We ended the quarter with total debt of \$3.9B and leverage of 2.6 times EBITDA.
- Our \$500mm term loan came current at the end of Q1
 - We intend to either extend or refinance prior to the scheduled maturity date
- We remain committed to maintaining a strong balance sheet and our investment-grade rating
- Our effective interest rate was 5.0% in the quarter
 - We returned \$77mm to shareholders during the quarter through our dividend
- In line with our disciplined strategic capital allocation policy, we spent \$5mm on two small tuck-in acquisitions in Europe

GUIDANCE

Market Conditions

- Turning to guidance for 2026
- Following our first quarter performance and considering current market conditions and recent trends, we are reaffirming our full year guidance for organic parts and services revenue, adjusted EPS, and FCF
- The change in GAAP guidance for EPS is primarily related to the impairment on our investment in Mekonomen, which is excluded from adjusted net income
- We continue to expect organic parts and services revenue in the range of negative 0.5% and a positive 1.5%, adjusted EPS between \$2.90 and \$3.20, and FCF between \$700mm and \$850mm
- We still believe it is too soon to reflect a meaningful market recovery in our outlook
 - While we are appropriately cautious on demand, our confidence is grounded in execution

Cost Structure

- We remain focused on managing our cost structure and continue to expect to realize the more than \$50mm in annualized cost savings I mentioned when we first released 2026 guidance, with most of that benefit coming in 2026, and are offsetting volume and inflationary pressures through productivity initiatives and additional restructuring actions, and disciplined capital allocation
- That said, as Justin mentioned, we continue to see green shoots across our business and in particular early indicators that suggest improving demand, including easing insurance premium pressures, improved used-car values, and broader stabilization in the automotive environment

Justin L. Jude

President, Chief Executive Officer & Director

Q1 HIGHLIGHTS

North America

- Before we open up to Q&A, I want to reinforce a few points
- Despite the challenging environment, we are pleased with the quarter and the progress we're making through disciplined execution
- In North America, we believe the recovery is taking hold, and we are positioning ourselves for success going forward as the environment improves

Europe

- In Europe, while the macro remains mixed, we are executing on the initiatives within our control, and we're seeing sequential improvement
- The actions we've taken to improve performance are beginning to show through, and we believe we are on the right trajectory
- As we move through 2026, we remain focused on the fundamentals: serving customers, taking share, expanding margins, and converting earnings to cash
 - We believe that the focus, combined with improving industry indicators, positions us to create long-term value for our shareholders.

QUESTION AND ANSWER SECTION

Craig Kennison

Robert W. Baird & Co., Inc.

Q

I wanted to focus on North America and a couple of metrics that you shared, one of which was APU at 40%. And I think you said you signed some MSO agreements. I'm curious, as you have success, let's say, in that MSO channel, what are the implications for your overall penetration for alternative parts and your margin profile?

Justin L. Jude

President, Chief Executive Officer & Director

A

Yeah. The good news you mentioned on APU, it got close to 40% through February. We're seeing stats in March, it's not fully out yet, where that number is still close. One of the big benefits as MSOs take share, they're higher utilizers of alternative parts. They have better lead times, cycle times with insurance carriers, so they naturally get more share. We win with the MSOs. We're up in the teens with those guys. And my comment about agreements is we renewed agreements. We are in the shops of every single of the MSOs today. We have a pretty good relationship.

We're continuing to work on integration, which helps us not only get more share of wallet, but it improves efficiency on our side and the MSOs. So, the relationships are really strong with the MSOs. We're growing as they grow as well. They do get, obviously, the better price overall just because of their share of volume. The nice thing is they use way more alternative parts at a rooftop than any other non-MSOs. So, we gain margin dollars and we gain efficiencies from that.

Craig Kennison

Robert W. Baird & Co., Inc.

Q

When you talk about those integrations, to what extent does it drive APU even higher at maybe a stickier level?

Justin L. Jude

President, Chief Executive Officer & Director

A

Yeah. So, if you look at it on paper, there's benefits on margins and cycle times of using alternative parts. We have great lead times, great service fill rates available. With the automation and the strong MSOs, what they do is they automate it. They take some of that decision-making process away. They automate it towards clearly factual looking at lead times, looking at margin dollars on a part, and then the system can automatically order it. And

when that integration occurs, we see the volume go up with LKQ, which ultimately drives more alternative parts at the MSO.

John P. Babcock

Barclays Capital, Inc.

Q

I guess just quickly on repairable claims, there was obviously improvement in Q1 relative to Q4 from. I think it's now, what, 2% to 4% you said from 4% to 6% down last quarter. What do you think is driving that improvement structurally?

Justin L. Jude

President, Chief Executive Officer & Director

A

Yeah. So, long-term benefit of repairable claims will be the insurance premiums. It's not immediate, but just talking on insurance premiums, we're seeing those flatten out. We're seeing some states decline. That's changing the consumer behavior. The biggest benefit and the most real-time response that we get on improving repairable claims is on the used car side.

So, through Q1, used car prices went up 3.6%, 6.2% alone in March. And so, if you think about the estimating process, as soon as an estimate is written, it's immediately compared to that used car value. And if it's below the threshold, it turns into a repairable claim. If it's above the threshold, it gets totaled out.

And so, when we see the used car prices, like in March, grow 6.2%, that immediately reflects into the repairable claims. So, I would say used cars is more real time, quicker to get the benefit, and as insurance premiums drop, that'll drive repairable claims improving as well.

John P. Babcock

Barclays Capital, Inc.

Q

Okay. Thank you. And then just next on the ERP system, obviously, you've just started implementing that in Europe as of early April. And maybe it's too early to say here, but I was just kind of curious, how are employees taking to it so far, and when do you expect to get a sense as to the operational benefits there?

Justin L. Jude

President, Chief Executive Officer & Director

A

Sure. Good question. First off, on the ERP, you think about it, we have dozens of ERP systems over there. It creates inefficiencies from an infrastructure. It creates risks from outdated systems that could be sunsetted. And it also prevents us from really leveraging our pan-European scale across Europe.

The other area that a ERP brings is more sophistication, more capabilities to interface with our customers that some of our current systems lack. So, there's good value in being able to create a pan-European system from an ERP system. It creates best practices for us. It standardizes a lot of our operations. The conversion, obviously, as you can imagine, it's intense with the teams both on the corporate side out in the field.

I would say, the stress level is probably pretty high the first week, and every day is getting better and better. And the teams are really sticking with us and helping us out. One good stat is one of our prep to go live was on Easter Monday over there. And if you can imagine, most Europeans take those holidays off. We had 100% representation at our branches on that conversion training, which just shows how much the employees are committed to this process as well.

Jeff Lick

Stephens, Inc.

Q

Justin, you had mentioned some signs of improvement in Europe as the quarter went on. I was wondering if you could elaborate on that. And then also, as it relates to the private label initiative over there, I was wondering if you could kind of walk through maybe more of the timing with respect to as you migrate from the introductory prices to a more regular pricing cadence.

Justin L. Jude

President, Chief Executive Officer & Director

A

Yeah. So, on Europe, we started off the year, I would say, very similar to Q4. Soft demand, pricing competition still exists over there, especially when volumes are down and demand is down, competitors get aggressive. We saw a little bit of improvement in February, and it got a little bit even better in March. So we just saw continual improvements. We're seeing April very similar to March. So I wouldn't say it's back to where normal is in Europe, but we saw those continual improvements on demand, which helped us out.

As you mentioned on private label, we're continuing to push it. We are offering introductory pricing just for the fact that some of these brands are new to these customers. We want them to have a comfort level to try to use that, and so we offer that introductory pricing to get them to buy into it for that first try. And as they do continually order that branded products across multiple product lines, they get a better comfort level of the quality and a consistent service level, and then we can start ratcheting prices up. We have plans right now as we grow that volume, which I think at 25.3% for Q1, to start ratcheting up the prices throughout 2026 with full effect in 2027.

Rick Galloway

Chief Financial Officer & Senior Vice President

A

And maybe just to add one piece of color. We did get to see sequentially, Jeff, from Q4 to Q1, a sequential improvement in the overall private label margin. So it is taking hold, and we are getting to be able to raise that price a little bit, as it gets that penetration.

Jeff Lick

Stephens, Inc.

Q

And I'm just curious, I know they were small acquisitions, but I think sometimes investor perception is that you're on your back foot in Europe and making a couple of tuck-ins implies that, you're still playing offense. So I was wondering if you could just give any detail on those.

Justin L. Jude

President, Chief Executive Officer & Director

A

Yeah. These tuck-ins created some abilities that we didn't really have. So, EV in Europe is less than 4% penetration, so it's still low. But our shops do require some training on that. We acquired a business that can repair and remanufacture EV batteries. We're leveraging that to help create training for our workshops to create better knowledge for them where they can repair these vehicles. In addition, we bought another remanufacturing company that specializes in electronic components. There's a lot of remanufacturing of the mechanical parts, engines, transmissions, starters, alternators.

The real expensive parts are these components that maybe the only option is OE or maybe even used. And so we acquired another business that it's a small business but allows us to take some of our salvage product that we have that is cored out, feed it into the remanufacturing, and then be able to offer those remanufactured components at a fraction of the price of what the OEM cost.

Bret Jordan

Jefferies LLC

Q

When you think about the cash flow guide and, sort of the generation of cash as the year progresses, how do you think about the working capital balance? I think you're leveraged at 2.6 times. Do you think you can get sort of a better accounts payable, inventory ratio, or is it just really a matter of selling down inventory?

Rick Galloway

Chief Financial Officer & Senior Vice President

A

I think it's a combination, Bret. There's a few things going on. Keep in mind, last year and historically with self-service, we had sold self-service last year. Q1 self-service typically has positive FCF just based on the timing of that business. So that was one piece that happened y-over-y where we didn't have that anymore. It fell in line. It actually fell a little better than we had expected in Q1. As you go throughout the year, continual improvement in overall inventories and the mix between inventories and payables, we were able to see another about 8% improvement in DPO for our European operations.

So we've been talking about that sort of, 10-ish percent on a regular basis y-over-y to try to keep improving the overall payables. So it's an ongoing thing. It's not just where it all comes at Q4 or something like that, but it will definitely be more back-end loaded this year, even more than what it was last year. But we'll see that throughout the quarter. We'll be positive every quarter the remaining part of the year, though.

Justin L. Jude

President, Chief Executive Officer & Director

A

Okay. And then I guess on capital return, it sounds like maybe Specialty might be hung up a bit, so big cash infusion might be delayed. Is there a thought of buyback rather than dividend, just given where from a valuation standpoint where it trades?

Rick Galloway

Chief Financial Officer & Senior Vice President

A

Yeah. We definitely. I'll take the portion of that, and if you want to chime in as well, Justin. But we definitely look at the value of share repurchases vs. dividends. We're committed to the dividend. We've had the dividend now for the last several years. We haven't increased the dividend, but we had another \$77mm that we did. We didn't purchase any shares in Q1, primarily because we knew what the FCF was going to be, and where our leverage was going to fit in at the end of the quarter. But we are very committed to continuing our normal capital allocation strategy similar to what we had last year. So you would expect to see share repurchases throughout the rest of the year, at a level that we think is a reasonable amount.

Jash Patwa

JPMorgan Securities LLC

Q

I wanted to start with total loss frequency. While the near-term benefits from stronger used car prices and the related decline in total loss frequency are clear, could you maybe walk us through how you're thinking about the longer-term implications, specifically as vehicle complexity continues to increase? Do you expect the structurally pushed total loss frequency higher over time? And how should we think about implications for LKQ thereof? Thanks, and I have a follow-up.

Justin L. Jude

President, Chief Executive Officer & Director

A

Thanks, Jash. I mean, if you look back at total loss over the last decade, it definitely has increased pretty substantially. A lot of the reasoning why that has increased is just better accuracy. So, 10 years ago, the estimatics weren't as sophisticated as they are today. So, a vehicle would get in a wreck, they would expect the repair cost is \$5,000. They would start to repair it, and as it kept continuing through the body shop, it would turn into an \$8,000 or \$9,000 repair. And so, they weren't very accurate on understanding whether that car should've been a total loss.

With AI and a lot of other technology that the carriers are using, that the estimatics are using, they're able to determine that that car is a total loss up ahead early on. And so, that's kind of the big reason why some of the total loss rates shot up. I think it's all just based on economics, right? So, cars become more complex. They're more expensive. Part repairs are becoming more expensive. If those things stay in line like normal, then I don't see total loss rates really moving much over the next decade or so.

Jash Patwa

JPMorgan Securities LLC

Q

Understood. That's helpful. Thank you. Just as a follow-up, on the North American organic revenue growth, would you be able to dissect the impact of some of the weather-related disruptions we had in Q1? And I was also curious if you could speak to the margin headwinds you may have seen from higher diesel prices, both in Europe and North America, either in March or quarter-to-date. Thanks.

Justin L. Jude

President, Chief Executive Officer & Director

A

I can just talk high level on the revenue side, and Rick can maybe comment on it as a follow-up. Throughout the beginning of 2026, we started off decent. We had some, I would say, bad weather. In some cases, bad weather helps us. In some cases, bad weather creates the consumer not to drive at all, and it leads to some headwinds of getting repairable claims or getting cars in accidents and getting them fixed. So, net-net, weather really didn't have much impact on it. Our growth throughout the quarter is a lot of share gains, [ph] APU (00:29:51) growth, as well as some of these used car pricing anomalies that I was talking about. Not anomalies, but used car pricing increases that are helping to drive repairable claims up. So, weather was somewhat muted for us in the whole quarter.

Rick Galloway

Chief Financial Officer & Senior Vice President

A

And as far as the cost side, Jash, we didn't see very much in the way of movement throughout the quarter. I think the Iranian conflicts has been one of the catalysts that have increased petroleum costs and diesel fuel. That happened much further into the quarter, so very, very minimal impact, one of which we're confident we can pass on to the consumer. So, we're not too concerned about a net impact on that.

Justin L. Jude

President, Chief Executive Officer & Director

A

And Jash, just realize, I mean, we got teams on pricing that are looking at freight in, freight out, raw material costs going into some of our products. And our teams are really quick on pushing that price through to pass it on and make sure we're not stuck holding the bag. So, although the pricing is volatile, our teams can handle it and make sure that we push that pricing on. So, there's no real impact to us net-net for the rest of the year.

Jash Patwa

JPMorgan Securities LLC

Q

Very helpful. Thank you. And just if I could sneak one more in. You had previously indicated the expectation for a potential update on the Specialty segment sale by the end of H1. I'm curious if there are any developments or timing updates, you'd be able to share at this point. Thank you.

Justin L. Jude

President, Chief Executive Officer & Director

A

Yeah, nothing new other than what I said in my script to where the credit markets tightened up, which caused some concerns for us on getting a transaction through, and we wanted to be transparent with that. We haven't killed the process by any means. But if anything substantially changes, we will, obviously, inform our investors, but nothing different than what was in my notes, in my script.

Rick Galloway

Chief Financial Officer & Senior Vice President

A

Yeah. I think the positive news is that the Specialty organization is operating very well. Revenue is up. We've had three quarters in a row of positive revenue. So, the trends for that market, for that business and that industry in general is good and positive. So, real happy to see that.

Jack Weisenberger

ROTH Capital Partners LLC

Q

Just how are you seeing the recent changes to tariffs affecting your business with the IEEPA's going away, and then ultimately replaced by 122s and the 232s? Can you just talk a little bit about that, please?

Rick Galloway

Chief Financial Officer & Senior Vice President

A

Yeah, Jack, I can take some of that, and then, Justin, if you want to add anything. The interesting thing about the IEEPA tariffs is it had a very minimal impact for us. Most of ours is through Section 232. And as you know, that really hasn't changed all that much. There's been a lot of communication back and forth. There's been communication about the Taiwan deal is another potential.

And so, for us, it's been fairly status quo. We're continually watching things like Section 301 that's coming out. But right now, there's nothing definitive and there's no detail that came in that said what the final numbers are. So, as of now, we're continuing to manage this, continuing to balance it.

If you look at the overall EBITDA percentage decline y-over-y for our North America wholesale, almost entirely made up of inflationary pressures due to tariffs. So, that decline is fully baked in, and it was zero last year. But we think that we've been managing it, not giving away dollars at the bottom line, but we do have a bit of an impact on the margin percentages.

Jack Weisenberger

ROTH Capital Partners LLC

Q

Great. And then, can you talk about the different regions in Europe? What are you seeing in the regions that are growing as well as the ones that are relatively weaker?

Justin L. Jude

President, Chief Executive Officer & Director

A

Yes. As I mentioned in my script, the two markets where we saw good, decent growth in Q1 was in Germany as well as Central Eastern Europe. We were obviously then negative in the remaining markets, but sequentially we got better, so not as negative. So we're seeing some demand continue to improve throughout Q1.

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