Second Quarter 2025 Earnings Conference Call
July 31, 2025

<u>Presenters</u>
Andy Nemeth, CEO
Jeff Rodino, President – RV
Andy Roeder, CFO
Steve O’Hara, Vice President of Investor Relations

<u>Q&A Participants</u>
Joe Altobello – Raymond James
Dan Moore – CJS Securities
Craig Kennison – Robert W. Baird
Tristan Thomas-Martin – BMO Capital Markets
Mike Albanese – Benchmark
Scott Stember – ROTH/MKM Partners
Noah Zatzkin – KeyBanc Capital Markets

Operator

Good morning, ladies and gentlemen, and welcome to Patrick Industries’ Second Quarter 2025 Earnings Conference Call. My name is Rob, and I’ll be your operator for today’s call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star, zero, on your telephone keypad. Please note that this conference is being recorded.

And I will now turn the call over to Mr. Steve O’Hara, Vice President of Investor Relations. Mr. O’Hara, you may begin.

Steve O’Hara

Good morning, everyone and welcome to our call this morning. I’m joined on the call today by Andy Nemeth, CEO, Jeff Rodino, President—RV, and Andy Roeder, CFO.

Certain statements made in today’s conference call regarding Patrick Industries and its operations may be considered forward-looking statements under the securities laws.

The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Additional factors that could cause results to differ materially from those described in the forward-looking statements can be found in the Company’s Annual Report on Form 10-K for the year ended December 31, 2024 and the Company's other filings with the Securities and Exchange Commission (SEC).

I would now like to turn the call over to Andy Nemeth.

Andy Nemeth

Thank you, Steve, and good morning, everyone. We appreciate you joining us on the call today.

Our incredible team continued to deliver disciplined performance and results in the second quarter of 2025 despite very dynamic market conditions. We produced top-line growth of 3%, resulting in revenue of approximately $1.05 billion, and on a trailing twelve-month basis, approximately $3.8 billion. Adjusted earnings per diluted share was $1.50 in the second quarter, including approximately $0.03 of dilution from our convertible notes and related warrants.

To date, as a result of our sales teams' continued efforts and partnerships with customers, and along with new product development and Advanced Product Group efforts, we've secured over $100 million in new business tied to the 2026 model year in our Outdoor Enthusiast end markets. We had platform wins across multiple markets this quarter, including our recently developed composite roofing system for RV OEMs, a new pontoon tower incorporating our own power bimini system, and a new windshield program in Powersports, which Jeff will touch on later on the call. We are excited about the energy and momentum being created internally across our brand platform toward our full-solutions model, enhancing product integration and innovative design at scale.

The diversification of our portfolio continues to be a core strength, providing resilience across our business model in this dynamic environment. April's tariff announcements resulted in a pause in consumer activity in our markets, however we're encouraged that this appears to be a confidence-related pause rather than a fundamental shift in underlying demand. Based on recent commentary from leaders in the industries we serve, we believe people continue to enjoy the Outdoor Enthusiast lifestyle, which should create meaningful pent-up demand, across our end markets. The sustained discipline at both the OEM and dealer level in our RV, Marine and Powersports markets gives us confidence in a longer-term trajectory as economic certainty improves, and interest rates stabilize.

As Andy will highlight, we remain in a position of strength with a solid balance sheet and liquidity of $835 million, enabling us to execute on our capital allocation strategy with discipline and confidence. To that point, we are actively cultivating our acquisition pipeline, and we continue to invest in automation and innovation, which includes advanced data analytics and AI driven capabilities, further paving the way for a more efficient and profitable Patrick in the future. Our strong cash flow generation, balance sheet, and liquidity position enable us to act quickly when opportunities align with our strategic and financial criteria. While we continue to evaluate strategic opportunities, we are also returning value to shareholders as demonstrated in the second quarter, through quarterly dividends of $13 million and over $23 million in share repurchases.

Looking to the back half of the year, we believe dealers will remain strategic in their approach to ordering, likely waiting until the fourth quarter, or first quarter of calendar year 2026, to begin meaningfully restocking. Dealer inventories across our channels are lean, OEMs have maintained production discipline and we are strategically positioned to scale quickly and continue executing the long-term vision that we outlined at our Investor Day last December. Additionally, we have continued to invest in innovation and automation, created our Advanced Product Group, and enhanced and launched our full-solutions model, while also cultivating the next generation of talent that will take Patrick to the next level.

We remain focused on executing on our capital allocation strategy, optimizing our cost structure, maximizing cash flow generation, delivering best-in-class quality and service, and continuing to innovate for both our OEM and growing aftermarket customer base. This disciplined approach bolsters the resilience of our model, while preserving our ability to capitalize on opportunities to outperform our end markets.

And finally, in the second quarter, we welcome back our former CFO, Jake Petkovich, to the Patrick family as President of our Marine businesses. Beyond his past success with the company, Jake is an avid outdoor enthusiast, and we are confident that Jake’s leadership will further advance our full-solutions model in the Marine business while solidifying our position as a market innovator and leader. Rick Reyenger, prior President of Marine, and one of the architects of our Marine strategy, remains an important member of the team, acting as a strategic advisor. We remain incredibly appreciative of Rick’s dedication, passionate service and commitment to the Patrick team, vision and culture.

I’ll now turn the call over to Jeff, who will highlight the quarter and provide more detail on our end markets.

Jeff Rodino

Thanks, Andy, and good morning, everyone.

Looking closer at our end markets, second quarter RV revenue increased 7% to $479 million versus the same period in 2024, representing 46% of consolidated revenue. Our RV content per unit on a TTM basis was $4,952, which was flat from the same period last year despite the continued heavy mix of smaller, less-contented units. The improvement in RV revenue was driven by acquisitions and market share gains. RV content per unit, on a quarterly basis, increased 5% sequentially compared to the first quarter of 2025 and increased 6% year-over-year.

We estimate RV retail and wholesale unit shipments were approximately 109,600 and 92,900 units, respectively, in the second quarter. This implies a seasonal, dealer field inventory destock of approximately 16,700 units in the quarter. Dealer inventory weeks-on-hand was approximately 19 to 21 weeks in the second quarter, down slightly from 20 to 22 weeks in the first quarter of 2025, and reflected continued wholesale production to retail sales discipline. This remains below pre-pandemic historical averages of 26 to 30 weeks.

Within our RV business, we recently expanded our product offering to include baggage doors, responding directly to specific customer demand. By leveraging our existing fabrication capabilities, utilizing our automation expertise and the raw materials we already supply, we have enhanced the quality and efficiency of this common component in RVs while entering a new product category that expands our total addressable market. This move highlights our ability to utilize our operational footprint, scale and flexibility, and highlights the value of our long-standing customer relationships.

Our second quarter Marine revenues were $156 million, off just 1% from the prior year, outperforming an estimated 5% decrease in wholesale powerboat unit shipments. Through the model year transition, we were able to win additional business in product categories including electronics, towers, audio, and other high-engineered solutions, while bringing new customers in. These wins position us to have a positive impact on our content per unit in the back half of the year and into 2026. Our estimated Marine content per wholesale powerboat unit on a TTM basis was $4,012, an increase of 2% from the same period last year. Estimated Marine content per wholesale powerboat unit, on a quarterly basis, was up 2% sequentially compared to the first quarter of 2025 and increased 4% year-over-year.

We estimate Marine retail and wholesale powerboat unit shipments were 60,800 and 38,000 units, respectively, in the second quarter. This implies a seasonal dealer field inventory destock of approximately 22,800 units. Dealer inventory in the field remains lean at an estimated 20 to 22 weeks-on-hand, down from 26 to 28 weeks in the first quarter of 2025, and 22 to 24 weeks-on-hand last year at this time, remaining well below the historical pre-pandemic averages of 36 to 40 weeks.

Our Powersports revenues were $96 million in the quarter, compared to $104 million from the prior year period, representing 9% of our second quarter 2025 consolidated sales. We estimate wholesale Powersports shipments were down year-over-year in the second quarter as OEMs and dealers work to optimize inventory. We believe our position in the Powersports market remains advantageous given our emphasis on the utility side of the market, which has shown more resilience compared to the recreation side. We see continued runway in the Powersports space, in part due to the consumers' preference for creature comforts like HVAC, which requires the cab enclosures Sportech manufactures. As an example of organic content gains, our Sportech team recently added an incremental polycarbonate windshield solution in the golf cart market.

This program demonstrates how our integrated approach creates value for customers while driving higher content for Patrick.

On the Housing side of our business, our second quarter revenues were up 3% to $315 million, representing 30% of consolidated sales. In Manufactured Housing, which represents approximately 58% of our Housing revenues in the quarter, our estimated content per unit on a TTM basis increased 3% year-over-year to $6,670.

MH wholesale unit shipments increased an estimated 3% in the quarter, while total Housing starts decreased 1%.

Within Housing, our Manufactured Housing business continues to see relative stability. We continue to support our customers through a wide breadth of offerings in the space, while benefiting from a lean cost structure and the ability to scale most efficiently to serve our customers.

We believe our focus on leveraging our depth and breadth of our product and brand portfolio to deliver our full-solution strategy is continuing to create value for Patrick, our customers, and our shareholders. For Patrick, it represents a significant opportunity to capitalize on the creativity and design capabilities of our team to integrate additional value-added components, value-engineered savings and capture higher content per unit. For our customers, we believe it will deliver meaningful supply chain simplification and overall cost savings, reduce risk through fewer vendor relationships, improve quality through integrated design and faster time to market for new products.

This mutual value creation is the foundation of one of our sustainable competitive advantages. Another example of our Advanced Product Group penetration is the development and prototyping of an innovative RV solution that combines our adhesives, roofing membranes and our recent investment in composite panels from three of our business units. We are in the final stages of prototyping and are preparing to supply to the industry in the back half of the year. On the Marine side of our business, Medallion Instrumentation Systems, whose digital display and dashboard capabilities solidify our ability to provide a complete electrical solution, which includes wiring, fiberglass helms, switches and gauges, and a customizable digital dash that consumers favor and OEMs can offer at a premium option. Additionally, as Andy noted, our team recently developed a proprietary power bimini system with our own actuator, targeting multiple market categories while still offering a good, better, best solution in a growing segment of the market.

I will now turn the call over to Andy Roeder, who will provide additional comments on our financial performance.

Andy Roeder

Thanks, Jeff, and good morning, everyone.

Our financial results in the second quarter were largely in line with our plan. Consolidated net sales for the quarter increased 3% to $1.05 billion driven by revenue increases of 7% in RV and 3% in Housing, which helped offset revenue declines of 1% in Marine and 7% in Powersports.

Our total revenue growth of 3% was comprised of 4% acquisition growth, 3% organic growth, and negative 4% industry growth. The organic growth consists of 2% share content gains and 1% related to pricing.

Gross margin was 23.9%, up 110 basis points from the same period last year, reflecting the positive impact of the diversification of our business model, our margin accretive aftermarket acquisition of RecPro, disciplined labor management and returns on our CapEx and automation initiatives.

Operating margin was flat at 8.3% compared to the prior year quarter, driven by margin accretive acquisitions, absorption from our RV and Housing businesses, offset by softer demand within our higher margin Marine and Powersports businesses.

Our overall effective tax rate was 25.3% for the second quarter, compared to 25.6% in the prior year.

Net income decreased 32% to $32 million, or $0.96 per diluted share. As noted in our release this morning, we recently settled a non-product related legal matter related to a motor vehicle accident, which resulted in a double fatality. We extend our sympathies to the families of those involved for this tragic loss of life. This settlement impacted our GAAP pretax income and our GAAP net income. Given the non-recurring nature of this settlement, we are also providing non-GAAP adjusted net income and earnings per share.

After adjusting for this non-recurring item, adjusted EPS increased 4% to $1.50, compared to $1.44 in the prior year period. Additionally, our reported and adjusted diluted EPS for the second quarter of 2025 included approximately $0.03 in additional accounting related dilution from our 2028 convertible notes and related warrants as a result of the increase in our stock price above the convertible option strike price. The prior year's diluted EPS included $0.02 per share.

As we've noted in the past, we have hedges in place, which are expected to reduce or eliminate potential dilution to the Company's common stock upon any conversion of the convertible notes and/or offset any cash payments the company is required to make in excess of the principal amount of any converted notes. For accounting purposes, these hedges are always antidilutive and therefore cannot be included when reporting earnings per share.

Adjusted EBITDA grew 4% to $135 million while adjusted EBITDA margin increased 10 basis points to 12.9% for the second quarter of 2025.

Cash provided by operations for the first six months of 2025 was approximately $189 million compared to $173 million in the prior year period and purchases of property, plant and equipment were $18 million in the quarter and $38 million year-to-date. This implies free cash flow of approximately $151 million for the first six months of 2025.

After repaying approximately $157 million in debt during the quarter, total net liquidity at the end of the second quarter was $835 million, comprised of $22 million of cash on hand and unused capacity on a revolving credit facility of $813 million. With no major debt maturities until 2028, we have the financial flexibility and dry powder necessary to capture long-term organic and inorganic growth opportunities.

As Andy touched on earlier, we returned cash to shareholders through dividends and opportunistic share repurchases in the second quarter. In total, we repurchased 277,800 shares at an average price of $84.43 for a total of more than $23 million. Year-to-date through the end of the second quarter, we've repurchased approximately 377,600 shares for $32 million. At the end of the second quarter, we had approximately $168 million left on our repurchase authorization.

At the end of the second quarter, our net leverage was 2.6 times, down from 2.7 at the end of the first quarter. We continue to allocate capital strategically, while maintaining a solid balance sheet and pursuing high-value opportunities.

Regarding tariffs, we have stated in the past that our total import exposure is approximately 15% of COGS with one-third China, one-third Canada and Mexico, and one-third rest of the world. We continue to de-risk our exposure to China, explore alternative sourcing options, and monitor tariff updates. We have previously outlined a number of tools at our disposal that we believe will help to mitigate the absolute impact to our pricing pass throughs, and ultimately mitigate any material impact to our operating margin.

Moving to our end market outlook.

We estimate full-year RV retail unit shipments will be down mid-single digits, and we are tightening our estimated RV industry wholesale unit shipments to be 320,00 to 335,000 units and continue to anchor on equivalent dealer inventory weeks-on-hand year over year.

In Marine, our estimates for retail and wholesale powerboat unit shipments remain unchanged, with retail shipments estimated to be down high-single to low-double digits, implying a low-single digit decrease in wholesale unit shipments, again with equivalent dealer inventory weeks-on-hand year over year.

In our Powersports end market, we continue to estimate that wholesale industry shipments will be down low-double digits and our organic content will be up high-single digits as our content continues to grow given ongoing increasing attachment rates for our cab enclosures.

In our Housing market, we continue to estimate MH wholesale unit shipments will be up mid-single digits for 2025. On the residential side of the market, we continue to estimate 2025 total new site-built Housing starts will be down approximately 10% year over year.

Moving to our financial outlook. We continue to expect our full-year 2025 adjusted operating margin to be between 7.0% and 7.3%.

We continue to estimate that our effective tax rate will be approximately 24% to 25% for 2025, implying a quarterly effective tax rate of approximately 26% for the remaining two quarters of the year.

Regarding the share count, please note that the current share price is higher than in Q2, which, if sustained, would add additional accounting EPS-related dilution going forward, more so than we saw in Q2.

Following the legal settlement included in our second quarter results, we now expect that operating cash flow will be between $330 to $350 million and our estimated capital expenditures will total $70 to $80 million, as we continue to reinvest in the business, focusing on automation and innovation initiatives. This implies free cash flow of at least $250 million.

With the cyclical nature of our businesses, we believe it is important to remain well positioned, balancing our commitment to deliver value to our shareholders and support customers at any demand level. Should the macro or end market environments change significantly from our current expectations, we are prepared and ready to act accordingly.

That completes my remarks. We are now ready for questions.

Operator

Thank you. We'll now be conducting a question and answer session. If you would like to ask a question at this time, you may press star, one, from your telephone keypad and a confirmation tone will indicate your line is in the question queue. You may press star, two, if you would like to withdraw your question from the queue. For participants using speaker equipment, it may be necessary to pick up the handset, before pressing the star keys. One moment please while we poll for questions.

The next question comes from the line of Joe Altobello with Raymond James.

Joe Altobello

Thanks. Hey guys, good morning. I want to talk about the end market outlook you guys laid out this morning. Not a ton changing, but if I look at your RV, Marine outlook, for example, it sounds like you're expecting some slowdown in shipments in RVs in the second half, at least versus what we saw in the first half, and the opposite on the Marine side, where you're expecting some increase in shipments in the second half despite the fact that demand is still pretty soft.

So maybe, can you talk us, or walk us, through how you're thinking about both of those end markets in the back half relative to where you expect retail to be?

Jeff Rodino

Yeah, this is Jeff. On the RV side, with the production levels that we have, that we're looking at right now, we are going to see the traditional seasonal slowdown of production in the second half while dealers try to work through their inventories and get their inventories in a better place. We feel like inventories are very good. We feel like our OEMs have been very disciplined with their production levels to match up with retail. And so really, in the second half, I think that it's kind of our normal seasonal change as we move through the third and fourth quarter.

As far as Marine, you saw a lot of product being pulled out of the inventory in the first half. Again, inventories are very solid across all of our markets. We feel like the OEMs and the dealers have done a great job monitoring what retails out there and only keeping the production levels where they need to be to keep those inventories in check. So, with as much that came out in the first half, we believe there's a little bit of opportunity for some upside with the Marine on the second half.

Joe Altobello

Okay. Very helpful. And just a follow up on the cash flow outlook. Is the reduction purely the legal settlement, or is there anything else going on there?

Andy Roeder

Yeah, Scott, this is Andy Roeder. No, it's purely the legal settlement. Not much has changed, as you noted in our end market outlook. So, we pulled down our op cash guidance just based on that cash out the door due to the legal settlement.

Joe Altobello

Okay, perfect. Thank you.

Operator

Thank you. The next question is from the line of Daniel Moore with CJS Securities. Please proceed with your question.

Dan Moore

Good morning. Thanks for the color. Thanks for taking questions.

Andy Roeder

Good morning, Dan.

Dan Moore

Start with Powersports. Maybe talk a little bit about where inventories are today, both kind of at the OEM and dealer level. And what are you hearing from your customers regarding retail demand? Any signs of getting closer to the bottom, or do you see that weakness maybe persisting into ’26? And secondarily, just talk about momentum on the attachment rates.

Obviously, content growth is really healthy at high-single digits. Demand for enclosures accelerating? Would you say penetration rates are sort of progressing steady? Any update and color there would be great.

Andy Nemeth

Sure, Dan. I think as we look at the inventory in the channel, we do feel like things are stabilizing there in the Powersports market. We do feel like things are kind of becoming more normalized. As we look at our attachment rates, I think that’s where we’re really optimistic. We’ve seen an increase in attachment rates on units. While unit production has gone down, our attachment rates have gone up.

And I think one of the things that we’re really optimistic about, not only in Powersports but across all of our end markets as we look at kind of model year 2026 and model year 2027 is all the new product development that we’ve had in each of our markets and the additional content opportunities and gains that are out there for us as we look back half and into 2026.

So, it’s not just attachment rates, but it’s additional products and product solutions that have really come to fruition in the back half and 2027 model year that we’re really optimistic about.

Dan Moore

Very helpful. And that leads to my next question. Love to hear a little more color on some of those products and systems that you described briefly. I think you mentioned composite roofing system in RV, new bimini in Marine, and I kind of missed the new product or system in Powersports, but maybe any more color there. And just how do you think that, more generally, the shift, think about the shift from a product-based company to more systems and solutions provider, how do you see that impacting your content growth as a whole over the next kind of three to five years?

Jeff Rodino

Yeah, Dan. I mean, just to start, I mean, we believe that it's really what we need to do to continue to grow that content across all of our markets. We put the Advanced Product Groups for all of our different markets in place in the last couple of years, and we're starting to see the fruits of their labor. And when we talk about the roofing system, we have three different divisions within our RV markets that are working together to develop the products that can go together to give one nice roofing solution in a composite with the membrane and the adhesives.

So, as we've seen our APG group start to look across all of our capabilities, it helps them to understand exactly what we can put together and really simplify things for the customers and bring them a new solution, again, helping our content per unit. Because in some cases, these are products that we don't have any, it's not an addressable market for us currently that we're getting into, so we're not really cannibalizing any of our current business with portions of that system.

As far as the power bimini and what we've done on the Marine side, same thing. Our team has worked the last couple of years to find a solution that works, really to keep us in the market within that bimini and that power bimini solution with a good, better, best solution for our customers.

And then the one thing I talked about was a polycarbonate -- excuse me, windshield for golf carts that Sportech has been working on, something that they've worked with customers on to put together a new solution for the golf cart market.

Andy Nemeth

And Dan, as we look at moving the migration towards product solutions and our full-solutions model based on the breadth and depth of our product portfolio, we really believe this is an additional opportunity to really partner with our customers to expand not only the good, better, best solution or offering for our customers, especially in this dynamic pricing environment related to tariffs and all the mitigation efforts we can use on that front, but really to be able to value add, value-engineer products for customers to help them take cost out in these markets where affordability is a big concern today, as we know.

So, as we look at our solutions opportunities, and really the opportunity to really embed our partnership even further with our customers, that's what gets us pretty excited again about where the content opportunities can lead to in the future.

Dan Moore

Helpful. I'll sneak in one more and then jump out. But just talk about the M&A pipeline, number one. And number two, $800 million plus, in liquidity, kind of in the mid-two range in terms of leverage, just your willingness to either take leverage higher for the right deals or prefer to work it down a little bit from here? Any thoughts on the balance sheet? Thanks again for the color.

Andy Nemeth

Sure. We feel like we're in a position of strength, certainly in these market conditions with our liquidity, our leverage position. The M&A pipeline continues to be actively cultivated. I would say more so on the organic basis than the deal flow that we see from investment bankers, but we're always actively cultivating the organic deal pipeline. And so again, we're out there.

We're talking to candidates today. So, we're going to stay active in the M&A market, regardless of whether we're seeing investment banking deals or not.

But overall, when we look at leverage as well, so at 2.6 times, we feel very comfortable with our cash flow, the strength of our cash flows, the ability to de-lever. We'll stretch that if we need to for the right deal, a little bit above 3 times with the ideal end goal of getting back to 2.25 times to 2.5 times within two to three quarters. So, we can be very active in that.

But we feel very comfortable where we sit today as it relates to our liquidity position, our leverage position and the opportunities that exist in the M&A market, especially through our organic cultivation efforts.

Operator

Thank you. Our next question is from the line of Scott Stember with ROTH MKM. Please proceed with your question.

Scott Stember

Can you guys hear me this time?

Andy Nemeth

We got you.

Scott Stember

So, yeah, thanks for taking my questions. Question on pricing, what you're seeing right now for '26 in your discussions with the OEMs. With tariffs coming through, doesn't seem like it's a tremendous impact for you. But just maybe talk about what you expect the inflation to be for next year? I know a lot of folks have been saying mid-single digits. And how does that affect your content expectations going forward for 2026?

Jeff Rodino

Yeah, Scott. This is Jeff. In general, in partnership with our customers so far through the first half of the year, we've kept pricing relatively flat. We've had to pass along a little bit here and there. I think we will see some additional pricing in the second half as the tariff and increased pricing in the market starts to hit our inventories. And we'll work directly with our customers, and we are in contact with our customers, to give them an idea of when and how much. I would say that low to mid-single digits is kind of, I guess, a pretty good mark on where we need to be in some of our product lines. That's not across the board. And we're being very active as it relates to looking at our supply chain and making sure that we're mitigating as much increase as we can. We're seeing some of the increases out of domestic supply, as well as what's going on with the tariffs.

So, it's kind of across the board and it's our teams working very hard to mitigate those and work with our customers and our partners to make sure that we're keeping those as low as possible.

Whatever that ends up being, that will affect the content as we roll into 2026, as we get through the end of the year here with, I'm going to say some low to moderate increases in some product categories.

Scott Stember

Got it. And then did you guys give an update on your operating margin expectations for the full year?

Andy Roeder

Yes, Scott. We kept it unchanged, 7.0% to 7.3% for the year.

Scott Stember

Got it. And then lastly, maybe talk about the aftermarket. Obviously, you have RecPro going on. You have a lot of white space there as far as crosspollination efforts with Marine. Can you just talk about any wins there and the status of that initiative?

Jeff Rodino

Yeah, Scott. This is Jeff. Really, RecPro has done a great job connecting with all of our businesses, across all of our markets. Just to get a sense and a feel for what products they have available that need to be in the aftermarket, are already in the aftermarket, and how they can help increase the, I guess, the visibility of those products into the market across not just the direct to consumer, which RecPro is really good at, but also in the dealers and in the distribution side. We put a pretty hard push on the Marine side with regards to getting out there into more distribution with our aftermarket products.

But in particular with RecPro, we've added well over 100 SKUs into the RecPro site that are from Patrick. That puts us over 500 products -- excuse me, Patrick SKUs that are on RecPro. So we're starting to get that exposure out there on that direct-to-consumer side. And we're putting more emphasis on aftermarket, across our company. We're putting some additional structure in place to be able to really capitalize on what we think is a lot of white space, as you mentioned in your question. So, we're excited about where we're at, kind of everything that we know about what we can do in this space and where we're going.

Scott Stember

Got it. That's all I have. Thank you.

Andy Nemeth

Thanks, Scott.

Operator

The next question is from the line of Craig Kennison with Baird. Please proceed with your question.

Craig Kennison

Hey, good morning. You've addressed many of my questions. But I wanted to ask about the RV shipment trends we've seen lately. May was down significantly, then June was up. What are you seeing in July? And what's maybe the broader message from the production side of the RV industry?

Jeff Rodino

Yeah, Craig, this is Jeff. From the production side, I think there's a few things in there with the down in May, up in June and where we are in July. I'll tell you, in May, as there was a lot of transfer or switchover from their '25 to their '26 model year, really, we had a really light week over the Memorial Day week, as a lot of those transitions were happening at the plant level. June, a little bit different than previous Junes. A lot of the

July 4 shutdowns would happen with one week out at the end of June and one week out in July.

This year, most of the OEMs ran through the month of June and then took off the first two months of July, which leads me to the other part of your question about July. July is going to look light because of that. I mean, you got two full weeks out of July's production levels.

However, I would tell you that the production levels that we're seeing moving forward at the last two weeks of July and into August seem to be pretty consistent with where we left the pre-July fourth shutdown production levels. And we feel pretty good that the OEMs, again, are being very disciplined with what they're running versus what they're seeing on the retail side.

Craig Kennison

Thanks, Jeff. And going back to the Advanced Products Group question, line of questions, I'm just curious, if we probe that a little bit. Are you, you make a lot of acquisitions in and of themselves, they're generally very good businesses and you can grow them. But are you seeing more synergies, or more magic happen between or among those businesses as you try to create products that really you couldn't build if you didn't make acquisitions?

Andy Nemeth

I'll take that. Craig, this is Andy. Without question, the energy amongst our brands, and the excitement towards the opportunity to expand not only their product categories, but to bring a solution together, we've absolutely seen that. We did our own internal product expo to make sure that all of our brands had awareness of the other product capabilities amongst our broad portfolio. So, there's just a lot of excitement.

And I think the other thing that we think about, especially in today's environment with shipments and the discipline that's out there and retail wholesale production levels, the tremendous efforts that have been put towards new product development in the last six to twelve months have been significant. And the opportunities that we see being created, especially with this pricing environment, for us to bring these solutions together are really an opportunity for us. So, I think the excitement amongst our brands, the continued education to keep them in the loop on all of our capabilities, all that is working in positive towards our Advanced Product Group.

Craig Kennison

Thanks, Andy. And maybe just as a last question, looking at the tax legislation that just passed, I'm just wondering, are there any -- is there anything in there that might drive decisions? I know, for example, there's interest deductibility for towables that should be good for the industry. But I'm wondering if maybe there are provisions that might affect how you think about CapEx or R&D decisions because of the legislation.

Andy Nemeth

I'd say, I don't know that there's any headwinds in that legislation, only tailwinds. I think though, as we look at our cash flow, it really hasn't changed our mindset in the way that we think about managing our business. Certainly, again, I think it's a tailwind versus a headwind. And we'll certainly look at opportunities there to stay opportunistic.

But overall, given the strength of our cash flows and the discipline inside our capital allocation strategy, and the way that we think about our return models. And I feel really good about our ability to continue to leverage the business regardless of the tax legislation.

But again, if anything, I would say it's tailwinds versus headwinds.

Craig Kennison

Great. Thanks, Andy.

Andy Nemeth

Sure.

Operator

The next question is from the line of Tristan Thomas-Martin with BMO Capital Markets. Please proceed with your questions.

Tristan Thomas-Martin

Hey, good morning.

Andy Roeder

Good morning, Tristan.

Tristan Thomas-Martin

How should we think about the margin profile of some of these higher engineered products and systems, relative to some of your commoditized products?

Andy Nemeth

Without question, the higher engineered products have a better margin profile, as we solutionize. I'd say the other side of that, as we think about things, is that, again, the ability to bring a good, better, best product offering to our customers. I think that as we look at it, it's a tremendous opportunity to partner, to help them take cost out, while adding value and adding higher-engineered products with our customers. So, I think we can bring benefit to our customers in this affordability, where we're sitting in an affordability issue right now in the marketplace. We think we can bring a lot of value.

So, but overall, the margin profile is better on higher-engineered products.

Tristan Thomas-Martin

Okay. And then, I know you called out dealers probably waiting till 4Q or 1Q of next year to meaningfully restock. What do you think they're looking for to start kind of ordering more volume, or what other signs that goes on?

Andy Nemeth

Right now, I think the overall headline is affordability at the consumer level. Consumer traffic is there, but consumers are looking for deals, at least from everything that we've heard in the marketplace. And so, I think there's tremendous discipline. The other is the other headline, dealer wholesale production to retail sales, unit sales is roughly at one to one, if not a little bit less. And that's tremendous discipline in the space at the dealer level. But overall, I think, at least what we hear, is just, again, affordability.

Consumers are there. We need a little we need some movement on interest rates, would certainly help things and move things along. But I think consumer confidence, as well, with all the volatility that we've seen in the last quarter has impacted the consumer and really kind of paused the consumer in the quarter. So hopefully, as we get through that, consumer confidence will improve and then, hopefully, we'll get some rate relief that will help as we move forward.

Tristan Thomas-Martin

Okay. And then let me just sneak in one more. Just in terms of thinking about, kind of, the industry mix shift in the back half of 2025 and into 2026, is it strictly just affordability improves, rates get cut, consumers can afford more? Or is there any opportunity for the industry to innovate and try to encourage trade ups, relative to kind of what we were at before with all the single axle?

Jeff Rodino

Yeah, I think it's going to be a combination of a few things. Certainly, any macroeconomic help they can get, interest relief to help with the affordability. I think continued innovation by the OEMs to be able to add components and add value to units without adding a lot of cost. We'll work with them on those type of innovations.

But overall, the second half of the year isn't going to be as much single axle, I think, as it has been. But I don't think -- the trend isn't going to change, I should say. It's going to be the mix is going to be there. I don't think it's going to get any different or any, I'm going say, worse towards the single axle. So, I think as the affordability happens and we get into kind of a core trade in and trade up cycle with some of the lifetime RVers that I think have kind of held off as they've waited for some affordability to happen will help and especially the interest rates will help them bring them back to the market as well.

Tristan Thomas-Martin

Got it. Thank you.

Operator

Our next question is from the line of Mike Albanese with Benchmark. Please proceed with your question.

Mike Albanese

Yeah, good morning, guys. Thanks for taking my question. Just have a quick one here on RecPro and aftermarket exposure. You obviously highlighted some strong internal momentum, adding SKUs, right, gaining DTC exposure, I guess, building the infrastructure. From your seats, I mean, how much visibility do you have, or is that large enough for you to get a read through into overall, kind of, aftermarket demand? And I guess from your seats, what are you seeing in terms of end market activity, overall usage, etc.? If you could just comment on that, that would be great.

Jeff Rodino

Yeah, it does give us a good view into the aftermarket. We've been able to kind of look at that. I mean, it hasn't been, as far as year over year, it's been up. I can't tell you if it's been up across the board with everybody with aftermarket.

I mean, some of the aftermarket is specifically attachment to new units. And if retail is down, then some of that aftermarket will get a little bit slower. So, I mean, it really does give us an opportunity to understand a lot more about what's happening in the aftermarket. They have a, as I mentioned, there's over 500 Patrick SKUs on the RecPro site, which they have a broad breadth of product across many, many different product categories outside of Patrick. So, we can kind of see what's being bought out in the market and what's, I guess, what's hot and what's not on the aftermarket side.

So overall, I mean, we feel good about kind of our visibility and what's happening there. And we'll continue to utilize RecPro as that visibility into the market. We do have other channels within our other markets in Marine and even within RV where we're selling through distribution and into dealers that continues to give us good visibility on those channels.

Mike Albanese

Got it. That's helpful. So, I guess just as a follow up and maybe to take the question a step further. I mean, you mentioned a lot of it attachment tied to new units but I'm trying to get a sense of the product portfolio here and how much benefit you would get maybe from an increase in the used markets and obviously just general activity kind of going hand in hand with that within your business. Does that make sense?

Jeff Rodino

Yeah, I don't know if -- I don't think I meant to imply that the majority of what we had was attachment for new units. I'm just saying that within aftermarket, some of the products are attachment to new unit. The majority of the product categories that we have are for upgrade and refurbish of RVs versus something that's only going to happen on a new retail unit. So, that's where we're going to see the majority of the sales that come out of RecPro and any of our other direct to consumer products.

Mike Albanese

Got it. That's helpful. Appreciate it guys.

Andy Roeder

Thank you.

Operator

The next question is from the line of Noah Zatzkin with KeyBanc Capital Markets. Please proceed with your question.

Noah Zatzkin

Hi, thanks for taking my question. Most have been asked and answered, but maybe just one on Powersports. There was a major OEM who recently announced that retail for UTVs was positive in the second quarter. Obviously, your wholesale shipments for Powersports are unchanged at down low-double digits. So just kind of wondering how you're thinking about that dynamic, and when maybe inventory is in a better spot, and dealers kind of want to begin restocking there?

Like are you thinking about kind of timing, given that there appears to be pretty resilient demand for those products?

Andy Nemeth

Sure, Noah. I think we've, as we look at our backlogs and our order patterns, we have some decent visibility into kind of where we see production levels. And so, the resilience in the utility side of the business certainly has outweighed that in the recreational side of the business. That being said, I think we're still kind of anchored around model year '27 units and really, that kind of being the baseline increase for us on a production level as we head into 2026 for the '27 model year. So, we're still pretty consistent, expecting kind of flat, down a little bit, but stabilizing inventories out there. And in the utility side, we don't feel like utility inventories are out of balance. So, I think, again, as we look at the back half, we really haven't changed much of our thoughts as it relates to increased production levels. We're still kind of thinking, hey, it's going to be late this year and into the next year. But the new content opportunities, again, that we've talked about, in addition to the increasing attachment rates, give us optimism for the 2026 calendar year, 2027 model year.

Noah Zatzkin

Thanks. Maybe just one more, not to get kind of too detailed on Powersports, but what percentage of the business would you say is indexed to UTVs versus like golf carts or, kind of, other types of products? And then like maybe, not to harp on golf carts, but like are there other pieces within that business that are growing even faster?

Andy Nemeth

It's a little bit fragmented. But just in general, if you think UTV to rec, probably 60:40, 60% UTV, 40% rec. Then the golf cart market for us is, I don't want say it's on tap. We're hitting it, but there's a ton of potential there as it relates to content opportunities. Audio as well, and then even into the motorcycle market where we participate heavily on the audio side, it plays into the Powersports. So, it's somewhat fragmented within the entire Powersports market, but our categories are generally going to be ATVs, UTVs, motorcycles, golf carts, watercraft, those are -- that's really where we play on the Powersports side.

Noah Zatzkin

Thanks. Very helpful.

Andy Nemeth

Thanks.

Operator

Thank you. At this time, I'll now turn the call back to Andy Nemeth for closing remarks.

Andy Nemeth

Thank you, everybody. I really want to thank our more than 10,000 team members out there. They've just worked so hard and their dedication and discipline and diligence in these dynamic conditions has been incredibly inspiring and energizing. We also want to thank our customers for their support and their partnerships in these volatile times. But again, hopefully, we continue to really embed ourselves as a valued partner, which is our goal.

And again, as I think about where we head as we look into the back half of the year and into next year, we remain really energized about the opportunities that are in front of us, the earnings power of the business, the team that we've got in place today, the customer partnerships that we have and, really, the ability to positively impact lives not only in our markets, but in our communities.

And so again, we feel good about where we're at. The team has done a great job, and we're incredibly appreciative of the opportunities that we have in front of us. So, I want to thank you again. Really appreciate everybody's participation and we look forward to talking to you, next quarter.

Operator

Thank you. Ladies and gentlemen, this concludes today's teleconference. Thank you for participating and you may now disconnect.

Editor

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