Fourth Quarter 2025 Earnings Conference Call
February 5, 2026

<u>Presenters</u>
Andy Nemeth, CEO
Jeff Rodino, President
Matt Filer, Senior Vice President—Finance and CAO
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
Noah Zatzkin – KeyBanc Capital Markets
Jack Weisenberger – ROTH/MKM Partners
Tristan Thomas-Martin – BMO Capital Markets
Mike Albanese – Benchmark

Operator
Good morning, ladies and gentlemen and welcome to Patrick Industries' Fourth Quarter 2025 Earnings Conference Call. My name is Julian, 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.

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 am joined on the call today by Andy Nemeth, CEO, Jeff Rodino, President, and Matt Filer, SVP—Finance and Chief Accounting Officer. Andy Roeder, Chief Financial Officer, is also on the call and will be available for Q&A.

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. Good morning, everyone, and thank you for joining us on the call today.

I want to begin by expressing my gratitude to the entire Patrick team for their leadership, dedication, passion, hard work, and relentless commitment to serve and partner with our customers throughout 2025. This team continues to elevate the standard at which we operate in alignment with our Better Together values. Their commitment is what has continued to drive and deliver strong operating and financial results in a very dynamic environment.

Our businesses once again proved resilient in 2025, and our focus over the past two years on product development and innovation efforts paid off in the form of meaningful content growth with the 2026 model year changes as we continue our ongoing evolution toward our full solutions model. Our teams remain focused on disciplined execution, scalability, strategic capital allocation, and reinforcing our customer relationships, enabling us to further drive content gains in partnership with our customers across our Outdoor Enthusiast markets.

In 2025, despite macroeconomic uncertainty due to the tariff environment, we welcomed Medallion Instrumentation Systems, Quality Engineered Services, Egis Group, and LilliPad Marine to the Patrick family. These teams and businesses bring new technology, innovation, deep entrepreneurial spirit, strong engineering leadership, and additional aftermarket content and runway to Patrick. All four of these organizations complement our existing Marine full solutions platform, enhancing the value and breadth of products and services we can bring to our customers.

Additionally, early in 2025, we strategically complemented our existing investments in composites through the acquisition of Elkhart Composites. We continue to highlight the many benefits of these materials relative to the standard wood products used by both RV and marine industries and are increasingly optimistic that we are just scratching the surface related to the long-term opportunity for composites. We expect to debut further manufacturing capabilities in alignment with our industry-leading lamination and composites innovation and platform in 2026 that reinforce Patrick's leadership in providing next-generation solutions to our markets.

Turning to the aftermarket, our growing aftermarket business has helped support both diversification and resilience through the cycle by enhancing our margin quality, deepening customer relationships and insights, and enabling us to better capitalize on demand for replacement and upgrade components. This year, as noted, we increased our presence in the space through various channels and now have more than 500 Patrick SKUs on the RecPro site from across our Outdoor Enthusiast end markets.

Simultaneously, we have formalized our unified aftermarket strategy and structure across Patrick, leveraging expertise from multiple facets of the organization to identify white space opportunities, target M&A candidates in the pipeline, and continue the rollout of aftermarket products to consumers and dealers.

We also continue to invest in and use leading technologies to further embed our customer-first solutions. I want to introduce our industry-leading full-scale virtual design and reality solution that we call “The Experience”, which Jeff will further highlight, and which builds on our existing design platform at our product showcase studio in Elkhart. This technology provides actual scale modeling and product development through technology to further deepen our collaboration and partnership with our valued customers.

Moving to our financials. In the fourth quarter, net sales improved 9% to $924 million, primarily driven by solid organic growth and acquisitions, partially offset by wholesale shipment declines in each of our RV, Marine, and Housing markets. Adjusted earnings per diluted share was $0.84, including approximately $0.06 of dilution from our convertible notes and related warrants. For the full year, net sales increased 6% to approximately $4.0 billion, and adjusted earnings per diluted share was $4.44, including additional dilution of $0.26 related to the convertible notes and related warrants.

Our solid balance sheet and strong consistent cash flow generation continue to provide us with meaningful financial flexibility to thoughtfully execute our capital allocation strategy. We delivered free cash flow of $246 million this year, enabling us to reinvest in the business, pursue strategic acquisitions, and continue to take advantage of our scalability when market conditions improve. We further increased our dividend by 17.5% this year with our regular quarterly dividend in November, reflecting the strength and resilience of our model and our continued confidence in our cash flows and the markets we serve. We are committed to redeploying capital back into the business in ways that support long-term value creation, including accretive M&A, organic investments, and returning capital to shareholders when appropriate, all while maintaining a disciplined leverage profile.

Next, I want to take a moment to thank Andy Roeder for his leadership, partnership, dedication, and contributions to Patrick. He is a tremendous talent, and we wish him continued success and are excited for him in his next chapter. We are also extremely confident that Matt Filer's deep financial expertise, organizational leadership, and extensive knowledge of Patrick and our end markets solidifies us, and positions us, extremely well for the future as he steps into his new role as CFO.

And lastly, as we look ahead to 2026, we are focused on delivering profitable growth through the continued execution of our model while investing in the capabilities that differentiate Patrick. Our ability to consistently support our customers through evolving end market conditions while managing costs, maintaining balance sheet strength, and allocating capital with discipline is more important than ever. With a strong foundation in place and significant opportunities ahead, we believe Patrick is well positioned to deliver sustainable, profitable growth and create long-term value.

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

Jeff Rodino
Thanks Andy, and good morning, everyone.

Demand in each of our end markets continues to be shaped by a combination of macro uncertainty and tariff volatility, resulting in cautious consumer behavior. OEMs and dealers have shown tremendous discipline. While OEMs have remained thoughtful in aligning production schedules with retail demand, dealers have prioritized well-managed inventory levels and selective ordering patterns. Additionally, our team's commitment to supporting customers through scalability, product solutions, customer service, and the goal of a good, better, best product offering have never wavered. This continues to help OEMs operate efficiently, execute model year changeovers, and meet consumer expectations for designs, enhanced features, and highly-engineered products.

Our fourth quarter RV revenues increased 10% to $392 million on a year-over-year basis, representing 43% of consolidated sales. RV content per wholesale unit for the full year was $5,190, which increased 7% from 2024. On a quarterly basis, content per wholesale unit increased 13% year-over-year.

For the fourth quarter, we estimate RV retail unit shipments were approximately 60,100, and according to RVIA, RV wholesale unit shipments were approximately 75,000. This implies a seasonal dealer inventory restock of approximately 14,900 units during the period, resulting in an estimated dealer inventory weeks-on-hand of approximately 16 to 18 weeks. While this reflects a modest increase from 14 to 16 weeks in the third quarter of 2025, it remains well below the historical averages of 26 to 30 weeks.

As discussed, we continue to invest in composites and believe they are a superior solution to wood products, which have been increasingly impacted by tariffs and other governmental actions. Our teams, in collaboration with our Advanced Product Group, are focused on the development and production of our new composite solutions that further unlock potential avenues of content not included in our current total addressable market. Testing on our previously discussed roofing solution has been successfully completed, and we are excited about the related organic content opportunities. Finally, and as Matt will touch more on later, we have prioritized the strategic investment in composite inventory due to the expected capacity constraints in alignment with our capital allocation strategy, reflecting our customer-focused value proposition.

Our fourth quarter Marine revenues increased 24% to $150 million year-over-year, significantly outperforming a 1% decrease in estimated wholesale marine powerboat unit shipments. Marine revenues represented 16% of our fourth quarter consolidated sales. Our estimated Marine content per wholesale powerboat unit for the full year increased 11% to $4,327. On a quarterly basis, estimated CPU increased 25% year-over-year.

We estimate Marine retail and wholesale powerboat unit shipments were 17,300 and 33,000 units, respectively, in the fourth quarter, implying a seasonal dealer inventory restock of approximately 15,700 units. Dealer inventory in the field at the end of the fourth quarter was estimated 21 to 23 weeks-on-hand, lean compared to historical averages of 36 to 40 weeks, down slightly from the end of last year, and still extremely lean for the industry. As Andy mentioned, we remain focused on expanding our Marine full solutions platform.

And in 2025, we strategically acquired several complementary products and solution suppliers, adding critical capabilities to our existing value chain for electrical solutions and the aftermarket. Medallion enhanced our instrumentation and control offering with digital switching, displays, sensors, and integrated electronics, while QES strengthens our wire harnessing and full electrical systems by supporting reliable power and connectivity throughout the vessel. Egis adds engineered components for power distribution, protection, and connectivity including terminal blocks, fuses, circuit breakers, and relays to OEMs and the aftermarket. And finally, Lillipad Marine brings patented diving boards and other award-winning products selling to OEMs and directly to the customer through aftermarket channels. Together, these businesses complement our existing product portfolio, enabling Patrick to be the supplier of choice from bow to stern.

Our Powersports revenue increased 39% to $109 million in the quarter, representing 12% of our fourth quarter consolidated sales. We continue to be encouraged by Sportech's solid performance as they increased their full year platform-specific content by approximately 8%. This improvement was driven by the demand for Sportech's cab enclosure solutions and the preference for utility-focused vehicles along with the consumer's strong affinity for more feature-rich units. This reinforces the potency of our innovation solutions initiatives spanning our Outdoor Enthusiast brands. I would like to also congratulate the Rockford Fosgate team on a well-received launch of their fully redesigned PUNCH speaker line. Bridging heritage, passion, and the modern listening expectation of today's auto enthusiast, this new lineup retains the punchy sound and enthusiast appeal that built the brand while incorporating modern design, broader functionality, and unparalleled acoustic technologies.

Our Housing revenue was 29% of consolidated sales in the fourth quarter and decreased 5% to $272 million. Our total housing revenues in the quarter outperformed a 10% decrease in MH shipments and a 10% estimated decrease in total housing starts. Our MH content per wholesale unit was flat at $6,633 for the full year.

We are confident in the highly leverageable and scalable nature of this business, and believe the underlying demand fundamentals, particularly for affordable housing, remain strong even as the industry shipments and backlogs have softened. Our brands in this space have continued to demonstrate resilience relative to broader industry trends with a focus on market share gains and increasing content.

Our aftermarket sales increased approximately 30% year-over-year and are now 10% of our total revenues versus 8% in 2024.

Finally, I wanted to highlight “The Experience”. As Andy mentioned, we recently debuted this industry-leading investment, technology, and venue that leverages virtual reality, advanced product scanners, and a massive LED display to bring customizable life-size design product solutions and marketing showcase to our customers. This 50-foot wide by 14-foot-tall screen is capable of presenting in virtual reality, RVs, boats, and powersport vehicles that we specialize in, at a one-to-one scale. “The Experience” enables customers to walk through their virtual renderings of their products and experiment with design and solutions changing in real time, reducing the number of prototype units needed. Since the launch in late November, we have hosted over 30 comprehensive demos for our customers and the response has been overwhelmingly positive. We are very excited about the application of the industry-leading technology, and it's in alignment with our vast product portfolio, expertise, and capabilities to continue to deliver innovative solutions in partnership with our customers.

I’ll now turn the call over to Matt Filer, who will provide additional comments on our financial performance.

Matt Filer
Thanks, Jeff, and good morning, everyone.

I'd like to begin by thanking Andy Roeder for his partnership, both prior to, and during this transition, and by saying how honored I am to be stepping into the CFO role at Patrick. I'm excited and eager to continue working with this incredible team, to be their business partner to drive long-term value creation through disciplined financial planning and execution.

Now moving to our financial results.

Consolidated net sales for the fourth quarter increased 9% to $924 million, driven primarily by market share gains and M&A. This growth was comprised of 9% organic growth and 2% acquisition growth, partially offset by negative 2% industry. As Jeff discussed in detail, our Outdoor Enthusiast-focused businesses more than offset a 5% decline in our Housing revenue for the fourth quarter.

For the full year, net sales increased 6% to approximately $4 billion. Full-year RV revenue increased 9% to $1.8 billion, and Marine revenue increased 6% to $606 million. Our Powersports revenue increased 9% to $384 million, and our Housing revenue increased 1% to $1.2 billion. The improvement in revenues across our markets were largely supported by content per unit gains and acquisitions including our increasing aftermarket penetration. Our Housing business remained resilient despite softening MH shipments in the second half of the year.

Gross margin was 23% in the fourth quarter compared to 22.1% in the prior year. The increase in margin was due to factors, including leveraging our fixed cost structure through content gains realized from the model-year changeover season, stronger revenues, and accretive acquisitions in the aftermarket space. For the full year, gross margin was 23.1% compared to 22.5% in 2024.

In the fourth quarter, adjusted operating margin expanded 110 basis points to 6.3%. This improvement was driven by stronger revenue in our Outdoor Enthusiast markets and increased gross profit partially offset by higher SG&A expenses, primarily as a result of acquisitions. Our full-year adjusted operating margin was 7%, in line with the outlook we provided.

GAAP net income in the fourth quarter and full year was $29 million and $135 million, respectively, compared to net income of $15 million and $138 million, respectively, in the prior year periods. GAAP EPS for the fourth quarter increased 98% to $0.83, and for the full year, decreased 5% to $3.90. Fourth quarter adjusted net income increased 63% to $30 million, and adjusted EPS increased 62% to $0.84. Full-year adjusted net income increased 5% to $154 million, and adjusted EPS increased 2% to $4.44.

Our fourth quarter and full-year adjusted diluted EPS include approximately $0.06 and $0.26 per share, respectively, 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. Last year's fourth quarter and full-year adjusted diluted EPS included approximately $0.02 and $0.10, respectively, from these instruments. As we've noted previously, we have hedges in place, which are expected to reduce or eliminate any 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 GAAP-reporting purposes, these hedges are always anti-dilutive and, therefore, cannot be included when reporting earnings per share.

Adjusted EBITDA increased 17% to $105 million, and adjusted EBITDA margin increased 80 basis points to 11.4% for the fourth quarter. On a full-year basis, adjusted EBITDA increased 4% to $468 million, while adjusted EBITDA margin decreased 40 basis points to 11.8%.

Our overall effective tax rate was approximately 26% for the fourth quarter and 24% for the full year.

Cash provided by operations was $329 million for 2025, and purchases of property, plant, and equipment were $83 million for the year, resulting in free cash flow of $246 million. For the quarter, operating cash flow was $131 million, implying free cash flow of $113 million. While free cash flow was strong during the quarter, as Jeff noted, we strategically added more than $30 million of inventory to support our investments in composites, innovation, and product initiatives. We remain aggressive in alignment with our industry-leading composite strategy and inventory in preparation of an environment where demand could outpace supply.

At the end of the fourth quarter, total net leverage was 2.6 times compared to 2.8 times at the end of the third quarter, reflecting our continued commitment to delever the business toward our target leverage range of 2.25 times to 2.5 times. Our strong liquidity position enables us to be opportunistic toward acquisitions that align with the Company's long-term growth objectives, and our solid free cash flow generation enables us to delever the balance sheet quickly while remaining on offense.

Available liquidity at the end of the quarter was approximately $818 million, comprised of $26 million of cash on hand and unused capacity on our revolving credit facility of $792 million.

From a capital allocation perspective, in 2025, we invested $122 million in acquisitions, as the team has already touched upon. We returned $87 million to shareholders, including the repurchase of approximately 377,600 shares for a total of $32 million and $55 million in dividends. At the end of 2025, we had approximately $168 million remaining under our current share repurchase authorization.

Moving to our end market outlook for 2026.

We believe a meaningful retail demand inflection likely depends on consumer confidence and interest rate improvement, and we expect OEMs and dealers to remain thoughtfully disciplined in terms of production and inventory levels in anticipation of the upcoming selling season.

For RV, we estimate full-year 2026 RV retail registrations will be flat, with wholesale unit shipments increasing low to mid-single digits as a result.

For Marine, we estimate full-year 2026 marine retail registrations will be flat with wholesale powerboat unit shipments up low-single digits.

For our Powersports end market, we expect full-year unit shipments to be up low-single digits with our organic content estimated to be up low-single digits for the full year, implying an overall mid- to high-single digit increase for our business.

On the Housing side, we estimate full-year MH wholesale shipments will be flat to up 5%. In our residential housing end market, we estimate 2026 total new housing starts to be flat to up 5%.

Given the current end market outlook we've provided, we estimate our 2026 adjusted operating margin will improve by 70 to 90 basis points versus 2025. We estimate our operating cash flow will be $380 million to $400 million, and CapEx will total between $70 million and $80 million, implying free cash flow of approximately $300 million or more. For 2026, we estimate our full-year tax rate will be between 24% and 25%. Finally, I would like to note that, based on the recent trading prices of our common stock, our 2026 earnings per share would include additional dilution related to our convertible notes and warrants.

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

Operator
Thank you. And with that, at this time, we will be conducting a question-and-answer session. We do ask that you please limit yourself to one question and one follow-up. If you'd like to ask a question, please press "star", "one", on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press "star", "two", to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the "star" keys.

One moment while we poll for questions.

And our first question comes from the line of Joe Altobello with Raymond James. Please proceed with your questions.

Joe Altobello
Thanks. Hey, guys. Good morning. I just want to go back to a comment you made earlier about content per unit. I think you mentioned you're seeing meaningful increases there with the new model-year changeovers. Can you maybe elaborate on that a little bit more? Does that reflect larger, more-contented units, or is it largely share gains?

Jeff Rodino
Hey, Joe. This is Jeff. Excuse me. This is Jeff. It's a little bit of a combination of both. Certainly, over our model change, we did pick up some content in a few areas with the composites starting to come into play, some of the electronics and some further penetration on our core products. On the Marine side, really the same across the board. Some pickups at model change. On the RV side, we did see a little bit of help from the mix as we've seen some of the bigger, higher-contented units start to come into play in the third and fourth quarter. So, kind of a combination of both.

Joseph Altobello
Very helpful. Thanks. And maybe just to shift gears a little bit. On the operating margin outlook, the expansion of 70 to 90 basis points that you're calling for, can you give us a little bit more color on what's driving that? How much is coming from volumes, from pricing, from mix, et cetera?

Andy Nemeth

Hey, Joe. This is Andy. I think as we look at the business and -- it's a combination of both, and volumes certainly help as we're situated really nicely now when I look at the platform. When I look at our cost structure, we're just really well positioned to support a volume increase, and a significant volume increase, without adding significant overhead. So, there's definite volume play there. But I think, as well, when we look at the content gains that we've got, the solutions that we're presenting and working with customers on, the opportunity to help bring a low-cost alternative through a full solution to our customers is significant out there. And so, we think that's going to add value as well from an overall margin perspective, even being more competitive in pricing with some of these solutions. So, we're excited about kind of the entire platform, but leveraging volume, certainly as we look forward, and any upside that we see on the shipment levels, we're optimistic especially as it relates to our cost structure today.

Joe Altobello
Got it. Thank you.

Operator
Thank you. And our next question comes from the line of Daniel Moore with CJS Securities. Please proceed with your question.

Daniel Moore
Thank you. Good morning. Obviously, solid results in Q4. Appreciate taking the questions. Following up, maybe on Joe's question. I appreciate the market outlook for each vertical. Can you talk about any cadence you might be expecting embedded in those growth rates and those kind of market shipment growth rates? How do we see shipments shaping up for Q1 and H1 versus H2 kind of across verticals? And any commentary on cadence of the margin improvement, as well, would be really helpful. Thanks.

Andy Nemeth
Yeah, Dan. Right now, I think where we see things is inventory levels are extremely lean even with a little bit of restock that we saw in the fourth quarter. We think inventories were incredibly lean at the end of Q3. And so, what we're really excited about too is, there's just tremendous discipline between the OEMs and the dealers today as it relates to managing inventories. And it's really positioned everybody well to be able to scale, at least us, certainly to be able to scale going forward. And so, right now, as we're in the early, early parts of kind of Q1. There is optimism, is what I would say, and there's -- we're excited about the potential that exists, but dealers are staying very, very disciplined, and OEMs are staying very, very disciplined to maintaining these lean inventories. And I think as we move into the selling season in late Q1, Q2 is when we would expect to start to see things move, or hope to start to see things move. And so, Q1 right now is what I'm going to say disciplined and thoughtful. We would expect to uptick Q2 and Q3 as the selling season occurs and movement typically to that seasonal model for us, where Q2 and Q3 are the highest. Q1 is patient right now is what I'd say, but thoughtfully patient. And like I said, I think we're really optimistic about where we can play in this especially with our scalability value proposition. We've positioned

ourselves really well. We used our working capital in the form of inventory. We're a little bit heavier on inventory in Q4 in anticipation of this uptick, but we're going to be able to move very, very quickly when things do move. And so, that's where we kind of see things. But I like the discipline that we see today. Everybody is just being really thoughtful in Q1. And so, it's a little patient and tempered right now, but with optimism that we move into Q2 and Q3, we'll see that uptick across all of our markets.

Daniel Moore
Certainly helpful. I'll circle back with any follow ups. Thanks, Andy.

Andy Nemeth
Sure. Thanks.

Operator
Thank you. And our next question comes from the line of Craig Kennison with Baird. Please proceed with your question.

Craig Kennison
Hey. Good morning. Thanks for taking my question. So, we're sort of coming through this period of very high inflation. I'm wondering if you can just give us an update on what you're seeing in terms of your cost pressure and whether that might subside and really help this affordability trend unlock?

Jeff Rodino
Yeah, Craig. This is Jeff. Across a lot of our products, we're seeing some stability in the pricing. We've seen that. There are some commodities that are still moving, the copper, the aluminum. So, we're managing through that. There are a few, I'm going to say, pieces of noise when it comes to the wood that we sell, specifically the lauan. So, we're working and dealing with that. We'll see, kind of, the end result of where that happens probably in May. So, I mean, overall, I think we're staying pretty consistent with our pricing with our customers, only moving where we have to. And really the only, I'm going to say, three places we're seeing that are some of the commodity items and wood.

Craig Kennison
And then to follow up on Joe's question about content per unit. As we look ahead, how much of your growth is tied to pricing related to cost pressures that you face versus mix and some of the acquisitions that you've done, if you could put those buckets together?

Jeff Rodino
It's going to be a lot heavier on the mix and the organic growth on our content. It's going to be less on the pricing at least in the near term here from what we see on pricing based on the comments I made before on the commodities that we're dealing with.

Craig Kennison
Got it. Hey, thanks. I'll get back in the queue.

Jeff Rodino
Thanks, Craig.

Operator
Thank you. And our next question comes from the line of Noah Zatzkin with KeyBanc Capital Markets. Please proceed with your question.

Noah Zatzkin
Hi. Thanks for taking my questions. I guess, first, just on the kind of Marine revenue growth. Could you help parse out, I guess, how much of that year-over-year increase was driven by the acquisitions versus kind of legacy business? That would be helpful. Thanks.

Andy Nemeth
Sure, Noah. This is Andy. I think, just in general, what we would say is there's definitely a piece of that related to the acquisitions, but our teams worked really hard on new product development and bringing new content to our customers. So, most of it is going to come from the form of content and the solutions that we've been bringing to the table for customers in alignment with model year change in 2026. And a lot of this -- some of this starts really at the foundation, which is our Marine Concepts operation, which designs tooling for new boats. And this is really the foundation that we build off of as it relates to our solutions model to be able to put together kind of a full package for customers, to be able to really go into their boats and make meaningful changes, especially as it relates to the prototyping that we do. So, again, we've seen it across a number of product categories but tremendous effort by our team to really just get out there and bring new innovations to customers. So, in answer to your question, without giving a specific number, which we don't break down between our markets, the majority of it's come in the form of content gains with new product development and innovation. And there is a piece of it, but most of it's come through our product efforts.

Noah Zatzkin
Great. Really helpful. Maybe just one on the RV side. Obviously, really nice performance there, particularly kind of relative to the industry. In terms of the content per unit increase during the quarter, how much of that is -- this might be difficult to answer, but how much of that is kind of related to maybe share gains versus mix? And to the extent that it is a bit related to mix, how do you kind of see mix playing out next year in terms of RV units? Thanks.

Jeff Rodino
Yeah. So, we were saying before, we don't break it out by mix and what is organic growth through market share gains. There is definitely a component that is the mix in the fourth quarter along with the market share gains that we saw through the model changeover. Moving forward, we're keeping a close eye on the production levels right now, Noah. They seem to be pretty consistent from where they were from the fourth quarter to the first quarter is looking across the spectrum. And we do see that it is starting to get a little bit closer to normalization with the spread between the fifth wheels

and the travel trailer production. So, I don't think we're going to see a different effect from the fourth quarter, but it's hard to say where that's going to take us into the second quarter as far as the mix.

Andy Nemeth
Noah, additionally, I think when we look at mix traditionally and historically, certainly fifth wheel for us is more meaningful content just due to the size of the units. And so, we did see a little bit of an uptick from a mix in Q4. Fifth wheels typically are around 20% of the overall towable mix, and fifth wheels were up to 22%, 23% of that overall mix in Q4. So, there's some encouraging signs, I think, right now, but that's also typical restock in Q4 as we kind of enter the selling season in anticipation of where buyers are going to be. So, we're optimistic. We absolutely like to see larger units from a content perspective. But again, right now, it's just too early to tell. We think that it's seasonal, but also there are some -- there is a little bit of movement out there today at the retail level from at least what we're hearing as it relates to interest in some larger units. So, we're optimistic but cautious. And again, I revert back to kind of where the dealers and the OEMs are at. They're just being really thoughtful about where they sit today and waiting to make sure that things are moving before they do anything. And we feel really good about that. So, again, long answer, but we are seeing a little bit of movement today on that mix. For us, it's a good thing. Hopefully, it plays out further as we move into the year, but we'll wait and see. In Q2, we'll have a better feel for that.

Noah Zatzkin
Thank you.

Operator
Thank you. And our next question comes from the line of Scott Stember with ROTH Capital. Please proceed with your question.

Jack Weisenberger
Hey, guys. This is Jack Weisenberger on for Scott. Thanks for taking our questions. Just within powersports, can you kind of give us an update on what's driving the good content per unit increases and how attachment rates are progressing?

Jeff Rodino
Yeah. This is Jeff. The attachment rates, as we've talked, continue to grow in favorability across the utility platform. We saw it in the fourth quarter. We continue to see it moving forward based on the projections we're getting from the OEMs we deal with. So, we're really excited about that. That's really a big component of what's driving the growth on that side of the business.

Jack Weisenberger
Great. Thanks. And then moving to the aftermarket and the RecPro, can you give us an update on where things are showing up in the segments the most? And what is kind of ahead of your expectations so far?

Jeff Rodino
Yeah. They've added quite a few SKUs to the RecPro site from our Patrick divisions. I will tell you, primarily heavily on the RV side to begin the year, but then as we got into the middle, end of the year, we started to get some more of the Marine and Powersports products online, which is really exciting. We saw a pretty good increase on our aftermarket sales year-over-year that we stated in the prepared remarks. And two-thirds of that came from acquisition, which was -- a big piece of that was the RecPro, and it's come along very well in our minds.

Jack Weisenberger
Great. Thank you, guys.

Operator
Thank you. And our next question comes from the line of Tristan Thomas-Martin with BMO Capital Markets. Please proceed with your question.

Tristan Thomas-Martin
Hey. Good morning. Just a couple of questions on composites. One, I was curious kind of the TAM and then where you think penetration is and kind of what's the cadence as we move forward? And then also, like, how does it compare from a margin perspective relative to more traditional wood products? Thanks.

Jeff Rodino
Yeah, Tristan. This is Jeff. As far as the TAM, what we've stated in the past, we think the overall TAM on a long-term basis is about $1.5 billion. I think on the short term, there's more like about $500 million of attainable. Certainly, there's a component there that has to do with the amount of capacity that we have on the composite side of the business versus what is currently wood products in the market. So, we feel really good about that. As far as margins, we don't talk about specific margins relative to products. So, I will tell you that we're watching that. We pay attention to where we're at on our margins, and we're managing that very closely. But we don't talk specifically what the percentages are versus the other products.

Tristan Thomas-Martin
Okay. Thank you.

Operator
Thank you. And our next question comes from the line of Mike Albanese with Benchmark. Please proceed with your question.

Mike Albanese
Hey. Good morning, guys. Thanks. I was going to ask about aftersales. It was kind of touched on a couple of questions ago, but if I could just follow up briefly on that. You've obviously been adding SKUs now pretty consistently. As we think about -- or I guess the question is, I mean, how much incremental pull-through are you seeing from these SKU additions? Or how can we think about timeline from all these product additions in terms

of when you get that incremental lift on the back end within aftersales? Really just any context on how to think about that would be helpful.

Jeff Rodino
Yeah. This is Jeff. It's kind of a long-term game when it comes to getting the products onto the site. That's the easy part. Certainly, the marketing and the advertising to get some pull-through on those. We're also looking at how to -- the other piece of it is, is that they're a one-for-one replacement now out there for Patrick parts that weren't out there before. So, I think over the next 6 to 12 months, we'll have a better gauge on what the pull-through is going to be on those products that we're adding. But again, we have to really get the advertising out there to be able to get the right clicks when it comes to what you're seeing on an e-commerce site, like RecPro is. So, it's a timing game, but certainly, getting the products on there is the -- I'm going to say the easy part, but getting the pull-through is what's going to come next.

Mike Albanese
Yeah. Absolutely. That's helpful. Have you commented previously on incremental marketing spend to kind of drive this initiative?

Jeff Rodino
No, we haven't.

Andy Nemeth
No. But it's -- I guess what I'd say, Mike, it's typical to what you're seeing in our profile today. I mean, that's built into kind of the overall gross and op margins that we're seeing today. So, I wouldn't expect a significant change. There's not a lot of -- there's incremental, but that's going to come with incremental volume. So, it should be typical to what you expect as an admin mix.

Mike Albanese
Yeah. So, I mean the quick answer is when I think about your 70 to 90 basis point expansion, right, that's included. That's baked in there.
Andy Nemeth
Correct. Correct.

Mike Albanese
Okay. Hey, thanks, guys.

Operator
Thank you. And with that, there are no further questions at this time. I'd like to turn the call back over to Andy Nemeth for closing remarks.

Andy Nemeth
Thank you. I want to once again just thank our team for tremendous, tremendous efforts, dedication, commitment, just tremendous, tremendous contribution to the organization as a whole, but most importantly, with the partnership with our customers over the past year,

which has been extremely dynamic and extremely volatile. And our team has just demonstrated tremendous resilience. We've just been -- we've shown versatility. I just feel really good about where we sit today. And our company is well positioned. The team is in great shape, and we're really excited about what we can control going forward despite what happens in our markets. And again, it's really reflective of the commitment from our team. But as well I want to thank our customers and partners for all of their support throughout 2025. And we're optimistic about 2026 at this point, and we're really well prepared to, again, capitalize on the things that we can control in 2026. So, thank you very much. We look forward to talking to you on our first quarter 2026 conference call.

Operator
Thank you. And with that, ladies and gentlemen, this does conclude today's teleconference. We thank you for your participation. You may disconnect your lines at this time and have a wonderful rest of your day.

Editor

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