



**First Quarter 2026 Earnings Conference Call
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Presenters

Andy Nemeth, CEO
Jeff Rodino, President
Matt Filer, CFO
Steve O'Hara, Vice President of Investor Relations

Q&A Participants

Scott Stember – Roth/MKM Partners
Joe Altobello – Raymond James
Noah Zatzkin – KeyBanc Capital Markets
Craig Kennison – Robert W. Baird
Dan Moore – CJS Securities
Tristan Thomas-Martin – BMO Capital Markets

Operator

Good morning, ladies and gentlemen and welcome to Patrick Industries' First Quarter 2026 Earnings Conference Call. My name is Sherry, 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, 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, 2025, and the Company's other filings with the Securities and Exchange Commission (SEC).

Before we begin, I would like to remind you that on April 17, 2026, Patrick announced the merger of equals discussions with LCI Industries. Andy will be providing a brief comment in his remarks; however, we are unable to answer any further questions or discuss the potential for a transaction beyond Andy's remarks at this time.

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

Andy Nemeth

Thank you, Steve. Good morning, everyone. We appreciate you joining us on the call.

Today, we'd like to talk about our first quarter results, industry conditions, expectations for the year, and also briefly discuss our recent announcement related to discussions for a potential merger of equals with LCI Industries.

Our first quarter results continued to highlight the strength and resilience of our diversified platform, our innovation and product development efforts over the last two years, and the incredible dedication of our team to support our customers in this dynamic environment. Marine revenue growth, in spite of shipment declines, along with Powersports revenue growth, helped offset double-digit shipment declines in our RV and Manufactured Housing markets. Net sales for the first quarter were \$997 million, off 1%, with overall organic growth contributing 8%. Earnings per diluted share was \$1.10, including approximately \$0.10 of dilution from our convertible notes and related warrants. On a trailing twelve-month basis, net sales were approximately \$3.9 billion.

I am incredibly proud of our team's disciplined execution on our operational playbook to deliver results in an uncertain and unbalanced shipment environment. Retail demand is seemingly constrained by macroeconomic factors, the war in Iran, consumer confidence, and interest rate uncertainty. Importantly, OEMs and dealers have remained disciplined, keeping dealer field inventories lean, positioning our markets for a sustained recovery.

Our diverse end market exposure and deep and broad, brand-forward product portfolio remain a compelling advantage, enabling us to deliver more complete, full solution-oriented offerings to our customers across a "good, better, best" framework, while deepening our partnerships with OEMs. We remain focused on empowering our brands to lead with innovation, while engineering new products and experiences for our customers. The nimble scalability of the Patrick platform enables us to deliver quality with speed, depth, and consistency across every end market we serve, driving content expansion, deeper OEM integration, and continued opportunity for aftermarket growth.

Our Advanced Product Group is driving meaningful progress on multiple product solutions, including our composite strategy and an entry-level tower audio solution to help drive better affordability. We are increasingly collaborating with OEM customers to integrate solutions-based models into new and existing platforms, replacing legacy materials with higher-performing alternatives that offer durability, weight, and design

advantages. As a result of these benefits, coupled with OEMs placing greater emphasis on material sourcing, we believe our ability to procure, value-add/value-engineer, and deliver full solutions will continue to position our value proposition as a true low-cost solution for our customers' ever-changing needs, representing a durable, long-term growth opportunity for Patrick.

Additionally, our investments in technology and innovation continue to generate real, measurable impact as the integration of automation and AI, which is in its infancy, are enhancing visibility, efficiency, and responsiveness across our operations. These investments will help us manage costs, optimize production, navigate demand variability, and better align and communicate with our customers, providing enhanced customer service.

Regarding tariffs, our decentralized business structure, sourcing flexibility, and close coordination with suppliers and customers have enabled us to mitigate impacts over time. Our team has expertly navigated changes to trade policy in the past, and we are confident that they will continue to operate with agility, maintaining our position of strength. We do not expect a material impact to our full year 2026 outlook from tariffs.

From a financial standpoint, we used cash in operations during the quarter, consistent with normal seasonality and reflecting a proactive strategy to add inventory that supports anticipated growth in customer demand for composites and other materials. Importantly, we continue to expect strong free cash flow generation for the full year, supported by disciplined working capital management and the underlying earnings power of our business.

While 2025 presented a more challenging valuation environment on the M&A front, largely related to macroeconomic uncertainty, we continue to be excited about the deals we did execute and the ones in the pipeline currently being cultivated. Our teams are well-equipped to advance our proven playbook, targeting well-run companies with durable value creation, while prioritizing leadership, talent, and cultures that align with Patrick's long-term objectives.

Long-term, we are confident in our ability to outperform as a result of our organic growth initiatives, structural advantages, and financial strength, including end market diversification, strong balance sheet, robust free cash flow generation, and operational agility. Patrick is well positioned to continue generating value across a range of market conditions, and as demand in our markets recovers, we believe we will capitalize meaningfully.

Now turning to our recent announcement regarding discussions about a potential merger of equals with LCI Industries. While we cannot discuss or confirm specific details at this time, we believe the potential combination of our two companies could provide additional opportunity to drive value and better partnerships with our customers and in the form of innovation, value-add/value-engineering, cost-effective full solutions,

and an overall low-cost model to help partner in driving better affordability. Together, the two companies could further enhance our overall value proposition by obtaining substantial cost savings through synergies, operating efficiencies, and deployment of best practices, as well as continued development of our bench strength for long-term shareholder value. We will communicate appropriately and in alignment with regulatory guidelines as appropriate, and in accordance with regulatory requirements, as we continue to evaluate this opportunity.

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.

Our first quarter RV revenue was \$446 million, off 7% from the same period in 2025, representing 45% of consolidated revenue. We outperformed a 12% reduction in RV industry wholesale unit shipments during the first quarter, which equated to nearly 12,000 fewer units being shipped. Our team drove RV CPU, on a TTM basis, up 8% to \$5,277 through ongoing adoption of our composite products and solutions, coupled with market share gains during the period. On a quarterly basis, CPU increased 6% year-over-year.

Based on the data published by Statistical Surveys, or SSI, we estimate RV retail unit shipments were approximately 63,200 and according to the RVIA, wholesale unit shipments were approximately 86,100 in the first quarter. This implies a seasonal, dealer field inventory restock of approximately 22,900 units during the period, resulting in estimated dealer inventory weeks-on-hand of approximately 19 to 21 weeks. This is up from 16 to 18 weeks at the end of the fourth quarter of 2025 but remains well below the historical averages of 26 to 30 weeks. We remain encouraged by the level of discipline shown by our RV industry and believe OEMs and dealers are committed to the long-term health of the industry.

First quarter Marine revenues increased 14% to \$170 million, representing 17% of consolidated net sales and outperforming an estimated 7% reduction in wholesale powerboat unit shipments. On a TTM basis, our estimated Marine content per wholesale powerboat unit increased 17% to \$4,657. On a quarterly basis, estimated Marine CPU increased 23% year-over-year. Our above-market revenue performance and strong content per unit growth primarily reflect sustained benefits from our market share gains related to the latest model-year changeover and the impact of acquisitions last year that expanded our Marine electrical solution set and aftermarket presence.

Based on data from SSI and NMMA, we estimate Marine retail and wholesale powerboat unit shipments were 28,300 and 34,200 units, respectively, in the quarter. This implies a seasonal dealer field inventory restock of approximately 5,900 units. Dealer inventory in the field remains lean at an estimated 22 to 24 weeks-on-hand, up

slightly from 20 to 22 weeks in the fourth quarter of 2025, remaining well below the historical averages of 36 to 40 weeks. Similar to RV, we believe disciplined inventory levels and improved alignment between retail and wholesale trends position the marine market favorably for a future rebound in demand.

Our Powersports revenue increased 28% to \$104 million in the first quarter versus the prior year period, representing 10% of our first quarter 2026 consolidated sales. The continued strength in our Powersports revenue was driven by further OEM adoption of our cab enclosures we provide through Sportech and other integrated solutions. Our team's ability to drive increased attachment rates and expand content across platforms has further solidified our position as a key supplier in the space.

As noted before, Patrick primarily serves the utility side of the Powersports market, which continues to demonstrate resilience relative to other categories, partially due to the adoption of innovative features, which have improved customer utility. We remain incredibly confident about the opportunity ahead for Patrick in the Powersports space, with enhanced focus on innovation and expanding the existing cab enclosure solution and growing our aftermarket presence.

On the Housing side of our business, first quarter revenue was \$277 million, off 6% when compared to the prior year period, representing 28% of consolidated sales. Manufactured Housing (MH) represented approximately 56% of our Housing revenue in the quarter. Estimated content per MH unit on a TTM basis was \$6,636, flat when compared to the prior year period, as we focus on maintaining solid content in a softer demand environment. On a quarterly basis, estimated content per MH unit was flat year-over-year.

We estimate MH wholesale unit shipments were lower by 11% in the first quarter, while total housing starts increased 1%, as macroeconomic pressures, including interest rates and affordability constraints, continue to impact demand. We believe underlying demand for affordable housing remains intact, which we expect will be favorable for us over the long term and are positioned accordingly.

Moving to the aftermarket side of our business.

Our platform continues to grow traction and we are aligning talent and infrastructure to support long-term profitable growth. Our investments are aimed at improving visibility into key metrics that can help us uncover incremental opportunities at existing business units and identifying appropriate candidates in the M&A pipeline. Many of the targets we seek to acquire have an existing presence in the aftermarket, supporting Patrick's broader diversification strategy, while offering important margin accretion benefits.

Finally, I want to reiterate our excitement for 'The Experience' and provide an update on our first-of-its-kind digital design studio. This new technology is elevating how we engage with our OEM customers, and they appear energized by the ability to iterate in real time,

enabling faster, more collaborative decision-making. Our Studio team continues to host a number of demos, showcasing the capabilities of the space and collaborating with product leaders to make 'The Experience' a part of their design and engineering process. As we approach the next model-year changeover, we have hosted more than 25 working sessions and have already eliminated dozens of prototypes through this process. We believe 'The Experience' further embeds Patrick as an indispensable partner in the OEM product lifecycle and represents a meaningful, durable competitive advantage as we drive greater operating efficiencies and more profitable growth over time.

I will 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.

Consolidated net sales for the quarter were \$997 million, off 1% from the first quarter of 2025. Our team delivered higher CPU on a trailing twelve-month basis in each of our Outdoor Enthusiast markets, as Jeff highlighted, which helped drive revenue increases of 14% and 28% in our Marine and Powersports end markets, respectively, helping offset lower revenue in our RV and Housing markets, attributable to reduced wholesale shipment levels in the quarter.

The year-over-year change in our revenue was comprised of 2% acquisition growth, 8% organic growth, and negative 10% industry.

Gross margin was 22.8%, unchanged versus the first quarter of 2025.

Operating margin of 6.5% was flat when compared to the prior year period. Our stable margins reflect our team's ability to flex our operations in response to lower than expected RV and Housing demand in the first quarter.

Our overall effective tax rate was 14.8% for the first quarter compared to 17.7% in the prior year.

Net income was up 3% to \$39 million, or \$1.10 per diluted share, compared to net income of \$38 million, or \$1.11 per diluted share in the prior year quarter.

Our diluted EPS for the first quarter of 2026 included approximately \$0.10 in additional accounting related dilution as a result of the increase in our stock price above the convertible option strike price for our 2028 convertible notes and related warrants. The prior year's diluted EPS included just \$0.05 per share.

Adjusted EBITDA was \$113 million compared to \$116 million last year, while adjusted EBITDA margin was 11.4%, lower by 10 basis points from the first quarter of 2025. Cash used in operations for the first three months of 2026 was \$14 million compared to

cash provided by operations of \$40 million in the prior year period. This reflects an increase in working capital, partially related to our strategic decision to increase composite material inventory in anticipation of customer demand. Purchases of property, plant and equipment were \$19 million during the quarter.

Total net liquidity at the end of the first quarter was \$734 million, comprised of cash on hand and unused capacity on our revolving credit facility of approximately \$696 million. With no major debt maturities until 2028, we have the financial strength and capital necessary to capture long-term organic and inorganic growth opportunities. At the end of the first quarter, our net leverage was 2.8x.

In the first quarter, we returned a total of \$31 million to shareholders, including quarterly dividends of \$16 million and \$15 million for the repurchase of approximately 127,700 shares. We remain opportunistic toward share repurchases and had approximately \$153 million left on our existing repurchase authorization at the end of the first quarter. During the second quarter through April 29, 2026, we have repurchased approximately 153,100 shares for a total of approximately \$15 million.

I want to briefly frame our thoughts regarding the rest of the year. We recognize the broader macroeconomic environment remains uncertain, particularly with respect to consumer confidence, interest rates, conflict in the Middle East, and thus, the timing of a more sustained recovery in our end markets. Against this backdrop, we remain focused on executing operationally, driving content and share gains, advancing our aftermarket initiatives, and maintaining a disciplined approach to capital allocation, including M&A. We believe these actions, combined with the strength of our diversified platform, position us to deliver solid financial performance, even if demand conditions remain soft.

With that, our 2026 outlook is as follows.

We now estimate RV retail will be down low to mid-single digits and RV wholesale will be 315K to 330K units in 2026.

In Marine, we estimate retail shipments will be flat to down slightly and wholesale shipments will be up low-single digits in 2026.

In our Powersports end market, we continue to expect both full-year unit shipments and our organic content to be up low-single digits, implying an overall mid-to-high single digit increase for our business.

For Housing, we now estimate MH wholesale unit shipments and total new housing starts will both be down low to mid-single digits for 2026.

Moving to our financial outlook.

Based on the revisions to our end market shipments, we now expect our 2026 adjusted operating margin will improve by 30 to 50 basis points versus 2025.

We have also updated our 2026 operating cash flow, which we now estimate will be between \$370 and \$390 million, with capital expenditures totaling between \$70 to \$80 million, implying free cash flow of approximately \$300 million.

For 2026, we continue to estimate that our effective tax rate will be between 24% and 25%.

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

Operator

Thank you. 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", if you would like to remove your question from the queue. And for participants using speaker equipment, it may be necessary to pick up your handset before pressing the "star" keys. Please limit to one question and one follow-up question.

Our first question is from the line of Scott Stember with ROTH Capital. Please proceed.

Scott Stember

Good morning, guys, and thanks for taking my questions.

Andy Nemeth

Good morning.

Scott Stember

Can you talk about the state of retail, what you're hearing in RV. Camping World, this morning, it sounds as if things are getting incrementally better from the doldrums of the winter, at least in April. What are you hearing through your touchpoints? And also on the production side from OEMs, what are you hearing and seeing from a production standpoint and also a mix standpoint?

Jeff Rodino

Yes, Scott, this is Jeff. From a retail standpoint, I think I'd agree with what you heard from Camping World, this morning. It is getting incrementally better. Certainly, a slow start to the year in January with some of the weather and into February. Some of the macroeconomic things and consumer confidence is tamped it down a little bit. But I think it's incrementally getting better. From a production standpoint from the OEMs, they're still being very measured in what they're producing. They're not overproducing. They're kind of falling in line with where things are at with retail, down a little bit, year-over-year.

But overall, keeping an eye on what retail is doing. So we feel really good about the patience and the discipline that's going on in that market. As far as the mix, we are seeing a little bit different mix than we have. Through '24 and into '25, we saw really heavy on the entry-level side. That mix is changing a little bit. We're seeing a little bit more on the fifth wheel side but overall, not back to what we would call a normalized mix, by any means.

So overall, we feel good about where people are at and certainly hope to see the retail pick up even a little bit more.

Scott Stember

Got it. And then looking at the aftermarket, it seems like there's some continued gains there. Can you talk about the ongoing cross-pollination efforts with the RecPro platform regarding Powersports and Marine and the existing RV products from Patrick?

Jeff Rodino

Yeah, so since we made the acquisition in September '24, we've added over 500 different parts to the RecPro site. I would tell you that within RV, I think we've added six or seven brands in several offerings from those brands on the Marine side and even some on the Powersports. Certainly, it's been a little bit heavier on the RV side to start with, and we've really started to gain some traction in the Marine and Powersports parts that we're adding on to the system.

Scott Stember

Got it. And just the last question on the margins. The lower growth outlook for this year, is that just strictly based on the lower shipment forecast that you have?

Andy Nemeth

It absolutely is volume related to shipments, Scott. And I think one of the things that Jeff mentioned related to just overall discipline remains very, very strong. I think everybody is working in partnership in unison to keep things in check with flexibility to scale up when needed, but everybody is being very, very thoughtful about maintaining a balanced level of inventory to support the industry conditions, today. But like I said, scalability. So for us, it's simply volume related.

And I think what we're confident in is our continued development and delivery of innovative products. Our content growth is under our control, and our teams have done a fabulous job of connecting with customers on our full solution. So overall, again, volume related, we're offsetting the things with what we can control.

Scott Stember

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

Andy Nemeth

Thank you.

Operator

Our next question is from Joe Altobello with Raymond James. Please proceed.

Joe Altobello

Thanks, hey, guys, good morning. The first question on M&A, and I'm guessing you probably don't want to talk too much about the LCI or potential LCI transaction. But I guess my question there is, while those discussions are ongoing, does that impact your M&A strategy? Is it on hold at this point?

Andy Nemeth

It is not, Joe, and we're continuing to be very active. I think the strength of our balance sheet, the tremendous amount of liquidity that we have, the pipeline candidates, we're definitely active in the market right now cultivating deals, regardless of an LCI transaction or not. And so, we're we feel really good about our continued position to be on offense in this market and be able to take advantage of opportunities that are out there. So, in no way are we impeded by any discussions at this point and certainly continuing to be aggressive on M&A.

Joe Altobello

Okay. And then just to shift gears a little bit over to Marine. I think you mentioned your content per unit there on a quarterly basis was up 23%. Maybe talk a little bit more about what's driving that and how you see that over the balance of the year?

Andy Nemeth

Yeah, our team has done a really good job with innovation. I think when you look at the content growth, not only in Marine, but in RV as well, and as well in Powersports, the combination of our Advanced Products group really working with our annual prototyping work that the team does, just a tremendous amount of focus on innovation. And like I said, customer solutions are really what we're focused on, today. And becoming more value-add for our customers, helping them bring costs down through those value-add solutions, but innovative solutions.

And so, just across the platform, our brands are continuing to work together to put solutions together in front of our customers that are compelling and exciting and help them differentiate their products.

So just like I said, just tremendous effort and focus on collaborative, brand-fronted, innovative, solution-oriented products to customers is driving our content growth.

Joe Altobello

Thank you.

Operator

Our next question is from Noah Zatzkin with KeyBanc Capital Markets. Please proceed.

Noah Zatzkin

Hi, thanks for taking my questions. I guess maybe to drill down there a little bit more. TTM CPUs, I think, up 8% on the RV side, up 17% on the Marine side. Could you just remind us, I guess, how you typically think about content growth as part of the kind of growth algorithm? And are you seeing or expecting kind of like a step change versus how you used to think about things? And if so, kind of what's driving that? Thank you.

Andy Nemeth

Yeah, so typically, the algorithm on our model is centered around a target of 2% to 3% organic content growth, net of industry on an annual basis. And so, that's kind of the foundation for the model. As far as kind of ongoing step change, I'd say we're going to stay consistent with kind of expectations around that 2% to 3%. But I would also tell you, there's tremendous opportunity based on the continued innovative solution development that our team is working on to increase that number.

And so, I don't know that we're moving off of the algorithm but certainly, expectations internally continue to be elevated as it relates to the opportunities that are out there in front of us today, especially on the solutions front. So, I think there's upside potential to that algorithm.

Noah Zatzkin

Thanks. And then maybe just one on manufactured housing, obviously, just took the outlook down there. So, kind of maybe just a quick update on what you're seeing in that end market. Thanks.

Andy Nemeth

Yeah, Manufactured Housing has been declining over the last several quarters, and it's fairly soft right now, is what we would tell you. We're not seeing a lot of improvement at the moment. I think everything as it relates to consumer confidence right now is constrained. And so, we're certainly seeing it on the MH side of the business for sure. So continued expectation right now is kind of standard. We're seeing declines in the MH industry. I think things are a little bit soft out there, right now. Hoping for some increase in consumer confidence but overall, there hasn't been a lot of change. We've seen a decline, and it continues to decline.

Noah Zatzkin

Thank you.

Operator

Our next question is from Craig Kennison with Baird. Please proceed.

Craig Kennison

Thank you. Yeah, I wanted to start with tariffs and trade policy, which is impacting businesses in dramatically different ways this quarter. Could you just help us

understand your supply chain and your production footprint and why that keeps Patrick insulated from some of these recent policy changes?

Jeff Rodino

Yeah, Craig, this is Jeff. So from some of the metal aspect of things on tariffs, a lot of what we're doing is domestic. Certainly, we're still seeing commodity prices move in an upward direction, even if they are on the domestic side. But we've got a couple of different kind of ways that we go about our policies and some of it is direct importer of record. We work through that through our business units. And then in other cases, we're using importers or distributors in the states that are actually doing the importing.

So, it's just a couple of different ways that we look at it. And then as far as how we are trying to mitigate those tariffs as we work right back to the manufacturers to try to understand what the tariff impact is going to be, figure out how we can best mitigate those costs at the starting point.

And then we work directly with our customers to really communicate upfront what it means, what it will mean on a go-forward basis and really communicate with them to pass those along. I mean, I think we've said in the past that our tariff, I'm going to say, policy or how the way we handle it is that there's not an impact to our margins on the tariffs. But we're working very hard to mitigate those as best we can from the supplier all the way down through distribution.

Craig Kennison

Are your Powersports partners cutting any cab orders, for example, as they wait for more clarity on policy?

Jeff Rodino

We've not seen that, as of right now. We've had a really good first part of the year on Powersports, and they schedule out their units a little bit further than some of our other industries, and the scheduling that we're seeing right now is still showing stronger orders.

Andy Nemeth

And our focus on and concentration on the utility side has been extremely positive for us on the Powersports. We just continue to see strong take rates on cab upfit for utility units, and that's been, again, a nice organic contributor for us and for our Powersports team for the first part of the year and, really, through kind of the starting in the back half of last year. So, we continue to be encouraged by the utility sector in Powersports.

Craig Kennison

And then I guess, finally, to the extent you can comment on the proposed merger of equals, what would you share with respect to either shareholder or OEM reaction, any timelines or hurdles that you'd face? And maybe just comment on any potential portfolio overlaps that might be problematic as you discussed with [inaudible].

Andy Nemeth

Yeah, so what I can comment on, Craig, is that we've been very thoughtful about these discussions from the beginning. And the first and primary focus was on the customer and how can we be a better partner to the industry. And I look at the opportunity to enhance product solutions and really be able to positively impact our customers and partner with our customers, especially in this environment where things are uncertain and affordability remains in question. And so, first and foremost, I would tell you that we were very thoughtful about that.

And so, we understand the risk, and we also understand the opportunity to be a true partner to our customers in this space. And so that's why that was kind of the overriding theme behind the discussions. And so, that's what I can tell you at this moment, but customer first has been the priority and headline for us, throughout the entire process. So we've been very thoughtful about that.

Craig Kennison

Thanks, Andy.

Operator

As a reminder, it's "*", "1" on your telephone keypad, if you would like to ask a question. Our next question is from Daniel Moore with CJS Securities. Please proceed.

Daniel Moore

Good morning. Thanks for the color and taking questions. Operating, just in terms of kind of the cadence, operating margin in Q1, essentially flat, year-over-year. How should we think about the cadence of the 30 basis point to 50 basis point improvement that you expect? Is Q2 kind of similar to Q1 with most of the improvement in the back half? Or would you start to expect to start to see some of that improvement coming through this quarter in a dynamic environment?

Matt Filer

I think -- sorry, this is Matt. And I think we're definitely looking at the second half being a little bit stronger than the first half. As we saw in the first quarter, the markets were softer than what we were hoping for coming into the year, but we're going to control what we can control, and we still expect to see that 30 to 50 basis point improvement, over prior year.

Andy Nemeth

Yeah, typical Q2, Q3 seasonality, Dan, we would expect to see an uptick in margins.

Daniel Moore

Okay. Free cash flow guidance, very little change despite the kind of lower EBITDA. Just are you seeing incremental opportunities in terms of working capital, and what's the offset there?

Matt Filer

Yeah, that's correct. So there's definitely some working capital benefit baked into that.

Daniel Moore

Okay. And then just housekeeping in terms of given where the stock is trading here, I know it was \$0.10 dilution in Q2 -- Q1, what would that kind of quarterly dilution from the convert look like?

Andy Nemeth

At this point, Dan, I mean, it's pretty dynamic. I can't really give specific guidance here. We would expect -- what we've seen, what, \$0.05-ish kind of quarterly dilution is what I would continue to expect, while we kind of move through this.

Daniel Moore

Sneak one more in. Thanks Andy. Aftermarket, just kind of you touched on this in some of the other questions, but where are you seeing the biggest opportunity in terms of cross-selling? Just kind of remind us what your margins are. And is that something -- would you consider breaking out aftermarket as a separate segment at some point?

Andy Nemeth

At some point, we certainly will. And we've got a strategy as it relates to our aftermarket program, which includes M&A. And so, as we continue to deepen our presence in the aftermarket, it's going to become more and more material as part of our vision and where we want to take that for the future. And so, we will start to break that out and potentially break it out even further, going forward. But the overall margin profile is accretive to Patrick's consolidated profile, today.

And as we look at the aftermarket, there's still tremendous opportunity, organically, with our existing product categories to get that on to our DTC sites and RecPro in particular, and that presence to become kind of our overall outdoor enthusiast direct-to-consumer site. So as we think about it, we're still early in the game on aftermarket, but it's absolutely a strategy, and we see not only, like I said, potential for organic growth, but M&A potential out there, too, today, that we're focused on.

Daniel Moore

All right, thanks again for the color. Appreciate it.

Andy Nemeth

Thank you.

Operator

Our final question is from Tristan Thomas-Martin with BMO Capital Markets. Please proceed.

Tristan Thomas-Martin

Hey, good morning. Andy, you mentioned a couple of times kind of advanced integrated solution-based offerings as a benefit to the OEM, both from kind of like quality of life standpoint and also just improved affordability. Could you maybe give us a couple of examples of what those are?

Andy Nemeth

Yes, I mean, we talked about it in our release, but we've got a low-cost power audio solution that we're working on today. We're working on helm solutions in the Marine space that integrate our products and can help our customers bring their overall build cost down because of those solutions and our ability to procure and bring these solutions together. I think on the RV side, our roofing solution is very exciting to us but as well, some flooring solution opportunities that are upcoming as we look forward into the future.

And so, we're really trying to, and our brands have really opened up, again, the collaborative process with each other to start to really think about how we can get solution-oriented products to customers.

And so, there's just a wide variety of things that we can do based on the depth and breadth of our portfolio that we're very focused on. But those are some simple examples that I can give you that are really compelling, today.

Jeff Rodino

And Tristan, one other thing I would add to that is our teams are really focused on the discussion of ASPs out there. We're working very diligently with customers with our good, better, best offering to figure out how we can kind of mix and match solutions to be able to drive some of those prices down and be a better partner as they look to try to drive down those ASPs, both on the RV and Marine side.

Tristan Thomas-Martin

Okay, that's a good segue into my next question. Where do you think ASPs for model year '27 shake out, both in terms of whether it's either your kind of incremental content gains and then also kind of what the industry is trying to do on a like-for-like basis? Thank you.

Jeff Rodino

Yeah, I'll tell you, I mean, we're making a lot of strides on the composite side. So we'll see some gains on market share on the model change. So we feel really good about that on the RV side. The Marine and Powersports side, we've seen quite a bit of our CapEx that we've used, so far this year, go towards tooling on projects that we've been working on with customers leading into this upcoming model change. So, we're really excited about what we're going to see on our model change in Marine and Powersports, as well.

As far as ASPs, really, what we're seeing is we're seeing some higher prices on commodities that we're being forced to pass along. Some of those are driven by the higher fuel prices, higher resins and some of the things that we've seen on the commodity side there. How that's going to equate in the ASPs, I really couldn't give you that answer right today, but it'll have an impact.

That's why, like I said, our teams are kind of focused on that. So, we're trying to figure out in our good, better, best offering, where we can take money out where we see we have to add money back in with the commodities doing what they're doing. So it's a challenge, but our teams are really, like I said, laser-focused on that for the customer and ultimately for the end customer.

Tristan Thomas-Martin

Got it. Thank you.

Operator

Ladies and gentlemen, thank you. I will now turn the conference back over to Andy Nemeth for closing remarks.

Andy Nemeth

Yeah, I want to just once again thank our team for just incredible dedication and commitment to continuously serving our customers better in this environment, which is extremely dynamic. And I'm really confident in where the company is positioned, today. We're sitting on a position of strength, especially as it relates to our balance sheet, our team, the strength of our bench to continue to really be aggressive in controlling what we can control and continue to drive our business forward in alignment with our strategic plan.

And so, I feel really good about where we're at, especially in this dynamic environment, to be able to flex both up and down, as well as deliver exceptional customer service. So, I want to thank everybody for joining the call, and we look forward to talking to you on our next conference call.

Operator

Thank you. Ladies and gentlemen, this does conclude today's conference. Thank you for your participation. You may now disconnect.

Editor

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