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

Form 10-Q

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2025

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

FOR THE TRANSITION PERIOD FROM TO

Commission File No. 001-33861

MOTORCAR PARTS OF AMERICA, INC.

(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	11-2153962 (I.R.S. Employer Identification No.)
2929 California Street, Torrance, California (Address of principal executive offices)	90503 (Zip Code)

Registrant's telephone number, including area code: (310) 212-7910

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	MPAA	The Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☑
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

There were 19,210,954 shares of Common Stock outstanding at February 2, 2026.

MOTORCAR PARTS OF AMERICA, INC.

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MOTORCAR PARTS OF AMERICA, INC.

GLOSSARY

The following terms are frequently used in the text of this report and have the meanings indicated below.

"Used Core" — An automobile part which has previously been used in the operation of a vehicle. Generally, the Used Core is an original equipment ("OE") automobile part installed by the vehicle manufacturer and subsequently removed for replacement. Used Cores contain salvageable parts, which are an important raw material in the remanufacturing process. We obtain most Used Cores by providing credits to our customers for Used Cores returned to us under our core exchange programs. Our customers receive these Used Cores from consumers who deliver a Used Core to obtain credit from our customers upon the purchase of a newly remanufactured automobile part. When sufficient Used Cores are not available from our customers, we purchase Used Cores from core brokers, who are in the business of buying and selling Used Cores. The Used Cores purchased from core brokers or returned to us by our customers under the core exchange programs, and which have been physically received by us, are part of our raw material and work-in-process inventory. Used Cores returned by consumers to our customers but not yet returned to us are classified as contract assets until we physically receive these Used Cores.

"Remanufactured Core" — The Used Core underlying an automobile part that has gone through the remanufacturing process and through that process has become part of a newly remanufactured automobile part. The remanufacturing process takes a Used Core, breaks it down into its component parts, replaces those components that cannot be reused and reassembles the salvageable components of the Used Core and additional new components into a remanufactured automobile part. Remanufactured Cores held for sale at our customer locations are included in long-term contract assets. The Remanufactured Core portion of stock adjustment returns are classified as contract assets until we physically receive them.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	December 31, 2025 (Unaudited)	March 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,511,000	$ 9,429,000
Short-term investments	2,060,000	1,881,000
Accounts receivable — net	80,730,000	91,064,000
Inventory — net	398,980,000	359,669,000
Contract assets	33,327,000	29,606,000
Prepaid expenses and other current assets	25,153,000	19,822,000
Total current assets	557,761,000	511,471,000
Plant and equipment — net	30,681,000	31,990,000
Operating lease assets	65,852,000	66,603,000
Long-term deferred income taxes	5,850,000	4,569,000
Long-term contract assets	325,044,000	336,268,000
Goodwill and intangible assets — net	3,527,000	3,757,000
Other assets	2,595,000	2,978,000
TOTAL ASSETS	$ 991,310,000	$ 957,636,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 187,829,000	$ 172,117,000
Customer finished goods returns accrual	37,856,000	34,411,000
Contract liabilities	60,323,000	38,158,000
Revolving loan	88,010,000	90,787,000
Other current liabilities	7,411,000	5,570,000
Operating lease liabilities	9,357,000	9,982,000
Total current liabilities	390,786,000	351,025,000
Convertible notes, related party	39,890,000	35,207,000
Long-term contract liabilities	234,789,000	241,404,000
Long-term deferred income taxes	563,000	362,000
Long-term operating lease liabilities	58,973,000	65,308,000
Other liabilities	7,762,000	6,631,000
Total liabilities	732,763,000	699,937,000
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; par value $.01 per share, 5,000,000 shares authorized; none issued	-	-
Series A junior participating preferred stock; par value $.01 per share, 20,000 shares authorized; none issued	-	-
Common stock; par value $.01 per share, 50,000,000 shares authorized;19,208,710 and 19,435,706 shares issued and outstanding at December 31, 2025 and March 31, 2025, respectively	192,000	194,000
Additional paid-in capital	228,388,000	234,413,000
Retained earnings	22,703,000	20,033,000
Accumulated other comprehensive income	7,264,000	3,059,000
Total shareholders' equity	258,547,000	257,699,000
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 991,310,000	$ 957,636,000

The accompanying notes to condensed consolidated financial statements are an integral part hereof.

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2025	**2024**	**2025**	**2024**
Net sales	$ 167,697,000	$ 186,176,000	$ 577,531,000	$ 564,249,000
Cost of goods sold	134,819,000	141,294,000	468,009,000	448,916,000
Gross profit	32,878,000	44,882,000	109,522,000	115,333,000
Operating expenses:				
General and administrative	15,328,000	16,212,000	45,094,000	47,934,000
Sales and marketing	6,350,000	5,621,000	19,371,000	16,904,000
Research and development	3,460,000	3,008,000	10,694,000	7,884,000
Foreign exchange impact of lease liabilities and forward contracts	(594,000)	2,460,000	(10,411,000)	18,966,000
Total operating expenses	24,544,000	27,301,000	64,748,000	91,688,000
Operating income	8,334,000	17,581,000	44,774,000	23,645,000
Other expenses:				
Interest expense, net	10,901,000	14,435,000	36,412,000	43,004,000
Change in fair value of compound net derivative liability	(3,910,000)	(260,000)	140,000	(2,460,000)
Total other expenses	6,991,000	14,175,000	36,552,000	40,544,000
Income (loss) before income tax (benefit) expense	1,343,000	3,406,000	8,222,000	(16,899,000)
Income tax (benefit) expense	(434,000)	1,115,000	5,552,000	1,849,000
Net income (loss)	$ 1,777,000	$ 2,291,000	$ 2,670,000	$ (18,748,000)
Basic net income (loss) per share	$ 0.09	$ 0.12	$ 0.14	$ (0.95)
Diluted net income (loss) per share	$ 0.09	$ 0.11	$ 0.13	$ (0.95)
Weighted average number of shares outstanding:				
Basic	19,393,228	19,783,170	19,377,401	19,739,481
Diluted	20,139,201	20,416,958	20,146,118	19,739,481

The accompanying notes to condensed consolidated financial statements are an integral part hereof.

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2025	**2024**	**2025**	**2024**
Net income (loss)	$ 1,777,000	$ 2,291,000	$ 2,670,000	$ (18,748,000)
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain (loss)	2,031,000	(2,480,000)	4,205,000	(4,423,000)
Total other comprehensive income (loss), net of tax	2,031,000	(2,480,000)	4,205,000	(4,423,000)
Comprehensive income (loss)	$ 3,808,000	$ (189,000)	$ 6,875,000	$ (23,171,000)

The accompanying notes to condensed consolidated financial statements are an integral part hereof.

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Shareholders' Equity
(Unaudited)

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at March 31, 2025	19,435,706	$ 194,000	$234,413,000	$ 20,033,000	$ 3,059,000	$257,699,000
Share-based compensation expense	-	-	946,000	-	-	946,000
Issuance of common stock upon vesting of RSUs and PSUs,net of shares withheld for employee taxes	114,225	2,000	(498,000)	-	-	(496,000)
Repurchase and cancellation of common stock, including fees	(197,796)	(2,000)	(1,964,000)	-	-	(1,966,000)
Foreign currency translation	-	-	-	-	888,000	888,000
Net income	-	-	-	3,042,000	-	3,042,000
Balance at June 30, 2025	19,352,135	$ 194,000	$232,897,000	$ 23,075,000	$ 3,947,000	$260,113,000
Share-based compensation expense	-	-	1,984,000	-	-	1,984,000
Exercise of stock options, net of shares withheld for employee taxes and net share settlement of exercise price	6,466	-	101,000	-	-	101,000
Issuance of common stock upon vesting of RSUs and PSUs,net of shares withheld for employee taxes	278,657	2,000	(1,412,000)	-	-	(1,410,000)
Repurchase and cancellation of common stock, including fees	(90,114)	(1,000)	(1,388,000)	-	-	(1,389,000)
Foreign currency translation	-	-	-	-	1,286,000	1,286,000
Net loss	-	-	-	(2,149,000)	-	(2,149,000)
Balance at September 30, 2025	19,547,144	$ 195,000	$232,182,000	$ 20,926,000	$ 5,233,000	$258,536,000
Share-based compensation expense	-	-	1,388,000	-	-	1,388,000
Issuance of common stock upon vesting of RSUs and PSUs,net of shares withheld for employee taxes	43,128	-	(189,000)	-	-	(189,000)
Repurchase and cancellation of common stock, including fees	(381,562)	(3,000)	(4,993,000)	-	-	(4,996,000)
Foreign currency translation	-	-	-	-	2,031,000	2,031,000
Net income	-	-	-	1,777,000	-	1,777,000
Balance at December 31, 2025	19,208,710	$ 192,000	$228,388,000	$ 22,703,000	$ 7,264,000	$258,547,000

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at March 31, 2024	19,662,380	$ 197,000	$236,255,000	$ 39,503,000	$ 9,155,000	$285,110,000
Share-based compensation expense	-	-	1,000,000	-	-	1,000,000
Issuance of common stock upon vesting of RSUs and PSUs,net of shares withheld for employee taxes	91,205	1,000	(182,000)	-	-	(181,000)
Foreign currency translation	-	-	-	-	(675,000)	(675,000)
Net loss	-	-	-	(18,085,000)	-	(18,085,000)
Balance at June 30, 2024	19,753,585	$ 198,000	$237,073,000	$ 21,418,000	$ 8,480,000	$267,169,000
Share-based compensation expense	-	-	1,016,000	-	-	1,016,000
Issuance of common stock upon vesting of RSUs and PSUs,net of shares withheld for employee taxes	22,788	-	-	-	-	-
Foreign currency translation	-	-	-	-	(1,268,000)	(1,268,000)
Net loss	-	-	-	(2,954,000)	-	(2,954,000)
Balance at September 30, 2024	19,776,373	$ 198,000	$238,089,000	$ 18,464,000	$ 7,212,000	$263,963,000
Share-based compensation expense	-	-	993,000	-	-	993,000
Issuance of common stock upon vesting of RSUs and PSUs,net of shares withheld for employee taxes	75,468	1,000	(1,000)	-	-	-
Repurchase and cancellation of common stock, including fees	(268,130)	(3,000)	(2,093,000)	-	-	(2,096,000)
Foreign currency translation	-	-	-	-	(2,480,000)	(2,480,000)
Net income	-	-	-	2,291,000	-	2,291,000
Balance at December 31, 2024	19,583,711	$ 196,000	$236,988,000	$ 20,755,000	$ 4,732,000	$262,671,000

The accompanying notes to condensed consolidated financial statements are an integral part hereof.

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended December 31, 2025	Nine Months Ended December 31, 2024
Cash flows from operating activities:		
Net income (loss)	$ 2,670,000	$ (18,748,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,181,000	7,862,000
Amortization of debt issuance costs	1,815,000	1,647,000
Amortization of interest on contract liabilities	493,000	578,000
Accrued interest on convertible notes, related party	2,904,000	2,640,000
Amortization of core premiums paid to customers	8,055,000	7,310,000
Amortization of finished goods premiums paid to customers	760,000	703,000
Noncash lease expense	7,588,000	7,265,000
Foreign exchange impact of lease liabilities and forward contracts	(10,411,000)	18,966,000
Change in fair value of compound net derivative liability	140,000	(2,460,000)
Gain on short-term investments	(283,000)	(126,000)
Net provision for inventory reserves	6,957,000	11,317,000
Net provision for customer payment discrepancies and credit losses	533,000	324,000
Deferred income taxes	(361,000)	(3,479,000)
Share-based compensation expense	4,318,000	3,009,000
Loss on disposal of plant and equipment	17,000	(6,000)
Changes in operating assets and liabilities:		
Accounts receivable	10,869,000	12,475,000
Inventory	(45,087,000)	17,546,000
Prepaid expenses and other current assets	(2,791,000)	(1,000,000)
Other assets	687,000	(1,392,000)
Accounts payable and accrued liabilities	16,519,000	(22,854,000)
Customer finished goods returns accrual	3,336,000	2,637,000
Contract assets	(710,000)	(18,031,000)
Contract liabilities	14,653,000	18,300,000
Operating lease liabilities	(7,571,000)	(6,754,000)
Other liabilities	1,383,000	(1,361,000)
Net cash provided by operating activities	23,664,000	36,368,000
Cash flows from investing activities:		
Purchase of plant and equipment	(2,250,000)	(1,716,000)
Proceeds for the sale of plant and equipment	-	49,000
Redemption of short-term investments	104,000	53,000
Net cash used in investing activities	(2,146,000)	(1,614,000)
Cash flows from financing activities:		
Borrowings under revolving loan	554,945,000	375,461,000
Repayments of revolving loan	(557,722,000)	(408,659,000)
Payments for debt issuance costs	-	(15,000)
Payments on finance lease obligations	(1,217,000)	(1,306,000)
Exercise of stock options	101,000	-
Cash used to net share settle equity awards	(2,095,000)	(181,000)
Repurchase of common stock, including fees	(8,351,000)	(2,096,000)
Net cash used in financing activities	(14,339,000)	(36,796,000)
Effect of exchange rate changes on cash and cash equivalents	903,000	(1,122,000)
Net increase (decrease) in cash and cash equivalents	8,082,000	(3,164,000)
Cash and cash equivalents — Beginning of period	9,429,000	13,974,000
Cash and cash equivalents — End of period	$ 17,511,000	$ 10,810,000
Supplemental disclosures of cash flow information:		
Cash paid for interest, net	$ 31,379,000	$ 37,845,000
Cash paid for income taxes, net of refunds	4,906,000	4,338,000
Cash paid for operating leases	10,777,000	10,183,000
Cash paid for finance leases	1,441,000	1,446,000
Plant and equipment acquired under finance leases	1,928,000	684,000
Assets acquired under operating leases	313,000	2,512,000
Accrued capital expenditures	132,000	144,000

The accompanying notes to condensed consolidated financial statements are an integral part hereof.

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
December 31, 2025
(Unaudited)

1. Company Background and Organization

Motorcar Parts of America, Inc. and its subsidiaries (the "Company", or "MPA") is a leading supplier of automotive aftermarket non-discretionary replacement parts, and test solutions and diagnostic equipment. These replacement parts are primarily sold to automotive retail chain stores and warehouse distributors throughout North America and to major automobile manufacturers for both their aftermarket programs and warranty replacement programs ("OES"). The Company's test solutions and diagnostic equipment primarily serves the global automotive component and powertrain testing market. The Company's products include (i) light duty and heavy duty rotating electrical products such as alternators and starters, (ii) wheel hub assemblies and bearings, (iii) brake-related products, which include brake calipers, brake boosters, brake rotors, brake pads, and brake master cylinders, and (iv) other products, which include (a) turbochargers and (b) test solutions and diagnostic equipment including: (i) applications for combustion engine vehicles, including bench-top testers for alternators and starters, (ii) equipment for the pre- and post-production of electric vehicles, and (iii) software emulation of power system applications for the electrification of all forms of transportation (including automobiles, trucks, the emerging electrification of systems within the aerospace industry, and electric vehicle charging stations).

2. Basis of Presentation and New Accounting Pronouncements

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended December 31, 2025 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2026. This report should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the fiscal year ended March 31, 2025, which are included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on June 9, 2025.

The accompanying condensed consolidated financial statements have been prepared on a consistent basis with, and there have been no material changes to the accounting policies described in Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements that are presented in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2025.

Accounting Pronouncements Not Yet Adopted

Disclosure Improvements

In October 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. This standard was issued in response to the SEC's disclosure update and simplification initiative, which affects a variety of topics within the Accounting Standards Codification. The amendments apply to all reporting entities within the scope of the affected topics unless otherwise indicated. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company is currently evaluating the impact this guidance will have on its financial statement disclosures.

Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740)*. This standard requires the Company to provide further disaggregated income tax disclosures for specific categories on the effective tax rate reconciliation, as well as additional information about federal, state/local and foreign income taxes. The standard also requires the Company to annually disclose its income taxes paid (net of refunds received), disaggregated by jurisdiction. This guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The standard is to be applied prospective basis, although optional retrospective application is permitted. The Company will adopt this standard as of March 31, 2026, and is currently evaluating the impact this guidance will have on its financial statement disclosures. The Company expects its consolidated financial statements as of March 31, 2026 to include the expanded income tax disclosures required by the standard.

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses ("DISE") (Subtopic 220-40)*. This standard requires the Company to disclose, in the footnotes at each interim and annual reporting period, information about expenses by the nature of the expense in addition to certain disclosures about selling expenses. Entities are required to include the following relevant expense captions: (i) purchase of inventory, (ii) employee compensation, (iii) depreciation, (iv) intangible asset amortization, and (v) depreciation, depletion and amortization recognized as part of oil and gas producing activities. In January 2025, the FASB issued ASU No. 2025-01, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40) Clarifying the Effective Date*, which is intended to clarify the effective date of ASU No. 2024-03. As clarified in ASU 2025-01, the new guidance is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its financial statement disclosures.

Debt with Conversion and Other Options

In November 2024, the FASB issued ASU 2024-04, *Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*, which seeks to clarify the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. This guidance is effective for annual periods beginning after December 15, 2025, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its financial statement disclosures.

Measurement of Credit Losses

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets,* which provides a practical expedient that all entities can use when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC 606, *Revenue from Contracts with Customers*. Under this practical expedient, an entity is allowed to assume that the current conditions it has applied in determining credit loss allowances for current accounts receivable and current contract assets remain unchanged for the remaining life of those assets. This guidance is effective for annual periods beginning after December 15, 2025, including interim reporting periods within those fiscal years, with early adoption permitted. Entities that elect the practical expedient and, if applicable, make the accounting policy election are required to apply the amendments prospectively. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements and disclosures.

Internal-Use Software

In September 2025, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*, which amends the recognition and disclosure guidance for internal-use software costs, removing the previous software development stage model with a probable-to-complete recognition threshold. This guidance is effective for annual periods beginning after December 15, 2027, including interim reporting periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements and disclosures.

Interim Reporting

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270) Narrow-Scope Improvements*, which improves the navigability of the guidance in ASC 270, *Interim Reporting*, and clarifies when it applies. Under this guidance, an entity is subject to ASC 270 if it provides interim financial statements and notes in accordance with GAAP. ASU 2025-11 also addresses the form and content of such financial statements, interim disclosures requirements, and establishes a principle under which an entity must disclose events since the end of the last annual reporting period that have a material impact on the entity. This guidance is effective for annual periods beginning after December 15, 2027, including interim reporting periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements and disclosures.

Codification Improvements

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements*, which addresses suggestions received from stakeholders regarding the Accounting Standards Codification and makes other incremental improvements to GAAP. The update represents changes to the Accounting Standards Codification that clarify, correct errors in or make other improvements to a variety of topics that are intended to make it easier to understand and apply. This guidance is effective for annual periods beginning after December 15, 2026, including interim reporting periods within those fiscal years, with early adoption permitted. Entities are required to apply the amendments to ASC 260 retrospectively. All other amendments may be applied prospectively or retrospectively. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements and disclosures.

3. Accounts Receivable — Net

The Company has trade accounts receivable that result from the sale of goods and services. Accounts receivable — net includes offset accounts related to allowances for credit losses, customer payment discrepancies, and returned goods authorizations (“RGAs”) issued for in-transit unit returns. The Company uses accounts receivable discount programs with certain customers and their respective banks (see Note 10).

Accounts receivable — net is comprised of the following:

	December 31, 2025	March 31, 2025
Accounts receivable - net		
Accounts receivable — trade	$ 97,821,000	$ 113,807,000
Allowance for credit losses	(255,000)	(207,000)
Customer payment discrepancies	(1,698,000)	(1,765,000)
Customer returns RGA issued	(15,138,000)	(20,771,000)
Total accounts receivable — net	$ 80,730,000	$ 91,064,000

4. Inventory — Net

Inventory — net is comprised of the following:

	December 31, 2025	March 31, 2025
Inventory — net		
Raw materials	$ 155,289,000	$ 150,274,000
Work-in-process	9,152,000	7,821,000
Finished goods	236,458,000	202,078,000
	400,899,000	360,173,000
Less allowance for excess and obsolete inventory	(19,920,000)	(18,964,000)
Inventory	380,979,000	341,209,000
Inventory unreturned	18,001,000	18,460,000
Total inventory — net	$ 398,980,000	$ 359,669,000

5. Contract Assets

During the three months ended December 31, 2025 and 2024, the Company reduced the carrying value of Remanufactured Cores held at customers' locations by $554,000 and $758,000, respectively, for the revaluation of cores that are part of the finished goods on the customers' shelves to the lower of cost or net realizable value. During the nine months ended December 31, 2025 and 2024, the Company reduced the carrying value of Remanufactured Cores held at customers' locations by $2,805,000 and $2,316,000, respectively, for the revaluation of cores that are part of the finished goods on the customers' shelves to the lower of cost or net realizable value.

In addition, the Company reduced the carrying value of Remanufactured Cores held at customers' locations and long-term core inventory deposits by $14,154,000 during the nine months ended December 31, 2025, in connection with the realignment of inventory at certain customer distribution centers.

Contract assets are comprised of the following:

	December 31, 2025	March 31, 2025
Short-term contract assets		
Cores expected to be returned by customers	$ 20,422,000	$ 17,732,000
Core premiums paid to customers	10,450,000	9,669,000
Upfront payments to customers	1,250,000	1,400,000
Finished goods premiums paid to customers	1,205,000	805,000
Total short-term contract assets	$ 33,327,000	$ 29,606,000
Long-term contract assets		
Remanufactured cores held at customers' locations	$ 296,697,000	$ 301,388,000
Core premiums paid to customers	24,321,000	24,714,000
Long-term core inventory deposits	-	5,569,000
Finished goods premiums paid to customers	2,843,000	2,483,000
Upfront payments to customers	1,183,000	2,114,000
Total long-term contract assets	$ 325,044,000	$ 336,268,000

6. Significant Customer and Other Information

Significant Customer Concentrations

The largest customers accounted for the following percentage of consolidated net sales:

	Three Months Ended December 31,		Nine Months Ended December 31,	
Net sales	**2025**	**2024**	**2025**	**2024**
Customer A	49%	41%	41%	38%
Customer B	20%	22%	24%	20%
Customer C	16%	23%	20%	27%

Revenues for these customers were derived from the Hard Parts segment and Test Solutions and Diagnostic Equipment segment. See Note 18 for a discussion of the Company's segments.

The largest customers accounted for the following percentage of accounts receivable – trade:

	December 31, 2025	March 31, 2025
Accounts receivable - trade		
Customer A	42%	41%
Customer B	28%	26%
Customer C	5%	7%

Geographic and Product Information

The Company's products are sold predominantly in North America and accounted for the following percentages of consolidated net sales:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2025	**2024**	**2025**	**2024**
Product line				
Rotating electrical products	65%	68%	67%	67%
Brake-related products	24%	21%	23%	22%
Wheel hub products	6%	8%	6%	7%
Other products	5%	3%	4%	4%
	100%	100%	100%	100%

Significant Supplier Concentrations

The Company had no suppliers that accounted for more than 10% of inventory purchases for the three and nine months ended December 31, 2025 and 2024.

7. Debt

The Company has $268,620,000 in senior secured financing, (as amended from time to time, the "Credit Facility") consisting of a $238,620,000 revolving loan facility (the "Revolving Facility"), subject to certain restrictions, and a $30,000,000 term loan facility (the "Term Loans"). The Term Loans were repaid during the year ended March 31, 2024. The Credit Facility matures on December 12, 2028. The lenders have a security interest in substantially all of the assets of the Company.

The Company had $88,010,000 and $90,787,000 outstanding under the Revolving Facility at December 31, 2025 and March 31, 2025, respectively. In addition, $15,470,000 was outstanding for letters of credit at December 31, 2025. At December 31, 2025, after certain contractual adjustments, $128,583,000 was available under the Revolving Facility. The interest rate on the Company's Revolving Facility was 6.97% and 7.46%, at December 31, 2025 and March 31, 2025, respectively.

The Credit Facility requires the Company to maintain a minimum fixed charge coverage ratio if undrawn availability is less than 22.5% of the aggregate revolving commitments and a specified minimum undrawn availability. During the nine months ended December 31, 2025, undrawn availability was greater than the 22.5% threshold, therefore, the fixed charge coverage ratio financial covenant was not required to be tested.

Convertible Notes

On March 31, 2023, the Company entered into a note purchase agreement, as amended, (the "Note Purchase Agreement") with Bison Capital Partners VI, L.P. and Bison Capital Partners VI-A, L.P. (collectively, the "Purchasers") and Bison Capital Partners VI, L.P., as the purchaser representative (the "Purchaser Representative") for the issuance and sale of $32,000,000 in aggregate principal amount of convertible notes due in 2029 (the "Convertible Notes"), which was used for general corporate purposes. The Convertible Notes bear interest at a rate of 10.0% per annum, compounded annually, and payable (i) in-kind or (ii) in cash, annually in arrears on April 1 of each year, commencing on April 1, 2024. In April 2025, non-cash accrued interest on the Convertible Notes of $3,521,000 was paid in-kind and is included in the principal amount of Convertible Notes at December 31, 2025. The Convertible Notes have an initial conversion price of $15.00 per share of the Company's common stock, subject to adjustment as provided in the Convertible Notes ("Conversion Option"). Unless and until the Company delivers a redemption notice, the Purchasers of the Convertible Notes may convert their Convertible Notes at any time at their option. Upon conversion, the Convertible Notes will be settled in shares of the Company's common stock. Except in the case of the occurrence of a fundamental transaction, as defined in the form of convertible promissory note, the Company may not redeem the Convertible Notes prior to March 31, 2026. After March 31, 2026, the Company may redeem all or part of the Convertible Notes for a cash purchase (the "Company Redemption") price. The effective interest rate was 18.3% as of December 31, 2025 and March 31, 2025, respectively.

The Company's Convertible Notes are comprised of the following:

	December 31, 2025	March 31, 2025
Convertible Notes, related party		
Principal amount of Convertible Notes	$ 38,730,000	$ 35,209,000
Less: unamortized debt discount attributed to Compound Net Derivative Liability	(5,660,000)	(6,556,000)
Less: unamortized debt discount attributed to debt issuance costs	(790,000)	(916,000)
Carrying amount of the Convertible Notes	32,280,000	27,737,000
Plus: Compound Net Derivative Liability	7,610,000	7,470,000
Net carrying amount of Convertible Notes, related party	$ 39,890,000	$ 35,207,000

In connection with the Note Purchase Agreement, the Company entered into common stock warrants (the "Warrants") with the Purchasers, which mature on March 30, 2029. The fair value of the Warrants, using Level 3 inputs and the Monte Carlo simulation model, was zero at December 31, 2025 and March 31, 2025.

The Company Redemption option has been combined with the Conversion Option as a compound net derivative liability (the "Compound Net Derivative Liability"). The Compound Net Derivative Liability has been recorded within convertible note, related party in the condensed consolidated balance sheets at December 31, 2025 and March 31, 2025. The fair value of the Conversion Option and the Company Redemption option using Level 3 inputs and the Monte Carlo simulation model was a liability of $19,600,000 and $9,000,000, and an asset of $11,990,000 and $1,530,000 at December 31, 2025 and March 31, 2025, respectively. During the three months ended December 31, 2025 and 2024, the Company recorded a gain of $3,910,000 and $260,000, respectively, as the change in fair value of the Compound Net Derivative Liability in the condensed consolidated statements of operations. During the nine months ended December 31, 2025 and 2024, the Company recorded a loss of $140,000 and a gain of $2,460,000, respectively, as the change in fair value of the Compound Net Derivative Liability in the condensed consolidated statements of operations and condensed consolidated statements of cash flows.

The Convertible Notes also contain additional features, such as, default interest and options related to a fundamental transaction, which were not separately accounted for as the value of such features were not material at December 31, 2025 and March 31, 2025.

Interest expense related to the Convertible Notes is as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2025	2024	2025	2024
Interest expense on Convertible Notes				
Contractual interest expense	$ 968,000	$ 880,000	$ 2,904,000	$ 2,640,000
Accretion of debt discount	312,000	260,000	896,000	747,000
Amortization of debt issuance costs	44,000	37,000	126,000	105,000
Total interest expense on Convertible Notes	$ 1,324,000	$ 1,177,000	$ 3,926,000	$ 3,492,000

There are no future payments required under the Convertible Notes prior to their maturity, therefore, the principal amount of the Convertible Notes plus interest payable in-kind, assuming no early redemption or conversion has occurred, of $56,704,000 would be paid on March 30, 2029.

8. Contract Liabilities

During the nine months ended December 31, 2025, the Company recognized remanufactured core revenue of $14,797,000 and reduced the customer core returns accruals in connection with the realignment of inventory at certain customer distribution centers.

Contract liabilities are comprised of the following:

	December 31, 2025	March 31, 2025
Short-term contract liabilities		
Customer core returns accruals	$ 21,399,000	$ 13,880,000
Customer allowances earned	20,694,000	16,283,000
Core bank liability	10,502,000	1,795,000
Accrued core payment	4,862,000	3,196,000
Customer deposits	2,127,000	2,486,000
Finished goods liabilities	739,000	518,000
Total short-term contract liabilities	$ 60,323,000	$ 38,158,000
Long-term contract liabilities		
Customer core returns accruals	$ 229,779,000	$ 227,588,000
Accrued core payment	5,010,000	3,768,000
Core bank liability	-	10,048,000
Total long-term contract liabilities	$ 234,789,000	$ 241,404,000

9. Leases

The Company leases various facilities in North America and Asia under operating leases expiring through August 2033. The Company has material nonfunctional currency leases that could have a material impact on the Company’s condensed consolidated statements of operations. As required for other monetary liabilities, lessees remeasure foreign currency-denominated lease liabilities using the exchange rate at each reporting date, but the lease assets are nonmonetary assets measured at historical rates and are not affected by subsequent changes in the exchange rates.

In connection with the remeasurement of these leases, the Company recorded a gain of $1,183,000 and a loss of $1,875,000 during the three months ended December 31, 2025 and 2024, respectively, and a gain of $6,652,000 and a loss of $11,562,000 during the nine months ended December 31, 2025 and 2024, respectively. These amounts are included in foreign exchange impact of lease liabilities and forward contracts in the condensed consolidated statements of operations.

During the year ended March 31, 2025, the Company ceased manufacturing operations at its Torrance, California facility as a part of its strategy to enhance its operating efficiencies. This represented a significant change to the use of this right-of-use asset, which required a reassessment of the Company's asset groups. The Company concluded that this right-of-use asset was no longer part of the Hard Parts asset group. The Company performed a test for recoverability (using Level 3 inputs) which resulted in no impairment at December 31, 2025. Any future changes to the assumptions and estimates from those anticipated may affect the carrying value of right-of-use assets and could result in impairment charges.

Balance sheet information for leases is as follows:

Leases	**Classification**	**December 31, 2025**	**March 31, 2025**
Assets:			
Operating	Operating lease assets	$ 65,852,000	$ 66,603,000
Finance	Plant and equipment	4,390,000	4,296,000
Total leased assets		$ 70,242,000	$ 70,899,000
Liabilities:			
Current			
Operating	Operating lease liabilities	$ 9,357,000	$ 9,982,000
Finance	Other current liabilities	1,145,000	1,222,000
Long-term			
Operating	Long-term operating lease liabilities	58,973,000	65,308,000
Finance	Other liabilities	2,752,000	1,954,000
Total lease liabilities		$ 72,227,000	$ 78,466,000

Lease cost recognized in the condensed consolidated statements of operations is as follows:

	Three Months Ended December 31,		**Nine Months Ended December 31,**	
	2025	**2024**	**2025**	**2024**
Lease cost				
Operating lease cost	$ 3,599,000	$ 3,391,000	$ 10,660,000	$ 10,673,000
Short-term lease cost	235,000	267,000	747,000	960,000
Variable lease cost	123,000	83,000	371,000	338,000
Finance lease cost:				
Amortization of finance lease assets	312,000	287,000	1,015,000	940,000
Interest on finance lease liabilities	72,000	44,000	224,000	140,000
Total lease cost	$ 4,341,000	$ 4,072,000	$ 13,017,000	$ 13,051,000

Maturities of lease commitments at December 31, 2025 by fiscal year were as follows:

Maturity of lease liabilities by fiscal year	**Operating Leases**	**Finance Leases**	**Total**
2026 - remaining three months	$ 3,577,000	$ 336,000	$ 3,913,000
2027	12,383,000	1,347,000	13,730,000
2028	11,725,000	1,092,000	12,817,000
2029	11,202,000	827,000	12,029,000
2030	11,383,000	749,000	12,132,000
Thereafter	32,150,000	97,000	32,247,000
Total lease payments	82,420,000	4,448,000	86,868,000
Less amount representing interest	(14,090,000)	(551,000)	(14,641,000)
Present value of lease liabilities	$ 68,330,000	$ 3,897,000	$ 72,227,000

Other information about leases is as follows:

Lease term and discount rate	**December 31, 2025**	**March 31, 2025**
Weighted-average remaining lease term (years):		
Finance leases	3.8	3.2
Operating leases	6.7	7.3
Weighted-average discount rate:		
Finance leases	7.1%	7.0%
Operating leases	5.7%	5.8%

10. Accounts Receivable Discount Programs

The Company uses accounts receivable discount programs offered by certain customers and their respective banks. Under these programs, the Company may sell those customers' receivables to those banks at a discount to be agreed upon at the time the receivables are sold. These discount arrangements allow the Company to accelerate receipt of payment on customers' receivables.

The following is a summary of accounts receivable discount programs:

	Nine Months Ended December 31,	
	2025	**2024**
Receivables discounted	$ 489,798,000	$ 488,505,000
Weighted average number of days collection was accelerated	346	342
Annualized weighted average discount rate	5.4%	6.3%
Amount of discount recognized as interest expense	$ 25,456,000	$ 29,202,000

11. Supplier Finance Programs

The Company utilizes a supplier finance program, which allows certain of the Company's suppliers to sell their receivables due from the Company to participating financial institutions at the sole discretion of both the supplier and the financial institutions. The program is administered by a third party. Commitments from participating financial institutions that are available to suppliers under this program were $40,000,000 as of December 31, 2025. The Company has no economic interest in the sale of these receivables and no direct relationship with the financial institution. Payments to the third-party administrator are based on services rendered and are not related to the volume or number of financing agreements between suppliers, financial institution, and the third-party administrator. The Company is not a party to agreements negotiated between participating suppliers and the financial institution. The Company's obligations to its suppliers, including amounts due and payment terms, are not affected by a supplier's decision to participate in this program. The Company does not provide guarantees and there are no assets pledged to the financial institution or the third-party administrator for the committed payment in connection with this program. At December 31, 2025 and March 31, 2025, the Company had $32,632,000 and $33,661,000, respectively, of outstanding supplier obligations confirmed as valid under this program, included in accounts payable in the condensed consolidated balance sheets.

12. Net Income (Loss) per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per share includes the effect, if any, from the potential exercise or conversion of securities, such as stock options, Warrants, and Convertible Notes (as defined in Note 7), which would result in the issuance of incremental shares of common stock to the extent such impact is not anti-dilutive.

The following presents a reconciliation of basic and diluted net income (loss) per share:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2025	2024	2025	2024
Net income (loss)	$ 1,777,000	$ 2,291,000	$ 2,670,000	$ (18,748,000)
Basic shares	19,393,228	19,783,170	19,377,401	19,739,481
Effect of potentially dilutive securities	745,973	633,788	768,717	-
Diluted shares	20,139,201	20,416,958	20,146,118	19,739,481
Net income (loss) per share:				
Basic net income (loss) per share	$ 0.09	$ 0.12	$ 0.14	$ (0.95)
Diluted net income (loss) per share	$ 0.09	$ 0.11	$ 0.13	$ (0.95)

Potential common shares that would have the effect of increasing diluted net income per share or decreasing diluted net loss per share are considered to be anti-dilutive and as such, these shares are not included in calculating diluted net income (loss) per share. For the three and nine months ended December 31, 2025, there were 838,063, respectively, of potential common shares not included in the calculation of diluted net income per share because their effect was anti-dilutive. For the three months ended December 31, 2024, there were 15,526 of potential common shares not included in the calculation of diluted net income per share because their effect was anti-dilutive. For the nine months ended December 31, 2024, there were 2,516,729 of potential common shares not included in the calculation of diluted net loss per share because their effect was anti-dilutive.

In addition, for the three and nine months ended December 31, 2025, there were 2,775,634 and 2,711,084, respectively, of potential common shares not included in the calculation of diluted net income per share under the "if-converted" method for the Convertible Notes because their effect was anti-dilutive. For the three and nine months ended December 31, 2024 there were 2,523,304 and 2,464,622, respectively, of potential common shares not included in the calculation of diluted net income (loss) per share under the "if-converted" method for the Convertible Notes because their effect was anti-dilutive. The potential common shares related to the Warrants issued in connection with the Convertible Notes (see Note 7) are anti-dilutive until they become exercisable and as of December 31, 2025, the Warrants were not exercisable.

13. Income Taxes

The Company recorded an income tax benefit of $434,000, or an effective tax rate of (32.3)%, and income tax expense of $1,115,000, or an effective tax rate of 32.7%, for the three months ended December 31, 2025 and 2024, respectively. The Company recorded income tax expense of $5,552,000, or an effective tax rate of 67.5%, and $1,849,000, or an effective tax rate of (10.9)%, for the nine months ended December 31, 2025 and 2024, respectively. The effective tax rate for the three and nine months ended December 31, 2025 was primarily impacted by the change in valuation allowance on certain jurisdictions' deferred tax assets resulting from current year activities and foreign income taxed at rates that are different from the federal statutory rate.

Management continues to monitor its valuation allowance position in its various jurisdictions. In assessing the need for a valuation allowance, the Company considers all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, past financial performance, and tax planning strategies. Based on this analysis, the Company determined that it is more likely than not that certain deferred tax assets will not be realized. As a result, the Company continued to maintain valuation allowances on its U.S. and one of its Mexican subsidiaries' deferred tax assets. The Company will monitor its position in future periods. Should the actual amount differ from the Company's estimates, the amount of any valuation allowance could be impacted.

The Company and its subsidiaries file income tax returns for the U.S. federal, various state, and foreign jurisdictions with varying statutes of limitations. At December 31, 2025, the Company remains subject to examination for fiscal years ended March 31, 2022 and forward. The Company believes no significant changes in the unrecognized tax benefits will occur within the next 12 months.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was signed into law in the U.S. The OBBBA included a broad range of tax reform provisions, including making permanent key elements of the Tax Cuts and Jobs Act of 2017. The OBBBA did not have a material impact to the Company for the year ended March 31, 2026 and the Company is currently evaluating the potential impact of provisions of the OBBBA that are effective in subsequent years.

14. Financial Risk Management and Derivatives

Purchases and expenses denominated in currencies other than the U.S. dollar, which are primarily related to the Company's overseas facilities, expose the Company to market risk from material movements in foreign exchange rates between the U.S. dollar and the foreign currencies. The Company's primary risk exposure is from fluctuations in the value of the Mexican peso and to a lesser extent the Chinese yuan. To mitigate these risks, the Company enters into forward foreign currency exchange contracts to exchange U.S. dollars for these foreign currencies. The extent to which forward foreign currency exchange contracts are used, is modified periodically in response to the Company's estimate of market conditions and the terms and length of anticipated requirements.

The Company enters into forward foreign currency exchange contracts in order to reduce the impact of foreign currency fluctuations and not to engage in currency speculation. The use of derivative financial instruments allows the Company to reduce its exposure to the risk that the eventual cash outflow resulting from funding the expenses of the foreign operations will be materially affected by changes in exchange rates between the U.S. dollar and the foreign currencies. The Company does not hold or issue financial instruments for trading purposes. The Company designates forward foreign currency exchange contracts for forecasted expenditure requirements to fund foreign operations.

The Company had forward foreign currency exchange contracts with a U.S. dollar equivalent notional value of $41,544,000 and $45,921,000 at December 31, 2025 and March 31, 2025, respectively. These contracts generally have a term of one year or less, at rates agreed at the inception of the contracts. The counterparty to these derivative transactions is a major financial institution with investment grade credit rating; however, the Company is exposed to credit risk with this institution. The credit risk is limited to the potential unrealized gains (which offset currency fluctuations adverse to the Company) in any such contract should this counterparty fail to perform as contracted. Any changes in the fair values of forward foreign currency exchange contracts are included in foreign exchange impact of lease liabilities and forward contracts in the condensed consolidated statements of operations.

The following shows the effect of derivative instruments on the condensed consolidated statements of operations:

Derivatives Not Designated as Hedging Instruments	Foreign Exchange Impact of Lease Liabilities and Forward Contracts			
	Three Months Ended December 31,		Nine Months Ended December 31,	
	2025	2024	2025	2024
Gain (loss) from forward foreign currency exchange contracts	$ (589,000)	$ (585,000)	$ 3,759,000	$ (7,404,000)

The changes in the fair values of forward foreign currency exchange contracts are included in foreign exchange impact of lease liabilities and forward contracts in the condensed consolidated statements of cash flows for the nine months ended December 31, 2025 and 2024. The fair value of the forward foreign currency exchange contracts of $2,096,000 is included in prepaid expenses and other current assets in the condensed consolidated balance sheets at December 31, 2025. The fair value of the forward foreign currency exchange contracts of $1,663,000 is included in other current liabilities in the condensed consolidated balance sheets at March 31, 2025.

15. Fair Value Measurements

The following summarizes financial assets and liabilities measured at fair value, by level within the fair value hierarchy:

	December 31, 2025				March 31, 2025			
		Fair Value Measurements Using Inputs Considered as				Fair Value Measurements Using Inputs Considered as		
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets								
Short-term investments								
Mutual funds	$ 2,060,000	$ 2,060,000	$ -	$ -	$ 1,881,000	$ 1,881,000	$ -	$ -
Prepaid expenses and other current assets								
Forward foreign currency exchange contracts	2,096,000	-	2,096,000	-	-	-	-	-
Liabilities								
Other current liabilities								
Deferred compensation	2,060,000	2,060,000	-	-	1,881,000	1,881,000	-	-
Forward foreign currency exchange contracts	-	-	-	-	1,663,000	-	1,663,000	-
Convertible notes, related party								
Compound Net Derivative Liability	7,610,000	-	-	7,610,000	7,470,000	-	-	7,470,000

Short-term Investments and Deferred Compensation

The Company's short-term investments, which fund its deferred compensation liabilities, consist of investments in mutual funds. These investments are classified as Level 1 as the shares of these mutual funds trade with sufficient frequency and volume to enable the Company to obtain pricing information on an ongoing basis.

Forward Foreign Currency Exchange Contracts

The forward foreign currency exchange contracts are primarily measured based on the foreign currency spot and forward rates quoted by the banks or foreign currency dealers (see Note 14).

Compound Net Derivative Liability

The Company estimates the fair value of the Compound Net Derivative Liability (see Note 7) using Level 3 inputs and the Monte Carlo simulation model at the balance sheet date. The Monte Carlo simulation model requires the input of subjective assumptions including the expected volatility of the underlying stock. These subjective assumptions are based on both historical and other information. Changes in the values assumed and used in the model can materially affect the estimate of fair value. This amount is recorded within convertible notes, related party in the condensed consolidated balance sheets at December 31, 2025 and March 31, 2025. Any changes in the fair value of the Compound Net Derivative Liability are recorded in change in fair value of compound net derivative liability in the condensed consolidated statements of operations and condensed consolidated statements of cash flows.

The following assumptions were used to determine the fair value of the Compound Net Derivative Liability:

	December 31, 2025	March 31, 2025
Risk free interest rate	3.57%	3.91%
Cost of equity	19.50%	21.30%
Weighted average cost of capital	14.00%	14.90%
Expected volatility of the Company's common stock	65.00%	40.00%
EBITDA volatility	35.00%	45.00%

The following summarizes the activity for Level 3 fair value measurements:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2025	2024	2025	2024
Beginning balance	$ 11,520,000	$ 5,210,000	$ 7,470,000	$ 7,410,000
Changes in fair value of Compound Net Derivative Liability included in earnings	(3,910,000)	(260,000)	140,000	(2,460,000)
Ending balance	$ 7,610,000	$ 4,950,000	$ 7,610,000	$ 4,950,000

During the three months ended December 31, 2025, the Company had no significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments. The carrying amounts of the revolving loan and other long-term liabilities approximate their fair value based on the variable nature of interest rates and current rates for instruments with similar characteristics. At December 31, 2025 and March 31, 2025, the net carrying amount of the Convertible Notes was $39,890,000 and $35,207,000, respectively (see Note 7). The estimated fair value of the Company's Convertible Notes was $55,260,000 and $42,398,000 using Level 3 inputs at December 31, 2025 and March 31, 2025, respectively.

16. Share-based Payments

Stock Options

During the nine months ended December 31, 2025 and 2024, no options to purchase shares of the Company's common stock were granted.

The following is a summary of stock option transactions:

	Number of Shares	Weighted Average Exercise Price
Outstanding at March 31, 2025	1,053,561	$ 20.20
Exercised	(6,466)	$ 15.59
Forfeited/Cancelled	(9,899)	$ 20.75
Expired	(68,200)	$ 31.13
Outstanding at December 31, 2025	968,996	$ 19.47

At December 31, 2025, options to purchase 43,645 shares of common stock were unvested at a weighted average exercise price of $9.32.

At December 31, 2025, there was $118,000 of total unrecognized compensation expense related to unvested stock option awards, which will be recognized over the weighted average remaining vesting period of approximately 0.7 years.

Restricted Stock Units ("RSUs")

During the nine months ended December 31, 2025 and 2024, the Company granted 487,597 and 453,453, respectively, of time-based vesting RSUs, based on the closing market price on the grant date.

The following is a summary of non-vested RSUs:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at March 31, 2025	505,373	$ 7.26
Granted	487,597	$ 10.35
Vested	(287,628)	$ 7.94
Forfeited/Cancelled	(11,548)	$ 11.10
Outstanding at December 31, 2025	693,794	$ 9.08

At December 31, 2025, there was $5,094,000 of unrecognized compensation expense related to RSUs, which will be recognized over the weighted average remaining vesting period of approximately 2.1 years.

Performance Stock Units ("PSUs")

During the nine months ended December 31, 2025, the Company granted 353,778 PSUs (at target performance levels) based on the Company's stock price or a total shareholder return ("TSR") market conditions. During the nine months ended December 31, 2024, the Company granted 258,983 PSUs (at target performance levels), based on a TSR market condition. All PSUs granted have a three-year performance period, subject to continued employment.

Stock Price PSUs

During the nine months ended December 31, 2025, the Company granted 176,893 PSUs (at target performance levels), which vest as follows: (i) if the stock price is greater than or equal to $15.00 per share, then 1/3 of the grant will vest, (ii) if the stock price is greater than or equal to $17.00 per share then the next 1/3 of the grant will vest, and (iii) if the stock price is greater than or equal to $20.00 per share then the final 1/3 of the grant will vest. Recipients are eligible to vest in between 50% and 150% of the third tranche by achieving a stock price between $18.00 and $22.00 per share (each stock price target must be met for thirty consecutive trading days). The Company calculated the fair value of these PSUs individually for each tranche using the Monte Carlo Simulation Model at the grant date. Compensation cost is recognized over the estimated derived service period. Compensation cost related to these awards will not be adjusted even if the market condition is not met.

During the nine months ended December 31, 2024, the Company did not grant any PSUs based on the Company's stock price.

TSR PSUs

During the nine months ended December 31, 2025 and 2024, the Company granted 176,885 and 258,983 PSUs (at target performance levels), respectively, which cliff vest and the number of shares earned at the end of the three-year performance period will vary, based only on actual performance, from 0% to 150% of the target number of PSUs granted, depending on the Company's TSR percentile rank relative to that of a peer group over the performance period. TSR is measured based on a comparison of the closing price on the first trading day of the performance period and the average closing price over the last 30 trading days of the performance period. TSR is considered a market condition because it measures the Company's return against the performance of the Russell 3000, excluding companies classified as financials and real estate and companies with a market capitalization of more than $600 million, as of the start of the performance period. Compensation cost is determined at the grant date and recognized on a straight-line basis over the requisite service period to the extent the conditions are deemed probable. Compensation cost related to the TSR award will not be adjusted even if the market condition is not met.

The fair value of PSUs subject to a market condition is determined using the Monte Carlo simulation model. The following table summarizes the assumptions used in determining the fair value of the awards subject to market conditions:

	Nine Months Ended December 31,	
	2025	2024
Risk free interest rate	3.86%	4.21-4.45%
Expected life in years	0.7-3.0	3.0
Expected volatility of the Company's common stock	66.80%	59.8-62.8%
Average correlation coefficient of peer companies	15.70%	16.5-17.4%
Expected dividend yield	-	-
Grant date fair value	$ 7.33-12.68	$ 8.65-8.88

The following is a summary of non-vested PSUs:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at March 31,2025	764,387	$ 7.42
Granted	353,778	$ 10.57
Vested	(294,540)	$ 6.77
Forfeited/Cancelled	(78,541)	$ 13.41
Outstanding at December 31, 2025	745,084	$ 8.54

At December 31, 2025, there was $3,528,000 of unrecognized compensation expense related to these awards, which will be recognized over the weighted average remaining vesting period of approximately 1.9 years.

17. Commitments and Contingencies

Warranty Returns

The Company allows its customers to return goods that their consumers have returned to them, whether or not the returned item is defective ("warranty returns"). The Company accrues an estimate of its exposure to warranty returns based on a historical analysis of the level of this type of return as a percentage of unit sales. Amounts charged to expense for these warranty returns are considered in arriving at the Company's net sales.

The following summarizes the changes in the warranty returns:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2025	2024	2025	2024
Balance at beginning of period	$ 17,760,000	$ 16,649,000	$ 19,677,000	$ 19,326,000
Charged to expense	35,066,000	38,116,000	117,832,000	113,212,000
Amounts processed	(36,962,000)	(35,390,000)	(121,645,000)	(113,163,000)
Balance at end of period	$ 15,864,000	$ 19,375,000	$ 15,864,000	$ 19,375,000

At December 31, 2025 and March 31, 2025, the Company's total warranty return accrual was $15,864,000 and $19,677,000, respectively, of which $7,823,000 and $6,478,000, respectively, was included in the customer returns RGA issued within accounts receivable—net and $8,041,000 and $13,199,000, respectively, was included in the customer finished goods returns accrual in the condensed consolidated balance sheets.

Contingencies

The Company is subject to various lawsuits and claims. In addition, government agencies and self-regulatory organizations have the ability to conduct periodic examinations of and administrative proceedings regarding the Company's business, and its compliance with law, code, and regulations related to matters including, but not limited to, environmental, information security, taxes, levies, tariffs and such. The Company has an immaterial amount accrued related to these exposures to various lawsuits, claims, examinations, and administrative proceedings.

18. Segment Information

The Company has identified its Chief Executive Officer as its chief operating decision maker ("CODM"). The Company has identified its operating segments based on the nature of the products the Company sells, the Company's organizational and management reporting structure, and the operating results that are regularly reviewed by the Company's CODM to make decisions about the resources to be allocated to the business units and to assess performance. The CODM primarily uses operating income to evaluate the performance of the Company's operating segments and to allocate resources.

The Company's three operating segments are:

- **Hard Parts**, which includes (i) light duty rotating electric products such as alternators and starters, (ii) wheel hub products, (iii) brake-related products, including brake calipers, brake boosters, brake rotors, brake pads and brake master cylinders, and (iv) turbochargers,
- **Test Solutions and Diagnostic Equipment**, which includes (i) applications for combustion engine vehicles, including bench-top testers for alternators and starters, (ii) equipment for the pre- and post-production of electric vehicles, and (iii) software emulation of power system applications for the electrification of all forms of transportation (including automobiles, trucks, the emerging electrification of systems within the aerospace industry, and electric vehicle charging stations), and
- **Heavy Duty**, which includes non-discretionary automotive aftermarket replacement hard parts for heavy-duty truck, industrial, marine, and agricultural applications.

The Company's Hard Parts operating segment meets the criteria of a reportable segment. The Test Solutions and Diagnostic Equipment and Heavy Duty segments are not material, and are not required to be separately reported.

Financial information relating to the Company's segments is as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2025	2024	2025	2024
Net sales to external customers for Hard Parts reportable segment	$ 156,156,000	$ 174,548,000	$ 538,651,000	$ 527,412,000
Intersegment sales for Hard Parts reportable segment	152,000	344,000	613,000	840,000
Total net sales for Hard Parts reportable segment	$ 156,308,000	$ 174,892,000	$ 539,264,000	$ 528,252,000
Reconciliation of net sales				
Other net sales (1)	$ 11,541,000	$ 11,628,000	$ 38,880,000	$ 36,837,000
Elimination of intersegment net sales	(152,000)	(344,000)	(613,000)	(840,000)
Total consolidated net sales	$ 167,697,000	$ 186,176,000	$ 577,531,000	$ 564,249,000
Less (2):				
Material, labor, and overhead expenses	$ 96,745,000	$ 110,247,000	$ 337,480,000	$ 350,369,000
Logistic expenses (3)	29,300,000	22,106,000	101,773,000	70,783,000
Revaluation of cores on customers' shelves	554,000	758,000	2,805,000	2,316,000
Foreign exchange impact of lease liabilities and forward contracts	(594,000)	2,460,000	(10,411,000)	18,966,000
Other segment items (4)	21,705,000	20,252,000	64,660,000	61,925,000
Total operating income for Hard Parts reportable segment	$ 8,598,000	$ 19,069,000	$ 42,957,000	$ 23,893,000
Reconciliation of profit (loss)				
Other operating (loss) income (1)	(271,000)	(1,515,000)	1,790,000	(322,000)
Elimination of intersegment operating income	7,000	27,000	27,000	74,000
Interest expense, net	(10,901,000)	(14,435,000)	(36,412,000)	(43,004,000)
Change in fair value of compound net derivative liability	3,910,000	260,000	(140,000)	2,460,000
Total consolidated income (loss) before income tax expense	$ 1,343,000	$ 3,406,000	$ 8,222,000	$ (16,899,000)
Reconciliations of other significant items and assets:				
Depreciation and amortization				
Depreciation and amortization for Hard Parts reportable segment (5)	$ 2,072,000	$ 2,321,000	$ 6,399,000	$ 7,247,000
Other depreciation and amortization (1)	287,000	211,000	782,000	615,000
Total consolidated depreciation and amortization	$ 2,359,000	$ 2,532,000	$ 7,181,000	$ 7,862,000
Capital Expenditures				
Capital expenditures for Hard Parts reportable segment	$ 296,000	$ 601,000	$ 1,064,000	$ 1,402,000
Other capital expenditures (1)	121,000	68,000	1,186,000	314,000
Total consolidated capital expenditures	$ 417,000	$ 669,000	$ 2,250,000	$ 1,716,000

Assets	December 31, 2025	March 31, 2025
Total assets for Hard Parts reportable segment	$ 1,003,541,000	$ 967,178,000
Other assets (1)	59,653,000	58,355,000
Elimination of intersegment assets	(71,884,000)	(67,897,000)
Total consolidated assets	$ 991,310,000	$ 957,636,000

(1) Net sales, operating income, depreciation and amortization, capital expenditures, and assets from segments below the quantitative threshold are attributable to the Company's Test Solutions and Diagnostic Equipment and the Heavy Duty operating segments. Neither of these two operating segments has ever met any of the quantitative thresholds for determining reportable segments.
(2) The significant expense categories and amounts align with the segment-level information that is regularly provided to the CODM for the Company's Hard Parts reportable segment. Intersegment expenses are included within the amounts shown.
(3) Logistic expenses include freight, tariffs, and customs duties.
(4) Other segment items include general and administrative expenses, sales and marketing expenses, and research and development expenses.
(5) Depreciation and amortization for the Company's Hard Parts reportable segment are included within material, labor, and overhead expenses and other segment items.

19. Share Repurchases

In December 2025, the Company's board of directors approved an increase in its share repurchase program from $37,000,000 to $57,000,000 of its common stock. During the nine months ended December 31, 2025, the Company repurchased 669,472 shares of its common stock for $8,351,000. As of December 31, 2025, $31,928,000 has been utilized and $25,072,000 remains available to repurchase shares under the authorized share repurchase program, subject to the limit in the Company's Credit Facility and Convertible Notes. The Company retired the 2,048,613 shares repurchased under this program through December 31, 2025. The Company's share repurchase program does not obligate it to acquire any specific number of shares and shares may be repurchased in privately negotiated and/or open market transactions.

20. Related Party Transactions

Lease

The Company has an operating lease for its 35,000 square foot manufacturing, warehouse, and office facility in Ontario, Canada, with a company co-owned by a member of management. The Company renewed this operating lease for an additional three-year period, effective January 1, 2025. The rent expense recorded for this related party lease was $93,000 and $81,000 for the three months ended December 31, 2025 and 2024, respectively. The rent expense recorded for this related party lease was $280,000 and $243,000 for the nine months ended December 31, 2025 and 2024, respectively.

Convertible Note and Election of Director

In connection with the issuance and sale of the Company's Convertible Notes on March 31, 2023 (see Note 7), the Board appointed Douglas Trussler, a co-founder of Bison Capital, to the Board. Mr. Trussler's compensation is different from the compensation for other non-employee directors as described in the Company's Definitive Proxy Statement, filed with the SEC on July 29, 2025.

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

The following discussion and analysis presents factors that Motorcar Parts of America, Inc. and its subsidiaries ("our," "we" or "us") believe are relevant to an assessment and understanding of our consolidated financial position and results of operations. This financial and business analysis should be read in conjunction with our March 31, 2025 audited consolidated financial statements included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on June 9, 2025.

Disclosure Regarding Private Securities Litigation Reform Act of 1995

This report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our future performance that involve risks and uncertainties. All statements other than statements of historical fact are forward-looking statements, including, but not limited to, statements about our strategic initiatives, operational plans and objectives, expectations for economic conditions and recovery and future business and financial performance, as well as statements regarding underlying assumptions related thereto. They include, among others, factors related to the timing and implementation of strategic initiatives, the highly competitive nature of our industry, demand for our products and services, complexities in our inventory and supply chain, challenges with transforming and growing our business. Except as required by law, we undertake no obligation to revise or update publicly any forward-looking statements for any reason. Therefore, you should not place undue reliance on those statements. Please refer to "Item 1A. Risk Factors" of our most recent Annual Report on Form 10-K filed with the SEC on June 9, 2025, as updated by our subsequent filings with the SEC, for a description of these and other risks and uncertainties that could cause actual results to differ materially from those projected or implied by the forward-looking statements.

Management Overview

With a scalable infrastructure and abundant growth opportunities, we are focused on growing our aftermarket hard parts business in the North American marketplace and growing our leadership position in the test solutions and diagnostic equipment market by providing innovative and intuitive solutions to our customers. Our on-going investments in global infrastructure and human resources reflects the significant expansion of manufacturing capacity to support multiple product lines. These investments included (i) a 410,000 square foot distribution center, (ii) two buildings totaling 372,000 square feet for remanufacturing and core sorting of brake calipers, and (iii) the realignment of production at our original 312,000 square foot facility in Mexico.

Segment Reporting

Our three operating segments are as follows:

- **Hard Parts**, which includes (i) light duty rotating electric products such as alternators and starters, (ii) wheel hub products, (iii) brake-related products, including brake calipers, brake boosters, brake rotors, brake pads and brake master cylinders, and (iv) turbochargers,
- **Test Solutions and Diagnostic Equipment**, which includes (i) applications for combustion engine vehicles, including bench-top testers for alternators and starters, (ii) equipment for the pre- and post-production of electric vehicles, and (iii) software emulation of power system applications for the electrification of all forms of transportation (including automobiles, trucks, the emerging electrification of systems within the aerospace industry, and electric vehicle charging stations), and
- **Heavy Duty**, which includes non-discretionary automotive aftermarket replacement hard parts for heavy-duty truck, industrial, marine, and agricultural applications.

Our Hard Parts operating segment meets the criteria of a reportable segment. The Test Solutions and Diagnostic Equipment and Heavy Duty segments are not material, and are not required to be separately reported. See Note 18 of the notes to condensed consolidated financial statements for more information.

Results of Operations for the Three Months Ended December 31, 2025 and 2024

The following discussion and analysis should be read together with the financial statements and notes thereto appearing elsewhere herein.

The following summarizes certain key consolidated operating data:

	Three Months Ended December 31,	
	2025	2024
Cash flow (used in) provided by operations	$ (8,229,000)	$ 34,357,000
Finished goods turnover (annualized) (1)	3.4	3.7

(1) Annualized finished goods turnover for the fiscal quarter is calculated by multiplying cost of goods sold for the quarter by 4 and dividing the result by the average between beginning and ending non-core finished goods inventory values for the fiscal quarter. We believe this provides a useful measure of our ability to turn our inventory into revenues.

Net Sales and Gross Profit

The following summarizes net sales and gross profit:

	Three Months Ended December 31,	
	2025	2024
Net sales	$ 167,697,000	$ 186,176,000
Cost of goods sold	134,819,000	141,294,000
Gross profit	32,878,000	44,882,000
Gross margin	19.6%	24.1%

Net Sales. Our consolidated net sales for the three months ended December 31, 2025 were $167,697,000, which represents a decrease of $18,479,000, or 9.9%, from the three months ended December 31, 2024 of $186,176,000. This decrease in sales was primarily due to the continued impact of lower purchases by one of our largest customers during the three months ended December 31, 2025 compared with the three months ended December 31, 2024.

Gross Profit. Our consolidated gross profit was $32,878,000, or 19.6% of consolidated net sales, for the three months ended December 31, 2025 compared with $44,882,000, or 24.1% of consolidated net sales, for the three months ended December 31, 2024. The decrease of 4.5% in gross margin was primarily due to lower sales as discussed above.

In addition, our gross margin for the three months ended December 31, 2025 and 2024 was impacted by (i) the continued amortization of core and finished goods premiums of $2,980,000 and $2,664,000, respectively and (ii) the non-cash quarterly revaluation of cores that are part of the finished goods on the customers' shelves (which are included in contract assets) to the lower of cost or net realizable value, which resulted in a write-down of $554,000 and $758,000, respectively.

Operating Expenses

The following summarizes our consolidated operating expenses:

	Three Months Ended December 31,	
	2025	2024
General and administrative	$ 15,328,000	$ 16,212,000
Sales and marketing	6,350,000	5,621,000
Research and development	3,460,000	3,008,000
Foreign exchange impact of lease liabilities and forward contracts	(594,000)	2,460,000
Percent of net sales		
General and administrative	9.1%	8.7%
Sales and marketing	3.8%	3.0%
Research and development	2.1%	1.6%
Foreign exchange impact of lease liabilities and forward contracts	(0.4)%	1.3%

General and Administrative. Our general and administrative expenses for the three months ended December 31, 2025 were $15,328,000, which represents a decrease of $884,000, or 5.5%, from the three months ended December 31, 2024 of $16,212,000. This decrease was primarily due to $1,225,000 of lower employee incentives partially offset by $397,000 of severance due to headcount reductions.

Sales and Marketing. Our sales and marketing expenses for the three months ended December 31, 2025 were $6,350,000, which represents an increase of $729,000, or 13.0%, from the three months ended December 31, 2024 of $5,621,000. This increase was primarily due to (i) $257,000 from increased headcount to support our growth initiatives, (ii) $245,000 of increased advertising expense, and (iii) $212,000 of increased trade show expense.

Research and Development. Our research and development expenses for the three months ended December 31, 2025 were $3,460,000, which represents an increase of $452,000, or 15.0%, from the three months ended December 31, 2024 of $3,008,000. This increase was primarily due to (i) $205,000 for engineering-related professional services, (ii) $123,000 for increased headcount to support our new product introductions, and (iii) $110,000 of increased expense for supplies and our sample library.

Foreign Exchange Impact of Lease Liabilities and Forward Contracts. Our foreign exchange impact of lease liabilities and forward contracts were a non-cash gain of $594,000 compared with a non-cash loss of $2,460,000 for the three months ended December 31, 2025 and 2024, respectively. This change during the three months ended December 31, 2025 compared with the three months ended December 31, 2024 was primarily due to (i) the remeasurement of our foreign currency-denominated lease liabilities, which resulted in a non-cash gain of $1,183,000 compared with a non-cash loss of $1,875,000, respectively, due to foreign currency exchange rate fluctuations and (ii) the forward foreign currency exchange contracts, which resulted in non-cash losses of $589,000 and $585,000, respectively, due to the changes in their fair values.

Operating Income

Consolidated Operating Income. Our consolidated operating income for the three months ended December 31, 2025 was $8,334,000 compared with $17,581,000 for the three months ended December 31, 2024. This decrease was primarily due to the impact of lower sales partially offset by the foreign exchange remeasurement of lease liabilities and forward contracts, as discussed above.

Interest Expense

Interest Expense, net. Our interest expense for the three months ended December 31, 2025 was $10,901,000, which represents a decrease of $3,534,000, or 24.5%, from interest expense for the three months ended December 31, 2024 of $14,435,000. This decrease was primarily due to (i) lower utilization of our accounts receivable discount programs, (ii) lower average outstanding balances under our credit facility, and (iii) lower interest rates on both our credit facility and accounts receivable discount programs.

Change in Fair Value of Compound Net Derivative Liability

Change in Fair Value of Compound Net Derivative Liability. Our change in fair value of compound net derivative liability associated with the convertible notes issued on March 31, 2023 was a non-cash gain of $3,910,000 and $260,000 for the three months ended December 31, 2025 and 2024, respectively.

Provision for Income Taxes

Income Tax. We recorded an income tax benefit of $434,000, or an effective tax rate of (32.3)%, and income tax expense of $1,115,000, or an effective tax rate of 32.7%, for the three months ended December 31, 2025 and 2024, respectively. The effective tax rate for the three months ended December 31, 2025, was primarily impacted by the change in valuation allowance on certain jurisdictions' deferred tax assets resulting from current year activities and foreign income taxed at rates that are different from the federal statutory rate.

Results of Operations for the Nine Months Ended December 31, 2025 and 2024

The following discussion and analysis should be read together with the financial statements and notes thereto appearing elsewhere herein.

The following summarizes certain key consolidated operating data:

	Nine Months Ended December 31,	
	2025	2024
Cash flows provided by operations	$ 23,664,000	$ 36,368,000
Finished goods turnover (annualized) (1)	4.0	3.8

(1) Annualized finished goods turnover for the fiscal period is calculated by multiplying cost of goods sold for the period by 1.33 and dividing the result by the average between beginning and ending non-core finished goods inventory values for the fiscal period. We believe this provides a useful measure of our ability to turn our inventory into revenues.

Net Sales and Gross Profit

The following summarizes net sales and gross profit:

	Nine Months Ended December 31,	
	2025	2024
Net sales	$ 577,531,000	$ 564,249,000
Cost of goods sold	468,009,000	448,916,000
Gross profit	109,522,000	115,333,000
Gross margin	19.0%	20.4%

Net Sales. Our consolidated net sales for the nine months ended December 31, 2025 were $577,531,000, which represents an increase of $13,282,000, or 2.4%, from the nine months ended December 31, 2024 of $564,249,000. Our sales for the nine months ended December 31, 2025 compared with the nine months ended December 31, 2024 reflects the recognition of remanufactured core revenue of $14,797,000 in connection with the realignment of inventory at certain customer distribution centers.

Gross Profit. Our consolidated gross profit was $109,522,000, or 19.0% of consolidated net sales, for the nine months ended December 31, 2025 compared with $115,333,000, or 20.4% of consolidated net sales, for the nine months ended December 31, 2024. Our gross margin for the nine months ended December 31,2025 was impacted by $2,124,000 of net tariff costs paid for products sold before price increases were effective.

In addition, our gross margin for the nine months ended December 31, 2025 and 2024 was impacted by (i) continued amortization of core and finished goods premiums of $8,815,000 and $8,013,000, respectively and (ii) the non-cash quarterly revaluation of cores that are part of the finished goods on the customers' shelves (which are included in contract assets) to the lower of cost or net realizable value, which resulted in a write-down of $2,805,000 and $2,316,000, respectively.

Operating Expenses

The following summarizes our consolidated operating expenses:

	Nine Months Ended December 31,	
	2025	**2024**
General and administrative	$ 45,094,000	$ 47,934,000
Sales and marketing	19,371,000	16,904,000
Research and development	10,694,000	7,884,000
Foreign exchange impact of lease liabilities and forward contracts	(10,411,000)	18,966,000
Percent of net sales		
General and administrative	7.8%	8.5%
Sales and marketing	3.4%	3.0%
Research and development	1.9%	1.4%
Foreign exchange impact of lease liabilities and forward contracts	(1.8)%	3.4%

General and Administrative. Our general and administrative expenses for the nine months ended December 31, 2025 were $45,094,000, which represents a decrease of $2,840,000, or 5.9%, from the nine months ended December 31, 2024 of $47,934,000. This decrease was primarily due to $2,936,000 of severance costs recorded during the nine months ended December 31, 2024.

Sales and Marketing. Our sales and marketing expenses for the nine months ended December 31, 2025 were $19,371,000, which represents an increase of $2,467,000, or 14.6%, from the nine months ended December 31, 2024 of $16,904,000. This increase was primarily due to (i) $846,000 from increased headcount to support our growth initiatives, (ii) $745,000 of increased commissions expense, (iii) $412,000 of increased advertising and marketing expenses, and (iv) $227,000 of increased trade show expense.

Research and Development. Our research and development expenses for the nine months ended December 31, 2025 were $10,694,000, which represents an increase of $2,810,000, or 35.6%, from the nine months ended December 31, 2024 of $7,884,000. This increase was primarily due to (i) $1,308,000 for engineering-related professional services, (ii) $990,000 for increased headcount to support our new product introductions, and (iii) $490,000 of increased expense for supplies and our sample library.

Foreign Exchange Impact of Lease Liabilities and Forward Contracts. Our foreign exchange impact of lease liabilities and forward contracts were a non-cash gain of $10,411,000 compared with a non-cash loss of $18,966,000 for the nine months ended December 31, 2025 and 2024, respectively. This change during the nine months ended December 31, 2025 compared with the nine months ended December 31, 2024 was primarily due to (i) the remeasurement of our foreign currency-denominated lease liabilities, which resulted in a non-cash gain of $6,652,000 compared with a non-cash loss of $11,562,000, respectively, due to foreign currency exchange rate fluctuations and (ii) the forward foreign currency exchange contracts, which resulted in a non-cash gain of $3,759,000 compared with a non-cash loss of $7,404,000, respectively, due to the changes in their fair values.

Operating Income

Consolidated Operating Income. Our consolidated operating income for the nine months ended December 31, 2025 was $44,774,000 and $23,645,000 for the nine months ended December 31, 2024. This increase was primarily due to the impact of the foreign exchange remeasurement of lease liabilities and forward contracts and other items as discussed above.

Interest Expense

Interest Expense, net. Our interest expense for the nine months ended December 31, 2025 was $36,412,000, which represents a decrease of $6,592,000, or 15.3%, from interest expense for the nine months ended December 31, 2024 of $43,004,000. This decrease was primarily due to (i) lower interest rates on both our credit facility and accounts receivable discount programs and (ii) lower average outstanding balances under our credit facility.

Change in Fair Value of Compound Net Derivative Liability

Change in Fair Value of Compound Net Derivative Liability. Our change in fair value of compound net derivative liability associated with the convertible notes issued on March 31, 2023 was a non-cash loss of $140,000 compared with a non-cash gain of $2,460,000 for the nine months ended December 31, 2025 and 2024, respectively.

Provision for Income Taxes

Income Tax. We recorded income tax expense of $5,552,000, or an effective tax rate of 67.5%, and $1,849,000, or an effective tax rate of (10.9)%, for the nine months ended December 31, 2025 and 2024, respectively. The effective tax rate for the nine months ended December 31, 2025, was primarily impacted by the change in valuation allowance on certain jurisdictions' deferred tax assets resulting from current year activities and foreign income taxed at rates that are different from the federal statutory rate.

Liquidity and Capital Resources

Overview

We had working capital (current assets minus current liabilities) of $166,975,000 and $160,446,000, a ratio of current assets to current liabilities of 1.4:1.0 at December 31, 2025 and 1.5:1.0 at March 31, 2025.

Our primary source of liquidity was from cash generated from operations and the use of our receivable discount programs during the nine months ended December 31, 2025. We believe our cash and cash equivalents, use of receivable discount programs, and amounts available under our credit facility are sufficient to satisfy our expected future liquidity needs, including lease and capital expenditure obligations over the next 12 months.

Share Repurchase Program

In December 2025, our board of directors approved an increase in our share repurchase program from $37,000,000 to $57,000,000 of our common stock. During the nine months ended December 31, 2025, we repurchased 669,472 shares of our common stock for $8,351,000. As of December 31, 2025, $31,928,000 has been utilized and $25,072,000 remains available to repurchase shares under the authorized share repurchase program, subject to the limit in our credit facility and convertible notes. We retired the 2,048,613 shares repurchased under this program through December 31, 2025. Our share repurchase program does not obligate us to acquire any specific number of shares and shares may be repurchased in privately negotiated and/or open market transactions.

Cash Flows

The following summarizes cash flows as reflected in the condensed consolidated statements of cash flows:

	Nine Months Ended December 31,	
	2025	**2024**
Cash flows provided by (used in):		
Operating activities	$ 23,664,000	$ 36,368,000
Investing activities	(2,146,000)	(1,614,000)
Financing activities	(14,339,000)	(36,796,000)
Effect of exchange rates on cash and cash equivalents	903,000	(1,122,000)
Net increase (decrease) in cash and cash equivalents	$ 8,082,000	$ (3,164,000)
Additional selected cash flow data:		
Depreciation and amortization	$ 7,181,000	$ 7,862,000
Capital expenditures	2,250,000	1,716,000

Net cash provided by operating activities was $23,664,000 and $36,368,000 during the nine months ended December 31, 2025 and 2024, respectively. Our operating activities were primarily impacted by (i) changes in operating results (net income (loss) plus the net add-back for non-cash transactions in earnings) and (ii) changes in our working capital due primarily to the build-up of our inventory to support future sales. We continue to manage our working capital to maximize our operating cash flow.

Net cash used in investing activities was $2,146,000 and $1,614,000 during the nine months ended December 31, 2025 and 2024, respectively. The change in our investing activities primarily resulted from increased capital expenditures.

Net cash used in financing activities was $14,339,000 and $36,796,000 during the nine months ended December 31, 2025 and 2024, respectively. The change in our financing activities were primarily due to (i) higher net repayments of amounts outstanding under our revolving facility during the prior year and (ii) the repurchase of 669,472 shares of our common stock for $8,351,000 and 268,130 shares of our common stock for $2,096,000 during the nine months ended December 31, 2025 and 2024, respectively.

Capital Resources

Credit Facility

We have $268,620,000 in senior secured financing (as amended from time to time, the “Credit Facility”) consisting of a $238,620,000 revolving loan facility (the “Revolving Facility”), subject to certain restrictions, and a $30,000,000 term loan facility (the “Term Loans”). The Term Loans were repaid during the year ended March 31, 2024. The Credit Facility matures on December 12, 2028. The lenders have a security interest in substantially all of our assets.

We had $88,010,000 and $90,787,000 outstanding under the Revolving Facility at December 31, 2025 and March 31, 2025, respectively. In addition, $15,470,000 was outstanding for letters of credit at December 31, 2025. At December 31, 2025, after certain contractual adjustments, $128,583,000 was available under the Revolving Facility. The interest rate on our Revolving Facility was 6.97% and 7.46%, at December 31, 2025 and March 31, 2025, respectively.

The Credit Facility requires us to maintain a minimum fixed charge coverage ratio if undrawn availability is less than 22.5% of the aggregate revolving commitments and a specified minimum undrawn availability. During the nine months ended December 31, 2025, undrawn availability was greater than the 22.5% threshold, therefore, the fixed charge coverage ratio financial covenant was not required to be tested.

Convertible Notes

On March 31, 2023, we entered into a note purchase agreement, as amended, (the “Note Purchase Agreement”) with Bison Capital Partners VI, L.P. and Bison Capital Partners VI-A, L.P. (collectively, the “Purchasers”) and Bison Capital Partners VI, L.P., as the purchaser representative (the “Purchaser Representative”) for the issuance and sale of $32,000,000 in aggregate principal amount of convertible notes due in 2029 (the “Convertible Notes”), which was used for general corporate purposes. The Convertible Notes bear interest at a rate of 10.0% per annum, compounded annually, and payable (i) in-kind or (ii) in cash, annually in arrears on April 1 of each year, commencing on April 1, 2024. In April 2025, non-cash accrued interest on the Convertible Notes of $3,521,000 was paid in-kind and is included in the principal amount of Convertible Notes at December 31, 2025. The Convertible Notes have an initial conversion price of $15.00 per share of the Company’s common stock, subject to adjustment as provided in the Convertible Notes (“Conversion Option”). Unless and until we deliver a redemption notice, the Purchasers of the Convertible Notes may convert their Convertible Notes at any time at their option. Upon conversion, the Convertible Notes will be settled in shares of our common stock. Except in the case of the occurrence of a fundamental transaction, as defined in the form of convertible promissory note, we may not redeem the Convertible Notes prior to March 31, 2026. After March 31, 2026, we may redeem all or part of the Convertible Notes for a cash purchase (the “Company Redemption”) price. The effective interest rate was 18.3% as of December 31, 2025 and March 31, 2025, respectively.

In connection with the Note Purchase Agreement, we entered into common stock warrants (the “Warrants”) with the Purchasers, which mature on March 30, 2029. The fair value of the Warrants, using Level 3 inputs and the Monte Carlo simulation model, was zero at December 31, 2025 and March 31, 2025.

The Company Redemption option has been combined with the Conversion Option as a compound net derivative liability (the “Compound Net Derivative Liability”). The Compound Net Derivative Liability has been recorded within convertible note, related party in the condensed consolidated balance sheets at December 31, 2025 and March 31, 2025. The fair value of the Conversion Option and the Company Redemption option using Level 3 inputs and the Monte Carlo simulation model was a liability of $19,600,000 and $9,000,000, and an asset of $11,990,000 and $1,530,000 at December 31, 2025 and March 31, 2025, respectively. During the three months ended December 31, 2025 and 2024, we recorded a non-cash gain of $3,910,000 and $260,000, respectively, as the change in fair value of the Compound Net Derivative Liability in the condensed consolidated statements of operations. During the nine months ended December 31, 2025 and 2024, we recorded a non-cash loss of $140,000 and a non-cash gain of $2,460,000, respectively, as the change in fair value of the Compound Net Derivative Liability in the condensed consolidated statements of operations and condensed consolidated statements of cash flows.

The Convertible Notes also contain additional features, such as, default interest and options related to a fundamental transaction, which were not separately accounted for as the value of such features were not material at December 31, 2025 and March 31, 2025.

Accounts Receivable Discount Programs

We use accounts receivable discount programs offered by certain customers and their respective banks. Under these programs, we have options to sell those customers’ receivables to those banks at a discount to be agreed upon at the time the receivables are sold. These discount arrangements allow us to accelerate receipt of payment on customers’ receivables. While these arrangements have reduced our working capital needs, there can be no assurance that these programs will continue in the future. Interest expense resulting from these programs would increase if interest rates rise, if utilization of these discounting arrangements expands, if customers extend their payment to us, or if the discount period is extended to reflect more favorable payment terms to customers.

The following is a summary of the accounts receivable discount programs:

	Nine Months Ended December 31,	
	2025	2024
Receivables discounted	$ 489,798,000	$ 488,505,000
Weighted average number of days collection was accelerated	346	342
Annualized weighted average discount rate	5.4%	6.3%
Amount of discount recognized as interest expense	$ 25,456,000	$ 29,202,000

Supplier Finance Programs

We utilize a supplier finance program, which allows certain of our suppliers to sell their receivables due from us to participating financial institutions at the sole discretion of both the supplier and the financial institutions. The program is administered by a third party. Commitments from participating financial institutions that are available to suppliers under this program were $40,000,000 as of December 31, 2025. We have no economic interest in the sale of these receivables and no direct relationship with the financial institution. Payments to the third-party administrator are based on services rendered and are not related to the volume or number of financing agreements between suppliers, financial institution, and the third-party administrator. We are not a party to agreements negotiated between participating suppliers and the financial institution. Our obligations to our suppliers, including amounts due and payment terms, are not affected by a supplier's decision to participate in this program. We do not provide guarantees and there are no assets pledged to the financial institution or the third-party administrator for the committed payment in connection with this program. At December 31, 2025 and March 31, 2025, we had $32,632,000 and $33,661,000, respectively, of outstanding supplier obligations confirmed as valid under this program, included in accounts payable in the condensed consolidated balance sheets.

Capital Expenditures and Commitments

Capital Expenditures

Our total capital expenditures were $4,231,000 and $2,531,000 for nine months ended December 31, 2025 and 2024, respectively. These capital expenditures include (i) cash paid for the purchase of plant and equipment, (ii) plant and equipment acquired under finance leases, and (iii) accrued capital expenditures. Capital expenditures for the nine months ended December 31, 2025 primarily include the purchase of equipment for our current operations and our global growth initiatives. We expect to incur approximately $5,000,000 of capital expenditures primarily to support our global growth initiatives and maintenance of our facilities and equipment during fiscal 2026. We have used and expect to continue using our working capital and additional capital lease obligations to finance these capital expenditures.

Related Party Transactions

Lease

We have an operating lease for our 35,000 square foot manufacturing, warehouse, and office facility in Ontario, Canada, with a company co-owned by a member of management. We renewed this operating lease for an additional three-year period, effective January 1, 2025. The rent expense recorded for this related party lease was $93,000 and $81,000 for the three months ended December 31, 2025 and 2024, respectively. The rent expense recorded for this related party lease was $280,000 and $243,000 for the nine months ended December 31, 2025 and 2024, respectively.

Convertible Note and Election of Director

In connection with the issuance and sale of our Convertible Notes on March 31, 2023, the Board appointed Douglas Trussler, a co-founder of Bison Capital, to the Board. Mr. Trussler’s compensation is different from the compensation for other non-employee directors as described in our Definitive Proxy Statement, filed with the SEC on July 29, 2025.

Litigation

We are subject to various lawsuits and claims. In addition, government agencies and self-regulatory organizations have the ability to conduct periodic examinations of and administrative proceedings regarding our business, and our compliance with law, code, and regulations related to all matters including but not limited to environmental, information security, taxes, levies, tariffs and such. We have an immaterial amount accrued related to these exposures to various lawsuits, claims, examinations, and administrative proceedings.

Critical Accounting Policies

There have been no material changes to our critical accounting policies and estimates that are presented in our Annual Report on Form 10-K for the year ended March 31, 2025, which was filed with the SEC on June 9, 2025.

Accounting Pronouncements Not Yet Adopted

Disclosure Improvements

In October 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative*. This standard was issued in response to the SEC’s disclosure update and simplification initiative, which affects a variety of topics within the Accounting Standards Codification. The amendments apply to all reporting entities within the scope of the affected Topics unless otherwise indicated. The effective date for each amendment will be the date on which the SEC’s removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. We are currently evaluating the impact this guidance will have on our financial statement disclosures.

Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740)*. This standard requires us to provide further disaggregated income tax disclosures for specific categories on the effective tax rate reconciliation, as well as additional information about federal, state/local and foreign income taxes. The standard also requires us to annually disclose our income taxes paid (net of refunds received), disaggregated by jurisdiction. This guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The standard is to be applied prospective basis, although optional retrospective application is permitted. We will adopt this standard as of March 31, 2026, and are currently evaluating the impact this guidance will have on our financial statement disclosures. We expect our consolidated financial statements as of March 31, 2026 to include the expanded income tax disclosures required by the standard.

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses (“DISE”) (Subtopic 220-40)*. This standard requires us to disclose, in the footnotes at each interim and annual reporting period, information about expenses by the nature of the expense in addition to certain disclosures about selling expenses. Entities are required to include the following relevant expense captions: (i) purchase of inventory, (ii) employee compensation, (iii) depreciation, (iv) intangible asset amortization, and (v) depreciation, depletion and amortization recognized as part of oil and gas producing activities. In January 2025, the FASB issued ASU No. 2025-01, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40) Clarifying the Effective Date*, which is intended to clarify the effective date of ASU No. 2024-03. As clarified in ASU 2025-01, the new guidance is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. We are currently evaluating the impact this guidance will have on our financial statement disclosures.

Debt with Conversion and Other Options

In November 2024, the FASB issued ASU 2024-04, *Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*, which seeks to clarify the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. This guidance is effective for annual periods beginning after December 15, 2025, including interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements and disclosures.

Measurement of Credit Losses

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets,* which provides a practical expedient that all entities can use when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC 606, *Revenue from Contracts with Customers*. Under this practical expedient, an entity is allowed to assume that the current conditions it has applied in determining credit loss allowances for current accounts receivable and current contract assets remain unchanged for the remaining life of those assets. This guidance is effective for annual periods beginning after December 15, 2025, including interim reporting periods within those fiscal years, with early adoption permitted. Entities that elect the practical expedient and, if applicable, make the accounting policy election are required to apply the amendments prospectively. We are currently evaluating the impact this guidance will have on our consolidated financial statements and disclosures.

Internal-Use Software

In September 2025, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*, which amends the recognition and disclosure guidance for internal-use software costs, removing the previous software development stage model with a probable-to-complete recognition threshold. This guidance is effective for annual periods beginning after December 15, 2027, including interim reporting periods within those fiscal years, with early adoption permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements and disclosures.

Interim Reporting

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270) Narrow-Scope Improvements*, which improves the navigability of the guidance in ASC 270, *Interim Reporting*, and clarifies when it applies. Under this guidance, an entity is subject to ASC 270 if it provides interim financial statements and notes in accordance with GAAP. ASU 2025-11 also addresses the form and content of such financial statements, interim disclosures requirements, and establishes a principle under which an entity must disclose events since the end of the last annual reporting period that have a material impact on the entity. This guidance is effective for annual periods beginning after December 15, 2027, including interim reporting periods within those fiscal years, with early adoption permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements and disclosures.

Codification Improvements

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements*, which addresses suggestions received from stakeholders regarding the Accounting Standards Codification and makes other incremental improvements to GAAP. The update represents changes to the Accounting Standards Codification that clarify, correct errors in or make other improvements to a variety of topics that are intended to make it easier to understand and apply. This guidance is effective for annual periods beginning after December 15, 2026, including interim reporting periods within those fiscal years, with early adoption permitted. Entities are required to apply the amendments to ASC 260 retrospectively. All other amendments may be applied prospectively or retrospectively. We are currently evaluating the impact this guidance will have on our consolidated financial statements and disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in market risk from the information provided in Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K as of March 31, 2025, which was filed with the SEC on June 9, 2025.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures designed to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management, including our chief executive officer, chief financial officer, and chief accounting officer, as appropriate to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of management, including our chief executive officer, chief financial officer, and chief accounting officer, we have conducted an evaluation of the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based on this evaluation, our chief executive officer, chief financial officer, and chief accounting officer concluded that MPA's disclosure controls and procedures were effective as of December 31, 2025.

Inherent Limitations on Effectiveness of Controls

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f).

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America, applying certain estimates and judgments as required.

Internal control over financial reporting includes those policies and procedures that:

1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that occurred during the three months ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various lawsuits and claims. In addition, government agencies and self-regulatory organizations have the ability to conduct periodic examinations of and administrative proceedings regarding our business, and our compliance with law, code, and regulations related to all matters including but not limited to environmental, information security, taxes, levies, tariffs and such. We have an immaterial amount accrued related to these exposures to various lawsuits, claims, examinations, and administrative proceedings.

Item 1A. Risk Factors

There have been no material changes in the risk factors set forth in Item 1A to Part I of our Annual Report on Form 10-K for the fiscal year ended March 31, 2025 as filed with the SEC on June 9, 2025.

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

Limitation on Payment of Dividends and Share Repurchases

The Credit Facility currently permits the payment of up to $27,584,000 of dividends and share repurchases for fiscal year 2026, subject to pro forma compliance with amended financial covenants.

Purchases of Equity Securities by the Issuer

Shares repurchased during the three months ended December 31, 2025 were as follows:

Periods	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
October 1 - October 31, 2025:				
Open market and privately negotiated purchases	-	$ -	$ -	$ 10,068,000
November 1 - November 30, 2025:				
Open market and privately negotiated purchases	381,562	$ 13.09	4,996,000	5,072,000
December 1 - December 31, 2025:				
Open market and privately negotiated purchases	-	$ -	-	25,072,000
Total	381,562		$ 4,996,000	$ 25,072,000

(1) In December 2025, our board of directors approved an increase in our share repurchase program from $37,000,000 to $57,000,000 of our common stock. As of December 31, 2025, $31,928,000 has been utilized and $25,072,000 remains available to repurchase shares under the authorized share repurchase program, subject to the limit in our Credit Facility and Convertible Notes. We retired the 2,048,613 shares repurchased under this program through December 31, 2025. Our share repurchase program does not obligate us to acquire any specific number of shares and shares may be repurchased in privately negotiated and/or open market transactions.

Item 3. Defaults Upon Senior Securities

None.

Item 5. Other Information

(a) None.

(b) None.

(c) During the quarter ended December 31, 2025, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” as each such term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits

(a) Exhibits:

Number	Description of Exhibit	Method of Filing
3.1	Certificate of Incorporation of the Company	Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form SB-2 declared effective on March 22, 1994 (the "1994 Registration Statement").
3.2	Amendment to Certificate of Incorporation of the Company	Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (No. 33-97498) declared effective on November 14, 1995.
3.3	Amendment to Certificate of Incorporation of the Company	Incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1997.
3.4	Amendment to Certificate of Incorporation of the Company	Incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1998 (the "1998 Form 10-K").
3.5	Amendment to Certificate of Incorporation of the Company	Incorporated by reference to Exhibit C to the Company's proxy statement on Schedule 14A filed with the SEC on November 25, 2003.
3.6	Amended and Restated By-Laws of Motorcar Parts of America, Inc.	Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on August 24, 2010.
3.7	Certificate of Amendment of the Certificate of Incorporation of the Company	Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on April 17, 2014.
3.8	Amended and Restated By-Laws of Motorcar Parts of America, Inc., as amended on February 4, 2016	Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on February 10, 2016.
3.9	Amendment to the Amended and Restated By-Laws of Motorcar Parts of America, Inc., as adopted on June 9, 2016	Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on June 14, 2016.
3.10	Amendment to the Amended and Restated By-Laws of the Company	Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on February 22, 2017.
3.11	Third Amendment to the Amended and Restated By-Laws of Motorcar Parts of America, Inc., as adopted on January 26, 2022	Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on February 1, 2022.
4.1	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	Incorporated by reference to Exhibit 4.1 to Quarterly Report on Form 10-Q filed on August 9, 2022.
4.2	2010 Incentive Award Plan	Incorporated by reference to Appendix A to the Proxy Statement on Schedule 14A filed on December 15, 2010.

Number	Description of Exhibit	Method of Filing
4.3	Amended and Restated 2010 Incentive Award Plan	Incorporated by reference to Appendix A to the Proxy Statement on Schedule 14A filed on March 5, 2013.
4.4	Second Amended and Restated 2010 Incentive Award Plan	Incorporated by reference to Appendix A to the Proxy Statement on Schedule 14A filed on March 3, 2014.
4.5	Third Amended and Restated 2010 Incentive Award Plan	Incorporated by reference to Appendix A to the Proxy Statement on Schedule 14A filed on November 20, 2017.
4.6	Fourth Amended and Restated 2010 Incentive Award Plan	Incorporated by reference to Appendix A to the Proxy Statement on Schedule 14A filed on July 24, 2020.
4.7	2022 Incentive Award Plan	Incorporated by reference to Appendix A to the Proxy Statement on Schedule 14A filed on July 29, 2022.
4.8	Form of Convertible Promissory Note	Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on March 31, 2023.
4.9	Form of Common Stock Warrant	Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on March 31, 2023.
4.10	First Amended and Restated Convertible Promissory Note	Incorporated by reference to Exhibit 4.12 to the Annual Report on Form 10-K filed on June 14, 2023.
4.11	First Amended and Restated Common Stock Warrant	Incorporated by reference to Exhibit 4.13 to the Annual Report on Form 10-K filed on June 14, 2023.
4.12	First Amended and Restated 2022 Incentive Award Plan	Incorporated by reference to Appendix B to the Proxy Statement on Schedule 14A filed on July 26, 2024.
10.1	Policy for Recovery of Erroneously Awarded Compensation	Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on August 11, 2025.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002	Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002	Filed herewith.
31.3	Certification of Chief Accounting Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002	Filed herewith.
32.1	Certifications of Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002	Filed herewith.

Number	Description of Exhibit	Method of Filing
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document).	
101.SCM	Inline XBRL Taxonomy Extension Schema Document	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOTORCAR PARTS OF AMERICA, INC

Dated: February 9, 2026	By: /s/ David Lee David Lee Chief Financial Officer
Dated: February 9, 2026	By: /s/ Kamlesh Shah Kamlesh Shah Chief Accounting Officer

Exhibit 31.1

CERTIFICATIONS

I, Selwyn Joffe, certify that:

1. I have reviewed this report on Form 10-Q of Motorcar Parts of America, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused, such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 9, 2026

/s/ Selwyn Joffe
Selwyn Joffe
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, David Lee, certify that:

1. I have reviewed this report on Form 10-Q of Motorcar Parts of America, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused, such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2026

/s/ David Lee
David Lee
Chief Financial Officer

Exhibit 31.3

CERTIFICATIONS

I, Kamlesh Shah, certify that:

1. I have reviewed this report on Form 10-Q of Motorcar Parts of America, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused, such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2026

/s/ Kamlesh Shah
Kamlesh Shah
Chief Accounting Officer

Exhibit 32.1

CERTIFICATE OF CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER AND CHIEF ACCOUNTING OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Motorcar Parts of America, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Selwyn Joffe, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Selwyn Joffe
Selwyn Joffe
Chief Executive Officer
February 9, 2026

In connection with the Quarterly Report of Motorcar Parts of America, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, David Lee, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David Lee
David Lee
Chief Financial Officer
February 9, 2026

In connection with the Quarterly Report of Motorcar Parts of America, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Kamlesh Shah, Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kamlesh Shah
Kamlesh Shah
Chief Accounting Officer
February 9, 2026

The foregoing certifications are being furnished to the Securities and Exchange Commission as part of the accompanying report on Form 10-Q. A signed original of each of these statements has been provided to Motorcar Parts of America, Inc. and will be retained by Motorcar Parts of America, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.