Risk Factors Comparison 2023-02-28 to 2022-02-15 Form: 10-K

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You should consider carefully the risks and uncertainties described below together with the other information included in this Annual Report on Form 10- K, including without limitation our consolidated financial statements and related notes thereto and " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations- Critical Accounting Policies ". The occurrence of any of the following risks could materially adversely affect our business, financial condition, results of operations, cash flows and future prospects, which could in turn materially affect the price of our common stock. Risks Related to Our Operations and Growth Strategy If we are unable to successfully implement our business strategy, our business, financial condition, results of operations and cash flows could be adversely affected. We have identified several initiatives as part of our business strategy to increase sales, expand margins, drive accelerated growth and deliver ~~strong~~ **top quartile results** relative total shareholder return. We are currently making and expect to continue to make significant investments to pursue our strategic initiatives. If we are unable to implement our strategic initiatives efficiently and effectively, our business, financial condition, results of operations and cash flows could be adversely affected. We could also be adversely affected if we have not appropriately prioritized and balanced our initiatives or if we are unable to effectively manage change throughout our organization. Implementing strategic initiatives could disrupt or reduce the efficiency of our operations and may not provide the anticipated benefits, or may provide them on a delayed schedule or at a higher cost. These risks increase when significant changes are undertaken. If we are unable to successfully implement our growth strategy, keep existing store locations or open new locations in desirable places on favorable terms, it could adversely affect our business, financial condition, results of operations and cash flows. We intend to continue to expand the markets we serve as part of our growth strategy, which may include opening new stores or branches, as well as expansion of our online business. We may also grow our business through strategic acquisitions. As we expand our market presence, it becomes more critical that we have consistent and effective execution across all of our locations and brands. ~~We are unsure~~ **There is uncertainty about the profitability of newly opened locations, including** whether ~~we~~ **newly opened stores** will ~~be able to open and operate new locations on a timely or sufficiently profitable basis, or that opening new locations in markets we already serve will not~~ harm the profitability or comparable store sales of existing locations. The newly opened and existing locations' profitability will depend on the competition we face as well as our ability to properly stock, market and price the products desired by customers in these markets. The actual number and format of any new locations to be opened and the success of our growth strategy will depend on a number of factors, including, among other things: • the availability of desirable locations; • the negotiation of acceptable lease or purchase terms for new locations; • the availability of financial resources, including access to capital at cost- effective interest rates; • our ability to expand our online offerings and sales; and • our ability to manage the expansion and to hire, train and retain qualified team members. We compete with other retailers and businesses for suitable locations for our stores. Local land use and zoning regulations, environmental regulations and other regulatory requirements may impact our ability to find suitable locations and influence the cost of constructing, renovating and operating our stores. In addition, real estate, zoning, construction and other delays may adversely affect store openings and renovations and increase our costs. For example, during 2021 **through 2022** we experienced significant delays associated with our planned opening of ~~109~~ new locations in California, primarily as a result of permitting challenges ~~related to the COVID- 19 pandemic~~ , and such delays increased our costs and resulted in significant lost sales opportunities. Further, changing local demographics at existing store locations may adversely affect revenue and profitability levels at those stores. The termination or expiration of leases at existing store locations may adversely affect us if the renewal terms of those leases are unacceptable to us and we are forced to close or relocate stores. If we determine to close or relocate a store subject to a lease, we may remain obligated under the applicable lease for the balance of the lease term. In addition to potentially incurring costs related to lease obligations, we may also incur **employee- related** severance or other facility closure costs for stores that are closed or relocated. **`** Omnichannel growth in our business is complex and if we are unable to successfully maintain a relevant omnichannel experience for our customers, our sales and results of operations could **be** adversely ~~be~~ impacted. Our business has become increasingly omnichannel as we strive to deliver a seamless shopping experience to our customers through both online and in- store shopping experiences. Operating an e- commerce platform is a complex undertaking and exposes us to risks and difficulties frequently experienced by internet- based businesses, including risks related to our ability to attract and retain customers on a cost- effective basis and our ability to operate, support, expand and develop our internet operations, website, mobile applications and software and other related operational systems. Continuing to improve our e- commerce platform involves substantial investment of capital and resources, increasing supply chain and distribution capabilities, attracting, developing and retaining qualified personnel with relevant subject matter expertise and effectively managing and improving the customer experience. Omnichannel and e- commerce retail are competitive and evolving environments. Insufficient, untimely or inadequately prioritized or ineffectively implemented investments could significantly impact our profitability and growth and affect our ability to attract new customers, as well as maintain our existing ones. Enhancing the customer experience through omnichannel programs such as buy- online- pickup- in- store, new or expanded delivery options, the ability to shop through a mobile application or other similar programs depends in part on the effectiveness of our inventory management processes and systems, the effectiveness of our merchandising strategy and mix, our supply chain and distribution capabilities, and the timing and effectiveness of our marketing activities, particularly our promotions. Costs associated with implementing omnichannel initiatives may be higher than expected, and the initiatives may not result in increased sales, including same store sales, customer traffic, customer loyalty or other anticipated results. Website downtime and other technology disruptions in our e- commerce platform, including interruptions due to cyber- related issues or natural disasters, as well as supply and distribution delays and other related issues may affect the successful operation of our e- commerce platform. If we are not able to successfully operate or improve our e- commerce platform and omnichannel business, we may not be able to provide a relevant shopping experience or improve customer traffic, sales or margins, and our reputation, operations, financial condition, results of operations and cash flows could be materially adversely affected. If we are unable to successfully integrate future acquisitions into our existing operations or implement joint ventures or other strategic relationships, it could adversely affect our business, financial condition, results of operations and cash flows. We expect to continue to make strategic acquisitions and enter into strategic relationships as an element of our growth strategy. Acquisitions, joint ventures and other strategic relationships involve certain risks that could cause our growth and profitability to differ from our expectations. The success of these acquisitions and relationships depends on a number of factors, including ~~, among other things~~ **but not limited to** : • our ability to continue to identify and acquire suitable targets or strategic partners, or to acquire additional companies or enter into strategic relationships, at favorable prices and / or with favorable terms; • our ability to obtain the full benefits envisioned by strategic transactions or relationships; • the risk that management' s attention may be distracted; • our ability to attract and retain key personnel; • our ability to successfully integrate the operations and systems of the acquired companies, and to achieve the strategic, operational, financial or other anticipated synergies of the acquisition or other transaction or relationship; • the performance ~~our~~ of our strategic partners; • significant transaction or integration costs that may not be offset by the synergies or other benefits achieved in the near term ~~,~~ or at all; • additional operational risks, such as those associated with doing business internationally or expanding operations into new territories, geographies or channels, that may become applicable to us; and • loss contingencies that we may assume or become subject to, whether known or unknown, of acquired companies, which could relate to past, present or future facts, events, circumstances or occurrences. If we experience difficulties implementing various information systems, our ability to conduct our business could be negatively impacted. We are dependent on information systems to facilitate the day- to- day operations of the business and to produce timely, accurate and reliable information on financial and operational results. We are in **the** process of implementing **and updating** various information systems ~~, including additional modules within our new ERP~~ . These implementations will require significant investment of human and financial resources, and we may experience significant delays, increased costs and other difficulties with these projects. Any significant disruption or deficiency in the design and implementation of these information systems could adversely affect our ability to process orders, ship products, send invoices and track payments, fulfill contractual obligations or otherwise operate our business. While we have invested meaningful resources in planning, project management and training, additional and ~~serious~~ **significant** implementation issues may arise as we integrate onto these new information systems that may disrupt our operations and negatively impact our business, financial condition, results of operations ~~and~~ **,** cash flows **and internal controls structure** . If we are unable to maintain adequate supply chain capacity and improve supply chain efficiency, we will not be able to expand our business, which could adversely affect our business, financial condition, results of operations and cash flows. Our store inventories are primarily replenished by shipments from our network of distribution centers, warehouses and ~~HUB~~ **hub** stores. As we expand our market presence, we will need to increase ~~the~~ efficiency and maintain adequate capacity of our supply chain network in order to achieve the business goal of reducing inventory costs while improving availability and movement of goods throughout our supply chain to meet consumer product needs and channel preferences. We continue to streamline and optimize our supply chain network and systems. If our investments in our supply chain do not provide the anticipated benefits, we could experience sub- optimal inventory levels **, inventory availability** or increases in our costs, which could adversely affect our business, financial condition, results of operations and cash flows. We are dependent on our suppliers to supply us with products that comply with safety and quality standards at competitive prices. We are dependent on our vendors continuing to supply us **with** quality products on payment terms that are favorable to us. If our merchandise offerings do not meet our customers' expectations regarding safety, innovation and quality, we could experience lost sales, increased costs and exposure to legal and reputational risk. Our suppliers are subject to applicable product safety laws, and we are dependent on them to ensure that the products we buy comply with all safety and quality standards. **We have also established standards for product safety and quality and workplace standards that we require all our suppliers to meet. We do not condone human trafficking, forced labor, child labor, harassment or abuse of any kind, and we expect our suppliers to operate within these same principles. Our ability to find qualified suppliers who can supply products in a timely and efficient manner that meet our standards can be challenging.** Events that give rise to actual, potential or perceived product safety concerns could expose us to government enforcement action and private litigation and result in costly product recalls and other liabilities **. Suppliers may also fail to invest adequately in design, production or distribution facilities, may reduce their customer incentives, advertising and promotional activities or change their pricing policies** . To the extent our suppliers are subject to additional government regulation of their product design and / or manufacturing processes, the cost of the merchandise we purchase may rise. In addition, negative customer perceptions regarding the safety or quality of the products we sell could cause our customers to seek alternative sources for their needs, resulting in lost sales. In those circumstances, it may be difficult and costly for us to regain the confidence of our customers. Our reliance on suppliers, including freight carriers and other third parties in our global supply chain, subjects us to various risks and uncertainties which could adversely affect our financial results. We source the products we sell from a wide variety of domestic and international suppliers, and place significant reliance upon various third parties to transport, store and distribute those products to our distribution centers, stores and customers. Our financial results depend on us securing acceptable terms with our suppliers for, among other things, the price of merchandise we purchase from them, funding for various forms of promotional programs, payment terms and ~~terms~~ **provisions** covering returns and factory warranties. To varying degrees, our suppliers may be able to leverage their competitive advantages- for example, their financial strength, the strength of their brand with customers, their own stores or online channels or their relationships with other retailers- to our commercial disadvantage. Generally, our ability to negotiate favorable terms with our suppliers is more difficult with suppliers for whom our purchases represent a smaller proportion of their total revenues, consequently impacting our profitability from such vendor relationships. ~~We have established standards for product safety and quality and workplace standards that we require all our suppliers to meet. We do not condone human trafficking, forced labor, child labor, harassment or abuse of any kind, and we expect our suppliers to operate within these same principles. Our ability to find qualified suppliers who can supply products in a timely and efficient manner that meet our standards can be challenging. Suppliers may also fail to invest adequately in design, production or distribution facilities, may reduce their customer incentives, advertising and promotional activities or change their pricing policies.~~ If we encounter any of these issues with our suppliers, our business, financial condition, results of operations and cash flows could be adversely impacted. In addition, our suppliers, including those within our global supply chain, are impacted by global conditions that in turn may impact our ability to source merchandise at competitive prices or timely supply product at levels adequate to meet consumer demand. For example, the recent surges in consumer demand, shortages of raw materials and disruptions to the global supply chain resulting from lack of carrier capacity, labor shortages, port congestion and / or closures, amongst other factors, have negatively impacted costs and inventory availability and may continue to have a negative impact on future results and profitability. As suppliers increase prices charged to us for products, including transportation and distribution, as a result of these or other factors, it may negatively impact our results. If we experience transitions or changeover with any of our significant vendors, or if they experience financial difficulties or otherwise are unable to deliver merchandise to us on a timely basis, or at all, we could have product shortages in our stores that could adversely affect customers' perceptions of us and cause us to lose customers and sales. We depend on the services of many qualified executives and other team members, whom we may not be able to attract, develop and retain. Our success ~~depends~~ **,** to a significant extent **, depends** on the continued engagement, services and experience of our executives and other team members. We may not be able to retain our current executives and other key team members or attract and retain additional qualified executives and team members who may be needed in the future. Our ability to attract, develop and retain an adequate number of qualified team members depends on factors such as employee morale, our reputation, competition from other employers, availability of qualified personnel, our ability to offer competitive compensation and benefit packages and our ability to maintain a safe working environment. For example, during 2021 **and 2022** , we experienced unusually low availability of workers, which we believe was primarily attributable to COVID-19 **-** pandemic **-** related factors **,** and in turn has created increased competition in labor markets. Disruptions and heightened competition ~~like those experienced during 2021~~ may increase our costs, impact our ability to serve customers and otherwise affect our business operations. We also believe our future success will depend in part upon our ability to attract and retain highly skilled personnel for whom the market is highly competitive, particularly for individuals with certain types of technical skills. Failure to recruit or retain qualified employees may impair our efficiency and effectiveness and our ability to pursue growth opportunities. Additionally, turnover in executive or other key positions can disrupt progress in implementing business strategies, result in a loss of institutional knowledge, cause other team members to take on substantially more responsibility ~~,~~ **which** ~~resulting~~ **results** in greater workload demands and diverting attention away from key areas of the business, or otherwise negatively impact our growth prospects or future operating results **. In February 2023, our President and Chief Executive Officer informed our Board of his intention to retire from his position at the end of the year. Leadership transitions can be inherently difficult to manage, and uncertainty regarding future leadership at our organization or inadequate transition of our Chief Executive Officer may increase the risk of turnover in executive or other key positions, negatively impact our ability to recruit and retain talent, cause disruption to our business or hinder our planning, execution and future performance** . We operate in a competitive labor market and there is a risk that market increases in compensation could have an adverse effect on our profitability. Market or government regulated increases to employee hourly wage rates, along with our ability to implement corresponding adjustments within our labor model and wage rates, could have a significant impact to the profitability of our business. In addition, approximately ~~1~~ **2** % of our team members are represented by unions. If these team members were to engage in a strike, work stoppage, or other slowdown, or if the terms and conditions in labor agreements were renegotiated, we could experience a disruption in our operations and higher ongoing labor costs. If we fail or are unable to maintain competitive compensation, our customer service and execution levels could suffer by reason of a declining quality of our workforce, which could adversely affect our business, financial condition, results of operations and cash flows. Because we are involved in litigation from time to time, and are subject to numerous laws and governmental regulations, we could incur substantial judgments, fines, legal fees and other costs. We are sometimes the subject of complaints or litigation, which may include class action litigation from customers, team members or others for various actions. From time to time, we are involved in litigation involving claims related to, among other things, breach of contract, tortious conduct, employment, discrimination, breach of laws or regulations (including The Americans With Disabilities Act), payment of wages, exposure to asbestos or potentially hazardous product, real estate and product defects. The damages sought against us in some of these litigation proceedings are substantial. Although we maintain liability insurance for some litigation claims, if one or more of the claims were to greatly exceed our insurance coverage limits or if our insurance policies do not cover a claim, this could have a material adverse effect on our business, financial condition, results of operations and cash flows. For instance, we are subject to numerous lawsuits alleging injury as a result of exposure to asbestos- containing products (see Note 13. Contingencies, of the Notes to the Consolidated Financial Statements included herein). We are subject to numerous federal, state and local laws and governmental regulations relating to, among other things, environmental protection, product quality and safety standards, building and zoning requirements, labor and employment, discrimination, anti- bribery / anti- corruption, data privacy and income taxes. Compliance with existing and future laws and regulations could increase the cost of doing business and adversely affect our results of operations. If we fail to comply with existing or future laws or regulations, we may be subject to governmental or judicial fines or sanctions ~~,~~ while incurring substantial legal fees and costs ~~,~~ as well as reputational risk. In addition, our capital and operating expenses could increase due to remediation measures that may be required if we are found to be noncompliant with any existing or future laws or regulations. We work diligently to maintain the privacy and security of our customers, suppliers, team members and business information and the functioning of our computer systems, website and other online offerings. In the event of a security breach or other cyber security incident, we could experience adverse operational effects or interruptions and / or become subject to legal or regulatory proceedings, any of which could lead to damage to our reputation in the marketplace and substantial costs. The nature of our business requires us to receive, retain and transmit certain personally identifiable information about our customers, suppliers and team members, some of which is entrusted to third- party service providers. While we have taken and continue to undertake significant steps to protect such personally identifiable information and other confidential information and to protect the functioning of our computer systems, website and other online offerings, a compromise of our data security systems or those of businesses we interact with could result in information related to our customers, suppliers, team members or business being obtained by unauthorized persons or adverse operational effects or interruptions, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. We develop, maintain and update processes and systems in an effort to try to prevent this from occurring, but these actions are costly and require constant, ongoing attention as technologies change, privacy and information security regulations change, and efforts to overcome security measures by bad actors continue to become ever more sophisticated. The cost of complying with stricter and more complex data privacy (such as the California Consumer Privacy Act, which grants expanded rights to access and delete personal information and opt out of certain personal information sharing), data collection and information security laws and standards could also be significant to us. Such laws and standards may also increase our responsibility and liability in relation to personal data that we process, and we may be required to put in place additional mechanisms ensuring compliance with privacy laws and regulations. Despite our efforts, our security measures may be breached in the future due to a cyber ~~-~~attack, computer malware viruses, exploitation of hardware and software vulnerabilities, team member error, malfeasance, fraudulent inducement (including so- called " social engineering " attacks and " phishing " scams) or other acts. While we have experienced threats to our data and systems, including phishing attacks, to date we are not aware that we have experienced a material cyber- security breach that has in any manner hindered our operational capabilities **or resulted in a known data breach** . Unauthorized parties may in the future obtain access to our data or the data of our customers, suppliers or team members or may otherwise cause damage to or interfere with our equipment, our data and / or our network including our supply chain. While we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover losses in any particular situation. Any breach, damage to or interference with our equipment or our network, or unauthorized access in the future could result in significant operational difficulties including legal and financial exposure and damage to our reputation that could potentially have an adverse effect on our business. While we also seek to obtain assurances that others we interact with will protect confidential information, there is always the risk that the confidentiality or accessibility of data held or utilized by others may be compromised. If a compromise of our data security or function of our computer systems or website were to occur, it could have a material adverse effect on our operating results and financial condition and possibly subject us to additional legal, regulatory and operating costs and damage our reputation in the marketplace. Business interruptions may negatively impact our store hours, operability of our computer systems and the availability and cost of merchandise, which may adversely impact our sales and profitability. Hurricanes, tornadoes, earthquakes or other natural disasters, war or acts of terrorism, public health issues or pandemics or the threat of any of these incidents or others, may have a negative impact on our ability to obtain merchandise to sell in our stores, result in certain of our stores being closed for an extended period of time, negatively affect the lives of our customers or team members, or otherwise negatively impact our operations. Some of our merchandise is imported from other countries. If imported goods become difficult or impossible to import into the United States due to business interruption (including regulation of exporting or importing), and if we cannot obtain such merchandise from other sources at similar costs and without an adverse delay, our sales and profit margins may be negatively affected. In the event that commercial transportation, including the global shipping industry, is curtailed or substantially delayed, our business may be adversely impacted as we may have difficulty receiving merchandise from our suppliers and / or transporting it to our stores. Terrorist attacks, **warfare** ~~war in the Middle East~~ , geopolitical unrest **,** or uncertainty or insurrection involving any oil producing country could result in an abrupt increase in the price of crude oil, gasoline and diesel fuel. Such price increases would increase the cost of doing business for us and our suppliers, and also negatively impact our customers' disposable income, causing an adverse impact on our business, sales, profit margins and results of operations. We rely extensively on our computer systems and the systems of our business partners to manage inventory, process transactions and report results. These systems are subject to damage or interruption ~~from~~ **due to various reasons such as** power outages, telecommunication failures, computer viruses, security breaches **, malicious cyber attacks** and catastrophic events or occasional system breakdowns related to ordinary use or wear and tear. If our computer systems or those of our business partners fail, we may experience loss of critical data and interruptions or delays in our ability to process transactions and manage inventory. Any significant business interruptions may make it difficult or impossible to continue operations, and any disaster recovery or crisis management plans we may employ may not suffice in any particular situation to avoid a significant adverse impact to our business, financial condition and our results of operations. Risks Related to Our Industry and the Business Environment ~~The COVID- 19 pandemic may significantly and adversely impact our business operations, demand for our products, availability of labor, access to inventory, our exposure to litigation, financial condition, results of operations and cash flows. The COVID- 19 pandemic significantly impacted our business as the uncertainty, volatility and disruption of a new public health crisis emerged in 2020. In our first fiscal quarter of 2020, we experienced disruption to our normal business operations from a number of factors, including the need to rapidly adopt new health and safety measures, significant impact to demand driven by stay at home orders and uncertainty around regulatory, economic and market conditions. The onset of the COVID- 19 pandemic also created significant volatility in our stock price and may continue to create volatility, which may not be reflective of our actual business and competitive position. While we have~~

~~taken numerous steps to mitigate the impact of the COVID- 19 pandemic on our results of operations, many uncertainties could still materially impact our business, results of operations, cash flows, and financial condition. Uncertainty remains about the severity and duration of the COVID- 19 pandemic, including whether there will be additional " waves " or other continued periods of increases or spikes in the number of COVID- 19 cases in future periods; the severity and transmission rate of " variations " or future mutations of COVID- 19; and the development, efficacy, distribution and adoption rates of vaccines for COVID- 19 and variants thereof. COVID- 19 related factors could adversely impact our ability to staff our stores or distribution centers, result in significant increased expenses related to store cleanings and team member benefits or negatively impact the operations of our suppliers, logistics or transportation providers, and our service providers or subcontractors. Additionally, while we have continued to prioritize the health and safety of our team members and customers as we continue to operate during the COVID- 19 pandemic, we face an increased risk of litigation related to our operating environments and depending on the extent and severity of the COVID- 19 pandemic, may incur significant increased operating costs associated with potential increases in insurance premiums, medical claims costs, and / or workers' compensation claims costs, which could negatively affect our results of operations both during and after the COVID- 19 pandemic. While we have not experienced widespread store or distribution center closures, it is unknown how the current administration, specific locales or governmental and nongovernmental authorities of jurisdictions in which we and / or our suppliers, distributors and others that we do business with will respond to the continuation of the COVID- 19 pandemic. Actions such as quarantine or shelter- in- place measures, limitations on access to unemployment compensation, vaccination or testing requirements, economic measures and other similar actions or requirements could cause disruption to our operations or those of our suppliers, distributors or others that we do business with.~~ If overall demand for the products we sell declines, our business, financial condition, results of operations and cash flows will suffer. Decreased demand could also negatively impact our stock price. Overall demand for products we sell depends on many factors and may decrease due to any number of reasons, including: • a decrease in the total number of vehicles on the road or in the number of annual miles driven or significant increase in the use of ride sharing services, because fewer vehicles means less maintenance and repairs, and lower vehicle mileage, which decreases the need for maintenance and repair; • the economy, because as consumers reduce their discretionary spending by deferring vehicle maintenance or repair, sales may decline and as new car purchases increase, the number of cars requiring maintenance and repair may decrease; • the weather, because milder weather conditions may lower the failure rates of automobile parts while extended periods of rain and winter precipitation may cause our customers to defer elective maintenance and repair of their vehicles; additionally, overall climate changes could create greater variability in weather events, which may result in greater volatility for our business, or lead to other significant weather conditions that could impact our business; • the average duration of vehicle manufacturer warranties and average age of vehicles driven, because newer cars typically require fewer repairs and will be repaired by the manufacturers' dealer networks using dealer parts pursuant to warranties (which have gradually increased in duration and / or mileage expiration over the recent past), while vehicles that are seven years old and older are generally no longer covered under manufacturers' warranties and tend to need more maintenance and repair; • an increase in internet- based retailers, because potentially favorable prices and ease of use of purchasing parts via other websites on the internet may decrease the need for customers to visit and purchase their aftermarket parts from our physical stores and may cause fewer customers to order aftermarket parts on our website; • technological advances, including the rate of adoption of electric vehicles, hybrid vehicles, ride sharing services, alternative modes of transportation, autonomously driven vehicles and future legislation related thereto, and the increase in the quality of vehicles manufactured, because vehicles that need less frequent maintenance or have lower part failure rates will require less frequent repairs using aftermarket parts and, in the case of electric and hybrid vehicles, do not require or require less frequent oil changes; and • the refusal of vehicle manufacturers to make available diagnostic, repair and maintenance information to the automotive aftermarket industry that our professional and DIY customers require to diagnose, repair and maintain their vehicles, because this may force consumers to have a majority of diagnostic work, repairs and maintenance performed by the vehicle manufacturers' dealer networks. We may be adversely affected by legal, regulatory or market responses regarding technological adaptation in the automotive industry. Policy makers in the U. S. may enact legislative or regulatory proposals that would impose mandatory requirements on greenhouse gas emissions and encourage more rapid adoption of vehicles that minimize emissions. Such laws, if enacted, are likely to impact our business in a number of ways. For example, significant increases in fuel economy requirements, new federal or state restrictions on emissions of carbon dioxide or new federal or state incentive programs that may be imposed on vehicles and automobile fuels could adversely affect annual miles driven, purchases of used vehicles that are likely to have a higher need for maintenance and repair, or the relevancy of the products we sell to new vehicles coming into production. We may not be able to accurately predict, prepare for and respond to new kinds of technological innovations with respect to electric vehicles and other technologies that minimize emissions. Additionally, compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require additional expenditures by us or our suppliers. Our inability to appropriately respond to such changes, adapt our business to meet evolving demands or innovate to remain competitive could adversely impact our business, financial condition, results of operations or cash flows. If we are unable to compete successfully against other companies in the automotive aftermarket industry, we may lose customers and **market share and** our revenues may decline. The sale of automotive parts, accessories and maintenance items is highly competitive and influenced by a number of factors, including name recognition, location, price, quality, product availability and customer service. We compete in both the professional and DIY categories of the automotive aftermarket industry, primarily with: (i) national and regional chains of automotive parts stores, (ii) internet- based retailers, (iii) discount stores and mass merchandisers that carry automotive products, (iv) wholesalers or jobbers stores, including those associated with national parts distributors or associations, (v) independently owned stores and (vi) automobile dealers that supply parts. These competitors and the level of competition vary by market. Some of our competitors may possess advantages over us in certain markets we share, including with respect to the level of marketing activities, number of stores, store locations, store layouts, operating histories, name recognition, established customer bases, vendor relationships, prices and product warranties. Internet- based retailers may possess cost advantages over us due to lower overhead costs, time and travel savings and ability to price competitively. In order to compete favorably, we may need to increase delivery speeds and incur higher shipping costs **or lower prices, which would adversely impact our financial results** . Consolidation among our competitors could enhance their market share and financial position, provide them with the ability to achieve better purchasing terms and allow them to provide more competitive prices to customers for whom we compete. In addition, our reputation is critical to our continued success. Customers are increasingly shopping, reading reviews and comparing products and prices online. If we fail to maintain high standards for, or receive negative publicity (whether through social media or traditional media channels) relating to, product safety and quality, as well as our integrity and reputation, we could lose customers to our competition. The products we sell are brands of our vendors and our owned brands. If the perceived quality or value of the brands we sell declines in the ~~eyes~~ **perception** of our customers, our results of operations could be negatively affected. Competition may require us to reduce our prices below our normal selling prices or increase our promotional spending, which could lower our revenue and profitability. Competitive disadvantages may also prevent us from introducing new product lines, require us to discontinue current product offerings, or change some of our current operating strategies. If we do not have the resources, expertise and consistent execution, or otherwise fail to develop successful strategies, to address these potential competitive disadvantages, we may lose customers **and market share** , our revenues and profit margins may decline and we may be less profitable or potentially unprofitable. Our inventory and ability to meet customer expectations may be adversely impacted by factors out of our control. For the portion of our inventory manufactured and / or sourced outside the United States, geopolitical changes, changes in trade regulations or tariff rates, currency fluctuations, work stoppages, labor strikes, port delays, civil unrest, natural disasters, pandemics and other factors beyond our control may increase the cost of items we purchase or create shortages that could have a material adverse effect on our sales and profitability. In addition, unanticipated changes in consumer preferences or any unforeseen hurdles in meeting our customers' needs for automotive products (particularly parts availability) in a timely manner could undermine our business strategy. Deterioration of general macroeconomic conditions, including unemployment, inflation or deflation, consumer debt levels, and / or high fuel and energy costs, could have a negative impact on our business, financial condition, results of operations and cash flows due to impacts on our suppliers, customers and operating ~~costs~~ **results** . Our business depends on developing and maintaining close relationships with our suppliers and on our suppliers' ability and willingness to sell quality products to us at favorable prices and terms. Many factors outside our control may harm these relationships and the ability or willingness of these suppliers to sell us products on favorable terms. Such factors include a general decline in the economy and economic conditions and prolonged recessionary conditions. These events could negatively affect our suppliers' operations and make it difficult for them to obtain the credit lines or loans necessary to finance their operations in the short- term or long- term and meet our product requirements. Financial or operational difficulties that some of our suppliers may face could also increase the cost of the products we purchase from them or our ability to source products from them. We might not be able to pass our increased costs onto our customers. If our suppliers fail to develop new products, we may not be able to meet the demands of our customers and our results of operations could be negatively affected. In addition, the trend towards consolidation among automotive parts suppliers as well as the off- shoring of manufacturing capacity to foreign countries may disrupt or end our relationship with ~~some~~ **certain** suppliers, and could lead to less competition and result in higher prices. We could also be negatively impacted by suppliers who might experience bankruptcies, work stoppages, labor strikes, changes in foreign or domestic trade policies, changes in tariff rates or other interruptions to or difficulties in the manufacture or supply of the products we purchase from them. Deterioration in macroeconomic conditions or an increase in fuel costs or proposed or additional tariffs may have a negative impact on our customers' net worth, financial resources, disposable income or willingness or ability to pay for accessories, maintenance or repairs for their vehicles, resulting in lower sales. An increase in fuel costs may also reduce the overall number of miles driven by our customers resulting in fewer parts failures and a reduced need for elective maintenance. Rising energy prices also directly impact our operating and product costs, including our store, supply chain, professional delivery, utility and product acquisition costs. Risks Related to Our Common Stock and Financial Condition The market price of our common stock may be volatile and could expose us to securities class action litigation. The stock market and the price of our common stock may be subject to wide fluctuations based upon general economic and market conditions. Downturns in the stock market may cause the price of our common stock to decline. The market price of our stock may also be affected by our ability to meet analysts' expectations. Failure to meet such expectations, even slightly, could have an adverse effect on the price of our common stock. In the past, following periods of volatility in the market price of a company' s securities, securities class action litigation has often been instituted against such a company. **Such litigation could result in substantial costs and a diversion of our attention and resources, which could have an adverse effect on our business.** For example, in February 2018, following a significant decline in the price of our common stock, a putative class action was commenced against us **. The** ~~, for which a~~ settlement agreement ~~, covered~~ **received final approval** by **the court in June 2022 and was fully paid by** our insurance **carriers** ~~, has been preliminarily approved by the court~~ (see " ~~Item 3~~ **Note 13** . **Contingencies** ~~Legal Proceedings~~ " of this Annual Report on Form 10- K). ~~Such litigation could result in substantial costs and a diversion of our attention and resources, which could have an adverse effect on our business.~~ The amount and frequency of our share repurchases and dividend payments may fluctuate. The amount, timing and execution of our share repurchase program may fluctuate based on our priorities for the use of cash for other purposes such as operational spending, capital spending, acquisitions or repayment of debt. Changes in **operational results,** cash flows, tax laws and our share price could also impact our share repurchase program and other capital activities **. For example, in August 2022, Congress enacted the Inflation Reduction Act of 2022, which instituted, among other things, a 1 % excise tax on certain corporate share repurchases beginning on January 1, 2023** . Additionally, decisions to return capital to stockholders, including through our repurchase program or the issuance of dividends on our common stock, remain subject to determination of our Board of

Directors that any such activity is in the best interests of our stockholders and is in compliance with all applicable laws and contractual obligations. Our level of indebtedness, a downgrade in our credit ratings or a deterioration in global credit markets could limit the cash flow available for operations and could adversely affect our ability to service our debt or obtain additional financing. Our level of indebtedness could restrict our operations and make it more difficult for us to satisfy our debt obligations. For example, our level of indebtedness could, among other things: • affect our liquidity by limiting our ability to obtain additional financing for working capital; • limit our ability to obtain financing for capital expenditures and acquisitions or make any available financing more costly; • require us to dedicate all or a substantial portion of our cash flow to service our debt, which would reduce funds available for other business purposes, such as capital expenditures, dividends or acquisitions; • limit our flexibility in planning for or reacting to changes in the markets in which we compete; • place us at a competitive disadvantage relative to our competitors who may have less indebtedness; • render us more vulnerable to general adverse economic and industry conditions; and • make it more difficult for us to satisfy our financial obligations. The ~~indenture~~ **indentures** governing our **senior unsecured** notes and credit agreement governing our credit facilities contain financial and other restrictive covenants. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt, including such notes. In addition, our overall credit rating may be negatively impacted by deteriorating and uncertain credit markets or other factors that may or may not be within our control. The interest rates on our revolving credit facility are linked directly to our credit ratings and the interest rates on future debt we issue or incur likely would be affected by our credit ratings in effect at the time such debt is issued or incurred. Accordingly, any negative impact on our credit ratings would likely result in higher interest rates and interest expense on any borrowings under our revolving credit facility and less favorable terms on our other operating and financing arrangements, including additional debt we may issue or incur in the future. In addition, it could reduce the attractiveness of certain vendor payment programs whereby third- party institutions finance arrangements to our vendors based on our credit rating, which could result in increased working capital requirements. Conditions and events in the global credit market could have a material adverse effect on our access to short- and long- term borrowings to finance our operations and the terms and cost of that debt. It is possible that one or more of the banks that provide us with financing under our revolving credit facility may fail to honor the terms of our existing credit facility or be financially unable to provide the unused credit as a result of significant deterioration in such bank' s financial condition. An inability to obtain sufficient financing at cost- effective rates could have a material adverse effect on our business, financial condition, results of operations and cash flows. Item 1B. Unresolved Staff Comments. None. Item 2. Properties.