Risk Factors Comparison 2024-02-26 to 2023-02-24 Form: 10-K

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The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing the Company. This list is not all- inclusive or necessarily in order of importance. If any of the events contemplated by the following risks occur, our business, financial condition, or results of operations could be materially adversely affected. Some of these risks are described below and in the documents incorporated by reference, and investors should take these risks into account when evaluating any investment decision involving the Company. Risks related to our business and operations **We may fail to realize all of the anticipated benefits of the acquisition of Heimbach or those benefits may take longer to realize than expected. We are devoting significant management attention to integrating the business practices and operations of Heimbach. We may experience disruptions to our business and, if integrated ineffectively, it could restrict the realization of the full expected benefits of the acquisition. The failure to meet the challenges involved in the integration process and to realize the anticipated benefits of the acquisition of Heimbach could cause an interruption or loss of momentum in our operations and could adversely affect our business, financial condition and results of operations. Difficulties in the integration of the acquired business may include rationalizing the operations, processes and systems of the acquired business, retaining and motivating key management and employees, and integrating existing business relationships with suppliers and customers. Even if integration is successful, the financial and operational results may differ materially from our assumptions and forecasts due to unforeseen expenses, delays, conditions and liabilities. In addition, we may incur unanticipated costs or expenses following an acquisition, including post- closing asset impairment charges, expenses associated with eliminating duplicate facilities, and other liabilities. Furthermore, the acquisition of Heimbach may result in material unanticipated problems, expenses, charges, liabilities, competitive responses, loss of customers and other business relationships, and diversion of management' s attention. Additional integration challenges may include difficulty in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the acquisition; difficulties in the integration of operations and systems, including pricing and marketing strategies; and difficulties in conforming standards, controls, procedures, financial reporting and accounting and other policies, business cultures and compensation structures. Many of these factors will be outside of our control and any one of them could result in increased costs, including restructuring charges, decreases in revenues and diversion of management' s time and energy, which could adversely affect our business, financial condition and results of operations. Our acquisition of Heimbach involves inherent risks, and presents financial, managerial and operational challenges that may adversely affect our operating results and financial condition. Our growth strategy includes acquisitions. Acquisitions involve various inherent risks, such as our ability to assess accurately the value, strengths, weaknesses, internal controls, contingent and other liabilities and potential profitability of Heimbach. Heimbach was a privately held company that only closed its books and records annually on December 31st. Interim financial information was limited and reproducing full historical financial records may be difficult. As the Company integrates Heimbach, management could encounter material differences between the accounting policies of the two companies or the financial results of Heimbach for the periods after the fiscal year 2022 audited financial statements, including additional liabilities or other financial information that was not available during due diligence or in the initial period after the closing of the acquisition that, had we known, could have resulted in changes to financial projections, assumptions and estimates used in the fair value of assets acquired and liabilities assumed, assessments used to determine the applicability of certain SEC disclosure requirements or the expected benefit of the transaction. While we conducted financial and other due diligence in connection with this acquisition and we generally seek some form of limited protection, such as warranties from the seller, insurance coverage, and placing a portion of the purchase price in escrow to cover potential tax liabilities, Heimbach may have liabilities that are not accurately assessed or brought to our attention at the time of the acquisition. Further, indemnities, insurance or escrow arrangements may not fully cover such matters. Index The acquisition may present financial, managerial and operational challenges, including, but not limited to: • Increased foreign operations, often with unique issues relating to corporate culture, compliance with legal and regulatory requirements and other challenges; • Assumption of known and unknown liabilities, including environmental liabilities, and exposure to litigation; • Increased levels of debt or dilution to existing stockholders; • New and proposed regulations limiting the enforcement of noncompetition and nonsolicitation agreements; • Production delays associated with consolidating acquired facilities and manufacturing operations; and • Potential cybersecurity risks, as acquired systems may not possess the appropriate security measures. We cannot assure that all potential risks or liabilities are adequately discovered, disclosed, or understood in each instance. In addition, internal controls over financial reporting of acquired companies may not be compliant with required standards. Issues may exist that could rise to the level of significant deficiencies or, in some cases, material weaknesses, particularly with respect to foreign companies or non-public U. S. companies. Customer dissatisfaction or performance problems with an acquired business, technology, service or product could also have a material adverse effect on our reputation and business.** The effects of **the** COVID- 19 **pandemic** and other potential future public health crises, epidemics, pandemics or similar events on our business, operating results, financial condition and cash flows are uncertain **.** The public health crisis caused by the COVID- 19 pandemic and the measures ~~being~~ taken by governments, businesses, and the public at large to limit **the** COVID- 19 **pandemic** ' s spread has had, and **may** ~~are expected to~~ continue to have, certain negative effects on the markets we serve. These effects ~~include~~ **included** deteriorating general economic conditions in many regions of the world, increased unemployment, decreases in disposable income, decline in consumer confidence, and changes in consumer spending habits. In the U. S. and in several other countries these effects appear to be on the wane. Nevertheless, the evolution of the pandemic, **or a new pandemic,** governments' responses to ~~the~~ **such** pandemic **(s)** , and individuals' behavior in response to ~~the~~ pandemic and its effects, in aggregate, continue to impact business conditions in varied and unpredictable ways. Certain adverse impacts specific to the Company include, without limitation: • During **2023,** 2022 **and 2021** , some employees in various plants contracted the COVID- 19 virus, which led to workforce absences of employees that contracted the virus and others that may have been exposed. Highly contagious diseases such as COVID- 19 create the risk that we may need to shut down one **or more** of our facilities for an extended period of time, which could increase our costs and affect our ability to meet commitments to customers. ~~In 2022, although~~ **Although** we did not shut down any of our plants due to COVID- 19 **during the height of the pandemic** , production at some plants was affected by government shutdown orders in areas adjacent to those plants. There is no guarantee that future government shutdown orders, or our own future shutdowns, should they occur, will not have a more significant impact on our production. • Behavioral changes that have occurred during **and since** the pandemic have impacted demand for various products that are made with MC fabrics. The above effects could **continue to** have an adverse impact on demand for publication paper grades, and perhaps other grades of paper, including without limitation packaging paper grades, as well as on demand for non- woven fabrics and fiber cement products used in the construction industry; such impacts would in turn adversely impact demand for the MC products used to manufacture such paper grades or building products. A decline in revenues would lead to lower gross profit on those products and the possibility of unabsorbed fixed manufacturing costs. • The **AEC** ~~Albany Engineered Composites~~ segment generates a significant portion of its revenue from commercial aerospace programs ~~and~~ **, as well as from** contracts ~~for the~~ **related to** U. S. Department of Defense **programs** . The COVID- 19 pandemic ~~has~~ significantly impacted passenger air travel which, in turn, ~~has~~ impacted **,** and **may** ~~is likely to~~ continue to impact **,** the commercial aerospace programs that provide a source of revenue for the Company. Such programs could be delayed or canceled **,** which, in addition to a loss of revenue and gross profit, could lead to write- offs for Company investments for those programs. The pandemic has resulted in significant costs for the U. S. government, which could lead to program delays or cancellations, and a corresponding decrease in our revenues. • Disruptions in supply chains have placed constraints on our ability to source key raw materials and services which could impact our ability to deliver products to customers as scheduled. Additionally, manufacturing or delivery costs could increase. • While we do not anticipate material impairments on our assets as a result of **the** COVID- 19 **pandemic** , changes in our expectations for net ~~sales~~ **revenues** , earnings potential and cash flows associated with our intangible assets and goodwill that fall below our current projections could result in such assets being impaired. ~~Index~~ A number of industry factors have had, and in future periods could have, an adverse impact on ~~sales~~ **net revenues** , profitability and cash flow in the Company' s MC and AEC segments **.** Significant consolidation and rationalization in the paper industry in recent years have reduced global consumption of paper machine clothing in certain markets and for certain grades. Developments in digital media have adversely affected demand for newsprint and for printing and writing grades of paper, which has had, and is likely to continue to have, an adverse effect on demand for paper machine clothing in those markets. At the same time, technological advances in papermaking, including in paper machine clothing, while contributing to the papermaking efficiency of customers, have in some cases lengthened the useful life of our products and reduced the number of pieces required to produce the same volume of paper. These factors have had, and in the future are likely to have, an adverse effect on paper machine clothing ~~sales~~ **net revenues** . The market for paper machine clothing in recent years has been characterized by continuous pressure to provide more favorable commercial terms, which has continued to place pressure on our operating results. We expect such pressure to remain intense in all paper machine clothing markets, especially during periods of customer consolidation, plant closures, or when major contracts are being renegotiated. The emergence of ~~Chinese~~ **Asian** competitors exacerbates this risk. Similar pressures ~~exist~~ in the markets in which AEC competes **along with labor shortages could have an impact on AEC revenues** . During 2019, Net ~~sales~~ **revenues** under the LEAP contract exceeded $ 210 million ~~. Due~~ **, only** to **significantly decline in** the ~~grounding~~ **years that followed due to several factors outside** of the **Company' s control, including the temporary** Boeing 737 MAX ~~,~~ **groundings and** the ~~destocking of the~~ **COVID- 19 pandemic. Such events drove a reduction in demand for LEAP components and disrupted** supply ~~chain~~ **chains for** ~~and~~ **an extended period of time. While** ~~the~~ **these** ~~impact of the pandemic~~ **factors have largely subsided, and Net revenues have recovered steadily year over year and now approach 2019 levels, factors like this can recur without notice,** on **this or on** ~~air travel, Net sales generated by the~~ **other programs** ~~LEAP contract were approximately $ 100 milllion in each of 2020 and 2021~~ , ~~before improving~~ **and cause a detriment** to **the AEC segment** ~~$ 165 million in 2022~~ . Additionally, many of AEC' s customers, as well as the companies supplied by our customers **,** are under pressure to **improve** ~~achieve acceptable~~ returns on their substantial investments in recent years in new technologies, new programs and new product introductions. This has contributed to a relentless focus on ~~reducing~~ **capital investments to reduce** costs, resulting in continuous pressure for cost ~~reduction~~ **reductions** and **customer** pricing improvement throughout the supply chain. **Future** ~~The recent wave of~~ consolidation in the aerospace industry could ~~continue or~~ intensify these pressures. The long- term organic growth prospects of AEC are subject to a number of risks **.** The prospect of future successful organic growth in AEC depends in large part on its ability to maintain and grow a healthy pipeline of potential new products and applications for its technologies, to transform a sufficient number of those potential opportunities into commercial supply agreements, and to then execute its obligations under such agreements. In addition, existing and future supply agreements, especially for commercial and defense aerospace, are subject to the same curtailment or cancellation risks as the programs they support. AEC is currently working on a broad portfolio of potential new product applications in the aerospace industry. These development projects may or may not result in commercial supply opportunities. In the event that AEC succeeds in developing products and securing contracts to manufacture and supply them, it will face the same industrialization and manufacturing ramp- up risks that it currently faces in its existing contracts, and AEC may or may not be successful in meeting its obligations under these contracts. Failure to manage these development, commercialization and execution risks could have a material adverse impact on AEC' s prospects for revenue growth. In addition to dealing with these development and manufacturing execution risks, future AEC growth will likely require increasingly larger amounts of cash to fund the investments in equipment, capital, and development efforts needed to achieve this growth. Until AEC is able to consistently generate cash flows sufficient to fund its existing operations and any future ~~investment~~ **investments needed** to support its growth, it will remain dependent on the MC segment' s ability to generate cash. A significant decline in MC ~~sales~~ **net revenues** , operating income or cash flows could therefore have a material adverse impact on AEC' s growth. The U. S. Government' s Department of Defense (" DoD ") Cybersecurity Maturity Model Certification (" CMMC ") program introduces new and unique risks for DoD contractors **.** Under the applicable federal regulations for DoD contractors, AEC is required to comply with the ~~agencies~~ **agency' s** current cybersecurity regulations. In addition to these current regulations, AEC will be required to comply with the new CMMC program requirements on future contracts as they are flowed down from our DoD prime customers in the coming years. Given the current and planned future portfolio of U. S. Government- related business **and based on the CMMC Proposed Rule released by the DoD in December 2023** , AEC expects to be required to comply fully with ~~the highest levels of the planned~~ CMMC ~~framework~~ **Level 2 once the rule is finalized,** and **eventually CMMC Level 3 for certain programs as those requirements are further defined. This** will **require a CMMC** ~~potentially be subject to third~~ **Third** - ~~party~~ **Party Assessment Organization (C3PAO) assessment** ~~or~~ **for** ~~U. S. Government audit to certify our compliance~~ **Level 2 certification, as well as a DCMA Defense Industrial Base Cybersecurity Assessment Center (DIBCAC) assessment for any required Level 3 certification** . The CMMC compliance requirements are complex ~~and~~ **,** the costs are significant **, and the DoD timelines for certifications are aggressive** . To the extent that AEC is unable to **achieve** ~~comply with~~ the **required** CMMC ~~or~~ **certifications within** ~~other~~ -- **the** ~~related cybersecurity requirements~~ **timeframes required by the DoD** , AEC may be unable to maintain or grow its business ~~on programs~~ with the DoD and its prime customers. AEC is subject to significant risks related to the potential manufacture and sale of defective or non- conforming products **.** AEC manufactures and sells products that are incorporated into commercial and military aircraft. If AEC were to supply products with manufacturing defects, or products that failed to conform to contractual requirements, we could be required to recall and / or replace them, and could also be subject to substantial contractual damages or warranty claims from our customers. AEC could also be subject to product liability claims if such failures were to cause death, injury or losses to third parties, or damage claims resulting from the grounding of aircraft into which such defective or non- conforming products had been incorporated. We are required to meet, and maintain continuous independent certification, to certain international industry standards including AS / EN9100 quality management system standards and Nadcap Special Processes certifications that are designed to assure rigorous quality standards are maintained throughout the aerospace industry supply chain. Additionally, **although** we maintain product liability insurance and other insurance at levels we believe to be prudent and consistent with industry practice to help mitigate these risks, these coverages may not be sufficient to fully cover AEC' s exposure for such risks, which could have a material adverse effect on AEC' s results of operations and cash flows. Deterioration of global economic conditions could have an adverse impact on the Company' s business and results of operations **.** The Company identifies in this section a number of risks, the effects of which may be exacerbated by an unfavorable economic climate. For example, a recession could lead to lower consumption in all paper grades including tissue and packaging, which would not only reduce consumption of paper machine clothing but could also increase the risk of greater price competition in the machine clothing industry. Similarly, in the Company' s AEC segment, a decline in global or regional economic conditions could result in lower orders for aircraft or aircraft engines, or the cancellation of existing orders, which would in turn result in reduced demand for the AEC components utilized on such aircraft or engines. **Customer** ~~Demand~~ **demand** for AEC' s **lightweight** ~~light- weight~~ composite aircraft components is driven by **market** demand for the lighter, more fuel- efficient aircraft engine and other applications into which they are incorporated, such as the CFM **International** LEAP engine. Fuel costs are a significant part of operating costs for airlines and, in many cases, may constitute a carrier' s single largest operating expense. A sustained drop in oil prices, and related decline in the price of jet fuel, could prompt airlines to defer orders or delivery dates for such newer, more fuel- efficient airframes and aircraft engines, as the urgency to reduce fuel consumption may be lessened. In addition, any economic conditions that led to sustained high interest rates could affect the airline' s ability to finance new aircraft and engine orders. Weak or unstable economic conditions also increase the risk that one or more of our customers ~~could~~ **might** be unable to pay outstanding accounts receivable, whether as the result of bankruptcy or an inability to obtain working capital financing from banks or other lenders. Furthermore, both the MC and AEC business segments manufacture products that are custom- designed for a specific customer application. In the event of a customer liquidity issue, the Company could also be required to write off amounts that are included in Contract assets ~~, net~~ or Inventories. In the case of AEC, such write- offs could also include investments in equipment, tooling, and non- recurring engineering **costs** , some of which could be significant depending on the program. The Company continues to experience increasing labor, raw material, energy, and ~~logistic~~ **logistics** costs due to supply chain constraints and inflationary pressures **.** The Company is a significant user of raw materials that are based on petroleum or petroleum derivatives. Increases in the prices of petroleum or petroleum derivatives, particularly in regions that are experiencing higher levels of inflation, could increase our costs, and we may not be able to fully offset the effects through price increases, productivity improvements, and cost- reduction programs. There is a limited number of suppliers of polymer fiber and monofilaments, key raw materials used in the manufacture of machine clothing, and of carbon fiber and carbon resin, key raw materials used by AEC. In addition, there are a limited number of suppliers of some of the equipment used in each of the MC and AEC segments. The risks associated with limited suppliers increased as a result of the COVID- 19 pandemic, which has put pressure on the supply chain in general, and **on** transportation companies that deliver raw materials to us and our products to customers, in particular. While we have been able to meet our raw material and equipment needs, the limited number of suppliers of these items creates the potential for disruptions in supply. AEC currently relies on single suppliers under contracts ~~they~~ **we** have with SAFRAN to meet the carbon fiber and carbon resin requirements for the LEAP program. Lack of supply, delivery delays, or quality issues relating to supplied raw materials or for our key manufacturing equipment could harm our production capacity. Such **issues** could require the Company to attempt to qualify one or more additional suppliers, which could be a lengthy, expensive and uncertain process. These disruptions could make it difficult to supply our customers with products on time, which could have a negative impact on our business, financial condition, and results of operations. The Company also relies on the labor market in many regions of the world to meet our operational requirements, advance our technology and differentiate **our** products. Low rates of unemployment in key geographic areas in which the Company operates can lead to high rates of turnover and loss of critical talent, which could in turn lead to higher labor costs. Our ability to attract and retain business and employees may depend on our reputation in the marketplace **.** We believe our brand names and our reputation are important corporate assets that help distinguish our products and services from those of our competitors and also contribute to our efforts to recruit and retain talented employees. However, our reputation is susceptible to material damage by events such as disputes with customers or competitors, cybersecurity incidents or service outages, internal control deficiencies, delivery failures, **regulatory** compliance violations, government investigations or legal proceedings. We may also experience reputational damage from employees, advocacy groups, regulators, investors and other stakeholders that disagree with the way we conduct our business. Similarly, our reputation could be damaged by actions or statements by current or former customers, suppliers, employees, competitors, joint venture partners, adversaries in legal proceedings, legislators or government regulators, as well as members of the investment community or the media, including social media influencers. Our brand and reputation are also associated with our **sustainability strategy, including our** public commitments **related** to ~~various corporate~~ **climate and the** ~~environmental~~ -- **environment** ~~, social~~ and **DE & I** ~~governance (" ESG ") initiatives, including our goals for sustainability and inclusion and diversity~~ . Our failure to achieve our commitments could harm our reputation and adversely affect our relationships with customers and suppliers or our talent recruitment and retention efforts. In addition, positions we take or do not take on **environmental or** social issues may be unpopular with some of our employees ~~or with our~~ **, suppliers,** customers or potential customers, which may in the future impact our ability to attract or retain employees **, suppliers** or customers. We also may choose not to conduct business with potential customers or suppliers or discontinue or not expand business with existing customers due to these positions. There is a risk that negative or inaccurate information about the Company, even if based on rumor or misunderstanding, could adversely affect our business. Damage to our reputation could be difficult, expensive and time- consuming to repair, could make potential or existing customers reluctant to select us for new opportunities or could negatively impact our relationships with existing customers and suppliers, resulting in a loss of business, and could adversely affect our talent recruitment and retention efforts. Damage to our reputation could also reduce investor confidence in ~~us~~ **the Company** , materially adversely affecting our share price. Some of the Company' s competitors in the MC segment have the capability to make and sell paper machines and papermaking equipment as well as other engineered fabrics **.** Although customers historically have tended to view the purchase of paper machine clothing and the purchase of paper machines as separate purchasing decisions, the ability to bundle fabrics with new machines and after- market services could provide an advantage to our competitors. This underscores the importance of our ability to maintain the technological competitiveness and value of our products, and a failure to do so could have a material adverse effect on our business, financial condition, and results of operations. Moreover, we cannot predict how the nature of competition in this segment may continue to evolve as a result of future consolidation among our competitors, or consolidation involving our competitors and other suppliers to our customers. Conditions in the paper industry have required, and could further require, the Company to reorganize its operations, which could result in significant expense and could pose risks to the Company' s operations **.** In the recent past, we engaged in significant restructuring that included the closing of manufacturing operations. These restructuring activities were intended to match manufacturing capacity to shifting global demand, and also to improve the efficiency of manufacturing and administrative processes. Future shifting of customer demand, the need to reduce costs, or other factors could cause us to determine in the future that additional restructuring steps are required. Restructuring involves risks such as employee work stoppages, slowdowns, or strikes, which can threaten uninterrupted production, maintenance of high product quality, meeting of customers' delivery deadlines, and maintenance of administrative processes. Increases in output in remaining manufacturing operations can likewise impose stress on these remaining facilities as they undertake the manufacture of greater volume and, in some cases, a greater variety of products. Competitors can be quick to attempt to exploit these situations. Although we plan each step of the process carefully, and work to reassure customers who could be affected that their requirements will continue to be met, we could lose customers and associated revenues if we fail to execute properly **on any restructuring** . Natural disasters at one or more of our facilities could make it difficult for us to meet our supply obligations to our customers **.** AEC' s production of LEAP engine components is currently located in three facilities. A natural disaster at any of these locations could have a significant adverse effect on AEC' s ability to timely satisfy orders for LEAP components. Production of almost all of AEC' s other legacy and growth programs – including components for the F- 35, fuselage components for the Boeing 787, components for the CH- 53K helicopter, and missile bodies for Lockheed Martin' s JASSM air- to- surface missiles – is located primarily in facilities in Salt Lake City, Utah or Boerne, Texas. Significant consolidation of manufacturing operations in our MC segment over the past decade has reduced the number of facilities available to produce our products, and increased utilization significantly at remaining facilities. Not all product lines are produced at, or **are** capable of being produced at, all facilities. We have ~~Machine Clothing~~ **certain MC** facilities **that are** located **in or** near **higher risk flood zones in** Mexico ~~City~~ , ~~which has been identified as~~ **China, Italy, Germany,** ~~an~~ **and** ~~area~~ **Switzerland, that may be** vulnerable to flood, storm surge ~~and~~ **or** earthquake ~~risks, and in the Pearl River Delta area of China, which has been identified as vulnerable to flood, storm and storm surge~~ risks. A significant interruption in the operation of any one or more of our plants, whether as the result of a natural disaster or other causes, could significantly impair our ability to timely meet our supply obligations to customers being supplied from an affected facility. While the occurrence of a natural disaster or other business interruption event in an area where we have a facility may not result in any direct damage to the facility itself, it may cause disruptions in local transportation and public utilities on which such locations are reliant, and may also hinder the ability of affected employees to report for work. Although we carry property and business interruption insurance to help mitigate the risk of property loss or business interruption that could result from the occurrence of such events, such coverage may not be adequate to compensate us for all loss or damage that we may incur. The Company' s insurance coverage may be inadequate to cover other significant risk exposures **.** ~~See"~~ The Company ~~is subject to legal proceedings and legal compliance risks, and~~ has been named as defendant in a large number of suits relating to the actual or alleged exposure to **"** asbestos- containing products." In addition to asbestos- related claims, the Company may be exposed to other liabilities related to **cyber incidents and** the products and services we provide. AEC is engaged in designing, developing, and manufacturing components for commercial jet aircraft and defense and technology systems and products. We expect this portion of the business to grow in future periods. Although we maintain insurance for the risks associated with ~~this~~ **our** ~~business~~ **businesses** , there can be no assurance that the amount of our insurance coverage will be adequate to cover all claims or liabilities. In addition, there can be no assurance that insurance coverage will continue to be available to us in the future at a cost that is acceptable. Any material liability not covered by insurance could have a material adverse effect on our business, financial condition, and results of operations. **Also see" The Company is subject to legal proceedings and legal compliance risks".** The Company has significant manufacturing operations outside of the U. S., which could involve many uncertainties **.** We currently have manufacturing facilities outside the U. S. In ~~2022~~ **2023** , 43 ~~%~~ percent of consolidated Net ~~sales~~ **revenues** were generated by our non- U. S. subsidiaries. Operations outside of the U. S. are subject to a number of risks and uncertainties, including: governments may impose limitations on our ability to repatriate funds; governments may impose withholding or other taxes on remittances and other payments from our non- U. S. operations, or the amount of any such taxes may increase; an outbreak or escalation of any insurrection or armed conflict may occur; governments may seek to nationalize our assets; or governments may impose or increase investment barriers or other restrictions affecting our business. In addition, emerging markets pose other uncertainties, including the protection of our intellectual property, pressure on the pricing of our products, and risks of political instability. The occurrence of any of these conditions could disrupt our business or prevent us from conducting business in particular countries or regions of the world. The military invasion of Ukraine by Russia, and the ensuing sanctions are likely to continue to have an impact on our business. We have already stopped shipping our products to Russia and are in the process of winding down a small joint venture in that country which supplied dryer fabrics to local papermakers, resulting in lost sales and possible future write- offs. However, we also expect that there could be further indirect impacts. For instance, the conflict has already caused disruption in the availability of shipping options between Asia and Europe. Supply chain disruptions could make it more difficult to find favorable pricing and reliable sources for the raw materials we need, putting upward pressure on our costs and increasing the risk that we may be unable to acquire the materials or services we need to continue to make and deliver certain products. Moreover, these same pressures could hinder our customers' ability to source materials needed for their own manufacturing efforts, thereby reducing or slowing their demand for our products. There can be no assurance that we will be able to pass through input cost increases to our customers or to fully offset them via operational efficiencies. If we are unsuccessful in managing such cost increases, they could have a material adverse effect on our business, financial position, results of operations, and liquidity. Geopolitical tensions have heightened elsewhere as well, including between China and Taiwan. MC has significant manufacturing operations in China and vendors that support AEC import significant materials from China, and any escalation in this region could also disrupt our business. **These ongoing conflicts, along with other geopolitical uncertainties such as the current conflict in the Middle East, could have broader adverse impacts on macroeconomic factors that impact our business, cash flows, financial condition and results of operations.** Changes in U. S. trade policy with foreign countries, or other changes in U. S. laws and policies governing foreign trade, as well as any responsive or retaliatory changes in regulations or policies by such countries, could have an adverse impact on our business, either directly or in the form of increased costs due to their impacts on our supply chain. While the direct impact to date of recent developments in global trade and tariff policy has not been significant, there is a risk that the impact of such developments on companies in our supply chain will be reflected in higher costs from affected suppliers. In addition, our global presence subjects us to certain risks, including controls on foreign exchange and the repatriation of funds. While we have been able to repatriate current earnings in excess of working capital requirements from certain countries in which we operate without substantial governmental restrictions, there can be no assurance that we will be able to cost effectively repatriate foreign earnings in the future. We might not be successful at acquiring, investing in or integrating businesses, entering into joint ventures or divesting businesses **.** We have a history of making acquisitions and we expect to opportunistically seek to make acquisitions in the future. We are subject to numerous risks as a result of our acquisition strategy, including, but not limited to, the following: • We may invest time and capital pursuing acquisitions that do not materialize **;** • We may incur costs and expenses associated with any unidentified or potential liabilities of the acquired companies **;** • We may not achieve anticipated revenue and cost benefits from the acquisitions **;** • We may encounter unforeseen difficulties in integrating the acquired operations into our existing operations **; and •** Our past or future acquisitions might not ultimately improve our competitive position and business. We also periodically evaluate, and have engaged in, the disposition of assets and businesses. Divestitures could involve difficulties in the separation of operations, services, products and personnel, the diversion of management' s attention, the disruption of our business and the potential loss of key employees. After reaching an agreement with a buyer for the disposition of a business, the transaction may be subject to the satisfaction of pre- closing conditions, including obtaining necessary regulatory and government approvals, which, if not satisfied or obtained, may prevent us from completing the transaction. Divestitures may also involve continued financial involvement in or liability with respect to the divested assets and businesses, such as indemnities or other financial obligations, in which the performance of the divested assets or businesses could impact our results of operations. Any divestiture we undertake could adversely affect our results of operations. Risks related to our contracts AEC is subject to significant financial risk related to potential quality escapes that could cause customer recalls, or production shortfalls that could cause delays in customer deliveries **.** AEC manufactures critical aerospace parts and must meet increasingly demanding quality, delivery, and cost targets across a broad spectrum of programs and facilities. AEC' s ability to realize its full financial objectives will depend on how effectively it meets these challenges. Failure to accomplish these customer quality, delivery, and cost targets on any key program could result in material losses to the Company and have a material adverse impact on the amount and timing of anticipated AEC revenues, segment operating income, and cash flows, which could in turn have a material adverse impact on our consolidated financial results. Long- term supply contracts in our **AEC** ~~Albany Engineered Composites~~ segment pose certain risks **.** AEC has a number of long- term contracts with fixed pricing, and is likely to enter into similar contracts in the future. While long- term contracts provide an opportunity to realize steady and reliable revenues for extended periods, they pose a number of risks, such as program cancellations, reductions or delays in orders by AEC' s customers under these contracts, the termination of such contracts or orders **, changes in the customers' requirements that may not entitle AEC to additional compensation or payment** , or the occurrence of similar events over which AEC has no or limited control. Accounting for long- term contracts and related assets requires estimates and judgments related to our progress toward completion and the long- term performance on the contract. Significant judgments include potential risks associated with the ability and cost to achieve program schedule, including customer- directed delays or reductions in scheduled deliveries, and technical and other specific contract requirements including customer activity levels and variable consideration based upon that activity. Due to the size and long- term nature of many of AEC contracts, the estimation of total revenues and cost at completion is complicated and subject to many variables. Management must make assumptions and estimates regarding contract revenue and cost (which may include estimates of variable consideration, including award fees and penalties), including, but not limited to, labor productivity and availability, complexity and scope of the work to be performed, availability and cost of materials, length of time to complete the performance obligation, availability and timing of funding from our customers, as well as overhead cost rates. Because of the significance of management' s judgments and estimation processes, it is likely that materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances or estimates may adversely affect our future results of operations and financial condition. Sales of components for a number of programs that are currently considered to be important to the future revenue- growth of AEC are pursuant to short- term purchase orders for a finite period or number of parts, or short- term supply agreements with terms of one to four years. Such programs include airframe components for the F-35, forward fuselage frames for the Boeing 787, and aft transition assembly including skins and longerons for the CH- 53K helicopter. As a result, while AEC reasonably expects to continue as a supplier on these programs as long as it meets its obligations, there can be no assurance that this will be the case, or that, in programs where it is currently a sole supplier, this sole supplier status will continue. Even if AEC' s status as a supplier is extended or renewed, there can be no assurance that such extension or renewal will be on the same or similar commercial or other terms. Any failure by AEC to maintain its current supplier status under these programs, or any material change in their commercial or other terms, could have a material adverse effect on AEC' s future revenues and segment operating income. AEC derives a significant portion of its revenue from contracts ~~with the~~ **related to** U. S. Government ~~' s~~ Department of Defense, which are subject to unique risks **.** The funding of DoD programs is subject to congressional appropriations. Many of the DoD programs in which we participate may last several years, but they are normally funded annually. Changes in military strategy and priorities may affect future opportunities and / or existing programs. Long- term DoD contracts and related orders are subject to cancellation, delay or restructure, if appropriations for subsequent performance periods are not made. The termination or reduction of funding for existing or new DoD programs could result in a material adverse effect on our earnings, cash flow and financial position. Additionally, our business funded by the U. S. Government is subject to extensive federal and DoD agency acquisition regulations. As a result, specific business systems and processes, as well as our proposed contract costs, are subject to audits by U. S. Government agencies. U. S. Government representatives may audit our compliance with these required federal regulations, and such audits could result in adjustments to allowable contract costs. Any costs found to be improperly allocated to a specific contract will not be reimbursed, and such costs already reimbursed must be refunded. Certain business systems or processes found to be non-compliant to federal and agency regulations could result in a suspension of work until such compliance issues are corrected. If any audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U. S. Government. Realization of any of these risks could result in a material adverse effect on our earnings, cash flow and financial position. See also " The U. S. Government' s Department of Defense Cybersecurity Maturity Model Certification (" CMMC ") program introduces new and unique risks for DoD contractors **.** " The loss of one or more major customers could have a material adverse effect on ~~sales~~ **Net revenues** and profitability ~~One~~ **. Our** customer **Safran** ~~(SAFRAN)~~ accounted for approximately ~~40~~ **39** percent of Net ~~sales~~ **revenues** in the AEC segment in ~~2022~~ **2023** , substantially all of which was under an exclusive long- term supply agreement relating to parts for the LEAP engine. Although we are an exclusive supplier of such parts **, and although this is a cost- plus- fee arrangement** , our customer is not obligated to purchase any minimum quantity of parts, and cancellation or significant reduction in demand for the LEAP program would have a material adverse impact on AEC' s Net ~~sales~~ **revenues** and profitability. LEAP engines are currently used on the Boeing 737 MAX, Airbus A320neo and COMAC 919 aircraft ~~. The grounding of the Boeing 737 MAX led to lower deliveries of parts, resulting in lower revenues during 2021 and 2022. While the grounding has now been lifted, the Boeing 737 MAX orders and deliveries have yet to return to pre- grounding levels, which could result in longer than expected return to such levels in the future and in lower LEAP revenues for a longer period~~ . The LEAP long- term supply agreement contains certain events of default that, if triggered, could result in termination of the agreement by the customer, which would also have a material adverse impact on segment ~~sales~~ **Net revenues** and profitability. A substantial portion of AEC' s non- LEAP revenue in the near term, and revenue growth opportunity in the longer term, is dependent upon a small number of customers and programs. Unlike the 3D- woven composite components supplied by ASC, parts supplied for such non- LEAP programs are capable of being made by a number of other suppliers. Such programs include airframe components for the F- 35, forward fuselage frames for the Boeing 787, and sponsons, tail- rotor pylons, horizontal stabilizers and struts for the CH- 53K helicopter. Any failure by AEC to maintain its current supplier status under these programs, or any material change in their commercial or other terms, could have a material adverse effect on AEC' s future ~~sales~~ **Net revenues** and operating income. Our top ten customers in the MC segment accounted for a significant portion of our Net ~~sales~~ **revenues** in ~~2022~~ **2023** . The loss of one or more of these customers, or a significant decrease in the amount of machine clothing they purchase from us, could have a material adverse impact on MC' s ~~net sales~~ **Net revenues** and profitability. We could also be subject to similar impacts if one or more such customers were to suffer financial difficulties and be unable to pay us for products they have purchased. While we normally enter into long- term supply agreements with significant MC customers, the agreements generally do not obligate the customer to purchase any products from us, and may be terminated by the customer at any time with appropriate notice. Risks related to information technology and cybersecurity We are dependent on information technology networks ~~and~~ **,** systems **and cloud- based services** to securely process, transmit and store electronic information and to communicate among our locations around the world and with our employees, customers and suppliers. The failure to prevent attacks on our operational systems **and /** or infrastructure **or our cloud- based providers** could result in disruptions to our businesses, loss or disclosure of regulated data, or the loss or disclosure of confidential and proprietary intellectual property or other assets **.** As the breadth and complexity of this infrastructure continues to grow, including the increasing reliance on, and use of, mobile technologies and cloud- based services, and as many of our employees continue to work remotely following the coronavirus pandemic, the risk of security incidents and cyberattacks has increased. Cybersecurity threats are constantly expanding and evolving, becoming increasingly sophisticated and complex, increasing the difficulty of detecting and defending against them and maintaining effective security measures and protocols. **The use of emerging technologies by organized cyber criminals, such as artificial intelligence and quantum computing, has increased the range of security threats faced by the Company. As AEC continues to perform aerospace and defense work, attacks from threat actors could become more persistent, including attacks from highly organized adversaries such as nation state actors, which target the defense industrial base and other critical infrastructure sectors. The improper conduct of our employees or others working on our behalf who have access to export controlled or other sensitive information could also adversely affect our business and reputation. Our customers, suppliers, and subcontractors experience similar security threats and an incident at one of these entities could adversely impact our business. These entities are typically outside our control and may have access to our information with varying levels of security and cybersecurity resources, expertise, safeguards and capabilities. Breaches in our supply chain could compromise our data and adversely affect customer deliverables. We also rely on our supply chain to adequately detect and report cyber incidents, which could affect our ability to report or respond to cybersecurity incidents effectively or in a timely manner.** Our information technology systems, processes ~~and~~ **,** sites **and cloud- based providers** may suffer interruptions or failures which may affect our ability to conduct our business **.** Our information technology systems may be damaged or cease to function properly due to any number of causes, such as catastrophic events, power outages and security breaches (including destructive malware such as ransomware) resulting in unauthorized access or cyber- attacks. If our business continuity plans, incident response capabilities, and security controls do not function effectively, we may experience partial or complete interruptions in our operations, which may adversely impact our business, financial condition, results of operations and cash flows. We face legal, reputational and financial risks from any failure to protect customer and / or Company data from security incidents or cyberattacks **.** Such incidents could lead to shutdowns or disruptions of or damage to our systems and those of our customers and suppliers, and unauthorized disclosure of sensitive or confidential information, potentially including personal data and proprietary business information. Unauthorized disclosure of, denial of access to, or other incidents involving sensitive or confidential Company, employee, customer or supplier data, whether through systems failure, employee negligence, fraud, misappropriation, or cybersecurity, ransomware or malware attacks, or other intentional or unintentional acts, could damage our reputation and our competitive positioning in the marketplace, disrupt our or our customer' s business, cause us to lose customers and result in significant financial exposure and legal liability. We are subject to numerous laws and regulations designed to protect this information, such as the European Union' s General Data Protection Regulation (" GDPR ") and the United Kingdom' s GDPR, **the Cybersecurity Law of the People' s Republic of China,** as well as various other U. S. federal and state laws governing the protection of privacy, health or other personally identifiable information and data privacy and cybersecurity laws in other regions. We are subject to U. S. federal procurement regulations such as the DFARS clause 252. 204- 7012, based on the NIST 800- 171 framework whose goal is protecting controlled unclassified information in non- federal systems and organizations. In ~~2022~~ **2023 ,** we continued efforts to comply with the **forthcoming** U. S. Department of Defense Cybersecurity Maturity Model Certification (**"** CMMC **"**) **program,** which will impact us in the coming years as it is **formalized through the DFARS and those regulations are** incorporated into ~~DFARS 252. 204- 7012 clauses in~~ our contracts for government programs. These laws and regulations continue to evolve, are increasing in complexity and number and increasingly conflict among the various countries in which we operate, which has resulted in greater compliance risk and cost for us. Various privacy laws impose compliance obligations regarding the handling of personal data, including the cross- border transfer of data, and significant financial penalties for noncompliance. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to Company, employee, customer or supplier data, or otherwise mismanages or misappropriates that data, we could be subject to significant litigation, monetary damages, regulatory enforcement actions, fines and / or criminal prosecution in one or more jurisdictions. These monetary damages might not be subject to a contractual limit of liability or an exclusion of consequential or indirect damages and could be significant. In addition, our liability insurance, which includes cyber insurance, might not be sufficient in type or amount to cover us against claims related to security incidents, cyberattacks and other related incidents. Risks related to our financial matters Fluctuations in currency exchange rates could adversely affect the Company' s business, financial condition, and results of operations **.** We operate our business in many regions of the world, and currency rate movements can have a significant effect on operating results. The effect of currency rate changes on gross profit in the MC segment can be difficult to anticipate because we use a global sourcing and manufacturing model. Under this model, while some non- U. S. ~~sales~~ **Net revenues** and associated costs are in the same currency, other non- U. S. ~~sales~~ **Net revenues** are denominated in currencies other than the currency in which most costs of such sales are incurred. At the same time, the geographic sources of materials purchased (and the currencies in which these purchases are denominated) can vary depending on market forces, and the Company may also shift production of its products between manufacturing locations, which can result in a change in the currency in which certain costs to produce such products are incurred. Changes in exchange rates can result in revaluation gains and losses that are reflected in our Consolidated Statements of Income. Revaluation gains and losses occur when our business units hold financial assets or liabilities denominated in a currency other than their functional currency. Operating results can also be affected by the translation of ~~sales~~ **Net revenues** and costs from each non- U. S. subsidiary' s functional currency to the U. S. dollar. Changes in the value of foreign currencies relative to the U. S. dollar could impact the reported level, in U. S. dollars, of Net ~~Sales~~ **revenues** and operating expenses which are denominated in those currencies. Changes in currency exchange rates could adversely affect the Company' s business, financial condition or results of operations. We have a substantial amount of indebtedness. At December 31, ~~2022~~ **2023** , the Company had outstanding long- term debt of $ ~~439~~ **453** million **.** At December 31, ~~2022~~ **2023** , our leverage ratio (as defined in our primary borrowing agreement) was 1. 25 **to 1. 00** , and we had borrowed $ ~~439~~ **446** million under our $ ~~700~~ **800** million revolving credit facility. While we feel that we generate sufficient cash from operations and have sufficient borrowing capacity to make required capital expenditures to maintain and grow our business, any decrease in our cash generation could result in higher leverage. Higher leverage could hinder our ability to make acquisitions, capital expenditures, or other investments in our businesses, pay dividends, or withstand business and economic downturns. Our primary borrowing agreement contains a number of covenants and financial ratios that the Company is required to satisfy. The most restrictive of these covenants pertain to prescribed leverage and interest coverage ratios and asset dispositions. Any breach of any such covenants or restrictions would result in a default under such agreement that would permit the lenders to declare all borrowings under such agreement to be immediately due and payable and, through cross- default provisions, could entitle other lenders to accelerate their loans. In such an event, the Company would need to modify or restructure all or a portion of such indebtedness. Depending on prevailing economic conditions at the time, the Company might find it difficult to modify or restructure the debt on attractive terms, or at all. We use interest rate swaps to manage the interest cost associated with our borrowings. Borrowings under the revolving credit facility and the interest rate swaps are currently based on LIBOR, which is expected to be phased out and replaced starting in 2024. Future changes in the interest rate benchmark could affect the Company' s cost of borrowing and its cash flows, or the effectiveness of the hedges, which could have an effect on net income. As of December 31, ~~2022~~ **2023** , we had approximately $ ~~261~~ **354** million of additional borrowing capacity under our $ ~~700~~ **800** million revolving credit facility. **The** ~~Incurrence~~ **incurrence** of additional indebtedness could increase the above- described risks associated with higher leverage. In addition, any such indebtedness could contain terms that are more restrictive than our current facilities. Significant changes in critical estimates and assumptions related to pension and other postretirement benefit (" OPEB ") costs and liabilities could affect our earnings and pension contributions in future periods **.** The determination of our pension and other postretirement benefit plans' expense or income involves significant judgments, specifically related to our discount rate, long- term return on assets, and other actuarial assumptions. We establish our discount rate assumption annually and review whether to change our long- term return on assets assumption annually. These estimates and actuarial assumptions could change significantly as a result to changes in economic, legislative, and / or demographic profiles. Such changes could result in unfavorable changes to our pension and OPEB expense and funded status, and our cash contributions thereof, which could have a negative impact on our results of operations. Further, the difference between actual investment returns and our long- term return on asset assumptions would result in a change to our pension and OPEB expense, funded status, as well as our required contributions to the plans. We manage our plan assets in accordance with our investment management objectives, and they are subject to market volatility and other conditions. Differences may also arise due to changes in regulatory, accounting and other requirements applicable to pension plans. The Company is exposed to the risk of increased expense in health- care related costs **.** We are largely self- insured for some employee and business risks, including health care programs in the ~~United States~~ **U. S** . Losses under all of these programs are accrued based upon estimates of the ultimate liability for claims reported and an estimate of claims incurred but not reported, with assistance from third- party actuaries and service providers. However, these liabilities are difficult to assess and estimate due to unknown factors, including the severity of an illness and the number of incidents not reported. The accruals are based upon known facts and historical trends, and management believes such accruals to be adequate. The Company also maintains stop- loss insurance policies to protect against catastrophic claims above certain limits. If actual results significantly differ from estimates, our financial condition, results of operations, and cash flows could be materially impacted by losses under these programs, as well as higher stop- loss premiums in future periods. Unanticipated changes in tax laws or exposure to additional tax liabilities could affect our future profitability **.** We are subject to income taxes in both the ~~United States~~ **U. S.** and various non- U. S. jurisdictions. Unanticipated changes in foreign and domestic tax laws, regulations, or policies, or their interpretation and application by regulatory bodies, or exposure to additional tax liabilities could affect our future profitability and cash flows. Our domestic and international tax liabilities are dependent upon the distribution of income among these jurisdictions. Our future results of operations could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, as well as changes in the overall profitability of the Company, tax legislation, and generally accepted accounting principles. As of December 31, ~~2022~~ **2023** , we have approximately $ ~~50~~ **130** . ~~1~~ **7** million **of** net operating loss (" NOL ") ~~carryforward~~ **carryforwards** in various taxing jurisdictions. Our ability to utilize the NOL carryforward could be adversely impacted by several factors, including but not limited to significant changes to tax legislation and lower than expected future earnings of the Company. We are subject to tax audits by various tax authorities in many jurisdictions. ~~The~~ **Following the acquisition of Heimbach, the** open tax years in these jurisdictions range from approximately ~~2014~~ **2009** to ~~2022~~ **2023** . We regularly assess the potential outcomes of examinations by tax authorities in determining the adequacy of our provision for income taxes. The results of tax audits and examinations of previously filed tax returns or related litigation and continuing assessments of our tax exposures could materially affect our financial results. Risks related to our legal and regulatory environment The Company may fail to adequately protect its proprietary technology, which would allow competitors or others to take advantage of its research and development efforts **.** Proprietary trade secrets are a source of competitive advantage in each of our segments. If our trade secrets were to become available to competitors, it could have a negative impact on our competitive strength. We employ measures to maintain the confidential nature of these secrets, including maintaining employment and confidentiality agreements ~~;~~ **,** maintaining clear policies intended to protect such trade secrets ~~;~~ **,** educating our employees about such policies ~~;~~ **,** clearly identifying proprietary information subject to such agreements and policies ~~;~~ **,** and vigorously enforcing such agreements and policies. Despite such measures, our employees, consultants, and third parties to whom such information may be disclosed in the ordinary course of our business may breach their obligations not to reveal such information, and any legal remedies available to us may be insufficient to compensate our damages. **The Company is subject to legal proceedings and legal compliance risks.** We are subject to a variety of legal proceedings **in multiple jurisdictions where we conduct business** . Litigation is an inherently unpredictable process and unanticipated negative outcomes are always possible. An adverse outcome in any period could have an adverse impact on the Company' s operating results for that period. We are also subject to a variety of legal compliance risks. While we believe that we have adopted appropriate risk management and compliance programs, the global and diverse nature of our operations means that legal compliance risks will continue to exist and related legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, are likely to arise from time to time. Failure to resolve successfully any legal proceedings related to compliance matters could have an adverse impact on our results in any period. Our global operations expose us to numerous and sometimes conflicting legal and regulatory requirements, and violation of these regulations could harm our business **.** We are subject to numerous, and sometimes conflicting, legal regimes on matters as diverse as anti corruption, import / export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, immigration, internal and disclosure control obligations, securities regulation, ~~ESG~~ **sustainability and climate** initiatives **, human capital requirements** , anti- competition, anti- money- laundering, data privacy and protection, government compliance, wage- and- hour standards, employment and labor relations and human rights. The global nature of our operations further increases the difficulty of compliance. Compliance with diverse legal requirements is costly, time- consuming and requires significant resources. Violations of one or more of these regulations in the conduct of our business could result in significant fines, enforcement actions or criminal sanctions against us and / or our employees, prohibitions on doing business and damage to our reputation. Violations of these regulations in connection with the performance of our obligations to our customers also could result in liability for significant monetary damages, fines, enforcement actions and / or criminal prosecution or sanctions, unfavorable publicity and other reputational damage and restrictions on our ability to effectively carry out our contractual obligations and thereby expose us to potential claims from our customers. Due to the varying degrees of development of the legal systems of the countries in which we operate, local laws may not be well developed or provide sufficiently clear guidance and may be insufficient to protect our rights. In particular, in many parts of the world, including countries in which we operate and / or seek to expand, practices in the local business community might not conform to international business standards and could violate anti corruption laws, or regulations, including the U. S. Foreign Corrupt Practices Act and the U. K. Bribery Act 2010. The Company provides **,** and all employees must participate in **,** regular training activities with respect to the Company' s business ethics standards and expectations. Our employees, subcontractors, suppliers, and agents, any companies we may acquire and their employees, subcontractors, suppliers and agents, and other third parties with which we associate, could take actions that violate policies or procedures designed to promote legal and regulatory compliance or applicable anti corruption laws or regulations. Violations of these laws or regulations by us, our employees or any of these third parties could subject us to criminal or civil enforcement actions (whether or not we participated or knew about the actions leading to the violations), including fines or penalties, disgorgement of profits and suspension or disqualification from work, including U. S. federal contracting, any of which could materially adversely affect our business, including our results of operations and our reputation. **Our global operations are subject to increasing environmental, social and governance regulatory requirements, increasing operational and compliance costs, as well as the risk of noncompliance.** Increasing stakeholder environmental, social and governance ~~(ESG)~~ expectations, physical and transition risks associated with climate change, emerging ~~ESG~~ **sustainability and social** regulation, contractual requirements, and policy requirements may pose risk to our market outlook, brand and reputation, financial outlook, cost of capital, global supply chain and production continuity, which may impact our ability to achieve long- term business objectives. Changes in environmental and climate change laws or regulations could lead to additional operational restrictions and compliance requirements upon us or our products, require new or additional investment in product designs, result in carbon offset investments or otherwise could negatively impact our business and / or competitive position. Increasing industry performance standards, increasing sustainability disclosure requirements in the U. S. and globally, and requirements on manufacturing and product air pollutant emissions, especially ~~greenhouse gas (~~ GHG ~~)~~ emissions, may result in increased costs or reputational risks and could limit our ability to manufacture and / or market certain of our products at acceptable costs, or at all. Physical impacts of climate change, increasing global chemical restrictions and bans, and water and waste requirements may drive increased costs to us and our suppliers and impact our production continuity and data facilities. Changes in laws and regulations could also mandate significant and costly changes to the way we conduct our business **, including increasing the cost of compliance,** or could impose additional taxes. Such changes may result in contracts being terminated, greater costs to us, or could have a negative impact on our ability to obtain future work from government customers. **Changes in sustainability reporting requirements may impact our global operations as we begin collecting information for reports to be published according to new standards. We will face significant challenges in being able to implement separate but overlapping standard- setting initiatives, which may contain inconsistencies. As we devote increasing amounts of resources to sustainability reporting, there remains uncertainty about how to address various sustainability issues, including enforcement in voluntary frameworks. Intensive work will need to be done in short timetables to comply with newly- introduced sustainability standards, with resultant transition costs. Non- compliance could result in various penalties, including liability for significant monetary damages, fines, enforcement actions and / or criminal prosecution or sanctions. Given the reach of new and proposed regulations in the jurisdictions where we operate, there is the possibility that we may not be able to comply, or may not be able to comply in time. We also may not be able to ensure that relevant companies within our supply chain are compliant with applicable supply chain due diligence acts, which may require us to embark on new due diligence processes with other companies and in some cases parting ways with suppliers. We closely monitor developments in sustainability- and climate change- related laws, regulations and policies for their potential effect on our business, however, we are currently not able to accurately predict the materiality of any potential costs associated with such developments. In addition, climate change- related litigation and investigations have increased in recent years and any claims or investigations against us could be costly to defend, and our business could be adversely affected by the outcome.** Certain provisions of our Certificate of Incorporation, our Bylaws and Delaware law could hinder, delay or prevent a change in control of us that you might consider favorable, which could also adversely affect the price of our Class A Common Stock **.** Certain provisions under our Certificate of Incorporation, our Bylaws and Delaware law could discourage, delay or prevent a transaction involving a change in control of the Company, even if doing so would benefit our stockholders. These provisions could delay or prevent a change in control and could limit the price that investors might be willing to pay in the future for shares of our Class A Common Stock. Our Certificate of Incorporation authorizes our ~~board~~ **Board** of ~~directors~~ **Directors** to issue new series of preferred stock without stockholder approval. Depending on the rights and terms of any new series created, and the reaction of the market to the series, the rights or value of our Class A Common Stock could be negatively affected. For example, subject to applicable law, our ~~board~~ **Board** of ~~directors~~ **Directors** could create a series of preferred stock with superior voting rights to our existing common stock. The ability of our ~~board~~ **Board** of ~~directors~~ **Directors** to issue this new series of preferred stock could also prevent or delay a third party from acquiring us, even if doing so would be beneficial to our stockholders. We may not pay cash dividends on our Common Stock **.** It is our current practice to pay cash dividends on our common stock. There can be no assurance, however, that we will pay dividends in the future in the amounts that we have in the past, or at all. Our ~~board~~ **Board** of ~~directors~~ **Directors** may change the timing and amount of any future dividend payments or eliminate the payment of future dividends in its sole discretion, without any prior notice to our stockholders. Our ability to pay dividends will depend upon many factors, including our financial position and liquidity, results of operations, legal requirements, restrictions that may be imposed by the terms of our current and future credit facilities and other debt obligations and other factors deemed relevant by our ~~board~~ **Board** of ~~directors~~ **Directors** . For example, we have a substantial amount of indebtedness and while we feel that we generate sufficient cash from operations and have sufficient borrowing capacity to make required capital expenditures ~~to maintain and grow our business, any decrease in our cash generation could result in higher leverage. Higher leverage could hinder our ability to make acquisitions, capital expenditures, or other investments in our businesses, pay dividends, or withstand business and economic downturns.~~ In the future, we may also enter into other credit agreements or other borrowing arrangements or issue debt securities that, in each case, restrict or limit our ability to pay cash dividends on our ~~Common~~ **common** ~~Stock~~ **stock** . In addition, since a significant portion of our cash is generated from operations of our subsidiaries, our ability to pay dividends is in part dependent on the ability of our subsidiaries – some of which are located outside of the ~~United States~~ **U. S.** – to make distributions to us. Such distributions will be subject to their operating results, cash requirements and financial condition, as well as our ability to repatriate cash held by non- U. S. subsidiaries. Any change in the level of our dividends or the suspension of the payment thereof could adversely affect the market price of our ~~Common~~ **common** ~~Stock~~ **stock** . If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline **.** The trading market for our Class A Common Stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our Class A Common Stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our Class A Common Stock could decrease, which could cause our stock price and trading volume to decline. Future sales of shares by us or our existing stockholders could cause our stock price to decline **.** Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline or might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. As of February ~~17~~ **16** , ~~2023~~ **2024 ,** we had 31. ~~1~~ **2** million shares of Class A ~~Common Stock outstanding and no shares of Class B~~ Common Stock outstanding. In addition, shares of Class A Common Stock are issuable upon ~~the exercise of outstanding stock options or~~ the vesting of outstanding equity awards, and certain shares are reserved for future issuance under our equity compensation plans.