Risk Factors Comparison 2024-04-12 to 2023-04-17 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

Business and Industry Risks: ~~The structural impacts on the economy as a result of the COVID- 19 pandemic and its aftermath have adversely affected and will likely continue to adversely affect our revenues, results of operations and financial condition. All of our global operations were materially adversely affected by the worldwide COVID- 19 pandemic and the related supply-chain disruptions. The aftermath of the immediate severe impacts of COVID- 19 on our operations and financial performance, the changes in our customers' purchasing behavior, the post- pandemic impact of inflation from macroeconomic factors, and the continued and lingering structural impacts on our global supply chain, particularly with respect to the availability and costs of electronic components, have made planning for customer demand and manufacturing production more difficult. Also, it has led to a rise in the cost of a number of classes of acquired goods for both the T & M and PI segments. We will continue to evaluate the impact of COVID- 19 and its aftermath effects on our business, results of operations and cash flows throughout fiscal 2024, including the potential impacts on various estimates and assumptions inherent in the preparation of our condensed consolidated financial statements. Since the COVID- 19 pandemic began we have experienced difficulties in obtaining raw materials and components for our products. Some of the structural dislocations in the global economy that were triggered by the pandemic are prolonging these difficulties. Particularly with respect to certain electronic components for legacy products in our T & M segment, availability has been curtailed and may not recover, and in certain cases we have had to accelerate product redesign efforts and quickly transition customers to products with more viable long- term product configurations. We expect to incur substantial costs in doing so but we are unable to accurately estimate the financial impact due to the rapidly changing environment. We also have had to incur additional costs, such as higher shipping fees (i. e., air rather than ocean freight) and though these have abated to a degree, they have not returned to pre- pandemic levels. These factors negatively impacted our efficiency, delayed shipments in each of the fiscal quarters of 2023, and caused what we believe are product shortages. We are addressing these issues through long- range planning and procuring higher inventory levels for affected items to help mitigate potential shortages whenever practicable. For our T & M segment, we are also monitoring and reacting to extended lead times on electronic components, and utilizing a variety of strategies, including blanket orders, vendor- bonded inventories, extended commitments to our supply base, and seeking alternative suppliers. Additionally, we have taken actions to increase regular contact with our essential vendors and increased our forecasting horizon for our products to help us better manage our supply chain. In some cases, we are working with our vendors to help them procure components. Similarly, in our PI segment, we are increasing our inventory levels to ensure the adequacy of the supplies we sell to customers who use our printers. Our strategies to counteract these supply chain dislocations have significantly increased the amount of inventory we maintain to support our product sales. We have also experienced several situations where component shortages and scarcity have required us to pay significantly higher costs to obtain those components, particularly electronic components and circuit board assemblies in the T & M segment and inks and printer machine parts in the PI segment. We will continue to monitor our supply chain going forward and update our mitigation strategies as we determine appropriate. We are not able to predict how current supply chain difficulties will develop in the future, and if the steps we are taking are not effective, it could have a material adverse impact on our business and results of operations. Our PI business was impacted by the COVID- 19 pandemic as it limited our ability to meet with customers to demonstrate our products at trade shows and on- site in their facilities was curtailed. We partially countered this through a variety of virtual, on- line selling and digital marketing strategies, a number of which we continue to emphasize today. The degree to which post- pandemic selling practices will revert to those that were dominant previously, and the ultimate mix of customer engagement methods of face- to- face selling versus digital selling methods remains uncertain. For example, throughout fiscal 2023 we have attended numerous trade shows, but demand generation through those selling methods have not fully recovered to pre- pandemic levels. We believe that digital marketing has become a more permanent element of our go- to- market strategy. This has required us to shift resources to those technologies. Further, in the PI segment, the timely and reliable delivery of acceptable quality printer components from certain of our suppliers has declined post- pandemic, causing us to incur additional direct procurement costs, to carry higher inventories to assure adequate supplies to satisfy customers, to incur additional warranty and technical service costs to offset those impacts and to accelerate alternative technology development. The aerospace industry, which we serve through our aerospace product line, was significantly disrupted by the COVID- 19 pandemic, both inside and outside of the United States because of the severe decline in the demand for air travel, demand for aircraft, and a general curtailment of aircraft production rates. This had a material adverse impact on our financial results. Now that air travel demand and aircraft production demand have substantially improved, the direct and secondary impacts of the demand decline have abated, but demand for our products has not yet fully recovered to pre- pandemic levels. Our current belief is that it may take two or more years before we reach full revenue recovery, and lingering impacts of the COVID- 19 pandemic on the economic structure of the airline industry, and general economic conditions could still become a negative factor for demand for aircraft, which could stall or reverse current favorable trends. If this were to happen individually or in combination, these factors would be difficult for us to respond to quickly, which could have a material adverse impact on our business operations and financial results. 9~~ Our operating results and financial condition could be harmed if the markets into which we sell our products decline or do not grow as anticipated. Any decline in our customers' markets or their general economic conditions would likely result in a reduction in demand for our products. For example, the 2020 grounding, suspension and subsequent slow restart of ~~production of~~ the Boeing ~~737~~ **B737** MAX, coupled with **the impact of the COVID-19 pandemic reduced the demand for our airborne printers, as well as for the related repairs and supplies, which**

negatively affected our business. Although we have experienced a significant recovery in the demand for our airborne printers following the negative impact of the COVID- 19 pandemic on the demand for new aircraft and travel ~~, reduced the demand for our airborne printers, as well as for the related repairs and supplies which has negatively affected our results of operations. While these effects have been abating~~ , demand remains lower than it was pre- pandemic, and currently the outlook is uncertain. While demand for air travel has recently increased, the impact of **air- safety incidents or of** another viral pandemic or other widespread health emergency could negatively impact this trend in the future. Also, we believe that the pandemic ~~has~~ negatively impacted our customers' financial capacity materially enough to alter their strategies and industry dynamics **, but** ~~so as to make changes in their~~ -- **the increase in travel** demand **has caused the industry profitability to rebound. Production or supply chain issues experienced by any aircraft manufacturer may cause aircraft deliveries to grow** more ~~volatile. These factors may in particular cause demand for aircraft to grow~~ slowly or decline, which would reduce demand for our products, and in turn harm our results of operations, financial position and cash flows. Our future revenue growth depends on our ability to develop and introduce new products and services on a timely basis and achieve market acceptance of these new products and services. The markets for our products are characterized by evolving technologies which in turn ~~effect~~ **affect** our product introduction cycles. Our future success depends largely upon our ability to address the rapidly changing needs of our customers by developing and supplying high- quality, cost- effective products, product enhancements and services on a timely basis and by keeping pace with technological developments and emerging industry standards. The success of our new products will also depend on our ability to differentiate our offerings from our competitors' offerings, price our products competitively, anticipate our competitors' development of new products, and maintain high levels of product quality and reliability. We spend a significant amount of time and effort on the development of our airborne and color printer products as well as our data acquisition and recorder products. Failure to meet our customers' changing business needs or to further develop any of our new products and their related markets as anticipated could adversely affect our future revenue growth and operating results. As we introduce new or enhanced products, we must also successfully manage the transition from older products to minimize disruption in customers' ordering patterns, avoid excessive levels of older product inventories and provide sufficient supplies of new products to meet customer demands. The introduction of new or enhanced products may shorten the life cycle of our existing products, or replace sales of some of our current products, thereby offsetting the benefit of even a successful product introduction and may cause customers to defer purchasing existing products in anticipation of the new products. Additionally, when we introduce new or enhanced products, we face numerous risks relating to product transitions, including the inability to accurately forecast demand, manage excess and obsolete inventories, address new or higher product cost structures, and manage different sales and support requirements due to the type or complexity of the new products. Any customer uncertainty regarding the timeline for rolling out new products or our plans for future support of existing products may cause customers to delay purchase decisions or purchase competing products which would adversely affect our business and operating results. Operational and Business Strategy Risks: We are dependent upon contract manufacturers for some of our products. If these manufacturers do not meet our requirements, either in volume or quality, then we could be materially harmed. We subcontract the manufacturing and assembly of certain of our products to independent third parties at facilities located in various countries. Relying on subcontractors involves a number of significant risks, including: • Disruptions in the global supply chain; ~~•~~ Limited control over the manufacturing process; ~~10 •~~ Potential absence of adequate production capacity; ~~•~~ Potential delays in production lead times; ~~•~~ Unavailability of certain process technologies; ~~•~~ Reduced control over delivery schedules, manufacturing yields, quality and costs **;** and ~~•~~ Exposure to rapid unplanned cost increases that cannot be adequately recovered by customer price increases due to market competition or contractual constraints. If one of our significant subcontractors becomes unable or unwilling to continue to manufacture or provide these products in required volumes, fails to meet our quality standards, or imposes rapid price increases that we cannot recover in the market, we will have to identify alternate qualified subcontractors, take over the manufacturing ourselves, or redesign our products to use components from other suppliers. Additional qualified subcontractors may not be available or may not be available on a timely or cost- competitive basis. Any interruption in the supply, increase in the cost of the products manufactured by a third- party subcontractor **,** or failure of a subcontractor to meet quality standards could have a material adverse effect on our business, operating results and financial condition. For certain components, assembled products and supplies, we are dependent upon single or limited source suppliers. If these suppliers do not meet demand, either in volume or quality, then we could be materially harmed. Although we use standard parts and components for our products where possible, we purchase certain components, assembled products and supplies used in the manufacture of our products from a single source or limited supplier sources. If the supply of a key component, assembled products **,** or certain supplies were to be delayed or curtailed or, in the event a key manufacturing or sole supplier delays shipment of such components or assembled products, our ability to ship products in desired quantities and in a timely manner would be adversely affected. For example, as a result of the global COVID- 19 pandemic, there was a disruption to our supply chain due to the delays of component shipments from our vendors in China and other jurisdictions in which normal business operations were disrupted. **The supply chain disruption continues to affect our business as it has become difficult to ramp up production as quickly as needed to respond to the post- COVID increase in customer demand.** Our business, results of operations and financial position could also be adversely affected, depending on the time required to obtain sufficient quantities from the original source or, if possible, to identify and obtain sufficient quantities from an alternative source **as well as incurring higher costs to obtain needed components** . Additionally, if any single or limited source supplier becomes unable or unwilling to continue to supply components, assembled products **,** or supplies in required volumes or at acceptable prices, we will have to identify and qualify acceptable replacements or redesign our products with different components. Alternative sources may not be available, or product redesign may not be feasible on a timely basis. For example, in fiscal 2023, we experienced increased difficulty in obtaining certain technology- based parts, components and supplies from the largest single supplier of our PI segment at stable or predictable prices. Additionally, we experienced repeated significant quality problems with that supplier. We have responded to these issues by increasing our inventories of those products to mitigate supply risk, negotiating quality related cost reimbursements, and in some cases, accelerating our development of PI products that rely on alternative suppliers. **In fiscal 2024, we incurred $ 0. 6 million of incremental expense relating to warranty services and implementation of corrective retrofits resulting from these issues.** Any interruption in the supply of or increase in the cost of the components, assembled products and supplies provided by single or limited source suppliers could have a material adverse effect on our business, operating results, and financial condition. We face significant competition, and our failure to compete successfully could adversely affect our results of operations and financial condition. We operate in an environment of significant competition, especially in the markets in which we sell our PI printers and T & M data acquisition products. This competition is driven by rapid technological advances, evolving industry standards, frequent new product introductions and the demands of customers to become more efficient. Our competitors range from large international companies to relatively small firms. We compete based ~~11~~ on technology, performance, price, quality, reliability, brand, distribution and customer service and support. Our success in future performance is largely dependent upon our ability to compete successfully in the markets we currently serve and to expand into additional market segments. Additionally, current competitors or new market entrants may develop new products or services with features that could adversely affect the competitive position of our products. To remain competitive, we must develop new products, services and applications and periodically enhance our existing offerings. If we are unable to compete successfully, our customers could seek alternative solutions from our competitors and we could lose market share, which could materially and adversely affect our business, results of operations and financial position. Our profitability is dependent upon our ability to obtain adequate pricing for our products and to control our cost structure. Our success depends on our ability to obtain adequate pricing for our products and services. For a variety of complex reasons, many of which were triggered by the COVID- 19 pandemic, the general economy has been significantly impacted by supply chain disruptions. Examples of some of these impacts on us include reduced availability of certain electronic components and the need to pay premium prices to obtain them, and noticeably higher costs for a wide array of other parts and raw material components in both of our product segments. ~~This~~ **Additionally, due to supply chain disruptions, it** has **become more difficult to obtain the needed components for our legacy T & M products, and as a result we have incurred higher costs to obtain these components. The supply chain disruptions have** been exacerbated by increases in the cost of transportation to expedite incoming components and supplies. In many cases, we have had to expedite delivery of critical materials through significantly higher cost airfreight methods. Our ability to offset these effects through pricing actions for our products and services may not prove sufficient to offset these or further cost increases. Attempts to increase prices may not hold in the face of customer resistance and / or competition. If we are unable to obtain adequate pricing for our products and services, our results of operations and financial position could be materially adversely affected. We are also continually reviewing our operations with a view towards reducing our cost structure, including but not limited to reducing our labor cost- to- revenue ratio, improving process and system efficiencies and outsourcing certain internal functions. **In fiscal 2024** ~~From time to time~~ , we ~~also engage~~ **engaged** in restructuring actions to reduce our cost structure **in our PI segment** . However, if these efforts to constrain the cost of our operations are inadequate to offset higher product and employee wage costs, our results of operations and financial position could be materially adversely affected. Our inability to adequately enforce and protect our intellectual property defend against assertions of infringement or the loss of certain licenses could prevent or restrict our ability to compete. We rely on patents, trademarks, licenses, and proprietary knowledge and technology, both internally developed and acquired, in order to maintain a competitive advantage. Our competitors may develop technologies that are similar or superior to our proprietary technologies or design technologies around the intellectual property protections or licenses that we currently own. The loss of ~~the trademarks QuickLabel, TrojanLabel, ToughWriter and ToughSwitch or~~ **our** ~~the loss of the licenses provided under the~~ Honeywell **license** ~~Agreement~~ **agreement** could have a material adverse impact on our business. Operating outside the United States also exposes us to additional intellectual property risk. The laws and enforcement practices of certain jurisdictions in which we operate do not protect our intellectual property rights to the same extent as in the United States. Any diminution in our ability to defend against the unauthorized use of these rights and assets could have an adverse effect on our results of operations and financial condition. Litigation may be necessary to protect our intellectual property rights or defend against claims of infringement, which could result in significant costs and divert our management' s focus away from operations. We have significant inventories on hand. We maintain a significant amount of inventory, and as a result of recent supply chain disruptions and announced or anticipated price increases from suppliers, we have further increased the amount of inventory we maintain on hand to ensure we are able to meet market demand for our products at a reasonable price. These ~~12~~ increases have been concentrated in label printing machines and supplies sold by our PI business, as well as in electronic components and assemblies in our T & M business. We maintain allowances for slow- moving and obsolete inventory that we believe are adequate, but any significant unanticipated changes in future product demand or market conditions, could have an impact on the value of inventory and adversely affect our business, operating results and financial condition. We could incur liabilities as a result of installed product failures due to design or manufacturing defects. We have incurred and could in the future incur additional liabilities because of product failures due to design or manufacturing defects. Our products may have defects despite our internal testing or testing by customers. These defects could result in, among other things, **increased warranty provisions,** a delay in recognition of sales, loss of sales, loss of market share, failure to achieve market acceptance **,** or damage to our reputation. We could be subject to material claims by customers and may incur substantial expenses to correct any product defects. While in the past, we have successfully obtained partial compensation from suppliers for their contribution to product quality issues, we may not be successful in such a recovery in the future, and these recoveries have not in the past and are not in the future likely to fully offset the full financial impact on us. For example, in fiscal 2023, the quality of products obtained from one of the key suppliers to our PI segment declined and we were unable to detect latent defects in their products in a timely manner, which resulted in our incurring increased technical service and warranty expenses. We obtained partial compensation from that supplier, but this was insufficient to fully cover all of our costs related to this issue. We also believe we have experienced demand declines as a result of customers' perceptions of the quality defects related to this supplier. In **fiscal 2024, we continued to have quality and reliability issues in certain models of our PI printers as a result of faulty ink provided by one of our larger suppliers. During the second quarter of fiscal 2024, we initiated a program to retrofit all of the printers sold to our customers that were affected by the faulty ink at a total cost of $ 0. 6 million. If we continue to experience product failures due to design or manufacturing defects, our business, results of operations and financial position could be materially and adversely affected. In** addition, through our acquisitions, we have assumed, and may in the future **,** assume ~~,~~ liabilities related to products previously developed by an acquired company that may not have been subjected to adequate product development, testing and quality control processes, and may have unknown or undetected defects. Some types of defects may not be detected until the product is installed in a user environment. This may cause us to incur significant warranty, repair **,** or re- engineering costs. As such, it could also divert the attention of engineering personnel from product development efforts, which may result in increased costs and lower profitability. We could experience a significant disruption in or security breach of our information technology system **,** which could harm our business and adversely affect our results of operations. We rely on on- premise and cloud- based information technology systems, some of which are managed by or licensed from third parties, to support many critical aspects of our business, as well as to process, transmit and store our own electronic proprietary or confidential information, and confidential information of customers, employees, suppliers and others, including personally identifiable information, credit card data, and other proprietary confidential information. These systems are vulnerable to damage, disruptions and / or shutdowns due to attacks by cyber- criminals, data breaches, employee error, power outages, computer viruses, telecommunication or utility failures, systems failures, natural disasters, catastrophic events **,** or other unforeseen events. These vulnerabilities could interfere with our operations, compromise our data processing capacity and the security of our information and that of our customers and suppliers, and expose us to liability which could adversely impact our business and reputation. We actively manage these risks through a variety of hardware and software- based techniques that we own, license **,** or otherwise procure from third parties under contract to safeguard our systems, and we own or procure from third parties system data storage redundancy and disaster recovery capability. In particular, we have increased our investment in tools, techniques and training that we believe will reduce our vulnerability to attacks from cyber- criminals. However, due to the complexity of our systems, and especially due to the ever- increasing sophistication of cyber- criminals, there is no assurance that our efforts will be sufficient to prevent cyber- attacks, security breaches, or the other potential exploitation of vulnerabilities or systems failures. In any such circumstance, our system redundancy and other disaster recovery planning may be ineffective or inadequate. While we have experienced, and expect to continue to experience, these types of threats to our information technology networks and infrastructure, none of them to date has had a material impact. However, in the future, such events could result in legal claims or proceedings, liability or ~~13~~ penalties under privacy laws, disruption in operations, and damage to our brand and reputation, all of which could adversely affect our business, operating results and financial condition. We maintain insurance for a variety of cybersecurity risks to mitigate their possible impact, but because of the prevalence of claims in the market for cybersecurity insurance, the cost for that insurance has increased and the underwriting criteria to obtain such insurance has become far more demanding. There is no assurance that we will be able to obtain such insurance in the future, despite our substantial investments in cybersecurity, and if we are able to do so, it may be at substantially higher costs. In addition, in response to these higher costs, we may choose to reduce the amount of insurance we maintain because we believe our improvements in our cybersecurity profile have reduced our risk exposure relative to the increased cost of insurance. If our risk assessments prove incorrect and we were to have a loss not fully covered by insurance, our financial condition and results of operations could be materially negatively impacted. We depend on our key employees and other highly qualified personnel and our ability to attract and develop new, talented professionals. Our inability to attract and retain key employees, as well as challenges with respect to the management of human capital resources, could compromise our future success and our business could be harmed. Our future success depends upon our ability to attract and retain, through competitive compensation and benefits programs, professional and executive employees, including sales, operating, marketing, and financial management personnel as well as our ability to manage human capital resources. There is substantial competition for skilled personnel, and the failure to attract, develop, retain and motivate adequately qualified personnel could negatively impact our business, financial condition, results of operations and prospects. In order to hire new personnel or retain or replace our key personnel, we must maintain competitive compensation and benefits, and we may also be required to increase compensation, which would decrease net income. Additionally, several key employees have special knowledge of customers, supplier relationships, business processes, manufacturing operations, regulatory and customer quality compliance management, and financial management issues. The loss of any of these employees as the result of competitive compensation pressures or ineffective management of human capital resources could harm our ability to perform efficiently and effectively until their knowledge and skills are replaced, which might be difficult to do quickly, and as a result could have a material adverse effect on our business, financial condition, and results of operations. Failure to retain or attract key personnel could impede our ability to grow and could result in our inability to operate our business profitably. Although we have not experienced any material disruptions due to labor shortages to date, we have observed an overall tightening and increasingly competitive labor market, and the demand for qualified individuals is expected to remain strong for the foreseeable future. Any sustained labor shortage or increased turnover rates within our employee base, could lead to increased costs and lost profitability and could otherwise compromise our ability to efficiently operate our business. We may record future impairment charges, which could materially adversely impact our results of operations. We test our goodwill balances annually, or more frequently if indicators are present or changes in circumstances suggest that impairment may exist. We assess goodwill for impairment at the reporting unit level and monitor the key drivers of fair value to detect events or other changes that would warrant an interim impairment test of our goodwill and intangible assets. Declines in the future performance and cash flows of a reporting unit or asset group, changes in our reporting units or in the structure of our business as a result of future reorganizations, acquisitions or divestitures of assets or businesses, or changes in other key assumptions, may result in the recognition of significant asset impairment charges, which could have a material adverse impact on our results of operations. We also review our long- lived assets including property, plant and equipment, and other ~~intangibles~~ **intangible** assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. ~~14~~ Factors we consider include significant under- performance relative to expected historical or projected future operating results, significant negative industry or economic trends and our market capitalization relative to net book value. We may be required in the future to record a significant charge to earnings in our financial statements during the period in which any impairment of our long- lived assets is determined. Such charges could have a significant adverse impact on our results of operations and our financial condition. Financial and Economic Risks: We face risks related to recession, inflation, stagflation and other economic conditions. Customer demand for our products may be impacted by weak economic conditions, inflation, stagflation, recession, rising interest rates, equity market volatility or other negative economic factors in the U. S. or other nations. For example, under these conditions or the expectation of such conditions, our customers may cancel orders, delay purchasing decisions **,** or reduce their use of our services. In addition, these economic conditions could result in higher inventory levels and the possibility of additional charges if we request changes in delivery schedules or if suppliers incur additional costs that they pass on to us. Further, in the event of a recession or threat of a recession, our suppliers, distributors, and other third- party partners may suffer their own financial and economic challenges and, as a result, they may demand pricing accommodations, delay payment, or become insolvent, which could harm our ability to meet our customers' demands or collect revenue or could otherwise harm our business. Similarly, disruptions in financial or credit markets may impact our ability to manage normal commercial relationships with our customers, suppliers and creditors and might cause us to not be able to continue to access preferred sources of liquidity when we would like if at all, and our borrowing costs could increase. Thus, if general macroeconomic conditions continue to deteriorate, our business and financial results could adversely affect our business, operating results and financial condition. In addition, we are subject to risks from inflation and increasing market prices of certain components, supplies, and raw materials, which are incorporated into our end products or used by our suppliers to manufacture our end products. These components, supplies and other raw materials have from time to time become restricted. General market factors and conditions have in the past and may in the future affect pricing of such components, supplies **,** and commodities. Economic, political and other risks associated with international sales and operations could adversely affect our results of operations and financial position. Because we sell our products worldwide, our business is subject to risks associated with doing business internationally. Revenue from international operations, which includes both direct and indirect sales to customers outside the U. S., accounted for approximately ~~35~~ **43** % of our total revenue for fiscal ~~2023~~ **2024** , and we anticipate that international sales will continue to account for a significant portion of our revenue. In addition, we have employees, suppliers, contractors and facilities located outside the U. S. Accordingly, our business, operating results and financial condition could be harmed by a variety of factors, including: ~~•~~ Interruption to transportation flows for delivery of parts to us and finished goods to our customers; ~~•~~ Customer and vendor financial stability; ~~•~~ Fluctuations in foreign currency exchange rates; ~~•~~ Changes in a specific country' s or region' s environment including political, economic, monetary, regulatory **,** or other conditions; ~~•~~ Trade protection measures and import or export licensing requirements; ~~•~~ Negative consequences from changes in tax laws; ~~•~~ Difficulty in managing and overseeing operations that are distant and remote from corporate headquarters; ~~15 •~~ Difficulty in obtaining and maintaining adequate staffing; ~~•~~ Differing labor regulations; ~~•~~ Failure to comply with complex and rapidly changing government economic sanctions against other countries, especially arising from responses to armed conflict; ~~•~~ Unexpected changes in regulatory requirements; ~~• Uncertainty surrounding the implementation~~ and ~~effects of the United Kingdom' s withdrawal from the EU, commonly known as " Brexit "; and •~~ Geopolitical turmoil, including terrorism, war and public health disruptions, such as that caused by the COVID- 19 pandemic or Russia' s invasion of Ukraine. To date, the impact of the Russian invasion of Ukraine and the resulting governmental sanctions and our decision to halt all activities in the affected areas has had an immaterial direct impact on our revenues. We believe, however, that the impact on the economies of Western Europe, especially Germany, which is the largest non- North American market for our products, has had a negative impact on demand for our products. Changes in our tax rates or exposure to additional income tax liabilities or assessments could affect our profitability. In addition, audits by tax authorities could result in additional tax payments for prior periods. As a global company, we are subject to taxation in numerous countries, states and other jurisdictions. As a result, our effective tax rate is based on the tax rates in effect where we operate. In preparing our financial statements, we estimate the amount of tax that will become payable in each jurisdiction. Our effective tax rate may vary as a result of numerous factors, including changes in the mix of our profitability from jurisdiction to jurisdiction, the results of examinations and audits of our tax filings, whether we secure or sustain acceptable arrangements with tax authorities, adjustments to the value of our uncertain tax positions, changes in accounting for income taxes and changes in tax laws. Any of these factors could cause us to experience an effective tax rate significantly different from previous periods or our current expectations. Changes to tax laws and regulations or changes to the interpretation thereof, the ambiguity of tax laws and regulations, the subjectivity of factual interpretations, uncertainties regarding the geographic mix of earnings in any particular period, and other factors ~~,~~ could have a material impact on our estimates of our effective tax rate and our deferred tax assets and liabilities. The impact of these factors may be substantially different from period ~~-~~ to ~~-~~ period. In addition, the amount of income taxes we pay is subject to ongoing audits by U. S. federal, state **,** and local tax authorities. If audits result in payments or assessments different from our reserves, our future results may include unfavorable adjustments to our tax liabilities and our financial statements could be adversely affected. Any further significant changes to the tax system in the United States or in other jurisdictions (including changes in the taxation of international income as further described below) could adversely affect our financial statements. We may have exposure to additional tax liabilities, which could negatively impact our income tax expense, net income and cash flow. We are subject to income and other taxes in both the U. S. and the foreign jurisdictions in which we operate. The determination of our worldwide provision for income taxes and current and deferred tax assets and liabilities requires judgment and estimation. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are subject to regular review and audit by both domestic and foreign tax authorities and to the prospective and retrospective effects of changing tax regulations and legislation. Although we believe our tax estimates are reasonable, the ultimate tax outcome may materially differ from the amounts recorded in our consolidated financial statements and may materially affect our income tax benefit or expense, net loss or income, and cash flows in the period in which such determination is made. ~~16~~ Deferred tax assets are recognized for the expected future tax consequences of temporary differences between the carrying amount for financial reporting purposes and the tax bases of assets and liabilities, and for net operating losses and tax credit carry forwards. In some cases, we may record a valuation allowance to reduce our deferred tax assets to estimated realizable value. We review our deferred tax assets and valuation allowance requirements quarterly. If we are unable to demonstrate that it is more likely than not that we will not be able to generate sufficient future taxable income to realize the net carrying value of deferred tax assets, we will record a valuation allowance to reduce the deferred tax assets to estimated realizable value, which could result in a material income tax charge. As part of our review, we consider positive and negative evidence, including cumulative results of recent years. If we are unable to successfully comply with our credit agreement with Bank of America or secure alternative financing, our business and financial condition could be materially adversely affected. Our credit agreement with Bank of America **, N. A.** requires us, among other things, to satisfy certain financial ratios on an ongoing basis, consisting of a maximum consolidated leverage ratio, a minimum consolidated fixed charge coverage ratio and an asset coverage ratio. We are also required to comply with other covenants and conditions, set forth in the credit agreement, including, among others, limitations on our and our subsidiaries' ability to incur future indebtedness, to place liens on assets, to pay dividends or distributions on their capital stock, to repurchase or acquire their capital stock, to conduct mergers or acquisitions, to sell assets, to alter their capital structure, to make investments and loans, to change the nature of their business, and to prepay subordinated indebtedness, in each case subject to certain exceptions and thresholds as set forth in the credit agreement. If we were to violate the terms of the credit agreement and we were unable to renegotiate its terms at that time or secure alternative financing, it could have a material adverse impact on us. The agreements governing our indebtedness subject us to various restrictions that limit our ability to pursue business opportunities. The credit agreement governing our credit facility with Bank of America, N. A. ~~, as amended,~~ contains, and any future debt agreements may include ~~,~~ several restrictive covenants that impose significant operating and financial restrictions on us and our subsidiaries. Such restrictive covenants may significantly limit our ability to: ~~•~~ Incur future indebtedness; ~~•~~ Place liens on assets; ~~•~~ Pay dividends or distributions on our and our subsidiaries' capital stock; ~~•~~ Repurchase or acquire our capital stock; ~~•~~ Conduct mergers or acquisitions; ~~•~~ Sell assets; and / or ~~•~~ Alter our or our subsidiaries' capital structure, to make investments and loans, to change the nature of their business, and to prepay subordinated indebtedness. We may not realize the anticipated benefits of past or future acquisitions, divestitures and strategic partnerships, and integration of acquired companies or divestiture of businesses may negatively impact our overall business. We have made strategic investments in other companies, products and technologies, including our August 2022 acquisition of Astro Machine LLC ~~and 2017 acquisition of TrojanLabel~~ . We will continue to identify and pursue acquisitions of complementary companies and strategic assets, such as customer bases, products and technology. However, there can be no assurance that we will be able to identify suitable acquisition opportunities. In any acquisition that we complete, we cannot be certain that: ~~•~~ We will successfully integrate the operations of the acquired business with our own; ~~17~~ ~~•~~ All the benefits expected from such integration will be realized; ~~•~~ Management' s attention will not be diverted or divided, to the detriment of current operations; ~~•~~ Amortization of acquired intangible assets or possible impairment of acquired intangibles will not have a negative impact on operating results or other aspects of our business; ~~•~~ Delays or unexpected costs related to the acquisition will not have a detrimental impact on our business, operating results and financial condition; ~~•~~ Customer dissatisfaction with, or performance problems at, an acquired company will not have an adverse impact on our reputation; **We will successfully implement effective disclosure controls** and ~~•~~ **internal controls over financial reporting at the acquired business in a timely fashion; and** Respective operations, management and personnel will be compatible. For example, in the recently acquired Astro Machine business, revenues are concentrated in a relatively small number of customers. Failure to satisfy the delivery requirements of those customers or to adequately respond to their evolving product requirements could cause us to lose one or more customers which would have a material adverse impact on our financial condition and results of operation due to lower revenue and could result in intangible asset impairment. In certain instances, as permitted by applicable law and NASDAQ rules, acquisitions, such as the Astro Machine acquisition, may be consummated without seeking and obtaining shareholder approval, in which case shareholders will not have an opportunity to consider and vote upon the merits of such an acquisition. Although we will endeavor to evaluate the risks inherent in an acquisition, there can be no assurance that we will properly ascertain or assess such risks. We may also divest certain businesses from time to time. Divestitures will likely involve risks, such as difficulty splitting up businesses, distracting employees, potential loss of revenue and negatively impacting margins, and potentially disrupting customer relationships. A successful divestiture depends on various factors, including our ability to: ~~•~~ Effectively transfer assets, liabilities, contracts, facilities and employees to the purchaser; ~~•~~ Identify and separate the intellectual property to be divested from the intellectual property that we wish to keep; and ~~•~~ Reduce fixed costs previously associated with the divested assets or business. All of these efforts require varying levels of management resources, which may divert our attention from other business operations. Further, if market conditions or other factors lead us to change our strategic direction, we may not realize the expected value from such transactions. If we are not able to successfully integrate or divest businesses, products, technologies or personnel that we acquire or divest, or able to realize the expected benefits of our acquisitions, divestitures or strategic partnerships, our business, results of operations and financial condition could be adversely affected. Changes in our business strategy or restructuring of our businesses may increase our costs or otherwise affect the profitability of our businesses. We continually review our operations with a view toward reducing our cost structure, including but not limited to reducing our labor cost- to- revenue ratio, improving process and system efficiencies and increasing our revenues and operating margins. **For example, in fiscal 2024 we implemented a restructuring plan in our PI segment to reduce operating costs within that segment.** As changes in our business environment occur, we may need to adjust our business strategies to meet these changes, or we may otherwise find it necessary to restructure our operations or particular businesses or assets. When these changes or events occur, we may incur costs to change our business strategy and may need to write down the value of assets or sell certain assets. In any of these events our costs may increase, and we may have significant charges or losses associated with the write- down or divestiture of assets. ~~18~~ Adverse conditions in the global banking industry and credit markets could impair our liquidity or interrupt our access to capital markets, borrowings or financial transactions to hedge certain risks. At the end of fiscal ~~2023~~ **2024**, we had approximately $ ~~3~~ **4**. ~~9~~ **5** million of cash and cash equivalents. Our cash and cash equivalents are held in bank demand deposit accounts and foreign bank accounts. Disruptions in the financial markets may, in some cases, result in an inability to access assets such as money market funds that traditionally have been viewed as highly liquid. Any failure of our counterparty financial institutions or funds in which we have invested may adversely impact our cash and cash equivalent positions and, in turn, our financial position. To date, we have been able to access financing that has allowed us to make investments in growth opportunities and fund working capital requirements as needed. In addition, we occasionally enter into financial transactions to hedge certain foreign exchange and interest rate risks. Our continued access to capital markets, the stability of our lenders and their willingness to support our needs, and the stability of the counterparties to our financial transactions that hedge risks are essential for us to meet our current and long- term obligations, fund operations, and fund our future strategic initiatives. An interruption in our access to external financing or financial transactions to hedge risk could materially and adversely affect our business and financial condition. Inadequate self- insurance accruals or insurance coverage for employee healthcare benefits could have an adverse effect on our business, financial results or financial condition. In the U. S., we maintain an employee health insurance coverage plan on a self- insured basis backed by stop- loss coverage which sets a limit on our liability for both individual and aggregate claim costs. We record expenses based on actual claims incurred and estimates of the costs of expected claims, administrative costs, and stop- loss insurance premiums. We record a liability for our estimated cost of U. S. claims incurred and unpaid as of each balance sheet date. Our estimated liability is recorded on an undiscounted basis and is based on historical trends and data provided by our insurance broker. Our history of claims activity is closely monitored, and liabilities are adjusted as warranted based on changing circumstances. It is possible, however, that our actual liabilities may exceed our estimates of losses. We may also experience an unexpectedly large number of claims that result in costs or liabilities in excess of our projections, which could cause us to record additional expenses, which could adversely impact our business, financial condition, results of operations and cash flow. Legal and Regulatory Risks: Certain of our products require certifications by customers, regulators or standards organizations, and our failure to obtain or maintain such certifications could negatively impact our business. In certain industries and for certain products, such as those used in aircraft, we must obtain certifications for our products by customers, regulators or standards organizations. If we fail to obtain required certifications for our products, or if we fail to maintain such certifications on our products after they have been certified, our business, financial condition, results of operations and cash flows could be materially and adversely affected. We are subject to laws and regulations; failure to address or comply with these laws and regulations could harm our business and adversely affect our results of operations. Our operations are subject to laws, rules, regulations, including environmental regulations, government policies and other requirements in each of the jurisdictions in which we conduct business. Changes in laws, rules, regulations, policies or requirements could result in the need to modify our products and could affect the demand for our products, which may have an adverse impact on our future operating results. In addition, we must comply with regulations restricting our ability to include lead and certain other substances in our products. If we do not comply with applicable laws, rules and regulations we could be subject to costs and liabilities and our business may be adversely impacted. ~~19~~ We are subject to regulatory constraints and compliance requirements due to our status as a publicly held company. Public company compliance costs are increasing due to the increase in SEC regulations and enforcement actions, and the heightened scrutiny that we and the public accounting industry face from the Public Companies Accounting Oversight Board. Additionally, certain new and proposed regulations in the State of Rhode Island, where we are headquartered, are likely to increase compliance costs. In some instances, the regulations may mandate action on our part for which, to our knowledge, no current technical means to comply exist. If enacted, the costs ~~to~~ **of** ~~comply~~ **complying** with these regulations could have a material adverse impact on our business. Our business outside of the United States exposes us to foreign and additional U. S. laws and regulations, including but not limited to, laws and regulations relating to taxation, business licensing or certification requirements, employee rights and protection, consumer protection, intellectual property rights, consumer and data protection, privacy, encryption, restrictions on pricing or discounts, and the U. S. Foreign Corrupt Practices Act and other applicable U. S. and foreign laws prohibiting corrupt payments to government officials and other third parties. For example, the increased use of sanctions in U. S. international relations recently has increased our cost of compliance with the regulations intended to enforce them. Section 404 of the Sarbanes- Oxley Act of 2002 requires that companies evaluate and report on the effectiveness of their internal control over financial reporting and any inability to achieve and maintain effective disclosure controls and procedures and internal control over financial reporting, could adversely affect our results of operations, our stock price and investor confidence in our company. We have identified a material weakness in our internal control over financial reporting and that weakness has led to a conclusion that our internal control over financial reporting and disclosure controls and procedures were not effective as of January 31, ~~2023~~ **2024**. The material weakness related to our ~~inability~~ **failure** to **design and** maintain **an** effective ~~controls~~ - **control** ~~to properly identify and assess significant non- routine transactions~~ **environment at our Astro Machine subsidiary, which was acquired in August of 2022**. Management is taking action to remediate ~~the deficiencies~~ **this material weakness** in its internal controls over financial reporting by ~~augmenting~~ **designing an effective control environment and expanding our existing enterprise** ~~resources~~ - **resource** ~~in our financial organization~~ **planning system to include the Astro Machine subsidiary**. If action to remediate this material weakness is not completed on a timely basis, or if other remediation efforts are not successful, we may, in the future, identify additional internal control deficiencies that could rise to the level of a material weakness or uncover other errors in financial reporting. Failure to have effective internal control over financial reporting and disclosure controls and procedures could impair our ability to produce accurate financial statements on a timely basis, or provide reliable financial statements needed for business decision processes, and our business and results of operations could be harmed. Additionally, investors could lose confidence in our reported financial information and our ability to obtain additional financing, or additional financing on favorable terms, could be adversely affected. Also, failure to maintain effective internal control over financial reporting could result in sanctions by regulatory authorities. Certain of our operations and products are subject to environmental, health and safety laws and regulations, which may result in substantial compliance costs or otherwise adversely affect our business. Our operations are subject to numerous federal, state, local and foreign laws and regulations relating to protection of the environment, including those that impose limitations on the discharge of pollutants into the air and water, establish standards for the use, treatment, storage and disposal of solid and hazardous materials and wastes, and govern the cleanup of contaminated sites. As such, our business is subject to and may be materially and adversely affected by compliance obligations and other liabilities under those environmental, health and safety laws and regulations. Certain of our products contain, and some of manufacturing operations use various substances which have been or may be deemed to be hazardous or dangerous. Thus, we have and will continue to generate a generally limited amounts of hazardous waste in our operations. We manage our compliance with laws and regulations and the proper mitigation of risks internally and through the input of external consultants and outside service providers and we believe we are in material compliance with all applicable environmental laws and regulations. We desire to reduce and ultimately eliminate any adverse environmental impact of our ~~20~~ business and to comply with relevant laws and regulations. We expect this effort to affect our ongoing operations and require additional capital and operating expenditures. If we were to fail to manage our environmental compliance effectively, we could suffer economic or reputational harm. Our operations are subject to anti- corruption laws, including the U. S. Foreign Corrupt Practices Act, and any determination that we or any of our subsidiaries has violated the Foreign Corrupt Practices Act could have a material adverse effect on our business. The U. S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act and similar worldwide anti- corruption laws generally prohibit companies and their intermediaries from making improper payments to government officials and others for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti- corruption laws. We operate in parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti- corruption laws may conflict with local customs and practices. Despite our training and compliance programs, there can be no assurance that our internal control policies and procedures will protect us from reckless or criminal acts committed by those of our employees or agents who violate our policies. Unauthorized access to personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements or differing views of personal privacy rights and compliance with laws designed to prevent unauthorized access of personal data could be costly. We collect and store certain data, including proprietary business information, and may have access to confidential or personal information that is subject to privacy and security laws, regulations and customer- imposed controls. Security breaches or other unauthorized access to, or the use or transmission of, personal user information could result in a variety of claims against us, including privacy- related claims. There are numerous federal, state, local, and international laws and regulations regarding privacy and the storage, sharing, use, processing, disclosure and protection of this kind of information, the scope of which are changing, inconsistent and conflicting and subject to differing interpretations. We also expect that there will continue to be new laws, regulations, and industry standards concerning privacy, data protection, and information security proposed and enacted in various jurisdictions. For example, in 2016 the European Commission adopted the General Data Protection Regulation (GDPR), a comprehensive privacy and data protection reform that became effective in May 2018. The GDPR, which is applicable to all companies processing data of European Union residents, imposes significant fines and sanctions for violations. These requirements are complicated **,** and compliance is technically complex to maintain. We contract with outside experts to advise us, conduct internal and external compliance training, and believe we are currently in compliance, however, maintaining compliance has increased costs and diverted resources. Similarly, the California Consumer Privacy Act of 2018, which was enacted in June 2018 and came into effect on January 1, 2020, provides a new private right of action for data breaches and requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices and allow consumers to opt out of certain data sharing with third parties. Additionally, other jurisdictions have enacted or are enacting data localization laws that require data generated in or relating to the residents of those jurisdictions to be physically stored within those jurisdictions. In many cases, these laws and regulations apply not only to transfers between unrelated third parties but also to transfers between us and our subsidiaries. All these evolving compliance and operational requirements impose significant costs that are likely to increase over time. While we continue to assess these requirements and the ways they may impact the conduct of our business, we believe that we materially comply with applicable laws and industry codes of conduct relating to privacy and data protection. There is no assurance that we will not be subject to claims that we have violated applicable laws or codes of conduct, that we will be able to successfully defend against such claims or that we will not be subject to significant fines and penalties in the event we are found not to be in compliance with such laws or codes of conduct. ~~21~~ **Any failure or perceived failure by us (or any third parties with whom we have contracted to store such information) to comply with applicable privacy and security laws, policies or related contractual obligations or any compromise of security that results in unauthorized access to personal information may result in governmental enforcement actions, significant fines, litigation, claims of breach of contract and indemnity by third parties and adverse publicity. In the case of such an event, our reputation may be harmed, we could lose current and potential users and the competitive positions of our various brands could be diminished, any or all of which could adversely affect our business, financial condition and results of operations. Changes in accounting standards and subjective assumptions, estimates, and judgments by management related to complex accounting matters could**

significantly affect our financial results or financial condition. Generally accepted accounting principles and related accounting pronouncements, implementation guidelines, and interpretations with regard to a wide range of matters that are relevant to our business, such as revenue recognition, asset impairment and fair value determinations, inventories, business combinations and intangible asset valuations, income taxes, and warranties, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates, or judgments could significantly change our reported or expected financial performance or financial condition.