Risk Factors Comparison 2024-02-13 to 2023-02-09 Form: 10-K

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Described below and in " Management' s Discussion and Analysis of Financial Condition and Results of Operations " and " Quantitative and Qualitative Disclosures about Market Risk " are certain risks that the company' s management believes are applicable to the company' s business and the industries in which it operates. If any **one or more** of the described events occur, the company' s business, **reputation,** results of operations, financial condition **, stock price** , liquidity, or access to the capital markets could be materially adversely affected. When stated below that a risk may have a material adverse effect on the company' s business, it means that such risk may have one or more of these effects. There may be additional risks that are not presently material or known. Business Risks If the company is unable to maintain its relationships with its suppliers, if the suppliers materially change the terms of their existing agreements with the company **or the company fails to abide by the terms of such agreements** , if suppliers cease selling their products through distribution generally, or if supply chain shortages and other disruptions occur, the company' s business could be materially adversely affected. A substantial portion of the company' s inventory is purchased from suppliers with which the company has entered into non- exclusive distribution agreements. These agreements are typically cancellable at any time or on short notice (generally 30 to 90 days). ~~However, the recent global semi- conductor shortages have resulted in some suppliers increasing the amount of non- cancellable orders, which limits the company' s ability to adjust down its inventory levels in the event of market downturns, and could have a negative impact on the financial results of the company, particularly if the company is unable to pass such non- cancellable terms on to customers.~~ Some of the company' s businesses rely on a limited number of suppliers to provide a high percentage of their revenues. For example, sales of products from one of the company' s suppliers accounted for approximately ~~13~~ **10** % of the company' s consolidated sales in ~~2022~~ **2023** . To the extent that the company' s significant suppliers reduce the number of products they sell through distribution or cease selling their products through distribution entirely, experience disruptions in their supply chains, cease to continue doing business with the company, or are unable to continue to meet or significantly alter their obligations, the company' s business could be materially adversely affected. In addition, to the extent ~~that~~ the company' s suppliers modify the terms of their contracts to the detriment of the company, limit supplies due to capacity constraints ~~,~~ or other factors **, or cancel such contracts or exercise remedies thereunder due to the company' s breach of contract terms** , there could be a material adverse effect on the company' s business. Further, the supplier landscape has continued to experience a consolidation, which could negatively impact the company if the surviving, consolidated suppliers decide to exclude the company from their supply ~~chain~~ **chains** ~~efforts~~ , and which could expose the company to increased ~~risks, including increased~~ pricing and dependence on a smaller number of suppliers **, among other risks** . Increasing consolidation in the industries where the company' s suppliers operate may occur as companies combine to achieve further economies of scale and other synergies, which could result in reduced supplies, as companies seek to eliminate duplicative product lines, and increased prices, which could have a material adverse effect on the company' s business. The ~~global COVID- 19 pandemic continues to impact the company' s business, particularly in China and the Asia / Pacific region, through significant shortages, disruptions, constraints, extended lead times, and unpredictability across the global supply chain; which has resulted in rapidly changing market conditions, including frequent, and unpredictable, increases in the price of products and services the company sells. Further disruptions to the supply chain due to the COVID- 19 pandemic or other global or domestic events could materially adversely impact the company' s business, and the company may not be able to mitigate or prevent disruptions that may arise from shortages, or the other related impacts discussed above, particularly if the company is unable to pass price increases on to customers, or if the company experiences significant decreases in price, or other pricing pressures caused by disruption of the global markets in which it operates. Refer to" COVID- 19 Pandemic Update" in Management' s Discussion & Analysis of Financial Condition and Results of Operations for a further discussion about the company' s description about the impacts of COVID- 19. The~~ company' s revenues originate primarily from the sales of semiconductor, **IP & E** (**Interconnect,** ~~passive~~ **Passive & Electromechanical** ~~, electro- mechanical and connector) (PEMCO~~), and IT hardware and software products, the sales of which are traditionally cyclical and may be impacted by shortages and other disruptions in the global supply chain. The semiconductor industry historically has experienced fluctuations in product supply and demand, often associated with changes in technology and manufacturing capacity and ~~subject to~~ significant economic market upturns and downturns. Sales of semiconductor products and related services represented approximately 60 %, **60 %, and** 57 %, ~~and 54 %,~~ of the company' s consolidated sales in **2023,** 2022, **and** 2021 ~~, and 2020~~ , respectively. The sale of the company' s ~~PEMCO~~ **IP & E** products closely tracks the semiconductor market. Accordingly, the company' s revenues and profitability, particularly in its global components ~~business~~ **reportable** segment, may be adversely affected by weakness in the semiconductor market **, which the company has experienced during 2023** . Further, economic weakness could cause a decline in spending in information technology, which could reduce demand for semiconductors and other products and related services and thereby have a negative impact on the company' s ECS business. A **prolongation or worsening of the current weakness in semiconductor markets, or a future** cyclical downturn in the technology industry **,** could have a material adverse effect on the company' s business and negatively impact its ability to maintain historical profitability levels. ~~Index~~ The competitive pressures the company faces, such as pricing and margin reductions, could have a material adverse effect on the company' s business. The company operates in a highly competitive international environment. The company competes with other large multinational and national electronic components and enterprise computing solutions distributors, as well as numerous other smaller, specialized competitors who generally focus on narrower market sectors, products, or industries. The company also competes for customers with its suppliers. The size of the company' s competitors varies across market sectors, as do the resources the company has allocated to the sectors in which it does business. Therefore, some of the company' s competitors may have a more extensive customer and / or supplier base than the company in one or more of its market sectors. There is **also** significant competition within each market sector and geography that creates pricing and margin pressure and ~~the need~~ **continuous demand** for ~~constant attention~~ **the company** to improve service and product offerings ~~and increase market share~~ . Other competitive factors include rapid technological changes, product availability, credit availability, speed of delivery, ability to tailor solutions to changing customer needs, ~~and~~ quality and depth of product lines and training, ~~as well as~~ **and increasing demand for customer** service and support ~~provided by the distributor to the customer~~ . The company also faces competition from companies in the logistics and product fulfillment, catalog distribution, e- commerce, and supply chain services markets. As the company continues to expand its business into new areas in order to stay competitive in the market, the company may encounter increased competition from its current and / or new competitors, making it difficult to retain **or increase** its market share. Further, the enterprise computing solutions industry has recently experienced, and continues to experience increased consolidation, resulting in companies with greater scale, market presence, and purchasing power. As a result, competition among enterprise computing distributors has increased. Declines in value of the company' s inventory could materially adversely affect its business. The market for the company' s products and services is subject to rapid technological changes, evolving industry standards, changes in end- market demand, evolving customer expectations **and demands** , oversupply of product, and regulatory requirements, which can contribute to the decline in value or obsolescence of inventory. Although many of the company' s suppliers provide the company with certain protections from the loss in value of inventory (such as price protection and certain rights of return), the company cannot be sure that such protections will fully compensate it for the loss in value, that the suppliers will choose to, or be able to, honor such agreements, or that the company will be able to continue to secure such protections in the future. For example, many of the company' s suppliers will not allow products to be returned after they have been held in inventory beyond a certain amount of time, and, in most instances, the return rights are limited to a certain percentage of the amount of products the company purchased in a particular time frame. Therefore, the company is not fully protected from **a** ~~declines~~ **decline** in the value of the company' s inventory, and such decline could have a material adverse effect on the company' s business. The company' s lack of long- term sales contracts may have a material adverse effect on its business. Most of the company' s sales are made on an order- by- order basis, rather than through long- term sales contracts. The company generally works with its customers to develop non- binding forecasts for future orders. Based on such non- binding forecasts, the company makes commitments regarding the level of business that it will seek and accept, the inventory that it purchases, and the levels of utilization of personnel and other resources. A variety of conditions over which the company has little or no control, both specific to each customer or generally affecting each customer' s industry or the broader market may cause customers to cancel, reduce, or delay orders that were either previously made or anticipated, file for bankruptcy protection, or default on their payments **owed to the company** . Significant or numerous cancellations, reductions, delays in orders by customers, loss of customers, ~~changing in pricing driven by changing environmental laws and regulations, or the effects of climate change~~ **changes** ~~on~~ **in** pricing and sourcing, and / or customer defaults on payments could materially adversely affect the company' s business. The company' s non- U. S. sales represent a significant portion of its revenues, and consequently, the company is exposed to risks associated with operating internationally. In **2023,** 2022, **and** 2021, ~~and 2020,~~ approximately **66 %,** 65 %, **and** 66 ~~%, and 65~~ %, respectively, of the company' s sales came from its operations outside the United States. As a result of the **significant extent of the** company' s international sales and **number of foreign** locations, its operations are subject to a variety of risks inherent in international operations, including the following: **10** • import and export regulations that could erode profit margins or restrict exports; • the burden and cost of compliance with international laws, regulations, treaties, and technical standards, including **, without limitation,** with respect to tax; • potential restrictions on transfers of funds; • trade protection measures, import and export tariffs and other restrictions, duties **,** and value- added taxes; • transportation delays and interruptions; • uncertainties arising from local business practices and cultural considerations; • foreign laws that potentially discriminate against or disfavor companies headquartered outside the relevant jurisdiction; • stringent antitrust regulations in local jurisdictions; • volatility associated with sovereign debt of certain international economies; • various jurisdictions ~~'~~ **’** environmental protection laws and regulations, including those related to climate change; • potential social unrest, military conflicts, government shutdowns and disruptions, and other geopolitical risks and uncertainties; and • currency fluctuations. Refer to " ~~Impacts of changing foreign currency exchange rates " in Management' s Discussion & Analysis of Financial Condition and Results of Operations and "~~ Foreign Currency Exchange Risk " in Item 7. A Quantitative and Qualitative Disclosures About Market Risk for a further discussion of the company' s description of the impacts of foreign currency exchange rates on the company' s results and projections. Further, the **impact of lower gross margins in certain regions could have a material adverse effect on the company’ s business. For example, the** company' s gross margins in the components business in the Asia / Pacific region tend to be lower than those in other markets in which the company sells products and services. If sales in this market increase as a percentage of overall sales, consolidated gross margins will be lower. Changes in the company' s global mix of earnings, and changes in tax law and policy, could cause fluctuations in the company ~~'~~ **’** s effective tax rate, and could materially adversely impact results. The company' s effective tax rate may be adversely impacted by, among other things, changes in the geographic mix of earnings that are subject to income taxes both in the U. S. and various foreign jurisdictions. Tax regulations governing each jurisdiction impact statutory tax rates, deferred tax assets and liabilities, valuation allowances on deferred tax assets, and ultimately income taxes payable. Refer to Note 1 of the Notes to the Consolidated Financial Statements for a further discussion of the company' s determination of the value of its deferred tax assets and liabilities and uncertain tax positions. The estimated effects of applicable tax laws, including current interpretation of the U. S. Tax Cuts and Jobs Act of 2017 and the Inflation Reduction Act of 2022, have been incorporated into the company' s financial results. However, the U. S. Department of Treasury, Internal Revenue Service (~~"~~ **“** IRS ~~"~~ **”**), and other standard- setting bodies could issue future legislation or guidance that might ~~be~~ **negatively impact the company' s tax planning or** ~~different~~ --- **differ** from the company' s ~~interpretation~~ **interpretations** . In ~~addition~~ **2021** , ~~many global political leaders have recently committed to adopt fundamental changes to international taxation based on a proposal from~~ the Organization for Economic **Co-** ~~Cooperation~~ - - **operation** and Development (**OECD) announced the OECD / G20 Inclusive Framework on** Base Erosion and Profit Shifting ~~Framework)~~ **, which provides for a two- pillar solution to address tax challenges arising from the digitalization of the economy. Pillar one expands a country' s authority to tax profits from companies that make sales into their country but do not have a physical location in the country. Pillar two includes an agreement on international tax reform** , including ~~the potential for~~ **rules to ensure that large corporations pay** a ~~new~~ **minimum rate of corporate income tax. In December of 2021, the OECD released pillar two model rules defining the** global minimum tax ~~regime~~ , ~~amongst~~ **which calls for** ~~other~~ -- **the** ~~proposals~~ **taxation of large corporations at a minimum rate of 15 %** . ~~Such~~ **The OECD continues to release additional guidance on the two- pillar framework, with widespread implementation, in many countries in which the company operates, beginning in 2024. The company is continuing to evaluate the potential impact on future periods of the two- pillar framework, pending legislative adoption by individual countries. Any new legislation could impact the company' s** tax ~~developments could further~~ **obligations in countries where it does business and result in** ~~increase~~ **increased** ~~uncertainty and~~ **taxation of our international earnings, but should not** have **an** ~~a material~~ adverse impact on **its business** ~~the company' s cash flows, effective tax rate and financial results~~ . ~~Additional changes~~ **Changes** to U. S. or foreign tax laws could have broader implications, including impacts to the economy, currency markets, inflation **,** or competitive dynamics, which are difficult to predict, and may ~~positively or~~ negatively impact the company **. Such tax 11developments could further increase uncertainty and have a material adverse impact on the company' s cash flows, effective tax rate and financial results** . Additionally, the company' s tax returns are subject to periodic audits by U. S. and foreign tax authorities. These audits may result in global reallocation of income and expense that is different from what has been estimated in the company' s financial results. ~~The company regularly assesses the likelihood of such adverse outcomes to ensure the adequacy of its tax provision and financial results.~~ Such tax ~~audit~~ **audits** ~~developments~~ could ~~have~~ **result in** an adverse effect on the company' s tax liability, increase effective tax rates, **and** increase the complexity and cost of tax compliance, all of which could **adversely** impact the company' s operating results, cash flows, and financial condition. When the company makes acquisitions, it may take on additional liabilities or may not be able to successfully integrate such acquisitions. As part of the company' s history and growth strategy, it has acquired other businesses **, and continues to evaluate strategic opportunities to acquire additional businesses from time to time** . Acquisitions involve numerous risks, including the following: • effectively combining the acquired operations, technologies, or products; • unanticipated costs or assumed liabilities, including **, but not limited to,** those **associated with combining and integrating operations, technologies, and facilities; • costs** associated with regulatory actions or investigations; • **the inability to retain and obtain required regulatory approvals, licenses, and permits: •** not realizing the anticipated financial benefit from the acquired companies **; • in the event the acquisition is funded with proceeds of indebtedness, increased interest costs** ; • diversion of management' s attention; • negative effects on existing customer and supplier relationships; **• disruption due to the integration and rationalization of operations, products, technologies, and personnel;** and • potential loss of key employees of the acquired companies. **The company has in the past, and may in the future, divest or reduce its investment in certain businesses or product lines from time to time. Such divestitures involve risks, such as difficulty separating portions from the company' s other businesses, distracting employees, incurring potential loss of revenue, negatively impacting margins, and potentially disrupting customer relationships. The company may also incur significant costs associated with exit or disposal activities, related impairment charges, or both.** Further, the company has made, and may continue to make acquisitions of, or investments in new services ~~, businesses~~ or technologies to expand its current service offerings and product lines. Some of these may involve risks that may differ from those traditionally associated with the company' s core distribution business. In addition, the company' s effective tax rate for future periods could be impacted by mergers and acquisitions. If the company is not **able to** ~~successful~~ **successfully manage any of these** ~~in mitigating or insuring against such~~ risks **in relation to future acquisitions or divestitures** , it could have a material adverse effect on the company' s business. If the company is not able to **or fails to adequately** invest successfully in and introduce digital and other technological developments, or its suppliers are not able to continue to offer competitive components and electronic computing solutions, it could materially adversely impact results. The company' s industry is subject to rapid and significant technological changes, and the company' s ability to meet its customers' needs and expectations is key to the company' s ability to grow sales and earnings. The company **' s customers and suppliers increasingly** ~~expects~~ - **expect the company' s platforms to include** digital technologies to **facilitate** ~~have a significant impact on~~ distribution of components and electronic computing solutions over time ~~, and its customers increasingly expect the company' s platforms to offer a digital customer experience~~ . For example, the ability ~~for~~ **of** customers to access their accounts, place orders, and otherwise interface with the company using digital technology is an important aspect of the distribution industry, and distribution companies are rapidly introducing new digital and other technology- driven products and services that aim to offer a better customer experience and reduce costs. **If the company is unable to maintain and enhance its digital platforms to keep pace with competitors and align with evolving customer and supplier expectations and demands, it could adversely impact the company' s sales revenues and ability to retain existing, and attract new, customers.** ~~The~~ **12The** company' s sales are also partially dependent on continued innovations in components and electronic computing solutions by its suppliers, the competitiveness of its suppliers' offerings, and the company' s ability to partner with new and emerging technology providers. See also " The competitive pressures the company faces, such as pricing and margin reductions, could have a material adverse effect on the company' s business ". Operational ~~Risks~~ **RisksThe** ~~The~~ company' s success depends upon its ability to attract, retain, motivate, and develop key executive and employee talent and the strategies they develop and implement. Any failure to attract, retain, motivate, and develop key executive and employee talent may materially and adversely affect the company' s business. The company’ s success depends, to a significant extent, on the capability, expertise, and continued services of its key executives. The company relies on the expertise and experience of certain key executives in developing business strategies, **managing** business operations, and **cultivating new and** maintaining **existing** relationships with customers and suppliers. If the company were to lose any of its key executives, it may not be able to find a suitable replacement with comparable knowledge and experience in a timely manner, or if at all, at a similar level of remuneration and other benefits. **Restrictions on immigration or changes in immigration laws could limit the company’ s access to qualified and skilled professionals, increase the cost of doing business, or otherwise disrupt operations.** Additionally, management transitions, such as the company' s transition to a new **president of the global components business** ~~Chief Executive Officer and Chief Financial Officer~~ in ~~2022~~ **2023** , may create uncertainty, divert resources and management attention, or impact public or market perception, any of which could negatively impact the company' s ability to operate effectively or execute its strategies and result in an adverse impact on its business. Further, ~~these~~ new executives may have different backgrounds, experiences **,** and perspectives from those individuals who previously served in these roles and thus may have different views on the issues that will determine the company’ s future, potentially resulting in employee, customer, and supplier uncertainty. The company relies heavily on its internal information systems, which, if not properly functioning, could materially adversely affect the company’ s business. The company’ s current global operations reside on multiple technology platforms. The size and complexity of the company’ s computer systems make them potentially vulnerable to breakdown, malicious intrusion, and ~~random~~ **ransom** attack. Failure to properly or adequately address any unaccounted for or unforeseen issues could impact the company’ s ability to perform necessary business operations, which could materially adversely affect the company’ s business. **Cybersecurity** ~~The ongoing conflict between Ukraine and Russia could adversely affect the company' s results of operations, consolidated financial condition, and business. Russia’ s military actions against Ukraine have led to an~~ **and** ~~unprecedented expansion of export restrictions and sanctions imposed by the United States, the European Union, the United Kingdom, and numerous other countries against Russia and Belarus. In addition, Russian authorities have imposed significant currency control measures, other sanctions and imposed other economic and financial restrictions. The situation is rapidly evolving, and further sanctions and export restrictions could negatively impact the global economy and financial markets and could adversely affect the company’ s business. The company cannot predict the progress, outcome, or impact of the conflict in Ukraine, Russia, or Belarus as the conflict, and any resulting government reactions are beyond the company’ s control. The company is actively monitoring the conflict in Ukraine to assess its impact on its business, as well as on the company’ s vendors, suppliers, customers, and other parties with whom the company does business. Cyber Risk Cyber security and privacy~~ **Privacy RiskCybersecurity** incidents as well as ransomware may hurt the company’ s business, damage its reputation, increase its costs, and cause losses. The company’ s information technology systems could be subject to **significant** cyber security and privacy incidents, including, but not limited to, invasion, **inducement (** fraudulent ~~inducement~~ **or otherwise)** by third parties ~~of sensitive~~ **to obtain** information from employees, customers, or suppliers; cyber- attacks; ransom demands; or **cybersecurity** ~~data privacy~~ breaches **caused** by ~~unauthorized persons~~ **third parties** as well as employees and others with authorized access. ~~Such attacks could result in disruption to the company’ s operations and / or loss or compromise of, or damage to, the company’ s or any of its customers’ or suppliers’ data, confidential information, or reputation.~~ Any such incident, whether successful or unsuccessful, could result in, without limitation, **disruption to the company’ s operations; loss or compromise of, or damage to, the company’ s or any of its customers’ or suppliers’ data, confidential information;** significant legal, regulatory, and financial exposure ~~,~~ **;** damage to the company’ s reputation ~~,~~ **;** significant costs related to rebuilding internal systems, managing company brand and reputation, litigation, damages, responding to regulatory inquiries, and taking other remedial steps; loss of competitive advantage; and a loss of confidence in the security of the company’ s information technology systems ~~, in~~ **. In** each case, that could potentially have an adverse impact on the company’ s business **, including by impairing the company’ s ability to sell its products and services** . Because the techniques used to **cause these incidents and** gain unauthorized access **to** , disable, or sabotage the company’ s information technology systems and data stored on those systems change frequently and often are not recognized until launched, the company may ~~be~~ **13be** unable to anticipate these techniques or to implement adequate preventive or protective measures **to guard against them** . Further, third parties, such as hosted solution providers, **are a source of risk because they** could be ~~a source~~ **subject to the same or other similar types** of ~~risk~~ **incidents, for example** in the event of a failure of their own systems and infrastructure or ~~could~~ **if they** experience their own privacy or security event **,** which could create risks similar to those described above **. These third parties could include organizations in the company’ s supply chain, which if subject to an incident, could adversely impact the company’ s ability to deliver its goods and services. Failure to maintain satisfactory compliance with certain privacy and data protections laws and regulations may subject us to substantial negative financial consequences and civil or criminal penalties** . Global privacy legislation, enforcement, and policy activity are also rapidly expanding and creating a complex compliance environment. The company’ s actual or perceived failure to comply with federal, state, or international privacy related or data protection laws and regulations could result in proceedings against the company by governmental entities or others, which could have a material adverse effect on its business. Regulatory and Legal ~~Risks Products~~ **RisksProducts** sold by the company may be found to be defective and, as a result, warranty and / or product liability claims may be asserted against the company, which may have a material adverse effect on the company. The company sells its components at prices that are significantly lower than the cost of the equipment or other goods in which they are incorporated. As a result, the company may face claims for damages (such as consequential damages) that are disproportionate to the revenues and profits it receives from the components involved in the claims. Further, the company’ s ability to avoid such liabilities pursuant to defective product provisions in its supplier agreements may be limited as a result of differing factors, such as the inability to exclude such damages due to the laws of some of the countries where the company does business. The company’ s business could be materially adversely affected as a result of a significant quality or performance issue in the products sold by the company, if it is required to pay for the associated damages. The company ~~'~~ **’** s product liability insurance is limited in coverage and amount and may not be sufficient to cover all possible claims. Further, when relying on contractual liability exclusions, the company could lose customers if their claims are not addressed to their satisfaction. ~~Tariffs may result in increased prices and could adversely affect the company' s business and results of operations. In recent years, the U. S. government has imposed tariffs on certain products imported into the U. S., and the Chinese government has imposed tariffs on certain products imported into China, which have increased the prices of many of the products that the company purchases from its suppliers. The tariffs, along with any additional tariffs or trade restrictions that may be implemented by the U. S., China, or other countries, could result in further increased prices. While the company may be able to pass any price increases on to its customers, the effect of tariffs on prices may impact sales and results of operations. Retaliatory tariffs imposed by other countries on U. S. goods have not yet had a significant impact, but the company cannot predict further developments. Tariffs and the additional operational costs incurred in minimizing the number of products subject to the tariffs could adversely affect the operating profits for certain of the company' s businesses and customer demand for certain products, which could have an adverse effect on its business and results of operations. In addition, if the company pays tariffs for products it imports from China which are then re- exported to other locations outside of the United States, the company may be eligible for refunds of certain tariffs. To qualify for these tariff drawbacks, the company must provide data and documentation to the U. S. government that it must obtain from third party sources, such as its suppliers, which the company may not be able to source and could result in the U. S. government rejecting the drawback requests. Qualifying for tariff drawbacks also requires administrative cost. Due to the backlog of drawback applications, the U. S. government has been slow in issuing the associated drawback refunds, and the company' s inability to obtain the drawback refunds or significant delays in receiving them could result in a material adverse effect on the company' s business.~~ The company is subject to U. S. and certain foreign export and import controls, sanctions, embargoes, anti- corruption laws, anti- bribery laws, and anti- money laundering laws and regulations. In the event of non- compliance, the company can face serious consequences, which can harm its business. The company is subject to export control and import laws and regulations, including the U. S. Export Administration Regulations (" EAR "), U. S. Customs regulations, and various economic and trade sanctions regulations administered by the U. S. Treasury Department' s Office of Foreign Assets Controls (" OFAC "). Products the company sells which are either manufactured in the United States or based on U. S. technology (" U. S. Products ") are subject to the EAR when exported and re- exported to and from all international jurisdictions, in addition to the local jurisdiction' s export regulations applicable to individual shipments. Licenses or proper license exemptions may be required by local jurisdictions' export regulations, including EAR, for the shipment of certain U. S. Products to certain countries, including China, India, ~~Russia,~~ and other countries in which the company operates **. The company may not be able to effectively monitor the activities of all of its employees involved in regulated export or shipment activities, which may lead to the company' s failure to prevent violations of such regulations** . Non- compliance with the EAR, OFAC regulations, or other applicable export regulations can result in a wide range of penalties including the denial **or restriction** of export privileges, **significant** fines, criminal penalties, and the seizure of inventories **,** ~~. In the event that~~ any **of** ~~export regulatory body determines that any shipments made by the company violate the applicable export regulations, the company could be fined significant sums and / or its export capabilities could be restricted,~~ which could have a material adverse effect on the company' s business ~~. For example, as described in the company' s Annual Report on Form 10- K for the fiscal year ended December 31, 2021, filed on February 11, 2022, the company facilitated product shipments to persons covered by the Iran Threat Reduction and Syria Human Rights Act of 2012 or other United States sanctions and export control laws~~ . The company' s distribution process also includes the use of third parties that operate outside of the company' s direct control. Noncompliance with applicable import, export, and other laws and regulations by these third parties may ~~negatively impact~~ **result in substantial liability to** the company **and harm the company' s reputation** . ~~Further~~ **14Further** , the company is also subject to the U. S. Foreign Corrupt Practices Act of 1977, as amended, the U. S. domestic bribery statute contained in 18 U. S. C. § 201, and other national and sub- national anti- bribery and anti- money laundering laws in the countries in which it conducts business. Anti- corruption laws have been enforced aggressively in recent years ~~,~~ **and** are interpreted broadly ~~and prohibit companies and their employees, agents, contractors, and other affiliated parties from authorizing, promising, offering, or providing, directly or indirectly, improper payments or transfers of money or anything else of value to recipients in the public or private sector. The company engages third parties to provide services~~ . The company can be held liable **under these laws** for the corrupt or other illegal activities of its employees, agents, contractors, ~~and~~ counterparties **, and third parties it engages to provide services** , even if it does not explicitly authorize or have actual knowledge of such activities. Any violations of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm, and other consequences. The company is subject to environmental laws and regulations and sustainability initiatives, and may be impacted by climate change, in ways that could materially adversely affect its business. A number of jurisdictions in which the company' s products are sold have enacted laws addressing environmental and other impacts from product disposal, use of hazardous materials in products, use of chemicals in manufacturing, recycling of products at the end of their useful life, and other related matters. These laws prohibit the use of certain substances in the manufacture of products sold by the company and impose a variety of requirements for modification of manufacturing processes, registration, chemical testing, labeling, and other matters. Failure to comply with these laws or any other applicable environmental regulations could result in fines or suspension of sales. Additionally, these directives and regulations may result in the company having non- compliant inventory that may be less readily salable or have to be written off. Certain environmental laws impose liability, sometimes without fault, for investigating or cleaning up contamination on or emanating from the company' s currently or formerly owned, leased, or operated property, as well as for damages to property or natural resources and for personal injury arising out of such contamination. Under these laws and regulations, the company may be responsible for investigating, removing, or otherwise remediating hazardous substances released at properties or facilities it owns or operates, regardless of when such substances were released ~~. As the distribution~~

~~business, in general, does not involve the manufacture of products, it is typically not subject to significant liability in this area. However, there may be occasions, including through acquisitions, where environmental liability arises~~. For example, the company assumed responsibility for environmental remediation on two sites that it acquired as part of the Wyle Electronics (" Wyle ") acquisition in August 2000, which such remediation and related assessment remains ongoing. The ~~company was also named as a defendant in a private lawsuit filed in connection with alleged contamination at a small industrial building formerly leased by Wyle Laboratories in El Segundo, California. That lawsuit was ultimately settled, but the possibility remains that government entities or others may attempt to involve the company in further characterization or remediation of groundwater issues in the area. The~~ presence of environmental contamination at any of the company ~~'~~ **'** s locations could also interfere with ongoing operations or adversely affect the company' s ability to sell or lease its properties. The discovery of contamination for which the company is responsible, the enactment of new laws and regulations, or changes in how existing regulations are enforced, could require the company to incur costs for compliance or subject it to unexpected liabilities. Additionally, long-term climate change impacts, including the frequency and magnitude of severe weather events, and natural disasters, may significantly impact the company' s operations and business, either directly or indirectly, by adversely affecting the price and availability of energy, and the supply of other services or materials throughout the company' s supply chain, any of which could have a material adverse effect on the company' s business. Proposed and existing efforts to address concerns over climate change by reducing greenhouse gas emissions could **also** directly or indirectly affect the company' s costs of energy and other operating costs ~~. Investors, customers, and other stakeholders are also placing a greater emphasis on environmental, social, and governance factors, and the company may be unable to meet investor expectations in this regard. In the event that the company communicates certain initiatives or goals regarding environmental, social, and governance matters, it could fail, or be perceived to fail, in its achievement of such initiatives or goals, or it could be criticized for the scope of such initiatives or goals. A failure to adequately meet these various stakeholder expectations and standards may result in reputational damage, the loss of business, diluted market valuation, an inability to attract customers or an inability to attract and retain top talent. In addition, a number of the company' s customers have adopted, or may adopt, procurement policies that may impose sustainability standards on suppliers. The perceptions held by the company' s shareholders, potential investors, suppliers, customers, other stakeholders, or the communities in which the company does business may depend, in part, on whether the company meets on a timely basis or at all the sustainability standards imposed on the company or that the company chooses or aspires to achieve. The subjective nature and wide variety of methods and processes used by various stakeholders, including investors, to assess environmental, social, and governance criteria could result in a negative perception or misrepresentation of the company' s sustainability policies and practices. Also, by electing to establish and publicly share the company' s sustainability standards, the company' s business may face increased scrutiny related to sustainability activities, and the company' s reputation could be harmed. In addition, sustainability related laws, regulations, requirements, and initiatives may increase compliance costs. For example, future rules and regulations that provide for enhanced and standardized climate- related disclosures, if adopted, may result in additional legal, accounting, and financial compliances costs; make some activities more difficult, time- consuming and costly; and strain the company' s personnel, systems, and resources~~. The company may be subject to intellectual property rights claims, which are costly to defend, could require payment of damages or licensing fees and could limit the company' s ability to use certain technologies in the future. Certain of the company' s products and services include intellectual property owned primarily by the company' s third **-** party suppliers and, to a lesser extent, the company itself. Substantial litigation and threats of litigation regarding intellectual property rights exist in the semiconductor / integrated circuit, software and some service industries. From time to time, third parties (including certain companies in the business of acquiring patents not for the purpose of developing technology but with the intention of aggressively seeking licensing revenue from purported infringers) may assert patent, copyright and / or other intellectual property rights to technologies that are important to the company' s business, and the company may not be able to seek indemnification from its suppliers for itself and its customers against such claims. In addition, the company is exposed to potential liability for technology that it develops itself or when it combines multiple technologies of its suppliers for which it may have limited or no indemnification protections. In any dispute involving products or services that incorporate intellectual property from multiple sources or that is developed, licensed by the company, or obtained through acquisition, the company' s customers could also become the targets of litigation. The ~~company~~ **15company** may be obligated to indemnify and defend its customers if the products or services the company sells are alleged to infringe any third **-** party' s intellectual property rights. Any infringement or indemnification claim brought against the company, regardless of the duration, outcome, or size of damage award, could: • result in substantial cost to the company; • divert management' s attention and resources; • be time consuming to defend; • result in substantial damage awards; or • cause product shipment delays. Additionally, if an infringement claim against the company or its customers is successful, the company may be required to pay damages or seek royalty or license arrangements, which may not be available on commercially reasonable terms. The payment of any such damages or royalties may significantly increase the company' s operating expenses and materially harm the company' s operating results and financial condition. Further, royalty or license arrangements may not be available at all, which would then require the company to stop selling certain products or using certain technologies, which could negatively affect the company' s ability to compete effectively. ~~Restrictions on immigration or changes in immigration laws could limit the company' s access to qualified and skilled professionals, increase the cost of doing business, or otherwise disrupt operations. Restrictions on immigration or changes in immigration laws could limit the company' s access to qualified and skilled professionals, increase the cost of doing business, or otherwise disrupt operations. The success of portions of the company' s business is dependent on its ability to recruit engineers and other professionals. Immigration laws in the United States and other countries in which the company operates are subject to legislative changes, as well as variations in the standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or renewing work visas. If immigration laws change or if more~~

~~restrictive government regulations are enacted, the company' s access to qualified and skilled professionals may be limited, the costs of doing business may increase, operations may be disrupted, and the company' s business may be materially negatively impacted.~~ The company may not be able to adequately anticipate, prevent, or mitigate damage resulting from criminal and other illegal or fraudulent activities committed against it or as a result of misconduct or other improper activities by its employees or contractors. Global businesses are facing increasing risks of criminal, illegal, and other fraudulent acts. Due to the evolving nature of such threats, considering new and sophisticated methods used by criminals, including phishing, misrepresentation, social engineering, and forgery, it is increasingly difficult for the company to anticipate and adequately mitigate these risks. In addition, designing and implementing measures to defend against, prevent, and detect these types of activities are increasingly costly and invasive to the operations of the business. Misconduct or failure of its employees or contractors to adhere to company policy may further heighten such risks. As a result, the company could experience a material loss to the extent that controls and other measures implemented to address these threats fail to prevent or detect such acts. In addition, misconduct by its employees or contractors may include intentional or negligent failures to comply with the applicable laws and regulations in the United States and abroad, safeguard personally identifiable information, report financial information or data accurately, or disclose unauthorized activities to the company. Such misconduct could result in legal or regulatory sanctions and **threatened or filed lawsuits on behalf of impacted third- parties, including customers and suppliers, against the company, and, as a result,** cause serious harm to the company, including to its reputation. It is not always possible to identify and deter employee misconduct, and any other precautions the company takes to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses, or in protecting the company from governmental investigations or other actions ~~or~~ **, including** lawsuits **on behalf of third- parties, including customers or suppliers,** stemming from a failure to comply with these laws or regulations. If any such actions are instituted against the company, and it is not successful in defending itself or asserting its rights, those actions could result in the imposition of significant civil, criminal, and administrative penalties, which could have a significant impact on the company' s business. Whether or not the company is successful in defending against such actions ~~or investigations~~, it could incur substantial costs, including legal fees, and divert the attention of management in defending itself against **them** ~~any of these claims or investigations~~. ~~Financial~~ **16Financial** ~~Risks~~ **RisksThe** ~~The~~ company may not have adequate or cost- effective liquidity or capital resources **, which could have a material adverse impact on its ability to maintain cash necessary to operate its business** . The company requires cash or committed liquidity facilities for general corporate purposes, such as funding its ongoing working capital, acquisitions, ~~and~~ capital expenditure needs, ~~as well as to refinance~~ **refinancing** indebtedness ~~. At December 31~~, ~~2022, the company had cash~~ and **returning capital** ~~cash equivalents of $ 176. 9 million. In addition, the company currently has access~~ to ~~a~~ **shareholders. The company' s** committed ~~revolving credit line of~~ **and undrawn liquidity stands at over** $ 2. ~~0 billion and a committed North American asset securitization program of $ 1. 5 billion, of which the company had $ 1.~~ 2 billion in ~~outstanding borrowings~~ **addition to $ 218. 1 million of cash on hand** at December 31, ~~2022~~ **2023** . The company' s ability to satisfy its cash needs depends on its ability to generate cash from operations and to access the financial markets, both of which are subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond its control. The company ~~may, in the future, need to access the financial markets to satisfy its cash needs. The company~~ ' s ability to obtain external financing is affected by various factors, including general financial market conditions and the company' s debt ratings. For example, economic uncertainty or adverse economic conditions resulting from the impacts of and responses to pandemics and other public health issues ~~(including the COVID- 19 pandemic)~~, natural disasters, changes in global, national, or regional economies, inflation, governmental policies, political unrest, military action and armed conflicts ~~(such as the 2022 Russian invasion of Ukraine)~~, terrorist activities, political and social turmoil, civil unrest, and other crises could result in significant or sustained disruption of global financial markets, thereby reducing the company' s access to capital. Further, any increase in the company' s level of debt or deterioration of its operating results may cause a reduction in its current debt ratings. Any downgrade in the company' s current debt rating or tightening of credit availability could impair the company' s ability to obtain additional financing ~~,~~ **;** redeem existing indebtedness ~~,~~ or renew existing credit facilities on acceptable terms, if at all ~~,~~ **;** negatively impact the price of the company' s common stock ~~,~~ **;** increase its interest payments under existing debt agreements **;** and have other negative implications on its business, many of which are beyond the company' s control. Under the terms of any additional external financing, the company may incur higher financing expenses and become subject to additional restrictions and covenants. For example, the company' s existing debt agreements contain restrictive covenants, including covenants requiring compliance with specified financial ratios, and a failure to comply with these or any other covenants may result in an event of default. An increase in the company' s financing costs or loss of access to cost- effective capital resources could have a material adverse effect on the company' s business. The agreements governing some of the company' s financing arrangements contain various covenants and restrictions that limit some of management' s discretion in operating the business and could prevent the company from engaging in some activities that may be beneficial to its business. The agreements governing some of the company' s financings contain various covenants and restrictions that, in certain circumstances, could limit its ability to: • grant liens on assets; • make investments or certain acquisitions; • merge, consolidate, or transfer all or substantially all of its assets; • incur additional debt; or • engage in certain transactions with affiliates. As a result of these covenants and restrictions, the company may be limited in how it conducts its business and may be unable to raise additional debt, compete effectively, or make investments. Further, if an event of default under any of the company' s existing debt agreements occurred or became imminent, alternative sources of capital may be more expensive than the costs incurred under the company' s existing credit facilities. Further, the company may be unable to borrow additional amounts under the ~~existing~~ **relevant** credit facility, and as a result may be unable to make acquisitions, fund share repurchases, or meet other financial obligations, and the lenders thereunder may be able to accelerate the company' s obligations under the credit facility. This circumstance would have a material adverse effect on the company' s financial position and results of operations. ~~The~~ **17The** company' s goodwill and identifiable intangible assets could become impaired, which could reduce the value of its assets and reduce its net income in the year in which the write- off occurs. The company may incur impairment charges on goodwill or identifiable intangible assets if it determines that the fair values of the goodwill or identifiable intangible assets are less than their current carrying values. If events or circumstances occur that indicate all, or a portion, of the carrying amount of goodwill or identifiable intangible assets is or may no longer be recoverable, an impairment charge to earnings may become necessary. A decline in general economic conditions, a substantial increase in market interest rates **or persistence of a high market- interest rate environment** , and increase in income tax rates, or the company' s inability to meet long- term working capital or operating income projections could impact future valuations of the company' s reporting units, and the company could be required to record an impairment charge in the future, which could impact the company' s consolidated balance sheets, as well as the company' s consolidated statements of operations. If the company were required to recognize an impairment charge in the future, the charge would not impact the company' s consolidated cash flows, current liquidity, capital resources, and covenants under its existing revolving credit facility, North American asset securitization program, and other outstanding borrowings. General ~~Risks~~ **RisksGeneral business conditions are vulnerable to the effects of epidemics and pandemics which could materially disrupt the company' s business and have a negative impact on the company' s financial results and financial condition. The company is vulnerable to the general economic effects of epidemics, pandemics, and other public health crises. In addition, a U. S. or global recession or a banking crisis triggered by an epidemic, pandemic, or other public health crises could have a material adverse effect on the company' s business, financial results and financial condition, including by reducing the demand for its products and services, reducing the access to its supplies, increasing customer defaults, reducing its access to capital, and reducing the value of its common stock.** If the company fails to maintain an effective system of internal controls or discovers material weaknesses in its internal ~~controls~~ - **control** over financial reporting, it may not be able to report its financial results accurately or timely or detect fraud, which could have a material adverse effect on its business. An effective internal control environment is necessary for the company to produce reliable financial reports, safeguard assets, and is an important part of its effort to prevent financial fraud. There are inherent limitations on the effectiveness of internal controls, including collusion, management override, and failure in human judgment. In addition, control procedures are designed to reduce rather than eliminate financial statement risk. If the company fails to maintain an effective system of internal controls, or if management or the company' s independent registered public accounting firm discovers material weaknesses in the company' s internal controls, it may be unable to produce reliable financial reports or prevent fraud, which could have a material adverse effect on the company' s business. In addition, the company may be subject to sanctions or investigation by regulatory authorities, such as the SEC or the NYSE. Any such actions could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of the company' s consolidated financial statements, which could cause the market price of its common stock to decline or limit the company' s access to capital. **Global** ~~General business conditions are vulnerable to the effects of epidemics and pandemics~~ , **regional** ~~such as the COVID- 19 pandemic~~ , ~~which could materially disrupt the company' s business~~ and **local** ~~have a negative impact on the company' s financial results and financial condition. The company is vulnerable to the general~~ economic **weakness** ~~effects of epidemics, pandemics,~~ and ~~other public health crises, such as the COVID- 19 pandemic. The global COVID- 19 pandemic continues to create macroeconomic~~ uncertainty ~~, volatility, and disruption, including supply constraints, extended lead times, and unpredictability across many markets. Supply chain logistical issues due to shutdowns in response to the COVID- 19 pandemic, primarily in China, are resulting in extended lead times and unpredictability. The extent to which COVID- 19 and ensuing challenges such as supply chain constraints will continue to impact the company' s results remains uncertain considering the rapidly evolving environment, duration, and severity of the spread of COVID- 19, emerging variants, and vaccine booster effectiveness, among others. In addition, a U. S. or global recession or a banking crisis triggered by a pandemic, including the COVID- 19 pandemic,~~ could have a material adverse effect on the company' ~~s business, financial results and financial condition, including by reducing the demand for its products and services, reducing the access to its supplies, increasing customer defaults, reducing its access to capital, and reducing the value of its common stock. Refer to" COVID- 19 Pandemic Update" in Management' s Discussion & Analysis of Financial Condition and Results of Operations for a further discussion about the company' s description about the impacts of COVID- 19. Global, regional and local economic weakness and uncertainty could have a material adverse effect on the company'~~ s financial performance. The company' s business and financial performance depend on worldwide economic conditions and the demand for technology products and services in the markets in which the company competes. Ongoing economic weakness, uncertainty in markets throughout the world, and other adverse economic conditions may result in decreased net revenue, gross margin, earnings, growth rates or cash flows, and ~~in~~ increased expenses and difficulty ~~in~~ managing inventory levels, collecting customer receivables, and accurately forecasting revenue, gross margin, cash flows and expenses. Political developments impacting international trade, trade disputes and increased tariffs, particularly between the United States and China **;** ~~, may negatively impact markets~~ and **political instability** ~~cause weaker macroeconomic conditions~~ , ~~weakening demand for~~ **such as armed conflicts (including** the **conflicts in Russia** ~~company' s products and services. Poor financial performance of asset markets combined with lower interest rates and the adverse effects of fluctuating currency exchange rates could lead to higher pension and post- retirement benefit expenses. Economic downturns also may lead to future restructuring actions and associated expenses~~ , **Belarus, and Ukraine, and 18** ~~any of which could have a material adverse effect on the company' s business.~~