Risk Factors Comparison 2024-03-05 to 2023-03-10 Form: 10-K

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Our business faces many risks, and you should carefully consider the following risk factors, together with all of the other information included in this report, including the financial statements and related notes contained in Item 8 **, Financial Statements and Supplementary Data,** of this report, when deciding to invest in us. Any of the risks discussed below, or elsewhere in this report or in our other SEC filings, could have a material impact on our business, financial condition or results of operations. Additional risks not currently known to us or that we currently consider immaterial also may materially adversely affect our business, financial condition or results of operations in the future. Market Risks The loss of Boeing ~~or Panasonic~~ as **a** major ~~customers~~ - **customer** or a significant reduction in business with **this** ~~either of those customers~~ - **customer** would reduce our sales and earnings. In **2023,** 2022 **,** and 2021 ~~,~~ we had a concentration of sales to Boeing representing approximately 11. 0 % ~~and 10~~ **, 11** . 0 % **, and 10. 0 %** of our sales, respectively ~~. In 2020, we also had a concentration of sales to Panasonic representing approximately 11. 1 % of our sales~~ . Revenue earned from sales to Boeing ~~or Panasonic~~ may decline or fluctuate significantly in the future. We may not be able to offset any decline in sales from Boeing ~~or Panasonic~~ with sales from new customers or other existing customers. The loss of ~~these~~ **this** ~~customers~~ - **customer** or a significant reduction in business with them would significantly reduce our sales and earnings. Accordingly, a portion of our potential for success will depend on our continued ability to develop and manage our ~~relationships~~ - **relationship** with Boeing ~~and Panasonic~~ . The markets we serve are cyclical and sensitive to domestic and foreign economic conditions, conflicts and events, which may cause our operating results to fluctuate. The markets we serve are sensitive to fluctuations in general business cycles, global pandemics, domestic and foreign governmental tariffs, trade and monetary policies, national and international conflicts, and economic conditions and events, and are facing varying levels of **supply chain** ~~pressure~~ **pressures** from **the residual impacts of** the COVID- 19 pandemic. ~~The~~ **Domestic air travel has recovered from the impact of the** COVID- 19 pandemic ~~drastically reduced air traffic as travel restrictions and social distancing measures were implemented to help control the spread of the virus. While U. S. domestic air travel has recovered~~ , **and** international travel utilizing **primarily widebody** ~~wide- body~~ aircraft **is close** ~~will take longer~~ to ~~fully recover. Furthermore, as companies and employees become accustomed to working remotely, business travel and the associated flight hours may not reach the~~ pre- pandemic levels. ~~As such~~ **If a global health crisis** , **similar** ~~OEMs may continue~~ to ~~directionally match their~~ -- **the** ~~wide~~ **COVID** - **19** ~~body aircraft production rates with the reduced, albeit recovering, air traffic volume, which could lower demand for our products. If the~~ pandemic ~~worsens or~~ **, we to occur in** ~~there~~ -- **the future** ~~is significant uncertainty in the commercial aerospace industry' s recovery~~ , we may find it difficult to access our existing financing or obtain additional financing and / or fund our operations and meet our debt service obligations **. Any new pandemic or other future public health crisis, or a resurgence of COVID- 19 or variants could materially impact our financial condition or results of operations** . In our Aerospace segment, demand by the general aviation markets for our products is dependent upon several factors, including capital investment, product innovations, economic growth and wealth creation and technology upgrades. In addition, the commercial airline industry is highly cyclical with significant downturns in the past and sensitive to such things as fuel price increases, labor disputes, global economic conditions, availability of capital to fund new aircraft purchase and upgrades of existing aircraft and passenger demand. A change in any of these factors could result in a further reduction in the amount of air travel and the ability of airlines to invest in new aircraft or to upgrade existing aircraft. Therefore, our business is directly affected by economic factors and other trends that affect our customers in the commercial aerospace industry. These factors would reduce orders for new aircraft and would likely reduce airlines' spending for cabin upgrades for which we supply products, thus reducing our sales and profits. A reduction in air travel may also result in our commercial airline customers being unable to pay our invoices on a timely basis or at all. We are a supplier on various new aircraft programs just entering or expected to begin production in the future. As with any new program, there is risk as to whether the aircraft or program will be successful and accepted by the market. As is customary for our business, we purchase inventory and invest in specific capital equipment to support our production requirements generally based on delivery schedules provided by our customer. If a program or aircraft is not successful, we may have to write- off all or a part of the inventory, accounts receivable and capital equipment related to the program. A write- off of these assets could result in a significant reduction of earnings and cause covenant violations relating to our debt agreements. This could result in our being unable to borrow additional funds under our bank credit facility or being obliged to refinance or renegotiate the terms of our indebtedness. In our Test Systems segment, the market for our products is concentrated with a limited number of significant customers accounting for a substantial portion of the purchases of test equipment. In any one reporting period, a single customer or several customers may contribute an even larger percentage of our consolidated sales. In addition, our ability to increase sales will depend, in part, on our ability to obtain orders from current or new significant customers. The opportunities to obtain orders from these customers may be limited, which may impair our ability to grow sales. We expect that sales of our Test Systems products will continue to be concentrated with a limited number of significant customers for the foreseeable future. Additionally, demand for some of our test products is dependent upon government funding levels for our products, our ability to compete successfully for those contracts and our ability to develop products to satisfy the demands of our customers. Our products are sold in highly competitive markets. Some of our competitors are larger, more diversified corporations and have greater financial, marketing, production and research and development resources than we do. As a result, they may be better able to withstand the effects of periodic economic downturns or other market changing events. Our operations and financial performance will be negatively impacted if our competitors: • develop products that are superior to our products; • develop products that are more competitively priced than our products; • develop methods of more efficiently and effectively providing products and services; or • adapt more quickly than we do to new technologies or evolving customer requirements. We believe that the principal points of competition in our markets are product quality, price, design and engineering capabilities, product development, conformity to customer specifications, quality of support after the sale, timeliness of delivery and effectiveness of the distribution organization. Maintaining and improving our competitive position will require continued investment in manufacturing, engineering, quality standards, marketing, customer service and support and our distribution networks. If we do not maintain, or are otherwise unable to maintain, sufficient resources to make these investments, or are not successful in maintaining our competitive position, our business operations and financial performance will suffer. We depend on government contracts and subcontracts with defense prime contractors and subcontractors that may not be fully funded, may be terminated, or may be awarded to our competitors. The failure to be awarded these contracts, the failure to receive funding or the termination of one or more of these contracts could reduce our sales. Sales to the U. S. government and its prime contractors and subcontractors represent a significant portion of our business. The funding of these programs is generally subject to annual congressional appropriations, and congressional priorities are subject to change. We cannot be certain that current levels of congressional funding for programs involving our products or services will continue and that our business related to these products and services will not decline or increase at currently anticipated levels, or that we will not be subject to delays in the negotiation of contracts or increased costs due to changes in the funding of U. S. government programs or government shutdowns. In addition, government expenditures for defense programs may decline or these defense programs may be terminated. A decline in governmental expenditures, a change in spending priorities (e. g., shifting funds to ~~efforts to combat the impact of the pandemic or efforts to~~ assist Ukraine in the Russia and Ukraine conflict), or the termination of existing contracts may result in a reduction in the volume of contracts awarded to us. Furthermore, on contracts for which we are a subcontractor and not the prime contractor, the U. S. government could terminate the prime contract for convenience or otherwise, irrespective of our performance as a subcontractor. Also, sales to the U. S. government and its contractors as well as foreign military and government customers, either directly or as a subcontractor to other contractors, often use a competitive bidding process and have unique purchasing and delivery requirements, which often makes the timing of sales to these customers unpredictable. We have resources applied to specific government contracts and if any of those contracts were terminated, we may incur substantial costs redeploying those resources. Contracting in the defense industry is subject to significant regulation, including rules related to bidding, billing and accounting kickbacks and false claims, and any non- compliance could subject us to fines and penalties or possible debarment. Like all government contractors, we are subject to risks associated with this contracting. These risks include the potential for substantial civil and criminal fines and penalties. These fines and penalties could be imposed for failing to follow procurement integrity and bidding rules, employing improper billing practices or otherwise failing to follow cost accounting standards, receiving or paying kickbacks or filing false claims. We have been, and expect to continue to be, subjected to audits and investigations by government agencies. The failure to comply with the terms of our government contracts could harm our business reputation, which could significantly reduce our sales and earnings. It could also result in our suspension or debarment from future government contracts, which would adversely affect our business, financial condition, results of operations, and cash flows. Strategic Risks If we are unable to adapt to technological change, demand for our products may be reduced. The technologies related to our products have undergone, and in the future may undergo, significant changes. To succeed in the future, we will need to continue to design, develop, manufacture, assemble, test, market and support new products and enhancements on a timely and cost- effective basis, and we cannot be certain that we will be able to do so successfully, if at all, or on a timely, cost effective, or repeatable basis. Our competitors may develop technologies and products that are more effective than those we develop or that render our technology and products obsolete or noncompetitive. Furthermore, our products could become unmarketable if new industry standards emerge. We may have to modify our products significantly in the future to remain competitive, and new products we introduce may not be accepted by our customers. Our new product development efforts may not be successful, which would result in a reduction in our sales and earnings. We may experience difficulties that could delay or prevent the successful development of new products or product enhancements, and new products or product enhancements may not be accepted by our customers. Because it is generally not possible to predict the amount of time required and the costs involved in achieving certain research, development, and engineering objectives, the development expenses we incur may exceed our cost estimates and estimated product development schedules may be extended. Furthermore, any new products we develop may not generate sales sufficient to offset our costs. If any of these events occur, our sales and profits could be adversely affected. We may incur losses and liabilities as a result of our acquisition strategy. Growth by acquisition involves risks that could adversely affect our financial condition and operating results, including: • the potential exposure to unanticipated liabilities; • the potential that expected benefits or synergies are not realized and that operating costs increase; • the risks associated with incurring additional acquisition indebtedness, including that additional indebtedness could limit our cash flow availability for operations and our flexibility; • difficulties in integrating the operations and personnel of acquired companies; • the potential loss of key employees, suppliers or customers of acquired businesses; and • diversion of management time and attention from our core business. In addition, any acquisition, once successfully integrated, could negatively impact our financial performance if it does not perform as planned, does not increase earnings, or does not prove otherwise to be beneficial to us. Operational Risks Our business and operations could be adversely impacted in the event of a failure of our information technology infrastructure or adversely impacted by a successful cyber- attack. We are dependent on various information technologies throughout our Company to administer, store and support multiple business activities. We routinely experience various cybersecurity threats, threats to our information technology infrastructure, unauthorized attempts to gain access to our Company sensitive information, and denial- of- service attacks as do our customers, suppliers and subcontractors. We conduct regular periodic training of our employees as to the protection of sensitive information which includes security awareness training intended to prevent the success of “ phishing ” attacks. The threats we face vary from attacks common to most industries, such as ransomware attacks to disable critical infrastructure and extort companies for ransom payments, to more advanced and persistent, highly organized adversaries, including nation states, which target us and other defense contractors because we protect sensitive information. If we are unable to protect sensitive information, our customers or governmental authorities could question the adequacy of our threat mitigation and detection processes and procedures, and depending on the severity of the incident, our customers' data, our employees' data, our intellectual property, and other third-party data (such as subcontractors, suppliers and vendors) could be compromised. As a consequence of their persistence, sophistication and volume, we may not be successful in defending against all such attacks. Due to the evolving nature of these security threats, the impact of any future incident cannot be predicted. Although we work cooperatively with our customers, suppliers, and subcontractors to seek to minimize the impact of cyber threats, other security threats or business disruptions, we must rely on the safeguards put in place by these entities, which may affect the security of our information. These entities have varying levels of cybersecurity expertise and safeguards and their relationships with U. S. government contractors, such as Astronics, may increase the likelihood that they are targeted by the same cyber threats we face. If we experience a data security breach from an external source or from an insider threat, we may have a loss in sales or increased costs arising from the restoration or implementation of additional security measures, either of which could adversely affect our business and financial results. Other potential costs could include damage to our reputation, loss of brand value, incident response costs, loss of stock market value, regulatory inquiries, litigation and management distraction. A security breach that involves classified information could subject us to civil or criminal penalties, loss of a government contract, loss of access to classified information, or debarment as a government contractor. Similarly, a breach that involves loss of customer- provided data could subject us to loss of a customer, loss of a contract, litigation costs and legal damages and reputational harm. Our inability to adequately enforce and protect our intellectual property or defend against assertions of infringement could prevent or restrict our ability to compete. We rely on patents, trademarks and proprietary knowledge and technology, both internally developed and acquired, in order to maintain a competitive advantage. Our inability to defend against the unauthorized use of these rights and assets could have an adverse effect on our results of operations and financial condition. We cannot assure you that our means of protecting our proprietary rights in the United States or abroad will be adequate, or that others will not develop technologies similar or superior to our technology or design around our proprietary rights. Litigation may be necessary to protect our intellectual property rights or defend against claims of infringement. This litigation could result in significant costs and divert our management' s focus away from operations. Refer to the risk factor related to pending patent infringement litigation below and Note 19 to the ~~consolidated~~ **Consolidated** ~~financial~~ **Financial** ~~statements~~ **Statements** in Item 8, Financial Statements and Supplementary Data, of this report for further discussion. If critical components or raw materials used to manufacture our products or used in our development programs become scarce or unavailable, then we may incur delays in manufacturing and delivery of our products and in completing our development programs, which has damaged, and could continue to damage, our business, results of operations and financial condition. Due to increased demand across a range of industries, the global supply chain for certain critical components or raw materials used in the manufacture of our products and used in our development programs has experienced **, and may in future periods experience,** significant strain in recent periods. **Residual impacts** ~~Particularly, the market for electronic components is experiencing increased demand, creating substantial uncertainty regarding our suppliers' continued production~~ of **the** ~~key components for our products. The~~ COVID- 19 pandemic **have** ~~has also~~ contributed to and exacerbated this strain **to varying degrees** . This constrained supply environment has adversely affected, and could further affect, availability, lead times and **the** cost of components, and could impact our ability to **timely** complete development programs, respond to accelerated or quick- turn delivery requests from customers, or meet customer demand and product delivery dates for our end customers **in situations** where we cannot timely secure adequate supply of these components. Moreover, if any of our suppliers become financially unstable, or otherwise unable or unwilling to provide us with raw materials or components, then we may have to find new suppliers. It may take several months to locate alternative suppliers, if required, or to redesign our products to accommodate components from different suppliers. We may experience significant delays in manufacturing and shipping our products to customers and incur additional development, manufacturing and other costs to establish alternative sources of supply if we lose any of these sources or are required to redesign our products. We cannot predict if we will be able to obtain replacement components within the time frames that we require at an acceptable cost, if at all. In an effort to mitigate these risks, in some cases, we have incurred higher costs to secure available inventory, or have extended or placed non- cancellable purchase commitments with suppliers, which introduces inventory risk if our forecasts and assumptions prove inaccurate. While we may attempt to recover the increased costs through price increases to our customers, we may be unable to mitigate the effect on our results of operations. We have also multi- sourced and pre- ordered components and raw materials inventory in some cases in an effort to reduce the impact of the adverse supply chain conditions we have experienced. Despite our attempts to mitigate the impact on our business, these constrained supply conditions are expected to adversely impact our costs of goods sold, including our ability to continue to reduce the cost to produce our products in a manner consistent with prior periods. In addition, some suppliers have indicated that, as a result of current shortages, they intend to cease manufacture of certain components used in our products. Limits on manufacturing availability or capacity or delays in production or delivery of components or raw materials ~~due to COVID- related restrictions~~ could further delay or inhibit our ability to obtain supply of components and produce finished goods ~~. There can be no assurance that the impacts of the pandemic on the supply chain will not continue, or worsen, in the future~~ . These supply chain constraints and their related challenges could result in shortages, increased material costs or use of cash, engineering design changes, and delays in new product introductions, each of which could adversely impact our growth, gross margin and financial results. These types of negative financial impacts on our business may become more acute ~~as~~ **if** supply chain pressures increase. Our financial results could **continue to** be adversely impacted by the escalation of labor and benefit costs. Consistent with the experience of other employers, our labor, medical and workers' compensation costs have increased substantially in recent years and are expected to continue to rise. If this trend continues, the cost of labor and to provide healthcare and other benefits to our employees could **continue to** increase, adversely impacting **our future** profitability. ~~As the labor market recovers from the effects of the COVID- 19 pandemic, competition~~ **Competition** for employees has escalated **in the labor market** which has increased costs associated with attracting and retaining employees. We cannot be certain that we will be able to maintain an adequately skilled labor force necessary to operate efficiently or that our labor costs will not increase as a result of a shortage in the availability of skilled employees. Changes to healthcare regulations involving the Patient Protection and Affordable Care Act may also increase the cost of providing such benefits to our employees. We cannot predict the ultimate content, timing, or effect of any healthcare reform legislation or the impact of potential legislation or related proposals and policies on our results. Any significant increases in the costs attributable to our self- insured health and workers' compensation plans could adversely impact our business, results of operations, financial condition and cash flows. Price inflation for labor and materials, further exacerbated by the Russian invasion of Ukraine **or the Israel- Hamas war** , could adversely affect our business, results of operations and financial condition. We **have** experienced considerable price inflation in our costs for labor and materials ~~during 2022~~ **in recent years** , which **has** adversely affected our business, results of operations and financial condition. We may not be able to pass through inflationary cost increases under our existing fixed- price contracts. Our ability to raise prices to reflect increased costs may be limited by competitive conditions in the market for our products and services. Russia' s invasion of Ukraine **and the Israel- Hamas war** , and prolonged conflict ~~there~~ **in either such situation** , may continue to result in increased inflation, escalating energy and commodity prices and increasing costs of materials. We continue to work to mitigate such pressures on our business operations as they develop. To the extent the war in Ukraine **or the Israel- Hamas war** adversely affects our business as discussed above, it may also have the effect of heightening many of the other risks described herein, such as those relating to cybersecurity, supply chain, volatility in prices and market conditions, any of which could negatively affect our business and financial condition. If our subcontractors fail to perform their contractual obligations, our prime contract performance and our ability to obtain future business could be materially and adversely impacted. Many of our contracts involve subcontracts with other companies upon which we rely to perform a portion of the services we must provide to our customers. There is a risk that we may have disputes with our subcontractors, including disputes regarding the quality and timeliness of work performed by the subcontractor or customer concerns about the subcontractor. Failure by our subcontractors to satisfactorily provide, on a timely basis, the agreed- upon supplies or perform the agreed- upon services may materially and adversely impact our ability to perform our obligations with our customer and could result in the assessment of late delivery penalties. Subcontractor performance deficiencies could result in a customer terminating our contract for default. A default termination could expose us to liability and substantially impair our ability to compete for future contracts and orders. Some of our contracts contain late delivery penalties. Failure to deliver in a timely manner due to supplier and supply chain problems, labor availability, development schedule slides, manufacturing difficulties, or similar schedule- related events could have a material adverse effect on our business. No significant penalties have been incurred to date. Our results of operations are affected by our fixed- price contracts, which could subject us to losses in the event that we have cost overruns. For the year ended December 31, ~~2022~~ **2023** , fixed- price contracts represented almost all of the Company' s sales. On fixed- price contracts, we agree to perform the scope of work specified in the contract for a predetermined price. Depending on the fixed price negotiated, these ~~contacts~~ **contracts** may provide us with an opportunity to achieve higher profits based on the relationship between our costs and the contract' s fixed price. However, we bear the risk that increased or unexpected costs may reduce our profit or cause us to incur a loss on the contract, which would reduce our net earnings. Because our ability to terminate contracts is generally limited, we may not be able to terminate our performance requirements under these contracts at all or without substantial liability and, therefore, in the event we are sustaining reduced profits or losses, we could continue to sustain these reduced profits or losses for the duration of the contract term. The failure of our products may damage our reputation, necessitate a product recall or result in claims against us that exceed our insurance coverage, thereby requiring us to pay significant damages. Defects in the design and manufacture of our products may necessitate a product recall. We include complex system design and components in our products that could contain errors or defects, particularly when we incorporate new technology into our products. If any of our products are defective, we could be required to redesign or recall those products or pay substantial damages or warranty claims. Such an event could result in significant expenses, disrupt sales and affect our reputation and that of our products. We are also exposed to product liability claims. We carry aircraft and non- aircraft product liability insurance consistent with industry norms. However, this insurance coverage may not be sufficient to fully cover the payment of any potential claim. Additionally, should insurance market conditions change, aircraft and non- aircraft product liability insurance coverage may not be available in the future at a cost acceptable to us. A product recall or a product liability claim not covered by insurance could have a material adverse effect on our business, financial condition and results of operations. **Our operations depend on our manufacturing facilities, which are subject to physical and other risks that could disrupt production. Our manufacturing facilities or our customers' facilities could be damaged or disrupted by a natural disaster, war, or terrorist activity. We maintain property damage and business interruption insurance at the levels typical in our industry or for our customers and suppliers, however, a pandemic or other major catastrophe, such as an earthquake, hurricane, fire, flood, tornado or other natural disaster at any of our sites, or war or terrorist activities in any of the areas where we conduct operations could result in a prolonged interruption of our business. Any disruption resulting from these events could cause significant delays in shipments of products and the loss of sales and customers, and we may not have insurance to adequately compensate us for any of these events. For leased facilities, timely renewal of leases and risk mitigation from the sale of our leased facilities is required to avoid any business interruption. We may be subject to work stoppages at our facilities or those of our principal customers and suppliers, which could seriously impact the profitability of our business. Many aircraft manufacturers, airlines, and aerospace suppliers have unionized work forces. Any strikes, work stoppages, or slowdowns experienced by aircraft manufacturers, airlines, or aerospace suppliers could reduce our customers' demand for**

additional aircraft structures or prevent us from completing production of our products. A small percentage of our workforce is represented by unions. If we were unable to renew our labor agreements at expiration, or if our workers were to engage in a strike, work stoppage, or other slowdown, we could experience a disruption of our operations, which could cause us to be unable to deliver products to certain of our customers on a timely basis and could result in a breach of such supply agreements. This could negatively impact our results. In addition, our non- unionized labor force may become subject to labor union organizing efforts, which could cause us to incur additional labor costs and increase the related risks that we now face. The construction of aircraft is heavily regulated, and failure to comply with applicable laws could reduce our sales or require us to incur additional costs to achieve compliance, and we may incur significant expenses to comply with new or more stringent governmental regulation. The aerospace industry is highly regulated in the United States by the FAA and in other countries by similar agencies. We must be certified by the FAA and, in some cases, by individual OEMs in order to engineer and service parts, components and aerostructures used in specific aircraft models. If any of our material authorizations or approvals were revoked or suspended, our operations would be adversely affected. New or more stringent governmental regulations may be adopted, or industry oversight heightened in the future, and we may incur significant expenses to comply with any new regulations or any heightened industry oversight. In addition, in January 2024, the FAA ordered the temporary grounding of Boeing 737- 9 MAX aircraft as a result of an incident where a Boeing 737- 9 MAX lost a " door plug. " This incident and the subsequent investigation, and the potential for more issues to be identified during further investigations, could result in a suspension or reduction of manufacturing of 737 MAX aircraft by Boeing. Air travelers may also respond negatively to the 737 MAX aircraft due to perceived safety concerns, which would negatively impact Boeing. Boeing is a major customer of ours and any financial or customer losses it suffers may result in a negative impact on our business, financial condition and results of operations. Financial Risks We have incurred losses in prior fiscal years and our future profitability is not certain. For the year ended December 31, ~~2022~~ **2023** , we incurred ~~a~~ net loss of $ ~~35~~ **26** . ~~7~~ **4** million. Our operating results for future periods are subject to numerous uncertainties and we cannot be certain that we will be profitable or that we will not experience substantial net losses in the future. If we are not able to increase revenue ~~and~~ **or** reduce our costs, we may not be able to achieve profitability in future periods and our business, financial condition, results of operations and cash flows may be adversely affected. Our ABL Revolving Credit Facility and Term Loan Facility contain financial and restrictive covenants that we may be unable to satisfy, and that, if not satisfied, could result in the acceleration of any outstanding indebtedness thereunder and limit our ability to borrow additional funds. In addition, the terms of our ABL Revolving Credit Facility and Term Loan Facility contain covenants that restrict our current and future operations, particularly our ability to take certain actions. Our ABL Revolving Credit Facility and Term Loan Facility each subject us to various financial and other affirmative and negative covenants with which we must comply on an ongoing or periodic basis. These include financial covenants pertaining to minimum trailing four quarter EBITDA requirements, minimum liquidity requirements, minimum fixed charge coverage ratio requirements, maximum capital expenditure requirements, and excess cash flow repayment provisions. An unexpected decline in our revenues or operating income, including occurring as a result of events beyond our control, could cause us to violate our financial covenants. A covenant violation could result in a default under the ABL Revolving Credit Facility and Term Loan Facility. If any such default occurs, the lenders may elect to declare all outstanding borrowings, together with accrued interest and other amounts payable thereunder, to be immediately due and payable. Further, as the amount available to us under our credit facilities is subject to borrowing base calculations determined by the value of accounts receivable and inventory (under our ABL Revolving Credit Facility) and real estate and fixed assets (under our Term Loan Facility), an unexpected decline in the value of these assets would require a mandatory prepayment. If any of these events were to occur, we may not be able to pay our debts and other monetary obligations as they come due, and our ability to continue to operate as a going concern could be impaired, which could in turn cause a significant decline in our stock price and could result in a significant loss of value for our shareholders. Furthermore, the lenders also have the right in these circumstances to terminate any commitments they have to provide further borrowings, which could leave us without access to sufficient liquidity to operate our business. In addition, following an event of default, the lenders under the ABL Revolving Credit Facility and Term Loan Facility will have the right to proceed against the collateral granted to them to secure the debt, which includes our available accounts receivable, inventory, machinery and equipment, real estate and intellectual property. If the debt under the ABL Revolving Credit Facility and Term Loan Facility were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full our debt. Additionally, our ABL Revolving Credit Facility and Term Loan Facility also contain a number of restrictive covenants that impose significant operating and financial restrictions on the Company and our subsidiaries and may limit our ability to engage in acts that we believe to be in our long- term best interests. The ABL Revolving Credit Facility and Term Loan Facility ~~includes~~ - **include** covenants restricting, among other things, the ability of the Company and our subsidiaries to: • incur additional indebtedness; • pay dividends on or repurchase our capital stock; • make certain acquisitions or investments; • sell assets; and • engage in certain business activities. The amount of debt we have outstanding, as well as any debt we may incur in the future, could have an adverse effect on our operational and financial flexibility. As of December 31, ~~2022~~ **2023** , we had approximately $ ~~164~~ **172** . ~~0~~ **5** million of debt outstanding. Changes to our level of debt subsequent to December 31, ~~2022~~ **2023** could have significant consequences to our business, including the following: • Depending on interest rates and debt maturities, a substantial portion of our cash flow from operations could be dedicated to paying principal and interest on our debt, thereby reducing funds available for our acquisition strategy, capital expenditures or other purposes; • A significant amount of additional debt could make us more vulnerable to changes in economic conditions or increases in prevailing interest rates; • Our ability to obtain additional financing for acquisitions, capital expenditures or for other purposes could be impaired; • The increase in the amount of debt we have outstanding and the associated interest expense increases the risk of non- compliance with some of the covenants in our debt agreements which require us to maintain specified financial ratios; and • We may be more leveraged than some of our competitors, which may result in a competitive disadvantage. Subject to the limits contained in our ABL Revolving Credit Facility and Term Loan Facility, we may incur additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks described above related to our debt could intensify. **We are subject to financing and interest rate exposure risks that could adversely affect our business, liquidity and operating results. Changes in the availability, terms and cost of capital, and increases in interest rates could cause our cost of doing business to increase and place us at a competitive disadvantage. At December 31, 2023, all of our debt was subject to variable interest rates.** A write- off of all or part of our goodwill or other intangible assets could adversely affect our operating results and net worth. At December 31, ~~2022~~ **2023** , goodwill and net intangible assets were approximately 9. ~~5~~ **2** % and ~~12~~ **10** . ~~9~~ **3** % of our total assets, respectively. **We had no** ~~In 2020, we recorded~~ goodwill impairment charges ~~associated with four Aerospace reporting units, totaling $ 86. 3 million. We had no such impairment charges~~ during **2023,** 2022 or 2021. Our goodwill and other intangible assets may increase in the future since our strategy includes growing through acquisitions. We may have to write- off all or part of our goodwill or purchased intangible assets if their value becomes impaired. Although this write- off would not result in an outlay of cash and is not included in the financial covenant calculation, it could reduce our earnings and net worth significantly. ~~We are subject to financing and interest rate exposure risks that could adversely affect our business, liquidity and operating results. Changes in the availability, terms and cost of capital, and increases in interest rates could cause our cost of doing business to increase and place us at a competitive disadvantage. At December 31, 2022, all of our debt was subject to variable interest rates.~~ Our future operating results could be impacted by estimates used to calculate impairment losses on **goodwill and** long- lived assets. The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make significant and subjective estimates and assumptions that may affect the reported amounts of tangible and intangible long- lived assets **, including goodwill,** in the financial statements. These estimates are integral in the determination of whether a potential non-cash impairment loss exists as well as the calculation of that loss. Actual future results could differ from those estimates. ~~As discussed in Note 22 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this report, we recorded a long- lived asset impairment charge of approximately $ 0. 7 million in the year ending December 31, 2020.~~ We had no such **asset** impairment charges in **2023,** 2022 or 2021. Changes in discount rates and other estimates could affect our future earnings and equity. Our goodwill asset impairment evaluations are determined using valuations that involve several assumptions, including discount rates, cash flow estimates, growth rates and terminal values. Certain of these assumptions, particularly the discount rate, are based on market conditions and are outside of our control. Changes in these assumptions could affect our future earnings and equity. Additionally, pension obligations and the related costs are determined using actual results and actuarial valuations that involve several assumptions. The most critical assumption is the discount rate. Other assumptions include mortality, salary **and bonus** levels and retirement age. The discount rate assumptions are based on current market conditions and are outside of our control. Changes in these assumptions could affect our future earnings and equity. Changes in tax laws and regulations or exposure to additional tax liabilities could adversely affect our financial results. Changes in U. S. (federal or state) or foreign tax laws and regulations, or their interpretation and application, including those with retroactive effect, could result in increases in our tax expense and affect profitability and cash flows. For example, beginning in 2022, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for tax purposes. The most significant impact of this provision is to the cash tax liability for 2023 (as the liability for 2022 is partially offset by certain tax credits and loss carryforwards); the impact will decline annually thereafter over the five- year amortization period to an immaterial amount in year six. Legal and Compliance Risks We currently are involved in, and may become involved in the future in, legal proceedings that, if adversely adjudicated or settled, could materially and adversely impact our financial condition. As an aerospace company, we may become a party to litigation, including, among others, matters alleging product liability, warranty claims, intellectual property infringement, breach of commercial or government contract or other legal actions. In general, litigation claims can be expensive and time consuming to bring or defend against and could result in settlements or damages that could significantly and adversely impact our results of operations and financial condition. Currently, our AES subsidiary is a defendant in actions filed in various jurisdictions by Lufthansa Technik AG relating to an allegation of patent infringement and based on rulings to date we have concluded that losses related to these proceedings are probable. If these actions are decided adversely against the Company, the associated damages could result in a material adverse effect on our results of operations or financial condition. Refer to Note 19 of our ~~consolidated~~ **Consolidated** ~~financial~~ **Financial** ~~statements~~ **Statements** in Item 8, Financial Statements and Supplementary Data, of this report for discussion on this and other legal proceedings. Other than these proceedings, we are not party to any significant pending legal proceedings that management believes will result in a material adverse effect on our results of operations or financial condition. Our operations in foreign countries expose us to political and currency risks and adverse changes in local legal and regulatory environments. In ~~2022~~ **2023** , approximately ~~9~~ **10** % of our sales were made by our subsidiaries in foreign countries, predominately in our subsidiaries in France and Canada. Net assets held by our foreign subsidiaries total $ ~~36~~ **39** . ~~6~~ **1** million at December 31, ~~2022~~ **2023** . Approximately ~~22~~ **25** % of our consolidated sales in ~~2022~~ **2023** were made to customers outside of the United States. Our financial results may be adversely affected by fluctuations in foreign currencies and by the translation of the financial statements of our foreign subsidiaries from local currencies into U. S. dollars. We expect international operations and export sales to continue to contribute to our earnings for the foreseeable future. Both the sales from international operations and export sales are subject in varying degrees to risks inherent in doing business outside of the U. S. Such risks include the possibility of unfavorable circumstances arising from host country laws or regulations, changes in tariff and trade barriers and import or export licensing requirements, and political or economic reprioritization, insurrection, civil disturbance or war. Government regulations could limit our ability to sell our products outside the U. S. and could otherwise adversely affect our business.

Certain of our sales are subject to compliance with U. S. export regulations. Our failure to obtain, or fully adhere to the limitations contained in, the requisite licenses, meet registration standards or comply with other government export regulations would hinder our ability to generate sales of our products outside the U. S. Compliance with these government regulations may also subject us to additional fees and operating costs. The absence of comparable restrictions on competitors in other countries may adversely affect our competitive position. In order to sell our products in European Union countries, we must satisfy certain technical requirements. If we are unable to comply with those requirements with respect to a significant quantity of our products, our sales in Europe would be restricted. Doing business internationally also subjects us to numerous U. S. and foreign laws and regulations, including regulations relating to import- export control, technology transfer restrictions, foreign corrupt practices and anti- boycott provisions. Our failure, or failure by an authorized agent or representative that is attributable to us, to comply with these laws and regulations could result in administrative, civil or criminal liabilities and could, in the extreme case, result in monetary penalties, suspension or debarment from government contracts or suspension of our export privileges, which would have a material adverse effect on us. Trade policies, treaties, and tariffs could have a material adverse effect on our business. Our business is dependent on the availability of raw materials and components for our products, particularly electrical components common in the semiconductor industry. There is continued uncertainty about the future relationship between the United States and various other countries, most significantly China, with respect to trade policies, treaties, tariffs, and taxes. ~~Under the Biden administration, changes~~ **Changes** in U. S. administrative policy could lead to changes in existing trade agreements, greater restrictions on free trade generally, and significant increases in tariffs on goods imported into the United States, particularly tariffs on products manufactures in China and Mexico, among other possible changes. These developments, or the perception that any of them could occur, could have a material effect on global economic conditions and the stability of global financial markets, and could significantly reduce global trade and, in particular, trade between the impacted nations and the United States . We may face reputational, regulatory...... our reputation and our results of operations . This uncertainty includes: (i) the possibility of altering the existing tariffs or penalties on products manufactured outside the United States, including the U. S. government' s 25 % tariff on a range of products from China; (ii) the effects stemming from the removal of such previously imposed tariffs; (iii) subsequent tariffs imposed by the United States on any other U. S. trading partners such as Russia; and (iv) potential tariffs imposed by trading partners on U. S. goods. The institution of trade tariffs on items imported by us from other countries could increase our costs, which could have a negative impact on our business. We cannot predict whether, and to what extent, there may be changes to international trade agreements or whether quotas, duties, tariffs, exchange controls or other restrictions on our products will be changed or imposed. In addition, an open conflict or war across any region could affect our ability to obtain raw materials. For example, the current military conflict between Russia and Ukraine, and related sanctions, export controls or other actions that may be initiated by nations, including the United States, the European Union or Russia (e. g., potential cyberattacks, disruption of energy flows, etc.) or potential sanctions or relevant export controls related to China or Taiwan could adversely affect our business and / or our supply chain or our business partners or customers in other countries beyond Russia and Ukraine. Although we currently maintain alternative sources for raw materials, if we are unable to source our products from the countries where we wish to purchase them, either because of the occurrence or threat of wars or other conflicts, regulatory changes or for any other reason, or if the cost of doing so increases, it could have a material adverse effect on our business, financial condition and results of operations. Disruptions in the supply of raw materials and components could temporarily impair our ability to manufacture our products for our customers or require us to pay higher prices to obtain these raw materials or components from other sources, which could have a material adverse effect on our business and our results of operations. **.** We may face reputational,regulatory or financial risks from a perceived,or an actual,failure to achieve our sustainability goals.The increased focus on sustainability practices and disclosures is rapidly evolving,as is the criteria to measure our sustainability performance;both of which could result in greater expectations and may cause us to undertake costly initiatives to satisfy the evolving criteria.As we advance our sustainable business model,we are pursuing programs that we believe will improve our environmental practices,social engagement and how we govern ourselves.We periodically publish information about our sustainability goals,standards and frameworks.Achievement of these objectives is subject to risks and uncertainties,many of which are outside of our direct control,and it is possible we may fail,or be perceived to have failed,in the achievement of our sustainability goals.Also,certain customers,associates,shareholders,investors,suppliers,business partners,government agencies and non- governmental organizations may not be satisfied with our sustainability efforts.A failure or perceived failure of our sustainability goals could negatively affect our reputation and our results of operations ~~.~~ General Risks Our future success depends to a significant degree upon the continued contributions of our management team and technical personnel. The loss of members of our management team could have a material and adverse effect on our business. In addition, competition for qualified technical personnel in our industry is intense, and we believe that our future growth and success will depend on our ability to attract, train and retain such personnel. Future terror attacks, war, or other civil disturbances could negatively impact our business. Continued terror attacks, war or other disturbances could lead to economic instability and decreases in demand for our products, which could negatively impact our business, financial condition and results of operations. Terrorist attacks world- wide have caused instability from time to time in global financial markets and the aviation industry. The long- term effects of terrorist attacks on us are unknown. These attacks and the U. S. government' s continued efforts against terrorist organizations may lead to additional armed hostilities or to further acts of terrorism and civil disturbance in the U. S. or elsewhere, which may further contribute to economic instability. If we fail to meet expectations of securities analysts or investors due to fluctuations in our sales or operating results, our stock price could decline significantly. Our sales and earnings may fluctuate from quarter to quarter due to a number of factors, including delays or cancellations of programs and ~~the impacts of the ongoing COVID- 19 pandemic and~~ supply chain challenges on revenues and costs. It is likely that in some future quarters our operating results may fall below the expectations of securities analysts or investors. In this event, the trading price of our stock could decline significantly. Our stock price is volatile. For the year ended December 31, ~~2022~~ **2023** , our stock price ranged from a low of $ ~~7~~ **10** . ~~61~~ **14** to a high of $ ~~14~~ **22** . ~~71~~ **01** . The price of our common stock has been and likely will continue to be subject to wide fluctuations in response to a number of events and factors, such as: • our ability to comply with the financial and other affirmative and negative covenants included in our ABL Revolving Credit Facility and Term Loan Facility; • quarterly variations in operating results; • variances of our quarterly results of operations from securities analyst estimates; • changes in financial estimates; • announcements of technological innovations and new products; • news reports relating to trends in our markets **or adverse happenings at our customers** ; • the cancellation of major contracts or programs with our customers; and • **residual** impacts of the COVID- 19 pandemic on the aerospace industry and our Company. In addition, the stock market in general, and the market prices for companies in the aerospace and defense industry in particular, have experienced significant price and volume fluctuations that often have been unrelated to the operating performance of the companies affected by these fluctuations. These broad market fluctuations may adversely affect the market price of our common stock, regardless of our operating performance. Global health crises, ~~such as~~ **similar to** the ~~current~~ COVID- 19 pandemic, with the breadth of its impact worldwide, and particularly on the aerospace industry, could also cause significant volatility in the market price.