

Risk Factors Comparison 2025-02-25 to 2024-02-20 Form: 10-K

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

Risks Related to Our Operations Sales fluctuations and changes in our relationships with key customers could have ~~an~~ **a material** adverse effect on our financial condition, liquidity or results of operations. The loss, reduction, or fluctuation of sales to key customers, including independent distributors or national home center customers, or any adverse change in our business ~~relationship~~ **relationships** with them, whether as a result of changing customer demands and expectations, reduced demand, supply chain constraints, competition, industry consolidation or otherwise, could have a material adverse effect on our financial condition, liquidity or results of operations. If the availability of our manufacturing inputs or sourced products decreases, or the cost of those inputs or sourced products increases and we are unable to pass along increased costs resulting from supply chain or inflationary pressures, our financial condition, liquidity or results of operations could be **materially and** adversely affected. The availability and cost of raw materials, packaging materials, energy and sourced products are critical to our operations and our results of operations. For example, we use substantial quantities of natural gas and some petroleum- based raw materials in our manufacturing operations. We source some materials from a limited number of suppliers, which, among other things, increases the risk of unavailability. Limited availability could require us to reformulate products or limit our production. Supply chain disruptions could decrease access to manufacturing inputs or sourced products or significantly increase the cost to purchase these items. ~~The cost of some inputs has been volatile in recent years and availability has been limited at times.~~ Future input cost volatility could occur because of our suppliers' exposure to **tariffs or** geopolitical events. A decrease in availability or increases in costs of manufacturing inputs or sourced products, and any inability to pass along such costs through price increases, could have a material adverse effect on our financial condition, liquidity or results of operations. The performance of our WAVE joint venture is important to our financial results. Changes in the demand for, or quality of, WAVE products, or in the operational or financial performance of the WAVE joint venture, could have ~~an~~ **a material** adverse effect on our financial condition, liquidity or results of operations. Similarly, if there is a change with respect to our joint venture partner that adversely impacts its relationship with us, WAVE' s performance could be **materially and** adversely impacted. Our equity investment in our WAVE joint venture remains important to our financial results. WAVE' s markets are highly competitive and changes in the demand for, or quality of, WAVE products, or in the operational or financial performance of the WAVE joint venture, could have a material adverse effect on its financial condition, liquidity or results of operations. Similarly, the availability and cost of raw materials, packaging materials, energy and sourced products, and the ability to pass along increased costs, are critical to WAVE' s operations and its results of operations. We believe the relationship with our partner, Worthington Enterprises, Inc., is an important element in the success of this joint venture. In December 2023, Worthington Enterprises, Inc. (~~formally~~ **formerly** known as Worthington Industries, Inc.) **separated from** ~~completed its previously announced separation of~~ Worthington Steel, Inc. into a separate, independent, publicly ~~traded~~ company (the " Worthington Separation "). Worthington Enterprises, Inc.' s investment in WAVE was not included in the assets and business transferred to Worthington Steel, Inc. If the Worthington Separation or any other change ~~in ownership, change of control, change in management or management philosophy, change in business strategy or another change~~ with respect to our partner adversely impacts our relationship, WAVE' s performance could be **materially and** adversely impacted. In addition, our partner may develop economic or business interests or goals that are different from or inconsistent with our interests or goals, which may impact our ability to influence or align WAVE' s strategy and operations with our interests or goals. ~~We continuously pursue productivity initiatives and periodically engage in cost-saving initiatives. Execution of these initiatives may result in interruptions in production and / or may result in lower- than- expected savings in our operating cost structure or may not improve our operating results. We seek ways to make our operations more efficient and effective. We may reduce, move, modify or expand our plants and operations, as well as our sourcing and supply chain arrangements, and invest in technology, as needed, to control costs and improve productivity. Such actions involve substantial planning, often require capital investments and may result in charges for fixed asset impairments or obsolescence and substantial severance costs. Our ability to achieve cost savings and other benefits within expected time frames is subject to many estimates and assumptions. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. If these estimates and assumptions are incorrect, if we experience delays resulting from equipment failures or other interruptions in production, or if other unforeseen events occur, our financial condition, liquidity or results of operations could be materially and adversely affected.~~ **We** . Increased labor costs, labor disputes, work stoppages or union organizing activity, as well as increased labor shortages, or an inability to attract and retain talented employees could delay or impede production and could have ~~an~~ **a material** adverse effect on our financial condition, liquidity or results of operations. We rely on our employees to manufacture and sell our products. **Because most** ~~Labor disputes, which may result in work stoppages or union organizing activities, can directly impact production levels. As the majority~~ of our manufacturing employees are represented by unions and covered by collective bargaining or similar agreements, we often incur costs attributable to periodic renegotiation of those agreements, which may be difficult to project. Collective bargaining agreements covering approximately ~~470~~ **180** employees at ~~two~~ **three** U. S. plants will expire during ~~2024~~ **2025** . We are also subject to the risk that strikes or other conflicts with organized personnel may arise or that we may become the subject of union organizing activity at our facilities that do not currently have union representation. Prolonged negotiations, conflicts or related activities could also lead to costly work stoppages ~~and~~ , loss of productivity **and reduced service levels to our customers** . Our success is also dependent upon attracting and retaining a qualified ~~and diverse~~ workforce. In many cases, we rely upon our employees' high degree of technical knowledge and industry experience. There can be no assurance that we will continue to

attract and retain talented employees, particularly during times of increased labor costs or labor shortages. The impact from our inability to attract and retain a sufficient number of employees could have a material adverse effect on our financial condition, liquidity or results of operations. We **continuously pursue productivity initiatives and periodically engage..... be materially and adversely affected.** We are subject to certain regulatory, financial and other risks related to climate change, climate transition, and other sustainability matters, **—broadly known as ESG—**. Should our efforts to address these risks fail to align with new regulations or stakeholder expectations, fail to achieve the anticipated benefits, or result in unanticipated costs, our corporate reputation, financial condition, liquidity or results of operations could be **materially and** adversely impacted. **In recent years, Evolving and / or conflicting governmental— government, customer and societal views related to attention on ESG topics has increased.** These ESG topics include greenhouse gas emissions and climate **change —related risks, climate transition renewable energy, water stewardship, waste management, diversity, equity and inclusion, responsible sourcing and supply chain transparency, resource stewardship, diversity, human rights, and social responsibility —Evolving government and other sustainability matters societal expectations around these issues** and our efforts to manage and report on them, as well as accomplish our **ESG sustainability** goals, present numerous operational, regulatory, reputational, financial, legal, and other risks, any of which could have a material adverse impact. In **July-May 2023-2024**, we published our **third annual** Sustainability Report, which includes certain 2030 **ESG and sustainability** goals and describes our progress towards meeting those goals. We may not achieve the anticipated benefits we expect from these **or other ESG and sustainability** goals, which may damage our reputation, or these efforts may not align with new regulations or expectations of stakeholders. Efforts to achieve these goals may result in higher or unforeseen costs. In addition, we may encounter challenges measuring our progress towards the achievement of our **ESG sustainability** goals. Further, concerns related to climate change have resulted in domestic and foreign legislative or regulatory actions as well as changing customer preferences and policies, such as environmentally responsible building codes and standards. New legislation and regulations in **local, state and federal jurisdictions in** the U. S. and in the foreign countries in which we operate could impose restrictions, caps, taxes, or other controls on emissions of greenhouse gases, which could **have a material adversely— adverse affect-effect on** our operations and financial results. While we have a comprehensive sustainability strategy, including, greenhouse gas reduction targets, transparent disclosures related to our **ESG sustainability** impacts and product innovation to respond to these evolving codes, standards and customer preferences, there is no certainty we will be successful in our approach. Overall, climate change, its effects **and, the** impacts of government regulation, **and** consumer, investor and business preferences are inherently difficult to predict and could **have a material adversely— adverse** impact our business by increasing our energy costs, **and / or** result in substantial, additional capital expenditures and operating costs in the form of taxes, emissions allowances, **carbon offsets**, or required equipment upgrades or require that we modify our products or processes in a manner that increases our costs and / or reduces our profitability. Any of the foregoing factors could impair our operating efficiency and productivity and result in higher operating costs. Risks Related to Our Strategy We may not experience the anticipated benefits from our strategic initiatives, including investments in **product innovation and** digitalization, **—Healthy Spaces and innovation—**. We continue to evaluate and may pursue strategic initiatives involving the development or **utilization—use** of new or innovative products, solutions and tools, including those related to **Healthy Spaces Templok ® energy saving ceiling tiles**, as well as the expansion of our ecommerce platform, Kanopi **™** by **Armstrong**, and our automated design service, ProjectWorks **®**. These initiatives are designed to grow revenue, improve profitability and increase shareholder value. Our results of operations and financial position could be materially and adversely affected if we are unable to successfully **identify, execute and integrate** these initiatives or if we are unable to **complete—achieve** these **— the investment cases or realize expected competitive advantages from the** initiatives in a timely and efficient manner **to realize competitive advantages and opportunities—**. We may pursue strategic transactions, including mergers, acquisitions, joint ventures, strategic alliances or other investments, which could create risks and present unforeseen integration obstacles or costs, any of which could have **an a material** adverse effect on our financial condition, liquidity or results of operations. We regularly evaluate potential mergers, acquisitions, joint ventures, strategic alliances or other investments that we believe could complement, enhance or expand our current businesses or product lines or that might otherwise offer us growth opportunities, particularly in our Architectural Specialties segment for which we have completed **five-seven** acquisitions since July 2020. Any such strategic transaction involves a number of risks, including potential disruption of our ongoing business and distraction of management, difficulty with integrating or separating personnel and business operations and infrastructure, increasing or decreasing the scope, geographic diversity and complexity of our operations, **—and potentially—markets, and** expanding into new ceiling and wall adjacencies and **—or—exterior metal architectural applications,** offering products with new attributes **and / or offering installation of products**. Strategic transactions could involve payment by us of a substantial amount of cash, assumption of liabilities and indemnification obligations, **subjecting us to new** regulatory requirements, incurrence of a substantial amount of debt or issuance of a substantial amount of equity. Certain strategic opportunities may not result in the consummation of a transaction or may fail to realize the intended benefits and synergies. If we fail to identify, consummate and integrate our strategic transactions in a timely and cost- effective manner, our financial condition, liquidity or results of operations could be materially and adversely affected. Risks Related to Financial Matters We require a significant amount of liquidity to fund our operations, **and** our indebtedness may **have a material adversely— adverse affect-effect on** our ability to operate and invest in our business, execute on our strategic initiatives, and return cash to shareholders. Our level of indebtedness and degree of leverage could: • limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; • make us more vulnerable to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation; • place us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, more able to take advantage of opportunities that our leverage prevents us from pursuing; • limit our ability to refinance existing indebtedness or borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other purposes; • restrict our ability to pay dividends on or

repurchase our capital stock; and • make it more difficult for us to satisfy our obligations with respect to our indebtedness. Additionally, the agreements that govern our indebtedness include covenants that impose significant operating and financial restrictions, including restrictions on our ability to engage in activities that may be in our best long-term interests. Under the terms of our senior secured credit facility, we are required to maintain specified leverage and interest coverage ratios. Our ability to meet these ratios could be affected by events beyond our control, and we cannot **assure ensure** that we will **continue to** meet them. A breach of any of the restrictive covenants or ratios would result in a default under the senior secured credit facility. If any such default occurs, the lenders under the senior secured credit facility may be able to elect to declare all outstanding borrowings under our facility, together with accrued interest and other fees, to be immediately due and payable, or enforce their security interest. The lenders may also have the right in these circumstances to terminate commitments to provide further borrowings. Our liquidity needs vary throughout the year. If our business experiences materially negative, unforeseen events, we may be unable to generate sufficient cash flow from operations to fund our needs or maintain sufficient liquidity to operate and may seek to incur additional indebtedness, which could exacerbate the risks detailed above. In addition, to the extent that our indebtedness bears interest at floating rates, our sensitivity to interest rate fluctuations will increase. Further, we cannot guarantee financial institutions' capacity in the future to provide credit, or alternatively access to capital markets, which may limit our ability to obtain new debt financing or refinance existing debt obligations. ~~The~~ **Any of the** above factors could have a material adverse effect on our financial condition, liquidity or results of operations. We cannot ~~provide any guarantees~~ **guarantee of** future cash dividend payments or future repurchases of our common stock pursuant to a share repurchase program. Since December 2018, our Board of Directors has declared a quarterly dividend on our common stock. The payment of any future cash dividends to our shareholders is not guaranteed and will depend on decisions that will be made by our Board of Directors based upon our financial condition, results of operations, cash flows, business requirements and a determination that the declaration of cash dividends is in the best interest of our shareholders and is in compliance with all laws and agreements applicable to the payment of dividends. In July 2016, our Board of Directors approved a share repurchase program authorizing us to repurchase up to \$ 150. 0 million of our outstanding shares of common stock (the " Program "). Since inception of the Program, we have been authorized to repurchase up to an aggregate of \$ 1, 700. 0 million of our outstanding shares of common stock through December 31, 2026. Repurchases under the Program may be made through open market, block and privately negotiated transactions, including Rule 10b5- 1 plans, at times and in amounts as management deems appropriate, subject to market and business conditions, regulatory requirements and other factors. The Program does not obligate us to repurchase any particular amount of common stock and may be suspended or discontinued at any time without notice. Furthermore, there can be no assurance that we will be able to repurchase our common stock, and we may discontinue plans to repurchase common stock at any time. Negative tax consequences can have an unanticipated effect on our financial results. We are subject to the tax laws of the various jurisdictions in which we operate. The tax laws are complex, and the manner in which they apply to our operations, results and tax planning strategies is sometimes open to interpretation. Our income tax expense (benefit) and reported net earnings may fluctuate significantly and may be materially different than forecasted or experienced in the past. Our financial condition, liquidity or results of operations could be materially and adversely affected by changes in effective tax rates, changes in our overall profitability, changes in tax legislation, the results of examinations of previously filed tax returns, and ongoing assessments of our tax exposures. Our financial condition, liquidity or results of operations could also be **materially and** adversely affected by changes in the valuation of deferred tax assets and liabilities. We have substantial deferred tax assets related to ~~capital loss carryforwards and~~ state net operating losses (" NOLs "), which are available to ~~reduce our U. S. income tax liability and to~~ offset future state taxable income. However, our ability to utilize the current carrying value of these deferred tax assets may be impacted by certain future events, such as changes in tax legislation and insufficient future taxable income prior to expiration of the ~~capital loss carryforwards and~~ NOLs. Significant changes in factors and assumptions used to measure our defined benefit plan obligations, actual investment returns on pension assets and other factors could negatively impact our operating results and cash flows. We maintain pension and postretirement plans in the U. S. The recognition of costs and liabilities associated with these plans for financial reporting purposes is affected by assumptions made by management and used by actuaries engaged by us to calculate the benefit obligations and the expenses recognized for these plans. The inputs used in developing the required estimates are calculated using multiple assumptions and represent management' s best estimate of the future. The assumptions that have the most significant impact on reported results are the discount rate, the estimated long- term return on plan assets for the funded plans, retirement rates, and mortality rates and, for postretirement plans, the estimated inflation in health care costs. These assumptions are generally updated annually. In the aggregate, our U. S. **defined benefit** pension plans were overfunded by \$ ~~56-62~~ **9-7** million as of December 31, ~~2023-2024~~. Our unfunded postretirement plan liabilities were \$ ~~47-39~~ **6-4** million as of December 31, ~~2023-2024~~. If our cash flows and capital resources are insufficient to fund our pension and postretirement plans obligations, we could be forced to reduce or delay investments and capital expenditures, seek additional capital, or refinance or obtain additional indebtedness. **As a result of our acquisition of Zahner, we contribute to a multi- employer defined benefit pension plan (" Multi- Employer Plan ") under the terms of collective bargaining agreements that cover its union- represented employees. Assets contributed to the Multi- Employer Plan may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the Multi- Employer Plan, the unfunded obligations of the plan may be borne by the remaining participating employers. In the event we choose to stop participating in the Multi- Employer Plan, we may be required to pay a withdrawal liability based on the underfunded status of the plan. Because we believe the Multi- Employer Plan is adequately funded at this time, and we have no current intention of withdrawing from the Multi- Employer Plan, we have not recorded a liability associated with this plan on our Consolidated Balance Sheets.** Risks Related to Legal and Regulatory Matters Potential regulatory actions, product and service claims, environmental claims and other litigation could be costly and have **an a material** adverse effect on our financial condition, liquidity or results of operations. Insurance coverage may

not be available or adequate in all circumstances. In the ordinary course of business, we are subject to various claims and litigation. Any such claims, whether with or without merit, could be time-consuming and expensive to defend and could divert management's attention and resources. While we strive to ensure that our products and services comply with applicable government regulatory standards and internal requirements, and that our products and services perform effectively and safely, customers from time to time could claim that our products and services do not meet warranty or contractual requirements, and users could claim to be harmed by use or misuse of our products and services. These claims could give rise to breach of contract, warranty or recall claims, or claims for negligence, product liability, strict liability, personal injury or property damage. They could also result in negative publicity. In addition, claims and investigations may arise related to patent infringement, distributor relationships, commercial contracts, antitrust or competition law requirements, employment matters, employee benefits issues, and other compliance and regulatory matters, including anti-corruption and anti-bribery matters. While we have processes and policies designed to mitigate these risks and to investigate and address such claims as they arise, we cannot predict or, in some cases, control the costs to defend or resolve such claims. We currently maintain insurance against some, but not all, of these potential claims. In the future, we may not be able to maintain insurance at commercially acceptable premium levels. In addition, the levels of insurance we maintain may not be adequate to fully cover any and all losses or liabilities. If any significant judgment or claim is not fully insured or indemnified against, it could have a material adverse effect on our financial condition, liquidity or results of operations. We may be subject to liability under, and may make substantial future expenditures to comply with, environmental laws and regulations, which could have an a material adverse effect on our financial condition, liquidity or results of operations. We are actively involved in environmental investigation and remediation activities relating to two domestically owned locations allegedly resulting from past industrial activity, for which our ultimate liability may exceed the currently estimated and accrued amounts. See Note 27 to the Consolidated Financial Statements for further information related to our current environmental matters and the potential liabilities associated therewith. It is also possible that we could become subject to additional environmental matters and corresponding liabilities in the future. The building materials industry has been subject to claims relating to raw materials such as silicates, polychlorinated biphenyl ("PCB"), polyvinyl chloride ("PVC"), formaldehyde, per- and polyfluoroalkyl substances ("PFAS"), fire-retardants and claims relating to other issues such as mold and toxic fumes, as well as claims for incidents of catastrophic loss, such as building fires. We have not received any significant claims involving our raw materials or our product performance; however, product liability insurance coverage may not be available at commercially acceptable premium levels or at all, or such coverage may not be adequate in all circumstances to cover claims that may arise in the future. In addition, our operations are subject to various environmental, health, and safety laws and regulations. These laws and regulations not only govern our current operations and products but may also impose potential liability on us for our past operations and past operations at sites on which we operate. Our costs to comply with these laws and regulations may increase as these requirements become more stringent in the future. Potential regulatory actions, product and service....., liquidity or results of operations. Our intellectual property rights may be infringed, misappropriated, invalidated or otherwise circumvented, which could have a material adversely -- adverse impact on our financial condition, liquidity or results of operations. We rely on our proprietary intellectual property, including numerous patents, trademarks, designs, copyrights and trade secrets, as well as our licensed intellectual property to market, promote and sell our products. We monitor and protect against activities that might infringe, dilute, or otherwise harm our patents, trademarks, designs, copyrights, trade secrets and other intellectual property and rely on the laws of the U. S. and other countries. Despite our efforts, the steps we have taken to protect our intellectual property may be inadequate. Existing trade secret, patent, design, trademark and copyright laws offer only limited protection. Our patents could be invalidated or circumvented. In addition, others may develop substantially equivalent or superseding proprietary technology, or competitors may offer similar competing products that do not infringe on our intellectual property rights, thereby substantially reducing the value of our intellectual property rights. Litigation may be necessary to defend and enforce our intellectual property rights. Engaging in litigation may cause us to incur substantial costs and divert resources, which could harm our business regardless of the outcome. Despite our efforts to protect and maintain our intellectual property rights, both in the U. S. and abroad, we may be unsuccessful in some matters. In addition, the laws of some non-U. S. jurisdictions, particularly those of certain emerging markets, provide less protection for our proprietary rights than the laws of the U. S. and present greater risks of counterfeiting and other infringement. To the extent we cannot protect our intellectual property, unauthorized use and misuse of our intellectual property could harm our competitive position. All of the above could have a material adverse effect on our financial condition, liquidity or results of operations. We are subject to risks associated with our operations in Canada and Latin America. Legislative, political, regulatory and economic volatility, as well as vulnerability to infrastructure and labor disruptions, could have an a material adverse effect on our financial condition, liquidity or results of operations. A portion of our net sales are generated in Canada and Latin America. While these sales are minor in comparison to our total consolidated net sales, they are subject to currency exchange fluctuations, trade regulations, import duties, logistics costs, delays and other related risks. Our Canadian and Latin American operations are also subject to various tax rates, tariffs, credit risks in emerging markets, political risks, uncertain legal systems, and loss of sales to local competitors following currency devaluations in countries where we import products for sale. In addition, a part of our growth strategy depends on our ability to expand our operations in Canada and Latin America, including emerging markets that have greater political and economic volatility and greater vulnerability to infrastructure and labor disruptions than established markets. In addition, in countries outside of the U. S., particularly in those with developing economies, it may be common for others to engage in business practices prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act or similar local anti-corruption or anti-bribery laws. These laws generally prohibit companies and their employees, contractors or agents from making improper payments to government officials for the purpose of obtaining or retaining business. Failure to comply with these laws, as well as U. S. and foreign export and trading laws, could subject us to civil and criminal penalties. As we continue to expand our business, we may have difficulty

anticipating and effectively managing these and other risks that our operations may face, which may **have a material** adversely -- **adverse affect effect** our business outside the U. S. and our financial condition, liquidity or results of operations. Risks Related to General Economic and Other Factors Unstable market and economic conditions could have **an a material** adverse impact on our financial condition, liquidity or results of operations. Our business is influenced by market and economic conditions, including inflation, deflation, interest rates, **tariffs,** availability and cost of capital, consumer spending rates, energy availability **and,** the effects of government **stimulus spending programs and the impacts of geopolitical events**. Volatility in financial markets and softness or deterioration of national and global economic conditions could have a material adverse effect on our financial condition, liquidity or results of operations, including as follows: • the financial stability of our customers or suppliers may be compromised, which could result in additional bad debts for us or non- performance by suppliers; • consumers of our products may postpone spending in response to tighter credit, negative financial news and / or stagnation or further declines in income or asset values, which could have a material adverse impact on the demand for our products; • the value of investments underlying our defined benefit pension plan may decline, which could result in significant cash contributions to the plan in order to meet obligations or regulatory requirements; and • our asset impairment assessments and underlying valuation assumptions may change, which could result from changes to estimates of future sales and cash flows that may lead to substantial impairment charges. Continued or sustained deterioration of economic conditions would likely exacerbate and prolong these adverse effects. Our business is dependent on construction activity in North America. Downturns or delays in construction activity could have **an a material** adverse effect on our financial condition, liquidity or results of operations. Our business has greater sales opportunities when construction activity, including both new building construction and renovation of existing buildings, is strong and, conversely, has fewer opportunities when such activity declines. The cyclical nature of construction activity, including construction activity funded by the public sector, tends to be influenced by prevailing economic conditions, including the rate of growth in **GDP gross domestic product,** financing availability, prevailing interest rates, government spending patterns, business, investor and consumer confidence, inflation, availability of labor, adequately functioning supply chains and other factors beyond our control. Our revenue opportunities come from new construction as well as renovation of existing buildings. Most of our revenue comes from the following sectors of commercial construction – office, education, healthcare, transportation and retail. Commercial construction activity for these sectors can be influenced by the changing needs for spaces, including potential declines in demand for office space as a result of sustained remote or hybrid work models. Prolonged downturns or delays in construction activity could have a material adverse effect on our financial condition, liquidity or results of operations. Our markets are highly competitive. Competition could reduce demand for our products or impact our profitability. Failure to compete effectively by meeting consumer preferences, developing and marketing innovative solutions, maintaining strong customer service and distribution relationships, and expanding our solutions capabilities and reach could **have a material** adversely -- **adverse affect effect on our financial condition, liquidity our- or results of operations**. Our customers consider product performance attributes, product styling, customer service and price when deciding whether to purchase our products. Failure to meet shifting consumer preferences in our highly competitive markets, whether for product performance attributes, such as acoustics, energy efficiency, sustainability, health attributes, or styling preferences, or our inability to develop and offer new competitive performance features could have **an a material** adverse effect on our sales. Similarly, our ability to identify, protect and market new and innovative solutions is critical to our long- term growth strategy, namely, to sell into more spaces and sell more solutions in every space. If our competitors offer discounts on certain products or provide new or alternative offerings that the marketplace perceives as more cost- effective, it could **have a material** adversely -- **adverse affect effect on** our price realization. Any of the above factors could have a material adverse impact on our financial condition, liquidity or results of operations. Customer consolidation, and competitive, economic and other pressures facing our customers, and our potential failure to attract new customers in our markets, may negatively impact our net sales, operating margins and profitability. A number of our customers, including distributors and contractors, have consolidated in recent years and consolidation could continue, further concentrating an increasing portion of our net sales within a smaller group of key customers. Further consolidation could impact margin growth and profitability as larger customers may realize certain operational and other benefits of scale. The economic and competitive landscape for our customers is constantly changing, and our customers' responses to those changes could impact our business. The demand for our products can also be impacted by the buying patterns of certain customers and how they manage their inventory levels. These factors could have a material adverse impact on our financial condition, liquidity or results of operations. **Our We rely on** operating and information systems **that** may experience a failure, a compromise of security, or a violation of data privacy laws or regulations, which could interrupt or damage our **operations and have a material adverse effect on our financial condition, liquidity or results of** operations. In the conduct of our business, we collect, use, transmit and store data on information systems, which are vulnerable to disruption and an increasing threat of continually evolving cybersecurity risks. These information systems may be disrupted or fail as a result of events that are wholly or partially beyond our control, including events such as power loss, software or hardware defects, hacking, computer viruses, malware, ransomware or other cyber- attacks. All of these risks are also applicable where we rely on outside vendors to provide services, which may operate in a cloud environment. We are dependent on third- party vendors to operate secure and reliable systems which may include data transfers over the internet. Any events which deny us use of vital operating or information systems may seriously disrupt our normal business operations. We also compete through our use of information technology. We strive to provide customers with timely, accurate, easy- to- access information about product availability, orders and delivery status using state- of- the- art systems. While we have processes for short- term failures and disaster recovery capability, a prolonged disruption of system or other failures in the reliability of our systems may have a material adverse effect on our operating results. We could also experience a disruption of service or a compromise of our information security due to technical system flaws, clerical, data input or record- keeping errors, migration to new systems, or tampering or manipulation of our systems by employees or unauthorized third parties. Information security risks also exist with

respect to the use of portable electronic devices, such as laptops and smartphones, which are particularly vulnerable to loss and theft. Any security breach or compromise of our information systems could significantly damage our reputation, cause the disclosure of confidential customer, employee, supplier or company information, including our intellectual property, and result in significant losses, litigation, fines and costs. The security measures we have implemented to protect against unauthorized access to our information systems and data may not be sufficient to prevent breaches. The regulatory environment related to information security, data collection and privacy is evolving, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs. Additionally, our key partners, distributors or suppliers could experience a compromise of their information security due to technical system flaws, clerical, data input or record-keeping errors, or tampering or manipulation of their respective systems by employees or third parties, which may have an impact on our commercial sales, vendor, partner or other relationships. **We, along with third parties, may use data from our information systems and publicly available sources with artificial intelligence (“ AI ”) technologies and tools. The use of AI may increase risks of data exposure, including unauthorized access, misuse, or unintentional disclosure of sensitive information. The evolving and broader use of AI tools and technologies may also impact the effectiveness of our cybersecurity, regulatory compliance and intellectual property protection programs.** Our business is dependent upon third-party vendors and suppliers whose failure to perform adequately could have **an a material** adverse effect on our financial condition, liquidity or results of operations. We source a significant portion of raw materials and sourced products from third parties, including international suppliers. Our ability to select and retain reliable vendors and suppliers who provide timely deliveries of quality raw materials and sourced products will impact our success in meeting customer demand for timely delivery of quality products. The ability of third- party suppliers to timely deliver raw materials and sourced products may be affected by events beyond their control, such as inability of shippers to timely deliver merchandise due to work stoppages or slowdowns, demand volatility or port congestion, unavailability of shipping containers or other equipment, or significant weather and health conditions affecting manufacturers and / or shippers. Any adverse change in our relationships with our third-party suppliers, the financial condition of third- party suppliers, the ability of third- party suppliers to manufacture and deliver outsourced raw materials or sourced products on a timely basis could have a material adverse effect on our financial condition, liquidity or results of operations. In addition, the financial condition of our vendors and suppliers may be adversely affected by general economic conditions, such as credit difficulties and the uncertain macroeconomic environment. Our international suppliers may be impacted by tariffs or other trade matters. Any inability of our vendors and suppliers to timely deliver quality raw materials and sourced products or any unanticipated change in supply, quality or pricing of products could have a material adverse effect on our financial condition, liquidity or results of operations. The geographic concentration of our business could subject us to risks, including those associated with climate change, which may be greater than our competitors and could have **an a material** adverse effect on our financial condition, liquidity or results of operations. We primarily operate in the U. S., Canada and Latin America. Our concentrated operations in the Americas could subject us to a greater degree of risk relative to our global, diversified competitors. We are particularly vulnerable to adverse events (including acts of terrorism, natural disasters, weather conditions, labor market disruptions and government actions) and economic conditions in the U. S., Canada and Latin America. While our operations are primarily in the U. S., Canada and Latin America, we are exposed to downstream risks from global events. Adverse events or conditions in these geographic areas could have a material adverse effect on our financial condition, liquidity or results of operations. Climate change and related extreme weather events in these geographic areas could impact: • our manufacturing capability if one of our facilities is affected by such an event; • demand from our customers through changes in construction activity in the markets in which we operate; • availability or increased costs of manufacturing inputs or sourced products from our vendors and suppliers; and • our broader supply chain through inability to ship and receive goods. We may not be able to forecast the likelihood or severity of any of these impacts. Any of these could have a material adverse effect on our financial condition, liquidity or results of operations. Public health epidemics or pandemics could have **an a material** adverse effect on our financial condition, liquidity or results of operations. Public health epidemics or pandemics may impact our employees, operations, customers, suppliers and financial results. The extent of the impact will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of an epidemic or pandemic; government actions taken in response to an epidemic or pandemic, including required shutdowns; the availability, acceptance, distribution and effectiveness of vaccines; the impact on construction activity; supply chain disruptions; rising inflation; labor shortages; sustained remote or hybrid work models; our ability to manufacture and sell our products; and the ability of our customers to pay for our products. Any of these events could have a material adverse effect on our financial condition, liquidity or results of operations.