Risk Factors Comparison 2024-04-18 to 2023-03-28 Form: 10-K

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The statements in this item describe material risks to our business and should be considered carefully. In addition, these statements constitute cautionary statements under the Private Securities Litigation Reform Act of 1995. This Form 10- K contains forward- looking statements that set forth anticipated results based on management' s plans and assumptions. From time to time, we ~~also~~ provide forward- looking statements in other materials we release to the public and in oral statements that may be made by us. Such forward- looking statements give our current expectations or forecasts of future events. They do not relate strictly to historical or current facts. Such statements are commonly identified by using words such as " anticipate, " " estimate, " " continue, " " could, " " approximate, " " expect, " " objective, " " goal, " " project, " " intend, " " plan, " " believe, " " will, " " should, " " may, " " target, " " forecast, " " guidance, " " outlook, " and similar expressions in connection with any discussion of future operating or financial performance. In particular, forward- looking statements include statements relating to future actions, future performance, or results of current and anticipated products, sales efforts, expenses, interest rates, the outcome of contingencies, such as legal proceedings ~~,~~ and financial results. We cannot guarantee that any forward- looking statement will be realized. Achievement of future results is subject to risks, uncertainties, and potentially inaccurate assumptions. If known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results or those anticipated, estimated, or projected results set forth in the forward- looking statements. You should bear this in mind as you consider forward- looking statements made or to be made by us. You are cautioned not to place undue reliance on forward- looking statements, which speak only as of the date made. We undertake no obligation to publicly update forward- looking statements, whether as a result of new information, future events, or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our future Annual Reports on Form 10- K, Quarterly Reports on Form 10- Q and Current Reports on Form 8- K filed with the SEC. ~~Table of Contents~~ The following cautionary discussion of material risks, uncertainties, and assumptions relevant to our businesses describes factors that, individually or in the aggregate, we believe could cause our actual results to differ materially from expected and historical results. Additional risks not presently known to us or that we presently believe to be immaterial also may adversely impact us. Should any risks or uncertainties develop into actual events, these developments could have material adverse effects on our business, financial condition, results of operations, and liquidity. Consequently, all forward- looking statements made or to be made by us are qualified by these cautionary statements, and there can be no assurance that the results or developments we anticipate will be realized or that they will have the expected effects on our business or operations. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995. Our ability to achieve the results contemplated by forward- looking statements is subject to a number of factors, any one or a combination of which could materially affect our business, financial condition, results of operations, ~~or~~ **and** liquidity. These factors may include, but are not limited to: Operational and Supply Chain Risks **If we are unable to successfully refine and execute our operating strategies** , ~~procurement improvements,and other workforce efficiencies~~ **our operating performance could be significantly impacted** .We may not meet or exceed our operating performance targets and goals if our strategies and initiatives are unsuccessful.Our ability to execute and / or refine our operating and strategic plans,as necessary,including cost savings initiatives,could impact our ability to meet our operating performance targets.Additionally,we must effectively adjust our operating and strategic plans over time to adapt to the evolving marketplace.See the ~~discussion under the caption " Operating Strategy " within~~ MD & A in this Form 10- K for additional information concerning our operating strategy. ~~Table of Contents~~ We are subject to payments- related risks that could increase our operating costs, expose us to fraud, subject us to potential liability, and potentially disrupt our business. We accept payments using a variety of methods, including credit cards, debit cards, credit accounts, our private label credit cards, gift cards, direct debit from a customer' s bank account, consumer invoicing, and physical bank checks, and we may offer different payment options over time. These payment options subject us to many compliance requirements, including, but not limited to, compliance with payment card association operating rules, ~~including~~ data security rules, certification requirements, rules governing electronic funds transfers, and Payment Card Industry Data Security Standards. They also subject us to potential fraud by criminal elements seeking to discover and take advantage of security vulnerabilities that may exist in some of these payment systems. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards, electronic checks, gift cards and promotional financing, and ~~it could disrupt~~ our business **may be disrupted** if these companies become unwilling or unable to provide these services to us. If we fail to comply with these rules or requirements ~~,~~ **or** adequately encrypt payment transaction data, or if our data security systems are breached or compromised, we may be liable for card issuing banks' costs, **become** subject to fines and higher transaction fees, and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments, and our business and operating results could be adversely affected. If we are unable to successfully refine...... additional information concerning our operating strategy. Disruption to our distribution network, the capacity of our distribution centers, and our timely receipt of merchandise inventory could adversely affect our operating performance. We rely on our ability to replenish depleted merchandise inventory through deliveries to our distribution centers and from the distribution centers to our stores by various means of transportation, including shipments by sea, rail and truck carriers. A decrease in the capacity of carriers **,** ~~and / or~~ labor strikes or shortages, **or** disruptions ~~or shortages~~ in the transportation industry could negatively affect our distribution network, our timely receipt of merchandise and / or our transportation costs. In addition, disruptions to the U. S. and international transportation infrastructure from wars **or conflicts (including the Russian invasion of Ukraine and the Israel- Hamas war)** , political unrest, terrorism, natural disasters (including extreme weather), pandemic diseases, governmental budget constraints and other significant events that lead to delays or interruptions of service could adversely affect our business. ~~Also~~ **Although the Israel- Hamas war has not yet had a material impact on our business or operations, the expansion of the geographic or economic scope of the conflict could create supply chain inefficiencies, increase shipping costs and delay shipments of merchandise, any of which could have an adverse impact in our ability to receive merchandise. In addition** , a fire, earthquake, or other disaster (including extreme weather) at one of our distribution centers could disrupt our timely receipt, processing and shipment of merchandise to our stores which could adversely affect our business. Additionally, as we seek to expand our ~~operation~~ **operations** through **sales** ~~store count~~ growth and advancement of our online retail capabilities, we may face increased or unexpected demands on distribution center operations, as well as new demands on our distribution network. We rely on manufacturers located in foreign countries, including China, for significant amounts of merchandise, including a significant amount of our domestically- purchased merchandise. Our business may be materially adversely affected by risks associated with international trade, including the impact of tariffs and / or sanctions imposed by the U. S. with respect to certain consumer goods imported from China ~~, and the impact of the COVID- 19 pandemic~~ . Global sourcing of many of the products we sell is an important factor in driving higher operating profit. During ~~2022~~ **2023** , we purchased approximately ~~28~~ **21** % of our products, at cost, directly from overseas vendors, including ~~19~~ **13** % from vendors located in China. Additionally, a significant amount of our domestically- purchased merchandise is manufactured abroad. Our ability to identify qualified vendors and to access products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced outside of the U. S. Global sourcing and foreign trade involve numerous risks and uncertainties beyond our control, including increased shipping costs, increased import duties, more restrictive quotas, loss of most favored nation trading status, currency and exchange rate fluctuations, work stoppages, transportation delays, economic uncertainties such as inflation, foreign government regulations, political unrest, pandemic diseases, natural disasters, war, terrorism, trade restrictions and tariffs (including retaliation by the U. S. against foreign practices or by foreign countries against U. S. practices), the financial stability of vendors, or merchandise quality issues. U. S. policy on trade restrictions frequently changes and may result in new laws, regulations, or treaties that increase the costs of importing goods and / or limit the scope of available foreign vendors. These and other issues affecting our international vendors could materially adversely affect our business and financial performance. The majority of our products and components of our products imported from China are currently subject to tariffs and proposed tariffs. As a result, we are continually evaluating the potential impact of the effective and proposed tariffs on our supply chain, costs, sales, and profitability, and are considering strategies to mitigate such impact, including reviewing sourcing options, exploring first sale valuation strategies, filing requests for exclusion from the tariffs with the U. S. Trade Representative for certain product lines, and working with our vendors and merchants. Given the volatility and uncertainty regarding the scope and duration of these tariffs, as well as the potential for additional trade actions by the U. S. or other countries, the impact on our operations and results is uncertain and could be significant. We can provide no assurance that any strategies we implement to mitigate the impact of such tariffs or other trade actions will be successful. To the extent that our supply chain, costs, sales, or profitability are negatively affected by the tariffs or other trade actions, our business, financial condition and results of operations may be materially adversely affected ~~. The COVID- 19 pandemic has continued to lead to general manufacturing and supply chain disruption, particularly in China, including manufacturers and supply chains that produce our retail merchandise, supplies, and fixtures. To the extent our manufacturers, supply chain and associated costs are negatively affected by the COVID- 19 pandemic, including delayed shipment of seasonally sensitive product offerings, our business, financial condition, results of operations, and liquidity may be materially adversely affected. The recent cessation of operations by a key furniture supplier, United Furniture Industries, Inc., significantly and adversely impacted our operations in 2022 and could materially adversely impact our results of operations. United Furniture Industries, Inc. (" UFI ") unexpectedly and without notice to us ceased operations and terminated its employees on November 21, 2022. Furniture products supplied by UFI to the Company represented approximately 6 % of our merchandise purchases in 2022. We are closely monitoring this developing situation, evaluating its potential impact on our business and reviewing our rights and legal and strategic options. We believe that we have identified merchandise sourcing alternatives to fill both near and long term gaps in our product offerings that may result from UFI' s cessation of operations, including, among other things, obtaining merchandise from other furniture vendors, pursuing closeout opportunities and acquiring additional non furniture merchandise. We expect the assortment gaps related to the UFI closure to be fully mitigated by the end of the second quarter of 2023. Over time, if we are unable to secure alternative sources of merchandise on acceptable terms to replace merchandise previously sourced from UFI, our results of operations could be materially adversely impacted~~ . Our inability to properly manage our inventory levels and offer merchandise that meets changing customer demands may materially impact our business and financial performance. We must maintain sufficient inventory levels to successfully operate our business. However, we also must seek to avoid accumulating excess inventory to maintain appropriate in- stock levels based on evolving customer demands. We obtain approximately ~~28~~ **21** % of our merchandise directly from vendors outside of the U. S. These foreign vendors often require us to order merchandise and enter into purchase order contracts for the purchase of such merchandise well in advance of the time we offer these products for sale. As a result, we may experience difficulty in rapidly responding to a changing retail environment, which makes us vulnerable to changes in price and in consumer preferences ~~. For example, in the second and third quarters of 2022, we aggressively discounted Seasonal and other products to reduce inventory levels which negatively impacted our gross margins~~ . In addition, we attempt to maximize our operating profit and operating efficiency by delivering proper quantities of merchandise to our stores in a timely manner. If we do not accurately anticipate future demand for a particular product or the time it will take to replenish inventory levels, our inventory levels may not be appropriate and our results of operations may be negatively impacted. **In addition, maintaining sufficient inventory levels involves relying on**

our vendors to timely deliver merchandise in the quantities we ordered. In November 2022, United Furniture Industries, Inc. (“ UFI ”) unexpectedly and without notice to us ceased operations and terminated its employees. Furniture products supplied by UFI to the Company represented approximately 6 % of our merchandise purchases in 2022. By the end of 2023, we have fully mitigated the impact of UFI’ s closure, but the closure did have an adverse impact on our operations in both 2022 and 2023. We cannot provide any assurance that our vendors will timely deliver the merchandise we have ordered from them and their failure to do so could adversely impact our results of operations. If we are unable to successfully appeal to and engage with our target consumers, our business and financial performance may be materially and adversely affected. We operate in the consumer retail industry through brick- and- mortar stores and digitally through an e- commerce platform. As a result, our success depends on, among other things, our ability to identify and successfully market products through various channels that appeal to our current and future target customer segments, align our offerings with consumer preferences and maintain favorable perceptions of our brand image by our target customers. If we are unable to successfully appeal to and engage with our target customers, our business and results of operations may be materially and adversely affected. If we are unable to maintain or upgrade our information technology or computer systems or if such systems are damaged or cease to function properly, our operations may be disrupted or become less efficient. We depend on a variety of information technology and computer systems for the efficient functioning of our business. We rely on certain hardware, telecommunications and software vendors to maintain and periodically upgrade many of these systems so that we can continue to support our business. Various components of our information technology and computer systems, including hardware, networks, and software, are licensed to us by third party vendors. We rely extensively on our information technology and computer systems to process transactions, summarize results, and manage our business, including management and distribution of our inventory. Our information technology and computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyberattacks or other security breaches, obsolescence, catastrophic events and extreme weather conditions such as fires, floods, earthquakes, tornados ~~,~~ **and** hurricanes, acts of war or terrorism, and usage errors by our employees or our contractors. In recent years, we have begun using vendor- hosted solutions for certain of our information technology and computer systems, which are more exposed to telecommunication failures. If our information technology or computer systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, and we may suffer loss of critical data and interruptions or delays in our operations as a result. Any material interruption experienced by our information technology or computer systems could negatively affect our business and results of operations. Costs and potential interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of our existing systems could disrupt or reduce the efficiency of our business. If we are unable to retain existing and / or secure suitable new store locations under favorable lease terms, our financial performance may be negatively affected. We lease almost all of our stores, and a significant number of the store leases expire or are up for renewal each year, as noted below in “ Item 2. Properties ” and in MD & A in this Form 10- K. Our strategy to improve our financial performance includes increasing sales while managing the occupancy cost of each of our stores. A primary component of our sales growth strategy is increasing our comparable store sales, which requires renewing many leases each year. Additional components of our sales growth strategy include opening new store locations, either as an expansion in an existing market or as an entrance into a new market, and relocating certain existing stores to new locations within existing markets. If we are unable to negotiate favorable lease renewals and / or new store leases under unfavorable lease terms or at all, our financial position, results of operations, and liquidity may be negatively affected.