Risk Factors Comparison 2024-02-28 to 2023-02-23 Form: 10-K

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

A number of risks and uncertainties could affect our business and cause our actual results to differ from past performance or expected results. We consider the following risks and uncertainties to be those material to our business. If any of these risks occur, our business, financial condition and results of operations could suffer, and the trading price of our common stock could decline. We urge investors to **carefully** consider ~~carefully~~ the risk factors described below in evaluating the information contained in this Annual Report. Risks Which May Be Material to Our Business Risks Relating to Products and Supply Chain We are dependent on third- party suppliers and manufacturers to provide us with an adequate supply of high- quality products, and the loss of a large supplier or manufacturer could negatively affect our operating results. Failure by our suppliers to provide us with an adequate supply of high- quality products on commercially reasonable terms, or to comply with applicable legal requirements, could have a material adverse effect on our financial condition or operating results. While we believe that we have positive relationships with our suppliers, the fiberglass insulation industry has encountered both shortages and periods of significant oversupply during past housing market cycles, leading to volatility in prices and allocations of supply, which affect our results. While we do not believe we depend on any sole or limited source of supply, we source the majority of our building products, primarily insulation, from a limited number of large suppliers. The loss of a large supplier, or a substantial decrease in the availability of products or components from our suppliers **for any reason** , could disrupt our business and adversely affect our operating results. Our profit margins could decrease due to changes in the costs of the products we install and / or distribute. The principal building products that we install and distribute have been subject to price changes in the past, some of which have been significant. Our results of operations for individual quarters can be, and have been, hurt by a delay between the time ~~building~~ product or material cost increases are implemented and the time we are able to increase prices for our installation or specialty distribution services, if at all. Our supplier purchase prices may depend on our purchasing volume or other arrangements with any given supplier. While we have been able to achieve cost savings through volume purchasing or other arrangements with suppliers in the past, we may not be able to consistently continue to receive advantageous pricing for the products we distribute and install. If we are unable to maintain purchase pricing consistent with prior periods or are unable to pass on price increases, our costs could increase and our margins may be adversely affected. The development of alternatives to distributors in the supply chain could cause a decrease in our sales and operating results and limit our ability to grow our business. Our Specialty Distribution customers could begin purchasing more of their products directly from manufacturers, which would result in decreases in our net sales and earnings. Our suppliers could invest in infrastructure to expand their own local sales force and sell more products directly to our Specialty Distribution customers, which also would negatively impact our business **. In addition, our Specialty Distribution customers could expand their on- site fabrication and customization activities, negatively impacting demand for our value added fabrication services** . New product innovations or new product introductions could negatively impact our business. New product innovations or new product introductions could negatively impact demand for the products we install and distribute. Issues with product quality or performance could negatively impact our business. Our business depends on high- quality products from manufacturers and other suppliers, and issues with the quality or performance of such products could negatively impact our business. While we are generally indemnified by our manufacturers and suppliers for claims relating to the quality of their products, our business could be negatively impacted by product quality or performance issues, including exposure to legal claims and regulatory proceedings and damage to our reputation. We may not be able to identify new products or new product lines and integrate them into our specialty distribution network, which may impact our ability to compete. Our expansion into new markets may present competitive, distribution, and regulatory challenges that differ from current ones. Our business depends, in part, on our ability to identify future products and product lines that complement existing products and product lines and that respond to our customers' needs. We may not be able to compete effectively unless our product selection keeps up with trends in the markets in which we compete, or trends in new products, which could cause us to lose market share. Our expansion into new markets, new products, or new product lines may present competitive, distribution **,** and regulatory challenges, as well as divert management' s attention away from our core business. In addition, ~~our~~ **the** ~~ability~~ **inability** to integrate new products and product lines into our specialty distribution network could affect our ability to compete. Risks Relating to Events Beyond Our ControlA decline in general economic conditions could materially reduce demand for our services or the products that we distribute. Demand for our products and services depends heavily on the operating level of our customers and the economic factors that affect them, including general economic conditions. In a recession or economic downturn, our customers may materially reduce construction **or industrial** activities because of lower consumer demand, which in turn will decrease their need for our services and the products that we distribute. Volatile economic and credit conditions also make it more difficult for our customers to forecast and plan future business activities and may prevent them from ordering our products or services as frequently or in the quantities they otherwise would. We may experience materially adverse impacts to our business because of any economic recession or slowing in the rate of growth. An epidemic, pandemic, or similar serious public health issue (such as COVID- 19), and the measures undertaken by governmental authorities to address it, may cause business and market disruptions, impacting demand for our services or the products we distribute, our ability to provide services, or our results of operations or financial condition. The spread of highly infectious or contagious diseases (such as COVID- 19) could cause quarantines, business shutdowns, reduction in business activity and financial transactions, labor shortages, supply chain interruptions, and overall economic and financial market instability, all of which may impact general economic conditions or consumer confidence. To the extent that economic activity, business conditions, and the industries in which we operate deteriorate as a result of such disruptions, we would expect to experience an adverse impact on demand for our services and the products we distribute, our ability to provide services, or our results of operations or financial condition. **Our business may be adversely affected by economic, political and social conditions and events in North America or other regions where we may not operate. 14We operate primarily in North America, but also supply projects in other parts of the world and have suppliers and customers that have operations outside of North America. Our business is subject to risks arising from economic, political, and social conditions and events in any of these regions, such as recessions, inflation, deflation, currency fluctuations, trade disputes, wars, terrorist attacks, pandemics, natural disasters, and other crises. These conditions and events may affect the demand for our services and products, the availability and cost of materials and labor, the financial condition and creditworthiness of our customers and suppliers, the stability and regulation of financial markets, the ability to raise capital, the enforcement of contractual obligations, the protection of intellectual property rights, and the conduct of business operations. Any of these factors could have a material adverse effect on our business, results of operations, and financial condition.** Risks Relating to Human CapitalThe long- term performance of our businesses relies on our ability to attract, develop, and retain talented personnel, including sales representatives, branch managers, installers, and truck drivers, while controlling our labor costs. We are highly dependent on the skills and experience of our senior management team and other skilled and experienced personnel. The failure to attract and retain key employees could negatively affect our competitive position and operating results. Our business results also depend upon our branch managers and sales personnel, including those of businesses acquired. Our ability to control labor costs and attract qualified labor is subject to numerous external factors including prevailing wage rates, the labor market, the demand environment, the impact of legislation or regulations governing wages and hours, labor relations, immigration, healthcare benefits, and insurance costs. In addition, we compete with other companies to recruit and retain qualified installers and truck drivers in a tight labor market, and we invest significant resources in training and motivating them to maintain a high level of job satisfaction. These positions generally have high turnover rates, which can lead to increased training and retention costs. If we fail to attract qualified labor on favorable terms, we may not be able to meet the demand of our customers, which could adversely impact our business, financial condition, and results of operations. ~~13Changes~~ -- **Changes** in employment and immigration laws and regulations may adversely affect our business. Various federal and state labor laws and regulations govern the relationship with our employees and impact operating costs. These laws include ~~: •~~ **, but are not limited to,** employee classification as exempt or non- exempt for overtime and other purposes; ~~•~~ workers' compensation rates; ~~•~~ immigration status; ~~•~~ mandatory health benefits; ~~•~~ tax reporting; and ~~•~~ other wage and benefit requirements. We have ~~a~~ significant exposure to changes in laws governing our relationships with our employees, including wage and hour laws and regulations, fair labor standards, minimum wage requirements, overtime pay, unemployment tax rates, workers' compensation rates, citizenship requirements, payroll taxes, and the enforcement of non- competition agreements, as well as vaccination and testing mandates which may be imposed in connection with the occurrence of pandemic or health concerns, which changes would have a direct impact on our operating costs. Significant additional government- imposed increases in the preceding areas could have a material adverse effect on our business, financial condition, and results of operations. In addition, various states in which we operate are considering or have already adopted new immigration laws or enforcement programs, and the U. S. Congress and Department of Homeland Security from time to time consider and implement changes to federal immigration laws, regulations, or enforcement programs. These changes may increase our compliance and oversight obligations, which could subject us to additional costs and make our hiring process more cumbersome, or reduce the availability of potential employees. Although we verify the employment eligibility status of all our employees, including through participation in the " E- Verify " program where required, some of our employees may, without our knowledge, be unauthorized workers. Use of the verification tools and / or " E- Verify " program does not guarantee that we will properly identify all applicants who are ineligible for employment. Unauthorized workers are subject to deportation and may subject us to fines or penalties and, if any of our workers are found to be unauthorized, we could experience adverse publicity that negatively impacts our brand and may make it more difficult to hire and retain qualified employees, which could disrupt our operations. We could also become subject to fines, penalties, and other costs related to claims that we did not fully comply with all recordkeeping obligations of federal and state immigration laws. These factors could have a material adverse effect on our business, financial condition, and results of operations. ~~Union~~ **15Union** organizing activity and work stoppages could delay or reduce **the** availability of products that we install and increase our costs. Approximately ~~800~~ **730** of our employees are currently covered by collective bargaining or other similar labor agreements that expire on various dates through ~~2026~~ **2027** . Any inability by us to negotiate collective bargaining arrangements could cause strikes or other work stoppages, and new contracts could result in increased operating costs. If any such strikes or other work stoppages occur, or if other employees become represented by a union, we could experience a disruption of our operations and higher labor costs. Further, if a significant number of additional employees were to unionize, including in the wake of any future legislation or regulation that makes it easier for employees to unionize, these risks would increase. In addition, certain of our suppliers have unionized work forces, and certain of the products we install and / or distribute are transported by unionized truckers. Strikes, work stoppages, or slowdowns could result in slowdowns or closures of facilities where the products that we install and / or distribute are manufactured, or could affect the ability of our suppliers to deliver such products to us. Any interruption in the production or delivery of these products could delay or reduce availability of these products and increase our costs. ~~14Our~~ -- **Our** business relies significantly on the expertise of our employees and we generally do not have intellectual property that is protected by patents. Our business is significantly dependent upon our expertise in installation and distribution logistics, including significant expertise in the application of building science through our Environments for Living ® program. We rely on a combination of trade secrets and contractual confidentiality provisions and, to a much lesser extent, copyrights and trademarks, to protect our proprietary rights. Accordingly, our intellectual property is more vulnerable than it would be if it were protected primarily by patents. We may be required to spend significant resources to monitor and protect our proprietary rights, and in the event a misappropriation or breach of our proprietary rights occurs, our competitive position in the market may be harmed. In addition, competitors may develop competing technologies and expertise that renders our expertise obsolete or less valuable. Risks Relating to Mergers and AcquisitionsWe may not be successful in identifying and making acquisitions. ~~In addition, acquisition integrations involve risks that could negatively affect our operating results, cash flows, and liquidity.~~ We have made, and in the future may continue to make, strategic acquisitions as part of our growth strategy. We may be unable to make accretive acquisitions or realize expected benefits of any acquisitions for any **number** of ~~the following~~ reasons **including, but not limited to** : ~~•~~ • failure to identify attractive targets in the marketplace; ~~•~~ • increased competition for attractive targets; ~~•~~ • incorrect assumptions regarding the future results of acquired operations or assets, expected cost reductions, or other synergies expected to be realized as a result of acquiring operations or assets; ~~•~~ • failure to obtain acceptable financing **or required clearance or approvals** ; or ~~•~~ • restrictions in our debt agreements **. Acquisition integrations involve risks that could negatively affect our operating results, cash flows, and liquidity** . Our ability to successfully implement our business plan and achieve targeted financial results is dependent on our ability to successfully integrate acquired businesses. The process of integrating acquired businesses, may expose us to operational challenges and risks, including, but not limited to: ~~•~~ • the ability to profitably manage acquired businesses or successfully integrate the acquired business' operations, financial reporting, and accounting control systems into our business; ~~•~~ • the expense of integrating acquired businesses; ~~•~~ • increased indebtedness; ~~•~~ • the loss of installers, suppliers, customers or other significant business partners of acquired businesses; ~~•~~ • potential impairment of goodwill and other intangible assets; ~~•~~ • risks associated with the internal controls and accounting policies of acquired businesses; ~~•~~ **16 •** diversion of management' s attention due to the increase in the size of our business; ~~•~~ • the ability to fund cash flow shortages that may occur if anticipated revenue is not realized or is delayed, whether by general economic or market conditions, or unforeseen internal **or external** difficulties; **•** ~~15 •~~ the availability of funding sufficient to meet increased capital needs; ~~•~~ • difficulties in the assimilation of different corporate cultures and business practices; ~~•~~ • the ability to retain vital employees or hire qualified personnel required for expanded operations; ~~•~~ • failure to identify all known and contingent liabilities during due diligence investigations; and ~~•~~ • the **insufficiency of** indemnification granted to us by sellers of acquired companies ~~may not be sufficient~~ . Failure to successfully integrate any acquired business may result in reduced levels of revenue, earnings, or operating efficiency than might have been achieved if we had not acquired such business. In addition, our past acquisitions results, and any future acquisitions could result in the incurrence of additional debt and related interest expense, contingent liabilities, and amortization expenses related to intangible assets, which could have a material adverse effect on our financial condition, operating results, and cash flow. We may not be able to achieve the benefits that we expect to realize as a result of future acquisitions. Failure to achieve such benefits could have an adverse effect on our financial condition and results of operations. We may not be able to realize anticipated cost savings, revenue enhancements, or other synergies from future acquisitions, either in the amount or within the time frame that we expect. In addition, the costs of achieving these benefits may be higher than, and the timing may differ from, what we expect. Our ability to realize anticipated cost savings, synergies, and revenue enhancements may be affected by a number of factors, including, but not limited to, the following: ~~•~~ • the use of more cash or other financial resources on integration and implementation activities than we expect; ~~•~~ • unanticipated increases in expenses unrelated to any future acquisition, which may offset the expected cost savings and other synergies from any future acquisition; ~~•~~ • our ability to eliminate duplicative back office overhead and redundant selling, general, and administrative functions; and ~~•~~ • our ability to avoid labor disruptions in connection with the integration of any future acquisition, particularly in connection with any headcount reduction. While we expect future acquisitions to create opportunities to reduce our combined operating costs, these cost savings reflect estimates and assumptions made by our management, and it is possible that our actual results will not reflect these estimates and assumptions within our anticipated timeframe or at all. If we fail to realize anticipated cost savings, synergies, or revenue enhancements, our financial results may be adversely affected, and we may not generate the cash flow from operations that we anticipate. Risks Relating to Legal and Regulatory MattersBecause we operate our business through highly dispersed locations across the U. S. and Canada, our operations may be materially adversely affected by inconsistent local practices, and the operating results of individual branches and centers may vary. We operate our business through a network of highly dispersed locations throughout the United States and Canada, supported by executives and services at our Branch Support Center in Daytona Beach, Florida, with local branch management retaining responsibility for day- to- day operations and adherence to applicable local laws. Our operating structure can make it difficult for us to coordinate procedures across our operations. In addition, our branches and distribution facilities may require significant oversight and coordination from headquarters to support their growth. ~~16Inconsistent~~ -- **Inconsistent** implementation of corporate strategy and policies at the local or regional level could materially and adversely affect our business, financial condition, results of operations, and cash flows. ~~Claims~~ **17Claims** and litigation could be costly. We are, from time to time, involved in various claims, litigation matters, and regulatory proceedings that arise in the ordinary course of our business and which could have a material adverse effect on us. These matters may include contract disputes, automobile liability and other personal injury claims, warranty disputes, **construction defect,** environmental claims or proceedings, other tort claims, employment and tax claims, claims relating to the quality of products sourced from our suppliers, and other proceedings and litigation, including class actions. In addition, we are exposed to potential claims by our employees or others based on job **-** related hazards. We may also be subject to claims or liabilities arising from our acquisitions for the periods prior to our acquisition of them, including environmental, employee-related, and other liabilities and claims not covered by insurance. Our ability to seek indemnification from the former owners of our acquired businesses for these claims or liabilities may be limited by the respective acquisition agreements and the financial ability of the former owners to satisfy our indemnification claims. Our builder and contractor customers are subject to product liability, casualty, negligence, construction defect, breach of contract, warranty, and other claims in the ordinary course of their business. Our contractual arrangements with our builder and contractor customers may include our agreement to defend and indemnify them against various liabilities. We rely on manufacturers and other suppliers to provide us with most of the products we install. Because we do not have direct control over the quality of products manufactured or supplied by third- party suppliers, we are exposed to risks relating to the quality of those products. In addition, we are exposed to potential claims arising from the conduct of our employees, homebuilders, and other subcontractors, for which we may be liable contractually or otherwise. Product liability, workmanship warranty, casualty, negligence, construction defect, breach of contract, and other claims and legal proceedings can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of fault or the ultimate outcome. In addition, lawsuits relating to construction defects typically have statutes of limitations that can run as long as ten years. Claims of this nature could also have a negative impact on customer confidence in us and our services. Although we intend to defend all claims and litigation matters vigorously, given the inherently unpredictable nature of claims and litigation, we cannot predict with certainty the outcome or effect of any claim or litigation matter. We expect to maintain insurance against some, but not all, of our risks of loss resulting from claims and litigation. We may elect not to obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. The levels of insurance we maintain may not be adequate to fully cover any and all losses or liabilities. If any significant accident, judgment, claim, or other event is not fully insured or indemnified against, it could have a material adverse impact on our business, financial condition, and results of operations. Compliance with government regulation and industry standards could impact our operating results. We are subject to national, state, provincial, and local government regulations, particularly those pertaining to health and safety, including protection of employees and consumers, employment laws, including immigration and wage and hour regulations, contractor licensing, data privacy, cybersecurity, and climate and environmental ~~issues~~ **laws and regulations** . In addition to complying with current requirements, even more stringent requirements ~~are under review~~ **could be imposed in the future** by the Securities and Exchange Commission and other governmental authorities ~~which could be imposed in the future~~ . Compliance with these regulations and industry standards is costly and may require us to invest additional resources into our compliance infrastructure, thereby increasing our cost structure. We may also be required to alter our installation and distribution processes, product sourcing, or business practices, which could make recruiting and retaining labor in a tight labor market more challenging. If we do not effectively and timely comply with such regulations and industry standards, our results of operations could be negatively affected, and we could become subject to substantial penalties or other legal liability. ~~17We~~ **18We** are subject to environmental regulation and potential exposure to environmental liabilities. We are subject to various federal, state, provincial, and local environmental laws and regulations. Although we believe that we operate our business, including each of our locations, in compliance with applicable laws and regulations and maintain all material permits required under such laws and regulations to operate our business, we may be held liable or incur fines or penalties in connection with such requirements. In addition, environmental laws and regulations, including those related to energy use and climate change, may become more stringent over time, and any future laws and regulations could have a material impact on our operations or require us to incur material additional expenses to comply ~~with any such future laws and regulations~~ . Changes in building codes and consumer preferences could affect our ability to market our service offerings and our profitability. Moreover, if we do not respond to evolving customer preferences or changes in building standards, or if we do not maintain or expand our ~~leadership~~ **expertise** in building science, our business, results of operation, financial condition, and cash flow would be adversely affected. Each of our lines of business is impacted by building codes and consumer preferences, including a growing focus on energy efficiency. Our competitive advantage is due, in part, to our ability to respond to changes in consumer preferences and building codes. However, if our installation and distribution services and our ~~leadership~~ **expertise** in building sciences do not adequately or quickly adapt to changing preferences and building standards, we may lose market share to competitors, which would adversely affect our business, results of operation, financial condition, and cash flows. Further, our growth prospects could be harmed if consumer preferences and building standards **do not** evolve **towards** more ~~slowly than we anticipate towards~~ energy efficient service offerings, which ~~are more profitable than minimum code~~ **tend to increase demand for our** service offerings. Risks Relating to the Industry in Which We OperateOur business relies on residential new construction, commercial construction and industrial manufacturing activity, and to a lesser extent on residential repair / remodel, all of which are cyclical. Demand for our services is cyclical and highly sensitive to general macroeconomic and local economic conditions over which we have no control. Macroeconomic and local economic conditions, including consumer confidence levels, fluctuations in home prices, unemployment and underemployment levels, income and wage growth, student loan debt, household formation rates, mortgage tax deduction limits, the age and volume of the housing stock, the availability of home equity loans and mortgages and the interest rates for such loans, and other factors, affect consumers' discretionary spending on both residential new construction projects and residential repair / remodel activity. The commercial and industrial construction markets are affected by macroeconomic and local economic factors including, but not limited to, general economic conditions, cost of financing, credit availability, material costs, labor rates, vacancy and absorption rates, manufacturing capacity and demand, technological advancements, foreign and domestic competition, and import and export activity. Changes or uncertainty regarding these and similar factors could adversely affect our results of operations and our financial position. We face significant competition, and increased competitive pressure may adversely affect our business, financial condition, results of operations and cash flows. The market for the specialty distribution and installation of building products and materials is highly fragmented and competitive, and barriers to entry are relatively low. Our Installation competitors include national contractors, regional contractors, and local contractors, and we face many or all of these competitors for each project on which we bid. Our Specialty Distribution competitors include numerous specialty insulation distributors. In some instances, our Specialty Distribution business sells products to companies that may compete directly with our installation service business. We also compete with broad line building products distributors, big box retailers, ~~and~~ insulation manufacturers **, and mechanical insulation fabricators** . In addition to price, we believe that competition in our industry is based largely on existing customer relationships, customer service **,** and the quality and timeliness of installation services and distribution product deliveries in each local market. In the event that increased demand leads to higher prices for the products we sell and install, we may have limited ability to pass on price increases in a timely manner, or at all, due to the fragmented and competitive nature of our industry. ~~18Our~~ **19Our** business is seasonal and is susceptible to adverse weather conditions and natural disasters. We also may be adversely affected by any natural or man- made disruptions to our facilities. We normally experience stronger sales **in our Installation segment and in building insulation sales in our Specialty Distribution segment** during the third and fourth calendar quarters, corresponding with the peak season for residential new construction and residential repair / remodel activity. Sales during the winter weather months are seasonally slower due to the lower construction activity. Historically, the installation of insulation lags housing starts by several months. In addition, to the extent that hurricanes, severe storms, earthquakes, droughts, floods, fires, other natural disasters, or similar events occur in the geographic areas in which we operate, our business may be adversely affected. Any widespread disruption to our facilities resulting from a natural disaster, an act of terrorism, or any other cause could materially impair our ability to provide installation and / or distribution services for our customers. We are subject to competitive pricing pressure from our customers. Residential homebuilders historically have exerted significant pressure on their outside suppliers to keep prices low in the highly fragmented building products and materials supply and services industry. **Similarly, contractors serving the construction industry and industrial customers exert pressure on our Specialty Distribution pricing.** In addition, consolidation among homebuilders and changes in homebuilders **' and contractors** ' purchasing policies or payment practices could result in additional pricing pressure. Risks Relating to Our Operations Outside of the United StatesWe face risks relating to our operations outside of the United States. A portion of our operations are conducted in Canada. As a result, our operating results and financial condition could be materially adversely affected by economic, political, health, regulatory and other factors existing outside of the United States. Our foreign operations are subject to inherent risks, which may materially adversely affect us, including: political and economic changes or instability; expropriation or the imposition of government controls; changes in government regulations; export requirements; trade restrictions; earnings repatriation and expatriation restrictions; exposure to different legal standards, including related to intellectual property and data privacy; health conditions and standards; currency controls; fluctuations in exchange rates; increases in the duties and taxes we pay; inflation or deflation; greater difficulty in collecting accounts receivable and longer payment cycles; changes in labor conditions, staffing, and managing our foreign operations; limitations on insurance coverage against geopolitical risks, natural disasters, and business operations; and communication among management and foreign operations. In addition, these same factors may also place us at a competitive disadvantage compared to foreign competitors. FCPA RiskWe may face risks associated with violations of the Foreign Corrupt Practices Act (" FCPA ") and similar anti- bribery laws. The FCPA and similar anti- bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Our Code of Ethics mandates compliance with these anti- bribery laws. We cannot assure you that our internal controls and procedures will always protect us from the detrimental actions of our employees or agents. If we are found to be liable for FCPA violations (either due to our own acts or inadvertence or due to the acts or inadvertence of others), we could suffer from criminal or civil penalties or other sanctions, which could have a material adverse effect on our business. We are exposed to fluctuations in foreign currency exchange rates that may adversely affect our business, financial condition, and operating results. We transact business outside of the United States. We present our ~~consolidated~~ **Consolidated** ~~financial~~ **Financial** ~~statements~~ **Statements** in U. S. dollars, but a portion of our revenues and expenditures are transacted in other currencies. As a result, we are exposed to fluctuations in foreign currencies. Additionally, we may have currency exposure arising from funds held in currencies other than U. S. dollars. Volatility in the exchange rates between the foreign currencies and the U. S. dollar could materially harm our business, financial condition, or operating results. ~~19Risks~~ **20Risks** Relating to Information Technology and CybersecurityWe rely on information technology systems, and in the event of a disruption or security incident, we could experience problems **operating our business** ~~with customer service, inventory, collections, and cost control~~ and incur substantial costs to address ~~related~~ **resulting** issues. Our operations are dependent upon our information technology systems, including systems run by third- party vendors which we do not control, to ~~manage~~ **operate our business including, but not limited to managing** customer orders on a timely basis, to ~~coordinate~~ **coordinating** our installation and specialty distribution activities across locations, and **managing** ~~to manage~~ invoicing. If we experience problems with our information technology systems, we could experience, among other things, delays in receiving customer orders, placing orders with suppliers, and scheduling production, installation services, deliveries, or shipments. A substantial disruption in our information technology systems could have an adverse impact on revenue, harm our reputation, and cause us to incur legal liability and costs, which could be significant, to address and remediate such events and related security ~~concerns~~ **and operational issues** . In addition, we could be adversely affected if any of our significant customers or suppliers ~~experienced~~ - **experience** any similar events that ~~disrupted~~ -- **disrupt** their respective business operations or ~~damaged~~ - **damage** their reputations. In the event of a cybersecurity incident, we could experience operational interruptions, incur substantial additional costs, become subject to legal or regulatory proceedings or suffer damage to our reputation. In addition to the disruptions that may occur from interruptions in our information technology systems, cybersecurity threats and sophisticated and targeted cyberattacks pose a risk to our information technology systems. We have established security policies, processes and defenses designed to help identify and protect against intentional and unintentional misappropriation or corruption of our information technology systems and disruption of our operations. Despite these efforts, our information technology systems may be damaged, disrupted or shut down due to attacks by unauthorized persons, malicious software, computer viruses, undetected intrusion, hardware failures, or other events, and in these circumstances our disaster recovery plans may be ineffective or inadequate. These breaches or intrusions could lead to business interruptions, exposure of proprietary or confidential information, data corruption, damage to our reputation, exposure to legal and regulatory proceedings, and other costs. Such events could have **an** ~~a material~~ adverse impact on our financial condition, results of operations and cash flows. In addition, we could be adversely affected if any of our significant customers or suppliers experience any similar events that disrupt their business operations or damage their reputations. We maintain monitoring practices and protections of our information technology to reduce these risks and test our systems on an ongoing basis for potential threats. We carry cybersecurity insurance to help mitigate ~~the~~ financial exposure ~~and related notification procedures~~ in the event of intentional intrusion. There can be no assurance, however, that our efforts will prevent the ~~risk~~ **occurrence** of a security breach of our databases or systems that could adversely affect our business. Risks Relating to Liquidity and Our Ability to Finance Our OperationsIf we are required to take significant non- cash charges, our financial resources could be reduced, and our financial flexibility may be negatively affected. We have significant goodwill and other intangible assets related to business combinations on our balance sheet. The valuation of these assets is largely dependent upon the expectations for future performance of our businesses. Expectations about the growth of residential new construction, commercial / industrial construction, residential repair / remodel activity, and the utilization of industrial facilities, may impact whether we are required to recognize noncash, pretax impairment charges for goodwill and other indefinite lived intangible assets, or other long- lived assets. If the value of our goodwill, other intangible assets, or long- lived assets is further impaired, our earnings and ~~stockholders~~ **shareholders** ' equity would be adversely affected and may impact our ability to raise capital in the future. ~~20We~~ **21We** may have future capital needs and may not be able to obtain additional financing on acceptable terms. Our future capital requirements will depend on many factors, including industry and market conditions, our ability to successfully complete future business combinations and the expansion of our existing operations. We anticipate that we may need to raise additional funds in order to grow our business and implement our business strategy. Economic and credit market conditions, the performance of the construction industry, and our financial performance, as well as other factors may constrain our financing abilities. Our ability to secure additional financing and to satisfy our financial obligations will depend upon our future operating performance, the availability of credit, economic conditions, and financial, business, and other factors, many of which are beyond our control. Any financing, if available, may be on terms that are not favorable to us and will be subject to changes in interest rates and the capital markets environment. If we cannot obtain adequate capital, we may not be able to fully implement our business strategy and our business, operational results and financial condition could be adversely affected. Our indebtedness and restrictions in our existing credit facility, Senior Notes or any other indebtedness we may incur in the future, could adversely affect our business, financial condition, results of operations, ability to make distributions to shareholders, and the value of our common stock. Our indebtedness could have significant consequences on our future operations, including **but not limited to** : ~~•~~ **•** making it more difficult for us to meet our payments and other obligations; ~~•~~ **•** reducing the availability of our cash flows to fund working capital, capital expenditures, acquisitions or strategic investments and other general corporate requirements, and limiting our ability to obtain additional financing for these purposes; ~~•~~ **•** subjecting us to increased interest expense related to our indebtedness with variable interest rates, including borrowings under our credit facility; ~~•~~ **•** limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to changes in our business, the industry in which we operate and the general economy; and ~~•~~ **•** placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged. Any of the above- listed factors could have an adverse effect on our business, financial condition, results of operations, or ability to meet our payment obligations. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell certain assets, reduce or delay capital investments, or seek to raise additional capital, and some of these activities may be on terms that are unfavorable or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations. Our existing term loan, revolving credit facility and the indentures governing our Senior Notes limit, and any future credit facility or other indebtedness we enter into may limit our ability to, among other things: ~~•~~ **•** incur or guarantee additional debt; ~~•~~ **•** make distributions or dividends on, or redeem or repurchase shares of our common stock; ~~•~~ **•** make certain investments, acquisitions, or other restricted payments; ~~•~~ **•** incur certain liens or permit them to exist; ~~•~~ **•** acquire, merge, or consolidate with another company; and ~~•~~ **•** transfer, sell, or otherwise dispose of substantially all of our assets. ~~21Our~~ -- **Our** revolving credit facility contains, and any future credit facility or other debt instrument we may enter into will also likely contain, covenants requiring us to maintain certain financial ratios and meet certain tests, such as an interest coverage ratio, a leverage ratio, and a minimum test. Our ability to comply with those financial ratios and tests can be affected by events beyond our control, and we may not be able to comply with those ratios and tests when required to do so under the applicable debt instruments. For additional information regarding our outstanding debt see Item 8. Financial Statements and Supplementary Data – Note 6. Long- Term Debt. ~~Adverse~~ **22Adverse** credit ratings could increase our costs of borrowing money and limit our access to capital markets and commercial credit. Moody' s Investor Service and Standard & Poor' s routinely evaluate our credit ratings related to our Senior Notes. If these rating agencies downgrade any of our current credit ratings, our borrowing costs could increase and our access to the capital and commercial credit markets could be adversely affected. In connection with the Separation, Masco indemnified us for certain liabilities, and we indemnified Masco for certain liabilities. If we are required to act under these indemnities to Masco, we may need to divert cash to meet those obligations, which could adversely affect our financial results. Moreover, the Masco indemnity may not be sufficient to compensate us for the full amount of liabilities for which it may be liable, and Masco may not be able to satisfy its indemnification obligations to us in the future. Indemnities that we may be required to provide Masco are not subject to any cap, may be significant, and could negatively affect our business, particularly indemnities relating to our actions that could affect the tax- free nature of the Separation. Third parties could also seek to hold us responsible for any of the liabilities that Masco has agreed to retain, and under certain circumstances, we may be subject to continuing contingent liabilities of Masco following the Separation, such as certain shareholder litigation claims. Further, Masco may not be able to fully satisfy its indemnification obligations, or such indemnity obligations may not be sufficient to cover our liabilities. Moreover, even if we ultimately succeed in recovering from Masco any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, results of operations, liquidity, and financial condition. Compliance with and changes in tax laws could adversely affect our performance. We are subject to extensive tax liabilities imposed by multiple jurisdictions including income taxes; indirect taxes which include excise and duty, sales and use, and gross receipts taxes; payroll taxes; franchise taxes; withholding taxes; and ad valorem taxes. New tax laws and regulations, and changes in existing tax laws and regulations, are continuously being enacted or proposed which could result in increased expenditures for tax liabilities in the future. Many of these liabilities are subject to periodic audits by the respective taxing authority. Subsequent changes to our tax liabilities as a result of these audits may subject us to interest and penalties. Risks Relating to Our Common StockThe price of our common stock may fluctuate substantially, and the value of your investment may decline. The market price of our common stock could fluctuate significantly due to a number of factors, many of which are beyond our control, including: ~~•~~ • fluctuations in our quarterly or annual earnings results, or those of other companies in our industry; ~~•~~ • failures of our operating results to meet our published guidance, the estimates of securities analysts or the expectations of our ~~stockholders~~ **shareholders** , or changes by securities analysts in their estimates of our future earnings; ~~•~~ • announcements by us or our customers, suppliers, or competitors; ~~•~~ • changes in laws or regulations which adversely affect our industry or us; ~~22~~ **• changes in accounting standards, policies, guidance, interpretations, or principles; • general economic, industry, and stock market conditions; • future sales of our common stock by our shareholders; • future issuances of our common stock by us; and • other factors described in these “ Risk Factors ” and elsewhere in this Annual Report. 23**