

Risk Factors Comparison 2024-02-16 to 2023-02-22 Form: 10-K

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Shareholders, potential investors and other readers are urged to consider the significant business risks described below in addition to the other information set forth or incorporated by reference in this ~~2022-2023~~ **2023** Annual Report on Form 10-K, including the “ Special Note Regarding Forward Looking Statements ” at the front of this ~~2022-2023~~ **2023** Annual Report on Form 10-K. If any of the events contemplated by the following risks actually occur, our financial condition or results of operations could be materially adversely affected. The following list of risk factors may not be exhaustive. We operate in a continually changing business, economic and geopolitical environment, and new risk factors may emerge from time to time. We can neither predict these new risk factors with certainty nor assess the precise impact, if any, on our business, or the extent to which any factor, or combination of factors, may adversely impact our results of operations. While there is much uncertainty, we do analyze the risks we face, perform a probability assessment of their impacts and attempt to soften their potential impact when and if possible. **PRODUCTS, TECHNOLOGY AND SERVICES** The inability to develop technologically advanced products and solutions could harm our future success. We believe our future success depends, in part, on our ability to develop technologically advanced products that meet or exceed appropriate industry standards. Although we believe that we currently have a competitive advantage in this area, maintaining such advantage will require continued investment in research and development, sales, marketing and manufacturing capabilities. There can be no assurance that we will have sufficient resources to make such investments or that we will be able to make the technological advances necessary to maintain such competitive advantage. If we are unable to maintain our competitive advantage, our future financial performance may be adversely affected. We are not currently aware of any emerging standards, technologies or new products that could render our existing products obsolete in the near term. Our radios operate on networks which are changing as part of the natural evolution of technology. The pace of that change is largely outside of the Company’ s control and the sun- setting of a network may have an adverse impact on the Company **, however, we have strong relationships with telecommunication providers that assist in mitigating this risk**. The municipal water industry is continuing to see the adoption of static water meters. Static water metering has lower barriers to entry than mechanical metering that could affect the competitive landscape in North America. We believe we have a competitive product and market position. If the adoption rate for static meters were to accelerate, we believe competitors lack brand recognition and product breadth and do not have extensive water utility channel distribution to effectively reach the more than 50, 000 water utilities in the United States. Failure to manufacture quality products could have a material adverse effect on our business. If we fail to maintain and enforce quality control and testing procedures, our products will not meet required performance standards. Our products have an extended expected life and we therefore offer extended duration warranty coverages. Product quality and performance are a priority for us since our products are used in various applications where precise control of fluids is essential. Although we believe our products are perceived as high quality, any future production and / or sale of substandard products could seriously harm our reputation, resulting in both a loss of current customers to competitors and damage to our ability to attract new customers. In addition, if any of our products prove to be defective, we may be required to participate in a recall involving such products or incur warranty related expenses. A successful claim brought against us with respect to a defective product in excess of available insurance coverage, if any, or a requirement to participate in a major product recall, could have a material adverse effect on our business, results of operations or financial condition. If our software products do not operate as intended, our business could be materially and adversely affected. We sell software products, including ~~some that are provided in “ the cloud~~ **- based solutions**, ~~”~~ that may contain unexpected design defects or may encounter unexpected complications when used with other technologies utilized by the customer. A failure of our software products to operate as intended and in a seamless fashion with other products or a failure or breach of a cloud network could materially and adversely affect our results of operations, financial position and cash flows. Our role as a prime contractor brings certain risks that could have a material adverse effect to our business. We periodically assume the role of prime contractor for providing complete technology systems, installation and other services and project management to customers and governmental entities, which brings with it added risks, including but not limited to, our responsibility for managing subcontractor performance and project timelines and the potential for expanded warranty and performance obligations. While we routinely manage these types of arrangements, it is possible to encounter a situation where we may not be able to perform to the expectations of the customer or governmental entity, and thus incur additional costs that could affect our profitability or harm our reputation. If we are not able to protect our proprietary rights to our software and related products, our ability to market our software products could be hindered and our results of operations, financial position and cash flows could be materially and adversely affected. We rely on our agreements with customers, confidentiality agreements with employees, and our trademarks, trade secrets, copyrights and patents to protect our proprietary rights. These legal protections and precautions may not prevent misappropriation of our proprietary information. In addition, substantial litigation regarding intellectual property rights exists in the software industry, and software products and other components may increasingly be subject to third- party infringement claims. Such litigation and misappropriation of our proprietary information could hinder our ability to market and sell products and services and our results of operations, financial position and cash flows could be materially and adversely affected. **BUSINESS CONDITIONS** The inability to obtain adequate supplies of raw materials and component parts at reasonable prices could decrease our profit margins and negatively impact timely delivery to customers and could have a material adverse effect on our business, results of operations and financial condition. We are affected by the availability and prices for raw materials and component parts, including purchased castings made of metal or alloys (such as brass, which uses copper as its main component, aluminum,

stainless steel and cast iron), plastic resins, microprocessors and other electronic subassemblies, and components that are used in the manufacturing process. Further, supply chain disruptions and challenges may be caused by a number of factors affecting our suppliers, including, but not limited to, capacity constraints, port congestion, labor disputes or unrest, labor shortages and costs, economic downturns, availability of credit, a high interest rate environment, impaired financial condition, sanctions / tariffs, energy inflation / availability and geopolitical risks (such as the current conflict between Russia and Ukraine **and in the Middle East**). The effects of climate change, including extreme weather events, may exacerbate these risks. The inability to obtain adequate supplies of raw materials and component parts for our products at reasonable prices could have a material adverse effect on our business, financial condition or results of operations by decreasing profit margins and by negatively impacting timely deliveries to customers. In the past, we have been able to offset price increases in raw materials and component parts by increased sales prices, active materials management, product engineering programs and the diversity of materials used in the production processes. However, we cannot be certain that we will be able to accomplish this in the future. Since we do not control the actual production of these raw materials and component parts, there may be continued delays in the production or transportation of these materials for reasons that are beyond our control. World commodity markets and ~~the ongoing inflationary environment~~ **environments** are affecting, and may continue to affect, raw material and component part prices. In addition, we rely on single suppliers for microprocessors, castings and components in several of our product lines and the loss of such suppliers could temporarily disrupt operations in the short term. Global public health pandemics could have a material adverse effect on our business, results of operations and financial condition. Global health pandemics and related containment measures taken by federal and state governments could result in business slowdowns or shutdowns, weakened economic conditions, economic uncertainty, and volatility in the financial markets and could interfere with the ability of our employees, suppliers, and customers to perform our and their respective responsibilities and obligations relative to the conduct of our business and operations. The extent to which future pandemics impact our business operations in future periods will depend on multiple factors that cannot be accurately predicated at this time, such as the duration and scope of any pandemic, the extent and effectiveness of containment actions, the disruption caused by such actions, and the impact of these and other factors on our employees, suppliers and customers. If we are not able to respond to and manage the impact of such events effectively, we could experience a material adverse effect on our business, results of operations and overall financial performance. Economic conditions could cause a material adverse impact on our sales and operating results. As a supplier of products and software, the majority of which are to water utilities, we may be adversely affected by global economic conditions, rising interest rates, delays in governmental programs created to stimulate the economy, and the impact of government budget cuts or partial shutdowns of governmental operations that affect our customers, including independent distributors, large city utilities, public and private water companies and numerous smaller water utilities. These customers may delay capital projects, including non-critical maintenance and upgrades, or may not have the ability to authorize and finance purchases during economic downturns, instability in world markets, and a higher interest rate environment. We also sell products for other applications to reduce our dependency on the municipal water market. A significant downturn in this market could cause a material adverse impact on sales and operating results. Therefore, a downturn in general economic conditions, as well as in the municipal water market, rising interest rates, delays in the timing or amounts of possible annual federal funding, government budget cuts or partial shutdowns of governmental operations, or the availability of funds to municipalities could result in a reduction in demand for our products and services and could have a material adverse effect on our business, results of operations and overall financial performance. Geopolitical crisis, including terrorism or pandemics, could adversely affect our business. Our operations are susceptible to global events, including acts or threats of war or terrorism, international conflicts, political instability, and a widespread outbreak of an illness or other health issue. The occurrence of any of these events could have an adverse effect on our business results and financial condition. Risks related to foreign markets could decrease our profitability. Since we sell products worldwide as well as manufacture products in several countries, we are subject to risks associated with doing business internationally. These risks include such things as changes in foreign currency exchange rates, including the effect of a strong **or weak** U. S. dollar, changes in political or economic conditions of specific countries or regions, potentially negative consequences from changes in tax laws or regulatory requirements, differing labor regulations, and the difficulty of managing widespread operations. An inability to attract and retain skilled employees could negatively impact our growth and decrease our profitability. Our success depends on our continued ability to identify, attract, develop and retain skilled personnel throughout our organization. Current and future compensation arrangements, including benefits, may not be sufficient to attract new employees or retain existing employees, which may hinder our growth. Increased labor competition from accelerated retirements, wage inflation and scarcity of labor may negatively impact costs and negatively impact employee engagement, productivity and efficiency. Competitive pressures in the marketplace could decrease our revenues and profits. Competitive pressures in the marketplace for our products could adversely affect our competitive position, leading to a possible loss of market share or a decrease in prices, either of which could result in decreased revenues and profits. We operate in an environment where competition varies from moderate to strong and a number of our competitors have greater financial resources. The principal elements of competition for our most significant product applications, residential and commercial water meters for the municipal water utility market (with various radio technology systems), are price, product technology, quality and service. The competitive environment is also affected by the movement toward radio technologies and away from manually read meters, the demand for replacement units and, to some extent, such things as global economic conditions, the timing and size of governmental programs such as stimulus programs, the ability of municipal water utility customers to authorize and finance purchases of our products, our ability to obtain financing, housing starts in the United States, and overall economic activity. For our flow instrumentation products, the competitive environment is affected by the general economic health of various industrial sectors particularly in the United States and Europe. GOVERNMENT REGULATION Violations or alleged violations of laws that impose requirements for the conduct of the Company's overseas operations, including the Foreign Corrupt Practices Act

(FCPA) or other anti- corruption laws, trade sanctions and sanctioned parties restrictions could adversely affect our business. In foreign countries where we operate, a risk exists that our employees, third party partners or agents could engage in business practices prohibited by applicable laws and regulations, such as the FCPA. Such anti- corruption laws generally prohibit companies from making improper payments to foreign officials, require companies to keep accurate books and records, and maintain appropriate internal controls. Our policies mandate strict compliance with such laws and we devote resources to ensure compliance. However, we operate in some parts of the world that have experienced governmental corruption, and, in certain circumstances, local customs and practice might not be consistent with the requirements of anti- corruption laws. We remain subject to the risk that our employees, third party partners or agents will engage in business practices that are prohibited by our policies and violate such laws and regulations. Violations by us or a third party acting on our behalf could result in significant internal investigation costs and legal fees, civil and criminal penalties, including prohibitions on the conduct of our business and reputational harm. We may also be subject to legal liability and reputational damage if we violate U. S. trade sanctions administered by the U. S. Treasury Department' s Office of Foreign Assets Control (OFAC), the European Union, the United Nations and trade sanction laws, such as the Iran Threat Reduction and Syria Human Rights Act of 2012 or Russian and Belarus Financial Sanctions Act of 2022. Our policies mandate strict compliance with such laws and we devote resources to ensure compliance. Changes in environmental or regulatory requirements, including climate change legislation, could entail additional expenses that could decrease our profitability. We are subject to a variety of laws in various countries and markets, such as those regulating lead or other material content in certain of our products, the handling, recycling and disposal of certain electronic and other materials, the use and / or licensing of radio frequencies necessary for radio products, data privacy and protection, as well as customs and trade practices. We cannot predict the nature, scope or effect of future environmental or regulatory requirements to which our operations might be subject or the manner in which existing or future laws will be administered or interpreted. Currently, the cost of complying with existing laws is included as part of our on- going expenses and does not have a material effect on our business or financial position, but a change in the future could adversely affect our profitability. Concern over climate change has resulted in, and could continue to result in, new legal or regulatory requirements designed to reduce or mitigate the effects of greenhouse gas (GHG) emissions. We may become subject to additional legislation, regulations or accords regarding climate change, and compliance with any new rules could be difficult and costly, as a result of increased energy, environmental and other costs and capital expenditures. Our failure to successfully comply with any such legislation, regulation, or accord could have a material adverse effect on our business, results of operations and overall financial performance. GENERAL Economic impacts due to leadership or policy changes in the countries where we do business could negatively affect our profitability. We may be affected by adjustments to economic and trade policies, such as taxation, changes to or withdrawal from international trade agreements, or the like, when countries where we produce or sell our products change leadership or economic policies. These types of changes, as well as any related regulatory changes, could significantly increase our costs and adversely affect our profitability and financial condition. Climate change, extreme weather and other natural phenomena could adversely affect our business. Climate changes and weather conditions may affect, or cause volatility in, our financial results. Drought conditions could drive higher demand for smart water solutions that advance conservation efforts in residential and commercial applications. Our sales also may be adversely affected by unusual weather, weather patterns or other natural phenomena that could have an impact on the timing of orders in given periods, depending on the particular mix of customers being served by us at the time. The unpredictable nature of weather conditions and climate change therefore may result in volatility for certain portions of our business, as well as the operations of certain of our customers and suppliers. Failure to meet ~~environmental, social and governance~~ (ESG) expectations or standards, or to achieve our ESG goals, could adversely affect our business, results of operations and overall financial performance. In recent years, there has been an increased focus from stakeholders on ESG matters, including GHG emissions and climate- related risks, renewable energy, water stewardship, waste management, diversity, equity and inclusion, responsible sourcing and supply chain, human rights and social responsibility. Given our commitment to certain ESG principles, we actively manage these issues and have established certain goals, commitments and targets. These goals, commitments and targets reflect our current plans and are not guarantees that we will be able to achieve them. Evolving stakeholder expectations and our efforts to manage these issues, report on them and accomplish our goals present numerous operational, regulatory, reputational, financial, legal and other risks, any of which could have a material adverse impact on our financial condition. Litigation against us could be costly, time consuming to defend and could adversely affect our profitability. From time to time, we are subject to legal proceedings and claims that arise in the ordinary course of business. For example, we may be subject to workers' compensation claims, employment / labor disputes, customer and supplier disputes, product liability claims, intellectual property disputes and contractual disputes related to warranties arising out of the conduct of our business. Litigation may result in substantial costs and may divert management' s attention and resources, which could adversely affect our profitability or financial condition. Disruptions and other damages to our information technology and other networks and operations, and breaches in data security or cybersecurity attacks could have a negative financial impact and damage our reputation. Our ability to serve customers, as well as increase revenues and control costs, depends in part on the reliability of our sophisticated technologies, system networks and cloud- based software. We use information technology and other systems to manage our business in order to maximize our revenue, effectiveness and efficiency. Unauthorized parties gaining access to digital systems and networks for purposes of misappropriating assets or sensitive financial, personal or business information, corrupting data, causing operational disruptions and other cyber- related risks could adversely impact our customer relationships, business plans and our reputation. In some cases, we are dependent on third- party technologies and service providers for which there is no certainty of uninterrupted availability or through which hackers could gain access to sensitive and / or personal information. These potential disruptions and cyber- attacks could negatively affect revenues, costs, customer demand, system availability and our reputation. Further, as the Company pursues its strategy to grow through acquisitions and to pursue newer technologies that improve our operations and cost structure, the

Company is also expanding and improving its information technologies, resulting in a larger technological presence and corresponding exposure to cybersecurity risk. Certain new technologies present new and significant cybersecurity safety risks that must be analyzed and addressed before implementation. If we fail to assess and identify cybersecurity risks associated with acquisitions and new initiatives, we may become increasingly vulnerable to such risks. Failure to successfully identify, complete and integrate acquired businesses or products could adversely affect our operations. As part of our business strategy, we continue to evaluate and may pursue selected business or product acquisition opportunities that we believe may provide us with certain operating and financial benefits. There can be no assurance that we will identify or complete transactions with suitable acquisition candidates in the future. If we complete any such acquisitions, they may require integration into our existing business with respect to administrative, financial, legal, sales, marketing, manufacturing and other functions to realize these anticipated benefits. If we are unable to successfully integrate a business or product acquisition, we may not realize the benefits identified in our due diligence process, and our financial results may be negatively impacted. Additionally, significant unexpected liabilities may arise during or after completion of an acquisition.