Risk Factors Comparison 2024-02-23 to 2023-02-27 Form: 10-K

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The following is a summary of the material risk factors that could adversely affect our business, financial condition, and results of operations. This summary should be read together with the more detailed descriptions of risks relating to our Company below. Risk Factors Related to Arcadia **Products** • North American and global economic and industry- related business conditions materially affect our sales and results of operations. • **We may not be able to continue to compete successfully against other companies in our industry. • If we are unable to manage our supply chain effectively, including availability and price of materials used in our products, our results of operations will be negatively affected. •** An inability to successfully develop new products or improve existing products could negatively impact our ability to attract new customers and / or retain existing customers. • ~~If we are unable to manage our supply chain effectively, including availability and price of materials used in our products, our results of operations will be negatively affected. •~~ Product quality issues and product liability claims could adversely affect our operating results **. • We recently implemented a new enterprise resource planning (ERP) system, and challenges with the implementation of the system may adversely impact our business and operations** . Risk Factors Related to DynaEnergetics • Demand for DynaEnergetics' products is substantially dependent on the levels of capital expenditures by the oil and gas industry. Decreases or expected decreases in oil and gas prices and reduced expenditures in the oil and gas industry could have a material adverse impact on our financial condition, results of operations and cash flows. • Failure to adjust our manufacturing and supply chain to accurately meet customer demands could have a material adverse effect on our results of operations. • Failure to manage periods of growth or contraction may seriously harm our business. • ~~We~~ **Recent conflict in the Middle East** may **adversely affect** ~~not be able to continue to compete successfully against other companies in~~ our ~~industry~~ **business and results of operations** . • If we are not able to design, develop, and produce commercially competitive products in a timely manner in response to changes in the market, customer requirements, competitive pressures, and technology trends, our business and consolidated results of operations and the value of our intellectual property could be materially and adversely affected **. • We may be unable to successfully execute and realize the expected financial benefits from strategic initiatives** . • Demand for DynaEnergetics products could be reduced by existing and future legislation, regulations and public sentiment. **• Consolidation of our customers and competitors may impact our results of operations.** Risk Factors Related to NobelClad • NobelClad' s business is dependent on sales to a limited number of customers in cyclical markets and our results are affected by the price of metals. • We are dependent on a relatively small number of large projects and customers for a significant portion of our net sales. • Our backlog figures may not accurately predict future sales. • There is a limited availability of sites suitable for cladding operations. • There is no assurance that we will continue to compete successfully against other manufacturers of competitive products. • Customers have the right to change orders until products are completed. • ~~We do not maintain a reserve fund for warranty or defective products claims.~~ Our costs could substantially increase if we experience a large claim or a significant number of warranty claims. Risk Factors Related to our Businesses Generally • Our **efforts to grow and transform our businesses may require significant investments; if our strategies are unsuccessful, our business, results of operations and / or financial condition may be materially adversely affected. • Our review of potential strategic alternatives may not result in executed or consummated transactions or other strategic alternatives, and the process of reviewing strategic alternatives or its conclusion could adversely affect our business and our stockholders. • Our** operations are subject to political and economic instability and risk of government actions that could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition. • **Inflation and higher interest rates have, and may continue to, adversely affect our financial position and results of operations. •** Our business, financial condition and results of operations could be adversely affected by disruptions in the global and European economies caused by the ongoing military action between Russia and Ukraine. • Our operating results fluctuate from quarter to quarter. • We are exposed to potentially volatile fluctuations of the U. S. dollar (our reporting currency) against the currencies of many of our operating subsidiaries. • Disruptions or delays involving our suppliers or increases in prices for the components, raw materials and parts that we obtain from our suppliers could have a material adverse effect on our business and consolidated results of operations. • The terms of our indebtedness contain a number of restrictive covenants, the breach of any of which could result in acceleration of payment of our credit facilities. • If our customers delay paying or fail to pay a significant amount of our outstanding receivables, it could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition. • New or existing tariffs and other trade measures could adversely affect our results of operations, financial position and cash flows. • Failure to attract and retain key personnel and source sufficient labor could adversely affect our current operating results. • A failure in our information technology systems or those of third parties, including those caused by security breaches, cyber- attacks or data protection failures, could disrupt our business, result in significant legal costs and other losses and damage our reputation. • Failure to establish and maintain adequate internal controls over financial reporting could result in the inability to report our financial results in a timely and reliable manner, which could harm our business and impact the value of our securities. Legal and Regulatory Risks • Our operations require us to comply with numerous laws and regulations, violations of which could have a material adverse effect on our consolidated results of operations, financial condition or cash flows. • The use of explosives in our DynaEnergetics and NobelClad manufacturing processes and products subject us to additional environmental, health and safety laws and any accidents or injuries could subject us to significant liabilities. • Demand for our products could be reduced by existing and future legislation, regulations and public sentiment. • We are subject to extensive environmental, health and safety laws and failure to comply with such laws and regulations could result in restrictions or prohibitions on our facilities, substantial civil or criminal liabilities and could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition. • Failure to comply with applicable federal, state and local employment and labor laws and regulations could have a material, adverse impact on our business. • The regulatory environment governing information, data security and privacy is increasingly demanding and evolving and a data security breach could result in litigation, enforcement actions and related penalties and fines. • Legal, regulatory or market measures to address climate change, including proposals to restrict emissions of GHGs and other sustainability initiatives, could have an adverse impact on the Company' s business and results of operations. • Changes in or interpretation of tax law could impact the determination of our income tax liabilities for a tax year ~~. • We are subject to litigation and may be subject to additional litigation in the future~~. Intellectual Property Risks • Our failure to protect our proprietary information and any successful intellectual property challenges against us could materially and adversely affect our competitive position. • We may incur substantial costs defending against third parties alleging that we infringe their proprietary rights. Risks Related to Acquisitions • We have incurred debt to finance the acquisition of 60 % of Arcadia **Products** and ~~will~~ **may** incur additional substantial financial obligations in connection with the acquisition of the remaining 40 % of Arcadia **Products** . • ~~After the Arcadia acquisition,~~ DMC is the majority shareholder of Arcadia **Products** , and our interest in Arcadia **Products** is subject to the risks normally associated with the conduct of businesses with a minority shareholder ~~. • Fully integrating Arcadia' s business following the acquisition may be more difficult, costly and time- consuming than expected, which may adversely affect our results of operations and the value of our common stock. • The acquisition of Arcadia is expected to materially complicate the timely achievement of effective internal controls in accordance with Section 404 of the Sarbanes- Oxley Act, which could have a material adverse effect on our business and stock price~~ . • To the extent that we seek to further expand our business through acquisitions, we may experience issues in executing acquisitions or integrating acquired operations. Risk Factors Related to Our Common Stock • The price and trading volume of our common stock may be volatile, which may make it difficult for you to resell the common stock when you want or at prices you find attractive. ~~• Holders of our common stock do not currently receive dividends and our dividend may not be reinstated in the future.~~ Our Arcadia **Products** ~~businesses~~ -- **business** ~~are~~ **is** significantly influenced by North American economic conditions and the cyclical nature of the North American commercial and residential construction industry. The construction industry is impacted by macroeconomic trends, such as availability of credit, employment levels, consumer confidence, interest rates and commodity prices. **Recent rising inflation, interest rates, and construction costs have reduced, and could continue to reduce, the demand for our products and impact our profitability. Higher interest rates make it more expensive to finance construction projects, and as a result, may reduce the demand for our products.** In addition, changes in architectural design trends, demographic trends, and / or remote work trends could negatively impact demand for our products. To the extent changes in these factors negatively impact the overall commercial construction industry, our revenue and profits could be significantly reduced. The markets in which Arcadia **Products** operates are highly competitive and many of our competitors are larger and better capitalized than we are. These competitors may be better able to withstand changes in conditions within the industries and markets in which we operate and may have significantly greater operating and financial flexibility than we have. Moreover, barriers to entry are low in certain product lines and new competitors may enter our industry, whether within the U. S. or internationally. An increase in competition, including in the form of aggressive pricing by new market entrants or offerings of alternative building materials, could cause us to lose customers and lead to decreases in net sales and profitability if we are not able to respond adequately to such challenges. The actions of our existing competitors or new competitors could result in loss of customers and / or market share. Changes in our competitors' products, prices or services could negatively impact our market share, net sales and / or margins **.We** obtain a significant portion of our key raw materials,such as aluminum extrusions,from a few key suppliers.While we structure many of our supply arrangements to moderate the effects of fluctuations in the market for raw aluminum and we endeavor to adjust our **customer** pricing to offset potential impacts,operating results could be negatively impacted by price movements in the market for raw aluminum.In recent years,we have seen increased volatility in the price of aluminum that we purchase from our key suppliers.Our suppliers are subject to fluctuations in general economic cycles.Global economic conditions and political and economic instability may impact their ability to operate their businesses,including ~~continuing impacts from the COVID- 19 pandemic and~~ the ongoing military action between Russia and Ukraine and related government actions. ~~Our~~ **Some of our** suppliers **have been and** may ~~also~~ **continue to** be **negatively** impacted by the ~~increasing~~ costs or availability of raw materials,labor and transportation **,and they** ~~.Some of our suppliers~~ may not be able to handle commodity cost volatility or changing volumes while still performing up to our specifications.These factors may cause suppliers to be unable to meet their commitments or to negatively change the terms of ~~the~~ supply arrangements.The loss of,or substantial decrease in the availability of,products from our suppliers,or the loss of a key supplier,could adversely impact our financial condition and results of operations.If any of our key suppliers are unable to meet their commitments,or if those supply arrangements are terminated,we may not be able to obtain certain raw materials on commercially reasonable terms or at all,and may suffer a significant interruption in our ability to manufacture our products,including because it may be difficult to find substitute or alternate suppliers as the aluminum extrusions we use are customized.We could also be required to maintain higher inventory levels as we address supply uncertainties.Such developments would result in higher costs and ~~ultimately~~ **potentially** a decrease in our revenues and profitability.If our supply of raw materials is disrupted or our delivery times are extended,our results of operations and financial condition could be **materially adversely affected** . Our success depends on meeting consumer needs and anticipating changes in consumer preferences with successful new products and product improvements. We aim to introduce products and new ~~or improved production~~ --- **product** ~~processes~~ **designs** proactively to offset obsolescence and decreases in sales of existing products. While we devote significant focus to the development of new products, we may not be successful in product development and our new products may not be commercially successful. In addition, it is possible that competitors may improve their products more rapidly or effectively, which could adversely affect our sales. Furthermore, market demand may decline as a result of consumer preferences trending away from our categories or trending down within our brands or product categories, which could adversely impact our results of operations, cash flows and financial condition. We obtain a significant portion of our key...... could be materially adversely affected. We believe that future orders of our products will depend on our ability to maintain the performance, reliability, quality and timely delivery standards required by our customers. We have in the past been and currently are subject to product liability and warranty claims. If our products have performance, reliability or quality problems, or products are installed improperly, we may experience additional warranty expense; reduced or canceled orders; or delays in the collection of accounts receivable. Additionally, product liability and warranty claims could result in costly and time- consuming litigation that could require significant time and attention of management and involve significant monetary damages that could negatively impact our operating results. There is no assurance that the number and value of product liability and warranty claims will not increase as compared to historical claim rates, or that our warranty reserve at any particular time will be sufficient. No assurance can be given that coverage under insurance policies, if applicable, will be adequate to cover future product liability claims against us. If we are unable to recover on insurance claims, in whole or in part, or if we exhaust our available insurance coverage at some point in the future, then we might be forced to expend legal fees and settlement or judgment costs relating to product liability and warranty claims, which could negatively impact our profitability, results of operations, cash flows and financial condition. **Phase one of a new ERP system went live in July 2023. While the ERP changeover led to a brief operational slowdown early in the third quarter, the system is expected to enhance operating efficiencies and the internal control environment throughout Arcadia by streamlining data sources, simplifying complex processes, and reducing manual processes. Any disruptions, deficiencies, or other problems associated with the implementation of our ERP system, such as quality issues, programming errors, or inconsistent employee adoption could adversely affect our ability to operate our business, produce timely and accurate financial statements, or comply with applicable regulations. This could result in negative impacts on our business and operations. Additionally, the implementation involves greater utilization of third- party cloud computing services in connection with our Arcadia operations. Problems faced by us or our third- party providers relating to this implementation, including technological or business- related disruptions and cybersecurity threats, could adversely impact our business, results of operations, and financial condition for future periods. Any failures identified within our internal controls as a result of this implementation, even if quickly remediated, or difficulties encountered during implementation, may adversely impact our operating results or hinder our ability to report our financial results in a timely and accurate basis.** Demand for the majority of DynaEnergetics' products depends substantially on the level of expenditures by the oil and gas industry for the exploration, development and production of oil and natural gas reserves. These expenditures are generally dependent on the industry' s view of future oil and natural gas prices and are sensitive to the industry' s view of future economic growth and the resulting impact on demand for oil and natural gas. Higher oil and gas prices have resulted in increasing North American completion activity and increased expenditures by the oil and gas industry. This has resulted in increased cash flows for E & P companies; however, E & P companies are still seeking to control their cost of operations and this has continued to ~~result in~~ **contribute to** downward pressure on prices for our products. In addition, the oil and gas industry has historically been cyclical, and to date in ~~2023~~ **2024** , oil prices have declined significantly from their 2022 highs. When oil prices decline, we would expect an increased risk of reduced or delayed oil and gas exploration and production spending, project modifications, delays or cancellations, general business disruptions, and delays in payment of, or nonpayment of, amounts that are owed to us, all of which could result in reduced demand for our products, downward pressure on selling prices for our products and decreased revenues and profits. These effects would likely have a material adverse effect on our financial condition, results of operations and cash flows. The prices for oil and natural gas have historically been volatile and can be affected by a variety of factors, including: • changes in the supply of and demand for hydrocarbons, which are affected by general economic, business and regulatory conditions; • the ability or willingness of the Organization of Petroleum Exporting Countries (" OPEC ") and other oil producing companies to set and maintain production levels for oil; • oil and gas production levels in the U. S. and in other non- OPEC countries; • the level of excess production capacity; • speculation as to the future price of oil and the speculative trading of oil and natural gas futures contracts; • government initiatives to restrict oil and gas drilling or development or promote the use of renewable energy sources and public sentiment regarding the same; • political and economic uncertainty, geopolitical unrest, and acts of war; • the level of worldwide oil and gas exploration and production activity; • access to potential resources; • changes in governmental policies, subsidies, or sanctions; • the costs of exploring for, producing and delivering oil and gas; • technological advances affecting energy consumption; and • weather conditions. Continued or worsening conditions in the oil and gas industry generally may have a further material adverse effect on our business, financial condition, results of operations, cash flows and prospects. We make significant decisions, including determining the levels of business that we will seek and accept, production schedules, levels of reliance on contract manufacturing and outsourcing, internal fabrication utilization and other resource requirements, based on our estimates of customer requirements. Factors that can impact our ability to accurately estimate future customer requirements include the short- term nature of many customers' commitments, our customers' ability to reschedule, cancel and modify orders with little or no notice and without significant penalty, the accuracy of our customers' forecasts, and seasonal or cyclical trends in customers' industries. To ensure availability of our products, particularly for our largest customers, we may start manufacturing our relevant products based on our customers' forecasts, which are not binding. As a result, we incur inventory and manufacturing costs in advance of anticipated sales that may never materialize or which may be substantially lower than expected. If actual demand for our products is lower than forecast, we may also experience higher inventory carrying and operating costs and product obsolescence. Because certain of our sales, research and development, and internal manufacturing overhead expenses are relatively fixed, a reduction in customer demand may also decrease our gross margin and operating income. Conversely, customers often require rapid increases in production on short notice. We may be unable to secure sufficient materials or contract manufacturing capacity to meet such increases in demand. This could damage our customer relationships, reduce revenue growth and margins, subject us to additional liabilities, harm our reputation, and prevent us from taking advantage of opportunities. Our industry frequently sees periods of expansion and contraction which require companies to adjust to customers' needs and market demands. We regularly contend with these issues and must carefully manage our business to meet customer and market requirements. If we fail to manage these growth and contraction decisions effectively, we may find ourselves with either excess or insufficient resources and our business and our profitability could suffer as a result. Periods of contraction or reduced net sales, or other factors negatively affecting particular markets, require us to assess whether facilities remain viable, whether staffing levels need to be reduced, and how to respond to changing levels of customer demand. While maintaining excess capacity or higher levels of employment entails short- term costs, reductions in capacity or employment could impair our ability to respond to new opportunities and programs, market improvements or to maintain customer relationships. Our decisions to reduce costs and capacity can affect our short- term and long- term results and result in restructuring charges. Expansions, including the transfer of operations to other facilities, include the risk of additional costs and start- up inefficiencies. If we are unable to effectively manage our expansion projects or related anticipated net sales are not realized, our operating results could be materially adversely affected. The markets in which we operate are highly competitive. DynaEnergetics competes with a broad spectrum of companies that produce and market perforating services and products. Many of these companies are large national and multi- national companies, including the oil and natural gas industry' s largest oilfield service providers. These companies have longer operating histories, greater financial, technical, and other resources, and greater name recognition than we do. In addition, we compete with many smaller companies capable of competing effectively on a regional or local basis. Our competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements. To remain competitive, DynaEnergetics must continue to provide innovative products at competitive prices and maintain an excellent reputation for value, quality, on- time delivery, and safety. If we fail to compete successfully against our competition, we may be unable to maintain acceptable sales levels, prices and margins for our products, which could have a material adverse effect on our business, financial condition, and results of operations **Recent conflict in the Middle East has resulted in volatility in oil prices due to concerns regarding the conflict' s impact on global oil supplies. Continued conflict or an expanded or increased level of conflict could further impact oil prices and drilling activity globally or have adverse effects on global macroeconomic conditions generally, which could have a negative impact on our business and results of operations** . The market for our products is characterized by continual technological developments to provide better and more reliable performance and enhanced product offerings. If we are not able to design, develop, and produce commercially competitive products in a timely manner in response to changes in the market, customer requirements, competitive pressures, and technology trends, our business and consolidated results of operations and the value of our intellectual property could be materially and adversely affected. Likewise, if our proprietary technologies, equipment, facilities, or work processes become obsolete, we may no longer be competitive, and our business and consolidated results of operations could be materially and adversely affected **. From time to time, our business has engaged in strategic initiatives, and such activities may occur in the future. These efforts have recently included a series of automation, lean manufacturing and cost- reduction initiatives designed to enhance profitability and improve quality. While we expect meaningful financial benefits from our strategic initiatives, we may not realize the full benefits expected within the anticipated timeframe. Adverse effects from strategy- driven organizational changes could interfere with our realization of anticipated synergies, customer service improvements and cost savings from these strategic initiatives. Additionally, our ability to fully realize the benefits and implement strategic initiatives may be limited by certain contractual commitments. Moreover, we may incur substantial expenses in connection with the execution of strategic plans in excess of what is forecasted. Further, strategic initiatives can be a complex and time- consuming process that can place substantial demands on management, which could divert attention from other business priorities or disrupt our daily operations. Any of these failures could materially adversely affect our business, financial condition, results of operations and cash flows, which could constrain our liquidity** . Regulatory agencies and environmental advocacy groups in the United States, the E. U., and other regions or countries have been focusing considerable attention on emissions of carbon dioxide, methane and other greenhouse gases and their role in climate change. There is also increased focus, including by governments and our customers, investors and other stakeholders, on these and other sustainability and energy transition matters. Existing or future legislation and regulations related to greenhouse gas emissions and climate change, as well as initiatives by governments, non- governmental organizations, and companies to conserve energy or promote the use of alternative energy sources, and negative attitudes toward or perceptions of fossil fuel products and their relationship to the environment, may significantly curtail demand for and production of oil and gas in areas of the world where our customers operate, and thus reduce future demand for DynaEnergetics products. In addition, some international, national, state and local governments and agencies have also adopted laws and regulations or are evaluating proposed legislation and regulations that are focused on directly limiting the extraction of shale gas or oil using hydraulic fracturing. These laws and regulations could limit oil and gas development, lead to operational delays and increased costs for our customers, and therefore reduce demand for DynaEnergetics' products. Such reductions in demand for our products may, in turn, adversely affect our financial condition, results of operations and cash flows. Increased negative investor sentiment toward oil and gas and preference for assets outside of traditional energy sectors could lead to higher capital costs for our customers and reduced investment in fossil fuels, thereby reducing demand for our products. Such preferences could also impact our ability to obtain acceptable debt or equity financing on attractive terms or at all and could negatively impact our stock price over time. Our business, reputation and demand for our stock could be negatively affected if we do not (or are perceived to not) act responsibly with respect to sustainability matters. **The oil and gas industry has historically experienced periods of consolidation which may result in reduced capital spending by some of our customers, the acquisition of one or more of our primary customers, or competitors and consolidated entities using size and purchasing power to seek pricing or other concessions, which may lead to decreased demand for our products.**

We are continuing to experience significant customer concentration and customer consolidation, resulting in certain customers having substantial pricing power, which has negatively impacted our margins and profitability. During the year ended December 31, 2023, one DynaEnergetics customer accounted for approximately 15 % of consolidated net sales of the Company. In addition, recent, ongoing and future mergers, combinations and consolidations in our industry could result in existing competitors increasing their market share. As a result, industry consolidation may have a significant negative impact on our results of operations, financial position or cash flows. NobelClad revenues are affected both by the demand for NobelClad' s explosion- welded cladding services and the base price of metal used in explosion- welded cladding operations. The explosion- welded cladding market is dependent upon sales of products for use by customers in a limited number of heavy industries, including oil and gas, chemicals and petrochemicals, alternative energy, hydrometallurgy, aluminum production, shipbuilding, rail car manufacturing, power generation, and industrial refrigeration. These industries tend to be cyclical in nature and an economic slowdown in one or all of these industries- whether due to traditional cyclicality, general economic conditions or other factors- could impact capital expenditures within that industry. ~~The COVID- 19 pandemic, government actions taken in response, and resulting economic impacts, including inflationary~~ **Inflationary** conditions in many markets, have created uncertainty in our end markets, and we have seen continued delays in projects and capital expenditures. In addition, metals prices affect the demand for cladded products and our margins. Although higher metal prices increase demand for use of cladded materials over solid metals, lead to higher sales (in terms of dollars rather than square meters of cladding) and generally higher margins for NobelClad, metal pricing is volatile. We have recently experienced several years of a low- metals- price environment, which significantly reduced demand for clad product and overall sales. In the last two years, the price of metals has increased substantially. However, there can be no assurance that prices will remain at these levels and supply chain difficulties and other uncertainties have disrupted projects and normal sales cycles. If demand or metals prices decline or if supply chain issues or similar disruptions persist, our sales would be adversely affected, and this could have a material adverse effect on our business, financial condition, and results of operations. A significant portion of our net sales is derived from a relatively small number of projects and customers; therefore, the failure to complete existing contracts on a timely basis, to receive payment for such services in a timely manner, or to enter into future contracts at projected volumes and profitability levels could adversely affect our ability to meet cash requirements exclusively through operating activities. We attempt to minimize the risk of losing customers or specific contracts by continually improving commercial execution and product quality, delivering product on time and competing aggressively on the basis of price. We expect to continue to depend upon our principal customers for a significant portion of our sales, although our principal customers may not continue to purchase products and services from us at current levels, if at all. The loss of one or more major customers or a change in their buying patterns could have a material adverse effect on our business, financial condition, and results of operations. We use backlog to predict our anticipated future sales. Our year- end backlog was $ **59. 4 million, $** 55. 5 million, **and** $ 41. 2 million ~~, and $ 39. 9 million~~ at the end of fiscal years **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. We define " backlog " at any given point in time to consist of all firm, unfulfilled purchase orders and commitments at that time. We expect to fill most items in backlog within the following twelve months. However, since orders may be rescheduled or canceled and a significant portion of our net sales is derived from a small number of customers, backlog is not necessarily indicative of future sales levels. Moreover, we cannot be sure of when during the future twelve- month period we will be able to recognize revenue corresponding to our backlog nor can we be certain that revenues corresponding to our backlog will not fall into periods beyond the twelve- month horizon. Our cladding process involves the detonation of large amounts of explosives. As a result, the sites where we perform cladding must meet certain criteria, including adequate distance from densely populated areas, specific geological characteristics, and the ability to comply with local noise and vibration abatement regulations in conducting the process. Our shooting sites in Pennsylvania and in Germany are located in mines. Our Pennsylvania shooting site is subleased under an arrangement pursuant to which we provide certain contractual services to the sub- landlord, and this sublease expires in 2029 **. Our shooting sites require ongoing maintenance and investment, and failure to adequately maintain these sites could result in reduced access or capacity constraints** . In addition, we could experience difficulty in obtaining or renewing permits because of resistance from residents in the vicinity of existing or proposed sites. The failure to obtain required governmental approvals or permits could limit our ability to expand our cladding business in the future, and the failure to maintain such permits or satisfy other conditions to use the sites would have a material adverse effect on our business, financial condition and results of operations. Our explosion- welded clad products compete on a worldwide basis with explosion- welded clad products made by other manufacturers in the clad metal business and with products manufactured using other technologies. We see competition from ~~one~~ large well- known clad ~~supplier~~ **suppliers** and from a growing number of smaller companies with explosion welded clad manufacturing capability in China and India. Explosion- welded clad products also compete with products manufactured by roll bond and weld overlay cladding processes. The technical and commercial niches of each cladding process are well understood within the industry and vary from one market location to another and at different metal prices. We focus on reliability, product quality, on- time delivery performance, and low- cost manufacturing to minimize the potential of future competitive threats. However, there is no guarantee we will be able to maintain our competitive position. Customers have some rights to change orders after they have been placed. If orders are changed, the extra expenses associated with the change usually will be passed on to the customer. However, because a change in an order may delay completion of the project, recognition of income for the project may also be delayed. Additionally, any errors or changes as to specifications or significant changes in pricing or availability of materials may cause cost overruns and delays in completion of projects. If we fail to meet delivery schedules, we may be required to pay damages or may risk loss of an order, which could have a material adverse effect on our business, financial condition and results of operations. Our product warranties against technical defects of our clad products vary depending on our purchase orders with customers. The warranties require us to repair or replace defective products and may require the payment of a certain percentage of the purchase price as liquidated damages for our failure to meet the specified product specifications and delivery requirements. In addition, our clad products are often used as part of larger projects or are used in potentially hazardous applications that can cause injury or loss of life and damage to property or equipment. In the event of an actual or alleged product defect, we may be named as a defendant in product liability or other lawsuits asserting potentially large claims. We cannot guarantee that insurance will be available or adequate to cover any or all liabilities incurred. We **generally** have not established any reserve funds for potential warranty claims since historically we have experienced few warranty claims for our products and the costs associated with our warranty claims have been low. If we experience an increase in warranty claims or if our repair and replacement costs associated with warranty claims increase significantly, it could have a material adverse effect on our financial condition and results of operations. We **continuously evaluate opportunities for growth and change. These initiatives may involve making acquisitions, entering into partnerships and joint ventures, divesting assets, restructuring our existing operations and assets, creating new financial structures and building new facilities — any of which could require a significant investment and subject us to new risks. We may incur additional indebtedness to finance these opportunities. If our strategies for growth and change are not successful, we could face increased financial pressure, such as increased cash flow demands, reduced liquidity and diminished access to financial markets, and the equity value of our businesses could be diluted. The implementation of strategies for growth and change may create additional risks, including: ● diversion of management time and attention away from existing operations; ● requiring capital investment that could otherwise be used for the operation and growth of our existing businesses; ● disruptions to important business relationships; ● increased operating costs; ● limitations imposed by various governmental entities; and ● difficulties due to lack of or limited prior experience in any new markets we may enter. Our inability to mitigate these risks or other problems encountered in connection with our strategies for growth and change could have a material adverse effect on our business, results of operations and financial condition. In addition, we may fail to fully achieve the savings or growth projected for current or future initiatives notwithstanding the expenditure of substantial resources in pursuit thereof. In January 2024, we announced that we are reviewing potential strategic alternatives for DynaEnergetics and NobelClad aimed at maximizing value for our shareholders. The potential strategic alternatives include, among other things, a sale, a merger or other business combination of a portion of our business- unit assets, and / or a strategic investment. We are actively working with a financial advisor and may retain other advisors to assist the Board in evaluating our current strategy, operations, and capital structure. Any potential transaction or other strategic alternative would be dependent on a number of factors that may be beyond our control, including, among other things, market conditions, industry trends, regulatory approvals, and the availability of financing for a potential transaction on reasonable terms. The process of reviewing potential strategic alternatives is time consuming and may be distracting and disruptive to our business operations and long- term planning, which may cause concern to our current or potential customers, employees, investors, strategic partners and other constituencies and may have a material impact on our business and operating results or result in increased volatility in our share price. We expect to incur substantial expenses associated with identifying, evaluating and negotiating potential strategic alternatives. There can be no assurance that any potential transaction or other strategic alternative, if consummated, will provide greater value to our stockholders than that reflected in the current price of our common stock. Until the review process is concluded, perceived uncertainties related to our future may result in the loss of potential business opportunities, volatility in the market price of our common stock and difficulty attracting and retaining qualified talent and business partners. Similarly, activist investors may engage in proxy solicitations or advance shareholder proposals, or otherwise attempt to affect changes and assert influence on our Board and management, which could lead to the impacts on our business, Board, management and employees discussed above. We** are exposed to risks inherent in doing business in each of the countries in which we operate. Our operations are subject to various risks unique to each country that could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition. With respect to any particular country, these risks may include: • political, social and economic instability; • civil unrest, acts of terrorism, force majeure, war, other armed conflict; • public health crises and catastrophic events ~~, such as the COVID- 19 pandemic~~ ; • inflation; • currency fluctuations, devaluations, conversion, or repatriation restrictions; • expropriation and nationalization of our assets; • confiscatory taxation or other adverse tax policies; • theft of, or lack of sufficient legal protection for, proprietary technology and other intellectual property; • limitations on extraction of shale gas or oil using hydraulic fracturing; • limitations on or disruptions to our markets or operations, restrictions on payments, or limitations on the movement of funds; • increased tariffs; • trade and economic sanctions or other restrictions; • unexpected changes in legal and regulatory requirements, including changes in interpretation or enforcement of existing laws; • deprivation of contract rights; and • the inability to obtain or retain licenses required for operation **. Increases in the cost of wages, materials, parts, equipment, transportation and other operational components over the past two years have adversely affected our results of operations, cash flows and financial position by increasing our overall cost structure, and could continue to do so, particularly if we are unable to achieve commensurate increases in the prices we charge our customers for our products. In addition, higher interest rates in the U. S. have increased the cost of debt borrowing, which decreases cash available for debt repayment, investment, and acquisitions** . In February of 2022, Russian military forces invaded Ukraine, resulting in conflict and disruption in the region. The length, impact and outcome of the ongoing military conflict in Ukraine is highly unpredictable. This conflict has led and may continue to lead to significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources, instability in financial markets, higher inflation, supply chain interruptions, increased costs for transportation and raw materials, political and social instability, as well as an increase in cyberattacks and espionage. Furthermore, governments in the United States, the European Union, the United Kingdom, Canada and others have imposed financial and economic sanctions on certain industry segments and various parties in Russia. We continue to monitor the conflict including the potential impact of financial and economic sanctions on the global economy and particularly the economies of Europe. Increased trade barriers, sanctions and other restrictions on global or regional trade could adversely affect our business, financial condition and results of operations. Further escalation of geopolitical tensions related to this military conflict and / or its expansion could result in loss of property, expropriation, cyberattacks, supply disruptions, plant closures and an inability to obtain key supplies and materials, as well as adversely affect both our and our customers' supply chains and logistics, particularly in Europe. In many cases, both our German operations and those of European customers and suppliers depend on the availability of natural gas for use in their manufacturing operations. A significant proportion of Germany' s natural gas supply has historically originated from Russia. Material disruptions of natural gas supply to Europe and in particular Germany, whether from sanctions, counter- measures by Russia, other restrictions, damage to infrastructure and logistics or otherwise from the destabilizing effects of military conflict could materially and adversely impact European and global natural gas and oil markets. We expect that shortages in supply and increases in costs of natural gas or other energy will adversely impact our ability to operate our German manufacturing facilities as efficiently and cost- effectively as previously, which could adversely affect our business, results of operations and financial condition. We have experienced, and expect to continue to experience, fluctuations in annual and quarterly operating results caused by various factors at our businesses. At NobelClad, quarterly sales and operating results depend on the volume and timing of the orders in our backlog as well as bookings during the quarter. At DynaEnergetics, the level of demand from our customers is impacted by oil and gas prices as well as a variety of other factors and can vary significantly from quarter to quarter. At Arcadia **Products**, operating results can fluctuate due to price movements in the market for raw aluminum. Portions of our operating expenses are fixed, and planned expenditures are based primarily on sales forecasts and product development programs. If sales do not meet our expectations in any given period, the adverse impact on operating results may be magnified by our inability to adjust operating expenses sufficiently or quickly enough to compensate for such a shortfall. Results of operations in any period should not be considered indicative of the results for any future period. ~~See " Management' s Discussion and Analysis of Financial Condition and Results of Operations. "~~ Many of our operating subsidiaries conduct business in euros, Canadian dollars, or other foreign currencies. Sales made in currencies other than U. S. dollars accounted for **9 %,** 6 %, **and** 16 ~~%, and 17~~ % of total sales for the years ended **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, respectively. Any increase ~~(~~ **or** decrease ~~)~~ in the value of the U. S. dollar against any foreign currency that is the functional currency of any of our operating subsidiaries will cause us to experience foreign currency translation ~~(~~ gains ~~)~~ **or** losses with respect to amounts already invested in such foreign currencies. In addition, our company and our operating subsidiaries are exposed to foreign currency risk to the extent that we or they enter into transactions denominated in currencies other than our or their respective functional currencies. For example, DynaEnergetics Europe' s functional currency is euros, but its sales often occur in U. S. dollars. Changes in exchange rates with respect to these items will result in unrealized (based upon period- end exchange rates) or realized foreign currency transaction gains and losses upon settlement of the transactions. In addition, we are exposed to foreign exchange rate fluctuations related to our operating subsidiaries' assets and liabilities and to the financial results of foreign subsidiaries and affiliates when their respective financial statements are translated into U. S. dollars for inclusion in our Consolidated Financial Statements. Cumulative translation adjustments are recorded in other cumulative comprehensive loss as a separate component of equity. Our primary exposure to foreign currency risk is the euro, due to the percentage of our U. S. dollar revenue that is derived from countries where the euro is the functional currency. We use foreign currency forward contracts, generally with maturities of one month, to offset foreign exchange rate fluctuations on certain foreign currency denominated asset and liability account balances. These hedge transactions relate to our operating entities with significant economic exposure to transactions denominated in currencies other than their functional currency. Our primary economic exposures include the U. S. dollar to the euro, the U. S. dollar to the Canadian dollar, and the euro to the U. S. dollar. Since the underlying balance sheet account balances being hedged can fluctuate significantly throughout our monthly hedge periods, our hedging program cannot fully protect against foreign currency fluctuations. Our operations are dependent upon the continued ability of our suppliers to deliver the components, raw materials and parts that we need to manufacture our products. In some instances, we purchase components, raw materials and parts that are ultimately derived from a single source and may be at an increased risk for supply disruptions. Any number of factors, including labor disruptions, acts of war or terrorism, military activity, trade sanctions, catastrophic weather events, the occurrence of a pandemic or other widespread illness (such as **the resurgence of** COVID- 19), contractual or other disputes, unfavorable economic or industry conditions, transportation disruptions, delivery delays or other performance problems or financial difficulties or solvency problems, could disrupt our suppliers' operations and performance, which could, in turn, lead to uncertainty in our supply chain or cause supply disruptions for us and disrupt our operations. ~~Although we have been able to manage supply chain impacts through the COVID- 19 pandemic, we have experienced longer lead times for certain materials and have in other cases had heightened difficulty in sourcing materials. Lockdown orders or a prolonged period of travel, commercial and other similar restrictions could cause additional global supply disruptions.~~ If we experience ~~further~~ supply disruptions, we may not be able to develop alternate sourcing quickly. Any disruption of our production schedule caused by an unexpected shortage of components, raw materials or parts even for a relatively short period of time could cause us to alter production schedules or suspend production entirely, which would adversely affect our business and results of operations. As of December 31, ~~2022~~ **2023**, we had an outstanding balance of $ ~~135~~ **117**. ~~0~~ **5** million on our syndicated credit agreement **, which was subsequently amended on February 6, 2024**. This agreement **, as amended,** includes various covenants and restrictions and certain of these relate to the incurrence of additional indebtedness and the mortgaging, pledging or disposing of major assets. We are also required to maintain certain financial ratios on a quarterly basis. A breach of any of these covenants could impair our ability to borrow and could result in acceleration of our obligations to repay our debt if we are unable to obtain a waiver or amendment from our lenders. As of December 31, ~~2022~~ **2023**, we were in compliance with all financial covenants and other provisions of the credit agreement, as amended, and our other loan agreements. Any failure to remain in compliance with any material provision or covenant of our credit agreement could result in a default, which would, absent a waiver or amendment, require immediate repayment of outstanding indebtedness under our credit facilities. We may not have or be able to obtain sufficient funds to satisfy such a repayment obligation. We depend on a limited number of significant customers in our DynaEnergetics and NobelClad businesses, and the loss of one or more significant customers or the failure of a customer to pay outstanding amounts due could have a material adverse effect on our business and our consolidated results of operations. In most cases, we bill our customers for our services in arrears and are, therefore, subject to the risk that our customers will delay payment of or fail to pay our invoices. In weak economic environments, we may experience increased delays and failures due to, among other reasons, a reduction in our customers' cash flow from operations **,** ~~and in~~ their access to the credit markets and rising interest rates. If our customers delay paying or fail to pay us a significant amount of our outstanding receivables, it could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition. New or existing tariffs and other trade measures could adversely affect our results of operations, financial position and cash flows, either directly or indirectly through various adverse impacts on our significant customers. In 2018, the U. S. announced tariffs of 25 percent on steel and 10 percent on aluminum imported from countries where we typically source metals. These tariffs were met with retaliatory tariffs from certain countries and increased, broader tariffs were levied by the U. S. on targeted countries, including China. Certain of these tariffs have been modified; however, impacts and uncertainties are continuing. The tariffs impacted the cost of the importation of steel, which we utilize in our steel plate and steel pipe, key materials in our NobelClad and DynaEnergetics businesses. Though in many cases we have been able to source metals from domestic suppliers, some materials are only available from sources subject to tariffs. The cost of domestic steel and aluminum has also increased, along with the price of delivery, and the availability of certain materials has been limited. These ~~increased~~ **higher** costs have increased the price of our products to our customers and, in some instances, affected our ability to be competitive. For our NobelClad business, this impacts our ability to compete on international projects and negatively impacts U. S. fabricators, which are the primary consumers of NobelClad products. Although some of these tariffs have been subsequently reduced or eliminated, as occurred in connection with the United States Mexico Canada Agreement (USMCA), many tariffs continue to exist and new tariffs have been and may be imposed at any time. The prolonged duration of tariffs, the imposition of additional tariffs and the risk of potential broader global trade conflicts could have a material adverse effect on our business, financial condition or results of operations. Our continued success depends to a large extent upon the efforts and abilities of key managerial and technical employees, and our ability to secure sufficient manufacturing labor. In **2023** ~~recent months~~ , **there were significant changes in** our management team ~~has undergone significant changes~~ , including the **appointment** ~~announced retirement~~ of Michael Kuta ~~, our~~ **as Chief Executive Officer (following his prior service as** Chief Financial Officer ~~,~~ and **interim co-** ~~the departure of our President and~~ Chief Executive Officer **)** , ~~followed by the appointment of Michael Kuta and David Aldous as interim co-Presidents and Chief Executive Officers and~~ the appointment of Eric Walter as Chief Financial Officer **, the appointment of Brett Seger as Chief Accounting Officer, and the appointment of James Chilcoff as Arcadia Products President** . Our current and future success is dependent on ~~recruitment of a new Chief Executive Officer and~~ the retention of **these and** ~~key personnel, including~~ other executive officers **, key employees** and directors. The loss or unavailability of any key personnel could have an adverse effect on the Company' s leadership, ability to execute our strategy, financial condition and results of operations. In order to meet the needs and expectations of our customers and to achieve our growth objectives, we must attract, train, and retain a large number of hourly associates, while at the same time controlling labor costs. These positions have historically had high turnover rates, which can lead to increased training, retention and other costs. In certain areas where we operate, there is significant competition for employees, and we must ensure that we continue to offer competitive wages, benefits and workplace conditions to retain qualified employees, which increases our labor costs. A shortage of qualified candidates who meet all legal work authorization requirements, failure to hire and retain new employees in a timely manner or higher than expected turnover levels could affect our ability to meet customer demand, grow our businesses and meet our labor cost objectives and could have impacts on employee satisfaction generally. Failure to adequately monitor and proactively respond to employee dissatisfaction could lead to higher turnover, litigation and unionization efforts, which could negatively impact our ability to meet our operating results. We are dependent upon information technology systems in the conduct of our operations. Our information technology systems are subject to disruption, damage or failure from a variety of sources, including, without limitation, computer viruses, security breaches, cyber- attacks, natural disasters and defects in design. Cybersecurity incidents in particular are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and banking information and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the corruption of data. The risk of cybersecurity incidents may increase with ~~the~~ political and economic instability or warfare (including the ongoing hostilities between Russia and Ukraine). Various measures have been implemented to manage our risks related to information technology systems and network disruptions. However, given the unpredictability of the timing, nature and scope of information technology disruptions, we could potentially be subject to production downtimes, operational delays, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, theft, other manipulation or improper use of our systems and networks or financial losses from remedial actions, any of which could have a material adverse effect on our cash flows, competitive position, financial condition or results of operations. In addition, a data breach could result in negative publicity which could damage our reputation and have an adverse effect on our results of operations and our stock price. We outsource certain technology and business process functions to third parties and may increasingly do so in the future. If we do not effectively develop, implement and monitor our outsourcing strategy, if third party providers do not perform as anticipated or if we experience technological or other problems with a transition, we may not realize productivity improvements or cost efficiencies and may experience operational difficulties, increased costs and loss of business. Our outsourcing of certain technology and business processes ~~functions~~ to third parties may expose us to enhanced risks related to data security, which could result in monetary and reputational damages. In addition, our ability to receive services from third party providers may be impacted by cultural differences, political instability, and unanticipated regulatory requirements or policies. As a result, our ability to conduct our business may be adversely affected. We depend on our ability to produce accurate and timely financial statements in order to run our business. If we fail to do so, our business could be negatively affected and our independent registered public accounting firm may be unable to attest to the fair presentation of our Consolidated Financial Statements in accordance with U. S. generally accepted accounting principles (" GAAP ") and the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes- Oxley Act. Effective internal controls are necessary for us to provide reliable financial reports and to effectively prevent fraud. If we cannot provide reliable financial reports and effectively prevent fraud, our reputation and operating results could be harmed. Even effective internal controls have inherent limitations including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting in future periods are subject to the risk that the control may become inadequate because of changes in conditions or a deterioration in the degree of compliance with the policies or procedures. If we fail to maintain adequate internal controls, including any failure to implement new or improved controls as may be required by acquisitions or other changes in our business, or if we experience difficulties in their execution, we could fail to meet our reporting obligations, and there could be a material adverse effect on our business and financial results. In the event that our current internal control practices deteriorate, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our stock may be adversely affected. Our operations are subject to international, regional, national, and local laws and regulations in every place where we operate, relating to matters such as environmental protection, health and safety, labor and employment, import / export controls, currency exchange, bribery and corruption, data privacy and cybersecurity, intellectual property, immigration, and taxation. These laws and regulations are complex, frequently change, and have tended to become more stringent over time. In the event the scope of these laws and regulations expands in the future, the incremental cost of compliance could adversely affect our consolidated financial condition, consolidated results of operations, or consolidated cash flows. Our international operations are subject to anti- corruption and anti- bribery laws and regulations, such as the FCPA, the U. K. Bribery Act and other similar laws. We are also subject to trade control regulations and trade sanctions laws that restrict the movement of certain goods to, and certain operations in, various countries or with certain persons. These trade regulations and laws can include restrictions on selling or importing goods, services or technology in or from affected regions, travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations and can change very quickly, such as has occurred in connection with Russia' s invasion of Ukraine. Our ability to transfer people, products and data among certain countries is subject to maintaining required licenses and complying with these laws and regulations. The internal controls, policies and procedures, and employee training and compliance programs we have implemented to deter prohibited practices may not be effective in preventing employees, contractors or agents from violating or circumventing such internal policies or from material violations of applicable laws and regulations. Any determination that we have violated or are responsible for violations of anti-bribery, trade control, trade sanctions or anti- corruption laws could have a material adverse effect on our financial condition. Violations of international and U. S. laws and regulations or the loss of any required licenses may result in fines and penalties, criminal sanctions, administrative remedies or restrictions on business conduct, and could have a material adverse effect on our business, operations and financial condition. In addition, any major violations could have a significant effect on our reputation and consequently on our ability to win future business and maintain existing customer and supplier relationships. DynaEnergetics uses explosive materials in its manufacturing processes and products. NobelClad' s manufacturing process involves the detonation of large quantities of explosives. The use of explosives is an inherently dangerous activity. These activities subject us to extensive environmental and health and safety laws and regulations including guidelines and regulations for the purchase, manufacture, handling, transport, storage and use of explosives issued by the U. S. Bureau of Alcohol, Tobacco and Firearms; the Federal Motor Carrier Safety regulations set forth by the U. S. Department of Transportation; the Safety Library Publications of the Institute of Makers of Explosive; and similar guidelines of their European counterparts. In Germany, the transport, storage and use of explosives is governed by a permit issued under the Explosives Act (Sprengstoffgesetz). Despite our use of specialized facilities to store and handle dangerous materials and our employee training programs, the storage and handling of explosive materials could result in explosive incidents that temporarily shut down or otherwise disrupt our or our customers' operations or cause restrictions, delays or cancellations in the delivery of our services. It is possible that such an explosion could result in death or significant injuries to employees and other persons. Material property damage to us, our customers and third parties arising from an explosion or resulting fire could also occur. Any explosion could expose us to adverse publicity and liability for damages or cause production restrictions, delays or cancellations, any of which could have a material adverse effect on our operating results, financial condition and cash flows. Moreover, failure to comply with applicable requirements or the occurrence of an explosive incident may also result in the loss of our license to store and handle explosives, which would have a material adverse effect on our business, results of operations and financial conditions. Regulatory agencies and environmental advocacy groups in the United States, the E. U., and other regions or countries have been focusing considerable attention on the emissions of carbon dioxide, methane and other greenhouse gases and their role in climate change. There is also increased focus, including by governments and our customers, investors and other stakeholders, on these and other sustainability and energy transition matters. Existing or future legislation and regulations related to greenhouse gas emissions and climate change, as well as initiatives by governments, non- governmental organizations, and companies to conserve energy or promote the use of alternative energy sources, and negative attitudes toward or perceptions of fossil fuel products and their relationship to the environment, may significantly curtail demand for and production of oil and gas in areas of the world where our customers operate, and thus reduce future demand for some of our products. In addition, some international, national, state and local governments and agencies have also adopted laws and regulations or are evaluating proposed legislation and regulations that are focused on directly limiting the extraction of shale gas or oil using hydraulic fracturing. These laws and regulations could limit oil and gas development, lead to operational delays and increased costs for our customers, and therefore reduce demand for our products. Such reductions in demand for our products may, in turn, adversely affect our financial condition, results of operations and cash flows. We are subject to extensive environmental, health and safety regulation in the United States and the other countries where our manufacturing facilities are located. Among other things, these laws regulate the emissions or discharge of materials into the environment; govern the use, storage, treatment, disposal and management of hazardous substances and wastes; protect the health and safety of our employees; regulate the materials used in our products or manufacturing processes; and impose liability for the costs of investigating and remediating (as well as other damages resulting from) present and past releases of hazardous substances. Representative laws and regulations which we may be subject to the in the U. S. include: noise abatement and air emissions regulations, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act (" RCRA ") and comparable state laws, and various regulations and laws enforced by the U. S Department of Labor, the U. S. Department of Commerce, and the U. S. Environmental Protection Agency and their state equivalents. Violations of these laws or of any conditions contained in environmental permits can result in substantial fines or penalties, injunctive relief, requirements to install pollution controls or other equipment, and civil sanctions. We could be held liable for costs to investigate, remediate or otherwise address contamination at any real property we have ever owned, operated or used as a disposal site, or at other sites where we or predecessors may have released hazardous materials. We could incur fines, penalties or sanctions or be subject to third- party claims, including indemnification claims, for property damage, personal injury or otherwise as a result of violations of (or liabilities under) environmental, health and safety laws, or in connection with releases of hazardous or other materials. Changes in or new interpretations of existing laws, regulations or enforcement policies, the discovery of previously unknown contamination, or the imposition of other environmental liabilities or obligations in the future including additional investigation, remediation or other obligations with respect to our products or business activities may lead to additional compliance costs or require us to change our manufacturing processes, which could have a material adverse effect on our business, financial condition or results of operations. In Germany, we and all our activities are subject to various safety and environmental regulations of the federal state which are enforced by the local authorities, including the Federal Act on Emission Control (Bundes- Immissionsschutzgesetz). The Federal Act on Emission Control permits are held by companies jointly owned by DynaEnergetics and the other companies that are located at the Troisdorf manufacturing site and are for an indefinite period of time. The Dillenburg, Germany facility is operated based on a specific permit granted by the local mountain authority and must be renewed every three years. Any failure to comply with current and future environmental and safety regulations could subject us to significant liabilities. Any actual or alleged violations of environmental, health or safety laws could result in restrictions or prohibitions on our facilities or substantial civil or criminal sanctions. In addition, under certain environmental laws, we could be held responsible for all of the costs relating to any contamination at our facilities and at third party waste disposal sites, even when such contamination was caused by a predecessor and even when the actions resulting in the contamination were lawful at the time. We could also be held liable for any and all consequences arising out of human exposure to hazardous substances or other environmental damage. Various federal, state and local employment and labor laws and regulations govern our relationships with our employees, and similar laws and regulations apply to our operations outside of the U. S. These laws and regulations relate to matters such as employment discrimination, wage and hour laws, requirements to provide and document meal and rest periods or other benefits, family leave mandates, requirements regarding working conditions and accommodations to certain employees, citizenship or work authorization and related requirements, insurance and workers' compensation rules, healthcare laws and anti- discrimination and anti- harassment laws. We incur substantial costs to comply with these laws and regulations and non- compliance could expose us to significant liabilities. For example, Arcadia **Products** is currently defending a lawsuit in California alleging violations of wage and hour regulations with respect to certain temporary and permanent employees. We are incurring legal costs to defend this action and may in the future be required to defend similar actions, and we could incur losses from these and similar cases, and the amount of such losses or costs could be material. Several jurisdictions also have implemented sick pay and paid time off legislation, which requires employers to provide paid time off to employees, and " just cause " termination legislation, which restricts companies' ability to terminate employees or reduce employees' hours unless they can prove " just cause " or a " bona fide economic reason " for the termination or reduction in hours. All of these regulations impose additional obligations on us and our failure to comply with any of these regulations could subject us to penalties and other legal liabilities, which could adversely affect our business and results of operations. The regulatory environment surrounding information security and privacy is increasingly demanding. We are subject to numerous U. S. federal and state laws and non- U. S. laws and regulations governing the protection of personal and confidential information of our customers and employees. The regulatory framework for privacy and security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Several U. S. states have passed comprehensive privacy laws that ~~will go into~~ **have recently become** ~~effect~~ **effective** ~~in 2023~~ . Of note among them is the California Consumer Privacy Rights Act (CPRA), which amends and expands the California Consumer Privacy (CCPA). The CPRA, which went into effect on January 1, 2023, along with the CCPA, governs the transmission, security and privacy of California residents' personal information. The CPRA has a twelve month look- back period for enforcement purposes. Among many new requirements, the CPRA creates a category for sensitive data including health and other personal information that requires additional safeguards and disclosures. In addition, the CPRA expands consumers' rights and has enhanced enforcement mechanisms such as the creation of a California Privacy Protection Agency that will investigate and enforce the CPRA and its promulgating regulations. The states of Virginia, Colorado, Connecticut and Utah have also recently enacted omnibus data privacy laws. In addition, many other proposals exist in states across the U. S. that could increase our potential liability and increase our compliance costs. Aspects of these state privacy statutes remain unclear, resulting in further legal uncertainty and potentially requiring us to modify our data practices and policies and to incur substantial additional compliance costs. ~~Moreover, a comprehensive federal data privacy bill, the American Data Privacy and Protection Act, has been proposed and, if passed, will further change the privacy and data security compliance landscape.~~ In addition, the **recently adopted** SEC **final** ~~recently proposed a~~ cybersecurity rule ~~that may go into effect as early as the first half of 2023. The new cybersecurity rule will require~~ **requires** , among other things, comprehensive disclosure regarding oversight of cybersecurity risks and increased monitoring and reporting of data security incidents. Internationally, the European Data Protection Board ~~recently~~ **has** released ~~new~~ guidelines on enforcement and fines related to the General Data Protection Regulation (GDPR). The ~~new~~ guidelines suggest a tougher stance on enforcement and stiffer fines for companies that violate the GDPR. This is in addition to the continued complexities involving the transfer of personal data from Europe to the U. S. following the Schrems II decision. **In July 2023,** ~~The U. S. and~~ the European Commission **announced** ~~have been in discussions for~~ a new Trans- Atlantic data privacy framework, Privacy Shield 2. 0, which **may** ~~is anticipated to go into effect in early 2023, which will~~ require additional compliance efforts from our company ~~. In March 2022, the U. S. and EU announced a new regulatory regime intended to replace the invalidated regulations; however, this new EU- US Data Privacy Framework has not yet been implemented beyond an executive order signed by President Biden on October 7, 2022 on Enhancing Safeguards for United States Signals Intelligence Activities~~ . As international data privacy and protection laws continue to evolve, and as new regulations, interpretive guidance and enforcement information become available, we may incur incremental costs to modify our business practices to comply with these requirements. In addition, our internal control policies and procedures may not always protect us from reckless, intentional or criminal acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could subject us to criminal or civil, monetary or ~~and~~ non- monetary penalties, disrupt our operations, involve significant management distraction, subject us to class action lawsuits and result in a material adverse effect on our business, financial condition and results of operations. Various legislative, regulatory, and inter-governmental proposals to restrict emissions of GHGs, such as carbon dioxide (“ CO_2 ”), are under consideration by governmental legislative bodies and regulators in the jurisdictions where we operate. Such regulatory and global initiatives may require us to modify our operating procedures, incur capital expenditures, change fuel sources, or take other actions that may adversely affect our financial results. Increasing regulations to reduce GHG emissions, as proposed throughout many of our operating regions, would be expected to increase energy costs, reduce energy availability and increase price volatility for energy. The heightened stakeholder focus on Environmental, Social, and Governance, or “ ESG, ” issues related to our businesses requires the continuous monitoring of various and evolving laws, regulations, standards and expectations and the associated reporting requirements. Specifically, certain stakeholders are beginning to require that we provide information on our plans relating to certain climate- related matters such as greenhouse gas emissions, and we expect this trend to continue and be amplified by the potential adoption of the proposed SEC regulations relating to climate change disclosure. A failure to adequately or timely meet stakeholder expectations and reporting requirements may result in noncompliance with any imposed regulations, the loss of business, reputational impacts, diluted market valuation, an inability to attract and retain customers, and an inability to attract and retain top talent. In addition, our adoption and the reporting of certain standards or mandated compliance to certain requirements could necessitate additional investments that could impact our profitability. Further, we have established and publicly disclosed other ESG targets and goals and other sustainability commitments that are subject to a variety of assumptions, risks and uncertainties. If we are unable to meet these targets, goals or commitments on our projected timelines or at all, or if they are not perceived to be sufficiently robust, our reputation as well as our relationships with investors, customers and other stakeholders could be harmed, which could in turn adversely impact our business and results of operations. In addition, not all of our competitors may seek to establish climate or other ESG targets and goals, or at a comparable level to ours, which could result in our competitors achieving competitive advantages through lower supply chain or operating costs. We are subject to income taxes in the U. S. and certain foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the course of our business, there are many transactions and calculations where the ultimate tax determination is subjective or uncertain. We earn a significant amount of our operating income outside the U. S and have significant intercompany transactions between our affiliates. A change in the mix of earnings and losses in countries with differing statutory tax rates, changes in our business or structure, or disputes about intercompany transfer pricing arrangements may result in higher effective tax rates for the Company. Our future effective tax rates could be adversely affected by changes in tax laws or their interpretation, both domestically and internationally. For example, regulations related to the 2017 United States Tax Cuts and Jobs Act (“ TCJA ”) are still being developed, some with retroactive application. As regulations and guidance evolve with respect to tax law, our results may differ from previous estimates and may materially affect our financial condition or results of operations. The OECD / G20 Base Erosion and Profit Shifting Project (or BEPS Project) is developing an international framework to combat tax avoidance by multinational enterprises and countries where the Company is subject to taxes are independently evaluating their corporate tax policy. Tax legislation and enforcement could adversely impact the Company’ s tax provision and the value of deferred tax assets and liabilities. We are under audit by tax authorities in different jurisdictions from time to time. Although we believe that our provision for income taxes and our tax estimates are reasonable, tax authorities may disagree with certain positions we have taken. In addition, economic and political pressures to increase tax revenue in various jurisdictions may make resolving tax disputes favorably more difficult. The final resolution of any audits or litigation may differ from the amounts recorded in our ~~consolidated~~ **Consolidated** ~~financial~~ **Financial** ~~statements~~ **Statements** and may materially affect our ~~consolidated~~ **Consolidated** ~~financial~~ **Financial** ~~statements~~ **Statements** in the period or periods in which that determination is made ~~. We are currently, and may in the future become, subject to litigation, arbitration or other legal proceedings with other parties. Managing or defending such legal proceedings may result in substantial legal fees, expenses and costs and diversion of management resources. If material litigation is brought against us in the future, an adverse decision could have a material adverse effect on our financial position or prospects. For a more detailed discussion of pending litigation, refer to Note 13 to our Consolidated Financial Statements. In the event of a dispute arising in connection with our~~

~~foreign operations, we may be subject to the exclusive jurisdiction of foreign courts or arbitral panels, or may not be successful in subjecting foreign persons to the jurisdiction of courts or arbitral panels in the United States. Our inability to enforce our rights and the enforcement of rights on a prejudicial basis by foreign courts or arbitral panels could have an adverse effect on our results of operations and financial position~~ . The protection of our intellectual property rights is essential to maintaining our competitive position and recognizing the value of our investments in technology and intellectual property in our existing and future products. We rely on trade secret protection for certain aspects of our technology, in part through confidentiality and other written agreements with our employees, consultants and third parties. Through these and other written agreements, we attempt to control access to and distribution of our intellectual property documentation and other proprietary technology information. Despite our efforts to protect our proprietary rights, former employees, consultants or third parties may, in an unauthorized manner, attempt to use, copy or otherwise obtain and market or distribute our intellectual property rights or technology or otherwise develop a product with the same functionality as our technology. Policing unauthorized use of our intellectual property rights is difficult, and nearly impossible on a worldwide basis. Therefore, we cannot be certain that the steps we have taken or will take in the future will prevent misappropriation of our technology or intellectual property rights. We also actively pursue patent protection for our proprietary technology and intellectual property where appropriate for protecting our competitive position. The process of seeking patent protection can be long and expensive and we cannot be certain that any currently pending or future applications will actually result in issued patents, or that, even if patents are issued, they will be respected by third parties. In addition, our competitors may be able to develop technology independently that is similar to ours without infringing on our patents or gaining access to our trade secrets, and this could have a similar effect on our competitive position. Intellectual property litigation and threats of litigation are becoming more common in the oilfield services industry. We are currently involved and may in the future be involved in litigation, in the United States or abroad, to enforce our patents or other intellectual property rights or to protect our trade secrets and know- how. These actions can require multiple years to come to resolution or settlement, and even if we ultimately prevail, we may be unable to realize adequate protection of our competitive position. In addition, these actions commonly result in actions by the affected third parties to establish the invalidity of our patents. While we intend to prosecute these actions vigorously, there is no guarantee of success, and such effort takes significant financial and management resources from the Company. In the event that one or more of our patents are challenged, a court or the United States Patent and Trademark Office (USPTO) may invalidate the patent (s) or determine that the patent (s) is not enforceable, which could harm our competitive position. If our patents are invalidated, or if the scope of the claims in any of these patents is limited by a court or USPTO decision, we could be prevented from pursuing certain litigation matters or licensing the invalidated or limited portion of such patents. Such adverse decisions could negatively impact our future revenue. Patent litigation, if necessary or when instituted against us, could result in substantial costs and divert our management' s attention and resources. We are currently involved and may in the future be involved in litigation relating to alleged infringement by us of others' patents or other intellectual property rights. We have an active" freedom to operate" review process for our technology, but there is no assurance that future infringement claims will not be asserted. Infringement claims generally result in significant legal and other costs and may distract management from running our core businesses even if we are ultimately successful. In the event of any adverse ruling in any intellectual property litigation, we could be required to pay substantial damages, cease the manufacturing, use and sale of infringing products, discontinue the use of certain processes or obtain a license from the third- party claiming infringement with royalty payment obligations by us. We also have certain indemnification obligations to customers with respect to the infringement of third- party intellectual property rights by our products, which may increase our costs. Any of these occurrences could significantly harm our competitive position, results of operations, financial position and cash flows. We financed a portion of the purchase price of the Arcadia **Products** acquisition with proceeds from our credit facility. Our ability to service the indebtedness under the credit facility and to maintain compliance with the covenants included in the credit facility will depend on our success in achieving the intended benefits of the acquisition, which is subject to numerous risks and uncertainties as discussed above. We will have to devote a substantial portion of our cash flow to meet required payments of principal and interest on this indebtedness, and if we are unable to generate sufficient cash flow to do so, or if we otherwise fail to comply with the terms of the credit facility, we could be in default under the agreement. In addition, as early as three years after the closing of the Arcadia **Products** acquisition, we may be required to pay the Option Purchase Price for some or all of Munera' s interests in Arcadia **Products** if Munera exercises the Put Option. Even if we elect to pay 80 % of the Option Purchase Price in preferred stock, we will need to fund the remaining portion in cash. We **recently amended our credit facility, increasing** ~~do not currently have sufficient funds to pay~~ the ~~cash portion~~ **total facility amount to $ 300 million from our prior facility** of **$ 200 million. While the increase in the credit facility was intended to allow us to finance** the Option Purchase Price, **a potential exercise** ~~and we may not be able to obtain such funds on terms acceptable to us or at all. Our ability to finance the Option Purchase Price~~ will depend on numerous factors, including the performance of **our businesses, the status of any changes to** our businesses and general market and economic conditions. If we fail to pay the Option Purchase Price when required under the Operating Agreement, we will be in default under the agreement. The Option Purchase Price is likely to be substantial relative to the current size of our business. In addition, the Option Purchase Price is subject to a defined " floor " value in the Operating Agreement, which is based primarily upon a contractually stated equity value. The floor value will apply even if Arcadia ~~' s~~ **Products'** performance fails to meet our expectations ~~. This~~ **, and we** may ~~make~~ **find** it ~~more~~ difficult **to obtain additional financing, if needed,** for ~~us to finance~~ the payment of the Option Purchase Price. In addition, debt or preferred equity financing, if obtained, may involve agreements that include liens or restrictions on our assets and covenants limiting or restricting our ability to take specific actions, such as paying dividends or making distributions, incurring additional debt, acquiring or disposing of assets or increasing expenses. Debt financing would also be required to be repaid regardless of our operating results. Obtaining financing through issuances of common stock would impose fewer restrictions on our future operations but would be dilutive to the interests of existing stockholders. Pursuant to the Equity Purchase Agreement pursuant to which we acquired a 60 % ownership stake in Arcadia **Products** , Munera continues to hold 40 % of the outstanding equity interests of Arcadia **Products** . Our Operating Agreement governs our relationship with Munera, and we believe the Operating Agreement provides us with effective and sufficient control of Arcadia **Products** to allow the business to be operated consistent with our goals and values and with sufficient opportunity for profitable growth. Nevertheless, conducting a business with minority owners may lead to certain risks and uncertainties, which could have an adverse impact on our ability to profitably grow the Arcadia **Products** business, which could have a material adverse impact on our future cash flows, earnings, results of operations and financial condition. These include: • our ability to effectively control certain strategic, operational and financial decisions; • the potential for disagreement over the direction of the company and costs and expenses involved; and • the risk of having economic or business interests or goals that are inconsistent with, or opposed to, those of Munera. There can be no assurance that the acquisition will be beneficial to us, whether due to the above- described risks, unfavorable economic conditions, integration challenges or other factors ~~. While the Company' s management has made significant progress in integrating Arcadia' s business into DMC, integration efforts will be substantial and continuing. The integration process is complex, costly and time- consuming, and the Company' s management may face significant, ongoing challenges in implementing such integration, many of which may be beyond the control of management, including, without limitation: • difficulties in achieving anticipated expansion and growth prospects; • the possibility of faulty assumptions underlying expectations regarding the integration process; • unanticipated issues in integrating accounting, information technology, communications programs, financial procedures and operations, and other systems, procedures and policies; • cybersecurity issues as we integrate Arcadia into our programs and systems; • failure to implement effective internal and disclosure controls; • difficulties in managing a larger corporation, addressing differences in business culture and retaining key personnel; • impacts on employee, supplier and customer relationships; • failure to address any pre- existing liabilities or claims involving the acquired business; • unanticipated changes in applicable laws and regulations; • coordinating geographically separate organizations; and • unforeseen expenses or delays associated with integration efforts. Some of these factors are outside the control of the Company, and any one of them could result in increased costs and diversion of management' s time and energy, as well as decreases in revenue or increases in cost, which could materially impact the business, financial conditions and results of operations of the Company. Prior to the acquisition, Arcadia operated as a closely- held, private company, which had no previous public reporting obligations and therefore, did not historically institute and evaluate its internal controls and procedures in compliance with Section 404. Implementing changes to our internal controls have been required following the acquisition and may take significant additional time to complete, and may require further significant effort and involvement of directors, officers and employees, as well as substantial costs in order to modify existing accounting systems. Further, we may encounter difficulties assimilating or integrating the internal controls, disclosure controls and information technology infrastructure of the Company and Arcadia. Our efforts to assimilate and integrate our internal controls with Arcadia' s may not be effective, and any failure to maintain effective controls could result in material weaknesses or significant deficiencies in our internal controls. Our failure to implement and maintain effective internal control over financial reporting could result in a material misstatement of our financial statements or otherwise cause us to fail to meet our financial reporting obligations. This, in turn, could result in a loss of investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our business, financial condition, operating results and our stock price, and could result in stockholder litigation~~ . From time to time, we examine opportunities to make selective acquisitions in order to increase shareholder return by increasing our total available markets, expanding our existing operations and, potentially, generating synergies. The success of any acquisition depends on a number of factors, including, but not limited to: • identifying suitable candidates for acquisition and negotiating acceptable terms; • obtaining approval from regulatory authorities and potentially DMC' s shareholders; • maintaining our financial and strategic focus and avoiding distraction of management during the process of integrating the acquired business; • implementing our standards, controls, procedures and policies at the acquired business and addressing any pre- existing liabilities or claims involving the acquired business; • our ability to realize the expected tax treatment or tax benefits from the transaction; and • to the extent the acquired operations are in a country in which we have not operated historically, understanding the regulations and challenges of operating in that new jurisdiction. For example, our due diligence process may not reveal all liabilities associated with a potential acquisition, and this could result in us incurring unanticipated losses after the acquisition is completed. There can be no assurance that we will be able to conclude any acquisitions successfully or that any acquisition will achieve the anticipated synergies or other positive results. Any material problems that we encounter in connection with such an acquisition could have a material adverse effect on our business, results of operations and financial position. The market price and trading volume of our common stock may be subject to significant fluctuations due to general stock market conditions and / or a change in sentiment in the market regarding our operations, business prospects or liquidity. Among the factors that could affect the price of our common stock are: • changes in the architectural building products, oil and gas, industrial, or infrastructure markets; • operating and financial performance that vary from the expectations of management, securities analysts or investors; • developments in our business or in our business sectors generally; • regulatory changes affecting our ~~industry~~ **industries** generally or our business and operations; • the operating and stock price performance of companies that investors consider to be comparable to us; • announcements of strategic developments, acquisitions and other material events by us or our competitors; • our ability to integrate and operate the companies and the businesses that we acquire; • rumors and market speculation regarding our industries, business or trading activity; • significant amounts of short selling, the perception that short sales could occur and other speculative trading activity; • activism by any large stockholder or group of stockholders; • **new positions adopted by investor stewardship groups and proxy advisory firms regarding desired ESG disclosures, policies, ranking systems and other initiatives; •** changes in global financial markets and global economies and general market conditions, including volatility in foreign exchange rates, tariffs and stock, commodity, credit or asset valuations, and government actions or shutdowns. The stock markets in general have experienced extreme volatility that has at times been unrelated to the operating performance of particular companies, and these fluctuations may adversely affect the trading price of our common stock. ~~Our Board of Directors suspended our dividend in April 2020 in order to preserve liquidity in light of the sharp reduction in demand for DynaEnergetics products and other impacts of the COVID- 19 pandemic. Holders of our common stock are entitled to receive only such dividends as our Board of Directors declares out of funds legally available for such payments. We are incorporated in Delaware and governed by the Delaware General Corporation Law. Delaware law allows a corporation to pay dividends only out of surplus, as determined under Delaware law or, if there is no surplus, out of net profits for the fiscal year in which the dividend was declared and for the preceding fiscal year. In addition, dividends may not be permitted pursuant to the terms of debt or other agreements to which we are subject. Although we have historically declared cash dividends on our common stock, we are not required to do so and there can be no assurance as to whether the Board will reinstate a dividend in the future.~~