

Risk Factors Comparison 2023-09-05 to 2022-09-01 Form: 10-K

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Investors should carefully consider the risks set forth below and all other information contained in this report and other documents we file with the SEC. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, such as market conditions, geopolitical events, changes in laws or accounting rules, fluctuations in interest rates, terrorism, wars or conflicts, major health concerns, natural disasters or other disruptions of expected economic or business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business and financial results. Business Risks Raw material and other cost inflation as well as product shortages could adversely affect our business and financial results. We manufacture certain parts and components of our products and therefore require raw materials from suppliers, which could be interrupted for a variety of reasons, including availability and pricing. **Our Prices-prices** and lead times for raw materials and other components necessary for production have fluctuated in the past **year**, including increased raw production costs, increased wage rates, and extended lead times. Significant increases could adversely affect our profit margins and results of operations. Changes in trade policies; shortages due to the **residual effects of the** COVID- 19 pandemic, other pandemics, or any other reason; **and** the imposition of duties and tariffs and potential retaliatory countermeasures could adversely impact the price or availability of raw materials. In addition, labor shortages or an increase in the cost of labor could adversely affect our profit margins and results of operations. Due to competitive pressures or other factors, ~~we the Company~~ may not be able to pass along increased raw material and component part costs to ~~its our~~ customers in the form of price increases or our ability to do so could be delayed, which could adversely impact our business and financial results. The costs of certain raw materials, components, transportation and energy necessary for our operations and the production and distribution of our products have increased significantly. While we have implemented certain cost containment measures and selective price increases, as well as taken other actions to offset these inflationary pressures in our supply chain, we may not be able to offset all of the increases in our operational costs, which could adversely impact our business and financial results. **The COVID- 19 pandemic has adversely..... on our business and financial results.** Demand for our products may be adversely affected by numerous factors, some of which we cannot predict or control. This could adversely affect our business and financial results. Numerous factors may affect the demand for our products, including: • Deterioration of economic conditions in major markets served ~~→ Ongoing~~ **Residual** economic and operational impact of the COVID- 19 **pandemic, or the impact of** other pandemics ~~→ Economic and operational impact of the war between Russia and Ukraine or other wars → Consolidation in the marketplace allowing competitors to be more efficient and more price competitive → Competitors entering the marketplace → Decreasing product life cycles → Changes in customer preferences → Ability to achieve strong operational performance, including the manufacture and sale of high- quality products and the ability to meet customer delivery expectations →If any of these factors occur, the demand for our products could suffer, and this could adversely impact our business and financial results. Failure to compete effectively or to successfully execute our strategy may have a negative impact on our business and financial results. We actively compete with companies that produce and market the same or similar products, and in some instances, with companies that sell different products that are designed for the same ~~end-user~~ **target markets**. Competition may force us to reduce prices or incur additional costs to remain competitive in an environment in which business models, **including the development and use of artificial intelligence technologies,** are changing rapidly. We compete on the basis of several factors, including customer support, product innovation, product offering, product quality, price, expertise, digital capabilities, production capabilities, and for multinational customers, our global footprint. Present or future competitors may develop and introduce new and enhanced products, offer products based on alternative technologies and processes, accept lower profit, have greater financial, technical or other resources, or have lower production costs or other pricing advantages. Any of these could put us at a disadvantage by threatening our share of sales or reducing our profit margins, which could adversely impact our business and financial results. Additionally, throughout our global business, distributors and customers may not accept our price increases or may seek lower cost sourcing opportunities, which could result in a loss of business that may adversely impact our business and financial results. Our strategy is to expand into higher- growth adjacent product categories and markets with technologically advanced new products, as well as to grow our sales generated through the digital channel. While traditional direct marketing channels such as catalogs are an important means of advertising and selling our products, an increasing number of customers are purchasing products on the internet. Our strategy to increase sales through the digital channel is an investment in our internet sales capabilities. There is a risk that we may not continue to successfully implement this strategy, or if successfully implemented, we may not realize its expected benefits due to increased competition and pricing pressure brought about by the internet. Our failure to successfully implement our strategy could adversely impact our business and financial results. Failure to develop or acquire technologically advanced products that meet customer demands, including price expectations, could adversely impact our business and financial results. **Development of We develop** technologically advanced new products **to promote** ~~is targeted as a driver of~~ our organic growth and profitability. Technology is changing rapidly and our competitors are innovating quickly. If we do not keep pace with developing technologically advanced products, we risk product commoditization, deterioration of the value of our brand, and reduced ability to effectively compete. We must continue to develop innovative products, as well as acquire and retain the necessary intellectual property rights in these products. If we fail to innovate, or we launch products with quality problems, or if customers do not accept our products, then our business and financial results could be adversely affected. The failure to properly identify, integrate and grow acquired~~

companies, and to manage contingent liabilities from divested businesses could adversely affect our business and financial results. Our historical growth has included acquisitions and our future growth strategy includes acquisitions. We completed the acquisitions of Code, Magicard and Nordic ID in fiscal 2021 for a total purchase price of \$ 244. 0 million. Acquisitions place significant demands on management, operational, and financial resources. Recent and future acquisitions will require integration of operations, sales and marketing, information technology, finance, and administrative operations, which could decrease the time available to focus on our other growth strategies. We cannot assure that we will be able to successfully integrate acquisitions, that these acquisitions will operate profitably, or that we will be able to achieve the desired sales growth or operational success. Our sales, results of operations, cash flow, and liquidity could be adversely affected if we do not successfully integrate ~~the newly~~ acquired businesses, including realizing synergies, or if our other businesses suffer due to the increased focus on the acquired businesses. We continually assess the strategic fit of our existing businesses and may divest businesses that we determine do not align with our strategic plan, or that are not achieving the desired return on investment. Divestitures pose risks and challenges that could negatively impact our business. When we decide to sell a business or specific assets, we may be unable to do so on satisfactory terms or within our anticipated timeframe, and even after reaching a definitive agreement to sell a business, the sale is typically subject to pre- closing conditions which may not be satisfied. In addition, the impact of the divestiture on our revenue and net income may be larger than projected, which could distract management, and disputes may arise with buyers. We have retained responsibility for and have agreed to indemnify buyers against certain contingent liabilities related to several businesses that we have sold. The resolution of these contingencies has not had a material adverse impact on our financial results, but we cannot be certain that this favorable pattern will continue ~~fluid and uncertain and may lead to sudden changes in trajectory and outlook~~. The COVID- 19 pandemic has **adversely** impacted our **operations and** business ~~most recently related to~~. **The COVID- 19 pandemic disrupted the global economy and adversely impacted our businesses, including demand for our products across multiple end- markets as well as our** supply chain ~~disruptions, labor constraints, inflation, and operations~~ **government- mandated lockdowns**. **Any future resurgence** ~~The duration and extent of the impact~~ of the COVID- 19 pandemic **,or other health epidemics, may have an impact** on our business, operations and financial results ~~depends~~ **depending** on factors that cannot be accurately predicted at this time, such as the severity and transmission rate of **any health epidemic** ~~COVID- 19, the emergence of new variants of the virus~~, the extent and effectiveness of containment actions, the extent to which vaccines or other medical treatments are developed and made available to and accepted by the public, and the impact of these and other factors on our stakeholders ~~Some actions~~. Global Operating Risks Our failure or the failure of third- party service providers to protect our sites, networks and systems against security breaches, to protect our confidential information, or to facilitate our digital strategy, could adversely affect our business and financial results. Our business systems collect, transmit and store data about our customers, vendors and others, including credit card information and personally identifiable information. We also employ third- party service providers that store, process and transmit proprietary, personal and confidential information on our behalf. We rely on encryption and authentication technology licensed from third parties in an effort to securely transmit confidential and sensitive information, including credit card numbers. Our security measures, and those of our third- party service providers, may not detect or prevent all attempts to hack our systems, denial- of- service attacks, viruses, malicious software, break- ins, phishing attacks, social engineering, security breaches or other similar disruptions that may jeopardize the security of information stored in or transmitted by our sites, networks and systems or that we or our third- party service providers otherwise maintain. We engage third- party service providers to assist with certain of our website and digital platform upgrades, which may result in a decline in sales when initially deployed, which could have an adverse effect on our business and financial results. We and our service providers may not have the resources or technical sophistication to anticipate or prevent all types of attacks, and techniques used to obtain unauthorized access to or to sabotage systems change frequently and may not be known until launched against us or our third- party service providers. In addition, security breaches can also occur as a result of non- technical issues, including intentional or inadvertent breaches by our employees or by persons with whom we have commercial relationships. Although we maintain privacy, data breach and network security liability insurance, we cannot be certain that our coverage will be adequate or will cover liabilities actually incurred, or that insurance will continue to be available to us on economically reasonable terms, or at all. Any compromise or breach of our security measures, or those of our third- party service providers, could adversely impact our ability to conduct business, violate applicable privacy, data security and other laws, and cause significant legal and financial exposure, adverse publicity, and a loss of confidence in our security measures, which could have an adverse effect on our business and financial results. We depend on key employees and the loss of these individuals could have an adverse effect on our business and financial results. Our financial results could be adversely affected by increased competition for employees, difficulty in recruiting employees, higher employee turnover or increased compensation and benefit costs. Our employees are important to our success and we are dependent on our ability to retain the services of our employees in key roles. We have built our business on a set of core values, and we attempt to hire and retain employees who are committed to these values and our culture of providing exceptional service to our customers. In order to compete and to continue to grow, we must attract, retain and motivate our employees. We need qualified managers and skilled employees with technical and industry experience to operate our business successfully. If we are unable to attract and retain qualified individuals, or if our costs to do so increase significantly, or if internal realignment of responsibilities are not executed properly, our business and financial results could be adversely affected. We are a global company headquartered in the United States. We are subject to extensive regulations by U. S. and non- U. S. governmental and self- regulatory entities at various levels of the governing bodies. Failure to comply with laws and regulations could adversely affect our business and financial results. Approximately 50 % of our sales are derived outside of the United States. Our operations are subject to the risks of doing business domestically and globally, including the following: • Delays or disruptions in product deliveries and payments in connection with international manufacturing and sales. • Regulations resulting from political and economic instability and disruptions. • Imposition of new or changes in existing duties, tariffs and trade agreements, which could have a

direct or indirect impact on our ability to manufacture products, on our customers' demand for our products, or on our suppliers' ability to deliver raw materials. • Import, export and economic sanction laws. • Current and changing governmental policies, regulatory, and business environments. • Disadvantages from competing against companies from countries that are not subject to U. S. laws and regulations including the Foreign Corrupt Practices Act. • Local labor regulations. • Regulations relating to climate change, air emissions, wastewater discharges, handling and disposal of hazardous materials and wastes. • Regulations relating to product content, health, safety and the protection of the environment. • Imposition of trade or travel restrictions as a result of **any continuing effects of** the COVID- 19 **pandemic,** or **as a result of** other pandemics **or global health crises**. • Specific country regulations where our products are manufactured or sold. • Regulations relating to compliance with data protection and privacy laws throughout our global business. • Laws and regulations that apply to companies doing business with the government, including audit requirements of government contracts related to procurement integrity, export control, employment practices, and the accuracy of records and recording of costs. Further, these laws and regulations are constantly evolving and it is difficult to accurately predict the effect they may have upon our business and financial results. We cannot provide assurance that our internal controls and compliance systems will always protect us from acts committed by employees, agents or business partners that would violate U. S. and / or non- U. S. laws, including the laws governing payments to government officials, bribery, fraud, anti- kickback and false claims rules, competition, export and import compliance, money laundering and data privacy. Any such improper actions could subject us to civil or criminal investigations in the U. S. and in other jurisdictions, lead to substantial civil or criminal, monetary and non- monetary penalties and related lawsuits by shareholders and others, damage our reputation, and adversely impact our business and financial results. We are subject to litigation that could adversely impact our business, financial results, and reputation. We are a party to litigation that arises in the normal course of our business operations, including product liability and recall (strict liability and negligence) claims, patent and trademark matters, contract disputes and environmental, employment and other litigation matters. We face an inherent risk that our competitors will allege that aspects of our products infringe their intellectual property or that our intellectual property is invalid, such that we could be prevented from manufacturing and selling our products or prevented from stopping others from manufacturing and selling competing products. We face an inherent business risk of exposure to product liability claims in the event that the use of our products is alleged to have resulted in injury or other damage. To date, we have not incurred material costs related to these types of claims. However, while we currently maintain insurance coverage for certain types of claims that we believe is adequate, we cannot be certain that we will be able to maintain this insurance on acceptable terms or that this insurance will provide sufficient coverage against potential liabilities that may arise. Any claims brought against us, with or without merit, may have an adverse effect on our business, financial results and reputation as a result of potential adverse outcomes. The expenses associated with defending such claims and the diversion of our management' s resources and time may have an adverse effect on our business and financial results. **Global climate change and related emphasis on ESG matters by various stakeholders could negatively affect our business Increased public awareness and concern regarding global climate change may result in more regional and / or federal requirements to reduce or mitigate the effects of greenhouse gas emissions. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. Further, our customers and the markets we serve may impose emissions or other environmental standards through regulation, market- based emissions policies or consumer preference that we may not be able to timely meet due to the required level of capital investment or technological advancement. Additionally, the enhanced stakeholder focus on ESG issues relating to our business requires the continuous monitoring of various and evolving standards and the associated reporting requirements. A failure to adequately meet stakeholder expectations may result in the loss of business, diluted market valuation, an inability to attract customers or an inability to attract and retain top talent.**

Financial and Security Ownership Risks The global nature of our business exposes us to foreign currency fluctuations that could adversely affect our business and financial results. Approximately 50 % of our sales are derived outside the United States. Sales and purchases in currencies other than the U. S. dollar expose us to fluctuations in foreign currencies relative to the U. S. dollar, and may adversely affect our financial results. Increased strength of the U. S. dollar will increase the effective price of our products sold in currencies other than U. S. dollars into other countries. Decreased strength of the U. S. dollar could adversely affect the cost of materials, products, and services purchased overseas. Our sales and expenses are translated into U. S. dollars for reporting purposes, and further strengthening of the U. S. dollar could result in unfavorable translation effects, which occurred during fiscal years 2020 and 2022. In addition, certain of our subsidiaries may invoice customers in a currency other than its functional currency or may be invoiced by suppliers in a currency other than its functional currency, which could result in unfavorable translation effects on our business and financial results. Failure to execute our strategies could result in impairment of goodwill or other intangible assets, which may negatively impact income and profitability. We have goodwill of \$ **586.592.8-6** million and other intangible assets of \$ **74.62.0-1** million as of July 31, **2022-2023**, which represents **48-47.3-1** % of our total assets, and we have recognized impairment charges in the past. We evaluate goodwill and other intangible assets for impairment on an annual basis, or more frequently if impairment indicators are present, based upon the fair value of each respective asset. The valuations prepared for the required impairment test include management' s estimates of sales, profitability, cash flow generation, capital structure, cost of debt, interest rates, capital expenditures, and other assumptions. Significant negative industry or economic trends, disruptions to our business, inability to achieve sales projections or cost savings, inability to effectively integrate acquired businesses, unexpected changes in the use of the assets, and divestitures may adversely impact the assumptions used in the valuations. If the estimated fair value of our goodwill or other intangible assets change in future periods, we may be required to record an impairment charge, which would reduce net income in such period. Indicators of other- than- temporary impairment were present in our equity investment in React Mobile, Inc., an employee safety software and hardware company, and we recognized an other- than- temporary impairment charge of \$ 5. 0 million in fiscal 2021. Changes in tax legislation or tax rates could adversely affect results of operations and financial statements. Additionally, audits by taxing

authorities could result in tax payments for prior periods. We are subject to income taxes in the U. S. and in many non- U. S. jurisdictions. As such, our income is subject to risk due to changing tax laws and tax rates around the world. Our tax filings are subject to audit by U. S. federal, state and local tax authorities and by non- U. S. tax authorities. If these audits result in payments or assessments that differ from our reserves, our future net income may be adversely impacted. We review the probability of the realization of our deferred tax assets quarterly based on forecasts of taxable income in both the U. S. and foreign jurisdictions. As part of this review, we utilize historical results, projected future operating results, eligible carry-forward periods, tax planning opportunities, and other relevant considerations. Changes in profitability and financial outlook in both the U. S. and / or foreign jurisdictions, or changes in our geographic footprint may require modifications in the valuation allowance for deferred tax assets. At any point in time, there are a number of tax proposals at various stages of legislation throughout the globe. While it is impossible for us to predict whether some or all of these proposals will be enacted, many will likely have an impact on our business and financial results. Substantially all of our voting stock is controlled by two shareholders, while our public investors hold non- voting stock. The interests of the voting and non- voting shareholders could differ, potentially resulting in decisions that affect the value of the non- voting shares. Substantially all of our voting stock is controlled by Elizabeth P. Bruno, one of our directors, and William H. Brady III, both of whom are descendants of the Company' s founder. All of our publicly traded shares are non- voting. Therefore, the voting shareholders have control in most matters requiring approval or acquiescence by shareholders, including the composition of our Board of Directors and many corporate actions, and their interests may not align with those of the non- voting shareholders. Such concentration of ownership may discourage a potential acquirer from making a purchase offer that our public shareholders may find favorable and it may adversely affect the trading price for our non- voting common stock because investors may perceive disadvantages in owning stock in companies whose voting stock is controlled by a limited number of shareholders. Additionally, certain private investors, mutual funds and index sponsors have implemented rules restricting ownership, or excluding from indices, companies with non- voting publicly traded shares. **For example, the Company was removed from the Russell 2000 Index in the fourth quarter of fiscal 2023 for not meeting the minimum voting rights hurdle.** 12