Risk Factors Comparison 2023-11-28 to 2022-11-22 Form: 10-K

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You should carefully consider the risks described below. In addition, the risks described below are not the only ones facing us. We have only described the risks we consider to be material. However, there may be additional risks that are viewed by us as not material at the present time or are not presently known to us. Conditions could change in the future, or new information may come to our attention that could impact our assessment of these risks. If any of the events described below were to occur, our business, prospects, financial condition and / or results of operations could be materially adversely affected. When we say below that something could or will have a material adverse effect on us, we mean that it could or will have one or more of these effects. In any such case, the price of our common stock could decline, and you could lose all or part of your investment in our company. Risks Affecting our Business Inflation, ~~rising~~ **high** interest rates, economic uncertainty ~~, including a potential recession,~~ and other adverse macro- economic conditions may harm our business. Our revenues and margins are dependent on various economic factors, including rates of inflation, interest rates, the potential of an ~~upcoming~~ economic recession, energy costs, consumer attitudes toward discretionary spending, currency fluctuations, and other macro- economic factors which may impact consumer spending. ~~During both~~ **Beginning in** fiscal 2021 ~~and fiscal 2022~~ , we **have** experienced high levels of inflation resulting in significant cost increases in many parts of our business, including input costs, labor costs, and fuel costs. **While** ~~We expect~~ the **rate of** ~~inflationary~~ --- **inflation has slowed** ~~environment to continue~~ during fiscal 2023 **, if** ~~and some economist predict that~~ the ~~U. S. economy~~ **inflationary environment continues during fiscal 2024, we** may **be** ~~enter an economic recession. If we are~~ unable to pass through ~~rising~~ **higher** input costs ~~and raise~~ **by raising** the price of our products, ~~or~~ consumer confidence and purchasing **may** ~~weakens~~ - **weaken** ~~,~~ **and** we may experience organic sales declines and gross margin and operating income declines. High energy prices could adversely affect our operating results. ~~During fiscal~~ **Beginning in** 2021 ~~and fiscal 2022~~ , energy prices increased substantially and have remained elevated, **resulting** ~~which resulted~~ in increased ~~fuel~~ costs for **fuel** ~~our businesses~~ and ~~increased~~ raw materials ~~costs~~ for many of our products ~~, and~~ **. Energy prices** may continue to rise **or remain elevated** during fiscal ~~2023~~ **2024** . Continued high energy prices ~~in the future~~ could adversely affect consumer spending and demand for our products and increase our operating costs, both of which would reduce our sales and operating income. A decline in consumers' discretionary spending or a change in consumer preferences during economic downturns could reduce our sales and harm our business. Our sales ultimately depend on consumer discretionary spending, which is influenced by factors beyond our control, including the current inflationary environment, ~~rising~~ **high** interest rates, the potential for an ~~upcoming~~ economic recession, other general economic conditions, the availability of discretionary income and credit, weather, consumer confidence and unemployment levels. Any material decline in consumer discretionary spending during the economic downturn could reduce our sales and harm our business. Unfavorable economic and market conditions may also place a number of our key retail customers under financial stress, which would increase our credit risk and potential bad debt exposure. The success of our business also depends in part on our ability to identify and respond to evolving trends in demographics and consumer preferences. Our failure to timely identify or effectively respond to changing consumer tastes, preferences, spending patterns and lawn and garden and pet care needs could adversely affect the demand for our products and our profitability ~~. The COVID- 19 pandemic has impacted how we are operating our business, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain. The outbreak of the global COVID- 19 pandemic in fiscal 2020 has impacted our day- to- day operations and the operations of the vast majority of our customers, suppliers, and consumers. While the availability and accessibility of vaccines and boosters in the U. S. reduced the impact of COVID- 19 in fiscal 2022, COVID- 19 and its new variants may continue to affect how we and our customers are operating our businesses and overall demand for our products. We have experienced varying impacts to our Garden and Pet businesses due to COVID- 19. Many of our product categories in both Pet and Garden benefited from increased pet adoption during the pandemic and stay at home orders and remote working that positively impacted demand for our products. We have also seen an increase in demand in the eCommerce channel. The pandemic and increase in demand for our products created operational challenges for our distribution network and impacted our ability to meet our normal fill rate standards. Our supply chain was also impacted by the rapid increase in demand, and we experienced increased operational and logistics costs. During fiscal 2022, we increased inventories to mitigate the impact of supply chain shortages and improve fill rates, which increased carrying costs. We may experience additional disruptions in our supply chain if the pandemic worsens, though we cannot reasonably estimate the potential impact or timing of those events. As fiscal 2022 progressed, the impact of the pandemic lessened and high inflation continued, negatively impacting consumer purchasing behavior and resulting in higher levels of inventory at our customers and at Central. If we are not able to respond to and manage the impact of such events effectively, our business will be harmed~~ . Our operating results and cash flow are susceptible to fluctuations. We expect to continue to experience variability in our net sales, net income and cash flow on a quarterly basis. Factors that may contribute to this variability include: • high inflation and the ability to take pricing actions to mitigate high input costs, including for commodities; • the uncertain macro- economic environment, including ~~rising~~ **high** interest rates and a potential recession, and the impact either could have on consumer discretionary spending; • seasonality and **the impact of** adverse weather conditions; • fluctuations in prices of commodity grains and other input costs; • supply chain and sourcing disruptions, including ~~due to the COVID- 19 pandemic and~~ the volatile geopolitical environment; • shifts in demand for lawn and garden and pet products; • changes in product mix, service levels, marketing and pricing by us and our competitors; • the effect of acquisitions; and • the strength of our relationships with key retailers and their buying patterns and economic stability. These fluctuations could negatively impact our business and the market price of our common stock. We are in the process of implementing our Central to Home strategy, which could result in increased expenses over the next few years. **Our** ~~After we embarked on a company- wide strategic review led by our Chief Executive Officer, we developed our~~ Central to Home strategy ~~, which~~ consists of a comprehensive series of organizational and operational initiatives intended to build and grow our consumer brands, create a leading eCommerce platform and strengthen our relationships with key customers, drive a strong portfolio strategy, reduce costs to improve margins and fuel growth and strengthen our entrepreneurial, business unit- led growth culture. We expect to continue to implement these initiatives over the next several years. We anticipate continuing to incur substantial costs relating to this strategy in each of the next several years. There can be no assurance that we will be able to successfully execute our Central to Home strategic initiatives or that we will be able to do so within the anticipated time period. During the process of implementation, we will be making substantial investments in our business and will incur substantial transitional costs. These investments and transitional costs may adversely affect our operating results. Seeds and grains we use to produce bird feed and grass seed are commodity products subject to price volatility that ~~has had, and~~ could have ~~,~~ a negative impact on us. Our financial results are partially dependent upon the cost of raw materials and our ability to pass along increases in these costs to our customers. In particular, our Pennington and Kaytee businesses are exposed to fluctuations in market prices for commodity seeds and grains used to produce bird feed. Historically, market prices for commodity seeds and grains have fluctuated in response to a number of factors, including changes in U. S. government farm support programs, changes in international agricultural and trading policies and weather conditions during the growing and harvesting seasons. To mitigate our exposure to changes in market prices, we enter into purchase contracts for grains, bird feed and grass seed to cover a limited portion of our purchase requirements for a selling season. Since these contracts cover only a portion of our purchase requirements, as market prices for such products increase, our cost of production increases as well. In contrast, if market prices for such products decrease, we may end up purchasing grains and seeds pursuant to the purchase contracts at prices above market. Fiscal 2022 **and 2023** brought historic levels of inflation and reduced supply of certain grains due to the war in Ukraine, which drove up costs for bird feed and grass seed. In both fiscal ~~2021~~ **2022** and fiscal ~~2022~~ **2023** , we experienced increasing inflationary costs in key commodities (e. g., sunflower, milo and millet). Although we were able to negotiate further price increases in fiscal 2022 **and in fiscal 2023** with our retailers, it is possible that price increases may not fully offset continued high costs in the future, resulting in margin erosion. We can provide no assurance as to the timing or extent of our ability to implement additional price adjustments in the event of continued high costs in the future, or our ability to maintain pricing with our retailers in the context of declining costs. We also cannot predict to what extent price increases may negatively affect our sales volume. As retailers pass along price increases, consumers may shift to our lower margin bird feed, switch to competing products or reduce purchases of wild bird feed products. The same shift in consumer behavior could adversely affect our business in other product categories which experience substantial price increases. ~~Supply chain delays and interruptions may result in lost sales, reduced fill rates and service levels and delays in expanding capacity and automating processes. The COVID- 19 pandemic and the rapid increase in demand for our products created operational challenges for our distribution network which impacted our service and fill rates and resulted in lost sales. In fiscal 2020 and fiscal 2021, the increased demand for our products challenged our supply chain and our ability to procure and manufacture enough product to meet the high levels of demand. As fiscal 2022 progressed, demand for our products stabilized as did the availability of materials and labor, while inflation rose at unprecedented levels, resulting in increased costs for key commodities, materials, labor and freight. We may experience additional disruptions in our supply chain, whether due to the ongoing COVID- 19 pandemic or the volatile geopolitical environment, which would impact our ability to procure the materials needed for manufacture or our ability to ship our products to our customers. We cannot reasonably estimate the potential impact or timing of those events, and we may not be able to mitigate such impact.~~ We are subject to significant risks associated with innovation, including the risk that our new product innovations will not produce sufficient sales to recoup our investment. We believe that our future success will depend upon, in part, our ability to continue to improve our existing products through product innovation and to develop, market and produce new products. We cannot assure you that we will be successful in the introduction, marketing and production of any new products or product innovations, or that we will develop and introduce in a timely manner, improvements to our existing products which satisfy customer needs or achieve market acceptance. Our failure to develop new products or improved formulations and introduce them successfully and in a timely manner could harm our ability to grow our business and could have a material adverse effect on our business, results of operations and financial condition. We believe that the period of time to gain consumer acceptance of major innovations is longer in the garden industry than in many industries, which compounds the risks generally associated with major new product innovations. Supply disruptions in pet birds, small animals and fish may negatively impact our sales. The federal government and many state governments have increased restrictions on the importation of pet birds and the supply of small animals. These restrictions have resulted in reduced availability of new pet birds and small animals and thus reduced demand for pet bird and small animal food and supplies. If these restrictions become more severe, or similar restrictions become applicable to pet fish, our future sales of these products would likely suffer, which would negatively impact our profitability. In addition, some countries have experienced outbreaks of avian flu. A significant outbreak in the United States would reduce demand for our pet and wild bird food and negatively impact our financial results. Our Segrest subsidiary is the largest supplier of aquarium fish in the United States and also supplies pet birds and small animals. The sale of fish, pet birds and small animals subjects us to additional risk, including risks associated with sourcing, developing captive breeding programs, health of the fish, pet birds and small animals supplied by us and future governmental regulation of the sale of fish, pet birds and small animals. Our lawn and garden sales are highly seasonal and subject to adverse weather. Because our lawn and garden products are used primarily in the spring and summer, the Garden business is seasonal. In fiscal ~~2022~~ **2023** , approximately ~~66~~ **67** % of our Garden segment' s net sales and ~~59~~ **58** % of our total net sales occurred during our second and third fiscal quarters. Substantially all of the Garden segment' s operating income is generated in this period. Our working capital needs and our borrowings generally peak in our second fiscal quarter because we are generating lower revenues while incurring expenses in preparation for the spring selling season. If cash on hand and borrowings under our credit facility are ever insufficient to meet our seasonal needs or if cash flow generated during the spring and summer is insufficient to repay our borrowings on a timely basis, this seasonality could have a material adverse effect on our business. Because demand for lawn and garden products is significantly influenced by weather, particularly weekend weather during the peak gardening season, our results of operations and cash flow could also be adversely affected by certain weather patterns such as unseasonably cool or warm temperatures, heavy rains, water shortages or floods. During fiscal 2022 **and fiscal 2023** , we experienced unfavorable weather during the peak garden season, which adversely impacted our Garden sales. Unfavorable weather in the future could have a significant adverse effect on the sales and profitability of our lawn and garden business. We depend on a few customers for a significant portion of our business. Walmart, our largest customer, represented approximately ~~17~~ **16** % of our total company net sales in fiscal **2023, 17 % in fiscal** 2022 ~~,~~ **and** 16 % in fiscal 2021 ~~and 17 % in fiscal 2020~~ . Home Depot, our second largest customer, represented approximately 16 %, **16 % and** 15 ~~% and 13~~ % of our total company net sales in fiscal **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. Lowe' s, our third largest customer, represented approximately 8 %, **8 % and** 9 ~~% and 10~~ % of our total company net sales in fiscal **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. Costco and Amazon are also significant customers, and together with Walmart, Home Depot and Lowe' s accounted for approximately ~~51~~ **52** % of our net sales in fiscal ~~2022~~ **2023** . The market shares of many of these key retailers have increased and may continue to increase in future years. The loss of, or significant adverse change in, our relationship with any of these key retailers could cause our net sales, operating income and cash flow to decline. The loss of, or reduction in, orders from any significant customer, losses arising from customer disputes regarding shipments, fees, merchandise condition or related matters, or our inability to collect accounts receivable from any major customer could reduce our operating income and cash flow. Tariffs or a global trade war could increase the cost of our products, which could adversely impact the competitiveness of our products and our financial results. During the former presidential administration, the United States imposed a series of tariffs, ranging from 5 % to 25 %, on a variety of imports from China and subsequently implemented tariffs on additional goods imported from China. Less than 10 % of the products that we sell are manufactured in China. ~~If~~ **To the extent** the United States continues the China tariffs, or if additional tariffs or trade restrictions are implemented by the United States or other countries in connection with a global trade war, the cost of our products manufactured in China, or other countries, and imported into the United States could increase, which in turn could adversely affect the demand for these products and have a material adverse effect on our business and results of operations. We may be adversely affected by trends in the retail industry. Our retailer customers have continued to consolidate, resulting in fewer customers on which we depend for business. These key retailers are increasingly large and sophisticated with increased buying power and negotiating strength ~~who~~ **. They** are more capable of resisting price increases and ~~who~~ can demand lower pricing. Our business may be negatively affected by changes in the policies of our key retailers, such as limitations on access to shelf space, price demands and other conditions. In addition, large retailers have the scale to develop supply chains that permit them to operate with reduced inventories. Consequently, our customers have been implementing inventory destocking and making purchases on a “ just- in- time ” basis. This requires us to shorten our lead time for production in certain cases and to more closely anticipate demand, which could in the future require the carrying of additional inventories and an increase in our working capital and related financing requirements. This shift to “ just- in- time ” can also cause retailers to delay purchase orders, which can cause a shift in sales from quarter to quarter. Decisions to move in or out of a market category by leading retailers ~~, such as Walmart' s decision to exit the live fish business in 2019,~~ can also have a significant impact on our business. Additionally, some retailers are increasing their emphasis on private label products. These retailers may also in the future use more of their shelf space, currently used for our products, for their store brand products. While we view private label as an opportunity and supply many private label products to retailers, we could lose sales in the event that key retailers replace our branded products with private label product manufactured by others. We sell our products through a variety of trade channels with a significant portion dependent upon key retailers, through both traditional brick- and- mortar retail channels and eCommerce channels, including Amazon. The eCommerce channel continues to grow rapidly. To the extent that the key retailers on which we depend lose share to the eCommerce channel, we could lose sales. We continue to make additional investments to access this channel more effectively, but there can be no assurances that any such investments will be successful. If we are not successful in developing and utilizing eCommerce channels that consumers may prefer, we may experience lower than expected revenues. A significant deterioration in the financial condition of one of our major customers could have a material adverse effect on our sales, profitability and cash flow. We continually monitor and evaluate the credit status of our customers and attempt to adjust sales terms as appropriate. Despite these efforts, a bankruptcy filing or liquidation by a key customer could have a material adverse effect on our business, results of operations and financial condition in the future. If we underestimate or overestimate demand for our products and do not maintain appropriate inventory levels, our results of operations and financial condition could be negatively impacted. Our ability to manage our inventory levels to meet our customers’ demand for our products is important for our business. Our production levels and inventory management goals for our products are based on estimates of demand, taking into account production capacity, timing of shipments, and inventory levels. **While** ~~To mitigate the adverse impact of supply chain disruptions on our fill rates,~~ we increased our inventory levels significantly during fiscal 2022 **to mitigate the adverse impact of supply chain disruptions on our fill rates, we were able to decrease inventory levels during fiscal 2023** . If we overestimate or underestimate demand for any of our products during a given season, we may not maintain appropriate inventory levels, which could negatively impact our net sales, profit margins, net earnings, and / or working capital, hinder our ability to meet customer demand, result in loss of customers, or cause us to incur excess and obsolete inventory charges. Issues with products may lead to product liability, personal injury or property damage claims, recalls, withdrawals, replacements of products, regulatory actions by governmental authorities that could divert resources, affect business operations, decrease sales, increase costs, and put us at a competitive disadvantage, any of which could have a significant adverse effect on our results of operations and financial condition. We have experienced, and may in the future experience, issues with products that may lead to product liability, recalls, withdrawals, replacements of products, or regulatory actions by governmental authorities. Product recalls or other governmental regulatory action directed at product sales could result in increased governmental scrutiny, reputational harm, reduced demand by consumers for our products, decreased willingness by retailer customers to purchase or provide marketing support for those products, unavailability or increased cost of insurance, or additional safety and testing requirements. Such results could divert development and management resources, adversely affect our business operations, decrease sales, increase legal fees and other costs, and put us at a competitive disadvantage compared to other manufacturers not affected by similar issues with products, any of which could have a significant adverse effect on our results of operations and financial condition. Competition in our industries may hinder our ability to execute our business strategy, increase our profitability or maintain relationships with existing customers. We operate in highly competitive industries, which have experienced increased consolidation in recent years. We compete against numerous other companies, some of which are more established in their industries and have substantially greater revenue and resources than we do. Our products compete against national and regional products and private label products produced by various suppliers. Our largest competitors in the Pet segment are Spectrum Brands ~~, Hartz Mountain~~ , Mars, Inc. and the J. M Smucker Co., and our largest competitors in the Garden segment are Scotts Miracle- Gro, Spectrum Brands and S. C. Johnson. To compete effectively, among other things, we must: • develop and grow brands with leading market positions; • maintain or grow market share; • maintain and expand our relationships with key retailers; • effectively access the growing eCommerce channel; • continually develop innovative new products that appeal to consumers; • implement effective marketing and sales promotion programs; • maintain strict quality standards; • deliver products on a reliable basis at competitive prices; and • effectively integrate acquired businesses. ~~Competition~~ **Our inability to compete effectively** could lead to lower sales volumes, price reductions, reduced profits, losses, or loss of market share **which** ~~. Our inability to compete effectively~~ could have a material adverse effect on our business, results of operations and financial condition. We continue to implement enterprise resource planning information technology systems. We are incurring costs associated with designing and implementing enterprise resource planning (ERP) software systems with the objective of gradually migrating our businesses to one or the other of two systems. The choice of which is to be used for each business is dependent on the needs of the business unit. These two systems are ~~expected to replace~~ **replacing** numerous accounting and financial reporting systems, most of which have been obtained in connection with business acquisitions. To date, we have reduced the number of ERP systems from 43 to ~~12~~ **9** . Capital expenditures for our enterprise resource planning software systems for fiscal ~~2023~~ **2024** and beyond will depend upon the pace of conversion for those remaining legacy systems. If the balance of the implementation is not executed successfully, we could experience business interruptions **or material weaknesses relating to IT controls of acquired companies. For example, we recently identified two material weaknesses related to our Live Plants and Green Garden businesses whose IT systems have not been fully integrated into our corporate IT control structure** . If we do not complete the implementation of the project timely and successfully, we may experience, among other things, additional costs associated with completing this project and a delay in our ability to improve existing operations, support future growth and take advantage of new applications and technologies. All of this may also result in distraction of management, diverting their attention from our operations and strategy. Some of the products that we manufacture and distribute require governmental permits and also subject us to potential environmental liabilities. Some of the products that we manufacture and distribute are subject to regulation by federal, state, foreign and local authorities. Environmental health and safety laws and regulations are often complex and are subject to change. Environmental health and safety laws and regulations may affect us by restricting the manufacture, sale or use of our products or regulating their disposal. Regulatory or legislative changes may cause future increases in our operating costs or otherwise affect operations. There is no assurance that in the future we may not be adversely affected by such laws or regulations, incur increased operating costs in complying with such regulations or not be subject to claims for personal injury, property damages or governmental enforcement. In addition, due to the nature of our operations and the frequently changing nature of environmental compliance standards and technology, we cannot predict with any certainty that future material capital expenditures will not be required. In addition to operational standards, environmental laws also impose obligations on various entities to clean up contaminated properties or to pay for the cost of such remediation, often upon parties that did not actually cause the contamination. Accordingly, we may become liable, either contractually or by operation of law, for remediation costs even if the contaminated property is not presently owned or operated by us, or if the contamination was caused by third parties during or prior to our ownership or operation of the property. With our extensive acquisition history, we have acquired a number of manufacturing and distribution facilities, and most of these facilities have not been subjected to Phase II environmental tests to determine whether they are contaminated. Given the nature of the past operations conducted by us and others at these properties, there can be no assurance that all potential instances of soil or groundwater contamination have been identified, even for those properties where an environmental site assessment has been conducted. Future events, such as changes in existing laws or policies or their enforcement, or the discovery of currently unknown contamination, may give rise to future remediation liabilities that may be material. Our business is dependent upon our ability to continue to source products from China. We outsource a portion of our manufacturing requirements to third- party manufacturers located in China. This subjects us to a number of risks, including: the impact of Chinese public health and contamination risks on manufacturing; quality control issues; social and political disturbances and instability; export duties, import controls, tariffs, quotas and other trade barriers; shipping and transportation problems; and fluctuations in currency values. These risks may be heightened by changes in the U. S. government' s trade policies, including the continuation of tariffs on goods imported from China or the imposition of any new tariffs. Because we rely on Chinese third- party manufacturers for a significant portion of our product needs, any disruption in our relationships with these manufacturers could adversely affect our operations. Deterioration in operating results could prevent us from fulfilling our obligations under the terms of our indebtedness or impact our ability to refinance our debt on favorable terms as it matures. We have, and we will continue to have, significant indebtedness. As of September ~~24~~ **30** , ~~2022~~ **2023** , we had total indebtedness of approximately $ 1. 2 billion. This level of indebtedness and our future borrowing needs could have material adverse consequences for our business, including: • make it more difficult for us to satisfy our obligations with respect to the terms of our indebtedness; • require us to dedicate a large portion of our cash flow to pay principal and interest on our indebtedness, which would reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other business activities; • increase our vulnerability to adverse industry conditions, including unfavorable weather conditions or commodity price increases; • limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate; • restrict us from making strategic acquisitions or exploiting business opportunities; • place us at a competitive disadvantage compared to competitors that have less debt; and • limit our ability to borrow additional funds at reasonable rates, if at all. In addition, since our credit facility bears interest at variable rates, a further increase in interest rates or interest rate margins as defined under our credit agreement will create higher debt service requirements, which would adversely affect our cash flow. Risks Relating to Acquisitions Our acquisition strategy involves a number of risks. We are regularly engaged in acquisition discussions with other companies and anticipate that one or more potential acquisition opportunities, including those that would be material or could involve businesses with operating characteristics that differ from our existing business operations, may become available in the near future. If and when appropriate acquisition opportunities become available, we intend to actively pursue them. Acquisitions involve a number of special risks, including: • failure of the acquired business to achieve expected results, as well as the potential impairment of the acquired assets if operating results decline after acquisition; • diversion of management' s attention; • additional financing, if necessary and available, which could increase leverage and costs, dilute equity, or both; • the potential negative effect on our financial statements from the increase in goodwill and other intangibles; • difficulties in integrating the operations, systems, technologies, products and personnel of acquired companies; • initial dependence on unfamiliar supply chains or relatively small supply partners; • the potential loss of key employees, customers, distributors, vendors and other business partners of the companies we acquire after the acquisition; • the high cost and expenses of identifying, negotiating and completing acquisitions; and • risks associated with unanticipated events or liabilities. These risks could have a material adverse effect on our business, results of operations and financial condition. We have faced, and expect to continue to face, intense competition for acquisition candidates, which may limit our ability to make acquisitions and may lead to higher acquisition prices. We cannot assure you that we will be able to identify, acquire or manage profitably additional businesses or to integrate successfully any acquired businesses into our existing business without substantial costs, delays or other operational or financial difficulties. In future acquisitions, we also could incur additional indebtedness or pay consideration in excess of fair value, which could have a material adverse effect on our business, results of operations and financial condition. If our goodwill, indefinite- lived intangible assets or other long- term assets become impaired, we will be required to record impairment charges, which may be significant. A significant portion of our long- term assets consists of goodwill and other intangible assets recorded as a result of past acquisitions. We do not amortize goodwill and indefinite- lived intangible assets, but rather review them for impairment on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We consider whether circumstances or conditions exist which suggest that the carrying value of our goodwill and other long- lived intangible assets might be impaired. If such circumstances or conditions exist, further steps are required to determine whether the carrying value of each of the individual assets exceeds its fair value. If analysis indicates that an individual asset' s carrying value does exceed its fair value, we would record a loss equal to the excess of the individual asset' s carrying value over its fair value. The steps required by Generally Accepted Accounting Principles (**“** GAAP **”**) entail significant amounts of judgment and subjectivity. Events and changes in circumstances that may indicate that there may be an impairment and that interim impairment testing is necessary include, but are not limited to: competitive conditions; the impact of the economic environment on our customer base and on broad market conditions that drive valuation considerations by market participants; our internal expectations with regard to future revenue growth and the assumptions we make when performing impairment reviews; a significant decrease in the market value of our assets; a significant adverse change in the extent or manner in which our assets are used; a significant adverse change in the business climate that could affect our assets; and significant changes in the cash flows associated with an asset. As a result of such circumstances, we may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill, indefinite- lived intangible assets or other long- term assets is determined. Any such impairment charges could have a material adverse effect on our results of operations and financial condition. During fiscal **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , we performed evaluations of the fair value of our indefinite- lived trade names and trademarks. Our expected revenues were based on our future operating plan and estimates of market growth or decline for future years. **In fiscal 2023, we recorded impairment charges of approximately $ 7. 5 million and $ 3. 9 million in our Pet and Garden segments.** There were no impairment losses recorded in fiscal years ~~2020,~~ 2021 and 2022 **. As part of our annual goodwill impairment testing, in fiscal 2023, we elected to bypass the qualitative assessment and proceeded directly to performing the quantitative goodwill impairment test as part of annual goodwill impairment test. We completed our quantitative assessment and concluded there was no impairment of goodwill** . In connection with our annual goodwill impairment testing performed during fiscal years 2022 ~~,~~ **and** 2021 ~~and 2020~~ , we made a qualitative evaluation about the likelihood of goodwill impairment to determine whether it was necessary to calculate the fair values of our reporting units under the quantitative goodwill impairment test. We completed our qualitative assessment of potential goodwill impairment and it was determined that it was more likely than not the fair values of our reporting units were greater than their carrying amounts, and accordingly, no quantitative testing of goodwill was required. **We have identified material weaknesses in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements or otherwise adversely affect the accuracy, reliability or timeliness of our financial statements. As described under Item 9A." Controls and Procedures" below, we have**

concluded that material weakness in our internal control over financial reporting existed as of September 30, 2023 and, accordingly, our internal control over financial reporting and our disclosure controls and procedures were not effective as of such date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. As a result of its evaluation, management identified two material weaknesses: (1) in information technology general computer controls (" ITGCs") relating to access and program change management controls and (2) controls relating to an outsourced service provider at two acquired businesses whose IT systems had not yet been fully integrated with our corporate IT control structure. Management is in the process of establishing a remediation plan and expects its remediation efforts will involve implementing additional controls to ensure that access and program change management controls are designed and operating effectively and that we have effective controls relating to outsourced service providers and the data they provide. Until the remediation plan is implemented, tested and deemed effective, we cannot provide assurance that our actions will adequately remediate the material weaknesses or that additional material weaknesses in our internal controls will not be identified in the future. Effective internal control over financial reporting is necessary for us to provide reliable and timely financial reports and, together with adequate disclosure controls and procedures, are designed to reasonably detect and prevent fraud. The occurrence of, or failure to remediate, these material weaknesses and any future material weaknesses in our internal control over financial reporting may adversely affect the accuracy and reliability and timeliness of our financial statements and have other consequences that could materially and adversely affect our business. General Risks Our success depends upon our retaining and recruiting key personnel. Our performance is substantially dependent upon the continued services of ~~Timothy P. Cofer,~~ our **senior management team. The loss of the services of these persons, including the recent departure of our former** Chief Executive Officer **in October 2023** , ~~and our senior management team. The loss of the services of these persons~~ could have a material adverse effect on our business. Our future performance depends on our ability to attract and retain **a new Chief Executive Officer and other** skilled employees in all facets of our business, including management and manufacturing and distribution. We cannot assure you that we will be able to retain our existing personnel or attract additional qualified employees in the future. Our inability to protect our trademarks and any other proprietary rights may have a significant, negative impact on our business. We consider our trademarks to be of significant importance in our business. Although we devote resources to the prosecution, protection and enforcement of our trademarks, we cannot assure you that the actions we have taken or will take in the future will be adequate to prevent infringement of our trademarks and proprietary rights by others or prevent others from seeking to block sales of our products as an alleged infringement of their trademarks and proprietary rights. There can be no assurance that future litigation will not be necessary to enforce our trademarks or proprietary rights or to defend ourselves against claimed infringement ~~or~~ **of** the rights of others. Any future litigation of this type could result in adverse determinations that could have a material adverse effect on our business, financial condition or results of operations. Our inability to use our trademarks and other proprietary rights could also harm our business and sales through reduced demand for our products and reduced revenues. The products that we manufacture and distribute could expose us to product liability claims. Our business exposes us to potential product liability risks in the manufacture and distribution of certain of our products. Although we generally seek to insure against such risks, there can be no assurance that coverage will be adequate or that we will be able to maintain such insurance on acceptable terms. A successful product liability claim in excess of our insurance coverage could have a material adverse effect on us and could prevent us from obtaining adequate product liability insurance in the future on commercially reasonable terms. We have unresolved litigation which could adversely impact our operating results. We are a party to litigation alleging that the applicator developed and used by us for certain of our branded topical flea and tick products infringes a patent held by Nite Glow Industries, Inc. and asserting claims for breach of contract and misappropriation of confidential information. On June 27, 2018, a jury returned a verdict in favor of Nite Glow on each of the three claims and awarded damages of approximately $ 12. 6 million, which was reduced to $ 12. 4 million. We filed our notice of appeal and the plaintiffs cross- appealed. On July 14, 2021, the Federal Circuit Court of Appeals concluded that the Company did not infringe plaintiff' s patent and determined that the breach of contract claim raised no non- duplicative damages and should be dismissed. The court affirmed the jury' s liability verdict on the misappropriation of confidential information claim but ordered a new trial on damages on that single claim limited to the" head start" benefit, if any, generated by the confidential information. We intend to vigorously pursue our defenses in the future proceedings and believe that we will prevail on the merits as to the head start damages issue. While we believe that the ultimate resolution of this matter will not have a material impact on our consolidated financial statements, the outcome of litigation is inherently uncertain and the final resolution of this matter may result in expense to us in excess of management' s expectations. **A significant information security or operational technology incident, including a cyber attack or data breach, could disrupt our operations and adversely impact our operating results, cash flows and reputation.** We **rely extensively on information technology (IT) systems, networks and services, including internet and intranet sites, data hosting and processing facilities and technologies, physical security systems and other hardware, software and technical applications and platforms, many of which** are **managed, hosted, provided and / or used by third parties or their vendors, to assist in conducting our business. Numerous and evolving information security threats, including advanced persistent cybersecurity threats, pose a risk to the security of our services, systems, networks and supply chain, as well as to the confidentiality, availability and integrity of our data and of our critical business operations. In addition, because the techniques, tools and tactics used in cyber- attacks frequently change and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after such an attack. Our and our third- party providers' IT systems have been, and will likely continue to be,** subject to ~~cyber~~ **advanced computer viruses or other malicious codes, ransomware, unauthorized access attempts, denial of service**

attacks, phishing, social engineering, hacking and other cyberattacks. We cannot guarantee that our security ~~risks and~~ **efforts or the security efforts of our third- party providers will prevent material breaches, operational incidents or other breakdowns to our or our third- party providers' IT systems. A breach of our data security systems or failure of our IT systems** may **have a material adverse impact on our** ~~incur increasing costs in an effort to minimize those risks. Our~~ business ~~employs~~ **operations and financial results. If the IT** systems **, networks** ~~and websites that allow for~~ - **or** ~~the secure storage and transmission~~ **service providers we rely upon fail to function properly or cause operational outages or aberrations, or if we or one** of ~~proprietary or~~ **our** ~~confidential~~ **third- party providers suffer significant unavailability of key operations, or inadvertent disclosure of, lack of integrity of, or loss of our sensitive business or stakeholder** information ~~regarding our customers, employees, suppliers and others~~ , including personally identifiable information ~~. Security breaches could~~ **, and our business continuity plans do not effectively address these failures on a timely basis, we may suffer interruptions in our ability to manage operations and be** ~~expose~~ **exposed** ~~us~~ to **reputational** ~~a risk of loss or misuse of this information~~ , **competitive, operational, financial and business harm as well as** litigation ~~,~~ and ~~potential liability~~ **regulatory action** . **If** ~~We may not have the resources or~~ **our critical IT systems** ~~technical sophistication to anticipate~~ or **back** ~~prevent rapidly~~ - **up systems** ~~evolving types of cyber attacks. Attacks may be targeted at us, our~~ - **or those of** ~~customers and suppliers, or~~ **our** ~~others who have entrusted us with information. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage~~ third- party **vendors are damaged** ~~experts and consultants. Advances in computer capabilities, new technological discoveries,~~ or ~~other developments~~ **cease to function properly, we** may ~~result in~~ **have to make a significant investment to repair or replace** ~~the~~ **them** ~~technology used by us to protect transaction or~~ **. These risks can be magnified in companies that we have acquired until we fully integrate** ~~other~~ - **their** ~~data being breached~~ **critical IT systems into** ~~or~~ **our** ~~compromised~~ **internal controls** . In addition, **if a ransomware attack or other cybersecurity incident occurs, either internally or at our third- party technology service providers, we could be prevented from accessing our** data ~~and security breaches can also~~ **or systems, which may cause interruptions or delays in** ~~occur~~ -- **our** ~~as~~ **business operations, cause us to incur remediation costs, subject us to demands to pay** a **ransom or damage our reputation. In addition, such events could** result ~~of non- technical issues, including breach by us or by persons with whom we have commercial relationships that result~~ in ~~the~~ unauthorized ~~release~~ **disclosure** of ~~personal or~~ confidential information ~~. Any compromise or breach of our~~ - **or** ~~security~~ **stakeholder information, including personally identifiable information, and we may suffer financial and reputational damage because of lost or misappropriated information belonging to us or to our partners, our employees, customers and suppliers. Additionally, we** could ~~result in a violation of applicable privacy~~ **be exposed to potential liability, litigation, governmental inquiries, investigations or regulatory enforcement actions;** and **we could be subject to payment of fines or** other ~~laws~~ **penalties** , **legal claims by our suppliers, customers or employees and** significant ~~legal~~ **remediation costs. The costs** and **operational consequences** ~~financial exposure, and a loss~~ of ~~confidence in our security~~ **responding to the above items and implementing remediation** measures ~~, which~~ could ~~have~~ **be significant** ~~an~~ **and could** ~~adverse~~ **adversely impact** ~~effect on~~ our results of operations and ~~our reputation~~ **cash flows** . Risks Relating to our Capital Stock We do not expect to pay dividends in the foreseeable future. We have never paid any cash dividends on our common stock or Class A common stock and currently do not intend to do so. Provisions of our credit facility and the indenture governing our senior subordinated notes restrict our ability to pay cash dividends. Any future determination to pay cash dividends will be at the discretion of our Board of Directors, subject to limitations under applicable law and contractual restrictions, and will depend upon our results of operations, financial condition and other factors deemed relevant by our Board of Directors. We may issue additional shares of our common stock or Class A common stock that could dilute the value and market price of our stock. We may decide or be required to issue, including upon the exercise of any outstanding stock options, or in connection with any acquisition made by us, additional shares of our common stock or Class A common stock that could dilute the value of our common stock or Class A common stock and may adversely affect the market price of our common stock or Class A common stock. Our **Chairman and** founder, through his holdings of our Class B common stock, exercises effective control of the Company, which may discourage potential acquisitions of our business and could have an adverse effect on the market price of our stock. Holders of our Class B common stock are entitled to the lesser of ten votes per share or 49 % of the total votes cast, and each share of Class B common stock is convertible at any time into one share of our common stock. Holders of our common stock are entitled to one vote for each share owned. Holders of our Class A common stock have no voting rights, except as required by Delaware law. As of September ~~24~~ **30** , ~~2022~~ **2023** , William E. Brown, our **Chairman and** founder, beneficially controlled approximately 55 % of the voting power of our capital stock. Accordingly, except to the extent that a class vote of the common stock is required by applicable law or our charter, he can effectively control all matters requiring stockholder approval, including the election of our directors, and can exert substantial control over our management and policies. The disproportionate voting rights of our Class B common stock and Mr. Brown' s substantial holdings of Class B common stock could have an adverse effect on the market price of our common stock and Class A common stock. Also, such disproportionate voting rights and Mr. Brown' s controlling interest may make us a less attractive target for a takeover than we otherwise might be, or render more difficult or discourage a merger proposal, tender offer or proxy contest, even if such actions were favored by our other stockholders, which could thereby deprive holders of common stock or Class A common stock of an opportunity to sell their shares for a " take- over " premium. We have authorized the issuance of shares of common stock, Class A common stock and preferred stock, which may discourage potential acquisitions of our business and could have an adverse effect on the market price of our common stock and our Class A common stock. Pursuant to our Fourth Amended and Restated Certificate of Incorporation, the Board of Directors is authorized to issue up to 80, 000, 000 shares of our common stock, 100, 000, 000 shares of our nonvoting Class A common stock, 3, 000, 000 shares of our Class B common stock and up to 1, 000, 000 additional shares of preferred stock without seeking the approval or consent of our stockholders, unless required by the NASDAQ Global Market. Although the issuance of the additional shares of nonvoting

Class A common stock would not dilute the voting rights of the existing stockholders, it would have a dilutive effect on the economic interest of currently outstanding shares of common stock and Class B common stock similar to the dilutive effect of subsequent issuances of ordinary common stock. The issuance of preferred stock could, depending on the rights and privileges designated by the board with respect to any particular series, have a dilutive effect on the voting interests of the common stock and Class B common stock and the economic interests of our common stock, Class A common stock and Class B common stock. In addition, the disproportionate voting rights of our Class B common stock, and the ability of the board to issue stock to persons ~~friendly to~~ **aligned with** current management, may make us a less attractive target for a takeover than we otherwise might be or render more difficult or discourage a merger proposal, tender offer or proxy contest, even if such actions were favored by our common stockholders, which could thereby deprive holders of common stock of an opportunity to sell their shares for a " take- over " premium.