Risk Factors Comparison 2023-05-25 to 2022-05-25 Form: 10-K

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Columbus McKinnon is subject to a number of risks that could negatively affect our business, financial condition or results from business operations or cause our actual results to differ materially from those projected or indicated in any forward- looking statement. You should carefully consider the risks described below, as well as the other information contained in this Annual Report on Form 10- K in evaluating your investment in us. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing Columbus McKinnon. This list is not all- inclusive or necessarily in order of importance. Our business could also be affected by additional risks that are not presently known to us or that we currently consider to be immaterial. Business Risks Our business is cyclical and is affected by industrial economic and macroeconomic conditions. Many of the end- users of our products are in highly cyclical industries, such as manufacturing, power generation and distribution, commercial construction, oil and gas exploration and refining, transportation, agriculture, logging, and mining that are sensitive to changes in general economic conditions. Their demand for our products, and thus our results of operations, is **cyclical and** directly related to the level of production in their facilities, which changes as a result of changes in general macroeconomic conditions, including, among others, movements in interest rates, inflation, changes in currency exchange rates and higher fuel and other energy costs, and other factors beyond our control, and is vulnerable to economic downturns. Decreased capital and maintenance spending by these customers could have a material adverse effect on the demand for our products and our business, financial condition, and results of operations. In particular, higher interest rates could result in decreased demand for our products from end- users, which would have a material adverse effect on our business and results of operations, and concurrently result in higher interest expense related to borrowings under our credit facilities. In addition, inflation can also result in higher interest rates and negatively impact our results of operation. ~~With~~ **During an** ~~inflation~~ **inflationary period** , the costs of capital **will often** ~~increases~~ - **increase** , and the purchasing power of ~~our and~~ our end users' cash resources **will** ~~declines~~ - **decline** , which can negatively affect demand from our customers. Current or future efforts by the government to stimulate the economy may increase the risk of significant inflation, which could have a direct and indirect adverse impact on our business and results of operations. If there is deterioration in the general economy or in the industries we serve, our business, results of operations, and financial condition could be materially adversely affected. Furthermore, even if demand for our products improves, it is difficult to predict whether any improvement represents a long- term improving trend or the extent or timing of improvement. There can be no assurance that historically improving cycles are representative of actual future demand. In addition, the cyclical nature of our business could at times also adversely affect our liquidity and ability to borrow under our **New** ~~revolving~~ **Revolving** ~~credit~~ **Credit** ~~facility~~ **Facility (as defined herein) and limits our ability to make accurate long- term predictions about the performance of our Company** . Our business, particularly with respect to our material handling and precision conveyance products, is highly competitive and subject to consolidation of competitors. Increased competition could reduce our sales, earnings, and profitability. The principal markets that we serve within the material handling and precision conveyance industries are fragmented and highly competitive. Competition is based primarily on customer service and support as well as product availability, performance, functionality, brand reputation, reliability, and price. Our competition in the markets in which we participate comes from companies of various sizes, some of which have greater financial and other resources than we do. Increased competition could force us to lower our prices or to offer additional services at a higher cost to us, which could reduce our gross margins and net income. The greater financial resources or the lower amount of debt of certain of our competitors may enable them to commit larger amounts of capital in response to changing market conditions. Certain competitors may also have the ability to develop product or service innovations that could put us at a disadvantage. In addition, through consolidation, some of our competitors have achieved substantially greater market penetration in certain of the markets in which we operate than we have been able to achieve. If we are unable to compete successfully against other manufacturers of material handling equipment and precision conveyors, we could lose customers and our revenues may decline. There can also be no assurance that customers will continue to regard our products favorably, that we will be able to develop new products or product developments that appeal to customers, that we will be able to improve or maintain our profit margins on sales to our customers or that we will be able to continue to compete successfully in our core markets. Our growth strategy depends on successful integration of acquisitions. Acquisitions are a key part of our growth strategy. Our historical growth has depended, and our future growth is likely to depend, on our ability to successfully execute our acquisition strategy, and the successful integration of acquired businesses ~~, including Dorner and Garvey,~~ into our existing business. Such a strategy involves the potential risks inherent in assessing the value, strengths, weaknesses, contingent or other liabilities, and potential profitability of acquisition candidates and in integrating the operations of acquired companies. **Furthermore, the price we pay for any business acquired may overstate the value of that business or otherwise be too high.** In addition, any acquisitions of businesses with foreign operations or sales may increase our exposure to risks inherent in doing business outside the United States. We intend to continue to seek additional acquisition opportunities in accordance with our acquisition strategy, both to expand into new markets and to enhance our position in existing markets throughout the world. If we are unable to successfully integrate acquired businesses ~~, including Dorner and Garvey,~~ into our existing business or expand into new markets, our sales and earnings growth could be reduced **. Inherent in connection with any acquisition is the risk of transitioning company cultures and facilities and the corresponding risk of management and employee turnover. In addition, the focus on the integration of operations of acquired entities may divert management' s attention from the day- to- day operation of our businesses. The failure to efficiently and effectively achieve such transitions could increase**

our costs and decrease our profitability . Furthermore, the failure to achieve the anticipated synergies of our recent significant acquisitions or recognize the anticipated market opportunities or integration from our recent acquisitions, could have a material adverse effect on our business, financial condition and results of operations ~~. The COVID- 19 pandemic has, and may in the future continue to, adversely affect our business. We have been, and may continue in future periods to be, materially and adversely impacted by the effects of the COVID- 19 pandemic. In addition to global macroeconomic effects, the COVID- 19 pandemic and any other related adverse public health developments have caused, and are expected to continue to cause, disruption to both our domestic and international operations and sales activities. The continued operation of our facilities is subject to local laws and regulations. While all of our facilities have been deemed essential under applicable law, there is no guarantee this will continue. Although we have thus far had no significant operating disruptions due to the pandemic, like all companies, the apparent increased contagiousness of the Omicron variant poses risk to the availability of our workforce. Our third- party manufacturers, suppliers, distributors, sub- contractors and customers have been, and may in the future continue to be, disrupted by worker absenteeism, quarantines and restrictions on their employees' ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, and other travel or health- related restrictions. Depending on the magnitude of such effects on our manufacturing operations or the operations of our suppliers, third- party distributors, or sub- contractors, our supply chain, manufacturing and product shipments have been, and in the future may continue to be, delayed, which could adversely affect our business, operations, and customer relationships. In addition, COVID- 19 or other disease outbreaks have in the short- run and may over the longer term adversely affect the economies and financial markets of many countries and have caused inflationary pressures in the U. S. and elsewhere, which could result in an economic downturn that could affect demand for our products and impact our operating results. There can be no assurance that any decrease in sales resulting from the COVID- 19 pandemic will be offset by increased sales in subsequent periods. Although the magnitude of the impact of the COVID- 19 pandemic on our business and operations remains uncertain, the continued spread of the COVID- 19 or the occurrence of other epidemics and the imposition of related public health measures and travel and business restrictions has, and may in the future continue to, adversely impact our business, financial condition, operating results and cash flows~~ . Our future operating results may be affected by price fluctuations and trade tariffs on steel, aluminum, and other raw materials purchased to manufacture our products. We may not be able to pass on increases in raw material costs to our customers. The primary raw materials used in our chain, forging and crane building operations are steel, aluminum, and other raw materials such as motors, electrical and electronic components, castings and machined parts and components. The industries that produce these critical components and materials are also themselves highly cyclical and at times pricing and availability can be volatile due to a number of factors beyond our control, including general economic conditions, **inflation,** labor costs, competition, import duties, tariffs, and currency exchange rates. This volatility can significantly affect our raw material costs. In an environment of increasing raw material prices and trade tariffs, competitive conditions will determine how much of the price increases we can pass on to our customers. In the future, to the extent we are unable to pass on any steel, aluminum, or other raw material price increases to our customers, our profitability could be adversely affected **. Our results of operations could materially suffer if we are unable to obtain sufficient pricing for our products and service to meet our profitability expectations. If we are unable to obtain favorable pricing for our products and services in a timely manner, our revenues and profitability could materially suffer. For example, current conditions in our supply chain have resulted in rapid increases in the prices for the raw materials we use. Furthermore, the prices we are able to charge for our products and services are affected by a number of other factors, including: • general economic and political conditions; • our customers' desires to reduce their costs; • the competitive environment; • our ability to accurately estimate our costs, including our ability to estimate the impact of inflation on our costs over long- term contracts; and • the procurement practices of our customers. Our inability to pass increased prices along to our customers in a timely manner could have a material adverse effect on our business, financial condition or results of operations** . If critical components or raw materials used to manufacture our products become scarce or unavailable, then we may incur delays in manufacturing and delivery of our products, which has damaged, and could continue to damage, our business, results of operations and financial condition. Due to increased demand across a range of industries, the global supply chain for certain critical components and raw materials used in the manufacture of our products has experienced significant constraints in recent periods. Particularly, the markets for motors, computer chips, and other components are experiencing increased demand, creating substantial uncertainty regarding the availability of key components and raw materials used to manufacture our products. The COVID- 19 pandemic has also contributed to and exacerbated these constraints. This constrained supply environment has adversely affected, and could further affect, availability, lead times and cost of components and raw material, and has impacted, and could continue to impact, our ability to respond to accelerated or quick- turn delivery requests from customers, or meet customer demand and product delivery dates for our end customers where we cannot timely secure adequate supply of these components and raw materials. Moreover, if any of our suppliers become financially unstable, or otherwise unable or unwilling to provide us with raw materials or components, we may have to find new suppliers. It may take several months to locate alternative suppliers, if required, or to redesign our products to accommodate components from different suppliers. We cannot predict if we will be able to obtain replacement components within the timeframes that we require at an acceptable cost, if at all. In addition, we have experienced, and may continue to experience, significant delays in receiving shipments of key component and raw materials and in shipping our completed products to customers. We have incurred, and may continue to incur, additional shipping and delivery costs to seek to expedite the delivery of critical components and raw materials. In an effort to mitigate these risks, in some cases, we have incurred higher costs to secure available inventory, or have extended or placed non- cancellable purchase commitments with suppliers, which introduces inventory risk if our forecasts and assumptions prove inaccurate. While we may attempt to recover the increased costs through price increases to our customers, we may be unable to mitigate the effect on our results of operations. We have also multi- sourced and pre- ordered components and raw materials inventory in some cases in an effort to reduce the impact of the adverse supply chain conditions we have experienced. Despite our attempts to mitigate the impact on our business, these constrained supply conditions are expected to adversely impact our costs of goods sold. Limits on manufacturing availability or capacity or delays in production or delivery of components or raw materials **for our suppliers** ~~due to COVID- related restrictions~~ could further delay or inhibit our ability to obtain supply of components and raw materials and produce finished goods ~~. There can be no assurance that the impacts of the COVID- 19 pandemic on the supply chain will not continue, or worsen, in the future~~ . These supply chain constraints and their related challenges could result in shortages, increased material costs or use of cash, engineering design changes, and delays in new product introductions, each of which could adversely impact our growth, gross margin and financial results. These types of negative financial impacts on our business may become more acute as supply chain pressures increase. **Our backlog is subject to modification, termination or reduction of orders, which could negatively impact our sales. Our backlog is comprised of the portion of firm signed purchase orders or other written contractual commitments received from customers that we have not recognized as sales. The dollar amount of backlog as of March 31, 2023 was $ 309 million. Our backlog can be significantly affected by the timing of orders for large projects, and the amount of our backlog at March 31, 2023 is not necessarily indicative of future backlog levels or the rate at which backlog will be recognized as sales. Although modifications and terminations of our orders may be partially offset by cancellation fees, customers can, and sometimes do, terminate or modify these orders. We cannot predict whether cancellations will accelerate or diminish in the future. Cancellations of purchase orders, indications that the customers will not perform under their existing purchase orders or contracts or reductions of product quantities in existing contracts could substantially and materially reduce our backlog and, consequently, our future sales. Our failure to replace canceled orders could negatively impact our sales and results of operations.** We rely in large part on independent distributors for sales of our products. For the most part, we depend on independent distributors to sell our products and provide service and aftermarket support to our end- user customers. Distributors play a significant role in determining which of our products are stocked at their locations, and hence are most readily accessible to aftermarket buyers, and the price at which these products are sold. Almost all of the distributors with whom we transact business offer competitive products and services to our end- user customers. For the most part, we do not have written agreements with our distributors. The loss of a substantial number of these distributors or an increase in the distributors' sales of our competitors' products to our ultimate customers could materially reduce our sales and profits ~~. The future results of our Company will suffer if we do not effectively manage our expanded operations following the Dorner and Garvey acquisitions. Since the completion of the acquisition of Dorner and Garvey, the size of our business has increased significantly beyond its pre- acquisition size. Our future success depends, in part, on our ability to manage the Dorner and Garvey businesses, which will pose substantial challenges for management, including challenges related to the management and monitoring of our operations and associated increased costs and complexity. There can be no assurances that the Dorner business or the Garvey business will be successful or that we will realize the benefits anticipated from the acquisition of those businesses. We are currently integrating the operations of Dorner and Garvey into the Company. As part of the integration plan for Dorner and Garvey, we have incurred, and anticipate that we will continue to incur, certain non- recurring charges in connection with this integration, including costs for: • employee retention, redeployment, relocation or severance; and • integration, including of people, technology, operations, marketing, and systems and processes; however, we cannot identify the exact timing, nature and amount of all such charges. These integration costs will be charged as an expense in the period incurred. Although we believe that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, will offset incremental transaction and acquisition- related costs over time, this net benefit may not be achieved in the near term, or at all~~ . Our future success depends, in part, on our ability to continue to attract, develop, engage and retain qualified employees. Because of the complex nature of many of our products and services, we are generally dependent on an educated and highly skilled workforce, including our engineering talent and our sales professionals. Failure to attract, develop, engage and retain qualified employees, whether as a result of an insufficient number of qualified applicants, difficulty in recruiting new employees, or inadequate resources to train, integrate and retain qualified employees, could impair our ability to execute our business strategy, and could adversely affect our business, financial condition, results of operations or cash flows. The importance of recruiting and retaining qualified employees has only become more acute during the COVID- 19 pandemic as labor shortages have occurred in many of the regions in which we have operations. Low rates of unemployment in key geographic areas in which we operate may lead to high rates of turnover and loss of critical talent, which could in turn lead to higher labor costs. Financial Risks Changes in the method of determining the London Interbank Offered Rate (" LIBOR"), or the replacement of LIBOR with an alternative reference rate, may adversely affect interest rates. On July 27, 2017, the United Kingdom' s Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021, although on November 30, 2020 it announced that it had extended the period in which it will continue to publish certain LIBOR tenors, including three- month LIBOR, to ~~June 30~~ **December 31** , ~~2023~~ **2024** . It is unclear if at that time LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after ~~June 30~~ **December 31** , ~~2023~~ **2024** , or whether different benchmark rates used to price indebtedness will develop. The Alternative Reference Rates Committee, a group of market participants convened by the U. S. Federal Reserve Board and the Federal Reserve Bank of New York, has recommended the Secured Overnight Financing Rate (" SOFR "), a rate calculated based on repurchase agreements backed by treasury securities, as its recommended alternative benchmark rate to replace LIBOR. At this time, it is not known whether or when SOFR or other alternative reference rates will attain market traction as replacements for LIBOR. Any new benchmark rate will likely not replicate LIBOR exactly. The interest rate on the Company' s Term Loan B **(as defined herein)** and **New** ~~revolving~~ **Revolving** ~~credit~~ **Credit** ~~facility~~ **Facility** have a variable component that is based on LIBOR. The phase- out of LIBOR may negatively impact the terms of our outstanding indebtedness. In addition, the overall financial market may be disrupted as a result of the phase- out or replacement of LIBOR. Disruption in the financial market could have a material adverse effect on our financial position, results of operations, and liquidity. In connection with the completion of the acquisitions of Dorner and Garvey, our indebtedness has increased significantly. **We expect to incur additional indebtedness with the acquisition of montratec expected to close on May 31, 2023.** Our indebtedness could limit our cash flow available for operations and our flexibility. In connection with the completion of the acquisition of Dorner and Garvey, our indebtedness has increased significantly. In connection with the Dorner acquisition, we incurred debt of $ 450, 000, 000 under the Term Loan B, following our equity offering of $ 207, 000, 000 in May 2021. Additionally, in connection with the completion of the Garvey acquisition, the Company incurred another $ 75, 000, 000 of Term Loan B indebtedness through the exercise of an accordion feature under the terms of our ~~existing~~ **First Lien Facilities** ~~credit~~ **Credit** ~~agreement~~ **Agreement** . As of March 31, ~~2022~~ **2023** , we had approximately $ 100, 000, 000 available for borrowing under the **New** ~~revolving~~ **Revolving** ~~credit~~ **Credit** ~~facility~~ **Facility** (~~after~~ **before** deducting approximately $ ~~17, 151~~ **15, 104** , 000 of letters of credit outstanding as of March 31, ~~2022~~ **2023**) **. Further, our potential fiscal 2024 acquisition of montratec has increased our indebtedness** . The degree to which we are leveraged could have important consequences to our shareholders, including the following: • we may have greater difficulty satisfying our obligations with respect to our indebtedness; • we must dedicate a substantial portion of our cash flow from operations to the payment of principal and interest on our indebtedness, reducing the funds available for our operations; • our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other purposes may be impaired; • we may be limited in our ability to make additional acquisitions or pay dividends on our common stock; • our flexibility in planning for, or reacting to, changes in the markets in which we compete may be limited; • we may be at a competitive disadvantage relative to our competitors with less indebtedness; • **inability to comply with covenants in, and potential for default under, our debt instruments •** we may be rendered more vulnerable to general adverse economic and industry conditions **; • we may be unable to pay off in full or refinance any of our indebtedness at maturity** ; • our credit ratings may be downgraded; and • we are exposed to increased interest rate risk given that a portion of our indebtedness obligations are at variable interest rates. ~~Dorner~~ **If our cash flows** and ~~Garvey were each previously a private company and were~~ **capital resources are insufficient to fund our debt service obligations, we may be forced to sell assets, seek additional capital or seek to restructure or refinance our indebtedness. These alternative measures may** not **be successful** ~~required to comply with the Sarbanes- Oxley Act of 2002, as amended (" Sarbanes- Oxley "). Sarbanes- Oxley requires public companies to have~~ and **may not permit us** ~~maintain effective internal control over financial reporting~~ to **meet our scheduled debt service obligations. We may be unable** ~~provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements and~~ to **consummate** ~~have management report on the effectiveness of~~ those ~~controls on~~ **asset sales to raise capital or sell assets at prices that we believe are fair** ~~an~~ **and proceeds that we do receive may be inadequate** ~~annual basis (and have its independent public accountants attest annually~~ to **meet any debt service obligations** ~~the~~ **then due** ~~effectiveness of such internal controls)~~ . **Furthermore** ~~As private companies~~ , ~~Dorner and Garvey were~~ **we may be able to incur substantial additional indebtedness in the future. The terms of our debt instruments do** not **fully prohibit us from doing so** ~~required to comply with the requirements of Sarbanes- Oxley. In connection with the completed acquisitions of Dorner and Garvey, we have been implementing our Sarbanes- Oxley procedures regarding internal controls over financial reporting~~ . This **could further exacerbate** ~~process has required a significant amount of time from our management and other~~ -- **the risks that we face** ~~personnel, and has required, and will continue to require, us to expend a significant amount of financial resources, which is likely to increase our compliance costs. We will be required to assess Dorner' s and Garvey' s internal controls over financial reporting beginning one year after the date of the acquisition~~ . Our operations outside the U. S. pose certain risks that may adversely impact sales and earnings. We have operations and assets located outside of the United States, primarily in China, Mexico, Germany, the United Kingdom, Hungary, Malaysia and Russia. In addition, we import a portion of our hoist product line from Asia and sell our products to distributors located in approximately 50 countries. In our fiscal year ended March 31, ~~2022~~ **2023** , approximately ~~41~~ **39** % of our net sales were derived from non- U. S. markets. These non- U. S. operations are subject to a number of special risks, in addition to the risks of our U. S. business, differing protections of intellectual property, trade barriers, labor unrest, **geopolitical conflicts,** exchange controls, regional economic uncertainty, differing (and possibly more stringent) labor regulation, risk of governmental expropriation, U. S. and foreign customs and tariffs, **political and economic instability in the jurisdictions in which we operate, foreign receivables collection risk,** current and changing regulatory environments, difficulty in obtaining distribution support, difficulty in staffing and managing widespread operations, differences in the availability, and terms of financing, political instability and risks of increases in taxes. Also, in some foreign jurisdictions **,** we may be subject to laws limiting the right and ability of entities organized or operating therein to pay dividends or remit earnings to affiliated companies unless specified conditions are met. These factors may adversely affect our future profits. Part of our strategy is to expand our worldwide market share and reduce costs by strengthening our international distribution capabilities and sourcing components in lower cost countries, such as China, Mexico, Hungary and Malaysia. Implementation of this strategy may increase the impact of the risks described above, and we cannot assure you that such risks will not have an adverse effect on our business, results of operations or financial condition. Other risks of doing business in international markets include the increased risks and burdens of complying with different legal and regulatory standards, difficulties in managing and staffing foreign operations, recruiting and retaining talented direct sales personnel, limitations on the repatriation of funds and fluctuations of foreign exchange rates, varying levels of internet technology adoption and infrastructure and our ability to enforce contracts and our intellectual property rights in foreign jurisdictions. Additionally, there are risks associated with fundamental changes to international markets, such as those that may occur as a result of the Russian invasion of Ukraine. In addition, in connection with Russia' s invasion of Ukraine, the U. S. has imposed, and is likely to impose material additional, financial and economic sanctions and export controls against Russia and certain Russian organizations and individuals, with similar actions either implemented or planned by the European Union and the U. K. and other jurisdictions. While the Company' s business operations relating to Russia constitute an immaterial part of the Company' s overall business, we may decide to, or be required to, exit from our operations in Russia in their entirety, which could result in a loss of revenues ~~currently earned~~ from our Russian operations (approximately $ **167** ~~2, 174~~ , 000 for the fiscal year ended March 31, ~~2022~~ **2023**) or may necessitate the need to incur a bad debt reserve or an asset write- off related to our Russian operations. Furthermore, there is no guarantee that the current Russian invasion of Ukraine will not draw military intervention from other countries or further retaliation from Russia, which, in turn, could lead to a much larger conflict. If such escalation should occur, supply chain, trade routes and markets currently served by the Company could be adversely affected. In addition, a further escalation could disrupt the supply of oil and natural gas in Europe, impacting our ability to operate our European manufacturing facilities, which, in turn, could materially adversely affect the Company' s business operations and financial performance. In addition, our success in international expansion could be limited by barriers to international expansion such as adverse tax consequences and export controls. If we cannot manage these risks effectively, the costs of doing business in some international markets may be prohibitive or our costs may increase disproportionately to our revenue. We are subject to currency fluctuations from our sales outside the U. S. Our products are sold in many countries around the world. Thus, a portion of our revenues (approximately $ ~~373~~ **367** , ~~725~~ **025** , 000 in our fiscal year ended March 31, ~~2022~~ **2023**) are generated in foreign currencies, including principally the Euro, the British Pound, the Canadian Dollar, the South African Rand, the Brazilian Real, the Mexican Peso, and the Chinese Yuan, and while much of the costs incurred to generate those revenues are incurred in the same currency, a portion is incurred in other currencies. Since our financial statements are denominated in U. S. dollars, changes in currency exchange rates between the U. S. dollar and other currencies have had, and will continue to have, a currency translation impact on our earnings. Currency fluctuations may impact our financial performance in the future. We are subject to debt covenant restrictions. Our Term Loan B **and New Revolving Credit** Facility ~~and revolving credit facility~~ contain a financial leverage covenant, which will only be tested if any extensions of credit (other than letters of credit) are outstanding under the **New** ~~revolving~~ **Revolving** ~~credit~~ **Credit** ~~facility~~ **Facility** at the end of any fiscal quarter, and other restrictive covenants. A significant decline in our operating income or cash generating ability could cause us to violate our leverage covenant in our bank credit facilities. Other material adverse changes in our business could also cause us to be in default of our debt covenants. Any breach of any such covenants or restrictions would result in a default under such agreement that could result in our being unable to borrow under our bank credit facilities and would permit the lenders to declare all borrowings under such agreement to be immediately due and payable and, through cross- default provisions, could entitle other lenders to accelerate their loans to us. In such an event, the Company would need to modify or restructure all or a portion of its indebtedness. Depending on prevailing economic conditions at the time, the Company might find it difficult to modify or restructure the debt on attractive terms, or at all. Legal Risks Our products involve risks of personal injury and property damage, which exposes us to potential liability. Our business exposes us to possible claims for personal injury or death ~~and~~ **,** property damage **or economic loss** resulting from the products that we sell and to potential warranty, contractual or other claims. These product liability risks are inherent in the design, manufacture and sale of our products. Our products are complex and may contain defects, errors, or experience failures or unsatisfactory performance, due to any number of issues, including issues in materials, design, fabrication, packaging and / or use within a system or item of equipment. Further, because of the complexity of our products, defects or errors might only be detected when the products are in use **. As a result, we could experience material product liability or warranty costs in the future and incur significant costs to defend ourselves against associated claims** . Development of new products increases complexity and adds risk to manufacturing reliability, and increases the likelihood of product defects or errors. In addition, defects in our products could result in failure to achieve market acceptance, a shifting of business to our competitors, and litigation or regulatory action against us, and could harm our reputation or the reputation of the various brands under which we sell our products, our relationships with customers and our ability to attract new customers, as well as the perceptions of our brands. Other potential adverse impacts of product defects include shipment delays, write- offs of property, plant and equipment and intangible assets, and losses on unfavorable purchase commitments. We maintain insurance through a combination of self- insurance retentions and excess insurance coverage. We monitor claims and potential claims of which we become aware and establish accrued liability reserves for the self- insurance amounts based on our liability estimates for such claims. We cannot give any assurance that existing or future claims will not exceed our estimates for self- insurance or the amount of our excess insurance coverage. In addition, we cannot give any assurance that insurance will continue to be available to us on economically reasonable terms or that our insurers would not require us to increase our self- insurance amounts. Claims brought against us that are not covered by insurance or that are in excess of insurance coverage could have a material adverse effect on our results, financial condition, or liquidity **. In addition, warranty and certain other claims are not typically covered by insurance** . In addition, like many industrial manufacturers, we are also involved in asbestos- related litigation. In continually evaluating costs relating to our estimated asbestos- related liability, we review, among other things, the incidence of past and recent claims, the historical case dismissal rate, the mix of the claimed illnesses and occupations of the plaintiffs, our recent and historical resolution of the cases, the number of cases pending against us, the status and results of broad- based settlement discussions, and the number of years such activity might continue. Based on this review, we estimate our share of liability to defend and resolve probable asbestos related personal injury claims. This estimate is highly uncertain due to the limitations of the available data and the difficulty of forecasting with any certainty the numerous variables that can affect the range of the liability. We continue to study the variables in light of additional information in order to identify trends that may become evident and to assess their impact on the range of liability that is probable and estimable. We believe that the potential additional costs for claims will not have a material effect on the financial condition of the Company or its liquidity, although the effect of any future liabilities recorded could be material to earnings in a future period. See Note 16 to our March 31, ~~2022~~ **2023** consolidated financial statements included in Item 8 of this Form 10- K. As indicated above, our self- insurance coverage is provided through our captive insurance subsidiary. The reserves of our captive insurance subsidiary are subject to periodic adjustments based upon actuarial evaluations, which adjustments impact our overall results of operations and financial condition. These periodic adjustments can be favorable or unfavorable. We are subject to various environmental laws, which may require us to expend significant capital ~~and~~ **,** incur substantial cost **and could lower our margins** . Our operations and facilities are subject to various federal, state, local, and foreign requirements relating to the protection of the environment, including those governing the discharges of pollutants in the air and water, the generation, management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites **. Increased public awareness and concern regarding climate change and other ESG matters at numerous levels of government in various jurisdictions may lead to additional international, national, regional and local legislative and regulatory responses, and compliance with any new rules could be difficult and costly** . We have made, and will continue to make, expenditures to comply with such requirements. Violations of, or liabilities under, environmental laws and regulations, or changes in such laws and regulations (such as the imposition of more stringent standards for discharges into the environment), could result in substantial costs to us, including operating costs and capital expenditures, fines and civil and criminal sanctions, third party claims for property damage or personal injury, clean- up costs, or costs relating to the temporary or permanent discontinuance of operations. Certain of our facilities have been in operation for many years, and we have remediated contamination at some of our facilities. Over time, we and other predecessor operators of such facilities have generated, used, handled, and disposed of hazardous and other regulated wastes. Additional environmental liabilities could exist, including clean-up obligations at these locations or other sites at which materials from our operations were disposed, which could result in substantial future expenditures that cannot be currently quantified and which could reduce our profits or have an adverse effect on our financial condition, operations, or liquidity. We may face claims of infringement on the intellectual property of others, or others may infringe upon our intellectual property. Our future success depends in part on our ability to prevent others from infringing on our proprietary rights, as well as our ability to operate without infringing upon the proprietary rights of others. We may be required at times to take legal action to protect our proprietary rights and, despite our best efforts, we may be sued for infringing on the intellectual property rights of others. Intellectual property- related litigation is costly and, even if we prevail, the cost of such litigation could adversely affect our financial condition. In addition, we could be adversely affected financially should we be judged to have infringed upon the intellectual property of others. We rely on subcontractors or suppliers to perform their contractual obligations. Some of our contracts involve subcontracts with other companies upon which we rely to perform a portion of the services we must provide to our customers. There is a risk that we may have disputes with our subcontractors, including disputes regarding the quality and timeliness of work performed by our subcontractor or customer concerns about the subcontractor. Failure by our subcontractors to satisfactorily provide on a timely basis the agreed- upon supplies or perform the agreed upon services may materially and adversely impact our ability to perform our obligations as the prime contractor. A delay in our ability to obtain components and equipment parts from our suppliers may affect our ability to meet our customers' needs and may have an adverse effect upon our profitability. General Risks Adverse changes in global economic conditions may negatively affect our industry, business, and results of operations. Our industry is affected by changes in economic conditions outside our control, which can result in a general decrease in product demand from our customers. Such economic developments, like inflationary pressures in the U. S. and elsewhere, the China trade wars and the war in Ukraine may affect our business in a number of ways. Reduced demand may drive us and our competitors to offer products at promotional prices, which would have a negative impact on our profitability. In addition, the tightening of credit in financial markets may adversely affect the ability of our customers and suppliers to obtain financing for significant purchases and operations and could result in a decrease in, or cancellation of, orders for our products. If demand for our products slows down or decreases, we will not be able to maintain our revenue and we may run the risk of failing to satisfy the financial and other restrictive covenants to which we are subject under our existing indebtedness. Reduced revenue as a result of decreased demand may also reduce our planned growth and otherwise hinder our ability to improve our performance in connection with our long-term strategy. Climate change, or legal, regulatory or market measures to address climate change, may materially adversely affect our financial condition and business operations. Climate change resulting from increased concentrations of greenhouse gases in the atmosphere could present risks to our future operations from natural disasters and extreme weather conditions, such as hurricanes, tornadoes, earthquakes, wildfires, droughts or flooding. Such extreme weather conditions could pose physical risks to our facilities and disrupt operation of our supply chain and may impact operational costs. The impacts of climate change on global water resources may result in water scarcity, which could in the future impact our ability to access sufficient quantities of water in certain locations and result in increased costs. **Furthermore, the potential physical impacts of climate change on our customers, and therefore on our operations, are speculative and highly uncertain, and would be particular to the circumstances developing in various geographical regions.** Concern over climate change will likely result in new legal or regulatory requirements designed to reduce greenhouse gas emissions and mitigate the effects of climate change. Further, our customers and the markets we serve may impose emissions reduction or other environmental standards and requirements. ~~As~~ **These requirements could result in** a ~~result~~ **need to change our manufacturing processes or product offerings, or undertake other activities which may require us to incur additional expense. In addition** , we may experience increased compliance burdens and operational costs and raw material sourcing, manufacturing operations and the distribution of our products may be adversely affected. Moreover, we may not be able to timely meet these requirements due to the required level of capital investment or technological advancement. While we have been committed to continuous improvements to meet anticipated regulations and preferences, there can be no assurance that our commitments will be successful, that our products will be accepted by the market, that proposed regulations will not have a negative competitive impact or that economic returns will reflect our investments in new product development. There also continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. These factors may impact the demand for our products, obsolescence of certain products and adversely affect our results of operations **. A failure, or perceived failure, to respond to investor or customer expectations related to ESG concerns in areas such as climate change and supply chain management could materially adversely affect our business and reputation** . Our business operations may be adversely affected by information technology systems interruptions or intrusion. We depend on various information technology systems throughout our Company to administer, store, and support multiple business activities, including to process the data we collect, store and use in connection with our business. If these systems are damaged, cease to function properly, or are subject to cyber- security attacks, such as those involving unauthorized access, malicious software and / or other intrusions, we could experience production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of our systems or networks, financial losses from remedial actions, loss of business or potential liability, and / or damage to our reputation. Our information technology systems may be damaged or cease to function properly due to any number of causes, such as catastrophic events, power outages and security breaches (including destructive malware such as ransomware) resulting in unauthorized access or cyber- attacks. As the breadth and complexity of our information technology systems continue to grow, including as a result of the increasing reliance on, and use of, mobile technologies and cloud- based services, ~~and as more of our employees are working remotely during the COVID- 19 pandemic,~~ the risk of security incidents and cyberattacks has increased. While we attempt to mitigate these risks by employing a number of measures, including employee training, technical security controls, and maintenance of backup and protective systems, our systems, networks, products, and services remain potentially vulnerable to known or unknown cybersecurity threats, any of which could have a material adverse effect on our business, financial condition or results of operations. Furthermore, cybersecurity threats are constantly expanding and evolving, becoming increasingly sophisticated and complex, increasing the difficulty of detecting and defending against them and maintaining effective security measures and protocols. We are also subject to a variety of laws and regulations in the United States, Europe and around the world, as well as contractual obligations, regarding data privacy, security and protection. These laws and regulations continue to evolve, are increasing in complexity and number and increasingly conflict among the various countries in which we operate, which has resulted in greater compliance risk and cost for us. Any failure or perceived failure by us, or any third parties with which we do business, to comply with our posted privacy policies, changing consumer expectations, evolving laws, rules and regulations, industry standards, or contractual obligations to which we or such third parties are or may become subject, may result in actions or other claims against us by governmental entities or private actors, the expenditure of substantial costs, time and other resources or the incurrence of significant fines, penalties or other liabilities. In addition, any such action, particularly to the extent we were found to be guilty of violations or otherwise liable for damages, could damage our reputation and adversely affect our business, financial condition and results of operations. In addition, our liability insurance, which includes cyber insurance, might not be sufficient in type or amount to cover us against claims related to security incidents, cyberattacks and other related incidents. We **operate in many different jurisdictions, and we could be adversely affected by violations of the U. S. Foreign Corrupt Practices Act and similar worldwide anti- corruption laws. The U. S. Foreign Corrupt Practices Act (" FCPA ") and similar worldwide anti- corruption laws generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti- corruption laws. We operate in many parts of the world that have experienced corruption to some degree, and in certain circumstances, strict compliance with anti- corruption laws may conflict with local customs and practices. Despite our training and compliance programs, we cannot assure you that our internal control policies and procedures always will protect us from reckless or criminal acts committed by our employees or agents. Our continued expansion outside the U. S., including in developing countries, could increase the risk of such violations in the future. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations or financial condition. We** depend on our management team and the loss of any member could adversely affect our operations. Our success is dependent on the management and leadership skills of our management team, including our senior team. The loss of any of these individuals or an inability to attract, retain, and maintain additional personnel ~~, especially in a post- COVID job market,~~ could prevent us from implementing our business strategy. We cannot assure you that we will be able to retain our existing management personnel or to attract additional qualified personnel when needed. **18**