Risk Factors Comparison 2024-03-06 to 2023-03-13 Form: 10-K

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Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10- K, including in the section titled " Management' s Discussion and Analysis of Financial Condition and Results of Operations, " our consolidated financial statements and related notes and all of the other information in this Annual Report on Form 10- K, before making a decision to invest in our Class A common stock. If any of the risks actually occur, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment **.** Summary of Risk Factors Investing in our Class A common stock involves a high degree of risk because our business is subject to numerous risks and uncertainties, as described below. The principal factors and uncertainties that make investing in our Class A common stock risky include, among others: • risks regarding our ability to attract and engage with our users, including anticipating their product preferences; • competitive risks in each of our three segments: Connected Machines, Subscriptions and Accessories and Materials; • supply chain, manufacturing, distribution and fulfillment risks, including our being primarily dependent on ~~a single~~ **two contract** ~~manufacturer~~ **manufacturers** and on limited sources of supply for components, accessories and materials, as well as our ability to forecast demand and manage our inventory; • international risks, including regulation, tariffs that have materially increased our costs and the potential for further trade barriers; • sales and marketing risks, including our dependence on sales to brick- and- mortar and online retail partners and our need to continue to grow online sales; • risks relating to the complexity of our business, which includes connected machines, custom tools, hundreds of materials, design apps, e- commerce software, subscriptions, content, international production, direct sales, and retail distribution, particularly for a company of our relative size; • risks related to product quality, safety and warranty claims and returns; • risks related to protection of our intellectual property, as well as to cybersecurity and potential data breaches; • risks related to general socio- economic and political conditions as well as consumer confidence; and • risks related to our dependence on our Chief Executive Officer. Risks Related to Our Industry and Business If we are not able to attract and engage with our users, our business and rate of growth could be adversely affected. Since launching our first connected machine, we have built a loyal and growing community of users that has reached substantial scale. Our business and rate of growth is dependent upon our ability to attract and engage with our users. User engagement is one of many factors that affects our revenue in each of our segments, and it is difficult to isolate its effect on revenue and our other financial results in any given quarter. We cannot ensure that our efforts to attract and engage with users, which we modify from time to time, will be successful or that we will be able to maintain sales to our users. There are a number of factors that could impact our number of users and our ability to increase sales to users, including: • a decline in the public' s interest in or discretionary time **and money** available for do- it- yourself, or DIY, crafting activities; • pricing, perceived value and ease of use of our connected machines and accessories and materials as well as our subscriptions; • our ability to satisfy demand for and deliver quality products and value for subscriptions; • sales of competitive products; • our failure to broaden our demographic appeal; • our ability to continue to improve the user experience in each aspect of our business and successfully educate our users about our products; • our failure to capitalize on growth opportunities; • our inability to meet the challenges resulting from fast- paced changes in technology; • the failure of our connected machines to communicate or sync properly with Cricut- authorized design apps, including our Design Space apps, or other third- party applications such as Android, iOS and Windows; • unsatisfactory experiences with our products, including with respect to the use, purchasing or delivery of our products or with Cricut Member Care, including public disclosure of those experiences through social media or other communications from our community; • changes to our product offerings; • our failure to increase our international presence, including the failure to translate and localize our digital content and subscriptions, or the failure to further expand internationally; • decreased word- of- mouth referrals from our community or failed marketing efforts; and • deteriorating general economic conditions, inflationary pressures affecting the pricing of our products or otherwise, or changes in consumer spending preferences or buying trends, each of which we currently are experiencing. As a result of these factors, our rate of adding new users is declining in comparison to **recent** ~~the last two~~ years and, in the short term, the number of paid subscribers could remain flat or decline, and we cannot be sure that we will be successful in attracting and engaging with users, or increasing sales to our users, at levels that will be adequate to maintain or grow our business. If user engagement declines, then Subscription ARPU and Accessories and Materials ARPU may also decline. Subscriptions ARPU and Accessories and Materials ARPU have declined in recent periods and may decline again in the future. Declining ARPU has had and may continue to have an adverse effect on our revenue and results of operations. Our revenue growth rate and financial performance **have fluctuated** in recent periods **and** may not be indicative of our future performance, and we expect our revenue growth rate to decline compared to prior years. We experienced rapid revenue growth ~~in recent periods~~ through 2021 **and experienced a reduction in revenue since then** , with revenue of $ ~~959. 0 million, $~~ 1, 306. 2 million, ~~and~~ $ 886. 3 **million, and $ 765. 1** million for the years ended December 31, ~~2020,~~ 2021 ~~and~~ **,** 2022 **and 2023** , respectively. You should not rely on our revenue for any previous quarterly or annual period as any indication of our revenue or revenue growth in future periods. As we grow our business, we expect our revenue growth rates to decline compared to prior years due to a number of reasons, including more challenging comparisons to prior periods ~~as our revenue grows~~ , slowing demand for our products and subscriptions, increasing competition, a decrease in the growth of our overall market and our failure to capitalize on growth opportunities. For example, we saw significant growth in sales during the COVID- 19 pandemic in 2020 and 2021 but saw a reduction in sales in 2022 **and 2023** . There can be no assurance that sales will return to

2020 and 2021 levels in the future or that we will be able to continue to significantly grow our revenue in a post- COVID- 19 environment. Our rate of adding new users **has** declined in comparison to **recent** ~~the last two~~ years and, in the short term, the number of paid subscribers could remain flat or decline. If we are unable to anticipate user preferences and successfully develop and introduce new, innovative and updated products in a timely manner, our business may be adversely affected. Our success in maintaining and increasing our user community depends on our ability to identify trends, as well as to anticipate and react to changing preferences, which cannot be predicted with certainty. If we are unable to introduce new or enhanced products, or additional designs and projects, in a timely manner, if such new offerings are not accepted by our user community or if our competitors introduce similar offerings faster than we do, our business may be adversely affected. We also need to successfully educate our users on new offerings or improvements to current offerings. Moreover, our new offerings may not receive market acceptance if preferences change rapidly to different types of personal DIY offerings or away from these types of offerings altogether. Our future success depends in part on our ability to anticipate and respond to these changes as well as to improve the user experience in each aspect of our business. For example, some users find our connected machines to be challenging to use or may require user education in order to operate them efficiently or have the best user experience. If we are not able to make our connected machines easier to use or improve user education and experience, it may have an adverse effect on our business. In addition, failure to anticipate and respond in a timely manner to changing user preferences could lead to, among other things, reduced word- of- mouth referrals, lower sales, lower subscription rates, pricing pressure, lower gross margins, discounting of our existing products and excess inventory levels. Even if we are successful in anticipating user preferences, our ability to adequately react to and address them will partially depend upon our continued ability to develop and introduce innovative, high-quality products. Development and launch of new or enhanced products is time- consuming and requires significant financial investment, which could result in increased costs and a reduction in our profit margins. We have experienced, and may in the future experience, delays in the planned release dates of new products. Delays could result in adverse publicity (if potential new product announcements are leaked and then delayed), loss of sales and delay in market acceptance, any of which could cause us to lose or fail to engage with existing users or impair our ability to attract new users. In addition, the introduction of new products by competitors could adversely affect our ability to compete. Any delay or failure in the introduction of new products could harm our business, results of operations and financial condition. Moreover, we must successfully manage the introduction of new or enhanced products and product offerings, which could adversely affect the sales of our existing products. For instance, users may choose to forgo purchasing existing connected machines in advance of new product launches, and we may experience higher returns from users of existing products after a new product launch occurs. As we introduce new or enhanced products, we may face additional challenges related to managing a more complex supply chain and manufacturing process, including the time and cost associated with onboarding and overseeing additional suppliers, contract manufacturers and third- party logistics partners. **As we develop, acquire, and introduce new technologies, including those that may incorporate artificial intelligence and machine learning, we may be subject to new or heightened legal, ethical, and other challenges, including the ability to innovate as quickly as our competitors as well as increased research and development expenses.** We may also face challenges managing the inventory of new or existing products, which could lead to excess inventory and discounting of such products. Users may negatively react to changes we introduce to products and product offerings. In addition, new or enhanced products may have varying selling prices and costs compared to legacy products, which could negatively impact our gross margins and results of operations. We derive a significant portion of our revenue from sales of our connected machines, and a decline in sales of our connected machines would adversely affect our future revenue and results of operations. We derive a significant portion of our revenue from sales of our connected machines. Our connected machine revenue decreased by $ ~~295~~ **54** . ~~6~~ **3** million, or ~~54~~ **21** %, to $ ~~252~~ **198** . ~~6~~ **3** million for the year ended December 31, ~~2022~~ **2023** from $ ~~548~~ **252** . ~~2~~ **6** million for the year ended December 31, ~~2021~~ **2022** . Any factors adversely affecting sales of our connected machines, including introduction by competitors of comparable machines at lower price points, a maturing product lifecycle, shortages in our supply or inventory of connected machines, a decline in consumer spending or other factors discussed elsewhere in this Risk Factors section, could result in a continued decline in sales of our connected machines, which would adversely affect our future revenue and results of operations. Moreover, because we derive a significant portion of our revenue from the sale of subscriptions and accessories and materials as an extension of the sales and use of our connected machines, any material decline in the sales and use of our connected machines would also have a pronounced impact on the sales of subscriptions and accessories and materials, which would adversely affect our future revenue and results of operations. For example, accessories and materials revenue decreased by $ ~~190~~ **98. 5 million, or 27 %, to $ 262** . 8 ~~million, or 35 %, to $ 361. 4~~ million for the year ended December 31, ~~2022~~ **2023** from $ ~~552~~ **361** . ~~2~~ **4** million for the year ended December 31, ~~2021~~ **2022** . Accessories and materials ARPU is defined as total sell- in revenue for the segment in a given period divided by total unique users for same period. In addition to sales of our connected machines, accessories and materials revenues are influenced by multiple factors, some of which can be hard to isolate in a given time period. These factors include retailer demand, currency, consumer buying behavior (pantry loading), promotional activity, competition, and engagement (defined by consumer cutting behavior and therefore consumption of materials). Each of these can have an impact on accessories and materials revenue in different time frames that are hard to estimate. Our efforts to increase our sales of accessories and materials may not have the desired effect. Decline in accessories and materials ARPU, which has occurred in recent periods and may occur again in the future, is influenced by how these factors interplay with each other and could adversely affect our revenue and results of operations. Our results of operations could be adversely affected if we are unable to accurately forecast consumer demand for our products or adequately manage our inventory, the manufacturing capacity of our contract manufacturers or their component supply. Our ability to accurately forecast demand could be affected by many factors, including changes in consumer demand for our products, changes in demand for the products of our competitors, unanticipated changes in general market or economic conditions or changes in consumer confidence in future economic conditions. This risk may be exacerbated by the fact that we do not have the manufacturing capacity or supply- chain flexibility to satisfy short- term demand increases. For example, during the COVID- 19 pandemic and stay- at- home orders, we saw significant growth in sales in 2020, which strained our inventory levels and caused shortages that likely resulted in lost sales. Although our in- channel and on- hand inventory as of December 31, ~~2022~~ **2023** were **generally** sufficient, if we fail to accurately forecast consumer demand, we may experience insufficient or excess inventory levels or a shortage or surplus of products available for sale. If we underestimate demand or are otherwise unable to meet consumer demand, we could experience loss of revenue, reputational harm and damaged relationships, including through social media or other communications from our community, and adversely affect our business, financial condition and results of operations. If we forecast inventory levels in excess of consumer demand, this may result in inventory write- downs or write- offs and the sale of excess inventory at discounted prices, which would cause our gross margins to suffer and could impair the strength and premium nature of our brand image. While supply chain conditions have improved during ~~2022~~ **2023** , if our supply chain faces challenges again, it could continue to put pressure on margins. We depend on sales to brick- and- mortar and online retail partners, including a limited number of sophisticated key brick- and- mortar and online retail partners. The loss or substantial decline in volume of sales to any of our key brick- and- mortar and online retail partners could adversely affect our financial performance. Our financial performance has been and will continue to be significantly determined by our success in attracting and retaining brick- and- mortar and online retail partners. For the year ~~ended December 31, 2021, our top seven brick- and- mortar and online retail partners accounted for 52 % of total revenue. For the twelve months~~ ended December 31, 2022, our top seven brick- and- mortar and online retail partners accounted for 37 % of total revenue. **For the twelve months ended December 31, 2023, our top seven brick- and- mortar and online retail partners accounted for 33 % of total revenue.** We anticipate that a similar level of concentration will continue for the foreseeable future. We are dependent on our brick- and- mortar and online retail partners to manage the sales of our products in their stores and on their websites. For example, we depend on brick- and- mortar retail partners to provide adequate and attractive space for our products and point of purchase displays **in their stores, to maintain appropriate inventory for our product** in their stores and to employ, educate and motivate their sales personnel to sell our products. We also depend on our brick- and- mortar and online retail partners to adequately market our products on their websites and provide a positive online shopping and shipping experience for their customers. However, we generally do not have significant input or control over the display or promotion of our products by our brick- and- mortar and online retail partners, and they are generally not prohibited from promoting products of our competitors. Our key brick- and- mortar and online retail partners have demanded and may in the future demand heightened security, product safety or packaging requirements and specified service levels. If we fail to meet these requirements, we may not only lose a brick- and- mortar and online retail partner, but we may have to pay significant punitive costs or retailer- imposed fines for such failures. We also impose policies and guidelines on our brick- and- mortar and online retail partners through our contractual agreements **and otherwise. We are motivated to work with those retailers that help us create a great experience both on shelf and for the actual usage of our ecosystem** . If a retailer fails to follow the policies and guidelines in our sales agreements **and otherwise** , we may choose to temporarily or permanently stop shipping product to that retailer, which could adversely affect our revenue and results of operations. Because our key brick- and- mortar and online retail partners have dominant positions in their markets, a loss of any key retailer may not be easily replaced. The loss or substantial decline in volume of sales to our key brick- and- mortar and online retail partners **, including lost sales because of inadequate retailer inventory,** would adversely affect our **operating results and** financial performance. Moreover, if we are not able to meet demand from our key brick- and- mortar and online retail partners, they may limit or eliminate our shelf space, fail to feature our products on their websites or cease to offer our products and instead offer or promote products from our competitors who are able to meet their demands. If the financial condition of one or more of our key brick- and- mortar and online retail partners weakens, a key retailer stops selling our products or uncertainty regarding demand for some or all of our products causes one or more of these brick- and- mortar and online retail partners to reduce its ordering and marketing of our products, it could decrease revenue from sales to brick- and- mortar and online retail partners and adversely affect our total revenue. Financial difficulties for one or more of our key brick- and- mortar and online retail partners could also expose us to financial risk if such retailer were unable to pay for the products purchased from us. We may not be able to collect our receivables from our brick- and- mortar and online retail partners, or we may incur significant expense in attempting to collect receivables, which would materially and adversely affect our profitability and cash flows from operations ~~. For example, the COVID- 19 pandemic had a material adverse effect on many retail chains generally, many of whom were required to close their stores for periods of time, and some of which went out of business. While the challenges that many retail chains experienced during the COVID- 19 pandemic did not have a material adverse effect on our business, such challenges could negatively affect our business and results of operations in the future~~ . In addition, current deteriorating general economic conditions, inflationary pressures affecting the pricing of our products or otherwise, and changes in consumer spending preferences or buying trends could have an effect on sales through our brick- and- mortar and online retail partners. Our long- term growth is dependent upon our ability to increase online sales through the websites of our brick- and- mortar and online retail partners as well as through our own website. If we do not effectively grow our online channels while reducing our reliance on our other sales channels, our business, financial condition, results of operations and profitability could be harmed. Our ability to continue our revenue growth and increase our profitability depends in part upon our ability to successfully implement certain strategic go- to- market initiatives, including expanding our online sales presence while continuing to work with key brick- and- mortar and online retail partners. Our online sales include online sales through the websites of our brick- and- mortar and online retail partners as well as through our own website cricut. com. In the year ended December 31, ~~2020~~ **2021** , ~~48~~ **50** % of our revenue was generated from these online channels. In the year ended December 31, ~~2021~~ **2022** , ~~50~~ **59** % of our revenue was generated from these online channels. For the twelve months ended December 31, ~~2022~~ **2023** , ~~59~~ **62** % of our revenue was generated from these online channels. There can be no assurance that online sales will remain at these levels in the future or that we will be able to continue to significantly grow our online channels.

To successfully grow our sales through cricut. com, we must continue to drive traffic to our website, convert a larger percentage of potential brick- and- mortar and online retail partner sales to our website and create and maintain a streamlined and intuitive online shopping experience. Increasing sales through cricut. com may be costly and may place increased demands on our operational, managerial, administrative and other resources. We are dependent on our brick- and- mortar and online retail partners to manage their own e- commerce operations effectively **, to maintain appropriate inventory for our product in their e- commerce operations** and to promote our products through those channels. We or our brick- and- mortar and online retail partners may be unable to effectively address the challenges involved with increasing online sales **, including maintaining adequate retailer inventory** , which could negatively affect our results of operations and financial condition. Sales through online channels, either through cricut. com or our online retail partners' websites, could reduce sales by our current brick- and- mortar retail partners, which could adversely affect our relationship with our brick- and- mortar retail partners, particularly those that do not have a strong online presence. Based on our strategic initiative to increase sales through online channels, our brick- and- mortar retail partners may decide not to adequately display our products in store, choose to reduce the in- store space for our products, locate our products in less than premium positioning in their store, choose not to carry some or all of our products or promote competitors' products over ours in store, and as a result, our sales could decrease and our business could be harmed. If we are not successful in effectively and sustainably growing our online sales channels, through cricut. com and our brick- and- mortar and online retail partners' websites, our business, financial condition, results of operations and profitability could be harmed. If we are unable to maintain or increase our subscriptions, or if existing users do not renew their subscriptions, our future revenue and results of operations could be harmed. As of December 31, ~~2022~~ **2023** , approximately ~~33~~ **31** % of our users were Paid Subscribers. If we are unable to maintain or increase subscriptions, which have higher margins than our other products, our future revenue and results of operations could be harmed. Our Paid Subscribers have no contractual obligation to renew their subscriptions to Cricut Access or Cricut Access Premium after the expiration of their initial subscription term, and our subscriptions may be offered on a monthly and annual basis. The images and designs on our platform are available for purchase à la carte, which may limit the incentive for users to purchase subscriptions. Our ability to increase new subscriptions may decline or fluctuate as a result of a number of factors, including seasonality, the quality of images and projects we offer, level of engagement, the number of new features and capabilities only offered through our subscriptions, the prices of products offered by our competitors and the budgets and consumer spending habits of our users. If our users do not renew their subscriptions or if additional users do not purchase subscriptions, our future revenue and results of operations could be harmed. To the extent that users of our free design apps do not purchase images, projects or products à la carte or convert to a subscription, our future revenue and results of operations could be harmed. Our efforts to increase our subscriptions may not have the desired effect. For example, in 2021, we proposed changes to our free Design Space app that would have limited the number of personal images or patterns a user could upload and save each month to our cloud without a subscription; however, because of user reaction, we determined not to proceed with the proposed changes. Instead of increasing subscriptions, other attempts to increase subscriptions could cause our users to limit their use of our connected machines, cause reputational harm and damaged relationships, and result in reduced sales of connected machines and accessories and materials, any of which could negatively affect our future revenue and results of operations. Finally, any future changes to our subscription model could make our subscriptions less attractive to users or reduce our margins on subscriptions, which could negatively affect our future revenue and results of operations. We operate in a highly competitive market and we may be unable to compete successfully against existing and future competitors. The markets in which we participate, including the traditional craft market and the other creative or DIY markets we touch, are highly competitive with limited barriers to entry. We operate and manage our business in three reportable segments: Connected Machines, Subscription and Accessories and Materials. We face competition in every aspect of our business, but particularly in Accessories and Materials. Many accessories and materials produced by our competitors, including the private label products of some of our retail partners, are compatible with our connected machines and are often available for purchase through our retail partners. Our competitors may offer competing accessories and materials at lower price points or with different features than our products. We are currently seeing intensifying competition in Accessories and Materials, and we expect the competition in the accessories and materials DIY market to continue to intensify in the future as new and existing competitors introduce new or enhanced products that may compete with our product lines. Our efforts to increase our sales of accessories and materials may not have the desired effect. Because we derive a significant portion of our revenue from the sales of accessories and materials, the material decline in such sales is having and could continue to have a pronounced impact on our future revenue and results of operations. We also experience competition in connected machines from sellers of both connected and manual cutting and other machines. For example, Brother, Graphtec, Loklik, Silhouette America, and Siser sell cutting machines, and a number of companies sell heat press machines. Our Subscriptions business, which provides users with fonts and images for making designs, competes with well-established content providers, from free resources that enable users to access content that is compatible with our platform, to more specific content marketplaces, like Creative Fabrica and Etsy, where customers can purchase digital files to upload to our platform. With respect to all of our segments, introduction by competitors of comparable products at lower price points, a maturing product lifecycle, a decline in consumer spending or other factors could result in a decline in our revenue derived from our products, which may adversely affect our business, financial condition and results of operations. Additionally, if in the future, due to competitor discounting or other marketing strategies, we significantly reduce our prices on our products without a corresponding increase in sales volume, it would negatively impact our revenue and would adversely affect our gross margins and overall profitability. As our product categories mature, new competitive forces and competitors may emerge. As we expand our product offerings, we may begin to compete in new product offerings with new competitors. Our competitors may develop, or have already developed, products, features, content, services or technologies that are similar to ours or that achieve greater market acceptance, undertake more successful product development efforts, create more compelling employment opportunities or marketing campaigns or may adopt more aggressive pricing policies. Our competitors may develop or acquire, or have already developed or acquired, intellectual property rights that significantly limit or prevent our ability to compete effectively in the public marketplace. In addition, our competitors may have significantly greater resources than we do **or may introduce product features, including artificial intelligence and machine learning capabilities, sooner than we do** , allowing them to identify and capitalize more efficiently upon opportunities in new markets and consumer preferences and trends, quickly transition and adapt their products, devote greater resources to marketing and advertising or better position themselves to withstand substantial price competition. If we are not able to compete effectively against our competitors, they may acquire and engage our users or generate revenue at the expense of our efforts, which could adversely affect our business, financial condition and results of operations. Sales of copycat products or unauthorized “ gray market ” products by brick- and- mortar and online retail partners or distributors could adversely affect our authorized distribution channels and harm our reputation, business and results of operations. Copycat companies or products **have in the past attempted, are currently attempting, and in the future** may **continue to** attempt to imitate our connected machines and accessories and materials, our brand or the functionality of our products. When consumers purchase copycat products in lieu of our products, it negatively affects our business and results of operations. In the past, when we have become aware of such products, we have employed technological or legal measures in an attempt to halt their distribution, and we plan to continue to employ such measures in the future. However, we may be unable to detect all copycat products in a timely manner, and, even if we could, technological and legal measures may be insufficient to halt their distribution. In some cases, particularly in the case of brick- and- mortar and online retail partners and distributors operating outside of the United States, our available remedies may not be adequate to protect us against the effect of such copycat products. Regardless of whether we can successfully enforce our rights against the producers of these products, any measures that we may take could require us to expend significant financial or other resources, which could harm our business, results of operations or financial condition. For example, we are currently aware of certain unauthorized copycat products, ~~such as~~ **including machines,** mats and other accessories, that are actively marketed for use with our connected machines and are available through certain major online retail partners. We have taken legal action against certain of the producers of these copycat products and anticipate expending significant financial or other resources in the future to combat these products. In addition, to the extent that sales of copycat products create confusion or experiences with our products among consumers, our brand and business could be harmed. For example, in some cases, users purchase copycat products believing them to be Cricut products and then inaccurately attribute defects with those products to Cricut, which would adversely affect our reputation. In other cases, our users purchase copycat accessories to use with their connected machine, but since the copycat accessories are not calibrated correctly to work with our connected machines, they may have a negative experience and attribute it to the connected machine. Further, some of our products may find their way to unauthorized outlets or distribution channels. This “ gray market ” for our products can undermine authorized brick- and- mortar and online retail partners and distributors who promote and support our products and can damage our reputation and business, and we may have to spend significant time and resources in the future to challenge such copycat products and unauthorized “ gray market ” products. Competitive pricing pressures, including with respect to our products, subscriptions and shipping, may harm our business and results of operations. If we are unable to sustain pricing levels for our products and subscriptions, whether due to competitive pressure or otherwise, our gross margins could be significantly reduced. **Our** ~~As of December 31, 2022, our~~ portfolio of connected machines range from $ ~~179~~ **149** . 00 to $ ~~429~~ **999** . 00 MSRP, and subscription offerings range from $ 9. 99 per month to $ 95. 88 per year for Cricut Access or $ 119. 88 per year for Cricut Access Premium, which includes all of the benefits of Cricut Access as well as additional discounts and preferred shipping. Within our **extensions,** accessories and materials, our SKUs range in price from $ 0. 99 to $ 999. 00. Demand for our products can be sensitive to price, especially in times of slow or uncertain economic growth and consumer economic conservatism. To the degree we implement price increases, we could see further impact on consumer behavior and demand. Many factors can significantly impact our pricing strategies, including production and personnel costs, as well as other factors outside of our control, such as consumer sentiment, increases in the price of raw materials, inflationary pressures, and our competitors’ pricing and marketing strategies. Changes in our pricing strategies have had, and may continue to have, a significant impact on our revenue and net income. From time to time, we have made changes to our pricing structure to remain competitive, because if we fail to meet our brick- and- mortar and online retail partners’ and users’ price expectations, we could lose sales. Furthermore, brick- and- mortar and online retail partners may choose to offer promotions or sales on our products, including our connected machines, and we may have to match those prices on our own website to continue to attract users to our website to make purchases, which could affect our business and results of operations. Many of our accessories and materials, including vinyl, iron- on vinyl, paper, stationery, stickers and other merchandise, are also offered by our competitors at lower prices or with free or accelerated shipping timelines that we either are unable to or choose not to match. Accordingly, if a user runs out of materials during a project, they may opt to purchase a replacement from a competitor or other online retail partner, such as Amazon, to receive one or two- day shipping, which we may not be able to offer. In addition, many of our competitors discount our accessories and materials or competitors’ accessories and materials at significant levels, and, as a result, we may be compelled to change our discounting strategy, which could impact our business and results of operations. If in the future, due to competitor discounting, shipping or other marketing strategies, we significantly reduce our prices on our products without a corresponding increase in sales volume, it would negatively impact our revenue and could adversely affect our gross margins and overall profitability. Further, our decisions around the development of new products and subscriptions are grounded in assumptions about eventual pricing levels. If there is price compression in the market after these decisions are made, our business and results of operations could be adversely affected. If we are not able to accurately estimate variable consideration from ~~sales incentives~~ **customer rebates** each quarter, it could affect revenue in future periods. We participate in promotional and rebate programs with our key brick- and- mortar and online retail partners to enhance the sale of our products. These promotional programs consist of incentives or entitlements to our customers, such as advertising allowances, volume and growth incentives, business development, product damage allowances and point- of- sale support. ~~Sales incentives~~ **Customer rebates** are considered to be variable consideration, which we estimate each quarter using the expected value method or most likely amount, based upon the nature of the incentive. Sales are reduced by the cost of these promotional and rebate programs and we record a related sales incentive liability in our consolidated balance sheets at the date of the transaction. To the extent that our estimates of variable consideration from ~~sales incentives~~ **customer rebates** each quarter are not accurate, it could affect our revenue in future periods. We have grown rapidly in recent years and have limited operating experience at our current scale of operations. If we are unable to manage our growth and the complexity of our business effectively, our brand, company culture and financial performance may suffer. We have grown rapidly in recent years and have limited operating experience at our current size. For example, our revenue grew from $ ~~486~~ **959** . ~~6~~ **0** million in ~~2019~~ **2020** to $ 1, 306. 2 million in 2021 before reducing to $ 886. 3 million in 2022 **and $ 765. 1 million in 2023** . In addition, between December 31, ~~2020~~ **2021** and December 31, ~~2021~~ **2022** , our employee headcount ~~increased~~ **decreased** from over ~~640~~ **830** to over ~~830~~ **775** , and as of December 31, ~~2022~~ **2023** , our employee headcount was over ~~775~~ **690** . In January 2023, due to the challenging macroeconomic environment and with the goal of maintaining the health and sustainability of the company, we implemented a workforce reduction which impacted approximately 8 % of Cricut employees. While we do not expect headcount growth to continue at the same pace as in recent years, we may choose to significantly increase headcount again in the future. Further, as we grow, our business becomes increasingly complex, particularly for a company of our relative size. To effectively manage and capitalize on our growth, we must continue to forecast demand and manage our supply chain, expand our sales and marketing, focus on innovative product development, upgrade and secure our management information systems and other processes and obtain more space for our expanding staff. Our continued growth and complexity could strain our existing resources, and we could experience ongoing operating difficulties in managing our business across numerous jurisdictions, including difficulties in hiring, training and managing a diffuse and growing employee base. Failure to scale with growth could harm our future success, including our ability to effectively focus on and pursue our corporate objectives. Moreover, the complicated nature of our business, in which we design our own products, develop our own design apps, rely on third- party manufacturers and sell our products through brick- and- mortar and online retail partners, as well as through our website, exposes us to risk and disruption at many points that are critical to successfully operating our business and may make it more difficult for us to scale our business. If we do not adapt to meet these evolving challenges, including hiring and maintaining the right number of employees for each aspect of our business, or if our management team does not effectively scale with our growth, we may experience erosion to our brand, the quality of our products may suffer and our company culture may be harmed. Our growth strategy contemplates an increase in our advertising and other sales and marketing spending, which represented ~~7 %,~~ 10 % ~~and~~ **,** 15 % **and 16 %** of revenue in ~~2020,~~ 2021 ~~and~~ **,** 2022 **and 2023** , respectively. Successful implementation of our growth strategy will require significant expenditures before any substantial associated revenue is generated, and we cannot guarantee that these increased investments will result in corresponding and offsetting revenue growth. Because we have a limited history of operating our business at its current scale, it is difficult to evaluate our current business and future prospects, including our ability to plan for and model future growth and anticipate the risks that may affect our business. This limited operating experience, combined with the complexity of our business and rapidly evolving nature of the market in which we sell our products, raises substantial uncertainty concerning how these markets and other economic factors beyond our control may develop and reduces our ability to accurately forecast quarterly or annual revenue. Failure to manage our future growth effectively could adversely affect our business, financial condition and results of operations. Our business is affected by seasonality. Our business has historically been influenced by seasonal trends. We generate a disproportionate amount of sales activity related to our products during the fourth quarter, due in large part to seasonal holiday demand. For example, in ~~2020,~~ 2021 ~~and~~ **,** 2022 **and 2023** , our fourth quarter represented ~~39 %,~~ 30 % ~~and~~ **,** 32 **% and 30** % of total revenue for the year, respectively. Our promotional discounting activity is also higher in the fourth quarter, which negatively impacts gross margin during this period. Accordingly, adverse events that occur during these months could have a disproportionate effect on our results of operations for the entire fiscal year. In contrast, sales of accessories and materials typically slow in the second quarter of the year in connection with school summer holidays. Seasonality in our business can also be skewed by macroeconomic factors, such as inflation and reduction in consumer demand. In addition, seasonality can be affected by introductions of new or enhanced products, including the costs associated with such introductions. Furthermore, our rapid growth in recent years may obscure the extent to which seasonality trends have affected our business and may continue to affect our business. For example, we experienced unusually high demand in the first and second quarters of 2021, which is inconsistent with normal seasonality patterns. Accordingly, yearly or quarterly comparisons of our results of operations may not be useful and our results in any particular period will not necessarily be indicative of the results to be expected for any future period. Moreover, we experienced a significant increase in sales after the outbreak of the COVID- 19 pandemic, and the rollout of COVID- 19 vaccines, lifting of restrictions on movement and / or normalized full- time return to work trends have negatively impacted demand for our products and subscriptions, as have current deteriorating general economic conditions, inflationary pressures affecting the pricing of our products, and changes in consumer spending preferences and buying trends, and our sales activity may continue to diminish as a result. As a result of these factors, our rate of adding new users is declining in comparison to **recent** ~~the last two~~ years and, in the short term, the number of paid subscribers could remain flat or decline. Our quarterly results of operations and other operating metrics may fluctuate from quarter to quarter, which makes these metrics difficult to predict. Our quarterly results of operations and other operating metrics have fluctuated and may continue to fluctuate in the future. Additionally, our limited operating history at our current scale of operations makes it difficult to forecast our future results. As a result, you should not rely on our past quarterly results of operations as indicators of future performance. Our financial condition, results of operations and operating metrics in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including those discussed in this Risk Factors section and: • the continued market acceptance, and the growth, of the personal craft market;

• our ability to attract and engage our users, leading to increased sales to them; • our development and improvement of the quality of our user experience, including enhancement of existing products, creation of new products, technology and features and licensing of new content; • the continued development and upgrading of our proprietary software; • the timing and success of new products, features and content introductions by us or our competitors or any other change in the competitive landscape of the markets in which we operate; • pricing pressure as a result of inflationary pressures, competition or otherwise; • the impact of price increases on our retail partners or consumers generally; • cost increases, delays or disruptions in our supply chain; • errors in our forecasting of the demand for our products, which could lead to lower revenue, increased costs or both; • increases in marketing, sales and other operating expenses; • seasonal fluctuations in subscriptions, engagement by users and purchases of accessories and materials; • the mix of our products sales from period to period; • our ability to maintain gross margins and operating margins, including as a result of higher fixed costs, warehousing or operations expense, or price competitiveness, in one or more product categories, which we are experiencing and may experience again in the future; • system failures or breaches of security or privacy; • adverse litigation judgments, settlements or other litigation- related costs; • changes in the legislative or regulatory environment, including with respect to privacy, data protection and security, consumer product safety and advertising or enforcement by government regulators, including fines, orders or consent decrees; • fluctuations in currency exchange rates and changes in the proportion of our revenue and expenses denominated in foreign currencies; • changes in our effective tax rate; • changes in accounting standards, policies, guidance, interpretations or principles; and • changes in business or macroeconomic conditions, including the impact of the COVID- 19 pandemic, lower consumer confidence, recessionary conditions, inflationary pressures, increased unemployment rates or stagnant or declining wages. As a result of these factors, our rate of adding new users is declining in comparison to **recent** ~~the last two~~ years and, in the short term, the number of paid subscribers could remain flat or decline. Any one of the factors above or the cumulative effect of some of the factors above may result in significant fluctuations in our results of operations. The variability and unpredictability of our quarterly results of operations or other operating metrics could result in our failure to meet our or investors' expectations or those of analysts that cover us with respect to revenue or other results of operations for a particular period. If we fail to meet such expectations, the market price of our Class A common stock could fall substantially, and we could face costly lawsuits, including securities class action suits. Our future growth depends in part on further penetrating our SAM and TAM and we may not be successful in doing so. We believe that our growth depends on our ability to reach our market opportunity in terms of our SAM, which includes active creatives who we address with our current products and price points, and our TAM, which includes potential creatives who we believe we can reach over the long term as we make products for new uses and products that are more accessible, even easier to use and available at a broad set of price points. See the section titled " Business- Our Opportunity. " ~~.~~ We assess our SAM and TAM in the United States and Canada, as well as internationally. We believe that in order to further penetrate our SAM and TAM, we must continually improve ease of use and user experience, launch new products in new categories and expand internationally. For example, some users find our connected machines to be challenging to use or may require user education in order to operate them efficiently or have the best user experience. If we are not able to make our connected machines easier to use or improve user education and experience, we may not be able to expand our SAM and TAM. Our SAM and TAM are representative of a broad demographic. However, historically we have served a largely female demographic representing ~~93~~ **92** % of our users as of December 31, ~~2022~~ **2023** We continue to explore additional offerings that address new categories that will appeal to a wider demographic. Any new offerings may not appeal to current consumer preferences and may not be accepted by our user community or potential new users. While we believe our growth depends on our ability to expand our sales into our SAM and our TAM, we cannot be certain that we will be successful in doing so. Our focus on delivering a high- quality product, which may not maximize short- term financial results, may yield results that conflict with the market' s expectations and could result in our stock price being negatively affected. We focus on delivering a high- quality product, which may not necessarily maximize short- term financial results. We operate on the conviction that focusing on the needs of our users and our employees will produce positive results for our owners over the long term. We frequently make business decisions that may reduce our short- term financial results if we believe that the decisions are consistent with our goals to improve our users' experience, which we believe will improve our financial results over the long term. These decisions may not be consistent with the short- term expectations of our stockholders or produce the long- term benefits that we expect, which could hinder the growth of the number and engagement of our users and harm our business, financial condition and results of operations. Any failure to successfully implement new technology or upgrade our information technology systems, or any major disruption or failure of our information technology systems or websites, could adversely affect our business and operations. Certain of our information technology systems are designed and maintained by us and are critical for the efficient functioning of our business, including the manufacture and distribution of our products, online sales of our products and the ability of our users to access their content and designs. Our rapid growth has, in certain instances, strained these systems. As we grow, we continue to implement modifications and upgrades to our systems, including sunsetting the use of internal servers and implementing a company- wide product lifecycle management system. These changes subject us to inherent costs and risks associated with replacing and upgrading these systems, including, but not limited to, impairment of our ability to fulfill brick- and- mortar and online retail partners orders and other disruptions in our business operations. Further, our system implementations may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. Our platform is complex and multifaceted, and operational and performance issues could arise both from the platform itself and from outside factors, such as cybersecurity attacks or other third- party attacks. Errors, failures, vulnerabilities or bugs have been found in the past, and may in the future be found. Our platform also relies on third- party technology and systems to perform properly, and our platform is often used in connection with computing environments utilizing different operating systems, system management software, equipment and networking configurations, which may cause errors in, or failures of, our platform or such other computing environments. Operational and performance issues with our platform could include the failure of our user interface, outages, errors during upgrades or patches, unanticipated volume overwhelming our systems, server failure or catastrophic events affecting one or more server farms. While we have built redundancies in our systems, full redundancies do not exist, and some failures could shut our platform down completely. As our user community grows and their usage of our services increases, we will be required to make additional investments in network capacity to maintain adequate data transmission speeds, the availability of which may be limited, and the cost of which may be on terms unacceptable to us. If adequate capacity is not available to us as our users' usage increases, our network may be unable to achieve or maintain sufficiently high reliability or performance. In the event that our users are unable to access our platform or suffer operational issues with our platform, it could negatively affect their experience with our products and platform and harm our reputation. In addition, any unexpected technological interruptions to our systems, internal servers or websites could disrupt our operations, including our ability to process orders, timely ship and track product orders, project inventory requirements, manage our supply chain, sell our products online, provide Cricut Member Care and otherwise adequately serve our community. Specifically, a portion of our online sales comes directly from cricut. com, and any system interruptions or delays could prevent potential customers from purchasing our products directly from us. If users or potential customers fail to purchase our products directly from us, or if we are otherwise unable to maintain an efficient and uninterrupted operation of online order- taking and fulfillment operations, our revenue will be negatively impacted. In the event we experience significant disruptions or are unable to repair our systems in an efficient and timely manner, it could adversely affect our business, financial condition and results of operations. Our sales to brick- and- mortar and online retail partners can be subject to lower gross margins, heightened product or packaging requirements or long ramp up times. Our top seven brick- and- mortar and online retail partners, measured by the product revenue we derive from them, accounted for ~~52~~ **37** % of product revenue for the year ended December 31, ~~2021~~ **2022** and ~~37~~ **33** % for the year ended December 31, ~~2022~~ **2023** . Gross margins from sales to retailers may decline as a result of a number of factors outside our control, including inflationary pricing pressures, tariffs as a result of trade wars and our reliance on a primary contract manufacturer which holds influence over the supply chain. This may magnify the impact of variations in revenue and operating costs on our results of operations, which in turn could adversely affect our overall margins and profitability. We had in ~~2020,~~ 2021 ~~and~~ **,** 2022 **and 2023** , and may continue to have in the future, low gross margins in the early stages of our relationships with certain brick- and- mortar and online retail partners, particularly international brick- and- mortar and online retail partners that often require significant ramp- up periods, which has and may in the future adversely affect our total revenue. To compete effectively, we have been, and may in the future decide to offer significant discounts to large brick- and- mortar and online retail partners at lower margins or reduce or withdraw from existing relationships with smaller brick- and- mortar and online retail partners, which could negatively impact our revenue and could adversely affect our gross margins and overall profitability. We rely on a limited number of distributors to generate a portion of our sales, particularly in our international target markets. The loss of, or a substantial decline in, volume of sales from any of our key distributors could adversely affect our financial performance. We rely on a limited number of distributors for certain domestic sales, including to help establish relationships with certain retailers, and primarily sell through distributors internationally. If we lose any of our key distributors, particularly in our international target markets, if we are unable to meet our key distributors' demand requirements or if our key distributors sell competing products, our business and results of operations could be adversely affected. Moreover, because certain of our key distributors may have dominant positions in their markets, such key distributors may not be easy to replace and the loss of a key distributor could also impact our relationships with certain retailers. Any loss of market share or financial difficulties faced by our key distributors, including bankruptcy and financial restructuring, could adversely affect our financial performance. We also continue to pursue direct to retailer sales, which may impact our relationships with existing distributors. In the future, we may choose to temporarily or permanently stop shipping product to distributors who do not follow the policies and guidelines in our sales agreements, which could adversely affect our revenue and results of operations. Additionally, many of our international distributors buy from us in U. S. dollars and sell to retailers in local currency, so significant currency fluctuations could affect their profitability, and in turn, affect their ability to buy products from us in the future. For example, in recent years, there has been significant short- term volatility in global stock markets and currency exchange rate fluctuations that make it more expensive for international distributors to purchase our products. Any reduction in sales by our international retailers could harm our international expansion and adversely affect our future growth. Our future success depends on the continuing efforts of our key employees and our ability to attract and retain highly skilled personnel and senior management. Our future success depends, in part, on our ability to continue to identify, attract, develop, integrate and retain qualified and highly skilled personnel, including senior management, engineers, designers, product managers, logistics and supply chain personnel, retail managers and Cricut Member Care personnel. In particular, we are highly dependent on the services of Ashish Arora, our Chief Executive Officer and the founder of our current product family and business model, who is critical to the development of, future vision for and strategic direction of our business. We also heavily rely on the continued service and performance of our senior management team, which provides leadership, contributes to the core areas of our business and helps us to efficiently execute our strategic direction. If our senior management team, including any new hires that we make, fails to work together effectively and to execute our plans and strategies on a timely basis, then our business and future growth prospects could be harmed. Additionally, the loss of any key personnel could make it more difficult to manage our operations and research and development activities, reduce our employee retention and revenue and impair our ability to compete. ~~For example, Martin Petersen, Cricut' s former Chief Financial Officer, retired from Cricut effective September 30, 2022.~~ In connection with our initial public offering, we entered into employment letters with our key personnel. These letters have no specific duration and constitute at- will employment. We do not maintain key person life insurance policies on any of our employees. Competition for highly skilled personnel in our industry is often intense. We may not be successful in attracting, integrating or retaining qualified personnel to fulfill our current or future needs. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of our Class A common stock declines, it may adversely affect our ability to hire or retain highly skilled employees. In addition, we may periodically change our equity compensation practices, which may include reducing the number of employees eligible for equity awards or reducing the size of equity awards granted per employee. If we are unable to attract, integrate or retain the qualified and highly skilled personnel required to fulfill our current or future needs, our business and future growth prospects could be harmed. Our success depends on our ability to maintain the value and reputation of the Cricut brand. We believe that our brand is important to our large and loyal community of users, many of whom become deeply engaged with our brand. Maintaining, protecting and enhancing our brand depends largely on the success of our marketing efforts, our ability to provide consistent, high- quality products, services, features, content and support and our ability to successfully secure, maintain and defend our rights to use the Cricut, Cricut Access, Cricut EasyPress, Cricut Explore, Cricut Maker and Design Space marks and other trademarks important to our brand or that we develop in the future. Our brand value also depends on our ability to maintain a positive user perception of our corporate integrity and culture. We believe that the importance of our brand will increase as competition further intensifies and brand promotion activities may require substantial expenditures. Our brand could be harmed if we fail to achieve these objectives or if our public image were to be tarnished by negative publicity, including through social media or other communications from our community. Unfavorable publicity about us, including our products, technology, Cricut Member Care, content, and personnel could diminish confidence in, and the use of, our products. In addition, negative publicity about our suppliers, including as a result of actual or perceived unfair labor practices, labor disputes or violations of laws or other obligations or issues unknown to us, could also have a negative impact on our reputation. Such negative publicity also could adversely affect the size, engagement and loyalty of our user base or the effectiveness of word- of- mouth marketing, and result in decreased revenue, or require us to expend additional funds for marketing efforts, which could adversely affect our business, financial condition and results of operations. We rely on Amazon Web Services for a substantial portion of our computing, storage, data processing, networking and other services. Any disruption of or interference with our use of Amazon Web Services or other third- party services could adversely affect our business, financial condition and results of operations. We rely on Amazon Web Services for a substantial portion of our computing, storage, data processing, networking and other services. Any significant disruption of, or interference with, our use of Amazon Web Services could adversely affect our business, financial condition and results of operations. Amazon Web Services has broad discretion to change and interpret the terms of service and other policies with respect to us, and those actions may be unfavorable to our business operations. Amazon Web Services may also take actions beyond our control that could seriously harm our business, including discontinuing or limiting our access to one or more services, increasing pricing terms, terminating or seeking to terminate our contractual relationship altogether or altering how we are able to process data in a way that is unfavorable or costly to us. Although we expect that we could obtain similar services from other third parties, if our arrangements with Amazon Web Services were terminated, we could experience interruptions on our platform and in our ability to make our content available to users, as well as delays and additional expenses in arranging for alternative cloud infrastructure services. Any transition of the cloud services currently provided by Amazon Web Services to another cloud provider would be difficult to implement and will cause us to incur significant time and expense. Additionally, we are vulnerable to service interruptions experienced by Amazon Web Services and other providers, and we expect to experience interruptions, delays or outages in service availability in the future due to a variety of factors, including infrastructure changes, human, hardware or software errors, hosting disruptions and capacity constraints. Outages and capacity constraints could arise from a number of causes such as technical failures, natural disasters, fraud or security attacks. The level of service provided by these providers, or regular or prolonged interruptions in that service, could also affect the use of, and our users' satisfaction with, our products and services and could harm our business and reputation. In addition, hosting costs will increase as user engagement grows, which could harm our business if we are unable to grow our revenue faster than the cost of using these services or the services of other providers. Any of these factors could further reduce our revenue or subject us to liability, any of which could adversely affect our business, financial condition and results of operations. If we fail to offer high- quality customer support, our business and reputation will suffer. Once users purchase our products, they depend on Cricut Member Care to resolve technical and operational issues relating to our products. Our ability to provide effective customer support is largely dependent on our ability to attract, train and retain qualified personnel with experience in supporting customers using complex products and software such as ours. We spend significant time and resources in training our Cricut Member Care team to effectively use our software and to resolve any issues that may arise with Design Space, Cricut Access and Cricut Access Premium. A variety of factors including an increase in sales or fluctuation in demand for support due to seasonality or other factors, have and will continue to put additional pressure on our customer support team. We may be unable to respond quickly enough to accommodate short- term increases in demand for technical support. In addition, as we continue to grow our operations and expand internationally, our Cricut Member Care team will face additional challenges, including those associated with delivering support, training and documentation in languages other than English and across various time zones globally. If we are unable to provide efficient customer support globally at scale, our ability to grow our operations may be harmed, and we may need to hire additional support personnel, which could negatively impact our results of operations, particularly if it is not accompanied by a corresponding increase in revenue. We also rely on third- party business process outsourcing providers to provide international local language support as well as incremental temporary staffing. If our third- party business process outsourcing partners do not perform their obligations or meet our expectations, our business could be negatively impacted. In addition, we provide self- service support resources to our users, some of which rely on engagement and collaboration by and with other users. If we are unable to continue to develop self- service support resources that are easy to use and allow our users to resolve their technical issues, or if our users choose not to collaborate or engage with other users on technical support issues, our self- service support resources may not be effective, and our users' experience with our platform may be negatively impacted. Any failure to, or market perception that we do not, maintain high- quality support, including through social media or other communications from our community, could harm our reputation, our ability to attract new users, the engagement of our existing users with our platform and our business, results of operations and financial condition. Our business depends on the integration of our software across a wide range of desktop and mobile devices and operating systems that are outside of our control. Users engage with our software across a wide range of desktop and mobile devices and from a number of operating systems that are outside of our control. We are dependent on the interoperability of our software, as well as Cricut Access, Cricut Access Premium, Cricut Joy App, Design Space and other design apps, with popular desktop and mobile operating systems, such as Android and iOS. Any changes in such systems that degrade the functionality of our software or design apps or give preferential treatment to competitors could adversely affect our software' s usage on desktop and mobile devices. To deliver high- quality images and projects, it is important that our software is designed effectively and works well with a range of third- party desktop and mobile systems, networks and standards. We may not be successful in developing relationships with key participants with original equipment manufacturing or mobile industry or in developing software that operate effectively with these technologies, systems, networks or standards. For example, mobile network operators or operating system providers could block or place onerous restrictions on the ability to download and use our software. Outside of the United States, it is possible that governments of one or more countries may seek to censor images or projects available on our software or website or even attempt to block access to our website or design apps. If we are restricted from operating in one or more countries, our ability to attract and engage users in those regions may be adversely affected, and we may not be able to grow our business as we anticipate. Failures in Internet infrastructure or interference with broadband access, including regulatory actions, could cause current or potential users to believe that our platform system or design apps are unreliable, possibly leading our users to switch to our competitors or to avoid using our products and subscriptions. Many of our products and our subscriptions depend on our users' high- speed broadband access to the Internet. Increasing numbers of users and increasing bandwidth requirements may degrade the performance of our users' Internet access and therefore their access to or experience with our services and design apps. If Internet access service providers have outages or deterioration in their quality of service, our users will not have access to our platform or may experience a decrease in the quality of our services. Frequent or persistent interruptions, even if resulting from users' personal Internet access rather than our systems, could cause current or potential users to believe that our systems or services are unreliable, leading them to switch to our competitors or avoid using our products and subscriptions, and could permanently harm our reputation and brands. In addition, users who access our subscriptions and design apps through mobile devices, such as smartphones and tablets, should utilize a high- speed connection, such as Wi- Fi, 4G, 5G or LTE, to ensure the best experience with our services and design apps. Currently, this access is provided by companies that have significant and increasing market power in the broadband and Internet access marketplace, including incumbent phone companies, cable companies and wireless companies. These providers could take measures that degrade, disrupt or increase the cost of user access to high- speed Internet connections, any of which would make our design apps and subscriptions less attractive to users, and reduce our revenue. Failures of Internet infrastructure or interference with broadband access may also impact our international expansion in countries that lack widespread high- speed Internet. Further, in January 2018, the Federal Communications Commission, or the FCC, released an order reclassifying broadband Internet access as an information service, subject to certain provisions of Title I of the Communications Act of 1934. Among other things, the order eliminates rules adopted in 2015 that prohibited broadband providers from blocking, impairing or degrading access to legal content, applications, services or non- harmful devices or engaging in the practice of paid prioritization, e. g., the favoring of some lawful Internet traffic over other traffic in exchange for higher payments. The order was contested in federal court; it was largely affirmed by a three- judge panel but the panel did order the FCC to reconsider certain elements of the repeal. The request for rehearing was denied and the parties declined to appeal the decision to the U. S. Supreme Court. In October 2020, the FCC adopted an order concluding that the issues remanded by the court did not provide a basis to alter its conclusions in the 2018 order. The 2020 order could be subject to further petitions for reconsideration or court appeals. A number of states have enacted or are considering legislation or executive actions that would regulate the conduct of broadband providers. Democratic control of the Executive Branch, Congress and the FCC following the 2020 elections may increase the likelihood of legislative or FCC action to reverse the 2018 order or adopt new national network neutrality rules. We cannot predict whether the FCC order or state initiatives will be modified, overturned or vacated by legal action of the court, federal or state legislation or the FCC. Under the new FCC rules, broadband Internet access providers may be able to charge web- based services such as ours for priority access to customers, which could result in increased costs to us and a loss of existing users, impair our ability to attract new users and materially and adversely affect our business and opportunities for growth. We may be subject to warranty claims and brick- and- mortar and online retail partner return policies that could result in significant direct or indirect costs, or we could experience greater product returns than expected, either of which could adversely affect our business, financial condition and results of operations. We generally provide a one- year limited warranty on our connected machines and customer satisfaction guarantees on certain other products, and we permit returns of certain products for a full refund within 15 days of receipt of order. **We also recently introduced an extended warranty program in the United States.** Additionally, our brick- and- mortar and online retail partners and distributors provide users with their own respective warranty and / or return policies relative to our connected machines, accessories and materials and other Cricut products they sell, which in turn flow down to us as a contractual obligation and / or allowance that we must honor. The occurrence of any material defects in our connected machines or certain other products, or the flow- down obligations for brick- and- mortar and online retail partner and distributor returns, could result in an increase in product returns or make us liable for damages and warranty claims and / or returns in excess of our current reserves, which could result in an adverse effect on our business prospects, liquidity, financial condition and cash flows if warranty claims were to materially exceed anticipated levels. In addition, we could incur significant costs to correct any defects, warranty claims or other problems, including costs related to product recalls. We have experienced negative publicity related to the perceived quality and safety of our products, including social media or other communications from our community, and we may experience such negative publicity in the future. Such negative publicity could increase the number of warranty claims made, affect our brand image, decrease user confidence and demand and adversely affect our financial condition and results of operations. Also, while our warranty is limited to repairs and returns, warranty claims may result in litigation, the occurrence of which could adversely affect our business, financial condition and results of operations. In addition to warranties supplied by us **, including the extended warranty option we recently introduced** , our brick- and- mortar and online retail partners may offer the option for users to purchase third- party extended warranty and services contracts in some markets, which creates an ongoing performance obligation for such third parties beyond our warranty period. Extended warranties are regulated in the United States on a state level and are treated differently by each state. Outside the United States, regulations for extended warranties vary from country to country. Changes in interpretation of the insurance regulations or other laws and regulations concerning extended warranties on a federal, state, local or international level may cause us to incur costs or have additional regulatory requirements to meet in the future. Our failure or the failure of third parties to comply with contractual obligations or past, present and future similar laws could result in reduced sales of our products, reputational damage, penalties and other sanctions, which could adversely affect our business, financial condition and results of operations. Product recalls and / or product liability, as well as changes in product safety and other consumer protection laws, may adversely affect our operations, merchandise offerings, reputation, results of operations, cash flow and financial condition. We are subject to regulations by a variety of federal, state and international regulatory authorities, including the Consumer Product Safety Act, amended by the Consumer Product Safety Improvement Act of 2008, California Proposition 65 (officially known as the Safe Drinking Water and Toxic Enforcement Act of 1986), the European Union' s, or EU' s, European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals and Restriction of Hazardous Substances Directive. While our contracts with our suppliers and manufacturers require them to comply with product safety requirements and quality control standards, one or more of our suppliers or contract manufacturers may fail to adhere to such requirements or standards, and we may not identify the deficiency before merchandise ships to brick- and- mortar and online retail partners or users. These issues may be exacerbated in the case of products like ours that are manufactured outside the United States, as the product safety regimes in some countries may be less robust than in the United States. Any issues of product safety, including but not limited to those manufactured in foreign countries, could cause us to recall some of those products. Furthermore, to the extent we are unable to replace any recalled products, we may have to reduce our product offerings, resulting in a decrease in sales, especially if a recall occurs near or during a period of seasonally higher demand. If our suppliers or manufacturers are unable or unwilling to recall products failing to meet our quality standards, we may be required to recall those products at a substantial cost to us. Moreover, changes in product safety or other consumer protection laws could lead to increased costs to us for certain merchandise, or additional labor costs associated with readying merchandise for sale. Long lead times on merchandise ordering cycles increase the difficulty for us to plan and prepare for potential changes to applicable laws. The Consumer Product Safety Improvement Act of 2008 imposes significant requirements on manufacturing, importing, testing and labeling requirements for our products. In the event that we are unable to timely comply with regulatory changes or regulators do not believe we are complying with current regulations applicable to us, significant fines or penalties could result and could adversely affect our reputation, results of operations, cash flow and financial condition. Furthermore, any product defects could make our products and services unsafe, create a risk of property damage and personal injury, harm our reputation and subject us to the hazards and uncertainties of product liability claims and related litigation. For example, we are aware of several situations in which our products were investigated as the potential cause of a fire. While we believe that in each of those cases, the investigations determined a different cause of the fire, any perception that our products are unsafe could harm our reputation and sales and use of our products. We maintain general liability insurance ; however, design and manufacturing defects, and claims related thereto, may subject us to judgments or settlements that result in damages materially in excess of the limits of our insurance coverage. In addition, we may be exposed to write- offs of inventory or intangible assets or other expenses such as litigation costs and regulatory fines. If we cannot successfully defend any large claim, maintain our general liability insurance on acceptable terms or maintain adequate coverage against potential claims, our business, results of operations and financial condition could be adversely impacted. Changes in how we market our products could adversely affect our marketing expenses and revenue. We use a broad mix of marketing and other brand- building measures to attract potential customers. Traditionally, our users have been our most effective marketing tools, helping to generate robust word- of- mouth referrals, which have been significant drivers of our growth. However, we also employ traditional online advertising as marketing tools or market through third- party social media. As online and social media continue to rapidly evolve and grow more competitive, we must increase our efforts to maintain an advertising presence on these platforms and establish a presence on new or emerging popular social media and advertising and marketing platforms. If our community of users does not continue to promote our products through word- of- mouth referrals at the same or increasing rates or we otherwise experience a decline in our ability to acquire new users organically, we will need to expend additional resources on advertising and increase our marketing expenses. Moreover, we expect our efforts to attract new users outside of the United States and Canada will require us to spend additional resources, particularly in marketing. If we cannot use marketing tools in a cost- effective manner or if we fail to promote our products efficiently and effectively, our ability to acquire new users and our financial condition may suffer. In addition, an increase in the use of online and social media for product promotion and marketing may increase the burden on us to monitor compliance of such materials and increase the risk that such materials could contain problematic product or marketing claims in violation of applicable regulations. User metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics could harm our business, revenue and financial results. We regularly review metrics, including the number of our users, whether a user created on their connected machines in the last 90 days, the number of Paid Subscribers and other measures to evaluate engagement and growth trends, to measure our performance and to make strategic decisions. These metrics are calculated using internal company data, and in some cases third-party data, and have not been validated by an independent third party. While these numbers are based on what we currently believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring how our products are used across our user population. In addition, we have no control over the third- party data we rely upon to calculate certain metrics, and the third- party may change the data, the way they calculate the data or the way they report the data, which could create inaccuracies or challenges in the reporting of our metrics. If we fail to maintain effective analytics capabilities, our metrics calculations may be inaccurate, and we may not be able to identify those inaccuracies. An economic downturn or economic uncertainty may adversely affect consumer discretionary spending and demand for our products. Our products and subscriptions may be considered discretionary items for consumers. Factors affecting the level of consumer spending for such discretionary items include general economic conditions, consumer confidence in future economic conditions, fears of recession, the availability and cost of consumer credit, inflationary pressures, consumers' individual savings- to- spend ratio, levels of unemployment, discretionary time **and money** available, tax rates and political factors, including war or other armed conflicts, including the current ~~conflict~~ **conflicts** between Russia and Ukraine **and between Israel and Hamas** . While we saw an increase in demand for our products and subscriptions during the COVID- 19 pandemic in 2020 and 2021, our current revenue growth rates are declining compared to those years. There can be no assurance that sales will return to 2020 and 2021 levels in the future or that we will be able to continue to significantly grow our revenue in a post- COVID- 19 environment. To date, our business has operated almost exclusively in a relatively strong economic environment. Current deteriorating general economic conditions, inflationary pressures affecting the pricing of our products, and changes in consumer spending preferences and buying trends are having an adverse effect on demand for our products. **Further, a federal government shutdown resulting from failing to pass budget appropriations, adopt continuing funding resolutions, or raise the debt ceiling, and other budgetary decisions limiting or delaying deferral government spending, may negatively impact U. S. or global economic conditions, including corporate and consumer spending, and liquidity of capital markets.** Unfavorable economic conditions or other related factors may lead consumers to delay or reduce purchases of our products and subscriptions, and consumer demand for our products and subscriptions may not grow as we expect. As a result of these factors, our rate of adding new users is declining in comparison to **recent** ~~the last two~~ years and, in the short term, the number of paid subscribers could remain flat or decline. Our sensitivity to economic cycles and any related fluctuation in consumer demand for our products and subscriptions could adversely affect our business, financial condition and results of operations. Our potential indebtedness could materially adversely affect our financial health, limit our ability to finance future acquisitions and capital expenditures and prevent us from fulfilling our financial obligations. Much of our debt is secured by a substantial portion of our assets. Much of our debt has a variable interest rate component that may significantly increase our interest costs in a rising rate environment. In August 2022, we entered into a credit agreement (the " ~~New~~ Credit Agreement "), with JPMorgan Chase Bank, N. A, as administrative agent, and the lenders party thereto, providing for a five- year senior secured revolving credit facility with aggregate lender commitments of $ 300. 0 million. We have the option to increase the lender commitments by up to $ 150. 0 million (for maximum aggregate lender commitments of up to $ 450. 0 million), subject to the satisfaction of certain conditions under the ~~New~~ Credit Agreement, including obtaining the consent of the administrative agent and each lender being added or increasing its commitment. The ~~New~~ Credit Agreement and related loan documents could have important consequences to us, including the following: • limitations on our ability to make acquisitions or declare dividends on our capital stock; • impaired ability to obtained additional financing for acquisitions, dividends, capital expenditures, working capital or general corporate purposes; • reduced funds available for our operations and other purposes, as a portion of our cash flow from operations may be dedicated to the payment of principal and interest on, and fees with respect to, our indebtedness; • exposure to the risk of increasing interest rates as certain borrowings are, and will continue to be, at variable rates of interest. The ~~New~~ Credit Agreement and related loan documents contain covenants that limit our discretion with respect to certain business matters, including incurring additional debt, granting liens on our assets, acquiring assets, disposing of assets, making investments, declaring dividends, entering into related- party transactions and engaging in new types of business. We are also subject to financial covenants that require us to maintain a maximum leverage ratio and a minimum interest coverage ratio. These restrictions may restrict our current and future operations, particularly our ability to respond to certain changes in our business or industry or take future actions. A breach of any of these covenants could result in a default under the ~~New~~ Credit Agreement, which could result in the termination of the lenders' commitments to make loans thereunder and the acceleration of our payment obligations under the ~~New~~ Credit Agreement and related loan documents. Pursuant to the ~~New~~ Credit Agreement and related loan documents, we granted a security interest in substantially all of our assets. If we default on our obligations thereunder, the secured parties may be able to foreclosure upon their security interests and otherwise be entitled to obtain or control those assets. If these events were to occur, we may not be able to pay our debts or borrow sufficient funds to refinance them. Even if new financing were available, it may not be on terms acceptable to us. As a result of this risk, we could be forced to take actions that we otherwise would not take, or not take actions that we otherwise might take, in order to comply with the ~~New~~ Credit Agreement and related loan documents. In addition, the lenders' obligations to make loans or other credit accommodations under the ~~New~~ Credit Agreement is subject to the satisfaction of certain conditions precedent including, for example, that our representations and warranties therein and the related loan documents are true and correct in all material respects as of the date of the proposed credit extension. If any of our representations or warranties in the ~~New~~ Credit Agreement or the related loan documents are not true and correct in all material respects as of the date of a proposed credit extension, or if other conditions precedent are not satisfied, we may not be able to request new loans or other credit accommodations under the ~~New~~ Credit Agreement, which could have a material adverse impact on our business, results of operation, financial condition and cash flows. Additionally, from time to time in the future we may need to refinance obligations outstanding under the ~~New~~ Credit Agreement and related loan documents. At the time we must refinance, the market for our debt, or our financial condition or asset valuations, may not be favorable. It is possible that financing to replace or renew our debt may be unfavorable, which would adversely affect our financial condition and results of operations. In certain cases, we may turn to equity or other alternative financing. Our debt under the ~~New~~ Credit Agreement is subject to variable rates of interest. If interest rates increase, our borrowing costs may increase substantially. This could have a material adverse impact on our business, results of operation, financial condition and cash flows. We may use interest rate derivatives to hedge a portion of our variable rate debt, when appropriate, based upon market conditions. We may not be able to satisfy our debt obligations upon the occurrence of a change in control under the ~~New~~ Credit Agreement Upon the occurrence of a change in control as defined in the ~~New~~ Credit Agreement, the lenders will have the right to terminate their commitments to lend under the ~~New~~ Credit Agreement and to declare all outstanding obligations under the ~~New~~ Credit Agreement and related loan documents due and payable. There can be no assurance that we would have sufficient resources available to satisfy all of our obligations under the ~~New~~ Credit Agreement and related loan documents in the event of a change in control. If we were unable to satisfy these obligations, it could have a material adverse impact on our business and the holders of our capital stock. A " change in control ", as defined in the ~~New~~ Credit Agreement, includes, among other events, the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the SEC thereunder as in effect on the date hereof), other than Permitted Holders (as defined therein), of equity interests representing more than 35 % of the aggregate ordinary voting power represented by our issued and outstanding equity interests. We may require additional capital to support business growth and objectives, and this capital may not be available to us on reasonable terms, if at all, and could result in stockholder dilution. We expect that our existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for the foreseeable future. However, we intend to continue to make investments to support our business growth and may require additional capital to fund our business and to respond to competitive challenges, including the need to promote our products, develop new products, enhance our existing products and operating infrastructure and potentially to acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. There can be no assurance that such additional funding will be available on terms attractive to us, or at all. Our inability to obtain additional funding when needed could adversely affect our business, financial condition and results of operations. If additional funds are raised through the issuance of equity or convertible debt securities, holders of our Class A common stock could suffer significant dilution, and any new shares we issue could have rights, preferences and privileges superior to those of our Class A common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital- raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we cannot maintain our culture as we grow, we could lose the innovation and teamwork that we believe contribute to our success and our business may be harmed. We believe that a critical component of our success has been our corporate culture. As we continue to grow, including by expanding our presence internationally, and develop the infrastructure associated with being a public company, we will need to maintain our culture among a larger number of employees, dispersed across various geographic regions. Recent employment trends have required us to make substantial changes to the way that the vast majority of our employee population does their work, and we have faced new and unforeseen challenges arising from the management of remote, geographically-dispersed teams. ~~In addition, our recent workforce reduction could affect our culture.~~ Any failure to preserve our culture could adversely affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives. Our management team has limited experience managing a public company. Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. Specifically, Ashish Arora, our Chief Executive Officer, has not previously been the chief executive officer of a publicly traded company, and Kimball Shill, our Chief Financial Officer, is serving in that role for the first time. Our management team may not successfully or efficiently manage our continued transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day- to- day management of our business, which could adversely affect our business, financial condition and results of operations. We may experience fluctuations in our tax obligations and effective tax rate. We are subject to a variety of taxes and tax collection obligations in the United States and in numerous other foreign jurisdictions. We record tax expense, including indirect taxes, based on current tax payments and our estimates of future tax payments, which may include reserves for estimates of probable or likely settlements of tax audits. Fluctuations in our tax obligations and effective tax rate could adversely affect our business. In the ordinary course of our business, there are numerous transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, by changes in foreign currency exchange rates or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations. As we operate in numerous taxing jurisdictions, the application of tax laws can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views with respect to, among other things, the manner in which the arm' s- length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property. Although we believe that our tax positions and related provisions reflected in the financial statements are fully supportable, we recognize that these tax positions and related provisions have been challenged and may be challenged in the future by various tax authorities. These tax positions and related provisions are reviewed on an ongoing basis and are adjusted as additional facts and information become available, including progress on tax audits, changes in interpretation of tax laws, developments in case law and closing of statute of limitations. To the extent that the ultimate results differ from our original or adjusted estimates, our effective tax rate can be adversely affected. Projected levels of taxable income and tax planning could change the effective tax rate and tax balances recorded by us. In addition, tax authorities periodically review income tax returns filed by us and can raise issues regarding our filing positions, timing and amount of income and deductions and the allocation of income among the jurisdictions in which we operate. A significant period of time may elapse between the filing of an income tax return and the ultimate resolution of an issue raised by a tax authority with respect to that return. Any adjustments as a result of any examination may result in additional taxes or penalties being assessed on or imposed against us. If the ultimate result of any audit differs from original or adjusted estimates, it could have a material impact our effective tax rate and tax liabilities. At any one time, multiple tax years could be subject to audit by various taxing jurisdictions. As a result, we could be subject to higher than anticipated tax liabilities as well as ongoing variability in our quarterly tax rates as audits close and exposures are re-evaluated. We continue to analyze our exposure for taxes and related liabilities and have accrued $ ~~3~~ **4** . ~~3~~ **2** million as of December 31, ~~2022~~ **2023** for uncertain tax positions. We may incur significant losses from fraud. We have incurred and may in the future incur losses from various types of fraud, including stolen credit card numbers, claims that a user did not authorize a purchase, merchant fraud and users who have closed bank accounts or have insufficient funds in open bank accounts to satisfy payments. In addition to the direct costs of such losses, if the fraud is related to credit card transactions and becomes excessive, it could result in us paying higher fees or losing the right to accept credit cards for payment. In addition, under current credit card practices, we are typically liable for fraudulent credit card transactions. Our failure to adequately prevent fraudulent transactions could damage our reputation, result in litigation or regulatory action and lead to expenses that could substantially impact our results of operations. Risks Related to Manufacturing, Supply Chain and Fulfillment We primarily depend upon **two** ~~a single~~ contract ~~manufacturer~~ **manufacturers** , and our operations would be disrupted if we encountered problems with ~~the~~ **our** contract ~~manufacturer~~ **manufacturers** . We depend on third- party contract manufacturers to produce all of our products, and primarily rely upon ~~one~~ **two contract manufacturers to build most of our connected machines in Malaysia and China. For a limited number of our products, which collectively constitute a small portion of our revenue, a particular** contract manufacturer **is the sole source** ~~, Intretech, to build most~~ of **the finished product** ~~our connected machines in Malaysia and China. We are increasing use of another contract manufacturer, also with operations in Malaysia~~ . The agreements with our top vendors in ~~2020,~~ 2021 ~~and~~ **,** 2022 **and 2023** ~~, including Intretech~~ , each have an initial term of five years from 2018 and automatically renew for subsequent periods of one year unless either party provides notice of non- renewal at least 60 days prior to the expiration of the initial term. Such agreements may be terminated by the vendors only for cause, such as (i) a breach of our payment obligation for accepted products that is not cured within ten days after notice from the vendor or (ii) certain events relating to our insolvency or filing a petition for bankruptcy. Such agreements may be terminated by us for cause, such as (i) failure to deliver products pursuant to the terms of the agreement, (ii) breaches of product warranty, indemnity or insurance; intellectual property; property and representations and covenants contained in the agreements; (iii) breaches of any other representations and warranties that are not cured within five days after notice or (iv) certain events relating to our top vendors' insolvency or their filing a petition for bankruptcy. We may also terminate the agreements for convenience for any reason by giving 60 days' prior written notice to the vendor. As is the case generally with contract manufacturers, ~~Intretech~~ **our contract manufacturers** may be vulnerable to capacity constraints and reduced component availability, and our control over delivery schedules, manufacturing yields and costs, particularly when components are in short supply or when we introduce new products or features, is limited. In addition, we must rely on ~~Intretech~~ **our contract manufacturers** to manufacture our connected machines and other accessories and materials to our quality and performance standards and specifications. Delays, component shortages and other manufacturing and supply problems could impair the distribution of our connected machines and ultimately our brand, or could negatively affect our gross margins. Furthermore, certain of our contract manufacturers have in the past and may in the future experience adverse changes in their business conditions. Any adverse change in ~~Intretech' s or~~ **our** ~~our other~~ contract manufacturers' financial or business conditions could disrupt our ability to supply our products to our brick- and- mortar and online retail partners, distributors and online sales channels, and could negatively impact our ability to meet our forecasted consumer demand and to timely launch new products or features. In addition, ~~Intretech~~ **our primary two contract manufacturers** primarily ~~manufactures~~ - **manufacture** our connected machines at ~~one facility~~ **facilities** located in Malaysia **,** with some manufacturing conducted **by one of our primary contract manufacturers** in the People' s Republic of China, or China. Manufacturing in these countries may be subject to political, economic, pandemic- related labor constraints, border closures, social and legal uncertainties that may harm our relationships with these parties. Our other contract manufacturers are also located in China and Malaysia, which may increase supply risk, including the risk of supply interruptions. Our **contracts with our two primary** contract **manufacturers do** ~~with Intretech does~~ not obligate them to supply our connected machines in any specific quantity or at any specific price and ~~allows~~ - **allow** us to enter purchase orders with ~~Intretech~~ **such manufacturers** . Entering into agreements requiring additional purchase orders is a typical part of our business and is common practice with other vendors that we may use from time to time. If ~~Intretech~~ **our two primary contract manufacturers** ~~fails~~ - **fail** for any reason to continue manufacturing our connected machines in required volumes, in a timely manner, at high quality levels or at all, we may have to increase connected machine production at currently qualified contract manufacturers or engage acceptable alternative contract manufacturers, either of which would be time consuming, particularly given the complexity of our connected machines. Identifying, selecting and onboarding acceptable alternative contract manufacturers could also be costly. Alternative contract manufacturers may not be available to us when needed or may not be in a position to satisfy our production requirements at commercially reasonable prices or to our quality and performance standards. Any significant interruption in manufacturing at ~~Intretech~~ **our two primary contract manufacturers** would reduce our supply of connected machines, which could cause us to delay our orders or breach our purchase orders with our brick- and- mortar and online retail partners, distributors and online sales channels, which in turn would reduce our revenue and user growth. If our third- party contract manufacturers are unable to meet our needs, as a result of operational issues or other factors, our business would be harmed. The location of our third- party manufacturers in Malaysia and China may exacerbate some of these risks. We believe that we must continue to upgrade and expand our current third- party contract manufacturer production capability to meet our projected revenue targets and quality control requirements. Operational difficulties, such as a significant interruption in the operations of or equipment breakdowns in production facilities operated by third parties, could delay production or shipment of our products. In addition, events such as inclement weather, natural disasters, government shut- downs as a result of air quality, power grid limitations, pandemics, civil unrest or other reasons, labor strikes or shortages, transportation security vulnerabilities or cyberattacks could impair third- party production capabilities. The inability of our third- party contract manufacturers to meet our production requirements, particularly in our peak season, could lead to customer dissatisfaction, impact sales and damage our reputation and brand, which would result in reduced revenue. Moreover, if the costs of meeting production requirements, including capital expenditures, were to exceed our expectations, our results of operations would be harmed. Our third- party manufacturers ~~, including Intretech,~~ are largely based in Malaysia and China. As a result, our manufacturing, and therefore our business, financial condition and results of operations may be adversely affected by social, political, regulatory and economic developments in Malaysia and China. In particular, a variety of recent events have caused, and will likely continue to cause, interruptions in the development, manufacturing (including the procurement of key components) and shipment of our connected machines, which could adversely impact our revenue, gross margins and results of operations. Such interruptions may be due to, among other things, industry- wide capacity limitations, temporary closures of our facilities or those of our contract manufacturers or other vendors in our supply chain, restrictions on travel or the import and export of goods and services from certain ports that we use and local quarantines. Any adverse change in the operations of our manufacturers, including as a result of political, social, economic or transportation conditions in Malaysia or China, supply chain issues, failure of our manufacturers to remain in business, or issues such as actual or perceived unfair labor practices, labor disputes or violations of laws or other obligations or issues unknown to us, could affect deliveries of our products to our brick- and- mortar and online retail partners or users, possibly resulting in business interruptions, substantially delayed or lost sales, delayed launches of new products or features, loss of inventory or increased expenses that cannot be passed on to brick- and- mortar and online retail partners or users, any of which could ultimately adversely affect our business and financial results. We rely on a limited number of third- party suppliers, some of which are sole- source suppliers, and many of which are located internationally, to provide components to our manufacturers, as well as to source our accessories and materials, which may lead to supply shortages, long lead times for components and supply changes, any of which could disrupt our supply chain and may negatively affect our business. All of the components that go into the manufacturing of our products, as well as our accessories and materials, are sourced from a limited number of third- party suppliers, many of which are located internationally. Some of the key components our manufacturers use in the production of our products come from a limited or single source of supply. We are subject to the risk of shortages and long lead times in the supply of these components or accessories and materials, and the risk that our suppliers discontinue or modify components used in our products. In addition, the lead times associated with procuring certain components or accessories and materials are lengthy and preclude rapid changes in quantities and delivery schedules and could increase for a number of reasons outside our control, including natural disaster, a pandemic, social or political unrest or other interruptions. In particular, a variety of recent events have caused, and will likely continue to cause, interruptions in the development, manufacturing, sourcing and shipment of our products, which could adversely affect our revenue, gross margins and results of operations. In recent years, we have secured long- lead- time component supply directly from suppliers on a purchase order basis. Our contract manufacturers then procure these components from our suppliers within the lead times provided by our finished goods purchase orders based on component allocations that we control. To the extent that we do not accurately forecast the components we purchase, we may be left paying for components that our contract manufacturers do not need. Our contract manufacturers may from time to time have disputes or litigation with third- party suppliers regarding any number of matters, including contractual issues related to the manufacture of our products. We may choose to intervene in these disputes, including by paying financial settlements, in order to avoid interruption of our supply. Furthermore, most of our contract manufacturers’ primary facilities are located in Malaysia and China, which exposes us to certain additional risks in addition to the above that could adversely affect our business, financial condition and results of operations. For example, we have experienced issues with the import of goods and services from certain ports. Access to credit in Asia is tightening, which is having an impact on the terms upon which we and our contract manufacturers are able to obtain access to components or accessories and materials from particular suppliers. If we or our contract manufacturers lose access to components or accessories and materials from a particular supplier or experience a significant disruption in the supply of products and components from a current supplier, we may be unable to locate alternative suppliers of comparable quality on terms that are acceptable to us, or at all, which may undermine our ability to deliver our products to brick- and- mortar and online retail partners or users in a timely manner and our business could be materially and adversely affected. Such supply chain issues, if severe enough, could also affect our contract manufacturers’ ability to remain in business, which would require us to shift production of products made by such manufacturers to other of our manufacturers or new manufacturers, either of which could result in delays in delivery of our products and could have a material and adverse effect on our business. In addition, if we experience an increase in demand for our products, our suppliers may not have the capacity or may elect not to meet our needs as they allocate components or accessories and materials to their other customers. Identifying suitable alternate sources of supply for these components or accessories and materials is an extensive process that requires us to become satisfied with their quality control, technical capabilities, responsiveness and service, financial stability, regulatory compliance and labor and other ethical practices. Accordingly, a loss of any of our component or accessories and materials suppliers could adversely affect our business, financial condition and results of operations. Our reliance on single source, or a small number of suppliers involves a number of additional risks, including risks related to supplier capacity constraints, price increases, timely delivery, component quality, electronic component availability, failure of a key supplier to remain in business and adjust to market conditions, delays in or the ability to execute on a supplier roadmap, and natural disasters. Acquiring additional suppliers could be time consuming and expensive, particularly given the complexity of our connected machines and their components. In particular, our connected machines incorporate certain alloys, resins, sheet metals, and electronic components that are critical to the performance of our connected machines. The global availability of these components remains constrained. These components have unique performance profiles, and, as a result, it is not commercially practical to support multiple sources for these components for our products. We do not currently have alternative suppliers for several key components. In particular, there are currently shortages in global electronic component supply, and we may not be able to obtain the electronic components necessary for the performance of our connected machines in a timely manner or at all. In the event that any of our key or sole suppliers for any of our components are unable to supply the components that our manufacturers need to meet anticipated consumer demand, our business would be materially and adversely affected. To mitigate electronic component shortages we have or may experience, we have identified and qualified and continue to seek out and qualify new component suppliers to promote continuity of supply. Doing so on a large scale and at a fast pace and the novelty of certain component suppliers to us and our products carries inherent risk that may impact the quality of our products. Managing our inventory supply chain, including manufacturing and component lead time, is complex and exposes us to risk. To ensure adequate inventory supply, we must forecast inventory needs and expenses and place orders with our contract manufacturers and component suppliers sufficiently in advance, based on our estimates of future demand for particular products. Failure to accurately forecast our needs may result in manufacturing delays, increased costs or excess inventory. Because we bear supply risk under our contract manufacturing arrangements, any such delays, increased costs or excess inventory could negatively impact our business. Failure to forecast appropriate demand, lead times, significant price fluctuations or shortages in materials or components, including the costs to transport such materials or components, the uncertainty of currency fluctuations against the U. S. dollar, increases in labor rates, trade duties or tariffs and / or the introduction of new and expensive raw materials could adversely affect our contract manufacturers' ability to manufacture our products in sufficient quantity and within sufficient time to meet our consumer demand, which would adversely affect our business, financial condition and operational results. If we overestimate our production requirements, we or our contract manufacturers may purchase excess components and build excess inventory. If we, or our contract manufacturers at our request, purchase excess components that are unique to our products or build excess products, we could be required to pay for these excess components or products. In limited circumstances, we have agreed to reimburse our manufacturers for purchased components that were not used as a result of our decision to discontinue products or the use of particular components. If we incur costs to cover excess supply commitments, this would harm our business. If we underestimate our product requirements, our contract manufacturers may have inadequate component inventory, which could interrupt the manufacturing of our products and result in delays or cancellation of orders from brick- and- mortar and online retail partners, distributors and online sales channels. We may be required to incur higher costs to secure the necessary production capacity and components to meet unanticipated demand, which could result in lower margins. While supply chain conditions have improved during ~~2022~~ **2023** , if our supply chain faces challenges again, it could continue to put pressure on margins. The failure of our third- party logistics partners to adequately and effectively staff could adversely affect our brick- and- mortar and online retail partner and user experience and results of operations. We currently receive and distribute merchandise through ~~six~~ **five** third- party logistics partners, ~~two of which are located in the United States and~~ one of which is located in each of **the United States,** Australia, China, Europe, and Singapore. The majority of our products are received and distributed through one of our third- party logistics partners in California. These third- party logistics partners assist with online logistics, inventory management, warehousing and fulfillment for both business- to- business (to brick- and- mortar and online retail partners and distributors) and business- to- consumer (drop- ship via retail partners and direct- to- consumer). If our third- party logistics partners are unable to adequately staff their third- party logistics facilities to meet demand, or if the cost of such staffing is higher than historical or projected costs due to mandated wage increases, regulatory changes, international expansion or other factors, these effects could be exacerbated and our results of operations could be further harmed. In addition, operating third- party logistics partner facilities comes with potential risks, such as workplace safety issues and employment claims for the failure or alleged failure to comply with labor laws or laws respecting union organizing activities. Any such issues may result in delays in shipping times, reduced packing quality or costly litigation, and our reputation and results of operations may be harmed. By using third- party operators for our inventory management, warehousing and fulfillment, we also face additional risks associated with not having complete control over operations at those facilities. Any deterioration in the financial condition or operations of the third parties, or the loss of the relationship with any third party, would have significant impact on our operations. We also rely on our third- party logistics partners, including last mile warehouse and delivery partners, to complete a substantial percentage of our deliveries to brick- and- mortar and online retail partners, distributors and online sales channels. If our third- party logistics partners do not perform their obligations or meet our expectations, or those of our brick- and- mortar and online retail partners, distributors or our online sales channels, our reputation and business could suffer. A disruption in the service, a significant increase in the cost of our primary delivery and shipping services for our products or a significant disruption at shipping ports could adversely affect our business. We use a variety of shipping services for delivery of our products to users and brick- and- mortar and online retail partners, including air carriers and ocean shipping services. All of our contract manufacturers are based in Asia, so our products are shipped to our third- party logistics partner facilities primarily via ocean shipping services. We have experienced and could continue to experience increased congestion and new import and export restrictions implemented at ports on which we rely for our business. In many cases, we have had to secure alternative transportation, such as air freight, or use alternative routes, at increased costs, to run our supply chain. In the event of any significant interruption in service by shipping providers or at airports or shipping ports, we may be unable to engage alternative suppliers or to receive or ship goods through alternate sites in order to deliver our products in a timely and cost- efficient manner. As a result, we could experience delays, increased shipping costs and lost sales as a result of missed delivery deadlines and product demand cycles. For example, at times during the COVID- 19 pandemic, shipping of our products has been delayed, which has inconvenienced our users and brick- and- mortar and online retail partners. We could experience shipping delays in the future as a result of shortages of containers and ships, local port challenges or for other reasons. Furthermore, if the cost of delivery or shipping services were to increase significantly and the additional costs could not be covered by product pricing, our results of operations could be adversely affected. In particular, we are dependent upon major shipping companies, including FedEx and UPS, for the shipment of our products to and from our third- party logistics partner facilities. Changes in shipping terms, or the inability of these third- party shippers to perform effectively, could affect our responsiveness to our users and brick- and- mortar and online retail partners. Increases in our shipping costs may adversely affect our financial results if we are unable to pass on these higher costs to our users or brick- and- mortar and online retail partners. We have limited control over our contract manufacturers, component suppliers and third- party logistics partners, which may subject us to significant risks, including the potential inability to produce or obtain quality products on a timely basis or in sufficient quantity, which could adversely affect our business, financial condition and results of operations. We have limited control over our contract manufacturers, component suppliers and third- party logistics partners, which subjects us to additional risks, including, but not limited to: • inability to satisfy demand for our products; • reduced control over delivery timing and product reliability; • reduced ability to monitor the manufacturing process and components used in our products; • limited ability to develop comprehensive manufacturing specifications that take into account any materials shortages or substitutions; • variance in the manufacturing capability of our third- party manufacturers; • price increases; • difficulties in establishing additional supplier, manufacturer or third- party logistics partner relationships if we experience difficulties with our existing suppliers, manufacturers or third- party logistics partners, or such partners go out of business; • shortages of materials or components; • infringement or misappropriation of our intellectual property or cyberattacks; • exposure to natural catastrophes, political unrest, terrorism, labor strikes or disputes, pandemics and economic instability resulting in the disruption of trade from foreign countries in which our products are manufactured or the components thereof are sourced; • changes in local economic conditions in the jurisdictions where our manufacturers, suppliers and third- party logistics partners are located; • the imposition of new laws and regulations, including those relating to labor conditions, quality and safety standards, imports, duties, tariffs, taxes and other charges on imports, as well as trade restrictions and restrictions on currency exchange or the transfer of funds; and • insufficient warranties and indemnities on components supplied to our manufacturers or performance by our partners. The occurrence of any of these risks, especially during seasons of peak demand, could cause us to experience a significant disruption in our ability to produce and deliver our products, affect the quality of our products and harm our business, results of operations and financial condition. Our products may be affected from time to time by design and manufacturing defects, and we may face claims related to such defects, either of which could adversely affect our business and result in harm to our reputation. Our connected machines and design apps may be affected by design and manufacturing defects. In addition, sophisticated firmware and applications, such as those offered by us, may have issues that unexpectedly interfere with the intended operation of hardware or software products. Defects may also exist in software, components and products that we source from third parties. Any such defects could make our products unsafe, create a risk of environmental or property damage, personal injury or data privacy, security and data protection harms, and subject us to the hazards and uncertainties of product liability and other claims and related litigation. As a result, our services may not perform as anticipated and may not meet expectations. There can be no assurance that we will be able to detect and fix all issues and defects in the hardware, software and services we offer. Failure to timely identify, patch, fix or recall products and services with such defects could result in widespread technical and performance issues affecting our products and could lead to claims against us. We maintain general liability insurance; however, design and manufacturing defects, and claims related thereto, may subject us to judgments or settlements that result in damages materially in excess of the limits of our insurance coverage. In addition, we may be exposed to recalls, product replacements or modifications, write- offs of inventory or intangible assets and significant warranty and other expenses, such as litigation costs and regulatory fines. If we cannot successfully defend any large claim, maintain our general liability insurance on acceptable terms or maintain adequate coverage against potential claims, our financial results could be adversely affected. In the event that we receive shipments of products that have defects or otherwise fail to comply with our technical specifications or that fail to conform to our quality control standards, and we are not able to obtain replacement products in a timely manner, we risk revenue losses from the inability to sell those products, increased administrative and shipping costs and lower profitability. Further, quality problems could adversely affect the experience for users of our products, and result in harm to our reputation, including through social media or other communications from our community, loss of competitive advantage, poor market acceptance, reduced demand for our products, delay in new product and service introductions and lost revenue. Regulations related to conflict minerals may cause us to incur additional expenses and could limit the supply and increase the costs of certain metals used in the manufacturing of our products. We are subject to requirements under the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010, which will require us to conduct due diligence on and disclose whether or not our products contain conflict minerals. The implementation of these requirements could adversely affect the sourcing, availability and pricing of the materials used in the manufacture of components used in our products. In addition, we will incur additional costs to comply with the potential disclosure requirements, including costs related to conducting diligence procedures to determine the sources of minerals that may be used or necessary to the production of our products and, if applicable, potential changes to products, processes or sources of supply as a consequence of such due diligence activities. It is also possible that we may face reputational harm if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to alter our products, processes or sources of supply to avoid such materials. Significant increases in inflation, commodity prices or transportation costs may adversely affect the costs of our component suppliers and contract manufacturers, and we may be unable to pass on these higher costs to our brick- and- mortar and online retail partners or users. We are currently experiencing inflationary pressures affecting the prices of components for our products and transportation resources. Significant increases in commodity prices, such as base metals (e. g. copper), alloys or plastic resins, or inflation could adversely affect the costs of our component suppliers and contract manufacturers and result in higher costs to us if we are unable to pass on the increased costs to our brick- and- mortar and online retail partners or users. Furthermore, transportation costs have fluctuated as a result of a variety of factors, such as capacity shortages, higher fuel prices and labor shortages, and we may not be able to pass such costs on to our brick- and- mortar and online retail partners or users. Our results of operations may be adversely affected if we are unable to secure, or are able to secure only at significantly higher costs, components for our products or adequate transportation resources. Key third- party manufacturers are located in China and may be affected by recent and possible future political, social and economic conditions. We rely on third- party manufacturers in China and Chinese- owned manufacturers in Malaysia through which the substantial majority of our finished products are prepared and shipped to brick- and- mortar and online retail partners, users or third- party logistics partners. Our business therefore could be affected by social, political, regulatory or economic developments in China. In 2018, the Office of the U. S. Trade Representative, or the USTR, enacted a tariff of 10 % on imports into the U. S. from China, including communications equipment products and components manufactured and imported from China. Since then, additional tariffs have been imposed by the USTR on imports into the United States from China, and China has also imposed tariffs on imports into China from the United States. In addition, due to concerns with the security of products and services from certain telecommunications and video providers based in China, the United States government has enacted bans on the use of certain Chinese- origin components or systems either in items sold to the U. S. government or in the internal networks of government contractors and subcontractors (even if those networks are not used for government- related projects). It is possible that the U. S. government may take future measures to impose stricter export controls on items destined for China or additional duties on shipments made from China. In addition, the U. S. government may add additional parties to the Entity List, which could harm our business, increase the cost of conducting our operations in China or result in retaliatory actions against U. S. interests. We also depend on semiconductors made in Taiwan, and a worsening of the geopolitical situation between China and Taiwan could affect our ability to procure these semiconductors. Continued deterioration in trade relations or adverse developments in political, social or economic conditions in China or future unforeseen problems, including health pandemics or regulatory changes, could affect deliveries of our products to our retail partners or users, possibly resulting in business interruptions, substantially delayed or lost sales, loss of inventory or increased expenses that cannot be passed on to brick- and- mortar and online retail partners or users, any of which could ultimately have a material adverse effect on our business and financial results. In such an eventuality, we could be forced to relocate our manufacturing, either temporarily or permanently, to another potentially costlier location or find alternative potentially costlier methods of shipping our finished products to brick- and- mortar and online retail partners and users. While we are taking measures to attempt to maintain the continuity of our product delivery operations notwithstanding the impact on the use of our international facilities, the continued or deteriorating conditions in China or other future unforeseen problems in China, we cannot ensure that these measures will be successful in eliminating disruptions in our business. Developments in the social, political, regulatory and economic environment in Malaysia may have a material adverse impact on us. We have shifted the majority of our contract manufacturing presence to Malaysia. As a result, our business, financial condition and results of operations may be adversely affected by social, political, regulatory, labor and economic developments in Malaysia. Such political and economic uncertainties include, but are not limited to, the risks of war, terrorism, nationalism, nullification of contract, changes in interest rates, imposition of capital controls and methods of taxation. In addition, our contract manufacturers in Malaysia are subject to risks of theft, fire, earthquake, flooding and other similar casualty risks. Negative developments in Malaysia' s socio- political environment may adversely affect our business, financial condition, results of operations and prospects. Although the overall Malaysian economic environment appears to be positive, there can be no assurance that this will continue to prevail in the future. Economic growth is determined by countless factors, and it is extremely difficult to predict with any level of certainty. Changes in U. S. tax, tariff or other trade policy regarding products produced in other countries could adversely affect our business. A predominant portion of the products we sell is originally manufactured in countries other than the United States. International trade disputes that result in tariffs and other protectionist measures could adversely affect our business, including disruption in and cost increases for sourcing our merchandise and increased uncertainties in planning our sourcing strategies and forecasting our margins. Importing and exporting has involved more risk since the beginning of 2018, as there has been increasing rhetoric, in some cases coupled with legislative or executive action, from several United States and foreign leaders regarding tariffs against foreign imports of certain materials. For example, the U. S. government imposed significant new tariffs on China related to the importation of certain product categories following the U. S. Trade Representative' s Section 301 investigation. It is possible that the U. S. government may take further measures in the future to impose stricter export controls on items destined for China or additional duties on shipments made from China. During fiscal 2019, the Bureau of Industry and Security, or BIS, of the U. S. Department of Commerce placed certain Chinese entities on the Entity List, limiting the ability of U. S. companies to do business with those entities. The U. S. government may add additional parties to the Entity List, which could harm our business, increase the cost of conducting our operations in China or result in retaliatory actions against U. S. interests. In addition, the U. S. government has exercised additional trade- related powers in a manner that could have a material adverse impact on our business, financial condition or results of operations. For example, on May 15, 2019, then- President Trump issued an executive order that invoked national emergency economic powers to implement a framework to regulate the acquisition or transfer of information communications technology in transactions that imposed undue national security risks. The executive order was subject to implementation by the Secretary of Commerce and purports to apply to contracts entered into prior to the effective date of the order. On January 19, 2021, the U. S. Department of Commerce published interim final rules in the Federal Register, subject to public notice and comment, which purport to permit the Department of Commerce to investigate transactions involving the use of information communications technology products or services provided by persons owned or controlled by certain nations, including China, and potentially to modify or prohibit those transactions. In addition, the White House, the Department of Commerce and other executive branch agencies have implemented additional restrictions and may implement still further restrictions that would affect conducting business with certain Chinese companies. We cannot predict whether these recent rules and restrictions will be implemented and acted upon by the Biden administration, modified, overturned or vacated by legal action. A substantial portion of our products are manufactured in China. As a result of tariffs, our cost of goods imported from China increased substantially, and could increase further depending on the outcome of the current trade negotiations, which have been protracted and resulted in increases in U. S. tariff rates on specified products from China. Although we continue to work with our vendors to mitigate our exposure to current or potential tariffs, there can be no assurance that we will be able to offset any increased costs. Other changes in U. S. tariffs, quotas, trade relationships or tax provisions could also reduce the supply of goods available to us or increase our cost of goods. We may fail to effectively adapt to and manage the adjustments in strategy that would be necessary in response to those changes. In addition to the general uncertainty and overall risk from potential changes in U. S. laws and policies, as we make business decisions in the face of such uncertainty, we may incorrectly anticipate the outcomes, miss out on business opportunities or fail to effectively adapt our business strategies and manage the adjustments that are necessary in response to those changes. These risks could adversely affect our revenue, reduce our profitability and negatively impact our business. Risks Related to Privacy, Data Protection and Cybersecurity Our actual or perceived failure to comply with privacy, data protection and information security laws, regulations and obligations could harm our business. We are subject to numerous federal, state, local and international laws and regulations regarding privacy, data protection, information security and the storing, sharing, use, processing, transfer, disclosure and protection of personal information and other content and data, which we refer to collectively as privacy laws, the scope of which is changing, subject to differing interpretations and may be inconsistent among countries, or conflict with other laws, regulations or other obligations. We are also subject to the terms of our privacy policies and obligations to our users and other third parties related to privacy, data protection and information security. We strive to comply with applicable privacy laws; however, the regulatory framework for privacy, data protection and information security worldwide is, and is likely to remain for the foreseeable future, varied, and it is possible that these or other obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another. We also expect that there will continue to be new privacy laws proposed and enacted in various jurisdictions. For example, in May 2018, the GDPR went into effect in the EU. The GDPR imposed stringent data protection requirements and provides greater penalties for noncompliance than previous data protection laws, including potential penalties of up to € 20 million or 4 % of annual global revenue, whichever is greater. Among other requirements, the GDPR regulates transfers of personal data subject to the GDPR to the United States as well as other countries that have not been found to provide adequate protection to such personal data. The GDPR also imposed numerous requirements on companies operating in the EU, including enhanced disclosures to data subjects about how personal data is processed (including information about the profiling of individuals and automated individual decision- making), limited retention periods of personal data, mandatory data breach notification obligations and additional policies and procedures required to comply with the accountability principle under the GDPR. In addition, data subjects have more robust rights with regard to their personal data. Although legal mechanisms have been designed to allow for the transfer of personal data from the United Kingdom, the EEA, and Switzerland to the United States, uncertainty about compliance with such data protection laws remains and such mechanisms may not be available or applicable with respect to the personal data processing activities necessary to research, develop and market our products and services. For example, legal challenges in Europe to the mechanisms allowing companies to transfer personal data from the EEA and Switzerland to the United States could result in further limitations on the ability to transfer personal data across borders, particularly if governments are unable or unwilling to reach agreement on or maintain existing mechanisms designed to support cross- border data transfers. Specifically, on July 16, 2020, the Court of Justice of the EU, or CJEU, invalidated the EU- U. S. Privacy Shield Framework. The same decision also imposed additional conditions with respect to use of the Standard Contractual Clauses, or the SCCs, to lawfully transfer personal data from Europe to the United States and most other countries. The Swiss Federal Data Protection and Information Commissioner also has stated that it no longer considers the Swiss- U. S. Privacy Shield adequate for the purposes of personal data transfers from Switzerland to the United States. On October 7, 2022, President Biden signed an Executive Order on Enhancing Safeguards for United States Signals Intelligence Activities, ~~which directs~~ **directing** the United States to take certain steps to implement the EU- U. S. Data Privacy Framework, and on December 13, 2022, the European Commission announced a draft decision on U. S. adequacy ~~. However~~ , **which has allowed the EU- U. S. Data Privacy Framework to become available for use by companies seeking to legitimize personal data transfers from the EU to the U. S.** ~~there~~ **There** have **, however,** been reports that the EU- U. S. Data Privacy Framework may be subject to challenge. These and other developments may result in European data protection regulators applying differing standards for, and requiring ad hoc verification of, transfers of personal data from Europe to the United States. We may be required to take additional steps to legitimize any impacted personal data transfers and may be subject to increased costs of compliance and limitations on our vendors, contractors, consultants and us. On June 4, 2021, the European Commission published new SCCs. The CJEU' s decision, the revised SCCs, regulatory guidance and opinions and other developments relating to cross- border data transfer may require us to implement additional contractual and technical safeguards for any personal data transferred out of the EEA and Switzerland. More generally, we may find it necessary or desirable to modify our data handling practices, and our practices relating to cross- border transfers of data or other data handling practices, or those of our vendors, contractors and consultants, may be challenged and our business, financial condition and operating results may be adversely impacted. We continue to monitor and review the impact of any developments relating to cross- border data transfers from the EEA and Switzerland that could affect our operations. Further, the United Kingdom' s exit from the EU, and ongoing developments in the United Kingdom, have created uncertainty with regard to data protection regulation in the United Kingdom. Data processing in the United Kingdom is now governed by the UK General Data Protection Regulation and other domestic data protection laws, such as the UK Data Protection Act of 2018, which provide for penalties for noncompliance of up to the greater of £ 17. 5 million or 4 % of worldwide revenues. Although the European Commission adopted an adequacy decision for the United

Kingdom in June 2021 that allows for the continued flow of personal data from the EU to the United Kingdom, this decision may be revoked or modified and will need to be renewed after four years from the date of adoption. In February 2022, the United Kingdom' s Information Commissioner' s Office issued new standard contractual clauses, or the UK SCCs, to support personal data transfers out of the United Kingdom, which went into effect in March 2022. We may, in addition to other impacts, experience additional costs associated with increased compliance burdens and be required to engage in new contract negotiations with third parties that aid in processing personal data on our behalf or localize certain data. We cannot fully predict how United Kingdom data protection laws or regulations may develop in the medium to longer term or how the EU will treat the United Kingdom with respect to data protection issues, including those relating to data transfers to and from the United Kingdom. We continue to monitor and review the impact of any resulting changes to EU or United Kingdom law, or related developments, that could affect our operations. We may incur liabilities, expenses, costs and other operational losses relating to the GDPR and privacy laws of applicable EU Member States and the United Kingdom, including in connection with any measures we take to comply with them. In Brazil, the Lei Geral de Proteção de Dados Pessoais – Law No. 13, 709 / 2018, or LGPD, similar in many respects to the GDPR, was enacted August 14, 2018 and entered into effect September 18, 2020. Penalties for violation of the LGPD, if and when enforced, may be up to 2 % of revenue in Brazil, capped at R $ 50 million per violation. The LGPD applies to businesses that process the personal data of individuals located in Brazil and provides consumer rights similar to the GDPR. A Brazilian Data Protection Authority, Brazilian National Data Protection Authority (Autoridade Nacional de Proteção de Dados, or ANPD), has been established and has begun issuing guidance on how to interpret and implement the LGPD' s requirements. The ANPD has **issued** ~~been tasked with issuing~~ guidance regarding ~~notice~~ **aspects** of ~~processing, data transfer requirements and other~~ compliance **with** ~~obligations, such as security measures, recordkeeping, training and governance. Pending such developments from~~ the **LGPD** ~~ANPD and any emerging caselaw~~ , ~~our~~ **and is anticipated to issue further guidance. Our** LGPD approach may be subject to further change, our compliance measures ~~when implemented~~ may not be fully adequate, we may expend significant time and cost in developing a privacy governance program and data transfer mechanisms in an effort to comply with the LGPD and any implementing regulations or guidance, and we may potentially face litigation **or** ~~prior to the~~ **other** ~~implementation of regulations and guidance regarding~~ **proceedings relating to actual or alleged noncompliance with** the LGPD ~~or before we have had a reasonable opportunity to fully implement measures designed to comply with such regulations and applicable guidance~~ . Vietnam' s cybersecurity law went into effect on January 1, 2019 and includes stringent requirements regarding data localization and data transfers. On August 15, 2022, the Vietnamese government issued Decree 53, which elaborates on requirements relating to data protection and went into effect on October 1, 2022. To comply with the decree, we may be required to further invest in potentially duplicative infrastructure and personnel in Vietnam, establish and maintain a local data protection program, and incur other costs and expenses related to these new requirements. California also enacted legislation affording consumers expanded privacy protections, the CCPA, that went into effect as of January 1, 2020 and was subject to enforcement starting July 1, 2020. Additionally, the California Attorney General issued regulations that may add additional requirements on businesses. The potential effects of this legislation and the related CCPA regulations are far- reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. For example, the CCPA gives California residents expanded rights to access personal information, request deletion of personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is collected and used. The CCPA also provides for civil penalties for violations (up to $ 7, 500 per violation), as well as a private right of action for certain data breaches that may increase data breach litigation. Additionally, a new privacy law, the CPRA, was approved by California voters in November 2020, which went into effect January 1, 2023. The CPRA creates obligations relating to consumer personal information collected as of January 1, 2022, with implementing regulations ~~expected~~ **remaining partially** in **flux** ~~early 2023~~ , and enforcement ~~beginning~~ **having commenced** July 1, 2023. The CPRA significantly modifies the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in efforts to comply. **Numerous** ~~Other~~ **other** states have also enacted or proposed similar data privacy laws. For example, ~~in 2021 and 2022,~~ Virginia **, Colorado, Utah and Connecticut have each** passed **laws similar to but** ~~its Consumer Data Protection Act, Colorado passed the Colorado Privacy Act, Utah passed the Utah Consumer Privacy Act, and Connecticut passed the Act Concerning Personal Data and Online Monitoring, all of which differ~~ **different** from the **CCPA and** CPRA ~~and~~ **that** have ~~or~~ **taken effect in 2023; Florida, Montana, Oregon and Texas have enacted similar laws that go into effect in 2024; Tennessee, Delaware and Iowa have enacted similar laws that go into effect in 2025; and Indiana has enacted a similar law that** will ~~become~~ **go into** ~~effective~~ --- **effect** in ~~2023~~ **2026** . This legislation and other proposed laws at the state and federal level in the United States ~~, could~~ create the potential for a patchwork of overlapping but different laws, result in further uncertainty, require us to incur additional costs and expenses in an effort to comply or require changes in business practices and policies. Further, some countries also are considering or have passed legislation requiring local storage and processing of data, or similar requirements, which could increase the cost and complexity of operating our products and services and other aspects of our business. With laws and regulations such as the GDPR, LGPD, CCPA and CPRA imposing new and relatively burdensome obligations, and with substantial uncertainty over the interpretation and application of these and other laws and regulations, there is a risk that the requirements of these or other laws and regulations, or of contractual or other obligations relating to privacy, data protection or information security, are interpreted or applied in a manner that is, or is alleged to be, inconsistent with our management and processing practices, our policies or procedures, or the features of our products and services. We may face challenges in addressing their requirements and making any necessary changes to our policies and practices, and we may find it necessary or appropriate to assume additional burdens with respect to data handling, to restrict our data processing or otherwise to modify our data handling practices and to incur significant costs and expenses in these efforts. Any failure or perceived failure by us to comply with our privacy policies, our privacy, data protection or information security- related obligations to brick- and- mortar and online retail partners, users or other third parties, or any of our other legal obligations relating to privacy, data protection or information security may result in governmental investigations or enforcement actions, litigation, claims or public statements against us by consumer advocacy groups or others, and could result in significant liability or cause our users to lose trust in us, which could adversely affect our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations and policies that are applicable to the businesses of our brick- and- mortar and online retail partners may limit the adoption and use of, and reduce the overall demand for, our products and services. Additionally, if third parties we work with, such as vendors or developers, violate applicable laws or regulations or our contracts and policies, such violations may also put our users' content and personal information at risk and could in turn adversely affect our business. Any significant change to applicable privacy laws or relevant industry practices could increase our costs and require us to modify our platform, design apps and features, possibly in a material manner, which we may be unable to complete and may limit our ability to store and process user data or develop new design apps and features. Cybersecurity risks could adversely affect our business and disrupt our operations. Information technology helps us operate more efficiently, interface with users and brick- and- mortar and online retail partners, offer features for our products and services, maintain financial accuracy and efficiency and accurately produce our financial statements. If we do not allocate and effectively manage the resources necessary to build, sustain and secure necessary information technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of brick- and- mortar and online retail partners or users, business disruptions or the loss of or unauthorized access to personal information or personal data or loss or damage to intellectual property through a **cyberattack or other** security breach or **incident.** ~~cyberattack~~ **Cyberattacks** ~~. Such~~ **and other means of attempting and causing** security breaches **and incidents, are becoming increasingly sophisticated, including as a result of the proliferation of artificial intelligence and machine learning. The use of artificial intelligence and machine learning may result in cybersecurity incidents that implicate the personal data of end users of such applications. Any such cybersecurity incidents related to** ~~or~~ **our use of artificial intelligence and machine learning applications could adversely affect our reputation and results of operations. We have been subject to** cyberattacks **, security breaches, and incidents in the past, and such cyberattacks and other security breaches and incidents** could expose us to a risk of lost, exposed or corrupted information, unauthorized disclosure of information, litigation and possible liability to employees, users, brick- and- mortar and online retail partners and regulatory authorities. In addition, a significant portion of our data and information is hosted in a cloud- computing environment, where design apps and data are hosted, accessed and processed through a third- party provider over a broadband Internet connection. In a cloud- computing environment, we could be subject to outages, security breaches and **incidents and** cyberattacks affecting the third- party service provider. ~~Since the COVID- 19 pandemic, more~~ **More** of our and our service providers' personnel are working remotely **in recent years than prior to the COVID- 19 pandemic** , which increases the risks of **cyberattacks and** security breaches and ~~cyberattacks~~ **incidents** . If our data management systems do not effectively and securely collect, store, process and report relevant data and information for the operation of our business, whether due to equipment malfunction or constraints, software defects or deficiencies, bugs, vulnerabilities, computer viruses, malware, ransomware, phishing attacks, distributed denial- of- service attacks, security breaches **or incidents** , cyberattacks, catastrophic events or human error or malfeasance, our ability to effectively plan, forecast and execute our business plan and comply with applicable laws and regulations will be impaired, perhaps materially. Any such impairment could materially and adversely affect our financial condition, results of operations, cash flows and the timeliness with which we internally and externally report our results of operations. As a result, our data management systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving legal and regulatory standards, the increasing need to protect customer, partner and employee information, including personal data and personal information, and the information technology needs associated with our changing products and services. We strive to implement reasonable security procedures and practices to help ensure that our data management systems effectively collect, store, process and report relevant data for the operation of our business, though there are no assurances that these procedures and practices will be successful or that additional systems issues will not arise in the future. In addition, security breaches **or incidents** from errors, malfeasance or misconduct by employees, contractors or others with access to our systems may pose a risk that sensitive data, including personal data and personal information, may be exposed to unauthorized persons or to the public and may compromise our security systems. We have been, and may in the future be, subject to compromises and other security breaches **or incidents** impacting such data. There can be no assurance that any efforts we make to prevent against such breaches will prevent breakdowns in our systems or security breaches **or incidents** that could adversely affect our business. Third parties may also attempt to fraudulently induce employees or users, using constantly evolving social engineering techniques, into disclosing usernames, passwords or other sensitive information, which may in turn be used to access information technology systems used in our business. For example, our employees have received and likely will continue to receive " phishing " e- mails attempting to induce them to divulge sensitive information. In addition, unauthorized persons may attempt to hack into our products or systems to obtain personal data relating to users or employees, our confidential or proprietary information or confidential information we maintain from third parties, which, if successful, could pose a risk of loss of data, risk to customer safety and risk of product recall. While we provide security and privacy training to attempt to protect against these risks, the techniques used to obtain unauthorized access to systems and data change frequently and may be difficult to detect, so we may not be able to anticipate and prevent these intrusions or other security breaches **or incidents** , to identify them promptly or to mitigate them when they occur. Moreover, we manufacture and sell hardware and software products that allow our users to store confidential information, including their original designs, locally or in our cloud infrastructure. We do not have measures to configure, update or secure our users' desktop or mobile devices or any information stored in our users' own systems or at their locations, which is the responsibility of our users. While we have implemented security measures designed to protect our hardware and software products from unauthorized access and cyberattacks, these measures may not be effective in securing these products, particularly since techniques used to obtain unauthorized access or otherwise sabotage systems, change frequently and may not be recognized until launched against a target. A **cyberattack,** security breach ~~,~~ ~~cyberattack~~ **or incident** or other event that causes the loss or public disclosure of, or unauthorized access by third parties to, sensitive information stored by us or our brick- and- mortar and online retail partners, or the perception that any of these have occurred, could have serious negative consequences for our business, including loss of information, indemnity obligations, claims, regulatory investigations, fines, penalties and damages, reduced demand for our products and services, an unwillingness of our users to use our products or services, harm to our reputation and brand, and time consuming and expensive litigation, any of which could adversely affect our financial results. We also expect to incur significant costs in an effort to detect and prevent **cyberattacks and** security breaches and ~~cyberattacks~~ **incidents** , and we may face increased costs and requirements to expend substantial resources in the event of an actual or perceived **cyberattack or** security breach or ~~cyberattack~~ **incident** . Many governments have enacted laws requiring companies to provide notice of **certain** security breaches ~~or cyberattacks~~ involving certain types of personal data or personal information. We are also contractually required to notify certain customers of **cyberattacks,** security breaches or ~~cyberattacks~~ **incidents** . We cannot be certain that any limitations of liability provisions in our contracts would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular claim relating to a **cyberattack,** security breach or ~~cyberattack~~ **incident** . We maintain cybersecurity insurance, subject to applicable deductibles and policy limits; however, our cybersecurity insurance may not cover losses from all types of incidents or may provide insufficient compensation that does not cover our total losses. We also cannot be sure that our existing insurance coverage will continue to be available on commercially reasonable terms or at all. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co- insurance requirements, could have an adverse effect on our reputation, brand, business, financial condition, and results of operations. If the use of " cookie " tracking technologies is further restricted, regulated or blocked, or if changes in technology cause cookies to become less reliable or acceptable as a means of tracking consumer behavior, the amount or accuracy of Internet user information we collect would decrease, which could harm our business and results of operations. Cookies are small data files sent by websites and stored locally on an Internet user' s computer or mobile device. We, and third parties who work on our behalf, collect data via cookies to track the behavior of visitors to our sites, provide a more personalized and interactive experience and analyze and increase the effectiveness of our marketing. However, Internet users can easily disable, delete and block cookies directly through browser settings or through other software, browser extensions or hardware. Privacy laws and regulations restrict how we deploy our cookies, and this could potentially increase the number of Internet users that choose to proactively disable cookies on their systems. Federal, state and foreign governmental authorities continue to evaluate the privacy implications inherent in the practice of online tracking for behavioral advertising and other purposes. Governments in the United States and internationally have enacted, have considered or are considering legislation or regulations that could significantly restrict the ability of companies and individuals to engage in these activities, such as by regulating the level of consumer notice and consent required before a company can employ electronic tracking tools or the use of data gathered with such tools. For example, the European Commission has proposed a draft regulation, known as the Regulation of Privacy and Electronic Communications, or the ePrivacy Regulation, which would replace the current ePrivacy Directive. If adopted, the **ePrivacy Regulation could have** ~~earliest date for entry into force is in 2023, with~~ broad potential impacts on the use of internet- based services and tracking technologies, such as cookies. We expect to incur additional costs to comply with the requirements of the ePrivacy Regulation and national implementation laws once they are enacted. In addition to the EU and United Kingdom, other regulators are increasingly focusing on compliance with requirements related to the online behavioral advertising ecosystem. For example, on January 13, 2022, the Austrian data protection authority published a decision ruling that the collection of personal data and transfer to the U. S. through Google Analytics and other analytics and tracking tools used by website operators violates the GDPR. In 2022, the Danish, French and Italian data protection authorities adopted similar decisions. On June 23, 2022, the Italian data protection authority adopted a similar decision. Other data protection authorities in the European Union increasingly are focused on the use of online tracking tools and have indicated that they plan to issue similar rulings. In addition, the CCPA grants California residents the right to opt- out of a company' s sharing of personal information for advertising purposes in exchange for money or other valuable consideration. Additionally, some providers of consumer devices and web browsers have implemented means to make it easier for Internet users to block tracking technologies or to require new permissions from users for certain activities, which could, if widely adopted, significantly reduce the effectiveness of such practices and technologies. For example, Apple introduced an iOS update in April 2021 that allowed users to more easily opt- out of tracking activity across devices, **and subsequently incorporated new SDK privacy controls into iOS 17,** which ~~has~~ **was released in September 2023. These developments have** impacted and may continue to impact business. In February 2022, Google announced it planned to adopt similar restrictions to restrict tracking activity across Android devices. In addition, the most commonly used Internet browsers — Chrome, Firefox, Internet Explorer and Safari — allow Internet users to modify their browser settings to prevent cookies from being accepted by their browsers, and a number of other software tools allow users to block or otherwise limit the functionality of cookies. Users can decide to opt out of nearly all cookie data creation, which could negatively impact operations. We may have to develop alternative systems to determine our users' behavior, customize their online experience or efficiently market to them if users block cookies or regulations introduce additional barriers to collecting cookie data. Risks Related to Foreign Operations We plan to further expand into international target markets, which will expose us to significant risks. Our primary international markets include the United Kingdom, Ireland, Australia, New Zealand, and Western Europe. We are also present in the Middle East, Latin America, South Africa and Asia, and we plan to expand our operations further, which requires significant resources and management attention and subjects us to regulatory, economic and political risks in addition to those we already face in the United States. There are significant risks and costs inherent in doing business in international target markets, including: • difficulty establishing and managing international operations and the increased travel, infrastructure, including establishment of local delivery service and Cricut Member Care operations, and legal compliance costs associated with locations in different countries or regions; • difficulty accessing and maintaining operations with international brick- and- mortar and online retail partners and distribution channels that may be small, fragmented or complex; • the need to vary pricing and margins to effectively compete in international target markets; • the need to adapt, translate and localize products for specific countries, comply with country- specific product safety and liability laws, as well as obtaining rights to third- party intellectual property used in each country; • increased competition from local providers of competing or imitation products; • the ability to protect and enforce intellectual property rights abroad; • the need to offer content and customer support in various languages; • difficulties in understanding and complying with local laws, regulations and customs in other jurisdictions; • compliance with anti- bribery laws, such as the U. S. Foreign Corrupt Practices Act, or FCPA, and the United Kingdom Bribery Act 2010, or U. K. Bribery Act, by us, our employees and our business partners; • complexity and other risks associated with current and future legal requirements in other countries, including legal requirements related to consumer protection, consumer product safety and data privacy frameworks, such as the EU' s GDPR, including data transfer or localization restrictions, or LGPD; • varying levels of Internet technology adoption and infrastructure, and increased or varying network and hosting service provider costs; • tariffs and other non- tariff barriers, such as quotas and local content rules, as well as tax consequences; • fluctuations in currency exchange rates and the requirements of currency control regulations, which might restrict or prohibit conversion of other currencies into U. S. dollars; and • political or social unrest or economic instability in a specific country or region in which we operate, including, for example, recent social and political unrest in China, which could have an adverse impact on our operations in that location. These risks can make it more expensive to operate our business outside the United States, meaning that our international business may be less profitable than our U. S. business. We have limited experience with international regulatory environments and market practices and may not be able to penetrate or successfully operate in the markets we choose to enter. In addition, we may incur significant expenses as a result of our international expansion, and we may not be successful or may not execute our strategy successfully. We currently face limited brand recognition in certain parts of the world that could lead to non- acceptance or delayed acceptance of our products by consumers in new markets. Our failure to successfully manage these risks could harm our international operations and adversely affect our business, financial condition and results of operations. In addition, Brexit, and the ongoing negotiations of the future trading relationship between the United Kingdom and the EU during the transition period, have yet to provide clarity on what the outcome will be for the United Kingdom or Europe. Changes related to Brexit could subject us to heightened risks in that region, including disruptions to trade and free movement of goods, services and people to and from the United Kingdom, disruptions to the workforce of our business partners, increased foreign exchange volatility with respect to the British pound and additional legal, political and economic uncertainty. If these actions impacting our international distribution and sales channels result in increased costs for us or our international partners, such changes could result in higher costs to us, adversely affecting our operations, particularly as we expand our international presence. We are subject to governmental export and import controls and economic sanctions laws that could subject us to liability and impair our ability to compete in international target markets. The United States and various foreign governments have imposed controls, license requirements and restrictions on the import and / or export of certain technologies, products, software and services. Compliance with applicable regulatory requirements regarding the export of our products and services may create delays in the introduction of our products and services in some international target markets, prevent our international users from accessing our products and services, and, in some cases, prevent the export of our products and services to some countries altogether. Furthermore, U. S. export control and economic sanctions laws prohibit the provision of products and services to countries, governments and persons that are the subject of U. S. sanctions. Even though we take precautions to prevent our products from being provided to persons and jurisdictions in violation of U. S. sanctions laws, our products and services, including our firmware updates, could find their way to such prohibited parties, which could have negative consequences, including government investigations, penalties and reputational harm. Our failure to obtain any required import or export approval for our products could harm our international and domestic sales and adversely affect our revenue. Additionally, our supply chain is very complex and compliance with U. S. import laws and regulations requires that we make determinations based on the best information that we have available at the time. U. S. Customs and Border Protection may not always agree with those determinations and, at has times, has requested that we modify the information we have provided to them including that related to country of origin determinations. We could be subject to future enforcement action with respect to compliance with governmental export and import controls and economic sanctions laws that result in penalties, costs and restrictions on export privileges that could adversely affect our business, financial condition and results of operations. Failure to comply with anti- corruption and anti- money laundering laws, including the FCPA and similar laws associated with our activities outside of the United States, could subject us to penalties and other adverse consequences. We operate a global business and may have direct or indirect interactions with officials and employees of government agencies or state- owned or affiliated entities. We are subject to the FCPA, the U. S. domestic bribery statute contained in 18 U. S. C. § 201, the U. S. Travel Act, the USA PATRIOT Act, the U. K. Bribery Act and possibly other anti- bribery and anti- money laundering laws in countries in which we conduct activities. These laws prohibit companies and their directors, officers, employees and third- party business partners and intermediaries, representatives, contractors and agents from corruptly promising, authorizing, offering or providing, directly or indirectly, improper payments or anything of value to foreign government officials, political parties and private- sector recipients for the purpose of obtaining or retaining business, directing business to any person or securing any improper advantage. Our global operations expand our compliance obligations. For example, we import and export items to and from several countries. In many foreign countries, including countries in which we may conduct business, including interacting with governmental officials, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable laws and regulations. In addition, we or our third- party business partners or intermediaries, employees, representatives, contractors, suppliers and agents may have direct or indirect interactions with officials and employees of government agencies or state- owned or affiliated entities, including as governmental customers. We can be held liable for the corrupt or other illegal activities of our employees or third- party business partners or intermediaries, representatives, contractors and agents, even if we do not explicitly authorize such activities. In addition, U. S. public companies are required to maintain records that accurately and fairly represent their transactions and maintain internal controls and compliance procedures designed to prevent violations of anti- corruption laws. While we have policies, procedures and training to foster compliance with these laws, we cannot assure you that our employees or third- party business partners or intermediaries, contractors, representatives and agents will not take actions in violation of our policies or applicable law for which we may ultimately be held responsible. Any violation of the FCPA, other applicable anti- corruption laws or anti- money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, fines, damages, severe criminal or civil penalties against us, our officers or our employees, disgorgement of profits, suspension or debarment from government contracts, any of which could adversely affect our reputation, business, results of operations, stock price, financial condition and prospects. In addition, detecting, investigating and resolving actual or alleged violations of anti- corruption laws and responding to any enforcement action may result in a significant diversion of management' s attention and resources and significant defense costs and other professional fees. Changes in legislation in U. S. and foreign taxation of international business activities or the adoption of other tax reform policies, as well as the application of such laws, could adversely impact our financial position and results of operations. Recent or future changes to U. S., Canada, United Kingdom and other foreign tax laws could impact the tax treatment of our foreign earnings. We generally conduct our international operations through wholly owned subsidiaries and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. The intercompany relationships between our legal entities are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Although we believe we are compliant with applicable transfer pricing and other tax laws in the United States, Canada, the United Kingdom and other relevant countries, due to changes in such laws and rules, we may have to modify our international structure in the future, which will incur costs, may increase our worldwide effective tax rate and may adversely affect our financial position and results of operations. In addition, significant judgment is required in evaluating our tax positions and determining our provision for income taxes. If U. S. or foreign tax laws further change or the way in which such laws are implemented change, if our current or future structures and arrangements are challenged by a taxing authority, or if we are unable to appropriately adapt the manner in which we operate our business, we may have to undertake further costly modifications to our international structure and our tax liabilities and results of operations may be adversely affected. In addition, increases in corporate tax rates could increase our effective tax rate and have an adverse effect on our results of operations. For example, the United States recently enacted the Inflation Reduction Act, which imposes a 1 % excise tax on certain stock repurchases (including potentially pursuant to our stock repurchase program) and a 15 % alternative minimum tax on adjusted financial statement income. In addition, the Organization for Economic Co- Development has proposed a global minimum tax of 15 %, which has been adopted by EU member countries effective as of January 1, 2024. We may face exposure to foreign currency exchange rate fluctuations. While we have historically transacted the majority of our business in U. S. dollars, we also transact in some foreign currencies, such as the Australian Dollar, Canadian Dollar, Chinese Yuan, Euro, British Pound Sterling and Malaysian Ringgit, and we may transact in more foreign currencies in the future. Accordingly, changes in the value of foreign currencies relative to the U. S. dollar can affect our revenue and results of operations. As a result of such foreign currency exchange rate fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our Class A common stock could be lowered. We do not currently maintain a program to hedge transactional exposures in foreign currencies. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place and may introduce additional risks if we are unable to structure effective hedges with such instruments. Risks Related to our Intellectual Property Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services and brand. Our success depends in large part on our proprietary technology and our patents, trade secrets, trademarks and other intellectual property rights. We rely on, and expect to continue to rely on, a combination of trademark, trade dress, domain name, copyright, trade secret and patent laws, as well as confidentiality and license agreements with our employees, contractors, consultants and third parties with whom we have relationships, to establish and protect our brand and other intellectual property rights. However, our efforts to protect our intellectual property rights may not be sufficient or effective, and any of our intellectual property rights may be challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. There can be no assurance that our intellectual property rights will be sufficient to protect against others offering products, services or technologies that are substantially similar to ours and that compete with our business. Effective protection of patents, trademarks and domain names is expensive and difficult to maintain, both in terms of application and registration costs as well as the costs of defending and enforcing those rights. As we have grown, we have sought to obtain and protect our intellectual property rights in an increasing number of countries, a process that can be expensive and may not always be successful. For example, the U. S. Patent and Trademark Office and various foreign governmental patent agencies require compliance with a number of procedural requirements to complete the patent application process and to maintain issued patents, and noncompliance or non- payment could result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in a relevant jurisdiction. Further, intellectual property protection may not be available to us in every country in which our products are available. For example, the existence of prior art – or information that is already in the public domain – may limit our ability to obtain additional patents in the U. S. and foreign jurisdictions. Some foreign countries also have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the enforceability of patents against certain third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. We have an active program of monitoring, investigating and enforcing our proprietary rights against companies and individuals who attempt to reverse engineer, market or manufacture counterfeits and " knockoff " products, particularly ancillary and / or specialized products used with our connected machines. We assert our rights against infringers of our copyrights, patents, trademarks and trade dress. However, these efforts may not be successful in reducing sales of imitation products by these infringers. Additionally, other manufacturers may be able to produce successful personal desktop manufacturing devices which imitate our designs without infringing any of our copyrights, patents, trademarks or trade dress. Particularly with respect to the accessories and materials we sell to users for use with their machines, counterfeits, knockoffs or imitations are known to exist in the industry. The failure to prevent or limit such infringers or imitators could adversely affect our reputation and sales. In order to protect our brand and intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time- consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Our failure to secure, protect and enforce our intellectual property rights could seriously damage our brand and our business. We have faced threats, and in the future may be threatened, by third parties for alleged infringement of their proprietary rights. There is considerable patent and other intellectual property development activity in the technology industry, and litigation, based on allegations of infringement or other violations of intellectual property, is frequent in the technology industry. Furthermore, it is common for individuals and groups to purchase patents and other intellectual property assets for the purpose of making claims of infringement to extract settlements from companies like ours. Our use of third- party content, including images, software and other intellectual property may be subject to claims of infringement or misappropriation. We cannot guarantee that our internally- developed or acquired technologies and content **, including from our Contributing Artist Program,** do not or will not infringe the intellectual property rights of others. From time to time, our competitors or other third parties may claim that we are infringing upon or misappropriating their intellectual property rights, and we may be found to be infringing upon such rights. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our products or services or using certain technologies, force us to implement expensive work- arounds or impose other unfavorable terms. We expect that the occurrence of infringement claims is likely to grow as the market for our products and services grows and as we introduce new and updated products and services. Accordingly, our exposure to damages resulting from infringement claims could increase and this could further exhaust our financial and management resources. Further, during the course of any litigation, we may make announcements regarding the results of hearings and motions, and other interim developments. If securities analysts and investors regard these announcements as negative, the market price of our Class A common stock may decline. Even if intellectual property claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and require significant expenditures. Any of the foregoing could prevent us from competing effectively and could adversely affect our business, financial condition and results of operations. We depend upon third- party licenses and the purchase of third- party works for the use of digital content. An adverse change to, loss of or claim that we do not hold necessary licenses or rights may adversely affect our business, results of operations and financial condition. Digital content is an important element of the overall content that we make available to our users. To secure the rights to use certain fonts, images, ready- to- make projects, patterns and other digital contents that are used on or with our products and services, we enter into agreements to obtain licenses from rights holders such as copyright owners or their agents. We pay royalties to such parties or their agents around the world. In other instances, we enter into agreements with various third parties to purchase their pre- existing works or engage on a " works for hire " basis to procure desired content. The process of obtaining licenses, purchasing pre- existing works and new engagement involves identifying and negotiating with many rights holders, some of whom are unknown or difficult to identify, and implicates a myriad of complex and evolving legal issues across many jurisdictions, including open questions of law as to when and whether particular licenses are needed. Rights holders also may attempt to take advantage of their market power to seek onerous financial terms from us. Our relationship with certain rights holders may deteriorate. Additionally, there is a risk that aspiring rights holders, their agents or legislative or regulatory bodies will create or attempt to create new rights that could require us to enter into new license agreements with, and pay royalties to, newly defined groups of rights holders, some of which may be difficult or impossible to identify. Although we expend significant resources to seek to comply with the statutory, regulatory and judicial frameworks, we cannot guarantee that we currently hold, or will always hold, every necessary right to use all of the digital content that is used with our products and services, and we cannot assure you that we are not infringing or violating any third- party intellectual property rights, or that we will not do so in the future. These challenges, and others concerning the use of licensed content with our products, may subject us to significant liability for copyright infringement, breach of contract or other claims. For additional information, see the section titled " ~~Business —~~ Legal Proceedings. " Legislation regarding copyright protection or content review could impose complex and costly constraints on our business model. Although our agreements with users submitting designs or other content to our websites and mobile apps specifically require users to represent that they have the right and authority to provide and license the designs and other content they submit for the purposes used by us, that the content does not and will not violate any law, statute, ordinance or regulation, and that the content (and our use of it) does not and will not infringe on any rights of any third party, we do not currently have the ability to determine the accuracy of these representations on a case- by- case basis.

There is a risk that a user may supply an image or other content that is the property of another party used without permission, that infringes the copyright or trademark of another party or another party' s right of privacy or right of publicity or that would be considered to be defamatory, pornographic, hateful, racist, scandalous, obscene or otherwise offensive, objectionable or illegal under the laws or court decisions of the jurisdiction where that user lives. There is, therefore, a risk that users may intentionally or inadvertently order and receive products from us that are in violation of the rights of another party or a law or regulation of a particular jurisdiction. The EU has also enacted a new law that will require us to use best efforts in accordance with the high industry standards of professional diligence to exclude infringing content from our platform that may be uploaded by our users. To comply with this new law, we will likely have to devote significant time and resources to develop technologies to prevent infringing content from being uploaded to our platform and, to the extent infringing content makes it onto our platform, to expeditiously remove such content and implement measures to prevent re- uploads of such content. Although the new law does not mandate monitoring, there may be no practical way for us to comply with the law' s stringent new requirements without adopting some form of robust content identification systems. We may also be required to enter into license agreements with various rights holders to obtain licenses that authorize the storage and use of content uploaded by our users. We may not be able to develop technological solutions to comply with applicable law on economically reasonable terms and there is no guarantee that we will be able to enter into agreements with all relevant rights holders on terms that we deem reasonable. Compliance may therefore cause us to encounter increased costs which could substantially harm our business and results of operations. Some of our products contain open source software, which may pose particular risks to our proprietary software, technologies, products and services in a manner that could harm our business. We use open source software in our products and anticipate using open source software in the future. Some open source software licenses require those who distribute open source software as part of their own software product to publicly disclose all or part of the source code to such software product or to make available any derivative works of the open source code on unfavorable terms or at no cost. The terms of many open source licenses to which we are subject have not been interpreted by U. S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we could face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re- engineer them to avoid infringement. This re- engineering process could require us to expend significant additional research and development resources, and we cannot guarantee that we will be successful. Additionally, the use of certain open source software can lead to greater risks than use of third- party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. There is typically no support available for open source software, and we cannot ensure that the authors of such open source software will implement or push updates to address security risks or will not abandon further development and maintenance. Many of the risks associated with the use of open source software, such as the lack of warranties or assurances of title or performance, cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have processes to help alleviate these risks, including a review process for screening requests from our developers for the use of open source software, but we cannot be sure that all open source software is identified or submitted for approval prior to use in our products. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could adversely affect our business, financial condition and results of operations. Risks Related to the Ownership of Our Class A Common Stock The dual class structure of our common stock has the effect of concentrating voting power with our pre- initial public offering stockholders, which limits their ability to influence the outcome of matters submitted to our stockholders for approval, including the election of our board of directors, the adoption of amendments to our certificate of incorporation and bylaws, and the approval of any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction. Our Class A common stock has one vote per share and our Class B common stock has five votes per share, except as otherwise required by law. As of December 31, ~~2022~~ **2023** , Petrus and affiliates hold ~~126~~ **125** , ~~965~~ **614** , ~~929~~ **741** shares of issued and outstanding Class B common stock. Accordingly, Petrus and affiliates hold approximately ~~69~~ **71** % of the voting power of our outstanding capital stock in the aggregate. Petrus is able to determine or significantly influence any action requiring the approval of our stockholders, including the election of our board of directors, the adoption of amendments to our certificate of incorporation and bylaws and the approval of any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction. Petrus may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock. Further, the separation between voting power and economic interests could cause conflicts of interest between Petrus and our other stockholders, which may result in Petrus undertaking, or causing us to undertake, actions that would be desirable for Petrus but would not be desirable for our other stockholders. Future transfers by the holders of Class B common stock will generally result in those shares automatically converting into shares of Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning or other transfers by Petrus. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon (i) the date following the Effectiveness Date on which the number of shares of our capital stock, including Class A common stock and Class B common stock, and any shares of capital stock underlying any securities, including restricted stock units, options or other convertible instruments, held by " Petrus Affiliates, " as defined in our amended and restated certificate of incorporation, and their permitted entities is less than 50 % of the number of shares of Class B common stock held by Petrus Affiliates and their permitted entities as of 11: 59 p. m. Eastern Time on the Effectiveness Date, which we refer to herein as the 50 % Ownership Threshold, (ii) the first date after the Effectiveness Date when the outstanding shares of Class B common stock represent less than a majority of the total voting power of the then outstanding shares of our capital stock entitled to vote generally in the election of directors or (iii) the time following the Effectiveness Date specified by affirmative vote or written election of the holders of at least two- thirds of the outstanding shares of Class B common stock. We refer to the date on which such final conversion of all outstanding shares of Class B common stock pursuant to the terms of our amended and restated certificate of incorporation occurs as the Final Conversion Date. We cannot predict the effect our dual class structure may have on the market price of our Class A common stock. We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other negative consequences. For example, certain index providers **(like FTSE Russell)** have ~~announced~~ restrictions on including companies with multiple- class share structures in certain of their indices ~~. In July 2017~~ , ~~FTSE Russell and~~ **while others (like** S & P Dow Jones **) have backed away from such policies** ~~announced that they would cease to allow most newly public companies utilizing dual or multi- class capital structures to be included in their indices. Affected indices include the Russell 2000 and the S & P 500, S & P MidCap 400 and S & P SmallCap 600, which together make up the S & P Composite 1500~~ . Beginning in 2017, MSCI, a leading stock index provider, opened public consultations on their treatment of no- vote and multi- class structures and temporarily barred new multi- class listings from certain of its indices; however, in October 2018, MSCI announced its decision to include equity securities " with unequal voting structures " in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. Under the announced policies, our dual class capital structure would make us ineligible for inclusion in certain indices, and as a result, mutual funds, exchange- traded funds and other investment vehicles that attempt to passively track those indices will not be investing in our stock. These policies are still fairly new and it is currently unclear what effect, if any, they will have on the valuations of publicly traded companies excluded from the indices, but it is possible that they may depress their valuations compared to the valuations of other similar companies that are included. Because of our dual class structure, we will likely be excluded from certain of these indices and we cannot assure you that other stock indices will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from stock indices would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected. The stock price of our Class A common stock may be volatile or may decline regardless of our operating performance The market prices of the securities of newly public companies such as us have historically been highly volatile. The market price of our Class A common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including: • overall performance of the equity markets and the performance of technology companies in particular; • variations in our results of operations, cash flows and other financial metrics and non- financial metrics and how those results compare to analyst expectations; • changes in the financial projections or business guidance we may provide to the public, or our failure to meet these projections; • failure of securities analysts to maintain coverage of us, changes in financial estimates by any securities analysts who follow our company or our failure to meet these estimates or the expectations of investors; • recruitment or departure of key personnel; • the economy as a whole and market conditions in our industry; • negative publicity related to problems in our manufacturing or the real or perceived quality of our products, as well as the failure to timely launch new products or services that gain market acceptance; • rumors and market speculation involving us or other companies in our industry; • announcements by us or our competitors of new products, accessories, features and content, significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments; • actual or perceived privacy or data security incidents; • new laws or regulations or new interpretations of existing laws or regulations applicable to our business; • lawsuits threatened or filed against us, litigation involving our industry, or both; • developments or disputes concerning our or other parties' products, services or intellectual property rights; • the inclusion or exclusion of our Class A common stock from any trading indices ~~, such as the S & P 500 Index~~ ; • other events or factors, including those resulting from war, including the current ~~conflict~~ **conflicts** between Russia and Ukraine **and between Israel and Hamas** , incidents of terrorism, man- made or natural disasters, pandemics or responses to these events; • the effects of our stock repurchase program; • the size of our public float; and • purchases or sales of shares of our Class A common stock by us or our stockholders or public announcements of such activities. In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business. Our directors, executive officers and holders of 5 % or more of our common stock hold approximately ~~86~~ **91** % of the total voting power of our common stock and are able to exert significant control over us, which will limit your ability to influence the outcome of important transactions, including a change of control. Our directors, executive officers and holders of 5 % or more of our outstanding common stock, and their respective affiliates, hold, in the aggregate, approximately ~~86~~ **91** % of the total voting power of shares of our outstanding common stock, based on the number of shares outstanding as of December 31, ~~2022~~ **2023** . Further, Petrus and affiliates, collectively, are currently our largest stockholder. Petrus and affiliates hold approximately ~~69~~ **71** % of the total voting power of our common stock- based on the number of shares outstanding as of December 31, ~~2022~~ **2023** . As a result, our directors, executive officers and holders of 5 % or more of our outstanding common stock, and their respective affiliates, if acting together, are able to determine or significantly influence all matters requiring stockholder approval, including the elections of directors, amendments of our organizational documents and approval of any merger, sale of assets or other major corporate transaction. These stockholders may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentration of ownership may delay, prevent or discourage acquisition proposals or other offers for our Class A common stock that you may feel are in your best interest as a stockholder and ultimately could deprive you of an opportunity to receive a premium for your Class A common stock as part of a sale of our company, which in turn might adversely affect the market price of our Class A common stock. We are a " controlled company " within the meaning of the Exchange rules and, as a result, are entitled to rely on exemptions from certain corporate governance requirements that are designed to provide protection to stockholders of companies that are not " controlled companies. " Because Petrus and affiliates own more than 50 % of the total voting power of our common shares, we are a " controlled company " within the meaning of the Exchange' s corporate governance standards. As a controlled company, we are exempt under the Exchange' s standards from the obligation to comply with certain corporate governance requirements, including the requirements: • that a majority of our board of directors consists of independent directors; • that we have a nominating committee that is composed entirely of independent directors with a written charter addressing the committee' s purpose and responsibilities; and • that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee' s purpose and responsibilities. As a result of relying on the controlled company exemptions, the procedures for approving significant corporate decisions could be determined by directors who have a direct or indirect interest in such decisions, and our stockholders do not have the same protections afforded to stockholders of other companies that are required to comply with all of the independence rules of the Exchange. If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, the price of our Class A common stock and trading volume could decline. The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business, our market and our competitors. We do not have any control over these analysts. If securities analysts fail to publish reports on us regularly, or if industry analysts cease coverage of us, demand for our Class A common stock could decrease, which might cause our Class A common stock price and trading volume to decline. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, our Class A common stock price would likely decline. Future sales of our Class A common stock, or the perception in the public markets that these sales may occur, may depress our stock price. The market price of our Class A common stock could decline significantly as a result of sales of a large number of shares of our Class A common stock in the market. These sales, or the perception that these sales might occur, could depress the market price of our Class A common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. Also, in the future, we may issue shares of our Class A common stock in connection with investments or acquisitions. The amount of shares of our Class A common stock issued in connection with an investment or acquisition could constitute a material portion of then- outstanding shares of our common stock. We may not pay dividends in the future. We ~~recently~~ declared a $ 0. 35 per share special dividend payable February 15, 2023, for stockholders of record on February 1, 2023 **, and an additional $ 1. 00 per share special dividend payable July 17, 2023, for stock holders of record on July 3, 2023** ; however, we may not pay any other dividends in the future. Additionally, our ability to pay dividends on our capital stock is limited by the restrictions under the terms of our ~~New~~ Credit Agreement. Generally, under our ~~New~~ Credit Agreement, we cannot pay dividends on our capital stock unless both (a) no default or event of default has occurred and is continuing and (b) our Leverage ratio (as defined therein) will not exceed 2. 50 to 1. 00, determined on a pro forma basis as of the most recently completed fiscal quarter for which we have delivered financial statements to the administrative agent and giving effect to any indebtedness incurred in connection therewith. We anticipate that for the foreseeable future we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments. Provisions in our charter documents and under Delaware law could make an acquisition of us difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our Class A common stock. Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our Class A common stock. Our charter documents also contain other provisions that could have an anti- takeover effect, such as: • subject to the rights of the holders of preferred stock, permitting the board of directors to establish the number of directors and fill any vacancies and newly created directorships; • prohibiting cumulative voting for directors; • requiring super- majority voting to amend some provisions in our certificate of incorporation and bylaws; • authorizing the issuance of undesignated preferred stock that our board of directors could use to implement a stockholder rights plan; • eliminating the ability of stockholders to call special meetings of stockholders; • prohibiting stockholder action by written consent prior to the Final Conversion Date unless the action is first recommended or approved by the board, and prohibiting stockholder action by written consent from and after the Final Conversion Date, which requires stockholder actions to be taken at a meeting of our stockholders; • certain litigation against us can only be brought in Delaware; and • our dual class common stock structure as described above. Our charter documents provide that the Court of Chancery of the State of Delaware and the federal district courts of the United States will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our amended and restated certificate of incorporation and our amended and restated bylaws provide that the Court of Chancery of the State of Delaware, to the fullest extent permitted by law, will be the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, or DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. This exclusive forum provision will not apply to claims that are vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery of the State of Delaware, or for which the Court of Chancery of the State of Delaware does not have subject matter jurisdiction. Section 22 of the Securities Act creates concurrent jurisdiction for U. S. federal and state courts over causes of action arising under the Securities Act. Accordingly, both U. S. state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. This exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act. Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to the foregoing provision of our amended and restated bylaws. Although we believe this exclusive forum provision benefits us by providing increased consistency in the application of U. S. federal securities laws in the types of lawsuits to which they apply, the exclusive forum provision may limit a shareholder' s ability to bring a claim in a judicial forum of its choosing for disputes with us or any of our directors, shareholders, officers or other employees, which may discourage lawsuits with respect to such claims against us and our current and former directors, shareholders, officers or other employees. Our stockholders will not be deemed to have waived our compliance with the U. S. federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provision. Further, in the event a court finds the exclusive forum provision contained in our amended and restated bylaws to be unenforceable or inapplicable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our results of operations. General Risk Factors Our business is subject to a large number of U. S. and non- U. S. laws, many of which are evolving, including laws specific to e- commerce. We are subject to a variety of laws and regulations in the United States and around the world, including those relating to traditional businesses, such as employment laws and taxation, as well as laws and regulations focused on e- commerce and online marketplaces, such as online payments, privacy, anti- spam, data security and protection, online platform liability, intellectual property and consumer protection, the ability to collect and / or share necessary information that allows us to conduct business on the Internet, marketing communications and advertising, content protection, electronic contracts or gift cards. In **addition, emerging technologies we utilize, including artificial intelligence and machine learning, may also become subject to regulation under new laws or new applications of existing laws. In** some cases, non- U. S. privacy, data protection, information security, consumer protection, e- commerce and other laws and regulations are more detailed than those in the United States and, in some countries, are actively enforced. These laws and regulations are continuously evolving, and compliance is costly and could require changes to our business practices and significant management time and effort, or may result in enforcement actions or litigation. For example, California' s Automatic Renewal Law requires companies to adhere to enhanced disclosure requirements when entering into automatically renewing contracts with consumers. As a result, a wave of consumer class action lawsuits was brought against companies that offer online products and services on a subscription or recurring basis. Other laws, like the CCPA and the EU' s GDPR, require us to implement reasonable privacy and security measures, including applying security requirements by contract to certain service providers and processors acting on our behalf, as well as requiring certain privacy and security disclosures to consumers and employees. In some jurisdictions, these laws and regulations may be subject to attempts to apply such domestic rules world- wide against us or our subsidiaries. Additionally, it is not always clear how existing laws apply to online marketplaces as many of these laws do not address the unique issues raised by online marketplaces or e- commerce. For example, as described elsewhere in this Risk Factors section, laws relating to privacy, data protection and information security are evolving differently in different jurisdictions. Federal, state and non- U. S. governmental authorities, as well as courts interpreting relevant laws, continue to evaluate and assess applicable privacy, data protection and information security requirements. Existing and future laws and regulations enacted by federal, state or non- U. S. governments or the inconsistent enforcement of such laws and regulations could impede the growth of e- commerce or online marketplaces, which could have a negative impact on our business and operations. Examples include data localization requirements, limitations on marketplace scope or ownership, intellectual property intermediary liability rules, regulation of online speech, limits on network neutrality and rules related to security, privacy, data protection or national security, which may impede us or our users. We could also face regulatory challenges or be subject to discriminatory or anti- competitive practices that could impede both our growth prospects, increase our costs and harm our business. We strive to comply with all applicable laws, but they may conflict with each other, and by complying with the laws or regulations of one jurisdiction, we may find that we are in conflict with the laws or regulations of another jurisdiction. Despite our best efforts, we may not have fully complied with all applicable laws and may not in the future. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, lost business and proceedings or actions against us by governmental entities or others, which could result in significant expenses, fines or penalties. Laws or regulations, or enforcement thereof, could also force us to change the way we operate, which could require us to incur significant expenses or to discontinue certain services, which could negatively affect our business. Additionally, if third parties with whom we work violate applicable laws or our policies, those violations could result in other liabilities for us and could harm our business. Furthermore, the circumstances in which we may be held liable for the acts, omissions or responsibilities of these parties is uncertain, complex and evolving. If an increasing number of such laws are passed, the resulting compliance costs and potential liability risk could negatively impact our business. From time to time, we **are** ~~may be~~ subject to legal proceedings, regulatory disputes **, audits** and governmental inquiries that could cause us to incur significant expenses, divert our management' s attention and materially harm our business, results of operations and financial condition. From time to time, we **are** ~~may be~~ subject to claims, lawsuits, regulatory disputes **, audits** , government inquiries and other proceedings, including matters related to intellectual property, commercial **, tariffs** , royalties, employment and tax that could adversely affect our business, results of operations and financial condition. As we have grown, we have seen a rise in the number and significance of these disputes and inquiries. Litigation and regulatory proceedings, and particularly any intellectual property infringement matters that we ~~may~~ face, could be protracted and expensive, and the results are difficult to predict. Certain of these matters may include speculative claims for substantial or indeterminate amounts of damages and include claims for injunctive relief. Adverse outcomes with respect to any of these legal proceedings may result in significant settlement costs or judgments, penalties and fines, or require us to modify our products or services, make content unavailable or require us to stop offering certain features, all of which could negatively affect our subscription and revenue growth. See the section titled " ~~Business —~~ Legal Proceedings " for additional information. The results of claims, lawsuits, regulatory disputes **, audits** , government inquiries and other proceedings cannot be predicted with certainty, and determining reserves for pending litigation and other legal and regulatory matters requires significant judgment. There can be no assurance that our expectations will prove correct, and even if these matters are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, financial condition and results of operations. We may engage in merger and acquisition activities, which could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our results of operations. As part of our business strategy, we may in the future engage in investment, merger or acquisition activities involving other companies, products or technologies. We may not be able to find suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by our users or investors. Moreover, an acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures, including disrupting our ongoing operations, diverting management from their primary responsibilities, subjecting us to additional liabilities, increasing our expenses and adversely affecting our business, financial condition and results of operations. Moreover, we may be exposed to unknown liabilities, and the anticipated benefits of any acquisition, investment or business relationship may not be realized, if, for example, we fail to successfully integrate such acquisitions, or the technologies associated with such acquisitions, into our company. To pay for any such acquisitions, we would have to use our cash and cash equivalents, incur debt or issue equity securities, or a combination thereof, each of which may affect our financial condition or the value of our Class A common stock and could result in dilution to our existing stockholders. If we incur more debt, it would result in increased fixed obligations and could also subject us to additional covenants or other restrictions that would impede our ability to manage our operations. Additionally, we may receive indications of interest from other parties interested in acquiring some or all of our business. The time required to evaluate such indications of interest could require significant attention from management, disrupt the ordinary functioning of our business and adversely affect our business, financial condition and results of operations. Our business is subject to the risk of earthquakes, fire, power outages, floods, public health crises, ~~including~~ **such as** the COVID- 19 pandemic, and other catastrophic events, and to interruption by ~~manmade~~ **man- made** problems such as war or terrorism. Our business is vulnerable to damage or interruption from earthquakes, fires, pandemics, floods, power losses, telecommunications failures, terrorist attacks, acts of war, including the current ~~conflict~~ **conflicts** between Russia and Ukraine **and between Israel and Hamas** , human errors, break- ins, public health crises, ~~including~~ **such as** the COVID- 19 pandemic and similar events ~~. For example, our operations have been subject to a range of external factors related to the COVID- 19 pandemic that are not within our control~~ . The third- party systems and operations and manufacturers we rely on are subject to similar risks. **For** ~~As another~~ example, we engage third-party service providers, a portion of whose software development staff resides in Ukraine. Due to the current conflict, we may experience an interruption in the services provided by these parties. Our insurance policies may not cover losses from these catastrophic events or may provide insufficient compensation that does not cover our total losses. For example, a significant natural disaster, such as a pandemic, earthquake, fire or flood, could adversely affect our business, financial condition and results of operations, and our insurance coverage may be insufficient to compensate us for losses that may occur. Acts of terrorism, which may be targeted at metropolitan areas that have higher population density than rural areas, could also cause disruptions in our or our suppliers' and manufacturers' businesses or the economy as a whole. We may not have sufficient protection or recovery plans in some circumstances, such as natural disasters affecting locations that store significant inventory of our products, that house our servers, or from which we generate content. As we rely heavily on our computer and communications systems, and the Internet to conduct our business and provide high- quality Cricut Member Care, these disruptions could negatively impact our ability to run our business and either directly or indirectly disrupt suppliers' and manufacturers' businesses, which could adversely affect our business, financial condition and results of operations. We are subject to payment processing risk. Our brick- and- mortar and online retail partners and users pay for our products using a variety of different payment methods, including credit and debit cards, gift cards, electronic fund transfers and electronic payment system and third-party financing providers. We rely on internal systems as well as those of third parties to process payment. Acceptance and processing of these payment methods are subject to certain rules and regulations and require payment of interchange and other fees. To the extent there are disruptions in our payment processing systems, increases in payment processing fees, material changes in the payment ecosystem, such as large re- issuances of payment cards, delays in receiving payments from payment processors or changes to rules or regulations concerning payment processing, our revenue, operating expenses and results of operation could be adversely impacted. We leverage our third- party payment processors to bill users on cricut. com and Paid Subscriber on our behalf. If these third parties become unwilling or unable to continue processing payments on our behalf, we would have to find alternative methods of collecting payments, which could adversely impact user and Paid Subscriber acquisition and retention. In addition, from time to time, we encounter fraudulent use of payment methods, which could impact our results of operation and if not adequately controlled and managed could create negative consumer perceptions of our service. In 2020, we introduced an integration with a third- party financing provider, Affirm, which allows users to finance the purchase of our connected machines through third- party consumer financing. There is no assurance that Affirm, or any other company that may in the future offer financing to our users, will continue to provide users with access to credit or that credit limits under such arrangements will be sufficient. Such restrictions or limitations on the availability of consumer credit could have an adverse impact on our business, results of operations and financial condition. The estimates of market size included in our Annual Report on Form 10- K or that we have provided publicly may prove to be inaccurate, and even if the market in which we compete is of the size we estimate, we cannot assure you that our business will penetrate some or all of our SAM or TAM. Market size estimates are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates of market size in our Annual Report on Form 10- K or that we have provided publicly relating to our SAM and TAM, including estimates based on our commissioned surveys or our own internal survey data, may prove to be inaccurate. Even if the market is of the size we estimate, we may not further penetrate our SAM or TAM, or at all. Accordingly, the estimates of market size should not be taken as indicative of our future growth. The requirements of being a public company, including maintaining adequate internal control over our financial and management systems, may strain our resources, divert management' s attention and affect our ability to attract and retain executive management and qualified board members. As a public company we incur significant legal, accounting and other expenses that we did not incur as a private company. We are subject to reporting requirements of the Exchange Act, the Sarbanes- Oxley Act, the rules subsequently implemented by the SEC, the rules and regulations and the listing standards of the Exchange and other applicable securities rules and regulations. Compliance with these rules and regulations will likely strain our financial and management systems, internal controls and employees. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and results of operations and the Sarbanes- Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures, and internal control, over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures, and internal control over, financial reporting to meet this standard, significant resources and management oversight may be required. If, in the future, we have material weaknesses or deficiencies in our internal control over financial reporting, we may not detect errors on a timely basis and our consolidated financial statements may be materially misstated. Effective internal control is necessary for us to produce reliable financial reports and is important to prevent fraud. In addition, we are required to comply with the auditor attestation requirements of Section 404 of the Sarbanes- Oxley Act, for which we expect to incur significant expenses and devote substantial management effort toward ensuring compliance. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management' s attention may be diverted from other business concerns, which could harm our business, results of operations and financial condition. Although we have already hired additional employees to assist us in complying with these requirements, our finance team is small and we may need to hire more employees in the future, or engage outside consultants, which will increase our operating expenses. Being a public company and complying with applicable rules and regulations will make it much more expensive for us to obtain director and officer liability insurance, and we will incur substantially higher costs to obtain and maintain the same or similar coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors and qualified executive officers. If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting ~~Policies and~~ Estimates. " The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and stockholders' equity / deficit and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to deferred revenue and entitlements. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the price of our Class A common stock. We may be subject to sales and other taxes, and we may be subject to liabilities on past sales for taxes, surcharges and fees. The application of indirect taxes, such as sales and use tax, subscription sales tax, value- added tax, provincial taxes, goods and services tax, business tax and gross receipt tax, to businesses like ours is a complex and evolving issue. Significant judgment is required to evaluate applicable tax obligations. In many cases, the ultimate tax determination is uncertain because it is not clear how existing statutes apply to our business. One or more states, the federal government or other countries may seek to impose additional reporting, record- keeping or indirect tax collection obligations on businesses like ours that offer subscription services. For example, on June 21, 2018, the U. S. Supreme Court held in South Dakota v. Wayfair, Inc. that states could impose sales tax collection obligations on out- of- state sellers even if those sellers lack any physical presence within the states imposing the sales taxes. An increasing number of states have considered or adopted laws that attempt to impose sales tax collection obligations on out- of- state sellers. The U. S. Supreme Court' s Wayfair decision has removed a significant impediment to the enactment and enforcement of these laws, and it is possible that states may seek to tax out- of- state sellers on sales that occurred in prior tax years, which could create additional administrative burdens for us, put us at a competitive disadvantage if such states do not impose similar obligations on our competitors and decrease our future sales, which could adversely impact our business and results of operations. Although we believe that we currently collect and remit sales taxes in all states in which we are required to do so, a successful assertion by one or more states requiring us to collect sales taxes where we presently do not do so, or to collect more taxes in a jurisdiction where we currently do collect some sales taxes, could result in substantial tax liabilities, including taxes on past sales, as well as interest and penalties. The adoption of new laws by, or a successful assertion by taxing authorities of such laws, could also require us to incur substantial costs to capture data and collect and remit taxes. If such obligations were imposed, the additional costs associated with tax collection, remittance and audit requirements could adversely affect our business, financial condition and results of operations.