Risk Factors Comparison 2024-02-23 to 2023-02-24 Form: 10-K

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The following are certain risk factors that could affect our business, financial condition and operating results. These risk factors should be considered in connection with evaluating forward- looking statements contained in this Annual Report on Form 10- K or in any other reports filed or furnished by us, because these factors could cause our actual results and financial condition to differ materially from those projected in any such forward- looking statements. Before you invest in us, you should know that making such an investment involves risks, including the risks described below. Although the risks are organized by headings, and each risk is discussed separately, many are interrelated. You should not interpret the disclosure of any risk factor to imply that the risk has not already materialized. The risks that are highlighted below are not the only ones that we face. If any of the following risks occur, our business, financial condition and operating results could be negatively affected. Risks Related to Our Business and Industry Because we currently derive a substantial portion of our revenues from a small number of customers, any decrease in orders from these customers could have an adverse effect on our business, financial condition and operating results. We depend on a small number of customers for a substantial portion of our business, and changes in the level of our customers' orders have, in the past, had a significant impact on our results of operations. If a major customer significantly delays, reduces, or cancels the level of business it does with us, there could be an adverse effect on our business, financial condition and operating results. Significant pricing and margin pressures exerted by a major customer could also materially adversely affect our operating results. In addition, we generate significant accounts receivable from sales to our major customers. If one or more of our major customers were to become insolvent or otherwise unable to pay or were to delay payment for our products, our business, financial condition and operating results could be materially adversely affected. Our customers may cancel their orders, change production quantities or locations or delay production. We generally receive volume estimates, but not firm volume commitments from our customers, and may experience reduced or extended lead times in customer orders. Customers may cancel orders, change production quantities and delay production for a number of reasons **including the use of additional suppliers** . Uncertain economic and geopolitical conditions may result in some of our customers delaying the delivery of some of the products we manufacture for them and placing purchase orders for lower volumes of products than previously anticipated. Cancellations, reductions or delays by a significant customer or by a number of customers may harm our results of operations by reducing the volumes of products we manufacture and sell, as well as by causing a delay in the recovery of our expenditures for inventory in preparation for customer orders, or by reducing our asset utilization, resulting in lower profitability. In addition, our customers may request that manufacturing of their products be transitioned from one of our facilities to another to achieve cost reductions and other objectives. Such transfers may result in short **-** term inefficiencies and costs due to resulting excess ~~CTS CORPORATION~~ capacity and overhead at one facility and capacity constraints and the inability to fulfill all orders at another. In addition, we make key decisions based on our estimates of customer requirements, including determining the levels of orders that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements. Changes in demand for our customers’ products may reduce our ability to estimate future customer requirements accurately. This may make it difficult to schedule production and maximize utilization of our manufacturing capacity. Anticipated orders may not materialize, and delivery schedules may be deferred as a result of changes in demand for our products or our customers' products. We often increase staffing and capacity and incur other expenses to meet the anticipated demand of our customers, which causes reductions in our gross margins if customer orders are delayed or canceled. On occasion, customers may require rapid increases in production, which may stress our **CTS CORPORATION** resources and reduce margins. We may not have sufficient capacity at any given time to meet our customers' demands. In addition, because many of our costs and operating expenses are relatively fixed over the short- term, a reduction in customer demand could harm our gross margin and operating income until such time as adjustments can be made to activity and operating levels or to structural costs. Deterioration of general economic, political, credit and / or capital market conditions could adversely affect our financial performance, our ability to grow or sustain our business, financial condition and results of operations, and our ability to access the capital markets. We compete around the world in various geographic regions and product markets. Global economic and political conditions affect our business and the businesses of our customers ~~,~~ **and** suppliers ~~and consumers~~ . Recessions, economic downturns, price instability, inflation, slowing economic growth and social and political instability in the markets where we compete could negatively affect our revenues and financial performance, and adversely impact our ability to grow or sustain our business. For example, current macroeconomic and political instability caused by the Russia- Ukraine conflict (as discussed below), global supply chain disruptions and inflation have adversely impacted and could continue to adversely impact our business and financial results. The capital and credit markets provide us with liquidity to operate and grow our business beyond the liquidity that operating cash flows provide. A global or regional economic downturn or disruption of the credit markets could increase our future borrowing costs and impair our ability to access capital and credit markets necessary for our operations and to execute our strategic plan. If our access to capital on terms commercially acceptable to us were to become significantly constrained, or if costs of capital increased significantly, then our financial condition, results of operations and cash flows could be adversely affected. Our business, financial condition and results of operations could be adversely affected by disruptions in the global economy caused by the ongoing Russia- Ukraine conflict or other geopolitical tensions and conflict. The ongoing conflict between Russia and Ukraine (which we refer to as the “ Russia- Ukraine conflict ”) ~~,~~ has adversely affected the global economy, and the geopolitical tensions and conflicts it generates may continue to negatively impact our operations. It has resulted in heightened economic sanctions from the U. S., the U. K., the European Union **(the" E. U.")** and the international community. Even though we have no physical assets in Russia, the impact of the Russia- Ukraine conflict could have a material adverse effect on our business, financial condition, results of operations, supply chain, availability of critical supplies, intellectual property, partners, or customers. Further escalation of geopolitical tensions related to the Russia- Ukraine conflict, including increased trade barriers or restrictions on global trade, could result in, among other things, broader impacts that expand into other markets, cyberattacks, supply chain and logistics disruptions, and volatility in foreign exchange rates, interest rates and financial markets, any of which may adversely affect our business and supply chain. More broadly, there could be additional negative impacts to our financial results if the Russia- Ukraine conflict worsens, including, among other potential impacts, economic recessions in certain neighboring countries or globally due to inflationary pressures, including with respect to energy and supply chain cost increases or shortages, or the geographic proximity of the conflict relative to the rest of Europe. Similar geopolitical tensions and political **and / or armed** conflicts, including tensions between the U. S. and China ~~as well as~~ **, China and Taiwan, and the conflict** between ~~China~~ **Israel** and **Palestine** ~~Taiwan,~~ could adversely impact our employees, financial performance, and global operations, including by, among other things, jeopardizing the safety of our employees and facilities, disrupting our and our partners' production, supply chain and logistics and communications, and causing market volatility, which could adversely impact our sales ~~. In addition, the effects of the ongoing Russia- Ukraine conflict as well as escalating tensions between China~~ and **/ or** ~~Taiwan and other geopolitical conflicts could~~ amplify or affect many of our other risks described elsewhere in Part I, Item 1A," Risk Factors" in this Annual Report on Form 10- K. The impacts of supply chain constraints and inflationary pressures could adversely impact our operating results. Our business has been, and may continue to be, impacted by supply chain constraints, including as a result of raw materials and electronic component shortages, including, in particular, shortages of semiconductor chips and resin, longer lead times, port congestion, increased freight costs and the uncertain economic environment worldwide. These supply chain constraints have and may in the future prevent us from making scheduled shipments to customers. Our inability to make scheduled shipments could cause us to experience a shortfall in revenue, increase our costs and adversely affect our relationship with affected customers and our reputation as a reliable supplier. We may be required to pay higher prices for raw materials or electronic components in short supply and order these raw materials or electronic components in greater quantities to compensate for variable delivery times. We may also be required to pay higher prices for raw materials or electronic components due to inflationary trends regardless of supply ~~, including the current high inflationary environment~~ . In addition, current proposed or future governmental policies may increase the risk of inflation, which could further increase the costs of raw materials and other components for our business. The supply and price of our key raw materials and electronic components can be affected by a number of factors beyond our control, including market demand, inflation, alternative sources for suppliers, global geopolitical events, global or regional disease outbreaks or pandemics, trade agreements among producing and consuming nations and governmental regulations (including tariffs). Similarly, if the costs of goods continue to increase, our suppliers may seek price increases from us. If we are unable to mitigate the impact of these matters through price increases, cost savings to offset cost increases, hedging arrangements, or other measures, our results of operations and financial condition could be adversely impacted. If our competitors maintain or substantially lower their prices, we may lose customers and mark down prices. Our profitability may be impacted by prices that do not offset the inflationary pressures, which may impact our gross margins. Even if we are able to raise the prices of our products, we may not be able to sustain such price increases. Temporary or sustained price increases may also lead to a decrease in demand for our products as competitors may not adjust their prices which could lead to a decline in sales volume and loss of market share. Our projections may not accurately predict the volume impact of price increases, which could adversely affect our business, financial condition and results of operations. We sell products to customers in cyclical industries that are subject to significant downturns that could materially adversely affect our business, financial condition and operating results. We sell products to customers in cyclical industries that have experienced economic and industry downturns. The markets for our products have softened in the past and may again soften in the future. We may face reduced end- customer demand, underutilization of our manufacturing capacity, changes in our revenue mix and other factors that could adversely affect our results. We are susceptible to trends and factors affecting industries that we serve. Factors negatively affecting the industries we serve and the demand for their products could negatively affect our business, financial condition and operating results. Any adverse occurrence, including among others, industry slowdown, recession, public health crisis, political instability, costly or constraining regulations, increased tariffs, reduced government budgets and spending, armed hostilities, terrorism, excessive inflation ~~, including the current high inflationary environment~~ , prolonged disruptions in one or more of our customers' production schedules or labor disturbances, that results in a decline in the volume of sales in these industries, or in an overall downturn in the business and operations of our customers in these industries, could materially adversely affect our business, financial condition and operating results. These industries may be unionized and some of our customers have experienced labor disruptions in the past. Furthermore, these industries can be highly cyclical in nature and sensitive to changes in general economic conditions, consumer preferences and interest rates. The insolvency of customers that we serve may result in the failure to receive payment in full for products sold in the past and an abrupt reduction in demand for certain products. Weakness in demand, the insolvency of customers that we serve or their suppliers, and constriction of credit markets may negatively and materially affect our facility utilization, cost structure, financial condition, and operating results. Our operating results may vary significantly from period to period. We experience fluctuations in our operating results. Some of the principal factors that contribute to these fluctuations are: changes in demand for our products; our effectiveness in managing manufacturing processes, costs and timing of our component purchases so that components are available when needed for production, while mitigating the risks of purchasing inventory in excess of immediate production needs; the degree to which we are able to utilize our available manufacturing capacity; changes in the cost and availability of components, which often occur in the electronics manufacturing industry and which affect our margins and our ability to meet delivery schedules; general economic and served industry conditions; and local conditions and events that may affect our production volumes, such as labor conditions or political instability. We may pursue acquisition opportunities that **are intended to** complement or expand our business as well as divestitures that could impact our business operations. We may not be able to complete these transactions, and these transactions, if executed, may pose risks that could materially adversely affect our business, financial condition and operating results. On an ongoing basis we explore opportunities to buy other businesses or technologies that could complement, enhance or expand our current business or product lines or that might otherwise offer us growth opportunities. For example, during 2022 **and 2023** , we acquired ~~both~~ TEWA Temperature Sensors SP. Zo. o. (" TEWA ") ~~and~~ **,** Meggitt A / S (a / k / a Ferroperm Piezoceramics A / S, " Ferroperm ") **and maglab AG (" Maglab")** . We may have difficulty finding suitable **acquisition** opportunities or, if we do identify these opportunities, we may not be able to complete the transactions for any number of reasons including a failure to secure financing. In addition, we may not be able to successfully or profitably integrate, operate, maintain and manage newly acquired businesses such as TEWA ~~and~~ **,** Ferroperm **and Maglab** , including their operations or employees. Any transactions that we are able to identify and complete may involve a number of risks, including: the diversion of management' s attention from our existing business to integrate the operations and personnel of the acquired or combined business; possible adverse effects on our operating results during the integration process; difficulties managing and integrating operations in geographically dispersed locations; increases in our expenses and working capital requirements, which could reduce our return on invested capital; exposure to unanticipated liabilities of acquired companies; and our possible inability to achieve the intended objectives of the transaction. Even if we are initially successful in integrating a new operation, we may not be able to maintain uniform standards, controls, procedures and policies, and this may lead to operational inefficiencies. In addition, future acquisitions may result in dilutive issuances of equity securities or the incurrence of additional debt. These and other factors could harm our ability to achieve anticipated levels of profitability from acquired operations or realize other anticipated benefits of an acquisition and could adversely affect our business and operating results. We have in the past, and may in the future, consider divesting certain business operations. Divestitures may involve a number of risks, including the diversion of management' s attention, significant costs and expenses, the loss of customer relationships and cash flow, and the disruption of operations in the affected business. Failure to timely complete or consummate a divestiture may negatively affect valuation of the affected business or result in restructuring charges. We may restructure our operations or fail to execute capital projects as planned, which may materially adversely affect our business, financial condition and operating results. We have announced and initiated restructuring plans or capital projects at various times in the recent past designed to revise and consolidate certain aspects of our operations for the purpose of improving our cost structure and operational efficiency. We may incur restructuring and impairment charges in the future if circumstances warrant, which could be material. Additionally, if we are unsuccessful in implementing restructuring plans or in executing capital projects, we may experience disruptions in our operations and higher ongoing costs, which may materially adversely affect our business, financial condition and operating results. We may be unable to compete effectively against competitors. The industries in which we operate are highly competitive and characterized by price erosion and rapid technological change. We compete against many domestic and foreign companies, some of which have substantially greater manufacturing, financial, research and development, and marketing resources than we do. If any customer becomes dissatisfied with our prices, quality, or timeliness of delivery, among other things, it could award business to our competitors. Moreover, some of our customers could choose to manufacture and develop particular products themselves rather than purchase them from us. Increased competition could result in price reductions, reduced profit margins and loss of market share, each of which could materially adversely affect our business, financial condition and operating results. These developments also may materially adversely affect our ability to compete successfully going forward. We cannot assure you that our products will continue to compete successfully with our competitors' products. We may be unable to keep pace with rapid technological changes that could make some of our products or processes obsolete before we realize a return on our investment. The technologies relating to some of our products have undergone and are continuing to undergo changes. End markets for our products are characterized by technological change, frequent new product introductions and enhancements, changes in customer requirements, and emerging industry standards. The introduction of products embodying new technologies and the emergence of new industry standards could render our existing products obsolete and unmarketable before we can recover any or all of our research, development and commercialization expenses, or our capital investments. Furthermore, the life cycles of our products and the products we manufacture for others vary, may change, and are difficult to estimate. We may experience difficulties that could delay or prevent the successful development, introduction and marketing of new products or product enhancements and our new products or product enhancements may not adequately meet the requirements of the marketplace or achieve market acceptance. If we are unable, for technological or other reasons, to develop and market new products or product enhancements in a timely and cost- effective manner, our business, financial condition and operating results could be materially adversely affected. Products we manufacture may contain design or manufacturing defects that could result in reduced demand for our products or services and liability claims against us. Despite our quality control and quality assurance efforts, defects may occur in the products we manufacture due to design or manufacturing errors, supplier quality issues, or component failure. Product defects could result in delayed shipments and reduced demand for our products. We may be subject to increased costs due to warranty claims on defective products. Product defects could result in product liability claims against us where defects cause, or are alleged to cause, property damage, bodily injury or death. As we grow our business, the risk of exposure to product liability litigation increases. We may be required to participate in a recall involving products which are, or are alleged to be, defective. We carry insurance for certain legal matters involving product liability; however, costs related to product defects and the costs of such claims, including costs of defense and settlement, may exceed our available coverage. Accordingly, our results of operations, cash flow and financial position could be adversely affected. We are subject to government regulations, including environmental, health, and safety laws and regulations, that expose us to potential financial liability. Our operations are regulated by a number of federal, state, local and foreign government regulations, including those pertaining to environmental, health, and safety (" EHS ") that govern, among other things, air and water emissions, worker protection, and the handling, storage and disposal of hazardous materials. Compliance with EHS laws and regulations is a major consideration for us because we use hazardous materials in our manufacturing processes. If we violate EHS laws and regulations, we could be liable for substantial fines, penalties, and costs of mandated remedial actions and we could suffer reputational ~~damages~~ - **damage** due to any such violations. Our environmental permits could also be revoked or modified, which could require us to cease or limit production at one or more of our facilities, thereby materially adversely affecting our business, financial condition and operating results. EHS laws and regulations have generally become more stringent over time and could continue to do so, imposing greater compliance costs and increasing risks and penalties associated with any violation, which also could materially affect our business, financial condition and operating results. We have been notified by the U. S. Environmental Protection Agency (the " EPA "), state environmental agencies and, in some cases, groups of potentially responsible parties, that we are potentially liable for environmental contamination at several sites currently and formerly owned or operated by us, including sites designated as National Priorities List sites under the EPA' s Superfund program. Superfund liability is joint and several and we may be held responsible for more than our share of contamination at a site. On February 8, 2023, we received a demand letter from the EPA seeking reimbursement of its past response costs and interest thereon in the amount of $ 9, 955 relating to the CTS of Asheville, Inc. Superfund Site, from the three potentially responsible parties associated with the site, including the Company. See Note 11" Contingencies" in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10- K. Although we estimate our potential environmental liability and reserve for such matters, including the Asheville site, we cannot assure you that our reserves will be sufficient to cover the actual costs that we incur as a result of these matters. Future events, such as the notification of potential liability at new sites, the discovery of additional contamination or changes to an approved remedy at an existing site, changes to existing EHS laws and regulations or their interpretation, and more rigorous regulatory action by government authorities, may require additional expenditures by us, which could have a negative impact on our operations. Changes in tax, environmental, trade or other regulations or failure to comply with existing licensing, trade and other regulations could cause volatility or have a material adverse effect on our business and financial results. Future changes to U. S. or foreign tax and trade policies, impositions of new or increased tariffs, other trade restrictions or other government actions, including any government shutdown, may lead to the continuation or escalation of such risks and uncertainty. In addition, changes to existing tax laws or the adoption of new tax laws, particularly in the U. S. and ~~EU~~ **the E. U.** , could have a material adverse impact ~~to~~ **on** our effective tax rate ~~and~~ **,** future cash tax liabilities **and the ability to utilize deferred tax assets** . The current economic and political environment may result in significant tax law changes in the numerous jurisdictions in which we operate. In addition, our effective tax rate could be materially affected by certain tax proposals developed by the Organization for Economic Cooperation and Development and European Commission regarding the taxation of multinational businesses. **Adverse changes in the underlying profitability and financial outlook of our operations in several jurisdictions could lead to changes in our valuation allowances against deferred tax assets and other tax accruals that could materially and adversely affect our results of operations. In addition, acquisitions or divestitures may cause our effective tax rate to change. We base our tax positions upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax positions are subject to review and possible challenge by taxing authorities and to possible changes in law, which may have a retroactive effect.** Continued economic and political pressures to increase tax revenues in jurisdictions in which we operate, or the adoption of new or reformed tax legislation or regulation, may make resolving tax disputes more difficult. The final resolution of tax audits and any related litigation can differ from our historical provisions and accruals, resulting in an adverse effect on our financial performance. Additionally, modifications of laws and policies governing foreign trade and investment, including trade agreements and tariffs such as the United States- Mexico- Canada Agreement, or the European Union- United Kingdom Trade and Cooperating Agreement, could adversely affect our supply chain, business and results of operations. The implementation of additional tariffs and retaliatory tariffs from trade partners or related uncertainties could further increase the cost of certain of our imported materials, thereby adversely affecting our profitability. Failure to comply with existing laws and regulations or changes in these laws, regulations, or interpretations thereof, specifically tax and environmental laws or any other laws or regulations could result in the loss, revocation or suspension of our licenses, permits or approvals and could have a material adverse effect on our business, financial condition and results of operations. Additionally, uncertainties exist with respect to the interpretation of, and potential future developments in, complex domestic and international tax laws and regulations, the amount and timing of future taxable income and the interaction of such laws and regulations among jurisdictions. Given the wide range of international business relationships and the long- term nature and complexity of existing contractual agreements, differences arising between the actual results and assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. ~~Negative or unexpected tax consequences could~~ **Risks Related to Technology and Data Privacy We are exposed to, and may be** adversely ~~affect~~ **affected by, cybersecurity threats, incidents** ~~our~~ - **or** ~~results~~ **other disruptions to our information technology systems and data. We rely on our information technology systems and networks, including cloud- based systems, in connection with many** of **our business activities, some of which are managed directly by us, while others are managed by third- party service providers and are not under our direct control. Our** operations **routinely involve receiving, storing, processing and transmitting information pertaining to our business, customers, suppliers, employees, and other operations** . We ~~operate globally~~ **have both** ~~and~~ - **an increasing reliance on information technology systems and an increasing digital footprint** ~~changes in tax laws could adversely affect our results. The international tax environment continues to change~~ as a result of ~~both coordinated increasing digital footprint as a result of~~ changing technologies,connected devices and digital offerings,as well as expanded remote work policies.If these technologies,systems,products or services are **threatened,disputed,** damaged,cease to function properly,are compromised due to employee or third- party contractor error,user error,malfeasance,system errors,or other vulnerabilities,or are subject to cybersecurity ~~attacks~~ **incidents** ,such as those involving denial of service attacks, **ransomware,** unauthorized access,malicious software,or other intrusions **or disruptions** ,including by criminals,nation states or insiders,our business may be adversely impacted.The impacts of any such circumstances could include production downtimes,operational delays,and other impacts on our operations and ability to provide products and services to our customers;compromise of confidential,proprietary or otherwise protected information,including personal information and customer confidential data;destruction,corruption,or theft of data or intellectual property;manipulation,disruption,or improper use of these technologies,systems,products or services;financial losses from fraudulent transactions,remedial ~~actions~~ actions **, loss of business or potential liability; adverse media coverage; and legal claims or legal proceedings, including regulatory investigations, actions and fines; and damage to our reputation and, as a result, have a material adverse effect on our business operations and financial performance. Cybersecurity incidents could have a disruptive effect on our business. From time to time, we and the service providers that we depend on to host our data and support our systems and business operations, are the target of, and periodically respond to, cybersecurity threats, including phishing and denial- of- service attacks, which, if successful, could result in a loss of business or customer information, systems interruption or the disruption of our operations. The techniques that are used to obtain unauthorized access, disable or degrade service or sabotage systems and data change frequently, have continued to increase in recent years and such efforts may be difficult to detect for long periods of time. As a result, we monitor our systems to protect our technology infrastructure and data. In addition, we further attempt to mitigate these risks** by ~~governments and unilateral~~ **employing a number of other** measures ~~enacted by individual countries~~ , **including employee training, a breach response plan, and maintenance of backup and protective systems. Further, while we maintain insurance coverage that is intended to address certain aspects of cybersecurity risks, such insurance coverage may not cover all losses or all types of claims that arise. Notwithstanding these measures, our systems, networks, products and services remain potentially vulnerable to known or unknown cybersecurity threats, any of** which could ~~significantly~~ **have a material adverse effect on our business operations and financial performance. We have in the past been subject to cybersecurity incidents which have not had a material** impact **on our business** ~~our~~ - **or** ~~effective tax rate, tax liabilities, and ability to utilize deferred tax assets. Adverse changes in the underlying profitability and~~ financial ~~outlook of our operations~~ **condition and expect that we will be subject to additional cybersecurity incidents** in ~~several~~ **the future. We are exposed to risks and costs associated with complying with privacy laws and protecting personal data and other sensitive information. We are subject to various risks and costs associated with the collection, handling, storage and transmission of information, including costs related to compliance with U. S. and foreign data protection and privacy laws and other contractual obligations, as well as risks associated with the compromise of our systems collecting such information. Many** jurisdictions ~~could lead~~ **, including the E. U., the U. K., China and certain states within the U. S., have passed laws that require companies** to ~~changes in our valuation allowances against deferred tax assets~~ **meet specific requirements regarding the processing, use, and disclosure of personal data. We collect internal and customer data** and other ~~tax accruals that could materially~~ **information, including personally identifiable information for a variety of business purposes, including managing our workforce** and **providing requested products and services. We could be exposed to investigations, fines, penalties, restrictions, litigation, reputational harm or other expenses, or other adverse effects on our business, due to failure to protect personal data or other sensitive information or failure to maintain compliance with the various U. S. and foreign data collection and privacy laws or applicable data security standards. Failure to keep pace with developments in technology could** adversely affect our ~~results of~~ operations ~~. In addition, acquisitions or divestitures may cause our~~ - **or competitive position. The technologies and systems we use to operate our business may require refinements and upgrades, and third parties may cease support of systems that are currently in use. The development and maintenance of these technologies may require significant investment by us. As various systems and technologies become outdated or new technology is required, we may not be able to replace or introduce them as quickly as needed or in a cost-** effective ~~tax rate~~ **and timely manner. As a result, our business operations could be disrupted and we could be exposed** to ~~change~~ **cybersecurity threats, adversely affecting our business operations and financial performance. Because third parties provide us with a number of operational and technical services, third- party cybersecurity incidents could expose us to liability, harm our reputation, damage our competitiveness and adversely affect our financial performance. Third parties provide us with certain operational and technical services. These third parties may have access to our systems, provide hosting services, or otherwise process data about or on behalf of us, our employees or partners. Any third- party cybersecurity incident could compromise the security, integrity or availability of or result in the theft, unauthorized access or processing, or disruption of access to data, which could negatively impact our operations** . We ~~base~~ **rely on the internal processes and controls of third- party software and application vendors to maintain the security of all software code, systems, and data provided to** ~~our~~ - **or used by** ~~tax positions upon the anticipated nature and conduct of our~~ - **or on behalf** ~~business and upon our understanding~~ of the ~~tax laws of the various countries in~~ **Company. Any cybersecurity incidents involving third parties on** which we ~~have assets~~ **rely could negatively affect** ~~or~~ **our reputation** ~~conduct activities. However~~ , our ~~tax~~ **competitive** ~~positions~~ - **position** ~~are subject to review~~ and **our financial performance** ~~possible challenge by taxing authorities and to possible changes in law~~ , ~~which may have a retroactive effect~~ **and we could face regulatory scrutiny, investigations, lawsuits and further potential liability** . Risks Related to Indebtedness and Financing Our indebtedness may adversely affect our financial health. Our indebtedness could, among other things: increase our vulnerability to general economic and industry conditions, including recessions; require us to use cash flow from operations to service our indebtedness, thereby reducing our ability to fund working capital, capital expenditures, research and development efforts and other expenses; limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate; place us at a competitive disadvantage compared to competitors that have less indebtedness; or limit our ability to borrow additional funds that may be needed to operate and expand our business. Our credit facility contains provisions that could materially restrict our business. Our revolving credit facility contains restrictions limiting our ability to: dispose of assets;

incur certain additional debt; repay other debt or amend subordinated debt instruments; create liens on assets; make investments, loans or advances; make acquisitions or engage in mergers or consolidations; engage in certain transactions with our subsidiaries and affiliates; repurchase stock; or make dividend payments above a certain amount. The restrictions contained in our credit facility could limit our ability to plan for or react to changes in market conditions or meet capital needs or could otherwise restrict our activities or business plans. These restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, fund investments or other capital needs or engage in other business activities that could be in our interest. Further, our ability to comply with our loan covenants may be affected by events beyond our control that could result in an event of default under our credit facility, or documents governing any other existing or future indebtedness. A default, if not cured or waived, may permit acceleration of our indebtedness. In addition, our lenders could terminate their commitments to make further extensions of credit under our credit facility. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds to pay the accelerated indebtedness or that we will have the ability to refinance accelerated indebtedness on terms favorable to us, or at all. The estimates and assumptions on which our financial projections are based may prove to be inaccurate, which may cause our actual results to materially differ from such projections, which may adversely affect our future profitability, cash flows and stock price. Our financial projections, including any sales or earnings guidance or outlook we may provide from time to time, are dependent on certain estimates and assumptions related to, among other things, development and launch of innovative new products, market share projections, product pricing, sales, volume and product mix, foreign exchange rates and volatility, tax rates, interest rates, commodity prices, cost savings, accruals for estimated liabilities, including litigation reserves, and our ability to generate sufficient cash flow to reinvest in our existing business, fund internal growth, repurchase ~~of~~ our stock, make acquisitions, pay dividends and meet debt obligations. There is no assurance that we will fully realize the anticipated cost savings and other benefits of our restructuring activities in the time frames we desire or at all. Our financial projections are based on historical experience and on various other estimates and assumptions that we believe to be reasonable under the circumstances and at the time they are made, and our actual results may differ materially from our financial projections. Any material variation between our financial projections and our actual results may adversely affect our future profitability, cash flows and stock price. Risks Related to ~~COVID- 19 Pandemic and~~ Other External Factors ~~Public health issues such as the COVID- 19 pandemic have adversely affected, and could in the future, adversely affect our business or financial results. Any outbreaks of contagious diseases and other adverse public health developments in countries where we operate could have a material and adverse effect on our business, operations, financial condition, liquidity and results of operations. For example, the COVID- 19 pandemic has affected our offices and manufacturing facilities throughout the world, as well as the facilities of our suppliers, customers and their customers for the past several years. As of December 31, 2022, we continue to experience some disruptions, mainly to our operations in China. The extent to which the COVID- 19 pandemic will continue to impact our business and financial results going forward will be dependent on future developments such as any additional future resurgences from known or new variants, future government regulations and actions in response to the crisis, the timing, availability, effectiveness and adoption rates of vaccines and treatments, and the overall impact of the COVID- 19 pandemic on the global economy and capital markets, among many other factors, all of which remain highly uncertain and unpredictable. Given these uncertainties, we expect the pandemic to continue to have an impact on our business, operations, financial condition, liquidity and results of operations in 2023 and potentially beyond. There can be no assurance that the COVID- 19 pandemic will not have a material and adverse effect on our business, operations, financial condition, liquidity and results of operations in the future.~~ Loss, operational disruptions or closure of a key facility, including those of our suppliers, due to unforeseen or catastrophic events or otherwise, could have a material adverse effect on our business and financial results. Our business could be interrupted and our financial results could be materially adversely impacted by physical risks such as earthquakes, fires, hurricanes, floods, acts of war, terrorist attacks, cyberattacks and other disruptions in information systems, disease outbreaks or pandemics, and other natural disasters or catastrophic events that damage, disrupt or destroy one of our key facilities or the key facilities of our significant suppliers. If any of our key facilities or the key facilities of our significant suppliers experience a significant operational disruption or catastrophic loss, it could delay, disrupt or reduce production, shipments and revenue, and result in potentially significant expenses to repair or replace these properties. Such significant disruptions could be due to, among other things: • the loss or disruption of the timely availability of adequate supplies of essential raw materials for us and our suppliers, including single- source suppliers; • our ability to integrate new suppliers into our operations; • material financial issues facing our suppliers, such as bankruptcy or similar proceedings; • transportation and logistics challenges, including as a result of port and border closures and other governmental restrictions and the availability and capacity of shipping channels; • the loss or disruption of other manufacturing, distribution and supply capabilities; • the loss or disruption of the energy sources or energy suppliers in Europe due to supply shortages as a result of the Russia- Ukraine conflict, including price increases in the energy market; • labor shortages, strikes or work stoppages; • illness to our employees or their families or governmental restrictions on such employees' ability to travel or perform necessary business functions; or • as a result of the need for us or our suppliers to operate our respective businesses with substantial modifications to employee travel and employee work locations. Additionally, certain catastrophes are not covered by our general insurance policies, which could result in significant unrecoverable losses. Our business and results of operations could also be adversely impacted by under- investment in physical assets or production capacity. Climate- related events and climate change legislation could adversely impact our business. The effects of climate change and the ongoing efforts to mitigate its impact, including through climate change- related legislation and regulation, could have a material adverse effect on our business, financial condition, and results of operations. The physical effects of climate change, including extreme weather and natural disasters (including those risks discussed under the heading " Loss, operational disruptions or closure of a key facility, including those of our suppliers, due to unforeseen or catastrophic events or otherwise, could have a material adverse effect on our business and financial results ") may disrupt our operations and those of our customers and suppliers. In addition, changes to laws or regulations enacted to address the potential impacts of climate change could have a material adverse impact on our business, financial condition, and results of operations. For example, continuing political and social attention to the issue of climate change has resulted in both existing and pending international agreements and national, regional, or local legislation and regulatory measures to limit greenhouse gas emissions. Any future increased regulation concerning greenhouse gas emissions and other climate- change related laws and regulations, may require equipment modifications, operational changes, payment of increased or additional taxes, or the purchase of emission credits to reduce the emission of greenhouse gases from our operations, which may result in us incurring substantial capital expenditures and compliance, operating, maintenance and remediation costs. In addition, any such future regulatory changes could result in transition risks to our business, including but not limited to (i) the nature and timing of any requirement to lower greenhouse gas emissions and adopt more energy- efficient energy use, which could result in changes or disruptions to the way we operate our business, (ii) the risk of lower demand for our products related to customers who experience business declines or disruptions due to the impact of any requirement to lower greenhouse gas emissions, (iii) financial risks where compliance with such regulations requires unforeseen capital expenditures, (iv) legal risks associated with the implementation of any new technologies required to comply with such regulations, which could impede our ability to innovate new products, meet customer and market demand or compete on pricing and quality in the market, and / or (v) reputational risks associated with our customers' and investors' perceptions of our business. We are not able to predict how any future definitive agreements, pacts and / or regulations, if and when they are adopted and required, and the commitments necessary to comply with such requirements, will affect our business, financial condition, and results of operations. General Risk Factors Unfavorable outcomes of legal or regulatory matters may adversely affect our business and financial condition and damage our reputation. We are from time to time involved in or subject to a variety of litigation, claims, legal or regulatory proceedings or matters related to our business, warranty claims, our intellectual property rights, alleged infringement or misappropriation by us of intellectual property rights of others, tax, environmental, privacy, insurance, ERISA and employment matters. Such matters, even those that are ultimately non- meritorious, can be complex, costly, and highly disruptive to business operations by diverting the attention and energies of management and other key personnel, and may generate adverse publicity that damages our reputation. The assessment of the outcome of such matters, including our potential liability, if any, is a highly subjective process that requires judgments about future events that are not within our control and are based on the information available to management at that time. The outcome of such matters, including amounts ultimately received or paid upon judgment or settlement, may differ materially from management' s outlook or estimates, including any amounts accrued in the financial statements. Actual outcomes, including judgments, awards, settlements or orders, could have a material adverse effect on our business, financial condition, operating results, or cash flows and damage our reputation. We face risks relating to our international operations. Because we have significant international operations, our operating results and financial condition could be materially adversely affected by economic, political, health, regulatory and other factors existing in foreign countries in which we operate. Our international operations are subject to inherent risks, which may materially adversely affect us, including: political and economic instability in countries in which our products are manufactured; expropriation or the imposition of government controls; changes in government regulations; export license requirements; trade restrictions; earnings repatriation and expatriation restrictions; exposure to different legal standards, including related to intellectual property; health conditions and standards; currency controls; fluctuations in exchange rates; increases in the duties and taxes we pay; inflation or deflation; greater difficulty in collecting accounts receivable and longer payment cycles; changes in labor conditions and difficulties in staffing and managing our international operations; limitations on insurance coverage against geopolitical risks, natural disasters, and business operations; and communication among and with management of international operations. In addition, these same factors may also place us at a competitive disadvantage compared to some of our foreign competitors. We may face risks associated with violations of the Foreign Corrupt Practices Act and similar anti- bribery laws (collectively," Anti- Bribery Laws"). Anti- Bribery Laws generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Our Code of Ethics mandates compliance with these Anti- Bribery Laws. We operate in many parts of the world where strict compliance with Anti- Bribery Laws may conflict with local customs and practices. We cannot assure you that our internal controls and procedures always will protect us from the detrimental actions by our employees or agents. If we are found to be liable for violations of Anti- Bribery Laws (either due to our own acts or inadvertence or due to the acts or inadvertence of others), we could suffer from criminal or civil penalties or other sanctions, which could have a material adverse effect on our business. Public health or safety concerns and governmental restrictions that impact the availability of raw materials, labor, or the movement of goods in some of the countries in which we operate could have a material adverse effect on our business, financial condition, and operating results. We are exposed to fluctuations in foreign currency exchange rates that may adversely affect our business, financial condition and operating results. We transact business in various foreign countries. We present our consolidated financial statements in U. S. dollars, but a portion of our revenues and expenditures are transacted in other currencies. As a result, we are exposed to fluctuations in foreign currencies. Additionally, we have currency exposure arising from funds held in local currencies in foreign countries. Volatility in the exchange rates between the foreign currencies and the U. S. dollar could harm our business, financial condition and operating results. Furthermore, to the extent we sell our products in foreign markets, currency fluctuations may result in our products becoming too expensive for foreign customers. If we are unable to protect our intellectual property or we infringe or are alleged to infringe, on others' intellectual property rights, our business, financial condition and operating results could be materially adversely affected. The success of our business depends, in part, upon our ability to protect our trade secrets, trademarks, copyrights and patents, obtain or license patents and operate without infringing on the intellectual property rights of others. We rely on a combination of trade secrets, copyrights, patents, nondisclosure agreements and technical and other measures to protect our proprietary rights in our products and technology. The steps we have taken to prevent misappropriation of our technology may be inadequate. In addition, the laws of some foreign countries in which we operate do not protect our proprietary rights to the same extent as do the laws of the United States. Although we continue to evaluate and implement protective measures, there can be no assurance that these efforts will be successful. Our inability to protect our intellectual property rights could diminish or eliminate the competitive advantages that we derive from our technology, cause us to lose sales or otherwise harm our business. We believe that patents will continue to play an important role in our business. However, there can be no assurance that we will be successful in securing patents for claims in any pending patent application or that any issued patent will provide us with any competitive advantage. We also cannot provide assurance that the patents will not be challenged by third parties or that the patents of others will not materially adversely affect our ability to do business. We may become involved in litigation in the future to protect our intellectual property or because others may allege that we infringed on their intellectual property. These claims and any resulting lawsuit could subject us to liability for damages and invalidate our intellectual property rights. If an infringement claim is successfully asserted by a holder of intellectual property rights, we may be required to cease marketing or selling certain products, pay penalties and spend significant time and money to develop a non-infringing product or process or to obtain licenses for the technology, process or information from the holder. We may not be successful in the development of a non- infringing alternative, or licenses may not be available on commercially acceptable terms, if at all, in which case we may lose sales and profits. In addition, any litigation could be lengthy and costly and could materially adversely affect us even if we are successful in the litigation. Loss of our key management and other personnel, or an inability to attract key management and other personnel, could materially affect our business. We depend on our senior executive officers and other key personnel to run our business. We do not have long- term employment contracts with our key personnel. The loss of any of these officers or other key personnel could adversely affect our operations. Our future success depends on our ability to identify, attract, and retain qualified personnel on a timely basis. If we were to experience turnover of senior management or if a member of our senior management were to become ill or incapacitated, our stock price, our results of operations, our commercial and supply chain operations and our vendor or customer relationships could each be adversely impacted, and such events may make recruiting for future management positions more difficult. The labor market for many of our employees is very competitive, and wages and compensation costs continue to increase. Our ability to attract and retain key talent has been, and may continue to be, impacted by challenges in the labor market, particularly in the U. S., which has recently been experiencing wage inflation, labor shortages, ~~a continued shift toward~~ **and the impacts of** remote work. If we face labor shortages and / or increased labor costs as a result of increased competition for employees, higher employee turnover rates, or increases in employee benefits costs, our operating expenses could increase, which could negatively impact our growth and results of operations. Labor shortages, and higher employee turnover rates could also lead to disruptions in our business. In addition, we must successfully integrate any new management personnel that we hire within our organization, or who join our organization as a result of an acquisition, in order to achieve our operating objectives, and changes in other key management positions may temporarily affect our financial performance and results of operations as new management becomes familiar with our business. Ineffective internal control over our financial reporting may harm our business. We are subject to the ongoing internal control provisions of Section 404 of the Sarbanes- Oxley Act of 2002 (" Sarbanes- Oxley"). Our controls necessary for continued compliance with Sarbanes- Oxley may not operate effectively or at all times and may result in a material weakness. The identification of material weaknesses in internal control over financial reporting could indicate a lack of proper controls to generate accurate financial statements. Further, the effectiveness of our internal controls may be impacted if we are unable to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies. Global privacy, data protection and data...... adverse effect on our financial results. Environmental, social, and governance (" ESG") issues, including those related to climate change and sustainability, may have an adverse effect on our business, financial condition and results of operations and damage our reputation. Companies across all industries are facing increasing scrutiny relating to their ESG practices and policies. Increased focus and activism related to ESG may hinder our access to capital or negatively impact our stock price, as investors may reconsider their capital investment based on their assessment of our ESG practices and policies. In particular, investor advocacy groups, institutional investors, stockholders, employees, consumers, customers, regulators, proxy advisory services and other market participants have increasingly focused on ESG practices and policies of companies, including sustainability performance and risk mitigation efforts, and their effect on companies from an investor, consumer, customer or employee perspective. If our ESG practices do not meet investor or other stakeholder expectations and standards or evolving regulatory requirements, our stock price, sales, ability to access capital markets, reputation and employee retention, among other things, may be negatively affected. Shareholder activism efforts or unsolicited offers from a third- party could cause a material disruption to our business and financial results. We may be subject to various legal and business challenges due to actions instituted by shareholder activists or an unsolicited third- party offer. Perceived uncertainties as to our future direction as a result of shareholder activism may lead to the perception of a change in the direction of the business or other instability and may affect our relationships with vendors, customers, prospective and current employees and others. Proposed or future laws and regulations may increase the chance we become the target of shareholder activist campaigns, including ESG- related actions. If shareholder activist campaigns are initiated against us, our response to such actions could be costly and time- consuming, which could divert the attention and resources of our Board of Directors, Chief Executive Officer and senior management from the pursuit of our business strategies, which could harm our business, negatively impact our stock price, and have an adverse effect on our business and financial results. Future dividends on our common stock may be restricted or eliminated. Dividends are declared at the discretion of our Board of Directors, and future dividends will depend on our future earnings, cash flow, financial requirements and other factors ~~. Our ability to pay cash dividends on our common stock is limited under the terms of our credit agreements~~ . Under the most restrictive terms of our credit agreements, our ability to pay cash dividends on our common stock is limited, as described under " Risks Related to Indebtedness and Financing. " There can be no assurance that we will continue to pay dividends in the future. **We may not continue to repurchase our common stock or make repurchases our common stock at favorable prices. In February**

2024, our Board of Directors approved a new share repurchase program that authorizes the Company to repurchase up to $ 100 million of its common stock. Any purchases will depend on a number of factors, including our evaluation of general market and economic conditions, our financial condition and the trading price of our common stock. The repurchase program may be extended, modified, suspended or discontinued at any time. A reduction in, or the completion of, our repurchase program could have a negative effect on our stock price. We can provide no assurance that we will repurchase our common stock at favorable prices, or at all. On August 16, 2022, the Inflation Reduction Act of 2022 (" Inflation Reduction Act ") was enacted. The Inflation Reduction Act imposes on publicly- traded companies a new, nondeductible excise tax equal to 1 % of the fair market value of any stock of a company that is repurchased after December 31, 2022, during its taxable year. Because this excise tax would be payable by us, and not by a redeeming holder, the imposition of this excise tax could cause a reduction in the cash available on hand to implement the repurchase program.