Risk Factors Comparison 2024-03-25 to 2023-03-16 Form: 10-K

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Investing in our Class A common shares involves a high degree of risk. In addition to the other information in this Form 10- K and in our other public filings, investors should carefully consider the following risk factors. The risks described below are not the only risks we face or may face. The occurrence of any of the following risks, or the occurrence of additional risks and uncertainties not presently known to us or that we currently believe to be immaterial, could materially and adversely affect our business, financial condition or results of operations. In such case, the trading price of our Class A common shares could decline, and investors may lose all or part of their original investment. This Form 10- K also contains forward- looking statements and estimates that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward- looking statements and estimates as a result of specific factors, including the risks and uncertainties described below. RISKS RELATING TO MACROECONOMIC AND INDUSTRY CONDITIONS A **downturn in** global economic ~~downturn and other macroeconomic~~ conditions or ~~trends may~~ **a decline in consumer confidence in the economy has** adversely ~~affect~~ **affected** discretionary consumer spending **and may continue to do so** , which ~~could have a material~~ **has impacted, and likely will continue to impact, our business.** ~~adverse~~ **Adverse** ~~effect on our business and financial performance. A downturn in~~ global economic conditions **that are caused by events or conditions beyond our control create uncertainties and have in the past impacted our business and may in the future materially adversely affect our business, results of operations, and financial condition. These adverse economic conditions include inflation, slower growth or recession, new or increased tariffs and other barriers to trade, changes to fiscal and monetary policy, higher interest rates, high unemployment, decreased consumer confidence in the economy, public health threats, international hostilities, foreign currency exchange rate fluctuations, conditions affecting the retail environment for products we sell, and other matters that influence consumer confidence. Throughout 2023, a downturn in global economic conditions** , most notably ~~inflationary pressures~~ **the growing concerns of a potential recession** , rising interest rates, **inflationary pressures** ~~changes in employment levels~~ , **and** significant foreign currency volatility, ~~and the growing concerns of a potential recession, may~~ adversely ~~impact~~ **impacted** discretionary consumer income levels and spending **for our customers** . Consumer spending on discretionary items, including our products, generally declines during periods of economic uncertainty, when disposable income is reduced, or when there is a reduction in consumer confidence **. During 2023, our net sales declined as we experienced overall lower direct- to- consumer traffic and we became more promotional in an increasingly competitive landscape. Additionally, our major retailer customers for our Brand Portfolio segment may experience a significant downturn in their businesses as a result of macroeconomic conditions and, in turn, these customers may reduce their purchases from us, which may have a material adverse effect on our business** . Competitive pricing pressure has been exacerbated by a more promotional retail environment as the industry experienced a shift from tighter inventory positions to excess inventory and as macroeconomic conditions impact discretionary consumer spending. **These factors ultimately could require us** ~~During the second half of 2022, our net sales declined, partially as a result of the aforementioned overall global economic conditions. In 2022, the U. S. experienced significantly heightened inflationary pressures, which we expect to continue into 2023. We are subject to inflationary pressures, including increases in the costs of merchandise, transportation, and compensation, which we may not be able to offset with cost savings or pricing increases on the products we sell, especially given the competitive pricing pressures. As a result of this more promotional retail environment, in 2022, we experienced a decline in gross profit as a percentage of net sales. Should this trend continue, we may need~~ to enact mitigating operating efficiency measures that could have a material adverse effect on **our** business, operations, and results of operations. The continuation of these trends could have a material adverse effect on our business or operating results. Moreover, we are unable to predict the severity of macroeconomic uncertainty, whether or when such circumstances may improve or worsen, or the full impact such circumstances could have on our business. The ongoing COVID- 19 pandemic has...... collateral. RISKS RELATING TO EXTERNAL FACTORS We may be unable to compete in the highly competitive footwear market, which could have a material adverse effect on our business. The footwear market is highly competitive with few barriers to entry. We compete against a diverse group of manufacturers and retailers, including department stores, **online retailers,** mall- based shoe stores, national chains, independent shoe retailers, single- brand specialty ~~retailers, online shoe~~ retailers, brand- oriented discounters, multi- channel specialty retailers, and brand suppliers. In addition, our wholesale retailer customers sell shoes purchased from competing footwear suppliers with brands that are well known. Our success depends on our ability to remain competitive with respect to assortment, **fashion trends,** quality, convenience, and value. The performance of our competitors, as well as a change in their promotional and pricing approaches as a result of the current economic environment, marketing activities, and other business strategies, could have a material adverse effect on our business. E- commerce networks have rapidly evolved and consumer receptiveness to shopping online has substantially increased. Competition from e- commerce players has significantly increased due to their ability to provide improved user ~~experience~~ **experiences** , greater ease of buying goods, low or no shipping fees, faster shipping times, and more favorable return policies. Businesses, including our suppliers, can easily launch e- commerce ~~sites~~ **websites** and mobile platforms at nominal costs by using commercially available software or partnering with any of a number of successful digital marketplace providers. Some of our suppliers use such platforms to compete with us by allowing consumers to purchase products directly through the supplier. Competitors with other revenue sources may also be able to devote more resources to marketing and promotional campaigns, adopt more aggressive pricing policies, and devote more resources to websites, mobile platforms and applications, and systems development. ~~We rely on foreign sources for our merchandise, and our business is~~

~~therefore subject to risks associated with international trade. We face risks inherent in purchasing from suppliers with foreign operations, such as: public health threats, including the COVID- 19 pandemic; economic and political instability in countries where these suppliers are located; international hostilities or acts of war or terrorism affecting the U. S. or foreign countries from which our merchandise is sourced; increases in shipping costs; transportation delays and interruptions, including increased inspections of import shipments by domestic authorities; work stoppages; expropriation or nationalization; changes in foreign government administration and governmental policies; changes in import duties or quotas; compliance with trade and foreign tax laws; and local business practices, including compliance with foreign laws and with domestic and international labor standards. Such events may increase our costs and disrupt our operations, which could have a material adverse effect on our business, financial condition, and results of operations. We require our business partners to operate in compliance with applicable laws and regulations and our internal requirements. However, we do not control such third parties or their labor and business practices. The violation of labor or other laws by one of our vendors could have a material adverse effect on our business. In addition, we rely on manufacturers that operate outside of North America, including China, Vietnam, and Brazil, that may disclose our intellectual property or other proprietary information to competitors or third parties, which could result in the distribution and sale of counterfeit versions of our products. Our international operations expose us to political, economic, operational, compliance, and other risks. We have international operations in various locations, including China, Canada, and Brazil. The success of our international operations may be adversely affected by political, economic, and social conditions beyond our control, local laws and customs, and legal and regulatory constraints, including compliance with applicable anti- bribery, anti- corruption, labor, and currency laws and regulations. Risks inherent in our existing and future operations also include, among others, public health threats, such as the COVID- 19 pandemic, the cost and difficulties of managing operations outside of the U. S., possible adverse tax consequences from changes in tax laws or the unfavorable resolution of tax assessments or audits, and greater difficulty in enforcing intellectual property rights. Additionally, foreign currency exchange rates and fluctuations may negatively impact our financial results. Any of these events could have a material adverse effect on our business, financial condition, or results of operations.~~ Our business may be adversely affected if we are unable to provide our customers with cost- effective shopping platforms that are able to respond and adapt to rapid changes in technology. The number of people who access the Internet through devices other than personal computers, including mobile phones, smartphones, handheld computers such as notebooks and tablets, video game consoles, and television set- top devices, has increased dramatically in **recent** ~~the past few~~ years. The smaller screen size, functionality, and memory associated with smartphones, laptops, and tablets may make **using** ~~the use of~~ our websites and purchasing our products online more difficult. The versions of our ~~sites~~ **websites** developed for these devices and our mobile app may not be compelling to consumers. In addition, it is time- consuming and costly to keep pace with rapidly changing and continuously evolving technology ~~. We cannot be certain that our mobile applications or our mobile- optimized sites will be successful in the future. As existing mobile devices and platforms evolve and new mobile devices and platforms are released~~ , **including potential** ~~it is difficult to predict the problems we may encounter in adjusting and developing applications for~~ changes **related** to **artificial intelligence** ~~alternative devices and platforms, and we may need to devote significant resources to the creation, support, and maintenance of such applications~~ . If ~~we are unable to attract customers to our websites through these devices or are slow to develop versions of our websites that are more compatible with alternative devices or a mobile application, we may fail to capture a significant share of customers, which could have a material adverse effect on our business. Further, we continually upgrade existing technologies and business applications, and we may be required to implement new technologies or business applications in the future. The implementation of upgrades and changes requires significant investments. Our results of operations may be affected by the timing, effectiveness, and costs associated with the successful implementation of any upgrades or changes to our systems and infrastructure. In the event that~~ it is more difficult for our customers to buy products from us on their mobile devices, or if our customers choose not to buy products from us on their mobile devices or to use mobile products that do not offer access to our websites, our customer growth could be harmed, which could have a material adverse effect on our business, financial condition, and results of operations. We **are** also ~~are~~ dependent on the interoperability of our ~~sites~~ **websites** with popular mobile operating systems that we do not control, such as iOS and Android, and any changes in such systems that degrade the functionality of our ~~sites~~ **websites** or mobile app, limit or discontinue our access to a particular platform, or give preferential treatment to competitive products or services, could adversely affect the usage of our ~~sites~~ **websites** on mobile devices. We are also subject to the policies and terms of service of the providers of such operating systems and mobile application download stores, which govern the promotion, distribution, content, and operation of our mobile applications. Each provider has broad discretion to change and interpret its terms of service and other policies with respect to us and other developers, and those changes may be unfavorable to us. Additionally, mobile application download stores have imposed, and are likely to continue imposing, certain privacy- and security- related restrictions and controls on the providers and applications within their marketplaces. ~~labor instability in the markets in which we and our third- party vendors operate.The long- term economic impact and near- term financial impacts of COVID- 19 on our business and results of operations cannot be reliably estimated at this time due to the uncertainty of future developments.~~ RISKS RELATING TO OUR BUSINESS AND OPERATIONS We may be unable to anticipate and respond to **rapidly changing** consumer preferences, ~~changing~~ customer expectations,and fashion trends,which could have a material adverse effect on our business.Demand for our products fluctuates according to **rapid** changes in consumer preferences and trends,which are dictated by lifestyle,fashion **,** and season,and may shift quickly.A variety of factors will affect our ability to maintain the proper mix of products,including economic conditions impacting discretionary consumer spending;unanticipated fashion trends;our ability to provide timely access to popular brands at attractive prices;our success in distributing merchandise to our stores,online customers,and our wholesale retailer customers in an efficient manner;and changes in weather patterns,which,in turn,may affect consumer preferences.If we are unable to anticipate trends and fulfill the merchandise needs of our customers,we may experience decreases in our net sales and / or may be forced to increase markdowns in relation to slow- moving merchandise,either of which could have a material adverse effect on our business.We rely on our strong relationships with vendors to purchase products **,including third- party manufacturers and national brand vendors** .If these relationships were to be impaired,we may be unable to obtain a sufficient assortment of merchandise at attractive prices or respond promptly to **rapidly** changing ~~fashion~~ trends,either of which could have a material adverse effect on our business and financial performance. ~~Our~~ **The** success **of our business** depends ~~,to a significant extent,~~ on **our** ~~the willingness and~~ ability ~~of our vendors~~ to **obtain products from** ~~supply us with merchandise that meets~~ our ~~changing customer expectations~~ **vendors,including third- party manufacturers and national brand vendors,on a timely basis,on acceptable terms,and to our specifications** .If we fail to maintain strong relationships with these vendors or if they fail to ensure the quality of merchandise that they supply to us,our ability to provide our customers with merchandise they want at favorable prices may be limited,which could have a material adverse effect on our business.In addition,any negative brand image,widespread product defects,financial distress,or negative publicity related to our vendors could have a material adverse effect on our reputation and on our business. **We do not exert direct control over our vendors' operations and cannot guarantee that any vendor will have sufficient production capacity,meet our delivery expectations,or meet our product safety,social compliance,or quality standards.We typically do not have long- term supply contracts with our vendors,and the loss of any of our major vendors could disrupt our operations and adversely affect our business.If these third- party manufacturers do not perform their obligations,cease working with us,fail to meet our product safety,social compliance,or quality standards,or are unable to provide us with the materials and services that we need,at prices and on terms that are acceptable to us,then we could experience product delays and shortages.Failure by us to deliver quality products to our customers on a timely basis and any associated damage to our reputation could have a material adverse impact on our business and results of operations.** Decisions by **national brand** vendors not to sell to us or to limit the availability of the products they sell to us could have a negative impact on our business.In addition,our inability to stock our sales channels with desired merchandise at attractive prices could result in lower net sales and decreased customer interest in our sales channels,which could have a material adverse effect on our business.During ~~2022~~ **2023** ,three key **national brand** ~~third- party~~ vendors together supplied approximately ~~22~~ **21** % of our retail **segments** merchandise,with no individual vendor providing more than 10 % of our retail merchandise.The loss of,or a reduction in ~~,~~ the amount and quality of merchandise supplied by **,** any of our high- volume vendors could have an adverse effect on our business.If we are unable to offer suitable alternatives to satisfy product demand,sales could decline,which could have a material adverse effect on our operating results.Losses or disruptions associated with our distribution systems,including our distribution centers and stores,could have a material adverse effect on our business and operations.Our operating results depend on the orderly operation of our receiving,distribution,and fulfillment processes,which in turn ~~depends~~ - **depend** on vendors' adherence to shipping schedules and our effective management of our facilities.We may not anticipate all **of** the changing demands on our operations,and events beyond our control may occur,including disruptions in operations due to public health threats ~~,such as the COVID- 19 pandemic~~ ,catastrophic events,shortages in labor,or shipping problems,any of which may result in delays in the delivery of merchandise to our stores and customers.We rely on the flow of goods through ports worldwide on a consistent basis from factories and suppliers.Disruptions at ports could create significant risks for our business,particularly if these disruptions occur during peak importing times.If we experience significant delays in receiving product,this could result in canceled orders by retailer customers,unanticipated inventory shortages **,** or receipt of seasonal product after the peak selling season,which could have a material adverse effect on our business and operations.In addition,if our merchandise is not delivered to customers in a timely fashion or is damaged or lost during the delivery process,our customers could become dissatisfied and cease shopping on our websites,which could adversely affect our business and operating results.If we encounter issues with our ability to timely and satisfactorily fulfill customer orders,meet customer expectations,manage inventory,and complete sales,our business may be adversely affected.While we maintain business interruption and property insurance, **if** ~~in the event~~ any of ~~our~~ **the** points within our distribution systems were to shut down for any reason or if we were to incur higher costs and longer lead times in connection with a disruption,our insurance may not be sufficient to cover the impact to our business. **Future acquisitions of and investments in** ~~Our failure to manage the transition associated with our Chief Executive Officer,retain our existing senior management team,or continue to attract qualified~~ new ~~personnel could have a material adverse effect on our business~~ **businesses and brands and** ~~.On January 4,2023,we announced our planned succession process relating to the~~ **other growth strategies could disrupt** ~~Company' s CEO role,whereby our current CEO,Roger Rawlins,will step down from his role as CEO and as a member of the Board of Directors effective April 1,2023,or~~ **our** ~~such earlier date as determined by the Board~~ **ongoing business and adversely impact our financial condition and results** of **operations.From** ~~Directors,at which~~ time ~~Doug Howe~~ **to time** , **we may acquire** ~~who currently serves as Executive Vice President of the Company and President of DSW,will assume the CEO role and join the Board of Directors as a Class II director.The CEO transition and any related uncertainty regarding our~~ - **or** ~~future~~ **invest in** ~~business~~ **businesses ,** ~~direction may be disruptive to our~~ - **or we may license brands** ~~business and our relationships with associates and customers.Additionally,the departure of Mr.Rawlins as our CEO and as a member of the Board will result in a loss of institutional knowledge and there can be no assurances~~ that we **believe could complement our business and offer growth opportunities.** For example, ~~Apple For example,in the fourth quarter of 2022,we acquired a 79.4 % ownership interest in Topo,and~~ in the first quarter of 2023,we acquired ~~the~~ Keds ~~business~~ **and in the third quarter of 2023,we licensed the Hush Puppies brand** ,which **both** ~~includes~~ - **include** the use of a transition services arrangement as we work toward ~~integrating~~ - **integration** ~~the Keds business~~ into our existing infrastructure.The expected synergies and contributions to our business as a result of these and other ~~acquisitions or~~ investments may not materialize.Further,such **integrations** ~~acquisitions or investments~~ may disrupt our business or divert the attention of our management.Achieving the expected benefits depends in large part on our successful integration of any ~~newly~~ -- **new** ~~acquired~~ operations,systems,and personnel in a timely and efficient manner.We cannot ensure that all of our integration efforts will be completed on a timely basis,as planned,or without substantial expense,delay,or other operational problems.Until we make substantial progress with our integration efforts,we also face the risk that we may not be able to effectively manage the business and achieve planned results.In addition,the integration process may strain our financial and managerial controls and reporting systems and procedures and may also result in the diversion of management and financial resources from core business objectives. ~~There can~~ **Our integration efforts may not** be ~~no assurance that we will successfully~~ -- **successful** ~~integrate~~ **,** ~~our~~ - **or** ~~businesses or that~~ we ~~will~~ **may not** realize the anticipated benefits ~~of the acquisitions~~ after we complete our integration efforts ~~.In addition,we may,from time to time,evaluate and pursue other strategic investments or acquisitions.These involve various inherent risks and the benefits sought may not be realized.The acquisitions of Topo and the Keds business,or other strategic investments or acquisitions,may not create value and may harm our brand and adversely affect our business,financial condition,and results of operations.Our growth strategies could strain our resources and have a material adverse effect on our business and financial performance~~ .We have a long- term goal of doubling the net sales from our Owned Brands by 2026 (using 2021 net sales as a baseline),while also maintaining our **levels of net** sales ~~levels~~ of national brands.We expect this long- term goal will result in approximately one- third of our total net sales coming from our Owned Brands by 2026.Achieving these priorities depends in part on us executing our **growth** strategies successfully,and the initiatives that we implement in connection with these strategies may not resonate with our customers.We may not be able to realize ~~,in whole or in part,~~ the anticipated benefits of these **growth** strategies **in whole,in part,** or within the expected time frames. **If** ~~In the event that~~ our **growth** strategies do not meet customer expectations or are not differentiated from our competitors' offerings, ~~it~~ **this** may have a material adverse effect on our business.In addition,these efforts could place increased demands on our financial,managerial,operational,and administrative resources. ~~We~~ **In addition,we may from time to time evaluate and pursue other strategic initiatives,investments,or acquisitions.These strategic initiatives,investments,or acquisitions could involve various inherent risks and the benefits sought may not be realized,or these strategic initiatives,investments,or acquisitions may not create value or may harm our brand and adversely affect our business,financial condition,and results of operations.The loss or disruption of IT services could affect our operations and have a material adverse effect on our business.Our IT systems** are ~~investing~~ **an integral part of our strategies for efficiently operating our business,managing operations,and protecting against security risks** ~~released~~ - **related to our electronic processing and transmitting of confidential customer and associate data. The requirements to keep our IT systems operating at peak performance may be higher than anticipated and could strain our capital resources, as well as impact our ability to manage any system upgrades, implement new systems, make management process changes for newly implemented systems, integrate new businesses from transition service arrangements, and prevent any information security breaches. In addition, any significant disruption of our data center could have** a **material adverse effect on our operations dependent on those systems, specifically, our store and e- commerce operations, our distribution centers, and our merchandising team. While we maintain business interruption and property insurance, in the event of a data center shutdown, our insurance may not be sufficient to cover the impact to our business. Our e- commerce operations are important to our business and are subject to various risks of operating online and mobile selling capabilities, such as the failure of our IT infrastructure, including any third- party hardware or** software **, resulting in downtime or other technical issues; inability to respond to technological changes, such as those related to artificial intelligence; credit card fraud; or other information security breaches. Failure to mitigate these risks could reduce e- commerce sales, damage our reputation, and have a material adverse effect on our business. The implementation of new or** ~~update~~ **updated IT systems could result** in ~~2021~~ **significant disruptions to our operations.The interdependence of** our systems creates significant risk to the successful completion of implementing new systems or upgrading existing systems,and the failure of any one system could have a material adverse effect on our overall IT infrastructure.We may experience difficulties as we transition to these new or upgraded systems and processes,including loss or corruption of data,decreases in productivity as our associates and third- party providers become familiar with new systems,and increased costs.Difficulties in implementing new or upgraded information systems or significant system failures could disrupt our operations and have a material adverse effect on our business and results of operations. ~~As a result of the implementation of this new ERP system,we will undergo significant changes in our processes and internal controls.~~ If we are unable to successfully manage ~~these~~ changes as we implement ~~these~~ **new or updated** systems,including harmonizing our systems,data,processes **,** and reporting analytics,our ability to conduct,manage,and control routine business functions could be adversely affected.In addition,we could incur material **,** unanticipated expenses,including additional costs related to implementation.We face risks related to our electronic processing of sensitive and confidential personal and business data.If such data is lost or disclosed in an unauthorized manner,or if we or our third- party vendors are subject to cyberattacks,data breaches,other security incidents,or disruption of IT systems or software,we could be exposed to liability ~~,~~ **or** experience reputational harm, ~~and~~ **which could** have a material adverse effect on our business.Given the nature of our business,we,together with third parties acting on our behalf,receive,collect,process,use,and retain sensitive and confidential customer and associate data and proprietary business information.Our business relies on IT networks and systems to market and sell our products,process financial and personal information,manage a variety of business processes,and comply with regulatory,legal **,** and tax requirements.We also depend on a variety of information systems to effectively process customer orders and other data,for digital marketing activities **,** and for electronic communications ~~among~~ **with** our associates,customers,prospective customers,and vendors.Some of our third- party service providers,such as identity verification and payment processing providers,also regularly have access to customer data.Additionally,we maintain other confidential,proprietary,or otherwise sensitive information relating to our business and ~~our~~ third parties.The IT networks and systems owned,operated,controlled **,** or used by us or our vendors may be susceptible to damage,disruptions or shutdowns,software or hardware vulnerabilities,data breaches,security incidents,supply- side attacks,failures during the process of upgrading or replacing software,databases **,** or components,power outages,natural disasters,hardware failures,attacks by computer hackers,telecommunication failures,user errors,user malfeasance,computer viruses,unauthorized access,phishing or social engineering attacks,ransomware attacks,distributed denial- of- service attacks,brute force,robocalls,and other real or perceived cyberattacks or catastrophic events, ~~all~~ **any** of which may not be prevented by our efforts to secure our computer systems.Any of these incidents could lead to interruptions or shutdowns of our platform,disruptions in our ability to process customer orders or to track,record **,** or analyze the sale of our products,loss or corruption of data **,** or unauthorized access to or acquisition of personal information or other sensitive information,such as our intellectual property.We utilize security tools and controls, **which include reasonable efforts to ensure** that **our third- party vendors maintain sufficient security measures** , **including encryption and authentication technology, in an effort to reduce our cyber risk and protect personal and other sensitive information. However, none of our or our vendors' security measures can provide absolute security. Advances in computer capabilities, increasingly sophisticated tools and methods used** by **hackers and cyber terrorists, new discoveries in the field of cryptography, the potential use of artificial intelligence by cyber- attackers to develop malicious code and launch sophisticated phishing attempts, or other developments may result in our or our vendors' failure or inability to adequately protect personal or other sensitive information. Despite our or our vendors' security measures, we or our vendors may suffer a cyberattack, hackers or other unauthorized parties may gain access to or exfiltrate personal information or other sensitive data, and any such data compromise or unauthorized access may not be discovered in a timely fashion. We rely on associates, contractors, and other third parties who may attempt to circumvent our security measures in order to obtain personal information or other sensitive data and may purposefully or inadvertently cause a breach involving such information. Actual or anticipated attacks may cause us to incur increased costs, including costs to deploy additional personnel and protection technologies, train associates, pay higher insurance premiums, and engage third- party specialists for additional services. An information security breach involving confidential and personal data could damage our reputation, adversely affect our customers' willingness to purchase from us, and adversely affect our vendors' willingness to supply or provide services to us. In addition, we may incur material liabilities and remediation costs as a result of an information security breach, including potential liability for stolen customer or associate data, costs relating to repairing system damage, or costs of providing credit monitoring or other benefits to customers or associates affected by the breach. If we experience an information security breach, our insurance may not be sufficient to cover the impact to our business. Although we have developed mitigating security controls to reduce our cyber risk and protect our data from loss or disclosure due to a security breach, including processes designed to reduce the impact of a security breach at a third- party vendor, such measures cannot provide absolute security. We, and our third- party vendors, regularly experience cyberattacks aimed at disrupting services. Our third- party vendors have been and may be the victim of cyber- related attacks that could lead to operational disruptions that could have an adverse effect on our ability to fulfill customer orders. Security incidents, such as ransomware attacks, are becoming increasingly prevalent and severe, as well as increasingly difficult to detect. We, and our third- party vendors, have been subject to cyber, phishing, and social engineering attacks and other security incidents in the past and may continue to be subject to such attacks in the future. Security breaches can also occur as a result of non- technical issues, including intentional or inadvertent actions by our associates, our third- party vendors, or their personnel, or other parties. If we or our third- party service providers experience security breaches that result in a decline in marketplace performance, availability problems, or the loss of, corruption of, unauthorized access to, or disclosure of personal data or confidential information, customers may become unwilling to provide us with the information necessary for such customers to make purchases on our e- commerce websites, and our reputation and market position could be harmed. Existing customers may also decrease their purchases or close their accounts altogether. We could also face potential claims, investigations, regulatory proceedings, liability, and litigation, and could bear other substantial costs in connection with remediating and otherwise responding to any data security breach, all of which may not be adequately covered by insurance, and which may result in an increase in our costs for insurance or insurance not being available to us on economically feasible terms, or at all. Insurers may also deny us coverage as to any future claim. Any of these results could harm our growth prospects, financial condition, business, and reputation. We, or third parties we rely on, may not be able to fully, continuously, and effectively implement security controls as intended. As described in Item 1C. Cybersecurity, we utilize a risk- based approach and exercise judgment to determine the security controls to implement, and it is possible that we may not implement appropriate controls if we do not recognize or if we underestimate a particular risk. In addition, security controls, no matter how well- designed or implemented, may only mitigate and not fully eliminate risks. Cybersecurity events, when detected by security tools or third parties, may not always be immediately understood or acted upon. Our failure to protect the value of our banners, Owned Brands, or our reputation could have a material adverse effect on our brands. Our success is largely dependent on our ability to provide our customers with a merchandise assortment that they want and our ability to provide a consistent, high- quality customer experience. We believe that maintaining and enhancing the reputation and recognition of our banners and our Owned Brands are critical to our ability to expand and retain our customer base. Any negative publicity about us or the significant brands we offer may reduce demand for our merchandise. Failure to comply with ethical, social, product, labor, health and safety, accounting, or environmental standards could also jeopardize our reputation and potentially lead to various adverse consumer actions. In addition, negative claims or publicity, including on social media, regarding celebrities with whom we have license and endorsement arrangements could adversely affect our reputation and sales, regardless of whether such claims are accurate. Consumer actions could include boycotts and negative publicity through social or digital media. Negative public perception about us or the products we carry, whether justified or not, could impair our reputation, subject us to litigation, damage our brands, or have a material adverse effect on our business. We hold exclusive licensing rights that allow us to design, source, and sell footwear for certain of our key Owned Brands, including Vince Camuto, Jessica Simpson, Lucky Brand, Hush Puppies, and Le Tigre.**

We rely on our ability to retain and maintain good relationships with the licensors and their ability to maintain strong, well- recognized brands and trademarks. The terms of our license agreements vary and are subject to renewal with various termination provisions, and we may not be able to renew these licenses. Even our longer- term or renewable licenses are typically dependent upon our ability to market and sell the licensed products at specified levels, and our failure to meet such levels may result in the termination or non- renewal of such licenses. Furthermore, many of our license agreements require minimum royalty payments, and if we are unable to generate sufficient sales and profitability to cover these minimum royalty requirements, we may be required to make additional payments to the licensors, which could have a material adverse effect on our business and results of operations. The value of the brands we sell may also depend on the success of our corporate social responsibility (" CSR") and sustainability initiatives, which require Company- wide coordination and alignment. Risks associated with these initiatives include any increased public focus, including by governmental and nongovernmental organizations, new laws and regulations, increased costs associated with sustainability efforts and / or compliance with laws and regulations, as well as increased pressure to expand our CSR and sustainability disclosures in these areas, make commitments, set targets, or establish additional goals and take actions to achieve such targets and goals. All of the foregoing could expose us to market, operational, and execution costs or risks. Any CSR or sustainability metrics that we currently or may in the future disclose, whether based on the standards we set for ourselves or those set by others, or our failure to achieve any CSR or sustainability metrics that we currently or may in the future disclose, may influence our reputation and the value of the brands that we offer. There is also increased focus, including by investors, customers, and other stakeholders, on CSR and other sustainability matters, including the use of plastic, energy, waste, and worker safety. Our reputation could be damaged if we do not, or are perceived to not, act responsibly with respect to sustainability matters, which could also have a material adverse effect on our business, results of operations, financial position, and cash flows. We are dependent on our customer loyalty programs and marketing to drive traffic, sales, and loyalty, and any decrease in membership or purchases from members could have a material adverse effect on our business. Customer traffic is influenced by our marketing methods and our loyalty programs. We rely on our loyalty programs to drive customer traffic, sales, and purchase frequency. Loyalty members earn points toward discounts on future purchases through our VIP rewards programs in the U. S. and Canada. We employ a variety of marketing methods, including email, direct mail, and social media, to communicate product offerings and various promotions and discounts to all of our customers, as well as exclusive offers to our rewards members. As of February 3, 2024, we had 32. 1 million members enrolled in our loyalty programs who have made at least one purchase over the last two years. In 2023, shoppers in the loyalty programs generated approximately 90 % of the combined U. S. Retail and Canada Retail segments' net sales. If our rewards members decrease their purchase frequency or do not continue to shop with us, we fail to add new members, the number of members decreases, or our marketing is not effective in driving customer traffic, such event could have a material adverse effect on our business. Our failure to retain our existing senior management team or continue to attract qualified new personnel could have a material adverse effect on our business. The success of our business is dependent on the continuation of an experienced and talented management team. If we were to lose the benefit of the experience, efforts, and abilities of any of our key executives or members of senior management, our business could be adversely affected. We have entered into employment agreements with certain of our key executives and also offer compensation packages designed to attract and retain talent. In addition, our ability to manage our business will require us to continue to train, motivate, and develop our associates to maintain a high level of talent for future challenges and succession planning. Competition for these types of personnel is intense, and we may not be successful in attracting and retaining the personnel required to grow and operate our business. Our ABL Revolver and Term Loan contain restrictions that could limit our ability to fund operations, which could adversely affect our business. Funds drawn under our ABL Revolver may be used for working capital purposes, capital expenditures, share repurchases, other expenditures, and permitted acquisitions, as defined in the ABL Revolver. The amount of credit available under the ABL Revolver is limited to a borrowing base formulated on, among other things, a percentage of the book value of eligible inventory and credit card receivables, as reduced by certain reserves. Consequently, it is possible that, should we need to access any additional funds from our ABL Revolver, such funds may not be available in full. The ABL Revolver requires us to maintain a fixed charge coverage ratio of not less than 1: 1 when availability is less than the greater of $ 47. 3 million or 10. 0 % of the maximum borrowing amount. Our ABL Revolver and Term Loan also contain customary covenants restricting our activities, including limitations on our ability to sell assets, engage in acquisitions, enter into transactions involving related parties, incur additional debt, grant liens on assets, pay dividends, repurchase stock, and make certain other changes. There are specific exceptions to these covenants, including, in some cases, upon satisfying specified payment conditions based on availability. The ABL Revolver and Term Loan contain customary events of default, ~~blocks advertisers~~ including failure to comply with certain financial and other covenants. Upon an event of default that is not cured or waived within the applicable cure period, in addition to other remedies that may be available to the lenders, our obligations may be accelerated, outstanding letters of credit may be required to be cash collateralized, and remedies may be exercised against the collateral. RISKS RELATING TO EXTERNAL FACTORS Our international operations and reliance on foreign- sourced merchandise exposes us to risks associated with international matters. We have key international operations in various locations, including Canada, China, and Brazil, and we face risks inherent in sourcing our merchandise from ~~tracking certain mobile device activity unless affirmative consent is~~ third- party manufacturers and national brand vendors with foreign operations. Our operations may be adversely affected by international political, economic, and social instability; local laws and customs; legal and regulatory constraints, including compliance with applicable anti- bribery, anti- corruption, labor, trade, and foreign tax laws; local business practices, including compliance with foreign laws and with domestic

and international labor standards; and currency laws and regulations. Risks may also include, among others, public health threats, which has in the past materially adversely impacted our business; inclement weather and natural disasters; international hostilities, acts of war, including the ongoing war in Ukraine and the Israel- Hamas war, the recent militant attacks on cargo vessels in the Red Sea, which ultimately could adversely impact supplier deliveries or freight costs, or terrorism; increases in shipping costs; transportation delays and interruptions, including increased inspections of import shipments by domestic authorities or the occurrence of international trade disruptions; work stoppages; expropriation or nationalization; changes in foreign government administration and governmental policies; changes in import duties or quotas; cost and difficulties associated with managing operations outside of the U. S.; possible adverse tax consequences from changes in tax laws or the unfavorable resolution of tax assessments or audits; and greater difficulty in enforcing intellectual property rights. Additionally, fluctuations in foreign currency exchange rates may negatively impact our financial results. With a substantial portion of our merchandise being imported from foreign countries, any of these events could result in our failure to ~~obtained~~ -- **obtain merchandise in a timely manner, which ultimately could have a material adverse effect on our business, financial condition, or results of operations. We require our business partners to operate in compliance with applicable laws and regulations and our internal requirements. However, we do not control such third parties or their labor and business practices. The violation of labor or other laws by any one of our vendors could have a material adverse effect on our business** . We are subject to stringent and changing privacy laws, regulations, and standards, as well as policies, contracts, and other obligations related to data privacy and security. Our failure to comply with privacy laws and regulations, as well as other legal obligations, could have a material adverse effect on our business. State, federal, and foreign governments have enacted and are continuing to enact laws and regulations governing the collection, use, retention, sharing, transfer, and security of personally identifiable information and data. Our business is subject to a variety of federal, state, local, and foreign laws and regulations, orders, rules, codes, regulatory guidance **,** and certain industry standards regarding privacy, data protection, consumer protection, information security **,** and the processing of personal information and other data. For example, the California Consumer Privacy Act of 2018 (" CCPA") ~~, which took effect on January 1, 2020,~~ imposes certain restrictions and disclosure obligations on businesses that collect personal information about California residents and provides for a private right of action, as well as penalties for noncompliance. The CCPA provides for civil penalties for violations and creates a private right of action for certain data breaches that is expected to increase data breach litigation. **In addition,** ~~It remains unclear how various provisions of~~ the ~~CCPA will be interpreted and enforced. The~~ California Privacy Rights Act (" CPRA") ~~, which was passed in November 2020 and~~ took effect in January 2023 (with a look- back for certain requirements to January 2022), **which** amends and expands the CCPA and places additional restrictions on the" sharing" of personal information for purposes of cross- context behavioral advertising. We **are** ~~may be~~ subject to additional **state** privacy regulations ~~in the future~~ , including the Virginia Consumer Data Protection Act ~~and~~ **,** the Colorado Privacy Act, ~~both of~~ **the Connecticut Data Privacy Act, and the Utah Consumer Privacy Act,** which regulate the processing of" personal data" regarding their respective residents and **which** grant residents certain rights with respect to their personal data. State laws are changing rapidly, and new legislation proposed or enacted in a number of other states imposes, or has the potential to impose, additional obligations on companies that process confidential, sensitive and personal information, and will continue to shape the data privacy environment nationally. The U. S. federal government is also significantly focused on privacy matters. We are subject to other consumer protection laws ~~, including California' s Consumer Legal Remedies Act~~ and ~~unfair competition and false advertising laws, the Fair and Accurate Credit Transactions Act and the Telephone Consumer Protection Act, Canada' s Anti- Spam Law, the CCPA, the CPRA and other recently enacted consumer data protection laws. Additionally,~~ the regulatory environment is increasingly demanding with frequent new and changing requirements concerning cybersecurity, information security **,** and privacy, which may be inconsistent from one jurisdiction to another. Any failure by us or any of our business partners to comply with applicable laws, rules, and regulations may result in investigations or actions against us by governmental entities, private claims and litigation, fines, penalties **,** or other liabilities. Such events may increase our expenses, expose us to liabilities **,** and harm our reputation, which could have a material adverse effect on our business. While we aim to comply with applicable data protection laws and obligations in all material respects, ~~there is no assurance that~~ we **could** ~~will not~~ be subject to claims that we have violated such laws and obligations, ~~will~~ **we may not** be able to successfully defend against such claims, ~~or will not~~ **and we could** be subject to significant fines and penalties in the event of non- compliance. Additionally, to the extent multiple state- level laws are introduced with inconsistent or conflicting standards and there is no federal law to preempt such laws, compliance with such laws could be difficult and costly to achieve, or impossible to achieve, and we could be subject to fines and penalties in the event of non- compliance. ~~Legislative~~ **Extreme or unseasonable weather conditions in locations where we and** ~~or~~ **our vendors operate** ~~regulatory initiatives related to climate change~~ could have a material adverse effect on our business. ~~Greenhouse gases may have an adverse effect on global temperatures, weather patterns, and the frequency and severity of extreme weather and natural disasters. Such events could have a negative effect on our business. Concern over climate change may result in new or additional legislative and regulatory requirements to reduce or mitigate the effects of climate change on the environment, which could result in future tax, transportation cost, and utility increases. Moreover, natural disasters and extreme weather conditions may impact the productivity of our facilities, the operation of our supply chain, or consumer buying patterns and the predictability thereof. Any of these risks could have a material adverse effect on our business. Uncertainty in future changes to legislation, regulatory reform, or policies, other than those previously discussed, could have a material adverse effect on our business. Laws, regulations, and policies in various jurisdictions may be subject to significant change due to economic, political, and other conditions. Such changes, including additional taxes and tariffs, may result in additional costs to our business and could require us to increase prices to our customers or, if unable to do so, result in a material adverse effect on our financial performance. RISKS RELATING TO OUR COMMON SHARES Our amended and restated articles of incorporation, amended and restated code of regulations, and Ohio state law~~

~~contain provisions that may have the effect of delaying or preventing a change in control of Designer Brands. This could adversely affect the value of our Class A common shares. Our amended and restated articles of incorporation authorize our Board of Directors to issue up to 100 million preferred shares and to determine the powers, preferences, privileges, rights, including voting rights, qualifications, limitations, and restrictions on those shares, without any further vote or action by the shareholders. The rights of the holders of our Class A common shares will be subject to, and may be adversely affected by, the rights of the holders of any preferred shares that may be issued in the future. The issuance of preferred shares could have the effect of delaying, deterring, or preventing a change in control and could adversely affect the voting power of our common shares. In addition, provisions of our amended and restated articles of incorporation, amended and restated code of regulations, and Ohio law, together or separately, could discourage potential acquisition proposals, delay, or prevent a change in control, or limit the price that certain investors might be willing to pay in the future for our common shares. Among other things, these provisions establish a staggered board, require a super- majority vote to remove directors, and establish certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered at shareholders' meetings. We do not expect a trading market for the Company' s Class B common shares to develop and, therefore, any investment in the Class B common shares may be effectively illiquid, unless such shares are converted into the Company' s Class A common shares. There is currently no public market for the Company' s Class B common shares. We do not intend to list the Class B common shares on any securities exchange or any automated quotation system. As a result, there can be no assurance that a secondary market will develop, and we do not expect any market makers to participate in a secondary market. Because the Class B common shares are not listed on a securities exchange or an automated quotation system, it may be difficult to obtain pricing information with respect to the shares. Accordingly, there may be a limited number of buyers if a holder decides to sell its Class B common shares. This may affect the price a holder would receive upon such sale. Alternatively, a holder of such shares could convert them into Class A common shares, on a share- for- share basis, prior to selling. However, such conversion could affect the timing of any such sale, which may in turn affect the price a holder may receive upon such sale. Entities owned by or controlled by Jay L. Schottenstein, the Executive Chairman of our Board of Directors, and members of his family (the" Schottenstein Affiliates") directly control or substantially influence the outcome of matters submitted for shareholder votes, and their interests may differ from other shareholders. As of January 28, 2023, the Schottenstein Affiliates beneficially owned approximately 23 % of the Company' s outstanding common shares, representing approximately 58 % of the combined voting power, consisting of, in the aggregate, 7. 0 million Class A common shares (which are entitled to one vote per share) and 7. 7 million Class B common shares (which are entitled to eight votes per share). The Schottenstein Affiliates directly control or substantially influence the outcome of matters submitted to our shareholders for approval, including the election of directors, approval of mergers or other business combinations, and acquisitions or dispositions of assets. The interests of the Schottenstein Affiliates may differ from or be opposed to the interests of other shareholders, and their level of ownership and voting power in the Company may have the effect of delaying or preventing a subsequent change in control that may be favored by other shareholders. The Schottenstein Affiliates engage in a variety of businesses, including, but not limited to, business and inventory liquidations, apparel companies, and real estate investments. Opportunities may arise in the area of potential competitive business activities that may be attractive to the Schottenstein Affiliates and us. Our amended and restated articles of incorporation provide that the Schottenstein Affiliates are under no obligation to communicate or offer any corporate opportunity to us. In addition, the Schottenstein Affiliates have the right to engage in similar activities as us, do business with our suppliers and customers, and, except as limited by agreement, employ or otherwise engage any of our executives or associates. Furthermore, as a" controlled company" within the meaning of the New York Stock Exchange (the" NYSE") rules, the Company qualifies for, and in the future may opt to rely on, exemptions from certain corporate governance requirements, including having a majority of independent directors, as well as having nominating and corporate governance and compensation committees composed entirely of independent directors.~~