Risk Factors Comparison 2023-05-26 to 2022-05-27 Form: 10-K

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Our short and long- term success is subject to numerous risks and uncertainties, many of which involve factors that are difficult to predict or beyond our control. As a result, investing in our common stock involves substantial risk. Before deciding to purchase, hold or sell our common stock, stockholders and potential stockholders should carefully consider the risks and uncertainties described below, in addition to the other information contained in or incorporated by reference into this Annual Report, as well as the other information we file with the SEC. If any of these risks are realized, our business, financial condition, results of operations, and prospects could be materially and adversely affected. In that case, the value of our common stock could decline, and stockholders may lose all or part of their investment. Furthermore, additional risks and uncertainties of which we are currently unaware, or which we currently consider to be immaterial, could have a material adverse effect on our business. Certain statements made in this section constitute " forward- looking statements, " which are subject to numerous risks and uncertainties including those described in this section. Refer to the section entitled " Cautionary Note Regarding Forward- Looking Statements " within this Annual Report for additional information. Risks Related to Our Business and Industry ~~Health epidemics~~ **The footwear, apparel, and accessories industry is subject to rapid changes in consumer preferences, and if we do not accurately anticipate and promptly respond to consumer demand and spending patterns** , including ~~the pandemic~~ **by successfully introducing new products** , **we** ~~have had, and~~ could **lose sales** ~~in the future have~~ , ~~a material adverse impact on~~ our **relationships with** ~~business, operations, liquidity, financial condition, results of operations, the operations of our~~ customers **could be harmed, and our** ~~and~~ **brand** ~~business partners~~ **loyalty could be diminished. The footwear** , **apparel,** and ~~the markets and communities~~ **accessories industry is subject to rapid changes** in **consumer preferences and fashion tastes,** which **make it difficult** ~~we, our customers, and our partners operate. Since 2020, the pandemic has had, and in the future other public health crises or epidemics could have, repercussions across local, regional, and global economies and financial markets. The pandemic has driven global uncertainty, disrupted consumer spending and consumer supply chains, contributed~~ to **anticipate** ~~global shipping delays and port congestions, and created significant volatility and disruption of financial markets. Global supply chain disruptions during fiscal year 2022 negatively impacted our profitability and could continue to do so in future periods, which could have a material adverse effect on our financial condition and results of operations. In addition, the~~ demand for our products and **forecast** ~~our financial condition could be adversely impacted due to a number of other factors in connection with this or~~ **our** ~~other pandemics, including the following: • reduced demand for certain products, including as a result of decreased store traffic due to retail store closures, social distancing restrictions or changes in consumer behavior; • a deterioration in our ability, or the ability of our customers, to operate in affected regions; • reduced availability of our supply of raw materials; • the impact on and recovery time of our supply chain, including consequential staffing shortages and manufacturing and shipping delays; • the failure of key business partners to provide services for our efficient operations, including the inability of our manufacturers or third- party distributors to timely fulfill their obligations to us; and • financial difficulties facing our customers, which could cause them to be unable to make or delay making payments to us or result in order cancellations for our product offerings. We expect any further spread of the pandemic or the threat or perception that this could occur, or any protracted duration of decreased economic activity, could have a material adverse effect on our business, operations and~~ financial results. **Our success is driven** ~~Further, we experienced an increase in sales of certain of our products that are desirable~~ to ~~wear within the work- from- home~~ **some** ~~environment~~ **extent by brand loyalty** , and there can be no assurance that consumers will continue ~~purchasing such products as they transition back into the workplace and travel restrictions are relaxed. Many of our products are inherently seasonal, and the sales of certain of our products are highly sensitive to weather conditions, which makes it difficult to anticipate consumer demand for our products, manage our expenses, and forecast our financial results. Due to the nature of our product offerings, sales of our products are inherently seasonal. Historically, the highest percentage of UGG and Koolaburra brand net sales have occurred during the fall and winter (our second and third fiscal quarters), and the highest percentage of Teva and Sanuk brand net sales have occurred during the spring and summer (our first and fourth fiscal quarters). Net sales for the HOKA brand occur more evenly throughout the year reflecting the brand' s year- round performance product offerings. Due to the magnitude of the UGG brand relative to our other brands, seasonal trends have resulted in our net sales for the second and third fiscal quarters significantly exceeding that of the first and fourth fiscal quarters. While we continue to diversify and expand our product offerings by creating more year- round styles and focus on increasing HOKA brand net sales as a percentage of our aggregate net sales to positively impact our seasonality trends, we expect our quarterly net sales to fluctuate for the foreseeable future. Sales of certain of our products are highly sensitive to weather conditions, which are difficult to predict and beyond our control. For example, extended periods of unseasonably warm weather during the fall or winter may significantly reduce demand for our UGG brand products. Unfavorable or unexpected weather patterns may have a material, negative impact on our business, financial condition, results of operations and prospects, and the effects of climate change may pronounce these conditions. In addition, the unpredictability of weather conditions makes it more difficult for us to accurately forecast our financial results and meet the expectations of analysts and investors. Due to the relative concentration of our sales in certain months of the year, factors impacting consumer spending patterns in those months, such as unexpected weather patterns, declines in consumer confidence, changing consumer preferences, uncertain economic conditions, or inflation will disproportionately impact our business and could result in our failure to achieve financial performance that is in line with our expectations or the expectations of market participants. In addition, significant fluctuations in our financial performance due to these or other factors could increase the volatility of our~~

~~stock price, which could cause our stock price to decline. The footwear, apparel, and accessories industry is subject to rapid changes in consumer preferences, and if we do not accurately anticipate and promptly respond to consumer demand and spending patterns, we could lose sales, our relationships with customers could be harmed, and our brand loyalty could be diminished. The footwear, apparel, and accessories industry is subject to rapid changes in consumer preferences and fashion tastes, which make it difficult to anticipate demand for our products and forecast our financial results. Our success is driven to some extent by brand loyalty, and there can be no assurance that consumers will continue~~ to prefer our brands. Consumer demand for our products depends in part on the continued strength of our brands, which in turn depends on our ability to anticipate, understand **,** and promptly respond to the rapidly changing preferences and fashion tastes, as well as consumer spending patterns **, with appealing merchandise** . As our brands and product offerings evolve, it is necessary for our products to appeal to an even broader range of consumers whose preferences cannot be predicted with certainty. Many of our products, particularly **from** our UGG brand ~~product offerings~~ , include a fashion element and could go out of style at any time **. New footwear models that we introduce may not be successful with consumers or our brands may fall out of favor with consumers. If we are unable to anticipate, identify, or react appropriately to changes in consumer preferences, our revenues may decrease, our brands' image may suffer, our operating performance may decline, and we may not be able to execute our growth plans. Even if we develop and manufacture new footwear products that consumers find appealing, the ultimate success of a new style may depend on our pricing, and we may set the prices of new styles too high for the market to bear** . Further, the value of our brands is largely based on evolving consumer perceptions, including as a result of shifting ethical, political or social standards, and concerns with respect to factors such as product quality, product design, technical performance, product components or materials, including the sustainability of products or materials, or customer service, could result in negative perceptions and a corresponding loss of brand loyalty and value. These concerns may be exacerbated by legislation restricting our ability to use certain materials in our products, as well as negative publicity regarding us or our products, brands, marketing campaigns, partners **,** or celebrity endorsers, which could adversely affect our reputation and sales regardless of the accuracy of such claims. Social media **and digital marketing campaigns** , which accelerates the dissemination of information, can increase the challenges of containing any such negative claims. If consumers begin to have negative perceptions of our brands, whether or not warranted, our brand image would become tarnished and our products would become less desirable, which could have a material adverse effect on our business **. Failure to gain market acceptance for new products could impede our ability to maintain or grow current revenue levels, reduce profits, adversely affect the image of our brands, erode our competitive position, and result in long- term harm to our business and financial results** . Changes in economic conditions may adversely affect our financial condition and results of operations. Volatile economic conditions and general changes in the market have affected, and will likely continue to affect, consumer spending generally and the buying habits and preferences of consumers. A significant portion of the products we sell, especially those sold under the UGG and HOKA brands, are premium retail products. The purchase of these products by consumers is largely discretionary and is therefore highly dependent upon the level of consumer confidence and discretionary spending, particularly among affluent consumers. Sales of these products may be adversely affected by factors such as worsening economic conditions, consumer confidence in future economic conditions, changes to fuel and other energy costs, labor **,** and healthcare costs, declines in income or asset values, and increases in consumer debt levels, inflation and interest rates, and unemployment rates. Uncertainty in global economic conditions continues, particularly in light of ~~the impacts of the pandemic, and~~ - **an** ~~trends~~ **anticipated economic downturn, causing unpredictability** in consumer discretionary spending **trends** ~~remain unpredictable~~ . During an actual or perceived economic downturn, fewer consumers may shop for our products, and those who do may limit the amount of their purchases or substitute less costly products for our products. As a result, we could be required to reduce the price we can charge for our products or increase our marketing and promotional expenses to generate additional demand for our products. In either case, these changes could reduce our sales and profitability, which could have a material adverse effect on our financial condition and results of operations. We sell a large portion of our products through higher- end specialty and department store retailers, as well as through online marketplaces such as Amazon. com. The businesses of these customers may be ~~impacted~~ **affected** by factors such as changes in economic conditions **, recent failures in the US banking system** , reduced consumer demand for premium products, decreases in available credit, and increased competition. If our customers face financial difficulties, it could have an adverse ~~impact~~ **effect** on our estimated allowances and reserves, and potentially result in us losing key customers. We face intense competition from both established companies and newer entrants into the market, and our failure to compete effectively could cause our market share to decline, which could harm our reputation and have a material adverse ~~impact~~ **effect** on our financial condition and results of operations. The footwear, apparel, and accessories industry is highly competitive and subject to changing consumer preferences and tastes. Our inability to compete effectively could cause our market share to decline, which could harm our reputation and have a material adverse ~~impact~~ **effect** on our financial condition and results of operations. Our competitors include both established companies and newer entrants into the market. In particular, we believe that, as a result of the growth of the UGG and HOKA brands, certain competitors have entered the marketplace specifically in response to the success of our brands, and other competitors may do so in the future. A number of our larger competitors have significantly greater financial, technological, engineering, manufacturing, marketing, and distribution resources than we do, as well as greater brand awareness in the footwear, apparel, and accessories markets among consumers. Further, these competitors may have relationships with our key retail customers that are potentially more important to those customers because of the significantly larger volume and product mix that our competitors sell to them. Our competitors' greater resources and capabilities in these areas may enable them to more effectively compete on the basis of price and production, develop new products more quickly or with superior technical capabilities, market their products and brands more successfully, identify or influence consumer preferences, increase their market share, withstand the ~~impacts~~ **effects** of seasonality, and manage periodic downturns in the footwear, apparel, and accessories industry or in economic conditions generally. With respect to newer entrants into the market, we believe that factors such as access to offshore manufacturing and changes in technology will make it easier and more cost effective for these companies to compete with us. As a result of the competitive environment in which we operate, we have faced, and expect to continue to face, intense pricing pressure. Efforts by our competitors to dispose of their excess inventories may significantly reduce prices of competitive products, which may put pressure on us to reduce the pricing of our products to compete, or cause consumers to shift their purchasing decisions away from our products entirely. We have also faced, and expect to continue to face, intense pressure with respect to competition for key customer accounts and distribution channels. Further, we believe that our key customers face intense competition from their competitors, which could negatively ~~impact~~ **affect** the financial stability of their businesses and their ability to conduct business with us . If we fail to compete effectively...... operate our business could be adversely affected . If we are unsuccessful at managing product manufacturing decisions **to offset the inherent seasonality of our business, especially given our evolving product offerings** , we may be unable to accurately forecast our inventory and working capital requirements, which may have a material adverse ~~impact~~ **effect** on our financial condition and results of operations. Like other companies in our industry, we have an extended design and manufacturing process, which involves the initial design of our products, the purchase of raw **and other** materials, the accumulation of inventories, the subsequent sale of the inventories, and the collection of the resulting accounts receivable. This production cycle requires us to incur significant expenses relating to the design, manufacturing **,** and marketing of our products in advance of the realization of revenue from the sale of our products, and results in significant liquidity requirements and working capital fluctuations throughout our fiscal year. Because this cycle involves long lead times, which require us to make manufacturing decisions months in advance of an anticipated purchasing decision by the consumer, it is challenging to estimate and manage our inventory and working capital requirements ~~, which has been~~ **. This may be** exacerbated by supply chain disruptions **that may drive higher** ~~. For example, our~~ inventory **procurement positions** ~~in transit as of the end of our third and fourth fiscal quarters ended December 31, 2021, and March 31, 2022, respectively, was significantly higher than~~ **that could** ~~our inventory in transit in the comparable periods during fiscal year 2021, and these pressures have~~ negatively ~~impacted~~ **affect** our gross ~~margin~~ **margins** ~~and may continue~~ **resulting from a need** to ~~do so in future periods~~ **sell excess quantities though close out channels** . Further, once manufacturing decisions are made, it is difficult for our management to predict and timely adjust expenses **, accurately forecast our financial results, and meet the expectations of analysts and investors,** in reaction to various factors, including the following: • the ~~impacts~~ **effects** of unfavorable **or unexpected** weather patterns on consumer spending and demand for our products **, as the sales of a majority of our UGG brand products are inherently seasonal and the further effects of climate change may pronounce these conditions** ; • changes in consumer preferences, tastes, discretionary spending, and prevailing fashion trends; • market acceptance of our current products and new products, and of competitive products; • future sales demand from our customers; • the competitive environment, including pricing pressure from reduced pricing of competitive products, which may cause consumers to shift their purchasing decisions away from our products; • delays in resource or product availability due to ~~impacts~~ **effects** from the pandemic; and • uncertain macroeconomic and political conditions. The evolution and expansion of our brands and product offerings has made our inventory management activities more challenging. For example, if we overestimate demand for any products or styles, we may be forced to incur significant markdowns or sell excess inventories at reduced prices, which would result in lower revenues and reduced gross margin **, and we may not be able to recover our investment in the development of new styles and product lines** . On the other hand, if we underestimate demand, or if our independent manufacturing facilities are unable to supply products in sufficient quantities, we may experience inventory shortages that may prevent us from fulfilling customer orders or result in us delaying shipments to customers. If that occurred, we could lose sales, our relationships with customers could be harmed, and our brand loyalty could be diminished. In either event, these factors could have a material adverse ~~impact~~ **effect** on our financial condition and results of operations. ~~It may~~ **We rely upon a number of warehouse and distribution facilities to operate our business, and any damage to one of these facilities, or any disruptions caused by incorporating new facilities into our operations, could have a material adverse effect on our business. We rely upon a broad network of warehouse and distribution facilities to store, sort, package and distribute our products. In the US, we distribute products primarily through self- managed US DCs, including in Moreno Valley, California, and in Mooresville, Indiana, which feature a complex warehouse management system that enables us to efficiently pack products for direct shipment to our customers. Further, as part of our strategy to expand our DCs in the US, in February 2023, we began the build- out of a third US DC located in Mooresville, Indiana, and expect it to** be ~~difficult~~ **operational during our next fiscal year ending March 31, 2024 (next fiscal year). We expect our domestic DC expansion** to ~~identify new retail store~~ **create long- term capacity for the domestic growth of the UGG and HOKA brands. We could face a significant disruption in our domestic DC operations if our warehouse management system does not perform as anticipated or ceases to function for an extended period of time, which could occur due to damage to the facility, failure of software or equipment, cyber- security incidents, power outages or similar problems. In addition, if our domestic DC operations and scaling efforts are impeded or delayed for any reason, it could result in shipment delays or the inability to deliver product at all, which would result in lost sales, strain our relationships with customers, and cause harm to our reputation, any of which could have a material adverse effect on our business. We depend on 3PLs to manage the operation of their DCs as necessary to meet our business needs in certain markets. Internationally, we distribute our products through DCs managed by 3PLs in certain international** locations ~~that meet~~ **. We also distribute our products through a domestic 3PL located in Pennsylvania. If our 3PLs fail to manage these responsibilities, our distribution operations could face significant disruptions. The loss of** ~~our~~ - **or** ~~requirements, and~~ **disruption to the operations of** any ~~new retail stores~~ **one or more of these facilities could materially adversely affect our sales, business performance, and results of operations. Although we believe we possess adequate insurance to cover the potential effect of a disruption to the operations of these facilities, such insurance** may not ~~realize returns~~ **be sufficient to cover all of our potential losses and may not continue to be available**

to us on **acceptable terms,** ~~our~~ - **or** ~~investments~~ **at all. We rely upon independent manufacturers for most of our production needs, and the failure of these manufacturers to manage these responsibilities would prevent us from filling customer orders, which would result in loss of sales and harm our relationships with customers. We rely on independent manufacturers and their respective material suppliers for most of our production needs, the majority of which are located in China and Vietnam, and we do not have direct control over these manufacturers or their suppliers** . We expect **these manufacturers** to ~~continually review~~ **finance the production of goods ordered, maintain manufacturing capacity, comply with** our ~~retail~~ **policies, including our Supplier Code of Conduct and restricted substances policy, and** store **finished goods in a safe** ~~fleet and may simultaneously identify opportunities for closure of underperforming locations~~ - **location** ~~while opening~~ - **pending shipment** ~~new retail stores at different locations~~ . **If** ~~Global store openings involve substantial investments, including those~~ **these** ~~relating~~ **manufacturers fail** to ~~leasehold improvements~~ **manage these responsibilities** , ~~furniture and fixtures, equipment, information systems, inventory, and personnel. Because a certain amount of our~~ - **or** ~~retail store costs are fixed,~~ if **they experience significant disruption to their business** ~~we have insufficient sales at a new store location~~ , we may be unable to ~~avoid losses~~ **ensure timely delivery of products, products may not be delivered in sufficient quantities, or products may fail to meet** ~~or~~ **our quality standards** ~~negative cash flows~~ . ~~The closure~~ **Further, because most** of ~~a retail store~~ **our independent manufacturers are concentrated in Asia, we may be subject to** ~~can~~ - **an increased risk of supply chain disruption, particularly in the event of a natural disaster, epidemic, geopolitical tensions, or other event affecting the region outside of our control. If any of these were to occur, we may not be able to timely source raw and other materials, manufacture product, or fill customer orders, or product delivered may not meet our quality standards, which would** result in ~~a significant negative financial impact, including~~ lost sales ~~, write~~ **and harm to our relationships with customers. We do not currently have long** - **term contracts with our independent manufacturers** ~~offs of retail store assets and inventory~~ , ~~lease termination costs,~~ and ~~severance costs. In light of these costs and impairments, we conduct a thorough diligence process and apply stringent financial parameters when assessing whether to open a new retail store location. However,~~ there can be no assurance **of a long- term, uninterrupted supply of products from them. While we do have long- standing relationships with most of these manufacturers, any of them may unilaterally terminate their relationship with us at any time, seek to increase the prices they charge, or extract other concessions from us, and we may not be able to substitute alternative manufacturers** that **are capable of providing products of a comparable quality, in a sufficient quantity, at an acceptable price, or on a timely basis. If we are required to find alternative manufacturers, we could experience a delay in the manufacturing of our products, increased manufacturing costs, as well as substantial disruption to our business,** any **of which could negatively affect** ~~new retail location will generate a positive return on our investment or~~ **our** ~~increase~~ **results of operations. Interruptions in the supply of our products can also result from adverse events that impair the operations of our manufacturers. For example, we keep proprietary materials that are required for the production of our products, such as shoe molds and other materials, under the custody of our independent manufacturers. If these independent manufacturers were to lose** ~~our~~ - **or damage these proprietary materials, we cannot be assured that the manufacturers would have adequate insurance to cover such loss or damage, and, in any event, the replacement of such materials would likely result in significant delays in the production of our products, which could result in a loss of** sales . Furthermore, we license the right...... in reduced sales and cause our brand -- **and earnings** ~~image to suffer. We continue to evaluate our partner retail strategy and our retail approach in international markets in response to changes in consumer demand, retail store traffic patterns, and our brand and regional strategies~~ . Our financial success is influenced by the success of our customers, and the loss of a key customer could have a material adverse effect on our financial condition and results of operations. Much of our financial success is directly related to the ability of our retailer and distributor partners to successfully market and sell our brands directly to consumers. If a partner fails to satisfy contractual obligations or otherwise meet our expectations, or experiences a closure or other operational issues, it may be difficult to locate an acceptable substitute partner. If we determine that it is necessary to make a change, we may experience increased costs, loss of customers, or increased credit or inventory risk. In addition, there is no guarantee that any replacement partner will generate results that are more favorable than the terminated party. We currently do not have long- term contracts with our customers. As a result, we face the risk that key customers may not increase their business with us as we expect or may significantly decrease their business with us or terminate our relationship. Although no single customer accounted for 10. 0 % or more of our net sales during fiscal year ~~2022~~ **2023** , the failure to increase or maintain our sales with our key customers as much as we anticipate would have a negative ~~impact~~ **effect** on our growth prospects and any decrease or loss of these customers' business could result in a material decrease in our net sales and net income or loss if we are unable to capture these sales through our DTC channel. Further, as of March 31, ~~2022~~ **2023** , we have ~~one~~ **no** ~~customer~~ **customers** that ~~represents~~ - **represent** ~~11~~ **10** . ~~2~~ **0** % of trade accounts receivable, net. Trade accounts receivable, net are typically unsecured and are thus subject to the increased risk of us being unable to collect on overdue amounts, or us doing so in a timely manner, which could ~~impact~~ **affect** our revenue and liquidity. Further, while we have distributor contracts with terms of up to five years, these contracts may have annual purchase minimums which must be met to retain the distribution rights, and these distributors are not otherwise obligated to purchase our products. Sales to our customers are generally on an order- by- order basis and may be cancelled or rescheduled by our customers. We rely on purchase order delivery dates as a key factor to forecast our sales and earnings for future periods, and if our customers postpone, reduce, or discontinue purchases from us, we could fail to meet our forecasted results. These risks have been exacerbated as key customers operate within a retail industry that continues to undergo significant structural changes fueled by technology, changes in consumer purchasing behavior, ~~and~~ a shrinking retail footprint **and recent changes in economic conditions, such as an anticipated economic downturn and bank failures** . These trends have been further intensified by the pandemic. We may lose key customers if they fail to manage the ~~impact~~ **effect** of this rapidly changing retail environment. Any loss of one of these key customers, or a significant reduction in purchases from one of these customers, could result in a significant decline in sales, write- downs of excess inventory, or increased discounts to our customers, any of which could have a material adverse effect on our financial condition or results of operations. Further, a key customer may dispose of their excess inventories to consumers or unauthorized sellers at significantly reduced prices, which may put pressure on us to reduce our prices to compete, or cause consumers to shift their purchasing decisions away from our authorized sellers entirely. We depend on qualified personnel and, if we are unable to retain or hire executive officers, key employees **,** and skilled personnel, we may not be able to achieve our strategic objectives and our results of operations may suffer. To execute our growth plan, we must continue to attract and retain highly qualified personnel, including executive officers and key employees. Further, to continue to develop new products and successfully operate and grow our key business processes, it is important for us to continue hiring **and retaining personnel in** highly skilled footwear, apparel and accessories ~~designers~~ --- **design, marketing, merchandising, sourcing, technology, operations, including our DCs** and ~~IT specialists~~ **retail stores, and support functions** . Competition for executive officers, key employees **,** and skilled personnel is intense within our industry and there continues to be upward pressure on the compensation paid to these professionals. **Changes to our current and future office environments, adoption of new work models, and our business requirements or expectations about when or how often employees work either on- site or remotely may not meet the expectations of our employees. As certain jobs and employers increasingly operate remotely, traditional geographic competition for talent may change in ways that cannot be fully predicted at this time. If our employment proposition is not perceived as favorable compared to other companies' policies, it could negatively affect our ability to attract, hire and retain our employees.** We are committed to offering competitive compensation and benefits to employees across our business to positively ~~impact~~ **affect** attrition, which ~~impacts~~ **affects** our selling, general, and administrative (SG & A) expenses. Many of the companies with which we compete for experienced personnel have greater name recognition and financial resources than we have. Further, our domestic headquarters are located in Goleta, California, which is not generally recognized as a prominent commercial center, and it is difficult to attract qualified professionals due to our location. If we hire employees from competitors or other companies, their former employers may assert that we or these employees have breached legal obligations, resulting in a diversion of our time and resources. In addition, prospective and existing employees often consider the value of the stock- based compensation they receive in connection with their employment when deciding whether to take a job. If the perceived value of our stock- based compensation declines, or if the price of our stock experiences significant volatility, it may adversely affect our ability to recruit, retain and motivate qualified personnel ~~. If we are unable to attract, retain,~~ and ~~motivate the personnel necessary to execute our growth plan or successfully operate our business,~~ we may be unable to **execute our growth plan or** achieve our long- term strategic objectives, our results of operations may suffer, and it may damage our reputation as a preferred employer **,** which would challenge our ability to effectively compete across the global labor market **. We believe that our culture has been and will continue to be a key contributor to our success. If we do not maintain our culture and core values over time, we may be unable to foster the passion, creativity, teamwork, focus, and innovation that we believe have contributed to the growth and success of our business. Any failure to preserve our culture could negatively affect our ability to recruit and retain personnel and to effectively focus on and pursue our strategic objectives** . The continued service of our executive officers and key employees is particularly important, and the hiring or departure of such personnel may disrupt our business or result in the depletion of significant institutional knowledge. Our executive officers and key employees are generally employed on an at- will basis, which means that they can terminate their employment with us at any time. The loss of one or more of our executive officers or other key employees or significant turnover in our senior management, and the often- extensive process of identifying and hiring other personnel to fill those key positions, could have a material adverse effect on our business. We **use sheepskin** ~~rely upon a number of warehouse and distribution facilities~~ to **manufacture a significant portion** ~~operate our business, and any damage to one~~ of ~~these facilities, or~~ **our** ~~any disruptions caused by incorporating new facilities into~~ **products, and if we are unable to obtain a sufficient quantity of sheepskin at acceptable prices that meets our quality expectations,** ~~our~~ - **or** ~~operations~~ **if there are legal or social impediments to our ability to use sheepskin** , **it** could have a material adverse ~~impact~~ **effect** on our business ~~products,and if we are unable to obtain a sufficient quantity of sheepskin at acceptable prices that meets our quality expectations,or if there are legal or social impediments to our ability to use sheepskin,it could have a material adverse impact on our business~~ .We purchase certain raw materials that are affected by commodity prices,the most significant of which is sheepskin.The supply of sheepskin,which is used to manufacture a significant portion of our UGG brand products,is in high demand and there are limited suppliers that are able to provide the quantity and quality of sheepskin that we require.In addition,our unique product design and animal welfare standards require sheepskin that may be found only in certain geographies.We presently rely on only two tanneries in China to provide the majority of our sheepskin.If the sheepskin provided by these tanneries and the resulting products we produce do not conform to our quality or sustainability specifications or fail to meet consumer expectations,we could experience reduced demand for our products,a higher rate of customer returns and negative ~~impacts~~ **effects** on the image of our brands,any of which could have a material adverse ~~impact~~ **effect** on our business.Similarly,if these tanneries are not able to deliver sheepskin in the quantities required,or were to cease operations,we may not be able to timely obtain suitable substitute materials,which would limit our ability to meet demand for our products,lead to inventory shortages,result in a loss of sales,strain our customer relationships,and harm our reputation.In addition,any factors that negatively ~~impact~~ **affect** the business of these tanneries,or the businesses of the suppliers that warehouse their inventories,such as loss of customers,financial instability,loss or destruction of property,work stoppages,political instability,or acts of terrorism or catastrophic events,could result in shortages in our supply of sheepskin.While we have experienced fairly stable pricing in recent years,fluctuations in the price of sheepskin could occur as a result of weather patterns, **supply conditions,transportation costs,energy prices,work stoppages,government regulation,sanctions and policy,economic climates,market speculation,compliance with our working condition,environmental protection and other standards,** harvesting decisions,incidence of disease,the price of other commodities,such as wool and leather,the demand for our products and the products of our competitors,and global economic conditions **.Any and all of these factors may be exacerbated by global climate change** .Any factors that increase the demand for,or decrease the supply of,sheepskin could cause significant increases in the price of sheepskin,which would increase our manufacturing costs and reduce our gross margin.While we use purchasing contracts and other pricing arrangements to reduce the ~~impact~~ **effect** of sheepskin price fluctuations on our results of operations,these strategies may not be sufficient to offset the negative ~~impact~~ **effect** of a prolonged increase in such prices on our results of operations.In that event,it is unlikely we would be able to adjust our product prices sufficiently to eliminate the ~~impact~~ **effect** on our gross margin and our financial results may suffer ~~.In an effort to reduce our dependency on sheepskin,we are seeking sustainable alternatives for key product materials~~ .In addition,our industry is characterized by rapidly changing fashion trends and consumer preferences,and we believe there is a growing trend to eliminate the use of certain animal products,most notably fur,in footwear,apparel,and accessories.For example,the sale of fur is banned in certain US cities,and similar legislation is being considered in other geographies.While the use of leather and sheepskin has typically not been subject to these restrictions,it is possible that future legislation could restrict our ability to use sheepskin in the products we sell in certain geographies.In addition,notwithstanding whether specific legislation is passed,it is possible that consumer preferences may change based on evolving ethical or social standards,such that our products may potentially become less desirable to certain consumers.Because sheepskin is used to manufacture a significant portion of our UGG brand products,any legal or social impediments to the sale of sheepskin products,especially within our large target markets, **could have a material adverse effect on our business,financial condition,and results of operations** . We rely ~~upon~~ **on technical innovation, as well as increased use of environmentally preferred materials, to compete in the market for our products. Our success relies in part on our continued innovation in both the materials we use and the design of our footwear. We continue to invest in research and development to drive our efforts to increasingly incorporate environmentally preferred materials in our products. For example, we continue to leverage our proprietary UGGpure and UGGplush materials, which incorporate repurposed wool to reduce our use of virgin wool. We also increasingly use preferred synthetics, such as recycled polyester, recycled nylon, recycled polyethylene, and bio- based ethylene, preferred regenerated or synthetic cellulosic fibers, such as TENCEL ™ Lyocell and TENCEL ™ Modal, and preferred plant fibers, such as cotton sourced through responsible cotton schemes, hemp, linen, ramie, and jute, as well as preferred wool, including UGGpure repurposed wool, and the responsible- down certified standard. Although we continue to invest in research and development to refine our materials and develop new properties for specific applications, if we fail to introduce technical innovation in our products or experience issues with the quality of our products or materials, consumer demand for our products could decline and we may experience reputational damage. Further, as our brands transition to suppliers with preferred materials, we may be subject to increased costs or supply constraints, which could reduce our sales and profitability and have** a **material adverse effect on our financial condition and results of operations.** We may not succeed in implementing our growth strategies **,including through identifying new retail store locations that meet our requirements** ,in which case we may not be able to take advantage of certain market opportunities and may become less competitive.As part of our overall growth strategy,we are continually seeking out opportunities to enhance the positioning of our brands,diversify our product offerings,extend our brands into complementary product categories and markets,expand geographically,optimize our retail presence both in stores and online,and improve our financial performance and operational efficiency. ~~In addition,as~~ **Our future growth depends in** part **on our expansion efforts outside** of ~~our~~ **North America (** international growth strategy **).For example** ,we ~~may~~ **have opened and** continue to **explore future retail opportunities** ~~transition from a third- party distribution model to a direct distribution model~~ for ~~certain brands.Conversely,we may shift from a direct distribution model to a third- party distribution model for certain other~~ -- **the HOKA** ~~brands.We anticipate that substantial further expansion broad~~ - **brand** ~~network~~ **, including through third- party partners in international markets. However, if we are unable to identify new retail locations with consumer traffic sufficient to support a profitable sales level, our retail growth may be limited. Global store openings involve substantial investments, including those relating to leasehold improvements, furniture and fixtures, equipment, information systems, inventory, and personnel. Successful operation** of ~~warehouse~~ **a retail store depends, in part, on the overall ability of the retail location to attract a consumer base sufficient to generate profitable store sales volumes, and if we have insufficient sales at a new store location, we may be unable to avoid losses or negative cash flows. Furthermore, we license the right to operate our** ~~and~~ **brand .Furthermore,we license the right to operate** retail stores **for our brands** to third parties through our partner retail program.We currently plan for most of the partner retail stores to be operated in international markets,with the largest number anticipated to be in China.We provide training to support these stores and set and monitor operational standards.However,the quality of these store operations may decline due to the failure of these third parties to operate the stores in a manner consistent with our standards or our failure to adequately monitor these third parties,which could result in reduced sales and cause our brand ~~image to suffer.Additionally,we expanded our 3PL presence in~~ distribution ~~facilities~~ **model** to **a direct** ~~store, sort, package and distribute~~ **distribution model** ~~our~~ - **or** ~~products~~ **vice versa. Failure to effectively implement our growth strategies and develop our business in new international markets, or disappointing growth outside of existing markets, could negatively affect our revenues and rate of growth and result in our business becoming less competitive** . In **addition** ~~the US~~ , ~~we distribute products primarily through~~ **taking steps to implement our growth strategies could have** a **number of negative effects** ~~self- managed DC in Moreno Valley~~ , ~~California~~ **including increasing our working capital needs** , ~~which features a complex warehouse~~ **causing us to incur costs without any corresponding benefits, and diverting** management ~~system that enables us to efficiently pack products~~ **time and resources away from our existing business. Natural disasters, the effects of climate change, health epidemics, including the pandemic, and other events beyond our control, as well as related regulations, have adversely affected, and could in the future adversely affect, our business. Natural disasters** ~~for~~ - **or other catastrophic events, including the pandemic** ~~direct shipment to customers. In October 2021 we opened~~ and ~~began~~ **the effects of climate change, may damage or disrupt our** operations ~~in a DC located in Mooresville~~ , ~~Indiana~~ **international markets** , and ~~we expect this facility to create long- term capacity for~~ the **global economy** ~~domestic growth of the UGG and HOKA brands~~ . **Our** ~~Further, we plan to expand our DCs in the US. We could face a significant disruption in our domestic DC~~ operations **are subject** ~~if our warehouse management system does not perform as anticipated or ceases~~ to **interruption from extreme weather events** ~~function for an extended period of time~~ , **power shortages** ~~which could occur due to damage to the facility~~ , **pandemics, terrorism, political instability, telecommunications** failure ~~of software or equipment~~ , cyber- ~~security incidents~~ **attacks, war, and other events beyond our control. Although we maintain disaster recovery plans, such events could disrupt our operations or those of our independent manufacturers, suppliers and customers, including through the inability of personnel to work, destruction of facilities, loss of life, and adverse effects on supply chains** , power ~~outages~~ **, infrastructure and the integrity of information technology (IT) systems, all of which could materially increase** ~~or~~ **our costs and expenses** ~~similar problems. In addition~~ , ~~if~~ **delay** ~~our~~ **or** ~~domestic DC~~ **decrease sales and disrupt our ability to maintain business continuity. We could incur significant costs to improve the climate- related resiliency of our infrastructure and otherwise prepare for, respond to, and mitigate the effects of climate change. We could also experience increased costs for energy, production, transportation, and raw and other materials, which could adversely affect our** operations ~~and sealing efforts are impeded or delayed for any reason, it could result in shipment delays or the inability to deliver product at all, which would result in lost sales, strain our relationships with customers, and cause harm to our reputation, any of which could have a material adverse impact on our business~~ . **Our** ~~We depend on 3PLs to manage the operation of their DCs as necessary to meet our business needs in certain markets. Internationally, we distribute our products through DCs managed by 3PLs in Canada, China, Japan, the Netherlands, and the UK. We also distribute our products through a domestic 3PL located in Pennsylvania. If our 3PLs fail to manage these responsibilities, our distribution operations could face significant disruptions. The loss of or disruption to the operations of any one or more of these facilities could materially adversely impact our sales, business performance, and results of operations. Although we believe we possess adequate insurance to cover the potential impact of a disruption to the operations of these facilities, such~~ insurance may not be sufficient to cover ~~all of our potential~~ losses ~~and~~ **that we** may ~~not continue~~ **sustain.A significant** natural ~~disasters~~ **disaster or other event that disrupts our operations or those of our partners or customers could have a material adverse effect on our business** , **results of operations** and **financial condition** ~~water scarcity and poor water quality~~ .These events could **also** adversely ~~impact~~ **affect** the supply of raw materials,including sheepskin **and leather** ,which **are** ~~is a~~ key ~~resource~~ **resources** in the production of our products,disrupt the operation of our supply chain and the productivity of our contract manufacturers,increase our production costs,impose capacity restraints **,** and ~~impact~~ **affect** the types of products that consumers purchase. **It** ~~These events could also compound adverse economic conditions and impact consumer confidence and discretionary spending.Further,it~~ is possible consumers ~~may~~ increasingly adopt plant-based diets ~~to minimize their carbon footprint,which could reduce the~~ to ~~be available~~ **minimize their carbon footprint, which could reduce the supply of sheep for the meat industry, and in turn, hinder our ability to source sufficient sheepskin for our products. Further, health epidemics, including the pandemic, may reduce demand for certain products, deteriorate our ability, or the ability of our customers, to operate in affected regions, and result in the failure of key business partners to provide services for our efficient operations, including the inability of our manufacturers or third- party distributors to timely fulfill their obligations** to us ~~on acceptable terms~~ , **any** ~~or at all. We rely upon independent manufacturers for most~~ of ~~our production needs, and the failure of these manufacturers to manage these responsibilities would prevent us filling customer orders,~~ which would **adversely affect** ~~result in loss of sales and harm our relationships with customers. We rely on independent manufacturers and their respective material suppliers for most of our production needs, and we do not have direct control over these manufacturers or~~ **our** ~~their suppliers. We expect these manufacturers to finance the production of goods ordered, maintain manufacturing capacity, comply with our policies, including our Supplier Code of Conduct and restricted substances policy, and store finished goods in a safe location pending shipment. If these manufacturers fail to manage these responsibilities, or if they experience significant disruption to their~~ business, ~~we may be unable to ensure timely delivery of products, products may not be delivered in sufficient quantities, or products may fail to meet our quality standards. Further, most of our independent manufacturers are concentrated in Asia, which may lead to an increased risk of supply chain disruption, particularly in the event of a natural disaster, epidemic, geopolitical tension or other event impacting the region outside of our control. If any of these were to occur, we may not be able to timely source raw materials, manufacture product, or fill customer orders, or product delivered may not meet our quality standards, which would result in lost sales and harm to our relationships with customers. We do not currently have long- term contracts with our independent manufacturers, and there can be no assurance of a long- term, uninterrupted supply of products from them. While we do have long- standing relationships with most of these manufacturers, any of them may unilaterally terminate their relationship with us at any time, seek to increase the prices they charge, or extract other concessions from us, and we may not be able to substitute alternative manufacturers that are capable of providing products of a comparable quality, in a sufficient quantity, at an acceptable price, or on a timely basis. If we are required to find alternative manufacturers, we could experience a delay in the manufacturing of our products, increased manufacturing costs, as well as substantial disruption to our business, any of which could negatively impact our~~ results of operations ~~. Interruptions in the supply of our products can also result from adverse events that impair the operations of our manufacturers. For example, we keep proprietary materials that are required for the production of our products, such as shoe molds~~ and **financial condition** ~~raw materials, under the custody of our independent manufacturers. If these independent manufacturers were to lose or damage these proprietary materials, we cannot be assured that the manufacturers would have adequate insurance to cover such loss or damage, and, in any event, the replacement of such materials would likely result in significant delays in the production of our products, which could result in a loss of sales and earnings~~ . Increasing ~~scrutiny~~ **expectations** from investors and other key stakeholders with respect to our ESG practices may impose additional costs on us or expose us to new or additional risks. Investor advocacy groups, certain institutional investors, investment funds, stockholders, customers, and consumers are increasingly focused on corporate responsibility, specifically on the ESG practices of companies and the implications of the social **and environmental** ~~cost~~ **costs** of their investments. From time to time we communicate certain ESG initiatives and goals to market participants and our customers and business partners **, including through our annual Creating Change Report** . Any **ESG** ~~corporate responsibility~~ disclosure we make may include our policies, practices, initiatives **,** and goals on a variety of **human rights** ~~social and ethical matters~~ , corporate governance, environmental compliance, sustainability, employee health and safety practices, human capital management, product quality, supply chain management, and workforce inclusion and diversity. Although we have undertaken expansive efforts to improve and implement our ESG initiatives, it is possible that stakeholders may not be satisfied with such disclosures, our ESG practices or the speed of their adoption. Moreover, the preparation of sustainability metrics requires management to establish criteria, make determinations as to the relevancy of information to be included, and make assumptions that affect reported information. The selection by management of different but acceptable measurement techniques could result in materially different amounts or metrics being reported. If our ESG practices do not meet investor or other stakeholder expectations and standards, which continue to evolve, or if we are perceived to have not appropriately responded to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, it may negatively ~~impact~~ **affect** our employee retention **and recruitment** , or we may suffer from reputational damage and our business and financial condition could be materially and adversely affected. We may also incur additional costs or require additional resources to monitor such stakeholder expectations and standards and to meet our targets and commitments. Further, we could fail, or be perceived to fail, to achieve our ESG initiatives or goals, or we could fail to **report our progress** fully and accurately ~~report our progress~~ on such initiatives and goals, which could negatively ~~impact~~ **affect** our **reputation, employee retention and recruitment, and the willingness of our customers and suppliers to do** business **with us** . **Increasing focus on ESG matters has resulted in, and is expected to continue to result in, the adoption of legal and regulatory requirements designed to mitigate the effects of** ~~Climate~~ **climate** change **on** ~~, including extreme weather conditions, natural disasters, or other~~ -- **the environment** ~~events beyond our control~~ , as well as **legal and regulatory requirements requiring climate-** related **disclosures. If new laws or** regulations , may adversely impact our business....... of operations. Many governmental bodies worldwide are **more stringent than current legal** ~~enacting regulations to mitigate the impacts of climate change. If we, our~~ - **or** ~~suppliers, or our contract manufacturers are required to comply with these laws and regulations~~ - **regulatory requirements** ~~, or if we choose to take voluntary steps to reduce or mitigate our impact on the climate~~ , we may experience increased **compliance burdens and** costs **to meet such obligations. Our processes and controls** for **reporting ESG** ~~energy, production, transportation, and raw materials~~ --- **matters across** ~~, increased capital expenditures, or increased insurance premiums and deductibles, which could adversely impact~~ our operations ~~. Inconsistent regulations~~ **and supply chain are evolving** ~~among~~ **along** ~~jurisdictions~~ **with multiple disparate standards for identifying, measuring, and reporting ESG metrics, including ESG- related disclosures that** may ~~also affect our costs of compliance with~~ **be required by the SEC, European, and other regulators, and** such **standards may** ~~laws and regulations. Any assessment of the potential impact of future climate~~ change ~~legislation, regulations or industry standards, as well as any international treaties and accords, is uncertain given the wide scope of potential regulatory change in the countries in which we operate. Our corporate culture has contributed to our success and, if we cannot maintain this culture as we grow, we could lose the passion, creativity, teamwork, focus and innovation fostered by our culture. We believe that our culture has been and will continue to be a key contributor to our success. If we do not maintain our culture and core values~~ over time, ~~we may be unable~~ **which could result in significant revisions** to ~~foster the passion~~ **our current goals** , ~~creativity~~ **reported progress in achieving such goals** , ~~teamwork, focus, and innovation that we believe have contributed to the growth and success of our~~ - **or** ~~business. Any failure to preserve our culture could negatively affect our~~ ability to **achieve such** ~~recruit and retain personnel and to effectively focus on and pursue our strategic objectives. As we continue to pursue our~~ goals **in the** ~~and implement new strategies, we may find it difficult to maintain our corporate culture~~ - **future** ~~, which may be exacerbated by the prevalence of a remote or hybrid work environment, which may make it difficult for employees to interact, communicate and innovate. Labor disruptions could negatively impact our results of operations and financial position. Our business depends on our ability to source and distribute products in a timely manner. Labor disputes, shortages, and stoppages that affect the operations of our independent manufacturers, tanneries, transportation carriers, retail stores, or DCs create significant risks for our business, particularly if these disputes result in work slowdowns, strikes, or similar disruptions. For example, labor disputes at US shipping ports have historically impacted the delivery of our products. Furthermore, we have experienced challenges attracting and retaining employees as we increasingly compete for talent. Any such challenges or disruptions may potentially result in cancelled orders by customers, unanticipated inventory accumulation, and increased transportation and labor costs, each of which may negatively impact our results of operations and financial position~~ . We face risks associated with pursuing strategic acquisitions, and our failure to successfully integrate any acquired business or product could have a material adverse effect on our results of operations and financial position. As part of our overall strategy, we may periodically consider strategic acquisitions to expand our brands into complementary product categories and markets, or to acquire new brands, technologies, intellectual property, or other assets. Our ability to do so depends on our ability to identify and successfully pursue suitable acquisition opportunities. Such acquisitions involve numerous risks, challenges **,** and uncertainties, including the potential to: • expose us to risks inherent in entering into a new market or geographic region; • lose significant customers or key personnel of the acquired business; • encounter difficulties managing and implementing acquired assets; • encounter difficulties marketing to new consumers or managing geographically remote operations; • divert management' s time and attention away from other aspects of our business operations; and • incur costs relating to a potential acquisition that we fail to consummate, which we may not recover. Additionally, we may not be able to successfully integrate the assets or operations of any acquired businesses into our operations, or to achieve the expected benefits of any acquisitions. Following an acquisition, we may also face cannibalization of existing product sales by our newly acquired products, unless we adequately integrate new products with our existing products, aggressively target different consumers for our newly acquired products and increase our overall market share. The failure to successfully integrate any acquired business or products in the future could have a material adverse effect on our results of operations and financial position. Further, we may be required to issue equity securities to finance an acquisition, which would be dilutive to our stockholders, and the equity securities may have rights or preferences senior to those of our existing stockholders. If we incur indebtedness to finance an acquisition, it will result in debt service costs, and we may be subject to covenants restricting our operations or liens encumbering our assets. Risks Related to Our Global Business Strategy, Operations, and International Commerce We may not succeed in implementing our...... resources away from our existing business. Supply chain disruptions could interrupt product manufacturing and global logistics and increase product costs. **Our business depends on our ability to source and distribute products in a timely manner.** The pandemic and related governmental and port facility actions **in recent years** have caused delays in **product** shipments ~~of our products~~. **For example** ~~During fiscal year 2022~~, **port congestion, temporary closures, and worker shortages, have disrupted** the operations of our independent manufacturers **and 3PLs**, **as well as** the DCs where we manage our inventory, **have** ~~the operations of our 3PLs and our third- party logistic partners~~ experienced disruptions that **have** ~~impacted our supply chain and~~ increased **the** global lead-time for our products ~~, including port congestion, temporary closures and worker shortages~~. **Due** ~~Further, due~~ to the pandemic, reductions in the number of ocean carrier voyages and capacity have delayed the arrival of imports and increased ocean transport costs globally **and the conflict between Russia and Ukraine continues to result in higher energy and transportation costs**. Ongoing ocean carrier consolidation, reduced capacity, congestion at major international gateways and other economic factors are challenging ocean transportation ~~. Further~~, ~~in the~~ **and labor disputes at** US **shipping ports have historically affected the delivery of our products. In addition**, trucking costs **in the US** have risen dramatically due to driver shortages, increased labor costs, and safety, environmental, and labor regulations **. In addition, global inflation has contributed to already higher incremental freight costs, and such inflation may continue to fuel these costs. Elevated inventory levels, combined with the uneven flow of receipts and shipments, could cause further capacity pressures within our US DCs and 3PLs, resulting in higher costs and limiting our ability to efficiently fulfill orders for our wholesale partners and consumers. These pressures may be exacerbated by labor disputes that affect the operations of our partners, which creates significant risk for our business, particularly if these disputes result in work slowdowns, strikes, or similar disruptions**. As supply chain disruptions continue and we manage product availability, the timing of sales to our wholesale partners and consumers may continue to be ~~impacted~~ **affected**, and we face increased risk of order cancellations. **We continue to actively manage our inventory positions, including by investing in supply chain and related tools, and transit lead times and related freight costs during fiscal year 2023 have improved compared to fiscal year 2022.** However, ~~we~~ **these disruptions** remain **elevated compared to pre- pandemic** ~~focused on mitigating the impacts of ongoing disruptions, including through the early procurement of inventory, which will likely result in higher inventory~~ levels **and we** ~~to allow us to maintain expected~~ -- **expect** ~~service levels~~ **supply chain constraints to continue** into our next fiscal year **. Our short- term priority remains meeting customer demand and expectations on service levels, which may result in inventory levels outpacing sales growth in the near term**. In addition to logistical supply chain pressures, our network of strategic sourcing partners, which ~~include~~ **includes** material vendors and manufacturers, has navigated delays and disruptions due to the **lingering impacts of the** pandemic. **We** ~~Due to our dual sourcing capabilities and our strategic product prioritization, we~~ have ~~been able to mitigate~~ **mitigated** the ~~impacts~~ **effects** of production disruptions **through expanding and reallocating** ~~. For example, we have expanded~~ production capacity with ~~certain of~~ our existing sourcing partners and **onboarding new** ~~reallocated production among others to navigate facility closures. In addition, we have onboarded additional~~ long- term partners to ~~further~~ diversify our country- level manufacturing and sourcing lines ~~and expect~~ **. We plan** to continue **growing** ~~to grow~~ our distribution network to support our long- term ~~growth strategy~~ **strategic** ~~.~~ **objectives but have experienced and expect to continue to experience headwinds in connection with** ~~These~~ **these** efforts ~~are intended to support our growing brands and prospectively mitigate against similar localized risks. However~~, **including** ~~in our next fiscal year we expect headwinds from this growth resulting from~~ new sourcing partner capacity constraints and **long** ~~time needed to scale~~ production **lead times** to ensure the rigorous quality standards of our brands **are met**. **Further** ~~In addition~~, **we** ~~global inflation has contributed to already higher incremental freight costs, and such inflation may continue to fuel these costs. We~~ have **historically** ~~experienced significant increases in ocean shipping rates resulting in reductions to our gross margin, and we expect such fluctuations to continue in future periods. Further, we strategically~~ used more expensive air freight to ship our products to meet demand **, as needed. While we experienced significant increases** in **ocean shipping rates resulting in reductions to our gross margin during** fiscal year 2022, ~~which~~ **we began to see improvement during fiscal year 2023 and reduced our use of air freight. However, if we experience such fluctuations in costs in future periods,** we may be required to leverage **air freight** in future periods to maintain service levels. Failure to adequately produce and timely ship our products to customers could lead to lost potential revenue, failure to meet consumer demand, strained relationships with customers and diminished brand loyalty ~~. Despite our actions to mitigate these impacts, we expect to still be impacted by global logistics challenges during our next fiscal year. While we continue to see value in utilizing air freight while ocean bottlenecks persist so that we can capture market share and continue to grow our brands, our gross margin will be impacted by utilizing air freight at increased levels~~. Most of our independent manufacturers are located outside of the US **and** ~~, where we are~~ subject **us** to ~~the~~ **various** risks associated with international ~~commerce~~ **regulations, trade agreements, and geopolitical relations**. Most of our independent manufacturers are located in Asia **, and products manufactured overseas and imported into the US and other countries are subject to numerous risks and uncertainties**. **For example, while we require our independent manufacturers and suppliers to adhere to environmental, labor, ethical, health, safety, and other business practices and laws, and while we periodically visit and audit their operations, we do not control their business practices. If non- compliant manufacturers or suppliers cannot or will not become compliant, we will cease conducting business with them, which could increase our costs and interrupt our supply chain. Our**

manufacturers' violations of laws and business standards could also result in negative publicity, which could damage our reputation and brand value. Further, if our manufacturers or suppliers violate US or ~~Foreign~~ **foreign trade laws or regulations, we may be subject to extra duties, significant monetary penalties, the seizure and forfeiture of products we are attempting to import, or the loss of our import privileges, which could have a negative effect on our results of operations. Our international** manufacturing ~~is~~ **operations are** subject to numerous **other** risks and uncertainties, including the following: • tariffs, import and export controls, and other non- tariff barriers ~~; • increasing transportation costs, including as a result of global inflationary pressure, shipping delays at ports, and a limited supply of international shipping capacity; • increasing labor costs and labor disruptions~~ ; • poor infrastructure and equipment shortages, which can disrupt transportation and utilities; • restrictions on the transfer of funds from foreign jurisdictions; • changes in governmental regulations, including with respect to intellectual property, labor, safety, and the environment; • refusal to adopt or comply with our manufacturing policies; • customary business traditions in certain countries such as local holidays, which are traditionally accompanied by high levels of turnover in the factories; • decreased scrutiny by custom officials for counterfeit products; • practices involving corruption, extortion, bribery, pay- offs, theft, and other fraudulent activity; • ~~social unrest and political instability, including acts of war and other external factors; •~~ use of unauthorized or prohibited materials or reclassification of materials; • health- related concerns that could result in a reduced workforce or scarcity of raw **and other** materials ~~; • disruptions caused by natural or other disasters~~ ; and • adverse changes in consumer perception of goods sourced from certain countries. ~~These~~ **While we have implemented measures to comply with applicable customs regulations and to properly calculate import duties, customs authorities may disagree with our claimed tariff treatment for certain products, resulting in unexpected costs that may not have been factored into the sales price of such products and our forecasted gross margin. In addition, we cannot predict whether future laws, regulations, trade remedy actions, or international agreements may impose additional duties** or other ~~risks~~ **restrictions on our ability to manufacture sufficient inventory or import products from one or more of our sourcing venues. Trade relations between our sourcing venues, particularly those in China,** and **the US have created** ~~uncertainties~~ **uncertainty and there exists the potential for import duties or other restrictions on exports from China, which** could **increase our sourcing costs. We have transitioned most of our footwear sourcing from China to Vietnam as part of our supplier optimization strategy, but if we are unable to source our products from the countries where we wish to purchase them, or if the cost of doing so increases, it could have a material adverse effect on our business, financial condition, and results of operations. Further, because most of our products are manufactured in China and Vietnam, the possibility of adverse changes in trade or political relations with China or Vietnam, or other pressures in the region, including political instability, increased labor costs, adverse weather conditions, a natural disaster or incidence of disease could severely** interfere with the ~~manufacture~~ **manufacturing** or shipment of our products **and would have a material adverse effect on our operations. Moreover, international trade policy is undergoing revision, introducing significant uncertainty with respect to future trade regulations and existing trade agreements. The continued negotiation of free trade agreements with countries other than our principal sourcing venues may stimulate competition for manufacturers** , which **may seek** ~~could make it more difficult~~ to **export footwear, apparel,** ~~obtain adequate supplies of quality products~~ and **accessories to our target markets at preferred rates of duty which may** negatively ~~impact~~ **affect** our **results of** ~~sales and earnings. While we require our independent manufacturers and their suppliers to adhere to environmental, labor, ethical, health, safety, and other standard business practices and applicable laws, and while we periodically visit and audit their~~ operations ~~, we do not control their business practices~~ . **Transportation and distribution** ~~If we discover non- compliant manufacturers or suppliers that cannot or will not become compliant, we will cease conducting business with them, which could increase our~~ costs ~~and interrupt our product supply chain. Our manufacturers' violations of applicable laws and business standards could also result in negative publicity, which could damage our reputation and the value of our brands. Further, if our manufacturers or suppliers violate US or foreign trade laws or regulations, we~~ may be ~~subject to extra duties~~ **adversely affected by new regulations** , **increased demand** ~~significant monetary penalties~~ , ~~the seizure~~ **increased fuel** and **labor costs** ~~forfeiture of products we are attempting to import~~ , **inflation, and political and economic instability.** ~~or~~ **For example,** the ~~loss~~ **Russian invasion** of **Ukraine during fiscal year 2022 and the resulting financial and economic sanctions imposed by various countries and organizations has affected transportation and energy costs. Further disruption in this region,** ~~our~~ **or** ~~import privileges~~ **additional sanctions imposed in response to the conflict** , ~~which~~ could **increase distribution costs in Europe and adversely affect our results of operations. Additionally, the increased threat of terrorist activity, and law enforcement responses to this threat,** have **required greater levels** ~~a negative impact on our results~~ of ~~operations~~ **inspection of imported goods and caused delays in bringing imported goods to market. Any tightening of security procedures could worsen these delays and increase our costs** . Our sales in international markets are subject to a variety of legal, regulatory, political, cultural **,** and economic risks that may adversely ~~impact~~ **affect** our results of operations in certain regions. Our ability to capitalize on growth in new international markets and to maintain the current level of operation in our existing international markets is subject to risks associated with international operations that could adversely affect our sales and results of operations. These risks include: • foreign currency exchange rates fluctuations, which ~~impact~~ **affect** the prices at which products are sold to international consumers; • limitations on our ability to move currency out of international markets; • burdens of complying with a variety of foreign laws and regulations, which may change unexpectedly, and the interpretation and application of such laws and regulations; • legal costs related to defending allegations of non- compliance with foreign laws; • inability to import products into a foreign country; • difficulties associated with promoting and marketing products in unfamiliar cultures; • political or economic uncertainty or instability, including the war in Ukraine, which has disrupted European businesses and has the potential to reduce levels of consumer spending, which could have a material adverse ~~impact~~ **effect** on our business, particularly our UGG and HOKA brands' net sales; • changes in unemployment rates and consumer spending; • anti- American sentiment in international markets in which we operate; • changes in diplomatic and trade relationships between the US and other countries;

and • general economic fluctuations in specific countries or markets. We conduct business outside the US, which exposes us to foreign currency exchange rate risk, and could have a negative ~~impact~~ **effect** on our financial results. We operate on a global basis, with ~~31~~ **32** . ~~2~~ **4** % of our net sales for the year ended March 31, ~~2022~~ **2023** , from operations outside the US. As we continue to increase our international operations, our sales and expenditures in foreign currencies are expected to become more material and subject to foreign currency exchange rate fluctuations. A significant portion of our international operating expenses are paid in local currencies and our foreign distributors typically sell our products in local currency, which ~~impacts~~ **affects** the price to foreign consumers. Many of our subsidiaries operate with their local currency as their functional currency. Future foreign currency exchange rate fluctuations and global credit markets may cause changes in the US dollar value of our purchases or sales and materially affect our sales, gross margin, and results of operations, when converted to US dollars. Changes in the value of the US dollar relative to other currencies could result in material foreign currency exchange rate fluctuations and, as a result, our net earnings could be materially adversely affected. **When the US dollar strengthens relative to foreign currencies, the Company' s revenues and profits denominated in foreign currencies are reduced when converted into US. dollars and the Company' s margins may be negatively affected.** We routinely utilize foreign currency exchange rate forward contracts or other derivative instruments for the amounts we expect to purchase and sell in foreign currencies to mitigate exposure to foreign currency exchange rate fluctuations. As we continue to expand international operations and increase purchases and sales in foreign currencies, we may utilize additional derivative instruments to hedge our foreign currency exchange rate risk. Our hedging strategies depend on our forecasts of sales, expenses, and cash flows, which are inherently subject to inaccuracies. Foreign currency exchange rate hedges, transactions, remeasurements, or translations could materially ~~impact~~ **affect** our consolidated financial statements. **For example,during fiscal year 2023,unfavorable changes in foreign currency exchange rates against the US dollar negatively affected our gross margin.Risks Related to Technology,Data Security and Privacy** A security breach or other disruption to our IT systems could result in the loss,theft,misuse,unauthorized disclosure,or unauthorized access of customer,supplier,or sensitive ~~company~~ **Company** information or could disrupt our operations,which could damage our relationships with customers,suppliers or employees,expose us to litigation or regulatory proceedings,or harm our reputation,any of which could materially adversely affect our business,financial condition,or results of operations.Our business involves the storage and transmission of a significant amount of personal,confidential,or sensitive information,including the personal information of our customers and employees,credit card information,and our proprietary financial, ~~operational,and strategic information.The protection of this information is vitally important to us as the loss,theft,misuse,unauthorized disclosure,or unauthorized access of such information could International~~ - **operational** ~~trade~~ **,** and **strategic information. The protection of this information is vitally** ~~import~~ **important to us as the loss, theft, misuse, unauthorized disclosure, or unauthorized access of such information could lead to significant** ~~regulations~~ - **reputation or competitive harm, result in litigation involving us or our business partners, expose us to regulatory proceedings, and cause us to incur substantial losses. As a result, we believe our future success and growth depends, in part, on the ability of our key business processes and systems, to prevent the theft, loss, misuse, unauthorized disclosure, or unauthorized access of this information, and to respond quickly and effectively if data security incidents occur. We are subject to numerous data privacy and security risks, which** may **prevent us from maintaining** ~~impose unexpected duty costs,~~ the ~~revision~~ **privacy** of ~~current trade agreements may~~ **this information, result in the disruption of our business, and** require us to ~~alter current practices~~ **expend significant resources attempting to secure and protect such information and respond to incidents** , ~~changes~~ **any of which could materially adversely affect our business, financial condition, or results of operations. Our success also depends** in ~~trade relations~~ **part on the continued operation of our key business processes, including our IT and global communications systems. We rely on third- party IT service providers worldwide for** ~~may~~ **many of our IT functions, including network, hardware, and software configuration. Additionally, we rely on internal networks and information systems and other technologies, including the internet and third- party hosted services, to support a variety of business processes and activities. Any disruption to these systems or networks could** result in ~~tariffs~~ **product fulfillment delays** , ~~and transportation challenges and security procedures may cause~~ **key personnel being unable to perform duties or communicate throughout the organization, loss of sales,** significant ~~delays and additional~~ costs **for data restoration,** ~~. Products manufactured overseas and imported into~~ the ~~US~~ **inability to interpret data timely to enhance operations,** and other ~~countries~~ **adverse effects on our business and reputation. Further, if key operational systems and processes** are **not** ~~subject to import duties. While we have implemented measures to comply with applicable customs regulations and to~~ properly **supporting** ~~calculate import duties, customs authorities may disagree with our claimed tariff treatment for certain products, resulting in unexpected costs that may not have been factored into the sales price of such products and our forecasted gross margin. In addition, we cannot predict whether future laws, regulations, trade remedy actions, or~~ **our** ~~international agreements may impose additional duties~~ **business, it could result in information silos and inefficiencies across** ~~or~~ **our organization** ~~other restrictions on the import of products from one or more of our sourcing venues. Further, trade relations between our sourcing venues, particularly those in China, and the US have created uncertainty and there exists the potential for import duties or other restrictions on imports from China, which could increase the cost of sourcing in China. We have transitioned most of our footwear sourcing from China to Vietnam as part of our supplier optimization strategy~~ . If we are unable to ~~source~~ **modify our systems and processes to respond to changes in our business needs,** ~~our~~ - **or** ~~products result~~ **if we or our third- party providers experience a failure or interruption** in ~~the~~ **these** ~~disruption~~ **systems,our ability to accurately forecast sales,report our financial position and results** of **operations,or otherwise manage and operate** our business ~~,and require us to expend significant resources attempting to secure and protect such information and respond to incidents,any of which~~ could ~~materially~~ **be** adversely ~~affect~~ **affected** ~~our business,financial condition,or results of operations~~ .The frequency,intensity,and sophistication of cyber- attacks,ransom- ware attacks,and other data security incidents have significantly increased in recent years.Like other businesses,we have experienced,and are continually at risk of,attacks and incidents.Additionally,external events,such as the Russia- Ukraine conflict,can increase the likelihood of such incidents,and our risk and exposure to these matters remains heightened because of,among other things,the evolving nature of these threats,the current global economic and political environment,our prominent size and scale,and the interconnectivity and interdependence of third parties to our systems.We expend significant resources on IT and data security tools,measures,and processes designed to protect our IT systems,as well as the personal,confidential,or sensitive information stored on or transmitted through those systems,and to ensure an effective response to any attack or incident.Whether these measures are ultimately successful,these expenditures could have an adverse ~~impact~~ **effect** on our financial condition and results of operations and divert management' s attention from ~~the countries where~~ **pursuing our strategic objectives. Although** we **take** ~~wish to purchase them~~ - **the** ~~,~~ **security of** ~~or~~ **our** ~~if~~ **IT systems seriously,** ~~the~~ **there** ~~.Although we take the security of our IT systems seriously,there~~ can be no assurance that the measures we employ will prevent unauthorized persons from obtaining access to our systems and information **,as well as those held by our third- party IT service providers** .Despite our implementation of reasonable security measures,our systems and information may be susceptible to cyber- attacks or data security incidents.These risks may be exacerbated in a remote work environment.Because the techniques used to obtain unauthorized access to IT systems are constantly evolving,we may be unable to anticipate these techniques or implement adequate protective measures in response.Cyber- attacks or data incidents could remain undetected for some period,which could result in significant harm to our systems,as well as unauthorized access to the information stored on and transmitted by our systems.Further,despite our security efforts and training,our employees may purposefully or inadvertently cause security breaches.A cyber- attack or other data security incident could result in significant disruption of our business such that:• critical business systems become inoperable or require significant time or ~~cost~~ cost **to restore; • personnel are unable to perform their duties or communicate with third- party partners; • it results in the loss, theft, misuse, or unauthorized disclosure** of ~~doing so increases~~ **confidential information; • we are prevented from accessing information necessary to conduct our business; • we are required to make unanticipated investments in equipment, technology, or security measures; • customers cannot place or receive orders, and we are unable to timely ship orders or at all; or • we become subject to other unanticipated liabilities, costs, or claims. If any of these events were to occur** , it could have a material adverse effect on our ~~business,~~ financial condition ~~,~~ and results of operations **and result in harm to our reputation** . **In addition** ~~International trade policy is undergoing revision~~ , ~~introducing significant uncertainty~~ **if a cyber- attack or other data incident results in the loss, theft, misuse, unauthorized disclosure, or unauthorized access of personal, confidential, or sensitive information belonging to our customers, suppliers, or employees, it could put us at a competitive disadvantage, result in the deterioration of our customers' confidence in our brands, cause our suppliers to reconsider their relationship** with ~~respect to future trade regulations and existing trade agreements. Changes in tax policy or trade regulations could cause~~ us **or impose onerous contractual provisions, and subject us** to ~~encounter new customs duties~~ **litigation, liability, fines, and penalties. We could be subject to regulatory or other actions pursuant to domestic and international privacy laws** , which ~~liability,fines,and penalties.We could be subject to regulatory or other actions pursuant to domestic and international privacy laws,which~~ could result in costly investigations and litigation,civil or criminal penalties,operational changes,and negative publicity that could adversely affect our reputation,as well as our results of operations and financial condition.If we are found to have violated laws concerning the privacy and security of consumers' or other individuals' personal information,we could be subject to civil or criminal penalties,which could increase our liabilities and harm our reputation or our business.There are a number of domestic and international laws protecting the privacy and security of personal information.These laws include US state laws such as the California Consumer Privacy Act **and the California Privacy Rights Act** ,as well as the General Data Protection Regulation in the EU,EU member state directives, **the Personal Information Protection and Electronic Documents Acts in Canada,the Personal Information Protection Law in China,** or similar applicable laws.These laws place limits on how we may ~~require~~ **collect,** ~~us~~ **use** ~~to implement new supply chains~~ , **share** ~~withdraw from certain markets or change our business methods,~~ and ~~could make it difficult~~ **store personal information, and they impose obligations** to **protect** ~~obtain quality products at a competitive price. The continued negotiation of free trade agreements with countries other than~~ **that information** ~~our principal sourcing venues may stimulate competition for manufacturers, which may seek to export footwear, apparel, and accessories to our target markets at preferred rates of duty which may negatively impact our results of operations~~ . **Further, we** ~~Transportation and distribution costs~~ may be **subject to new data privacy and security laws and regulations. If we, or any of our service providers who have access to the personal data for which we are responsible, are found to be in violation of the privacy or security requirements of applicable data protection laws, we could be subject to civil or criminal penalties, which could increase our liabilities, harm our reputation, and have a material adverse effect on our business, financial condition, and results of operations. Although we utilize a variety of measures to secure the data that we control, even compliant entities can experience security breaches or have inadvertent failures despite employing reasonable practices and safeguards. If the technology- based systems that give our customers the ability to shop or interact with us online do not function effectively, our results of operations, as well as our ability to grow our e- commerce business globally or to retain our customer base, could be materially** adversely ~~impacted by~~ **affected. Many of our consumers shop with us through our e- commerce platforms or through third party digital marketplaces on which we operate. Consumer expectations and related competitive pressures have increased and are expected to continue to increase relative to various aspects of our e- commerce business, including speed of product delivery, shipping charges, return privileges, and other evolving expectations. Increasingly, consumers are using mobile- based devices and applications to shop online with us and with our competitors, and to do comparison shopping, as well as to engage with us and our competitors through digital services and experiences that are offered on mobile platforms. We are increasingly using social media to interact with our consumers and as a means to enhance their shopping experience. Any failure on our part to provide attractive, effective, reliable, secure, user- friendly e- commerce platforms that offer a wide assortment of merchandise**

with rapid delivery options and that continually meet the changing expectations of online shoppers or any failure to provide attractive digital experiences to our customers could place us at a competitive disadvantage, result in the loss of e- commerce and other sales, harm our reputation with consumers, have an adverse effect on the growth of our e- commerce business globally and have an adverse effect on our business and results of operations. In addition, as use of our digital platforms continues to grow, we will need an increasing amount of technical infrastructure to continue to satisfy our consumers' needs. If we fail to continue to effectively scale and adapt our digital platforms to accommodate increased consumer demand, our business may be subject to interruptions, delays or failures and consumer demand for our products and digital experiences could decline. Risks specific to our e- commerce business also include diversion of sales from our and our retailers' brick and mortar stores, difficulty in recreating the in- store experience through direct channels and liability for online content. Our failure to successfully respond to these risks could adversely affect sales in our e- commerce business, as well as damage our reputation and brands. If we are unsuccessful at improving our operational and IT systems and our efforts do not result in the anticipated benefits to us or result in unanticipated disruption to our business, our financial condition and results of operations could be adversely affected, and our business may become less competitive. We continually strive to improve, automate, and streamline our operational and IT systems, processes, and infrastructure as part of our ongoing effort to improve the overall efficiency and competitiveness of our business. Transitioning to these new ~~regulations~~ **or upgraded processes and systems requires significant capital investments and personnel resources. Implementation is also highly dependent on the coordination of numerous employees** , **contractors** ~~,automate~~ and **software** ~~streamline our operational systems,processes~~ and **system providers** ~~infrastructure as part of our ongoing effort to improve the overall efficiency and competitiveness of our business~~ .While these efforts have resulted in improvements to our operational systems,we expect to continue to incur expenses to implement additional improvements and upgrades to our systems.Many of these expenditures have been and may continue to be incurred in advance of the realization of any direct benefits to our business.We cannot guarantee that we will be successful at improving our operational systems,or that our efforts will result in the anticipated benefits to us. ~~If~~ **We may also experience difficulties in implementing or operating** our **new or upgraded** operational **or IT systems,including,but not limited to,ineffective or inefficient operations,significant** system ~~upgrades~~ **failures** , ~~improvements~~ **system outages,delayed implementation** and **loss of system availability** ~~associated change management efforts are not successful~~ , **which** ~~our financial condition and results of operations~~ could **lead to** ~~be adversely affected,~~ increased **implementation** ~~demand, increased fuel~~ and ~~labor~~ **/ or operational** costs, **loss** ~~inflation, and political and economic instability. For~~ - **or corruption** ~~example, the Russian invasion~~ of **data** ~~Ukraine during our fourth fiscal quarter~~ , **delayed shipments, excess inventory** and ~~the~~ **interruptions of operations** resulting **in lost sales and / or profits. If our operational or IT system upgrades, improvements and associated change management efforts are not successful, our** financial **condition** and **results of operations** ~~economic sanctions imposed by various countries and organizations has impacted transportation and energy costs. Further disruption in this region, or additional sanctions imposed in response to the conflict,~~ could **be** ~~increase distribution costs in Europe and~~ adversely **affected** ~~impact our results of operations. Additionally~~ , ~~the increased threat of terrorist activity,~~ and ~~law enforcement responses to this threat, have required greater levels of inspection of imported goods and caused delays in bringing imported goods to market. Any tightening of security procedures could worsen these delays and increase~~ our ~~costs~~ **business may become less competitive** . Risks Related to Our Legal, Compliance, and Regulatory Environment Failure to adequately protect our intellectual property rights to prevent counterfeiting of our products, or to defend claims against us related to our intellectual property rights, could reduce sales **,** and adversely affect the value of our brands. Our business could be significantly harmed if we are not able to protect our intellectual property rights. We believe our competitive position is largely attributable to the value of our trademarks, patents, trade dress, trade names, trade secrets, copyrights, and other intellectual property rights. An unfortunate reaction to the success of our brands is that we have become a target of counterfeiting and product imitation strategies. Although we are aggressive in legal and other actions in pursuing those who infringe on our intellectual property rights, we cannot guarantee that the actions we have taken will be adequate to protect our brands in the future, especially because some countries’ laws do not protect these rights to the same extent as US laws. If we fail to adequately protect our intellectual property rights, it will allow our competitors to sell products that are similar to and directly competitive with our products, or we could otherwise lose opportunities to sell our products to consumers who may instead purchase a counterfeit or imitation product, which could reduce sales of our products and adversely affect the value of our brands. In addition, any intellectual property lawsuits in which we are involved could cost a significant amount of time and money and distract management’ s attention from operating our business, which may negatively ~~impact~~ **affect** our business and results of operations. In addition to fighting intellectual property infringement, we may need to defend claims against us related to our intellectual property rights. For example, we have faced claims that the word “ ugg ” is a generic term. Such a claim was successful in Australia, but similar claims have been rejected by courts in the US, China, Turkey, and the Netherlands. Any court decision or settlement that invalidates or limits trademark protection of our brands, which allows a third- party to continue to sell products similar to our products, or that allows a manufacturer or distributor to continue to sell counterfeit products, could lead to intensified competition and a material reduction in our sales, and could have a material adverse effect on the value of our brands. A security breach or other disruption to...... despite employing reasonable practices and safeguards. Our revolving credit facility agreements expose us to certain risks. From time to time, we have financed our liquidity needs in part from borrowings made under our revolving credit facilities. Our ability to borrow under our revolving credit facilities may be limited if the lenders believe there has been a material adverse change to our business. In addition, our revolving credit facility agreements contain a number of customary financial covenants and restrictions, which may limit our ability to engage in transactions that would otherwise be in our best interests, or otherwise respond to changing business and economic conditions, and may therefore have a material ~~impact~~ **effect** on our business. Failure to comply with any of the covenants could result in a default, allowing our lenders to accelerate the timing of payments, which could have a material adverse effect on our business, operations, financial condition, and liquidity. In addition, in some cases, a default under one revolving credit facility could result in a cross- default under other revolving credit facilities. Certain of our revolving credit facility agreements bear interest at a rate that varies ~~depending on the London Interbank Offered Rate or alternative borrowing rate~~ by currency. Any increases in interest rates applicable to borrowings under our credit facilities would increase our cost of borrowing, which would result in a decline in our net income and liquidity. The tax laws applicable to our business are very complex and changes in tax laws could increase our worldwide tax rate, or audits by various taxing authorities may subject us to additional tax liabilities, and materially affect our financial position and results of operations. We are subject to changes in tax laws, regulations **,** and treaties in and between the jurisdictions in which we operate. These tax laws are highly complex, and significant judgment and specialized expertise is required in evaluating and estimating our worldwide provision for income taxes. Our tax expense is based on our interpretation of the tax laws in effect in various countries at the time that the expense was incurred. Future changes in these tax laws, or in their interpretation, could result in a materially higher tax expense or a higher effective tax rate on our worldwide earnings. For example, global tax authorities may take differing positions in interpreting the Organization for Economic Co- operation and Development' s guidance, including with respect to base erosion and profit shifting, which could modify existing tax principles. These changes and potential other tax law changes could increase our income tax liability or adversely affect our long- term effective tax rates and net income. Many countries in the EU and around the globe have adopted or proposed changes to current tax laws **. Certain provisions of the recently enacted Inflation Reduction Act, including a 15 % corporate alternative minimum tax, as well as the similar 15 % global minimum tax under the Organization for Economic Cooperation and Development' s Pillar Two Global Anti- Base Erosion Rules, may affect our income tax expense, profitability, and capital allocation decisions** . We are subject to tax audits in each of the various jurisdictions where we conduct business, and any of these jurisdictions may assess additional taxes against us as a result of these audits. Although we believe our tax estimates are reasonable, and we undertake to prepare our tax filings in accordance with all applicable tax laws, the final determination with respect to any tax audits, and any related litigation, could be materially different from our estimates or from our historical tax provisions and accruals. The results of a tax audit or other tax proceeding could have a material adverse effect on our results of operations or cash flows in the periods for which that determination is made and may require a restatement of prior financial reports. Risks Related to Our Common Stock Our common stock price has been volatile, which could result in substantial losses for stockholders. The trading price of our common stock has been and may continue to be volatile. The trading price of our common stock could be affected by a number of factors, including, but not limited to the following: • changes in expectations of our future financial performance and results of operations; • changes in estimates of our performance by securities analysts and other market participants, or our failure to meet such estimates; • changes in our stockholder base or public actions taken by investors; • market research and opinions published by securities analysts and other market participants, and the response to such publications; • quarterly fluctuations in our sales, margins, expenses, financial position, and results of operations; • the financial stability of our customers, manufacturers, and suppliers; • legal proceedings, regulatory actions, and legislative changes; • our stock repurchase activity or announcements regarding the same; • the declaration of stock or cash dividends; • consumer confidence and discretionary spending levels; • broad market fluctuations in volume and price; • general market, political, and economic conditions, including recessionary conditions; and • a variety of risk factors, including the ones described herein and in our other SEC filings. In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of individual companies. Accordingly, the price of our common stock is volatile and any investment in our stock is subject to risk of loss. These broad market and industry factors and other general macroeconomic conditions unrelated to our financial performance may also affect our common stock price. Anti- takeover provisions contained in our Amended and Restated Certificate of Incorporation (Certificate) and Amended and Restated Bylaws (Bylaws), as well as provisions of Delaware law, could impair a takeover attempt. Our Certificate and Bylaws contain provisions that could have the effect of rendering more difficult hostile takeovers, change- in- control transactions, or changes in our Board of Directors or management. ~~Among other things, these provisions: • authorize the issuance of preferred stock with powers, preferences and rights that may be senior to our common stock, which can be created and issued by our Board of Directors without prior stockholder approval; • provide that the number of directors will be fixed by the affirmative vote of a majority of the whole Board of Directors; • provide that board vacancies can only be filled by directors; • prohibit stockholders from acting by written consent without holding a meeting of stockholders; • require the vote of holders of not less than 66 2 / 3 % of the voting stock then- outstanding to approve amendments to our Certificate and Bylaws; and • require advance written notice of stockholder proposals and director nominations.~~ As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which may delay, deter, or prevent a change- in- control transaction. Any provision of Delaware law, our Certificate, or our Bylaws, which has the effect of rendering more difficult, delaying, deterring, or preventing a change- in- control transaction could limit the opportunity for stockholders to receive a premium for their shares of our common stock, and could affect the price that investors are willing to pay for our common stock. Item 2. Properties