Risk Factors Comparison 2024-02-28 to 2023-03-01 Form: 10-K

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In addition to the other information set forth in this report, you should carefully consider the following factors, which could materially affect our business, financial condition or future results. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition or results of operations. The risks are listed below in no particular order. Risks Related to Our Business Our Industry, Operations and Competition Our business is impacted by the age, condition and number of vehicles that need servicing and by improvements in the quality of new vehicle parts. The size of the motor vehicle aftermarket industry depends, in part, upon the number of vehicles on the road, average vehicle age, change in total miles driven per year, new or modified environmental and vehicle safety regulations, including fuel- efficiency and emissions reduction standards, pricing of new and used vehicles and new vehicle quality and related warranties. We believe the **motor vehicle aftermarket** industry has been negatively impacted by the fact that the quality of **certain** ~~more recent~~ motor vehicles and their component parts (and related warranties) has improved, thereby lengthening the repair cycle. Generally, if parts last longer, there will be less demand for our products, and the average useful life of motor vehicle parts has been steadily increasing in recent years due to innovations in products and technology. In addition, the introduction by original equipment manufacturers of increased warranty and maintenance initiatives has the potential to decrease the demand for our products. These factors could have a material adverse effect upon our business, financial condition and results of operations. Our industry is highly competitive, and our success depends on our ability to compete with suppliers of motor vehicle aftermarket products, some of which may have substantially greater financial, marketing and other resources than we do. The motor vehicle aftermarket industry is highly competitive, and our success depends on our ability to compete with domestic and international suppliers of aftermarket products. Due to the diversity of our product offering, we compete against a large cross- section of aftermarket companies and brands, including, but not limited to, Cardone Industries, Inc., Standard Motor Products, Inc., Tenneco, Inc., Bosch Auto Parts, First Brands Group, LLC, Gates Corporation, Continental Automotive Systems, Inc. (VDO), MevoTech LP, ACDelco (owned by General Motors Company), Motorcraft (owned by Ford Motor Company), Cummins Inc. (following its acquisition of Meritor, Inc.), Automann Inc., WARN Industries, Rocky Mountain ATV / MC and numerous category specific competitors. In addition, we face competition from original equipment manufacturers, which, through their dealers or dealerships, supply many of the same types of parts we sell. Further, some of our private label customers also compete with us. Some of our competitors may have larger customer bases and significantly greater financial, technical and marketing resources than we do. These factors may allow our competitors to: • respond more quickly than we can to new or emerging technologies and changes in customer requirements by devoting greater resources than we can to the development, promotion and sale of motor vehicle aftermarket products; • engage in more extensive research and development; • sell products at lower prices than we do; • undertake more extensive marketing campaigns; and • make more attractive offers to existing and potential customers and strategic partners. We cannot assure you that our competitors **or others in our industry** will not **(i) adopt fast follower strategies based on the Company' s new product launches, (ii)** develop products or services that are equal or superior to our products or that achieve greater market acceptance than our products **,** ~~, or that in the future other companies involved in our -~~ **or** ~~industry will not~~ **(iii)** expand their operations into product lines produced and sold by us. We also cannot assure you that additional entrants will not enter our industry or that companies in our industry will not consolidate. Any such competitive pressures could cause us to lose market share or could result in significant price decreases and could have a material adverse effect on our business, financial condition and results of operations. The loss or decrease in sales among one of our top customers, or a material change in the terms on which they are willing to buy from us, could have a substantial negative impact on our sales and operating results. A significant percentage of our sales has been, and is expected to be, concentrated among a relatively small number of customers. During fiscal ~~2022~~ **2023** , three customers each accounted for more than 10 % of net sales and in the aggregate accounted for approximately ~~49~~ **44** % of net sales. We anticipate that this concentration of sales among these customers will continue in the future. The loss of a significant customer **, changes in customer buying behaviors** or a substantial decrease in sales to such a customer could have a material adverse effect on our sales and operating results. In addition, any consolidation among our key customers may further increase our customer concentration risk. Also, while we may enter into long- term agreements with certain of our significant customers, those agreements generally do not contain purchase commitments, which instead are set forth in individual purchase orders submitted by customers based on their then- current or projected needs. We have in the past, and may in the future, lose customers or lose a particular product line of a customer due to the highly competitive conditions in the motor vehicle aftermarket industry, consolidation of customers and customer initiatives to buy direct from foreign suppliers or other business considerations. **In addition, given the size and scale of some of our customers, there is a risk that they may establish and grow direct relationships with our suppliers and reduce their purchases or cease purchasing from us.** A decision by any significant customer, whether motivated by competitive conditions, financial difficulties or otherwise, to materially decrease the amount of products purchased from us or the number of our product lines they choose to carry, to change their manner of doing business with us, or to stop doing business with us, could have a material adverse effect on our business, financial condition and results of operations. Because our sales are concentrated, and the industry in which we operate is very competitive, we are under ongoing pressure from our customers to offer lower prices, extend payment terms, increase marketing and transportation allowances, provide enhanced rebates, discounts, rights of return and credits and offer other terms more favorable to these customers. These customer demands have put continued pressure on our operating margins and profitability and in the future could have a material adverse effect on our business, financial condition and results of operations. There is substantial price competition in our industry, and our success and profitability will depend on our ability to maintain a competitive cost and price structure. Given the substantial price competition in our industry, our success and profitability will depend on our ability to maintain a competitive cost and price structure. This is the result of a number of industry trends, including the consolidated purchasing power of large customers, the growth of e- commerce and actions taken by some of our competitors in an effort to attract new business, including efforts to enhance their online presence. Price reductions may be required to remain competitive in light of such industry trends, and such reductions may impact our sales and profit margins. Our future profitability will depend in part upon our ability to respond to changes in product and distribution channel mix, to continue to improve our manufacturing and distribution efficiencies, to increase prices to address increasing costs, to generate cost reductions, including reductions in the cost of components purchased from outside suppliers, and to maintain a cost structure that will enable us to offer competitive prices. Our inability to maintain a competitive cost structure or to pass through increases in costs to our customers could have a material adverse effect on our business, financial condition and results of operations. Limited shelf space and the inability of our customers **who resell our products** to expand into new locations may adversely affect our ability to grow. Because the amount of space available to a retailer and other ~~purchasers~~ **resellers** of our products is limited, our products compete with other motor vehicle aftermarket products, some of which are entirely dissimilar and otherwise non- competitive (such as car waxes and engine oil), for shelf and floor space. Moreover, our growth depends, in part, on the ability of ~~our customers~~ **those retailers and resellers** to open and operate new locations in which our products may be sold. No assurance can be given that additional space will be available in **their** ~~our customers'~~ existing locations or that **they** ~~our customers~~ will be able to expand into new locations that would support growth in the number of products and product lines that we offer. Any failure to maintain and / or grow our shelf or floor space, and any failure of our ~~customers~~ **retailers and resellers** to maintain and / or grow their number of locations, could have a material adverse effect on our business, financial condition and results of operations. Customer consolidation in the motor vehicle aftermarket industry may lead to customer contract terms less favorable to us, which may negatively impact our financial results. The motor vehicle aftermarket industry has been consolidating over the past several years. As a result of such consolidations, many of our **non- end user** customers have grown larger and therefore have more leverage in the arms- length negotiations of agreements with us for the sale of our products. **Such** ~~Customers~~ **customers** may require us to provide extended payment terms, issue customer credits and accept returns of slow- moving product to obtain new, or retain existing, business. Although we attempt to avoid or minimize such concessions, in some cases **for those customers** payment terms ~~to customers~~ have been extended, enhanced ~~customer~~ credits have been issued and returns of product have exceeded historical levels. The product returns and customer credits primarily affect our net sales and profit levels while payment term extensions and additional factoring costs generally reduce operating cash flow and require additional capital to finance our business. We expect these trends to continue for the foreseeable future. Our growth in the specialty vehicle category depends upon our continued ability to expand our product sales into specialty vehicles **, including, but not limited to, those** that require performance- defining products **,** and the ~~continued~~ expansion of the market for these vehicles. ~~Our growth in the specialty vehicle category is in~~ **With our acquisition of SuperATV, a portion of our sales are generated from providing aftermarket** ~~part~~ **parts and accessories** ~~attributable to the expansion of the market~~ for specialty vehicles, such as UTVs and ATVs, that require performance- defining products. **Our success depends, in part, on the growth of the market for such vehicles.** Such market growth includes the creation of new classes of vehicles that can benefit from our products and our ability to create products for these vehicles. **If** ~~With our acquisition of SuperATV, a growing portion of our sales are expected to be generated from providing aftermarket parts and accessories for these types of vehicles. In the event~~ these markets ~~stop~~ **do not** ~~expanding~~ --- **expand** or **if they** contract due to economic factors, changes in consumer preferences or other reasons, or we are unsuccessful in creating new products for these markets or other competitors successfully enter into these markets, we may fail to achieve future growth or our sales could decrease, which could have a material adverse effect upon our business, financial condition and results of operations **If we fail to** maintain sufficient inventory to meet current customer demands,or if we fail to anticipate future changes in customer demands,our financial results could be adversely affected.We must maintain sufficient in- stock inventory and anticipate future changes in customer demands in order to be successful.If we fail to do so,our financial results could be adversely affected.Fluctuations in demand may result from a number of factors,including,but not limited to,global economic conditions,global pandemics such as COVID- 19,the age,condition and number of vehicles that need servicing,motor vehicle parts failure rates,loss of market share and improvements in product designs that result in enhanced quality and reliability of new vehicle parts.As a result of these and other factors,we have experienced and expect to continue to experience fluctuating levels of demand that require us to monitor,and,where appropriate,adjust our operations,including our inventory levels and staffing at our facilities.If we are unable to forecast accurately future reductions in demand,we may accumulate excess or obsolete inventory and be forced to reduce hours or lay off or furlough employees.Conversely,if we are unable to forecast accurately future increases in demand,we may have inventory shortfalls or inadequate staffing levels to meet demand,which may result in our inability to fill orders on a timely basis or at all and could result in penalties owed to our customers and the loss of net sales.Our profitability may be materially adversely affected as a result of overstock inventory- related returns by our customers in excess of anticipated amounts.In certain instances,we permit overstock returns of inventory that may be either new or non- defective or non- obsolete.To the extent our customer agreements permit overstock returns,those customers are generally limited to returning overstocked inventory according to a specified percentage of their annual purchases from us.We accrue for overstock returns as a percentage of net sales,after giving consideration to recent historical returns.While we believe that we make reasonable estimates for overstock returns in accordance with our revenue recognition policies,actual returns may differ from our estimates.To the extent that overstocked returns are materially in excess of our projections,our business,results of operations and financial condition may be materially adversely affected.Our operations would be materially and adversely affected if our suppliers fail to perform or if we are unable to manage our supply chain effectively.Because we purchase various types of raw materials,finished goods,equipment,and manufactured component parts from suppliers,we may be materially and adversely affected by the failure of those suppliers to perform as expected.This non- performance may consist of delivery delays,or failures caused by production issues or delivery of non- conforming products.The risk of non- performance may also result from the insolvency or bankruptcy of one or more of our suppliers.Our suppliers' ability to supply products to us is also subject to a number of risks,including,but not limited to,availability and cost of raw materials,political instability,military conflict,destruction of their facilities caused by natural and other disasters,work stoppages and health crises.For example,the **automotive** ~~motor vehicle~~ industry ~~previously experienced~~ **is currently recovering from** a shortage in the supply of semiconductors.We utilize semiconductors in our products and have at times encountered material shortages in semiconductor supply.If ~~such a shortage were to occur again and if~~ we ~~were~~ **are** unable to source semiconductors on a timely basis or at all,we may be unable to produce some of our products,which could adversely affect our ability to develop new products and fill orders on existing products.Furthermore,because certain products we sell contain parts that are or can be recycled and remanufactured-- parts more commonly referred to in our industry as " core " – our ability to sell those products may be materially and adversely affected if we are unable to obtain those core parts from our suppliers on favorable terms,if at all.Our efforts to protect against and minimize these risks may not always be effective.If any of our key suppliers fails to meet our needs or if our relationships with any of our key suppliers are not maintained,it may not be possible to replace such supplier without disruptions in our operations.In addition,we may not be able to consolidate or diversify our supply chain as business needs dictate,and our operations may be adversely impacted as a result.For example,we may experience delays as new suppliers are qualified or as tooling is moved or replaced.Furthermore,the replacement of a key supplier or transitioning to a new supplier in a different geography may result in ~~production delays or~~ increased expenses,which could result in ~~inventory shortages or~~ lower profit margins and could have a material adverse effect on our business,financial condition and results of operations.Our operating results are sensitive to the availability and cost of third- party transportation providers,which are important in the manufacture and transport of our products.We depend upon third- party transportation providers,such as ocean freight,railroad and trucking carriers,for shipments to and from our suppliers and for delivery of our products to us and to our customers.Our access to third-party transportation providers is not guaranteed,and,even if we have access to transportation providers,we may be unable to transport our products at economically attractive rates in certain circumstances,particularly in cases of adverse market conditions or disruptions to transportation infrastructure.Fluctuations in demand for third- party transportation providers and other events impacting transportation capacity and costs,such as strikes,political events,international trade disputes,war,terrorism,natural disasters,adverse weather conditions,congestion,increases in fuel prices,public health issues,including the COVID- 19 pandemic,and other events,may impact the availability of third- party transportation providers to ship our products or the cost to ship our products.For example, **during 2022,like many other companies,we experienced significantly higher freight and transportation costs as a result of global transportation and** logistics **constraints following** ~~costs and transit times for product from our suppliers were adversely impacted during 2023 by drought conditions in~~ the **height of** ~~Panama Canal and disruptive conflict around~~ the **COVID- 19 pandemic** ~~Suez Canal,resulting in changes to our shipping routes and increased shipping costs~~ .To the extent we enter into long- term agreements with **any of these** transportation providers,our forecasts of expected capacity needed in future periods may be inaccurate as a result of unforeseen fluctuations in demand for these transportation services,which could result in us paying for capacity that is not needed or result in us having to purchase additional capacity on a spot- market basis.To the extent our transportation mix changes between contracted and market volume,driven by market conditions or other variables,we may observe impacts that create favorability or ~~unfavorability~~ **unfavourability** in our end- to- end logistics cost structure.In addition,our business,financial position,results of operations or cash flows could be materially and adversely affected if we are unable to pass along increased transportation costs to our customers,or if third- party transportation capacity were to decline significantly or otherwise become unavailable.Significant inflation could adversely affect our business and financial results.Inflation can adversely affect us by increasing our operating costs,which could have an adverse impact on our business or financial results.For example,we experienced broad- based inflationary impacts during the year ended December 31, ~~2023~~ **2022** due primarily to global transportation and logistics constraints,which resulted in significantly higher transportation costs,tariffs,material costs,and wage inflation from an increasingly competitive labor market.In a highly inflationary environment,we may attempt to offset inflationary pressures with cost- saving initiatives,price increases to customers or the use of alternative suppliers.Although we have implemented pass-through price increases to offset **recent** inflationary cost impacts,the price increases have often been implemented after we experienced higher costs,resulting in a lag effect to the full recovery of these costs.Furthermore, ~~in general,~~ pricing increases that we implemented to pass through the increased costs had no added profit dollars and consequently did not fully offset the impact that the increased costs had on our gross and operating margin percentages.Moreover, **these** pricing actions ~~such as these~~ may have a negative impact on customers' willingness to purchase our products.There can be no assurance that ~~inflationary pressures will ease or that~~ we will be successful in implementing pricing increases in the future to recover increased inflationary costs,and such inflationary pressures could have a material adverse effect on our business,financial condition,and results of operations.Changes in U.S.trade policy,including the imposition of tariffs and the resulting consequences,could adversely affect our results of operations.In fiscal ~~2023~~ **2022** ,approximately ~~70~~ **64** % of our products were purchased from suppliers in a variety of non- U.S.countries.The U.S.government' s trade policy with countries where we source our products may change based on a number of factors,including,but not limited to,political and economic factors.For instance,the U.S.government has imposed tariffs on certain foreign goods,including steel and certain commercial vehicle parts,which have resulted in increased costs for goods imported into the United States.In response to these tariffs,a number of U.S.trading partners have imposed retaliatory tariffs on a wide range of U.S.products.If we are unable to pass price increases on to our customer base or otherwise mitigate the costs,or if demand for our products decreases due to the higher cost,our results of operations could be materially adversely affected.In addition,further tariffs have been proposed by the United States and its trading partners and additional trade restrictions could be implemented on a broader range of products or raw materials.The resulting environment of retaliatory trade or other practices could **have a material adverse effect on our business,financial condition,results of operations,customers,suppliers and the global economy.** . Our business, results of operations and financial condition could be materially adversely affected by the effects of widespread public health pandemics, such as COVID- 19, that are beyond our control. Any outbreaks of contagious diseases, public health pandemics and other adverse public health developments in countries where we, our customers or our suppliers operate could have a material and adverse effect on our business, results of operations and financial condition. The COVID- 19 pandemic adversely impacted businesses around the world, adversely affected supply chain logistics and contributed to increases in raw material, freight labor and other costs. Uncertain factors relating to pandemics such as COVID- 19 include the duration, spread and severity of the pandemic, the efficacy and distribution of vaccines and treatments designed to combat the pandemic, the effects on our customers, vendors, suppliers and employees, and the actions, or perception of actions that may be taken, to contain or treat its impact, including declarations of states of emergency, workplace mandates, business closures, manufacturing restrictions and any prolonged period of travel, commercial and / or other similar restrictions and limitations. Any such pandemic and the measures designed to contain its spread may negatively impact demand for our products, which could have a material and adverse effect on our business, results of operations and financial condition. Similarly, our suppliers may not have the materials, capacity, or capability to manufacture our products according to our schedule and specifications. If our suppliers' operations are impacted, we may need to seek alternate suppliers, which may be more expensive, may not be available or may result in delays in shipments to us and subsequently to our customers, each of which would affect our results of operations. Further, in the event any members of our workforce, or those of our suppliers, become sick as a result of any pandemic or are otherwise compelled to quarantine, or refuse to comply with any related workplace mandates, we may experience shortages in labor and services that we require for our operations. The increased use of remote work environments and virtual platforms in response to any such pandemic may also increase our risk of cyber- attacks and data security breaches. The duration of the disruption to our customers, our supply chain and our employees, and the related financial and operational impacts to us, as a result of any such pandemic, cannot be estimated at this time. Should any such disruption continue for an extended period, the impact could have a material adverse effect on our business, results of operations and financial condition. If we fail to maintain sufficient inventory......, suppliers and the global economy. Product Development, Acceptance and Quality If we do not continue to develop new products and bring them to market, our business, financial condition and results of operations could be materially impacted. Our historical growth and profitability have depended, in part, on the introduction of new parts to the motor vehicle aftermarket industry. ~~We~~ **In addition to growth through acquisitions, we** invest in research and development to sustain or enhance our existing product portfolio. In certain circumstances, there may be a lengthy period between commencing these development initiatives and bringing new or improved products to market. In other instances, factors beyond our control may impact our ability to further our research and development activities ~~. For example, new product activity was adversely impacted in the first half of 2020 due to COVID- 19. Although new product development and commercialization rebounded towards the end of 2020, we ended 2020 with lower new product introductions than the prior year~~ . During any period of delay in research and development activities, technology advancements, customer demand and the markets for our products may move in directions that we had not anticipated. There is no guarantee that our new products, or enhancements to existing products, will achieve market acceptance or that the timing of market adoption will be as predicted. As a result, there is a significant possibility that some of our development decisions, including significant expenditures on acquisitions, research and development, or investments in technologies, will not meet our expectations, and that our investment in some projects will be unprofitable. There is also a possibility that we may miss a market opportunity because we failed to invest or invested too late in a technology, product or enhancement sought by our customers or the markets into which we sell. If we fail to make the right investments or fail to make them at the right time, competing solutions may be more attractive in the market. As a result, our competitive position may suffer, and our revenue and profitability could be adversely affected. The development and production of any new products are often accompanied by design and production delays and related costs. While we expect and plan for such delays and related costs, we cannot predict with precision the time and expense required to overcome these initial problems so that the products comply with specifications. Moreover, as a supplier in the motor vehicle aftermarket industry, we face additional challenges in designing and producing replacement products as original equipment manufacturers may design parts that contain enhanced technology features or proprietary technologies that are required to interface with other vehicle systems in order to work properly. There is a risk that we may not be able to introduce or bring to full- scale production new products as quickly as we expected in our product introduction plans, which could have a material adverse effect on our business, financial condition, and results of operations. We may be adversely impacted by changes in, or restrictions on access to, motor vehicle technology. The motor vehicle aftermarket industry is experiencing a period of significant technological change as a result of the trends toward the integration of advanced electronics into traditional products and the increase in the number of vehicles powered by fuel cells or electricity. Software, firmware, and hardware increasingly are becoming functionally integrated with, and inseparable from, physical parts. While, traditionally, repair shops and vehicle owners could diagnose and repair their vehicles with mechanical adjustments, today they often need access to vehicles' control units using laptops, complex diagnostic tools and software. Restrictions on access to testing and diagnostic tools, software, telematics, data and repair information imposed by the original vehicle manufacturers or by governmental regulations may force vehicle owners to rely on dealers to perform maintenance and repairs. This in turn could limit our ability to design, manufacture and sell new products and could have a material adverse effect on our business, financial condition and results of operations. These trends have led to an increase in the significance of technology to our current and future products and the amount of capital we need to invest to develop these new technologies, as well as an increase in the amount of competition we face from technology- focused new market entrants. If we misjudge the amount of capital to invest or are otherwise unable to continue providing products that meet our customers' needs in this environment of rapid technological change, our market competitiveness could be adversely affected, which could have a material adverse effect on our business, financial condition and results of operations. Design and quality problems with our products could damage our reputation and adversely affect our business. We have experienced, and in the future may experience, reliability, quality, or compatibility problems in products after their production and sale to customers. Product design and quality problems and any associated product recalls could result in damage to our reputation, loss of customers, a decrease in revenue, litigation, unexpected expenses, and a loss of market share. We have invested and will continue to invest in our engineering, design, manufacturing and quality infrastructure to help reduce these problems; however, there can be no assurance that we can successfully remedy these issues. To the extent we experience significant quality problems in the future, it could have a material adverse effect on our business, financial condition and results of operations. Our Intellectual Property and Information Security Cyber- attacks or other breaches of information technology security could adversely impact our business and operations. Cyber- attacks or other breaches of network or information technology security may cause equipment failure, disruption to our operations or the loss or theft of sensitive data relating to our Company and our employees, customers, suppliers, and business partners, including intellectual property, proprietary business information, and other sensitive material. Such attacks, which include the use of malware, encryption, computer viruses and other means for disruption or unauthorized access, on companies have increased in frequency, scope and potential harm in recent years **. In addition, the rapid evolution and increased adoption of artificial intelligence technologies may intensify our cybersecurity risks** . We take preventive actions to reduce the risk of cyber incidents and protect our information technology and networks, including the data that is maintained within them. However, such preventative actions may be insufficient to repel a cyber- attack or other network breach in the future. Furthermore, because the techniques used to carry out cyber- attacks change frequently and in many instances are not recognized until after they are used against a target, we may be unable to anticipate these changes or implement adequate preventative measures. Moreover, we utilize third- party vendors that provide information technology services for various areas, including human resources functions (e. g., payroll) **, and parts of our operations rely upon third- party logistics providers that maintain their own information technology systems on which we rely** . While we generally require these ~~vendors~~ **third parties** to monitor and protect their information technology systems against cyber- attacks and other breaches, their efforts may not be effective. To the extent that any cyber- attack or other security breach of one of ~~our vendors'~~ **these third- party** systems causes a disruption in ~~its~~ **a third- party' s** operations or results in a loss or damage to our data, loss or theft of our intellectual property, or unauthorized disclosure of confidential information, including information regarding our customers and the ultimate purchasers of our products, it could disrupt our operations or cause significant damage to our reputation, affect our relationship with our customers, suppliers and employees, and lead to claims against us and ultimately harm our business. Moreover, intruders that gain access to our intellectual property and trade secrets may attempt to use that information to harm our business, by developing competing or counterfeit products. Additionally, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future. Any such cyber- attacks and loss or theft of our intellectual property or unauthorized disclosure of confidential information could have a material adverse effect on our business, financial condition and results of operations. We are dependent, in part, on our intellectual property. If we are not able to protect our proprietary rights or if those rights are invalidated or circumvented, our business may be adversely affected. Our business is dependent, in part, on our ability to innovate, and, as a result, we **rely** ~~are reliant~~ on our intellectual property. We generally protect our intellectual property through patents, trademarks, copyrights, trade secrets, confidentiality and nondisclosure agreements, information security practices, and other measures to the extent our budget permits. There can be no assurance that patents will be issued from pending applications that we have filed or that our patents will be sufficient to protect our key technology from misappropriation or falling into the public domain, nor can assurances be made that any of our patents, patent applications, trademarks or our other intellectual property or proprietary rights will not be misappropriated, challenged, invalidated or circumvented. In addition, the level of protection of our proprietary technology varies by country and may be uncertain in countries that do not have well- developed judicial systems or laws that adequately protect intellectual property rights. Patent litigation and other challenges to our patents and other proprietary rights are costly and unpredictable and may prevent us from **gaining and / or maintaining** ~~marketing~~ --- **market** ~~and selling~~ **exclusivity for** a product in a particular geographic area. Financial considerations may also preclude us from seeking patent protection in every country where infringement litigation could arise. Our inability to predict our intellectual property requirements in all geographies and affordability constraints may also impact our intellectual property protection investment decisions. If we are unable to adequately protect our proprietary rights, we may be at a disadvantage to others who do not incur the substantial time and expense we incur to create our products. Preventing unauthorized use or infringement of our intellectual property is inherently difficult. Moreover, it may be difficult or practically impossible to detect theft or unauthorized use of our intellectual property. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations. Claims of intellectual property infringement by original equipment manufacturers and others could adversely affect our business and negatively impact our ability to develop new products. From time to time in the ordinary course of our business, we are subject to claims that we are infringing the intellectual property rights of original equipment manufacturers, **competitors,** non-practicing entities, or others **. Any such infringement claim could have a material adverse effect on our business, financial condition and results of operations due to an increase in legal expense, a time burden on employees involved in defense of such claim or slowed development and / or production of an accused product. This may be true whether they are with or without merit and whether they are covered by insurance or not** . An adverse finding against us in these or similar intellectual property disputes may have a material adverse effect on our business, financial condition and results of operations if we are not able to successfully develop or license non- infringing alternatives. In addition, an unfavorable ruling in intellectual property litigation could subject us to significant liability, increased legal expense, and require us to cease developing or selling the affected products. Any significant restriction that impedes our ability to develop and commercialize our products could have a material adverse effect on our business, financial condition and results of operations. Failure to maintain the value of our brands could have an adverse effect on our reputation, cause us to incur significant costs and negatively impact our business. Our brands are an important component of our value proposition and serve to distinguish our products from those of our competitors. We believe that our success depends, in part, on maintaining and enhancing the value of our brands and executing our brand strategies, which are designed to drive demand for our products and, where we do not sell direct to end- users of our products, make us a valued business partner to our customers through the support of their marketing initiatives. A decline in the reputation of our brands as a result of events, such as deficiencies or defects in the design or manufacture of our products, from legal proceedings, product recalls or warranty claims resulting from such deficiencies or defects, or from failures to meet stakeholder expectations regarding environmental, social and governance matters may harm our reputation, reduce demand for our products and adversely affect our business. Moreover, our business may be adversely affected if we fail to develop adequate branding strategies following acquisitions of companies with their own established brands. In addition to the foregoing, certain of our customer agreements require us to supply them with private- label branded products. To the extent we use our own products to promote the brands of our customers over our own brands, our business may be adversely affected. Risks Related to Our Capital Structure and Finances Increasing our indebtedness could negatively affect our financial health. We have a credit agreement with Bank of America, N. A., as administrative agent, under which we borrowed $ 500 million in the form of a term loan and through which we have a $ 600 million revolving credit facility. As of December 31, ~~2022~~ **2023** , there was $ ~~496~~ **484** . ~~9~~ **4** million in outstanding borrowings under the term loan and $ ~~239~~ **92** . ~~4~~ **8 million** in outstanding borrowings under the revolving portion of the credit agreement, and as of such date we had three outstanding letters of credit for $ 1. ~~0~~ **3** million in the aggregate. Our outstanding indebtedness and any additional indebtedness we incur may have negative consequences on our business, including, among others: requiring us to use cash to pay the principal of and interest on our indebtedness, thereby reducing the amount of cash available for other purposes; limiting our ability to obtain additional financing for working capital, capital expenditures, acquisitions, stock repurchases, and general corporate or other purposes; and limiting our flexibility in planning for, or reacting to, changes in our business, industries or the market. Our ability to make payments of principal and interest on our indebtedness depends upon our future performance, which is subject to economic and political conditions, interest rates, industry cycles and financial, business and other factors, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations to service our indebtedness, we may be required to, among other things: refinance or restructure all or a portion of our indebtedness; reduce or delay planned capital or operating expenditures; reduce, suspend or eliminate our stock repurchase program; or sell selected assets. Such measures might not be sufficient to enable us to service our indebtedness. In addition, any such refinancing, restructuring or sale of assets might not be available on economically favorable terms or at all, and if prevailing interest rates at the time of any such refinancing or restructuring are higher than our current rates, interest expense related to such refinancing or restructuring would increase. The occurrence of any of such events could have a material adverse effect on our business, financial condition and results of operations. Our credit agreement contains covenants that restrict our operational flexibility. If we cannot comply with these covenants, we may be in default under our credit agreement. Our credit agreement contains affirmative and negative covenants, including with regard to requirements that we maintain specified financial ratios, which limit and restrict our operations and may hamper our ability to engage in activities that may be in our long- term best interests. Events beyond our control could affect our ability to meet these and other covenants under the credit agreement. Moreover, our credit agreement is guaranteed by our material domestic subsidiaries and is supported by a security interest in substantially all of our and their personal property and assets, subject to certain exceptions. Our failure to comply with our covenants and other obligations under the credit agreement may result in an event of default thereunder. A default, if not cured or waived, may permit acceleration of our indebtedness and provide our lenders with the ability to foreclose on the collateral securing their loans. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay down the indebtedness (together with accrued interest and fees), or that we will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all. This could have a material adverse effect upon our business, financial condition and results of operations. We are exposed to risks related to accounts receivable sales agreements. We have entered into several customer- sponsored programs administered by unrelated financial institutions that permit us to sell certain accounts receivable at discounted rates to the financial institutions without recourse. These agreements permit us to recover on our accounts receivable sooner than if they were not in place and help reduce the risk of non- payment by customers. Certain of our customers, however, do not offer the ability to participate in such sponsored programs. If we do not enter into these agreements, our financial condition, results of operations and cash flows could be materially and adversely affected by delays or failures in collecting trade accounts receivables. In addition, ~~if any of~~ the financial institutions with which we have these agreements **may** ~~experiences~~ - **experience** financial difficulties or ~~otherwise modifies~~ **may modify** or ~~terminates~~ - **terminate** these agreements **because** ~~, we may experience material and adverse economic losses due to the loss~~ of ~~such arrangements and the impact of such loss on~~ **changes in our customers' credit profiles, market conditions** ~~our~~ - **or** ~~liquidity~~ **otherwise** . The modification, termination or other loss of these arrangements could have a material and adverse effect on **our liquidity and** our financial condition, results of operations and cash flows. Interest rate increases may adversely affect our financial condition and results of operations. Borrowings under our credit agreement are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed remains the same. As a result, our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. A one- percentage- point increase in the interest rates on outstanding borrowings under our credit agreement would have increased our interest expense by approximately $ ~~2~~ **6** . ~~4~~ **8** million for the year ended December 31, ~~2022~~ **2023** . Our accounts receivable sales agreements are variable rate instruments impacted by reference interest rates, such as the Term Secured Overnight Financing Rate (" Term SOFR"), which are components of the discount rate applicable to each arrangement. A one- percentage- point increase in the discount rates on these arrangements would have increased our factoring costs by approximately $ ~~8.~~ 7 **. 9** million for the year ended December 31, ~~2022~~ **2023** . Rising interest rates increase the costs associated with these arrangements and result in us collecting less on our accounts receivable serviced through them. If interest rates increase such that the cost of these arrangements becomes more than the cost of servicing our receivables with existing debt, we may not be able to rely on such arrangements, which could have a material adverse effect on our business, financial condition and results of operations. We extend credit to our customers, some of whom may be unable to pay in the future. We regularly extend credit to our customers. A significant percentage of our accounts receivable have been, and are expected to continue to be, concentrated among a relatively small number of ~~automotive parts~~ retailers **, dealers** and distributors in the United States. Our four largest customers accounted for ~~69~~ **74** % of total accounts receivable as of December 31, ~~2022~~ **2023** and ~~82~~ **69** % of total accounts receivable as of December ~~25~~ **31** , ~~2021~~ **2022** . In the ordinary course of business, management monitors, among other things, credit terms and credit limits for these and other customers. In addition, from time to time, some of our customers request increases in their credit limits. Such requests may pose incremental risks to us, either by increasing the credit limit for a customer and accepting additional financial risk of non- payment or maintaining the credit limit and risking the customer redirecting business to another supplier offering better credit terms. If any of our customers were unable to pay, or if any of those customers redirect their business to other suppliers offering better credit terms, it could have a material adverse effect on our business, financial condition and results of operations. Our business may be negatively impacted by our dependence on foreign suppliers and by foreign currency fluctuations. In fiscal ~~2022~~ **2023** , approximately ~~64~~ **70** % of our products were purchased from suppliers in a variety of non- U. S. countries, with the largest portion of our overseas purchases being made in China. As a result of the magnitude of our foreign sourcing, our business may be subject to various risks, including the following: a. uncertainty caused by the elimination of import quotas and the possible imposition of additional quotas, bans on importing goods or materials from certain countries or regions or other retaliatory or punitive trade measures; b. imposition of duties, tariffs, taxes and other charges on imports; c. significant devaluation of the U. S. dollar against foreign currencies; d. restrictions on the transfer of funds to or from foreign countries; e. political instability, military conflict or terrorism involving the United States or any of the countries where our products are manufactured or sold, which could cause labor shortages, a delay in transportation or an increase in costs of transportation, labor, raw materials or finished product or otherwise disrupt our business operations; and f. disease, epidemics and health- related concerns could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny and embargoing of goods produced in infected areas. In addition to the foregoing, the products we purchase from our foreign suppliers generally are purchased through purchase orders with the purchase price specified in U. S. dollars. Accordingly, we generally do not have exposure to fluctuations in the relationship between the U. S. dollar and various foreign currencies between the time of execution of the purchase order and payment for the product. To the extent that the U. S. dollar changes in value relative to those foreign currencies in the future, the prices charged by our suppliers under new purchase orders may change in equivalent U. S. dollars. For example, the Chinese yuan to U. S. dollar exchange rate has fluctuated over the past several years. Any future changes in the value of the Chinese yuan relative to the U. S. dollar may result in a change in the cost of products that we purchase from China in the future. If these risks limit or prevent us from acquiring products from foreign suppliers or significantly increase the cost of our products, our operations could be seriously disrupted until alternative suppliers are found, which could have a material adverse effect upon our business, financial condition and results of operations. Dorman' s **Non-** Executive Chairman and his family members own a significant portion of the Company. As of February ~~23~~ **22** , ~~2023~~ **2024** , Steven L. Berman, our **Non-** Executive Chairman, and his family members beneficially owned approximately ~~17~~ **16** % of the Company' s outstanding common stock. As such, Mr. Berman and his family members ~~can~~ **could** influence matters requiring the approval of shareholders, including the election of the Board of Directors and the approval of significant transactions. Such concentration of ownership may have the effect of delaying, preventing or deterring a change in control of the Company, could deprive shareholders of an opportunity to receive a premium for their common stock as part of a sale of the Company and might ultimately affect the market price of our common stock. Moreover, sales of substantial amounts of the shares beneficially owned by Mr. Berman and his family members, including shares held in family trusts and foundations, or the perception that such sales could occur, may lower the prevailing market price of our common stock. General Risk Factors Unfavorable economic conditions may adversely affect our business. Adverse changes in economic conditions, including inflation, recession, increases in fuel prices, decreased transportation capacity, rising interest rates, tariffs, labor shortages and unemployment levels, availability of consumer credit, taxation or instability in the financial markets or credit markets may either lower demand for our products or increase our operational costs, or both. Such conditions may also materially impact our customers, suppliers **, dealers** and other parties with whom we do business. Our revenue will be adversely affected if demand for our products declines. The impact of unfavorable economic conditions may also limit discretionary spending or otherwise impair the ability of our customers to pay for products they have purchased. As a result, reserves for doubtful accounts and write- offs of accounts receivables may increase and failure to collect a significant portion of amounts due on those receivables could have a material adverse effect on our business, financial condition and results of operations. Our operations, revenues and operating results, and the operations of our third- party manufacturers, suppliers, warehouse and distribution providers, and customers, may be subject to quarter- over- quarter fluctuations and disruptions from events beyond our or their control. Our operations, revenues and operating results, as well as the operations of our third- party manufacturers, suppliers, warehouse ~~and~~ **,** distribution **and logistics** providers, and customers, may be subject to quarter- over- quarter fluctuations and disruptions from a variety of causes outside of our or their control, including work stoppages, market volatility, fuel and transportation prices, acts of war, terrorism, cyber incidents, pandemics, power outages, ~~fire~~ **fires** , ~~earthquake~~ **earthquakes** , flooding, changes in weather patterns, weather or seasonal fluctuations or other climate- based changes, including hurricanes or tornadoes, or other natural disasters. If a major disruption were to occur at our operations or the operations of our third- party manufacturers, suppliers, warehouse and distribution providers, or customers, it could result in harm to people or the natural environment, delays in shipments of products to customers or suspension of operations. In addition, such events could result in our inability to fill orders on a timely basis or at all and result in penalties owed to our customers and the loss of net sales. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations. We rely extensively on computer systems to manage inventory, process transactions and timely provide products to our customers. These systems are subject to damage or interruption from power outages, telecommunications failures, computer viruses, security breaches, cyber- attacks or other catastrophic events. If these systems are damaged or fail to function properly, we may experience loss of critical data and interruptions or delays in our ability to manage inventories or process customer transactions. Such a disruption to these systems could negatively impact revenue and could have a material adverse effect on our business, financial condition and results of operations. Unfavorable results of legal proceedings could materially adversely affect us. We are subject to various legal proceedings and claims that arise out of the ordinary course of our business, such as those involving contracts, employment matters, competitive practices, and intellectual property infringement. In addition, if our products are defective or installed or used incorrectly by customers, bodily injury, property damage or other injury, including death, may result and could give rise to product liability claims against us. Legal proceedings and claims may be time- consuming and expensive to prosecute, defend or conduct. This may be true whether they are with or without merit and whether they are covered by insurance or not. They also may divert management' s attention and other resources; inhibit our ability to sell our products; result in adverse judgments for damages, injunctive relief, penalties and fines; and negatively affect our reputation, business, financial condition and results of operations. There can be no assurance regarding the outcome of current or future legal proceedings, claims or investigations. The market price of our common stock may be volatile and could expose us to securities class action litigation **and increased shareholder activism** . The stock market and the price of our common stock may be subject to wide fluctuations based upon general economic and market conditions. The market price for our common stock also may be affected by our ability to meet analysts' expectations. Failure to meet such expectations, even slightly, could negatively affect the market price of our common stock. In addition, stock market volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of these companies. Downturns in the stock market may cause the price of our common stock to decline. Following periods of volatility in the market price of a company' s securities, securities class action litigation has often been instituted against such companies. If similar litigation were instituted against us, it could result in substantial costs and a diversion of our management' s attention and resources, which could have a material adverse effect on our business, financial condition and results of operations. **In addition, market price volatility may attract shareholder activism, which could take many forms, including potential proxy contests and public information campaigns. Shareholder activism could result in substantial costs to the Company, adversely affect our relationships with suppliers, customers, and regulators, and adversely impact our stock price.** Losing the services of our executive officers or other highly qualified and experienced employees or failing to attract and retain any of such officers or employees could adversely affect our business. Our future success depends upon the continued contributions of our executive officers and senior management, many of whom have numerous years of experience and would be extremely difficult to replace. We must also attract and retain experienced and highly skilled engineering, sales and marketing, finance, logistics, information technology and operations personnel. Although we periodically conduct compensation benchmarking and surveys, competition for qualified personnel is often intense, our compensation programs may not be adequately designed, and we may not be successful in hiring and retaining these people. To the extent we experience increases in demand for labor, as a result of competition ~~, the impacts of pandemics such as COVID- 19~~ or otherwise, such increase in demand may drive higher wages for impacted roles and our ability to attract talent and maintain a competitive cost structure may be challenged. If we lose the services of our key employees, cannot attract and retain other qualified personnel or cannot maintain a competitive cost structure as a result of any of the foregoing, it could have a material adverse effect on our business, financial condition and results of operations. Our growth may be impacted by acquisitions. We may not be able to identify suitable acquisition candidates, complete acquisitions or integrate acquisitions successfully. Our future growth **may** ~~is likely to~~ depend **in part** ~~to some degree~~ on our ability to acquire and successfully integrate new businesses. We may not be able to identify suitable acquisition candidates, complete acquisitions, or integrate acquisitions, such as SuperATV, successfully. We may seek additional acquisition opportunities, both to further diversify our businesses and to penetrate or expand important product offerings, geographies or markets. There are no assurances, however, that we will be able to successfully identify suitable candidates, negotiate appropriate terms, obtain financing on acceptable terms, complete proposed acquisitions, successfully integrate acquired businesses, or expand into new geographies or markets. Once acquired, operations may not achieve anticipated levels of revenues or profitability. Acquisitions involve risks, including difficulties in the integration of the operations, technologies, services and products of the acquired companies and the diversion of management' s attention from other business concerns. Although our management will endeavor to evaluate the risks inherent in any particular transaction, there are no assurances that we will properly ascertain all such risks. Difficulties encountered with acquisitions could have a material adverse effect on our business, financial condition and results of operations. Changes in tax laws or exposure to additional income tax liabilities could have a material adverse effect on our business, financial condition and results of operations. We are subject to income taxes, as well as non- income- based taxes, at the federal, state and local levels. We are subject to tax audits in various jurisdictions. Tax authorities may disagree with certain positions we have taken and assess additional taxes. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax ~~provision~~ **provisions** . However, there can be no assurance that we will accurately predict the outcomes of these audits, and the actual outcomes of these audits could have a material adverse effect upon our business, financial condition and results of operations. Additionally, changes in tax laws or tax rulings could materially impact our effective tax rate. Global climate change and related regulations could negatively affect our business. The effects of climate change, such as extreme weather conditions, create financial risks to our business. For example, the demand for our products may be affected by unseasonable weather conditions. The effects of climate change could also disrupt our operations by impacting the availability and cost of materials needed for manufacturing and could increase insurance and other operating costs. We could also face indirect financial risks passed through the supply chain and disruptions that could result in increased prices for our products and the resources needed to produce them. Climate change is continuing to receive ever- increasing attention worldwide. Many scientists, legislators and others attribute climate change to increased levels of greenhouse gases, including carbon dioxide, which could lead to additional legislative and regulatory efforts to limit greenhouse gas emissions. ~~For example~~ **New international** , ~~new~~ federal or state **legislative or regulatory** restrictions ~~on~~ **or standards adopted regarding** emissions of carbon dioxide that may be imposed on **motor** vehicles and ~~automobile~~ **related** fuels could adversely affect demand for **motor** vehicles, annual miles driven or the products we sell ~~or~~ **and could** lead to **or require** changes in ~~automotive~~ **motor vehicle** technology **or increased costs. For example, California recently enacted a climate focused disclosure law and the SEC has proposed climate change related regulations. We will be required to spend significant time and resources to comply with these types of new laws and regulations** . Compliance with any new or more stringent laws ~~or~~ **,** regulations **or standards** , or stricter interpretations of existing laws, **regulations or standards,** could require **us to incur** increased capital expenditures ~~to improve our product portfolio to meet such new laws, regulations and standards~~ . While we have been committed to continuous improvements to our product portfolio to meet and exceed anticipated **laws,** ~~regulatory~~ **regulations and** ~~standard~~ **standards** ~~levels~~ , there can be no assurance that our ~~commitments~~ **actions** will be successful, that our products will be accepted by the market, that proposed regulation or deregulation will not have a negative competitive impact or that economic returns will reflect our investments in new product development. We could be adversely affected by violations of the U. S. Foreign Corrupt Practices Act and similar anti- bribery laws around the world. The U. S. Foreign Corrupt Practices Act (the" FCPA") and similar anti- bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. Recent years have seen a substantial increase in anti- bribery law enforcement activity, with more frequent and aggressive investigations and enforcement proceedings by both U. S. and non- U. S. regulators, and increases in criminal and civil proceedings brought against companies and individuals. Our policies mandate compliance with these anti- bribery laws. We operate in parts of the world that are recognized as having governmental and commercial corruption and local customs and practices that can be inconsistent with anti- bribery laws. We cannot assure you that our internal control policies and procedures will always protect us from reckless or criminal acts committed by our employees or third- party intermediaries. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti- corruption laws, or if we are subject to allegations of any such violations, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may result in criminal or civil sanctions, which could disrupt our business and result in a material adverse effect on our reputation, business, financial condition and results of operations. In addition, we could be subject to commercial impacts such as lost revenue from customers who decline to do business with us as a result of such compliance matters, or we could be subject to lawsuits brought by private litigants, each of which could have a material adverse effect on our reputation, business, financial condition, and results of operations. Our products are subject to import and export controls **and economic sanctions laws and regulations** in ~~the~~ **various** jurisdictions **, and violations could adversely affect us** ~~in which we distribute or sell our products~~ . Import and export controls and economic sanctions laws and regulations include restrictions and prohibitions on the sale or supply of certain products and on our transfer of parts, components, and related technical information and know- how to certain countries, regions, governments, persons and entities. Various countries regulate the importation of certain products through import permitting and licensing requirements and have enacted laws that could limit our ability to distribute our products. The exportation, re- exportation, transfers within foreign countries and importation of our products, including by our suppliers and vendors, must comply with these laws and regulations, and any violations may result in reputational harm, government investigations and penalties, and denial or curtailment of importing or exporting activities. Complying with export control and sanctions laws for a particular sale may be time- consuming, may increase our costs, and may result in the delay or loss of sales opportunities. If we are found to be in violation of U. S. sanctions or export control laws, or similar laws in other jurisdictions, we and the individuals working for us could incur substantial fines and penalties. Changes in export, sanctions or import laws or regulations may delay the introduction and sale of our products in the U. S. and international markets, require us to spend resources to seek necessary government authorizations or to develop different versions of our products, or, in some cases, prevent the export or import of our products to certain countries, regions, governments, persons or entities, which could adversely affect our business, financial condition and operating results.