Risk Factors Comparison 2024-03-21 to 2023-03-16 Form: 10-K

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Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of shares of our common stock, par value $ 0. 01 per share (our " Common Stock "). You should carefully review and consider the risks described below and the forward- looking statements contained in this Form 10- K before evaluating our business or making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by these risks. The trading price of the Company' s Common Stock could decline due to any of these risks, and you may lose all or part of your investment. You should also refer to the other information included or incorporated by reference in this report, including the Company' s consolidated financial statements and the related notes thereto. These risks and uncertainties could cause actual results and events to differ materially from those anticipated. Additional risks which the Company does not presently consider material, or of which management is not currently aware, may also have an adverse impact on the Company' s business. Please also see the section of this Form 10- K entitled " Note About Forward- Looking Statements " on page 2. The voting power in the Company is substantially controlled by a small number of shareholders, which may, among other things, delay or frustrate the removal of incumbent directors or a takeover attempt, even if such events may be beneficial to shareholders. N10TR, LLC (" N10TR ") is the Company' s largest shareholder, owning 12, 814, 727 shares of Common Stock, representing ~~47~~ **48** . ~~6~~ **3** % of the total outstanding shares of Common Stock, as of December 31, ~~2022~~ **2023** . Eduro Holdings, LLC (" Eduro ") owns 6, 365, 460 shares of Common Stock, representing ~~23~~ **24** . ~~6~~ **0** % of the total outstanding shares of Common Stock, as of December 31, ~~2022~~ **2023** . Both N10TR and Eduro are under the common control of John R. Loftus, the Company' s CEO, President and Chairman of the Board. Consequently, Mr. Loftus, is in a position to significantly influence any matters that are brought to a vote of the shareholders, including, but not limited to, the election of members of the Company' s Board and any action requiring the approval of shareholders, including any amendments to the governing documents, mergers or sales of all or substantially all of the Company assets. This concentration of ownership also may delay, defer or even prevent a change in control of the Company and make some transactions more difficult or impossible without the support of Mr. Loftus. These transactions might include proxy contests, tender offers, mergers or other purchases of Common Stock that could give shareholders the opportunity to realize a premium over the then- prevailing market price for shares of Common Stock. The Company' s success depends on the ability to attract, retain, and motivate qualified directors, management and other skilled employees. Envela' s future success and growth depends on continued services of directors, key management and employees. Losing services from any of these individuals could materially affect the Company' s operations. The Company' s future success also depends on management' s ability to identify, attract, and retain additional qualified personnel. Competition for employees is intense, and the Company may be unsuccessful in attracting or retaining qualified personnel. There are a limited number of people with knowledge and experience within our industries. The Company does not have employment agreements with many of the key employees and ~~do~~ **does** not maintain life insurance policies on any of the key personnel. The loss of key personnel, especially without advance notice, or the inability to hire or retain qualified people, could have a material adverse effect on sales and operations. The Company cannot guarantee that we will continue to retain key management and skilled personnel, or will be able to attract, assimilate and retain other highly qualified personnel in the future. 8PART I Item 1A When the Company makes acquisitions, it may take on additional liabilities or not be able to successfully integrate such acquisitions. As part of the ~~Company~~ **company** ' s history and growth strategy, it has acquired other businesses. Acquisitions involve numerous risks, including the following: · effectively combining the acquired operations, technologies, or product offerings; · unanticipated costs or assumed liabilities, including those associated with regulatory actions or investigations; · not realizing the anticipated financial benefit from the acquired companies; · diversion of management' s attention; · negative effects on existing customer and supplier relationships; and · potential loss of key employees, especially those of the acquired companies. Further, the Company has made, and may continue to make acquisitions of, or investments in new services, businesses, or technologies to expand its current service offerings and product lines. Some of these may involve risks that may differ from those traditionally associated with the Company' s core business, including undertaking product or service warranty responsibilities that in its traditional core business would generally reside primarily with its suppliers. If the Company is not successful in mitigating or insuring against such risks, it could have a material adverse effect on the Company' s business. Changes in liquidity and capital requirements and the ability to secure financing and credit could materially adversely affect the Company' s financial condition and results of operations. Envela requires continued access to capital, and a significant reduction in cash flows from operations or the availability of credit could materially and adversely affect the ability to achieve Company planned growth and operating results. Similarly, if actual costs to acquire and build- out new retail stores significantly exceed planned costs, could hinder the ability to acquire new stores or to operate those profitably. Credit and equity markets remain sensitive to world events and macro- economic developments. Therefore, the cost of borrowing may increase, and it may be more difficult to obtain financing for operations or to refinance long- term obligations as they become payable. Additionally, borrowing costs can be affected by independent rating agencies' short- and long- term debt ratings which are based largely on performance as measured by credit metrics including interest coverage and leverage ratios. A decrease in these ratings would likely increase the Company' s borrowing cost and make it more difficult to obtain financing. A significant increase in costs to finance operations may have a material adverse impact on Envela' s business results and financial condition. **High interest** ~~We may not realize our deferred tax assets. As of December 31, 2022, we had deferred tax assets (primarily consisting of federal net operating loss~~

~~carryovers) of approximately $ 1. 5 million. The ultimate realization of our deferred tax assets is dependent upon generating future taxable income to utilize our net operating loss carryovers before they expire. The value of our deferred tax assets and liabilities are also dependent upon the tax~~ rates **and** ~~expected to be in effect at the time they are realized. A change in enacted corporate tax rates in our major jurisdictions, especially the U. S. federal corporate tax rate, would change the value of our deferred taxes, which could be material. Interest~~ **interest** - rate fluctuations could increase our interest expense. Interest rates rose significantly during 2022 **and 2023** as the Federal Reserve sought to control inflation ~~, and~~ **. High** interest rates ~~are likely~~ **and interest rates that continue** to rise ~~higher during 2023. Interest rates could continue to rise~~ , **may** ~~which would~~ increase our borrowing cost, or could make it difficult or impossible to secure financing. ~~9The~~ - **The** Company is, and will be, subject to new and existing corporate- governance and internal- control demands and reporting requirements. The costs related to the compliance of existing and future requirements could adversely affect the Company. Governments, including agencies at the national, state and local levels, may seek to enforce or impose new laws, regulatory restrictions, or licensing requirements. They may also interpret or enforce existing requirements in new ways that could restrict the Company' s ability to continue its current methods of operation or to expand operations, impose significant additional compliance costs, and could have a material adverse effect on the Company' s financial condition and results of operations. In 2014, the Company agreed to a series of corporate governance reforms with the SEC. Additionally, the Company faces corporate- governance requirements under the Sarbanes- Oxley Act of 2002, the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010 (the " Dodd- Frank Act "), as well as new rules and regulations subsequently adopted by the SEC, the Public Company Accounting Oversight Board and the NYSE American (the " Exchange "). These laws, rules and regulations continue to evolve and may become increasingly stringent in the future. If the Company does not comply with the corporate governance reforms, the Company could face enforcement actions by the SEC or other governmental or regulatory bodies, as well as shareholder lawsuits, all of which could have significant negative financial or operational implications. ~~We~~ **9We** have not paid dividends on our Common Stock in the past and do not anticipate paying dividends on our Common Stock in the foreseeable future. We have not paid Common Stock dividends and do not anticipate paying dividends in the foreseeable future. Our current business plan provides for reinvesting earnings in an effort to complete development of our technologies, inventories and expansion, with the goal of increasing sales and long- term profitability and value. We may incur losses because of unforeseen or catastrophic events, including pandemics, terrorist attacks, extreme weather events or other natural disasters. The occurrence of unforeseen or catastrophic events, including pandemics, such as COVID- 19, or other widespread health emergencies (or concerns over the possibility of such an emergency), terrorist attacks, extreme weather events, solar events or other natural disasters, could create economic and financial disruptions, and could lead to operational difficulties (including travel limitations and limitations on occupancy in our offices) that could impair our ability to manage our businesses. The Company is expanding to geographical regions that are unfamiliar. Both of the Company' s segments now have portions of their business located in areas other than DFW. The ability to manage and control growth in new areas is vital to sustaining success. The Company has a solid footprint in DFW, but it is not guaranteed that the Company will be able find staff, train and supervise new employees away from the Company' s base of operations for both ~~DGSE~~ **the consumer** and ~~ECHG~~ **commercial segments** . The Company' s websites may be vulnerable to security breaches and similar threats, which could result in liability for damages and harm to the Company' s reputation. Despite the implementation of network security measures, Company websites are vulnerable to computer viruses, break- ins and similar disruptive problems caused by internet users. These occurrences could result in liability for damages, and the Company' s reputation could suffer. Circumvention of the security measures may result in the misappropriation of customer or other confidential information. Any such security breach could lead to interruptions, delays and cessation of service to customers and could result in a decline in revenue and income. Our revenues and profits may decline if we are unable to maintain relationships with significant clients or renew contracts with them on favorable terms. The success of our business depends largely on our relationships and contractual arrangements with significant clients. If our key clients terminate important business arrangements with us, or renew contracts on terms less favorable to us, we may fail to meet our business objectives and targets, and our cash flows, results of operations and financial condition could be materially adversely affected. Our mobile **device** business is subject to the risk of declines in the value and availability of ~~mobile~~ devices in our inventory, and to export compliance and other risks. The value of the electronic devices that we collect and refurbish may fall below the prices we have paid, which could adversely affect our profitability. These devices are subject to the risk that the value, including selling price, will be adversely affected by technological changes affecting the usefulness or desirability of the devices and parts; physical problems resulting from faulty design or manufacturing; increased competition; decreased customer demand, including due to changes in customer preferences, changes in client promotions and seasonality; supply chain constraints; and growing industry emphasis on cost containment. The value and availability of devices may also be impacted by adverse foreign trade relationships and an escalation of U. S.- China and China- Taiwan trade tensions, including with respect to trade policies, treaties, government relations, tariffs, and other trade restrictions. If the value or availability of devices or parts is significantly reduced, it could have a material adverse effect on our profitability. 10We may incur losses because of a failure to manage and protect our clients' assets throughout the electronics disposition processes and that could impair our ability to conduct future business, damage our reputation and could adversely impact our business, financial condition, results of operations. The Company' s commercial services segment provides services related to electronic devices being disposed of by business customers, including cleansing storage devices from customer equipment and either recycling it through resale or disposing of it in an environmentally compliant manner. If the Company does not meet its contractual and regulatory obligations, it could be subject to contractual damages, penalties, and damage to reputation. Also, the Company' s or its subcontractors' failure to comply with applicable environmental laws and regulations in disposing of the equipment could result in liability. Such environmental liability may be joint and several, meaning that the company could be held responsible for more than its share of the liability involved. To the extent that Company fails to comply with its obligations and such failure is not covered by insurance, the Company' s business could be adversely affected. If the Company is unable to maintain its relationships with its suppliers or if the suppliers materially change the terms of their existing agreements with the company, the Company' s business could be materially adversely affected. Certain parts of **our commercial** ~~ECHG' s~~ business comes from a limited number of partners. A substantial portion of **their** ~~ECHG' s~~ inventory is purchased from suppliers with which the Company has entered into non- exclusive agreements. These agreements are typically cancelable on short notice. To the extent that these partners reduce the number of assets they sell, are unwilling to continue to do business with the Company **,** or are unable to continue to meet or significantly alter their obligations, the Company' s business could be materially adversely affected. In addition, to the extent that the company' s suppliers modify the terms of their contracts with the company, limit supplies due to capacity constraints, or other factors, there could be a material adverse effect on the company' s business. There is intense competition across all markets for Envela' s products and services, which may lead to lower revenue or operating margins. The industries in which Envela operates are highly competitive, and the Company competes with numerous other firms, a number of which are larger and have significantly greater financial, distribution, advertising and marketing resources. Envela' s products compete on a number of bases, including attractiveness of brand, category assortments and pricing competitiveness. Significant increases in these competitive influences could adversely affect the operations through a decrease in the number and dollar volume of sales. We compete with a number of smaller companies, same sized and larger firms throughout the United States. Many competitors attract customers with their reputation and industry connections. Additional companies may decide to enter our markets to compete with us. These companies may have greater name recognition and have greater financial and marketing resources than Envela. If these new companies are successful in entering the markets, or if customers choose to go to other established competition, there could be fewer buyers or sellers and revenue could decrease. Jewelry and watch retailing is highly fragmented and competitive. ~~DGSE~~ **The consumer division** competes for jewelry sales primarily against specialty jewelers and other retailers that sell jewelry and watches including department stores, discount stores, apparel outlets, and internet retailers. Participants in the jewelry and watch category compete for a share of customers' disposable income with other consumer sectors such as electronics, clothing, furniture, travel and restaurants. This competition for consumers' discretionary spending is particularly relevant to gift giving, and somewhat to bridal jewelry (e. g. engagement, wedding, and anniversary). Consumers are increasingly shopping for jewelry or starting their jewelry- buying experience online, which makes it easier for them to compare prices with other jewelry retailers. If **our consumer** ~~DGSE' s~~ brands do not offer the same or similar items at the lowest prices, consumers may purchase their jewelry from competitors, which would adversely impact the Company' s sales and results of operations. 11A decrease in demand for the Company' s products and services and the failure of the Company to adapt to such decreases could adversely affect the Company' s results of operations. Although the Company actively manages its product and service offerings to ensure that such offerings meet the needs and preferences of its customer base and partners, the demand for a particular product or service may decrease due to a variety of factors, including many that the Company may not be able to control, anticipate or respond to in a timely manner, such as the availability and pricing of competing products or technology, changes in customers' financial conditions as a result of changes in unemployment levels, declines in consumer spending habits related to general economic conditions, inflation, weather events, public health and safety issues, fuel prices, interest rates, government sponsored economic stimulus programs, social welfare or benefit programs, real or perceived loss of consumer confidence or regulatory restrictions that increase or reduce customer access to particular products. Should the Company fail to adapt to a significant change in its customers' demand for, or regular access to, its products, the Company' s revenue could decrease significantly. Even if the Company makes adaptations, its customers or merchants may resist or may reject products or services whose adaptations make them less attractive or less available. In any event, the effect of any product or service change on the results of the Company' s business may not be fully ascertainable until the change has been in effect for some time. Adverse economic conditions in the U. S. or in other key markets, and the resulting declines in consumer confidence and spending, could have a material adverse effect on the Company' s operating results. The Company' s operating results are dependent on a number of factors impacting consumer confidence and spending, including, but not limited to, the following: general economic and business conditions; wages and employment levels; volatility in the stock market; home values; inflation; consumer- debt levels; availability and cost of consumer credit; economic uncertainty; solvency concerns of major financial institutions; fluctuations in foreign- currency exchange rates; fuel and energy costs and / or shortages; tax issues; and general political conditions, both domestic and abroad. Adverse economic conditions, including declines in employment levels, disposable income, consumer confidence and economic growth, could result in decreased consumer spending that would adversely affect sales of consumer goods, particularly those viewed as discretionary items like many of the Company' s products. Adverse economic conditions may arise from general economic factors as well as events such as war, terrorism, natural disasters or outbreaks of disease, as in the case of the coronavirus pandemic which has already adversely affected global economic business conditions. In addition, if any of these events should occur, future sales could decline due to increased commodities prices, particularly gold. **Consumer** ~~DGSE' s~~ wholesale and retail jewelry business is seasonal, with sales traditionally greater during certain holiday seasons. Events and circumstances that adversely affect holiday consumer spending will have a disproportionately adverse effect on ~~DGSE' s~~ operational results. **The consumer** ~~DGSE' s~~ wholesale and retail jewelry sales are seasonal by nature. The time periods around Valentine' s Day, Mother' s Day and Christmas are typically the main seasons for jewelry sales. ~~DGSE' s sales~~ **Sales** are traditionally greater during significant holidays that occur in early spring, late fall, and winter. The amount of net sales and operating income generated during these seasons depends upon the general economic conditions and other factors beyond our control. Given the timing of the annual seasonality, inclement weather can at times pose a substantial barrier to consumer retail activity and have a material negative impact on ~~DGSE' s~~ store traffic. If events or circumstances were to occur that negatively impact consumer spending during such holiday seasons, it could have a material adverse effect on sales, profitability and operating results. The market for precious metals is inherently unpredictable. Bullion, crafted precious metal, and other precious metal products are purchased and sold based on current market pricing for precious metals. Bullion and precious metal inventories are subject to market- value changes created by their underlying commodity markets. Periodically, futures contracts are entered into to hedge the exposure against market- price changes. There are several national and international factors which are beyond management’ s control, but which may affect margins, customer demand and transactional volume in the bullion business. These factors include, but are not limited to, the policies of the U. S. Federal Reserve, inflation rates, global economic uncertainty, and governmental and private mint supply. If commodity markets underlying the bullion inventory are misjudged, the bullion business could suffer adverse consequences. Substantially lower precious- metal prices could negatively affect the ability to continue purchasing significant volumes of bullion, crafted precious- metal, and other precious metal products, which could negatively affect profitability. 12If the Company misjudges the demand for our products, high inventory levels could adversely affect future operating results and profitability. Consumer demand for the Company’ s products can affect inventory levels. If consumer demand is lower than expected, inventory levels can rise, causing a strain on operating cash flow. If the inventory cannot be sold through retail outlets or wholesale contacts, ~~additional~~ write- downs or write- offs to earnings could be necessary. Conversely, if consumer demand is higher than expected, insufficient inventory levels could result in unfulfilled customer orders, loss of revenue and an unfavorable impact on customer relationships. In particular, volatility and uncertainty related to macro- economic factors make it more difficult to forecast customer demand in various markets. Failure to properly judge consumer demand and properly manage inventory could have a material adverse effect on profitability and liquidity. A failure of the information systems could prevent the Company from effectively managing and controlling operations and serving customers. The Company relies on information systems to manage and operate stores and business. These include the telephone system, website, point- of- sale application, accounting package and other systems. Each store is part of an information network that permits the Company to maintain adequate cash inventory, daily reconcile cash balances, and timely report revenues and expenses. Any disruption in the availability of the information systems could adversely affect the Company’ s operation, and the ability to serve customers and our results of operations. Fluctuations in the availability and pricing of commodities, particularly gold, which accounts for the majority of merchandise costs, could adversely impact the Company’ s earnings and cash availability. While jewelry manufacturing is a major driver of demand for gold, management believes that the cost of gold is predominantly driven by investment transactions which have resulted in significant changes in that cost over the past decade. The Company’ s cost of merchandise and potentially earnings may be adversely impacted by investment- market considerations that cause the price of gold to significantly increase or decrease. An inability to increase retail prices to reflect higher commodity costs would result in lower profitability. Historically, jewelry retailers have been able, over time, to increase prices to reflect changes in commodity costs. However, in general, particularly sharp increases in commodity costs may result in a time lag before increased commodity costs are fully reflected in retail prices. There is no certainty that such price increases will be sustainable, so downward pressure on gross margins and earnings may occur. Moreover, any sustained increases in the cost of commodities could result in the need to fund a higher level of inventory or to make changes in the merchandise available to customers. A significant portion of ~~DGSE~~ **the consumer segment** ’ s profit is generated from buying and selling pre- owned jewelry or other precious- metal- based products. Significant price fluctuations in precious metals, especially downward, ~~can~~ **could** have a severe impact on this part of our business, as people are less likely to sell these products to the Company if they believe their merchandise is being undervalued, or if they believe the value is uncertain. The conflict- mineral diligence process, the results from that process and the related reporting obligations could increase costs, adversely affect the Company’ s reputation and adversely affect our ability to obtain merchandise. In August 2012, the SEC, pursuant to the Dodd- Frank Act, issued final rules which require annual disclosure and reporting on the source and use of certain minerals, including gold, from the Democratic Republic of Congo and adjoining countries. The gold supply chain is complex, and while management believes that the rules only cover less than 1 % of annual worldwide gold production based upon current estimates, the final rules require certain jewelry retailers and manufacturers that file with the SEC to exercise reasonable due diligence in determining the country of origin of the statutorily designated minerals that are used in kinds of products the Company sells. Jewelry retailers or manufacturers who meet certain criteria were required to file certain reports with the SEC beginning in May 2014, disclosing their due- diligence measures related to country of origin, the results of those activities, and related determinations. In conjunction with legal counsel, we have determined that we do not have sufficient control over manufacturing of any of our products to be included in the group of companies required to provide conflict- minerals disclosure and reporting. 13If the Company’ s sourcing processes should change, or if there is a determination that the Company’ s current practices should be covered by the conflict- minerals reporting and disclosure guidelines, there would be a need to implement significant additional measures to comply with these rules. Management cannot be certain of the costs that might be associated with such regulatory compliance. The final rules also cover tungsten, which is contained in a small portion of items that we sell. Other minerals, such as diamonds, could be added to those currently covered by these rules. The Company may incur reputational risks with customers and other shareholders if, due to the complexity of the global supply chain, management is unable to sufficiently verify the origin of the relevant metals. Also, if the responses of parts of the Company’ s supply chain to verification requests were adverse, it could harm our ability to obtain merchandise and add to compliance costs. **Public health emergencies** ~~The coronavirus (COVID- 19) pandemic adversely affected us and a reoccurrence of the pandemic~~ or ~~similar~~ outbreaks **of epidemics, pandemics, or contagious diseases have disrupted, and** could in the future **disrupt, our operations and materially and** adversely affect our business, financial condition, and results of operations. **Widespread public** ~~On March 11, 2020, the World Health~~ **health emergencies or outbreaks** ~~Organization announced that infections~~ of **epidemics, pandemics, or contagious diseases, such as** the ~~coronavirus~~ COVID- 19 **pandemic, have** had ~~become~~ **, and could in the future have,** a ~~pandemic, and~~ **material adverse effect** on ~~March 13~~ **our business** , ~~2020~~ **financial condition** , ~~the U~~ **and results of operations** . ~~S. President announced~~ **The full extent to which** a ~~National Emergency relating to~~ **global health crisis may impact our business and operating results would depend on future developments that are highly uncertain and cannot be accurately predicted, including new medical and** ~~the~~ **other** ~~disease. There~~ **information that may emerge** ~~was~~ - **as** ~~widespread infection~~

a result and the actions by governmental entities or others to contain it or treat its impact. The impacts of a severe health crisis could pose the risk that we or our employees, suppliers, customers and others may be restricted or prevented from conducting, or adversely modify, our business activities for indefinite or intermittent periods of time, including as a result of employee health and safety concerns, shutdowns, shelter in **place orders, travel restrictions and** ~~the~~ **other actions** ~~United States~~ and ~~abroad. National, state, and local~~ **restrictions that may be prudent or required by governmental** authorities ~~implemented social distancing~~ **. A global health crisis could also impact our customers' purchasing behavior or decisions, including reduced demand for our products that could continue for** ~~and~~ - **an** ~~imposed quarantine~~ **extended period of time. Any or all of the foregoing in jurisdictions where we or our customers, suppliers, or operations are located have had** and ~~isolation measures~~ **could in the future have a material adverse effect** on **our** ~~large portions of the population, including temporary mandatory~~ business ~~closures. These measures~~ , **results of operations** ~~while intended to protect human life~~ , **cash flows,** ~~had serious adverse impact on domestic~~ and ~~foreign economies~~ **financial condition** . ~~The U. S.~~ **In addition, fluctuations in demand** and **other implications associated with public health emergencies have resulted in, and could in the future result in,** certain **supply chain constraints** ~~other governments took unprecedented actions in an~~ **and challenges** ~~attempt to address and rectify these extreme market and economic conditions by providing liquidity and stability to the financial markets. The impact of the actions taken by these governments is still being felt~~ . Sustained geopolitical conflicts, military action and civil unrest could result in disruptions to the global supply chain and uncertain economic conditions, which could materially adversely affect our financial condition. U. S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions between Ukraine and Russia, **Israel and Gaza, and the Middle East. Those of** which ~~has~~ **have** devolved into military ~~conflict~~ **conflicts** . In addition, the United States, Canada, the European Union, and other countries have levied economic sanctions and other penalties on Russia. Although the length and full impact of the ongoing ~~conflict~~ **conflicts** ~~remains~~ - **remain** uncertain, the events in Ukraine **, Israel and the Middle East** have resulted in market disruptions. The broader consequences of the ~~conflict~~ **conflicts** , which may include further sanctions, embargoes, regional instability, geopolitical shifts, transportation bans on certain shipping routes and potential retaliatory action by the Russian **and Iranian** ~~government~~ **governments** against the United States and its allies. This may lead to economic instability, sustained inflation and changes in liquidity and credit availability. Any of the factors could adversely impact our business, financial condition, results of operations **14** ~~. 14PART I~~