Risk Factors Comparison 2024-02-06 to 2023-02-07 Form: 10-K

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In addition to the other information in this Form 10- K, the following factors should be considered in evaluating our business. Our operating results depend upon many factors and are subject to various risks and uncertainties. The material risks and uncertainties known to us which may cause our operating results to vary from anticipated results or which may negatively affect our operating results and profitability are as follows: Company- Specific Risks Operational Risks Products that we sell may expose us to potential material liability for property damage, environmental damage, personal injury, or death linked to the use of those products by our customers. Some of our customers operate in challenging industries in which there is a material risk of catastrophic events. We are actively seeking to expand our sales to certain categories of customers, some of whose businesses may entail heightened levels of such risk. If any of these events are linked to the use of any of our products by our customers, claims could be brought against us by those customers, by governmental authorities, and by third parties who are injured or damaged as a result of such events. In addition, our reputation could be adversely affected by negative publicity surrounding such events regardless of whether or not claims against us are successful. While we maintain insurance coverage to mitigate a portion of this risk and may have recourse against our suppliers for losses arising out of defects in products procured from them, we could experience significant losses as a result of claims made against us to the extent adequate insurance is not in place, the products are manufactured by us or legal recourse against our suppliers is otherwise not available, or our insurers or suppliers are unwilling or unable to satisfy their obligations to us. Our ability to successfully attract, develop...... expansion of our various selling channels. Interruptions in the proper functioning of information systems or the inability to maintain or upgrade our information systems, or convert to alternate systems in a timely and efficient manner, could disrupt operations, cause unanticipated increases in costs and / or decreases in revenues, and result in less efficient operations. The proper functioning of our information systems is critical to many aspects of our business and we could be adversely affected if we experience a disruption or data loss relating to our information systems and are unable to recover in a timely manner. Our information systems are protected with robust backup systems and processes, including physical and software safeguards and remote processing capabilities. Still, information systems are vulnerable to natural disasters, power losses, unauthorized access **, cybersecurity incidents** , telecommunication failures, and other problems. In addition, certain software used by us is licensed from, and certain services related to our information systems are provided by, third parties who could choose to discontinue their products or services or their relationship with us. It is also possible that we are unable to improve, upgrade, maintain, and expand our information systems. Our ability to process orders, maintain proper levels of inventories, collect accounts receivable, pay expenses, and maintain the security of company and customer data, as well as the success of our growth drivers, is dependent in varying degrees on the effective and timely operation and support of our information technology systems. If critical information systems fail or these systems or related software or services are otherwise unavailable, if we experience extended delays or unexpected expenses in securing, developing, and otherwise implementing technology solutions to support our growth and operations, or if certain insurance coverages are limited in their capabilities or affordability, it could adversely affect our profitability and / or ability to grow. The ability to adequately protect our intellectual property or successfully defend against infringement claims by others may have an adverse impact on operations. ~~Our~~ **Additionally, our** business relies on the use, validity, and continued protection of certain proprietary information and intellectual property, which include current and future patents, trade secrets, trademarks, service marks, copyrights, and confidentiality agreements, as well as license and sublicense agreements to use intellectual property owned by affiliated entities or third parties. Unauthorized use of our intellectual property by others could result in harm to various aspects of the business and may result in costly and protracted litigation in order to protect our rights. In addition, we may be subject to claims that we have infringed on the intellectual property rights of others, which could subject us to liability, require us to obtain licenses to use those rights at significant cost, or otherwise cause us to modify our operations. Cyber security incidents, or violations of data privacy laws and regulations, could cause us to experience certain operational interruptions, incur substantial additional costs, become subject to legal or regulatory proceedings, or suffer damage to our reputation in the marketplace. The nature of our business requires us to receive, retain, and transmit certain personally identifying information that our customers provide to purchase products or services, register on our websites, or otherwise communicate and interact with us. While we have taken and continue to undertake significant steps to protect our customer and confidential information, a compromise of our data security systems or those of businesses with which we interact with could result in information related to our customers or business being obtained by unauthorized persons. We develop and update processes and maintain systems in an effort to try to prevent such unauthorized access, and have established and maintained disclosure controls and procedures that would permit us to make accurate and timely disclosures of any material event, including any cyber security event. The development and maintenance of these processes and systems are costly and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. Consequently, despite our efforts, the possibility of cyber security incidents cannot be eliminated entirely. There can be no assurance that we will not experience a cyber security incident that may materially impact our business. While we also seek to obtain assurances that third parties we interact with will protect confidential information, there is a risk the confidentiality of data held or accessed by third parties may be compromised. If a compromise of our data security were to occur, it could interrupt our operations, subject us to additional legal, regulatory, and operating costs, and damage our reputation in the marketplace. In addition, regulatory authorities have increased their focus on how companies collect, process, use, store, share, and transmit personal data. New privacy security laws and regulations, including the European Union General Data

Protection Regulation 2016, the California Consumer Protection Act, and other similar privacy laws, pose increasingly complex compliance challenges, which may increase compliance costs, and any failure to comply with data privacy laws and regulations could result in significant penalties. Our ability to successfully attract,develop,and retain qualified personnel to staff our selling locations could impact labor costs,sales at existing selling locations,and the successful execution of our growth drivers.Our success depends in part on our ability to attract,motivate,and retain a sufficient number of qualified employees,including inside and outside branch associates,Onsite managers,national account sales representatives,and ~~logistical and administrative~~ support personnel,who understand and appreciate our culture and are able to adequately represent this culture to our customers.Qualified individuals of the requisite caliber and number needed to fill these positions may be in short supply in some areas,and the turnover rate in the industry is high,particularly for less tenured employees.If we are unable to hire and retain personnel capable of consistently providing a high level of customer service,as demonstrated by their enthusiasm for our culture and product knowledge,our sales could be materially ~~and~~ adversely affected.Additionally,competition for qualified employees could require us to pay higher wages to attract a sufficient number of employees.An inability to recruit and retain a sufficient number of qualified individuals in the future may also delay the planned expansion of our **various selling channels.** Changes in customer or product mix, downward pressure on sales prices, and changes in volume or timing of orders have caused and could continue to cause our gross profit percentage to fluctuate or decline in the future. Changes in our customer and product mix have caused our gross profit percentage to decline and could cause our gross profit percentage to further fluctuate or decline. For example, we have experienced a **sustained** ~~long- term~~ increase in the proportion of our sales attributable to both non- fastener products and national accounts and Onsite customers. Non- fastener products typically have a lower gross profit percentage than fasteners because in many cases non- fastener products are less technical, have shorter supply chains, and are easier to transport. Similarly, national accounts and Onsite customers typically have a lower gross profit percentage than smaller customers by virtue of their scale, available business, and broader offering of products which typically have lower gross profit percentages. Whether and to what extent this adverse mix impact will result in a decline of our gross profit percentage in any given year will depend on the extent to which they are offset by positive impacts to gross profit percentage during such year. ~~For instance, in 2022, we executed initiatives intended to drive key account penetration, which resulted in relative growth in our national account and Onsite customers and a decline in our gross profit percentage from customer mix. In contrast, the strength of the manufacturing economy in 2022 resulted in relatively faster growth in our more economically cyclical fastener product line over our non- fastener product lines, resulting in an increase in our gross profit percentage from product mix.~~ Setting aside the circumstances of any given year or period, however, customer and product mix have contributed to the decline of our gross profit percentage over time and **, based on the anticipated sources of our future growth,** will likely continue to reduce our gross profit percentage into the foreseeable future. There are other variables that could cause our gross profit percentage to decline, including downward pressure on sales prices due to deflation, **increases in overseas freight charges, the inability of freight revenue to leverage the expenses associated with our captive trucking fleet,** pressure from customers to reduce costs, or increased competition. We could experience reductions in the volume of purchases we make from our suppliers, which could reduce supplier volume allowances. We may not be able to pass higher product costs along to customers if those customers have ready product or supplier alternatives in the marketplace. **We experienced** ~~Failure to implement an effective Environmental, Social, and Governance (ESG) strategy could result in financial losses or~~ a **number of** ~~tarnished corporate reputation. Customers, suppliers, employees, community partners, shareholders, and regulatory agencies are increasingly scrutinizing our ESG disclosures and practices and factoring the~~ **these variables in 2023** ~~social impact of our policies and practices into whether and how they engage with us~~ . **A softer manufacturing economy caused relative weakness in** ~~Our ability to achieve any ESG objective is subject to numerous risks, many of which are outside of our control. Examples of such risks include: • the availability and cost of low- or~~ **our more cyclical and higher gross margin fastener product line versus our** non- **fastener product lines. Similarly** ~~carbon- based energy sources; • the evolving regulatory requirements affecting ESG standards or disclosures; • the availability of suppliers that can meet sustainability~~ , ~~diversity, and other ESG standards that~~ we **continued** ~~may set; • the availability of effective and acceptable emission offset technologies or strategies in the event such tools will be necessary~~ to **execute initiatives aimed at accelerating key account penetration** ~~achieve overall emission reduction and mitigation goals; • our ability to recruit~~ , **which resulted** ~~develop, and retain diverse talent~~ in **relative** ~~our labor markets; and • the success of our organic~~ growth **in** ~~and acquisitions and dispositions of businesses or~~ **our lower gross margin national account** ~~operations. Furthermore, increasing reporting and operating regulations around ESG matters may result in higher operating expenses and / or capital expenditures that could reduce our profitability and / or cash flow. An actual or perceived inability to satisfactorily address the concerns and disclosure expectations of our stakeholders could adversely affect our corporate reputation, image, identity, brand~~ -- **and Onsite** ~~equity, and status, which could hurt our ability to retain and acquire~~ customers ~~and employees, lead~~ **. The combination of these** ~~to~~ **two** ~~penalties for~~ **events produced pressure** ~~non-~~ - **on** ~~- compliance, and / or~~ **our** ~~negatively impact the price performance of our common stock~~ **product gross profit percentage in 2023 from product and customer mix** . Our operating and administrative expenses could grow more rapidly than net sales which could result in failure to achieve our goals related to leveraging revenue growth into higher net earnings. Over time, we have generally experienced an increase in our operating and administrative expenses, including costs related to payroll, occupancy, freight, and information technology, among others, as our net sales have grown. However, historically, a portion of these expenses has not increased at the same rates as net sales, allowing us to leverage our growth and sustain or expand our operating profit margins. There are various scenarios where we may not be able to continue to achieve this leverage as we have been able to do in the past. For instance, it is typical that when demand declines, most commonly from cyclical or general market factors (though it could be due to customer losses or some other company- specific event), our operating and administrative expenses do not fall as quickly as net sales. It is also possible that in the future we will elect to make investments in operating and administrative expenses that would result in costs growing faster than net sales. In addition, market variables,

~~such as~~ **which include but are not exclusive of** labor rates, energy costs, legal costs, and health care costs, could move in such a way as to cause us to not be able to manage our operating and administrative expenses **so as** ~~in a way that would enable us~~ to leverage our revenue growth into higher net earnings. Should any of these scenarios, or a combination of them, occur in the future, it is possible that our operating and pre- tax profit margins could decline even if we are able to grow revenue. ~~We may~~ **Failure** to maintain an effective system of internal controls over business processes and / or financial reporting could materially impact our business and results.Company management is responsible for establishing and maintaining effective internal controls designed to provide reasonable assurance regarding the achievement of objectives relating to operations,reporting,and compliance.Any system of internal controls,no matter how well designed and operated,can only provide reasonable,not absolute,assurance that the objectives of the control system are met.Further,the design of a system of controls must reflect the fact that there are resource constraints,and the benefits of controls must ~~be~~ be ~~unable~~ **considered relative** to ~~meet our goals regarding the~~ **their** ~~growth drivers~~ **costs. Because** of ~~our~~ **the inherent limitations in all systems of internal controls, internal controls over** business ~~. Our sales growth is dependent primarily on our ability to attract new customers and increase our activity with existing customers within North America and abroad. In recent years, we have increased the resources devoted to developing a multi- dimensional, differentiated service offering, including our Digital Footprint (which incorporates our FMI and e- procurement capabilities), Onsites, national accounts, international capabilities, and process~~ **processes** and **financial reporting** consumption analytics. While we have taken...... to our customers' needs. We may not ~~be able~~ **prevent or detect fraud or misstatements. Any failure** to ~~compete~~ **maintain an** ~~effectively~~ -- **effective system of internal controls over business processes and financial reporting could limit** ~~unless our product selection keeps up with trends in the markets in which we compete or trends in new products. In addition,~~ our ability to ~~integrate new products~~ **report our financial results accurately** and **timely** ~~product lines into our~~ - **or** ~~branches~~ **to detect** and **prevent fraud,** ~~distribution network could impact sales~~ and ~~profit margins~~ **could expose us to litigation, economic loss, or adversely affect the market price of our common stock** . Our competitive advantage in FMI solutions, which includes industrial vending (FASTVend) and bin stock (FASTStock and FASTBin) tools could be eliminated and, in the case of FASTVend **and FASTBin** , the loss of key suppliers of equipment and services could be impactful and result in failure to deploy devices. Certain circumstances could lead to a short- term inability to promote and / or install our FMI solutions. We believe we have a competitive advantage in industrial vending and bin stock due to our hardware and software, our local ~~branch~~ presence (allowing us to service devices and bins more rapidly and with less burden on our customers), our depth of products that lend themselves to being dispensed through industrial vending devices or bin stocks, and, **particularly** in North America, our distribution strength. These advantages have developed over time; however, other competitors could respond to our expanding industrial vending and bin stock position with highly competitive platforms of their own. Such competition could negatively impact our ability to expand our industrial vending and bin stock tools or negatively impact the economics of that business. In addition, we currently rely on a limited number of suppliers for ~~the~~ **our** vending devices **, RFID technology, and IR technology** used in our FASTVend **and FASTBin** ~~platform~~ **platforms** . While devices, software, and services can be obtained from other sources, loss of our current suppliers could be disruptive and could result in our failure to meet short- or long- term goals related to the numbers of FASTVend **and FASTBin** devices we are able to deploy. Certain circumstances may reduce short- term customer receptivity to adopting our FMI services. For instance, ~~when~~ **during periods of dramatic change in** economic activity ~~slows~~ , some customers may prioritize managing existing operations over adopting new technologies until business circumstances change. For instance, in 2020 and 2021...... market price of our common stock. Our inability to attract or transition key executive officers may divert the attention of other members of our senior leadership and adversely impact our existing operations. Our success depends on the efforts and abilities of our key executive officers and senior leadership. In the event of voluntary or involuntary vacancies in our executive team in the future, the extent to which there is disruption in the oversight and / or leadership of our business will depend on our ability to either transition internal, talented individuals or recruit suitable replacements to serve in these roles. In addition, difficulties in smoothly implementing any transition to new members of our executive team, or recruiting suitable replacements, could divert the attention of other members of our senior leadership team from our existing operations ~~,we have increased the resources devoted to developing a multi- dimensional,differentiated service offering,including our Digital Footprint (which incorporates our FMI and e- procurement capabilities),Onsites,national accounts,international capabilities,and process and~~ consumption analytics.While we have taken steps to build momentum in the growth drivers of our business,we cannot assure you those steps will lead to sales growth.Failure to achieve any of our goals regarding our Digital Footprint,Onsites,national accounts,international capabilities,analytics,or other growth drivers could negatively impact our long- term sales and profit growth. **For instance,a lack of customer access during the COVID- 19 pandemic in 2020 and 2021 resulted in signings of Onsites and FMI devices,both important indicators of future sales growth,being below target levels for those years,which had adverse implications on sales growth in 2022.** In addition,failure to identify appropriate targets for the growth drivers of our business or failure to persuade the appropriate targets to adopt these offerings once identified may adversely impact our internally developed and / or externally communicated deployment objectives.The ability to identify new products and product lines,and integrate them into our selling ~~efforts~~ **locations** and distribution network,may impact our ability to compete,our ability to generate additional sales,and our profit margins.Our success depends in part on our ability to develop product expertise at ~~our~~ **the** selling ~~locations~~ - **location level** ~~and through our specialist roles~~ and identify future products and product lines that complement existing products and product lines and that respond to our customers' needs.We ~~may not be able~~ . We may not be able to compete effectively against traditional or non- traditional competitors, which could cause us to lose market share or erode our gross and / or operating income profit and / or percentage. The industrial, construction, and maintenance supply industry, although slowly consolidating, still remains a large, fragmented, and highly competitive industry. Our current or future competitors may include companies with similar or greater market presence, name recognition, and financial, marketing, technological, and other resources, and we believe they will continue to challenge us with their product selection, financial resources, technological advancements, and services. Increased competition from brick- and- mortar retailers could cause us to lose market share, reduce our prices, or increase our spending. Similarly, the emergence of online retailers, whether as extensions of our traditional competition or in the form of major, non- traditional competitors, could result in easier and quicker price discovery and the adoption of aggressive pricing strategies and sales methods. These pressures could have the effect of eroding our gross and / or operating income profit and / or percentage over time. We may not be successful in integrating acquisitions and achieving intended benefits and synergies. Historically, the vast majority of our growth has been organic. However, we have completed several acquisitions over the last decade and expect to continue to pursue strategic acquisitions that we believe will either expand or complement our business in new or existing markets or further enhance the value and offerings we are able to provide to our existing or future potential customers. Acquisitions involve numerous risks and challenges, including, among others, a risk of potential loss of key employees of an acquired business, inability to achieve identified operating and financial synergies anticipated to result from an acquisition, diversion of our capital and our management' s attention from other business issues, and risks related to the integration of the acquired business including unanticipated changes in our business, our industry, or general economic conditions that affect the assumptions underlying the acquisition. Any one or more of these factors could cause us to not realize the benefits anticipated to result from the acquisitions. Equity Risks Our stock price will fluctuate, and at times these fluctuations may be volatile. The prices of markets and individual equities tend to fluctuate. These fluctuations commonly reflect events, many of which may be fully or partially outside of our control, that may change investor' s perception of our future earnings growth prospects, including changes in economic conditions, ability to execute business strategy, the impacts of public policy, investor sentiment, competitive dynamics, and many other factors. While the sources of stock price fluctuation can be common across companies, the magnitude of these fluctuations can vary for different companies. This is commonly measured by beta, which is an individual stock ~~’~~ **'** s volatility in relation to the overall market. Our stock price has traditionally had a high beta value, which means fluctuations in the price of our shares will often be sharper than what is experienced by broader market indices. We can provide no assurance that the above- average historical volatility of our stock versus the broader market will moderate. Volatility in our stock price could also result in the filing of securities class action litigation, which could result in substantial costs and the diversion of our management' s time, attention, and resources. There can be no assurance that our stock price will continue to reflect the current multiple of earnings over time. Stock prices, including ours, are commonly thought to be a function of earnings compounded by a multiple. This is often referred to as a price- to- earnings (P / E) ratio **, although other forms of multiples are often utilized by investors to value our company' s shares** . Historically, investors have given our earnings a higher multiple, or premium, than is typical of the broader industrial sector ~~of~~ **with** which we are typically associated. We believe we have earned this premium by virtue of a long history of superior growth, profitability, and returns. However, to the extent that we fail to successfully execute our growth strategies and / or poorly navigate the risks that surround our business, including those described throughout this section, or to the extent our industry (industrial distribution, or industrial stocks in general) loses favor in the marketplace, there can be no assurance that investors will continue to afford a premium multiple to our earnings which could adversely affect our stock price. We cannot provide any guaranty of future dividend payments or that we will continue to purchase shares of our common stock pursuant to our share purchase program. Although our board of directors has historically authorized the payment of quarterly cash dividends on our common stock and indicated an intention to do so in the future, there are no assurances that we will continue to pay dividends in the future or continue to increase dividends at historic rates. In addition, although our board of directors has authorized share purchase programs and we purchased shares in 2022, 2020, and prior years through these programs, we may discontinue doing so at any time. Any decision to continue to pay quarterly dividends on our common stock, to increase those dividends, or to purchase our common stock in the future will be based upon our financial condition and results of operations, the price of our common stock, credit conditions, and such other factors as are deemed relevant by our board of directors. General Economic and Operating Risks A downturn in the economy or in the principal markets served by us and other factors may affect customer spending, which could harm our operating results. In general, our sales are the result of planned and unplanned customer spending on products used in production of final goods, infrastructure construction, and / or the maintenance of facilities. This spending is affected by many factors, including, among others: • general business conditions ~~,~~ **;** • business conditions in our principal markets ~~,~~ **;** • changes in the value of local currencies relative to our functional currency, the United States dollar, • interest rates ~~,~~ **;** • **increases (** inflation **) or decreases (deflation) in the cost of products from our vendors** , **transportation services, energy and fuel prices, and electrical power rates;** • liquidity in credit markets ~~,~~ **;** • taxation ~~,~~ **;** • government regulations and actions ~~,~~ **;** • ~~energy~~ **the impact on customer demand or availability of goods** and ~~fuel prices and electrical power rates,~~ **services based on labor shortages or work stoppages;** • unemployment trends ~~,~~ **;** • terrorist attacks and acts of war ~~,~~ **;** • impact of higher sustained global temperatures (global warming) ~~,~~ **;** • acts of God, which may include, but are not limited to, weather events, earthquakes, pandemics, etc. ~~,~~ **;** and • other matters that influence customer confidence and spending. A downturn in either the national or local economies where we operate, or in the principal markets served by us, or changes in any of the other factors described above, could negatively impact sales at our in- market locations, sales through our other selling channels, and the level of profitability of those in- market locations and other selling channels. ~~In~~ **The primary variable affecting our results in** ~~2022~~ **2023 was** ~~, we experienced~~ a ~~weakening~~ **softening** in **manufacturing sector** ~~the value of many local currencies relative to the United States dollar. As a result, in certain international markets our relatively healthy local currency sales were weak or weakened in certain international markets when reported in our functional currency. This was particularly pronounced in Europe. In 2022, a loosening of China' s" zero tolerance" COVID- 19 domestic policy, and the resulting surge in infections, caused a weakening in local currency results in our Chinese and Southeast Asian markets. In 2022, the Russo- Ukrainian war adversely affected European energy markets and~~ business **conditions** ~~activity, resulting in a weakening of sales growth in local currency for our Continental European business unit~~ . Products manufactured in foreign countries may cease to be available, which could adversely affect our inventory levels and operating results. We obtain certain of our products, and our suppliers obtain certain of their products, from China, Taiwan, South Korea, and other foreign countries. Our suppliers could discontinue or experience disruption in selling products manufactured in foreign countries at any time for reasons that may or may not be in our control or our suppliers ~~’~~**'** control, including foreign government regulations, domestic government regulations, disruption in trade relationships and agreements, political unrest, war, disease, labor availability, or ~~change~~ **changes** in local economic conditions. Additionally, the shipment of goods from foreign countries could be delayed by container shipping companies encountering financial, capacity, or other difficulties. Our operating results and inventory levels could suffer if we are unable to promptly replace a supplier or shipper who is unwilling or unable to satisfy our requirements with another supplier or shipper providing products and services of comparable quality and utility ~~. We experienced this in 2021 and 2022, as a strong recovery in global product demand following the COVID- 19 pandemic created disruptions due to a shortage of shipping capacity and the effect of labor capacity restraints on the ability to produce sufficient goods in a timely manner. We and our customers experienced a shortage of certain products and elevated transportation costs as a result~~ . Trade policies could make sourcing product from overseas more difficult and / or more costly, and could adversely impact our gross and / or operating profit percentage. We source a significant amount of the products we sell from outside of North America, primarily Asia. We have made significant structural investments over time to be able to source both directly from Asia through our wholly- owned, Asia- based subsidiary, FASTCO Trading Co., Ltd. and indirectly from suppliers that procure product from international sources. This was initially necessary due to the absence of significant domestic fastener production, but over time we have expanded our non- fastener sourcing as well, and at this time it may be difficult to adjust our sourcing in the short term. In light of this, changes in trade policies could affect our sourcing operations, our ability to secure sufficient product to serve our customers and / or impact the cost or price of our products, with potentially adverse impacts on our gross and operating profit percentages and financial results. China represents a significant source of product for North America. In addition, we move and source products within North America. Any trading disruption (tariffs, product restrictions, etc.) between Canada, the United States, and Mexico, or disruption in their respective trading relationships with other nations can adversely impact our business. There can be no assurances that these disruptions will not continue or increase in the future, with the previously mentioned countries or additional countries with which we do business. The degree to which these changes in the global marketplace affect our financial results will be influenced by the specific details of the changes in trade policies, their timing and duration, and our effectiveness in deploying tools to address these issues. Changes in energy costs and the cost of raw materials used in our products could impact our net sales, cost of sales, gross profit percentage, distribution expenses, and occupancy expenses, which may result in lower operating income. Our suppliers can experience significant fluctuation over time in the cost of raw materials (e. g., steel, plastic, etc.) used to produce their products. They can also experience significant fluctuation in the cost of energy consumed in their production processes and in the cost of fuel consumed to transport their products. These suppliers typically look to pass their increased costs along to us through price increases. We also consume energy and fuel in our own operations, and can experience direct and significant fluctuation in our own costs. Increases in the cost of fuel or raw materials could be damaging to us, decreases in those costs, particularly if severe, could also adversely impact us by creating deflation in selling prices, which could cause our gross profit to decline, or by negatively impacting customers in certain industries, which could cause our sales to those customers to decline. Failure to fully pass any such increased prices and costs through to our customers or to modify our activities to mitigate the impact would have an adverse effect on our operating income. We ~~experienced resource inflation in 2021 and 2022, as a strong recovery in global demand following the COVID- 19 pandemic created tightness in the market for certain raw materials and energy. This caused our company and our suppliers to increase product prices to address higher input costs. We~~ are exposed to foreign currency exchange rate risk, and changes in foreign exchange rates could increase the cost of purchasing products and impact our foreign sales. Given that we were founded and remain based in the United States and that we are publicly ~~-~~traded in the United States, we report our results based on the United States dollar. Because the functional currency related to most of our non- United States operations is the applicable local currency, we are exposed to foreign currency exchange rate risk arising from transactions in the normal course of business. Fluctuations in the relative strength of foreign economies and their related currencies could adversely impact our ability to procure products at competitive prices and our foreign sales. Historically, our primary exchange rate exposure has been with the Canadian dollar **as our Mexican activities are primarily conducted in United States dollars and our non- North American operations are relatively small in scale** . There can be no assurance that currency exchange rate fluctuations with the Canadian dollar and other foreign currencies will not adversely affect our results of operations, financial condition, and cash flows. While the use of currency hedging instruments may provide us with protection from adverse fluctuations in currency exchange rates, we are not currently using these instruments and we have not historically hedged this exposure. If we decide to do so in the future, we could potentially forego the benefits that might result from favorable fluctuations in currency exchange rates. Our current estimates of total market potential as well as the market potential of our business strategies could be incorrect. We believe we have a significant opportunity for growth based on our belief that North American market demand for the products we sell is estimated to exceed $ 140 billion. This figure is not derived from an independent organization or data source that aggregates and publishes widely agreed- upon demand and market share statistics. Instead, we have identified this figure based on our own experience in the marketplace for our products and by evaluating estimates from other sources. If we have overestimated the size of our market, and in doing so, underestimated our current share of it, the size of our opportunity for growth may not be as significant as we currently believe. Similarly, we have provided estimates of the opportunities we have with some of our specific growth strategies, such as FMI solutions and Onsite locations. Within North America, we believe the potential market opportunity for industrial vending is approximately 1. 7 million devices and we have identified over 12, 000 customer locations with the potential to implement our Onsite service model within our traditional manufacturing and construction customer base. We have identified additional markets, such as government, healthcare, and academia, and geographies into which we can sell our FMI solutions, which would increase the number of identified potential FMI solutions or ~~customer~~ **Onsite** locations. However, our presence in emerging markets and geographies is not as established as is the case in our traditional markets and geographies, which could extend the sales cycle. ~~Similar to~~ **As is** the case for total market size, we use our own experience and data to arrive at the size of these potential opportunities and not independent sources. These estimates are based on our business model today, and the introduction or expansion of other business strategies ~~, such as on- line retailing,~~ could cause them to change. In addition, the market potential of a particular business strategy may vary from expectations due to a change in the marketplace (such as changes in customer concentration or needs), a change in the nature of that business strategy, or weaker than anticipated acceptance by customers of that business strategy. We cannot guarantee that our market potential estimates are accurate or that we will ultimately decide to expand our industrial vending or Onsite service models as we anticipate to reach the full market opportunity. The industrial, construction, and maintenance supply industry is consolidating, which could cause it to become more competitive and could negatively impact our market share, gross profit, and operating income. The industrial, construction, and maintenance supply industry in North America is consolidating **, reflecting two factors** . **First, our** ~~This consolidation is being driven by~~ customer **' s** needs **are evolving** ~~and supplier capabilities, which could cause the industry~~ to **reflect a** ~~become more competitive as~~ greater **awareness** ~~economies of scale are achieved by suppliers, or as competitors with new business models are willing and able to operate with lower gross profit on select products. Customers are increasingly aware~~ of the total ~~costs~~ - **cost and risk** of fulfillment and ~~of the~~ **their** need to have consistent sources of supply at multiple locations **, including outside of North America. Second, providing these capabilities to our customers requires increasing investment in hardware, software, and analytic capabilities that require a certain degree of scale to support. While we believe that in a fragmented market such as exists for industrial supplies these emerging trends favor large distributors such as Fastenal, as the industry consolidates into fewer and larger competitors it may become more difficult to differentiate our product and service offering from that of our competitors** . We ~~believe these customer needs~~ **also continue to see consolidation among our suppliers. This trend** could result in fewer **and larger** suppliers **, with greater channel power** ~~as the remaining suppliers become larger~~ and **negotiating leverage** ~~capable of being a consistent source of supply~~ . There can be no assurance we will be able in the future to take effective advantage of the trend toward consolidation **within our industry or among our suppliers** . ~~The~~ **In either or both cases, the** trend ~~in our industry~~ toward consolidation could make it more difficult for us to maintain our ~~current~~ **growth and / or** gross **and operating** profit ~~and operating income~~ . Furthermore, as our industrial customers face increased foreign competition, and potentially lose business to foreign competitors **,** or shift their operations overseas in an effort to reduce expenses, we may face increased difficulty in growing and maintaining our market share. The occurrence of a widespread public health crisis ~~, including COVID- 19,~~ could have a material adverse effect on our business, results of operations, and financial condition. A public health crisis, if sufficiently widespread as to affect economic activity, could negatively impact our business. **Mitigation** ~~To the extent that~~ efforts **and prescriptions may be facilitated by regulatory authorities, which could limit our flexibility to pursue alternative, potentially more favorable, means of limiting these negative impacts. The effects on our business efforts** to mitigate the effects of the crisis ~~result in~~ **may include** a reduction in demand, inefficiencies due to workplace accommodations, reduced availability of personnel, supply chain disruption, or constraints on product availability, among other difficulties ~~, our financial condition could be negatively impacted~~ . In any such event, the severity, duration, and extent of the crisis can be difficult to predict, which can make it difficult to ~~predict or~~ anticipate the magnitude and length of the impact on our sales, profits, and / or cash flow. ~~We experienced~~ **It can also be difficult to anticipate what** ~~these~~ -- **the** ~~effects~~ - **effect** ~~with the onset of the COVID- 19 pandemic in early 2020, when government authorities and our customers imposed facility closures, work- from- home orders, social distancing protocols, and / or other restrictions in an effort to mitigate the effects~~ on **business conditions will be** ~~global societies. These actions had both positive effects (strong sales of safety and sanitation supplies to government, healthcare, and warehousing customers) and negative effects (weak sales to industrial and construction customers~~ as **the impacts** ~~well as disruption in signings~~ of ~~Onsites and FMI devices). COVID- 19 did not have~~ any ~~meaningful direct impact on our financial results in 2022. However, COVID- 19 infections continue in most societies in which we operate, and we cannot predict the severity and duration of additional outbreaks, new variants of the virus, or the future availability of effective medical treatments and vaccines. We also cannot predict the severity or duration of the net financial impact of COVID- 19 or any other~~ public health ~~event on our operating results~~ **crisis fades and mitigating policies are reversed** . Inclement weather and other disruptions to the transportation network could adversely impact our distribution system and demand for our products. Our ability to provide efficient distribution of core business products to our branch network is an integral component of our overall business strategy. Disruptions at distribution centers or shipping ports may affect our ability to both maintain core products in inventory and deliver products to our customers on a timely basis, which may in turn adversely affect our results of operations. In addition, severe weather conditions could adversely affect demand for our products in particularly hard hit regions. Legal, Regulatory, and Compliance Risks Our business is subject to a wide array of operating laws and regulations in every jurisdiction where we operate. Compliance with these laws and regulations increases the cost of doing business and failure to comply could result in the imposition of fines or penalties, damage to our reputation, or the termination of contracts. We are subject to a variety of laws and regulations including without limitation import and export requirements, anti- bribery and corruption laws, product compliance laws, environmental laws, foreign exchange controls and cash repatriation restrictions, advertising regulations, data privacy (including in the U. S., the California Consumer Privacy Act, and in the European Union, the General Data Protection Regulation 2016, with interpretations varying from state to state and country to country) and cyber security requirements (including protection of information and incident responses), regulations on suppliers regarding the sources of supplies or products, labor and employment laws, and anti- competition regulations. In addition, as a supplier to federal, state, and local government agencies, we must comply with certain laws and regulations relating specifically to the formation, administration, and performance of our governmental contracts. We are also subject to governmental audits and inquiries in the normal course of business. Ongoing audit activity and changes to the legal and regulatory environments could increase the cost of doing business, and such costs may increase in the future as a result of changes in these laws and regulations or in their interpretation. While we have implemented policies and procedures designed to facilitate compliance with these laws and regulations, there can be no assurance that our employees, contractors, or agents will not violate such laws and regulations, or our policies. Any such violations could result in the imposition of fines and penalties, damage to our reputation, and, in the case of laws and regulations relating specifically to governmental contracts, the loss of those contracts. Tax laws and regulations require compliance efforts that can increase our cost of doing business and changes to these laws and regulations could impact financial results. We are subject to a variety of tax laws and regulation in the jurisdictions in which we operate. Maintaining compliance with these laws can increase our cost of doing business and failure to comply could result in audits or the imposition of fines or penalties. Further, our future effective tax rates in any of these jurisdictions could be affected, positively or negatively, by changing tax priorities, changes in statutory rates, and / or changes in tax laws or the interpretation thereof. In 2022, the Inflation Reduction Act was passed which contained tax- related provisions. We **did not experience, and** do not anticipate **experiencing in the near future,** any meaningful ~~near- term~~ impact to our tax rates from the legislation. Changes in accounting standards and subjective assumptions, estimates, and judgments by management related to complex accounting matters could significantly affect our financial results or financial condition. U. S. generally accepted accounting principles (GAAP) and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, such as asset impairment, inventories, lease obligations, self- insurance, vendor allowances, tax matters, business combinations, and legal matters, are complex and involve many subjective assumptions, estimates, and judgments. Changes in accounting standards or their interpretation or changes in underlying assumptions, estimates or judgments, could significantly change our reported or expected financial performance or financial condition. The implementation of new accounting standards could also require certain systems, internal process, internal control, and other changes that could increase our operating costs. **We are subject to litigation risk due to the nature of our business, which may have a material adverse effect on our business. From time to time, we are involved in lawsuits or other legal proceedings that arise from business transactions or the operation of our business. Due to the nature of our business, these proceedings may, for example, relate to product liability claims, commercial disputes, suits arising from our trucking operations, or employment matters. In addition, we could face claims over other matters, such as claims arising from our status as a government contractor, intellectual property matters, or corporate or securities law matters. The defense and ultimate outcome of lawsuits or other legal proceedings may result in higher operating expenses, which could have a material adverse effect on our business, financial condition or results of operations.** Credit and Liquidity Risks Tight credit markets could impact our ability to obtain financing on reasonable terms or increase the cost of existing or future financing and interest rate fluctuations could adversely impact our results. As of December 31, ~~2022~~ **2023** , we had $ ~~555~~ **260** . 0 of outstanding debt obligations, **all** ~~of which $ 330. 0 is~~ in the form of senior unsecured promissory notes issued under our master note agreement (the Master Note Agreement) ~~, while $ 225~~ . ~~0 is~~ **The notes issued under our Master Note Agreement carry a fixed interest rate and consist of five series and are described** in **further detail in Note 9 of** the **Notes to Consolidated Financial Statements in this** ~~form~~ **Form** ~~of loans outstanding~~ **10- K. We also have borrowing capacity** under our revolving credit facility (the Credit Facility) **of $ 835. 0, but no loans were outstanding as of December 31, 2023** . Loans under the Credit Facility generally bear interest at a rate per annum equal to Daily Simple Secured Overnight Financing Rate (SOFR) **, the rate on which may vary daily,** and mature on September 28, 2027 ~~. The notes issued under our Master Note Agreement consist of six series and are described in further detail in Note 9 of the Notes to Consolidated Financial Statements in this Form 10- K~~ . We currently have the capacity under our Credit Facility and Master Note Agreement to increase borrowings in the future to finance stock purchases, dividends, capital expenditures, working capital additions, acquisitions, or other investments. Should we seek to increase our borrowings during periods of volatility and disruption in the United States credit markets, financing may become more costly and more difficult to obtain. This was not a material consideration in ~~2022~~ **2023** . **The** ~~However, during any future periods of credit market volatility, the~~ cost of servicing any existing balances on our Credit Facility ~~at that time~~ could **increase if interest rates** increase due to the SOFR- based interest rate provided for under our Credit Facility.