Risk Factors Comparison 2023-11-16 to 2022-11-18 Form: 10-K

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Griffon' s business, financial condition, operating results and cash flows can be impacted by a number of factors which could cause Griffon' s actual results to vary materially from recent or anticipated future results. The risk factors discussed in this section should be carefully considered with all of the information in this Annual Report on Form 10- K. These risk factors should not be considered the only risk factors facing Griffon. Additional risks and uncertainties not presently known or that are currently deemed immaterial may also materially impact Griffon' s business, financial condition, operating results and cash flows in the future. In general, Griffon is subject to the same general risks and uncertainties that impact other diverse manufacturing companies including, but not limited to, general economic, industry and / or market conditions and growth rates; impact of natural disasters and pandemics, and their effect on global markets; possible future terrorist threats and their effect on the worldwide economy; and changes in laws or accounting rules. Griffon has identified the following specific risks and uncertainties that it believes have the potential to materially affect its business and financial condition. Risks Related to Our Business Current worldwide economic uncertainty and market volatility could adversely affect Griffon' s businesses. The current worldwide economic uncertainty and market volatility could continue to have an adverse effect on Griffon during ~~2023~~ **2024** , within both the **HBP and** CPP ~~and HBP~~ segments, which are linked to the U. S. housing and the commercial property markets, and the U. S. economy in general. Purchases of many **HBP and** CPP ~~and HBP~~ products are discretionary for consumers who are generally more willing to purchase products during periods in which favorable macroeconomic conditions prevail. These conditions could make it more difficult to obtain additional credit on favorable terms for investments in current businesses or for acquisitions, or could render financing unavailable; in addition, while we do not have any near term debt maturities, if these conditions persist, we may have difficulty refinancing our debt when it comes due. Griffon is also exposed to certain fundamental economic risks including a decrease in the demand for the products and services it offers or a higher likelihood of default on its receivables. Adverse trends and general economic conditions, especially those that relate to construction and renovation, will impact Griffon' s business. The **HBP and** CPP ~~and HBP~~ businesses serve residential and commercial construction and renovation, and are influenced by market conditions that affect these industries. For the year ended September 30, ~~2022~~ **2023** , approximately ~~47~~ **59** % and ~~53~~ **41** % of Griffon' s consolidated revenue was derived from the **HBP and** CPP ~~and HBP~~ segments, respectively, which were dependent on renovation of existing homes, new home construction, and commercial non- residential construction, repair and replacement. The strength of the U. S. economy, the age of existing home stock, job growth, interest rates, consumer confidence and the availability of consumer credit, as well as demographic factors such as migration into the U. S. and migration of the population within the U. S., have an effect on **HBP and** CPP ~~and HBP~~ . To the extent market conditions for residential or commercial construction and renovation are weaker than expected, this will likely have an adverse impact on the performance and financial results of the **HBP and** CPP ~~and HBP~~ businesses. Griffon is exposed to fluctuations in inflation, which could negatively affect its business, financial condition and results of operations. Inflation rates, ~~including residential mortgage rates,~~ particularly in the United States, ~~have~~ increased ~~recently~~ to historic levels **in 2022** . **Although,** ~~According~~ **according** to the U. S. Department of Labor, the annual inflation rate for the United States ~~was approximately 8~~ **decreased to 3** . ~~2~~ **7** % for the twelve months ended September 30, ~~2022~~ **2023 ,** ~~. Continued~~ high inflation or increases in inflation may result in decreased demand for Griffon' s **operating company' s** products and services and increased operating costs and expenses, including **for** labor **,** ~~costs and costs of~~ raw materials and supplies ~~. In particular, higher home mortgage rates typically result in a slowdown in both the purchase and construction of new homes and renovation of existing homes, which will reduce demand for certain of Griffon' s products~~ . In addition, the United States Federal Reserve has raised, and may ~~again~~ **continue to** raise, interest rates in response to concerns about inflation. Increases in interest rates, especially if coupled with reduced government spending and volatility in financial markets, may have the effect of further increasing economic uncertainty and heightening these risks, which may result in economic recession. ~~In the event~~ **As a result of fluctuations in** inflation ~~continues to increase~~ , we may seek to increase the sales prices of our products and services in order to maintain satisfactory margins. Any attempts to offset Griffon' s cost increases with price increases may result in reduced sales, ~~increase~~ **increased** customer dissatisfaction or harm to reputation. Additionally, Griffon' s operating companies may be unable to raise the prices of their products and services at or above the rate at which their costs increase, which may reduce ~~revenues and~~ operating margins and have a material adverse effect on financial results and future growth. Griffon operates in highly competitive industries and may be unable to compete effectively. Griffon' s operating companies face intense competition in the markets they serve. Griffon competes primarily on the basis of technical expertise, product differentiation, quality of products and services, and price. There are a number of competitors to Griffon, some of which are larger and have greater resources than Griffon' s operating companies. Griffon' s operating companies may face additional competition from companies that operate in countries with significantly lower operating costs. Many **HBP and** CPP ~~and HBP~~ customers are large mass merchandisers, such as home centers, warehouse clubs, discount stores, commercial distributors and e- commerce companies. The growing share of the market represented by these large mass merchandisers, together with changes in consumer shopping patterns, have contributed to the increase of multi- category retailers and e- commerce companies that have strong negotiating power with suppliers. Many of these retailers import products directly from ~~foreign~~ suppliers **based in low- cost countries** to source and sell products under their own private label brands to compete with **HBP and** CPP ~~and HBP~~ products and brands, which puts increasing price pressure on the products of these businesses. In addition, the intense competition in the retail and e- commerce sectors, combined with the overall increasingly competitive economic environment, may result in a number of customers experiencing financial difficulty, or failing in the future. The loss of, or a failure by, one of **HBP' s or** CPP ~~' s or HBP~~ ' s significant customers could adversely impact our sales and operating cash flows. To address all of these challenges, **HBP and** CPP ~~and HBP~~ must be able to respond to these competitive pressures, and the failure to respond effectively could result in a loss of sales, reduced profitability and a limited ability to recover cost increases through price increases. In addition, there can be no assurance that Griffon will not encounter increased competition in the future, which could have a material adverse effect on Griffon' s financial results. The loss of large customers can harm financial results. A small number of customers account for, and are expected to continue to account for, a substantial portion of Griffon' s consolidated revenue. Home Depot **and Menards are significant customers of HBP and Home Depot**, Lowe' s and Bunnings are significant customers of CPP ~~, and Home Depot and Menards are significant customers of HBP~~. Home Depot accounted for approximately ~~13~~ **12** % of consolidated revenue, ~~19~~ **9** % of **HBP' s revenue and 15 % of** CPP ~~' s revenue and 7 % of HBP~~ ' s revenue for the year ended September 30, ~~2022~~ **2023**. Future operating results will continue to substantially depend on the success of Griffon' s largest customers, as well as Griffon' s relationships with them. Orders from these customers are subject to fluctuation and may be reduced materially due to changes in customer needs or other factors. Any reduction or delay in sales of products to one or more of these customers could significantly reduce Griffon' s revenue. Griffon' s operating results will also depend on successfully developing relationships with additional key customers. Griffon cannot assure that its largest customers will be retained or that additional key customers will be recruited. Also, both **HBP and** CPP ~~and HBP~~ extend credit to its customers, which exposes it to credit risk. The largest customer accounted for approximately ~~26 %,~~ 7 % **, 19 %** and ~~17~~ **13** % of the net accounts receivable of **HBP,** CPP ~~, HBP~~ and Griffon as of September 30, ~~2022~~ **2023**, respectively. If this customer were to become insolvent or otherwise unable to pay its debts, the financial condition, results of operations and cash flows of **HBP,** CPP ~~, HBP~~ and Griffon could be adversely affected. Reliance on third party suppliers and manufacturers may impair the ability of **HBP and** CPP ~~and HBP~~ to meet their customer demands. **HBP and** CPP ~~and HBP~~ rely on a limited number of ~~domestic and foreign~~ companies **globally** to supply components and manufacture certain of their products. The percentage of **HBP and** CPP ~~and HBP~~ worldwide sourced finished goods as a percent of revenue approximated ~~34 % and~~ 5 % **and 27 %**, respectively, in ~~2022~~ **2023**. The percentage of **HBP and** CPP ~~and HBP~~ ' s worldwide sourced components as a percent of cost of goods sold approximated ~~13~~ **20** % and ~~14~~ **4** %, respectively, in ~~2022~~ **2023**. Reliance on third party suppliers and manufacturers may reduce control over the timing of deliveries and quality of both **HBP and** CPP ~~and HBP~~ products. Reduced product quality or failure to deliver products timely may jeopardize relationships with certain of **HBP' s and** CPP ~~' s and HBP~~ ' s key customers. In addition, reliance on third party suppliers or manufacturers may result in the failure to meet **HBP and** CPP ~~and HBP~~ customer demands. Continued turbulence in the worldwide economy may affect the liquidity and financial condition of **HBP and** CPP ~~and HBP~~ suppliers. Should any of these parties fail to manufacture sufficient supply, go out of business or discontinue a particular component, alternative suppliers may not be found in a timely manner, if at all. Such events may impact the ability of **HBP and** CPP ~~and HBP~~ to fill orders, which could have a material adverse effect on customer relationships. ~~A product provided~~ **In May 2023, in response** to ~~HBP by one of~~ **changing market conditions, Griffon announced that CPP will expand** its **global sourcing strategy. This will increase CPP' s reliance on third- party** suppliers ~~was found~~ **and therefore is likely** to ~~infringe on~~ **increase CPP' s exposure to** the ~~intellectual property rights~~ **risks relating to the use** of **third- party** ~~a competitor of this supplier~~ **suppliers**. **See the risk below titled "** The **expansion of CPP** ~~supplier developed an alternative design for such product that has allowed it to meet HBP~~ ' s **global sourcing strategy may not achieve** ~~needs and which the supplier believes is non- infringing; however, the competitor has alleged, in a pending administrative proceeding, that the redesigned product also infringes on~~ its **intended** ~~intellectual property rights. The supplier is also appealing the initial finding of infringement and believes it has a reasonable likelihood of success. However, should the alternative design be deemed to be an infringing product and should the supplier lose its appeal of the initial finding of infringement, and as a result the supply of this product is interrupted, it could adversely impact HBP' s business and~~ results ~~of operations~~. **"** If Griffon is unable to obtain raw materials for products at favorable prices it could adversely impact operating performance. **HBP and** CPP ~~and HBP~~ suppliers primarily provide resin, wood, steel and wire rod. Both of these businesses could experience shortages of raw materials or components for products or be forced to seek alternative sources of supply. If temporary shortages due to disruptions in supply caused by weather, transportation, production delays or other factors require raw materials to be secured from sources other than current suppliers, the terms may not be as favorable as current terms or certain materials may not be available at all. In recent years, both **HBP and** CPP ~~and HBP~~ have experienced price increases for most of their raw materials. While most key raw materials used in Griffon' s businesses are generally available from numerous sources, raw materials are subject to price fluctuations. Because raw materials in the aggregate constitute a significant component of the cost of goods sold, price fluctuations could have a material adverse effect on Griffon' s results of operations. Griffon' s ability to pass raw material price increases to customers is limited due to supply arrangements and competitive pricing pressure, and there is generally a time lag between increased raw material costs and implementation of corresponding price increases for Griffon' s products. In particular, sharp increases in raw material prices are more difficult to pass through to customers and may negatively affect short- term financial performance. CPP is subject to risks from sourcing from international locations, especially China CPP' s business is global, with products and raw materials sourced from, **and** manufactured ~~in~~ and sold in multiple countries around the world. There are risks associated with conducting a business that may be impacted by political and other developments associated with international trade. In this regard, certain products sold by CPP in the United States and elsewhere are currently sourced from suppliers in China, with some of these products sourced exclusively from suppliers in China. Certain raw materials used by CPP may be sourced from China and therefore may have their prices and availability impacted by tariffs imposed on trade between the United States and China. **As it executes its expanded sourcing strategy and closes numerous U. S. facilities, CPP may increase its reliance on suppliers in China, which could further impact pricing and tariffs.** The sourcing of CPP finished goods, components and raw materials from China are generally subject to supply agreements with Chinese companies. China does not have a well- developed, consolidated body of laws governing agreements with international customers. Enforcement of existing laws or contracts based on existing law may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction **, including other jurisdictions within China itself** . The ~~relative~~ **relatively** limited Chinese judicial precedent on matters of international trade in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations in China may be subject to government policies or political changes. Because of the volume of sourcing by CPP from China, the ongoing trade dispute between the U. S. and China, including the imposition of tariffs on various Chinese imports into the U. S. at various times since March 2018, represents a continuing risk to CPP revenue and operating performance. The tariffs currently apply to approximately **66 % of** ~~$ 375 billion in annual~~ U. S. imports from China **, or more than $ 330 billion of trade** . Section 301 of the Trade Act of 1974 requires that the duties must terminate after four years unless one or more domestic beneficiaries of the tariffs requests their continuation. In September 2022, the United States Trade Representative (USTR) announced that it had received such requests and would therefore continue the tariffs pending a comprehensive review of their necessity. ~~The process~~ **As of September 30, 2023 the** ~~for~~ **four** ~~completing this~~ **- year** review ~~, which contemplates a period~~ **remains ongoing. In September the USTR announced an extension** of **certain exclusions from** ~~public comment, means~~ the tariffs **through December 31, 2023 to allow the USTR to complete its review. It remains unknown whether the USTR** will **continue the Section 301 tariffs upon completion of its review** ~~remain in effect for several months at least, with an unpredictable outcome~~ . In addition to tariffs, an increased global focus on forced labor in supply chains has the potential to impact our business operations. In June 2022, the Uyghur Forced Labor Prevention Act (UFLPA) went into effect and establishes a rebuttable presumption that goods made in whole or in part in the Xinjiang Uyghur Autonomous Region of the People' s Republic of China are produced with forced labor, and directs US Customs and Border Protection (CBP) to prevent entry of products made with forced labor into the U. S. market. Importers whose shipments are detained by CBP under the UFLPA can rebut the presumption with " clear and convincing evidence " that the products were not produced with forced labor. This requires that the importer submit detailed information regarding every supplier and sub- supplier, as well as all components and raw materials, relating to the goods being detained, and detention costs accrue during the pendency of CBP' s evaluation. From ~~June 21~~ **October 1** , 2022 through September 30, ~~2022~~ **2023** , more than ~~1~~ **4** , ~~450~~ **000** shipments ~~from China~~ to U. S importers, valued at approximately $ ~~429~~ **1. 4** ~~million~~ **billion** , were targeted by CBP for further inspection. Neither CPP nor its suppliers currently manufacture or source products, components or raw materials from the Uyghur region of China; however, CBP takes a broad approach when targeting shipments ~~they~~ **it** ~~believe~~ **believes** may have originated from the Uyghur region based on product definitions, tariff codes and supplier names that lead them to suspect the goods come from the Uyghur region **. Additionally, the Forced Labor Enforcement Task Force has determined that certain industry sectors (including apparel, cotton and cotton products, and silica- based products) have an inherently higher risk of forced labor, such that CBP may detain goods suspected of being manufactured with materials originating from Xinjiang, regardless of their declared country of origin** . As a result, CPP shipments may be targeted for detention in which case they become subject to the rebuttable presumption that they were sourced from the Uyghur region even though they are **not imported directly from China or are otherwise** demonstrably outside the scope of the UFLPA. In view of the increased enforcement of forced labor initiatives, we are ~~updating~~ **continuing to update** our compliance measures and ~~working~~ **work** with our ~~China~~ supply base to validate their supply chains, from raw materials through components to finished goods, to ensure our goods are not made using forced labor. We cannot be certain that our products will not be targeted or that our shipments will not be detained, which may impact our operating performance. Forced labor enforcement initiatives are **also** targeting imports from other countries besides China, and we ~~are~~ **will continue to** ~~monitoring~~ --- **monitor** the products and countries subject to increased scrutiny for potential impacts to our operations. The continuing political and economic conflicts between U. S. and China have resulted in **,** and may continue to ~~cause~~ **result in** retaliatory ~~policies~~ **actions** from **,** both countries, and it is unknown whether current US- China relations over Taiwan, including the ~~commencement~~ **signature** of ~~negotiations regarding a new trade initiative between~~ the **US-** ~~United States and~~ Taiwan **Initiative on 21st Century Trade signed in May 2023** , will impact the ongoing trade dispute with China. We cannot predict what new ~~and additional~~ retaliatory policies and regulations may be implemented by the Chinese government in response to the U. S. / Taiwan engagement, and any such policies and regulations or other responses may adversely affect our business operations in China. **HBP and** CPP ~~and HBP~~ operations are also subject to the effects of international trade agreements and regulations such as the United States- Mexico- Canada Agreement **(USMCA)** , and the activities and regulations of the World Trade Organization. Although these trade agreements generally have positive effects on trade liberalization, sourcing flexibility and **the** cost of goods by reducing or eliminating the duties and / or quotas assessed on products manufactured in a particular country, trade agreements can also adversely affect **HBP and** CPP ~~and HBP businesses~~ . For example, trade agreements can result in setting quotas on products that may be imported from a particular country into key markets including the U. S., Canada, Australia and the U. K., or may make it easier for other companies to compete by eliminating restrictions on products from countries ~~where~~ **in which HBP and** CPP ~~and HBP~~ competitors source products. **With the expansion of its global sourcing strategy and the closure of numerous US manufacturing locations, CPP is likely to experience a diminished ability to take advantage of the trade benefits of the USMCA.** The ability of **HBP and** CPP ~~and HBP~~ to import products in a timely and cost- effective manner may continue to be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, **fuel prices,** labor disputes, severe weather or increased homeland security requirements in the U. S. and other countries, as well as the potential for increased costs due to currency exchange fluctuations. These issues **, along with the ongoing war between Russia and Ukraine,** could delay importation of products or require **HBP and** CPP ~~and HBP~~ to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on short notice or could result in higher transit costs, which could have an adverse impact on **the business and financial results of HBP and** CPP **. On May 3, 2023, in response to**

changing market conditions, Griffon announced that its CPP segment will expand its global sourcing strategy to include long handled tools, material handling, and ~~HBP~~ **wood storage and organization product lines. This expansion of CPP' s global sourcing strategy will increase Griffon' s exposure to certain other risks to which it is subject, including those related to the procurement of products from third party suppliers, many of whom are located in China and other non U. S. jurisdictions. Griffon will also be subject to unique risks associated with the implementation of CPP' s expanded global sourcing strategy, including potential negative effects relating to the closing of domestic manufacturing facilities and the related termination of employees. There is a risk that CPP' s ability to provide products to its customers will be disrupted as CPP increases its reliance on third party suppliers and expands its distribution system for products manufactured by third parties. CPP may also not realize the proceeds it expects from the sale of facilities that will no longer be used by CPP. CPP' s expanded global sourcing strategy may also increase its exposure to cybersecurity risks, as discussed in the below risk factor titled " Griffon' s operations and reputation may be adversely impacted if our information technology (IT) systems, or the IT systems of third parties with whom we do** business **, fail to perform adequately or if we or such third parties are the subject of a data breach or cyber- attack." CPP' s expanded global sourcing strategy is designed to better position CPP to serve customers with a more flexible and cost- effective sourcing model that leverages supplier relationships around the world, which is in turn expected to improve CPP' s competitive positioning** and financial ~~condition~~ **performance. There is no guarantee that the restructuring will achieve these intended results** . The COVID- 19 outbreak, or any other future pandemic **,** could adversely impact our results of operations. ~~The future impact of~~ **On May 11, 2023,** the **U. S. Department of Health and Human Services declared the end of the Public Health Emergency for** COVID- 19 ~~outbreak~~ **; however** , **the effects of COVID- 19 continue to linger throughout the global economy and our businesses. Though the severity of COVID- 19 has subsided, new variants** or any other future pandemic **could interrupt business** , **cause renewed labor** and **supply chain disruptions, and negatively impact** the ~~spread of the pathogen on a~~ global ~~basis~~ **and US economy, which** could **materially and** adversely ~~affect~~ **impact** our businesses ~~in a number of respects, although the extent, nature and timing of such impact cannot be predicted as of the date of this filing. The COVID- 19 outbreak led countries around the world, as well as most states in the U. S., to implement restrictions from time- to- time relating to the operation of almost all types of businesses. Most of these restrictions have been eliminated or reduced due to a reduction in the health risk of COVID- 19. As of the date of this filing, all of our manufacturing and distribution facilities are operating. However, government actions taken based on the changing nature of the outbreak in the U. S. or in other countries in which we do business could result in temporary closures of Griffon facilities~~ . During the height of COVID- 19 our supply chain experienced certain disruptions which, together with other factors such as a shortage of labor, resulted in longer delivery lead times and restricted manufacturing capacity for certain of our products. While our supply chain appears to generally be stable at this time, should a resurgence of COVID- 19 occur, our supply chain could again be negatively impacted; for example, certain of our suppliers could be required by government authorities to temporarily cease operations or might be limited in their production capacity. If as a result of ~~the~~ **a resurgence of** COVID- 19 **or the** outbreak ~~, including a potential resurgence~~ of **a new pandemic** ~~the virus in the fall and winter months~~ , governments take ~~additional~~ protective actions, it may have a material adverse impact on Griffon' s businesses and operating results for the reasons described above. In such event, the extent and duration of any impact on our businesses would be difficult to predict. To the extent ~~the COVID- 19~~ **such resurgence or new** outbreak adversely affects our businesses, operations, financial condition and operating results, it may also have the effect of heightening many of the other risks factors such as those relating to our high level of indebtedness, our need to generate sufficient cash flows to service our indebtedness, and our ability to comply with the covenants contained in the agreements that govern our indebtedness, as described in more detail below. Griffon' s businesses are subject to seasonal variations and the impact of uncertain weather patterns. ~~Griffon' s revenue and earnings are generally lowest in our first and fourth quarters ending December 31, and September 30, respectively, and highest in the second and third quarters ending March 31, and June 30, respectively, primarily due to the seasonality within the AMES and HBP businesses. In 2022, with the addition of Hunter Fan, 58 % (55 %, excluding Hunter Fan sales) of AMES' sales occurred during the second and third quarters compared to 53 % in both 2021 and 2020.~~ HBP' s business is driven by renovation and construction during warm weather, which is ~~generally~~ **historically** at reduced levels during the winter months, generally in our second quarter **. In 2023, 54 % of CPP' s' sales occurred during the second and third quarters compared to 58 % in 2022 and 53 % in 2021** . Demand for lawn and garden products is influenced by weather, particularly weekend weather during the peak gardening season. AMES' sales volumes could be adversely affected by certain weather patterns such as unseasonably cool or warm temperatures, hurricanes, water shortages or floods. In addition, lack of snow or lower than average snowfall during the winter season may result in reduced sales of certain AMES' products such as snow shovels and other snow tools. As a result, AMES' results of operations, financial results and cash flows could be adversely impacted. Unionized employees could strike or participate in a work stoppage. At September 30, ~~2022~~ **2023** , Griffon employed approximately ~~6~~ **5** , ~~200~~ **700** people on a full- time basis, approximately 4 % of whom are covered by collective bargaining or similar labor agreements. If unionized employees engage in a strike or other work stoppage, or if Griffon is unable to negotiate acceptable extensions of agreements with labor unions, a significant disruption of operations and increased operating costs could occur. In addition, any renegotiation or renewal of labor agreements could result in higher wages or benefits paid to unionized employees, which could increase operating costs and as a result have a material adverse effect on profitability. ~~Griffon~~ **As a result of the expansion of CPP** ' s **global sourcing strategy** ~~operations and reputation may be adversely impacted if our information technology (IT) systems~~ , **CPP is closing** ~~or the IT systems of third parties with whom we do business, fail to perform adequately or if we or such third parties are the subject of~~ a ~~data breach or cyber- attack~~ **number of its U. S. facilities, some of which employ union workers; accordingly, the number of Griffon employees that belong to a union will decrease** . We rely on IT systems, networks and services to conduct our business, including communicating with employees and our key commercial customers, ordering and managing materials and products from suppliers, shipping products to customers and analyzing and reporting results of operations. While we have taken steps to ensure the security of our information technology systems, our systems may nevertheless be vulnerable to computer viruses, security breaches and other disruptions from unauthorized users. Cyber criminals are becoming more sophisticated and knowledgeable every day, and as their tactics evolve, it is a constant challenge to ensure that our IT security practices are sufficient to protect our IT systems and data. If our IT systems are damaged or cease to function properly for an extended period of time, whether as a result of a significant cyber incident or otherwise, our ability to communicate internally as well as with our customers and suppliers could be significantly impaired, which may adversely impact our business, operations and reputation. In the normal course of our business, we collect, store, and transmit proprietary and confidential information regarding our brands, customers, employees, suppliers and others. We also engage third parties that store, process and transmit these types of information, as well as personal information, on our behalf. An operational failure or breach of security from increasingly sophisticated cyber threats could lead to loss, misuse or unauthorized disclosure of this information about our employees or customers, which may result in regulatory or other legal proceedings, and could have a material adverse effect on our business and reputation. We also may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber- attacks. Any such attacks or precautionary measures taken to prevent anticipated attacks may result in increasing costs, including costs for additional technologies, training, and third- party consultants. The losses incurred from a breach of data security and operational failures as well as the precautionary measures required to address this evolving risk may adversely impact our financial condition, results of operations and cash flows. We depend on our information systems to process orders, manage inventory and accounts receivable collections, purchase, sell, and ship products efficiently and on a timely basis, maintain cost- effective operations, and provide superior service to our customers. If these systems are damaged, infiltrated, shutdown, or cease to function properly (whether by planned upgrades, force majeure, telecommunications failures, hardware or software break- ins or viruses, other cyber security incidents, or otherwise), we may suffer disruption in our ability to manage and operate our business. There can be no assurance that the precautions which we have taken against certain events that could disrupt the operations of our ~~information~~ **IT** systems will prevent the occurrence of such a disruption. Any such disruption could have a material adverse effect on our business and results of operations. Griffon may be unable to implement its acquisition growth strategy, which may result in added expenses without a commensurate increase in revenue and income, and divert management' s attention. Making strategic acquisitions is a significant part of Griffon' s growth plans. The ability to successfully complete acquisitions depends on identifying and acquiring, on acceptable terms, companies that either complement or enhance currently held businesses or expand Griffon into new profitable businesses, and, for certain acquisitions, obtaining financing on acceptable terms. Additionally, Griffon must properly integrate acquired businesses in order to maximize profitability. The competition for acquisition candidates is intense and Griffon cannot assure that it will successfully identify acquisition candidates and complete acquisitions at reasonable purchase prices, in a timely manner, or at all. Further, there is a risk that acquisitions will not be properly integrated into Griffon' s existing structure. Griffon closed the ~~acquisitions~~ **acquisition** of ~~La Hacienda, Tuscan Path, ClosetMaid and Harper Brush in the months of July through November 2017, Kelkay in February 2018, CornellCookson in June 2018, Apta in November 2019, Quatro in December 2020 and~~ Hunter Fan **, its largest acquisition ever,** in January 2022 ~~. This~~ **; the** integration **of Hunter Fan with CPP is ongoing. In the past, Griffon has consummated a group of acquisitions within a short time period, which could occur again; the** ~~risk~~ **risks relating to integration of an acquisition** may be exacerbated when numerous acquisitions are consummated in a short time period. In implementing an acquisition growth strategy, the following may be encountered: • Costs associated with incomplete or poorly implemented acquisitions; • Expenses, delays and difficulties of integrating acquired companies into Griffon' s existing organization; • Dilution of the interest of existing stockholders; • Diversion of management' s attention; or • Difficulty in obtaining financing on acceptable terms, or at all. An unsuccessful implementation of Griffon' s acquisition growth strategy, including the failure to properly integrate acquisitions, could have an adverse impact on Griffon' s results of operations, cash flows and financial condition. We may also incur debt or assume contingent liabilities in connection with acquisitions, which could impose restrictions on our business operations and harm our operating results. ~~The pendency of our current process to explore strategic alternatives and the possible failure to consummate a strategic transaction could adversely affect the trading price of our common stock and our future business and results of operations. In May 2022, Griffon' s Board of Directors publicly announced that it would explore a comprehensive range of strategic alternatives to maximize shareholder value including a sale, merger, divestiture, recapitalization or other strategic transaction. This process is active and ongoing. The uncertainties associated with this process, and the expenses and efforts involved, may negatively affect our business and our relationships with employees, customers, suppliers, distributors and vendors. If we do not enter into or consummate a strategic transaction, our business and results of operations could be adversely affected. Furthermore, if we do not consummate a transaction, the price of our common stock may decline from the current market price, as the current market price might incorporate a market assumption that a transaction will be consummated. A failed transaction may also result in reduced employee morale and productivity, negative publicity and a negative impression of us in the investment community. Further, any disruptions to our business resulting from any announcement and pendency of a transaction, including any adverse changes in our relationships with our customers, suppliers, distributors, vendors and employees or recruiting and retention efforts, could continue or accelerate in the event of a failed acquisition. Matters relating to any failed transaction may require significant costs and expenses and substantial management time and resources, which could otherwise have been devoted to operating and growing our businesses.~~ Risks Related to Our Indebtedness ~~While~~ Griffon' s senior notes, which have limited covenants, are not due until 2028; its $ 800 million Term Loan B (current balance of $ ~~496~~ **463** million), which also has limited covenants, is not due until 2029; and its $ ~~400~~ **500** million revolving line of credit, which has greater covenant requirements, does not mature until ~~2025~~ **2028 . However** , **in the event the 2028 Senior Notes are not repaid, refinanced, or replaced prior to December 1, 2027, the Revolver will mature on December 1, 2027.** ~~there~~ **There** are potential impacts from Griffon' s use of debt to finance certain of its activities, especially acquisitions and expansions, as set forth below. Compliance with restrictions and covenants in Griffon’ s debt agreements may limit its ability to take corporate actions. The credit agreement entered into by, and, to a lesser extent, the terms of the senior notes issued by, Griffon each contain covenants that restrict the ability of Griffon and its subsidiaries to, among other things, incur additional debt, pay dividends, incur liens and make investments, acquisitions, dispositions, restricted payments and capital expenditures. Under the credit agreement, Griffon is also required to comply with specific financial ratios and tests. Griffon may not be able to comply in the future with these covenants or restrictions as a result of events beyond its control, such as prevailing economic, financial and industry conditions or a change in control of Griffon. If Griffon defaults in maintaining compliance with the covenants and restrictions in its credit agreement or the senior notes, its lenders could declare all of the principal and interest amounts outstanding due and payable and, in the case of the credit agreement, terminate the commitments to extend credit to Griffon in the future. If Griffon or its subsidiaries are unable to secure credit in the future, its business could be harmed. Griffon may be unable to raise additional financing if needed. Griffon may need to raise additional financing in the future in order to implement its business plan, refinance debt, or acquire new or complimentary businesses or assets. Any required additional financing may be unavailable, or only available at unfavorable terms, due to uncertainties in the credit markets. If Griffon raises additional funds by issuing equity securities, current holders of its common stock may experience significant ownership interest dilution and the holders of the new securities may have rights senior to the rights associated with current outstanding common stock. Griffon’ s indebtedness and interest expense could limit cash flow and adversely affect operations and Griffon’ s ability to make full payment on outstanding debt. Griffon’ s indebtedness poses potential risks such as: • A substantial portion of cash flows from operations could be used to pay principal and interest on debt, thereby reducing the funds available for working capital, capital expenditures, acquisitions, product development and other general corporate purposes; • Insufficient cash flows from operations may force Griffon to sell assets, or seek additional capital, which Griffon may not be able to secure on favorable terms, if at all; and • Its level of indebtedness may make Griffon more vulnerable to economic or industry downturns. Risk Related to Our Common Stock Griffon has the ability to issue additional equity securities, which would lead to dilution of issued and outstanding common stock. The issuance of additional equity securities or securities convertible into equity securities would result in dilution to existing stockholders’ equity interests. Griffon is authorized to issue, without stockholder vote or approval, 3, 000, 000 shares of preferred stock in one or more series, and has the ability to fix the rights, preferences, privileges and restrictions of any such series. Any such series of preferred stock could contain dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences or other rights superior to the rights of holders of Griffon’ s common stock. While there is no present intention of issuing any such preferred stock, Griffon reserves the right to do so at any time. In addition, Griffon is authorized to issue, without stockholder approval, up to 85, 000, 000 shares of common stock, of which ~~57~~ **53** , ~~064~~ **062** , ~~331~~ **352** shares, net of treasury shares, were outstanding as of September 30, ~~2022~~ **2023** . Additionally, Griffon is authorized to issue, without stockholder approval, securities convertible into either shares of common stock or preferred stock. General Risk Factors Each of Griffon' s businesses faces risks related to the disruption of its primary manufacturing facilities. The manufacturing facilities for each of Griffon' s businesses are concentrated in just a few locations, and in the case of CPP, some of these locations are abroad in low- cost locations. Any of Griffon' s manufacturing facilities are subject to disruption for a variety of reasons, such as natural or man- made disasters, pandemics, terrorist activities, disruptions of information technology resources, and utility interruptions. Such disruptions may cause delays in shipping products, which could result in the loss of business or customer trust, adversely affecting Griffon’ s businesses and operating results. Manufacturing capacity constraints or increased manufacturing costs may have a material adverse effect on Griffon' s business, results of operations, financial condition and cash flows. Griffon’ s current manufacturing resources may be inadequate to meet significantly increased demand for some of its products. Griffon’ s ability to increase its manufacturing capacity depends on many factors, including the availability of capital, steadily increasing consumer demand, equipment delivery, construction lead- times, installation, qualification, and permitting and other regulatory requirements. Increasing capacity through the use of third- party manufacturers may depend on Griffon’ s ability to develop and maintain such relationships and the ability of such third parties to devote additional capacity to fill its orders. A lack of sufficient manufacturing capacity to meet demand could cause customer service levels to decrease, which may negatively affect customer demand for Griffon' s products and customer relations generally, which in turn could have a material adverse effect on Griffon' s business, results of operations, financial condition and cash flows. In addition, operating facilities at or near capacity may also increase production and distribution costs and negatively impact relations with employees or contractors, which could result in disruptions to operations. In addition, manufacturing costs may increase significantly and Griffon may not be able to pass along all or any of such increase to its customers; and when such increases are passed off to customers, there will be a time lag, which may be significant. If **HBP and** CPP ~~and HBP~~ do not continue to develop and maintain leading brands or realize the anticipated benefits of advertising and promotion spend, its operating results may suffer. The ability of **HBP and** CPP ~~and HBP~~ to compete successfully depends in part on the company’ s ability to develop and maintain leading brands so that retail and other customers will need its products to meet consumer demand. Leading brands allow both CPP and HBP to realize economies of scale in its operations. The development and maintenance of such brands require significant investment in brand- building and marketing initiatives. While **HBP and** CPP ~~and HBP~~ plan to continue to increase its expenditures for advertising and promotion and other brand- building and marketing initiatives over the long term, the initiatives may not deliver the anticipated results and the results of such initiatives may not cover the costs of the increased investment. Griffon may be required to record impairment charges for goodwill and indefinite- lived intangible assets. Griffon is required to assess goodwill and indefinite- lived intangible assets annually for impairment or on an interim basis if changes in circumstances or the occurrence of events suggest impairment exists. If impairment testing indicates that the carrying amount of reporting units or indefinite- lived intangible assets exceeds the respective fair value, an impairment charge would be recognized. If goodwill or indefinite- lived intangible assets were to become impaired, the results of operations could be materially and adversely affected. For the fiscal year ended September 30,

~~2022~~ **2023**, we **also** recorded a non- cash, ~~pre- tax goodwill impairment of $ 342, 027, and a non- cash~~ pre- tax indefinite- lived intangible assets impairment of $ **109, 200. For the fiscal year ended September 30, 2022, we recorded a non- cash, pre- tax indefinite- lived intangible asset impairment of $** 175, 000 **and a non- cash, pre- tax goodwill impairment of $ 342, 027**. These non- cash impairments resulted in an aggregate decrease of $ **1. 49 and $** 8. 43 in our earnings per share for the fiscal year ended September 30, **2023 and** 2022 **, respectively**. Should we have to record additional impairment charges in the future, it could similarly have a significant negative impact on our earnings per share for the year in which any such impairment charge is recorded. If Griffon' s subcontractors or suppliers fail to perform their obligations, Griffon' s performance and ability to win future business could be harmed. Griffon relies on other companies to provide materials, major components and products to fulfill contractual obligations. Such arrangements may involve subcontracts, teaming arrangements, or supply agreements with other companies. There is a risk that Griffon may have disputes regarding the quality and timeliness of work performed. In addition, changes in the economic environment, including constraints on available financing, may adversely affect the financial stability of Griffon' s supply chain and their ability to meet their performance requirements or to provide needed supplies on a timely basis. A disruption or failure of any supplier could have an adverse effect on Griffon' s business resulting in an impact to profitability, possible termination of a contract, imposition of fines or penalties, and harm to Griffon' s reputation impacting its ability to secure future business. Griffon’ s companies must continually improve existing products, design and sell new products and invest in research and development in order to compete effectively. The markets for Griffon’ s products are characterized by rapid technological change, evolving industry standards and continuous improvements in products. Due to constant changes in Griffon' s markets, future success depends on Griffon' s ability to develop new technologies, products, processes and product applications. Griffon' s long- term success in the competitive retail environment and the industrial and commercial markets depends on its ability to develop and commercialize a continuing stream of innovative new products that are appealing to ultimate end users and create demand. New product development and commercialization efforts, including efforts to enter markets or product categories in which Griffon has limited or no prior experience, have inherent risks. These risks include the costs involved, such as development and commercialization, product development or launch delays, and the failure of new products and line extensions to achieve anticipated levels of market acceptance or growth in sales or operating income. Griffon also faces the risk that its competitors will introduce innovative new products that compete with Griffon’ s products. In addition, sales generated by new products could cause a decline in sales of Griffon’ s other existing products. If new product development and commercialization efforts are not successful, Griffon’ s financial results could be adversely affected. Product and technological developments are accomplished both through internally- funded R & D projects, as well as through strategic partnerships with customers. Because it is not generally possible to predict the amount of time required and costs involved in achieving certain R & D objectives, actual development costs may exceed budgeted amounts and estimated product development schedules may be extended. Griffon’ s financial condition and results of operations may be materially and adversely affected if: • Product improvements are not completed on a timely basis; • New products are not introduced on a timely basis or do not achieve sufficient market penetration; • There are budget overruns or delays in R & D efforts; or • New products experience reliability or quality problems, or otherwise do not meet customer preferences or requirements. The loss of certain key officers or employees could adversely affect Griffon’ s business. The success of Griffon is materially dependent upon the continued services of certain key officers and employees. The loss of such key personnel could have a material adverse effect on Griffon’ s operating results or financial condition. Griffon is exposed to a variety of risks relating to non- U. S. sales and operations, including non- U. S. economic and political conditions and fluctuations in exchange rates. Griffon and its companies conduct operations in Canada, Australasia, the U. K., and China, and sell their products in many countries around the world. Sales of products through non- U. S. subsidiaries accounted for approximately ~~17~~ **15** % of consolidated revenue for the year ended September 30, ~~2022~~ **2023**. These sales could be adversely affected by changes in political and economic conditions, trade protection measures, such as tariffs, the ability of the Company to enter into industrial cooperation agreements (offset agreements), differing intellectual property rights and laws and changes in regulatory requirements that restrict the sales of products or increase costs in such locations. Enforcement of existing laws in such jurisdictions can be uncertain, and the lack of a sophisticated body of laws can create various uncertainties, including with respect to customer and supplier contracts. Currency fluctuations between the U. S. dollar and the currencies in the non- U. S. regions in which Griffon does business may also have an impact on future reported financial results. Griffon' s international sales and operations are subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect operations. Griffon is subject to various anti- corruption laws that prohibit improper payments or offers of payments to foreign governments and their officials for the purpose of obtaining or retaining business. In addition, Griffon is subject to certain export controls, laws and regulations, as well as to economic sanctions, laws and embargoes imposed by various governments or organizations, including the U. S. and the European Union or member countries. Violations of anti- corruption, export controls or sanctions laws may result in severe criminal or civil sanctions and penalties, including loss of export privileges and loss of authorizations needed to conduct Griffon' s international business. Such violations could also result in Griffon being subject to other liabilities, which could have a material adverse effect on Griffon' s business, results of operations and financial condition. Griffon may not be able to protect its proprietary rights. Griffon relies on a combination of patent, copyright and trademark laws, common law, trade secrets, confidentiality and non- disclosure agreements and other contractual provisions to protect proprietary rights. Such measures do not provide absolute protection and Griffon cannot give assurance that measures for protecting these proprietary rights are and will be adequate, or that competitors will not independently develop similar technologies. Griffon or its suppliers may inadvertently infringe on, or may be accused of infringing on, proprietary rights of others. Griffon is regularly improving its technology and employing existing technologies in new ways. Though Griffon takes reasonable precautions to ensure it does not infringe on the rights of others, it is possible that Griffon may inadvertently infringe on, or be accused of infringing on, proprietary rights held by others. If Griffon is found to have infringed on the propriety rights held by others, any related litigation or settlement relating to such infringement may have a material effect on Griffon' s business, results of operations and financial condition. It is also possible that Griffon' s suppliers may inadvertently infringe on, or be accused of infringing on, proprietary rights held by others. **Any** ~~For example, a product provided to HBP by one of its suppliers was found to infringe on the intellectual property rights of a competitor of this supplier. If other Griffon suppliers are found to have infringed (or are alleged to have infringed) on the propriety rights of others,~~ such infringement **(or alleged infringement)** may have a material adverse effect on Griffon' s business, results of operations and financial condition. For example, **in** the **past, a** supplier may not be able to develop an alternative design that meets Griffon' s needs at a comparable cost or at all, and the supply of certain products or components to Griffon may be interrupted. Griffon is exposed to product liability and warranty claims. Griffon is subject to product liability and warranty claims in the ordinary course of business, including with respect to former businesses now included within discontinued operations. These claims relate to the conformity of its products with required specifications, and to alleged or actual defects in Griffon' s products (or in end- products in which Griffon' s products were a component part) that cause damage to property or persons. There can be no assurance that the frequency and severity of product liability claims brought against Griffon will not increase, which claims can be brought either by an injured customer of an end product manufacturer who used one of Griffon' s products as a component or by a direct purchaser. There is also no assurance that the number and value of warranty claims will not increase as compared to historical claim rates, or that Griffon' s warranty reserve at any particular time is sufficient. No assurance can be given that indemnification from customers or coverage under insurance policies will be adequate to cover future product liability claims against Griffon; for example, product liability insurance typically does not cover claims for punitive damages. Warranty claims are typically not covered by insurance at all. Product liability insurance can be expensive, difficult to maintain and may be unobtainable in the future on acceptable terms. The amount and scope of any insurance coverage may be inadequate if a product liability claim is successfully asserted. Furthermore, if any significant claims are made, the business and the related financial condition of Griffon may be adversely affected by negative publicity. Griffon has been, and may in the future be, subject to claims and liabilities under environmental laws and regulations. Griffon' s operations and assets are subject to environmental laws and regulations pertaining to the discharge of materials into the environment, the handling and disposal of wastes, including solid and hazardous wastes, and otherwise relating to health, safety and protection of the environment, in the various jurisdictions in which it operates. Griffon does not expect to make any expenditure with respect to ongoing compliance with or remediation under these environmental laws and regulations that would have a material adverse effect on its business, operating results or financial condition. However, the applicable requirements under environmental laws and regulations may change at any time. Griffon can incur environmental costs related to sites that are no longer owned or operated, as well as third- party sites to which hazardous materials are sent. Material expenditures or liabilities may be incurred in connection with such claims. See the Commitment and Contingencies footnote in the Notes to Consolidated Financial Statements for further information on environmental contingencies. Based on facts presently known, the outcome of current environmental matters are not expected to have a material adverse effect on Griffon' s results of operations and financial condition. However, presently unknown environmental conditions, changes in environmental laws and regulations or other unanticipated events may give rise to claims that may involve material expenditures or liabilities. Changes in income tax laws and regulations or exposure to additional income tax liabilities could adversely affect profitability. Griffon is subject to Federal, state and local income taxes in the U. S. and in various taxing jurisdictions outside the U. S. Tax provisions and liabilities are subject to the allocation of income among various U. S. and international tax jurisdictions. Griffon' s effective tax rate could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in any valuation allowance for deferred tax assets or the amendment or enactment of tax laws **. Further changes in the tax laws could arise as a result of the base erosion and profit shifting project undertaken by the Organization for Economic Co- operation and Development (" OECD "). In December 2022, the European Union (" EU ") member states reached an agreement to implement the minimum tax component (" Pillar Two ") of the OECD' s tax reform initiative. The directive is expected to be enacted into the national law of the EU member states by December 31, 2023. If similar directives under Pillar Two are adopted by taxing authorities in other countries in which we do business, such changes could materially increase the amount of taxes we pay and therefore materially decrease our results of operations and cash flows** . The amount of income taxes paid is subject to audits by U. S. Federal, state and local tax authorities, as well as tax authorities in the taxing jurisdictions outside the U. S. If such audits result in assessments different from recorded income tax liabilities, Griffon' s future financial results may include unfavorable adjustments to its income tax provision. Actions taken by activist shareholders could be disruptive and costly and may conflict with or disrupt the strategic direction of our business. Similar to the activist shareholder campaign initiated in 2021, activist shareholders may from time to time attempt to effect changes in our strategic direction and seek changes regarding Griffon' s corporate governance or structure. Our Board of Directors and management team strive to maintain constructive, ongoing communications with all shareholders who wish to speak with us, including activist shareholders, and welcomes their views and opinions with the goal of working together constructively to enhance value for all shareholders. However, activist campaigns that contest, or conflict with, our strategic direction could have an adverse effect on us because: a. responding to actions by activist shareholders can disrupt our operations, be costly and time consuming, and divert the attention of our Board and senior management from the pursuit of our business strategies, and b. perceived uncertainties as to our future direction may cause (i) instability or lack of continuity, which may be exploited by our competitors, (ii) concern on the part of current or potential customers, (iii) loss of business opportunities, or (iv) difficulties in attracting and retain qualified personnel and business partners. Activist campaigns may also cause significant fluctuations in our stock price based on temporary or speculative market perceptions, or other factors that do not necessarily reflect the fundamental underlying value of our businesses.