Risk Factors Comparison 2023-06-22 to 2022-06-23 Form: 10-K

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The following risk factors may be important to understanding any statement in this Annual Report on Form 10- K or elsewhere. Our business, financial condition and results of operations can be affected by several factors, whether currently known or unknown, including but not limited to those described below. Any one or more of such factors could directly or indirectly cause our actual results of operations and financial condition to vary materially from past or anticipated future results of operations and financial condition. Any of these factors, in whole or in part, could materially and adversely affect our business, financial condition, results of operations and cash flows. Risks Relating to our Industry and Economic Conditions ~~The ongoing effect of the COVID- 19 pandemic and other widespread public health crises may adversely affect our business and results of operations. The COVID- 19 pandemic (" COVID- 19") and its contributory effects have impacted, and may continue to impact, our business and results of operations. Our business depends in large part on both new construction and repair and remodeling (" R & R") activity in both the commercial and residential markets, all of which are generally dependent on the overall health of the economy. There has been strong underlying demand for residential products since the disruption caused by the initial onset of COVID- 19. However, commercial markets, which have been particularly affected by the pandemic, have been slow to rebound. Driven in part by residential demand, COVID- 19 has caused significant disruptions and delays in the manufacture and distribution of building products throughout the industry supply chain, primarily related to products needed during construction phases outside of those serviced by us, resulting in shortages, shipping delays and increased cycle times. There has also been disruptions in the ability to get equipment, repair parts and service vehicles. The pandemic has also led to significant spikes in the prices of many building products. While we have largely been able to pass along these price increases to our customers, there is no guarantee that we will be able to continue to do so, which could adversely impact our margins. Furthermore, COVID- 19 has resulted in increased labor costs and a general labor shortage. The extent and duration of the continued effects of COVID- 19 on our business and results of operations will depend on future developments, which are highly uncertain and cannot be predicted. These developments include the scope, duration and severity of the pandemic (including the possibility of further surges or variants of COVID- 19 or the emergence of other health epidemics or pandemics), the actions taken to contain or mitigate its impact, and the direct and indirect economic effects of the pandemic and related containment measures, among others. Any of these developments could materially and adversely affect our business, financial condition and results of operations. Furthermore, the other risk factors included herein could be heightened because of the impact of COVID- 19 or any other public health crisis. We continue to actively monitor COVID- 19 and may take actions that alter our business operations if required by federal, state, provincial or local authorities or that we determine are in the best interests of our employees, customers, suppliers and stockholders.~~ Our business is affected by general business, financial market and economic conditions, which could adversely affect our results of operations. Our business and results of operations are dependent on the commercial and residential construction and R & R markets, which are significantly affected by general business, financial market and economic conditions in the United States and Canada. **An economic downturn or recession in the global economy could have a material adverse impact on our business, financial condition, results of operations and cash flows.** General business, financial markets and economic conditions that impact the level of activity in the commercial and residential construction and R & R markets include, among others, interest rate fluctuations, inflation, unemployment levels, tax rates and policy, capital spending, bankruptcies, volatility in both the debt and equity capital markets, liquidity of the global financial markets, credit and mortgage markets, consumer confidence and spending, global economic growth, local, state, provincial and federal government regulation, housing supply and affordability, the strength of regional and local economies in which we operate and the impact of public health emergencies ~~, including COVID- 19~~. Furthermore, commercial and residential construction and R & R markets generally face significant contraction in an economic downturn or recession. ~~In the event of an economic downturn or recession in any region in which we operate, our business, financial condition, results of operations and cash flows would likely be materially and adversely affected.~~ Our sales are in part dependent upon the commercial new construction market and the commercial R & R market. **Demand for commercial projects was severely impacted by** COVID- 19 ~~significantly impacted the~~ **and has been slow to recover in certain sectors. However, we are starting to see some improvement, including stronger year- over- year** commercial **wallboard sales and volumes. Construction to support medical, hospitality and governmental projects has started to rebound, particularly where commercial development has followed residential expansion. Larger office projects, both** new **and for R & R, however, remain tempered, particularly in more mature urban markets. We cannot predict the duration of the current market conditions, changes in the demand for commercial space, or the timing or strength of any future recovery or downturn of commercial construction activity in our markets. Further increased weakness in the commercial** construction market and the commercial R & R market ~~with activity in such markets recovering slower than residential markets, in particular, the hospitality and office space sectors. We cannot predict the duration of the current market conditions, changes in the demand for commercial space, or the timing or strength of any future recovery or downturn of commercial construction activity in our markets. Further or increased weakness in the commercial construction market and the commercial R & R market,~~ would likely have an adverse effect on our business, financial condition and operating results. Furthermore, uncertainty about current and future economic conditions will continue to pose a risk to our business that serves the commercial new construction and R & R markets ~~as participants in this industry may postpone spending in response to continued uncertainty around COVID- 19 or otherwise~~, including demand for commercial office space, tighter credit **, disruptions caused by the inability of commercial borrowers to repay their debt obligations** , negative financial news, a recession and / or declines in income, which could have a continued material negative effect on the demand for our products and services. Our sales are also in part dependent upon the residential new construction market and home R & R activity. The distribution of our products, particularly wallboard, to contractors serving the residential market represents a significant portion of our business. Though its cyclicality has historically been somewhat moderated by R & R activity, wallboard demand is highly correlated with housing starts. Housing starts and R & R activity, in turn, are dependent upon a number of factors, including housing demand, housing inventory levels, housing affordability, mortgage rates, building mix between single- and multi- family homes, foreclosure rates, geographical shifts in the population and other changes in demographics, the availability of land, local zoning and permitting processes, the availability of construction financing, and the health of the economy and mortgage markets, including related government regulations. Unfavorable changes in any of these factors beyond our control could adversely affect consumer spending, result in decreased demand for homes and adversely affect our business. We also rely, in part, on home R & R activity. Although the market for residential R & R has improved in recent years, there is no guarantee that it will continue to improve. Higher interest rates, inflation, higher gas prices, consumer confidence, stock market volatility and performance, unemployment, and lower home prices may restrict consumer spending, particularly on discretionary items such as home improvement projects, and affect consumer confidence levels leading to reduced spending in the R & R end markets. Furthermore, consumer preferences and purchasing practices and the strategies of our customers ~~may adjust~~ **mayadjust** in a manner that could result in changes to the nature and prices of products demanded by the end consumer and our customers and could adversely affect our business, financial condition, results of operations and cash flows. Our industry and the markets in which we operate are highly fragmented and competitive, and increased competitive pressure may adversely affect our results of operations. We primarily compete in the distribution markets of wallboard, ceilings and complementary ~~interior~~ construction products with smaller distributors, ~~but we also face competition from~~ several national and multi- regional **specialty** distributors of building materials ~~,~~ **and big- box retailers.** ~~some~~ **Some** of ~~which~~ **our competition** are larger and may have greater financial resources than us. Competition varies depending on product line, type of customer and geographic area. If our competitors have greater financial resources or offer a broader range of building products, ~~such as roofing,~~ they may be able to offer higher levels of service or a broader selection of inventory than we can. Furthermore, any of our competitors may (i) foresee the course of market development more accurately than we do, (ii) provide superior service and sell or distribute superior products, (iii) have the ability **or willingness** to supply or deliver similar products and services at a lower cost, (iv) develop stronger relationships with our customers and other consumers in the industry in which we operate, (v) **develop stronger relationships with our vendors or other manufacturers in our industry; (vi)** adapt more quickly to evolving customer requirements than we do, (~~vi~~ **vii**) develop a superior network of distribution centers in our markets, (~~vii~~ **viii**) access financing on more favorable terms than we can obtain or (~~viii~~ **ix**) bundle products we do not offer with other products that are competitive with the products we sell. The consolidation of homebuilders may result in increased competition for their business. Certain product manufacturers that sell and distribute their products directly to homebuilders may increase the volume of such direct sales. Our suppliers may also elect to enter into exclusive supplier arrangements with other distributors. As a result, we may not be able to compete successfully with our competitors and our financial condition, results of operations and cash flows may be adversely affected. Consolidation in our industry may negatively impact our business. Our industry has experienced consolidation in recent years and may continue to experience consolidation, which could cause markets to become increasingly competitive as greater economies of scale are achieved by distributors that are able to efficiently expand their operations. There can be no assurance that we will be able to effectively take advantage of this trend toward consolidation which may make it more difficult for us to maintain operating margins and could also increase the competition for acquisition targets in our industry, resulting in higher acquisition costs and prices. Risks Relating to our Business We are subject to significant fluctuations in prices and mix of the products we distribute, including as a result of inflationary and deflationary pressures, and we may not be able to pass on price increases to our customers and effectively manage inventories and margins. Prices for our products are driven by many factors, including general economic conditions, labor and freight costs, competition, demand for our products, international conflicts, government regulation and trade policies. Certain products we distribute have recently seen extreme price volatility, caused in large part by the contributory effects of COVID- 19 and ~~the~~ international conflicts. We may be subject to large and significant price increases, especially in periods of high inflation. Conversely, we may experience lower sales in a deflationary environment. We may not always be able to reflect increases in our costs in our own pricing, especially in times of extreme price volatility. Any inability to pass cost increases on to customers may adversely affect our business, financial condition and results of operations. In addition, if market prices for the products that we sell decline, we may realize lower **revenues and** margins from selling ~~such products and lower revenues from sales of existing inventory of~~ such products. Large contractors and homebuilders in both the commercial and residential industries have historically been able to exert significant pressure on their outside suppliers and distributors to keep prices low in the highly fragmented building products supply and services industry. Continued consolidation in the commercial and residential industries and changes in builders' purchasing policies and payment practices could result in even further pricing pressure. Furthermore, if new construction and R & R activity significantly declines, we could face increased pricing pressure from our competitors as we compete for a reduced number of projects. Overall, these pricing pressures may adversely affect our operating results and cash flows. In addition, we may experience changes in our customer mix or in our product mix. If customers require more lower- margin products from us and fewer higher- margin products, our business, financial condition, results of operations and cash flows may suffer. We may be unsuccessful in making and integrating acquisitions and opening new branches. The success of our long- term business strategy depends in part on increasing our sales and growing our market share through strategic acquisitions and opening new branches. If we fail to identify and acquire suitable acquisition targets on appropriate terms or fail to identify and open new branches that expand our market, our growth strategy may be materially and adversely affected. Further, if our operating results decline, we may be unable to obtain the capital required to effect new acquisitions or open new branches. In addition, we may not be able to integrate the operations of future acquired businesses in an efficient and cost- effective manner or without significant disruption to our existing operations. Even if we successfully integrate the businesses, there can be no assurance that we will realize the anticipated benefits of an acquisition. Moreover, acquisitions involve significant risks and uncertainties, including uncertainties as to the future financial performance of the acquired business, difficulties integrating acquired personnel and corporate cultures into our business, the potential loss of key employees, customers or suppliers, difficulties in integrating different computer and accounting systems, exposure to unknown or unforeseen liabilities of acquired companies, difficulties implementing disclosure controls and procedures and internal control over financial reporting for the acquired businesses, and the diversion of management attention and resources from existing operations. We may also be required to incur additional debt or issue equity in order to consummate acquisitions in the future, which may increase our indebtedness or result in dilution to our ~~shareholders~~ **stockholders** . Our failure to integrate future acquired businesses effectively or to manage other consequences of our acquisitions, including increased indebtedness, could prevent us from remaining competitive and, ultimately, could adversely affect our financial condition, results of operations and cash flows. We may not be able to expand into new geographic markets **, expand core products** or expand our complementary products, which may impact our ability to grow our business. We intend to continue to pursue our business strategy to expand into new geographic markets and grow our complementary products for the foreseeable future. Our expansion into new geographic markets or the introduction of new product lines may present competitive, distribution and other challenges that differ from the challenges we currently face. In addition, we may be less familiar with the customers in these markets and may ultimately face different or additional risks, as well as increased or unexpected costs, compared to those we experience in our existing markets. Expansion into new geographic markets or product lines may also expose us to direct competition with companies with whom we have limited or no experience as competitors. To the extent we rely upon expanding into new geographic markets and growing our complementary products and do not meet, or are unprepared for, any new challenges posed by such expansion or growth, our future sales growth could be negatively impacted, our operating costs could increase, and our business and results of operations could be negatively affected. Product shortages, loss of key suppliers or failure to develop relationships with qualified suppliers, and our dependence on third- party suppliers and manufacturers could affect our financial health. The products we distribute are manufactured by several major suppliers. Our ability to offer a wide variety of products to our customers is dependent upon our ability to obtain adequate product supply from manufacturers and other suppliers. Historically the wallboard and steel products we distribute have been available from various sources and in sufficient quantities to meet our customer demand. However ~~, given the current high demand in residential construction~~ , certain wallboard and steel products are on long lead times from suppliers and as a result, our ability to obtain adequate supply of such wallboard and steel products ~~has been, and~~ may ~~continue to~~ be ~~,~~ adversely affected. Ceiling distribution arrangements are often exclusive to certain specified geographic areas. Any disruption or shortage in our sources of supply, particularly of the most commonly sold items, could result in a loss of ~~revenues~~ - **revenue** , reduced margins and damage to our relationships with customers. Supply shortages may occur as a result of, among other things, unanticipated increases in demand, shortage of raw materials, including the availability of synthetic gypsum, work stoppages, manufacturing challenges, natural disasters and pandemics ~~, including COVID- 19~~ , military conflicts, civil unrest, acts of terrorism, difficulties in production or delivery or failure to maintain satisfactory relationships with our key suppliers. The loss of, or a substantial decrease in the availability of, products from our suppliers or the loss of key supplier arrangements, such as those whereby we are afforded exclusive distribution rights in certain geographic areas, could adversely impact our financial condition, results of operations and cash flows. Our ability to maintain relationships with qualified suppliers who can satisfy our high standards ~~for~~ **of** quality and our need to be supplied with products in a timely and efficient manner is a significant challenge. In addition, our suppliers may elect to distribute some or all of their products directly to end- customers **or they could expand competitive channels of distribution** . This could also adversely impact our ability to obtain favorable pricing from suppliers and optimize margins and revenue with respect to our customers. Although in some instances we have agreements with our suppliers, these agreements are generally terminable by either party on limited notice. If market conditions change or if suppliers change their strategies for distributing products, suppliers may stop offering us favorable terms. Increases in operating costs or failure to achieve operating efficiencies could adversely affect our results of operations and cash flows. Our financial performance is affected by the level of our operating costs, which have recently been subject to increased inflationary pressures. To the extent such costs increase ~~as a result of inflation or otherwise~~ , we may be prevented, in whole or in part, from passing these cost increases through to our existing and prospective customers, which could have a material adverse impact on our business, financial position, results of operations and cash flows. In addition, our business strategy entails a heightened focus on enhanced productivity and profitability across the organization. If we do not recognize the anticipated benefits of our operating efficiency and cost reduction opportunities in a timely manner or they present greater than anticipated costs, our results of operations and cash flows could be adversely affected. The loss of any of our significant customers, a reduction in the quantity of products they purchase or inability to pay could affect our financial health. Our ten largest customers generated approximately ~~8~~ **7** . 1 %, **8. 1 % and** 9. 0 ~~% and 8. 8~~ % of our net sales in the aggregate for fiscal **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. We cannot guarantee that we will maintain or improve our relationships with these customers, or successfully assume the customer relationships of any businesses that we acquire, or that we will continue to supply these customers at historical levels. We extend credit to numerous customers who are generally susceptible to the same economic business risks that we are ~~, including COVID- 19~~ . Unfavorable market conditions could result in financial failures of one or more of our significant customers. If our larger customers' financial positions were to become impaired, our ability to fully collect receivables from such customers could be impaired and negatively affect our financial condition, results of operations and cash flows. In addition, our customers may: (i) purchase some of the products that we currently sell and distribute directly from manufacturers; (ii) elect to establish their own building products manufacturing and distribution facilities; or (iii) favor doing business with manufacturing or distribution intermediaries in which they have an economic stake. Continued consolidation among professional homebuilders and commercial builders could also result in a loss of some of our present customers to our competitors. The loss of one or more of our significant customers or deterioration in our existing relationships with any of our customers could adversely affect our financial condition, operating results and cash flows. Furthermore, our customers typically are not required to purchase any minimum amount of products from us. Should our customers purchase the products we distribute in significantly lower quantities than they have in the past ~~,~~ or should the customers of any businesses that we acquire purchase products from us in significantly lower quantities than they had prior to our acquisition of the business, such decreased purchases could adversely affect our financial condition, results of operations and cash flows. We occupy many of our facilities under long- term non-cancellable leases, and we may be unable to renew our leases at the end of their terms. Many of our facilities are located on leased premises subject to non- cancellable leases. Typically, our leases have ~~initial terms ranging from three to five years, with~~ options to renew for specified periods of time. We believe that our future leases will likely also be ~~long- term and~~ non-cancellable and have similar renewal options. If we close or stop fully utilizing a facility, we will most likely remain obligated to perform under the applicable lease, which would include, among other things, making the base rent payments, and paying insurance, taxes and other expenses on the leased property for the remainder of the lease term. Our inability to terminate a lease when we stop fully utilizing a facility or exit a geographic market can have a significant adverse impact on our financial condition, results of operations and cash flows. In addition, at the end of the lease term and any renewal period for a facility, we may be unable to renew the lease without substantial additional cost, if at all. If we are unable to renew our facility leases, we may close or relocate a facility, which could subject us to construction and other costs and risks, which in turn could have a material adverse effect on our business and operating results. Further, we may not be able to secure a replacement facility in a location that is as commercially viable, including access to rail service, as the lease we are unable to renew. Having to close a facility, even briefly to relocate, would reduce the sales that such facility would have contributed to our revenues. Additionally, a relocated facility may generate less revenue and profit, if any, than the facility it was established to replace. We may be unable to effectively manage our inventory and working capital as our sales volume changes or the prices of the products we distribute fluctuate, which could have a material adverse effect on our business, financial condition and results of operations. We purchase products, including wallboard, ceilings, steel framing and complementary products, from manufacturers which are then sold and distributed to customers. We must maintain, and have adequate working capital to purchase, sufficient inventory to meet customer demand. Due to the lead times required by our suppliers, we order products in advance of expected sales. As a result, we are required to forecast our sales and purchase accordingly. In periods characterized by significant changes in economic growth and activity in the commercial and residential building and home R & R industries, it can be especially difficult to forecast our sales accurately. We must also manage our working capital to fund our inventory purchases. Significant increases in the market prices of certain building products, such as wallboard, ceilings and steel framing, can put negative pressure on our operating cash flows by requiring us to invest more in inventory. In the future, if we are unable to effectively manage our inventory and working capital as we attempt to expand our business, our cash flows may be negatively affected, which could have a material adverse effect on our business, financial condition and results of operations. Any significant fuel cost increases or shortages in the supply of fuel could disrupt our ability to distribute products to our customers, which could adversely affect our results of operations. We currently use our ~~own~~ fleet of owned and leased delivery vehicles to service customers in the regions in which we operate. As a result, we are inherently dependent upon ~~energy~~ **fuel** to operate **our fleet** and are impacted by changes in ~~fuel~~ **its** ~~prices~~ **price** . The cost of fuel is largely unpredictable and has a significant impact on our results of operations. Fuel availability, as well as pricing, is also impacted by political, economic and market factors that are outside our control. Significant increases in the cost of fuel or disruptions in the supply of fuel could adversely affect our financial condition and results of operations. Natural or man- made disruptions to our facilities may adversely affect our business and operations. We maintain facilities throughout the United States and Canada, as well as our corporate headquarters in Tucker, Georgia, which supports our facilities with various back- office functions. In the event any of our facilities are damaged or operations are disrupted from fire, earthquake, hurricanes, tornados and other weather- related events, an act of terrorism, civil or political unrest, pandemics ~~, including COVID- 19~~ , or any other cause, a significant portion of our inventory could be damaged and our ability to distribute products to customers could be materially impaired. In addition, general weather patterns affect our operations throughout the year, with adverse weather historically reducing construction activity in our third and fourth quarters. Adverse weather events, natural disasters or similar events, including as a result of climate change, could generally reduce or delay construction activity and our operations, which could adversely impact our financial condition, results of operations and cash flows. Moreover, we could incur significantly higher costs and experience longer lead times associated with distributing products to our customers during the time that it takes for us to reopen or replace a damaged facility. Disruptions to the transportation infrastructure systems in the United States and Canada, including those related to a terrorist attack, civil unrest ~~,~~ **and** pandemics ~~, including COVID- 19~~ , may also affect our ability to keep our operations and services functioning properly. If any of these events were to occur, our financial condition, results of operations and cash flows could be materially adversely affected. Our Canadian operations could have a material adverse effect on us, including from currency rate fluctuations. We operate in six provinces in Canada. We are subject to several risks specific to this country. We may also become subject to risks specific to other countries where we may operate our business. These risks include social, political and economic instability, unexpected changes in regulatory requirements, tariffs and other trade barriers, currency exchange fluctuations, acts of war or terrorism and import / export requirements. Our financial statements are reported in United States dollars with international transactions being translated into United States dollars. **Approximately 12 % of our net sales during the year ended April 30, 2023 were derived from our operations in Canada.** Our exposure to currency rate fluctuations could be material to the extent that currency rate changes are significant or that our international operations comprise a larger percentage of our consolidated results. In addition, such fluctuations may also affect the comparability of our results between financial periods. We do not currently hedge the net investments in our foreign operations. **Any** ~~There can be no assurances that any~~ of these factors **could**

~~will not materially impact our production cost or otherwise~~ have a material adverse effect on our business, financial condition and results of operations. We may be unable to continue to anticipate and address evolving consumer demands. Our success depends on meeting consumer needs and anticipating changes in consumer preferences with successful new products and product improvements. We aim to introduce products and new or improved production processes proactively to offset obsolescence and decreases in sales of existing products. While we devote significant focus to the ~~development~~ **selling and marketing** of new products, we may not be successful in **selecting the most accepted new** ~~product~~ **products** ~~development~~ and our new products may not be commercially successful. In addition, it is possible that competitors may improve their products more rapidly or effectively, which could adversely affect our sales. Furthermore, market demand may decline because of consumer preferences trending away from our categories or trending down within our brands or product categories, which could adversely impact our financial condition, results of operations and cash flows. Risks Relating to Legal, Regulatory and Compliance We are exposed to product liability, warranty, casualty, construction defect, contract, tort, personal injury, employment and other claims and legal proceedings related to our business, the products we distribute, the services we provide and services provided for us by third parties. In the ordinary course of business, we are subject to various claims and litigation. Any such claims, whether with or without merit, could be time consuming and expensive to defend and could divert management' s attention and resources. The building materials industry has been subject to personal injury and property damage claims arising from alleged exposure to raw materials contained in building products as well as claims for incidents of catastrophic loss, such as building fires. As a distributor of building materials, we face an inherent risk of exposure to product liability claims if the use of the products we have distributed in the past or may in the future distribute is alleged to have resulted in economic loss, personal injury or property damage or violated environmental, health or safety or other laws. Such product liability claims have included and may in the future include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability or a breach of warranties. Certain of our subsidiaries have been the subject of claims related to alleged exposure to asbestos- containing products they distributed prior to 1979, which have not materially impacted our financial condition or operating results. See " Item 3, Legal Proceedings. " Such cases are continuing to be filed, and plaintiffs are attempting to expand such causes of action to include additional products, cause of exposure, and time periods beyond 1979. If such attempted expansion by plaintiffs is successful, our financial condition, operating results and cash flows could be adversely affected. We are also from time to time subject to casualty, contract, tort and other claims relating to our business, the products we have distributed in the past or may in the future distribute, and the services we have provided in the past or may in the future provide, either directly or through third parties. If any such claim were adversely determined, our financial condition, operating results and cash flows could be adversely affected if we were unable to seek indemnification for such claims or were not adequately insured for such claims. We rely on manufacturers and other suppliers to provide us with the products we sell or distribute. Since we do not have direct control over the quality of products that are manufactured or supplied to us by third parties, we are particularly vulnerable to risks relating to the quality of such products. In addition, many of our employees, and our delivery and warehouse employees in particular, are subject to hazards associated with providing services on construction sites, at our distribution centers and **while** delivering our products. As a result, we have a heightened risk of potential claims arising from the conduct of our employees, builders and their subcontractors, and third- party installers for which we may be liable. We and they are subject to regulatory requirements and risks applicable to general contractors, which include management of licensing, permitting and quality of third- party installers. As they apply to our business, if we fail to manage these processes effectively or provide proper oversight of these services, we could suffer lost sales, fines and lawsuits, as well as damage to our reputation, which could adversely affect our business, results of operations and cash flows. Insurance costs continue to rise and retention amounts have been increasing. Furthermore, increased claims could cause the costs of our insurance to increase even further. Although we believe we currently maintain suitable and adequate insurance in excess of our self- insured amounts, there can be no assurance that we will be able to maintain such insurance on acceptable terms or that such insurance will provide adequate protection against potential liabilities, and the cost of any product liability, warranty, casualty, construction defect, contract, tort, employment or other litigation or other proceeding, even if resolved in our favor, could be substantial. Additionally, we do not carry insurance for all categories of risk that our business may encounter. Any significant uninsured liability may require us to pay substantial amounts. There can be no assurance that any current or future claims will not adversely affect our financial position, results of operations or cash flows. Federal, state, provincial, local and other regulations could impose substantial costs and restrictions on our operations that would reduce our net income. We are subject to various federal, state, provincial, local and other laws and regulations, including, among other things, environmental, health and safety laws and regulations, transportation regulations promulgated by the U. S. Department of Transportation, or the DOT, work safety regulations promulgated by the Occupational Safety and Health Administration, or OSHA, employment regulations promulgated by the U. S. Equal Employment Opportunity Commission, regulations of the U. S. Department of Labor, consumer protection laws regarding privacy, and state and local zoning restrictions, building codes and contractors' licensing regulations. More burdensome regulatory requirements in these or other areas may increase our general and administrative costs and adversely affect our financial condition, operating results and cash flows. Moreover, failure to comply with the regulatory requirements applicable to our business could expose us to litigation and substantial fines and penalties that could adversely affect our financial condition, results of operations and cash flows. In addition, the commercial and residential construction industries are subject to various local, state and federal statutes, ordinances, codes, rules and regulations concerning zoning, building design and safety, construction, contractor licensing, energy conservation and similar matters, including regulations that impose restrictive zoning and density requirements on the residential new construction industry or that limit the number of homes or other buildings that can be built within the boundaries of a particular area. Regulatory restrictions may increase our operating expenses and limit the availability of suitable building lots for our customers, any of which could negatively affect our business, financial condition and results of operations.

Expectations relating to environmental, social and governance considerations expose us to potential liabilities, increased costs, reputational harm and other adverse effects on our business. Many governments, regulators, investors, employees, customers and other stakeholders are increasingly focused on environmental, social and governance considerations relating to businesses, including climate change and greenhouse gas emissions, human capital and diversity, equity and inclusion. We make statements about our environmental, social and governance goals and initiatives through information provided on our website, press statements and other communications. Responding to these environmental, social and governance considerations and implementation of these goals and initiatives involves risks and uncertainties, including those described under " Forward- Looking Statements, " requires investments and are impacted by factors that may be outside our control. In addition, some stakeholders may disagree with our goals and initiatives and the focus of stakeholders may change and evolve over time. Any failure, or perceived failure, by us to achieve our goals, further our initiatives, adhere to our public statements, comply with federal, state or international environmental, social and governance laws and regulations, or meet evolving and varied stakeholder expectations and standards could result in legal and regulatory proceedings against us and materially adversely affect our business, reputation, results of operations, financial condition and stock price. Risks Relating to Our Liquidity and Capital Resources The agreements that govern our indebtedness contain various financial covenants that could limit our ability to engage in activities that may be in our best long- term interests. The agreements that govern our indebtedness include covenants that, among other things, may impose significant operating and financial restrictions, including restrictions on our ability to engage in activities that may be in our best long- term interests. These covenants may restrict our ability to: • incur additional indebtedness; • create or maintain liens on property or assets; • make investments, loans and advances; • sell certain assets or engage in acquisitions, mergers or consolidations; • redeem debt; • pay dividends and repurchase our shares; and • enter into transactions with affiliates. In addition, under the terms of our senior secured asset based revolving credit facility (the " ABL Facility "), we may at times be required to comply with a specified fixed charge coverage ratio. Our ability to meet this ratio could be affected by events beyond our control, and we cannot assure that we will meet this ratio. A breach of any of the covenants under any of our debt agreements may result in a default under such agreement. If any such default occurs, the administrative agent under the agreement would be entitled to take various actions, including the acceleration of amounts due under the agreement and all actions permitted to be taken by a secured creditor. This could have serious adverse consequences on our financial condition and could cause us to become insolvent. Our current indebtedness, degree of leverage and any future indebtedness we may incur, may adversely affect our cash ~~flow~~ **flows** , limit our operational and financing flexibility and negatively impact our business and our ability to make payments on our indebtedness and declare dividends and make other distributions. As of April 30, ~~2022~~ **2023** , $ ~~504~~ **499** . ~~6~~ **5** million was outstanding under our senior secured first lien term loan facility (the " Term Loan Facility "), $ 350. 0 million was outstanding under our senior unsecured notes (" Senior Notes ") and $ ~~211~~ **110** . ~~1~~ **0** million was outstanding under our ABL Facility. In addition, we may incur substantial additional debt in the future. Our current indebtedness and other debt instruments we may enter in the future, may have significant consequences to our business and, as a result, may impact our stockholders, including: • impairing our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes; • requiring us to dedicate a significant portion of our cash flows from operations to pay interest on any outstanding indebtedness, which would reduce the funds available to us for operations and other purposes; • limiting our flexibility in planning for, or reacting to, changes in our business, the industries in which we operate; • making it more difficult for us to satisfy our obligations with respect to our indebtedness; • making us more vulnerable to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation; • placing us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, more able to take advantage of opportunities that our leverage prevents us from exploiting; • impairing our ability to refinance existing indebtedness or borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other purposes; • restricting our ability to pay dividends, make other distributions and repurchase our shares; and • adversely affecting our credit ratings. Any of the above **-** listed factors could materially adversely affect our financial condition, liquidity or results of operations. Furthermore, we expect that we will depend primarily on cash generated by our operations to pay our expenses and any amounts due under our existing indebtedness and any future indebtedness we may incur. As a result, our ability to repay our indebtedness depends on the future performance of our business, which will be affected by financial, business, economic and other factors, many of which we cannot control. Our business may not generate sufficient cash flows from operations in the future and we may not achieve our currently anticipated growth in revenues and cash flows, either or both of which could result in our being unable to repay indebtedness or to fund other liquidity needs. If we do not have enough funds, we may be required to refinance all or part of our then existing indebtedness, sell assets or borrow additional funds, in each case on terms that may not be acceptable to us, if at all. In addition, the terms of existing or future debt agreements, including our existing ABL Facility, Term Loan Facility and Senior Notes, may restrict us from engaging in any of these alternatives. Our ability to recapitalize and incur additional debt in the future could also delay or prevent a change in control of our Company, make certain transactions more difficult to complete or impose additional financial or other covenants on us. Despite our current level of indebtedness, we may still be able to incur ~~substantially~~ more debt. We may be able to incur significant additional indebtedness in the future, including secured debt. Although the agreements governing our indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to several qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness, including obligations under operating lease arrangements. In addition, the ABL Facility provides a commitment of up to $ ~~545~~ **950** . 0 million, subject to a borrowing base. As of April 30, ~~2022~~ **2023** , we had available borrowing capacity of $ ~~307~~ **759** . ~~4~~ **2** million under the ABL Facility ~~and $ 23. 3 million under our Canadian revolving credit facility~~ . If new debt is added to our current debt levels, the related risks that we now face could intensify. An increase in interest rates would increase the cost of servicing our debt and could reduce our profitability. Our Term Loan Facility and ABL Facility bear interest at variable rates. We have entered into interest rate swaps for a portion of our debt with the objective of minimizing the risks associated with our Term Loan Facility. However, ~~these interest rate swaps terminate in February 2023. In addition,~~ increases in interest rates with respect to any amount of our debt not covered by the interest rate swaps could increase the cost of servicing our debt and could materially reduce our profitability and cash flows. Such increases may ~~occur~~ **result** from changes in regulatory standards or industry practices. Excluding the effect of the interest rate swaps ~~and the interest rate floor on the Term Loan Facility~~, each 1 % increase in interest rates on the Term Loan Facility would increase our annual interest expense by $ 5. 0 million based on **the** ~~balances~~ **balance** outstanding under the Term Loan Facility as of April 30, ~~2022~~ **2023**. Assuming the ABL Facility was fully drawn up to the $ ~~545~~ **950**. 0 million maximum commitment, each 1 % increase in interest rates would result in a $ ~~5~~ **9**. 5 million increase in annual interest expense on the ABL Facility. We may have future capital needs that require us to incur additional debt and may be unable to obtain additional financing on acceptable terms, if at all. We rely substantially on the liquidity provided by our existing ABL Facility and cash on hand to provide working capital and fund our operations. Our working capital and capital expenditure requirements may increase as our markets rebound and we execute our strategic growth plan. Economic and credit market conditions, increases in interest rates, the performance of the commercial and residential construction markets, and our financial performance, as well as other factors, may constrain our financing abilities. Our ability to secure additional financing, if available, and to satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, the availability of credit, economic conditions **,** and financial, business and other factors, many of which are beyond our control. The prolonged continuation or worsening of current housing market conditions and the macroeconomic factors that affect our industry could require us to seek additional capital and have a material adverse effect on our ability to secure such capital on favorable terms, if at all. We may be unable to secure additional financing or financing on favorable terms or our operating cash flow may be insufficient to satisfy our financial obligations under our outstanding indebtedness. If additional funds are raised through the issuance of additional equity or convertible debt securities, our stockholders may experience significant dilution. We may also incur additional indebtedness in the future, including secured debt, subject to the restrictions contained in the ABL Facility, the Term Loan Facility and Senior Notes. If new debt is added to our current debt levels, the related risks that we now face could intensify. General Risk Factors **The effect of global pandemics, such as COVID- 19, and other widespread public health crises, and the measures undertaken by governmental authorities to address any such crises, may adversely affect our business and results of operations. Public health crises, pandemics and epidemics, such as COVID- 19, have impacted our operations and financial performance. The spread of highly infectious or contagious diseases could cause quarantines, business shutdowns, reduction in business activity and financial transactions, labor shortages, supply chain interruptions, and overall economic and financial market instability, all of which may impact general economic conditions or consumer confidence. Any of these developments could materially and adversely affect our business, financial condition and results of operations.** Failure to attract and retain key employees while controlling costs could have a significant adverse effect on our business. Our success depends in part on our ability to attract, hire, train and retain qualified managerial, operational, sales and other personnel. We face significant competition for these types of employees in our industry and from other industries. We may be unsuccessful in attracting and retaining the personnel we require to conduct and expand our operations successfully. In addition, key personnel may leave us and compete against us. Our success also depends **,** to a significant extent **,** on the continued service of our senior management team. The loss of any member of our senior management team or other experienced senior employees could impair our ability to execute our business plan, cause us to lose customers and reduce our net sales, or lead to employee morale problems and / or the loss of other key employees. In any such event, our financial condition, results of operations and cash flows could be adversely affected. **As a** ~~COVID- 19 has resulted~~ -- **result** ~~in~~ **of** labor shortages, particularly among drivers and material handlers ~~. As a result~~, we may face higher operating expenses and may lose revenue opportunities if labor shortages prevent us from having the capacity to meet customer demand. We could be required to increase our use of temporary or contract labor. Using temporary or contract labor typically requires higher cost ~~,~~ and may be less productive than full- time ~~associates~~ **employees**. In addition, a shortage of qualified drivers could require us to increase driver compensation, let trucks sit idle, utilize ~~common carriers~~ **contract haulers**, utilize less experienced drivers, or face difficulty meeting customer demands, all of which could adversely affect our business and results of operations. Cybersecurity breaches could harm our business. In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations. We have incurred costs and may incur significant additional costs to implement the security measures that we believe are appropriate to protect our IT systems. Our security measures are focused on the prevention, detection and remediation of damage from computer viruses, natural or man- made disasters, unauthorized access, cyber- attacks and other similar disruptions. Despite our security measures, our IT systems and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. To date, we **do not believe we** have ~~not~~ experienced a material breach of our IT systems. Any attacks on our IT systems could result in our systems or data being breached or damaged by computer viruses or unauthorized physical or electronic access. Such a breach could result in not only business disruption, but also theft of our intellectual property or other competitive information or unauthorized access to controlled data and any personal information stored in our IT systems. To the extent that any data is lost or destroyed **,** or any confidential information is inappropriately disclosed or used, it could adversely affect our competitive position or customer relationships. In addition, any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, damage our reputation and cause a loss of confidence in our business, products and services, which could adversely affect our business, financial condition, results of operations and cash flows. A disruption of our IT systems could adversely impact our business and operations. We rely on the accuracy, capacity and security of our IT systems, some of which are managed or hosted by third parties, and our ability to continually update these systems in response to the changing needs of our business. Our IT systems and those of our third- party service providers are vulnerable to damage or interruption from fires, earthquakes, hurricanes, tornados, floods and other natural disasters, terrorist attacks, power loss, capacity limitations, telecommunications failures, software and hardware defects or malfunctions, break- ins, sabotage and vandalism, human error and other disruptions that are beyond our control. We continue to invest capital to enhance, expand and increase the reliability of our network, but these capital expenditures may not achieve the results we expect. The occurrence of any disruption or system failure or other significant disruption to business continuity may result in a loss of business, increase expenses, damage our reputation or expose us to litigation and possible financial losses, any of which could adversely affect our business, results of operations and cash flows. Trade policies could make sourcing product from foreign countries more difficult or more costly. We source some of our products from outside of the United States or Canada. Suppliers that we utilize may rely upon non- domestic products, and therefore, any significant changes to the United States or Canadian trade policies (and those of other countries in response) may cause a material adverse effect on our ability to procure products from suppliers that source from other countries or significantly increase the costs of obtaining such products, which could result in a material adverse effect on our results of operations. The market price of our common stock may be highly volatile. The trading price of our common stock has been and may continue to be subject to fluctuations in response to certain events and factors, such as quarterly variations in results of operations, changes in financial estimates, unstable economic conditions, changes in recommendations or reduced coverage by securities analysts, the operating and stock price performance of other companies that investors may deem comparable to us, news reports relating to trends in the markets in which we operate, general economic conditions or other factors described in this " Risk Factors " section of this Annual Report on Form 10- K. In addition, the stock market in general and the market prices for companies in our industry have experienced volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, many of whom have been granted stock incentive awards. **18**