

Risk Factors Comparison 2025-02-26 to 2024-02-28 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

The following is a summary of the principal risks that could adversely affect our business, operations and financial results:

Risks Related to Our Operations • failure of suppliers to consistently supply us with opportunistic products at attractive pricing, which is generally not in our control; • inability to successfully identify trends and maintain an appropriate level of opportunistic products **or general inventory**; • failure to maintain or increase comparable store sales; • any significant disruption to our distribution network, the operations **, technology and capacity** of our distributions centers and our timely receipt of inventory; • ~~inflation and other changes affecting the market prices of the products we sell~~; • risks associated with newly opened stores; • **risks associated with failure to open, relocate or our growth strategy, including opening, relocating or remodel remodeling** stores on schedule and on budget **, as well as the revised near- term new store growth strategy as reflected in the Restructuring Plan**; • ~~costs financial and successful implementation of~~ **operating impacts associated with our Restructuring Plan**; • ~~inflation and other changes affecting the marketing--- market , advertising and promotions prices of the products we sell~~; • failure to maintain our reputation and the value of our brand, including protecting our intellectual property; • **failure to remediate our material weakness in our internal control over financial reporting**; • inability to maintain sufficient levels of cash flow from our operations **to fund our growth strategy**; • risks associated with leasing substantial amounts of space; • ~~failure inability to properly integrate any acquired businesses~~ **attract, train and retain highly qualified employees or the loss of executive officers or other key personnel**; • **costs and successful implementation of marketing, advertising and promotions**; • natural or man- made disasters, climate change, power outages, major health epidemics, pandemic outbreaks, terrorist acts, global political events or other serious catastrophic events and the concentration of our business operations; • ~~failure to participate effectively in the growing online retail marketplace~~; • unexpected costs and negative effects if we incur losses not covered by our insurance program; • difficulties associated with labor relations and shortages; • ~~inability failure to attract, train and participate effectively in the growing online retail marketplace highly qualified employees or the loss of key personnel~~; • failure to ~~remediate properly integrate our- or achieve the expected benefits of any acquired businesses~~ **material weakness in our internal control over financial reporting**; Risks Related to Our Business Environment • risks associated with economic conditions; • competition in the retail food industry; • movement of consumer trends toward private labels and away from name- brand products; **, and** risks associated with ~~deploying the continued deployment of~~ our own private label brands; Risks Related to Our IO Model • inability to attract and retain qualified independent operators ("IOs"); • failure of our IOs to successfully manage their business; • failure of our IOs to repay notes outstanding to us; • inability of our IOs to avoid excess inventory shrink; • any loss or changeover of an IO; • legal proceedings initiated against our IOs; • legal challenges to the IO / independent contractor business model; • failure to maintain positive relationships with our IOs; • risks associated with actions our IOs could take that could harm our business; Risks Related to our Information Technology Systems, Data Protection and Cybersecurity • material disruption to our information technology systems **from our technology initiatives or third- party security breaches or other disruptions**; • failure to maintain the security of information we hold relating to personal information or payment card data of our customers, employees and suppliers; Risks Related to Legal and Regulatory Risks • risks associated with products we and our IOs sell; • risks associated with laws and regulations generally applicable to retailers; • legal proceedings from customers, suppliers, employees, governments or competitors; Risks Associated with our Indebtedness • our substantial indebtedness could affect our ability to operate our business, react to changes in the economy or industry or pay our debts and meet our obligations; • restrictive covenants in our debt agreements may restrict our ability to pursue our business strategies, and failure to comply with any of these restrictions could result in acceleration of our debt; Risks Related to Accounting, Tax and Financial Statement Matters • risks associated with tax matters, including changes in tax laws; • changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters; Risks Related to Our Common Stock • our quarterly operating results fluctuate and may fall short of prior periods, our projections or the expectations of securities analysts or investors; • future sales, or the perception of future sales, by us or our existing stockholders in the public market could cause the market price for our common stock to decline; ~~and~~ • **provisions in our organizational documents that limit the forum for certain stockholder litigation matters**. For a more complete discussion of the material risks facing our business, see below. We depend on suppliers to consistently supply us with opportunistic products at attractive pricing, which is generally not in our control. Our business is dependent on our ability to strategically source a sufficient volume and variety of opportunistic products at attractive pricing. While opportunistic buying, operating with appropriate inventory levels and frequent inventory turns are key elements of our business strategy, they subject us to risks related to the pricing, quantity, mix, quality and timing of inventory flowing to our stores. We do not have significant control over the supply, cost or availability of many of the opportunistic products offered for sale in our stores. Shortages or disruptions in the availability of quality products that excite our customers and drive customer traffic could have a material adverse effect on our business, financial condition and results of operations **, including our gross margin**. As our store base continues to grow, our ability to secure opportunistic products in sufficient quantities may become more difficult. All of our inventory is acquired through purchase orders and we generally do not have long- term contractual agreements with our suppliers that obligate them to provide us with products exclusively or at specified quantities or prices, or at all. Any of our current suppliers may decide to sell products to our competitors and may not continue selling products to us. In order to retain our competitive advantage, we need to continue to develop and maintain relationships with qualified suppliers

that can satisfy our standards for quality and our requirements for delivery of products in a timely and efficient manner at attractive prices. The need to grow existing relationships and develop new relationships with qualified suppliers is particularly important as we seek to continue to expand our operations and enhance our product offerings in the future. Manufacturers and distributors of name- brand, large volume products have become increasingly consolidated. Further consolidation of manufacturers or distributors could reduce our supply options and detrimentally impact the terms under which we purchase products. If one or more of our existing significant suppliers were to be unable or unwilling to continue providing products to us on attractive terms, or at all, we may have difficulty finding replacement suppliers on commercially reasonable terms or at all. The loss of one or more of our existing significant suppliers or our inability to develop relationships with new suppliers could reduce our competitiveness, slow our plans for further expansion and cause our net sales and operating results, **including our gross margin**, to be materially adversely affected. Our supply chain is subject to risks, including distribution and transportation, labor disputes or constraints, union organizing activities, financial liquidity, inclement weather, natural disasters, significant public health and safety events, supply constraints and general economic and political conditions that could limit our suppliers' ability to provide us with quality products. As discussed elsewhere in these risk factors, **the occurrence of** these risks have in the past delayed or precluded, and may in the future delay or preclude, delivery of product to us on a timely basis or at all. We may not be able to successfully identify trends to meet consumer demand and maintain an appropriate level of opportunistic products **or general inventory**. We depend on repeat visits by our customer base to drive sales, and we rely on desirable opportunistic products at discounts to excite our customers to make such repeat visits. Consumer preferences often change rapidly and without warning. We may not successfully address consumer trends or be able to acquire desirable opportunistic products, and we expect competition for customers to increase as online shopping by customers continues to expand. We generally make individual purchase decisions for products that become available, and these purchases may be for large quantities that we may not be able to sell on a timely or cost- effective basis. Some of our products are sourced from suppliers at significantly reduced prices for specific reasons, and we are not always able to purchase specific products on a recurring basis. To the extent that some of our suppliers are better able to manage their inventory levels and reduce the amount of their excess inventory, the amount of over- stock and short- dated products available to us could also be materially reduced, making it difficult to deliver products to our customers at attractive prices. Maintaining adequate inventory of quality, name- brand products requires significant attention and monitoring of market trends, local markets and developments with suppliers and our distribution network, and it is not certain that we or our IOs will be effective in inventory management. We base our purchases of inventory, in part, on our sales forecasts. **Since the implementation of system upgrades in August 2023, we and our IOs have experienced significant issues with ordering, inventory planning and management and payment processing, including our ability to accurately forecast sales, which resulted in reduced net sales and gross margin during fiscal 2023 and fiscal 2024.** If our sales forecasts overestimate customer demand **or we do not have accurate real- time product and inventory levels**, we may experience higher inventory levels and need to take markdowns on excess or slow- moving inventory, leading to decreased profit margins. Conversely, if our sales forecasts underestimate customer demand **or we do not have accurate real- time product and inventory levels**, we may have insufficient inventory to meet demand, leading to lost sales ~~— either~~ **Either** of which ~~the foregoing challenges~~ could materially adversely affect our financial performance. In addition, a majority of the assortment in each Grocery Outlet store is selected by IOs based on local preference and shopping history, and the inability of the IOs to successfully identify trends in the local market could materially adversely affect our financial performance. Our long- term success depends in part on our ability and the ability of the IOs to maintain or increase comparable store sales, and if we are unable to continue to achieve comparable store growth over the long- term, our profitability and performance could be materially adversely impacted. The IOs are responsible for store operations. Our success depends on, among other things, increasing comparable store sales through our opportunistic purchasing strategy and the ability of the IOs to increase sales and profits. To increase net sales, and therefore comparable store sales growth and profits, we and the IOs focus on delivering value and generating customer excitement by strengthening opportunistic purchasing, providing an increasing number of everyday products, optimizing inventory management, maintaining strong store conditions and effectively marketing current products and new product offerings. Competition and pricing pressures from competitors and suppliers may also materially adversely impact our comparable sales if we lose customers as a result. ~~While After many years of consecutive growth in comparable store net sales, we have had year-over-year declines in fiscal 2021, primarily due to outsized financial performance in fiscal 2020 and continued impacts of the COVID-19 pandemic, including changes in consumer behavior, supplier issues and other related challenges. While fiscal 2022 and 2023 were years of comparable positive comparative sales growth for the vast majority of our history, we may not be able to maintain or improve our comparable store sales growth in future years could be lower than our historical average or our future target for many reasons, many of which we do not significantly control, including general economic conditions that may not favor our model, operational performance (including by the IOs), price inflation or deflation, or changes in response to competitive factors, changes in our existing supplier relationships or our inability to develop new supplier relationships, industry competition (e- commerce), new competitive entrants near our stores, price changes in response to competitive factors, any comparison year or quarter having above- average net sales results, possible supply shortages or other operational disruptions, the number and dollar amount of customer transactions in our stores, our ability to provide product or service offerings that generate new and repeat visits to our stores and the level of customer engagement that we and the IOs provide in our stores. In addition, we may not accurately model cannibalization by our new stores when we open new stores in established markets, which could reduce comparable store sales. Significant disruption in our distribution network and, our timely receipt of inventory, and adequate distribution center capacity and technology has had in recent years, and could continue to have, an adverse impact on our operating performance. We rely on our distribution, transportation and technology network and systems to provide goods to our distribution centers and stores in a timely and cost- effective manner. Our stores are highly dependent on the successful operations of our distribution,~~

transportation and technology networks, as IOs use these systems to order multiple deliveries per week and many of our products have a limited shelf life from the time of purchase, particularly opportunistic buys and fresh foods. Deliveries to our stores occur from our distribution centers or directly from our suppliers. We use ~~three~~ **four** primary leased distribution centers that we operate and five primary distribution centers operated by third- parties. Any disruption, unanticipated or unusual expense or operational failure related to these processes and systems could affect store operations negatively. **For example, Our system upgrades** during fiscal 2023 ~~we replaced components of our enterprise resource planning system, including our financial ledger, inventory management platform and product data warehouse system.~~ **The implementation of these system upgrades** resulted in **significant** ordering and inventory disruptions **during fiscal** ~~beginning in late August 2023~~ **and fiscal 2024**, which resulted in reduced net sales and gross margin. Please also see the risk factor below entitled: " Any material challenges or difficulties in maintaining or updating our existing technology, including developing or implementing new technology could have a material adverse effect on our business or results of operations." We have also experienced ordering and inventory disruptions in recent years related to system issues at our third- party distribution centers. If similar circumstances were to occur and persist, they could have a material adverse impact on our operations and our ability to generate sales and earn profits. In addition, events beyond our control, such as disruptions in operations due to fire, adverse weather conditions or other catastrophic events or labor disagreements, may result in delays in the delivery of merchandise to our stores. While we maintain business interruption and cybersecurity insurance, in the event our distribution centers are shut down for any reason, such insurance may not be sufficient and any related insurance proceeds may not be timely paid to us, and our reputation and customer relationships could still be adversely impacted. Furthermore, there can be no guarantee that we will be able to renew the leases or third- party distribution and transportation contracts, as applicable, on our distribution centers on attractive terms or at all, which may increase our expenses and cause temporary disruptions in our distribution network. As we continue to implement our store growth strategy, our distribution centers ~~may not have~~ **in the past and may continue to have** **sufficient** **insufficient** capacity **or technology** to optimally support all of our stores and effectively managing our distribution network and distribution centers will become more complex. Our new store locations receiving shipments may be further away from our distribution centers, which may increase transportation costs and may create transportation scheduling strains, or may require us to add additional facilities to the network. ~~We~~ **Because we are** **simplifying** ~~an extreme value retailer and compete to a substantial degree on price, changes affecting the market prices of the products we sell, many of which we cannot control, including due to inflation or~~ **our planned investments** ~~deflation, competition, supplier increases in freight, supply or~~ **our** other operating costs, including energy prices, or worsening economic conditions, could materially adversely affect our financial condition and operating results. A critical differentiator of our business is our ability to offer value to our customers, including offering prices that are substantially below those offered by some of our competitors. We carefully monitor the market prices of our products in order to maintain our price advantage and reputation. Over the past couple years, we have experienced varying levels of inflation, resulting in part from various supply disruptions -- **distribution infrastructure strategy**, increased shipping and transportation costs, increased commodity costs, increased labor costs in **fiscal 2025** the supply chain and **fiscal 2026** other disruptions caused by the recent economic environment, which we have not been able to fully offset through price increases. Our IOs have experienced increased costs related to labor and utilities, among others. If costs of goods continue to increase and our suppliers seek price increases from us, we may not be able to mitigate such increases and have sometimes, and may continue to, increase our prices, which could **hinder our ability to compete with companies that have invested in multi- temperature facilities** deter customer traffic and reduce the number and average basket size of customer transactions. Some of our ~~or have~~ larger competitors are in a better position to absorb cost increases while maintaining price competitiveness. If our competitors are more **efficient distribution** competitive on pricing relative to our pricing, we may lose customers and / or need to mark down prices. Our gross margins and profitability also may be adversely impacted by higher supply costs that we cannot fully pass along or if we need to lower product prices due to competition. As a result of our low- price model **. See " Management' s Discussion**, the foregoing competitive pressures may reduce our profitability and **Analysis of** materially adversely affect our business, financial **Financial** condition **Condition** and results **Results** of operations **Operations – Recent Trends and Developments – Restructuring Plan ” for additional information** . Our newly opened stores may negatively impact our financial results in the short- term and / or may not achieve sales and operating levels consistent with our more mature stores on a timely basis or at all. We have actively pursued new store growth, including in new markets, and plan to continue doing so **strategically** in the future. Our new store openings may not be successful or reach the sales and profitability levels of our existing stores, **particularly in new markets. These factors have in the past** and may **continue to** impact our ability to attract and develop potential IOs. Some new stores may be located in areas with different competitive and market conditions as well as different customer discretionary spending patterns than our existing markets. Some new stores and future new store opportunities may be located in new geographic areas where we have limited or no meaningful experience or brand recognition. We may experience a higher cost of entry in those markets as we build brand awareness and drive customers to incorporate us into their shopping habits. New store openings may negatively impact our financial results ~~in the short- term~~ due to the effect of store opening costs and lower sales and contribution to overall profitability during the initial period following opening. **In recent years, our costs to build a new store have increased in the past two years and our planned efforts to engineer reduced costs to build will take time and resources, and we may not be successful in part or whole in reducing such costs.** New stores, particularly those in new markets, build their sales volume, brand recognition and customer base over time and, as a result, for approximately ~~4-5~~ **four to five** years, generally have lower margins and higher operating expenses as a percentage of sales than our more mature stores. New stores may not achieve sustained sales and operating levels consistent with our more mature store base on a timely basis or at all. This lack of performance may have a material adverse effect on our financial condition and operating results. We may not anticipate all of the challenges imposed by the expansion of our operations into new geographic markets. We may not manage our expansion effectively, and our failure to achieve or properly execute our

expansion plans could limit our growth or have a material adverse effect on our business, financial condition and results of operations. Our growth strategy is highly dependent on our ability to identify and open future store locations and relocate or remodel existing store locations in new and existing markets, and we are revising our near-term new store growth strategy as reflected in our Restructuring Plan. We continue to believe that strategic new store growth remains our biggest a significant and critical driver of long-term stockholder value. We However, while our long-term goal is to continue to expand our store base, we may not be able to, or determine it is prudent to, consistently achieve a high rate of new store growth on a year-over-year basis. As part of our Restructuring Plan, we are optimizing new store growth in fiscal 2025 and fiscal 2026 to increase efficiencies for distribution and optimize brand awareness and marketing. There can be no assurance that our revised new store growth strategy will be successful. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Recent Trends and Developments – Restructuring Plan” for additional information. In fiscal 2024, we opened 28-27 new stores and also acquired 40 stores in fiscal 2023 connection with our acquisition of United Grocery Outlet. Our ability to open stores in a timely and successful manner depends in part on the following factors: the availability of attractive store locations (including stores that will not compete significantly with existing stores and that can be reasonably serviced by our distribution network) and rent prices; the costs of construction and the availability of construction labor and materials; the absence of entitlement processes or occupancy delays; the ability to negotiate acceptable lease and development terms; our relationships with current and prospective landlords; the ability to attract potential IOs who are strong entrepreneurs; the ability to secure and manage the inventory necessary for the launch and operation of new stores; the availability of capital funding for expansion; and general economic conditions. Any or all of these factors and conditions could materially adversely affect our growth and profitability. Our While our long-term goal is to continue to expand our store base by approximately 10% annually on average over the next several years. However, we cannot assure you that we will be able to consistently (on a year-over-year basis) achieve a high level of new store growth and attractive return on capital, and we are focusing our near-term new store growth strategy in an effort to ensure strong new store execution. Over the last few years, planned construction and opening of new stores have been, and may continue to be, negatively impacted due to labor and materials shortages as well as longer lead times in lease execution, site permitting and construction. These challenges impacted our organic new store growth in recent years fiscal 2022 and 2023 and are expected to impact organic growth in fiscal 2024 as well. Additionally, we may expand into neighboring states and regions in the United States and / or engage in further acquisitions (such as our pending acquisition of United Grocery Outlet) to meet our growth goals, and such expansion heightens the risks, challenges and uncertainties of development. We may not have the level of cash flow or financing necessary to support our growth strategy. Further, much of our new store growth is in new markets where we do not have the same brand recognition at this time. Our proposed expansion will place increased demands on our operational, managerial and administrative resources. These increased demands could cause us to operate our existing business less efficiently, which in turn could cause deterioration in the financial performance of our existing stores. If we experience a decline in performance, we may further slow or discontinue store openings, or we may decide to close stores that are unable to operate in a profitable manner. If we fail to successfully implement our growth strategy, including our strategy in connection with the Restructuring Plan, by opening new stores on a timely basis and on budget, our operations, financial condition and operating results would be materially and adversely affected. Our success depends upon the successful implementation of Restructuring Plan may have a material adverse impact on our results of operations marketing, advertising and promotional efforts. We promote brand and awareness and drive customers our estimated costs may differ substantially from actual costs incurred. During the fourth quarter of fiscal 2024, we began to shop through centralized marketing initiatives and initiate along the Restructuring Plan that is intended to improve our profitability and cash flow generation, optimize the footprint of new store growth and lower our cost base. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Recent Trends and Developments – Restructuring Plan” for additional information. The costs associated with local IO marketing efforts. We and the IOs use marketing Restructuring Plan adversely impacted our results of operations in the fourth quarter of fiscal 2024, and promotional programs to attract customers into may have a material adverse impact on our results of operations for one our or stores more quarters in fiscal 2025 and for fiscal 2025. In addition, we may fail to manage any disruptions to our operations or growth strategy from the Restructuring Plan. Further, the Restructuring Plan may harm our reputation with landlords, prospective employees and other stakeholders, may harm our retention of remaining employees, and may not generate the intended benefits to the extent or as quickly as anticipated, any of which could have and an adverse effect on our business, financial condition and results of operations. The estimated costs of the Restructuring Plan are subject to encourage purchases a number of assumptions and risks and will be refined over time as more information becomes available, and therefore actual results may differ substantially from our estimates. In particular, the majority of expenses associated with the Restructuring Plan relate to lease terminations, and our estimated costs associated with certain planned lease terminations remain subject to various uncertainties. While we have reached agreement in the first quarter of fiscal 2025 regarding a number of planned lease terminations, our estimates of the costs of the Restructuring Plan assume that we will reach agreement with respect to each planned lease termination, which is uncertain. If we or the IOs are unable to develop and implement effective marketing, advertising and promotional strategies agree with a landlord on acceptable terms on which to terminate a lease or are otherwise unable to sublease or assign our interest in the lease to a third party, we may be unable required to achieve and maintain continue to perform obligations under the lease, including paying rent brand and awareness incurring other operating expenses during the lease term. If we assign or sublease a lease to a third party, we may still have to pay a portion of the rent and repeat store visits other expenses and we can remain liable for the lease obligations if the assignee or sublessee does not perform. In addition, if our efforts to terminate, sublease or assign a lease are unsuccessful and we do not perform our obligations under the lease, the landlord may contend that we

are in default under the lease and initiate legal proceedings against us, which could increase the costs relating to the Restructuring Plan beyond what we currently anticipate. We may also incur other material costs not currently contemplated due to events that may occur as a result of, or in connection with, our restructuring activities. If we incur unanticipated expenses, charges or liabilities or fail to manage any growth or any scaling back of our operations, then we may not be able to advertise cost-effectively in new markets and realize the anticipated benefits and the Restructuring Plan could have an adverse effect on our smaller business, financial condition and results of operations. Because we are an extreme value retailer and compete for customers to a substantial degree based on price, changes affecting the markets—market in prices of the products we sell, many of which we cannot control, including due to inflation or deflation, competition, supplier increases in freight, supply or other operating costs, including energy prices, or worsening economic conditions, could materially adversely affect our financial condition and operating results. A critical differentiator of our business is our ability to offer value to our customers, including offering prices that are substantially below those offered by some of our competitors. We carefully monitor the market prices of our products in order to maintain our price advantage and reputation. In recent years, we have fewer stores experienced varying levels of inflation, resulting in part from various supply disruptions, increased shipping and transportation costs, increased commodity costs, increased labor costs in the supply chain and other disruptions caused by the recent economic environment, which we have not been able to fully offset through price increases. Our IOs have experienced increased costs related to labor and utilities, among others. If costs of goods continue to increase and our suppliers seek price increases from us, we may not be able to mitigate such increases and have sometimes, and may continue to, increase our prices, which could deter customer traffic slow growth at such stores. Changes in the amount and degree reduce the number and average basket size of promotional intensity customer transactions. Some of our larger merchandising strategies by our competitors are could cause us to have difficulties in retaining existing customers and attracting new customers—a better position to absorb cost increases while maintaining price competitiveness. If the efficacy of our marketing or promotional activities declines or if such activities of our competitors are more competitive effective than ours, it could have a material adverse effect on pricing relative to our pricing, we may lose customers and / or need to mark down prices. Our gross margins and profitability also may be adversely impacted by higher supply costs that we cannot fully pass along or if we need to lower product prices due to competition. As a result of our low-price model, the foregoing competitive pressures may reduce our profitability and materially adversely affect our business, financial condition and results of operations. While we have launched a mobile..... investment in this area will be repaid. If we fail to maintain our reputation and the value of our brand, including protection of our intellectual property rights, our sales and operating results may decline and the carrying value of our goodwill and other intangible assets may be impaired. We believe our continued success depends on our ability to maintain and grow the value of our brand. Brand value is based in large part on perceptions of subjective qualities. The reputation of our company and our brand may be damaged in all, one or some of the markets in which we do business, by adverse events at the corporate level or by an IO acting outside of Grocery Outlet's brand standards, or by action (or inaction), by us or our IOs on issues like social policies, merchandising, compliance related to social, product, labor and environmental standards or other sensitive topics. Further, any perceived lack of transparency about such matters, could harm our reputation. The increasing use of social media platforms and online forums may increase the chance that an adverse event could negatively affect the reputation of our brand. The online dissemination of negative information about our brand through social media or other channels, including inaccurate information, could harm our reputation and our brand. We regard our intellectual property, including trademarks and service marks, as having significant value, and our brand is an important factor in the marketing of our stores. We monitor and protect against activities that might infringe, dilute or otherwise violate our trademarks and other intellectual property and rely on trademark and other laws of the United States, but we may not be able or willing to successfully enforce our trademarks or intellectual property rights against competitors or challenges by others. For example, we are aware of certain companies in jurisdictions where we do not currently operate using the term "GROCERY OUTLET." Moreover, we have disclaimed the terms "GROCERY OUTLET" and "MARKET" with respect to our "GROCERY OUTLET BARGAIN MARKET" trademarks, among other disclaimed terms with respect to our registered trademarks and trademark applications. If a third party uses such disclaimed terms in its trademarks, we cannot object to such use. Additionally, if we fail to protect our trademarks or other intellectual property rights, others may copy or use our trademarks or intellectual property without authorization, which may harm the value of our brand, reputation, competitive advantages and goodwill and adversely affect our financial condition, cash flows or results of operations. Actions we have taken to establish and protect our intellectual property rights may not be adequate. There may in the future be opposition and cancellation proceedings from time to time with respect to some of our intellectual property rights. We have initiated, and may in the future initiate, oppositions and cancellation proceedings to thwart third party filings that encroach upon our intellectual property rights. In some cases, litigation may be necessary to protect or enforce our trademarks and other intellectual property rights. Furthermore, third parties may assert intellectual property claims against us, and we may be subject to liability, required to enter into costly license agreements, if available at all, required to rebrand our products and / or prevented from selling some of our products if third parties successfully oppose or challenge our trademarks or successfully claim that we infringe, misappropriate or otherwise violate their trademarks, copyrights, patents or other intellectual property rights. Bringing or defending any such claim, regardless of merit, and whether successful or unsuccessful, could be expensive and time-consuming and have a negative effect on our business, reputation, results of operations and financial condition. Our brand value and intellectual property represents a significant portion of our goodwill and intangible assets. Accounting rules require us to review the carrying value of our goodwill and other intangible assets for impairment annually or whenever events or changes in circumstances indicate that the carrying value of such assets may not be fully recoverable. If the testing performed indicates that impairment has occurred, we are required to record a non-cash impairment charge. The testing goodwill and intangible assets for impairment requires us to make estimates that are subject to

significant assumptions. Changes in our estimates, or changes in actual performance compared with these estimates, may affect the fair value of goodwill or intangible assets, which also may result in ~~an a~~ non-cash impairment charge. If a significant amount of our goodwill and other intangible assets were deemed to be impaired, our financial condition and results of operations could be materially adversely affected ~~our then Chief Executive Officer transitioned to the role of Chairman of the Board, and effective March 1, 2024, our Chief Financial Officer will be departing to pursue another opportunity. There can be no assurance that our executive succession planning, retention or hiring efforts will be successful. Competition for skilled and experienced management in our industry is intense, and we may not be successful in attracting and retaining qualified personnel. We do not maintain key person insurance on any of our key personnel.~~ Difficulties associated with the replacement of components of our enterprise resource planning system caused a material weakness **in our internal control over financial reporting and remediation is currently ongoing**. If we are unable to remediate the **existing** material weakness in our internal control over financial reporting or if we experience other material weaknesses, it may negatively impact our ability to meet our reporting obligations and cause investors to lose confidence in our reported financial information, which in turn could cause the trading price of our common stock to decline. ~~In As disclosed in "Item 9A. Controls and Procedures" of this Annual Report on Form 10-K,~~ **in** connection with the preparation of financial statements for fiscal 2023, management determined that we had a material weakness in our internal control over financial reporting **pertaining related** to certain information technology general computer controls that were insufficient during the replacement of components of our enterprise resource planning system in late August 2023, which led to a significant increase in the volume of transactions across user access, program change management, and ~~IT~~ **information technology** operations for which our existing controls were not designed to address. Our remediation efforts **began during have been ongoing since** the fiscal quarter ended December 30, 2023, and ~~are expected we did not achieve our prior expectation to be completed able to remediate such material weakness by the end of fiscal 2024. The corrective controls were implemented during the current fiscal year ending December 28, 2024, but need to continue operating effectively for a sufficient period of time to conclude the material weakness has been remediated.~~ ~~We However, we cannot assure that the measures we have taken to date and may take in the future,~~ will be sufficient to remediate the **previously identified** control deficiencies that led to our material weakness ~~or.~~ **We also cannot assure** that we will **be able to** prevent or avoid **potential material weaknesses in the** future material weaknesses. **See "Item 9A. Controls and Procedures" for additional information**. Any weaknesses or deficiencies or any failure to implement required new or improved controls, or difficulties encountered in the implementation or operation of these controls, could harm our operating results and cause us to fail to meet our financial reporting obligations, our obligations under our debt instruments or result in material omissions or misstatements in our financial statements. Any material weakness (including the material weakness referenced above) and our failure to remediate such material weakness could have a material adverse effect on our business and financial statements, as well as our reputation and reduce our stock price. Additionally, material weaknesses could result in litigation or regulatory actions by the SEC or other regulatory authorities or other disputes involving federal and state securities laws, loss of investor confidence, and diversion of financial and management resources from the operation of our business. **If we are unable to remediate any material weakness, including the current material weakness, within a reasonable time period or not at all, the foregoing risks may be heightened**. We will require significant capital to fund our expanding business. If we are unable to maintain sufficient levels of cash flow from our operations, we may not be able to execute or sustain our growth strategy or we may require additional financing, which may not be available to us on satisfactory terms or at all. Our cash flow from operations may not provide sufficient capital to support our expanding business and execute our growth strategy, including to pay our lease obligations, build out new stores and distribution centers, remodel our stores, purchase opportunistic inventory, pay employees competitive wages and provide benefits, continue the ongoing modernization, enhancement and maintenance of our information systems, make loans to IOs and further invest in the business. Further, our plans to grow our store base may create cash flow pressure if new locations do not perform as projected. We may need to obtain additional funds through public or private financings, collaborative relationships or other arrangements. Any equity financing or convertible financing that we may pursue could result in additional dilution to our existing stockholders and would be subject to capital market conditions at the time of any offering. Debt financing, if available, would increase our leverage and may involve restrictive covenants that could affect our ability to raise additional capital or operate our business. Additional financing may not be available to us on attractive terms to us, if at all. ~~The Inability inability~~ to obtain necessary or desired liquidity could impede our competitive position, business, financial condition and results of operations and we may need to delay, limit or eliminate planned store openings or operations or other elements of our growth strategy. We are subject to risks associated with leasing substantial amounts of space, including future increases in occupancy costs. We currently lease substantially all of our store locations, primary distribution centers and administrative offices (including our headquarters in Emeryville, California), and a number of these leases expire or are up for renewal each year. Our operating leases typically have initial lease terms of ten years with renewal options for two or three successive five-year periods at our discretion. Typically, the largest portion of a store's operating expense that we bear is the cost associated with leasing the location. Our total lease payment obligations for all operating leases in existence as of December ~~30 28, 2023 2024~~ was \$ ~~132 146~~ ~~6 3~~ million for fiscal ~~2024 2025~~ and \$ ~~1. 4 5~~ billion in aggregate for fiscal years ~~2025 2026~~ through 2043, and these obligations will increase as we open new stores that are leased. We are also generally responsible for property taxes, insurance and common area maintenance for our leased properties. If we are unable to make the required payments under our leases, the lenders or owners of the relevant leased properties, distribution centers or administrative offices may, among other things, repossess those assets, which could adversely affect our ability to conduct our operations. In addition, our failure to make payments under our operating leases could trigger defaults under other leases or under our 2023 Credit Agreement (defined below), which could cause the counterparties under those agreements to accelerate the obligations due thereunder. The operating leases for our store locations, distribution centers and administrative offices expire at various dates through 2043. When the lease term for our stores expire, we may be unable to negotiate renewals, either on commercially

reasonable terms or at all, which could cause us to close stores or to relocate stores within a market on less favorable terms. Any of these factors could cause us to close stores in desirable locations, which could have a material adverse impact on our results of operations. Over time, current store locations may not continue to be desirable because of changes in **our business strategy**, demographics within the surrounding area or a decline in shopping traffic. While we have the right to terminate some of our leases under specified conditions, we may not be able to terminate a particular lease if or when we would like to do so **or on commercially reasonable terms. We recently have determined to terminate an aggregate of 23 leases for unopened stores in fiscal 2025 and fiscal 2026. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Trends and Developments – Restructuring Plan" for additional information about our Restructuring Plan.** If we decide to close stores, we are generally required to continue to perform obligations under the applicable leases, which generally include paying rent and operating expenses for the balance of the lease term. When we assign leases or sublease space to third parties, we may have to pay a portion of the rent and other expenses and we can remain liable on the lease obligations if the assignee or sublessee does not perform. **If** ~~Although historically we have could materially adversely affect our business, financial condition and operating results.~~ **If we** or our IOs are unable to attract, train and retain qualified employees, our financial performance may be negatively affected. Additionally, our success depends in part on our executive officers and other key personnel. Our future growth, performance and positive customer experience ~~depend~~ **depends** on our and the IOs' ability to attract, train, retain and motivate qualified employees who understand and appreciate our culture and are able to represent our brand effectively and establish credibility with our business partners and customers. We and the IOs face intense competition for management personnel and hourly employees. If we and the IOs are unable to attract and retain adequate numbers of qualified employees, our operations, customer service levels and support functions could suffer. There is no assurance that we and the IOs will be able to attract or retain highly qualified employees to operate our business. **In connection with** ~~Additionally, we believe that our success depends to a significant extent on the skills, experience and efforts of our executive officers and the other key personnel~~ Restructuring Plan, we reduced headcount by approximately 40 full-time employees in the first quarter of fiscal 2025. **Due to** This part of the **uniqueness of** Restructuring Plan could negatively impact our **model, the unexpected loss of services of any of our executive officers** or our IOs' reputation as an employer of choice and our or our IOs' ability to attract, train, and retain qualified employees in the **other key personnel** future. Additionally, ~~not~~ **maintain key person insurance on** consummated material acquisitions, we recently entered into an **any** agreement of our **key personnel. Due to** purchase United Grocery Outlet and we periodically consider acquisitions and **the uniqueness of our model, the unexpected loss of services of any of our executive officers or other key personnel** transactions as part of our long-term business and real estate strategy. If we consummate any such transaction, a failure to integrate such assets and business successfully, could have a material adverse effect on our business and financial statements. Historically, we have rarely pursued or consummated material acquisitions, investments or joint ventures, although we periodically consider such opportunities as part of our growth strategy to complement our current business by enhancing our customer base, geographic penetration ~~and scale.~~ **operations** and scale. **In** On February 14, 2024 we entered into a stock purchase agreement to acquire United Grocery Outlet, which includes 40 stores in six adjacent states we do not operate in currently (Tennessee, North Carolina, Georgia, Alabama, Kentucky and Virginia) and a company-operated distribution center. We expect this transaction to close early in the second quarter of fiscal 2024. ~~Finding and~~ **fiscal 2025** assessing a potential growth opportunity and completing a transaction involves extensive due diligence, ~~management~~ **we completed thorough and external searches for a new Chief Financial Officer and a new President and Chief Executive Officer, respectively, following the departure of their predecessors. We utilized interim officers to serve in such capacities for a period of** time and expense, all of which diverts management's attention and liquidity that could be applied to our existing core business. Furthermore, the success of any acquisition, including our pending acquisition of United Grocery Outlet, is dependent, in part, on our ability to realize the expected benefits from the integration of the acquired businesses or assets. We may incur unexpected liabilities or make incorrect estimates regarding the planned accounting for acquisitions, such as the need to record non-recurring charges or write-off of significant amounts of goodwill or other assets that could adversely affect our results of operations, and we could have unexpected challenges due to the limitations of our due diligence process or contractual provisions. Further, the integration of acquired businesses is a complex, costly and time-consuming process that requires significant management attention and resources. It is possible that the integration process could result in the loss of key employees, the disruption of our operations, inconsistencies in and incompatibility of information technology and accounting systems, as well as **. Competition for skilled and experienced management in our industry is intense, and we may not be successful in the future in attracting and retaining qualified personnel on a timely basis or at all. If we lose the services of our executive officers or other compliance standards key personnel**, controls, procedures and policies, difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the acquisition, additional litigation, compliance or **if we are** regulatory risk (including post-closing disputes with the transaction parties), the diversion of management's attention to integration matters and difficulties in the assimilation of employees and corporate cultures. We also may be unable to **attract** maintain relationships with customers and partners of the acquired entities, **train** or such transaction could harm our existing business relationships. Further, **assimilate** the historical business model and strategy of the acquired business and the Company may be materially different, and therefore there may be heightened risks to operating the acquired business prior to integration, or to the extent certain **retain** operations and strategy are not integrated. Given our limited history in consummating such transactions, the **highly skilled** foregoing risks may be heightened due to our lack of experience in integrating similar businesses. In addition, for significant transactions, we may expect to incur additional debt, assume contingent liabilities, issue equity and /or increase capital expenditures, which may increase leverage risks, result in dilution or reduce capital available for other **personnel** investments in ongoing operations. Further, we believe that **we need** our success depends, in substantial part, on **a timely basis** our ~~or at all~~ ability to continue to maintain and enhance our brand. If any acquisition or investment dilutes or otherwise adversely affects our existing brand, causes brand confusion or impairs our

ability to enhance our brand, our business, financial condition and results of operations could be adversely impacted. While we have recently launched a mobile personalization app **in some states and are increasing the rollout to additional states in fiscal 2024**, which informs customers of new and top selling items, provides curated product recommendations and tracks savings, we do not maintain a traditional loyalty program for customers, and our competitors may be able to offer their customers promotions or loyalty program incentives that could result in fewer shopping trips to or purchases from our stores. If we are unable to retain the loyalty of our customers, our sales could decrease and we may not be able to grow our store base as planned, which could have a material adverse effect on our business, financial condition and results of operations. Certain of our competitors have established, long-standing, mobile apps and personalized marketing. There can be no assurance that our investment in this area will **be repaid**. Natural or man-made disasters, climate change, power outages, major health epidemics, pandemics, terrorist acts, **global** political events and other serious catastrophic events could disrupt our business, may expose us to unexpected costs and negatively affect our financial performance. The current concentration of our stores creates an exposure to local or regional impacts of such events and local economic downturns. Our business has been and could in the future be severely impacted by natural or man-made disasters and unusual weather conditions (which may become more frequent due to climate change), power outages, **major health epidemics, pandemic pandemics outbreaks**, terrorist acts, global political events and other serious catastrophic events beyond our control. In the event of a natural or man-made disaster, governments have and, in the future, may declare a state of emergency and impose regulations on business operations. These occurrences could adversely impact our business by causing direct asset or inventory losses or physical damage to our distribution centers or our stores, store closures, reduced customer traffic or changed shopping behaviors, disruptions to production, supply and delivery of products to our stores, staffing shortages, increased costs or disruptions to our information systems and other systems. **With respect to future outbreaks, to the extent that a pathogen is, or is perceived to be, food-borne, the price and availability of certain food products may be impacted and could cause our customers to consume less of such product.** As of December 30, 2023, we operated **267-274** stores and distributed product from four distribution centers in California in addition to having our administrative offices in California, making California our largest market, representing **57-51** % of our total stores. As a result, our business is currently more susceptible to any unforeseen events or circumstances of the types described above that negatively affect these areas as well as regional conditions, economic downturns or disruptions, such as changes in demographics, population and employee bases, wage increases, property tax increases, and changes in economic conditions, than the operations of more geographically diversified competitors. For example, there have been significant fires across the west coast of the United States over the last several years, causing a number of stores to be closed as well as suffer inventory losses related to power outages and evacuations. In 2018, our store in Paradise, California, burned down entirely. **In early 2025, certain stores in Southern California were also impacted by fires.** The frequency and severity of wildfires may increase in the future due to climate change **and man-made catastrophes may increase in the future as well**. The United States and other countries have experienced, and may experience in the future, major health epidemics **and pandemics** related to viruses or other pathogens. Epidemics **or pandemics**, or the perception that such epidemics **or pandemics** may occur, may cause people to avoid gathering in public places, which may adversely affect our customer traffic, our ability and that of our IOs to adequately staff our stores and operations, and our ability to transport product on a timely basis. **Additionally, to the extent that a pathogen is, or is perceived to be, food-borne, the price and availability of certain food products may be impacted and could cause our customers to consume less of such product. In recent months, our gross margins have been adversely impacted by the unexpected rise in egg costs due to the Avian flu, and certain egg producers have experienced shortages, all of which we anticipate to continue in fiscal 2025.** Furthermore, the long-term impacts of climate change are expected to be widespread and unpredictable. Climate change poses both physical risks (posed by extreme weather conditions, drought, and / or rising sea levels), and transition risks (posed by regulatory changes or reputational risks). These factors could, among other negative consequences, increase our energy costs, damage our stores or distribution centers, disrupt our supply chain, negatively impact our workforce or reputation, and increase compliance and technology costs. Any of these occurrences may disrupt our business and materially adversely affect our financial condition and results of operations and the occurrence of any of these events in a region where our stores or other operations are concentrated may increase the impact of such disruption and adverse effect. We **may incur losses not covered by our insurance or claims may differ from our estimates. Our insurance coverage may not be sufficient, and any related insurance proceeds may not be timely paid to us. Our insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions that** we believe are reasonable based on our operations. However, there are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war, employee and certain other crime, certain wage and hour and other employment-related claims, including class actions, actions based on certain consumer protection laws and some natural and other disasters or similar events. If we incur these losses and they are material, our business could suffer. Further, injured parties with claims against our IOs may bring actions against us if our IOs failed to secure and retain adequate insurance. Certain types of events, such as earthquakes **or**, wildfires **or hurricanes**, may result in sizable losses for the insurance industry and adversely impact the availability of adequate insurance coverage or result in excessive premium increases. Our retail stores located in California, and the inventory in those stores, are **generally** not currently insured against losses due to earthquakes. We have experienced significant challenges in renewing the insurance policies for our stores and **insurers have incurred substantial losses related to property claims from fires, floods and other catastrophic events and are significantly increasing policy premiums, increasing their requirements around building engineering standards or cutting back capacity for coverage offerings to layered / quota share. For have experienced significant challenges in renewing the insurance policies for our stores and insurers have incurred substantial losses related to property claims from fires, floods and other catastrophic events and are significantly increasing policy premiums, increasing their requirements**

around building engineering standards or cutting back capacity for coverage offerings to layered / quota share. For example, there have been significant fires across the west coast of the United States very- over limited affect our business. Employees at two Company- operated stores are represented by the United Food and Commercial Workers Union. Our employees and those of the IOs have the right at any time to form or affiliate with a union. As we continue to grow, enter different regions and operate distribution centers, unions may attempt to organize the employees of our different IOs or our distribution centers within certain regions. If we determine to open more Company- operated stores, we may have additional employees represented by unions. We cannot predict the adverse effects that any future organizational activities will have on experience **disruption in our operations and increases in our labor costs, either of which could materially adversely affect our business, financial condition and competing-- operating results. Our failure to participate effectively** in the growing online retail marketplace **may adversely affect our business**. During fiscal 2021 and **fiscal 2022**, we entered into partnerships with three third party grocery delivery companies to provide online shopping at our stores. Certain of our competitors and a number of pure online retailers have established robust online operations and significantly increased their online sales and presence in recent years. Increased competition from online grocery retailers and our lack of a robust online retail presence may reduce our customers' desire to purchase products from us. If we decide to expand our online shopping business, we will be exposed to new risks and challenges. Furthermore, there can be no assurance that any investments that we make to expand our online shopping capabilities will result in a positive return on investment. These factors could have a material adverse effect on our business, financial condition and results of operations. We may, **incur losses not covered by our insurance or claims may differ from our estimates. Our insurance coverage may not be sufficient, and any related insurance proceeds may not be timely-- time paid to time us. Our insurance coverage reflects deductibles, self-pursue or consummate acquisitions and other transactions as part of our long - term business insured retentions, limits of liability and similar provisions real estate strategy. Any strategic acquisitions and other transactions may involve transaction and integration risks that we believe are reasonable based on our..... than expected under these programs, which could have a material adverse effect on our business, results of operations and financial condition and results of operations, and we may not realize the anticipated benefits of any consummated transaction**. Labor relation difficulties could **From time to time, we may pursue or consummate acquisitions and other transactions, including materially-- material acquisitions, investments or joint venture transactions, as part of our business and real estate growth strategy to complement our current business by enhancing our customer base, geographic penetration and scale. For example, on April 1, 2024, we acquired United Grocery Outlet, which included 40 stores in six adjacent states where we did not then- operate and a distribution center. Identifying, assessing, consummating and integrating a strategic acquisition or other transaction is a complex, costly and time- consuming process that is subject to significant uncertainties and risks, which may divert the attention of the management team and key personnel from our core business and adversely impact affect our business. Employees at two..... any future organizational activities will have on our business, financial condition and operating results of operations**. If **Additionally, acquisitions and similar transactions may utilize significant liquidity and require additional equity or debt financing, and we may not have sufficient capital or for our core business. The integration process also the IOs were to become subject to work stoppages, we could result in: the loss of key employees; the disruption of our operations; complications in information technology and accounting systems, compliance standards, controls, and other procedures; difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the acquisition; additional litigation, compliance or regulatory risks; and difficulties in the assimilation of employees and corporate cultures. Even if a target company is successfully integrated, an acquisition may fail to further our business strategy as anticipated, adversely impact our reputation, lead to impairment of our purchased goodwill and intangible assets, and expose us to additional liabilities and risks (particularly if entering into new markets or businesses where we have no or limited experience disruption in-). The foregoing risks may be heightened due to our limited history operations and increases in our labor costs consummating strategic acquisitions and other transactions**, either of which could materially adversely affect our business,..... our executive officers or other key personnel could have a material adverse effect on our business, **financial condition and results of** operations. In December 2022, our then..... resources from the operation of our business. Economic conditions and other economic factors may materially adversely affect our financial performance and other aspects of our business by negatively impacting our customers' disposable income or discretionary spending, increasing our costs and expenses, affecting our ability to plan and execute our strategic initiatives, and materially adversely affecting our sales, results of operations and performance. General conditions in the United States and global economy that are beyond our control may materially adversely affect our business and financial performance. While we have not previously been materially adversely affected by periods of decreased consumer spending, any factor that could materially adversely affect the disposable income of our customers could decrease our customers' spending and number of trips to our stores, which could result in lower sales, increased markdowns on products, a reduction in profitability due to lower margins and may require increased selling and promotional expenses. These factors include but are not limited to unemployment, minimum wages, significant public health and safety events, inflation and deflation, **tariffs (including those currently announced or threatened, or that may be in the future)**, the threat, outbreak or escalation of terrorism, military conflicts, or other hostilities and related international sanctions (such as the ongoing Russia- Ukraine or Middle East conflicts), trade wars and interest and tax rates. Many of the factors identified above also affect commodity rates, costs of transportation, leasing, labor, insurance and healthcare, the strength of the U. S. dollar, measures that create barriers to or increase the costs associated with international trade, changes in laws, regulations and policies and other economic factors, all of which may impact our cost of goods sold and our selling, general and administrative expenses, which could materially adversely affect our business, financial condition and results of operations. These factors could also materially adversely affect our ability to plan and execute our strategic initiatives, invest in and open new stores, prevent current stores from closing, and may have other material adverse consequences which we are unable to fully

anticipate or control, all of which may materially adversely affect our sales, cash flow, results of operations and performance. We have limited or no ability to control many of these factors. Food retailers provide alternative options for consumers and compete aggressively to win those consumers; our failure to offer a compelling value proposition to consumers could limit our growth opportunities. The retail food industry includes mass and discount retailers, warehouse membership clubs, online retailers, conventional grocery stores and specialty stores. These businesses provide alternative options for the consumers whom we aim to serve. Our success relative to these retailers is driven by a combination of factors, primarily product selection and quality, price, location, customer engagement and store format. Our success depends on our ability to differentiate ourselves and provide value to our customers, and our failure to do so may negatively impact our sales. To the extent that other food retailers lower prices or run promotions, our ability to maintain profit margins and sales levels may be negatively impacted. We and the IOs may have to increase marketing expense to attract customers, and may have to mark down prices to be competitive and not lose market share. This limitation may materially adversely affect our margins and financial performance. **During fiscal 2024, we observed an increase in promotional and pricing activities from key competitors, which led to our increased efforts to actively negotiate costs and adjust prices to sharpen our value proposition.** Competition for customers has intensified as other discount food retailers, such as Aldi, Lidl and WinCo have moved into, or increased their presence in, our geographic and product markets. We expect this competition to continue to increase. In addition, we experience high levels of competition when we enter new markets. Some of the other food retailers may have been in the region longer and may benefit from enhanced brand recognition in such regions. Some food retailers may have greater financial or marketing resources than the IOs do and may be able to devote greater resources to sourcing, promoting and selling their products than the IOs. As competition in certain regions intensifies, or we move into new regions or other food retailers open stores in close proximity to our stores, we may experience a loss of sales, decrease in market share, reduction in margin from competitive price changes or greater operating costs. If consumer trends move toward private label and away from name- brand products, our competitive position in the market may weaken. Additionally, our private label brands may not be successful and may increase certain risks that we face. Our business model has traditionally relied on the sale of name- brand products at meaningful discounts to drive frequent store visits and net sales. Consumer acceptance of, and even preference for, private label products has been increasing, however, and a trend away from name- brand products could weaken our competitive position in the market. Private label products tend to be lower priced than name- brand products and, as a result, we may have more difficulty competing against private label products on the basis of price. **We began to introduce private label products in our stores during the third quarter of fiscal 2024.** While we ~~continue~~ have started to invest in developing and selling our own private labels, there can be no assurance that the performance of ~~our any such~~ private label products ~~would will~~ be sufficient to offset the potential decreased sales of name- brand products. In addition, as we ~~continue to~~ invest in and deploy our private label products, we ~~are may become~~ ~~subjected~~ ~~subject~~ to various new risks and regulations including product liability claims, claims related to product labeling, claims related to rights of third parties and other risks associated with entities that source, sell and market exclusive private label offerings for retailers. Any failure to appropriately address some or all of these risks could have a material adverse effect on our sales, business, results of operations and financial condition. If we are unable to attract and retain qualified IOs, our financial performance may be negatively affected. Our future growth and performance depend on our ability to attract, develop and retain qualified IOs who can effectively and efficiently run stores, understand and appreciate our culture and are able to represent our brand effectively, in particular because the vast majority of our IOs operate a single store. A material decrease in profitability of the IOs may make it more difficult for us to attract and retain qualified IOs. Our relationship with the IOs is an important part of our business. To alleviate the ~~significant~~ disruption caused by our system upgrades, we elected to provide ~~incremental~~ commission support to IOs beginning in the third quarter of fiscal 2023 and extending ~~through into the first quarter of~~ fiscal 2024. **We continue to provide minimal commission support to IOs for inventory shrink.** While we use a variety of methods to attract and develop the IOs, including through our ~~Aspiring Operators in Training ("AOT ")~~ program, there can be no assurance that we will continue to be able to recruit and retain a sufficient number of qualified AOTs and other candidates to open successful new locations in order to meet our growth targets. Our ability to maintain our current performance and achieve future growth additionally depends on the IOs' ability to meet their labor needs while controlling wage and labor- related costs. **Stores in some of our markets are located in geographic areas where we have limited or no meaningful brand recognition, which can make store performance and IO recruitment more difficult.** If the IOs are not successful in managing their business, our financial results and brand image could be negatively affected. The financial health and operational effectiveness of the IOs is critical to their and our success. The IOs are business entities owned by entrepreneurs who generally live in the same community as the store that they operate as our independent contractor. IOs are responsible for operating their store consistent with our brand standards, hiring and supervising store- level employees, merchandising and selling products, conducting local marketing, connecting with their community and complying with applicable laws, and managing and paying the expenses associated with their business. **Recently, the costs incurred for many IOs to run their businesses have increased, including insurance, utilities and labor costs.** Although we select IOs through a rigorous vetting and training process, and continue to help IOs develop their business skills after they enter into an Operator Agreement with us, it is difficult to predict in advance whether a particular IO will be successful. If an IO is unable to successfully establish, manage and operate the store, their store's performance and quality of service could be materially adversely affected. In addition, any poor performance could negatively affect our financial results and our brand reputation. Failure of the IOs to repay ~~IO notes~~ ~~Notes~~ outstanding to us may materially adversely affect our financial performance. We extend financing to IOs for their initial startup costs in the form of ~~IO notes~~ ~~Notes~~ payable to us that bear interest at rates between ~~5-4~~ . 50 % and 9. 95 %. There can be no assurance that any IO, will achieve long- term store volumes or profitability that will allow them to repay any amounts due **under outstanding IO Notes,** nor is there any assurance that any IO will be able to repay **such** amounts due through other means. The outstanding aggregate balance of notes receivable from IOs has increased over time as we have **historically**

accelerated new store growth combined with increases to initial IO capital and working capital requirements. This balance may continue to increase as we open new stores. There were \$ **46.9 million and \$ 41.1 million** and **\$ 37.5 million** of notes to IOs--**IO Notes** outstanding as of December **28, 2024 and December 30, 2023** and **December 31, 2022**, respectively, with allowances of \$ **11.28 million and \$ 13.11** million as of December **28, 2024 and December 30, 2023** and **December 31, 2022**, respectively. If the IOs are unable to avoid excess inventory shrink, our business and results of operations may be adversely affected. The IOs order merchandise solely from us, which we, in turn, deliver to IOs on a consignment basis. As a result, we retain ownership of all merchandise until the point in time that merchandise is sold to a customer. The IOs, however, are responsible for inventory management at their stores. Any spoiled, damaged or stolen merchandise, markdowns or price changes impact gross profit and, therefore, IO commission. We generally split these losses equally with IOs, however, excessive levels of shrink are deducted from commissions paid to IOs. Excessive shrink generally indicates poor inventory management and the IO's failure to use due care to secure their store against theft. If IOs were to not effectively control or manage inventory in their stores, they could experience higher rates of inventory shrink which could have a material adverse effect on their financial health, which in turn, may materially and adversely affect our business and results of operations. Our Operator Agreements may be terminated by either party and upon short notice, and any loss or changeover of an IO may cause material business disruptions. Each Operator Agreement is subject to termination by either party without cause upon 75 days' notice. We may also terminate immediately "for cause." The "for cause" termination triggers include, among other things, a failure to meet our brand standards, misuse of our trademarks and actions that in our reasonable business judgment threaten to harm our business reputation. If we or an IO terminates the Operator Agreement then we must approve a new IO for that store. Any IO changeover consumes substantial time and resources. Often, a changeover will involve more than one transition, as an IO may move from an existing store, thereby creating an opening at the IO's previous store. A failure to transition a store successfully to another IO can negatively impact the customer experience or compromise our brand standards. Termination of an Operator Agreement could therefore result in the reduction of our sales and operating cash flow, and may materially adversely affect our business, financial condition and results of operations. Legal proceedings initiated against the IOs could materially impact our business, reputation, financial condition, results of operations and cash flows. We and the IOs are subject to a variety of litigation risks, including, but not limited to, individual personal injury, product liability, intellectual property, employment-related actions, litigation with or involving our relationship with IOs and property disputes and other legal actions in the ordinary course of our respective businesses. If the IOs are unable to provide an adequate remedy in a legal action, the plaintiffs may attempt to hold us liable. We maintain that under current applicable laws and regulations we are not joint employers with the IOs, and should not be held liable for their actions. However, these types of claims may increase costs and affect the scope and terms of insurance or indemnifications we and the IOs may have. Our Operator Agreements require each IO to maintain certain insurance types and levels. Losses arising from certain extraordinary hazards, employment matters or other matters, however, may not be covered, and insurance may not be available (or may be available only at prohibitively expensive rates) with respect to many other risks, or IOs may fail to procure the required insurance. Moreover, any loss incurred could exceed policy limits and policy payments made to IOs may not be made on a timely basis. Any legal actions against the IOs may negatively affect the reputation of our brand, which could result in a reduction of our sales and operating cash flow, which could be material and which could adversely affect our business, financial condition and results of operations. In the past, certain business models that use independent contractors to sell directly to customers have been subject to challenge under various laws, including laws relating to franchising, misclassification and joint employment. If our business model is determined to be a franchise, if IOs are found not to be independent contractors, but our employees, or if we are found to be a joint employer of an IO's employees, our business and operations could be materially adversely affected. The IOs are independent contractors. Independent contractors and the companies that engage their services have come under increased legal and regulatory scrutiny in recent years as courts have adopted new standards for these classifications and federal legislators continue to introduce legislation concerning the classification of independent contractors as employees, including legislation that proposes to increase the tax and labor penalties against employers who intentionally or unintentionally misclassify employees as independent contractors and are found to have violated employees' overtime or wage requirements. Federal and state tax and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. For example, the California state legislature enacted AB- 5, which became effective in California on January 1, 2020. AB- 5 codified a new test for determining worker classification that is much narrower than the traditional standard in defining the scope of who is classified as an independent contractor. There has been limited guidance to date regarding interpretation or enforcement, and there is a significant degree of uncertainty regarding its application. In addition, AB- 5 has been the subject of widespread national discussion and it is possible that other jurisdictions may enact similar laws. There is a risk that a governmental agency or court could disagree with our assessment that IOs are independent contractors or that other laws and regulations could change. If any IOs were determined to be our employees, we would incur additional exposure under federal and state tax, workers' compensation, unemployment benefits, labor, employment, environmental and tort laws, which could potentially include prior periods, as well as potential liability for employee benefits and tax withholdings. Even if IOs are properly classified as independent contractors, there is a risk that a governmental agency or court might disagree with our assessment that each IO is the sole employer of its workers and seek to hold us jointly and separately responsible as a co- employer of an IO's workers. In this case, we would incur additional exposure under federal and state tax, workers' compensation, unemployment benefits, labor, employment and tort laws, which could potentially include prior periods, as well as potential liability for employee benefits and tax withholdings since joint employers are each separately responsible for their co- employees' benefits. A misclassification ruling would mean that both IOs and IOs' employees are our employees. We continue to observe and monitor our compliance with current applicable laws and regulations, but we cannot predict whether laws and regulations adopted in the future, or standards adopted by the courts, regarding the classification of independent contractors will materially adversely affect our business or operations. Further, if we

were to become subject to franchise laws or regulations, it would require us to provide additional disclosures, register with state franchise agencies, impact our ability to terminate our Operator Agreements and may increase the expense of, or adversely impact our recruitment of new IOs. Our success depends on our ability to maintain positive relationships with the IOs and any failure to maintain our relationships on positive terms could materially adversely affect our business, reputation, financial condition and results of operations. The IOs develop and operate their stores under terms set forth in our Operator Agreements. These agreements give rise to relationships that involve a complex set of mutual obligations and depend on mutual cooperation and trust. We have a standard Operator Agreement that we use with the IOs, which contributes to uniformity of brand standards. We generally have positive relationships with the IOs, based in part on our common understanding of our mutual rights and obligations under the Operator Agreement. However, we and the IOs may not always maintain a positive relationship or always interpret the Operator Agreement in the same way. Our failure to maintain positive relationships with the IOs could individually or in the aggregate cause us to change or limit our business practices, which may make our business model less attractive to the IOs or stockholders or more costly to operate. Active and / or potential disputes with IOs could damage our brand image and reputation. The success of our business depends in large part on our ability to maintain IOs in profitable stores. If we fail to maintain our IO relationships on acceptable terms, or if one or more of the more profitable IOs were to terminate their Operator Agreements, become insolvent or otherwise fail to comply with brand standards, our business, reputation, financial condition and results of operations could be materially and adversely affected. The IOs could take actions that could harm our business. The IOs are contractually obligated to operate their stores in accordance with the brand standards set forth in the Operator Agreements. However, IOs are independent contractors whom we do not control. The IOs operate and oversee the daily operations of their stores and have sole control over all of their employees and other workforce decisions. As a result, IOs make decisions independent of us that bear directly on the ultimate success and performance of their store. Nevertheless, the nature of the brand license creates a symbiotic relationship between our outcome and each IO. Indeed, because we and each of the IOs associate our separate businesses with the Grocery Outlet name and brand reputation, the failure of any IO to comply with our brand standards could potentially have repercussions that extend beyond that IO's own market area and materially adversely affect not only our business, but the business of other IOs and the general brand image and reputation of the Grocery Outlet name. This, in turn, could materially and adversely affect our business and operating results. If any particular IO operates a store in a manner inconsistent with our brand standards, we cannot assure you that we will be able to terminate the Operator Agreement of that IO without disruptions to the operations and sales of that IO's store or other stores.

Risks Related to Our Information Technology Systems, Data Protection and Cybersecurity We modify, update and replace our systems and infrastructure from time to time, including by adding new hardware, software and applications; maintaining, updating or replacing legacy programs; converting to global systems; integrating new service providers; and adding enhanced or new functionality, such as cloud computing technologies. In late August 2023, we replaced components of our enterprise resource planning system, including our financial ledger, inventory management platform and product data warehouse system. The implementation of these system upgrades resulted in **significant more than anticipated** ordering and inventory disruptions during ~~the remainder of fiscal 2023~~ **and fiscal 2024**. These disruptions are estimated to have negatively impacted ~~net comparable store sales by approximately 90 basis points~~ and gross margin ~~by 50 basis points~~ in fiscal 2023 **and fiscal 2024**. These implementation issues also contributed to our material weakness in our internal control over financial reporting, as discussed in "Item 9A. Controls and Procedures" of this ~~Annual Report on~~ Form 10-K. If we experience ongoing disruptions with these updates and / or are unable to remediate our material weakness in the future, such events could have a material adverse effect on our business, prospects, results of operations, financial condition and / or cash flows. Further, the time, **staffing** and **other** resources required to implement or optimize the benefits of new technology initiatives, or potential issues that arise in implementing such initiatives, could reduce the efficiency of our operations in the short term. The efficient operation and successful growth of our business ~~depends~~ **depend** upon our information systems, including our ability to operate, maintain and develop them effectively. A failure of those systems could disrupt our business, subject us to liability, damage our reputation, or otherwise impact our financial results. Any failure to maintain the security of information we hold relating to personal information or payment card data of our customers, employees and suppliers, whether as a result of cybersecurity attacks or otherwise, could subject us to litigation, government enforcement actions and costly response measures, and could materially disrupt our operations and harm our reputation and sales. In the ordinary course of business, we and the IOs collect, store, process, use and transmit confidential business information and certain personal information relating to customers, employees and suppliers. All customer payment data is encrypted, and we do not store such data in our systems. We rely in part on commercially available systems, software, hardware, services, tools and monitoring to provide security for collection, storage, processing and transmission of personal and / or confidential information. It is possible that cyber attackers might compromise our security measures and obtain the personal and / or confidential information of the customers, employees and suppliers that we hold or our business information. Moreover, an employee, contractor or third party with whom we work or to whom we outsource business operations may fail to monitor their or our systems effectively, may fail to maintain appropriate safeguards, may misuse the personal and / or confidential information to which they have access, may attempt to circumvent our security measures, may purposefully or inadvertently allow unauthorized access to our or their systems or to personal and / or confidential information or may otherwise disrupt our business operations. We and our customers could suffer harm if valuable business data or employee, customer and other proprietary information were corrupted, lost or accessed or misappropriated by third parties due to a security failure in our systems or those of our suppliers or service providers. It could require significant expenditures to remediate any such failure or breach, severely damage our reputation and our relationships with customers and suppliers, result in unwanted media attention and lost sales and expose us to risks of litigation and liability. In addition, as a result of recent security breaches and ransomware attacks at a number of prominent retailers, the media and public scrutiny of information security and privacy has become more intense and the regulatory environment has become increasingly uncertain,

rigorous and complex. As with most companies, we have experienced cyber- attacks, attempts to breach our systems and other similar incidents, none of which were material in fiscal 2023-2024. As a result, we have incurred significant costs and will continue to incur such costs to monitor and safeguard our systems. We may incur significant costs if there is an unauthorized disclosure of personal information and we may not be able to comply with new regulations. In addition, various federal, state and foreign legislative and regulatory bodies, or self- regulatory organizations, may expand current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection, information security and consumer protection. For example, the California Consumer Privacy Act (" CCPA"), which became effective on January 1, 2020, established a new privacy framework for covered businesses. In November 2021, California voters passed Proposition 24, also known as the California Privacy Rights Act (" CPRA"), which amends and expands the CCPA. The CCPA and CPRA provide new and enhanced data privacy rights to California residents, such as giving California consumers and employees the right to access and / or delete their personal information, affording consumers and employees the right to opt out of certain sales of personal information, as well as sharing for cross context behavioral advertising, and prohibiting covered businesses from discriminating against consumers (e. g., charging more for services) for exercising any of their CCPA / CPRA rights. The CPRA went into effect January 1, 2023 and added definitions for " sensitive information" as well as " contractors," and bolstered the requirements for agreements that cover the exchange of data. CPRA also established a California Privacy Protection Agency, which is responsible for enforcement activities, rulemaking, and public awareness related to privacy and data protection. Any failure to comply with the laws and regulations surrounding the protection of personal information, privacy and data security could subject us to legal and reputational risks and costs, including significant fines for non- compliance, any of which could have a negative impact on revenues and profits. Because we and the IOs accept payments using a variety of methods, including cash and checks, credit and debit cards, ~~Electronic Benefit Transfer (" EBT ")~~ cards and gift cards, we may be subject to additional rules, regulations, compliance requirements and higher fraud losses. For certain payment methods, we or the IOs pay interchange and other related card acceptance fees, along with additional transaction processing fees. We and the IOs rely on third parties to provide payment transaction processing services, including the processing of credit cards, debit cards, EBT cards and gift cards, and it could disrupt our business if these companies become unwilling or unable to provide these services to us, experience a data security incident or fail to comply with applicable laws, rules and industry standards. We are also subject to payment card association operating rules, including data security rules, certification requirements and rules governing electronic funds transfers, which could change over time. For example, we and the IOs are subject to Payment Card Industry Data Security Standards, which contain compliance guidelines and standards with regard to our security surrounding the physical and electronic storage, processing and transmission of individual cardholder data. In addition, if our internal systems are breached or compromised, we and the IOs may be liable for card re- issuance costs, subject to fines and higher transaction fees and lose our ability to accept credit and / or debit card payments from our customers, and our business and operating results could be materially adversely affected. Security breaches and other disruptions to our information technology networks and systems, including a disruption related to cybersecurity, could interfere with our operations and the operations of the IOs and our suppliers, any of which could have a material adverse effect on our business and financial performance. Cyber- attacks are rapidly evolving and becoming more frequent. Such threats and the means for obtaining access to information in digital and other storage media are becoming increasingly sophisticated and may not immediately produce signs of intrusion. A cyber - incident could be caused by malicious outsiders (including state- sponsored espionage or cyberwarfare) or insiders using sophisticated methods to circumvent firewalls, encryption and other security defenses. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. With more employees working remotely at times, there may be increased opportunities for unauthorized access and cyber- attacks. Further, the United States government has warned of the potential risk of Russian cyberattacks stemming from the ongoing Russian- Ukraine conflict. It is possible that cyber attackers might compromise our security measures and obtain the personal and / or confidential information of the customers, IOs, employees and suppliers that we hold or our business information. Moreover, such cyber- attacks may disrupt access to our and / or our suppliers' networks and systems. Such disruptions could result in delays or cancellations of customer orders or delays or interruptions in the shipment of orders. In addition, cyber- attacks may cause us to incur significant remediation costs, result in delays and disruptions to key business operations, and divert ~~the~~ attention of management and key information technology resources. These cyber- incidents could also subject us to liability, expose us to significant expense, and cause significant harm to our reputation and our business. **Additionally, we are exposed to vulnerabilities with respect to our IO' s information technology systems.** We rely on the integrity, security and consistent operation of a variety of information technology systems and back- up systems for the efficient functioning of our business, including point of sale, inventory management, purchasing, financials, logistics, accounts payable and human resources information systems. Such systems are subject to damage or interruption from power outages, facility damage, computer and telecommunications failures, computer viruses, cybersecurity breaches, cyber - attacks (including malicious codes, worms, phishing and denial of service attacks and ransomware), software upgrade failures or code defects, natural disasters and human error. Damage or interruption to, or defects of design related to, these systems or the integration of such systems may require a significant investment to fix or replace, and we may suffer disruptions in our operations in the interim, loss or corruption of critical data and negative publicity, all of which could have a material adverse effect on our business or results of operations. Although we have taken steps designed to reduce the risk of these events occurring, there can be no guarantee that we or a third party on which we rely will not suffer one of these events. While we maintain cyber risk insurance intended to provide coverage in the event of a breach or other data security incident, there can be no assurance that these policies will cover all incidents that might occur or that the coverage limits under such policies will be adequate for any incidents, claims or damages that we might experience. ~~Additionally, we are exposed to vulnerabilities with respect to our IO' s information technology systems.~~ Real or

perceived concerns that products we and the IOs sell could cause unexpected side effects, illness, injury or death could expose us to lawsuits and harm our reputation, which could result in unexpected costs. As discussed under "Regulations" in Item 1. Business, we and the IOs are subject to regulation by various federal agencies. If our products do not meet applicable safety standards or our customers' expectations regarding safety, we could experience lost sales, increased costs, litigation or reputational harm. Any lost confidence on the part of our customers would be difficult and costly to reestablish. Issues regarding the quality or safety of any food items sold by us, regardless of the cause, could have a substantial and adverse effect on our sales and operating results, as well as our reputation. There is increasing governmental scrutiny, regulation of and public awareness of food safety. Unexpected side effects, illness, injury or death caused by products we and the IOs sell or involving suppliers that supply us with products could result in the discontinuance of sales of these products or our relationship with such suppliers or prevent us from achieving market acceptance of the affected products. We cannot be sure that consumption or use of our products will not cause side effects, illness, injury or death in the future, as product deficiencies might not be identified before we sell such products to our customers. We also may be subject to claims, lawsuits or government investigations relating to such matters resulting in costly product recalls and other liabilities that could materially adversely affect our business and results of operations. Even if a product liability claim is unsuccessful or is not fully pursued, negative publicity could materially adversely affect our reputation with existing and potential customers and our corporate and brand image, and these effects could persist over the long term. Any claims brought against us may exceed our existing or future insurance policy coverage or limits. Any judgment against us that is in excess of our policy limits would have to be paid from our cash reserves, which would reduce our capital resources. Further, we may not have sufficient capital resources to pay a judgment, in which case our creditors could levy against our assets. We are subject to laws and regulations generally applicable to retailers. Compliance with, failure to comply with, or changes to such laws and regulations could have a material adverse effect on our business and financial performance. Our business is subject to numerous and frequently changing federal, state and local laws and regulations. We routinely incur significant costs in complying with these regulations. The complexity of the regulatory environment in which we and the IOs operate and the related cost of compliance are increasing due to additional legal and regulatory requirements, our expanding operation and increased enforcement efforts and the future application of certain of these legal requirements to our business may be uncertain. New or existing laws, regulations and policies, liabilities arising thereunder and the related interpretations and enforcement practices, particularly those dealing with environmental protection and compliance, climate change, wage and hour and other employment-related laws, taxation, zoning and land use, workplace safety, public health, community right-to-know, product safety or labeling, food safety, alcohol and beverage sales, vitamin and supplements, information security and privacy, among others, may result in significant added expenses or may require extensive system and operating changes that may be difficult to implement and / or could materially increase our cost of doing business. For example, we or the IOs have had to comply with recent new laws in many of the states or counties in which we operate regarding recycling, waste, minimum wages, sick time, vacation, plastic bag and straw bans and sugar taxes. In addition, we and the IOs are subject to environmental laws, including but not limited to hazardous waste laws, and regulations related to refrigeration and stormwater, pursuant to which we and / or the IOs could be liable or to which we could be strictly and jointly and severally liable, regardless of our knowledge of or responsibility. Approximately 11.9% of sales in fiscal 2023-2024 were in the form of EBT payments and a substantial portion of these payments may be related to benefits associated with the Supplemental Nutritional Assistance Program ("SNAP"). Accordingly, changes in EBT regulations by the U. S. Department of Agriculture or in SNAP benefits by Congress could adversely affect our financial performance. The registration and ongoing compliance requirements for SNAP participation are fairly complex and each of the IOs holds their registration under the name of their business entity and is responsible for ensuring their employees consistently comply with all SNAP rules. Failure to comply can result in de-registration by USDA which, for stores located in areas with high percentages of SNAP customers, can have a significant negative financial impact. We cannot assure you that we or the IOs will comply promptly and fully with all laws, regulations, policies and the related interpretations that apply to our stores. Untimely compliance or noncompliance with applicable regulations or untimely or incomplete execution of a required product recall, can result in the imposition of penalties (including loss of licenses, eligibility to accept certain government benefits such as SNAP or significant fines or monetary penalties), civil or criminal liability, damages, class action litigation or other litigation, in addition to reputational damage. Even with adequate insurance and indemnification, any claims of non-compliance could significantly damage our reputation and consumer confidence in the products we sell. In addition, the failure of such products to comply with applicable regulatory and legislative requirements could prevent us from marketing the products or require us to recall or remove such products from our stores. Legal proceedings from customers, suppliers, employees, governments or competitors could materially impact our business, reputation, financial condition, results of operations and cash flows. From time to time, we are subject to allegations, and may be party to legal claims and regulatory proceedings, relating to our business operations. Such allegations, claims and proceedings may be brought by third parties, including our customers, suppliers, employees, governmental or regulatory bodies or competitors, and may include class actions. In recent years, companies have experienced an increase in the number of significant discrimination and harassment and wage and hour claims generally. The outcome of litigation, particularly class action lawsuits, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. While our IOs and suppliers may indemnify us for certain adverse outcomes, we may still bear significant expenses related to such proceedings. Risks Associated with Our Indebtedness Our substantial indebtedness could materially adversely affect our financial condition and our ability to operate our business, react to changes in the economy or industry or pay our debts and meet our obligations under our debt and could divert our cash flow from operations for debt payments. We entered into a new Credit Agreement on February 21, 2023 with Bank of America, N. A. (the "2023 Credit Agreement") under which we have a significant amount of indebtedness. The 2023 Credit Agreement provides for senior secured credit facilities

consisting of (i) a senior secured term loan facility of \$ 300.0 million, of which \$ 294.288.48 million was outstanding as of December 30-28, 2023-2024, and (ii) a senior secured revolving credit facility of \$ 400.0 million, under of which we had \$ 395.190.80 million was outstanding in aggregate as of December 28, 2024 and \$ 205.5 million was availability- available after giving effect to outstanding letters of credit. In addition, subject to limited restrictions in our 2023 Credit Agreement, we may be able to incur substantial additional debt in the future. Our substantial debt could have important consequences to you, including the following: • it may be difficult for us to satisfy our obligations, including debt service requirements under our outstanding debt, resulting in possible defaults on and acceleration of such indebtedness; • we may be unable to obtain additional financing or refinance our existing debt on commercially reasonable terms, or at all; • a substantial portion of cash flow from operations may be dedicated to debt payments, reducing cash available to fund operations, capital expenditures, business opportunities, acquisitions and other purposes; • we may need to refinance our debt, sell material assets or operations or raise additional debt or equity capital to service our debt and meet our other commitments; • we are more vulnerable to economic downturns and adverse industry conditions and our flexibility to plan for, or react to, changes in our business or industry is more limited; and • our ability to capitalize on business opportunities and to react to competitive pressures, as compared to our competitors, may be compromised. Our ability to make payments on our debt and to fund planned capital expenditures depends on our ability to generate cash in the future, which to some extent is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we incur additional debt above the levels currently in effect, including utilizing the availability under our revolving credit facility, the risks associated with our leverage, including those described above, would increase. Furthermore, all of our debt under our 2023 Credit Agreement bears interest at variable rates. If these rates were to increase significantly, as they did in fiscal 2022, whether because of an increase in market interest rates or otherwise, our ability to borrow additional funds may be reduced and the risks related to our substantial debt would intensify. Restrictive covenants in our 2023 Credit Agreement may restrict our ability to pursue our business strategies, and failure to comply with any of these restrictions could result in acceleration of our debt. The operating and financial restrictions and covenants in our 2023 Credit Agreement may materially adversely affect our ability to finance future operations or capital needs or to engage in other business activities. Such restrictions and covenants limit our ability, among other things, to: • incur additional debt or issue certain preferred shares; • pay dividends on or make distributions in respect of our common stock or make other restricted payments; • make certain investments; • sell certain assets; • create liens on certain assets to secure debt; • consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; • make certain payments in respect of certain junior debt obligations; • enter into certain transactions with our affiliates; and • designate one our - or more of our subsidiary-subsidaries as an unrestricted subsidiary. A breach of any of these covenants could result in a default under our 2023 Credit Agreement. Upon the occurrence of an event of default under our 2023 Credit Agreement, the lenders could elect to declare all amounts outstanding under our 2023 Credit Agreement to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, these lenders could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral to secure our 2023 Credit Agreement. Our future operating results may not be sufficient to enable compliance with the financial performance covenants in our 2023 Credit Agreement, and we may not have sufficient assets to repay amounts outstanding under our 2023 Credit Agreement. In addition, in the event of an acceleration of our debt upon a default, we may not have or be able to obtain sufficient funds to make any accelerated payments. Furthermore, the terms of any future indebtedness we may incur could have further additional restrictive covenants. We may not be able to maintain compliance with these covenants in the future, and in the event that we are not able to maintain compliance, we cannot assure you that we will be able to obtain waivers from the lenders or amend the covenants. Tax matters, including changes in tax laws, our ability to use deferred tax assets, and the impact of tax audits, could have a material adverse effect on our business, financial condition and results of operations. We are subject to taxes in the United States under federal, state and local jurisdictions in which we operate. We compute our income tax provision based on enacted federal and state tax rates. The governing tax laws and applicable tax rates vary by jurisdiction and are subject to interpretation and macroeconomic, political and other factors. For example, the results of recent changes in the U. S. Presidential administration and Congressional Congress elections may lead to tax law changes. Further, the ultimate amount of tax payable in a given financial statement period may be impacted by sudden or unforeseen changes in tax laws, changes in the mix and level of earnings by taxing jurisdiction, or changes to existing accounting rules or regulations. Accordingly, the determination of our overall provision for income tax and other taxes is inherently uncertain as it requires significant judgement around complex transactions and calculations. As a result, fluctuations in our ultimate obligations may differ materially from amounts recorded in our financial statements and could adversely affect our business, financial condition and results of operations in the periods where such determination is made. In addition, an increasing number of states and local jurisdictions are considering or have adopted laws that impose new tax measures, including revenue- based taxes and other tax measures. Should similar tax measures succeed in other jurisdictions in which we operate, we expect that our operating expenses will increase. As of December 30-28, 2023-2024, we had tax- effected Federal and State net operating loss deferred tax assets of \$ 30-25.41 million and \$ 1.40 million, respectively. Our ability to use our deferred tax assets is dependent on our ability to generate future earnings within the operating loss carry- forward periods. The \$ 30-25.41 million tax effected Federal deferred tax asset does not expire and will carryforward indefinitely. The tax effected State deferred tax assets of \$ 1.40 million will expire beginning in 2029-2034. Some or all of our deferred tax asset-assets could expire unused if we are unable to generate taxable income in the future sufficient to utilize the deferred tax asset, or we enter into transactions that limit our right to use it. If a material portion of our deferred tax asset expires unused, it could have a material adverse effect on our future business, results of operations, financial condition and the value of our common stock. Furthermore, we are required by accounting rules to periodically assess our deferred tax assets for a valuation allowance, if necessary. In performing these assessments, we use our historical financial performance to determine whether we have potential

valuation allowance concerns and as evidence to support our assumptions about future financial performance. A significant decline in our financial performance could negatively affect the results of our assessments of the recoverability of our deferred tax assets. A valuation allowance against our deferred tax assets could be material and could have a material adverse impact on our financial condition and results of operations. We may be subject to examinations in the future by federal, state and local authorities on income, employment, sales and other tax matters which may result in assessments of additional taxes. Various tax authorities may disagree with tax positions we take and if any such tax authorities were to successfully challenge one or more of our tax positions, the results could adversely affect our financial condition. We may engage in litigation regarding such matters, which may be time consuming and expensive and may not be successful. While we regularly assess the likelihood of adverse outcomes resulting from such examinations and the adequacy of our provision for taxes, there can be no assurance that such provision is sufficient and that a determination by a tax authority would not have an adverse effect on our business, financial condition and results of operations. Changes in accounting rules or interpretations thereof, changes to underlying legal agreements as well as other factors applicable to our analysis of the IO entities as variable interest entities could significantly impact our ability to issue our financial statements on a timely basis. In accordance with the variable interest entities sub-section of Accounting Standards Codification Topic 810, Consolidation, we assess during each of our reporting periods whether we are considered the primary beneficiary of a variable interest entity ("VIE") and therefore are required to consolidate the VIE in our financial statements. We have concluded that the IO entities represent VIEs. However, we have concluded we are not such VIE's primary beneficiary and, accordingly, we do not consolidate the IO entities' financial information. Changes in accounting rules or interpretations thereof, changes to the underlying Operator Agreements (as defined elsewhere in this report) as well as other factors that may impact the economic performance of the IO entities which may be relevant to our analysis of whether to consolidate the IO entities as VIEs could significantly impact our ability to issue our financial statements on a timely basis if, as a result, we are determined to be the primary beneficiary of the IO entities and should consolidate such entities. For example, collecting the requisite accounting data from certain of our IO entities in order to consolidate their financial information would involve substantial time, effort and cost. Our quarterly operating results fluctuate and may fall short of prior periods, our projections or the expectations of securities analysts or investors. The market price of our common stock has been volatile and may continue to fluctuate substantially, due to fluctuations in our operating results or otherwise, which could result in substantial losses for purchasers of our common stock. Our operating results have fluctuated from quarter to quarter at points in the past and they may do so in the future. Therefore, results of any one fiscal quarter are not a reliable indication of results to be expected for any other fiscal quarter or for any year. If we fail to control costs, appropriately adjust costs to actual results, increase our results over prior periods, achieve our projected results, or meet the expectations of securities analysts or investors, our stock price may decline, and the decrease in the stock price may be disproportionate to the shortfall in our financial performance. During fiscal 2023-2024, our common stock has traded at prices as low as \$ 25-13, 71-60 and as high as \$ 36-29, 54-19. The market price volatility of our common stock may continue due to fluctuations in our quarterly operating results or in response to other factors (regardless of our actual operating performance) included in this Risk Factors section and due to the following: • changes in expectations as to our future financial performance, including guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance, investment recommendations by securities analysts and investors or if securities analysts do not publish research or reports about our business; • declines in the market prices of stocks generally, changes in general economic or market conditions or trends in our industry or markets; • strategic actions or announcements by us, our competitors or other third parties; • changes in business or regulatory conditions; • additions or departures of key management personnel; • investor perceptions of the investment opportunity associated with our common stock relative to other investment alternatives; and • the development and sustainability of an active trading market for our stock. Price volatility may be greater if the public float and trading volume of our common stock are low. In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were are involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation. Furthermore, we currently do not expect to declare any dividends on our common stock in the foreseeable future. In addition, because we are a holding company, our ability to pay dividends on our common stock may be limited by restrictions on our ability to obtain sufficient funds through dividends from our subsidiary subsidiaries, including restrictions under our Credit Agreement, and may be further restricted by the terms of any future debt or preferred securities. Your only opportunity to achieve a return on your investment currently is if the price of our common stock appreciates. Future sales, or the perception of future sales, by us or our existing significant stockholders in the public market could cause the market price for our common stock to decline. Future sales of shares of our common stock by our existing significant stockholders in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock and might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. In the future, we may also issue our securities in connection with investments or acquisitions. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of our common stock. Further, any issuance of additional equity securities by us may result in additional dilution to you. Provisions in our organizational documents could delay or prevent a change of control. Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a merger, acquisition, tender offer, takeover attempt or other change of control transaction that a stockholder might consider to be in its best interest, including attempts that might result in a premium over the market price of our common stock. These provisions provide for, among other things: • the division of our Board of Directors into three classes (which provision sunsets in 2026); • the ability of our Board of Directors to issue one or more series of preferred stock with powers, preferences and rights that may be senior or on parity with our common stock, which may reduce its value and could have the effect of impeding the success of an attempt to acquire us or otherwise effect a change of control; • advance notice for nominations of directors by stockholders and for

stockholders to include matters to be considered at stockholder meetings; and • certain limitations on convening special stockholder meetings. These provisions could make it more difficult for a third party to acquire us, even if the third-party's offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. Our amended and restated bylaws provide, subject to limited exceptions, that the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States of America will be the sole and exclusive forums for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our amended and restated bylaws provide, subject to limited exceptions, that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for any (i) derivative action or proceeding brought on behalf of our company, (ii) action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of our company to the Company or our stockholders, (iii) action asserting a claim against the Company or any director, officer or other employee of the Company arising pursuant to any provision of the Delaware General Corporation Law, or the DGCL, or our amended and restated certificate of incorporation or our amended and restated bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware or (iv) action asserting a claim against the Company or any director, officer or other employee of the Company governed by the internal affairs doctrine. These provisions shall not apply to suits brought to enforce a duty or liability created by the Securities Exchange Act of 1934, as amended (the "Exchange Act") or any other claim for which the federal courts have exclusive jurisdiction. Unless we consent in writing to the selections of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended (the "Securities Act"), subject to and contingent upon a final adjudication in the State of Delaware of the enforceability of such exclusive forum provision. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our amended and restated bylaws. These choice of forum provisions may limit a stockholder's ability to bring a claim in a different judicial forum, including one that it may find favorable or convenient for disputes with us or any of our directors, officers or other employees which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provisions that will be contained in our amended and restated bylaws to be inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition. **35**