Risk Factors Comparison 2023-11-16 to 2022-11-17 Form: 10-K

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The risks and uncertainties described below are not the only ones we face and represent risks that our management believes are material to investors regarding an investment in our Company and our business. Additional risks and uncertainties not presently known to us or that we currently deem not material may also harm our business. If any of the following risks actually occur, our business, financial condition or results of operations could be harmed. Risks Related to Our ~~MarketsOur~~ --- **Markets Our** revenues may fluctuate based upon changes in demand for our customers' products. Demand for our products is dependent upon and derived from the level of demand for the machinery, parts and equipment produced by our customers, which are principally manufacturers and fabricators of machinery, parts and equipment for highly specialized applications. Historically, certain markets in which we compete have experienced unpredictable, wide demand fluctuations. Because of the comparatively high level of fixed costs associated with our manufacturing processes, significant declines in our markets **in prior years** have had, and **in the future** may ~~continue to~~ have, a disproportionately adverse impact on our operating results. We have, in several instances, experienced substantial year- to- year declines in net revenues, primarily as a result of decreases in demand in the industries to which our products are sold. ~~We have, in several instances, experienced substantial year- to- year declines in net revenues, primarily as a result of decreases in demand in the industries to which our products are sold.~~ For example, in fiscal 2009, 2010, 2013, 2016, 2020 and 2021, our net revenues, when compared to the immediately preceding year, declined by approximately 31. 1 %, 13. 0 %, 16. 7 %, 16. 6 %, 22. 4 % and 11. 3 %, respectively. We may experience similar ~~fluctuations~~ **declines** in our net revenues in the future ~~. Additionally, demand is likely to continue to be subject to substantial year- to- year fluctuations as a consequence of industry cyclicality, as well as other factors such as global economic uncertainty, and such fluctuations may have a material adverse effect on our business~~ . Profitability in the high- performance alloy industry is highly sensitive to changes in sales volumes. The high- performance alloy industry is characterized by high capital investment and high fixed costs. The cost of raw materials is the primary variable cost in the manufacture of our high- performance alloys and, in fiscal ~~2022~~ **2023** , represented approximately ~~41~~ **48** % of our total cost of sales. Other manufacturing costs, such as labor, energy, maintenance and supplies, often thought of as variable, have a significant fixed element. Profitability is, therefore, very sensitive to changes in volume, and relatively small changes in volume can result in significant variations in earnings. Our ability to effectively utilize our manufacturing assets depends greatly upon continuing demand in our markets, market share gains, and continued acceptance of our new products into the marketplace. We operate in cyclical markets. A significant portion of our revenues is derived from the **historically** cyclical aerospace, power generation and chemical processing markets. Our sales to the aerospace industry constituted ~~46~~ **49** . ~~9~~ **2** % **, to the** ~~of our total sales in fiscal 2022. Our chemical processing and~~ industrial gas turbine ~~sales each~~ **industry 20. 5 % and to the chemical processing industry** constituted ~~18~~ **15** . ~~7~~ **6** % of our total sales in fiscal ~~2022~~ **2023** . The commercial aerospace industry is historically driven by demand from commercial airlines for new aircraft. Demand for commercial aircraft is influenced by industry profitability, trends in airline passenger traffic, the state of U. S. and world economies, the ability of participants within the supply chain to access the necessary levels of staffing required to meet industry demand and the ability of aircraft purchasers to obtain required financing and numerous other factors, including the effects of terrorism and health and safety concerns. Supply chain disruptions in this or any of our other markets could materially and adversely affect our results of operations and financial condition. The military aerospace cycle is highly dependent on U. S. and foreign government funding which is driven by, among other factors, the effects of terrorism, a changing global political environment, U. S. foreign policy, military conflicts around the world and the retirement of older aircraft and technological improvements to new engines that increase reliability. Accordingly, the timing, duration and magnitude of cyclical upturns and downturns cannot be forecasted with certainty. Downturns or reductions in demand for our products sold into the aerospace market could have a material adverse effect on our business. ~~19The~~ -- **The** industrial gas turbine market is also **historically** cyclical in nature. Demand for power generation products is global and is affected by the state of the U. S. and world economies, the availability of financing to power generation project sponsors, the increase in renewable energy and the political environments of numerous countries. The availability of fuels and related prices also have a large impact on demand. Decreased demand for our products in the industrial gas turbine industry may have a material adverse effect on our business. We also sell products into the chemical processing industry, which is also **historically** cyclical in nature. Customer demand for our products in this market may fluctuate widely depending on U. S. and world economic conditions, the availability and price of natural gas, the availability of financing, and the general economic strength of the end use customers in this market. Cyclical declines or sustained weakness in this market could have a material adverse effect on our business. Our business depends, in part, on the success of commercial aircraft programs and our ability to accelerate production levels to timely match order increases in new or existing programs. The success of our business will depend, in part, on the success of new and existing commercial aircraft programs. We are currently under contract to supply components for a number of commercial aircraft programs. Cancellations, reductions or delays of orders or contracts in any of these programs, or regulatory or certification- related groundings which impact the production schedules for any aircraft programs could have a material adverse effect on our business. The competitive nature of our business could result in pressure for price concessions to our customers and increased pressure to reduce costs. We are subject to competition in all of the markets we serve. As a result, we may make price concessions to our customers in the aerospace, chemical processing and power generation markets from time to time, and customer pressure for further price concessions may occur **. During periods of lower demand in other alloy markets, some of our competitors may use their available capacity to produce higher volumes of high- performance**

alloys, which leads to increased competition in the high- performance alloy market. We have experienced increased competition from competitors who produce both stainless steel and high- performance alloys . Maintenance of our market share will depend, in part, on our ability to sustain a cost structure that enables us to be cost- competitive. If we are unable to adjust our costs relative to our pricing and inflation, our profitability could suffer. Our effectiveness in managing our cost structure and pricing for the value provided will be a key determinant of future profitability and competitiveness. Aerospace demand is primarily dependent on two manufacturers. A significant portion of our aerospace products are sold to fabricators and are ultimately used in the production of new commercial aircraft. There are only two primary manufacturers of large commercial aircraft in the world, The Boeing Company and Airbus. A significant portion of our aerospace sales are dependent on the number of new aircraft built by these two manufacturers, which is in turn dependent on a number of factors over which we have little or no control. Those factors include demand for new aircraft from around the globe, utilization levels of commercial and military aircraft, success of new commercial and military aircraft programs **, insufficient levels of inventory throughout the supply chain** and factors that impact manufacturing capabilities, such as the availability of raw materials and manufactured components, changes in highly exacting performance requirements and product specifications, U. S. and world economic conditions, changes in the regulatory environment and labor relations between the aircraft manufacturers and their work forces. Significant interruptions and slowdowns in the number of new aircraft built by the aircraft manufacturers has and may continue to have a material adverse effect on our business. Additionally, as growth in airline travel is less concentrated in ~~international~~ **21international** flights, demand for new aircraft will be more weighted towards single aisle aircraft, as opposed to double aisle aircraft, which utilizes a smaller proportion of our material. During periods of lower demand in other alloy markets, some of our competitors may use their available capacity to produce higher volumes of high- performance alloys, which leads to increased competition in the high- performance alloy market. We have experienced increased competition from competitors who produce both stainless steel and high- performance alloys. As a result of the competition in our markets, we have made price concessions to our customers from time to time, typically on higher volume of more commodity type orders. Maintenance of our market share will depend, in part, on our ability to sustain a cost structure that enables us to be cost- competitive. If we are unable to adjust ~~20our~~ -- **our** costs relative to our pricing, inflation and raw material costs, our profitability will suffer. Our effectiveness in managing our cost structure through changing circumstances will be a key determinant of future profitability and competitiveness. Periods of reduced demand and excess supply as well as the availability of substitute lower- cost materials can adversely affect our ability to price and sell our products at the profitability levels we require to be successful. Additional worldwide capacity and reduced demand for our products could significantly impact future worldwide pricing, which would adversely impact our business. In addition, the potential availability of substitute materials may also cause significant fluctuations in future results as our customers opt for a lower- cost alternative **. For example, the potential substitution of wrought products that we produce by either powder or additive manufacturing could impact our future results** . We change prices on our products as we deem necessary. In addition to the above general competitive impact, other market conditions and various economic factors beyond our control can adversely affect the timing of our pricing actions. The effects of any pricing actions may be delayed due to long manufacturing lead times or the terms of existing contracts. There is no guarantee that the pricing actions we implement will be effective in maintaining our profit margin levels. Risks Related to Raw MaterialsRapid fluctuations in the prices of nickel, cobalt and other raw materials may materially adversely affect our business. To the extent that we are unable to adjust to rapid fluctuations in the price of nickel, cobalt and other raw materials that we use in large quantities, there may be a negative effect on our gross profit margins. Additionally, increases in value added premiums charged by our commodity vendors, particularly nickel, could adversely impact our gross profit margins if those costs cannot be timely included in changes to selling prices. In fiscal ~~2022~~ **2023** , nickel, a major component of many of our products, accounted for approximately ~~51~~ **43** % of our raw material costs, or approximately 21 % of our total cost of sales. We enter into several different types of sales contracts with our customers, some of which allow us to pass on increases in nickel or other raw material prices to our customers. In other cases, we fix the nickel or other raw materials component of our prices for a period of time through the life of a long- term contract. In yet other cases, we price our products at the time of order, which allows us to establish prices with reference to known costs of our raw material inventory, but which does not allow us to offset an unexpected rise in the price of raw materials. We may not be able to successfully offset rapid changes in the price of nickel, cobalt or other raw materials in the future. In the event that raw material price increases occur that we are unable to pass on to our customers, our cash flows or results of operations could be materially adversely affected. Our business cycle is long, involving multiple steps. These refining steps generate high revert scrap pounds that are recycled back through the melt at metal value. This scrap cycle also contributes to a long position as it relates to commodity price risk. Our results of operations may also be negatively impacted if both customer demand and raw material prices rapidly fall at the same time. Because we value our inventory utilizing the first- in, first- out inventory costing methodology, ~~a~~ **22a** rapid decrease in raw material costs has a negative effect on our operating results. In those circumstances, we recognize higher material cost in cost of sales relative to lower raw material market prices that drive the sales price. In addition, we periodically enter into forward purchase agreements for our raw material supply. If we enter into a forward purchase agreement in which the quantity purchased does not match in a timely manner to the quantity sold in one or more customer contracts with fixed raw material prices (including vendor premiums), a rapid or prolonged decrease in the price of significant raw materials could adversely impact our business. Our business is dependent on a number of raw materials that may not be available. We use a number of raw materials in our products which are found in only a few parts of the world and are available from a limited number of suppliers. The availability of these materials may be influenced by private or government cartels, changes in world politics, trade sanctions as a result of geopolitical events such as war, additional regulation, labor relations between the materials producers and their work force, unstable governments in exporting ~~21nations~~ -- **nations** , inflation, general economic conditions and export quotas imposed by governments in nations with rare earth element supplies. The ability of key material suppliers to meet quality and delivery requirements or to provide materials on terms acceptable to us is beyond our control and can also impact our ability to meet commitments to customers. **Shortages** ~~The COVID- 19 pandemic has adversely affected the availability~~ of certain raw materials ~~through its effects on the labor market, availability of transportation for materials and other factors. Future shortages~~ or price fluctuations in raw materials could result in decreased sales as well as decreased margins, or otherwise adversely affect our business. The enactment of new or increased import duties on raw materials imported by us could also decrease availability, thereby adversely affecting our business. The implementation of trade sanctions could result in reduced availability of certain raw materials or result in the need for us to find alternative sources of supply at a higher cost. If suppliers are unable to meet our demands, we may not have alternative sources of supply. In some cases, we have entered into exclusive supply agreements with respect to raw materials, which could adversely affect our business if the exclusive supplier cannot meet quality and delivery requirements to provide materials on terms acceptable to us. The manufacturing of the majority of our products is a complex process and requires long lead times. We may experience delays or shortages in the supply of raw materials. If we are unable to obtain adequate and timely deliveries of required raw materials, we may be unable to timely manufacture sufficient quantities of products, which could cause us to lose sales, incur additional costs, delay new product introductions or suffer harm to our reputation. Risks Related to Our Production and OperationsOur operations are dependent on production levels at our Kokomo facility. Our principal assets are located at our primary integrated production facility in Kokomo, Indiana and at our production facilities in Arcadia, Louisiana and in Mountain Home, North Carolina. The Arcadia and Mountain Home plants, as well as all of the domestic and foreign service centers, rely to a significant extent upon feedstock produced at the Kokomo facility. ~~We have also been affected by shortages of labor, transportation and other services and raw materials in our Kokomo and other production facilities as a result of the COVID- 19 pandemic.~~ Any ~~further~~ production failures, shutdowns or other significant problems at the Kokomo facility could have a material adverse effect on our financial condition and results of operations. We maintain property damage insurance to provide for reconstruction of damaged equipment, as well as business interruption insurance to mitigate losses resulting from any production shutdown caused by an insured loss. Although we believe that our insurance is adequate to cover any such losses, that may not be the case. Additionally, our insurance policies include deductibles that would require us to incur losses that could have an adverse effect on our financial results in the event a significant interruption occurs. One or more significant uninsured losses at our Kokomo facility may have a material adverse effect on our business. In addition, from time to time we schedule planned outages on the equipment at our Kokomo facility for maintenance and upgrades. These projects are subject to a variety of risks and uncertainties, including a variety of market, operational and labor- related factors, many of which may be beyond our control. ~~The COVID- 19 pandemic made it necessary for us to shut down portions of our operations in fiscal 2020. The pandemic, and its effect on our markets and our business, has also required us to temporarily or permanently lay off certain personnel. Certain portions of our operations continue to be affected by personnel shortages.~~ Should a planned or unplanned shut down on a significant piece of equipment, or a significant decrease in personnel or lack of necessary new personnel, last substantially longer than originally planned, there could be a material adverse effect on our business. ~~Our~~ **23Our** production may be interrupted due to equipment failures, energy or personnel shortages, lack of critical spares, or other events affecting our factories. Our manufacturing processes depend on certain sophisticated and high- value equipment, some of which has been in operation for a long period of time for which there may be only limited or no production alternatives. Failures of this equipment, possible significant unplanned delays in equipment upgrades, or the lack of critical spares or skilled personnel to timely repair this equipment, could result in production delays, revenue loss and significant repair costs. In addition, our factories rely on the availability of electrical power and natural gas, transportation for raw materials and finished products and employee access to our workplace that are subject to interruption in the event of severe weather conditions ~~22or~~ **or** other natural or manmade events. While we maintain backup resources to the extent practicable, a severe or prolonged equipment outage, failure or other interruptive event affecting areas where we have significant manufacturing operations may result in loss of manufacturing or shipping days, which could have a material adverse effect on our business. Natural or manmade events that interrupt significant manufacturing operations of our customers also have had ~~,~~ and could continue to have a material adverse effect on our business. Issues related to our agreements with Titanium Metals Corporation could require us to make significant payments and could disrupt our operations and materially affect our financial results. We entered into a Conversion Services Agreement and an Access and Security Agreement with Titanium Metals Corporation (TIMET) in November 2006 that provide for the performance of certain titanium conversion services through November 2026. In 2012, TIMET was acquired by Precision Castparts Corp. which owns Special Metals Corporation, a direct competitor of ours. Events of default under the Conversion Services Agreement include (a) a change in control in which the successor does not assume the agreement, (b) a violation by us of certain non- compete obligations relating to the manufacture and conversion of titanium and (c) failure to meet agreed- upon delivery and quality requirements. If an event of default under the Conversion Services Agreement occurs, TIMET could require us to repay the unearned portion of the $ 50. 0 million fee paid to us by TIMET when the agreement was signed, plus liquidated damages of $ 25. 0 million. Our obligations to pay these amounts to TIMET are secured by a security interest in our four- high Steckel rolling mill, through which we process a substantial amount of our products. In addition, the Access and Security Agreement with TIMET includes, among other terms, an access right that would allow TIMET to use certain of our operating assets, including the four- high mill, to perform titanium conversion services in the event of our bankruptcy or the acceleration of our indebtedness. Exercise by TIMET of its rights under its security interest following a default and non- payment of the amounts provided in the Conversion Services Agreement or exercise of the access rights under the Access and Security Agreement could cause significant disruption in our Kokomo operations, which would have a material adverse effect on our business. In addition, the Conversion Services Agreement contains a requirement that we reserve a significant amount of capacity exclusively for TIMET. That agreement does not contain a volume commitment on TIMET' s part. The agreement also severely limits our ability to manufacture titanium, using the 4 high rolling mill, for any customer other than TIMET. Our levels of business with TIMET have fluctuated. Should TIMET underutilize its reserved capacity, we would not be able to reallocate that capacity during the life of this contract, which could negatively impact our business. Our operations could result in injury to our workers or third parties. Our manufacturing operations could result in harm to our workers or third parties in our facilities. Our manufacturing processes involve the use of heavy equipment, vehicles and chemicals, among other matters, ~~that~~ **which** could lead to harm, injury, death or illness. In addition to harm to individuals, any such occurrences could result in reputational harm, adverse effects on employee morale, litigation and other costs, any of which could materially and adversely affect our business. Although collective bargaining agreements are in place for certain employees, union or labor disputes could still disrupt the manufacturing process. Our operations rely heavily on our skilled employees. Any labor shortage, disruption or stoppage caused by any deterioration in employee relations or difficulties in the renegotiation of labor contracts could reduce our operating margins ~~and~~ **24and** income. Approximately ~~57~~ **56** % of our full- time U. S. employees are affiliated with unions or covered by collective bargaining agreements. The Company entered into two collective bargaining agreements with the United Steel Workers of America which cover eligible hourly employees at the Company' s Arcadia, Louisiana and Kokomo, Indiana facilities. The bargaining agreement which covers eligible hourly employees in the Kokomo, Indiana operations will expire on June 30, ~~2023~~ **2028 and the bargaining agreement which covers eligible hourly employees at the Company' s Arcadia, Louisiana operations will expire on December 21, 2025** . Failure to negotiate new labor agreements when required could result in a work stoppage at one or more of our facilities. In addition, other Company facilities could be subject to union organizing activity. Although we believe that our labor relations have generally been satisfactory, it is possible that we could become subject to additional work rules imposed by agreements with labor unions, or that work stoppages or other labor disturbances could occur in the future, ~~23any~~ -- **any** of which could reduce our operating margins and income and place us at a disadvantage relative to non- union competitors. Product liability and product warranty risks could adversely affect our operating results. We produce many critical products for commercial and military aircraft, industrial gas turbines, chemical processing plants and pharmaceutical production facilities. Failure of our products could give rise to potential substantial product liability and other damage claims as well as reputational harm. We maintain insurance addressing this risk, but our insurance coverage may not be adequate or insurance may not continue to be available on terms acceptable to us. Additionally, we manufacture our products to strict contractually- established specifications using complex manufacturing processes. If we fail to meet the contractual requirements for a product, we may be subject to warranty costs to repair or replace the product itself and additional costs related to customers' damages or the investigation and inspection of non- complying products. These costs are generally not insured. Risks Related to our Research and Technology ActivitiesFailure to successfully develop, commercialize, market and sell new applications and new products could adversely affect our business. We believe that our proprietary alloys, technology, applications development, technical services and metallurgical manufacturing expertise provide us with a competitive advantage over other high- performance alloy producers. Our ability to maintain this competitive advantage depends on our ability to continue to offer products and technical services that have equal or better performance characteristics than competing products at competitive prices. Our future growth will depend, in part, on our ability to address the increasingly demanding needs of our customers by inventing new alloys, enhancing the properties of our existing alloys, timely developing new applications for our existing and new alloys, and timely developing, commercializing, marketing and selling new alloys and products. If we are not successful in these efforts, or if our new alloys / products and product enhancements do not adequately meet the requirements of the marketplace and achieve market acceptance, our business could be negatively affected. Failure to protect our intellectual property rights could adversely affect our business. We rely on a combination of confidentiality, invention assignment and other types of agreements and trade secret, trademark and patent law to establish, maintain, protect and enforce our intellectual property rights. Our efforts in regard to these measures may be inadequate, however, to prevent others from misappropriating our intellectual property rights. In addition, laws in some non- U. S. countries affecting intellectual property are uncertain in their application, which can affect the scope or enforceability of our intellectual property rights. Any of these events or factors could diminish or cause us to lose the competitive advantages associated with our intellectual property, which could have a material adverse effect on our business. ~~Risks~~ **25Risks** Related to Our Cybersecurity ~~ActivitiesWe are~~ **ActivitiesCybersecurity incidents could have numerous adverse effects on our business. Cybersecurity incidents may result in compromises or breaches of our and our customers' systems, the insertion of malicious code, malware, ransomware or other vulnerabilities into our systems and products and in our customers' systems, the exploitation of vulnerabilities in our and our customers' environments, theft or misappropriation of our and our customers' proprietary and confidential information, interference with our and our customers' operations, exposure to legal and other liabilities, higher customer, employee and partner attrition, negative impacts to our sales and reputational harm and other serious negative consequences, any or all of which could materially harm our business. Additionally, outside service providers could be** subject to ~~risks relating~~ **attack which could inhibit those providers' abilities** to **provide necessary services to us. Any such attack could disrupt** our **operations and could have a material adverse effect on our business. As previously disclosed, the Company experienced a network outage indicative of a** cybersecurity ~~measures~~ **incident on June 10, 2023. Upon detection of the incident, the Company engaged third- party specialists to assist in investigating the source of the outage, determine its potential impact on the Company' s systems,** and **securely restore full system functionality. On June 21, 2023, less than** ~~to~~ **two** ~~misappropriation~~ **weeks after the incident began, the Company announced that all manufacturing operations were running and that the Company had substantially restored administrative, sales, financial and customer service functions. Nevertheless, during those 11 days many aspects** of ~~information generally~~ **the Company' s production were substantially disrupted. This cybersecurity incident resulted in a significant loss of production time and a reduction of products shipped in the third quarter of fiscal 2023, which negatively impacted the Company' s financial results for fiscal 2023. In addition, the Company incurred significant costs and expenses, as well as the diversion of management' s attention, in responding to the cybersecurity incident, all of which had a negative impact on the Company** . We have put in place a number of systems, processes and practices designed to protect against intentional or unintentional misappropriation or corruption of our systems and information or disruption of our operations including unauthorized access to our networks, servers and data, encryption of network access and the introduction of malware. Despite our cybersecurity efforts, we could be subject to **future** breaches of **our** security systems **,** which may result in unauthorized access, misappropriation, corruption or disruption of the information we are trying to protect, in which case we could suffer material harm. For example, access to our proprietary information regarding new alloy formulations would allow our competitors to use that information in the development of competing products. Current employees have, and former employees may have, access to a significant amount of information regarding our Company which could be disclosed to our competitors or otherwise used to harm us. Any **future** misappropriation or corruption of our systems and information or disruption of our operations ~~could have a material adverse effect on our business. 24Our information technology systems could be subject to attack. Our information technology systems could be subject to sabotage by employees or third parties, including attacks in which the systems could be shut down with a demand for payment of " ransom ", which could slow or stop production or otherwise adversely affect our business. Additionally, outside service providers could be subject to attack which could inhibit those providers' abilities to provide necessary services to us. Any such attack could disrupt our operations and~~ could have a material adverse effect on our business. We depend on our information technology infrastructure to support the current and future information requirements of our operations which exposes us to risk. Management relies on our information technology infrastructure, including hardware, network, software, people and processes, to provide useful information to support assessments and conclusions about operating performance. Our inability to produce relevant or reliable measures of operating performance in an efficient, cost- effective and well- controlled fashion may have significant negative impacts on our business. We continue to evaluate options to further upgrade our systems, including an implementation to a new enterprise resource planning (ERP) system. A transition to a critical system **or the discontinuation of support from legacy systems** could result in disruptions **,** which could have a significant adverse impact on our business. Risks Related to Our Finance ActivitiesWe value our inventory using the FIFO method, which could put pressure on our margins. The cost of our inventories is determined using the first- in, first- out (FIFO) method. Under the FIFO inventory costing method, the cost of materials included in cost of sales may be different than the current market price at the time of ~~sale~~ **26sale** of finished product due to the length of time from the acquisition of raw material to the sale of the finished product. In a period of decreasing raw material costs, the FIFO inventory valuation normally results in higher costs of sales as compared to the last- in, first- out method. This could result in compression of the gross margin on our product sales. Changes in tax rules and regulations, or interpretations thereof, may adversely affect our effective tax rates. We are a U. S. based company with customers and suppliers in foreign countries. We import various raw materials used in our production processes, and we export goods to our foreign customers. The United States, the European Commission, countries in the EU, ~~including~~ the United Kingdom, and other countries where we do business may change relevant tax, border tax, accounting and other laws, regulations and interpretations, ~~that~~ **which** may unfavorably impact our effective tax rate or result in other costs to us. In addition, the Company has deferred tax assets on its balance sheet which could be subjected to unfavorable impacts if tax rates are reduced ~~, such as those that occurred at the end of calendar year 2017~~ . We could be required to make additional contributions to our defined benefit pension plans or recognize higher related expense in our statement of operations as a result of adverse changes in interest rates and the capital markets. Our estimates of liabilities and expenses for pension benefits incorporate significant assumptions, including the rate used to discount the future estimated liability, the long- term rate of return on plan assets and several assumptions relating to the employee workforce (salary increases, retirement age and mortality). We currently expect that we will be required to make future minimum contributions to our defined benefit pension plans. Many domestic and international competitors do not provide defined benefit plans and / or retiree health plans (which we do provide), and those competitors may have a resulting cost advantage. A decline in the value of plan investments in the future, an increase in costs or liabilities, including those caused by the lowering of the rate used to discount future payouts, or unfavorable changes in laws or regulations that govern pension plan funding could materially change the timing and amount of required pension funding or the amount of related expense recognized in our statement of operations. The Company mitigates this risk with a glide path strategy that utilized liability driven investing (LDI) which shifts a greater concentration towards fixed income securities as the funding percentage increases. The LDI approach is designed to match the duration and risk of the fixed income securities within the U. S. pension plan with that of the US pension benefit obligation. Our mitigation strategies ~~25may~~ -- **may** not be successful, in which case we may be required to fund additional contributions to the plan. A requirement to fund any deficit created in the future could have a material adverse effect on our business. The carrying value of goodwill and other intangible assets may not be recoverable. Goodwill and other intangible assets are recorded at fair value on the date of acquisition. We review these assets at least annually for impairment. Impairment may result from, among other things, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations and a variety of other factors. A sustained downturn may result in the carrying value of our goodwill or other intangible assets exceeding their fair value, which may require us to recognize impairment to those assets. Any future impairment of goodwill or other intangible assets could have a material adverse effect on our business. We may not be able to obtain financing on terms that are acceptable to us, or at all. The strength of the global economy can have a significant impact on the availability of financing from capital markets. Terms for borrowers could become significantly less favorable. As a result of this and other issues, we may not be able to obtain needed financing on terms that are acceptable to us, or at all. Because we rely on financing to fund our working capital requirements, higher finance costs or an inability to obtain financing could negatively impact our business and financial results. Our working capital requirements may negatively affect our liquidity and capital resources. Our working capital requirements can vary significantly, depending in part on the timing of our delivery obligations under various customer contracts and the payment terms with our customers and suppliers. In the past year, the Company experienced a significant increase in order entry and production lead times have been extended which has increased the length of time from the time that we accept a customer order to the time that cash is collected from the sale ~~of~~ **27of** material. If our working capital needs exceed our cash flows from operations, we would look to our cash balances and availability for borrowings under our existing credit facility to satisfy those needs, as well as potential sources of additional capital, which may not be available on satisfactory terms and in adequate amounts, if at all. Risks Related to Our Global OperationsPolitical and social turmoil including global war could adversely affect our business. Political and social turmoil as well as war, could put pressure on economic conditions in the United States and worldwide. These political, social and economic conditions could make it difficult for us, our suppliers and our customers to forecast accurately and plan future business activities, and could adversely affect the financial condition of our suppliers and customers and affect customer decisions as to the amount and timing of purchases from us. ~~The Russian invasion of Ukraine has let to concerns of energy and food shortages that could severely disrupt the economy in the regions that we engage in business. As a result, our business could be materially adversely affected.~~ We are subject to risks associated with global trade ~~mattersWe~~ -- **matters. We** are subject to macroeconomic downturns and geopolitical events in the United States and abroad that may affect the general economic climate, our performance and the demand of our customers. The Russian invasion of Ukraine ~~had~~ **has** resulted in trade restrictions with companies operating in Russia **,** which **has** ~~forces~~ **forced** us and other companies to source raw materials from other countries which can lead to insufficient supply or higher prices for us. Transportation and logistics resources, including shipping and transportation services, have been in short supply, which has had, and may continue to have, an adverse effect on our business. Further, any global trade wars or similar economic turmoil, including new or existing tariffs, could adversely affect our business. In past years, the U. S. and China have imposed tariffs on large amounts of products imported into each of the countries from one another. A “ trade war ” or other governmental action related to tariffs or international trade agreements or policies has the potential to adversely impact demand for our products, our costs, customers, suppliers and / or the U. S. economy or certain sections thereof, and, thus, adversely affect our business. ~~26Our~~ -- **Our** competitors outside of the United States may not be subject to these tariffs or other measures, and therefore, could have a significant competitive advantage over us in that respect. A global recession or disruption in global financial markets could adversely affect us. A global recession or disruption in the global financial markets, including any significant tariff impositions or trade wars, presents risks and uncertainties that we cannot predict. During recessionary economic conditions or financial market disruptions, we face risks that may include: ● declines in revenues and profitability from reduced or delayed orders by our customers; ● reductions in credit availability due to governmental regulations on banking institutions and other concerns; and ● increases in corporate tax rates to finance government spending programs. The risks inherent in our international operations may adversely impact our revenues, results of operations and financial condition. We anticipate that we will continue to derive a significant portion of our revenues from operations in international markets. As we continue to expand internationally, we will need to hire, train and retain qualified personnel for our direct sales efforts and retain distributors and train their personnel in countries where language, cultural or regulatory impediments may exist. Distributors, regulators or government agencies may not continue to accept our products, services and business practices, and costs related to international trade have increased and may continue to increase. In addition, we purchase raw materials on the international market. The sale and shipment of our products and services across international borders, as well as the purchase of raw materials from international sources, subject us to the trade regulations of various jurisdictions, including tariffs and other possible punitive measures. ~~The~~ **In addition, the** Russian invasion of Ukraine led us to **voluntarily** cease ~~voluntarily~~ the procurement of nickel from Russia **(which was previously only a small portion of our need 28at roughly 5 %)** . Compliance with such regulations is costly. Any failure to comply with applicable legal and regulatory obligations could impact us in a variety of ways that include, but are not limited to, significant criminal, civil and administrative penalties, including imprisonment of individuals, fines and penalties, denial of export privileges, seizure of shipments and restrictions on certain business activities. Failure to comply with applicable legal and regulatory obligations could result in the disruption of our shipping, sales and service activities. Our international sales operations expose us and our representatives, agents and distributors to risks inherent in operating in foreign jurisdictions, any one or more of which may adversely affect our business, including: ● our ability to obtain, and the costs associated with obtaining, U. S. export licenses and other required export or import licenses or approvals; ● changes in duties and tariffs, quotas, taxes, trade restrictions, license obligations and other non- tariff barriers to trade; ● policy changes affecting the market for our products; ● burdens of complying with the Foreign Corrupt Practices Act and a wide variety of foreign laws and regulations; ● business practices or laws favoring local companies; ● fluctuations in foreign currencies; ● restrictive trade policies of foreign governments; ● longer payment cycles and difficulties collecting receivables through foreign legal systems; ~~27~~ ● difficulties in enforcing or defending agreements and intellectual property rights; and ● foreign political or economic conditions. Any material decrease in our international revenues or inability to expand our international operations as a result of these or other factors would adversely impact our business. Export sales could present risks to our business. Export sales account for a significant percentage of our revenues, and we believe this will continue to be the case in the future. Risks associated with export sales include: political and economic instability, including weak conditions in the world’ s economies; accounts receivable collection; export controls; changes in legal and regulatory requirements; policy changes affecting the markets for our products; changes in tax laws and tariffs; trade duties; and exchange rate fluctuations (which may affect sales to international customers and the value of profits earned on export sales when converted into dollars). Any of these factors could materially adversely affect our business. Risks Related to Our Legal and Environmental ActivitiesWe may be adversely impacted by costs related to environmental, health and safety laws, regulations, and other liabilities. We are subject to various foreign, federal, state and local environmental, health and safety laws and regulations, including those governing the discharge of pollutants into the environment, the storage, handling, use, treatment and disposal of hazardous substances and wastes and the health and safety of our employees. Under these laws and regulations, we may be held liable for all costs arising out of any release of hazardous substances on, under or from any of our current or former properties or any off- site location to which we sent or arranged to be sent wastes for disposal or treatment, and ~~such~~ **29such** costs may be material. We could also be held liable for any and all consequences arising out of human exposure to such substances or other hazardous substances that may be attributable to our products or other environmental damage. In addition, some of these laws and regulations require our facilities to operate under permits that are subject to renewal or modification. These laws, regulations and permits can require expensive pollution control equipment or operational changes to limit actual or potential impacts to the environment. Violations of these laws, regulations or permits can also result in the imposition of substantial penalties, permit revocations and / or facility shutdowns. We have received permits from the environmental regulatory authorities in Indiana and North Carolina to close and to provide post- closure monitoring and care for certain areas of our Kokomo and Mountain Home facilities that were used for the storage and disposal of wastes, some of which are classified as hazardous under applicable regulations. We are required to monitor groundwater and to continue post- closure maintenance of the former disposal areas at each site. As a result, we are aware of elevated levels of certain contaminants in the groundwater and additional corrective action could be required. Additionally, it is possible that we could be required to undertake other corrective action for any other solid waste management unit or other conditions existing or determined to exist at our facilities. We are unable to estimate the costs of any further corrective action, if required. However, the costs of future corrective action at these or any other current or former sites could have a material adverse effect on our business. We may also incur liability for alleged environmental damages associated with the off- site transportation and disposal of hazardous substances. Our operations generate hazardous substances, many of which we accumulate at our facilities for subsequent transportation and disposal or recycling by third parties off- site. Generators of hazardous substances which are transported to disposal sites where environmental problems are alleged to exist are subject to liability under CERCLA and state counterparts. In addition, we may have generated hazardous substances disposed of at sites which are subject to CERCLA or equivalent state law remedial action. We have been named as a potentially responsible party at one site. CERCLA imposes strict, joint and several liabilities for investigatory and cleanup costs upon hazardous substance generators, site owners and operators and other potentially responsible parties regardless of fault. If we are named as a potentially responsible party at other sites in the future, the costs associated with those future sites could have a material adverse effect on our business. ~~28Environmental~~ -- **Environmental** laws are complex, change frequently and have tended to become increasingly stringent over time, including those relating to greenhouse gases. While we have budgeted for future capital and operating expenditures to comply with environmental laws, changes in any environmental law may directly or indirectly increase our costs of compliance and liabilities arising from any past or future releases of, or exposure to, hazardous substances and may materially adversely affect our business. See " Business — Environmental **Compliance** ~~Matters.~~" **in Part I, Item I in this Annual Report on Form 10- K.** Government regulation is increasing and if we fail to comply with such increased regulation, we could be subject to fines, penalties and expenditures. The United States Congress has adopted several significant pieces of legislation, such as the Sarbanes- Oxley Act of 2002 and the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010, including conflict minerals regulations, that affect our operation as well as those of other publicly traded companies. In addition, regulations relating to data protection and privacy law have become increasingly stringent. Failure to comply with such regulations could result in fines, penalties or expenditures which could have a material adverse effect on our business. Our business is affected by federal rules, regulations and orders applicable to some of our customers who are government contractors. A number of our products are manufactured and sold to customers who are parties to U. S. government contracts or subcontracts. Consequently, we are indirectly subject to various federal rules, regulations and orders applicable to government contractors. From time to time, we are also subject to government inquiries and investigations of our business practices due to our participation in government programs. These inquiries and investigations are costly and consume a substantial amount of internal resources, and costs are expected to increase. Violations of applicable government rules and regulations could result in civil liability, in cancellation or suspension of existing contracts or in ineligibility for future ~~contracts~~ **30contracts** or subcontracts funded in whole or in part with federal funds, any of which could have a material adverse effect on our business. Our business could be materially and adversely affected by climate change and related matters. We analyze climate change risks in two separate categories: transition risks and physical risks. Transition risks are those risks relating to the transition of the global economy to a focus on more climate- friendly technologies. This transition could have adverse financial impacts on us in several ways. For instance, more stringent environmental policies or regulations could lead to increased expenses relating to green- house gas emissions or other emissions that could increase our operating costs. Enhanced emissions- reporting or shifting technology could require us to write off or impair assets or retire existing assets early. Increased environmental mandates could also increase our exposure to litigation. We could be required to incur increased costs and significant capital investment to transition to lower emissions technology. In addition, overall market shifts could increase costs of our raw materials and cause unexpected shifts in energy costs. Market shifts could also bring a prompt change in our overall revenue mix and sources, resulting in reduced demand in alloys and a decrease in revenues. Focus on sustainability has increased, and the entire industry could be stigmatized as not friendly to the environment, which could adversely affect our reputation and our business, including due to difficulties in employee hiring and retention and our ability to access capital. Any of these matters could materially and adversely affect our business, financial condition or results of operations. Physical risks from climate change that could affect our business include acute weather events such as floods, tornadoes or other severe weather and ongoing changes such as rising temperatures or extreme variability in weather patterns. These events could lead to increased capital costs from damage to our facilities, increased insurance premiums or reduced revenue from decreased production capacity based on supply chain interruptions. Any of these events could have a material adverse effect on our business, financial condition or results of operations. Our business subjects us to **the** risk of litigation claims, including those that might not be covered by insurance. Litigation claims may relate to the conduct of our business, including claims pertaining to product liability, commercial disputes, employment actions, employee benefits, compliance with domestic and federal laws and personal injury. Due to the uncertainties of litigation, we might not prevail on claims made against us in the lawsuits that we ~~29currently~~ -- **currently** face, and additional claims may be made against us in the future. The outcome of litigation cannot be predicted with certainty, and some of these lawsuits, claims or proceedings may be determined adversely to us. The resolution in any reporting period of one or more of these matters could have a material adverse effect on our business, particularly in the event that adverse outcomes are not covered by insurance. Our insurance may not provide enough coverage or may not be available on terms that are acceptable to us. We maintain various forms of insurance, including insurance covering claims related to our properties and risks associated with our operations. Our existing property and liability insurance coverages contain exclusions and limitations on coverage. From time- to- time, in connection with renewals of insurance, we have experienced additional exclusions and limitations on coverage, larger self- insured retentions and deductibles and significantly higher premiums. In the future, our insurance coverage may not cover claims to the extent that it has in the past and the costs that we incur to procure insurance may increase significantly, either of which could have an adverse effect on our business. Furthermore, the insurance industry, or our carriers specifically, may continue to alter their business models in manners that are unfavorable to us, resulting in insufficient or more costly coverage, which could adversely affect our business. ~~General~~ **31General** Risk FactorsOur results of operations, financial condition and cash flows have been and may be adversely affected by pandemics, epidemics or other public health emergencies. Our business, results of operations, financial condition, cash flows and stock price have been, and may be in the future, adversely affected by pandemics, epidemics or other public health emergencies, such as the global outbreak of COVID- 19, and the responses of governmental authorities to those emergencies ~~. In March 2020, the World Health Organization characterized COVID- 19 as a pandemic, and the President of the United States declared the COVID- 19 outbreak a national emergency. The outbreak resulted in governments around the world implementing increasingly stringent measures to help control the spread of the virus, including quarantines, " shelter in place " and " stay at home " orders, travel restrictions, business curtailments, school closures, and other measures. In addition, governments and central banks in several parts of the world have enacted fiscal and monetary stimulus measures to counteract the impacts of COVID- 19~~ . An interruption in energy services may cause manufacturing curtailments or shutdowns. We rely upon third parties for our supply of energy resources consumed in the manufacture of our products. The potential for curtailment of certain energy resources exists which could have a material adverse effect on our business. The prices for and availability of electricity, natural gas, hydrogen, oil and other energy resources are subject to volatile market conditions. These market conditions often are affected by political and economic factors, weather issues and other factors, which may be beyond our control. Disruptions in the supply of energy resources could impair our ability to manufacture products for customers. Further, increases in energy costs, which are outside of our control, or changes in costs relative to energy costs paid by competitors, ~~has~~ **have** and may continue to adversely affect our business. To the extent that these uncertainties cause suppliers and customers to be more cost sensitive, increased energy prices may have an adverse effect on our business. If we are unable to recruit, hire and retain skilled and experienced personnel, our ability to effectively manage and expand our business will be harmed. Our success largely depends on the skills, experience and efforts of our officers and other key employees who may terminate their employment at any time. The loss of any of our senior management team could harm our business. Our ability to retain our skilled workforce and our success in attracting and hiring new skilled employees **in a rising wage environment** will be a critical factor in determining whether we will be successful in the future. We face challenges in hiring, training, managing and retaining employees in certain areas including metallurgical researchers, equipment technicians and sales and marketing staff as well as production and maintenance employees. We also face hiring challenges relating to the location of our business. If we are unable to recruit, hire and retain skilled employees, our new product and alloy development and ~~30commercialization~~ -- **commercialization** could be delayed and our marketing and sales efforts could be hindered, which would adversely impact our business. Healthcare costs, including those related to healthcare legislation, have and may continue to impact our business. The Patient Protection and Affordable Care Act and other legislation relating to healthcare have increased our annual employee healthcare cost obligations. In addition, costs associated with healthcare generally, including our retiree healthcare plans, are expected to continue to increase. We cannot predict the effect that healthcare legislation or regulation, and the costs of healthcare in general, will ultimately have on our business. However, each year as opportunities arise, programs are being implemented that are intended to drive savings and improve the health status of our population. The ~~current~~ **most recent** project ~~involves~~ **involved** the transition to a new Third Party Administrator (TPA), with added support elements, which ~~will become~~ **became** effective **on** January 1, 2023. Any significant delay or problems in any future upgrades of our operations could materially adversely affect our business, financial condition and results of operations. We have undertaken, and may continue to undertake, significant capital projects in order to enhance, expand and / or upgrade our facilities and operational capabilities, including rebuilding the A & K line and 4- HI rolling system upgrades. Our ability to achieve the anticipated increased revenues or otherwise realize acceptable returns on these investments or other strategic capital projects that we may undertake is subject to a number of risks, many of which are beyond our control, including the ability of management to ensure the necessary resources are in place to properly execute these projects on time and in accordance with planned costs, the ability of key suppliers to deliver the necessary equipment according to schedule, customer demand (which fluctuates as a result of the cyclical markets in which we operate, as well ~~as~~ **32as** other factors) and our ability to implement these projects with minimal impact to our existing operations. In addition, the cost to implement any given strategic capital project ultimately may prove to be greater than originally anticipated. If we are not able to achieve the anticipated results from the implementation of any of our strategic capital projects, or if we incur unanticipated implementation costs or delays, our business may be materially adversely affected. We consider acquisitions, joint ventures and other business combination opportunities, as well as possible business unit dispositions, as part of our overall business strategy, which involve uncertainties and potential risks that we cannot predict or anticipate fully. We intend to continue to strategically position our businesses in order to improve our ability to compete. Strategies we may employ include seeking new or expanding existing specialty market niches for our products, expanding our global presence, acquiring businesses complementary to existing strengths and continually evaluating the performance and strategic fit of our existing business units. From time to time, management of the Company holds discussions with management of other companies to explore acquisitions, joint ventures and other business combination. As a result, the relative makeup of our business is subject to change. Acquisitions, joint ventures and other business combinations involve various inherent risks, such as: assessing accurately the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition or other transaction candidates; the potential loss of key personnel of an acquired business; integration of technological systems; our ability to achieve identified financial and operating synergies anticipated to result from an acquisition or other transaction; diversion of the attention of certain management personnel from their day- to- day duties; and unanticipated changes in business and economic conditions affecting an acquisition or other transaction. International acquisitions or business combinations could be affected by many additional factors, including, without limitation, export controls, exchange rate fluctuations, domestic and foreign political conditions and deterioration in domestic and foreign economic conditions. Our stock price is subject to fluctuations that may not be related to our performance as a result of being traded on a public exchange. The stock market can be highly volatile. The market price of our common stock is likely to be similarly volatile, and investors in our common stock may experience a decrease in the value of their stock, including decreases unrelated to our operating performance or our prospective outlook of our business. The price of our common stock could be subject to ~~31wide~~ -- **wide** fluctuations in response to a number of factors, including, but not limited to, those described elsewhere in this " Risk Factors " section and those listed below: ● fluctuations in the market price of nickel (or other raw materials, such as cobalt, molybdenum or ferrochrome) or energy as well as increases in value added vendor premiums; ● market conditions in the end markets into which our customers sell their products, principally aerospace, power generation and chemical processing; ● implementation of barriers to free trade between the United States and other countries; ● announcements of technological innovations or new products and services by us or our competitors; ● the operating and stock price performance of other companies that investors may deem comparable to us; ● announcements by us of acquisitions, alliances, joint development efforts or corporate partnerships in the high- temperature resistant alloy and corrosion- resistant alloy markets; ● market conditions in the technology, manufacturing or other growth sectors ● financial performance of our competitors; and ● rumors relating to us or our competitors. **33** ~~We may not continue to pay dividends at the current rate or at all. Any future payment of dividends, including the timing and amount thereof, will depend upon our Board of Director' s assessment of the economic environment, our operations, financial condition, projected liabilities, compliance with contractual restrictions in our credit agreement and restrictions imposed by applicable law and other factors. Provisions of our certificate of incorporation and by- laws could discourage potential acquisition proposals and could deter or prevent a change in control. Some provisions in our certificate of incorporation and by- laws, as well as Delaware statutes, may have the effect of delaying, deterring or preventing a change in control. These provisions, including those regulating the nomination of directors and those allowing the Board of Directors to issue shares of preferred stock without stockholder approval, may make it more difficult for other persons, without the approval of our Board of Directors, to launch takeover attempts that a stockholder might consider to be in his or her best interest. These provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock. Our business could be adversely affected by actions of proxy advisory firms, large institutional shareholders and activist shareholders in response to Environmental, Social and Governance (ESG) matters. An organization' s reputation is built on its relationship with employees, customers, suppliers, investors and the community they operate within. Companies across a variety of industries, including the metals industry, are experiencing an increase in shareholder activism, particularly shareholder proposals regarding environmental sustainability, diversity and inclusion, and governance matters.. If we are required to respond to shareholder proposals (including the implementation of any proposals), proxy contents or other actions by activist shareholder, we could incur significant expense, disruptions to our operations and diversion of the attention of management and our employees. Perceived uncertainties as to our future direction, strategy or leadership as a consequence of activist shareholders initiatives may result in reputational damage, which could negatively impact relationships with customers and strategic partners, impair our ability to attract and retain employees, and cause volatility in our stock price. 32~~