

Risk Factors Comparison 2023-12-20 to 2022-12-21 Form: 10-K

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Our business, financial condition, operating results and cash flows may be impacted by a number of factors, many of which are beyond our control, including those set forth below and elsewhere in this Annual Report on Form 10-K, any one of which may cause our actual results to differ materially from anticipated results: Strategic, Business and Operational Risks We may not be able to effectively execute our acquisition strategy, which could slow our growth. A key element of our strategy is growth through the acquisition of additional companies. Our acquisition strategy is affected by and poses a number of challenges and risks, including the following: • Availability of suitable acquisition candidates; • Availability of capital; • Diversion of management's attention; • Effective integration of the operations and personnel of acquired companies; • Potential write-downs of acquired intangible assets; • Potential loss of key employees of acquired companies; • Use of a significant portion of our available cash; • Significant dilution to our shareholders for acquisitions made utilizing our securities; • Consummation of acquisitions on satisfactory terms; and • Obtaining applicable domestic and / or foreign governmental approvals such as antitrust and foreign investment related authorizations. We may not be able to successfully execute our acquisition strategy, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations. Our success is dependent on the development and manufacture of new products, equipment and services. Our inability to develop, manufacture and introduce new products and services at profitable pricing levels could reduce our sales or sales growth. The aviation, defense, space, medical, telecommunications and electronics industries are constantly undergoing development and change and, accordingly, new products, equipment and methods of repair and overhaul service are likely to be introduced in the future. In addition to manufacturing electronic and electro-optical equipment and selected aerospace and defense components for OEMs and the U. S. government and repairing jet engine and aircraft components, we re-design sophisticated aircraft replacement parts originally developed by OEMs so that we can offer the replacement parts for sale at substantially lower prices than those manufactured by the OEMs. Consequently, we devote substantial resources to research and Index product development. Technological development poses a number of challenges and risks, including the following: • We may not be able to successfully protect the proprietary interests we have in various aircraft parts, electronic and electro-optical equipment and our repair processes; • As OEMs continue to develop and improve jet engines and aircraft components, we may not be able to re-design and manufacture replacement parts that perform as well as those offered by OEMs or we may not be able to profitably sell our replacement parts at lower prices than the OEMs; • We may need to expend significant capital to:- purchase new equipment and machines,- train employees in new methods of production and service, and- fund the research and development of new products; and • Development by our competitors of patents or methodologies that preclude us from the design and manufacture of aircraft replacement parts or electrical and electro-optical equipment could adversely affect our business, financial condition and results of operations. In addition, we may not be able to successfully develop new products, equipment or methods of repair and overhaul service, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations. Intense competition from existing and new competitors may harm our business. We face significant competition in each of our businesses. Flight Support Group • For jet engine and aircraft component replacement parts, we compete with the industry's leading jet engine and aircraft component OEMs. • For the distribution, overhaul and repair of jet engine and aircraft components and avionics and navigation systems as well as the manufacture of specialty aircraft and defense related parts, we compete with:- major commercial airlines, many of which operate their own maintenance and overhaul units;- OEMs, which manufacture, distribute, repair and overhaul their own and other OEM parts; and- other independent service companies. Electronic Technologies Group • For the design and manufacture of various types of electronic, data and microwave, and electro-optical equipment products, we compete in a fragmented marketplace with a number of companies, some of which are well capitalized. Many of the industries serviced by our operating segments are highly fragmented, have several highly visible leading companies, and are characterized by intense competition. Some of our OEM competitors have greater name recognition than HEICO, as well as complementary lines of business and financial, marketing and other resources that HEICO does not have. In addition, OEMs, aircraft maintenance providers, leasing companies and FAA-certificated repair facilities may attempt to bundle their services and product offerings in the supply industry, thereby significantly increasing industry competition. Moreover, our smaller competitors may be able to offer more attractive pricing of parts as a result of lower labor costs or other factors. A variety of potential actions by any of our competitors, including a reduction of product prices or the establishment by competitors of long-term relationships with new or existing customers, could have a material adverse effect on our business, financial condition and results of operations. Competition typically intensifies during cyclical downturns in the aviation industry, when supply may exceed demand. We may not be able to continue to compete effectively against present or future competitors, and competitive pressures may have a material adverse effect on our business, financial condition and results of operations. The inability to obtain certain components and raw materials from suppliers could harm our business. Our business is affected by the availability and price of the raw materials and component parts that we use to manufacture our products. Our ability to manage inventory and meet delivery requirements may be constrained by our suppliers' ability to adjust delivery of long-lead time products during times of volatile demand. The supply chains for our business could also be disrupted by external events such as natural disasters, extreme weather events, pandemics, labor disputes, governmental actions and legislative or regulatory changes. As a result, our suppliers may fail to perform according to specifications when required and we may be unable to identify alternate suppliers or to otherwise mitigate the consequences of their non-performance. Transitions to new suppliers may result in significant costs and delays, including

those related to the required recertification of parts obtained from new suppliers with our customers and / or regulatory agencies. Our inability to fill our supply needs could jeopardize our ability to fulfill obligations under customer contracts, which could result in reduced revenues and profits, contract penalties or terminations, and damage to customer relationships. Further, increased costs of such raw materials or components could reduce our profits if we were unable to pass along such price increases to our customers. Product specification costs and requirements could cause an increase to our costs to complete contracts. The costs to meet customer specifications and requirements could result in us having to spend more to design or manufacture products and this could reduce our profit margins on current contracts or those we obtain in the future. We may incur damages or disruption to our business caused by natural disasters and other factors that may not be covered by insurance. Several of our facilities, as a result of their locations, could be subject to a catastrophic loss caused by hurricanes, tornadoes, earthquakes, floods, fire, power loss, telecommunication and information systems failure, political unrest or similar events. Our corporate headquarters and facilities located in Florida are particularly susceptible to hurricanes, storms, tornadoes or other natural disasters that could disrupt our operations, delay production and shipments, and result in large expenses to repair or replace the facility or facilities. Should insurance or other risk transfer mechanisms, such as our existing disaster recovery and business continuity plans, be insufficient to recover all costs, we could experience a material adverse effect on our business, financial condition and results of operations. We are subject to the risks associated with sales to foreign customers, which could harm our business. We market our products and services to approximately 125 countries, with approximately ~~35~~ **34** % of our consolidated net sales in fiscal ~~2022~~ **2023** derived from sales to foreign customers. We expect that sales to foreign customers will continue to account for a significant portion of our revenues in the foreseeable future. As a result, we are subject to risks of doing business internationally, including the following: • Fluctuations in currency exchange rates ; • **Geopolitical unrest, war, terrorism and other acts of violence** ; • Volatility in foreign political, regulatory, and economic environments; • Ability to obtain required export licenses or approvals; • Uncertainty of the ability of foreign customers to finance purchases; • Uncertainties and restrictions concerning the availability of funding credit or guarantees; • Imposition of taxes, export controls, tariffs, embargoes and other trade restrictions; and • Compliance with a variety of international laws, as well as U. S. laws affecting the activities of U. S. companies abroad such as the U. S. Foreign Corrupt Practices Act. While the impact of these factors is difficult to predict, any one or more of these factors may have a material adverse effect on our business, financial condition and results of operations. Cyber security events or other disruptions of our information technology systems could adversely affect our business. We rely on information technology systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of critical business processes and activities. We also collect and store sensitive data, including confidential business information and personal data. These systems may be susceptible to damage, disruptions or shutdowns due to attacks by computer hackers, computer viruses, employee error or malfeasance, power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events. In addition, security breaches of our systems could result in the misappropriation or unauthorized disclosure of confidential information or personal data belonging to us or to our employees, partners, customers or suppliers. Any such events could disrupt our operations, delay production and shipments, result in defective products or services, damage customer relationships and our reputation and result in legal claims or proceedings that could have a material adverse effect on our business, financial condition and results of operations. We may not have the administrative, operational or financial resources to continue to grow the company. We have experienced rapid growth in recent periods and intend to continue to pursue an aggressive growth strategy, both through acquisitions and internal expansion of products and services. Our growth to date has placed, and could continue to place, significant demands on our administrative, operational and financial resources. We may not be able to grow effectively or manage our growth successfully, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations. Goodwill and other intangible assets represent a significant portion of our total assets, and we may never realize the full value of our intangible assets. As a result of our acquisitions, goodwill and intangible assets represent a significant portion of our total assets. As of October 31, ~~2022 and 2021~~, **2023 and 2022**, goodwill and intangible assets, net of amortization, accounted for ~~59 % and 58 %~~ **64 % and 59 %** of our total assets, respectively. We test our goodwill and intangible assets for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. We may not realize the full value of our goodwill and intangible assets, and to the extent that impairment has occurred, we would be required to recognize the impaired portion of such assets in our earnings. An impairment of a significant portion of such assets could have a material adverse effect on our business, financial condition and results of operations. We are dependent on key personnel and the loss of these key personnel could have a material adverse effect on our success. Our success substantially depends on the performance, contributions and expertise of our senior management team led by Laurans A. Mendelson, our Chairman and Chief Executive Officer, and Eric A. Mendelson and Victor H. Mendelson, our Co- Presidents. Technical employees are also critical to our research and product development, as well as our ability to continue to re- design sophisticated products of OEMs in order to sell competing replacement parts at substantially lower prices than those manufactured by the OEMs. The loss of the services of any of our executive officers or other key employees or our inability to continue to attract or retain the necessary personnel could have a material adverse effect on our business, financial condition and results of operations. Our executive officers and directors have significant influence over our management and direction. As of December ~~2018~~, **2022-2023**, collectively our executive officers and entities controlled by them, the HEICO Savings and Investment Plan (our 401 (k) Plan) and members of the Board of Directors beneficially owned approximately 19 % of our outstanding Common Stock and approximately 3 % of our outstanding Class A Common Stock. Accordingly, they will be able to substantially influence the election of the Board of Directors and control our business, policies and affairs, including our position with respect to proposed business combinations and attempted takeovers.

Industry and Macroeconomic Risks Our success is highly dependent on the performance of the aviation industry, which could be impacted by lower demand for commercial air travel or airline fleet changes causing lower demand for our goods and

services. General global industry and economic conditions that affect the aviation industry also affect our business. We are subject to macroeconomic cycles and when recessions occur, we may experience reduced orders, payment delays, supply chain disruptions or other factors as a result of the economic challenges faced by our customers, prospective customers and suppliers. Further, the aviation industry has historically been subject to downward cycles from time to time which reduce the overall demand for jet engine and aircraft component replacement parts and repair and overhaul services, and such downward cycles result in lower sales and greater credit risk. Demand for commercial air travel can be influenced by airline industry profitability, world trade policies, government- to- government relations, terrorism, disease outbreaks, environmental constraints imposed upon aircraft operations, technological changes, price and other competitive factors. **Lower commercial air travel caused by risks arising from public health threats, such as the the COVID- 19 global pandemic and their aftermath, airline fleet changes or airline purchasing decisions, could cause lower demand for our goods and services.** These global industry and economic conditions may have a material adverse effect on our business, financial condition and results of operations. The retirement or prolonged grounding of commercial aircraft could reduce our revenues and the value of any related inventory. Our Flight Support Group designs and manufactures jet engine and aircraft component replacement parts and also repairs, overhauls and distributes jet engine and aircraft components. If aircraft or engines for which we offer replacement parts or supply repair and overhaul services are retired or grounded for prolonged periods of time and there are fewer aircraft that require these parts or services, our revenues may decline as well as the value of any related inventory. Reductions in defense, space or homeland security spending by U. S. and / or foreign customers could reduce our revenues. In fiscal **2022-2023**, approximately **56-35** % of ~~the our~~ net sales of our Electronic Technologies Group were derived from the sale of defense, commercial and defense satellite and spacecraft components, and homeland security products. A decline in defense, space or homeland security budgets or additional restrictions imposed by the U. S. government on sales of products or services to foreign military agencies could lower sales of our products and services. We are subject to risks arising from **public health threats, such as the** the COVID- 19 global pandemic (~~the " Pandemic Health Emergencies "~~). Our results of operations may continue to reflect the adverse impact from the **COVID- 19 Pandemic pandemic**, including its impact on our supply chain and inflationary pressures. ~~A pandemic or other public health Health Emergencies epidemic, poses – pose the a~~ risk that we or our employees, customers, suppliers, manufacturers and other commercial partners may be prevented from conducting business activities for an indefinite period of time, including due to the spread of the disease or shutdowns requested or mandated by governmental authorities. The extent to which ~~the Pandemic Health Emergencies~~ may have a material adverse effect on our future business, financial condition and results of operations will depend on many factors that are not within HEICO' s control, including but not limited to the ~~Pandemic's~~ path and effect **of Health Emergencies**, including factors like new variants and vaccination rates, potential supply chain disruptions and inflation, which can impact our key markets. Regulatory and Legal Risks We are subject to governmental regulation and our failure to comply with these regulations could cause the government to withdraw, suspend or revoke our authorizations and approvals to do business and could subject us to penalties and sanctions that could harm our business. Governmental agencies throughout the world, including the FAA, highly regulate the manufacture, repair and overhaul of aircraft parts and accessories. We include, with the replacement parts that we sell to our customers, documentation certifying that each part complies with applicable regulatory requirements and meets applicable standards of airworthiness established by the FAA or the equivalent regulatory agencies in other countries. In addition, our repair and overhaul operations are subject to certification pursuant to regulations established by the FAA. Specific regulations vary from country to country, although compliance with FAA requirements generally satisfies regulatory requirements in other countries. The revocation or suspension of any of our material authorizations or approvals would have an adverse effect on our business, financial condition and results of operations. New and more stringent government regulations, if adopted and enacted, could have an adverse effect on our business, financial condition and results of operations. In addition, certain product sales to foreign countries of our Electronic Technologies Group and Flight Support Group require export approval or licensing from the United States (" U. S. ") government. Denial of export licenses could reduce our sales to those countries and could have a material adverse effect on our business. Pursuant to the Dodd- Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission promulgated disclosure requirements regarding the use of certain minerals (tantalum, tin, gold and tungsten), known as conflict minerals, which are mined from the Democratic Republic of the Congo or another Covered Country. There are costs associated with complying with the disclosure requirements, such as costs related to determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes, or sources of supply as a consequence of such verification activities. Given the complexity of our supply chain, we may not be able to ascertain the origin of these minerals used in our products in a timely manner, which could cause some of our customers to disqualify us as a supplier to the extent we are unable to certify our products are conflict mineral free. Additionally, the rule could affect sourcing at competitive prices and availability in sufficient quantities of such minerals used in our manufacturing processes for certain products. Also, in foreign countries in which we have operations or business, a risk exists that our associates, contractors or agents could, in contravention of our policies and compliance programs, engage in business practices prohibited by U. S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act (" FCPA "), or the laws and regulations of other countries, such as the United Kingdom Bribery Act. Any such violations could have a material adverse effect on our business. Tax changes could affect our effective tax rate and future profitability. We file income tax returns in the U. S. federal jurisdiction, multiple state jurisdictions and certain jurisdictions outside the U. S. In fiscal **2022-2023**, our effective tax rate was 20. **40** %. Our future effective tax rate may be adversely affected by a number of factors, including the following: • Changes in statutory tax rates in any of the various jurisdictions where we file tax returns; • Changes in available tax credits or tax deductions; • Changes in tax laws or the interpretation of such tax laws including interpretations, amendments and technical corrections of the ~~recently enacted~~ Tax Cuts and Jobs Act; • Changes to the accounting for income taxes in accordance with generally accepted accounting principles; • The amount of net income attributable to noncontrolling interests in our subsidiaries structured as partnerships; •

Changes in the mix of earnings in jurisdictions with differing statutory tax rates; • Adjustments to estimated taxes upon finalization of various tax returns; • Resolution of issues arising from tax audits with various tax authorities; and • The reversal of any previously experienced tax- exempt unrealized gains in the cash surrender values of life insurance policies related to the HEICO Corporation Leadership Compensation Plan, a nonqualified deferred compensation plan. Any significant increase in our future effective tax rates could have a material adverse effect on net income for future periods. We may incur product liability claims that are not fully insured and such insurance may not be available at commercially reasonable rates. Our jet engine and aircraft component replacement parts and repair and overhaul services expose our business to potential liabilities for personal injury or death as a result of the failure of an aircraft component that we have designed, manufactured or serviced. While we maintain liability insurance to protect us from future product liability claims, an uninsured or partially insured claim, or a claim for which third- party indemnification is not available, could have a material adverse effect on our business, financial condition and results of operations. Additionally, our customers typically require us to maintain substantial insurance coverage at commercially reasonable rates and our inability to obtain insurance coverage at commercially reasonable rates could have a material adverse effect on our business. We may incur environmental liabilities and these liabilities may not be covered by insurance. Our operations and facilities are subject to a number of federal, state and local environmental laws and regulations, which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of hazardous materials. Pursuant to various environmental laws, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous materials. Environmental laws typically impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous materials in the environment. Although management believes that our operations and facilities are in material compliance with environmental laws and regulations, future changes in them or interpretations thereof or the nature of our operations may require us to make significant additional capital expenditures to ensure compliance in the future. We carry limited specific environmental insurance, thus, losses could occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not covered in full or in part by insurance could have a material adverse effect on our business, financial condition and results of operations. **26**