Risk Factors Comparison 2024-03-25 to 2023-03-24 Form: 10-K

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

You should carefully consider the following risks, as well as the other information contained in this Annual Report on Form 10-K. The occurrence of one or more of the circumstances or events described in this section could have a material adverse effect on our business, financial condition, results of operations, cash flows or on the trading prices of our common stock. The risks and **- 12- Index** uncertainties described in this Annual Report on Form 10- K are not the only ones we face. Additional risks and uncertainties not known to us at this time or that we currently believe are immaterial also may adversely affect our business and operations. ~~- 12- Index~~ Risks Related to Our Business and Industry Disruptions in the economy and in financial markets, inflationary pressures and increasing interest rates could adversely affect consumer purchases of discretionary items, which could reduce our net sales and adversely affect our business, results of operations, liquidity, cash flows and financial condition. In general, our sales represent discretionary spending by our customers. Discretionary spending is affected by many factors that are outside our control, including, among others, general business conditions, inflation, interest rates, prices of non-discretionary consumer goods, household income, consumer debt levels, the availability of consumer credit, tax rates and tax refunds, sales tax holidays, energy prices, geopolitical conflicts, ~~COVID- 19 or other~~ **unemployment and underemployment trends, consumer confidence and spending and** widespread public health events or pandemics, **including COVID- 19** ~~unemployment and underemployment trends, and consumer confidence and spending~~ . Disruptions in the U. S. economy, financial markets or other economic conditions affecting disposable consumer income may reduce the level of consumer spending and inhibit consumers' use of credit, which may adversely affect our revenues, profits, liquidity and capital resources. Inflation, as well as some of the measures taken by or that may be taken by the federal government in an attempt to curb inflation, including interest rate increases, may have negative effects on the U. S. economy **, the financial health of our customers** and our business. In recessionary periods or periods of slow growth, we ~~may~~ have ~~to increase~~ **increased** the number of promotional sales or otherwise ~~dispose~~ **disposed** of inventory for which we ~~have~~ previously paid to manufacture or committed to purchase and / or ~~increase~~ **increased** our marketing and promotional expenses in response to lower than anticipated levels of demand for our products **, and we may have to implement those or similar measures in the future** , which could adversely affect our profitability. Additionally, a reduction in customer traffic to our stores or a shift in customer spending to products other than those sold by us or to products sold by us that are less profitable could result in lower net sales, decreases in inventory turnover or a reduction in profitability due to lower margins. Our financial performance may also be particularly susceptible to economic and other conditions in regions or states where we have a significant number of stores. We depend on our vendors to provide us with sufficient quantities of quality products in a timely **and cost- effective** fashion. If we lose any of our key vendors or any of our key vendors fail to supply us with quality brand name merchandise at competitive prices, we may not be able to meet the demand of our customers and our net sales and profitability could decline. Our success is largely dependent on our consumers' perception and connection to the brand names we carry, such as Nike, Jordan, adidas, Puma, New Balance and Under Armour, among others. Brand value is based in part on our ~~consumer~~ **customer** ' s perception on a variety of subjective qualities ~~so~~ **such** that even an isolated incident could erode brand value and consumer trust, particularly if there is considerable publicity or litigation. Consumer demand for our products or brands could diminish significantly in the event of erosion of consumer confidence or trust, resulting in lower sales, which could have a material adverse effect on our business, financial condition and results of operations. In addition, as a retailer of manufacturers' branded items, we are dependent on the availability and sufficient allocation of key products and brands. Our business is dependent upon close relationships with our vendors and our ability to purchase brand name merchandise at competitive prices. During Fiscal ~~2023~~ **2024** , approximately ~~70~~ **74** % of our inventory was purchased from one vendor, Nike, who accounted for approximately ~~69~~ **73** % of our net sales. Our inability to obtain merchandise in a timely **or cost- effective** manner from major suppliers as a result of business decisions by suppliers, including the expansion of direct- to- consumer programs by our vendors, or disruptions in the global transportation network or our supply chains, such as port strikes and backlogs, geopolitical conflicts ~~(including the conflict between Russia and Ukraine)~~ , weather conditions, ~~COVID- 19~~ **work stoppages, labor shortages** or other **labor unrest, political or social unrest or** widespread public health events or pandemics, ~~work stoppages~~ **including COVID- 19** , ~~labor shortages or other labor unrest~~ could have a material adverse effect on our business, financial condition, and results of operations. Because of our strong dependence on Nike, any adverse development in Nike' s distribution strategy, financial condition, or results of operations, or the inability of Nike to develop and manufacture products that appeal to our target customers, could also have an adverse effect on our business, financial condition, and results of operations. As a retailer, we cannot control the supply, design, function or cost of many of the products we offer for sale. Moreover, certain merchandise that is in high demand may be allocated by vendors based upon the vendors' internal criteria, which ~~is~~ **are** beyond our control. As a result, our sales could decline if we are not provided with a sufficient allocation of high demand merchandise from one or more of our key vendors, including in the event one or more of our key vendors chooses to sell such merchandise in their ~~online~~ **direct- to- consumer** business, or if our key vendors' merchandise were to decline in quantity, quality or desirability to our customers. Our **- 13-** profits could decline if we are unable to pass along any increases in the cost of brand merchandise from our key vendors, including costs resulting from higher tariffs or taxes on imported merchandise. We believe that we have long-standing and strong relationships with our vendors and that we have adequate sources of brand name merchandise on competitive terms. However, the loss or decline of key vendor support, including return privileges, volume ~~- 13-~~ purchasing allowances and cooperative marketing funds, could have a material adverse effect on our business, financial condition and results of operations. There can be no assurances that we will be able to acquire such merchandise at competitive prices or on competitive terms in the future. We also rely on services and products from non- merchandise vendors. A disruption in these services or products due to the financial condition or inefficient operations of these vendors could adversely affect our business operations. If we are unable to provide a relevant and reliable experience for our customers across multiple channels that is comparable to our competitors, we may not be able to compete effectively, and our sales, profitability and reputation may be adversely affected. Our business has evolved from ~~an~~ **a purely** in- store experience to interacting with customers across multiple channels (including, but not limited to, in- store, online, mobile apps and social media). Our customers use these channels to shop with us and provide feedback and public commentary about our business **and the products we sell** . Our evolving retailing efforts include implementing technology, software and processes to be able to conveniently and cost- effectively fulfill customer orders directly from any point within our system of stores ~~,~~ **and our wholesale and** logistics and distribution facilities, and **from** vendors. Providing multiple fulfillment options and implementing new technology is complex and may not meet the expectations for accurate order fulfillment, faster and guaranteed delivery times, low- cost or free shipping and desired payment methods. If we fail to anticipate and meet changing customer expectations or counteract developments and investments by our competition; fail to collect accurate, relevant and usable customer data to personalize product offerings; or are unable to offset increased fulfillment costs, our results of operations could be adversely affected. Our omni- channel platform integrates digital commerce with our stores to provide a seamless experience for our customers. Our mobile apps, buy online pickup in store (" BOPIS"), reserve online pickup in store (" ROPIS") and buy online ship to store (" BOSS") complement our e- commerce site and provide our customers with customized advanced features and shopping experiences. We cannot give any assurances that our omni- channel platform, including our mobile apps, BOPIS, ROPIS and BOSS, will perform in a manner that will give us the ability to attract and retain customers, increase sales and successfully compete with other online retailers. Moreover, to make available our omni- channel platform, we rely on various technology systems and services, some of which are provided and managed by third- party service providers. To the extent such third- party components do not perform or function as anticipated, such failure can significantly interfere in our ability to meet our customers' changing expectations. If we do not successfully provide a relevant and up- to- date digital experience ~~or~~ **,** cannot attract online buyers through our omni- channel platform, or are unable to do so in a cost- efficient manner, our sales, profitability and reputation could be adversely affected. The industry in which we operate is dependent upon fashion trends, customer preferences, product innovations and other fashion- related factors. Our inability to anticipate and respond quickly to changing ~~consumer~~ **customer** preferences could reduce our net sales or profitability. The athletic footwear and apparel industry, especially at the premium end of the price spectrum, is subject to changing fashion trends and customer preferences. A large part of our business is dependent on our ability to anticipate and respond quickly to changing customer preferences and effectively manage our inventory while maintaining sufficient inventory levels to operate effectively. Retailers in the athletic fashion industry rely on their suppliers to maintain innovation in the products they develop. We cannot guarantee that our merchandise selection will accurately reflect customer preferences when it is offered for sale or that we will be able to identify and respond quickly to fashion changes, particularly given the long lead times for ordering much of our merchandise from suppliers. Our failure to anticipate, identify or react appropriately in a timely manner to changes in fashion trends that would make athletic footwear or athletic apparel less attractive to our customers could have a material adverse effect on our business, financial condition, and results of operations. In addition, if we do not obtain accurate and relevant data on customer preferences, predict and quickly respond to changing preferences, spending patterns and other lifestyle decisions, implement competitive and effective pricing and promotion strategies, or personalize our offerings to our customers, we may experience lost sales, aged and irrelevant inventory, and increased inventory markdowns, which could adversely affect our results of operations. Inventory management is crucial to our business operations, and supply chain disruptions, which have negatively affected and **- 14-** could in the future negatively affect the flow or availability of certain products, have at times challenged our management of inventory positions and resulted in some delays in delivering products to our **wholesale and** logistics ~~and distribution facilities~~ **facility** , stores or customers. ~~- 14-~~ Pressure from our competitors may force us to reduce our prices or increase our spending on marketing and promotion, which could lower our net sales, gross profit and operating income. The business in which we are engaged is ~~a~~ highly competitive and **rapidly** evolving ~~market~~ . The marketplace for athletic specialty merchandise is highly fragmented **,** as many different brick **-** and **-** mortar and online retailers compete for market share by utilizing a variety of formats and merchandising strategies. We compete directly and indirectly with specialty stores, department stores, traditional shoe stores, mass merchandisers, e- commerce retailers and ~~, in some of our large and mid- size markets,~~ national sporting goods superstores. In addition, we face increasing competition from vendors that sell directly to consumers, especially Nike. Increased competition from key vendors' direct **-** to **-** consumer programs may adversely affect our market share and reduce our revenues, as well as adversely impact our future product allocation from vendors. Many of our competitors have greater financial, marketing, distribution, and delivery resources than we do, which enable them to spend significantly more on marketing and other initiatives. In addition, many of our competitors employ price discounting policies that, if intensified, may make it difficult for us to reach our sales goals without reducing our prices. Should our competitors increase spending on marketing and other initiatives such as additional discounting, ~~if~~ **should** our marketing funds decrease for any reason, or should our marketing, promotions or initiatives be less effective than our competitors, there could be a material adverse effect on our **business,** results of operations and financial condition. As a result, we may also need to spend more on marketing, promotions, and initiatives than we anticipate. Inadequate marketing that is less effective than our competitors could inhibit our ability to maintain relevance in the **marketplace** ~~market place~~ and drive increased sales. We cannot guarantee that we will continue to be able to compete successfully against existing or future competitors. Expansion into ~~markets~~ **communities** served by our competitors, entry of new competitors or expansion of existing competitors into ~~our markets~~ **the communities we serve** could be detrimental to our business, financial condition, and results of operations. We would be materially and adversely affected if all or a portion of our ~~primary~~ wholesale and logistics facility was disrupted. Our

~~primary~~ wholesale and logistics facility is located in Alabaster, Alabama, a suburb of Birmingham, where we receive and ship a significant portion of our merchandise. Any natural disaster or other serious disruption to this facility would damage a portion of our inventory and could impair our ability to adequately stock our stores and process returns of products to vendors and could adversely affect our net sales and profitability. In addition, we could incur significantly higher costs and longer lead times associated with shipping our products to our stores during the time it takes for us to reopen or replace the facility. Further, because we rely heavily on our ~~primary~~ wholesale and logistics facility, our growth could be limited if the facility reaches full capacity. Such restraint could result in a loss of market share and our inability to execute our business strategy and could have a material adverse effect on our business, financial condition and operating results. We depend on key personnel, the loss of which may adversely affect our ability to run our business effectively and our results of operations. We benefit from the leadership and performance of our senior management team and other key employees. If we lose the services of any of our principal executive officers or other skilled and experienced personnel, we may not be able to fully implement our business strategy or run our business effectively and operating results could suffer. The Compensation Committee of our Board of Directors reviews, on a regular basis, a succession plan prepared by senior management that addresses the potential loss of key personnel positions. The goal of the succession plan is to have a contingency plan that minimizes disruptions in the workplace until a suitable replacement can be found, but no assurance can be given that we will be able to retain existing or attract additional qualified personnel when needed. Further, as our business grows, we will need to attract and retain additional qualified personnel in a timely manner and develop, train and manage an increasing number of management- level sales team members and other employees. We have invested, and plan to continue to invest, in an environment in which our employees can deliver their best every day, and we endeavor to empower them by providing ongoing training, growth opportunities and competitive compensation and benefits packages. Competition for qualified employees could require us to pay higher wages and benefits to attract a sufficient number of qualified employees and increases in the minimum wage or other employee benefit costs could increase our operating expense. An inability to attract and retain personnel as needed in the future could negatively impact our net sales growth and operating results.- 15- Our inability or failure to protect our intellectual property rights, or any claimed infringement by us of third- party intellectual rights, could have a negative impact on our operating results. Our trademarks, service marks, copyrights, patents, trade secrets, domain names, social media handles and other intellectual property are valuable assets that are critical to our success. The unauthorized reproduction or other misappropriation of our intellectual property could diminish the value of our brands and cause a decline in our revenue. In addition, any infringement or other intellectual property claim made against us could be time- consuming to address, result in costly litigation or result in our loss of ownership or use of the intellectual property. We may face difficulties in meeting our labor needs to effectively operate our business. We are heavily dependent upon our labor workforce in the geographic areas where we conduct our business. Our compensation packages are designed to provide benefits commensurate with our level of expected service. However, within our retail and logistics operations, we face the challenge of filling many positions at wage scales that are appropriate to the industry and other competitive factors. Many of our team members in our stores are in entry- level or part- time positions that historically have high rates of turnover. We are also dependent on the team members who staff our **wholesale and** logistics ~~and distribution facilities~~ **facility** , many of whom are skilled. Recent inflationary pressures and shortages **of** ~~in the labor market for~~ skilled and entry- level employees have increased our labor costs, and there is the risk that prevailing wage rates for our labor workforce will continue to increase in the future and that the costs of employee benefits will continue to rise, resulting in increased expenses that could adversely affect our profitability. We also face other risks in meeting our labor needs, including competition for qualified personnel, overall unemployment and underemployment levels, demand for certain labor expertise, changing demographics, health and other insurance costs, adoption of new or revised employment and labor laws and regulations, and the impact of public health issues (including impacts related to COVID- 19) or natural disasters or severe weather events (including due to climate change). Changes in any of these factors, including a shortage of available workforce in areas in which we operate, could interfere with our ability to adequately service our customers or to open suitable locations and could result in increasing labor costs. A disruption in the flow of imported merchandise or an increase in the cost of those goods could significantly decrease our net sales and operating income. Many of our largest vendors source a majority of their products from foreign countries. Imported goods are generally less expensive than domestic goods and contribute significantly to our favorable profit margins. Our ability to provide quality imported merchandise on a profitable basis may be subject to political and economic factors and influences that we cannot control. National or international events ~~(such as the conflict between Russia and Ukraine)~~ and changes in government trade or other policies, could directly or indirectly increase our merchandise costs and other costs that are critical to our operations. If imported merchandise becomes more expensive, we may find it difficult to pass the increase on to customers. If imported merchandise becomes unavailable, the transition to alternative sources by our vendors may not occur in time to meet our demands or the demands of our customers. Products from alternative sources may also be more expensive or may be of lesser quality than those our vendors currently import. Risks associated with reliance on imported goods include: • increases in the cost of purchasing or shipping foreign merchandise resulting from, for example, import tariffs, taxes or other governmental actions affecting trade, including the United States imposing anti- dumping or countervailing duty orders, safeguards, remedies or compensation and retaliation due to illegal foreign trade practices; foreign government regulations; rising commodity prices; increased costs of oceanic shipping; changes in currency exchange rates or policies and local economic conditions; and trade restrictions, including import quotas or loss of " most favored nation " status with the United States; and • disruptions in the flow of imported goods because of factors such as, raw material shortages, work stoppages, **labor availability,** ~~COVID- 19 or other~~ widespread public health events or pandemics, ~~labor availability~~ **including COVID- 19,** and political unrest; problems with oceanic shipping, including blockages, backlogs or labor union strikes at U. S. or foreign ports; and economic crises and international disputes, including armed conflicts. In addition, to the extent that any foreign manufacturer with whom our vendors are associated may directly or indirectly utilize labor practices that are not commonly accepted in the United States, we could be affected by any resulting negative publicity. Increases in transportation or shipping costs and other factors may negatively impact our results of operations. We rely upon various means of transportation, including ship and truck, to deliver products to our ~~primary~~ wholesale and logistics facility, our stores and our customers. Consequently, our results can vary depending upon the cost and availability of transportation, which has been impacted by the price of fuel and labor and other distribution challenges.- 16- The price of oil has fluctuated significantly over the last few years, and any increases in fuel costs, whether as a result of inflation or other macroeconomic factors, geopolitical conflicts ~~(including the conflict between Russia and Ukraine)~~ or otherwise, would increase our transportation costs. In addition, general labor shortages or strikes in the transportation or shipping industries could negatively affect transportation and shipping costs and our ability to supply our stores in a timely manner. Product delivery could also be subject to disruption due to raw material shortages, political unrest, oceanic shipping, port labor issues, international disputes, geopolitical conflicts, natural disasters, ~~COVID- 19 or other~~ widespread public health events or pandemics, **including COVID- 19,** or terrorism. We rely on efficient and effective operations within our ~~primary~~ wholesale and logistics facility to ensure accurate product delivery to our stores. Failure to maintain such operations could adversely affect net sales. Our operating results are subject to seasonal and quarterly fluctuations. Furthermore, our quarterly operating results, including comparable store net sales, will fluctuate and may not be a meaningful indicator of future performance. We experience seasonal fluctuations in our net sales and results of operations. We typically experience higher net sales in early spring due to spring sports and annual tax refunds, late summer due to back- to- school shopping and winter due to holiday shopping. Adverse events outside of our control, such as supply chain interruptions, increased labor costs and labor availability, decreased consumer traffic as a result of ~~COVID- 19 or other~~ widespread public health events or pandemics, **including COVID- 19,** geopolitical conflicts ~~(including the conflict between Russia and Ukraine)~~ or otherwise or deteriorating economic conditions could result in lower than expected sales during the holiday season or other periods in which we typically experience higher net sales and have and could in the future materially impact our financial condition and results of operations. In addition, our quarterly results of operations may fluctuate significantly as a result of a variety of factors, including the timing of new store openings, the amount and timing of net sales contributed by new stores, weather fluctuations, merchandise mix, demand for merchandise driven by local interest in sporting events and the timing of sales tax holidays and annual tax refunds. Any of these events, particularly in the fourth quarter or other periods in which we typically experience higher net sales, could have a material adverse effect on our business, financial condition and operating results for the entire fiscal year. Comparable store net sales vary from quarter to quarter, and an unanticipated decline in comparable store net sales may cause the price of our common stock to fluctuate significantly. Factors that could affect our comparable store net sales results include ~~, reduced consumer traffic due to COVID- 19 or other widespread public health events or pandemics;~~ shifts in consumer tastes and fashion trends; calendar shifts of holiday or seasonal periods; the timing of income tax refunds to customers; increases in personal income taxes paid by our customers; calendar shifts or cancellations of sales tax- free holidays in certain states; the success or failure of college and professional sports teams or the cancellation of sporting events within our core regions; changes in or lack of tenants in the shopping centers in which we are located; pricing, promotions or other actions taken by us or our existing or possible new competitors; ~~and~~ unseasonable weather conditions or natural disasters **; political or social unrest; and reduced consumer traffic due to widespread public health events or pandemics, including COVID- 19** . We cannot assure you that comparable store net sales will increase at the rates achieved in prior periods or that rates will not decline. Global climate change and related regulations could negatively affect our business. The effects of climate change, such as extreme weather conditions, create financial risks to our business. The demand for our products may be affected by extreme weather conditions, such as droughts, wildfires and flooding. These types of extreme weather events have and may continue to adversely impact us, our suppliers, our customers and their ability to purchase our products and our ability to timely receive appropriate inventory and transport our products on a timely basis. The effects of climate change could also disrupt our and our suppliers' operations by impacting the availability and cost of materials needed for manufacturing and could increase insurance and other operating costs. We could also face indirect financial risks passed through the supply chain and disruptions that could result in increased prices for our products and the resources needed to produce them. Furthermore, the long- term impacts of climate change, whether involving physical risks (such as extreme weather conditions, drought or rising sea levels) or transition risks (such as regulatory or technology changes) are expected to be widespread and unpredictable. Certain impacts of physical risk may include: temperature changes that increase the heating and cooling costs at our facilities; extreme weather patterns that affect the production or sourcing of certain products; flooding and extreme storms that damage or destroy our buildings and inventory; and heat and extreme weather events that cause long- term disruption or threats to the habitability of our customers' communities. Relative to transition risk, certain impacts may include: changes in energy and commodity prices driven by climate- related weather events; prolonged climate- related events affecting macroeconomic conditions with related effects on consumer spending and confidence; stakeholder perception of our engagement in climate- related policies; and new regulatory requirements resulting in higher compliance risk and operational costs.- 17- Climate change is continuing to receive ever increasing attention worldwide, which could lead to additional legislative and regulatory efforts to increase transparency and standardization of reporting of greenhouse gas emissions, energy policies and renewable energy. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require increased capital expenditures to improve our product portfolio to meet such new laws, regulations and standards. Our business could be negatively impacted by the public perception of our corporate ESG initiatives and efforts. In addition to the increased legislative and regulatory attention to climate change, there is a rapidly evolving and increased focus from U. S. and foreign governmental and nongovernmental authorities and from certain investors, customers, consumers, employees and other stakeholders concerning corporate ESG matters. From time to time, we announce certain initiatives which include environmental matters, packaging and waste, responsible sourcing, social investments and inclusion and diversity. We could fail, or be perceived to fail, in our achievement of such initiatives, or we could fail in accurately reporting our progress on such initiatives. Such failures could be due to changes in our business. Moreover, the standards by which ESG initiatives and related efforts are measured are developing and evolving, and certain areas are subject to assumptions, which could change over time. In addition, as the result of such heightened public focus on sustainability matters, we may face increased pressure to provide expanded disclosure, make or expand commitments, set targets, or establish goals and take actions to meet such goals, in connection with such matters. We could also be criticized for the scope of such initiatives or goals or perceived as not acting responsibly in connection with these matters. Any such matters, or related corporate ESG initiatives and efforts, could adversely affect our business, results of operations, cash flows and financial condition. Risks Related to Technology Security threats, including physical and ~~cyber- security~~ **cybersecurity** threats, and unauthorized disclosure of sensitive or confidential information could cause us to incur substantial expenses, result in litigation or other legal actions, adversely affect our operating results, and harm our business and reputation with ~~our~~ consumers. The protection of Company, customer and employee data is critical to us. Through our sales, marketing activities and use of third- party information, we collect and retain certain personally identifiable information that our customers provide to purchase products, enroll in promotional and loyalty programs, register on our website or otherwise communicate and interact with us. This may include, but is not limited to, names, addresses, phone numbers, driver license numbers, email addresses, contact preferences, personally identifiable information stored on electronic devices and payment account information, including credit and debit card information. We also gather and retain information about our employees in the normal course of business. Furthermore, our online operations depend upon the secure transmission of confidential information over public networks, such as information permitting cashless payments. We rely on commercially available systems, software, tools and monitoring, including those controlled by third- party providers, to provide security for processing, transmission and storage of all such data, including confidential information. Cyber threats are rapidly evolving and becoming increasingly sophisticated. Ever- evolving threats mean we must continually evaluate and adapt our systems and processes. We have security measures designed to protect against the misappropriation or corruption of our systems, intentional or unintentional disclosure of confidential information or disruption of our operations. Our risk remediation procedures include an annual IT risk assessment based on the SANS Institute Critical Security Controls framework, which prioritizes security functions that are effective against the latest advanced targeted threats while emphasizing security controls that have demonstrated real world effectiveness. While we maintain insurance coverage that may, subject to policy terms and exclusions, cover certain aspects of our cyber risks, such insurance coverage may be insufficient to cover our losses or all types of claims that may arise in the continually evolving area of cyber risk. **See Item 1C. Cybersecurity.** These security measures may be compromised as a result of ransomware, third- party breaches, burglaries, **cyberattacks** ~~cyber- attacks~~, computer viruses, worms, bot attacks, other destructive or disruptive software, errors or malfeasance by employees or employees of third- party vendors, faulty password management, social engineering, misappropriation by third parties or other irregularity, and result in persons obtaining unauthorized access to our data or accounts, data loss or data theft or alteration. Despite implementing safeguards for the protection of such information, we cannot be certain that all of our systems and those of our vendors and unaffiliated third parties are entirely free from vulnerability to attack or compromise. During the normal course of our business, we and the businesses with which we interact have experienced and we expect to continue to experience attempts to breach our systems. There is no assurance that our security controls and practices will prevent the improper disclosure, access or use of confidential, proprietary or sensitive data, and we may be unable to protect sensitive data and the integrity of our systems or to prevent data loss, data alteration or fraudulent purchases. Moreover, an alleged or actual security breach that affects our systems or results in the unauthorized release of personally identifiable information could: ~~- 18-~~ • materially damage our reputation and negatively affect customer sales, satisfaction and loyalty; **- 18-** • expose us to negative publicity, individual claims or consumer class actions, administrative, civil or criminal investigations or actions, including liability under privacy, security and consumer protection laws or enforcement actions, fines or regulatory proceedings; and • cause us to incur substantial costs, including but not limited to, costs associated with remediation for or recovery of stolen assets or information, including ransom costs paid to cyber attackers, costs for sending legally required notifications to customers or other affected individuals, litigation costs, lost revenues resulting from disruption in our systems or business, unauthorized use of proprietary information or the failure to retain or attract customers following an attack, and increased cyber protection costs to guard against opportunities for re- occurrence of the breach. There are relatively new State Privacy Laws (as defined further below), as well as additional laws that are coming into effect or are contemplated, that could impose additional liability on us for any failure to maintain certain security standards. For example, the California Consumer Privacy Act (" CCPA"), as modified by the California Privacy Rights Act (" CPRA") provides a private right of action to California residents for data breaches. Problems with our information systems could disrupt our operations and negatively impact our financial results and materially adversely affect our business operations. If services we obtain from third parties are unavailable, disrupted, or fail to meet our standards and expectations, our operations could be adversely affected. Our information systems, including our back- up systems, are subject to damage or interruption from power outages; computer and telecommunications failures; computer viruses, worms, ransomware, and other malicious computer programs; denial- of- service attacks; security breaches (through **cyberattacks** ~~cyber- attacks~~ from ~~cyber- attackers~~ **cyberattackers** or sophisticated organizations); catastrophic events such as fires, tornadoes, earthquakes and hurricanes; and internal usage errors. Additionally, we have adopted a hybrid remote work environment which relies on the efficiency and functionality of our information systems. If our information systems and our back- up systems are damaged, breached or cease to function properly, we may have to make a significant investment to repair or replace them, and we may suffer loss of critical data and interruptions or delays in our business operations. Any material disruption, malfunction or other similar problems in or with our core information systems could negatively impact our financial results and materially adversely affect our business operations. We rely on third- party systems to support our business, including our use of an independent service provider for electronic payment processing. If any of these systems fail to function properly, it could disrupt our operations, including our ability to track, record and analyze the merchandise that we sell, process shipments of goods, process financial information or credit card transactions, deliver products, pay our associates, engage with customers through customer service or engage in other normal business activities. If we are unable to contract with third parties having the specialized skills needed to support those strategies or integrate their products and services with our business, or if they fail to meet our performance standards and expectations, our reputation and results of operations could be adversely affected. We are subject to payment- related risks that could increase our operating costs, subject us to potential liability, and potentially disrupt our business. We collect customer data, including encrypted and tokenized credit card information, in our stores and online. For our sales channels to function successfully, we and third parties involved in processing customer transactions for us must be able to transmit confidential information, including credit card information, securely over public networks. While we have measures in place designed to prevent a breach or unauthorized use or disclosure of customer data and other sensitive personal information, we cannot guarantee that any of our security measures or the security measures of third parties with whom we work will effectively prevent others from obtaining unauthorized access to our customers' information or other personally identifiable information. As a retailer accepting debit and credit cards for payment, we are subject to various industry data protection standards and protocols, such as payment network security operating guidelines and the Payment Card Industry Data Security Standard. We cannot be certain that the security measures we maintain to protect all of our information technology systems are able to prevent, contain or detect **cyberattacks** ~~cyber- attacks~~ , ~~cyber terrorism~~ **cyberterrorism** , security breaches or other compromises from known malware or ransomware or other threats that may be developed in the future. If someone is able to circumvent our data security measures or those of third parties with whom we do business, they could destroy or steal valuable information or disrupt our operations. If such a breach were to occur, customers could lose confidence in our ability to secure their information and choose not to purchase from us. Any unauthorized use of or access to customer information could expose us to data loss or manipulation, litigation and legal liability, and could seriously disrupt operations, negatively impact our marketing capabilities, cause us to incur significant expenses to notify customers of the breach and for other remediation activities, and harm our reputation and brand, any of which could adversely affect our financial condition and results of operations.- 19- In addition, state, federal, and foreign governments are increasingly enacting laws and regulations to protect consumers against identity theft and consumer privacy, which may apply specifically to, or include, payment- related information. Many of these laws and regulations are subject to uncertain application, interpretation or enforcement standards that could result in claims, changes to our business practices, data processing and security systems, penalties, increased operation costs or other impacts on our business. These laws and regulations will likely increase the costs of doing business, and if we fail to implement appropriate procedures, security measures, or detect and provide prompt notice of unauthorized access as required by some of these laws and regulations, we could be subject to potential claims for damages and other remedies, government enforcement actions, liability for monetary damages, fines and / or criminal prosecution, all of which could adversely affect our business and results of operations. Emerging technologies may create disruption to the retail industry. New and emerging ~~technology~~ **technologies** may enable new approaches or choices for how our customers procure goods and services and pay for those goods and services. We may be unable to quickly adapt to rapid change resulting from advancements in artificial intelligence, blockchain and cryptocurrency, Internet of Things (IoT), including voice and smart home devices, **metaverse** ~~meta verse~~ and other advanced technologies that may result in changes to our supply chain, distribution channels and point- of- sale capabilities. Risks Related to Our Capital Structure Indebtedness that we may incur in the future could adversely affect our financial condition, limit our ability to obtain additional financing, restrict our operations and make us more vulnerable to economic downturns and competitive pressures. In addition, we face risk that our financial institution may fail to fulfill commitments under our ~~2021~~ **2023** Credit Facility. As of ~~January 28~~ **February 3** , ~~2023~~ **2024** , we had $ ~~36~~ **45** . 3 million outstanding under our ~~2021~~ **2023** Credit Facility. The ~~2021~~ **2023** Credit Facility matures on ~~July 9~~ **February 28** , ~~2026~~ **2028 ,** and is unsecured ~~. On February 28, 2023, we entered into a new unsecured credit agreement with Regions Bank (the" 2023 Credit Facility") that amends and restates the 2021 Credit Facility. The 2023 Credit Facility increases the aggregate principal amount by $ 35. 0 million to $ 160. 0 million and extends the scheduled maturity date to February 28, 2028. In the future, we may borrow amounts under the 2021 Credit Facility to, among other things, provide funding for our operations, stock repurchases, capital expenditures and other cash requirements~~ . Given the International Exchange Benchmark Administration' s phase- out of the London Interbank Offering Rate (LIBOR), the variable interest rate under ~~the 2021 Credit Facility and~~ the 2023 Credit Facility is determined based on the Bloomberg Short- Term Bank Yield (BSBY) Index Rate. ~~Changing to~~ **Use of** an alternate interest index such as BSBY may in the future lead to additional volatility in interest rates and could comparatively increase our debt service obligations. In addition, Regions Bank is committed to continue providing loans under the 2023 Credit Facility through February 28, 2028. There is a risk that this institution cannot deliver against its obligation in a timely matter, or at all. If Regions Bank were to default on its obligation to fund the commitments under the 2023 Credit Facility, this loan would not be available to us, which could adversely affect our liquidity and financial condition. For discussion of our ~~2021 Credit Facility and the~~ 2023 Credit Facility, see " Liquidity and Capital Resources " in Item 7 and Note 4, Debt, to our consolidated financial statements. The market price of our Common Stock may be volatile and ownership of our Common Stock comes with inherent risks. The market price of our common stock ~~, like the stock market in general,~~ has been and is likely to continue to be highly volatile, and such volatility could expose us to securities class action litigation. Factors that could cause fluctuations in the price of our common stock may include, among other things, actual or anticipated variations in quarterly operating results; changes in financial estimates by investment analysts and our inability to meet or exceed those estimates; additions or departures of key personnel; market rumors or announcements by us or by our competitors of significant acquisitions, divestitures or joint ventures, strategic partnerships, large capital commitments or other strategic initiatives; changes in retail sales data that indicate consumers may spend less on discretionary purchases; and sales of our common stock by key personnel or large institutional holders. Many of these factors are beyond our control and may cause the market price of our common stock to decline, regardless of our operating performance. ~~- 20-~~ There can be no assurance that we will continue to repurchase our common stock or that we will repurchase our common stock at favorable prices. In May 2021, our Board of Directors authorized the expansion of our Repurchase Program by $ 500. 0 million to a total of $ 800. 0 million, as well as its extending the Repurchase Program to February 1, 2025. ~~The purchases~~ **Repurchases** may be made from time to time in the open market (including, without limitation, **through** the use of Rule 10b5- 1 plans), depending on a number of factors, including our evaluation of general market and economic conditions, our financial condition and the trading price of our common stock. The Repurchase Program may be extended, modified, suspended or discontinued at any time. We expect to fund the Repurchase Program with existing cash on hand, cash generated from operations, and / or borrowings under our credit facility then in effect. A **- 20-** reduction in, or the completion or expiration of, our Repurchase Program could have a negative effect on our stock price. We can provide no assurance that we will repurchase our common stock at favorable prices, or at all. **In** ~~On August 16,~~ 2022, President Biden signed into law the Inflation Reduction Act of 2022 (Inflation Reduction Act). The Inflation Reduction Act imposes on a publicly- traded corporation a new, nondeductible excise tax equal to 1 % of the fair market value of any stock of the corporation that is repurchased after December 31, 2022 by the corporation during its taxable year. Because this excise tax would be payable by us, and not by a redeeming holder, the imposition of this excise tax could cause a reduction in the cash available on hand to implement the Repurchase Program. We currently pay a quarterly cash dividend, however, there can be no assurance as to the declaration or amount of future dividends. We currently pay a quarterly dividend of $ 0. 25 per share. However, any decision to declare and pay dividends in the future, and the amount of any such dividends, will be dependent on a variety of factors, including compliance with Section 170 of the Delaware General Corporation Law; changes to our capital allocation strategy and policies; our results of operation, liquidity and cash flows; contractual restrictions in our debt agreements; economic conditions, other macroeconomic impacts on our business and financial condition, such as inflationary pressure; and other factors the Board of Directors may deem relevant. There can be no assurance that we will continue to declare dividends in any particular amounts or at all, and changes in our dividend policy could adversely affect the market price of our common stock. Risks Related to Governance, Regulatory, Legislative and Legal Matters Provisions in our charter documents and Delaware law might deter acquisition bids for us. Certain provisions of our certificate of incorporation and bylaws may be deemed to have anti- takeover effects and may discourage, delay or prevent a takeover attempt that a stockholder might consider in its best interest. These provisions, among other things: • classify our Board of Directors into three classes, each of which serves for different three- year periods; • provide that a director may be removed by stockholders only for cause by a vote of the holders of not less than a majority of our shares entitled to vote; • provide that all vacancies on our Board of Directors, including any vacancies resulting from an increase in the number of directors, may be filled by a majority of the remaining directors, even if the number is less than a quorum; and • call for a vote of the holders of not less than two- thirds of the shares entitled to vote in order to amend the foregoing provisions and certain other provisions of our certificate of incorporation and bylaws. In addition, our Board of Directors, without further action of the stockholders, is permitted to issue and fix the terms of preferred stock, which may have rights senior to those of common stock. We are also subject to the Delaware business combination statute, which may render a change in control of us more difficult. Section 203 of the Delaware General Corporation Law would be expected to have an anti- takeover effect with respect to transactions not approved in advance by the Board of Directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of common stock held by stockholders. ~~- 21-~~ Changes in federal, state or local laws could increase our expenses and expose us to legal risks. Failure to comply with federal, state or local laws could materially adversely affect our reputation and market position and subject us to legal claims and litigation, cause us to incur substantial additional costs, and materially affect our business and operating results. **We are** ~~Our Company is~~ subject to numerous laws and regulatory matters relating to the conduct of our business. In addition, certain jurisdictions have taken a particularly aggressive stance with respect to certain matters and have stepped up enforcement, including fines and other sanctions. Such laws and regulatory matters include: • The California Consumer Privacy Act (" CCPA"), which was significantly modified by the California Privacy Rights Act (" CPRA"), new comprehensive privacy legislation in Virginia, Colorado, Connecticut and Utah ~~, each of which go into effect in 2023~~ , and other emerging privacy and IT security laws (together, State Privacy Laws); • The Telephone Consumer Protection Act (" TCPA") provisions that regulate telemarketing, auto- dialed and pre- recorded calls as well as text messages and unsolicited faxes; • Labor and employment laws that govern employment matters such as minimum wage, exempt employment status, overtime, family leave mandates and workplace safety regulations; • Securities and exchange laws and regulations; • New or changing laws relating to ~~cyber- security~~ **cybersecurity** , privacy, cashless payments and consumer credit, protection and fraud; **- 21-** • New or changing laws and regulations concerning product safety or truth in advertising; • The Americans with Disabilities Act and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas; • New or changing federal and state immigration laws and regulations; • The Patient Protection and Affordable Care Act provisions; • New or changing environmental regulations, including measures related to climate change and greenhouse gas emissions; • New or changing laws relating to federal, state and local taxation and licensing, including sales and use tax laws, withholding taxes and property taxes; and • Regulations administered by various youth sports leagues and organizations. Changes in domestic policy, including significant changes in tax, trade, healthcare and other laws and regulations could affect our operations. For example, tax proposals may include changes, which could, if implemented, have an adverse or a beneficial impact on our operations, including a “ border adjustment tax ” or new import tariffs, which could adversely affect us because we sell imported products. Unknown matters, new laws and regulations or stricter interpretations of existing laws or regulations may affect our business or operations in the future and could lead to government enforcement and resulting litigation by private litigants. Increasing regulations could expose us to a challenging enforcement environment or to third- party liability (such as monetary recoveries and recoveries of attorney’ s fees) and could have a material adverse effect on our business and results of operations. In addition, we continue to monitor the Inflation Reduction Act of 2022 and related regulatory developments to evaluate their potential impact on our business, tax rate and financial results. Our corporate Legal department monitors regulatory activity and is active in notifying and updating applicable departments and personnel on pertinent matters and legislation. Our Human Resources (" HR") department leads compliance training programs to ensure our field managers are kept abreast of HR- related regulatory activity that affects their areas of responsibility. We believe that we are in substantial compliance with applicable environmental and other laws and regulations, and although no assurances can be given, we do not foresee the need for any significant expenditures in this area in the near future. We rely on a variety of direct marketing techniques, including email, text messages and postal mailings. Any new or emerging restrictions in federal or state laws regarding marketing and solicitation or data protection laws that govern these activities could adversely affect the continuing effectiveness of email, text messages and postal mailing techniques and could force changes in our marketing strategies. If this occurs, we may need to develop alternative marketing strategies, which may not be as effective and could impact the amount and timing of our revenues. Further, any new or emerging privacy laws, or regulations issued under those laws, could include onerous and expensive compliance obligations regarding notice, consent and retention as well as provide new rights for customers such as rights to notification, deletion, amendment, non- discrimination, opt- outs of marketing and sales of data and appeal rights, and such laws and regulations could require us to modify our data processing practices and policies that could lead to regulatory actions or litigation, and potentially fines and damages for non- compliance. The costs of compliance with, and the other burdens imposed by, these and other laws or regulatory actions may increase our operational costs and / or affect our customers' willingness to permit us to use and store personal information, and / or affect our ability to invest in or jointly develop products. In addition, to the extent that new or emerging laws or regulations impact our obligations with respect to our employee data, we may be required to incur substantial costs to modify our practices. While we strive to adhere our practices and procedures to these laws, they are subject to evolving regulations, interpretations and regulator discretion. To the extent a regulator or court disagrees with our interpretation of these laws and determines that our ~~- 22-~~ practices are not in compliance with applicable laws and regulations, we could be subject to civil and criminal penalties that could adversely affect the continued operation of our businesses, including significant legal and financial exposure, damage to our reputation, and have a material adverse effect on our business operations, financial condition and results of operations. The State Privacy Laws also provide for civil penalties for violations, and the CCPA and CPRA also provide a private right of action for data breaches that may increase data breach litigation. We may also face audits or investigations by one or more state government agencies relating to our compliance with applicable privacy laws and regulations. We may also be exposed to litigation, regulatory fines, penalties or other sanctions if the personal, confidential or proprietary information of our customers is mishandled or misused by any of our suppliers, counterparties or other third parties, or if such third parties do not have appropriate controls in place to protect such personal, confidential or proprietary information. We cannot be assured that we will not experience pressure from labor unions or become the target of labor union campaigns. While we believe we maintain good relations with our employees, we cannot provide any assurances that we will not experience pressure from labor unions or become the target of labor union campaigns. The potential for unionization could increase in the United States if federal legislation or regulatory changes are adopted that would facilitate labor organization. Significant union representation would require us to negotiate wages, salaries, benefits and other terms with many of our employees collectively **- 22-** and could adversely affect our results of operations by increasing our labor costs or otherwise restricting our ability to maximize the efficiency of our operations.