

Risk Factors Comparison 2024-12-27 to 2023-11-29 Form: 10-K

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

Risks Related to Our Business and Industry The Company's warehouse and distribution center and milk processing and packaging plant, as well as all of the Company's stores, are concentrated in the Southeastern United States, which makes it vulnerable to economic downturns, natural disasters and other adverse conditions or other catastrophic events in this region. The Company operates in the southeastern United States, and its performance is therefore heavily influenced by economic developments in the Southeast region. The Company's headquarters, warehouse and distribution center and milk processing and packaging plant are located in North Carolina and all of the Company's stores are located in the Southeast region. As a result, the Company's business **has been and, in the future,** may be, more susceptible to regional factors than the operations of more geographically diversified competitors. These factors include, among others, changes in the economy, weather conditions **and natural disasters**, demographics and population. **For example, on September 27, 2024, Hurricane Helene severely impacted western North Carolina, including where the Company's headquarters are located, resulting in catastrophic flooding and destruction, power and communication outages, major road closures and loss of life. The storm caused damage to certain of the Company's properties, including its distribution center and impacted the ability of the Company's stores to report information to the Company's headquarters. Although the Company largely returned to normal operations within a reasonably short period of time following Hurricane Helene, there can be no assurance that future storms impacting the region will not have more severe consequences with respect to the Company's operations, which could more significantly and adversely impact the Company's financial position, cash flow and results of operation.** Various aspects of the Company's business are subject to federal, state and local laws and various operating regulations. The Company's compliance with these regulations may require additional capital expenditures and could adversely affect the Company's ability to conduct the Company's business as planned. The Company is subject to federal, state and local laws and regulations relating to zoning, land use, workplace safety, public health, community right- to- know, beer and wine sales, country of origin labeling of food products, pharmaceutical sales and fuel station operations. Furthermore, the Company's business is regulated by a variety of governmental agencies, including, but not limited to, the U. S. Food and Drug Administration, the U. S. Department of Agriculture, and the Occupational Safety and Health Administration. Employers are also subject to laws governing their relationship with employees, including minimum wage requirements, overtime, working conditions, insurance coverage, disabled access, and work permit requirements. Recent and proposed regulation has had or may have a future impact on the cost of insurance benefits for associates and on the cost of processing debit and credit card transactions. Compliance with, or changes in, these laws could reduce the revenue and profitability of the Company's supermarkets and could otherwise adversely affect the Company's business, financial condition or results of operations. The Company is affected by certain operating costs which could increase or fluctuate considerably. The Company depends on qualified associates to operate the Company's stores. A shortage of qualified associates could require the Company to enhance the Company's wage and benefit package in order to better compete for and retain qualified associates, and the Company may not be able to recover these increased labor costs through price increases charged to customers, which could significantly increase the Company's operating costs. The Company is self- insured for workers' compensation, general liability and group medical and dental benefits. Risks and uncertainties are associated with self- insurance; however, the Company has limited its exposure by maintaining excess liability coverage. Self- insurance liabilities are established based on claims filed and estimates of claims incurred but not reported. The estimates are based on data provided by the respective claims administrators and analyses performed by actuaries engaged by the Company. These estimates can fluctuate if historical trends are not predictive of the future. The majority of the Company's **store** properties are self- insured for casualty losses and business interruption; however, liability coverage is maintained. Energy and utility costs have been volatile in recent years. The Company attempts to increase its energy efficiency during store construction and remodeling using energy- saving equipment and construction ~~Our business, financial condition and results of operations may be materially adversely affected by a resurgence of the COVID-19 pandemic. The unprecedented global outbreak of the novel coronavirus (COVID-19) that began in the first quarter of 2020 has adversely impacted economic activity and conditions worldwide, including workforces, liquidity, capital markets, consumer behavior, supply chains and macroeconomic conditions. While the COVID-19 pandemic was officially declared to have ended in May 2023, and while the direct effects of the COVID-19 pandemic on our business have significantly lessened during the fiscal year ended September 30, 2023, some effects have continued through the fiscal year ended September 30, 2023, and we may continue to be impacted by the continuing effects of the COVID-19 pandemic, including resurgences and variants of COVID-19 or outbreaks of any new viruses or contagions. These impacts may include difficulties and delays in sourcing, transporting and stocking products; inability to staff our stores and warehouse and distribution facilities at adequate levels to conduct our operations, resulting in store closures or operating hour reductions; and incurring significant costs in support of our front- line store team members for enhanced benefits, safety measures and government- mandated wage increases. The extent to which a future COVID-19 outbreak could impact our business and operating results in the future depends on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19 and variants of the virus and the actions to contain or treat their impact, as well as the impact of any new federal, state and local mandates or other regulations associated with COVID-19.~~ The Company is subject to risks related to information systems and data security. The Company's business is dependent on information technology systems. These complex systems are an important part of ongoing operations. If the Company were to experience disruption in these systems,

did not maintain existing systems properly, or did not implement new systems appropriately, operations could suffer. The Company is currently undergoing a systematic program to enhance its information technology abilities. The Company has implemented procedures to protect its information technology systems and data necessary to conduct ongoing operations. The Company cannot, however, be certain that all these systems and data are entirely free from vulnerability to attack. Compliance with tougher privacy and information security laws and standards, including protection of customer debit and credit card information, may result in higher investments in technology and changes to operational processes. In recent years, more industry transactions have been online for ordering and fulfillment. This trend places a higher reliance on effective and efficient information systems. The Company is affected by the availability and wholesale price of fuel and retail fuel prices, all of which can fluctuate quickly and considerably. The Company operates fuel stations at 108 of its store locations. While the Company obtains gasoline and diesel fuel from several different suppliers, long- term disruption in the availability and wholesale price of fuel for resale could have a material adverse effect on the Company's business, financial condition and / or results of operations. Fluctuating fuel costs could adversely affect the Company's operating costs which depend on fuel for the Company's fleet of tractors and trailers which distribute goods from the Company's distribution facility and for the Company's fluid dairy operations. Furthermore, fluctuating fuel costs could have an adverse effect on the Company's total fuel sales (both in terms of dollars and gallons sold), the profitability of fuel sales, and the Company's plans to develop additional fuel centers. Also, retail gas price volatility could diminish customer usage of fueling centers and, thus, adversely affect customer traffic at the Company's stores. The Company's industry is highly competitive. If the Company is unable to compete effectively, the Company's financial condition and results of operations could be materially affected. The supermarket industry is highly competitive and continues to be characterized by intense price competition, increasing fragmentation of retail formats, entry of non- traditional competitors (both physical and online) and market consolidation. Furthermore, some of the Company's competitors have greater financial resources and could use these financial resources to take measures, such as altering product mix, reducing prices, home / in- store fulfillment, or online ordering which could adversely affect the Company's competitive position. Disruptions in the efficient distribution of food products to the Company's warehouse and stores may adversely affect the Company's business. The Company's business could be adversely affected by disruptions in the efficient distribution of food products to the Company's warehouse and stores. Such disruptions could be caused by, among other things, adverse weather conditions, fuel availability, shortage of truck drivers, food contamination recalls and civil unrest in foreign countries in which the Company's suppliers do business. The Company's operations are subject to economic conditions that impact consumer spending. The Company's results of operations are sensitive to changes in overall economic conditions that impact consumer spending, including discretionary spending. Future economic conditions such as employment levels, business conditions, interest rates, energy and fuel costs and tax rates could reduce consumer spending or change consumer purchasing habits. A general reduction in the level of consumer spending or the Company's inability to respond to shifting consumer attitudes regarding products, store location and other factors could adversely affect the Company's business, financial condition and / or results of operations. Inflation could impact the Company's operations. The following table from the United States Bureau of Labor Statistics lists annualized changes in the Consumer Price Index that could have an effect on the Company's operations. One of the Company's significant costs is labor, which increases with general inflation. Inflation or deflation in energy costs affects the Company's fuel sales, distribution expenses and plastic supply costs. ~~During fiscal year 2023, inflation reached its highest level in a number of years, impacting food costs, transportation costs, and labor costs.~~ Twelve Months Ended September 28, September 30, September 24, 2023-2024 2022 All 2023 All items 2.4 % 3.7 % 8.2 % Food at home 1.3 % 2.4 % 13.0 % Energy (6.8) % (0.5) % 19.8 %

If we are unable to successfully identify market trends and react to changing consumer preferences in a timely manner, our sales may decrease. 8% We believe our success depends, in substantial part, on our ability to: (1) anticipate, identify and react to fresh, natural and organic grocery and dietary supplement trends and changing consumer preferences and demographics in a timely manner; (2) translate market trends into appropriate, innovative, saleable product and service offerings in our stores before our competitors and effectively market these trends to our target customers; and (3) develop and maintain those relationships that provide us access to the newest on- trend merchandise and customer engagement options on reasonable terms. Consumer preferences often change rapidly and without warning, moving from one trend to another among many product or retail concepts. Our performance is impacted by trends regarding healthy lifestyles, product attributes, dietary preferences, convenient options, fresh, natural and organic products, meal solutions, ingredient transparency and sustainability, and vitamins and supplements, as well as new and evolving methods of engaging with and delivering our products to our customers. Consumer preferences might shift as a result of, among other things, economic conditions, food safety perceptions, scientific research or findings regarding the benefits or efficacy of such products, national media attention and the cost, attributes or sustainability of these products. A change in consumer preferences away from our offerings would have a material adverse effect on our business. Additionally, negative publicity over the safety, efficacy or benefits of any such items, may adversely affect demand for our products, and could result in lower customer traffic, sales, results of operations and cash flows. If we are unable to anticipate and satisfy consumer preferences with respect to product offerings and customer engagement options, our sales may decrease, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risk Related to Ownership of Our Common Stock The Company's principal stockholder, Robert P. Ingle II, has the ability to elect a majority of the Company's directors, appoint new members of management and approve many actions requiring stockholder approval. Mr. Ingle II's beneficial ownership represented approximately 72.25% of the combined voting power of all classes of the Company's capital stock as of September 30, 2023-2024. As a result, Mr. Ingle II has the power to elect a majority of the Company's directors and approve any action requiring the approval of the holders of the Company's Class A Common Stock and Class B Common Stock, including adopting certain amendments to the Company's charter and approving mergers or sales of substantially all of

the Company's assets. Beneficial ownership is calculated in accordance with Rule 13d-3 promulgated under the Exchange Act.

~~12~~ The Company is a controlled company under NASDAQ Rules. As a result, the Company is exempt from certain of NASDAQ's corporate governance policies, including the requirements that the majority of Directors be independent (as defined in NASDAQ Rules), and that the Company have a nominating committee for Director candidates. The market price and trading volume of our Class A Common Stock may be volatile and could decline significantly. The market price of our Class A Common Stock may be highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of shares of our Class A Common Stock regardless of our operating performance. The trading price of our Class A Common Stock may be adversely affected due to a number of factors, most of which we cannot predict or control, such as the following:

- fluctuations in our operating results;
- a decision by the Board of Directors to reduce or eliminate cash dividends on our common stock;
- changes in recommendations or earnings estimates by securities analysts;
- general market conditions in our industry or in the economy as a whole;
- natural disasters, including the impact of severe weather; and
- political instability, war or events of terrorism.

The payment of dividends on our common stock is at the discretion of our Board of Directors and is not guaranteed. The amount of future dividends that we will pay, if any, will depend upon a number of factors. Future dividends will be declared and paid at the sole discretion of the Board of Directors and will depend upon such factors as cash flow generated by operations, profitability, financial condition, cash requirements, future prospects, and other factors deemed relevant by our Board of Directors. The right of our Board of Directors to declare dividends, however, is subject to the availability of sufficient funds under North Carolina law to pay dividends. Additionally, the payment of cash dividends is subject to restrictions contained in certain of our financing arrangements.