

Risk Factors Comparison 2024-06-28 to 2023-06-30 Form: 10-K

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You should carefully consider the following risks before you decide to buy shares of our common stock. If any of the following risks actually occur, our business, results of operations, or financial condition would likely suffer. In such case, the trading price of our common stock would decline, and you may lose all or part of the money you paid to buy our stock. This and other public reports may contain forward- looking statements based on current expectations, assumptions, estimates and projections about us and our industry. These forward- looking statements involve risks and uncertainties. Our actual results could differ materially from those forward- looking statements as a result of many factors, including those more fully described below and elsewhere in our public reports. We do not undertake to update publicly any forward- looking statements for any reason, even if new information becomes available or other events occur in the future.

Risks Specific to our Company If we lose a large customer, our sales and profits would decline. We have substantial sales to three of our domestic channel partners. The combined sales to two dealers and our national stocking distributor accounted for approximately 35-42% of our sales in fiscal year 2023-2024. Loss of all or a part of our sales to a large channel partner would have a material effect on our revenues and profits until an alternative channel partner could be developed. We rely on the talents and efforts of key management and our Associates. If we are unable to retain or motivate key personnel, hire qualified personnel, or maintain and continue to adapt our corporate culture, we may not be able to grow or operate effectively. Our performance largely depends on the talents and efforts of our Associates. Our ability to compete effectively and our future success depends on our continuing to identify, hire, develop, motivate, and retain key management and highly skilled personnel for all areas of our organization. In addition, our total compensation program may not always be successful in attracting new employees and retaining and motivating our existing employees. Restrictive immigration policy and regulatory changes may also affect our ability to hire, mobilize, or retain some of our global talent. In addition, we believe that our corporate culture fosters innovation, creativity, and teamwork. As our organization grows and evolves, we may need to implement more complex organizational management structures or adapt our corporate culture and work environments to ever- changing circumstances, such as during times of a natural disaster or pandemic, and these changes could affect our ability to compete effectively or have an adverse effect on our corporate culture. With the constant evolution of workforce dynamics, if we do not manage these changes effectively, it could materially adversely affect our culture, reputation, and operational flexibility. We are subject to other risks that might also cause our actual results to vary materially from our forecasts, targets, or projections, including:

- Failing to anticipate the need for and appropriately invest in information technology and logistical resources necessary to support our business, including managing the costs associated with such resources;
- Failing to generate sufficient future positive operating cash flows and, if necessary, secure and maintain adequate external financing to fund our operations and any future growth; and
- Interruptions in service by common carriers that ship goods within our distribution channels.

Our business and reputation are impacted by information technology system failures and network disruptions. We, and our global supply chain, are exposed to information technology system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break- ins, ransomware or other cybersecurity incidents, or other events or disruptions. System redundancy and other continuity measures may be ineffective or inadequate, and our, or our vendors', business continuity and disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions can adversely impact our business by, among other things, preventing access to our cloud- based systems, interfering with customer transactions or impeding the manufacturing and shipping of our products. These events could materially adversely affect our business, reputation, results of operations and financial condition. Future cybersecurity incidents could expose us to liability and damage our reputation and our business. We collect, process, store, and transmit large amounts of data, and it is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. Our information technology systems are essential to our efforts to manufacture our products, process customer sales transactions, manage inventory levels, conduct business with our suppliers and other business partners, and record, summarize and analyze the results of our operations. These systems contain, among other things, material operational, financial and administrative information related to our business. As with most companies, there will always be some risk of physical or electronic break- ins, computer viruses, or similar disruptions. In addition, we, like all entities, are the target of cybercriminals who attempt to compromise our systems. From time to time, we experience threats and intrusions that may require remediation to protect sensitive information, including our intellectual property and personal information, and our overall business. Any physical or electronic break- in, computer virus, cybersecurity attack or other security breach or compromise of the information handled by us or our service providers may jeopardize the security or integrity of information in our computer systems and networks or those of our customers and cause significant interruptions in our and our customers' operations. Any systems and processes that we have developed that are designed to protect customer, associate and vendor information, and intellectual property, and to prevent data loss and other security attacks, cannot provide absolute security. In addition, we may not successfully implement remediation plans to address all potential exposures. It is possible that we may have to expend additional financial and other resources to address these problems. Failure to prevent or mitigate data loss or other security incidents could expose us or our customers, associates and vendors to a risk of loss or misuse of such information, cause customers to lose confidence in our data protection measures, damage our reputation, adversely affect our operating results or result in litigation or potential liability for us. Additionally, we expect to continue to make investments in our information technology infrastructure. The implementation of these investments may be more costly or take longer than we anticipate, or could otherwise adversely affect our business

operations, which could negatively impact our financial position, results of operations or cash flows. Internal controls over financial reporting may not be effective at preventing or detecting material misstatements. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect material misstatements in the Company's consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. **We cannot guarantee that our share repurchase program will enhance long-term stockholder value, or that it will successfully mitigate the dilutive effect of employee equity awards. While our Board of Directors authorized a share repurchase program that does not have an expiration date, the program does not obligate us to acquire any particular amount of Common Stock and it may be terminated at any time. We cannot guarantee that the program will be fully consummated, that it will enhance long-term stockholder value, or that it will successfully mitigate the dilutive effect of employee equity awards. Any repurchases will reduce the amount of cash we have available to fund working capital, capital expenditures, strategic acquisitions or business opportunities, and other general corporate requirements. In addition, the program could affect the trading price of our Common Stock and increase volatility, and any announcement of a termination of this program may result in a decrease in the trading price of our Common Stock.**

Risks Related to Operations Sales to customers outside the United States or with international operations expose us to risks inherent in international sales. During fiscal year ~~2023-2024~~, ~~34-33~~ % of our revenues were derived from sales outside of the United States. A key element of our growth strategy is to expand our worldwide customer base and our international operations. Operating in international markets requires significant resources and management attention and subjects us to regulatory, economic and political risks that are different from those in the United States. We cannot assure you that our expansion efforts into other international markets will be successful. Our experience in the United States and other international markets in which we already have a presence may not be relevant to our ability to expand in other emerging markets. Our international expansion efforts may not be successful in creating further demand for our products outside of the United States or in effectively selling our products in the international markets we enter. If we fail to compete effectively, our revenue and profit margins could decline. We face a variety of competition in all of the markets in which we participate. Competitive pricing, including price competition or the introduction of new products, could have material adverse effects on our revenues and profit margins. Our ability to compete effectively depends to a significant extent on the specification or approval of our products by architects, engineers, and customers. If a significant segment of those communities were to decide that the design, materials, manufacturing, testing, or quality control of our products is inferior to that of any of our competitors, our sales and profits would be materially and adversely affected. An increase in the price of raw materials could negatively affect our sales and profits. It is common in the laboratory and healthcare furniture industries for customers to require delivery at extended future dates, as products are frequently installed in buildings yet to be constructed. Since prices are normally quoted on a firm basis in the industry, we bear the burden of possible increases in labor and material costs between the quotation of an order and the delivery of the products. Our principal raw materials are steel, including stainless steel, wood and epoxy resin. Numerous factors beyond our control, such as general economic conditions, competition, worldwide demand, labor costs, energy costs, and import duties and other trade restrictions, influence prices for our raw materials. We have not always been able, and in the future we might not be able, to increase our product prices in amounts that correspond to increases in costs of raw materials. Where we are not able to increase our prices, increases in our raw material costs will adversely affect our profitability. Events outside our control may affect our operating results. We have little control over the timing of shipping customer orders, as customers' required delivery dates are subject to change by the customer. Construction delays and customer changes to product designs are among the factors that may delay the start of manufacturing. Weather conditions, such as unseasonably warm, cold, or wet weather, can also affect and sometimes delay projects. Political and economic events can also affect our revenues. When sales do not meet our expectations, our operating results will be reduced for the relevant quarters. Our principal markets are in the laboratory and healthcare building construction industry. This industry is subject to significant volatility due to various factors, none of which is within our control. Declines in construction activity or demand for our products could materially and adversely affect our business and financial condition. We face numerous manufacturing and supply chain risks. In addition, our reliance upon sole or limited sources of supply for certain materials, components, and services could cause production interruptions, delays and inefficiencies. We purchase materials, components, and equipment from third parties for use in our manufacturing operations. Our results of operations could be adversely impacted if we are unable to adjust our purchases to reflect changes in customer demand and market fluctuations. Suppliers may extend lead times, limit supplies, or increase prices. If we cannot purchase sufficient products at competitive prices and of sufficient quality on a timely enough basis to meet increasing demand, we may not be able to satisfy market demand, product shipments may be delayed, our costs may increase, or we may breach out contractual commitments and incur liabilities. In addition, some of our businesses purchase certain required products from sole or limited source suppliers for reasons of quality assurance, regulatory requirements, cost effectiveness, availability or uniqueness of design. If these or other suppliers encounter financial, operating, or other difficulties, or if our relationship with them changes, we might not be able to quickly establish or qualify replacement sources of supply. The supply chains for our businesses ~~were have been~~ impacted in ~~the past by~~ ~~fiscal year 2023 from~~ factors outside our control and could ~~also be~~ disrupted in the future for such reasons as supplier capacity constraints, supplier bankruptcy or exiting of the business for other reasons, decreased availability of key raw materials or commodities and external events such as natural disasters, pandemics or other public health problems, war, terrorist actions, governmental actions and legislative or regulatory changes. Any of these factors could result in production interruptions, delays, extended lead times and inefficiencies. Our revenues and other operating results depend in large part on our ability to manufacture our products in sufficient quantities and in a timely manner. Any interruptions we experience in the manufacture of our products or changes to the way we manufacture products could delay our ability to recognize revenues in a particular period. In addition, we must maintain sufficient production capacity in order to meet

anticipated customer demand, which carries fixed costs that we may not be able to offset because we cannot always immediately adapt our production capacity and related cost structures to changing market conditions, which would adversely affect our operating margins. If we are unable to manufacture our products consistently, in sufficient quantities, and on a timely basis, our revenues, gross margins, and our other operating results will be materially and adversely affected. Disruptions in the financial markets have historically created, and may continue to create, uncertainty in economic conditions that may adversely affect our customers and our business. The financial markets in the United States, Europe and Asia have in the past been, and may in the future be, volatile. The tightening of credit in financial markets, worsening of economic conditions, a prolonged global, national or regional economic recession or other similar events could have a material adverse effect on the demand for our products and on our sales, pricing and profitability. We are unable to predict the likely occurrence or duration of these adverse economic conditions and the impact these events may have on our operations and the end users who purchase our products. Our future growth may depend on our ability to penetrate new international markets. International laws and regulations, construction customs, standards, techniques and methods differ from those in the United States. Significant challenges of conducting business in foreign countries include, among other factors, geopolitical tensions, local acceptance of our products, political instability, currency controls, changes in import and export regulations, changes in tariff and freight rates and fluctuations in foreign exchange rates. The effects of geopolitical instability, including as a result of Russia's invasion of Ukraine, may adversely affect us and heighten significant risks and uncertainties for our business, with the ultimate impact dependent on future developments, which are highly uncertain and unpredictable. Ongoing geopolitical instability could negatively impact the global and U. S. economies in the future, including by causing supply chain disruptions, rising energy costs, volatility in capital markets and foreign currency exchange rates, rising interest rates, and heightened cybersecurity risks. The extent to which such geopolitical instability adversely affects our business, financial condition, and results of operations, as well as our liquidity and capital profile, is highly uncertain and unpredictable. If geopolitical instability adversely affects us, it may also have the effect of heightening other risks related to our business. In response to the military conflict between Russia and Ukraine that began in February 2022, the United States and other North Atlantic Treaty Organization member states, as well as non- member states, announced targeted economic sanctions on Russia. The long- term impact on our business resulting from the disruption of trade in the region caused by the conflict and associated sanctions and boycotts is uncertain at this time due to the fluid nature of the ongoing military conflict and response. The potential impacts include supply chain and logistics disruptions, financial impacts including volatility in foreign exchange and interest rates, increased inflationary pressure on raw materials and energy, and other risks, including an elevated risk of cybersecurity threats and the potential for further sanctions.

Legal and Regulatory Compliance Risks Changes in U. S. trade policy, including the imposition of tariffs and the resulting consequences, may have a material adverse impact on our business and results of operations. We cannot predict the extent to which the U. S. or other countries will impose quotas, duties, tariffs, taxes or other similar restrictions upon the import or export of our products or raw materials in the future, nor can we predict future trade policy or the terms of any renegotiated trade agreements and their impact on our business. Changes in U. S. trade policy could result in one or more foreign governments adopting responsive trade policies making it more difficult or costly for us to import our products or raw materials from those countries. This, together with tariffs already imposed, or that may be imposed in the future, by the U. S., could require us to increase prices to our customers which may reduce demand, or, if we are unable to increase prices, result in lowering our margin on products sold. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact demand for our products, our costs, our customers, our suppliers, and the U. S. economy, which in turn could have a material adverse effect on our business, financial condition and results of operations. Expectations related to environmental, social, and governance (" ESG") considerations could expose us to potential liabilities, increased costs, and reputational harm. We are subject to laws, regulations, and other measures that govern a wide range of topics, including those related to matters beyond our core products and services. For instance, new laws, regulations, policies, and international accords relating to ESG matters, including sustainability, climate change, human capital, and diversity, are being developed and formalized in Europe, the U. S., and elsewhere, which may entail specific, target- driven frameworks and / or disclosure requirements. The implementation of these may require considerable investments. Any failure, or perceived failure, by us to adhere to any public statements or initiatives, comply with federal, state or international environmental social and governance laws and regulations, or meet evolving and varied stakeholder expectations and standards could result in legal and regulatory proceedings against us and could materially adversely affect the Company' s business reputation, results of operations, financial condition, and stock price.

General Risks Our stock price is likely to be volatile and could drop. The trading price of our Common Stock could be subject to wide fluctuations in response to quarter- to- quarter variation in operating results, announcement of technological innovations or new products by us or our competitors, general conditions in the construction and construction materials industries, relatively low trading volume in our common stock and other events or factors. In addition, in recent years, the stock market has experienced extreme price fluctuations. This volatility has had a substantial effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of those companies. Securities market fluctuations may adversely affect the market price of our common stock. **Our stockholders may experience future dilution as a result of future issuances of our shares of common stock. In order to raise additional capital, we may in the future, without stockholder approval, issue additional shares of our common stock or securities convertible into or exchangeable for our common stock for various considerations, including in connection with acquisitions, financing or refinancing transactions or otherwise. The consideration that we receive for any such additional shares of our common stock may represent per share amounts that are greater or lesser than the price per share paid by you. Any such issuances of additional shares of our common stock or securities convertible into shares of common stock will dilute our stockholders' overall existing ownership in us and could make our stock less attractive to investors, which may result in a material adverse effect on the trading price of our common stock.** We

currently, and may in the future, have assets held at financial institutions that may exceed the insurance coverage offered by the Federal Deposit Insurance Corporation (" FDIC"), the loss of which would have a severe negative effect on our operations and liquidity. We may maintain our cash assets at financial institutions in the U. S. in amounts that may be in excess of the FDIC insurance limit of \$ 250, 000. Actual events involving limited liquidity, defaults, non- performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry of the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market- wide liquidity problems. In the event of a failure or liquidity issues of or at any of the financial institutions where we maintain our deposits or other assets, we may incur a loss to the extent such loss exceeds the FDIC insurance limitation, which could have a material adverse effect upon our liquidity, financial condition, and our results of operations. Similarly, if our customers or partners experience liquidity issues as a result of financial institution defaults or non- performance where they hold cash assets, their ability to pay us may become impaired and could have a material adverse effect on our results of operations, including the collection of accounts receivable and cash flows. The impact of investor concerns on U. S. or international financial systems could impact our ability to obtain favorable financing terms in the future. Investor concerns regarding the U. S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on terms favorable to us, or at all, and could have material adverse impacts on our liquidity, our business, financial condition or results of operations, and our prospects. The impact of future pandemics could adversely affect our business, results of operations, financial condition, and liquidity. While we believe we successfully navigated the risks associated with the ~~recent~~ COVID- 19 pandemic and were able to successfully maintain our business operations, the extent of the impact of future COVID- 19 variations or other pandemics on our business and financial results is, by nature of this type of event, highly uncertain. The sweeping nature of pandemics makes it extremely difficult to predict how and to what extent our business and operations could be affected in the long run. Our workforce, and the workforce of our vendors, service providers, and counterparties, could be affected by a pandemic, which could result in an adverse impact on our ability to conduct business. No assurance can be given that the actions we take to protect our Associates and our operations will be sufficient, nor can we predict the level of disruption that could occur to our employees' ability to provide customer support and service. New processes, procedures, and controls may be required to respond to any changes in our business environment. Further, should any key employees become ill during the course of a future health event and be unable to work, our ability to operate our internal controls may be adversely impacted. Additional factors related to major public health issues that could have material and adverse effects on our ability to successfully operate include, but are not limited to, the following: • The effectiveness of any governmental and non- governmental organizations in combating the spread and severity, including any legal and regulatory responses; • A general decline in business activity, especially as it relates to our customers' expansion or consolidation activities; • The destabilization of the financial markets, which could negatively impact our customer growth and access to capital, along with our customers' ability to make payments for their purchase orders; and • Severe disruptions to and instability in the global financial markets, and deterioration in credit and financing conditions, which could affect our access to capital necessary to fund business operations or current investment and growth strategies. **We may pursue strategic acquisitions from time to time, in which case we would be subject to the general risks associated with acquisitions. From time to time, we consider, and in the future may pursue, strategic acquisitions of businesses in support of our growth strategy. If we are unable to complete acquisitions or successfully integrate and develop acquired businesses, we could experience material adverse impacts to our financial results as a result of any of the following: • the diversion of management' s attention to integration matters; • difficulties in achieving anticipated cost savings, synergies, business opportunities, and growth prospects; • difficulties in the integration of operations and systems, inclusive of internal controls; • difficulties in managing the expanded operations of a larger and more complex company; • challenges in keeping existing customers and obtaining new customers; • challenges in attracting and retaining key personnel; • unanticipated expenses resulting from integration activities and disputes with third parties; and • unanticipated liabilities of acquired third parties.**