Risk Factors Comparison 2024-02-22 to 2023-02-23 Form: 10-K

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The following risk factors and other information included in this Annual Report on Form 10- K should be carefully considered. The occurrence of any of the following risks or of unknown risks and uncertainties may adversely affect our business, operating results and financial condition. Risks Relating to Our Business Our operating results and financial condition have been and **could** ~~will likely~~ continue to be adversely affected by the ~~COVID- 19 pandemic and could be adversely affected by other public health emergencies. The COVID- 19 pandemic has resulted and may continue to result in risks that could materially adversely affect our business, financial condition, results of operations, and / or cash flows. Efforts to combat the virus have been complicated by viral variants and uneven access to, and acceptance and effectiveness of, vaccines globally. The pandemic resulted in governments and other authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter in place orders, and business closures. These measures have impacted and may continue to impact our workforce and operations and the operations of our customers and suppliers. These measures also resulted in a reduction in miles driven. As a result, we have experienced and may continue to experience unpredictable reductions in demand for our products. We have been permitted to operate in most of the jurisdictions we serve, including in jurisdictions that mandated the closure of certain businesses. However, there is no assurance that we will be permitted to continue operations under future government orders or other restrictions, and although certain restrictions related to the COVID- 19 pandemic have eased, uncertainty continues to exist regarding such measures and potential future measures. Continued uncertainties related to the magnitude, duration, and persistent effects of the COVID- 19 pandemic may significantly adversely affect our business. These uncertainties include, among other things: the duration and impact of the resurgence in COVID- 19 cases; the emergence, contagiousness, and threat of new and different strains of virus; the availability, acceptance, and effectiveness of vaccines; additional closures or other actions as mandated or otherwise made necessary by governmental authorities, including employee vaccine mandates; disruptions in the supply chain, including those caused by industry capacity constraints, material availability, and global logistics delays and constraints arising from, among other things, the transportation capacity of ocean shipping containers, and a prolonged delay in resumption of operations by one or more key suppliers, or the failure of any key supplier; an increasingly competitive labor market due to a sustained labor shortage or increased turnover caused by the COVID- 19 pandemic; our ability to meet commitments to customers on a timely basis as a result of increased costs and supply and transportation challenges; increased logistics costs; additional operating costs due to continued remote working arrangements, adherence to social distancing guidelines, and other COVID- 19 related challenges; increased risk of cyberattacks on network connections used in remote working arrangements; absence of employees due to illness; and the impact of the pandemic on our customers and suppliers. We have developed and implemented business continuity plans and health and safety protocols in an effort to mitigate the negative impacts we have experienced related to COVID- 19 to our employees and our business. An inability to respond to the ever changing impacts of COVID- 19 to our employees and business could negatively impact our financial results. In addition, even if the adverse effects of the COVID- 19 pandemic subside, there is the possibility of the emergence of a different pandemic or health emergency with similar economic disruptions. These factors, and others that are currently unknown or considered immaterial, could materially and adversely affect the Company' s business, liquidity, results of operations, and financial position. Our operating results and financial condition have been and could continue to be adversely affected by the~~ economic, political and social conditions in North America, Europe, Taiwan and ~~elsewhere~~ **other countries** , as well as the economic health of vehicle owners and numbers and types of vehicles sold. Changes in economic, political and social conditions in North America, Europe, Taiwan and other countries in which we are located or do business could have a material effect on our company. Negative effects to our supply chain, costs of doing business, sales and distribution activity may occur due to factors such as war or threats of war, natural disasters, nuclear facility accidents, public health emergencies **, major logistics disruptions, sanctions** , utility interruptions, terrorism and social unrest. Our business is also affected by a number of other factors. For example, the number and types of new vehicles produced and sold by ~~manufacturers~~ **OEM** affects our business. A decrease in the number of vehicles on the road may result in a decrease in repairs. ~~Additionally~~ **In addition** , our sales are impacted by changes to the economic health of vehicle owners. The economic health of vehicle owners is affected by many factors, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, taxation, fuel prices **, new and used vehicle pricing** , unemployment trends and other matters that influence consumer confidence and spending. Many of these factors are outside of our control. If inflationary pressures or any of these other conditions worsen, our business, results of operations, financial condition and cash flows could be adversely affected. In addition, economic conditions, including decreased access to credit, may result in financial difficulties leading to restructurings, bankruptcies, liquidations and other unfavorable events for our customers, suppliers, logistics and other service providers and financial institutions that are counterparties to our credit facilities and hedge transactions. These unfavorable events affecting our business partners could have an adverse effect on our business, results of operations, financial condition and cash flows. We have a substantial business presence in Europe, including a significant presence in the U. K. and the **Republic of Ireland ("** ROI **")** . The U. K.' s withdrawal from the European Union (also known as Brexit) became effective on January 31, 2020. ~~The~~ **While a Trade and Cooperation Agreement exists between the** U. K. and ~~the~~ European Union ~~negotiated a Trade and Cooperation Agreement (" TCA") to govern the new relationship~~ , **we** ~~which became effective on January 1, 2021. Following the adoption of the TCA, duties~~ have ~~increased on some of the products we import into the U. K.,~~ and ~~we have~~ **continue to** ~~observed~~ **observe** shipment delays, particularly with respect to the products we supply to our business in the ROI.

The ~~While the~~ long- term extent and impact of these issues **still** remains unclear at this point **which** ~~, they~~ could have adverse impacts on our business. ~~Notwithstanding the TCA, there continues to be uncertainty regarding the effects of Brexit on our U. K. and European businesses, including with respect to tariffs or trade sanctions on goods moving between the jurisdictions, increased administrative burdens, fluctuations in exchange rates, disruptions in access to markets by U. K. and ROI companies, and disagreements about the interpretation of the TCA.~~ We also have a presence in the Ukraine and are monitoring the situation there carefully. ~~Additionally~~ **In addition** , a number of our suppliers are based in China and Taiwan and so increasing strains and any political repercussions may have implications upon our supply chain **. Although we do not have significant customers or suppliers in the Middle East region, we do have customers and suppliers in regions that may be affected. Further escalation of the Israel and Hamas conflict and related geopolitical tensions, including the crisis in the Red Sea and increased trade barriers or restrictions on global trade, could result in, among other things, supply disruptions, lower consumer demand, and changes to foreign exchange rates and financial markets, any of which may adversely affect our business, financial condition and results of operations** . We face competition from local, national, international, and internet-based vehicle products providers, and this competition could negatively affect our business. The vehicle replacement products industry and vehicle accessory parts industry are highly competitive and are served by numerous suppliers of OEM, recycled, aftermarket, refurbished and remanufactured products. Within each of these categories of suppliers, there are local owner-operated companies, larger regional suppliers, national and international providers, and internet- based suppliers and distributors. Providers of vehicle replacement and accessory products that have traditionally sold only certain categories of such products may decide to expand their product offerings into other categories of vehicle products, which may further increase competition. Some of our current and potential competitors may have more operational expertise; greater financial, technical, manufacturing, distribution, and other resources; longer operating histories; lower cost structures; and better relationships in the insurance and vehicle repair industries or with consumers, than we do. Business transacted on online marketplaces ~~has been~~ **continues to** ~~increasing~~ **increase** , which presents additional competitive pressures on us; in addition, ~~facilitators~~ **the owners** of these online marketplaces control access to ~~this channel~~ **their platforms** and may prohibit us from participating. In North America and Europe, local companies have formed cooperative efforts ~~in an attempt~~ to ~~more efficiently~~ compete ~~against us~~ in ~~all aspects of~~ our ~~business~~ **industry** . As a result of these factors, our competitors may be able to provide products that we are unable to supply, provide their products at lower costs, or supply products to customers that we are unable to serve. We believe that a majority of collision parts by dollar amount are supplied by **the** OEMs, with the balance being supplied by distributors of alternative aftermarket, recycled, refurbished and remanufactured collision parts like us. The OEMs are therefore able to exert pricing pressure in the marketplace. We compete with the OEMs primarily on price and **,** to a lesser extent **,** on service and quality. Our operations worldwide are dependent upon clear laws and regulation regarding the manufacture of automotive parts in competition with OEM parts. From time to time, the OEMs have engaged in efforts seeking to increase OEM market share and to restrict consumers' choice to use recycled or aftermarket parts to repair consumers' vehicles. Examples of these efforts include blocking the use of vehicle telematics by the independent repair industry, demanding that suppliers provide certain parts exclusively to the OEMs, embedding software in certain vehicle parts that prevents them from being recycled and used to repair other vehicles, repair shop certification programs that, in some cases, require the repair shops to use only OEM parts, refusing to sell certain OEM parts unless the buyer is an OEM- certified shop, obtaining patents and trademarks on various subcomponents of vehicles to prohibit the use of an aftermarket part alternative, and price matching and rebate programs on certain aftermarket products. See the risk factor entitled " Intellectual property claims relating to aftermarket products could adversely affect our business. " for further information about the OEM patents and trademarks. With respect to telematics, vehicles are increasingly being equipped with systems that transmit data to the OEMs wirelessly regarding, among other items, accident incidents, maintenance requirements, location of the vehicle, identification of the closest dealership, and other statistics about the vehicle and its driving history. To the extent that this data is not shared with alternative suppliers, the OEMs will have an advantage with respect to such matters as contacting the vehicle driver, recommending repairs and maintenance, and directing the vehicle owner to an affiliated dealership. The frequency and intensity of these OEM efforts has been increasing over time. The growth and effectiveness of these efforts or the introduction of new ones could have a material adverse effect on our business. We rely upon ~~our customers and~~ insurance companies **and our customers** to promote the usage of alternative parts. ~~Our~~ **We rely on business relationships with insurance companies and our customers and our** success depends, in part, on the acceptance and promotion of alternative parts usage by automotive insurance companies and vehicle repair facilities. There can be no assurance that current levels of alternative parts usage will be maintained or will increase in the future. ~~We rely on business relationships with insurance companies.~~ These insurance companies encourage vehicle repair facilities to use products we provide. The business relationships include in some cases participation in aftermarket quality and service assurance programs that may result in a higher usage of our aftermarket products than would be the case without the programs. Our arrangements with these companies may be terminated by them at any time, including in connection with their own business concerns relating to the offering, availability, standards or operations of the aftermarket quality and service assurance programs. We rely on these relationships for sales to some ~~collision~~ repair shops, and a **modification or** termination of these relationships may result in a loss of sales, which could adversely affect our results of operations. ~~As a result of an Illinois lawsuit decided in 1999 involving State Farm Mutual Automobile Insurance Company and relating to the use of non- OEM replacement products in the repair of damaged vehicles, some insurance companies have reduced or eliminated their use of aftermarket products. Our financial results could be adversely affected if insurance companies modified or terminated the arrangements pursuant to which repair shops buy aftermarket or recycled products from us due to a fear of similar claims.~~ In addition, to the extent that the ~~collision~~ repair industry continues to consolidate, the buying power of ~~collision~~ repair shop customers may further increase, putting additional pressure on our financial returns. OEMs and others have attempted to use claims of intellectual property infringement against manufacturers and distributors of aftermarket products to restrict or eliminate the sale of aftermarket products that are the subject of the claims. OEMs have brought such claims in ~~federal~~ court and with the U. S. International Trade Commission. In some cases, we have entered into patent license agreements with OEMs that allow us to sell aftermarket parts that replicate the patented **protected** parts in exchange for a royalty and otherwise in accordance with the terms of the agreements. To the extent OEMs and other manufacturers obtain design patents or trademarks and are successful in asserting claims of infringement of these patents or trademarks against us, we could be restricted or prohibited from selling certain aftermarket products, which could have an adverse effect on our business. In the event that our license agreements, or other similar license arrangements with OEMs or others, are terminated or we are unable to agree upon renewal terms, we may be subject to costs and uncertainties of litigation as well as restrictions on our ability to sell aftermarket parts that replicate parts covered by those design patents or trademarks. We have filed, and may file in the future, challenges to OEM patents, including patents owned by OEMs with which we have patent license agreements. We also may file challenges to OEM trademarks. To the extent OEMs are successful in defending their patents or trademarks, we could be restricted or prohibited from selling the corresponding aftermarket products, which could have an adverse effect on our business. Also, we will likely incur expenses investigating, pursuing and defending intellectual property claims. U. S. Customs and Border Protection has taken the position that certain of our aftermarket parts infringe certain OEM trademarks and seized our aftermarket parts as we attempted to import them into the U. S. We have incurred costs and expenses convincing Customs and Border Protection to release the seized goods and in litigation where we sought a determination of non- infringement. In the event Customs and Border Protection seizes our products again in the future, we may be unsuccessful in obtaining their release, and such goods may be subject to forfeiture and other penalties, and we would incur legal fees in contesting those seizures. **Independent organizations that certify** ~~Aftermarket~~ **aftermarket** products ~~certifying organizations~~ may revoke the certification of ~~parts~~ **products** that are the subject of ~~the~~ intellectual property disputes. Lack of certification may negatively impact us because many major insurance companies recommend or require the use of aftermarket products only if they have been certified by **such** an ~~independent certifying~~ organization. If the number of vehicles involved in accidents or being repaired declines, or the mix of the types of vehicles in the overall vehicle population changes, our business could suffer. Our business depends on vehicle accidents, mechanical failures and routine maintenance for both the demand for repairs using our products and **services and** the supply of recycled, remanufactured and refurbished parts ~~. To the extent that a relatively higher percentage of damaged vehicles are declared total losses, there will be less demand for our products to repair such vehicles~~ . In addition, our business is impacted by factors that influence the number and / or severity of accidents and mechanical failures including, but not limited to, the number of vehicles on the road, the number of miles driven, the ages of drivers, the occurrence and severity of certain weather conditions, the congestion of traffic, ~~drivers~~ distracted **driving** ~~by electronic equipment~~ , the use of alcohol or drugs by drivers, the usage rate and effectiveness of accident avoidance systems in new vehicles, the reliability of new OEM parts, ~~and~~ the condition of roadways ~~. For example, an~~ **and the** increase in ~~the acceptance of ride- sharing could reduce the number of vehicles~~ **vehicle speeds** ~~on the road~~ . ~~Additionally~~ **In addition** , an increase in fuel prices may cause the number of vehicles on the road, the number of miles driven, and the need for mechanical repairs and maintenance to decline, as motorists seek alternative transportation options. Mild weather conditions, particularly during winter months, tend to result in a decrease in vehicle accidents. Moreover, legislation banning the use of handheld ~~cellular telephones or other~~ electronic devices while driving could lead to a decline in accidents. Systems designed to minimize accident frequency and severity are becoming more prevalent and more technologically sophisticated. To the extent OEMs install or are mandated by law to install accident avoidance systems in their vehicles, the number and severity of accidents could decrease, which could have a material adverse effect on our business. The average number of new vehicles sold annually has fluctuated from year- to- year. Periods of decreased sales could result in a reduction in the number of vehicles on the road and consequently fewer vehicles involved in accidents or in need of mechanical repair or maintenance. Substantial declines in automotive sales in the future could have a material adverse effect on our business, results of operations and / or financial condition. In addition, if vehicle population trends result in a disproportionately high number of older vehicles on the road, insurance companies may find it uneconomical to repair such vehicles or there could be less costly repairs. If vehicle population trends result in a disproportionately high number of newer vehicles on the road, the demand generally for mechanical repairs and maintenance would likely decline due to the newer, longer- lasting parts in the vehicle population and mechanical failures being covered by OEM warranties for the first years of a vehicle' s life. Moreover, alternative collision and mechanical parts are less likely to be used on newer vehicles. Our Specialty segment depends on sales of pickup trucks, sport utility vehicles, crossover utility vehicles, high performance vehicles ~~and recreational~~ **, marine** vehicles **and RVs** ; any reduction in the number of such vehicles in operation will adversely affect demand for our Specialty products. Electric vehicles do not have traditional engines, transmissions, and certain related parts. Engines and transmissions represent some of our largest revenue generating SKUs in North America, and parts for engines and transmissions represent a significant amount of the revenue of our European operations. Thus, an increase in electric vehicles as a percentage of vehicles sold could have a negative impact on our sales of engines, transmissions, and other related parts. Fluctuations in the prices of ~~metals and other~~ commodities could adversely affect our financial results. Our recycling operations generate scrap metal and precious metals (such as platinum, palladium, and rhodium) as well as other metals that we sell. After we dismantle **or process** a ~~salvage~~ vehicle ~~for wholesale parts and after vehicles have been processed in our self service retail business~~ , the remaining vehicle hulks are sold to scrap processors and other remaining metals are sold to processors and brokers of metals. In addition, we receive" crush only" vehicles or vehicles to be further processed from other companies, including OEMs, which we dismantle and which generate scrap metal and other metals, in accordance with the guidelines of our agreements with the providing company. The prices of scrap and other metals have historically fluctuated, sometimes significantly, due to market factors. In addition, buyers may stop purchasing metals entirely due to excess supply. To the extent that the prices of metals decrease materially or buyers stop purchasing metals, our revenue from such sales will suffer and a write- down of our inventory value could be required. The cost of our ~~wholesale recycled and our~~ self service retail **and, to a lesser extent, our wholesale recycled** inventory purchases will change as a result of fluctuating scrap metal and other metals prices. In a period of falling metal prices, there can be no assurance that our inventory purchasing cost will decrease the same amount or at the same rate as the scrap metal and other metals prices decline, and there may be a delay between the scrap metal and other metals price reductions and any inventory cost reductions. The prices of steel, aluminum, and plastics are components of the cost to manufacture products for our aftermarket business. If the prices of commodities rise and result in higher costs to us for products we sell, we may not be able to pass these higher costs on to our customers. An adverse change in our relationships with our suppliers, disruption to our supply of inventory, or the misconduct, performance failures or negligence of our third party vendors or service providers could increase our expenses, impede our ability to serve our customers, or expose us to liability. Our Wholesale- North America business is dependent on a relatively small number of suppliers of aftermarket products, a large portion of which are sourced from Taiwan. Our European business ~~also~~ acquires **products from a wide variety of suppliers, including** products from Asian sources. We incur substantial freight costs to import parts from our suppliers, many of which are located in Asia. The cost of freight and shipping containers rose in 2021 and 2022 relative to historical levels, and if the cost of freight and shipping containers ~~continue to~~ rise **again in the future** , we might not be able to pass the cost increases on to our customers. Furthermore, although alternative suppliers exist for substantially all aftermarket products distributed by us, the loss of any one supplier could have **an** ~~a material~~ adverse effect on us until alternative suppliers are located and have commenced manufacturing and providing the relevant products. In addition, we are subject to disruptions from work stoppages and other labor disputes at port facilities through which we import our inventory. We also face the risk that our suppliers could attempt to circumvent us and sell their product directly to our customers; consolidation of our suppliers could enhance their ability to distribute products through additional sales channels and thus decrease their reliance on wholesale distributors like us. Moreover, our operations are subject to the customary risks of doing business abroad, including, among other things, natural disasters, transportation costs and delays, political instability, currency fluctuations and the imposition of tariffs, import and export controls and other non- tariff barriers (including changes in the allocation of quotas) ~~, as well as the uncertainty regarding future relations between China, Japan and Taiwan. For example, U. S. Customs and Border Protection have used claims of intellectual property infringement to seize certain of our aftermarket parts as we attempted to import them into the U. S~~ . Because a substantial volume of our sales involves products manufactured from sheet metal, we can be adversely impacted if sheet metal becomes unavailable or is only available at higher prices, which we may not be able to pass on to our customers. ~~Additionally~~ **In addition** , as OEMs convert to raw materials other than steel, it may be more difficult or expensive to source aftermarket parts made with such materials, and it may be more difficult for repair shops to work with such materials in the repair process. Most of our ~~salvage~~ **wholesale recycled** and a portion of our self service inventory is obtained from vehicles offered at salvage auctions **that are owned and** operated by ~~several~~ **third- party** companies ~~that own auction facilities in numerous locations across the U. S~~ . We do not typically have contracts with ~~the~~ **these** auction companies. According to industry analysts, a small number of companies control a large percentage of the salvage auction market ~~in the U. S~~ . If an auction company prohibited us from participating in its auctions, began competing with us, or significantly raised its fees, our business could be adversely affected through higher costs or the resulting potential inability to service our customers. Moreover, we face competition in the purchase of vehicles from direct competitors, rebuilders, exporters and other bidders. To the extent that the number of bidders increases, it may have the effect of increasing our cost of goods sold for wholesale recycled products. Some ~~states~~ **jurisdictions** regulate bidders to help ensure that salvage vehicles are purchased for legal purposes by qualified buyers. Auction companies have been actively seeking to reduce, circumvent or eliminate these regulations, which would further increase the number of bidders. In addition, there is a limited supply of salvage vehicles in **North America** ~~the U. S.~~ , and thus the costs to us of these vehicles could increase over time. In some states, when a vehicle is deemed a total loss, a salvage title is issued. Whether states issue salvage titles is important to the supply of inventory for the vehicle recycling industry because an increase in vehicles that qualify as salvage vehicles provides greater availability and typically lowers the price of such vehicles. Currently, these titling issues are a matter of state law ~~. National legislation seeking to establish national uniform requirements in this area, including a uniform definition of a salvage vehicle, has been introduced but not enacted~~ . The vehicle recycling industry generally favors a uniform definition, since it would avoid inconsistencies across state lines, and generally favors a definition that expands the number of damaged vehicles that qualify as salvage. However, certain interest groups, including repair shops and some insurance associations, may oppose this type of legislation. There can be no assurance that such legislation will be enacted in the future. We also acquire inventory directly from insurance companies, OEMs, and others. To the extent that these suppliers decide to discontinue these arrangements, our business could be adversely affected through higher costs or the resulting potential inability to service our customers. ~~In Europe, we acquire products from a wide variety of suppliers.~~ As vehicle technology changes, some parts will become more complex and the design or technology of those parts may be covered by patents **, proprietary software, access restrictions** or other rights that make it difficult for manufacturers to supply such aftermarket parts to companies such as ours. The complexity of the parts may include software or other technical aspects that make it difficult to identify what is wrong with the vehicle. More complex parts may be difficult to repair and may require expensive or difficult to obtain software updates, limiting our ability to compete with the OEMs. We rely on third parties to provide products and services that are integral to our operations. If we fail to adequately assess, monitor and regulate the performance of our third **-** party vendors and service providers, we could be subject to additional risk caused by the misconduct, performance failures or negligence of these third parties. For example, these could include violations of, or noncompliance with, laws and / or regulations governing our business (including, but not limited to, **anti- slavery,** bribery **, child labor** , cybersecurity or privacy laws), which could lead to sanctions and / or fines from governmental agencies. Our arrangements with third **-** party vendors and service providers may cause us financial and reputational harm if those third parties fail to satisfy their obligations to us, including their obligations to maintain and protect the security and confidentiality of our information and data or the information and data relating to our customers. See the risk factor entitled " The costs of complying with the requirements of laws pertaining to the privacy and security of personal information and the potential liability associated with the failure to comply with such laws could materially adversely affect our business and results of operations " for further information about the security and confidentiality of our information and data. Further, noncompliance with contract terms by our third party vendors or service providers could expose us to liability to other third parties or our employees. **Future public health emergencies could have a material adverse impact on our business, results of operation, financial condition and liquidity, the nature and extent of which is highly uncertain. The global outbreak of the coronavirus (" COVID- 19") significantly increased economic, demand and operational uncertainty. Our operations have generally stabilized since the peak of the COVID- 19 pandemic, and, in May 2023, the World Health Organization declared an end to COVID- 19 as a public health emergency. However, a resurgence or development of new strains of COVID- 19 or any other public health emergencies could result in unpredictable responses by authorities around the world which could negatively impact our global operations, customers and suppliers. Any future pandemics or public health emergencies could reduce demand for our products and / or result in disruptions to our operations, including higher rates of employee absenteeism, and supply chain challenges, which could negatively impact our ability to meet customer demand. The extent to which new strains or variants of COVID- 19 or other public health emergencies could impact our business, results of operations, financial condition or liquidity is highly uncertain and would depend on future developments, including the spread and duration of any such virus and the variants thereof, potential actions taken by governmental authorities and how quickly economic conditions stabilize and recover.** If we determine that our goodwill or other intangible assets have become impaired, we may incur significant charges to our pretax income. Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. In the future, our goodwill and intangible assets may increase as a result of acquisitions. Goodwill is reviewed at least annually for impairment. Impairment may result from, among other things, deterioration in the performance of acquired businesses, deterioration of expected future cash flows or performance, increases in our cost of capital, adverse market conditions, and adverse changes in applicable laws or regulations, including modifications that restrict the activities of the acquired business. As of December 31, ~~2022~~ **2023** , our total goodwill subject to future impairment testing was $ ~~4~~ **5** , ~~319~~ **600** million. For further discussion of our annual impairment test, see" Goodwill Impairment" in the Critical Accounting Estimates section of Part II, Item 7 and" Intangible Assets" in Note ~~3~~ **2** ," Summary of Significant Accounting Policies" to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10- K. Except for indefinite- lived intangibles, we amortize other intangible assets over the assigned useful lives, each of which is based upon the expected period to be benefited. We review indefinite- lived intangible assets for impairment annually or sooner if events or changes in circumstances indicate that the carrying value may not be recoverable. We review finite- lived intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In the event conditions change that affect our ability to realize the underlying cash flows associated with our intangible assets, we may record an impairment charge. As of December 31, ~~2022~~ **2023** , the value of our other intangible assets, net of accumulated amortization, was $ ~~653~~ **1, 313** million. We could be subject to product liability claims and involved in product recalls. If our products cause injury or property damage, we could be subject to product liability claims. The successful assertion of this type of claim could have an adverse effect on our business, results of operations or financial condition. In addition, we may become involved in the recall of a product that is determined to be defective. More generally, a recall involving alternative parts, even if we did not sell the recalled products, could adversely affect the perceived quality of alternative parts, leading to decreased usage of alternative parts. The expenses of a recall and the damage to our reputation, or the reputation of alternative parts generally, could have an adverse effect on our business, results of operations or financial condition. ~~We~~ **In certain circumstances, we** have agreed to defend and indemnify ~~in certain circumstances~~ insurance companies and customers against claims and damages relating to product liability and product recalls. The existence of claims or damages for which we must defend and indemnify these parties could also negatively impact our business, results of operations or financial condition. We may not be able to successfully acquire ~~new~~ businesses or integrate acquisitions, and we may not be able to successfully divest certain businesses. We may not be able to successfully complete potential strategic acquisitions if we cannot reach agreement on acceptable terms, if we do not obtain required antitrust or other regulatory approvals, or for other reasons. Moreover, we may not be able to identify acquisition candidates at reasonable prices and / or be able to successfully integrate acquisitions. If we buy a ~~company~~ **business** or a division of a ~~company~~ **business** , we may experience difficulty integrating that ~~company~~ **business** ' ~~s~~ or division' s personnel and operations, which could negatively affect our operating results. In addition: • the key personnel of the acquired ~~company~~ **business** may decide not to work for us; • customers of the acquired ~~company~~ **business** may decide not to purchase products from us; • suppliers of the acquired ~~company~~ **business** may decide not to sell products to us; • we may experience business disruptions as a result of **IT** ~~information technology~~ systems conversions; • we may experience additional financial and accounting challenges and complexities in areas such as tax planning, treasury management, and financial reporting; • we may be held liable for environmental, tax or other risks and liabilities as a result of our acquisitions, some of which we may not have discovered during our due diligence; • we may intentionally assume the liabilities of the ~~companies~~ **businesses** we acquire, which could result in material adverse effects on our business **; • the acquired business could place unanticipated demands on our management, operational resources and financial and internal control systems** ; • our existing business may be disrupted or receive insufficient management attention; • we may not be able to realize the cost savings or other financial benefits we anticipated, either in the amount or in the time frame that we expect; and • we may incur debt or issue equity securities to pay for any future acquisition, the issuance of which could involve the imposition of restrictive covenants or be dilutive to our existing stockholders. For example, we have undertaken the 1 LKQ Europe program to create structural centralization and standardization of key functions to facilitate the operation of the Europe segment as a single business; this program has presented and will continue to present a number of execution challenges. ~~The COVID- 19 pandemic has impacted certain 1 LKQ Europe initiatives, resulting in minor delays.~~ In addition to acquisitions, we have divested, and will continue to divest, certain businesses, either because they do not meet our performance standards or for other reasons. As a result of a divestment, we may not recover the carrying value of our investment in the divested business; in addition, such divestment transactions require significant management time and attention. Risks Relating to Our Financial Structure We have a substantial amount of indebtedness, which could have a material adverse effect on our financial condition and our ability to obtain financing in the future and to react to changes in our business. As of December 31, ~~2022~~ **2023** , we had approximately $ 1, ~~786~~ **943** million aggregate principal amount of unsecured **, variable- rate** debt outstanding **under our Senior Unsecured Credit Agreement and Senior Unsecured Term Loan Agreement** and approximately $ **976** ~~1, 295~~ million of availability under ~~our~~ **the Senior Unsecured** ~~credit~~ **Credit** ~~agreement~~ **Agreement** ($ 1, ~~364~~ **086** million of availability reduced by $ ~~69~~ **110** million of amounts outstanding under letters of credit). In addition, we had approximately $ ~~803~~ **2, 228** million aggregate principal amount of unsecured **, fixed rate** debt outstanding comprised of € 500 million ($ ~~535~~ **552** million) aggregate principal amount of 3. 875 % senior notes due ~~April 1,~~ 2024 (the" Euro Notes (2024)"), ~~and~~ € 250 million ($ ~~268~~ **276** million) of 4. 125 % senior notes due 2028 (the" Euro Notes (2028) **"), $ 800 million of 5. 75 % senior notes due 2028 (the" U. S. Notes (2028)"), and $ 600 million of 6. 25 % senior notes due 2033 (the" U. S. Notes (2033)** ," and together with the Euro Notes (2024), the **Euro Notes (2028), and the U. S. Notes (2028), the** " senior notes"). ~~Borrowings under the credit agreement mature in January 2024.~~ Our ~~significant~~ **substantial** amount of debt and our debt service obligations could limit our ability to satisfy our obligations, limit our ability to operate our business and impair our competitive position. For example, our debt and our debt service obligations could: • increase our vulnerability to adverse economic and general industry conditions, including interest rate fluctuations, because a portion of our borrowings are and will continue to be at variable rates of interest; • require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, which would reduce the availability of our cash flow from operations to fund working capital, capital expenditures **, dividends, share repurchases, other investments** or other general corporate purposes; • limit our flexibility in planning for, or reacting to, changes in our business and industry; • place us at a disadvantage compared to competitors that may have proportionately less debt; • limit our ability to obtain additional debt or equity financing due to applicable financial and restrictive covenants in our debt agreements; and • increase our cost of borrowing. In addition, if we or our subsidiaries incur additional debt, the risks associated with our substantial leverage and the ability to service such debt would increase. Our senior notes do not impose any limitations on our ability to incur additional debt or protect against certain other types of transactions, and we may incur additional indebtedness under our credit agreement. Although we are subject to our credit agreement for so long as it remains in effect, the indentures governing the senior notes do not restrict the future incurrence of unsecured indebtedness, guarantees or other obligations. The indentures contain certain limitations on our ability to incur liens on assets and engage in sale and leaseback transactions. However, these limitations are subject to important exceptions. In addition, the indentures do not contain many other restrictions, including certain restrictions contained in our credit agreement, including, without limitation, making investments, prepaying subordinated indebtedness or engaging in transactions with our affiliates. Our credit agreement will permit, subject to specified conditions and limitations, the incurrence of a significant amount of additional indebtedness under the existing agreement. As of December 31, ~~2022~~ **2023** , we would have been able to incur an additional $ **976** ~~1, 295~~ million of indebtedness under our credit agreement ($ 1, ~~364~~ **086** million of availability reduced by $ ~~69~~ **110** million of amounts outstanding under letters of credit). If we or our subsidiaries incur additional debt, the risks associated with our substantial leverage and the need to service such debt would increase. Our credit agreement imposes operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities. Our credit agreement imposes operating and financial restrictions on us. These restrictions may limit our ability, among other things, to: • incur, assume or permit to exist additional indebtedness (including guarantees thereof) outside of our credit agreement; • incur liens on assets; • engage in transactions with affiliates; • sell certain assets or merge or consolidate with or into other companies; • guarantee indebtedness; and • alter the business we conduct. As a result of these covenants and restrictions, we may be limited in how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. **In the event** ~~We cannot assure you that~~ we **fail** ~~will be able~~ to maintain compliance with these covenants in the future ~~and~~ , ~~if~~ we **may** ~~fail to do so, that we will~~ be ~~able~~ **unable** to obtain waivers from the lenders and / or amend the covenants. ~~The failure~~ **Failure** to comply with any of these covenants would cause a default under the credit agreement. A default, if not waived, could result in acceleration of our debt, in which case the debt would become immediately due and payable. If this occurs, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if new financing were available, it may be on terms that are less attractive to us than our existing credit facilities or it may be on terms that are not acceptable to us. We may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful. Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot **guarantee** ~~assure you~~ that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. If our operating results and available cash are insufficient to meet our debt service obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or to obtain the proceeds that we hope to realize from them, and these proceeds may not be adequate to meet any debt service obligations then due. Any future refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants which could further restrict our business operations. ~~Additionally, our credit agreement and the indentures~~

~~that govern our senior notes limit the use of the proceeds from certain dispositions of our assets; as a result, our credit agreement and our senior notes may prevent us from using the proceeds from such dispositions to satisfy all of our debt service obligations.~~ Our future capital needs may require that we seek to refinance our debt or obtain additional debt or equity financing, events that could have a negative effect on our business. We may need to raise additional funds in the future to, among other things, refinance existing debt, fund our existing operations, improve or expand our operations, respond to competitive pressures, or make acquisitions. From time to time, we may raise additional funds through public or private financing, strategic alliances, or other arrangements. Funds may not be available or available on terms acceptable to us as a result of different factors, including but not limited to turmoil in the credit markets that results in the tightening of credit conditions and current or future regulations applicable to the financial institutions from which we seek financing. If adequate funds are not available on acceptable terms, we may be unable to meet our business or strategic objectives or compete effectively. If we raise additional funds by issuing equity securities, stockholders may experience dilution of their ownership interests, and the newly issued securities may have rights superior to those of our common stock. If we raise additional funds by issuing debt, we may be subject to higher borrowing costs and further limitations on our operations. If we refinance or restructure our debt, we may incur charges to write off the unamortized portion of deferred debt issuance costs from a previous financing, or we may incur charges related to hedge ineffectiveness from our interest rate swap obligations. There are ~~restrictions~~ **limitations** in the indentures that govern the **U. S.** ~~Euro Notes (2024) and Euro~~ Notes (2028) **and U. S. Notes (2033)** on our ability to refinance such notes prior to ~~January 1~~ **May 15** , ~~2024~~ **2028** and ~~April 1~~ **March 15** , ~~2023~~ **2033** , respectively. We could refinance the senior notes through open market purchases, subject to a limitation in our credit agreement on the amount of such purchases. If we fail to raise capital when needed, our business may be negatively affected. Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly. Borrowings under our credit agreement are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. Moreover, changes in market interest rates could affect the trading value of the senior notes. Repayment of our indebtedness is dependent on cash flow generated by our subsidiaries. We are a holding company and repayment of our indebtedness **is** ~~will be~~ dependent ~~upon~~ **on** cash flow generated by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are borrowers or guarantors of the indebtedness, our subsidiaries do not have any obligation to pay amounts due on the indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the senior notes. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries and, under certain circumstances, distributions from our subsidiaries may be subject to taxes that reduce the amount of such distributions available to us. While the indentures governing the senior notes limit the ability of our subsidiaries to restrict the payment of dividends or to restrict other intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive sufficient distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the senior notes. A downgrade in our credit rating would impact our cost of capital. Credit ratings have an important effect on our cost of capital. Credit rating agencies rate our debt securities on factors that include, among other items, our results of operations, business decisions that we make, their view of the general outlook for our industry, and their view of the general outlook for the economy. Actions taken by the rating agencies can include maintaining, upgrading, or downgrading the current rating or placing us on a watch list for possible future downgrading. We believe our current credit ratings enhance our ability to borrow funds at favorable rates. A downgrade in our current credit rating from a rating agency could adversely affect our cost of capital by causing us to pay a higher interest rate on borrowed funds under our credit facilities. A downgrade could also adversely affect our ability to issue debt securities in the future or incur other indebtedness upon favorable terms. If we are downgraded to a rating that is below investment grade, we may also become subject to additional covenants under our senior notes. The amount and frequency of our share repurchases and dividend payments may fluctuate. The amount, timing and execution of our share repurchase program may fluctuate based on our priorities for the use of cash for other purposes such as operational spending, capital spending, acquisitions or repayment of debt. Changes in cash flows, tax laws and our share price could also impact our share repurchase program and other capital activities. ~~Additionally~~ **In addition** , decisions to return capital to shareholders, including through our repurchase program or the issuance of dividends on our common stock, remain subject to determination of our Board ~~of Directors~~ that any such activity is in the best interests of our shareholders and is in compliance with all applicable laws and contractual obligations. Legal and Regulatory Risks Existing or new laws and regulations, or changes to enforcement or interpretation of existing laws or regulations, may prohibit, restrict or burden the sale of aftermarket, recycled, refurbished or remanufactured products. Many states have introduced or passed laws that limit the use of aftermarket products in collision repair. These laws include requirements relating to consumer disclosure, vehicle owner' s consent regarding the use of aftermarket products in the repair process, and the requirement to have aftermarket products certified by an independent testing organization. Additional legislation of this kind may be introduced in the future. If additional laws prohibiting or restricting the use of aftermarket products are passed, it could have an adverse impact on our aftermarket products business. Certain **independent** organizations test the quality and safety of **aftermarket** ~~vehicle replacement~~ products. If these organizations decide not to test a particular ~~vehicle~~ **aftermarket** product, or in the event that such organizations decide that a particular ~~vehicle~~ product does not meet applicable quality or safety standards, we may decide to discontinue sales of such product or insurance companies may decide to discontinue authorization of repairs using such product. Such events could adversely affect our business. Some jurisdictions have enacted laws prohibiting or severely restricting the sale of certain recycled products that we provide, such as airbags. In addition, laws relating to the regulation of parts affecting vehicle emissions, such as California' s

Proposition 65, may impact the ability of our Specialty segment to sell certain accessory products. These and other jurisdictions could enact similar laws or could prohibit or severely restrict the sale of additional recycled products. The passage of legislation with prohibitions or restrictions that are more severe than current laws could have a material adverse effect on our business. ~~Additionally~~ **In addition** , Congress could enact federal legislation restricting the use of aftermarket or recycled automotive products used in the course of vehicle repairs. In Europe, the Motor Vehicle Block Exemption Regulations (**"** MVBER **"**) regulate the competition rules on automotive spare parts. ~~The 2010~~ **In April 2023, the** MVBER **was** ~~are due to expire in May 2023. The current indications are that the 2010 MVBER will be~~ extended for 5 years ~~, with additional~~ **. The MVBER and accompanying** guidance ~~to~~ **clarified that data generated by vehicle sensors may** be ~~provided by the European Commission in a supplementary guidance regarding new technology and~~ - **an' essential input'** ~~software provided by OEMs. In July 2022, the European Commission published~~ for ~~consultation its proposal~~ **the provision of repair and maintenance services. Therefore, independent repairers should have access** to **such data on an equal footing to OEM authorized dealers. The existing principles for the provision of technical information, tools and training necessary for the repair and maintenance services have also been** ~~extend~~ **extended** ~~the MVBER~~ to **explicitly cover vehicle- generated data. A similar regulation has also been adopted in the U. K. under the Motor Vehicle Block Exemption Order, which addresses technological and data requirements and remains in force until** May 31, ~~2028~~ **2029** ~~and amend the supplementary guidelines~~ . The Federal Trade Commission has issued guides that regulate the use of certain terms such as " rebuilt " or " remanufactured " in connection with the sale of automotive parts. Restrictions on the products we are able to sell and on the marketing of such products could decrease our revenue and have an adverse effect on our business and operations. We are subject to environmental regulations and incur costs relating to environmental matters. We are subject to various environmental protection and health and safety laws and regulations governing, among other things: the emission and discharge of hazardous materials into the ground, air, or water; exposure to hazardous materials; and the generation, handling, storage, use, treatment, identification, transportation, and disposal of industrial by- products, waste water, storm water, and mercury and other hazardous materials. We are also required to obtain environmental permits from governmental authorities for certain of our operations. If we violate or fail to obtain or comply with these laws, regulations, or permits, we could be fined or otherwise sanctioned by regulators or lose our operating permits. We could also become liable if employees or other parties are improperly exposed to hazardous materials. We have an environmental management process designed to facilitate and support our compliance with these requirements; **however,** we cannot **guarantee** ~~assure you, however, that we will at all times be in~~ complete compliance with such requirements. We have made and will continue to make capital and other expenditures relating to environmental matters. Although we presently do not expect to incur any capital or other expenditures relating to environmental controls or other environmental matters in amounts that would be material to us, we may be required to make such expenditures in the future. Under certain environmental laws, we could be held responsible for all of the costs relating to any contamination at, or migration to or from, our **present facilities** or our predecessors' past ~~or present~~ facilities and at independent waste disposal sites. These laws often impose liability even if the owner or operator did not know of, or was not responsible for, the release of such hazardous substances. ~~Many~~ **Some** of our facilities are located on or near properties with a history of industrial use that may have involved hazardous materials. As a result, some of our properties may be contaminated. Some environmental laws hold current or previous owners or operators of real property liable for the costs of cleaning up contamination. These environmental laws also impose liability on any person who disposes of, treats, or arranges for the disposal or treatment of hazardous substances, regardless of whether the affected site is owned or operated by such person, and at times can impose liability on companies deemed under law to be a successor to such person. Third parties may also make claims against owners or operators of properties, or successors to such owners or operators, for personal injuries and property damage associated with releases of hazardous or toxic substances. Contamination resulting from **the** vehicle recycling processes can include soil and ground water contamination from the release, storage, transportation, or disposal of gasoline, motor oil, antifreeze, transmission fluid, chlorofluorocarbons from air conditioners, other hazardous materials, or metals such as aluminum, cadmium, chromium, lead, and mercury. Contamination from the refurbishment of chrome plated bumpers can occur from the release of the plating material. Contamination can migrate on- site or off- site, which can increase the risk, and the amount, of any potential liability. When we identify a potential material environmental issue during our acquisition due diligence process, we analyze the risks, and, when appropriate, perform further environmental assessment to verify and quantify the extent of the potential contamination. Furthermore, where appropriate, we have established financial reserves for certain environmental matters. In the event we discover new information or if laws change, we may incur significant liabilities, which may exceed our reserves. Environmental laws are complex, change frequently, and have tended to become more stringent over time. Our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances, may adversely affect our business, results of operations, or financial condition **. If we fail to maintain proper and effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be negatively impacted, which could harm our operating results and investor perceptions of our company and as a result may have a material adverse effect on the value of our common stock. Pursuant to Section 404 of the Sarbanes- Oxley Act of 2002 and related rules, our management is required to report on, and our independent registered public accounting firm is required to attest to, the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing, and, in some instances, remediation. We have acquired entities that had no publicly traded debt or equity and therefore were not previously required to conform to the rules and regulations of the SEC, especially related to their internal control structure. Integrating acquired entities into our internal control over financial reporting has required and will continue to require significant time and resources from our management and other personnel, which increases our compliance costs. We must complete the evaluation and integration of internal controls over**

financial reporting and report our assessment within the required time frame. In addition, with the increasing frequency of cyber- related frauds perpetrated to obtain inappropriate payments, we need to ensure our internal controls related to authorizing the transfer of funds and changing our vendor master files are adequate. Furthermore, the introduction of new, and changes to existing, ERP and financial reporting information systems create implementation and change management risks that require effective internal controls to mitigate. Failure to maintain an effective internal control environment could have a material adverse effect on our ability to accurately report our financial results, the market' s perception of our business, and our stock price . We may be adversely affected by legal, regulatory or market responses to global climate change. Growing concern over climate change has led policy makers to **enact or** consider the enactment of legislative and regulatory proposals that would impose mandatory requirements on greenhouse gas emissions. Such laws, if enacted, are likely to impact our business in a number of ways. For example, significant increases in fuel economy requirements, new **regulatory** ~~federal or state~~ restrictions on emissions of carbon dioxide or new ~~federal or state~~ incentive programs that may be imposed on vehicles and automobile fuels could adversely affect demand for vehicles, annual miles driven or the products we sell. We may not be able to accurately predict, prepare for and respond to new kinds of technological innovations with respect to electric vehicles and other technologies that minimize emissions. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require additional expenditures by us or our suppliers. Our inability to appropriately respond to such changes could adversely impact our business, financial condition, results of operations or cash flows. Moreover, the perspectives of our customers, suppliers, stockholders, employees, community partners, regulatory agencies and other stakeholders regarding climate change are evolving. These stakeholders are increasingly requesting disclosures and actions relating to not only climate change but other environmental and social matters and corporate governance practices. The increase in costs to comply with such evolving expectations, including any rules or regulations resulting from these evolving expectations, as well as any risk of noncompliance, could adversely impact us. Our amended and restated bylaws provide that the courts in the State of Delaware are the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware (or if the Court of Chancery does not have jurisdiction, another court of the State of Delaware, or if no court of the State of Delaware has jurisdiction, the federal district court for the District of Delaware) shall be the exclusive forum for the following types of actions or proceedings: • any derivative action or proceeding brought on our behalf ; • any action asserting a breach of fiduciary duty ; • any action asserting a claim against us arising under the Delaware General Corporation Law, our certificate of incorporation, or our bylaws ; • any action asserting a claim governed by the internal- affairs doctrine; and • any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or our bylaws. The choice of forum provision in our bylaws does not apply to claims brought to enforce any duty or liability created by the Exchange Act or the Securities Act or any claim with respect to which the federal courts have exclusive jurisdiction. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers due to, among other possible factors, increased costs of such lawsuits and limitations on the ability to bring claims in a judicial forum that the plaintiffs may consider more favorable. Alternatively, if a court were to find the choice of forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and operating results. Our effective tax rate could materially increase as a consequence of various factors, including U. S. and / or international tax legislation, applicable interpretations and administrative guidance, our mix of earnings by jurisdiction, and U. S. and foreign jurisdictional audits. We are a U. S. based multinational company subject to income taxes in the U. S. and a number of foreign jurisdictions. Therefore, we are subject to changes in tax laws in each of these jurisdictions, and such changes could have a material adverse effect on our effective tax rate and cash flows. On August 16, 2022, the U. S. enacted legislation commonly referred to as the Inflation Reduction Act (the" IRA"). The IRA contained a number of new provisions the most significant of which are a new Corporate Alternative Minimum Tax and a new Stock Repurchase Excise Tax. ~~Additionally~~ **In addition** , ~~many non- U. S. jurisdictions are implementing tax legislation based upon recommendations made by~~ the Organization for Economic Co- operation and Development **(the " OECD ") released a framework** ~~in connection with its Base Erosion and Profit Shifting study~~ , **referred to** as ~~well as~~ **Pillar Two, to implement a global minimum corporate tax rate of 15 % on** certain ~~anti-~~ **multinational enterprises. Certain countries have enacted legislation to adopt the Pillar Two framework while several countries are considering or still announcing changes to their** tax **laws to implement** ~~- avoidance initiatives advanced by the European Commission. The outcome of these~~ -- **the** ~~legislative developments could~~ **minimum tax directive. While we do not currently expect Pillar Two to** have a material **impact** ~~adverse effect~~ on our effective tax rate **, our analysis will continue as the OECD continues to release additional guidance** and ~~cash flows~~ **countries implement legislation** . The tax rates applicable in the jurisdictions within which we operate vary ~~widely~~ . Therefore, our effective tax rate may be adversely affected by changes in the mix of our earnings by jurisdiction. We are also subject to ongoing audits of our income tax returns in various jurisdictions both in the U. S. and internationally. While we believe that our tax positions will be sustained, the outcomes of such audits could result in the assessment of additional taxes, which could adversely impact our cash flows and financial results. If significant tariffs or other restrictions are placed on products or materials we import or any related counter- measures are taken by countries to which we export products, our revenue and results of operations may be materially harmed. The U. S. has imposed tariffs on certain materials imported into the U. S. from China and announced additional tariffs on other goods from China and other countries. Moreover, counter- measures have been taken by other countries in retaliation for the U. S.- imposed tariffs. The tariffs cover products and materials that we import, and the counter- measures may affect products we export. The effects currently are not material; however, depending on the breadth of products and materials ultimately affected by, and the duration of, the tariffs and countermeasures, our financial results may be materially harmed. In addition, countries may impose other restrictions on the importation of products. Governmental agencies may refuse to grant or renew our operating licenses and permits. Our operating subsidiaries in our salvage, self service, and refurbishing operations must obtain licenses and permits from state and local governments to conduct their operations. When we develop or acquire a new facility, we must seek the approval of state and local units of government. Governmental agencies may resist the establishment of a vehicle recycling or refurbishing facility in their communities. There can be no assurance that future approvals or transfers will be granted. In addition, there can be no assurance that we will be able to maintain and renew the licenses and permits our operating subsidiaries currently hold. General Risk Factors Our employees are important...... subject to all of these risks. The costs of complying with the requirements of laws pertaining to ~~the~~ **data** privacy and ~~security~~ **cybersecurity** of personal information and the potential liability associated with the failure to comply with such laws could materially adversely affect our business and results of operations. We collect personally identifiable information (" PII") and other data as part of our business processes and operations. The legislative and regulatory framework relating to privacy and data protection is rapidly evolving worldwide and is likely to remain uncertain for the foreseeable future. This data is subject to a variety of U. S. and international laws and regulations. Many foreign countries and governmental bodies, including the European Union, Canada, U. K., Switzerland and other jurisdictions where we conduct business, have laws and regulations concerning the collection and use of PII and other data obtained from their residents or by businesses operating within their jurisdictions that are more restrictive than those in the U. S. ~~Additionally~~ **In addition** , the European Union adopted the General Data Protection Regulation (" GDPR") that imposes more stringent data protection requirements for processors and controllers of personal data, including expanded disclosures about how PII is to be used, limitations on retention of PII, mandatory data breach notification requirements, possible restrictions on cross border transfers of PII and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities. The GDPR provides severe penalties for noncompliance. In addition, stricter laws in this area are being enacted in certain states in the U. S. and in other countries, and more jurisdictions are likely to follow this trend. **Most recently, the SEC has announced strict disclosure rules for material, cybersecurity incidents.** Any inability, or perceived inability, to adequately address privacy and data protection issues, even if unfounded, or comply with applicable laws, regulations, policies, industry standards, contractual obligations or other legal obligations (including at newly- acquired companies) could result in additional cost and liability to us, result in governmental investigations and enforcement actions, give rise to civil litigation, result in damage to our reputation (including the loss of trust by our customers and employees), inhibit sales, and otherwise adversely affect our business. We also may be subject to these adverse effects if other parties with whom we do business, including lenders, suppliers, consultants and advisors, violate applicable laws or contractual obligations or suffer a security breach. General Risk Factors Our employees are important to successfully manage our business and achieve our objectives.Our future success depends in large part upon the leadership and performance of our executive management team and key employees at the operating level.If we lose the services of one or more of our executive officers or key employees,or if one or more of them decides to join a competitor or otherwise compete directly or indirectly with us,we may not be able to successfully manage our business or achieve our business objectives.If we lose the services of any of our key employees at the operating or regional level,we may not be able to replace them with similarly qualified personnel,which could harm our business.In addition,we have experienced wage inflation in the jurisdictions in which we operate.An inability to respond to these inflationary pressures could impact our ability to retain key employees or we may experience increased costs due to difficulties related to hiring and retaining employees.We operate in foreign jurisdictions,which exposes us to foreign exchange and other risks.We have operations in North America,Europe and Taiwan,and we may expand our operations in the countries in which we do business and into other countries.Our foreign operations expose us to additional risks associated with international business,which could have an adverse effect on our business,results of operations and / or financial condition,including import and export requirements and compliance with anti- corruption laws,such as the U.K.Bribery Act 2010 and the Foreign Corrupt Practices Act.We also incur costs in currencies other than our functional currencies in some of the countries in which we operate.We are thus subject to foreign exchange exposure to the extent that we operate in different currencies,as well as exposure to foreign tax and other foreign and domestic laws.In addition,certain countries in which we operate have a higher level of political instability and criminal activity than the U.S.that could affect our operations and the ability to maintain our supply of products.Our business may be adversely affected by union activities and labor and employment laws.Certain of our employees are represented by labor unions and ~~works councils and~~ other employee representative bodies and work under collective bargaining or similar agreements,which are subject to periodic renegotiation.From time to time,there have been efforts to organize additional portions of our workforce and those efforts can be expected to continue.In addition,legislators and government agencies could adopt new regulations,or interpret existing regulations in a manner,that could make it significantly easier for unionization efforts to be successful.Also,we ~~have been and~~ may in the future be subject to strikes or work stoppages,union and works council campaigns,and other labor disruptions and disputes.Additional unionization efforts,new collective bargaining or similar agreements,and work stoppages could materially increase our costs and reduce revenue and could limit our flexibility in terms of work schedules,reductions in force and other operational matters.We also are subject to laws and regulations that govern such matters as minimum wage,overtime and other working conditions.Some of these laws are technical in nature and could be subject to interpretation by government agencies and courts different than our interpretations.Efforts to comply with existing laws,changes to such laws and newly- enacted laws may increase our labor costs and limit our flexibility.If we were found not to be in compliance with such laws,we could be subject to fines,penalties and liabilities to our employees or government agencies.In addition,efforts to better protect local markets from foreign workers and decisions of countries to withdraw from treaties and joint economic areas may lead to increased restrictions on the free movement of people and labor and may limit our ability to place key personnel where they could best serve our needs.We rely on information technology and communication systems in critical areas of our operations and a disruption relating to such technology could harm our business.In the ordinary course of business,we rely upon ~~IT~~ **information technology** networks and systems,some of which are provided by or leased from third parties,to process,transmit and store electronic information and to manage and support a variety of business processes and activities.The secure operation of these ~~IT~~ **information technology** networks and the processing and maintenance of this information is critical to our business operations and strategy.Despite security measures and business continuity plans,these ~~IT~~ **information technology** networks and infrastructure may be vulnerable to damage,disruptions or shutdowns due to attacks by cyber criminals,breaches due to employee error or malfeasance,disruptions during the process of upgrading or replacing computer software or hardware,terminations of business relationships by third party service providers,power outages,computer viruses,telecommunication or utility failures,terrorist acts,natural disasters or other catastrophic events.The occurrence of any of these events involving us or involving the third parties with whom we do business could compromise our or the third parties' networks,and the information stored there could be accessed,publicly disclosed,lost or stolen.Any such access,disclosure or loss of information could result in legal claims or proceedings,disruption to our operations and damage to our reputation,any of which could adversely affect our business.In addition,as security threats continue to evolve,we will likely need to invest additional resources to protect the security of our systems.In the event that we decide to switch providers or to implement upgrades or replacements to our own systems,we may be unsuccessful in the development of our own systems or we may underestimate the costs and expenses of switching providers or developing and implementing our own systems.Also,our revenue may be hampered during the period of implementing an alternative system,which period could extend longer than we anticipated.We are in the midst of a systems conversion project for our European businesses,which will be subject to all of **these risks.** Business interruptions in our distribution centers or other facilities may affect our operations, the function of our computer systems, and / or the availability and distribution of merchandise, which may affect our business. Weather, terrorist activities, war or other disasters, or the threat of any of them, may result in the breakdown of our distribution center systems, closure of our distribution centers or other facilities or may adversely affect our ability to deliver inventory through our system on a timely basis. This may affect our ability to serve our customers, resulting in lost sales or a potential loss of customer loyalty. Some of our merchandise is imported from other countries and these goods could become difficult or impossible to bring into the ~~U. S. or into the other~~ countries in which we operate, and we may not be able to obtain such merchandise from other sources at similar prices. Such a disruption in revenue could potentially have a negative impact on our results of operations and financial condition. If we experience problems with our fleet of trucks and other vehicles, our business could be harmed. We use a fleet of trucks and other vehicles to deliver the majority of the products we sell. We are subject to the risks associated with providing delivery services, including inclement weather, disruptions in the transportation infrastructure, governmental regulation, availability and price of fuel, liabilities arising from accidents to the extent we are not covered by insurance, insurance premium increases, and ability to hire drivers. In addition, our failure to deliver products in a timely and accurate manner could harm our reputation and brand, which could have a material adverse effect on our business. We may lose the right to operate at key locations. We lease most of the properties at which we conduct our businesses. At the end of a lease term, we must negotiate a renewal, exercise a purchase option (to the extent we have that right), or find a new location. There can be no assurance that we will be able to negotiate renewals on terms acceptable to us or that we will find a suitable alternative location, especially with respect to our salvage operations (which have characteristics that are often not attractive to landlords, local governments, or neighbors). In such cases, we may lose the right to operate at key locations. Activist investors could cause us to incur substantial costs, divert management’ s attention, and have an adverse effect on our business. We have in the past received, and we may in the future be subject to, proposals by activist investors urging us to take certain corporate actions. Activist investor activities could cause our business to be adversely affected because responding to proxy contests and other demands by activist investors can be costly and time- consuming, disrupt our operations, and divert the attention of management and our employees. For example, we have retained, and may in the future be required to retain, the services of various professionals to advise us on activist investor matters, including legal, financial and communications advisors, the costs of which may negatively impact our future financial results. Campaigns by activist investors to effect changes at publicly- traded companies are sometimes led by investors seeking to increase short term investor value through actions such as financial restructuring, increased debt, special dividends, stock repurchases, or sales of assets or the entire company. Perceived uncertainties as to our future direction, strategy or leadership that arise as a consequence of activist investor initiatives may result in the loss of potential business opportunities, harm our ability to attract new investors, employees and business partners, and cause our stock price to experience periods of volatility or stagnation.