

Risk Factors Comparison 2024-10-24 to 2023-10-19 Form: 10-K

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The following are certain of the more significant risks that may affect the Company's business, financial condition and results of operations. Risks Related to Business and Industry Changing worldwide demand for food and biofuels could have an effect on the price of agricultural commodities and consequently the demand for irrigation equipment. Changing worldwide demand for farm outputs to meet the world's growing food and biofuel demands, driven in part by government policies and an expanding global population, are likely to result in fluctuating agricultural commodity prices, which affect demand for irrigation equipment. The primary benefit of many of the Company's irrigation products is to increase yields and the resulting revenue for farmers. As commodity prices decline, the breakeven point of incremental production is more difficult to achieve, reducing or eliminating the profit and return on investment from the purchase of the Company's products. As a result, changes in commodity prices can significantly affect the Company's sales levels. A decline in oil prices or the overall demand for motor fuels, or changes in government policies regarding biofuels could also negatively affect the biofuels market and / or reduce government revenues of oil-producing countries that purchase or subsidize the purchase of irrigation equipment. Biofuels production is a significant source of grain demand in the U. S. and certain international markets. While ethanol blending levels are currently mandated within the U. S., potential mandate changes or price declines for ethanol could reduce the demand for grains. In addition, a number of ethanol producers in the U. S. are cooperatives partially owned by farmers. Reduced profit of ethanol production could reduce income for farmers which could, in turn, reduce the demand for irrigation equipment. While climate change could shift global cropping practices and open new markets for irrigated agriculture, the changing short-term weather conditions or more prolonged climate change could adversely impact the Company's business and operations. The Company's irrigation revenues are highly dependent on the agricultural industry and weather conditions. Weather conditions, particularly leading up to the planting and early growing season, can significantly affect the purchasing decisions of consumers of irrigation equipment. An increased frequency or duration of extreme weather conditions, or other factors which may be the result of climate change, could adversely impact the Company's business and operations. For example, natural calamities such as regional floods, hurricanes or other storms, and droughts can have significant effects on seasonal irrigation demand. Drought conditions, which generally affect irrigation equipment demand positively over the long term, can adversely affect demand if water sources become unavailable or if governments impose water restriction policies to reduce overall water availability. The Company's irrigation revenues are cyclical and highly dependent upon the need for irrigated agricultural crop production which, in turn, depends upon many factors, including total worldwide crop production, the profitability of agricultural crop production, agricultural commodity prices, net farm income, availability of financing for farmers, governmental policies regarding the agricultural sector, water and energy conservation policies, the regularity of rainfall, and regional climate conditions. As farm income decreases, farmers may postpone capital expenditures or seek less expensive irrigation alternatives. The extent of the effects of climate change, including any related compliance requirements, are uncertain but may adversely impact the Company's operations through the availability and cost of raw materials, increased compliance costs, and increased costs to safeguard the Company's facilities and assets from disruptions or damage. The Company's infrastructure revenues are highly dependent on government funding of transportation projects and subject to compliance with government regulations. The demand for the Company's infrastructure products depends to a large degree on the amount of government spending authorized to improve road and highway systems. For example, the U. S. government funds highway and road improvements through the Federal Highway Trust Fund Program and matching funding from states may be required as a condition of federal funding. If highway funding is reduced or delayed, it may reduce demand for the Company's infrastructure products. In order to be eligible for government funding or reimbursement, the Company's infrastructure products are generally required to meet certain standards as outlined by the various governments worldwide. The Federal Highway Administration ("FHWA") and state departments of transportation have implemented Manual for Assessing Safety Hardware ("MASH") standards which update and supersede National Cooperative Highway Research Program ("NCHRP") Report 350 standards for evaluating new road safety hardware devices. While infrastructure products previously accepted under NCHRP Report 350 criteria are not required to be retested under MASH standards, they generally are no longer eligible for federal reimbursement as the MASH standards have been implemented by FHWA and the states. The Company has incurred, and will continue to incur, research and development and testing expense to develop products to comply with MASH standards. Any reevaluation of the Company's infrastructure products' compliance with applicable standards, the implementation of new standards, and / or any delay in the Company's development of additional infrastructure products that comply with new standards could have a significant adverse effect on the Company's competitive position and on sales and profitability from its infrastructure product line. Compliance with applicable environmental and health and safety regulations, standards, or expectations may require additional capital and operational expenditures. The Company is subject to numerous laws and government regulations, including those which govern environmental and occupational health and safety matters. The Company believes that its operations are substantially in compliance with all such applicable laws and regulations and that it holds all necessary permits to operate its business in each jurisdiction in which its facilities are located. Laws and government regulations applicable to the Company are subject to change and interpretation. The Company publishes an annual Sustainability Report, which includes information about the Company's **sustainability** ~~environmental, social, and governance~~ ("ESG") activities and may result in increased investor, media, and employee attention to such initiatives. Compliance with applicable laws and regulations and the pursuit of other **ESG** ~~sustainability~~ related objectives may require the Company to make additional capital and operational expenditures that may

have a material adverse effect on its earnings, liquidity, financial condition or competitive position. In particular, the Company may incur costs in connection with the remediation of environmental contamination at its Lindsay, Nebraska site that exceed the amounts that the Company has accrued for this purpose as of the end of fiscal 2023-2024, as more fully described in Note 15, Commitments and Contingencies, to the Company's consolidated financial statements. The Company's international sales efforts and profit margins are affected by international trade barriers and subject the Company to additional compliance obligations. The Company's international sales efforts and profit margins are affected by international trade barriers, including governmental policies on tariffs, taxes, import or export licensing requirements and trade sanctions. In recent years, certain of the components required for the manufacture of the Company's products have been or may be impacted by tariffs. Other international trade disputes, changes to or termination of existing international trade agreements, treaties or policies (e. g. the United States- Mexico- Canada Agreement), or imposition of trade protection measures by certain countries in favor of their local producers or competing products could increase ~~our the Company's~~ costs, reduce ~~our the Company's~~ competitiveness, and have an adverse effect on the Company's business, financial condition and results of operations. In addition, the Company's international sales efforts must also comply with anti-corruption laws like the U. S. Foreign Corrupt Practices Act. These anti-corruption laws generally prohibit companies and their intermediaries (including, in the Company's case, dealers and sales representatives) from making improper payments or providing anything of value to improperly influence government officials or certain private individuals for the purpose of obtaining or retaining a business advantage. As part of the Company's irrigation and infrastructure sales efforts, the Company promotes and sells products to governmental entities and state- owned or state-backed business enterprises, the employees and representatives of which may be considered government officials for purposes of the U. S. Foreign Corrupt Practices Act. Further, some of the countries in which the Company does business lack fully developed legal systems and are perceived to have elevated levels of corruption. Although the Company has compliance and training programs in place designed to reduce the likelihood of potential violations of such laws, violations of these laws or other compliance requirements could occur and result in criminal or civil sanctions and have an adverse effect on the Company's reputation, business, financial condition and results of operations. Risks Related to Legal Proceedings The Company is exposed to risks from legal proceedings. From time to time, the Company may be involved in various legal proceedings and other various claims that arise in the ordinary course of its business, which may include commercial, employment, product liability, tort, and other litigation. Current and future litigation, governmental proceedings and investigations, audits, indemnification claims or other claims that the Company faces may result in substantial costs and expenses and significantly divert the attention of its management regardless of the outcome. In addition, these matters could lead to increased costs or interruptions of its normal business operations. Litigation, governmental proceedings and investigations, audits, indemnification claims or other claims involve uncertainties and the eventual outcome of any such matter could adversely affect the Company's business, results of operations or cash flows. For a summary of the Company's infrastructure products litigation, see Note 15, Commitments and Contingencies, to the Company's consolidated financial statements. The frequency and magnitude of liability claims and the related expenses could lower profitability and increase business risk. The nature of the Company's business subjects the Company to potential liability for claims alleging property damage and personal injury or death arising from the use of or exposure to its products, especially infrastructure products that are installed along roadways. While the Company believes it maintains adequate insurance, an unusually large liability claim or a string of claims could potentially exceed the Company's available insurance coverage. In addition, the availability of, and the Company's ability to collect on, insurance coverage can be subject to factors beyond the Company's control. For example, any accident, incident, or lawsuit involving the Company, its products specifically, or the industries in which the Company operates generally, even if the Company is fully insured, contractually indemnified, or not held to be liable, could significantly affect the cost and availability of insurance to the Company in the future. If any of the Company's third- party insurers fail, cancel, or refuse coverage, or otherwise are unable to provide the Company with adequate insurance coverage, then the Company's overall risk exposure and operational expenses would increase and the management of the Company's business operations would be disrupted. Further, as insurance policies expire, increased premiums for renewed or new coverage, if such coverage can be secured, may increase the Company's insurance expense and / or require that the Company increase its self- insured retention or deductibles. The Company maintains primary coverage and excess coverage policies. If the number of claims or the dollar amounts of any such claims rise in any policy year, the Company could suffer additional costs associated with accessing its excess coverage policies. Also, an increase in the loss amounts attributable to such claims could expose the Company to uninsured damages if the Company was unable or elected not to insure against certain claims because of increased premiums or other reasons. The Company's infrastructure products are installed along roadways in inherently dangerous applications. Accidents involving the Company's infrastructure products could reduce demand for such products and expose the Company to significant damages and reputational harm. The Company is currently defending a number of product liability lawsuits involving the Company's X- Lite ® end terminal.

Further In June 2019, while the U. S. Company was informed by letter that the Department of Justice, Civil Division, and the U. S. Attorney's Office for the Northern District of New York, with **successfully obtained** the assistance **2023 dismissal** of a **federal civil False Claims Act lawsuit filed against the Company by** Department of Transportation, Office of Inspector General, are conducting an **individual relator after the United States conducted a yearslong** investigation of the Company relating to the Company's X- Lite end terminal and **potential violations determined that the individual relator's allegations "lack [ed] merit" and did "not warrant the continued expenditure of resources to pursue or monitor the action,"** the **same individual relator has subsequently filed a pending state- level lawsuit in Tennessee in which** the ~~he~~ federal civil ~~False Claims~~ **makes substantially similar allegations under the Tennessee Fraud Against Taxpayers** Act. While the Company's infrastructure products are designed to meet all applicable standards in effect in the markets in which such products are offered, the risk of product liability claims, demands for reimbursement or compensatory payments, and associated adverse publicity is inherent in the development, manufacturing, marketing, and sale of such products, including end terminals and crash

cushions that are ultimately installed along roadways. In addition to this inherent risk, a sizable False Claims Act judgment against a competitor (which was reversed on appeal) brought significant attention to the infrastructure products industry and may be a factor leading to additional lawsuits, demands, and investigations being pursued against the Company and others in the industry. An actual or perceived issue with the Company's infrastructure products can lead to a decline in demand for such products, the removal of such products from qualified products lists used by government customers in their purchasing decisions, the removal and replacement of such products from roadways by government customers and demands for reimbursement or compensatory payments for such actions, adverse publicity, claims or litigation, and / or the diversion of management's attention, which could materially and adversely affect the Company's reputation, business, financial condition, and results of operations. While infrastructure product selection, assembly, installation, operation, repair, and maintenance are the responsibilities of dealers, distributors, customers, and / or state departments of transportation, the Company may nevertheless also be subjected to claims, litigation, or demands for reimbursement or compensatory payments in connection with a third party's alleged failure to satisfactorily discharge such responsibilities, including but not limited to claims associated with personal injuries, property damage, and death. Likewise, improper assembly, installation, operation, repair, or maintenance of the Company's infrastructure products may cause such infrastructure products to fail to meet certain performance standards, which could lead to similar consequences as an actual or perceived issue with the infrastructure products themselves. Although the Company currently maintains insurance against product-related claims or litigation, the Company could be exposed to significant losses arising from claims involving infrastructure products if the Company's insurance does not cover all associated liabilities or if coverage in the future becomes unobtainable on commercially reasonable terms.

~~General Risks~~ **Epidemics, pandemics, and other outbreaks (including the coronavirus (COVID-19) pandemic) can disrupt the Company's operations and adversely affect its business, results of operations, and cash flows. Epidemics, pandemics, and other outbreaks of an illness, disease, or virus (including COVID-19) have adversely affected, and could adversely affect in the future, workforces, customers, economies, and financial markets globally, potentially leading to economic downturns. The significance of the impact on the Company's operations of an epidemic, pandemic, or other outbreak depends on numerous factors that the Company may not be able to accurately predict or effectively respond to, including, without limitation: the duration and scope of the outbreak (including the extent of surges, mutations, or strains of the outbreak and the efficacy of vaccination and other efforts to contain the outbreak or treat its effects); actions taken by governments, businesses, and individuals in response to the outbreak; the effect on economic activity and actions taken in response; the effect on customers and their demand for the Company's products and services; the effect on the health, wellness, and productivity of the Company's employees; and the Company's ability to manufacture, sell, and service its products, including without limitation as a result of supply chain challenges, facility closures, social distancing, restrictions on travel, fear or anxiety by the populace, and shelter-in-place orders. These and other factors relating to or arising from an epidemic, pandemic, or other outbreak could have a material adverse effect on the Company's business, results of operations, and cash flows, as well as the trading price of the Company's securities. Please also see the discussion on the Company's response to COVID-19 in Item 7 of Part II of this report, "Management's Discussion and Analysis of Financial Condition and Results of Operations."** The Company's profitability may be negatively affected by changes in the availability and price of certain parts, components, and raw materials. The Company requires access to various parts, components, and raw materials at competitive prices in order to manufacture its products. Changes in the availability and price of these parts, components, and raw materials (including steel and zinc), which have changed significantly and rapidly at times and are affected by factors like demand, tariffs, freight costs, and outbreaks, can significantly increase the costs of production. Due to price competition in the market for irrigation equipment and certain infrastructure products, the Company may not be able to recoup increases in these costs through price increases for its products, which would result in reduced profitability. Whether increased operating costs can be passed through to the customer depends on a number of factors, including farm income and the price of competing products. Further, the Company relies on a limited number of suppliers for certain raw materials, parts and components in the manufacturing process. Disruptions or delays in supply or significant price increases from these suppliers could adversely affect the Company's operations and profitability. Such disruptions, terminations or cost increases could result in cost inefficiencies, delayed sales or reduced sales. ~~The aforementioned risks have been, and may continue to be, exacerbated by the impact of COVID-19.~~ The Company's international sales are highly dependent on foreign market conditions. International revenues are primarily generated from Australia, New Zealand, Canada, Western and Eastern Europe, Mexico, the Middle East, Africa, China, and Central and South America. In addition to risks relating to general economic and potential instability in these countries, a number of countries are particularly susceptible to disruption from changing socioeconomic conditions as well as terrorism, sanctions, war, outbreaks, and similar incidents. **During Since** fiscal 2022, sales to Russia and Belarus were paused indefinitely due to the Russian invasion of Ukraine. **Prior to that time, Sales sales** with Russian, Ukrainian, and Belarusian customers **have had** historically represented less than 5 % **percent** of consolidated revenues. Commercial activities in Russia and Belarus remain on hold while hostile actions against Ukraine continue. The collectability of international receivables can also be difficult to estimate, particularly in areas of political instability or with governments with which the Company has limited experience or where there is a lack of transparency as to the current credit condition. The Company's international sales and profit margins are subject to currency exchange risk. The Company's international sales involve some level of export from the U. S., either of components or completed products. Policies and geopolitical events affecting exchange rates could adversely affect the international flow of agricultural and other commodities, which can cause a corresponding downturn in the demand for agricultural equipment in many areas of the world. Further, any strengthening of the U. S. dollar or any other currency of a country in which the Company manufactures its products (e. g. the Euro, the Brazilian real, the South African rand, the Turkish lira, and the Chinese renminbi) and / or any weakening of local currencies can increase the cost of the Company's products in its foreign markets. Irrespective of any effect on the overall demand for agricultural equipment, the effect of these changes can make the Company's products

less competitive relative to local producing competitors and, in extreme cases, can result in the Company's products not being cost-effective for customers. As a result, the Company's international sales and profit margins could decline. Changes in interest rates could reduce demand for the Company's products. Rising interest rates could have a dampening effect on overall economic activity and / or the financial condition of the Company's customers, either or both of which could negatively affect customer demand for the Company's products and customers' ability to repay obligations to the Company. An increase in interest rates could also make it more difficult for customers to cost-effectively fund the purchase of new equipment, which could adversely affect the Company's sales. The Company's consolidated financial results are reported in U. S. dollars while certain assets and other reported items are denominated in the currencies of other countries, creating currency translation risk. The reporting currency for the Company's consolidated financial statements is the U. S. dollar. Certain of the Company's assets, liabilities, expenses and revenues are denominated in other countries' currencies. Those assets, liabilities, expenses and revenues are translated into U. S. dollars at the applicable exchange rates to prepare the Company's consolidated financial statements. Therefore, increases or decreases in exchange rates between the U. S. dollar and those other currencies affect the value of those items as reflected in the Company's consolidated financial statements. Substantial fluctuations in the value of the U. S. dollar compared to other currencies could have a significant effect on the Company's results. Security breaches and other disruptions to the Company's information technology infrastructure could interfere with its operations and could compromise the Company's and its customers' and suppliers' information, exposing the Company to liability that could cause its business and reputation to suffer. In the ordinary course of business, the Company relies upon information technology networks and systems to process, transmit and store electronic information, and to manage or support a variety of business functions, including supply chain, manufacturing, distribution, invoicing and collection of payments. The Company uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. Additionally, the Company collects and stores sensitive data, including intellectual property, proprietary business information and the proprietary business information of customers and suppliers, as well as personally identifiable information of customers and employees, in data centers and on information technology networks. The secure operation of these networks and the processing and maintenance of this information is critical to the Company's business operations and strategy. Despite security measures and business continuity plans, the Company's information technology networks and infrastructure may be vulnerable to damage, disruptions or shutdowns due to, among other reasons, attacks by hackers or breaches due to employee error or malfeasance or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, telecommunication or utility failures or natural disasters or other catastrophic events. The occurrence of any of these events could compromise the Company's networks, and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disrupt operations, and damage the Company's reputation, which could adversely affect the Company's business.