Risk Factors Comparison 2024-05-22 to 2023-05-25 Form: 10-K

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In the ordinary course of our business, we face various market, operational, strategic, financial and general risks. These risks could have a material impact on our business, financial condition, results of operations and cash flows. Please consider each of the risks described below, along with other information contained in this Annual Report on Form 10- K, when making any investment decisions with respect to our securities. Our Enterprise Risk Management process seeks to identify and address material risks. We believe that risk- taking is an inherent aspect of operating a global business and, in particular, one focused on growth and cost- competitiveness. Our goal is to proactively manage risks in a structured approach in conjunction with strategic planning, while preserving and enhancing shareholder value. However, the risks set forth below and elsewhere in this report, as well as other risks currently unknown or deemed immaterial at the date of this report, could **materially** adversely affect us and cause our financial results to vary materially from recent or anticipated future results. A. MARKET RISKSEconomic ~~Uncertainties~~ **uncertainties** ~~A downturn or recessionary~~ **Economic, political, and general market** conditions ~~in the global economy~~ could adversely affect our business, financial position, results of operations and cash flows. We operate in ~~15~~ **16** countries ~~in~~ **on** four continents and serve customers in a wide array of **data center, Genset,** HVAC & R **markets, including commercial and residential,** and vehicular markets, including commercial vehicle, off- highway **machine** , automotive and light vehicle. As such, our business is impacted by general economic **, political,** and industry conditions globally as well as in the regions and countries in which we conduct business. **While** ~~An economic downturn or recession in~~ the global ~~economy could~~ **supply chain challenges and inflationary market conditions experienced in fiscal 2023** have **generally improved, we are subject to the risk of further disruptions or significant deterioration in market conditions, which could have** a material **impact** ~~adverse effect~~ on our business, financial position, results of operations and cash flows. **Military conflicts, including the ongoing conflicts in Ukraine and in the Middle East and heightened tensions resulting from recent attacks on shipping vessels in the Red Sea, could negatively impact or cause significant business disruptions in the global markets we operate in. In addition,** ~~Customer~~ **customer** demand for our products and system solutions is impacted by the overall strength of the economy, employment levels, consumer confidence levels, the availability and cost of credit, and the cost of fuel. For example, rising interest rates associated with inflationary market conditions may drive a higher cost of capital for our customers, which may have a deteriorating impact on overall economic activity and the financial condition of our customers **,** which could negatively impact the demand for our products. Prolonged recessionary or adverse economic conditions, such as disruptions in the global financial system, could result in our customers or suppliers experiencing significant economic constraints, including potential bankruptcies. ~~Supply chain disruptions and inflationary market conditions could adversely affect our business, financial position, results of operations and cash flows. Market and economic dynamics, including the impacts of the military conflict between Russia and Ukraine and the COVID- 19 pandemic, have contributed to global supply chain challenges and inflationary market conditions. Further disruptions or significant deterioration in market conditions could have a material adverse effect on our business, financial position, results of operations and cash flows. In February 2022, Russian troops invaded Ukraine and the military conflict is ongoing. In response to the military conflict, governments in the U. S. and abroad have imposed sanctions against Russia and Belarus, which could adversely affect the global economy and financial markets in which we operate. We do not have manufacturing operations in Ukraine or Russia nor any significant business relationships with Ukraine- or Russian- based customers or suppliers. To date, the military conflict has not materially impacted our business or operations. An expansion of the military conflict, geographically or politically, could result in further market disruptions, including volatility in raw material prices and credit and capital markets, supply chain challenges, and an increase in the threat of cyberattacks on the global supply chain, which could adversely affect our business, financial position, results or operations and cash flows. Since its onset, the COVID- 19 pandemic has broadly impacted the global economy and our key end markets. The direct effects on our company in fiscal 2023 from the COVID- 19 pandemic were relatively limited. However, the pandemic, along with other market and economic dynamics, have contributed to global supply chain challenges, labor shortages and inflationary market conditions. Raw material and logistic prices have increased and we, like many companies, have experienced delays and shortages in certain purchased commodities and components. In addition, our Performance Technologies segment has been impacted by lower order volume associated with semiconductor shortages. At this time, we cannot reasonably estimate the full impact of the ongoing supply chain challenges or inflationary market conditions. If we, our suppliers, or our customers continue to experience prolonged shutdowns or other significant business disruptions, it is possible that our ability to conduct business in the manner and on the timelines presently planned could be materially and negatively impacted, which could have a material adverse effect on our business, financial position, results of operations and cash flows.~~ A future widespread outbreak of an illness or other public health threat could adversely affect our business, financial position, results of operations and cash flows. An outbreak of a disease or public health threat, including a significant resurgence of COVID- 19, in the future could create economic and financial disruptions and adversely affect our businesses around the world. Potential impacts of epidemics, pandemics, or other health crises ~~include~~ **including** , but are not limited to, (i) staffing shortages if portions of our workforce are unable to work effectively due to illness, quarantines, government actions, facility closures, or other restrictions; (ii) short- or long- term disruptions in our supply chain and our ability to deliver products to our customers; (iii) deterioration in the markets that we or our customers operate in, which may result in lower sales or a ~~lack~~ **deterioration** in the ability of our customers to pay us; and (iv) significant volatility or negative pressure in the financial markets, which could adversely affect our access to capital and / or financing **and could have a material impact on our business, financial position,**

results of operations and cash flows . Customer and ~~Supplier~~ **supplier** ~~Matters~~ **matters** Increases in costs of materials, including aluminum, copper, steel and stainless steel (nickel), other raw materials and purchased components, could place significant pressure on our results of operations. ~~Further potential increases~~ **Increases** in the costs of raw materials and other purchased components, which may be impacted by a variety of factors, including changes in trade laws, tariffs, sanctions, inflation, **geopolitical and military conflicts,** the behavior of our suppliers and significant fluctuations in demand, could have a significant ~~adverse effect~~ **negative impact** on our results of operations. In the shorter- term, our ability to adjust for cost increases is limited when prices are fixed for current orders. In these cases, if we are not able to recover such cost increases through price increases to our customers, such cost increases will have an adverse effect on our results of operations. With regard to our longer- term sales programs, we have sought to reduce the risk of cost increases by including provisions within our customer contracts, where possible, which provide for prospective price adjustments based upon increases and decreases in the cost of key raw materials. However, where these contract provisions are applicable, there can often be a three- month to one-year lag until the time of the price adjustment. To further mitigate our exposure, from time to time we enter into forward contracts to hedge a portion of our forecasted aluminum and copper purchases. However, these hedges may only partially offset increases in material costs, and significant increases could have ~~an~~ **a material** adverse effect on our results of operations **and cash flows** . We could be adversely affected if we experience shortages of components or materials from our suppliers. **We regularly engage with** ~~In an effort to manage and reduce~~ our ~~costs while balancing supply risk, we have added key~~ suppliers to **ensure availability of purchased commodities and components used in manufacturing** our **products** ~~supply base during the last year~~ . We **use a** ~~are, however, still dependent upon~~ limited ~~sources~~ **number** of ~~supply~~ **suppliers** for certain components ~~used in the manufacture of our products~~ , including aluminum, copper, steel and stainless steel (nickel). We select our suppliers based upon total value (including price, delivery and quality), taking into consideration their production capacities, financial condition and willingness and ability to meet our demand. In some cases, it can take several months or longer to identify and accept a new supplier due to qualification requirements. Strong demand, the potential effects of trade laws and tariffs, **sanctions,** capacity constraints, financial instability **, geopolitical and military conflicts** , public health crises, such as pandemics and epidemics, or other circumstances experienced by our suppliers could result in shortages or delays in their supply of product to us, or a significant price increase resulting in our need to resource to a different supplier. If we experience significant or prolonged shortages of ~~any~~ critical components or materials from our suppliers and could not procure the components or materials from other sources, we may be unable to meet our production schedules and could miss product delivery dates, which would adversely affect our sales, results of operations **, cash flows** and customer relationships **. Our net sales and profitability could be adversely affected from business losses or declines with major customers. Deterioration of a business relationship with a major customer could cause our sales and profitability to suffer. In certain areas of our businesses, including data centers, Gensets, and some portions of our vehicular businesses, a large portion of sales are attributable to a relatively small number of customers. The failure to obtain new business, or to retain historical order volumes or monetary values from a concentrated customer base could adversely affect our business and financial results. In addition, as a result of relatively long lead times required for many of our complex products and systems, it may be difficult in the short term for us to obtain new sales to replace a significant decline in sales of existing products. The loss of a major customer in any of our businesses, or a significant decline in order volumes or quantities, or in the overall market demand for our products or services, could have an adverse effect on our business, results of operations and cash flows** . Our results of operations could be adversely affected by **pricing** ~~price reduction~~ pressures from **our** ~~OEMs~~ - **OEM** ~~. Although we have negotiated price increases for certain customer~~ **customers . We** ~~contracts in response to the current inflationary market conditions, we~~ have historically faced price- reduction pressure from our vehicular OEM customers ~~and expect~~ **. While we have significantly reduced our exposure** to ~~face~~ **the potential impacts of such** price **-** reduction ~~pressure from them in the future. We have taken, and will continue to take, steps to reduce our operating costs to offset both inflationary~~ pressures **through negotiations** and **our application of 80 / 20 principles, a limited number of** contractual price reductions **remain** in **legacy** ~~order to achieve profit margins that are acceptable to us. For existing contractual~~ **contracts** ~~price reductions~~ **. In those instances** , if we are unable to offset price reductions through improved operating efficiencies and manufacturing processes, sourcing alternatives, technology enhancements and other cost reduction initiatives, or through price negotiations, our results of operations could be adversely affected. As part of our application of the...... affect our business and financial results. In addition, ~~as a result of the relatively long lead times required for many of our complex components, it may be difficult in the short term for us to obtain new sales to replace any unexpected decline in sales of existing products. The loss of a major customer in any of our businesses, the loss of business with respect to one or more of the vehicle models that use our~~ vehicular **OEM** ~~products, or a significant decline in the production levels of such vehicles could have an adverse effect on our business, results of operations and cash flows. Customer pressure to absorb costs adversely affects our profitability. Vehicular~~ customers often request that we pay for design, engineering and tooling costs that are incurred prior to the start of production and recover these costs through amortization in the piece price of the product. Some of these costs cannot be capitalized, which adversely affects our profitability until the programs for which they have been incurred are launched. If a given program is not launched, or is launched with significantly lower volumes than planned, we may not be able to recover the design, engineering and tooling costs from our customers, further adversely affecting our results of operations. As part of our application of the 80 / 20 principles,we have improved our commercial acumen,including our pricing methodology, ~~and~~ have clear,strategic **profit margin** targets ~~in terms of profit margins for new sales programs.To the extent contractual price reductions are unavoidable~~ for new sales programs, ~~we contemplate them~~ **and have successfully negotiated with many of our customers to allow for adjustments to our pricing** in ~~our overall strategy~~ **the event of certain fluctuations in raw material** and **commodity costs** ~~adjust pricing as necessary to provide satisfactory profit margins throughout the duration of the sales programs~~ .While we believe that ~~this~~ **our 80 / 20** pricing strategy will strengthen our business and allow us to focus our resources on higher margin sales programs,it is possible that it may result in a lower overall win rate for new business in the shorter- term.If our pricing strategy results in winning less new business,our results **of operations and cash flows could be adversely affected.** Climate ~~Change~~ **change** and ESG- ~~Related~~ **related** ~~Risks~~ **risks** Global climate change and related emphasis on ESG matters by various stakeholders could negatively affect our business. Increased public awareness and concern regarding **links between** ~~global climate change may result in more regional and / or federal requirements to reduce or mitigate the effects of~~ greenhouse gas emissions **and global climate changes may result in more regional and / or federal requirements to reduce or mitigate the effects of greenhouse gas emissions** . There continues to be ~~a lack~~ **ambiguity regarding the promulgation and enforcement** of ~~consistent~~ climate ~~legislation~~ **change regulations** , which creates ~~economic and regulatory~~ uncertainty **in the markets in which we operate** . **This** ~~Such regulatory~~ uncertainty extends to **the use or adoption rate of** our product portfolio and **our** overall costs of **regulatory** compliance, which may impact the demand for our products and / or **may** require us to make increased capital expenditures to meet new standards and regulations. Further, our customers ~~or~~ **,** other market participants **, or government entities** may impose emissions or other environmental standards upon us through regulation, market- based emissions policies or consumer preference that we may not be able to timely meet, or which may not be economically feasible for us, due to the required level of capital investment or **required speed of** technological advancement. **Additionally,** ~~There is a growing consensus that greenhouse gas emissions are linked to global~~ climate ~~changes. Climate~~ changes, such as extreme weather conditions, create financial risk ~~to~~ **and uncertainty for** our business. For example, the demand for our products and services may be affected by **unpredictable or** unseasonable weather conditions. Climate changes could also disrupt our operations by impacting the availability and cost of materials needed for manufacturing and could increase **our** insurance and other operating costs **. In addition, any natural disasters or extreme weather events, including those as a result of climate change, could disrupt our manufacturing operations and our ability to manufacture and deliver products to our customers and adversely impact our results of operations and cash flows** . We could also face indirect financial risks passed through the supply chain, and process disruptions due to climate changes could result in price modifications for our products and the resources needed to produce them. Furthermore, customer, investor, and employee expectations in areas such as the environment, social matters and corporate governance (ESG) have been rapidly evolving ~~and increasing~~ . Specifically, certain customers are requiring information on our environmental sustainability goals and commitments, which we have not yet released publicly. There can be no assurance of the extent to which any of our future ~~plans~~ **goals** will be achieved, or that any investments we make in furtherance of achieving any such plans, targets, goals or other commitments will meet ~~customer, investor, employee or other stakeholder expectations and desires or any~~ regulatory or legal standards regarding sustainability performance **or any customer, investor, employee or other stakeholder expectations and desires regarding such goals or commitments** . Additionally, the enhanced stakeholder focus on ESG matters requires the continuous monitoring of various and evolving **expectations, tolerances, and** standards **–** and the ~~associated~~ reporting requirements **associated with our disclosures on our ESG- related goals and initiatives** . A failure to adequately meet stakeholder expectations may result in the loss of business, diluted market valuation, an inability to attract and retain customers or an inability to attract and retain top talent. **Likewise, a failure to comply with any current or future ESG reporting requirements, as established by regulators in the U. S., Europe and beyond, may result in loss of business, regulatory penalties, litigation, and / or reputational damage.** Competitive ~~Environment~~ **environment** Continued and increased competition could adversely affect our business and our results of operations. **We** ~~The global competitive environment continues to be dynamic as many of our customers, faced with intense international competition, have expanded their sourcing of components. As a result, we~~ experience competition from suppliers in other parts of the world that enjoy economic advantages, such as lower labor costs, lower health care costs, lower **tariff or** tax rates, lower costs associated with legal compliance, and, in some cases, export or raw materials subsidies. In addition, consolidation and vertical integration within the supply base have introduced new or restructured competitors to our markets. Increased competition could adversely affect our business and our results of operations. B. OPERATIONAL RISKSComplexities of ~~Global~~ **global** ~~Presence~~ **presence** We are subject to risks related to our international operations and global customer **and supplier** base. We have manufacturing and technical facilities located in North America, South America, Europe, and Asia ~~. In fiscal 2023, 56 percent of our sales were generated from customers outside the U. S., with 49 percent of these sales generated by our non- U. S. operations~~ . Our global operations are subject to complex international laws and regulations and numerous risks and uncertainties, including changes in monetary and fiscal policies, including those related to tax and trade, cross- border trade restrictions or prohibitions, import or **export duties or** other charges or taxes, fluctuations in foreign currency exchange and interest rates, inflation, changing economic **and employment** conditions, public health crises ~~, including COVID- 19~~ , unreliable intellectual property protection and legal systems, insufficient infrastructures, social unrest, political instability and disputes (including, for example, impacts of the military ~~conflict~~ **conflicts** in Ukraine **and in the Middle East and heightened tensions in the Red Sea**), incompatible business practices, and international terrorism. Changes in policies or laws governing the terms of foreign trade, and in particular increased trade restrictions, tariffs or taxes on imports from countries where we either manufacture products, such as Mexico **or China** , or buy raw materials, such as China, could have a material ~~adverse effect~~ **negative impact** on **our results of operations. In particular, increased tariffs or taxes on imported goods or raw materials from countries, such as China, where there are insufficient quantities or economically prohibitive U. S. or other alternative geographic sources of those goods or raw materials could materially impact** our results of operations. In addition, compliance with multiple and often conflicting laws and regulations of various countries can be challenging and expensive. Embargoes or sanctions imposed by the U. S. government or those abroad that restrict or prohibit sales to or purchases from specific persons or countries or based upon product classification may expose us to potential criminal and civil sanctions to the extent that we are alleged or found to be in violation, whether intentional or unintentional. **In connection with the military conflict in Ukraine,** ~~Governments~~ **governments** in the U. S. and abroad have **recently extended and expanded** imposed sanctions **against Russia and entities known to be supporting Russian interests, including** on

~~Russia~~ **certain companies located** in **countries** ~~connection with the military conflict~~ in **which** ~~Ukraine. While~~ we **operate, including China, Germany, and Serbia. We** do not have manufacturing operations in Ukraine or Russia nor any significant business relationships **in or associated** with Ukraine ~~-~~ or ~~Russian~~ - **Russia** ~~- based customers or suppliers~~ , **however** we are actively monitoring the sanctions requirements and reacting as necessary to ensure compliance. We cannot predict future regulatory requirements to which our business operations may be subject or the manner in which existing laws might be administered or interpreted **. Significant developments or changes in these regulatory requirements could have a material adverse impact on our results of operations and cash flows** . In addition, the U. S. Foreign Corrupt Practices Act, the U. K. Bribery Act and other similar anti- corruption laws generally prohibit companies and their intermediaries from making payments to improperly influence foreign government officials or other persons for the purpose of obtaining or retaining business. In recent years, there has been a substantial increase in the global enforcement of anti- corruption laws. In the event that we believe our employees or agents may have violated applicable anti- corruption laws, or if we are subject to allegations of any such violations, we may have to expend significant time and financial resources toward the investigation and remediation of the matter, which could disrupt our business and result in a material **impact** ~~adverse effect~~ on our financial condition, results of operations and reputation. Challenges of ~~Maintaining~~ **maintaining** a ~~Competitive~~ **competitive** ~~Cost~~ **cost** ~~Structure~~ **structure** We may be unable to maintain competitive cost structures ~~within~~ **. As we progress towards** our **vision of a " new " Modine by applying 80 / 20 principles across our** ~~business~~ **businesses** ~~. In recent years~~ **to focus resources on products and markets with the highest sustainable growth opportunities and return profiles** , **it is imperative that** we ~~have engaged~~ **effectively and efficiently manage our operations** in ~~various~~ **response to sales volume changes. This includes ramping up and maintaining adequate production capacity to meet demand in our growing businesses, while also completing** restructuring activities in order to optimize our manufacturing footprint and cost structure **, particularly in light of changes in our mix of business and in areas where we are strategically refraining from further investments** . ~~These restructuring activities~~ **For example, we are currently working to close a technical service center in Germany to optimize the utilization of our global technical service capacity. In addition, we** have ~~included~~ **implemented** targeted headcount reductions that support our objective of reducing operational and **selling, general, and administrative ("** SG & A **")** cost structures and ~~the~~ **have** ~~consolidation~~ **consolidated** ~~and /~~ or ~~closure~~ -- **closed** ~~of~~ **certain** manufacturing facilities ~~in North America, Europe and Asia~~ . **We are also** ~~In addition, we continue to focus~~ **focused** on **applying 80 / 20 principles across our businesses, including** ~~reducing costs for materials and services through targeted adjustments and negotiations with~~ **within** our ~~supply base~~ **manufacturing facilities, to drive simplification and production efficiencies** . Our successful execution of these initiatives, and our ability to ~~identify and execute future opportunities to~~ optimize ~~our~~ **and maintain competitive** cost structures, is critical **in** ~~to enable us to establish a cost structure that will improve and sustain~~ **sustaining** our long- term competitiveness. Any failure to do so could, in turn, adversely affect our results of operations **, cash flows** and financial condition. Challenges of **technology advantage and** ~~Program~~ **program** ~~Launches~~ **launches** ~~Reliance upon Technology Advantage~~ If we cannot differentiate ourselves from our competitors with our technology,our existing and potential customers may seek lower prices and our sales and earnings may be adversely affected.Price,quality,delivery,technological innovation, ~~and~~ application engineering development **and,with regard to our system designs,the reliability of our ongoing post- sale service,** are the primary elements of competition in our markets.If we fail to ~~keep pace with~~ **be at the forefront of** technological ~~changes~~ **advances** and cannot differentiate ourselves from our competitors with our technology or fail to provide high quality,innovative products and services that both meet or exceed customer expectations and address their ever- evolving needs,we may experience price erosion,lower sales,and lower profit margins.Significant technological developments by our competitors or others also could adversely affect our business and results of operations. ~~Developments~~ **Changes in the adoption rate** ~~or~~ **for newer technologies** ~~assertions by or against us relating to intellectual property rights~~ could adversely affect our business. ~~We own and license significant intellectual property~~ **Changes in or shifts in the adoption rate of technologies or products that we expect to drive sales growth** ,including **liquid immersion technology** ~~a large number of patents,trademarks,copyrights and trade secrets.Our intellectual property plays an important role in maintaining our competitive position in a number of the markets we serve.As we maintain or~~ **for** ~~expand~~ **data center applications,and technology related to electric vehicles,heat pumps and Gensets,could adversely affect** our **results of** operations **and financial condition** ~~in jurisdictions where the enforcement of intellectual property rights is less robust,the risk of others duplicating our proprietary technologies increases,despite our efforts to protect them~~ . ~~Developments or~~ **For** ~~assertions by~~ **example,we are rapidly growing and investing in** ~~or~~ **our Advanced Solutions** ~~against us relating to intellectual property rights could adversely affect our~~ business **,which provides battery thermal management** and **electronics cooling products and solutions for zero- emission and hybrid vehicles.** We **expect government policies and funding legislation in the U. S. and Europe will drive further investments in electric vehicles, and the infrastructure necessary for wide- scale adoption of alternative powertrains, as well as in the proliferation of heat pumps and Gensets in commercial or residential applications. If technology adoption rates slow or the market transition towards the use of electric vehicles, Gensets or heat pumps are significantly delayed, our sales growth in these areas of our business could be limited. Developments or assertions by or against us relating to intellectual property rights could adversely affect our business. We own and license significant intellectual property, including a large number of patents, trademarks, copyrights and trade secrets. Our intellectual property plays an important role in maintaining our competitive position in a number of the markets we serve. As we maintain or expand our operations in jurisdictions where the enforcement of intellectual property rights is less robust, the risk of others duplicating our proprietary technologies increases, despite our efforts to protect them. Developments or assertions by or against us relating to intellectual property rights could adversely affect our business and results of operations. Additionally, any inability to acquire or secure intellectual property relating to newer technologies in areas of our business that we expect to drive sales growth could negatively impact our competitive positions in these growth areas of our business. We regularly** launch ~~a significant number of~~ new programs **, products and system designs** at our facilities across the world. The success of these launches is critical to our business. We design technologically advanced products **and systems** , and the processes **and time** required to **develop, design and** produce these products **and systems** can be **lengthy,** difficult and complex. We spend significant time and financial resources to ensure the successful launch of new products and programs. Due to our high level of launch activity ~~, particularly within our Performance Technologies segment~~ , we must appropriately manage these launches and deploy our **capital and** operational and administrative resources to take advantage of the resulting increase in our business. If we do not successfully **or timely** launch new products **, systems** and programs, we may lose market share or damage relationships with our customers, which could negatively affect our business. In addition, any failure in our manufacturing strategy for these new products or programs could result in operating inefficiencies or asset impairment charges, which could adversely affect our results of operations. Information ~~Technology~~ **technology** (IT) ~~Systems~~ **systemsWe** ~~We~~ may be adversely affected by a substantial disruption in, or material breach of, our IT systems **or IT systems of our service providers** . We are dependent upon ~~our~~ IT infrastructure, including network, hardware, and software systems **owned by us and our service providers** , to conduct our business. Despite network and other cybersecurity measures we **and our service providers** have in place, ~~our~~ IT systems could be **damaged,** compromised **,** or ~~we~~ **interrupted by intentional or unintentional events or natural disasters. We** could ~~experience~~ **also be negatively impacted by** a cybersecurity breach from computer viruses, ransomware, phishing, break- ins or similar disruptions. **Cybersecurity risk may be heightened by the increased prevalence of hybrid and / or remote work arrangements. Further, the military conflicts in Ukraine and the Middle East, as well as current geopolitical uncertainties involving Russia and China, among other nations, may increase the threat of cyberattacks on the global financial markets, supply chain, and IT infrastructure, which could directly or indirectly impact our operations.** A **material breach or a** substantial disruption in our IT systems for a prolonged time period, or **the failure** ~~a material breach~~ of **one** ~~our~~ **or more legacy** IT systems **no longer supported by service providers** , could result in delays in receiving inventory and supplies or filling customer orders **. In addition** , ~~and /~~ **these events** or **the inadvertent use of OpenAI technologies, could result in** the release of otherwise confidential information, including personal information that is protected by the General Data Protection Regulation **. Any such events and the related delays** , **problems** ~~adversely affecting our~~ **or costs** ~~customer service and relationships as well as our reputation~~ , **including potentially** ~~and could lead to~~ significant remediation expenses and litigation risks **, could have material negative impacts on our business, financial condition, results of operations, business relationships and reputation** . ~~Our~~ **Internal controls over financial reporting We have identified a material weakness in our internal control over financial reporting that, if not remediated, could result in financial reporting errors. Effective internal controls are necessary for accurate and appropriate financial reporting. As disclosed in Item 9A. " Control and Procedures, " in this Annual Report on Form 10- K, we identified a material weakness in our information technology general controls (" ITGCs ") during the fourth quarter of fiscal 2024 related to access to** systems **in Europe that support** ~~, and the systems of our service providers or~~ **our** ~~others~~ **accounting and financial reporting processes. While this material weakness did not result in any identified misstatements to the financial statements** , ~~could be breached, damaged or~~ **nor** ~~interrupted by cyber- attacks~~ **were there changes to previously reported financial results, a risk exists that financial reporting errors could occur if we fail to remediate this material weakness** or **if we experience** other **internal** ~~intentional or unintentional events, or by natural disasters or occurrences, many of which may, despite our best efforts, be beyond our ability to effectively detect, anticipate or~~ control **deficiencies** . **If** ~~This impact may be heightened by the increased prevalence of hybrid and / or remote work arrangements~~ that were **to happen** ~~first offered in connection with mitigating the spread of COVID- 19. Further~~ , **it** ~~the military conflict in Ukraine and the associated political uncertainty may increase the threat of cyberattacks on the global supply chain, which could directly or indirectly impact our operations. Any such events and the related delays, problems or costs~~ could have a material adverse ~~effect~~ **impact** on our business, financial condition, results of operations **,** and ~~reputation~~ **cash flows** . Environmental, ~~Health~~ **health** and ~~Safety~~ **safety** ~~Regulations~~ **regulations** We could be adversely impacted by the costs of environmental, health and safety regulations. Our operations are subject to various federal, state, local and foreign laws and regulations governing, among other things, emissions to air, discharge to waters and the generation, handling, storage, transportation, treatment and disposal of waste and other materials. The operation of our manufacturing facilities entails risks in these areas and there can be no assurance we will avoid material costs or liabilities relating to such matters. Our financial responsibility to clean up contaminated property may extend to previously- owned or used property, properties owned by unrelated companies, as well as properties we currently own and use, regardless of whether the contamination is attributable to prior owners. In addition, potentially material expenditures could be required in order for our products and operations to comply with evolving environmental, health and safety laws, regulations (including those developed as a concern to climate control), or other requirements that may be adopted or imposed in the future. Future costs to remediate contamination or to comply with environmental, health and safety laws and regulations could adversely affect our business, results of operations and financial condition. Claims and ~~Litigation~~ **litigation** We may incur material losses and costs as a result of warranty and product liability claims and litigation or other legal proceedings. In the event our products **or systems** fail to perform as expected, we are exposed to warranty and product liability claims and may be required to participate in a recall or other field campaign of such products. Many of our vehicular customers offer extended warranty protection for their vehicles and ~~require~~ **pressure** their supply base to extend warranty coverage as well. If our customers demand higher warranty- related cost recoveries, or if our products fail to perform as expected, it could have a material ~~adverse impact~~ **negative effect** on our results of operations and financial condition. We are also involved in various legal proceedings from time to time incidental to our business. If any such proceeding has a negative result, it could adversely affect our business, results of operations, financial condition and reputation. C. STRATEGIC RISKSBusiness ~~Optimization~~ **optimization** and ~~Growth~~ **growth** ~~Strategies~~ **strategies** Inability to execute on our strategic initiatives **or to successfully integrate recent acquisitions** may adversely impact our business and operating results. **Under** ~~We are well on~~ our ~~way in our~~

~~strategic~~ **strategy** ~~transformation. We onboarded seasoned leaders and segmented our organization, aligning teams led by general managers around specific strategies and market-~~ based **in** ~~verticals. Our leadership teams have created a high-performance culture and are prioritizing resources on products and markets with the highest growth opportunities and best return profiles. We plan to continue to employ an~~ 80 / 20 ~~mindset across our~~ **principles, we have invested in acquiring** businesses ~~, including within~~ **and technologies that we expect to accelerate** our **strategic growth in select markets. During the last fiscal year, we acquired Napps, a Texas- based manufacturer of air- and water- cooled chillers, condensing units, and heat pumps; we purchased liquid immersion cooling technology assets from TMGcore, Inc., and we completed the acquisition of Scott Springfield** ~~manufacturing~~ **Manufacturing** ~~facilities~~ , ~~to optimize profit margins and cash flow~~ **a leading manufacturer of air handling units serving customers in the U** . ~~However~~ **S. and Canada. These investments have expanded our data center cooling and indoor air quality product portfolios** , ~~if~~ **and we are rapidly growing our Advanced Solutions business, which provides battery thermal management and electronics cooling products and solutions for zero- emission and hybrid vehicles. If** we are unable to successfully ~~execute~~ **integrate these acquired businesses and / or technologies into our existing operations, capitalize** on **expected market share** ~~our~~ - **or** ~~strategic initiatives~~ **revenue gains, realize anticipated cost or revenue synergies, or operate these growth businesses profitably** , we may not achieve the financial or operational ~~successes~~ -- **success** ~~anticipated~~ **expected from these investments** . **Additionally** ~~In addition~~ , **if** we **are unable to successfully execute our organic growth strategic initiatives, our results of operations and cash flows could be negatively impacted. We** will continue to review our business portfolio and pursue ~~acquisitions to accelerate~~ **sales and margin** growth **through both organic and inorganic opportunities** . There can be no assurance we will be able to identify **additional** attractive acquisition targets. If we are unable to successfully execute on **further** organic growth opportunities or complete acquisitions in the future, our growth may be limited. In addition, future acquisitions will require integration of operations, sales and marketing, information technology, finance, and administrative functions. If we are unable to successfully integrate future acquisitions and operate these businesses profitably, we may not achieve the financial or operational success expected from the acquisitions. **Future acquisitions could include the issuance of shares of our common stock as all or a portion of the consideration paid to the sellers. Any such issuance would be dilutive to the interests of our existing shareholders and may adversely affect the market price of our shares.** D. FINANCIAL RISKSLiquidity and ~~Access~~ **access** to ~~Cash~~ **cash** Our indebtedness may limit our use of cash flow to support operating, development and investment activities, and failure to comply with our debt covenants could adversely affect our liquidity and financial results. As of March 31, ~~2023~~ **2024** , we had total outstanding indebtedness of $ ~~353~~ **432** million. Our indebtedness and related debt service obligations (i) require that ~~significant~~ **a certain portion of** cash flow from operations be used for principal and interest payments, which reduces the funds we have available for other business purposes; (ii) limit our flexibility in planning for or reacting to changes in our business and market conditions; and (iii) expose us to interest rate risk, since the majority of our debt obligations carry variable interest rates. Our credit agreements contain financial covenants that, among other things, require us to maintain a minimum interest coverage ratio and impose a maximum leverage ratio. Failure to comply with debt covenants could result in an event of default, which, if not cured or waived, could result in us being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms, our results of operations and financial condition could be adversely affected by increased costs and interest rates. Market trends and regulatory requirements may require additional funding for our pension plans. Our defined benefit pension plans in the U. S. are frozen to new participants. Our funding policy is to contribute annually, at a minimum, the amount necessary on an actuarial basis to provide for benefits in accordance with applicable laws and regulations. Our domestic plans have an unfunded liability totaling $ ~~20~~ **16** million as of March 31, ~~2023~~ **2024** . **We** ~~As a result of funding relief provisions within the American Rescue Plan Act of 2021, we do not~~ expect to make cash contributions to our U. S. plans during fiscal ~~2024~~ **2025 totaling $ 8 million** . Funding requirements for our defined benefit plans are dependent upon, among other things, interest rates, underlying asset returns, mortality rate assumptions, and the impact of legislative or regulatory changes. Should changes in actuarial assumptions or other factors result in the requirement of significant additional funding contributions, our cash flows and financial condition could be adversely affected. Goodwill and ~~Intangible~~ **intangible** ~~Assets~~ **assets** Our balance sheet includes significant amounts of goodwill and intangible assets. An impairment of a significant portion of these assets would adversely affect our financial results. Our balance sheet includes goodwill and intangible assets totaling $ ~~247~~ **419** million at March 31, ~~2023~~ **2024** . We perform goodwill impairment tests annually, as of March 31, or more frequently if business events or other conditions exist that require a more frequent evaluation. In addition, we review intangible assets for impairment whenever business conditions or other events indicate that the assets may be impaired. If we determine the carrying value of an asset is impaired, we write down the asset to fair value and record an impairment charge to current operations. We use judgment in determining if an indication of impairment exists. For our annual goodwill impairment tests, we use estimates and assumptions, including revenue growth rates and operating profit margins to calculate estimated future cash flows and risk- adjusted discount rates. We cannot predict the occurrence of future events or circumstances, including lower than forecasted revenues, market trends that fall below our current expectations, actions of key customers, increases in discount rates, and the continued general economic uncertainties, which could adversely affect the carrying value of goodwill and intangible assets. An impairment of a significant portion of goodwill or intangible assets could have a **negative impact** ~~material adverse effect~~ on our financial results. Income ~~Taxes~~ **taxes** We may be subject to additional income tax expense or become subject to additional tax ~~exposure~~ **exposures . Our effective tax rates in the future may be impacted by changes in the mix of earnings in countries with differing statutory rates and changes in tax laws, or their interpretation** . The subjectivity of or changes in tax laws and regulations in jurisdictions where we **operate** ~~have significant operations~~ could materially affect our results of operations **and financial condition. For example, the Organization for Economic Cooperation and Development (“ OECD ”) has issued significant global tax policy changes. In October 2021, the OECD and G20 Finance Ministers reached an agreement, known as Base Erosion and Profit**

Shifting Pillar Two (" Pillar Two "), that, among other things, provides that income earned in each jurisdiction that a multinational company operates in is subject to a minimum corporate income tax rate of at least 15 percent. Discussions related to the formal implementation of Pillar Two, including with respect to the tax law of each member jurisdiction, including the United States, are ongoing. Enactment of this regulation could result in an increase in our income tax expense and adversely impact our results of operations, cash flows and financial condition. We are also subject to tax audits in each jurisdiction in which we operate. Unfavorable or unexpected outcomes from one or more tax audits could adversely affect our results of operations and financial condition. In addition, as of March 31, ~~2023~~ **2024** , our net deferred tax assets totaled $ ~~79~~ **45** million. Each quarter, we evaluate the probability that our deferred tax assets will be realized and determine whether valuation allowances or adjustments thereto are needed. This determination involves ~~judgement~~ **judgment** and the use of significant estimates and assumptions, including expectations of future taxable income and tax planning strategies. Future events or circumstances, such as lower taxable income or unfavorable changes in the financial outlook of our operations in certain jurisdictions, could require us to establish further valuation allowances, which could **negatively impact** ~~have a material adverse effect on~~ our results of operations and financial condition. E. GENERAL RISKSCustomers and ~~Markets~~ **markets** We are dependent upon the health of the customers and markets we serve. We are highly susceptible to unfavorable trends or disruptions in the markets we serve, as our customers' financial condition and performance are affected by **demands for their goods or services, regulatory initiatives and incentives and** general economic conditions, including supply chain challenges, access to credit, the price of fuel and electricity, employment levels and trends, interest rates, labor relations issues, regulatory requirements **and incentives, technology demands and advancements** , government- imposed restrictions relating to health crises or other unusual events, trade agreements and other market factors, as well as by customer- specific issues. Any significant decline in demand for our products and solutions, including those driven by **end- market demands or demand for our** customer **' s** ~~production~~ **products** ~~levels~~ **or services** , by current and future customers could result in asset impairment charges and a reduction in our sales, thereby adversely impacting our results of operations, cash flows and financial condition. Exposure to ~~Foreign~~ **foreign** ~~Currencies~~ **currencies** As a global company, we are subject to foreign currency rate fluctuations, which affect our financial results. Although our financial results are reported in U. S. dollars, a significant portion of our sales and operating costs are realized in foreign currencies. Our sales and profitability are affected by movements of the U. S. dollar against foreign currencies in which we generate sales and incur expenses. To the extent that we are unable to match sales in foreign currencies with costs paid in the same currency, exchange rate fluctuations in any such currency could have an adverse effect on our financial results. During times of a strengthening U. S. dollar, our reported sales and earnings from our international operations will be lower because the applicable local currency will be translated into fewer U. S. dollars. In certain instances, currency rate fluctuations may create pricing pressure relative to competitors quoting in different currencies, which could result in our products becoming less competitive. Significant long- term fluctuations in relative currency values could have an adverse effect on our results of operations and financial condition. Reliance upon Technology Advantage If we cannot...... our business and results of operations. Attracting and ~~Retaining~~ **retaining** ~~Talent~~ **talent** Our continued success is dependent on ~~being able~~ **our ability** to attract, develop and retain qualified personnel. Our ability to sustain and grow our business requires us to hire, develop, and retain skilled and diverse personnel throughout our organization. We depend significantly on the engagement of our employees and their skills, experience and industry knowledge to support our objectives and initiatives **, and have attracted a leadership team executing on strategic initiatives informed by our 80 / 20 mindset. Our ability to achieve our operating and strategic goals depends on our ability to identify, hire, train and retain talented personnel, including our leadership team** . We **compete with** ~~have observed tightening and increased competitiveness in the~~ **other companies for talented personnel in the locations and** labor markets **in which we operate, all of which are very competitive,** and ~~have experienced labor shortages~~ **we may lose key personnel or fail to attract other talented personnel, including** at ~~certain of~~ our manufacturing locations. Any prolonged labor shortages or significant employee turnover could negatively impact productivity and result in increased labor costs, such as increased overtime to meet demand or increased wage rates necessary to attract and retain employees. Overall, difficulty in attracting, developing, and retaining qualified personnel could adversely affect our business and results of operations. ITEM 1B. UNRESOLVED STAFF COMMENTS.