Risk Factors Comparison 2024-03-26 to 2023-03-23 Form: 10-K

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The following risk factors should be read carefully in connection with evaluating Movado Group' s business. These risks and uncertainties could cause actual results and events to differ materially from those anticipated. Additional risks which the Company does not presently consider material, or of which it is not currently aware, may also have an adverse impact on the business. Please also see " Forward- Looking Statements " on page 1. Risks Related to Macroeconomic Conditions and our International Operations Adverse economic conditions in key markets, and the resulting declines in consumer confidence and spending, could have a material adverse effect on the Company' s operating results. The Company' s results are dependent on a number of factors impacting consumer confidence and spending in ~~the U. S. and other~~ key markets, including, but not limited to, general economic and business conditions; wages and employment levels; volatility in the stock market; home values and housing costs; inflation; consumer debt levels; availability and cost of consumer credit; economic uncertainty; solvency concerns of major financial institutions; fluctuations in foreign currency exchange rates; commodity prices; fuel and energy costs and / or shortages; tax issues; and general political conditions, both domestic and abroad. Adverse economic conditions, including declines in employment levels, disposable income, consumer confidence and economic growth could result in decreased consumer spending that would adversely affect sales of consumer goods, particularly those, such as the Company' s products, that are viewed as discretionary items. In addition, events such as **international hostilities (including the Russian invasion of Ukraine and** war **in the Middle East)** , terrorism, natural disasters or outbreaks of disease may further suppress consumer spending on discretionary items. ~~For example, Russia' s invasion of Ukraine and the subsequent retaliatory measures taken by the U. S., NATO and other countries have negatively impacted our revenue derived from sales to this region.~~ If any of these events should occur or intensify, the Company' s future sales could decline and the Company' s results of operations could be materially adversely affected. This could also result in the potential for impairment surrounding our long- lived assets. ~~We depend on a variety of U. S. and multi- national financial institutions to provide us with banking services. The default or failure of one or more of the financial institutions that we rely on may adversely affect our business and financial condition. The Company maintains the majority of its cash and cash equivalents in accounts with major U. S. and multi- national financial institutions, and our deposits at certain of these institutions exceed insured limits. Market conditions can impact the viability of these institutions. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we would be able to access uninsured funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect our business and financial condition. Moreover, any default or failure of any U. S. or multi- national financial institutions may cause an impact on wholesale and retail customers' actual or perceived wealth and could reduce actual or perceived disposable income, which may cause a material adverse effect on our business and financial condition.~~ A significant portion of the Company' s business is conducted outside of the United States. Many factors affecting business activities outside the United States could adversely impact this business. Over 80 % of the Company' s product unit volume originates from Asia, with the vast majority coming from China. Substantially all of the remaining products originate from Europe. The Company also generates approximately ~~55~~ **56** . ~~6~~ **8** % of its revenue from international sources. Factors that could affect this business activity vary by region and market and generally include, without limitation: • instability or changes in social, political, public health **, environmental,** and / or economic conditions that could disrupt the **production or** trade activity in the countries where the Company' s manufacturers, suppliers and customers are located; • supply chain disruptions related to global, regional or local circumstance that fall outside of the Company' s control; • the imposition of additional duties, taxes and other charges on imports and exports; • changes in foreign laws and regulations; • inflation and increases in commodity prices (including energy); • the adoption or expansion of trade sanctions; • recessions in foreign economies; and • a significant change in currency valuation in specific countries or markets. **Any** ~~For example, Russia' s invasion~~ of ~~Ukraine in 2022 and the~~ **these factors** ~~subsequent retaliatory measures taken by the U. S., NATO and other countries have negatively impacted our revenue to the extent the conflict and the sanctions impacted economic conditions and our ability to sell products to customers in the affected region. In response to the invasion, the Company decided in March 2022 to suspend all sales to Russia and Belarus. In addition, the conflict has had broader implications on economies outside the region, such as the global inflationary impact of boycotts of Russian oil and gas by other countries and the blockade of Ukrainian grain exports. Although our historical sales to the region have been immaterial, it is not possible to predict the broader consequences of this conflict, although the continuation or escalation of the conflict, along with any expansion to surrounding areas,~~ could ~~have~~ **result in** a ~~significant~~ **material adverse** effect on ~~our~~ **the Company' s** results of operations **and financial condition** . The Company' s business is subject to foreign currency exchange rate risk. A significant portion of the Company' s inventory purchases are denominated in Swiss Francs and, to a lesser extent, the Japanese Yen. The Company also sells to third-party customers in a variety of foreign currencies, most notably the Euro and the British Pound. The Company reduces its exposure to the Swiss Franc, Euro, British Pound, Chinese Yuan and Japanese Yen exchange rate risks through a hedging program. Under the hedging program, the Company manages most of its foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. In the event these exposures do not offset, the Company has the ability under a hedging program to utilize forward exchange contracts and purchased foreign currency options to mitigate foreign currency risk. If the Company does not utilize hedge instruments or if such instruments are unsuccessful at minimizing the risk or are deemed ineffective, any fluctuation of the Swiss Franc, Euro, British Pound, Chinese Yuan, Hong Kong Dollar or Japanese Yen exchange rates could impact the future results of operations. Changes in currency exchange rates may also affect relative prices at which the Company and its foreign competitors sell products in the same market. Additionally, a portion of the Company’ s net sales are recorded in its foreign subsidiaries in a currency other than the local currency of that subsidiary. This predominantly occurs in the Company’ s Hong Kong and Swiss subsidiaries when they sell to Euro and British Pound based customers. The Company utilizes forward exchange contracts to mitigate this exposure. To the extent not hedged, any fluctuation in the Euro and British Pound exchange rates in relation to the Hong Kong dollar and Swiss Franc would have an effect on these sales that are recorded in Euros and British Pounds. The currency effect on these sales has an equal effect on their recorded gross profit since the costs of these sales are recorded in the entities’ respective local currency. As a result of these and other foreign currency sales, certain of the Company’ s subsidiaries have outstanding foreign currency receivables. Furthermore, since the Company’ s consolidated financial statements are presented in U. S. dollars, revenues, income and expenses, as well as assets and liabilities of foreign currency denominated subsidiaries must be translated into U. S. dollars at exchange rates in effect during or at the end of each reporting period. Fluctuations in foreign currency exchange rates could adversely affect the Company’ s reported revenues, earnings, financial position and the comparability of results of operations from period to period. **Additional** U. S. Special Tariffs or other restrictions placed on imports from China, and any retaliatory trade measures taken by China, may have a material adverse impact on the Company’ s financial condition and results of operations. Starting in July 2018, the ~~Trump Administration~~ **U. S. government** announced a series of lists covering thousands of categories of Chinese origin products subject to potential U. S. special tariffs in addition to the regular tariffs that have historically applied to such products. ~~Certain~~ **Most** of the Company’ s packaging products **are made in China and** became subject to a U. S. special 10 % tariff in September 2018, which was increased to 25 % effective May 10, 2019. In addition, **most of** ~~smart watches became subject to a U. S. special 15 % tariff on September 1, 2019. In addition, U. S. Customs and Border Patrol (“ CBP ”) originally took~~ the ~~position that the U. S. special 15 % tariff applies broadly to China- sourced cases and~~ bands ~~on~~ **used in the production of the Company’ s** traditional watches **are made in** ~~wherever assembled. CBP later revised its position to exclude~~ China ~~-sourced cases from the special tariff so long as the associated watch movement was not sourced in China. Under CBP' s current position, most of the bands~~ -- **and** ~~used in the production of the Company’ s traditional watches imported into the U. S.~~ became subject to the U. S. special 15 % tariff effective September 1, 2019, although the tariff rate was decreased to 7. 5 % effective February 14, 2020. If the U. S. special tariffs were to increase, the Company may seek to raise prices for watches sold in the United States, which is the Company’ s single largest market, which could result in the loss of customers and harm its operating performance. Alternatively, the Company may seek to shift production outside of China, resulting in significant costs and disruption to the Company’ s operations and materially and adversely affecting its **, costs,** sales ~~, costs~~ and results of operations. In addition, the Company’ s business may be impacted by retaliatory trade measures taken by China or other countries in response to existing or future tariffs, causing the Company to raise prices or make changes to its operations, any of which could materially harm its financial condition and results of operations. The Company' s inability to successfully recover from **extreme weather conditions, natural disasters or other catastrophic events or developments impacting business continuity or sales opportunities could result in loss of human capital, revenue, production capability, logistics efficiency, reputational harm or legal liability, any of which could materially harm its financial condition and results or operations. The Company has** a **complex global operations, supply chain and distribution network. If the Company or key participants in its value chain were to experience a local or regional** natural disaster or other development impacting business continuity ~~or sales opportunities could result in loss of human capital, revenue, reputational harm or legal liability, any of which could materially harm its financial condition and results or operations. The Company has a complex global supply chain and distribution network. If the Company were to experience a local or regional natural disaster or other development impacting business continuity~~ , such as an earthquake, **hurricane, flood, wildfire,** tsunami, ~~terrorist attack, disease outbreak or~~ other natural or man- made disaster **, political crisis such as terrorist attacks, war, and other political instability, public health crisis including infectious disease outbreaks, pandemics, and endemics, or other catastrophic event** , its continued success will depend, in part, on the safety and availability of ~~its~~ personnel **,** ~~and office~~ facilities **, and raw materials,** and on the proper functioning of ~~its~~ **manufacturing, transportation,** computer, telecommunication and other systems **and services** . Climate change exacerbates these risks by increasing the frequency and severity of **extreme weather events and** natural disasters. If the Company cannot efficiently respond to disruptions in our operations, for example, by finding alternative suppliers or distributors or quickly repairing damaged systems, it may be late in fulfilling customer orders, thereby resulting in reputational damage, lost sales, or cancellation charges, any of which could materially harm its financial condition and results of operations. In addition, natural disasters may disrupt purchasing behaviors, negatively impacting revenue generation ~~. Infectious disease outbreaks, such as the COVID- 19 pandemic, could have a material adverse effect on the Company' s business. The Company’ s business could be adversely affected by infectious disease outbreaks, such as the novel strain of coronavirus commonly referred to as COVID- 19. The COVID- 19 pandemic and related public health measures materially affected the Company’ s and its customers’ and suppliers’ businesses, particularly during fiscal 2021. Although the impact of the pandemic has largely receded in recent quarters, the reinstitution or tightening of containment and mitigation measures, whether in response to the emergence of new variants or strains of the virus, waning immunity, or otherwise, could exacerbate the adverse effect on our results of operations and financial condition~~ . Risks Related to our Business The Company’ s wholesale business could be negatively affected by the consumer shift toward online shopping, as well as by further changes of ownership, contraction and consolidation in the retail industry. Consumers’ growing preference for purchasing products online may continue to reduce foot traffic at traditional retail stores and increase price competition for the Company’ s products, which could discourage traditional retailers from investing in sales support for those products. This could reduce consumer demand for the Company’ s products and thereby materially adversely affect the Company’ s wholesale business. ~~Stay- at- home orders and social distancing practices resulting from the COVID- 19 pandemic accelerated the trend toward online purchases.~~ In addition, a large portion of the Company’ s ~~U. S.~~ wholesale business is based on sales to major jewelry store chains and department stores. The retail industry has experienced changes in ownership, contraction and consolidations. Future reorganizations, changes of ownership and consolidations could further reduce the number of retail doors in which the Company' s products are sold and increase the concentration of sales among fewer ~~national or~~ large regional retailers, which could materially adversely affect the Company' s wholesale business. The Company faces intense competition in the worldwide watch industry not only from competitors selling traditional watches but also from those selling smart watches and other wearables. The watch industry is highly competitive and the Company competes globally with numerous manufacturers, importers, distributors and Internet- based retailers, some of which are larger than the Company and have greater financial, distribution, advertising and marketing resources. The Company' s products compete on the basis of price, features, brand image, design, perceived desirability and reliability. However, there can be no assurance that the Company' s products will compete effectively in the future and, unless the Company remains competitive, its future results of operations and financial condition could be adversely affected. The Company also faces ~~increasing~~ **significant** competition from companies introducing and selling smart wearable devices including smart watches. Many of these companies have significantly greater financial, distribution, advertising and marketing resources than does the Company. The sale of these new smart products could materially adversely impact the traditional watch market and the Company' s results of operations and financial condition ~~unless the Company elects to compete in this new product area and is able to do so effectively~~. The design, sourcing, marketing, distribution and after- sales servicing of smart watches involve additional challenges to those applicable to traditional watches. ~~To~~ **Although the Company is not currently manufacturing new smart watch models, to** the extent the Company elects to launch or maintain smart watch offerings, important differences in the way smart watches are designed, sourced, marketed, distributed, and serviced as compared to traditional watches may make it more difficult to compete successfully in the smart watch market, particularly for competitors such as the Company that must rely on the expertise of third parties who are active in this market. For example, smart watches' significant reliance on technology increases the risk of allegations of infringement on the intellectual property rights of others. Smart watch product development entails greater fixed costs than those for traditional watches, which means that higher unit sales of smart watches are generally needed in order to achieve reasonable gross margins. In addition, consumers may expect that smart watches, particularly the more expensive models, will for many years continue to function and be compatible with the smartphone operating systems with which they were intended to interface, including future updates to such operating systems. Since the Company has no control over such operating system updates, it cannot assure such continued compatibility. If the Company fails to meet consumers' expectations regarding the long- term functioning of any smart watches that it sells, the Company may suffer reputational damage that could adversely affect its business, results of operations and financial condition. Maintaining favorable brand recognition is essential to the Company' s success, and failure to do so could materially and adversely affect the Company' s results of operations. Favorable brand recognition is an important factor to the future success of the Company. The Company sells its products under a variety of owned and licensed brands. Factors affecting brand recognition are often outside the Company' s control, and the Company' s efforts to create or enhance favorable brand recognition, such as making significant investments in marketing and advertising campaigns (including increased exposure through social media, influencer messaging and other digital advertising channels), product design and anticipation of fashion trends, may not have their desired effects. Additionally, the Company relies on its licensors to maintain favorable brand recognition of their respective brands, and the Company has little or no control over the brand management efforts of its licensors. Finally, although the Company' s independent distributors are subject to contractual requirements to protect the Company' s brands, it may be difficult to monitor or enforce such requirements, particularly in foreign jurisdictions. Any decline in perceived favorable recognition of the Company' s owned or licensed brands and any negative response to social media, influencer or other digital media campaigns could materially and adversely affect future results of operations and profitability. If the Company is unable to respond to changes in consumer demands and fashion trends in a timely manner, sales and profitability could be adversely affected. Fashion trends and consumer demands and tastes often shift quickly. The Company attempts to monitor these trends in order to adapt its product offerings to suit customer demand. There is a risk that the Company will not properly perceive changes in trends or tastes, which may result in the failure to adapt the Company' s products accordingly. In addition, new model designs are regularly introduced into the market for all brands to keep ahead of evolving fashion trends as well as to initiate new trends. The public may not favor these new models or the models may not be ready for sale until after the trend has passed. If the Company fails to respond to and keep up to date with fashion trends and consumer demands and tastes, its brand image, sales, profitability and results of operations could be materially and adversely affected. Regulatory restrictions and a changing marketing environment could materially and adversely affect the Company' s ability to penetrate key market segments, resulting in the loss of market share and revenue. The Company utilizes various marketing service providers and technologies, including third- party cookies, pixels, and other automated means (" Third- Party Cookies "), to provide a data- driven, personalized consumer experience. In **response** ~~April 2021, Apple released changes~~ to **privacy regulations** ~~its operating system asking users if they want to opt- out of apps tracking them across the Internet. In January 2020, Google announced plans to phase out Third- Party Cookies on Chrome, the most- used desktop browser, in 2022~~ and **consumer preferences, technology companies** ~~has since announced that these plans~~ have **begun moving toward a " cookieless future, "** ~~been delayed until at least 2024 as Google continues to work with regulators to identify new technologies to replace Third- Party Cookies. Other~~ web browsers **are** ~~have begun~~ implementing certain cookie- blocking measures **, and ecommerce sites are offering various privacy settings options** . **Scrutiny of consumer marketing practices** ~~This shift to a " cookieless future "~~ is **increasing, and regulatory expectations and oversight are expanding, especially around product sustainability claims. These shifts are** changing how the Company markets to and engages with consumers. If the Company' s adjustments are delayed or are not as effective as current advertising and marketing strategies, the Company' s conversion rate may be adversely affected, brand recognition may decline, market share may be negatively impacted, and sales, profitability and results of operations could be materially and adversely affected. In addition, a small number of large digital advertising companies control a majority of the digital advertising market in many countries, and continued consolidation in the industry could further increase those companies' market share. Digital advertising has become more expensive in recent years and further industry consolidation or the tightening of regulatory restrictions could accelerate this trend. Increased advertising costs could materially and adversely affect the Company' s profitability and results of operations. Failure to meet environmental, social and governance **regulations,** expectations or standards could adversely affect the Company’ s business, reputation, results of operations and financial condition. Many governments, regulators, investors, employees, customers, and other stakeholders are increasingly focused on the environmental, social and governance **(ESG)** performance of companies, including climate change, greenhouse gas emissions, human and civil rights, diversity, equity and inclusion initiatives, and supply chain ~~initiatives~~ **conditions** . ~~This has~~ **In addition to the rapidly developing legal obligations imposed by governmental and self- regulatory organizations, a variety of third- party bodies and institutional investors evaluate the performance of companies on ESG topics. Understanding, developing, and acting on ESG matters, complying with legal obligations, and collecting, measuring, validating, and reporting ESG-** ~~resulted~~ -- **related information** ~~in expanding~~ and ~~increasingly complex~~ **metrics can be costly, difficult, and time- consuming, especially as requirements and** expectations ~~related~~ **continue** to **evolve** ~~reporting, diligence and disclosure on environmental, social and governance matters. Responding to these expectations involves significant risks and uncertainties~~ . As a responsible corporate citizen, the Company actively manages **ESG** ~~environmental, social and governance~~ issues and makes statements about its **ESG** ~~environmental, social and governance~~ policies and initiatives through its annual Corporate Responsibility Report and various other communications ~~. The~~ **; however, the** Company cannot guarantee that it will achieve its announced ~~environmental, social and governance~~ goals **. In addition, the Company could be criticized for the nature and scope of any goals set or not set or for the accuracy, adequacy, or completeness of the Company’ s disclosures** . The Company' s failure or perceived failure to achieve such goals or to meet **ESG** ~~the environmental, social and governance~~ expectations ~~of other stakeholders~~ could harm the Company' s reputation, adversely impact its ability to attract and retain customers and talent **, impair its access to or cost of capital** , and expose it to legal and regulatory proceedings and increased scrutiny, thereby adversely affecting the Company’ s business, results of operations and financial condition. If the Company loses any of its license agreements, there may be significant loss of revenues and a negative effect on business. The Company **’ s** ~~currently has the right to produce, market and distribute watches and, in certain cases, jewelry, under the brand names of Coach, Tommy Hilfiger, Hugo Boss, Lacoste and Calvin Klein pursuant to~~ license agreements **include** ~~with the respective owners of those trademarks. There are~~ certain minimum royalty payments **and** ~~as well as~~ other **material** requirements ~~associated with the Company’ s license agreements~~ . Failure to meet any of these requirements could result in the loss of the license. Additionally, after the term of any license agreement has concluded, the licensor may decide not to renew with the Company. For the fiscal year ended January 31, ~~2023~~ **2024** , the Company' s licensed brands represented 53. ~~1~~ **9** % of the Company’ s net sales. While the Company is not substantially dependent on any one licensed brand, the loss of a single licensed brand could have a material adverse effect on the Company’ s results of operations and financial condition. In addition, the Company’ s revenues and profitability under its various license agreements may change from period to period due to various factors, including the maturity of the Company' s relationship with the respective licensor, changes in consumer preferences, brand repositioning activities and other factors, some of which are outside of the Company' s control. Changes in the sales or channel mix of the Company’ s products could impact gross profit margins. The individual brands that are sold by the Company are sold at a wide range of price points and yield a variety of gross profit margins. In addition, sales of excess and / or discontinued inventory into liquidation channels generate a lower gross profit margin than non-liquidation sales. Thus, the mix of sales by brand as well as by distribution channel can have an impact on the gross profit margins of the Company. If the Company’ s sales mix shifts unfavorably toward brands with lower gross profit margins than the Company’ s historical consolidated gross profit margin or if a greater proportion of liquidation sales are made, it could have an adverse effect on the results of operations. The Company’ s business is seasonal, so events and circumstances that adversely affect holiday consumer spending will have a disproportionately adverse effect on the Company’ s results of operations. The Company’ s sales are seasonal by nature. The Company’ s U. S. sales are traditionally greater during the Christmas and holiday season. Internationally, major selling seasons center on significant local holidays that occur in late winter or early spring. The amount of net sales and operating income generated during these seasons depends upon the general level of retail sales at such times, as well as economic conditions and other factors beyond the Company’ s control. The second half of each of the fiscal years ended January 31, **2024,** 2023 ~~,~~ **and** 2022 ~~and 2021~~ accounted for 54. **6 %, 54.** 0 % ~~,~~ **and** 57. 9 % ~~and 68. 8 %~~ of the Company’ s net sales, respectively ~~. The first half of fiscal year 2021 was significantly negatively impacted by the COVID- 19 pandemic~~ . If events or circumstances were to occur that negatively impact consumer spending during such holiday seasons, it could have a material adverse effect on the Company’ s sales, profitability and results of operations. Sales in the Company’ s retail outlet locations are dependent upon customer foot traffic and average order size. The success of the Company’ s retail outlet locations is, to a certain extent, dependent upon the amount of customer foot traffic generated by the outlet centers in which those stores are located. Factors that can affect customer foot traffic include: • changes in consumer discretionary spending; • the location of the outlet center; • the location of the Company’ s store within the outlet center; • the other tenants in the outlet center; • the occupancy rate of the outlet center; • the success of the outlet center and tenant advertising to attract customers; • changes in competition in areas surrounding the outlet center; • increased competition from shopping over the internet and other alternatives such as mail- order; and • desirability of the Company’ s brands and products. Additionally, since ~~most~~ **many** of the Company’ s retail outlets are located near vacation destinations, factors that affect travel could decrease outlet center traffic. Such factors include the price and supply of fuel, travel concerns and restrictions (including those due to disease outbreaks such as COVID 19), international instability, terrorism and inclement weather ~~. For example, the COVID- 19 pandemic led to travel restrictions and a reduction in voluntary travel, as well as temporary closures of all of the Company' s retail outlets for portions of fiscal 2021~~ . Future closures of the Company’ s retail stores or reductions in foot traffic could have a material adverse effect on retail sales and the profitability of the Company Stores segment. The success of the Company’ s retail outlet locations is also dependent, to a certain extent, upon the average order size at our outlet stores. Factors that can affect average order size include product mix, promotional activities, and number of units sold per transaction. If adverse changes in product mix or pricing were to reduce the average sales price of our products, or if the average number of units per transaction were to decrease, whether due to a reduction in sales to volume buyers who resell our products or otherwise, there could be a material adverse effect on our Company Stores segment. If the Company is unable to maintain existing space or to lease new space for its retail outlets in prime outlet center locations or is unable to complete construction on a timely basis, the Company’ s ability to achieve favorable results in its retail business could be adversely affected. The Company’ s outlet stores are strategically located in top outlet centers in the United States and Canada, ~~most~~ **many** of which are located near vacation destinations. Due to significant industry consolidation in recent years, the remaining outlet center operators use their significant market power to increase rents in prime locations when existing leases are renewed or new leases are executed. If the Company cannot maintain and secure locations in prime outlet centers for its outlet stores on acceptable lease terms, it could jeopardize the operations of the stores and business plans for the future. Additionally, if the Company cannot complete construction in new stores within the planned timeframes, cost overruns and lost revenue could adversely affect the profitability of the Company Stores segment. The Company’ s e- commerce business is subject to numerous risks that could have an adverse effect on the Company’ s business and results of operations. Although sales through the Company’ s e- commerce channels have constituted a minority of its net sales historically, such sales are growing ~~quickly~~ , and the Company expects to continue to grow its e-commerce business in the future. Though direct- to- consumer sales generally have higher profit margins and provide the Company with useful insight into the impact of its marketing campaigns, further development of the Company’ s e- commerce business also subjects the Company to a number of risks. The Company’ s online sales may negatively impact the Company’ s relationships with wholesale customers and distributors and their willingness to invest in the Company’ s brands if they perceive that the Company is competing with them. In addition, the Company' s sales via major online marketplaces have grown significantly in recent years, and these sales could be adversely impacted by changes in the marketplace operators' strategies regarding the sale of the Company' s products or product categories. There also is a risk that the Company’ s e- commerce business may divert sales from the Company’ s own brick and mortar stores. The Company’ s failure to successfully respond to these risks might adversely affect sales in the Company’ s e- commerce business as well as damage its reputation and brands. In addition, online commerce is subject to increasing **privacy** regulation by states, the U. S. federal government, and various foreign jurisdictions. Compliance with these laws may increase the Company’ s costs of doing business, and the Company’ s failure to comply with these laws may subject the Company to potential fines, claims for damages and other remedies, any of which would have an adverse effect on the Company’ s financial condition and results of operations. If the technology- based systems that give the Company’ s customers the ability to shop online do not function effectively, the Company’ s operating results could be materially adversely affected. Many customers shop with the Company through its online platforms, often through mobile devices. The Company is increasingly using social media and proprietary mobile applications to interact with the Company’ s customers and ~~as a means~~ to enhance their shopping experience. Any failure on the Company’ s part to provide attractive, effective, reliable, user- friendly e- commerce platforms that offer a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers could place the Company at a competitive disadvantage, result in the loss of e- commerce and other sales, harm the Company’ s reputation with customers, and have a material adverse impact on the growth of the Company’ s e- commerce business globally and its results of operations. Furthermore, the Company’ s e- commerce operations subject the Company to risks related to the computer systems that operate the Company’ s websites and related support systems, such as system failures, viruses, computer hackers and similar disruptions. If the Company is unable to continually add software and hardware, effectively upgrade its systems and network infrastructure and take other steps to improve the efficiency of its systems, system interruptions or delays could occur that adversely affect the Company’ s operating results and harm the Company’ s brands. The Company depends on its technology vendors to manage “ up time ” of the front- end e- commerce stores, manage the intake of orders, and export orders for fulfillment. Any failure on the part of the Company’ s third- party e- commerce vendors or in the Company’ s ability to transition third- party services effectively could result in lost sales and harm the Company’ s brands. Environmental factors, including climate change, and related regulatory action and consumer response, could substantially and negatively affect the Company' s financial results. The intensifying effects of climate change present physical, liability, and transition risks with both macro and micro implications for companies and financial markets. ~~Public sentiment is shifting, as more consumers expect the products they buy to be more sustainable.~~ Extreme weather events may cause shipping delays, result in property damage, and affect supply chains. As countries seek to address risks associated with climate change, laws and regulations may be adopted or strengthened. The Company’ s failure to identify climate and other environmental risks, to mitigate these risks, or to meet consumer expectations regarding sustainability may adversely affect the Company’ s ability to attract and retain top talent, negatively impact the Company’ s and its brands’ reputation and consumer loyalty, disrupt the Company’ s supply chain, and result in lost sales. In addition, implementing changes to mitigate these risks may result in substantial short and long- term additional operational expenses, which may materially affect the Company’ s profitability. If the Company misjudges the demand for its products, high inventory levels could adversely affect future operating results and profitability. Consumer demand for the Company’ s products can affect inventory levels. If consumer demand is lower than expected, inventory levels can rise, causing a strain on operating cash flows. If the inventory cannot be sold through the Company’ s wholesale channel or retail outlet locations, additional write- downs or write- offs to future earnings could be necessary. Conversely, if consumer demand is higher than expected, insufficient inventory levels could result in unfilled customer orders, loss of revenue and an unfavorable impact on customer relationships. Volatility and uncertainty related to macro- economic factors make it difficult for the Company to forecast customer demand in its various markets. Failure to properly judge consumer demand and properly manage inventory could have a material adverse effect on profitability and liquidity. If the Company were to lose its relationship with any of its key customers or distributors or any of such customers or distributors were to experience financial difficulties, there may be a significant loss of revenue and operating results. The Company' s customer base covers a wide range of distribution including national jewelry store chains, department stores, independent regional jewelers, online marketplaces, licensors' retail stores and a network of independent distributors in many countries throughout the world. Except for its agreements with independent distributors, the Company does not have long- term sales contracts with its customers. Customer purchasing decisions could vary with each selling season. A material change in customers' purchasing decisions could have an adverse effect on the Company' s revenue and operating results. The Company extends credit to its customers based on an evaluation of each customer' s financial condition, usually without requiring collateral. Should any of the Company' s larger customers experience financial difficulties, it could result in the Company curtailing business with them, an increased rate of product returns or an increase in the Company' s accounts receivable exposure. The inability to collect on these receivables could have an adverse effect on the Company' s financial results and cash flows. In many countries, independent distributors are entitled to seek compensation from the entity that granted them distribution rights upon termination of the parties' contractual relationship. Such compensation can equal or exceed one year' s worth of the distributor' s profits attributable to the distribution of the relevant goods. Although the Company generally renews its agreements with most of its distributors at the end of the then- current contractual term, if the Company elects not to renew its distribution agreements with large distributors or with multiple smaller distributors, it may be required to make material termination payments to such distributors, which would have an adverse effect on its operating results. The inability or difficulty of the Company' s customers, suppliers and business partners to obtain credit could materially and adversely affect its results of operations and liquidity. Many of the Company' s customers, suppliers and business partners rely on a stable, liquid and well- functioning financial system to fund their operations, and a disruption in their ability to access liquidity could cause serious disruptions to or an overall deterioration of their businesses which could impair their ability to meet their obligations to the Company, including delivering product ordered by the Company and placing or paying for future orders of the Company' s products, any of which could have a material adverse effect on the Company' s results of operations and liquidity. The ~~current~~ **recent** tightening of monetary policies of countries throughout the world in response to inflationary pressures have resulted in interest rate increases and could reduce availability of credit. An increase in product returns or lost product could negatively impact the Company' s operating results and profitability. The Company permits the return of ~~damaged or~~ defective products and accepts limited amounts of non-defective product returns in certain instances. Accordingly, the Company provides allowances for the estimated amounts of these returns at the time of revenue recognition based on historical experience. While such returns have historically been relatively consistent with management' s expectations and the provisions established, in recent years the number and frequency of consumer reports of lost packages or delivery delays have increased, and national carriers have changed their policies to make it more difficult for companies to recover the value of associated losses. In addition, future return rates may differ from those experienced in the past. Any significant increase in damaged or defective products, expected returns or carrier- related losses could have a material adverse effect on the Company' s operating results for the period or periods in which such returns materialize. The Company relies on independent parties to manufacture its products. Any loss of an independent manufacturer, or the Company' s inability to deliver quality goods in a timely manner, could have an adverse effect on customer relations, brand image, net sales and results of operations. The Company employs a flexible manufacturing model that relies on independent manufacturers to meet shifts in marketplace demand. Most of these manufacturers rely on third- party suppliers for the various component parts needed to assemble finished watches sold to the Company. All such independent manufacturers and suppliers must achieve and maintain the Company' s high- quality standards and specifications. Their inability to do so could cause the Company to miss committed delivery dates with customers, which could result in cancellation of the customers' orders. In addition, delays in delivery of satisfactory products could have a material adverse effect on the Company' s profitability, particularly during the fourth quarter. The Company generally does not have long- term supply commitments with its manufacturers and thus competes for production facilities with other organizations, some of which are larger and have greater resources. Any loss of an independent manufacturer or disruption in the supply chain with respect to critical component parts may result in the Company' s inability to deliver quality goods in a timely manner and could have an adverse effect on customer relations, brand image, net sales and results of operations. **In this regard, the Company relies on only three Swiss watch movement manufacturers, one of which is a wholly owned subsidiary of a competitor of the Company, and only one of which supplies mechanical movements. The elimination or disruption of any of these manufacturers could disrupt the Company' s Swiss watch operations. This is particularly true for mechanical movements given the single source of supply, although mechanical movements are only used in a relatively small number of the Company' s watch styles.** The Company contractually obligates its independent **finished goods** manufacturers to adhere to the Company' s vendor code of conduct and similar codes of conduct adopted by the Company' s trademark licensors, and the Company monitors **for** compliance ~~with those codes~~ by conducting periodic factory audits. There can be no assurance, however, that all of the Company' s manufacturers will consistently comply with labor and other laws and operate in accordance with ethical standards. Deviations from these laws and standards could interrupt the shipment of finished products and damage the Company' s reputation and could have a material adverse effect on the Company' s financial condition and results of operations. Interruptions at any of the Company' s major warehouse and distribution centers could materially adversely affect its business. The Company operates one distribution facility in New Jersey that is responsible for importing and warehousing products as well as fulfilling and shipping most orders by the Company' s customers in the United States, Canada and the Caribbean and by many of the Company' s customers in Latin America. The Company operates a smaller, similar facility in Bienne, Switzerland for the distribution of its Swiss watch brands throughout Europe and the Middle East, and in Australia and India through its joint ventures there. In addition, the Company has contracted with third- party warehouse and fulfillment providers in the Netherlands, Hong Kong, mainland China, Czech Republic, the U. K, Mexico and the United States. The complete or partial loss or temporary shutdown of any of the Company' s or third- parties' warehouse and distribution facilities (including as a result of fire or other casualty or labor or other disturbances) could have a material adverse effect on the Company' s business. In addition, the Company' s New Jersey warehouse and distribution facility is operated in a special purpose sub- zone established by the U. S. Department of Commerce Foreign Trade Zone Board and is highly regulated by U. S. Customs and Border Protection, which, under certain circumstances, has the right to shut down the entire sub- zone and, therefore, the entire warehouse and distribution facility. If that were to occur, the Company' s ability to fill orders for its U. S., Canadian, Latin American and Caribbean customers would be significantly impacted, which could have a material adverse effect on the Company' s results of operations and financial condition ~~. Fluctuations in the pricing of commodities or the cost of labor could adversely affect the Company' s ability to produce products at favorable prices. Some of the Company' s higher- end watch offerings are made with materials such as diamonds, precious metals and gold. The Company relies on independent contractors to manufacture and assemble its watch brands. A significant change in the prices of these commodities or the cost of third- party labor could materially adversely affect the Company' s business by reducing gross profit margins and / or forcing an increase in suggested retail prices, which could lead to a decrease in consumer demand and higher inventory levels~~. Current or future cost reduction, streamlining, restructuring or business optimization initiatives could result in the Company incurring significant charges. In adapting to changing economic and industry conditions, the Company may be required to incur severance and relocation expenses, write- offs or write- downs of assets, impairment charges, facilities closure costs or other business optimization costs. These costs will reduce the Company' s operating income and net income (along with the associated per share measures) and could have a material adverse effect on the Company' s results of operations. The Company depends on its information systems to run its business and any significant breach of or disruption to those systems could materially disrupt the Company' s business. The Company relies on its information systems to operate all aspects of its business, including, without limitation, order processing, inventory and supply chain management, customer communications, purchasing and financial reporting. Although the Company attempts to take reasonable steps to mitigate the risks to its computer hardware and software systems, including such measures as the use of firewalls, automatically expiring passwords, encryption technology and periodic vulnerability tests, no system can be completely secure, particularly given the increasing threat posed by computer hackers and cyber terrorists. Hackers and data thieves are increasingly sophisticated and operate large- scale and complex attacks that may include computer viruses or other malicious codes, ransomware, unauthorized access attempts, denial of service attacks and large- scale automated attacks, phishing, social engineering, hacking and other cyber- attacks. These risks may increase as the Company continues to expand its reliance on cloud services. Breaches of the Company' s network or databases, or those of its third- party providers, may result in the loss of valuable business data, misappropriation of consumers' or employees' personal information, or a disruption of the Company' s business, which could give rise to unwanted media attention, impair the Company' s ability to place and fulfill orders and process payments, materially damage the Company' s customer relationships and reputation, and result in lost sales, fines or lawsuits. The Company' s information systems could also experience system failures, viruses, power outages, network and telecommunications failures, usage errors our employees, or other events which could disable or significantly impair the systems' functionality. Additionally, the Company' s systems may fail to operate properly or effectively, experience problems transitioning to upgraded or replacement systems or difficulties in integrating new systems. In that regard, we are currently migrating many of our IT systems and applications to the cloud, including our global enterprise resource planning system, which is designed to efficiently maintain our financial records and provide information important to the operation of our business. Although we anticipate that these cloud migrations will increase efficiency and functionality, such migrations entail risks in implementation and make the Company more reliant on third party service providers. Any material disruption or slowdown of the Company' s information systems could result in the loss of critical data, the inability to process and properly record transactions and the material impairment of the Company' s ability to conduct business, leading to cancelled orders and lost sales. In addition, the Company' s e- commerce business is vulnerable to additional risks associated with the Internet, including changes in required technology interfaces, website downtime and other technical failures, security breaches and consumer privacy concerns. A breach and loss of data could also subject the Company to liability to its customers or suppliers and could also cause competitive harm if sensitive information is publicized. In the event the Company is not successful in responding to these risks and uncertainties, its online sales may decline, the associated costs with its e- commerce activity may increase and its reputation may be damaged. Although the Company maintains an information security risk insurance policy to address many of these risks, such policy may not suffice to prevent a cyber- incident from resulting in a material adverse effect on our business, financial condition and operating results due to various policy limitations and exclusions. If the Company is unable to successfully implement its growth strategies, its future operating results could suffer. There are risks associated with the Company' s expansion through acquisitions, license agreements, joint ventures and similar initiatives. New brands may not complement the brands in the Company' s existing portfolio and may not be viewed favorably by the consuming public. In addition, the integration of a new business or licensed brand into the Company' s existing business can strain the Company' s resources and infrastructure, and there can be no assurance that the integration will be successful or generate sales increases. The inability to successfully implement its growth strategies could adversely affect the Company' s future financial condition and results of operations. Acquisitions inherently involve significant risks and uncertainties. We continually review acquisition opportunities that will enhance our market position, expand our product lines and provide synergies. Any of the following risks associated with our past acquisitions or future acquisitions, individually or in aggregate, may have a material adverse effect on our business, financial condition and operating results: • difficulties in realizing anticipated financial or strategic benefits of such acquisition; • diversion of capital from other uses and potential dilution of stockholder ownership; • risks related to increased indebtedness; • significant capital and other expenditures may be required to integrate the acquired business into our operations; • disruption of our ongoing business or the ongoing acquired business, including impairment or loss of existing relationships with our employees, distributors, suppliers or customers or those of the acquired companies; • diversion of management' s attention and other resources from current operations, including potential strain on financial and managerial controls and reporting systems and procedures; • difficulty in integrating acquired operations, including restructuring and realigning activities, personnel, technologies and products; • assumption of known and unknown liabilities, some of which may be difficult or impossible to quantify; and • non- cash impairment charges or other accounting charges relating to the acquired assets. Impairment charges could have an adverse impact on our results of operations. We are required to test property plant and equipment and other long- lived assets for impairment as facts and circumstances warrant. Such long- lived assets include significant minority investments by the Company in early- stage growth companies and venture capital funds that invest in such companies, which investments are highly unpredictable. Impairment may result from any number of factors, including adverse changes in assumptions used for valuation purposes, such as actual or projected net sales, growth rates, profitability or discount rates, or other variables. If testing indicates that impairment has occurred, we are required to record a non- cash impairment charge. Should the value of our finite- lived intangible assets, property, plant and equipment and other long- lived assets become impaired, it could have a material adverse effect on our results of operations. The loss or infringement of the Company' s trademarks or other intellectual property rights could have an adverse effect on future results of operations. The Company' s trademarks and other intellectual property rights are vital to the competitiveness and success of its business and it therefore takes actions to register and protect them. Such actions may not be adequate to prevent imitation of the Company' s products or infringement of its intellectual property rights, or to assure that others will not challenge the Company' s rights, or that such rights will be successfully defended. Moreover, the laws of some foreign countries, including some in which the Company sells its products, do not protect intellectual property rights to the same extent as do the laws of the United States, which could make it more difficult to successfully defend such challenges to them. The Company' s inability to obtain or maintain rights in its trademarks, or the inability of the Company' s licensors to obtain or maintain rights in their trademarks, could have an adverse effect on brand image and future results of operations. Changes to laws or regulations impacting the industries in which the Company operates could require it to alter its business practices which could have a material adverse effect on its results of operations. The Company conducts business, either directly or indirectly, in numerous countries and accordingly is subject to a multitude of legal requirements impacting the industries in which it operates. Changes to existing laws and regulations or new laws and regulations could impose new requirements and additional costs on the Company and its suppliers, making the Company' s products or packaging more costly to produce ~~,~~ **and** forcing the Company to change its existing business practices. Any resulting costs increases could place the Company at a competitive disadvantage and sales of its products could decline, adversely affecting its financial condition and results of operations. Changes to tax laws or regulations could have a material adverse effect on the Company' s financial condition and results of operations. Changes in U. S. federal, state and international tax laws and regulations, including changes suggested by the U. S. presidential administration, could have an adverse impact on our tax liabilities and effective tax rate. In addition, the overall tax environment has made it increasingly challenging for multinational corporations to operate with certainty around taxation in many jurisdictions. For example, the Organization for Economic Cooperation and Development, **(" OECD"),** which represents a coalition of western countries, **including the U. S.,** is ~~supporting~~ **implementing** changes to numerous long- standing tax principles ~~through its base erosion and profit shifting project~~ , **including enacting** ~~which is focused on~~ a **global minimum** ~~number of issues, including the shifting of profits among affiliated entities located in different~~ tax ~~jurisdictions~~ **and expanding the digital taxing rights of market countries** . Furthermore, a number of countries where the Company does business, including many European countries, are considering changes in relevant tax, accounting and other laws, regulations and interpretations, including changes to tax laws applicable to multinational corporations. Foreign countries may decide to enact tax laws that may negatively affect the Company' s foreign tax liabilities in response to any real or perceived negative effects of the U. S. tax changes on their countries, and / or states or local governments may decide to enact additional tax laws that may increase tax liabilities for companies doing business in those jurisdictions as they see opportunities to capitalize on the reduction in the federal corporate tax rate. Finally, while the Company believes its tax positions are consistent with the tax laws in the jurisdictions in which the Company conducts business, the final outcome of tax audits or disputes could result in adjustments to the Company' s tax liabilities which could have a material adverse effect on the Company' s effective tax rate, results of operations, cash flows and financial condition. The Company is subject to complex and evolving laws and regulations regarding privacy and data protection that could result in legal claims, changes to business practices and increased costs that could materially and adversely affect the Company' s results of operations. The Company is subject to a variety of U. S and foreign laws and regulations governing privacy and data protection. The shift in our business toward e- commerce, and the expansion of our business in certain jurisdictions, and our greater reliance on cloud services may subject us to additional such laws and regulations. These U. S. federal and state and foreign laws and regulations are evolving, **may increase restrictions relating to the receipt, transfer, processing and retention of personal data,** and the restrictions imposed thereby ~~may increase and~~ are not always clear. ~~There are currently a number of proposals pending before federal, state, and foreign legislative and regulatory bodies that may increase restrictions relating to the receipt, transfer and processing of personal data.~~ In addition, foreign court decisions and regulatory actions could impact our ability to receive, transfer and process personal data relating to our employees and direct and indirect customers. ~~For example, in June 2021, the European Commission adopted new standard contractual clauses (" SCCs ") for the transfer of personal data to non- EU countries whose data privacy regimes have not been deemed adequate, including the Unites States.~~ The ~~UK Information Commissioner' s Office is in the process of finalizing UK equivalents to the European SCCs. The~~ Company **may need to update** ~~is in the process of updating~~ its data map **or take other measures** to comply with these requirements **and interpretive guidance** , a process that is complex **, time consuming,** and complicated by rapidly evolving and expanding cloud services and solutions ~~. In the meantime, the United States and the European Commission announced in March 2022 their commitment to a new Trans- Atlantic Data Privacy Framework intended to facilitate trans- Atlantic data flows. The new framework is expected to become effective on the date of entry into force of an adequacy decision by the~~

~~European Commission~~ . Existing and proposed privacy and data protection laws and regulations around the world result and may continue to result in significant compliance risks, operating costs, diverted resources from other initiatives and projects, marketing restrictions, limitations on service offerings, and negative publicity for the Company and may subject it to remedies that may harm its business, including fines, regulatory penalties, orders to modify or cease existing business practices, and significant legal liability. Any of the foregoing could materially adversely affect the Company' s results of operations and financial condition. If the Company were to experience a significant privacy breach, it could be subject to costly government enforcement actions and private litigation and suffer significant negative publicity which could materially and adversely affect the Company' s results of operations. As part of the normal course of business the Company is involved in the receipt and storage of electronic information about customers and employees, as well as proprietary financial and non- financial data. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the internet and mobile platforms have recently been subject to increased public scrutiny. Although the Company believes it has taken reasonable and appropriate actions to protect the security of this information, if the Company were to experience a security breach, acts of vandalism, ransomware attacks, computer viruses, misplaced or lost data, programming and / or human errors or other similar events, it could result in government enforcement actions and private litigation, attract a substantial amount of media attention, and damage the Company' s reputation and its relationships with its customers and employees, materially adversely affecting the Company' s sales and results of operations. This risk has increased with the Company' s increased focus on direct- to- consumer sales and increased reliance on cloud services. From time to time the Company is subject to legal proceedings that could result in significant expenses, fines and reputational damage. The Company is involved in legal proceedings and other disputes from time to time, including those involving consumers, employees and contractual counterparties, as well as governmental audits and investigations. The most significant of these proceedings are described in Item 3 " Legal Proceedings " of this report. The Company cannot predict the ultimate outcome of legal disputes. The Company could in the future be required to pay significant amounts as a result of settlements, judgments or fines in these matters, potentially in excess of accruals. The resolution of, or increase in accruals for, one or more of these matters could have a material adverse effect on the Company' s results of operations and cash flows. If the Company were to lose key members of management or be unable to attract and retain the talent required for the business, operating results could suffer. The Company' s ability to execute key operating initiatives as well as to deliver product and marketing concepts appealing to target consumers depends largely on the efforts and abilities of key executives and senior management' s competencies. The unexpected loss of one or more of these individuals could have an adverse effect on the future business. The Company cannot guarantee that it will be able to attract and retain the talent and skills needed in the future. If the Company cannot secure and maintain financing and credit on favorable terms, the Company' s financial condition and results of operations may be materially adversely affected. Credit and equity markets remain sensitive to world events and macro- economic developments. Therefore, the Company' s cost of borrowing may increase and it may be more difficult to obtain financing for the Company' s operations or to refinance long-term obligations as they become payable. In addition, the Company' s borrowing costs can be affected by independent rating agencies' short and long- term debt ratings which are based largely on the Company' s performance as measured by credit metrics including interest coverage and leverage ratios. A decrease in these ratings would likely also increase the Company' s cost of borrowing and make it more difficult for it to obtain financing. A significant increase in the costs that the Company incurs to finance its operations may have a material adverse impact on its business results and financial condition. In addition, any failure by the Company to comply with the various covenants contained in its corporate credit facility, including financial maintenance covenants, could result in the termination of the facility and the acceleration of the Company' s repayment obligations thereunder, which could have a material adverse effect on the Company' s financial condition and liquidity. Risks Related to an Investment in our Common Stock The Grinberg family owns a majority of the voting power of the Company' s stock. Each share of common stock of the Company is entitled to one vote per share while each share of class A common stock of the Company is entitled to ten votes per share. While the members of the Grinberg family do not own a majority of the Company' s outstanding common stock, by their significant holdings of class A common stock they control a majority of the voting power represented by all outstanding shares of both classes of stock. Consequently, the Grinberg family is in a position to determine or significantly influence any matters that are brought to a vote of the shareholders including, but not limited to, the election of the Board of Directors, any amendments to the Company' s certificate of incorporation, mergers or sales of all or substantially all of the Company' s assets. This concentration of ownership also may delay, defer or even prevent a change in control of the Company and make some transactions more difficult or impossible without the support of the Grinberg family. These transactions might include proxy contests, tender offers, mergers or other purchases of shares of common stock that could give stockholders the opportunity to realize a premium over the then- prevailing market price for shares of the Company' s common stock. The Company' s stock price could fluctuate and possibly decline due to changes in revenue, operating results and cash flows. The Company' s revenue, results of operations and cash flows can be affected by several factors, some of which are not within its control. Those factors include, but are not limited to, those described as risk factors in this Item 1A. and under " Forward- Looking Statements " on page 1. Any or all of these factors could cause a decline in revenues or an increase in expenses, either of which would have an adverse effect on the results of operations. If the Company' s earnings failed to meet the expectations of the investing public in any given period, the Company' s stock price could fluctuate and decline.