Risk Factors Comparison 2024-02-28 to 2023-02-28 Form: 10-K

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Our future performance is subject to a variety of risks and uncertainties. Although the risks described below are the risks that we believe are material, there may also be risks of which we are currently unaware, or that we currently regard as immaterial based upon the information available to us that later may prove to be material. Interested parties should be aware that the occurrence of the events described in these risk factors, elsewhere in this Form 10- K **,** and in our other filings with the Securities and Exchange Commission could have a material adverse effect on our business, operating results **,** and financial condition. Actual results, therefore, may materially differ from anticipated results described in our forward- looking statements. RISKS SPECIFIC TO OUR BUSINESS AND INDUSTRY Deteriorating economic conditions may adversely impact demand for our products, reduce access to credit **,** and cause our customers and others, with which we do business, to suffer financial hardship, all of which could adversely impact our business, results of operations, financial condition **,** and cash flows. Although demand for many of our products is primarily non- discretionary in nature and tend to be purchased by consumers out of necessity, our sales are impacted by constraints on the economic health of our customers. The economic health of our customers is affected by many factors, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, currency exchange rates, taxation, fuel prices, unemployment levels, a prolonged public health crisis or pandemic **,** and other matters that influence consumer confidence and spending. Many of these factors are outside of our control. Our customers' purchases, including purchases of our products, could decline during periods when income is lower, when prices increase in response to rising costs, or in periods of actual or perceived unfavorable economic conditions or political uncertainty. If any of these events occur, or if unfavorable economic conditions challenge the consumer environment, our business, results of operations, financial condition **,** and cash flows could be adversely affected. Overall demand for products sold in the automotive aftermarket is dependent upon many factors **,** including the total number of vehicle miles driven in the U. S., the total number of registered vehicles in the U. S., the age and quality of these registered vehicles **,** and the level of unemployment in the U. S. Changes in vehicle technology used by the original equipment manufacturers (" OEM ") on future vehicles, including but not limited to electric, hybrid **,** and internal combustion engines, may result in less frequent repairs, parts lasting longer **,** or elimination of certain repairs. In addition, restrictions on access to telematics, diagnostic tools **,** and repair information imposed by the OEMs or by governmental regulations may force vehicle owners to rely on dealers to perform maintenance and repairs. Adverse changes in these factors could lead to a decreased level of demand for our products, which could negatively impact our business, results of operations, financial condition **,** and cash flows. In addition, economic conditions, including decreased access to credit, may result in financial difficulties leading to restructurings, bankruptcies, liquidations **,** and other unfavorable events for our customers, suppliers, logistics **,** and other service providers and financial institutions that are counterparties to our credit facilities. Furthermore, the ability of these third parties to overcome these difficulties may worsen. If third parties, on whom we rely for merchandise, are unable to overcome difficulties resulting from the deterioration in economic conditions, the cause of which could include a prolonged public health crisis or pandemic, and provide us with the merchandise we need, or if counterparties to our credit facilities do not perform their obligations, our business, results of operations, financial condition **,** and cash flows could be adversely affected. The automotive aftermarket business is highly competitive, and we may have to risk our capital to remain competitive, all of which could adversely impact our business, results of operations, financial condition **,** and cash flows. Both the DIY and professional service provider portions of our business are highly competitive, particularly in the more densely populated areas that we serve. Some of our competitors are larger than we are and have greater financial resources. In addition, some of our competitors are smaller than we are, but have a greater presence than we do in a particular market. Online and mobile platforms may allow customers to quickly compare prices and product assortment and availability between us and a range of competitors, which could result in pricing pressure. Some online competitors may have a lower cost structure than we do, as a result of our strategy of providing an exceptional in- store experience and superior parts availability supported by our extensive store network and robust, regional distribution footprint, which could also create pricing pressure. We may have to expend more resources and risk additional capital to remain competitive and our results of operations, financial condition **,** and cash flows could be adversely affected. For a list of our principal competitors, see the " Competition " section of Item 1 of this annual report on Form 10- K. We are sensitive to regional economic and weather conditions that could impact our costs and sales. Our business is sensitive to national and regional economic and weather conditions and natural disasters. Unusually inclement weather, such as significant rain, snow, sleet, freezing rain, flooding, seismic activity **,** and hurricanes, has historically discouraged our customers from visiting our stores during the affected period and reduced our sales, particularly to DIY customers. Extreme weather conditions, such as extreme heat and extreme cold temperatures, may enhance demand for our products due to increased failure rates of our customers' automotive parts, while temperate weather conditions may have a lesser impact on failure rates of automotive parts. In addition, our stores and DCs located in coastal regions may be subject to increased unrecoverable losses resulting from regional weather conditions and our results of operations, financial condition **,** and cash flows could be adversely affected. A change in the relationship with any of our key suppliers, the limited supply or unavailability of key products, supply chain disruptions **,** or changes in trade policies could affect our financial health. Our business depends on developing and maintaining close relationships with our suppliers and on our suppliers' ability or willingness to sell quality products to us at favorable prices and terms. Many factors outside of our control may harm these relationships and the ability or willingness of these suppliers to sell us products on favorable terms. For example, financial or operational difficulties that our suppliers may face could increase the cost of the products we purchase from them or our ability to source products from them. In addition, the trend toward consolidation among automotive parts suppliers, as well as the off-shoring of manufacturing capacity to foreign countries, may disrupt or end our relationship with some suppliers and could lead to less competition and result in higher prices. We could also be negatively impacted when our suppliers or our supply chain experiences work stoppages; labor strikes; a prolonged public health crisis or pandemic; shipping and transportation disruptions or increased costs; currency fluctuations or inflation; or other interruptions to, or difficulties in, the manufacture or supply of the products we purchase. If we are unable to effectively respond to such disruptions to our supply chain, or manage them more effectively than our competitors, our business and competitive position may be negatively impacted. In addition, changes in U. S. trade policies, sanctions, practices, tariffs or taxes, import limitations **,** and other factors relating to foreign trade and port agreements could affect our ability to source products and our suppliers' ability to source materials or provide products at current volumes and / or prices. These and other factors affecting our suppliers and our access to products could adversely affect our results of operations, financial condition **,** and cash flows. ~~18~~ Business interruptions in our distribution centers or other facilities may affect our store hours, stability of systems we rely on, and / or availability and distribution of merchandise, which may affect our business. Business interruptions, including from a prolonged public health crisis or pandemic, weather- related events, terrorist activities, war, political or civil unrest, or other disasters, or the threat of them, may result in a disruption of operations or the closure of one or more of our DCs or other facilities, or may adversely affect our ability to deliver inventory to our stores on a nightly basis. This may affect our ability to timely provide products to our customers, resulting in lost sales or a potential loss of customer loyalty, among other things. Some of our merchandise is imported from other countries and these goods could become difficult or impossible to bring into the United States, and we may not be able to obtain such merchandise from other sources at similar prices. Such a disruption in revenue could potentially have a negative impact on our results of operations, financial condition **,** and cash flows. In addition, we rely extensively on various systems, some of which are provided by third- party service providers, to manage inventory, process transactions **,** and timely provide products to our stores and customers. These systems are subject to failure, damage **,** or interruption, including power outages, telecommunications failures, computer viruses, cyber- attacks, security breaches **,** or other catastrophic events. If these systems are damaged or fail to function properly, we may experience loss of critical data and interruptions or delays in our ability to manage inventories, deliver product **,** or process customer transactions. Such a disruption of these systems, and the response to remedy, could result in a negative impact on our business operations and increased costs, which could have an adverse effect on our results of operations, financial condition **,** and cash flows. Failure to protect our brand and reputation could have a material adverse effect on our brand name, business, results of operations, financial condition **,** and cash flows. We believe our Company has built an excellent reputation as a leading retailer in the automotive aftermarket industry. We believe our continued success depends, in part, on our ability to preserve, grow **,** and leverage the value of our brand. Our reputation is based, in part, on perceptions of subjective qualities; negative publicity involving the Company, our merchandise or our industry in general that erode customer trust or confidence could adversely affect our reputation and business. Failure to comply with ethical, social, product, labor, health and safety, accounting or environmental standards, or existing or future laws or regulations, as well as failure or perceived failure to achieve or make progress with environmental, social **,** and governance goals, could also jeopardize our reputation and **19** potentially lead to various adverse actions from consumer or environmental groups, employees or regulatory bodies, which could require us to incur substantial legal fees and costs. In addition, negative claims or publicity, including the availability of information and opinions on social media, as its impact is immediate, could adversely affect our reputation. The opportunity for the rapid dissemination of information, including inaccurate and inflammatory information and opinions, is virtually limitless and easily accessible. Damage to our reputation or loss of consumer confidence for any of these or other reasons could have an adverse effect on our business, results of operations, financial condition **,** or cash flows, as well as require additional resources to rebuild our reputation. Risks associated with international operations could result in additional costs and inefficiencies. In addition to many of the risks we face in our U. S. operations, international operations present a unique set of risks and challenges, including local laws and customs, **various and potentially complex international tax regulations and compliance requirements,** U. S. laws applicable to foreign operations **,** and political and socio- economic conditions. Our ability to operate effectively and grow in international markets could be impacted by these risks resulting in legal liabilities, additional costs **,** and the distraction of management' s attention. Compliance with the Foreign Corrupt Practices Act and protection of intellectual property rights surrounding items such as tradenames and trademarks in foreign jurisdictions can pose significant challenges. In addition, our operations in international markets are conducted primarily in the local currency of those countries. Given that our Consolidated Financial Statements are denominated in U. S. dollars, amounts of assets, liabilities, net sales **,** and other revenues and expenses denominated in local currencies must be translated into U. S. dollars using exchange rates for the current period. As a result, foreign currency exchange rates and fluctuations in those rates may adversely impact our financial performance. RISKS RELATED TO OUR COMMON STOCKRisks related to us and unanticipated fluctuations in our quarterly operating results could affect our stock price. We believe that quarter- to- quarter comparisons of our financial results are not necessarily meaningful indicators of our future operating results and should not be relied on as an indication of future performance. If our quarterly operating results fail to meet the expectations of analysts, the trading price of our common stock could be negatively affected. We cannot be certain that our growth plans and business strategies will be successful or that they will successfully meet the expectations of these analysts. If we fail to adequately address any of these risks or difficulties, our stock price would likely suffer. The market price of our common stock may be volatile and could expose us to securities class action litigation. The stock market and the price of our common stock may be subject to wide fluctuations based upon general economic and market conditions and potentially being targeted through the selling and buying of our common stock by a group of individuals, whose interests ~~19~~ and reasoning behind such actions may not align with an average market participant. The market price of our common stock may also be affected by our ability to meet analysts' expectations and failure to meet such expectations, even slightly, could have an adverse effect on the market price of our common stock. In addition, stock market volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of these companies. Downturns in the stock market may cause the price of our common stock to decline. In the past, following periods of volatility in the market price of a company' s securities, securities class action litigation has often been initiated against such companies. If similar litigation were initiated against us, it could result in substantial costs and a diversion of our management' s attention and resources, which could have an adverse effect on our business. RISKS RELATED TO OUR INDEBTEDNESS AND FINANCINGOur debt levels could adversely affect our cash flow and prevent us from fulfilling our obligations. We have an unsecured revolving credit facility **, unsecured commercial paper program,** and unsecured senior notes, which could have important consequences for our financial health. For example, our level of indebtedness could, among other things, ● make it more difficult to satisfy our financial obligations, including those relating to the senior unsecured notes **, commercial paper program,** and our credit facility; ● increase our vulnerability to adverse economic and industry conditions; ● limit our flexibility in planning for, or reacting to, changes and opportunities in our industry, which may place us at a competitive disadvantage; ● require us to dedicate a substantial portion of our cash flows to service the principal and interest on our debt, reducing the funds available for other business purposes, such as working capital, capital expenditures **,** or other cash requirements; ● limit our ability to incur additional debt with acceptable terms, if at all; ~~and~~ **and20** ● expose us to fluctuations in interest rates, including changes that may result from the implementation of new benchmark rates **to SOFR** ~~that replace LIBOR~~ . In addition, the terms of our financing obligations include restrictions, such as affirmative, negative and financial covenants, conditions on borrowing **,** and subsidiary guarantees. A failure to comply with these restrictions could result in a default under our financing obligations or could require us to obtain waivers from our lenders for failure to comply with these restrictions. The occurrence of a default that remains uncured or the inability to secure a necessary consent or waiver could have a material adverse effect on our business, financial condition, results of operations **,** and cash flows. A downgrade in our credit rating would impact our cost of capital and could impact the market value of our unsecured senior notes, as well as limit our access to attractive supplier financing programs. Credit ratings are an important component of our cost of capital. These ratings are based upon, among other factors, our financial strength. Our current credit ratings provide us with the ability to borrow funds at favorable rates. A downgrade in our current credit rating from either rating agency could adversely affect our cost of capital by causing us to pay a higher interest rate on borrowed funds under our unsecured revolving credit facility and **commercial paper program and** a higher facility fee on commitments under our unsecured revolving credit facility **and commercial paper program** . A downgrade in our current credit rating could also adversely affect the market price and / or liquidity of our unsecured senior notes, preventing a holder from selling the unsecured senior notes at a favorable price, as well as adversely affect our ability to issue new notes in the future. In addition, a downgrade in our current credit rating could limit the financial institutions willing to commit funds to the supplier financing programs our suppliers participate in at attractive rates. Decreased participation in our supplier financing programs would lead to an increase in working capital needed to operate the business, adversely affecting our cash flows. ~~RISK~~ **RISKS** RELATED TO INFORMATION TECHNOLOGY AND DATA PRIVACYDamage, failure **,** or interruptions of information technology systems could adversely affect our business operations and results. We rely extensively on information technology systems, some of which are managed or provided by third- party service providers, to collect, analyze, process, store, manage, transmit **,** and protect business operations, processes, transactions **,** and data. Delays in the maintenance, updates, upgrading **,** or patching of these systems, applications **,** or processes could adversely impact their effectiveness or could expose us to risks. Our systems, and the third- party systems with which we interact, are subject to damage, failure **,** or interruption due to various reasons, including, but not limited to, power or other critical infrastructure outages; facility damage; physical theft; telecommunications failures; malware; security incidents; cyber- attacks, including the use of malicious codes, worms, phishing, spyware, denial of service attacks **,** and ransomware; natural disasters and catastrophic events; inadequate or ineffective redundancy measures; and design or usage errors by Team Members, contractors **,** or third- party service providers. Although we seek to effectively ~~20~~ maintain and safeguard our systems, and we seek to ensure our third- party service providers effectively maintain and safeguard their systems, such measures are not guaranteed to be successful. As a result, we or our service providers could experience one or more errors, interruptions, delays **,** or cessations of service impacting the integrity or availability of our information technology infrastructure. A material incident could significantly disrupt our operations and business processes; result in the impairment or loss of critical data; be costly and resource- intensive to remedy; and / or harm our reputation and relationship with customers, Team Members, suppliers **,** and other stakeholders, all of which could have a material adverse impact on our results of operations, financial condition **,** and cash flows. In addition, our information technology systems, infrastructure **,** and personnel require substantial investments, such as replacing systems, maintaining or enhancing systems **,** or designing or acquiring new systems. These efforts can result in significant potential risks, including failure of the systems to operate as designed, potential loss or corruption of data, incurring more costs than expected **,** or implementation delays or errors, and may result in operational challenges, security control failures, reputational harm, and increased costs, all of which could have a material adverse impact on our results of operations, financial condition **,** and cash flows. A breach of customer, supplier, Team Member **,** or Company information could damage our reputation or result in substantial additional costs or litigation. Our business involves the receiving, storage **,** and transmitting of certain personally identifiable or confidential information about our customers, suppliers, Team Members **,** and the Company, some of which is entrusted to third- party service providers and suppliers. We and our third- party service providers and suppliers have taken significant and appropriate steps to protect this information, including maintaining compliance with payment card industry and National Clearing House standards and a security program that includes updating technology and security policies, employee training **,** and monitoring and routine testing of our systems. However, these security measures are costly and require constant, ongoing attention and may not prevent a security breach due to cyber- attacks, computer malware viruses, exploitation of hardware or software vulnerabilities, Team Member error, malfeasance, system compromises, fraud, hacking, trickery **,** or other intentional or unintentional acts, which could result in unauthorized parties gaining access to such information. The methods used to obtain unauthorized access are constantly evolving and may be difficult to anticipate or detect for long periods of **21** time. There is no guarantee that the security measures that we and our third- party service providers and suppliers have implemented, or will introduce in the future, to protect against unauthorized access to secured data are adequate to safeguard against all data security breaches, or provide us with sufficient visibility to determine if ~~a~~ data security breaches ~~has~~ **have** occurred. A compromise of our security measures or those of a third- party ~~party~~ we entrust could result in information related to our customers, suppliers, Team Members **,** or the Company being obtained or misused by unauthorized persons; damage to our reputation; adverse operational effects or interruptions; costs to the Company to address the breach, which could require extensive time and financial resources to resolve; or claims, litigation **,** or possible regulatory action against us, all of which could have a material adverse impact on our results of operations, financial condition **,** and cash flows. In addition, the regulatory environment related to information security and data collection, processing, use **,** and privacy is complex and constantly evolving. The effects of complying with stricter and more complex data collection, processing, use **,** and privacy and information security laws, regulations **,** and standards can be far- reaching and may increase our responsibility and liability, which may increase our costs by needing to invest significant, additional time and resources and make changes to our existing practice and processes. Failure to comply with data collection, processing, use **,** and privacy and information security laws, regulations **,** and standards by us or our third- party service providers or suppliers could subject us to fines, sanctions, governmental investigations, lawsuits **,** or reputational damage, which could have a material adverse impact on our results of operations, financial condition **,** and cash flows. GENERAL RISKSWe cannot assure future growth will be achieved. We believe that our ability to open additional, profitable stores at a high growth rate will be a significant factor in achieving our growth objectives for the future. Our ability to accomplish our growth objectives is dependent, in part, on matters beyond our control, such as weather conditions, zoning **,** and other issues related to new store site development, the availability of qualified management personnel **,** and general business and economic conditions. We cannot be sure that our growth plans for ~~2023~~ **2024** and beyond will be achieved. Failure to achieve our growth objectives may negatively impact the trading price of our common stock. For a discussion of our growth strategies, see the " Growth Strategy " section of Item 1 of this annual report on Form 10- K. In order to be successful, we will need to attract, retain **,** and motivate qualified employees. Our success has been largely dependent on the efforts of certain key personnel. In order to be successful, we will need to attract, retain **,** and motivate executives and other key employees. Experienced management and technical personnel are in high demand and competition for their talents is intense. In addition, we compete with other retail businesses to fill many of our hourly positions, which historically have had high turnover rates, which can lead to increased training and retention costs, particularly in a competitive labor market. We must also continue to motivate employees and keep them focused on our strategies and goals. Our business, results of ~~21~~ **operations, and cash flows could be materially adversely affected by the unexpected loss of the services of one or more of our key employees. We cannot be certain that we will be able to continue to attract and retain qualified personnel, which could cause us to be less efficient, in particular in a significant inflationary wage pressured environment, and, as a result, may adversely impact our sales and profitability. For a discussion of our management, see the " Business " section of Item 1 of this annual report on Form 10- K. Risks associated with future acquisitions may not lead to expected growth and could result in increased costs and inefficiencies. We expect to continue to make acquisitions as an element of our growth strategy. Acquisitions involve certain risks that could cause our actual growth and profitability to differ from our expectations. Examples of such risks include the following: ● We may not be able to continue to identify suitable acquisition targets or to acquire additional companies at favorable prices or on other favorable terms. ● Our management' s attention may be distracted. ● We may fail to retain key personnel from acquired businesses. ● We may assume unanticipated legal liabilities and other problems. ● We may not be able to successfully integrate the operations (accounting and billing functions, for example) of businesses we acquire to realize economic, operational, and other benefits. We may fail, or be unable, to discover liabilities of businesses that we acquire for which we or the subsequent owner or operator may be liable. 22**