Risk Factors Comparison 2024-05-15 to 2023-05-05 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Risks Related to our Business and Industry ~~2024,and we expect further shortages may have a negative impact on~~ our ~~sales~~ **business could suffer** .In the event that our primary third- party manufacturers are unable or unwilling to ship products to us in a timely manner **to address these shortages** ,we would have to rely on secondary manufacturing relationships or,to the extent unavailable,identify and qualify new manufacturing relationships.Because of the unique manufacturing requirements of certain products,the Company may be unable to timely identify or qualify new suppliers or at the quantities,quality and price levels needed.In addition,identifying alternative manufacturers without adequate lead times may involve additional manufacturing expense ~~or~~ **,** delay in production **,or product disadvantage in the marketplace** .In some instances,we may seek to transfer the manufacture of certain products to our own facilities,which may result in additional manufacturing expense,delay in production,additional regulatory requirements and other disruptions to our business.In **general** ~~other instances~~ , ~~we have~~ **the consequences of** not **securing adequate,high quality and timely supplies** ~~been able to identify additional third- party manufacturers to supply us with sufficient quantities~~ of ~~the products for~~ **merchandise would negatively impact inventory levels,** which ~~we are currently experiencing shortages~~ **could damage our reputation,result in lost customers and sales** ,and **could** ~~our own manufacturing facility~~ Price increases for raw materials, packaging, labor, energy and transportation costs, and other manufacturer, logistics provider or distributor demands **,** could continue to have an adverse impact on our margins. The costs to manufacture and distribute our products are subject to fluctuation based on a variety of factors. Volatility and increases in commodity raw material (e. g. resins) and packaging component prices, labor, energy, and transportation costs, and other input costs, including as a result of supply chain issues or shortages, could significantly affect our profit margin and could have a ~~significant~~ **material adverse** impact on our financial condition and results of operations if our raw material suppliers, third- party manufacturers, logistics providers or distributors pass along those costs to us. Certain product categories have been impacted by higher inflation due to, among other things, the continuing impacts of ~~the COVID- 19 pandemic, Russia' s invasion of Ukraine,~~ labor shortages, global supply chain disruptions and the uncertain economic and geopolitical environment, which has negatively impacted our gross margin. ~~The~~ **Although the impact of these increased costs has not had a material adverse effect on our results of operations or financial condition to date, further input cost increases could have such a material impact. In this economic environment, the** manufacturers we use have and may continue to increase the cost to us of many of the products we purchase, which has impacted and could continue to adversely affect our margins in the event we are unable to pass along these increased costs to our customers or identify and qualify new manufacturers. If we are unable to increase the price for our products to our customers or achieve cost savings in a rising cost environment, any such cost increases would likely further reduce our gross margins and could have a material adverse effect on our financial condition and results of operations. If we increase the price of our products in order to maintain our current gross margins for our products, the increase may adversely affect demand for, and sales of, our products, which could have a material adverse effect on our ~~business,~~ financial condition and results of operations. We believe that certain of our products could have difficulty absorbing further near- term price increases without potentially impacting market share, which would have a related adverse impact on our revenues. Volatility in or worsening of economic conditions from high inflation, economic policy, geopolitical conflicts, public health issues, and other factors beyond our control could reduce consumer spending, which could adversely impact demand for our products and our results of operations and financial condition. Our financial performance depends on the stability of conditions that impact consumer spending. Adverse conditions ~~in~~ or volatility in financial markets or the economy **, including rising interest rates, inflation from rising costs, unemployment, bank failures, and the lack of consumer financing,** could adversely impact consumer confidence **and reduce disposable income** , resulting in reduced consumer spending leading to reduced consumption of our products. **Existing** ~~The COVID- 19 pandemic and the Russian invasion of Ukraine have both caused~~ volatility in the global economy, including **from** ~~by creating~~ supply chain issues and rising costs **, has not materially** ~~. Other factors beyond our control could also adversely impact~~ **impacted** ~~demand for~~ **consumer spending on** our products, **but further worsening of** ~~including rising interest rates, inflation from rising costs, unemployment, bank failures, and the~~ **these conditions** ~~lack of consumer financing. Any reduction in consumer demand for our products~~ could have a material adverse impact on our results of operations and financial condition. The high level of competition in our industry, much of which comes from competitors with greater resources, could adversely affect our business, financial condition and results of operations. The business of selling brand name consumer products in the OTC health and personal care market is highly competitive. This market includes numerous manufacturers, distributors, marketers and retailers that actively compete for consumers' business both in the United States and abroad. Many of these competitors are larger and have substantially greater resources than we do, and **they** may therefore have the ability to spend more aggressively on research and development and advertising and marketing, and to respond more effectively to changing business and economic conditions, including in connection with inflation or recessionary conditions. Certain of our product lines that account for a large percentage of our sales have a smaller market share relative to our competitors. In some cases, we may have a number one market position but still have a relatively small share of the overall market. Alternatively, we may hold a number two market position but have a substantially smaller share of the market versus the number one competitor. See " Part I, Item 1. Business- Major Brands " of this Annual Report on Form 10- K for information regarding market share. We compete for consumers' attention based on a number of factors, including brand recognition, product quality, performance, value to consumers, price, and product availability at the retail level. Advertising, marketing, merchandising and packaging and the timing of new product introductions and line extensions also have a significant impact on consumer buying decisions and, as a result, on our market share and our sales. Our markets are highly sensitive to the introduction of new products, which may rapidly capture a significant share of the market. New product innovations by our competitors, or our failure to develop new products, the failure of a new product launch by the Company, or the obsolescence of one or more of our products, could have a material adverse effect on our business, financial condition and results of operations. If our advertising, marketing and promotional programs are not effective, our sales may decline. The structure and quality of our sales force, as well as sell- through of our products, affect in- store and our e- commerce product position, wall display space and inventory levels for retail sale. If we are unable to maintain our current distribution network, product offerings for retail sale, inventory levels and in- store and online positioning of our products, our sales and operating results could be adversely affected. In addition, competitors may attempt to gain market share by offering products at prices at or below those typically offered by us. The introduction or expansion of store brand products that compete with our products at a lower price point has ~~recently~~ and could ~~continue to~~ impact our sales and results of operations. This could be exacerbated by rising costs and other economic conditions that shift consumer demand to lower- priced products, as well as supply chain issues that result in reduced availability for our products. Competitive pricing may require us to reduce prices, which may result in lost revenue or a reduction of our profit margins. Future price adjustments by our competitors or our inability to react with price adjustments of our own could result in a loss of market share, which could have a material adverse effect on our financial condition and results of operations. We ~~primarily~~ depend on ~~third~~ **a limited number of customers with whom we have no long** - ~~party manufacturers~~ **term agreements for a large portion of our gross revenues, and the loss of one or more of these customers or changes in their strategies and policies could reduce our gross revenues and have a material adverse effect on our financial condition and results of operations. During 2024, Walmart and Amazon, which accounted for approximately 19. 7 % and 10. 9 % of our gross revenues, were our only customers that accounted for more than 10 % of our gross revenues. We expect that for future periods, our** ~~to~~ **top** ~~produce~~ **ten customers, including Walmart and Amazon, will, in the aggregate, continue to account for a large and potentially increasing portion of our sales. Many of our customers have sought to obtain lower pricing, more strict logistics requirements or** ~~the~~ **other** ~~products we sell~~ **changes to the customer- supplier relationship** . If we are unable to ~~maintain~~ **effectively respond to the demands of our customers,** these ~~manufacturing relationships or are unable to successfully transfer manufacturing to another third- party or our own manufacturing facility, we may be unable to meet customer~~ **customers** ~~demand,~~ **could reduce their purchases of our products** and **increase their purchases of products from competitors. Reductions in inventory by our customers, the loss of one** ~~our~~ - **or** ~~business and~~ **more of our top customers, including as a result of consolidation in the retail industry, or any significant decrease in** sales **to these customers based on changes in their strategies or policies, such as a reduction in the number of brands they carry, the amount of shelf space or positioning they dedicate to store brand products or to our particular products, or a significant reduction in our online positioning,** could **reduce** ~~suffer as a result. Many of our products are produced by a limited number of third- party manufacturers. Our ability to retain our current manufacturing relationships and engage in and successfully transition to new relationships or to our own manufacturing facility is critical to our ability to deliver quality products to our customers in a timely manner. From time to time, certain of the Company' s manufacturers have had difficulty meeting demand, which can and has caused shortages of our products. Without adequate supplies of quality merchandise,~~ our sales ~~could decrease materially~~ and our business could suffer. In the...... lost customers and sales, and could have a material adverse effect on our financial condition and results of operations. **In addition,** ~~The U. S. parent company of our third- party manufacturer of~~ many **retailers have implemented inventory management strategies that include reductions in the amount** of **inventory** ~~our TheraTears products, Akorn Operating Company LLC (“ Akorn ”), recently filed for liquidation under chapter 7 of the~~ **they** ~~U~~ **carry and related reductions in retail space and may continue such efforts in the future** . **In addition** ~~S. Bankruptcy Code. Their subsidiary~~ , ~~Akorn AG, has~~ **our business is based primarily upon individual sales orders. We typically do** not ~~filed for insolvency and is currently continuing to manufacture TheraTears for us under our multi- year supply agreement we entered~~ -- **enter** into ~~at the time we acquired the TheraTears brand from Akorn, as well as a $ 3. 8 million short- term secured loan from us, but they could cease operations at any time. Although we believe we have sufficient inventory of TheraTears to meet customer and consumer demand while Akorn and Akorn AG seek a buyer for their businesses and we work to identify and qualify additional manufacturers, we can offer no assurance that our current inventory will be sufficient. At March 31, 2023, we had relationships with 135 third- party manufacturers. Of those, we had~~ long- term contracts with ~~25 manufacturers that~~ **our customers. Accordingly, our customers could cease buying** ~~produced~~ **products or reduce the number of** items ~~that accounted~~ **they buy from us at any time and** for **any reason** ~~approximately 69. 8 % of our gross sales for 2023, compared to 23 manufacturers with long- term contracts that produced approximately 69. 0 % of gross sales in 2022~~ . The fact that we do not have long- term contracts with ~~certain manufacturers means that they could cease manufacturing our products at any time and for any reason or initiate costly price increases, which could have a material adverse effect on our business and results of operations. Although we are in the process of negotiating long- term contracts with certain key manufacturers, we may not be able to reach a timely agreement, which could have a material adverse effect on our business and results of operations. We depend on a limited number of customers with whom we have no long- term agreements for a large portion of our gross sales, and the loss of one or more of these customers or changes in their strategies and policies could reduce our gross sales and have a material adverse effect on our financial condition and results of operations. During 2023, Walmart, which accounted for approximately 19. 7 % of our gross sales, was our only customer that accounted for more than 10 % of our gross revenues. We expect that for future periods, our top ten customers, including Walmart, will, in the aggregate, continue to account for a large and potentially increasing portion of our sales. Many of our customers have sought to obtain lower pricing, logistics or other changes to the customer- supplier relationship. If we are unable to effectively respond to the demands of our customers, these customers could reduce their purchases of our products and increase their purchases of products from competitors. Reductions in inventory by our customers, the loss of one or more of our top customers, including as a result of~~

~~consolidation in the retail industry, or any significant decrease in sales to these customers based on changes in their strategies or policies, such as a reduction in the number of brands they carry, the amount of shelf space or positioning they dedicate to store brand products or to our particular products, or a significant reduction in our online positioning, could reduce our sales and have a material adverse effect on our financial condition and results of operations. In addition, many retailers have implemented inventory management strategies that include reductions in the amount of inventory they carry and related reductions in retail space and may continue such efforts in the future. In addition, our business is based primarily upon individual sales orders. We typically do not enter into long- term contracts with our customers. Accordingly, our customers could cease buying products or reduce the number of items they buy from us at any time and for any reason. The fact that we do not have long- term contracts with~~ our customers means that we have no recourse in the event a customer no longer wants to purchase products from us or reduces the number of items purchased. If a significant number of our smaller customers, or any of our significant customers, elect not to purchase products from us **or materially reduce the quantity of products they purchase from us** , our financial condition and results of operations could be materially adversely affected. Disruption in our third- party distribution center or our ~~Virginia~~ manufacturing ~~facility~~ **facilities** may prevent us from meeting customer demand, and our sales and financial condition may **materially** suffer as a result. Our product distribution in the United States is managed by a third- party through one primary distribution center in Clayton, Indiana ~~, and we~~ **. We also** operate ~~one~~ **a** manufacturing facility ~~located~~ in Lynchburg, Virginia, which manufactures ~~many of the Summer' s Eve and Fleet~~ products **representing** ~~, comprising~~ approximately ~~13~~ **11** % of our gross revenues. A natural disaster, such as tornado, earthquake, flood, or fire ~~,~~ **at our distribution center or our own or a third- party manufacturing facility** could damage our inventory and / or materially impair our ability to distribute our products to customers in a timely manner or at a reasonable cost. In addition, a serious disruption caused by performance or contractual issues with our third- party distribution manager, or labor shortages or contagious disease outbreaks or other public health emergencies at our distribution center or manufacturing ~~facility~~ **facilities** could also materially impact our product distribution. Any disruption could result in increased costs, expense and / or shipping times, and could harm our reputation and cause us to incur customer fees and penalties. We could also incur significantly higher costs and experience longer lead times should we be required to replace our distribution center, the third- party distribution manager or ~~the~~ **our** manufacturing ~~facility~~ **facilities** . As a result, any serious disruption could have a material adverse effect on our business, financial condition and results of operations. **Any** ~~The continuation of the COVID- 19 pandemic, further outbreaks of COVID- 19, or any~~ future outbreak of other highly infectious diseases or public health emergencies could have a material adverse impact on our results of operations and financial condition ~~. Beginning in late fiscal 2020, the COVID- 19 pandemic caused significant volatility in the global economy and resulted in materially reduced economic activity. Globally, numerous government orders and restrictions implemented to reduce the spread of COVID- 19 required many businesses to temporarily close or limit operations and mandated that individuals substantially restrict daily activities, which adversely affected workforces, customers, and consumer sentiment, decreased consumer spending, and increased unemployment, leading to inflation and supply chain disruptions~~ . Our sales are impacted by consumer spending levels, the availability of our products at retail stores or for online purchase, and our ability to manufacture and distribute products to our customers and consumers in an effective and efficient manner. Our sales are also impacted by demand for our products depending on consumers' activities, lifestyles and financial resources. We ~~have experienced other adverse impacts from COVID- 19, and we~~ could experience adverse impacts from ~~other pandemics,~~ **public health emergencies** in a number of ways, including, but not limited to, the following: • supply chain delays or disruptions due to closed supplier facilities or distribution centers, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas; • shutdown of our manufacturing ~~facility~~ **facilities** due to illness or government order; • reduced consumer demand for certain of our products as a result of the economic downturn, discontinuance of government stimulus and assistance programs or restrictions on in- person purchases; • change in demand for or availability of our products as a result of retailers or distributors modifying their restocking, fulfillment, or shipping practices; • decrease in our ability to develop innovative products due to reprioritization of suppliers and / or retailers; • increase in working capital needs and / or an increase in trade accounts receivable write- offs as a result of increased financial pressures on our suppliers or customers; • impairment in the carrying value of goodwill or intangible assets or a change in the useful life of finite- lived intangible assets from sustained changes in consumer purchasing behaviors, government restrictions, or financial results; • increase in raw material and other input costs resulting from labor shortages, supply chain disruptions, and market volatility; and • fluctuation in foreign currency exchange rates or interest rates resulting from market uncertainties. ~~While the COVID- 19~~ **The extent to which a global** pandemic ~~has not negatively impacted our results of operations to date, the extent to which it~~ , and the related global economic downturn, could affect our business, results of operations and financial condition ~~in future quarters will depend~~ **depends** on developments that are highly uncertain and cannot be predicted, including the severity and duration of any ~~further~~ outbreak and recovery period, the availability, acceptance and efficacy of vaccines, future actions taken by governmental authorities and other third parties in response to the pandemic, and the impact on our customers, employees and suppliers, distributors and other service providers. ~~For example, we believe that government stimulus payments during the COVID- 19 pandemic may have helped improve sales, and the termination and reduction of further stimulus funds in the high inflationary environment may result in reduced consumer spending, which could adversely impact our results of operations. Accordingly, the ultimate impact on our financial condition and results of operations cannot be determined at this time. Nonetheless, we anticipate that it could adversely affect our results of operations and financial condition, including by negatively impacting demand for our products, restricting our operations and sales, marketing and distribution efforts, disrupting supply chain and manufacturing processes and other important business activities.~~ Moreover, the effects of **a** ~~the COVID- 19~~ pandemic could exacerbate the other risks described in this " Risk Factors " section of this Annual Report on Form 10- K. Consumption trends for our products may not correlate to our results of operations. We regularly review **and may disclose certain** consumption levels ~~for our brands~~ to provide an indication of the strength of our expected results of operations. Total company consumption is based on domestic IRI multi- outlet C- store retail sales for the relevant period, retail sales from other third parties for certain e- commerce sales in North America, Australia consumption based on IMS data, and other international net revenues as a proxy for consumption. Our calculation of consumption levels may not accurately reflect actual retail consumption given limitations of tracked data **and consumption levels could significantly differ from reported revenues** . Product liability claims and product recalls and related negative publicity could adversely affect our sales and operating results. We are dependent on consumers' perception of the safety and quality of our products. Negative consumer perception may arise from product liability claims and product recalls, regardless of whether such claims or recalls involve us or our products. The mere publication of information asserting concerns about the safety of our products or the ingredients used in our products could have a material adverse effect on our business and results of operations. We believe our products are safe and effective when used in accordance with label directions. However, adverse publicity about ingredients used in our products may discourage consumers from buying our products containing those ingredients, which would have an adverse impact on our sales. From time to time we are subject to various product liability claims. Claims could be based on allegations that, among other things, our products contain contaminants, include inadequate instructions or warnings regarding their use, or include inadequate warnings concerning side effects and interactions with other substances. **For example, we previously acquired a low sales volume talcum- based product as part of a larger acquisition, which was subsequently discontinued in 2017. The product has been identified in a small number of lawsuits along with other talcum- based products and their manufacturers alleging contamination of the products. To date, most claims against our discontinued product have been voluntarily dismissed and none have resulted in a material loss to the Company.** Whether or not successful, product liability claims could result in negative publicity that could adversely affect the reputation of our brands and our ~~business,~~ sales and financial condition. Additionally, we may be required to pay for losses or injuries purportedly caused by our products, which could negatively impact our financial condition. We could also be required for a variety of reasons to initiate product recalls, which we have done on several occasions. Any product recalls could have a material adverse effect on our business, financial condition and results of operations. Although we have supply and manufacturing agreements with certain of our third- party manufacturers, which explicitly outline the allocation of product liability risk with respect to the products these manufacturers produce, some of our other products are manufactured on a purchase order basis. To the extent we rely on purchase orders to govern our commercial relationships with suppliers, we have not specifically negotiated the allocation of risk for product liability obligations. Instead, we typically rely on implied warranties from the suppliers with respect to these products. As a result, we may have difficulty enforcing these implied warranties, and we may **be required to** bear all or a significant portion of any product liability obligations rather than transferring this risk to our third- party manufacturers. In addition, although we maintain, and require our suppliers and third- party manufacturers to maintain, product liability insurance coverage, potential product liability claims may exceed the amount of insurance coverage or may be excluded under the terms of the policy, which could have a material adverse effect on our financial condition. In addition, in the future we may not be able to obtain adequate product liability insurance coverage or we may be required to pay higher premiums and accept higher deductibles in order to secure adequate product liability insurance coverage. Risks Related to Acquisitions and Product Development Our inability to successfully identify, negotiate, complete and integrate suitable acquisition candidates and to obtain necessary financing could have an adverse impact on our growth and our ~~business,~~ financial condition and results of operations. Achievement of our strategic objectives includes the acquisition, or potentially the disposition, of certain brands or product lines, and these acquisitions and dispositions may not be successful. The majority of our historical growth has been driven by acquiring other brands and companies. At any given time, we may be engaged in discussions with respect to possible acquisitions that are intended to enhance our product portfolio, enable us to realize cost savings, and further diversify our category, customer and channel focus. Our ability to successfully grow through acquisitions depends on our ability to identify, negotiate, complete and integrate suitable acquisition candidates and to obtain any necessary financing. However, we may not be able to identify and successfully negotiate suitable strategic acquisitions at attractive valuations, obtain financing for future acquisitions on satisfactory terms, or otherwise complete future acquisitions. All acquisitions entail various risks such that after completing an acquisition, we may also experience: • Difficulties in integrating any acquired companies, suppliers, personnel and products into our existing business; • Difficulties in realizing the benefits of the acquired company or products, including expected returns, margins, synergies and profitability, which can also result in subsequent impairments to the book value of the acquired assets; • Higher costs of integration than we anticipated; • Exposure to unexpected liabilities of the acquired business; • Difficulties in retaining key employees of the acquired business who are necessary to operate the business; • Difficulties in maintaining uniform standards, controls, procedures and policies throughout our acquired companies; or • Adverse customer or stockholder reaction to the acquisition. As a result, any acquisitions we pursue or complete could adversely impact our ~~business,~~ financial condition and results from operations. In addition, any acquisition could adversely affect our operating results as a result of higher interest costs from any acquisition- related debt and higher amortization expenses related to the acquired intangible assets. In the event that we decide to divest of a brand or product line, we may encounter difficulty finding, or be unable to find, a buyer on acceptable terms in a timely manner. Additionally, the pursuit of acquisitions and divestitures could also divert management' s attention from our business operations and result in a delay in our efforts to achieve our strategic objectives. If new products and product line extensions do not gain widespread customer acceptance or are otherwise discontinued, our financial performance could be impacted. The Company' s future performance and growth depends on our ability to successfully develop and introduce new products and product line extensions. ~~We cannot be certain that we will achieve our innovation goals.~~ The successful development and introduction of new products involves substantial research, development, marketing and promotional expenditures, which the Company may **not** be ~~unable~~ -- **able** to recover if the new products do not gain widespread market acceptance. New product development and marketing efforts, including efforts to enter markets or product categories in which we have limited or no prior experience, have inherent risks. These risks include product development or launch delays, competitor actions, regulatory approval hurdles, and the failure of new products and line extensions to achieve anticipated levels of market acceptance. A negative outcome in any of these risks could adversely impact our results of operations and financial condition. Regulatory Risks We face risks associated with doing business internationally. Approximately ~~14~~ **15** % of our total ~~2023~~ **2024** revenues were attributable to our international business. We generally rely on brokers and distributors for the sale of our products in foreign countries. In addition, some of our third- party manufacturers are located outside the United States. Risks of doing business internationally include, but are not limited to **the following** : • Political instability or declining economic conditions in the countries or regions where we operate or rely on third- party manufacturers or suppliers, which **could** adversely affect sales of our products **in these countries or regions** or our ability to obtain adequate supply of our products; • Currency controls that restrict or prohibit the payment of funds or the repatriation of earnings to the United States; • Fluctuating foreign exchange rates that result in unfavorable increases in the price of our products or cause increases in the cost of certain products purchased from our foreign third- party manufacturers; • ~~Compliance with~~ **Requirements under** laws and regulations concerning ethical business practices; • Trade restrictions and exchange controls; • Difficulties in staffing and managing international operations; • Difficulty protecting our intellectual property rights **and avoiding diversion of our products** in these markets; and • Increased costs of compliance with general business and tax regulations in these countries or regions. Our operations are dependent on foreign distributors and sales agents for compliance and adherence to foreign laws and regulations that we may not be familiar with, and we cannot be certain that these distributors and sales agents will adhere to such laws and regulations or adhere to our business practices and policies. Any violation of laws and regulations by foreign distributors or sales agents or a failure of foreign distributors or sales agents to comply with applicable business practices and policies could result in legal or regulatory sanctions or potentially damage our reputation. Although we require by contract that our distributors maintain strict compliance with all applicable laws, and have the right to terminate those relationships should we determine a distributor is in material non- compliance, we cannot ensure that our foreign distributors and sales agents will steadfastly comply with all such laws. If we fail to manage these risks effectively, we may not be able to continue our international operations, and our business and results of operations may be materially adversely affected. Regulatory matters governing our industry could have a significant negative effect on our sales and operating costs. In both the United States and in our foreign markets, our operations are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints exist at the federal, state and local levels in the United States and at analogous levels of government in foreign jurisdictions. In particular, the formulation, manufacturing, packaging, labeling, distribution, importation, marketing, sale and storage of our products are subject to extensive regulation by various U. S. federal agencies, including the FDA, FTC and CPSC, the EPA, and by various agencies of the states, localities and foreign countries in which our products are manufactured, distributed, stored and sold. The FDC Act and FDA regulations require that the manufacturing processes of our facilities and third- party manufacturers of U. S. products must also comply with the FDA' s ~~GMPs~~ **cGMPs** . The FDA inspects our facilities and those of our third- party manufacturers periodically to determine if we and our third- party manufacturers are complying with ~~GMPs~~ **cGMPs . Following a halt in inspections during the early phases of COVID- 19, the FDA has recently increased inspection activity globally, which has resulted in production delays and exacerbated supply chain issues** . The health regulatory bodies of other countries have their own regulations and standards, which may **impose additional requirements beyond** ~~or may not be consistent with~~ the U. S. FDA ~~GMPs~~ **cGMPs** . In addition, our and our suppliers' operations are subject to the oversight of the Occupational Safety and Health Administration and some suppliers by the National Labor Relations Board. Our activities are also regulated by various agencies of the states, localities and foreign countries in which our products and their constituent materials and components are manufactured and sold. We ~~intend to~~ **have successfully** ~~move~~ **moved** the manufacture of certain of our more highly regulated products to our own manufacturing ~~facility~~ **facilities** , which will subject our facility to increased regulatory requirements and scrutiny with respect to both our existing and new operations there. If we or our third- party manufacturers or distributors fail to comply with applicable regulations, we could become subject to enforcement actions, significant penalties or claims, which could materially adversely affect our business, financial condition and results of operations. In addition, we **or our third- party manufacturers or distributors** could be required to: • Suspend manufacturing operations; • Modify product formulations or processes; • Suspend the sale or require a recall of non- compliant products; or • Change product labeling, packaging, distribution, storage, marketing, or advertising, or take other corrective action. The adoption of new regulations or changes in the interpretation of existing regulations may result in significant compliance costs or the cessation of product sales and may adversely affect the marketing of our products, which could have a material adverse effect on our financial condition and results of operations. In addition, our **or our third- party manufacturers or distributors** failure to comply with FDA, FTC, EPA or any other federal and state regulations, or with similar regulations in foreign markets, that cover our product registration, product claims and advertising, including direct claims and advertising by us, may result in enforcement actions and imposition of penalties, litigation by private parties, or otherwise materially adversely affect the distribution and sale of our products, which could have a material adverse effect on our business, financial condition and results of operations. We are subject to increasing focus on Environmental, Social and Governance (" ESG ") issues, including those related to climate change. While we seek to maintain sustainable operations that are both financially and operationally beneficial to our business, and contribute to the health and wellness of the communities in which we operate, we may experience reduced demand for our products and loss of customers if we do not meet their ESG expectations, which could result in a material adverse effect on our financial condition and results of operations. As climate change, land use, water use, deforestation, recyclability or recoverability of packaging, plastic waste, ingredients and other ESG and sustainability concerns become more prevalent, federal, state and local governments, non- governmental organizations and our customers, consumers and investors are increasingly focused on these issues. This increased focus on sustainability may result in new laws, regulations and requirements that could cause disruptions in or increased costs associated with developing, manufacturing and distributing our products. We could also lose revenue if our consumers change brands, our customers refuse to buy our products, or investors choose not to invest in our debt or common stock if we do not meet their ESG and sustainability expectations. For example, since 2020, some of our major customers requested we respond to various questionnaires to evaluate our ESG efforts. Efforts to meet these standards could impact our costs **resulting in reduced profits** , and failure to meet our customers' expectations could impact our sales and business reputation. Risks Related to Intellectual Property and Data Privacy and Security If we are unable to protect our intellectual property rights, our ability to compete effectively in the market for our products could be negatively impacted. The market for our products depends to a significant extent upon the goodwill associated with our trademarks, tradenames and patents. Our trademarks and tradenames convey that the products we sell are " brand name " products. We believe consumers ascribe value to our brands, some of which are over 100 years old. We own or license the material trademarks, tradenames and patents used in connection with the manufacturing, packaging, marketing and sale of our products. These rights prevent our competitors or new entrants to the market from using our valuable brand names and technologies. Therefore, trademark, tradename and patent protection is critical to our business. Although most of our material intellectual property is registered in the United States and in applicable foreign countries, we may not be successful in asserting protection **of our intellectual property** . In addition, third parties may assert claims against our intellectual property rights, and we may not be able to successfully resolve those claims, which would cause us to lose the right to use the intellectual property subject to those claims. If we were to lose the exclusive right to use one or more of our intellectual property rights, the loss of such exclusive right could have a material adverse effect on our financial condition and results of operations. In addition, other parties may infringe ~~on~~ our intellectual property rights and may thereby dilute the value of our brands in the marketplace. Brand dilution could cause confusion in the marketplace and adversely affect the value that consumers associate with our brands, which could negatively impact our business and sales. Furthermore, from time to time, we may be involved in litigation in which we are enforcing or defending our intellectual property rights, which could require us to incur substantial fees and expenses and have a material adverse effect on our financial condition and results of operations. We depend on third parties for intellectual property relating to some of the products we sell, and our inability to maintain or enter into future license agreements may result in our failure to meet customer demand, which would adversely affect our business, operating results and financial condition. We have licenses or manufacturing agreements with third parties that own intellectual property (e. g., formulae, copyrights, trademarks, trade dress, patents and other technology) used in the manufacture and sale of certain of our products. In the event that any such license or manufacturing agreement expires or is otherwise terminated, we will lose the right to use the intellectual property covered by such license or agreement. Similarly, our rights could be reduced if the applicable licensor or third- party manufacturer fails to maintain or protect the licensed intellectual property because, in such event, our competitors could obtain the right to use the intellectual property without restriction. If either of these intellectual property losses were to occur, we might not be able to develop or obtain replacement intellectual property at all or in a timely or cost- effective manner. Additionally, any modified products may not be well- received by customers. The consequences of losing the right to use or having reduced rights to such intellectual property could negatively impact our business and sales due to our failure to meet consumer demand for the affected products or require us to incur costs for the development of new or different intellectual property, either of which could have a material adverse effect on our business, financial condition and results of operations. In addition, development of replacement products may be time- consuming and ultimately may not be feasible. Virtually all of our assets consist of goodwill and intangible assets and are subject to impairment risk. As our financial statements indicate, the majority of our assets consist of goodwill and intangible assets, principally the trademarks, tradenames and patents that we have acquired. On an annual basis, and otherwise when there is evidence that events or changes in circumstances indicate that the carrying value of intangible assets might not be recoverable, we assess the potential impairment of our goodwill and other intangible assets. If any of our brands sustain significant or prolonged declines in revenues or profitability or performance not in line with our expectations, the carrying value may no longer be recoverable, in which case a non- cash impairment charge may be recorded. In addition, unfavorable changes in economic factors used to estimate fair value of certain brands (including the discount rate) could indicate that the fair value no longer exceeds the carrying value. For example, if the Company' s brand performance is weaker than projections used in valuation calculations, the value of such brands may become impaired. In the event that such analysis would result in the fair value being lower than the carrying value, we would be required to record an impairment charge. A significant charge in our financial statements would negatively impact our financial condition and results of operations. We have recorded impairment charges resulting from changes in our long- term assumptions for certain brands **,** including the discount rate, future revenue growth, expected inflationary pressures and other long- term estimates. However, sustained or significant future declines in revenue, profitability, lost distribution, other adverse changes in expected operating results, and / or unfavorable changes in economic factors used to estimate fair value of certain brands (including the discount rate) could indicate that the fair value no longer exceeds the carrying value, in which case a non- cash impairment charge may be recorded in future periods. Should the value of those assets or other assets become further impaired or our financial condition be materially adversely affected in any way, our intangible assets that could be sold to repay our liabilities would be reduced. As a result, our creditors and investors may not be able to recoup the amount of the indebtedness that they have extended to us or the amount they have invested in us. We rely significantly on information technology. Any inadequacy, interruption, theft or loss of data, malicious attack, integration failure, failure to maintain the security, confidentiality or privacy of sensitive data residing on our systems or other security failure of that technology could harm our ability to effectively operate our business and damage the reputation of our brands. We rely extensively on our information technology systems, some of which are managed by third- party service providers, to manage the data, communications and business processes for all of our functions, including our marketing, sales (including e- commerce), manufacturing, logistics, customer service, accounting and administrative functions. These systems include programs and processes relating to internal communications and communications with other parties, ordering and managing materials from suppliers, converting materials to finished products, marketing and selling products to customers (including through e- commerce channels), customer order entry and order fulfillment, shipping product to customers, billing customers and receiving and applying payment, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal ~~or~~ **and** tax requirements, collecting and storing customer, consumer, employee, investor, and other stakeholder information and personal data, and other processes necessary to manage the Company' s business. We, and certain of our suppliers, have been, and likely will continue to be, subject to malware, computer viruses, computer hacking, attempted acts of data theft, phishing, other cyber- attacks and employee error or malfeasance related to our information technology systems. We do not believe that any of these attacks or events has had a material adverse impact on our business, but future attacks could result in a serious information security breach and have a material adverse impact on our business, results of operations or financial condition. Increased information technology security threats and more sophisticated computer crime, including advanced persistent threats, pose a potential risk to the security of the information technology systems, networks, and services of the Company, its customers and business partners, as well as the confidentiality, availability, and integrity of the data of the Company, its customers and business partners. As a result, the Company' s information technology systems, networks or service providers could be damaged or cease to function properly or the Company could suffer a loss or disclosure of business, personal or stakeholder information, due to any number of causes, including system disruptions, catastrophic events, power outages, cyber- attacks and security breaches. To help guard against these possibilities, the Company provides quarterly employee security training and maintains a compliance program with updated security policies to help evaluate and address potential threats and attacks. The Company has also conducted regular security audits by an outside firm based on the National Institute of Standards and Technology (" NIST") standards to address any potential service interruptions or vulnerabilities. Management regularly reports to the Company' s Board on information security risks and audit results. Further, the Company has implemented continuity and recovery plans in the event of a disruption. However, if these plans do not provide effective protection, the Company may suffer interruptions in its ability to manage or conduct its operations, including in all of the Company' s functions described above, which may adversely affect its business and results of operations. The Company maintains security risk insurance in the event of a cybersecurity breach or incident; however, the coverage may not be sufficient to cover all losses. The Company may need to expend additional resources in the future to continue to protect against, or to address problems caused by, any business interruptions or data security breaches. Any breach of our data security, including the failure to maintain the security of confidential data and information or the misappropriation of such confidential data and information, could result in an unauthorized release or transfer of customer, consumer, user or employee information, or the loss of valuable business data or cause a disruption in our business. These events could give rise to unwanted media attention, damage our reputation, damage our customer, consumer or user relationships **,** and result in lost sales, fines, lawsuits, remediation costs, or otherwise adversely impact the Company' s results of operations and financial condition. We may also be required to expend significant capital and other resources to protect against or respond to or alleviate problems caused by a security breach. As we conduct our operations, we move data across national borders, and consequently we are subject to a variety of continuously evolving and developing laws and regulations in the United States and abroad regarding privacy, data protection and data security. The scope of the laws that may be applicable to us is often uncertain and may be conflicting, particularly with respect to foreign laws. For example, the European Union' s General Data Protection Regulation (the " GDPR "), greatly increases the jurisdictional reach of European Union law and adds a broad array of requirements for handling personal data, including the public disclosure of significant data breaches. In addition, several U. S. states have enacted data privacy laws applicable to entities serving or employing residents and other states are doing the same. We may not be able to comply with all of these evolving compliance and operational requirements and to do so may impose significant costs that are likely to increase over time. Risks Related to our Financing Our indebtedness could adversely affect our financial condition, and the significant amount of cash required to service our debt would not be available to reinvest in our business. At March 31, ~~2023~~ **2024** , our total indebtedness, including current maturities, was approximately $ 1. ~~4~~ **1** billion. Our indebtedness could: • Increase our vulnerability to general adverse economic and industry conditions; • Limit our ability to engage in strategic acquisitions; • Require us to dedicate a substantial portion of our cash flow from operations toward repayment of our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes; • Limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate; • Place us at a competitive disadvantage compared to our competitors that have less debt; and • Limit, among other things, our ability to borrow additional funds on favorable terms or at all. The terms of the indentures governing our 3. 750 % senior notes due April 1, 2031 (the" 2021 Senior Notes") and our 5. 125 % senior unsecured notes due January 15, 2028 (the" 2019 Senior Notes"), and the credit agreement governing our term loan and revolving credit facility, allow us to issue and incur additional debt only upon satisfaction of the conditions set forth in those respective agreements. If new debt is added to current debt levels, the related risks described above could increase. ~~In July 2017, the United Kingdom Financial Conduct Authority announced its intention to transition away from LIBOR, with its full elimination to occur after 2021. The subsequent announcement in March 2021 indicated the last committed publication date for 1- month LIBOR will cease publishing immediately after June 30, 2023, and therefore may not continue to be available on the current basis (or at all) after this date. The Alternate Reference Rate Committee, convened by the Board of Governors of the Federal Reserve System and the New York Federal Reserve Bank, has endorsed the Secured Overnight Financing Rate (" SOFR") as its preferred replacement benchmark for U. S. dollar LIBOR. SOFR is calculated and published by the New York Federal Reserve Bank and reflects the combination of three overnight U. S. Treasury Repo Rates. The rate is different from LIBOR, in that it is a risk- free rate, is backward- looking instead of forward- looking, is a secured rate and currently is available primarily as an overnight rate rather than a 1-, 3- or 6- month rate available for LIBOR. On April 4, 2023, we amended our revolving credit facility to replace LIBOR with SOFR.~~ Any increase in **applicable** ~~SOFR or other~~ interest rates ~~, which have been rising in fiscal 2023 and are expected to continue to rise in fiscal 2024,~~ will increase our cost of servicing our variable rate debt and further limit our ability to fund working capital, capital expenditures, and acquisitions. At March 31, ~~2023~~ **2024** , we had $ ~~168~~ **171** . ~~7~~ **0** million of borrowing capacity available under our revolving credit facility to support our operating activities. Our capital structure and ability to engage in strategic transactions is limited in significant respects by the restrictive covenants in our senior credit facility and the indentures governing our senior notes. Our senior credit facility and the indentures governing our senior notes impose restrictions that could impede our ability to enter into certain corporate transactions, as well as increase our vulnerability to adverse economic and industry conditions, by limiting our flexibility in planning for, and reacting to, changes in our business and industry. These restrictions limit our ability to, among other things: • Borrow money or issue guarantees; • Pay dividends, repurchase stock from, or make other restricted payments to, stockholders; • Make investments or acquisitions; • Use assets as security in other transactions; • Sell assets or merge with or into other companies; • Enter into transactions with affiliates; • Sell stock in our subsidiaries; and • Limits our subsidiaries' ability to pay dividends or make other payments to us. Our ability to engage in these types of transactions is generally limited by the terms of the senior credit facility and the indentures governing the senior notes, even if we believe that a specific transaction would positively contribute to our future growth, operating results or profitability. In addition, our senior credit facility requires us to maintain certain leverage, interest coverage and fixed charge ratios. Although we believe we can continue to meet and / or maintain the financial covenants contained in our credit agreement, our ability to do so may be affected by events outside our control. Covenants in our senior credit facility also require us to use 100 % of the proceeds we receive from non- permitted debt issuances or certain issuances of refinancing debt to repay outstanding borrowings under our senior credit facility. Any failure by us to comply with the terms and conditions of the credit agreement and the indentures governing the senior notes could result in an event of default, which may allow our creditors to accelerate our debt and therefore have a material adverse effect on our financial condition. The senior credit facility and the indentures governing the senior notes contain cross- default provisions that could result in the acceleration of all of our indebtedness. The senior credit facility and the indentures governing the senior notes contain provisions that allow the respective creditors to declare all outstanding borrowings under one agreement to be immediately due and payable as a result of a default under another agreement. Consequently, failure to make a payment required by the indentures governing the senior notes, among other things, may lead to an event of default under the senior credit facility. Similarly, an event of default or failure to make a required payment at maturity under the senior credit facility, among other things, may lead to an event of default under the indentures governing the senior notes. If the debt under the senior credit facility and indentures governing the senior notes ~~had~~ **were** both ~~been~~ accelerated, the aggregate amount immediately due and payable as of March 31, ~~2023~~ **2024** would have been approximately $ 1. ~~4~~ **1** billion. We presently do not have sufficient liquidity to repay these borrowings in the event they were to be accelerated, and we may not have sufficient liquidity in the future to do so. Additionally, we may not be able to borrow money from other lenders to enable us to refinance our indebtedness. At March 31, ~~2023~~ **2024** , the book value of our current assets was $ ~~391~~ **375** . ~~7~~ **0** million. Although the book value of our total assets was $ 3, ~~353~~ **318** . ~~7~~ **4** million, approximately $ 2, ~~869~~ **848** . ~~4~~ **3** million was in the form of intangible assets, including goodwill of $ 527. ~~6~~ **7** million, a significant portion of which may not be available to satisfy our creditors in the event our debt is accelerated. Any failure to comply with the restrictions of the senior credit facility, the indentures governing the senior notes or any other subsequent financing agreements may result in an event of default. Such default may allow the creditors to accelerate the related debt, as well as any other debt to which the cross- acceleration or cross- default provisions apply. In addition, the lenders may be able to terminate any commitments they had made to supply us with additional funding. As a result, any default by us under our credit agreement, indentures governing the senior notes or any other financing agreement could have a material adverse effect on our financial condition. General Risk Factors Litigation may adversely affect our business, financial condition and results of operations. Our business is subject to the risk of, and from time to time in the ordinary course of business we are involved in, litigation by employees, customers, consumers, suppliers, competitors, regulators, stockholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend current and future litigation may be significant. There may also be adverse publicity associated with litigation that could decrease customer or consumer acceptance of our products, regardless of whether the allegations are valid or whether we are ultimately found liable. For example, although our marketing is evidence- based, consumers and competitors may challenge, and have challenged, certain of our marketing claims by alleging, among other things, false and misleading advertising with respect to advertising for certain of our products. Such challenges could result in our having to pay monetary damages or limit our ability to maintain current marketing claims. Conversely, we have, and may be required in the future to, initiate litigation against others to protect the value of our intellectual property and the related goodwill or enforce an agreement or contract that has been breached. These matters may be time consuming and expensive, but may be necessary to protect our assets and realize the benefits of the agreements and contracts that we have negotiated. As a result, litigation may adversely affect our business, financial condition and results of operations. We depend on our key personnel, and the loss of the services provided by any of our executive officers or other key employees could harm our business and results of operations. Our success depends to a significant degree upon the continued contributions of our senior management. These employees may voluntarily terminate their employment with us at any time. We may not be able to successfully retain existing personnel or identify, hire and integrate new personnel. While we believe we have developed depth and experience among our key personnel, our business may be adversely affected if one or more of these key individuals were to leave or were to experience serious illness, become disabled, or pass away. We do not maintain any key- man or similar insurance policies covering any of our senior management or key personnel. Provisions in our amended and restated certificate of incorporation and Delaware law may discourage potential acquirers of our Company, which could adversely affect the value of our securities. Our amended and restated certificate of incorporation provides that our Board of Directors is authorized to issue from time to time, without further stockholder approval, up to five million shares of preferred stock in one or more series of preferred stock issuances. Our Board of Directors may establish the number of shares to be included in each series of preferred stock and determine, as applicable, the voting and other powers, designations, preferences, rights, qualifications, limitations and restrictions for such series of preferred stock. The shares of preferred stock could have preferences over our common stock with respect to dividends and liquidation rights. We may issue additional preferred stock in ways which may delay, defer or prevent a change in control of the Company without further action by our stockholders. The shares of preferred stock may be issued with voting rights that may adversely affect the voting power of the holders of our common stock by increasing the number of outstanding shares having voting rights, and by the creation of class or series voting rights. Our amended and restated certificate of incorporation, as amended, contains additional provisions that may have the effect of making it more difficult for a third-party to acquire or attempt to acquire control of our Company. In addition, we are subject to certain provisions of Delaware law that limit, in some cases, our ability to engage in certain business combinations with significant stockholders. These provisions, either alone, or in combination with each other, give our current directors and executive officers the ability to significantly influence the outcome of a proposed acquisition of the Company. These provisions would apply even if an acquisition or other significant corporate transaction was considered beneficial by some of our stockholders. If a change in control or change in management is delayed or prevented by these provisions, the market price of our outstanding securities could be adversely impacted. Changes in our provision for income taxes or adverse outcomes resulting from examination of our income tax returns **or a determination of tax jurisdiction** could adversely affect our results. Our provision for income taxes is subject to volatility and could be adversely affected by several factors, some of which are outside of our control, including: • Changes in the income allocation methods for state taxes, and the determination of which states or countries have jurisdiction to tax our Company; • An increase in non- deductible expenses for tax purposes, including certain stock- based compensation, executive compensation and impairment of goodwill; • Transfer pricing adjustments; • Tax assessments resulting from tax audits or any related tax interest or penalties that could significantly affect our income tax provision for the period in which the settlement takes place; • Tax liabilities from acquired businesses; • Changes in accounting principles; and • Changes in tax laws or related interpretations, accounting standards, regulations, and interpretations in multiple tax jurisdictions in which we operate. Significant judgment is required to determine the recognition and measurement of the attributes prescribed in Financial Accounting Standards Board (" FASB") Accounting Standards Codification (" ASC") 740. As a multinational corporation, we conduct our business in several countries and are subject to taxation in many jurisdictions. The taxation of our business is subject to the application of multiple and sometimes conflicting tax laws and regulations as well as multinational tax conventions. Our effective tax rate is dependent upon the availability of tax credits and carryforwards. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws themselves are subject to change as a result of changes in fiscal policy, changes in legislation, and the evolution of regulations and court rulings. Consequently, taxing authorities may impose tax assessments or judgments against us that could materially impact our tax liability and / or our effective income tax rate. In addition, we may be subject to examination of our income tax returns by the Internal Revenue Service and other tax authorities. If tax authorities challenge the relative mix of our U. S. **, state** and international income, or successfully assert the jurisdiction to tax our earnings, our future effective income tax rates could be adversely affected.