

Risk Factors Comparison 2025-02-27 to 2024-02-27 Form: 10-K

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Cautionary Statement for Purposes of the “ Safe Harbor ” Provisions of the Private Securities Litigation Reform Act of 1995
This report contains forward- looking information that involves risks and uncertainties. Our forward- looking statements express our current expectations or forecasts of possible future results or events, including projections of earnings and other financial performance measures, statements of management’ s expectations regarding our strategic, operational and capital allocation plans and objectives, management’ s views on industry, economic, competitive, technological and regulatory conditions and other forecasts of trends and other matters. Forward- looking statements speak only as of the date of this filing, and we undertake no obligation to publicly update or revise such statements to reflect new circumstances or unanticipated events as they occur. You can identify these statements by the fact that they do not relate strictly to historic or current facts and often use words such as “ anticipate, ” “ estimate, ” “ expect, ” “ intend, ” “ believe, ” “ will, ” “ outlook, ” “ project, ” “ may, ” “ can, ” “ plan, ” “ target, ” “ potential, ” “ should ” and other words and expressions of similar meaning. No assurance can be given that the expected results in any forward- looking statement will be achieved, and actual results may differ materially due to one or more factors, including the risks described below in this Item 1A, below in Item 7 of this Form 10- K and elsewhere in this Form 10- K. For these statements, we claim the protection of the safe harbor for forward- looking statements contained in the Private Securities Litigation Reform Act. Risk Factors Investing in our securities involves multiple risks and uncertainties. Certain factors that may affect our business and could cause actual results to differ materially from those expressed in any forward- looking statement are described below. Investors should carefully consider the risks described below in addition to the other information set forth in this Annual Report on Form 10- K. The risks discussed below are not the only risks we face. Other risks or uncertainties not presently known to us, or that we currently believe are immaterial, may **emerge or** materially affect our business if they occur. ~~Moreover, new risks emerge from time to time.~~ Further, our business may also be affected by additional factors that generally apply to all companies operating in the U. S. and globally, which we have not included below. Risks Relating to Macroeconomic Conditions or Events The demand for our products may be adversely affected by unfavorable economic conditions and changes in consumer discretionary spending. Demand for our products is subject to fluctuations and is difficult to predict, often due to factors outside of our control. Consumer discretionary spending significantly affects our sales and is impacted by a variety of factors, including **changes in** general economic conditions, the ~~residential~~ housing market, unemployment rates, wage levels, interest rate fluctuations, inflation, disposable income levels, consumer confidence and access to credit. In **times of** economic **uncertainty** ~~downturns or recessions~~, the demand for swimming pool, irrigation, landscape and related outdoor living products typically declines, often corresponding with declines in discretionary consumer spending, ~~the growth rate of pool eligible households and swimming pool construction.~~ Currently **over 86, we estimate that approximately 64 %** of our net sales are derived from **maintenance and minor repair products, while approximately 22 % of our** sales of ~~maintenance~~ **are derived from products used in the remodel, repair, replacement and renovation, and upgrade of products necessary to maintain existing swimming pools.** However, the growth in ~~this these portion portions~~ of our business depends on the expansion of the installed pool base, which **has been and could also in the future** be adversely affected by decreases in construction activities, similar to the trends experienced ~~this past year~~ **in 2023 and 2024.** A weak economy may also cause consumers to defer discretionary replacement and renovation activity. Even in generally favorable economic conditions, severe or prolonged downturns in the housing market could have a material adverse impact on our financial performance. Such downturns expose us to certain additional risks, including but not limited to the risk of customer closures or bankruptcies, which could shrink our potential customer base and inhibit our ability to collect on those customers’ receivables. We believe that homeowners’ access to consumer credit at attractive interest rates is a critical factor enabling the purchase of new pools, irrigation systems and outdoor living products **and to a lesser extent, major renovations and remodel projects.** Unfavorable economic conditions or a downturn in the housing market could result in a significant tightening of credit markets, which can limit the ability of consumers to access financing for **these purchases. Over the past couple years, new swimming pools- pool construction projects have decreased** and irrigation systems. During 2022 and 2023, **impacted by higher** interest rates and inflation ~~rates were higher than the three years prior to 2022,~~ **increased** economic uncertainties ~~increased,~~ and **tightened** consumer credit ~~tightened,~~ which led to a slowdown in new pool permits (signaling a decline in new construction projects). **While inflation and interest rates have recently** During 2023, the heightened demand for our products during the pandemic moderated, **uncertainty remains, including** as consumers applied less disposable income to pools and other ~~the timing home improvements.~~ These economic events ~~reduced our revenues in 2023 and are expected to similarly~~ **magnitude of further reductions by the Federal Reserve of its overnight borrowing rate and its corresponding** impact on the market ~~our revenues in 2024.~~ Discretionary spending is often adversely affected during times of economic, social or political uncertainty, whether caused by health threats, man- made or natural disasters, or other similar events discussed below in this item 1A. These events could create uncertainties that negatively impact our business in ways that we cannot presently predict. Changes in our customer base could also impact us. Our business could be adversely impacted if (i) consolidation of our customers leads to changes in purchasing habits, (ii) more people choose to live in urban settings or **rented space or** (iii) more homeowners bypass our customers by directly procuring their own supplies or undertaking their own improvement projects. An outbreak of disease or similar public health threat ~~, such as the recent COVID- 19 pandemic,~~ could adversely impact our business and results of operations. An outbreak of disease or similar public health threat, such as the ~~recent~~ COVID- 19 pandemic and its negative impact on the worldwide economy, could have an adverse impact on our workforce, supply chain or operations. Although our

revenues increased during the COVID- 19 pandemic that began in early 2020, we cannot assure you that our revenues would increase in the event of a future public health emergency. **Any New variants of COVID- 19 could continue to cause outbreaks and uncertainties, and any future epidemics, pandemics or similar public health crises, and any corresponding governmental response,** could adversely impact our business and results of operations **in ways that we cannot predict**. Other catastrophic events or societal unrest could adversely impact our operations. **Terrorist Terrorism attacks and other acts of violence**, wars, rioting, labor strife, civil disturbances, societal unrest, **geopolitical tensions** or political instability could negatively impact us directly by interfering with our ability to operate or indirectly by depressing macroeconomic conditions. Our customers could also encounter hardships that negatively impact their ability to make timely payments to us or to continue doing business with us. Risks Relating to Our Business and Industry We are susceptible to adverse weather conditions, which could intensify as a result of **changing climate change patterns**. Given the nature of our business, weather is one of the principal external factors affecting our business and the effect of seasonality has a significant impact on our results. In **2023-2024**, we generated **approximately 60 %** of our net sales and **70-73 %** of our operating income in the second and third quarters of the year. These quarters represent the peak months of swimming pool use, pool and irrigation installation and **maintenance remodeling and repair** activities. Unfavorable weather during these quarters in our largest geographic regions can significantly affect our results. **Unseasonably late warming trends in the spring or early cooling trends in the fall can shorten the length of the pool season. Also, unseasonably cool weather or excessive rainfall during the peak season can have an adverse impact on demand due to decreased swimming pool use, installation and maintenance, as well as decreased irrigation installations further described in “Seasonality and Weather” in Item 1 of this Form 10- K.** While warmer weather conditions generally impact our sales favorably, **natural disasters global warming trends and other significant climate changes weather events** can create more variability in **our reported results in** the short term or **otherwise lead to other unfavorable weather conditions that could** adversely impact our sales or operations. Drought conditions or water management initiatives may lead to government- imposed water use restrictions. Such restrictions could result in decreased pool and irrigation system installations which could negatively impact our sales. Certain extreme weather events and natural disasters, such as hurricanes, tornadoes, earthquakes, tropical storms, floods, **intense storms**, drought and wildfires, may adversely impact us in several ways, including interfering with our ability to deliver our products and services, interfering with our receipt of supplies from our vendors, reducing demand for our products and services, and damaging our facilities. We have experienced short- term impacts on our sales due to closures from weather events **such as in recent years, including Hurricane Ian in Florida in 2022 and Hurricanes Helene, Francine and Milton in 2024**. Although these events have not had any material lasting impacts on our business or resulted in any material permanent operational challenges, similar events could adversely affect our business in the future. The areas in which we operate, including **Florida, California, Florida, Texas and other coastal areas, have experienced recent, and are expected to continue to experience, natural disasters and extreme or present increased risks of adverse weather events or natural disasters.** The physical effects of **changing climate change patterns** may increase the frequency or severity of natural disasters and other extreme weather events in the future, which would increase our exposure to these risks. For additional discussion regarding seasonality and weather, see Item 7, “Management’ s Discussion and Analysis of Financial Condition and Results of Operations- Seasonality and Quarterly Fluctuations,” of this Form 10- K. Our distribution business is highly dependent on our ability to maintain favorable and stable relationships with suppliers. As a distribution company, maintaining favorable relationships with our suppliers is critical to our success. We believe that we add considerable value to the swimming pool and irrigation supply chains by purchasing products from a large number of manufacturers and distributing the products to a highly fragmented customer base on conditions that are more favorable than these customers could obtain on their own. We believe that we currently enjoy good relationships with our suppliers, who generally offer us competitive pricing, return policies and promotional allowances. However, any failure to maintain favorable relationships with our suppliers could have an adverse effect on our business. Our largest suppliers are Pentair plc, **Zodiac Pool Systems, Inc., Hayward Pool Products, Inc. and Zodiac Pool Systems, Inc.**, which accounted for **20 approximately 19%, 10-12 % and 10-11 %**, respectively, of the costs of products we sold in **2023-2024**. A decision by our largest suppliers, acting individually or in concert, to sell their products directly to retailers or other end users **of their products**, bypassing distribution companies like ours, would have an adverse effect on our business. Additionally, if our suppliers experience difficulties or disruptions in their operations, if there is any material interruption in our supply chain **(such as the interruptions caused by the COVID- 19 pandemic and exacerbated by the war in Ukraine)** or if we lose **any** a single significant supplier due to financial failure or **any other reason a decision to sell exclusively to retailers or end- use consumers**, we may experience increased supply costs or delays in establishing replacement supply sources that meet our quality and control standards, which may affect our profitability. **We purchase many of our products from suppliers pursuant to vendor arrangements that entitle us under certain conditions to receive rebates. These rebates effectively reduce the costs of our products. Rebate arrangements are subject to renegotiation with our suppliers from time to time. If we fail to qualify for these rebates or are unable to renew rebate programs at desirable terms, or a supplier materially reduces or stops offering rebates, our costs could increase substantially, and our gross margin and net income could be materially adversely affected.** Failure to achieve and maintain a high level of product and service quality and safety could damage our reputation, expose us to litigation and negatively impact our financial performance. We rely on a global network of manufacturers and other suppliers to provide us with the products we distribute. To succeed, we must continue to maintain effective business relationships with qualified suppliers who can timely and efficiently supply us with high quality products. As we increase the number of **our proprietary and exclusive brand products** -we distribute, our exposure to potential liability claims may increase. Product and service quality issues could negatively impact customer confidence in our brands and our business. If our product and service offerings do not meet applicable safety standards or our customers’ expectations regarding safety or quality, we could experience lost sales **and,** increased costs and be exposed to legal, financial and reputational risks, **as well as including litigation,** governmental enforcement actions. **Actual, potential or perceived product**

safety concerns, including health-related concerns, could damage our reputation with current or prospective customers, vendors and employees. Product quality or safety issues could also expose us to litigation, as well as government enforcement actions, and result in costly product recalls and other liabilities. Similar concerns impacting our competitors could damage the reputation of our industry and indirectly have an unfavorable impact on our operations. We face intense competition both from within our industry and from other leisure product alternatives. Within our industry, we directly compete against various national, regional and local distributors for the business of pool owners and other end-use customers. We indirectly compete against mass market retailers and large pool or irrigation supply retailers as they purchase the great majority of their supplies directly from manufacturers. We compete to a lesser extent with internet retailers, as they purchase the majority of their supplies from distributors. Outside of our industry, we compete indirectly with alternative suppliers of big-ticket consumer discretionary products, such as boat and motor home distributors, and with other companies who rely on discretionary homeowner expenditures, such as home remodelers. **We may not be able to compete effectively against our competitors and other leisure product alternatives, which could have an adverse impact on our business.** New competitors may emerge as there are low barriers to entry in our industry, which has led to highly competitive markets consisting of various-sized entities, ranging from small or local operators to large regional businesses. If our customers are attracted by the alternatives afforded by any of our competitors, they may be less inclined to purchase products or services from us, impacting our results of operations. Given the density and demand for pool products, some geographic markets that we serve also tend to have a higher concentration of competitors than others, particularly Florida, California, Texas, Florida and Arizona. These states encompass our four largest markets and represented approximately 54% of our net sales in 2023-2024. The entry of significant new competitors into these markets could negatively impact our sales. More aggressive competition by store- and internet-based mass merchants and large pool or irrigation supply retailers could adversely affect our sales. Mass market retailers today carry a limited range of, and devote a limited amount of shelf space to, merchandise and products targeted to our industry. Historically, mass market retailers have generally expanded by adding new stores and product products breadth, but their product offering of pool and irrigation related products has remained relatively constant. Should store- and internet-based mass market retailers increase their focus on the pool or irrigation industries or increase the breadth of their pool and irrigation and related product offerings, they may become a more significant competitor for our direct customers and end-use consumers, which could have an adverse impact on our business. Additionally, because the internet facilitates competitive entry, price transparency and comparison shopping, increased internet sales by us or our competitors could increase the level of competition we face or reduce our margin. Further, we may face additional competitive pressures if large pool or irrigation supply retailers look to expand their customer base to compete more directly within the distribution channel. We depend on our ability to attract, develop and retain highly qualified personnel. We consider our employees to be the foundation for our growth and success. As such, our future success depends in large part on our ability to attract, retain and motivate qualified personnel. This includes succession planning related to our executive officers and key management personnel. Hiring and retaining such qualified individuals may be adversely impacted by several factors, including (i) uncertainties regarding general economic conditions or our industry conditions, (ii) our failure to offer competitive compensation and (iii) increased competition for qualified individuals. If we are unable to attract and retain key personnel, our operating results could be adversely affected. Given the seasonal nature of our business, we may hire additional employees during the summer months, including seasonal and part-time employees, who generally are not employed during the off-season. If we are unable to attract and hire additional personnel during the peak season, our operating results could be negatively impacted. Additionally, competition for qualified employees could require us to pay higher wages to attract and retain a sufficient number of employees. Inflation The pandemic and other events over the past few years have increased employees' expectations regarding compensation, and benefits and workplace flexibility and work-home balance. These developments have made it more difficult and costly for us to attract and retain top talent. While we do not expect these developments to have a material adverse impact on us, we can provide no assurances to this effect. Past growth may not be indicative of future growth. Historically, we have experienced substantial sales growth through organic market share gains, new sales center openings, expanded product offerings and acquisitions that have increased our size, scope and geographic distribution footprint. Our various business strategies and initiatives, including our growth initiatives, are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond our control. While we contemplate continued growth through internal expansion and acquisitions, no assurance can be made as to our ability to: • penetrate new markets; • generate sufficient cash flows to support expansion plans and general operating activities; • obtain financing; • identify appropriate acquisition candidates and successfully integrate acquired businesses; • identify appropriate locations for new sales centers and successfully integrate them into our network; • maintain favorable supplier arrangements and relationships; and • identify and divest assets which do not no longer meet continue to create value consistent with our objectives. If we do not successfully manage these potential difficulties or successfully execute our business strategies and initiatives, our operating results could be adversely affected. The COVID-19 pandemic positively impacted home-centric trends in all of our markets, which led to a non-recurring surge of investment in pools and other backyard products. This surge abated in mid-2022, when spending on these products began to decrease. **We Although we expect our financial performance to match or exceed pre-pandemic levels, we** do not expect our near-term sales to match the levels experienced at the height of the pandemic. We are subject to inventory management risks. Insufficient inventory may result in lost sales opportunities or delayed revenue, while excess inventory may negatively impact our gross margin. We balance the need to maintain inventory levels that are sufficient to maximize operational efficiencies ensure competitive lead times and mitigate minimize potential supply chain constraints against the risk of inventory obsolescence due to changing customer or consumer requirements preferences and fluctuating commodity prices. In order to successfully manage our inventories, we must estimate demand from our customers and purchase products that substantially correspond to consumer demand. If we overestimate demand and purchase too much of a particular product, we face a risk that the price of that product will fall, leaving us with inventory that we cannot sell at normal

optimal profit margins. In addition, we may have to write down such inventory if we are unable to sell it for its recorded value. If we underestimate demand and purchase insufficient quantities of products, inventory shortages could result in delayed revenue or loss of sales opportunities altogether as potential customers turn to competitors' products that are readily available. If we maintain insufficient inventory levels and prices rise for these products, we could be forced to purchase products at higher prices and forego profitability in order to meet customer demand. ~~While always present, these challenges have been heightened over the past couple of years, as the pandemic altered consumer spending trends and caused us to increase our investments in inventory.~~ Our business, financial condition and results of operations could be negatively impacted if we ~~fail are unable~~ to accurately forecast demand for our products **or successfully manage our inventories**. Risks Relating to Technology, Cybersecurity and Data Privacy We rely on information technology systems to support our business operations. A significant disruption, breach or cybersecurity attack of our technological infrastructure could adversely affect our financial condition and results of operations. Information technology supports several aspects of our business, including among others, **transaction processing, customer service, pricing,** product sourcing, ~~pricing, customer service, transaction processing,~~ inventory management, financial reporting, collections and cost management. Our ability to operate effectively on a day-to-day basis, communicate with our customers and accurately report our results depends on a reliable technological infrastructure, which is inherently susceptible to internal and external threats. We are vulnerable to interruption, including by fire, natural disaster, **extreme weather events,** power loss, telecommunication failures, internet failures, security breaches and other catastrophic events. Exposure to various types of cyber-attacks such as malware, computer viruses, worms, ransomware, social engineering or other malicious acts, as well as human error, could also potentially disrupt our operations, result in a significant interruption in the delivery of our goods and services or result in the loss of sensitive data. We are making, and expect to continue to make, investments in technology to maintain and update our computer systems and to expand our ability to engage in e-commerce with our customers. We may experience delays in making these updates and may not implement these changes as quickly or successfully as our customers expect, **or as quickly or successfully as changes implemented by our competitors**. In addition, implementing significant system changes increases the risk of computer system disruption. The potential problems and interruptions associated with implementing technology initiatives or conversions (~~including those contemplated under our multi-year digital transformation project~~), as well as providing training and support for those initiatives, could disrupt or reduce our operational efficiency. Advances in computer and software capabilities, encryption technology and other discoveries increase the complexity of our technological environment, including how each interact with our various software platforms. Such advances could delay or hinder our ability to process transactions or could compromise the integrity of our data, resulting in a material adverse impact on our financial condition and results of operations. We also may experience occasional system interruptions and delays that make our information systems unavailable or slow to respond, including the interaction of our information systems with those of third parties or the failure of software or services provided by third parties that we do not control. A lack of sophistication or reliability of our information systems could adversely impact our operations and customer service and could require major repairs or replacements, resulting in significant costs and foregone revenue. **Increasing complexity of technology could increase our cost of doing business.** We devote significant resources to protect our systems and data from cyber-attacks. **Refer to Item 1C. "Cybersecurity" for further information on our cybersecurity risk management and strategy and governance**. In recent years we have faced, and expect to continue to face, various attempted cyber-attacks of increasing sophistication. To date, we are not aware of any cybersecurity incident or threat that materially impacted or could reasonably be anticipated to materially affect our business, results of operations or financial condition. However, we cannot guarantee that we will not experience such an incident in the future. The risk of breaches is likely to continue to increase due to several factors, including **(i) the increasing use of machine learning, artificial intelligence (AI) and other sophisticated techniques to initiate cyber—and phishing attacks, (ii) the wider accessibility of cyber-attack tools that can circumvent security controls and evade detection, (iii) the expanded size, use and complexity of our systems, and (iv) our increased reliance on e-commerce, open source software, cloud computer services and work-from-home staffing.** ~~Known and newly discovered software and hardware vulnerabilities are constantly evolving, which increases the difficulty of detecting and successfully defending against them.~~ Consequently, we may not be able to implement security barriers or other preventative measures that repel all future cyber-attacks or detect such attacks in a timely manner, which may result in significant expenses from system downtime, lower sales, increases in insurance costs, fines and fees, lost business relationships, managerial distractions, litigation, increases to regulatory oversight, expenditures for additional threat prevention technologies or reputational harm, any of which could materially impact us. **We also participate in a broader ecosystem of supply chain partners, both digital and physical, who face similar risks. Cyber-attacks on our partners could negatively impact our business.** Although we maintain insurance coverage that may, subject to policy terms and conditions (including self-insured deductibles, coverage restrictions and monetary coverage caps), cover certain aspects of our cyber risks, such insurance coverage may be unavailable or insufficient to cover our losses. Failure to maintain the security of confidential information could damage our reputation and expose us to litigation. Additionally, changes in data privacy laws and our ability to comply with them could have a material adverse effect on us. ~~We~~ **In the course of doing business, we** collect and store data that is sensitive to us and our employees, customers and vendors. The failure to ~~maintain security over and~~ prevent unauthorized access to our data, **or the personal data of** our customers' ~~personal information, including credit card information, or data belonging to our~~ **or** suppliers, could put us at a competitive disadvantage. Such a breach could result in damage to our reputation and subject us to potential litigation, liability, fines and penalties and require us to incur significant expense to address and remediate or otherwise resolve these issues, resulting in a possible material adverse impact on our financial condition and results of operations. A variety of state, national, foreign and international laws and regulations apply to the collection, use, retention, protection, security, disclosure, transfer and other processing of personal and other data. The European Union and other international regulators, as well as state governments, have recently enacted or enhanced data privacy regulations, such as

the California Consumer Privacy Rights Act, and other governments are considering establishing similar or stronger protections. These regulations impose certain obligations for handling specified personal information in our systems and for apprising individuals of the information we have collected about them. Many of these laws are complex and change frequently and often conflict with the laws in other jurisdictions. Despite our best efforts to comply, any noncompliance could result in incurring potential substantial penalties and reputational damage.

Risks Relating to Legal, Regulatory and Compliance Matters

The nature of our business subjects us to compliance with employment, environmental, health, transportation, safety and other governmental regulations. **Our Changes in, expanded enforcement of, or adoption of new federal, state, local or international laws and regulations could increase our costs of doing business.** We are subject to numerous federal, state, local and international laws and regulations, many of which are complex and subject to varying interpretations, including regulations related to employment, environmental, health, transportation and safety requirements, which govern such things as packaging, labeling, handling, transportation, storage and sale of chemicals and fertilizers. These laws and regulations, and related interpretations and enforcement activity levels, may change as a result of a variety of factors, including political, economic or social events. Changes in, expanded enforcement of, or adoption of new federal, state, local or international laws and regulations, including those governing minimum wage or living wage requirements, the classification of exempt and non-exempt employees or other wage, labor or workplace regulations, could increase our costs of doing business and adversely impact our results of operations. We sell algaecides and pest control products that are regulated as pesticides under the Federal Insecticide, Fungicide and Rodenticide Act and various state pesticide laws. These laws primarily relate to labeling, annual registration and licensing. Management has processes in place to facilitate and support our compliance with these requirements. However, failure to comply with these laws and regulations may result in investigations, the assessment of administrative, civil and criminal fines, damages, seizures, disgorgements, penalties or the imposition of injunctive relief. **Moreover, compliance with such laws and regulations in the future could prove to be costly.** Although we presently do not expect to incur any capital or other expenditures relating to regulatory matters in amounts that may be material to us, we may be required to make such expenditures in the future. These laws and regulations have changed substantially and rapidly over the last 25 years, and we anticipate that there will be continuing changes. The clear trend in environmental, health, transportation and safety regulations is to place more restrictions and limitations on activities that impact the environment, such as the use and handling of chemicals and the discharge of greenhouse gases -- **gas emissions**. **It** Increasingly, strict restrictions and limitations have resulted in higher operating costs for us, and it is possible that the costs of compliance with such increasingly prescriptive laws and regulations will continue to increase. **Our attempts We might not be able to successfully anticipate and remain in compliance with evolving future regulatory requirements that might be imposed and our plans to remain in compliance with changing regulations and to minimize the costs of such compliance may not be as effective as we anticipate.** Governmental actions designed to address **changing climate change patterns** or the failure to meet environmental social and governance (ESG) expectations or standards or achieve our ESG goals commitments could adversely affect our business **and increase our costs of doing business**. **Concerns** over **changing climate change patterns have** led to, and may in the future lead to, new or increased legal and regulatory requirements designed to reduce or mitigate the effects of **changing climate change patterns**, which could increase our operating or capital expenses and compliance burdens obligations. In particular, advocates of change are continuing to explore ways to reduce greenhouse gas emissions. These changes over time could affect the availability and cost of certain consumer products, commodities and energy, which in turn may impact our ability to procure certain products or services required for the operation of our business at the quantities and levels we require. The regulation of greenhouse gas emissions could result in additional taxes or other costs to us or require us to modify our facilities or vehicle fleet. Changes in customers' attitudes toward the environmental impact of **a pools- pool's** energy consumption or pool chemical products could reduce demand for our products. **Our initiatives** We have set certain targets aimed at reducing our impact on the environment and climate change. **These initiatives** reflect our current plans and aspirations, and it is possible that we may not be able to achieve such targets or our desired impact, which may cause us to suffer from legal claims, reputational damage or a loss of demand for our products. **Actions we take to achieve our strategy or targets could result in increased costs to our operations.** Investors or other stakeholders could react negatively to our targets or other positions we take on ESG matters, which could negatively impact our relationships with such stakeholders **or result in claims that our initiatives harmed them or us**. Various governmental bodies in Europe and the United States, particularly in the state of California, have adopted or proposed laws or regulations increasing the obligations of companies to disclose information about their emissions and other similar data. We expect that these initiatives will increase our operating costs and expose us to additional risk. We store chemicals, fertilizers and other combustible materials that involve fire, safety and casualty risks. We store chemicals and fertilizers, including certain combustibles and oxidizing compounds, at our sales centers. **In addition to training our employees on safety protocols and procedures, we follow local fire marshal regulations at our facilities, which vary by jurisdiction and are subject to change, and assess the need for sprinklers and chemical storage vaults.** A fire, explosion or flood affecting one of our facilities could give rise to fire, safety and casualty losses and related liability claims. We **also** maintain what we believe is prudent insurance protection. However, we cannot guarantee that our insurance coverage will be adequate to cover future claims that may arise or that we will be able to maintain adequate insurance in the future at rates we consider reasonable. Successful claims for which we are not fully insured may adversely affect our working capital and profitability. In addition, changes in the insurance industry have generally led to higher insurance costs and decreased availability of coverage. We conduct business internationally, which exposes us to additional risks. Our ability to successfully conduct operations in, and source products and materials from, international markets is affected by many of the same risks we face in our U. S. operations, as well as unique costs and difficulties of managing international operations. Our international operations, including Canada and Mexico, which accounted for 7 % of our total net sales in 2023-2024, and expose us to certain additional risks, including:

- difficulty in staffing

international subsidiary operations; • different political, economic and regulatory conditions; • local laws and customs; • currency fluctuations (including the current strength of the U. S. dollar compared to foreign currencies), exchange controls and repatriation restrictions; • adverse tax consequences; and • adverse consequences for violating anti- corruption, anti-competition, economic sanctions, immigration and other laws governing international commerce. For foreign- sourced products, we may be subject to certain trade restrictions that would prevent us from obtaining products ~~There is also a greater risk that, as well as delivery delays or failures if we order may not be able to access products in a timely and efficient manner from vendors with whom we have no prior relations~~. Fluctuations in other factors relating to international trade, such as tariffs, ~~trade restrictions~~, transportation costs and inflation are additional risks for our international operations. We do not have operations in ~~Israel the Middle East~~, Russia or Ukraine. However, the contributory effects of the ~~wars in Israel or Ukraine and prolonged geopolitical conflict~~ **conflicts in these and other areas** globally may result in higher inflation, labor costs, energy and commodity prices and costs of materials and services (together with shortages or inconsistent availability of materials and services), which could negatively affect our business (particularly our European operations), results of operations and financial condition. Changes in import policy or trade relations, interruptions in our supply chain or increased commodity or supply chain costs could adversely affect our results of operations. ~~Like other companies globally, we faced supply chain disruptions across our business in 2021 and the early part of 2022, which led to increased costs, delays and in some cases lost opportunities. As a result of these supply chain disruptions, our procurement and operational business functions increased planning and strategic purchasing and sourced products internationally where needed.~~ Because we source certain products from outside the United States, major changes in tax policy, import or export regulations, **other trade restrictions** or trade relations, such as ~~the disallowance of tax deductions for imported products or~~ the imposition of additional tariffs or duties on imported products, could adversely affect our business, results of operations, effective income tax rate, liquidity and net income. The variability and complexity of tariffs and duties exposes us to the risk of higher costs and inadvertent noncompliance associated with our imported products. **Moreover in December 2022, in recent years the United States has generally increased its** ~~we recorded \$ 13. 0 million within Cost of sales related to duties and tariffs~~ **tariff rates and indicated** for certain imported chemicals that **additional increases could be forthcoming** ~~we determined, prior to submission of final liquidation amounts of our import duties and tariffs, that the initial code we used to classify the product may only apply to bulk purchases. To protect against potential penalties and receive clarification on the issue, we voluntarily filed a disclosure with U. S. Customs and Border Protection in December 2022.~~ Changes in laws, court rulings, or differences in interpretation on product classification could lead to changes in duty and tariff rates on these or other imported products. Excess tax benefits or deficiencies recognized from our accounting for share- based awards impact our reported earnings. In 2017, we adopted Accounting Standards Update (ASU) 2016- 09, Improvements to Employee Share- Based Payment Accounting. Our projections of financial statement impacts related to ASU 2016- 09 are subject to several assumptions which can vary significantly, including our estimated share price and the period that our employees will exercise vested stock options. Excess tax benefits or deficiencies recognized under ASU 2016- 09 vary from quarter to quarter and past results may not be indicative of future results. **Financial Risks Relating to Our**

Indebtedness The cost of servicing our debt could reduce our profitability if interest rates remain at elevated levels. Our unsecured syndicated senior credit facility, term facility and ~~receivable~~ **receivables** facility bear interest at variable rates. We have entered into interest rate swap contracts and a forward- starting interest rate swap contract to reduce our exposure to fluctuations in variable interest rates on current and future interest payments that we owe on a portion of our variable rate borrowings. **While the Federal Reserve began cutting interest** ~~interest~~ **rates over in the latter** ~~past part~~ **two years have been** ~~substantially~~ **of 2024, interest rates remain relatively higher** ~~high~~ **than the three years prior to 2022, which has increased our** ~~debt expense~~. If interest rates remain elevated or increase, the cost of servicing our variable rate debt not covered by our interest rate swaps could materially reduce our profitability and cash flows. For additional information regarding our interest rate risk, see Item 7A, “ Quantitative and Qualitative Disclosures about Market Risk ” of this Form 10- K. **General Risks** Changes in tax laws and accounting standards related to tax matters have caused, and may in the future cause, fluctuations in our effective tax rate. **We file income tax returns in the U. S. federal jurisdiction and various state and foreign jurisdictions.** Taxation and tax policy changes, tax rate changes, new tax laws, ~~revised~~ **changes in** tax law interpretations and changes in accounting standards and guidance related to tax matters may cause fluctuations in or adversely affect our effective tax rate. Our effective tax rate may also be impacted by changes in the geographic mix of our earnings. We cannot assure you we will continue paying dividends at the current rates, or at all. We cannot assure you we will continue periodic dividends on our capital stock at the current rates, or at all. Any quarterly dividends on our common stock will be paid from funds legally available for such purpose when, and if, declared by our Board of Directors. Decisions on whether, when and in which amounts to continue making any future dividend distributions will remain at all times entirely at the discretion of our Board of Directors, which reserves the right to change or terminate our dividend practices at any time and for any reason without prior notice. Holders of our common stock should be aware they have no contractual or other legal right to receive dividends. Similarly, holders of our common stock should be aware that repurchases of our common stock under any repurchase plan then in effect are completely discretionary and may be suspended or discontinued at any time for any reason regardless of our financial position. Lapses in our disclosure controls and procedures or internal control over financial reporting could materially and adversely affect us. We maintain disclosure controls and procedures designed to provide reasonable assurances regarding the accuracy and completeness of our SEC reports and internal control over financial reporting designed to provide reasonable assurance regarding the reliability and compliance with U. S. generally accepted accounting principles (GAAP) of our financial statements. We cannot assure you these measures will be effective.