

Risk Factors Comparison 2025-05-01 to 2024-04-26 Form: 10-K

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The Company's business, financial condition, results of operations and cash flows are subject to various risks, including, but not limited to, those set forth below, which could cause actual results to vary materially from recent results or from anticipated future results. These risk factors should be considered together with information included elsewhere in this Annual Report on Form 10-K.

Market Condition Risks The Company's operations and earnings may be significantly affected by changes in oil and gas prices. Oil and gas prices depend on local, regional, and global events or conditions that affect supply and demand. Any material decline in oil or gas prices could have a material adverse effect on the demand for the Company's products, its operations and financial condition. The Company may be unable to purchase raw materials at favorable prices, or maintain beneficial relationships with its suppliers, which could result in a shortage of supply, or increased pricing. There can be no assurance regarding the availability of supply for key components of the Company's products. The lack of supply of these components could result in an adverse effect on the financial condition of the Company. The steel industry in particular is highly cyclical in nature, and at times, pricing can be highly volatile due to a number of factors beyond the Company's control. The Company utilizes escalation clauses and bid expiration dates to mitigate the impact of this volatility on its earnings. This volatility may negatively impact market conditions thus reducing project activity and the Company's results of operations. If the United States or other countries in which the Company operates impose tariffs on imports of raw materials, including steel, used in the Company's operations, could have an adverse impact on the **Company's** business. The Company regularly updates its quoting system for the movements in raw material prices and seeks to recover price differentials through increases in the selling price of the Company's products; however, the Company may not always be successful, and any increase in raw material prices that is not offset by an increase in the Company's prices that is accepted by customers could have an adverse effect on the Company's business, results of operations, financial position and cash flows. In addition, if the Company is unable to acquire timely raw material supplies, it may need to decline opportunities, which could also have an adverse effect on the Company's business, results of operations, financial position and cash flows. Due to the current inflationary environment, raw material supply shortages and transportation delays, the Company could experience delays and increased prices for raw materials used in production processes. To mitigate these impacts, the Company has implemented several strategies, including purchasing from alternative suppliers and planning for material purchases farther in advance to ensure the Company has materials when needed. The Company also adjusts its pricing to customers to offset the impacts of the raw material price increases. The Company is unable to predict the duration of the current inflationary environment, raw material supply shortages and transportation delays, and the resulting future disruptions to the Company's operations are uncertain. Decreases in government spending on projects using the Company's products, and challenges to the Company's customers' liquidity and availability of capital funds, may adversely impact demand for the Company's products. Decreases in government spending on projects using the Company's products can have a negative impact on the Company's sales volumes. Uncertainty about economic market conditions poses risks that the Company's customers may postpone spending for capital improvement and maintenance projects in response to tighter credit markets or negative financial news, which could have a material adverse effect on the demand for the Company's products.

Financial Risks The Company may be unable to maintain compliance with existing debt covenants, repay its debt or renew its expiring international credit facilities. There is a risk that the Company may not be able to remain in compliance with its credit agreement covenants. If there were an event of default under the Company's current revolving credit facilities, the lenders could cause all amounts outstanding with respect to that debt to be due and payable immediately. The Company cannot assure that its cash flow will be sufficient to fully repay amounts due under any of the financing arrangements, if accelerated upon an event of default, or, that the Company would be able to repay, refinance or restructure the payments under any such arrangements. Complying with the covenants under the Company's domestic and / or foreign revolving credit facilities may limit management's discretion by restricting options such as: • incurring additional debt; • entering into transactions with affiliates; • making investments or other restricted payments; • paying dividends, capital returns, intercompany obligations and other forms of repatriation; and • creating liens. The Company has approximately \$ ~~3-2~~ **5-0** million becoming due in the year ending January 31, ~~2025~~ **2026** under its various foreign revolving lines of credit. The Company's credit arrangements used by its Middle Eastern subsidiaries are renewed on an annual basis. In addition to these credit arrangements, the Company also obtains financing in the Middle East on a project- by- project basis. The Company has **insignificant borrowings** approximately ~~\$0.1 million~~ becoming due in the year ending January 31, ~~2025~~ **2026** under its project financing agreements. While the Company believes that it will be able to renew its Middle East credit arrangements and will have continued access to individual project financing, there is no assurance that such arrangements will be renewed or made available in similar amounts or on similar terms and conditions as the current arrangements, or that such individual project financing will be available for projects that the Company is interested in pursuing in the future. Any replacement credit arrangements outside of the United States may further limit the Company's ability to repatriate funds from abroad. Repatriation of funds from certain countries may become limited based upon regulatory restrictions or unfeasible economically because of the taxation of funds when moved to another subsidiary or to the parent company. In addition, any refinancing, replacement or additional financing the Company may obtain could contain similar or more restrictive covenants than those currently applicable to the Company. The Company's ability to comply with any covenants may be adversely affected by general economic conditions, political decisions, industry conditions and other events beyond management's control. The Company may be unable to ~~achieve~~ **maintain** sustained levels of profitability or positive cash flows in the future. There is no guarantee that the Company will be able to ~~achieve~~ **maintain**

profitability or positive cash flows in the future. The Company's inability to successfully ~~achieve~~ **maintain** profitability and positive cash flows may result in it experiencing a serious liquidity deficiency resulting in material adverse consequences that could threaten its viability. The Company extended credit to a customer for a project in the Middle East in 2013 and, if the Company is unable to collect this account receivable, its future profitability could be adversely impacted. One of the Company's accounts receivable in the total amount of \$ **1.8 million and \$2.2 million and \$2.7 million** as of January 31, **2025 and 2024 and 2023**, respectively, has been outstanding for several years. As of January 31, **2024 2025**, the entire balance represents a retention asset that is payable upon the commissioning of the system. Due to the long-term nature of the receivable, \$ **1.2 million and \$1.4 million and \$2.5 million** were included in other long-term assets as of January 31, **2025 and 2024 and 2023**, respectively. The Company completed all of its deliverables in 2015 under the related contract, but the system has not yet been commissioned by the customer as additional activities must be completed prior to the overall system completion and commissioning. Nevertheless, the Company ~~has been continues to~~ **actively involved-engage** in ongoing **collection** efforts to ~~collect this outstanding amount. The Company continues to engage~~ with the customer to ensure full payment of open balances. ~~Additionally, and~~ at various times throughout **2024 and 2023 and in June 2022**, the Company received a partial payment to settle \$ **0.4 million and \$0.6 million of the customer's outstanding balances, respectively, including and- an additional \$0.9-5 million of that was received subsequent to the end of the year customer's outstanding balances, respectively.** ~~Further~~ **Additionally**, the Company has been engaged by the customer to perform additional work in ~~the year ending January 31, 2024 2025~~ under customary trade credit terms ~~which that supports- support~~ the continued cooperation between the Company and the customer. As a result, the Company did not reserve any allowance against this outstanding receivable as of January 31, **2024 2025**. However, if the Company's efforts to collect on this account are not successful, the Company may recognize an allowance for all, or substantially all, of any such uncollected amounts. The Company may be impacted by interpretations and changes in tax regulations and legislation which could adversely affect the Company's results of operations. Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company operates are subject to measurement uncertainty and the interpretations can impact net income, income tax expense or benefit, and income tax assets or liabilities. Tax rules and regulations, including those relating to foreign jurisdictions, are subject to interpretation and require judgment by the Company that may be challenged by the applicable taxation authorities upon audit. Although the Company believes its assumptions, judgements and estimates are reasonable, changes in tax laws or the Company's interpretation of tax laws and the resolution of any tax audits could significantly impact the amounts provided for income taxes in the Company's consolidated financial statements. The Company's ability to use its net operating loss carryforwards and certain other tax attributes may be limited. The Company's net operating loss ~~carryforwards ("NOL-NOLs") carryforwards~~ in the U. S. could expire unused and be unavailable to offset future income tax liabilities because of their limited duration or because of restrictions under U. S. tax law. As of January 31, **2024 2025**, the Company had \$ **30-23.1-8 million** of gross federal NOLs and \$ **21.0-9 million** of gross state NOLs available to offset the Company's future taxable income. Of the gross federal NOL amount, \$ **22-16.7-4 million** will begin to expire between tax years 2036 and 2037 and the remainder has an indefinite carryforward. The state NOLs expire at various dates from **2029-2025 to 2053-2044**. In addition, the Company's ability to use its NOLs may be limited in the event of future changes in its stock ownership. As a result, if the Company earns net taxable income, the Company's ability to use its pre-change NOLs to offset U. S. federal taxable income may be subject to limitations, which could potentially result in a future tax liability of the Company. In addition, at the state level, there may be periods in the future during which the use of NOLs is suspended or otherwise limited, which could result in a state tax liability which would otherwise not arise. The Company's inability to establish and maintain effective internal control over financial reporting could harm its business and financial results. The Company's management is responsible for establishing and maintaining effective internal control over financial reporting. **However, there are material weaknesses in internal controls such that our internal control over financial reporting has been determined not to be effective.** Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that the Company would prevent or detect a misstatement of its financial statements or fraud. **If we are not able to remediate the material weaknesses and maintain effective internal control over financial reporting, our business and financial results could be harmed.** The Company may experience changes in estimates which could result in a reduction or elimination of previously recorded revenues and profit in connection with "over time" revenue recognition. Certain of the Company's contracts recognize revenues using periodic recognition of income. For these contracts, the Company uses the "over time" accounting method. This methodology allows revenue and profits to be recognized proportionally over the life of a contract by comparing the amount of the cost incurred to date against the total amount of cost expected to be incurred. The effect of revisions to revenue and total estimated cost is recorded when amounts are known or can be reasonably estimated. Revisions can occur at any time and could be material. On a historical basis, management believes that reasonably reliable estimates of the progress towards completion on long-term contracts have been made. However, given the uncertainties associated with these types of contracts, it is possible for actual cost to vary from estimates previously made, which may result in reductions or reversals of previously recorded revenue and profits. Business Condition Risks Delays in the timing of order receipt, execution, delivery and acceptance for the Company's products generally negatively impact the Company's operating results. The Company's operating results in any reporting period could be negatively impacted as a result of delays in the timing of project execution. The Company may not be able to successfully negotiate progress-billing arrangements for its large contracts, which could adversely impact the Company's working capital needs, cash flows and credit risk. The Company sells systems and products under contracts that allow the Company to either bill upon the completion of certain agreed upon milestones, or upon actual shipment of the system or product. The Company attempts to negotiate progress-billing milestones on large contracts to help manage its working capital and cash flows, and to reduce the credit risk associated with these large contracts.

Consequently, changes in accepted billing terms of contracts could impact the Company's requirements for working capital and cash flows. Aggressive pricing by existing competitors and the entrance of new competitors in the markets in which the Company operates could drive down the Company's profits and reduce the Company's revenue. The Company's business is highly competitive. Some of the Company's competitors are large organizations with access to considerable financial resources. Additionally, many of the Company's products are also subject to competition from alternative technologies and alternative products. In periods of declining demand, the Company's fixed cost structure may limit its ability to cut costs, which may be a competitive disadvantage compared to companies with more flexible cost structures, or may result in reduced operating margins, operating losses and negative cash flows. The Company may be subject to claims for damages for defective products. The Company warrants its products to be free of certain defects. The Company has, from time to time, had claims alleging defects in its products. The Company may experience material product liability claims in the future and it could incur significant costs to defend such claims. While the Company currently has product liability insurance that it believes to be sufficient, the Company cannot be certain that its product liability insurance coverage will be adequate for liabilities that may be incurred in the future or that such coverage will continue to be available to the Company on commercially reasonable terms. Any claims relating to defective products that result in liabilities exceeding the Company's insurance coverage could have a material adverse effect on the Company's business, results of operations, financial position and cash flows. The Company may not be able to recover costs and damages from vendors that supply defective materials. The Company may receive defective materials from its vendors that are incorporated into the Company's products during the manufacturing process. While the Company mitigates this risk through contract terms, traceability and specifications, and has recourse to recover from vendors the costs to repair, remake or replace defective products, such costs could be greater than the amount that can be recovered. Such excess costs could have an adverse effect on the Company's business, results of operations, financial position and cash flows. Product and service orders included in the Company's backlog may be reduced or cancelled. The Company defines backlog as the revenue value resulting from confirmed customer purchase orders that have not yet been recognized as revenue. Orders may be canceled or modified at any time. In the event of a cancellation, the customer is normally responsible for all finished goods produced or shipped, all direct and indirect costs incurred and also for a reasonable allowance for anticipated profits. No assurance can be given that these amounts will be recovered after cancellation. Any reduction or cancellation of orders may result in revenues that are lower than expected. The Company's results of operations could be adversely affected by changes in international regulations and other activities of government agencies related to the Company's operations. International sales represent a significant portion of the Company's total sales. The Company's sales to foreign customers were 65.66.6% and 63.65.86% in the years ended January 31, 2025 and 2024 and 2023, respectively. The Company's anticipated growth and profitability may require increasing foreign sales volume and may necessitate further international expansion. The Company's results of operations could be adversely affected by changes in trade, monetary and fiscal policies, laws and regulations, other activities of governments, agencies and similar organizations, and other factors. These factors include, but are not limited to, changes in a country's or region's economic or political conditions, trade regulations affecting production, pricing and marketing of products, local labor conditions and regulations, reduced protection of intellectual property rights, changes in the regulatory or legal environment, restrictions on currency exchange activities, burdensome taxes and tariffs and other trade barriers. We cannot predict the impact of changes in foreign policies adopted by the current U. S. administration will have on our business. International risks and uncertainties, including changing social and economic conditions as well as terrorism, political hostilities and war, could lead to reduced international sales and reduced profitability associated with such sales. In addition, these risks can include delays in collection of accounts receivable. Because the Company conducts a significant portion of its business activities in the Gulf Cooperation Council ("GCC"), the political and economic events of the countries that comprise the GCC can have a material effect on the Company's business, results of operations, financial condition, and cash flows. Due to the international scope of the Company's operations, it is subject to a complex system of commercial and trade regulations around the world. The Company's foreign subsidiaries are governed by laws, rules and business practices that differ from those of the United States. If the activities of these entities do not comply with U. S. laws or business practices or the Company's Code of Business Conduct, then violations of these laws may result in severe criminal or civil sanctions, which could disrupt the Company's business, and result in an adverse effect on the Company's reputation, business and results of operations or financial condition. The Company cannot predict the nature, scope, or effect of future regulatory requirements to which its operations might be subject or the manner in which existing laws might be administered or interpreted. General Risks The Company may be unable to retain its senior management and key personnel. The Company's ability to meet its strategic and financial goals will depend to a significant extent on the continued contributions of its **senior management and key personnel, or the successful transition of responsibilities of departing** senior management and key personnel. Future success will also depend in large part on the Company's ability to identify, attract, motivate, effectively utilize and retain highly qualified managerial, sales, marketing and technical personnel. The loss of senior management or other key personnel or the inability to identify, attract and retain qualified personnel in the future could make it more difficult to manage the Company's business and could adversely affect operations and financial results. The Company may not be able to achieve the expected benefits from its growth initiatives. The Company's cyclical or general expansion may result in unanticipated adverse consequences, including significant strain on management, operations and financial systems, as well as on the Company's ability to attract and retain competent employees. In the future, the Company may seek to grow its business by investing in new or existing facilities, making acquisitions, entering partnerships and joint ventures, or constructing new facilities, which could introduce additional risks, including: • strain on working capital; • diversion of management's attention away from other activities, which could impair the operation of existing businesses; • failure to successfully integrate an acquired business or facility into existing operations; • inability to maintain key pre-acquisition business relationships; • loss of key personnel of an acquired business or facility; • exposure to unanticipated liabilities; and • failure to realize efficiencies, synergies and cost savings. As a result of these and other factors, including

general economic risks, the Company may not be able to realize the expected benefits from future acquisitions, new facility developments, partnerships, joint ventures or other investments. The Company's information technology systems may be negatively affected by cybersecurity threats. The Company faces risks relating to cybersecurity attacks that could cause the loss of confidential information and other business disruptions. The Company relies extensively on computer systems to process transactions and manage its business, and its business is at risk from and may be impacted by cybersecurity attacks. The Company employs a number of measures to prevent, detect and mitigate these threats, which include data and email encryption, strong password management policy, firewall systems, anti-virus software, and frequent backups. However, there is no guarantee such efforts will be successful in preventing a cyber-attack. A successful attack could adversely affect the Company's reputation and results of operations, including through lawsuits by third parties. ~~The Audit Committee of the Board of Directors is responsible for overseeing the adequacy and effectiveness of the Company's cybersecurity policies and programs.~~