Risk Factors Comparison 2024-02-20 to 2023-02-15 Form: 10-K

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The following is a cautionary discussion of the material risks and uncertainties that management believes affect us. Any of the following risks, as well as risks that are not currently known to us or that we currently deem immaterial, could materially affect our business, financial condition or results of operations. Accordingly, you should carefully consider the following risk factors in conjunction with all of the other information set forth in or incorporated by reference in this Form 10- K. Business and Operating Risks Decreased customer demand for transportation services due to adverse economic conditions, competition or other factors has impacted and could in the future adversely impact our business and operating results. The transportation industry is highly cyclical and susceptible to trends in economic activity. Our business relies on the strength of our customers ~~'~~ **'** businesses and their level of confidence in current and future economic conditions. ~~Our~~ **In our FMS business,** vehicles are leased or rented to customers that transport goods commercially, ~~so~~ **hence,** the demand for our products and services is **directly** tied ~~directly~~ to the production and sale of goods by our customers, and more generally, the health of the North American economy **. In our SCS** and ~~overall levels of competition in the~~ **DTS businesses, our logistics and** transportation ~~and logistics industry~~ **services are tied to the demand of our customers' goods. If demand for our customers' products declines, our customers may experience a decline in volumes, which may impact our financial results** . As a result, our business may begin to slow before overall market slowdowns, at the point of customer uncertainty, and may recover later than overall market recoveries, as our customers may continue to feel uncertain about future market conditions. If uncertainty ~~and lack of customer confidence~~ around macroeconomic **conditions** and **the** transportation **and logistics** ~~industry~~ **industries** ~~conditions~~ increase ~~(~~ **,** such as due to recessionary conditions **, unexpected interest rate fluctuations** or inflationary pressures ~~)~~, our future growth prospects, business and results of operations could be materially adversely affected. Among our services and product offerings, demand for used vehicles, rental, and longer- term contractual services are particularly susceptible to changes in economic and market conditions. For example, in a weak or volatile economy (such as during an economic recession or downturn), our customers may not need additional vehicles, may experience reduced shipping needs, or are often unwilling to commit or unable to fulfill long- term contracts. Accordingly, any sustained weakness in demand or a protracted economic downturn can negatively impact performance and operating results in used vehicle sales, rental ~~,~~ and longer- term contractual services across our business segments ~~. Disruptions in global supply chains, including as a result of global pandemics, has impacted, and may continue to impact, our business, results of operations and financial condition. Our business is highly susceptible to changes in economic conditions and our products and services are directly tied to the production and sale of goods. Disruptions in global supply chains have impacted each of our business segments as the supply and demand of commercial vehicles directly impacts our FMS business, and the production and supply of certain goods impacts the business of our customers in SCS and DTS, and therefore our own business. In the first half of 2020, the measures taken in response to the COVID- 19 pandemic prohibited many of our customers from continuing their operations, which had an immediate adverse effect on our business as we experienced lower demand for commercial rental and used vehicles in our FMS business and reduced volumes in our SCS business. To the extent that similar measures are implemented in the future in response to the COVID- 19 pandemic or other public health or safety crisis, our business and results of operations may be adversely affected. In 2020, we experienced global supply chain disruptions as a result of COVID- 19- related policies and regulations. In 2021, we experienced a significant increase in demand for rental and used vehicles, as well as lease, due to the limited supply of commercial vehicles caused by these global supply chain disruptions. In our SCS business, the semiconductor supply shortage caused by supply chain disruptions impacted the production activity of our automotive customers, resulting in decreased demand for some of our services. Throughout 2022, we continued to experience increased demand in rental and used vehicle sales, despite a sequential decline in used truck and tractor pricing in the latter half of the year. which positively impacted our profitability. If a limited supply of commercial vehicles continues for an extended period, we expect to continue to experience benefits in rental and used vehicle pricing and overall demand; however, we may experience limited rental and lease fleet growth, and have a limited inventory of used vehicles for sale. If OEMs improve the supply or produce an oversupply of new commercial vehicles in an attempt to meet increased consumer demand, our FMS business may experience reduced rental demand and used vehicle sales in the future. We have also experienced reduced volumes in some of our other SCS customers as they are unable to obtain certain goods due to supply chain disruptions. A prolonged disruption in global supply chains may have a material adverse impact on our SCS revenues and earnings. At times when global supply chains are disrupted, we are also likely to experience increased inflationary pressures as companies implement additional measures to mitigate such disruptions, and such additional measures tend to increase costs. Across our businesses, we are experiencing higher costs in certain areas, including payroll and third-party services. Overall, although these supply chain disruptions have contributed to increased demand for our services as companies seek long- term outsourcing solutions, such disruptions have also negatively impacted a portion of our earnings. The extent to which such disruptions will continue to impact our business, operations and financial results will depend on numerous evolving factors that are difficult to accurately predict. Moreover, depending on the measures taken by governments, businesses and individuals in response to new variants of COVID- 19, economic and commercial activity may be impacted, and, as a result, we may again experience slowdowns and reduced demand~~ . We bear the risk that we will not be able to resell our used vehicles at a price at or above their residual value estimates. To determine the residual value estimates and useful life of our vehicle fleet, management is required to make judgments about future events that are subject to risks and uncertainties outside of their control. While we regularly review and update our outlook for the used vehicle market, as management believes appropriate, the used vehicle pricing market has historically been subject to significant pricing volatility. Despite management' s best estimates, we may be unable to accurately forecast the residual value of our vehicle fleet or accurately and timely adjust our residual estimates to better align with future market conditions at the end of a vehicle' s useful life. A variety of factors, many of which are outside of our control, could cause residual value estimates to differ from actual used vehicle sales pricing, such as changes in supply and demand of used vehicles; volatility in market conditions; changes in vehicle technology; competitor pricing; regulatory requirements; ~~driver shortages~~ **wholesale market prices** ; customer requirements and preferences; and changes in underlying assumption factors. Any material decrease in residual value estimates could have a material adverse impact on our financial results. In the past, we have realized losses on sales of used vehicles at the end of a vehicle' s useful life when our residual value estimates were above used vehicle market prices due to rapidly changing market conditions. In addition, when we have materially decreased residual value estimates, our earnings over the vehicle' s remaining useful life have decreased due to an increase in depreciation expense. Alternatively, we may realize gains on sales of used vehicles at the end of a vehicle' s useful life when our residual value estimates are below used vehicle market prices. While management determines residual value estimates with the goal of minimizing losses on sales of used vehicles or to record the best estimate of fair value at the end of a vehicle' s useful life, there is no assurance our residual value estimates will be at or below used vehicle market sales. For a detailed discussion on our accounting policies and assumptions relating to depreciation and residual values, please see ~~“~~ **"** Critical Accounting Estimates- Residual Value Estimates and Depreciation ~~”~~ **"** in Management ~~’~~ **'** s Discussion and Analysis of Financial Condition and Results of Operations **. Disruptions in global supply chains have impacted, and may continue to impact, our business, results of operations and financial condition. Our business is highly susceptible to disruptions in global supply chains as services are directly tied to the production and sale of goods. Disruptions in global supply chains have impacted each of our business segments as the supply and demand of commercial vehicles directly impacts our FMS business, and the production and supply of certain goods impacts the businesses of our customers in SCS and DTS, and therefore our own business. For example, when COVID- 19 measures prohibited many of our customers from continuing their operations, our business was initially adversely impacted because we experienced lower demand for commercial rental and used vehicles in our FMS business and reduced volumes in our SCS business. To the extent that customers are prohibited from continuing or are unable to continue their operations, whether due to measures implemented in response to a public health or safety crisis or to labor strikes, our business and results of operations may be adversely affected. On the other hand, when global supply chain disruptions caused a semiconductor shortage, we experienced a significant increase in demand for rental and used vehicles, as well as lease, due to the limited supply of commercial vehicles. However, we may experience limited rental and lease fleet growth and have a limited inventory of used vehicles for sale during an extended period of limited supply of commercial vehicles. After a period of limited commercial vehicle supply, if OEMs then produce an oversupply of new commercial vehicles, our FMS business may experience reduced rental demand and used vehicle sales in the future. In addition, when global supply chains have been disrupted, we have experienced increased inflationary pressures that increased costs in certain areas like payroll and third- party services. Overall, the extent to which future supply chain disruptions impact our business, operations and financial results will depend on numerous factors that are difficult to accurately predict. Depending on the circumstances of a particular supply chain disruption, economic and commercial activity may be impacted, and, as a result, we may again experience slowdowns, reduced demand and a negative impact to a portion of our earnings** . Our profitability has been and could in the future be negatively impacted if our key operational assumptions and pricing structure prove to be invalid. Substantially all of our SCS and DTS services, as well as our ChoiceLease and SelectCare products offered through FMS, are provided under long- term contractual arrangements with our customers. These contractual arrangements include pricing terms that are subject to a number of key operational assumptions ~~, such as~~ : • with respect to our SCS contracts, the scope of services, production volumes, operational efficiencies, the mix of fixed versus variable costs, market wages, availability of labor, productivity, inflation, interest rates and other factors; • with respect to our DTS contracts, market wages, availability of labor, equipment costs, insurance rates, inflation, interest rates, and other operating factors; and • with respect to our ChoiceLease and SelectCare contracts, residual value estimates (ChoiceLease only) and maintenance costs (including inflation and interest rates) **, as well as other factors** . If we are incorrect in our operational assumptions, or, as a result of subsequent changes in customer demand or other market forces that are outside of our control, these assumptions prove to be invalid, we could have lower margins than anticipated in a contract or segment, lose business, or be unable to offer competitive products and services. **Although these contracts include indexed price escalation clauses or permit renegotiation upon a material change, there is no assurance that we will be successful in obtaining the necessary price adjustments or that pricing will be sufficient to cover the risk.** For example, our SCS and DTS services are highly customized and offer a high degree of specialization to meet the needs of our customers. We may not be able to adjust the pricing terms in some of our SCS and DTS contracts in the event any of our assumptions prove to be invalid. As a result, if we do not accurately predict our costs to execute SCS or DTS contracts, it could result in a significant decrease in revenue or loss that could adversely affect our operating results and financial ~~condition. Additionally, although some of our SCS or DTS contracts provide for renegotiation upon a material change, there is no assurance that we will be successful in obtaining the necessary price adjustments or that pricing will be sufficient to cover the risk.~~ Our capital **-** intensive business requires us to make capital decisions based upon projected customer activity levels and market demand for our commercial rental product line. We make significant investments in vehicles to support our rental business based on anticipated customer demand. We make commitments to purchase the vehicles many months in advance of the expected use of the vehicle and seek to optimize the size and mix of the commercial rental fleet based on demand projections and various other factors. As a result, our business is dependent on our ability to accurately estimate future levels of rental activity and consumer preferences to effectively capitalize on market demand in order to drive the highest levels of utilization and revenue per unit. Missing our projections could result in too much or too little capacity in our rental fleet. Overcapacity could require us to deploy or sell vehicles at lower than anticipated pricing levels, which may result in higher depreciation ~~and~~ **or** losses on **vehicle** sales ~~of vehicles~~. In addition, overcapacity could result in lower revenues and higher costs and have an adverse impact on profitability. Undercapacity could impact our ability to reliably provide rental vehicles to our customers and may negatively affect our reputation. We employ a sales force and operations team on a full- time basis to manage and optimize this product line; however, their efforts may not be sufficient to overcome unforeseen changes in market demand in the rental business. In contrast, in our ChoiceLease product line, we typically do not purchase vehicles until we have an executed contract with a customer. We may fail to respond adequately or in a timely manner to innovative changes in new technology in our industry. In recent years, our industry has been characterized by rapid changes in technology, leading to innovative transportation and logistics concepts that have impacted, or have the potential to significantly impact, our business model, competitive landscape **,** and the industries of our customers and suppliers. While we are actively engaged in ~~evaluating~~ **deploying** emerging technology and developing strategic alliances and new products, we cannot be certain that our initiatives will be successful or timely, and our failure to effectively implement any initiative could have an adverse impact on our financial condition or results of operations. For example, new concepts are currently under development for advanced electric vehicles, autonomous or semi- autonomous self- driving vehicles ~~,~~ **and** connected vehicle platforms ~~and drones~~. There is also a rapidly growing demand for e- commerce services, last **-** mile home delivery **,** and asset- and freight- sharing services. In addition, there may be other innovations that could impact the transportation, trucking **,** and supply chain and logistics industries ~~that~~ **, such as machine learning and artificial intelligence, as well as other technologies** we cannot yet foresee. Our inability to quickly adapt to and adopt innovations desired by our customers may result in a significant loss of demand for our service offerings. An increase in customer use of electric vehicles could reduce the demand for our vehicle maintenance services, diesel vehicles and related offerings. Likewise, self- driving vehicles may reduce the demand for our dedicated service offerings, where, in addition to a vehicle, we provide a driver as part of an integrated, full service customer solution. Moreover, advances in technology may require us to increase investments in order to remain competitive, and our customers may not be willing to accept higher prices to cover the cost of these investments. In addition, the timing of when we have to adopt new technologies may be affected by changes in the political or regulatory environment, which could further increase our investment costs, operating complexity **,** and our ability to offer such technologies to our customers in the jurisdictions in which we operate. Failure to maintain, upgrade and consolidate our information technology networks **, or maintain adequate controls over such technology systems,** could adversely affect us. Our success depends on the functionality of information technology systems to support our **business and** service offerings. ~~Extended delays or cost overruns in securing, developing and otherwise implementing technology solutions to support our business, including any future initiatives, would delay and possibly prevent us from realizing the projected benefits of these initiatives. In addition, our reputation with our customers suffers when~~ **When** outages, system failures or delays in timely access to data occur in our information technology systems that support key business processes **, for example our financial reporting and service offerings, our business may be adversely impacted. In addition, extended delays or cost overruns in securing, developing, managing and otherwise implementing technology solutions to support our business may delay and possibly prevent us from realizing the projected benefits of these solutions. Any failure to develop or maintain effective controls, including the risk of human error or misconduct, or to adequately monitor and control access to data in our systems, may result in our financial reporting being unreliable or cause us to fail to meet our reporting obligations. Further, any deficiencies found in the technology system we use to support our controls or any difficulties encountered in their implementation or improvement may also adversely affect our financial reporting**. We are continuously upgrading and consolidating our information technology systems by enhancing or replacing legacy systems. When we acquire new businesses, we also have to integrate those acquired systems to our network. These activities subject us to additional costs and risks, including disruption of our internal control structure, substantial capital expenditures, additional administration and operating expenses, impairment of our ability to provide our services, retention of sufficiently skilled personnel to implement and operate the new systems, and other costs and risks. Our system implementations may not result in productivity improvements at a level that outweighs the costs of implementation, or any increased productivity. We face risks related to cybersecurity attacks and other breaches of our systems and information technology. We depend on the integrity of our information and the proper functioning and availability of our information systems in operating our business. It is important that the data processed by these systems remains confidential and accurate as it may include sensitive customer information, confidential customer transaction data, employee records, and key financial and operational results and statistics. While we maintain an information security program that consists of industry standard safeguards and controls to help safeguard our confidential information, including security training and compliance protocols, we cannot prevent or mitigate all data breaches or cyberattacks. Threats to network and data security are becoming increasingly diverse and sophisticated, with attacks increasing in frequency (especially with the shift to remote work environments), scope and potential harm. We have experienced cybersecurity threats and breaches targeting our information technology systems and networks and those of our third- party providers. Although, to date, these incidents have not had a material impact on our financial condition or results of operations, future events could expose us to these risks. Moreover, these types of events could also expose us, our vendors, or our customers to loss or misuse of such information and restrict or prevent operations or financial reporting for a period of time. Depending on the type and scope of the intrusion or cybersecurity attack, we could face litigation or other potential liability and harm to our business. Likewise, data privacy breaches from our systems could expose personally identifiable information of our employees or contractors, sensitive customer data, or vendor data to unauthorized persons, adversely impacting our customer service, employee and customer relationships, and our reputation. In addition, some of our software applications are utilized by third parties who provide outsourced administrative functions. Such third parties may have access to confidential information that is critical to our business operations and services. While our information security program includes enhanced controls to monitor third- party providers ~~'~~ **'** security programs, these third parties are subject to their own data breaches, cyberattacks and other events or actions that could damage, disrupt or close down their networks or systems, which in turn may adversely impact our performance capabilities. **Moreover, weaknesses in vendor management or third- party controls could expose us, our vendors, or our customers to additional cybersecurity risks.** Also, efforts to prevent, detect and mitigate data breaches and cyberattacks subject us to additional costs. Regulatory authorities **continue to** ~~have increased their~~ focus on how companies collect, process, use, store, share and transmit personal data. ~~New privacy~~ **Privacy** security laws and regulations ~~, including the United Kingdom’ s Data Protection Act 2018, the European Union General Data Protection Regulation 2016, the California Consumer Privacy Act and the California Privacy Rights Act,~~ pose increasingly complex and rigorous compliance challenges, which may increase our compliance costs. Any failure to comply with data privacy laws and regulations could result in significant penalties, fines, legal challenges and reputational harm. We may fail to establish sufficient insurance reserves to adequately cover workers ~~’~~ **'** compensation and vehicle liabilities. We are substantially self- insured for vehicle liability and workers ~~’~~ **'** compensation claims. Our self- insurance accruals are based on actuarially estimated, undiscounted cost of claims, which includes claims incurred but not reported. While we believe that our estimation processes are well designed and comply with generally accepted accounting principles in the United States, actuarial techniques and best practices, any projection of losses concerning workers ~~’~~ **'** compensation and vehicle coverage is subject to a considerable degree of variability. The causes of this variability include litigation trends, claim settlement patterns, rising medical and other costs **,** as well as fluctuations in the frequency or severity of accidents. If actual losses incurred are greater than those anticipated, our self- insurance reserves may be insufficient **,** and additional costs could be recorded in our consolidated financial statements. If we suffer a substantial loss in excess of our self- insured limits, the loss and related expenses may be covered by traditional insurance and excess insurance we have in place, but if not covered or above such coverages, losses could harm our business, financial condition or results of operations. For a detailed discussion on our accounting policies and assumptions relating to our self- insurance reserves, please see the ~~“~~ **"** Critical Accounting Estimates- Self- Insurance Accruals ~~”~~ **"** section in Management ~~’~~ **'** s Discussion and Analysis of Financial Condition and Results of Operations. Strategic Risks We operate in a highly competitive industry **,** and our business may suffer if we are unable to adequately address potential downward pricing pressures and other competitive factors. The transportation industry is highly competitive. We face competition in all geographic markets and each industry sector in which we operate. Increased competition or our inability to compete successfully may lead to a reduction in revenues, reduced profit margins, increased pricing pressure, or a loss of market share, any one of which could affect our financial results. Numerous competitive factors could impair our ability to maintain our current profitability, including: • our inability to obtain expected customer retention levels or profitability; • customers may choose to provide the services we provide for themselves; • we compete with many other transportation and logistics service providers, some of which have greater capital resources or lower cost structures than we do; • our inability to compete with new entrants in the transportation and logistics market that may offer similar services at lower cost or have greater technological capabilities; • our competitors may periodically reduce their prices to gain business, especially during times of declining economic growth, which may limit our ability to maintain or increase prices or impede our ability to maintain our profitability or grow our market share or profitability; • many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress rates or result in the loss of some of our business to competitors; • the continuing trend toward consolidation in the trucking industry may result in larger carriers with greater financial resources than we have; • advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher prices to cover the cost of these investments; and • because cost of capital is a significant competitive factor, any increase in either the cost of our debt or equity as a result of **, for example,** reductions in our debt rating or stock price volatility could have a significant impact on our competitive position. Failure to execute our business strategy, explore strategic transactions, and develop, market and deliver high- quality services that meet customer expectations may cause our revenue and earnings to suffer. Our **balanced growth strategy focuses on de- risking and optimizing the business model, enhancing returns and free cash flow, and driving** long- term ~~business strategy is to move~~ **profitable growth, including by moving** clients to outsource their **logistics and** transportation ~~and logistics~~ needs and thereby expand the market for our services **, among other factors** . We seek to execute our strategy by providing innovative solutions, operational excellence, top customer service, superior talent and best- in- class information technology **, while also attempting to mitigate risks to the business** . ~~By providing high~~ **Failure to execute our business strategy may negatively impact our ability to continue to create long** - **term shareholder value** ~~quality leasing services, we aim to attract customers that traditionally have only been interested in operating their own transportation~~ and ~~logistics networks~~ **may result in stock price volatility** . To successfully execute on this strategy, we must continue to focus on developing innovative solutions that meet **both** our existing and target customers ~~’~~ **'** evolving needs and keep pace with our competitors. Expanding our service offerings to entice and support new clients may strain our management, capital resources, information systems and customer service. We may also need to hire new employees, which may increase costs and may result in temporary inefficiencies until those employees become proficient in their jobs. In furtherance of our strategy, we routinely evaluate opportunities and may enter into agreements for possible strategic transactions, including acquisitions, partnerships or divestitures. We may be unable to identify strategic transactions or we may be unable to negotiate commercially acceptable terms. Other risks involved in engaging in these strategic transactions include the possible failure to realize the expected benefits of such transactions within the anticipated time frame, or at all, such as cost savings, synergies, sales and growth opportunities. In addition, the integration of an acquired business may result in material unanticipated challenges, expenses and liabilities. Any one of these factors could result in lower than expected revenues or earnings ~~related to combining the companies or derived~~ from ~~a~~ **the acquisition or** strategic transaction and could adversely impact our financial condition or results of operations. For example, in ~~2022~~ **2023** we completed ~~several~~ **an** ~~acquisitions~~ - **acquisition** that expanded our ~~e- commerce network~~ **contract packaging, contract manufacturing and warehousing capabilities** ; however, if we fail to properly integrate ~~those~~ **that** ~~businesses~~ -- **business** , there is a risk that the ~~acquisitions~~ - **acquisition** will not add the forecasted revenue to SCS or provide the expected incremental growth to earnings.

Notwithstanding our efforts, new or enhanced service offerings may not meet customer demands, prove to be profitable **,** or succeed in the long term. If we do not respond to current customer needs and establish new, and further develop existing, customer relationships, our ability to maintain a competitive advantage and continue to grow our business profitability could be negatively affected. We and the vehicle equipment manufacturers in our FMS business rely on a small number of suppliers. We buy vehicles and related equipment from a relatively small number of OEMs in our FMS business. Some of our **OEMs** ~~vehicle manufacturers~~ rely on a small concentration of suppliers for certain vehicle parts, components and equipment. A discrete event in a particular OEM ~~’~~ **'** s or supplier ~~’~~ **'** s industry or location, or adverse regional economic conditions impacting an OEM or supplier ~~’~~ **'** s ability to provide vehicles or a particular component, has and could in the future adversely impact our FMS business and profitability. In addition, our business and reputation could also be negatively impacted if any parts, components or equipment from one of our suppliers suffer from broad- based quality control issues or become the subject of a product recall and we are unable to obtain replacement parts from another supplier in a timely manner. Although we believe we have alternative sources of supply for the equipment and other supplies used in our business, termination or significant alteration of our relationship with any of our key suppliers could have a material adverse effect on our business, financial condition or results of operations in the unlikely event that we were unable to obtain adequate equipment or supplies from other sources in a timely manner or at all. We derive a significant portion of our SCS and DTS ~~segment~~ revenue from a **limited** ~~relatively small~~ number of customers. **In our SCS and DTS businesses a limited number of customers account for a significant portion of revenue. Although we maintain multiple service contracts with each of these large customers, the loss of or reduction in business from one or more of these large customers could have a material adverse effect on our business, results of operations and financial condition. While we continue to focus our efforts on diversifying our customer and carrier base, we may not be successful in doing so.** During ~~2022~~ **2023** , sales to our top ten SCS customers accounted for ~~42~~ **about 40** % of our SCS total revenue and ~~34~~ **about 35** % of our SCS operating revenue (a non- GAAP measure excluding fuel and subcontracted transportation) ~~. Additionally, 32 % of our SCS total revenue and 27 % of our SCS operating revenue (a non- GAAP measure excluding fuel and subcontracted transportation) is from the automotive industry and is directly impacted by automotive vehicle production~~ . Our top ten DTS customers accounted for **about** 40 % of DTS total revenue and ~~37~~ **about 35** % of DTS operating revenue (a non- GAAP measure excluding fuel and subcontracted transportation). ~~The loss of any of these customers or a significant reduction in the services provided to any of these customers could materially and adversely impact our operating results. While we continue to focus our efforts on diversifying our customer base, we may not be successful in doing so.~~ We are also subject to credit risk associated with the concentration of our accounts receivable from our SCS and DTS customers. **We have had to take an asset impairment charge in the past when one of our SCS customers filed for bankruptcy, which adversely impacted our operating results.** If one or more of ~~these~~ **our** customers were to become bankrupt, insolvent or otherwise were unable to pay for the services **we** ~~provided~~ - **provide** ~~by us~~ , we may incur significant write- offs of accounts receivable or incur lease or asset impairment charges that could adversely affect our operating results and financial condition. In addition, many of our **SCS** customers operate in cyclical or seasonal industries, or operate in industries, ~~including~~ **such as** the food and beverage industry, that may be impacted by unanticipated weather, growing conditions (such as drought, insects or disease), natural disasters, pandemics, and other conditions over which we have no control. ~~A~~ **Because of the concentration of customers in our SCS business, a** downturn in our customers **'** ~~’ businesses or unanticipated events impacting their~~ businesses could cause a reduction in freight volume shipped by those customers or a reduction in their need for our services, which could materially and adversely affect our operating results and financial condition. Human Capital If we are unable to mitigate labor shortage challenges **,** our financial results may continue to be negatively impacted. We ~~are~~ **have** ~~experiencing~~ **experienced** ~~higher~~ -- **high** labor costs due to labor shortage challenges across all of our business segments, particularly our DTS and SCS segments. These higher labor costs as well as higher subcontracted transportation costs have negatively impacted our earnings in both DTS and SCS ~~in the past~~ . If labor shortages continue for an extended period of time, our earnings may be further adversely impacted. Professional Drivers. We hire professional drivers primarily for our SCS and DTS business segments. There is significant competition for qualified professional drivers in the transportation industry. Additionally, interventions and enforcement under the CSA program may shrink the industry ~~’~~ **'** s pool of professional drivers as those drivers with unfavorable scores may no longer be eligible to drive for us. As a result of driver shortages, we have, and in the future could continue to be required to **,** increase driver compensation, let trucks sit idle, use outside driver agencies and subcontracted transportation carriers ~~;~~ **,** or face difficulty meeting customer demands, all of which could adversely affect our growth and profitability. Technicians. Similarly, we hire technicians in our FMS business segment to perform vehicle maintenance services on our ChoiceLease, SelectCare and rental fleets. In recent years, there has been a decrease in the overall supply of skilled maintenance technicians, particularly new technicians with qualifications from technical programs and schools, which could make it more difficult to attract and retain skilled technicians. If we are unable to maintain an adequate number of qualified technicians, whether through the retention of current technicians or the hiring of new qualified technicians, our business could be adversely affected. Management and Other Key Personnel. The foundation to our success is developing a skilled and diverse workforce that is motivated and committed to providing our customers with extraordinary service. If we fail to recruit, retain and motivate our employees in senior management and other key roles such as technology and supply chain management, or fail to preserve company culture, then we may not be able to execute on our strategy and grow our business as planned. In addition, we are committed to creating a **positive** ~~diverse, equitable~~ and collaborative work environment ~~by implementing diversity and inclusion initiatives~~ throughout our organization. If we do not, or are perceived not to, ~~successfully implement these initiatives~~ **have such a work environment** , our reputation or ability to recruit and retain talent may be adversely impacted. Moreover, our current employees may terminate their employment with us at any time with minimal advance notice, and we are experiencing increased competition for talent that is making it more difficult for us to retain the employees we have and to recruit new employees. In addition, we are facing increased regulatory and compliance requirements that further decrease the pool of available candidates.

~~Failure to successfully negotiate with~~ **A significant labor dispute involving us, our vendors,** ~~our~~ **or** ~~union employees~~ **one or more of our customers, or that could otherwise affect our operations,** may result in strikes, work stoppages ~~,~~ or substantially higher labor costs. We have approximately 3, 700 employees **in the U. S.** that are organized by labor unions whose wages and benefits are governed by ~~96~~ **98** labor agreements that are renegotiated periodically. Disputes with regard to the terms of these agreements or our potential inability to negotiate acceptable contracts with these unions in the future could result in, among other things, a material work stoppage, slowdown or strike by the affected employees. If our workers were to engage in a work stoppage, strike or other slowdown, ~~or~~ other employees were to become unionized, or the terms and conditions in future labor agreements were renegotiated, we could experience significant business disruptions or higher operating costs, which could have an adverse effect on our financial position, results of operations ~~,~~ or cash flows **. Moreover, a current or future labor dispute involving our vendors or customers, or that could otherwise affect our operations, could affect our business, financial condition or results of operations** . Environmental, Climate and Weather Risks Our business may be affected by global climate change and legal, regulatory or other market responses to such change. Global, federal, state and local legislative and regulatory efforts to address the effects of global warming and climate change have affected and will likely continue to affect our businesses. For example, federal, state and local governments are considering **or implementing environmental disclosure requirements,** emission reduction (e. g., greenhouse gas and nitrogen dioxide) regulatory requirements ~~or~~ **and** related taxes, zero- emission vehicle mandates and **other** increased ~~environmental disclosure and~~ compliance requirements. These and other similar efforts may impose restrictions on our activities or require us to take certain actions, all of which may, over time, increase our costs and adversely affect our business and results of operations. For instance, a regulatory mandate for the use of zero- emission vehicles or ban of diesel **-** or gasoline **-** powered vehicles could reduce the ~~resell~~ **resale** value and demand for our vehicles as well as the demand for maintenance services in FMS and offerings in our SCS and DTS businesses. In addition, in the U. S., compliance with environmental regulations and the associated potential cost is complicated by the fact that states are following different approaches to the regulation of climate change. As a result, we cannot predict the ultimate effect on our operating results or cost structure until the timing, scope and extent of any such regulations become known. On the other hand, even absent any such regulation, increased awareness on the impact of climate change and any adverse publicity about emissions by the transportation industries could accelerate the adoption of new technology and potentially decrease customer demands for some of our services and used vehicles if consumers change their purchasing behaviors in response to the effects of climate change. Severe weather or other natural occurrences could result in significant business interruptions and expenditures in excess of available insurance coverage. Our business is more susceptible to severe weather and other natural occurrences as we operate a capital- intensive business with a large number of vehicles and need to access roads and warehouses in order to service our customers. Severe weather may negatively affect our operations as it may damage our vehicles and facilities ~~,~~ and prohibit our workforce from servicing our customers. In addition, fuel costs may rise and other significant business interruptions could occur. Insurance to protect against loss of business and other related consequences resulting from these natural occurrences is subject to coverage limitations, and may not be sufficient to cover all of our damages ~~and~~ **or** may not be available at commercially reasonable rates ~~. The frequency or intensity of severe weather events has increased in the last 20 years as a result of global climate change, according to United Nations Office for Disaster Risk Reduction, and may continue to do so~~ . Legal and Regulatory Risks We face litigation risks that could have a material adverse effect on the operation of our business. We face litigation risks regarding a variety of issues, including accidents involving our trucks and injuries to employees, alleged violations of federal and state labor and employment law including class- action lawsuits alleging wage and hour violations, independent contractor misclassification and improper pay, securities laws, environmental liability, commercial claims, cyber and other matters. These proceedings may be time- consuming, expensive and disruptive to normal business operations. The defense of such lawsuits could result in significant expense and the diversion of our management ~~’~~ **'** s time and attention from the operation of our business. In recent years, several insurance companies have stopped offering coverage to trucking companies and reduced capacity limits as a result of increases in the severity of automobile liability claims and higher costs of settlements and verdicts, causing the cost of such insurance to increase. This trend could adversely affect our ability to obtain suitable insurance coverage or further increase the cost for such coverage significantly, each of which may adversely affect our financial condition, results of operations, liquidity or cash flows. Costs we incur to defend or to satisfy a judgment or settlement of these claims may not be covered by insurance or could exceed the amount of that coverage or increase our insurance costs and could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows. We operate in a highly regulated industry, and changes in existing regulations or costs of compliance with, or liability for violation of, existing or future laws or regulations could have a material adverse effect on our business. Our business is subject to regulation by various federal, state, local and foreign governmental agencies. In the U. S., the Department of Transportation (DOT), as well as local, state and other federal agencies exercise broad powers over our motor carrier operations, safety and the treatment and disposal of waste materials. We are also subject to environmental laws and regulations imposed by the EPA, including requirements related to exhaust emissions **, as well as regulations imposed by the Food and Drug Administration (FDA) and the United States Department of Agriculture (USDA)** . Given the size of our employee base, we are also subject to health and safety laws imposed by OSHA, as well as those imposed by state and local authorities. In addition, we must also comply with domestic and international laws and regulations related to tax **. We are further subject to anti- bribery, anti- corruption, and anti- money laundering laws, including the U. S. Foreign Corrupt Practices Act and Office of Foreign Assets Control (OFAC) restrictions** . Compliance with existing laws and regulations has involved, and we expect will continue to involve, significant time commitments and costs, and in recent years, we have seen an increase in proactive regulatory enforcement. For example, the DOT, through the Federal Motor Carrier Safety Administration (FMCSA) **,** periodically conducts compliance reviews and evaluates the safety rating assessed to motor carriers (~~“~~ **"** satisfactory, ~~” “~~ **""** conditional ~~”~~ **"** or ~~“~~ **"** unsatisfactory ~~”~~ **"**). The receipt of a final ~~“~~ **"** conditional ~~”~~ **"** or ~~“~~ **"** unsatisfactory ~~”~~ **"** safety rating due to deficiencies in our safety and compliance program could have a material adverse effect on our customer relationships, as some of our existing customer contracts require a ~~“~~**"** satisfactory ~~”~~**"** DOT safety rating. Moreover, if we fail to comply with DOT regulations, including our failure to maintain a ~~“~~**"** satisfactory ~~”~~**"** DOT safety rating, the DOT could levy fines and require us to cease all transportation services under our operating authority, which could have a material adverse effect on our business. In addition, compliance and enforcement initiatives implemented by the FMCSA related to driver time, fitness and safety may shrink the industry ~~’~~**'** s pool of qualified professional drivers. ~~These initiatives and the current shortage of qualified drivers could increase the costs to attract, train and retain qualified drivers, as well as increase driver turnover, decrease asset utilization, limit growth, and adversely impact our results of operations.~~ With respect to our international operations in Canada ~~, Europe~~ and Mexico, we are subject to local laws and regulatory requirements, including tax and anti- bribery laws, which vary significantly from country to country. Our failure to comply with each of these laws may expose us to legal liability, fines or other penalties. In addition, new laws, rules or regulations may be adopted or interpretative changes to existing regulations could be issued at any time. Any new initiatives could further increase our costs or operating complexity and our ability to offer certain services in the jurisdictions in which we operate. Our failure to comply with any existing or future laws or regulations, whether actual or alleged, could have a material adverse effect on our business and on our ability to access the capital required to operate our business. Among other things, any such failure could expose us to reputational harm, loss of business, fines, penalties or potential litigation liabilities, and the loss of operating authority and restrictions on our operations. For example, compliance with new laws or regulations related to employee and independent contractor classification may cause us to incur additional exposure under federal and state tax and employment laws. Similarly, compliance with new environmental laws or regulations may also impose new restrictions on our business or require us to take certain actions that may increase our costs and adversely affect our business. We may also fail to ensure that companies we acquire, that may not have historically maintained internal compliance controls, risk mitigation processes, or policies or procedures, comply with regulatory and legal requirements consistent with our standards. Moreover, we are also subject to reputational risk and other detrimental business consequences associated with noncompliance by other parties with whom we engage with, such as employees, customers, agents, suppliers or other persons using our supply chain or assets to commit illegal acts, including the use of company assets for terrorist activities **, fraud** or a breach of data privacy laws. Our failure to comply with U. S. or foreign tax laws or a government challenging our tax position could adversely affect our business and future operating results. We are affected by various U. S. federal, state and foreign tax laws, including income taxes ~~and~~ **,** taxes imposed on the purchase, sale and lease of goods and services, such as sales, excise, property, value- added tax, fuel, environmental and other taxes **, and taxes imposed on multinational corporations. If we are unable to successfully take actions to manage the adverse impacts of new tax legislation, or if additional interpretations, regulations, amendments or technical corrections exacerbate the adverse impacts of such legislation, our financial condition, results of operations and cash flows could be adversely affected** . In **addition, in** the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. For example, significant judgment is required in determining our worldwide provision for income taxes ~~. Our~~ **and our** tax expense includes estimates of additional tax that may be incurred for tax exposures and reflects various estimates and assumptions ~~, including assessments that could affect the valuation of our net deferred tax assets~~ . Our operating results could be adversely affected by changes in the effective tax rate as a result of a change in **a variety of factors, including** the mix of earnings in countries with differing statutory tax rates ~~,~~ **and** changes in our overall profitability ~~, changes in tax legislation, the results of audits and examinations of previously filed tax returns and continuing assessments of our income and indirect tax exposures~~ . ~~In addition, from~~ **From** time to time we are **also** under audit by tax authorities in different jurisdictions with regards to income tax and indirect tax matters ~~. Economic and political pressures to increase tax revenue in various jurisdictions may make resolving tax disputes favorably more difficult~~ . Although we believe our tax estimates are reasonable, the final determination of tax audits and any other related tax proceedings in the jurisdictions where we are subject to taxation could be materially different from our historical income and indirect tax provisions and accruals. ~~Finally, changes in U. S. federal, state or international tax laws applicable to corporate multinationals, other tax reform currently being considered by many countries, including the U. S., and changes and clarifications in taxing jurisdictions’ administrative interpretations, decisions, policies and positions may materially adversely impact our tax expense and cash flows. The U. S. Congress, the Organization for Economic Co- operation and Development, the European Union, and other government agencies in jurisdictions in which we and our affiliates invest or do business have maintained a focus on the taxation of multinational companies and have a number of on- going tax initiatives. If we are unable to successfully take actions to manage the adverse impacts of new tax legislation, or if additional interpretations, regulations, amendments or technical corrections exacerbate the adverse impacts of such legislation, the legislation could have a material adverse effect on our financial condition, results of operations and cash flows.~~ General Risk Factors Our business may be affected by uncertainty or changes in U. S. or global social, political or regulatory conditions. Adverse developments in laws, policies or practices in the U. S. and internationally can negatively impact our business and the ~~business~~ **businesses** of our customers. Negative domestic and international global trade conditions as a result of social, political or regulatory changes or perceptions could materially affect our business, financial conditions and results of operations. We provide services domestically and to a lesser extent outside of the U. S., which subjects our business to various additional risks, including: • changes in tariffs, trade restrictions, trade agreements ~~,~~ and taxes; • varying tax regimes, including consequences from changes in applicable tax laws; • difficulties in managing or overseeing foreign operations and agents; • foreign currency fluctuations and limitations on the repatriation of funds due to foreign currency controls; • different liability standards; • fluctuations in inflation **and interest** rates; • the price and availability of fuel; • national and international conflict; and • intellectual property laws of countries that do not protect our rights in intellectual property to the same extent as the laws of the U. S. If we do not correctly anticipate changes in social, political or regulatory conditions or their impact on the transportation industry, we may not alter our business practices in time to avoid adverse effects. Additionally, the occurrence or consequences of any of these factors may restrict our ability to operate in the affected region and / or decrease the profitability of our operations in that region. Our suppliers may also be affected by changes in the political and regulatory environment, both in the U. S. and internationally. Negative impacts on our suppliers could result in disruptions ~~in~~ **to** the supply and availability of equipment or services needed for our business that could in turn affect our ability to operate and serve our customers as planned. Volatility in assumptions, discount rates ~~,~~ and asset values related to our pension plans may adversely affect the valuation of our obligations, the current funding levels and our pension expense under our defined benefit pension plans. We historically sponsored a number of defined benefit plans for employees not covered by union- administered plans, including certain employees in foreign countries. As of December 31, ~~2022~~ **2023** , the aggregate projected benefit obligations of our global defined pension plans was $ 1. ~~7~~ **9** billion, and the plan assets of our global defined benefit pension plans was $ 1. 6 billion. The funded status of the plans, equal to the difference between the present value of plan obligations and assets, is a significant factor in determining pension expense and the ongoing funding requirements of those plans. Macroeconomic factors, as well as changes in investment returns and discount rates used to calculate pension expense and related assets and liabilities, can be volatile and may have an unfavorable impact on our costs and funding requirements. Although we have actively sought to control increases in these costs and funding requirements through investment policies and plan contributions, there can be no assurance that we will succeed, and continued cost and funding requirement pressure could reduce the profitability of our business and negatively impact our cash flows. Damage to our reputation through unfavorable publicity or the actions of our employees could adversely affect our financial condition. Our success depends on our ability to consistently deliver operational excellence and strong customer service. Our inability to deliver our services and solutions as promised on a consistent basis, or our customers having a negative experience or otherwise becoming dissatisfied, can negatively impact our relationships with new or existing customers and adversely affect our brand and reputation, which could, in turn, adversely affect revenue and earnings growth. Adverse publicity (whether or not justified) relating to activities by our employees, contractors, agents or others with whom we do business, such as customer service mishaps or noncompliance with laws, **including misconduct, fraud or other improper activities,** could tarnish our reputation and reduce the value of our brand. With the increase in the use of social media outlets **,** such as Facebook, YouTube ~~,~~ **and** Instagram ~~and Twitter~~ **, amongst others** , adverse publicity can be disseminated quickly and broadly, making it increasingly difficult for us to effectively respond. This unfavorable publicity could also require us to allocate significant resources to rebuild our reputation. We may be negatively impacted by adverse events in the global credit and financial markets, by an investment rating downgrade **,** or by the loss of an investment grade rating. Our FMS business is highly capital intensive **,** and its profitability could be adversely affected if we are unable to obtain sufficient capital to fund its operations. In general, we rely in large part upon global credit and financial markets to fund our operations and contractual commitments as well as to refinance existing debt. These markets can experience high levels of volatility **,** and our access to capital could be constrained for extended periods. Our ability to raise capital may be materially reduced or our borrowing costs may significantly increase if, among other things, access to public investment **-** grade debt becomes limited or closed, we lose access to our global revolving credit facility, or funding costs increase due to the loss of an investment grade rating, a severe economic downturn **,** or rising interest rates. As of December 31, ~~2022~~ **2023** , we had $ ~~6~~ **7** . ~~4~~ **2** billion of outstanding indebtedness. If we are unable to raise additional capital by accessing the debt and equity markets or our costs of raising additional capital were to materially increase, our business could experience a material adverse effect on our operating results or we could face difficulty in implementing our long- term strategy. Future acts of terrorism or war, or regulatory changes to combat the risk of terrorism or war may cause significant disruptions in our operations. Transportation assets such as our fleet of vehicles and other infrastructure and information technology systems remain a target for terrorist activities. Terrorist attacks, along with any government response to those attacks, may adversely affect our financial condition, results of operations or liquidity. Regulations adopted by federal, state or local governmental bodies **, including the Office of Foreign Assets Control (OFAC),** that impact the transportation industry, including checkpoints and travel restrictions on large trucks, could disrupt or impede the timing of our operations or cause us to incur increased expenses in order to continue meeting customer requirements. In addition, complying with these or future regulations could continue to increase our operating costs and reduce operating efficiencies. We maintain insurance coverages addressing these risks **,** and we have received U. S. Patriot Act protections for our security practices related to the rental of our assets. However, such insurance may be inadequate or become unavailable, premiums charged for some or all of the insurance could increase dramatically, regulations may change **,** or U. S. Patriot Act protections could be reduced. These changes could exacerbate the effects of an act of terrorism on our business, resulting in a significant business interruption, increased costs and liabilities and decreased revenues **,** or an adverse impact on results of operations.