

Risk Factors Comparison 2025-02-28 to 2024-02-22 Form: 10-K

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

You should carefully consider the risks described below. These risks and uncertainties are not the only ones we face. Additional risks and uncertainties not presently known to us or other factors not perceived by us to present significant risks to our business at this time also may impair our business and results of operations. If any of the stated risks actually occur, they could materially and adversely affect our business, financial condition or operating results.

Risks Related to Our Operations We depend on a limited number of key customers, and the loss of any such customer, or a significant reduction in purchases by such customer, could have a material adverse effect on our business, financial condition and results of operations. Our three largest individual customers accounted for approximately ~~59~~**60.7** % of our consolidated net sales in ~~2023~~**2024**. During ~~2023~~**2024**, O' Reilly Auto Parts, AutoZone and NAPA accounted for ~~29~~**28.4** %, ~~16~~**18.8** % and ~~14~~**13.5** % of our consolidated net sales, respectively. **Net sales from each of the customers were reported in our Vehicle Control and Temperature Control operating segments.** The loss of one or more of these customers or, a significant reduction in purchases of our products from any one of them could have a ~~materially~~**material** adverse impact on our business, financial condition and results of operations. In addition, any consolidation among our key customers may further increase our customer concentration risk. In our automotive aftermarket business, we do not typically enter into long- term agreements with any of our customers. Instead, we enter into a number of purchase order commitments with our aftermarket customers, based on their current or projected needs. We have in the past, and may in the future, lose customers or lose a particular product line of a customer due to the highly competitive conditions in the automotive aftermarket industry, including pricing pressures, consolidation of customers, customer initiatives to buy direct from foreign suppliers and / or to pursue a private brand strategy, or other business considerations. A decision by any significant customer, whether motivated by competitive conditions, financial difficulties or otherwise, to materially decrease the amount of products purchased from us, to change their manner of doing business with us, or to stop doing business with us, including a decision to source products directly from a low cost region such as Asia, could have a material adverse effect on our business, financial condition and results of operations. Because our sales are concentrated, and the markets in which we operate are very competitive, we are under ongoing pressure from our customers to offer lower prices, extend payment terms, increase marketing allowances and other terms more favorable to these customers. These customer demands have put continued pressure on our operating margins and profitability, resulted in periodic contract renegotiation to provide more favorable prices and terms to these customers, and significantly increased our working capital needs.

Index**Our** industry is highly competitive, and our success depends on our ability to compete with suppliers of automotive products, some of which may have substantially greater financial, marketing and other resources than we do. The automotive industry is highly competitive, and our success depends on our ability to compete with ~~other domestic and international~~ suppliers of automotive products. In the automotive aftermarket, we compete primarily with full- line suppliers, short- or value- line suppliers, tier suppliers and service part operations of original equipment manufacturers, including car dealerships, and the direct import programs of certain retailers. In the diverse non- aftermarket end markets we supply, we compete primarily with global and regional tier suppliers of original equipment manufacturers. Some of our competitors may have larger customer bases and significantly greater financial, technical and marketing resources than we do. These factors may allow our competitors to:

- respond more quickly than we can to new or emerging technologies and changes in customer requirements by devoting greater resources than we can to the development, promotion and sale of automotive products and services;
- engage in more extensive research and development;
- sell products at a lower price than ~~us we do~~;
- undertake more extensive marketing campaigns; and
- make more attractive offers to existing and potential customers and strategic partners.

We cannot assure you that our competitors will not develop products or services that are equal or superior to our products or that achieve greater market acceptance than our products or that in the future other companies involved in the **Index** automotive industry will not expand their operations into product lines produced and sold by us. We also cannot assure you that additional entrants will not enter the automotive industry or that companies in the industry will not consolidate. Any such competitive pressures could cause us to lose market share or could result in significant price decreases and could have a material adverse effect upon our business, financial condition and results of operations. There is substantial price competition in our industry, and our success and profitability will depend on our ability to maintain a competitive cost and price structure. There is substantial price competition in our industry, and our success and profitability will depend on our ability to maintain a competitive cost and price structure. This is the result of a number of industry trends, including the impact of offshore suppliers in the marketplace (particularly in China) which do not have the same infrastructure costs as we do, the consolidated purchasing power of large customers, and actions taken by some of our competitors in an effort to ‘ ‘ win over’’ new business. We have in the past reduced prices to remain competitive and may ~~have to~~ do so again in the future. Price reductions have impacted our sales and profit margins and may do so **again** in the future. Our future profitability will depend in part upon our ability to respond to changes in product and distribution channel mix, to continue to improve our manufacturing efficiencies, to generate cost reductions, including reductions in the cost of components purchased from outside suppliers, to maintain a cost structure that will enable us to offer competitive prices, and to pass through higher distribution, raw materials and labor costs to our customers. Our inability to maintain a competitive cost structure could have a material adverse effect on our business, financial condition and results of operations.

Index**Our** business is seasonal and is subject to substantial quarterly fluctuations, which impact our quarterly performance and working capital requirements. Historically, our operating results have fluctuated by quarter, with the greatest sales occurring in the second and third quarters of the year and revenues generally being recognized at the time of shipment. It is

in these quarters that demand for our temperature control products is typically the highest. The demand for our temperature control products during the second and third quarters of the year may vary significantly with the summer weather and customer inventories. As such, our working capital requirements typically peak near the end of the second quarter, as the inventory build-up of air conditioning products is converted to sales, and payments on the receivables associated with such sales have yet to be received. These increased working capital requirements are funded by ~~borrowing~~ **borrowings from under** our revolving credit facility ~~in our Credit Agreement~~. Climate-related physical risks, such as changes to weather patterns and conditions may also impact the pattern of seasonality and variability in demand for our ~~Temperature~~ **temperature Control control** products discussed above, which may impact our quarterly performance and working capital requirements. We may incur material losses and significant costs as a result of warranty-related returns by our customers in excess of anticipated amounts. Our products are required to meet rigorous standards imposed by our customers and our industry. Many of our products carry a warranty ranging from a 90-day limited warranty to a **limited** lifetime ~~limited~~ warranty, which generally ~~covers~~ **cover** defects in materials or workmanship, and conformance to agreed upon specifications. ~~If in the event that~~ our products fail to conform to these warranties, the affected products may be subject to warranty returns and / or product recalls. ~~We~~ **Although we maintain a comprehensive quality control program, we cannot give any assurance that our products will not suffer from defects or other deficiencies or that we will not experience material warranty returns or product recalls in the future. We accrue for warranty returns as a percentage of sales, after giving consideration to recent historical returns. Actual returns may differ from our** ~~While we believe that we make reasonable estimates for warranty returns in accordance with our revenue recognition policies ; actual returns may differ from our estimates~~. We have in the past incurred, and may in the future incur, material losses and significant costs as a result of our customers returning products to us for warranty-related issues in excess of anticipated amounts. Deficiencies or defects in our products in the future may result in warranty returns and product recalls in excess of anticipated amounts and may have a material adverse effect on our business, financial condition and results of operations. Our profitability may be materially adversely affected as a result of overstock inventory related returns by our customers in excess of anticipated amounts. In our automotive aftermarket business, we permit overstock returns of inventory that may be either new or non-defective or non-obsolete but that we believe we can re-sell. Customers are generally limited to returning overstocked inventory according to a specified percentage of their annual purchases from us. In addition, a customer's annual allowance cannot be carried forward to the upcoming year. We accrue for overstock returns as a percentage of sales, after giving consideration to recent historical returns. While we believe that we make reasonable estimates for overstock returns in accordance with our revenue recognition policies, actual returns may differ from our estimates. To the extent that overstocked returns are materially in excess of our projections, our business, financial condition and results of operations may be materially adversely affected. ~~Index~~ ~~We~~ **We** may be materially adversely affected by asbestos claims arising from products sold by our former brake business, as well as by other product liability claims. In 1986, we acquired a brake business, which we subsequently sold in March 1998. When we originally acquired this brake business, we assumed future liabilities relating to any alleged exposure to asbestos-containing products manufactured by the seller of the acquired brake business. In accordance with the related purchase agreement, we agreed to assume the liabilities for all new claims filed after September 2001. Our ultimate exposure will depend upon the number of claims filed against us on or after September 2001, and the amounts paid for settlements, awards of asbestos-related damages, and defense of such claims. We do not have insurance coverage for the indemnity and defense costs associated with the claims we face. At December 31, ~~2023~~ **2024**, 1, ~~390~~ **287** cases were outstanding for which we may be responsible for any related liabilities. Since inception in September 2001 through December 31, ~~2023~~ **2024**, the amounts paid for settled claims and awards of asbestos-related damages, including interest, were approximately \$ ~~74~~ **91**. ~~6~~ **4** million. A substantial increase in the number of new claims, or increased settlement payments, or awards of asbestos-related damages, could have a material adverse effect on our business, financial condition and results of operations. In accordance with our policy to perform an annual actuarial evaluation in the third quarter of each year, an actuarial study was performed as of August 31, ~~2023~~ **2024**. **The results of the August 31, 2024 study included an estimate of our undiscounted liability for settlement payments and awards of asbestos-related damages, excluding legal costs, ranging from \$ 99.6 million to \$ 210.8 million for the period through 2065**. Based upon the results of the August 31, ~~2023~~ **2024** actuarial study, and all other available information to us, we increased our asbestos liability to **\$ 99.6 million**, the low end of the range, and recorded an incremental pre-tax provision of \$ ~~23~~ **29**. ~~8~~ **3** million in ~~earnings~~ **(loss)** from discontinued operations in the accompanying statement of operations. ~~The results of the August 31, 2023 study included an estimate of our undiscounted liability for settlement payments and awards of asbestos-related damages, excluding legal costs, ranging from \$ 84 million to \$ 135.3 million for the period through 2065~~. Future legal costs, which are expensed as incurred and reported in ~~earnings~~ **(loss)** from discontinued operations in the accompanying statement of operations, are estimated, according to the August 31, ~~2023~~ **2024** study, to range from \$ ~~53~~ **49**. ~~1~~ **8** million to \$ ~~105~~ **115**. ~~2~~ **9** million for the period through 2065. Given the uncertainties associated with projecting asbestos-related matters into the future and other factors outside our control, we cannot give any assurance that significant increases in the number of claims filed against us will not occur, that awards of asbestos-related damages or settlement awards will not exceed the amount we have in reserve, or that additional provisions will not be required. Management will continue to monitor the circumstances surrounding these potential liabilities in determining whether additional reserves and provisions may be necessary. We plan on performing an annual actuarial analysis during the third quarter of each year for the foreseeable future, and whenever events or changes in circumstances indicate that additional provisions may be necessary. In addition to asbestos-related claims, our product sales entail the risk of involvement in other product liability actions. ~~We maintain product liability insurance coverage, but we~~ cannot give any assurance that current or future policy limits **of our product liability insurance coverage** will be sufficient to cover all possible liabilities. Further, we can give no assurance that adequate product liability insurance will continue to be available to us in the future or that such insurance may be maintained at a reasonable cost to us. In the event of a successful product liability claim against us, a lack or

insufficiency of insurance coverage could have a material adverse effect on our business, financial condition and results of operations. We may not be able to achieve the benefits that we expect from our cost savings initiatives. We expect to realize the continued benefit of discretionary cost reduction measures, along with the continued cost savings anticipated from several ongoing and / or recently completed restructuring and integration initiatives. Due to factors outside our control, such as **changes in U. S. trade policy resulting in new or higher tariffs**, the adoption or modification of domestic and foreign laws, regulations or policies **and other factors such as changes in our sales levels or the amount, timing and character of charges related to such initiatives, or a substantial delay in the completion of such initiatives**, we may not be able to achieve the level of benefits that we expect to realize in these initiatives, or we may not be able to realize these benefits within the time frames we currently expect. ~~Our ability to achieve any anticipated cost savings could be affected by a number of factors such as changes in the amount, timing and character of charges related to such initiatives, or a substantial delay in the completion of such initiatives.~~ Failure to achieve the benefits of our cost saving initiatives could have a material adverse effect on us. **Severe** ~~Our~~ **cost savings is also predicated upon maintaining our sales levels.** ~~Index~~ **Severe** weather, natural disasters and other disruptions could adversely impact our operations at our manufacturing and distribution facilities. Severe weather conditions and natural disasters, such as hurricanes, tornados, earthquakes and floods, could damage our properties and effect our operations, particularly our major manufacturing and distribution operations at foreign facilities in Canada, China, **Denmark, Germany, Hungary, Mexico, Netherlands, Poland, Germany and Hungary-Slovakia**, and at our domestic facilities in Florida, Indiana, Kansas, South Carolina, Texas, Virginia, and Wisconsin. Moreover, global climate change may cause these natural disasters to occur more frequently and / or with more intense effects, which could prevent us from, or cause delays in our ability to, manufacture and deliver products to our customers, and / or cause us to incur additional costs. In addition, our business and operations could be materially adversely affected in the event of other serious disruptions at these facilities due to fire, electrical blackouts, power losses, telecommunications failures, wars, terrorist attack, **widespread outbreak of infectious disease** or similar events. Any of these occurrences could impair our ability to adequately manufacture or supply our customers due to all or a significant portion of our equipment or inventory being damaged **or insufficient labor**. If our existing manufacturing or distribution facilities become incapable of producing and supplying products for any reason, we may not be able to satisfy our customers' requirements and we may lose revenue and incur significant costs and expenses that may not be recoverable through our business interruption insurance. Disruptions in the supply of raw materials, manufactured components, or equipment could materially and adversely affect our operations and cause us to incur significant cost increases. We source various types of raw materials, finished goods, equipment, and component parts from suppliers as part of a global supply chain, and we may be materially and adversely affected by the failure of those suppliers to perform as expected. Although we have **historically** had **access to** an adequate supply of ~~purchased supplier~~ raw materials, finished goods, equipment and component parts, **we have experienced, and in the future are likely to experience,** disruptions in **our the global economy have impeded global** supply chains ~~, that resulting in longer lead times and,~~ **delays in procuring component parts and raw materials, and inflationary higher input cost costs increases in certain raw materials, labor and transportation.** **When we experience such** ~~In response to the global supply chain volatility and inflationary cost increases,~~ **we may not be able** ~~to have taken, and continue to effectively take, several actions to mitigate the impact by working closely with our suppliers and customers to minimize any potential adverse impacts that such disruptions have on our business, including initiating cost savings initiatives and the pass through of higher costs to our customers.~~ We cannot assure that unforeseen future events in the global supply chain affecting the availability of materials and components, and / or increasing commodity pricing, will not have a material adverse effect on our business, financial condition and results of operations. Additionally, supplier non- performance may consist of delivery delays or failures caused by production issues or delivery of non- conforming products. Our suppliers' ability to supply products to us is also subject to a number of risks, including the availability and cost of raw materials, the destruction of their facilities, work stoppages, cybersecurity incidents affecting their information systems or other limitations on their business operations, which could be caused by any number of factors, such as labor disruptions, financial distress, severe weather conditions and natural disasters, social unrest, economic and political instability, **international hostilities** and public health crises, including the occurrence of a **pandemic, epidemic or widespread** contagious disease or illness ~~, such as the COVID-19 pandemic~~, war, terrorism or other catastrophic events. In addition, our failure to promptly pay, or order sufficient quantities of inventory from our suppliers may increase the cost of products we purchase or may lead to suppliers refusing to sell products to us at all. Our efforts to protect against and ~~to minimize~~ these risks may not always be effective, **which could materially and adversely affect our operations and cause us to incur significant cost increases**. Our ~~Operations~~ **operations** could be adversely affected by interruptions or breaches in the security of our computer and information systems. We rely on information systems throughout our organization to conduct day- to- day business operations, including the management of our supply chain and our purchasing, receiving and distribution functions. We also routinely use our information systems to send, receive, store, access and use sensitive data relating to our Company and its employees, customers, suppliers, and business partners, including intellectual property, proprietary business information, and other sensitive materials. Additionally, we **may** rely on our information systems to enable many of our employees to work remotely ~~as a result of more recent policies and practices enacted by us.~~ ~~Index~~ **Despite** ~~Despite~~ security measures designed to prevent and mitigate the risk of cybersecurity incidents, our information systems, and the systems of our customers, suppliers and business partners, may be vulnerable to such incidents, including interruptions, outages, data breaches, phishing attacks, ransomware attacks, unauthorized access, attempts to hack into our network, and computer viruses. Moreover, the technologies and techniques used to carry out cyber-attacks are continuously evolving, making it difficult to detect these changes or implement adequate measures in time to prevent or mitigate the impact of an attack. **We** ~~Due to the foregoing, though we have not experienced a material cybersecurity incident in 2023-2024,~~ **but** we cannot guarantee that there will be no future cybersecurity incident that causes a material adverse effect on our information systems, or that of our customers, suppliers and other business partners. In the event that our information

systems, or the systems of our customers, suppliers or business partners, are subject to such incidents, we could experience errors, interruptions, delays, and / or the cessation of services in key portions of our information systems. If critical information systems fail or otherwise become unavailable, our ability to process orders, maintain proper inventory levels, collect accounts receivable and disburse funds could be adversely affected. The foregoing matters could also cause significant damage to our business reputation, affect our relationships with our business partners, lead to claims against us, and / or subject us to fines or other penalties assessed by governmental authorities. Additionally, we may be required to incur substantial costs to remediate the damage caused by these disruptions or protect us against future cybersecurity incidents. Depending on the nature and magnitude of these events, they could have a material and adverse effect on our business, financial condition or results of operations. The transition risks associated with global climate change may cause us to incur significant costs. In addition to the physical risks described above, global climate change **attributable to increased levels of greenhouse gases** has brought about certain risks associated with the anticipated transition to a lower- carbon economy, such as regulatory changes affecting vehicle emissions and fuel efficiency requirements, **or establishing new sustainability- related disclosure requirements or new supply chain requirements**, technological changes in vehicle architectures, changes in consumer demand, carbon taxes, greenhouse gas emissions tracking, and regulation of greenhouse gas emissions from certain sources. Any regulatory changes aimed to reduce or eliminate greenhouse gas emissions may require us to **change our manufacturing processes or undertake other actions that cause us to** incur ~~increased~~ **additional** operating costs, such as to purchase and operate emissions control systems or other such technologies to comply with applicable regulations or reporting requirements. These regulations, as well as shifts in consumer demand due to public awareness and concern of climate change, could affect the timing and scope of their proliferation and may also adversely impact our sales of products designed for ~~the~~ internal combustion engines. As we monitor the rapid developments in this area, we may be required to adjust our business strategy to address the various transition risks posed by climate change. Failure to maintain the value of our brands could have an adverse effect on our reputation, cause us to incur significant costs and negatively impact our business. Our brands are a key component of our value proposition, and serve to distinguish our premium products from those of our competitors. In our automotive aftermarket business, we believe that our success depends, in part, on maintaining and enhancing the value of our brands and executing our brand strategies, which are designed to drive end- user demand for our products and make us a valued business partner to our aftermarket customers through the support of their marketing initiatives. A decline in the reputation of our brands as a result of events, such as deficiencies or defects in the design or manufacture of our products, or from legal proceedings, product recalls or warranty claims resulting from such deficiencies or defects, may harm our reputation as a manufacturer and distributor of premium automotive parts, reduce demand for our products and adversely affect our business. ~~Index~~ **Our** revenue and results of operations may suffer upon the bankruptcy, insolvency or other credit failure of a significant customer. Most of our customers buy products from us on credit. We extend credit to customers and offer extended payment terms based upon competitive conditions in the marketplace and our assessment and analysis of creditworthiness. General economic conditions, competition and other factors may adversely affect the solvency or creditworthiness of our customers. Higher interest rates, inflationary cost increases in raw materials, labor and transportation and a general worsening of economic conditions have put financial pressure on many of our customers and may threaten certain customers' ability to maintain liquidity sufficient to repay their obligations to us as they become due. The bankruptcy, insolvency or other credit failure of any customer that has a substantial amount owed to us could have a material adverse effect on our operating revenue and results of operations. We recorded a \$ 7 million pre- tax charge in 2022 to reduce our outstanding accounts receivable balance from a customer that filed for bankruptcy in the first quarter of 2023 to our estimated recovery amount. In our Engineered Solutions business, our supply agreements with our customers are generally requirements contracts, and a decline in the production requirements of any of our significant customers could adversely impact our revenues and profitability. In our Engineered Solutions business, our customers generally agree to purchase their requirements for specific products, and we receive volume forecasts of their requirements, but not long- term firm volume commitments. Furthermore, our customers typically reserve the right to change, delay or cancel their orders for products, and we have limited recourse in such events. Changes, delays or cancellations by a significant customer or by a number of customers could adversely impact our results of operations by reducing the volumes of products we manufacture and sell, by causing a delay in the recovery of expenditures for raw materials and component parts procured to satisfy such orders, or by reducing our asset utilization, resulting in lower profitability. We also make key decisions based on our estimates of our customers' requirements, including in planning our production schedules, raw material and component part purchases, personnel needs and other resource requirements. Changes in demand for our customers' products would likely reduce our customers' requirements and adversely impact our ability to accurately estimate their requirements in the future. Any significant decrease or delay in customer orders could have a material adverse effect on our business, financial condition and results of operations. Our inability to attract or retain key employees may have an adverse effect on our business, financial condition and results of operations. Our success is dependent upon our ability to attract, retain and motivate certain key employees, including our management and our skilled workforce of engineers, technically- trained salesforce employees and other qualified personnel. Many of our key employees have many years of experience with our Company and would be difficult to replace without allotment of a significant amount of time for knowledge transfer. Furthermore, ~~although we believe our facilities are in labor markets with ready access to adequate numbers of skilled and unskilled workers,~~ we compete with other businesses to fill many of our hourly positions in ~~our~~ **certain** distribution facilities, which historically have had high turnover rates, ~~which can and has lead-~~ **led** to increased training and retention costs, particularly in a competitive and shrinking labor market. We cannot be certain that we will be able to continue to attract or retain our key employees **or other labor needs**, which could cause us to fail to execute our value proposition, fail to achieve operational efficiencies, and incur increased labor costs, which could have an adverse effect on our business, financial condition and results of operations. ~~Index~~ **Risks- We may not be able to realize all of the expected revenues and cash flows from our acquisitions and investments, and any completed acquisitions and**

investments may be unsuccessful or consume significant resources. Our ability to realize all of the expected enhanced revenue and cash flows from our acquisitions and investments will depend, in substantial part, on our ability to identify suitable acquisition candidates, obtain financing or have sufficient cash necessary for acquisitions or successfully complete acquisitions in the future. Acquisitions and investments may involve significant cash expenditures, operating losses and expenses. Our business strategy includes acquiring businesses and making investments and we continue to analyze and evaluate the acquisition of strategic businesses to strengthen our position in the markets we supply or that diversify our business in target markets or geographies. Acquisitions involve other risks, including diversion of management time and attention from daily operations and difficulties integrating acquired businesses, technologies and personnel into our business. It may be difficult for us to integrate acquisitions or investments into our business operations, and our acquisitions or investments may not be successful and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Related to Liquidity We are exposed to risks related to our receivables supply chain financing arrangements. We are party to several supply chain financing arrangements, in which we may sell certain of our customers' trade accounts receivable without recourse to such customers' financial institutions. To the extent that these arrangements are terminated, our financial condition, results of operations, cash flows and liquidity could be adversely affected by extended payment terms, delays or failures in collecting trade accounts receivables. The utility of the supply chain financing arrangements also depends upon a benchmark reference rate for the purpose of determining the discount rate on the sale of the underlying trade accounts receivable. If the benchmark reference rate increases significantly, we may be negatively impacted as we may not be able to pass these added costs on to our customers, which could have a material and adverse effect upon our financial condition, results of operations and cash flows. Depending upon the level of sales of receivables pursuant these agreements, a hypothetical, instantaneous and unfavorable change of 100 basis points in the reference rate may have an approximate \$ 8.3-8 million negative impact on our earnings or cash flows. A significant increase in our indebtedness, or in interest rates, could negatively affect our financial condition, results of operations and cash flows.

We have **In September 2024, the Company refinanced its existing 2022 Credit Agreement with a new five-year Credit Agreement** with JPMorgan Chase Bank, N. A., as administrative agent, and a syndicate of lenders ("**2024 Credit Agreement**"). The **2024 Credit Agreement** provides for a **senior secured borrowings of up to approximately \$ 500-750 million, consisting credit facility comprised of a \$ 430-100 million term loan facility and a \$ 400-million multi-currency revolving credit facility (global tranche) available in U. S. Dollars, a \$ 10 million multi-currency revolving credit facility (Danish tranche), a \$ 200 million delayed draw term loan facility, and a 100 million Euros-euros delayed draw term loan facility**, Sterling, Swiss Francs, Canadian Dollars and other currencies as agreed to by the administrative agent and the lenders. As of December 31, ~~2023~~ **2024**, our total outstanding indebtedness was \$ ~~156-562~~ **2-3** million, including outstanding borrowings under the **2024 Credit Agreement of \$ 156-545.4 million, net of deferred financing costs**, consisting of current borrowings of \$ ~~5-25.2~~ million and long-term borrowings-debt of \$ ~~151-520.1~~ million. Borrowings under our Credit Agreement bear interest at the **applicable interest rate index selected by the Company's election, at based on the particular currency borrowed plus a rate-credit spread adjustment depending on the index, and a margin ranging from 1.25% to 2.25%** per annum equal to Term SOFR plus 0.10% plus an applicable margin, or an alternate base rate plus an applicable margin, where the alternate base rate is the greater of the prime rate, the federal funds effective rate plus 0.50%, and one-month Term SOFR plus 0.10% plus 1.00%. The applicable margin for the term benchmark borrowings ranges from 1.0% to 2.0%, and the applicable margin for alternate base rate borrowings ranges from 0% to 1.0%, in each case, based on the total net leverage ratio of the Company and its restricted subsidiaries. **The Company may select interest periods of one, three or six months depending on the index. Interest is payable at the end of the selected interest period, but no less frequently than quarterly.**

The significant increase in our indebtedness could: • increase our borrowing costs; • limit our ability to obtain additional financing or borrow additional funds; • require that a substantial portion of our cash flow from operations be used to pay principal and interest in our indebtedness, instead of funding working capital, capital expenditures, acquisitions, dividends, stock repurchases, or other general corporate purposes; • limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and • increase our vulnerability to general adverse economic and industry conditions. In addition, the Company's obligations under the **2024 Credit Agreement** are guaranteed by its material domestic subsidiaries (each, a "Guarantor"), and secured by a first priority perfected security interest in substantially all of the existing and future personal property of the Company and each Guarantor, subject to certain exceptions. The collateral security described above also secures certain banking services obligations and interest rate swaps and currency or other hedging obligations of the Company owing to any of the then existing lenders or any affiliates thereof. **In 2022 and 2024 Concurrently with the Company's entry into the Credit Agreement, we the Company also entered into a seven-year interest rate swap agreement agreements with a notional amounts of Wells Fargo Bank, N. A., Co-Syndication Agent and lender under the Credit Agreement, on \$ 100 million of borrowings under the Credit Agreement and \$ 103.9 million or € 100 million that mature in May 2029 and March 2030, respectively.** The interest rate swap agreement-agreements matures are designated as a cash flow hedges of interest payments on borrowings in May U. S. dollars and euros under our ~~2029-2024~~ **2024 Credit Agreement**.

Index The **2024 Credit Agreement** contains customary covenants limiting, among other things, the incurrence of additional indebtedness, the creation of liens, mergers, consolidations, liquidations and dissolutions, sales of assets, dividends and other payments in respect of equity interests, acquisitions, investments, loans and guarantees, subject, in each case, to customary exceptions, thresholds and baskets. The **2024 Credit Agreement** also contains customary events of default. If we were default on any of these covenants, or on any of our indebtedness, if interest rates were to significantly increase, or the financial institution that is a party to our interest rate swap agreement were to default, or if we are unable to obtain necessary liquidity, our business could be adversely affected. We may not be able to generate the significant amount of cash needed to satisfy our obligations or maintain sufficient liquidity through borrowing capacities. Our ability either to make payments on or to refinance our indebtedness, or to

fund planned capital expenditures and research and development efforts, will depend on our ability to generate cash in the future. Our ability to generate cash is in part subject to: • general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control; • the ability of our customers to pay timely the amounts we have billed; and • our ability to sell receivables under supply chain financing arrangements. The foregoing factors could result in reduced cash flow, which could have a material adverse effect on us. When cash generated by earnings is not sufficient for the Company's liquidity needs, the Company seeks external financing. Our access to funding sources in amounts adequate to finance our activities on terms that are beneficial to us could be impaired by factors that affect us specifically or the economy generally. During periods of disruptions in the credit and capital markets, potential sources of external financing could be reduced, and borrowing costs could increase. A significant downgrade in the company's credit ratings could increase its borrowing costs and limit access to capital. Based on our current level of operations, we believe our cash flow from operations, available cash and available borrowings under our **2024** Credit Agreement will be adequate to meet our future liquidity needs for at least the next twelve months. Significant assumptions underlie this belief, including, among other things, that we will be able to mitigate the future impact, if any, of disruptions in global supply chains, which have resulted in longer lead times and delays in procuring component parts and raw materials, and ~~significant~~ inflationary cost increases in certain raw materials, labor and transportation, and that there will be no material adverse developments in our business, liquidity or capital requirements. If we are unable to fund our operations through earnings or external financing, we will be forced to adopt an alternative strategy that may include actions such as: • deferring, reducing or eliminating future cash dividends; • reducing or delaying capital expenditures or restructuring activities; • reducing or delaying research and development efforts; • selling assets; • deferring or refraining from pursuing certain strategic initiatives and acquisitions; • refinancing our indebtedness; and • seeking additional funding. ~~Index~~ **We** cannot assure you that, if material adverse developments in our business, liquidity or capital requirements should occur, our business will generate sufficient cash flow from operations, or that future borrowings will be available to us under our **2024** Credit Agreement in amounts sufficient to enable us to pay the principal and interest on our indebtedness, or to fund our other liquidity needs. In addition, if we default on any of our indebtedness, or breach any financial covenant in our **2024** Credit Agreement, our business could be adversely affected. We have significant goodwill and other intangible assets, and future impairment of these assets could have a material adverse impact on our financial condition and results of operations. A significant portion of our long-term assets consists of goodwill and other intangible assets recorded as a result of past acquisitions. We do not amortize goodwill and certain other intangible assets having indefinite lives, but rather test them for impairment on an annual basis or in interim periods if an event occurs or circumstances change that may indicate the fair value is below its carrying amount. The process of evaluating the potential impairment of goodwill and other intangible assets requires significant judgement, specifically with respect to applying assumptions and estimates to the analysis of identifiable intangibles and long-lived asset impairment including projecting revenues, interest rates, tax rates and the cost of capital. Many of the factors used in assessing fair value are outside our control and it is reasonably likely that assumptions and estimates will change in future periods. These changes could result in impairment charges against our goodwill and other intangible assets. In the event that we determine that our goodwill or other intangible assets are impaired, we may be required to record a significant charge to earnings that could adversely affect our financial condition and results of operations.

Risks Related to Other External Factors We conduct our manufacturing and distribution operations on a worldwide basis and are subject to risks associated with doing business outside the United States. We have manufacturing and distribution facilities in many countries, including **Mexico, Canada, Mexico, Denmark, France, Germany, Hungary, Italy, Netherlands, Poland, Germany, Slovakia, Spain** and **Hungary, the United Kingdom**, as well as joint-ventures in China. ~~There~~ **Our global operations subject us to a variety of political, economic and regulatory risks that are a number of risks associated with doing business internationally, including: (a) changes in exposure to local economic and political conditions in the countries in which we operate; (b) social-political uncertainty, instability, civil unrest such as and the risks of terrorism or other hostilities; (c) currency exchange rate fluctuations and currency controls; (d) the effect of potential changes in U. S. trade policy and international trade agreements, resulting in political tension and trade disputes between the U. S. and foreign governments, and new or higher tariffs or changes to customs requirements or procedures; and (e) the potential for shortages of trained labor. In Changes in U. S. trade policy, particularly as it relates to Mexico, Canada and China, have caused significant uncertainty in our business, and could have a substantial adverse effect on our business, financial condition and results of operations. We believe that new or higher tariffs on imports to the United States from countries in which we source raw materials, component parts and finished goods, such as the tariffs on imports from Mexico, Canada and China announced on February 1, 2025, should they be implemented and sustained for an extended period of time, could have a substantial adverse effect on the automotive industry and our business. Further, any retaliatory tariffs imposed by foreign governments would exacerbate the impact. Historically, there has been social unrest in Hong Kong and Mexico and any recurrence, or increased violence in or around our facilities in such countries could be disruptive to our business operations at such facilities, or present risks to our employees who may be directly affected by the violence and may result in a decision by them to relocate from the area, or make it difficult for us to recruit or retain talented employees at such facilities. Furthermore, changes in U. S. trade policy, particularly as it relates to China, have resulted in the assessment of increased tariffs on goods that we import into the United States, and have caused uncertainty about the future of free trade generally. We benefit from free trade agreements, such as the U. S.- Mexico- Canada Agreement (USMCA). The repeal or modification of the USMCA or further increases to tariffs on goods imported into the United States could increase our costs to source materials, component parts and finished goods from other countries.** The likelihood of such occurrences and their potential effect on us is unpredictable and may vary from country to country. Any such occurrences could be harmful to our business and our financial results. We may incur liabilities under government regulations and environmental laws, which may have a material adverse effect on our business, financial condition and results of operations. Domestic and foreign political developments and

government laws and regulations directly affect automotive consumer products in the United States and abroad. In the United States, these laws and regulations include standards relating to vehicle safety, fuel economy and emissions, among others. Furthermore, increased public awareness and concern regarding climate change may result in new laws and regulations designed to reduce or mitigate the effects of greenhouse gas emissions or otherwise effect the transition to a lower- carbon economy. The modification of existing laws, regulations or policies, or the adoption of new laws, regulations or policies could have a material adverse effect on our business, financial condition and results of operations. ~~Index Our~~ **Our** operations and properties are subject to a wide variety of increasingly complex and stringent federal, state, local and international laws and regulations, including those governing the use, storage, handling, generation, treatment, emission, release, discharge and disposal of materials, substances and wastes, the remediation of contaminated soil and groundwater and the health and safety of employees. Such environmental laws, including but not limited to those under the Comprehensive Environmental Response Compensation & Liability Act, may impose joint and several liability and may apply to conditions at properties presently or formerly owned or operated by an entity or its predecessors, as well as to conditions at properties at which wastes or other contamination attributable to an entity or its predecessors have been sent or otherwise come to be located. The nature of our operations exposes us to the risk of claims with respect to such matters, and we can give no assurance that violations of such laws have not occurred or will not occur or that material costs or liabilities will not be incurred in connection with such claims. We are currently monitoring our environmental remediation efforts at one of our facilities and our reserve balance related to the environmental clean- up at this facility is \$ 1. ~~4~~ **7** million at December 31, ~~2023~~ **2024**. The environmental testing and any remediation costs at such facility may be covered by several insurance policies, although we can give no assurance that our insurance will cover any environmental remediation claims. ~~We also maintain insurance to cover our existing U. S. and Canadian facilities. We~~ can give no assurance that the future cost of compliance with existing environmental laws and the liability for known environmental claims pursuant to such environmental laws will not give rise to additional significant expenditures or liabilities that would be material to us. In addition, future events, such as new information, changes in existing environmental laws or their interpretation, and more vigorous enforcement policies of federal, state or local regulatory agencies, may have a material adverse effect on our business, financial condition and results of operations. Our future performance may be materially adversely affected by changes in technologies and improvements in the quality of new vehicle parts. If we do not respond appropriately to changes in automotive technologies, such as the adoption of new technologies and systems to make traditional, internal- combustion- engine vehicles more efficient, or the adoption of electric or hybrid electric vehicle architectures, we could experience less demand for our products thereby causing a decline in our results of operations or deterioration in our business and financial condition, and we may have a material adverse effect on our long- term performance. In addition, the size of the automotive aftermarket depends, in part, upon the growth in number of vehicles on the road, increase in average vehicle age, change in total miles driven per year, new or modified environmental and vehicle safety regulations, including fuel economy and emissions reduction standards, increase in pricing of new cars and new car quality and related warranties. The automotive aftermarket has been negatively impacted by the fact that the quality of more recent automotive vehicles and their component parts (and related warranties) has improved, thereby lengthening the repair cycle. Generally, if parts last longer, there will be less demand for our aftermarket products and the average useful life of automotive parts has been steadily increasing in recent years due to innovations in products and technology. In addition, the introduction by original equipment manufacturers of increased warranty and maintenance initiatives has the potential to decrease the demand for our aftermarket products. When proper maintenance and repair procedures are followed, newer air conditioning (A / C) systems in particular are less prone to leak resulting in fewer A / C system repairs. These factors could have a material adverse effect on our business, financial condition and results of operations. ~~ITEM 1B. UNRESOLVED STAFF COMMENTS~~