Risk Factors Comparison 2024-04-03 to 2023-03-30 Form: 10-K

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The following risks should be considered in conjunction with **Item 7,** Management' s Discussion and Analysis of Financial Condition and Results of Operations, including the risks and uncertainties described in the forward- looking statements, and our financial statements and the related notes appearing under Item 8 **, Financial Statements and Supplementary Data,** of this Form 10- K. The following is a cautionary discussion of risks, uncertainties and assumptions that we believe are material to our business. These risks may affect our operating results and, individually or in the aggregate, could cause our actual results to differ materially from past and projected future results. Some of these risks and uncertainties could affect particular revenue sources or segments, while others could affect our full business. Although risks are organized by headings, and each risk is discussed separately, many are interrelated. Except as required by applicable law, we undertake no obligation to publicly update forward- looking statements, whether as a result of new information, future events, or otherwise. You should, however, consult any subsequent disclosures we make from time to time in materials filed with the SEC. Risks ~~related~~ **Related** to our Reliance on CNH Industrial We are substantially dependent upon CNH Industrial, our primary supplier of equipment and parts inventory. The substantial majority of our business involves the sale and distribution of new equipment and **aftermarket** ~~after- market~~ parts supplied by CNH Industrial and the servicing of equipment manufactured by CNH Industrial. In fiscal ~~2023~~ **2024** , CNH Industrial supplied approximately ~~76~~ **75** % of the new equipment sold in our Agriculture segment, ~~76~~ **81** % of the new equipment sold in our Construction segment, **51** ~~and 60~~ % of the new equipment sold in our ~~International~~ **Europe segment and 58 % of the new equipment sold in our Australia** segment, and supplied a significant portion of our parts inventory. The success of our stores, and our business as a whole, is dependent on CNH Industrial in several key respects. First, we rely on CNH Industrial for new equipment **and parts** inventory. Our ability to maintain or grow market share is dependent on CNH Industrial' s ability to design, manufacture, allocate and deliver to our stores at the right time high quality and desirable products that compare favorably to those of our principal competitors in terms of price, quality, functionality, features, connected and digital solutions, and autonomy. Supply chain issues, labor disputes such as strikes, and labor shortages **have in the past, and** could **in the future,** diminish the manufacturing output of CNH Industrial' s plants, resulting in our stores not receiving inventories in the expected **or required** quantities and timelines necessary to satisfy customer demand. Any failure of CNH Industrial to offer competitive products, or delays in bringing strategic new products to market or delivery of ordered products to our stores could have a material adverse effect on our business, results of operations and financial condition. Second, CNH Industrial supports our business by providing **inventory financing,** financial assistance and marketing support including the following: • Floorplan payable financing for the purchase of a substantial portion of our equipment inventory; • Retail financing used by many of our customers to purchase CNH Industrial equipment from us; • Incentive, financing, and discount programs offered from time to time that enable us to price our products more competitively; and • Promotional and marketing activities on national, regional and local levels. Our financial performance is dependent on CNH Industrial' s continued commitment to these offerings, at a level that allows us to be competitive in our markets. Third, CNH Industrial provides product warranties and, in some cases, extended warranties to our customers. Our stores perform warranty work for equipment under these product warranties, and we direct bill CNH Industrial as opposed to invoicing the customer. At any particular time, we have significant receivables from CNH Industrial for warranty work performed. CNH Industrial' s commitment to its product warranties is important to both our market share success and our warranty related parts and service revenue. CNH Industrial may be adversely impacted by global economic conditions and economic downturns, industry declines, natural disasters, labor strikes or similar disruptions, changes in interest rates, energy prices, inflation, financial performance and liquidity concerns, supply shortages or rising raw materials costs, failed strategic initiatives, or other adverse events. Our business, results of operations, and financial condition could be materially adversely affected as a result of any event that has a ~~material~~ **materially** adverse effect on CNH Industrial. Furthermore, our financial performance and future success are highly dependent on the overall reputation, brand and success of CNH Industrial in the agricultural and construction equipment manufacturing industries, including its ability to maintain a competitive position in product innovation, product quality, and product pricing. The terms of our CNH Industrial dealer agreements subject us to restrictions that may adversely impact our business. We have entered into CNH Industrial Dealer Agreements under which we sell CNH Industrial' s branded agricultural and construction equipment, along with **aftermarket** ~~after- market~~ parts and repair services. Subject to applicable state statutes that may govern the dealer- manufacturer legal relationship, CNH Industrial may terminate our CNH Industrial Dealer Agreements immediately in certain circumstances, following written notice and cure periods for certain breaches of the agreement, and for any reason under our Case Construction agreement following 120 days' prior written notice. If CNH Industrial were to terminate all or any of its CNH Industrial Dealer Agreements with us, our business would be severely harmed. Furthermore, CNH Industrial may unilaterally change its operating practices under the terms of the CNH Industrial Dealer Agreements to, among other things, change or authorize additional dealers in our sales and service areas, change its distribution system to the detriment of its dealers like us, limit our product offerings, and change pricing or delivery terms. If CNH Industrial were to change the terms of our CNH Industrial Dealer Agreements or its operating practices in a manner that adversely affects us, our business and results of operations would be harmed. Our CNH Industrial Dealer Agreements impose **significant** obligations and restrictions on us. Under our CNH Industrial Dealer Agreements, we are obligated to actively promote the sale of CNH Industrial equipment within our designated geographic areas of responsibility, fulfill the product warranty obligations of CNH Industrial (subject to CNH Industrial' s payment to us of the agreed upon reimbursement), maintain adequate facilities and workforce to service the needs of our customers, maintain equipment and parts inventories at the level deemed necessary by CNH Industrial to meet sales goals as stated in the annual business plan mutually agreed upon by us and CNH Industrial, maintain adequate working capital, and maintain stores only in authorized locations. Consent of CNH Industrial is required for certain material changes in our ownership, governance or business structure, including the acquisition by any person or group of persons of 30 % or more of our outstanding stock or 20 % or more of our outstanding stock if the acquiring person or group is a competitor of CNH Industrial. This requirement may have the effect of discouraging a sale or other change in control of the Company, including transactions that may be in the best interests of our stockholders. The acquisition of additional CNH Industrial geographic areas of responsibility and store locations in our Agriculture, Construction **, Europe** and ~~International~~ **Australia** segments requires the consent of CNH Industrial under our CNH Industrial Dealer Agreements. CNH Industrial may decline, in its sole discretion, to consent to any acquisition of an additional CNH Industrial store location we may pursue. If CNH Industrial is unwilling to consent to any future proposed acquisition of additional dealerships, our ability to execute ~~on~~ our acquisition strategy and ~~to~~ grow our business may be impaired. Our CNH Industrial Dealer Agreements require us to operate any material business activities not related to sales of CNH Industrial products or services to customers in agricultural, construction, industrial or similar markets separately from our CNH Industrial dealership business. In addition, our CNH Industrial Dealer ~~Agreement~~ **Agreements** for **domestic** Case Construction equipment **and our CNH Industrial Dealer Agreements for international Case Construction equipment** ~~prohibits~~ **prohibit** us from carrying other suppliers' products (new equipment and parts) at our **domestic and international** Case Construction stores that are competitive with CNH Industrial' s products **, unless consented to by CNH Industrial**. These restrictions may discourage or prevent us from pursuing activities that we believe will grow our business. Risks Related to Economic Conditions Affecting our Customers' Demand for our Products and Services Our agriculture equipment sales are significantly affected by net farm income, which is influenced by factors over which we have no control. Farmers' capital expenditures often follow a cyclical pattern, with increased equipment purchases typically occurring during boom cycles spurred by high net farm income and strong farmer balance sheets. Net farm income is influenced by factors such as: • the price of agricultural commodities and the ability to competitively export agricultural commodities; • the cost of farm inputs including value of land, seed, fertilizer, fuel, labor and other inputs; • the demand for food products and **other** products made with farm commodities such as ~~bio fuels~~ **biofuels**; ▪ the availability of stocks from previous harvests; and • agricultural policies, including aid and subsidies to agricultural enterprises provided by governments, policies impacting commodity prices or limiting the export or import of commodities, and alternative fuel mandates. In addition to macroeconomic drivers of net farm income, local growing conditions also influence farmers’ buying sentiment. Therefore, droughts, excess rain, hail, and other unfavorable climatic conditions affecting certain geographic regions will adversely impact the local farmers’ buying sentiment. The nature of the agricultural industry is such that a downturn in equipment demand can occur suddenly, resulting in negative impacts on dealers in the form of declining revenues, reduced or negative profit margins, excess new and used equipment inventories, lower inventory turns, and increased floorplan interest expenses. These downturns may be prolonged, and during these periods, our revenues and profitability could be harmed, including severely. Demand for our parts and repair services, although not as cyclical as equipment purchases, also can be negatively affected in agricultural industry downturns and in regions affected by adverse weather or growing conditions **,** which result in fewer acres planted or harvested. Our construction equipment sales are affected by several market factors over which we have no control. Our construction equipment customers primarily operate in the natural resource, construction, transportation, agriculture, manufacturing, industrial processing and utilities industries. The construction equipment market is influenced by factors such as: • the amount and timing of public infrastructure spending; • the level of new residential and non- residential construction; and • the amount of capital spending in oil and gas, forestry, ~~agricultural~~ **agriculture** and mining. The construction industry in many of our geographical areas has experienced periodic, and sometimes prolonged, economic down cycles. During these downturns, our revenues and profitability could be adversely impacted. Inflationary increases to cost of equipment combined with higher interest rates may negatively impact our customers' equipment purchasing decisions. Many of our customers finance their equipment purchases. The ability to obtain affordable financing is an important part of a customer' s decision to purchase agricultural or construction equipment. Periods of elevated inflation and increased interest rates will increase financing costs and installment payment obligations of our customers, which may make equipment purchases less affordable for customers and impact **or delay** purchasing decisions and, as a result, our revenue and profitability may decrease. Risks Related to the Competitive Conditions of the Equipment Distribution Industry The equipment distribution market is subject to sudden supply-demand imbalances arising from factors over which we have no control, which can affect our equipment sales and margins. Over- production of equipment by one or more manufacturers, or a sudden reduction in demand for equipment, can dramatically disrupt the equipment market ~~and~~ **,** cause downward pressure on our equipment profit margins **and increase our carrying costs of higher inventory levels**. Customer leasing arrangements in the agriculture and construction equipment industries may also impact the level of industry- wide equipment inventory supplies. When leased equipment comes off lease, there may be an increase in the availability of late- model used equipment, which can create ~~an~~ **a used equipment** inventory over- supply condition and put pressure on our **used** equipment sales and margins, and have an adverse effect on values of our used equipment inventory and rental fleet equipment. Similarly, rental house companies engage in regular sales of rental fleet units, which can further disrupt the supply- demand balance **in the used equipment department**. We have no control over or ability to significantly influence any of the foregoing factors affecting the equipment distribution markets. Our industry is highly competitive. The agricultural and construction equipment distribution (including parts and service) and rental industries are highly competitive and fragmented, with large numbers of companies operating on a regional or local basis. Historically, our competitors have competed aggressively on the basis of pricing or inventory availability, resulting in decreased margins on our sales to the extent we choose to match our competitors' pricing. To the extent we choose not to match or remain within a reasonable range of our competitors' pricing, we may lose sales and market share. In addition, to the extent CNH Industrial' s equipment manufacturer competitors (such as Deere, Caterpillar, Komatsu, Volvo **Group**, and AGCO) provide their dealers with more innovative or higher quality products, lower cost products, better customer financing, or have more effective marketing programs, or the CNH Industrial reputation is tarnished in the marketplace or with our customers, our ability to compete and our results of operations could be adversely affected. In addition, e- commerce companies selling parts have negatively impacted dealers' parts sales and margins, and we expect that this competitive pressure will continue to increase in the future. The recent agreements of equipment manufacturers, including CNH Industrial, to provide farmers and independent repair shops access to diagnostic tools, combined with an enactment of proposed right to repair legislation, could negatively impact our repair services business. Proposed state and federal legislation has been introduced, including in states in our footprint, that generally would require the manufacturers of products to provide the purchaser and / or independent repair technicians with documents, diagnostic software, and other information that would allow the equipment to be repaired without having it returned to the dealer for repair. Separately, the American Farm Bureau Federation and CNH Industrial brands, Case IH and New Holland, signed a memorandum of understanding in March 2023 **(the " Memorandum of Understanding ")** that allows farmers and independent repair shops to access CNH Industrial' s brand manuals, tools, product guides and information to self- diagnose and self- repair machines, as well as provides support from CNH Industrial brands for farmers and independent repair shops to directly purchase diagnostic tools. The Memorandum of Understanding follows a similar format as agreed to by ~~John~~ Deere ~~earlier this year~~ **in January 2023** which, in turn, follows the auto industry format. It is difficult to predict the **long-term** impact that right to repair legislation, if enacted in any **area** ~~our states~~ of ~~operation, or~~ **our footprint, or** the ~~CNH~~ Memorandum of Understanding, will have on our repair services business. Risks Related to Supply Chain Our business has been adversely impacted by supply chain distributions. Our ~~suppliers have experienced continuing~~ **business has been adversely impacted by** supply chain disruptions **which has caused variability and unpredictability in lead times. Starting in calendar year 2020**, ~~including country of origin~~ **our suppliers experienced significant disruptions in upstream supply chain** production and ~~port~~ **shipping** delays. ~~Additionally~~ **This caused lead times from our suppliers to extend beyond normal time frames. Recently**, **these disruptions** ~~trucker, dockworker, and labor shortages, a surge of consumer demand, and other factors~~ have **largely been mitigated and** ~~led~~ **lead times** ~~to industry- wide delays and inflationary trends, which~~ have ~~also impacted the Company~~ **condensed back down to normal levels**. **When lead times condense** ~~Our suppliers' challenges directly affect us through price increases~~, ~~which we~~ **our manufacturers** may be ~~unable~~ -- **able** to **produce** ~~pass along to our customers,~~ and ~~disruptions and delays on delivery~~ - **deliver more** of ~~certain products, which may cause us to lose business or~~ **our** ~~delay~~ **orders in a shorter period of time than originally anticipated, causing variability in our inventory balances from quarter to quarter** ~~our~~ - **or year over year** ~~ability to recognize revenue~~. Risks of International Operations Our international operations expose us to risks and uncertainties. We currently operate dealership locations in Bulgaria, Germany, Romania, ~~and~~ Ukraine **and Australia**. In fiscal ~~2023~~ **2024**, total ~~International~~ **Europe and Australia** segment revenues were 13. ~~5~~ **8** % of our consolidated total revenue. As of January 31, ~~2023~~ **2024**, total ~~International~~ **Europe and Australia** segment assets were ~~14~~ **25**. 4 % of our consolidated total assets. Our operations in international markets ~~,~~ subject us to risks and uncertainties arising from the differing legal, political, social and regulatory environments and economic conditions in the countries in which we operate. These risks include: • difficulties in implementing our business model in foreign markets **and operating our business across a significant number of different time zones**; • costs and diversion of domestic management attention related to oversight of international operations; • unexpected adverse changes in export duties, currency or payment controls that impact our ability to repatriate funds from the ~~county~~ **country**, quotas and tariffs and difficulties in obtaining import licenses; • cyclicality of demand in European Union member states for agricultural equipment, based on availability of European Union government subsidy programs and tax incentives; • unexpected adverse changes in foreign laws or regulatory requirements; • compliance with a variety of tax regulations, foreign laws and regulations; • compliance with the **U. S.** Foreign Corrupt Practices Act **of 1977, as amended,** and other U. S. laws that apply to the international operations of U. S. companies which may be difficult and costly to implement and monitor, can create competitive disadvantages if our competitors are not subject to such laws, and which, if violated, may result in substantial financial and reputational harm; • fluctuations in foreign currency exchange rates to which we are exposed may adversely affect the results of our operations, the value of our foreign assets and liabilities and our cash flows; • the laws of the European countries in which we operate, unlike U. S. states, do not include specific dealer protection laws and, therefore, we may be more susceptible to actions of suppliers that are adverse to our interests such as termination of our dealer agreements for any reason or installing additional dealers in our designated territories; and • geopolitical or economic instability in the regions in which we operate, including the impact of the Russian invasion of Ukraine. The Russian- Ukraine conflict has presented significant challenges and risks for our Ukraine operations. The Russian military occupation of Ukraine has significantly disrupted our Ukrainian operations **. While all** ~~and resulted in the temporary shut- down~~ of our ~~9~~ Ukrainian stores **are open** ~~during early fiscal 2023~~, **the** ~~all locations have since reopened. The~~ outcome of the Russian military operation remains unclear **,** and we cannot predict the impact this conflict will have on our Ukrainian operations. In fiscal ~~2023~~ **2024**, revenues of our Ukrainian subsidiary **were 1** ~~declined 40. 5~~ % **of** ~~from fiscal 2022 and~~ the **Company total** ~~conflict could continue to negatively impact revenues~~ - **Revenue** ~~in fiscal~~ **and as of January 31,** 2024 **, the assets of our Ukraine subsidiary were 2 % of the Company' s total Net Assets**. The military conflict and related political instability, if it intensifies, may make it impossible for us to effectively operate our Ukraine dealerships, which may result in our decision to cease operations in Ukraine. This would result in asset write- offs and a loss in revenues and profits. See additional information in Note 1 to the Consolidated Financial Statements at Item 8 **, Financial Statements and Supplementary Data, of this Form 10- K**. Even if we ~~are able to~~ continue operations, ~~we expect that~~ the military conflict has significantly impacted, and we expect **that it** will continue to impact **,** our customers' liquidity and ~~their~~ purchasing decisions for our products and services. If no crops are planted or **a** ~~the upcoming~~ growing season is negatively impacted, ~~it~~ **this occurrence** will limit our **Ukrainian subsidiary' s** ability to generate cash and repay outstanding debt, and as a result of imposed currency exchange controls and other restrictions, restrict our ability to manage our cash held in Ukraine and our investment in our Ukrainian business. The military intervention has disrupted our Ukrainian work force, with certain employees being called to active military duty and other employees leaving the country and working remotely. Additional risks related to our operations in Ukraine, likely made more acute by the impact of the military conflict, include further devaluation of the local currency, increased interest rates and increased inflation. These factors, in addition to others, have negatively impacted our **Ukrainian subsidiary' s** financial condition and results of operations in **fiscal year** ~~2022~~ **2024** and may continue to impact our business in Ukraine in future periods, including on a more acute basis. Risks Related to Financial Matters Our financial performance is dependent on our ability to effectively manage our inventory. Our dealership network requires substantial inventories of equipment and parts to be maintained at each store and Company- wide to facilitate sales to customers on a timely basis. Our equipment inventory has traditionally represented a significant portion of our total assets. We need to maintain a proper balance of new and used equipment to assure satisfactory inventory turnover and to minimize floorplan financing costs. Our orders for the purchase of new equipment and parts are based primarily on projected demand. If actual sales are materially less than our forecasts, for example because of a significant drop in net farm income, weather disruptions ~~to the~~ **in our** agricultural growing regions, or a construction industry recession, we would experience an over- supply of new equipment **and parts** inventory. An over- supply of new equipment inventory will generally cause downward pressure on our product sale prices and margins, decrease our inventory turns, and increase our floorplan financing expenses. Our used equipment is generally acquired as trade- ins from customers in connection with equipment sales to those customers. Equipment inventories are stated at the lower of cost or net realizable value. Adjustments to market value of inventory are recognized as a cost of sales, negatively impacting earnings, in the periods in which they occur. Our estimates of net realizable value for our used equipment, as determined at the time of the trade- in or in connection with an acquisition of a new dealership, may prove to be inaccurate, given the potential for sudden changes in market conditions and other factors beyond our control. Moving from our normal retail marketing channel to more aggressive marketing channels for specific pieces or categories of equipment inventory, particularly as equipment inventory ages, will generally result in lower sales prices. Pricing and other terms of sale of used equipment can be significantly adversely affected by the limited market for certain types of used equipment. Our level of indebtedness could limit our financial and operational flexibility. As of January 31, ~~2023~~ **2024** , our indebtedness included floorplan payable financing, real estate mortgage financing arrangements that are secured by real estate assets and other long- term debt. In addition, we have obligations under our lease agreements for **many of** our store locations and corporate headquarters. Our level of indebtedness could have important consequences. For example, it could: • increase our vulnerability to adverse economic and industry conditions; • limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and • limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes. We expect to use cash flow from operations and borrowings under our credit facilities to fund our operations, debt service and capital expenditures. However, our cash flow and ability to borrow depends on our future performance, which will be affected by financial, business, economic and other factors, many of which may be beyond our control. The credit agreements governing our indebtedness restrict our ability to engage in certain corporate and financial transactions, and require us to satisfy financial covenants. The credit agreements governing our indebtedness contain covenants that, among other things, may limit or place conditions on our ability to: • incur more debt; • make investments; • create liens; • merge, consolidate, or make certain acquisitions; • transfer and sell assets, or divest of dealership stores; • pay dividends or repurchase stock; and • issue equity instruments. Our credit facilities with CNH Industrial Capital, DLL Finance, and certain of our real estate lenders require us to satisfy a net leverage ratio and fixed charge coverage ratio on an ongoing basis, measured at the end of each fiscal quarter. Under the Bank Syndicate Agreement, if our excess availability (i. e., borrowing base capacity less outstanding loan balance and certain reserves) falls below a certain threshold, we become subject to a minimum fixed charge coverage ratio. Our ability to borrow under these credit agreements depends upon compliance with these financial covenants. Our failure to satisfy any covenant, absent a waiver or amendment, would cause us to be in default under our credit facilities and would enable our lenders to accelerate payment of the outstanding indebtedness. Each of our credit agreements include cross- default provisions which state that certain types of defaults under any other indebtedness agreement will also constitute a default under that credit agreement. If an event of default occurred, and the lender demanded accelerated payment, we may not be able to satisfy a pay- off request, whether through internal funds or ~~a~~ new financing. Our variable rate indebtedness exposes us to interest rate risk. A substantial portion of our floorplan and working capital borrowings, including the credit facilities with CNH Industrial Capital, the Bank Syndicate, DLL Finance, and our international floorplan facilities are at variable rates of interest and expose us to interest rate risk. As such, our results of operations are sensitive to movements in interest rates. There are many economic factors outside our control that have in the past and may, in the future, impact rates of interest including publicly announced indices that underlie the interest obligations related to a certain portion of our debt. Factors that impact interest rates include governmental monetary policies, inflation, recession, changes in unemployment, the money supply, and international instability impacting domestic and foreign financial markets. Any increases in interest rates could have an adverse effect on our results of operations. We are in the process of implementing a new enterprise resource planning (“ ERP ”) system, and problems with the design or implementation of this ERP system could interfere with our business and operations. We are engaged in the implementation of a new ERP system. The ERP system is designed to accurately maintain our books and records and provide information to management important to the operation of our business. Our ERP transition has required, and will continue to require, the investment of significant human and financial resources. We have, and may continue to experience **,** challenges as we work toward the completion of the ERP conversion. Beyond cost and scheduling, potential flaws in the implementation of an ERP system may pose risks to the Company’ s ability to operate successfully and efficiently, including our ability to prepare timely and accurate SEC filings. If we are unable to successfully implement the new ERP system as planned, our financial position, results of operations and cash flows could be negatively impacted. Moreover, if the ERP system does not effectively collect, store, process, and report relevant data for the operation of our business (whether due to equipment malfunction or constraints, software deficiencies, cybersecurity attack, and / or human error), our ability to effectively plan, forecast, and execute our business plan and comply with applicable laws and regulations will be impaired, perhaps materially. Any such impairment could materially and adversely affect our financial condition, results of operations, cash flows and the timeliness with which we report our internal and external operating results. The agricultural and construction equipment industries are highly seasonal, which can cause significant fluctuations in our results of operations and cash flow. The agricultural and construction equipment businesses are highly seasonal, which causes our quarterly results and cash flows to fluctuate during the year. Farmers generally purchase agricultural equipment and service work in preparation for, or in conjunction with, the ~~spring~~ planting and ~~fall~~ harvesting seasons. Construction equipment customers' purchases of equipment and service work, as well as rental of equipment, are also seasonal in our stores located in colder climates where construction work slows significantly in the winter months. In addition, the fourth quarter typically is a significant period for equipment sales in the ~~United States~~ **U. S.** because of our customers' year- end tax planning considerations, the timing of dealer incentives and the increase in availability of farmers' funds from completed harvests and construction customers' funds from completed projects. Also, numerous external factors such as credit markets, commodity prices, weather conditions, and other circumstances may disrupt normal purchasing practices and customers' sentiment, further contributing to the seasonal fluctuations. We are exposed to customer credit risks. We extend credit to our customers for parts and service work, rental charges, and also for some equipment sales in our domestic and international operations. If we are unable to manage these credit risk issues adequately, or if a large number of customers **experience** ~~should have~~ financial difficulties at the same time, our credit losses could increase above historical levels and our operating results would be adversely affected. Delinquencies and credit losses generally would be expected to increase if there was a worsening of economic conditions in any of our reporting segments. Our rental operations subject us to risks including increased maintenance costs as our rental fleet ages, increased costs of new replacement equipment we use in our fleet, and losses upon disposition of rental fleet units. Our rental fleet margins are materially impacted by utilization of fleet assets, which is seasonal and can fluctuate materially due to weather and economic factors. If our rental equipment ages, the costs of maintaining that equipment, if not **timely** replaced ~~within a certain period of time~~, will likely increase. The cost of new equipment for use in our rental fleet could also increase due to increased material costs for our suppliers or other factors beyond our control. Furthermore, changes in customer demand could cause some of our existing equipment to become obsolete and require us to purchase new equipment at increased costs. Upon the sale of a rental fleet unit, we include in operating income the difference between the sales price and the depreciated value of the equipment sold. The market value of any given piece of rental equipment could be less than its depreciated value at the time it is sold. The market value of used rental equipment depends on several factors, including: • market prices for like equipment; • hours and condition of the equipment; • time of year that the equipment is sold; • the supply of used equipment in the market; and • general economic conditions. Any significant decline in the selling prices for used rental equipment, or increased costs resulting from our rental operations, could have an adverse effect on our results of operations and cash flows **. Tax Rates and New Tax Legislation- Changes in tax rates or the adoption of new tax legislation may affect our results of operations, cash flows and financial condition. The Company is subject to taxes in the U. S. and a number of foreign jurisdictions where it conducts business. The Company' s effective tax rate has been and may continue to be affected by changes in the mix of earnings in jurisdictions with differing statutory tax rates, changes in the valuation of deferred tax assets, and changes in tax laws or their interpretation, such as the 15 % global minimum tax under the Organization for Economic Cooperation and Development (" OECD") Pillar Two, Global Anti- Base Erosion Rules. In addition, the U. S. government could adopt changes to international trade agreements, tariffs, taxes and other related regulations. If the Company' s effective tax rate were to increase, or if the ultimate determination of the Company' s taxes owed is for an amount in excess of amounts previously accrued, the Company' s results of operations, cash flows and financial condition could be adversely affected** . Climate and Weather Risks Weather conditions may negatively impact the agricultural and construction equipment markets and affect our financial results. Weather conditions, particularly severe floods and droughts, can have a significant adverse effect on growing conditions and on regional agricultural and construction markets. Adverse weather conditions may result in fewer acres being planted or harvested by farmers ~~and~~ **,** reduced crop yields on those acres that are planted, and in delays or cancellations of construction projects. This in turn could result in lower demand for our agricultural and construction equipment and services and adversely affect our results of operation. Many scientific reports predict that severe weather events can be expected to become more frequent as a result of global climate change. **Furthermore, the long- term impacts of climate change, whether involving physical risks (such as the extreme weather conditions discussed above) or transition risks (such as regulatory changes discussed below) are expected to be widespread and unpredictable. As severe weather events become increasingly common, our or our customers' operations may be disrupted, which could result in increased operational costs or reduced demand for our products and services and extended periods of disruptions could have an adverse effect on our results of operations. In addition, climate change may also reduce the availability or increase the cost of insurance for weather- related events as well as impact the global economy, including as a result of disruptions to supply chains. We anticipate that climate change- related risks will increase over time.** New or more stringent greenhouse gas emission standards designed to address climate change could increase costs of the equipment we purchase from our suppliers and increase our customers' costs of operations. There is global scientific consensus that emissions of greenhouse gases (GHG) continue to alter the composition of Earth' s atmosphere in ways that are affecting and are expected to continue to affect the global climate. These considerations ~~may~~ **have** ~~lead~~ - **led** to **certain** ~~new international, national, regional or local legislative or~~ regulatory responses **, including but not limited to the EU Corporate Sustainability Reporting Directive (" CSRD") and the SEC recently finalized rules requiring public companies to make disclosures regarding climate risks and related matters. We expect to be subject to the CSRD and new SEC disclosure rules beginning in 2026. The associated compliance costs are**

currently uncertain, we expect that they will be substantial . Various stakeholders, including legislators and regulators, shareholders and non- governmental organizations, as well as companies in many business sectors are continuing to look for ways to reduce GHG emissions. The regulation of GHG emissions from the equipment we sell could result in additional manufacturing costs to our suppliers who, in turn, will likely pass along those costs to us. We may not be successful in passing along the equipment price increases to our customers, which could impact our results of operation **and margins** . To the extent that we attempt to pass along price increases to our customers, the increased costs of equipment may negatively affect their purchasing decisions **or result in their decision to purchase equipment from a different brand** . Moreover, the GHG regulations could increase other input costs for our customers, such as fuel and fertilizer, and impose indirect compliance-related costs on our customers. These economic impacts could negatively impact our customers' purchasing decisions. Because the impact of any future GHG legislative, regulatory or product standard requirements is dependent on the timing and design of mandates or standards, we are unable to predict **with any specificity** their potential impact at this time. Risks of our Growth Strategy If our acquisition plans are unsuccessful, we may not achieve our planned long- term revenue growth. Our ability to grow through the acquisition of additional CNH Industrial geographic areas of responsibility and store locations or other businesses will be dependent upon the availability of suitable acquisition candidates at acceptable values, our ability to compete effectively for available acquisition candidates and the availability of capital to complete the acquisitions. We may not successfully identify suitable targets, or if we do, we may not be able to close the transactions, or if we close the transactions, they may not be profitable. In addition, CNH Industrial' s consent is required for the acquisition of any CNH Industrial dealership, and the consent of our lenders may be required for certain acquisitions. CNH Industrial typically evaluates management, historical performance, and capitalization of a prospective acquirer in determining whether to consent to the sale of a CNH Industrial dealership. We may not obtain the consent of CNH Industrial or our lenders for certain acquisitions we may propose. Our acquisitions may not be successful. There are risks associated with acquisitions of new dealerships. These risks include incurring significantly higher than anticipated capital expenditures and operating expenses; unexpected liabilities; synergies, economies of scale and cost reductions not occurring as anticipated; failing to integrate the operations and personnel of the acquired dealerships; employee attrition at the acquired business; disrupting our ongoing business; diluting the effectiveness of our management; failing to maintain uniform standards, controls and policies; and impairing relationships with employees and customers as a result of changes in management. To the extent we do not successfully avoid or overcome the risks or problems related to acquisitions, our results of operations and financial condition could be adversely affected. Future acquisitions also may have a significant impact on our financial position and capital needs, and could cause substantial fluctuations in our quarterly and yearly results of operations or result in a diversion of management' s time and attention from our core business. Acquisitions could include significant intangible assets and goodwill. If the acquisitions giving rise to these intangible assets are unsuccessful, this may result in future impairment charges that would reduce our stated earnings. Human Capital Risks Our business success depends on attracting and retaining qualified personnel. Our success in executing our operating and strategic plans depends on the efforts and abilities of our management team and key employees, including the managers of our field operations and our country managers in our international operations. The failure to attract and retain members of our management team and key employees will harm us. In recent years, the equipment industry has experienced a shortage of qualified service technicians. If this trend worsens and we are not able to hire and retain qualified service technicians at acceptable levels, our ability to satisfy customers' service needs would be negatively impacted. Moreover, the technician shortage may increase our service technician compensation expense, and reduce our gross margins on service work. In addition, in recent years it has been ~~unusually~~ **increasingly** difficult to hire and retain employees, which we believe is primarily attributable to market conditions which in turn has created increased competition in labor markets. Difficulties in hiring and retaining employees and heightened competition for employees may impact our ability to serve customers, increase our costs, and impair our efficiency and effectiveness and our ability to pursue growth opportunities. Labor organizing activities could negatively impact us. Although none of our employees are covered by a collective bargaining agreement, there have been attempts to unionize our store personnel. The unionization of all or a substantial portion of our workforce could result in work slowdowns or stoppages, ~~could increase~~ **increased** ~~our~~ overall costs, ~~could reduce~~ **reduced** ~~our~~ operating margins and ~~reduce~~ **reduced** ~~the~~ efficiency of our operations at the affected locations, **and reduced** ~~could adversely affect our~~ flexibility ~~to run~~ **in running** our business competitively ~~, and could otherwise have an adverse effect on our business~~ . Liability Risks Selling and renting agricultural and construction equipment, selling parts, and providing repair services subject us to liability risks that could adversely affect our financial condition and reputation. Products sold, rented or serviced by us may expose us to potential liabilities for personal injury or property damage claims that arise from the use of those products. Our commercial liability insurance may not be adequate to cover significant product liability claims, or we may not be able to secure such insurance on economically reasonable terms. An uninsured or partially insured claim for which indemnification from the manufacturer is not available could have a material adverse effect on our financial condition or results of operations. Furthermore, if any significant claims are made against us or against CNH Industrial or any of our other suppliers, our business may be adversely affected by any related negative publicity or any adverse impact on the reputation or brand of any of our suppliers, including CNH Industrial. Stock Price Volatility Our common stock price has fluctuated significantly and may continue to do so in the future. The price at which our common stock trades may be volatile and could be subject to significant fluctuations in response to our operating results and financial condition as set forth in our earnings releases, guidance estimates released by agricultural or construction equipment manufacturers that serve the markets in which we operate, announcements by our competitors, analyst recommendations, our ability to meet or exceed analysts' or investors' expectations, fluctuations in the price of crop commodities and natural resources, the condition of the financial markets, and other factors. Quarterly fluctuations resulting from the seasonality of our business may cause our results of operations and cash flows to underperform in relation to the expectations of financial analysts or investors, which may cause volatility or decreases in our stock price. Data Security Risks

Security breaches and other disruptions could compromise our information systems and expose us to liability, which would cause our business and reputation to suffer. The efficient operation of our business is dependent on our information technology systems. We use information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. Additionally, in the ordinary course of our business, we collect and store sensitive data, including proprietary business information of our customers and suppliers, as well as personally identifiable information of our customers and employees, in our data centers and on our networks. The secure operation of these information technology networks and the systems of the third parties with whom we do business and the processing and maintenance of information is critical to our operations. Despite the security measures and business continuity plans, put in place by us and our third party providers, our information technology and infrastructure may be vulnerable to damage, disruptions or shutdowns due to attacks by hackers or breaches due to employee error or malfeasance or other disruptions arising from power outages, telecommunication failures, terrorist acts, **including state-sponsored cyberterrorism targeted at the U. S.,** natural disasters, or other catastrophic events. The occurrence of these events could compromise our networks **or the networks of our third- party providers** , and the information stored there could be accessed, publicly disclosed, lost or stolen. **In addition, the rapid evolution and increased adoption of artificial intelligence technologies and the potential for abuse of these technologies by bad actors amplifies these concerns.** Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws that protect the privacy of personally identifiable information, disrupt our operations, and damage our reputation, which could adversely affect our business, results of operations, and financial condition. In particular, given our Europe **segment** operations, the European Union General Data Protection Regulation imposes stringent data protection ~~requirement~~ **requirements** and provides significant penalties for noncompliance. In addition, as security threats continue to evolve and increase in frequency and sophistication, we may need to invest additional resources to protect the security of our systems. We maintain cyber risk insurance, but this insurance may not be sufficient to cover all of our losses from any future breaches of our systems **, and we cannot guarantee that applicable insurance will be available to us in the future on economically reasonable terms or at all** . **While we have experienced cybersecurity incidents in the past, to date, none have materially impacted the Company or our financial position, results of operations and / or cash flows.**