

## Risk Factors Comparison 2025-02-26 to 2024-02-28 Form: 10-K

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

Pressures from various global and national macroeconomic events, including ~~recessionary concerns~~, heightened inflation, uncertainty regarding future interest rates, foreign currency exchange rate fluctuations, recent adverse weather conditions, **geo** ~~escalating tensions in the Middle East, the continuation of the Russia- Ukraine war~~ **political events**, and potential governmental responses to these events have created, and continue to create, significant economic uncertainty and could materially and adversely impact our financial performance. The extent to which these macroeconomic pressures may impact our business, results of operations, costs and financial condition will depend on future developments, which continue to be highly uncertain and difficult to predict. While we have planned for and anticipate **continued softening of demand within our markets** ~~a mild U. S. recession continuing into 2024 2025~~, any one or more of the above macroeconomic factors could result in a more severe and longer ~~recessionary cycle~~ **downturn and / or increased costs**, which would have an adverse and potentially material impact on our business and financial performance. We may be impacted by ~~a significant change in the value of the U. S. dollar and our results of operations may be harmed by currency fluctuations and inflation~~. We purchase a variety of raw materials and finished goods from sources around the world and export certain products. The impact of a change in U. S. dollar exchange rates, and inflation, would impact our import purchases and export sales, which totaled \$ 391. 2 million and \$ 246. 3 million, respectively, in 2023. In addition, many of our packaging customers export their products; consequently, any adverse impact on those customers from currency fluctuations and inflation may have an adverse impact on our sales to those customers. Our growth may be limited by the customer demand in the markets we serve, including our construction market which is highly cyclical. Our sales growth is dependent, in part, upon the growth of the markets we serve. If our markets do not achieve anticipated growth, or if we fail to maintain our market share, financial results could be impaired. We are subject to fluctuations in the price of lumber. We experience significant fluctuations in the cost of commodity lumber products from primary producers (the "Lumber Market"). A variety of factors over which we have no control, including government and environmental regulations, weather conditions, economic conditions, and natural disasters, impact the cost of lumber products and our selling prices. While we attempt to minimize our risk from severe price fluctuations, substantial, prolonged trends in lumber prices can affect our sales, cost of materials, and gross profits. Our products are generally priced to the customer based on a quoted, fixed selling price or "indexed" to the Lumber Market with a fixed dollar adder to cover conversion costs and profit. The impact on our profitability from changes in lumber prices is discussed in the "Historical Lumber Prices" and "Impact of the Lumber Market on Our Operating Results" captions of our Management' s Discussion and Analysis of Financial Condition and Results of Operations section under Item 7 of this Form 10-K. Our lumber costs, including plywood, as a percentage of net sales were 43. 5 % in 2023. A significant portion of our sales are concentrated with two customers. Our sales to The Home Depot and Lowes comprised 17 % and 12 %, respectively, of our total net sales in fiscal 2023, 15 % and 11 %, respectively, in 2022, and 16 % and 10 %, respectively, in 2021. We may be impacted by vertical integration strategies. In certain markets and product lines, our customers or vendors could pursue vertical integration strategies that could have an adverse effect on our sales. We strive to add value and be a low-cost producer while maintaining competitive pricing in each of our markets to mitigate this risk. We may be impacted by industry capacity of products we supply. From time to time, we may experience excess capacity among suppliers of certain products in some of the markets we serve. Our selling prices and profitability are impacted during periods of shortages or excess industry capacity relative to market demand. We may also experience limited capacity among suppliers of certain products as a result of supply chain challenges, which may impact our profitability and ability to meet sales objectives. Our growth may be limited by our ability to make successful acquisitions. A key component of our growth strategy is to complete business combinations. Business combinations involve inherent risks, including assimilation and successfully managing growth. While we conduct extensive due diligence and have taken steps to ensure successful assimilation, factors beyond our control could influence the relative success of these acquisitions. We may be adversely affected by the impact of environmental and safety regulations. We are subject to the requirements of federal, state, and local environmental and occupational health and safety laws and regulations. There can be no assurance that we are at all times in complete compliance with all of these requirements. We have made and will continue to make capital and other expenditures to comply with environmental regulations. If additional laws and regulations are enacted, which restrict our ability to manufacture and market our products, including our treated lumber products, it could adversely affect our sales and profits. Changes in the interpretation of existing laws could also adversely impact our financial results. Seasonality and weather conditions, including those arising from climate change, could adversely affect us. Some aspects of our business are seasonal in nature and results of operations vary from quarter to quarter. In addition, the majority of our products sold to the Retail and Construction markets are used or installed in outdoor construction applications; therefore, short-term sales volume, productivity and gross profits can be negatively affected by adverse weather conditions, particularly in our first and fourth quarters. To the extent changes in the world' s climate have a greater impact on adverse weather conditions, we would expect more variability in our business operations and results. Climate change, which could result in more and more severe and adverse weather events, would likely create greater volatility in our financial results. In addition, it is possible that new legislation or regulation enacted to address the impact of climate change could increase costs for us and our suppliers, including costs associated with raw materials, energy, production, transportation, environmental monitoring and reporting, and capital expenditures. Inbound and outbound transportation costs represent a significant part of our cost structure. An increase in fuel and other operating expenses will significantly increase our costs. While we attempt to pass these costs along to our customers, there can be no assurance that they

would agree to these price increases. Our total inbound and outbound transportation costs were approximately 9.4%, 7.4%, and 7.3% of net sales in 2023, 2022, and 2021, respectively. New alternatives may be developed to replace traditional treated wood products. The manufacturers of wood preservatives continue to develop new preservatives. While we believe treated products are reasonably priced relative to alternative products such as composites or vinyl, new alternatives may impact the sales of treated wood products. In addition, new preservatives could increase our cost of treating products in the future. Cybersecurity breaches or a failure in our e-commerce operations could disrupt our business. We rely upon information technology systems and network products and the secure operation of these systems and products. Despite security measures, these systems and products may be vulnerable to physical damage, hackers, computer viruses, or breaches due to errors or malfeasance by employees, vendors, or customers. We have experienced such events in the past and, although past events were immaterial, future events may occur and may be material. Additionally, consumers are increasingly shopping online and through mobile commerce applications. As a result, we are vulnerable to additional risks and uncertainties associated with e-commerce sales, including rapid changes in technology, website downtime and other technical failures, security breaches, cyber-attacks, consumer privacy concerns, changes in state tax regimes and government regulation of internet activities. Our failure to successfully respond to these risks and uncertainties could reduce our e-commerce sales and increase our costs, which could negatively impact our results of operations. In addition, there is no guarantee that we will be able to expand our e-commerce business. Our competitors may have e-commerce businesses that are substantially larger and more developed than ours, which could place us at a competitive disadvantage. We may be impacted by new tariffs and duties on U. S. imports and foreign export sales **and changes in import / export regulations** . Instability of established free trade agreements , **the potential imposition of new or increased tariffs on U. S. imports or exports, and potential changes to import / export regulations** may lead to raw material and finished goods price volatility **as well as instability and uncertainty in our supply chain. The new Trump administration has indicated its intent to evaluate key aspects of U. S. trade policy, and there has been ongoing commentary regarding potential significant changes to U. S. trade policies, treaties, and tariffs. These changes could both be material and implemented in a relatively short timeframe, which makes planning and risk mitigation difficult** . An increase in foreign tariffs on U. S. goods could curtail our export sales to other countries , **which was were** approximately \$ **246-258** . **3-9** million in **2023-2024** . Increased tariffs and duties on U. S. imports will increase pricing by adding duty cost, where the duty is sustainable in light of overall unit price, or otherwise constrain supply by eliminating historical production sources by country or commodity type with unsustainable duties. Our purchases that **are were** impacted by tariffs were approximately \$ **391-390** . **2-9** million in **2023-2024** , including UFP' s U. S. import of Canadian Softwood Lumber of approximately \$ **223-211** . **8** million, which is the largest imported commodity. In addition, there is a risk that U. S. tariffs on imports and countering tariffs on U. S. exports could trigger broader international trade conflicts that could adversely impact our business. **We may be impacted by a significant change in the value of the U. S. dollar and our results of operations may be harmed by currency fluctuations and inflation. We purchase a variety of raw materials and finished goods from sources around the world and export certain products. The impact of a change in U. S. dollar exchange rates, and inflation, would impact our import purchases and export sales, which totaled \$ 390. 9 million and \$ 258. 9 million respectively, in 2024. In addition, many of our packaging customers export their products; consequently, any adverse impact on those customers from currency fluctuations and inflation may have an adverse impact on our sales to those customers. Our growth may be limited by the customer demand in the markets we serve, including our construction market which is highly cyclical. 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The impact on our profitability from changes in lumber prices is discussed in the " Historical Lumber Prices " and " Impact of the Lumber Market on Our Operating Results " captions of our Management' s Discussion and Analysis of Financial Condition and Results of Operations section under Item 7 of this Form 10- K. Our lumber costs, including plywood, as a percentage of net sales were 40. 4 % in 2024. A significant portion of our sales are concentrated with two customers. Our sales to The Home Depot and Lowes comprised 17 % and 11 % , respectively, of our total net sales in fiscal 2024, 17 % and 12 % , respectively, in 2023, and 15 % and 11 % , respectively, in 2022. We may be impacted by vertical integration strategies. In certain markets and product lines, our customers or vendors could pursue vertical integration strategies that could have an adverse effect on our sales. 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While we conduct extensive due diligence and have taken steps to ensure successful assimilation, factors beyond our control could influence the relative success of these acquisitions. We may be adversely affected by the impact of environmental and safety**

regulations. We are subject to the requirements of federal, state, and local environmental and occupational health and safety laws and regulations. There can be no assurance that we are at all times in complete compliance with all of these requirements. We have made and will continue to make capital and other expenditures to comply with environmental regulations. If additional laws and regulations are enacted, which restrict our ability to manufacture and market our products, including our treated lumber products, it could adversely affect our sales and profits. Changes in the interpretation of existing laws could also adversely impact our financial results. Seasonality and weather conditions, including those arising from climate change, could adversely affect us. Some aspects of our business are seasonal in nature and results of operations vary from quarter to quarter. In addition, the majority of our products sold to the Retail and Construction markets are used or installed in outdoor construction applications; therefore, short-term sales volume, productivity and gross profits can be negatively affected by adverse weather conditions, particularly in our first and fourth quarters. To the extent changes in the world's climate have a greater impact on adverse weather conditions, we would expect more variability in our business operations and results. Climate change, which could result in more and more severe and adverse weather events, would likely create greater volatility in our financial results. In addition, it is possible that new legislation or regulation enacted to address the impact of climate change could increase costs for us and our suppliers, including costs associated with raw materials, energy, production, transportation, environmental monitoring and reporting, and capital expenditures. Inbound and outbound transportation costs represent a significant part of our cost structure. An increase in fuel and other operating expenses will significantly increase our costs. While we attempt to pass these costs along to our customers, there can be no assurance that they would agree to these price increases. Our total inbound and outbound transportation costs were approximately 7.8%, 9.4%, and 7.4% of net sales in 2024, 2023, and 2022, respectively. New alternatives may be developed to replace traditional treated wood products. The manufacturers of wood preservatives continue to develop new preservatives. While we believe treated products are reasonably priced relative to alternative products such as composites or vinyl, new alternatives may impact the sales of treated wood products. In addition, new preservatives could increase our cost of treating products in the future. Cybersecurity breaches or other failures in our information technology systems could disrupt our business. We rely upon information technology systems and network products and the secure operation of these systems and products. Despite security measures, these systems and products may be vulnerable to physical damage, hackers, computer viruses, or breaches due to errors or malfeasance by employees, vendors, or customers. We have experienced such events in the past and, although past events were immaterial, future events may occur and may be material. Our failure to successfully identify and manage these risks and uncertainties could disrupt our operations and increase our costs, which could negatively impact our results of operations. 9