

Risk Factors Comparison 2024-11-14 to 2023-10-26 Form: 10-K

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

RISKS RELATING TO OUR BUSINESS AND OPERATIONS We face intense competition within our industry, which may adversely affect our results of operations and financial condition. The rental and sales industry with respect to uniforms, workwear and facility services is highly competitive. The ~~principal methods~~ **main sources** of competition **differentiation** in the industry are quality of products, quality of service and price. Our leading competitors include Cintas Corporation, Alisco and Vestis Corporation (~~formerly Aramark Uniform Services~~). The remainder of the market, however, is divided among **hundreds of more than 600** smaller businesses, many of which serve one or a limited number of markets or geographic service areas. In addition to our traditional rental competitors, we ~~may increasingly compete in the future~~ with businesses that focus on selling uniforms and other related items, including single-use disposable garments for use in the nuclear industry. Increased competition may result in price reductions, reduced gross margins and loss of market share, any of which could have a material effect on our results of operations and financial condition. We also compete with industry competitors for acquisitions, which has the effect of increasing the price for acquisitions and reducing the number of acquisition candidates available to us. If we pay higher prices for businesses we acquire, our returns on investment and profitability may be reduced. Adverse economic and business conditions or geopolitical events may affect our business and our customer base and have a material adverse impact on our sales and operating results. We supply uniform, workwear and facility services to many industries that have been in the past, and may be in the future, subject to adverse economic and business conditions resulting in shifting employment levels, workforce reductions, changes in worker productivity, uncertainty regarding the impacts of rehiring and shifts to offshore manufacturing. In addition, geopolitical conflicts, calamities or other events, including the conflict between Russian and Ukraine, disruption in the Middle East and public health events ~~such as the COVID-19 pandemic~~, may disrupt domestic and global business and financial markets and conditions. **The impacts of any general** ~~In recent quarters, we have observed increased economic uncertainty in the U. S. and abroad, weakness including the potential for or an economic recession may. Impacts of such general economic weakness include or result in~~, without limitation: falling overall demand for goods and services; reduced credit availability; reduced liquidity; volatility in credit, equity and foreign exchange markets; bankruptcies, **inflation** and rising interest rates ~~rate volatility~~. **Any such** ~~Adverse adverse~~ economic conditions ~~have included or resulted, and could continue to include or result, in a significant increase in inflation, which could have a material adverse impact on our business, including our operating margins. Continued high inflation has had a negative impact on our operating margins in recent periods.~~ Any conditions or events that adversely affect our current customers or sales prospects may cause such customers or prospects to restrict expenditures, reduce workforces or even to cease to conduct their businesses. Any of these circumstances would have the effect of reducing the number of employees utilizing our uniform, workwear and facility services, which could have a material adverse impact on our sales and results of operations. ~~Continued high inflation rates, or further increases~~ **Increases** in inflation rates, could have a material adverse impact on our revenues and operating margins. In addition, if our costs increase and we are not able to pass along these price increases to our customers, our results of operations would be adversely affected, and the adverse impact may be material. ~~Higher~~ **Elevated** inflation rates have **at times** had an adverse impact on our operating margins. ~~Although~~ **Any period of sustained** inflation **could pressure** rates have moderated somewhat recently, continued high inflation or **our margins in** future **periods** increases in inflation may result in decreased demand for our products and services, increased operating costs, including our labor costs, reduced liquidity, and limitations on our ability to access credit or otherwise raise debt and equity capital. In addition, the U. S. Federal Reserve **rapidly increased its benchmark interest rate from 2021 through 2023 in response to sustained elevated inflation and has raised only modestly reduced that rate thus far in 2024. Adverse economic conditions resulting from inflationary pressures**, and may continue to raise U. S. Federal Reserve actions, **including elevated** interest rates **and / or increases** in response interest rates, **geopolitical issues or otherwise are difficult** to concerns about inflation **predict and may have a material adverse impact on our business, results of operations and financial condition**. Continued high interest rates or increases in interest rates, especially if coupled with reduced government spending and volatility in financial markets, may have the effect of further increasing economic uncertainty and heightening these risks, which may result in economic recession. In an inflationary environment, we may be unable to raise the prices of our products and services at or above the rate at which our costs increase, which may reduce our operating margins and have a material adverse effect on our financial results. We also may experience lower than expected sales and potential adverse impacts on our competitive position if there is a decrease in customer spending or a negative reaction to our pricing. A reduction in our revenue would be detrimental to our profitability and financial condition and could also have an adverse impact on our future growth. Our failure to implement successfully our acquisition strategy and to grow our business could adversely affect our ability to increase our revenues and could negatively impact our profitability. As part of our growth strategy, we intend to continue to actively pursue additional acquisition opportunities. However, as discussed above, we compete with others within our industry for suitable acquisition candidates. This competition may increase the price for acquisitions and reduce the number of acquisition candidates available to us. As a result, our ability to acquire businesses in the future, and to acquire such businesses on favorable terms, may be limited. Even if we are able to acquire businesses on favorable terms, managing growth through acquisition is a difficult process that includes integration and training of personnel, combining plant and operating procedures and additional matters related to the integration of acquired businesses within our existing organization. Unanticipated issues related to integration may result in additional expense or in disruption to our operations, either of which could negatively impact our ability to achieve anticipated benefits. While we believe we will be able

to fully integrate acquired businesses, such as Clean **Uniform (“ Clean ”)**, we can give no assurance that we will be successful in this regard. Growth of our business will likely require us to increase our **workforce work force**, the scope of our operating and financial systems and the geographic area of our operations. We believe this growth will increase our operating complexity and the level of responsibility for both existing and new management personnel. Managing and sustaining our growth and expansion may require substantial enhancements to our operational and financial systems and controls, as well as additional administrative, operational and financial resources. There can be no assurance that we will be able to manage our expanding operations successfully, that any acquired business, including Clean, will perform as we expect, or that we will be able to maintain or accelerate our growth, and any failure to do so could have an adverse effect on our results of operations and financial condition. In order to finance such acquisitions, we may need to obtain additional funds either through public or private financings, including bank and other secured and unsecured borrowings and the issuance of debt or equity securities. There can be no assurance that such financings would be available to us on reasonable terms or that any future issuances of securities in connection with acquisitions will not be dilutive to our shareholders. If we are unable to preserve positive labor relationships or become the target of corporate labor unionization campaigns, the resulting labor unrest could disrupt our business by impairing our ability to produce and deliver our products. As of August ~~26-31, 2023~~ **2024**, we ~~employ~~ **employed** approximately 16, 000 persons and less than 1 % of our U. S. employees are represented by a union pursuant to a collective bargaining agreement. Competitors within our industry have been the target of corporate unionization campaigns by multiple labor unions. While our management believes that our employee relations are good, we cannot assure you that we will not become the target of campaigns similar to those faced by our competitors. The potential for unionization could increase if the U. S. Congress passes federal “ card check ” legislation in the future. If we do encounter pressure from any labor unions in connection with our acquisitions of other businesses, any resulting labor unrest could disrupt our business by impairing our ability to produce and deliver our products **and diverting the attention of our management**. In addition, significant union representation would require us to negotiate wages, salaries, benefits and other terms with many of our employees collectively and could adversely affect our results of operations by increasing our labor costs or otherwise restricting our ability to maximize the efficiency of our operations. We may incur unexpected cost increases due to rising healthcare costs, the Affordable Care Act and other labor costs. In general, the cost of healthcare that we provide to our employees has grown over the last few years at a rate in excess of our revenue growth and, as a result, has negatively impacted our operating results. Moreover, it is generally expected that healthcare costs in the U. S. will increase over the coming years. In addition, we may incur significant healthcare costs if a significant number of our employees experience injury or illness, including in connection with public health emergencies ~~such as the COVID-19 pandemic~~. As a result of these factors, and depending on the effect of any modifications we have made and may make in the future to our employee healthcare plans and enrollment levels in those plans, including as a result of the Affordable Care Act or any future legislation or regulation affecting the healthcare industry, we expect that our future operating results will continue to be further adversely impacted by increasing healthcare costs. Federal, state and municipal governments have and may continue to mandate increases to minimum wage and other employee benefits. In addition, we face wage pressure as the result of a low unemployment environment and increased competition in hiring. We have raised, and expect to continue to raise, our wage rates and benefits to reflect these changes, which has the effect of increasing our labor costs, which in turn adversely affects our results of operation and financial condition. Our failure to comply with these regulatory requirements would expose us to applicable penalties and increase the likelihood that we would be subject to unionization campaigns. Further mandates would require additional increases to our labor costs and adversely affect our operating margins. Our failure to retain our current customers, renew our existing customer contracts and enter into customer contracts with new customers could adversely affect our business, results of operations and financial condition. Our success depends on our ability to retain our current customers, renew our existing customer contracts and obtain new customers. Our ability to do so generally depends on a variety of factors, including the quality, price and responsiveness of our services, as well as our ability to market these services effectively and to differentiate ourselves from our competitors. In addition, renewal rates and our ability to obtain new customers are generally adversely affected by difficult economic and business conditions. We cannot assure you that we will be able to obtain new customers, renew existing customer contracts at the same or higher rates or that our current customers will not turn to competitors, cease operations or terminate contracts with us. Our failure to renew a significant number of our existing contracts would have an adverse effect on our results of operations and financial condition, and failure to obtain new customers could have an adverse effect on our growth and results of operations. Periods of high fuel and energy costs and increases in fuel and energy costs could materially adversely affect our operating costs. The price of fuel and energy needed to run our vehicles and equipment is unpredictable and fluctuates based on events outside our control, including geopolitical developments, such as the potential for a broadening Middle East conflict, the ongoing conflict between Russia and Ukraine and the resulting governmental sanctions against certain Russian individuals and entities, supply and demand for oil and gas, actions by the Organization of the Petroleum Exporting Countries, or OPEC, and other oil and gas producers, war and unrest in oil producing countries, regional production patterns, limits on refining capacities, natural disasters, environmental concerns, including the impact of legislative and regulatory efforts to limit greenhouse gas emissions, and public health emergencies. Our operating margins have been, and may continue to be, adversely impacted by ~~the recent~~ volatility in energy prices. Periods of high fuel and energy costs and any increases in fuel and energy costs could materially adversely affect our operating costs. As a result of our significant presence in energy producing regions, a prolonged drop in energy prices could negatively impact our financial results. We have a substantial number of plants and conduct a significant portion of our business in energy producing regions in the U. S. and Canada. In general, we are relatively more dependent on business in these regions than are many of our competitors. If a dramatic decrease in oil prices were to occur, it could impact our customers in the oil industry and cause those customers to curtail their level of operations, which could have a corresponding effect on our customers in businesses which service or supply the oil industry as well as our customers in unrelated businesses. As a result, our organic growth in periods

following a dramatic decrease in oil prices could be negatively impacted by elevated headcount reductions in our wearer base as well as increased lost accounts. At times, volatility in energy prices has had and may in the future have a significant impact on wearer levels at existing customers in our North American energy- dependent markets. Fluctuations in the nuclear portion of our Specialty Garments segment, including the loss of key customers or a significant reduction in our business derived from key customers, could disproportionately impact our revenue and net income and create volatility in the price of our Common Stock. Our nuclear decontamination business is affected by shut- downs, outages and clean- ups of the nuclear facilities we service. We are not able to control or predict with certainty when such shut- downs, outages and clean- ups will occur. In addition, our nuclear decontamination business tends to generate more revenue in the first and third fiscal quarters, which is when nuclear power plants typically schedule their plant outages and refuelings and thereby increase nuclear garment utilization. Moreover, a significant percentage of this segment' s revenues are generated from a limited number of nuclear power plant operator customers. This concentration subjects this business to significant risks and may result in greater volatility in this segment' s results of operations. Fluctuations in our nuclear decontamination business, including the loss of key customers of our Specialty Garments business, or a significant reduction in our business derived from such key customers, could materially adversely affect our results of operations and financial condition. Our international business results are influenced by currency fluctuations and other risks that could have an adverse effect on our results of operations and financial condition. A portion of our sales is derived from international markets. Revenue denominated in currencies other than the U. S. dollar represented approximately **6.9 %**, **7.0 %** ~~;~~ **and** **7.9 %** ~~and~~ **8.4 %** of total consolidated revenues for fiscal **2024, the fiscal year ended August 26, 2023** ~~;~~ **(“fiscal 2023”)** ~~and~~ the fiscal year ended August 27, 2022 (“fiscal 2022”) ~~and the fiscal year ended August 28, 2021 (“fiscal 2021”)~~, respectively. The operating results of our international subsidiaries are translated into U. S. dollars and such results are affected by movements in foreign currencies relative to the U. S. dollar. The strength of the U. S. dollar has generally increased recently as compared to other currencies, which has had, and may continue to have, an adverse effect on our operating results as reported in U. S. dollars. In addition, a weaker Canadian dollar increases the costs to our Canadian operations of merchandise and other operational inputs that are sourced from outside Canada, which has the effect of reducing the operating margins of our Canadian business if we are unable to recover these additional costs through price adjustments with our Canadian customers. Our international operations are also subject to other risks, including the requirement to comply with changing and conflicting national and local regulatory requirements, including, without limitation, with respect to sustainability matters; potential difficulties in staffing and labor disputes; managing and obtaining support and distribution for local operations; credit risk or financial condition of local customers; potential imposition of restrictions on investments; potentially adverse tax consequences, including imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries; foreign exchange controls; and local political and social conditions. In addition, U. S. and foreign trade policies and tariffs and other impositions on imported goods may have a negative impact on our business. ~~For example, in the fourth quarter of fiscal 2022, the Mexican federal tax authority issued a tax assessment on our subsidiary in Mexico for fiscal 2016 import taxes, value added taxes and custom processing fees of over \$ 17.0 million, plus surcharges, fines and penalties of over \$ 67.7 million for a total assessment of over \$ 84.7 million, which accrues interest and other charges. We disagree with such tax assessment and are challenging the validity of the tax assessment through an appeal process.~~ There can be no assurance that the foregoing factors will not have an adverse effect on our international operations or on our consolidated financial condition and results of operations. In addition, we own and operate manufacturing facilities in Mexico. Violence, crime and instability in Mexico has had, and may continue to have, an adverse effect on our operations, including the hijacking of our trucks and the implementation of security measures to protect our employees. ~~We are not~~ **While we carry certain** ~~insured~~ **insurance coverage,** ~~against such criminal attacks and~~ there can be no assurance that losses **not covered by insurance** that could result from an attack on our trucks or our personnel would not have a material adverse effect on our business, results of operations and financial condition. Operations in developing nations present several additional risks, including greater fluctuation in currencies relative to the U. S. dollar, economic and governmental instability, civil disturbances, volatility in gross domestic production, Foreign Corrupt Practice Act and other legal compliance issues and nationalization and expropriation of private assets, which could have a material adverse effect on our business, results of operations and financial condition. Our failure to properly and efficiently design, construct, implement and operate a new ~~enterprise resource planning (“ERP”) system~~ **could materially disrupt our operations, adversely impact the servicing of our customers** ~~and to successfully have a material adverse effect on our financial performance.~~ **In fiscal 2022, we initiated a multiyear ERP project with a strong focus on supply chain and procurement automation and technology. We believe that this initiative will become the core of the UniFirst technology footprint and will integrate and** ~~complete~~ **complement** the implementation ~~capabilities~~ of our customer relationship management (“CRM”) ~~computer system could materially disrupt our operations, adversely impact the servicing of our customers and have a material adverse effect on our financial performance.~~ **In fiscal 2022, we initiated a multiyear ERP project with a strong focus on supply chain and procurement automation and technology. We believe that this initiative will become the core of the UniFirst technology footprint and will integrate and complement the capabilities of the CRM system that we are currently deploying.** We expect ~~this~~ **the ERP** system and the **new** supply chain and procurement capabilities that it will provide ~~will to~~ enable lower operating costs and customer churn through enhanced inventory utilization and vendor management, improved response times to customer orders and more efficient back- end processes. We believe these capabilities will allow us to more effectively respond to and mitigate the types of supply chain challenges we experienced during the COVID- 19 pandemic ~~and continue to experience primarily as a result of the current inflationary environment.~~ The failure to properly, efficiently and economically design **processes**, implement and operate an ERP system on a timely basis or at all could materially disrupt our operations, including our supply chain ~~;~~ **adversely impact the servicing of our customers and have a material adverse effect on our financial results.** In addition, we began deployment of our new CRM project during fiscal 2021. While the deployment of the CRM system is substantially complete in the U. S., we continue to work on the implementation

and operation of the system. This new system is intended to improve functionality, capability and information flow as well as increase automation in servicing our customers. The failure to successfully complete the implementation and operate the CRM system on a timely basis or at all could materially disrupt our operations, adversely impact the servicing of our customers and have a material adverse effect on our financial results. If our information technology systems suffer interruptions or failures, including as a result of cyber- attacks, our business operations could be disrupted or other material adverse impacts on our business could result. Our information technology systems serve an important role in the efficient operation of our business. The failure of these information technology systems to perform as we anticipate could disrupt our business and negatively impact our results of operations. In addition, our information technology systems could be damaged or cease to function properly due to any number of causes, such as catastrophic events, power outages, security breaches, ransomware, computer viruses or cyber-based attacks. Further, state- sponsored cyber- attacks could expand, including as part of the conflict between Russia and Ukraine, which could adversely affect our or our suppliers' ability to maintain and enhance key cyber security and data protection measures. While we have contingency plans in place to prevent or mitigate the impact of these events, if such events were to occur and our disaster recovery plans do not effectively address the issues on a timely basis, we could suffer interruptions in our ability to manage our operations and service our customers, and we may be required to make a significant investment to fix or replace our information technology systems, each of which may have a material adverse effect on our business and financial results. In addition, if customer, employee or our proprietary information is compromised by a security breach or cyber- attack or other event, it could have a material adverse effect on our business, including as a result of remedial actions that we may be required to take, potential liabilities and penalties, loss of business and reputational damage. Our failure to properly respond to any such event could also result in exposure to liability. We are subject to numerous laws and regulations in the U. S. and internationally designed to protect the information of clients, customers, employees, and other third parties that we collect and maintain. These laws and regulations are increasing in complexity and number. If we fail to comply with such laws or regulations, we may be subject to litigation, monetary damages, enforcement actions or fines in one or more jurisdictions, which could have an adverse effect on our business. We also rely on systems and applications provided by third-party vendors for certain information technology services. If these third- party vendors, or our suppliers or other vendors, experience service interruptions, security breaches, cyber- attacks, computer viruses, ransomware or other similar events, customer, employee or other proprietary information could be compromised and it could as a result or otherwise, have an adverse effect on our business. Our business may be subject to seasonal and quarterly fluctuations. Historically, our revenues and operating results have varied from quarter to quarter and are expected to continue to fluctuate in the future. In addition, our operating results historically have been seasonally lower during the second and fourth fiscal quarters than during the other quarters of the fiscal year. We incur various costs in integrating or establishing newly acquired businesses or start- up operations, and the profitability of a new location is generally expected to be lower in the initial period of its operation than in subsequent periods. Start- up operations in particular lack the support of an existing customer base and require a significantly longer period to develop sales opportunities and meet targeted operating results. These factors, among others, may cause our results of operations in some future quarters to be below the expectations of securities analysts and investors, which could have an adverse effect on the market price of our Common Stock. Loss of our key management or other personnel and our inability to hire qualified personnel could adversely impact our business. Our success is largely dependent on the skills, experience and efforts of our senior management, including our President and Chief Executive Officer, and certain other key personnel. If, for any reason, one or more senior executives or key personnel were not to remain active in our Company, our results of operations could be adversely affected. Our future success also depends upon our ability to attract and retain key employees. There is competition in the market for the services of such qualified personnel and hourly workers. In addition, as discussed above, we face wage pressure as the result of a low unemployment environment and increased competition in hiring. We have raised, and expect to continue to raise, our wage rates and benefits to reflect these changes, which has the effect of increasing our labor costs, which in turn adversely affects our results of operation and financial condition. Our failure to attract and retain such personnel or workers could adversely affect our results of operations. We depend on third parties to supply us with raw materials and facility services products and our results of operations could be adversely affected if we are unable to obtain adequate raw materials in a timely and economic manner, or at all, or if our supply chain is otherwise disrupted. We manufactured approximately 60-65% of all garments we placed in service during fiscal 2023-2024. These were primarily work pants and shirts manufactured at three-two of our plants located in San Luis Potosi, Mexico, at one plant located in Managua, Nicaragua, and by as well as at subcontracted manufacturers that we utilize within our sourcing strategy to balance demand and optimize costs. The balance of the garments used in our programs are purchased from a variety of industry suppliers. While we currently acquire the raw materials with which we produce our garments from a limited number of suppliers, we believe that such materials are generally readily available from other sources. Furthermore, overseas garment contractors could be subject to supply chain disruptions. We also source or import various facility services products, such as towels, microfiber, conventional mops, aprons, disposable gloves, etc., and our ability to obtain these supplies could potentially be impacted by supply chain disruptions. To date, we have experienced no significant difficulty in obtaining any of our raw materials or supplies, although at certain times, we have sourced raw materials or supplies from alternative sources or experienced cost increases for such raw materials and supplies. However, if we were to experience difficulty obtaining any of our raw materials from such suppliers and were unable to obtain new materials or supplies from other industry suppliers, or if the cost of obtaining such materials or supplies were to increase, including in any case as a result of continued or increasing inflation, high or rising interest rates, geopolitical issues such as the conflict between Russia and Ukraine or other supply chain disruptions, it could adversely affect our results of operations. Unexpected events could disrupt our operations and have a material adverse impact on our operating results. Unexpected events, including, without limitation, fires at facilities, natural disasters as a result of climate change or otherwise, such as hurricanes, earthquakes, floods and tornadoes, public health emergencies, war or

terrorist activities, including the conflicts in the Middle East or between Russia and Ukraine, unplanned utility outages, pandemics such as the COVID-19 pandemic, the conflict between Russia and Ukraine or other supply chain disruptions, it could adversely affect our results of operations. Unexpected events could disrupt our operations and adversely affect our operating results. Unexpected events, including, without limitation, fires at facilities, natural disasters as a result of climate change or otherwise, such as hurricanes, earthquakes, floods and tornadoes, public health emergencies, war or terrorist activities, including the conflicts in the Middle East or between Russia and Ukraine, unplanned utility outages, pandemics such as the COVID-19 pandemic, supply disruptions, failure of equipment or information systems, temporary or long-term disruption of our computer systems, or changes in laws and / or regulations impacting our business, could **have a material** adversely **adverse** affect **impact on** our operating results. These events could result in disruption of customer service, physical damage to one or more key operating facilities, the temporary closure of one or more key operating facilities or the temporary disruption of information systems. In addition, the destruction or temporary loss of, or other disruptions with respect to, **key facilities such as** our distribution facility in Owensboro, Kentucky or our manufacturing facilities in Mexico **and, Nicaragua or Cave City, Arkansas,** would have a material adverse effect on our operations and financial results. We are controlled by our principal shareholders, and our other shareholders may be unable to affect the outcome of shareholder voting. As of October 20, 2023, to the Company's knowledge, the members of the Croatti family and other family members owned, directly or indirectly, in the aggregate approximately 3,590,295 shares of our Class B Common Stock, which represents approximately 19.2% of the aggregate number of outstanding shares of our Common Stock and Class B Common Stock, but approximately 70.4% of the combined voting power of the outstanding shares of our Common Stock and Class B Common Stock. To the Company's knowledge, the members of the Croatti family and other family members owned, directly or indirectly, a number of shares of Common Stock. As a result, the members of the Croatti family, acting with other family members, could effectively control most matters requiring approval by our shareholders, including the election of a majority of the directors. While historically the members of the Croatti family have individually voted their respective shares of Class B Common Stock in the same manner, there is no contractual understanding requiring this and there is no assurance that the family members will continue to individually vote their shares of Class B Common Stock in the same manner. This voting control by the members of the Croatti family, together with certain provisions of our by-laws and articles of organization, could have the effect of delaying, deferring or preventing a change in control of our Company that would otherwise be beneficial to our public shareholders. We identified a material **weakness weaknesses** in our internal control over financial reporting related to certain information technology general controls ("ITGCs") supporting the manage change and manage access processes. If not remediated appropriately and timely, such material **weakness weaknesses** could adversely impact our ability to record, process and report financial information accurately, result in loss of investor confidence and have a material adverse impact on our business, results of operations, financial condition and stock price. **Internal control related to the operation of technology systems is critical to maintaining adequate internal control over financial reporting.** As disclosed in Part II, Item 9A of our Annual Report on Form 10-K for fiscal 2022, we previously identified a material weakness related to our revenue and accounts receivable process caused principally by ineffective ITGCs in the area of user access over the CRM system that we are in the process of deploying. While we worked during fiscal 2023 to remediate the previously identified material weakness, we were unable to fully remediate the material weakness prior to the end of fiscal 2023. As disclosed in Part II, Item 9A of this Annual Report on Form 10-K for fiscal 2023, **management we previously** identified a material weakness in internal control over financial reporting related to **deficiencies in our** certain ITGCs supporting the manage change and manage access processes that were not designed and operating effectively. **These deficiencies related to our CRM system and affected revenue and receivables as well as a group of legacy applications which affected revenue and receivables, supply inventory and merchandise in service. While we worked during fiscal 2024 to remediate the date previously identified material weakness, we were unable to fully remediate the material weakness prior to the end of fiscal 2024 and also identified deficiencies within the management's assessment change and manage access processes related to additional applications. The material weaknesses identified as of the end of fiscal 2024 include design and operating deficiencies in the manage change and manage access processes impacting all financially relevant business processes. As a result-public company, management concluded that we are required to establish and periodically evaluate and assess procedures with respect to our internal control over financial reporting. In connection with our year-end assessment was- as part of this Annual Report, we determined that, as of August 31, 2024, we did not maintain effective internal control over financial reporting due to material weaknesses we identified in the design and operation of certain ITGCs relevant to our key accounting, reporting, and proprietary information technology ("IT") systems, as of August 26 more fully described in Part II, 2023-Item 9A, "Controls and Procedures" of this Form 10-K. The-These material weakness weaknesses relates did not result in any identified misstatements to our CRM system that the financial statements, and there were no changes to previously issued financial results. While we are in the process of implementing changes to remediate** deploying and affects revenue and receivables as well as a group of legacy applications which affect revenue and receivables, supply inventory and merchandise in service. Our business process controls within the revenue and accounts receivable process and inventory and merchandise in service process, both automated and manual, that are dependent on the completeness and accuracy of the information derived from the affected IT systems were also deemed ineffective because they **the material weaknesses identified** could have been adversely impacted. Although we are working on remedial measures, there can be no assurance that such remedial measures will be successful and we will be able to remediate the material **weakness weaknesses** in a timely manner. If we are unable to remediate the material **weakness weaknesses** appropriately and timely, or are otherwise unable to maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods, could be adversely affected, which could subject us to litigation or investigations requiring management resources and payment of legal and other expenses, negatively affect

investor confidence in our financial statements and have a material adverse effect on our business, results of operations, financial condition and stock price. Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting, including as a result of the material ~~weakness~~ **weaknesses** identified by management and discussed above. The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting, including new and revised financial and information technology- related controls that we have been designing, implementing and operating ~~in connection with the deployment of our new CRM system~~, may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, there can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies in our internal control over financial reporting, including the material ~~weakness~~ **weaknesses** identified by management and discussed above and any additional material weakness which may occur in the future, could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

LEGAL AND REGULATORY RISKS The expenses we may incur to comply with environmental regulations, including costs associated with potential environmental remediation, may prove to be significant and could have a material adverse effect on our results of operations and financial condition. We, like our competitors, are subject to various federal, state and local laws and regulations governing, among other things, air emissions, wastewater discharges, and the generation, handling, storage, transportation, treatment and disposal of hazardous wastes and other substances. In particular, industrial laundries currently use and must dispose of detergent ~~wastewater~~ **waste water** and other residues, and, in the past, used perchloroethylene and other dry cleaning solvents. We are attentive to the environmental concerns surrounding the disposal of these materials and have, through the years, taken measures to avoid their improper disposal. Over the years, we have settled, or contributed to the settlement of, past actions or claims brought against us relating to the disposal of hazardous materials at several sites, and there can be no assurance that we will not have to expend material amounts to remediate the consequences of any such disposal in the future. Further, under environmental laws, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on, or in, or emanating from such property, as well as related costs of investigation and property damage. Such laws often impose liability without regard to whether the owner or lessee knew of, or was responsible for, the presence of such hazardous or toxic substances. There can be no assurance that acquired or leased locations have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of liability upon us under such laws or expose us to third- party actions such as tort suits. We continue to address environmental conditions under terms of consent orders negotiated with the applicable environmental authorities or otherwise with respect to sites located in or related to certain sites. We have accrued certain costs related to certain sites, including but not limited to, sites in Woburn and Somerville, Massachusetts, as it has been determined that the costs are probable and can be reasonably estimated. We, together with multiple other companies, are party to a consent decree related to our property and parcels of land (the “ Central Area ”) at a site in Woburn, Massachusetts. The U. S. Environmental Protection Agency (the “ EPA ”) has provided us and other signatories to the consent decree with comments on the design and implementation of groundwater and soil remedies at the Woburn site and investigation of environmental conditions in the Central Area. The consent decree does not address any remediation work that may be required in the Central Area. We, and other signatories, have implemented and proposed to do additional work at the Woburn site but many of the EPA’ s comments remain to be resolved. We have accrued costs to perform certain work responsive to the EPA’ s comments. Additionally, we have implemented mitigation measures and continue to monitor environmental conditions at a site in Somerville, Massachusetts. We have agreed to undertake additional actions responsive to a notice of audit findings from the Massachusetts Department of Environmental Protection concerning a regulatory submittal that we made in 2009 for a portion of the site. We have received demands from the local transit authority for reimbursement of certain costs associated with its construction of a new municipal transit station in the area of the Somerville site. This station ~~is~~ **was** part of an ~~ongoing~~ extension of the **local** transit system. We have reserved for costs in connection with this matter; however, in light of the uncertainties associated with this matter, these costs and the related reserve may change. On a quarterly basis, we assess each of our environmental sites to determine whether the costs of investigation and remediation of environmental conditions are probable and can be reasonably estimated as well as the adequacy of our accruals with respect to such costs. There can be no assurance that our accruals with respect to our environmental sites will be sufficient or that the costs of remediation and investigation will not substantially exceed our accruals as new facts, circumstances or estimates arise. Our nuclear garment decontamination facilities are licensed by the Nuclear Regulatory Commission, or in certain cases, by the applicable state agency, and are subject to regulation by federal, state and local authorities. We also have nuclear garment decontamination facilities in the United Kingdom and the Netherlands. These facilities are licensed and regulated by the respective country’ s applicable federal agency. In the past, scrutiny and regulation of nuclear facilities and related services have resulted in the suspension of operations at certain nuclear facilities served by us or disruptions in our ability to service such facilities. There can be no assurance that such scrutiny and regulation will not lead to the shut- down of such facilities or otherwise cause material disruptions in our garment decontamination business. In addition, our nuclear garment decontamination operations are subject to asset retirement obligations related to the decommissioning of our nuclear laundry facilities. We recognize as a liability the present value of the estimated future costs to decommission these facilities. The estimated liability is based on historical experience in decommissioning nuclear laundry facilities, estimated useful lives of the underlying assets, external vendor estimates as to the cost to decommission these assets in the future, and federal and state regulatory requirements. No assurances can be given that these accruals will be sufficient or that the costs of such decommissioning will not substantially exceed such accruals, as our facts, circumstances or estimates change, including changes in the Company’ s estimated useful lives of the underlying assets, estimated dates of decommissioning, changes in decommissioning costs, changes in federal or state regulatory

guidance on the decommissioning of such facilities, or other changes in estimates. In addition to contingencies and claims relating to environmental compliance matters, we may from time to time be subject to legal or regulatory proceedings and claims related to our business operations which may **have a material** adversely ~~adverse affect effect on~~ our financial condition and operating results. In addition to contingencies and claims relating to environmental ~~compliance~~ matters, we are subject from time to time to legal or regulatory proceedings, including, without limitation, with respect to tax matters, and to claims and disputes arising from the conduct of our business operations, including personal injury claims, customer contract matters and employment claims such as claims alleging violations of, and damages under, the Fair Labor Standards Act (the “FLSA”). Refer to Note 11, “Commitments and Contingencies”, of our Consolidated Financial Statements for further discussion. For example, in the fourth quarter of fiscal 2022, the Mexican federal tax authority issued a tax assessment on our subsidiary in Mexico for fiscal 2016 import taxes, value added taxes and custom processing fees of over \$ 17.0 million, plus surcharges, fines and penalties of \$ 67.7 million for a total assessment of \$ 84.7 million, ~~which accrues interest and other charges~~. We ~~disagree with such tax assessment and are challenging~~ **challenged** the validity of the tax assessment through an appeal process. **In the first quarter of fiscal 2025, the Federal Tax Court in Mexico made a determination partially in our favor. Following the Federal Tax Court’s determination, we filed a constitutional action before the Federal Administrative Court.** Certain of the claims to which we are subject are typically not covered by our available insurance. In addition, claims occasionally result in significant investigation and litigation expenses and, if successful, may result in material losses to us. Certain claims may also result in significant adverse publicity against us. As a consequence, successful claims against us not covered by our available insurance coverage or the adverse outcome of a legal or regulatory proceeding, or the impact of adverse publicity against us, could have a material adverse effect on our business, financial condition and results of operation. Failure to comply with state, federal, **, international** and other **laws,** rules and regulations to which we are subject may result in penalties or costs that could have a material adverse effect on our business. Our business is subject to various state, federal, international and other **laws,** rules and regulations, including employment laws and regulations such as the FLSA, minimum wage requirements, overtime requirements, working condition requirements, citizenship requirements, healthcare insurance mandates, data protection requirements, import and export requirements and restrictions and other laws, rules and regulations, including those of the SEC and NYSE and those relating to accounting. We have incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of our business in complying with the laws, **, rules** and regulations to which we are subject. Any appreciable increase in the statutory minimum wage rate, income or overtime pay, costs of complying with healthcare insurance mandates, changes in the requirements under the Occupational Safety and Health Act of 1970, as amended, changes in environmental compliance requirements, or changes to immigration laws and citizenship requirements would likely result in an increase in our labor costs and / or contribute to a shortage of available labor and such cost increase or labor shortage, or the penalties for failing to comply with such statutory minimums or regulations, could have an adverse effect on our business, liquidity and results of operations. The impact of any new laws, rules and regulations **such as recent rules adopted by the SEC regarding climate- related and cybersecurity- related disclosures**, or changes to **laws, rules and regulations or governmental interpretations of such** laws, rules and regulations, cannot be predicted and could cause us to incur substantial compliance costs. Any failure to comply with applicable laws, rules and regulations could result in substantial fines or penalties by government authorities, payment of damages to private litigants or possible revocation of our authority to conduct our operations, which could **materially** adversely affect our ability to service customers and our results of operations. Changes in or new interpretations of the governmental regulatory framework may affect our contract terms and may reduce our sales or profits. A portion of our total consolidated revenues is derived from business with U. S. federal, state and local governments and agencies. Changes or new interpretations in, or changes in the enforcement of, the statutory or regulatory framework applicable to services provided under governmental contracts or bidding procedures could result in fewer new contracts or contract renewals, modifications to the methods we apply to price government contracts or in contract terms of shorter duration than we have historically experienced, any of which could result in lower sales or profits than we have historically achieved, which could have an adverse effect on our results of operations. GENERAL RISK FACTORS Adverse global financial and economic conditions may result in impairment of our goodwill and intangibles. Our market capitalization, from time to time, has experienced volatility due in part to turbulent economic conditions and disruption in the global equity and credit markets. Under accounting principles generally accepted in the U. S. (“U. S. GAAP”), we may be required to record an impairment charge if changes in circumstances or events indicate that the carrying values of our goodwill and intangible assets exceed their fair value and are not recoverable. Any significant and other- than- temporary decrease in our market capitalization could be an indicator, when considered together with other factors, that the carrying values of our goodwill and intangible assets exceed their fair value, which may result in our recording an impairment charge. We are unable to predict economic trends, but we continue to monitor the impact of changes in economic and financial conditions on our operations and on the carrying value of our goodwill and intangible assets. Should the value of our acquired goodwill or one or more of our acquired intangibles become impaired, our consolidated earnings and net worth may be materially adversely affected. The price of our Common Stock may be highly volatile, which could result in significant price declines. The price of our Common Stock may experience significant volatility. Such volatility may be caused by fluctuations in our operating results, changes in earnings estimated by investment analysts, the number of shares of our Common Stock traded each day, the degree of success we achieve in implementing our business and growth strategies, changes in business or regulatory conditions affecting us, our customers or our competitors and other factors. In addition, **stocks listed on** the NYSE ~~historically has~~ **have occasionally** experienced extreme price and volume fluctuations that often have been unrelated to, or disproportionate to, the operating performance of ~~its the~~ listed companies. These fluctuations, as well as general economic, political and market conditions, may adversely affect the market price of our Common Stock. If we are unable to accurately predict our future tax liabilities or become subject to increased levels of taxation or our tax contingencies are unfavorably resolved, our results of operations and financial condition

could be **materially** adversely affected. The rules dealing with U. S. federal, state and local and non- U. S. taxation are regularly under review by persons involved in the legislative process and by the Internal Revenue Service (“ IRS ”) and the U. S. Treasury Department and other taxing authorities. Changes to tax laws (which changes may have retroactive application) could adversely affect us or holders of our Common Stock. Any such tax laws, regulations, interpretations, or rulings could have an adverse effect on our financial condition and results of operations. These changes could subject us to additional income taxes and non- income taxes (such as payroll, sales, use, import, value- added, digital tax, net worth, property, and goods and services taxes), which in turn could materially affect our financial position and results of operations. Additionally, new, changed, modified, or newly interpreted or applied tax laws could increase our customers’ and our compliance costs, operating and other costs, as well as the costs of our products. In recent years, many such changes have been made, and changes are likely to continue to occur in the future. As we expand the scale of our business activities, any changes in the U. S. and non- U. S. taxation of such activities may increase our effective tax rate and harm our business, financial condition, and results of operations. In addition, we are also subject to tax audits in the U. S. and other jurisdictions in which we do business, including, but not limited to, various states, as well as Canada and the Canadian provinces of Alberta, British Columbia, Ontario, Saskatchewan, Quebec and New Brunswick, and Mexico. These audits can be complicated and can require several years to resolve. The final resolution of any such tax audit could result in an increase in our income tax and other tax liabilities. Although we believe that our current tax provisions are reasonable and appropriate, there can be no assurance that these items will be settled for the amounts accrued, that additional tax exposures will not be identified in the future or that additional tax reserves will not be necessary for any such exposures. Any increase in the amount of taxes we owe, including any fines or penalties, as a result of challenges to our tax filing positions could result in a material adverse effect on our business, results of operations and financial condition. Refer to Note 11, “ Commitments and Contingencies ”, of our Consolidated Financial Statements for further discussion, including regarding the tax assessment matter in Mexico. **We are controlled by our principal shareholders, and our other shareholders may be unable to affect the outcome of shareholder voting. As of October 23, 2024, to the Company’ s knowledge, the members of the Croatti family and other family members owned, directly or indirectly, in the aggregate approximately 3, 558, 435 shares of our Class B Common Stock, which represents approximately 19. 2 % of the aggregate number of outstanding shares of our Common Stock and Class B Common Stock, but approximately 70. 3 % of the combined voting power of the outstanding shares of our Common Stock and Class B Common Stock. To the Company’ s knowledge, the members of the Croatti family and other family members owned, directly or indirectly, a number of shares of Common Stock. As a result, the members of the Croatti family, acting with other family members, could effectively control most matters requiring approval by our shareholders, including the election of a majority of the directors. While historically the members of the Croatti family have individually voted their respective shares of Class B Common Stock in the same manner, there is no contractual understanding requiring this and there is no assurance that the family members will continue to individually vote their shares of Class B Common Stock in the same manner. This voting control by the members of the Croatti family, together with certain provisions of our by- laws and articles of organization, could have the effect of delaying, deferring or preventing a change in control of our Company that would otherwise be beneficial to our public shareholders.**