

## Risk Factors Comparison 2024-02-16 to 2023-02-16 Form: 10-K

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

Risks Related to Our Business and Industry Supply and Availability of Raw Materials, Supply Chain Constraints and Profitability Margins The success of our business depends on our ability to meet customer demand of a commodity product in a highly competitive market, and sourcing an adequate supply of raw materials, including copper, is vital to our business and operations. While the Company generally believes our supply of raw materials is adequate, the Company could experience instances of limited supply of certain raw materials, resulting in extended lead times and higher prices. Shortages or interruptions (including due to labor or political disputes) in the supply of our raw materials could disrupt our operations, and our business and financial condition could be materially adversely affected by such disruptions. Limitations inherent within our supply chain of certain raw materials, including competitive, governmental, and legal limitations, natural disasters, and other events, could impact costs, and future increases in the costs of these items, including, for example, the adoption of new tariffs by the United States and other countries, and a resurgence of the COVID- 19 pandemic could adversely affect our profitability and availability of raw materials. There can be no assurance that future price increases will be successfully passed through to customers or that we will be able to find alternative suppliers. **Additionally, in the last three quarters of 2021 and throughout 2022, supply chain constraints, driven in part by the COVID- 19 pandemic, positively impacted the prices at which we sold our products, resulting in our increased profitability.** ~~There can be no assurance that product prices or our profitability will remain at current levels. We anticipate the supply chain constraints abating in the future, but we are unable to predict the timing, impact, or whether such abatement will be gradual or abrupt.~~ Product Pricing and Volatility of Copper Market Price competition for copper electrical wire and cable is significant, and the Company sells its products in accordance with prevailing market prices. Wire and cable prices can, and frequently do, change on a daily basis. This competitive pricing market for wire does not always mirror changes in copper prices, making margins highly volatile. Copper, a commodity product, is the principal raw material used in the Company' s manufacturing operations. The price of copper fluctuates depending on general economic conditions and in relation to supply and demand and other factors, including changes in regulatory, geopolitical, political, social, economic, tax or monetary policies, and it causes monthly variations in the cost of copper purchased by the Company. The SEC allows shares of physically backed copper exchange traded funds (" ETFs ") to be listed and publicly traded. Such funds and other copper ETFs like them hold copper cathode as collateral against their shares. The acquisition of copper cathode by copper ETFs may materially decrease or interrupt the availability of copper for immediate delivery in the United States, which could materially increase the Company' s cost of copper. In addition to rising copper prices and potential supply shortages, we believe that ETFs and similar copper- backed derivative products could lead to increased copper price volatility. While the Company has experienced increased profitability in recent quarters, the Company cannot predict future copper prices or the effect of fluctuations in the costs of copper on the Company' s future operating results and, as a result, cannot predict how long the Company' s increased profitability will continue and whether such positive financial trends will be sustained. Consequently, fluctuations in copper prices caused by market forces can significantly affect the Company' s financial results. Industry Conditions and Cyclicity The residential, commercial and industrial construction industry, which is the end user of the Company' s products, is cyclical and is affected by a number of factors, including the general condition of the economy, market demand, and changes in interest rates. Industry sales of electrical wire and cable products tend to parallel general construction activity, which includes remodeling. Data on remodeling is not readily available. However, remodeling activity historically trends up when new construction slows down. Construction activity is affected by the ability of our end users to finance projects, which may be severely reduced due to a widespread outbreak of contagious disease, including an epidemic or pandemic such as the ~~ongoing~~ COVID- 19 pandemic. Residential, commercial and industrial construction could decline if companies and consumers are unable to finance construction projects or if the economy precipitously declines or stalls, which could result in delays or cancellations of capital projects. Deterioration in the financial condition of the Company' s customers due to industry and economic conditions may result in reduced sales, an inability to collect receivables and payment delays or losses due to a customer' s bankruptcy or insolvency. Although the Company' s bad debt experience has been low in recent years, the Company' s inability to collect receivables may increase the amounts the Company must expense against its bad debt reserve, decreasing the Company' s profitability. A downturn in the residential, commercial or industrial construction industries and general economic conditions may have a material adverse effect on the Company. Competition The electrical wire and cable industry is highly competitive. The Company competes with several manufacturers of wire and cable products that have substantially greater resources than the Company **does**. Some of these competitors are owned and operated by large, diversified companies. The principal elements of competition in the wire and cable industry are, in the opinion of the Company, pricing, product availability and quality and, in some instances, breadth of product line. The Company believes that it is competitive with respect to all of these factors. While the number of manufacturers producing wire and cable has declined in the past, there can be no assurance that new competitors will not emerge or that existing producers will not employ or improve upon the Company' s manufacturing and marketing strategy. Risks Related to Our Operations Operating Results May Fluctuate Encore' s results of operations may fluctuate as a result of a number of factors, including fluctuation in the demand for and shipments of the Company' s products. Therefore, comparisons of results of operations, including recent periods of increased profitability, have been and will be impacted by the volume of such orders and shipments, and the Company cannot predict if periods of increased profitability will continue in the future. In addition, the Company' s operating results could be adversely affected by the following factors, among others, such as variations in the mix of product sales, price changes in response to competitive factors,

increases in raw material costs, freight and other significant costs, the loss of key manufacturer's representatives who sell the Company's product line, increases in utility costs (particularly electricity and natural gas) and, various types of insurance coverage, and interruptions in plant operations resulting from the interruption of raw material supplies and other factors. Additionally, our results of operations could be impacted by macro-economic and geopolitical conditions as well as other outside factors, including changes in regulatory, geopolitical, political, social, economic, tax or monetary policies, and other factors. Reliance on Senior Management Encore's future operating results depend, in part, upon the continued service of its senior management, including, Mr. Daniel L. Jones, Chairman, President and Chief Executive Officer, and Mr. Bret J. Eckert, the Company's Executive Vice President and Chief Financial Officer (neither of whom is bound by an employment agreement). The Company's future success will depend upon its continuing ability to attract and retain highly qualified managerial and technical personnel. Competition for such personnel is intense, and there can be no assurance that the Company will retain its key managerial and technical employees or that it will be successful in attracting, assimilating or retaining other highly qualified personnel in the future. Patent and Intellectual Property Disputes Disagreements about patents and intellectual property rights occur in the wire and cable industry. The unfavorable resolution of a patent or intellectual property dispute could preclude the Company from manufacturing and selling certain products or could require the Company to pay a royalty on the sale of certain products. Patent and intellectual property disputes could also result in substantial legal fees and other costs.

**Cybersecurity Breaches and other Disruptions to our Information Technology Systems** The efficient operation of our business is dependent on our information technology systems to process, transmit and store sensitive electronic data, including employee, distributor and customer records, and to manage and support our business operations and manufacturing processes. The secure maintenance of this information is critical to our operations. Despite our security measures, our information technology system may be vulnerable to attacks by hackers or breaches due to errors or malfeasance by employees and others who have access to our system, or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, telecommunication or utility failures or natural disasters. Any such event could compromise our information technology system systems, expose our customers, distributors and employees to risks of misuse of confidential information, impair our ability to effectively and timely operate our business and manufacturing processes, and cause other disruptions, which could result in legal claims or proceedings, disrupt our operations and the services we provide to customers, damage our reputation, and cause a loss of confidence in our products and services, any of which could adversely affect our results of operations and competitive position.

**Climate Change** Future deterioration of the environment due to climate change or increased severe weather related events associated with climate change could affect both our operations and the operations of our suppliers and customers. ~~Climate change may be associated with extreme weather conditions such as more intense hurricanes, thunderstorms, tornadoes and snow or ice storms, as well as rising sea levels.~~ ~~The Company could experience increased operating costs due to new regulatory requirements and increased physical risks to our facilities due to volatile weather conditions such as more intense hurricanes, thunderstorms, tornadoes and snow or ice storms, as well as rising sea levels.~~ ~~The~~ **Additionally, the** Company could experience disruptions or limitations to access of water. Our suppliers may face similar challenges, which could impact our supply chain. Demand for our products may be impacted regionally as local climates adapt to global environmental changes. **However, at this time, we are unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting our operations.**

**Risks Related to Ownership of Our Stock** Common Stock Price May Fluctuate Future announcements concerning Encore or its competitors or customers, quarterly variations in operating results, announcements of technological innovations, the introduction of new products or changes in product pricing policies by the Company or its competitors, developments regarding proprietary rights, changes in earnings estimates by analysts, or reports regarding the Company or its industry in the financial press or investment advisory publications, among other factors, could cause the market price of the common stock to fluctuate substantially. These fluctuations, as well as general economic, political and market conditions, such as recessions, world events, military conflicts or market or market-sector declines, may materially and adversely affect the market price of the common stock. Beneficial Ownership of the Company's Common Stock by a Small Number of Stockholders A small number of significant stockholders beneficially own greater than 35-36% of the Company's outstanding common stock. Depending on stockholder turnout for a stockholder vote, these stockholders, acting together, could be able to control the election of directors and certain matters requiring majority approval by the Company's stockholders. The interests of this group of stockholders may not always coincide with the Company's interests or the interests of other stockholders. In the future, these stockholders could sell large amounts of common stock over relatively short periods of time. The Company cannot predict if, when or in what amounts stockholders may sell any of their shares. Sales of substantial amounts of the Company's common stock in the public market by existing stockholders or the perception that these sales could occur, may adversely affect the market price of our common stock by creating a public perception of difficulties or problems with the Company's business. Future Sales of Common Stock Could Affect the Price of Common Stock No prediction can be made as to the effect, if any, that future sales of shares or the availability of shares for sale will have on the market price of the common stock prevailing from time to time. Sales of substantial amounts of common stock, or the perception that such sales might occur, could adversely affect prevailing market prices of the common stock.

**Risks Related to Laws and Regulations** Environmental Liabilities The Company is subject to federal, state and local environmental protection laws and regulations governing the Company's operations and the use, handling, disposal and remediation of hazardous substances currently or formerly used by the Company. A risk of environmental liability is inherent in the Company's current manufacturing activities in the event of a release or discharge of a hazardous substance generated by the Company. Under certain environmental laws, **including the Comprehensive Environmental Response, Compensation and Liability Act, as amended; the Resource Conservation and Recovery Act, as amended; and comparable state statutes and regulations promulgated thereunder**, the Company could be held jointly and severally responsible for the remediation of any hazardous substance contamination at the Company's facilities and at third party waste disposal sites and could also be held liable for any consequences arising out of human exposure to such substances or other environmental damage. **We believe that we are in substantial compliance with**

**applicable requirements related to waste handling, and that we hold all necessary and up-to-date permits, registrations and other authorizations to the extent that our operations require them under such laws and regulations. However, There** there can be no assurance that the costs of complying with environmental, health and safety laws and requirements in the Company's current operations or the liabilities arising from past releases of, or exposure to, hazardous substances, will not result in future expenditures by the Company that could materially and adversely affect the Company's financial results, cash flow or financial condition. **Our Targets Related to Sustainability and Emissions Reduction Initiatives, Including our Public Statements and Disclosures Regarding Them, May Expose Us to Numerous Risks We have developed, and will continue to develop, targets related to our environmental, social, and governance ("ESG") initiatives. Statements in this and other reports we file with the SEC and other public statements related to these initiatives reflect our current plans and expectations and are not a guarantee the targets will be achieved or achieved on the currently anticipated timeline. Our ability to achieve our ESG targets, including emissions reductions, is subject to numerous factors and conditions, some of which are outside of our control, and failure to achieve our announced targets or comply with ethical, environmental or other standards, including reporting standards, may expose us to government enforcement actions or private litigation and adversely impact our business. Further, our continuing efforts to research, establish, accomplish and accurately report on these targets may create additional operational risks and expenses and expose us to reputational, legal and other risks. Investor and regulator focus on ESG matters continues to increase. If our ESG initiatives do not meet our investors' or other stakeholders' evolving expectations and standards, investment in our stock may be viewed as less attractive and our reputation, contractual, employment and other business relationships may be adversely impacted.** Regulations Related to Conflict-free Minerals May Force Us to Incur Additional Expenses In August 2012, the SEC adopted disclosure requirements related to certain minerals sourced from the Democratic Republic of Congo or adjoining countries, as required by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The SEC rules implementing Section 1502 of the Dodd-Frank Act require us to perform due diligence, and report whether "conflict minerals," which are defined as tin, tantalum, tungsten and gold, necessary to the functionality of a product we purchase originated from the Democratic Republic of Congo or an adjoining country. Since 2014, we have been required to file with the SEC on an annual basis a specialized disclosure report on Form SD regarding such matters. As our supply chain is complex, we may incur significant costs to determine the source and custody of conflict minerals that are used in the manufacture of our products in order to comply with these regulatory requirements in the future. We may also face reputation challenges if we are unable to verify the origins for all conflict minerals used in our products, or if we are unable to conclude that our products are "conflict free." Over time, conflict minerals reporting requirements may affect the sourcing, price and availability of our products, and may affect the availability and price of conflict minerals that are certified as conflict free. Accordingly, we may incur significant costs as a consequence of regulations related to conflict-free minerals, which may adversely affect our business, financial condition or results of operations. **Risks Related to Taxes** Changes in Tax Laws Could Increase Our Tax Rate and Adversely Affect Our Results of Operations —A change in tax laws is one of many factors that impact the Company's effective tax rate, and any such change could adversely impact our effective tax rate, financial condition and results of operations. The Inflation Reduction Act ("IRA") was enacted on August 16, 2022. The IRA includes provisions imposing a 1% excise tax on share repurchases that occur after December 31, 2022, and introduces a 15% corporate alternative minimum tax on "adjusted financial statement income" **of certain large corporations (generally, corporations reporting at least \$1 billion of average adjusted pre-tax net income on their consolidated financial statements).** **The Based on application of currently available guidance, the** Company does not expect the IRA to have a material adverse impact to its financial statements. It cannot be predicted whether or when tax laws, rules, regulations or ordinances may be enacted, issued, or amended that could materially and adversely impact our financial position, results of operations, or cash flows. **General Risk Factors** **Outbreak of Contagious Disease** Our business and the businesses of our suppliers, distributors and customers could be adversely affected by the effects of a widespread outbreak of contagious diseases, including COVID-19, or any ongoing variants. Any outbreak of contagious diseases, and other adverse public health developments, could cause a disruption in our supply chain, distribution and demand for our products. The duration of any such disruption and the related financial impact from COVID-19, or any ongoing variants, and other epidemics and pandemics cannot be reasonably estimated at this time. Although the effects of the COVID-19 pandemic during **2022-2023** were not as significant as prior years, new variants continued to cause waves of COVID-19 cases around the world. The occurrence or continuation of any of these events could lead to decreased revenues and limit our ability to execute on our business plan, which could adversely affect our business, financial condition and results of operations.