Boss Holdings, Inc.
2022 Fiscal Year-End Financial Update

Boss Holdings, Inc. and its subsidiaries (collectively, the "Company") currently operate in three business segments. Boss Pet Products, Inc. ("Boss Pet") distributes a wide range of pet products, and pet grooming tools and supplies to professional groomers, boarders, veterinarians and consumers through its website and catalogs, as well as wholesale distribution to retailers. Galaxy Balloons, Incorporated ("Galaxy") is our industry award-winning custom imprinter and wholesale distributor of promotional and specialty products. Aries Manufacturing("Aries") is a nationwide wholesale distributor of cell phone accessories.

Executive Summary

During 2022, sales of pet products, and pet grooming tools and supplies (our largest business segment) were slightly up compared with 2021, as continued supply chain pressures and inflationary conditions dampened revenue growth. The combined promotional products and cell phone accessory segments showed signs of recovery from the COVID-lockdown conditions of 2020 with an increase in revenues of 21.6% when compared to 2021. All business segments continued to encounter supply chain disruptions and inflationary cost increases in 2022, with only minor easing of those factors by the end of Q4 2022. General inflationary pressures in the U.S. economy are expected to continue for the foreseeable future.

Revenue

For fiscal year 2022, Company revenues were $63,923,000, an increase of 4.57% compared to 2021 results. Boss Pet 2022 revenues were $49,542,000, an increase of $564,000 (+1.1%). The combined revenues of Galaxy and Aries in 2022 were $14,381,000, up 18.3% compared to 2021.

Results From Operations

The Company incurred a full year consolidated operating loss from continuing operations of $2,990,000 in 2022, compared with consolidated 2021 operating loss from continuing operations of $1,500,000. Increased cost of sales such as ocean freight, transportation and labor costs, pressured the Company's gross margin and overshadowed reduced consolidated operating expenses. Consolidated 2022 net loss from continuing operations was $2,151,000, compared with 2021 consolidated net income from continuing operations of $4,782,000. The Company's 2021 net income resulted largely from a gain of $7,569,000 realized on disposition of the Company's equity interest in PIP Acquisition Holdings, LP which arose out of the Company's 2019 sale of its glove and protective wear business.

Results from continuing operations each quarter and for the full year are impacted by unrealized (non-cash) gains or losses on the Company's holdings of available for sale securities. These holdings are "marked-to-market" at the end of the accounting period and unrealized gains or losses are reported although the underlying securities still are held by the Company. For example, at year-end 2022 the Company showed an unrealized loss of $1,019,000 on those securities, while 2021 saw an unrealized loss of $473,000 on such securities.

Liquidity and Capital Resources

At December 31, 2022, the Company held cash and cash equivalents of $14,513,000, down from $32,981,000 at fiscal year-end 2021. In addition to cash and cash equivalents, during 2022 Company began investing a portion of its excess cash in U.S. Treasury bills having maturities of less than one year, with such investments valued at $9,916,000 at year end. The Company's 2022 consolidated $6,519,000 use of cash in continuing operations was due largely to the Company's net operating loss, increased inventory levels and reductions in both accounts payable and accrued liabilities. Consolidated fiscal year 2022 use of cash in investing activities of $11,533,000 primarily reflects the investment in U.S. Treasury bills noted above and Boss Pet's acquisition of Bardel Bows in July 2022. The Company's Dutch auction tender offer in late second quarter 2022 accounted for most of the $446,000 in cash used in 2022 financing activities. The Company currently has no long term or short-term bank debt.

As previously disclosed, management expects that margin pressures will continue to be a challenge in all business segments for the foreseeable future as we work through overstocked inventory levels and face widespread inflationary conditions in the U.S. economy.