

**Boss Holdings, Inc.**  
**2022 – Second and Third Quarters**  
**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 supplies through direct marketing to professional groomers, boarders and veterinarians on its PetEdge website and via catalog, as well as wholesale distribution to retailers. Galaxy Balloons, Incorporated is our industry award-winning custom imprinter and distributor of promotional and specialty products. Aries Manufacturing is a nationwide distributor of cell phone accessories.

Executive Summary

During the second and third quarters of 2022, growth in pet supply sales (our largest business segment) slowed due to continued supply chain challenges and pricing pressures. Top line revenues in both the promotional products and cell phone accessory segments continued to rebound during the period in comparison to 2021, but product margins in all of our segments narrowed and operating expenses increased compared to the same periods a year ago. In particular, increased ocean freight and shipping container rates adversely affected product margins. Throughout 2022, all of our operating segments continued to encounter unprecedented supply chain disruptions and inflationary cost increases, including higher labor costs. As a result, the Company incurred net losses of \$1,205,000 in Q2 and \$943,000 in Q3. General inflationary pressures in the U.S. economy are expected to continue for the foreseeable future.

Revenue Trends

2022 Q2: Consolidated revenues from continuing operations in the second quarter of 2022 were relatively flat at \$15,477,000 compared to \$15,423,000 during the same period in 2021. Pet supply segment revenues were \$12,488,000 for the quarter, down slightly from \$12,784,000 during Q2 2021. For the six months ended June 25, 2022, pet revenues were \$25,545,000, up 4.1% compared to the same period a year ago. Combined cell phone accessory and promotional product revenues for the first six months of 2022 increased to \$5,834,000, up 30.3% compared to the first six months of 2021.

2022 Q3: Third quarter 2022 consolidated Company revenues were \$15,495,000, down slightly from \$15,565,000 during the same period in 2021. Pet supply segment revenues for the third quarter were \$11,481,000, down 5.6% from Q3 2021. Although we aggressively increased prices, softening demand and product availability constraints negatively impacted the top line. Pet segment revenues for the first nine months of 2022 totaled \$37,026,000, up 1% from the same period in 2021. Combined 2022 third quarter cell phone accessory and promotional product revenues were \$4,013,000, an increase of 18.1% over the same period a year ago. For the nine months ended September 24, 2022, cell phone accessory and promotional product revenues were \$9,847,000, an increase of 25% over the same period last year.

### Profitability

When the Company sold its work glove and protective wear business in 2019, we acquired a minority limited partnership interest in PIP Acquisition Holdings, LP (“PIP Holdings”), in exchange for a tax-free contribution of goodwill valued at \$10,000,000. Subsequently, PIP Holdings sold the entirety of its work glove and protective wear business to Odyssey Investment Partners and early in fiscal 2021 the Company received cash distributions from PIP Holdings totaling \$17,569,000. The resulting gain of \$7,569,000 constitutes the large majority of the amounts reflected as “Other Income” in both the six-month and nine-month consolidated 2021 YTD income statements.

Company net losses in the second and third quarters of 2022 reflect the challenging market conditions of the overall economy. Throughout the period, increased product prices failed to keep up with inflationary pressures and cost increases. Supply chains for each of the Company’s operating segments are significantly reliant upon imported goods. As a result, historically high ocean freight and shipping container rates in 2022 eroded product margin. At the same time, increased labor costs also were a negative factor.

During the second quarter, consolidated gross profit fell to 20.7% of revenue from 26.1% during the same quarter last year on roughly equal revenue. Consolidated operating and selling expenses were \$3,877,000 for the second quarter, up from \$3,702,000 in 2021 Q2 due in part to the Company’s acquisition of the Frank Rowe & Son pet supply distribution business in October 2021 and a return to in-person trade shows. Our 2022 consolidated Q2 operating loss was \$673,000 compared to a \$320,000 operating profit during the same period a year ago. Although 2022 Q3 consolidated revenues were relatively consistent with Q2, gross profit margin further decreased to 16.8% of revenues compared with 26.1% of revenues during the third quarter in 2021 due to inflationary pressures and increased logistics and labor costs. As a result, the Company incurred a consolidated operating loss of \$1,465,000 during the third quarter and an operating loss of \$2,736,000 for the nine-month period ended September 24, 2022.

After inclusion of other income and expense, the Company posted a consolidated net loss of \$1,203,000 in the second quarter of 2022 and \$943,000 in the third quarter. Results from continuing operations each quarter are impacted by unrealized (non-cash) gains or losses on 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. During the second quarter of 2022 there was an unrealized loss of \$642,000 on those securities, and a further unrealized loss of \$60,000 in the third quarter.

During fiscal 2022, pet supply operations were EBITDA-positive in the second quarter, but turned negative in the third quarter. Both the cell phone accessory and promotional products segments operated at a loss through both quarters.

### Liquidity and Capital Resources

The Company held cash and cash equivalents of \$23,688,000 as of September 24, 2022. During the first three quarters of 2022 the Company added inventory, especially in the pet supply segment, to counteract product delays and supply chain interruptions that had hindered sales efforts. The inventory build, along with operating losses and reductions in accounts payable

principally account for the \$7,558,000 of cash used in operating activities during the first three quarters of 2022. The Company currently has no long term or short-term bank debt.

Inflationary conditions in the U.S. economy, product availability constraints, labor constraints and increased labor costs all adversely affect our businesses and continue to be a challenge to our operating margins in each business segment.

#### Change in Executive Officers

The Company's long-time President, CEO and Chairman of the Board, G. Louis Graziadio III, passed away on October 17, 2022. In his place, the Company's Board of Directors has elected William R. Lang as Chairman of the Board and appointed him President and CEO of Boss Holdings, Inc.

Mr. Lang, age 63, is a certified public accountant and has served as a director of the Company since June 2006. Mr. Lang is Chief Financial Officer of GLG III Ventures LLC, a Delaware limited liability company controlled by the adult children of Louis Graziadio, which is a major shareholder of the Company.

#### Stock Buyback Authorization

Effective December 13, 2022, the Company's Board of Directors authorized a stock buyback program (the "2022 Buyback Program") pursuant to which the Company may purchase shares of the Company's common stock in an amount up to \$3,000,000, at such prices, and on such terms and conditions as are determined by appropriate officers of the Company from time to time. The Company's Board of Directors in its discretion may extend, curtail, amend or terminate the 2022 Buyback Program at any time. All prior stock buyback programs have been terminated.