

**Boss Holdings, Inc.**  
**2024 1<sup>st</sup> Quarter**  
**Financial Update**

**Overview**

Our primary source of revenue is the marketing and distribution of pet grooming products, pet products, pet supplies, pet healthcare products, promotional products, specialty products, custom imprinted products, and cell phone accessories. The products offered are purchased internationally and domestically for resale.

**Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Operations**

Net sales in the first quarter of 2024 were lower (-22.7%) compared to the first quarter of 2023 due to numerous factors including discontinuation of sales across all business segments to selected unprofitable accounts identified by management, weak demand in the pet and cellphone accessory segments, and key domestic supplier delays in the pet segment. Gross profit as a percentage of net sales was higher (+11.4%) compared to the first quarter of 2023 due to strategic price increases across all business segments and management's focus on reducing transportation, warehouse and distribution costs. Operating expenses also were lower (-14.8%) compared to the first quarter of 2023 due to management focus on cost reductions. Disaggregated net sales from continuing operations of the pet segment for the first quarters of 2024 and 2023, were \$9,205,000 and \$12,229,000 respectively. Disaggregated net sales from continuing operations of the promotional products and cell phone accessories segments for the first quarters of 2024 and 2023, were \$2,712,000 and \$3,184,000 respectively.

We incurred an operating loss of \$562,000 in the first quarter of 2024, compared with an operating loss of \$695,000 in the first quarter of 2023. The current first quarter loss was due primarily to continued liquidation of excess, obsolete and slow-moving inventory, increased labor costs, continued weak demand along with key domestic supplier delays.

Inventory on March 30, 2024, was \$15,291,000 compared with inventory on December 30, 2023, of \$16,242,000, a reduction in inventory of \$951,000. Inventories, consisting of products available for sale, are accounted for using the weighted average method for the pet and cell phone

accessory segment and the first-in first-out method for the promotional products segment. All inventories are valued at the lower of cost or net realizable value. This valuation requires us to make judgments, based on currently available information, about the likely method of disposition, such as through sales to individual customers, returns to product vendors, or liquidations, and expected recoverable values of each disposition category.

These assumptions about future dispositions of inventory are inherently uncertain and changes in our estimates and assumptions may cause us to realize material write-downs in the future.

### **Liquidity and Capital Resources**

Our principal sources of liquidity are cash flows generated from operations and our cash, cash equivalents, and investment in debt securities at amortized cost. Our investment in debt securities consists of US Treasury Bills and US Treasury Notes. As of March 30, 2024, and December 30, 2023, our cash, cash equivalents, and investment in debt securities balances were \$20,634,000 and \$20,771,000, respectively. We believe that the cash flows generated from operations and our cash, cash equivalents, and investment in debt securities will be sufficient to meet our anticipated operating cash needs for at least the next twelve months.

### **Outlook**

Pricing, weak demand, and increasing labor costs continue to challenge all our business segments as strong inflationary conditions persist in the U.S. and global economies along with numerous adverse supply chain factors, including product availability and sourcing challenges. Changes in global economic conditions, geopolitical conditions, and unforeseen circumstances may impact on our operating results.

### **Forward-Looking Statements**

This 2024 First Quarter Financial Update includes forward-looking statements. All statements other than statements of historical fact, including statements regarding guidance, industry prospects, or future results of operations or financial position, made in this report are forward-looking. Forward-looking statements reflect management's current expectations and are inherently uncertain. Actual results and outcomes could differ materially for a variety of reasons, including, among others, changes in global economic conditions and customer demand and spending, inflation, interest rates, labor market and global and domestic supply chain constraints.

## Boss Holdings, Inc. and Subsidiaries

### Consolidated Balance Sheets (Dollars in Thousands, Except Per Share Data)

	March 30, 2024 (Unaudited)	December 30, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 10,313	\$ 10,612
Accounts receivable	3,870	3,633
Inventories	15,291	16,242
Prepaid expenses and other	1,183	976
Income tax receivable	289	203
Investment in debt securities, amortized cost	10,321	10,159
<b>Total current assets</b>	<b>41,267</b>	<b>41,825</b>
Property and equipment, net	1,981	1,970
Finance lease right of use assets, net	6	11
Operating lease right of use assets, net	2,305	2,537
Marketable equity securities	303	107
Deferred tax asset	2,741	2,741
Intangibles, net of accumulated amortization	402	419
Goodwill	3,288	3,288
	<b>\$ 52,293</b>	<b>\$ 52,898</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current portion of operating lease liabilities	\$ 1,165	\$ 1,165
Current portion of finance lease liabilities	5	10
Accounts payable	1,296	1,393
Accrued payroll and related expenses	218	400
Deferred Revenue	110	12
Other accrued liabilities	1,463	1,504
<b>Total current liabilities</b>	<b>4,257</b>	<b>4,484</b>
Noncurrent liabilities:		
Long-term operating lease liabilities	1,166	1,392
Long-term finance lease liabilities	-	-
Other long-term liabilities	-	143
<b>Total noncurrent liabilities</b>	<b>1,166</b>	<b>1,535</b>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.25 par value; authorized 10,000,000 shares; issued and outstanding 1,643,002 shares at 3/30/2024 and 12/30/2023	498	498
Treasury stock, at cost: 329,781 shares at 3/30/2024 and 12/30/2023	(7,528)	(7,528)
Additional paid-in capital	64,686	64,686
Accumulated (deficit)	(10,786)	(10,777)
<b>Total stockholders' equity</b>	<b>46,870</b>	<b>46,879</b>
	<b>\$ 52,293</b>	<b>\$ 52,898</b>

**Boss Holdings, Inc. and Subsidiaries**

**Consolidated Statements of Comprehensive Income (Loss)**  
**Periods Ended March 30, 2024 and April 1, 2023**  
**(Dollars in Thousands, Except Per Share Data)**

	2024	2023
Net sales	\$ 11,917	\$ 15,413
Cost of sales	<u>9,003</u>	<u>12,027</u>
<b>Gross profit</b>	2,914	3,386
Operating expenses	<u>3,476</u>	<u>4,081</u>
<b>Operating (loss)</b>	<u>(562)</u>	<u>(695)</u>
Other income (expenses):		
Interest income	216	163
Interest expense	-	-
Change in unrealized gains and losses on marketable equity securities	214	31
Other	<u>48</u>	<u>57</u>
	478	251
<b>(Loss) from continuing operations before income tax (benefit)</b>	(84)	(444)
Income tax (benefit)	<u>(77)</u>	<u>(87)</u>
<b>Net (loss)</b>	<u>(7)</u>	<u>(357)</u>
Other comprehensive income (loss), foreign currency translation adjustments	<u>-</u>	<u>(2)</u>
<b>Comprehensive income (loss)</b>	<u>\$ (7)</u>	<u>\$ (359)</u>
Basic earnings (loss) per common share:		
Continuing operations	\$ -	\$ (0.19)
Discontinued operations	-	-
<b>Basic earnings (loss) per common share</b>	<u>\$ -</u>	<u>\$ (0.19)</u>
Diluted earnings (loss) per common share:		
Continuing operations	\$ -	\$ (0.19)
Discontinued operations	-	-
<b>Diluted earnings (loss) per common share</b>	<u>\$ -</u>	<u>\$ (0.19)</u>

**Boss Holdings, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**

**Periods Ended March 30, 2024 and April 1, 2023**

**(Dollars in Thousands)**

	2024	2023
Cash flows from operating activities:		
Continuing operations:		
Net (loss) from continuing operations	\$ (7)	\$ (358)
Adjustments to reconcile net (loss) from continuing operations to net cash provided by (used in) continuing operations:		
Depreciation and amortization	394	418
Loss on disposition of property and equipment	-	-
Change in realized and unrealized (gains) losses on investments	(251)	(32)
Changes in assets and liabilities net of acquisitions:		
(Increase) decrease in:		
Accounts receivable	(237)	(173)
Inventories	951	2,713
Prepaid expenses and other	(207)	(21)
Increase (decrease) in:		
Operating lease liabilities	(226)	(227)
Accounts payable	(96)	(458)
Accrued liabilities	(309)	(396)
Deferred revenue	98	-
Other liabilities	(143)	-
<b>Net cash used in operating activities</b>	<b>(33)</b>	<b>1,466</b>
Cash flows from investing activities:		
Continuing operations:		
Purchases of intangible assets	(18)	(31)
Purchases of property and equipment	(135)	(82)
Purchases of held-to-maturity securities	(8,569)	-
Proceeds from sale of held-to-maturity securities	8,461	-
Proceeds from disposition of property and equipment	-	-
Proceeds from sale of available-for-sale securities	-	-
Payments for business combinations	\$ -	\$ -
<b>Net cash (used in) provided by investing activities</b>	<b>(261)</b>	<b>(113)</b>
Cash flows from financing activities:		
Continuing operations:		
Repurchase of common stock	-	(2,932)
Purchase of treasury stock	-	-
Repayment of finance lease liabilities	(5)	(5)
Proceeds from issuance of stock	-	-
<b>Net cash used in financing activities</b>	<b>(5)</b>	<b>(2,937)</b>
Effect of exchange rate changes on cash	-	(2)
<b>(Decrease) Increase in cash and cash equivalents</b>	<b>(299)</b>	<b>(1,586)</b>
Cash and cash equivalents:		
Beginning	10,612	14,513
Ending	\$ 10,313	\$ 12,927
Supplemental disclosures of cash flows information, cash payments for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -