

Boss Holdings, Inc.
2025 – Second 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.

Operations

Net sales in the second quarter of 2025 were lower (-9.5%) compared to the same period in 2024 due to consumer price sensitivity in the pet and cellphone accessory segments. Gross Profit in the second quarter as a percentage of Net Sales was essentially unchanged (26.4%) compared to the same period in 2024. Operating expenses were lower (3.0%) compared to the second quarter in 2024. Management is continuing its strategy of increasing efficiency and lowering operating costs.

We incurred an operating loss of \$361,000 in the second quarter of 2025, compared with an operating loss of \$136,000 in the second quarter of 2024. We realized a net loss of \$152,000 in the second quarter of 2025 versus net income of \$21,000 in the same quarter the previous year.

Year to date results of operations for the first six months ending June 28, 2025, were a loss of \$944,000 versus a loss of \$698,000 for the first six months ending June 29, 2024. Year to date net income for the first six months ending June 28, 2025, was a loss of \$441,000 versus net income of \$14,000 for the first six months ending June 29, 2024.

Inventory on June 28, 2025, was \$14,403,000 compared with inventory on December 28, 2024, of \$15,261,000, a decrease in inventory of \$858,000. Management is focused on improving operating efficiency and controlling inventory across all business segments in response to global supply chain dynamics, including tariffs. 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 June 28, 2025, and December 28, 2024, our cash, cash equivalents, and investment in debt securities balances were \$20,293,000 and \$20,848,000

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, weakening demand and inflationary pressures continue to challenge all our business segments in 2025 as strong inflationary conditions persist in the U.S. and Global economies along with numerous supply chain factors. Management continues to evaluate supply chain diversification to reduce dependency on tariff-affected imports. Changes in global economic conditions, geopolitical conditions, and unforeseen circumstances may impact on our operating results.

Subsequent Event

On September 26, 2025, we closed the sale of our cell phone accessory distribution business (Aries Manufacturing) to Smithco Distributing LLC d/b/a DSD Express, pursuant to an asset purchase and sale agreement. Smithco acquired all cell phone accessory inventory and related customer agreements for a total purchase price of \$700,000, paid \$500,000 in cash and the remainder under a one-year promissory note. All Aries employees were retained by Smithco.

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.

Forward-Looking Statements

This Second 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 Second Quarter Financial Update 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)

	June 28, 2025 (Unaudited)	December 28, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,513	\$ 11,015
Accounts receivable	3,577	3,496
Inventories	14,403	15,261
Prepaid expenses and other	973	1,086
Income tax receivable	264	199
Investment in debt securities, amortized cost	16,780	9,833
Total current assets	<u>39,510</u>	<u>40,890</u>
Property and equipment, net	1,744	1,883
Operating lease right of use assets, net	938	1,559
Deferred tax asset	3,092	3,092
Intangibles, net of accumulated amortization	273	327
Goodwill	3,288	3,288
	<u>\$ 48,845</u>	<u>\$ 51,039</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of operating lease liabilities	\$ 889	\$ 1,295
Accounts payable	1,327	2,006
Accrued payroll and related expenses	312	411
Other accrued liabilities	917	1,168
Total current liabilities	<u>3,445</u>	<u>4,880</u>
Noncurrent liabilities:		
Long-term operating lease liabilities	61	293
Other long-term liabilities	18	93
Total noncurrent liabilities	<u>79</u>	<u>386</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.25 par value; authorized 10,000,000 shares; issued and outstanding 1,643,002 shares at 6/28/2025 and 12/28/2024	498	498
Treasury stock, at cost: 329,781 shares at 6/28/2025 and 12/28/2024	(7,528)	(7,528)
Additional paid-in capital	64,686	64,686
Accumulated (deficit)	(12,335)	(11,883)
Total stockholders' equity	<u>45,321</u>	<u>45,773</u>
	<u>\$ 48,845</u>	<u>\$ 51,039</u>

Boss Holdings, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

Periods Ended June 28, 2025 and June 29, 2024

(Dollars in Thousands, Except Per Share Data)

	Quarter Ended 6/28/2025	Quarter Ended 6/29/2024	Six Months Ended 6/28/25	Six Months Ended 6/29/24
Net sales	\$ 11,138	\$ 12,307	\$ 22,190	\$ 24,224
Cost of sales	8,197	9,039	16,613	18,042
Gross profit	2,941	3,268	5,577	6,182
Operating expenses	3,302	3,404	6,521	6,880
Operating (loss)	(361)	(136)	(944)	(698)
Other income (expenses):				
Interest income	208	283	418	499
Interest expense	-	-	-	-
Change in unrealized gains and losses on marketable equity securities	-	(107)	-	107
Other	(10)	25	36	73
	198	201	454	679
(Loss) from continuing operations before income tax (benefit)	(163)	65	(490)	(19)
Income tax (benefit)	(11)	44	(49)	(33)
Net Income (loss)	(152)	21	(441)	14
Other comprehensive income (loss), foreign currency translation adjustments	-	-	-	-
Comprehensive income (loss)	\$ (152)	\$ 21	\$ (441)	\$ 14
Basic earnings (loss) per common share:				
Continuing operations	\$ (0.09)	\$ 0.01	\$ (0.27)	\$ 0.01
Discontinued operations	-	-	-	-
Basic earnings (loss) per common share	\$ (0.09)	\$ 0.01	\$ (0.27)	\$ 0.01
Diluted earnings (loss) per common share:				
Continuing operations	\$ (0.09)	\$ 0.01	\$ (0.27)	\$ 0.01
Discontinued operations	-	-	-	-
Diluted earnings (loss) per common share	\$ (0.09)	\$ 0.01	\$ (0.27)	\$ 0.01

Boss Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Periods Ended June 28, 2025 and June 29, 2024
(Dollars in Thousands)

	Six Months Ended June 28, 2025	Six Months Ended June 29, 2024
Cash flows from operating activities:		
Continuing operations:		
Net (loss) from continuing operations	\$ (441)	\$ 14
Adjustments to reconcile net (loss) from continuing operations to net cash provided by (used in) continuing operations:		
Depreciation and amortization	294	326
Change in operating lease right of use asset	621	612
Change in realized and unrealized (gains) losses on investments	(328)	(397)
Changes in assets and liabilities net of acquisitions:		
(Increase) decrease in:		
Accounts receivable	(81)	(227)
Inventories	858	1,484
Prepaid expenses and other	113	(153)
Increase (decrease) in:		
Operating lease liabilities	(638)	(613)
Accounts payable	(690)	474
Accrued liabilities	(415)	317
Deferred revenue	-	61
Other liabilities	(75)	(143)
Net cash used in operating activities	(782)	1,755
Cash flows from investing activities:		
Continuing operations:		
Purchases of intangible assets	(37)	(37)
Purchases of property and equipment	(80)	(275)
Purchases of held-to-maturity securities	(16,655)	(15,948)
Proceeds from sale of held-to-maturity securities	10,036	14,349
Proceeds from sale of available-for-sale securities	16	125
Net cash used in investing activities	(6,720)	(1,786)
Cash flows from financing activities:		
Continuing operations:		
Repayment of finance lease liabilities	-	(6)
Net cash used in financing activities	-	(6)
Effect of exchange rate changes on cash	-	-
Decrease in cash and cash equivalents	(7,502)	(37)
Cash and cash equivalents:		
Beginning	11,015	10,612
Ending	\$ 3,513	\$ 10,575
Supplemental disclosures of cash flows information, cash payments for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -