

# **Boss Holdings, Inc.**

## **2025 – Third 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 third quarter of 2025 were lower (-3.1%) compared to the same period in 2024 due to consumer price sensitivity in the pet and cellphone accessory segments. Gross Profit in the third quarter as a percentage of Net Sales increased to (28.0%) compared to (25.4%) for the same period in 2024. Operating expenses were lower (18.9%) compared to the third quarter in 2024. Management is continuing its strategy of increasing efficiency and lowering operating costs.

We incurred an operating loss of \$207,000 in the third quarter of 2025, compared with an operating loss of \$1,176,000 in the third quarter of 2024. We realized a net loss of \$176,000 in the third quarter of 2025 versus a net loss of \$646,000 in the same quarter the previous year.

For the nine months ended September 27, 2025, we incurred an operating loss of \$1,151,000 versus an operating loss of \$1,874,000 during the first nine months of 2024. Year to date net loss for the nine months ending September 27, 2025 was \$617,000 versus a net loss of \$632,000 for the first nine months in 2024.

Inventory on September 27, 2025, was \$10,999,000 compared with inventory on December 28, 2024, of \$15,261,000, a decrease in inventory of \$4,262,000. 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 September 27, 2025, and December 28, 2024, our cash, cash equivalents, and investment in debt securities combined balances were \$23,730,000 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.

## **Closure of Reno Warehouse**

On August 22, 2025, our pet products division closed its Reno, Nevada warehouse facility and moved all pet product inventory to our Kewanee, Illinois distribution center.

## **Sale of Aires Manufacturing**

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 Third 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 Third 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)

	September 27, 2025 (Unaudited)	December 28, 2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,811	\$ 11,015
Accounts receivable	3,472	3,496
Note Receivable	200	-
Inventories	10,999	15,261
Prepaid expenses and other	813	1,086
Income tax receivable	296	199
Investment in debt securities, amortized cost	16,919	9,833
<b>Total current assets</b>	<b>39,510</b>	<b>40,890</b>
Property and equipment, net	1,681	1,883
Operating lease right of use assets, net	1,399	1,559
Deferred tax asset	3,092	3,092
Intangibles, net of accumulated amortization	191	327
Goodwill	3,288	3,288
	<b>\$ 49,161</b>	<b>\$ 51,039</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current portion of operating lease liabilities	\$ 667	\$ 1,295
Accounts payable	1,397	2,006
Accrued payroll and related expenses	257	411
Other accrued liabilities	914	1,168
<b>Total current liabilities</b>	<b>3,235</b>	<b>4,880</b>
Noncurrent liabilities:		
Long-term operating lease liabilities	736	293
Other long-term liabilities	18	93
<b>Total noncurrent liabilities</b>	<b>754</b>	<b>386</b>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.25 par value; authorized 10,000,000 shares; issued and outstanding 1,643,002 shares at 9/27/2025 and 12/28/2024	498	498
Treasury stock, at cost: 329,781 shares at 9/27/2025 and 12/28/2024	(7,528)	(7,528)
Additional paid-in capital	64,697	64,686
Accumulated (deficit)	(12,495)	(11,883)
<b>Total stockholders' equity</b>	<b>45,172</b>	<b>45,773</b>
	<b>\$ 49,161</b>	<b>\$ 51,039</b>

**Boss Holdings, Inc. and Subsidiaries**

**Consolidated Statements of Comprehensive Income (Loss)**  
**Periods Ended September 27, 2025 and September 28, 2024**  
(Dollars in Thousands, Except Per Share Data)

	Quarter Ended 9/27/2025	Quarter Ended 9/28/2024	Nine Months Ended 9/27/25	Nine Months Ended 9/28/24
Net sales	\$ 11,045	\$ 11,404	\$ 33,235	\$ 35,628
Cost of sales	7,951	8,508	24,564	26,550
<b>Gross profit</b>	<b>3,094</b>	<b>2,896</b>	<b>8,671</b>	<b>9,078</b>
Operating expenses	3,301	4,072	9,822	10,952
<b>Operating (loss)</b>	<b>(207)</b>	<b>(1,176)</b>	<b>(1,151)</b>	<b>(1,874)</b>
Other income (expenses):				
Interest income	176	252	594	751
Interest expense	-	-	-	-
Change in unrealized gains and losses on marketable equity securities	-	59	-	165
Other	384	7	420	80
	560	318	1,014	996
<b>Income (Loss) from continuing operations before income tax (benefit)</b>	<b>353</b>	<b>(858)</b>	<b>(137)</b>	<b>(878)</b>
Income tax (benefit)	(20)	(212)	(69)	(246)
<b>Net Income (loss) from continuing operations</b>	<b>373</b>	<b>(646)</b>	<b>(68)</b>	<b>(632)</b>
Discontinued operations:				
Reno warehouse closure	(146)	-	(146)	-
Loss from discontinued operations of Boss Tech	(403)	-	(403)	-
<b>Net loss from discontinued operations</b>	<b>(549)</b>	<b>-</b>	<b>(549)</b>	<b>-</b>
<b>Net income (loss)</b>	<b>(176)</b>	<b>(646)</b>	<b>(617)</b>	<b>(632)</b>
Other comprehensive income (loss), foreign currency translation adjustments	-	-	-	-
<b>Comprehensive income (loss)</b>	<b>\$ (176)</b>	<b>\$ (646)</b>	<b>\$ (617)</b>	<b>\$ (632)</b>
Basic earnings (loss) per common share:				
Continuing operations	\$ 0.23	\$ (0.39)	\$ (0.04)	\$ (0.38)
Discontinued operations	(0.33)	-	(0.33)	-
<b>Basic earnings (loss) per common share</b>	<b>\$ (0.10)</b>	<b>\$ (0.39)</b>	<b>\$ (0.38)</b>	<b>\$ (0.38)</b>
Diluted earnings (loss) per common share:				
Continuing operations	\$ 0.23	\$ (0.39)	\$ (0.04)	\$ (0.38)
Discontinued operations	(0.33)	-	(0.33)	-
<b>Diluted earnings (loss) per common share</b>	<b>\$ (0.10)</b>	<b>\$ (0.39)</b>	<b>\$ (0.38)</b>	<b>\$ (0.38)</b>

**Boss Holdings, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Periods Ended September 27, 2025 and September 28, 2024**  
**(Dollars in Thousands)**

	Nine Months Ended September 27, 2025	Nine Months Ended September 28, 2024
Cash flows from operating activities:		
Continuing operations:		
Net (loss) from continuing operations	\$ (68)	\$ (632)
Adjustments to reconcile net (loss) from continuing operations to net cash provided by (used in) continuing operations:		
Depreciation and amortization	343	532
Loss (Gain) on disposal of property and equipment	3	-
Change in operating lease right of use asset	160	631
Change in realized and unrealized (gains) losses on investments	(425)	(525)
Changes in assets and liabilities net of acquisitions:		
(Increase) decrease in:		
Accounts receivable	92	(15)
Inventories	3,078	761
Prepaid expenses and other	279	(287)
Increase (decrease) in:		
Operating lease liabilities	(186)	(664)
Accounts payable	(465)	795
Accrued liabilities	(569)	149
Deferred revenue	-	25
Other liabilities	(75)	(143)
<b>Net cash provided by (used in) operating activities</b>	<b>2,167</b>	<b>627</b>
Discontinued operations:		
Net income (loss) from discontinued operations	(549)	-
Adjustments to reconcile net income (loss) from discontinued operations to net cash provided by (used in) discontinued operations:		
Loss (Gain) on disposal of discontinued operations	403	-
<b>Net cash provided by (used in) discontinued operations</b>	<b>(146)</b>	<b>-</b>
<b>Net cash provided by (used in) operating activities</b>	<b>2,021</b>	<b>627</b>
Cash flows from investing activities:		
Continuing operations:		
Purchases of intangible assets	-	(61)
Purchases of property and equipment	(64)	(301)
Purchases of held-to-maturity securities	(16,697)	(21,428)
Proceeds from sale of Boss Tech	500	-
Proceeds from sale of held-to-maturity securities	10,036	17,054
Proceeds from disposal of property and equipment	-	125
<b>Net cash provided by (used in) investing activities</b>	<b>(6,225)</b>	<b>(4,611)</b>
Cash flows from financing activities:		
Continuing operations:		
Repayment of finance lease liabilities	-	(6)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(6)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(4,204)</b>	<b>(3,990)</b>
Cash and cash equivalents:		
Beginning	11,015	10,612
Ending	\$ 6,811	\$ 6,622
Supplemental disclosures of cash flows information:		
Sale of business in exchange for promissory note	\$ 200	\$ -