Boss Holdings, Inc.
2025 – First 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 first quarter of 2025 were lower (-7.3%) compared to the same period in 2024 due to increased price sensitivity in the pet and cellphone accessory segments. Gross Profit in the first quarter as a percentage of Net Sales was unchanged (24%) compared to the same period in 2024. Operating Expenses were lower (6.5%) compared to the first quarter in 2024. Management is continuing its strategy of increasing efficiency and lowering operating costs.

Disaggregated net sales from continuing operations of the pet segment for the first quarters of 2025 and 2024 were $7,932,000 and $9,205,000 respectively. Disaggregated net sales from continuing operations of the promotional products segment for the-first quarters of 2025 and 2024, were $2,597,000 and $2,227,000 respectively. Disaggregated net sales from continuing operations of the cell phone accessories segments for the first quarters of 2025 and 2024, were $506,000 and $468,000 respectively.

We incurred an operating loss of $615,000 in the first quarter of 2025, compared with an operating loss of $562,000 in the first quarter of 2024. We realized a net loss of $289,000 in the first quarter of 2025 versus a net loss of $7,000 in the same quarter the previous year.

Inventory on March 29, 2025, was $16,807,000 compared with inventory on December 28, 2024, of $15,261,000, an increase in inventory of $1,546,000. Management is focused on controlling inventory across all business segments in response to global supply chain dynamics. 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 29, 2025, and December 28, 2024, our combined cash, cash equivalents, and investment in debt securities balances were $19,631,000 and $20,848,000. In the first quarter of 2025 holdings of US Treasury Bills and US Treasury Notes increased by $4,997,000. We believe that the cash flow generated from operations and our cash, cash equivalents, and investments 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, including product availability and sourcing challenges. Changes in global economic conditions, geopolitical conditions, and unforeseen circumstances may impact on our operating results.

Sale of Aries Assets

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.

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 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 First 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)

	March 29, 2025 (Unaudited)	December 28, 2024
Assets		
Current assets:		
Cash and cash equivalents	**$ 4,657**	$ 11,015
Accounts receivable	**3,584**	3,496
Inventories	**16,807**	15,261
Prepaid expenses and other	**891**	1,086
Income tax receivable	**199**	199
Investment in debt securities, amortized cost	**14,974**	9,833
Total current assets	**41,112**	40,890
Property and equipment, net	**1,800**	1,883
Operating lease right of use assets, net	**1,251**	1,559
Deferred tax asset	**3,092**	3,092
Intangibles, net of accumulated amortization	**295**	327
Goodwill	**3,288**	3,288
	$ 50,838	$ 51,039
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of operating lease liabilities	**$ 952**	$ 1,295
Accounts payable	**3,070**	2,006
Accrued payroll and related expenses	**177**	411
Other accrued liabilities	**818**	1,168
Total current liabilities	**5,017**	4,880
Noncurrent liabilities:		
Long-term operating lease liabilities	**319**	293
Other long-term liabilities	**18**	93
Total noncurrent liabilities	**337**	386
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.25 par value; authorized 10,000,000 shares; issued and outstanding 1,643,002 shares at 3/29/2025 and 12/28/2024	**498**	498
Treasury stock, at cost: 329,781 shares at 3/29/2025 and 12/28/2024	**(7,528)**	(7,528)
Additional paid-in capital	**64,686**	64,686
Accumulated (deficit)	**(12,172)**	(11,883)
Total stockholders' equity	**45,484**	45,773
	$ 50,838	$ 51,039

Boss Holdings, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)
Periods Ended March 29, 2025 and March 30, 2024
(Dollars in Thousands, Except Per Share Data)

	2025	2024
Net sales	**$ 11,052**	$ 11,917
Cost of sales	**8,416**	9,003
Gross profit	2,636	2,914
Operating expenses	**3,251**	3,476
Operating (loss)	(615)	(562)
Other income (expenses):		
Interest income	**210**	216
Interest expense	**-**	-
Change in unrealized gains and losses on marketable equity securities	**-**	214
Other	**78**	48
	288	478
(Loss) from continuing operations before income tax (benefit)	(327)	(84)
Income tax (benefit)	**(38)**	(77)
Net (loss)	(289)	(7)
Other comprehensive income (loss), foreign currency translation adjustments	**-**	-
Comprehensive income (loss)	$ (289)	$ (7)
Basic earnings (loss) per common share:		
Continuing operations	**$ (0.18)**	$ -
Discontinued operations	**-**	-
Basic earnings (loss) per common share	$ (0.18)	$ -
Diluted earnings (loss) per common share:		
Continuing operations	**$ (0.18)**	$ -
Discontinued operations	**-**	-
Diluted earnings (loss) per common share	$ (0.18)	$ -

Boss Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Periods Ended March 29, 2025 and March 30, 2024
(Dollars in Thousands)

	2025	2024
Cash flows from operating activities:		
Continuing operations:		
Net (loss) from continuing operations	**$ (289)**	$ (7)
Adjustments to reconcile net (loss) from continuing operations to net cash provided by (used in) continuing operations:		
Depreciation and amortization	**293**	394
Change in realized and unrealized (gains) losses on investments	**-**	(251)
Changes in assets and liabilities net of acquisitions:		
(Increase) decrease in:		
Accounts receivable	**(88)**	(237)
Inventories	**(1,546)**	951
Prepaid expenses and other	**195**	(207)
Increase (decrease) in:		
Operating lease liabilities	**(317)**	(226)
Accounts payable	**1,064**	(96)
Accrued liabilities	**(584)**	(309)
Deferred revenue	**-**	98
Other liabilities	**(75)**	(143)
Net cash used in operating activities	**(1,347)**	(33)
Cash flows from investing activities:		
Continuing operations:		
Purchases of intangible assets	**(1)**	(18)
Purchases of property and equipment	**(13)**	(135)
Purchases of held-to-maturity securities	**(4,997)**	(8,569)
Proceeds from sale of held-to-maturity securities	**-**	8,461
Net cash used in investing activities	**(5,011)**	(261)
Cash flows from financing activities:		
Continuing operations:		
Repayment of finance lease liabilities	**-**	(5)
Net cash used in financing activities	**-**	(5)
Effect of exchange rate changes on cash	**-**	(2)
Decrease in cash and cash equivalents	**(6,358)**	**(301)**
Cash and cash equivalents:		
Beginning	**11,015**	10,612
Ending	**$ 4,657**	$ 10,311
Supplemental disclosures of cash flows information, cash payments for:		
Interest	**$ -**	$ -
Income taxes	**$ -**	$ -