

Boss Holdings, Inc.

2026 – 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, and custom imprinted products. 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 2026 were lower compared to the same period in 2025 due to weak demand in the pet segment and disposition of our cell phone accessory segment in Q3 2025. Disaggregated net sales from continuing operations of the pet segment for the period ended March 28, 2026, and March 29, 2025, were \$6,803,000 and \$7,932,000 respectively. Disaggregated net sales from the promotional products segment for the period ended March 28, 2026, and March 29, 2025, were \$2,547,000 and \$2,597,000 respectively.

Consolidated operating expenses for the periods ending March 28, 2026, and March 29, 2025, were \$2,867,000 and \$3,219,000 respectively. Management continues to focus on reducing operating expenses.

We incurred an operating loss of \$315,000 for the period ending March 28, 2026, compared with an operating loss of \$578,000 during the first quarter of 2025, due primarily to decreased revenue in the pet supply segment. The decrease in revenue was partially offset by overall gross margin improvement of 14% percent (27.26% vs. 23.85%) and management's reduction of operating expenses.

Inventory on March 28, 2026, was \$8,359,000 compared with inventory on December 27, 2025, of \$9,292,000, a decrease in inventory of \$933,000. Management is focused on SKU rationalization, service level driven safety stock optimization, demand forecasting and continuous review. Inventories, consisting of products available for sale, are accounted for using the weighted average method for the pet 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, investment in debt securities at amortized cost and marketable equity securities. Our investment in debt securities consists of US Treasury Bills and US Treasury Notes. Our investment in marketable equity securities consists of exchange traded funds (ETF's) issued by a global investment bank invested primarily in investment-grade short term, US dollar denominated, fixed and floating-rate corporate and structured debt, including mortgage-backed securities. As of March 28, 2026, and December 27, 2025, our cash, cash equivalents, investment in debt securities, and marketable equity securities balances were \$24,027,000 and \$26,276,000. We believe that the cash flow generated from operations and our cash, cash equivalents, investment in debt securities, and marketable equity securities will be sufficient to meet our anticipated operating cash needs for at least the next twelve months.

Cash Dividend

The Company declared a special cash dividend of \$1.00 per share (\$1,643,000), payable to shareholders of record on February 16, 2026, and paid on February 27, 2026.

Stock Repurchase

The Company's board of directors from time to time has authorized repurchase of shares of the Company's common stock, in the open market or through negotiated transactions, at such times and at such prices as management may decide. On February 18, 2026, the Company repurchased 43,394 shares from a shareholder for a purchase price of approximately \$770,000.

Outlook

Persistent inflationary pressures, pricing challenges, and weakening demand continue to impact our business segments in 2026. Elevated inflation in both the U.S. and global economies, combined with ongoing supply chain disruptions—including product availability and sourcing constraints—have created a challenging operating environment.

Management's focus on reducing operating expenses and maintaining disciplined inventory management has strengthened the competitive positioning of both the pet and promotional products segments. However, evolving global economic conditions, geopolitical uncertainties, and other unforeseen factors may continue to influence operating results going forward.

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 28, 2026 (Unaudited)	December 27, 2025
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,298	\$ 8,743
Accounts receivable	3,147	2,279
Inventories	8,359	9,292
Prepaid expenses and other	636	1,122
Income tax receivable	233	180
Note receivable	200	200
Investment in debt securities, amortized cost	7,492	7,440
Total current assets	26,365	29,256
Property and equipment, net	1,585	1,630
Operating lease right of use assets, net	957	1,010
Marketable equity securities	10,237	10,093
Deferred tax asset	3,219	3,219
Intangibles, net of accumulated amortization	146	166
Goodwill	3,288	3,288
	\$ 45,797	\$ 48,662
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of operating lease liabilities	\$ 400	\$ 340
Accounts payable	1,586	1,395
Accrued payroll and related expenses	154	389
Other accrued liabilities	461	762
Total current liabilities	2,601	2,886
Noncurrent liabilities:		
Long-term operating lease liabilities	553	666
Other long-term liabilities	208	233
Total noncurrent liabilities	761	899
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.25 par value; authorized 2,000,000 shares; issued and outstanding 1,599,608 shares at 3/28/2026 and 1,643,002 at 12/27/2025	400	411
Additional paid-in capital	56,069	56,822
Accumulated (deficit)	(14,034)	(12,356)
Total stockholders' equity	42,435	44,877
	\$ 45,797	\$ 48,662

Boss Holdings, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)
Periods Ended March 28, 2026 and March 29, 2025
(Dollars in Thousands, Except Per Share Data)

	2026	2025
Net sales	\$ 9,350	\$ 11,052
Cost of sales	<u>6,798</u>	8,416
Gross profit	2,552	2,636
Operating expenses	<u>2,867</u>	3,219
Operating (loss)	<u>(315)</u>	<u>(583)</u>
Other income (expenses):		
Interest income	226	210
Interest expense	-	-
Change in unrealized gains and losses on marketable equity securities	(3)	-
Other	13	46
	<u>236</u>	<u>256</u>
(Loss) from continuing operations before income tax (benefit)	(79)	(327)
Income tax (benefit)	<u>(53)</u>	<u>(38)</u>
Net (loss)	<u>(26)</u>	<u>(289)</u>
Other comprehensive income (loss), foreign currency translation adjustments	<u>-</u>	<u>-</u>
Comprehensive income (loss)	<u>\$ (26)</u>	<u>\$ (289)</u>
Basic earnings (loss) per common share:		
Continuing operations	\$ (0.02)	\$ (0.18)
Discontinued operations	-	-
Basic earnings (loss) per common share	<u>\$ (0.02)</u>	<u>\$ (0.18)</u>
Diluted earnings (loss) per common share:		
Continuing operations	\$ (0.02)	\$ (0.18)
Discontinued operations	-	-
Diluted earnings (loss) per common share	<u>\$ (0.02)</u>	<u>\$ (0.18)</u>

Boss Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Periods Ended March 28, 2026 and March 29, 2025
(Dollars in Thousands)

	2026	2025
Cash flows from operating activities:		
Net (loss) from continuing operations	\$ (26)	\$ (289)
Adjustments to reconcile net (loss) from continuing operations to net cash provided by (used in) continuing operations:		
Depreciation and amortization	42	(24)
Change in realized and unrealized (gains) losses on investments	7	-
Changes in assets and liabilities net of acquisitions:		
(Increase) decrease in:		
Accounts receivable	(867)	(88)
Inventories	933	(1,546)
Prepaid expenses and other	486	195
Increase (decrease) in:		
Accounts payable	190	1,064
Accrued liabilities	(589)	(584)
Other liabilities	(25)	(75)
Net cash provide by (used in) operating activities	151	(1,347)
Cash flows from investing activities:		
Purchases of intangible assets	(7)	(1)
Purchases of property and equipment	(22)	(13)
Purchases of marketable securities	(151)	-
Purchases of held-to-maturity securities	-	(4,997)
Net cash used in investing activities	(180)	(5,011)
Cash flows from financing activities:		
Repurchase of common stock	(773)	-
Cash dividends paid	(1,643)	-
Net cash used in financing activities	(2,416)	-
Decrease in cash and cash equivalents	(2,445)	(6,358)
Cash and cash equivalents:		
Beginning	8,743	11,015
Ending	\$ 6,298	\$ 4,657
Supplemental disclosures of cash flows information, cash payments for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -