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# **Boss Holdings, Inc.**

## **2016 – First Quarter Report**

Consolidated revenues of Boss Holdings, Inc. (the “Company”) for the first quarter of 2016 increased 3.0% to \$16,043,000. Net sales in the work gloves and protective wear segment decreased \$276,000 or 3.1%, compared to the first quarter of 2015. Consumer sales are down with the softness in the retail glove market, while industrial sales were adversely affected by the downturn in manufacturing, mining and oil drilling industries. These sales decreases were partially offset by increased sales of CAT® licensed products. Pet product sales are up slightly compared to the first quarter of 2015. The promotional and specialty products segment increased 7.2% over the first quarter of 2015 with an increase in imprinted foam sports balls and full color printed products. The Company’s cell phone accessory segment increased sales by \$533,000 compared to the first quarter last year, with the addition of new product offerings and new customers.

The Company’s overall gross margin increased to 26.6% for the first quarter of 2016 compared to 24.8% for the same period of 2015. Higher margins were generated from improved pricing received from glove suppliers, increased sales of CAT® licensed products, and increased volume from the cell phone accessory segment.

Operating expenses increased \$317,000 for the first quarter of 2016 compared to the first quarter of 2015. Trade shows and travel expenses are up with increased sells efforts, along with royalty expenses from the increased CAT® volume. The first quarter of 2016 also has one extra week compared to 2015. Operating income for the quarter increased to \$604,000 with the additional sales volume compared to \$517,000 during the first quarter of 2015.

Liquidity increased during the first quarter of 2016 with cash increasing \$1,735,000. Operating activities provided \$1,790,000 of cash. This was primarily driven by decreases in inventory and accounts receivable and was partially offset by decreases in accounts payable and accrued liabilities. Investing activities utilized \$93,000, primarily for machinery & equipment improvements for the promotional and specialty products segment. Financing activities used \$169,000 to repurchase stock and \$2,000 to pay down debt.

At April 2, 2016, the Company held \$12,010,000 in cash with \$2,500,000 borrowings against its \$7,000,000 primary U.S. line of credit. Management believes the Company’s cash on hand and availability under the credit facility should provide ample liquidity for the Company’s expected working capital and operating needs.

Effective April 30, 2015, the Company’s Board of Directors authorized a new stock buyback program (the “2015 Buyback Program”) pursuant to which the Company may purchase shares of the Company’s common stock in an amount up to \$1,500,000, at such prices, and on such terms and conditions as are determined by appropriate officers of the Company from time to time. The Company’s Board of Directors in its discretion may extend, curtail, amend or terminate the 2015 Buyback Program at any time.

**Boss Holdings, Inc. and Subsidiaries****Consolidated Balance Sheets****(Dollars in Thousands, Except Per Share Data)**

	April 2 2016 (Unaudited)	December 26, 2015
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 12,010	\$ 10,275
Accounts receivable, net	8,735	9,879
Inventories	22,032	24,346
Deferred tax asset	1,106	1,047
Prepaid expenses and other	510	607
<b>Total current assets</b>	<b>44,393</b>	<b>46,154</b>
Property and Equipment, net	2,830	2,874
Other assets	-	-
Intangibles, net of amortization	168	166
Goodwill	2,853	2,853
Deferred tax asset	-	59
	<b>\$ 50,244</b>	<b>\$ 52,106</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Current portion of long-term obligations	\$ 6	\$ 6
Accounts payable	1,885	2,899
Accrued payroll and related expenses	1,040	1,617
Accrued promotional expenses	945	1,025
Other accrued liabilities	385	864
<b>Total current liabilities</b>	<b>4,261</b>	<b>6,411</b>
Long-Term Obligations, net of current portion	2,513	2,514
<b>Stockholders' Equity:</b>		
Common stock, \$.25 par value; authorized 10,000,000 shares; issued and outstanding 1,995,768 and 2,009,878 shares in 2016 and 2015, respectively	499	502
Additional paid-in capital	64,608	64,774
Accumulated (deficit)	(21,170)	(21,534)
Accumulated other comprehensive (loss)	(467)	(561)
<b>Total stockholders' equity</b>	<b>43,470</b>	<b>43,181</b>
	<b>\$ 50,244</b>	<b>\$ 52,106</b>

**Boss Holdings, Inc. and Subsidiaries**

**Consolidated Statements of Operations**  
**(Dollars in Thousands, Except Per Share Data)**  
**(Unaudited)**

	Quarter Ended April 2 2016	Quarter Ended March 28, 2015
Net sales	\$ 16,043	\$ 15,565
Cost of sales	11,782	11,708
<b>Gross profit</b>	4,261	3,857
Operating expenses	3,657	3,340
<b>Operating income</b>	604	517
Other income (expense):		
Interest income	-	1
Interest expense	(21)	(7)
Other	15	18
	(6)	12
<b>Income before income tax</b>	598	529
Income tax expense	234	214
Change in deferred tax asset valuation	-	-
<b>Net income</b>	<u>\$ 364</u>	<u>\$ 315</u>
Comprehensive income	<u>\$ 458</u>	<u>\$ 186</u>
Weighted average shares outstanding	2,031,169	2,008,080
Basic earnings per common share	<u>\$ 0.18</u>	<u>\$ 0.16</u>
Diluted earnings per common share	<u>\$ 0.18</u>	<u>\$ 0.15</u>

**Boss Holdings, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**  
**(Dollars in Thousands)**

(Unaudited)	Three Months Ended April 2 2016	Three Months Ended March 28, 2015
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 364	\$ 315
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	152	143
Stock based compensation	1	27
Deferred tax expense	-	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1,178	1,319
Inventories	2,374	(77)
Prepaid expenses and other current assets	98	391
Other assets	(13)	(5)
Increase (decrease) in:		
Accounts payable	(1,219)	(1,767)
Accrued liabilities	(1,145)	(1,441)
<b>Net cash provided by (used in) operating activities</b>	<u>1,790</u>	<u>(1,095)</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of operating assets	-	-
Purchases of property and equipment	(93)	(126)
<b>Net cash (used in) investing activities</b>	<u>(93)</u>	<u>(126)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from long-term debt	-	-
Net borrowings on revolving line of credit	-	-
Repayment on long-term obligation	(2)	(15)
Repurchase of common stock	(169)	(559)
Proceeds from exercise of stock options	-	314
<b>Net cash (used in) financing activities</b>	<u>(171)</u>	<u>(260)</u>
Effect of exchange rates on cash and cash equivalents	209	(217)
<b>Increase (decrease) in cash and cash equivalents</b>	1,735	(1,698)
<b>Cash and cash equivalents:</b>		
Beginning of period	10,275	5,251
End of period	<u>\$ 12,010</u>	<u>\$ 3,553</u>