

# BOSC Earnings Call Transcript

**Date: 2025-11-25**

**Quarter: 3**

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the B.O.S. Better Online Solutions Ltd. Conference Call. All participants are at present in listen-only mode. As a reminder, this conference call is being recorded and will be available on the B.O.S. Better Online Solutions Ltd. website as of tomorrow. Before I turn the call over to Mr. Cohen, I would like to remind everyone that forward-looking statements for the respective company's business, financial condition, and results of its operations are subject to risks and uncertainties, which could cause actual results to differ materially from those contemplated. Such forward-looking statements include, but are not limited to, product demand, pricing, market acceptance, changing economic conditions, risks in product and technology development, and the effect of the company's accounting policies, as well as certain other risk factors which are detailed from time to time in the company's filings with the various securities authorities. I would now like to turn the call over to Mr. Eyal Cohen, CEO. Mr. Cohen, please go ahead.

Eyal Cohen: Thank you. Good morning, and thank you for making the time to meet with us today. Joining me is Mr. Moshe Zeltzer, our Chief Financial Officer. B.O.S. Better Online Solutions Ltd. integrates cutting-edge technologies to streamline and enhance supply chain operations. We delivered strong growth in the first nine months of this year. Revenue grew year-over-year by 28% to \$38 million, continuing our record performance this year. We are strategically expanding overseas by partnering with international subcontractors of our Israeli defense client. These markets are relatively untapped by B.O.S. Better Online Solutions Ltd. and represent potential growth for us. We see India as a major target market because it is a global hub for wire and connector assembly, where we have a competitive advantage. Through this approach, our international revenues grew by 24% year-over-year, demonstrating the growth potential in international markets. Our net income grew year-over-year by 54% to \$2.8 million, while our revenues grew by 28%, showing our ability to convert revenue into bottom-line results plus profit leverage as we scale the operating base of the business. We have demonstrated consistent profitability with steady net income growth, achieving a compound annual growth rate of 51% from 2021 through 2025. This result underscores the strength of our defense-focused strategy, reflecting years of deliberate investment in product diversification and operational excellence that position us to capitalize on the defense sector's robust growth trajectory. Given our strong execution and stable backlog exceeding \$24 million, we are raising our full-year 2025 financial guidance. We now expect to meet the high end of our previous guidance range of \$45 to \$48 million in revenue and \$2.6 million to \$3.1 million in net income. There are several tailwinds that have accelerated our growth momentum and we believe will support our long-term organic growth. First, as you know, the global increase in defense budgets. Second, replenishment and expansion of Israeli Defense Forces inventory and equipment and vehicles. Third, the potential stabilization and improving conditions in The Middle East, which is a pivotal tailwind for the growth of the Israeli civil market and will positively impact the growth of our RFID division. These drivers support our continued organic growth in conjunction with our outbound sales efforts. We continue to look for opportunities to enhance our growth with strategic actions that fit our business and diligent pricing parameters. Through the combination of these efforts, we intend to grow both over the coming years. With that overview, I will turn the call over to Moshe Zeltzer, our CFO, to discuss our financial position. Please, Moshe.

Moshe Zeltzer: Thank you, Eyal. Financial validation has never been stronger. Cash and equivalents

grew to \$7.3 million, up from \$3.6 million at year-end. Our shareholders' equity amounts to \$25 million, which accounts for 66% of our balance sheet. We have positive working capital of \$18 million and \$1.1 million in long-term loans secured by real estate we are using for our own operation. This strong balance sheet gives us the flexibility to capitalize on opportunities as they arise, supporting organic growth and strategic acquisitions. Our valuation offers attractive upside compared to Russell 2000 index multiples. Price-to-earnings ratio Russell 2020 versus B.O.S. Better Online Solutions Ltd. at 11. Price-to-book ratio, Russell 2000 at 2.2 versus B.O.S. Better Online Solutions Ltd. at 1.7. Thank you for your time and attention. We are happy to take your questions.

Eyal Cohen: Hi, y'all. Can I ask you a question?

Scott Weiss: Yes, please. Great. This is Scott Weiss at Semco Capital. Hi.

Eyal Cohen: Hi. Great quarter. Terrific quarter. I have a few questions, and if it's okay, I'd like to ask them one at a time. In the press release, you highlighted that you're excited about your expanding opportunities with new and existing customers. Can you highlight a couple that you're particularly enthusiastic about and specifically new customers?

Eyal Cohen: Yeah. The main customer that we are joining to our portfolio is many overseas clients, mainly from India. And I can tell you that in the recent week, there was a huge delegation here from India, including ministers from India, and we were happy to meet with many companies from India, and those are the major clients that we are joining our group.

Scott Weiss: Okay. When would you expect revenues to hit the bottom line? To impact your P&L;?

Eyal Cohen: What do you mean?

Scott Weiss: When do you expect revenues from this new Indian customer to impact your P&L;?

Eyal Cohen: Yeah. It already impacted this year, this nine months, as we already see the growth in revenues from the international market by 24% as compared to the comparable period last year, and this has mainly come from the Indian market. And it's a process. Gradually, we are increasing our market share in this territory.

Scott Weiss: Okay. Thank you. Question, can you expand on the loss in the RFID division? And exactly what you mean by logistics center slowdown in Israel?

Eyal Cohen: Yeah. The RFID division engages in the civil market, not in the defense market segment. And this segment had a very challenging time in the recent two years because of the conflict in The Middle East, and it adversely affected the business. In the recent two quarters, we also saw the effect of the US dollar devalued against the Israeli shekel, which also adversely affected the business. But in the fourth quarter, because of some measures we took operationally and in the business model as well, and the change in the environment in Israel, especially in the geopolitical environment, we see a rebound in demand. We are optimistic about returning to profit in the fourth quarter.

Scott Weiss: Okay. Great. And then that was my next question. Can you expand on the currency impact? And how much can you quantify the effect it had on your P&L;? And do you hedge? And if not, are you going to start hedging?

Eyal Cohen: Mhmm. Yes. So the US dollar devalued against the Israeli shekel by about 11% in the six months ended September 30 this year. Actually, the second and the third quarter. Since most of our operational expenses are denominated in shekels, and revenues are primarily in dollars, this currency movement created approximately half a million dollars in additional cost pressure on operating income during this period, or roughly about a quarter million dollars per quarter. As I mentioned before, we are proactively addressing this headwind through strategic sales price adjustments initiated in the fourth quarter and operational efficiency improvements. Regarding hedging, we are hedging the balance sheet exposure. For every hedging, each hedging has a limitation period. We do not believe that it's a temporary exchange rate; I think it will be with us for the long term. So any kind of hedging on the dollar is temporary. We are trying to find a solution for the long term. Because of that, we are in a process of such price adjustments and operational efficiency improvements.

Scott Weiss: Okay. One more question, and I'll jump back in the queue. One of the potential concerns on your P&L; and continued growth is the impact of the end of the war in Gaza. Can you address this? And how should we think about the end of the war and its impact?

Eyal Cohen: I think there are two sides to the coin. On one side, we are in the defense segment. In the supply chain division, the biggest division in B.O.S. Better Online Solutions Ltd., 90% of its business is

in defense, and its customers are the major clients in Israel. So there is a direct impact of the tension. On the other hand, we have the RFID division, which is in the civil market. The civil market does not benefit from the war. But because we have the biggest exposure to defense, we are growing in the top line and in the bottom line.

Scott Weiss: Historically, have you grown faster on the defense side in a time of war or time of peace?

Eyal Cohen: Over the years, the main growth came from the supply chain. Even in times of peace, those clients are the biggest exporters in Israel, and they grow year by year. Also, the defense budget of Israel is growing year by year, even before the war. I am not sure about the number, but I think the average growth rate of the defense market in Israel over the years was about 7%. It is growing, and sometimes in some periods in a sharp way, like in the recent two years, about 17% each year or more. In normal years, about 10%.

Scott Weiss: Thanks. I'll jump back in the queue.

Eyal Cohen: Thank you.

Operator: Good morning, Eyal and Moshe. Congratulations on another great quarter.

Todd Felte: I see that you have \$7.3 million in cash. I assume that amount is rising in the current quarter. You've talked about M&A; possibilities. Will you have to raise equity, or will you be able to use cash for any M&A; activity?

Eyal Cohen: Hi, Todd. Nice to meet you again. Yes. Our cash position was strong at the end of the third quarter, with over \$7 million and zero bank debt. That continues to grow in the fourth quarter. For M&A;, we are targeting profitable Israeli defense sector companies with complementary products serving our major clients and their subcontractors. Acquisition targets of up to \$10 million, and bank financing is typically available for approximately 50% because it's a profitable company. 50% of the purchase price. We can execute this transaction using our existing cash on hand without requiring equity raising, while maintaining sufficient working capital for operation and organic growth.

Todd Felte: That's great. Also, can you give us some clarity on the amount of the percentage of your defense business, which is in Israel, and the amount that's international, and how you expect that to change? I've seen a lot of contracts from India and Europe, and I was hoping you could quantify that for us.

Eyal Cohen: Yeah. I was really showing the chart. In the nine months, out of the \$38 million, \$3.6 million were sales overseas related to the supply chain, related to defense. We are taking measures and allocating resources to increase this number by being active and with an active approach, especially in India. Maybe even to change our approach in how to operate the sales in India, and we see a lot of potential in this market. I believe that this number of \$3.6 million that reflects a 24% increase in sales overseas will continue. We will see this trend continue in the fourth quarter and in 2026 as well.

Todd Felte: Okay. I know you talked about opening up a branch office in India. I assume that's where a lot of the expansion is going to be. Is there any update to that office you're going to open over there?

Eyal Cohen: Yeah. We are checking various options on how to make it in the most efficient way. We are taking very conservative measures on how to allocate our financial resources overseas and how to do it in a very lean way. I believe that next year, we'll see the actual results of our plan.

Todd Felte: Okay. I'll hop back in the queue. Congratulations again on a great quarter.

Eyal Cohen: Thank you. Thank you, Todd.

Operator: How's everyone?

Igor: Hello. Could I ask you this question? Hello. My name is Igor. This is my second call with you, and congratulations on a strong quarter. My question is, Israel is expensive. Everything in Israel is expensive, any operations. Now it's getting even more expensive with a stronger shekel. Now that you're becoming more and more of an international company with international sales, any thoughts of spreading the cost and moving some of your operations outside of Israel? Given that it's so expensive to do anything in Israel?

Eyal Cohen: It's a good idea, but maybe it's a good idea. We need to think about it. Actually, I don't see any unit we can operate overseas. But one of the options, as I mentioned to Todd, is to instead of doing the sales to India from Israel, to do the sales in India from India. This is the first example of how we can reduce our cost. The main approach to do sales in India was not to save cost, but to increase sales. But

we can get both of the things together. But it's a good idea. I need to be honest. I need to think about it, and I will keep you updated in the next call.

Igor: My other question is, so I know that the last years were sort of overshadowed by the Gaza war and other people would refer to this. Historically, if you take many, many years, your company is a bit of a cyclical company. Some periods of time, there's more demand, some periods a little bit less demand. How do you intend to make the company a little bit less cyclical and more like sustainable growth? What is your strategy like? What do you see the company like five years down the road?

Eyal Cohen: I think by going overseas to increase our sales overseas, as we saw in the number, like out of the \$38 million, just \$3.6 million were international sales. If you increase it, we can reduce the cycling. Growing by acquisition and adding more, increasing the portfolio of our offering, and by that, we can eliminate the exposure that you mentioned. But the structure of B.O.S. Better Online Solutions Ltd. is that we have the supply chain in defense, and we have the RFID in the civil, and we have the robotic in between. So we are already spread. But I have to be honest with you, we are in defense for many years, more than years. It's all the time growing. I remember a cycle of a slowdown in this segment. I'm sure that in three or four years, the demand will come back to normal after the situation in The Middle East and in Europe. But I believe it's the best segment to attach to.

Igor: Okay. And my last question about the potential for M&A.; Obviously, you put 4.5 million at the market option. Now, and you have plenty of cash. You don't lack for any cash. So do you have are you looking at any specific opportunities right now? Or you just put it just in case? What is your thought about M&A.;, like, for the next year or two years?

Eyal Cohen: I hope that next year, we will close on M&A.; This is the working plan. My plan is to close one, and I hope that every two years, we will be able to close an M&A.; By that, with the organic growth, to reach the \$100 million bond, this target. But those are plans, and we are working according to those plans.

Igor: Just curious. I understand this might be opportunistic, but why don't you look to borrow to do an M&A.; and potentially look at the equity component given that your stock is not particularly high? So that would be maybe a little bit suboptimal versus borrowing from a bank given that you're a pretty solid company, with good cash flow and earnings.

Eyal Cohen: I didn't understand your question.

Igor: So it looks like you put a potential M&A.;, you have an option of 4.5 million dollar equity. Obviously, I don't know what the M&A.; opportunity is going to look like, but I would hope that your first intent would be to borrow money from the bank to do an M&A.; versus equity given that your equity is relatively low, given your valuation.

Eyal Cohen: Actually, how you think about it? As I mentioned to Todd, in case of doing an acquisition even of \$10 million, which is a frame of investment we are targeting, assuming 50% by bank loans because it will be a profit target company. So for the rest, the \$5 million, absolutely, we don't need to issue more stock. We have it on hand.

Operator: Okay.

Eyal Cohen: Alright. Thank you so much. Yeah. We have \$7.5 million as of September. The cash continues to grow. I don't see any need to raise more equity to consume an M&A.;

Igor: So you just have a just in case in case a big opportunity comes up that you have a 4.5 million dollar offering at the market.

Eyal Cohen: We see it. We have tools like every public company should have. Like the shelf perspective that we have, and we haven't used for four years. Like the ATM that we have and we haven't used since the date it was filed. It's filed? And the unused credit line that we have in the bank is not used. So we have all the facilities we should have. But, actually, in order to consider a \$10 million M&A.;, we don't need to raise to use any of those tools except for the unused credit line. Bank credit lines.

Igor: How much do you have available credit as of now approximately?

Eyal Cohen: Sorry?

Igor: How much credit do you have unused as of now?

Moshe Zeltzer: Right.

Eyal Cohen: You're One million for the real estate. No. Unused. Unused. We have unused for ongoing

use, not for the acquisition. We are Oh, I see. Okay. Yeah. So that's a

Igor: capital I understand. Yeah. It's something like

Eyal Cohen: 1.5 to \$2 million unused credit line for revolving credit for organic growth, but we already checked with the banks in case of a model of acquisition, a profitable company. I believe we can get 50% financing from the bank for the acquisition. Yeah.

Igor: Okay. Thank you.

Eyal Cohen: You're welcome.

Scott Weiss: Eyal, from an investor perspective, have you finalized your dates as to when you're going to come to The US to meet investors?

Eyal Cohen: Yeah. I think it will be April next year. In between, I will participate in a virtual summit. We will announce it. I will continue to do ongoing one-on-one weekly meetings with potential investors.

Moshe Zeltzer: Scott?

Scott Weiss: Yeah. I got it. Thank you very much.

Moshe Zeltzer: You're welcome.

Eyal Cohen: Any further questions? No. No follow-up. I'm good.

Scott Weiss: Although, I'd like to meet you when you come to The US for sure.

Igor: Yeah. We're meeting.

Eyal Cohen: So thank you again for your participation. If you need more details or would like to follow up, please feel free to reach out to us. Thank you.

Moshe Zeltzer: Thank you. Bye-bye.