

July 6, 2016



Kush Bottles Achieves Record Third Quarter And Nine Month Financial Results; Third Quarter Revenues Jump 94% As Company Sees Strong Growth Ahead

Highlights:

- Q316 revenues increased 94% year-over-year; 23% sequentially**
- Company achieves record Q316 net income, representing its third consecutive profitable quarter**
- Sales from new product line launched in Q316 beginning to ramp-up**
- Company achieves record gross profit of \$734,336 in Q316**
- Looking ahead, Company sees accelerating revenue and earnings growth**

LOS ANGELES, July 6, 2016 /PRNewswire/ -- Kush Bottles, Inc. (OTCQB: KSHB), America's premier supplier of packaging, accessories, and branding solutions for the legal cannabis industry, today reported record financial results for its third quarter and nine months ended May 31, 2016 and provided a positive outlook for the balance of the fiscal year and 2017.

Record Third Quarter Revenues Supported by Aggressive Geographic Expansion Strategy, Launch of a New Product Line, and New Online Technology

Revenues for the three months ended May 31, 2016 jumped to \$2,322,638, a 94% increase over revenues of \$1,198,083 in the year-ago quarter, and were 29% higher sequentially than revenues of \$1,798,539 for the second quarter ended February 29, 2016. The revenue growth was primarily attributable to the Company's continued sales growth across California, Oregon, Washington, and Colorado as well as modest but early sales from the launch of a new product line and the implementation of a new custom packaging website.

Kush Bottles launched their new product line, [BudGloves™](#), in April 2016. These premium quality gloves, created by Kush Bottles, meet the specific requirements of the cannabis industry and provides customers with an affordable and effective solution for handling cannabis plants, extracts and other products. They are powderless, non-stick, food-safe, and manufactured to meet industrial-grade standards.

In May, the Company implemented a new website that allows customers to submit design

inquiries so they may customize the packaging of their specific brand. This new site has helped increase the number of return customers, attracted new first-time customers, enables scalability and has led to higher website conversion rates and an overall return on investment.

Kush Bottles Achieves Record Third Quarter 2016 Net Income

The Company achieved record net income of \$23,284, or \$0.00 per share, compared with a net loss of (\$76,393), or (\$0.00) per share, in the year-ago quarter. For the third quarter ended May 31, 2016, cost of goods sold increased to \$1,588,302 from \$779,652 a year earlier due to substantially higher revenues. Gross profit for the third quarter ended May 31, 2016 rose to \$734,336, for a 32% gross margin compared with \$418,431 and a 35% gross margin in the year-ago quarter. The substantial increase in gross profits was primarily due to the Company's continued penetration of the California, Oregon, Washington and Colorado markets.

Selling, general, and administrative expenses for the third quarter ended May 31, 2016 increased 35% to \$656,642 compared with \$484,778 in the year-ago quarter ended May 31, 2015. The increase in expenses was primarily due to the hiring of new staff to help support the Company's rapid growth.

Strengthening of Balance Sheet

As of the end of the third quarter ended May 31, 2016, Kush Bottles reported \$354,247 in cash and total current assets of \$2,150,833, compared with \$201,259 and \$1,163,408, respectively, at the beginning of the current fiscal year. Current liabilities decreased from \$955,927 in the first quarter to \$898,401 at the end of the third quarter of 2016. The Company ended the third quarter with a working capital surplus of \$1,252,432.

Kush Bottles CEO Sees Strong Growth Ahead

Commenting on Kush Bottles' record financial results, Nicholas Kovacevich, Co-Founder and CEO, said, "Our record third quarter results demonstrate the scalability of our business plan but more importantly, it signifies even more impressive results that lay ahead in the fourth quarter and as we enter into 2017. This is our third consecutive quarter of profitability and we are pleased to see the trend line is accelerating as our business scales upon broad-based growth and expanded product lines.

"We are aggressively growing our business with innovative and advanced products and a new custom packaging site that better serve our customers and enhance their overall shopping experience, while providing an array of choices. We have also made it easier for customers to make their purchase online and pick it up in person and pay with cash, as many banks are still prohibited—under federal regulation—from opening bank accounts for cannabis-related businesses.

"Additionally in the third quarter, Kush Bottles was listed as one of the Top 100 Publicly Traded Companies in Orange County, as reported by the *Orange County Business Journal*. Kush Bottles was ranked fifth overall for year-over-year asset growth at 896% and seventh overall for year-over-year revenue growth at 135%.

"Looking ahead, our mastery of the regulatory landscape across 25 states and Washington D.C. provides Kush Bottles with a major competitive advantage as we continue to expand our business across the United States. We are extremely well positioned to leverage the

cannabis industry's organic growth, increasing legalization in additional states, as well as expanded legalization within states where cannabis is already legal in some form. We believe our current aggressive expansion strategy and proven business model in a rapidly-growing cannabis industry has set the ideal framework for our employees, customers and shareholders to thrive in the coming quarters," concluded Mr. Kovacevich."

Company Achieves Record Nine-Month Financial Results

For the nine months ended May 31, 2016, revenues increased by more than 136% to \$5,841,168 from \$2,477,702 in the year-earlier period.

Cost of goods increased to \$3,941,189 from \$1,585,170 in the year-ago period. Gross profit for the nine months ended May 31, 2016 rose to \$1,899,979 for a 33% gross margin, compared with \$892,532 for a 36% gross margin in the year-ago nine month period.

Operating expenses for the nine months ended May 31, 2016 increased 57% to \$1,763,948 compared with \$1,125,881 a year ago. The Company posted record net income of \$39,981, or (\$0.00) per share, compared with a loss of (\$240,971), or (\$0.01) per basic share, in the year-ago nine month period.

About Kush Bottles, Inc.

Kush Bottles (OTCQB: KSHB) is a premier packaging supplier, offering certified child-resistant and custom-branded solutions in all states that permit medical or recreational cannabis use. With over 100 million bottles sold, the company is respected for its quality products, exceptional customer service, fast deliveries, and innovative custom design and branding solutions.

Kush Bottles is one of the few cannabis-focused businesses that is publicly traded and has demonstrated profitability and revenue growth without direct involvement with cannabis plants or extracts. The Company has been featured in media nationwide, including [CNBC](#), [Los Angeles Times](#), [TheStreet.com](#), and [Inc. Magazine](#). For more information, please visit www.kushbottles.com or call (888)-920-5874.

Connect:

Website: www.kushbottles.com

Facebook: facebook.com/kushbottles

Twitter: twitter.com/kushbottles

Instagram: instagram.com/kushbottles

Blog: blog.kushbottles.com

Forward Looking Statement

This release may include certain forward-looking statements within the meaning of applicable securities laws. While these statements represent the Company's current judgments, they are subject to risks and uncertainties that could cause actual results to differ. Risks and uncertainties include price volatility, product demand, competition, and other factors. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect opinions only as of the date of this release. The Company is not obligated to revise any forward-looking statements in light of any new information.

Investor/Media Contact:

Phillip Sugarman, Vice President, Investor Relations

Phone: 818-280-6800
psugarman@irpartnersinc.com

(Financial Tables Follow)

KUSH BOTTLES, INC

Condensed Consolidated Balance Sheets
(Unaudited)

	May 31, 2016	August 31, 2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 354,247	\$ 201,259
Accounts receivable, net of allowance	212,355	146,392
Prepays	520,574	153,389
Inventory	<u>1,063,657</u>	<u>662,368</u>
Total Current Assets	<u>2,150,833</u>	<u>1,163,408</u>
Goodwill	2,376,589	2,376,589
Deposits	12,220	-
Property and equipment, net	<u>225,962</u>	<u>205,271</u>
TOTAL ASSETS	<u>\$ 4,765,604</u>	<u>\$ 3,745,268</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 267,087	\$ 377,199
Accrued expenses and other current liabilities	371,760	391,334
Line of credit	240,000	85,000
Notes payable - related parties	-	75,000
Notes payable - current portion	<u>19,554</u>	<u>27,394</u>
Total Current Liabilities	<u>898,401</u>	<u>955,927</u>
LONG-TERM DEBT		
Notes payable	<u>44,885</u>	<u>54,585</u>
TOTAL LIABILITIES	<u>943,286</u>	<u>1,010,512</u>

COMMITMENTS and CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$0.001 par value, 265,000,000 shares authorized, 47,407,541 and 46,132,779 shares issued and outstanding, respectively		46,133
Additional paid-in capital	<u>4,483,376</u>	<u>3,437,070</u>
Accumulated deficit	<u>(708,466)</u>	<u>(748,447)</u>
Total Stockholders' Equity	<u>3,822,318</u>	<u>2,734,756</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 4,765,604</u>	<u>\$ 3,745,268</u>

KUSH BOTTLES, INC.
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	May 31,		May 31,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
REVENUE	\$ 2,322,638	\$ 1,198,083	\$ 5,841,168	\$ 2,477,702
COST OF GOODS SOLD	<u>1,588,302</u>	<u>779,652</u>	<u>3,941,189</u>	<u>1,585,170</u>
GROSS PROFIT	<u>734,336</u>	<u>418,431</u>	<u>1,899,979</u>	<u>892,532</u>
OPERATING EXPENSES				
Depreciation	6,542	8,514	18,489	16,297
Stock compensation expense	42,723	-	60,100	-
Selling, general and administrative	<u>656,642</u>	<u>484,778</u>	<u>1,763,948</u>	<u>1,125,881</u>
Total Operating Expenses	<u>705,907</u>	<u>493,292</u>	<u>1,842,537</u>	<u>1,142,178</u>
INCOME (LOSS) FROM OPERATIONS	<u>28,429</u>	<u>(74,861)</u>	<u>57,442</u>	<u>(249,646)</u>
OTHER INCOME (EXPENSES)				
Other income	-	-		12,980

Interest expense	<u>(5,145)</u>	<u>(1,532)</u>	<u>(17,461)</u>	<u>(4,305)</u>
Total Other Income (Expenses)	<u>(5,145)</u>	<u>(1,532)</u>	<u>(17,461)</u>	<u>8,675</u>
INCOME (LOSS) BEFORE INCOME TAXES	23,284	(76,393)	39,981	(240,971)
PROVISION FOR INCOME TAXES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ 23,284</u>	<u>\$ (76,393)</u>	<u>\$ 39,981</u>	<u>\$ (240,971)</u>
BASIC INCOME (LOSS) PER SHARE	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.01)</u>
DILUTED INCOME (LOSS) PER SHARE	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.01)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	<u>46,525,540</u>	<u>42,284,342</u>	<u>46,667,750</u>	<u>41,726,721</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	<u>47,578,327</u>	<u>42,284,342</u>	<u>47,720,537</u>	<u>41,726,721</u>

To view the original version on PR Newswire, visit <http://www.prnewswire.com/news-releases/kush-bottles-achieves-record-third-quarter-and-nine-month-financial-results-third-quarter-revenues-jump-94-as-company-sees-strong-growth-ahead-300294413.html>

SOURCE Kush Bottles, Inc.