

April 1, 2019



GrowGeneration Reports Record 2018 Revenues

Sets 2019 Revenue Guidance at \$52M-58M, Adjusted EBITDA of \$.12-\$.16 per share

DENVER, CO, April 1, 2019 /PRNewswire/ - [GrowGeneration](#) Corp. (OTCQX: [GRWG](#)), ("GrowGen" or the "Company") one of the largest chains of specialty hydroponic and organic garden centers, with currently 21 locations, today reported financial results for its fiscal year ended December 31, 2018.



2018 Financial Highlights:

- Revenue of \$29.0 million up \$14.6 million or 102% over 2017 revenues of \$14.4 million.
- Acquired 8 stores, HeavyGardens.com and opened Oklahoma City, OK. location in 2018.
- Gross profit margin percentage, exclusive of inventory valuation adjustments, was 25.2% for 2018 compared to 24.2% for 2017.
- Store operating costs, as a percentage of revenue, have declined 13% from 20.6% for 2017 to 18% for 2018
- Corporate overhead, salaries and general and administrative, declined from 13.4% of revenues for 2017 to 11.2% of revenue for 2018.
- Same Store Sales, in the 4th quarter increased by 12.4%.
- The Company had \$14.6 million in cash and cash equivalents at December 31, 2018.
- As of December 31, 2018, the Company had working capital of \$21.6 million compared to working capital of \$5.6 million at December 31, 2017.
- The Company raised approximately \$12.9 million in equity capital through the issuance of common stock and the exercise of warrants and \$9.0 million in convertible debt financing for the year ended December 31, 2018.
- Implemented an ERP computer system, with successful deployments in Colorado, Oklahoma and Maine to date.
- Built a national commercial management team to secure large capital commercial projects.

2019 Highlights:

- Q1 2019, acquired certain assets and product trademarks from the 3rd largest hydroponic distributor.
- Q1 2019, we acquired 3 additional stores, in Denver, CO, Palm Springs, CA and Reno, NV.
- Opened stores in Brewer, ME and Tulsa, OK.

Darren Lampert, Co-Founder and CEO, said, "This was our 5th consecutive year of record growth for GrowGeneration, with revenues growing over 100% year over year. We continue to focus on expanding our "just in time" supply chain, through new store openings and acquisitions. GrowGen is now EBITDA profitable, starting in Q1 2019. With our corporate foundation now in place, the company is well positioned to continue 100% year over year growth for several more years. GrowGen is now in 8 states, 21 locations, and services some of the country's largest commercial multi-state cultivation operators. In Q1 2019, the Company acquired three additional stores and opened 2 stores, which will add an additional \$14 million in revenue. Our commercial management team closed over \$2 million in commercial capital projects in Q1 and we are projecting over \$10 million in new capital projects revenue for the year. Our acquisition of HeavyGardens.com is the foundation of our e-commerce strategy and our omni-channel shopping experience, connecting all of our customers to our platform. Our purchase of product trademarks, from the 3rd largest hydroponic distributor, bolsters our ability to supply branded "house" products to our customers. From trellis netting, plastic pots, organic nutrients, GrowGen will now have a complete line of private label products to offer our customers at great prices. This transaction is expected to have a positive impact on margins and profitability in the near term. Further, the formation of GrowGen Canada and GrowGen Hemp Corp demonstrates our commitment to develop other verticals from all emerging markets in our industry. The Company continues the process of up-listing the Company to a larger exchange. We are forecasting 2019 revenue of \$52M-58M and adjusted EBITDA of \$.12-\$.16 per share for 2019."

2018 Financial Results:

	For the Year Ended December 31,		Year to Year Comparison	
	2018	2017	Increase/ (decrease)	Percentage Change
Sales	\$ 29,000,730	\$ 14,363,886	\$ 14,636,844	102%
Cost of Sales	22,556,172	11,094,331	11,461,841	103%
Gross profit	6,444,558	3,269,555	3,175,003	97%
Operating expenses	10,700,206	6,120,068	4,580,138	75%
Loss from operations	(4,255,648)	(2,850,513)	(1,405,135)	49%
Other income (expense)	(818,107)	307,931	(1,126,038)	365%
Net loss	\$ (5,073,755)	\$ (2,542,582)	\$ (2,531,173)	100%
Adjusted EBITDA	\$ (823,843)	\$ (1,096,580)	\$ 272,737	

Net revenue for the year ended December 31, 2018 were approximately \$29 million, compared to approximately \$14.4 million for the year ended December 31, 2017, an increase of \$14.6 million, or 102%. The increase in revenues is due to the addition of 9 new retail stores and one e-commerce site during 2018 for which there were no sales for these

retail stores and e-commerce site for the year ended December 31, 2017 and 3 stores opened during various times during 2017 that were open for all of 2018. Sales in the 9 new stores, the e-commerce site and the 3 stores opened in 2017 were approximately \$19.8 million for the year ended December 31, 2018 compared to approximately \$2.1 million for the year ended December 31, 2017.

The increase in cost of goods sold was due to the 102% increase in revenues comparing the year ended December 31, 2017 to 2018 primarily due to the increase in the number of stores between 2017 and 2018 as noted in the previous paragraph.

Gross profit was \$6.4 million for the year ended December 31, 2018, as compared to \$3.3 million for the year ended December 31, 2017, an increase of approximately \$3.1 million or 97%. Gross profit as a percentage of sales was 22.2% for the year ended December 31, 2018, compared to 22.8% for the year ended December 31, 2017. The slight decrease in the gross profit percentage was primarily due to the increase in non-cash inventory valuation adjustments of approximately \$870,000 in 2018 compared to \$201,000 in 2017. Gross profit % net of inventory valuation adjustments was 25.2% for 2018 and 24.2% for 2017.

Store operating costs as a percentage of sales were 18% for the year ended December 31, 2018 compared to 20.6% for the year ended December 31, 2017, a 15% improvement.

Non-Cash corporate overhead, consisting of salaries and general and administrative expenses, declined from 13.4% of revenues for 2017 to 11.2% of revenues for 2018.

While the Company continues to focus on the 7 markets noted below and the growth opportunities that exist in each market, we also are focusing on new store acquisitions, proprietary products, and developing our online sales with HeavyGardens.com and Amazon sales.

	Sales by Market		
	Year Ended December 31, 2018	Year Ended December 31, 2017	Variance
Colorado market	\$ 7,238,059	\$ 6,280,842	\$ 957,217
California market	9,148,343	2,462,646	6,685,697
Rhode Island market	4,700,102	-	4,700,102
Michigan market	3,086,693	-	3,086,693
Nevada market	1,924,025	1,782,624	141,401
Washington market	939,231	533,742	405,489
Oklahoma	463,278	-	463,278
Closed/consolidated locations	716,083	3,304,033	(2,587,950)
E-commerce site	784,916	-	784,916
Total revenues	<u>\$ 29,000,730</u>	<u>\$ 14,363,886</u>	<u>\$ 14,636,843</u>

Balance Sheet Summary

As of December 31, 2018, we had working capital of approximately \$21.6 million, compared to working capital of approximately \$5.6 million as of December 31, 2017, an increase of approximately \$16 million. The increase in working capital from December 31, 2017 to December 31, 2018 was due primarily to the proceeds from the sale of Common Stock, proceeds for a convertible debt offering and exercise of warrants totaling approximately \$21.8 million. At December 31, 2018, we had cash and cash equivalents of approximately

\$14.6 million. We believe that existing cash and cash equivalents are sufficient to fund existing operations for the next twelve months.

Use of Non-GAAP Financial Information

The Company believes that the presentation of results excluding certain items in "Adjusted EBITDA," such as non-cash equity compensation charges, provides meaningful supplemental information to both management and investors, facilitating the evaluation of performance across reporting periods. The Company uses these non-GAAP measures for internal planning and reporting purposes. These non-GAAP measures are not in accordance with, or an alternative for, generally accepted accounting principles and may be different from non-GAAP measures used by other companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net income or net income per share prepared in accordance with generally accepted accounting principles.

Set forth below is a reconciliation of Adjusted EBITDA to net income (loss):

	Year ended	
	December 31, 2018	December 31, 2017
Net loss	\$ (5,073,755)	\$ (2,542,582)
Interest	23,565	15,339
Depreciation and Amortization	351,070	151,561
EBITDA	(4,699,120)	(2,375,682)
Lease termination fees	35,000	-
Audit fees related to business combinations	85,200	-
Inventory valuation adjustments	870,257	201,170
Amortization of debt discount	989,601	-
Share based compensation (option comp, warrant comp, stock issued for services)	1,895,219	1,077,932
Adjusted EBITDA	\$ (823,843)	\$ (1,096,580)

About GrowGeneration Corp.:

GrowGen owns and operates specialty retail hydroponic and organic gardening stores. Currently, GrowGen has 21 stores, which include 5 locations in Colorado, 6 locations in California, 2 location in Nevada, 1 location in Washington, 3 locations in Michigan, 1 location in Rhode Island, 2 locations in Oklahoma, and 1 location in Maine. GrowGen also operates an online superstore for cultivators, located at HeavyGardens.com. GrowGen carries and sells thousands of products, including organic nutrients and soils, advanced lighting technology and state of the art hydroponic equipment to be used indoors and outdoors by commercial and home growers. Our mission is to own and operate GrowGeneration branded stores in all the major legalized cannabis states in the U.S. and Canada. Management estimates that roughly 1,000 hydroponic stores are in operation in the U.S. By 2020 the market is estimated to reach over \$23 billion with a compound annual growth.

Forward Looking Statements:

This press release may include predictions, estimates or other information that might be considered forward-looking within the meaning of applicable securities laws. While these forward-looking statements represent our current judgments, they are subject to risks and uncertainties that could cause actual results to differ materially. You are cautioned not to

place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this release. Please keep in mind that we are not obligating ourselves to revise or publicly release the results of any revision to these forward-looking statements in light of new information or future events. When used herein, words such as "look forward," "believe," "continue," "building," or variations of such words and similar expressions are intended to identify forward-looking statements. Factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are often discussed in filings we make with the United States Securities and Exchange Commission, available at: www.sec.gov, and on our website, at: www.growgeneration.com.

Connect:

- Website: www.GrowGeneration.com
- Facebook: [GrowGenerationCorp](https://www.facebook.com/GrowGenerationCorp)
- Twitter: [@GrowGenOK](https://twitter.com/GrowGenOK)
- Instagram: [@growgen](https://www.instagram.com/growgen)

GROWGENERATION CORP. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash	\$ 14,639,981	\$ 1,215,265
Accounts receivable, net of allowance for doubtful accounts of \$133,288 and \$97,829 at December 31, 2018 and 2017	862,397	653,568
Inventory	8,869,469	4,585,341
Prepaid expenses and other current assets	606,037	711,852
Total current assets	24,977,884	7,166,026
Property and equipment, net	1,820,821	1,259,483
Intangible assets, net	114,155	53,286
Goodwill	8,752,909	592,500
Other assets	227,205	183,113
TOTAL ASSETS	\$ 35,892,974	\$ 9,254,408
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,819,411	\$ 1,067,857
Other accrued liabilities	40,151	70,029
Payroll and payroll tax liabilities	410,345	247,887
Customer deposits	516,038	92,350
Sales tax payable	191,958	73,220
Current portion of long-term debt	436,813	41,707
Total current liabilities	3,414,716	1,593,050
Long-term convertible debt, net of debt discount and debt issuance costs	2,044,113	-
Long-term debt, net of current portion	375,626	82,537
Total liabilities	5,834,455	1,675,587
Commitments and contingencies		
Stockholders' Equity:		
Common stock; \$.001 par value; 100,000,000 shares authorized; 27,948,609 and 16,846,835 shares issued and outstanding as of December 31, 2018 and 2017, respectively	27,949	16,846
Additional paid-in capital	38,796,562	11,254,212
Accumulated deficit	(8,765,992)	(3,692,237)
Total stockholders' equity	30,058,519	7,578,821
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 35,892,974	\$ 9,254,408

GROWGENERATION CORP. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2018	2017
Sales	\$ 29,000,730	\$ 14,363,886
Cost of sales	22,556,172	11,094,331
Gross profit	6,444,558	3,269,555
Operating expenses:		
Store operations	5,202,330	2,963,306
General and administrative	1,603,421	1,022,401
Share based compensation	1,895,219	1,077,932
Depreciation and amortization	351,070	151,561
Salaries and related expenses	1,648,166	904,868
Total operating expenses	10,700,206	6,120,068
Net loss from operations	(4,255,648)	(2,850,513)
Other income (expense):		
Gain on settlements	-	322,058
Other income	115,875	1,633
Other expense	-	(421)
Interest income	79,184	-
Interest expense	(23,565)	(15,339)
Amortization of debt discount	(989,601)	-
Total non-operating income (expense), net	(818,107)	307,931
Net loss	\$ (5,073,755)	\$ (2,542,582)
Net loss per shares, basic and diluted	\$ (.22)	\$ (.18)
Weighted average shares outstanding, basic and diluted	23,492,650	14,510,582

View original content to download multimedia <http://www.prnewswire.com/news-releases/growgeneration-reports-record-2018-revenues-300821795.html>

SOURCE GrowGeneration