

March 24, 2021



GrowGeneration Reports Record Fourth Quarter and Full-Year 2020 Financial Results and Raises Full-Year 2021 Guidance

Record Revenues of \$193.0 Million, Adjusted EBITDA of \$19.2 Million, and Pre-Tax Net Income of \$8.6 Million

- 2021 full-year revenue guidance increased to \$415-\$430 million
- 2021 full-year adjusted EBITDA guidance updated to \$48.0 million-\$51.0 million
- First Quarter 2021 Revenue Guidance \$86.0-\$88.0 million
- First Quarter 2021 Adjusted EBITDA Guidance \$9.0-\$9.5 million
- The Company expects to reach over 60 Hydroponic garden centers and 15 states in 2021 and over 100 by 2023

DENVER, March 24, 2021 /PRNewswire/ - [GrowGeneration](#) Corp. (NASDAQ: GRWG), ("GrowGen" or the "Company"), the largest chain of specialty hydroponic and organic garden centers, with 52 locations across 12 states, today reported record full-year 2020 revenues of \$193.0 million, versus \$79.7 million in the same period last year, an increase of 143%. Full-year 2020 adjusted EBITDA of \$19.2 million compares to \$5.3 million in the same period last year. The Company also reported a record full-year 2020 GAAP pre-tax net income of approximately \$8.6 million, compared to pre-tax net income of \$1.3 million, in the same period last year. Revenue and adjusted EBITDA guidance for 2021 increases to \$415-\$430 million, and \$48-\$51 million, respectively. The Company is providing First Quarter 2021 Revenue and Adjusted EBITDA guidance of \$86.0 million - \$88.0 million and \$9.0 million - \$9.5 million, respectively.



In addition, the company today announced the appointment of Jeffrey Lasher as Chief Financial Officer (CFO), following the retirement of Monty Lamirato at the end of the first quarter. Mr. Lasher, a seasoned public company CFO at West Marine (formerly Nasdaq: WMAR) and Crocs (NASDAQ: CROX), will begin his tenure as CFO on April 15, 2021.

"GrowGen had a transformational year in 2020. The Company generated record revenues of

\$193 million, a 143% increase year over year, with a 63% increase in our same store sales. Our steadfast focus on rapid, strategic growth in key markets, both organically and through acquisitions, has resulted in our record revenues and EBITDA," said Darren Lampert, GrowGen's co-founder and CEO. "We added 14 new locations to make 52 hydroponic garden centers across 12 states, grew our e-commerce channel and commercial division by over 123% and 188% respectively, and acquired Agron.io, a B2B portal for commercial growers to plan and optimize their operations with real-time online ordering and fulfillment."

"Our proven ability to scale our business, by successfully integrating acquired operations, while reducing operational costs, has allowed us to grow our revenue and expand our EBITDA in 2021 and beyond. The Company is increasing its guidance to reach over 60 garden centers and 15 states in 2021, and to reach over 100 by 2023. We've made significant progress towards this goal in the first quarter of 2021."

"On a personal note, I also would like to take this time to thank Monty Lamirato for his service, hard work and dedication as our CFO who is retiring at the end of the first quarter of 2021," continued Lampert. "We've announced Jeffrey Lasher as Monty's successor, who brings many years of public company CFO experience, scaling businesses, building teams, and collaborating across large organizations."

Full-Year 2020 Financial Highlights

- Revenues rose 143% to \$193.0 million, for full-year 2020, versus \$79.7 million for the same period last year.
- Same-store sales rose 63% to \$72.3 million for full-year 2020, versus \$44.3 million for the full-year 2019.
- Adjusted EBITDA of \$19.2 million for full-year 2020, versus \$5.3 million for full-year 2019, an increase of 264% year-over-year, or \$0.44 per share basic for full-year 2020 versus \$0.16 per share basic in full-year 2019.
- Gross profit margin for full-year 2020 was 26.4%, compared to 27.6% in the same period last year; the decrease in margin is attributable to a larger percentage of revenue from our expanding commercial and e-commerce business segments.
- Gross profit was \$51.0 million for full-year 2020, compared to \$22.0 million for the same period last year, an increase of 132% year-over-year.
- Store operating costs, as a percentage of sales, was 9.7 % for full-year 2020, compared to 12.7% for the same period last year, an improvement of 24%, year-over-year.
- Income from store operations was \$32.3 million for full-year 2020, versus \$11.9 million for the same period last year, an increase of 171% year-over-year.
- Income from store operations as a percentage of revenue was 16.7% for the full-year 2020 compared to 14.9% for the same period last year.
- Ecommerce sales increased 123% to \$10.6 million, compared to the same period last year.
- The commercial division grew 188% to over \$49.0 million in revenues in the full-year 2020 versus the same period last year.
- Corporate payroll and general and administrative expenses, excluding non-cash operating expenses, as a percentage of revenue, was 7% for full-year 2020 versus 8.5% for the same period last year, an improvement of 17% year-over-year.
- Pre-tax net income was approximately \$8.6 million for the full-year 2020, versus \$1.3

million for the same period last year.

- GAAP net income was \$5.3 million, or \$0.12 per share basic, for full-year 2020 compared to net income of \$1.3 million, or \$0.04 per share basic, for same period last year, an increase of 308% year-over-year.

Fourth Quarter 2020 Financial Highlights

- Revenues increased to \$62.0 million, an increase of 144%. Primarily the result of the addition of 14 stores in 2020, and an increase in same store sales of 58%.
- Fourth quarter 2020 margins were 25.8%, versus 23.6%, in the same period last year, due to lower write offs from physical inventories.
- Fourth quarter 2020 store operating costs were 10% of revenues compared to 10.8% for the same period last year.
- Fourth quarter 2020 corporate overhead was 11.5% of revenues compared to 17.1% for the same period last year, a decrease of 33%, as a percentage of revenue in this period.
- Pre-Tax net income was 4.5% of revenue for fourth quarter 2020, compared to -4%, for the same period last year.
- Adjusted EBITDA was \$5.6 million for the fourth quarter of 2020, compared to \$0.91 million, for the same period last year, an increase of 515%.

Working Capital and Cash

On December 11, 2020, the Company consummated an underwritten public offering of 5,750,000 shares of its common stock (the "Shares"), which included the exercise in full of the underwriters' option to purchase an additional 750,000 shares of common stock to cover over-allotments. The Shares were sold at a public offering price of \$30 per share, generating gross proceeds of \$172.5 million, before deducting the underwriting discounts and commissions and other offering expenses. Net proceeds from the sales of common stock, net of all offering costs and expenses was approximately \$162.5 million.

On July 2, 2020, the Company consummated an underwritten public offering of 8,625,000 shares of its common stock (the "Shares"), which included the exercise in full of the underwriters' option to purchase an additional 1,125,000 shares of common stock to cover over-allotments. The Shares were sold at a public offering price of \$5.60 per share, generating gross proceeds of \$48.3 million, before deducting the underwriting discounts and commissions and other offering expenses. Net proceeds from the sales of common stock, net of all offering costs and expenses was approximately \$44.6 million.

- Working capital was \$223 million on December 31, 2020, compared to \$29 million on December 31, 2019, an increase of 668%.
- Cash on December 31, 2020 was \$178 million, cash on December 31, 2019 was \$13 million, and cash as of March 24, 2021 was \$132 million.
- Shareholder Equity was \$317 million on December 31, 2020 versus \$58 million on December 31, 2019.

Recent Events

- On January 25, 2021, the Company purchased the assets of Indoor Garden & Lighting, Inc., a two-store chain of hydroponic and equipment and indoor gardening supply

stores serving the Seattle and Tacoma, Washington area.

- On February 15, 2021, the Company purchased the assets of Grow Warehouse LLC, a four-store chain of hydroponic and organic garden stores in Colorado (3) and Oklahoma (1).
- On February 22, 2021, the Company purchased the assets of San Diego Hydroponics & Organics, a four-store chain of hydroponic and organic garden stores in San Diego, CA.
- On February 1, 2021, the Company purchased the assets of J.A.R.B., Inc., d/b/a Grow Depot Maine, a two-store chain in Auburn and Augusta, Maine.
- On March 12, 2021, the Company purchased the assets of Char Coir, an RHP-certified growing medium made from the highest-grade coconut fiber available. Established in 2014, Char Coir is recognized as the best coco coir on the market. Char Coir's portfolio of products are 100 percent biodegradable, a sustainable alternative to rockwool.
- On March 15, 2021, the Company purchased the assets of 55 Hydroponics, a hydroponic and organic fertilizer superstore located in Santa Ana, California.
- On March 15, 2021, the Company purchased the assets of Aquarius Hydroponics, an indoor-outdoor garden supply center specializing in hydroponics systems, lighting and nutrients.
- On March 19, 2021, the Company purchased the assets of Agron.io, a leading wholesale agricultural business-to-business enterprise resource planning (ERP) platform that allows commercial growers to manage their purchasing and logistics in one platform. Powered by proprietary ERP technology, Agron.io offers commercial pricing, real-time inventory, and the largest product catalog in the industry, with over 10,000 products in over 60 categories, including greenhouses, vertical benching, HVAC, controlled environmental systems, extraction, and industrial equipment.

Conference Call

The company will host a conference call on March 25, 2021 at 9:00AM Eastern Time. To participate in the call, please dial (888)-664-6383 (domestic) or 416-764-8650 (international). Participants should request the GrowGeneration Earnings Call or provide confirmation code: 61305331. This call is being webcast and can be accessed on the Investor Relations section of GrowGeneration website at:

<https://ir.growgeneration.com/news-events/ir-calendar>.

A replay of the webcast will be available approximately two hours after the conclusion of the call and remain available for approximately 90 calendar days.

About GrowGeneration Corp:

GrowGen owns and operates specialty retail hydroponic and organic gardening stores. Currently, GrowGen has 52 stores, which include 8 locations in Colorado, 18 locations in California, 2 locations in Nevada, 1 location in Arizona, 2 locations in Washington, 6 locations in Michigan, 1 location in Rhode Island, 5 locations in Oklahoma, 2 locations in Oregon, 5 locations in Maine, and 1 location in Florida, and 1 location in Massachusetts. GrowGen also operates an online superstore for cultivators at growgeneration.com and B2B ERP platform, agron.io. 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 states in the U.S. and in North

America. Management estimates that roughly 1,000 hydroponic stores are in operation in the U.S. By 2025, the global hydroponics equipment market is estimated to reach approximately \$16 billion.

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.

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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:

	Year ended	
	December 31, 2020	December 31, 2019
Net Income	\$ 5,328,378	\$ 1,321,842
Income taxes	3,250,891	-
Interest	14,053	401,497
Depreciation and Amortization	2,435,965	1,044,553
EBITDA	11,029,369	2,767,892

COVID costs	239,152	-
Share based compensation (option compensation, warrant compensation, stock issued for services)	7,856,163	2,490,535
	<u>19,178,602</u>	<u>5,285,427</u>
Adjusted EBITDA	\$ 19,178,602	\$ 5,285,427
Adjusted EBITDA per share, basic	\$.44	\$.16
Adjusted EBITDA per share, diluted	\$.41	\$.15

GROWGENERATION CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 177,911,511	\$ 12,979,444
Accounts receivable, net of allowance for doubtful accounts of \$192,193 and \$291,732 at December 31, 2020 and 2019	3,900,519	2,953,921
Notes receivable, current, net of allowance for doubtful accounts of \$292,050	2,612,134	1,037,541
Inventory	54,024,491	21,576,609
Income tax receivable	655,253	-
Prepays and other current assets	11,124,752	2,549,559
Total current assets	<u>250,228,660</u>	<u>41,097,074</u>
Property and equipment, net	6,475,130	3,340,616
Operating leases right-of-use assets, net	12,088,390	7,628,591
Notes receivables, net of current portion	1,199,743	463,747
Intangible assets, net	21,489,544	233,280
Goodwill	62,951,461	17,798,932
Other assets	300,767	377,364
TOTAL ASSETS	<u>\$ 354,733,695</u>	<u>\$ 70,939,604</u>
<u>LIABILITIES & STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 14,623,107	\$ 6,024,750
Accrued liabilities	672,103	-
Payroll and payroll tax liabilities	2,655,427	1,072,142
Customer deposits	5,154,524	2,503,785
Sales tax payable	1,160,752	533,656
Current maturities of lease liability	3,000,684	1,836,700
Current portion of long-term debt	82,877	110,231
Total current liabilities	<u>27,349,474</u>	<u>12,081,264</u>
Deferred tax liability	750,430	
Operating lease liability, net of current maturities	9,478,553	5,807,266
Long-term debt, net of current portion	157,987	242,079
Total liabilities	<u>37,736,444</u>	<u>18,130,609</u>
Commitments and contingencies		

Stockholders' Equity:

Common stock; \$.001 par value; 100,000,000 shares authorized; 57,150,998 and 36,876,305 shares issued and outstanding as of December 31, 2020 and 2019, respectively

	57,152	36,876
Additional paid-in capital	319,581,657	60,742,055
Accumulated deficit	<u>(2,641,558)</u>	<u>(7,969,936)</u>
Total stockholders' equity	<u>316,997,251</u>	<u>52,808,995</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 354,733,695</u>	<u>\$ 70,739,604</u>

GROWGENERATION CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF OPERATIONS

	For the Years Ended December 31,	
	<u>2020</u>	<u>2019</u>
Sales	\$ 193,365,479	\$ 79,733,568
Cost of sales	<u>142,317,178</u>	<u>57,728,683</u>
Gross profit	51,048,301	22,004,885
Operating expenses:		
Store operations	18,723,794	10,095,422
General and administrative	5,009,710	3,172,019
Share based compensation	7,856,163	2,490,535
Depreciation and amortization	2,435,965	1,044,553
Salaries and related expenses	<u>8,585,080</u>	<u>3,619,197</u>
Total operating expenses	42,610,712	20,421,726
Net income from operations	8,437,589	1,583,159
Other income (expense):		
Miscellaneous income (expense)	111,807	(4,545)
Interest income	43,926	144,725
Interest expense	<u>(14,053)</u>	<u>(401,497)</u>
Total non-operating income (expense), net	<u>141,680</u>	<u>(261,317)</u>
Net income before taxes	8,579,269	1,321,842
Provision for income taxes	<u>(3,250,891)</u>	<u>-</u>
Net income	<u>\$ 5,328,378</u>	<u>\$ 1,321,842</u>
Net income per share, basic	<u>\$.12</u>	<u>\$.04</u>
Net income per share, diluted	<u>\$.11</u>	<u>\$.04</u>
Weighted average shares outstanding, basic	<u>43,945,111</u>	<u>31,523,679</u>
Weighted average shares outstanding, diluted	<u>46,456,249</u>	<u>32,600,239</u>

18. CORRECTION OF ERROR IN PREVIOUSLY REPORTED CONSOLIDATED FINANCIAL STATEMENTS

Background on the Correction

Revision

During the fourth quarter of 2020, we identified amounts presented in our inventory and costs of sales reported in prior years that required revision. The revised amounts resulted from an accumulation of errors related to rebates issued from vendors in our general ledger. We determined these errors accumulated in 2019 and prior years.

Pursuant to the guidance of Staff Accounting Bulletin No. 99, Materiality, we concluded that the errors were not material to any of our prior year consolidated financial statements. The accompanying consolidated balance sheet and income statement as of December 31, 2019 includes a cumulative revision relating to this error.

This revision did not have any material effect on income from operations, net income, or cash flows. This revision had no effect on our cash balances.

The following table compares previously reported balances, adjustments and restated balances as of December 31, 2019.

18. CORRECTION OF ERROR IN PREVIOUSLY REPORTED CONSOLIDATED FINANCIAL STATEMENTS, continued

The revised consolidated financial statements for the year ended December 31, 2019 with the adjustment is detailed below.

	December 31, 2019		
	As Previously Reported	Restatement Adjustment	Restated
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 12,979,444		\$ 12,979,444
Accounts receivable, net	4,455,209		4,455,209
Inventory	22,659,357	(1,082,748)	21,576,609
Prepays and other current assets	2,549,559		2,549,559
Total current assets	42,643,569		41,561,021
Property and equipment, net	3,340,616		3,340,616
Operating leases right-of-use assets, net	7,628,591		7,628,591
Intangible assets, net	233,280		233,280
Goodwill	17,798,932		17,798,932
Other assets	377,364		377,364
TOTAL ASSETS	\$ 72,022,352		\$ 70,939,604
<u>LIABILITIES & STOCKHOLDERS' EQUITY</u>			
Current liabilities:			
Accounts payable	\$ 6,024,750		6,024,750
Payroll and payroll tax liabilities	1,072,142		1,072,142

Customer deposits	2,503,785	2,503,785
Sales tax payable	533,656	533,656
Current maturities of right-of-use assets	1,836,700	1,836,700
Current portion of long-term debt	110,231	110,231
Total current liabilities	12,081,264	12,081,264
Operating leases right-of-use assets, net of current maturities	5,807,266	5,807,266
Long-term debt, net of current portion	242,079	242,079
Total liabilities	18,130,609	18,130,609
Stockholders' Equity:		
Common stock; \$.001 par value; 100,000,000 shares 36,876,305 shares issued and outstanding as of December 31, 2019	36,876	36,876
Additional paid-in capital	60,742,055	60,742,055
Accumulated deficit	(6,887,188)	(7,969,936)
Total stockholders' equity	53,891,743	52,808,995
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 72,022,352	\$ 70,939,604

	Year Ended December 31, 2019		
	As Previously Reported	Restatement Adjustment	Restated
Sales	\$ 79,733,568		\$ 79,733,568
Cost of sales	57,171,721	556,962	57,728,683
Gross profit	22,561,847		22,004,885
Operating expenses:			
Store operations	10,095,422		10,095,422
General and administrative	3,172,019		3,172,019
Share based compensation	2,490,535		2,490,535
Depreciation and amortization	1,044,553		1,044,553
Salaries and related expenses	3,619,197		3,619,197
Total operating expenses	20,421,726		20,421,726
Net income from operations	2,140,121		1,583,159
Other income (expense):			
Miscellaneous income (expense)	(4,545)		(4,545)
Interest income	144,725		144,725
Interest expense	(401,497)		(401,497)
Total non-operating income (expense), net	(261,317)		(261,317)
Net income before taxes	1,878,804		1,321,842
Provision for income taxes	0		0
Net income	\$ 1,878,804		1,321,842
Net income per share, basic	\$ 0.06		\$ 0.04

Net income per share, diluted	<u>\$ 0.06</u>	<u>\$ 0.04</u>
Weighted average shares outstanding, basic	<u>32,833,594</u>	<u>32,833,594</u>
Weighted average shares outstanding, diluted	<u>33,917,548</u>	<u>33,917,548</u>

For The Year Ended December 31, 2019

	As Previously Reported	Restatement Adjustment	Restated
Cash Flows from Operating Activities:			
Net income	\$ 1,878,804	(556,962)	\$ 1,321,842
Adjustments to reconcile net income to net cash used in operating Activities:			-
Depreciation and amortization	1,044,553		1,044,553
Provision for doubtful accounts receivable	172,135		172,135
Inventory valuation reserve	429,126		429,126
Amortization of debt discount	356,306		356,306
Stock based compensation	2,490,535		2,490,535
Other	(66,536)		(66,536)
Changes in operating assets and liabilities:			-
(Increase) decrease in:			-
Accounts receivable	(3,764,947)		(3,764,947)
Inventory	(10,482,014)	556,962	(9,925,052)
Prepaid expenses and other assets	(2,061,701)		(2,061,701)
Increase (decrease) in:			-
Accounts payable and accrued liabilities	4,165,188		4,165,188
Operating leases	15,375		15,375
Customer deposits	1,987,747		1,987,747
Income taxes	-		-
Payroll and payroll tax liabilities	154,471		154,471
Sales taxes payable	341,698		341,698
Net Cash and Cash Equivalents (Used In) Operating Activities	<u>(3,339,260)</u>		<u>(3,339,260)</u>
Cash Flows from Investing Activities:			
Assets acquired in business combinations	(9,458,743)		(9,458,743)
Purchase of property and equipment	(2,232,812)		(2,232,812)
Purchase of goodwill and other intangibles	(119,125)		(119,125)
Net Cash and Cash Equivalents (Used In) Investing Activities	<u>(11,810,680)</u>		<u>(11,810,680)</u>
Cash Flows from Financing Activities:			
Principal payments on long term debt	(460,129)		(460,129)
Stock redemptions	-		-
Proceeds from the sales of common stock and exercise of warrants and options, net of expenses	13,949,532		13,949,532
Net Cash and Cash Equivalents Provided by Financing Activities	<u>13,489,403</u>		<u>13,489,403</u>
Net Increase(decrease) in Cash and Cash Equivalents	(1,660,537)		(1,660,537)
Cash and Cash Equivalents at Beginning of year	14,639,981		14,639,981
Cash and Cash Equivalents at End of year	<u>\$ 12,979,444</u>		<u>\$ 12,979,444</u>

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