

January 11, 2017



Kush Bottles Reports First Quarter Fiscal 2017 Results

SANTA ANA, Calif., Jan. 11, 2017 /PRNewswire/ -- Kush Bottles, Inc. (OTCQB: KSHB), a provider of packaging, supplies, accessories and branding solutions for the regulated cannabis industry, reported financial results for its first fiscal quarter ended November 30, 2016.

First Quarter Fiscal 2017 Financial Highlights vs. First Quarter Fiscal 2016

- Revenue up 44% to \$2.47 million
- Gross margin up 50 basis points to 33.8%
- Net loss, including \$0.12 million in non-cash stock compensation, \$30,000 in depreciation and \$24,000 for a non-recurring expense, was \$(0.16) million compared to net income of \$5,000
- Record cash balance of \$2.0 million compared to \$0.30 million
- Working capital up significantly to a record \$3.38 million compared to \$0.26 million

Executive Commentary

"Our first fiscal quarter began on a strong note, with record revenue and the strongest cash and working capital positions in our company's history," said Nick Kovacevich, co-founder and CEO of Kush Bottles. "This was driven by continued growth in California and Washington. More specifically, our customer base, average order size and number of orders continue to climb, and our e-commerce revenues also continue to increase. Our custom branded packaging revenues increased nearly three times from last year and our SKU count grew by 73%.

"During the quarter, we implemented a new cloud-based accounting, CRM and ERP system which we expect will improve our ability to scale. Our new larger facility in Washington has helped to accommodate continued growth, and we also expanded our sales force to penetrate the new states that legalized cannabis in the November 2016 election.

"As we look towards the remainder of 2017, we believe we are well-positioned to capitalize on the growth opportunities which exist in the developing, regulated cannabis industry. We have increased our customer base, which exceeds 3,000 producers, processors and retailers, and we've created one of the largest product libraries in the industry, with distribution spanning across 28 states and Canada. Also, we have doubled our revenue

for two consecutive years, and we believe we remain in the early stages of our growth."

First Quarter Fiscal 2017 Financial Results

Total revenue in the first fiscal quarter of 2017 increased 44% to \$2.47 million compared to \$1.72 million in the first fiscal quarter of 2016. The increase was primarily attributed to growth in the number of customers, average order size and order volume in the Company's largest markets, as well as continued growth in other states with emerging legalized cannabis programs.

Gross margin in the first fiscal quarter of 2017 increased 50 basis points to 33.8% compared to 33.3% in the first fiscal quarter of 2016.

Operating expenses in the first fiscal quarter of 2017 increased to \$0.97 million compared to \$0.56 million in the first fiscal quarter of 2016. This was primarily due to a \$0.12 million increase in non-cash stock compensation expense and a \$0.15 million increase in payroll and related expenses due to an expansion of the Company's sales force and operational personnel.

Net loss in the first fiscal quarter of 2017 was \$(0.16) million or \$(0.00) per share, compared to net income of \$5,000 or \$0.00 per share in the first fiscal quarter of 2016. Net loss in the first fiscal quarter of 2017 included \$0.12 million in non-cash stock compensation, \$30,000 in depreciation and \$24,000 for a non-recurring expense. Excluding these charges, net income would have been approximately \$7,000 or \$0.00 per share.

At November 30, 2016, cash increased significantly to \$2.00 million compared to \$0.30 million as of November 30, 2015. Total debt was reduced to \$55,000 compared to \$0.20 million in the first fiscal quarter of 2016.

Working capital was up significantly to \$3.38 million as of November 30, 2016 compared to \$0.26 million as of November 30, 2015, primarily driven by the increase in cash.

About Kush Bottles

Kush Bottles, Inc. (OTCQB: KSHB) provides packaging products and solutions to producers, processors and retailers operating in the regulated medical and recreational cannabis industry. Founded in 2010, Kush Bottles has sold more than 100 million bottles and regularly services more than 3,000 customers across the United States and Canada. The company primarily services the business-to-business market, which includes legally operated medical and adult-use dispensaries, growers and marijuana-infused product (MIP) manufacturers. Kush Bottles aims to be the gold standard for responsible branding and packaging in the cannabis industry.

Kush Bottles has no direct involvement with cannabis plants or extracts.

The company has been featured in media nationwide, including [CNBC](#), [Los Angeles Times](#), [TheStreet.com](#), [Entrepreneur](#), and [Inc. Magazine](#). For more information, visit www.kushbottles.com or call (888)-920-5874.

Connect

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Forward Looking Statement

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: "potential," "look forward," "believe," "dedicated," "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 (SEC), available at: www.sec.gov, and on our website, at: www.kushbottles.com.

Company Contact

Ryan Selewicz
Director of Marketing
714-243-4017
ryan@kushbottles.com

Investor Relations

Liolios
Cody Slach or Sean Mansouri
949-574-3860
ir@kushbottles.com

KUSH BOTTLES, INC
Condensed Consolidated Balance Sheets
(Unaudited)

	November 30, 2016	August 31, 2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,000,439	\$ 1,027,003
Accounts receivable, net of allowance	266,018	199,844
Prepaid expenses and other current assets	882,227	596,456
Inventory	1,236,720	1,142,458

Total Current Assets	4,385,404	2,965,761
Goodwill	2,376,589	2,376,589
Deposits	12,220	12,220
Property and equipment, net	593,234	273,597
TOTAL ASSETS	\$ 7,367,447	\$ 5,628,167
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 546,332	\$ 369,636
Accrued expenses and other current liabilities	437,750	549,101
Notes payable - current portion	20,637	20,247
Total Current Liabilities	1,004,719	938,984
LONG-TERM DEBT		
Notes payable	33,950	39,307
TOTAL LIABILITIES	1,038,669	978,291
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, 49,391,896 and 48,300,162 shares issued and outstanding, respectively	49,390	48,300
Additional paid-in capital	7,118,054	5,278,284
Accumulated deficit	(838,666)	(676,708)
Total Stockholders' Equity	6,328,778	4,649,876
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 7,367,447	\$ 5,628,167

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

For the Three Months Ended
November 30,

	<u>2016</u>	<u>2015</u>
REVENUE	\$ 2,472,295	\$ 1,720,581
COST OF GOODS SOLD	<u>1,637,652</u>	<u>1,148,209</u>
GROSS PROFIT	<u>834,643</u>	<u>572,372</u>
OPERATING EXPENSES		
Depreciation	9,304	5,890
Stock compensation expense	115,244	-
Selling, general and administrative	<u>847,076</u>	<u>559,283</u>
Total Operating Expenses	<u>971,624</u>	<u>565,173</u>
INCOME (LOSS) FROM OPERATIONS	<u>(136,981)</u>	<u>7,199</u>
OTHER INCOME (EXPENSES)		
Other income (expense)	(23,944)	19
Interest expense, net	<u>(1,033)</u>	<u>(2,298)</u>
Total Other Income (Expenses)	<u>(24,977)</u>	<u>(2,279)</u>
INCOME (LOSS) BEFORE INCOME TAXES	(161,958)	4,920
PROVISION FOR INCOME TAXES	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ (161,958)</u>	<u>\$ 4,920</u>
BASIC INCOME (LOSS) PER SHARE	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
DILUTED INCOME (LOSS) PER SHARE	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	<u>48,713,496</u>	<u>46,132,779</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	<u>50,511,299</u>	<u>47,054,237</u>

KUSH BOTTLES, INC

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Three Months Ended	
	November 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (161,958)	\$ 4,920
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	29,735	19,788
Stock compensation expense	115,244	-
Changes in operating assets and liabilities		
Accounts receivable	(66,174)	(12,100)
Prepays	(366,550)	8,320
Inventory	(94,262)	(257,281)
Accounts payable	176,696	328,410
Accrued expenses and other current liabilities	(111,351)	26,736
Net cash provided by (used in) operating activities	(478,620)	118,793
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(164,976)	(47,282)
Net cash used in investing activities	(164,976)	(47,282)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of related party loan	-	(33,332)
Repayment of notes payable	(4,967)	(12,442)
Proceeds from sale of stock	1,621,999	71,000
Net cash provided by financing activities	1,617,032	25,226
NET INCREASE IN CASH	973,436	96,737
CASH AT BEGINNING OF PERIOD	1,027,003	201,259
CASH AT END OF PERIOD	\$ 2,000,439	\$ 297,996
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
CASH PAID FOR:		
Interest	\$ 1,033	\$ 2,298

Income taxes	<u>\$ -</u>	<u>\$ -</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Prepaid services paid in stock	<u>\$ 103,617</u>	<u>\$ -</u>

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SOURCE Kush Bottles, Inc.