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GrowGeneration Reports Record Q1 2019 Revenues and Net Income

Increases Guidance to \$60M-\$65M and \$.14-\$.18 Adjusted EBITDA

DENVER, May 7, 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 quarter ended March 31, 2019.



Q1 2019 Financial Highlights:

- Adjusted EBITDA of \$615,509 for Q1 2019 compared to adjusted EBITDA of \$(366,945) for Q1 2018.
- Net income of \$229,421 for Q1 2019 compared to a net loss of \$(953,430) for Q1 2018.
- Revenue of \$13.1 million up \$8.7 million or 199% over Q1 2018 revenues of \$4.4 million.
- Same store sales were up 42% for Q1 2019 compared to Q1 2018.
- Acquired stores in Denver, CO, Palm Springs, CA and Reno, NV, and opened Tulsa, OK and Brewer, ME locations in 2019.
- Gross profit margin percentage was 28.2% for Q1 2019 compared to 27.1% for Q1 2018.
- Store operating costs, as a percentage of revenue, have declined 26% from 20.4% for Q1 2018 to 15% for Q1 2019.
- Corporate overhead declined 107%, from 21.8% of revenues for Q1 2018 to 10.5% of revenue for Q1 2019.
- The Company had \$6.6 million in cash and cash equivalents at March 31, 2019.
- As of March 31, 2019, the Company had working capital of \$17.4 million compared to working capital of \$21.6 million at December 31, 2018.

Darren Lampert, Co-Founder and CEO said, "the Company's first quarter financial results were transformational. We improved the financial performance of the Company in all areas. Revenue was up almost 200% year over year, and almost 50% 4th quarter 2018 over 1st quarter 2019. Adjusted EBITDA was over \$600,000, with adjusted EPS at a positive \$.02.

Our same store sales were up over 42% year over year, with margins increasing over 1 basis point. With our significant top and bottom-line growth, we were able to reduce our operating expenses by 26% and our corporate overhead by over 100 % as a percentage of our revenue. With Q2 being our traditional strongest quarter, revenue and net income are trending significantly higher than our Q1 numbers. The newly acquired stores and our new store openings are all performing better than expected. We have a strong pipeline of new acquisition targets set to close in Q2. The Company continues the process of up-listing the Company to a larger exchange. We are increasing our guidance for 2019 revenue to \$60M-65M and adjusted EBITDA to \$.14-\$.18 per share for 2019."

Summary of Q1 2019 results:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	\$ Variance	% Variance
Net revenue	\$ 13,087,222	\$ 4,381,018	\$ 8,706,204	199%
Cost of goods sold	9,400,591	3,191,402	(6,209,189)	195%
Gross profit	3,686,631	1,189,616	2,497,015	210%
Operating expenses	3,337,120	1,849,580	(1,487,540)	80%
Operating income (loss)	349,511	(659,964)	1,009,475	
Other income (expense)	(120,090)	(293,466)	173,376	
Net income (loss)	\$ 229,421	\$ (953,430)	\$ 1,182,851	
Adjusted EBITDA	\$ 615,509	\$ (366,945)		

Net revenue for the three months ended March 31, 2019 increased approximately \$8.7 million, or 199%, to approximately \$13.1 million, compared to approximately \$4.4 million for the three months ended March 31, 2018. The increase in revenues in 2019 was primarily due to the addition of 14 new stores opened or acquired after January 1, 2018, and the new e-commerce site acquired in mid-September 2018. The 14 new stores and the new e-commerce web site contributed \$9.9 million in revenue for the quarter ended March 31, 2019. Four new stores which we opened at various times during the quarter ended March 31, 2018 contributed sales of \$1.7 million during that quarter.

Cost of goods sold for the three months ended March 31, 2019 increased approximately \$6.2 million, or 195%, to approximately \$9.4 million, as compared to approximately \$3.2 million for the three months ended March 31, 2018. The increase in cost of goods sold was primarily due to the 199% increase in sales comparing the three months ended March 31, 2019 to the three months ended March 31, 2018. Gross profit was approximately \$3.7 million for the three months ended March 31, 2019, compared to approximately \$1.2 million for the three months ended March 31, 2018, an increase of approximately \$2.5 million or 210%. Gross profit as a percentage of sales was 28.2% for the three months ended March 31, 2019, compared to 27.1% for the three months ended March 31, 2018.

Store operating costs as a percentage of sales were 15% for the three months ended March 31, 2019, compared to 20.4% for the three months ended March 31, 2018. Store operating costs were positively impacted by the acquisitions of new stores in 2018 and 2019 which have a lower percentage of operating costs to revenues due to their larger size and higher volume.

Corporate overhead was 10.5% of revenue for the three months ended March 31, 2019 and 21.8% for the three months ended March 31, 2018, representing a reduction as a percentage of revenue of 107%.

Corporate overhead, excluding non-cash depreciation, amortization and share based compensation, declined from 15.9% of revenues for Q1 2018 to 8.8% of revenues for Q1 2019.

The Company currently continues to focus on eight (8) markets and the new e-commerce site noted below, and growth opportunities exist in each market. We continue to focus on new store acquisitions, proprietary products and the continued development of our online and Amazon sales.

	Sales by Market		
	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Variance
Colorado	\$ 3,338,273	\$ 1,376,847	\$ 1,961,426
California	3,159,444	1,001,724	2,157,720
Rhode Island	1,497,982	962,766	535,216
Michigan	1,542,851	-	1,542,851
Nevada	867,647	413,904	453,743
Washington	327,297	164,504	162,793
Oklahoma	1,552,749	-	1,552,749
Maine	54,065	-	54,065
E-commerce	681,299	-	681,299
Closed/consolidated locations	65,615	461,273	(395,658)
Total revenues	<u>\$ 13,087,222</u>	<u>\$ 4,381,018</u>	<u>\$ 8,706,204</u>

Balance Sheet Summary

As of March 31, 2019, we had working capital of approximately \$17.4 million, compared to working capital of approximately \$21.6 million as of December 31, 2018, a decrease of approximately \$4.2 million. The decrease in working capital from December 31, 2018 to March 31, 2019 was due primarily to 1) the use of cash for the acquisition of three new stores during the quarter ended March 31, 2019 and 2) the application of a new accounting standard related to operating leases which resulted in \$1.2 million in current liabilities. At March 31, 2019, we had cash and cash equivalents of approximately \$6.6 million. As of the date hereof, 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):

	Three Months Ended	
	March 31, 2019	March 31, 2018
Net income (loss)	\$ 229,421	\$ (953,430)
Interest	6,961	8,018
Depreciation and Amortization	146,624	45,012
EBITDA	383,006	(900,400)
Non-cash operating lease expense	27,279	-
Share based compensation (option compensation, warrant compensation, stock issued for services)	80,278	216,200
Amortization of debt discount	124,946	317,255
Adjusted EBITDA	<u>\$ 615,509</u>	<u>\$ (366,945)</u>

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 locations 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.

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GROWGENERATION CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	(Unaudited)	
<u>ASSETS</u>		
Current assets:		
Cash	\$ 6,560,853	14,639,981
Accounts receivable, net of allowance for doubtful accounts of \$133,288 at March 31, 2019 and December 31, 2018	1,077,706	862,397
Inventory	15,064,585	8,869,469
Prepaid expenses and other current assets	916,492	606,037
Total current assets	<u>23,619,636</u>	<u>24,977,884</u>
Property and equipment, net	2,254,345	1,820,821
Operating leases right-of-use assets	4,628,017	-
Intangible assets, net	219,655	114,155
Goodwill	12,419,235	8,752,909
Other assets	564,902	227,205
TOTAL ASSETS	<u>\$ 43,705,790</u>	<u>35,892,974</u>
<u>LIABILITIES & STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 3,028,954	1,819,411
Other accrued liabilities	36,352	40,151
Payroll and payroll tax liabilities	515,278	410,345
Customer deposits	697,582	516,038
Sales tax payable	304,709	191,958
Current maturities of operating leases right-of-use assets	1,210,098	-
Current maturities of long-term debt	436,813	436,813
Total current liabilities	<u>6,229,786</u>	<u>3,414,716</u>
Long-term convertible debt, net of debt discount and debt issuance costs	2,169,058	2,044,113
Operating leases right-of-use assets, net of current maturities	3,445,216	-
Long-term debt, net of current maturities	276,066	375,626
Total liabilities	<u>12,120,126</u>	<u>5,834,455</u>
Commitments and contingencies		
Stockholders' Equity:		
Common stock; \$.001 par value; 100,000,000 shares authorized; 28,844,552 and 27,948,609 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	28,845	27,949
Additional paid-in capital	40,093,390	38,796,562
Accumulated deficit	(8,536,571)	(8,765,992)
Total stockholders' equity	<u>31,585,664</u>	<u>30,058,519</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 43,705,790</u>	<u>35,892,974</u>

GROWGENERATION CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

	For the Three Months Ended March 31,	
	2019	2018
Sales	\$ 13,087,222	\$ 4,381,018
Cost of sales	9,400,591	3,191,402
Gross profit	<u>3,686,631</u>	<u>1,189,616</u>
Operating expenses:		
Store operations	1,957,790	892,858
General and administrative	493,096	363,778
Share based compensation	80,278	216,200
Depreciation and amortization	146,624	45,012
Salaries and related expenses	659,332	331,732
Total operating expenses	<u>3,337,120</u>	<u>1,849,580</u>
Net income (loss) from operations	349,511	(659,964)
Other income (expense):		
Other income	-	31,807
Other expense	(7,286)	-
Interest income	18,833	-
Interest expense	(6,691)	(8,018)
Amortization of debt discount	(124,946)	(317,255)
Total non-operating income (expense), net	<u>(120,090)</u>	<u>(293,466)</u>
Net income (loss)	<u>\$ 229,421</u>	<u>\$ (953,430)</u>
Net income (loss) per shares, basic	<u>\$.01</u>	<u>\$ (.05)</u>
Net income (loss) per shares, diluted	<u>.01</u>	<u>\$ (.05)</u>
Weighted average shares outstanding, basic	28,844,552	18,419,519
Weighted average shares outstanding, diluted	<u>34,263,302</u>	<u>18,419,519</u>

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