U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For Quarter Ended: **March 31, 2025**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: **333-207889**

GROWGENERATION CORP.

(Exact name of registrant as specified in its charter)

Colorado	**46-5008129**
(State or other jurisdiction of incorporation)	(IRS Employer ID No.)

5619 DTC Parkway, Suite 900
Greenwood Village, Colorado 80111
(Address of principal executive offices)

(800) 935-8420
(Issuer's Telephone Number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, par value $0.001 per share	GRWG	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Smaller reporting company	☒
Non-accelerated filer	☐	Emerging growth company	☐
Accelerated filer	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☒

As of May 5, 2025 there were 59,495,766 shares of the registrant's common stock issued and outstanding.

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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

GROWGENERATION CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except shares)

	March 31, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,742	$ 27,471
Marketable securities	19,836	28,984
Accounts receivable, net of allowance for credit losses of $2,146 and $2,177 at March 31, 2025 and December 31, 2024, respectively	6,936	7,361
Notes receivable, current, net of allowance for credit losses of $— and $— at March 31, 2025 and December 31, 2024, respectively	1,056	1,056
Inventory	42,129	40,295
Prepaid income taxes	177	145
Prepaid and other current assets	6,285	7,896
Total current assets	109,161	113,208
Property and equipment, net	13,014	15,493
Operating leases right-of-use assets, net	32,431	34,453
Intangible assets, net	7,241	8,779
Goodwill	1,605	1,605
Other assets	780	814
TOTAL ASSETS	$ 164,232	$ 174,352
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,959	$ 8,146
Accrued liabilities	2,149	2,358
Payroll and payroll tax liabilities	2,021	2,655
Customer deposits	2,350	2,404
Sales tax payable	1,409	1,313
Current maturities of operating lease liabilities	7,024	7,398
Total current liabilities	24,912	24,274
Operating lease liabilities, net of current maturities	27,809	29,633
Other long-term liabilities	352	352
Total liabilities	53,073	54,259
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock; $0.001 par value; 100,000,000 shares authorized, 59,487,477 and 59,402,628 shares issued and outstanding as of March 31, 2025 and December 31, 2024, respectively	59	59
Additional paid-in capital	376,120	375,677
Accumulated deficit	(265,020)	(255,643)
Total stockholders' equity	111,159	120,093
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 164,232	$ 174,352

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

GROWGENERATION CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share amounts)

	Three Months Ended March 31,	
	2025	**2024**
Net sales	$ 35,703	$ 47,888
Cost of sales (exclusive of depreciation and amortization shown below)	25,996	35,524
Gross profit	9,707	12,364
Operating expenses:		
Store operations and other operational expenses	8,792	10,634
Selling, general, and administrative	7,112	7,908
Estimated credit losses (recoveries)	92	(488)
Depreciation and amortization	3,585	3,742
Total operating expenses	19,581	21,796
Loss from operations	(9,874)	(9,432)
Other income (expense):		
Other income	—	47
Interest income	497	602
Interest expense	—	(56)
Total other income	497	593
Net loss before taxes	(9,377)	(8,839)
(Provision) benefit for income taxes	—	2
Net loss	$ (9,377)	$ (8,837)
Net loss per share, basic	$ (0.16)	$ (0.14)
Net loss per share, diluted	$ (0.16)	$ (0.14)
Weighted average shares outstanding, basic	59,441	61,499
Weighted average shares outstanding, diluted	59,441	61,499

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

GROWGENERATION CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2024	59,403	$ 59	$ 375,677	$ (255,643)	$ 120,093
Common stock issued for share-based compensation	84	—	—	—	—
Common stock withheld for employee payroll taxes	—	—	(60)	—	(60)
Share-based compensation	—	—	503	—	503
Net loss	—	—	—	(9,377)	(9,377)
Balance as of March 31, 2025	59,487	$ 59	$ 376,120	$ (265,020)	$ 111,159

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2023	61,484	$ 61	$ 373,433	$ (200,099)	$ 173,395
Common stock issued for share-based compensation	23	1	—	—	1
Common stock withheld for employee payroll taxes	—	—	(29)	—	(29)
Share-based compensation	—	—	778	—	778
Net loss	—	—	—	(8,837)	(8,837)
Balance as of March 31, 2024	61,507	$ 62	$ 374,182	$ (208,936)	$ 165,308

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

GROWGENERATION CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Cash flows from operating activities:		
Net loss	$ (9,377)	$ (8,837)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,585	3,742
Share-based compensation	503	778
Estimated credit losses (recoveries)	92	(488)
Loss on asset disposition	658	33
Change in value of marketable securities	(234)	(390)
Changes in operating assets and liabilities:		
Accounts and notes receivable	333	1,581
Inventory	(1,834)	(1,123)
Prepaid expenses and other assets	1,613	2,170
Accounts payable and accrued liabilities	1,600	295
Operating leases	(176)	80
Payroll and payroll tax liabilities	(634)	(72)
Customer deposits	(54)	(1,479)
Sales tax payable	96	64
Net cash and cash equivalents used in operating activities	(3,829)	(3,646)
Cash flows from investing activities:		
Purchase of marketable securities	(7,186)	(21,143)
Maturities of marketable securities	16,568	26,465
Purchase of property and equipment	(237)	(355)
Proceeds from disposals of assets	15	—
Net cash and cash equivalents provided by investing activities	9,160	4,967
Cash flows from financing activities:		
Common stock withheld for employee payroll taxes	(60)	(28)
Net cash and cash equivalents used in financing activities	(60)	(28)
Net increase in cash and cash equivalents	5,271	1,293
Cash and cash equivalents at the beginning of period	27,471	29,757
Cash and cash equivalents at the end of period	$ 32,742	$ 31,050
Supplemental cash flow disclosures and non-cash investing and financing transactions:		
Cash paid for interest	$ —	$ 56
Cash paid for income taxes	$ 46	$ —
Right-of use assets obtained in exchange for new or modified operating lease liabilities	$ —	$ 2,869

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

1. GENERAL

GrowGeneration Corp. (together with its direct and indirect wholly-owned subsidiaries, collectively "GrowGeneration" or the "Company") was incorporated in Colorado in 2014. Since then, GrowGeneration has grown from a small chain of specialty retail hydroponic and organic garden centers to a multifaceted business with diverse assets. Today, GrowGeneration operates two major lines of business: its Cultivation and Gardening segment, composed of the Company's hydroponic and organic gardening business; and its Storage Solutions segment, composed of the Company's benching, racking, and storage solutions business.

As of March 31, 2025, GrowGeneration has31 retail locations across 12 states in the U.S. The Company also operates an online superstore at growgeneration.com, as well as a wholesale distribution business for resellers, and a benching, racking, and storage solutions business, Mobile Media or MMI.

Basis of Presentation

The accompanying interim unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. These statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 ("2024 Form 10-K"). There were no significant changes to the Company's significant accounting policies as disclosed in the 2024 Form 10-K. The results reported in these unaudited Condensed Consolidated Financial Statements are not necessarily indicative of results for the full fiscal year.

All amounts included in the accompanying notes to the Condensed Consolidated Financial Statements, except per share data, are in thousands (000).

Reclassifications

Certain amounts in the prior period Condensed Consolidated Financial Statements have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported net loss within the Condensed Consolidated Statements of Operations.

Use of Estimates

The preparation of the Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

2. RECENT ACCOUNTING PRONOUNCEMENTS

From time to time, the Financial Accounting Standard Board ("FASB") or other standard setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification are communicated through the issuance of an Accounting Standards Update ("ASU"). The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. In addition to the accounting pronouncements discussed below, no other new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material effect on the Company's Condensed Consolidated Financial Statements or disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU No. 2023-09,*Income Taxes (Topic 740) - Improvements to income tax disclosures* ("ASU 2023-09"), expanding the disclosures requirement for income taxes primarily by requiring more detailed disclosure for income taxes paid and the effective tax rate reconciliation. ASU 2023-09 is effective for annual periods beginning after

December 15, 2024. Early adoption is permitted, and adoption of ASU 2023-09 can be applied prospectively or retrospectively. The Company is currently evaluating the impact of this standard.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)* ("ASU 2024-03"), which requires disclosure on an annual and interim basis of disaggregated information about certain income statement expense line items in the notes to the financial statements. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027. Early adoption is permitted, and adoption of ASU 2024-03 can be applied prospectively or retrospectively. The Company is currently evaluating the impact of this standard.

3. FAIR VALUE MEASUREMENTS

<u>Fair Value Measurements</u>

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies, and similar techniques.

To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement. Accordingly, the degree of judgement exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and all other current liabilities approximate fair values due to their short-term nature. The fair value of notes receivable approximates the outstanding balance net of reserves for expected credit loss. The marketable securities are classified as available-for-sale and are carried at fair value based on quoted market prices. Changes in fair value of marketable securities, principally derived from accretion of discounts, were $0.2 million and $0.4 million for the three months ended March 31, 2025 and 2024, respectively. Changes in fair value of marketable securities are included in Interest income on the Condensed Consolidated Statements of Operations.

	Level	March 31, 2025	December 31, 2024
Cash equivalents	1	$ 26,587	$ 16,945
Marketable securities	2	$ 19,836	$ 28,984

4. REVENUE RECOGNITION

<u>Disaggregation of Revenues</u>

Net sales are disaggregated by the Company's segments, which represent its principal lines of business, as well as by major product line, including proprietary brands, non-proprietary brands, and commercial fixtures, and by product type, including consumable and durable products. Refer to Note 13, Segments, for disaggregated revenue disclosures.

Contract Assets and Liabilities

Depending on the timing of when title of product transfers to a customer and when a customer makes payments for such product, the Company recognizes an accounts receivable (contract asset) or a customer deposit (contract liability). The opening and closing balances of the Company's accounts receivables and customer deposits were as follows:

	Accounts Receivable, Net	Customer Deposits
Balance as of January 1, 2025	$ 7,361	$ 2,404
Balance as of March 31, 2025	6,936	2,350
Decrease	$ (425)	$ (54)
Balance as of January 1, 2024	$ 8,895	$ 5,359
Balance as of March 31, 2024	7,832	3,880
Decrease	$ (1,063)	$ (1,479)

Of the total amount of customer deposits as of January 1, 2025, $1.1 million was reported as revenue during the three months ended March 31, 2025. Of the total amount of customer deposits as of January 1, 2024, $2.9 million was reported as revenue during the three months ended March 31, 2024.

Notes receivable at March 31, 2025 and December 31, 2024 were as follows:

	March 31, 2025	December 31, 2024
Notes receivable	$ 1,056	$ 1,056
Allowance for credit losses	—	—
Notes receivable, net	$ 1,056	$ 1,056

During the three months ended March 31, 2024, the Company received a $0.3 million settlement related to a $1.5 million note receivable, which had been fully reserved as of December 31, 2023. Refer to Note 12, Commitments and Contingencies, for additional information regarding the settlement.

5. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2025 and December 31, 2024 consisted of the following:

	March 31, 2025	December 31, 2024
Vehicles	$ 2,507	$ 2,553
Building and land	2,121	2,121
Leasehold improvements	10,374	12,086
Furniture, fixtures and equipment	12,995	13,051
Capitalized software	9,075	16,446
Construction-in-progress	29	49
Total property and equipment, gross	37,101	46,306
Accumulated depreciation and amortization	(24,087)	(30,813)
Property and equipment, net	$ 13,014	$ 15,493

Depreciation and amortization expense related to property and equipment was $2.0 million and $2.1 million for the three months ended March 31, 2025 and 2024, respectively. In conjunction with the Company's restructuring activities as discussed in Note 14, Restructuring, the Company reassessed and shortened the estimated useful life of certain capitalized software assets, which resulted in a $0.6 million increase to depreciation and amortization expense related to property and equipment in the three months ended March 31, 2025. These capitalized software assets became fully amortized and were retired during the three months ended March 31, 2025. Refer to Note 14, Restructuring, for additional information on the restructuring activities.

6. GOODWILL AND INTANGIBLE ASSETS

The carrying value of goodwill by segment was as follows:

	Cultivation and Gardening	Storage Solutions	Total
Balance as of December 31, 2024	$ —	$ 1,605	$ 1,605
Balance as of March 31, 2025	$ —	$ 1,605	$ 1,605

Accumulated impairment for goodwill related entirely to the Cultivation and Gardening segment and totaled $131.9 million as of March 31, 2025 and December 31, 2024.

The changes in intangible assets by segment for the three months ended March 31, 2025 were as follows:

	Cultivation and Gardening	Storage Solutions	Total
Balance as of December 31, 2024	$ 6,881	$ 1,898	$ 8,779
Amortization	(1,363)	(175)	(1,538)
Balance as of March 31, 2025	$ 5,518	$ 1,723	$ 7,241

Intangible assets on the Condensed Consolidated Balance Sheets consisted of the following:

	March 31, 2025			December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade names	$ 27,790	$ (23,187)	$ 4,603	$ 27,790	$ (21,908)	$ 5,882
Patents, trademarks	69	(69)	—	69	(69)	—
Customer relationships	12,869	(10,233)	2,636	12,869	(9,974)	2,895
Non-competes	860	(858)	2	860	(858)	2
Intellectual property	1,136	(1,136)	—	1,136	(1,136)	—
Total	$ 42,724	$ (35,483)	$ 7,241	$ 42,724	$ (33,945)	$ 8,779

Amortization expense was $1.5 million and $1.7 million for the three months ended March 31, 2025 and 2024, respectively.

Future amortization expense as of March 31, 2025 was as follows:

2025 (remainder of the year)	$ 4,354
2026	2,015
2027	765
2028	82
2029	25
Total	$ 7,241

7. INCOME TAXES

For the three months ended March 31, 2025 and 2024, the effective tax rate was0.0%. The effective tax rate for each of the three months ended March 31, 2025 and 2024 was lower than the U.S. federal statutory rate of 21.0% primarily due to the Company's valuation allowance against deferred tax assets. As of March 31, 2025, the Company concluded that its deferred tax assets are not expected to be realizable, based on positive and negative evidence, therefore it has assigned a full valuation allowance against them.

8. LEASES

The right-of-use assets and corresponding liabilities related to the Company's operating leases were as follows:

	March 31, 2025	December 31, 2024
Operating leases right-of-use assets, net	$ 32,431	$ 34,453
Current maturities of operating lease liability	$ 7,024	$ 7,398
Operating lease liability, net of current maturities	27,809	29,633
Total lease liability	$ 34,833	$ 37,031

The weighted-average remaining lease terms and weighted-average discount rates for operating leases were as follows:

	March 31,	
	2025	2024
Weighted average remaining lease term	5.4 years	6.0 years
Weighted average discount rate	6.2 %	6.2 %

The components of lease costs were as follows:

	Three Months Ended March 31,	
	2025	2024
Operating lease costs	$ 2,292	$ 2,563
Variable lease costs	153	664
Short-term lease costs	88	85
Sublease income	(380)	(272)
Total operating lease costs	$ 2,153	$ 3,040

Future maturities of the Company's operating lease liabilities and receipts from subleases as of March 31, 2025 were as follows:

	Lease Payments	Sublease Receipts
2025 (remainder of the year)	$ 6,780	$ (895)
2026	8,091	(1,222)
2027	6,455	(1,257)
2028	6,022	(1,294)
2029	5,425	(1,332)
Thereafter	8,170	(1,470)
Total lease payments (receipts)	40,943	(7,470)
Less: imputed interest	(6,110)	
Operating lease liability as of March 31, 2025	$ 34,833	

Supplemental and other information related to leases was as follows:

	Three Months Ended March 31,	
	2025	**2024**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	$ 2,358	$ 2,580

9. EARNINGS PER SHARE

The following table sets forth the composition of the weighted average shares (denominator) used in the basic and dilutive loss per share computation for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,	
	2025	**2024**
Net loss	$ (9,377)	$ (8,837)
Weighted average shares outstanding, basic	59,441	61,499
Effect of dilutive outstanding restricted stock units and stock options	—	—
Adjusted weighted average shares outstanding, dilutive	59,441	61,499
Basic loss per share	$ (0.16)	$ (0.14)
Dilutive loss per share	$ (0.16)	$ (0.14)

Diluted loss per share calculations for the three months ended March 31, 2025 excluded1.4 million non-vested restricted stock units and17 thousand shares of common stock issuable upon exercise of stock options that would have been anti-dilutive. Diluted loss per share calculations for the three months ended March 31, 2024 excluded 0.9 million non-vested restricted stock units and 0.6 million shares of common stock issuable upon exercise of stock options that would have been anti-dilutive.

10. SHARE-BASED PAYMENTS

The Company maintains a long-term incentive plan, the Second Amended and Restated 2018 Equity Incentive Plan, for employees, non-employee members of its Board of Directors (the "Board"), and consultants. The plan allows the Company to grant equity-based compensation awards, including stock options, stock appreciation rights, performance share units, restricted stock units, restricted stock awards, common stock warrants, or a combination of awards (collectively, "share-based awards").

The Company accounts for share-based payments through the measurement and recognition of compensation expense for share-based awards made to employees, non-employee members of the Board, and consultants of the Company, including stock options and restricted stock units. The Company recorded share-based compensation expense of $0.5 million and $0.8 million in the three months ended March 31, 2025 and 2024, respectively.

Restricted Stock Units

The Company issues restricted stock units to eligible employees, which are subject to forfeiture until the end of an applicable vesting period. The awards generally vest annually or biannually over three to five years following the date of grant, subject to the employee's continuing employment as of that date. Restricted stock units are valued using the market value on the grant date.

Restricted stock unit activity for the three months ended March 31, 2025 is presented in the following table:

	Units	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2024	1,403	$ 2.57
Granted	244	$ 1.26
Vested	(131)	$ 3.14
Forfeited	(13)	$ 2.65
Nonvested as of March 31, 2025	1,503	$ 2.30

As of March 31, 2025, the Company had approximately $2.7 million of unrecognized share-based compensation related to restricted stock units, which is expected to be recognized over a weighted average period of approximately 2.5 years. During the three months ended March 31, 2024, no restricted stock units were granted.

Stock Options

Stock option activity for the three months ended March 31, 2025 is presented in the following table:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2024	16	$ 4.63	0.36	$ 2.56
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited or expired	—	—	—	—
Outstanding as of March 31, 2025	16	$ 4.63	0.11	$ 2.56
Vested and exercisable as of March 31, 2025	16	$ 4.63	0.11	$ 2.56

11. STOCKHOLDERS' EQUITY

On March 20, 2024, the Board authorized a share repurchase program, whereby the Company could repurchase up to $6.0 million worth of its common stock in open market transactions pursuant to Rule 10b-18 of the Exchange Act and a 10b5-1 trading plan. The program began on April 1, 2024. This share repurchase program was intended to enhance long-term shareholder value. The program did not obligate the Company to acquire any specific number of shares or to acquire any shares over any specific period of time. The timing and amount of any repurchases was dependent upon factors such as the stock price, trading volumes, market conditions, and regulatory requirements. The stock repurchase program could be amended, suspended, or discontinued at any time by the Company.

As of December 31, 2024, the Company completed all purchases available under the stock repurchase program. The Company retired all shares of treasury stock acquired under the share repurchase program during the year ended December 31, 2024. The shares were returned to the status of authorized but unissued shares.

12. COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time, the Company has been, and may again become involved in legal proceedings arising in the ordinary course of its business, including the initiation and defense of proceedings related to contract and employment disputes. It is the Company's opinion that these claims individually and in the aggregate are not expected to have a material adverse effect on its financial condition, results of operations or cash flows.

In December 2021, the Company was sued in the U.S. District Court for the Southern District of Texas related to a Promissory Note & Asset Acquisition Rights Option ("Note & Option") with TGC Systems, LLC ("Total Grow"). The case was dismissed and the parties submitted the matter to arbitration pursuant to the arbitration clause of the Note & Option. Among other claims, Total Grow alleged that the Company was liable to Total Grow for failing to consummate the acquisition of Total Grow by the Company. The Company asserted counterclaims for repayment of $1.5 million in principal loaned by the Company to Total Grow pursuant to the Note & Option, plus interest and certain costs. In July 2023, the arbitrator rendered an arbitration award denying all of Total Grow's claims and defenses and awarding the Company more than $2.0 million in total, consisting of principal, interest, and certain costs. Total Grow voluntarily filed for bankruptcy in October 2023. In February 2024, the Company received $0.3 million from the bankruptcy proceedings, which it recorded as a recovery on the $1.5 million Note & Option. The remainder of the Note & Option, which were fully reserved, were written off during the three months ended March 31, 2024.

There can be no assurance that future developments related to pending claims or claims filed in the future, whether as a result of adverse outcomes or as a result of significant defense costs, will not have a material effect on the Company's financial condition, results of operations or cash flows. The Company believes that its assessment of contingencies is reasonable and that the related accruals, in the aggregate, are adequate; however, there can be no assurance that the final resolution of these matters will not have a material effect on the Company's financial condition, results of operations or cash flows.

Indemnifications

In the ordinary course of its business, the Company makes certain indemnities under which it may be required to make payments in relation to certain transactions. As of March 31, 2025, the Company did not have any liabilities associated with indemnities.

In addition, the Company, as permitted under Colorado law and in accordance with its amended and restated certificate of incorporation and amended and restated bylaws, in each case, as amended to date, indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company's request in such capacity. The duration of these indemnifications varies. The Company has a director and officer insurance policy that may enable it to recover a portion of any future amounts paid. The Company accrues for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable. No such losses have been recorded to date.

13. SEGMENTS

The Company has two operating segments, each its own reportable segment, based on its major lines of business: the Cultivation and Gardening segment, composed of the Company's hydroponic and organic gardening business; and the Storage Solutions segment, composed of the Company's benching, racking, and storage solutions business.

In addition to sales by operating segment, which represent the Company's principal lines of business, the chief operating decision maker ("CODM") evaluates the Company's operations by regularly reviewing sales by major product line, including proprietary brands, non-proprietary brands, and commercial fixtures, and by product type, including consumable and durable products. Profit measures are evaluated for each reportable segment based on income from operations with identifiable expenses allocated to each reporting unit from which the expense line item was derived.

The CODM compares actual results to prior year and current year budgeted income statements to identify areas for improvement and make capital allocation decisions. The CODM uses gross profit measures to evaluate pricing decisions and product mix, also reviewing proprietary brand versus non-proprietary brand sales to assess the Company’s progress with key performance initiatives. The Company's CODM is the chief executive officer.

Disaggregated revenue by segment is presented in the following tables:

Net sales	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Cultivation and Gardening		
Proprietary brand sales	$ 9,883	$ 9,726
Non-proprietary brand sales	21,028	33,382
Total Cultivation and Gardening	30,911	43,108
Storage Solutions		
Commercial fixture sales	4,792	4,780
Total Storage Solutions	4,792	4,780
Total	$ 35,703	$ 47,888

Net sales	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Cultivation and Gardening		
Consumables	$ 23,055	$ 30,181
Durables	7,856	12,927
Total Cultivation and Gardening	30,911	43,108
Storage Solutions		
Durables	4,792	4,780
Total Storage Solutions	4,792	4,780
Total	$ 35,703	$ 47,888

Selected information by segment is presented in the following tables for the three months ended:

	March 31, 2025			
	Cultivation & Gardening	Storage Solutions	Corporate	Total
Net sales	$ 30,911	$ 4,792	$ —	$ 35,703
Cost of sales	23,007	2,989	—	25,996
Gross profit	7,904	1,803	—	9,707
Operating expenses				
Store operations and other operational expenses:				
Employee costs	2,661	747	—	3,408
Facilities	2,756	394	—	3,150
External service providers	95	14	—	109
Other segment items [1]	1,857	268	—	2,125
Total store operations and other operational expenses	7,369	1,423	—	8,792
Other operating expenses				
Selling, general, and administrative	—	—	7,112	7,112
Estimated credit losses	—	—	92	92
Depreciation and amortization	—	—	3,585	3,585
Total operating expenses	7,369	1,423	10,789	19,581
Income (loss) from operations	535	380	(10,789)	(9,874)
Other income	—	—	497	497
Net income (loss) before taxes	$ 535	$ 380	$ (10,292)	$ (9,377)

[1] Other segment items for each reportable segment include travel expenses, transaction fees, and other miscellaneous expenses.

	March 31, 2024			
	Cultivation & Gardening	Storage Solutions	Corporate	Total
Net sales	$ 43,108	$ 4,780	$ —	$ 47,888
Cost of sales	32,783	2,741	—	35,524
Gross profit	10,325	2,039	—	12,364
Operating expenses				
Store operations and other operational expenses:				
Employee costs	3,654	771	—	4,425
Facilities	3,480	358	—	3,838
External service providers	529	11	—	540
Other segment items [1]	1,598	233	—	1,831
Total store operations and other operational expenses	9,261	1,373	—	10,634
Other operating expenses				
Selling, general, and administrative	—	—	7,908	7,908
Estimated credit recoveries	—	—	(488)	(488)
Depreciation and amortization	—	—	3,742	3,742
Total operating expenses	9,261	1,373	11,162	21,796
Income (loss) from operations	1,064	666	(11,162)	(9,432)
Other income	—	—	593	593
Net income (loss) before taxes	$ 1,064	$ 666	$ (10,569)	$ (8,839)

[1] Other segment items for each reportable segment include travel expenses, transaction fees, and other miscellaneous expenses.

The Company does not evaluate segments by assets or capital expenditures as it is not practical and does not inform any of its decision making processes. The CODM neither reviews nor requests this information.

14. RESTRUCTURING

On July 22, 2024, the Company announced a strategic restructuring plan focused on long-term profitability and advancing growth initiatives in key areas of its Cultivation and Gardening segment such as its proprietary brands, commercial sales, and e-commerce business. The restructuring plan primarily included reductions in cost structure by closing and consolidating 12 redundant or underperforming retail locations, workforce reductions, and other operational improvements in inventory management, sales and marketing, and administrative activities.

The Company's restructuring and restructuring-related charges consisted of inventory disposal costs, retail location closure costs including related contract termination costs and fixed asset disposals, employee termination benefits, asset impairments including the impairment of operating lease right-of-use assets, and other associated costs.

Since the restructuring activities were announced in July 2024, the Company incurred aggregate restructuring and restructuring-related costs of $3.5 million, of which $1.1 million were incurred during the three months ended March 31, 2025 and are presented on the Condensed Consolidated Statements of Operations as follows:

		Restructuring
Cultivation and Gardening segment:		
Store operations and other operational expenses [1]		765
Segment operating loss		(765)
Corporate expenses:		
Selling, general, and administrative [2]		376
Total restructuring and restructuring-related charges	$	(1,141)

[1] Costs consist primarily of fixed asset disposals and lease contract termination costs for previously closed retail locations
[2] Costs consist of corporate operational and administrative contract terminations

In conjunction with the Company's restructuring activities related to operational and administrative improvements, the Company reassessed and shortened the estimated useful life of certain capitalized software assets, which resulted in an $0.6 million increase to depreciation and amortization expense related to property and equipment in the three months ended March 31, 2025. These capitalized software assets became fully amortized and were retired during the three months ended March 31, 2025. Additionally, certain facilities costs or contract termination costs related to closed retail locations for which the Company is pursuing sublease arrangements or lease terminations may be paid over the remaining terms which extend through 2032.

The liabilities associated with restructuring costs are included in Accrued liabilities and Payroll and payroll tax liabilities on the Condensed Consolidated Balance Sheets. Activities related to liabilities incurred under the restructuring plan were as follows:

		Retail Location Closures		Termination Benefits		Total
Balance as of January 1, 2025	$	115	$	9	$	124
Additions		765		—		765
Payments and other adjustments		(880)		(9)		(889)
Balance as of March 31, 2025	$	—	$	—	$	—

Overall, the Company has incurred a total of approximately $3.5 million in restructuring and restructuring-related costs, including the $1.1 million incurred in the three months ended March 31, 2025. The Company has substantially completed its restructuring activities as of March 31, 2025 and does not expect to incur significant additional restructuring and restructuring-related costs in future periods.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Condensed Consolidated Financial Statements and related notes that appear elsewhere in this report as well as our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC on March 13, 2025. We caution readers that this Quarterly Report of GrowGeneration Corp. on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to risks and uncertainties. Forward-looking statements generally can be identified through the use of words such as "guidance," "outlook," "projected," "may," "likely," "anticipates," "believes," "expects," "estimates," "plans," "intends," "objectives," and similar expressions. These statements reflect management's best judgment based on factors known at the time of such statements. Actual events or results may differ materially from those discussed herein. The forward-looking statements contained in this report have been compiled by our management on the basis of assumptions made by management and considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements. The assumptions used for purposes of the forward-looking statements contained in this report represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. No assurance can be given that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements, except as required by federal securities laws. There may be additional risks, uncertainties, and other factors that we do not currently view as material or that are not necessarily known. Dollars in tabular format are presented in thousands unless otherwise indicated.

BUSINESS OVERVIEW AND RECENT DEVELOPMENTS

GrowGeneration Corp. (together with all of its direct and indirect wholly owned subsidiaries, collectively "GrowGeneration" or the "Company") was incorporated in Colorado in 2014. Since then, GrowGeneration has grown from a small chain of specialty retail hydroponic and organic garden centers to a multifaceted business with diverse assets. Today, GrowGeneration operates two major lines of business: our Cultivation and Gardening segment, composed of our hydroponic and organic gardening business; and our Storage Solutions segment, composed of our benching, racking, and storage solutions business.

The United States has recently announced changes to U.S. trade policy, including increasing tariffs on imports, in some cases significantly, and potentially negotiating or terminating existing trade agreements. For example, on April 2, 2025, the United States announced a new universal baseline tariff of 10%, plus an additional country-specific tariff for select trading partners, on all U.S. imports. These actions, and retaliatory tariffs imposed by other countries on U.S. exports, have led to significant volatility and uncertainty in global markets. Given the uncertainty regarding the scope and duration of current and potential tariffs, trade policies, and other non-tariff trade practices and policies, the specific impact on our business and results of operations is uncertain but could result in increased costs for our products. We are actively monitoring these developments and exploring strategies to mitigate these risks and potential negative effects on our business and results from operations, including negotiating with suppliers, adjusting our pricing strategies, moving our supply chain away from countries with higher tariffs in favor of other jurisdictions, and seeking tariff exemptions where possible.

MARKETS AND BUSINESS SEGMENTS

We have two operating segments, each its own reportable segment, based on our major lines of business: the Cultivation and Gardening segment and the Storage Solutions segment. We recognize specifically identifiable operating costs such as cost of sales, distribution expenses, and store operations and other operational expenses within each segment. Selling, general, and administrative expenses, such as administrative and management expenses, salaries, and benefits, share-based compensation, director fees, legal expenses, accounting and consulting expenses, and technology costs, are not allocated to specific segments and are reflected in the enterprise results.

Cultivation and Gardening Segment

We are a leading developer, marketer, retailer, and distributor of products for both indoor and outdoor hydroponic and organic gardening. Our main business strategy within the hydroponic and organic gardening sector has been to consolidate assets within the fragmented hydroponics industry to leverage efficiencies of a centralized organization.

We sell a variety of hydroponic and organic gardening related products, including nutrients, additives, growing media, lighting, environmental control systems, and other products for indoor and outdoor cultivation. Our products include proprietary brands such as Charcoir, Drip Hydro, Power Si, Ion lights, The Harvest Company, and more, the development and expansion of which are a key component of the Company's growth strategy. Our target customers include commercial and craft growers, as well as home growers, in the plant-based medicine market, and commercial and home gardeners who grow organic herbs, fruits, and vegetables. Additionally, through our wholesale division, we distribute many of our proprietary products to customers that are wholesalers, resellers, and retailers in the specialty retail hydroponic and organic gardening industry.

We make our products available to growers through a variety of channels, including our hydroponic retail locations, a commercial sales division that provides white glove service to commercial cultivators, a wholesale division that markets to resellers in both the hydroponic and traditional gardening markets, and an online platform at growgeneration.com, which includes a B2B customer portal for commercial and wholesale customers. Management believes that the Company has the largest chain of specialty retail hydroponic and organic garden centers in the U.S., with 31 retail locations across 12 states as of March 31, 2025. We continue to evaluate our retail geographic footprint for redundancies in our fixed cost structure and for opportunities to serve our customers through other retail locations and our online platforms.

Storage Solutions Segment

Our Storage Solutions business, branded as "Mobile Media" or "MMI," provides customized storage solutions designed to enhance profitability, productivity, and efficiency for our customers by allowing them to save space and increase storage capacity. We cater to diverse markets with our products and services, including agriculture, retail, warehousing, office and administrative, food service, hospitality, golf and country clubs, and more. Our products include high-density mobile storage systems, static shelving, and other accessories such as desks, lockers, safes, and secured storage, offering a solution for every storage need. MMI also offers a wide variety of services, including site surveys, floor plan designs, capacity analysis, seismic calculations, permitting, and installation, in order to provide a comprehensive, turnkey solution for customers. Based in the Hudson Valley, New York, the MMI team has decades of experience successfully completing projects throughout the U.S., Canada, and Mexico.

Our target customers generally include small, mid-size, and large businesses seeking vertical space-saving solutions that are custom tailored to their space and brand in an effort to maximize storage capacity or gain space in their real estate footprint. Many of our customers are involved in the construction and design industries and include retailers, general contractors, and architects involved in new constructions and remodels for retail stores and fulfillment centers. Our customer base also includes the golf industry, specifically country clubs needing to store more club bags and optimize their existing space, as well as controlled environment agriculture (CEA) operators that cultivate indoors with vertical or rolling benching and racking.

Strategic Restructuring Plan

In July 2024, we announced a strategic restructuring plan focused on long-term profitability and advancing growth initiatives in key areas of our Cultivation and Gardening segment such as our proprietary brands, commercial sales, and e-commerce business. The restructuring plan primarily included product development costs, digital transformation initiatives, reductions in cost structure by closing and consolidating 12 redundant or underperforming retail locations, in addition to the 7 retail locations closed in the first half of 2024, workforce reductions, and other operational improvements in inventory management, sales and marketing, and administrative activities.

As of March 31, 2025, we have substantially completed our restructuring activities and do not expect to incur significant additional restructuring and restructuring-related costs in future periods. Overall, we incurred a total of approximately $3.5 million in restructuring and restructuring-related costs, including $1.1 million during the three months ended March 31, 2025 and $2.4 million previously incurred in fiscal year 2024. As a result of these restructuring activities, we expect improvement in our gross profit margin and profitability while generating annualized cost savings of approximately $12.0 million.

Our restructuring and restructuring-related charges consisted of inventory disposal costs, retail location closure costs including related contract termination costs and fixed asset disposals, employee termination benefits, asset impairments including the impairment of operating lease right-of-use assets, and other associated costs. Restructuring and restructuring-related costs incurred during the three months ended March 31, 2025 were presented on the Condensed Consolidated Statements of Operations as follows:

		Restructuring
Cultivation and Gardening segment:		
Store operations and other operational expenses[1]		765
Segment operating loss		(765)
Corporate expenses:		
Selling, general, and administrative[2]		376
Total restructuring and restructuring-related charges	$	(1,141)

[1] Costs consist primarily of fixed asset disposals and lease contract termination costs for previously closed retail locations

[2] Costs consist of corporate operational and administrative contract terminations

In conjunction with our restructuring activities to support operational and administrative improvements, we reassessed and shortened the estimated useful life of certain capitalized software assets, which resulted in a $0.6 million increase to depreciation and amortization expense related to property and equipment in the three months ended March 31, 2025. These capitalized software assets became fully amortized and were retired during the three months ended March 31, 2025.

As of March 31, 2025, there was no outstanding restructuring liability. However, certain facilities costs or contract termination costs related to closed retail locations for which we are pursuing sublease arrangements or lease terminations may be paid over the remaining terms which extend through 2032 at the latest.

Refer to Note 14, Restructuring, of our Notes to Unaudited Condensed Consolidated Financial Statements in this report for additional information regarding restructuring activities.

GROWTH STRATEGIES

Our main growth strategy has been to consolidate assets within the fragmented hydroponics industry to leverage efficiencies of a centralized organization. As a result, we have built a business that is driven by a wide selection of products, a strong portfolio of proprietary brands, a solutions-driven staff located in strategic markets around the country, and pick, pack, ship distribution and fulfillment capabilities.

Since our founding in 2014, we have acquired or opened numerous specialty hydroponic and organic gardening center locations. Management believes that GrowGeneration has the largest chain of specialty retail hydroponic and organic garden centers in the U.S., with 31 retail locations across 12 states as of March 31, 2025. We have also acquired several other types of businesses within or complimentary to the hydroponic industry, such as online retailers, proprietary products, our wholesale distribution business, and our benching, racking, and storage solutions business, MMI. We regularly seek and evaluate accretive acquisition opportunities with similar or complimentary businesses to those businesses it already operates.

Our main growth strategies for the Storage Solutions segment include expanding the types of customers and industries to which we sell our Storage Solutions products, including greater penetration in controlled environment agriculture, industrial and country club verticals.

COMPONENTS OF RESULTS OF OPERATIONS

Net Sales

We primarily generate net sales from the selling and distribution of proprietary and non-proprietary brand hydroponic and organic gardening products. In addition to our hydroponic and organic gardening product sales, we sell and install commercial fixtures through our benching, racking, and storage solutions business. Net sales reflect the amount of consideration that we expect to receive, which is derived from a list price reduced by variable consideration, including applicable sales discounts and estimated expected sales returns.

These sales vary by the type of product: consumables, such as nutrients, additives, growing media, and supplies that are subject to regular replenishment; and durables, such as lighting, environmental control systems, and storage solutions. Generally, in new markets where legalization of plant-based medicines is recent and licensors are starting new grow operations, there is an initial increase of durable product purchases for facility build-outs, which decrease over time as growers establish their operations. Thereafter, we tend to observe cultivators focus their purchasing patterns to consumables as the primary source of product need. In more mature markets, the sales patterns tend to favor higher percentages of consumable purchasing in comparison to emerging markets.

Cost of Sales

Cost of sales includes cost of goods and shipping costs. Cost of goods consists of cost of merchandise, inbound freight, and other inventory-related costs, such as shrinkage costs and lower of cost or market adjustments. Occupancy expenses of our retail locations and distribution centers, which consist of payroll, rent, and other lease required costs, including common area maintenance and utilities, are included as a component of operating expenses within Store operations and other operational expenses in the Condensed Consolidated Statements of Operations.

Gross Profit

We calculate gross profit as net sales less cost of sales. Gross profit excludes depreciation and amortization, which are presented separately as a component of operating expenses in the Condensed Consolidated Statements of Operations. Our gross profit as a percentage of net sales, or gross profit margin, varies with our product mix, in particular the percentage of sales of proprietary brand products compared to non-proprietary brand products and of consumable products compared to durable products. Proprietary products typically have higher gross margins compared to non-proprietary products, and consumable products typically have higher gross margins compared to durable products.

Operating Expenses

Operating expenses are comprised of the following components: store operations and other operational expenses; selling, general, and administrative; estimated credit losses; depreciation and amortization; and impairment losses. Store operations and other operational expenses consist primarily of payroll, rent and utilities, and allocated corporate overhead costs. Selling, general, and administrative expenses consist of corporate salaries, stock-based compensation, advertising and promotions, travel and entertainment, professional fees, insurance, and other corporate administrative costs. Selling, general, and administrative expenses as a percentage of net sales typically does not increase commensurate with an increase in net sales. Our largest expenses are generally related to employee compensation and leases, which are primarily fixed and not variable. Our advertising and marketing expenses are largely controllable and variable depending on the particular market.

RESULTS OF OPERATIONS

Comparison of the Unaudited Results for the Three Months Ended March 31, 2025and 2024

The following table presents, for the periods indicated, selected information from our unaudited Condensed Consolidated financial results, including information presented as a percentage of net sales:

	Three Months Ended March 31,				Year-to-Year Variance	
	2025		2024			
Net sales	$ 35,703	100.0 %	$ 47,888	100.0 %	$ (12,185)	(25.4)%
Cost of sales	25,996	72.8 %	35,524	74.2 %	(9,528)	(26.8)%
Gross profit	9,707	27.2 %	12,364	25.8 %	(2,657)	(21.5)%
Operating expenses	19,581	54.8 %	21,796	45.5 %	(2,215)	(10.2)%
Loss from operations	(9,874)	(27.7)%	(9,432)	(19.7)%	(442)	(4.7)%
Other income	497	1.4 %	593	1.2 %	(96)	(16.2)%
Net loss before taxes	(9,377)	(26.3)%	(8,839)	(18.5)%	(538)	(6.1)%
Benefit for income taxes	—	— %	2	— %	(2)	(100.0)%
Net loss	$ (9,377)	(26.3)%	$ (8,837)	(18.5)%	$ (540)	(6.1)%

*Percentage is not meaningful.

Net Sales

Net sales for the three months ended March 31, 2025 were $35.7 million, a decrease of $12.2 million or 25.4% as compared to net sales of $47.9 million for the three months ended March 31, 2024.

The decrease in net sales was primarily related to our Cultivation and Gardening segment, which had net sales of $30.9 million for the three months ended March 31, 2025 compared to $43.1 million for the three months ended March 31, 2024. This decrease in net sales was primarily due to the closure of 19 retail locations during 2024, which included the 12 redundant or underperforming retail locations consolidated in conjunction with the restructuring plan. Additionally, the decreased net sales for Cultivation and Gardening related to reduced e-commerce retail sales volume, slowness in durable product sales, as well as discounting products that were discontinued in conjunction with the 2024 restructuring plan and strategic rationalization of our product offerings. Proprietary brand sales as a percentage of Cultivation and Gardening net sales for the three months ended March 31, 2025 increased to 32.0% as compared to 22.6% for the three months ended March 31, 2024, largely driven by our strategic initiatives to increase sales mix of our expanded portfolio of proprietary brands and various product launches. The percentage of Cultivation and Gardening net sales related to consumable products for the three months ended March 31, 2025 was 74.6%, an increase from 70.0% for the three months ended March 31, 2024, which was mainly driven by increased brand adoption of proprietary growing media and nutrient products.

Net sales of commercial fixtures within our Storage Solutions segment remained consistent at $4.8 million for each of the three months ended March 31, 2025 and 2024.

Cost of Sales

Cost of sales for the three months ended March 31, 2025 was $26.0 million, a decrease of $9.5 million or 26.8% compared to $35.5 million for the three months ended March 31, 2024. The decrease in cost of sales largely corresponds to the 25.4% decrease in net sales, as previously discussed, and was partially offset by reduced inventory discounts from vendors.

Gross Profit

Gross profit was $9.7 million for the three months ended March 31, 2025 compared to $12.4 million for the three months ended March 31, 2024, a decrease of $2.7 million or 21.5%. The decrease in gross profit was primarily related to the Cultivation and Gardening segment, which decreased $2.4 million, or 23.4%, for the three months ended March 31, 2025 as compared to the three months ended March 31, 2024, largely as a result of the decrease in sales volume due to store consolidations and the effects of the strategic restructuring plan. Additionally, gross profit from our Storage Solutions segment decreased $0.2 million, or 11.6%, in the three months ended March 31, 2025 compared to the three months ended March 31, 2024 primarily due to increases in installation labor costs.

Gross profit margin was 27.2% for the three months ended March 31, 2025, an increase of 140 basis points from a gross profit margin of 25.8% for the three months ended March 31, 2024. The increase in gross profit margin was largely driven by the Cultivation and Gardening segment, which had a gross profit margin of 25.6% for the three months ended March 31, 2025 as compared to 24.0% for the three months ended March 31, 2024, primarily driven by our strategic initiatives to increase sales mix of our expanded portfolio of proprietary brands. The Storage Solutions gross profit margin decreased to 37.6% in the three months ended March 31, 2025 from 42.7% in three months ended March 31, 2024 due to industry pricing compression for the Storage Solutions segment.

Operating Expenses

Operating expenses are comprised of store operations and other operational expenses, selling, general, and administrative, estimated credit losses, and depreciation and amortization. Operating expenses were $19.6 million for the three months ended March 31, 2025 and $21.8 million in the three months ended March 31, 2024, a decrease of $2.2 million or 10.2%.

Store operating costs and other operational expenses, which consisted primarily of payroll, rent and utilities, and allocated corporate overhead costs, were $8.8 million for the three months ended March 31, 2025, compared to $10.6 million for the three months ended March 31, 2024, a decrease of $1.8 million or 17.3%. The decrease in store operating costs was primarily due to the 19 retail locations closed during 2024, including the 12 redundant or underperforming retail locations consolidated in conjunction with the restructuring plan. This decrease was partially offset by the additional $0.8 million of restructuring costs incurred in the three months ended March 31, 2025 related to fixed asset disposals and lease contract terminations costs for previously closed retail locations.

Total corporate overhead, which is comprised of selling, general, and administrative expense, estimated credit losses, and depreciation and amortization expense, was $10.8 million for the three months ended March 31, 2025, compared to $11.2 million for the three months ended March 31, 2024. Selling, general, and administrative costs decreased by $0.8 million or 10.1% for the three months ended March 31, 2025 primarily as a result of decreased employee costs and professional fees. This decrease in selling, general, and administrative expense was partially offset by a net $0.6 million increase in estimated credit losses in the three months ended March 31, 2025 compared to the three months ended March 31, 2024, primarily due to a $0.3 million credit recovery settlement received in bankruptcy proceedings related to a note receivable in the three months ended March 31, 2024.

Other Income (Expense)

Other income remained relatively flat at approximately $0.5 million and $0.6 million for the three months ended March 31, 2025 and 2024, respectively.

Use of Non-GAAP Financial Information

The following non-GAAP financial measures of EBITDA and Adjusted EBITDA are not in accordance with, or an alternative for, generally accepted accounting principles ("GAAP") and should be considered in addition to, and not as a substitute for, the most directly comparable GAAP financial measures. We believe these non-GAAP financial measures, when used in conjunction with their most directly comparable GAAP financial measures, net income (loss), provide meaningful supplemental information to both management and investors, facilitating the evaluation of performance across reporting periods, identify trends affecting our business, and project future performance. Management uses these non-GAAP financial measures for internal planning and reporting purposes, and we believe that these non-GAAP financial measures may be useful to investors in their assessment of our operating performance, our ability to generate cash, and valuation. In addition, these non-GAAP financial measures address questions routinely received from analysts and investors and, in order to ensure that all investors have access to the same data, we have determined that it is appropriate to make this data available to all investors. These non-GAAP financial measures may be different from non-GAAP financial measures used by other companies.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-GAAP financial measures commonly used in our industry and should not be construed in isolation as substitutions to net income (loss) as indicators of operating performance or as alternatives to cash flow provided by operating activities as a measure of liquidity (each as determined in accordance with GAAP). GrowGeneration defines EBITDA as net income (loss) before interest income, interest expense, income tax expense, depreciation and amortization, and Adjusted EBITDA as further adjusted to exclude certain items such as stock-based compensation, impairment losses, restructuring and corporate rationalization costs, and other non-core or non-recurring expenses and to include income from our marketable securities as these investments are part of our operational business strategy and increase the cash available to us.

Set forth below is a reconciliation of EBITDA and Adjusted EBITDA to net loss (in thousands):

	Three Months Ended March 31,	
	2025	2024
Net loss	$ (9,377)	$ (8,837)
Provision (benefit) for income taxes	—	(2)
Interest income	(497)	(602)
Interest expense	—	56
Depreciation and amortization	3,585	3,742
EBITDA	$ (6,289)	$ (5,643)
Share-based compensation	503	778
Investment income	519	580
Restructuring plan	1,141	—
Consolidation and other charges [1]	96	1,414
Adjusted EBITDA	$ (4,030)	$ (2,871)

[1] Consists primarily of expenditures related to the activity of store and distribution consolidation, one-time severances outside of the restructuring plan announced July 2024, and other non-core or non-recurring expenses

LIQUIDITY AND CAPITAL RESOURCES

Overview

As of March 31, 2025, we had working capital of $84.2 million compared to working capital of $88.9 million as of December 31, 2024, a decrease of $4.7 million. The decrease in working capital from December 31, 2024 to March 31, 2025 was due primarily to a net decrease in cash, cash equivalents, and marketable securities as a result of net cash used in operating activities.

As of March 31, 2025, we had cash, cash equivalents, and marketable securities of $52.6 million. Currently, we are not aware of any extraordinary demands, commitments, or uncertainties that would materially reduce our current working capital. Our material future cash requirements from contractual and other obligations relate primarily to our operating leases. Refer to Note 8, Leases, of the Condensed Consolidated Financial Statements for additional information regarding leases.

We may need additional financing through equity offerings and/or debt financings in the future to continue to expand our business consistent with our growth strategies. However, management believes that the Company is adequately funded to support current and future operations in the next twelve months. To date we have financed our operations through the issuance of common stock, convertible notes, and warrants, as well as cash generated from operations.

Cash Flows

The following discussion sets forth the major sources and uses of cash for the three months ended March 31, 2025 and 2024.

Operating Activities

Net cash and cash equivalents used in operating activities for the three months ended March 31, 2025 was $3.8 million compared to net cash used in operating activities of $3.6 million for the three months ended March 31, 2024. The changes in operating cash were primarily driven by changes in gross profit and operating expenses, excluding non-cash changes such as depreciation and amortization, as previously discussed in the Results of Operations section as well as changes in working capital.

Investing Activities

Net cash and cash equivalents provided by investing activities for the three months ended March 31, 2025 was $9.2 million compared to net cash provided by investing activities of $5.0 million for the three months ended March 31, 2024. Investing activities for the three months ended March 31, 2025 were primarily attributable to investment of excess cash into marketable securities of $7.2 million, offset by maturity of marketable securities of $16.6 million. Investing activities for the three months ended March 31, 2024 were primarily attributable to investment of excess cash into marketable securities of $21.1 million, offset by maturity of marketable securities of $26.5 million.

Financing Activities

Net cash and cash equivalents used in financing activities was $0.1 million and less than $0.1 million for the three months ended March 31, 2025 and 2024, respectively, related to common stock withheld for employee payroll taxes.

Critical Accounting Policies, Judgements, and Estimates

For a summary of the Company's critical accounting policies, judgements, and estimates, please refer to Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2024.

Off Balance-Sheet Arrangements

We do not have any off-balance sheet arrangements (as that term is defined in Item 303 of Regulation S-K) that are reasonably likely to have a current or future material effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures, or capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a summary of the Company's quantitative and qualitative disclosures about market risk, please refer to Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are controls and other procedures designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

As of March 31, 2025, an evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Management concluded that as of March 31, 2025, our disclosure controls and procedures were not effective because of the material weakness in our internal control over financial reporting identified by management as of December 31, 2024 as described below.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, and overseen by the Board of Directors, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately, and fairly reflect the transactions and dispositions of the Company's assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with the authorization of its management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the Company's Consolidated Financial Statements would be prevented or detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting using the criteria in Internal Control - Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO Framework”). As a result of this evaluation, management concluded that the Company's internal control over financial reporting was not effective as of March 31, 2025 because of the material weakness in internal control over financial reporting discussed below.

While this material weakness did not result in material misstatements of the Company's financial statements within the Annual Report on Form 10-K for the year ended December 31, 2024, and management does not believe that this material weakness resulted in material misstatements as of March 31, 2025, the material weakness creates a reasonable possibility that a material misstatement of account balances or disclosures in annual or interim consolidated financial statements may not be prevented or detected in a timely manner.

Material Weakness in Internal Control over Financial Reporting - Storage Solutions Segment

Due to segregation of duties conflicts and the lack of precise manual monitoring controls over the system data, we did not maintain effective internal control over financial reporting within a separate enterprise resource planning ("ERP") system, Navision, used exclusively for our Storage Solutions segment, branded as "MMI." As such, information derived from the system could not be relied upon, resulting in management's inability to assess control activities at a precision level to reasonably prevent or detect errors.

Plan to Remediate Material Weakness in Internal Control over Financial Reporting - MMI

The Company, with oversight by the Audit Committee of the Board, is actively developing and implementing a comprehensive remediation plan that will include the following initiatives:

- Transition MMI off the Navision system and onto NetSuite, our integrated ERP and general ledger system used by all our other business channels.
- Remove administrative capabilities within the ERP system from operational roles.
- Perform segregation of duties analysis over new integrated users and roles within NetSuite.
- Consolidate our enterprise-wide shared service processes with the migration of the MMI business's accounts payable and accounts receivable functions onto the NetSuite system.
- Develop and/or enhance information technology general and application controls and business process controls specific to MMI.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting, except for the continued implementation of the remediation plan to address the material weakness discussed above, during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

For a summary of the Company's risk factors, please refer to Item 9A of our Form 10-K for the year ended December 31, 2024.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are included and filed with this report.

Exhibit	Exhibit Description
3.1	Certificate of Incorporation of GrowGeneration Corp. (Incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 as filed on November 9, 2015)
3.2	Bylaws of GrowGeneration Corp. (Incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 as filed on November 9, 2015)
31.1	Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) certification of principal financial and accounting officer
32.1	Section 1350 certification of Chief Executive Officer*
32.2	Section 1350 certification of principal financial and accounting officer*
101	Interactive Data Files
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Definition

* Furnished and not filed.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on May 8, 2025.

GrowGeneration Corp.

By: /s/ Darren Lampert
Darren Lampert, Chief Executive Officer
(Principal Executive Officer)

By: /s/ Gregory Sanders
Gregory Sanders, Chief Financial Officer
(Principal Accounting Officer and
Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Darren Lampert, certify that:

1. I have reviewed this Form 10-Q for the fiscal quarter ended March 31, 2025 of GrowGeneration Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 8, 2025

By: /s/ Darren Lampert
Darren Lampert, Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory Sanders, certify that:

1. I have reviewed this Form 10-Q for the fiscal quarter ended March 31, 2025 of GrowGeneration Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 8, 2025

By: /s/ Gregory Sanders
Gregory Sanders, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of GrowGeneration Corp. (the "Company") for the fiscal quarter ended March 31, 2025, I, Darren Lampert, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2025, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such Quarterly Report on Form 10-Q for the fiscal quarter March 31, 2025, fairly presents, in all material respects, the financial condition and results of operations of GrowGeneration Corp.

May 8, 2025

By: /s/ Darren Lampert
Darren Lampert, Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of GrowGeneration Corp. (the "Company") for the fiscal quarter ended March 31, 2025, I, Gregory Sanders, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2025, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2025, fairly presents, in all material respects, the financial condition and results of operations of GrowGeneration Corp.

May 8, 2025

By: /s/ Gregory Sanders
Gregory Sanders, Chief Financial Officer
(Principal Financial Officer)