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: **June 30, 2024**
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 of 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 August 5, 2024 there were 59,171,547 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)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,578	$ 29,757
Marketable securities	28,407	35,212
Accounts receivable, net of allowance for credit losses of $1,361 and $1,363 at June 30, 2024 and December 31, 2023, respectively	9,663	8,895
Notes receivable, current, net of allowance for credit losses of $232 and $1,732 at June 30, 2024 and December 31, 2023, respectively	838	193
Inventory	60,639	64,905
Prepaid income taxes	177	516
Prepaid and other current assets	7,284	7,973
Total current assets	134,586	147,451
Property and equipment, net	24,410	27,052
Operating leases right-of-use assets, net	38,984	39,933
Notes receivable, long-term	—	106
Intangible assets, net	12,827	16,180
Goodwill	7,525	7,525
Other assets	844	843
TOTAL ASSETS	$ 219,176	$ 239,090
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 12,702	$ 11,666
Accrued liabilities	2,429	2,530
Payroll and payroll tax liabilities	2,224	2,169
Customer deposits	3,007	5,359
Sales tax payable	1,221	1,185
Current maturities of operating lease liabilities	7,632	8,021
Total current liabilities	29,215	30,930
Operating lease liabilities, net of current maturities	33,867	34,448
Other long-term liabilities	317	317
Total liabilities	63,399	65,695
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock; $0.001 par value; 100,000,000 shares authorized, 60,888,432 and 61,483,762 shares issued as of June 30, 2024 and December 31, 2023, respectively	61	61
Treasury stock, 938,949 shares and zero shares at cost as of June 30, 2024 and December 31, 2023, respectively	(2,316)	—
Additional paid-in capital	374,737	373,433
Accumulated deficit	(216,705)	(200,099)
Total stockholders' equity	155,777	173,395
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 219,176	$ 239,090

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 June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Net sales	$ 53,536	$ 63,925	$ 101,424	$ 120,752
Cost of sales (exclusive of depreciation and amortization shown below)	39,115	46,788	74,639	87,326
Gross profit	14,421	17,137	26,785	33,426
Operating expenses:				
Store operations and other operational expenses	10,210	12,008	20,844	24,630
Selling, general, and administrative	7,104	7,503	15,012	14,341
Estimated credit losses (recoveries)	6	107	(482)	424
Depreciation and amortization	3,615	3,824	7,357	7,756
Total operating expenses	20,935	23,442	42,731	47,151
Loss from operations	(6,514)	(6,305)	(15,946)	(13,725)
Other income (expense):				
Other (expense) income	(10)	(51)	37	809
Interest income	737	753	1,339	1,181
Interest expense	(14)	(3)	(70)	(5)
Total other income	713	699	1,306	1,985
Net loss before taxes	(5,801)	(5,606)	(14,640)	(11,740)
Provision for income taxes	(95)	(93)	(93)	(93)
Net loss	$ (5,896)	$ (5,699)	$ (14,733)	$ (11,833)
Net loss per share, basic	$ (0.10)	$ (0.09)	$ (0.24)	$ (0.19)
Net loss per share, diluted	$ (0.10)	$ (0.09)	$ (0.24)	$ (0.19)
Weighted average shares outstanding, basic	60,681	61,077	61,090	61,053
Weighted average shares outstanding, diluted	60,681	61,077	61,090	61,053

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		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balances, 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)
Balances, March 31, 2024	61,507	$ 62	—	$ —	$ 374,182	$ (208,936)	$ 165,308
Common stock issued for share-based compensation	181	—	—	—	—	—	$ —
Common stock withheld for employee payroll taxes	—	—	—	—	(99)	—	$ (99)
Share-based compensation	—	—	—	—	654	—	$ 654
Repurchase of common stock	—	—	(1,739)	(4,190)	—	—	$ (4,190)
Cancellation of common stock	(800)	(1)	800	1,874	—	(1,873)	$ —
Net loss	—	—	—	—	—	(5,896)	$ (5,896)
Balances, June 30, 2024	60,888	$ 61	(939)	$ (2,316)	$ 374,737	$ (216,705)	$ 155,777

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balances, December 31, 2022	61,010	$ 61	—	$ —	$ 369,938	$ (153,603)	$ 216,396
Common stock issued for share-based compensation	25	—	—	—	—	—	—
Common stock withheld for employee payroll taxes	—	—	—	—	(70)	—	(70)
Share-based compensation	—	—	—	—	511	—	511
Net loss	—	—	—	—	—	(6,134)	(6,134)
Balances, March 31, 2023	61,035	$ 61	—	$ —	$ 370,379	$ (159,737)	$ 210,703
Common stock issued for share-based compensation	159	—	—	—	—	—	—
Common stock withheld for employee payroll taxes	—	—	—	—	(105)	—	(105)
Share-based compensation	—	—	—	—	816	—	816
Non-cash repurchase of liability awards	—	—	—	—	653	—	653
Liability redemption associated with business acquisition	35	—	—	—	120	—	120
Net loss	—	—	—	—	—	(5,699)	(5,699)
Balances, June 30, 2023	61,229	$ 61	—	$ —	$ 371,863	$ (165,436)	$ 206,488

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)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash flows from operating activities:		
Net loss	$ (14,733)	$ (11,833)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	7,357	7,756
Share-based compensation	1,432	1,514
Estimated credit (recoveries) losses	(482)	424
Loss on disposal of fixed assets	37	21
Change in value of marketable securities	(727)	—
Proceeds from note receivables for sale of inventory	78	—
Changes in operating assets and liabilities:		
Accounts and notes receivable	(903)	1,808
Inventory	4,266	1,989
Prepaid expenses and other assets	1,027	4,008
Accounts payable and accrued liabilities	886	3,526
Operating leases	(21)	469
Payroll and payroll tax liabilities	55	(1,843)
Customer deposits	(2,352)	(592)
Sales tax payable	36	132
Net cash and cash equivalents (used in) provided by operating activities	(4,044)	7,379
Cash flows from investing activities:		
Acquisitions, net of cash acquired	—	(3,197)
Purchase of marketable securities	(28,034)	(51,700)
Maturities of marketable securities	35,566	42,566
Purchase of property and equipment	(1,416)	(5,533)
Proceeds from disposals of assets	66	226
Net cash and cash equivalents provided by (used in) investing activities	6,182	(17,638)
Cash flows from financing activities:		
Principal payments on long term debt	—	(33)
Common stock withheld for employee payroll taxes	(127)	(175)
Common stock repurchased	(4,190)	—
Net cash and cash equivalents used in financing activities	(4,317)	(208)
Net decrease in cash and cash equivalents	(2,179)	(10,467)
Cash and cash equivalents at the beginning of period	29,757	40,054
Cash and cash equivalents at the end of period	$ 27,578	$ 29,587
Supplemental cash flow disclosures and non-cash investing and financing transactions:		
Cash paid for interest	$ 70	$ 5
Cash paid for income taxes	$ 58	$ —
Right-of use assets obtained in exchange for new or modified operating lease liabilities	$ 3,506	$ 2,748
Cancellation of common stock	$ 1,873	$ —

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 June 30, 2024, GrowGeneration has43 retail locations across 18 states in the U.S. The Company also operates an online superstore for cultivators at growgeneration.com, as well as a wholesale business for resellers, HRG Distribution, 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, 2023 ("2023 Form 10-K"). There were no significant changes to the Company's significant accounting policies as disclosed in the 2023 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 footnotes 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 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 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 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 consolidated financial statements or disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which requires an enhanced disclosure of segments on an annual and interim basis, including the title of the chief operating decision maker, significant segment expenses, and the composition of other segment items for each segment's reported profit. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted, and adoption of ASU 2023-07 should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of this standard.

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.

3. FAIR VALUE MEASUREMENTS

Fair Value Measurements

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 $0.3 million and $0.7 million for the three and six months ended June 30, 2024, respectively, andimmaterial for the three and six months ended June 30, 2023. Changes in fair value of marketable securities are included in Interest income on the Condensed Consolidated Statements of Operations.

	Level	June 30, 2024	December 31, 2023
Cash equivalents	1	$ 20,344	$ 17,300
Marketable securities	2	$ 28,407	$ 35,212

4. REVENUE RECOGNITION

Disaggregation of Revenues

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 15, 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
Opening balance, January 1, 2024	$ 8,895	$ 5,359
Closing balance, June 30, 2024	9,663	3,007
Increase (decrease)	$ 768	$ (2,352)
Opening balance, January 1, 2023	$ 8,336	$ 4,338
Closing balance, June 30, 2023	7,318	3,746
Decrease	$ (1,018)	$ (592)

Of the total amount of customer deposit liability as of January 1, 2024, $4.0 million was reported as revenue during the six months ended June 30, 2024. Of the total amount of customer deposit liability as of January 1, 2023, $2.9 million was reported as revenue during the six months ended June 30, 2023.

Notes receivable at June 30, 2024 and December 31, 2023 were as follows:

	June 30, 2024	December 31, 2023
Notes receivable	$ 1,070	$ 2,031
Allowance for credit losses	(232)	(1,732)
Notes receivable, net	$ 838	$ 299

The following table summarizes changes in notes receivable balances that have been deemed impaired.

	June 30, 2024	December 31, 2023
Notes receivable	$ 232	$ 1,732
Allowance for credit losses	(232)	(1,732)
Notes receivable, net	$ —	$ —

During the six months ended June 30, 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 13, Commitment and Contingencies, for additional information regarding the settlement.

5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2024 and December 31, 2023 consisted of the following:

	June 30, 2024	December 31, 2023
Vehicles	$ 2,564	$ 2,558
Building and land	2,121	2,121
Leasehold improvements	11,902	11,920
Furniture, fixtures and equipment	14,425	14,364
Capitalized software	16,227	16,085
Construction-in-progress	792	—
Total property and equipment, gross	48,031	47,048
Accumulated depreciation and amortization	(23,621)	(19,996)
Property and equipment, net	$ 24,410	$ 27,052

Depreciation and amortization expense related to property and equipment was $1.9 million and $4.0 million for the three and six months ended June 30, 2024, respectively. Depreciation and amortization expense related to property and equipment was $1.6 million and $3.3 million for the three and six months ended June 30, 2023, respectively.

6. GOODWILL AND INTANGIBLE ASSETS

The carrying value of goodwill at June 30, 2024 and December 31, 2023 by segment was as follows:

	Cultivation and Gardening	Storage Solutions	Total
Balance as of December 31, 2023	$ 5,920	$ 1,605	$ 7,525
Balance as of June 30, 2024	$ 5,920	$ 1,605	$ 7,525

Accumulated impairment for goodwill was $125.9 million as of June 30, 2024 and December 31, 2023.

The changes in intangible assets by segment for the six months ended June 30, 2024 and year ended December 31, 2023 were as follows:

	Cultivation and Gardening	Storage Solutions	Total
Balance as of December 31, 2023	$ 13,501	$ 2,679	$ 16,180
Amortization	(2,962)	(391)	(3,353)
Balance as of June 30, 2024	$ 10,539	$ 2,288	$ 12,827

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

	June 30, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade names	$ 28,198	$ (19,211)	$ 8,987	$ 28,198	$ (16,488)	$ 11,710
Patents, trademarks	69	(69)	—	69	(69)	—
Customer relationships	13,192	(9,400)	3,792	13,192	(8,813)	4,379
Non-competes	864	(816)	48	864	(773)	91
Intellectual property	1,136	(1,136)	—	1,136	(1,136)	—
Total	$ 43,459	$ (30,632)	$ 12,827	$ 43,459	$ (27,279)	$ 16,180

Amortization expense was $1.7 million and $3.4 million for the three and six months ended June 30, 2024, respectively. Amortization expense was $2.4 million and $4.6 million for the three and six months ended June 30, 2023, respectively. Future amortization expense as of June 30, 2024 was as follows:

2024 (remainder of the year)	$ 3,352
2025	6,339
2026	2,231
2027	799
2028	82
Thereafter	24
Total	$ 12,827

7. INCOME TAXES

For the six months ended June 30, 2024, the effective tax rate was 0.6%, compared to 0.8% for the six months ended June 30, 2023. The effective tax rate for each of the six months ended June 30, 2024 and 2023 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 June 30, 2024, 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:

	June 30, 2024	December 31, 2023
Operating leases right-of-use assets	$ 38,984	$ 39,933
Current maturities of operating lease liability	$ 7,632	$ 8,021
Operating lease liability, net of current maturities	33,867	34,448
Total lease liability	$ 41,499	$ 42,469

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

	June 30,	
	2024	2023
Weighted average remaining lease term	5.8 years	6.3 years
Weighted average discount rate	6.2 %	5.8 %

Lease expense is recorded within the Company's Condensed Consolidated Statements of Operations based upon the nature of the operating lease right-of-use assets. Where assets are used to directly serve our customers, such as retail locations and distribution centers, lease costs are recorded in Store operations and other operational expenses. Facilities and assets which serve management and support functions are expensed through Selling, general, and administrative. The Company recorded sublease income of $0.3 million and $0.6 million for the three and six months ended June 30, 2024, respectively, and, $0.3 million and $0.6 million for the three and six months ended June 30, 2023, respectively, within Store operations and other operational expenses related to the sublease of a closed retail locatioı.

The components of lease expense were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating lease costs	$ 2,531	$ 2,803	$ 5,094	$ 5,696
Variable lease costs	351	570	1,015	1,169
Short-term lease costs	108	97	193	264
Total operating lease costs	$ 2,990	$ 3,470	$ 6,302	$ 7,129

Future maturities of the Company's operating lease liabilities as of June 30, 2024 were as follows

2024 (remainder of the year)	$ 4,986
2025	9,710
2026	8,442
2027	6,574
2028	6,107
Thereafter	13,648
Total lease payments	49,467
Less: imputed interest	(7,968)
Operating lease liability as of June 30, 2024	$ 41,499

Supplemental and other information related to leases was as follows:

	Six Months Ended June 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	$ 5,097	$ 5,583

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 June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	$ (5,896)	$ (5,699)	$ (14,733)	$ (11,833)
Weighted average shares outstanding, basic	60,681	61,077	61,090	61,053
Effect of dilutive outstanding restricted stock units, stock options, and warrants	—	—	—	—
Adjusted weighted average shares outstanding, dilutive	60,681	61,077	61,090	61,053
Basic loss per share	$ (0.10)	$ (0.09)	$ (0.24)	$ (0.19)
Dilutive loss per share	$ (0.10)	$ (0.09)	$ (0.24)	$ (0.19)

Diluted loss per share calculations for each of the three and six months ended June 30, 2024 excluded 0.9 million of non-vested restricted stock units that would have been anti-dilutive and 0.5 million shares of common stock issuable upon exercise of stock options. Diluted loss per share calculations for each of the three and six months ended June 30, 2023 excluded 1.1 million and 0.9 million shares of non-vested restricted stock units, respectively, 0.6 million shares of common stock issuable upon exercise of stock options, and 33 thousand shares of common stock issuable upon exercise of the stock purchase warrants that would have been anti-dilutive.

10. SHARE-BASED PAYMENTS

The Company maintains long-term incentive plans for employees, non-employee members of its Board of Directors (the "Board"), and consultants. The plans allow 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 $0.7 million and $1.4 million in the three and six months ended June 30, 2024, respectively, and $0.9 million and $1.5 million for the three and six months ended June 30, 2023, respectively.

<u>Restricted Stock Units</u>

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 four 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 six months ended June 30, 2024 is presented in the following table:

	Units	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2023	904,834	$ 5.23
Granted	165,375	$ 2.79
Vested	(257,417)	$ 6.22
Forfeited	(48,750)	$ 3.23
Nonvested as of June 30, 2024	764,042	$ 4.50

As of June 30, 2024, the Company had approximately $2.6 million of unrecognized share-based compensation related to restricted stock units, which are expected to be recognized over a weighted average period of approximately 1.8 years.

Stock Options

Stock option activity for the six months ended June 30, 2024 is presented in the following table:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2023	577,998	$ 4.01	0.95	$ 2.25
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited or expired	(68,332)	2.76	—	1.82
Outstanding as of June 30, 2024	509,666	$ 4.17	0.45	$ 2.31
Vested and exercisable as of June 30, 2024	509,666	$ 4.17	0.45	$ 2.31

Liability Awards

In August 2022, the Company issued certain stock awards classified as liabilities based on the guidance set forth at ASC 480, *Distinguishing Liabilities from Equity*, and ASC 718, *Compensation-Stock Compensation.* These awards entitled the employees to receive an equity award with a specified dollar value of common stock on future dates ranging from June 15, 2023, through June 15, 2025. The awards generally vested over three years subject to the employee's continued employment.

On June 15, 2023, the three employees subject to these awards entered into new employment agreements which superseded the prior agreements and removed the liability awards from their compensation package. In accordance with ASC 718-20-35-2A through 718-20-35-9, these awards were evaluated and accounted for as modified awards. In the six months ended June 30, 2023, the liability of $0.7 million was relieved to additional paid-in capital and no awards were outstanding as of June 30, 2024 and December 31, 2023.

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 and continues for up to one year. This share repurchase program is intended to enhance long-term shareholder value. The program does 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 will depend on factors such as the stock price, trading volumes, market conditions, and regulatory requirements. The stock repurchase program may be amended, suspended, or discontinued at any time by the Company.

During each of the three and six months ended June 30, 2024, the Company repurchased 1.7 million shares of common stock at an average price of $2.39 per share, exclusive of incremental direct costs. As of June 30, 2024, approximately $1.8 million remained available under the stock repurchase program. The Company recognizes the common stock repurchased as treasury stock at the amount paid to repurchase its shares, including the incremental direct costs to repurchase the common stock, as a reduction to stockholders' equity on the Condensed Consolidated Balance Sheets.

The Company retired 0.8 million shares of treasury stock under the repurchase program in the three and six months ended June 30, 2024. The shares were returned to the status of authorized but unissued shares. The retirement of treasury stock was recognized as a deduction from common stock for the shares' par value and any excess cost over par value was recognized as a deduction from retained earnings. Treasury stock is retired on a first in, first out basis.

12. ACQUISITIONS

The Company's acquisition strategy has been primarily to acquire (i) well-established, profitable hydroponic garden centers in markets where the Company does not have a market presence or in markets where it is increasing its market presence; and (ii) proprietary brands.

Acquisitions during the three and six months ended June 30, 2024

The Company had no acquisitions during the three and six months ended June 30, 2024.

Acquisitions during the three and six months ended June 30, 2023

On May 23, 2023, the Company purchased substantially all of the assets of Southside Garden Supply ("SGS"), atwo-store chain of indoor/outdoor garden centers in Alaska. The total consideration for the purchase of the SGS assets was approximately $2.0 million, including $1.9 million in cash and an indemnity holdback of $0.1 million. The SGS asset acquisition also included acquired goodwill of approximately $0.6 million, which represented the value expected to rise from organic growth and an opportunity for the Company to expand into a new market. SGS was included in the Company's Cultivation and Gardening segment.

Additionally, the Company made other, individually immaterial acquisitions during the three and six months ended June 30, 2023. Total consideration for these purchases was approximately $1.2 million, including $1.1 million paid in cash and indemnity holdbacks of less than $0.1 million. These individually immaterial acquisitions also included aggregate acquired goodwill of approximately $0.3 million, which represented the value expected to rise from organic growth and an opportunity for the Company to expand into a new market. These acquisitions were included in the Company's Cultivation and Gardening segment.

The table below represents the allocation of the purchase price to the acquired net assets during the three and six months ended June 30, 2023.

	SGS	Other	Total
Inventory	$ 720	$ 867	$ 1,587
Prepaids and other current assets	292	1	293
Furniture and equipment	—	47	47
Operating lease right-of-use asset	612	620	1,232
Operating lease liability	(612)	(620)	(1,232)
Customer relationships	440	—	440
Goodwill	577	253	830
Total	$ 2,029	$ 1,168	$ 3,197

The table below represents the consideration paid for the net assets acquired in business combinations during 2023.

	SGS	Other	Total
Cash	$ 1,922	$ 1,128	$ 3,050
Indemnity holdback	107	40	147
Total	$ 2,029	$ 1,168	$ 3,197

13. 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 six months ended June 30, 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 June 30, 2024, 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.

14. RELATED PARTIES

The Company has engaged with a firm that employs an immediate family member of an officer of the Company as partner. The firm provides certain legal services. Amounts paid to that firm in total were approximately $0.1 million and $0.1 million for the three and six months ended June 30, 2024, respectively, and wereimmaterial for the three and six months ended June 30, 2023. As of June 30, 2024 and December 31, 2023, there was an immaterial amount outstanding due to the firm.

15. SEGMENTS

During the fourth quarter of 2023, the Company realigned its operating and reportable segments to correspond with changes to its operating model, management structure, and internal reporting and to better align with how the chief operating decision maker ("CODM") makes operating decisions, allocates resources, and assesses performance. Accordingly, the Company identified 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. Comparative prior period disclosures have been recast to conform to the current segment presentation.

In addition to sales by operating segment, which represent the Company's principal lines of business, the 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. During the first quarter of 2024, the Company reviewed and reclassified certain item level designations as consumable or durable products. Comparative prior period disclosures have been recast to conform to the current presentation.

Disaggregated revenue by segment is presented in the following tables:

Net sales	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cultivation and Gardening				
Proprietary brand sales	$ 9,931	$ 9,300	$ 19,657	$ 18,327
Non-proprietary brand sales	36,179	46,251	69,561	86,351
Total Cultivation and Gardening	46,110	55,551	89,218	104,678
Storage Solutions				
Commercial fixture sales	7,426	8,374	12,206	16,074
Total Storage Solutions	7,426	8,374	12,206	16,074
Total	$ 53,536	$ 63,925	$ 101,424	$ 120,752

Net sales	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cultivation and Gardening				
Consumables	$ 33,677	$ 38,730	$ 63,858	$ 71,082
Durables	12,433	$ 16,821	25,360	$ 33,596
Total Cultivation and Gardening	46,110	55,551	89,218	$ 104,678
Storage Solutions				
Durables	7,426	$ 8,374	12,206	$ 16,074
Total Storage Solutions	7,426	$ 8,374	12,206	$ 16,074
Total	$ 53,536	$ 63,925	$ 101,424	$ 120,752

Selected information by segment is presented in the following tables:

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net sales				
Cultivation and Gardening	$ 46,110	$ 55,551	$ 89,218	$ 104,678
Storage Solutions	7,426	8,374	12,206	16,074
Total net sales	53,536	63,925	101,424	120,752
Gross profit				
Cultivation and Gardening	10,936	13,337	21,261	26,566
Storage Solutions	3,485	3,800	5,524	6,860
Total gross profit	14,421	17,137	26,785	33,426
Segment operating profit				
Cultivation and Gardening	2,009	2,465	3,073	4,268
Storage Solutions	2,202	2,664	2,868	4,528
Total segment operating profit	4,211	5,129	5,941	8,796
Corporate expenses				
Selling, general, and administrative	7,104	7,503	15,012	14,341
Estimated credit losses (recoveries)	6	107	(482)	424
Depreciation and amortization	3,615	3,824	7,357	7,756
Loss from operations	$ (6,514)	$ (6,305)	$ (15,946)	$ (13,725)

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

16. SUBSEQUENT EVENTS

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 Gardening and Cultivation segment such as its proprietary brands, commercial sales, and e-commerce business. These restructuring plans primarily include reductions in cost structure by closing and consolidating twelve redundant or underperforming retail locations, in addition to the seven retail locations closed in the first half of 2024, workforce reductions, and other operational improvements. The Company expects that the restructuring activities will be substantially completed by the end of fiscal year 2024. The Company is currently unable to make a good faith determination of an estimate or range of estimates of the total expected restructuring and restructuring related costs.

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, 2023 filed with the SEC on March 13, 2024. 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.

OVERVIEW

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: 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.

MARKETS AND BUSINESS SEGMENTS

During the fourth quarter of 2023, we realigned our operating and reportable segments to correspond with changes to our operating model, management structure, and internal reporting and to better align with how the chief operating decision maker makes operating decisions, allocates resources, and assesses performance. Accordingly, we identified 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. Comparative prior period disclosures have been recast to conform to the current segment presentation.

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 brand HRG Distribution, we distribute many of our products, including 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 hydroponic retail locations, a commercial sales teams serving commercial cultivators, an online platform for cultivators at growgeneration.com, and a wholesale business, HRG Distribution, that markets to resellers in both the hydroponic and traditional gardening markets. Management believes that the Company has the largest chain of specialty retail hydroponic and organic garden centers in the U.S., with 43 retail locations across 18 states as of June 30, 2024.

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.

Growth Strategy and Strategic Restructuring Plan

GrowGeneration's 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 its founding in 2014, GrowGeneration has acquired or opened numerous specialty hydroponic and organic gardening center locations. Management believes that the Company has the largest chain of specialty retail hydroponic and organic garden centers in the U.S., with 43 retail locations across 18 states as of June 30, 2024. GrowGeneration has also acquired several other types of businesses within or complimentary to the hydroponic industry, such as online retailers, proprietary products, our distribution business, HRG, and our benching, racking, and storage solutions business, MMI. The Company regularly seeks and evaluates accretive acquisition opportunities with similar or complimentary businesses to those businesses it already operates.

In July 2024, we announced a strategic restructuring plan focused on long-term profitability and advancing growth initiatives in key areas of our Gardening and Cultivation segment such as our proprietary brands, commercial sales, and e-commerce business. These restructuring plans primarily include reductions in cost structure by closing and consolidating twelve redundant or underperforming retail locations, in addition to the seven retail locations closed in the first half of 2024, workforce reductions, and other operational improvements in inventory management, sales and marketing, and administrative activities. We expect that these restructuring activities will be substantially completed by the end of fiscal year 2024 and will improve gross profit margin and profitability and generate annualized cost savings of approximately $12.0 million. We are currently unable to make a good faith determination of an estimate or range of estimates of the total expected restructuring and restructuring related costs.

The Company's main growth strategies for its Storage Solutions segment include expanding the types of customers and industries to which it sells its products, including greater penetration in agriculture and golf and country clubs. In March 2024, the Company announced it had engaged Lake Street Capital to advise and assist in exploring strategic opportunities for its benching, racking, and storage solutions business.

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.

We assess the organic growth of our Cultivation and Gardening segment net sales on a same-store basis. We believe that our assessment on a same-store basis represents an important indicator of comparative financial results and provides relevant information to assess our performance. New and acquired stores become eligible for inclusion in the comparable store base if the store has been under our ownership for the entire period in the same-store base periods for which we are including the store. Closed stores become ineligible for inclusion in the comparable store base in the month in which operations cease.

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 June 30, 2024and 2023

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 June 30,				Year-to-Year Variance	
	2024		2023			
Net sales	$ 53,536	100.0 %	$ 63,925	100.0 %	$ (10,389)	(16.3)%
Cost of sales	39,115	73.1 %	46,788	73.2 %	(7,673)	(16.4)%
Gross profit	14,421	26.9 %	17,137	26.8 %	(2,716)	(15.8)%
Operating expenses	20,935	39.1 %	23,442	36.7 %	(2,507)	(10.7)%
Loss from operations	(6,514)	(12.2)%	(6,305)	(9.9)%	(209)	(3.3)%
Other income	713	1.3 %	699	1.1 %	14	2.0 %
Net loss before taxes	(5,801)	(10.8)%	(5,606)	(8.8)%	(195)	(3.5)%
Provision for income taxes	(95)	(0.2)%	(93)	(0.1)%	(2)	(2.2)%
Net loss	$ (5,896)	(11.0)%	$ (5,699)	(8.9)%	$ (197)	(3.5)%

Net Sales

Net sales for the three months ended June 30, 2024 were $53.5 million, a decrease of $10.4 million or 16.3% as compared to net sales of $63.9 million for the three months ended June 30, 2023.

The decrease in net sales was primarily related to our Cultivation and Gardening segment, which had net sales of $46.1 million for the three months ended June 30, 2024 compared to $55.6 million for the three months ended June 30, 2023. This decrease in net sales was primarily due to the fiscal 2023 consolidation of twelve retail locations after June 30, 2023 as well as the seven retail locations closed in the first half of 2024. Same-store sales decreased approximately 6.2%, primarily attributable to decreased e-commerce and brick-and-mortar retail sales volume declines. Proprietary brand sales as a percentage of Cultivation and Gardening net sales for the three months ended June 30, 2024 increased to 21.5% as compared to 16.7% for the three months ended June 30, 2023, largely driven by our strategic initiatives to increase sales volume with our expanded portfolio of proprietary brands and various proprietary product launches. The percentage of Cultivation and Gardening net sales related to consumable products for the three months ended June 30, 2024 was 73.0%, which was an increase from 69.7% for the three months ended June 30, 2023. The increase in consumable sales as a percentage of net sales was driven mainly by increased brand adoption of proprietary growing media and nutrient products.

Additionally, net sales of commercial fixtures within our Storage Solutions segment decreased to $7.4 million for the three months ended June 30, 2024 compared to $8.4 million for the three months ended June 30, 2023.

Cost of Sales

Cost of sales for the three months ended June 30, 2024 was $39.1 million, a decrease of $7.7 million or 16.4% compared to $46.8 million for the three months ended June 30, 2023. The decrease in cost of sales was primarily due to the 16.3% decrease in sales, as previously discussed, partially offset by reduced inventory discounts from vendors in the three months ended June 30, 2024 compared to the three months ended June 30, 2023.

Gross Profit

Gross profit was $14.4 million for the three months ended June 30, 2024 compared to $17.1 million for the three months ended June 30, 2023, a decrease of $2.7 million or 15.8%. The decrease in gross profit is primarily related to the Gardening and Cultivation segment, which decreased $2.4 million, or 18.0%, for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023, largely as a result of the decrease in sales volume due to store consolidations as previously discussed. Additionally, gross profit from our Storage Solutions segment decreased $0.3 million, or 8.3%, in the three months ended June 30, 2024 compared to the three months ended June 30, 2023.

Gross profit margin increased slightly at 26.9% for the three months ended June 30, 2024 compared to 26.8% for the three months ended June 30, 2023. Gross margin improved for the Storage Solutions segment to 46.9% in the three months ended June 30, 2024 from 45.4% in three months ended June 30, 2023, which was offset by a decrease in Cultivation and Gardening gross profit margin to 23.7% for the three months ended June 30, 2024 from 24.0% for the three months ended June 30, 2023, primarily due to continued industry pricing compression on distributed products.

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 $20.9 million for the three months ended June 30, 2024 and $23.4 million in the three months ended June 30, 2023, a decrease of $2.5 million or 10.7%.

Store operating costs and other operational expenses, which consisted primarily of payroll, rent and utilities, and allocated corporate overhead costs, were $10.2 million for the three months ended June 30, 2024, compared to $12.0 million for the three months ended June 30, 2023, a decrease of $1.8 million or 15.0%. The decrease in store operating costs was primarily due to the fiscal 2023 consolidation of twelve retail locations after June 30, 2023 as well as the seven retail locations closed in the first half of 2024.

Total corporate overhead, which is comprised of selling, general, and administrative expense, estimated credit losses, and depreciation and amortization expense, was $10.7 million for three months ended June 30, 2024 compared to $11.4 million for the three months ended June 30, 2023, a decrease of $0.7 million or 6.2%. Selling, general, and administrative costs decreased by $0.4 million or 5.3% for the three months ended June 30, 2024 primarily as a result of decreased professional fees and corporate expenses and decreased share-based compensation. The remaining decrease was primarily driven by a $0.2 million decrease in depreciation and amortization expense in the three months ended June 30, 2024 compared to the three months ended June 30, 2023.

Other Income (Expense)

Other income (expense) remained flat at approximately $0.7 million for each of the three months ended June 30, 2024 and June 30, 2023.

Comparison of the Unaudited Results for the Six Months Ended June 30, 2024 and 2023

	Six Months Ended June 30,					
	2024		**2023**		**Year-to-Year Variance**	
Net sales	$ 101,424	100.0 %	$ 120,752	100.0 %	$ (19,328)	(16.0)%
Cost of sales	74,639	73.6 %	87,326	72.3 %	(12,687)	(14.5)%
Gross profit	26,785	26.4 %	33,426	27.7 %	(6,641)	(19.9)%
Operating expenses	42,731	42.1 %	47,151	39.0 %	(4,420)	(9.4)%
Loss from operations	(15,946)	(15.7)%	(13,725)	(11.4)%	(2,221)	(16.2)%
Other income	1,306	1.3 %	1,985	1.6 %	(679)	(34.2)%
Net loss before taxes	(14,640)	(14.4)%	(11,740)	(9.7)%	(2,900)	(24.7)%
Provision for income taxes	(93)	(0.1)%	(93)	(0.1)%	—	— %
Net loss	$ (14,733)	(14.5)%	$ (11,833)	(9.8)%	$ (2,900)	(24.5)%

Net Sales

Net sales for the six months ended June 30, 2024 were $101.4 million, a decrease of $19.3 million or 16.0% as compared to net sales of $120.8 million for the six months ended June 30, 2023.

The decrease in net sales was primarily related to our Cultivation and Gardening segment, which had net sales of $89.2 million for the six months ended June 30, 2024 compared to $104.7 million for the six months ended June 30, 2023. This decrease in net sales was primarily due to the fiscal 2023 consolidation of twelve retail locations after June 30, 2023 as well as the seven retail locations closed in the first half of 2024. Same-store sales decreased approximately 3.8%, attributable to decreased e-commerce and brick-and-mortar retail sales volume declines. Proprietary brand sales as a percentage of Cultivation and Gardening net sales for the six months ended June 30, 2024 was 22.0% as compared to 17.5% for the six months ended

June 30, 2023, largely driven by our strategic initiatives to increase sales volume with our expanded portfolio of proprietary brands and various proprietary product launches. The percentage of Cultivation and Gardening net sales related to consumable products for the six months ended June 30, 2024 was 71.6%, which was an increase from 67.9% for the six months ended June 30, 2023. The increase in consumable sales as a percentage of net sales was driven mainly by increased brand adoption of proprietary growing media and nutrient products.

Additionally, net sales of commercial fixtures within our Storage Solutions segment decreased to $12.2 million for the six months ended June 30, 2024 compared to $16.1 million for the six months ended June 30, 2023.

Cost of Sales

Cost of sales for the six months ended June 30, 2024 was $74.6 million, a decrease of $12.7 million or 14.5% compared to $87.3 million for the six months ended June 30, 2023. The decrease in cost of sales was primarily due to the 16.0% decrease in sales, as previously discussed, partially offset by reduced inventory discounts from vendors and non-recurring costs associated with store consolidations in the six months ended June 30, 2024 compared to the six months ended June 30, 2023.

Gross Profit

Gross profit was $26.8 million for the six months ended June 30, 2024 compared to $33.4 million for the six months ended June 30, 2023, a decrease of $6.6 million or 19.9%. The decrease in gross profit is primarily related to the Gardening and Cultivation segment, which decreased $5.3 million, or 20.0%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, largely as a result of the decrease in sales volume due to store consolidations as previously discussed. Additionally, gross profit from our Storage Solutions segment decreased $1.3 million, or 19.5%, in the six months ended June 30, 2024 compared to the six months ended June 30, 2023.

Gross profit margin was 26.4% for the six months ended June 30, 2024, a decrease of 130 basis points from a gross profit margin of 27.7% for the six months ended June 30, 2023. The decrease was primarily attributable to an 160 basis point gross profit margin decline for the Cultivation and Gardening segment, which was primarily driven by industry pricing compression on distributed products and non-recurring costs associated with store consolidations discussed previously. The decrease in the total gross profit margin was partially offset by a 260 basis point gross profit margin improvement 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 $42.7 million for the six months ended June 30, 2024 and $47.2 million for the six months ended June 30, 2023, a decrease of $4.4 million or 9.4%.

Store operating costs and other operational expenses, which consisted primarily of payroll, rent and utilities, and allocated corporate overhead costs, were $20.8 million for the six months ended June 30, 2024, compared to $24.6 million for the six months ended June 30, 2023, a decrease of $3.8 million or 15.4%. The decrease in store operating costs was primarily due to the fiscal 2023 consolidation of twelve retail locations after June 30, 2023 as well as the seven retail locations closed in the first half of 2024. Additionally, as part of our 2023 charitable initiatives, we had approximately $0.4 million more charitable donations in the six months ended June 30, 2023 as compared to the six months ended June 30, 2024.

Total corporate overhead, which is comprised of selling, general, and administrative expense, estimated credit losses, and depreciation and amortization expense, decreased to $21.9 million for the six months ended June 30, 2024 compared to $22.5 million for the six months ended June 30, 2023, a decrease of $0.6 million or 2.8%. Selling, general, and administrative costs increased by $0.7 million or 4.7% for the six months ended June 30, 2024 primarily as a result of one-time severances and related professional fees and increased marketing expenses related to various proprietary product launches. This increase was offset by the estimated credit recoveries of $0.5 million in the six months ended June 30, 2024, primarily due to a $0.3 million settlement received in bankruptcy proceedings related to a note receivable, as compared to the estimated credit loss of $0.4 million in the six months ended June 30, 2023.

Other Income (Expense)

Other income (expense) was $1.3 million for the six months ended June 30, 2024 compared to $2.0 million for the six months ended June 30, 2023. This decrease is primarily attributable to the $0.9 million gain recognized in the six months ended June 30, 2023 related to a prior acquisition indemnity holdback.

Use of Non-GAAP Financial Information

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. We believe these non-GAAP measures, when used in conjunction with net income (loss), provide meaningful supplemental information to both management and investors, facilitating the evaluation of performance across reporting periods. Management 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. We believe that these non-GAAP financial measures may be useful to investors in their assessment of our operating performance 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	$ (5,896)	$ (5,699)	$ (14,733)	$ (11,833)
Provision for income taxes	95	93	93	93
Interest income	(737)	(753)	(1,339)	(1,181)
Interest expense	14	3	70	5
Depreciation and amortization	3,615	3,824	7,357	7,756
EBITDA	$ (2,909)	$ (2,532)	$ (8,552)	$ (5,160)
Share-based compensation	654	947	1,432	1,514
Investment income	718	1,181	1,298	1,181
Restructuring and other charges [1]	394	1,260	1,808	1,519
Adjusted EBITDA	$ (1,143)	$ 856	$ (4,014)	$ (946)

[1] Consists primarily of expenditures related to the activity of store and distribution consolidation and one-time severances

LIQUIDITY AND CAPITAL RESOURCES

Overview

As of June 30, 2024, we had working capital of $105.4 million compared to working capital of $116.5 million as of December 31, 2023, a decrease of $11.2 million. The decrease in working capital from December 31, 2023 to June 30, 2024 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 well as reductions in inventory and common stock repurchases.

As of June 30, 2024, we had cash, cash equivalents, and marketable securities of $56.0 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.

Share Repurchase Program

On March 20, 2024, the Board of Directors of the Company 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 and continues for up to one year. This share repurchase program is intended to enhance long-term shareholder value. The program does 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 will depend on factors such as the stock price, trading volumes, market conditions, and regulatory requirements. The stock repurchase program may be amended, suspended, or discontinued at any time by the Company. Except for the Company's generally applicable insider trading policies, the Company does not maintain any policies or procedures relating to purchases and sales of its securities by its officers and directors during a repurchase program.

During the three and six months ended June 30, 2024, we repurchased 1.7 million shares of common stock for $4.2 million, an average price of $2.39 per share. As of June 30, 2024, approximately $1.8 million remained available under the stock repurchase program. We retired 0.8 million shares of common stock repurchased under the program in the three and six months ended June 30, 2024.

Cash Flows

The following discussion sets forth the major sources and uses of cash for the six months ended June 30, 2024 and 2023.

Operating Activities

Net cash and cash equivalents used in operating activities for the six months ended June 30, 2024 was $4.0 million compared to net cash provided by operating activities of $7.4 million for the six months ended June 30, 2023. The changes in operating cash were primarily driven by the increased net loss as previously discussed.

Investing Activities

Net cash and cash equivalents provided by investing activities for the six months ended June 30, 2024 was $6.2 million compared to net cash used by investing activities of $17.6 million for the six months ended June 30, 2023. Investing activities for the six months ended June 30, 2024 were primarily attributable to investment of excess cash into marketable securities of $28.0 million, offset by maturity of marketable securities of $35.6 million. We also had purchases of property and equipment of $1.4 million during the six months ended June 30, 2024. Investing activities for the six months ended June 30, 2023 were primarily attributable to investment of excess cash into marketable securities of $51.7 million, offset by maturity of marketable securities of $42.6 million, and purchases of property and equipment of $5.5 million, which was primarily related to the implementation and design of a new enterprise resource planning software system.

Financing Activities

Net cash and cash equivalents used in financing activities for the six months ended June 30, 2024 was $4.3 million and was primarily attributable to common stock repurchased under our share repurchase program. Net cash and cash equivalents used in financing activities for the six months ended June 30, 2023 was $0.2 million and was primarily attributable 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, 2023.

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, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain 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")) that are designed to be effective in providing reasonable assurance 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.

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, including the possibility of human error, the circumvention or overriding of controls, or fraud, no evaluation of controls can provide absolute assurance that all control issues, misstatements, errors, and instances of fraud, if any, within our organization have been or will be prevented or detected.

As of the period covered by this Quarterly Report on Form 10-Q, 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). Our management concluded that as of June 30, 2024, our disclosure controls and procedures were not effective because of the material weaknesses in our internal control over financial reporting identified by management as of December 31, 2023 (described below). A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that a reasonable possibility exists that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis.

Material Weaknesses in Control Activities

<u>Evaluation of Disclosure Controls and Procedures</u>

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of 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 June 30, 2024, 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). Our management concluded that as of June 30, 2024, our disclosure controls and procedures were not effective because of the material weaknesses in our internal control over financial reporting described below.

<u>Management's Report on Internal Control Over Financial Reporting</u>

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 June 30, 2024 because of the material weaknesses in internal control over financial reporting discussed below.

- Control Environment: The Company did not maintain an effective control environment based on the criteria established in the COSO framework, which resulted in deficiencies in principles associated with the control environment.

In addition, the following material weaknesses were previously identified and contributed to the material weakness in the control environment:

- Insufficient resources within the accounting and financial reporting department to review the accounting of complex financial reporting transactions including areas such as business combinations, share based compensation, and the related income tax reporting
- Ineffective controls over updating and distributing accounting policies and procedures across the organization.

The control environment material weaknesses contributed to other material weaknesses within our system of internal controls over financial reporting related to the following COSO components:

- Risk Assessment: The Company did not design and implement an effective risk assessment based on the criteria established in the COSO framework and identified deficiencies in the principles associated with the risk assessment component of the COSO framework.
- Information and Communication: The Company did not have an effective information and communication process that identified and assessed the source of and controls necessary to ensure the reliability of information used in financial reporting and that communicates relevant information about roles and responsibilities for internal control over financial reporting.
- Monitoring Activities: The Company did not have effective monitoring activities to assess the operation of internal control over financial reporting, including the continued appropriateness of control design and level of documentation maintained to support control effectiveness.
- Control Activities: As a consequence of the material weaknesses described above, internal control deficiencies related to the design and operation of process-level controls and general information technology controls were determined to be pervasive throughout the Company's financial reporting processes.

In addition, the following material weaknesses were previously identified and contributed to the material weakness in control activities:

- Inadequate information and technology general controls, including segregation of duties, change management, and user access, which were inadequate to support financial reporting applications and support automated controls and functionality.
- Inadequate controls over physical inventory counts.
- Inadequate controls over valuations, inclusive of appropriate valuation model inputs and appropriate forecasting for prospective financial information.

- Inadequate segregation of duties within human resources, manual journal entry posting processes, and various bank accounts of the Company to prevent and detect unauthorized transactions in a timely manner.

While these material weaknesses did not result in material misstatements of the Company's Condensed Consolidated Financial Statements as of and for the year ended December 31, 2023, and management does not believe that these material weaknesses resulted in material misstatements as of June 30, 2024, these material weaknesses create 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.

The Company's independent registered public accounting firm, Grant Thornton LLP, which audited the 2023 consolidated financial statements included in the Form 10-K, has expressed an adverse opinion on the Company's internal control over financial reporting.

<u>Remediation Plan and Status</u>

Our management is committed to remediating identified control deficiencies (including both those that rise to the level of a material weakness and those that do not), fostering continuous improvement in our internal controls, and enhancing our overall internal controls environment.

We initiated many of our control remediation efforts in fiscal 2022, and these efforts have continued through 2024, including:

- Engaged a third-party specialist CPA firm to consult with management in redesigning and documenting of our internal controls over financial reporting, including our entity-level controls, to be compliant with Sarbanes Oxley Act of 2002 ("SOX").
- Hired a dedicated controls compliance manager charged with monitoring and facilitating compliance with the Company's responsibilities under SOX in coordination with the third-party specialist.
- Implemented a global risk and compliance software to assist in monitoring and documenting compliance with SOX.
- Made significant progress related to our control design and assessment, including the identification of risks arising from inappropriate segregation of duties and fraud risks and the development of new controls and revised the design of existing controls to mitigate the aforementioned risks, inclusive of entity-level controls.
- For certain processes, developed new and revised existing process narratives and flowcharts and identified risks inherent to those processes.
- Conducted training sessions with control owners.
- Restructured or consolidated certain business functions to align more closely with effective business operation as well as to enable appropriate segregation of duties.
- Implemented new business systems, including an enterprise resource planning software system, to support information technology general controls, appropriate segregation of duties, appropriate journal entry posting processes, change management, and user access.
- Added personnel to the accounting and financial reporting department with technical accounting experience to act as internal resources for reviewing complex financial reporting transactions, including areas such as business combinations, share based compensation, and income tax reporting.
- Continue to engage third party specialists to assist management with complex financial transactions and valuations, including valuation model techniques and inputs such as forecasted, prospective financial information.

The following remaining activities are scheduled to occur during our fiscal year 2024 in support of issuing management's assessment of internal control over financial reporting as of December 31, 2024:

- Testing design and operating effectiveness of newly implemented controls across all financial reporting processes and information technology environments.
- Finalization of risk assessments, control design, and implementation of new and revised controls, inclusive of general information technology controls and entity-level controls, as necessary.
- Ongoing training with control owners.
- Developing effective communication plans to all parties responsible for remediation relating to, among other things, identification of deficiencies and recommendations for corrective actions.
- Providing periodic compliance reports to the Audit Committee of the Board of Directors.

Our management believes that these remediation actions, when fully implemented, will remediate the material weaknesses we have identified and strengthen our internal control over financial reporting. However, our remediation efforts are ongoing and additional remediation initiatives may be necessary. We will continue to implement and document the strengthening of existing and the development of new policies, procedures, and internal controls.

Remediation of the identified material weaknesses and strengthening our internal control environment has required and will continue to require a substantial effort throughout 2024. We will test the ongoing operating effectiveness of the new and existing controls in future periods. The material weaknesses cannot be considered completely remediated until the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

While we believe the steps taken to date and those planned for implementation will remediate the ineffectiveness of our internal control over financial reporting, we have not completed all remediation efforts identified herein. Accordingly, as we continue to monitor the effectiveness of our internal control over financial reporting in the areas affected by the material weaknesses described above, we have and will continue to perform additional procedures prescribed by management, including the use of manual mitigating control procedures and employing any additional tools and resources deemed necessary, to ensure that our Consolidated Financial Statements are fairly stated in all material respects.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting, except for the implementation of remediation plans to address the material weaknesses 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, 2023.

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

Share Repurchase Program

On March 20, 2024, the Board of Directors of the Company 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 and continues for up to one year.

The following table contains information for shares of common stock repurchased pursuant to the program during the three months ended June 30, 2024.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be purchased Under the Plans or Programs
April 1 - April 30, 2024	800,007	$ 2.33	800,007	$ 4,138,558
May 1 - May 31, 2024	290,470	2.50	290,470	$ 3,413,189
June 1 - June 30, 2024	648,479	2.43	648,479	$ 1,836,594
Total	1,738,956	$ 2.39	1,738,956	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

For the purpose of specifying certain annual bonus performance targets contemplated by the employment agreements previously entered into with its executive officers, effective as of April 22, 2024, the Company entered into a Long-Term Incentive Agreement ("LTI Agreement") with each executive officer. The LTI Agreements establish a cash bonus program based on the sale or license of the Company's proprietary brand products each year during the three-year period beginning January 1, 2024 and ending December 31, 2026. The amount payable, if any, is determined based on the growth in revenues derived from proprietary brand products relative to total revenues in the Cultivation and Gardening segment. The minimum cash bonus is earned if the percentage of proprietary brand sales as a portion of total sales in a given year increases by 300 basis points, and the maximum cash bonus is earned if the percentage of proprietary brand sales as a portion of total sales in a given year increases by 600 basis points or more. If earned, the amount payable vests in three equal installments, with one-third vesting as of the end of the applicable year and an additional one-third vesting as of the end of each of the next two years, subject to continued employment with the Company, and subject to acceleration in certain circumstances such as retirement. Copies of each LTI Agreement are attached to this Quarterly Report on Form 10-Q as Exhibits 10.1, 10.2 and 10.3.

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)
10.1	Form of Long-Term Incentive Agreement dated April 22, 2024 between GrowGeneration Corp and Darren Lampert
10.2	Form of Long-Term Incentive Agreement dated April 22, 2024 between GrowGeneration Corp and Michael Salaman
10.3	Form of Long-Term Incentive Agreement dated April 22, 2024 between GrowGeneration Corp and Gregory Sanders
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 August 8, 2024.

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)

GROWGENERATION CORP.
LONG-TERM INCENTIVE AGREEMENT

This Long-Term Incentive Agreement (the "Agreement") is effective as of April 22, 2024 (the "Effective Date") by and between GrowGeneration Corp. (the "Company"), and Darren Lampert (the "Executive").

WHEREAS, the Company wishes to provide Executive with an additional incentive to exert best efforts to assist the Company to meet or exceed its financial and other business objectives and to encourage Executive's retention in a vital leadership role;

WHEREAS, the Company and Executive wish to enter into this Agreement to set forth the terms and conditions upon which Executive may earn long-term incentive compensation; and

NOW, THEREFORE, in consideration of the foregoing and the mutual provisions contained herein, and for other good and valuable consideration, the Company and Executive agree as follows:

ARTICLE I
DEFINITIONS

1.1 "Affiliate" means any corporation or any other entity (including, but not limited to, partnerships and joint ventures) controlling, controlled by, or under common control with the Company.

1.2 "Beneficiary" means the person or persons designated by the Executive to acquire the right to receive payments under the Agreement in the event of the death of the Executive prior to the complete distribution of benefits due under the Agreement, in accordance with such procedures established by the Committee. Further, any finalized divorce or legal separation of an Executive after the date of filing of a beneficiary designation form in favor of Executive's spouse shall revoke such designation. If the Executive fails to designate a beneficiary, then the distribution of such benefits shall be made to the Executive's estate.

1.3 "Cause" shall have the same meaning as "cause" as set forth in any employment, consulting, or other agreement for the performance of services between the Executive and the Company. In the absence of any such agreement, such term shall mean the Executive's (i) indictment for or conviction of (including plea of guilty or no-contest to) any felony or any crime involving dishonesty; (ii) engagement in embezzlement, misappropriation, or fraud; (iii) engagement in illegal conduct or gross misconduct in connection with Executive's employment that is materially injurious to the Company (or an Affiliate), which includes sexual assault, sexual harassment, or similar misconduct; (iv) refusal or intentional failure to comply with any lawful written directive of the Board of Directors reasonably within the scope of Executive's duties and responsibilities; (v) material breach of Executive's fiduciary duty or duty of loyalty to the Company (or an Affiliate); or (vi) material breach of this Agreement, any other contract with, or policy of, the Company (or an Affiliate) that is not cured (if capable of cure) within ten (10) business days after written notice to Executive identifying the breach; provided no such opportunity to cure shall be

required if a substantially similar breach occurred within the preceding 12-month period. The good faith determination by the Committee of whether the Executive's employment was terminated by the Company for "Cause" shall be final and binding for all purposes hereunder.

1.4 "Committee" shall mean the Compensation Committee of the Board of Directors of the Company.

1.5 "Disability" means the Executive is disabled as defined under the provisions of the Company's long-term disability plan or policy, as then in effect.

1.6 "Measurement Period" means each individual fiscal year during the three-year period beginning January 1, 2024 and ending December 31, 2026.

1.7 "Proprietary Brand Sales" means GAAP net sales recognized within the Company's Cultivation and Gardening segment from the sale or license of its proprietary brand products, excluding sales of proprietary brand products acquired through mergers or acquisitions completed on or after January 1, 2024.

1.8 "Retirement" means the Executive's termination of employment as a result of retirement when the Executive's combined age and years of employment with the Company (and its Affiliates) equal 70 or greater.

1.9 "Total C&G Sales" means all GAAP net sales recognized within the Company's Cultivation and Gardening segment, excluding sales of proprietary brand products acquired through mergers or acquisitions completed on or after January 1, 2024.

ARTICLE II
BONUS POOL

2.1 Award. The Executive shall be eligible to receive an amount in cash equal to 37% of the Bonus Pool Amount for each applicable Measurement Period (the "Award"), subject to satisfaction of the terms and conditions expressed herein.

2.2 Bonus Pool Amount. The Company shall establish a bonus pool in the applicable aggregate amount (the "Bonus Pool Amount") set forth in the table below based on the growth in Proprietary Brand Sales as a percentage of Total C&G Sales during the applicable Measurement Period. For the avoidance of doubt, the maximum Bonus Pool Amount is $400,000, even if growth in Proprietary Brand Sales as a percentage of Total C&G Sales exceeds 6%.

Proprietary Brand Sales	Bonus Pool Amount
6%+	$400,000
5%	$300,000
4%	$200,000
3%	$100,000

As an example for illustrative purposes only, if Proprietary Brand Sales as a percentage of Total C&G Sales during fiscal year 2023 were 20.1%, and Proprietary Brand Sales as a percentage of Total C&G Sales during fiscal year 2024 were 23.8%, the Bonus Pool Amount would equal $100,000.

Notwithstanding the foregoing, no Award shall be payable for any Measurement Period during which the Company experiences a decrease in total Proprietary Brand Sales.

2.3 Vesting and Timing of Payment. Subject to the accelerated vesting and payment provisions in Section 2.4, each Award shall vest in three equal installments, with one-third of the Award vesting as of the conclusion of the applicable Measurement Period and an additional one-third of the Award vesting on each anniversary thereafter (each, a "Vesting Date"), provided the Executive remains continuously employed by the Company (or an Affiliate). Each installment will be paid as soon as reasonably practical following the applicable Vesting Date, and in any event no later than December 31st of the year following the year in which the Vesting Date occurs.

2.4 Accelerated Vesting and Payment. Any unvested portion of an Award previously earned shall immediately vest and be paid to the Executive upon the first to occur of (i) termination of the Executive's employment by the Company (or an Affiliate) without Cause; (ii) termination of the Executive's employment by reason of Retirement; (iii) termination of the Executive's employment by reason of death; or (iv) termination of the Executive's employment by reason of Disability (each, a "Payment Date"). Such payment will be made to the Executive (or the Executive's Beneficiary) within sixty (60) days following the Payment Date, but not later than December 31st of the year following the year in which the Payment Date occurs.

ARTICLE III
ADMINISTRATION

3.1 Administration. Except for such rights as are expressly reserved to the Board hereunder, the Agreement shall be administered by the Committee. The Committee shall have the exclusive right and full discretion (i) to interpret the Agreement; (ii) to decide any and all matters arising hereunder (including the right to remedy possible ambiguities, inconsistencies, or admissions); (iii) to make, amend and rescind such rules as it deems necessary for the proper administration of the Agreement; and (iv) to make all other determinations necessary or advisable for the administration of the Agreement, including determinations regarding eligibility for benefits payable under the Agreement. All interpretations of the Committee with respect to any matter hereunder shall be final, conclusive, and binding on all persons affected thereby.

3.2 Amendments and Termination. The Committee may at any time terminate or, from time to time, amend or suspend the Agreement in whole or in part; provided, however, that no such action shall adversely affect any rights or obligations with respect to any Award previously made.

3.3 No Liability. No member of the Committee, or any officer or employee of the Company (or an Affiliate), shall be liable for any determination, decision or action made in good faith with respect to the Agreement.

ARTICLE IV
MISCELLANEOUS

4.1 Nonassignability. The right to the Award provided under the Agreement shall not be subject to transfer, sale, assignment, pledge, encumbrance or charge other than as contemplated herein or by will or the laws of descent and distribution.

4.2 No Right to Company Assets. The Award shall be paid from the general funds of the Company and the Executive shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company (or an Affiliate) for payment of any obligations hereunder.

4.3 Withholding. The Award shall be subject to reduction for any applicable income or employment tax withholding requirements, as determined in the complete and sole discretion of the Committee.

4.4. Successors. The rights and obligations of the Company under the Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

4.5 Employment Not Guaranteed. Nothing contained in the Agreement, nor any action taken hereunder, shall be construed as a contract of employment or as giving the Executive any right to continued employment with the Company (or an Affiliate).

4.6 Gender, Singular and Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

4.7 Validity. In the event any provision of the Agreement is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Agreement.

4.8 Waiver of Breach. The waiver by the Company of any breach of any provision of the Agreement shall not operate, or be construed as, a waiver of any subsequent breach by the Executive.

4.9 Applicable Law. The Plan shall be enforced, governed, and construed in all respects in accordance with the laws of the state of Colorado without regard to the principles thereof relating to conflicts of laws.

4.10 Section 409A of the Code. The Company the Agreement to be exempt from or in compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the Company shall interpret the Agreement consistent with such intent. The Company may amend or modify the Agreement to the extent necessary for purposes of continued exemption from, or if payments are deemed subject to Section 409A, to comply with, the requirements of Section 409A.

[Signatures follow.]

IN WITNESS WHEREOF, the Company and the Executive have caused this Agreement to be duly executed effective as of the Effective Date.

COMPANY:

GrowGeneration Corp.

By:/s/ Michael Salaman
Name: Michael Salaman
Title: President

EXECUTIVE:

/s/ Darren Lampert
Name: Darren Lampert

GROWGENERATION CORP.
LONG-TERM INCENTIVE AGREEMENT

This Long-Term Incentive Agreement (the "Agreement") is effective as of April 22, 2024 (the "Effective Date") by and between GrowGeneration Corp. (the "Company"), and Michael Salaman (the "Executive").

WHEREAS, the Company wishes to provide Executive with an additional incentive to exert best efforts to assist the Company to meet or exceed its financial and other business objectives and to encourage Executive's retention in a vital leadership role;

WHEREAS, the Company and Executive wish to enter into this Agreement to set forth the terms and conditions upon which Executive may earn long-term incentive compensation; and

NOW, THEREFORE, in consideration of the foregoing and the mutual provisions contained herein, and for other good and valuable consideration, the Company and Executive agree as follows:

ARTICLE I
DEFINITIONS

1.1 "Affiliate" means any corporation or any other entity (including, but not limited to, partnerships and joint ventures) controlling, controlled by, or under common control with the Company.

1.2 "Beneficiary" means the person or persons designated by the Executive to acquire the right to receive payments under the Agreement in the event of the death of the Executive prior to the complete distribution of benefits due under the Agreement, in accordance with such procedures established by the Committee. Further, any finalized divorce or legal separation of an Executive after the date of filing of a beneficiary designation form in favor of Executive's spouse shall revoke such designation. If the Executive fails to designate a beneficiary, then the distribution of such benefits shall be made to the Executive's estate.

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required if a substantially similar breach occurred within the preceding 12-month period. The good faith determination by the Committee of whether the Executive's employment was terminated by the Company for "Cause" shall be final and binding for all purposes hereunder.

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1.8 "Retirement" means the Executive's termination of employment as a result of retirement when the Executive's combined age and years of employment with the Company (and its Affiliates) equal 70 or greater.

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ARTICLE II
BONUS POOL

2.1 Award. The Executive shall be eligible to receive an amount in cash equal to 37% of the Bonus Pool Amount for each applicable Measurement Period (the "Award"), subject to satisfaction of the terms and conditions expressed herein.

2.2 Bonus Pool Amount. The Company shall establish a bonus pool in the applicable aggregate amount (the "Bonus Pool Amount") set forth in the table below based on the growth in Proprietary Brand Sales as a percentage of Total C&G Sales during the applicable Measurement Period. For the avoidance of doubt, the maximum Bonus Pool Amount is $400,000, even if growth in Proprietary Brand Sales as a percentage of Total C&G Sales exceeds 6%.

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[Signatures follow.]

IN WITNESS WHEREOF, the Company and the Executive have caused this Agreement to be duly executed effective as of the Effective Date.

COMPANY:

GrowGeneration Corp.

By:/s/ Darren Lampert
Name: Darren Lampert
Title: CEO

EXECUTIVE:

/s/ Michael Salaman
Name: Michael Salaman

GROWGENERATION CORP.
LONG-TERM INCENTIVE AGREEMENT

This Long-Term Incentive Agreement (the "Agreement") is effective as of April 22, 2024 (the "Effective Date") by and between GrowGeneration Corp. (the "Company"), and Gregory Sanders (the "Executive").

WHEREAS, the Company wishes to provide Executive with an additional incentive to exert best efforts to assist the Company to meet or exceed its financial and other business objectives and to encourage Executive's retention in a vital leadership role;

WHEREAS, the Company and Executive wish to enter into this Agreement to set forth the terms and conditions upon which Executive may earn long-term incentive compensation; and

NOW, THEREFORE, in consideration of the foregoing and the mutual provisions contained herein, and for other good and valuable consideration, the Company and Executive agree as follows:

ARTICLE I
DEFINITIONS

1.1 "Affiliate" means any corporation or any other entity (including, but not limited to, partnerships and joint ventures) controlling, controlled by, or under common control with the Company.

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ARTICLE II
BONUS POOL

2.1 Award. The Executive shall be eligible to receive an amount in cash equal to 26% of the Bonus Pool Amount for each applicable Measurement Period (the "Award"), subject to satisfaction of the terms and conditions expressed herein.

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Proprietary Brand Sales	Bonus Pool Amount
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ARTICLE III
ADMINISTRATION

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ARTICLE IV
MISCELLANEOUS

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4.8 Waiver of Breach. The waiver by the Company of any breach of any provision of the Agreement shall not operate, or be construed as, a waiver of any subsequent breach by the Executive.

4.9 Applicable Law. The Plan shall be enforced, governed, and construed in all respects in accordance with the laws of the state of Colorado without regard to the principles thereof relating to conflicts of laws.

4.10 Section 409A of the Code. The Company the Agreement to be exempt from or in compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the Company shall interpret the Agreement consistent with such intent. The Company may amend or modify the Agreement to the extent necessary for purposes of continued exemption from, or if payments are deemed subject to Section 409A, to comply with, the requirements of Section 409A.

[Signatures follow.]

IN WITNESS WHEREOF, the Company and the Executive have caused this Agreement to be duly executed effective as of the Effective Date.

COMPANY:

GrowGeneration Corp.

By:/s/ Darren Lampert
Name: Darren Lampert
Title: CEO

EXECUTIVE:

/s/ Gregory Sanders
Name: Gregory Sanders

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 June 30, 2024 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.

August 8, 2024

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 June 30, 2024 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.

August 8, 2024

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 June 30, 2024, 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 June 30, 2024, 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 June 30, 2024, fairly presents, in all material respects, the financial condition and results of operations of GrowGeneration Corp.

August 8, 2024

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 June 30, 2024, 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 June 30, 2024, 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 June 30, 2024, fairly presents, in all material respects, the financial condition and results of operations of GrowGeneration Corp.

August 8, 2024

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