



**Surna Reports Q3 2020 Results and Recent Sales Contracts**  
*Announces \$4.4 million in New Sales Contracts in Q3, among highest in Company history*

**Boulder, Colorado, November 12, 2020** – Surna Inc. (OTCQB: SRNA) announced today operating and financial results for the three and nine months ended September 30, 2020.

**Financial Highlights**

- As of September 30, 2020, our cash was \$2,072,000, compared to cash of \$922,000 as of December 31, 2019. Our working capital deficit was \$1,793,000 as of September 30, 2020, compared to a working capital deficit of \$1,437,000 as of December 31, 2019. Our continued focus on disciplined cash management has helped us weather the financial uncertainties of the current pandemic.
- Our Q3 2020 gross profit margin was 32.3% compared to 28.6% for Q3 2019, an increase of 3.6 percentage points.
- Our Q3 2020 revenue was \$1,635,000, which represents a 70% decrease compared to Q3 2019 revenue of \$5,524,000.
- For Q3 2020, our operating loss and net loss was \$283,000 and \$270,000, respectively. This compares to a Q3 2019 operating income and net income of \$277,000 and \$222,000, respectively.
- Our Q3 2020 adjusted net loss was \$186,000, compared to a Q3 2019 adjusted net income of \$365,000.

**Previous Downsizing of Operations**

As we noted in our 2019 Annual Report on Form 10-K, filed in March of this year, recent events in the national and global economies have had an adverse impact on our operations and financial condition, including constraints on capital availability for us and our customers and prospects who have commenced, or are contemplating, new and expanded cannabis cultivation facilities. Most recently, the response to this coronavirus pandemic by federal, state and local governments in the U.S. has resulted in significant market and business disruptions across many industries and affecting businesses of all sizes. This pandemic has also further tightened capital access for most businesses. The full extent to which COVID-19 will impact our business and financial results will depend on future developments, which are uncertain and cannot be predicted at this time.

**Recent Sales Contracts and Stability of Operations**

During the third quarter of 2020, we entered into new sales contracts totaling approximately \$4.4 million, including our largest-ever single contract for \$2.8 million, most of which we expect to be realized as revenue in 2020. This level

of contract booking is among the highest for the Company in the last several years. To meet this new demand, we have restored our hourly workforce to full-time status and recalled those previously on furlough.

Despite this good news, the general economic conditions, government mandates about permitted work and working environments, and working capital constraints, all of which effect both our customers and us and our downsizing may have an adverse effect on our ability to effectively market our services, generate new customer orders, and contract implementation. If our customers or prospects are unable to continue operations or obtain project financing and we are unable to increase revenues or otherwise generate cash flows from operations, we will not be able to successfully execute on our various strategies and initiatives to grow our business. If these actions do not meet our expectations, or additional near-term capital is not available, we may not be able to continue our operations.

### Product Development Initiatives

We have a sales and marketing program that generates many prospective customer relationships. However, our limited range of higher cost products, mostly chilled water systems, reduces the number of customer prospects who can afford to buy from us. In 2018 we started an aggressive effort to broaden our product and service offerings to provide a wider range of HVAC technical solutions (see chart in our Form 10-Q filed November 12, 2020). In 2018 we began to offer stamped mechanical plan sets and our first 4-pipe chilled water systems. In 2019 we broadened our engineering services to include full MEP (Mechanical, Electrical, and Plumbing) design services. We also began to offer our SentryIQ™ Controls System. And in 2020 we added new products to include: split system DX (direct expansion) with integrated dehumidification, packaged DX systems with modulating hot gas reheat, heat recovery chiller/boiler for 4-pipe systems, and we recently added our StrataAir™ racking airflow solution to address customer needs for multi-level cultivation facilities. These various systems provide solutions to answer a broader range of technical and cost constraints and we will continue to develop and offer new solutions to our customers' problems, so that a broader group of growers can take advantage of our engineering expertise and capabilities. We believe these new products and services will increase our addressable market and increase sales, further leveraging our investment in sales and marketing.

The success of our product development initiative can be seen below, which documents the number of commercial-scale projects (over \$100,000 sales) that have included one or more of our new products:

Year	Percent Using New Products
2018	35%
2019	76%
2020	(through Q3): 100%

Tony McDonald, CEO, commented: “The third quarter of this year has seen a dramatic turnaround in Surna’s new project bookings from the first half of the year. Our view has been that cultivation construction projects were delayed and not abandoned as a result of uncertainty around the economic impact of the pandemic. And while we did experience one large and several smaller project cancellations in the second and third quarters, we have been optimistic that project orders would rebound, especially given the continued growth of retail product sales. Fortunately, we saw just that in the third quarter.”

### About Surna Inc.

Surna Inc. ([www.surna.com](http://www.surna.com)) designs, engineers and sells cultivation technologies for controlled environment agriculture including: (i) liquid-based process cooling systems and other climate control systems, (ii) air handling equipment and systems, (iii) a full-service engineering package for designing and engineering commercial scale thermodynamic systems specific to cannabis cultivation facilities, and (iv) automation and control devices, systems and technologies used for environmental, lighting and climate control. Our customers include commercial, state- and provincial-regulated cannabis growers in the U.S. and Canada as well as other international locations, including those growers building new facilities and those expanding or retrofitting existing facilities. Currently, our revenue stream

is derived primarily from supplying our products, services and technologies to commercial indoor and hybrid sealed greenhouse facilities ranging from several thousand to more than 100,000 square feet.

Headquartered in Boulder, Colorado, we leverage our experience in this space to bring value-added climate control solutions to our customers that help improve their overall crop quality and yield, optimize energy and water efficiency, and satisfy the evolving state and local codes, permitting and regulatory requirements. Although our customers do, we neither produce nor sell cannabis.

### **Forward Looking Statements**

*This press release may contain statements of a forward-looking nature relating to future events. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. These statements reflect our current beliefs, and a number of important factors could cause actual results to differ materially from those expressed in this press release, including the factors set forth in “Risk Factors” set forth in our annual and quarterly reports filed with the Securities and Exchange Commission (“SEC”), and subsequent filings with the SEC. Please refer to our SEC filings for a more detailed discussion of the risks and uncertainties associated with our business, including but not limited to the risks and uncertainties associated with our business prospects and the prospects of our existing and prospective customers; the inherent uncertainty of product development; regulatory, legislative and judicial developments, especially those related to changes in, and the enforcement of, cannabis laws; increasing competitive pressures in our industry; and relationships with our customers and suppliers. Except as required by the federal securities laws, we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise. The reference to Surna’s website has been provided as a convenience, and the information contained on such website is not incorporated by reference into this press release.*

### **Non-GAAP Financial Measures**

To supplement our financial results on U.S. generally accepted accounting principles (“GAAP”) basis, we use non-GAAP measures including net bookings and backlog, as well as other significant non-cash expenses such as stock-based compensation and depreciation expenses. We believe these non-GAAP measures are helpful in understanding our past performance and are intended to aid in evaluating our potential future results. The presentation of these non-GAAP measures should be considered in addition to our GAAP results and are not intended to be considered in isolation or as a substitute for financial information prepared or presented in accordance with GAAP. We believe these non-GAAP financial measures reflect an additional way to view aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business.

### **Statement about Cannabis Markets**

The use, possession, cultivation, and distribution of marijuana is prohibited by U.S. federal law for medical and recreational purposes. Although certain states have legalized medical and recreational cannabis, companies and individuals involved in the sector are still at risk of being prosecuted by federal authorities. Further, the landscape in the cannabis industry changes rapidly. This means that at any time the city, county, or state where cannabis is permitted can change the current laws and/or the federal government can supersede those laws and take prosecutorial action. Given the uncertain legal nature of the cannabis industry, it is imperative that investors understand that investments in the cannabis industry should be considered very high risk. A change in the current laws or enforcement policy can negatively affect the status and operation of our business, require additional fees, stricter operational guidelines and unanticipated shut-downs.

**Surna Marketing**  
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**Surna Inc.**  
**Consolidated Balance Sheets**

	September 30,	December 31,
	2020	2019
	(Unaudited)	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,072,312	\$ 922,177
Accounts receivable (net of allowance for doubtful accounts of \$164,823 and \$151,673, respectively)	97,257	138,357
Inventory, net	521,650	1,231,243
Prepaid expenses and other	757,498	269,491
Total Current Assets	3,448,717	2,561,268
<b>Noncurrent Assets</b>		
Property and equipment, net	176,823	257,923
Goodwill	631,064	631,064
Intangible assets, net	7,371	11,930
Deposits	-	51,000
Operating lease right-of-use asset	392,263	534,133
Total Noncurrent Assets	1,207,521	1,486,050
<b>TOTAL ASSETS</b>	<b>\$ 4,656,238</b>	<b>\$ 4,047,318</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,397,770	\$ 1,832,959
Deferred revenue	3,489,302	1,444,472
Accrued equity compensation	101,472	503,466
Current portion of operating lease liability	253,392	217,843
Total Current Liabilities	5,241,936	3,998,740
<b>NONCURRENT LIABILITIES</b>		
Note payable and accrued interest	556,444	-
Other liabilities	41,396	-
Operating lease liability, net of current portion	238,139	404,209
Total Noncurrent Liabilities	835,979	404,209
<b>TOTAL LIABILITIES</b>	<b>6,077,915</b>	<b>4,402,949</b>
Commitments and Contingencies (Note 7)	-	-
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
Preferred stock, \$0.00001 par value; 150,000,000 shares authorized; 42,030,331 shares issued and outstanding	420	420
Common stock, \$0.00001 par value; 350,000,000 shares authorized; 236,526,638 and 228,216,638 shares issued and outstanding, respectively	2,366	2,283
Additional paid in capital	26,082,733	25,326,593
Accumulated deficit	(27,507,196)	(25,684,927)
Total Shareholders' Equity (Deficit)	(1,421,677)	(355,631)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 4,656,238</b>	<b>\$ 4,047,318</b>

**Surna Inc.**  
**Consolidated Statements of Operations**  
**(Unaudited)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue, net	\$ 1,634,669	\$ 5,524,105	\$ 5,127,018	\$ 11,505,728
Cost of revenue	1,108,758	3,943,758	3,869,758	7,987,516
Gross profit	525,911	1,580,347	1,257,260	3,518,212
Operating expenses:				
Advertising and marketing expenses	89,695	123,566	333,669	415,479
Product development costs	84,433	98,145	304,229	326,659
Selling, general and administrative expenses	634,447	1,081,294	2,453,976	3,284,485
Total operating expenses	808,575	1,303,005	3,091,874	4,026,623
Operating income (loss)	(282,664)	277,342	(1,834,614)	(508,411)
Other (expense) income:				
Other (expense) income, net	13,621	(55,319)	29,018	(30,146)
Interest expense	(1,396)	-	(16,673)	-
Total other (expense) income	12,225	(55,319)	12,345	(30,146)
Income (loss) before provision for income taxes	(270,439)	222,023	(1,822,269)	(538,557)
Income taxes	-	-	-	-
Net income (loss)	\$ (270,439)	\$ 222,023	\$ (1,822,269)	\$ (538,557)
Income (loss) per common share – basic and dilutive	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding, basic	236,526,638	227,918,377	234,711,893	227,475,335
Weighted average number of common shares outstanding, dilutive	236,526,638	237,028,377	234,711,893	227,475,335

**Surna Inc.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>For the Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
Cash Flows From Operating Activities:		
Net loss	\$ (1,822,269)	\$ (538,557)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and intangible asset amortization expense	90,867	129,723
Share-based compensation	252,757	675,963
Provision for doubtful accounts	13,150	43,130
Provision for excess and obsolete inventory	(5,117)	(213,556)
Loss on disposal of assets	4,124	115,359
Changes in operating assets and liabilities:		
Accounts receivable	27,950	60,436
Inventory	714,709	213,271
Prepaid expenses and other	(488,007)	(568,031)
Operating lease right-of-use asset	62,350	-
Accounts payable and accrued liabilities	(397,181)	213,044
Deferred revenue	2,044,830	1,633,195
Operating lease liability, net	-	(13,856)
Accrued equity compensation	101,472	-
Net cash provided by operating activities	599,635	1,750,121
Cash Flows From Investing Activities		
Purchases of property and equipment	(3,500)	(3,043)
Net cash used in investing activities	(3,500)	(3,043)
Cash Flows From Financing Activities		
Proceeds from issuance of note payable	554,000	-
Net cash provided by financing activities	554,000	-
Net increase in cash	1,150,135	1,747,078
Cash, beginning of period	922,177	253,387
Cash, end of period	\$ 2,072,312	\$ 2,000,465
Non-cash investing and financing activities:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -