



Surna Reports Second Quarter 2021 Results

Net Revenue Increases by 168% Year-over-Year & Adjusted Net Income Increases 174% Year-over-Year Driven by Continued Execution of Organic Growth Strategy

Boulder, Colorado, August 10, 2021 – Surna Inc. (OTCQB: SRNA), operating as Surna Cultivation Technologies, announced today operating and financial results for the three months and year to date ended June 30, 2021.

We will be hosting an investor conference call to discuss our second quarter 2021 financial results and to provide updates on our recent business developments and progress on our strategic growth plan. The call will be held on Tuesday, August 17, 2021, at 4:00 p.m. Eastern Time.

To access the investor call via telephone:

Dial-In Number: 1-973-528-0008

Access Code: 647802

To access the investor call via the Internet:

Webcast URL: <https://www.webcaster4.com/Webcast/Page/2020/42061>

Interested parties, with contact information supplied, may submit questions to the Company prior to the call to investor@surna.com. These questions, along with all live questions, will be answered in the time available. For those unable to participate in the investor conference call at that time, a replay will be available on the investor relations section of our website at <https://surna.com/investor-relations/> beginning on August 18, 2021, at 4:00 p.m. Eastern Time (and will remain available until August 30, 2021).

Three Months Ended June 30, 2021 Financial Results:

- Total revenue for the three months ended June 30, 2021 was \$4.5 million compared to \$1.7 million for the same period last year, or a 168% year over year increase.
- Total gross profit for the three months ended June 30, 2021 was \$1.3 million compared to \$0.3 million for the same period last year, or a 367% year over year increase.
- Operating income (loss) for the three months ended June 30, 2021 was \$0.1 million compared to \$(0.6) million for the same period last year or a 119% year over year increase.
- Adjusted net income (loss)¹ for the three months ended June 30, 2021 was \$0.4 million compared to \$(0.5) million for the same period last year, or a 174% year over year increase.

¹ Adjusted net income (loss), a Non-GAAP metric, is defined as GAAP net income (loss), after adjustment for non-cash equity compensation expense, other non-cash equity expense, and depreciation expense. The Company considers this a key financial metric as we focus on achieving breakeven or better operating cash flow. For the three months ended June 30, 2021 and 2020, adjusted net income is calculated as follows:

Calculation of Adjusted Net Income at June 30:			
<i>(in thousands of US Dollars)</i>			
For the three months ended June 30:			
	2021	2020	
GAAP Net Income (Loss):	\$265	(\$614)	
Non-Cash Add Backs:			
Stock Based Compensation	71	107	
Depreciation & Amortization	17	29	
Total Non-Cash Add-Backs:	88	136	
Adjusted Net Income (Loss):	\$353	(\$478)	

Six Months Ended June 30, 2021 Financial Results:

- Total revenue for the six months ended June 30, 2021 was \$6.9 million compared to \$3.5 million for the same period last year, or a 97% year over year increase.
- Total gross profit for the six months ended June 30, 2021 was \$1.6 million compared to \$0.7 million for the same period last year, or a 123% year over year increase.
- Operating loss for the six months ended June 30, 2021 was \$0.6 million compared to \$1.6 million for the same period last year, or a 63% year over year decrease.
- Adjusted net loss² for the six months ended June 30, 2021 was \$0.3 million compared to \$1.2 million for the same period last year, or a 75% year over year decrease.
- As of June 30, 2021, our cash and cash equivalents were \$1.6 million compared to \$2.3 million as of December 31, 2020. We used \$1.1 million in cash for our operating activities during the six months ended June 30, 2021. Our working capital deficit was \$2.1 million as of June 30, 2021, compared to \$2.2 million as of December 31, 2020.

^[2] Adjusted net income (loss), a Non-GAAP metric, is defined as GAAP net income (loss), after adjustment for non-cash equity compensation expense, other non-cash equity expense, and depreciation expense. The Company considers this a key financial metric as we focus on achieving breakeven or better operating cash flow. For the six months ended June 30, 2021 and 2020, adjusted net income is calculated as follows:

Calculation of Adjusted Net Income at June 30:			
<i>(in thousands of US Dollars)</i>			
For the six months ended June 30, 2021:			
	2021		2020
GAAP Net Income (Loss):	(\$528)		(\$1,552)
Non-Cash Add Backs:			
Stock Based Compensation	198		298
Depreciation & Amortization	33		58
Total Non-Cash Add-Backs:	231		356
Adjusted Net Income (Loss):	(\$297)		(\$1,196)

Recent Sales Contract and Backlog Information; Production and Vendor Delays

During the second quarter of 2021 we had net bookings totaling approximately \$1 million. Our backlog reduced to \$8 million. Despite strong revenue in the second quarter, we continue to be affected by production and shipping delays from certain suppliers. COVID-19 is disrupting shipping around the U.S. and globally. Shipping companies are operating with reduced personnel, and there are strict screening actions in U.S. ports causing a backup of imported parts deliveries.

	For the quarter ended				
	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021
Backlog, beginning balance	\$ 8,875,000	\$ 5,592,000	\$ 8,198,000	\$ 8,448,000	\$ 11,578,000
Net bookings, current period	\$ (1,601,000)	\$ 4,241,000	\$ 3,637,000	\$ 5,497,000	\$ 919,000
Recognized revenue, current period	\$ 1,682,000	\$ 1,635,000	\$ 3,387,000	\$ 2,367,000	\$ 4,510,000
Backlog, ending balance	\$ 5,592,000	\$ 8,198,000	\$ 8,448,000	\$ 11,578,000	\$ 7,987,000

Organic Growth Strategy Update

As we noted in our press release of May 4, 2021, we have updated our organic growth strategy to include addressing new markets, adding new products and services, and adopting a new trade name, Surna Cultivation Technologies. In the second quarter, we continued executing against this strategy with the addition of our EnviroPro air handler line and the introduction of our architectural design services in early Q3. We encourage readers to see the MD&A section of our Form 10-Q dated and filed today, for further explanation of this and our corporate strategy.

Tony McDonald, Chairman & CEO, commented: “In the second quarter we saw the second-best quarter in our history for revenue and adjusted net income. Unfortunately, our backlog reduced with lower than anticipated bookings due to several projects’ projected closing dates pushing into the second half of 2021. However, our future project pipeline is

robust with our increased product offerings and we believe that the sales momentum that has been building over the last four quarters will accelerate as we continue to execute our growth strategy.”

Pandemic Impact and Recovery

In our response to the COVID-19 pandemic and the government and business pandemic measures, the Company took and continues to take measures to adjust its operations as necessary. In early 2020 the Company reduced expenses in light of decreased orders and preserved cash, many of which actions were reversed by the end of the year when orders picked up and the overall business climate improved. Because the pandemic continues in different parts of the world, and it and its effects are still affecting business in different ways in the United States, the Company continues to actively monitor its operations and sales efforts and will make adjustments to its operations as necessary.

About Surna Inc.

Surna Inc. (www.surna.com), operating as Surna Cultivation Technologies, is an industry leader in controlled environment agriculture (CEA) facility design and technologies. We provide full-service licensed architectural and mechanical, electrical, and plumbing (MEP) engineering services, carefully curated HVACD equipment, and proprietary controls systems. Our team of project managers, licensed professional architects and engineers, technology and horticulture specialists and systems integrations experts help our customers by precisely designing for their unique applications. Through our partnership with a certified service contractor network we provide installation and maintenance services to assist in a smooth build-out and optimal facility performance. We have been providing solutions to indoor growers for over 15 years and have served over 800 cultivators with over 200 of them being large, commercial projects.

Headquartered in Boulder, Colorado, we leverage our experience in this space to bring value-added solutions to our customers that help improve their overall crop quality and yield, optimize energy and water efficiency, and satisfy evolving state and local codes, permitting and regulatory requirements.

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.

Surna Marketing
Jamie English
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Surna Inc.
Condensed Consolidated Balance Sheets
(in US Dollars except share numbers)

	June 30,	December 31,
	2021	2020
	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,643,463	\$ 2,284,881
Accounts receivable (net of allowance for doubtful accounts of \$188,311 and \$165,098, respectively)	234,450	33,480
Inventory, net	444,352	327,109
Prepaid expenses and other	1,986,977	1,037,823
Total Current Assets	4,309,242	3,683,293
Noncurrent Assets		
Property and equipment, net	116,615	147,732
Goodwill	631,064	631,064
Intangible assets, net	6,937	7,227
Deposits	16,122	-
Operating lease right-of-use asset	245,037	343,950
Total Noncurrent Assets	1,015,775	1,129,973
TOTAL ASSETS	\$ 5,325,017	\$ 4,813,266
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,909,544	\$ 1,784,961
Deferred revenue	4,055,774	3,724,189
Accrued equity compensation	108,945	128,434
Other liabilities	37,078	-
Current portion of operating lease liability	261,187	266,105
Total Current Liabilities	6,372,528	5,903,689
NONCURRENT LIABILITIES		
Note payable and accrued interest	516,172	-
Other liabilities	37,078	74,156
Operating lease liability, net of current portion	43,881	169,119
Total Noncurrent Liabilities	597,131	243,275
TOTAL LIABILITIES	6,969,659	6,146,964
SHAREHOLDERS' DEFICIT		
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; 237,526,638 and 236,526,638 shares issued and outstanding, respectively	2,376	2,366
Additional paid in capital	26,324,331	26,107,159
Accumulated deficit	(27,971,769)	(27,443,643)
Total Shareholders' Deficit	(1,644,642)	(1,333,698)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 5,325,017	\$ 4,813,266

Surna Inc.
Condensed Consolidated Statements of Operations
(in US Dollars except share numbers)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue, net	\$ 4,509,505	\$ 1,682,424	\$ 6,876,034	\$ 3,492,349
Cost of revenue	3,227,181	1,407,599	5,249,104	2,761,000
Gross profit	1,282,324	274,825	1,626,930	731,349
Operating expenses:				
Advertising and marketing expenses	168,042	95,053	345,187	243,974
Product development costs	111,546	74,848	224,184	219,796
Selling, general and administrative expenses	886,758	710,536	1,627,231	1,819,529
Total operating expenses	1,166,346	880,437	2,196,602	2,283,299
Operating income/(loss)	115,978	(605,612)	(569,672)	(1,551,950)
Other income (expense):				
Other income (expense), net	150,518	1,077	43,518	15,397
Interest expense	(1,254)	(8,982)	(1,972)	(15,277)
Total other income (expense)	149,264	(7,905)	41,546	120
Income/(loss) before provision for income taxes	265,242	(613,517)	(528,126)	(1,551,830)
Income taxes	-	-	-	-
Net income/(loss)	\$ 265,242	\$ (613,517)	\$ (528,126)	\$ (1,551,830)
Income/(loss) per common share – basic	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.01)
Income/(loss) per common share – diluted	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding, basic	237,449,715	236,526,638	236,990,726	233,794,550
Weighted average number of common shares outstanding, diluted	240,828,867	236,526,638	236,990,726	233,794,550

Surna Inc.
Condensed Consolidated Statements of Cash Flows
(in US Dollars except share numbers)
(Unaudited)

	For the Six Months Ended June 30,	
	2021	2020
Cash Flows From Operating Activities:		
Net loss	\$ (528,126)	\$ (1,551,830)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and intangible asset amortization expense	37,180	60,987
Share-based compensation	21,748	731,797
Common stock issued for other expense	67,000	-
Provision for doubtful accounts	23,213	3,150
Provision for excess and obsolete inventory	(10,945)	191,446
Loss on disposal of assets	8,042	4,124
Amortization of ROU asset	98,913	93,996
Changes in operating assets and liabilities:		
Accounts receivable	(224,183)	51,886
Inventory	(106,299)	235,197
Prepaid expenses and other	(949,152)	72,811
Accounts payable and accrued liabilities	124,583	(90,178)
Deferred revenue	331,585	(576,483)
Accrued interest	1,972	1,047
Other liabilities	-	20,241
Lease deposit	(16,122)	51,000
Operating lease liability, net	(130,156)	(106,363)
Accrued equity compensation	108,945	(433,566)
Net cash used in operating activities	(1,141,802)	(1,240,739)
Cash Flows From Investing Activities		
Purchases of property and equipment	(15,316)	-
Proceeds from the sale of property equipment	1,500	-
Net cash used in investing activities	(13,816)	-
Cash Flows From Financing Activities		
Proceeds from issuance of note payable	514,200	554,000
Net cash provided by financing activities	514,200	554,000
Net change in cash and cash equivalents	(641,418)	(686,739)
Cash and cash equivalents, beginning of period	2,284,881	922,177
Cash and cash equivalents, end of period	\$ 1,643,463	\$ 235,438
Supplemental cash flow information:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -