



## Surna Reports Third Quarter 2021 Results

**Net Revenue Increased by 127% Year-over-Year & Net Bookings were Second Highest ever, Driven by Continued Execution of Organic Growth Strategy**

**Boulder, Colorado, Nov. 10, 2021 (GLOBE NEWSWIRE)** -- Surna Inc. (OTCQB: SRNA), operating as Surna Cultivation Technologies, announced today operating and financial results for the three months and year to date ended September 30, 2021.

We will be hosting an investor conference call to discuss our third 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 today, Wednesday, November 10, 2021, at 4:15 p.m. Eastern Time.

To access the investor call via telephone:

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

Access Code: 408712

Interested parties, with contact information supplied, may submit questions to the Company prior to the call to [investor@surna.com](mailto: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 November 11, 2021, at 4:00 p.m. Eastern Time (and will remain available until November 30, 2021).

### Three Months Ended September 30, 2021, Financial Results:

- Total revenue for the three months ended September 30, 2021, was \$3.7 million compared to \$1.6 million for the same period last year, or a 127% year-over-year increase.
- Total gross profit for the three months ended September 30, 2021, was \$0.7 million compared to \$0.5 million for the same period last year, or a 42% year-over-year increase. Gross profit in the prior year included the positive impacts of an adjustment relating to a reversal of our excess and obsolete inventory reserve and a credit received from a vendor. These impacts did not recur in the current quarter.
- Operating loss for the three months ended September 30, 2021, was \$0.4 million compared to \$0.3 million for the same period last year or a 57% year-over-year increase.
- Adjusted net loss<sup>1</sup> for the three months ended September 30, 2021, was \$0.4 million compared to \$0.2 million for the same period last year, or a 95% 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 September 30, 2021 and 2020, adjusted net income is calculated as follows:

#### Calculation of Adjusted Net Income at September 30:

(in thousands of US Dollars)

**For the three months ended September 30:**

	2021	2020
<b>GAAP Net Income (Loss):</b>	<b>(\$408)</b>	<b>(\$270)</b>
Non-Cash Add Backs:		
Stock Based Compensation	29	56
Depreciation & Amortization	16	28
Total Non-Cash Add-Backs:	45	84
<b>Adjusted Net Income (Loss):</b>	<b>(\$363)</b>	<b>(\$186)</b>

### Nine Months Ended September 30, 2021, Financial Results:

- Total revenue for the nine months ended September 30, 2021, was \$10.6 million compared to \$5.1 million for the same period last year, or a 106% year-over-year increase.
- Total gross profit for the nine months ended September 30, 2021, was \$2.4 million compared to \$1.3 million for the same period last year, or an 89% year-over-year increase.
- Operating loss for the nine months ended September 30, 2021, was \$1.0 million compared to \$1.8 million for the same period last year, or a 45% year-over-year decrease.

- Adjusted net loss<sup>2</sup> for the nine months ended September 30, 2021, was \$0.7 million compared to \$1.4 million for the same period last year, or a 52% year-over-year decrease.
- As of September 30, 2021, our cash and cash equivalents were \$2.3 million compared to \$2.3 million as of December 31, 2020. We used \$1.8 million in cash for our operating activities during the nine months ended September 30, 2021. Our working capital deficit was \$1.2 million as of September 30, 2021, compared to \$2.2 million as of December 31, 2020.

<sup>[2]</sup> 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 nine months ended September 30, 2021 and 2020, adjusted net income is calculated as follows:

#### Calculation of Adjusted Net Income at September 30:

(in thousands of US Dollars)

**For the nine months ended September 30, 2021:**

	2021	2020
<b>GAAP Net Income (Loss):</b>	<b>(\$936)</b>	<b>(\$1,822)</b>
Non-Cash Add Backs:		
Stock Based Compensation	227	354
Depreciation & Amortization	49	86
Total Non-Cash Add-Backs:	276	440
<b>Adjusted Net Income (Loss):</b>	<b>(\$660)</b>	<b>(\$1,382)</b>

#### Recent Sales Contract and Backlog Information; Production and Vendor Delays

During the third quarter of 2021 we had net bookings totaling approximately \$5.6 million, which is the second highest in our history. Our backlog increased to \$9.9 million, also among the highest in our history. We continued to be effected by production and shipping delays from certain suppliers which negatively effected completion schedules and impacted our revenue in the third quarter. COVID-19 is disrupting shipping around the U.S. and globally, and shipping companies are experiencing delays for a host of reasons. Additionally, delivery delays are being caused by issues relating to domestic truck transportation.

	For the quarter ended				
	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021
Backlog, beginning balance	\$ 5,592,000	\$ 8,198,000	\$ 8,448,000	\$ 11,578,000	\$ 7,987,000
Net bookings, current period	\$ 4,241,000	\$ 3,637,000	\$ 5,497,000	\$ 919,000	\$ 5,600,000
Recognized revenue, current period	\$ 1,635,000	\$ 3,387,000	\$ 2,367,000	\$ 4,510,000	\$ 3,706,000
Backlog, ending balance	\$ 8,198,000	\$ 8,448,000	\$ 11,578,000	\$ 7,987,000	\$ 9,881,000

#### 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 third quarter, we continued executing against this strategy with the addition of our EnviroPro™ air handler line, the introduction of our architectural design services and adding a benching and racking line of products. Also in the third quarter, we signed our first preventative maintenance contracts. In early Q4 2021, we announced the availability of our lighting product via our agreement with BVV. 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 growth strategy.

Tony McDonald, Chairman & CEO, commented: "In the third quarter we saw the second-best quarter in our history for net bookings. Revenue in the quarter continues our year-over-year trend of significant increases. We have seen the continuation of momentum in our commercial pipeline with our increased product offerings and execution against our organic growth strategy."

#### About Surna Inc.

Surna Inc. ([www.surna.com](http://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, proprietary controls systems, lighting, and benching and racking products. 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 including over 200 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. There can be no assurance that contracts included in backlog will actually generate revenues or when the actual revenues will be generated. Backlog and net bookings should be considered in addition to, rather than as a substitute for, recognized revenue and deferred revenue. We can provide no assurance as to the profitability of our contracts reflected in backlog and net bookings. 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

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### Surna Inc. Condensed Consolidated Balance Sheets (in US Dollars except share numbers)

	September 30, 2021	December 31, 2020
	(Unaudited)	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,283,879	\$ 2,284,881
Accounts receivable (net of allowance for doubtful accounts of \$186,073 and \$165,098, respectively)	32,245	33,480
Inventory, net	480,354	327,109
Prepaid expenses and other	1,157,119	1,037,823
Total Current Assets	<u>3,953,597</u>	<u>3,683,293</u>
<b>Noncurrent Assets</b>		
Property and equipment, net	98,967	147,732
Goodwill	631,064	631,064
Intangible assets, net	6,792	7,227
Deposits	24,183	-
Operating lease right-of-use asset	194,353	343,950
Total Noncurrent Assets	<u>955,359</u>	<u>1,129,973</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,908,956</u>	<u>\$ 4,813,266</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,674,088	\$ 1,784,961
Deferred revenue	3,059,525	3,724,189
Accrued equity compensation	108,945	128,434
Other liabilities	37,078	-
Current portion of operating lease liability	238,140	266,105
Total Current Liabilities	<u>5,117,776</u>	<u>5,903,689</u>

**NONCURRENT LIABILITIES**

Note payable and accrued interest	517,468	-
Other liabilities	37,078	74,156
Operating lease liability, net of current portion	-	169,119
Total Noncurrent Liabilities	<u>554,546</u>	<u>243,275</u>

**TOTAL LIABILITIES**

	<u>5,672,322</u>	<u>6,146,964</u>
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Commitments and Contingencies (Note 7)

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**TEMPORARY EQUITY**

Series B Redeemable Convertible Preferred Stock, \$0.00001 par value; 3,300 and 0 issued and outstanding, respectively	3,960,000	-
Series B Redeemable Convertible Preferred Stock Subscription Receivable	(1,365,000)	-
Series B Redeemable Convertible Preferred Stock Accrued Dividends	1,447	-
Total Temporary Equity	<u>2,596,447</u>	<u>-</u>

**SHAREHOLDERS' DEFICIT**

Preferred stock; 150,000,000 shares authorized		
Series A Preferred stock, \$0.00001 par value; 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	25,017,065	26,107,159
Accumulated deficit	(28,379,674)	(27,443,643)
Total Shareholders' Deficit	<u>(3,359,813)</u>	<u>(1,333,698)</u>

**TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT**

\$ 4,908,956	\$ 4,813,266
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**Surna Inc.**  
**Condensed Consolidated Statements of Operations**  
*(in US Dollars except share numbers)*  
*(Unaudited)*

	<u>For the Three Months Ended</u> <u>September 30,</u>		<u>For the Nine Months Ended</u> <u>September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenue, net	\$ 3,706,436	\$ 1,634,669	\$ 10,582,470	\$ 5,127,018
Cost of revenue	<u>2,959,264</u>	<u>1,108,758</u>	<u>8,208,368</u>	<u>3,869,758</u>
Gross profit	747,172	525,911	2,374,102	1,257,260
Operating expenses:				
Advertising and marketing expenses	224,393	89,695	569,580	333,669
Product development costs	98,623	84,433	322,807	304,229
Selling, general and administrative expenses	866,699	634,447	2,493,930	2,453,976
Total operating expenses	<u>1,189,715</u>	<u>808,575</u>	<u>3,386,317</u>	<u>3,091,874</u>
Operating loss	(442,543)	(282,664)	(1,012,215)	(1,834,614)
Other income (expense):				
Other income (expense), net	35,934	13,621	79,452	\$ 29,018
Interest expense	<u>(1,296)</u>	<u>(1,396)</u>	<u>(3,268)</u>	<u>\$ (16,673)</u>
Total other income (expense)	<u>34,638</u>	<u>12,225</u>	<u>76,184</u>	<u>12,345</u>
Loss before provision for income taxes	(407,905)	(270,439)	(936,031)	(1,822,269)
Income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u>\$ (407,905)</u>	<u>\$ (270,439)</u>	<u>\$ (936,031)</u>	<u>\$ (1,822,269)</u>
Convertible Preferred Series B Stock Redemption Value Adjustment	\$ (2,262,847)	\$ -	\$ (2,262,847)	\$ -
Convertible Preferred Series B Stock				

Dividends	(1,447)	-	(1,447)	-
Net Loss Available to Common Shareholders	<u>\$ (2,672,199)</u>	<u>\$ (270,439)</u>	<u>\$ (3,200,325)</u>	<u>\$ (1,822,269)</u>
Loss per common share – basic and dilutive	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding, basic and dilutive	<u>237,526,638</u>	<u>236,526,638</u>	<u>237,171,327</u>	<u>234,711,893</u>

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

	<b>For the Nine Months Ended September</b>	
	<b>30,</b>	
	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Net loss	\$ (936,031)	\$ (1,822,269)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and intangible asset amortization expense	54,973	90,867
Share-based compensation	51,055	252,757
Common stock issued for other expense	67,000	-
Provision for doubtful accounts	20,975	13,150
Provision for excess and obsolete inventory	(13,764)	(5,117)
Loss on disposal of assets	8,042	4,124
Amortization of ROU asset	149,597	141,871
Changes in operating assets and liabilities:		
Accounts receivable	(19,740)	27,950
Inventory	(139,481)	714,709
Prepaid expenses and other	(119,296)	(488,007)
Accounts payable and accrued liabilities	(110,872)	(397,181)
Deferred revenue	(664,663)	2,044,830
Accrued interest	3,268	-
Lease deposit	(24,183)	-
Operating lease liability, net	(197,085)	(79,521)
Accrued equity compensation	108,945	101,472
Net cash (used in)/provided by operating activities	<u>(1,761,260)</u>	<u>599,635</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(15,316)	(3,500)
Proceeds from the sale of property equipment	1,500	-
Net cash used in investing activities	<u>(13,816)</u>	<u>(3,500)</u>
Cash Flows From Financing Activities		
Cash proceeds from sale of preferred stock and warrants, net of issuance costs	1,259,874	-
Proceeds from issuance of note payable	514,200	554,000
Net cash provided by financing activities	<u>1,774,074</u>	<u>554,000</u>
Net change in cash and cash equivalents	(1,002)	1,150,135
Cash and cash equivalents, beginning of period	2,284,881	922,177
Cash and cash equivalents, end of period	<u>\$ 2,283,879</u>	<u>\$ 2,072,312</u>
Supplemental cash flow information:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Non-cash investing and financing activities:		
Adjustment of carrying value of series B preferred stock to redemption value	<u>\$ 2,262,847</u>	<u>\$ -</u>
Subscription receivable - series B preferred stock	<u>\$ 1,365,000</u>	<u>\$ -</u>
Options issued for accrued equity compensation	<u>\$ 128,434</u>	<u>\$ -</u>

Accrued dividends

\$ 1,447 \$ -