

GrowGeneration Corp. - Equity Analysis Report

By James McBurnie

Date: 26/9/2022

Contents:

1. Summary Information

- 1.1 Description
- 1.2 Contact Details and Location
- 1.3 Business Details
- 1.4 Price Details

2. Industry Analysis

- 2.1 Home Improvement
- 2.2 Hydroponics
- 2.3 Cannabis
- 2.4 Overall GRWG Industry Outlook

3. Business Analysis

- 3.1 Fundamentals Stock Scanner
- 3.2 Second Quarter 2022 Financial Results
- 3.3 Debt
- 3.4 Company Financial Highlights
- 3.5 Brand Ownership
- 3.6 Major Holders
- 3.7 Management & Board
- 3.8 Legal Proceedings & Risk Factors
- 3.9 Acquisitions

- 3.10 Chart Analysis
- 3.11 Recommendation Trends and Ratings
- 4. Final Conclusion
- 5. Appendix
 - 5.1 Resources
 - 5.2 References

1. Summary Information

1.1 Description

"GrowGeneration Corp., through its subsidiaries, owns and operates retail hydroponic and organic gardening stores in the United States. It engages in the marketing and distribution of nutrients, growing media, advanced indoor and greenhouse lighting, environmental control systems, vertical benching, and accessories for hydroponic gardening, as well as other indoor and outdoor growing products. The company serves commercial and urban cultivators growing specialty crops, including organics, greens, and plant-based medicines. As of September 20, 2022, it operated a chain of 60 stores, which include 23 in California, 6 in Colorado, 6 in Michigan, 5 in Maine, 5 in Oklahoma, 3 in Washington, 4 in Oregon, 1 in Arizona, 1 in Rhode Island, 1 in Florida, 1 in Nevada, 1 in Mississippi, 1 in New Mexico, 1 in Massachusetts, and 1 in Virginia, as well as growgeneration.com, an online superstore for cultivators. The company was formerly known as EasyLife Corp. GrowGeneration Corp. was founded in 2008 and is based in Greenwood Village, Colorado." (1)

"GrowGeneration Corp. (together with all of its direct and indirect wholly owned subsidiaries, collectively "GrowGeneration" or the "Company") was incorporated in Colorado in 2014. GrowGeneration is the largest chain of hydroponic garden centers in North America and is a leading marketer and distributor of nutrients, growing media, advanced indoor and greenhouse lighting, environmental control systems and accessories for hydroponic gardening. GrowGeneration also owns and operates an e-commerce platform, www.growgeneration.com, Mobile Media, a vertical racking and storage solutions business, Horticultural Rep Group, a horticultural products sales representative and distributor organization, and PowerSi, CharCair, and several other proprietary private-label brands across multiple product categories from LED lighting to nutrients and additives and environmental control systems for indoor cultivation." (2)

1.2 Contact Details and Location

5619 DTC Parkway
Suite 900
Greenwood Village, CO 80111
United States
800 935 8420
<https://www.growgeneration.com>

1.3 Business Details

Sector(s): Consumer Cyclical
Industry: Specialty Retail
Full-time employees: 570

1.4 Price Details

Date: 26/9/2022
Ticker: GRWG
Previous close: 3.7800
Open: 3.7100
Bid: 3.5800 x 1100
Ask: 3.6400 x 1800
Day's range: 3.5500 - 3.7650
52-week range: 3.4200 - 27.3800
Volume: 841,515
Avg. volume: 1,309,828
Market cap: 221.292M
Beta (5Y monthly): 3.04

PE ratio (TTM): 182.00

EPS (TTM): 0.0200

Earnings date: 09 Nov 2022 - 14 Nov 2022

Forward dividend & yield: N/A (N/A)

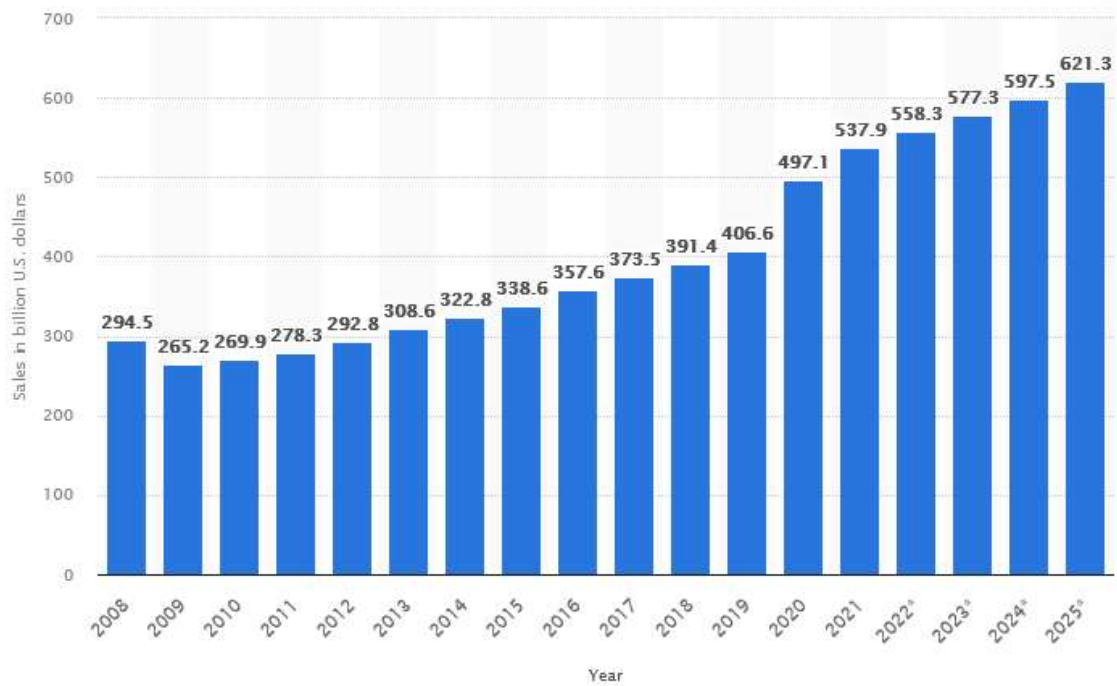
Ex-dividend date: N/A

2. Industry Analysis

2.1 Home Improvement

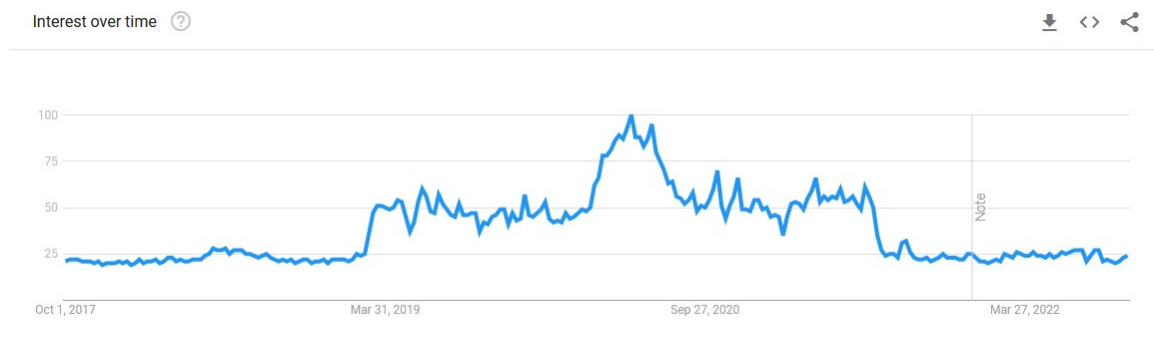
The Home Improvement Market is a sector of the economy with a considerable breadth of products, from hardware to electronics to gardening. Currently, Home Depot is the largest US home improvement retailer, however due to the niche of home improvement that GRWG resides, it is not currently a competitor to GRWG.

The US Home Improvement market has seen considerable growth over the last decade, nearly doubling and reaching USD\$537.9 billion in 2021. The COVID-19 pandemic has seen an acceleration of that trend, likely as a result of stay at home orders and a general movement towards working at home, as consumers have given higher priority to shaping their living conditions into their ideal.



Home Improvement market size in the United States from 2008 to 2025 (in billion U.S. dollars) (Source: Statista)

Google Trends results for "Home Improvement" do suggest, however, that interest in home improvement has returned to its pre-pandemic steady state, yet this steady state in fact is a positive sign that the industry continues to hold a steady search trend.



Home Improvement market interest according to Google Trends (Source: <https://trends.google.com/trends/explore?date=today%205-y&geo=US&q=home%20improvement>)

As a result of the changing culture of work and the COVID-19 pandemic, it is likely over the short-term that GRWG is positioned well to hold its profitable niche within the growing Home

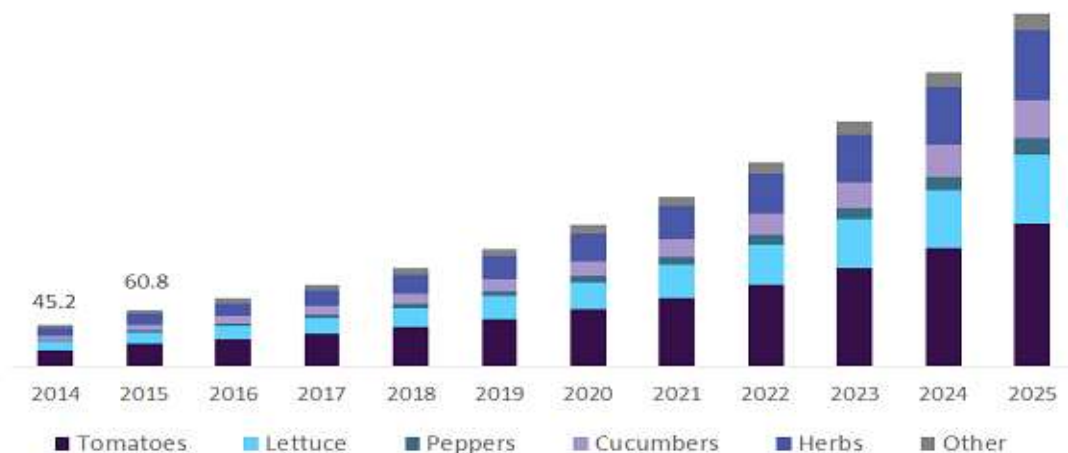
Improvement market.

2.2 Hydroponics

"Hydroponic farming is a method of growing plants without soil, where the soil is replaced by a mineral solution inserted around the plant roots. Herein, the plant roots are submerged under the chemical solution and checked periodically to ensure that appropriate chemical composition is maintained for growth. As such, the hydroponics method removes the risk of diseases that are caused by soil organisms. Additionally, the hydroponically grown plants produce a higher yield than similar plants grown in soil because of proper control over the nutrients." (2)

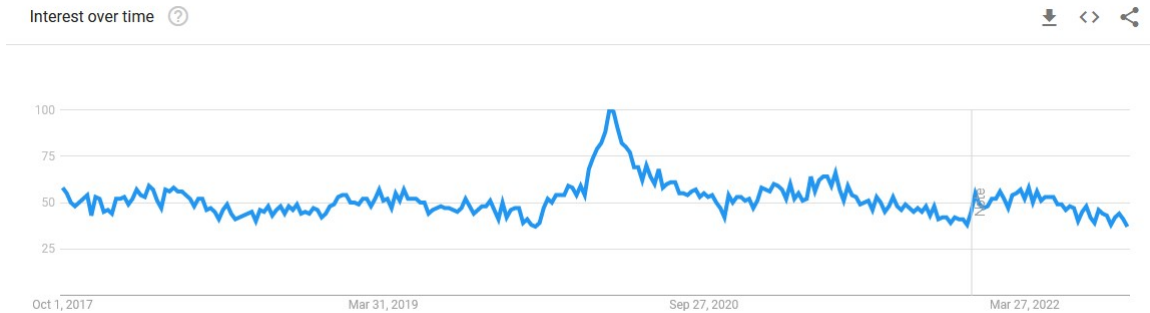
As a result of both increasing awareness among consumers regarding the harmful effects of pesticides, along with the low physical footprint and ease of operation, the US Hydroponics market has seen considerable growth over the last 7 years, particularly in the areas of tomatoes and lettuce.

U.S. hydroponics market size, by crops, 2014 - 2025 (USD Million)



US Hydroponics Market Size, by Crops (Source: <https://www.millioninsights.com/industry-reports/hydroponics-market>)

This growth is likely to continue to be fuelled by advancements in vertical farming technology, growth in consumer environmental awareness and action, and potentially a shift towards the emphasis on a nation's self-sustainability as a result of the several global crises that have broken out over the last couple of years. As illustrated by Google Trends, "Hydroponics" has received strong, consistent attention over the past 5 years, and in fact has a greater interest score than "Home Improvement", suggesting it should remain a strong area of growth within the US Agricultural sector.



Hydroponics market interest according to Google Trends (Source: <https://trends.google.com/trends/explore?date=today%205-y&geo=US&q=Hydroponics>)

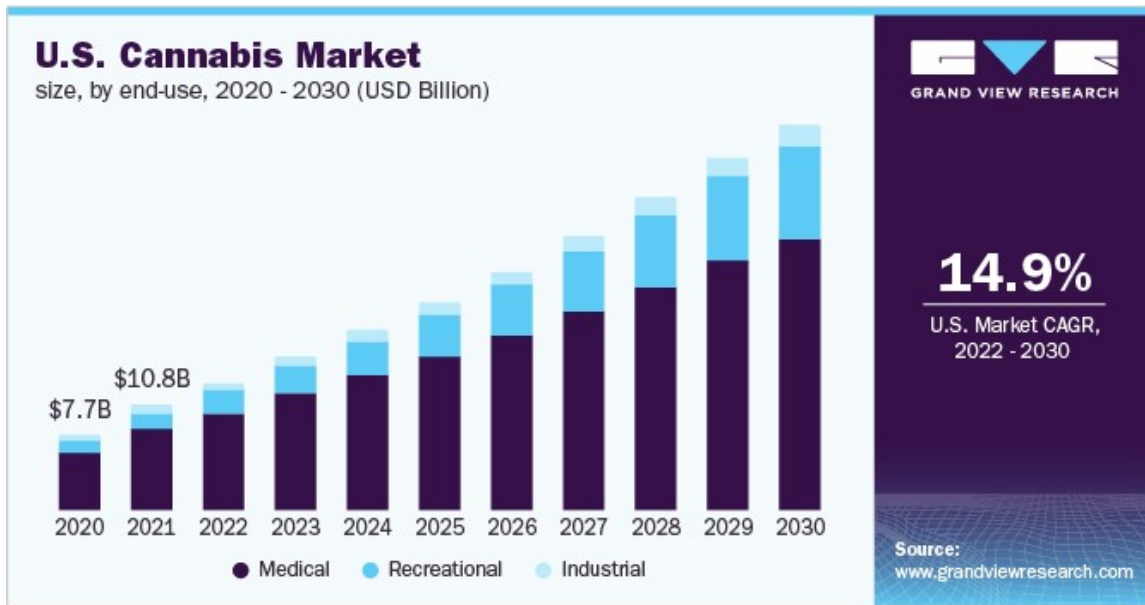
As a result, GRWG is well positioned in the US commercial hydroponics market to increase its revenue.

2.3 Cannabis

The last several years have seen a serious change in consumer and medical sentiment towards cannabis, especially within the US. The increasing legalisation of cannabis has also been a key factor driving the growth of the market. Furthermore, in December 2020, the US House of Representatives passed legislation to remove cannabis from "The Controlled Substance Act of 1970". It is anticipated that this will create significant opportunities for future growth.

"According to the Gallup Survey 2022, approximately 64% of US adults were familiar with CBD and CBD products, and as per the SingleCare Survey 2020, approximately one-third of Americans used CBD." (1)

"The U.S. cannabis market size was valued at USD 10.8 billion in 2021 and is expected to expand at a compound annual growth rate (CAGR) of 14.9% from 2022 to 2030." (1)



US Cannabis Market size (Source: <https://www.grandviewresearch.com/industry-analysis/us-cannabis-market>)

Given its position as a pick and shovel supplier, GRWG also looks well poised to take advantage of a growing US Cannabis Market.

2.4 Overall GRWG Industry Outlook

Overall, GRWG being the "largest and only national hydroponics retailer and distributor" (2) as of 2021, and being "more than 5 times the size of [the] next competitor"(2), with "62 stores and three distribution centers covering 13 US states"(2) gives great gravity to the idea that GRWG is a leader in the hydroponics industry, and is well positioned to capitalise on significant growth within 3 sectors (Home Improvement, Hydroponics and Cannabis) over the coming years.

State	Current
California	23
Colorado	8
Michigan	7
Maine	5
Oklahoma	5
Oregon	4
Nevada	2
Washington	3
Arizona	1
Rhode Island	1
Florida	1
Massachusetts	1
New Mexico	1
Total	62

Source: MJBizDaily research



Missouri, Illinois, Arizona,
Pennsylvania, New York,
New Jersey

Total Square Feet: 950,000+

100,000 walk-ins per month

Store Locations and Total Square Footage (Source: <https://d1io3yog0oux5.cloudfront.net/058a9113106f6bed4166e3533052d01b/growgeneration/db/780/6728/pdf/GRWG+January+2022+.pdf>)

3.1 Fundamentals Stock Scanner

▼ Applied filters for Stocks screener Currency in USD

Region is **United States** ✕ +

Market cap (intraday) is **Small Cap** Mid Cap Large Cap Mega Cap

Price/book value (P/B) **less than** 1

Price/earnings (P/E) **less than** 16

Price/sales (P/S) **less than** 0.76

Return on equity % **less than** 13.4

Price (intraday) **between** 1 - 16

Current ratio **greater than** 2

Beta - 1 year (LTM) **greater than** 2

Avg. vol. (3 month) **greater than** 500000

+ Add another filter

Find Stocks **Save filters**

Estimated results **4**

Results list Heatmap view

Matching Stocks 1-4 of 4 results ☆ Add to portfolio

⚠ Results were generated a few mins ago. Pricing data is updated frequently. Currency in USD

Symbol	Name	Price (intraday)	Change	% change	Volume	Avg vol (3-month)	Market cap	PE ratio (TTM)	52-week range
<input type="checkbox"/> GRWG	GrowGeneration Corp.	3.6400	-0.1400	-3.70%	841,515	1.31M	221.292M	182.00	3.42 / 27.38
<input type="checkbox"/> SLQT	SelectQuote, Inc.	1.0600	-0.0200	-1.85%	1.497M	2.133M	174.319M	N/A	0.95 / 14.40
<input type="checkbox"/> REAL	The RealReal, Inc.	1.5850	-0.0450	-2.76%	4.903M	4.514M	151.426M	N/A	1.50 / 17.09
<input type="checkbox"/> HYFM	Hydrofarm Holdings Group, Inc.	2.1900	-0.2200	-9.13%	867,102	880,130	98.756M	N/A	2.15 / 45.01

Stock Screener and Conditions (Source: Yahoo Finance)

3.2 Second Quarter 2022 Financial Results

GRWG faced "significant industry headwinds" (3) in the second quarter of 2022, which can be seen in the 44% decline in Net sales, and a 56.9% comparable store sales decrease for the quarter. In response to this softer demand, the company has taken been smart in focusing on reducing costs and waiting for more favourable market conditions to change tact back to expansion. GRWG is "on track to reduce [its] annualized cost base by \$13 million compared to year-end 2021 levels." (3) Furthermore, the company offset its opening of its first location in Mississippi by closing two under-performing stores in July, and it further expects to close 3-5 additional locations before year-end 2022 in order to compensate for its likely expansion of 3-4 additional stores in states where it does not currently operate. Overall, despite large falls in revenue, the company has been able to continue to slowly expand while keeping profit margins steady (28.5%) and lowering costs.

3.3 Debt

Balance sheet

All numbers in thousands

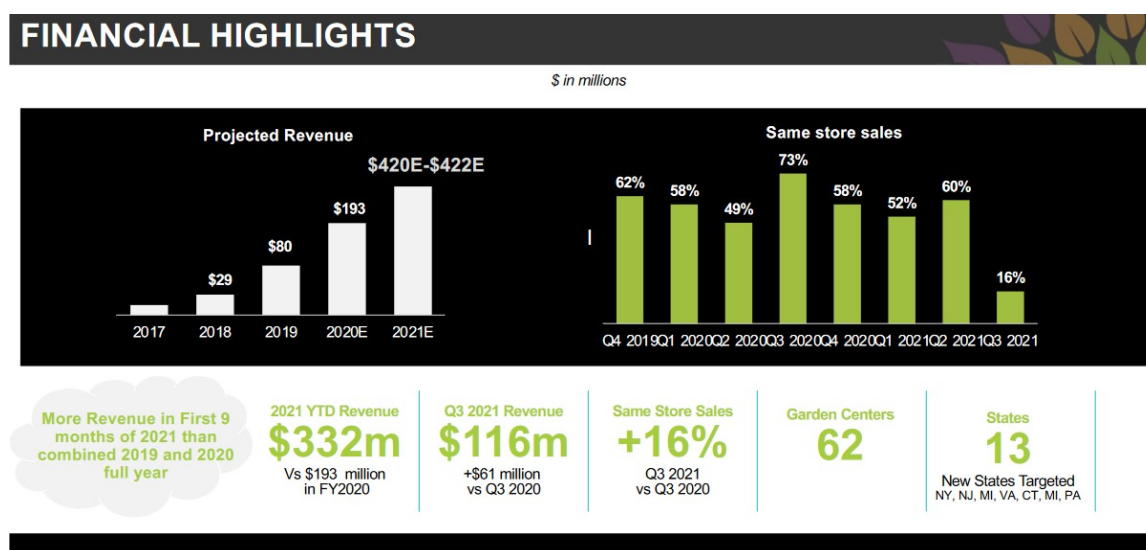
Breakdown	30/12/2021	30/12/2020	30/12/2019	30/12/2018
✓ Assets				
✓ Current assets				
✓ Cash				
Cash and cash equivalents	41,372	177,912	12,979	14,640
Other short-term investme...	39,793	-	-	-
Total cash	81,165	177,912	12,979	14,640
Net receivables	5,741	3,901	4,455	862,397
Inventory	105,571	54,024	22,659	8,869
Total current assets	216,889	250,229	42,644	24,978
✓ Non-current assets				
✓ Property, plant and equip...				
Gross property, plant and e...	75,054	21,635	12,521	2,395
Accumulated depreciation	-7,208	-3,071	-1,552	-573,822
Net property, plant and e...	67,846	18,564	10,969	1,821
Goodwill	125,401	62,951	17,799	8,753
Intangible assets	48,402	21,490	233,28	114,155
Other long-term assets	800	300,767	377,364	227,205
Total non-current assets	242,449	104,505	29,379	10,915
Total assets	459,338	354,734	72,022	35,893
✓ Liabilities and stockholders' eq...				
✓ Liabilities				
✓ Current liabilities				
Current debt	92	82,877	110,231	436,813
Accounts payable	17,033	14,623	6,025	1,819
Accrued liabilities	9,484	3,328	1,072	450,496
Deferred revenues	11,686	5,155	2,504	516,038
Total current liabilities	47,076	27,349	12,081	3,415
✓ Non-current liabilities				
Long-term debt	66	157,987	242,079	2,420
Deferred tax liabilities	2,359	750,43	-	-
Total non-current liabilities	40,971	10,387	6,049	2,420
Total liabilities	88,047	37,736	18,131	5,834
✓ Stockholders' equity				
Common stock	60	57,152	36,876	27,949
Retained earnings	10,144	-2,642	-6,887	-8,766
Total stockholders' equity	371,291	316,997	53,892	30,059
Total liabilities and stockholde...	459,338	354,734	72,022	35,893

Balance Sheet (Source: Yahoo Finance)

When analysing GRWG's balance sheet, we see that it exhibits strong financial health. Both its short term assets and long term assets respectively exceed its short and long term liabilities. In fact, GRWG's short term assets (\$189.4m) cover its short term liabilities (\$39.46m) 4.8 times over. Similarly, the firm's long term assets (\$128.22m) cover its long term liabilities (\$41.49m) 3.09 times over. Given that GRWG's total cash (\$81.165m) nearly covers its total debt (\$88.047m), and GRWG has reduced its debt to equity ratio from 2.2% to 0.05% over the past 5 years, it appears to be well poised in case fears of a US recession, or at the minimum rising interest rates, ring true and consumer and business confidence and expenditure suffer.

3.4 Company Financial Highlights

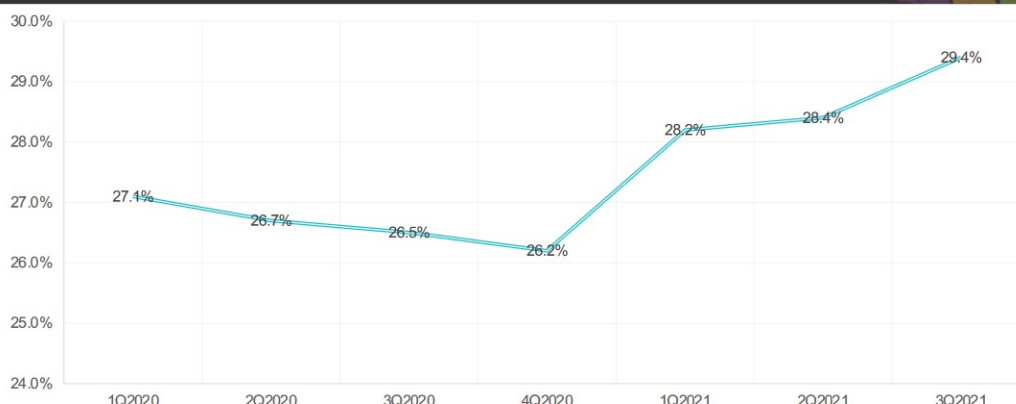
Over the last couple of years, GRWG has experienced significant growth in revenue, accumulating more revenue in the first 9 months of 2021 than 2019 and 2020 combined. Combined with the significantly positive trajectory of the above analysed industries, and considering its overwhelming market share, GRWG is well positioned to continue its strong growth.



GRWG Financial Highlights from investor report (Source: <https://d1io3yog0oux5.cloudfront.net/058a9113106f6bed4166e3533052d01b/growgeneration/db/780/6728/pdf/GRWG+January+2022+.pdf>)

Furthermore, GRWG has been able to improve its Gross Margins by approximately 2.3% over 2020 and 2021, which combined with significant revenue growth, improves its profitability outlook over the coming years.

2020 TO 2021 GROSS MARGIN IMPROVEMENTS



Gross Margins (Source: <https://d1io3yog0oux5.cloudfront.net/058a9113106f6bed4166e3533052d01b/growgeneration/db/780/6728/pdf/GRWG+January+2022+.pdf>)

3.5 Brand Ownership

GRWG has recently bought many strong hydroponics brands, which will be pivotal in navigating better wholesale prices and exclusive distribution agreements, all of which will further improve the profitability of the firm.

BRANDS THAT WE OWN

- Harvesting Supplies & Accessories
- Plant Propagation
- Digital & Analog Controllers
- Performance Grow Trays
- Air & Water Pumps, Water Chillers (Plus Air Tubing, Air Diffusers)
- HPS, MH, CMH, SE, DE, Conversion Grow Lamps
- Lighting
- Environmental Controls
- Clean Room Supplies

growgeneration.com
GROWGENERATION.COM

Brands owned by GRWG (Source: <https://d1io3yog0oux5.cloudfront.net/058a9113106f6bed4166e3533052d01b/growgeneration/db/780/6728/pdf/GRWG+January+2022+.pdf>)

In fact, the company already has exclusive distribution rights with several companies, including

ion and Power.

2021 strategy is to grow private brands and private label offering that have attractive gross margins



Exclusively distributed by GrowGeneration

Exclusive distribution rights (Source: <https://d1io3yog0oux5.cloudfront.net/058a9113106f6bed4166e3533052d01b/growgeneration/db/780/6728/pdf/GRWG+January+2022+.pdf>)

3.6 Major Holders

GRWG is currently held predominantly by institutions (50.82%), with insiders holding 5.65% of the shares. Insiders in the past 6 months have purchased 115,887 shares, and yet have sold none. While it is a poor signal to solely rely on, combined with earnings predictions and other strong fundamental indicators, one would be lead to believe that this sole focus on purchasing shares from insiders hint at a possible earning goal achievement for Q3 2022. Furthermore, the incredibly large insitutional share in the company lends confidence to the analysis that this company is currently very undervalued.

3.7 Management & Board

GRWG's management team has an average 3.2 years of experience, with both cofounders still on the leadership team after 8.5 years. Additionally, the board of directors may also be considered experienced given their average tenure of 6.5 years.



Darren Lampert

CEO & Co-Founder

- Partner at Law Firm Lampert & Lampert (1987-2000)
 - Independent Portfolio Manager (2000-2014)
 - Holds a BS from Ithaca College and a JD from Bridgeport University School of Law
-



Michael Salaman

President & Co-Founder

- CEO & President at Skinny Nutritional Corp. (2000-2014)
- 25 years experience in consumer products, business development & brand marketing
- BBA from Temple University

Greg Sanders

Chief Financial Officer

Mr. Sanders has served as Vice President and Corporate Controller at GrowGen for nearly five years. He came to GrowGen with prior public company experience, having served in various accounting positions for Enterprise Holdings and Arrow Electronics. He also led the Finance and Accounting Department, as well as Administrative and Human Resources functions, for Machol & Johannes LLC. Mr. Sanders holds a B.S. in Accounting from the University of Minnesota.

Stephen Kozey

General Counsel

Mr. Kozey's experience includes mergers and acquisitions, corporate finance, securities, commercial contracts, real estate, employment and corporate governance, among other areas. Prior to joining GrowGen, Mr. Kozey worked at Bryan Cave Leighton Paisner LLP in Denver, Colorado, and Debevoise & Plimpton LLP in New York, New York, where his practice focused on representing private and public companies, founders, management teams and other stakeholders in various types of corporate and commercial transactions. Mr. Kozey holds a J.D. from Georgetown University Law Center and a B.A. from Vassar College.



Bob Nardelli

Senior Strategic Advisor

- Partner and Senior Advisor to Emigrant Capital Corp.
- Senior Advisor to EY, among others plus several equity investments
- Board of Directors for BWXT Technologies, Inc., plus on the board of several private equity investment firms.
- Former Chairman and CEO. Chrysler Corporation
- Former Chairman and CEO. The Home Depot
- Former CEO. GE Power Systems
- XLR-8, LLC, Investment & Advisory Co.

Source: <https://ir.growgeneration.com/company-information/management-team>

3.8 Legal Proceedings & Risk Factors

According to GRWG's second quarter SEC filing, the company lists no risk factors (eg. mine safety disclosures, defaults upon senior securities, unregistered sales of equity securities and use of proceeds etc.), nor any unresolved staff comments which may shake investor confidence. GRWG is currently involved in one legal proceeding, which is stated as follows:

"The Company has been named as defendant in a lawsuit in the United States District Court for the Southern District of Texas related to a Promissory Note & Asset Acquisition Rights Option with TGC Systems, LLC ("Total Grow"). Among other claims, Total Grow alleges that the Company is liable to Total Grow based on promissory estoppel and breach of contract for failing to consummate the acquisition of Total Grow by the Company. The Company believes that the claims against it are without merit and is vigorously defending against them, including attempting to secure repayment of \$1,500,000 principal plus interest loaned by the Company to Total Grow pursuant to the Note. No accruals have been recorded in the Company's consolidated financial statements as the likelihood of a loss is not probable at this time; and the Company does not believe a reasonably possible loss would be material to, nor the ultimate resolution of these cases will have a material adverse effect on, the Company's financial condition, results of operations or cash flows."(4)

While this is an indictment on the acquisition process of GRWG, it appears unlikely that it will create a financial burden upon the company, nor create negative publicity which may impact the stock price.

3.9 Acquisitions

Throughout 2019 to 2021, GRWG has pursued an aggressive acquisition strategy, purchasing 6 companies in 2019, 8 companies in 2020 and 16 companies in 2021. The acquisitions for 2021 are as follows:

The table below represents the allocation of the purchase price to the acquired net assets during the year ended December 31, 2021:

	Agron	Aquarius	55 Hydro	Charcoalr	San Diego Hydro	Grow Warehouse	Grow Depot Maine	Indoor Garden	Downriver
Inventory	\$ —	\$ 957	\$ 780	\$ 839	\$ 1,400	\$ 2,450	\$ 326	\$ 372	\$ 824
Prepays and other current assets	46	12	29	534	36	30	3	—	3
Furniture and equipment	29	63	50	—	315	250	25	94	50
Liabilities	—	—	—	—	—	(169)	—	—	—
Operating lease right to use asset	98	108	861	—	1,079	641	92	137	273
Operating lease liability	(98)	(108)	(861)	—	(1,079)	(641)	(92)	(137)	(273)
Customer relationships	832	339	809	5,712	605	1,256	549	210	634
Trade name	1,530	485	870	1,099	1,192	2,748	344	353	698
Non-compete	139	—	26	—	6	94	36	2	16
Intellectual property	—	—	—	2,065	—	—	—	—	—
Goodwill	8,673	1,702	3,915	6,119	5,728	11,120	866	661	2,126
Total	\$ 11,249	\$ 3,558	\$ 6,479	\$ 16,368	\$ 9,282	\$ 17,779	\$ 2,149	\$ 1,692	\$ 4,351

	Harvest	Aquasereene	Mendocino	CGS	Hoagtech	All Seasons	MMI	Total
Inventory	\$ 1,204	1,696	753	875	751	100	3,530	\$ 16,857
Prepays and other current assets	7	2	1	1	37	1	—	742
Furniture and equipment	100	500	160	100	144	25	328	2,233
Liabilities	—	—	—	—	(29)	—	(250)	(448)
Operating lease right to use asset	3,782	1,177	408	746	1,569	37	2,332	13,340
Operating lease liability	(3,782)	(1,177)	(408)	(746)	(1,569)	(37)	(2,332)	(13,340)
Customer relationships	1,016	1,235	575	1,382	493	154	2,964	18,765
Trade name	1,392	1,231	414	852	428	117	1,039	14,792
Non-compete	—	11	6	11	3	—	238	588
Intellectual property	—	—	—	—	—	—	—	2,065
Goodwill	4,606	6,976	2,091	4,027	2,105	545	1,202	62,462
Total	\$ 8,325	11,651	4,000	\$ 7,248	3,932	942	\$ 9,051	\$ 118,056

The table below represents the consideration paid for the net assets acquired in business combinations during 2021:

	Agron	Aquarius	55 Hydro	Charcoir	San Diego Hydro	Grow Warehouse	Grow Depot Maine	Indoor Garden	Downriver
Cash	\$ 5,973	\$ 2,331	\$ 5,347	\$ 9,902	\$ 4,751	\$ 8,100	\$ 1,738	\$ 1,165	\$ 3,177
Common stock	5,276	1,227	1,132	6,466	4,531	9,679	411	527	1,174
Total	\$ 11,249	\$ 3,558	\$ 6,479	\$ 16,368	\$ 9,282	\$ 17,779	\$ 2,149	\$ 1,692	\$ 4,351

	Harvest	Aquasereene	Mendocino	CGS	Hoagtech	All Seasons	MMI	Total
Cash	\$ 5,561	\$ 9,860	\$ 4,000	\$ 5,976	\$ 3,932	\$ 701	\$ 8,270	\$ 80,784
Common stock	2,764	1,791	—	1,272	—	241	781	37,272
Total	\$ 8,325	\$ 11,651	\$ 4,000	\$ 7,248	\$ 3,932	\$ 942	\$ 9,051	\$ 118,056

The following table discloses the date of the acquisitions noted above and the revenue and earnings included in the consolidated income statement from the date of acquisition to the period ended December 31, 2021.

	Agron	Aquarius	55 Hydro	Charcoir	San Diego Hydro	Grow Warehouse	Grow Depot Maine	Indoor Garden	Downriver
Acquisition date	3/19/2021	3/15/2021	3/15/2021	3/12/2021	2/22/2021	2/15/2021	2/1/2021	1/25/2021	3/31/2021
Revenue	\$ 14,403	\$ 9,640	\$ 6,017	\$ 6,840	\$ 7,173	\$ 13,147	\$ 6,655	\$ 6,265	\$ 3,663
Net Income (loss)	\$ (305)	\$ 1,679	\$ 399	\$ 1,039	\$ 906	\$ 2,175	\$ 1,132	\$ 1,088	\$ 297

	Harvest	Aquasereene	Mendocino	CGS	Hoagtech	All Seasons	MMI	Total
Acquisition date	5/3/21	7/19/21	7/19/21	8/24/21	8/23/21	10/15/21	12/31/21	
Revenue	\$ 6,706	\$ 2,742	\$ 1,455	\$ 1,534	\$ 1,564	\$ 187	\$ —	\$ 87,991
Net Income (loss)	\$ 924	\$ 445	\$ 106	\$ 15	\$ 141	\$ 52	\$ —	\$ 10,093

The following represents the pro forma consolidated income statement as if the acquisitions had been included in the consolidated results of the Company for the entire period for the years ended December 31, 2021, 2020, and 2019.

	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)
Revenue	\$ 452,126	\$ 310,947	\$ 197,315
Net income	\$ 13,511	\$ 18,480	\$ 14,475

Acquisition Details (Source: <https://ir.growgeneration.com/sec-filings/all-sec-filings/content/0001628280-22-005596/0001628280-22-005596.pdf>)

As can be seen, these acquisitions have been of primarily smaller companies and brick-and-mortar local stores, which in 2021 would have (unaudited) accounted for an increase of \$452,126 in revenue, in a company which recorded approximately \$71.1 million in revenue for the three months ended June 30, 2022, a revenue which is in fact a 44% decrease from first quarter revenue. As a result, despite the large volume of acquisitions, GRWG is collecting rather small slices of market share, and would primarily be focusing on removing small business competition and securing equipment for cheaper wholesale distribution costs and potentially exclusive distribution agreements. Nevertheless, it represents strong confidence from the management of GRWG in both their business model and the trajectory of the industry.

3.10 Chart Analysis

With an RSI of 32.27, and an SMA(50) falling dangerously close to the SMA(20), while it currently does not appear to be an optimal time to buy GRWG, these indicators all suggest that

investors should remain ready for a large reversal.



Chart 2020 - 2022 (Source: <https://stockcharts.com/acp/?s=GRWG>)



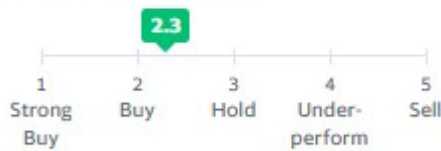
Chart 2015- 2022 (Source: <https://stockcharts.com/acp/?s=GRWG>)

3.11 Recommendation Trends and Ratings

Recommendation trends >



Recommendation rating >



Analysts' price targets (9) >



Source: Yahoo Finance

As seen above, many financial analysts see this stock as one to buy, given both Fundamental and Technical Analysis posit that the stock is currently undervalued.

4. Final Conclusion

Ultimately, GRWG resides in multiple high-growth markets as the leading marketer and distributor of nutrients, growing media, advanced indoor and greenhouse lighting, environmental control systems and accessories for hydroponic gardening. Given its strong financial health, significant list of recent acquisitions, gross margins, experienced management and position as the largest chain of hydroponic garden centers in North America, despite recent industry headwinds, the company is a great pick for investors. Furthermore, multiple chart indicators signal a potential reversal in trend very soon for the company's stock price. As such, I recommend GrowGeneration Corp. (GRWG) as a stock investors should BUY, and expect that it shall at least see a 50% rise over the coming months, depending on its next earnings release.

5. Appendix

5.1 Resources

<https://www.growgeneration.com>

<https://www.urbanvine.co/blog/vertical-farming>

<https://au.finance.yahoo.com/quote/GRWG/holders?p=GRWG>

<https://stockcharts.com/acp/?s=GRWG>

<https://simplywall.st/stocks/us/retail/nasdaq-grwg/growgeneration/management>

<https://www.statista.com/statistics/239753/total-sales-of-home-improvement-retailers-in-the-us/>

<https://www.millioninsights.com/industry-reports/hydroponics-market>

<https://www.grandviewresearch.com/industry-analysis/us-cannabis-market>

<https://ir.growgeneration.com/sec-filings/all-sec-filings/content/0001628280-22-005596/0001628280-22-005596.pdf>

<https://d1io3yog0oux5.cloudfront.net/058a9113106f6bed4166e3533052d01b/growgeneration/db/780/6728/pdf/GRWG+January+2022+.pdf>

<https://trends.google.com/trends/explore?date=today%205-y&geo=US&q=Hydroponics>

<https://trends.google.com/trends/explore?date=today%205-y&geo=US&q=home%20improvement>

<https://ir.growgeneration.com/company-information/management-team>

5.2 References

- (1) <https://au.finance.yahoo.com/quote/GRWG/profile?p=GRWG> (Date Accessed: 26/9/2022)
- (2) <https://ir.growgeneration.com/sec-filings/all-sec-filings/content/0001628280-22-021945/0001628280-22-021945.pdf> (Date Accessed: 26/9/2022)
- (3) https://d1io3yog0oux5.cloudfront.net/058a9113106f6bed4166e3533052d01b/growgeneration/news/2022-08-04_GrowGeneration_Reports_Second_Quarter_2022_175.pdf (Date Accessed: 26/9/2022)
- (4) <https://ir.growgeneration.com/sec-filings/all-sec-filings/content/0001628280-22-005596/0001628280-22-005596.pdf> (Date Accessed: 26/9/2022)