

Calloway's Nursery, Inc.
Condensed Consolidated Balance Sheets (Unaudited)
(amounts in thousands, except share amounts)

Assets

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 22,063	\$ 7,537
Accounts receivable	412	794
Inventories	3,721	5,224
Prepays	232	124
Total current assets	26,428	13,679
Property and equipment, net	22,869	23,525
Assets under capital leases, net	9,399	5,994
Right-of-use assets, net	7,530	8,002
Other assets	50	50
Total assets	\$66,276	\$51,250

Liabilities and Shareholders' Equity

Accounts payable and accrued expenses	\$ 11,730	\$ 5,879
Deferred revenue	1,000	872
Current portion of long-term debt	372	368
Current portion of capital lease obligations	208	125
Operating lease obligations, current portion	1,210	1,251
Total current liabilities	14,520	8,495
Long-term debt (net of current portion and unamortized debt issuance costs)	4,743	4,161
Obligations under capital leases, net of current portion	9,296	5,918
Operating lease liabilities, net of current portion	6,465	6,838
Deferred income taxes	1,364	1,356
Total liabilities	36,388	26,768
Commitments and contingencies		
Shareholders' equity:		
Common stock (\$.01 par value; 30,000,000 shares authorized; 7,607,848 shares issued)	76	76
Additional paid-in capital	8,608	8,608
Retained earnings	22,612	17,206
	31,296	25,890
Less: treasury stock, at cost (261,888 shares)	(1,408)	(1,408)
Total shareholders' equity	29,888	24,482
Total liabilities and shareholders' equity	\$66,276	\$51,250

The accompanying notes are an integral part of these condensed consolidated financial statements.

Calloway's Nursery, Inc.
Condensed Consolidated Balance Sheets (Unaudited)
(amounts in thousands, except share amounts)

	Six Months Ended June 30,	
	2020	2019
Net revenue	\$44,842	\$37,178
Cost of goods sold	21,094	18,198
Gross profit	23,748	18,980
Selling, general and administrative expenses	11,991	12,733
Net interest expense	421	324
Income (loss) before provision for income taxes	11,335	5,922
Income tax expense (benefit)	2,450	1,279
Net income (loss)	\$ 8,885	\$ 4,644
Weighted average number of common shares outstanding - basic and diluted	7,346	7,346
Net income (loss) per common share - basic and diluted	\$1.21	\$ 0.63

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Calloway's Nursery, Inc.
Condensed Consolidated Statements of Shareholders' Equity (Unaudited)
(amounts in thousands, except share amounts)

	Common Stock		Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Shares	Amount				
Balance January 1, 2019	7,608	\$76	\$8,601	\$12,562	(\$1,408)	\$19,831
Net income	--	--	--	4,644	--	4,644
Stock-based compensation	--	--	7	--	--	7
Dividends	--	--	--	--	--	--
Balance June 30, 2019	<u>7,608</u>	<u>\$76</u>	<u>\$8,608</u>	<u>\$17,206</u>	<u>(1,408)</u>	<u>24,482</u>
	Common Stock		Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Shares	Amount				
Balance January 1, 2020	7,608	\$76	\$8,608	\$15,563	(\$1,408)	\$22,839
Net income	--	--	--	8,885	--	8,885
Stock-based compensation	--	--	--	--	--	--
Dividends	--	--	--	(1,836)	--	(1,836)
Balance June 30, 2020	<u>7,608</u>	<u>\$76</u>	<u>\$8,608</u>	<u>\$22,612</u>	<u>(\$1,408)</u>	<u>\$29,888</u>

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Calloway's Nursery, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(amounts in thousands)

	Six Months Ended	
	June 30,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ 8,885	\$ 4,644
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	654	589
Amortization of deferred borrowing costs	12	6
Stock-based compensation	--	6
Deferred income taxes	--	(2)
Change in operating assets and liabilities:		
Inventories	229	(1,156)
Accounts payable and accrued expenses	6,719	1,573
Other operating assets and liabilities	(94)	(680)
Net cash flows provided by (used for) operating activities	16,405	4,980
Cash flows from investing activities:		
Additions to property and equipment, net	(79)	(304)
Net cash flows used for investing activities	(79)	(304)
Cash flows from financing activities:		
Net Borrowings (repayments) of debt	752	(179)
Repayments of capital lease obligations	(98)	(81)
Payment of dividends	(1,206)	(3,673)
Net cash flows used for financing activities	(552)	(3,933)
Net increase (decrease) in cash and cash equivalents	15,774	743
Cash and cash equivalents at beginning of period	6,289	6,794
Cash and cash equivalents at end of period	\$22,063	\$ 7,537

The accompanying notes are an integral part of these condensed consolidated financial statements.

Calloway's Nursery, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Unaudited interim financial information

We have prepared the accompanying condensed consolidated financial statements pursuant to Accounting Standards Codification Topic 270, *Interim Financial Reporting* ("ASC 270"). ASC 270 provides minimum disclosure requirements for all reporting entities that prepare interim financial statements.

These condensed consolidated financial statements are unaudited, and in management's opinion, include all adjustments, consisting of normal recurring adjustments and accruals necessary for a fair statement of our consolidated balance sheets, income statements, changes in shareholders' equity and cash flows for the periods presented.

Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year ending December 31, 2020 due to seasonal and other factors.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been omitted. These consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes as of and for the year ended December 31, 2019.

2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent liabilities in the consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, income taxes, commitments and contingencies, and inventory valuation. Actual results could differ materially from those estimates.

3. Cash and cash equivalents

Cash and cash equivalents at June 30 consist of the following (amounts in thousands):

	<u>Jun 2020</u>	<u>Jun 2019</u>
Demand deposit accounts	\$22,035	\$7,510
Petty cash	28	27
	<u>\$22,063</u>	<u>\$7,537</u>

Calloway's Nursery, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

4. Property and equipment, net

Property and equipment at June 30 consist of the following (amounts in thousands):

	Jun 2020	Jun 2019
Land	\$11,297	\$11,297
Land improvements	1,307	1,307
Buildings	14,403	14,403
Leasehold improvements	2,016	2,016
Furniture and fixtures	1,012	907
Equipment	3,060	2,783
Vehicles	737	772
Construction in process	0	28
	33,832	33,513
Less: accumulated depreciation and amortization	(10,963)	(9,988)
	\$22,869	\$23,525

5. Earnings per Share

Basic and diluted earnings per share are calculated using the weighted-average outstanding common shares.