

# CALLOWAY'S NURSERY

**DATE:** August 10, 2011                      **MEDIA, INVESTOR,** Dan Reynolds  
**FOR RELEASE:** Immediately                      **ANALYST CONTACT:** (817) 222-1122

## **CALLOWAY'S NURSERY ANNOUNCES RESULTS FOR SECOND QUARTER ENDED JUNE 30, 2011**

FORT WORTH, TX — AUGUST 10, 2011 -- Calloway's Nursery, Inc. (PK:CLWY) today reported revenues and operating results for the second quarter ended June 30, 2011.

### **Results for the Second Quarter**

- Revenue was \$18.7 million for 2011, compared to revenue of \$20.5 million for 2010. That was also the same-store revenue comparison since all nineteen retail stores have been open for more than twelve months at the start of the current year.
- Net income was \$1.6 million for 2011, compared to net income of \$2.3 million for 2010.
- Diluted net income per common share was \$.21 for 2011, compared to diluted net income per common share of \$.32 for 2010.

### **Results for the Six Month Period**

- Revenue was \$31.1 million for 2011, compared to revenue of \$28.7 million for 2010. That was also the same-store revenue comparison since all nineteen retail stores have been open for more than twelve months at the start of the current year.
- Net income was \$2.4 million for 2011, compared to net income of \$2.3 million for 2010. The 2010 period included a \$246,000 extraordinary gain.
- Diluted net income per common share was \$.31 for 2011, compared to diluted net income per common share of \$.32 for 2010. The 2010 period included a \$.03 per-share extraordinary gain.

Founded in 1986, Calloway's Nursery, Inc. is a 19-store garden center chain serving the Dallas - Fort Worth (as *Calloway's Nursery*) and Houston (as *Cornelius Nursery*) markets. The company strives to make gardening fun, easy and successful for customers by offering expert advice from Texas Certified Nursery Professionals; store environments that are educational and easy to shop; weekly gardening clinics that serve both novice and expert gardeners; displays and instructions to aid gardeners with design and color development in their yards; and a product selection of the best plant varieties available.

**CALLOWAY'S NURSERY, INC.**  
**CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)**  
(Amounts in thousands, except per share amounts)

	<b>Three-Months Ended</b>		<b>Six-Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Net sales	\$18,709	\$20,456	\$31,147	\$28,733
Cost of goods sold	<u>9,853</u>	<u>10,446</u>	<u>15,844</u>	<u>14,445</u>
Gross profit	<u>8,856</u>	<u>10,010</u>	<u>15,303</u>	<u>14,288</u>
Operating expenses	4,715	4,846	8,449	7,931
Advertising expenses	434	410	812	708
Occupancy expenses	844	822	1,703	1,654
Depreciation and amortization	149	152	297	292
Net interest expense	<u>206</u>	<u>252</u>	<u>406</u>	<u>579</u>
Total expenses	<u>6,348</u>	<u>6,482</u>	<u>11,667</u>	<u>11,164</u>
Income before provision for income taxes and extraordinary gain	2,508	3,528	3,636	3,124
Income tax expense	<u>875</u>	<u>1,208</u>	<u>1,249</u>	<u>1,074</u>
Net income before extraordinary gain	1,633	2,320	2,387	2,050
Extraordinary gain, net of income tax expense	<u>--</u>	<u>--</u>	<u>--</u>	<u>246</u>
Net income	<u>\$ 1,633</u>	<u>\$ 2,320</u>	<u>\$ 2,387</u>	<u>\$ 2,296</u>
Weighted average number of common shares outstanding – basic and diluted	7,757	7,277	7,660	7,232
Income before extraordinary gain per common share – basic and diluted	\$0.21	\$0.32	\$0.31	\$0.29
Extraordinary gain, net of tax, per common share - basic and diluted	<u>--</u>	<u>--</u>	<u>--</u>	<u>0.03</u>
Net income per common share - basic and diluted	<u>\$0.21</u>	<u>\$0.32</u>	<u>\$0.31</u>	<u>\$0.32</u>

**CALLOWAY'S NURSERY, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
(Amounts in thousands)

**ASSETS**

	<b>June 30,</b> <b>2011</b>	<b>June 30,</b> <b>2010</b>
	<u>          </u>	<u>          </u>
Cash and cash equivalents	\$ 6,121	\$ 4,248
Accounts receivable	133	498
Inventories	2,895	2,141
Prepays and other assets	35	35
Deferred income taxes	547	241
Assets held for sale	--	568
Total current assets	<u>9,731</u>	<u>7,731</u>
Property and equipment, net	17,223	17,750
Deferred income taxes	--	609
Other assets	<u>305</u>	<u>296</u>
Total assets	<u><u>\$27,259</u></u>	<u><u>\$26,386</u></u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Accounts payable and accrued expenses	\$ 7,674	\$ 7,251
Current portion of long-term debt	<u>790</u>	<u>3,388</u>
Total current liabilities	8,464	10,639
Deferred rent payable	2	25
Long-term debt, net of current portion	11,403	9,432
Deferred income taxes	<u>51</u>	<u>--</u>
Total liabilities	<u>19,920</u>	<u>20,096</u>
Shareholders' equity:		
Common stock	81	76
Additional paid-in capital	10,672	10,402
Accumulated deficit	<u>(2,006)</u>	<u>(2,780)</u>
	8,747	7,698
Less: Treasury stock, at cost	<u>(1,408)</u>	<u>(1,408)</u>
Total shareholders' equity	<u>7,339</u>	<u>6,290</u>
Total liabilities and shareholders' equity	<u><u>\$27,259</u></u>	<u><u>\$26,386</u></u>

**CALLOWAY'S NURSERY, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
**(Amounts in thousands)**

	<b>Six-Months Ended</b>	
	<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>
Cash flows from operating activities:		
Net income	\$2,387	\$2,297
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	297	292
Gain on involuntary conversion of assets, net of tax	--	(372)
Net change in operating assets and liabilities	1,177	294
Net cash provided by operating activities	3,861	2,511
Cash flows from investing activities:		
Additions to property and equipment	(71)	(577)
Proceeds from involuntary conversion of assets	--	606
Net cash provided by (used for) investing activities	(71)	29
Cash flows from financing activities:		
Proceeds from issuance of debt	56	--
Repayments of debt	(378)	(785)
Proceeds from issuance of common stock	188	84
Net cash used for financing activities	(134)	(701)
Net increase in cash and cash equivalents	3,656	1,839
Cash and cash equivalents at beginning of period	2,465	2,409
Cash and cash equivalents at end of period	\$6,121	\$4,248