



Second Quarter 2024
Earnings Presentation

August 8, 2024

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Non-GAAP Financial Information. This presentation contains financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Management uses these "non-GAAP" measures in its analysis of the Company's performance. Management believes these non-GAAP financial measures allow for better comparability of period to period operating performance. Additionally, the Company believes this information is utilized by regulators and market analysts to evaluate a company's financial condition and therefore, such information is useful to investors. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. A reconciliation of the non-GAAP measures used in this presentation to the most directly comparable GAAP measures is provided in the Appendix to this presentation.




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Business Overview

Second Quarter 2024: Key Profitability Metrics Remain On Track

Net Sales on track to achieve our full year outlook

- Seven consecutive months of sequential net sales growth Nov'23 through May'24
- Q2 industry demand levels were generally in-line with our internal expectations

Positive Adjusted EBITDA in Q2'24 and in 4 of the last 5 quarters

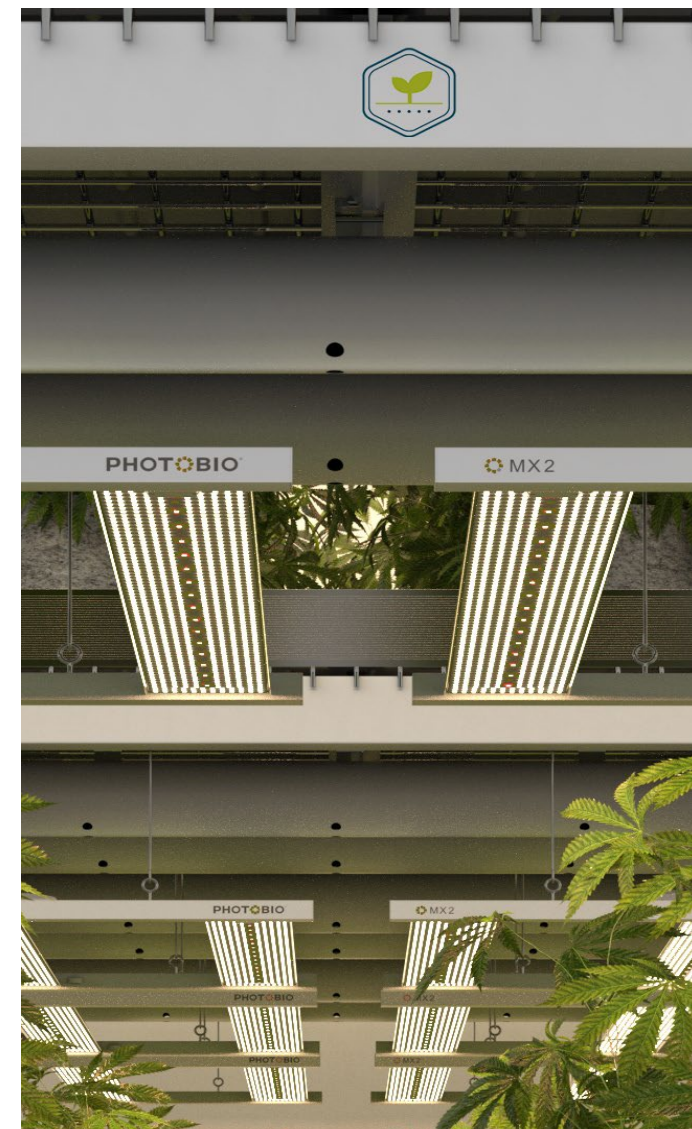
- Q2'24 Adjusted EBITDA of \$1.7MM vs. \$2.5MM last year / challenging comp quarter
- Adjusted SG&A expense decreased by 20% versus Q2'23

Progress continues on several cost saving initiatives

- Completed sale of durable manufacturing assets in May to reduce fixed costs
- Completed nutrient manufacturing consolidation in June to reduce fixed costs
- Initiated shutdown of grow media facility to reduce fixed costs
- Initiated assessment of Distribution Center utilization as path to rightsizing our DC network

Reaffirming our Outlook for 2024

Adjusted Gross Profit, Adjusted SG&A Expense and Adjusted EBITDA are non-GAAP measures. Please see appendix for reconciliation of non-GAAP to GAAP measures.



2024 Strategic Priorities

- ✓ Positioning brand and product portfolio for potential industry catalysts
- ✓ Focusing on diverse revenue streams
- ✓ Driving improved sales mix via Proprietary Brands
- ✓ Continue right-sizing our cost structure
- ✓ Further improving our Adjusted EBITDA margin

Adjusted Gross Profit, Adjusted SG&A Expense and Adjusted EBITDA are non-GAAP measures. Please see appendix for reconciliation of non-GAAP to GAAP measures.





Financial Overview



Financial Summary

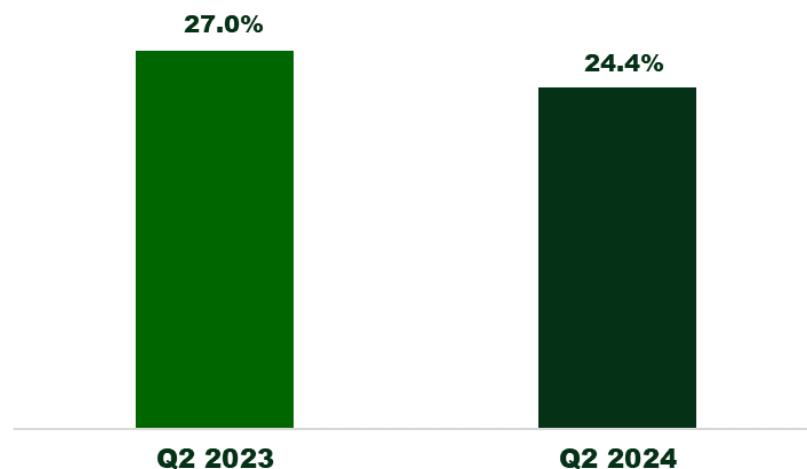
	2023	2024	
<i>Three months ending (\$ in thousands)</i>	<u>Q2</u>	<u>Q2</u>	<u>% Change</u>
Net Sales	63,051	54,793	-13%
Adjusted Gross Profit	17,019	13,349	-22%
% of Net Sales	27.0%	24.4%	- 260 bps
Adjusted SG&A	14,568	11,624	-20%
% of Net Sales	23.1%	21.2%	- 190 bps
Adjusted EBITDA	2,451	1,725	-30%
% of Net Sales	3.9%	3.1%	- 80 bps

Adjusted Gross Profit, Adjusted SG&A and Adjusted EBITDA are non-GAAP measures. Please see appendix for reconciliation of non-GAAP to GAAP measures.

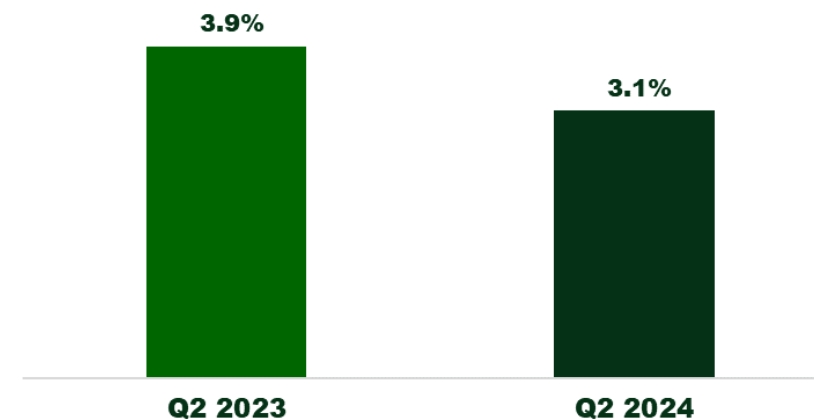


Solid Q2'24 Performance vs. Challenging Q2'23 Lap

Q2 Adjusted Gross Profit Margin %



Q2 Adjusted EBITDA %



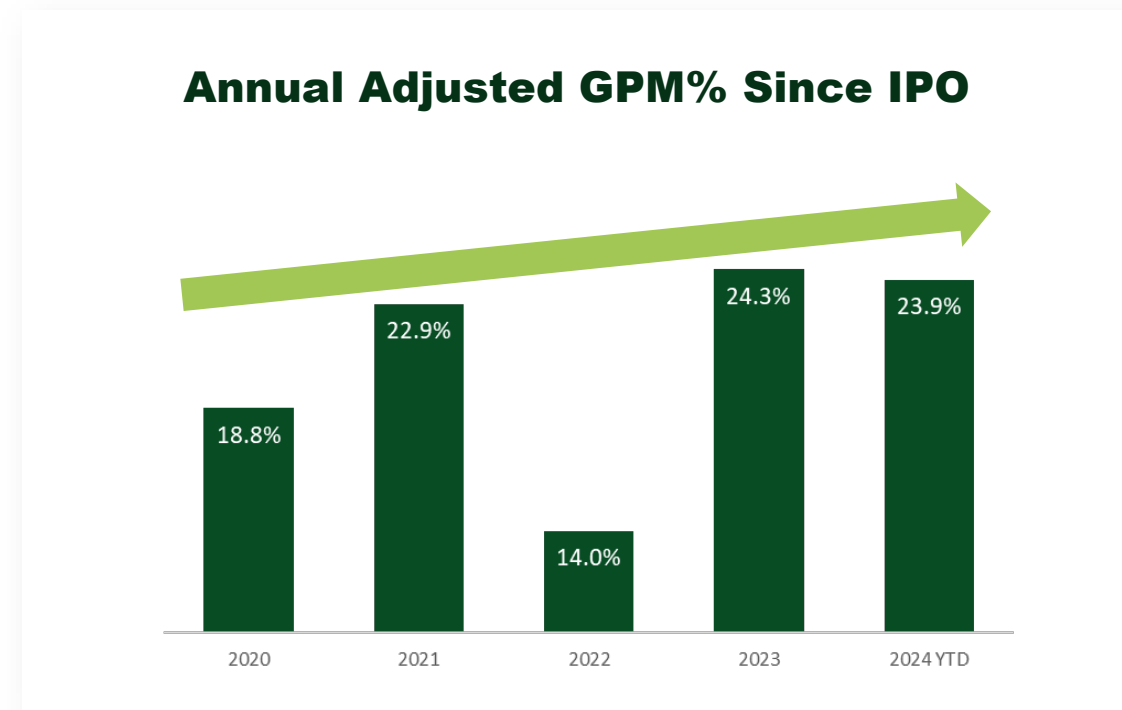
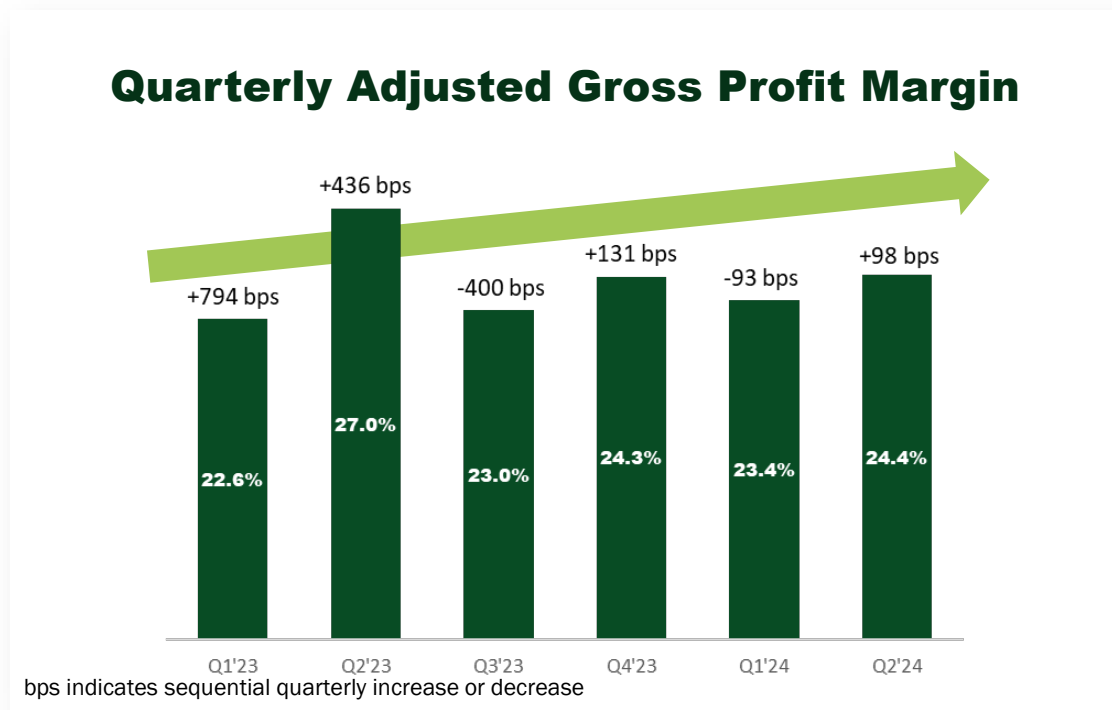
Lapped Q2'23, highest AGPM% quarter since IPO

- Favorable weather in Canada led to early Peat harvest
- Strong mix of high-margin Proprietary Consumables products
- Factors above contributed to stronger manufacturing productivity in Q2'23

Positive Adjusted EBITDA despite Lower Sales Level

- +20% SG&A savings in Q2'24 vs. Q2'23
- Savings experienced against wide variety of SG&A items
- Aided by restructuring and cost savings initiatives

Perspective on our Adjusted Gross Profit Margin Trend



Sequential Adj Gross Profit Margin Improvement

- Favorable sales mix and restructuring/related cost saving initiatives driving significant sequential improvement since Q1 2023
- Q2'24 represents the third best quarterly AGPM% since IPO

Sales Mix Helping Drive Adjusted GPM% Increase

- Proprietary brand mix % improved from ~35% in FY'20 to ~57% in YTD'24
- Opportunity to improve YoY Adjusted GPM% for the FY'24
- FY'22 impacted by significant inventory write-downs (not adjusted)

Adjusted Gross Profit and Adjusted EBITDA are non-GAAP measures. AGPM% refers to 'Adjusted Gross Profit Margin'. Please see appendix for reconciliation of non-GAAP to GAAP measures.

Liquidity and Cash Flow Remain Strong

Balance Sheet Highlights as of June 30, 2024

Cash and cash equivalents	\$30.3MM
Total Debt	\$128.8MM
Net Debt	\$98.5MM

Cash Flow Highlights 3 months ended June 30, 2024

Net Cash From Operations	\$3.8MM
Capital Expenditures	(\$0.4)MM
Free Cash Flow	\$3.4MM



Debt Details

Un-utilized Revolving Credit facility and Covenant-light Term Loan that does not mature until 2028

Revolving Line of Credit

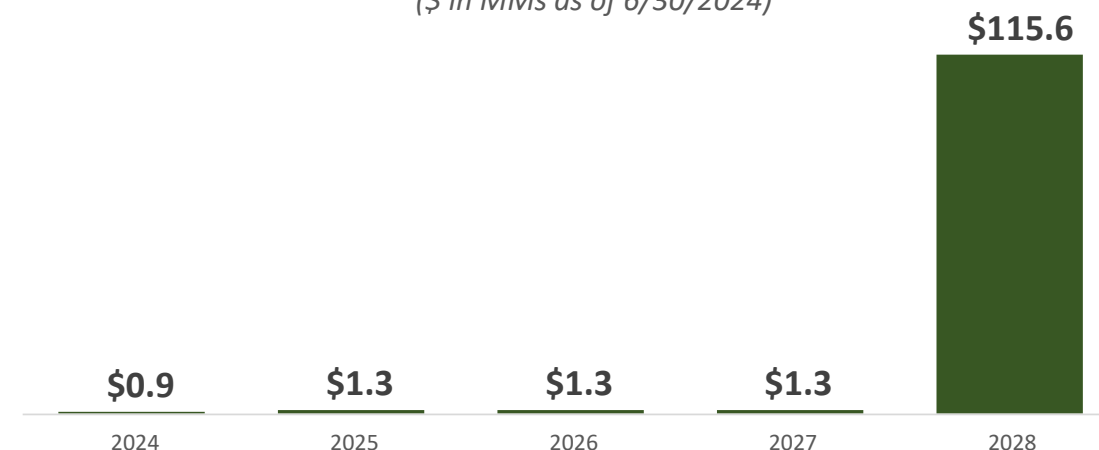
- ✓ \$55MM Total Facility Size
- ✓ \$0MM Drawn and \$20MM (estimated) available as of 6/30/24
- ✓ Adjusted Term SOFR Rate + grid-based spread
- ✓ Availability varies with borrowing base
- ✓ Matures June 2026

Senior Secured Term Loan

- ✓ \$120.2MM in principal outstanding as of 6/30/24
- ✓ Adjusted Term SOFR Rate + 5.50%
- ✓ No financial maintenance covenants
- ✓ Principal amortizes 0.25% per quarter until October 2028
- ✓ Proceeds from asset sales subject to debt payment provisions*
- ✓ 0% call premium after October 25, 2023
- ✓ Matures October 2028

Term Loan Maturities Schedule

(\$ in MMs as of 6/30/2024)



NOTE: Debt maturities schedule includes remaining 2024 estimated long-term debt principal payments, as of 6/30/2024.

* The 2023 Eugene property sale-leaseback and the 2024 Asset Sale are subject to the Term Loan reinvestment provisions, further described in our Form 10-Q and Form 10-K filings.

Reaffirming Fiscal 2024 Outlook on Key Metrics

1 Net Sales

- Proprietary brand mix % to increase as % of total sales
- Improving revenue diversity

2 Adjusted EBITDA

- Productivity in manufacturing and distribution centers
- SG&A savings to more than offset growth/productivity investments
- Minimal non-restructuring inventory reserves or related charges

3 Free Cash Flow

- Further reduce inventory and working capital levels
- Capital expenditures, primarily growth/productivity, of between \$3.5MM to 4.5MM, compared to prior expectation of \$4.0MM to \$5.0MM

Reaffirming
2024 Full Year
Outlook

**Decline low to high
teens in % terms**

**Positive Adjusted EBITDA
for the Full Year**

**Positive Free Cash Flow
for Full Year**



Appendix



Branded manufacturer and distributor serving the CEA market

Adding value within a complex value chain with barriers to entry



Source: Company Information

Leadership combines industry & consumer brands know-how

Proven management team with deep experience base



Bill Toler
Chairman &
Chief Executive Officer



John Lindeman
EVP & Chief Financial
Officer



Mark Parker
EVP, Business
Development



Laura Harvey
SVP, General Manager
Canada



Eric Ceresnie
SVP, Corporate Dev.
& International Markets

Prior:



Prior:



Prior:



Prior :



Prior:



Diverse board with relevant experience



Renah Persofsky
Vice Chair & Lead Director, Tilray



Susan Peters
Former SVP HR, General Electric



Rick Moss
Former CFO, Hanesbrands



Patrick Chung
VP Finance, CentreCourt

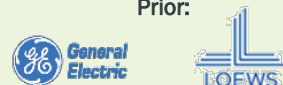


Melisa Denis
Retired Lead Partner, KPMG

Prior :



Prior:



Prior :



Prior:



Prior:



Reconciliation of Non-GAAP Financial Measures to Reported Financial Measures

(\$ in thousands)

	Three months ended		Six months ended		Three months ended		Six months ended		LTM
	June 30,		June 30,		June 30,		June 30,		ended
	2024	2023	2024	2023	2024	2023	2024	2023	June 30, 2024
Reconciliation of Adjusted Gross Profit:									
Gross Profit (GAAP)	10,851	14,473	21,776	25,854					
Depreciation, depletion and amortization	1,608	1,826	3,257	3,281					
Restructuring expenses ¹	890	720	981	1,957					
Adjusted Gross Profit (Non-GAAP)	13,349	17,019	26,014	31,092					
As a percent of net sales:									
Gross Profit Margin (GAAP)	19.8%	23.0%	20.0%	20.6%					
Adjusted Gross Profit Margin (Non-GAAP)	24.4%	27.0%	23.9%	24.8%					
Reconciliation of Adjusted SG&A:									
Selling, general and administrative (GAAP)	18,659	23,468	38,280	47,899					
Depreciation, depletion and amortization	6,168	6,424	12,404	12,976					
Restructuring expenses ¹	37	68	84	242					
Stock-based compensation ²	769	1,819	1,637	3,026					
Severance and other ³	61	589	195	884					
Adjusted SG&A (Non-GAAP)	11,624	14,568	23,960	30,771					
As a percent of net sales:									
SG&A (GAAP)	34.1%	37.2%	35.1%	38.2%					
Adjusted SG&A (Non-GAAP)	21.2%	23.1%	22.0%	24.6%					
Reconciliation of Adjusted EBITDA:									
Net loss (GAAP)	(23,450)	(12,865)	(36,058)	(29,714)	(71,157)				
Interest expense	3,811	3,768	7,742	7,460	15,724				
Income tax expense (benefit)	390	(318)	586	(171)	544				
Depreciation, depletion and amortization	7,776	8,250	15,661	16,257	31,479				
Restructuring expenses ¹	927	788	1,065	2,199	10,135				
Stock-based compensation ²	769	1,819	1,637	3,026	3,725				
Severance and other ³	61	589	195	884	770				
Other (income) expense, net ⁴	(79)	420	(294)	380	(792)				
Loss on asset disposition ⁵	11,520	-	11,520	-	11,520				
Acquisition and integration expenses	-	-	-	-	51				
Adjusted EBITDA (Non-GAAP)	1,725	2,451	2,054	321	1,999				
As a percent of net sales:									
Net loss (GAAP)	-42.8%	-20.4%	-33.1%	-23.7%					
Adjusted EBITDA (Non-GAAP)	3.1%	3.9%	1.9%	0.3%					
Reconciliation of Free Cash Flow⁶:									
Net cash from operating activities (GAAP)⁶:	3,784	9,911	1,487	961					
Capital expenditures of property, plant and equipment (GAAP)	(368)	(1,653)	(1,810)	(3,306)					
Free Cash Flow (Non-GAAP)⁶:	3,416	8,258	(323)	(2,345)					

We define **Adjusted EBITDA** (non-GAAP) as net loss (GAAP) excluding interest expense, income taxes, depreciation, depletion and amortization, stock-based compensation including employer payroll taxes on stock-based compensation, restructuring charges which represent fundamental changes to our operations, and other non-cash, unusual and/or infrequent costs (i.e., impairments, severance, loss on asset disposition, acquisition and integration expenses, distribution center exit costs, and other income/expense, net), which we do not consider in our evaluation of ongoing operating performance.

We define **Adjusted Gross Profit** (non-GAAP) as gross profit (GAAP) excluding depreciation, depletion, and amortization, restructuring charges, and other non-cash, unusual and/or infrequent costs (i.e., severance and other expenses, and acquisition and integration expenses), which we do not consider in our evaluation of ongoing operating performance.

We define **Adjusted SG&A** (non-GAAP) as SG&A (GAAP) excluding depreciation, depletion, and amortization, stock-based compensation including employer payroll taxes on stock-based compensation, restructuring charges, and other non-cash, unusual and/or infrequent costs (i.e., severance and other expenses, acquisition and integration expenses, and distribution center exit costs), which we do not consider in our evaluation of ongoing operating performance.

We define **Free Cash Flow** (non-GAAP) as Net cash from (used in) operating activities less capital expenditures for property, plant and equipment. We believe this provides additional insight into the Company's ability to generate cash and maintain liquidity. However, Free Cash Flow does not represent funds available for investment or other discretionary uses since it does not deduct cash used to service our debt or other cash flows from financing activities.

We define **Liquidity** as total cash, cash equivalents and restricted cash, plus available borrowing capacity on our Revolving Credit Facility.

We define **Net Debt** as total debt principal outstanding plus finance lease liabilities, less cash, cash equivalents and restricted cash, if applicable.

1. For the three and six months ended June 30, 2024, restructuring expenses related primarily to manufacturing facility consolidations, and the charges incurred to relocate and terminate certain facilities. For the three and six months ended June 30, 2023, restructuring expenses related primarily to the relocation and termination of certain facilities in Canada and the closure of the Company's supply chain management office in China.

2. Includes stock-based compensation and related employer payroll taxes on stock-based compensation for the periods presented.

3. For the three and six months ended June 30, 2024, Severance and other charges primarily related to estimated legal costs related to certain litigation and severance charges. For the three and six months ended June 30, 2023, Severance and other charges primarily related to workforce reductions, and charges in conjunction with a sale-leaseback transaction during the first quarter of 2023.

4. Other income, net related primarily to foreign currency exchange rate gains and losses and other non-operating income and expenses. For the three and six months ended June 30, 2023, Other expense, net also included charges from Amendment No. 1 to the Term Loan.

5. Loss on asset disposition for the three and six months ended June 30, 2024, relates to the IGE Asset Sale.

6. The total gross proceeds associated with the IGE Asset Sale were \$8.7 million, of which the Company estimated and classified \$5.0 million in Net cash from operating activities, and \$3.7 million in Investing activities, as these cash flows were associated with the sale of inventory and property, plant and equipment, respectively. The cash proceeds classified within Net cash from operating activities were partially offset by \$1.3 million cash paid to terminate the associated facility lease and cash transaction costs paid during the period. As a result, the Asset Sale contributed an estimated \$3.5 million to Net cash from operating activities and Free Cash Flow during the three and six months ended June 30, 2024. In addition, in connection with the Asset Sale, the Company paid \$0.7 million to terminate certain equipment finance leases and classified this cash outflow within Financing activities for the three and six months ended June 30, 2024. In total, the IGE Asset Sale contributed net cash proceeds, after repayment of certain lease liabilities and transaction expenses, of an estimated \$6.3 million. In 2023, gross proceeds of \$8.6 million received during the three months ended March 31, 2023 from a sale-leaseback of real estate located in Eugene, Oregon, was classified as a Financing activity and is not reflected in Net cash from operating activities or Free Cash Flow in the prior year period.