UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): **August 8, 2024**

Hydrofarm Holdings Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**001-39773**	**81-4895761**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1510 Main Street
Shoemakersville, PA 19555

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(707) 765-9990**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	HYFM	Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On August 8, 2024, Hydrofarm Holdings Group, Inc. (the "Company") issued a press release announcing its financial results for the second quarter ended June 30, 2024 and reaffirming its full-year 2024 outlook. The full text of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information in this Item 2.02 (including Exhibit 99.1) shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 7.01 Regulation FD Disclosure.

On August 8, 2024, the Company provided an investor presentation that will be made available on the investor relations section of the Company’s website at https://investors.hydrofarm.com/. The investor presentation is furnished as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein solely for purposes of this Item 7.01 disclosure.

The information in this Item 7.01 (including Exhibit 99.2) shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act, or the Exchange Act, except as expressly set forth by specific reference in such a filing. Without limiting the generality of the foregoing, the text of the press release set forth under the heading entitled “Cautionary Note Regarding Forward-Looking Statements” is incorporated by reference into this Item 7.01.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description
99.1	Press Release, dated August 8, 2024.
99.2	Investor Presentation, dated August 8, 2024.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Hydrofarm Holdings Group, Inc.

Date: August 8, 2024

By: /s/ William Toler
Name: William Toler
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.1

Hydrofarm Holdings Group Announces Second Quarter 2024 Results

Restructuring and Cost Savings Initiatives Continue to Yield Substantial Expense Reductions

Reaffirms 2024 Outlook on Key Metrics

Shoemakersville, PA — August 8, 2024 — Hydrofarm Holdings Group, Inc. (“Hydrofarm” or the “Company”) (Nasdaq: HYFM), a leading independent manufacturer and distributor of branded hydroponics equipment and supplies for controlled environment agriculture, today announced financial results for its second quarter ended June 30, 2024.

Second Quarter 2024 Highlights vs. Prior Year Period:

- Net sales decreased to $54.8 million compared to $63.1 million.
- Gross Profit Margin decreased to 19.8% of net sales compared to 23.0%.
- Adjusted Gross Profit Margin(1) decreased to 24.4% of net sales compared to 27.0%.
- Net loss increased to $23.5 million compared to $12.9 million.
- Adjusted EBITDA(1) decreased to $1.7 million compared to $2.5 million.
- Cash from operating activities and Free Cash Flow(1) were $3.8 million and $3.4 million, respectively.
- Completed the previously announced IGE Asset Sale(2) in May 2024.

(1) Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted SG&A, Adjusted SG&A as a percent of net sales, Adjusted EBITDA, and Free Cash Flow are non-GAAP measures. For reconciliations of non-GAAP to GAAP measures see the “Reconciliation of Non-GAAP Measures” accompanying the release.

(2) Asset Sale references the sale of assets related to the production of the Company's Innovative Growers Equipment ("IGE") branded durable equipment products.

Bill Toler, Chairman and Chief Executive Officer of Hydrofarm, said, “In the second quarter we delivered positive Adjusted EBITDA(1) for the fourth time in the last five quarters, illustrating the effectiveness of our restructuring plan and related cost savings efforts. We also increased our Adjusted Gross Profit Margin(1) on a sequential basis, as we continue to strategically focus on higher margin proprietary brands and enhancing our operational efficiency. Year to date, we delivered $1.7 million of improvement in Adjusted EBITDA(1) and this was notably our lowest first half year over year net sales decline in the last three years. During the quarter we further optimized our manufacturing footprint by streamlining and consolidating operations. We expect these actions to result in additional cost savings via increased utilization and productivity at our remaining facilities. Alongside our own initiatives, we are also excited about potential industry demand tailwinds, most notably the possible rescheduling of cannabis. While the industry remains soft today, we continue to operate profitably and are confident in our long-term business fundamentals and growth opportunity.”

Second Quarter 2024 Financial Results

Net sales in the second quarter of 2024 decreased 13.1% to $54.8 million compared to $63.1 million in the second quarter of 2023, mainly due to a 10.3% decline in volume/mix of products sold. The decrease in volume/mix was primarily related to an oversupply in the cannabis industry.

Gross profit decreased to $10.9 million, or 19.8% of net sales, in the second quarter of 2024, compared to $14.5 million, or 23.0% of net sales, in the prior year period. Adjusted Gross Profit(1) decreased to $13.3 million, or 24.4% of net sales, compared to $17.0 million, or 27.0% of net sales, in the prior year period. Gross Profit Margin and Adjusted Gross Profit Margin(1) decreased primarily due to lower productivity in select manufacturing facilities.

Selling, general and administrative ("SG&A") expense was $18.7 million, compared to $23.5 million in the prior year period, and Adjusted SG&A(1) expense was $11.6 million compared to $14.6 million in the prior year period. The 20% cost reduction in SG&A and Adjusted SG&A(1) expense was primarily due to a decrease in compensation costs from headcount, facilities cost, professional fees, and insurance cost, which were aided by the Company's restructuring actions and related cost saving initiatives.

Net loss increased to $23.5 million, or $(0.51) per diluted share, compared to a net loss of $12.9 million, or $(0.28) per diluted share, in the prior year period. The increase in net loss was due to the $11.5 million primarily non-cash loss recorded upon completion of the Asset Sale. In connection with the transaction, which closed in the second quarter of 2024, the Company entered into an exclusive supply agreement with the buyer to provide contract manufacturing. The Company expects the transaction and new arrangement to lower fixed costs and improve profitability on future sales of its proprietary branded IGE products.

Adjusted EBITDA(1) decreased to $1.7 million, compared to $2.5 million in the prior year period. The reduction is related to lower Adjusted Gross Profit(1) partly offset by lower Adjusted SG&A(1) expense.

Balance Sheet, Liquidity and Cash Flow

As of June 30, 2024, the Company had $30.3 million in cash and approximately $20 million of available borrowing capacity on its Revolving Credit Facility. The Company ended the second quarter with $120.2 million in principal balance on its Term Loan outstanding, $8.5 million in finance leases, and $0.1 million in other debt outstanding. During 2024 and 2023, the Company has maintained a zero balance on its Revolving Credit Facility and is in compliance with debt covenants as of June 30, 2024.

The Company had net cash from operating activities of $3.8 million and invested $0.4 million in capital expenditures, yielding Free Cash Flow(1) of $3.4 million during the three months ended June 30, 2024. Free Cash Flow(1) decreased from the same period last year, primarily due to working capital changes, including from the Company's recent inventory investment in new distribution relationships.

Reaffirms Full Year 2024 Outlook on Key Metrics

The Company is reaffirming its full year 2024 outlook on its key metrics:

- **Net sales** to decrease low to high teens in percentage terms.
- **Adjusted EBITDA**(1) that is positive.
- **Free Cash Flow**(1) that is positive.

Hydrofarm's 2024 outlook also reaffirms the following assumptions, consistent with previous expectations:

- Improved year-over-year Adjusted Gross Profit Margin(1) resulting primarily from (i) cost savings associated with restructuring actions and related productivity initiatives and (ii) an expectation of minimal non-restructuring inventory reserves or related charges, consistent with previous expectations.
- Reduced year-over-year Adjusted SG&A(1) expense resulting primarily from (i) full year benefit of headcount reductions completed in 2023 and (ii) reductions in professional fees, facilities and insurance expenses, consistent with previous expectations.
- Reduction in inventory and net working capital helping to generate positive Free Cash Flow(1) for the full year.

Hydrofarm's 2024 outlook also includes the following updated assumption:

- Capital expenditures of $3.5 million to $4.5 million, compared to the prior expectation of $4.0 million to $5.0 million.

(1) Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted SG&A, Adjusted SG&A as a percent of net sales, Adjusted EBITDA, and Free Cash Flow are non-GAAP measures. For reconciliations of non-GAAP to GAAP measures see the "Reconciliation of Non-GAAP Measures" accompanying the release.

Conference Call and Presentation

The Company will host a conference call to discuss financial results for the second quarter 2024 today at 8:30 a.m. Eastern Time. Bill Toler, Chairman and Chief Executive Officer, and John Lindeman, Chief Financial Officer, will host the call. An investor presentation is also available for reference on the Hydrofarm investor relations website.

The conference call can be accessed live over the phone by dialing 1-800-267-6316 and entering the conference ID: HYFMQ2. The conference call will also be webcast live and archived on the Company's investor relations website at https://investors.hydrofarm.com/ under the “News & Events” section.

About Hydrofarm Holdings Group, Inc.

Hydrofarm is a leading independent manufacturer and distributor of branded hydroponics equipment and supplies for controlled environment agriculture, including grow lights, climate control solutions, growing media and nutrients, as well as a broad portfolio of innovative and proprietary branded products. For over 40 years, Hydrofarm has helped growers make growing easier and more productive. The Company’s mission is to empower growers, farmers and cultivators with products that enable greater quality, efficiency, consistency and speed in their grow projects.

Cautionary Note Regarding Forward-Looking Statements

Statements contained in this press release, other than statements of historical fact, which address activities, events and developments that the Company expects or anticipates will or may occur in the future, including, but not limited to, information regarding the future economic performance and financial condition of the Company, the plans and objectives of the Company’s management, and the Company’s assumptions regarding such performance and plans are “forward-looking statements” within the meaning of the U.S. federal securities laws that are subject to risks and uncertainties. These forward-looking statements generally can be identified as statements that include phrases such as “guidance,” “outlook,” “projected,” “believe,” “target,” “predict,” “estimate,” “forecast,” “strategy,” “may,” “goal,” “expect,” “anticipate,” “intend,” “plan,” “foresee,” “likely,” “will,” “should” or other similar words or phrases. Actual results could differ materially from the forward-looking information in this release due to a variety of factors, including, but not limited to:

The market in which we operate has been substantially adversely impacted by industry conditions, including oversupply and decreasing prices of the products the Company's end customers sell, which, in turn, have materially adversely impacted the Company's sales and other results of operations and which may continue to do so in the future; If industry conditions worsen or are sustained for a lengthy period, we could be forced to take additional impairment charges and/or inventory and accounts receivable reserves, which could be substantial, and, ultimately, we may face liquidity challenges; Although equity financing may be available, the Company's current stock prices are at depressed levels and any such financing would be dilutive; Interruptions in the Company's supply chain could adversely impact expected sales growth and operations; We may be unable to meet the continued listing standards of Nasdaq; Our restructuring activities may increase our expenses and cash expenditures, and may not have the intended cost saving effects; The highly competitive nature of the Company’s markets could adversely affect its ability to maintain or grow revenues; Certain of the Company’s products may be purchased for use in new or emerging industries or segments, including the cannabis industry, and/or be subject to varying, inconsistent, and rapidly changing laws, regulations, administrative and enforcement approaches, and consumer perceptions and, among other things, such laws, regulations, approaches and perceptions may adversely impact the market for the Company’s products; The market for the Company’s products has been impacted by conditions impacting its customers, including related crop prices and other factors impacting growers; Compliance with environmental and other public health regulations or changes in such regulations or regulatory enforcement priorities could increase the Company’s costs of doing business or limit the Company’s ability to market all of its products; Damage to the Company’s reputation or the reputation of its products or products it markets on behalf of third parties could have an adverse effect on its business; If the Company is unable to effectively execute its e-commerce business, its reputation and operating results may be harmed; The Company’s operations may be *impaired if its information technology systems fail to perform adequately or if it is the subject of a data breach or cyber-attack; The Company may not be able to adequately protect its intellectual property and other proprietary rights that are material to the Company's business; Acquisitions, other strategic alliances and investments could result in operating and integration difficulties, dilution and other harmful consequences that may adversely impact the Company's business and results of operations. Additional detailed information concerning a number of the important factors that could cause actual results to differ materially from the forward-looking information contained in this release is readily available in the Company's annual, quarterly and other reports. The Company disclaims any obligation to update developments of these risk factors or to announce publicly any revision to any of the forward-looking statements contained in this release, or to make corrections to reflect future events or developments.*

Contacts:
Investor Contact
Anna Kate Heller / ICR
ir@hydrofarm.com

Hydrofarm Holdings Group, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands, except share and per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net sales	$ 54,793	$ 63,051	$ 108,965	$ 125,229
Cost of goods sold	43,942	48,578	87,189	99,375
Gross profit	10,851	14,473	21,776	25,854
Operating expenses:				
Selling, general and administrative	18,659	23,468	38,280	47,899
Loss on asset disposition	11,520	—	11,520	—
Loss from operations	(19,328)	(8,995)	(28,024)	(22,045)
Interest expense	(3,811)	(3,768)	(7,742)	(7,460)
Other income (expense), net	79	(420)	294	(380)
Loss before tax	(23,060)	(13,183)	(35,472)	(29,885)
Income tax (expense) benefit	(390)	318	(586)	171
Net loss	$ (23,450)	$ (12,865)	$ (36,058)	$ (29,714)
Net loss per share:				
Basic	$ (0.51)	$ (0.28)	$ (0.79)	$ (0.66)
Diluted	$ (0.51)	$ (0.28)	$ (0.79)	$ (0.66)
Weighted-average shares of common stock outstanding:				
Basic	45,978,941	45,412,627	45,896,335	45,338,636
Diluted	45,978,941	45,412,627	45,896,335	45,338,636

Hydrofarm Holdings Group, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share and per share amounts)

	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 30,314	$ 30,312
Accounts receivable, net	18,565	16,890
Inventories	58,719	75,354
Prepaid expenses and other current assets	3,587	5,510
Assets held for sale	470	—
Total current assets	111,655	128,066
Property, plant and equipment, net	41,111	47,360
Operating lease right-of-use assets	47,472	54,494
Intangible assets, net	261,201	275,881
Other assets	1,919	1,842
Total assets	$ 463,358	$ 507,643
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 13,801	$ 12,613
Accrued expenses and other current liabilities	9,400	9,529
Deferred revenue	2,729	3,231
Current portion of operating lease liabilities	7,538	8,336
Current portion of finance lease liabilities	444	954
Current portion of long-term debt	1,570	2,989
Total current liabilities	35,482	37,652
Long-term operating lease liabilities	42,151	47,506
Long-term finance lease liabilities	8,071	8,734
Long-term debt	114,948	115,412
Deferred tax liabilities	3,232	3,232
Other long-term liabilities	4,465	4,497
Total liabilities	208,349	217,033
Commitments and contingencies		
Stockholders' equity		
Common stock ($0.0001 par value; 300,000,000 shares authorized; 45,980,321 and 45,789,890 shares issued and outstanding at June 30, 2024, and December 31, 2023, respectively)	5	5
Additional paid-in capital	789,373	787,846
Accumulated other comprehensive loss	(7,567)	(6,497)
Accumulated deficit	(526,802)	(490,744)
Total stockholders' equity	255,009	290,610
Total liabilities and stockholders' equity	$ 463,358	$ 507,643

Hydrofarm Holdings Group, Inc.
RECONCILIATION OF NON-GAAP MEASURES
(In thousands, except share and per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
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 %**

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
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 %**

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Reconciliation of Adjusted EBITDA:				
Net loss (GAAP)	**$ (23,450)**	**$ (12,865)**	**$ (36,058)**	**$ (29,714)**
Interest expense	3,811	3,768	7,742	7,460
Income tax expense (benefit)	390	(318)	586	(171)
Depreciation, depletion and amortization	7,776	8,250	15,661	16,257
Restructuring expenses[1]	927	788	1,065	2,199
Stock-based compensation[2]	769	1,819	1,637	3,026
Severance and other[3]	61	589	195	884
Other (income) expense, net[4]	(79)	420	(294)	380
Loss on asset disposition[5]	11,520	—	11,520	—
Adjusted EBITDA (Non-GAAP)	**$ 1,725**	**$ 2,451**	**$ 2,054**	**$ 321**
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 %**

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Reconciliation of Free Cash Flow[6]:				
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)**

Notes to GAAP to Non-GAAP reconciliations presented above (Adjusted Gross Profit, Adjusted SG&A, Adjusted EBITDA, and Free Cash Flow):

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.

Non-GAAP Financial Measures

We report our financial results in accordance with generally accepted accounting principles in the U.S. (“GAAP”). Management believes that certain non-GAAP financial measures provide investors with additional useful information in evaluating our performance and that excluding certain items that may vary substantially in frequency and magnitude period-to-period from net loss provides useful supplemental measures that assist in evaluating our ability to generate earnings and to more readily compare these metrics between past and future periods. These non-GAAP financial measures may be different than similarly titled measures used by other companies.

To supplement our condensed consolidated financial statements which are prepared in accordance with GAAP, we use "Adjusted EBITDA", "Adjusted Gross Profit", "Adjusted SG&A", "Free Cash Flow", "Net Debt", and "Liquidity" which are non-GAAP financial measures. We also present certain of these non-GAAP metrics as a percentage of net sales. Our non-GAAP financial measures should not be considered in isolation from, or as substitutes for, financial information prepared in accordance with GAAP. There are several limitations related to the use of our non-GAAP financial measures as compared to the closest comparable GAAP measures.

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 EBITDA** (non-GAAP) **as a percent of net sales** as adjusted EBITDA (as defined above) divided by net sales realized in the respective period.

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 Gross Profit Margin** (non-GAAP) **as a percent of net sales** as Adjusted Gross Profit (as defined above) divided by net sales realized in the respective period.

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 **Adjusted SG&A** (non-GAAP) **as a percent of net sales** as Adjusted SG&A (as defined above) divided by net sales realized in the respective period.

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. The disclosed year over year improvement in Free Cash Flow represents the current period Free Cash Flow balance less the prior period Free Cash Flow balance.

We define **Liquidity** as total cash, cash equivalents and restricted cash, if applicable, 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.

HYDROFARM®

Second Quarter 2024 Earnings Presentation

August 8, 2024

Disclaimer

Forward-Looking Statements. This presentation contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to known and unknown risks, uncertainties and other important factors that may cause actual results to be materially different from the statements made herein. All statements other than statements of historical fact included in this presentation are forward-looking statements, including, but not limited to, the Company's financial results, future financial position, expected growth of cash flows, business strategy, budgets, projected costs, projected capital expenditures, taxes, plans, objectives, potential synergies, industry trends and growth opportunities. Forward-looking statements discuss the Company's current expectations and projections relating to its financial operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "future," "intend," "outlook," "potential," "project," "projection," "plan," "seek," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other similar expressions. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. These forward-looking statements are only predictions, not historical fact, and involve certain risks and uncertainties, as well as assumptions. While Hydrofarm believes that its assumptions are reasonable, it is very difficult to predict the impact of known factors, and, of course, it is impossible to anticipate all factors that could affect actual results. There are many risks and uncertainties that could cause actual results to differ materially from forward-looking statements made herein including, most prominently, the risks discussed under the heading "Risk Factors" in the Company's latest annual report on Form 10-K and quarterly reports on Form 10-Q filed with the U.S. Securities and Exchange Commission ("SEC"). Such forward-looking statements are made only as of the date of this presentation. All of the Company's SEC filings are available online at www.sec.gov. Hydrofarm undertakes no obligation to publicly update or revise any forward-looking statement because of new information, future events or otherwise, except as otherwise required by law. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

Projected Financial Information. This presentation also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions, and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk.

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.

Business Overview

HYDROFARM

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.

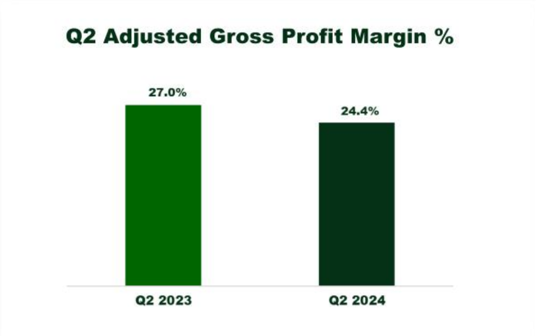

HYDROFARM
Financial Overview

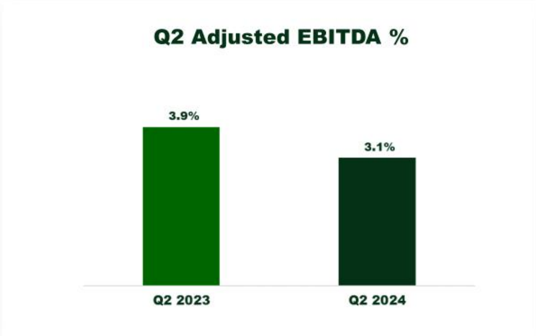
Financial Summary

Three months ending ($ in thousands)	2023 Q2	2024 Q2	% Change
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





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

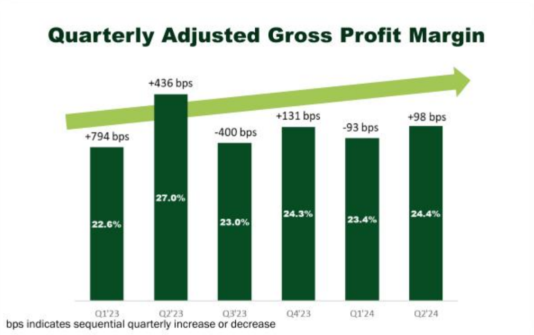
Positive Adjusted EBITDA despite Lower Sales Level

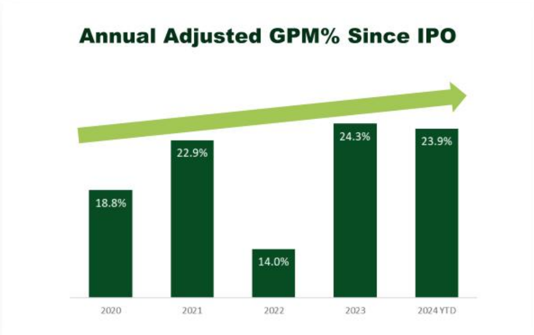
- +20% SG&A savings in Q2'24 vs. Q2'23
- Savings experienced against wide variety of SG&A items
- Aided by restructuring and cost savings initiatives

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.

HYDROFARM

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.

HYDROFARM

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

'Total Debt' is defined as Term Loan debt principal outstanding plus finance leases and other debt. Net Debt, Liquidity and Free Cash Flow are non-GAAP measures.
Please see appendix for reconciliation of non-GAAP to GAAP measures.

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

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

HYDROFARM

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

Hydrofarm's Value Proposition

Proprietary brands

Over 40 brands, including:

Preferred & Distributed brands

Over 100 brands, including:

Full Solution Provider

Infrastructure to service 90% of US population within 48 hours

- **B2B eCommerce platform**
- **Just-in-time delivery**
- **Co-Manufacturing capabilities**
- **Technical specialists advising customers & end users**
- **Superior customer service**
- **Inventory management capabilities**

Selling to a fragmented customer base...

- Specialty hydroponic retailers
- Garden centers / retail
- eCommerce
- Greenhouse / channel partners

...that reaches an evolving mix of end users

Commercial growers

- Food & floral
- Cannabis

Individuals

- Consumer gardeners & hobbyists

Source: Company Information

Leadership combines industry & consumer brands know-how

Proven management team with deep experience base

Bill Toler
Chairman & Chief Executive Officer

Prior: Hostess, AdvancePierre, Campbell's, Nabisco, P&G, Pinnacle

John Lindeman
EVP & Chief Financial Officer

Prior: Calavo, Stifel, Janney, pwc

Mark Parker
EVP, Business Development

Prior: Campbell's, Pinnacle, Reckitt & Colman, IQ Solutions, LLC

Laura Harvey
SVP, General Manager Canada

Prior: epsilon Healthcare, Oldcastle BuildingEnvelope

Eric Ceresnie
SVP, Corporate Dev. & International Markets

Prior: Hawthorn, EY, Monomoy Capital Partners, ATKearney

Diverse board with relevant experience

Renah Persofsky
Vice Chair & Lead Director, Tilray

Prior: Tilray, CIBC

Susan Peters
Former SVP HR, General Electric

Prior: General Electric, Loews

Rick Moss
Former CFO, Hanesbrands

Prior: Hanes Brands Inc, Chattem

Patrick Chung
VP Finance, CentreCourt

Prior: SPE, Deloitte.

Melisa Denis
Retired Lead Partner, KPMG

Prior: KPMG, enactus

Reconciliation of Non-GAAP Financial Measures to Reported Financial Measures

($ in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
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%

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
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%

	Three months ended June 30,		Six months ended June 30,		LTM ended June 30,
	2024	2023	2024	2023	2024
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%	

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Reconciliation of Free Cash Flow[6]:				
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)

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.

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.