

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): **December 5, 2022**

Hydrofarm Holdings Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

001-39773

(Commission File
Number)

81-4895761

(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 Global Select Market

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 7.01 Regulation FD Disclosure.

On December 5, 2022, Hydrofarm Holdings Group, Inc. (the “Company”) posted an updated investor presentation (the “Investor Presentation”) under the “Investors” tab in the “Events & Presentations” section of its website located at www.hydrofarm.com. Members of the Company’s management may use all or portions of these materials from time to time in meetings with or when making presentations to the investment community, current or potential stakeholders, and others. The Investor Presentation is furnished herewith as Exhibit 99.1 of this Current Report on Form 8-K and is incorporated herein by reference.

The information in this Item 7.01 of this Current Report on Form 8-K and Exhibit 99.1 attached hereto shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act. The information contained in this Item 7.01 (including the exhibit hereto) shall not be incorporated by reference into any filing with the SEC made by the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Forward-Looking Statements

Certain statements in this Current Report on Form 8-K (including the exhibit hereto) constitute “forward-looking” statements. These statements are based on management’s current opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results. These forward-looking statements are only predictions, not historical fact, and involve certain risks and uncertainties, as well as assumptions. Actual results, levels of activity, performance, achievements and events could differ materially from those stated, anticipated or implied by such forward-looking statements. While the Company 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 a number of 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 each of the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 and Quarterly Report on Form 10-Q for the period ended September 30, 2022, as well as its consolidated financial statements, related notes, and other financial information appearing therein, and its other filings with the SEC.

Additionally, Exhibit 99.1 includes certain preliminary financial estimates for the year ended December 31, 2022, for which financial statements are not yet available and for which the audit has not been completed. Such estimates are “forward-looking” statements. Our actual results remain subject to the completion of our year-end closing process, which includes review by management and our board of directors, including our audit committee. While carrying out such procedures, we may identify items that require us to make adjustments to such preliminary estimates. Our independent registered public accounting firm has also not audited, reviewed, compiled or performed any procedures on this preliminary financial information, and, accordingly, does not express an opinion or other form of assurance with respect thereto. Such estimates are preliminary and may change. There can be no assurance that our final audited results of operations for such periods will not differ from these estimates, and any such changes could be material. Therefore, you should not place undue reliance on these preliminary estimates of our results.

Such forward-looking statements are made only as of the date of this Current Report on Form 8-K. The Company expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with regard thereto or changes in events, conditions, or circumstances on which any such statement is based.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description
99.1	Investor Presentation
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: December 5, 2022

By: /s/ William Toler

Name: William Toler

Title: Chief Executive Officer



Investor Presentation

Growing starts
with knowing

December 2022

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. 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 Measures

This presentation may contain 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. If applicable, 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.

Introduction and Investment Thesis

Hydrofarm is well-positioned
with 'picks and shovels'
for the Gold Rush



- Serving a large and growing market
- Addressing a long-term opportunity in an evolving marketplace
- Working through a supply/demand imbalance

'Picks and shovels' to the cannabis market

Uniquely asymmetric risk/reward

Leading manufacturer & distributor serving growing markets

Leading branded hydroponics company serving the \$12BN global Controlled Environment Agriculture market

Manufacturer and distributor with well invested supply chain platform and gold standard service

Advantaged product mix: 75%+ sales from margin-accretive proprietary & preferred brands; ~2/3 recurring revenue from consumables

11% organic revenue growth CAGR over 17 years, with an opportunity to return to double digit EBITDA margins following post-COVID industry disruption

Navigating the path to industry normalization

State-level cannabis legalization and roll outs have been bumpy as new end markets emerge

High quality, sustainably grown hydroponic supply will eventually balance with steadily expanding recreational and medicinal volume demand

Long term, the cannabis market will mature and professionalize, with recognized brands and product innovation providing predictable consumer experiences – reliable time to onset, predictable duration, and targeted intensity

This market will be served by stronger, scaled manufacturers and distributors of branded hydroponic equipment and supplies

Emerging stronger and compounding

Hydrofarm has taken actions to weather the storm – SG&A expense reduction and working capital management

We are pursuing additional value unlocks, including real estate monetization, and manufacturing consolidation

We are expanding our reach to serve commercial cannabis and commercial food & floral end users

We are preserving liquidity – limited draw on revolver facility until supply/demand rebalances

As in the Gold Rush, nimble 'picks and shovel' providers are best positioned to survive & thrive

Leadership, talent and infrastructure to support **a compounding business** orders of magnitude larger

Where and How We Compete

Serving a vast and growing hydroponics marketplace

Expecting robust end market growth supported by healthy gains for input markets

Our customers' key end markets



Our categories

~\$12bn globally
~\$3.7bn North America

+ 11% CAGR to 2026E

Nutrients



Grow Media



Supplies



Lighting



Equipment*



Global CEA market wholesale inputs

* Includes HVAC products

Source: Industry Reports

Controlled Environment Agriculture

Growing and cultivation that allows end users to control key farming variables.

Through CEA, growers are able to be more efficient, effective, and sustainable.



More efficient land usage



More efficient freshwater usage



Lower fertilizer & pesticides usage



Reduced food waste



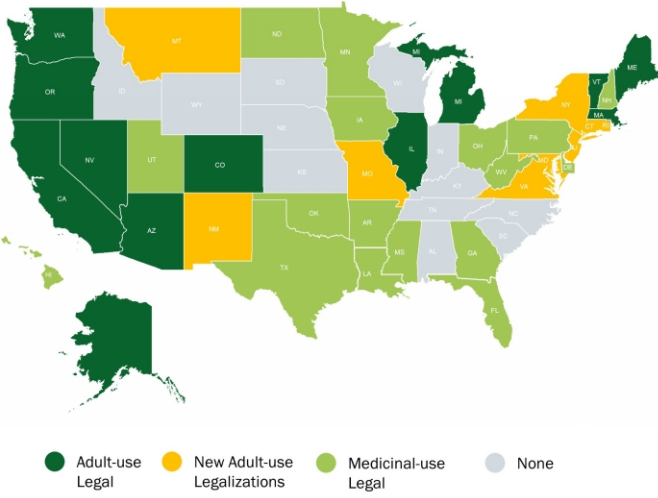
Chemical runoff prevention



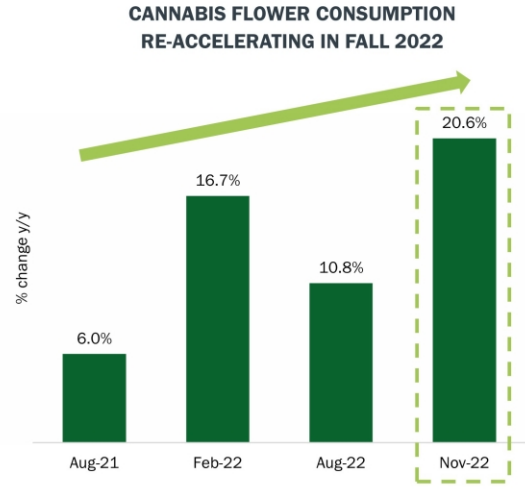
Reduced carbon emissions

Sustaining momentum in state-level cannabis legalization

Cannabis flower end market posting high teens volume growth in consumption



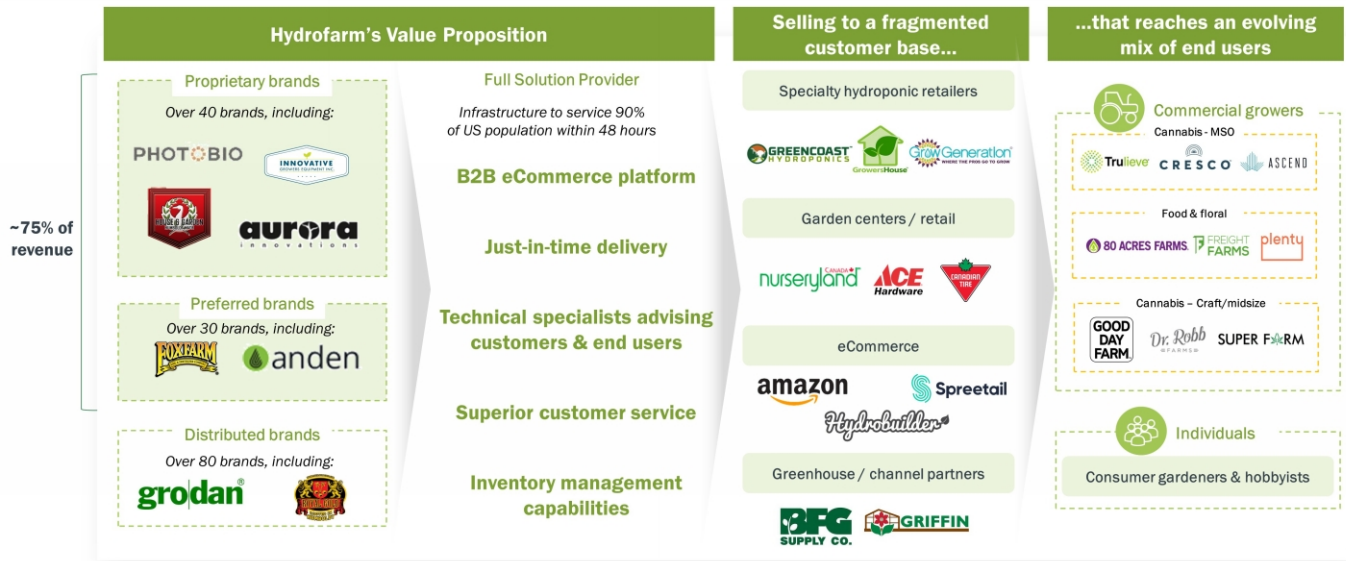
Sources: Census data, news media



Source: Stifel: November 2022 Cannabis Category Update

Branded manufacturer and distributor serving growth markets

Adding value within a complex value chain with high barriers to entry



Source: Company Information

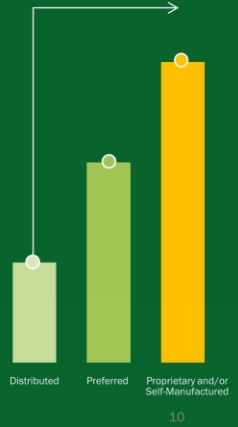
Strong portfolio of solutions across key categories

Leaning into proprietary and preferred brands and consumables to improve margins



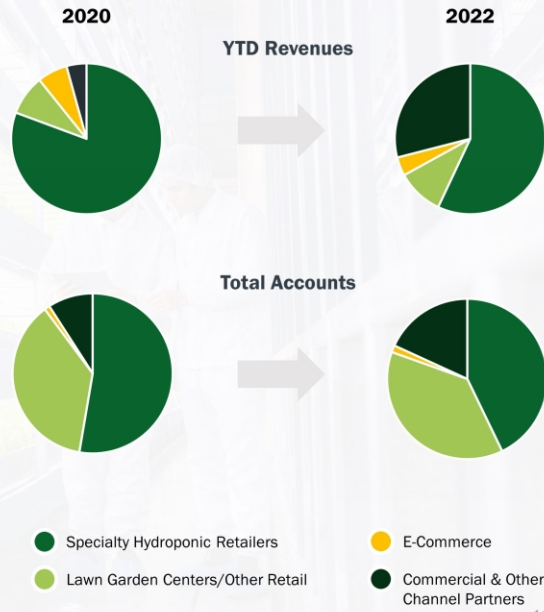
We have end-to-end category coverage through innovative, well-recognized proprietary and preferred brands

Illustrative margin benefit as we move to proprietary



Evolving our customer base to reach the most active growers

Our sales and customer mix is evolving as the industry matures




Source: Company estimates.

Serving the unique needs of commercial and home growers

Expanding our penetration within commercial cannabis and commercial food & floral



Note: 'MSO' is multi-state operator

A photograph of two workers in white protective suits and hairnets standing in a hydroponic greenhouse. They are looking at a device held by one of the workers. The background shows rows of plants in a controlled environment.

Value Creation:

Past, Present and Future

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



Eric Ceresnie
SVP, Corporate Dev. & International Markets



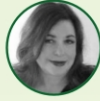
Rob Marlow
Chief Information Officer



Tais Martinez
Vice President Human Resources



Diverse board with relevant experience



Renah Persofsky
Vice Chair & Lead Director, Tilray



Susan Peters
Former SVP HR, General Electric



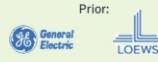
Rick Moss
Former CFO, Hanesbrands



Patrick Chung
VP Finance, CentreCourt



Melisa Denis
Retired Lead Partner, KPMG



Compounding in an emerging growth market

Delivering 11% organic growth CAGR from 2005-22 with a long history of healthy profitability



Source: Company estimates; note that pre-2019 unaudited management estimates of net sales.

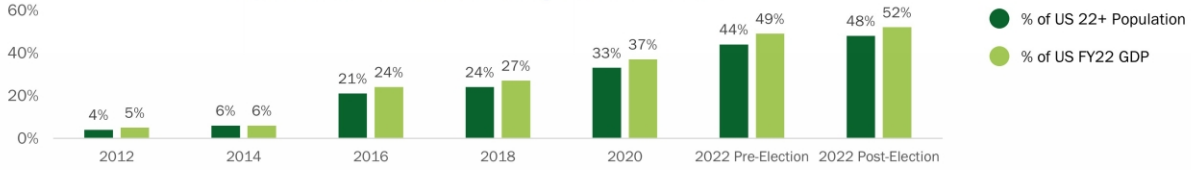
● US Organic Sales ● Acquisition Sales

More compounding to come given solid market tailwinds

The industry is steadily maturing into the mainstream

Nearly Half of Americans are in An Adult-Use Cannabis state Post the Nov 22 Election

% of Population & GDP in States with Legal Adult-Use Cannabis



Sources: US Census, US Bureau of Economic Analysis & AGP

[Green Thumb Industries Inc.](#), one of the largest US cannabis producers, signed a deal with [Circle K](#), the global convenience-store chain, to sell licensed marijuana at its Florida gasoline retailers. The partnership will begin next year with 10 of the company's 600 locations in the state, Green Thumb said.

A Growing Number of California Cities Are Opening Weed Cafes
Lounges where customers consume cannabis on site are the next frontier of the state's recreational marijuana industry.

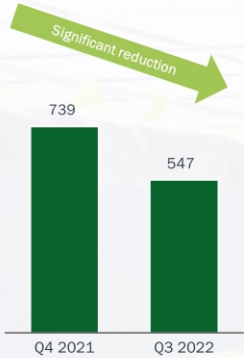
"The re-scheduling of cannabis would unleash the real potential of the US cannabis industry, in terms of jobs, tax revenue, and scientific research."
— Jonathan Sandelman, CEO of Ayr Wellness

Bold moves to focus the business in 2022, with more in 2023

Staying nimble while riding out the path to industry normalization

Rightsizing Workforce

Headcount



- Reduced headcount, achieved through M&A integration efforts and better matching our workforce to current industry demand

Working Capital Management

Net working capital investment*



- Reduced inventory, maintained collection on receivables to help generate positive cash flow from operations

Rationalizing brands and SKUs

- Reducing redundancy, focusing on proprietary/higher-margin brands & SKUs
- Right-sizing investment in storage, labor/handling and freight costs

Leaning into diverse revenue streams

- Investing to better serve Food/Floral growers and Garden Center customers
- Reinvesting prudently in peat bog development

Improving sourcing, distribution and manufacturing activities

- Centralizing and consolidating sourcing
- Consolidating nutrient manufacturing
- Sub-leasing more distribution center space

Reallocating and rightsizing our SG&A spend

- Extract further savings in facilities, insurance & professional/outside services
- Enable reinvestment in our people and brands

* Net working capital defined as current assets less cash/cash equivalents minus current liabilities less debt and leases

Key value drivers with near-term and long-term goals

Focusing on near-term performance without losing focus on long-term opportunity



HYDROFARM

KEY GOALS

NEAR-TERM	LONG-TERM
Gain share during industry recession	Return to mid-teens organic sales growth
Emphasis on improving profit margin profile	Return to mid-teen EBITDA margins
Preserve liquidity and reinvest prudently	Targeting debt/leverage reduction

18

Putting it all together

How we got here and how it gets better

The path to legalization has been bumpy

Inconsistent state ramps & COVID stimulus causing cannabis supply/demand imbalances

The growing pains are real, but not structural

Certain key causes of bumpiness – COVID pandemic over-stimulating supply most recently – seem unlikely to repeat

Supply/demand balance to come

Over time, supply should start to match up better with more predictable, expanding recreational and medicinal demand by state

Brands & innovation expand

As the industry matures further, cannabis brands and innovation will expand profit pools, served by predictable, legal, sustainably grown hydroponic craft and multi-state operators

Overdue shake out leaves fewer stronger distributors

Like the Gold Rush, the path to stabilization is wiping out some speculators. But the surviving picks and shovels suppliers should thrive

Opportunity to invest near the bottom

Legalization trends sustain, brands and innovation grow demand. Higher quality supply meets that demand. Surviving players emerge stronger and poised to scale if federal legalization comes



