

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): **January 7, 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.)

**270 Canal Road
Fairless Hills, PA 19030**

(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 2.02 Results of Operations and Financial Condition.

On January 7, 2022, the Hydrofarm Holdings Group, Inc. (the “Company”) issued a press release reaffirming its full-year 2021 outlook. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

The information in this Item 2.02 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 Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”). The information contained in this Item 2.02 and in the press release attached as Exhibit 99.1 to this Current Report on Form 8-K shall not be incorporated by reference into any filing with the Securities and Exchange Commission (“SEC”) made by the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Item 7.01 Regulation FD Disclosure.

The information set forth in Item 2.02 above is incorporated herein by reference.

Executives of the Company will present at the 2022 Annual ICR Conference using the materials (the “Investor Presentation”) provided in Exhibit 99.2 of this Current Report on Form 8-K and incorporated herein by reference. The Investor Presentation will also be available under the “Investors” tab in the “Events & Presentations” section of the Company’s website located at www.hydrofarm.com.

The information in this Item 7.01 of this Current Report on Form 8-K and Exhibit 99.2 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 and in the press release attached as Exhibit 99.2 to this Current Report on Form 8-K 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.

With respect to the projected fiscal year 2021 Adjusted EBITDA financial information included in Exhibits 99.1 and 99.2, a quantitative reconciliation is not available without unreasonable effort due to the variability, complexity and low visibility with respect to certain items, including, but not limited to, stock-based compensation and employer payroll taxes, uncertainties caused by the global COVID-19 pandemic, changes to the regulatory landscape, and certain potential future transaction expenses, which are excluded from Adjusted EBITDA. The Company expects the variability of these items to have a potentially unpredictable, and potentially significant, impact on its future GAAP financial results.

Forward-Looking Statements

Certain statements in this Current Report on Form 8-K (including the exhibits 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, 2020 and Quarterly Report on Form 10-Q for the period ended September 30, 2021, as well as its consolidated financial statements, related notes, and other financial information appearing therein, and its other filings with the SEC.

Additionally, Exhibits 99.1 and 99.2 include certain preliminary financial estimates as of and for the periods ended December 31, 2021, 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 quarter-end and 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 estimated ranges 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	Press Release, dated January 7, 2022.
99.2	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: January 11, 2022

By: /s/ William Toler
Name: William Toler
Title: Chief Executive Officer



Hydrofarm Holdings Group Reaffirms Fiscal 2021 Outlook

January 7, 2022

Management will Participate at the 2022 Virtual ICR Conference on January 11, 2022

FAIRLESS HILLS, Pa., Jan. 07, 2022 (GLOBE NEWSWIRE) -- Hydrofarm Holdings Group, Inc. ("Hydrofarm") (Nasdaq: HYFM), a leading independent distributor and manufacturer of hydroponics equipment and supplies for controlled environment agriculture, today reaffirmed its net sales and adjusted EBITDA outlook for the full fiscal year 2021. As previously stated, the Company reaffirmed the following:

- Net sales of approximately \$470.0 million to \$490.0 million, representing growth of 37% to 43% compared to fiscal 2020.
- Adjusted EBITDA of \$47.0 million to \$53.0 million.
- Full-year organic growth of approximately 18% to 23% and M&A growth of approximately 19% to 20%.

The Company's 2021 outlook includes the following assumptions:

- Partial period contributions from the following acquisitions:
 - Heavy 16 – net sales and EBITDA contribution for May through December 2021
 - House & Garden – net sales and EBITDA contribution for June through December 2021
 - Aurora Innovations – net sales and EBITDA contribution for July through December 2021
 - Greenstar – net sales and EBITDA contributions for August through December 2021
 - IGE – net sales and EBITDA contributions for November through December 2021

The Company's full year 2021 outlook implies fourth quarter 2021 net sales growth comprised of M&A growth, partially offset by a decline in organic sales. The Company estimates that the organic sales decline experienced in the fourth quarter was in the low-to-mid teens, driven by a sales mix that is primarily consumable products as opposed to durable products.

The Company will provide a detailed financial outlook for 2022 as part of its fourth quarter earnings report. However, at this time, management continues to expect 8% to 10% organic top line growth for the full calendar year of 2022, which will likely be weighted toward the back half of 2022 as the industry laps strong comps in the first half of this year and several states that have recently enacted pro-cannabis legislation build momentum through 2022. In addition, management expects to benefit from the full year of ownership in 2022 of the five businesses acquired during 2021.

This update remains subject to the completion of normal year-end accounting procedures and adjustments and are subject to change. The Company expects to release final financial and operating results for its fiscal fourth quarter and fiscal year ended December 31, 2021 during March of 2022.

ICR Conference Participation

Hydrofarm management will present at the 2022 Virtual ICR Conference on Tuesday, January 11, 2022. Hydrofarm's presentation will begin at 2:00 PM ET and will be webcast live and archived on the Hydrofarm website. To access the webcast, please visit www.hydrofarm.com under the "Investors" section.

About Hydrofarm Holdings Group, Inc.

Hydrofarm is a leading independent distributor and manufacturer of hydroponics equipment and supplies for controlled environment agriculture, including high-intensity grow lights, climate control solutions, and growing media, 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 ongoing COVID-19 pandemic could have a material adverse effect on the Company's business, results of operation, financial condition and/or cash flows; Interruptions in the Company's supply chain, whether due to COVID-19 or otherwise could adversely impact expected sales growth and operations; 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 may be 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.

Investor Contact:
Fitzhugh Taylor / ICR
ir@hydrofarm.com



Investor presentation
January 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.

In addition, the preliminary financial results set forth in this presentation are preliminary and unaudited, and these estimates are based on information currently available to the Company. While the Company believes these estimates are meaningful, they could differ from the actual results that the Company ultimately reports in its annual report on Form 10-K for the fiscal year ended December 31, 2021. The Company assumes no obligation and does not intend to update these estimates prior to filing its annual report on Form 10-K for the fiscal year ended December 31, 2021.

Non-GAAP Measures

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.





Reaffirming Fiscal 2021 Outlook

2021 Fiscal Outlook

- Net sales of approximately \$470.0 million to \$490.0 million, representing growth of 37% to 43% compared to fiscal 2020.
- Adjusted EBITDA¹ of \$47.0 million to \$53.0 million.
- Full-year organic growth of approximately 18% to 23% and M&A growth of approximately 19% to 20%.

The Company's 2021 outlook includes partial period contributions from the following acquisitions:

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- IGE – net sales and EBITDA contributions for November through December 2021

Q4 2021

- Net sales growth comprised of M&A growth, partially offset by a decline in organic sales
- Organic sales decline estimated in the low-to-mid teens driven by a sales mix that is primarily consumable products as opposed to durable products



Note: ¹With respect to projected fiscal year 2021 Adjusted EBITDA, a quantitative reconciliation is not available without unreasonable effort due to the variability, complexity and low visibility with respect to certain items, including but not limited to, stock-based compensation and employer payroll taxes, uncertainties caused by the global COVID-19 pandemic, changes to the regulatory landscape, and certain potential future transaction expenses, which are excluded from Adjusted EBITDA. We expect the variability of these items to have a potentially unpredictable, and potentially significant, impact on our future GAAP financial results.

Hydrofarm is a leading branded hydroponics company with a manufacturing and distribution platform serving the Controlled Environment Agriculture (“CEA”) market

Mission



Vision



<p>+45% YTD Sep-21 net sales YoY growth</p>	<p>~76% YTD sales from margin-advantaged proprietary and preferred brands¹</p>	<p>13% 11% Q3'21 Adj. EBITDA margin² YTD Sep-21 Adj. EBITDA margin²</p>	<p>+19% '20 - '25 CAGR Global CEA Market</p>	<p>40+ Years of operating experience</p>
<p>8 Distribution centers³ across North America with opportunity to scale</p>	<p>~90% Delivery coverage of U.S. population within 24-48 hours</p>	<p>19% Net sales CAGR for 15+ years</p>	<p>2,000+ ~400 Wholesale customer accounts Supplier relationships globally</p>	<p>~68% Sales from consumables with recurring revenue streams¹</p>



Source: Company information, industry reports
 Note: All financials shown are as reported and exclude pro forma impact from recently completed acquisitions unless otherwise stated; ¹ on pro forma basis for the 5 acquisitions completed in 2021;
² Adj. EBITDA is a non-GAAP measure, see reconciliation to the nearest GAAP measure at the end of this presentation; ³ Distribution center footprint excludes 5 manufacturing facilities added via recent acquisitions.



Hydrofarm is well-positioned for the future – key investor highlights

- 1 MASSIVE MARKET OPPORTUNITY – “SELLING PICKS AND SHOVELS”**
Unprecedented tailwinds for our large and rapidly-growing end-markets *as cannabis legalization and CEA expands*
- 2 DIFFERENTIATED BRANDED PRODUCT OFFERING**
Majority of sales are from products that are *only or primarily sold by Hydrofarm* at *advantaged margins*
- 3 HIGH PROPORTION OF CONSUMABLES**
Approximately 68% of sales come from consumables, creating a *large source of recurring revenue*
- 4 WINNING PLATFORM**
Supply chain excellence with just-in-time coverage of North America and *disruptive DMI¹ technology*
- 5 IMPRESSIVE GROWTH ALGORITHM**
+15-year track record of 19% revenue CAGR with a goal to achieve *mid-teens+ organic topline growth*
- 6 DRIVING PROFITABILITY**
Significant adj. EBITDA and margin growth in 2021, with potential for *material and sustainable margin upside*
- 7 CONSOLIDATOR OF CHOICE – ACQUIRED 5 BUSINESSES IN FIRST YEAR AS A PUBLIC COMPANY**
Differentiated positioning expands opportunity set to *broaden industry footprint and strengthen portfolio*
- 8 EXPERIENCED MANAGEMENT TEAM AND STRONG BOARD**
Proven management team with public company CEO/CFO and deep experience base paired with strong board



Source: Company information, industry reports; Note: ¹ Distributor managed inventory.

Our robust infrastructure positions us to capitalize on rapidly growing markets
Now manufacturing in-house approximately¹ 36% of our revenue base



○ Distribution centers ● Manufacturing sites



~1 million sq. ft. of distribution space in our North American distribution centers²



Distribution footprint can reach **~90% of U.S population** in <48 hours



Long-term relationships with network of **~400 suppliers**



Serve **>2k wholesale customers** across multiple channels in North America



Commercial sales and DMI³ programs **enhance customer value proposition**



Source: Company information
 Note: ¹ As of 9/30/21, pro forma for five acquisitions; ² Includes space from recent expansion of U.S. distribution centers, but excludes additional space expected from Canada distribution center expansions slated for Q4 2022 and manufacturing footprint from acquired companies; ³ Distributor managed inventory.

Strong leadership team with relevant public company experience

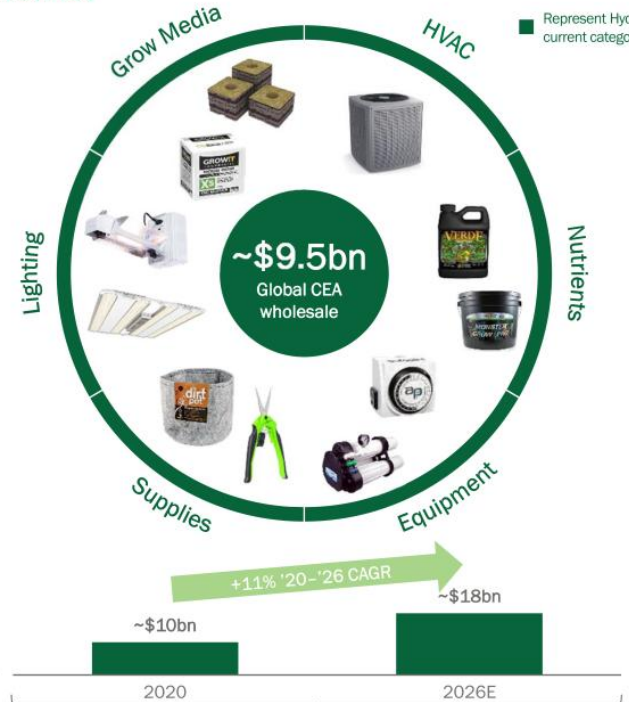
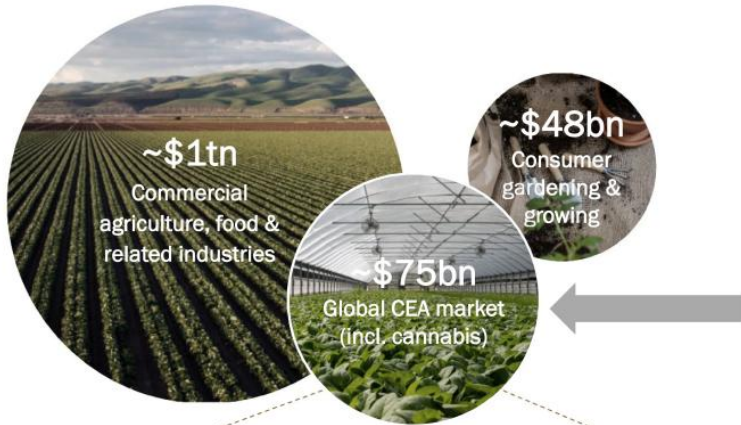
Proven management team with public company CEO/CFO and deep experience base

 <p>Bill Toler Chairman & Chief Executive Officer Joined in 2019 Prior experience</p> 	 <p>John Lindeman Chief Financial Officer Joined in 2020 Prior experience</p> 	 <p>Terence Fitch President Joined in 2019 Prior experience</p> 	 <p>Mark Parker SVP, Business Development Joined in 2019 Prior experience</p> 	 <p>Eric Ceresnie SVP, Corporate Development & Finance Joined in 2018 Prior experience</p> 	 <p>Rob Marlow Chief Information Officer Joined in 2019 Prior experience</p> 	 <p>Tais Martinez Vice President Human Resources Joined in 2021 Prior experience</p> 
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Strong board with diverse, relevant experience

 <p>Renah Persofsky Vice Chair & Lead Director, Tilray Joined in 2020 Prior experience</p> 	 <p>Susan Peters Former SVP HR, General Electric Joined in 2020 Prior experience</p> 	 <p>Rick Moss Former CFO, Hanesbrands Joined in 2020 Prior experience</p> 	 <p>Patrick Chung VP Finance, Serruya Private Equity Joined in 2020 Prior experience</p> 	 <p>Melisa Denis Retired Lead Partner, KPMG Joined in 2020 Prior experience</p> 
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Hydrofarm services a large and rapidly growing market



Our customers' key end markets

Our total addressable market



Progress since our initial public offering in Q4 2020

Robust financial performance

- ✓ +45% YoY net sales growth as of 2021 Q3 YTD
- ✓ Gross margin of 22.4% as of 2021 Q3 YTD, (~375bps improvement from YTD 2020)
- ✓ Adj. EBITDA¹ margin of 11.4% as of 2021 Q3 YTD (>500bps improvement from YTD 2020)¹

Executing on our strategic initiatives

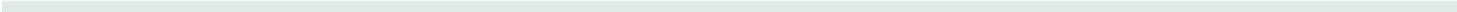
- ✓ Strong continued revenue growth across product lines, geographies and brand categories
- ✓ Expanding warehouse capacity in several key markets and building inventory to serve the expected surge in demand from cannabis legalization in new states
- ✓ Put in place new credit agreement with larger limit and more favorable terms
- ✓ Expanded/relocated three DCs to add capacity and better serve our customer base
- ✓ Integration of recent acquisitions

Rapidly growing market remains strong

- ✓ Significant legislative momentum with NY, NM, CT, VA legalizing recreational adult-use cannabis
- ✓ Shifting attitudes towards cannabis with over 70% of Americans believing cannabis should be legal
- ✓ Improved momentum in recently legalized states, increased commercial penetration



Source: Company information
Note: All financials shown are as reported and exclude pro forma impact from recently completed acquisitions unless otherwise stated; ¹ Adj. EBITDA is a non-GAAP measure, see reconciliation to the nearest GAAP measure at the end of this presentation





We have seen success across all growth strategies year to date

 Our industry premise

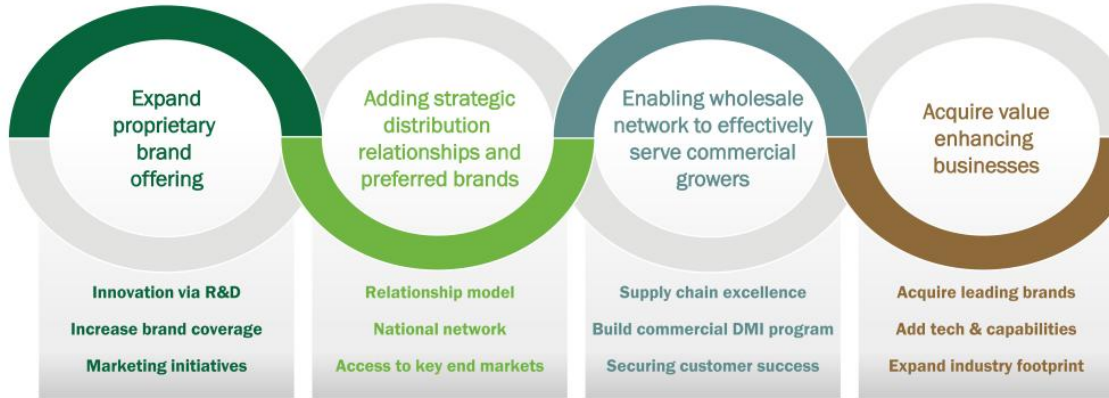
 Our value proposition

 Our growth strategies

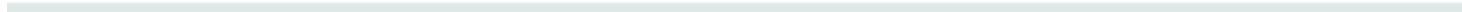
Leveraging the Hydrofarm platform to capture greater share of the cannabis and CEA end markets

Branded provider of all CEA needs

Gold standard in distribution & service



Productivity enhancements and operating synergies are beginning



Five recent acquisitions highlight Hydrofarm's accretive brand acquisition strategy. Invested \$505 million on five acquisitions at average multiple of ~7x Adj. EBITDA

		 House & Garden								
Closing date	■ May 3, 2021	■ June 1, 2021	■ July 1, 2021	■ August 3, 2021	■ November 1, 2021					
2021E revenue¹	■ ~\$23mm	■ ~\$55mm	■ ~\$60mm	■ ~\$26mm	■ ~\$52mm					
Overview & rationale	<ul style="list-style-type: none"> ■ Nutrient products for professional growers ■ Significant distribution opportunity 	<ul style="list-style-type: none"> ■ House & Garden is a leading producer of plant nutrients and fertilizer ■ Mad Farmer is a producer of premium plant enhancements formulated for use with any growing medium 	<ul style="list-style-type: none"> ■ Manufacturer of premium organic grow media and nutrients ■ Proprietary innovation at in-house R&D facility 	<ul style="list-style-type: none"> ■ Manufacturer of premium horticultural products and solutions ■ Broaden geographic footprint and strengthen product portfolio 	<ul style="list-style-type: none"> ■ Manufacturer of rolling benches, multi-layer racks and LED lights ■ Strong engineering and commercial sales capabilities 					
Select products	 Heavy Fire	 Heavy Roots	 Roots Excelurator Gold	 Mother of all Blooms	 Soul Grow	 Roots Organics Original	 Power Bloom	 Vitamax Pro	 Multi-Layer Racks	 Rolling Benches



Source: Company information, press releases
 Note: Adj. EBITDA is a non-GAAP measure, see reconciliation to the nearest GAAP measure at the end of this presentation; ¹ Estimate as of the date of acquisition announcement, does not include sales eliminations

Our margin advantaged proprietary & preferred brand portfolio delivers comprehensive hydroponic & CEA solutions with meaningful room to grow



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



HYFM Long Term Growth Drivers

These materials are not to be printed, downloaded or distributed.





Several momentum builders carrying into 2022

- **IGE Acquisition:** Acquisition closed in November 2021. Carrying +\$25mm backlog into 2022 driven by new state build outs and vertical rack retrofits
- **Commercial Channel:** 2021 was the largest ever for our commercial channel. Seeing strength in the commercial segment across the US. Combined sales efforts from acquired brands bringing many new opportunities
- **Peat Products:** Peat moss segment of Aurora Innovations coming off record harvest in 2021. Recently secured additional bog leases, expanding acreage by over 35%
- **New States:** Recent and upcoming legalizations in Ohio, New York, Missouri, Arizona and Louisiana are showing real traction
- **Productivity:** Productivity performance improvement program deployed across the manufacturing and distribution network in 2021; expected to moderate cost pressures in 2022



CEA for food and ornamental crops along with international expansion remain attractive long-term growth opportunities

CEA for North America Food and Ornamental Crops

- Vertical farming market projected to grow at 23% CAGR over the next 4 years per Research & Markets
- Improving lighting efficiencies and hydroponic methods driving expansion of CEA food production
- Hybrid-CEA business models expected to expand the opportunity set for fresh food applications



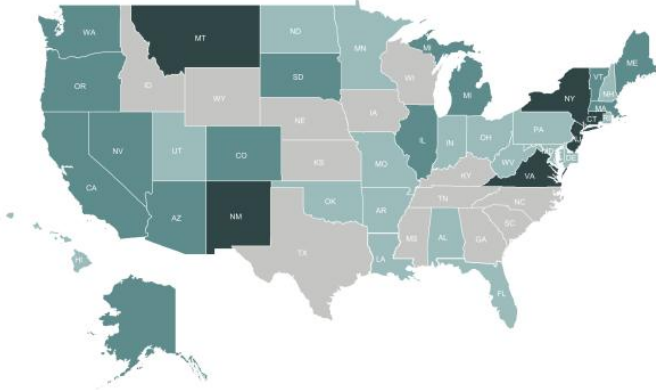
International (non-US/Canada) Growth Opportunity

- International expansion expected to contribute to be a 2022 growth driver
- 2021 acquisitions drove increase of international sales by 3x
- Europe earlier in the legalization cycle compared to North America
 - Evaluating European acquisition opportunities

We expect continued acceleration in cannabis market growth resulting from state legislative changes and increasing popular support



U.S. Cannabis Market Status



	Sales Per Capita ⁵	% of US Population	% of HYFM US Sales ⁶	%HYFM Sales Growth ⁶
Adult-use ¹ Legal	~\$3.00 to \$3.75+	30%	~75%	20%
Medicinal-use ² Legal	~\$0.60	41%	~20%	60%
New Adult-use ³ Legalizations	~\$0.40	13%	~3%	50%
None ⁴	~\$0.15	16%	~2%	32%

+15% CAGR for years to come

Notes:
¹ Adult-Use States: CA, MI, CO, OR, ME, MA, WA, IL, AZ, NV, VT, AK, DC
² Medicinal-Use States: ND, LA, MS, IA, DE, AR, MN, HI, UT, WV, MD, NH, GA, NM, MO, TX, RI, FL, OH, PA, OK
³ New Adult-Use States: CT, MT, VA, NJ, NY
⁴ None: All other States
⁵ Based on FY2021 estimated sales, pro forma for acquisitions
⁶ 9/30/21 YTD HYFM organic sales
 Sources: Census data, news media

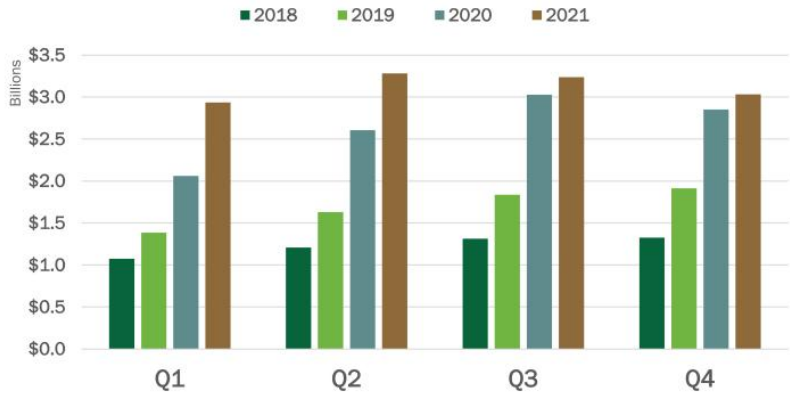




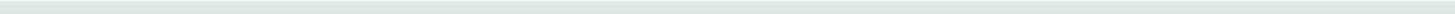
U.S. Cannabis market continues to grow following 2020/21 Pandemic Boost

U.S. Cannabis Retail Sales

Headset dispensary retail sales



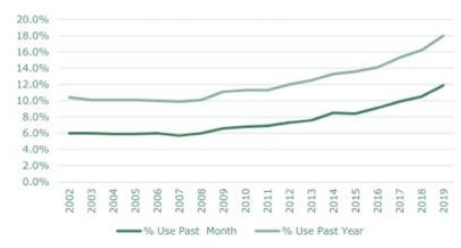
- Growth in Q4'21 remains positive despite pandemic boost from Q2'20 to Q2'21
- Early signals of improved pricing in late Q4'21



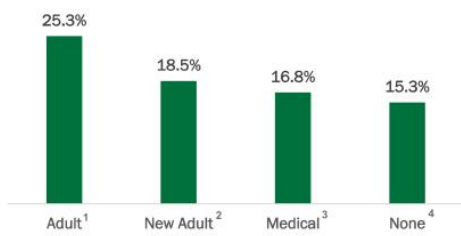


Legalization supports long-term increased consumption trend

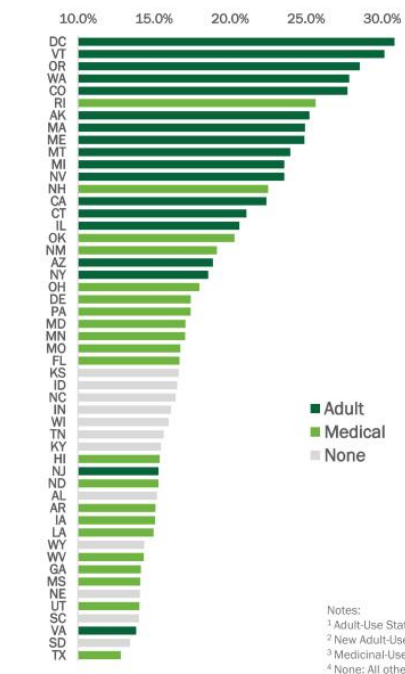
U.S. Cannabis Usage – Steadily increasing since 2008
U.S. Cannabis %Use for ages 18+



US Cannabis Usage – By Legalization Status
Average %Use in the past year for ages 18+



U.S. Cannabis Usage – By State
%Use in the past year for ages 18+



Notes:
¹ Adult-Use States: CA, MI, CO, OR, ME, MA, WA, IL, AZ, NV, VT, AK, DC
² New Adult-Use States: CT, MT, VA, NJ, NY
³ Medicinal-Use States: ND, LA, MS, IA, DE, AR, MN, HI, UT, WV, MD, NH, GA, NM, MO, TX, RI, FL, OH, PA
⁴ None: All other States
 Sources: SAMSHA, news media

- Legalization removes stigma, increases awareness, increase accessibility and as result incr consumption
- Cannabis Prevalence signifiacal higher in states with Adult-Use Medical legalization
- Like other consumer products, category matures, brand proliferation, sub-segments an alternative product delivery me can drive additional growth



ESG – Recently published our first sustainability report

Initiated ESG reporting in 2020 in conjunction with an internal ESG Committee, the Board’s Nominations and Governance Committee, and a third-party expert.

Key areas of focus:



Sustainable Products

- Product Strategy – Targeting products which make efficient use of land, water, power, fertilizers and pesticides
- Product Safety – Assuring products we sell are safe and compliant with proper standards.
- Lifecycle Management - Minimize packaging, use sustainable materials, regular SKU review and end-of-lifecycle planning.



Green Operations

- Energy & Climate – Minimize GHG emissions through energy efficient facilities, equipment, vehicles, and logistics strategies
- Waste & Recycling – Reduce, reuse & recycle water, energy and materials across all company operations.



Focus on People

- Develop diverse, inclusive and welcoming workplace; BOD is 50/50 male-female.
- Focus on safe workplace practices for operational & COVID-related health risks utilizing training, workspace realignment & communi

Hydrofarm is uniquely positioned to capitalize on the rapid growth in the cannabis and CEA industries

- ✓ *Category growth opportunity with accelerating legislative support and increasing consumer demand*
- ✓ *Opportunity to leverage our unique position in the value chain*
- ✓ *Unique pure-play “picks and shovels” supplier to the industry without “touching the plant”*
- ✓ *Executing on consolidation strategy in a highly fragmented industry – completed acquisitions of Heavy 16, Aurora Innovations, House & Garden, Greenstar Plant Products, and Innovative Growers Equipment*
- ✓ *Proven management team with public company CEO/CFO and deep experience base*





Appendix





Adjusted EBITDA reconciliation

\$mm	Three Months Ended 9/30/21	Nine Months Ended 9/30/21
Net income	\$17.3	\$24.5
Interest expense	0.1	0.3
Income taxes	(19.8)	(19.0)
Distribution center exit costs and other	0.3	0.3
Depreciation and amortization	4.9	8.6
Impairment, restructuring, and other ¹	0.2	0.2
Acquisition and integration expenses ²	10.6	20.8
Other expense (income), net	0.0	(0.1)
Stock-based compensation expense ³	1.3	3.9
Loss on debt extinguishment ⁴	-	0.7
Investor warrant solicitation fees ⁵	1.1	1.9
Adj. EBITDA	\$16.1	\$42.2
Adj. EBITDA as a percent of Net Sales	13.0%	11.4%



Notes: All figures rounded to the nearest \$0.1 million, total lines may not foot due to rounding. ¹Reflects the elimination of the impairment, restructuring and other for the periods presented; ²Reflects the elimination of acquisition and integration investment banking, consulting, transaction services and legal fees incurred for the completed Heavy 16, House & Garden, Aurora, Greenstar, and Innovative Growers Equipment acquisitions and certain potential acquisitions, including the contingent consideration of Heavy 16 (\$0.1 million) and the inventory step up amounts of Heavy 16 and House and Garden (\$2.0 million) for the nine months ended September 30, 2021; ³Reflects the elimination of the stock-based compensation and related employer payroll taxes on stock-based compensation for the periods presented; ⁴Reflects the elimination of one-time charges for loss on debt extinguishment for 2021; ⁵Reflects the elimination of one-time investor warrant solicitation fees.

