UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the period ended September 30, 2026

OR

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

For transition period from to

Commission File Number: 001-39773

Hydrofarm Holdings Group, Inc.

(Exact name of registrant as specified in its charter)

Former Name or Former Address, if changed since last report: Not Applicable

Delaware	**81-4895761**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1510 Main Street
Shoemakersville, Pennsylvania 19555
(707) 765-9990
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of each class	Trading Symbol	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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		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 7(a)(2)(B) of the Securities Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

As of November 12, 2026, the registrant had 13,390,298 shares of common stock, $0.0001 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements concerning our business strategy and plans, future operating results and financial position, as well as our objectives and expectations for our future operations, are forward-looking statements.

In some cases, you can identify forward-looking statements by such terminology as “believe,” “may,” “will,” “potentially,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan,” “expect” and similar expressions that convey uncertainty of future events or outcomes, although not all forward-looking statements contain these words. Forward-looking statements include, but are not limited to, statements about:

- industry conditions, including oversupply and decreasing prices of our customers' products which, in turn, have materially adversely impacted our sales and other results of operations and which may continue to do so in the future;
- our ability to continue as a going concern;
- our ability to effect strategic changes to our business, including expansion of our logistics business;
- our liquidity and our ability to resolve claims from unsecured creditors in the ordinary course of business;
- our ability to regain and/or maintain compliance with the continued listing requirements of The Nasdaq Capital Market;
- the results of and expectations regarding our acquisitions, dispositions and strategic alliances, and our ability to effect strategic transactions in the future;
- potential tariffs or interruptions to global trade;
- the potential for future charges associated with the impairment of our long-lived assets, inventory allowances and purchase commitment losses, and accounts receivable reserves;
- our ability and intent to access bankruptcy courts, receivership or similar processes, or otherwise wind-up our business and liquidate;
- the anticipated impact of our restructuring activities on our expenses and cash expenditures;
- potential dilution that may result from equity financings while our stock prices are depressed, as well as dilution that may result from the conversion of our preferred stock or the exercise of our outstanding warrants;
- the conditions impacting our customers, including related crop prices and other factors impacting growers;
- the adverse effects of public health epidemics, including the COVID-19 pandemic, on our business, results of operations and financial condition;
- interruptions in our supply chain;
- federal and state legislation and regulations pertaining to agricultural products and the use and cultivation of cannabis in the United States and Canada;
- public perceptions and acceptance of cannabis use;
- fluctuations in the price of various crops and other factors affecting growers;
- our long-term non-cancellable leases under which many of our facilities operate, and our ability to renew or terminate our leases;
- our reliance on, and relationships with, a limited base of key suppliers for certain products;

- our ability to keep pace with technological advances;
- our ability to execute our e-commerce business;
- the costs of being a public company;
- our ability to successfully identify appropriate acquisition targets, successfully acquire identified targets or successfully integrate the business of acquired companies;
- the success of our marketing activities;
- the potential for a disruption or breach of our information technology systems or cyber-attack;
- our dependence on third parties, or the performance of third parties on which we depend;
- any change to our reputation or to the reputation of our products;
- the fluctuation in the prices of the products we distribute;
- competitive industry pressures;
- the consolidation of businesses within our industry;
- compliance with environmental, health and safety laws;
- our ability to protect and defend against litigation, including claims related to intellectual property rights;
- product shortages and relationships with key suppliers;
- our ability to attract and retain key employees;
- the volatility of the price of our common stock;
- the marketability of our common stock; and
- other risks and uncertainties, including those listed herein as well as under the heading "Risk Factors" in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") on March 27, 2026 (the "2025 Annual Report").

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, prospects, and financial needs. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are subject to a number of risks, uncertainties and assumptions described in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. We disclaim any intention or obligation to publicly update or revise any forward-looking statements for any reason or to conform such statements to actual results or revised expectations, except as required by law.

SPECIAL NOTE REGARDING USE OF TRADE NAMES AND TRADEMARKS

"Hydrofarm" and other trade names and trademarks of ours appearing in this Quarterly Report on Form 10-Q are our property. This Quarterly Report on Form 10-Q contains trade names and trademarks of other companies, which are the property of their respective owners. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

SPECIAL NOTE REGARDING CERTAIN TERMINOLOGY IN THIS QUARTERLY REPORT ON FORM 10-Q

Unless the context otherwise indicates, references in this Quarterly Report on Form 10-Q to the terms “Hydrofarm,” “the Company,” “we,” “our” and “us” refer to Hydrofarm Holdings Group, Inc. and its subsidiaries.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Hydrofarm Holdings Group, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share and per share amounts)

	September 30, 2026	December 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 3,421	$ 6,309
Restricted cash	460	—
Accounts receivable, net	7,408	8,186
Inventories	19,080	33,324
Prepaid expenses and other current assets	2,167	3,622
Total current assets	32,536	51,441
Property, plant and equipment, net	12,212	30,334
Operating lease right-of-use assets	27,692	37,765
Intangible assets, net	2,801	2,801
Other assets	821	1,463
Total assets	$ 76,062	$ 123,804
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 10,166	$ 9,752
Accrued expenses and other current liabilities	10,068	7,688
Deferred revenue	727	2,742
Current portion of operating lease liabilities	7,562	7,543
Current portion of finance lease liabilities	471	455
Current portion of long-term debt	108,898	111,853
Total current liabilities	137,892	140,033
Long-term operating lease liabilities	24,728	32,800
Long-term finance lease liabilities	7,021	7,381
Long-term debt	33	50
Deferred tax liabilities	—	2,130
Other long-term liabilities	273	4,706
Total liabilities	169,947	187,100
Commitments and contingencies (Note 15)		
Stockholders' deficit		
Common stock ($0.0001 par value; 300,000,000 shares authorized; 4,819,323 and 4,667,004 shares issued and outstanding at September 30, 2026, and December 31, 2025, respectively)	—	—
Additional paid-in capital	791,595	791,227
Accumulated other comprehensive loss	(5,208)	(7,272)
Accumulated deficit	(880,272)	(847,251)
Total stockholders' deficit	(93,885)	(63,296)
Total liabilities and stockholders' deficit	$ 76,062	$ 123,804

The accompanying notes are an integral part of the condensed consolidated financial statements.

Hydrofarm Holdings Group, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except share and per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Net sales	$ 14,455	$ 29,350	$ 66,190	$ 109,129
Cost of goods sold	11,897	25,941	59,161	96,049
Gross profit	2,558	3,409	7,029	13,080
Operating expenses:				
Selling, general and administrative	7,955	16,365	28,585	50,368
Gain on sale of business	(1,491)	—	(1,491)	—
Loss from operations	(3,906)	(12,956)	(20,065)	(37,288)
Interest expense	(3,385)	(3,331)	(12,704)	(10,099)
Other (expense) income, net	(367)	22	(464)	(140)
Loss before tax	(7,658)	(16,265)	(33,233)	(47,527)
Income tax (expense) benefit	(121)	(125)	212	(109)
Net loss	$ (7,779)	$ (16,390)	$ (33,021)	$ (47,636)
Net loss per share:				
Basic	$ (1.61)	$ (3.51)	$ (6.90)	$ (10.26)
Diluted	$ (1.61)	$ (3.51)	$ (6.90)	$ (10.26)
Weighted-average shares of common stock outstanding:				
Basic	4,817,377	4,663,422	4,786,133	4,641,522
Diluted	4,817,377	4,663,422	4,786,133	4,641,522

The accompanying notes are an integral part of the condensed consolidated financial statements.

Hydrofarm Holdings Group, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

(In thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Net loss	$ (7,779)	$ (16,390)	$ (33,021)	$ (47,636)
Other comprehensive gain (loss):				
Foreign currency translation adjustment from sale of business	2,218	—	2,218	—
Foreign currency translation gain (loss)	627	(524)	(154)	1,278
Total comprehensive loss	$ (4,934)	$ (16,914)	$ (30,957)	$ (46,358)

The accompanying notes are an integral part of the condensed consolidated financial statements.

Hydrofarm Holdings Group, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) (UNAUDITED)

(In thousands, except for share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount				
Balance, June 30, 2025	**4,659,020**	$ —	$ **790,825**	$ **(7,109)**	$ **(588,707)**	$ **195,009**
Issuance of common stock for vesting of stock awards	**11,984**	—	—	—	—	—
Shares repurchased for withholding tax on stock awards	**(4,000)**	—	**(19)**	—	—	**(19)**
Stock-based compensation expense	—	—	**206**	—	—	**206**
Net loss	—	—	—	—	**(16,390)**	**(16,390)**
Foreign currency translation loss	—	—	—	**(524)**	—	**(524)**
Balance, September 30, 2025	**4,667,004**	$ —	$ **791,012**	$ **(7,633)**	$ **(605,097)**	$ **178,282**
Balance, June 30, 2026	**4,814,612**	$ —	$ **791,525**	$ **(8,053)**	$ **(872,493)**	$ **(89,021)**
Issuance of common stock for vesting of stock awards	**7,001**	—	—	—	—	—
Shares repurchased for withholding tax on stock awards	**(2,290)**	—	**(3)**	—	—	**(3)**
Stock-based compensation expense	—	—	**73**	—	—	**73**
Net loss	—	—	—	—	**(7,779)**	**(7,779)**
Foreign currency translation gain	—	—	—	**2,845**	—	**2,845**
Balance, September 30, 2026	**4,819,323**	$ —	$ **791,595**	$ **(5,208)**	$ **(880,272)**	$ **(93,885)**

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount				
Balance, December 31, 2024	**4,614,279**	$ —	$ **790,094**	$ **(8,911)**	$ **(557,461)**	$ **223,722**
Issuance of common stock for vesting of stock awards	**71,194**	—	—	—	—	—
Shares repurchased for withholding tax on stock awards	**(18,469)**	—	**(46)**	—	—	**(46)**
Stock-based compensation expense	—	—	**964**	—	—	**964**
Net loss	—	—	—	—	**(47,636)**	**(47,636)**
Foreign currency translation gain	—	—	—	**1,278**	—	**1,278**
Balance, September 30, 2025	**4,667,004**	$ —	$ **791,012**	$ **(7,633)**	$ **(605,097)**	$ **178,282**
Balance, December 31, 2025	**4,667,004**	$ —	$ **791,227**	$ **(7,272)**	$ **(847,251)**	$ **(63,296)**
Issuance of common stock for vesting of stock awards	**164,082**	—	—	—	—	—
Shares repurchased for withholding tax on stock awards	**(11,763)**	—	**(17)**	—	—	**(17)**
Stock-based compensation expense	—	—	**385**	—	—	**385**
Net loss	—	—	—	—	**(33,021)**	**(33,021)**
Foreign currency translation gain	—	—	—	**2,064**	—	**2,064**
Balance, September 30, 2026	**4,819,323**	$ —	$ **791,595**	$ **(5,208)**	$ **(880,272)**	$ **(93,885)**

The accompanying notes are an integral part of the condensed consolidated financial statements.

Hydrofarm Holdings Group, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Nine months ended September 30,	
	2026	2025
Operating activities		
Net loss	$ (33,021)	$ (47,636)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization	2,788	22,057
Provision for credit losses	79	818
Provision for inventory obsolescence	598	1,010
Restructuring expenses	3,205	4,004
Stock-based compensation expense	385	964
Non-cash operating lease expense	5,400	5,920
Amortization of deferred financing costs	2,593	663
Other	983	135
Changes in assets and liabilities:		
Accounts receivable	137	3,902
Inventories	10,191	7,744
Prepaid expenses and other current assets	1,382	119
Other assets	134	(175)
Accounts payable	1,063	(655)
Accrued expenses and other current liabilities	3,044	(3,145)
Deferred revenue	(2,011)	(15)
Lease liabilities	(5,412)	(5,728)
Other long-term liabilities	269	(66)
Net cash used in operating activities	(8,193)	(10,084)
Investing activities		
Capital expenditures of property, plant and equipment	(89)	(695)
Proceeds from sale of property, plant and equipment	1,512	87
Cash proceeds from APP Sale	10,264	—
Net cash from (used in) investing activities	11,687	(608)
Financing activities		
Borrowings under foreign revolving credit facilities	192	291
Repayments of foreign revolving credit facilities	(210)	(292)
Repayments of Term Loan	(5,527)	(4,851)
Payment of withholding tax related to stock awards	(17)	(46)
Finance lease principal payments	(340)	(344)
Net cash used in financing activities	(5,902)	(5,242)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(20)	475
Net decrease in cash, cash equivalents and restricted cash	(2,428)	(15,459)
Cash, cash equivalents and restricted cash at beginning of period	6,309	26,111
Cash, cash equivalents and restricted cash at end of period	$ 3,881	$ 10,652
Non-cash investing and financing activities		
Right-of-use assets acquired under operating lease obligations, net	$ —	$ 2,166
Capital expenditures included in accounts payable and accrued liabilities	19	118
Interest payable settled through assignment of promissory note	5,000	—
Supplemental information		
Cash paid for interest	4,721	9,507
Cash refunded for income taxes	(56)	(11)

The accompanying notes are an integral part of the condensed consolidated financial statements.

Hydrofarm Holdings Group, Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(dollars in thousands, except share and per share amounts)

1. DESCRIPTION OF THE BUSINESS

Description of the business

Hydrofarm Holdings Group, Inc. (collectively with its subsidiaries, the "Company") was formed in May 2017 under the laws of the state of Delaware to acquire and continue the business originally founded in 1977. The Company is a leading independent manufacturer and distributor of branded hydroponics equipment and supplies for controlled environment agriculture ("CEA"), including grow lights, climate control solutions, grow media and nutrients, as well as a broad portfolio of innovative, proprietary branded products. Products offered include agricultural lighting devices, indoor climate control equipment, nutrients, and plant additives used to grow, farm and cultivate cannabis, flowers, fruits, plants, vegetables, grains and herbs in controlled environment settings that allow end users to control key farming variables including temperature, humidity, CO_2, light intensity and color, nutrient concentration and pH.

2. LIQUIDITY AND GOING CONCERN

Nasdaq listing compliance

On April 1, 2026, the Listing Qualifications Department of The Nasdaq Stock Market LLC (“Nasdaq”) notified the Company that it was not in compliance with the $2.5 million minimum stockholders' equity requirement under Nasdaq Listing Rule 5550(b)(1) (the “Equity Rule”). Although Nasdaq subsequently granted the Company an extension to regain compliance, on July 2, 2026 Nasdaq determined that the Company had not satisfied the terms of that extension. The Company timely requested a hearing before the Nasdaq Hearings Panel on July 9, 2026, which stayed any further action by Nasdaq pending completion of the hearing process.

In addition, on July 6, 2026, Nasdaq notified the Company that it was not in compliance with the minimum bid price requirement under Nasdaq Listing Rule 5550(a)(2) because its common stock had not maintained a closing bid price of at least $1.00 per share for 30 consecutive business days. The Company has a 180-day compliance period to regain compliance and is evaluating available alternatives.

On September 8, 2026, Nasdaq issued a decision letter in which the Nasdaq Hearings Panel granted the Company's request to continue its listing on Nasdaq subject to satisfaction of the following conditions:

(a) on or before September 30, 2026, the Company must advise the Nasdaq Hearings Panel on the status of the proposed debt conversion as well as any asset sales completed as part of the compliance plan (on September 30, 2026, the Company advised the Nasdaq Hearings Panel accordingly);

(b) on or before October 16, 2026, the Company must demonstrate compliance with the Equity Rule by filing a timely public disclosure describing the transactions undertaken by it to achieve compliance and demonstrate long-term compliance with the Equity Rule, and by providing an indication of its stockholders’ equity following those transactions (on October 20, 2026, the Company received an extension from the Nasdaq Hearings Panel to October 27, 2026 and on October 27, 2026, filed a timely public disclosure describing the completion of a registered direct offering (the “Registered Direct Offering”) and concurrent private placement (the “Private Placement”, together with the Registered Direct Offering, the “Offering”), the satisfaction of our obligations under the senior secured term loan (“Term Loan”) and issuance of Series 1 Non-Voting Convertible Preferred Stock and common warrants to our former Term Loan lenders (the “Term Loan Settlement”) and other transactions undertaken by it to achieve compliance with the Equity Rule); and

(c) the Company will be required to maintain compliance with all Nasdaq Listing Rules through December 29, 2026.

On October 27, 2026, the Company submitted to the Nasdaq Hearings Panel an unaudited pro forma condensed balance sheet that gives effect to the Offering and Term Loan Settlement. The pro forma balance sheet shows pro forma stockholders' equity that exceeds the $2.5 million minimum required by the Equity Rule. On November 9, 2026, the Company received a letter from the Office of General Counsel of Nasdaq confirming that the Company has regained compliance with the Equity Rule.

The Company intends to monitor its stockholders’ equity and its compliance with the other Nasdaq continued listing requirements, including the minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2), and to take such actions as may be necessary to regain or maintain compliance. However, there can be no assurance that the Company will be able to maintain compliance with the Equity Rule or regain or maintain compliance with any other Nasdaq Listing Rule.

Going concern

The accompanying condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Management has evaluated whether conditions or events, considered in the aggregate, raise substantial doubt about the Company’s ability to continue as a going concern for a period of one year from the date that these financial statements are issued. As of September 30, 2026, the Company had $3,881 in cash, cash equivalents and restricted cash and a working capital deficit of $105,356. The Company has incurred operating losses and negative cash flows from operations, and has other current liabilities, some of which are in active negotiation with vendors. Management’s plans to address these conditions include reducing costs through its prior restructuring plans and other initiatives, including facility consolidations, and headcount reductions. In addition, management is focusing on sustainable growth initiatives including with its proprietary brand offerings, and expanding its direct commercial sales and logistics services business. The Company may seek additional funds through various financing sources, including the sale of equity securities or debt financing.

As described in Note 17 – *Subsequent Events*, on October 27, 2026, the Company eliminated its Term Loan debt in consideration for Series 1 Non-Voting Convertible Preferred Stock and warrants to purchase 27.5 million shares of common stock issued to the former Term Loan lenders. In addition, the Company sold common stock, pre-funded warrants and common warrants to investors in the Offering, raising approximately $8,300 in gross

proceeds. Leading up to the Company's recapitalization transaction, the Company experienced constrained working capital. During the subsequent event period after September 30, 2026, the Company made significant progress towards its plans. The ultimate outcome of the Company's plans to address the Company's condition are not within the Company's control and therefore cannot be deemed probable. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern.

These condensed consolidated financial statements do not include any adjustments to the specific amounts and classifications of assets and liabilities, which might be necessary should the Company be unable to continue as a going concern.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the requirements of the Securities and Exchange Commission for interim financial reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. These condensed consolidated financial statements have been prepared on the same basis as the Company's annual consolidated financial statements and, in the opinion of management, reflect all normal and recurring adjustments which are necessary for the fair statement of the Company's financial information. These interim results are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2026, or for any other interim period or for any other future year. All intercompany balances and transactions have been eliminated in consolidation.

Hydrofarm Holdings Group, Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(dollars in thousands, except share and per share amounts)

The condensed consolidated balance sheet as of December 31, 2025, has been derived from the audited consolidated financial statements of the Company, which is included in the 2025 Annual Report. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto included in the 2025 Annual Report.

Use of estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates include provisions for sales returns, rebates and claims from customers, realization of accounts receivable and inventories, fair value of assets acquired and liabilities assumed for business combinations, valuation of intangible assets, estimated useful lives of long-lived assets, incremental borrowing rate applied in lease accounting, valuation of stock-based compensation, recognition of deferred income taxes, classification of debt pursuant to certain terms in the Company's credit agreements, recognition of liabilities related to commitments and contingencies, asset retirement obligations ("AROs"), and valuation allowances. Actual results may differ from these estimates. On an ongoing basis, the Company reviews its estimates to ensure that these estimates appropriately reflect changes in its business or new information available.

Segment and entity-wide information

Segment information

The Company's chief operating decision maker ("CODM") is the Chief Executive Officer (the "CEO") who reviews financial information for the purposes of making operating decisions, assessing financial performance and allocating resources. The business is organized as one operating segment managed on a consolidated basis, and one reportable segment, which is the distribution and manufacture of CEA equipment and supplies.

For the purposes of making operating decisions, assessing financial performance and allocating resources, the CODM reviews financial statement metrics on a consolidated basis, including net sales, gross profit, SG&A, and net loss as presented in the consolidated statements of operations. Net loss is the primary measure of profit or loss reviewed by the CODM. In addition, the CODM reviews consolidated total assets and significant components such as inventories, cash and other assets for the purpose of evaluating financial performance. Significant expense categories regularly reviewed by the CODM are comprised of cost of goods sold and SG&A. The other components of net loss as disclosed in the statements of operations that are not significant segment expenses are impairments, loss on asset disposition, gain on sale of business, interest expense, other income (expense), net, and income tax (expense) benefit. Since the Company operates as one reportable segment, all required segment financial information is found in the condensed consolidated financial statements and notes, and within the entity-wide disclosures presented below.

Entity-wide information

Net sales and property, plant and equipment, net and operating lease right-of-use ("ROU") assets, in the United States and Canada, as determined by the location of the subsidiaries, are shown below. Other foreign locations, which are immaterial, individually and in the aggregate, are included in the United States below.

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
United States	$ 13,696	$ 24,054	$ 52,097	$ 87,647
Canada	815	5,882	15,563	23,190
Eliminations	(56)	(586)	(1,470)	(1,708)
Total consolidated net sales	$ 14,455	$ 29,350	$ 66,190	$ 109,129

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	September 30, 2026	December 31, 2025
United States	$ 28,494	$ 38,071
Canada	11,410	30,028
Total property, plant and equipment, net and operating lease right-of-use assets	$ 39,904	$ 68,099

All of the products sold by the Company are similar and classified as CEA equipment and supplies.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has applied the framework for measuring fair value which requires a fair value hierarchy to be applied to all fair value measurements. All financial instruments recognized at fair value are classified into one of three levels in the fair value hierarchy as follows:

Level 1 — Valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 — Valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or, corroborated by, observable market data by correlation or other means.

Level 3 — Valuation techniques with significant unobservable market inputs.

The Company measures certain non-financial assets and liabilities, including long-lived assets and intangible assets at fair value on a nonrecurring basis.

Cash, cash equivalents and restricted cash

Cash includes funds deposited in banks. As of September 30, 2026, restricted cash represents those funds required to be set aside as security for letters of credits.

Inventories

Inventories consist of finished goods, work-in-process, and raw materials used in manufacturing products. Inventories are stated at the lower of cost or net realizable value, principally determined by the first in, first out method of accounting. The Company maintains an allowance for excess and obsolete inventory. The estimate for excess and obsolete inventory is based upon assumptions about current and anticipated demand, customer preferences, business strategies, and market conditions. Management reviews these assumptions periodically to determine if any adjustments are needed to the allowance for excess and obsolete inventory. The establishment of an allowance for excess and obsolete inventory establishes a new cost basis in the inventory. Such allowance is not reduced until the product is sold or otherwise disposed. If inventory is sold, any related reserves would be reversed in the period of sale. The Company estimates inventory markdowns relating to restructuring charges based upon business strategies, management's actions with respect to inventory of raw materials and products and brands being removed from the Company's portfolio, current and anticipated demand, customer preferences, and market conditions.

Revenue recognition

The Company follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606 - *Revenue from Contracts with Customers* which requires that revenue recognized from contracts with customers be disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company has determined that revenue is generated from one category, which is the manufacture and distribution of CEA equipment and supplies.

Revenue is recognized as control of promised goods is transferred to customers, which generally occurs upon receipt at customers' locations determined by the specific terms of the contract. Arrangements generally have a single performance obligation and revenue is reported net of variable consideration which includes applicable volume rebates, cash discounts and sales returns and allowances. Variable consideration is estimated and recorded at the time of sale.

The amount billed to customers for shipping and handling costs included in net sales was $432 and $2,461 during the three and nine months ended September 30, 2026, respectively, and $798 and $3,380 during the three and nine months ended September 30, 2025, respectively. Shipping and handling costs that occur before the customer obtains control of the goods are deemed to be fulfillment activities and are accounted for as fulfillment costs included in cost of goods sold. The Company does not receive noncash consideration for the sale of goods. Contract consideration received from a customer prior to revenue recognition is recorded as a contract liability and is recognized as revenue when the Company satisfies the related performance obligation under the terms of the contract. The Company's contract liabilities, which consist primarily of customer deposits reported within deferred revenue on the condensed consolidated balance sheets, totaled $727 and $2,742 as of September 30, 2026, and December 31, 2025, respectively. During the three months ended September 30, 2026, the Company recorded customer deposits of $211, recognized $275 of deferred revenue, and noted $97 of additional decreases primarily due to customer credits. During the nine months ended September 30, 2026, the Company recorded customer deposits of $941, recognized $2,721 of deferred revenue, and noted $235 of additional decreases primarily due to customer credits. There are no significant financing components and the majority of revenue is recognized within one year. Excluded from revenue are any taxes assessed by governmental authorities, including value-added and other sales-related taxes that are imposed on and concurrent with revenue-generating activities.

Income taxes

The income tax provision is calculated for an interim period by distinguishing between elements recognized in the income tax provision through applying an estimated annual effective tax rate (the "ETR") to a measure of year-to-date operating results referred to as "ordinary income (or loss)," and discretely recognizing specific events referred to as "discrete items" as they occur. The income tax provision or benefit for each interim period is the difference between the year-to-date amount for the current period and the year-to-date amount for the prior period. Under ASC 740-270-30-36, entities subject to income taxes in multiple jurisdictions should apply one overall ETR instead of separate ETRs for each jurisdiction when calculating the interim-period income tax or benefit related to consolidated ordinary income (or loss) for the year-to-date interim period, except in certain circumstances.

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Recent accounting pronouncements

In November 2024, the FASB issued Accounting Standards Update ("ASU") No. 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses,* which requires a public entity to disclose additional information about specific expense categories in the notes to financial statements on an annual and interim basis. The amendments are effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027, with early adoption permitted. A public entity should apply the amendments either prospectively to financial statements issued for reporting periods after the effective date of this ASU or retrospectively to any or all prior periods presented in the financial statements. The Company is currently evaluating the impact that adoption of this accounting standard will have on its financial disclosures.

In July 2025, the FASB issued ASU No. 2025-05, *Financial Instruments - Credit Losses: Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which provides a practical expedient permitting companies to assume that conditions at the balance sheet date remain unchanged over the life of the asset when estimating expected credit losses for current accounts receivable and current contract assets. This guidance is effective for annual periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted and is effective on a prospective basis. The Company elected to apply this practical expedient upon adoption of ASU No. 2025-05, which had no impact on the condensed consolidated financial statements for the period ended September 30, 2026.

In September 2025, the FASB issued ASU No. 2025-06, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*, which makes targeted improvements to the accounting for internal-use software by removing references to “development stages”. The update also clarifies the criteria for capitalization, which begins when both of the following occur: (1) management has authorized and committed to funding the software project and (2) it is probable that the project will be completed and the software will be used to perform the function intended. The guidance is effective for annual reporting periods beginning after December 15, 2027, and for interim periods within those annual reporting periods, with early adoption permitted, and can be applied prospectively, retrospectively, or via a modified prospective transition method. The Company is currently evaluating the impact that adoption of this accounting standard will have on its financial disclosures.

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4. RESTRUCTURING AND DISPOSITIONS

Restructuring

2023 Restructuring Plan

In the first quarter of 2025, the Company completed the 2023 Restructuring Plan and incurred approximately $362 of restructuring charges, which were primarily cash charges and recorded within cost of goods sold on the consolidated statement of operations during the year ended December 31, 2025. The remaining accrual balance of $103 as of December 31, 2024 was settled during the three months ended March 31, 2025, and there is no remaining accrual balance. Total costs incurred relating to the 2023 Restructuring Plan were (i) $9,737 of non-cash charges relating primarily to inventory markdowns, and (ii) $2,034 of cash charges relating primarily to the consolidation of U.S. manufacturing facilities. Restructuring actions in the 2023 Restructuring Plan were primarily U.S. manufacturing facility consolidations, in particular with respect to production of certain durable equipment products. Restructuring activities included termination and disposal costs associated with inventory, facilities, and headcount reductions, and non-cash charges consisting of fixed asset and inventory write-downs.

2025 Restructuring Plan

In the second quarter of 2025, the Company initiated a restructuring plan (the "2025 Restructuring Plan") to reduce its product portfolio and operational footprint to decrease costs and improve efficiency. The 2025 Restructuring Plan actions entail (i) eliminating a significant portion of the Company's product portfolio, primarily underperforming distributed brands, to improve supply chain and operational focus, (ii) further reductions in the distribution center network and manufacturing footprint including inventory reductions, and (iii) corresponding headcount reductions.

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The Company incurred the following estimated restructuring costs for the 2025 Restructuring Plan during the three and nine months ended September 30, 2026 and 2025:

	Three months ended September 30, 2026	Nine months ended September 30, 2026
Cost of goods sold	$ 102	$ 2,859
Selling, general and administrative	758	3,863
Total 2025 Restructuring Plan charges	$ 860	$ 6,722
Cash	$ 804	$ 3,517
Non-cash	56	3,205
Total 2025 Restructuring Plan charges	$ 860	$ 6,722

	Three months ended September 30, 2025	Nine months ended September 30, 2025
Cost of goods sold	$ 753	$ 4,074
Selling, general and administrative	142	142
Total 2025 Restructuring Plan charges	$ 895	$ 4,216
Cash	$ 246	$ 277
Non-cash	649	3,939
Total 2025 Restructuring Plan charges	$ 895	$ 4,216

Non-cash charges for the three and nine months ended September 30, 2026 were primarily associated with the write-down of certain ROU assets which were primarily recorded in SG&A and inventory write-downs which were primarily recorded in cost of goods sold on the condensed consolidated statements of operations. Cash charges were primarily comprised of costs incurred to relocate and terminate certain facilities.

Total costs relating to the 2025 Restructuring Plan incurred since its inception through September 30, 2026 were (i) $7,591 of non-cash charges comprised primarily of inventory markdowns and the write-down of certain ROU assets, and (ii) $4,368 of cash charges comprised primarily of costs incurred to relocate and terminate certain facilities.

The following tables present the activity in accrued expenses and other current liabilities for restructuring costs related to the 2025 Restructuring Plan for the three and nine months ended September 30, 2026:

	Three months ended September 30, 2026
Restructuring Accruals as of June 30, 2026	$ 557
Expense	804
Cash Payments	(953)
Restructuring Accruals as of September 30, 2026	$ 408

	Nine months ended September 30, 2026
Restructuring Accruals as of December 31, 2025	$ 202
Expense	3,517
Cash Payments	(3,311)
Restructuring Accruals as of September 30, 2026	$ 408

The Company does not anticipate the 2025 Restructuring Plan and related actions will result in material additional restructuring charges. The amounts the Company will ultimately expend could differ from these estimates.

Dispositions

Aurora Peat Products (the "APP Sale"):

On July 31, 2026 (the "APP Closing Date"), the Company, through its wholly owned subsidiaries Aurora International, LLC, an Oregon limited liability company (the "Seller") and Aurora Peat Products ULC, an Alberta unlimited liability corporation ("APP"), entered into a Share Purchase Agreement (the "Share Purchase Agreement") with 2817049 Alberta Ltd., an Alberta corporation (the "Buyer"). Pursuant to the terms of the Share Purchase Agreement, Seller sold to Buyer and Buyer purchased from Seller all the issued and outstanding shares of APP for $16,000, subject to adjustments set forth in the Share Purchase Agreement (the "Transaction"). The net proceeds from the Transaction were applied to reduce outstanding debt, including outstanding interest, under the Term Loan. The Share Purchase Agreement contains customary representations and warranties of the parties, covenants and indemnification provisions. The representations, warranties and covenants contained in the Share Purchase Agreement were made solely for the benefit of the parties to the Share Purchase Agreement and may be subject to limitations agreed upon by the contracting parties. Cash obligations in connection with the close of the Transaction were $2,744.

In connection with the Share Purchase Agreement, the Seller and Buyer entered into a secured promissory note on the APP Closing Date, pursuant to which the Buyer issued, in favor of the Seller, a promissory note in the principal amount of $5,000, representing a deferred portion of the purchase price payable to the Seller under the Share Purchase Agreement. The secured promissory note was assigned to the lenders of the Company's Term Loan.

The Company recognized a gain on sale of business of $1,491 for the three and nine months ended September 30, 2026. Upon closing of the sale transaction, the then outstanding amounts in Accumulated other comprehensive loss were reclassified to net income through gain on sale of business for a total of $2,218.

For the three and nine months ended September 30, 2026, APP recognized pretax loss of $760 and $1,676, respectively. For the three and nine months ended September 30, 2025, APP recognized pretax income of $361 and $170, respectively.

In connection with the Share Purchase Agreement, Hydrofarm, LLC and APP entered into a supply agreement on the APP Closing Date, pursuant to which each of Hydrofarm, LLC and APP will produce and supply certain goods for the other party, subject to the terms and conditions therein.

Goshen:

During the three months ended June 30, 2026, the Company sold approximately 38 acres of the 120 acres of excess owned land at the Goshen, New York location. The sale price less costs to sell, in the amount of $1,415, was less than the net carrying value of the property, plant and equipment, and the Company recorded a $77 loss in SG&A during the period.

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5. INTANGIBLE ASSETS, NET

Finite lived intangible assets are tested for impairment at least annually, while all intangibles are tested for impairment when events or changes in circumstances indicate that, more-likely-than-not, the carrying amount may not be recoverable. During the fourth quarter of fiscal 2025, as a result of industry conditions, primarily attributable to an agricultural oversupply impacting our market and resulting in a decrease in indoor and outdoor cultivation, as well as continued declines in operating cash flows and profitability, the Company assessed long-lived assets for impairment and recorded an impairment charge of $232,179. Of the impairment charge, $228,395 was related to finite-lived intangible assets and $3,784 was related to property, plant, and equipment. The loss was recorded in impairments in the consolidated statement of operations for the year ended December 31, 2025. The Company estimated fair value based on the income approach and market approach. Under the income approach, the Company estimated the fair value of the asset group on the present value of estimated future cash flows, which the Company considered to be a level 3 unobservable input in the fair value hierarchy. Amortization expense related to intangible assets was $5,930 and $17,794 for the three and nine months ended September 30, 2025, respectively.

The carrying value of intangible assets, net, consisting of an indefinite-lived tradename was $2,801 as of each of September 30, 2026 and December 31, 2025.

6. LOSS PER COMMON SHARE

Basic loss per common share is computed using net loss divided by the weighted-average number of common shares outstanding during each period, excluding unvested restricted stock units (“RSUs”) and performance stock units ("PSUs").

Diluted loss per common share represents net loss divided by the weighted-average number of common shares outstanding during the period, including common stock equivalents. Common stock equivalents consist of shares subject to vested share-based awards to the extent their inclusion would be dilutive.

The following table presents basic and diluted loss per common share for the three and nine months ended September 30, 2026 and 2025:

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Net loss	$ (7,779)	$ (16,390)	$ (33,021)	$ (47,636)
Weighted-average shares of common stock outstanding	4,817,377	4,663,422	4,786,133	4,641,522
Dilutive effect of share based compensation awards using the treasury stock method	—	—	—	—
Diluted weighted-average shares of common stock outstanding	4,817,377	4,663,422	4,786,133	4,641,522
Basic loss per common share	$ (1.61)	$ (3.51)	$ (6.90)	$ (10.26)
Diluted loss per common share	$ (1.61)	$ (3.51)	$ (6.90)	$ (10.26)

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The computation of the weighted-average shares of common stock outstanding for diluted loss per common share excludes the following potential shares of common stock as their inclusion would have an anti-dilutive effect on diluted loss per common share:

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Shares subject to unvested or deferred performance and restricted stock units	**291,628**	**340,860**	**291,628**	**340,860**
Shares subject to stock options outstanding	**25,925**	**32,612**	**25,925**	**32,612**

7. ACCOUNTS RECEIVABLE, NET, AND INVENTORIES

Accounts receivable, net comprised the following:

	September 30, 2026	December 31, 2025
Trade accounts receivable	$ 6,302	$ 7,706
Allowance for credit losses	(368)	(362)
Other receivables	1,474	842
Total accounts receivable, net	$ 7,408	$ 8,186

The Company maintains an allowance for credit losses to provide for the estimated amount of receivables that will not be collected. To estimate the allowance for credit losses the Company applied the loss-rate method using relevant available information including historical write-off activity and current conditions. The allowance for credit losses is measured on a pooled basis when similar risk characteristics exist. When assessing whether to measure certain financial assets on a pooled basis, the Company considered various risk characteristics, including industry and risk characteristics of the customer. When a specific customer exhibits unique risk characteristics, such as significant deterioration in financial condition or other indicators that it no longer shares similar risk characteristics with the collective pool, that receivable is evaluated individually. Expected credit losses for individually evaluated receivables are measured based on expected cash recoveries, and any resulting specific reserves are included in the allowance for credit losses. Write-offs of accounts receivable are recorded to the allowance for credit losses. Any subsequent recoveries of previously written off balances are recorded as a reduction to credit loss expense.

The change in the allowance for credit losses consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Beginning balance	$ (279)	$ (629)	$ (362)	$ (706)
Changes in estimates	(101)	(138)	(79)	(818)
Write-offs	15	50	94	787
Collections/Other	(3)	51	(21)	71
Ending balance	$ (368)	$ (666)	$ (368)	$ (666)

Inventories comprised the following:

	September 30, 2026	December 31, 2025
Finished goods	$ 13,801	$ 25,314
Work-in-process	743	872
Raw materials	7,159	10,790
Allowance for inventory obsolescence	(2,623)	(3,652)
Total inventories	$ 19,080	$ 33,324

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Inventories are stated at the lower of cost or net realizable value, and the Company maintains an allowance for excess and obsolete inventory that is based upon assumptions about future demand and market conditions. The allowance for excess and obsolete inventory is subject to increase based on changes in estimates and other factors and decrease based on sales of products and disposals.

8. LEASES

The Company leases its distribution centers and manufacturing facilities from third parties under various non-cancelable lease agreements expiring at various dates through 2038. Also, the Company leases some property, plant and equipment under finance leases. Certain leases contain escalation provisions and/or renewal options, giving the Company the right to extend the leases by up to 20 years. However, these options are generally not reflected in the calculation of the ROU assets and lease liabilities due to uncertainty surrounding the likelihood of renewal. The Company recognizes operating lease costs over the respective lease periods, including short-term and month-to-month leases. The Company incurred operating lease costs of $1,952 and $6,380 during the three and nine months ended September 30, 2026, respectively. The Company incurred operating lease costs of $2,410 and $7,209 during the three and nine months ended September 30, 2025, respectively. These costs are included primarily within SG&A in the condensed consolidated statements of operations.

The Company has operating subleases and logistics agreements which have been accounted for by reference to the underlying asset subject to the lease, primarily as an offset to rent expense, primarily within SG&A. For the three and nine months ended September 30, 2026, the Company recorded sublease and logistics income of $1,948 and $4,999, respectively. For the three and nine months ended September 30, 2025, the Company recorded sublease and logistics income of $1,271 and $3,569, respectively.

Total ROU assets, finance lease assets, and lease liabilities were as follows:

	Balance Sheet Classification	September 30, 2026	December 31, 2025
Lease assets			
Operating lease assets	Operating lease right-of-use assets	$ **27,692**	$ **37,765**
Finance lease assets	Property, plant and equipment, net	**6,085**	**6,575**
Total lease assets		$ **33,777**	$ **44,340**
Lease liabilities			
Current:			
Operating leases	Current portion of operating lease liabilities	$ **7,562**	$ **7,543**
Finance leases	Current portion of finance lease liabilities	**471**	**455**
Noncurrent:			
Operating leases	Long-term operating lease liabilities	**24,728**	**32,800**
Finance leases	Long-term finance lease liabilities	**7,021**	**7,381**
Total lease liabilities		$ **39,782**	$ **48,179**

The aggregate future minimum lease payments under long-term non-cancelable operating and finance leases with remaining terms greater than one year as of September 30, 2026 are as follows:

	Operating	Finance
For the period of October 1, 2026 to December 31, 2026	$ 2,337	$ 209
Year ending December 31,		
2027	8,807	850
2028	8,266	806
2029	5,395	822
2030	4,261	838
2031	3,609	855
Thereafter	3,080	5,524
Total lease payments	35,755	9,904
Less portion representing interest	(3,465)	(2,412)
Total principal	32,290	7,492
Less current portion	(7,562)	(471)
Long-term portion	$ 24,728	$ 7,021

9. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net comprised the following:

	September 30, 2026	December 31, 2025
Machinery and equipment	$ 16,638	$ 23,577
Peat bogs and related development	—	12,828
Building and improvements	7,262	8,917
Land	3,669	4,093
Furniture and fixtures	3,370	3,721
Computer equipment	3,036	3,044
Leasehold improvements	236	530
Gross property, plant and equipment	34,211	56,710
Less: accumulated depreciation	(21,999)	(26,376)
Total property, plant and equipment, net	$ 12,212	$ 30,334

In conjunction with the APP Sale, the Company sold property, plant and equipment, net, of approximately $13,619, consisting of assets with a cost basis of $19,725 and accumulated depreciation of $6,106 to the Buyer.

Depreciation, depletion and amortization expense related to property, plant and equipment, net was $769 and $2,788 for the three and nine months ended September 30, 2026, respectively. Depreciation, depletion and amortization expense related to property, plant and equipment, net was $1,406 and $4,263 for the three and nine months ended September 30, 2025, respectively. As noted in Note 5 – *Intangible Assets, Net*, the Company recorded impairment charges of $3,784 for property, plant, and equipment during the fourth quarter of fiscal 2025. The impairment charges were primarily related to Leasehold improvements, Land, and Building and improvements.

As of September 30, 2026, Land, Building and improvements and Computer equipment, contain finance leases assets, recorded at cost of $9,623, less accumulated depreciation of $3,538. As of December 31, 2025, Land, Building and improvements, Computer equipment, and Machinery and equipment contain finance leases assets, recorded at cost of $9,817, less accumulated depreciation of $3,242.

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The Company previously operated peat bogs in Alberta, Canada. Under provincial laws the Company was subject to certain AROs and the remediation of the peat bog sites were under provincial oversight. The Company periodically evaluated expected remediation costs associated with the peat bog sites that it operated. When the Company concluded that it was probable that a liability had been incurred, a provision was made for management's estimate of the liability. The peat bogs and corresponding AROs, were disposed of in conjunction with the APP Sale and as of September 30, 2026, the Company has zero recorded ARO liability. As of December 31, 2025, the Company had AROs of $170 and $4,668 recorded in Accrued expenses and other current liabilities and Other long-term liabilities, respectively, on the condensed consolidated balance sheets.

The following table presents changes in AROs for the following periods:

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Balance, beginning of the period	$ 4,740	$ 4,847	$ 4,838	$ 4,516
Liabilities incurred in the period	—	—	—	40
Liabilities settled in the period	(1)	(21)	(9)	(47)
Accretion expense	14	41	100	118
Other	63	(92)	(113)	148
APP disposition	(4,816)	—	(4,816)	—
Balance, end of the period	$ —	$ 4,775	$ —	$ 4,775

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities comprised the following:

	September 30, 2026	December 31, 2025
Accrued compensation and benefits	$ 1,462	$ 2,096
Interest accrual	2,167	1,902
Freight, custom and duty accrual	500	727
Goods in transit accrual	127	361
Income tax accrual	68	66
Asset retirement obligations	—	170
Other accrued liabilities	5,744	2,366
Total accrued expenses and other current liabilities	$ 10,068	$ 7,688

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11. DEBT

Debt is comprised of the following:

	September 30, 2026	December 31, 2025
Term Loan - principal	$ 108,867	$ 114,394
Term Loan - unamortized discount and deferred financing costs	—	(2,576)
Term Loan - net of unamortized discount and deferred financing costs	108,867	111,818
Other	64	85
Total debt	$ 108,931	$ 111,903
Current portion of long-term debt - net of unamortized discount and deferred financing costs of zero and $2,576 as of September 30, 2026, and December 31, 2025, respectively	$ 108,898	$ 111,853
Long-term debt	33	50
Total debt	$ 108,931	$ 111,903

Term Loan

On October 25, 2021, the Company and certain of its direct and indirect subsidiaries (the “Obligors”) entered into a Credit and Guaranty Agreement with JPMorgan Chase Bank, N.A., as administrative agent for the lenders (the “Term Loan lenders”), pursuant to which the Company borrowed a $125,000 senior secured term loan. The Term Loan was amended by Amendment No. 1 to the Credit and Guaranty Agreement (“Amendment No. 1”) effective on June 27, 2023, to among other things, replace the London Interbank Offered Rate ("LIBOR") referenced rates with Secured Overnight Financing Rate ("SOFR") referenced rates. Pursuant to Amendment No. 1, any Term Loan that constitutes a Eurodollar Rate Loan that is outstanding as of the Amendment No. 1 closing date shall continue until the end of the applicable interest period for such Eurodollar Rate Loan and the provisions of the Term Loan applicable thereto shall continue and remain in effect (notwithstanding the occurrence of the Amendment No. 1 closing date) until the end of the applicable interest period for such Eurodollar Rate Loan, after which such provisions shall have no further force or effect. Such Eurodollar Rate Loan shall subsequently either be an ABR Loan or a Term Benchmark Loan. The ABR Loans shall bear interest at the Alternate Base Rate (with a 2.0% floor) plus 4.50%, and Term Benchmark Loans shall bear interest at the Adjusted Term SOFR Rate (with a 1.0% floor), plus 5.50%. The ABR Loan and Term Benchmark Loan credit spreads of 4.50% and 5.50%, respectively, within the Amendment No. 1 have not changed from the credit spreads in the original Term Loan. On February 10, 2026, JPMorgan issued a notice to the Company and Term Loan lenders of its resignation as Administrative Agent and Collateral Agent under the Credit and Guaranty Agreement. Such resignation became effective on March 12, 2026, when FEAC Agent, LLC (“FEAC”) was appointed as the successor agent for the Term Loan lenders in accordance with Section 9 of the Credit and Guaranty Agreement. On April 8, 2026, the Company, the Term Loan lenders and the Agents entered into Amendment No. 2 to the Credit and Guaranty Agreement (“Amendment No. 2”). Amendment No. 2 amends the Credit Agreement to, among other things, (i) replace JPMorgan with FEAC as the Agents; and (ii) require each Credit Party to covenant and agree to (A) regularly provide certain liquidity reports and cash flow forecasts, (B) regularly provide certain aging reports and inventory reports, and (C) maintain a minimum liquidity of $1 million.

The Term Loan matures on October 25, 2028 ("Maturity Date") and is not subject to a call premium. Deferred financing costs are being amortized to interest expense over the term of the loan. For the three months ended September 30, 2026, the effective interest rate was 11.69% and interest expense was $3,262. For the nine months ended September 30, 2026, the effective interest rate was 14.57% and interest expense was $12,329, which includes amortization of deferred financing costs and discount of $2,576 triggered by the Specified Event of Default (as defined below).

The principal amount of the Term Loan is required to be repaid in consecutive quarterly installments in amounts equal to 0.25% of the original principal amount of the Term Loan, reduced pro-rata by any additional payments made, on the last day of each fiscal quarter commencing March 31, 2022, with the balance of the Term Loan payable on the Maturity Date. The Company is also required to make mandatory prepayments in the event of (i) achieving certain excess cash flow criteria, including the achievement and maintenance of a specific leverage ratio, (ii) certain asset sales that are collateral, or (iii) upon the issuance, offering, or placement of new debt obligations. In accordance with this provision, the Company made prepayments of $4.6 million during 2025 for an asset sale completed in 2024. The prepayments reduced our required quarterly installment amounts to zero for the remaining term.

The Term Loan is secured by a first lien on the non-working capital assets of the Company and a second lien on the working capital assets of the Company.

On February 4, 2026, the Company elected to defer making the interest payment of approximately $2.8 million on the Term Loan. As a result of the Company's failure to pay the interest within the grace period, an event of default occurred with respect to the Term Loan. On February 11, 2026, the Term Loan lenders, through the administrative agent, notified the Company of such event of default (the "Specified Event of Default") and informed the Company that the Administrative Agent or the Collateral Agent may exercise any rights and remedies provided under the Credit and Guaranty Agreement and related financing documents, but it did not seek to enforce such remedies as of such time. As a result of the Specified Event of Default, the Term Loan was reclassified to current portion of long-term debt from long-term debt and interest began accruing at a rate that is 2% per annum in excess of the interest rate otherwise payable.

On April 8, 2026 (the "Forbearance Effective Date"), the Company entered into that certain Forbearance Agreement (the "Forbearance Agreement") with the other Obligors, the Term Loan lenders, and FEAC, in connection with the Term Loan. Pursuant to the Forbearance Agreement, from the Forbearance Effective Date to the earliest to occur of (the occurrence of clause (i) or (ii), a "Forbearance Termination Event"): (i) April 30, 2026 (the "Forbearance Outside Date") provided that the Forbearance Outside Date may be extended from time to time in fifteen (15) day increments (or longer) upon written confirmation by the Administrative Agent (including by email); and (ii) the delivery of notice from the Administrative Agent to the Company terminating the Forbearance Period (as defined below), which notice may be delivered at any time upon or after (A) the occurrence of any Event of Default (as defined in the Credit Agreement) (other than the Specified Event of Default, under the Credit Agreement or any other Credit Document (as defined in the Credit Agreement)) and (B) the failure of (x) the Company or any other Obligor to comply with any of the Forbearance Period Requirements set forth in Section 7 of the Forbearance Agreement; (y) any representation or warranty made by the Company or any other Obligor under or in connection with the forbearance to be true and complete as of the date when made or any other breach of any of such representation or warranty; or (z) the repudiation and/or assertion of any defense by any Obligor with respect to the forbearance or any other Credit Document or the pursuit of any claim by any Obligor against the Agents or any Lender (collectively, the "Forbearance Period"), solely with respect to the Specified Event of Default, neither the Administrative Agent nor any Lender shall, upon the terms and conditions expressly specified therein, take any action, commence any proceedings against any Obligor or any other person with respect to the enforcement of any of its or their rights or remedies under the Credit Documents or applicable law, other than as expressly described in the Forbearance Agreement. On July 31, 2026, utilizing the proceeds from the APP Sale, inclusive of the assigned promissory note, the Company satisfied outstanding interest of $9,353 and principal of $5,527. The Company, the Term Loan lenders, and FEAC agreed to extend the Forbearance Period under the Forbearance Agreement through and including August 31, 2026. As of September 30, 2026, the Forbearance Period had lapsed and the Forbearance Agreement was no longer in effect, however neither the Administrative Agent nor any Lender has taken any action, commenced any proceedings against any Obligor or any other person with respect to the enforcement of any of its or their rights or remedies under the Credit Documents or applicable law.

Subsequent to September 30, 2026, on October 27, 2026, the Company, FEAC and Term Loan lenders agreed to the termination of the Term Loan. Refer to Note 17 – *Subsequent Events* for further details.

Revolving Credit Facility

On March 29, 2021, the Obligors entered into a Senior Secured Revolving Credit Facility (the "Revolving Credit Facility") with JPMorgan Chase Bank, N.A., as administrative agent, issuing bank and swingline lender, the other loan parties from time to time party thereto and the lenders from time to time party thereto for a revolving line of credit up to $50,000. The Revolving Credit Facility was due to expire on June 30, 2027, or any earlier date on which the revolving commitments are reduced to zero.

The Revolving Credit Facility originally had a borrowing limit of $50,000. On August 31, 2021, the Obligors entered into an amendment to the Revolving Credit Facility (the "First Amendment") to increase their original borrowing limit to $100,000. In connection with the First Amendment, the Company's previously acquired subsidiaries became party to the Revolving Credit Facility as either borrowers or as guarantors. On October 25, 2021, the Company and its subsidiaries entered into a second amendment to the Revolving Credit Facility (the "Second Amendment"), pursuant to which the parties consented to the Term Loan described above, and made certain conforming changes to comport with the Term Loan provisions. The Revolving Credit Facility was further amended by a third amendment and joinder to the Revolving Credit Facility dated August 23, 2022 (the "Third Amendment"), pursuant to which several previously acquired subsidiaries became parties to the Revolving Credit Facility and granted liens on their assets. On December 22, 2022, the Company entered into a fourth amendment to the Revolving Credit Facility (the "Fourth Amendment") pursuant to which a sale-leaseback transaction was permitted, and certain other changes were made, including a reduction of the maximum commitment amount under the Revolving Credit Facility from $100,000 to $75,000 and transitioning the LIBOR based rates to SOFR based rates. On March 31, 2023, the Company and certain of its subsidiaries entered into a fifth amendment to the Revolving Credit Facility (the “Fifth Amendment”) pursuant to which the maturity date was extended to June 30, 2026, the maximum commitment amount under the Revolving Credit Facility was reduced to $55,000, and the interest rate on borrowings was revised to various spreads, based on the Company's fixed charge coverage ratio. On November 1, 2024, the Company and certain of its subsidiaries entered into a sixth amendment to the Revolving Credit Facility (the “Sixth Amendment”) which reduced the maximum commitment amount under the Revolving Credit Facility to $35,000. On May 9, 2025, the Company and certain of its subsidiaries entered into a seventh amendment to the Revolving Credit Facility (the “Seventh Amendment”), pursuant to which the maturity date of the Revolving Credit Facility was extended from June 30, 2026 to June 30, 2027, the maximum commitment amount under the Revolving Credit Facility was reduced from $35,000 to $22,000, and certain other changes were made, including the addition of a $2,000 availability block, an increase of the cash dominion trigger from less than 10% of availability to less than 50% of availability, and an increase of the fixed charge ratio trigger from less than 10% excess availability to less than 20% of excess availability. The foregoing description of the Seventh Amendment does not purport to be complete and is qualified in its entirety by reference to the Seventh Amendment.

The unamortized debt discount and deferred financing costs were $209 as of December 31, 2025, and are included in other assets in the condensed consolidated balance sheets. Debt discount and deferred financing costs were being amortized to interest expense over the term of the Revolving Credit Facility.

The Revolving Credit Facility was an asset-based facility that was secured by a first priority lien on the working capital assets of the Company and a second priority lien on the non-working capital assets of the Company (including most of the Company's subsidiaries). The borrowing base was based on a detailed monthly calculation of the sum of (a) a percentage of the Eligible Accounts at such time, plus (b) the lesser of (i) a percentage of the Eligible Inventory, at such time, valued at the lower of cost or market value, determined on a first-in-first-out basis, and (ii) the product of a percentage multiplied by the Net Orderly Liquidation Value percentage identified in the most recent inventory appraisal ordered by the Administrative Agent multiplied by the Eligible Inventory, valued at the lower of cost or market value, determined on a first-in-first-out basis, minus (c) Reserves (each of the defined terms above, as defined in the Revolving Credit Facility documents).

The Company was required to maintain certain reporting requirements, affirmative covenants and negative covenants, pursuant to terms outlined in the agreement. Additionally, if the Company's Excess Availability was less than an amount equal to 20% of the Aggregate Revolving Commitment, the Company was required to maintain a minimum fixed charge coverage ratio of 1.1x on a rolling twelve-month basis until the Excess Availability was more than 20% of the Aggregate Revolving Commitment for thirty consecutive days (each of the defined terms above, as defined in the Revolving Credit Facility documents). In order to consummate permitted acquisitions or to make restricted payments, the Company was required to comply with a higher fixed charge coverage ratio of 1.15x.

The Revolving Credit Facility provided for various interest rate options including the Adjusted Term SOFR Rate, the Adjusted REVSOFR30 Rate, the CB Floating Rate, the Adjusted Daily Simple SOFR, or the CBFR. The rates that use SOFR as the reference rate (Adjusted Term SOFR Rate, the Adjusted REVSOFR30 Rate, the Adjusted Daily Simple SOFR and the CBFR rate) use the Term SOFR Rate plus 1.95%. Each rate had a 0.0% floor. A fee of 0.40% per annum was charged for available but unused borrowings.

As of December 31, 2025, the Company had zero borrowed under the facility.

On February 17, 2026, the Company entered into a termination agreement to terminate the Revolving Credit Agreement (the "Termination Agreement"). Pursuant to the terms of the Termination Agreement, the parties agreed to terminate the Revolving Credit Agreement subject to the survival of each of the provisions of the Revolving Credit Agreement and Loan Documents (as defined in the Revolving Credit Agreement) and in the certificates delivered in connection with or pursuant to the Revolving Credit Agreement that survive termination of the Revolving Credit Agreement.

Other Debt

Other debt of $64 and $85 as of September 30, 2026, and December 31, 2025, respectively, was primarily comprised of a foreign subsidiary's other debt which constitutes an immaterial revolving line of credit and mortgage.

Loss on debt extinguishment

The loss on debt extinguishment of $191 for the nine months ended September 30, 2026, resulting primarily from the write-off of the Revolving Credit Facility's unamortized debt discount and deferred financing costs at the time of the Termination Agreement, are presented in other (expense) income, net on the condensed consolidated statement of operations.

Aggregate future principal payments

As of September 30, 2026, the aggregate future principal payments under long-term debt are as follows:

	Debt
For the period of October 1, 2026 to December 31, 2026	$ **108,883**
Year ending December 31,	
2027	**20**
2028	**21**
2029	**7**
Total	$ **108,931**

12. STOCKHOLDERS' EQUITY

Common stock

Each holder of common stock is entitled to one vote for each share of common stock. Common stockholders have no pre-emptive rights to acquire additional shares of common stock or other securities. The common stock is not subject to redemption rights and carries no subscription or conversion rights. In the event of liquidation, the stockholders are entitled to share in corporate assets on a pro rata basis after the Company satisfies all liabilities and after provision is made for any class of capital stock having preference over the common stock. Subject to corporate regulations and preferences to preferred stock, if any, dividends are at the discretion of the board of directors. As of September 30, 2026, there were 4,819,323 shares outstanding and 300,000,000 shares authorized.

13. STOCK-BASED COMPENSATION

Stock-based compensation plan overview

The Company maintains three equity incentive plans: the 2018 Equity Incentive Plan ("2018 Plan"), the 2019 Employee, Director and Consultant Equity Incentive Plan ("2019 Plan") and the 2020 Employee, Director, and Consultant Equity Incentive Plan ("2020 Plan" and collectively, "Incentive Plans"). The 2020 Plan serves as the successor to the 2019 Plan and 2018 Plan and provides for the issuance of incentive stock options ("ISOs"), nonqualified stock options, stock grants and stock-based awards to employees, directors, and consultants of the Company. No further awards will be issued under the 2018 Plan and 2019 Plan. As of September 30, 2026, a total of 193,841 shares were available for grant under the 2020 Plan.

The Incentive Plans are administered by the Company's board of directors. Notwithstanding the foregoing, the board of directors may delegate concurrent responsibility for administering each plan, including with respect to designated classes of persons eligible to receive an award under each plan, to a committee or committees (which term shall include subcommittees) consisting of one or more members of the board of directors (collectively, the "Plan Administrator"), subject to such limitations as the board of directors deem appropriate.

In November 2020, the board of directors and stockholders approved the 2020 Plan and reserved an aggregate of 228,405 shares of common stock for issuance under the 2020 Plan. Pursuant to the 2020 Plan, the number of shares available for issuance under the 2020 Plan may be increased on January 1 of each year, beginning on January 1, 2021, and ending on January 2, 2030, in an amount equal to the lesser of (i) 4% of the outstanding shares of the Company's common stock on such date or (ii) such number of shares determined by the Plan Administrator. The Plan Administrator determined not to increase the number of shares available for issuance under the 2020 Plan for the 2026 year.

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The 2020 Plan provides for the grant of ISOs, nonqualified stock options, stock grants, and stock-based awards that are based in whole or in part by reference to the Company's common stock.

- The Plan Administrator may grant options designated as ISOs or nonqualified stock options. Options shall be granted with an exercise price per share not less than 100% of the fair market value of the common stock on the grant date, subject to certain limitations and exceptions as described in the plan agreements. Generally, the maximum term of an option shall be 10 years from the grant date. The Plan Administrator shall establish and set forth in each instrument that evidences an option the time at which, or the installments in which, the option shall vest and become exercisable.

- The Plan Administrator may grant stock grants and stock-based awards, including securities convertible into shares, stock appreciation rights, phantom stock awards or stock units on such terms and conditions which may be based on continuous service with the Company or a related company or the achievement of any performance goals, as the Plan Administrator shall determine in its sole discretion, which terms, conditions and restrictions shall be set forth in the instrument evidencing the award.

The tax benefits recognized in the condensed consolidated statements of operations for stock-based compensation arrangements for the three and nine months ended September 30, 2026 and 2025, were not material to the financial statements.

Restricted Stock Unit Activity

RSUs granted to certain executives, employees and members of the board of directors expire 10 years after the grant date. The awards generally have a time-based vesting requirement (based on continuous employment). Upon vesting, the RSUs convert into shares of the Company's common stock. The stock-based compensation expense related to service-based awards is recorded over the requisite service period. During the nine months ended September 30, 2026, the Company granted 120,000 RSU awards to directors that are expected to vest on the one-year anniversary of the grant date.

The following table summarizes the activity related to the Company's RSUs for the nine months ended September 30, 2026. For purposes of this table, vested RSUs represent the shares for which the service condition had been fulfilled during the nine months ended September 30, 2026:

	Number of RSUs		Weighted average grant date fair value
Balance, December 31, 2025	**179,151**	$	**4.78**
Granted	**120,000**	$	**0.92**
Vested	**(144,833)**	$	**4.53**
Forfeited	**(150)**	$	**12.40**
Balance, September 30, 2026	**154,168**	$	**2.00**

As of September 30, 2026, total unamortized stock-based compensation cost related to unvested RSUs was $167 and the weighted-average period over which the compensation is expected to be recognized is less than one year. For the three and nine months ended September 30, 2026, the Company recognized $73 and $385, respectively, of total stock-based compensation expense for RSUs. During the nine months ended September 30, 2026, 60,000 RSUs that vested were not issued due to the recipients' elections to defer the conversion into common stock, and the Company settled 79,249 previously deferred RSUs. As of September 30, 2026, there were 137,460 RSUs which had vested, but were not yet issued due to the recipients' elections.

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Performance Stock Unit Activity

During the nine months ended September 30, 2026, the Company did not grant, vest, or transact in any PSUs. PSUs were granted in 2024, which vested in the second quarter of 2025, less forfeitures due to employee terminations and performance conditions that were not satisfied. There were no PSUs outstanding as of September 30, 2026 or December 31, 2025.

Stock Options

There were no stock options granted or exercised during the nine months ended September 30, 2026. The following table summarizes the stock option activity for the nine months ended September 30, 2026:

	Number	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual term (years)
Outstanding and exercisable as of December 31, 2025	**28,074**	$ **97.54**	$ **24.50**	**3.50**
Cancelled	**(2,149)**	$ **100.82**	$ **53.14**	
Outstanding and exercisable as of September 30, 2026	**25,925**	$ **97.26**	$ **22.12**	**2.85**

As of each of September 30, 2026 and December 31, 2025, there were no unvested stock option awards, and no compensation cost related to options not yet recognized. To the extent there are unvested stock option awards, the vesting of stock options is subject to certain change in control provisions as provided in the Incentive Plan agreements and stock options may be exercised up to 10 years from the date of issuance.

14. INCOME TAXES

The Company recorded income tax expense of $121 for the three months ended September 30, 2026, and an income tax benefit of $212 for the nine months ended September 30, 2026, representing effective tax rates of (1.6)% and 0.6%, respectively. The Company's effective tax rates for the three and nine months ended September 30, 2026, differ from the federal statutory rate of 21% primarily due to U.S. and foreign jurisdictions in full valuation allowance. The income tax expense for the three months ended September 30, 2026, was primarily due to foreign taxes in Canada, and the income tax benefit for the nine months ended September 30, 2026, was primarily due to certain benefits in Canadian jurisdictions, partially offset by U.S. state taxes.

As part of the APP Sale, during the three and nine months ended September 30, 2026, the Company de-recognized $2,130 of Deferred tax liabilities, and reflected the benefit in Gain on sale of business.

The Company recorded income tax expense of $125 and $109 for the three and nine months ended September 30, 2025, respectively, representing effective tax rates of (0.8)% and (0.2)%, respectively. The Company's effective tax rates for the three and nine months ended September 30, 2025, differ from the federal statutory rate of 21% primarily due to U.S. and foreign jurisdictions in full valuation allowance. The income tax expense for the three and nine months ended September 30, 2025, was primarily due to foreign taxes in certain jurisdictions and U.S. state taxes, partially offset by certain benefits in Canadian jurisdictions.

15. COMMITMENTS AND CONTINGENCIES

Purchase commitments

From time to time in the normal course of business, the Company will enter into agreements with suppliers which provide favorable pricing in return for a commitment to purchase minimum amounts of inventory over a defined time period.

Contingencies

In the normal course of business, certain claims have been brought against the Company and, where applicable, its suppliers. While there is inherent difficulty in predicting the outcome of such matters, management has vigorously contested the validity of these claims. Based on available information, management does not expect that the outcome of any matters, individually or in the aggregate, would have a material adverse effect on the condensed consolidated financial position, results of operations, cash flows or future earnings of the Company.

In April 2020, Aurora Innovations LLC ("Aurora Innovations"), obtained a loan in the principal aggregate amount of approximately $782 pursuant to the *Paycheck Protection Program* under the CARES Act (the "Aurora PPP Loan"), which was forgiven in full, by the Small Business Administration (the "SBA"), in June 2021. In July 2021, the Company acquired Aurora Innovations pursuant to the terms of that certain Securities Purchase Agreement, dated as of June 17, 2021, by and among the Company, Gotham Properties LLC, Aurora Innovations Inc., Aurora International, Inc., and certain equity holders party thereto. In April 2020, Innovative Growers Equipment, Inc., Innovative AG Installation, Inc., and Innovative Racking Systems, Inc. (collectively, the "IGE Entities"), obtained loans in the principal aggregate amount of approximately $444 pursuant to the *Paycheck Protection Program* under the CARES Act (the "IGE PPP Loans" together with the Aurora PPP Loan, the "PPP Loans"), which were forgiven in full, by the SBA, in May 2021. In November 2021, the Company acquired the IGE Entities pursuant to the terms of that certain Stock Purchase and Contribution Agreement, dated as of October 25, 2021, by and among the Company, Christopher Mayer, and Bruce Zierk. The Company received Civil Investigative Demands dated July 15, 2025, pursuant to the False Claims Act, 31 U.S.C 3729-3733, regarding an investigation to determine whether the original entities were eligible for the aforementioned PPP Loans if their products were in fact used to support the use, growth, enhancement or development of cannabis. The False Claims Act allows for the Department of Justice to recoup any PPP loans as well as potential treble damages for any violation. As part of the investigation, Hydrofarm has responded to Civil Investigative Demands issued by the United States Attorney's Office. The Company is continuing to cooperate with the inquiries and at this time, there has been no formal demand for return of the PPP Loan proceeds, and no formal claim or lawsuit has been initiated against the Company. However, in September 2026, the U.S. Attorney's Office for the Western District of Washington communicated its intent to pursue civil False Claims Act claims against Hydrofarm. At this time, the Company believes a loss is probable but is unable to estimate the amount and has accrued $1,226, representing the original PPP Loans taken by Aurora Innovations and IGE Entities, even though the amount accrued may not represent the ultimate amount that the Company may pay to resolve the matter.

16. FAIR VALUE MEASUREMENTS

Recurring and Nonrecurring

As described in Note 4 – *Restructuring and Dispositions*, during the three months ended June 30, 2026, the Company sold approximately 38 acres of the 120 acres of excess owned land at the Goshen, New York location. The sale price less costs to sell, in the amount of $1,415, was less than the net carrying value of the property, plant and equipment, and the Company recorded a $77 loss in SG&A during the nine months ended September 30, 2026.

As described in Note 5 – *Intangible Assets, Net*, during the fourth quarter of fiscal 2025, as a result of industry conditions, primarily attributable to an agricultural oversupply impacting our market and resulting in a decrease in indoor and outdoor cultivation, as well as continued declines in operating cash flows and profitability, the Company assessed long-lived assets for impairment and recorded an impairment charge of $232,179. Of the impairment charge, $228,395 was related to finite-lived intangible assets and $3,784 was related to property, plant, and equipment. The Company estimated fair value based on the income approach and market approach. Under the income approach, the Company estimated the fair value of the asset group on the present value of estimated future cash flows, which the Company considered to be a level 3 unobservable input in the fair value hierarchy.

The Company did not have any other assets or liabilities that were remeasured to fair value on a recurring or nonrecurring basis during the periods presented.

Other Fair Value Measurements

The following table summarizes the fair value of the Company's assets and liabilities as of September 30, 2026 and December 31, 2025, which are provided for disclosure purposes:

		September 30, 2026		December 31, 2025	
	Fair Value Hierarchy Level	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets					
Cash, cash equivalents and restricted cash	**Level 1**	**$ 3,881**	**$ 3,881**	**$ 6,309**	**$ 6,309**
Liabilities					
Finance leases	**Level 3**	**$ 7,492**	**$ 5,441**	**$ 7,836**	**$ 8,237**
Term Loan	**Level 2**	**$ 108,867**	**nm**	**$ 114,394**	**$ 93,803**

Cash and cash equivalents included funds deposited in banks, and the fair values approximated carrying values due to their short-term maturities. The fair values of other current assets and liabilities including accounts receivable, accounts payable, accrued expenses and other current liabilities approximated their carrying value due to their short-term maturities.

The estimated fair value of finance leases, which were considered Level 3 fair value measurements, were calculated as the present value of the required future cash outflows discounted at an estimated borrowing rate.

The carrying amount of the Term Loan reported above excludes unamortized debt discount and deferred financing costs of zero and $2,576 as of September 30, 2026 and December 31, 2025, respectively. The fair value of the Term Loan as of December 31, 2025 was estimated based on Level 2 fair value measurements and was based on bank quotes. As of September 30, 2026, due to the Specified Event of Default, the Term Loan does not have readily available quoted market prices that the Company believes are indicative of fair value. Accordingly, the Company has not estimated the fair value of its Term Loan as of September 30, 2026, as such estimates would not be meaningful or practicable.

Refer to Note 8 – *Leases* and Note 11 – *Debt*, for further details of the Company's finance leases and Term Loan, respectively.

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The Company did not have any transfers between Levels within the fair value hierarchy during the periods presented.

17. SUBSEQUENT EVENTS

On October 27, 2026, the Company entered into a securities purchase agreement (the "Purchase Agreement") with certain institutional investors, pursuant to which the Company agreed to sell to such investors in the Registered Direct Offering 1,599,400 shares (the "Registered Shares") of common stock, par value $0.0001, of the Company at a price per share of $0.905. The Registered Shares were offered by the Company pursuant to its shelf registration statement on Form S-3 (File No. 333-291444), which was declared effective by the SEC on December 10, 2025, the base prospectus thereunder and a prospectus supplement filed on October 27, 2026.

In addition, in the Private Placement subject to the terms of the Purchase Agreement, the Company issued to such investors (i) 6,971,575 shares (the "Unregistered Shares" together with the Registered Shares, the "Shares") of common stock at $0.905 per share and (ii) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 640,000 shares of common stock (the "Pre-Funded Warrant Shares"), at a purchase price of $0.9049 per share of common stock and an exercise price of $0.0001 per Pre-Funded Warrant. For no additional consideration, each investor received common stock purchase warrants (the "Common Warrants" and together with the Pre-Funded Warrants, the "Warrants") to purchase up to a number of shares of Common Stock equal to 100% of such investor's Registered Shares, Unregistered Shares and/or Pre-Funded Warrants, being an aggregate of 9,210,975 shares of common stock, at an exercise price of $0.78 per share (the "Common Warrant Shares" and together with the Pre-Funded Warrant Shares, the "Warrant Shares").

The Unregistered Shares, Warrants and Warrant Shares (collectively, the "Private Placement Securities") were offered pursuant to the exemption provided in Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act") and/or Rule 506(b) of Regulation D promulgated thereunder.

The Pre-Funded Warrants are immediately exercisable and may be exercised at a nominal consideration of $0.0001 per share of common stock at any time until all of the Pre-Funded Warrants are exercised in full. The Common Warrants are immediately exercisable and expire 5.5 years following the issue date. Holders of the Warrants will not have the right to exercise any portion of the Warrants if the holder (together with certain of its affiliates) would beneficially own in excess of 4.99% (or, upon election of the holder, 9.99%) of the number of shares of common stock outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the Warrants. However, any holder may increase or decrease such percentage, provided that any increase will not be effective until the 61st day after such election.

The Purchase Agreement contains customary representations, warranties and agreements by the Company, customary indemnification obligations of the Company, including for liabilities arising under the Securities Act, and other obligations of the parties. The representations, warranties and covenants contained in the Purchase Agreement were made only for the purposes of such agreement and as of the specific dates, were solely for the benefit of the parties to such agreement and may be subject to limitations agreed upon by the contracting parties.

In connection with the Offering, on October 27, 2026, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with certain institutional investors, pursuant to which the Company agreed to file a registration statement on Form S-3 (the "Offering Resale Registration Statement") with the SEC relating to the offer and resale by the investors of the Private Placement Securities by the 15th calendar day following the date of the Registration Rights Agreement and to use reasonable best efforts to cause such Offering Resale Registration Statement to become effective by the 45th calendar day following the filing of the Offering Resale Registration Statement (or, in the event of a "full review" by the SEC, the 75th calendar day following the filing of the Offering Resale Registration Statement).

In connection with the Offering, on October 27, 2026, the Company entered into a placement agency agreement (the "Placement Agency Agreement") with ThinkEquity LLC, pursuant to which ThinkEquity LLC acted as the Company's exclusive placement agent in the Offering (the "Placement Agent"), except with respect to the participation of the Company's officers, directors or their respective affiliates. The Company agreed to pay the Placement Agent a cash fee equal to 8% of the aggregate purchase price paid by the investors. The Company has also agreed to reimburse the Placement Agent for all reasonable and out-of-pocket expenses incurred in connection with the Placement Agent's engagement, including reasonable fees and expenses of the Placement Agent's legal counsel and due diligence analysis up to $125. In addition, the Company agreed to issue to the Placement Agent or its designees such number of Common Warrants equal to 8% of the Shares and Pre-Funded Warrants sold in the Offering (the "Placement Agent Warrants"). The Placement Agent Warrants have substantially the same terms as the Common Warrants except that the Placement Agent Warrants will be exercisable from the date of issuance and expire on October 27, 2031.

The closing of the Offering took place on October 27, 2026 (the "Closing Date"). On the Closing Date, the Company received gross proceeds of approximately $8,300 from the Offering, before deducting Offering expenses payable by the Company, including the Placement Agent's fees. The Company intends to use the proceeds from the Offering for general corporate purposes.

Concurrently with the closing of the Registered Direct Offering and the Private Placement on October 27, 2026, the Company satisfied its obligations under the senior secured Term Loan pursuant to the terms of a payoff letter with the lenders. Such payoff letter required that the Company deliver to the lenders, in the aggregate, (i) 27.5 million shares of Series 1 Non-Voting Convertible Preferred Stock and (ii) common stock purchase warrants to purchase 27.5 million shares of common stock at an exercise price equal to $0.78, (the "Lender Warrants"). Each share of Series 1 Non-Voting Convertible Preferred Stock has a par value of $0.0001 per share and a stated value equal to $1.00 (the "Stated Value"). The Series 1 Non-Voting Convertible Preferred Stock ranks (i) senior to the common stock and any other class or series of the Company's capital stock thereafter created, the terms of which specifically provide that such class or series shall rank junior to the Series 1 Non-Voting Convertible Preferred Stock, and (ii) pari passu with any class or series of our capital stock created specifically ranking, by its terms, on par with the Series 1 Non-Voting Convertible Preferred Stock. The Series 1 Non-Voting Convertible Preferred Stock shall be convertible into 27.5 million shares of common stock, determined by dividing the Stated Value per share of Series 1 Non-Voting Convertible Preferred Stock by the per share conversion price (as adjusted from time to time) and the Lender Warrants shall be exercisable, commencing upon receipt of any required stockholder approvals, and shall in all cases be subject to a 4.99% beneficial ownership limitation.

As of October 27, 2026, and September 30, 2026, the outstanding principal balance on the Term Loan was $108,867.

The Company also entered into a side letter agreement with FEAC and the former Term Loan lenders, which provides for, among other things, the right of certain former Term Loan lenders to designate one director to the Company's board of directors and following, and subject to, approval by the Company's stockholders under the Nasdaq listing rules or confirmation by Nasdaq, that such appointments do not violate its rules, the former Term Loan lenders shall have the right to designate up to three additional directors to the Company's board of directors.

The Company also entered into a registration rights agreement (the "Lender Registration Rights Agreement") with the former Term Loan lenders pursuant to which, upon the later of (i) the date on which the approval by the stockholders of the Company in accordance with Nasdaq Listing Rule 5635 is obtained of the issuance of all shares of common stock issuable upon the exercise or conversion of the Lender Warrants and Series 1 Non-Voting Convertible Preferred Stock, respectively, and (ii) the date that is 120 days after the effectiveness of the Offering Resale Registration Statement; provided, that in no event shall the Lock-Up Expiration Date be later than (iii) the date that is 120 days after the shares of common stock, Pre-Funded Warrants and Common Warrants issued to the investors in the Private Placement of the Offering first become eligible for resale under Rule 144 under the Securities Act (such later date "the Lock-Up Expiration Date"), the Company agreed to file a registration statement on Form S-3 (the "Lender Resale Registration Statement") with the SEC relating to the offer and resale by the former Term Loan lenders of the shares of common stock issuable upon the exercise or conversion of the Lender Warrants and Series 1 Non-Voting Convertible Preferred Stock, respectively, and to use reasonable best efforts to cause such Lender Resale Registration Statement to become effective by the 45th calendar day following the filing of the Lender Resale Registration Statement (or, in the event of a "full review" by the SEC, the 75th calendar day following the filing of the Lender Resale Registration Statement).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of our results of operations and financial condition. You should read this analysis in conjunction with our audited and unaudited condensed consolidated financial statements and the notes contained elsewhere in this Quarterly Report on Form 10-Q and our 2025 Annual Report. This discussion and analysis contains statements of a forward-looking nature relating to future events or our future financial performance. Actual events or results may differ materially from forward-looking statements. In evaluating such statements, you should carefully consider the various factors identified in this Quarterly Report on Form 10-Q, which could cause actual results to differ materially from those expressed in, or implied by, any forward-looking statements, including those set forth in Item 1A. "Risk Factors" in our 2025 Annual Report. See "Special Note Regarding Forward-Looking Statements."

Company Overview

We are a leading independent manufacturer and distributor of branded hydroponics equipment and supplies for controlled environment agriculture, including grow lights, climate control solutions, grow media and nutrients, as well as a broad portfolio of innovative, proprietary branded products. We primarily serve the U.S. and Canadian markets, and believe we are one of the leading companies in these markets in an otherwise fragmented industry. For nearly 50 years, we have helped growers make growing easier and more productive. Our mission is to empower growers, farmers and cultivators with products that enable greater quality, efficiency, consistency, and speed in their grow projects.

Hydroponics is the farming of plants using soilless grow media and often artificial lighting in a controlled indoor or greenhouse environment. Hydroponics is the primary category of CEA and we use the terms CEA and hydroponics interchangeably. Our products are used to grow, farm, and cultivate cannabis, flowers, fruits, plants, vegetables, grains, and herbs in controlled environment settings that allow end users to control key farming variables including temperature, humidity, CO_2, light intensity spectrum, nutrient concentration and pH. Through CEA, growers are able to be more efficient with physical space, water and resources, while enjoying year-round and more rapid grow cycles as well as more predictable and abundant grow yields, when compared to other traditional growing methods.

We reach commercial farmers and consumers through a broad and diversified network, who we connect with primarily through our proprietary online ordering platform. Our products are distributed across the United States and Canada through a diversified range of retailers of commercial and home gardening equipment and supplies. Our customers include specialty hydroponic retailers, commercial resellers and greenhouse builders, garden centers, hardware stores, and e-commerce retailers. Specialty hydroponic retailers can provide growers with specialized merchandise assortments and knowledgeable staff. Our logistics services business manages the receipt, warehousing, and distribution of multiple customer accounts, leveraging our warehouse space in multiple distribution centers in the U.S. and Canada. These logistics agreements and operating subleases are accounted for as an offset and reduction to facility expense within SG&A.

Recent Developments

On October 27, 2026, we entered into a securities purchase agreement with certain institutional investors for the purchase of 1,599,400 Registered Shares of common stock in the Registered Direct Offering at a purchase price of $0.905. In the Private Placement, investors also agreed to purchase 6,971,575 Unregistered Shares of common stock, Pre-Funded Warrants to purchase up to 640,000 shares of common stock at a purchase price of $0.9049 per share of common stock and an exercise price of $0.0001 per Pre-Funded Warrant and Common Warrants to purchase up to a number of shares of common stock equal to 100% of such investor's Registered Shares, Unregistered Shares and/or Pre-Funded Warrants, being an aggregate of 9,210,975 shares of common stock, at an exercise price of $0.78 per share. The Pre-Funded Warrants are immediately exercisable and may be exercised at a nominal consideration of $0.0001 per share of common stock at any time until all of the Pre-Funded Warrants are exercised in full. The Common Warrants are immediately exercisable and expire 5.5 years following the issue date. Holders of the Warrants will not have the right to exercise any portion of the Warrants if the holder (together with certain of its affiliates) would beneficially own in excess of 4.99% (or, upon election of the holder, 9.99%) of the number of shares of common stock outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the Warrants. Total gross proceeds from the Offering, before deducting the Placement Agent fee and offering expenses were approximately $8.3 million. We intend to use the proceeds from the Offering for general corporate purposes.

Concurrently with the closing of the Offering, on October 27, 2026, we satisfied our obligations under the Term Loan pursuant to the terms of a payoff letter with the former Term Loan lenders. Such payoff letter required that we deliver to the former Term Loan lenders, in the aggregate, (i) 27.5 million shares of Series 1 Non-Voting Convertible Preferred Stock and (ii) Lender Warrants to purchase 27.5 million shares of common stock at an exercise price equal to $0.78. Each share of Series 1 Non-Voting Convertible Preferred Stock has a par value of $0.0001 per share and a stated value equal to $1.00. The Series 1 Non-Voting Convertible Preferred Stock ranks (i) senior to the common stock and any other class or series of our capital stock thereafter created, the terms of which specifically provide that such class or series shall rank junior to the Series 1 Non-Voting Convertible Preferred Stock, and (ii) pari passu with any class or series of our capital stock created specifically ranking, by its terms, on par with the Series 1 Non-Voting Convertible Preferred Stock. The Series 1 Non-Voting Convertible Preferred Stock shall be convertible into 27.5 million shares of common stock, determined by dividing the Stated Value per share of Series 1 Non-Voting Convertible Preferred Stock by the per share conversion price (as adjusted from time to time) and the Lender Warrants shall be exercisable, commencing upon receipt of any required stockholder approvals, and shall in all cases be subject to a 4.99% beneficial ownership limitation. We also entered into a side letter agreement, which provides for, among other things, the right of certain lenders to designate one director to our board of directors and following, and subject to, approval by our stockholders under the Nasdaq Stock Market, or Nasdaq, listing rules or confirmation by Nasdaq, that such appointments do not violate its rules, the lenders shall have the right to designate up to three additional directors to our board of directors.

As a result of the consummation of the Offering and the Term Loan Settlement, we regained compliance with the Equity Rule as confirmed by Nasdaq on November 9, 2026.

For additional information, see *Item 1. Financial Statements*, Note 2 – *Liquidity and Going Concern* and Note 17 – *Subsequent Events* to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q and " - *Liquidity and Capital Resources - Availability and Use of Cash*."

Market Conditions and Restructuring Plans

We have experienced adverse financial results which we believe are primarily a result of an agricultural oversupply impacting our market and resulting in a decrease in indoor and outdoor cultivation. The extent to which these market conditions will continue to negatively impact our business and results of operations is uncertain and difficult to predict at this time. We believe COVID-19 may have provided a positive demand impact for the Company in 2020 and 2021 from shelter-in-place orders in the United States, a possible negative supply chain impact from workforce disruption at international and domestic suppliers, and a possible negative growth rate impact in the periods since, due to agricultural oversupply initiated during the height of COVID-related shelter-in-place orders in 2020 and 2021. In addition, we believe demand for our products has been negatively impacted by the extended period to enact reform of U.S. federal regulations, including cannabis rescheduling, which have been slow to develop and possibly leading cannabis operators to reduce investments in our products, particularly durable goods. In addition, we believe our financial results have been negatively impacted by hydroponic retail store closings and, in some cases, associated accounts receivable allowances.

During the fourth quarter of fiscal 2025, as a result of industry conditions, primarily attributable to an agricultural oversupply impacting our market and resulting in a decrease in indoor and outdoor cultivation, as well as continued declines in operating cash flows and profitability, we assessed our long-lived assets for impairment and recorded an impairment charge of $232.2 million. Of such impairment charge, $228.4 million was related to finite-lived intangible assets and $3.8 million was related to property, plant, and equipment. The loss was recorded in Impairments in the consolidated statement of operations for the year ended December 31, 2025. We estimated fair value based on the income approach and market approach. Under the income approach, we estimated the fair value of the asset group on the present value of estimated future cash flows, which we considered to be a level 3 unobservable input in the fair value hierarchy.

During the second quarter of 2025, we initiated the 2025 Restructuring Plan to reduce our product portfolio and operational footprint to decrease costs and improve efficiency. The 2025 Restructuring Plan actions entailed (i) eliminating a significant portion of our product portfolio, primarily underperforming distributed brands, to improve supply chain and operational focus, (ii) further reductions in our distribution center network and manufacturing footprint, and (iii) corresponding headcount reductions. Since the 2025 Restructuring Plan's inception, we have incurred estimated restructuring costs of $12.0 million. The charges were primarily associated with non-cash inventory write-downs, which were recorded in cost of goods sold on the condensed consolidated statements of operations, and cash and non-cash charges which primarily comprised of charges incurred to relocate and terminate certain facilities. We do not anticipate the 2025 Restructuring Plan and related actions will result in additional material restructuring charges, and anticipate annual cost savings of over $5 million plus additional working capital benefits. The 2025 Restructuring Plan is expected to be completed during 2026.

On April 30, 2026, we completed the closing of the previously announced agreement with Quality Horticulture, a family-owned Canadian garden center and horticultural distribution company, pursuant to which Quality Horticulture will serve as the exclusive Canadian distributor of our proprietary portfolio of nutrients, plant additives, grow media, horticultural lighting and environmental control products, including House & Garden, Grotek, Gaia Green, PHOTOBIO, SunBlaster and Active Aqua. As a result of the transaction, Hydrofarm no longer distributes third- party branded products in Canada. The transaction is part of our strategic plan to streamline our operations and improve the focus on our proprietary brands and core product categories.

On July 31, 2026, we completed the APP Sale for total consideration of $16 million, including a $5 million secured promissory note, which was assigned to the former Term Loan lenders, subject to adjustments set forth in the Share Purchase Agreement. The net proceeds were applied to reduce outstanding debt, including outstanding interest, under the Term Loan. The transaction is part of our strategic plan to streamline our operations and improve the focus on our proprietary brands and core product categories.

We continue to evaluate our product portfolio and supply chain, in order to improve efficiency, lower our costs and reduce footprint. We are also evaluating other opportunities to sell excess owned land, not currently being used in operations, to supplement our cash position and potential contract manufacturing or other outsourcing arrangements. Depending on the length and severity of the industry and market conditions, including the fluid and complex international tariff and trade policies, impacting our business, our ability to successfully negotiate with key vendors, and the pursuit of additional financing or strategic alternatives, it is possible we may execute additional restructuring plan actions and incur future associated charges, and we may not be able to realize the full extent of our anticipated cost savings.

Additionally, the amount we will ultimately realize as benefits associated with our restructuring plans could differ materially from our estimates, and we may incur additional non-cash charges in future periods depending on our ability to execute asset sales or pursue other alternatives. For additional information, see the *Item 1A. "Risk Factors"* in our 2025 Annual Report, including the risk entitled "*Our restructuring activities may increase our expenses and cash expenditures, and may not have the intended effects*."

We maintain an allowance for excess and obsolete inventory that is based upon assumptions about future demand and market conditions. While we believe our estimates of charges relating to our 2025 Restructuring Plan, long-lived assets, inventory obsolescence, and accounts receivable allowances are reasonable, it is possible that we may incur additional charges in the future and actual results may differ significantly from these estimates and assumptions.

We are closely monitoring the recent tariff and trade policy actions taken by the United States and foreign governments. The situation remains fluid due to the rapidly changing global trade environment, and we continue to evaluate the potential implications of these actions on our business including net sales and profitability. High tariffs on imported products from China or other countries, or new tariffs from other countries, have impacted and could impact the cost of certain products and may negatively impact our financial performance. We have been able to help mitigate the impacts of tariffs through filing for refunds to the extent available to us, negotiations with vendors, and through passing nominal price increases to our customers, but we may be unable to quickly and effectively react to additional tariff and trade policy actions which may impact our business.

Results of Operations—Comparison of three and nine months ended September 30, 2026 and 2025

The following table sets forth our unaudited interim condensed consolidated statements of operations for the three and nine months ended September 30, 2026, and 2025, including amounts and percentages of net sales for each period and the period-to-period change in dollars and percent (amounts in thousands):

	Three months ended September 30,					
	2026		2025		Period change	
Net sales	$ **14,455**	100.0%	$ **29,350**	100.0%	$ (14,895)	-50.7%
Cost of goods sold	**11,897**	82.3%	**25,941**	88.4%	(14,044)	-54.1%
Gross profit	**2,558**	17.7%	**3,409**	11.6%	(851)	-25.0%
Operating expenses:						
Selling, general and administrative	**7,955**	55.0%	**16,365**	55.8%	(8,410)	-51.4%
Gain on sale of business	**(1,491)**	-10.3%	**—**	0.0%	(1,491)	N/A
Loss from operations	**(3,906)**	-27.0%	**(12,956)**	-44.1%	9,050	69.9%
Interest expense	**(3,385)**	-23.4%	**(3,331)**	-11.3%	(54)	-1.6%
Other (expense) income, net	**(367)**	-2.5%	**22**	0.1%	(389)	-1,768.2%
Loss before tax	**(7,658)**	-53.0%	**(16,265)**	-55.4%	8,607	52.9%
Income tax expense	**(121)**	-0.8%	**(125)**	-0.4%	4	3.2%
Net loss	$ **(7,779)**	-53.8%	$ **(16,390)**	-55.8%	$ 8,611	52.5%

	Nine months ended September 30,					
	2026		2025		Period change	
Net sales	$ **66,190**	100.0%	$ **109,129**	100.0%	$ (42,939)	-39.3%
Cost of goods sold	**59,161**	89.4%	**96,049**	88.0%	(36,888)	-38.4%
Gross profit	**7,029**	10.6%	**13,080**	12.0%	(6,051)	-46.3%
Operating expenses:						
Selling, general and administrative	**28,585**	43.2%	**50,368**	46.2%	(21,783)	-43.2%
Gain on sale of business	**(1,491)**	-2.3%	**—**	0.0%	(1,491)	N/A
Loss from operations	**(20,065)**	-30.3%	**(37,288)**	-34.2%	17,223	46.2%
Interest expense	**(12,704)**	-19.2%	**(10,099)**	-9.3%	(2,605)	-25.8%
Other expense, net	**(464)**	-0.7%	**(140)**	-0.1%	(324)	-231.4%
Loss before tax	**(33,233)**	-50.2%	**(47,527)**	-43.6%	14,294	30.1%
Income tax benefit (expense)	**212**	0.3%	**(109)**	-0.1%	321	294.5%
Net loss	$ **(33,021)**	-49.9%	$ **(47,636)**	-43.7%	$ 14,615	30.7%

Net sales

Net sales for the three months ended September 30, 2026, were $14.5 million, a decrease of $14.9 million, or 50.7% compared to the same period in 2025. Net sales for the nine months ended September 30, 2026, were $66.2 million, a decrease of $42.9 million, or 39.3% compared to the same period in 2025.

The 50.7% decrease in net sales for the three months ended September 30, 2026, as compared to the same period in 2025, was primarily due to a 50.9% reduction in volume and mix of products sold, as price and foreign currency had a minimal net impact. This decline was largely driven by the discontinuation of certain distributed brands, exiting from the distribution business in Canada and the APP Sale. The decrease in net sales for the three months ended September 30, 2026, as compared to the same period in 2025, was $3.7 million from exiting the distribution business in Canada and $1.3 million from the APP Sale. The 39.3% decrease in net sales for the nine months ended September 30, 2026, as compared to the same period in 2025, was primarily due to a 37.0% reduction in volume and mix of products sold and a 2.7% decrease in price. This decline was largely driven by the discontinuation of certain distributed brands, the aforementioned business divestitures in Canada, and the previously mentioned industry oversupply. The decrease in net sales for the nine months ended September 30, 2026, as compared to the same period in 2025, was $5.4 million from exiting the distribution business in Canada and $1.3 million from the APP Sale.

Gross profit

Gross profit for the three months ended September 30, 2026, was $2.6 million, a decrease of $0.9 million, or 25.0%, compared to the same period in 2025. Our gross profit margin percentage increased to 17.7% for the three months ended September 30, 2026, from 11.6% in the same period in 2025. The increase in gross profit margin for the three months ended September 30, 2026 was largely driven by selling a higher proportion of proprietary brand products and a $0.7 million decrease in restructuring charges from the prior year period, partially offset by lower manufacturing production volumes in certain grow media products and higher labor and freight costs as a percentage of net sales.

Gross profit for the nine months ended September 30, 2026, was $7.0 million, a decrease of $6.1 million, or 46.3%, compared to the same period in 2025. Our gross profit margin percentage decreased to 10.6% for the nine months ended September 30, 2026, from 12.0% in the same period in 2025. Our gross profit margin percentage for the nine months ended September 30, 2026 decreased primarily due to higher freight and labor costs as a percentage of net sales and lower manufacturing production volumes in certain grow media products, which more than offset a $1.6 million decrease in restructuring charges from the prior year period and the benefit from selling a higher proportion of proprietary brand products.

The decreases in gross profit for all periods presented were primarily due to the aforementioned lower net sales.

Selling, general and administrative expenses

SG&A expenses for the three months ended September 30, 2026, were $8.0 million, a decrease of $8.4 million, or 51.4% compared to the same period in 2025. SG&A expenses decreased in several areas, including as a result of our cost-saving and restructuring initiatives: (i) a $6.0 million decrease in amortization and depreciation primarily due to intangible asset impairments in 2025, (ii) a $1.7 million decrease in employee compensation costs, including lower salaries and benefits, stock-based compensation, and performance bonus, and (iii) a $1.3 million decrease in facility expenses, partially offset by increases in other expenses including professional fees from the Company's debt transactions and strategic alternatives process.

SG&A expenses for the nine months ended September 30, 2026, were $28.6 million, a decrease of $21.8 million, or 43.2% compared to the same period in 2025. SG&A expenses decreased in several areas, including as a result of our cost-saving and restructuring initiatives: (i) a $17.9 million decrease in amortization and depreciation primarily due to intangible asset impairments in 2025, (ii) a $4.0 million decrease in employee compensation costs, including lower salaries and benefits, stock-based compensation, and performance bonus, and (iii) a $3.0 million decrease in facility expenses, partially offset by increases in other expenses including professional fees from the Company's debt transactions and strategic alternatives process.

Gain on sale of business

On July 31, 2026, we completed the APP Sale. We recognized a gain on sale of business of $1.5 million for the three and nine months ended September 30, 2026. Upon the closing of the sale transaction, the then outstanding amounts in Accumulated other comprehensive loss were reclassified to net income through gain on sale of business for a total of $2.2 million.

Interest expense

Interest expense for the three months ended September 30, 2026, was $3.4 million, an increase from $3.3 million of interest expense recorded in the same period in the prior year. Interest expense for the nine months ended September 30, 2026, was $12.7 million, an increase from $10.1 million of interest expense recorded in the same period in the prior year. The increase for the nine months ended September 30, 2026, was primarily due to the acceleration of our Term Loan discount and deferred financing costs triggered by the Specified Event of Default.

Other income (expense), net

Other expense, net for the three months ended September 30, 2026, was $0.4 million, compared to other income, net of less than $0.1 million during the same period in the prior year. Other expense, net for the nine months ended September 30, 2026, was $0.5 million, compared to other expense, net of $0.1 million during the same period in the prior year.

Income taxes

We recorded income tax expense of $0.1 million for the three months ended September 30, 2026, and an income tax benefit of $0.2 million for the nine months ended September 30, 2026, representing effective tax rates of (1.6)% and 0.6%, respectively. Our effective tax rates for the three and nine months ended September 30, 2026, differ from the federal statutory rate of 21% primarily due to U.S. and foreign jurisdictions in full valuation allowance. The income tax expense for the three months ended September 30, 2026, was primarily due to foreign taxes in Canada, and the income tax benefit for the nine months ended September 30, 2026, was primarily due to certain benefits in Canadian jurisdictions, partially offset by U.S. state taxes.

We recorded income tax expense of $0.1 million for the three and nine months ended September 30, 2025, representing effective tax rates of (0.8)% and (0.2)%, respectively. Our effective tax rates for the three and nine months ended September 30, 2025, differ from the federal statutory rate of 21% primarily due to U.S. and foreign jurisdictions in full valuation allowance. The income tax expense for the three and nine months ended September 30, 2025, was primarily due to foreign taxes in certain jurisdictions and U.S. state taxes, partially offset by certain benefits in Canadian jurisdictions.

Liquidity and Capital Resources

Cash Flow from Operating, Investing, and Financing Activities

Comparison of the nine months ended September 30, 2026, and September 30, 2025

The following table summarizes our cash flows for the nine months ended September 30, 2026, and 2025 (amounts in thousands):

	Nine months ended September 30,	
	2026	**2025**
Net cash used in operating activities	$ (8,193)	$ (10,084)
Net cash from (used in) investing activities	11,687	(608)
Net cash used in financing activities	(5,902)	(5,242)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(20)	475
Net decrease in cash, cash equivalents and restricted cash	(2,428)	(15,459)
Cash, cash equivalents and restricted cash at beginning of period	6,309	26,111
Cash, cash equivalents and restricted cash at end of period	$ 3,881	$ 10,652

Operating Activities

Net cash used in operating activities was $8.2 million for the nine months ended September 30, 2026. The net cash usage was primarily due to a $33.0 million net loss, partially offset by net non-cash items of $16.0 million and an $8.8 million net cash inflow from a decrease in working capital. The $8.8 million net decrease in working capital was primarily comprised of a $10.2 million decrease of inventories, a $3.0 million increase in accrued expenses and other current liabilities, a $1.4 million decrease in prepaid expenses and other current assets, and a $1.1 million increase of accounts payable, partially offset by a $5.4 million decrease of lease liabilities and a $2.0 million decrease in deferred revenue. The increase in accrued expenses and other current liabilities was primarily attributable to legal and advisory services associated with the APP Sale and the debt transactions. The Company is continuing to consolidate its operations in connection with restructuring and related cost saving initiatives which has contributed to the aforementioned decrease in inventory. During the nine months ended September 30, 2026, we paid $4.7 million in cash interest and settled $5.0 million of interest payable through an assignment, to the former Term Loan lenders, of the promissory note representing a deferred portion of the APP Sale purchase price.

Net cash used in operating activities was $10.1 million for the nine months ended September 30, 2025. The net cash usage was primarily due to a $47.6 million net loss, partially offset by net non-cash items of $35.6 million and a $2.0 million net cash inflow from a decrease in working capital. The $2.0 million net decrease in working capital was primarily comprised of a $5.7 million decrease of lease liabilities, a $3.1 million decrease in accrued expenses and other current liabilities, partially offset by a $7.7 million decrease in inventory. During the nine months ended September 30, 2025, we paid $9.5 million in cash interest.

Investing Activities

Net cash from investing activities was $11.7 million for the nine months ended September 30, 2026, compared to net cash used in investing activities of $0.6 million for the nine months ended September 30, 2025. The net cash from investing activities for the nine months ended September 30, 2026 was primarily due to proceeds from the APP Sale of $10.3 million and $1.5 million from the sale of property, plant and equipment. We did not have any significant capital expenditures of property, plant and equipment during the nine months ended September 30, 2026. The net cash used in investing activities for the nine months ended September 30, 2025 was primarily due to capital expenditures of property, plant and equipment.

Financing Activities

Net cash used in financing activities was $5.9 million for the nine months ended September 30, 2026, primarily driven by (i) $5.5 million of Term Loan repayments made in conjunction with the APP Sale, and (ii) finance lease principal payments of $0.3 million.

Net cash used in financing activities was $5.2 million for the nine months ended September 30, 2025, primarily driven by (i) $4.9 million of Term Loan repayments relating to required quarterly payments of principal and payments made in conjunction with the reinvestment provision as applied to the sale of assets relating to the production of Innovative Growers Equipment ("IGE") durable equipment products in May 2024, and (ii) finance lease principal payments of $0.3 million.

Availability and Use of Cash

As of September 30, 2026, we had $3.9 million in cash, cash equivalents and restricted cash and a working capital deficit of $105.4 million, which included $108.9 million of Term Loan principal classified as current due to the event of default. On October 27, 2026, the Term Loan was satisfied in full in connection with the Term Loan Settlement, and we received gross proceeds of approximately $8.3 million from the Offering.

We have incurred recurring operating losses and negative cash flows from operations and have other current liabilities, some of which are in active negotiation with vendors. As of September 30, 2026, we had $3.9 million in cash, cash equivalents and restricted cash and a working capital deficit of $105.4 million. These conditions and events, considered in the aggregate, raise substantial doubt about our ability to continue as a going concern. Our plans to address these conditions include reducing costs through restructuring and other initiatives, including facility consolidations, headcount reductions, focusing on our proprietary brand offerings, and expanding and optimizing our logistics business. In addition, we may seek additional funds through various financing sources, including the sale of equity securities or other debt financing.

Although we have made progress towards our plans, the ultimate outcome of our plans to address our condition are not within our control, and therefore cannot be deemed probable. As a result, we have concluded that management’s plans do not alleviate substantial doubt about our ability to continue as a going concern.

During the second quarter of 2026, we sold approximately 38 acres of the 120 acres of excess owned land at the Goshen, New York location for $1.4 million.

On July 31, 2026, we completed the APP Sale for $16 million, subject to adjustments set forth in the Share Purchase Agreement. In connection with the APP Sale, the Buyer issued to us a promissory note in the principal amount of $5 million, representing a deferred portion of the purchase price. The net proceeds from the APP Sale, inclusive of the promissory note, were applied to reduce outstanding debt, including outstanding interest, under the Term Loan. Cash obligations in connection with the close of the APP Sale were $2.7 million. We recognized a gain on sale of business of approximately $1.5 million from the APP Sale.

Term Loan

On October 25, 2021, we and certain of our direct and indirect subsidiaries entered into the Term Loan with JPMorgan Chase Bank, N.A., as administrative agent for the lenders, pursuant to which we borrowed a $125 million senior secured term loan. The Term Loan was amended by Amendment No. 1 effective as of June 27, 2023, to replace the LIBOR referenced rates with SOFR referenced rates. Pursuant to Amendment No. 1, any Term Loan that constitutes a Eurodollar Rate Loan that is outstanding as of the Amendment No. 1 closing date shall continue until the end of the applicable interest period for such Eurodollar Rate Loan and the provisions of the Term Loan applicable thereto shall continue and remain in effect (notwithstanding the occurrence of the Amendment No. 1 closing date) until the end of the applicable interest period for such Eurodollar Rate Loan, after which such provisions shall have had no further force or effect. Such Eurodollar Rate Loan shall subsequently either be an ABR Loan or a Term Benchmark Loan. The ABR Loans shall bear interest at the Alternate Base Rate (with a 2.0% floor) plus 4.50%, and Term Benchmark Loans shall bear interest at the Adjusted Term SOFR Rate (with a 1.0% floor) plus 5.50%. As of the date of filing the 2025 Annual Report, the ABR Loan and Term Benchmark Loan credit spreads of 4.50% and 5.50%, respectively, within the Amendment No. 1 had not changed from the credit spreads in the original Term Loan. On April 8, 2026, we, the Lenders and the Agents entered into Amendment No. 2 to the Credit and Guaranty Agreement. Amendment No. 2 amends the Term Loan to, among other things, (i) replace JPMorgan with FEAC as the administrative agents; and (ii) require each credit party to covenant and agree to (A) regularly provide certain liquidity reports and cash flow forecasts, (B) regularly provide certain aging reports and inventory reports, and (C) maintain a minimum liquidity of $1 million.

The Term Loan matures on October 25, 2028, and is secured by a first lien on our non-working capital assets and a second lien on our working capital assets.

The principal amounts of the Term Loan are scheduled to be repaid in consecutive quarterly installments in amounts equal to 0.25% of the original principal amount of the Term Loan on the last day of each fiscal quarter commencing March 31, 2022, with the balance of the Term Loan payable on the Maturity Date. We are also required to make mandatory prepayments in the event of (i) achieving certain excess cash flow criteria, including the achievement and maintenance of a specific leverage ratio, (ii) certain asset sales that are collateral, or (iii) upon the issuance, offering, or placement of new debt obligations. In accordance with this provision, we made prepayments of $4.6 million during 2025 for an asset sale completed in 2024. The prepayments reduced our required quarterly installment amounts to zero for the remaining term.

The Term Loan requires us to maintain certain reporting requirements, affirmative covenants, and negative covenants. On February 4, 2026, we elected to defer making an interest payment of approximately $2.8 million on the Term Loan. As a result of our failure to pay the interest within the grace period, an event of default occurred with respect to the Term Loan. On February 11, 2026, the lenders, through the administrative agent, notified us of the Specified Event of Default and informed us that the administrative agent or the collateral agent may exercise any rights and remedies provided under the Term Loan agreement and related financing documents, but it did not seek to enforce such remedies as of such time.

On the Forbearance Effective Date, the Company entered into the Forbearance Agreement with the other Obligors, the Lenders, and FEAC, in connection with the Term Loan. Pursuant to the Forbearance Agreement, during the Forbearance Period (as defined in Note 11 – *Debt* to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q), solely with respect to the Specified Event of Default, neither the Administrative Agent nor any Lender shall, upon the terms and conditions expressly specified therein, take any action, commence any proceedings against any Obligor or any other person with respect to the enforcement of any of its or their rights or remedies under the Credit Documents or applicable law, other than as expressly described in the Forbearance Agreement. The Company, the Lenders, and FEAC agreed to extend the Forbearance Period under the Forbearance Agreement through and including August 31, 2026. As of September 30, 2026, the Forbearance Period had lapsed and the Forbearance Agreement was no longer in effect, however neither the Administrative Agent nor any Lender has taken any action, commenced any proceedings against any Obligor or any other person with respect to the enforcement of any of its or their rights or remedies under the Credit Documents or applicable law.

On October 27, 2026, the Company entered into a securities purchase agreement with certain institutional investors for the purchase of 1,599,400 shares of common stock in a registered direct offering at a purchase price of $0.905 priced at-the-market under Nasdaq rules. In a concurrent private placement, investors also agreed to purchase 7,611,575 unregistered shares of common stock (or Pre-funded Warrants in lieu thereof) and 9,210,975 Common Warrants at a purchase price of $0.9050. Each Common Warrant is exercisable for one share of common stock at an exercise price of $0.78 and will expire five and a half years from the issuance date. Total gross proceeds from the offering, before deducting the placement agent fee and offering expenses were approximately $8.3 million. All of the shares of common stock, Pre-funded Warrants, and Common Warrants are being sold by the Company.

Concurrently with the closing of the Registered Direct Offering and the Private Placement on October 27, 2026, the Company satisfied its obligations under the senior secured Term Loan pursuant to the terms of a payoff letter with the lenders. Such payoff letter required that the Company deliver to the lenders, in the aggregate, (i) 27.5 million shares of Series 1 Non-Voting Convertible Preferred Stock and (ii) warrants to purchase 27.5 million shares of common stock at an exercise price equal to $0.78, which the Company refers to as the Lender Warrants. Each share of Series 1 Non-Voting Convertible Preferred Stock has a par value of $0.0001 per share and a stated value equal to $1.00. The Series 1 Non-Voting Convertible Preferred Stock ranks (i) senior to the common stock and any other class or series of the Company's capital stock thereafter created, the terms of which specifically provide that such class or series shall rank junior to the Series 1 Non-Voting Convertible Preferred Stock, and (ii) pari passu with any class or series of our capital stock created specifically ranking, by its terms, on par with the Series 1 Non-Voting Convertible Preferred Stock. The Series 1 Non-Voting Convertible Preferred Stock shall be convertible into 27.5 million shares of common stock, determined by dividing the stated value per share of Series 1 Non-Voting Convertible Preferred Stock by the per share conversion price (as adjusted from time to time) and the Lender Warrants shall be exercisable, commencing upon receipt of any required stockholder approvals, and shall in all cases be subject to a 4.99% beneficial ownership limitation. The Company also entered into a side letter agreement, which provides for, among other things, the right of certain lenders to designate one director to the Company's board of directors and following, and subject to, approval by the Company's stockholders under the Nasdaq Stock Market, or Nasdaq, listing rules or confirmation by Nasdaq, that such appointments do not violate its rules, the lenders shall have the right to designate up to three additional directors to the Company's board of directors.

As of September 30, 2026, and December 31, 2025, the outstanding principal balance on the Term Loan was $108.9 million and $114.4 million respectively. The decrease reflects the application of the APP Sale proceeds on July 31, 2026.

Revolving Credit Facility

On March 29, 2021, we and certain of our subsidiaries entered into the Revolving Credit Agreement with JPMorgan, as administrative agent, issuing bank and swingline lender for a Revolving Credit Facility up to $50 million which was subsequently amended several times to, among other things, modify the maximum aggregate borrowing limit, transition the interest rate benchmark from LIBOR to SOFR, and extend the maturity date. We use the terms Revolving Credit Agreement and Revolving Credit Facility interchangeably.

As of December 31, 2025, we had zero borrowed under the Revolving Credit Facility. On February 17, 2026, we entered into the Termination Agreement to terminate the Revolving Credit Agreement. Pursuant to the terms of the Termination Agreement, the parties agreed to terminate the Revolving Credit Agreement subject to the survival of each of the provisions of the Revolving Credit Agreement and Loan Documents (as defined in the Revolving Credit Agreement) and in the certificates delivered in connection with or pursuant to the Revolving Credit Agreement that survive termination of the Revolving Credit Agreement.

The aforementioned financing arrangements and other transactions are more fully described in the notes to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Cash and Cash Equivalents

The cash, cash equivalents and restricted cash balances of $3.9 million and $6.3 million at September 30, 2026, and December 31, 2025, respectively, included $0.8 million and $2.9 million, respectively, held by foreign subsidiaries.

Material Cash Requirements

Our estimated material cash requirements include (i) finance lease payments, and (ii) operating lease payments, as well as other purchase obligations to support our operations. The Term Loan was satisfied in full on October 27, 2026, as further described in *Item 1. Financial Statements*, Note 17 – Subsequent Events. Refer to *Item 1. Financial Statements*, Note 11 – *Debt*, Note 8 – *Leases*, and Note 15 – *Commitments and Contingencies* for details relating to our material cash requirements for debt, our leasing arrangements, including future maturities of our operating lease liabilities, and purchase obligations, respectively. From time to time in the normal course of business, we will enter into agreements with suppliers which provide favorable pricing in return for a commitment to purchase minimum amounts of inventory over a defined time period.

Critical Accounting Policies and Estimates

The preceding discussion and analysis of our consolidated results of operations and financial condition should be read in conjunction with our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Our critical accounting policies and estimates are identified in *Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations"* in Part II of the 2025 Annual Report and include the discussion of estimates used in indefinite lived intangible assets, long-lived tangible and finite-lived intangible assets, and inventory valuation. Such accounting policies and estimates require significant judgments and assumptions to be used in the preparation of the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, and actual results could differ materially from the amounts reported.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to *Item 1. Financial Statements*, Note 3 – *Basis of Presentation and Significant Accounting Policies — Recent accounting pronouncements*, to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of economic losses due to adverse changes in financial market prices and rates. Our primary market risk has been interest rate, foreign currency and inflation risk. We do not have material exposure to commodity risk.

Interest Rate Risk

We have historically been exposed to interest rate risk through our variable rate debt. As of September 30, 2026, we had $108.9 million of Term Loan debt that was subject to variable interest rates that were based on SOFR or an alternate base rate. Given the Term Loan Settlement in October 2026, we are no longer exposed to further fluctuations in interest rates. Refer to *Item 1. Financial Statements*, Note 11 – *Debt* and Note 17 – *Subsequent Events* for details relating to the Term Loan and Term Loan Settlement.

Foreign Currency Risk

The functional currencies of our foreign subsidiary operations are predominantly in the Canadian dollar ("CAD") and the Euro. For the purposes of presenting these condensed consolidated financial statements, the assets and liabilities of subsidiaries with CAD or Euro functional currencies are translated into U.S. dollars ("USD") using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average rate prevailing during the period with exchange differences impacting other comprehensive income (loss) in equity. Therefore, our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, principally the CAD. We are impacted by changes in foreign currency exchange rates when we sell product in currencies different from the currency in which costs were incurred. The functional currencies and our purchasing and sales activities primarily include USD, CAD and Euro. As these currencies fluctuate against each other, and other currencies, we are exposed to foreign currency exchange rate risk on sales, purchasing transactions, and labor. To date, we have not entered into any foreign currency exchange contracts and currently do not expect to enter into foreign currency exchange contracts for trading or speculative purposes.

Inflation Risk

Our results of operations and financial condition are presented based on historical costs. We cannot provide assurances that our results of operations and financial condition will not be materially impacted by inflation in the future.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation and supervision of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the periods covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. We are currently not aware of any material pending legal proceedings or claims, other than ordinary routine litigation incidental to the business to which we are a party or to which our property is subject, or other than those disclosed elsewhere in this Quarterly Report on Form 10-Q. For more information, see *Item 1. Financial Statements*, Note 15 – *Commitments and Contingencies* to this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

For a discussion of risk factors, please read *Item 1A, "Risk Factors"* in our 2025 Annual Report. Such risk factors continue to be relevant to an understanding of our business, financial condition and operating results. As of the date of this Quarterly Report on Form 10-Q, there have been the following material changes with respect to such risk factors:

There can be no assurance that we will maintain compliance with the continued listing requirements of Nasdaq, and if we are unable to maintain or regain compliance, our common stock may be delisted from the exchange.

Our common stock is currently listed for trading on the Nasdaq under the symbol “HYFM”. The continued listing of our common stock on Nasdaq is subject to our compliance with a number of listing requirements, including Nasdaq Listing Rule 5550(b)(1) to maintain a minimum of $2.5 million in stockholders’ equity and Nasdaq Listing Rule 5550(a)(2) to maintain a minimum closing bid price of $1 (the “Bid Price Rule”).

On April 1, 2026, we received a letter from the Listing Qualifications Department of the Nasdaq indicating that we were not in compliance with the Equity Rule. On June 16, 2026, we received a letter from Nasdaq indicating that, based on Nasdaq’s review of the Company’s plan submitted on May 18, 2026 and related materials submitted on June 8, 2026, Nasdaq has granted the Company an extension to regain compliance with the Equity Rule On July 2, 2026, we received a determination letter from Nasdaq notifying us that we did not meet the terms of the extension granted by Nasdaq to regain compliance with the Equity Rule.

On July 9, 2026, we timely requested a hearing before the Nasdaq Hearings Panel. On September 8, 2026, Nasdaq issued a decision letter in which the Nasdaq Hearings Panel granted our request to continue our listing on Nasdaq subject to satisfaction of the following conditions:

(a) on or before September 30, 2026, the Company must advise the Nasdaq Hearings Panel on the status of the proposed debt conversion as well as any asset sales completed as part of the compliance plan (on September 30, 2026, the Company advised the Nasdaq Hearings Panel accordingly);

(b) on or before October 16, 2026, the Company must demonstrate compliance with the Equity Rule by filing a timely public disclosure describing the transactions undertaken by it to achieve compliance and demonstrate long-term compliance with the Equity Rule, and by providing an indication of its stockholders' equity following those transactions (on October 20, 2026, the Company received an extension from the Nasdaq Hearings Panel to October 27, 2026 and on October 27, 2026, filed a timely public disclosure describing the Offering, Term Loan Settlement and other transactions undertaken by it to achieve compliance with the Equity Rule); and

(c) the Company will be required to maintain compliance with all Nasdaq Listing Rules through December 29, 2026.

On October 27, 2026, the Company submitted to the Nasdaq Hearings Panel an unaudited pro forma condensed balance sheet that gives effect to the Offering and Term Loan Settlement. The pro forma balance sheet shows pro forma stockholders' equity that exceeds the $2.5 million minimum required by the Equity Rule. On November 9, 2026, the Company received a letter from the Office of General Counsel of Nasdaq confirming that the Company has regained compliance with the Equity Rule.

On July 6, 2026, we also received a letter from Nasdaq indicating that we are not in compliance with the Bid Price Rule because we had not maintained a minimum closing bid price of $1 per share for the prior 30 consecutive business days. The Bid Price Rule provides us a compliance period of 180 calendar days in which to regain compliance. If at any time during the 180-day period, the closing bid price of our common stock is at least $1 for a minimum of ten consecutive business days, Nasdaq will provide written confirmation to us of compliance. In the event that we do not regain compliance with the Bid Price Rule, we may be eligible for additional time. The Company intends to monitor the closing bid price of its common stock and is considering its options to regain compliance with the Bid Price Rule.

The Company intends to monitor its stockholders’ equity and its compliance with the other Nasdaq continued listing requirements, including the Bid Price Rule, and to take such actions as may be necessary to regain or maintain compliance. However, there can be no assurance that the Company will be able to maintain compliance with the Equity Rule, Bid Price Rule or regain or maintain compliance with any other Nasdaq Listing Rule.

If we fail to regain or maintain compliance with the Nasdaq continued listing requirements, after any compliance period, if granted, or we fail to comply with other continued listing requirements, Nasdaq will provide notice that our common stock will be subject to delisting, which could adversely affect our ability to raise additional financing through the public or private sale of equity securities, would significantly affect the ability of investors to trade our securities and would negatively affect the value and liquidity of our common stock. Delisting could also have other negative results, including the potential loss of confidence by employees, the loss of institutional investor interest and fewer business development opportunities. If our common stock is delisted by Nasdaq, the price of our common stock may decline and our common stock may be eligible to trade on the OTC Markets Group or another over-the-counter quotation system, where an investor may find it more difficult to dispose of their common stock or obtain accurate quotations as to the market value of our common stock. A delisting from Nasdaq and failure to obtain listing on another market or exchange would subject our common stock to so-called penny stock rules that impose additional sales practice and market-making requirements on broker-dealers who sell or make a market in such securities. Further, if we are delisted, we would incur additional costs under requirements of state "blue sky" laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of our common stock and the ability of our stockholders to sell our common stock in the secondary market.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) Not applicable.

(b) Not applicable.

(c) During the quarter ended September 30, 2026, no director or officer of the Company adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as such term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

(a) Exhibits.

Exhibit	Description
2.4+	Share Purchase Agreement dated as of July 31, 2026 by and among Aurora International, LLC, Aurora Peat Products ULC, and 2817049 Alberta Ltd. (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on August 6, 2026).
3.1	Restated Certificate of Incorporation of Hydrofarm Holdings Group, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q (File No. 001-39773), filed with the SEC on November 12, 2025).
3.2	Certificate of Designation of Series 1 Non-Voting Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on October 27, 2026).
3.3	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.4 to the Company's Registration Statement on Form S-1/A (File No. 333-250037), filed with the SEC on December 1, 2020).
4.1	Form of Common Warrant (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on October 27, 2026).
4.2	Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on October 27, 2026).
4.3	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on October 27, 2026).
4.4	Form of Lender Warrant (incorporated by reference to Exhibit 4.4 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on October 27, 2026).
10.1+	Securities Purchase Agreement dated October 27, 2026 by and among Hydrofarm Holdings Group, Inc. and the purchasers signatory thereto (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on October 27, 2026).
10.2	Registration Rights Agreement dated October 27, 2026 by and among Hydrofarm Holdings Group, Inc. and the purchasers signatory thereto (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on October 27, 2026).
10.3	Placement Agency Agreement dated October 27, 2026 by and between Hydrofarm Holdings Group, Inc. and ThinkEquity LLC (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on October 27, 2026).
10.4	Form of Lock-up Agreement (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on October 27, 2026).
10.5	Escrow Agreement dated October 9, 2026 by and among Hydrofarm Holdings Group, Inc. and CSC Delaware Trust Company (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on October 27, 2026).
10.6	Letter agreement dated October 27, 2026 by and between Hydrofarm Holdings Group, Inc., the lenders party from time to time thereto, and FEAC Agent, LLC, as administrative agent for the lenders and collateral agent for all the secured parties (incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on October 27, 2026).
10.7	Registration Rights Agreement dated October 27, 2026 by and among Hydrofarm Holdings Group, Inc. and the securityholders signatory thereto (incorporated by reference to Exhibit 10.7 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on October 27, 2026).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1#	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2#	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Schema Linkbase Document.
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Labels Linkbase Document.
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

x Denotes management contract or compensatory plan or arrangement.

\+ In accordance with Item 601(b)(10)(iv) of Regulation S-K, certain information (indicated by "***") has been excluded from this exhibit because it is both not material and private or confidential. A copy of the omitted portion will be furnished to the Securities and Exchange Commission upon request. Additionally, certain schedules and exhibits have been omitted from this filing pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the Securities and Exchange Commission upon request.

\# The certifications attached as Exhibits 32.1 and 32.2 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the Company for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing of the registrant under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Hydrofarm Holdings Group, Inc.

Date: November 16, 2026

/s/ William Toler
William Toler
Chief Executive Officer & Chairman of the Board of Directors
(Principal Executive Officer)

Date: November 16, 2026

/s/ Kevin O'Brien
Kevin O'Brien
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATIONS UNDER SECTION 302

I, William Toler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hydrofarm Holdings Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2026

By: /s/ William Toler
William Toler
Chief Executive Officer & Chairman of the Board of Directors
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS UNDER SECTION 302

I, Kevin O'Brien, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hydrofarm Holdings Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2026

By: /s/ Kevin O'Brien
Kevin O'Brien
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATIONS UNDER SECTION 906

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Hydrofarm Holdings Group, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the quarter ended September 30, 2026 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 16, 2026

/s/ William Toler

William Toler
Chief Executive Officer & Chairman of the Board of Directors
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATIONS UNDER SECTION 906

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Hydrofarm Holdings Group, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the quarter ended September 30, 2026 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 16, 2026

/s/ Kevin O'Brien

Kevin O'Brien
Chief Financial Officer
(Principal Financial Officer)