

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

FORM 8-K

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

Date of report (Date of earliest event reported): **May 13, 2025**

**Hydrofarm Holdings Group, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**001-39773**

(Commission  
File Number)

**81-4895761**

(I.R.S. Employer  
Identification No.)

**1510 Main Street  
Shoemakersville, PA 19555**

(Address of Principal Executive  
Offices) (Zip Code)

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

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

Emerging growth company

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

**Item 2.02 Results of Operations and Financial Condition.**

On May 13, 2025, Hydrofarm Holdings Group, Inc. (the "Company") issued a press release announcing its financial results for the first quarter ended March 31, 2025. The full text of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

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

**Item 7.01 Regulation FD Disclosure.**

On May 13, 2025, the Company provided an earnings presentation that will be made available on the investor relations section of the Company's website at <https://investors.hydrofarm.com/>. The earnings presentation is furnished as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein solely for purposes of this Item 7.01 disclosure.

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

**Item 9.01 Financial Statements and Exhibits.**

Exhibit No.	Description
99.1	<a href="#">Press Release, dated May 13, 2025.</a>
99.2	<a href="#">Earnings Presentation, dated May 13, 2025.</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

**SIGNATURES**

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

**Hydrofarm Holdings Group, Inc.**

Date: May 13, 2025

By: /s/ B. John Lindeman  
Name: B. John Lindeman  
Title: Chief Executive Officer  
(Principal Executive Officer)



## Hydrofarm Holdings Group Announces First Quarter 2025 Results

### Restructuring and Cost Savings Initiatives Continue to Yield Substantial Expense Reductions

Shoemakersville, PA — May 13, 2025 — Hydrofarm Holdings Group, Inc. (“Hydrofarm” or the “Company”) (Nasdaq: HYFM), a leading independent manufacturer and distributor of branded hydroponics equipment and supplies for controlled environment agriculture, today announced financial results for its first quarter ended March 31, 2025.

#### First Quarter Highlights vs. Prior Year Period:

- Net sales decreased to \$40.5 million compared to \$54.2 million.
- Gross Profit and Adjusted Gross Profit<sup>(1)</sup> for first quarter 2025 of \$6.9 million and \$8.5 million, respectively.
- Gross Profit Margin decreased to 17.0% of net sales compared to 20.2%.
- Adjusted Gross Profit Margin<sup>(1)</sup> decreased to 21.0% of net sales compared to 23.4%.
- SG&A expense and Adjusted SG&A<sup>(1)</sup> expense decreased by (9.0)% and (11.0)%, respectively.
- Net loss increased to \$14.4 million compared to \$12.6 million.
- Adjusted EBITDA<sup>(1)</sup> of \$(2.4) million compared to \$0.3 million.
- Cash used in operating activities and Free Cash Flow<sup>(1)</sup> were \$(11.8) million and \$(12.0) million, respectively.

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

John Lindeman, Chief Executive Officer of Hydrofarm, said, “In the first quarter we achieved sequential improvements across the business by reinvigorating the focus on our higher margin proprietary brands, and executing on our strategic priorities. Our proprietary brand sales mix increased to 55% compared to 52% in the fourth quarter of 2024, led by our consumable products, driving substantial improvement in our Adjusted Gross Profit margin sequentially. We also delivered significant savings in Adjusted SG&A expense, marking our 11<sup>th</sup> consecutive quarter of meaningful year-over-year expense reductions. While ongoing industry headwinds weighed on year-over-year results, we are controlling what we can and believe that we can build on this progress throughout the year. We are committed to growing our proprietary brand sales mix, further optimizing our distribution network, and implementing additional cost-saving measures, and as we execute on this strategic roadmap, we expect to enhance long-term shareholder value.”

#### First Quarter 2025 Financial Results

Net sales in the first quarter of 2025 decreased 25.2% to \$40.5 million compared to \$54.2 million in the prior year period. This was primarily due to a 22.6% decline in volume/mix of products sold and a 1.8% decrease in price. The net sales decline was primarily related to an oversupply in the cannabis industry.

Gross Profit decreased to \$6.9 million, or 17.0% of net sales, compared to \$10.9 million, or 20.2% of net sales, in the prior year period. Adjusted Gross Profit<sup>(1)</sup> decreased to \$8.5 million, or 21.0% of net sales, compared to \$12.7 million, or 23.4% of net sales, in the prior year period. The decreases in Gross Profit and Adjusted Gross Profit<sup>(1)</sup>, Gross Profit Margin, Adjusted Gross Profit Margin<sup>(1)</sup> were primarily due to lower net sales and a decline in proprietary brand sales mix.

Selling, general and administrative (“SG&A”) expense was \$17.9 million, compared to \$19.6 million in the prior year period, and Adjusted SG&A<sup>(1)</sup> expense was \$11.0 million compared to \$12.3 million in the prior year period.

The reductions were mainly due to decreases in compensation costs from lower headcount, and facility costs, driven by the Company's restructuring actions and related cost-saving initiatives, which more than offset higher bad debt expense.

Net loss was \$14.4 million, or \$(3.12) per diluted share, compared to a net loss of \$12.6 million, or \$(2.75) per diluted share, in the prior year period. The increase in net loss from the prior year period was primarily due to lower sales and lower gross profit margin, partially offset by SG&A expense reductions.

Adjusted EBITDA<sup>(1)</sup> decreased to \$(2.4) million, compared to \$0.3 million in the prior year period. The reduction was related to lower net sales and lower Adjusted Gross Profit Margin<sup>(1)</sup>, partially offset by Adjusted SG&A<sup>(1)</sup> expense reductions.

#### **Balance Sheet, Liquidity and Cash Flow**

As of March 31, 2025, the Company had \$13.7 million in cash and approximately \$17.0 million of available borrowing capacity on its Revolving Credit Facility. The Company ended the first quarter with \$119.0 million in principal balance on its Term Loan outstanding, \$8.2 million in finance leases, and \$0.1 million in other debt outstanding. During 2025 and 2024, the Company maintained a zero balance on its Revolving Credit Facility. As of March 31, 2025, the Company was in compliance with debt covenants under its Revolving Credit Facility and Term Loan. On May 9, 2025, the Company entered into a seventh amendment to its Revolving Credit Facility to extend the maturity date to June 30, 2027 and reduce the maximum commitment amount to \$22 million.

Cash used in operating activities was \$(11.8) million and the Company invested \$0.2 million in capital expenditures, yielding Free Cash Flow<sup>(1)</sup> of \$(12.0) million during the three months ended March 31, 2025. Free Cash Flow<sup>(1)</sup> is typically seasonally negative during the first quarter.

#### **Full Year 2025 Outlook**

Due to macroeconomic uncertainty related to the evolving global tariff policy, and prolonged cannabis industry headwinds, the Company is withdrawing its full year 2025 outlook for net sales, Adjusted EBITDA<sup>(1)</sup>, and Free Cash Flow<sup>(1)</sup>. The Company is providing the following performance indicators, assumptions and action plans relating to fiscal year 2025:

- High tariffs on imported products from China, or new tariffs from other countries, could impact the cost of certain products and may negatively impact the Company's 2025 financial performance.
- Improved year-over-year Adjusted Gross Profit Margin<sup>(1)</sup> resulting primarily from an expectation of (i) a higher full year proprietary brand sales mix, (ii) continued benefit from cost savings associated with 2024 restructuring and related productivity initiatives as well as new cost savings planned for 2025, (iii) minimal non-restructuring inventory reserves or related charges.
- Reduced year-over-year Adjusted SG&A<sup>(1)</sup> expense resulting from full year benefit of reductions completed in 2024 and further reductions in professional and outside service fees, facilities and insurance expense.
- Reduction in inventory and positive free cash flow for the remainder of 2025.
- Capital expenditures of less than \$2 million for full year 2025.

Hydrofarm remains committed to its previously established strategic priorities: drive diverse high-quality revenue streams, improve profit margins and strengthen financial position.

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

## Conference Call and Presentation

The Company will host a conference call to discuss financial results for the first quarter 2025 today at 8:30 a.m. Eastern Time. John Lindeman, Chief Executive Officer, and Kevin O'Brien, Chief Financial Officer, will host the call. An earnings presentation is also available for reference on the Hydrofarm investor relations website.

The conference call can be accessed live over the phone by dialing 1-800-343-5172 and entering the conference ID: HYFMQ1. The conference call will also be webcast live and archived on the Company's investor relations website at <https://investors.hydrofarm.com/> under the "News & Events" section.

## About Hydrofarm Holdings Group, Inc.

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

## Cautionary Note Regarding Forward-Looking Statements

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

*The market in which the Company operates has been substantially adversely impacted by conditions of the agricultural and cannabis industries, including oversupply and decreasing prices of the products the Company's end customers sell, which, in turn, has materially adversely impacted the Company's sales and other results of operations and which may continue to do so in the future; If industry conditions worsen or are sustained for a lengthy period, the Company could be forced to take additional impairment charges and/or inventory and accounts receivable reserves, which could be substantial, and, ultimately, the Company may face liquidity challenges; The Company's Revolving Credit Facility and future debt facilities may limit the operation of the Company's business including restricting its ability to sell products directly to the cannabis industry; Although equity financing may be available, the Company's current stock prices are at depressed levels and any such financing would be dilutive; Interruptions in the Company's supply chain could adversely impact expected sales growth and operations; Increased prices and inflation could adversely impact the Company's performance and financial results; Global political and economic conditions including the imposition of potential tariffs could increase the costs of the Company's products and adversely impact the competitiveness of the Company's products and the Company's financial results; The Company may be unable to meet the continued listing standards of Nasdaq; The Company's restructuring activities may increase our expenses and cash expenditures, and may not have the intended cost saving effects; The highly competitive nature of the Company's markets could adversely affect its ability to maintain or grow revenues; Certain of the Company's products may be purchased for use in new or emerging industries or segments, including the cannabis industry, and/or be subject to varying, inconsistent, and rapidly changing laws, regulations, administrative and enforcement approaches, and consumer perceptions which may adversely impact the market for the Company's products; The market for the Company's products has been impacted by conditions impacting its customers, including related crop prices, climate change, and other factors impacting growers; Compliance with government laws and regulations including environmental and other public*

*health regulations or changes in such regulations or regulatory enforcement priorities could increase the Company's costs of doing business or limit the Company's ability to market all of its products; Damage to the Company's reputation or the reputation of its products or products it markets on behalf of third parties could have an adverse effect on its business; If the Company is unable to effectively execute its e-commerce business, its reputation and operating results may be harmed; The Company's operations may be impaired if its information technology systems fail to perform adequately or if it is the subject of a data breach or cyber-attack; The Company may not be able to adequately protect its intellectual property and other proprietary rights that are material to the Company's business; Acquisitions, other strategic alliances and investments could result in operating and integration difficulties, dilution and other harmful consequences that may adversely impact the Company's business and results of operations. Additional detailed information concerning a number of the important factors that could cause actual results to differ materially from the forward-looking information contained in this release is readily available in the Company's annual, quarterly and other reports. The Company disclaims any obligation to update developments of these risk factors or to announce publicly any revision to any of the forward-looking statements contained in this release, or to make corrections to reflect future events or developments except as otherwise required by law.*

**Contacts:**

**Investor Contact**

Anna Kate Heller / ICR

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

	Three months ended March 31,	
	2025	2024
Net sales	\$ 40,534	\$ 54,172
Cost of goods sold	33,657	43,247
<b>Gross profit</b>	<b>6,877</b>	<b>10,925</b>
Operating expenses:		
Selling, general and administrative	17,863	19,621
<b>Loss from operations</b>	<b>(10,986)</b>	<b>(8,696)</b>
Interest expense	(3,377)	(3,931)
Other income, net	60	215
<b>Loss before tax</b>	<b>(14,303)</b>	<b>(12,412)</b>
Income tax expense	(82)	(196)
<b>Net loss</b>	<b>\$ (14,385)</b>	<b>\$ (12,608)</b>
Net loss per share <sup>(1)</sup> :		
Basic	\$ (3.12)	\$ (2.75)
Diluted	\$ (3.12)	\$ (2.75)
Weighted-average shares of common stock outstanding <sup>(1)</sup> :		
Basic	4,614,510	4,581,221
Diluted	4,614,510	4,581,221
<sup>(1)</sup> Net loss per share and Weighted-average shares of common stock outstanding amounts have been adjusted to give retroactive effect to the 1-for-10 reverse stock split effected on February 12, 2025.		

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

	March 31, 2025	December 31, 2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 13,728	\$ 26,111
Accounts receivable, net	20,919	14,756
Inventories	49,902	50,633
Prepaid expenses and other current assets	4,137	3,712
<b>Total current assets</b>	<b>88,686</b>	<b>95,212</b>
Property, plant and equipment, net	36,456	37,545
Operating lease right-of-use assets	40,863	42,869
Intangible assets, net	243,079	249,002
Other assets	1,473	1,476
<b>Total assets</b>	<b>\$ 410,557</b>	<b>\$ 426,104</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 16,092	\$ 12,279
Accrued expenses and other current liabilities	7,414	10,647
Deferred revenue	2,307	2,611
Current portion of operating lease liabilities	7,785	7,731
Current portion of finance lease liabilities	467	459
Current portion of long-term debt	5,876	1,260
<b>Total current liabilities</b>	<b>39,941</b>	<b>34,987</b>
Long-term operating lease liabilities	35,629	37,553
Long-term finance lease liabilities	7,711	7,830
Long-term debt	109,968	114,693
Deferred tax liabilities	3,047	3,047
Other long-term liabilities	4,316	4,272
<b>Total liabilities</b>	<b>200,612</b>	<b>202,382</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity</b>		
Common stock (\$0.0001 par value; 300,000,000 shares authorized; 4,615,725 and 4,614,279 shares issued and outstanding at March 31, 2025, and December 31, 2024, respectively) <sup>(1)</sup>	—	—
Additional paid-in capital	790,565	790,094
Accumulated other comprehensive loss	(8,774)	(8,911)
Accumulated deficit	(571,846)	(557,461)
<b>Total stockholders' equity</b>	<b>209,945</b>	<b>223,722</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 410,557</b>	<b>\$ 426,104</b>

<sup>(1)</sup> Shares issued and outstanding have been adjusted to give retroactive effect to the 1-for-10 reverse stock split effected on February 12, 2025.

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

	Three months ended March 31,	
	2025	2024
<b>Reconciliation of Adjusted Gross Profit:</b>		
<b>Gross Profit (GAAP)</b>	\$ 6,877	\$ 10,925
Depreciation, depletion and amortization	1,313	1,649
Restructuring expenses <sup>1</sup>	342	91
<b>Adjusted Gross Profit (Non-GAAP)</b>	<b>\$ 8,532</b>	<b>\$ 12,665</b>
<i>As a percent of net sales:</i>		
Gross Profit Margin (GAAP)	17.0 %	20.2 %
Adjusted Gross Profit Margin (Non-GAAP)	21.0 %	23.4 %

	Three months ended March 31,	
	2025	2024
<b>Reconciliation of Adjusted SG&amp;A:</b>		
<b>Selling, general and administrative (GAAP)</b>	\$ 17,863	\$ 19,621
Depreciation, depletion and amortization	5,996	6,236
Restructuring expenses <sup>1</sup>	20	47
Severance and other <sup>2</sup>	184	134
Stock-based compensation <sup>3</sup>	475	868
Acquisition and integration expenses <sup>4</sup>	208	—
<b>Adjusted SG&amp;A (Non-GAAP)</b>	<b>\$ 10,980</b>	<b>\$ 12,336</b>
<i>As a percent of net sales:</i>		
SG&A (GAAP)	44.1 %	36.2 %
Adjusted SG&A (Non-GAAP)	27.1 %	22.8 %

	Three months ended March 31,	
	2025	2024
<b>Reconciliation of Adjusted EBITDA:</b>		
<b>Net loss (GAAP)</b>	<b>\$ (14,385)</b>	<b>\$ (12,608)</b>
Interest expense	3,377	3,931
Income tax expense	82	196
Depreciation, depletion and amortization	7,309	7,885
Restructuring expenses <sup>1</sup>	362	138
Severance and other <sup>2</sup>	184	134
Stock-based compensation <sup>3</sup>	475	868
Acquisition and integration expenses <sup>4</sup>	208	—
Other income, net <sup>5</sup>	(60)	(215)
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>\$ (2,448)</b>	<b>\$ 329</b>
<i>As a percent of net sales:</i>		
Net loss (GAAP)	(35.5)%	(23.3)%
Adjusted EBITDA (Non-GAAP)	(6.0)%	0.6 %

	Three months ended March 31,	
	2025	2024
<b>Reconciliation of Free Cash Flow:</b>		
<b>Net cash used in operating activities (GAAP):</b>	<b>\$ (11,763)</b>	<b>\$ (2,297)</b>
Capital expenditures of Property, plant and equipment (GAAP)	(244)	(1,442)
<b>Free Cash Flow (Non-GAAP):</b>	<b>\$ (12,007)</b>	<b>\$ (3,739)</b>

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

- For the three months ended March 31, 2025 and 2024, Restructuring expenses primarily related to charges incurred to relocate and terminate certain facilities, and non-cash inventory markdowns associated with manufacturing facility consolidations.
- For the three months ended March 31, 2025, Severance and other charges primarily related to legal costs related to the 1-for-10 reverse stock split effected on February 12, 2025, as well as severance charges. For the three months ended March 31, 2024, Severance and other charges primarily related to estimated legal costs related to certain litigation.
- Includes stock-based compensation and related employer payroll taxes on stock-based compensation for the periods presented.
- For the three months ended March 31, 2025, Acquisition and integration expenses includes consulting, transaction services and legal fees for potential acquisitions, divestitures, or strategic combinations.
- Other income, net related primarily to foreign currency exchange rate gains and losses and other non-operating income and expenses.

**Non-GAAP Financial Measures**

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

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

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

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

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

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

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

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

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

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

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



**HYDROFARM**

First Quarter 2025  
Earnings Presentation

May 13th, 2025

## Disclaimer

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

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

**Non-GAAP Financial Information.** This presentation contains financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Management uses these "non-GAAP" measures in its analysis of the Company's performance. Management believes these non-GAAP financial measures allow for evaluating the Company's ability to generate earnings and better comparability of period-to-period operating performance by excluding certain items that may vary substantially in frequency and magnitude from net loss. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to similarly titled non-GAAP performance measures that may be presented by other companies. A reconciliation of the non-GAAP measures used in this presentation to the most directly comparable GAAP measures is provided in the Appendix to this presentation, and in our related press release attached as an exhibit to our Current Report on Form 8-K filing available online at [www.sec.gov](http://www.sec.gov).



  
HYDROFARM

Business Overview

## Focusing on our Strategic Priorities

- ✓ **Drive Diverse, High-Quality Revenue Streams**
  - Improve Proprietary Brand Mix
  - Targeted Investments and New Proprietary Product Innovations
  - Expand Non-US/Canada and Non-Cannabis Sales
  
- ✓ **Improve Profit Margins**
  - Increase Production and Efficiency in our Manufacturing Operations
  - Further Optimize our Distribution Center Network
  - Reduce SG&A Expenses
  
- ✓ **Strengthen Financial Position**
  - Improve Free Cash Flow
  - Maintain Strong Liquidity



Adjusted Gross Profit, Adjusted SG&A, Adjusted EBITDA, and Free Cash Flow are non-GAAP measures. AGPM% refers to 'Adjusted Gross Profit Margin'. Please see appendix for reconciliation of GAAP to non-GAAP measures.

## First Quarter 2025 Highlights

### Sequential Improvement in Net Sales and Adj. Gross Profit Margin %

- Reinvigorated focus on proprietary brand sales drove improved AGPM% vs. Q4 2024
- Relatively strong sales in key U.S. manufactured proprietary nutrient and grow media brands

### Significant Reductions in Adjusted SG&A

- 11<sup>th</sup> consecutive quarter of year-over-year Adjusted SG&A expense reductions
- Effective cost savings and restructuring actions

### Free Cash Flow Seasonally Negative Period

- Free Cash Flow (\$12.0) million in Q1'25
- Canada Lawn and Garden activity in Q1 leads to seasonally negative cash flows



Adjusted Gross Profit, Adjusted SG&A, Adjusted EBITDA, and Free Cash Flow are non-GAAP measures. AGPM% refers to 'Adjusted Gross Profit Margin'. Please see appendix for reconciliation of GAAP to non-GAAP measures.

## Update on FY2025 Outlook and Initiatives

### Tariff Uncertainty

- High tariffs on imported products from China, or new tariffs from other countries, could impact the cost of certain products and may negatively impact performance

### Initiating Product Portfolio Review to Improve Efficiency

- Product portfolio and footprint review underway
- Expect actions to improve efficiency and focus resources on our core proprietary brand strategy

### Withdrawing 2025 Outlook | Providing Key Performance Indicators

- Continue to expect reduced year-over-year Adjusted SG&A expense
- Continue to expect improved Adjusted Gross Profit Margin compared to 2024
- Expect reduction in inventory and positive Free Cash Flow for the remainder of 2025
- Withdrawing full year 2025 guidance for Net Sales, Adjusted EBITDA, and Free Cash Flow due to tariff uncertainty and industry headwinds



Adjusted Gross Profit, Adjusted SG&A, Adjusted EBITDA, and Free Cash Flow are non-GAAP measures. AGPM% refers to 'Adjusted Gross Profit Margin'. Please see appendix for reconciliation of GAAP to non-GAAP measures.



  
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Financial Overview

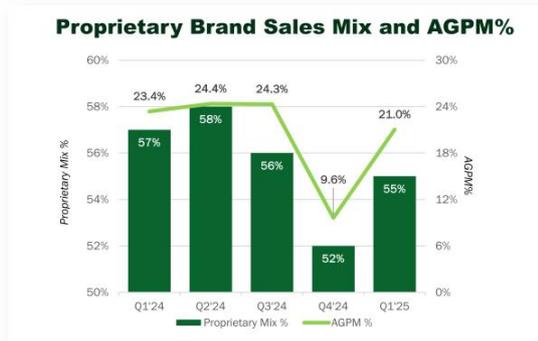
## Financial Summary

	2024	2025
<i>Three months ending (\$ in thousands)</i>	Q1	Q1
<b>Net Sales</b>	<b>54,172</b>	<b>40,534</b>
<b>Adjusted Gross Profit</b>	<b>12,665</b>	<b>8,532</b>
% of Net Sales	23.4%	21.0%
<b>Adjusted SG&amp;A</b>	<b>12,336</b>	<b>10,980</b>
% of Net Sales	22.8%	27.1%
<b>Adjusted EBITDA</b>	<b>329</b>	<b>(2,448)</b>
% of Net Sales	0.6%	(6.0)%



Adjusted Gross Profit, Adjusted SG&A, Adjusted EBITDA, and Free Cash Flow are non-GAAP measures. AGPM% refers to 'Adjusted Gross Profit Margin'. Please see appendix for reconciliation of GAAP to non-GAAP measures.

## Trend in AGPM% and Adjusted SG&A



### Meaningful Improvement to AGPM%

- Proprietary Mix increase contributed to Q1 sequential improvement in AGPM%
- Higher Q1 '25 sales of key proprietary nutrient and grow media brands manufactured in U.S. compared to Q4'24

Adjusted Gross Profit, Adjusted SG&A, Adjusted EBITDA, and Free Cash Flow are non-GAAP measures. AGPM% refers to 'Adjusted Gross Profit Margin'. Please see appendix for reconciliation of GAAP to non-GAAP measures.

### Continued Favorable Adjusted SG&A Savings

- Significant reductions in Adjusted SG&A over the past two years
- Reductions in headcount, facility costs, insurance, professional & outside services

## Cash and Liquidity

### Balance Sheet Highlights as of March 31, 2025 USD millions

Cash and cash equivalents	\$13.7
Liquidity	\$30.7
Total Debt	\$127.3
Net Debt	\$113.6

### Cash Flow Highlights 3 months ended March 31, 2025 USD millions

Net Cash Used in Operations	\$(11.8)
Capital Expenditures	\$(0.2)
Free Cash Flow	\$(12.0)



\*'Liquidity' is defined as Cash plus Available Borrowing Capacity on our Revolving Credit Facility.  
 \*'Total Debt' is defined as Term Loan debt principal outstanding plus finance leases and other debt. Net Debt, Liquidity and Free Cash Flow are non-GAAP measures.  
 Please see appendix for reconciliation of GAAP to non-GAAP measures.

## Debt Details

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

### Revolving Line of Credit

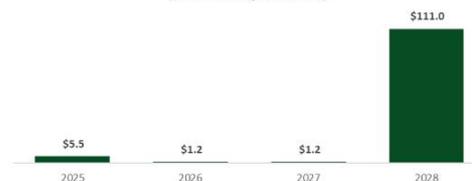
- \$35 million maximum commitment (effective in Q1'25)
- Zero borrowed and \$17 million available as of March 31, 2025
- Adjusted Term SOFR Rate + grid-based spread
- Availability varies with borrowing base
- 7<sup>th</sup> Amendment entered into on May 9, 2025, which extended maturity to June 30, 2027, and lowered maximum commitment to \$22 million

### Senior Secured Term Loan

- \$119.0 million in principal outstanding as of March 31, 2025
- Adjusted Term SOFR Rate + 5.50%
- No financial maintenance covenants
- Principal amortizes 0.25% per quarter until maturity
- Net proceeds from 2024 IGE Asset Sale subject to debt reinvestment provisions
- As of March 31, 2025, in accordance with IGE Asset Sale reinvestment provision, we estimate making an offer to prepay principal of \$4.6 million in Q2' 25, and classified the amount as current debt.\*
- 0% call premium
- Matures October 25, 2028

\* The amount we may offer to prepay is uncertain and based on future activity. Refer to our Q1'25 Form 10-Q for additional details.

Term Loan Maturities Schedule  
(*\$ in MMs as of 3/31/2025*)





  
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Appendix

# Branded manufacturer and distributor serving the CEA (Controlled Environment Agriculture) market



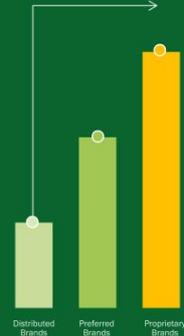
Source: Company Information

# Strong proprietary brand portfolio with solutions across key categories

Consumables		Durables		
Nutrients	Grow Media	Supplies	Lighting	Equipment
   	   	   	    	     

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

Illustrative margin benefit as we improve proprietary brand mix



# Reconciliation of Non-GAAP Financial Measures to Reported Financial Measures

(\$ in thousands)

	Three months ended March 31,	
	2025	2024
<b>Reconciliation of Adjusted Gross Profit:</b>		
Gross Profit (GAAP)	6,877	10,925
Depreciation, depletion and amortization	1,313	1,649
Restructuring expenses <sup>1</sup>	342	91
<b>Adjusted Gross Profit (Non-GAAP)</b>	<b>8,532</b>	<b>12,665</b>
<i>As a percent of net sales:</i>		
Gross Profit Margin (GAAP)	17.0 %	20.2 %
Adjusted Gross Profit Margin (Non-GAAP)	21.0 %	23.4 %

	Three months ended March 31,	
	2025	2024
<b>Reconciliation of Adjusted SG&amp;A:</b>		
Selling, general and administrative (GAAP)	17,863	19,621
Depreciation, depletion and amortization	5,996	6,236
Restructuring expenses <sup>1</sup>	20	47
Severance and other <sup>2</sup>	184	134
Stock-based compensation <sup>3</sup>	475	868
Acquisition and integration expenses <sup>4</sup>	208	—
<b>Adjusted SG&amp;A (Non-GAAP)</b>	<b>10,980</b>	<b>12,336</b>
<i>As a percent of net sales:</i>		
SG&A (GAAP)	44.1 %	36.2 %
Adjusted SG&A (Non-GAAP)	27.1 %	22.8 %

## Reconciliation of Adjusted EBITDA:

	Three months ended March 31,	
	2025	2024
Net loss (GAAP)	(14,385)	(12,608)
Interest expense	3,377	3,931
Income tax expense	82	196
Depreciation, depletion and amortization	7,309	7,885
Restructuring expenses <sup>1</sup>	362	138
Severance and other <sup>2</sup>	184	134
Stock-based compensation <sup>3</sup>	475	868
Acquisition and integration expenses <sup>4</sup>	208	—
Other income, net <sup>5</sup>	(60)	(215)
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>(2,448)</b>	<b>329</b>
<i>As a percent of net sales:</i>		
Net loss (GAAP)	(35.5)%	(23.3)%
Adjusted EBITDA (Non-GAAP)	(6.0)%	0.6 %

## Reconciliation of Free Cash Flow:

	Three months ended March 31,	
	2025	2024
<b>Net cash used in operating activities (GAAP):</b>	<b>(11,763)</b>	<b>(2,297)</b>
Capital expenditures of Property, plant and equipment (GAAP)	(24)	(1,442)
<b>Free Cash Flow (Non-GAAP):</b>	<b>(12,007)</b>	<b>(3,739)</b>
	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Liquidity:		
Cash and cash equivalents	13,728	26,111
Revolver Availability	17,000	13,000
<b>Liquidity</b>	<b>30,728</b>	<b>39,111</b>

- For the three months ended March 31, 2025 and 2024, Restructuring expenses related primarily to charges incurred to relocate and terminate certain facilities, and non-cash inventory markdowns associated with manufacturing facility consolidations.
- For the three months ended March 31, 2025, Severance and other charges primarily related to legal costs related to the 1-for-10 reverse stock split effected on February 12, 2025, as well as severance charges. For the three months ended March 31, 2024, Severance and other charges primarily related to estimated legal costs related to certain litigation.
- Includes stock-based compensation and related employer payroll taxes on stock-based compensation for the periods presented.
- For the three months ended March 31, 2025, Acquisition and integration expenses includes consulting, transaction services and legal fees for potential acquisitions, divestitures, or strategic combinations.
- Other income, net related primarily to foreign currency exchange rate gains and losses and other non-operating income and expenses.

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

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

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

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

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

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

