



HYDROFARM®

First Quarter 2024
Earnings Presentation

May 14, 2024

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Business Overview

First Quarter 2024: Key Profitability Metrics Improved

Net Sales performance on-track to achieve full year guide

- March '24 marked the fifth consecutive month of sequential net sales growth
- Q1 industry demand levels were generally in-line with our internal expectations

Improved Adjusted EBITDA to +\$0.3MM from (\$2.1MM) last year

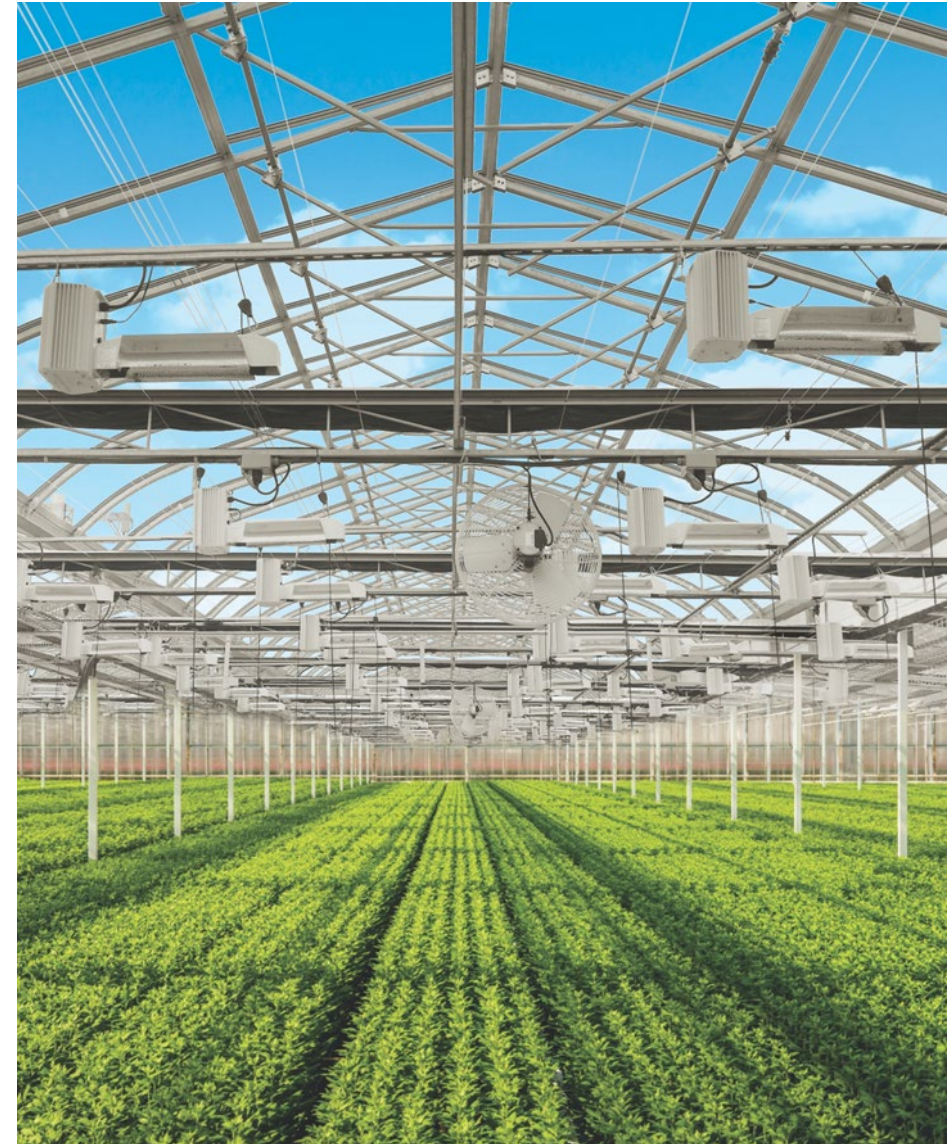
- Positive Adjusted EBITDA now recognized in three of the last four quarters
- Adjusted Gross Profit margin % improved for the fifth consecutive quarter
- Adjusted SG&A expense decreased by 24% versus Q1'23

Free Cash Flow improved significantly in Q1 versus last year

- Continued to manage working capital and liquidity well
- Free Cash Flow increased to (\$3.7MM) in Q1'24 from (\$10.6MM) in Q1'23
- Q1 seasonally low period for cash flow primarily due to Canadian lawn and garden activity

Reaffirming our Outlook for 2024

Adjusted Gross Profit, Adjusted SG&A Expense and Adjusted EBITDA are non-GAAP measures. Please see appendix for reconciliation of non-GAAP to GAAP measures.



2024 Strategic Priorities

- ✓ Positioning brand and product portfolio for potential industry catalysts
- ✓ Focusing on diverse revenue streams
- ✓ Driving improved sales mix via Proprietary Brands
- ✓ Continue right-sizing our cost structure
- ✓ Further improving our Adjusted EBITDA margin





Financial Overview

Financial Summary

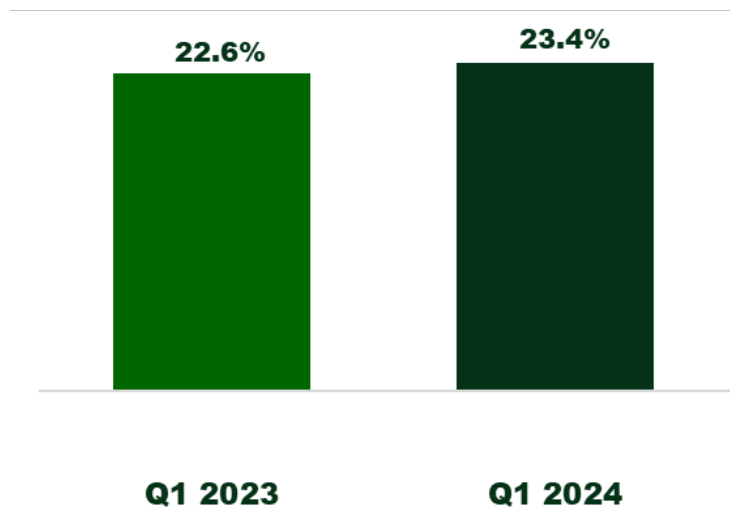
	2023	2024	
<i>Three months ending (\$ in thousands)</i>	Q1	Q1	% Change
Net Sales	62,178	54,172	-13%
Adjusted Gross Profit	14,073	12,665	-10%
% of Net Sales	22.6%	23.4%	+ 80 bps
Adjusted SG&A Expense	16,203	12,336	-24%
% of Net Sales	26.1%	22.8%	
Adjusted EBITDA	(2,130)	329	-115%
% of Net Sales	-3.4%	0.6%	+ 400 bps

Adjusted Gross Profit, Adjusted SG&A Expense and Adjusted EBITDA are non-GAAP measures. Please see appendix for reconciliation of non-GAAP to GAAP measures.



Margin Improvement Continued in Q1

Q1 Adjusted Gross Profit Margin %



+80 basis point increase in Adj. Gross Profit Margin

- Marks the fifth consecutive quarter of AGPM% YoY increases
- Driven by productivity improvements at select manufacturing facilities

Q1 Adjusted EBITDA Margin %



+400 basis point increase in Adj. EBITDA Margin

- Aided by restructuring and cost savings initiatives
- Facilities, professional fees, insurance, headcount declined

Adjusted Gross Profit and Adjusted EBITDA are non-GAAP measures. AGPM% refers to 'Adjusted Gross Profit Margin'. Please see appendix for reconciliation of non-GAAP to GAAP measures.

Liquidity and Cash Flow Remain Strong

Balance Sheet Highlights as of March 31, 2024

Cash and cash equivalents	\$24.2MM
Total Debt	\$130.0MM
Net Debt	\$105.8MM

Cash Flow Highlights 3 months ended March 31, 2024

Net Cash Used in Operations	(\$2.3)MM
Capital Expenditures	(\$1.4)MM
Free Cash Flow	(\$3.7)MM

Free Cash Flow improved by +\$6.9MM vs. Last Year



Debt Details

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

Revolving Line of Credit

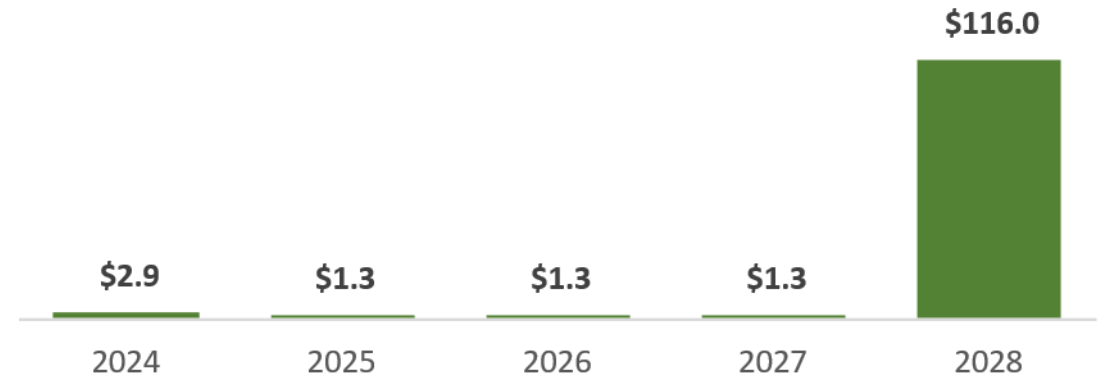
- ✓ \$55MM Total Facility Size
- ✓ \$0MM Drawn and \$25MM (estimated) available as of 3/31/24
- ✓ Adjusted Term SOFR Rate + grid-based spread
- ✓ Availability varies with borrowing base
- ✓ Recently extended maturity to June 2026

Senior Secured Term Loan

- ✓ \$120.5MM in principal outstanding as of 3/31/24
- ✓ Adjusted Term SOFR Rate + 5.50%
- ✓ No financial maintenance covenants
- ✓ Principal amortizes 0.25% per quarter until October 2028
- ✓ Proceeds from Asset Sales subject to debt payment provisions*
- ✓ 0% call premium after October 25, 2023
- ✓ Matures October 2028

Debt Maturities Schedule

(\$ in MM as of 3/31/2024)



* A portion of the net cash proceeds from 2023 Eugene property sale-leaseback of \$8.3MM were not reinvested and were used to paydown debt in Q1'24 (~\$1.7MM). Debt maturities schedule includes full year 2024 estimated long-term debt principal payments, based on assumptions as of 3/31/2024.

Reaffirming Fiscal 2024 Outlook

Key Financial Metrics and Assumptions

1 Net Sales

- Proprietary product sales to increase as % of total
- Improving revenue diversity

2 Adjusted EBITDA

- Productivity in manufacturing
- Productivity in distribution centers
- SG&A savings to more than offset growth/productivity investments
- Minimal non-restructuring inventory reserves or related charges

3 Free Cash Flow

- Further reduce inventory and working capital levels
- Capital expenditures, primarily growth/productivity, of between \$4MM to 5MM

Reaffirming
2024 Full Year
Outlook

**Decline low to high
teens in % terms**

**Positive Adjusted EBITDA
for the Full Year**

**Positive Free Cash Flow
for Full Year**

A photograph of two workers in white protective suits and hairnets standing in a hydroponic facility. They are looking at a tablet held by the worker on the left. The facility has multiple levels of growing racks with plants. The image is overlaid with a dark green semi-transparent filter.

Appendix




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