



Second Quarter 2025 Earnings Presentation

August 12th, 2025

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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.



**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



Second Quarter 2025 Highlights

New Restructuring Plan Initiated

- Optimize our product portfolio, distribution center and manufacturing footprint
- Eliminating underperforming brands to simplify our product portfolio and focus on higher-margin proprietary brands
- Anticipate \$3M+ estimated annual cost savings plus improvements in working capital

Significant Reductions in Adjusted SG&A Expense

- 12th consecutive quarter of year-over-year reductions
- Additional savings expected in 2H 2025 related to new restructuring plan

Meaningful Free Cash Flow Generation

- Free Cash Flow \$1.4 million in Q2'25
- Inventory reductions and working capital benefits



Reaffirming FY2025 Expectations

Industry Headwinds and Tariff Uncertainty Continues

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

2025 Expectations

- Expect improved Adjusted Gross Profit Margin vs. full year 2024
- Expect reduced year-over-year Adjusted SG&A expense vs. full year 2024
- Expect reduction in Inventory and positive Free Cash Flow for the last nine months of 2025





Financial Overview

Financial Summary

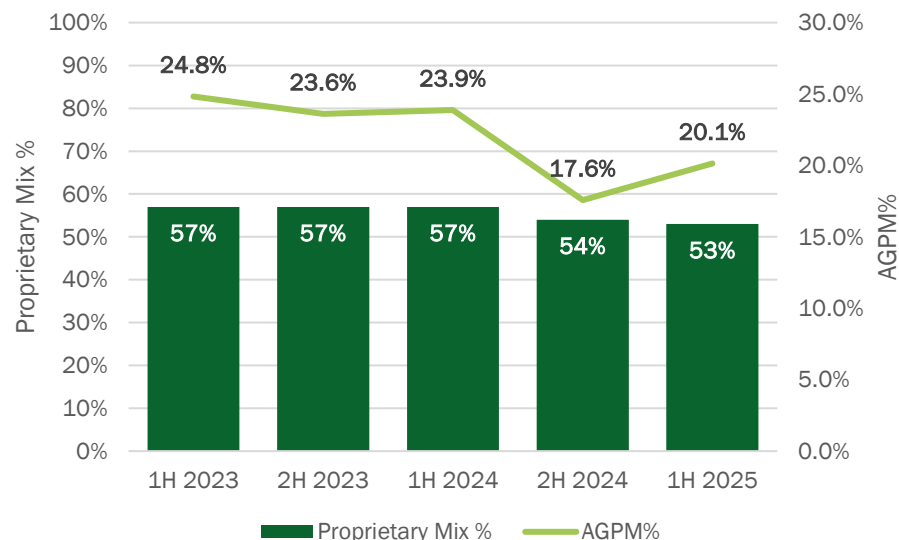
	2024	2025
<i>Three months ending (\$ in thousands)</i>	Q2	Q2
Net Sales	54,793	39,245
Adjusted Gross Profit	13,349	7,531
% of Net Sales	24.4%	19.2%
Adjusted SG&A	11,624	9,803
% of Net Sales	21.2%	25.0%
Adjusted EBITDA	1,725	(2,272)
% of Net Sales	3.1%	(5.8)%



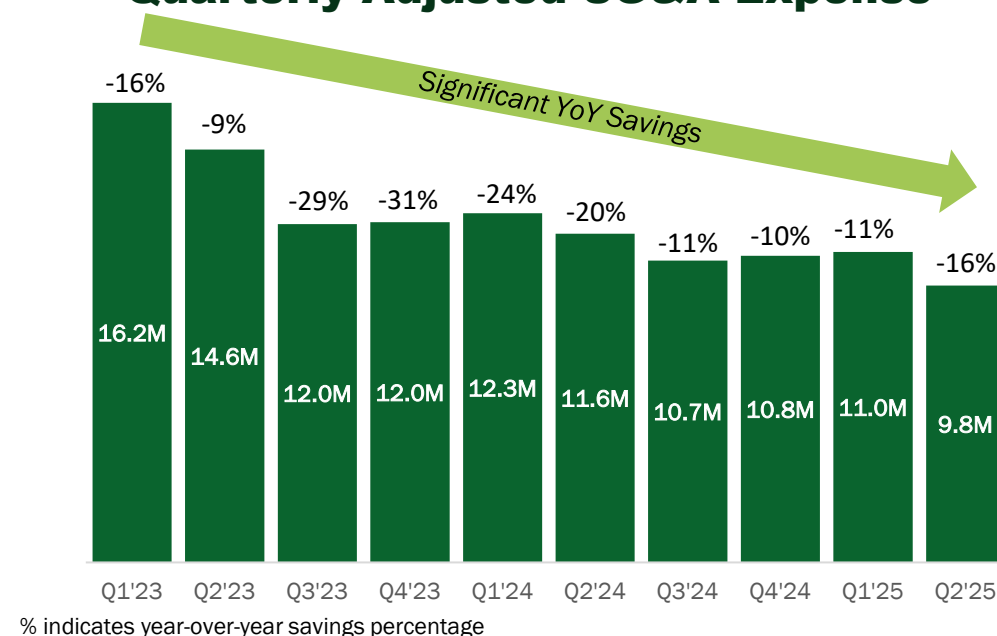
Adjusted Gross Profit, Adjusted SG&A, Adjusted EBITDA, and Free Cash Flow are non-GAAP measures. AGPM% refers to 'Adjusted Gross Profit Margin'. Please see appendix for reconciliation of GAAP to non-GAAP measures.

Trend in AGPM% and Adjusted SG&A

Proprietary Brand Sales Mix and AGPM%



Quarterly Adjusted SG&A Expense



Focused on 2H'25 Proprietary Brand Mix Recovery

- 1H'25 performance due primarily to lower net sales and soft industry demand for lighting and durable products
- 2H'25 restructuring actions to optimize our product portfolio as well as planned marketing investments are all centered on higher-margin proprietary brands

Continued Favorable Adjusted SG&A Savings

- Significant reductions in headcount, facility costs, insurance, professional & outside services over the past two years
- Incremental savings resulting from new 2025 restructuring and related cost saving initiative expected to largely offset 2H'25 planned investments

Cash and Liquidity

Balance Sheet Highlights as of June 30, 2025

USD millions

Cash	\$11.0
Liquidity	\$20.0
Total Debt	\$122.6
Net Debt	\$111.6

Cash Flow Highlights 3 months ended June 30, 2025

USD millions

Net Cash from Operations	\$1.7
Capital Expenditures	\$(0.3)
Free Cash Flow	\$1.4

'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

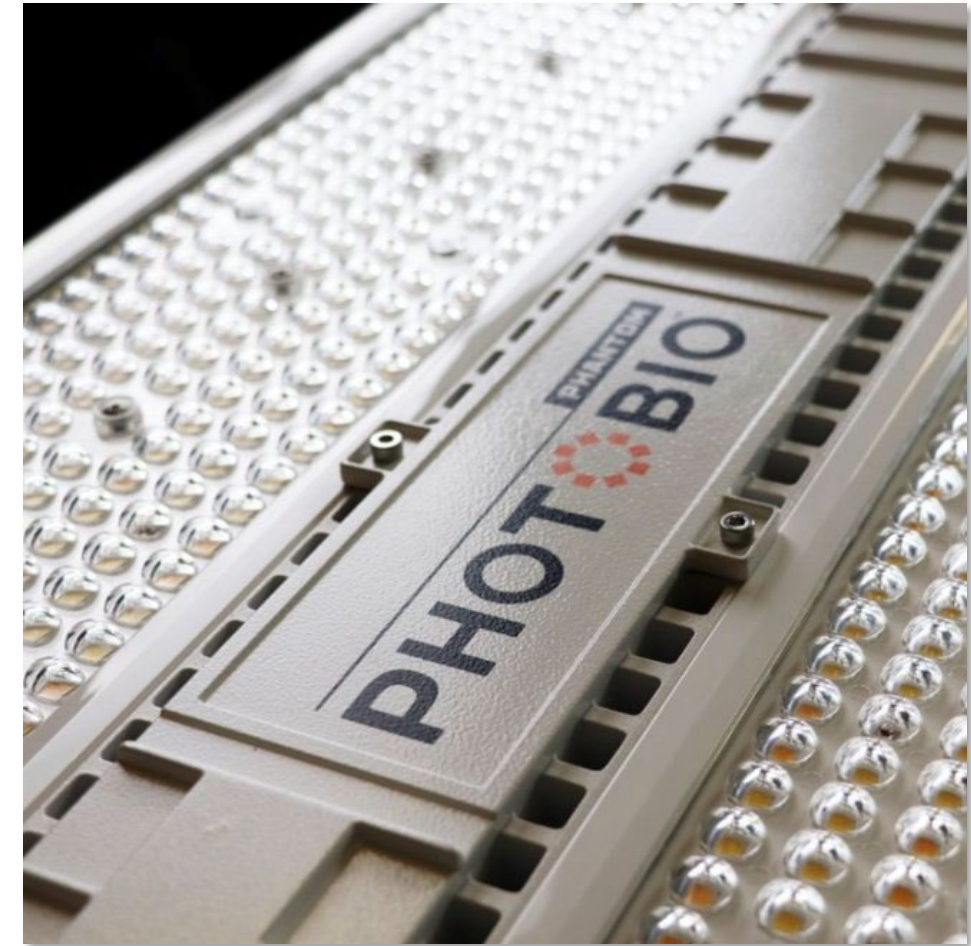
Un-utilized Revolving Credit facility and Covenant-light Term Loan that does not mature until 2028

Revolving Line of Credit

- \$22 million maximum commitment
- Zero borrowed and \$9 million available as of June 30, 2025
- Adjusted Term SOFR Rate + grid-based spread
- Availability varies with borrowing base
- Matures June 30, 2027

Senior Secured Term Loan

- \$114.5 million in principal outstanding as of June 30, 2025
- Adjusted Term SOFR Rate + 5.50%
- No financial maintenance covenants
- Hydrofarm made \$4.5 million prepayment of principal in Q2' 25 in accordance with IGE Asset Sale reinvestment provision
- Principal amortizes 0.25% per quarter until maturity; with no remaining quarterly amortization payments due to the Q2'25 prepayment
- 0% call premium
- Matures October 25, 2028





Appendix

Reconciliation of Non-GAAP Financial Measures to Reported Financial Measures

(\$ in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Reconciliation of Adjusted Gross Profit:				
Gross Profit (GAAP)	2,794	10,851	9,671	21,776
Depreciation, depletion and amortization	1,416	1,608	2,729	3,257
Restructuring expenses ¹	3,321	890	3,663	981
Adjusted Gross Profit (Non-GAAP)	<u>7,531</u>	<u>13,349</u>	<u>16,063</u>	<u>26,014</u>
<i>As a percent of net sales:</i>				
Gross Profit Margin (GAAP)	7.1%	19.8%	12.1%	20.0%
Adjusted Gross Profit Margin (Non-GAAP)	19.2%	24.4%	20.1%	23.9%

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Reconciliation of Adjusted SG&A:				
Selling, general and administrative (GAAP)	16,140	18,659	34,003	38,280
Depreciation, depletion and amortization	5,996	6,168	11,992	12,404
Restructuring expenses ¹	-	37	20	84
Severance and other ²	45	61	229	195
Stock-based compensation ³	289	769	764	1,637
Acquisition and integration expenses ⁴	7	-	215	-
Adjusted SG&A (Non-GAAP)	<u>9,803</u>	<u>11,624</u>	<u>20,783</u>	<u>23,960</u>
<i>As a percent of net sales:</i>				
SG&A (GAAP)	41.1%	34.1%	42.6%	35.1%
Adjusted SG&A (Non-GAAP)	25.0%	21.2%	26.1%	22.0%

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Reconciliation of Adjusted EBITDA:				
Net loss (GAAP)	(16,861)	(23,450)	(31,246)	(36,058)
Interest expense	3,391	3,811	6,768	7,742
Income tax (benefit) expense	(98)	390	(16)	586
Depreciation, depletion and amortization	7,412	7,776	14,721	15,661
Restructuring expenses ¹	3,321	927	3,683	1,065
Severance and other ²	45	61	229	195
Stock-based compensation ³	289	769	764	1,637
Acquisition and integration expenses ⁴	7	-	215	-
Other expense (income), net ⁵	222	(79)	162	(294)
Loss on asset disposition ⁶	-	11,520	-	11,520
Adjusted EBITDA (Non-GAAP)	<u>(2,272)</u>	<u>1,725</u>	<u>(4,720)</u>	<u>2,054</u>
<i>As a percent of net sales:</i>				
Net loss (GAAP)	-43.0%	-42.8%	-39.2%	-33.1%
Adjusted EBITDA (Non-GAAP)	-5.8%	3.1%	-5.9%	1.9%

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Reconciliation of Free Cash Flow:				
Net cash from (used in) operating	1,716	3,784	(10,047)	1,487
Capital expenditures of Property, Plant and Equipment (GAAP)	(281)	(368)	(525)	(1,810)
Free Cash Flow (Non-GAAP):	<u>1,435</u>	<u>3,416</u>	<u>(10,572)</u>	<u>(323)</u>

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 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.

- For the three and six months ended June 30, 2025, Restructuring expenses primarily related to non-cash inventory markdowns. For the three and six months ended June 30, 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 and six months ended June 30, 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 six months ended June 30, 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 and six months ended June 30, 2025, Acquisition and integration expenses includes consulting, transaction services and legal fees for potential acquisitions, divestitures, or strategic combinations.
- Other expense (income), net related primarily to foreign currency exchange rate gains and losses and other non-operating income and expenses and a loss on debt extinguishment recorded in conjunction with the Term Loan prepayment.
- Loss on asset disposition for the three and six months ended June 30, 2024, relates to the loss on the sale of assets relating to the production of Innovative Growers Equipment durable equipment products (the IGE Asset Sale).