

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 quarterly period ended September 30, 2025  
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  
(State or other jurisdiction of  
incorporation or organization)

81-4895761  
(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:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 3, 2025, the registrant had 4,667,004 shares of common stock, \$0.0001 par value per share, outstanding.

## EXPLANATORY NOTE REGARDING REVERSE STOCK SPLIT

On February 12, 2025, Hydrofarm Holdings Group, Inc. (“Hydrofarm Holdings”) filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation, as amended (the “Charter Amendment”), with the Secretary of State of the State of Delaware to effect a 1-for-10 reverse stock split (the “Reverse Stock Split”) of Hydrofarm Holdings’ common stock, par value \$0.0001 per share (the “Common Stock”), effective February 12, 2025 at 5:00 p.m., Eastern Time (the “Effective Time”) and Hydrofarm Holdings’ shares of Common Stock began trading on a split-adjusted basis on The Nasdaq Capital Market at the commencement of trading on February 13, 2025, under Hydrofarm Holdings’ existing trading symbol “HYFM”. The new CUSIP number for the Common Stock following the Reverse Stock Split is 44888K407.

As previously reported, the Reverse Stock Split was approved by Hydrofarm Holdings’ stockholders at Hydrofarm Holdings’ annual meeting of stockholders held on June 6, 2024, at a ratio ranging from any whole number between 1-for-1.1 and 1-for-25, as determined by Hydrofarm Holdings’ board of directors in its discretion. On February 6, 2025, the board of directors approved a ratio of 1-for-10 for the Reverse Stock Split.

The Charter Amendment provides that at the Effective Time, every 10 shares of Hydrofarm Holdings’ issued and outstanding shares of Common Stock immediately prior to the Effective Time, were automatically converted, without any action on the part of the holder thereof, into one share of Common Stock. The number of authorized shares of Common Stock and the par value of each share of Common Stock remained unchanged. No fractional shares were issued as a result of the Reverse Stock Split. Stockholders who otherwise would have been entitled to receive a fractional share in connection with the Reverse Stock Split received a cash payment in lieu thereof.

Hydrofarm Holdings has adjusted the presentation of all periods covered by the condensed consolidated financial statements contained herein to give retroactive effect to the Reverse Stock Split, including adjustments to net loss per share and other per share of Common Stock amounts.

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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;
  - 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 liquidity;
  - our ability to meet the continued listing standards of The Nasdaq Capital Market ("Nasdaq");
  - our ability to effectively transition the Chief Executive Officer role and facilitate the continued succession of the Company's leadership;
  - 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;
  - 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;
  - the results of and expectations regarding our acquisitions, dispositions and strategic alliances;
  - 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 current level of indebtedness;
  - 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 5, 2025 (the “2024 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 ANNUAL 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.

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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, 2025	December 31, 2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 10,652	\$ 26,111
Accounts receivable, net	10,008	14,756
Inventories	38,338	50,633
Prepaid expenses and other current assets	3,628	3,712
<b>Total current assets</b>	<b>62,626</b>	<b>95,212</b>
Property, plant and equipment, net	34,751	37,545
Operating lease right-of-use assets	39,553	42,869
Intangible assets, net	231,196	249,002
Other assets	1,556	1,476
<b>Total assets</b>	<b>\$ 369,682</b>	<b>\$ 426,104</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 11,806	\$ 12,279
Accrued expenses and other current liabilities	7,555	10,647
Deferred revenue	2,608	2,611
Current portion of operating lease liabilities	7,676	7,731
Current portion of finance lease liabilities	459	459
Current portion of long-term debt	40	1,260
<b>Total current liabilities</b>	<b>30,144</b>	<b>34,987</b>
Long-term operating lease liabilities	34,508	37,553
Long-term finance lease liabilities	7,493	7,830
Long-term debt	111,740	114,693
Deferred tax liabilities	2,952	3,047
Other long-term liabilities	4,563	4,272
<b>Total liabilities</b>	<b>191,400</b>	<b>202,382</b>
<b>Commitments and contingencies (Note 14)</b>		
<b>Stockholders' equity</b>		
Common stock (\$0.0001 par value; 300,000,000 shares authorized; 4,667,004 and 4,614,279 shares issued and outstanding at September 30, 2025, and December 31, 2024, respectively)	—	—
Additional paid-in capital	791,012	790,094
Accumulated other comprehensive loss	(7,633)	(8,911)
Accumulated deficit	(605,097)	(557,461)
<b>Total stockholders' equity</b>	<b>178,282</b>	<b>223,722</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 369,682</b>	<b>\$ 426,104</b>

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,	
	2025	2024	2025	2024
Net sales	\$ 29,350	\$ 44,009	\$ 109,129	\$ 152,974
Cost of goods sold	25,941	35,490	96,049	122,679
<b>Gross profit</b>	<b>3,409</b>	<b>8,519</b>	<b>13,080</b>	<b>30,295</b>
Operating expenses:				
Selling, general and administrative	16,365	17,556	50,368	55,836
Loss on asset disposition	—	—	—	11,520
<b>Loss from operations</b>	<b>(12,956)</b>	<b>(9,037)</b>	<b>(37,288)</b>	<b>(37,061)</b>
Interest expense	(3,331)	(3,910)	(10,099)	(11,652)
Other income (expense), net	22	80	(140)	374
<b>Loss before tax</b>	<b>(16,265)</b>	<b>(12,867)</b>	<b>(47,527)</b>	<b>(48,339)</b>
Income tax expense	(125)	(279)	(109)	(865)
<b>Net loss</b>	<b>\$ (16,390)</b>	<b>\$ (13,146)</b>	<b>\$ (47,636)</b>	<b>\$ (49,204)</b>
Net loss per share:				
Basic	\$ (3.51)	\$ (2.86)	\$ (10.26)	\$ (10.71)
Diluted	\$ (3.51)	\$ (2.86)	\$ (10.26)	\$ (10.71)
Weighted-average shares of common stock outstanding:				
Basic	4,663,422	4,603,306	4,641,522	4,594,116
Diluted	4,663,422	4,603,306	4,641,522	4,594,116

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,	
	2025	2024	2025	2024
<b>Net loss</b>	<b>\$ (16,390)</b>	<b>\$ (13,146)</b>	<b>\$ (47,636)</b>	<b>\$ (49,204)</b>
<b>Other comprehensive loss:</b>				
Foreign currency translation (loss) gain	(524)	480	1,278	(590)
<b>Total comprehensive loss</b>	<b>\$ (16,914)</b>	<b>\$ (12,666)</b>	<b>\$ (46,358)</b>	<b>\$ (49,794)</b>

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 (UNAUDITED)

(In thousands, except for share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
<b>Balance, June 30, 2024</b>	<b>4,597,859</b>	<b>\$ —</b>	<b>\$ 789,378</b>	<b>\$ (7,567)</b>	<b>\$ (526,802)</b>	<b>\$ 255,009</b>
Issuance of common stock for vesting of stock awards	14,967	—	—	—	—	—
Shares repurchased for withholding tax on stock awards	(5,169)	—	(29)	—	—	(29)
Stock-based compensation expense	—	—	668	—	—	668
Net loss	—	—	—	—	(13,146)	(13,146)
Foreign currency translation gain	—	—	—	480	—	480
<b>Balance, September 30, 2024</b>	<b>4,607,657</b>	<b>\$ —</b>	<b>\$ 790,017</b>	<b>\$ (7,087)</b>	<b>\$ (539,948)</b>	<b>\$ 242,982</b>
<b>Balance, June 30, 2025</b>	<b>4,659,020</b>	<b>\$ —</b>	<b>\$ 790,825</b>	<b>\$ (7,109)</b>	<b>\$ (588,707)</b>	<b>\$ 195,009</b>
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)
<b>Balance, September 30, 2025</b>	<b>4,667,004</b>	<b>\$ —</b>	<b>\$ 791,012</b>	<b>\$ (7,633)</b>	<b>\$ (605,097)</b>	<b>\$ 178,282</b>

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholder Equity
	Shares	Amount				
<b>Balance, December 31, 2023</b>	<b>4,578,841</b>	<b>\$ —</b>	<b>\$ 787,851</b>	<b>\$ (6,497)</b>	<b>\$ (490,744)</b>	<b>\$ 290,6</b>
Issuance of common stock for vesting of stock awards	44,696	—	—	—	—	—
Shares repurchased for withholding tax on stock awards	(15,880)	—	(127)	—	—	(1
Stock-based compensation expense	—	—	2,293	—	—	2,2
Net loss	—	—	—	—	(49,204)	(49,2
Foreign currency translation loss	—	—	—	(590)	—	(5
<b>Balance, September 30, 2024</b>	<b>4,607,657</b>	<b>\$ —</b>	<b>\$ 790,017</b>	<b>\$ (7,087)</b>	<b>\$ (539,948)</b>	<b>\$ 242,9</b>
<b>Balance, December 31, 2024</b>	<b>4,614,279</b>	<b>\$ —</b>	<b>\$ 790,094</b>	<b>\$ (8,911)</b>	<b>\$ (557,461)</b>	<b>\$ 223,7</b>
Issuance of common stock for vesting of stock awards	71,194	—	—	—	—	—
Shares repurchased for withholding tax on stock awards	(18,469)	—	(46)	—	—	(
Stock-based compensation expense	—	—	964	—	—	9
Net loss	—	—	—	—	(47,636)	(47,6
Foreign currency translation gain	—	—	—	1,278	—	1,2
<b>Balance, September 30, 2025</b>	<b>4,667,004</b>	<b>\$ —</b>	<b>\$ 791,012</b>	<b>\$ (7,633)</b>	<b>\$ (605,097)</b>	<b>\$ 178,2</b>

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,	
	2025	2024
<b>Operating activities</b>		
<b>Net loss</b>	\$ (47,636)	\$ (49,204)
Adjustments to reconcile net loss to net cash (used in) from operating activities:		
Depreciation, depletion and amortization	22,057	23,325
Provision for inventory obsolescence	1,010	1,013
Restructuring expenses	4,004	516
Stock-based compensation expense	964	2,293
Non-cash operating lease expense	5,920	6,311
Non-cash loss from asset disposition	—	11,103
Other	1,616	827
Changes in assets and liabilities:		
Accounts receivable	3,902	819
Inventories	7,744	8,854
Prepaid expenses and other current assets	119	790
Other assets	(175)	(113)
Accounts payable	(655)	(2,258)
Accrued expenses and other current liabilities	(3,145)	147
Deferred revenue	(15)	(411)
Lease liabilities	(5,728)	(7,081)
Other long-term liabilities	(66)	89
<b>Net cash used in operating activities</b>	<b>(10,084)</b>	<b>(2,980)</b>
<b>Investing activities</b>		
Capital expenditures of property, plant and equipment	(695)	(2,622)
Cash proceeds from IGE Asset Sale for property, plant and equipment	—	3,700
Other	87	383
<b>Net cash (used in) from investing activities</b>	<b>(608)</b>	<b>1,461</b>
<b>Financing activities</b>		
Borrowings under foreign revolving credit facilities	291	334
Repayments of foreign revolving credit facilities	(292)	(345)
Repayments of Term Loan	(4,851)	(2,890)
Payment of withholding tax related to stock awards	(46)	(127)
Finance lease principal payments	(344)	(1,259)
<b>Net cash used in financing activities</b>	<b>(5,242)</b>	<b>(4,287)</b>
Effect of exchange rate changes on cash and cash equivalents	475	(102)
<b>Net decrease in cash and cash equivalents</b>	<b>(15,459)</b>	<b>(5,908)</b>
Cash and cash equivalents at beginning of period	26,111	30,312
<b>Cash and cash equivalents at end of period</b>	<b>\$ 10,652</b>	<b>\$ 24,404</b>
<b>Non-cash investing and financing activities</b>		
Right-of-use assets acquired (relinquished) under operating lease obligations, net	\$ 2,166	\$ (1,924)
Capital expenditures included in accounts payable and accrued liabilities	118	55
<b>Supplemental information</b>		
Cash paid for interest	9,507	12,038
Cash (refunded) paid for income taxes	(11)	130

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<sub>2</sub>, light intensity and color, nutrient concentration and pH.

## 2. 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 SEC 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, 2025, or for any other interim period or for any other future year. All intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of December 31, 2024, has been derived from the audited consolidated financial statements of the Company, which is included in the 2024 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 2024 Annual Report.

On February 12, 2025, the Company filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation, as amended, with the Secretary of State of the State of Delaware to effect a 1-for-10 reverse stock split of the Company's common stock, effective February 12, 2025 at 5:00 p.m., Eastern Time and the Company's shares of common stock began trading on a split-adjusted basis on The Nasdaq Capital Market at the commencement of trading on February 13, 2025, under the Company's existing trading symbol "HYFM". There was no adjustment to the number of authorized shares or the par value. The Company has adjusted the presentation of all periods covered by the condensed consolidated financial statements contained herein to give retroactive effect to the Reverse Stock Split, including adjustments to net loss per share and other per share of Common Stock amounts.

### *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.

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

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 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 manufacture and distribution 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, selling, general and administrative expenses ("SG&A"), and net loss as presented in the condensed consolidated statements of operations. Net income (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 loss on asset disposition, interest expense, other income (expense), net, and income tax expense. Therefore, the Company is cross referencing to the U.S. GAAP financial statement measures as presented in the condensed consolidated statements of operations, in connection with adoption of ASU 2023-07. Since the Company operates as one reportable segment, all required segment financial information is found in the condensed consolidated financial statements and footnotes, 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,	
	2025	2024	2025	2024
United States	\$ 24,054	\$ 36,318	\$ 87,647	\$ 120,869
Canada	5,882	8,339	23,190	34,367
Eliminations	(586)	(648)	(1,708)	(2,262)
<b>Total consolidated net sales</b>	<b>\$ 29,350</b>	<b>\$ 44,009</b>	<b>\$ 109,129</b>	<b>\$ 152,974</b>

	September 30, 2025	December 31, 2024
United States	\$ 43,689	\$ 50,928
Canada	30,615	29,513
<b>Total property, plant and equipment, net and operating lease right-of-use assets</b>	<b>\$ 74,304</b>	<b>\$ 80,441</b>

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.

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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.

***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 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 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 \$798 and \$3,380 during the three and nine months ended September 30, 2025, respectively, and \$1,463 and \$6,672 during the three and nine months ended September 30, 2024, 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 in the condensed consolidated balance sheets, totaled \$2,608 and \$2,611 as of September 30, 2025, and December 31, 2024, respectively. During the nine months ended September 30, 2025, the Company recorded customer deposits of \$3,207, recognized \$3,056 of deferred revenue, and noted \$154 of additional decreases primarily due to customer refunds and foreign exchange rate fluctuations. 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 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.

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**Recent accounting pronouncements**

In December 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires greater disaggregation of information in the effective tax rate reconciliation, income taxes paid disaggregated by jurisdiction, and certain other amendments related to income tax disclosures. This guidance will be effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

In November 2024, the FASB issued 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 is currently evaluating the impact that adoption of this accounting standard will have on its financial disclosures.

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.

**3. RESTRUCTURING AND ASSET SALES****Restructuring***2023 Restructuring Plan*

Upon completion of a restructuring plan that began in 2022, the Company began a restructuring plan in 2023 (the "2023 Restructuring Plan"), and undertook significant actions to streamline operations, reduce costs and improve efficiencies. 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. During the three and nine months ended September 30, 2024, the Company recorded pre-tax restructuring charges of \$656 and \$1,721, respectively, for the 2023 Restructuring Plan, relating primarily to cash charges associated with the consolidation and closure of U.S. manufacturing facilities. Of the \$656 and \$1,721 recorded charges, \$577 and \$1,558 was recorded within Cost of goods sold on the condensed consolidated statements of operations during the three and nine months ended September 30, 2024, respectively. The Company recorded \$79 and \$163 within SG&A expenses on the condensed consolidated statements of operations during the three and nine months ended September 30, 2024, respectively.

In the first quarter of 2025, the Company incurred approximately \$362 of restructuring charges, which were primarily cash charges and recorded in Cost of goods sold. The remaining accrual balance of \$103 as of December 31, 2024, was settled

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during the nine months ended September 30, 2025, and there is no remaining accrual balance. Total costs incurred relating to the 2023 Restructuring Plan, from its commencement through completion in the first quarter of 2025 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.

*2025 Restructuring Plan*

The Company initiated a restructuring plan in the second quarter of 2025 (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.

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

	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
<b>Total 2025 Restructuring Plan charges</b>	<b>\$ 895</b>	<b>\$ 4,216</b>
Cash	\$ 246	\$ 277
Non-cash	649	3,939
<b>Total 2025 Restructuring Plan charges</b>	<b>\$ 895</b>	<b>\$ 4,216</b>

Non-cash charges were primarily associated with 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. The Company does not have any material accruals for restructuring charges as of September 30, 2025.

Refer to Item 2. "Management's Discussion And Analysis Of Financial Condition And Results of Operations – Market Conditions" for further explanation of the Company's restructuring plans. The amounts the Company will ultimately realize could differ from these estimates.

**Asset Sales**

On May 10, 2024, in connection with the Company's restructuring of its durable manufacturing operations, the Company entered into an agreement (the "Purchase Agreement") with CM Fabrication, LLC (the "Buyer") to sell assets relating to the production of Innovative Growers Equipment ("IGE") durable equipment products for \$8,660 (the "IGE Asset Sale") and retain the proprietary brand and customer relationships. The IGE Asset Sale closed on May 31, 2024, and the Company continues to sell its IGE branded durable products, including horticulture benches, racking and LED lighting systems. In connection with the transaction, the Company entered into an exclusive supply agreement with the Buyer to provide for contract manufacturing, which is expected to yield a more efficient cost model.

Assets and liabilities that were sold, disposed or terminated in connection with the IGE Asset Sale included \$11,616 of inventories, \$3,721 of property, plant and equipment, \$2,573 of technology intangible assets, and \$90 of other net liabilities. The Company paid cash to terminate the facility operating lease for \$1,275 and certain equipment finance leases for \$668. The Company incurred an estimated \$417 of transaction costs, including legal fees and other transaction-related expenses. The Company recorded a loss on asset disposition of \$11,520 on the condensed consolidated statements of operations for the three and nine months ended September 30, 2024, which included the aforementioned assets and liabilities derecognized, and operating and finance lease termination payments. The Company estimated the amount of cash proceeds associated with the sale of inventories as \$4,960 and property, plant and equipment as \$3,700, and classified the amounts within net cash from

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operating activities and investing activities, respectively, on the condensed consolidated statements of cash flows for the nine months ended September 30, 2024.

Pursuant to requirements in the Company's Revolving Credit Facility (as defined below) consent was obtained from JPMorgan Chase Bank, N.A., as administrative agent, to permit the IGE Asset Sale. The net cash proceeds of approximately \$6,300 from this transaction were subject to a provision of the Term Loan (as defined below) whereby such net cash proceeds were reinvested into certain investments, such as capital expenditures, with the remainder being prepaid against the Term Loan principal. Refer to Note 10 – *Debt* for further details.

During the year ended December 31, 2024, the Company sold approximately 20 acres of the 140 acres of excess owned land at the Goshen, New York location. The sale price less costs to sell were consistent with the carrying value of the land, and therefore no gain or loss was recorded in the year ended December 31, 2024.

**4. INTANGIBLE ASSETS, NET**

Intangible assets, net comprised the following:

	September 30, 2025			December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Finite-lived intangible assets:						
Computer software	\$ 8,855	\$ (8,680)	\$ 175	\$ 8,982	\$ (8,625)	\$ 357
Customer relationships	99,805	(44,740)	55,065	99,806	(39,230)	60,576
Technology, formulations and recipes	110,381	(40,380)	70,001	110,381	(33,401)	76,980
Trade names and trademarks	131,493	(28,453)	103,040	131,492	(23,432)	108,060
Other	4,749	(4,635)	114	4,716	(4,488)	228
<b>Total finite-lived intangible assets, net</b>	<b>355,283</b>	<b>(126,888)</b>	<b>228,395</b>	<b>355,377</b>	<b>(109,176)</b>	<b>246,201</b>
Indefinite-lived intangible asset:						
Trade name	2,801	—	2,801	2,801	—	2,801
<b>Total Intangible assets, net</b>	<b>\$ 358,084</b>	<b>\$ (126,888)</b>	<b>\$ 231,196</b>	<b>\$ 358,178</b>	<b>\$ (109,176)</b>	<b>\$ 249,002</b>

Amortization expense related to intangible assets was \$5,930 and \$17,794 for the three and nine months ended September 30, 2025, respectively. Amortization expense related to intangible assets was \$5,942 and \$18,062 for the three and nine months ended September 30, 2024, respectively.

The following are the estimated useful lives and the weighted-average amortization period remaining as of September 30, 2025, for the major classes of finite-lived intangible assets:

	Useful lives	Weighted-average amortization period remaining
Computer software	3 to 5 years	1 year
Customer relationships	7 to 18 years	8 years
Technology, formulations and recipes	8 to 12 years	8 years
Trade names and trademarks	15 to 20 years	16 years

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The estimated aggregate future amortization expense for intangible assets subject to amortization as of September 30, 2025, is summarized below:

	Estimated Future Amortization Expense
For the period of October 1, 2025 to December 31, 2025	\$ 5,932
Year ending December 31,	
2026	23,526
2027	23,353
2028	22,715
2029	21,583
2030	21,395
Thereafter	109,891
<b>Total</b>	<b>\$ 228,395</b>

**5. 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 share-based awards with exercise prices less than the average market price of the Company's common stock for the period, 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, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
<b>Net loss</b>	<b>\$ (16,390)</b>	<b>\$ (13,146)</b>	<b>\$ (47,636)</b>	<b>\$ (49,204)</b>
Weighted-average shares of common stock outstanding	4,663,422	4,603,306	4,641,522	4,594,116
Dilutive effect of share based compensation awards using the treasury stock method	—	—	—	—
<b>Diluted weighted-average shares of common stock outstanding</b>	<b>4,663,422</b>	<b>4,603,306</b>	<b>4,641,522</b>	<b>4,594,116</b>
<b>Basic loss per common share</b>	<b>\$ (3.51)</b>	<b>\$ (2.86)</b>	<b>\$ (10.26)</b>	<b>\$ (10.71)</b>
<b>Diluted loss per common share</b>	<b>\$ (3.51)</b>	<b>\$ (2.86)</b>	<b>\$ (10.26)</b>	<b>\$ (10.71)</b>

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,	
	2025	2024	2025	2024
<b>Shares subject to unvested or deferred performance and restricted stock units</b>	<b>340,860</b>	<b>308,682</b>	<b>340,860</b>	<b>308,682</b>
<b>Shares subject to stock options outstanding</b>	<b>32,612</b>	<b>40,902</b>	<b>32,612</b>	<b>40,902</b>

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**6. ACCOUNTS RECEIVABLE, NET, AND INVENTORIES**

Accounts receivable, net comprised the following:

	September 30, 2025	December 31, 2024
Trade accounts receivable	\$ 9,751	\$ 14,112
Allowance for doubtful accounts	(666)	(706)
Other receivables	923	1,350
<b>Total accounts receivable, net</b>	<b>\$ 10,008</b>	<b>\$ 14,756</b>

The change in the allowance for doubtful accounts consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
<b>Beginning balance</b>	\$ (629)	\$ (763)	\$ (706)	\$ (920)
Changes in estimates	(138)	(296)	(818)	(572)
Write-offs	50	43	787	379
Collections/Other	51	157	71	254
<b>Ending balance</b>	<b>\$ (666)</b>	<b>\$ (859)</b>	<b>\$ (666)</b>	<b>\$ (859)</b>

Inventories comprised the following:

	September 30, 2025	December 31, 2024
Finished goods	\$ 30,102	\$ 44,372
Work-in-process	917	1,137
Raw materials	11,391	12,398
Allowance for inventory obsolescence	(4,072)	(7,274)
<b>Total inventories</b>	<b>\$ 38,338</b>	<b>\$ 50,633</b>

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 change from period to period based on a number of factors including sales of products, changes in estimates, and disposals.

**7. 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 \$2,410 and \$7,209 during the three and nine months ended September 30, 2025, respectively, and \$2,426 and \$7,787 during the three and nine months ended September 30, 2024, respectively. These costs are included primarily within SG&A in the condensed consolidated statements of operations and do not include lease termination costs associated with the IGE Asset Sale. Refer to Note 3 – *Restructuring and Asset Sales* for further details.

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, 2025, the Company recorded sublease and logistics income of \$1,271 and \$3,569, respectively.

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For the three and nine months ended September 30, 2024, the Company recorded sublease and logistics income of \$931 and \$2,454, respectively.

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

Balance Sheet Classification		September 30, 2025	December 31, 2024
<b>Lease assets</b>			
Operating lease assets	Operating lease right-of-use assets	\$ 39,553	\$ 42,869
Finance lease assets	Property, plant and equipment, net	6,748	7,279
<b>Total lease assets</b>		<b>\$ 46,301</b>	<b>\$ 50,148</b>
<b>Lease liabilities</b>			
Current:			
Operating leases	Current portion of operating lease liabilities	\$ 7,676	\$ 7,731
Finance leases	Current portion of finance lease liabilities	459	459
Noncurrent:			
Operating leases	Long-term operating lease liabilities	34,508	37,553
Finance leases	Long-term finance lease liabilities	7,493	7,830
<b>Total lease liabilities</b>		<b>\$ 50,136</b>	<b>\$ 53,573</b>

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, 2025 are as follows:

	Operating	Finance
For the period of October 1, 2025 to December 31, 2025	\$ 2,462	\$ 226
Year ending December 31,		
2026	9,005	844
2027	9,223	851
2028	8,689	806
2029	5,826	822
2030	4,705	838
Thereafter	7,764	6,379
<b>Total lease payments</b>	<b>47,674</b>	<b>10,766</b>
Less portion representing interest	(5,490)	(2,814)
<b>Total principal</b>	<b>42,184</b>	<b>7,952</b>
Less current portion	(7,676)	(459)
<b>Long-term portion</b>	<b>\$ 34,508</b>	<b>\$ 7,493</b>

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**8. PROPERTY, PLANT AND EQUIPMENT, NET**

Property, plant and equipment, net comprised the following:

	September 30, 2025	December 31, 2024
Machinery and equipment	\$ 23,654	\$ 23,531
Peat bogs and related development	12,467	11,895
Building and improvements	10,384	10,313
Land	5,659	5,630
Furniture and fixtures	4,290	4,239
Computer equipment	3,211	3,152
Leasehold improvements	3,337	3,185
<b>Gross property, plant and equipment</b>	<b>63,002</b>	<b>61,945</b>
Less: accumulated depreciation	(28,251)	(24,400)
<b>Total property, plant and equipment, net</b>	<b>\$ 34,751</b>	<b>\$ 37,545</b>

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. Depreciation, depletion and amortization expense related to property, plant and equipment, net was \$1,721 and \$5,262 for the three and nine months ended September 30, 2024, respectively.

As of September 30, 2025, Land, Building and improvements, Computer equipment, and Machinery and equipment contain finance leases assets, recorded at cost of \$9,812, less accumulated depreciation of \$3,064. As of December 31, 2024, Land, Building and improvements, Computer equipment, and Machinery and equipment contain finance leases assets, recorded at cost of \$9,823, less accumulated depreciation of \$2,544.

The Company operates peat bogs in Alberta, Canada. Under current provincial laws the Company is subject to certain AROs and the remediation of the peat bog sites are under provincial oversight. The Company periodically evaluates expected remediation costs associated with the peat bog sites that it operates. When the Company concludes that it is probable that a liability has been incurred, a provision is made for management's estimate of the liability. As of September 30, 2025, and December 31, 2024, the Company had AROs of \$247 and \$284, respectively, recorded in Accrued expenses and other current liabilities on the condensed consolidated balance sheets. As of September 30, 2025, and December 31, 2024, the Company had AROs of \$4,528 and \$4,232, respectively, recorded in Other long-term liabilities 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,	
	2025	2024	2025	2024
<b>Balance, beginning of the period</b>	\$ 4,847	\$ 4,915	\$ 4,516	\$ 5,216
Liabilities incurred in the period	—	—	40	—
Liabilities settled in the period	(21)	(84)	(47)	(312)
Accretion expense	41	40	118	126
Other	(92)	58	148	(101)
<b>Balance, end of the period</b>	<b>\$ 4,775</b>	<b>\$ 4,929</b>	<b>\$ 4,775</b>	<b>\$ 4,929</b>

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**9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities comprised the following:

	September 30, 2025	December 31, 2024
Accrued compensation and benefits	\$ 1,673	\$ 1,987
Interest accrual	1,995	2,141
Freight, custom and duty accrual	621	1,130
Goods in transit accrual	101	574
Income tax accrual	107	127
Asset retirement obligations	247	284
Other accrued liabilities	2,811	4,404
<b>Total accrued expenses and other current liabilities</b>	<b>\$ 7,555</b>	<b>\$ 10,647</b>

**10. DEBT**

Debt is comprised of the following:

	September 30, 2025	December 31, 2024
Term Loan - Principal	\$ 114,452	\$ 119,303
Term Loan - unamortized discount and deferred financing costs	(2,767)	(3,443)
Term Loan - net of unamortized discount and deferred financing costs	111,685	115,860
Other	95	93
<b>Total debt</b>	<b>\$ 111,780</b>	<b>\$ 115,953</b>
Current portion of long-term debt	\$ 40	\$ 1,260
Long-term debt - net of unamortized discount and deferred financing costs of \$2,767 and \$3,443 as of September 30, 2025, and December 31, 2024, respectively	111,740	114,693
<b>Total debt</b>	<b>\$ 111,780</b>	<b>\$ 115,953</b>

**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, pursuant to which the Company borrowed a \$125,000 senior secured term loan (the "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 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.

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, 2025, the effective interest rate was 10.93% and interest expense was \$3,153, which includes amortization of deferred financing

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costs and discount of \$186. For the nine months ended September 30, 2025, the effective interest rate was 10.91% and interest expense was \$9,556, which includes amortization of deferred financing costs and discount of \$556.

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.

As described in Note 3 – *Restructuring and Asset Sales*, the Company completed the IGE Asset Sale for gross proceeds of \$8,660 in May 2024. The net cash proceeds of approximately \$6,300 from this transaction are subject to a provision whereby such net cash proceeds can be reinvested into certain investments, such as capital expenditures. This provision of the Term Loan includes (i) cash investments made within a one-year period from the IGE Asset Sale, and (ii) investments which are contractually committed within one-year of the IGE Asset Sale and paid within 180 days after entering into such contractual commitment. The amount of any net cash proceeds which were not reinvested required the Company to make an offer to prepay the corresponding amount on the Term Loan. In accordance with this provision, the Company made a prepayment of \$4,544 during the second quarter of 2025, and had \$760 of remaining contractual commitments. The prepayment amount of \$4,544 reduced the aforementioned 0.25% required quarterly installment amounts to zero for the remaining term.

The Term Loan requires the Company to maintain certain reporting requirements, affirmative covenants, and negative covenants, and the Company was in compliance with all requirements as of September 30, 2025. 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.

#### ***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, and the lenders from time to time party thereto. The Revolving Credit Facility is due 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

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description of the Seventh Amendment does not purport to be complete and is qualified in its entirety by reference to the Seventh Amendment, included as Exhibit 10.3 to this Quarterly Report on Form 10-Q.

The unamortized debt discount and deferred financing costs were \$241 and \$237 as of September 30, 2025, and December 31, 2024, respectively, and are included in other assets in the condensed consolidated balance sheets. Debt discount and deferred financing costs are being amortized to interest expense over the term of the Revolving Credit Facility.

The Revolving Credit Facility is an asset-based facility that is 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 is 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 is 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 is less than an amount equal to 20% of the Aggregate Revolving Commitment (\$22,000 as of September 30, 2025), the Company will be required to maintain a minimum fixed charge coverage ratio of 1.1x on a rolling twelve-month basis until the Excess Availability is 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 would be required to comply with a higher fixed charge coverage ratio of 1.15x, but no such acquisitions or payments are currently contemplated. The Company received a consent from JPMorgan Chase Bank, N.A., as administrative agent, to permit the cash settlement of fractional shares in connection with the Reverse Stock Split, which is described further in Note 2 – *Basis of Presentation and Significant Accounting Policies*. As of September 30, 2025, the Company is in compliance with the covenants contained in the Revolving Credit Facility.

The Revolving Credit Facility provides 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 has a 0.0% floor. A fee of 0.40% per annum is charged for available but unused borrowings.

As of September 30, 2025, and December 31, 2024, the Company had zero borrowed under the facility. As of September 30, 2025, the Company would be able to borrow approximately \$4 million under the Revolving Credit Facility, before the Company would be required to comply with the minimum fixed charge coverage ratio of 1.1x.

***Other Debt***

Other debt of \$95 and \$93 as of September 30, 2025, and December 31, 2024, respectively, was primarily comprised of a foreign subsidiary's other debt which constitutes an immaterial revolving line of credit and mortgage.

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**Aggregate future principal payments**

As of September 30, 2025, the aggregate future principal payments under long-term debt are as follows:

	<b>Debt</b>
For the period of October 1, 2025 to December 31, 2025	<b>\$ 24</b>
Year ending December 31,	
2026	<b>21</b>
2027	<b>21</b>
2028 and thereafter	<b>114,481</b>
<b>Total</b>	<b>\$ 114,547</b>

**11. 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, 2025, there were 4,667,004 shares outstanding and 300,000,000 shares authorized.

**12. 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, 2025, a total of 295,064 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 2,284,053 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 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,

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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, 2025, and 2024, 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, 2025, the Company granted 211,618 RSU awards to certain directors, executives and employees that are expected to vest with either one, two or three equal vesting tranches, annually on the anniversary of the grant date.

The following table summarizes the activity related to the Company's RSUs for the nine months ended September 30, 2025. 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, 2025:

	Number of RSUs	Weighted average grant date fair value
<b>Balance, December 31, 2024</b>	<b>102,030</b>	<b>\$ 13.82</b>
Granted	211,618	\$ 4.68
Vested	(94,511)	\$ 13.88
Forfeited	(4,986)	\$ 7.92
<b>Balance, September 30, 2025</b>	<b>214,151</b>	<b>\$ 4.89</b>

As of September 30, 2025, total unamortized stock-based compensation cost related to unvested RSUs was \$737 and the weighted-average period over which the compensation is expected to be recognized is approximately one year. For the three and nine months ended September 30, 2025, the Company recognized \$206 and \$842, respectively, of total stock-based compensation expense for RSUs. During the nine months ended September 30, 2025, 64,188 RSUs that vested were not issued due to the recipients' elections to defer the conversion into common stock. As of September 30, 2025, there were 126,709 RSUs which had vested, but were not yet issued due to the recipients' elections.

***Performance Stock Unit Activity***

The following table summarizes the activity related to the Company's PSUs for the nine months ended September 30, 2025:

	Number of PSUs	Weighted average grant date fair value
<b>Balance, December 31, 2024</b>	<b>125,783</b>	<b>\$ 9.89</b>
Vested	(40,871)	\$ 9.89
Forfeited	(84,912)	\$ 9.89
<b>Balance, September 30, 2025</b>	<b>—</b>	<b>\$ —</b>

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During the nine months ended September 30, 2025, the PSU forfeitures were due to employee terminations and performance conditions that were not satisfied, while PSU vests were from awards granted in the prior year. As of September 30, 2025, there was no unamortized stock-based compensation cost related to unvested PSUs. For the three and nine months ended September 30, 2025, the Company recognized zero and \$122, respectively, of total stock-based compensation expense for PSUs.

**Stock Options**

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.

There were no stock options granted or exercised during the nine months ended September 30, 2025. The following table summarizes the stock option activity for the nine months ended September 30, 2025:

	Number	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual term (years)
<b>Outstanding and exercisable as of December 31, 2024</b>	<b>40,654</b>	<b>\$ 96.36</b>	<b>\$ 22.76</b>	<b>3.67</b>
Cancelled	<b>(8,042)</b>	<b>\$ 93.80</b>	<b>\$ 12.57</b>	
<b>Outstanding and exercisable as of September 30, 2025</b>	<b>32,612</b>	<b>\$ 96.99</b>	<b>\$ 25.27</b>	<b>3.39</b>

As of September 30, 2025, and December 31, 2024, there were no unvested stock awards, and no compensation cost related to options not yet recognized.

**13. INCOME TAXES**

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.

The Company recorded income tax expense of \$279 and \$865 for the three and nine months ended September 30, 2024, respectively, representing an effective tax rate of (2.2)% and (1.8)%, respectively. The Company's effective tax rate for the nine months ended September 30, 2024, differs 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, 2024, was primarily due to foreign taxes in certain jurisdictions and U.S. state taxes.

In July 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted. The OBBBA makes permanent key elements of the Tax Cuts and Jobs Act of 2017, along with additional changes to certain U.S. corporate tax provisions. The Company is currently evaluating the impact of OBBBA, but does not believe that the tax provisions of the legislation will have a material impact on the Company's results of operations.

**14. 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.

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**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.

**15. FAIR VALUE MEASUREMENTS**

**Recurring and Nonrecurring**

As described in Note 3 – *Restructuring and Asset Sales*, during 2024, the Company sold approximately 20 acres of the 140 acres of excess owned land at its Goshen, New York location. The Company measured the held-for-sale land asset at estimated fair value based on the agreement, which was considered a Level 2 fair value measurement. The land had a carrying value of \$470, which was consistent with the estimated sale price less costs to sell, and therefore no estimated gain or loss was recorded during 2024. The transaction closed in the fourth quarter of 2024.

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, 2025 and December 31, 2024, which are provided for disclosure purposes:

	Fair Value Hierarchy Level	September 30, 2025		December 31, 2024	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Assets</b>					
Cash and cash equivalents	Level 1	\$ 10,652	\$ 10,652	\$ 26,111	\$ 26,111
<b>Liabilities</b>					
Finance leases	Level 3	\$ 7,952	\$ 8,194	\$ 8,289	\$ 8,437
Term Loan	Level 2	\$ 114,452	\$ 93,851	\$ 119,303	\$ 95,442

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 fair value of the Term Loan was estimated based on Level 2 fair value measurements and was based on bank quotes. The carrying amount of the Term Loan reported above excludes unamortized debt discount and deferred financing costs. Refer to Note 7 – *Leases* and Note 10 – *Debt*, for further details of the Company's finance leases and Term Loan, respectively.

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

## 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 consolidated financial statements and the notes contained elsewhere in this Quarterly Report on Form 10-Q and our 2024 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 2024 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 over 40 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<sub>2</sub>, 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 of over 2,000 wholesale customer accounts, 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.

### Market Conditions

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 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-19 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.

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 are evaluating 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, could impact the cost of certain products and may negatively impact the Company's financial performance. For additional information, see the *Item 1A. "Risk Factors"* in our 2024 Annual Report, including the risk entitled "Potential tariffs or a global trade war could increase the cost of our products, which could adversely impact the competitiveness of our products and our financial results."

In connection with the 2023 Restructuring Plan, we undertook significant actions to streamline operations, reduce costs and improve efficiencies. Restructuring actions 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. Total costs incurred relating to the 2023 Restructuring Plan from commencement through completion were (i) \$9.7 million of non-cash charges relating primarily to inventory markdowns, and (ii) \$2.0 million of cash charges relating primarily to the consolidation of U.S. manufacturing facilities.

In 2024, we entered into the Purchase Agreement with CM Fabrication, LLC to sell the inventories, and property, plant and equipment associated with our IGE-branded products for approximately \$8.7 million, while retaining our proprietary brand and customer relationships. In connection with the IGE Asset Sale, we entered into an exclusive supply agreement with the Buyer, pursuant to which the Buyer provides contract manufacturing and we continue to sell our proprietary branded durable products, which include horticulture benches, racking and LED lighting systems. After completion of the IGE Asset Sale and the aforementioned restructuring actions, we have now consolidated our manufacturing operations into two U.S. locations and our peat moss harvesting and processing operation in Canada.

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 entail (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. We incurred estimated restructuring costs of \$0.9 million and \$4.2 million during the three and nine months ended September 30, 2025, respectively, for the 2025 Restructuring Plan. 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 charges which primarily comprised of charges incurred to relocate and terminate certain facilities. We anticipate the 2025 Restructuring Plan and related actions may result in additional restructuring charges of up to \$2 million, primarily cash related, and annual cost savings of approximately \$5 million plus additional working capital benefits.

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, it is possible we may execute additional restructuring plan actions.

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 2024 Annual Report, including the risk entitled "Our restructuring activities may increase our expenses and cash expenditures, and may not have the intended effects."

**Results of Operations—Comparison of three and nine months ended September 30, 2025 and 2024**

The following table sets forth our unaudited interim condensed consolidated statements of operations for the three and nine months ended September 30, 2025, and 2024, 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,				Period change	
	2025		2024			
Net sales	\$ 29,350	100.0 %	\$ 44,009	100.0 %	\$ (14,659)	-33.3 %
Cost of goods sold	25,941	88.4 %	35,490	80.6 %	(9,549)	-26.9 %
<b>Gross profit</b>	<b>3,409</b>	<b>11.6 %</b>	<b>8,519</b>	<b>19.4 %</b>	<b>(5,110)</b>	<b>-60.0 %</b>
Operating expenses:						
Selling, general and administrative	16,365	55.8 %	17,556	39.9 %	(1,191)	-6.8 %
<b>Loss from operations</b>	<b>(12,956)</b>	<b>-44.1 %</b>	<b>(9,037)</b>	<b>-20.5 %</b>	<b>(3,919)</b>	<b>-43.4 %</b>
Interest expense	(3,331)	-11.3 %	(3,910)	-8.9 %	(579)	-14.8 %
Other income, net	22	0.1 %	80	0.2 %	(58)	-72.5 %
<b>Loss before tax</b>	<b>(16,265)</b>	<b>-55.4 %</b>	<b>(12,867)</b>	<b>-29.2 %</b>	<b>(3,398)</b>	<b>-26.4 %</b>
Income tax expense	(125)	-0.4 %	(279)	-0.6 %	(154)	-55.2 %
<b>Net loss</b>	<b>\$ (16,390)</b>	<b>-55.8 %</b>	<b>\$ (13,146)</b>	<b>-29.9 %</b>	<b>\$ (3,244)</b>	<b>-24.7 %</b>

	Nine months ended September 30,				Period change	
	2025		2024			
Net sales	\$ 109,129	100.0 %	\$ 152,974	100.0 %	\$ (43,845)	-28.7 %
Cost of goods sold	96,049	88.0 %	122,679	80.2 %	(26,630)	-21.7 %
<b>Gross profit</b>	<b>13,080</b>	<b>12.0 %</b>	<b>30,295</b>	<b>19.8 %</b>	<b>(17,215)</b>	<b>-56.8 %</b>
Operating expenses:						
Selling, general and administrative	50,368	46.2 %	55,836	36.5 %	(5,468)	-9.8 %
Loss on asset disposition	—	0.0 %	11,520	7.5 %	(11,520)	-100.0 %
<b>Loss from operations</b>	<b>(37,288)</b>	<b>-34.2 %</b>	<b>(37,061)</b>	<b>-24.2 %</b>	<b>(227)</b>	<b>-0.6 %</b>
Interest expense	(10,099)	-9.3 %	(11,652)	-7.6 %	(1,553)	-13.3 %
Other (expense) income, net	(140)	-0.1 %	374	0.2 %	(514)	-137.4 %
<b>Loss before tax</b>	<b>(47,527)</b>	<b>-43.6 %</b>	<b>(48,339)</b>	<b>-31.6 %</b>	<b>812</b>	<b>1.7 %</b>
Income tax expense	(109)	-0.1 %	(865)	-0.6 %	(756)	-87.4 %
<b>Net loss</b>	<b>\$ (47,636)</b>	<b>-43.7 %</b>	<b>\$ (49,204)</b>	<b>-32.2 %</b>	<b>\$ 1,568</b>	<b>3.2 %</b>

**Net sales**

Net sales for the three months ended September 30, 2025, were \$29.4 million, a decrease of \$14.7 million, or 33.3% compared to the same period in 2024. Net sales for the nine months ended September 30, 2025, were \$109.1 million, a decrease of \$43.8 million, or 28.7% compared to the same period in 2024.

The 33.3% decrease in net sales for the three months ended September 30, 2025, as compared to the same period in 2024, was primarily due to a 32.2% reduction in volume and mix of products sold and a 1.1% decrease in price. This decline was largely driven by the previously mentioned industry oversupply. The 28.7% decrease in net sales for the nine months ended September 30, 2025, as compared to the same period in 2024, was primarily due to a 26.7% reduction in volume and mix of products sold and a 1.6% decrease in price. This decline was largely driven by the previously mentioned industry oversupply.

**Gross profit**

Gross profit for the three months ended September 30, 2025, was \$3.4 million, a decrease of \$5.1 million, or 60.0%, compared to the same period in 2024. Gross profit for the nine months ended September 30, 2025, was \$13.1 million, a decrease of \$17.2 million, or 56.8%, compared to the same period in 2024.

Our gross profit margin percentage decreased to 11.6% for the three months ended September 30, 2025, from 19.4% in the same period in 2024. Our gross profit margin percentage decreased to 12.0% for the nine months ended September 30, 2025, from 19.8% in the same period in 2024.

Gross profit and gross profit margin for the three and nine months ended September 30, 2025, decreased as a result of lower net sales and lower manufacturing production volume. Gross profit and gross profit margin for the nine months ended September 30, 2025 were also negatively impacted by a lower proportion of proprietary brand products sold. In addition, the three and nine months ended September 30, 2025 were negatively impacted by \$0.8 million and \$4.4 million, respectively, of restructuring charges primarily comprised of inventory markdowns, compared to \$0.6 million and \$1.6 million of restructuring charges incurred in the prior year comparable periods.

***Selling, general and administrative expenses***

SG&A expenses for the three months ended September 30, 2025, were \$16.4 million, a decrease of \$1.2 million, or 6.8% compared to the same period in 2024. SG&A expenses for the nine months ended September 30, 2025, were \$50.4 million, a decrease of \$5.5 million, or 9.8% compared to the same period in 2024.

The decrease in SG&A expenses for the three months ended September 30, 2025, was primarily a result of our cost saving and restructuring initiatives, as follows: (i) a \$1.1 million decrease in employee compensation costs, including lower salaries and benefits, stock-based compensation, and performance bonus, and (ii) a \$0.3 million decrease in facility costs. The decrease in SG&A expenses for the nine months ended September 30, 2025, was primarily a result of our cost saving and restructuring initiatives, as follows: (i) a \$4.2 million decrease in employee compensation costs, including lower salaries and benefits, stock-based compensation, and performance bonus, and (ii) a \$1.1 million decrease in facility costs.

***Loss on asset disposition***

As previously reported, we entered into a Purchase Agreement with CM Fabrication, LLC to sell assets relating to the production of durable equipment products for \$8.7 million. The IGE Asset Sale closed during the three months ended June 30, 2024 and we sold or disposed of inventories and other assets. We recorded a Loss on asset disposition of \$11.5 million during the nine months ended September 30, 2024. Refer to Note 3 – *Restructuring and Asset Sales* for a further description of the IGE Asset Sale.

***Interest expense***

Interest expense for the three months ended September 30, 2025, was \$3.3 million, a decrease from \$3.9 million of interest expense recorded in the same period in the prior year. Interest expense for the nine months ended September 30, 2025, was \$10.1 million, a decrease from \$11.7 million of interest expense recorded in the same period in the prior year. The decreases for the three and nine months ended September 30, 2025 were primarily due to lower debt outstanding due to principal repayments and lower variable interest rates on our Term Loan.

***Other income (expense), net***

Other income, net for the three months ended September 30, 2025, was less than \$0.1 million, compared to other income, net of \$0.1 million during the same period in the prior year. Other expense, net for the nine months ended September 30, 2025, was \$0.1 million, compared to other income, net of \$0.4 million during the same period in the prior year. Other expense, net for the nine months ended September 30, 2025, was primarily driven by a loss on debt extinguishment recorded in conjunction with the Term Loan prepayment during the second quarter of 2025. Refer to Note 10 – *Debt* for additional details.

***Income 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 certain benefits in Canadian jurisdictions.

We recorded income tax expense of \$0.3 million and \$0.9 million for the three and nine months ended September 30, 2024, respectively, representing an effective tax rate of (2.2)% and (1.8)%, respectively. Our effective tax rate for the nine months ended September 30, 2024, differs 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, 2024, was primarily due to foreign taxes in certain jurisdictions and U.S. state taxes.

## Liquidity and Capital Resources

### Cash Flow from Operating, Investing, and Financing Activities

#### Comparison of the nine months ended September 30, 2025, and September 30, 2024

The following table summarizes our cash flows for the nine months ended September 30, 2025, and 2024 (amounts in thousands):

	<b>Nine months ended September 30,</b>	
	<b>2025</b>	<b>2024</b>
Net cash used in operating activities	\$ (10,084)	\$ (2,980)
Net cash (used in) from investing activities	(608)	1,461
Net cash used in financing activities	(5,242)	(4,287)
Effect of exchange rate changes on cash and cash equivalents	475	(102)
<b>Net decrease in cash and cash equivalents</b>	<b>(15,459)</b>	<b>(5,908)</b>
Cash and cash equivalents at beginning of period	26,111	30,312
<b>Cash and cash equivalents at end of period</b>	<b>\$ 10,652</b>	<b>\$ 24,404</b>

#### *Operating Activities*

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. Compared to the prior year period, the Company had a larger cash usage from operating activities due to lower net cash profitability, partially offset by working capital cash inflows primarily from inventory reductions and accounts receivable collections.

Net cash used in operating activities was \$3.0 million for the nine months ended September 30, 2024. The net cash usage was primarily due to a \$0.8 million net cash inflow from a reduction in working capital, offset by a net loss of \$49.2 million, less net non-cash items of \$45.4 million. The \$0.8 million net reduction in working capital was primarily comprised of a \$8.9 million decrease of inventories, a \$0.8 million decrease in accounts receivable, and a \$0.8 million decrease of prepaid expenses and other current assets, partially offset by a \$7.1 million decrease of lease liabilities and a \$2.3 million decrease in accounts payable. As described in Note 3 – *Restructuring and Asset Sales*, in connection with the IGE Asset Sale, we estimated the amount of cash proceeds associated with the sale of inventories as \$5.0 million and classified the amount within net cash from operating activities. In addition, the Company paid cash of \$1.3 million to terminate the facility operating lease in connection with the IGE Asset Sale.

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 in both the 2025 and 2024 periods.

#### *Investing Activities*

Net cash used in investing activities was \$0.6 million for the nine months ended September 30, 2025, compared to a cash inflow from investing activities of \$1.5 million for the nine months ended September 30, 2024. 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. During the nine months ended September 30, 2024, we received cash proceeds from the IGE Asset Sale associated with the sale of property, plant and equipment of \$3.7 million, along with other cash from investing activities of \$0.4 million. These cash proceeds were partially offset by \$2.6 million of capital expenditures of property, plant and equipment.

### **Financing Activities**

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 IGE Asset Sale reinvestment provision, and (ii) finance lease principal payments of \$0.3 million.

Net cash used in financing activities was \$4.3 million for the nine months ended September 30, 2024, primarily driven by (i) \$2.9 million of Term Loan repayments relating to required quarterly payments of principal and prepayments made in conjunction with the sale-leaseback transaction, and (ii) finance lease principal payments of \$1.3 million which included approximately \$0.7 million relating to equipment finance lease payments made in connection with the IGE Asset Sale.

### **Availability and Use of Cash**

Our ability to make investments in our business, service our debt and maintain liquidity will primarily depend upon our ability to generate excess operating cash flows through our operating subsidiaries. We believe that our cash flows from operating activities, combined with current cash levels, borrowing availability under the Revolving Credit Facility, and access to capital markets, will be adequate to support our ongoing operations, and to fund debt service requirements, capital expenditures, lease obligations and working capital needs through the next twelve months of operations. However, we cannot guarantee that our business will generate sufficient cash flow from operating activities or that future borrowings will be available under our borrowing agreements in amounts sufficient to pay indebtedness or fund other working capital needs. Actual results of operations will depend on numerous factors, many of which are beyond our control as further discussed in *Item 1A. "Risk Factors"* included in this Quarterly Report on Form 10-Q and in our 2024 Annual Report.

As further described in Note 3 – *Restructuring and Asset Sales* and Note 10 – *Debt*, we closed on the IGE Asset Sale in 2024, whereby, in accordance with our Term Loan, the net proceeds of approximately \$6.3 million are required to be reinvested into certain permitted investments, such as capital expenditures, or offered to prepay Term Loan principal. In accordance with this provision, the Company made a prepayment of \$4.5 million during the second quarter of 2025, and had \$0.8 million of remaining contractual commitments as of the payment date. Refer to further discussion below, relating to Term Loan reinvestment provisions applicable to the net cash proceeds of the IGE Asset Sale.

If necessary, we believe that we could supplement our cash position through additional asset sales or divestiture of one or more of our brands or lines of business. During 2024, we sold a portion of the excess owned land at our Goshen, New York location, and are evaluating other opportunities to sell excess owned land, not currently being used in operations, to supplement our cash position. We believe it is prudent to be prepared if required and, accordingly, continue to be engaged in the process of evaluating and preparing to implement one or more of the aforementioned activities. Any potential such event may be subject to provisions referenced in our Term Loan and Revolving Credit Facility, such as subjecting us to make mandatory prepayments.

### **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 this Quarterly Report on Form 10-Q, 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. The Term Loan matures on October 25, 2028.

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. As described in Note 3 – *Restructuring and Asset Sales* and Note 10 – *Debt*, we received net cash proceeds of approximately \$6.3 million in May 2024 from the IGE Asset Sale and are subject to a provision whereby such net cash proceeds can be reinvested

into certain investments, such as capital expenditures. This provision of the Term Loan includes (i) cash investments made within a one-year period from the IGE Asset Sale, and (ii) investments which are contractually committed within one-year of the IGE Asset Sale, and paid within 180 days after entering into such contractual commitment. The amount of any net cash proceeds which are not reinvested would require us to make an offer to prepay the corresponding amount on the Term Loan in 2025. In accordance with this provision, we made a prepayment of \$4.5 million during the second quarter of 2025, and had \$0.8 million of remaining contractual commitments as of the payment date. The \$4.5 million prepayment reduced our required quarterly installment amounts to zero for the remaining term. The foregoing description of the reinvestment provision does not purport to be complete and is qualified in its entirety by reference to the provisions of the Term Loan.

As of September 30, 2025, and December 31, 2024, the outstanding principal balance on the Term Loan was \$114.5 million and \$119.3 million, respectively.

The Term Loan requires us to maintain certain reporting requirements, affirmative covenants, and negative covenants. We were in compliance with all debt covenants as of September 30, 2025. The Term Loan is secured by a first lien on our non-working capital assets and a second lien on our working capital assets.

### **Revolving Credit Facility**

On March 29, 2021, we and certain of our subsidiaries entered into the Revolving Credit Facility with JPMorgan Chase Bank, N.A., as administrative agent, issuing bank and swingline lender for a revolving line of credit up to \$50 million. The Revolving Credit Facility was amended by the First Amendment dated August 31, 2021, which increased the revolving line of credit by an additional \$50 million for an aggregate borrowing limit of \$100 million. The Revolving Credit Facility was further amended by the Second Amendment dated October 25, 2021 which, among other things, permitted the incurrence of the Term Loan and made certain other changes including subordinating its liens on non-working capital assets to the obligations under the Term Loan. The Revolving Credit Facility was further amended by the Third Amendment and Joinder dated August 23, 2022, pursuant to which several previously acquired subsidiaries became parties to the Revolving Credit Facility and granted liens on their assets. On December 22, 2022, we entered into the Fourth Amendment to the Revolving Credit Facility 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 million to \$75 million and transitioning the LIBOR based rates to SOFR based rates. On March 31, 2023, we and certain of our subsidiaries entered into the Fifth Amendment to the Revolving Credit Facility, 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 million, and the interest rate on borrowings was revised to various spreads, based on our fixed charge coverage ratio. On November 1, 2024, we and certain of our subsidiaries entered into the Sixth Amendment to the Revolving Credit Facility pursuant to which the maximum commitment amount was reduced to \$35 million. On May 9, 2025, we and certain of our subsidiaries entered into 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 million to \$22 million, and certain other changes were made, including the addition of a \$2 million 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 Revolving Credit Facility provides 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 has a 0.0% floor. A fee of 0.40% per annum is charged for available but unused borrowings. Our obligations under the Revolving Credit Facility are secured by a first priority lien (subject to certain permitted liens) on substantially all of our and our subsidiaries' respective personal property assets pursuant to the terms of a U.S. and Canadian Pledge and Security Agreement dated March 29, 2021 and other security documents, as amended to include additional subsidiaries.

The Revolving Credit Facility maintains certain reporting requirements, affirmative covenants, negative covenants and financial covenants. A certain financial covenant becomes applicable in the event that our excess availability under the Revolving Credit Facility is less than an amount equal to 20% of the Aggregate Revolving Commitment (\$22 million as of September 30, 2025) and would require us to maintain a minimum fixed charge coverage ratio of 1.1x on a rolling twelve-month basis.

In order to consummate permitted acquisitions or to make restricted payments, we would be required to comply with a higher fixed charge coverage ratio of 1.15x, but no such acquisitions or payments are currently contemplated. We received a consent from JPMorgan Chase Bank, N.A., as administrative agent, to permit the cash settlement of fractional shares in

connection with the Reverse Stock Split, which is described further in Note 2 – *Basis of Presentation and Significant Accounting Policies*.

We were in compliance with all debt covenants as of September 30, 2025. As of September 30, 2025, approximately \$4 million was available to borrow under the Revolving Credit Facility, before we would be required to comply with the minimum fixed charge coverage ratio of 1.1x.

As of each of September 30, 2025, and December 31, 2024, we had zero borrowed under the Revolving Credit Facility.

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 and cash equivalents balances of \$10.7 million and \$26.1 million at September 30, 2025, and December 31, 2024, respectively, included \$5.3 million and \$11.9 million, respectively, held by foreign subsidiaries.

#### **Material Cash Requirements**

Our estimated material cash requirements include (i) anticipated interest payments on our long-term debt, (ii) finance lease payments, (iii) operating lease payments, and (iv) balances subject to the Term Loan reinvestment provision, as well as other purchase obligations to support our operations. Variable rates on our Term Loan are subject to change as further described in *Item 3. Quantitative and Qualitative Disclosures About Market Risk*. Refer to *Item 1. Financial Statements*, Note 10 – *Debt*, Note 7 – *Leases*, and Note 14 – *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 2024 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 Note 2 – *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 are exposed to interest rate risk through our variable rate debt. As of September 30, 2025, we had \$114.5 million of Term Loan debt that is subject to variable interest rates that are based on SOFR or an alternate base rate. Refer to *Item 1. Financial Statements*, Note 10 – *Debt* for details relating to the debt. If the rates were to increase by 100 basis points from the rates in effect as of September 30, 2025, our interest expense on the variable-rate debt would increase by an average of \$1.1 million annually. There are inherent limitations in the sensitivity analysis presented, primarily due to the assumptions that interest rate changes would be instantaneous, while SOFR changes regularly. We do not currently hedge our interest rate risks, but may determine to do so in the future.

#### ***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. dollar (“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, have 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.

**ITEM 1A. RISK FACTORS**

For a discussion of risk factors, please read *Item 1A, "Risk Factors"* in our 2024 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 no material changes from the risk factors reported in our 2024 Annual Report.

**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, 2025, 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.

<b>Exhibit</b>	<b>Description</b>
3.1*	<a href="#">Restated Certificate of Incorporation of Hydrofarm Holdings Group, Inc.</a>
3.2	<a href="#">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).</a>
10.1 <sup>x</sup>	<a href="#">Amendment to Offer Letter dated April 14, 2025 by and between Hydrofarm Holdings Group, Inc. and B. John Lindeman (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed with the SEC on April 17, 2025).</a>
10.2 <sup>x†</sup>	<a href="#">Offer Letter dated March 1, 2022 by and between Hydrofarm Holdings Group Inc. and Mark Parker (incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q filed with the SEC on May 13, 2025).</a>
10.3	<a href="#">Seventh Amendment to Credit Agreement and Limited Consent and Waiver, dated May 9, 2025 by and among Hydrofarm Holdings Group, Inc., Hydrofarm, LLC, Field 16, LLC, Aurora Innovations, LLC, Innovative Growers Equipment, Inc., Manufacturing &amp; Supply Chain Services, Inc., Hydrofarm Investment Corp., Hydrofarm Holdings LLC, EHH Holdings, LLC, Sunblaster LLC, Hydrofarm Canada, LLC, Sunblaster Holdings ULC, Eddi's Wholesale Garden Supplies Ltd., House &amp; Garden Holdings, LLC, Aurora International, LLC, Aurora Peat Products ULC, Greenstar Plant Products Inc., Innovative Ag Installation, Inc., Innovative Racking Systems, Inc., Innovative Shipping Solutions, Inc., Innovative Growers Equipment Canada, Inc., JPMorgan Chase Bank, N.A. and JPMorgan Chase Bank, N.A (incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q filed with the SEC on May 13, 2025).</a>
10.4 <sup>x</sup>	<a href="#">Hydrofarm Holdings Group - Amended and Restated Non-Employee Director Compensation Policy (incorporated by reference to Exhibit 10.4 of the Company's Form 10-Q filed with the SEC on August 12, 2025).</a>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1#	<a href="#">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.</a>
32.2#	<a href="#">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.</a>
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.

<sup>x</sup> Denotes management contract or compensatory plan or arrangement.

<sup>+</sup> 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.

<sup>†</sup> Certain confidential portions (indicated by brackets and asterisks) have been omitted from this exhibit.

<sup>#</sup> 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 12, 2025

/s/ B. John Lindeman  
B. John Lindeman  
Chief Executive Officer  
(Principal Executive Officer)

Date: November 12, 2025

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

**RESTATED CERTIFICATE OF INCORPORATION****OF****HYDROFARM HOLDINGS GROUP, INC.**

(as amended and supplemented through June 9, 2025)

**ARTICLE I: NAME**

The name of the corporation is Hydrofarm Holdings Group, Inc.

**ARTICLE II: REGISTERED OFFICE**

The address of the Corporation's registered office in the State of Delaware is 850 New Burton Road, Suite 201, Dover, DE 19904, Kent County; and the name of the registered agent of the Corporation in the State of Delaware at such address is Cogency Global Inc. The Corporation shall have the authority to designate registered offices and registered agents in other jurisdictions and to change its registered office and registered agent in the State of Delaware.

**ARTICLE III: REGISTERED OFFICE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

**ARTICLE IV: CAPITALIZATION****A. Capital Stock**

The total number of shares of capital stock which the Corporation shall have authority to issue is three hundred fifty million (350,000,000) shares, of which (i) three hundred million (300,000,000) shares shall be a class designated as common stock, par value \$0.0001 per share (the "Common Stock"), and (ii) fifty million shares (50,000,000) shares shall be a class designated as preferred stock, par value \$0.0001 per share (the "Preferred Stock").

The number of authorized shares of Common Stock or Preferred Stock may from time to time be increased or decreased (but not below the number of shares then outstanding) by the affirmative vote of the holders of a majority in voting power of the outstanding shares of stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of any of the Common Stock or the Preferred Stock voting separately as a class shall be required therefor, unless a vote of any such holder is required pursuant to this Certificate (including pursuant to any certificate of designation of any series of Preferred Stock).

The powers, preferences and rights of, and the qualifications, limitations and restrictions upon, each class or series of stock shall be determined in accordance with, or as set forth below in, this Article IV.

Effective at 5:00 p.m. Eastern Time on February 12, 2025, (the "Effective Time"), the shares of Common Stock issued and outstanding immediately prior to the Effective Time and the shares of Common Stock issued and held in the treasury of the Corporation immediately prior to the Effective Time are reclassified into a smaller number of shares such that each 10 shares of issued Common Stock immediately prior to the Effective Time is reclassified into one (1) share of Common Stock (the "Reverse Stock Split"). Notwithstanding the immediately preceding sentence, no fractional shares shall be issued as a result of the Reverse Stock Split (and for each holder who would

otherwise be entitled to a fractional share as a result of the Reverse Stock Split, rounding down to the next whole share, and such holder shall be entitled to receive cash for such holder's fractional share in an amount equal to the fraction of a share of Common Stock to which such holder would otherwise be entitled multiplied by the fair value per share of the Common Stock on the date of the Effective Time of the Reverse Stock Split.) Notwithstanding the foregoing, the Corporation shall not be obliged to issue certificates evidencing the shares of Common Stock outstanding as a result of the Reverse Stock Split, unless and until the certificates evidencing the shares held by a holder prior to the Reverse Stock Split are either delivered to the Corporation or its transfer agent, or the holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates.

Each stock certificate that, immediately prior to the Effective Time, represented shares of Common Stock that were issued and outstanding immediately prior to the Effective Time shall, from and after the Effective Time, automatically and without the necessity of presenting the same for exchange, represent that the number of whole shares of Common Stock after the Effective Time into which the shares of Common Stock formerly represented by such certificate shall have been reclassified, provided, however, that each person of record holding a certificate that represented shares of Common Stock that were issued and outstanding immediately prior to the Effective Time shall receive, upon surrender of such certificate, a new certificate evidencing and representing the number of whole shares of Common Stock after the Effective Time into which the shares of Common Stock formerly represented by such certificate shall have been reclassified.

## **B. Common Stock**

1. Voting. Each holder of record of Common Stock, as such, shall have one vote for each share of Common Stock which is outstanding in his, her or its name on the books of the Corporation on all matters on which stockholders are entitled to vote generally. Except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Certificate (including any certificate of designation relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate (including any certificate of designation relating to any series of Preferred Stock) or pursuant to the DGCL.
2. Dividends. Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the payment of dividends, dividends may be declared and paid or set apart for payment upon the Common Stock out of any assets or funds of the Corporation legally available for the payment of dividends, but only when and as declared by the Board of Directors or any authorized committee thereof.
3. Liquidation. Upon the dissolution, liquidation or winding up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and subject to the rights, if any, of the holders of any outstanding series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the distribution of assets of the Corporation upon such dissolution, liquidation or winding up of the Corporation, the holders of Common Stock shall be entitled to receive the remaining assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them.

## **C. Preferred Stock**

Shares of Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby expressly authorized, by resolution or resolutions, to provide from time to time, out of the authorized, unissued shares of Preferred Stock, for one or more series of Preferred Stock, and, with respect to each such series,

to fix, without further stockholder approval, the designation of such series, and the powers (including voting powers, if any), preferences and relative, participating, optional and other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series of Preferred Stock, and unless otherwise provided in the designation of such series, the Board of Directors may increase (but not above the total number of authorized shares of Preferred Stock) or decrease (but not below the number of shares of such series then outstanding) the number of shares of such series, and if the number of shares of such series shall be decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series. The powers, preferences and relative, participating, optional and other special rights of, and the qualifications, limitations or restrictions thereof, of each series of Preferred Stock, if any, may differ from those of any and all other series at any time outstanding. Except as otherwise required by law, holders of any series of Preferred Stock shall be entitled to only such voting rights, if any, as shall expressly be granted thereto by this Certificate (including any certificate of designation relating to such series of Preferred Stock).

## ARTICLE V: DIRECTORS

1. General. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors except as otherwise provided herein or required by law.
2. Election of Directors. Election of directors comprising the Board of Directors (each such director, in such capacity, a “Director”) need not be by written ballot unless the Bylaws of the Corporation (the “Bylaws”) shall so provide.
3. Number of Directors; Term of Office. Except as otherwise provided for or fixed pursuant to the provisions of Article IV of the Certificate, as amended, including any certificate of designation of any series of a class designated as Preferred Stock, and this Article V relating to the rights of the holders of any series of Preferred Stock to elect additional Directors, the number of Directors of the Corporation shall be fixed solely and exclusively by resolution duly adopted from time to time by the Board of Directors. The Directors, other than those who may be elected by the holders of any series of Preferred Stock, shall be elected at each annual meeting of stockholders to hold office until the expiration of the term for which they are elected and until their successors have been duly elected and qualified or until their death, resignation or removal. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

During any period when the holders of any series of Preferred Stock have the right to elect additional Directors, then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total authorized number of Directors shall automatically be increased by such specified number of Directors, and the holders of such Preferred Stock shall be entitled to elect the additional Directors so provided for or fixed pursuant to said provisions, and (ii) each such additional Director shall serve until such Director’s successor shall have been duly elected and qualified, or until such Director’s right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his or her earlier death, resignation, retirement, disqualification or removal. Except as otherwise provided by the Board of Directors in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional Directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional Directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional Directors, shall forthwith terminate and the total authorized number of Directors of the Corporation shall be reduced accordingly.

Effective as of the closing of the Corporation’s first public offering of shares of Common Stock registered pursuant to the Securities Act of 1933, as amended, subject to the rights of the holders of any series of Preferred Stock, the Board of Directors shall be divided into three classes (the “Classified Board”), as nearly equal in number as possible and designated as class one (1)

Directors (“Class I Directors”), class two (2) Directors (“Class II Directors”) and class three (3) Directors (“Class III Directors”). The Board of Directors is authorized to assign members of the Board of Directors already in office at the time of the closing of the Corporation’s first public offering, or who have agreed to become directors subject to the closing of such public offering, as Class I Directors, Class II Directors and Class III Directors, which assignments shall become effective at the same time that the Classified Board becomes effective. The term of the initial Class I Directors shall expire at the first annual meeting of the stockholders of the Corporation following the effectiveness of this amendment to the Certificate; the term of the initial Class II Directors shall expire at the second annual meeting of the stockholders of the Corporation following the effectiveness of this amendment to the Certificate; and the term of the initial Class III Directors shall expire at the third annual meeting of the stockholders of the Corporation following the effectiveness of this amendment to the Certificate. At each succeeding annual meeting of the stockholders of the Corporation, beginning with the first annual meeting of the stockholders of the Corporation following the effectiveness of this amendment to the Certificate, successors to the class of Directors whose term expires at that annual meeting shall be elected to hold office until the third succeeding annual meeting. Subject to the rights of the holders of any series of Preferred Stock, if the number of Directors is changed, any increase or decrease shall be apportioned by the Board of Directors among the classes so as to maintain the number of Directors in each class as nearly equal as possible. Subject to the rights of the holders of any series of Preferred Stock, if the number of directors is increased by the Board of Directors and any newly created directorships are filled by the Board of Directors, there shall be no classification of the additional Directors until the next annual meeting of stockholders.

4. Vacancies. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect Directors and to fill vacancies in the Board of Directors relating thereto, any and all vacancies in the Board of Directors, however occurring, including, without limitation, by reason of an increase in size of the Board of Directors, or the death, resignation, disqualification or removal of a Director, shall be filled solely and exclusively by the affirmative vote of a majority of the remaining Directors then in office, even if less than a quorum of the Board of Directors, or by a single remaining Director, and not by the stockholders. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the Director for which the vacancy was created or occurred and until such Director’s successor shall have been duly elected and qualified or until his or her earlier resignation, death or removal.
5. Removal. Subject to the rights, if any, of any series of Preferred Stock to elect Directors and to remove any Director whom the holders of any such stock have the right to elect, any Director (including persons elected by Directors to fill vacancies in the Board of Directors) may be removed from office only (i) for cause and (ii) by the affirmative vote of the holders of at least a majority in voting power of the shares then entitled to vote at an election of Directors.

#### **ARTICLE VI: LIMITATION OF DIRECTOR LIABILITY; INDEMNIFICATION AND ADVANCEMENTS OF EXPENSES; RENUNCIATION OF CORPORATE OPPORTUNITIES**

##### **A. Limitation on Liability**

To the fullest extent that the DGCL or any other law of the State of Delaware as it exists on the date hereof or as it may hereafter be amended permits the limitation or elimination of the liability of Directors, no Director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director.

##### **B. Indemnification and Advancement of Expenses**

The Corporation shall indemnify and advance expenses to, and hold harmless, to the fullest extent permitted by law as it exists on the date hereof or as it may hereafter be amended, any person (an “Indemnitee”) who

was or is made or is threatened to be made a party or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a “Proceeding”), by reason of the fact that such person is or was a Director or an officer of the Corporation or, while a Director or an officer of the Corporation, is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against all liabilities and losses suffered and expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such Indemnitee in connection with such Proceeding. Such right to indemnification shall continue as to a person who has ceased to be a Director or officer of the Corporation and shall inure to the benefit of his or her heirs, executors and personal and legal representatives. Notwithstanding the preceding sentences, the Corporation shall not be required to indemnify, or advance expenses to, an Indemnitee in connection with a Proceeding (or part thereof) initiated by such Indemnitee, whether initiated in such Indemnitee’s capacity as a Director or officer or in any other capacity, or in defending any counterclaim, cross-claim, affirmative defense, or like claim of the Corporation in such Proceeding (or part thereof), unless the initiation of such Proceeding (or part thereof) by the Indemnitee was authorized or consented to by the Board of Directors of the Corporation.

### C. Renunciation of Corporation Opportunities

1. Corporate Opportunity. To the fullest extent permitted by the laws of the State of Delaware, (a) the Corporation hereby renounces all interest and expectancy that it otherwise would be entitled to have in, and all rights to be offered an opportunity to participate in, any business opportunity that from time to time may be presented to (i) any Director, (ii) any stockholder, officer or agent of the Corporation, or (iii) any Affiliate of any person or entity identified in the preceding clause (i) or (ii), but in each case excluding any such person in its capacity as an employee or Director of the Corporation or its subsidiaries; (b) no stockholder and no Director, in each case, that is not an employee of the Corporation or its subsidiaries, will have any duty to refrain from (x) engaging in a corporate opportunity in the same or similar lines of business in which the Corporation or its subsidiaries from time to time is engaged or proposes to engage or (y) otherwise competing, directly or indirectly, with the Corporation or any of its subsidiaries; and (c) if any stockholder or any Director, in each case, that is not an employee of the Corporation or its subsidiaries, acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity both for such stockholder or such Director or any of their respective Affiliates, on the one hand, and for the Corporation or its subsidiaries, on the other hand, such stockholder or Director shall have no duty to communicate or offer such transaction or business opportunity to the Corporation or its subsidiaries and such stockholder or Director may take any and all such transactions or opportunities for itself or offer such transactions or opportunities to any other person or entity. The preceding sentence of this Article VII(C) shall not apply to any potential transaction or business opportunity that is expressly offered to a Director or employee of the Corporation or its subsidiaries, solely in his or her capacity as a Director or employee of the Corporation or its subsidiaries.

Solely for purposes of this Article VII(C), the following terms shall have the meanings assigned below:

- (a) “Affiliate” means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another Person.
- (b) “Control,” including the terms “controlling,” “controlled by” and “under common control with,” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of stock or other equity interests, by contract or otherwise.
- (c) “Person” means any individual, corporation, partnership, unincorporated association or other entity.

2. Corporate Opportunity. To the fullest extent permitted by the laws of the State of Delaware, no potential transaction or business opportunity may be deemed to be a corporate opportunity of the Corporation or its subsidiaries unless (a) the Corporation or its subsidiaries would be permitted to undertake such transaction or opportunity in accordance with this Amended and Restated Certificate of Incorporation, (b) the Corporation or its subsidiaries at such time have sufficient financial resources to undertake such transaction or opportunity (c) the Corporation or its subsidiaries have an interest or expectancy in such transaction or opportunity and (d) such transaction or opportunity would be in the same or similar line of business in which the Corporation or its subsidiaries are then engaged or a line of business that is reasonably related to, or a reasonable extension of, such line of business.
3. Liability. No stockholder and no Director will be liable to the Corporation or its subsidiaries or stockholders for breach of any duty (contractual or otherwise) solely by reason of any activities or omissions of the types referred to in this Article VII(C), except to the extent such actions or omissions are in breach of this Article VII(C).

**D. Effect of Amendment**

No amendment to, or modification or repeal of this Article VI, nor the adoption of any provision of this Certificate inconsistent with this Article VI, shall adversely affect any right or protection of an Indemnitee existing hereunder with respect to any acts or omissions occurring before such amendment, modification, repeal or adoption of an inconsistent provision.

**ARTICLE VII: MEETINGS OF STOCKHOLDERS**

**A. Stockholder Action by Written Consent**

No action shall be taken by the stockholders of the Corporation except at an annual or special meeting of the stockholders called in accordance with the Bylaws and no action shall be taken by the stockholders by written consent; provided, however, that, subject to the rights of any series of Preferred Stock permitting the holders of such series of Preferred Stock to act by written consent, for so long as 2118769 Ontario Inc., Fruzer Inc., 2208742 Ontario Inc., 2208744 Ontario Inc., HF I Investments LLC, HF II Investments LLC, HF III Investments LLC, Hawthorn Limited Partnership, Hydrofarm Co-Investment Fund, LP, Arch Street Holdings I, LLC and Payne Capital Corp., together with their respective affiliates or successors, collectively beneficially own (directly or indirectly), in the aggregate, at least fifty percent (50%) of the then issued and outstanding Common Stock of the Corporation, any action required or permitted to be taken by the stockholders of the Corporation at any meeting of stockholders may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by stockholders holding at least a majority of the total voting power of all the then-outstanding shares of the Corporation then entitled to vote entitled on the subject matter thereof.

**B. Special Meetings of Stockholders**

Except as otherwise required by law or provided by the resolution or resolutions adopted by the Board of Directors designating the rights, powers and preferences of any series of Preferred Stock, special meetings of stockholders of the Corporation may be called only by (a) the Board of Directors pursuant to a resolution approved by a majority of the total number of Directors that the Corporation would have if there were no vacancies or (b) the chair of the Board of Directors, and any power of stockholders to call a special meeting is specifically denied.

**ARTICLE VIII: AMENDMENTS TO THE CERTIFICATE AND BYLAWS**

**A. Amendments to the Certificate**

Notwithstanding any other provisions of this Certificate, and notwithstanding that a lesser percentage may be permitted from time to time by applicable law, no provision of Articles V, VI, VII or this Article VIII may be

altered, amended or repealed in any respect (including by merger, consolidation or otherwise), nor may any provision inconsistent therewith be adopted, unless such alteration, amendment, repeal or adoption is approved by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66<sup>2/3</sup>%) of the voting power of all of the then-outstanding shares of the Corporation then entitled to vote generally in an election of Directors, voting together as a single class.

**B. Adoption, Amendment and Repeal of the Bylaws**

In furtherance and not in limitation of the powers conferred by applicable law, the Board of Directors is expressly authorized to make, alter, amend and repeal the Bylaws, subject to the power of the stockholders of the Corporation to make, alter, amend or repeal the Bylaws; provided, however, that with respect to the powers of stockholders to make, alter, amend or repeal the Bylaws, and notwithstanding any other provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the stockholders of any particular class or series of the Corporation required by law, the Bylaws or any series of Preferred Stock, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66<sup>2/3</sup>%) of the voting power of all of the then-outstanding shares of the Corporation entitled to vote generally in an election of Directors, voting together as a single class, shall be required to make, alter, amend or repeal the Bylaws.

**ARTICLE IX: EXCLUSIVE JURISDICTION**

**A.** Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware does not have subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) shall be the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any current or former Director, officer or other employee of the Corporation, to the Corporation or the Corporation's stockholders, (iii) any action or proceeding asserting a claim against the Corporation or any current or former Director, officer or other employee of the Corporation arising out of or pursuant to any provision of the DGCL or this amendment to the Certificate or the Bylaws of the Corporation (in each case, as they may be amended from time to time), (iv) any action or proceeding to interpret, apply, enforce or determine the validity of this amendment to the Certificate or the Bylaws (including any right, obligation, or remedy thereunder), (v) any action or proceeding as to which the DGCL confers jurisdiction to the Court of Chancery of the State of Delaware or (vi) any action asserting a claim governed by the internal affairs doctrine against the Corporation or any Director, officer or other employee of the Corporation, in all cases to the fullest extent permitted by law and subject to the court's having personal jurisdiction over the indispensable parties named as defendants. This Section A of Article IX shall not apply to actions brought to enforce a duty or liability created by the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or any claim for which the federal courts have exclusive jurisdiction.

**B.** Unless the Corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article IX.

\* \* \* \*

CERTIFICATIONS UNDER SECTION 302

I, B. John Lindeman, 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 12, 2025

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

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 12, 2025

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

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, 2025 (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 12, 2025

/s/ B. John Lindeman

B. John Lindeman  
Chief Executive Officer  
(Principal Executive Officer)

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, 2025 (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 12, 2025

/s/ Kevin O'Brien

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