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

FORM 8-K

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

Date of report (Date of earliest event reported): **October 25, 2021**

Hydrofarm Holdings Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**001-39773**	**81-4895761**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

270 Canal Road
Fairless Hills, PA 19030
(Address of Principal Executive Offices) (Zip Code)

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

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

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

Emerging growth company x

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

Item 1.01 Entry into a Material Definitive Agreement.

IGE Acquisition

On October 25, 2021, Hydrofarm Holdings Group, Inc., (the "Company") entered into a stock purchase and contribution agreement (the "Purchase Agreement") with Hydrofarm, LLC, its wholly-owned indirect subsidiary (the "Buyer"), Bruce Zierk and Christopher Mayer (collectively, the "Sellers"), and Christopher Mayer, solely in his capacity as representative of the Sellers (the "Sellers' Representative"), pursuant to which the Sellers agreed to (i) contribute 20% of the outstanding shares of Innovative Growers Equipment, Inc., an Illinois corporation ("IGE"), Innovative AG Installation, Inc., an Illinois corporation ("IAG"), Innovative Racking Systems, Inc., an Illinois corporation ("IRS"), and Innovative Shipping Solutions, Inc., an Illinois corporation ("ISS" and, together with IGE, IAG and IRS the "Sold Companies") to the Company in exchange for approximately $11.6 million of the Company's common stock, and (ii) sell 80% of the outstanding shares of the Sold Companies to Buyer for a purchase price of $46.4 million (the "Cash Consideration"), subject to customary adjustments at closing for working capital, transaction expenses and indebtedness of the Sold Companies and their respective subsidiaries (the "Acquisition"). The Purchase Agreement provides for $5.8 million of the Cash Consideration to be held in escrow against any indemnification claims for breaches of the Sellers' representations, warranties, covenants and other obligations. In connection with the Acquisition, the Company intends to enter into employment agreements with certain key employees of the Sold Companies.

Collectively, the Sold Companies and their respective subsidiaries are premier equipment suppliers to commercial growers throughout North America that specialize in the manufacture of horticulture benches, racking and LED lighting systems which complement the Company's existing lineup of high performance, proprietary branded products.

The Acquisition is expected to close in November 2021, subject to customary closing conditions. The Purchase Agreement includes customary representations, warranties and covenants regarding the Sellers, the Sold Companies and Buyer.

The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the provisions of the Purchase Agreement, a copy of which will be filed as an exhibit to the Company's Form 10-Q for the quarter ended September 30, 2021.

Term Loan

On October 25, 2021, the Company and certain of its subsidiaries entered into the Credit and Guaranty Agreement with JPMorgan Chase Bank, N.A., as administrative agent for the lenders, pursuant to which it borrowed a $125.0 million term loan ("Term Loan"). 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. The Term Loan bears interest at LIBOR (with a 1.0% floor) plus 5.50%, or an alternative base rate (with a 2.0% floor), plus 4.50%, and is subject to a call premium of 2% in year one, 1% in year two, and 0% thereafter, and matures on October 25, 2028. In connection with the Term Loan, the Company and certain of its subsidiaries entered into the Second Amendment to Credit Agreement ("Second Amendment"), dated as of October 25, 2021 with JPMorgan Chase Bank, N.A., as administrative agent for the lenders, pursuant to which it consented to the Term Loan and the lien priorities described above, and made certain conforming changes to the provisions of the Term Loan.

The foregoing descriptions of the Term Loan and the Second Amendment do not purport to be complete and are qualified in their entirety by reference to the provisions of the Term Loan and the Second Amendment, copies of which will be filed as exhibits to the Company’s Form 10-Q for the quarter ended September 30, 2021.

Item 2.02 Results of Operations and Financial Condition.

On October 26, 2021, the Company issued a press release announcing the Acquisition, the Term Loan, its preliminary financial results for the third quarter ended September 30, 2021 and updating its full-year 2021 outlook. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

The information in this Item 2.02 of this Current Report on Form 8-K and Exhibit 99.1 attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"). The information contained in this Item 2.02 and in the press release attached as Exhibit 99.1 to this Current Report on Form 8-K shall not be incorporated by reference into any filing with the Securities and Exchange Commission (“SEC”) made by the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Item 7.01 Regulation FD Disclosure.

The information set forth in Item 2.02 above is incorporated herein by reference.

The Company previously presented certain information in connection with the Term Loan, some of which has not been previously disclosed publicly by the Company, as set forth in the presentation furnished as Exhibit 99.2 to this Current Report on Form 8-K and incorporated herein by reference.

The information in this Item 7.01 of this Current Report on Form 8-K and Exhibit 99.2 attached hereto shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act. The information contained in this Item 7.01 and in the press release attached as Exhibit 99.2 to this Current Report on Form 8-K shall not be incorporated by reference into any filing with the SEC made by the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

This Current Report on Form 8-K contains forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. These statements include statements made about the Acquisition described above. Such statements are based on current assumptions that involve risks and uncertainties that could cause actual outcomes and results to differ materially. These risks and uncertainties, many of which are beyond the Company’s control, include risks described in the section entitled “Risk Factors” and elsewhere in the Company’s Annual Report on Form 10-K filing made with the SEC on March 30, 2021. These forward-looking statements speak only as of the date hereof and should not be unduly relied upon. The Company disclaims any obligation to update these forward-looking statements. All forward-looking statements in this document are qualified in their entirety by this cautionary statement.

Item 9.01 **Financial Statements and Exhibits.**

Exhibit No.	Description
99.1	Press Release, dated October 26, 2021.
99.2	Lender Presentation.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

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

Hydrofarm Holdings Group, Inc.

Date: October 26, 2021

By: /s/ William Toler
Name: William Toler
Title: Chief Executive Officer

Exhibit 99.1

Hydrofarm Signs Agreement to Acquire Innovative Growers Equipment; Announces Preliminary 3Q21 Financial Results and Provides Updated Full Year 2021 Outlook

Announces Closing of Senior Secured Term Loan Facility

Commercial Benching, Racking and LED Lighting Systems Manufacturer Further Diversifies Hydrofarm's Portfolio of Controlled Environment Agriculture Products

Fairless Hills, Pa. (October 26, 2021) – Hydrofarm Holdings Group, Inc. ("Hydrofarm" or the "Company") (Nasdaq: HYFM), a leading distributor and manufacturer of hydroponics equipment and supplies for controlled environment agriculture ("CEA"), announced it has entered into an agreement to acquire Illinois-based Innovative Growers Equipment Inc. ("IGE"), a manufacturer of horticulture benches, racking and LED lighting systems. The addition of the IGE commercial equipment product range complements Hydrofarm's existing lineup of high performance, proprietary branded products.

Hydrofarm will fund the total purchase price of approximately $58.0 million using a combination of cash, the Company's credit facilities and approximately $11.6 million in HYFM common stock. Under the terms of the transaction agreement, IGE will become a wholly owned indirect subsidiary of Hydrofarm Holdings Group, Inc. The transaction is expected to close in early November 2021.

"We are excited for IGE to officially join the Hydrofarm family," said Bill Toler, Chairman and Chief Executive Officer of Hydrofarm. "With their manufacturing capabilities and strong line of customized CEA solutions for commercial growers, including benching and racking systems, made-in-America LED lighting solutions, and other equipment and services, IGE is a solid addition to our growing portfolio and will further solidify our position as the acquirer of choice in the CEA industry."

"Our success in the indoor growing market is rooted in our premium quality products and high level of service to our customers," said Chris Mayer, President and CEO of Innovative Growers Equipment Inc. "Hydrofarm is a longtime customer of ours and we have been selling Hydrofarm's superior line of lighting products for many years. We admire their deep understanding of indoor growing and look forward to joining the Hydrofarm team."

Hydrofarm expects IGE to generate approximately $48.0 million in net sales in 2021, representing significant growth from the prior year. Hydrofarm has historically distributed IGE products, representing approximately 7% of IGE's total net sales. Based on an estimated Nov 1st closing date, the Company expects IGE to contribute approximately an incremental $6.0 million in net sales and less than $1.0 million in Adjusted EBITDA in fiscal 2021. The transaction is expected to be accretive to Hydrofarm, as the Company will now pick up IGE's manufacturing profit margin profile, in addition to the portion of IGE sales that it did not previously represent. The transaction represents an acquisition multiple of approximately 7x IGE's estimated 2021 Adjusted EBITDA, excluding synergies.

The acquisition of IGE marks the fifth and latest in a succession of acquisitions made by Hydrofarm during 2021. The Company's M&A strategy has resulted in the addition of new manufacturers to its proprietary portfolio, including Greenstar Products, Inc. in Canada, Aurora Innovations, Inc. in Oregon, and the HEAVY 16, House & Garden and Mad Farmer brands in California. These moves have furthered Hydrofarm's strategic efforts to grow and enhance its offerings of branded products in key CEA product categories. Rothschild & Co. is serving as financial advisor and Mintz is serving as legal advisor to Hydrofarm.

Senior Secured Term Loan

The Company also announced that it has entered into a new $125.0 million senior secured term loan facility (the “Term Loan”). The Term Loan bears interest at a rate of either LIBOR (with a 1.00% floor) plus 5.50%, or an alternate base rate (with a 2.00% floor) plus 4.50% and matures on October 25, 2028. Hydrofarm intends to use the net proceeds from the Term Loan to fund the cash portion of the IGE purchase price and for general corporate purposes, which may include, among other things, repaying any outstanding balance under the Company’s existing revolving credit facility and funding future M&A opportunities. Should additional capital needs arise, Hydrofarm can, per the terms of the Term Loan agreement, seek to upsize the facility. JPMorgan Chase Bank, N.A. acted as sole lead arranger and bookrunner for the Term Loan.

Preliminary Third Quarter 2021 Financial Results and Updated Full Year 2021 Guidance

The Company also announced the following preliminary unaudited financial results for its third quarter ended September 30, 2021:

- The Company estimates that net sales will range between $121.0 million to $124.0 million, as compared to $96.7 million for the three months ended September 30, 2020, an increase of approximately 27% calculated using the midpoint of the range. We now estimate that the year-over-year increase was driven entirely by M&A growth.

- Net income is expected to range between $13.3 million and $18.3 million, as compared to net income of $2.7 million for the three months ended September 30, 2020.

- Adjusted EBITDA is estimated to be between $14.4 million to $16.4 million, as compared to $7.4 million for the three months ended September 30, 2020, an increase of approximately 108% calculated using the midpoint of the range.

Mr. Toler added, “We believe a short-term oversupply has put downward pressure on cannabis growing activity predominantly in California and Canada. In addition, sales activity in highly-populated states such as New York, New Jersey, Virginia and Connecticut, which have passed new adult-use legislation within the past year, has not yet gained full momentum. We expect sales in these states to improve as they begin to more aggressively implement revenue-generating cannabis legislation as part of their respective state budgets. Despite the disruption, we continue to believe our long-term growth algorithm remains intact and that we are uniquely positioned to capitalize on the unprecedented expansion of Controlled Environment Agriculture. We remain convinced that we have only scratched the surface of the long-term opportunity in front of us.”

The expected increase in year-over-year Adjusted EBITDA is due primarily to (i) anticipated higher sales of proprietary brands which represented a higher proportion of total sales in the Q3 2021 period due to the Company’s four completed acquisitions of proprietary branded product companies and (ii) anticipated higher gross profit and gross profit margin in the third quarter of 2021 primarily resulting from the aforementioned mix change to higher margin proprietary brands. Those increases were partially offset by higher selling, general and administrative expenses as Company further built-out its growth platform versus same period in the prior year.

Preliminary results remain subject to the completion of normal quarter-end accounting procedures and adjustments and are subject to change. In particular, certain items arising from our recent acquisitions impacting net income, but not impacting net sales or Adjusted EBITDA, remain open, including contingent consideration calculations and income taxes and therefore these amounts could vary materially from current estimates (impacting net income but not net sales or Adjusted EBITDA).

In light of the Company's recent performance, developments in the industry and acquisition activities, the Company is providing the following updated outlook for the full fiscal year 2021:

- **Net sales growth between 37% and 43% or approximately $470.0 million to $490.0 million.**
- **Adjusted EBITDA(1) of $47.0 million to $53.0 million**, or approximately 10% to 11% of net sales for the full fiscal year, up from approximately 6% in the prior year.

    (1) Adjusted EBITDA is a non-GAAP measure. For reconciliations of GAAP to non-GAAP measures see the" Reconciliation of Non-GAAP Measures" accompanying this release.

The Company's 2021 outlook incudes the following updated assumptions:

- Partial period contributions from the following acquisitions:
    - Heavy 16 – May through December
    - House & Garden – June through December
    - Aurora Innovations – July through December
    - Greenstar – August through December
    - IGE – November through December (2 full months; assumes Nov 1st close)
- Full-year organic growth of approximately 18% to 23% and M&A growth of approximately 19% to 20%; organic growth is heavily weighted toward the first half of fiscal 2021 and M&A growth is heavily weighted toward the second half of fiscal 2021.

Since the Company has recently completed four acquisitions with the closing of one additional acquisition pending in Q4 2021 (with only a partial year contribution from each acquisition embedded within the outlook above), the Company estimates that on a **pro forma full year basis** as if all five acquisitions had occurred on January 1, 2021**,** the Company would have expected to generate between **approximately $580 million and $600 million of net sales** and **$85 and $95 million of Adjusted EBITDA**.

With respect to projected fiscal year 2021 Adjusted EBITDA, a quantitative reconciliation is not available without unreasonable effort due to the variability, complexity and low visibility with respect to certain items, including, but not limited to, stock-based compensation and employer payroll taxes, uncertainties caused by the global COVID-19 pandemic, changes to the regulatory landscape, and certain potential future transaction expenses, which are excluded from Adjusted EBITDA. We expect the variability of these items to have a potentially unpredictable, and potentially significant, impact on our future GAAP financial results.

Full third quarter results will be discussed during the upcoming Hydrofarm earnings conference call, scheduled for Thursday, November 11, 2021 after market close at 5:00 p.m. ET.

Investors interested in participating in the live call can dial 201-389-0879 or listen to a simultaneous, live webcast available on the Investors section of the Company's website at www.hydrofarm.com under the "Investors" section.

Non-GAAP Financial Presentation

The Company reports its financial results in accordance with U.S. GAAP. However, management believes that certain non-GAAP financial measures provide investors with additional useful information in evaluating the Company's performance and that excluding certain items that may vary substantially in frequency and magnitude period-to-period from net income (loss) provides useful supplemental measures that assist in evaluating its ability to generate earnings and to more readily compare these metrics between past and future periods. These non-GAAP financial measures may be different than similarly titled measures used by other companies.

The Company defines Adjusted EBITDA as net income (loss) excluding interest expense, income taxes, depreciation and amortization, share-based compensation, employer payroll taxes on share-based compensation and other unusual and/or infrequent costs (i.e., impairment, restructuring and other expenses, acquisition-related expenses, loss on debt extinguishment, distribution center exit costs and other expense, net), which the Company does not consider in its evaluation of ongoing operating performance.

The reconciliation below is to preliminary net income and management has not completed its review of all items which are components of net income; therefore, actual results could differ significantly. The following table reconciles the preliminary Adjusted EBITDA range of $14.4 million to $16.4 million to the preliminary net income range of $13.3 million to $18.3 million for the three months ended September 30, 2021.

	Range	
	Three Months Ended September 30, 2021	
	(in millions)	
Net Income Range	**$ 13.3**	**$ 18.3**
Interest expense	0.1	0.1
Income tax benefit	(17.5)	(20.5)
Depreciation and amortization	4.9	4.9
Distribution center exit costs and other	0.3	0.3
Impairment, restructuring and other	0.2	0.2
Acquisition expenses	10.6	10.6
Other expense, net	0.1	0.1
Stock-based compensation	1.3	1.3
Loss on debt extinguishment	-	0.0
Investor warrant solicitation fees	1.1	1.1
Adjusted EBITDA Range	**$ 14.4**	**$ 16.4**

The following table reconciles Adjusted EBITDA to the net income of $2.7 million for the three months ended September 30, 2020.

		Three Months Ended September 30, 2020
		(in millions)
Net Income	**$**	**2.7**
Interest expense		2.5
Income tax expense		0.1
Depreciation and amortization		1.5
Distribution center exit costs and other		0.0
Impairment, restructuring and other		0.2
Acquisition expenses		0.0
Other expense, net		0.2
Stock-based compensation		0.2
Loss on debt extinguishment		0.0
Investor warrant solicitation fees		0.0
Adjusted EBITDA	**$**	**7.4**

About Hydrofarm Holdings Group, Inc.

Hydrofarm is a leading distributor and manufacturer of controlled environment agriculture equipment and supplies, including high-intensity grow lights, climate control solutions, and growing media, as well as a broad portfolio of innovative and proprietary branded products. For more than 40 years, Hydrofarm has helped growers in the U.S. and Canadian markets make growing easier and more productive. The Company's mission is to empower growers, farmers and cultivators with products that enable greater quality, efficiency, consistency and speed in their grow projects. For additional information, please visit: www.hydrofarm.com

About Innovative Growers Equipment Inc.

Based in Sycamore, Illinois, Innovative Growers Equipment designs, engineers, and manufactures custom benches for growers and garden center retailers. IGE has more than 100 employees in the U.S. and Canada, and occupies over 300,000 square feet of commercial factory space in northern Illinois. IGE also manufactures complementary equipment, such as multi-tier vertical racking, airflow systems, and ILE LED lighting solutions, for growers of quality plants throughout North America. Visit innovativegrowersequipment.com for more information.

Cautionary Note Regarding Forward-Looking Statements

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

The ongoing COVID-19 pandemic could have a material adverse effect on the Company’s business, results of operation, financial condition and/or cash flows; Interruptions in the Company's supply chain, whether due to COVID-19 or otherwise could adversely impact expected sales growth and operations; The highly competitive nature of the Company’s markets could adversely affect its ability to maintain or grow revenues; Certain of the Company’s products may be purchased for use in new or emerging industries or segments, including the cannabis industry, and/or be subject to varying, inconsistent, and rapidly changing laws, regulations, administrative and enforcement approaches, and consumer perceptions and, among other things, such laws, regulations, approaches and perceptions may adversely impact the market for the Company’s products; The market for the Company’s products may be impacted by conditions impacting its customers, including related crop prices and other factors impacting growers; Compliance with environmental and other public health regulations or changes in such regulations or regulatory enforcement priorities could increase the Company’s costs of doing business or limit the Company’s ability to market all of its products; Damage to the Company’s reputation or the reputation of its products or products it markets on behalf of third parties could have an adverse effect on its business; If the Company is unable to effectively execute its e-commerce business, its reputation and operating results may be harmed; The Company’s operations may be impaired if its information technology systems fail to perform adequately or if it is the subject of a data breach or cyber-attack; The Company may not be able to adequately protect its intellectual property and other proprietary rights that are material to the Company’s business; Acquisitions, other strategic alliances and investments could result in operating and integration difficulties, dilution and other harmful consequences that may adversely impact the Company’s business and results of operations. Additional detailed information concerning a number of the important factors that could cause actual results to differ materially from the forward-looking information contained in this release is readily available in the Company’s annual, quarterly and other reports. The Company disclaims any obligation to update developments of these risk factors or to announce publicly any revision to any of the forward-looking statements contained in this release, or to make corrections to reflect future events or developments.

Investor Relations:
ICR
Fitzhugh Taylor
ir@hydrofarm.com

Media Contacts:
Hydrofarm
Lisa Gallagher
513-505-2334
lgallagher@hydrofarm.com

Exhibit 99.2

HYDROFARM®

Lender presentation

October 2021

Disclaimer

Special Notice for **Private-Side, Subject to Cleansing** Information Materials

SPECIAL NOTICE REGARDING MATERIAL NON-PUBLIC INFORMATION
THIS DOCUMENT MAY CONTAIN MATERIAL NON-PUBLIC INFORMATION CONCERNING THE BORROWER OR ITS RELATED PARTIES OR THEIR RESPECTIVE SECURITIES.
BY ACCEPTING THIS DOCUMENT, THE RECIPIENT AGREES TO USE AND MAINTAIN ANY SUCH INFORMATION IN ACCORDANCE WITH ITS COMPLIANCE POLICIES, CONTRACTUAL OBLIGATIONS AND APPLICABLE LAW, INCLUDING FEDERAL AND STATE SECURITIES LAWS.
HOWEVER, THE BORROWER HAS REPRESENTED AND WARRANTED TO THE ARRANGER (AS DEFINED HEREIN) THAT AS OF 5:00 PM NEW YORK CITY TIME ON OCTOBER 26, 2021 NONE OF THE INFORMATION IN THIS DOCUMENT WILL CONSTITUTE OR CONTAIN ANY MATERIAL NON-PUBLIC INFORMATION WITH RESPECT TO THE BORROWER (AS DEFINED HEREIN) OR ANY PARTY RELATED THERETO (COLLECTIVELY, "***PARTIES***") OR THEIR RESPECTIVE SECURITIES FOR PURPOSES OF UNITED STATES FEDERAL AND STATE SECURITIES LAWS.
The information contained in this document is subject to, and ***must be kept confidential*** in accordance with, the Notice to and Undertaking by Recipients accompanying this document.

Notice to and Undertaking by Recipients dated October 19, 2021

The information and documents following this Notice (the "***Confidential Materials***") have been prepared from information supplied by or on behalf of Hydrofarm Holdings Group Inc. ("***Borrower***"), and is being furnished by JPMorgan Chase Bank, N.A. through its agent J.P. Morgan Securities LLC ("***Arranger***") to you and the financial institution that you represent as a potential lender (collectively, "***Recipient***") in the proposed Credit Facility described herein (the "***Facility***").

By accepting the Confidential Materials for review, Recipient agrees to be bound by the terms of this notice and the undertakings set forth herein. If Recipient is unwilling to accept such undertakings, do not open the Confidential Materials or, if Confidential Materials are provided in hard copy, return the Confidential Materials to Arranger immediately without reviewing them or making any copies, extracts or use of them and, if applicable, immediately terminate access to the related Citrix site.

I. Confidentiality

As used herein: (a) "***Evaluation Materials***" means the Confidential Materials and any other information regarding Borrower or the Facility furnished or communicated to Recipient by or on behalf of Borrower in connection with the Facility (whether prepared or communicated by Arranger or Borrower, their respective advisors or otherwise) and (b) "***Internal Evaluation Materials***" means all memoranda, notes, and other documents and analyses developed by Recipient embodying any Evaluation Materials.

Recipient acknowledges that Borrower considers the Evaluation Materials to include confidential, sensitive or proprietary information and agrees to use reasonable precautions in accordance with its established procedures to keep the Evaluation Materials confidential; provided that (i) it may disclose such information to which Borrower gives its prior written consent and (ii) such information may be disclosed to it, its affiliates and their respective partners, directors, officers, employees, agents, advisors and other representatives (collectively, "***Representatives***") (such Representatives shall be informed by Recipient of the confidential nature of such information and shall be directed to treat such information in accordance with the terms hereof). Recipient agrees to be responsible for any breach of this Notice and Undertaking by its Representatives.

The foregoing confidentiality requirements do not apply to (i) any information that is or becomes generally available to the public by or on behalf of the Borrower, (ii) any information available to Recipient from a source other than Borrower, provided that such source is not known to Recipient to be subject to any confidentiality obligations to Borrower or its agents, (iii) any disclosure required by law, regulation or administrative or other legal process or requested by regulatory or governmental authorities, (iv) any disclosure consented to by Borrower or (v) any information independently developed by Recipient without use of the Evaluation Materials.

If Recipient decides not to participate in the Facility, then upon request of Arranger, Recipient shall as soon as practicable return all Evaluation Materials (other than Internal Evaluation Materials) to Arranger or represent in writing to Arranger that Recipient has destroyed all copies of the Evaluation Materials (other than Internal Evaluation Materials), unless prohibited from doing so by law, regulation or Recipient's internal policies and procedures.

Recipient agrees that money damages would not be a sufficient remedy for breach of this Notice and Undertaking, and that in addition to all other remedies available at law or in equity, Borrower and Arranger shall each be entitled to equitable relief, including injunction and specific performance, without proof of actual damages.

The terms and conditions of Part I of this Notice and Undertaking shall apply until you become a party to the definitive agreements evidencing the Facility and thereafter the provisions relating to confidentiality contained in such agreements shall govern. If you do not enter into the Facility, this Notice and Undertaking shall terminate on the date falling one year after the date hereof.

II. Information, etc.

Recipient acknowledges and agrees that (i) Arranger received the Evaluation Materials from third party sources (including Borrower) and it is provided to Recipient for informational purposes only, (ii) Arranger and its affiliates have no responsibility, and shall not be liable, for the accuracy or completeness or lack thereof of the Evaluation Materials or any information contained therein, (iii) no representation regarding the Evaluation Materials is made by Arranger or its affiliates, (iv) neither Arranger nor its affiliates has made any independent verification as to the accuracy or completeness of the Evaluation Materials and (v) Arranger and its affiliates shall have no obligation to update or supplement any Evaluation Materials or otherwise provide additional information.

The Evaluation Materials has been prepared to assist potential lenders in making their own evaluation of Borrower and the Facility and does not purport to be all-inclusive or to contain all of the information that a potential lender may consider material or desirable in making its decision to become a lender. Each Recipient of the information contained herein should take such steps as it deems necessary to assure that it has the information it considers material or desirable in making its decision to become a lender and should perform its own independent investigation and analysis of the Facility or the transactions contemplated thereby and the Borrower (including its creditworthiness). Recipient represents that it is sophisticated and experienced in extending credit to entities similar to Borrower. The information contained herein is not a substitute for Recipient's independent evaluation and analysis and should not be considered as a recommendation by Arranger or any of its affiliates that any Recipient enter into the Facility.

The Evaluation Materials may include certain forward looking statements and projections provided by Borrower. Any such statements and projections reflect various estimates and assumptions by Borrower concerning anticipated results. No representations or warranties are made by Borrower or any of its affiliates as to the accuracy of any such statements or projections. Whether or not any such forward looking statements or projections are in fact achieved will depend upon future events some of which are not within the control of Borrower. Accordingly, actual results may vary from the projected results and such variations may be material. Statements contained herein describing documents and agreements are summaries only and such summaries are qualified in their entirety by reference to such documents and agreements.

This Notice and Undertaking shall be governed by and construed in accordance with the law of the State of New York.

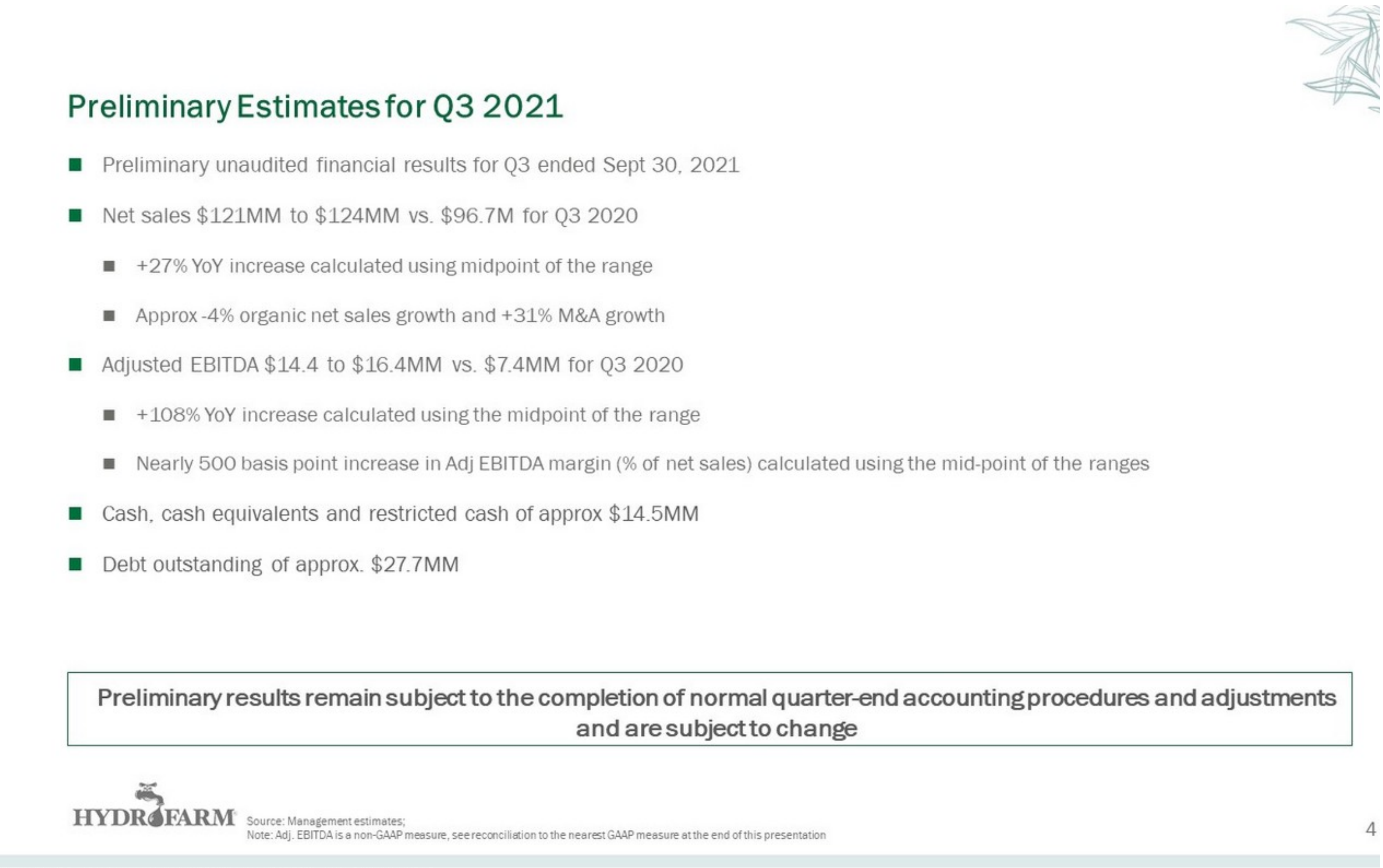
Today's agenda and presenters

1. Business/transaction update
2. Hydrofarm overview
3. Key credit highlights
4. Financial overview

Bill Toler
Chairman &
Chief Executive Officer

John Lindeman
Chief Financial Officer

Business/transaction update



Preliminary Estimates for Q3 2021

- Preliminary unaudited financial results for Q3 ended Sept 30, 2021
- Net sales $121MM to $124MM vs. $96.7M for Q3 2020
  - +27% YoY increase calculated using midpoint of the range
  - Approx -4% organic net sales growth and +31% M&A growth
- Adjusted EBITDA $14.4 to $16.4MM vs. $7.4MM for Q3 2020
  - +108% YoY increase calculated using the midpoint of the range
  - Nearly 500 basis point increase in Adj EBITDA margin (% of net sales) calculated using the mid-point of the ranges
- Cash, cash equivalents and restricted cash of approx $14.5MM
- Debt outstanding of approx. $27.7MM

Preliminary results remain subject to the completion of normal quarter-end accounting procedures and adjustments and are subject to change

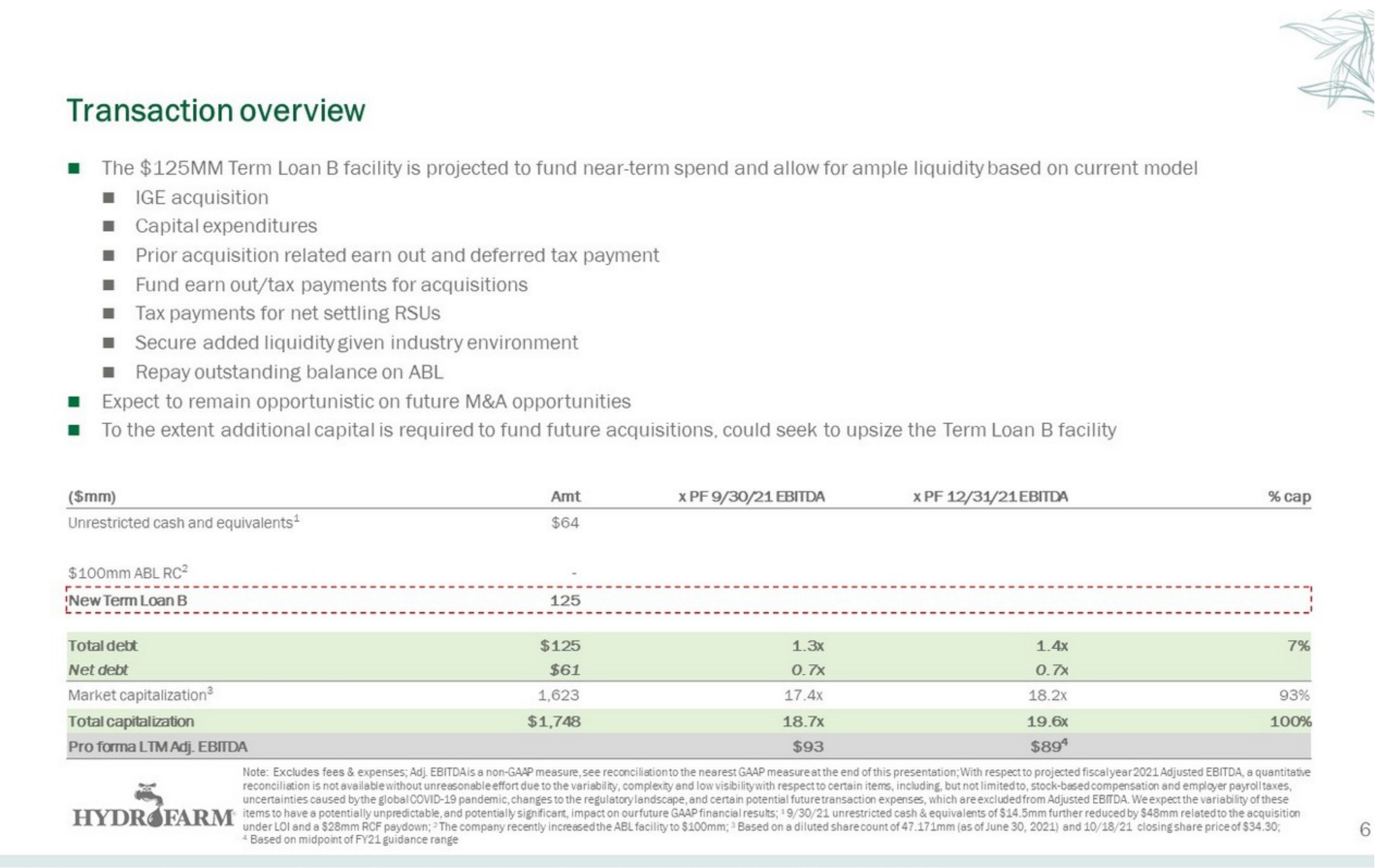
HYDROFARM

Source: Management estimates;
Note: Adj. EBITDA is a non-GAAP measure, see reconciliation to the nearest GAAP measure at the end of this presentation

Revised/Updated Full Year 2021 Outlook

- Net sales growth 37% to 43%; approx $470MM to $490MM
- Adjusted EBITDA $47MM to $53MM; approx 10% to 11% of net sales
- Outlook includes the following updated assumptions:
  - Partial period contributions from the following acquisitions
    - Heavy 16 – May through December
    - House & Garden – June through December
    - Aurora Innovations – July through December
    - Greenstar – August through December
    - IGE – November through December (2 full months assumes Nov 1st close)
    - Organic growth approx 18% to 23%; M&A growth approx 19 to 20%
  - Pro forma[1] full year 2021 outlook:
    - Net sales $580MM to $600MM
    - Pro Forma Adjusted EBITDA[1] $85MM to $93MM, representing approx 14.5% to 15.5% margin

Source: Management estimates;
Note: Adj. EBITDA is a non-GAAP measure, see reconciliation to the nearest GAAP measure at the end of this presentation; With respect to projected fiscal year 2021 Adjusted EBITDA, a quantitative reconciliation is not available without unreasonable effort due to the variability, complexity and low visibility with respect to certain items, including, but not limited to, stock-based compensation and employer payroll taxes, uncertainties caused by the global COVID-19 pandemic, changes to the regulatory landscape, and certain potential future transaction expenses, which are excluded from Adjusted EBITDA. We expect the variability of these items to have a potentially unpredictable, and potentially significant, impact on our future GAAP financial results; [1] Pro forma financials assume full year ownership of each target



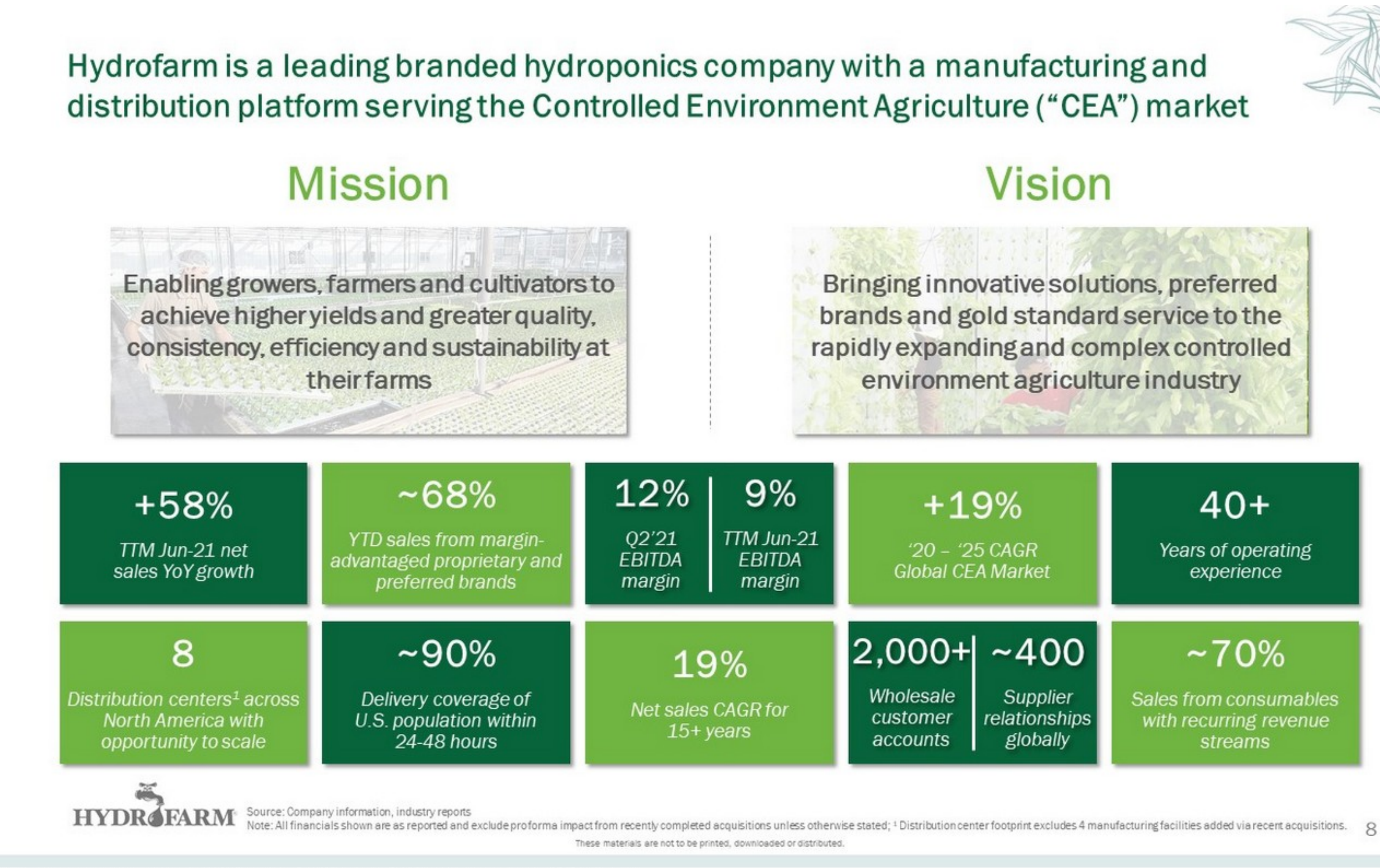
Transaction overview

- The $125MM Term Loan B facility is projected to fund near-term spend and allow for ample liquidity based on current model
  - IGE acquisition
  - Capital expenditures
  - Prior acquisition related earn out and deferred tax payment
  - Fund earn out/tax payments for acquisitions
  - Tax payments for net settling RSUs
  - Secure added liquidity given industry environment
  - Repay outstanding balance on ABL
- Expect to remain opportunistic on future M&A opportunities
- To the extent additional capital is required to fund future acquisitions, could seek to upsize the Term Loan B facility

($mm)	Amt	x PF 9/30/21 EBITDA	x PF 12/31/21 EBITDA	% cap
Unrestricted cash and equivalents[1]	$64			
$100mm ABL RC[2]	-			
New Term Loan B	125			
Total debt	**$125**	**1.3x**	**1.4x**	**7%**
Net debt	***$61***	***0.7x***	***0.7x***	
Market capitalization[3]	1,623	17.4x	18.2x	93%
Total capitalization	**$1,748**	**18.7x**	**19.6x**	**100%**
Pro forma LTM Adj. EBITDA		**$93**	**$89[4]**	

Note: Excludes fees & expenses; Adj. EBITDA is a non-GAAP measure, see reconciliation to the nearest GAAP measure at the end of this presentation; With respect to projected fiscal year 2021 Adjusted EBITDA, a quantitative reconciliation is not available without unreasonable effort due to the variability, complexity and low visibility with respect to certain items, including, but not limited to, stock-based compensation and employer payroll taxes, uncertainties caused by the global COVID-19 pandemic, changes to the regulatory landscape, and certain potential future transaction expenses, which are excluded from Adjusted EBITDA. We expect the variability of these items to have a potentially unpredictable, and potentially significant, impact on our future GAAP financial results; [1] 9/30/21 unrestricted cash & equivalents of $14.5mm further reduced by $48mm related to the acquisition under LOI and a $28mm RCF paydown; [2] The company recently increased the ABL facility to $100mm; [3] Based on a diluted share count of 47.171mm (as of June 30, 2021) and 10/18/21 closing share price of $34.30; [4] Based on midpoint of FY21 guidance range

Hydrofarm overview



Hydrofarm is a leading branded hydroponics company with a manufacturing and distribution platform serving the Controlled Environment Agriculture ("CEA") market

Mission

Enabling growers, farmers and cultivators to achieve higher yields and greater quality, consistency, efficiency and sustainability at their farms

Vision

Bringing innovative solutions, preferred brands and gold standard service to the rapidly expanding and complex controlled environment agriculture industry

+58%
TTM Jun-21 net sales YoY growth

~68%
YTD sales from margin-advantaged proprietary and preferred brands

12%
Q2'21 EBITDA margin

9%
TTM Jun-21 EBITDA margin

+19%
'20 – '25 CAGR Global CEA Market

40+
Years of operating experience

8
Distribution centers[1] across North America with opportunity to scale

~90%
Delivery coverage of U.S. population within 24-48 hours

19%
Net sales CAGR for 15+ years

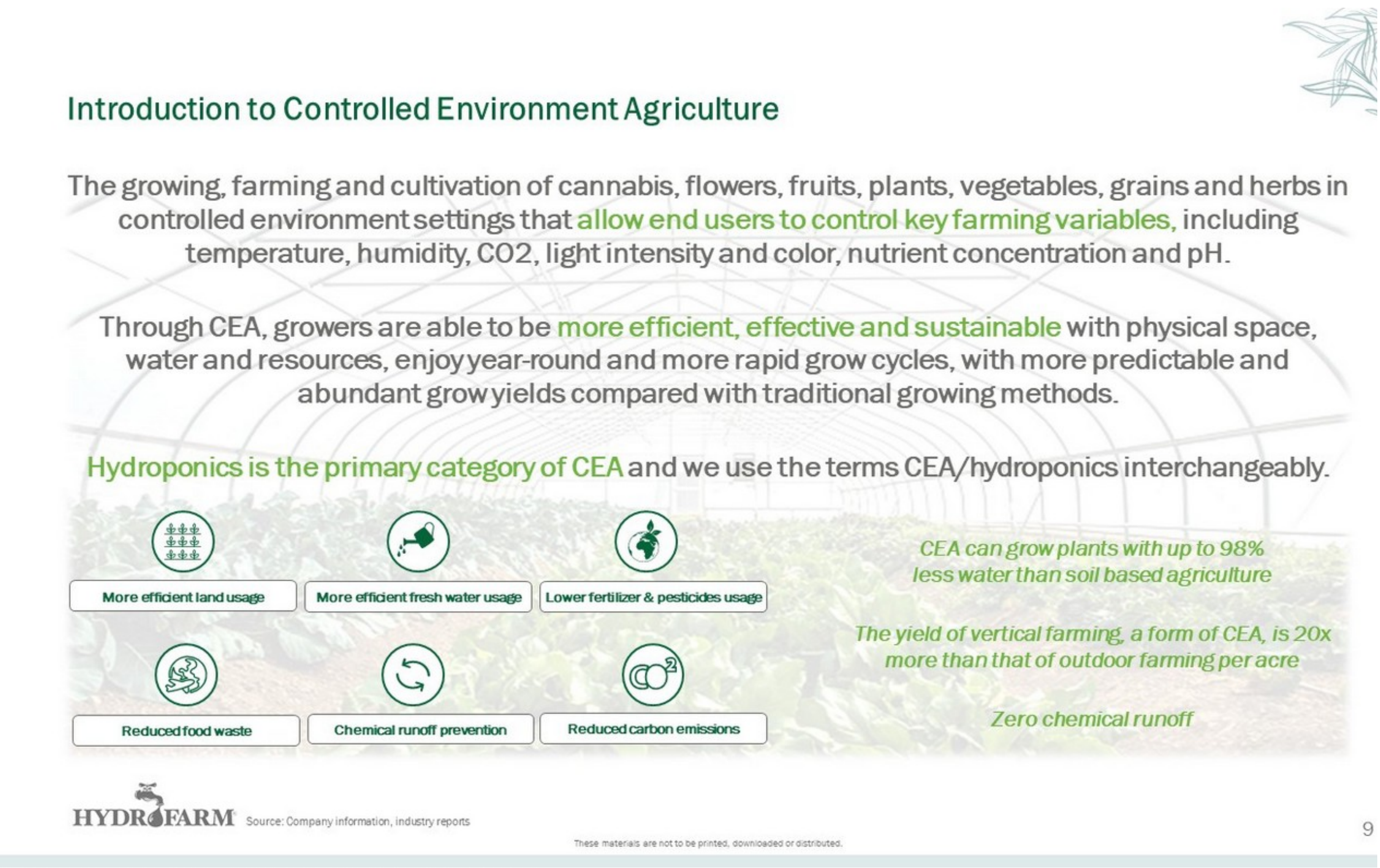
2,000+
Wholesale customer accounts

~400
Supplier relationships globally

~70%
Sales from consumables with recurring revenue streams

Source: Company information, industry reports

Note: All financials shown are as reported and exclude proforma impact from recently completed acquisitions unless otherwise stated; [1] Distribution center footprint excludes 4 manufacturing facilities added via recent acquisitions.



Introduction to Controlled Environment Agriculture

The growing, farming and cultivation of cannabis, flowers, fruits, plants, vegetables, grains and herbs in controlled environment settings that allow end users to control key farming variables, including temperature, humidity, CO2, light intensity and color, nutrient concentration and pH.

Through CEA, growers are able to be more efficient, effective and sustainable with physical space, water and resources, enjoy year-round and more rapid grow cycles, with more predictable and abundant grow yields compared with traditional growing methods.

Hydroponics is the primary category of CEA and we use the terms CEA/hydroponics interchangeably.

More efficient land usage

More efficient fresh water usage

Lower fertilizer & pesticides usage

Reduced food waste

Chemical runoff prevention

Reduced carbon emissions

CEA can grow plants with up to 98% less water than soil based agriculture

The yield of vertical farming, a form of CEA, is 20x more than that of outdoor farming per acre

Zero chemical runoff

HYDROFARM Source: Company information, industry reports

Hydrofarm serves a critical role as a leading solutions provider to the complex CEA supply chain

Brands from ~400 suppliers

Proprietary brands

- Active AQUA
- PHANTOM
- GROW!T COMMERCIAL

Preferred brands

- FOXFARM
- Cutting Edge Solutions
- anden

Distributed brands

- EYE LIGHTING INTERNATIONAL
- USHIO
- grodan

Branded provider of all CEA needs

HYDROFARM

- Full CEA solutions
- Best-in-class branded portfolio
- B2B eCommerce platform
- JIT delivery of consumables
- Category and technical specialists
- Distribution across U.S. and Canada
- Excellent customer service

Over 2,000 B2B customers

Specialty hydroponic retailers

- GREENCOAST HYDROPONICS
- GrowersHouse
- GrowGeneration

Garden centers / retail

- nurseryland
- ACE Hardware
- Canadian Tire

eCommerce

- amazon
- Spreetail
- Hydrobuilder

Greenhouse/commercial distributors

- BFG Supply Co.
- Innovative Growers Equipment Inc.
- RIMOL Greenhouse Systems

End users

Commercial growers

Vertical farming

- FREIGHT FARMS
- SUSTAINITECH
- plenty

- cresco
- SUPER FARM
- Wonderful nurseries
- leafia labs
- GRASSROOTS
- LivWell
- AURORA

Consumer gardeners

HYDROFARM Source: Company information

Hydrofarm is well-positioned for the future – key credit highlights

1. **MASSIVE MARKET OPPORTUNITY – "SELLING PICKS AND SHOVELS"**
Unprecedented tailwinds for our large and rapidly-growing end-markets ***as cannabis legalization and CEA expands***

2. **DIFFERENTIATED BRANDED PRODUCT OFFERING**
Majority of sales are from products that are ***only or primarily sold by Hydrofarm*** at ***advantaged margins***

3. **HIGH PROPORTION OF CONSUMABLES**
Approximately 70% of sales come from consumables, creating a ***large source of recurring revenue***

4. **WINNING PLATFORM**
Supply chain excellence with just-in-time coverage of North America and ***disruptive DMI[1] technology***

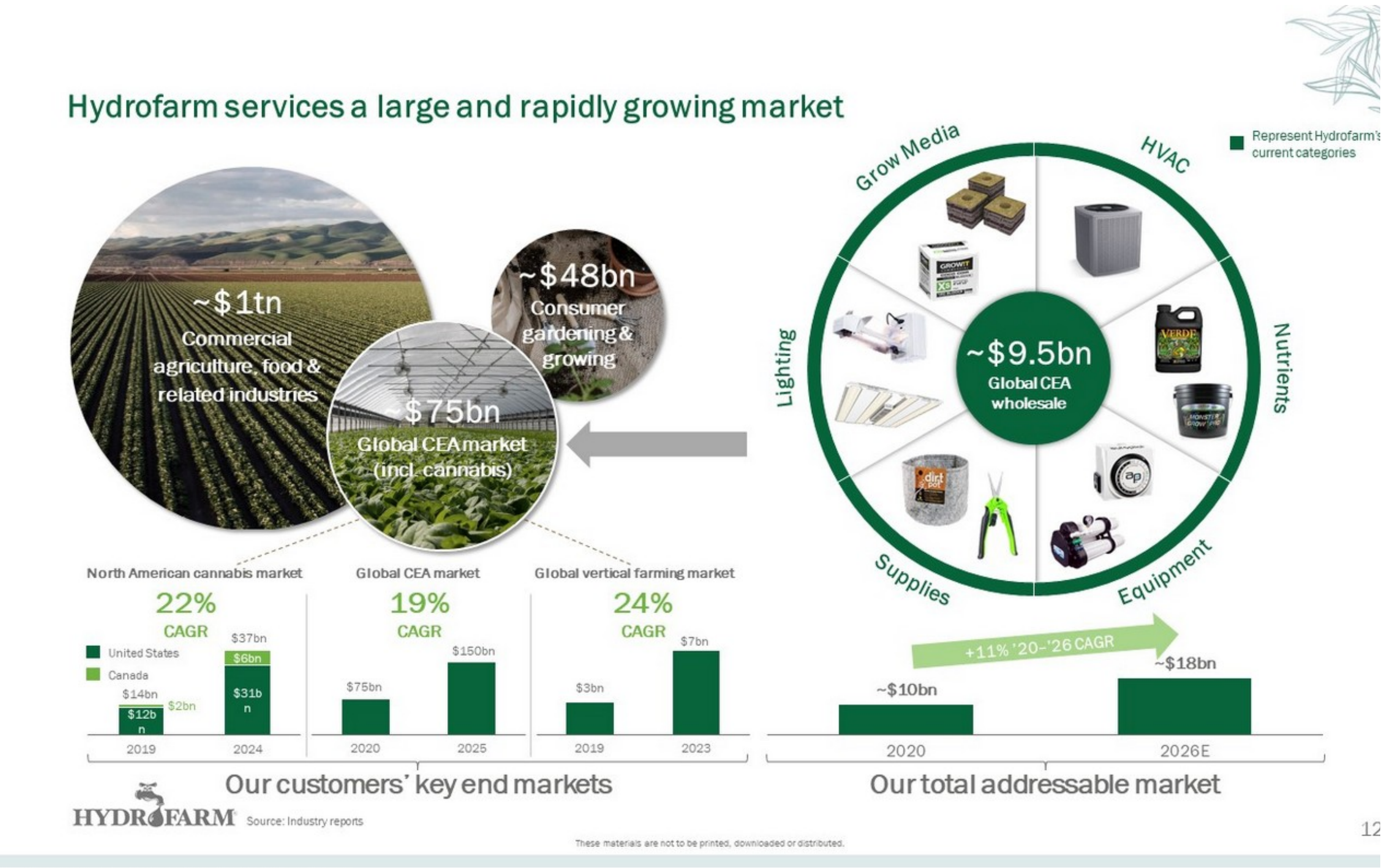
5. **IMPRESSIVE GROWTH ALGORITHM**
+15-year track record of 19% revenue CAGR *with a goal to achieve mid-teens+ organic topline growth*

6. **DRIVING PROFITABILITY**
Significant adj. EBITDA and margin growth in 2021, with potential for ***material and sustainable margin upside***

7. **CONSOLIDATOR OF CHOICE – ACQUIRED 4 BUSINESSES IN FIRST YEAR AS A PUBLIC COMPANY**
Differentiated positioning expands opportunity set to ***broaden industry footprint and strengthen portfolio***

8. **EXPERIENCED MANAGEMENT TEAM AND STRONG BOARD**
Proven management team with public company CEO/CFO and deep experience base paired with strong board

HYDROFARM Source: Company information, industry reports; Note: [1] Distributor managed inventory.



Hydrofarm services a large and rapidly growing market

Our customers' key end markets

Our total addressable market

HYDROFARM Source: Industry reports

Progress since our initial public offering in Q4 2020

Robust financial performance

- ✓ +55% YoY net sales growth as of YTD 2021
- ✓ Gross margin of 21.5% as of YTD 2021, (~290bps improvement from YTD 2020)
- ✓ Adj. EBITDA margin of 10.6% as of YTD 2021 (>500bps improvement from YTD 2020)[1]

Executing on our strategic initiatives

- ✓ Strong continued revenue growth across product lines, geographies and brand categories
- ✓ Expanding warehouse capacity in several key markets and building inventory to serve the expected surge in demand from cannabis legalization in new states
- ✓ Put in place new credit agreement with larger limit and more favorable terms
- ✓ Executing on a robust M&A pipeline

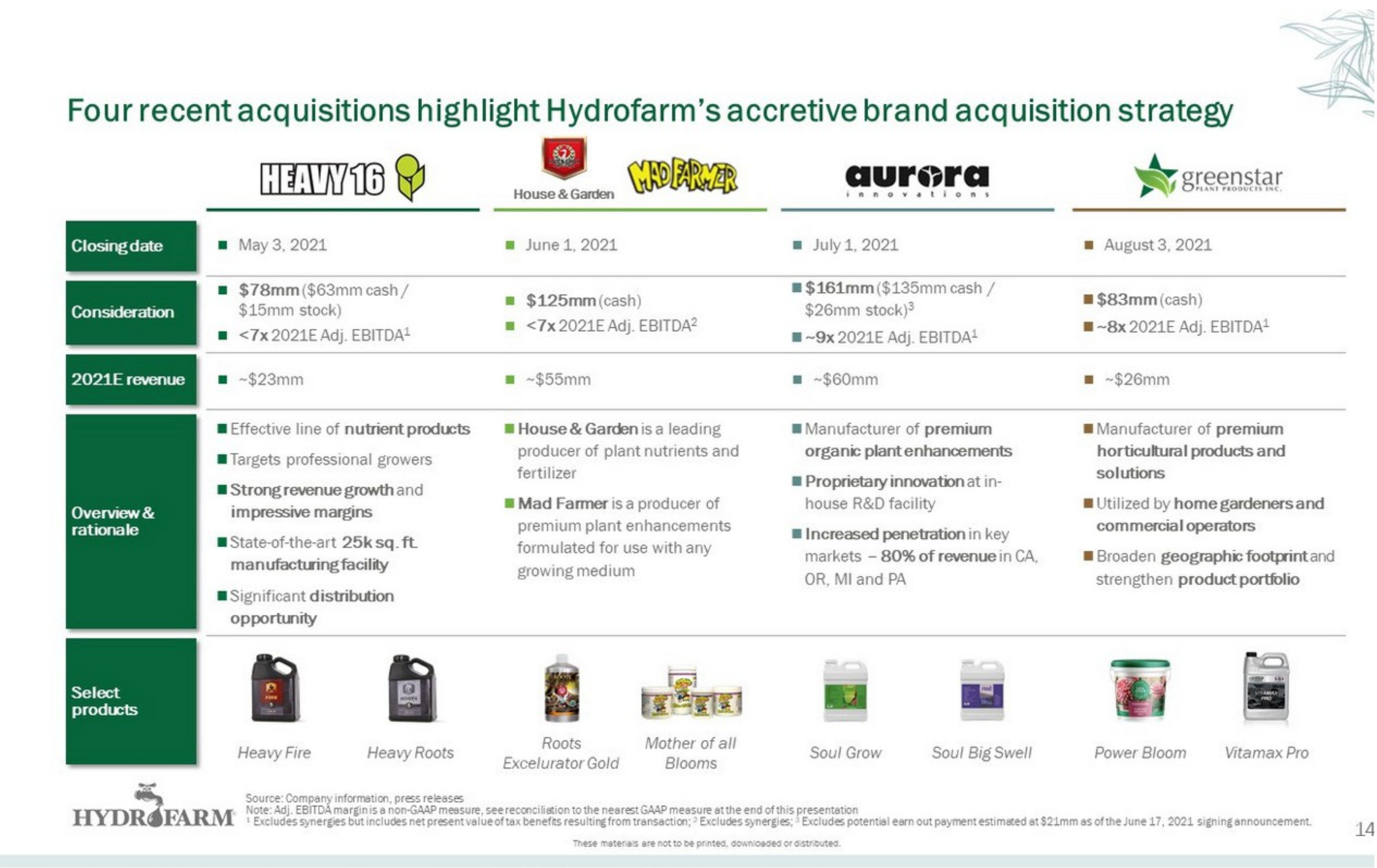
Rapidly growing market remains strong

- ✓ Significant legislative momentum post-election, with NY, NM, VA legalizing recreational adult-use cannabis
- ✓ Shifting attitudes towards cannabis with over 70% of Americans believing cannabis should be legal
- ✓ Strength in mature adult-use markets (e.g., CA, OR, ME), despite passing legislation >5 years ago

HYDROFARM

Source: Company information

Note: Note: All financials shown are as reported and exclude proforma impact from recently completed acquisitions unless otherwise stated; [1] Adj. EBITDA margin is a non-GAAP measure, see reconciliation to the nearest GAAP measure at the end of this presentation.



Four recent acquisitions highlight Hydrofarm's accretive brand acquisition strategy

	HEAVY 16	House & Garden MAD FARMER	aurora innovations	greenstar PLANT PRODUCTS INC.
Closing date	May 3, 2021	June 1, 2021	July 1, 2021	August 3, 2021
Consideration	**$78mm** ($63mm cash / $15mm stock) **<7x** 2021E Adj. EBITDA[1]	**$125mm** (cash) **<7x** 2021E Adj. EBITDA[2]	**$161mm** ($135mm cash / $26mm stock)[3] **~9x** 2021E Adj. EBITDA[1]	**$83mm** (cash) **~8x** 2021E Adj. EBITDA[1]
2021E revenue	~$23mm	~$55mm	~$60mm	~$26mm
Overview & rationale	Effective line of **nutrient products** Targets professional growers **Strong revenue growth** and **impressive margins** State-of-the-art **25k sq. ft. manufacturing facility** Significant **distribution opportunity**	**House & Garden** is a leading producer of plant nutrients and fertilizer **Mad Farmer** is a producer of premium plant enhancements formulated for use with any growing medium	Manufacturer of **premium organic plant enhancements** **Proprietary innovation** at in-house R&D facility **Increased penetration** in key markets – **80% of revenue** in CA, OR, MI and PA	Manufacturer of **premium horticultural products and solutions** Utilized by **home gardeners and commercial operators** Broaden **geographic footprint** and strengthen **product portfolio**
Select products	*Heavy Fire* *Heavy Roots*	*Roots Excelurator Gold* *Mother of all Blooms*	*Soul Grow* *Soul Big Swell*	*Power Bloom* *Vitamax Pro*

HYDROFARM

Source: Company information, press releases

Note: Adj. EBITDA margin is a non-GAAP measure, see reconciliation to the nearest GAAP measure at the end of this presentation

[1] Excludes synergies but includes net present value of tax benefits resulting from transaction; [2] Excludes synergies; [3] Excludes potential earn out payment estimated at $21mm as of the June 17, 2021 signing announcement.

We have seen success across all growth strategies year to date

Our industry premise

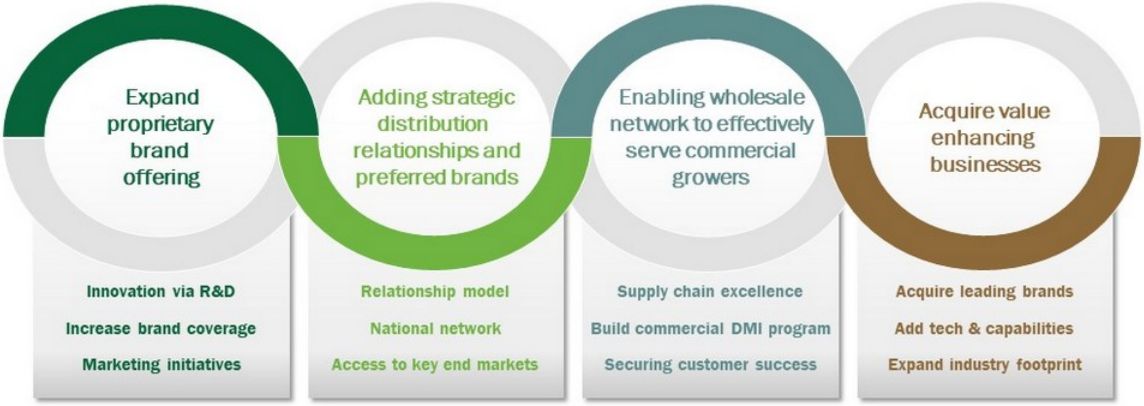
Leveraging the Hydrofarm platform to capture greater share of the cannabis and CEA end markets

Our value proposition

Branded provider of all CEA needs

Gold standard in distribution & service

Our growth strategies



Expand proprietary brand offering
- Innovation via R&D
- Increase brand coverage
- Marketing initiatives

Adding strategic distribution relationships and preferred brands
- Relationship model
- National network
- Access to key end markets

Enabling wholesale network to effectively serve commercial growers
- Supply chain excellence
- Build commercial DMI program
- Securing customer success

Acquire value enhancing businesses
- Acquire leading brands
- Add tech & capabilities
- Expand industry footprint

Productivity enhancements and operating synergies are beginning

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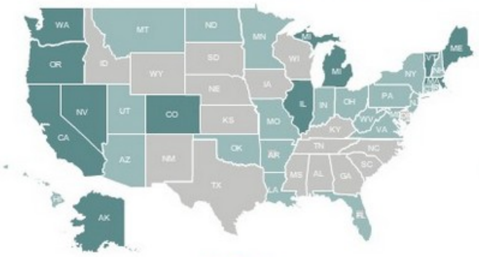
Key credit highlights

1

We expect continued acceleration in cannabis market growth resulting from state legislative changes and increasing popular support

▨ Adult-use not yet legal ■ Adult-use legal ▨ Medicinal use legal ■ New legalizations

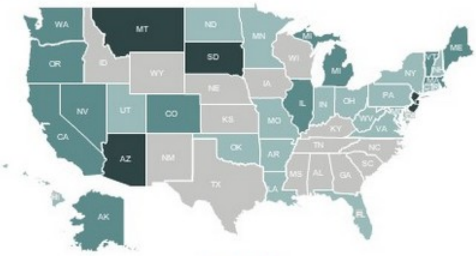
Prior to election day 2020



28%

of the population had access to legal adult-use cannabis

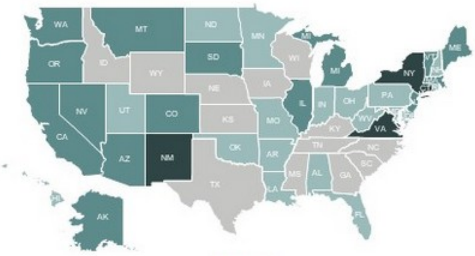
Immediately after election day 2020



34%

of the population had access to legal adult-use cannabis

Current landscape



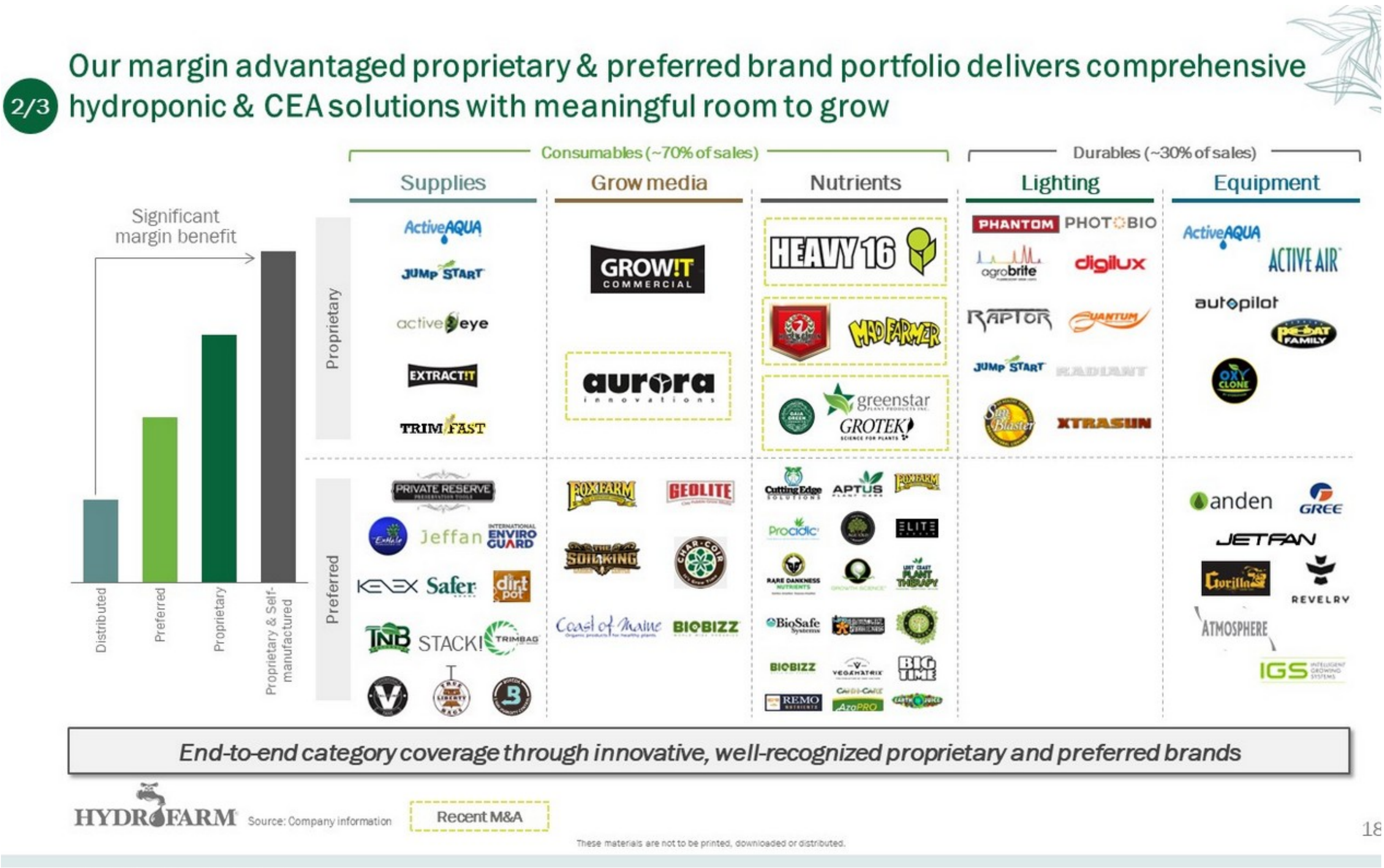
44%

of the population has access to legal adult-use cannabis

Recent updates to the U.S. cannabis market

- **New York legalizes adult-use recreational cannabis:** In March 2021, the New York legislature passed a bill legalizing recreational cannabis, positioning the state to become one of the largest cannabis markets in the U.S.
- **Virginia legalizes adult-use recreational cannabis:** In July 2021, Virginia became the first state in the South to legalize adult-use cannabis
- **Cannabis Administration and Opportunity Act:** In July 2021, Senators Chuck Schumer, Ron Wyden and Cory Booker unveiled a draft of the Cannabis Administration and Opportunity Act, which intends to decriminalize and deschedule cannabis from the Controlled Substances Act, expunging federal nonviolent marijuana-related crimes
- **SAFE Act passes the House:** In April 2021, the U.S. House of Representatives voted 321 to 101 in favor of a bill that would protect banks that do business with companies in states that have legalized cannabis for medicinal or recreational purposes from federal enforcement action
- **Growth through new legalizations:** Slow implementation in newly legalized states such as NY, NJ, VA, CT suggests strong growth opportunities over the next few years

HYDROFARM Sources: Census data, news media



2/3 Our margin advantaged proprietary & preferred brand portfolio delivers comprehensive hydroponic & CEA solutions with meaningful room to grow

Consumables (~70% of sales)

Durables (~30% of sales)

	Supplies	Grow media	Nutrients	Lighting	Equipment
Proprietary					
Preferred					

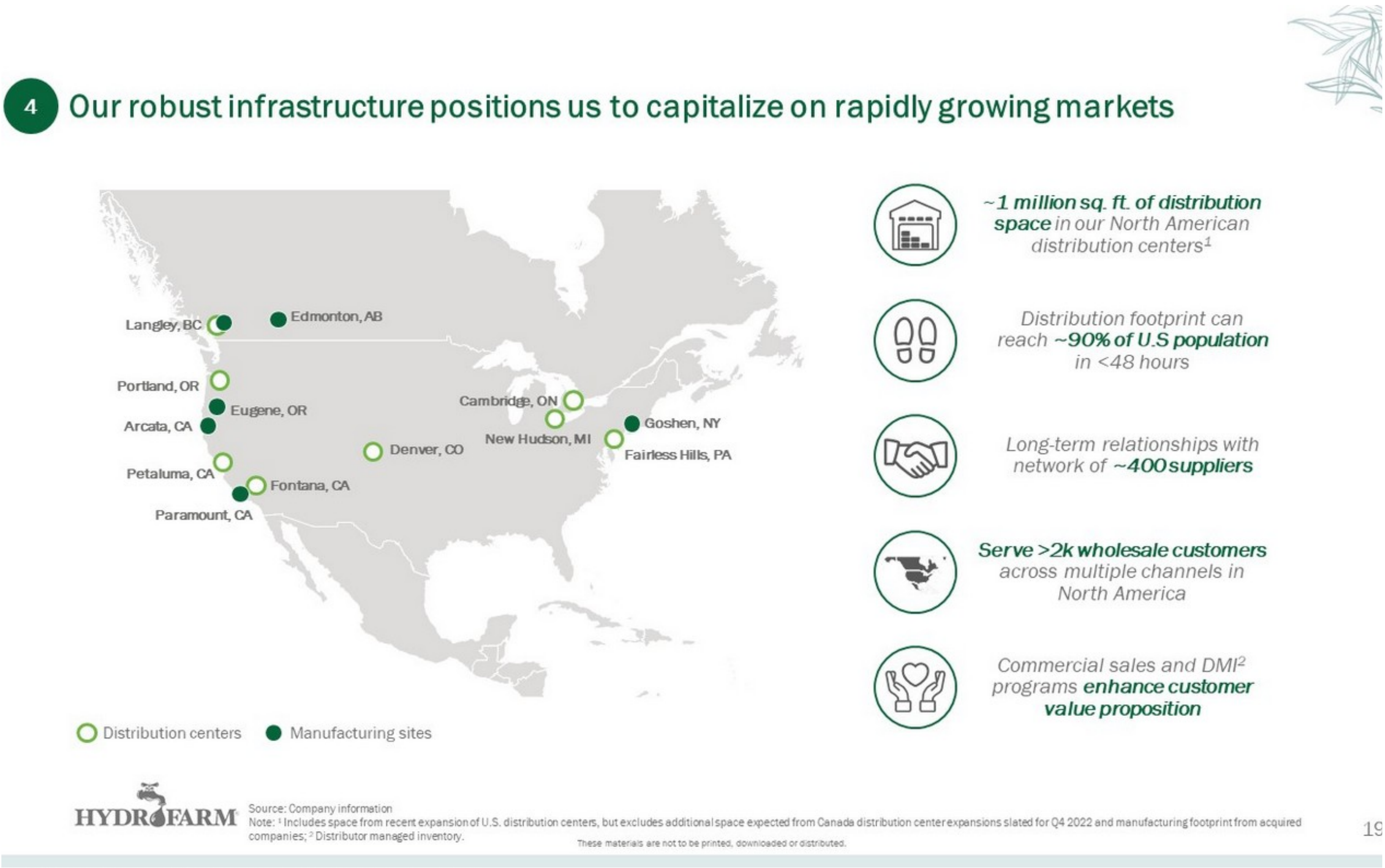
Significant margin benefit

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

HYDROFARM Source: Company information

Recent M&A

These materials are not to be printed, downloaded or distributed.



4 Our robust infrastructure positions us to capitalize on rapidly growing markets

○ Distribution centers ● Manufacturing sites

*~**1 million sq. ft. of distribution space** in our North American distribution centers*[1]

*Distribution footprint can reach **~90% of U.S population** in <48 hours*

*Long-term relationships with network of **~400 suppliers***

***Serve >2k wholesale customers** across multiple channels in North America*

*Commercial sales and DMI[2] programs **enhance customer value proposition***

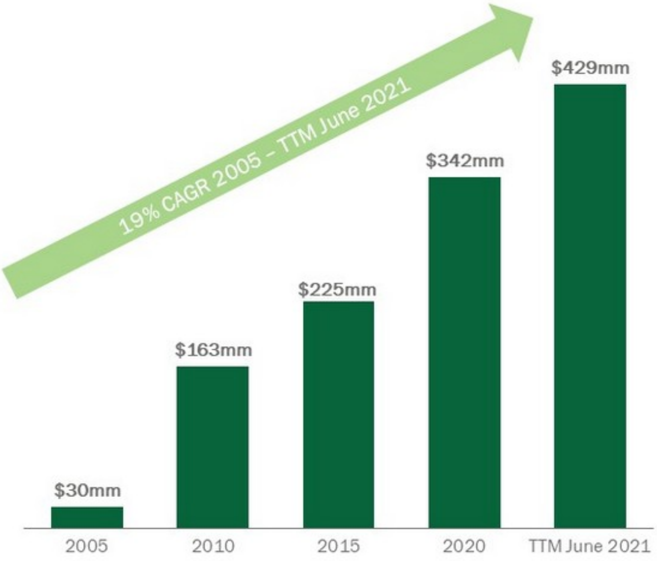
HYDROFARM

Source: Company information

Note: [1] Includes space from recent expansion of U.S. distribution centers, but excludes additional space expected from Canada distribution center expansions slated for Q4 2022 and manufacturing footprint from acquired companies; [2] Distributor managed inventory.

5 History of strong top line growth and margin expansion over the last 6 quarters

Net sales

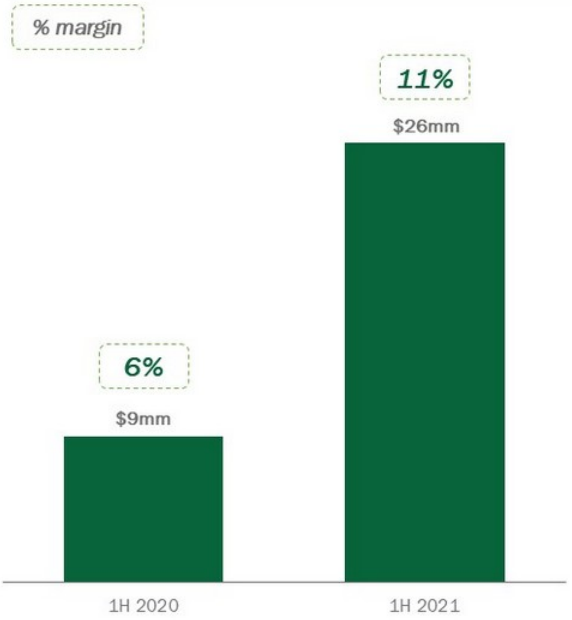


Quarterly net sales

Source: Company information
Note: All financials shown are as reported and exclude proforma impact from recently completed acquisitions unless otherwise stated.

6 Significant EBITDA and margin growth in 1H 2020 and 1H 2021, with potential for material and sustainable margin upside

Adj. EBITDA and margin



Margin improvement drivers

Favorable sales mix	▪ Drive growth in our margin advantaged proprietary and preferred brands
Supply chain, logistics optimization	▪ Optimized freight and enhanced forecasting / inventory planning resources
SKU optimization	▪ Strategic reduction of SKUs has allowed us to decrease supply chain costs while improving both our top and bottom lines
Operating leverage through scale	▪ Improved COGS and SG&A efficiencies ▪ Margin opportunity as fixed costs are leveraged and operations are optimized
Customer investment program	▪ Improvement of gross to net spend ▪ Targeted trade spending to drive brand growth
M&A	▪ Continued acquisitions of high margin consumables businesses

Source: Company information
Note: All financials shown are as reported and exclude proforma impact from recently completed acquisitions unless otherwise stated.

7 Hydrofarm is positioned as the acquirer of choice in a fragmented industry

We think about M&A in three main categories

1. *Acquire leading brands and brand manufacturers*
2. *Innovation-focused product portfolio expansion*
3. *Consolidation of industry distributors*

Hydrofarm can serve as the preferred acquirer in the industry

- ✓ *A leading platform and industry data/insights make us the optimal partner*
- ✓ *Strong balance sheet post-IPO, public stock to serve as acquisition currency*
- ✓ *Synergy potential enhances our ability to compete for deals*
- ✓ *Management team brings excellent track record and experience with M&A execution with over 100 deals combined*

Proprietary branded manufacturers of CEA products

Various stages of direct dialogue for potential acquisition

Advanced discussions and due diligence

Our active M&A pipeline represents significant financial upside

Source: Company information

8 Strong leadership team with relevant public company experience

Proven management team with public company CEO/CFO and deep experience base

Bill Toler
Chairman & Chief Executive Officer
Joined in 2019

Prior experience

Hostess, AdvancePierre, Campbell's, P&G, Pinnacle

Terence Fitch
President
Joined in 2019

Prior experience

McKinsey & Company, Coca-Cola Enterprises Inc., Coca-Cola

John Lindeman
Chief Financial Officer
Joined in 2020

Prior experience

Calavo A family of fresh food, STIFEL, Janney, pwc

Mark Parker
Senior Vice President, Business Development
Joined in 2019

Prior experience

Campbell's, Reckitt & Colman, Pinnacle, iQ Solutions, LLC

Eric Ceresnie
Senior Vice President, Corporate Development & Finance
Joined in 2018

Prior experience

HAWTHORN, MONOMOY CAPITAL PARTNERS, ATKearney, EY

Rob Marlow
Chief Information Officer
Joined in 2019

Prior experience

Tyson, Altria, Intersection, Ford

Strong board with diverse, relevant experience

Renah Persofsky
Vice Chair & Lead Director, Aphria
Joined in 2020

Prior experience

aphria, CIBC

Susan Peters
Former SVP HR, General Electric
Joined in 2020

Prior experience

General Electric, LOEWS

Rick Moss
Former CFO, Hanesbrands
Joined in 2020

Prior experience

HANES Brands Inc, CHATTEM

Patrick Chung
VP Finance, Serruya Private Equity
Joined in 2020

Prior experience

SPE SERRUYA PRIVATE EQUITY, Deloitte.

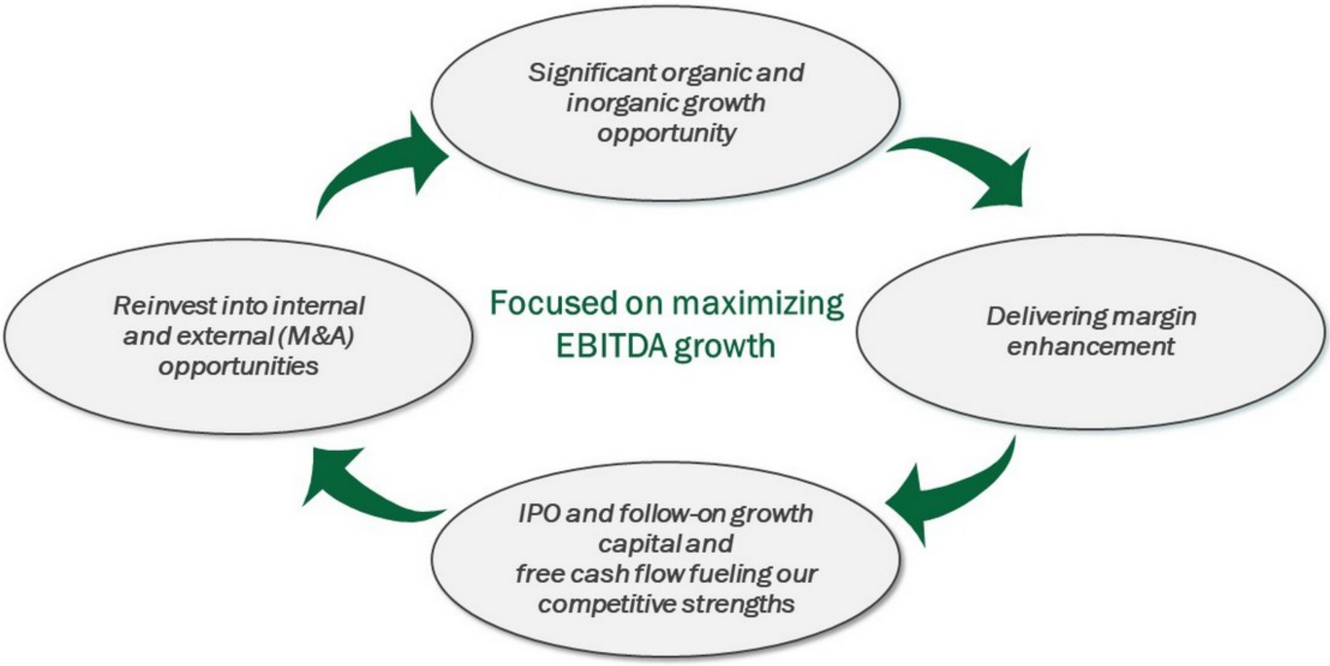
Melisa Denis
Retired Lead Partner, KPMG
Joined in 2020

Prior experience

KPMG, enactus

Financial overview

Recent financial performance and strategic initiatives support our long-term growth strategies



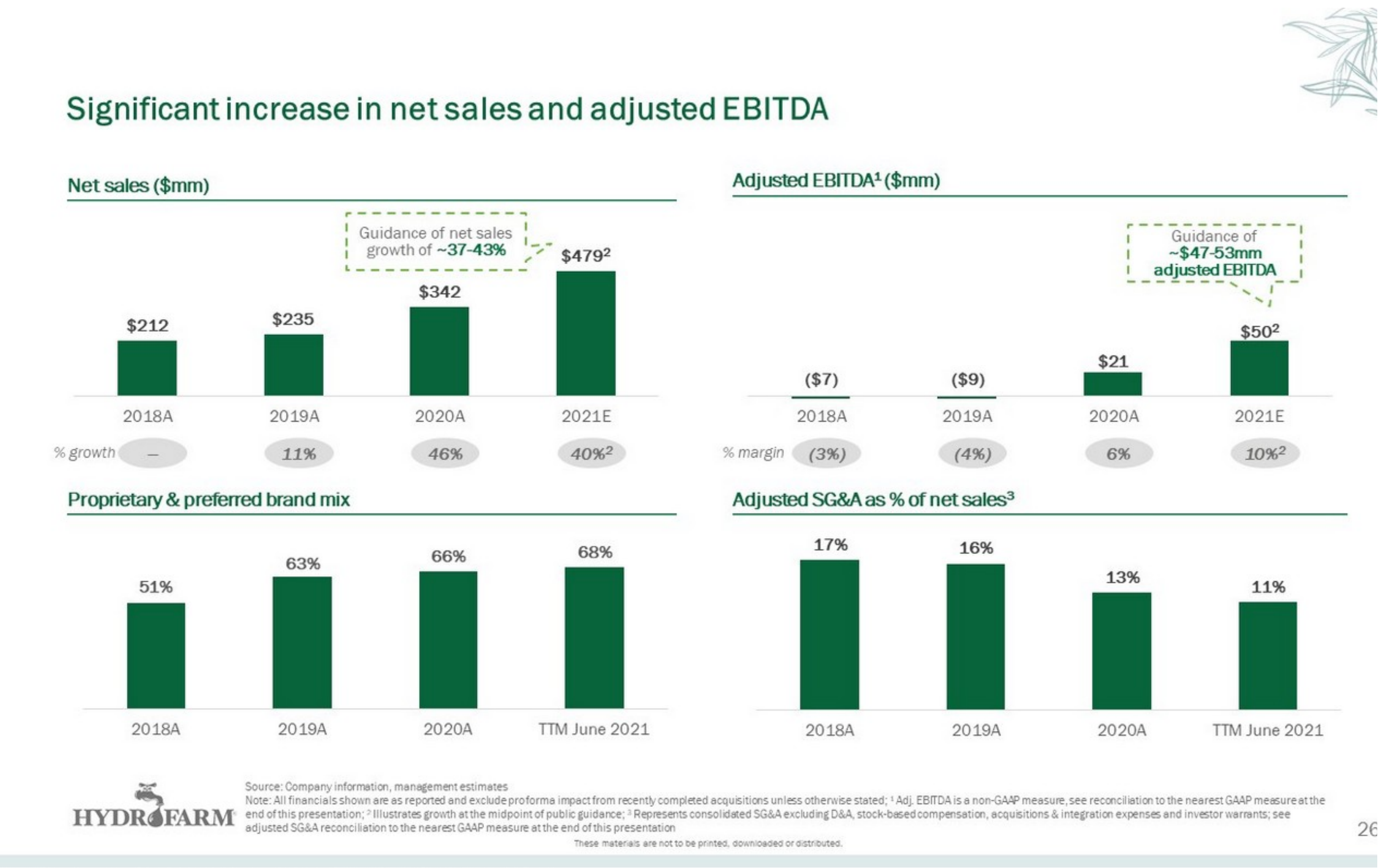
Significant organic and inorganic growth opportunity

Delivering margin enhancement

IPO and follow-on growth capital and free cash flow fueling our competitive strengths

Reinvest into internal and external (M&A) opportunities

Focused on maximizing EBITDA growth



Significant increase in net sales and adjusted EBITDA

Net sales ($mm)

Adjusted EBITDA¹ ($mm)

Proprietary & preferred brand mix

Adjusted SG&A as % of net sales³

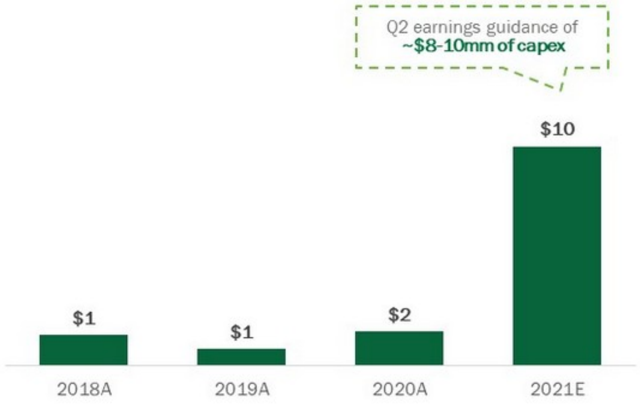
HYDROFARM

Source: Company information, management estimates

Note: All financials shown are as reported and exclude proforma impact from recently completed acquisitions unless otherwise stated; [1] Adj. EBITDA is a non-GAAP measure, see reconciliation to the nearest GAAP measure at the end of this presentation; [2] Illustrates growth at the midpoint of public guidance; [3] Represents consolidated SG&A excluding D&A, stock-based compensation, acquisitions & integration expenses and investor warrants; see adjusted SG&A reconciliation to the nearest GAAP measure at the end of this presentation

Cash flow summary

Capital expenditures ($mm)


Q2 earnings guidance of **~$8-10mm of capex**

% of net sales	*1%*	*0%*	*0%*	*2%*

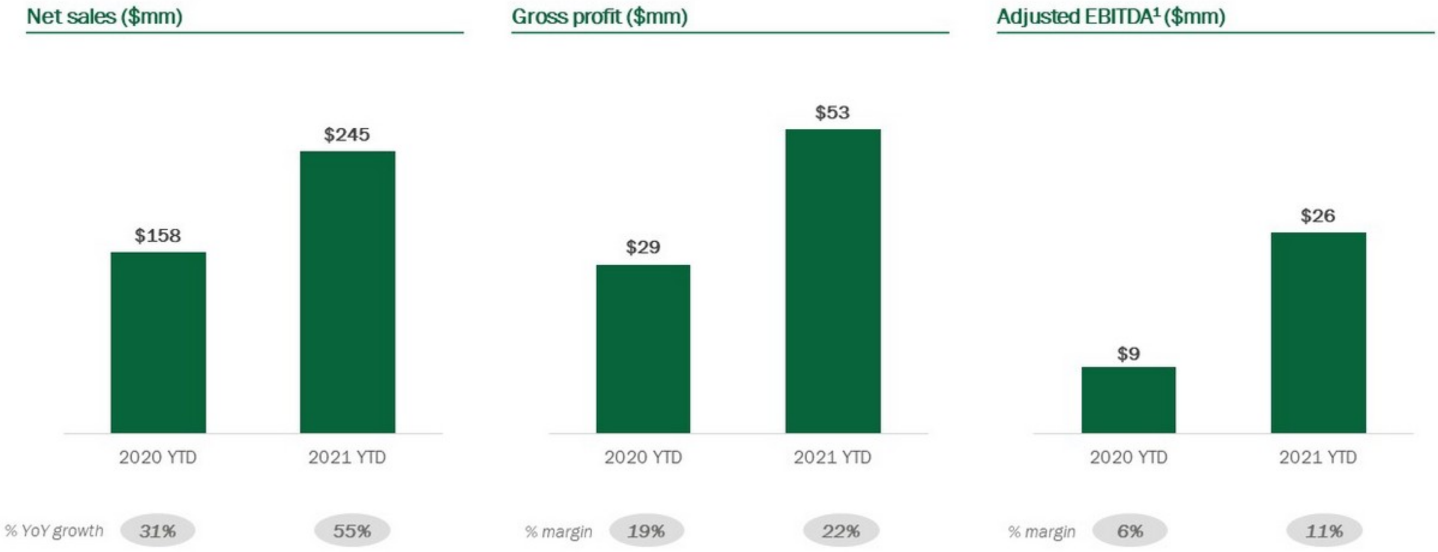
Free cash flow[1] ($mm)

FCF conversion[2]	*NM*	*NM*	*93%*	*95%*

Source: Company information, management estimates

Note: All financials shown are as reported and exclude proforma impact from recently completed acquisitions unless otherwise stated; [1] Adj. EBITDA less capital expenditures; [2] Free cash flow divided by adj. EBITDA

YTD income statement summary as of June 2021



HYDROFARM

Source: Company information

Note: All financials shown are as reported and exclude proforma impact from recently completed acquisitions unless otherwise stated; [1] Adj. EBITDA is a non-GAAP measure, see reconciliation to the nearest GAAP measure at the end of this presentation.

Hydrofarm's financial policies and capital allocation strategy

- *Maintain a strong liquidity position supported by a recently upsized $100mm revolver*
- *Priorities for cash-use include reinvesting in business, reducing leverage and pursuing opportunistic M&A*
- *Focus on deleveraging through EBITDA growth, free cash flow generation and debt repayment*
  - *Long-term target net leverage below 3.0x[1]*
- *Not currently contemplating capital returns through either dividend payment or share repurchases*

Source: Company information
Note: [1] Net debt / pro forma TTM adj. EBITDA.

Hydrofarm is uniquely positioned to capitalize on the rapid growth in the cannabis and CEA industries

- ✓ *Category topline momentum with accelerating legislative support and increasing consumer demand*
- ✓ *Opportunity to leverage our unique position in the value chain*
- ✓ *Unique pure-play "picks and shovels" supplier to the industry without "touching the plant"*
- ✓ *Executing on consolidation strategy in a highly fragmented industry – completed acquisitions of Heavy 16, Aurora Innovations, House & Garden, Greenstar Plant Products*
- ✓ *Proven management team with public company CEO/CFO and deep experience base*

Appendix

Adjusted EBITDA reconciliation

$mm	Q3'21 as mid-point of preliminary ranged estimates	Q3'20
Net income	$15.8	$2.7
Interest expense	0.1	2.5
Income taxes	(19.0)	0.1
Depreciation and amortization	4.9	1.5
Impairment, restructuring, and other	0.2	0.2
Distribution center exit costs, and other	0.3	-
Acquisition and integration expenses[1]	10.6	-
Investor warrant solicitation fees	1.1	-
Other income, net	0.1	0.2
Stock-based compensation expense[2]	1.3	0.2
Loss on debt extinguishment	0.0	-
Reported Adj. EBITDA	**$15.4**	**$7.4**

Source: Company information

Note: Preliminary Q3'21 estimates illustrate the midpoint of guidance range; [1] Includes consulting, transaction services and legal fees incurred for completed and potential acquisitions; [2] Includes the amount of employer payroll taxes on share-based compensation

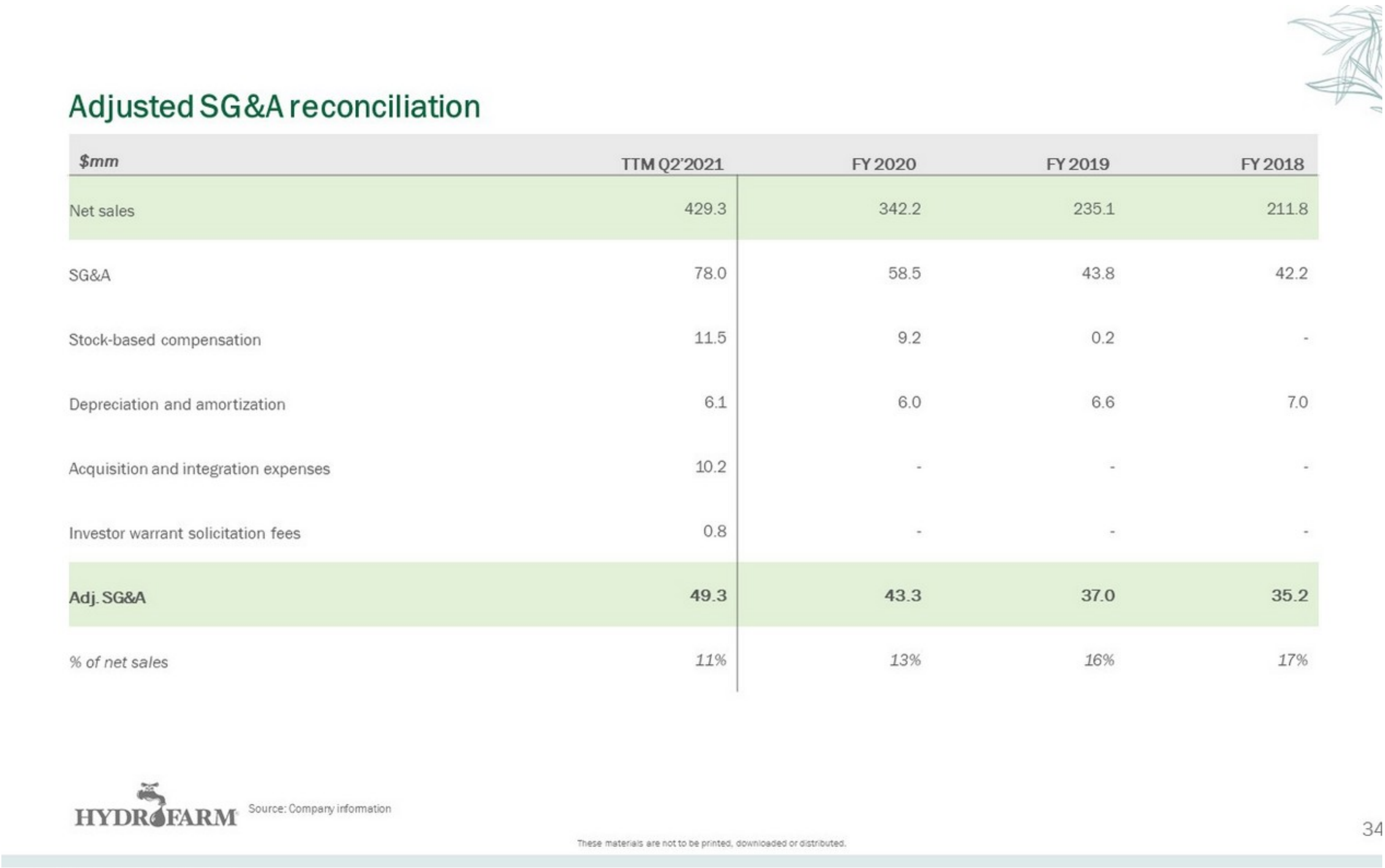
Adjusted EBITDA and pro forma adjusted EBITDA reconciliation

$mm	PF TTM Q3'2021	FY 2020	FY 2019
Net income	$13.6	($7.3)	($40.1)
Interest expense	2.5	10.1	13.5
Income taxes	(18.0)	0.6	(0.7)
Depreciation and amortization	10.3	6.8	7.0
Impairment, restructuring, and other	0.8	0.9	10.0
Distribution center exit costs, and other	0.3	-	-
Acquisition and integration expenses[1]	20.8	-	-
Investor warrant solicitation fees	1.9	-	-
Other income, net	0.0	(0.1)	(0.1)
Stock-based compensation expense[2]	2.9	9.2	0.2
Loss on debt extinguishment	11.3	0.9	0.7
Reported Adj. EBITDA	**$46.5**	**$21.1**	**($9.5)**
Estimated portion of Reported Adj. EBITDA attributable to legacy business	28.8		
Acquisition EBITDA, including estimated public company and distribution center costs[3]	64.5		
Pro forma Adj. EBITDA	**$93.3**		

HYDROFARM

Source: Company information; Note: Preliminary Q3'21 estimates illustrate the midpoint of guidance range

[1] Includes consulting, transaction services and legal fees incurred for the completed Heavy 16, House and Garden, Aurora, and Greenstar/Grotek acquisitions and certain potential acquisitions; [2] Includes the amount of employer payroll taxes on share-based compensation; [3] Includes a full year estimate for (i) public company costs, (ii) expanded distribution center costs and (iii) other costs associated with our recently expanded management team/platform



Adjusted SG&A reconciliation

$mm	TTM Q2'2021	FY 2020	FY 2019	FY 2018
Net sales	429.3	342.2	235.1	211.8
SG&A	78.0	58.5	43.8	42.2
Stock-based compensation	11.5	9.2	0.2	-
Depreciation and amortization	6.1	6.0	6.6	7.0
Acquisition and integration expenses	10.2	-	-	-
Investor warrant solicitation fees	0.8	-	-	-
Adj. SG&A	**49.3**	**43.3**	**37.0**	**35.2**
% of net sales	*11%*	*13%*	*16%*	*17%*

Source: Company information