



# Fourth Quarter 2024 Earnings Presentation

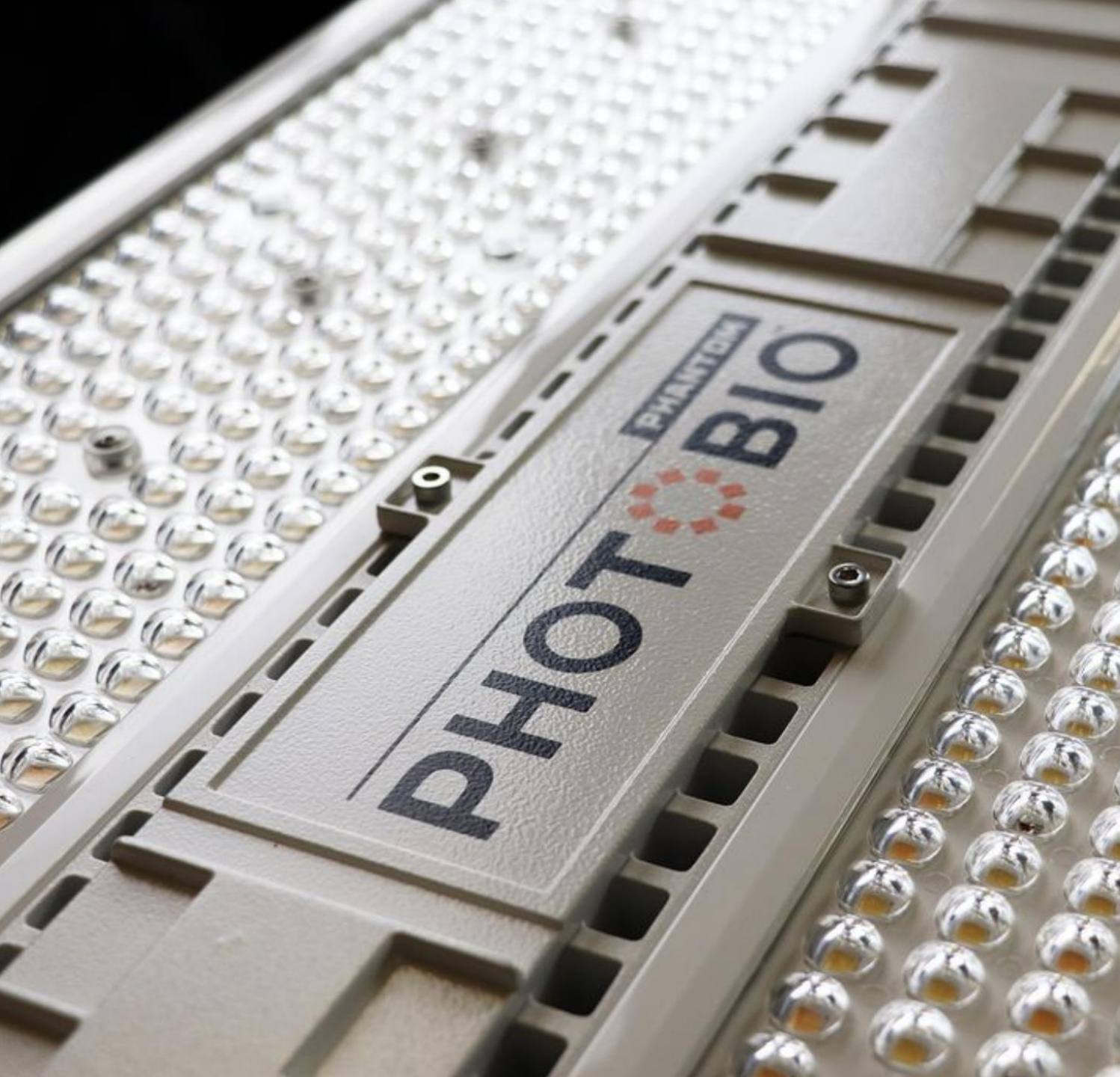
March 5th, 2025

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**Non-GAAP Financial Information.** This presentation contains financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Management uses these "non-GAAP" measures in its analysis of the Company's performance. Management believes these non-GAAP financial measures allow for better comparability of period to period operating performance. Additionally, the Company believes this information is utilized by regulators and market analysts to evaluate a company's financial condition and therefore, such information is useful to investors. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. A reconciliation of the non-GAAP measures used in this presentation to the most directly comparable GAAP measures is provided in the Appendix to this presentation, and in our related press release attached as an exhibit to our Current Report on Form 8-K filing available online at [www.sec.gov](http://www.sec.gov).



## Business Overview

# Fourth Quarter and Full-Year 2024 Financial Results

## Net Sales within our Full-Year Expectations

- Reached the midpoint of our full-year outlook range
- Revenue streams were more diversified in 2024 compared to 2023

## Significant Reductions in Adjusted SG&A

- Effective cost savings and restructuring actions
- Adjusted SG&A decreased 10% in Q4 '24 and 17% for Full-Year '24 compared to prior year

## Challenging Q4 '24 Adjusted EBITDA and Free Cash Flow Results

- Adjusted Gross Profit Margin (AGPM%) declined in Q4 '24 driven by reduced sales, lower proprietary brand mix, and inventory reserves and related charges of \$1.4 million
- Free Cash Flow (\$3.2) million in 2024. Investment in new distributed brands during 2024 improved sales but pressured cash flows

Adjusted Gross Profit, Adjusted SG&A, Adjusted EBITDA, and Free Cash Flow are non-GAAP measures. AGPM% refers to 'Adjusted Gross Profit Margin'. ASG&A\$ refers to 'Adjusted Selling General & Admin in USD'. Please see appendix for reconciliation of GAAP to non-GAAP measures.



# Strategic Priorities

## ✓ Drive Diverse, High-Quality Revenue Streams

- Improve Proprietary Brand Mix
- Targeted Investments and New Proprietary Product Innovations
- Expand Non-US/CAN and Non-Cannabis Sales

## ✓ Improve Profit Margins

- Increase Production and Efficiency in our Manufacturing Operations
- Further Optimize our Distribution Center Network
- Reduce SG&A Expenses

## ✓ Strengthen Financial Position

- Improve Free Cash Flow
- Maintain Strong Liquidity





**HYDROFARM®**

Financial Overview

# Financial Summary

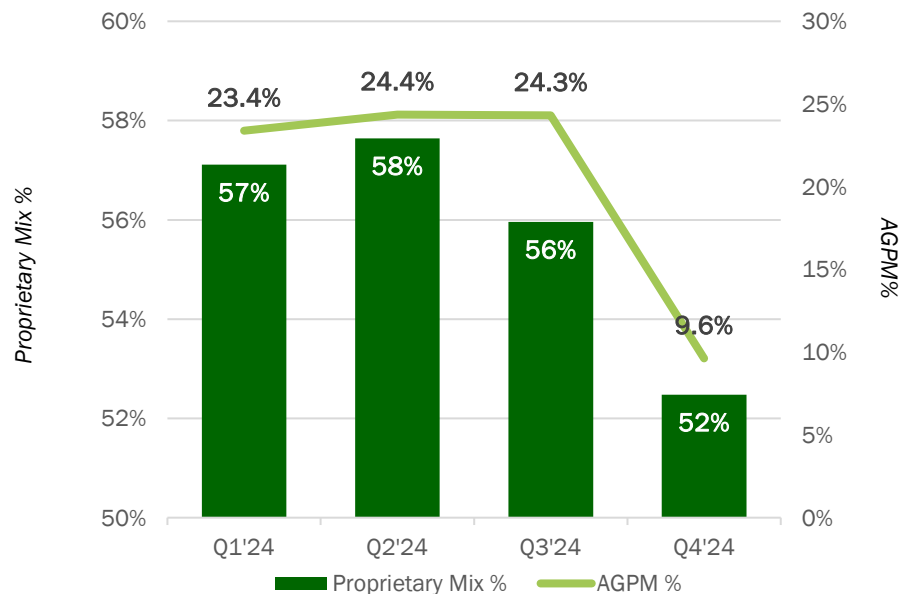
\$ IN 000's	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
<b>Net Sales</b>	<b>37,314</b>	<b>47,184</b>	<b>190,288</b>	<b>226,581</b>
<b>Adjusted Gross Profit</b>	<b>3,593</b>	<b>11,468</b>	<b>40,306</b>	<b>55,015</b>
<i>% of Net Sales</i>	<i>9.6%</i>	<i>24.3%</i>	<i>21.2%</i>	<i>24.3%</i>
<b>Adjusted SG&amp;A</b>	<b>10,845</b>	<b>12,018</b>	<b>45,484</b>	<b>54,749</b>
<i>% of Net Sales</i>	<i>29.1%</i>	<i>25.5%</i>	<i>23.9%</i>	<i>24.2%</i>
<b>Adjusted EBITDA</b>	<b>(7,252)</b>	<b>(550)</b>	<b>(5,178)</b>	<b>266</b>
<i>% of Net Sales</i>	<i>-19.4%</i>	<i>-1.2%</i>	<i>-2.7%</i>	<i>0.1%</i>



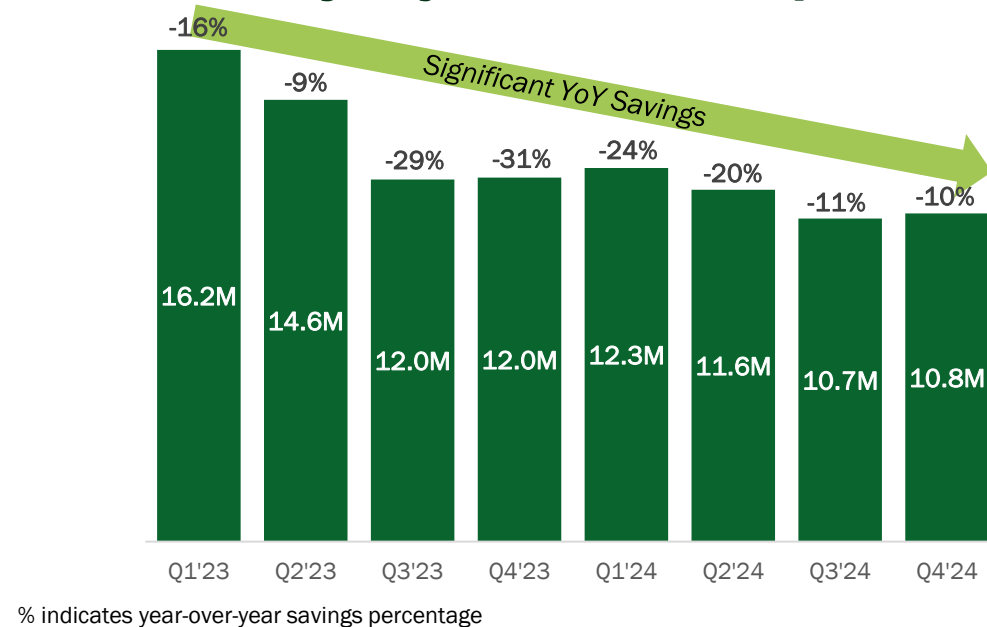
AGPM% refers to 'Adjusted Gross Profit Margin'. ASG&A\$ refers to 'Adjusted Selling General & Administrative expenses in USD'. Adjusted Gross Profit, Adjusted SG&A, Adjusted EBITDA, and Free Cash Flow are non-GAAP measures. Please see appendix for reconciliation of GAAP to non-GAAP measures.

# Trend in AGPM% and Adjusted SG&A\$

## Proprietary Brand Sales Mix and AGPM%



## Quarterly Adjusted SG&A Expense



## Quarterly 2024 AGPM% Trend

- In Q4' 24 lower sales, proprietary brand mix decline, and ~\$1.4 million of inventory reserves and related charges impacted AGPM%
- Actions to re-emphasize our proprietary brand focus in 2025 to improve AGPM%

## Continued Favorable Adjusted SG&A Savings

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

# Liquidity Remains Strong

## Balance Sheet Highlights as of December 31, 2024 *USD millions*

Cash and cash equivalents	\$26.1
Total Debt	\$127.7
Net Debt	\$101.6

## Cash Flow Highlights 3 months ended December 31, 2024 *USD millions*

Net Cash From Operations	\$2.7
Capital Expenditures	\$(0.3)
Free Cash Flow	\$2.4

## Cash Flow Highlights 12 months ended December 31, 2024 *USD millions*

Net Cash From Operations	\$(0.3)
Capital Expenditures	\$(2.9)
Free Cash Flow	\$(3.2)



# Debt Details

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

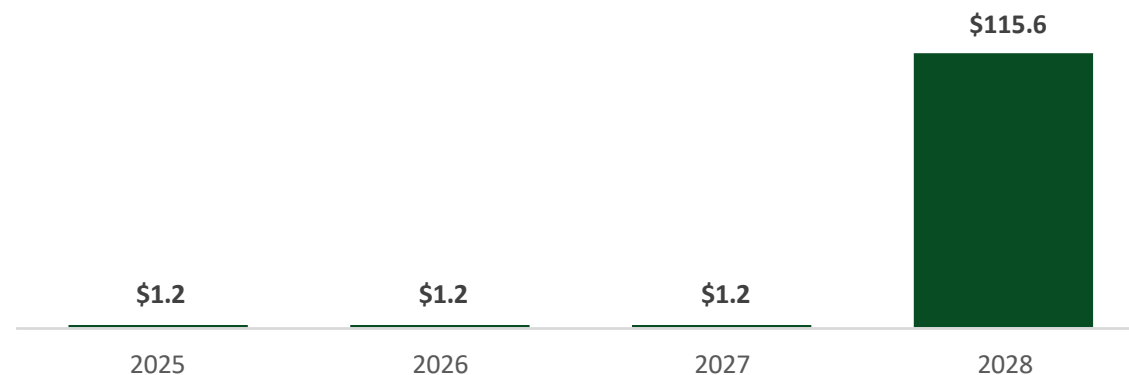
## Revolving Line of Credit

- ✓ \$35 million Total Facility Size (effective in Q4' 24)
- ✓ \$0M Drawn and \$13 million available as of 12/31/24
- ✓ Adjusted Term SOFR Rate + grid-based spread
- ✓ Availability varies with borrowing base
- ✓ Matures 6/30/2026

## Senior Secured Term Loan

- ✓ \$119.3 million in principal outstanding as of 12/31/24
- ✓ Adjusted Term SOFR Rate + 5.50%
- ✓ No financial maintenance covenants
- ✓ Principal amortizes 0.25% per quarter until maturity
- ✓ Net proceeds from asset sales subject to debt payment provisions
  - \* \$6.3 million of net proceeds from IGE Asset Sale in Q2 2024 requires 'permitted investment' or principal repayment in 2025
- ✓ 0% call premium
- ✓ Matures 10/25/2028

Term Loan Maturities Schedule  
(\$ in MMs as of 12/31/2024)



\* The 2024 IGE Asset Sale is subject to the Term Loan reinvestment provisions, further described in our Form 10-K filing.

# Fiscal 2025 Outlook on Key Metrics

## 2025 Outlook on Key Metrics Compared to 2024

### 1 Net Sales

- Increase proprietary brand mix
- Improve revenue diversity

**Decline 10-20%**

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### 2 Adjusted EBITDA

- AGPM% benefit from proprietary brand mix and productivity
- SG&A reductions in professional & outside service fees, facilities and insurance
- Savings from 2024 restructuring and related cost saving initiatives

**Improve Adjusted EBITDA**

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### 3 Free Cash Flow

- Rightsizing distribution network to further consolidate and reduce inventory levels
- Better working capital management
- Capital expenditures less than \$2 million

**Improve Free Cash Flow**



  
**HYDROFARM®**

Appendix

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

## Hydrofarm's Value Proposition

**Proprietary brands**  
Approx. 35 brands, including:

**Preferred & Distributed brands**  
Over 50 brands, including:

**Complete Range of CEA Products**

**Exceptional Service**

**Manufacturing Capabilities**

**Supplier Relationships and Geographic Footprint**

**Solution-Based Approach to Serve Our Customers**

## Selling to a fragmented customer base...

Specialty hydroponic retailers



Garden centers / retail



eCommerce



Greenhouse / channel partners



## ...that reaches an evolving mix of end users

**Commercial growers**

Food & floral



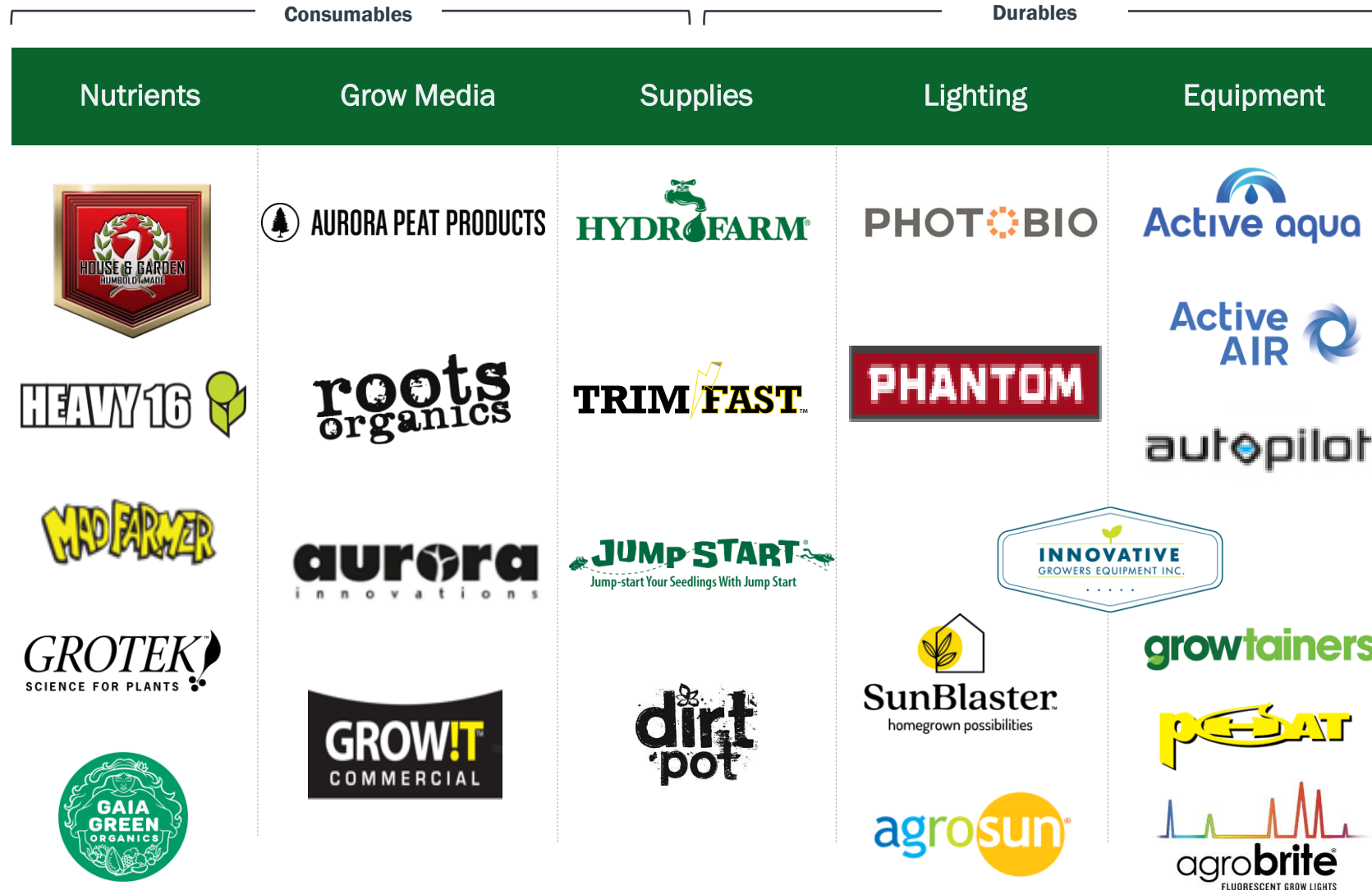
Cannabis



**Individuals**

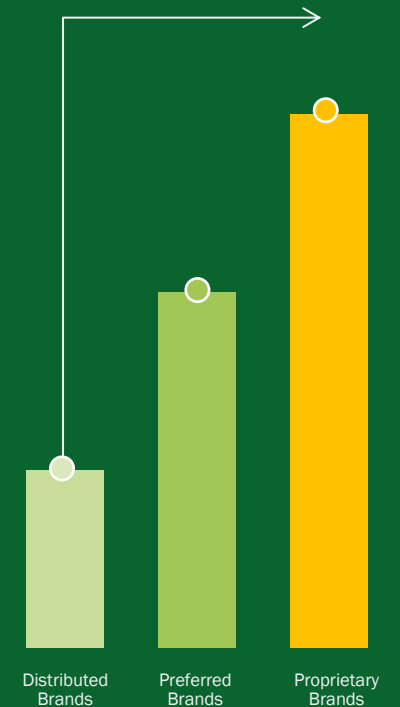
Consumer gardeners & hobbyists

# Strong proprietary brand portfolio with solutions across key categories



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

Illustrative margin benefit as we improve proprietary brand mix



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

(\$ in thousands)

	Three months ended		Twelve months ended	
	December 31,		December 31	
	2024	2023	2024	2023
<b>Reconciliation of Adjusted Gross Profit:</b>				
<b>Gross Profit (GAAP)</b>	1,838	8,449	32,133	37,612
Depreciation, depletion and amortization	1,362	1,677	6,222	6,584
Restructuring expenses <sup>1</sup>	388	1,263	1,946	10,664
Severance and other <sup>2</sup>	5	79	5	155
<b>Adjusted Gross Profit (Non-GAAP)</b>	<b>3,593</b>	<b>11,468</b>	<b>40,306</b>	<b>55,015</b>
As a percent of net sales:				
Gross Profit Margin (GAAP)	4.9%	17.9%	16.9%	16.6%
Adjusted Gross Profit Margin (Non-GAAP)	9.6%	24.3%	21.2%	24.3%

	Three months ended		Twelve months ended	
	December 31,		December 31	
	2024	2023	2024	2023
<b>Reconciliation of Adjusted SG&amp;A:</b>				
<b>Selling, general and administrative (GAAP)</b>	16,958	19,872	72,794	87,314
Depreciation, depletion and amortization	6,005	6,233	24,469	25,491
Restructuring expenses <sup>1</sup>	114	204	277	605
Severance and other <sup>2</sup>	(99)	348	165	1,304
Stock-based compensation <sup>3</sup>	93	1,057	2,399	5,114
Acquisition and integration expenses	-	12	-	51
<b>Adjusted SG&amp;A (Non-GAAP)</b>	<b>10,845</b>	<b>12,018</b>	<b>45,484</b>	<b>54,749</b>
As a percent of net sales:				
SG&A (GAAP)	45.4%	42.1%	38.3%	38.5%
Adjusted SG&A (Non-GAAP)	29.1%	25.5%	23.9%	24.2%

	Three months ended		Twelve months ended	
	December 31,		December 31	
	2024	2023	2024	2023
<b>Reconciliation of Adjusted EBITDA:</b>				
<b>Net loss (GAAP)</b>	(17,513)	(15,215)	(66,717)	(64,813)
Interest expense	3,585	4,019	15,237	15,442
Income tax expense (benefit)	4	(131)	869	(213)
Depreciation, depletion and amortization	7,367	7,910	30,691	32,075
Restructuring expenses <sup>1</sup>	502	1,467	2,223	11,269
Severance and other <sup>2</sup>	(94)	427	170	1,459
Stock-based compensation <sup>3</sup>	93	1,057	2,399	5,114
Acquisition and integration expenses	-	12	-	51
Other income, net <sup>4</sup>	(1,196)	(96)	(1,570)	(118)
Loss on asset disposition <sup>5</sup>	-	-	11,520	0
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>(7,252)</b>	<b>(550)</b>	<b>(5,178)</b>	<b>266</b>
As a percent of net sales:				
Net loss (GAAP)	-46.9%	-32.2%	-35.1%	-28.6%
Adjusted EBITDA (Non-GAAP)	-19.4%	-1.2%	-2.7%	0.1%

	Three months ended		Twelve months ended	
	December 31,		December 31	
	2024	2023	2024	2023
<b>Reconciliation of Free Cash Flow<sup>6</sup>:</b>				
<b>Net cash from (used in) operating activities (GAAP)<sup>6</sup>:</b>	2,656	(1,585)	(324)	7,044
Capital expenditures of Property, Plant and Equipment (GAAP)	(270)	(159)	(2,892)	(4,215)
<b>Free Cash Flow (Non-GAAP)<sup>6</sup>:</b>	<b>2,386</b>	<b>(1,744)</b>	<b>(3,216)</b>	<b>2,829</b>

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

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

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

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

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

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

SG&A (GAAP), Adjusted SG&A (Non-GAAP), Gross Profit (GAAP) and Adjusted Gross Profit (Non-GAAP) for the three months and year ended December 31, 2024, were negatively impacted by \$1.4 million of inventory reserves and related charges.

SG&A (GAAP), Adjusted SG&A (Non-GAAP), Gross Profit (GAAP) and Adjusted Gross Profit (Non-GAAP) for the year ended December 31, 2024, were negatively impacted by \$1.2 million of certain inventory charges.

- For the three and twelve months ended December 31, 2024, and December 31, 2023, Restructuring expenses related primarily to non-cash inventory markdowns associated with manufacturing facility consolidations, and the charges incurred to relocate and terminate certain facilities.
- For the three and twelve months ended December 31, 2024, Severance and other charges primarily related to estimated legal costs related to certain litigation and severance charges. For the three and twelve months ended December 31, 2023, Severance and other charges primarily related to workforce reductions and charges in conjunction with a sale-leaseback transaction during the first quarter of 2023.
- Includes stock-based compensation and related employer payroll taxes on stock-based compensation for the periods presented.
- Other income, net related primarily to foreign currency exchange rate gains and losses and other non-operating income and expenses. For the three and twelve months ended December 31, 2024, Other income, net also included a cash settlement arising from an outstanding litigation matter of a previously acquired entity. For the twelve months ended December 31, 2023, Other income, net also included charges from Amendment No. 1 to the Company's outstanding Term Loan.
- Loss on asset disposition for the twelve months ended December 31, 2024, relates to the sale in the second quarter of 2024 of the inventories, and property, plant and equipment associated with the Company's Innovative Growers Equipment branded products to CM Fabrication, LLC (the "Asset Sale").
- The total gross proceeds associated with the IGE Asset Sale were \$8.7 million, of which the Company estimated and classified \$5.0 million in Net cash from operating activities, and \$3.7 million in Investing activities, as these cash flows were associated with the sale of inventory and property, plant and equipment, respectively. The cash proceeds classified within Net cash from operating activities were partially offset by \$1.3 million cash paid to terminate the associated facility lease and cash transaction costs paid during the period. As a result, the Asset Sale contributed an estimated \$3.5 million to Net cash from operating activities and Free Cash Flow during the twelve months ended December 31, 2024. In addition, in connection with the Asset Sale, the Company paid \$0.7 million to terminate certain equipment finance leases and classified this cash outflow within Financing activities for the twelve months ended December 31, 2024. In total, the IGE Asset Sale contributed net cash proceeds, after repayment of certain lease liabilities and transaction expenses, of an estimated \$6.3 million. In 2023, gross proceeds of \$8.6 million received during the twelve months ended December 31, 2023, from a sale-leaseback of real estate located in Eugene, Oregon, was classified as a Financing activity and is not reflected in Net cash from operating activities or Free Cash Flow in the prior year period.