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 period ended March 31, 2026

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:

Title of each class	Trading Symbol	Name of each exchange on which registered
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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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 May 11, 2026, the registrant had 4,764,612 shares of common stock, $0.0001 par value per share, outstanding.

TABLE OF CONTENTS

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:

- our ability to continue as a going concern;
- our current level of indebtedness and our compliance with the terms of the forbearance agreement that we entered into with our lenders under our term loan on April 8, 2026 (the “Forbearance Agreement”);
- the results of and expectations regarding our acquisitions, dispositions and strategic alliances, and our ability to effect strategic transactions in the future;
- 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 and our ability to resolve claims from unsecured creditors in the ordinary course of business;
- our ability and intent to access bankruptcy courts, receivership or similar processes, or otherwise wind-up our business and liquidate;
- our ability to meet the continued listing standards of The Nasdaq Capital Market ("Nasdaq");
- 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;
- 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 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 27, 2026 (the "2025 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.

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)

	March 31, 2026	December 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 4,811	$ 6,309
Restricted cash	537	—
Accounts receivable, net	12,082	8,186
Inventories	28,806	33,324
Prepaid expenses and other current assets	2,885	3,622
Assets held for sale	1,415	—
Total current assets	50,536	51,441
Property, plant and equipment, net	27,649	30,334
Operating lease right-of-use assets	35,559	37,765
Intangible assets, net	2,801	2,801
Other assets	1,215	1,463
Total assets	$ 117,760	$ 123,804
Liabilities and stockholders’ deficit		
Current liabilities:		
Accounts payable	$ 14,526	$ 9,752
Accrued expenses and other current liabilities	12,196	7,688
Deferred revenue	1,755	2,742
Current portion of operating lease liabilities	7,576	7,543
Current portion of finance lease liabilities	451	455
Current portion of long-term debt	114,419	111,853
Total current liabilities	150,923	140,033
Long-term operating lease liabilities	30,645	32,800
Long-term finance lease liabilities	7,263	7,381
Long-term debt	44	50
Deferred tax liabilities	2,131	2,130
Other long-term liabilities	4,889	4,706
Total liabilities	195,895	187,100
Commitments and contingencies (Note 15)		
Stockholders’ deficit		
Common stock ($0.0001 par value; 300,000,000 shares authorized; 4,764,612 and 4,667,004 shares issued and outstanding at March 31, 2026, and December 31, 2025, respectively)	—	—
Additional paid-in capital	791,380	791,227
Accumulated other comprehensive loss	(7,653)	(7,272)
Accumulated deficit	(861,862)	(847,251)
Total stockholders’ deficit	(78,135)	(63,296)
Total liabilities and stockholders’ deficit	$ 117,760	$ 123,804

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 March 31,	
	2026	**2025**
Net sales	$ 28,524	$ 40,534
Cost of goods sold	26,687	33,657
Gross profit	1,837	6,877
Operating expenses:		
Selling, general and administrative	10,568	17,863
Loss from operations	(8,731)	(10,986)
Interest expense	(5,866)	(3,377)
Other (expense) income, net	(122)	60
Loss before tax	(14,719)	(14,303)
Income tax benefit (expense)	108	(82)
Net loss	$ (14,611)	$ (14,385)
Net loss per share:		
Basic	$ (3.07)	$ (3.12)
Diluted	$ (3.07)	$ (3.12)
Weighted-average shares of common stock outstanding:		
Basic	4,763,731	4,614,510
Diluted	4,763,731	4,614,510

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 March 31,	
	2026	**2025**
Net loss	**$ (14,611)**	**$ (14,385)**
Other comprehensive loss:		
Foreign currency translation (loss) gain	**(381)**	**137**
Total comprehensive loss	**$ (14,992)**	**$ (14,248)**

The accompanying notes are an integral part of the condensed consolidated financial statements.

Hydrofarm Holdings Group, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT (UNAUDITED)

(In thousands, except for share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balance, December 31, 2024	4,614,279	$ —	$ 790,094	$ (8,911)	$ (557,461)	$ 223,722
Issuance of common stock for vesting of stock awards	2,267	—	—	—	—	—
Shares repurchased for withholding tax on stock awards	(821)	—	(3)	—	—	(3)
Stock-based compensation expense	—	—	474	—	—	474
Net loss	—	—	—	—	(14,385)	(14,385)
Foreign currency translation gain	—	—	—	137	—	137
Balance, March 31, 2025	4,615,725	$ —	$ 790,565	$ (8,774)	$ (571,846)	$ 209,945
Balance, December 31, 2025	4,667,004	$ —	$ 791,227	$ (7,272)	$ (847,251)	$ (63,296)
Issuance of common stock for vesting of stock awards	107,081	—	—	—	—	—
Shares repurchased for withholding tax on stock awards	(9,473)	—	(14)	—	—	(14)
Stock-based compensation expense	—	—	167	—	—	167
Net loss	—	—	—	—	(14,611)	(14,611)
Foreign currency translation loss	—	—	—	(381)	—	(381)
Balance, March 31, 2026	4,764,612	$ —	$ 791,380	$ (7,653)	$ (861,862)	$ (78,135)

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)

	Three months ended March 31, 2026	Three months ended March 31, 2025
Operating activities		
Net loss	$ (14,611)	$ (14,385)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization	1,031	7,309
Provision for credit losses	(33)	585
Provision for inventory obsolescence	323	312
Restructuring expenses	732	65
Stock-based compensation expense	167	474
Non-cash operating lease expense	1,973	1,941
Amortization of deferred financing costs	2,593	225
Other	203	30
Changes in assets and liabilities:		
Accounts receivable	(3,921)	(6,768)
Inventories	3,327	413
Prepaid expenses and other current assets	731	(421)
Other assets	30	(37)
Accounts payable	4,810	3,831
Accrued expenses and other current liabilities	4,538	(3,221)
Deferred revenue	(985)	(304)
Lease liabilities	(1,885)	(1,812)
Other long-term liabilities	218	—
Net cash used in operating activities	(759)	(11,763)
Investing activities		
Capital expenditures of property, plant and equipment	(19)	(244)
Other	—	(4)
Net cash used in investing activities	(19)	(248)
Financing activities		
Borrowings under foreign revolving credit facilities	77	95
Repayments of foreign revolving credit facilities	(91)	(86)
Repayments of Term Loan	—	(307)
Payment of withholding tax related to stock awards	(14)	(3)
Finance lease principal payments	(120)	(112)
Net cash used in financing activities	(148)	(413)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(35)	41
Net decrease in cash, cash equivalents and restricted cash	(961)	(12,383)
Cash, cash equivalents and restricted cash at beginning of period	6,309	26,111
Cash, cash equivalents and restricted cash at end of period	$ 5,348	$ 13,728
Non-cash investing and financing activities		
Right-of-use assets acquired (relinquished) under operating lease obligations, net	$ —	$ (81)
Capital expenditures included in accounts payable and accrued liabilities	33	28
Supplemental information		
Cash paid for interest	140	5,212
Cash paid for income taxes	3	110

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_2, light intensity and color, nutrient concentration and pH.

2. LIQUIDITY AND GOING CONCERN

The accompanying condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Management has evaluated whether conditions or events, considered in the aggregate, raise substantial doubt about the Company’s ability to continue as a going concern for a period of one year from the date that these financial statements are issued. The Company has incurred recurring operating losses, negative cash flows from operations, and has significant debt obligations due within the next twelve months due to an event of default on the Company's outstanding Term Loan. These conditions and events, considered in the aggregate, raise substantial doubt about the Company’s ability to continue as a going concern.

Management’s plans to address these conditions include reducing costs through restructuring and other initiatives, including facility consolidations, headcount reductions, and focusing on our proprietary brand offerings. To improve liquidity the Company is negotiating with lenders and key vendors, and is pursuing additional financing or strategic alternatives including the sale of assets, businesses, or through an offering of equity securities. These plans are not within the Company’s control, and therefore cannot be deemed probable. As a result, the Company has concluded that management’s plans do not alleviate substantial doubt about the Company’s ability to continue as a going concern.

These condensed consolidated financial statements do not include any adjustments to the specific amounts and classifications of assets and liabilities, which might be necessary should we be unable to continue as a going concern.

3. 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, 2026, 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, 2025, has been derived from the audited consolidated financial statements of the Company, which is included in the 2025 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 2025 Annual Report.

Use of estimates

The preparation of 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 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. On an ongoing basis, the Company reviews its estimates to ensure that these estimates appropriately reflect changes in its business or new information available.

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

Segment and entity-wide information

Segment information

The Company's chief operating decision maker ("CODM") is the Chief Executive Officer (the "CEO") 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 distribution and manufacture 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, SG&A, and net loss as presented in the consolidated statements of operations. Net 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 impairments, loss on asset disposition, interest expense, other income (expense), net, and income tax expense. Since the Company operates as one reportable segment, all required segment financial information is found in the consolidated financial statements and notes, 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 March 31,	
	2026	**2025**
United States	$ 21,042	$ 32,277
Canada	8,097	9,022
Eliminations	(615)	(765)
Total consolidated net sales	**$ 28,524**	**$ 40,534**

	March 31, 2026	December 31, 2025
United States	$ 34,378	$ 38,071
Canada	28,830	30,028
Total property, plant and equipment, net and operating lease right-of-use assets	**$ 63,208**	**$ 68,099**

All of the products sold by the Company are similar and classified as CEA equipment and supplies.

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

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.

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 of raw materials and products and brands being removed from the Company's portfolio, current and anticipated demand, customer preferences, and market conditions.

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

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 $926 and $1,403 during the three months ended March 31, 2026 and 2025, 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 on the consolidated balance sheets, totaled $1,755 and $2,742 as of March 31, 2026, and December 31, 2025, respectively. During the three months ended March 31, 2026, the Company recorded customer deposits of $518, recognized $1,617 of deferred revenue, and noted $112 of additional increases primarily due to customer overpayments 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 (the "ETR") 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. Under FASB ASC 740-270-30-36, entities subject to income taxes in multiple jurisdictions should apply one overall ETR instead of separate ETRs for each jurisdiction when calculating the interim-period income tax or benefit related to consolidated ordinary income (or loss) for the year-to-date interim period, except in certain circumstances.

Recent accounting pronouncements

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 elected to apply this practical expedient upon adoption of ASU No. 2025-05, which had no impact on the condensed consolidated financial statements for the period ended March 31, 2026.

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.

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

4. RESTRUCTURING AND ASSET SALES

Restructuring

2023 Restructuring Plan

Upon completion of a restructuring plan that began in 2022, the Company began 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.

In the first quarter of 2025, the Company completed the 2023 Restructuring Plan and incurred approximately $362 of restructuring charges, which were primarily cash charges and recorded within cost of goods sold on the consolidated statement of operations during the year ended December 31, 2025. The remaining accrual balance of $103 as of December 31, 2024 was settled during the three months ended March 31, 2025, and there is no remaining accrual balance. Total costs incurred relating to the 2023 Restructuring Plan 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.

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

The Company incurred the following estimated restructuring costs for the 2025 Restructuring Plan during the three months ended March 31, 2026:

	Three months ended March 31, 2026
Cost of goods sold	$ 1,689
Selling, general and administrative	808
Total 2025 Restructuring Plan charges	$ 2,497
Cash	$ 1,688
Non-cash	809
Total 2025 Restructuring Plan charges	$ 2,497

Non-cash charges for three months ended March 31, 2026 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.

Total costs relating to the 2025 Restructuring Plan incurred since its inception through March 31, 2026 were (i) $5,195 of non-cash charges comprised primarily of inventory markdowns, and (ii) $2,539 of cash charges comprised primarily of costs incurred to relocate and terminate certain facilities.

The following tables present the activity in accrued expenses and other current liabilities for restructuring costs related to the 2025 Restructuring Plan for the three months ended March 31, 2026:

	Three months ended March 31, 2026
Restructuring Accruals as of December 31, 2025	$ 202
Expense	1,688
Cash Payments	(1,141)
Restructuring Accruals as of March 31, 2026	$ 749

The Company anticipates the 2025 Restructuring Plan and related actions may result in additional restructuring charges of up to $4 million. The amounts the Company will ultimately expend could differ from these estimates.

Asset Sales

Subsequent Event:

During May 2026, subsequent to the end of the fiscal quarter ended March 31, 2026, the Company sold approximately 38 acres of the 120 acres of excess owned land at the Goshen, New York location. The sale price less costs to sell was less than the carrying value of the property, and the Company recorded a $77 loss in SG&A during the three months ended March 31, 2026. The carrying value of the property was reclassified from property, plant and equipment, net to assets held for sale as of March 31, 2026, in the amount of $1,415, consistent with the sale price less costs to sell.

5. INTANGIBLE ASSETS, NET

Finite lived intangible assets are tested for impairment at least annually, while all intangibles are tested for impairment when events or changes in circumstances indicate that, more-likely-than-not, the carrying amount may not be recoverable. During the fourth quarter of fiscal 2025, as a result of industry conditions, primarily attributable to an agricultural oversupply impacting our market and resulting in a decrease in indoor and outdoor cultivation, as well as continued declines in operating cash flows and profitability, the Company assessed long-lived assets for impairment and recorded an impairment charge of $232,179. Of the impairment charge, $228,395 was related to finite-lived intangible assets and $3,784 was related to property, plant, and equipment. The loss was recorded in impairments in the consolidated statement of operations for the year ended December 31, 2025. The Company estimated fair value based on the income approach and market approach. Under the income approach, the Company estimated the fair value of the asset group on the present value of estimated future cash flows, which the Company considered to be a level 3 unobservable input in the fair value hierarchy. Amortization expense related to intangible assets was $5,933 for the three months ended March 31, 2025.

The carrying value of intangible assets, net, consisting of an indefinite-lived tradename was $2,801 as of March 31, 2026 and December 31, 2025.

6. 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 months ended March 31, 2026 and 2025:

	Three months ended March 31,	
	2026	2025
Net loss	$ **(14,611)**	$ **(14,385)**
Weighted-average shares of common stock outstanding	**4,763,731**	**4,614,510**
Dilutive effect of share based compensation awards using the treasury stock method	—	—
Diluted weighted-average shares of common stock outstanding	**4,763,731**	**4,614,510**
Basic loss per common share	$ **(3.07)**	$ **(3.12)**
Diluted loss per common share	$ **(3.07)**	$ **(3.12)**

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

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 March 31, 2026	Three months ended March 31, 2025
Shares subject to unvested or deferred performance and restricted stock units	**228,779**	**377,812**
Shares subject to stock options outstanding	**26,956**	**35,975**

7. ACCOUNTS RECEIVABLE, NET, AND INVENTORIES

Accounts receivable, net comprised the following:

	March 31, 2026	December 31, 2025
Trade accounts receivable	$ **11,676**	$ **7,706**
Allowance for credit losses	**(277)**	**(362)**
Other receivables	**683**	**842**
Total accounts receivable, net	$ **12,082**	$ **8,186**

The Company maintains an allowance for credit losses to provide for the estimated amount of receivables that will not be collected. To estimate the allowance for credit losses the Company applied the loss-rate method using relevant available information including historical write-off activity and current conditions. The allowance for credit losses is measured on a pooled basis when similar risk characteristics exist. When assessing whether to measure certain financial assets on a pooled basis, the Company considered various risk characteristics, including industry and risk characteristics of the customer. When a specific customer exhibits unique risk characteristics, such as significant deterioration in financial condition or other indicators that it no longer shares similar risk characteristics with the collective pool, that receivable is evaluated individually. Expected credit losses for individually evaluated receivables are measured based on expected cash recoveries, and any resulting specific reserves are included in the allowance for credit losses. Write-offs of accounts receivable are recorded to the allowance for credit losses. Any subsequent recoveries of previously written off balances are recorded as a reduction to credit loss expense.

The change in the allowance for credit losses consisted of the following:

	Three months ended March 31, 2026	Three months ended March 31, 2025
Beginning balance	$ **(362)**	$ **(706)**
Changes in estimates	**33**	**(585)**
Write-offs	**58**	**712**
Collections/Other	**(6)**	**(42)**
Ending balance	$ **(277)**	$ **(621)**

Inventories comprised the following:

	March 31, 2026	December 31, 2025
Finished goods	$ **20,339**	$ **25,314**
Work-in-process	**773**	**872**
Raw materials	**10,659**	**10,790**
Allowance for inventory obsolescence	**(2,965)**	**(3,652)**
Total inventories	$ **28,806**	$ **33,324**

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 increase based on changes in estimates and other factors and decrease based on sales of products and disposals.

(dollars in thousands, except share and per share amounts)

8. 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 $2,244 and $2,384 during the three months ended March 31, 2026 and 2025, respectively. These costs are included primarily within SG&A in the condensed consolidated statements of operations.

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 months ended March 31, 2026 and 2025, the Company recorded sublease and logistics income of $1,347 and $1,188, respectively.

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

	Balance Sheet Classification	March 31, 2026	December 31, 2025
Lease assets			
Operating lease assets	Operating lease right-of-use assets	$ **35,559**	$ **37,765**
Finance lease assets	Property, plant and equipment, net	**6,399**	**6,575**
Total lease assets		$ **41,958**	$ **44,340**
Lease liabilities			
Current:			
Operating leases	Current portion of operating lease liabilities	$ **7,576**	$ **7,543**
Finance leases	Current portion of finance lease liabilities	**451**	**455**
Noncurrent:			
Operating leases	Long-term operating lease liabilities	**30,645**	**32,800**
Finance leases	Long-term finance lease liabilities	**7,263**	**7,381**
Total lease liabilities		$ **45,935**	$ **48,179**

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

The aggregate future minimum lease payments under long-term non-cancelable operating and finance leases with remaining terms greater than one year as of March 31, 2026 are as follows:

	Operating	Finance
For the period of April 1, 2026 to December 31, 2026	$ 6,748	$ 628
Year ending December 31,		
2027	9,220	851
2028	8,686	805
2029	5,823	822
2030	4,702	838
2031	4,064	855
Thereafter	3,695	5,524
Total lease payments	42,938	10,323
Less portion representing interest	(4,717)	(2,609)
Total principal	38,221	7,714
Less current portion	(7,576)	(451)
Long-term portion	$ 30,645	$ 7,263

9. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net comprised the following:

	March 31, 2026	December 31, 2025
Machinery and equipment	$ 23,489	$ 23,577
Peat bogs and related development	12,650	12,828
Building and improvements	7,518	8,917
Land	3,671	4,093
Furniture and fixtures	3,721	3,721
Computer equipment	3,036	3,044
Leasehold improvements	498	530
Gross property, plant and equipment	54,583	56,710
Less: accumulated depreciation	(26,934)	(26,376)
Total property, plant and equipment, net	$ 27,649	$ 30,334

Depreciation, depletion and amortization expense related to property, plant and equipment, net was $1,031 and $1,376 for the three months ended March 31, 2026 and 2025, respectively. As noted in Note 5 – *Intangible Assets, Net*, the Company recorded impairment charges of $3,784 for property, plant, and equipment during the fourth quarter of fiscal 2025. The impairment charges were primarily related to Leasehold improvements, Land, and Building and improvements.

As of March 31, 2026, Land, Building and improvements and Computer equipment, contain finance leases assets, recorded at cost of $9,629, less accumulated depreciation of $3,230. As of December 31, 2025, Land, Building and improvements, Computer equipment, and Machinery and equipment contain finance leases assets, recorded at cost of $9,817, less accumulated depreciation of $3,242.

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

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 March 31, 2026, and December 31, 2025, the Company had AROs of $148 and $170, respectively, recorded in Accrued expenses and other current liabilities on the condensed consolidated balance sheets. As of March 31, 2026, and December 31, 2025, the Company had AROs of $4,635 and $4,668, 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 March 31,	
	2026	**2025**
Balance, beginning of the period	$ **4,838**	$ **4,516**
Liabilities incurred in the period	—	—
Liabilities settled in the period	**(20)**	**(10)**
Accretion expense	**43**	**37**
Other	**(78)**	**6**
Balance, end of the period	$ **4,783**	$ **4,549**

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities comprised the following:

	March 31, 2026	**December 31, 2025**
Accrued compensation and benefits	$ **2,101**	$ **2,096**
Interest accrual	**4,960**	**1,902**
Freight, custom and duty accrual	**864**	**727**
Goods in transit accrual	**563**	**361**
Income tax accrual	**115**	**66**
Asset retirement obligations	**148**	**170**
Other accrued liabilities	**3,445**	**2,366**
Total accrued expenses and other current liabilities	$ **12,196**	$ **7,688**

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

11. DEBT

Debt is comprised of the following:

	March 31, 2026	December 31, 2025
Term Loan - Principal	$ 114,394	$ 114,394
Term Loan - unamortized discount and deferred financing costs	—	(2,576)
Term Loan - net of unamortized discount and deferred financing costs	114,394	111,818
Other	69	85
Total debt	$ 114,463	$ 111,903
Current portion of long-term debt - net of unamortized discount and deferred financing costs of zero and $2,576 as of March 31, 2026, and December 31, 2025, respectively	$114,419	$111,853
Long-term debt	44	50
Total debt	$ 114,463	$ 111,903

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 (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. On February 10, 2026, JPMorgan issued a notice to the Company and Lenders of its resignation as Administrative Agent and Collateral Agent under the Credit and Guaranty Agreement. Such resignation became effective on March 12, 2026, when FEAC Agent, LLC (“FEAC”) was appointed as the successor agent for the Lenders in accordance with Section 9 of the Credit and Guaranty Agreement. On April 8, 2026, the Company, the Lenders and the Agents entered into Amendment No. 2 to the Credit and Guaranty Agreement (“Amendment No. 2”). Amendment No. 2 amends the Credit Agreement to, among other things, (i) replace JPMorgan with FEAC as the Agents; and (ii) require each Credit Party to covenant and agree to (A) regularly provide certain liquidity reports and cash flow forecasts, (B) regularly provide certain aging reports and inventory reports, and (C) maintain a minimum liquidity of $1 million.

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 March 31, 2026, the effective interest rate was 20.28% and interest expense was $5,719, which includes amortization of deferred financing costs and discount of $2,576 triggered by the Specified Event of Default, as defined below.

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. In accordance with this provision, the Company made prepayments of $4.6 million during of 2025 for an asset sale completed in 2024. The prepayments reduced our required quarterly installment amounts to zero for the remaining term.

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

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.

The Company and its Board of Directors are exploring strategic alternatives to strengthen the Company's liquidity and capital structure. In connection with such process, the Company and its financial advisors have engaged in ongoing discussions with the Lenders. While these discussions have continued, on February 4, 2026, the Company elected to defer making the interest payment of approximately $2.8 million on the Term Loan. As a result of the Company's failure to pay the interest within the grace period, an event of default occurred with respect to the Term Loan. On February 11, 2026, the Lenders, through the administrative agent, notified the Company of such event of default (the "Specified Event of Default") and informed the Company that the Administrative Agent or the Collateral Agent may exercise any rights and remedies provided under the Credit and Guaranty Agreement and related financing documents, but it did not seek to enforce such remedies as of such time. As a result of the Specified Event of Default, the Term Loan was reclassified to current portion of long-term debt from long-term debt and interest began accruing at a rate that is 2% per annum in excess of the interest rate otherwise payable.

On April 8, 2026 (the "Forbearance Effective Date"), the Company entered into that certain Forbearance Agreement (the "Forbearance Agreement") with the other Obligors, the Lenders, and FEAC, in connection with the Term Loan. Pursuant to the Forbearance Agreement, from the Forbearance Effective Date to the earliest to occur of (the occurrence of clause (i) or (ii), a "Forbearance Termination Event"): (i) April 30, 2026 (the "Forbearance Outside Date") provided that the Forbearance Outside Date may be extended from time to time in fifteen (15) day increments (or longer) upon written confirmation by the Administrative Agent (including by email); and (ii) the delivery of notice from the Administrative Agent to the Company terminating the Forbearance Period (as defined below), which notice may be delivered at any time upon or after (A) the occurrence of any Event of Default (as defined in the Credit Agreement) (other than the Specified Event of Default, under the Credit Agreement or any other Credit Document (as defined in the Credit Agreement)) and (B) the failure of (x) the Company or any other Obligor to comply with any of the Forbearance Period Requirements set forth in Section 7 of the Forbearance Agreement; (y) any representation or warranty made by the Company or any other Obligor under or in connection with the forbearance to be true and complete as of the date when made or any other breach of any of such representation or warranty; or (z) the repudiation and/or assertion of any defense by any Obligor with respect to the forbearance or any other Credit Document or the pursuit of any claim by any Obligor against the Agents or any Lender (collectively, the "Forbearance Period"), solely with respect to the Specified Event of Default, neither the Administrative Agent nor any Lender shall, upon the terms and conditions expressly specified therein, take any action, commence any proceedings against any Obligor or any other person with respect to the enforcement of any of its or their rights or remedies under the Credit Documents or applicable law, other than as expressly described in the Forbearance Agreement. As of the date of the Quarterly Report on Form 10-Q, which includes these consolidated financial statements, the Forbearance Period is continuing.

The Forbearance Agreement contains customary representations, warranties, conditions, covenants and releases by the parties thereto for an agreement and transaction of this nature. Additionally, the Forbearance Agreement contains certain specified requirements for the Company and its subsidiaries during the Forbearance Period, including but not limited to: (i) presenting to the Lenders at least two bids from asset valuation providers and a cash flow projection approved by the designated financial advisor on behalf of the Company and its subsidiaries (the "Financial Advisor"); (ii) providing the Administrative Agent regular evidence during the Forbearance Period of, as of any date of determination, the average daily cash balance of the Company of at least $1 million; (iii) attending regularly scheduled calls with the Lenders to discuss financial affairs, business operations and other topics that the Lenders may deem appropriate; (iv) presenting an initial budget for the Company to be approved by the Financial Advisor (the "Initial Approved Budget") and subsequently providing the Lenders, prior to each call, a proposed budget of the Company and variance report to the prior Approved Budget that has been presented to the Financial Advisor (each such proposed budget, a "Proposed Budget") which Lenders shall approve in their reasonable judgement (in which case it (or in the event the Lenders do not approve any Proposed Budget, the Initial Approved Budget), shall be the "Approved Budget") or reject the Proposed Budget (in which case the previously Approved Budget shall remain in effect); (v) delivering to the Lenders a term sheet which sets forth the total consideration and expected closing timeline for a sale of certain assets of the Company to be agreed by the Lenders; (vi) refraining from making any investments or restricted payments other than rent due under certain finance leases; and (vii) paying all fees and expenses incurred by the Administrative Agent and Lenders after the occurrence with the Forbearance Effective Date including fees of third party professionals for work performed in connection with the forbearance, the Credit Agreement and transactions contemplated thereby. In connection with the Forbearance Agreement, on April 8, 2026, the Company, the Lenders and the Agents also entered into that certain Amendment No. 2 to Credit and Guaranty Agreement, which is described above.

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, the other loan parties from time to time party thereto and the lenders from time to time party thereto for a revolving line of credit up to $50,000. The Revolving Credit Facility was due to expire 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 description of the Seventh Amendment does not purport to be complete and is qualified in its entirety by reference to the Seventh Amendment.

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

The unamortized debt discount and deferred financing costs were $209 as of December 31, 2025, and are included in other assets in the condensed consolidated balance sheets. Debt discount and deferred financing costs were being amortized to interest expense over the term of the Revolving Credit Facility.

The Revolving Credit Facility was an asset-based facility that was 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 was 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 was 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 was less than an amount equal to 20% of the Aggregate Revolving Commitment, the Company was required to maintain a minimum fixed charge coverage ratio of 1.1x on a rolling twelve-month basis until the Excess Availability was 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 was required to comply with a higher fixed charge coverage ratio of 1.15x.

The Revolving Credit Facility provided 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 had a 0.0% floor. A fee of 0.40% per annum was charged for available but unused borrowings.

As of December 31, 2025, the Company had zero borrowed under the facility.

On February 17, 2026, the Company entered into the Termination Agreement to terminate the Revolving Credit Agreement. Pursuant to the terms of the Termination Agreement, the parties agreed to terminate the Revolving Credit Agreement subject to the survival of each of the provisions of the Revolving Credit Agreement and Loan Documents (as defined in the Revolving Credit Agreement) and in the certificates delivered in connection with or pursuant to the Revolving Credit Agreement that survive termination of the Revolving Credit Agreement.

Other Debt

Other debt of $69 and $85 as of March 31, 2026, and December 31, 2025, respectively, was primarily comprised of a foreign subsidiary's other debt which constitutes an immaterial revolving line of credit and mortgage.

Loss on debt extinguishment

The loss on debt extinguishment of $191 for the three months ended March 31, 2026, resulting primarily from the write-off of the Revolving Credit Facility's unamortized debt discount and deferred financing costs at the time of the Termination Agreement, are presented in other (expense) income, net on the condensed consolidated statement of operations.

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

Aggregate future principal payments

As of March 31, 2026, the aggregate future principal payments under long-term debt are as follows:

		Debt
For the period of April 1, 2026 to December 31, 2026	$	**114,414**
Year ending December 31,		
2027		**21**
2028		**21**
2029		**7**
Total	$	**114,463**

12. 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 March 31, 2026, there were 4,764,612 shares outstanding and 300,000,000 shares authorized.

13. 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 March 31, 2026, a total of 310,883 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 228,405 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.

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

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, 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 months ended March 31, 2026 and 2025, 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 three months ended March 31, 2026, the Company did not grant any RSU awards.

The following table summarizes the activity related to the Company's RSUs for the three months ended March 31, 2026. For purposes of this table, vested RSUs represent the shares for which the service condition had been fulfilled during the three months ended March 31, 2026:

	Number of RSUs	Weighted average grant date fair value
Balance, December 31, 2025	**179,151**	$ **4.78**
Granted	—	$ —
Vested	**(27,832)**	$ **5.80**
Forfeited	—	$ —
Balance, March 31, 2026	**151,319**	$ **4.59**

As of March 31, 2026, total unamortized stock-based compensation cost related to unvested RSUs was $277 and the weighted-average period over which the compensation is expected to be recognized is less than one year. For the three months ended March 31, 2026, the Company recognized $167 of total stock-based compensation expense for RSUs. As of March 31, 2026, there were 77,460 RSUs which had vested, but were not yet issued due to the recipients' elections. For the three months ended March 31, 2026, the Company settled 79,249 previously deferred RSUs.

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

Performance Stock Unit Activity

During the three months ended March 31, 2026, the Company did not grant, vest, or transact in any PSUs. PSUs were granted in 2024, which vested in the second quarter of 2025, less forfeitures due to employee terminations and performance conditions that were not satisfied. There were no PSUs outstanding as of March 31, 2026 or December 31, 2025.

Stock Options

There were no stock options granted or exercised during the three months ended March 31, 2026. The following table summarizes the stock option activity for the three months ended March 31, 2026:

	Number	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual term (years)
Outstanding and exercisable as of December 31, 2025	**28,074**	$ **97.54**	$ **24.50**	**3.50**
Cancelled	**(1,118)**	$ **101.41**	$ **48.80**	
Outstanding and exercisable as of March 31, 2026	**26,956**	$ **97.38**	$ **23.49**	**3.32**

As of each March 31, 2026 and December 31, 2025, there were no unvested stock awards, and no compensation cost related to options not yet recognized. To the extent there are unvested stock option awards, 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.

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

14. INCOME TAXES

The Company recorded an income tax benefit of $108 for the three months ended March 31, 2026, representing an effective tax rate of 0.7%. The Company's effective tax rate for the three months ended March 31, 2026, differs from the federal statutory rate of 21% primarily due to U.S. and foreign jurisdictions in full valuation allowance. The income tax benefit for the three months ended March 31, 2026, was primarily due to foreign taxes in certain jurisdictions [and known return to provision items in Canada], partially offset by certain U.S. state taxes.

The Company recorded income tax expense of $82 three months ended March 31, 2025, respectively, representing an effective tax rate of (0.6)%. The Company's effective tax rate for the three months ended March 31, 2025, 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 months ended March 31, 2025, was primarily due to foreign taxes in certain jurisdictions and U.S. state taxes.

15. 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.

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.

In April 2020, Aurora Innovations LLC ("Aurora Innovations"), obtained a loan in the principal aggregate amount of approximately $782 pursuant to the *Paycheck Protection Program* under the CARES Act, which was forgiven in full, by the Small Business Administration (the "SBA"), in June 2021. In July 2021, the Company acquired Aurora Innovations pursuant to the terms of that certain Securities Purchase Agreement, dated as of June 17, 2021, by and among the Company, Gotham Properties LLC, Aurora Innovations Inc., Aurora International, Inc., and certain equity holders party thereto. In April 2020, Innovative Growers Equipment, Inc., Innovative AG Installation, Inc., and Innovative Racking Systems, Inc (collectively, the "IGE Entities"), obtained loans in the principal aggregate amount of approximately $444 pursuant to the *Paycheck Protection Program* under the CARES Act, which were forgiven in full, by the SBA, in May 2021. In November 2021, the Company acquired the IGE Entities pursuant to the terms of that certain Stock Purchase and Contribution Agreement, dated as of October 25, 2021, by and among the Company, Christopher Mayer, and Bruce Zierk. The Company received Civil Investigation Demands dated July 15, 2025, pursuant to the False Claims Act, 31 U.S.C 3729-3733, regarding an investigation to determine whether the original entities were eligible for the aforementioned PPP Loans if their products were in fact used to support the use, growth, enhancement or development of cannabis. At this stage, the Civil Investigation Demands are only requests for information which the Company has provided. The False Claims Act allows for the DOJ to recoup any PPP loans as well as potential treble damages for any violation. At this time, the Company cannot assess the likely outcome of the investigations. The Company is continuing to cooperate with the inquiries, and at this time, there has been no formal demand for return of the PPP Loan proceeds, and no formal claim or lawsuit has been initiated against the Company.

(dollars in thousands, except share and per share amounts)

16. FAIR VALUE MEASUREMENTS

Recurring and Nonrecurring

As described in Note 4 – *Restructuring and Asset Sales,* during May 2026, subsequent to the end of the fiscal quarter ended March 31, 2026, the Company sold approximately 38 acres of the 120 acres of excess owned land at the Goshen, New York location. The sale price less costs to sell was less than the carrying value of the property, and the Company recorded a $77 loss in SG&A during the three months ended March 31, 2026. The carrying value of the property was reclassified from property, plant and equipment, net to assets held for sale as of March 31, 2026, in the amount of $1,415, consistent with the sale price less costs to sell., which was considered a Level 2 fair value measurement.

As described in Note 5 – *Intangible Assets, Net*, during the fourth quarter of fiscal 2025, as a result of industry conditions, primarily attributable to an agricultural oversupply impacting our market and resulting in a decrease in indoor and outdoor cultivation, as well as continued declines in operating cash flows and profitability, the Company assessed long-lived assets for impairment and recorded an impairment charge of $232,179. Of the impairment charge, $228,395 was related to finite-lived intangible assets and $3,784 was related to property, plant, and equipment. The Company estimated fair value based on the income approach and market approach. Under the income approach, the Company estimated the fair value of the asset group on the present value of estimated future cash flows, which the Company considered to be a level 3 unobservable input in the fair value hierarchy.

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 March 31, 2026 and December 31, 2025, which are provided for disclosure purposes:

		March 31, 2026		December 31, 2025	
	Fair Value Hierarchy Level	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Assets					
Cash, cash equivalents and restricted cash	**Level 1**	**$ 5,348**	**$ 5,348**	**$ 6,309**	**$ 6,309**
Liabilities					
Finance leases	**Level 3**	**$ 7,714**	**$ 5,899**	**$ 7,836**	**$ 8,237**
Term Loan	**Level 2**	**$ 114,394**	**nm**	**$ 114,394**	**$ 93,803**

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 carrying amount of the Term Loan reported above excludes unamortized debt discount and deferred financing costs. The fair value of the Term Loan as of December 31, 2025 was estimated based on Level 2 fair value measurements and was based on bank quotes. As of March 31, 2026, due to the Specified Event of Default, the Term Loan does not have readily available quoted market prices that the Company believes are indicative of fair value. Accordingly, the Company has not estimated the fair value of its Term Loan as of March 31, 2026, as such estimates would not be meaningful or practicable.

Refer to Note 8 – *Leases* and Note 11 – *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 2025 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 2025 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_2, 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 1,800 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.

We have incurred recurring operating losses, negative cash flows from operations, and have significant debt obligations due within the next twelve months due to an event of default on the Company's outstanding Term Loan. These conditions and events, considered in the aggregate, raise substantial doubt about our ability to continue as a going concern.

The Company and its Board of Directors are exploring strategic alternatives to strengthen the Company's liquidity and capital structure. In connection with such process, the Company and its financial advisors have engaged in ongoing discussions with lenders (the "Lenders") under the Company's Credit and Guaranty Agreement (as amended, the "Credit and Guaranty Agreement") with FEAC Agent, LLC (as successor to JPMorgan Chase Bank, N.A.), as administrative agent for the Lenders ("FEAC"), and certain of the Company's direct and indirect subsidiaries (the "Obligors"), pursuant to which the Company borrowed a $125.0 million senior secured term loan (the "Term Loan"). While these discussions have continued, on February 4, 2026, the Company elected to defer making the interest payment of approximately $2.8 million on the Term Loan. As a result of the Company's failure to pay the interest within the grace period, an event of default occurred with respect to the Term Loan. On February 11, 2026, the Lenders, through the administrative agent, notified the Company of such event of the Specified Event of Default and informed the Company that the Administrative Agent or the Collateral Agent may exercise any rights and remedies provided under the Credit and Guaranty Agreement and related financing documents, but it did not seek to enforce such remedies as of such time. As a result of the Specified Event of Default, the Term Loan was reclassified to current portion of long-term debt from long-term debt and interest began accruing at a rate that is 2% per annum in excess of the interest rate otherwise payable.

On April 8, 2026 (the "Forbearance Effective Date"), the Company entered into the Forbearance Agreement with the other Obligors, the Lenders, and FEAC, in connection with the Term Loan. Pursuant to the Forbearance Agreement, during the Forbearance Period (as defined in Note 11 – *Debt* to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q), solely with respect to the Specified Event of Default, neither the Administrative Agent nor any Lender shall, upon the terms and conditions expressly specified therein, take any action, commence any proceedings against any Obligor or any other person with respect to the enforcement of any of its or their rights or remedies under the Credit Documents or applicable law, other than as expressly described in the Forbearance Agreement. [As of the date of the Quarterly Report on Form 10-Q, the Forbearance Period is continuing.]

For additional information, see Note 2 – *Liquidity and Going Concern* to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q and " - *Liquidity and Capital Resources - Availability and Use of Cash*."

Market Conditions and Restructuring Plans

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 to which 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-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.

During the fourth quarter of fiscal 2025, as a result of industry conditions, primarily attributable to an agricultural oversupply impacting our market and resulting in a decrease in indoor and outdoor cultivation, as well as continued declines in operating cash flows and profitability, we assessed our long-lived assets for impairment and recorded an impairment charge of $232.2 million. Of such impairment charge, $228.4 million was related to finite-lived intangible assets and $3.8 million was related to property, plant, and equipment. The loss was recorded in Impairments in the consolidated statement of operations for the year ended December 31, 2025. We estimated fair value based on the income approach and market approach. Under the income approach, we estimated the fair value of the asset group on the present value of estimated future cash flows, which we considered to be a level 3 unobservable input in the fair value hierarchy.

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. Since the 2025 Restructuring Plan's inception, we have incurred estimated restructuring costs of $7.7 million. 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 $4 million, and annual cost savings of over $5 million plus additional working capital benefits. The 2025 Restructuring Plan is expected be completed by the end of 2026.

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, our ability to successfully negotiate with lenders and key vendors, and the pursuit of additional financing or strategic alternatives, it is possible we may execute additional restructuring plan actions and incur future associated charges, and we may not be able to realize the full extent of our anticipated cost savings.

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 2025 Annual Report, including the risk entitled "*Our restructuring activities may increase our expenses and cash expenditures, and may not have the intended effects*."

We maintain an allowance for excess and obsolete inventory that is based upon assumptions about future demand and market conditions. While we believe our estimates of charges relating to our 2025 Restructuring Plan, long-lived assets, inventory obsolescence, and accounts receivable allowances are reasonable, it is possible that we may incur additional charges in the future and actual results may differ significantly from these estimates and assumptions. Depending on the length and severity of the industry and market conditions impacting our business, it is possible we may execute additional restructuring plan actions and incur future associated charges, and we may not be able to realize the full extent of our anticipated cost savings.

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 continue to evaluate 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, have impacted and could impact the cost of certain products and may negatively impact our financial performance. We have been able to help mitigate the impacts of tariffs through negotiations with vendors, and through passing nominal price increases to our customers, but we may be unable to quickly and effectively react to additional tariff and trade policy actions which may impact our business

Results of Operations—Comparison of three months ended March 31, 2026 and 2025

The following table sets forth our unaudited interim condensed consolidated statements of operations for the three months ended March 31, 2026, and 2025, 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 March 31,				Period change	
	2026		**2025**			
Net sales	$ **28,524**	100.0%	$ **40,534**	100.0%	$ (12,010)	-29.6%
Cost of goods sold	**26,687**	93.6%	**33,657**	83.0%	(6,970)	-20.7%
Gross profit	**1,837**	6.4%	**6,877**	17.0%	(5,040)	-73.3%
Operating expenses:						
Selling, general and administrative	**10,568**	37.0%	**17,863**	44.1%	(7,295)	-40.8%
Loss from operations	**(8,731)**	-30.6%	**(10,986)**	-27.1%	2,255	20.5%
Interest expense	**(5,866)**	-20.6%	**(3,377)**	-8.3%	(2,489)	-73.7%
Other (expense) income, net	**(122)**	-0.4%	**60**	0.1%	(182)	-303.3%
Loss before tax	**(14,719)**	-51.6%	**(14,303)**	-35.3%	(416)	-2.9%
Income tax benefit (expense)	**108**	0.4%	**(82)**	-0.2%	190	-231.7%
Net loss	$ **(14,611)**	-51.2%	$ **(14,385)**	-35.5%	$ (226)	-1.6%

Net sales

Net sales for the three months ended March 31, 2026, were $28.5 million, a decrease of $12.0 million, or 29.6% compared to the same period in 2025.

The 29.6% decrease in net sales for the three months ended March 31, 2026, as compared to the same period in 2025, was primarily due to a 27.8% reduction in volume and mix of products sold and a 2.7% decrease in price. This decline was largely driven by the previously mentioned industry oversupply.

Gross profit

Gross profit for the three months ended March 31, 2026, was $1.8 million, a decrease of $5.0 million, or 73.3%, compared to the same period in 2025. Our gross profit margin percentage decreased to 6.4% for the three months ended March 31, 2026, from 17.0% in the same period in 2025. Gross profit and gross profit margin for the three months ended March 31, 2026, decreased as a result of lower net sales, lower production volumes and productivity at our manufacturing facilities, and a $1.3 million increase in restructuring charges primarily comprised of inventory markdowns, facility shutdown costs, and severance.

Selling, general and administrative expenses

SG&A expenses for the three months ended March 31, 2026, were $10.6 million, a decrease of $7.3 million, or 40.8% compared to the same period in 2025. SG&A expenses decreased in several areas, including as a result of our cost saving and restructuring initiatives: (i) a $6.0 million decrease in amortization and depreciation primarily due to intangible asset impairments in 2025, and (ii) a $1.2 million decrease in employee compensation costs, including lower salaries and benefits, stock-based compensation, and performance bonus.

Interest expense

Interest expense for the three months ended March 31, 2026, was $5.9 million, an increase from $3.4 million of interest expense recorded in the same period in the prior year. The increase for the three months ended March 31, 2026 was primarily acceleration of our Term Loan discount and deferred financing costs costs triggered by the Specified Event of Default.

Other (expense) income, net

Other expense, net for the three months ended March 31, 2026, was $0.1 million, compared to other income, net of $0.1 million during the same period in the prior year.

Income taxes

We recorded an income tax benefit of $0.1 million for the three months ended March 31, 2026, representing an effective tax rate of 0.7%. Our effective tax rate for the three months ended March 31, 2026, differs from the federal statutory rate of 21% primarily due to U.S. and foreign jurisdictions in full valuation allowance. The income tax benefit for the three months ended March 31, 2026, was primarily due to foreign taxes in certain jurisdictions [and known return to provision items in Canada], partially offset by certain U.S. state taxes.

We recorded an income tax expense of $0.1 million for the three months ended March 31, 2025, representing an effective tax rate of (0.6)%. Our effective tax rate for the three months ended March 31, 2025, 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 months ended March 31, 2025, 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 three months ended March 31, 2026, and March 31, 2025

The following table summarizes our cash flows for the three months ended March 31, 2026, and 2025 (amounts in thousands):

	Three months ended March 31,	
	2026	**2025**
Net cash used in operating activities	$ (759)	$ (11,763)
Net cash used in investing activities	(19)	(248)
Net cash used in financing activities	(148)	(413)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(35)	41
Net decrease in cash, cash equivalents and restricted cash	(961)	(12,383)
Cash, cash equivalents and restricted cash at beginning of period	6,309	26,111
Cash, cash equivalents and restricted cash at end of period	$ 5,348	$ 13,728

Operating Activities

Net cash used in operating activities was $0.8 million for the three months ended March 31, 2026. The net cash usage was primarily due to a $14.6 million net loss, partially offset by net non-cash items of $7.0 million and a $6.8.million net cash inflow from a decrease in working capital. The $6.8 million net decrease in working capital was primarily comprised of a $4.8 million increase of accounts payable, a $4.5 million increase in accrued expenses and other current liabilities, and a $3.3 million decrease of inventories, partially offset by a $3.9 million increase in accounts receivable and a $1.9 million decrease of lease liabilities. 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.

Net cash used in operating activities was $11.8 million for the three months ended March 31, 2025. The net cash usage was primarily due to a $14.4 million net loss and an $8.3 million net cash outflow from an increase in working capital, partially offset by net non-cash items of $10.9 million. The $8.3 million net increase in working capital was primarily comprised of a $6.8 million increase in accounts receivable, a $3.2 million decrease in accrued expenses and other current liabilities, and a $1.8 million decrease of lease liabilities, partially offset by a $3.8 million decrease in accounts payable. During the three months ended March 31, 2025, we paid $5.2 million in cash interest.

Investing Activities

Net cash used in investing activities was less than $0.1 million for the three months ended March 31, 2026, compared to $0.2 million for the three months ended March 31, 2025. The net cash used in investing activities for both periods, was primarily due to capital expenditures of property, plant and equipment.

Financing Activities

Net cash used in financing activities was $0.1 million for the three months ended March 31, 2026, primarily driven by finance lease principal payments.

Net cash used in financing activities was $0.4 million for the three months ended March 31, 2025, primarily driven by (i) $0.3 million of Term Loan repayments relating to required quarterly payments of principal, and (ii) finance lease principal payments of $0.1 million.

Availability and Use of Cash

As of March 31, 2026, we had $5.3 million in cash, cash equivalents and restricted cash and a working capital deficit of $98.0 million. We have incurred recurring operating losses, negative cash flows from operations, and has significant debt obligations due within the next twelve months. These conditions and events, considered in the aggregate, raise substantial doubt about our ability to continue as a going concern.

Our plans to address these conditions include reducing costs through restructuring and other initiatives, including facility consolidations, headcount reductions, and focusing on our proprietary brand offerings. To improve liquidity we are negotiating with lenders and key vendors, and are pursuing additional financing or strategic alternatives including the sale of assets or businesses, or through an offering of equity securities. Any potential such event may be subject to provisions referenced in the Term Loan, such as subjecting us to make mandatory repayments prior to the originally stated maturity date. Although we believe such plans, if executed, should provide us with liquidity to meet our needs, successful completion of such plans is dependent 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 2025 Annual Report.

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 May 2026, subsequent to the end of the fiscal quarter ended March 31, 2026, we sold approximately 38 acres of the 120 acres of excess owned land at the Goshen, New York location. The carrying value of the property was reclassified from property, plant and equipment, net to assets held for sale as of March 31, 2026, in the amount of $1,415, consistent with the sale price less costs to sell. 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, 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 Annual Report on Form 10-K, 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. On April 8, 2026, we, the Lenders and the Agents entered into Amendment No. 2 to the Credit and Guaranty Agreement. Amendment No. 2 amends the Term Loan to, among other things, (i) replace JPMorgan with FEAC as the administrative agents; and (ii) require each credit party to covenant and agree to (A) regularly provide certain liquidity reports and cash flow forecasts, (B) regularly provide certain aging reports and inventory reports, and (C) maintain a minimum liquidity of $1 million.

The Term Loan matures on October 25, 2028, and is secured by a first lien on our non-working capital assets and a second lien on our working capital assets.

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. In accordance with this provision, we made prepayments of $4.6 million during of 2025 for an asset sale completed in 2024. The prepayments reduced our required quarterly installment amounts to zero for the remaining term.

The Term Loan requires us to maintain certain reporting requirements, affirmative covenants, and negative covenants. On February 4, 2026, we elected to defer making an interest payment of approximately $2.8 million on the Term Loan. As a result of our failure to pay the interest within the grace period, an event of default occurred with respect to the Term Loan. On February 11, 2026, the lenders, through the administrative agent, notified us of the Specified Event of Default and informed us that the administrative agent or the collateral agent may exercise any rights and remedies provided under the Term Loan agreement and related financing documents, but it did not seek to enforce such remedies as of such time.

On the Forbearance Effective Date, the Company entered into the Forbearance Agreement with the other Obligors, the Lenders, and FEAC, in connection with the Term Loan. Pursuant to the Forbearance Agreement, during the Forbearance Period (as defined in Note 11 – *Debt* to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q), solely with respect to the Specified Event of Default, neither the Administrative Agent nor any Lender shall, upon the terms and conditions expressly specified therein, take any action, commence any proceedings against any Obligor or any other person with respect to the enforcement of any of its or their rights or remedies under the Credit Documents or applicable law, other than as expressly described in the Forbearance Agreement. As of the date of the Quarterly Report on Form 10-Q, the Forbearance Period is continuing.

As of March 31, 2026, and December 31, 2025, the outstanding principal balance on the Term Loan was $114.4 million.

Revolving Credit Facility

On March 29, 2021, we and certain of our subsidiaries entered into the Revolving Credit Agreement with JPMorgan, as administrative agent, issuing bank and swingline lender for a revolving line of credit up to $50 million (the "Revolving Credit Facility") which was subsequently amended several times to, among other things, modify the maximum aggregate borrowing limit, transition the interest rate benchmark from LIBOR to SOFR, and extend the maturity date. We use the terms Revolving Credit Agreement and Revolving Credit Facility interchangeably.

As of December 31, 2025, we had zero borrowed under the Revolving Credit Facility. On February 17, 2026, we entered into the Termination Agreement to terminate the Revolving Credit Agreement. Pursuant to the terms of the Termination Agreement, the parties agreed to terminate the Revolving Credit Agreement subject to the survival of each of the provisions of the Revolving Credit Agreement and Loan Documents (as defined in the Revolving Credit Agreement) and in the certificates delivered in connection with or pursuant to the Revolving Credit Agreement that survive termination of the Revolving Credit Agreement.

The aforementioned financing arrangements and other transactions are more fully described in the notes to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Cash and Cash Equivalents

The cash and cash equivalents balances of $4.8 million and $6.3 million at March 31, 2026, and December 31, 2025, respectively, included $2.1 million and $2.9 million, respectively, held by foreign subsidiaries.

Material Cash Requirements

Our estimated material cash requirements include (i) anticipated principal and interest payments on our Term Loan, (ii) finance lease payments, (iii) operating lease payments, 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 11 – *Debt*, Note 8 – *Leases*, and Note 15 – *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 2025 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 3 – *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 March 31, 2026, we had $114.4 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 11 – *Debt* for details relating to the debt. If the rates were to increase by 100 basis points from the rates in effect as of March 31, 2026, our interest expense on the variable-rate debt would increase by an average of $1.2 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 consolidated financial statements, the assets and liabilities of subsidiaries with CAD or Euro functional currencies are translated into U.S. dollars ("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 2025 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 the following material changes with respect to such risk factors:

We are currently not in compliance with the continued listing standards of Nasdaq, and if we are unable to regain compliance, our common stock will be delisted from the exchange.

Our common stock is currently listed for trading on the Nasdaq under the symbol “HYFM”. The continued listing of our common stock on Nasdaq is subject to our compliance with a number of listing standards, including Nasdaq Listing Rule 5550(b)(1) to maintain a minimum of $2.5 million in stockholders’ equity (the “Minimum Stockholders’ Equity Requirement”) or the alternative requirements of Nasdaq Listing Rule 5550(b)(2)-(3) of having a market value of listed securities of at least $35 million or net income from continuing operations of $500,000 in the most recently completed fiscal year or two of the last three most recently completed fiscal years (the “Alternative Requirement”). As of December 31, 2025, we had a stockholder’s deficit of approximately $(63) million, the market value of our listed securities was below $35 million as of the date of our 2025 Annual Report, and we realized a net loss in each of the past three fiscal years. Accordingly, we do not meet the requirements of the Minimum Stockholders’ Equity Requirement or Alternative Requirement.

On April 1, 2026, we received a letter (the “Letter”) from the Listing Qualifications Department of the Nasdaq indicating that we were not in compliance with the minimum stockholders’ equity requirement for continued listing on the Nasdaq Capital Market, under Listing Rule 5550(b)(1), because our stockholders’ deficit of ($63) million as reported in our 2025 Annual Report was below the required minimum of $2.5 million, and because, as of March 31, 2026, we did not meet the alternative compliance standards relating to the market value of listed securities of $35 million or net income from continuing operations of $500,000 in the most recently completed fiscal year or in two of the last three most recently completed fiscal years.

The Letter has no immediate impact on the listing of our common stock, which will continue to be listed and traded on the Nasdaq under the symbol “HYFM,” subject to our compliance with the other continued listing requirements. We have 45 calendar days from April 1, 2026, or until May 16, 2026, to submit to Nasdaq a plan to regain compliance with Listing Rule 5550(b)(1). If Nasdaq accepts our plan, Nasdaq may grant an extension of up to 180 calendar days from April 1, 2026, or until September 28, 2026, to regain compliance. If Nasdaq does not accept our plan, we will have the right to appeal such decision to a Nasdaq hearings panel. The hearing request would stay any suspension or delisting action pending the issuance of a written panel decision.

We are currently evaluating various courses of action to regain compliance and intends to submit to Nasdaq, within the requisite time period, a plan to regain compliance with Listing Rule 5550(b)(1). There can be no assurance that Nasdaq will accept our plan or that we will be able to regain compliance with Listing Rule 5550(b)(1) or maintain compliance with any other Nasdaq requirement in the future.

If we fail to regain compliance with the Nasdaq continued listing standards, after any compliance period, if granted, or we fail to comply with other continued listing requirements, Nasdaq will provide notice that our common stock will be subject to delisting, which could adversely affect our ability to raise additional financing through the public or private sale of equity securities, would significantly affect the ability of investors to trade our securities and would negatively affect the value and liquidity of our common stock. Delisting could also have other negative results, including the potential loss of confidence by employees, the loss of institutional investor interest and fewer business development opportunities. If our common stock is delisted by Nasdaq, the price of our common stock may decline and our common stock may be eligible to trade on the OTC Bulletin Board, another over-the-counter quotation system, or on the pink sheets where an investor may find it more difficult to dispose of their common stock or obtain accurate quotations as to the market value of our common stock. A delisting from Nasdaq and failure to obtain listing on another market or exchange would subject our common stock to so-called penny stock rules that impose additional sales practice and market-making requirements on broker-dealers who sell or make a market in such securities. Further, if we are delisted, we would incur additional costs under requirements of state “blue sky” laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of our common stock and the ability of our stockholders to sell our common stock in the secondary market.

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 March 31, 2026, 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.

Table of Contents

ITEM 6. EXHIBITS

(a) Exhibits.

Exhibit	Description
3.1	Restated Certificate of Incorporation of Hydrofarm Holdings Group, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q (File No. 001-39773), filed with the SEC on November 12, 2025).
3.2	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).
10.1*x+	Offer Letter dated March 1, 2022 by and between Hydrofarm Holdings Group Inc. and Kevin O'Brien.
10.2+	Forbearance Agreement dated April 8, 2026, by and among Hydrofarm Holdings Group, Inc., the other credit parties from time to time party thereto, the lenders party thereto, and FEAC Agent, LLC, as administrative agent for the lenders and collateral agent for the secured parties (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 001-39773), filed with the SEC on April 14, 2026.
10.3	Amendment No. 2 to Credit and Guaranty Agreement dated April 8, 2026, by and among Hydrofarm Holdings Group, Inc., the subsidiaries of Hydrofarm Holdings Group, Inc. party thereto from time to time, the lenders party thereto and FEAC Agent, LLC, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (File No. 001-39773), filed by the SEC on April 14, 2026).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1#	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.
32.2#	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.
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.

x Denotes management contract or compensatory plan or arrangement.

\+ 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.

\# 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: May 15, 2026	/s/ William Toler
	William Toler Chief Executive Officer & Chairman of the Board of Directors (Principal Executive Officer)
Date: May 15, 2026	/s/ Kevin O'Brien
	Kevin O'Brien Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATIONS UNDER SECTION 302

I, William Toler, 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: May 15, 2026

By: /s/ William Toler
William Toler
Chief Executive Officer & Chairman of the Board of Directors
(Principal Executive Officer)

Exhibit 31.2

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: May 15, 2026

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

Exhibit 32.1

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 March 31, 2026 (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: May 15, 2026	/s/ William Toler
	William Toler Chief Executive Officer & Chairman of the Board of Directors (Principal Executive Officer)

Exhibit 32.2

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 March 31, 2026 (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: May 15, 2026	/s/ Kevin O’Brien
	Kevin O’Brien Chief Financial Officer (Principal Financial Officer)

Exhibit 10.1

January 13, 2022

Kevin P. O'Brien

Dear Kevin,

We are pleased to offer you the position of Corporate Controller & Chief Accounting Officer with Hydrofarm Holdings Group, Inc. (the "Company") reporting directly to me. This is an exempt position with an annual base salary of Three Hundred Thousand Dollars ($300,000.00) which will be paid in bi-weekly increments as earned and in accordance with the Company's normal payroll procedures.

Your start date will be agreed by both parts and documented on separate communication. You will be part of Hydrofarm's annual performance review cycle and be eligible to earn an annual performance bonus of up to fifty percent (50%). The Annual Bonus will be based upon the Board's assessment of your performance and the Company's attainment of goals, including annual EBITDA versus target EBITDA, as determined by the Board. For Fiscal Year 2022, Seventy Five Thousand Dollars ($75,000.00) of the Annual Bonus is guaranteed and will be paid in accordance with the Company's payout date.

Employees must be considered "active full-time employees" at the payout date to be eligible of any incentive. Employees who are not employed on the date the bonus is paid are not considered to have earned the bonus and are therefore not eligible for any portion of the bonus. This means that if you are separated from Hydrofarm for any reason, either resignation or termination, prior to payment of the bonus, you forfeit any entitlement to a bonus. This is so even if the bonus has been calculated or reported to you prior to the date of payment

Additionally, you will receive an initial Restricted Stock Unit equity grant, valued at Four Hundred Thousand Dollars ($400,000), which vests annually over three (3) years.

If you choose to accept this offer, your employment with the Company constitutes at-will employment and will be for no specified period. As a result, you will be free to resign at any time, for any reason or for no reason, as you deem appropriate. The Company will have a similar right and may conclude its employment relationship with you at any time, with or without cause.

If, at any time, the Company terminates your employment without cause (other than as a result of your death or disability), the Company will pay you, as cash severance, an amount equal to six (6) months of your base salary. The Severance will be paid, less standard payroll deductions and tax withholdings, in a lump sum payment on or before the day that is sixty (60) days following your Separation from Service date.

For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of your date of hire, or our employment relationship with you may be terminated.

In addition, you will be eligible to participate in all the company health benefits in accordance with the various policies, provisions, and limitations. Eligibility starts first of the month following 60 days of your employment. Employees are also eligible to enter the 401k Plan the first of the month after three months of continuous employment.

Please contact Tais Martinez at [***] or [***] if you have any questions with regard to benefits or employment at Hydrofarm, LLC.

It is standard procedure to run a background check through backgroundchecks.com for all new employees, which includes criminal and credit. No applicant will be denied employment solely on the grounds of conviction of a criminal offense and/or credit report. The nature of the offense, the date of the offense, the surrounding circumstances, and the relevance of the offense to the position(s) applied for may, however, be considered.

We are excited about the skills and experience you will bring to Hydrofarm, and we feel you will be an excellent addition to our growing company.

Please indicate your acceptance of our offer by returning a signed and dated copy of this letter by **January 17th ,2022.** Don't hesitate to contact me directly at [***] or [***], if you have any further questions.

Sincerely yours,

B. John Lindeman

CFO

BJL/sp

I accept the employment offer tendered above from Hydrofarm, LLC. I understand that this is not a contract of employment.

/s/ Kevin O'Brien	1/14/2022
Kevin O'Brien	Date