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Agrify Announces Results for FY2022 and First Quarter 2023

November 28, 2023

Company Continues to Focus on Cutting Costs and Restructuring Debts and Liabilities to Overcome Industry Headwinds

TROY, Mich., Nov. 28, 2023 (GLOBE NEWSWIRE) -- Agrify Corporation (Nasdaq: AGFY) ("Agrify" or the "Company"), a leading provider of innovative cultivation and extraction solutions for the cannabis industry, today announced financial results for the fiscal year ended December 31, 2022 ("FY 2022"), and for the first quarter ended March 31, 2023 ("Q1 2023").

"In 2023, we continued to make progress on our turn-around," said Raymond Chang, Chairman and Chief Executive Officer of Agrify. "After a difficult FY 2022, we have reexamined our business model, explored our strategic options, and reevaluated our product offerings to better serve our customers. In terms of the strategic changes, our top priorities have been: (1) restructuring our debts; (2) reducing our costs and headcount; (3) improving our product offerings; and (4) getting some of our key products CE-certified for the international markets. We believe that we have made strong progress in all four of these areas and will continue to prioritize these efforts. The historical acquisitions of the four extraction companies continue to add value, as the combination of Agrify, Precision Extraction Solutions, Pure Pressure, Lab Society, and Cascade Sciences allows us to offer a comprehensive portfolio of cultivation and extraction technologies to our customers. Now that the four acquired companies are completely integrated into Agrify, we believe the synergies are showing and will become even more robust in 2024."

First Quarter 2023 Financial Results Summary

- Revenue was \$5.8 million for Q1 2023, compared to \$26.0 million for the first quarter of 2022 ("Q1 2022").
- Gross profit for Q1 2023 was \$1.0 million, compared to \$4.2 million in Q1 2022.
- Operating expenses were \$8.6 million for Q1 2023, compared to \$13.9 million in Q1 2022. The decrease was largely due to a decrease in general and administrative costs.
- Operating loss for Q1 2023 was \$7.6 million, compared to \$9.8 million for Q1 2022.
- Net loss attributable to Agrify for Q1 2023 was \$10.3 million, or \$9.63 per diluted share, compared to net income of \$1.8 million, or \$13.79 per diluted share for Q1 2022.

Fiscal Year 2022 Financial Results Summary

- Revenue was \$58.3 million for FY 2022, a decrease of 2.7% compared to \$59.9 million for the fiscal year ended December 31, 2021 ("FY 2021").
- Gross profit for FY 2022 was a loss of \$31.8 million, compared to a profit of \$5.2 million in FY 2021.
- Operating expenses were \$161.5 million for FY 2022, compared to \$40.3 million in FY 2021. The increase in operating expenses is largely attributable to \$69.9 million of impaired goodwill and \$39.0 million of bad debt expenses.
- Operating loss for FY 2022 was \$193.3 million, compared to \$35.1 million for FY 2021.
- Net loss attributable to Agrify for FY 2022 was \$188.2 million, or \$902.19 per share, compared to a net loss of \$32.5 million, or \$340.75 per share, for FY 2021.

Recent Business Highlights:

Extraction Division

Agrify launched the Cannabeast 13 Distillation System – the Cannabeast 13 Thin Film Distillation System transitioned from its initial sale to SkyMint in 2022 to an official production launch in Q1 2023. Notably, this technology gained traction with three sales to major Multi-State Operators (MSOs), including Trulieve, Ascend Wellness, and MariMed, underscoring its growing appeal within the industry. The Cannabeast 13 offers 1-8 liters per hour input feed capability designed solely around distilling high boiling point compounds coupled with low boiling point constituents in feed stock to streamline and maximize throughput.

In addition, Agrify launched the PX30 Hydrocarbon Extraction System, the largest member of the PX Series. The PX30 has a 30 pound capacity and a runtime of less than 60 minutes, making it one of the largest and fastest extractors on the market. This robust system is poised to offer enhanced capabilities for hydrocarbon extraction, catering to the demands of commercial operators focusing on large-scale batch processing and extracting for creating direct-to-consumer cannabis products.

Lastly, Agrify made significant strides to receive UL Compliance for EXP Rooms. All of Precision Extraction Solutions' EXP Rooms, including the EXP1

and EXP2, meet UL standards. These rooms are the ideal choice for C1D1 environments, emphasizing Precision Extraction Solutions' commitment to safety and quality within cannabis extraction facilities.

These industry developments illustrate the continuous innovation, and commitment to safety within the cannabis sector as our company adapts to evolving market demands.

Cultivation Division

Agrify's newly commercialized customer, Nevada Holistic Medicine ("NHM"), located just off of the Las Vegas strip, is already seeing consistent and successful average harvests of 9 pounds of A-grade flower per Vertical Farming Unit ("VFU"), or roughly 64 grams per canopy square foot. The NHM team is seeing 90%+ A-grade flower being produced with exceptional color, trichome, and terpene levels.

Agrify has successfully assisted another cultivation facility, Denver Greens LLC, to reach commercialization with 60 VFUs to produce high-quality cannabis products in Colorado. Denver Greens recently entered a distribution agreement with Kush Masters, a family run and operated supplier of high-quality cannabis products in Colorado, with a reputation of providing products and services since 2014. Under this distribution agreement, some of Denver Greens' VFU-grown cannabis is expected to be available on the market as pre-rolled joints and flower in approximately 350 Colorado dispensaries.

In addition, Agrify is pleased to announce the signing of two new customers, Golden Lake Business Park, located in California, and Harvest Works, located in New Jersey, with both facilities expected to begin commercialization in 2024.

About Agrify (Nasdaq: AGFY)

Agrify is a leading provider of innovative cultivation and extraction solutions for the cannabis industry, bringing data, science, and technology to the forefront of the market. Our proprietary micro-environment-controlled VFUs enable cultivators to produce the highest quality products with unmatched consistency, yield, and ROI at scale. Our comprehensive extraction product line, which includes hydrocarbon, ethanol, solventless, post-processing, and lab equipment, empowers producers to maximize the quantity and quality of extract required for premium concentrates. For more information, please visit Agrify at <http://www.agrify.com>.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning Agrify and other matters. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements including, without limitation, statements regarding future financial results, including expected revenue, integration of prior acquisitions, the timing and ability to launch new products, potential cost savings realized from reducing costs, expected long-term growth in the cannabis industry, the ability to realize revenue from bookings, backlog, pipeline, and specific transactions described herein, including the agreements with Denver Greens and Nevada Holistic Medicine, Golden Lake Business Park, and Harvest Works, project timelines, commercialization timelines for Agrify's VFU customers, and Agrify's ability to deliver solutions and services. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "targets," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this press release are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You should carefully consider the risks and uncertainties that affect our business, including those described in our filings with the Securities and Exchange Commission ("SEC"), including under the caption "Risk Factors" in our Annual Report on Form 10-K to be filed for the year ended December 31, 2022 with the SEC, which you will be able to obtain on the SEC website at www.sec.gov. These forward-looking statements speak only as of the date of this communication. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements, whether as a result of any new information, future events, or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our public announcements and filings with the SEC.

AGRIFY CORPORATION AND SUBSIDIARIES Consolidated Statements of Operations (In thousands, except share and per share amounts)

	Three Months Ended March 31,		Years Ended December 31,	
	2023	2022	2022	2021
	(unaudited)			
Revenue	\$ 5,804	\$ 26,021	\$ 58,259	\$ 59,859
Cost of goods sold	4,816	21,851	90,054	54,625
Gross (loss) profit	988	4,170	(31,795)	5,234
General and administrative	6,931	9,759	73,354	30,807
Selling and marketing	1,590	2,090	9,338	4,163
Research and development	735	2,084	8,179	3,925
Change in contingent consideration	(684)	—	(2,156)	1,412
Impairment of property and equipment	—	—	2,912	—
Impairment of goodwill and intangible assets	—	—	69,904	—
Total operating expenses	8,572	13,933	161,531	40,307

Loss from operations	(7,584)	(9,763)	(193,326)	(35,073)
Interest (expense) income, net	(799)	559	(8,750)	74
Other income (expense)	4	—	1,316	(31)
Change in fair value of warrant liabilities	2,672	10,785	51,461	—
Gain on forgiveness of PPP loan	—	—	—	45
(Loss) gain on extinguishment of notes payable	(4,620)	—	(38,985)	2,685
Other income (expense), net	(2,743)	11,344	5,042	2,773
Net (loss) income before income taxes	(10,327)	1,581	(188,284)	(32,300)
Income tax benefit (expense)	—	200	(23)	(25)
Net (loss) income	(10,327)	1,781	(188,307)	(32,325)
(Income) loss attributable to non-controlling interests	—	(1)	134	(140)
Net loss attributable to Agrify	\$ (10,327)	\$ 1,780	\$ (188,173)	\$ (32,465)
Net loss per share attributable to Common				
Stockholders – basic ⁽¹⁾	\$ (9.63)	\$ 14.48	\$ (902.19)	\$ (340.75)
Net loss per share attributable to Common				
Stockholders – diluted ⁽¹⁾	\$ (9.63)	\$ 13.79	\$ (902.19)	\$ (340.75)
Weighted average commons shares				
outstanding – basic ⁽¹⁾	1,072,292	122,946	208,573	95,455
Weighted average commons shares				
outstanding – diluted ⁽¹⁾	1,072,292	129,045	208,573	95,455

(1) Periods presented have been adjusted to reflect the 1-for-10 reverse stock split on October 18, 2022, and the 1-for-20 reverse stock split on July 5, 2023.

AGRIFY CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands)

	March 31, 2023	December 31, 2022
	(unaudited)	
Assets		
Cash and cash equivalents	\$ 1,476	\$ 10,457
Restricted cash	—	10,000
Marketable securities	14	460
Accounts receivable, net	1,197	1,070
Inventory, net	19,995	21,396
Prepaid expenses and other current assets	2,990	1,510
Total current assets	25,672	44,893
Loans receivable, net	12,806	12,214
Property and equipment, net	9,658	10,044
Right-of-use assets, net	2,343	2,210
Other non-current assets	153	326
Total assets	\$ 50,632	\$ 69,687
Liabilities		
Accounts payable	\$ 21,128	\$ 20,543
Accrued expenses and other current liabilities	12,636	16,380
Operating lease liabilities, current	798	734
Long-term debt, current	2,084	28,833
Deferred revenue	3,239	4,112
Total current liabilities	39,885	70,602
Warrant liabilities	3,313	5,985
Operating lease liabilities, net of current	1,707	1,587
Long-term debt, net of current	22,554	407
Other non-current liabilities	112	147
Total liabilities	67,571	78,728

Stockholders' Equity

Common stock ⁽¹⁾	1	1
Additional paid-in capital	240,304	237,875
Accumulated deficit	(257,475)	(247,148)
Total stockholders deficit	(17,170)	(9,272)
Non-controlling interests	231	231
Total liabilities and stockholders' equity	\$ 50,632	\$ 69,687

(1) Periods presented have been adjusted to reflect the 1-for-10 reverse stock split on October 18, 2022, and the 1-for-20 reverse stock split on July 5, 2023.

AGRIFY CORPORATION AND SUBSIDIARIES

Condensed Consolidated Cash Flows Data

(In thousands)

	3 Months ended	
	March 31, 2023	March 31, 2022
Cash flows (used in) provided by:	(unaudited)	
Operating activities	\$ (9,469)	\$ (30,875)
Investing activities	9,795	(13,365)
Financing activities	(9,307)	87,431
Net (decrease) increase in cash and cash equivalents	\$ (8,981)	\$ 43,191

	12 Months ended	
	Dec 31, 2022	Dec 31, 2021
Cash flows (used in) provided by:		
Operating activities	\$ (72,021)	\$ (30,149)
Investing activities	(2,317)	(104,740)
Financing activities	72,781	138,792
Net (decrease) increase in cash and cash equivalents	\$ (1,557)	\$ 3,903

Non-GAAP Financial Measures

To supplement our financial information presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, we use Adjusted EBITDA, which is a non-U.S. GAAP financial measure to clarify and enhance an understanding of past performance. We believe that the presentation of Adjusted EBITDA enhances an investor's understanding of our financial performance. We further believe that Adjusted EBITDA is a useful financial metric to assess our operating performance from period-to-period by excluding certain items that we believe are not representative of our core business. We use certain financial measures for business planning purposes, measuring our performance relative to that of our competitors and determining our compliance with certain debt instruments. We utilize Adjusted EBITDA as a key measure of our performance.

We calculate Adjusted EBITDA as net loss adjusted to exclude (i) tax provision and benefit; (ii) interest income and expense, net; (iii) other income and expense, net; (iv) depreciation and amortization; (v) stock-based compensation expense; (vi) acquisition-related expenses; (vii) investment banker termination fees; (viii) restructuring charges; (ix) impairments to long-lived assets; (x) gains and losses associated with the extinguishment of debt; (xi) changes in the fair value of warrant liabilities; (xii) changes in contingent consideration; (xiii) legal settlement charges; and (xiv) other items affecting our results that we do not view as representative of our ongoing operations, including losses associated with write-offs.

We believe Adjusted EBITDA is commonly used by investors to evaluate our performance and that of our competitors. However, our use of the term Adjusted EBITDA may vary from that of others in our industry. Adjusted EBITDA should not be considered as an alternative to net loss before taxes, net loss, loss per share or any other performance measures derived in accordance with U.S. GAAP as measures of performance.

Adjusted EBITDA has important limitations as an analytical tool and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of the limitations of Adjusted EBITDA include (i) Adjusted EBITDA does not properly reflect capital commitments to be paid in the future, and (ii) although depreciation and amortization are non-cash charges, the underlying assets may need to be replaced and Adjusted EBITDA does not reflect these capital expenditures. Our public offering and acquisition-related expenses, including legal, accounting, and other professional expenses, reflect cash expenditures and we expect such expenditures to recur from time-to-time. Our Adjusted EBITDA may not be comparable to similarly titled measures of other companies because they may not calculate Adjusted EBITDA in the same manner as we calculate the measure, limiting its usefulness as a comparative measure.

In evaluating Adjusted EBITDA, you should be aware that in the future we will incur expenses similar to the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these expenses or any unusual or non-recurring items. Adjusted EBITDA should not be considered as an alternative to loss before benefit from income taxes, net loss, earnings per

share, or any other performance measures derived in accordance with U.S. GAAP. When evaluating our performance, you should consider Adjusted EBITDA alongside other financial performance measures, including our net loss and other GAAP results.

The following table presents a reconciliation of Adjusted EBITDA from the most comparable GAAP measure, net loss, for the three-month periods ended March 31, 2023 and 2022 and the fiscal years ended December 31, 2022 and 2021, respectively:

AGRIFY CORPORATION AND SUBSIDIARIES
Reconciliation of GAAP Net Income (Loss) Attributable to Agrify Corporation to
Non-GAAP Adjusted EBITDA
(In thousands)

	Three Months Ended March 31,		Years Ended December 31,	
	2023	2022	2022	2021
Net income (loss) attributable to Agrify Corporation	\$ (10,327)	\$ 1,780	\$ (188,173)	\$ (32,465)
Add:				
Income tax (benefit) expense	—	(200)	23	25
Interest expense (income)	799	(559)	8,750	(74)
Other (income) expense	(4)	—	(1,316)	31
Depreciation and amortization	445	1,052	3,047	1,310
Stock-based compensation	859	953	4,319	5,552
Investment banker termination fees	—	637	—	2,400
Acquisition- related expenses	—	637	2,251	4,559
Restructuring charges	—	387	2,262	—
Impairment charges	—	—	72,816	—
Loss (gain) on debt extinguishment	4,620	—	38,985	(2,685)
Change in fair value of warrant liabilities	(2,672)	(10,785)	(51,461)	—
Change in contingent consideration	(684)	—	(2,156)	1,412
Gain on forgiveness of PPP loan	—	—	—	(45)
Legal settlement	—	—	(36)	—
Adjusted EBITDA	\$ (6,964)	\$ (6,098)	\$ (110,689)	\$ (19,980)

Company Contacts

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Source: Agrify