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Agrify Corporation Announces Results for Third Quarter 2023

January 3, 2024

Successful Implementation of Turn-Around Initiatives Resulted in the Lowest Historical Net Loss

TROY, Mich., Jan. 03, 2024 (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 third quarter ended September 30, 2023 ("Q3 2023").

"In the third quarter, we successfully negotiated with several vendors, resulting in approximately \$1.1 million in reduced payments, exited additional leased properties and conducted several fixed asset sales to reduce future obligations, and completed a legal settlement resulting in a gain of approximately \$0.8 million," said Raymond Chang, Chairman and Chief Executive Officer at Agrify. "We are proud of the various initiatives the Company has taken to turn around our business. The historically low net loss of \$2.1 million is encouraging and good evidence that we are moving in the right direction. The team remains committed to turn the business profitable in the shortest time possible."

Third Quarter 2023 Financial Results Summary

- Revenue was \$3.1 million for Q3 2023, compared to \$7.0 million for Q3 2022.
- Gross profit was \$1.0 million for Q3 2023, compared to a loss of \$(4.1) million in Q3 2022.
- Operating expenses were \$5.6 million for Q3 2023, compared to \$27.4 million in Q3 2022. The decrease is largely due to a decrease in general and administrative costs.
- Operating loss was \$(4.6) million for Q3 2023, compared to an operating loss of \$(31.5) million for Q3 2022.
- Net loss attributable to Agrify was \$(2.1) million for Q3 2023, or \$(1.27) per basic and diluted share, compared to a net loss of \$(57.4) million, or \$(429.98) per basic and diluted share for Q2 2022.

About Agrify

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 Vertical Farming Units ("VFUs"), enable cultivators to produce the highest quality products with unmatched consistency, yield, and ROI (return on investment) at scale. Our comprehensive extraction product line, which includes hydrocarbon, ethanol, solventless extraction, post-processing, and lab equipment, empowers producers to maximize the quantity and quality of extract required for premium concentrates. For more information, please visit our website 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 and profit, Agrify's ability to realize a profit on its business, and potential cost savings realized from reducing costs and operating expenses. 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 for the year ended December 31, 2022 that was filed with the SEC on November 28, 2023, which can be obtained 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.

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Revenue	\$ 3,139	\$ 7,019	\$ 14,009	\$ 52,369
Cost of goods sold	2,165	11,135	11,447	50,703
Gross profit	974	(4,116)	2,562	1,666
General and administrative	4,321	24,126	16,066	53,263
Selling and marketing	812	2,160	3,522	6,582
Research and development	486	1,747	1,864	6,269
Change in contingent consideration	—	(602)	(1,322)	(1,509)
Gain on disposal	(67)	—	(62)	—
Impairment of goodwill and intangible assets	—	—	—	69,904
Total operating expenses	5,552	27,431	20,068	134,509
Loss from operations	(4,578)	(31,547)	(17,506)	(132,843)
Interest expense, net	(363)	(4,654)	(1,562)	(7,404)
Change in fair value of warrant liabilities	1,975	16,268	3,599	47,234
Gain (loss) on extinguishment of notes payable	—	(38,985)	(4,631)	(38,985)
Other income (expense)	874	1,506	874	1,506
Other income (expense), net	2,486	(25,865)	(1,720)	2,351
Net loss before income taxes	(2,092)	(57,412)	(19,226)	(130,492)
Income tax benefit	—	—	—	262
Net loss	(2,092)	(57,412)	(19,226)	(130,230)
(Income) loss attributable to non-controlling interests	—	(1)	2	(5)
Net loss attributable to Agrify Corporation	\$ (2,092)	\$ (57,413)	\$ (19,224)	\$ (130,235)
Net loss per share attributable to Common Stockholders – basic and diluted ⁽¹⁾	\$ (1.27)	\$ (429.98)	\$ (13.48)	\$ (1,003.10)
Weighted average common shares outstanding – basic and diluted ⁽¹⁾	1,649,741	133,526	1,426,016	129,832

(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 Balance Sheets
(In thousands)
(Unaudited)

	September 30,	December 31,
	2023	2022
Assets		
Cash and cash equivalents	\$ 154	\$ 10,457
Restricted cash	—	10,000
Marketable securities	4	460
Accounts receivable, net	1,187	1,070
Inventory, net	17,724	21,396
Prepaid expenses and other current assets	2,136	1,510
Total current assets	21,205	44,893
Loans receivable, net	11,298	12,214
Property and equipment, net	8,385	10,044
Operating lease right-of-use assets	2,036	2,210
Other non-current assets	141	326
Total assets	\$ 43,065	\$ 69,687

Liabilities and Stockholders' Deficit

Accounts payable	\$	22,160	\$	20,543
Accrued expenses and other current liabilities		12,824		16,380
Operating lease liabilities, current		669		734
Long-term debt, current		1,140		28,833
Related party debt, current		500		—
Deferred revenue		4,079		4,112
Total current liabilities		41,372		70,602
Warrant liabilities		2,386		5,985
Other non-current liabilities		—		147
Operating lease liabilities, net of current		1,550		1,587
Long-term debt, net of current		18,998		407
Total liabilities		64,306		78,728
Stockholders' deficit:				
Common stock ⁽¹⁾		2		1
Additional paid-in capital		244,898		237,875
Accumulated deficit		(266,374)		(247,148)
Total stockholders' deficit		(21,474)		(9,272)
Non-controlling interests		233		231
Total liabilities and stockholders' deficit	\$	43,065	\$	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)
(Unaudited)

	Nine Months ended	
	September 30, 2023	September 30, 2022
Cash flows (used in) provided by:		
Operating activities	\$ (25,940)	\$ (58,020)
Investing activities	25,235	(4,135)
Financing activities	(9,598)	52,292
Net (decrease) increase in cash and cash equivalents	\$ (10,303)	\$ (9,863)

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 attributable to Agrify Corporation 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 income taxes, net loss attributable to Agrify Corporation, net loss per share attributable to Common Stockholders, 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 net loss before income taxes, net loss attributable to Agrify Corporation, net loss per share attributable to Common Stockholders, 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 net loss attributable to Agrify Corporation and other U.S. GAAP results.

The following table presents a reconciliation of Adjusted EBITDA from the most comparable U.S. GAAP measure, net loss attributable to Agrify Corporation, for the three-month and nine-month periods ended September 30, 2023, and 2022:

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss attributable to Agrify Corporation	\$ (2,092)	\$ (57,413)	\$ (19,224)	\$ (130,235)
Add:				
Income tax (benefit) expense	—	—	—	(262)
Interest expense, net	363	4,654	1,562	7,404
Other (income) expense	(874)	(1,506)	(874)	(1,506)
Depreciation and amortization	531	401	1,469	2,602
Stock-based compensation	524	1,646	2,136	3,538
Investment banker termination fees	—	—	—	637
Acquisition- related expenses	—	—	—	—
Restructuring charges	—	1,287	—	1,862
Impairment charges	—	—	—	69,904
Loss on extinguishment of notes payable	—	38,985	4,631	38,985
Change in fair value of warrant liabilities	(1,975)	(16,268)	(3,599)	(47,234)
Change in contingent consideration	—	(602)	(1,322)	(1,509)
Legal settlement	—	—	—	800
Adjusted EBITDA	\$ (3,523)	\$ (28,816)	\$ (15,221)	\$ (55,014)

Company Contact

Agrify Investor Relations
IR@agrify.com
(857) 256-8110

Agrify Corporation