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Agrify Corporation Reports Full-Year 2023 Earnings

April 15, 2024

Company achieves first positive quarterly net income of approximately \$572,000

TROY, Mich., April 15, 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 fiscal year ended December 31, 2023. During the quarter ended December 31, 2023, the Company achieved its first positive quarterly net income of approximately \$572,000.

Fourth Quarter 2023 Financial Results Summary

- Revenue was \$2.8 million for the fourth quarter of 2023 compared to \$5.9 million for the fourth quarter of 2022.
- Gross profit was \$2.7 million for the fourth quarter of 2023 compared to a gross loss of \$33.5 million for the fourth quarter of 2022.
- Operating loss was \$1.5 million for the fourth quarter of 2023, compared to \$60.5 million in the fourth quarter of 2022.
- Net income for the fourth quarter of 2024 was \$0.572 million, compared to a net loss of \$57.94 million in the fourth quarter of 2022.

Fiscal Year 2023 Financial Results Summary

- Revenue was \$16.9 million for the fiscal year compared to \$58.3 million for fiscal year 2022.
- Gross profit for the fiscal year was at \$5.3 million compared to a gross loss of \$31.8 million in fiscal year 2022.
- Operating expenses decreased by 85% to \$24.3 million for fiscal year 2023 compared to \$161.5 million in fiscal year 2022.
- Net loss for fiscal year 2023 was \$18.7 million or \$12.51 per diluted share compared to \$188.2 million, or \$902.19 per diluted share in fiscal year 2022.

"We continued to see improvements and make progress on our turn-around," said Raymond Chang, Chairman and Chief Executive Officer of Agrify. "Despite continuous industry headwind, we are starting to see a pick-up in capital expenditures, especially in newly licensed states. This could not come at a better time, as we continue to see amazing yield and top-quality flowers produced from our existing TTK facilities. These strong and undeniable results demonstrate the superiority of our VFU technology. As such we expect to see more interest in our VFUs both domestically and internationally. Similarly, our ability to provide an end-to-end turnkey solution for any type of extraction needs allows us to win larger and more meaningful projects. In 2023, we implemented a new policy requiring a 50-75% deposit upfront on all new sales orders and the remaining before shipment. Although such a drastic change in our policy resulted in lower top-line growth, it significantly reduced our receivables and improved our cash collection. We also dramatically reduced our headcount and cut our expenses as we consolidated our offices and warehouses down from seven to three locations. General and administration expenses were reduced from \$73 million in 2022 to \$19 million in 2023, with a further reduction to less than \$3 million per quarter in the fourth quarter of 2023 to align with our current business scale. We also made conscious efforts to aggressively sell down slow-moving inventory, especially items which we have taken full or partial reserves. Lastly, we pursued various legal measures to collect outstanding receivables and settle various payables and litigation matters. All these initiatives have helped to boost our fourth quarter financial results and turnaround of the company."

Recent Business Highlights

Extraction Division

In the ever-evolving landscape of cannabis extraction equipment, the demand for reliability paired with comprehensive support is reaching new heights. Today, operators are increasingly recognizing the indispensable value of product warranties and dedicated support, steering clear of the challenges posed by the fluctuating second-hand market that can lead to costly downtimes and profit reductions.

As operators nationwide seek sustainable, long-term solutions, the availability of old second-hand machines has dwindled. This realization, combined with the imperative for unwavering reliability, has underscored the critical need for dependable warranties and ongoing support.

In response to this pivotal industry shift, Agrify proudly announces its new initiative aimed at delivering unparalleled service to our esteemed customers. In recent months, there has been a notable increase in the adoption of our managed service agreements, as operators prioritize not only top-tier machinery but also the peace of mind essential for seamless day-to-day operations.

"Our commitment to excellence extends beyond the product itself," stated Brian Towns, Executive Vice President & General Manager at Agrify. "We

recognize that operators are investing in more than just equipment; they are investing in the reliability and efficiency of their entire operations."

The recent signing of a Letter of Intent (LOI) with PDS Ventures in Warren, MI, serves as a testament to Agrify's dedication to providing holistic solutions. Furthermore, Agrify is actively in discussions with several other esteemed industry leaders, cementing its position as a trusted partner in the cannabis ancillary market, offering both cutting-edge equipment and unparalleled support services.

With this groundbreaking initiative, operators can confidently trust that their investments are safeguarded by the industry's leading warranties and continuous support. As we navigate this dynamic landscape together, Agrify remains unwavering in its mission to deliver unmatched quality, reliability, and innovation to every facet of the cannabis industry.

Cultivation Division

Agrify is thrilled to announce the resounding success of its inaugural Total Turnkey (TTK) project with Agrify's customer, Nevada Holistic Medicine ("NHM"). NHM, now operating at nearly full capacity, proudly distributes their premium-quality products under the esteemed StackHouse brand. Since their debut, StackHouse products have consistently flown off dispensary shelves statewide, receiving rave reviews.

This milestone underscores the efficacy, advantage, and value of Agrify's comprehensive solution. Amidst a flurry of information on the benefits of inter-canopy lighting, a longstanding feature of all Agrify VFUs, the industry is taking notice of Agrify's tech enabled and data driven solutions. With NHM's cultivation facility serving as a showcase, interest in Agrify's cutting-edge technology has significantly increased, with an uptick in tour requests from eager industry enthusiasts.

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. Agrify's proprietary micro-environment-controlled Vertical Farming Units (VFUs) enable cultivators to produce the highest quality products with unmatched consistency, yield, and ROI at scale. Agrify's 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, an expected increase in capital expenditures across the cannabis industry, the relative performance of Agrify's equipment compared to competitors, the potential outcome of discussions with industry leaders, expected long-term growth in the cannabis industry, the ability to realize revenue from the bookings, backlog, and pipeline, project timelines, 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 filed for the year ended December 31, 2023 with the SEC, 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.

AGRIFY CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(In thousands, except share and per share amounts)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
Revenue	\$ 2,859	\$ 5,890	\$ 16,868	\$ 58,259
Cost of goods sold	143	39,351	11,590	90,054
Gross profit	<u>2,716</u>	<u>(33,461)</u>	<u>5,278</u>	<u>(31,795)</u>
General and administrative	2,946	20,118	19,005	73,354
Selling and marketing	611	2,756	4,134	9,338
Research and development	430	1,909	2,295	8,179
Change in contingent consideration	—	(647)	(1,322)	(2,156)
Loss (gain) on disposal on property and equipment	206	(27)	144	—
Impairment of property and equipment	—	2,912	—	2,912
Impairment of goodwill and intangible assets	—	—	—	69,904
Total operating expenses	<u>4,193</u>	<u>27,021</u>	<u>24,256</u>	<u>161,531</u>

Loss from operations	<u>(1,477)</u>	<u>(60,482)</u>	<u>(18,978)</u>	<u>(193,326)</u>
Interest expense, net	(291)	(1,345)	(1,853)	(8,750)
Change in fair value of warrant liabilities	1,097	4,227	4,695	51,461
Gain (loss) on extinguishment of notes payable	320	—	(4,311)	(38,985)
Other income (expense), net	<u>925</u>	<u>(190)</u>	<u>1,799</u>	<u>1,316</u>
Total other income, net	<u>2,051</u>	<u>2,692</u>	<u>330</u>	<u>5,042</u>
Net loss before income taxes	574	(57,790)	(18,648)	(188,284)
Income tax benefit (expense)	<u>(2)</u>	<u>(285)</u>	<u>(2)</u>	<u>(23)</u>
Net income (loss)	572	(58,075)	(18,650)	(188,307)
(Income) loss attributable to non-controlling interests	—	138	1	134
Net income (loss) attributable to Agrify Corporation	\$ 572	\$ (57,938)	\$ (18,649)	\$ (188,173)
Net income (loss) per share attributable to Common Stockholders – basic and diluted ⁽¹⁾	\$ 0.35	\$ (429.98)	\$ (12.51)	\$ (902.19)
Weighted average common shares outstanding – basic and diluted ⁽¹⁾	1,649,741	133,526	1,490,871	208,573

(1) Periods presented have been adjusted to reflect the 1-for-20 reverse stock split on July 5, 2023. Additional information regarding reverse stock splits may be found in Note 1 – Overview, Basis of Presentation, and Significant Accounting Policies, included elsewhere in the notes to the consolidated financial statements in the 10-K.

AGRIFY CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands)

	Year Ended December 31,	
	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 430	\$ 10,457
Restricted cash	—	10,000
Marketable securities	4	460
Accounts receivable, net	1,149	1,070
Inventory, net	19,094	21,396
Prepaid expenses and other current assets	<u>3,332</u>	<u>1,510</u>
Total current assets	24,009	44,893
Loans receivable, net	11,583	12,214
Property and equipment, net	7,734	10,044
Operating lease right-of-use assets	1,803	2,210
Other non-current assets	<u>141</u>	<u>326</u>
Total assets	\$ 45,270	\$ 69,687
Liabilities and Stockholders' Deficit		
Accounts payable	\$ 20,766	\$ 20,543
Accrued expenses and other current liabilities	10,655	16,380
Operating lease liabilities, current	599	734
Long-term debt, current	766	28,833
Related party debt, current	4,444	—
Deferred revenue	<u>4,019</u>	<u>4,112</u>
Total current liabilities	41,249	70,602
Warrant liabilities	1,290	5,985
Other non-current liabilities	—	147
Operating lease liabilities, net of current	1,394	1,587
Long-term debt, net of current	<u>16,047</u>	<u>407</u>
Total liabilities	59,980	78,728
Stockholders' deficit:		
Common stock ⁽¹⁾	2	1
Additional paid-in capital	250,855	237,875

Accumulated deficit	(265,798)	(247,148)
Total stockholders' deficit	(14,941)	(9,272)
Non-controlling interests	230	231
Total liabilities and stockholders' deficit	\$ 45,270	\$ 69,687

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AGRIFY CORPORATION AND SUBSIDIARIES
Condensed Consolidated Cash Flows Data
(In thousands)

	Year Ended December 31,	
	2023	2022
Cash flows (used in) provided by:		
Operating activities	\$ (30,974)	\$ (72,021)
Investing activities	25,174	(2,317)
Financing activities	(4,227)	72,781
Net (decrease) increase in cash and cash equivalents	\$ (10,027)	\$ (1,557)

Company Contacts

Agrify Investor Relations

IR@agrify.com

(857) 256-8110



Source: Agrify