

Q122 Earnings Call

May 11, 2022



AGRIFY™

Passionately Transforming Cannabis Through Innovation



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Q122 Review & Business Updates

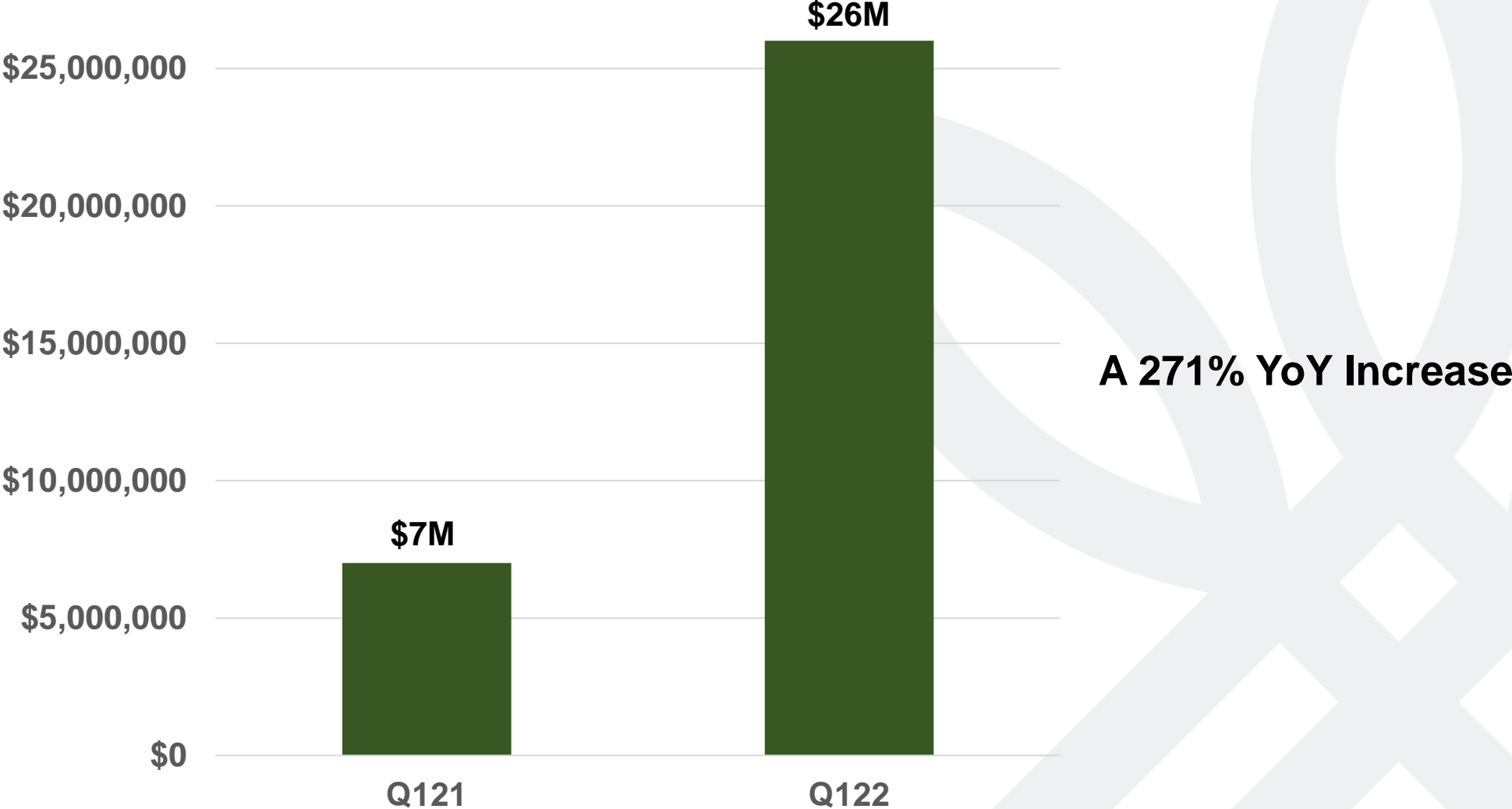


2022 Key Accomplishments

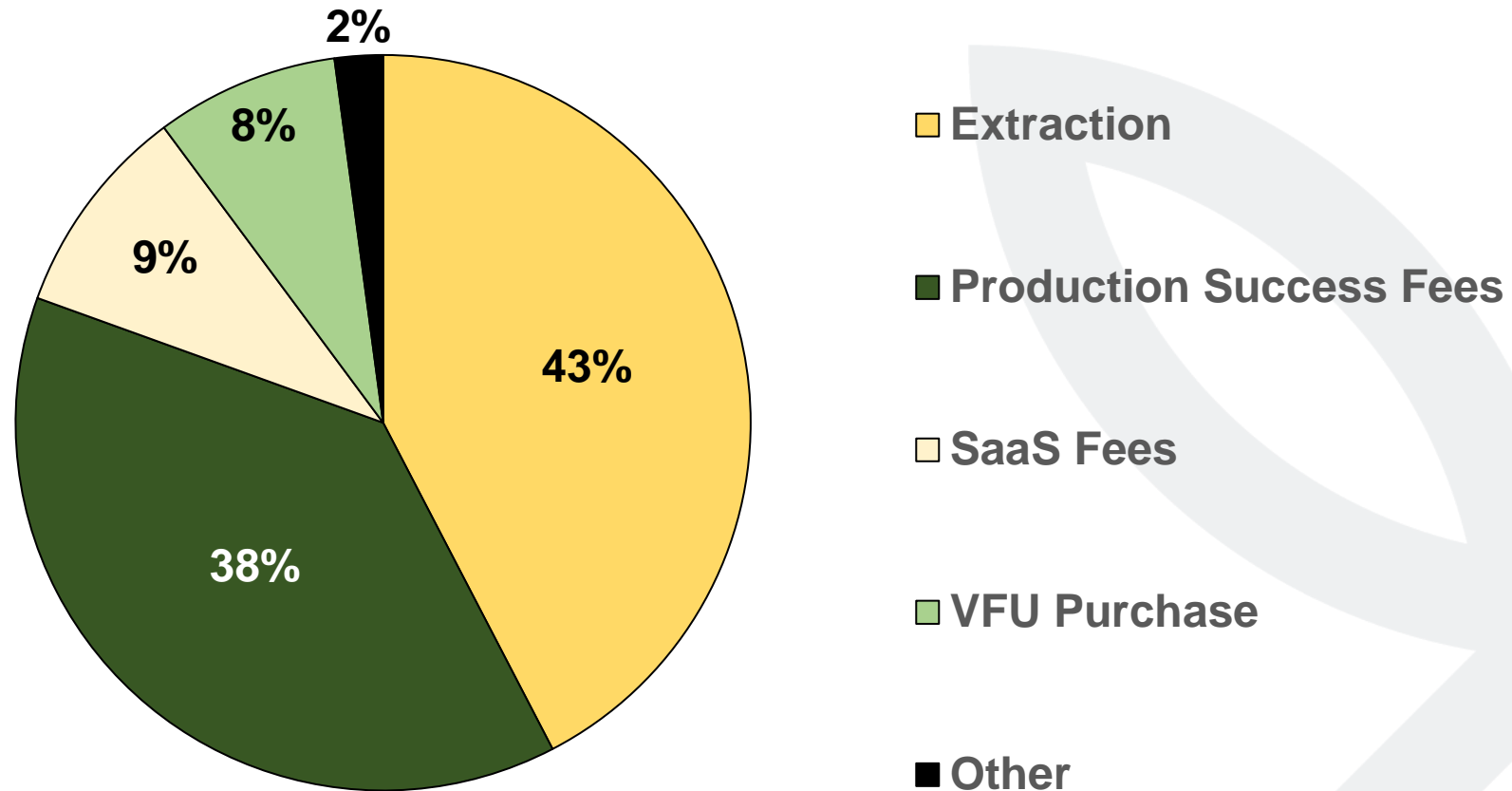


- Finalized first New Jersey TTK contract with Loud Wellness
 - *500 VFUs: \$18M in SaaS fees and \$100M in production success fees*
- Signed first international VFU deal with BioCann Pharmaceutical
 - *190 VFUs: \$4M equipment sale and \$2.1M in SaaS fees*
- Entered partnership with Greenlight Cannabis, Agrify's second engagement with an MSO
 - *VFUs to help customer achieve rapid business growth and geographic expansion under one standard*
- Announced agreement with Boone Labs for full product suite
 - *\$2M for 72 VFUs and complete range of extraction systems*
- Launched the PX5 passive hydrocarbon extractor
 - *Increases daily production by up to 33% and annual energy cost savings by up to 40%*
- Introduced VFU Rapid Deployment Packs to MSOs
 - *Speeds up and streamlines VFU adoption*

Q122 Revenue Growth



Q122: \$43M in New Bookings



Note: New bookings represents the first 3 of the 10 years of projected revenue from the TTK agreements

Q122 Financial Results Summary

- **Revenue = \$26.0M vs. \$7.0M in Q121**
 - \$6.6M, or 94% YoY “Organic” Increase in Revenue (\$13.6M vs. \$7.0M)
 - TTK Construction Revenue - \$13.2M
 - Extraction Revenue - \$12.4M (vs. \$12.2M in Q421)
- **Gross Profit = \$4.2M, Gross Margin of 16%**
 - Extraction - 33% Gross Margin
 - Design & Build - 1% Gross Margin (vs. 3% Standard)
 - Unbillable Work / Construction Delay Penalties / Overtime
- **Operating Expenses = \$13.9M in Q122**
 - Includes One-Time Charges:
 - Direct Acquisition Costs - \$0.6M
 - Banker Termination Fees - \$0.6M
 - Restructuring Costs - \$0.4M
 - \$12.3M Normalized Run Rate (with Depreciation, Amortization and SBC)

Q122 Preliminary Financial Results

(In Thousands)	Q122	Q121	YoY Change	
	Prelim	Actual	\$	%
Revenue	\$ 26,021	\$ 7,008	\$ 19,013	271.3%
Cost of Goods Sold	21,851	7,548	14,303	189.5%
Gross Profit	4,170	(540)	4,710	(872.2)%
Gross Margin %	16.0%	(7.7)%	23.7%	
Operating Expenses:				
G&A	9,759	4,458	5,301	118.9%
Sales and Marketing	2,090	616	1,474	239.3%
Research and Development	2,084	882	1,202	136.3%
Total OpEx	13,933	5,956	7,977	133.9%
Operating Loss	(9,763)	(6,496)	(3,267)	50.3%
Other Income (Expense):				
Interest Income (Expense), Net	682	(32)	714	(2231.3)%
Gain on Extinguishment of Note Payable	-	2,685	(2,685)	(100.0)%
Total Other Income, Net	682	2,653	(1,971)	(74.3)%
Income Before Taxes	(9,081)	(3,843)	(5,238)	136.3%
Income Tax Benefit	(200)	-	(200)	(100.0)%
Net Loss	(8,881)	(3,843)	(5,038)	131.1%
Income (loss) Non-Controlling Interest	1	(33)	34	(103.0)%
Net Loss	\$ (8,882)	\$ (3,810)	\$ (5,072)	133.1%

Q122 Adjusted EBITDA (Non-GAAP Financial Measure)

	(In Thousands)
	Q122
Reconciliation of GAAP Net Income to Adjusted EBITDA (Non-GAAP):	
Reported GAAP Net Loss	\$ (8,882)
Income Tax Benefit	(200)
Interest Income, Net	(682)
Depreciation and Amortization	1,052
Stock-Based Compensation Expense	953
Direct Acquisition Costs	637
Investment Banker Termination Fees	637
Restructuring Charges	387
Adjusted EBITDA	<u>\$ (6,098)</u>
Adj. EBITDA Per Share	<u>\$ (0.25)</u>
Diluted Shares	<u>24,589</u>
Total Revenue	<u>\$ 26,021</u>
Adj. EBITDA (as % of Revenue)	<u>(23.4)%</u>

We believe Adjusted EBITDA is a 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.

Q122 Balance Sheet - Assets

	(Unaudited) March 31, <u>2022</u>	(Audited) December 31, <u>2021</u>
ASSETS:		
Cash and Cash Equivalents	\$ 25,205	\$ 12,014
Retricted Cash	30,000	0
Marketable Securities	38,211	44,550
Accounts Receivable	8,571	7,222
Inventory	38,989	20,498
Prepaid Expenses and Other	6,567	2,452
Total Current Assets	<u>147,543</u>	<u>86,736</u>
Loans Receivable	34,738	22,255
Property and Equipment	7,055	6,232
Right of Use Assets	1,554	1,479
Goodwill and Intangible Assets	70,405	64,162
Other Assets	3,180	1,184
Total Assets	<u>\$ 264,475</u>	<u>\$ 182,048</u>

- **Cash/Marketable Securities/Restricted Cash:** The combined balance of \$93.4M (vs. \$66.5M as of December 31st) reflects cash infusion of \$27M from a private placement transaction and \$65M from an initial draw against a debt facility. \$30.0M, per debt facility agreement, is restricted, and not accessible to support Company operations.
- **Inventory:** The first quarter increase represents the build in inventory associated with both VFU production schedules, the procurement on long lead items as a result of potential supply chain issues, and initial deposits on inventory items with new contract manufacturers.
- **Prepaid Expenses/Other:** The increase represents the Company's renewal of annual insurance policies (D&O, etc.) in the first quarter of 2022.
- **Loans Receivable:** The balance represents advances under TTK financing/construction contracts. All projects, as of March 31, 2022 are in "build phase", however, several construction projects will begin to come online (i.e. complete construction phase) in Q222.
- **Goodwill and Intangibles:** The YoY change represents the Company's acquisition of Lab Society during the first quarter of 2022. The measurement period of the PurePressure and Lab Society acquisitions remains open as of March 31, 2022.

Q122 Balance Sheet - Liabilities

	(Unaudited) March 31, <u>2022</u>	(Audited) December 31, <u>2021</u>
(In Thousands)		
LIABILITIES		
Accounts Payable	\$ 3,683	\$ 9,151
Accrued Expenses	30,112	28,764
Lease Liabilities, Current	911	814
Long-Term Debt, Current	2,970	1,089
Deferred Revenue	4,182	3,772
Total Current Liabilities	41,858	43,590
Deferred Tax Liabilities	62	0
Other Non-Current Liabilities	275	318
Lease Liabilities, Non-Current	689	704
Long-Term Debt	51,154	12
Total Liabilities	\$ 94,038	\$ 44,624

- **Accounts Payable:** The decrease in AP relates to the first quarter payment of acquired accounts payable balances associated with acquisition, TTK-related project payments, etc. in the first quarter of 2022.
- **Accrued Expenses:** The accrued expense balances include accruals associated with acquisition-related liabilities (estimated FV of contingent consideration and FV of shares held-back), sales and use taxes, TTK-related construction costs and compensation-related amounts.
- **Current/Long-Term Debt:** The increase in the debt-related balance sheet accounts relates to the net value of the Company's initial funding (\$65.0M) under a debt facility arrangement.

Q122 Balance Sheet – Stockholders' Equity

	(Unaudited) March 31, <u>2022</u>	(Audited) December 31, <u>2021</u>
	(In Thousands)	
STOCKHOLDERS' EQUITY		
Common Stock	\$ 25	\$ 21
Preferred Stock	0	0
Preferred Stock - Class A	0	0
Additional Paid-In Capital	237,903	196,013
Accumulated Deficit	(67,857)	(58,975)
Total Stockholders' Equity	170,071	137,059
Non-Controlling Interests	366	365
Total Liabilities and Stockholders' Equity	\$ 264,475	\$ 182,048

- **Common Stock/APIIC:** The increase is related to current year equity-based activities:
 - Issuance of shares and warrants in connection with the January 2022 private placement
 - Issuance of warrants in connection with the March 2022 debt facility arrangement
 - Q122 warrant exercises
 - Recognition of stock-based compensation
- **Accumulated Deficit:** The change is solely reflective of the current quarter (\$8.9)M loss from operations.

Q122 Cash Flow (Condensed Summary)

(Unaudited)

Net Cash (Used In) Provided By:	March 31,	March 31,
	2022	2021
	(In Thousands)	
Operating Activities	\$ (34,171)	\$ (7,279)
Investing Activities	(13,365)	(142)
Financing Activities	90,727	137,197
Net Increase in Cash	43,191	129,776
Cash/Restricted Cash - Beginning of Period	12,014	8,111
Cash/Restricted Cash - End of Period	\$ 55,205	\$ 137,887

- **Operating Activities:** The cash flow usage is primarily associated with the reported net operating loss in Q122 \$(8.9)M, inventory build of approximately \$(16.0)M, the renewal of current year insurance policies (D&O, etc.), and the capitalization of debt issuance costs.
- **Investing Activities:** The usage of cash in Q122 reflects the increase in loans receivable associated with our TTK construction projects, purchases of property and equipment, and the cash paid for the acquisition of Lab Society, which were offset by net redemptions of marketable securities.
- **Financing Activities:** The net cash provided by financing activities related to the net proceeds received by the Company in connection with the January 2022 private placement and the \$65.0M in debt financing associated with the initial draw under the debt facility arrangement.
- **Summary:** Overall, in the first quarter of 2022, the Company raised approximately \$90.7M in capital, which will be deployed to continue to drive top-line revenue growth as well as to fund existing construction and VFU production costs associated with our TTK arrangements.

(Unaudited)

Amounts

(In Thousands)

March 31, 2022:	
Cash and Cash Equivalents	\$ 25,205
Restricted Cash	30,000
Marketable Securities	38,211
Total Available Cash/Securities	\$ 93,416



VFU Backlog & Project Status Updates

Total VFU Engagements Impact

Estimated Projections

11

of ENGAGEMENTS
TTK & NON-TTK

4,569

TOTAL VFUs
UNDER CONTRACT

160K

* POUNDS PER
YEAR

\$84M

** ANNUAL
RECURRING
REVENUE

\$923M

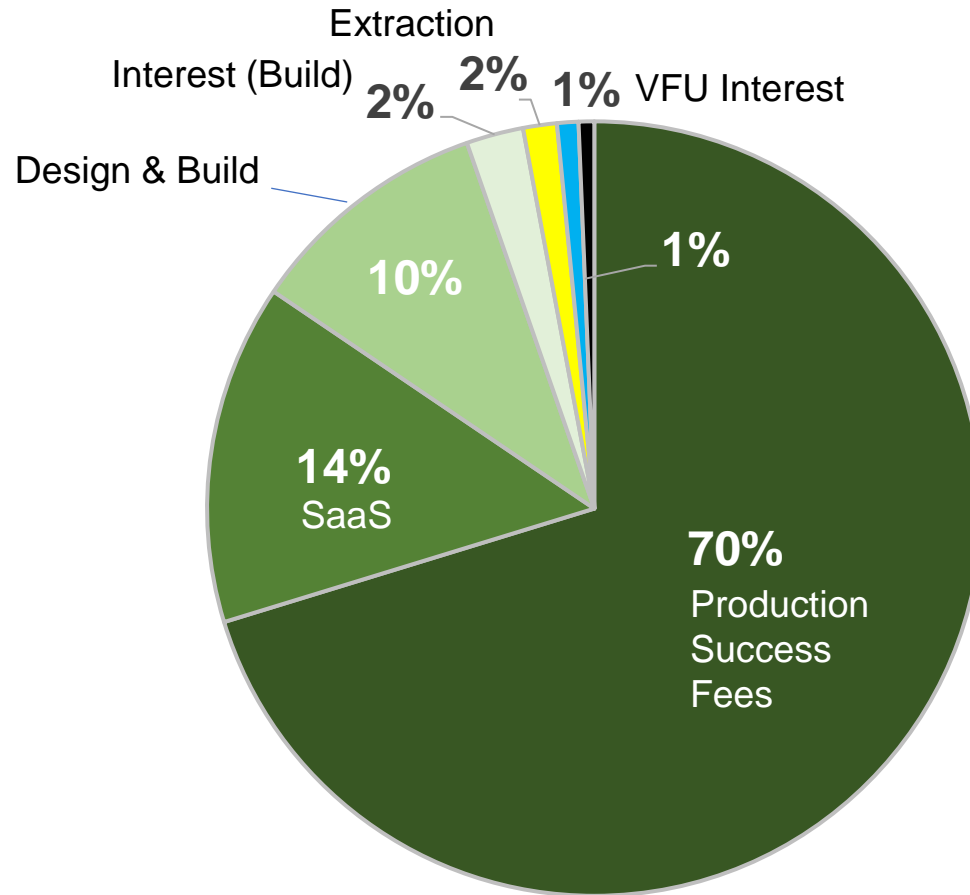
TOTAL 10 YEAR
CONTRACTUAL
BACKLOG

* Estimated pounds per year is based on each VFU producing 35 pounds annually

** Estimated annual recurring revenue will be from high-margin SaaS fees and production success fees, once all 4,569 VFUs are commissioned and averaging 35 pounds annually

\$923M of Contractual Backlog Mix

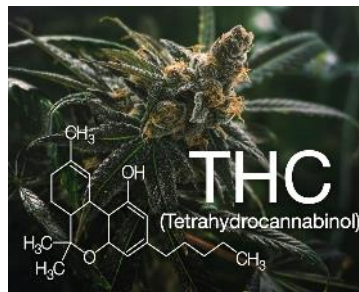
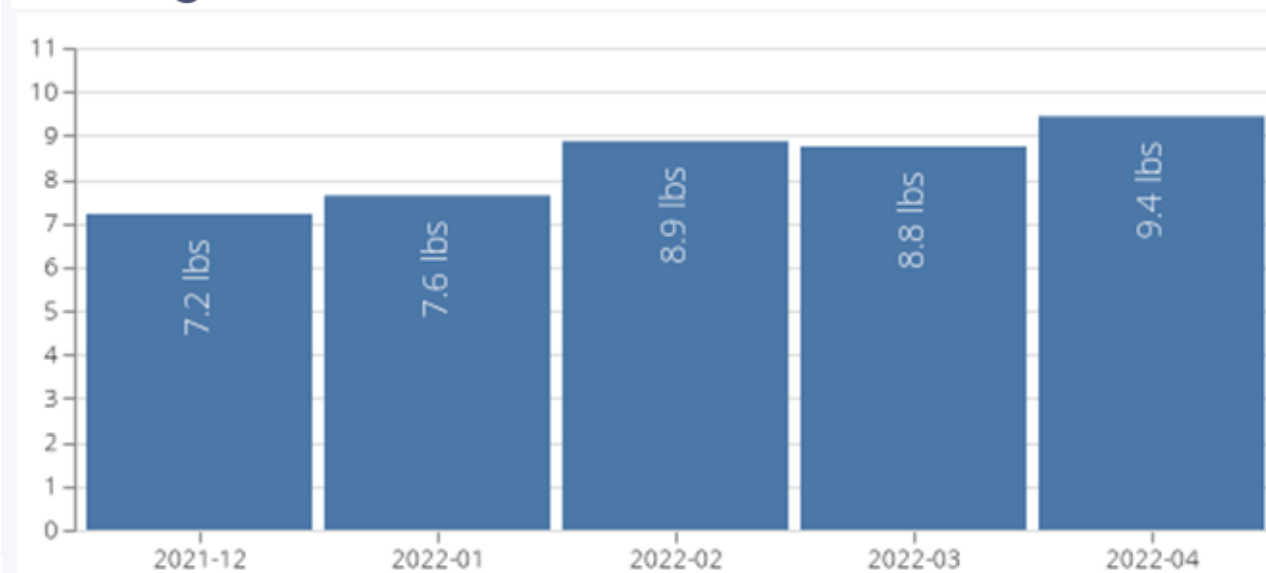
Estimated Projections



- Production Success Fees
- SaaS Fees
- Design & Build
- Interest (Build)
- Extraction
- Interest (VFU)
- VFU Purchase

Actual Customer Results

Average Harvest Yield Per VFU



Up to
34%



VFU Project Status Updates

Customer	State	# of VFUs	Projected Initial Commissioning	Projected First Harvest
> TTK (production success fees and monthly SaaS fees)				
Greenstone	CO	239	Q222	Q322
Treehouse	NV	132	Q222	Q322
Hannah	WA	186	Q222	Q322
True House	MA	159	Q223	Q323
Kief USA	MA	485	Q323	Q423
Bud & Mary's	MA	572	Q422	Q223
Gold Leaf	FL	1,510	Q323	Q423
Loud Wellness	NJ	500	Q223	Q323
> VFU Sales (monthly SaaS fees)				
WhiteCloud	NV	196	Q222	Q322
El Mirage	AZ	400	Q223	Q323
BioCann	Portugal	190	Q123	Q223





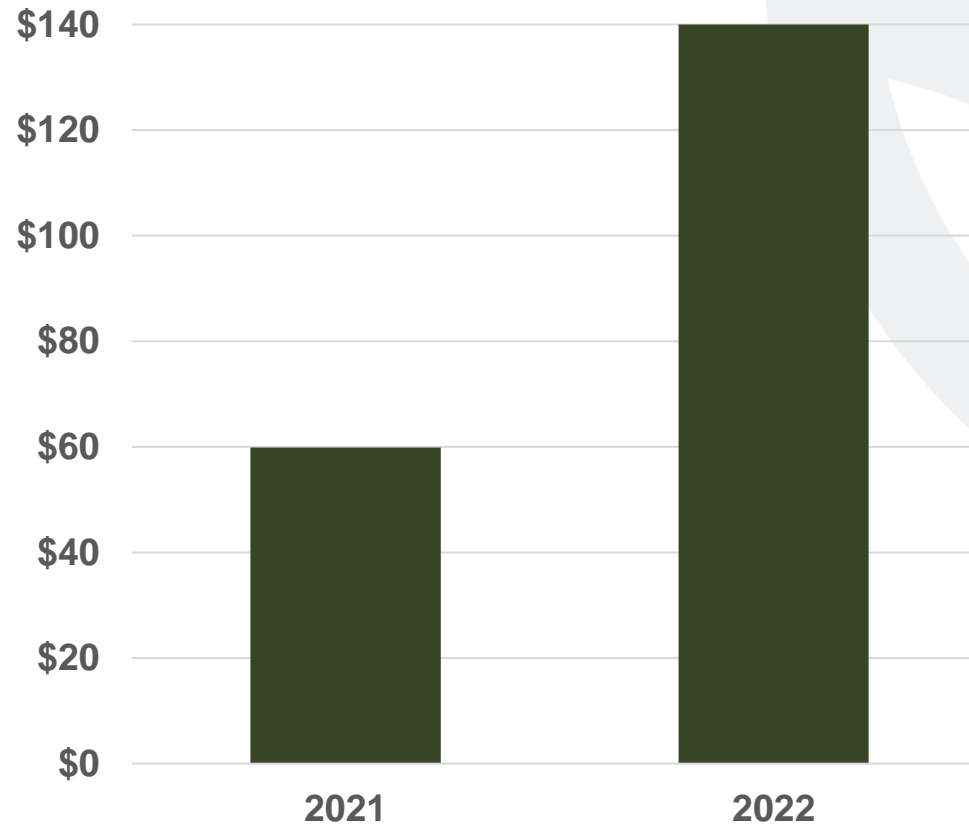
FY 2022 Revenue Projections



FY 2022 Revenue Projections

YoY revenues projected to increase to \$140M - \$142M vs. \$59.9M

FULL YEAR REVENUE (M)



A 134% YoY Increase

NOTE: Agrify expects more than 60% of the projected 2022 revenue will be achieved in the second half of the fiscal year



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