



AGRIFY™

Agrify Corporation Announces Results for Second Quarter 2023

December 12, 2023

Company Continues to Make Progress on its Turn-Around Initiative with Reduced Operating Loss and Cash-Burn

TROY, Mich., Dec. 12, 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 second quarter ended June 30, 2023 ("Q2 2023").

"As described in our prior earnings release, the four key priorities for the Company are (1) restructuring our balance sheet, (2) reducing our costs and headcount, (3) improving our product offerings, and (4) getting our key products CE-certified for international markets," said Raymond Chang, Chairman and Chief Executive Officer at Agrify. "In the second quarter, we continued to reduce our operating costs and headcount. Our total operating expenses were reduced by 31%, from \$8.6 million in Q1 2023 to \$5.9 million in Q2 2023. The total headcount has also been reduced by 55%, from 190 to 85 on June 30, 2023. As a result, our operating loss was reduced from \$7.6 million in Q1 2023 to \$5.3 million this quarter, a 30% sequential improvement, and net loss was reduced from \$10.3 million in Q1, 2023 to \$6.8 million this quarter, a 34% sequential improvement. We will continue to make focused reductions in costs and increase organizational efficiency in an effort to turn the business profitable in the shortest time possible."

Second Quarter 2023 Financial Results Summary

- Revenue was \$5.1 million for Q2 2023, compared to \$19.3 million for Q2 2022.
- Gross profit for Q2 2023 was \$0.6 million, compared to \$1.6 million in Q2 2022.
- Operating expenses were \$5.9 million for Q2 2023, compared to \$93.1 million in Q2 2022. The decrease was largely due to a decrease in general and administrative costs and a decrease in impairment of goodwill and intangible assets
- Operating loss for Q2 2023 was \$5.3 million, compared to \$91.5 million for Q2 2022.
- Net loss attributable to Agrify Corporation for Q2 2023 was \$6.8 million, or \$4.39 per basic and diluted shares, compared to \$74.6 million, or \$561.31 per basic and diluted shares 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, 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	\$ 5,066	\$ 19,329	\$ 10,870	\$ 45,350
Cost of goods sold	4,466	17,717	9,282	39,568
Gross profit	<u>600</u>	<u>1,612</u>	<u>1,588</u>	<u>5,782</u>
General and administrative	4,819	19,378	11,750	29,137
Selling and marketing	1,120	2,332	2,710	4,422
Research and development	643	2,438	1,378	4,522
Change in contingent consideration	(638)	(907)	(1,322)	(907)
Impairment of goodwill and intangible assets	—	69,904	—	69,904
Total operating expenses	<u>5,944</u>	<u>93,145</u>	<u>14,516</u>	<u>107,078</u>
Loss from operations	<u>(5,344)</u>	<u>(91,533)</u>	<u>(12,928)</u>	<u>(101,296)</u>
Interest expense, net	(400)	(3,311)	(1,199)	(2,752)
Change in fair value of warrant liabilities	(1,048)	20,181	1,624	30,966
Gain (loss) on extinguishment of notes payable	(11)	—	(4,631)	—
Other income (expense)	(4)	—	—	—
Other income (expense), net	<u>(1,463)</u>	<u>16,870</u>	<u>(4,206)</u>	<u>28,214</u>
Net loss before income taxes	<u>(6,807)</u>	<u>(74,663)</u>	<u>(17,134)</u>	<u>(73,082)</u>
Income tax benefit	—	62	—	262
Net loss	<u>(6,807)</u>	<u>(74,601)</u>	<u>(17,134)</u>	<u>(72,820)</u>
(Income) loss attributable to non-controlling interests	<u>2</u>	<u>(3)</u>	<u>2</u>	<u>(4)</u>
Net loss attributable to Agrify Corporation	<u>\$ (6,805)</u>	<u>\$ (74,604)</u>	<u>\$ (17,132)</u>	<u>\$ (72,824)</u>
Net loss per share attributable to Common Stockholders – basic and diluted ⁽¹⁾	<u>\$ (4.39)</u>	<u>\$ (561.31)</u>	<u>\$ (13.05)</u>	<u>\$ (569.13)</u>
Weighted average common shares outstanding – basic and diluted ⁽¹⁾	1,549,669	132,911	1,312,299	127,956

(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.

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

	June 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 308	\$ 10,457
Restricted cash	—	10,000
Marketable securities	4	460
Accounts receivable, net	1,348	1,070
Inventory, net	18,736	21,396
Prepaid expenses and other current assets	<u>2,153</u>	<u>1,510</u>
Total current assets	<u>22,549</u>	<u>44,893</u>
Loans receivable, net	11,257	12,214
Property and equipment, net	9,123	10,044
Operating lease right-of-use assets	2,359	2,210

Other non-current assets	156	326
Total assets	\$ 45,444	\$ 69,687
Liabilities and Stockholders' Deficit		
Accounts payable	\$ 21,859	\$ 20,543
Accrued expenses and other current liabilities	12,109	16,380
Operating lease liabilities, current	831	734
Long-term debt, current	1,424	28,833
Deferred revenue	3,593	4,112
Total current liabilities	39,816	70,602
Warrant liabilities	4,361	5,985
Other non-current liabilities	86	147
Operating lease liabilities, net of current	1,703	1,587
Long-term debt, net of current	19,152	407
Total liabilities	65,118	78,728
Stockholders' deficit:		
Common stock ⁽¹⁾	2	1
Additional paid-in capital	244,373	237,875
Accumulated deficit	(264,282)	(247,148)
Total stockholders' deficit	(19,907)	(9,272)
Non-controlling interests	233	231
Total liabilities and stockholders' deficit	\$ 45,444	\$ 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.

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

	Six Months ended	
	June 30, 2023	June 30, 2022
Cash flows (used in) provided by:	(unaudited)	
Operating activities	\$ (11,634)	\$ (50,491)
Investing activities	11,358	(29,637)
Financing activities	(9,873)	86,722
Net (decrease) increase in cash and cash equivalents	\$ (10,149)	\$ 6,594

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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 six-month periods ended June 30, 2023, and 2022:

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net loss attributable to Agrify Corporation	\$ (6,805)	\$ (74,604)	\$ (17,132)	\$ (72,824)
Add:				
Income tax (benefit) expense	—	(62)	—	(262)
Interest expense, net	400	3,311	1,199	2,752
Other (income) expense	4	—	—	—
Depreciation and amortization	493	1,141	938	2,193
Stock-based compensation	751	940	1,611	1,893
Investment banker termination fees	—	79	—	716
Acquisition- related expenses	—	—	—	637
Restructuring charges	—	188	—	575
Impairment charges	—	69,904	—	69,904
Loss on extinguishment of notes payable	11	—	4,631	—
Change in fair value of warrant liabilities	1,048	(20,181)	(1,624)	(30,996)
Change in contingent consideration	(638)	(907)	(1,322)	(907)
Legal settlement	—	800	—	800
Adjusted EBITDA	\$ (4,736)	\$ (19,391)	\$ (11,699)	\$ (25,519)

Company Contacts

Agrify Investor Relations

IR@agrify.com

(857) 256-8110

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