

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 8, 2021

FRESHPET, INC.

(Exact name of Registrant as Specified in Its Charter)

**Delaware
(State or Other Jurisdiction
of Incorporation)**

**001-36729
(Commission File Number)**

**20-1884894
(IRS Employer
Identification No.)**

**400 Plaza Drive, 1st Floor
Secaucus, NJ
(Address of Principal Executive Offices)**

**07094
(Zip Code)**

Registrant's Telephone Number, Including Area Code: (201) 520-4000

**Not Applicable
(Former Name or Former Address, if Changed Since Last Report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	FRPT	NASDAQ Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On November 8, 2021, Freshpet, Inc. (“Freshpet”) issued a press release disclosing its financial results for the quarter ended September 30, 2021. The full text of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

As previously announced, Freshpet will hold a conference call at 4:30 p.m., Eastern Time, on Monday, November 8, 2021 to discuss its financial results for the quarter ended September 30, 2021.

Freshpet references non-GAAP financial information in the press release and makes similar references in the transcript to the conference call. A reconciliation of these non-GAAP financial measures to the nearest comparable GAAP financial measures is contained in the attached Exhibit 99.1 press release.

Item 7.01. Regulation FD Disclosure.

On November 8, 2021, Freshpet published to the investor relations section of its website a presentation which will be used by Freshpet’s management team in meetings with analysts and stockholders. A copy of the presentation is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

The information furnished with Item 2.02 and this Item 7.01, including Exhibits 99.1 and 99.2, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (“the Exchange Act”) or incorporated by reference into any other filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Freshpet uses the “Investors” section of its website (*investors.freshpet.com*) as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	Press Release, dated November 8, 2021
99.2	Investors Presentation
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FRESHPET, INC.

Date: November 8, 2021

By: /s/ Heather Pomerantz

Name: Heather Pomerantz

Title: Chief Financial Officer



Freshpet, Inc. Reports Third Quarter 2021 Financial Results

Estimates Full Year Net Sales of ~\$445 million

Supply Chain Headwinds and Accelerating Inflation Reduce Adjusted EBITDA Guidance

SECAUCUS, N.J. – November 8, 2021 – Freshpet, Inc. (“Freshpet” or the “Company”) (Nasdaq: FRPT) today reported financial results for its third quarter ended September 30, 2021.

Third Quarter 2021 Financial Highlights Compared to Prior Year Period

- Net sales of \$107.6 million, an increase of 27.8%
- Net loss of \$2.1 million, compared with prior year net income of \$3.5 million
- Adjusted EBITDA of \$14.6 million, compared to prior year of \$17.0 million¹

"Despite unprecedented supply chain challenges, Freshpet's long-term growth model remains intact," commented Billy Cyr, Freshpet's Chief Executive Officer. "Like everyone else, we are facing extraordinary labor and material shortages, and accelerating inflation that have modestly delayed the start-up of new capacity and increased our costs more rapidly than we anticipated -- causing short-term challenges that we are addressing. However, the long-term trends driving Freshpet's growth remain strong, and - thanks to our aggressive capacity expansion initiatives and the investments we made in maintenance, training and automation in Q3 -- we have never been better positioned to fulfill our mission of 'changing the way people nourish their pets forever' than we are today."

Third Quarter 2021

Net sales increased 27.8% to \$107.6 million for the third quarter of 2021 compared to \$84.2 million for the third quarter of 2020. Net sales for the third quarter of 2021 were driven by velocity, distribution gains, and innovation.

Gross profit was \$41.5 million, or 38.6% as a percentage of net sales, for the third quarter of 2021, compared to \$36.7 million, or 43.5% as a percentage of net sales, in the prior year period. For the third quarter of 2021, Adjusted Gross Profit was \$47.4 million, or 44.0% as a percentage of net sales, compared to \$41.5 million, or 49.3% as a percentage of net sales, in the prior year period. The decrease in gross profit as a percentage of net sales and Adjusted Gross Profit as a percentage of net sales was primarily due to increased cost at our Freshpet Kitchens as a result of our wage increase plan, investments as we grow into capacity, inflation of ingredient cost and higher costs at our Freshpet Kitchens South partner. Adjusted Gross Profit is a non-GAAP financial measure defined under “Non-GAAP Measures,” and is reconciled to gross profit in the financial tables that accompany this release.

Selling, general and administrative expenses (“SG&A”) were \$42.4 million for the third quarter of 2021 compared to \$32.9 million in the prior year period. As a percentage of net sales, SG&A increased to 39.4% for the third quarter of 2021 compared to 39.1% in the prior year period. Adjusted SG&A for the third quarter of 2021 was \$32.8 million, or 30.4% as a percentage of net sales, compared to \$24.5 million, or 29.1% as a percentage of net sales, in the prior year period. The increase in SG&A as a percentage of net sales and Adjusted SG&A as a percentage of net sales was a result of increased logistics costs, including freight costs, and higher employee-related costs, offset by general and administrative expense leverage due to higher net sales and decreased media as a percentage of net sales. Adjusted SG&A is a non-GAAP financial measure defined under “Non-GAAP Measures,” and is reconciled to SG&A in the financial tables that accompany this release.

Net loss was \$2.1 million for the third quarter of 2021 compared to net income of \$3.5 million for the prior year period. The decrease in net income was due to increased SG&A partially offset by higher net sales and increased gross profit.

Adjusted EBITDA was \$14.6 million, or 13.6% as a percentage of net sales, for the third quarter of 2021, compared to \$17.0 million, or 20.2% as a percentage of net sales, in the prior year period. The decrease in Adjusted EBITDA was a result of increased Adjusted SG&A expense partially offset by higher net sales and Adjusted Gross Profit. Adjusted EBITDA is a non-GAAP financial measure defined under “Non-GAAP Measures,” and is reconciled to net loss in the financial tables that accompany this release.

¹ Adjusted EBITDA, as well as certain other measures in this release, is a non-GAAP financial measure. See "Non-GAAP Measures" for how we define these measures and the financial tables that accompany this release for reconciliations of these measures to the closest comparable GAAP measures.

First Nine Months of 2021

Net sales increased 32.2% to \$309.6 million for the first nine months of 2021 compared to \$234.3 million in the prior year period. Net sales for the first nine months of 2021 were driven by velocity, distribution gains, and innovation.

Gross profit was \$120.9 million, or 39.1% as a percentage of net sales, for the first nine months of 2021, compared to \$102.4 million, or 43.7% as a percentage of net sales, in the prior year period. For the first nine months of 2021, Adjusted Gross Profit was \$141.1 million, or 45.6% as a percentage of net sales, compared to \$115.4 million, or 49.3% as a percentage of net sales, in the prior year period. The decrease in gross profit as a percentage of net sales and Adjusted Gross Profit as a percentage of net sales was primarily due to increased cost at our Freshpet Kitchens as a result of our wage increase plan, investments as we grow into capacity, inflation of ingredient cost and higher costs at our Freshpet Kitchens South partner. Adjusted Gross Profit is a non-GAAP financial measure defined under "Non-GAAP Measures," and is reconciled to gross profit in the financial tables that accompany this release.

SG&A expenses were \$138.0 million for the first nine months of 2021 compared to \$101.3 million in the prior year period. As a percentage of net sales, SG&A increased to 44.6% for the first nine months of 2021 compared to 43.2% in the prior year period. Adjusted SG&A for the first nine months of 2021 was \$107.9 million, or 34.8% as a percentage of net sales, compared to \$81.5 million, or 34.8% as a percentage of net sales, in the prior year period. The increase in SG&A expenses was a result of increased logistics costs, including freight costs, higher employee-related costs, and non-cash share-based compensation. Adjusted SG&A as a percentage of net sales remained unchanged from the prior year in the same period as a result of general and administrative expense leverage on higher net sales and decreased media spend as a percentage of net sales offset by increased logistics costs as a percentage of net sales. Adjusted SG&A is a non-GAAP financial measure defined under "Non-GAAP Measures," and is reconciled to SG&A in the financial tables that accompany this release.

Net loss was \$20.4 million for the first nine months of 2021 compared to a net income of \$0.1 million for the prior year period. The decrease in net income was due to increased SG&A partially offset by higher net sales and increased gross profit.

Adjusted EBITDA was \$33.2 million, or 10.7% as a percentage of net sales, for the first nine months of 2021, compared to \$34.0 million, or 14.5% as a percentage of net sales, in the prior year period. The decrease in Adjusted EBITDA was a result of increased Adjusted SG&A expense, partially offset by increased Adjusted Gross Profit. Adjusted EBITDA is a non-GAAP financial measure defined under "Non-GAAP Measures," and is reconciled to net loss in the financial tables that accompany this release.

Balance Sheet

As of September 30, 2021, the Company had cash and cash equivalents of \$170.8 million with no debt outstanding.

Outlook

For full year 2021, the Company updated its guidance. The Company expects the following results:

- Net sales of ~\$445 million, an increase of ~40% from 2020, from previous guidance of >\$445 million
- Adjusted EBITDA of ~\$50 million, an increase of ~7% from 2020, from previous guidance of >\$61 million

The Company does not provide guidance for the most directly comparable GAAP measure, net income, and similarly cannot provide a reconciliation between its forecasted adjusted EBITDA and net income metrics without unreasonable effort due to the unavailability of reliable estimates for certain components of net income and the respective reconciliations, including the timing of and amount of costs of goods sold and selling, general and administrative expenses. These items are not within the Company's control and may vary greatly between periods and could significantly impact future financial results.

Conference Call & Earnings Presentation Webcast Information

As previously announced, today, November 8, 2021, the Company will host a conference call beginning at 4:30 p.m. Eastern Time with members of its leadership team. The conference call webcast will be available live over the Internet through the "Investors" section of the Company's website at www.freshpet.com. To participate on the live call, listeners in North America may dial (877) 407-0792 and international listeners may dial (201) 689-8263.

A replay of the conference call will be archived on the Company's website and telephonic playback will be available from 7:30 p.m. Eastern Time today through November 22, 2021. North American listeners may dial (844) 512-2921 and international listeners may dial (412) 317-6671; the passcode is 13723899.

About Freshpet

Freshpet's mission is to improve the lives of dogs and cats through the power of fresh, real food. Freshpet foods are blends of fresh meats, vegetables and fruits farmed locally and made at our Freshpet Kitchens. We thoughtfully prepare our foods using natural ingredients, cooking them in small batches at lower temperatures to preserve the natural goodness of the ingredients. Freshpet foods and treats are kept refrigerated from the moment they are made until they arrive at Freshpet Fridges in your local market.

Our foods are available in select mass, grocery (including online), natural food, club, and pet specialty retailers across the United States, Canada and Europe. From the care, we take to source our ingredients and make our food, to the moment it reaches your home, our integrity, transparency and social responsibility are the way we like to run our business. To learn more, visit www.freshpet.com.

Connect with Freshpet:

<https://www.facebook.com/Freshpet>

<https://twitter.com/Freshpet>

<http://instagram.com/Freshpet>

<http://pinterest.com/Freshpet>

<https://www.tiktok.com/@Freshpet>

<https://en.wikipedia.org/wiki/Freshpet>

<https://www.youtube.com/user/freshpet400>

Forward Looking Statements

Certain statements in this release constitute "forward-looking" statements. These statements are based on management's current opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results. These forward-looking statements, including our updated guidance, are only predictions, not historical fact, and involve certain risks and uncertainties, as well as assumptions. Actual results, levels of activity, performance, achievements and events could differ materially from those stated, anticipated or implied by such forward-looking statements. While Freshpet believes that its assumptions are reasonable, it is very difficult to predict the impact of known factors, and, of course, it is impossible to anticipate all factors that could affect actual results. There are several risks and uncertainties that could cause actual results to differ materially from forward-looking statements made herein including, most prominently, the risks discussed under the heading "Risk Factors" in the Company's latest annual report on Form 10-K and its quarterly reports on Form 10-Q filed with the Securities and Exchange Commission. Such forward-looking statements are made only as of the date of this release. Freshpet undertakes no obligation to publicly update or revise any forward-looking statement because of new information, future events or otherwise, except as otherwise required by law. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

Non-GAAP Financial Measures

Freshpet uses the following non-GAAP financial measures in its financial communications. These non-GAAP financial measures should be considered as supplements to the GAAP reported measures, should not be considered replacements for, or superior to, the GAAP measures and may not be comparable to similarly named measures used by other companies.

- Adjusted Gross Profit
- Adjusted Gross Profit as a % of net sales (Adjusted Gross Margin)
- Adjusted SG&A
- Adjusted SG&A as a % of net sales
- EBITDA
- Adjusted EBITDA
- Adjusted EBITDA as a % of net sales

Adjusted Gross Profit: Freshpet defines Adjusted Gross Profit as gross profit before depreciation expense, plant start-up expense, non-cash share-based compensation and COVID-19 expenses.

Adjusted SG&A Expenses: Freshpet defines Adjusted SG&A as SG&A expenses before depreciation and amortization, non-cash share-based compensation, launch expense, fees related to equity offerings of our common stock, implementation and other costs associated with the implementation of an enterprise resource planning ("ERP") system, loss on disposal of equipment and COVID-19 expenses.

EBITDA and Adjusted EBITDA: EBITDA represents net income (loss) plus interest expense, income tax expense and depreciation and amortization expense, and Adjusted EBITDA represents EBITDA plus loss on equity method investment, non-cash share-based compensation expense, launch expenses, fees related to equity offerings, plant start-up expense, implementation and other costs associated with the implementation of an ERP system, loss on disposal of equipment and COVID-19 expenses.

Management believes that the non-GAAP financial measures are meaningful to investors because they provide a view of the Company with respect to ongoing operating results. The non-GAAP financial measures are shown as supplemental disclosures in this release because they are widely used by the investment community for analysis and comparative evaluation. They also provide additional metrics to evaluate the Company's operations and, when considered with both the Company's GAAP results and the reconciliation to the most comparable GAAP measures, provide a more complete understanding of the Company's business than could be obtained absent this disclosure. The non-GAAP measures are not and should not be considered an alternative to the most comparable GAAP measures or any other figure calculated in accordance with GAAP, or as an indicator of operating performance. The Company's calculation of the non-GAAP financial measures may differ from methods used by other companies. Management believes that the non-GAAP measures are important to an understanding of the Company's overall operating results in the periods presented. The non-GAAP financial measures are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance.

Certain of these measures represent the Company's guidance for fiscal year 2021. The Company is unable to reconcile these forward-looking non-GAAP financial measures to the most directly comparable GAAP measures without unreasonable efforts because the Company is currently unable to predict with a reasonable degree of certainty the type and impact of certain items, including the timing of and amount of cost of goods sold and selling, general and administrative expenses, that would be expected to impact GAAP measures for these periods but would not impact the non-GAAP measures. The unavailable information could significantly impact our financial results. These items are not within the Company's control and may vary greatly between periods. Based on the foregoing, the Company believes that providing estimates of the amounts that would be required to reconcile these forecasted non-GAAP measures to forecasted GAAP measures would imply a degree of precision that would be confusing or misleading to investors for the reasons identified above.

Contact

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FRESHPET, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 170,836	\$ 67,247
Accounts receivable, net of allowance for doubtful accounts	32,217	18,438
Inventories, net	29,305	19,119
Prepaid expenses	3,870	3,378
Other current assets	1,562	914
Total Current Assets	<u>237,790</u>	<u>109,096</u>
Property, plant and equipment, net	471,964	281,073
Deposits on equipment	3,189	3,710
Operating lease right of use assets	6,874	7,866
Equity method investment	26,736	27,894
Other assets	11,774	4,749
Total Assets	<u>\$ 758,327</u>	<u>\$ 434,388</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 12,828	\$ 16,452
Accrued expenses	14,556	15,371
Current operating lease liabilities	1,359	1,298
Total Current Liabilities	<u>\$ 28,743</u>	<u>\$ 33,121</u>
Long term operating lease liabilities	6,066	7,098
Total Liabilities	<u>\$ 34,809</u>	<u>\$ 40,219</u>
STOCKHOLDERS' EQUITY:		
Common stock — voting, \$0.001 par value, 200,000 shares authorized, 43,404 issued and 43,390 outstanding on September 30, 2021, and 40,732 issued and 40,718 outstanding on December 31, 2020	43	41
Additional paid-in capital	949,995	600,388
Accumulated deficit	(226,357)	(205,924)
Accumulated other comprehensive income (loss)	93	(80)
Treasury stock, at cost — 14 shares on September 30, 2021 and on December 31, 2020	(256)	(256)
Total Stockholders' Equity	<u>723,518</u>	<u>394,169</u>
Total Liabilities and Stockholders' Equity	<u>\$ 758,327</u>	<u>\$ 434,388</u>

FRESHPET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS)
(In thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
NET SALES	\$ 107,590	\$ 84,190	\$ 309,620	\$ 234,268
COST OF GOODS SOLD	66,065	47,535	188,689	131,891
GROSS PROFIT	41,525	36,654	120,931	102,377
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	42,365	32,895	137,955	101,273
(LOSS) INCOME FROM OPERATIONS	(840)	3,760	(17,024)	1,104
OTHER (EXPENSES)/INCOME:				
Other (Expenses)/Income, net	2	25	(5)	70
Interest Expense	(677)	(216)	(2,232)	(999)
	(675)	(191)	(2,237)	(930)
(LOSS) INCOME BEFORE INCOME TAXES	(1,515)	3,569	(19,261)	175
INCOME TAX EXPENSE	16	22	48	65
LOSS ON EQUITY METHOD INVESTMENT	539	-	1,124	-
(LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ (2,070)</u>	<u>\$ 3,547</u>	<u>\$ (20,433)</u>	<u>\$ 110</u>
OTHER COMPREHENSIVE INCOME:				
Change in foreign currency translation	\$ 4	\$ 368	\$ 173	\$ 40
TOTAL OTHER COMPREHENSIVE INCOME	4	368	173	40
TOTAL COMPREHENSIVE (LOSS) INCOME	<u>\$ (2,066)</u>	<u>\$ 3,916</u>	<u>\$ (20,260)</u>	<u>\$ 150</u>
NET (LOSS) INCOME PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	<u>\$ (0.05)</u>	<u>\$ 0.09</u>	<u>\$ (0.48)</u>	<u>\$ 0.00</u>
-DILUTED	<u>\$ (0.05)</u>	<u>\$ 0.09</u>	<u>\$ (0.48)</u>	<u>\$ 0.00</u>
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING USED IN COMPUTING NET (LOSS) INCOME PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	<u>43,373</u>	<u>40,560</u>	<u>42,774</u>	<u>39,452</u>
-DILUTED	<u>43,373</u>	<u>41,700</u>	<u>42,774</u>	<u>40,473</u>

FRESHPET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	For the Nine Months Ended	
	September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (20,433)	\$ 110
Adjustments to reconcile net (loss) income to net cash flows provided by operating activities:		
Provision for loss (gains) on accounts receivable	15	(4)
Loss on disposal of equipment	284	1,301
Share-based compensation	18,516	7,811
Inventory obsolescence	249	147
Depreciation and amortization	22,489	14,946
Amortization of deferred financing costs and loan discount	1,013	763
Change in operating lease right of use asset	992	962
Loss on equity method investment	1,124	—
Changes in operating assets and liabilities:		
Accounts receivable	(13,794)	(3,060)
Inventories	(10,435)	(5,115)
Prepaid expenses and other current assets	(1,140)	9,587
Other assets	(5,520)	(222)
Accounts payable	5,057	(3,021)
Accrued expenses	(781)	(10,300)
Other lease liabilities	(971)	(842)
Net cash flows (used in) provided by operating activities	<u>(3,335)</u>	<u>13,063</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of short-term investments	—	(20,001)
Proceeds from maturities of short-term investments	—	10,001
Investments in equity method investment	—	(27,625)
Acquisitions of property, plant and equipment, software and deposits on equipment	(220,835)	(99,924)
Net cash flows used in investing activities	<u>(220,835)</u>	<u>(137,549)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from common shares issued in primary offering, net of issuance cost	332,172	252,062
Proceeds from exercise of options to purchase common stock	2,048	4,664
Tax withholdings related to net shares settlements of restricted stock units	(3,198)	(1,636)
Proceeds from borrowings under Credit Facilities	—	20,933
Repayment of borrowings under Credit Facilities	—	(76,000)
Fees paid in connection with financing agreements	(3,263)	(824)
Net cash flows provided by financing activities	<u>327,759</u>	<u>199,199</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	103,589	74,713
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	67,247	9,472
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ <u>170,836</u>	\$ <u>84,185</u>

FRESHPET, INC. AND SUBSIDIARIES
RECONCILIATION BETWEEN GROSS PROFIT AND ADJUSTED GROSS PROFIT

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Gross Profit	\$ 41,525	\$ 36,654	\$ 120,931	\$ 102,377
Depreciation expense	4,075	2,129	11,896	6,422
Plant start-up expense (a)	588	1,828	3,561	3,020
Non-cash share-based compensation	1,058	484	2,970	1,425
COVID-19 expense (b)	119	395	1,753	2,157
Adjusted Gross Profit	\$ 47,365	\$ 41,490	\$ 141,111	\$ 115,402
Adjusted Gross Profit as a % of Net Sales	44.0%	49.3%	45.6%	49.3%

(a) Represents additional operating costs incurred in connection with the start-up of our new manufacturing lines as part of the Freshpet Kitchens expansion projects.

(b) Represents COVID-19 expenses including (i) costs incurred to protect the health and safety of our employees during the COVID-19 pandemic, (ii) temporary increased compensation expense to ensure continued operations during the pandemic, and (iii) costs related to mitigating potential supply chain disruptions during the pandemic, included in cost of goods sold.

FRESHPET, INC. AND SUBSIDIARIES
RECONCILIATION BETWEEN SG&A EXPENSES AND ADJUSTED SG&A EXPENSES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
SG&A expenses	\$ 42,365	\$ 32,895	\$ 137,955	\$ 101,273
Depreciation and amortization expense	3,671	2,923	10,593	8,524
Non-cash share-based compensation	4,688	2,863	15,546	6,386
Launch expense (a)	562	760	2,311	2,403
Loss on disposal of equipment	412	1,265	518	1,301
Equity offering expenses (b)	—	—	—	58
Enterprise Resource Planning (c)	273	428	1,123	830
COVID-19 expense (d)	—	187	5	283
Adjusted SG&A Expenses	\$ 32,759	\$ 24,468	\$ 107,859	\$ 81,488
Adjusted SG&A Expenses as a % of Net Sales	30.4%	29.1%	34.8%	34.8%

(a) Represents new store marketing allowance of \$1,000 for each store added to our distribution network, as well as the non-capitalized freight costs associated with Freshpet Fridge replacements. The expense enhances the overall marketing spend to support our growing distribution network.

(b) Represents fees associated with public offerings of our common stock.

(c) Represents implementation and other costs associated with the implementation of an ERP system.

(d) Represents COVID-19 expenses including (i) costs incurred to protect the health and safety of our employees during the COVID-19 pandemic, (ii) temporary increased compensation expense to ensure continued operations during the pandemic, and (iii) costs related to mitigating potential supply chain disruptions during the pandemic, included in SG&A.

FRESHPET, INC. AND SUBSIDIARIES
RECONCILIATION BETWEEN NET INCOME (LOSS) AND ADJUSTED EBITDA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Net (loss) income	\$ (2,070)	\$ 3,547	\$ (20,433)	\$ 110
Depreciation and amortization	7,746	5,052	22,489	14,946
Interest expense	677	216	2,232	999
Income tax expense	16	22	48	65
EBITDA	\$ 6,369	\$ 8,837	\$ 4,336	\$ 16,120
Loss on equity method investment	\$ 539	\$ —	\$ 1,124	\$ —
Loss on disposal of equipment	412	1,265	518	1,301
Non-cash share-based compensation	5,746	3,347	18,516	7,811
Launch expense (a)	562	760	2,311	2,403
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Enterprise Resource Planning (d)	273	428	1,123	830
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Adjusted EBITDA	\$ 14,608	\$ 17,048	\$ 33,247	\$ 33,983
Adjusted EBITDA as a % of Net Sales	13.6%	20.2%	10.7%	14.5%

- (a) Represents new store marketing allowance of \$1,000 for each store added to our distribution network, as well as the non-capitalized freight costs associated with Freshpet Fridge replacements. The expense enhances the overall marketing spend to support our growing distribution network.
- (b) Represents additional operating costs incurred in connection with the start-up of our new manufacturing lines as part of the Freshpet Kitchens expansion projects.
- (c) Represents fees associated with public offerings of our common stock.
- (d) Represents implementation and other costs associated with the implementation of an ERP system.
- (e) Represents COVID-19 expenses including (i) costs incurred to protect the health and safety of our employees during the COVID-19 pandemic, (ii) temporary increased compensation expense to ensure continued operations during the pandemic, and (iii) costs related to mitigating potential supply chain disruptions during the pandemic.



The logo for Freshpet, featuring the word "freshpet" in a green, lowercase, sans-serif font. Above the "h" and "p" are two curved lines, one green and one brown, suggesting a pet's head or a natural element.

pets. people. planet.

Q3 2021 Earnings Call
November 8, 2021

Forward Looking Statements & Non-GAAP Measures

Forward-Looking Statements

Certain statements in this presentation constitute “forward-looking” statements, which include any statements related to the novel coronavirus (“COVID-19”), the Freshpet Kitchens Expansion, our net sales and Adjusted EBITDA guidance and the Company’s general operating and economic environment. These statements are based on management’s current opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results. These forward-looking statements are only predictions, not historical fact, and involve certain risks and uncertainties, as well as assumptions. Actual results, levels of activity, performance, achievements and events could differ materially from those stated, anticipated or implied by such forward-looking statements. While Freshpet believes that its assumptions are reasonable, it is very difficult to predict the impact of known factors, and, of course, it is impossible to anticipate all factors that could affect actual results. There are many risks and uncertainties that could cause actual results to differ materially from forward-looking statements made herein including, most prominently, the risks discussed under the heading “Risk Factors” in the Company’s latest annual report on Form 10-K and quarterly reports on Form 10-Q filed with the Securities and Exchange Commission. Such forward-looking statements are made only as of the date of this presentation. Freshpet undertakes no obligation to publicly update or revise any forward-looking statement because of new information, future events or otherwise, except as otherwise required by law. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

Non-GAAP Measures

Freshpet uses certain non-GAAP financial measures, including EBITDA, Adjusted EBITDA, Adjusted EBITDA as a % of net sales, Adjusted Gross Profit, Adjusted Gross Profit as a % of net sales (Adjusted Gross Margin), Adjusted SG&A and Adjusted SG&A as a % of net sales. These non-GAAP financial measures should be considered as supplements to GAAP reported measures, should not be considered replacements for, or superior to, GAAP measures and may not be comparable to similarly named measures used by other companies.

Freshpet defines EBITDA as net income (loss) plus interest expense, income tax expense and depreciation and amortization expense, and Adjusted EBITDA as EBITDA plus net income (loss) on equity method investment, plant start-up expense, non-cash share-based compensation, launch expense, fees related to equity offerings of our common stock, implementation and other costs associated with the implementation of an ERP system, and other expenses, including loss on disposal of equipment and COVID-19 expenses.

Forward Looking Statements & Non-GAAP Measures (cont.)

Freshpet defines Adjusted Gross Profit as gross profit before depreciation expense, plant start-up expense, COVID-19 expenses and non-cash share-based compensation, and Adjusted SG&A as SG&A expenses before depreciation and amortization expense, non-cash share-based compensation, launch expense, gain (loss) on disposal of equipment, fees related to equity offerings of our common stock, implementation and other costs associated with the implementation of an ERP system and COVID-19 expenses.

Management believes that the non-GAAP financial measures are meaningful to investors because they provide a view of the Company with respect to ongoing operating results. Non-GAAP financial measures are shown as supplemental disclosures in this presentation because they are widely used by the investment community for analysis and comparative evaluation. They also provide additional metrics to evaluate the Company's operations and, when considered with both the Company's GAAP results and the reconciliation to the most comparable GAAP measures, provide a more complete understanding of the Company's business than could be obtained absent this disclosure. Adjusted EBITDA is also an important component of internal budgeting and setting management compensation. The non-GAAP measures are not and should not be considered an alternative to the most comparable GAAP measures or any other figure calculated in accordance with GAAP, or as an indicator of operating performance. The Company's calculation of the non-GAAP financial measures may differ from methods used by other companies. Management believes that the non-GAAP measures are important to an understanding of the Company's overall operating results in the periods presented. The non-GAAP financial measures are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance.

Certain of these measures represent the Company's guidance for fiscal year 2021. The Company is unable to reconcile these forward-looking non-GAAP financial measures to the most directly comparable GAAP measures without unreasonable efforts because the Company is currently unable to predict with a reasonable degree of certainty the type and impact of certain items, including the timing of and amount of costs of goods sold and selling, general and administrative expenses, that would be expected to impact GAAP measures for these periods but would not impact the non-GAAP measures. The unavailable information could significantly impact our financial results. These items are not within the Company's control and may vary greatly between periods. Based on the foregoing, the Company believes that providing estimates of the amounts that would be required to reconcile these forecasted non-GAAP measures to forecasted GAAP measures would imply a degree of precision that would be confusing or misleading to investors for the reasons identified above.



Nourishing Pets, People and Planet

Freshpet strengthens the bond between people and our pets so that we both live longer, healthier and happier lives -- while being kind to the planet





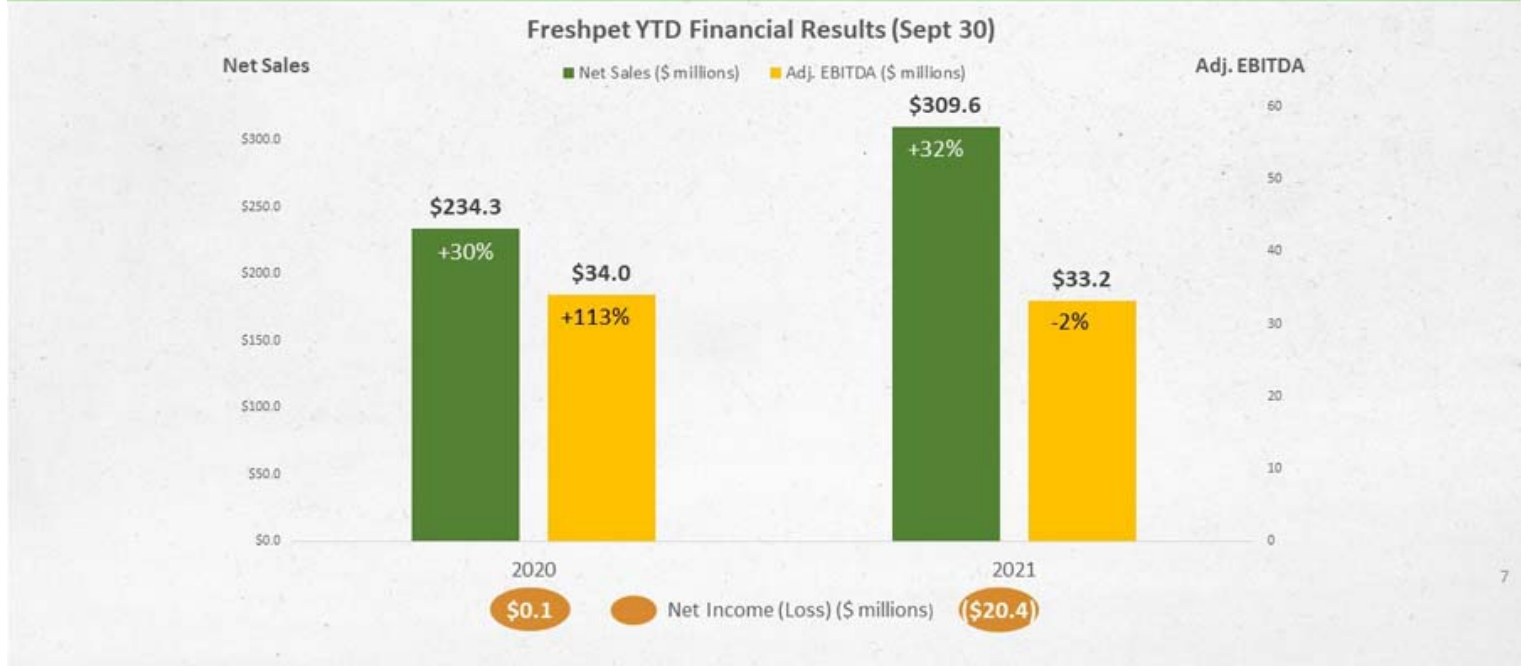
Q3 2021 Results

Q3 2021: Continued strong net sales growth offset by inflation and temporary operating inefficiencies

Freshpet Q3 2021 Financial Results

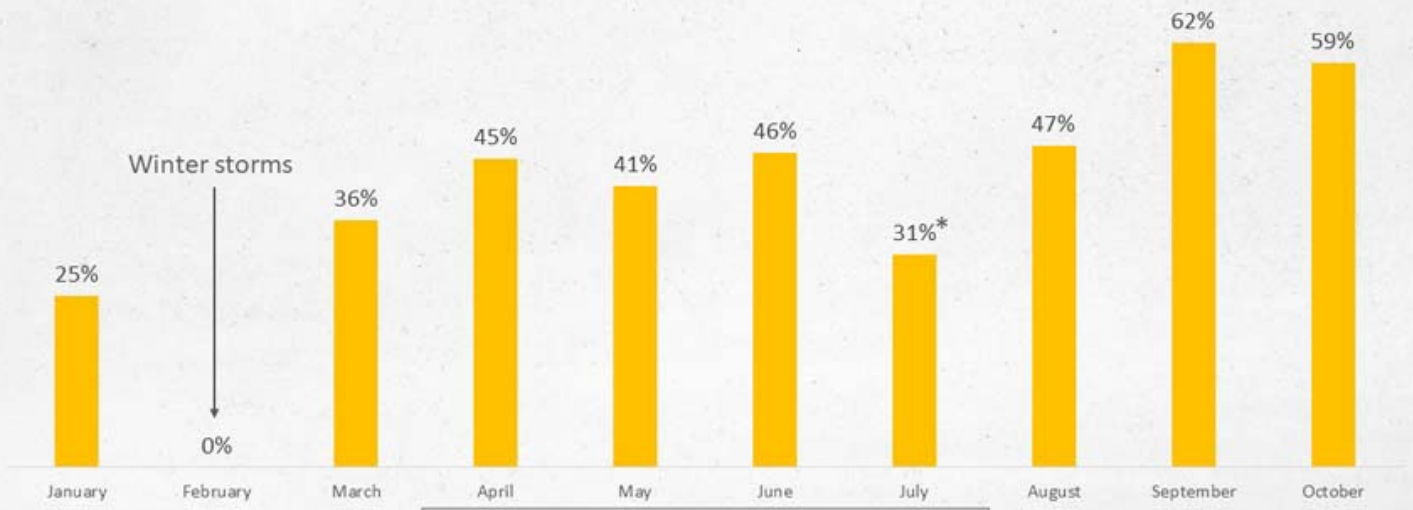


YTD 2021: Strong growth with cost challenges



Strong production supports robust growth vs. YA

Freshpet Pounds Produced -- 2021
(growth vs. YA)



Source: Internal company data through October 2021

* Shut down lines for 3 days to perform maintenance over 4th of July holiday

We successfully re-filled ~\$8.5 million of trade inventory

Q3 2021 Consumption to Net Sales Bridge



Trade inventory change includes the net sales change created by the drawdown of trade inventory in 2020 and the increase in trade inventory in 2021

Source: Nielsen Mega-Channel Data thru 9/25/21 and internal company calculations

Strong production growth generated internal inventory needed to improve fill rates by 20 pts.

Q3 2021 Net Sales & Internal Inventory Increases/Decreases



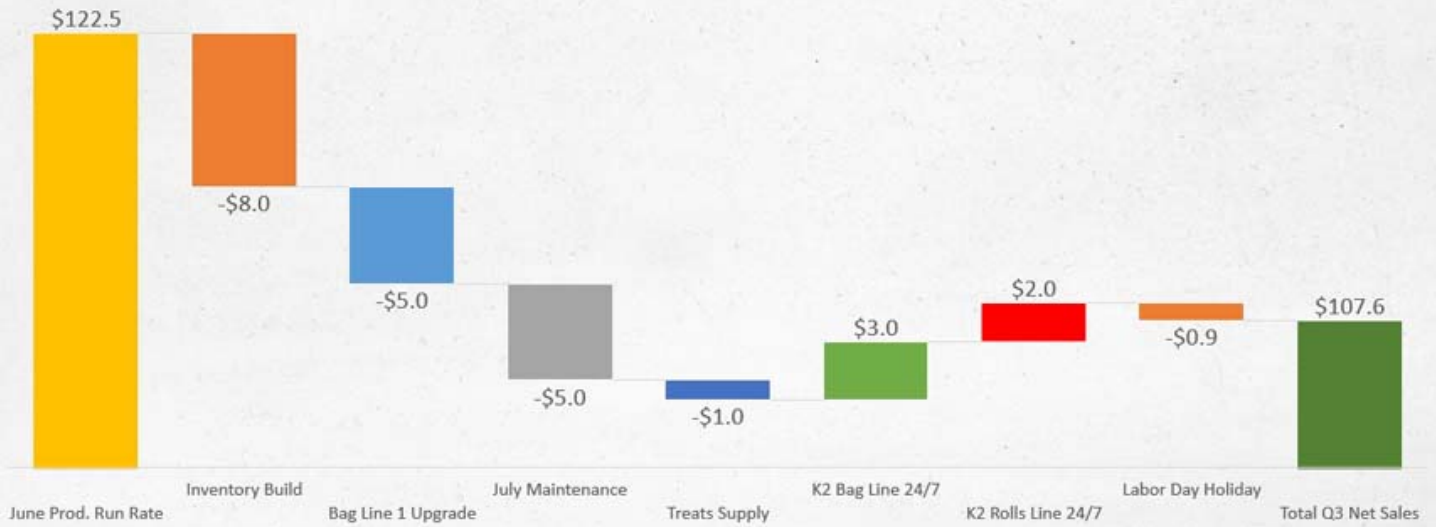
Source: Internal company data

Fill rates improved by 20 pts since July; significant backlog of orders remain to be filled in Q4

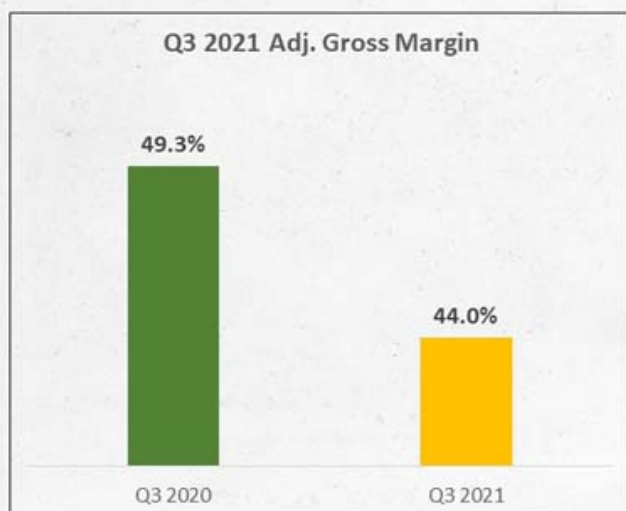


Significant investment in maintenance and inventory limited net sales potential in Q3

Q3 2021 Production Capacity to Net Sales Capacity
(\$ millions)



Adj. Gross Margin impacted by inflation and temporary operating inefficiencies



43.5%

38.6%

43.7%

39.1%

Gross Margin (GAAP)

Accelerating wage and ingredient inflation had significant impact on adj. gross margin

Q2 2021 to Q3 2021 Adj. Gross Margin Bridge

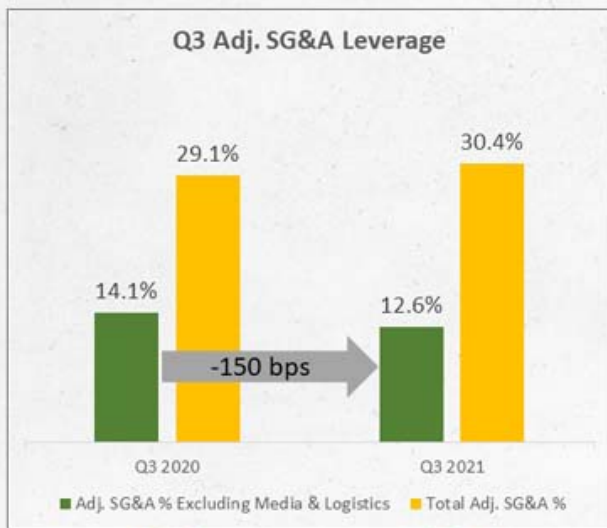


Pricing, freight, labor and high-speed technology initiatives designed to improve margins

	Q4 2021	Q1 2022	Q2-4 2022
Pricing	4.8% Price Increase		
Freight		ERP Implementation	Bracket Pricing (Timing TBD) Second DC (Benefits begin Q4)
Labor	Freshpet Academy: Yield, Throughput & Quality Improvements		
Operations	High Speed Lines: Kitchens South Lines 2 & 3, Ennis Lines		
Risk Mgmt		Increased Pricing to Offset Increasing Inflation (Timing TBD)	

Note: Initiatives must also offset ongoing mix shift towards lower margin bags and Kitchens South production

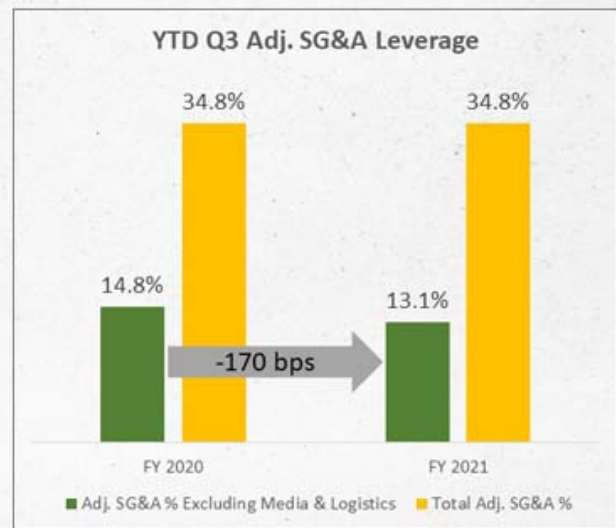
Continue to deliver significant SG&A leverage excluding media & logistics



39.1%

39.4%

● SG&A (GAAP)



43.2%

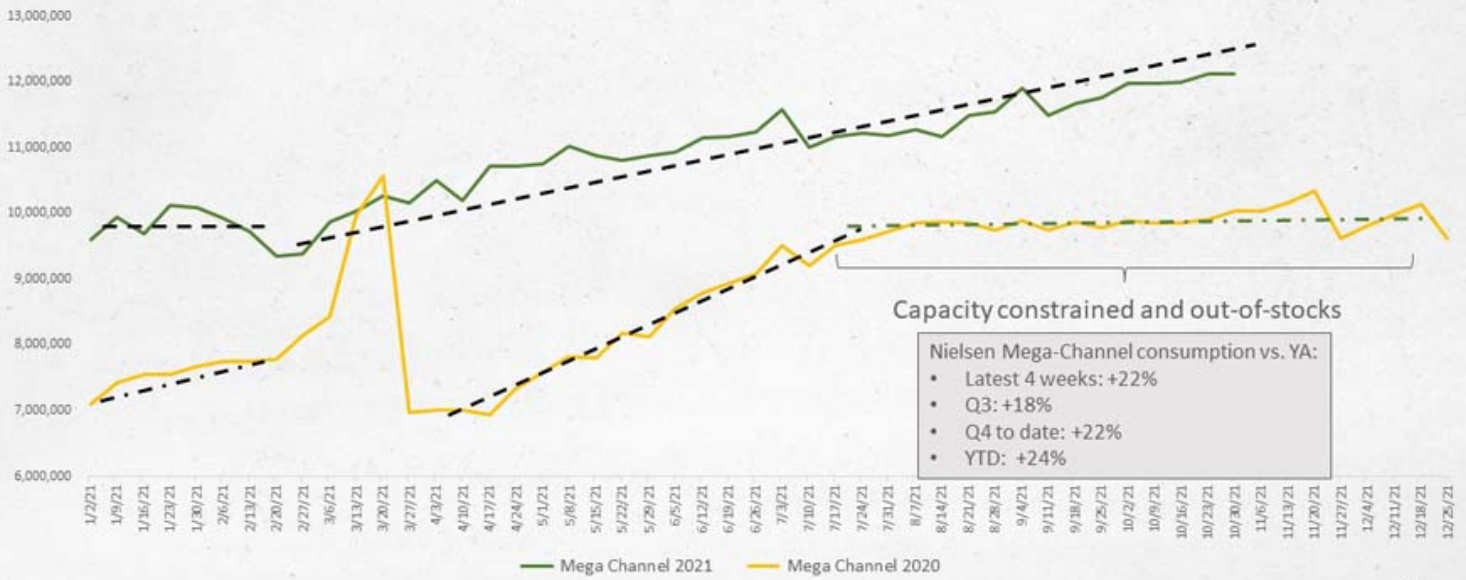
44.6%



Market Data

Consumption growth vs. YA projected to accelerate through 2H21

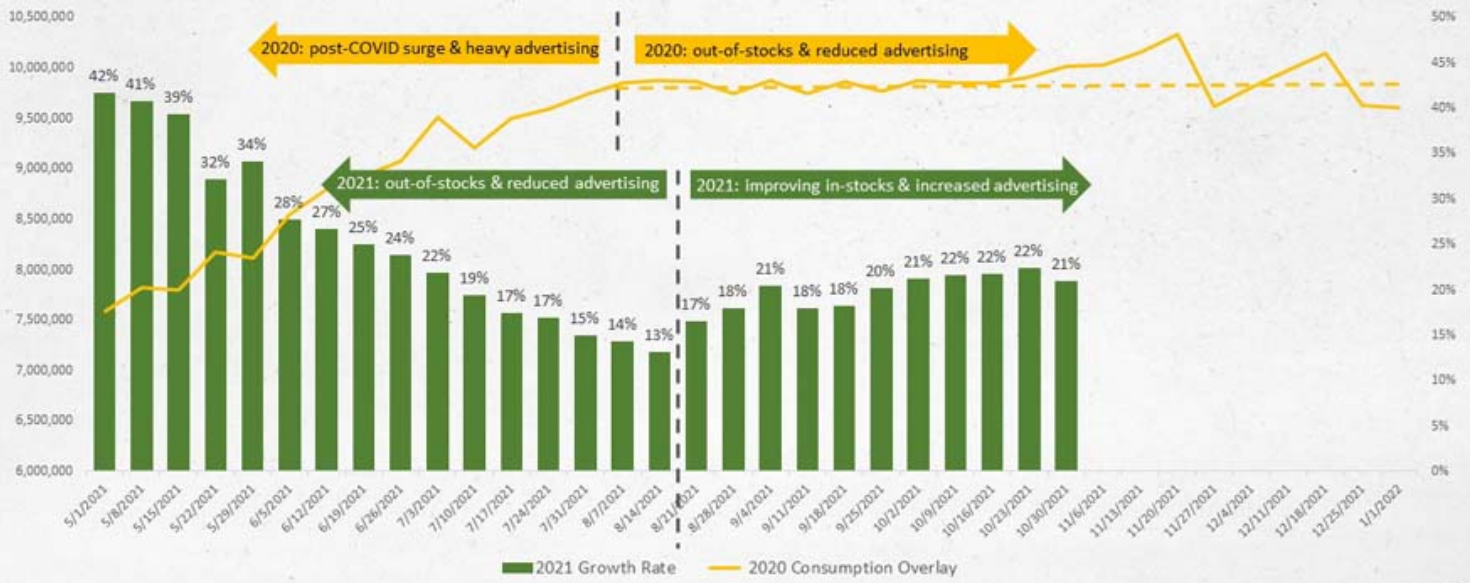
Nielsen Mega-Channel Consumption



Source: Nielsen Mega-Channel Data thru 10/30/21

Inflection point: 2021 growth rate re-accelerates as in-stocks improve & advertising investment increases

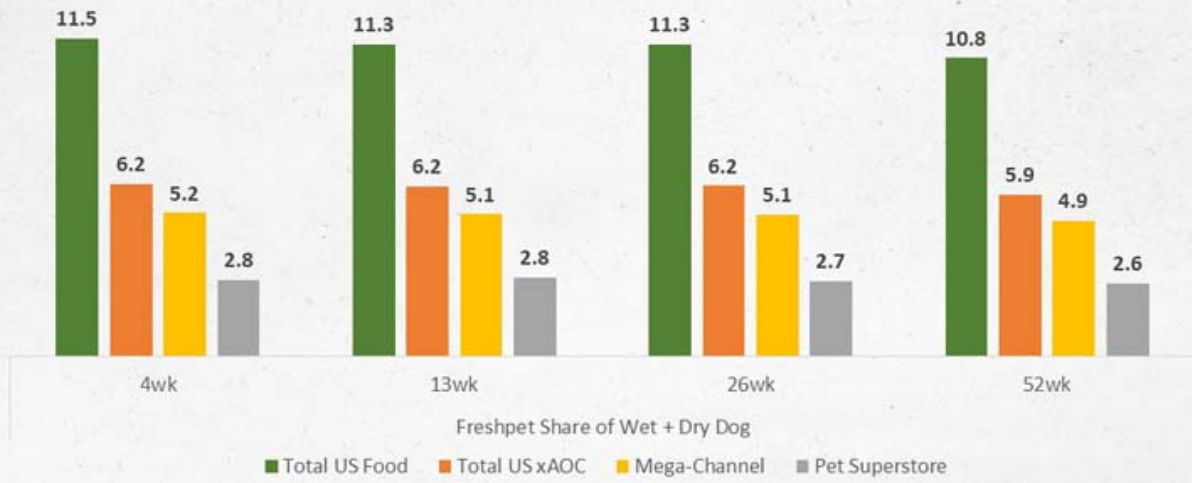
Freshpet 2021 Growth Rate vs. 2020 Consumption



Source: Nielsen Mega-Channel Data thru 10/30/21

Freshpet: Building meaningful share of the category

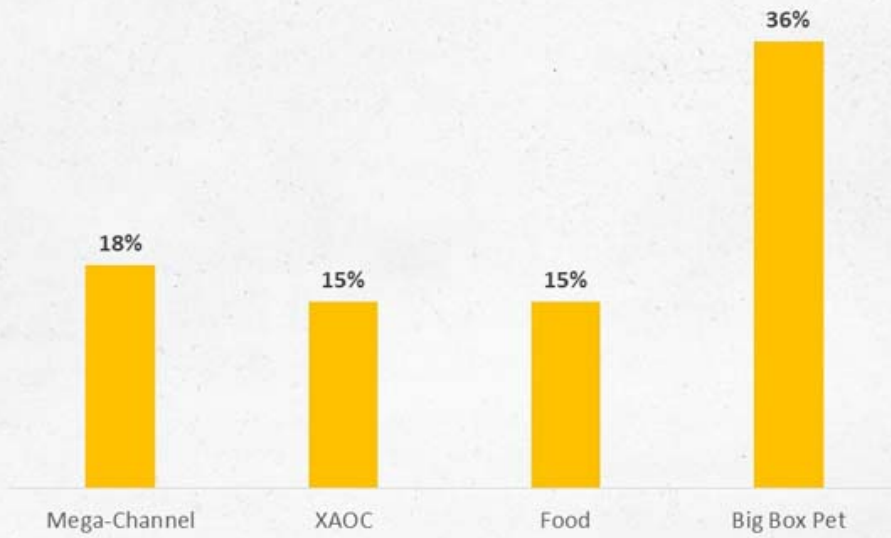
Freshpet \$ Share of Wet & Dry Dog



Source: Nielsen Mega-Channel Data thru 10/09/21

Out-of-stocks constrained growth in Q3; continued strength in pet specialty

Latest 13 Week Nielsen Consumption Growth



Source: Nielsen consumption data thru 9/25/21

Continued strong velocity gains

Freshpet Velocity

\$ / \$MM ACV

COVID Crisis



Source: Nielsen Mega-Channel Data thru 10/30/21

\$ / \$ MM ACV = Nielsen Measured Mega-Channel sales / retail availability as measured in \$MM of All Commodity Volume (ACV)

On a total brand basis, Freshpet now rivals the leading brands in the grocery channel

Total Wet & Dry Dog Food Brands Dollar Sales: US Food

(Latest 13wks thru 10/09/21 -- \$M)

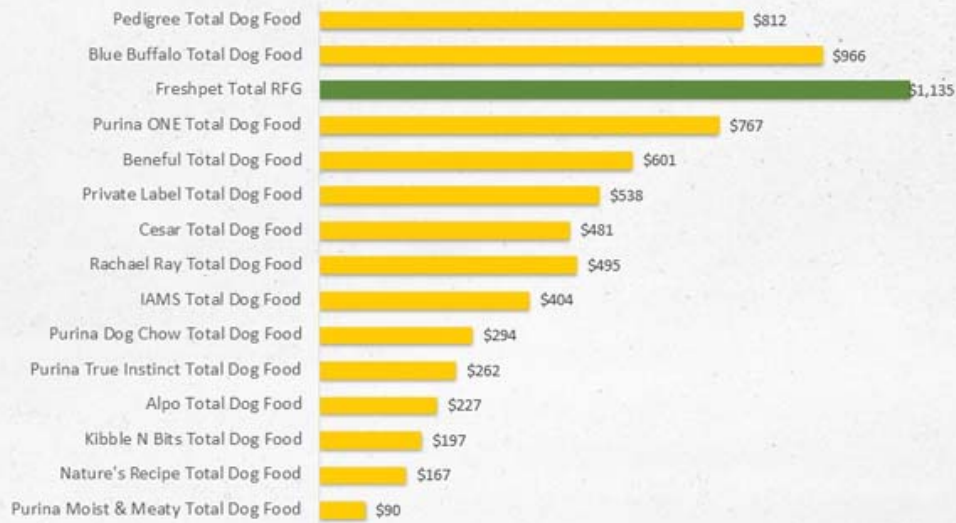


Source: Nielsen Mega-Channel Data thru 10/9/21

Freshpet velocity leads the category in grocery

Total Wet & Dry Dog Food Brands Dollar Velocity: US Food

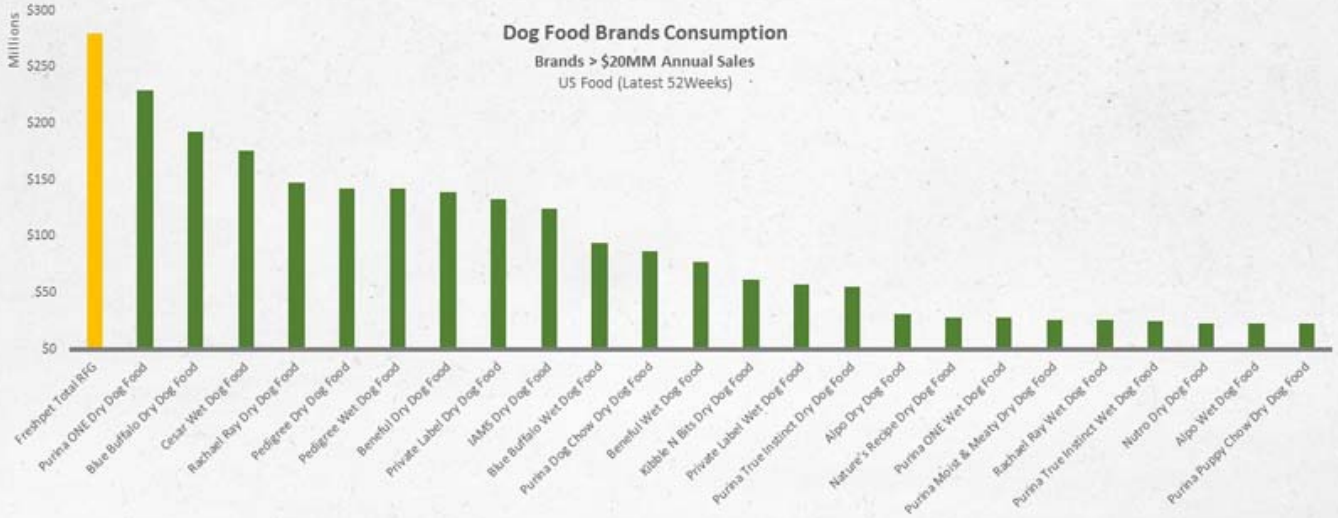
(Latest 13wks \$/%ACV thru 10/09/21 -- \$M)



Source: Nielsen Mega-Channel Data thru 10/9/21

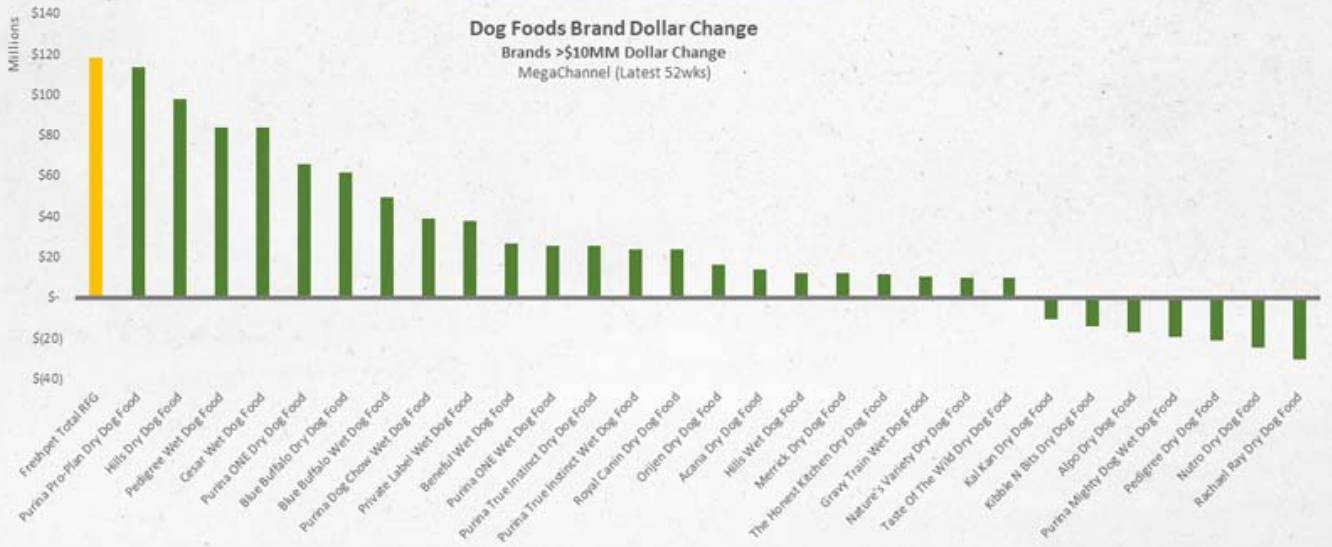
Retailers paying attention: Freshpet is #1 brand by dollar sales in US Food

Larger Dollar Sales Than All Dry Dog Food Brands in US Food (Grocery)



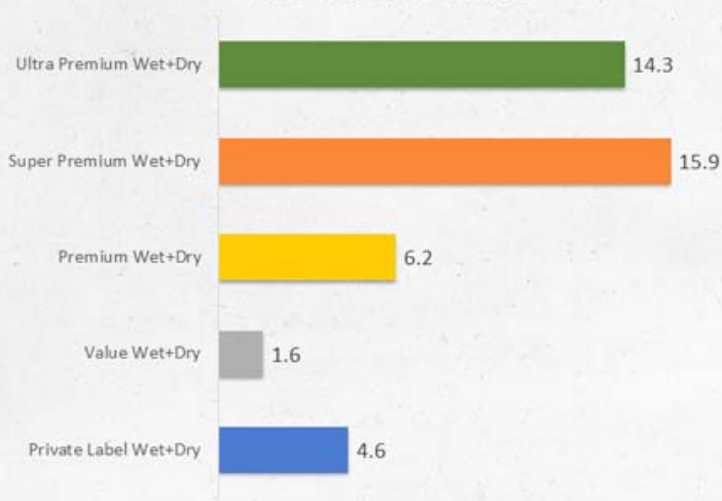
Retailers paying attention: Freshpet is fastest growing brand by dollar sales

Largest Dollar Growth in Wet & Dry Dog Food

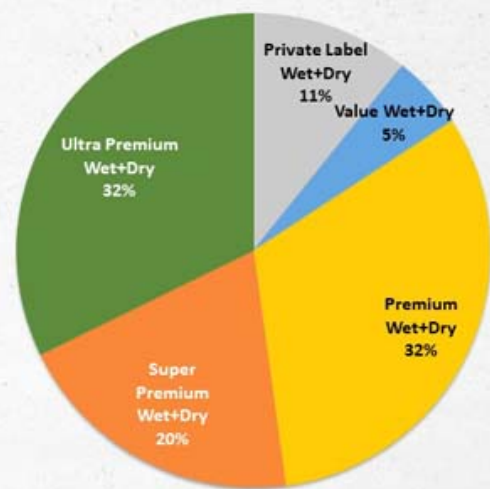


Category growth skews towards premium items

Growth by Value Segment
Latest 13wks dollar sales vs. YA



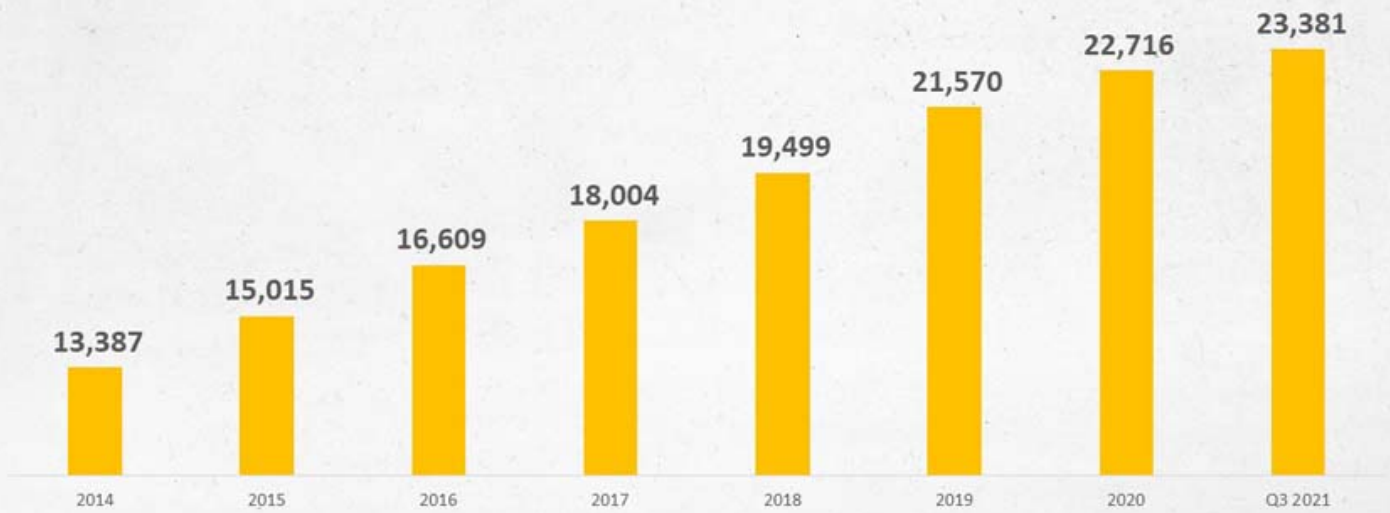
Value Segment Size
Latest 13wk Dollar Share



Source: Nielsen Mega-Channel Data thru 10/09/21

Despite out-of-stocks, store count continued to grow

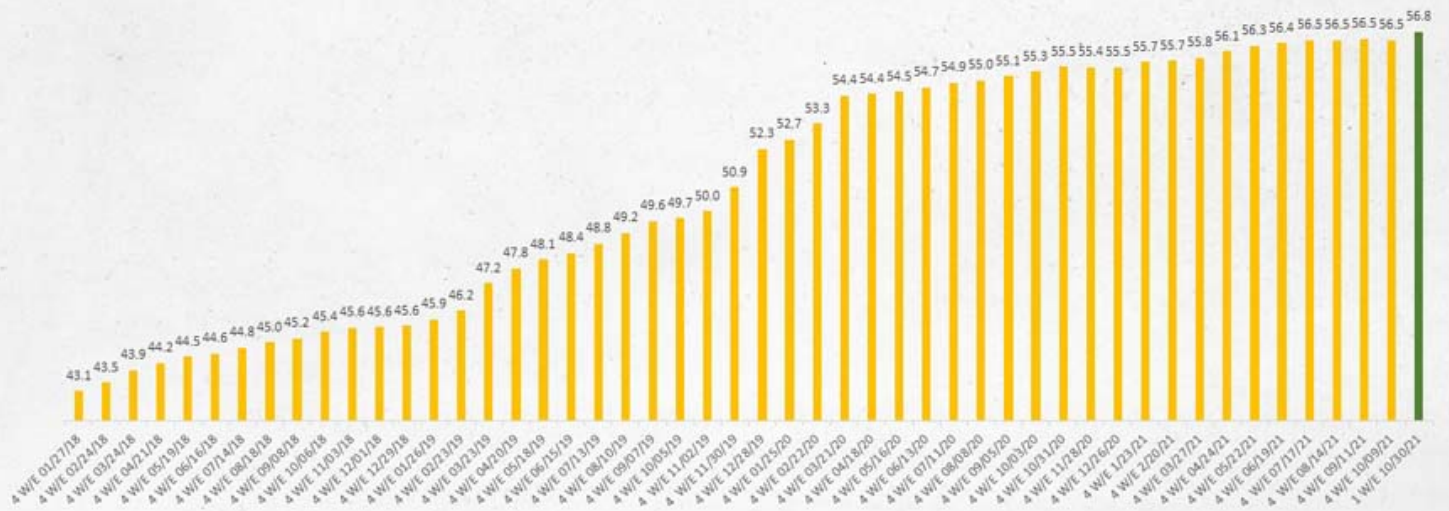
Freshpet Store Count



Source: Internal data for the period ending 9/25/21

Distribution growth continues despite capacity limits

Freshpet % ACV



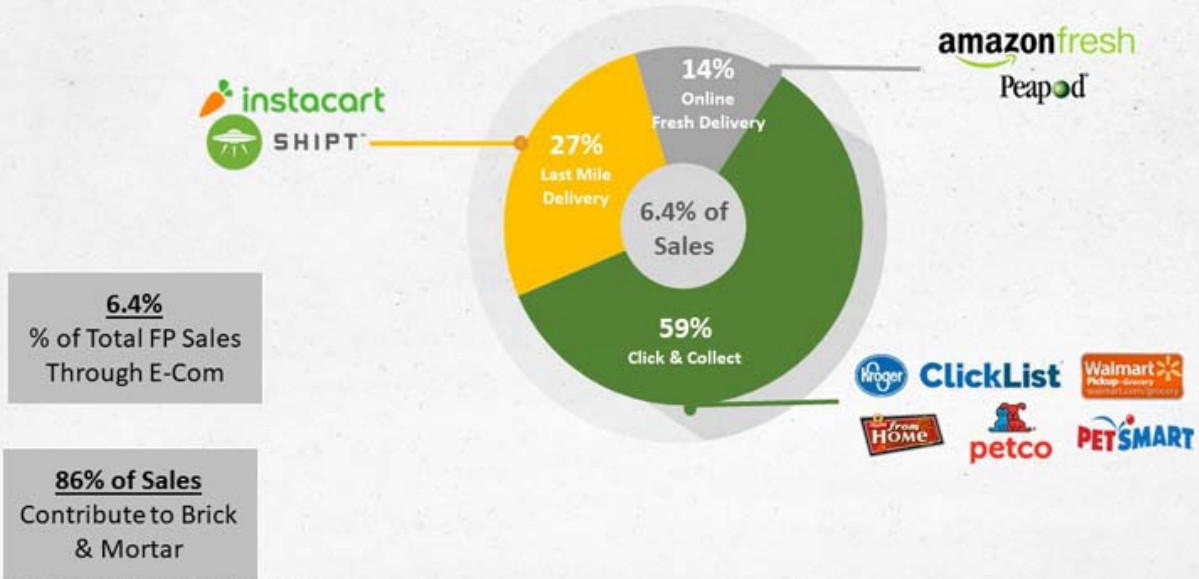
Source: Nielsen Mega-Channel Data thru 10/30/21

Q3: Continued increases in retail availability & visibility



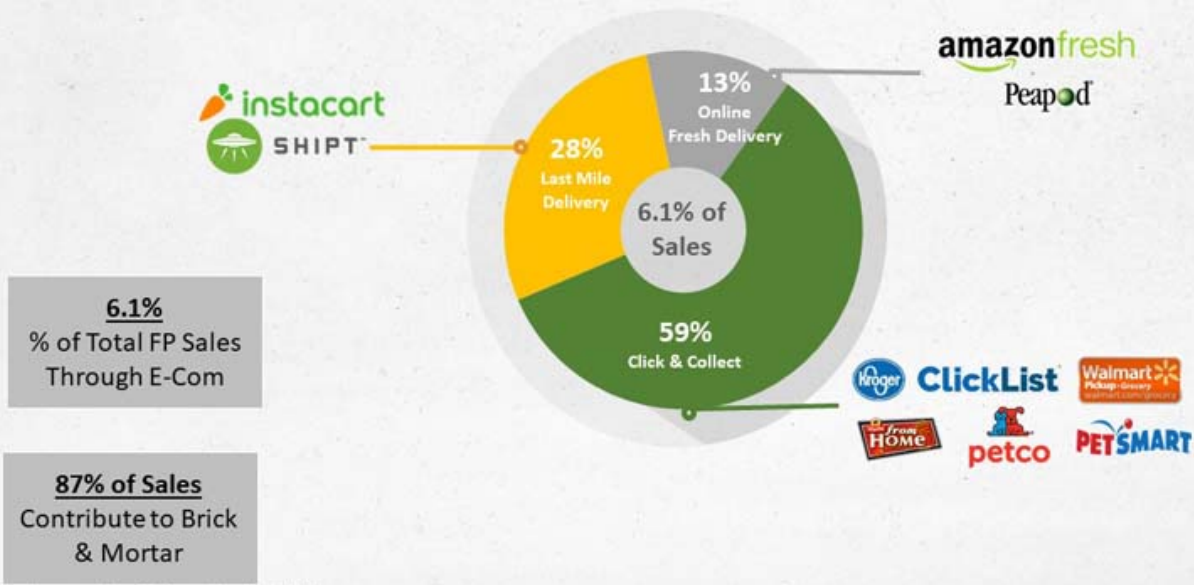
Source: internal company data through 9/25/21

Q3 2021 Freshpet E-Com grew +57% vs. YA



Source: Internal company data for the period ending 9/30/21

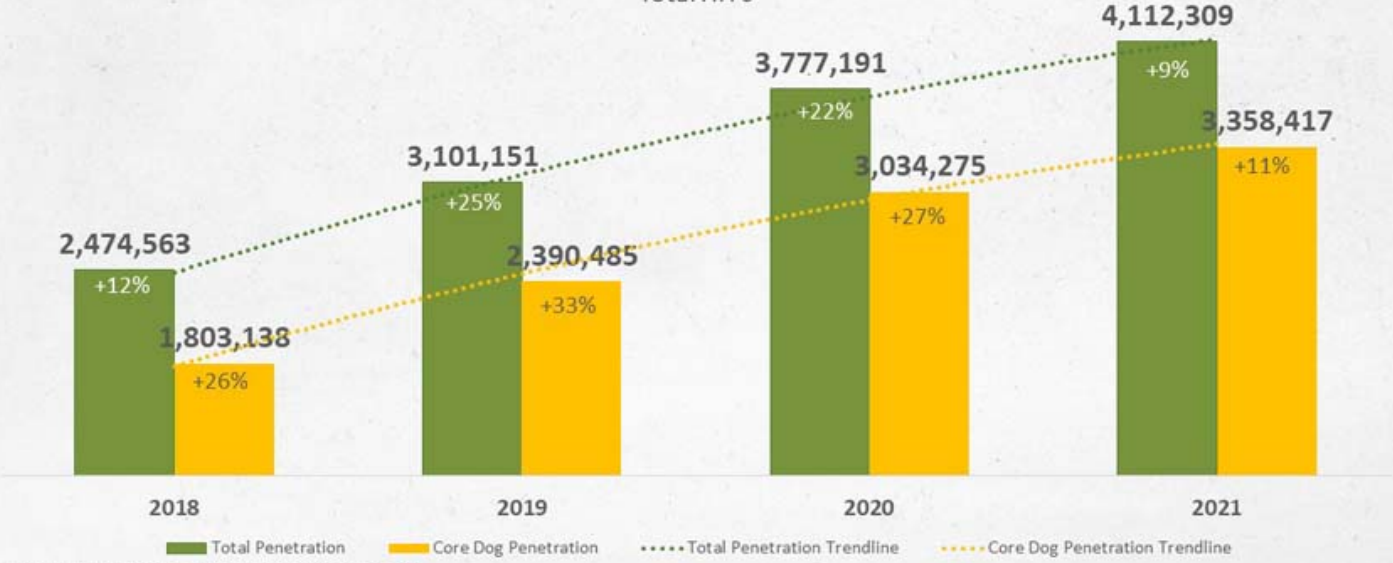
YTD Q3 2021 Freshpet E-Com grew +74% vs. YA



Source: Internal company data for the period ending 9/30/21

HH penetration growth is temporarily restrained by out-of-stocks

Freshpet Penetration Growth
Total HH's



Source: Nielsen HH Panel for the period ending mid-October 2017-2021

Exceeded 4 MM HH's: On our way to 11 MM HH goal

Progress Towards 2025 Household Penetration Goal



Source: Nielsen HH Panel for the period ending 10/9/21

Buying rate continues to grow despite out-of-stocks

Freshpet Buying Rate



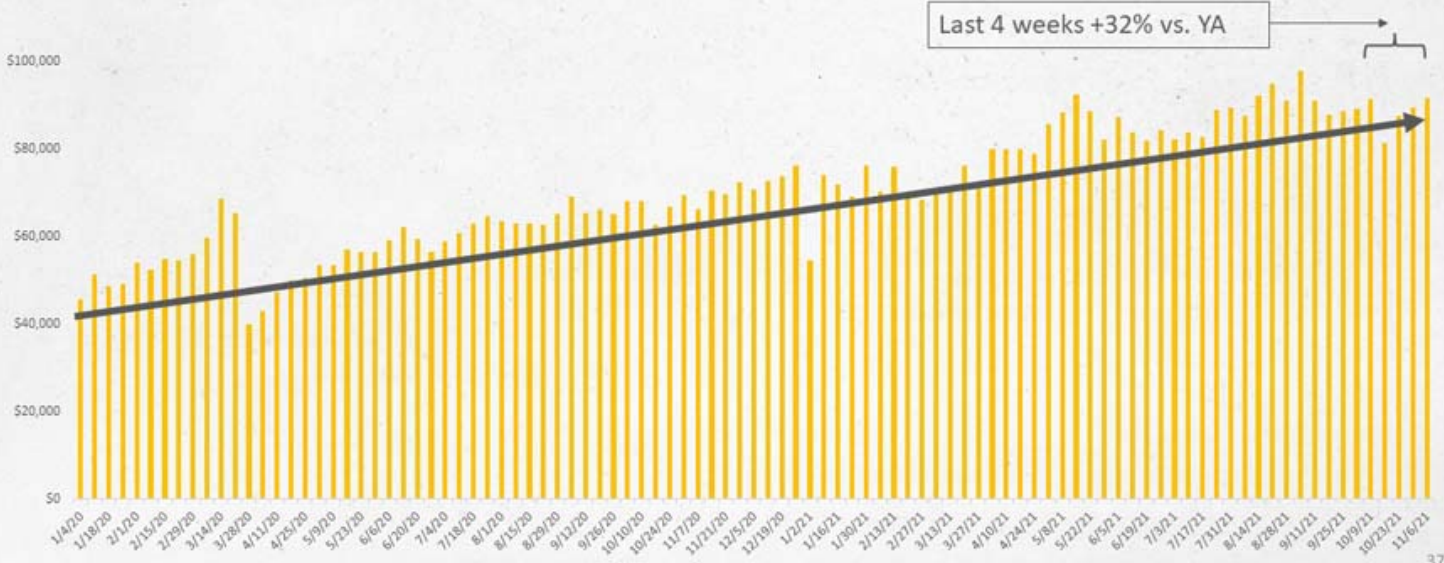
Source: Nielsen HH Panel for the period ending mid-October 2017-2021 and company internal data



International Business

Canadian business accelerating behind advertising investment

Leading Canadian Freshpet Retailer
Weekly Sales

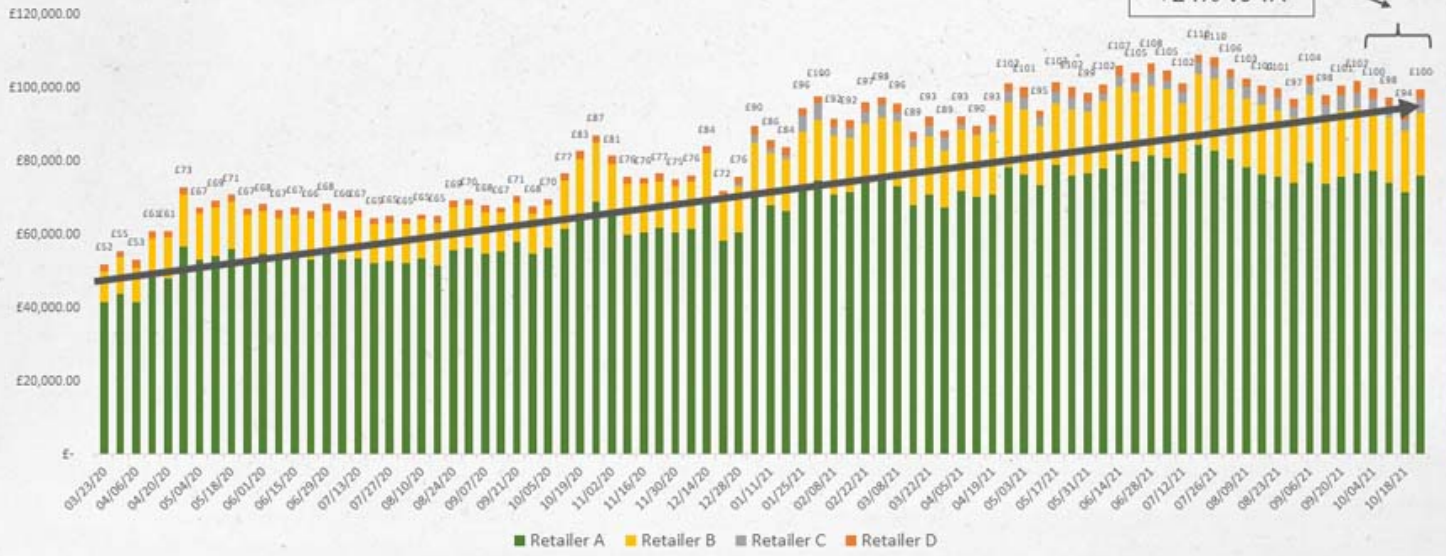


Source: internal company data for the period ending 11/6/21

Freshpet's advertising-driven model works in the UK

Freshpet UK
Weekly Sales by Retailer

Last 4 weeks:
+24% vs YA



Source: internal company data for the period ending 10/30/21



Guidance

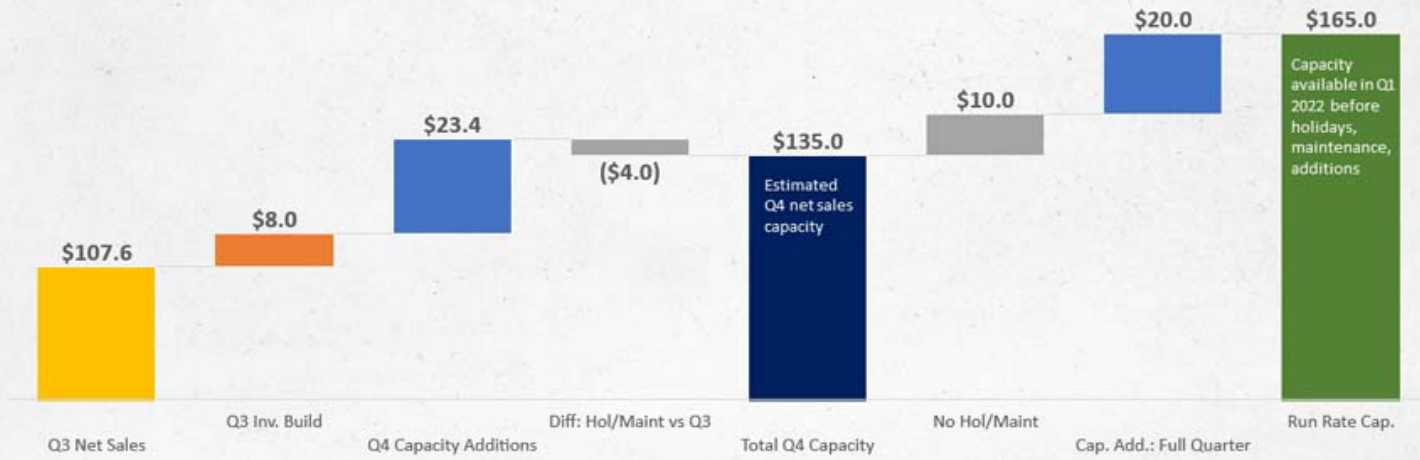
2021 Adj. EBITDA guidance updated to reflect incremental inflation and temporary inefficiencies

\$ in Millions	Previous	New	Change
Net Sales vs. YA	>\$445 +40%	~\$445 +40%	--
Adjusted EBITDA vs. YA	>\$61 +30%	~\$50 +7%	-\$11

- **Net Sales:** Provides consideration for delay in Kitchens South Line #2 start-up timing
- **ERP Conversion:** Delayed to February 2022 due to need for improved inventories to protect against out-of-stocks in the event of production challenges post-conversion
- **COVID Addback:** Anticipating \$2.0 million in COVID-related costs in 2021; we have rolled back supplemental compensation due to broadly available vaccines

We expect to have significantly more net sales capacity in Q4 than Q3

Q3 to Q4 2021 Production Capacity Bridge



Q4 Capacity Additions = 1) Net impact of return of RM 1 to service; 2) Full quarter impact of 24/7 in Kitchens 2; 3) Partial quarter of Kitchens South Line 2

Q4 net sales will grow significantly vs. Q3 and YA



Increased production capacity



Volume from re-filling trade inventory



Improved in-store availability



Strongest Q4 marketing investment ever



Healthy demand for Freshpet in Q4

Inflation and temporary operating inefficiencies accelerated in Q3 and expected to continue in Q4

Key cost element	Chicken 	Beef 	Packaging 	Labor 	Freight 
Potential cost impact	Priced annually in December; likely impact next year	Priced quarterly; assumed in plan	Floats with resin price; increases seen in all materials	Labor market tightness is driving cost increases at virtually every supplier	Assumed inflation but exceeding expectations; fuel costs have skyrocketed

- Full year 2021 adj. gross margin will be below 2020 (<48.3%)
- We need increased pricing and elimination of temporary operating inefficiencies to restore adj. gross margin
- Announced plans to increase prices 4.8% at the end of this year
- Will consider additional pricing if increased costs necessitate it

COVID Impact & Addback

Q1 Results

- Includes \$950K of COVID-related addbacks for supplemental wages to production team, incremental sanitation and health screening, and above normal absenteeism

Q2 Actuals

- Team members became eligible for vaccines on March 31, 2021
- Offered team members an incentive to provide documentation that they have successfully been vaccinated
 - 2 days of paid time off if vaccinated by June 1; 1 day of paid time off if vaccinated between June 1 and August 1
 - \$25 gift card
 - Entered in drawing to win \$1500
- Continuing all safety protocols, supplemental wages, testing/quarantine costs

Q3 Actuals & Q4 Expectations

- Anticipated completion of COVID addback
- Final quarter of supplemental pay and compensation for testing/quarantine in Q3
- Likely to maintain screening and sanitation as an ongoing cost that we can absorb
- Will begin testing in Q1 2022



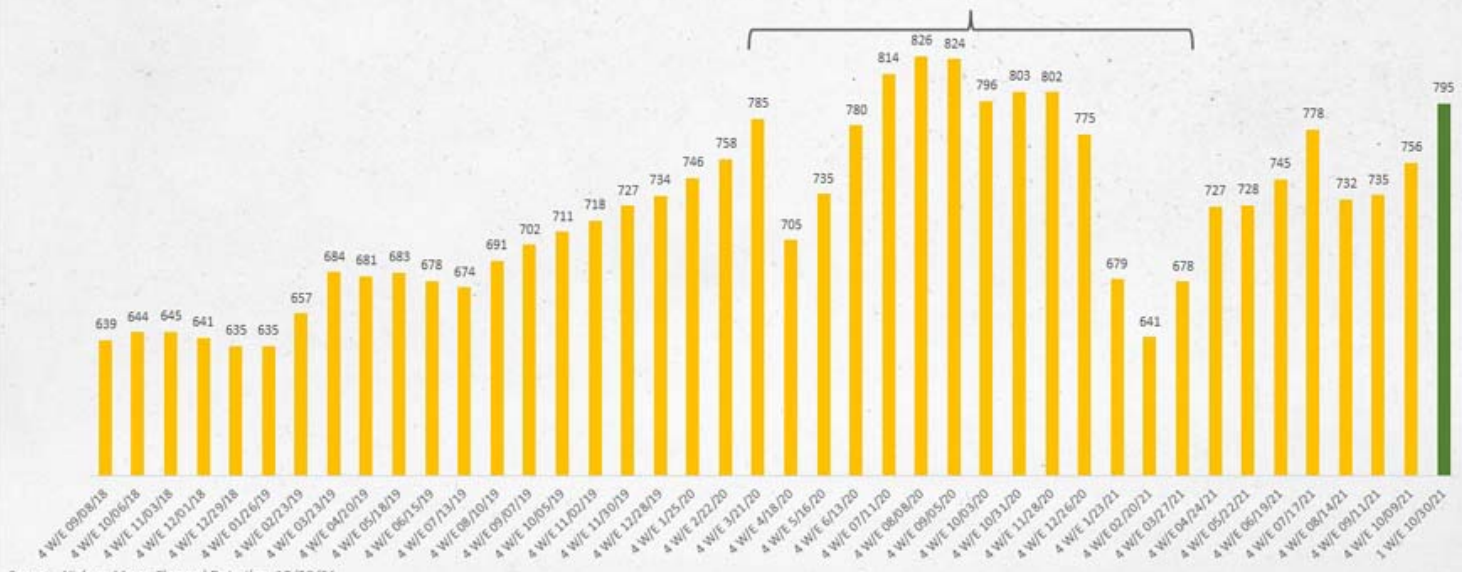
Progress Towards Improved Retail Conditions

Retail availability is improving

Freshpet Total Distribution Points (TDP)

Nielsen Mega-Channel

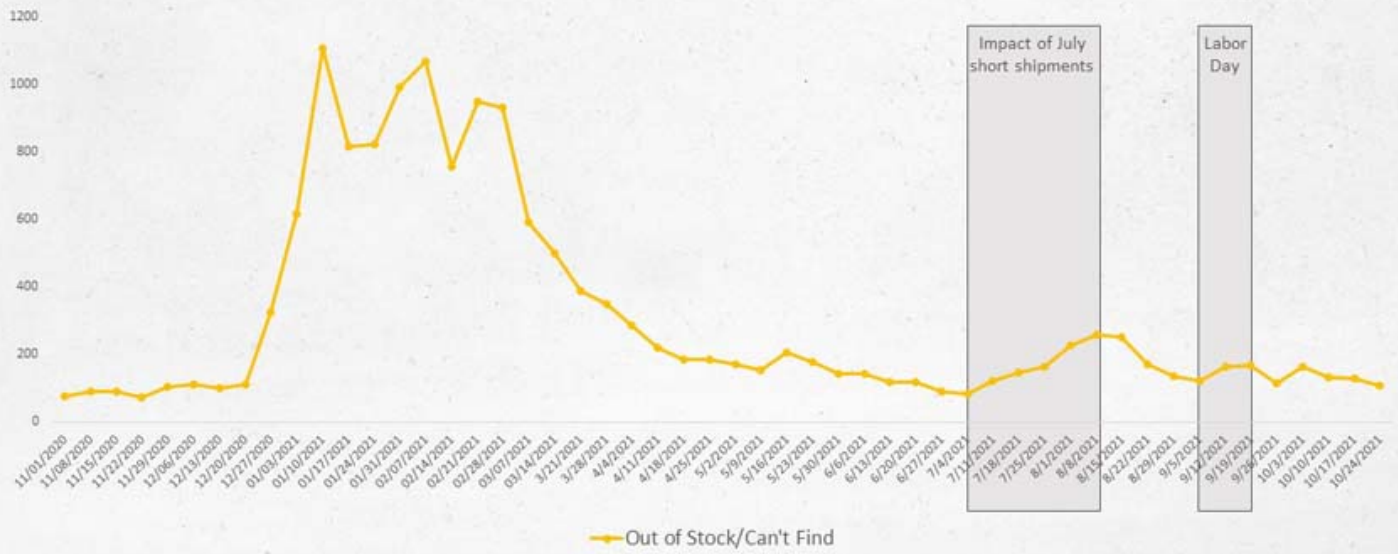
COVID Crisis



Source: Nielsen Mega-Channel Data thru 10/30/21

Out-of-stocks have improved significantly

Freshpet Consumer Comments: Out-of-stock & Can't find

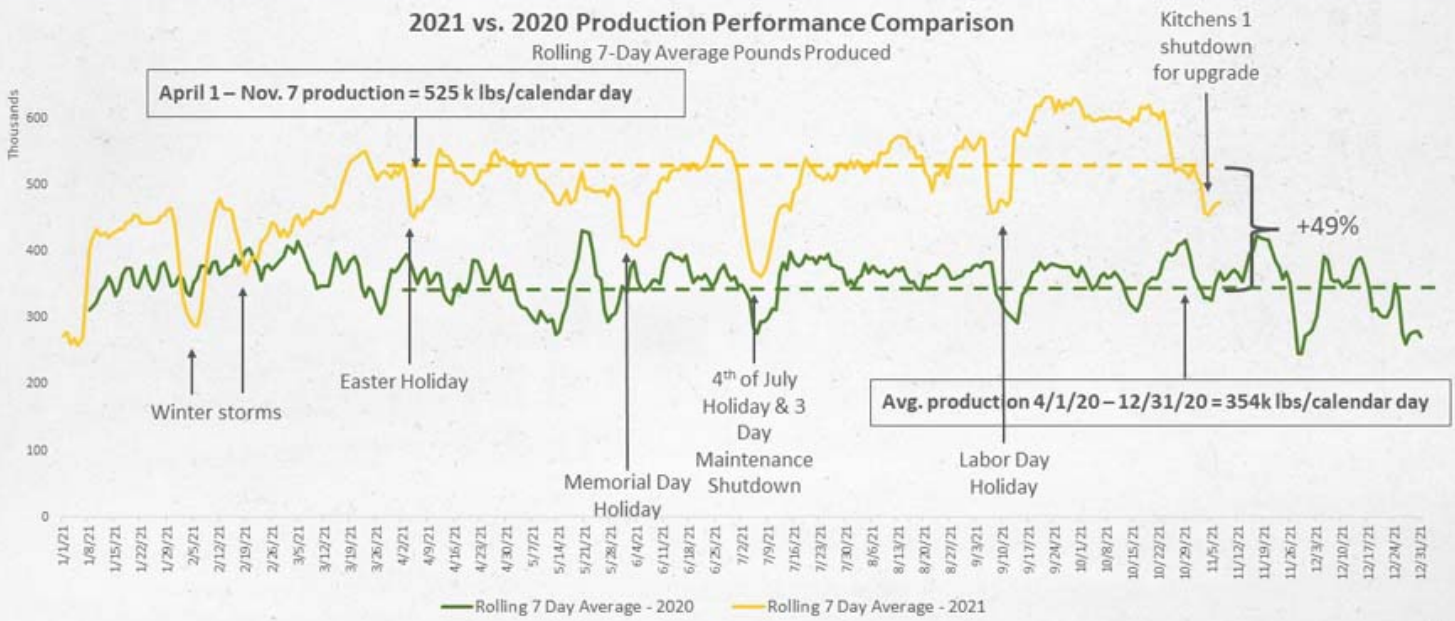


Source: Internal company data

Production is running well ahead of YA with more capacity coming on-stream

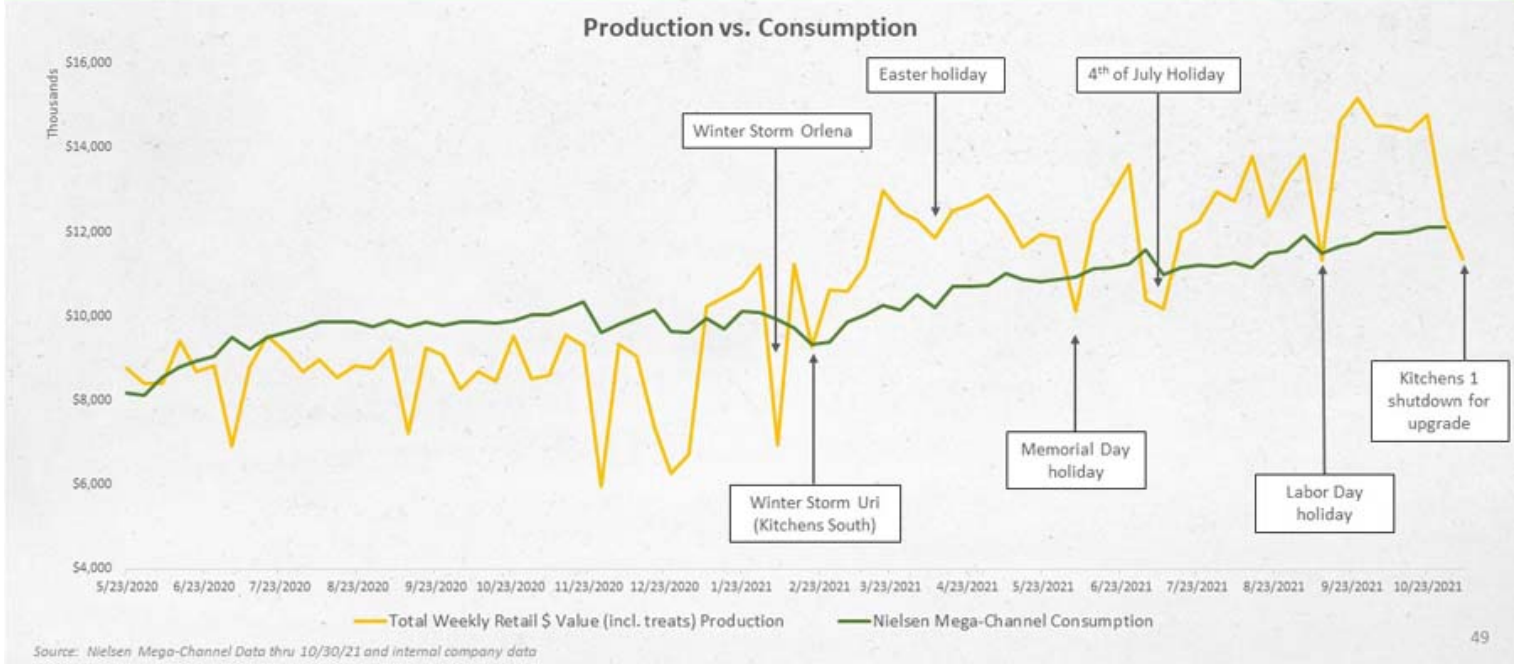
2021 vs. 2020 Production Performance Comparison

Rolling 7-Day Average Pounds Produced



Source: internal company data through 11/7/21

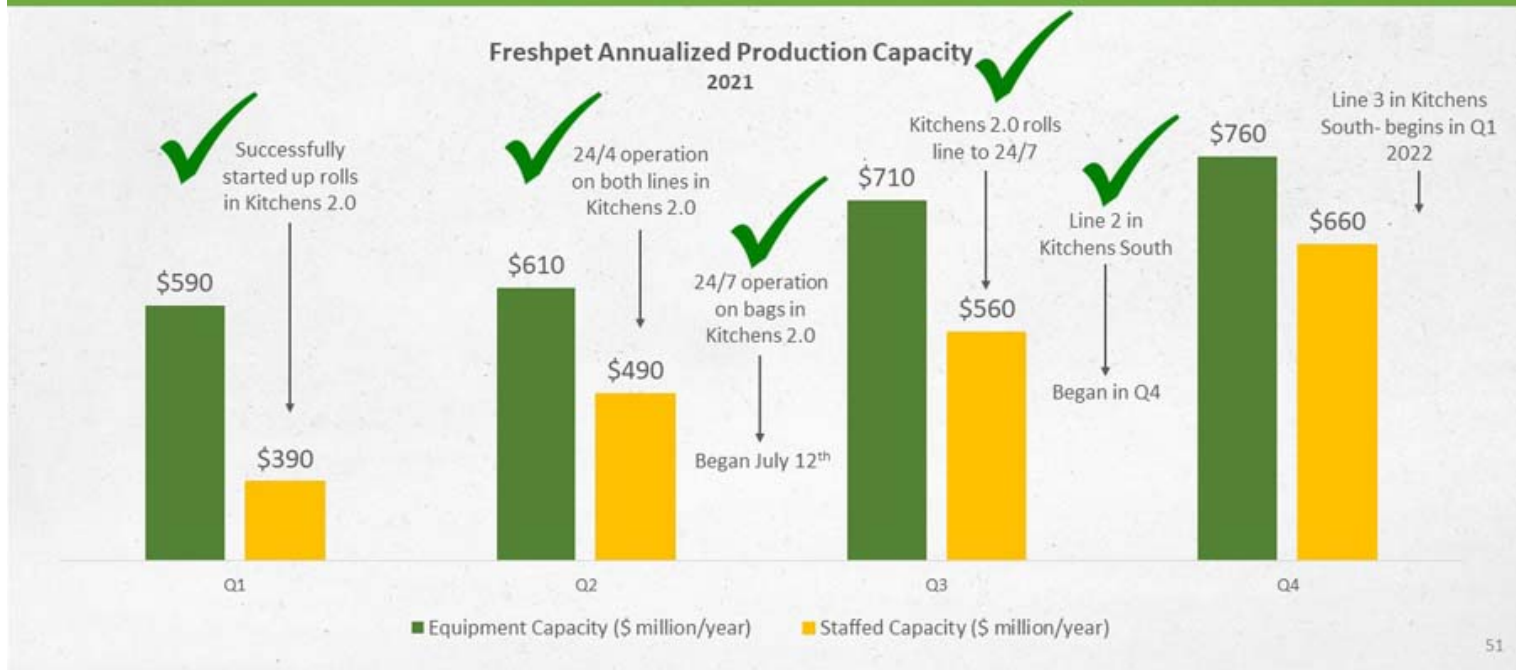
Outside of holidays, snowstorms and upgrades, production is in excess of consumption every week this year



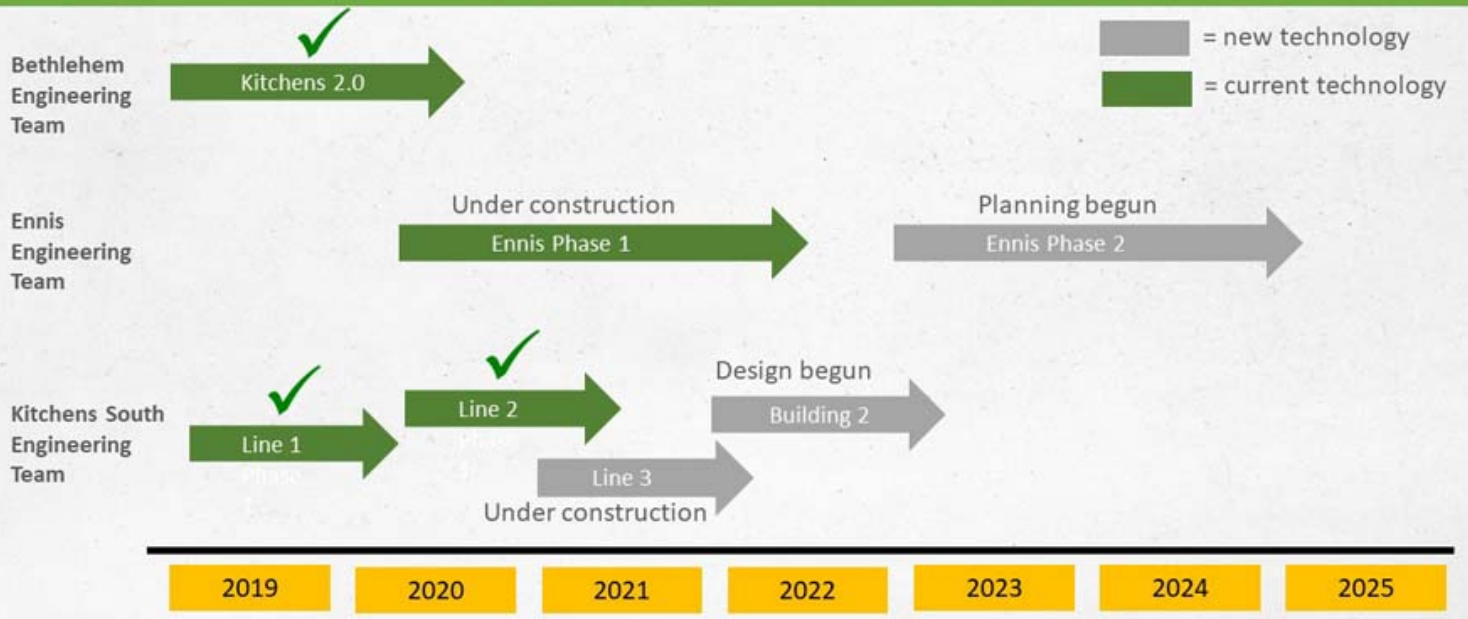


Projects to Increase Capacity

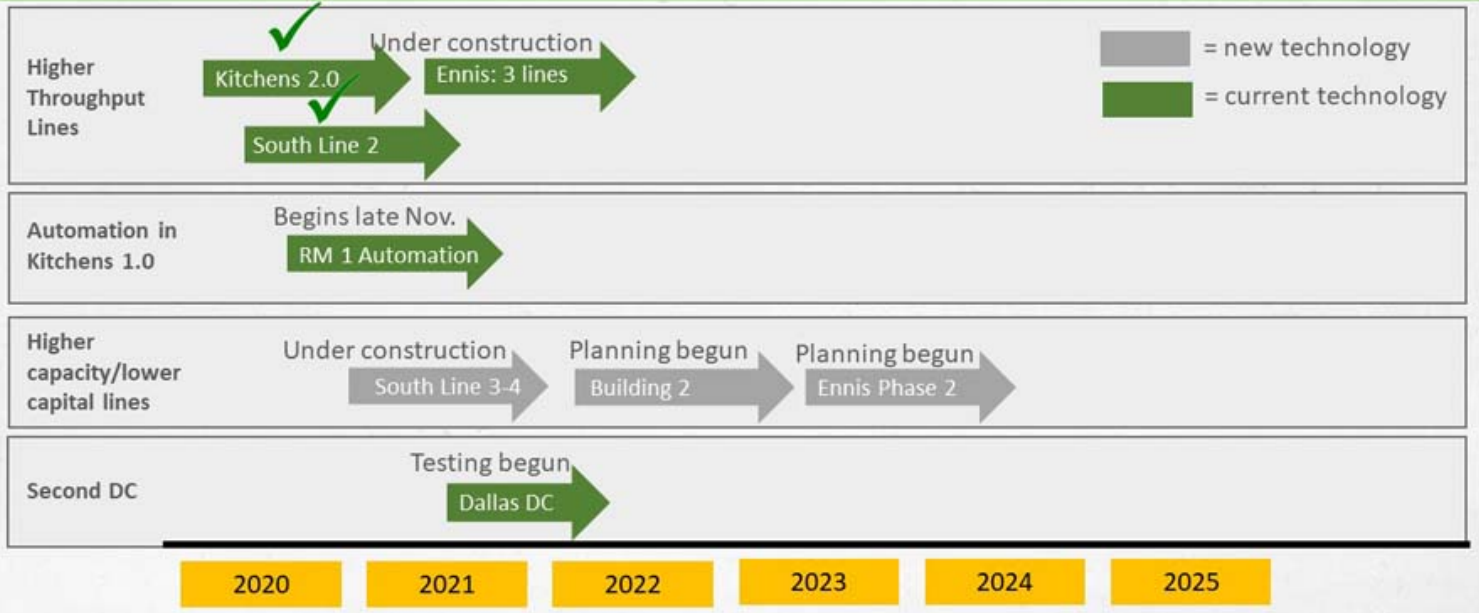
Steady increases in production capacity throughout 2021



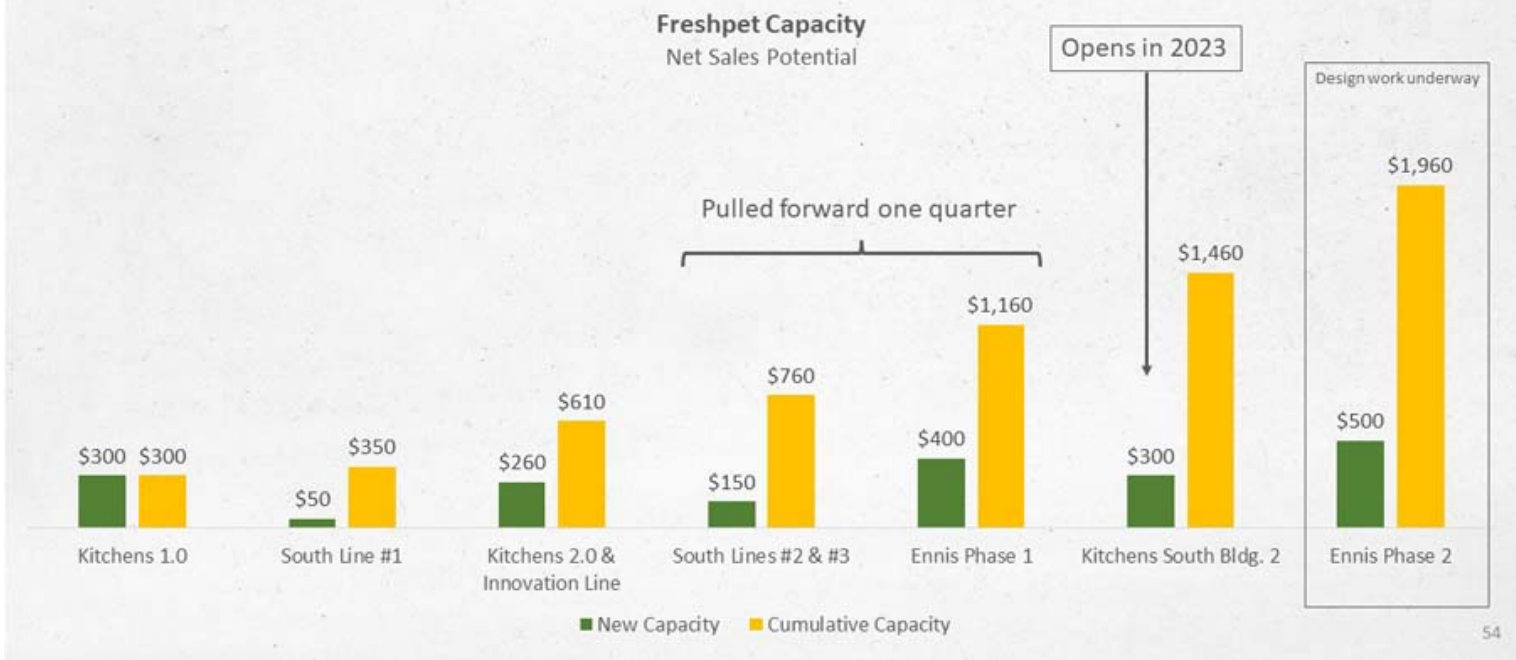
Key capacity projects remain on track



Key efficiency improvement projects underway



Almost \$2 billion in net sales production capacity by 2025



Kitchens 2.0 is now running 24/7 on all lines



Kitchens 3.0 in Ennis, TX: Construction is still on track for a Q2 2022 start-up



Kitchens 3.0 will include all the technical advances found in Kitchens 2.0 with additional improvements designed to increase throughput, improve quality and safety, and enhance the environmental sustainability of the facility



Freshpet Kitchen in Ennis, TX
October 2021

"Feed the Growth" creates scale and leverage through accelerated growth rate





freshpet[®]

FEED THE GROWTH

11 MILLION HH BY 2025





Appendix

FRESHPET, INC. AND SUBSIDIARIES
RECONCILIATION BETWEEN GROSS PROFIT AND ADJUSTED GROSS PROFIT

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Gross Profit	\$ 41,525	\$ 36,654	\$ 120,931	\$ 102,377
Depreciation expense	4,075	2,129	11,896	6,422
Plant start-up expense (a)	588	1,828	3,561	3,020
Non-cash share-based compensation	1,058	484	2,970	1,425
COVID-19 expense (b)	119	395	1,753	2,157
Adjusted Gross Profit	\$ 47,365	\$ 41,490	\$ 141,111	\$ 115,402
Adjusted Gross Profit as a % of Net Sales	44.0%	49.3%	45.6%	49.3%

- (a) Represents additional operating costs incurred in connection with the start-up of our new manufacturing lines as part of the Freshpet Kitchens expansion projects.
- (b) Represents COVID-19 expenses including (i) costs incurred to protect the health and safety of our employees during the COVID-19 pandemic, (ii) temporary increased compensation expense to ensure continued operations during the pandemic, and (iii) costs related to mitigating potential supply chain disruptions during the pandemic included in cost of goods sold.

FRESHPET, INC. AND SUBSIDIARIES
RECONCILIATION BETWEEN SG&A EXPENSES AND ADJUSTED SG&A EXPENSES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
SG&A expenses	\$ 42,365	\$ 32,895	\$ 137,955	\$ 101,273
Depreciation and amortization expense	3,671	2,923	10,593	8,524
Non-cash share-based compensation	4,688	2,863	15,546	6,386
Launch expense (a)	562	760	2,311	2,403
Loss on disposal of equipment	412	1,265	518	1,301
Equity offering expenses (b)	—	—	—	58
Enterprise Resource Planning (c)	273	428	1,123	830
COVID-19 expense (d)	—	187	5	283
Adjusted SG&A Expenses	\$ 32,759	\$ 24,468	\$ 107,859	\$ 81,488
Adjusted SG&A Expenses as a % of Net Sales	30.4%	29.1%	34.8%	34.8%

- (a) Represents new store marketing allowance of \$1,000 for each store added to our distribution network, as well as the non-capitalized freight costs associated with Freshpet Fridge replacements. The expense enhances the overall marketing spend to support our growing distribution network.
- (b) Represents fees associated with public offerings of our common stock.
- (c) Represents implementation and other costs associated with the implementation of an ERP system.
- (d) Represents COVID-19 expenses including (i) costs incurred to protect the health and safety of our employees during the COVID-19 pandemic, (ii) temporary increased compensation expense to ensure continued operations during the pandemic, and (iii) costs related to mitigating potential supply chain disruptions during the pandemic included in SG&A.

FRESHPET, INC. AND SUBSIDIARIES
RECONCILIATION BETWEEN NET INCOME (LOSS) AND ADJUSTED EBITDA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Net (loss) income	\$ (2,070)	\$ 3,547	\$ (20,433)	\$ 110
Depreciation and amortization	7,746	5,052	22,489	14,946
Interest expense	677	216	2,232	999
Income tax expense	16	22	48	65
EBITDA	\$ 6,369	\$ 8,837	\$ 4,336	\$ 16,120
Loss on equity method investment	\$ 539	\$ —	\$ 1,124	\$ —
Loss on disposal of equipment	412	1,265	518	1,301
Non-cash share-based compensation	5,746	3,347	18,516	7,811
Launch expense (a)	562	760	2,311	2,403
Plant start-up expense (b)	588	1,828	3,561	3,020
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Adjusted EBITDA	\$ 14,608	\$ 17,048	\$ 33,247	\$ 33,983
Adjusted EBITDA as a % of Net Sales	13.6%	20.2%	10.7%	14.5%

- (a) Represents new store marketing allowance of \$1,000 for each store added to our distribution network, as well as the non-capitalized freight costs associated with Freshpet Fridge replacements. The expense enhances the overall marketing spend to support our growing distribution network.
- (b) Represents additional operating costs incurred in connection with the start-up of our new manufacturing lines as part of the Freshpet Kitchens expansion projects.
- (c) Represents fees associated with public offerings of our common stock.
- (d) Represents implementation and other costs associated with the implementation of an ERP system.
- (e) Represents COVID-19 expenses including (i) costs incurred to protect the health and safety of our employees during the COVID-19 pandemic, (ii) temporary increased compensation expense to ensure continued operations during the pandemic, and (iii) costs related to mitigating potential supply chain disruptions during the pandemic.