



pets. people. planet.

Q1 2021 Earnings Call
May 3, 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, 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 present the Company's guidance for fiscal year 2021. The Company does not provide guidance for the most directly comparable GAAP measure and similarly cannot provide a reconciliation to such measure without unreasonable effort due to the unavailability of reliable estimates for certain items. These items are not within the Company's control and may vary greatly between periods and could significantly impact future financial results.



Nourishing Pets, People and Planet

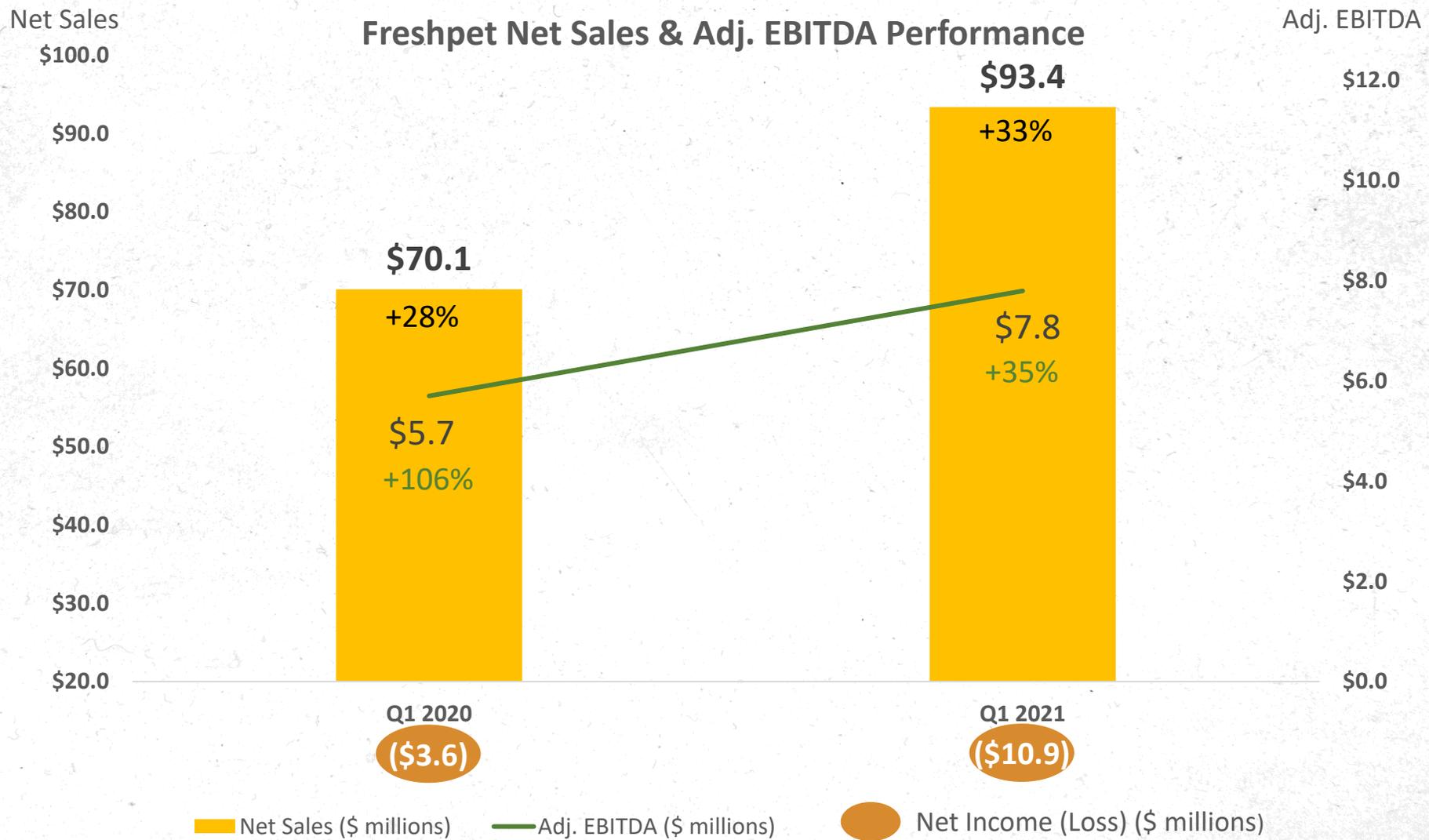
Freshpet strengthens the bond between **people** and our **pets** so that we both live longer, healthier and happier lives -- while being kind to the **planet**





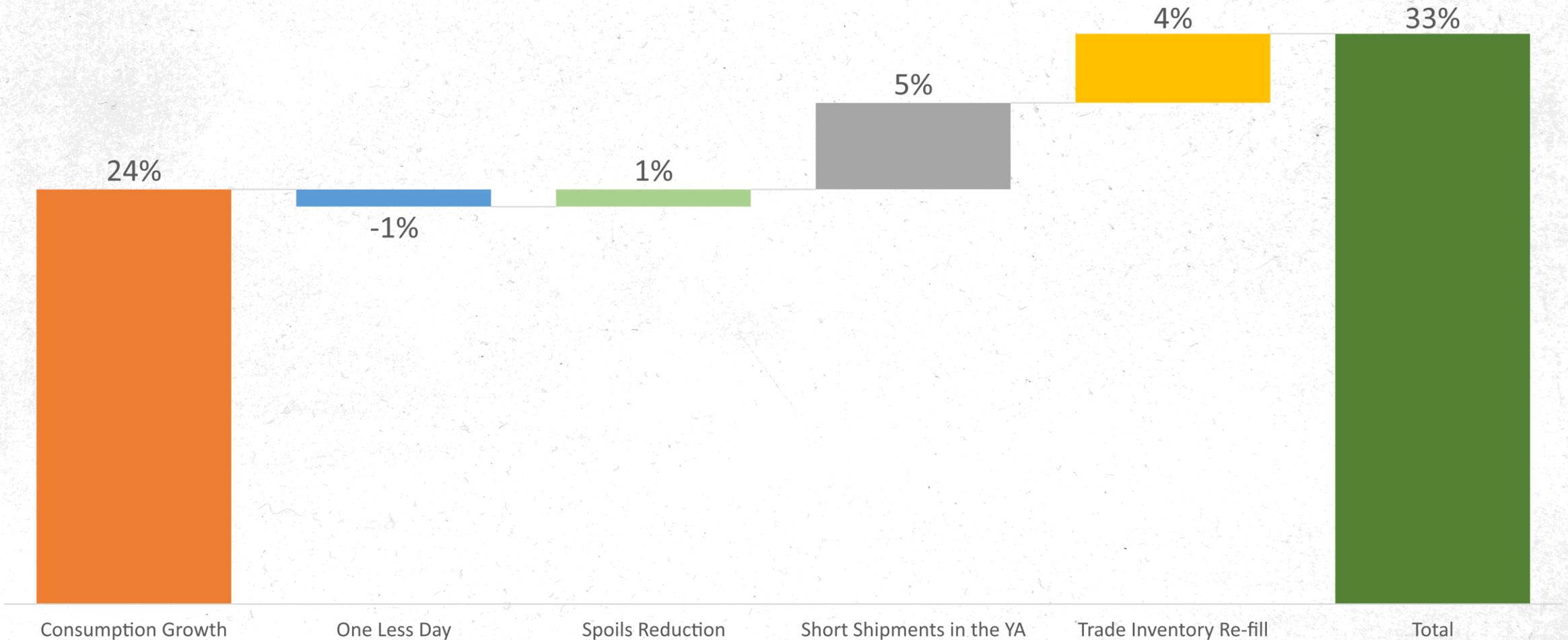
Q1 2021 Results

Q1 2021: Strong growth on both Net Sales & Adj. EBITDA



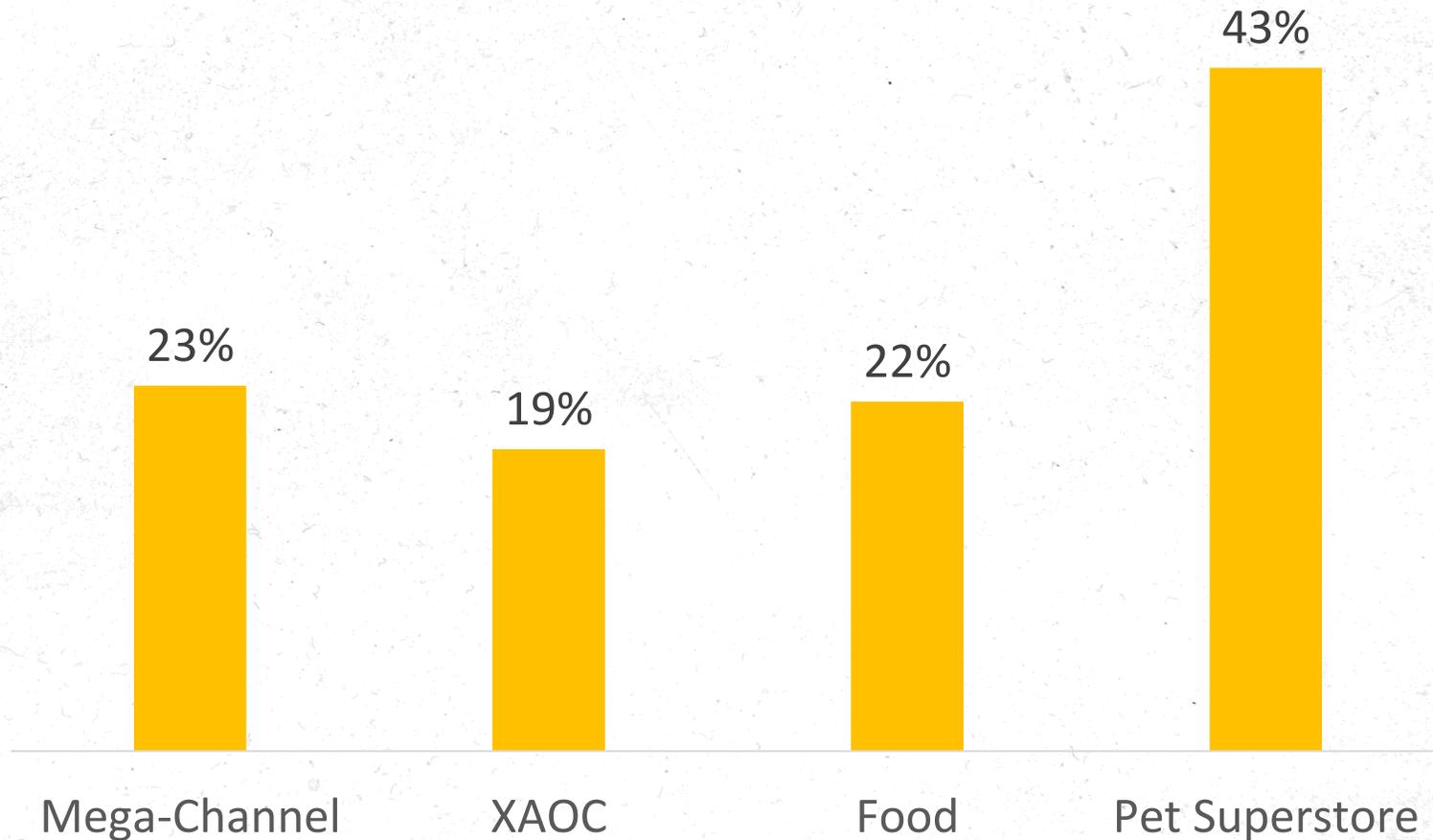
Re-filled ~\$3 million of trade inventory in Q1 despite losing \$3.5 million of production to snowstorms

Q1 2021 Net Sales Bridge to YA



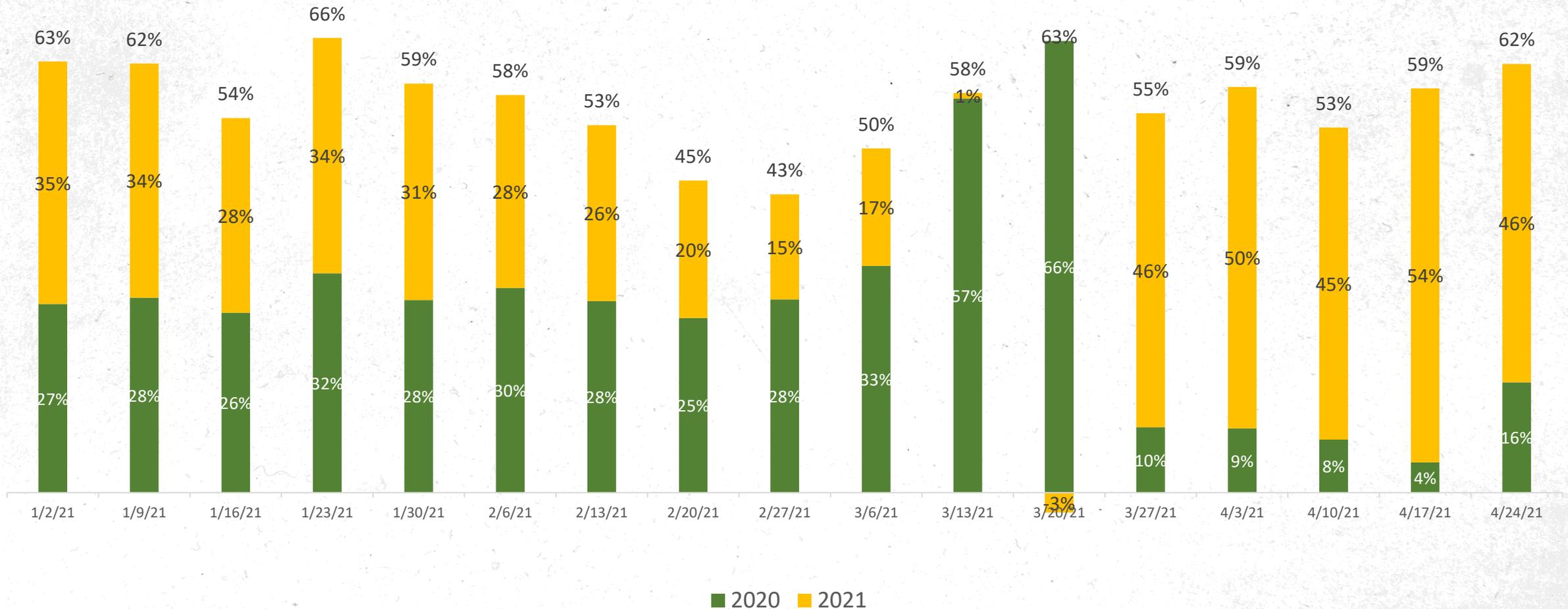
Strong growth despite out-of-stocks; continued strength in pet specialty

Latest 13 Week Nielsen Consumption Growth

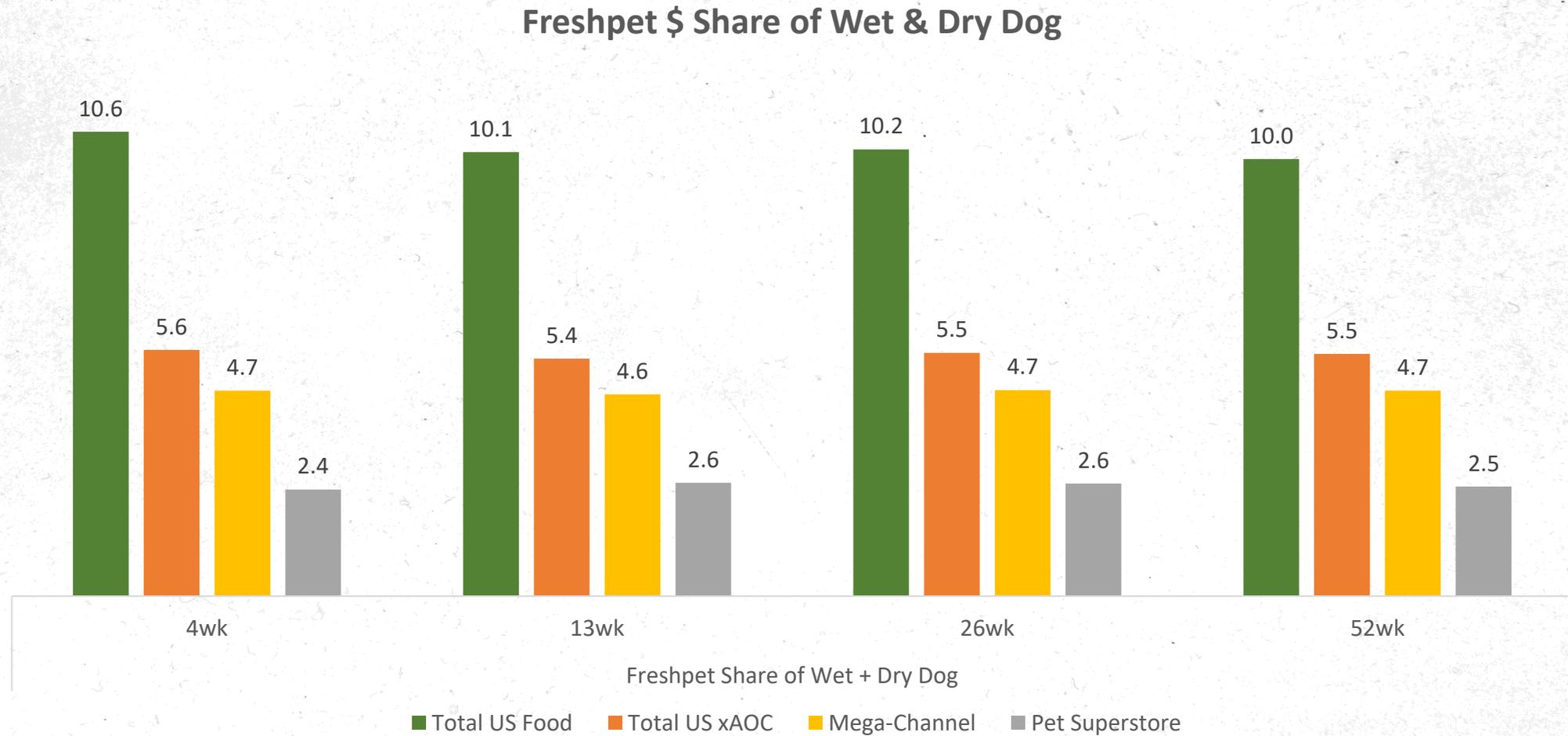


Strong growth on a 2-year stacked basis

Nielsen Mega-Channel Consumption Growth
(2 Year Stacked)



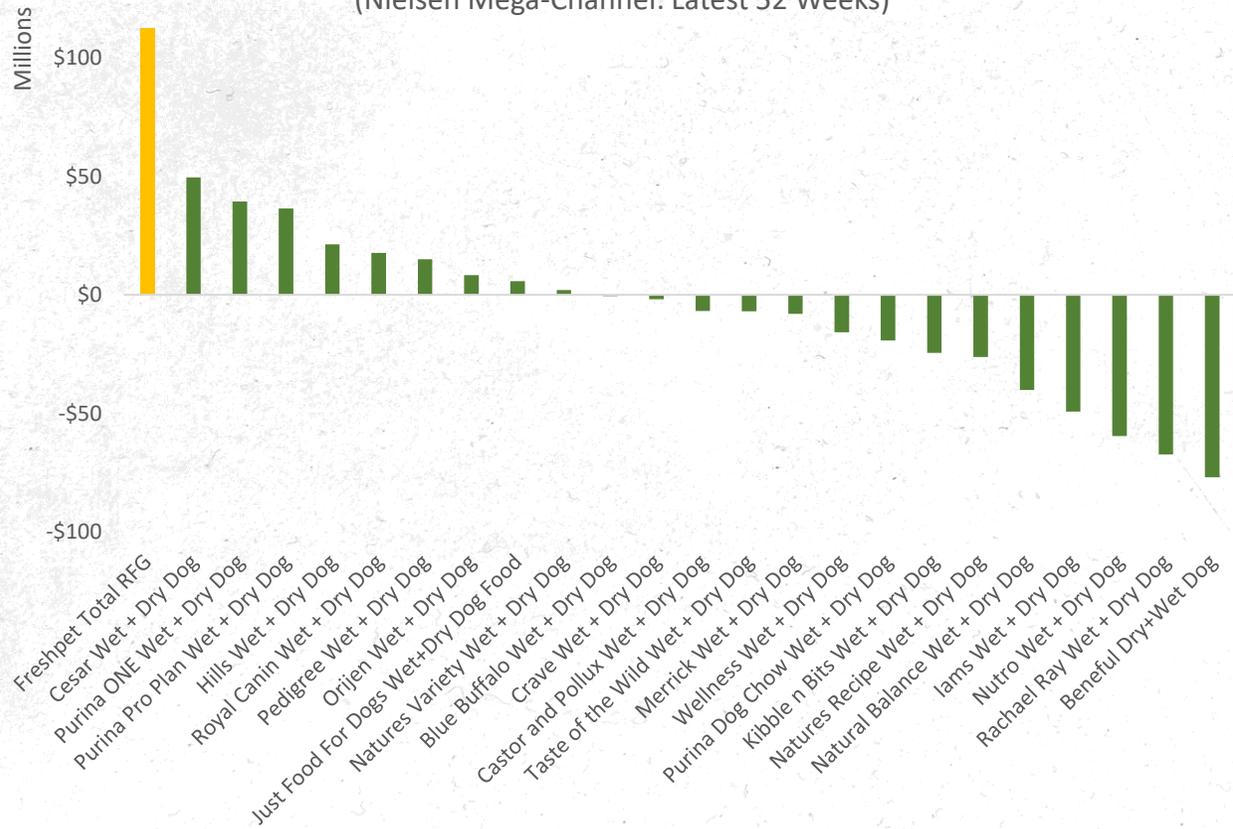
Building meaningful share of the category



Retailers paying attention: Freshpet is big and growing very fast

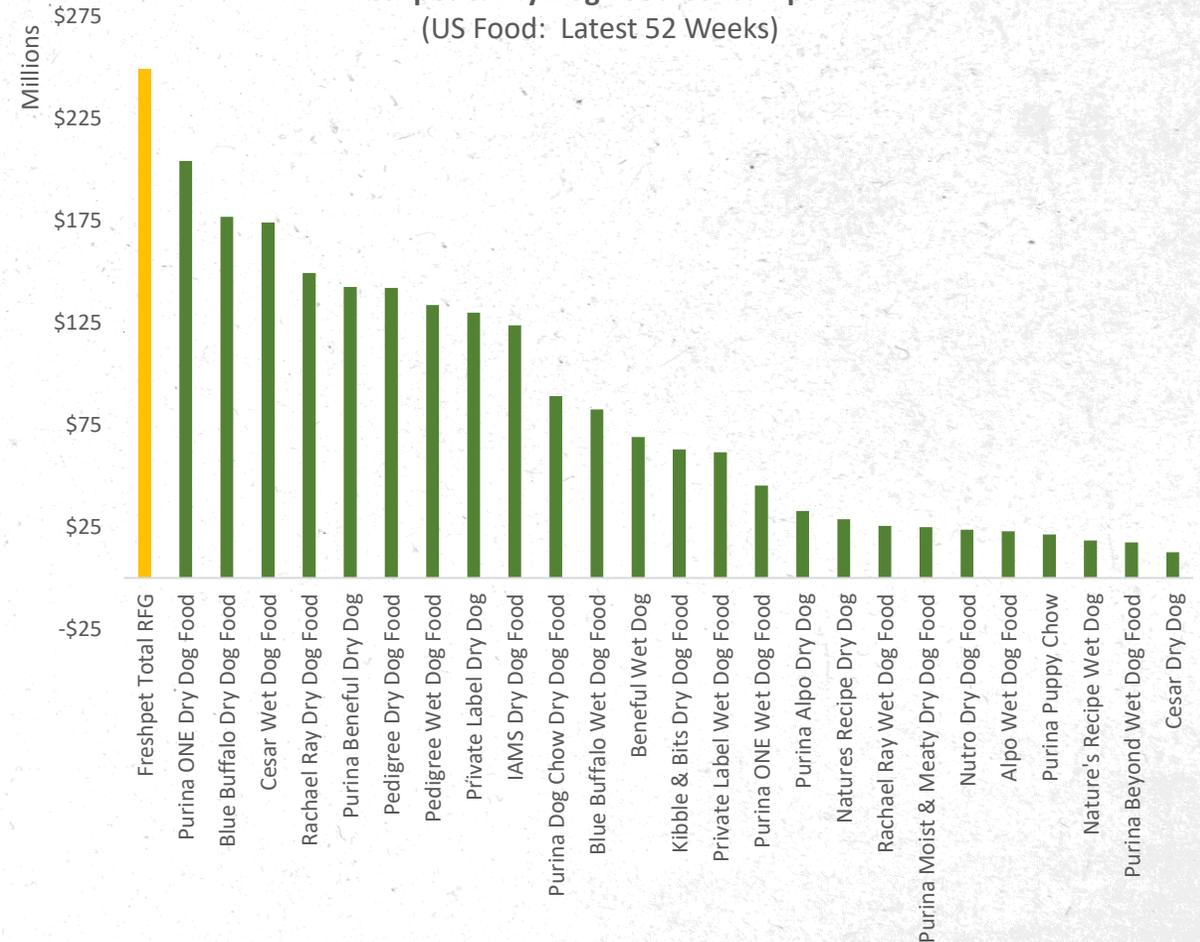
Largest Dollar Growth in Wet & Dry Dog Food

Wet & Dry Dog Food Consumption Growth
(Nielsen Mega-Channel: Latest 52 Weeks)

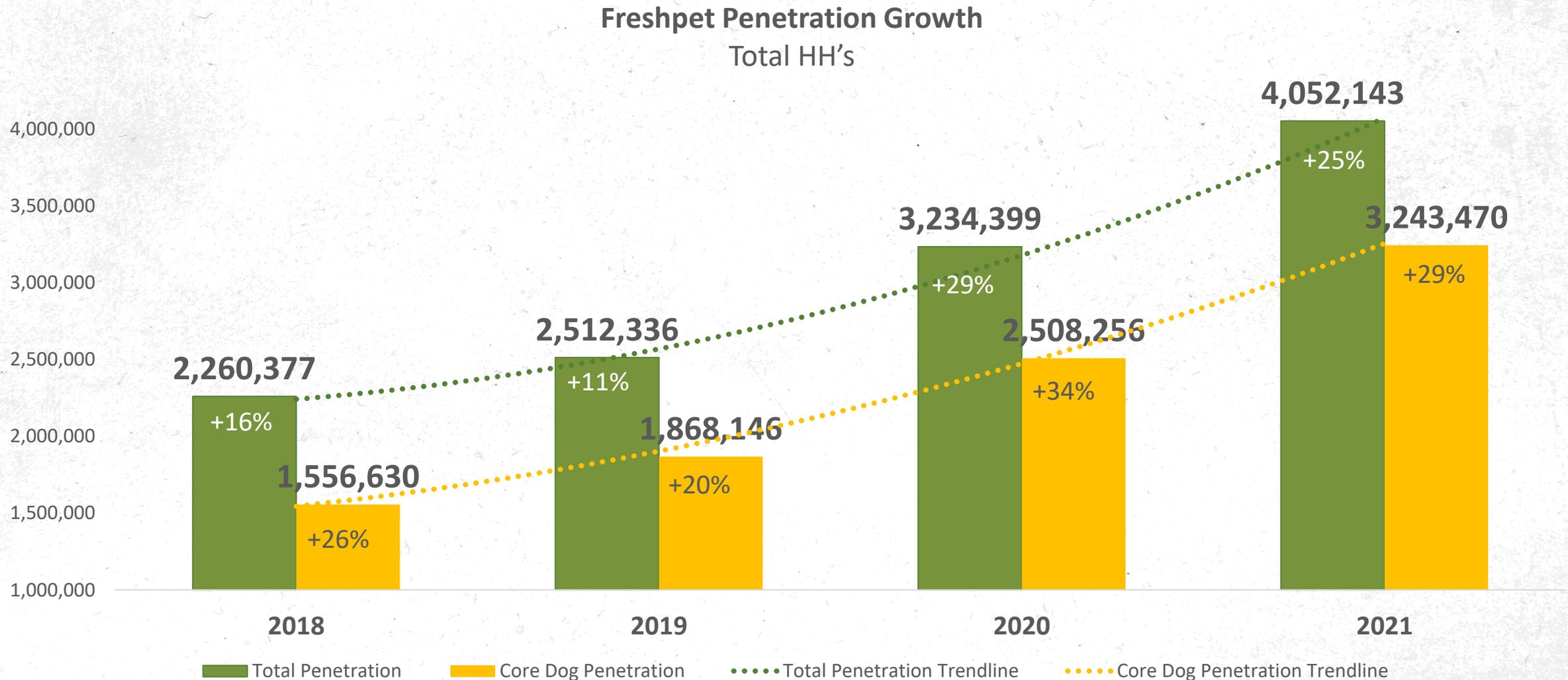


Larger Dollar Sales Than All Dry Dog Food Brands in US Food (Grocery)

Freshpet & Dry Dog Food Consumption
(US Food: Latest 52 Weeks)

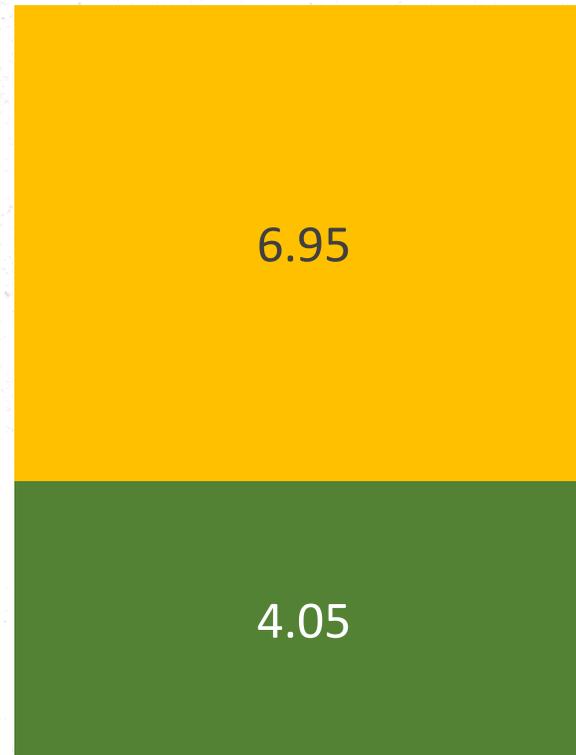


Strong HH penetration growth despite out-of-stocks



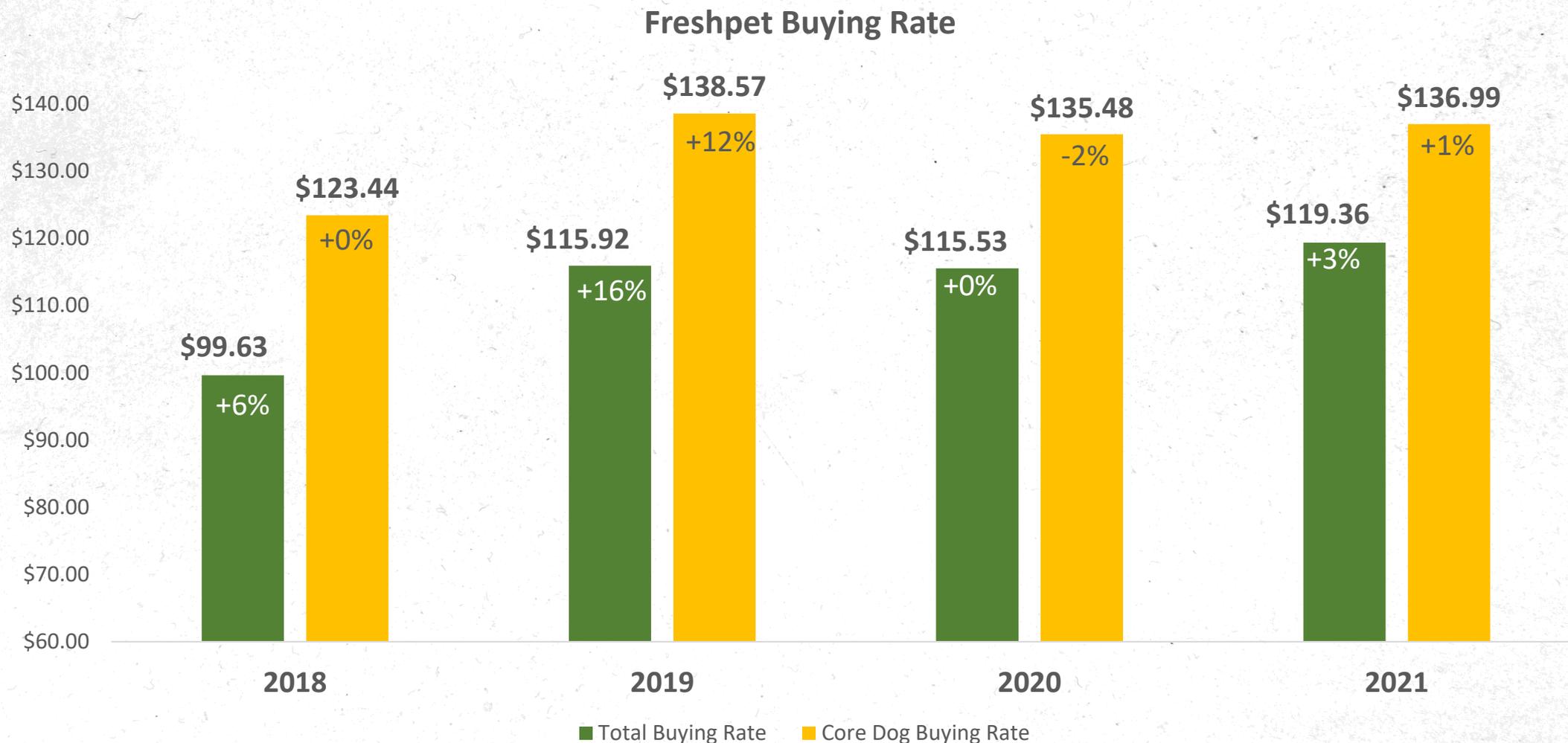
Exceeded 4 MM HH's for first time On our way to 11 MM HH goal

Progress Towards 2025 Household Penetration Goal

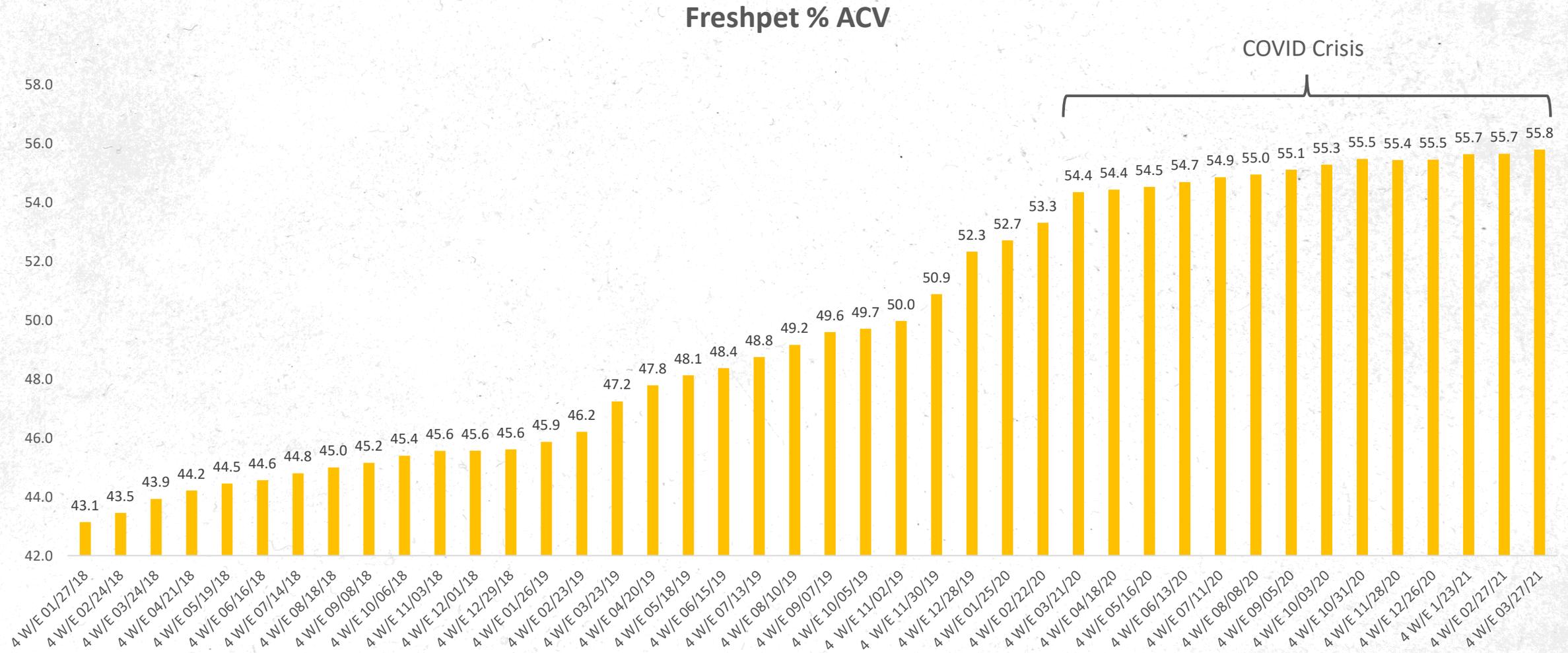


■ Current HH Penetration ■ 2025 Target HH Penetration

Buying rate continues to grow despite out-of-stocks

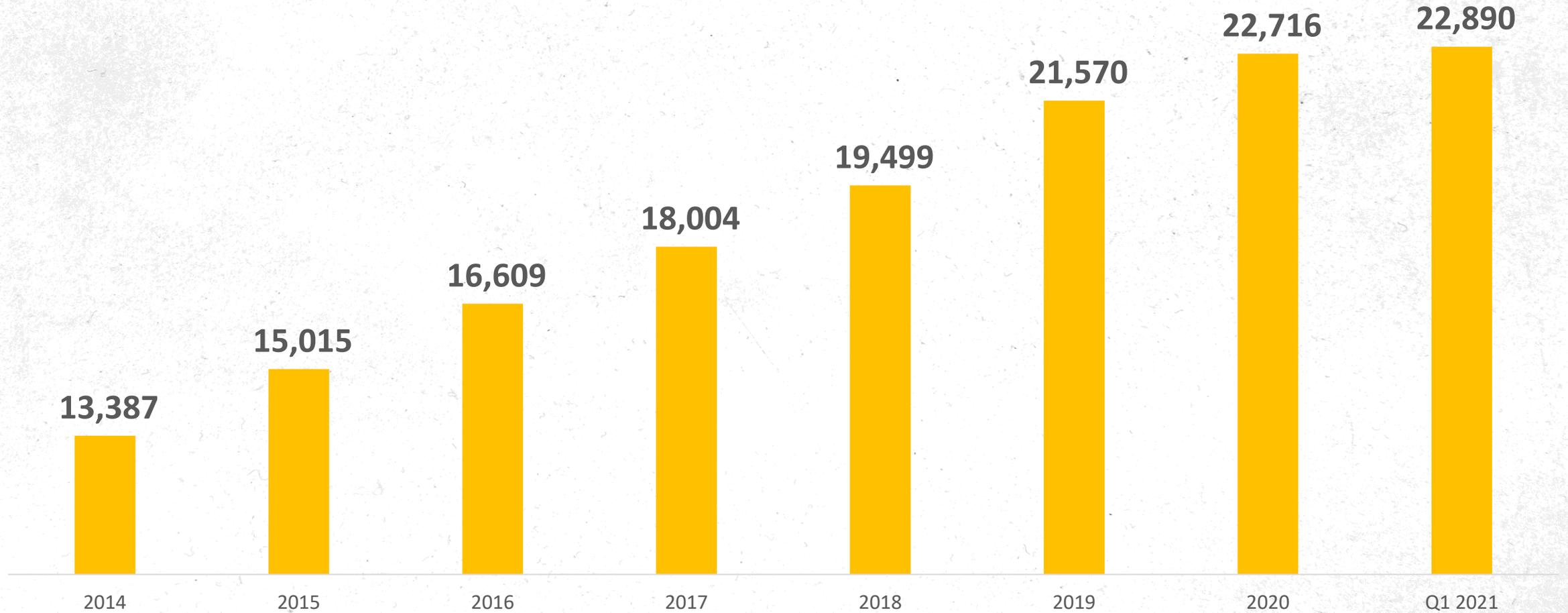


Distribution growth plateaued during COVID crisis and delayed due to out-of-stocks

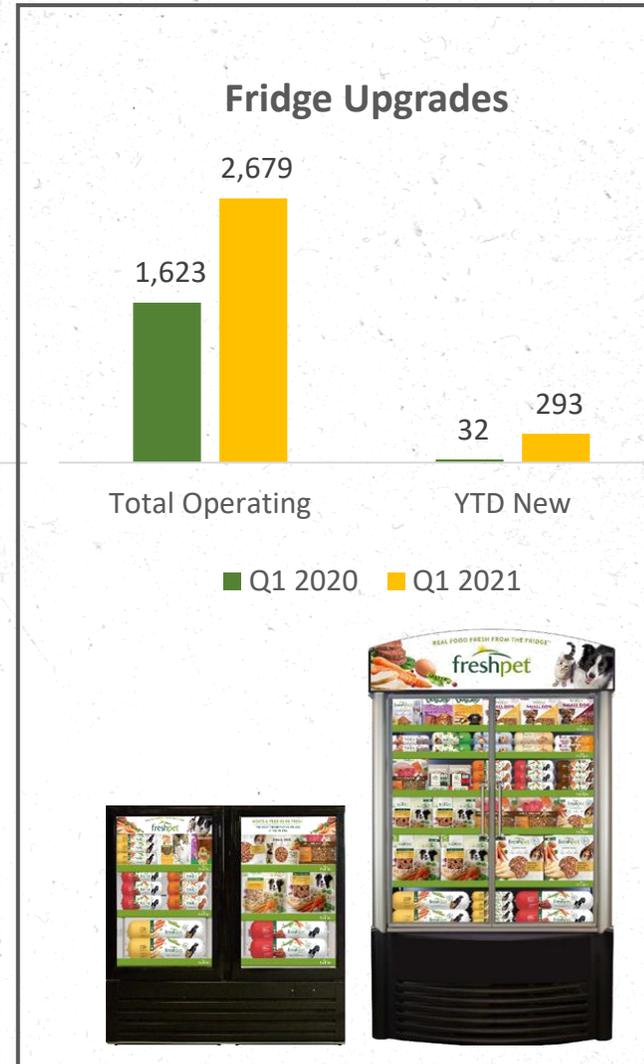
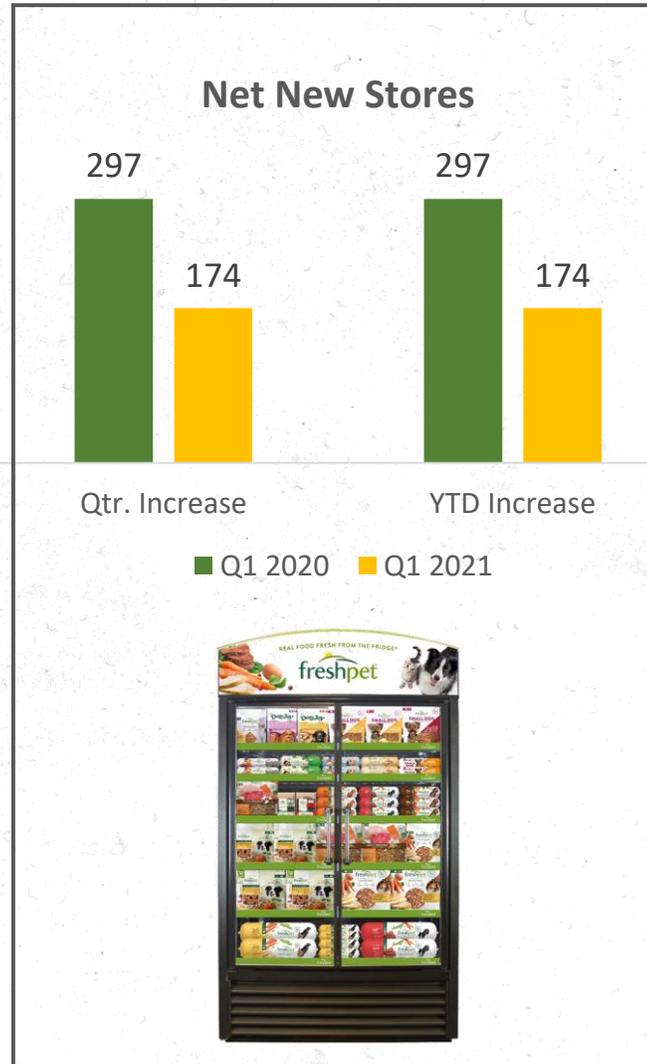


As expected, modest Q1 store growth due to out-of-stocks and COVID

Freshpet Store Count



Meaningful gains in retail visibility and availability despite short shipments



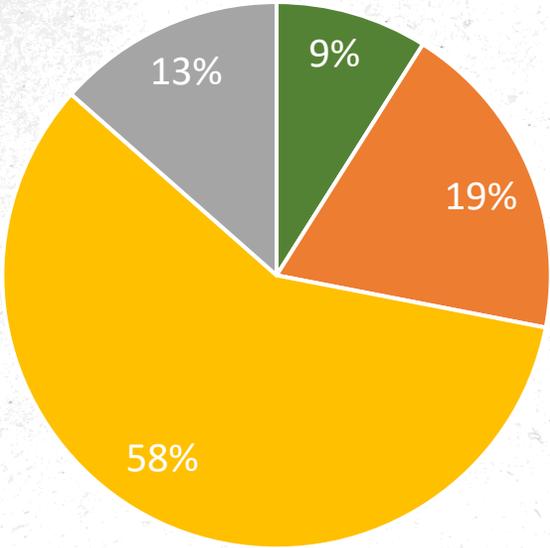
Leading customers are leaning into second fridges

Customers With At Least 40 Stores With 2 or More Fridges



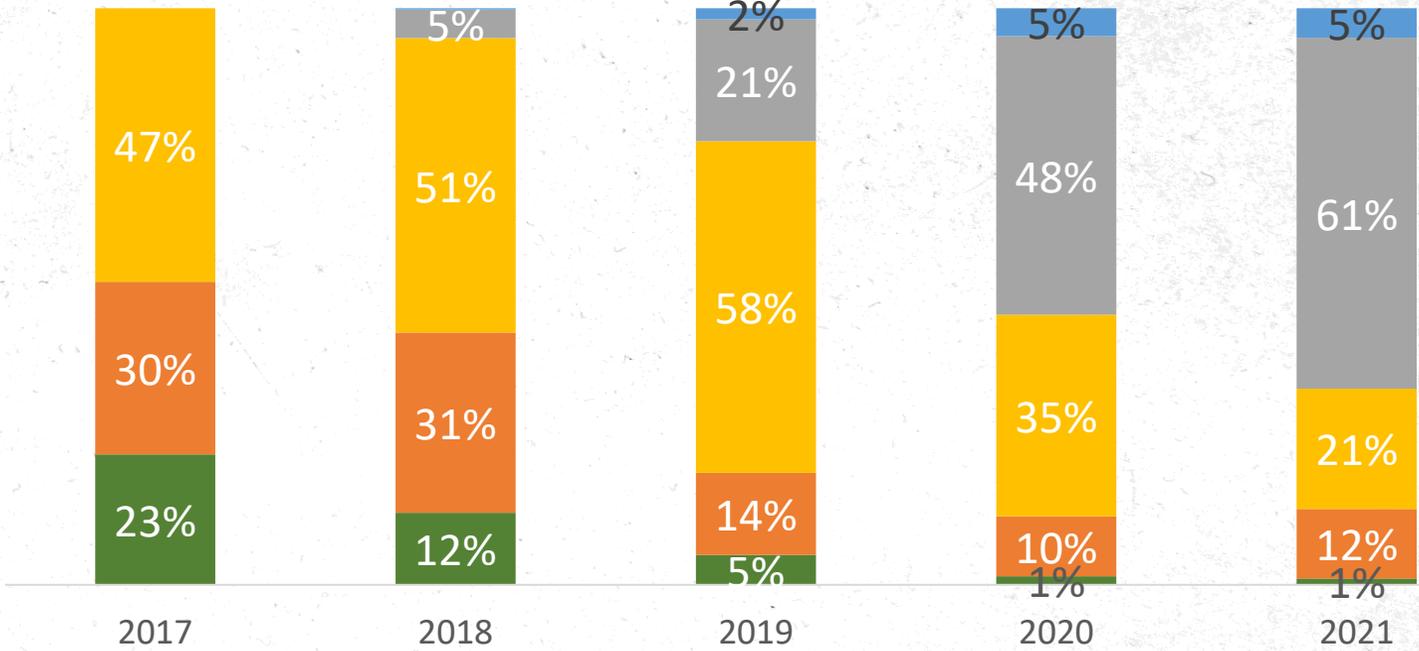
New fridge placements skew heavily to multi-fridge stores

**Freshpet Fridge Fleet
Distribution by Size**
(US & Canada Stores)



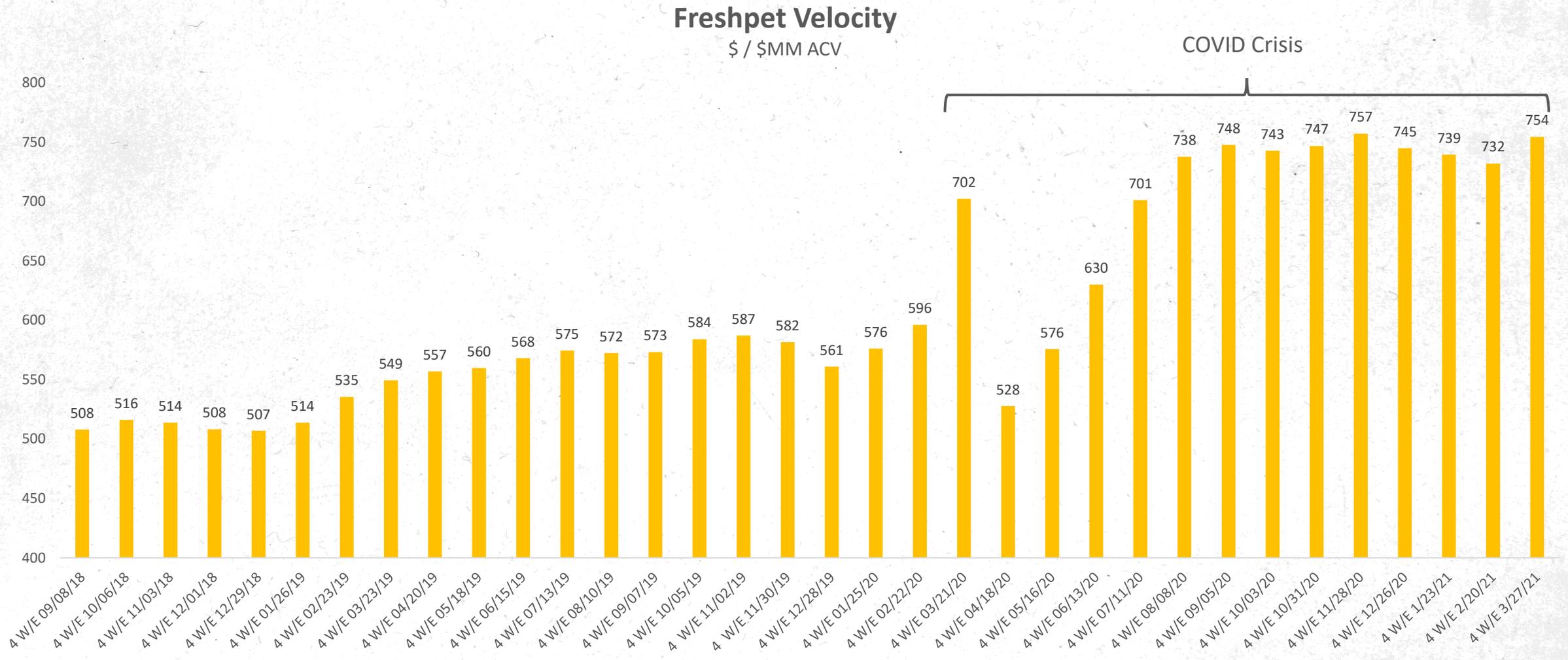
■ Small ■ Medium ■ Large ■ 2+ Chillers

New Fridge Installations by Size
(US & Canada)

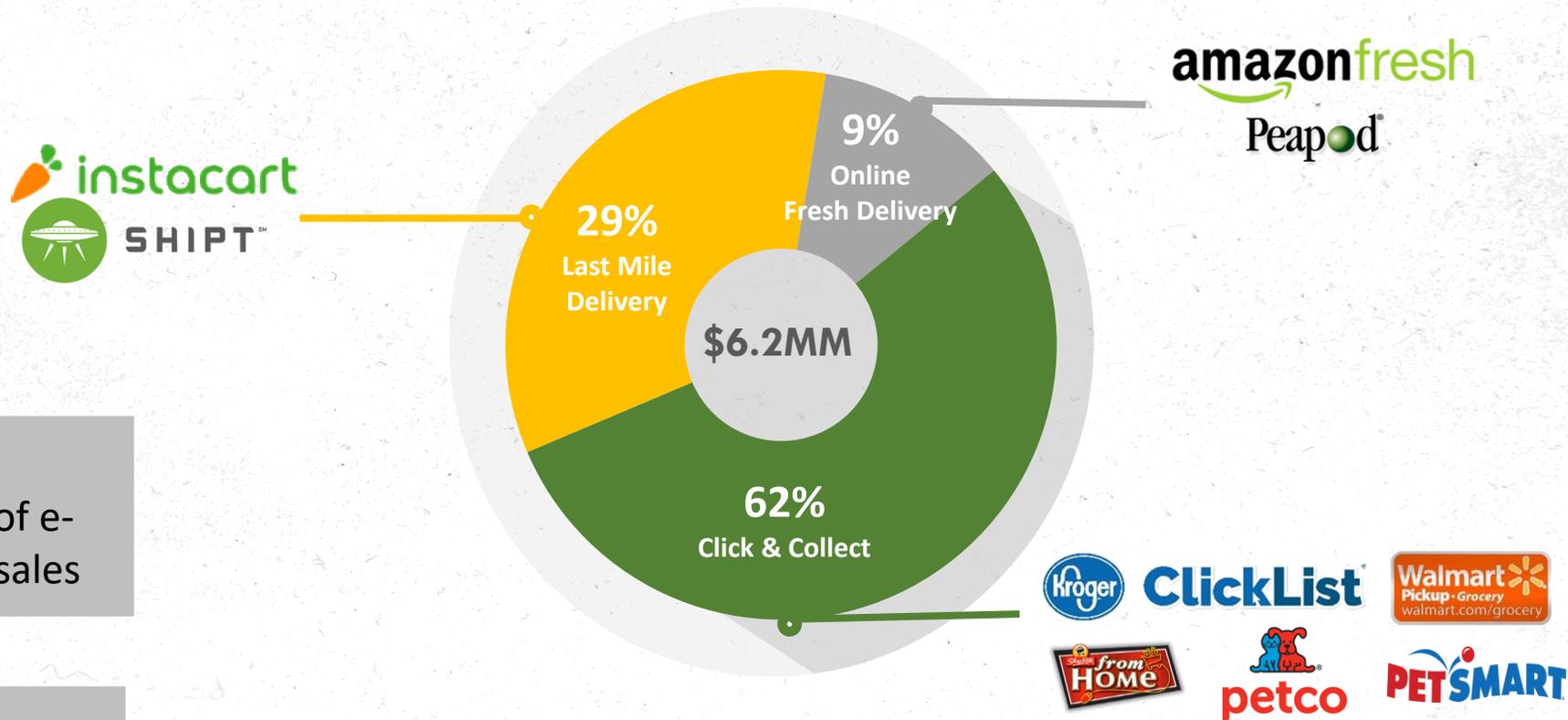


■ Small ■ Medium ■ Large ■ 2 Chillers ■ 3 Chillers

Continued strong velocity gains



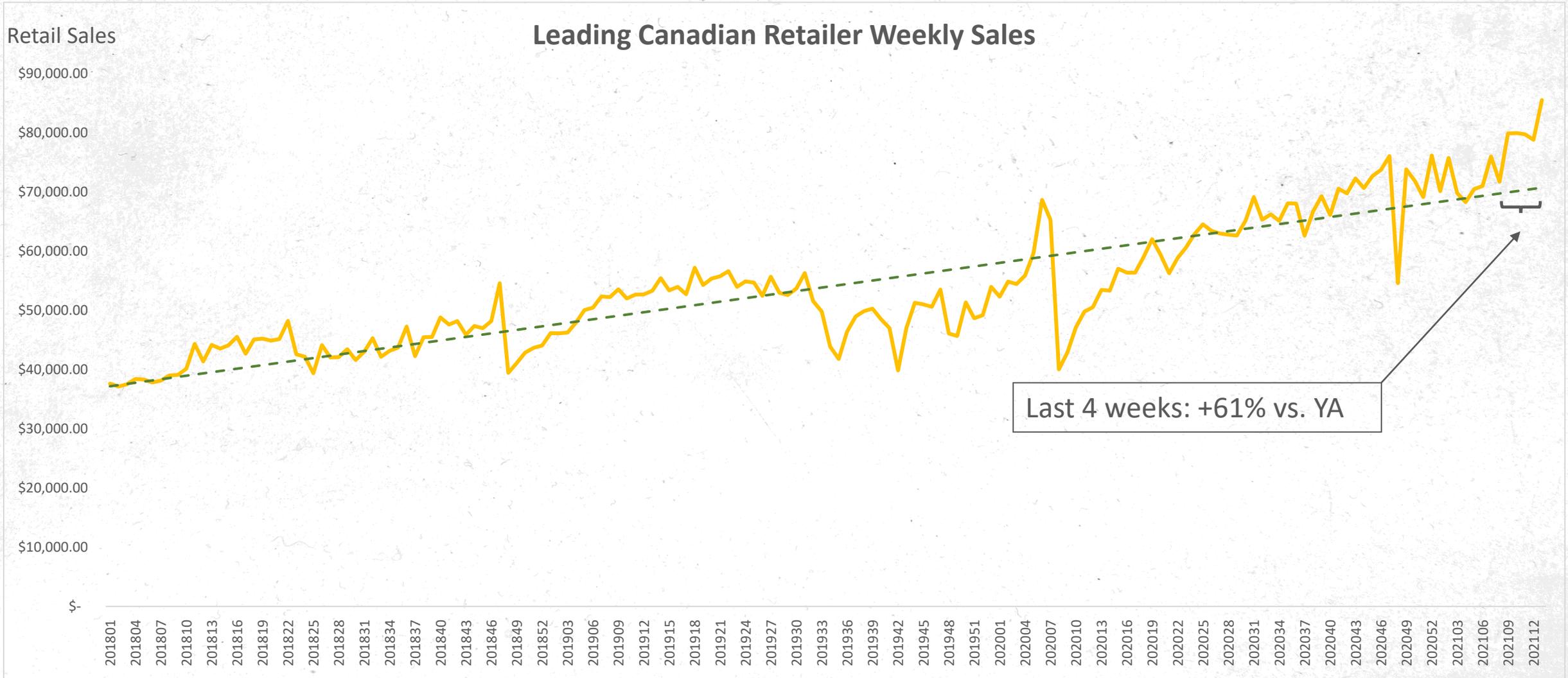
Q1 2021 Freshpet E-Com grew +156% vs. YA



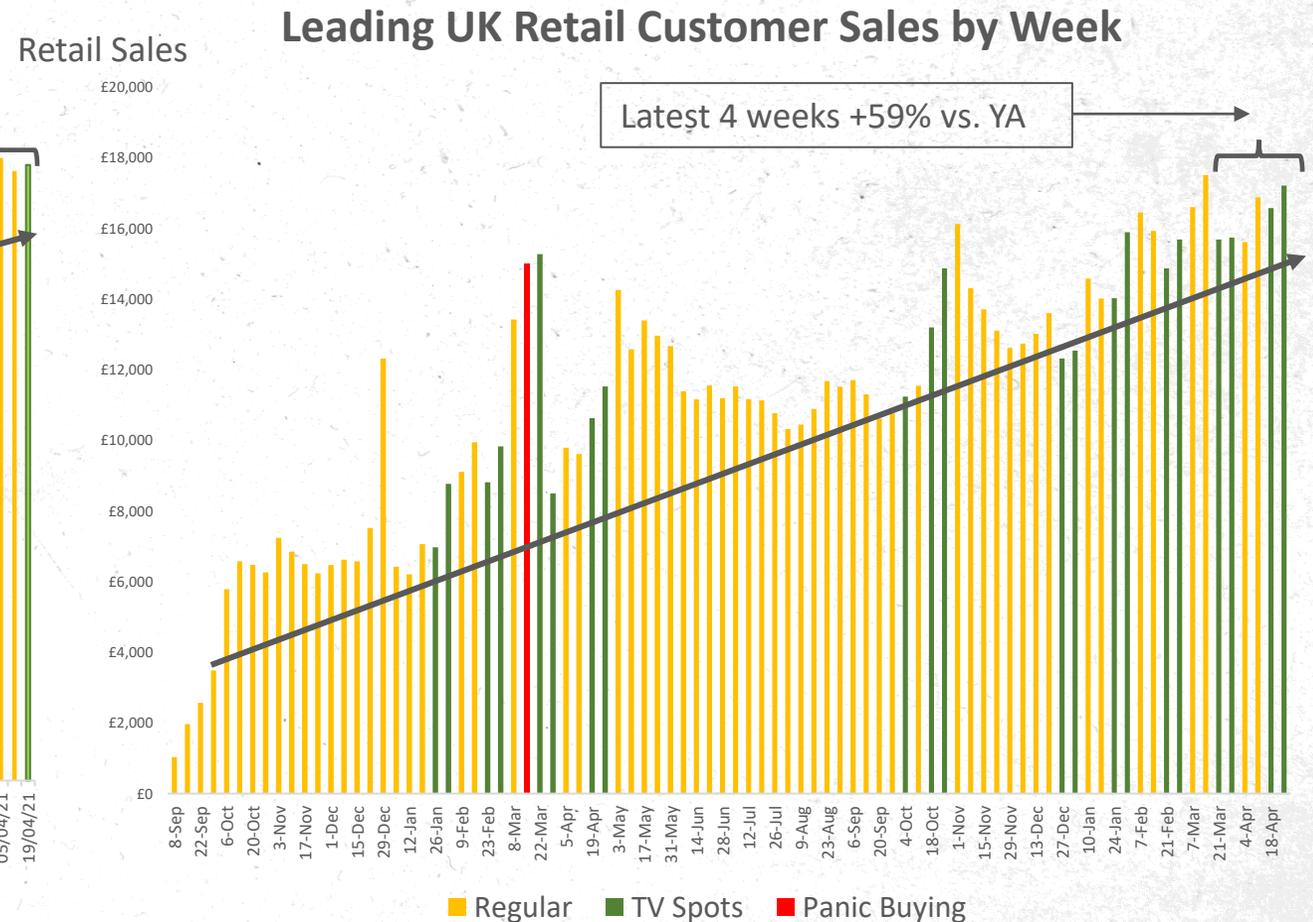
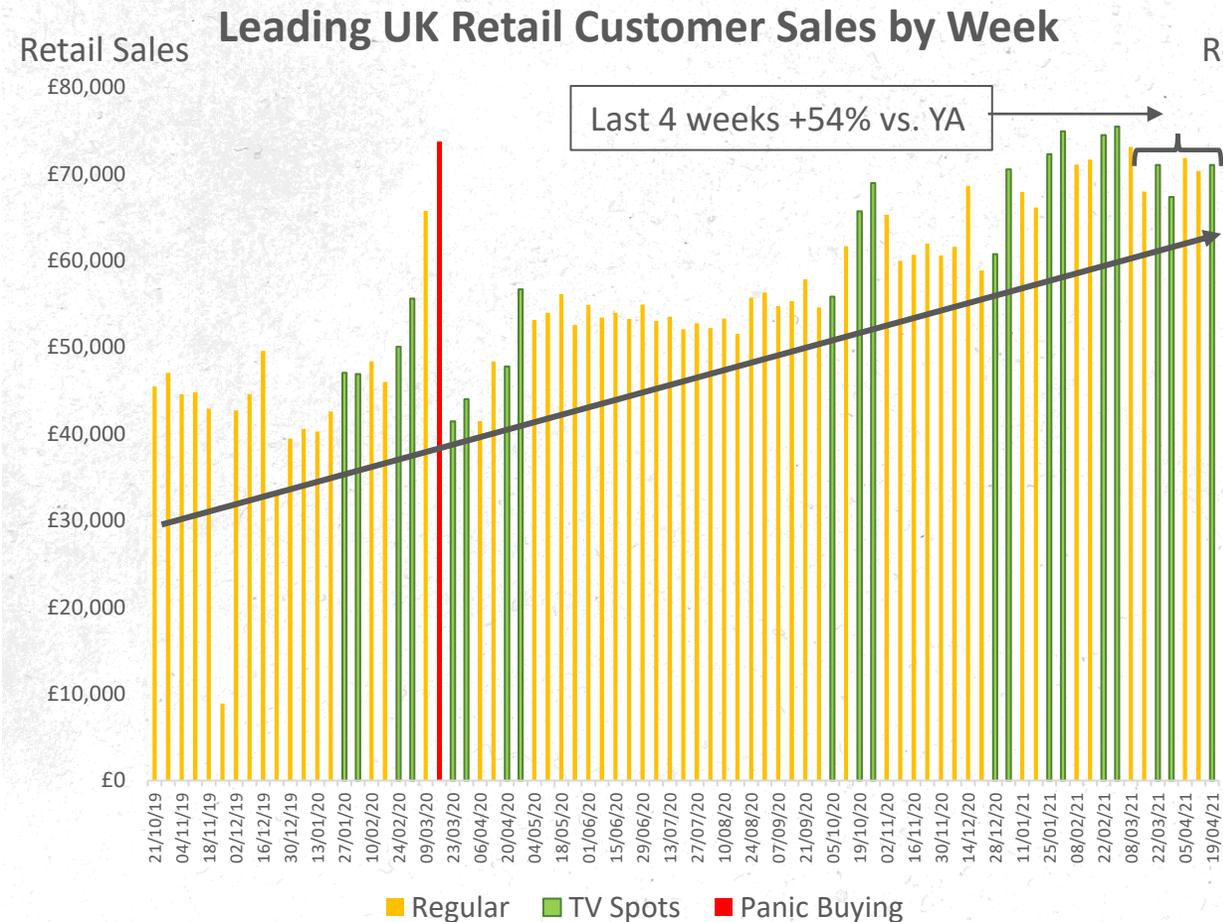
6.3%
1Q 21 mix of e-commerce sales

91% of Sales
Contribute to Brick & Mortar

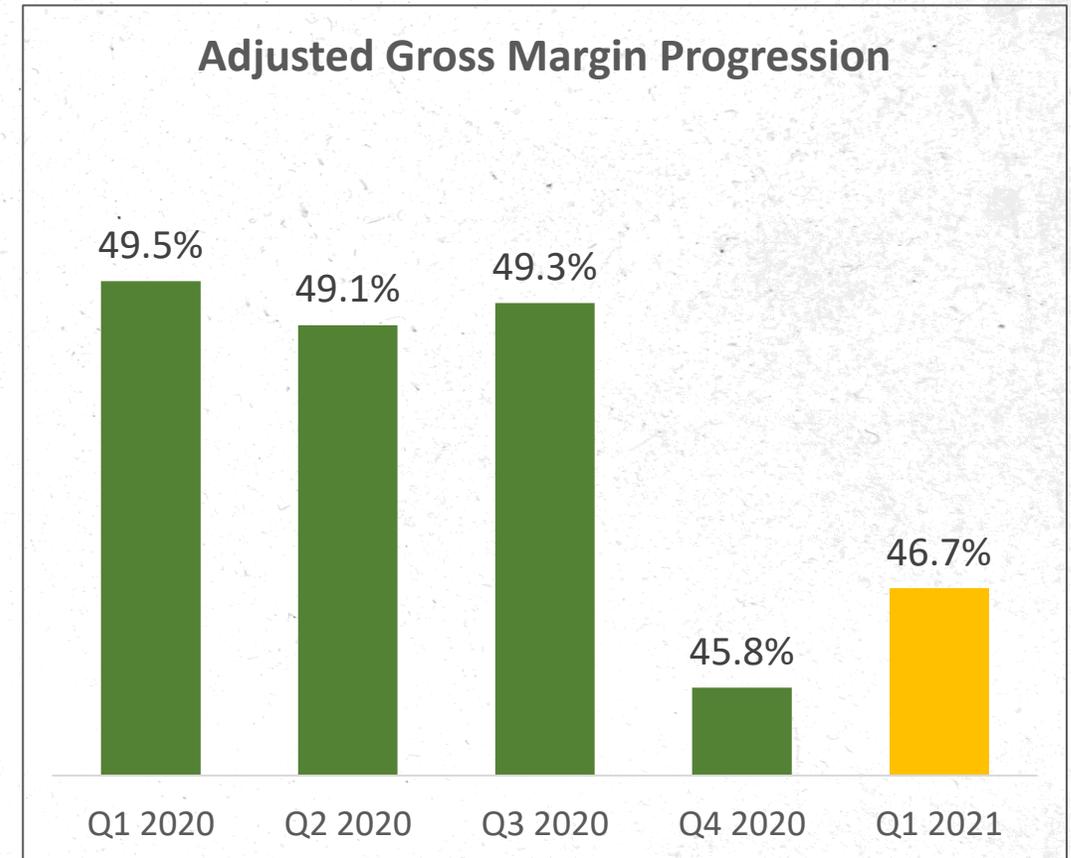
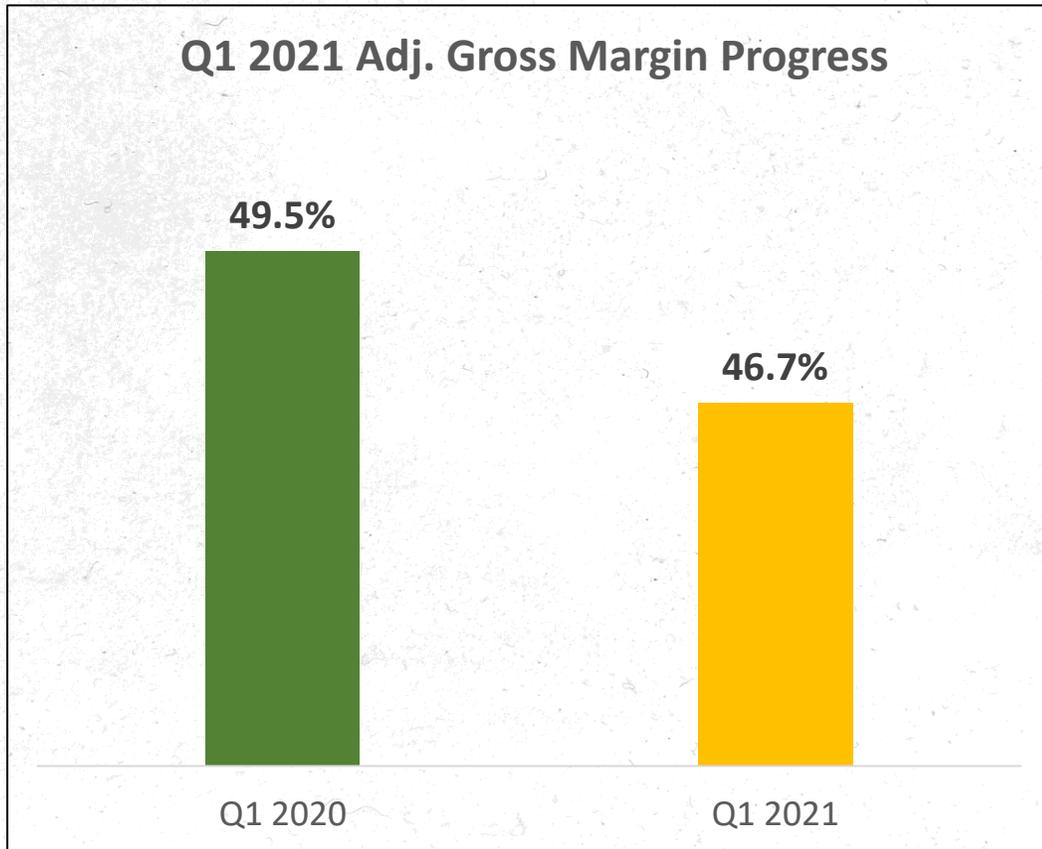
Canadian business accelerating behind advertising investment



Freshpet's advertising-driven model works in the UK



Adj. Gross Margin negatively impacted by lost production due to storms and higher beef costs

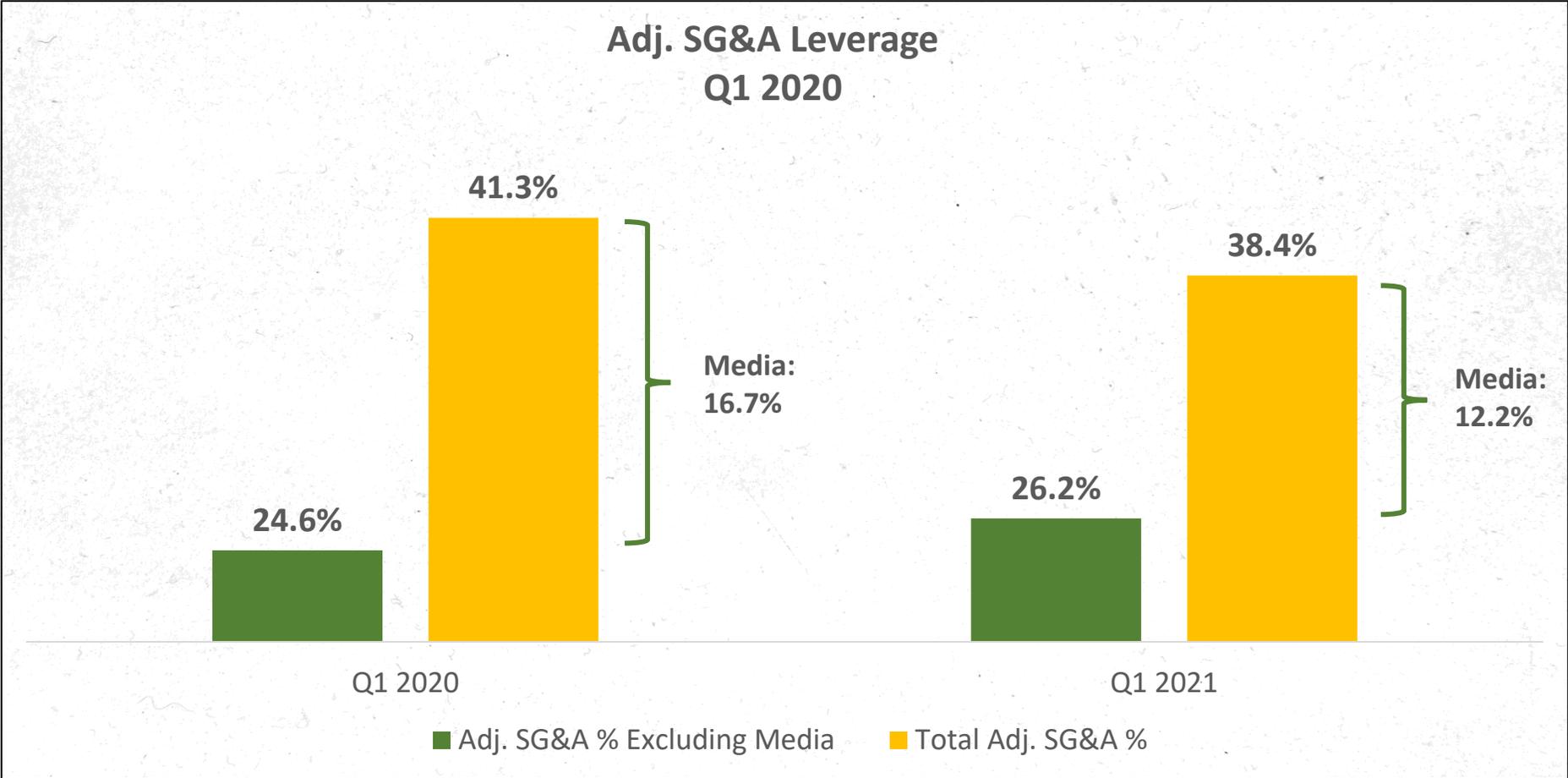


45.4%

38.9%

Gross Margin (GAAP)

Higher freight costs offset by lower media expense

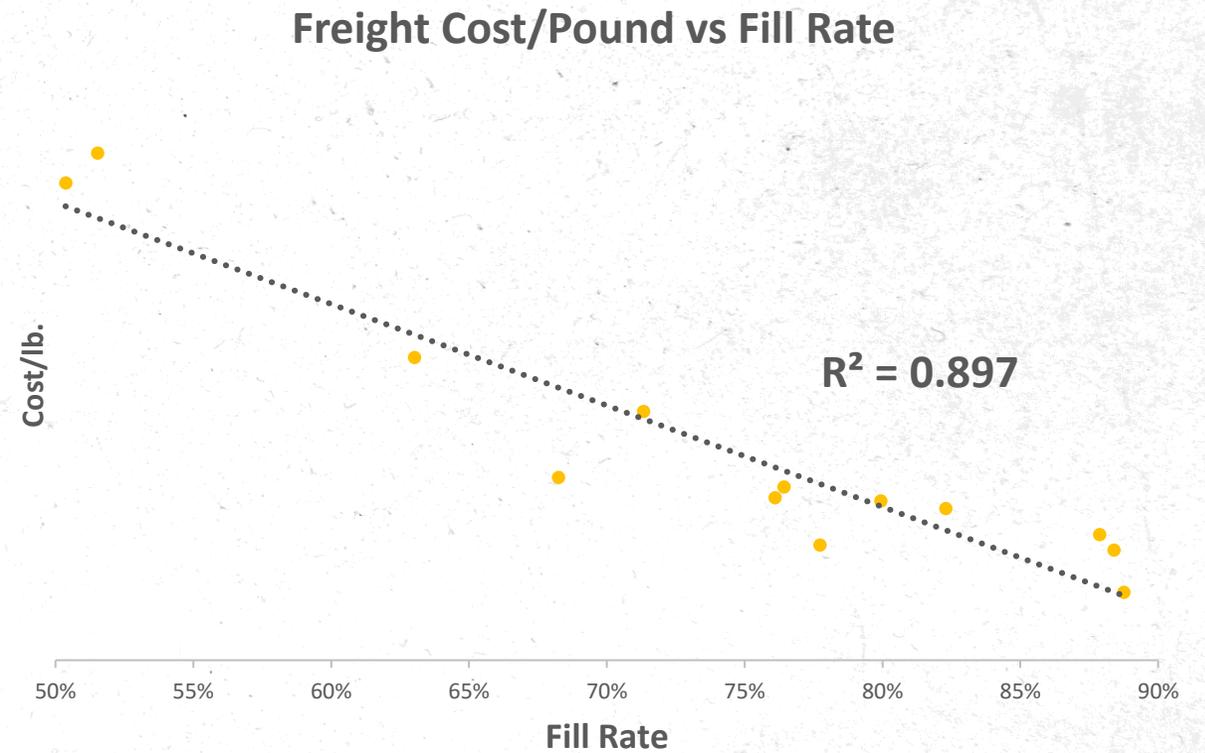
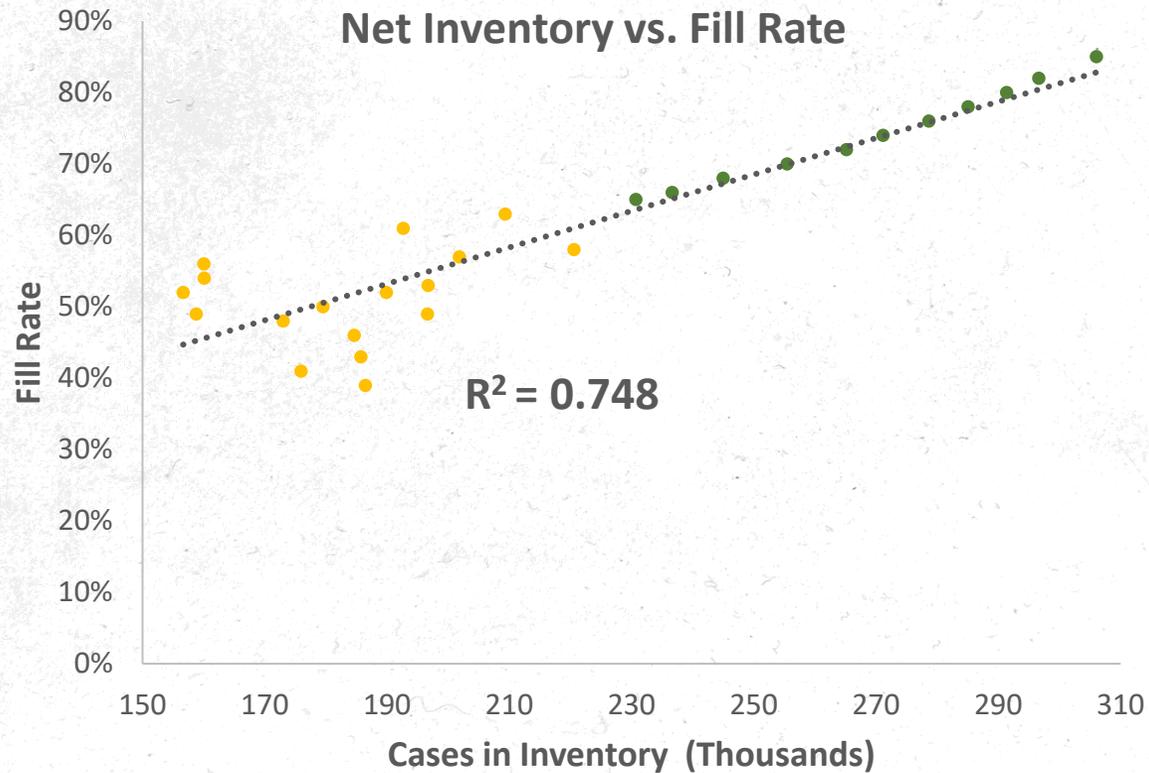


49.5%

49.3%

SG&A (GAAP)

As we rebuild inventory, fill rates go up and freight costs go down



● Actual ● Trend Line



Guidance

2021 Guidance Re-Affirmed

\$ in Millions	2020	2021	% Change
Net Sales	\$318.8	>\$430	+35%
Adjusted EBITDA	\$46.9	>\$61	+30%

- **ERP Conversion:** Tentatively targeted for 10/1/21
- **COVID Addback:** Anticipating \$2.0 million in COVID-related costs in 2021 until broadscale vaccination has occurred – currently projected to occur within Q3

On track for the cadence outlined in our guidance

Q1 Expectations

- ✓ Moderating consumption growth due to out-of-stocks
- ✓ Net sales in excess of consumption as we re-fill trade inventory – slight acceleration in growth rate from Q4
- ✓ Adj. gross margin in line with Q4 due to higher staffing levels to drive higher throughput, beef costs, lost production due to storms and mix shift to bags
- ✓ U. S. advertising investment delayed to allow for improved in-stocks– in line with previous year
- ✓ Low new store additions until trade inventory is replenished in April

Q2 Expectations

- Accelerating consumption growth behind improved retail conditions and strong advertising investment
- Shipment growth modestly in excess of consumption growth due to trade inventory re-fill
- Sequentially improving adjusted gross margin due to increased throughput and increased roll capacity improving mix
- Strong advertising investment
- Resumption of fridge placements as inventories are replenished

Q3 & Q4 Expectations

- Very strong consumption growth behind advertising investment and strong supply
- Shipment growth in excess of consumption growth due to short shipments in the YA
- Sequentially improving adjusted gross margin due to increased throughput
- Continued heavy advertising investment
- Meaningful store count growth

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

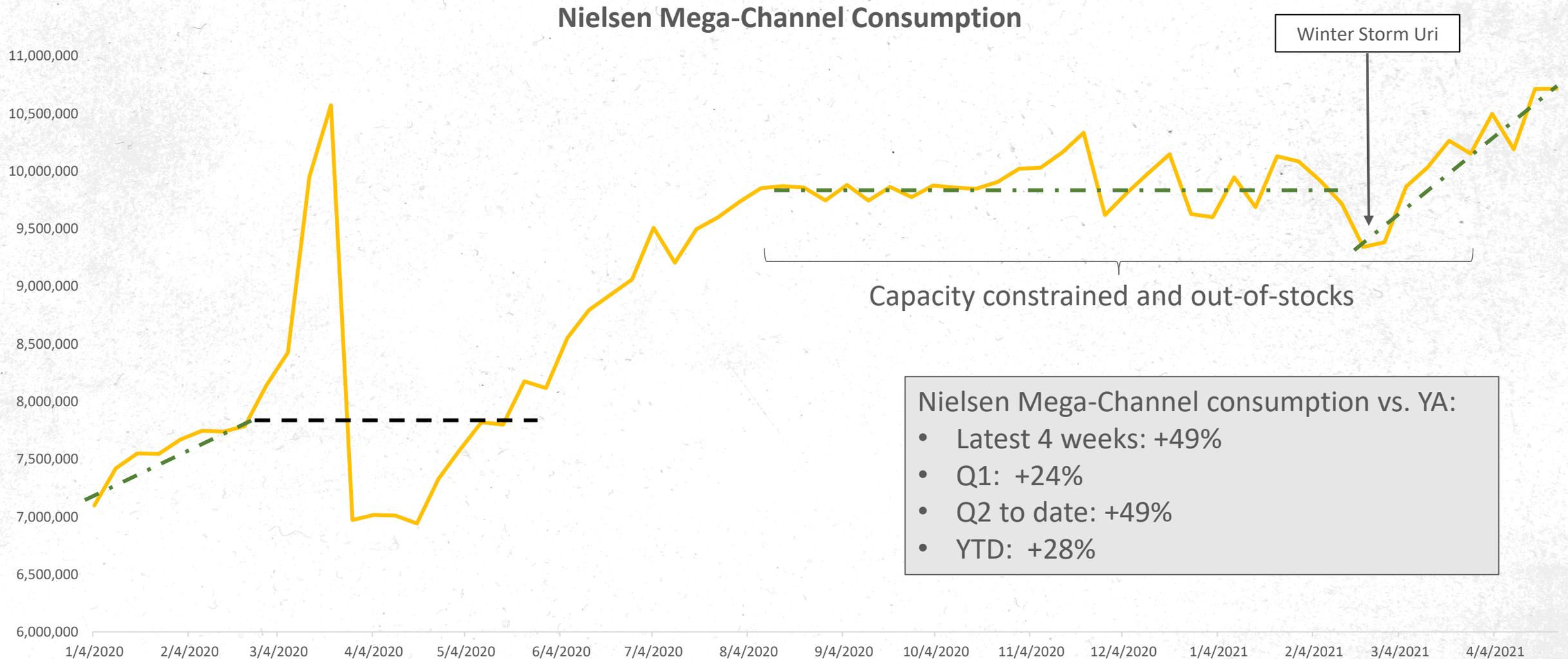
Q2 Expectations

- 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 Expectations

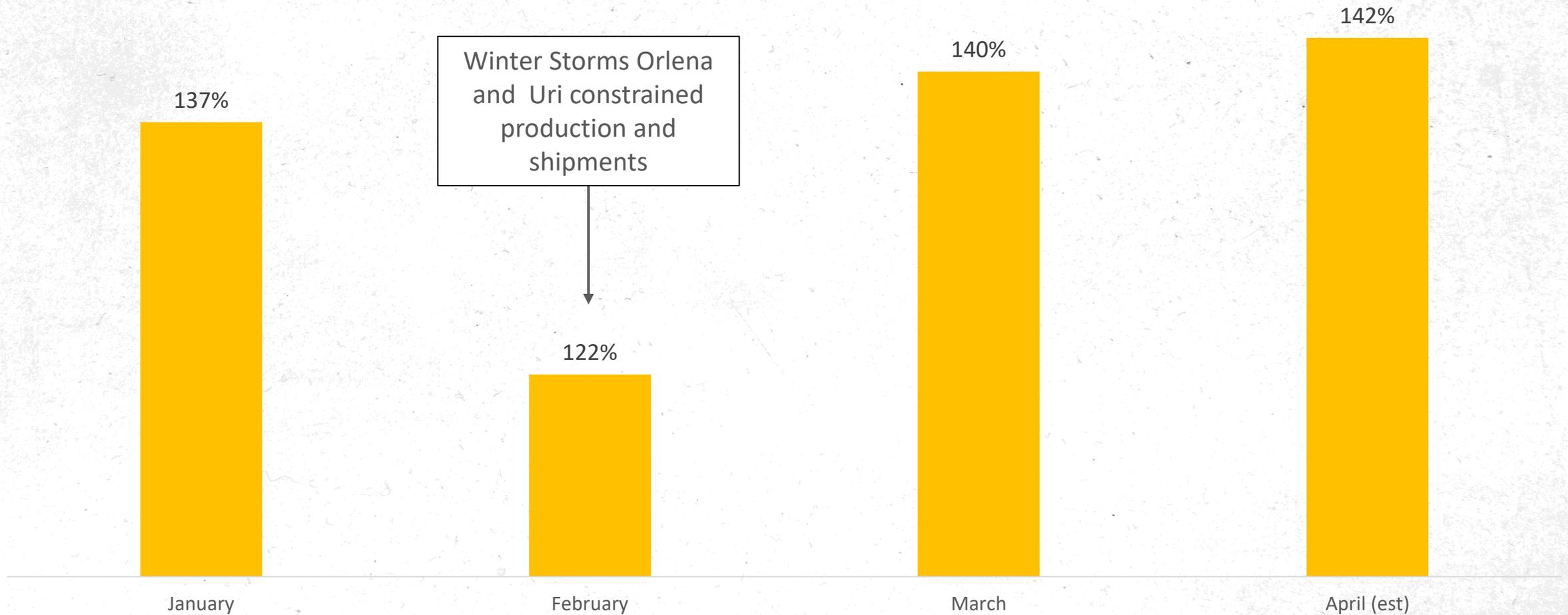
- Anticipated completion of COVID addback
- Final quarter of supplemental pay and compensation for testing/quarantine
- Likely to maintain screening and sanitation as an ongoing cost that we can absorb

Consumption trends are moving upward again behind improved retail conditions and return of advertising



Estimated April net sales continue the strong performance

Freshpet Monthly Net Sales vs. YA



Still have ~\$12 million in trade inventory to restore in Q2

Consumption, Trade Inventory & Net Sales Progression

(Reported growth rates and key drivers by quarter)

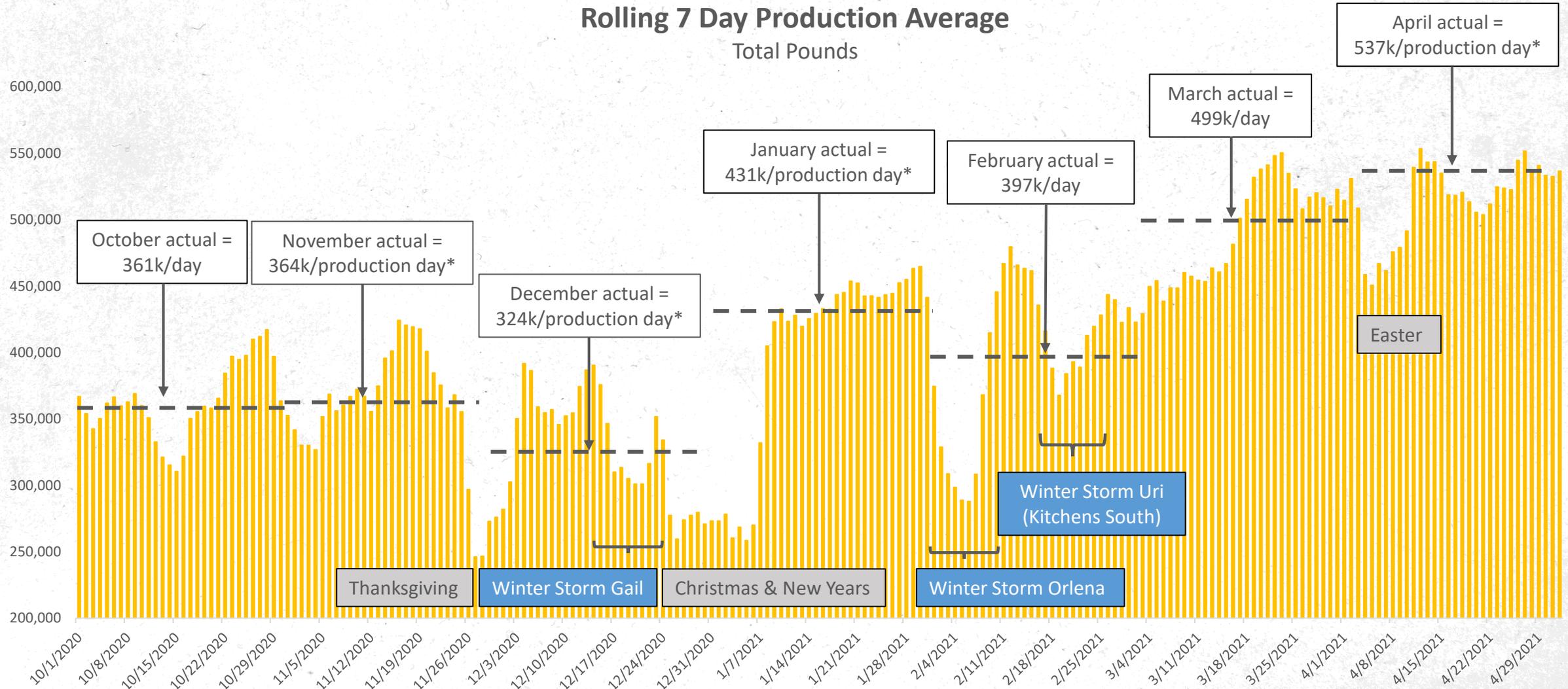


“Other” includes reductions in the spoils rate, trade inventory re-fill in the base year, and impact of the leap year



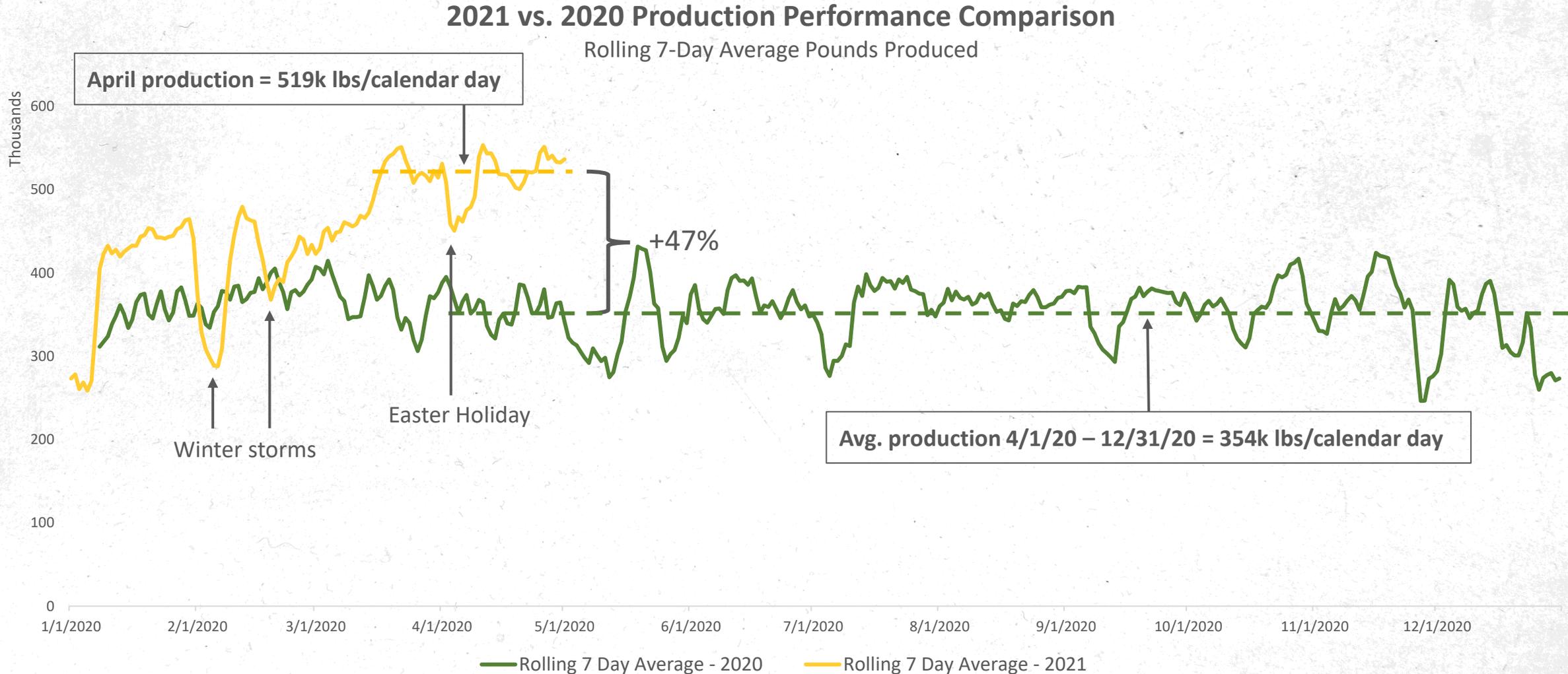
Progress Towards Improved Retail Conditions

YTD: Strong, steady improvement in production



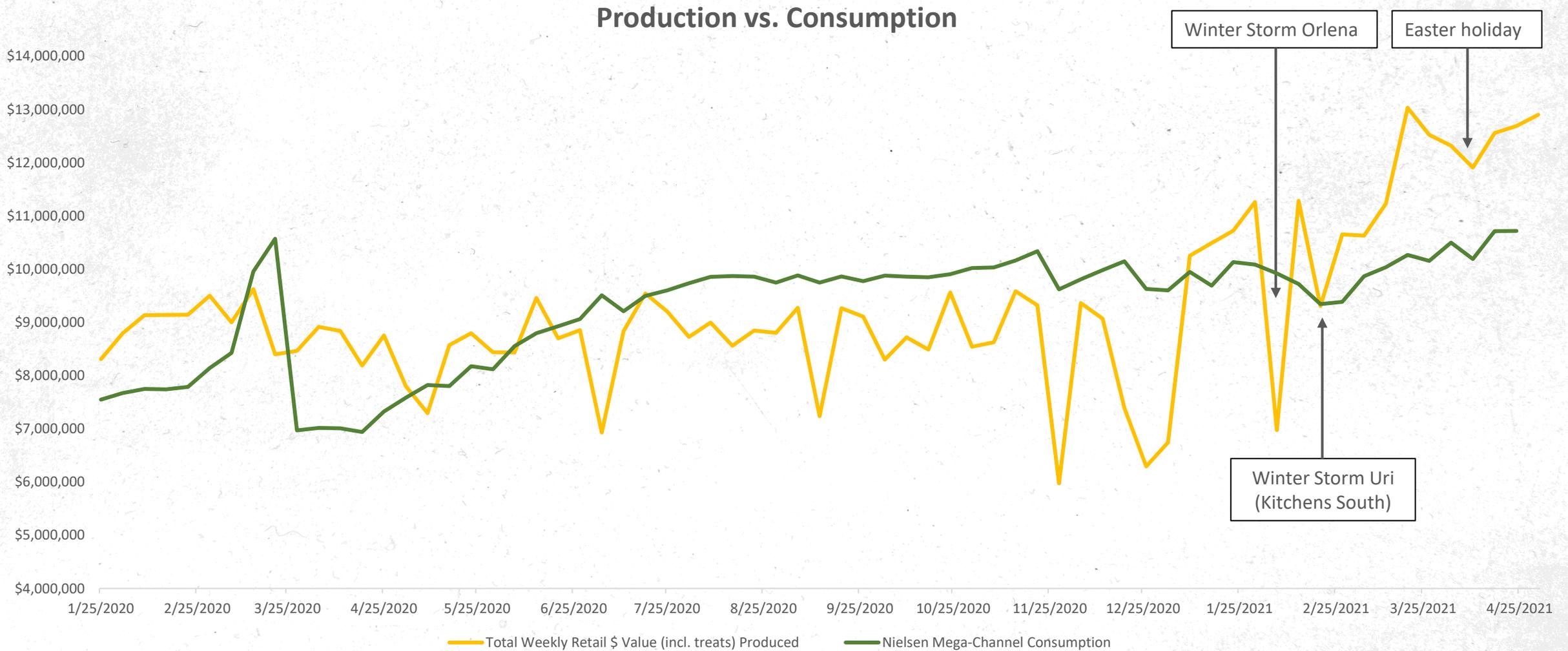
*Due to a holiday in the month, reported production performance is per production day, not calendar day, in months containing a scheduled holiday

Production is running well ahead of YA



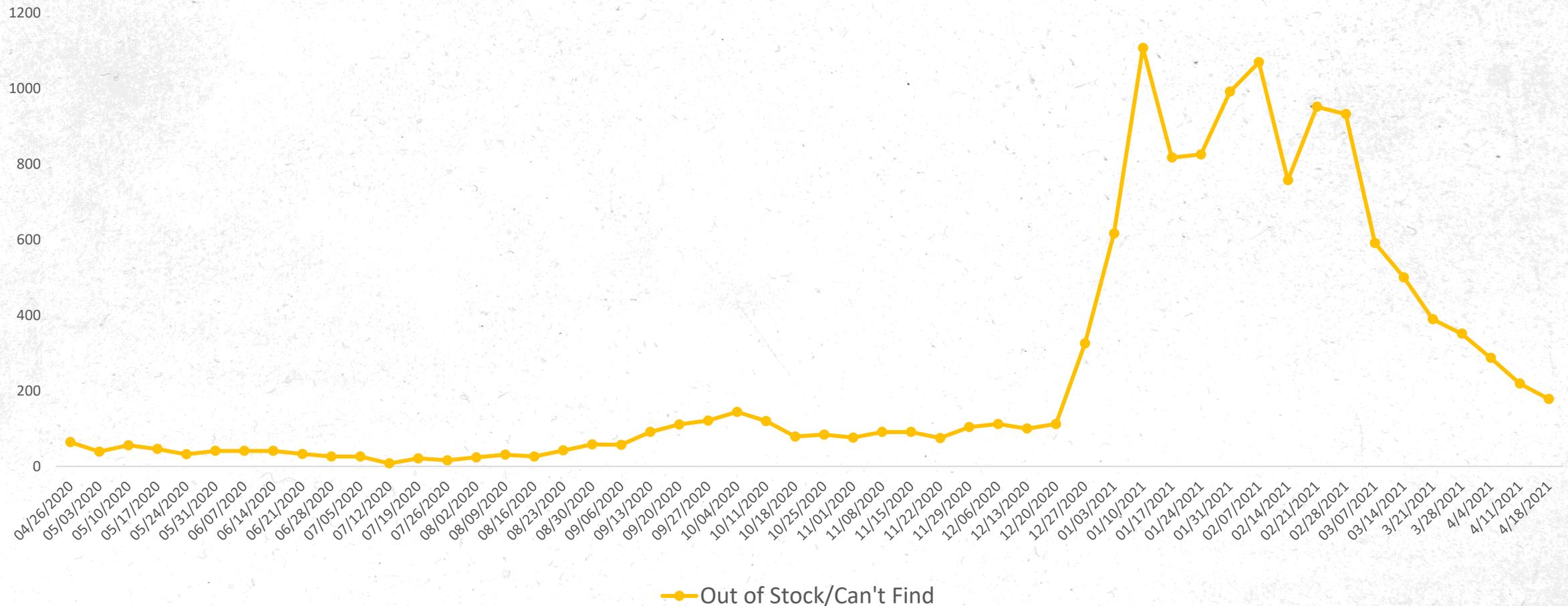
Source: Internal company data

Production is well in excess of consumption



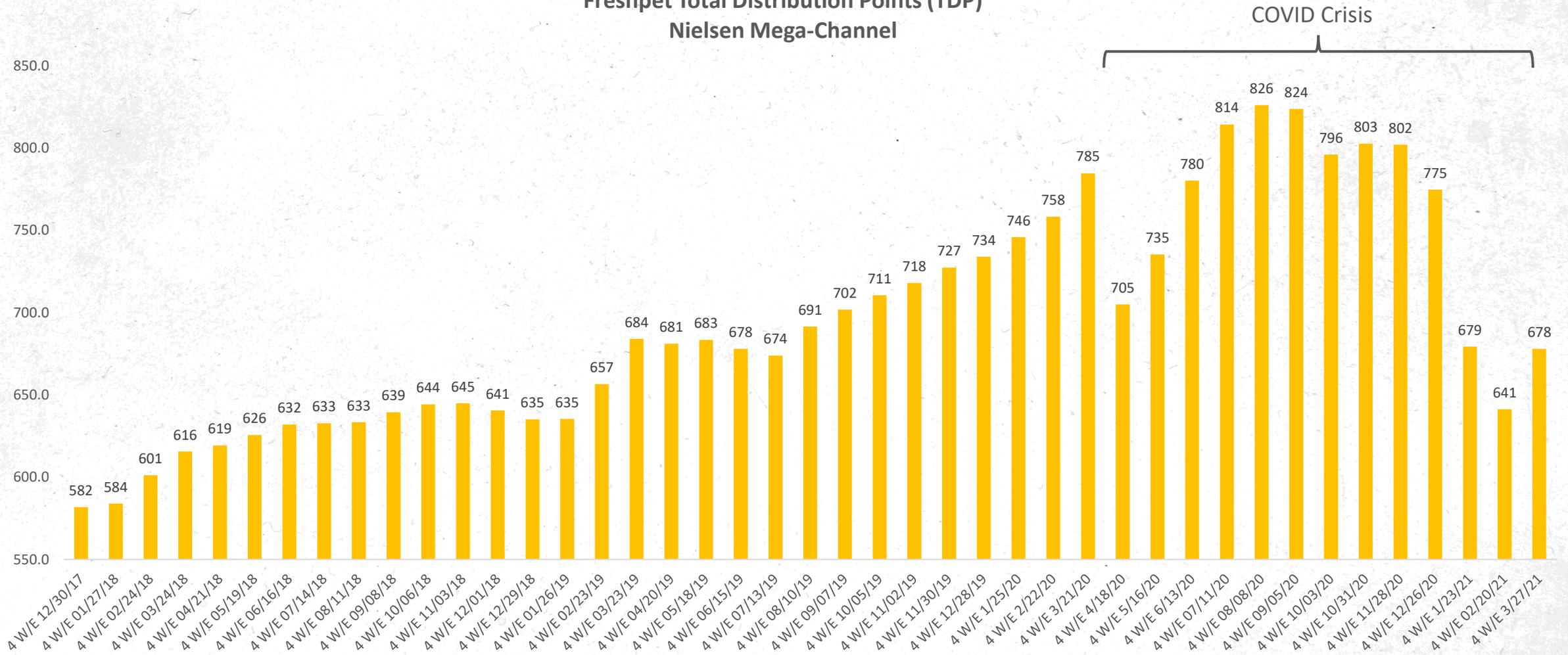
Out-of-stocks are improving

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

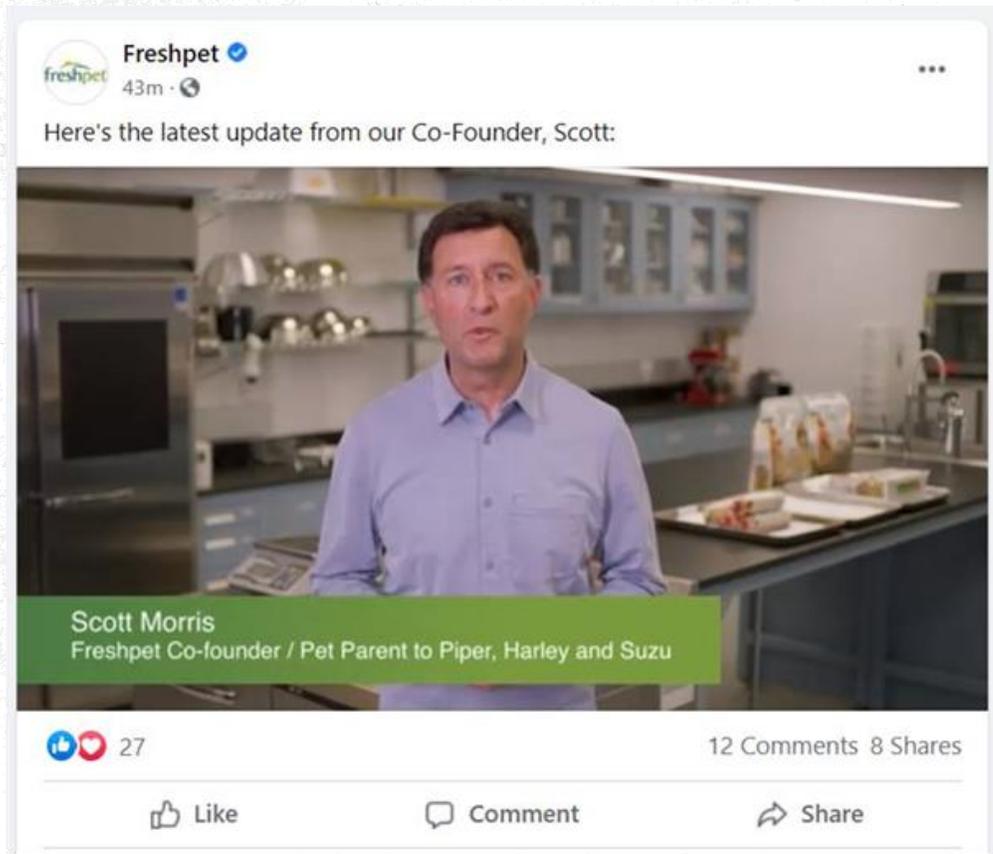


TDP's beginning to move up again; reflect better in-stocks

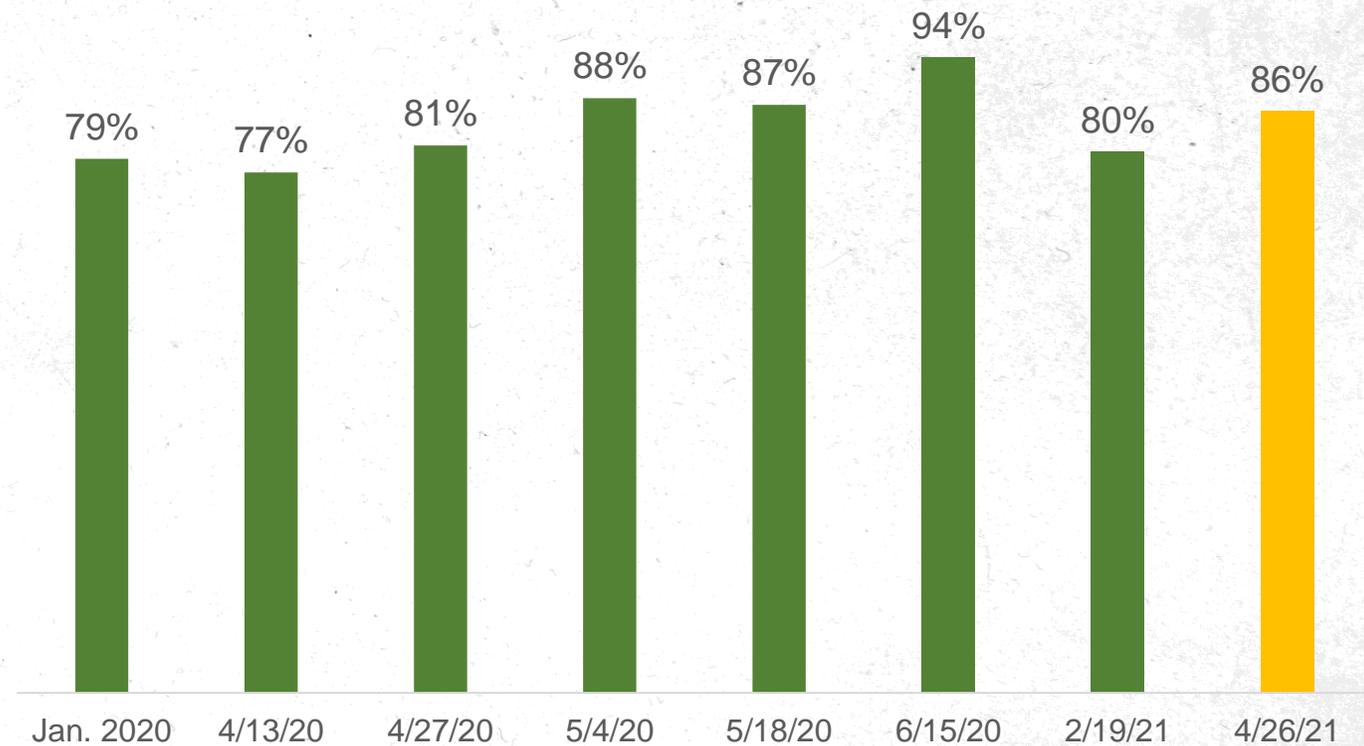
Freshpet Total Distribution Points (TDP)
Nielsen Mega-Channel



Actively communicating with consumers via social media to explain the out-of-stocks

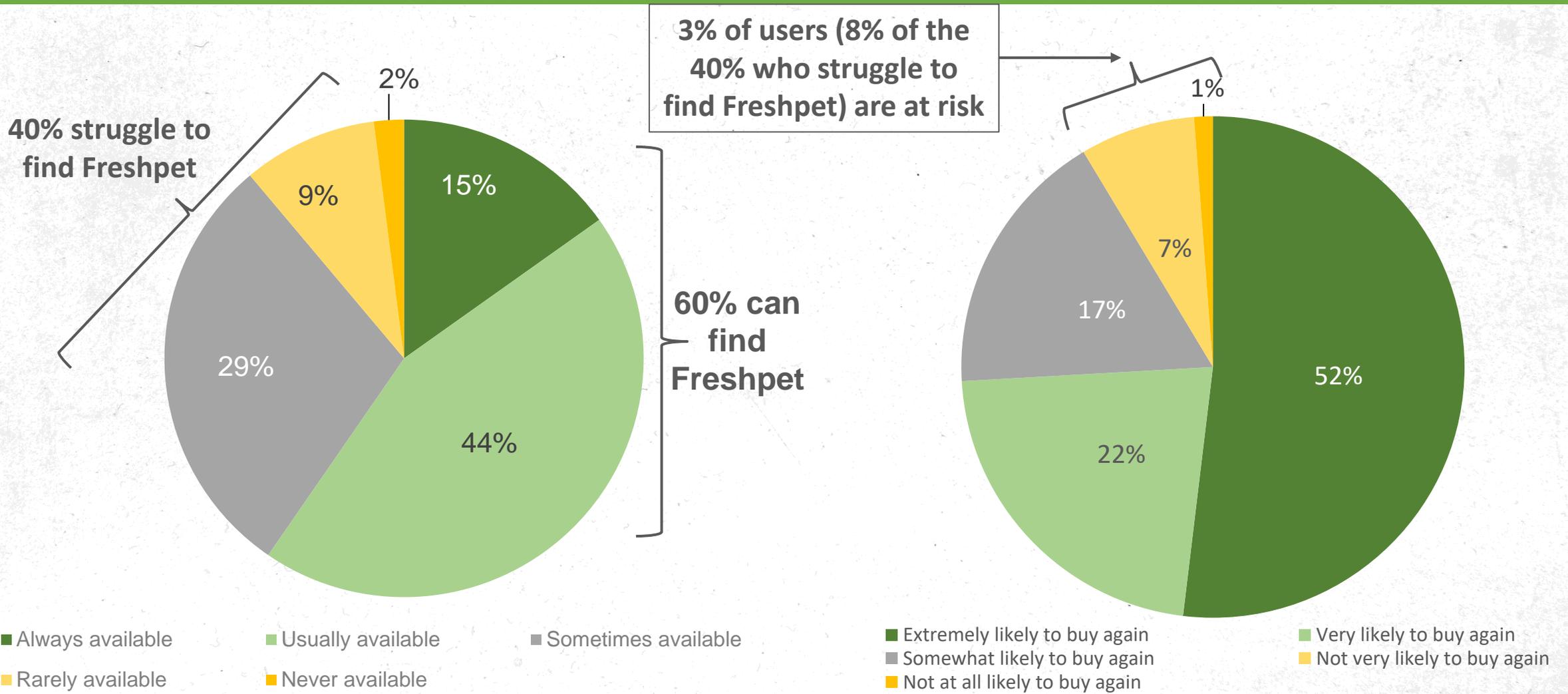


Freshpet Item Wanted Available On Last Shopping Trip



Source: FP Panel, n=389 FP Users

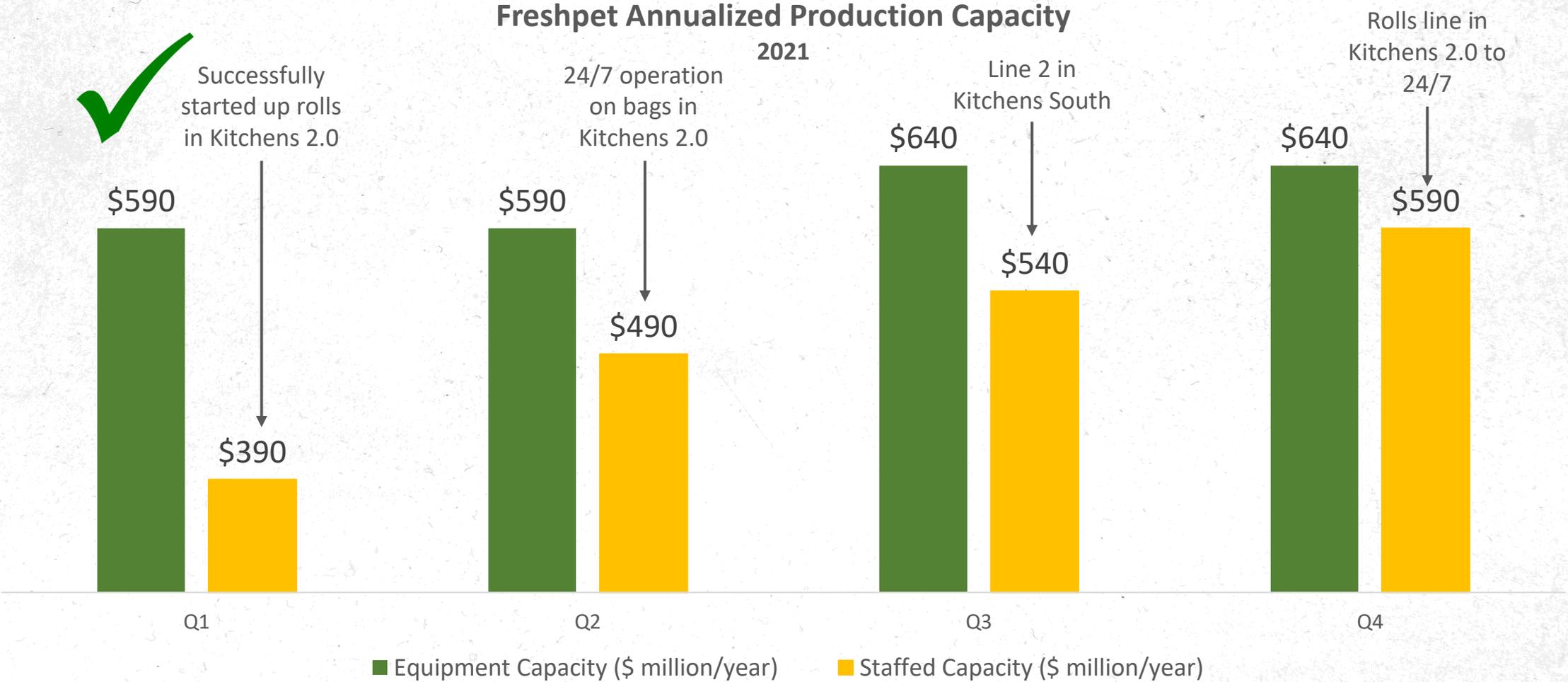
The vast majority of users are likely to remain with the brand despite out-of-stocks



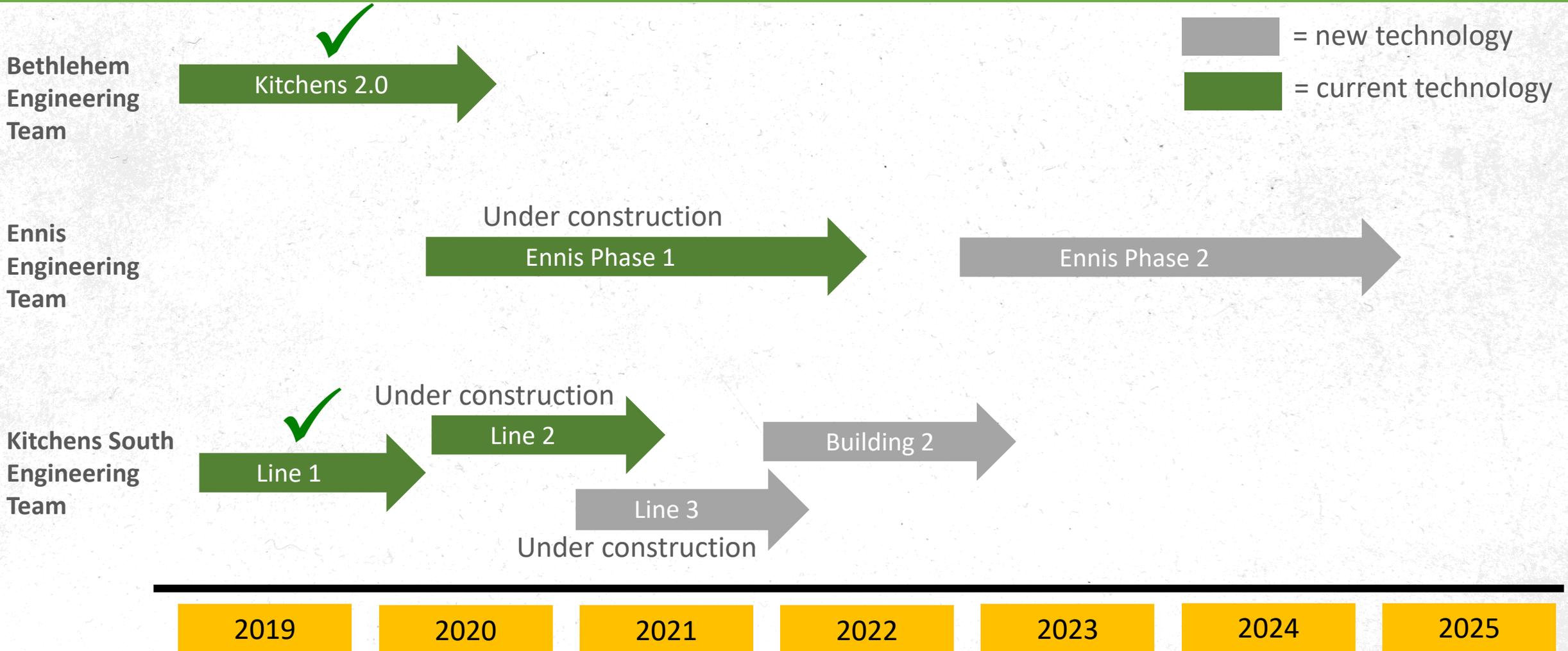


Projects to Increase Capacity

Steady increases in capacity throughout the year

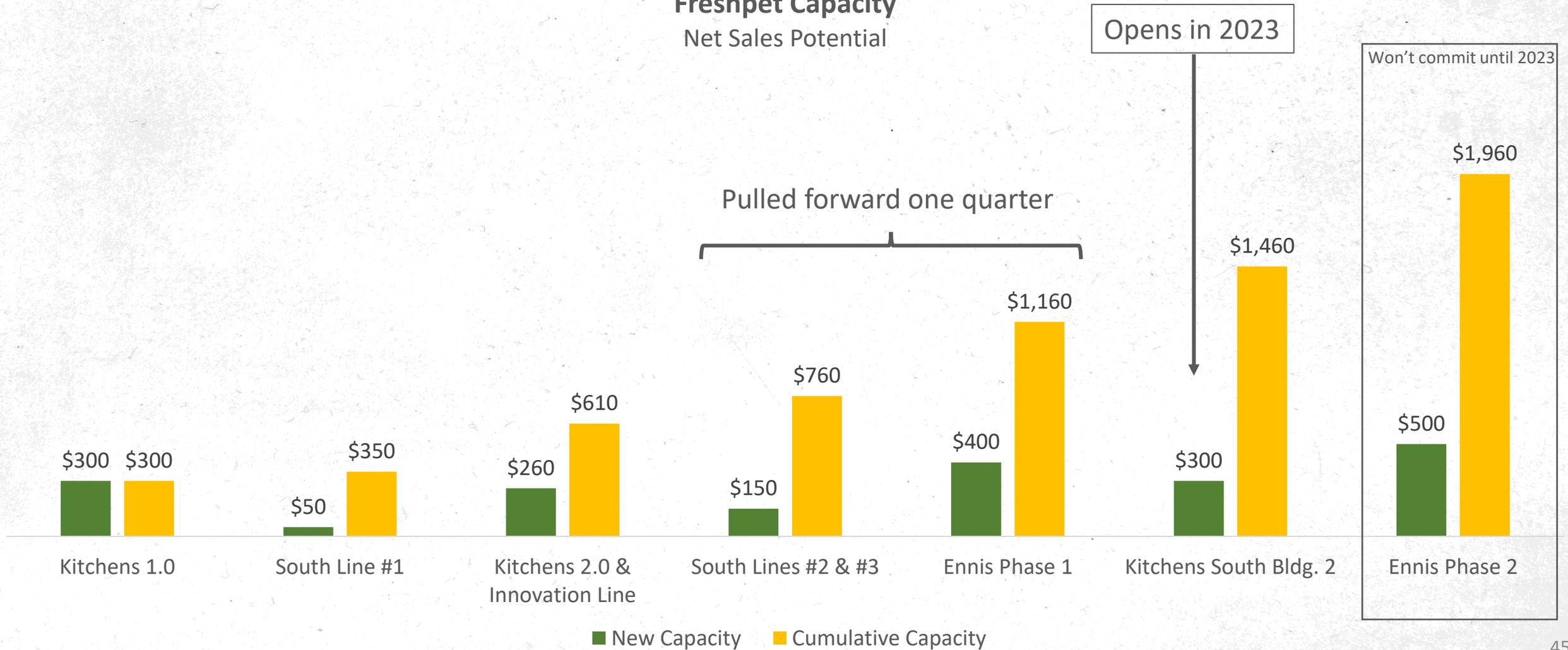


On track to deliver key projects

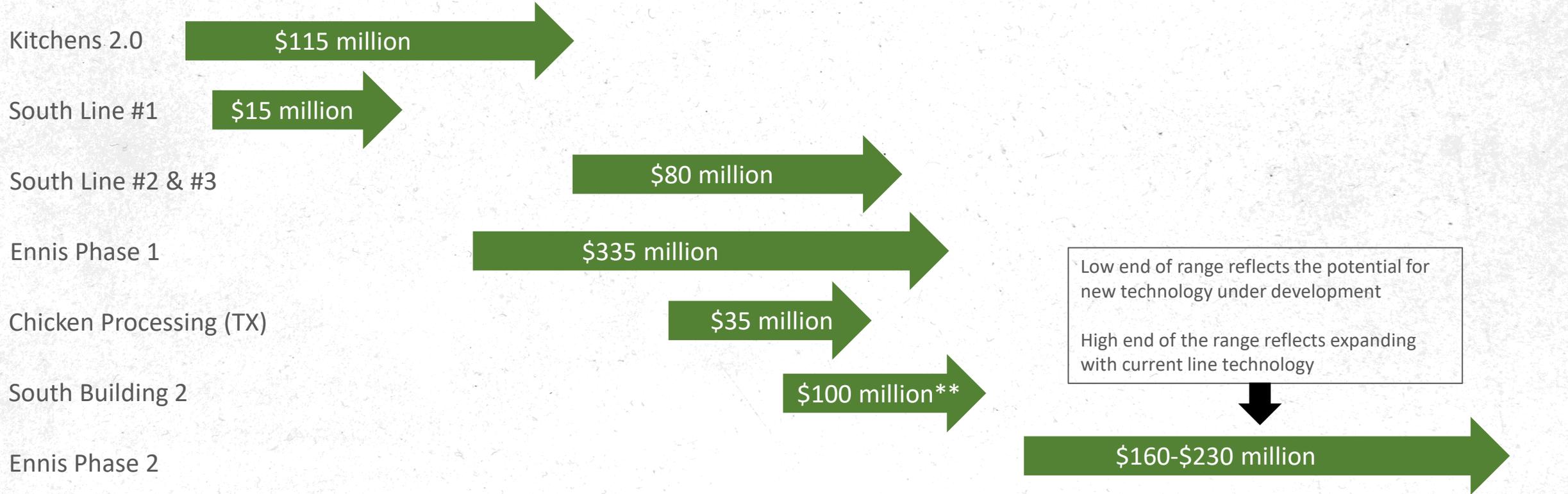


Almost \$2 billion in net sales production capacity by 2025

Freshpet Capacity Net Sales Potential



Capital spending plan supports up to ~\$2 billion in capacity



Low end of range reflects the potential for new technology under development
 High end of the range reflects expanding with current line technology

	2019	2020	2021	2022	2023	2024	2025
Total Capex*	\$71 mm	~\$135 mm	~\$380 mm	~\$300 mm	~\$75-95 mm	~\$70-\$90 mm	~\$70-\$90 mm

*also includes maintenance capex, fridges and IT

** represents a high-level estimate

Kitchens 2.0: Expanding shifts in Q2



landfill free



powered
by wind



carbon
emissions offset

Kitchens 3.0 in Ennis, TX: Construction is 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[®]

FEED THE GROWTH

11 MILLION HH BY 2025





Appendix

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

	Three Months Ended	
	March 31,	
	2021	2020
	(Dollars in thousands)	
Gross Profit	\$ 36,315	\$ 31,790
Depreciation expense	3,800	1,744
Plant start-up expense (a)	1,843	467
Non-cash share-based compensation	710	449
COVID-19 expense (b)	953	217
Adjusted Gross Profit	\$ 43,620	\$ 34,667
Adjusted Gross Profit as a % of Net Sales	46.7%	49.5%

(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 mitigate 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 March 31,	
	2021	2020
	(Dollars in thousands)	
SG&A expenses	\$ 46,033	\$ 34,676
Depreciation and amortization expense	3,289	2,709
Non-cash share-based compensation	5,370	1,729
Launch expense (a)	731	957
Loss on disposal of equipment	60	2
Equity offering expenses (b)	125	58
Enterprise Resource Planning (c)	603	273
COVID-19 expense (d)	4	—
Adjusted SG&A Expenses	\$ 35,851	\$ 28,948
Adjusted SG&A Expenses as a % of Net Sales	38.4%	41.3%

- (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 mitigate 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	
	March 31,	
	2021	2020
	(Dollars in thousands)	
Net (loss)	\$ (10,888)	\$ (3,590)
Depreciation and amortization	7,089	4,453
Interest expense	901	704
Income tax expense	16	22
EBITDA	\$ (2,882)	\$ 1,589
Loss on equity method investment	248	—
Loss on disposal of equipment	60	2
Non-cash share-based compensation	6,080	2,178
Launch expense (a)	731	957
Plant start-up expense (b)	1,843	467
Equity offering expenses (c)	125	58
Enterprise Resource Planning (d)	603	273
COVID-19 expense (e)	957	217
Adjusted EBITDA	\$ 7,765	\$ 5,741
Adjusted EBITDA as a % of Net Sales	8.3%	8.2%

- (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 mitigate potential supply chain disruptions during the pandemic.