UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-36729

FRESHPET, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-1884894**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1545 US-206, 1st Floor, Bedminster, New Jersey	**07921**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (201) 520-4000

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 1, 2024 the registrant had 48,483,030 shares of common stock, $0.001 par value per share, outstanding.

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Forward-Looking Statements

This report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this report are forward-looking statements. Forward-looking statements discuss our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "outlook," "potential," "project," "projection," "plan," "target," "intend," "seek," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- our ability to meet our sustainability targets, goals, and commitments, including due to the impact of climate change;
- changes in global economic and financial market conditions generally, such as continued inflation and interest rate increases;
- the impact of various worldwide or macroeconomic events, such as the ongoing conflict between Russia and Ukraine and the current conflict in Israel and the Gaza Strip, on U.S. and global economics, our employees, suppliers, customers and end consumers, which could adversely and materially impact our business, financial condition and results of operations;
- our ability to successfully implement our growth strategy, including related to implementing our marketing strategy and building capacity to meet demand, such as through the timely expansion of certain of our Freshpet Kitchens (collectively, our Freshpet Kitchens Bethlehem, Freshpet Kitchens South and Freshpet Kitchens Ennis);
- our ability to successfully implement new processes and systems as we continue to stabilize and improve our ERP;
- our ability to timely complete the construction at our Freshpet Kitchens Ennis and achieve the anticipated benefits therefrom;
- the loss of key members of our senior management team;
- allegations that our products cause injury or illness or fail to comply with government regulations;
- the loss of a significant customer;
- the entrance of new competitors into our industry;
- the effectiveness of our marketing and trade spending programs;
- our ability to introduce new products and improve existing products;
- our ability to match our manufacturing capacity with demand;
- the impact of government regulation, scrutiny, warning and public perception;
- the effect of false marketing claims;
- adverse weather conditions, natural disasters, pestilences and other natural conditions affecting our operations;
- our ability to develop and maintain our brand;
- the effect of potential price increases and shortages on the inputs, commodities and ingredients that we require, including those effects caused by sustained inflation;
- our ability to manage our supply chain effectively;
- global or local pandemics, such as COVID-19;
- the failure of our information technology systems to perform adequately, including as a result of any interruptions, intrusions, cyber attacks or physical or electronic security breaches of such systems;

- actions of activist stockholders;
- volatility in the price of our common stock; and
- other factors discussed under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this report and the headings "Risk Factors," "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2023 and our subsequent Quarterly Reports on Form 10-Q.

While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 251,699	$ 296,871
Accounts receivable, net of allowance for doubtful accounts	68,156	56,754
Inventories, net	73,252	63,238
Prepaid expenses	8,566	7,615
Other current assets	3,547	2,841
Total Current Assets	405,220	427,319
Property, plant and equipment, net	1,032,730	979,164
Deposits on equipment	1,109	1,895
Operating lease right of use assets	2,851	3,616
Long term investment in equity securities	33,446	23,528
Other assets	30,975	28,899
Total Assets	$ 1,506,331	$ 1,464,421
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 34,051	$ 36,096
Accrued expenses	52,884	49,816
Current operating lease liabilities	1,034	1,312
Current finance lease liabilities	2,031	1,998
Total Current Liabilities	$ 90,000	$ 89,222
Convertible senior notes	394,108	393,074
Long term operating lease liabilities	2,064	2,591
Long term finance lease liabilities	24,355	26,080
Total Liabilities	$ 510,527	$ 510,967
Commitments and contingencies	—	—
STOCKHOLDERS' EQUITY:		
Common stock — voting, $0.001 par value, 200,000 shares authorized, 48,493 issued and 48,479 outstanding on June 30, 2024, and 48,277 issued and 48,263 outstanding on December 31, 2023	48	48
Additional paid-in capital	1,308,623	1,282,984
Accumulated deficit	(311,823)	(328,731)
Accumulated other comprehensive loss	(788)	(591)
Treasury stock, at cost — 14 shares on June 30, 2024 and on December 31, 2023	(256)	(256)
Total Stockholders' Equity	995,804	953,454
Total Liabilities and Stockholders' Equity	$ 1,506,331	$ 1,464,421

See accompanying notes to the unaudited condensed consolidated financial statements.

FRESHPET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(Unaudited, in thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
NET SALES	$ 235,253	$ 183,331	$ 459,102	$ 350,853
COST OF GOODS SOLD	141,301	124,087	276,992	240,849
GROSS PROFIT	93,952	59,244	182,110	110,004
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	95,702	75,996	175,396	148,267
(LOSS) INCOME FROM OPERATIONS	(1,750)	(16,752)	6,714	(38,263)
OTHER INCOME (EXPENSES):				
Interest and Other Income, net	2,861	4,108	6,195	5,055
Interest Expense	(2,751)	(3,329)	(5,811)	(6,501)
Gain on Equity Investment	—	—	9,918	—
	110	779	10,302	(1,446)
(LOSS) INCOME BEFORE INCOME TAXES	(1,640)	(15,972)	17,016	(39,708)
INCOME TAX EXPENSE	54	70	108	140
LOSS ON EQUITY METHOD INVESTMENT	-	910	—	1,890
(LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (1,694)	$ (16,952)	$ 16,908	$ (41,738)
OTHER COMPREHENSIVE LOSS:				
Change in foreign currency translation	$ (79)	$ (2,039)	$ (197)	$ (2,033)
TOTAL OTHER COMPREHENSIVE LOSS	(79)	(2,039)	(197)	(2,033)
TOTAL COMPREHENSIVE (LOSS) INCOME	$ (1,773)	$ (18,991)	$ 16,711	$ (43,771)
NET (LOSS) INCOME PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	$ (0.03)	$ (0.35)	$ 0.35	$ (0.87)
-DILUTED	$ (0.03)	$ (0.35)	$ 0.34	$ (0.87)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING				
-BASIC	48,461	48,132	48,400	48,089
-DILUTED	48,461	48,132	50,154	48,089

See accompanying notes to the unaudited condensed consolidated financial statements.

FRESHPET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited, in thousands)

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Shares	Treasury Stock	Total Stockholders' Equity
BALANCES, March 31, 2024	48,449	$ 48	$ 1,288,890	$ (310,129)	$ (709)	14	$ (256)	$ 977,844
Exercise of options to purchase common stock	40	—	1,381	—	—	—	—	1,381
Vesting of restricted stock units	4	—	(77)	—	—	—	—	(77)
Share-based compensation expense	—	—	18,429	—	—	—	—	18,429
Foreign currency translation	—	—	—	—	(79)	—	—	(79)
Net loss	—	—	—	(1,694)	—	—	—	(1,694)
BALANCES, June 30, 2024	48,493	$ 48	$ 1,308,623	$ (311,823)	$ (788)	14	$ (256)	$ 995,804

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Shares	Treasury Stock	Total Stockholders' Equity
BALANCES, March 31, 2023	48,109	$ 48	$ 1,267,642	$ (319,903)	$ 1,376	14	$ (256)	$ 948,907
Exercise of options to purchase common stock	56	—	1,107	—	—	—	—	1,107
Vesting of restricted stock units	20	—	(248)	—	—	—	—	(248)
Share-based compensation expense	—	—	7,009	—	—	—	—	7,009
Foreign currency translation	—	—	—	—	(2,039)	—	—	(2,039)
Net loss	—	—	—	(16,952)	—	—	—	(16,952)
BALANCES, June 30, 2023	48,185	48	$ 1,275,510	$ (336,855)	$ (663)	14	$ (256)	$ 937,784

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Shares	Treasury Stock	Total Stockholders' Equity
BALANCES, December 31, 2023	48,277	$ 48	$ 1,282,984	$ (328,731)	$ (591)	14	$ (256)	$ 953,454
Exercise of options to purchase common stock	145	—	4,196	—	—	—	—	4,196
Vesting of restricted stock units	71	—	(2,159)	—	—	—	—	(2,159)
Share-based compensation expense	—	—	23,602	—	—	—	—	23,602
Foreign currency translation	—	—	—	—	(197)	—	—	(197)
Net income	—	—	—	16,908	—	—	—	16,908
BALANCES, June 30, 2024	48,493	$ 48	$ 1,308,623	$ (311,823)	$ (788)	14	$ (256)	$ 995,804

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Shares	Treasury Stock	Total Stockholders' Equity
BALANCES, December 31, 2022	48,051	$ 48	$ 1,325,524	$ (295,117)	$ 1,370	14	$ (256)	$ 1,031,569
Exercise of options to purchase common stock	91	—	3,061	—	—	—	—	3,061
Vesting of restricted stock units	43	—	(850)	—	—	—	—	(850)
Share-based compensation expense	—	—	13,986	—	—	—	—	13,986
Purchase of capped call options	—	—	(66,211)	—	—	—	—	(66,211)
Foreign currency translation	—	—	—	—	(2,033)	—	—	(2,033)
Net loss	—	—	—	(41,738)	—	—	—	(41,738)
BALANCES, June 30, 2023	48,185	$ 48	$ 1,275,510	$ (336,855)	$ (663)	14	$ (256)	$ 937,784

See accompanying notes to the unaudited condensed consolidated financial statements.

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FRESHPET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 16,908	$ (41,738)
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities:		
Provision for loss on accounts receivable	13	8
Loss on disposal of property, plant and equipment	286	464
Share-based compensation	25,755	16,862
Inventory obsolescence	699	—
Depreciation and amortization	33,324	28,930
Write-off and amortization of deferred financing costs and loan discount	1,035	3,034
Change in operating lease right of use asset	766	807
Loss on equity method investment	—	1,890
Gain on equity investment	(9,918)	—
Amortization of discount on short-term investments	—	(996)
Changes in operating assets and liabilities:		
Accounts receivable	(11,407)	5,675
Inventories	(8,685)	(6,979)
Prepaid expenses and other current assets	(3,968)	(430)
Other assets	(1,240)	(3,762)
Accounts payable	(981)	(7,488)
Accrued expenses	6,069	4,529
Operating lease liability	(837)	(1,037)
Net cash flows provided by (used in) operating activities	47,819	(231)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of short-term investments	—	(113,441)
Acquisitions of property, plant and equipment, software and deposits on equipment	(94,795)	(102,507)
Net cash flows used in investing activities	(94,795)	(215,948)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of options to purchase common stock	4,196	3,061
Tax withholdings related to net shares settlements of restricted stock units	(1,440)	(850)
Purchase of capped call options	—	(66,211)
Proceeds from issuance of convertible senior notes	—	393,518
Debt issuance costs	—	(2,026)
Principal payments under finance lease obligations	(952)	—
Net cash flows provided by financing activities	1,804	327,492
NET CHANGE IN CASH AND CASH EQUIVALENTS	(45,172)	111,313
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	296,871	132,735
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 251,699	$ 244,048
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 7,165	$ 1,217
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Property, plant and equipment purchases in accounts payable and accrued expenses	$ 14,493	$ 34,799
Capitalized interest in accrued expenses	—	$ 181
Tax withholdings related to net shares settlements of restricted stock units in accrued expenses	$ 719	$ —

See accompanying notes to the unaudited condensed consolidated financial statements.

FRESHPET, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, in thousands, except per share data)

Note 1 – Summary of Significant Accounting Policies:

Nature of the Business – Freshpet, Inc. (hereafter referred to as “Freshpet”, the “Company”, “we,” "us" or “our”), a Delaware corporation, manufactures and markets natural fresh meals and treats for dogs and cats. The Company’s products are distributed throughout the United States, Canada and other international markets, into major retail classes including Grocery, Mass, International, Digital, Pet Specialty, and Club.

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”). The unaudited condensed consolidated financial statements include the accounts of the Company as well as the Company’s wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The interim unaudited condensed consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements and in accordance with the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). In the opinion of management, the interim unaudited financial statements reflect all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company’s financial position as of June 30, 2024, the results of its operations and changes to stockholders’ equity for the three and six months ended June 30, 2024 and 2023, and its cash flows for the six months ended June 30, 2024 and 2023. The results for the three and six months ended June 30, 2024, are not necessarily indicative of results to be expected for the year ending December 31, 2024, or any other interim periods, or any future year or period. All amounts included herein have been rounded except where otherwise stated. As figures are rounded, numbers presented throughout this document may not add up precisely to the totals we provide and percentages may not precisely reflect the absolute figures.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes in Item 8 of Part II, “Financial Statements and Supplementary Data,” of our Annual Report on Form 10-K for the year ended December 31, 2023.

Estimates and Uncertainties – The preparation of our consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used in determining, among other items, trade incentives, share-based compensation and useful lives for long-lived assets. Actual results, as determined at a later date, could differ from those estimates.

Segments – The Company operates as a single operating segment reporting to its chief operating decision maker.

Investment in Unconsolidated Company – The Company utilizes the equity method to account for investments when the Company possesses the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. The ability to exercise significant influence is presumed when an investor possesses more than 20% of the voting interests of the investee. This presumption may be overcome based on specific facts and circumstances that demonstrate that the ability to exercise significant influence is restricted.

In applying the equity method, the Company records the investment at cost and subsequently increases or decreases the carrying amount of the investment by its proportionate share of the net income or loss. The Company has elected to record its share of equity in income (losses) of equity method investment on a one-quarter lag based on the most recently available financial statements.

Through 2022**,** we invested a total of $31,200 in a privately held company that operates in our industry, with no additional investments thereafter. The Company concluded that it is not the primary beneficiary as it does not have the power to direct activities that most significantly impact economic performance. Prior to March 30, 2023*,* the Company accounted for the investment under the equity method of accounting based on its ability to exercise significant influence, based on its representation on and the makeup of the investee's Board of Directors.

On March 30, 2023*,* the Company no longer had representation on the investee's Board of Directors, and therefore determined that significant influence had been lost as of that date. As such, as of March 30, 2023*,* the Company stopped accounting for the investment as an equity method investment and began to account for the investment under ASC Topic 321 ("ASC 321"), Investments - Equity Securities. As of June 30, 2024, the Company's ability to exercise significant influence continues to be restricted as it no longer has, or the ability to obtain, board representation and it has no means of participation in any decision making processes as the privately held investee's Board of Directors is closely held.

Because the investee is a privately held company, there is not a means to obtain a readily determinable fair value of the entity. The Company follows ASC Topic 321 using the measurement alternative to measure investments in investees that do not have readily determinable fair value and over which the Company does not have significant influence. Under ASC 321, the initial carrying value of the investment is equal to the previous carrying amount of the investment under the equity method. The carrying amount of the investment is subsequently adjusted for any impairment or adjustments resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. Dividends and distributions, if any, from the investee would be recognized in the period in which they are received and recorded in other income on the consolidated statement of operations.

The Company performs a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the Company estimates the investment's fair value in accordance with the principles of ASC Topic 820 ("ASC 820"), *Fair Value Measurements and Disclosures.* If the fair value is less than the investment's carrying value, the entity recognizes an impairment loss in earnings equal to the difference between the carrying value and fair value. On March 26, 2024, the investee completed an equity funding, which we concluded represented an orderly transaction for an identical equity security with no differences in rights and obligations. As a result, pursuant to the ASC 321 measurement alternative, we adjusted the carrying amount of our equity investment from $23,528 as of December 31, 2023 to $33,446 as of March 31, 2024, recognizing a gain of $9,918 in earnings for the three-months ended March 31, 2024, based on the observable transactional price of the identical equity security issued by the investee.

March 2023 Issuance of $402.5 million of 3.00% Convertible Senior Notes (the "Convertible Notes") - In conjunction with the issuance of the $402.5 million Convertible Notes in March 2023*,* the Company evaluated the debt instrument and its embedded features to determine if the contract or the embedded components of the contract qualified as a derivative that would be required to be separately accounted for in accordance with the relevant accounting literature.

The Company accounts for the Convertible Notes as a single liability measured at amortized cost. The Company uses the effective interest rate method to amortize the debt issuance costs to interest expense over the respective term of the Convertible Notes.

Leases – The Company is a lessee in noncancelable (1) operating leases, and (2) finance leases, which it accounts for in accordance with Accounting Standards Codification (ASC) Topic 842, Leases.

The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes a right of use asset and a lease liability at the lease commencement date. For both operating and finance leases, the right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received; and the lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date.

The Company's leases do not provide an implicit rate; therefore, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future payments for those leases. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms in a similar economic environment.

Right of use assets for the operating and finance leases are periodically reviewed for impairment losses. The Company uses the long-lived assets impairment guidance in ASC Subtopic 360-10, Property, Plant, and Equipment - Overall, to determine whether a right of use asset is impaired, and if so, the amount of the impairment loss to recognize. No such loss was recognized as of June 30, 2024.

The Company monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding right of use asset.

The Company has elected the practical expedient to combine lease and non-lease components when determining the right of use asset and lease liability. The Company has also elected not to recognize right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term.

Cash Equivalents – The Company holds treasury bills with original maturities when purchased of less than three months, within cash and cash equivalents, carried at amortized cost on the Consolidated Balance Sheet. Treasury bills have been classified as held-to-maturity as we have the ability and intent to hold them to maturity. As of June 30, 2024, the Company had $79,694 of treasury bills within cash equivalents, which included $256 of amortized discount. As of December 31, 2023, the Company had $134,570 of treasury bills within cash equivalents, which included $692 of amortized discount.

Short-Term Investments – The Company, from time to time, holds treasury bills with original maturities when purchased of greater than three months, within short-term investments, carried at amortized cost on the Consolidated Balance Sheet. Treasury bills have been classified as held-to-maturity as we have the ability and intent to hold them to maturity. As of June 30, 2024 and December 31, 2023, there were no short-term investments.

Trade Accounts Receivable – The allowance for doubtful accounts is based on the Company's assessment of the collectability of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, the age of the accounts receivable balances and current economic conditions that may affect a customer's ability to pay.

Implementation Costs of Cloud Computing Arrangement – As of June 30, 2024 and December 31, 2023, the Company's deferred implementation costs of our new ERP system associated with our cloud computing arrangement, which were reflected within prepaid and other assets, were $9,583 and $9,895, respectively. The cost will be recognized over the term of the agreement, which began in the first quarter of 2022.

Fair Value of Financial Instruments – Financial Accounting Standards Board (“FASB”) ASC 820, Fair Value Measurements and Disclosure guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

(Unaudited, in thousands, except per share data)

The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active). Level 2 includes financial instruments that are valued using models or other valuation methodologies.
- Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

Our financial assets and liabilities include cash and cash equivalents, receivables, accounts payable and accrued liabilities, the fair values of which approximate their carrying values due to the short-term nature of these instruments. The Company holds certain financial assets within cash and cash equivalents in the form of held-to-maturity treasury bills as we have the ability and intent to hold them to maturity, as such, they are not fair valued each reporting period but instead measured at amortized cost. The fair value of these assets is based on quoted market prices for the same or similar securities within less active markets, which the Company determined to be Level 2 inputs. As of June 30, 2024*,* the fair value of these treasury bills approximates their carrying value due to the short-term nature of these instruments.

Certain financial and non-financial assets, including operating lease right-of-use assets and property, plant and equipment are reported at their carrying values and are not subject to recurring fair value measurements. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the investment in equity securities, we have elected the measurement alternative under which we measure this investment at cost minus impairment, if any, plus or minus changes resulting from observable price changes, if any, in orderly transactions for an identical or a similar investment of the same issuer, for which the change in fair value would be included in net income.

Refer to Note *6* - Convertible Senior Notes for the fair value of our Convertible Senior Notes.

As of June 30, 2024, the Company maintained Level 1 and Level 2 assets and liabilities.

Net Sales - Information about the Company's net sales by class of retailer is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Grocery, Mass, International and Digital	$ 192,255	$ 154,812	$ 376,647	$ 294,999
Pet Specialty and Club	42,998	28,519	82,455	55,854
Net Sales	$ 235,253	$ 183,331	$ 459,102	$ 350,853

As of March 31, 2024, the Company is providing a more meaningful breakout of its sales, which now combines pet specialty and club as both classes of retailers service a specific consumer through specialized offerings, which include value focused and or premium products. In contrast, grocery, mass, international and digital offer a wide variety of products.

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Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This guidance will be effective for the Company for the annual report for the fiscal year ending December 31, 2024 and subsequent interim periods. Early adoption is permitted and retrospective adoption is required for all prior periods presented. The Company is currently evaluating the provisions of this guidance and its effect on its future consolidated financial statements and plans to adopt the standard on its effective date.

In March 2024, the SEC adopted final rules to require disclosures about certain climate-related information in registration statements and annual reports. As adopted, the Final Climate Rules mandate disclosure of, among other things, material climate-related risks, how the board of directors and management oversee and manage such risks, and the actual and potential material impacts of such risks on us. The rules also require disclosure about material climate-related targets and goals, Scope 1 and Scope 2 GHG emissions, and the financial impacts of severe weather events and other natural conditions. In April 2024, the SEC voluntarily stayed the Final Climate Rules pending resolution of legal challenges. If the rules are ultimately implemented, their adoption will be phased and, accordingly, we are required to begin certain disclosures for our annual period ending December 31, 2025. These rules will be applied prospectively.

Note 2 – Inventories, net:

	June 30, 2024	December 31, 2023
Raw Materials and Work in Process	$ 14,614	$ 16,055
Packaging Components Material	6,633	5,607
Finished Goods	52,005	41,576
Inventories, net	$ 73,252	$ 63,238

Note 3 – Property, Plant and Equipment, net:

	June 30, 2024	December 31, 2023
Refrigeration Equipment	$ 185,031	$ 167,956
Machinery and Equipment	252,476	242,256
Building, Land, and Improvements	555,164	535,003
Furniture and Office Equipment	16,984	14,987
Leasehold Improvements	12	1,319
Construction in Progress	227,047	187,952
Finance Lease Right of Use Asset	28,478	29,187
	1,265,192	1,178,660
Less: Accumulated Depreciation and Amortization	(232,462)	(199,496)
Property, Plant and Equipment, net	$ 1,032,730	$ 979,164

Depreciation and amortization expense related to property, plant and equipment for the three and six months ended June 30, 2024 totaled $17,311 and $33,117, respectively, of which $12,539 and $23,890, respectively, was recorded to cost of goods sold with the remainder of depreciation expense recorded to selling, general and administrative expense.

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Depreciation expense related to property, plant and equipment for the three and six months ended June 30, 2023 totaled $14,346 and $28,740, respectively, of which $10,618 and $21,339, respectively, was recorded to cost of goods sold with the remainder of depreciation expense recorded to selling, general and administrative expense.

Note 4 – Accrued Expenses:

	June 30, 2024	December 31, 2023
Accrued Compensation and Employee Related Costs	$ 21,622	$ 19,307
Accrued Chiller Cost	3,593	7,478
Accrued Customer Consideration	733	1,228
Accrued Freight	4,083	6,078
Accrued Production Expenses	4,806	6,928
Accrued Corporate and Marketing Expenses	10,661	3,627
Accrued Interest	3,019	3,019
Other Accrued Expenses	4,367	2,151
Accrued Expenses	$ 52,884	$ 49,816

Note 5 – Debt:

On February 19, 2021, the Company entered into the Sixth Amended and Restated Loan and Security Agreement ("Credit Agreement"), which provided for a $350,000 senior secured credit facility (as amended the "Credit Facility"), encompassing a $300,000 delayed draw term loan facility (the "Delayed Draw Facility") and a $50,000 revolving loan facility (the "Revolving Loan Facility").

On March 15, 2023, the Company terminated the Credit Agreement in connection with the offering of the Convertible Notes (as defined below) and it had no borrowings outstanding under the Credit Facility as of such date. Interest expense and fees totaled $2,785 in 2023, which included $2,478 of debt issuance costs written off in conjunction with the termination of the Credit Facility in March 2023. There was $0 of accrued interest on the credit facilities as of December 31, 2023.

Note 6 – Convertible Senior Notes:

In March 2023, we issued $402,500 aggregate principal amount of 3.0% convertible senior notes due 2028 (the “Convertible Notes”). The Convertible Notes were issued in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). The net proceeds from the sale of the Convertible Notes were approximately $391,492 after deducting offering and issuance costs related to the Convertible Notes and before the 2023 Capped Call transactions, as described below.

The Convertible Notes are our senior, unsecured obligations and accrue interest at a rate of 3.0% per annum, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2023. The Convertible Notes will mature on April 1, 2028 unless earlier converted, redeemed or repurchased by us. Before January 3, 2028, noteholders will have the right to convert their Convertible Notes only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ended on June 30, 2023 *(*and only during such calendar quarter), if the last reported sale price of our common stock, par value $0.001 per share (the "common stock"), for each of at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five consecutive business day period immediately after any 10 consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of notes, as determined following a request by a holder or holders of the Convertible Notes in the manner described in indenture pursuant to which the Convertible Notes were issued and are governed (the “Indenture”), for each trading day of the measurement period, was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; (3) if we call any or all of the Convertible Notes for redemption, but only with respect to the convertible notes called (or deemed called) for redemption; or (4) upon the occurrence of specified corporate events (e.g., a fundamental change or the making of certain distributions). On or after January 3, 2028, until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder may convert its Convertible Notes at any time, regardless of the foregoing circumstances.

As of March 31, 2024, noteholders had the right to early convert under the 130% early conversion feature, with such conversion right exercisable only during the second quarter of 2024. No early conversions occurred during the second quarter. As of June 30, 2024, noteholders have the right to early convert under the 130% early conversion feature, with such conversion right exercisable only during the third quarter of 2024. As of the date of this filing, no early conversions have occurred during the third quarter of 2024.

We will settle conversions by paying or delivering, as applicable, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. The initial conversion rate for the Convertible Notes is 14.3516 shares of common stock per $1,000 principal amount of Notes, which represents an initial conversion price of approximately $69.68 per share of common stock. The conversion rate and conversion price are subject to customary adjustments upon the occurrence of certain events. In addition, in connection with a make-whole fundamental change (as defined in the Indenture), which shall include among other things the Company's delivery of a notice of redemption, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event or redemption, as the case may be.

We may not redeem the Convertible Notes prior to April 3, 2026. We may redeem for cash all or any portion of the Convertible Notes, at our option, on or after April 3, 2026 and on or before the 40^{th} scheduled trading day immediately preceding the maturity date, if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we send the notice of redemption, at a redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. However, we may not redeem less than all of the outstanding Convertible Notes unless at least $100 million aggregate principal amount of Convertible Notes are outstanding and not called for redemption as of the time we send the related redemption notice.

Upon the occurrence of a fundamental change (as defined in the Indenture), holders may require the Company to repurchase for cash all or any portion of their Convertible Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid additional interest, if any, to, but excluding, the fundamental change repurchase date.

(Unaudited, in thousands, except per share data)

The effective interest rate for the Convertible Notes is 3.59%. Transaction costs of $11,008 attributable to the issuance of the Convertible Notes were recorded as a direct deduction from the related debt liability in the Consolidated Balance Sheet and are amortized to interest expense over the term of the Convertible Notes using the effective interest method.

The Company measures the fair value of its Convertible Notes for disclosure purposes. The fair value is based on observable market prices for this debt, which is traded in less active markets and is therefore classified as a Level 2 fair value measurement. The following table discloses the carrying value and fair value of the Company's Convertible Notes as of June 30, 2024*:*

	As of June 30, 2024	
	Carrying Value (1)	**Fair Value**
3.00% Convertible Senior Notes Maturing April 1, 2028	394,108	786,888
Total	394,108	786,888

(1) The carrying amounts presented are net of unamortized debt issuance costs of $8,392 as of June 30, 2024*.*

Lender fees that were paid upfront to the lenders and debt issuance fees paid to third parties are recorded as a discount to the carrying amount of debt and are being amortized to interest expense over the life of the debt. The total interest expense for the three and six months ended June 30, 2024*,* recognized related to the Convertible Notes consists of the following:

	Three Months Ended	**Six Months Ended**
	June 30, 2024	
Contractual interest expense	3,019	6,038
Amortization of issuance costs	520	1,034
Total	3,539	7,072

Of the $6,038 interest expense incurred during the six months ended June 30, 2024, $3,019 was paid during the three months ended March 31, 2024, with $3,019 of accrued interest expense as of June 30, 2024. Of the $3,019 and $6,038 of interest expense incurred during the three and six months ended June 30, 2024, approximately $1,362 and $2,407 of interest expense was capitalized to construction in progress, as the proceeds from the sale of the Convertible Notes are being used to fund construction on the Company's manufacturing facility expansion in Ennis, Texas. For the three and six months ended June 30, 2023, $181 of interest expense was capitalized to construction in progress.

Note 7 – Purchase of Capped Call Options:

In connection with the pricing of the Convertible Notes issued in March 2023*,* we used $66,211 of the net proceeds from the Convertible Notes to enter into privately negotiated capped call transactions (collectively, the “Capped Call Transactions”) with certain financial institutions.

The Capped Call Transactions are generally expected to reduce potential dilution to holders of our common stock upon any conversion of the Convertible Notes and/or offset any cash payments we are required to make in excess of the principal amount of the Convertible Notes upon conversion of the Convertible Notes in the event that the market price per share of our common stock is greater than the strike price of the Capped Call Transactions, with such reduction and/or offset subject to a cap.

(Unaudited, in thousands, except per share data)

The Capped Call Transactions have an initial cap price of approximately $120.23 per share, which represents a premium of 120% over the last reported sale price of our common stock of $54.65 per share on March 15, 2023, and is subject to certain adjustments under the terms of the Capped Call Transactions. Collectively, the Capped Call Transactions cover, initially, the number of shares of our common stock underlying the Convertible Notes, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes.

The Capped Call Transactions are accounted for as freestanding derivatives and recorded at the initial fair value in additional paid-in-capital in the Consolidated Balance Sheet with no recorded subsequent change to fair value as long as they meet the criteria for equity classification. As of June 30, 2024, the instrument continued to qualify for equity classification.

Note 8 – Leases

We have various noncancelable operating lease agreements for office and warehouse space with original remaining lease terms of two years to nine years, some of which include an option to extend the lease term for up to four years. Because the Company is not reasonably certain to exercise the renewal options on these lease arrangements, the options are not considered in determining the lease term and associated potential option payments are excluded from lease payments. The Company's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants.

During the third quarter of 2023, we also entered into a finance lease agreement for manufacturing equipment with an initial term of ten years, which includes an option to extend the lease term for up to ten years, which the Company is not reasonably certain to exercise. The agreement did not include termination options for either party to the lease or restrictive financial or other covenants. In connection with the manufacturing equipment lease, which is a new asset class, we elected the practical expedient to combine lease and non-lease components to determine the right of use asset and lease liability.

Weighted-average remaining lease term (in years) and discount rate related to operating and finance leases were as follows:

	Operating Leases	Finance Lease
Weighted-average remaining lease term	2.77	9.0
Weighted-average discount rate	6.2 %	8.6 %

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments.

Maturities of lease liabilities under noncancelable operating leases and finance lease as of June 30, 2024 were as follows:

	As of June 30, 2024	
	Operating Leases	Finance Lease
2024 (a)	$ 595	$ 2,111
2025	1,210	4,221
2026	1,239	4,221
2027	337	4,221
2028 and beyond	—	23,217
Total lease payments	$ 3,381	$ 37,991
Less: Imputed interest	(283)	(11,605)
Present value of lease liabilities	$ 3,098	$ 26,386

(a) Excluding the six months ended June 30, 2024.

(Unaudited, in thousands, except per share data)

A summary of lease costs for the three and six months ended June 30, 2024 and 2023 was as follows:

		Three Months Ended June 30,		Six Months Ended June 30,	
		2024	2023	2024	2023
Operating Lease:					
Lease cost	Cost of goods sold and selling, general and administrative	$ 438	$ 438	$ 876	$ 876
Finance Lease:					
Amortization of right of use asset	Cost of goods sold	$ 712	$ -	$ 1,388	$ -
Interest on lease liabilities	Interest expense	$ 574	$ -	$ 1,127	$ -
Variable lease cost (b)	Inventory/Cost of goods sold (b)	$ 3,308	$ -	$ 6,669	$ -

(b) Variable lease cost primarily consists of the procurement and manufacturing costs capitalized to inventory. For the three and six months ended June 30, 2024, $3,308 and $6,669, respectively, of variable lease cost were capitalized to inventory and will be captured as part of cost of goods sold as the inventory turns.

Supplemental balance sheet information as of June 30, 2024 and December 31, 2023 related to leases are as follows:

		As of June 30, 2024	As of December 31, 2023
Assets:			
Operating leases	Operating lease right of use assets	$ 2,851	$ 3,616
Finance lease, net	Property, plant and equipment, net	25,630	27,728
Total lease assets		$ 28,481	$ 31,344
Liabilities:			
Current:			
Operating lease liabilities	Current operating lease liabilities	$ 1,034	$ 1,312
Finance lease liabilities	Current finance lease liabilities	2,031	1,998
Long-term:			
Operating lease liabilities	Long term operating lease liabilities	2,064	2,591
Finance lease liabilities	Long term finance lease liabilities	24,355	26,080
Total lease liabilities		$ 29,484	$ 31,981

Supplemental cash flow information and non-cash activity relating to operating and finance leases are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Operating cash flow information:	2024	2023	2024	2023
Cash paid for amounts included in the measurement of operating lease liabilities	$ 462	$ 452	$ 916	$ 897
Cash paid for amounts included in the measurement of finance lease liabilities (i.e. interest)	$ 574	$ -	$ 1,127	$ -
Finance cash flow information:				
Cash paid for amounts included in the measurement of finance lease liabilities (i.e. principal payment)	$ 481	$ -	$ 952	$ -

Note 9 – Warrants (in thousands, except share data):

In connection with an agreement we entered into with operators of Freshpet Kitchens South during the third quarter of 2022 in exchange for services, we issued our partner warrants to purchase up to an aggregate of 194,000 shares of voting common stock of the Company at a purchase price of $0.01 per share. The Company determined these warrants are accounted for under FASB ASC 718 Stock Compensation. The warrants were recorded as a prepaid expense as the warrants were exercisable at the grant date. The prepaid expense will be amortized within Cost of Goods Sold as services are provided by the supplier. As of June 30, 2024, the warrants were fully amortized. As of December 31, 2023, there were $2,027 of warrants in prepaid expense and $0 of warrants in other assets.

During 2022, 194,000 warrants were both issued and exercised, respectively. The grant date fair value of warrants granted during 2022 was $50.32 per share.

Total amortization associated with partner warrants for the three and six months ended June 30, 2024 was $811 and $2,027, respectively. Total amortization associated with partner warrants for the three and six months ended June 30, 2023 was $1,438 and $2,876, respectively.

Note 10 – Equity Incentive Plans:

Total compensation cost for share-based payments recognized for the three and six months ended June 30, 2024 totaled $18,722 and $23,728, respectively, of which $1,409 and $2,814, respectively, was recorded to cost of goods sold with the remainder recorded to selling, general and administrative expense. The share-based compensation cost includes an adjustment related to the reassessment of the probability of achieving performance conditions related to certain outstanding share-based awards.

Total compensation cost for share-based payments recognized for the three and six months ended June 30, 2023 totaled $7,009 and $13,986, respectively, of which $1,654 and $3,240, respectively, was recorded to cost of goods sold with the remainder recorded to selling, general and administrative expense.

During the six months ended June 30, 2024, 0 stock options were granted and 145 stock options were exercised.

During the six months ended June 30, 2024, 99 restricted stock units were granted at a weighted average grant-date fair market value of $105.64. During the six months ended June 30, 2024, 71 restricted stock units vested.

Note 11 – Net Income (Loss) Per Share Attributable to Common Stockholders:

Basic net income (loss) per share of common stock is calculated by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Diluted net income (loss) per share of common stock is computed by giving effect to all potentially dilutive securities. For purpose of determining diluted earnings per common share, the treasury stock method is used for stock options, warrants, and RSUs, and the if-converted method is used for convertible instruments such as convertible debt as prescribed in FASB ASC Topic 260. In conjunction with the issuance of the $402.5 million Convertible Notes in March 2023, the Company used $66.2 million of the proceeds to purchase capped call instruments. In accordance with FASB ASC 260, antidilutive contracts, such as purchased put options and purchased call options are excluded from the computation of diluted net income (loss) per share. Accordingly, any potential impact resulting from capped call transactions is excluded from our computation of diluted net income (loss) per share.

For the six months ended June 30, 2024, diluted net income per share attributable to common stockholders is shown below. For the three months ended June 30, 2024, and for the three and six months ended June 30, 2023, diluted net loss per common share is the same as basic net loss per common share, due to the fact that potentially dilutive securities would have an antidilutive effect as the Company incurred a net loss in those periods.

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	Six Months Ended June 30,	
	2024	
Net Income Attributable to Common Stockholders	$	16,908
Weighted Average Common Shares Outstanding, Basic		48,400
Service Period Stock Options		689
Restricted Stock Units		234
Performance Stock Options		831
Convertible Notes		—
Weighted Average Common Shares Outstanding, Diluted		50,154
Basic Net Income per Share	$	0.35
Diluted Net Income per Share	$	0.34

The potentially dilutive securities excluded from the determination of diluted income (loss) per share, as their effect is antidilutive, are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Service Period Stock Options	682	1,203	—	1,230
Restricted Stock Units	239	518	—	392
Performance Stock Options	804	1,117	—	1,117
Convertible Notes	5,776	5,776	5,776	5,776
Total	7,500	8,614	5,776	8,515

Note 12 – Concentrations:

Concentration of Credit Risk—The Company maintains its cash balances in financial institutions that are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to $250 each. At times, such balances may be in excess of the FDIC insurance limit.

Note 13 – Commitments and Contingencies:

Commitments - In August 2023, we entered into a lease arrangement for a to-be constructed office space, which will contribute right of use assets and lease liabilities upon lease commencement, which is currently anticipated to occur by the first half of 2025. As of June 30, 2024, the future commitments related to this arrangement are not determinable as they are variable in nature.

Legal Obligations - We are currently involved in various claims and legal actions that arise in the ordinary course of our business. None of these claims or proceedings, most of which are covered by insurance, are expected to have a material adverse effect on our business, financial condition, results of operations or cash flows. However, a significant increase in the number of these claims or an increase in amounts owing under successful claims could materially and adversely affect our business, financial condition, results of operations or cash flows.

On April 8, 2022*,* Phillips Feed Service, Inc., d/b/a Phillips Feed And Pet Supply ("Phillips") filed a complaint against the Company in U.S. District Court for the Eastern District of Pennsylvania (Allentown Division) for damages allegedly sustained as a result of the termination of the Company's distribution arrangement with Phillips, a former distributor of Freshpet products. Phillips asserts a claim for breach of contract, and seeks monetary damages in excess of $8,300 based on a claimed "termination payment" under a 2018 "Letter Of Intent" and additional damages based on a claim for improper notice of termination. Phillips also claims a right of setoff with respect to monies owed by Phillips to the Company.

On July 5, 2022*,* the Company answered the complaint disputing the claimed damages, assertions of breach of contract, and the right of offset. In addition, the Company counterclaimed breach of contract for amounts owed to Freshpet earned while Phillips served as an authorized distributor of Freshpet product.

As of December 31, 2022*,* due to the claims and counterclaims between the parties, the Company reclassified the amounts due from Phillips of $8,971 to other noncurrent assets.

The fact discovery period in this action closed on December 31, 2023.

The expert discovery phase closed on March 31, 2024. Phillips filed a Motion for Partial Summary Judgment ("MSJ") on April 1, 2024, and on April 29, 2024, the court ordered all further proceedings and deadlines as reflected in its November 15, 2023 Case Management Order to be extended for 60 days. On July 24, 2024, the Judge entered a new Case Management Order providing a deadline of September 13, 2024 for the Company to respond to the MSJ and scheduling the case for a non-jury trial on November 12, 2024.

Based on information currently available and advice of counsel, we do not believe that the outcome of this matter is likely to have a material adverse effect on our business, financial condition, results of operations or liquidity. However, in the event of unexpected further developments, it is possible that the ultimate resolution of this matter, if unfavorable, may be materially adverse to our business, financial condition, results of operations or liquidity. Legal costs such as outside counsel fees and expenses are charged to selling, general and administrative expenses in the period incurred.

Note 14 – Subsequent Events:

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued for recognition or disclosures.

The Company did not identify any recognized or unrecognized subsequent events that require adjustment or disclosure in the financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and cash flows as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes in Item 1 and with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2023 (our "Annual Report").

In addition to historical information, this discussion and analysis contains forward-looking statements based on current expectations that involve risks, uncertainties and assumptions, such as our plans, objectives, expectations, and intentions. Our actual results and the timing of events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section entitled "Forward-Looking Statements" in this report and in the section entitled "Risk Factors" in our Annual Report.

Overview

We started Freshpet with a single-minded mission to bring the power of real, fresh food to our dogs and cats. We were inspired by the rapidly growing view among pet owners that their dogs and cats are a part of their family, leading them to demand healthier pet food choices. Since Freshpet's inception in 2006, we have created a comprehensive business model to deliver wholesome pet food that pet parents can trust, and in the process we believe we have become one of the fastest growing pet food companies in North America. Our business model is difficult for others to replicate and we see significant opportunity for future growth by leveraging the unique elements of our business, including our brand, our product know-how, our Freshpet Kitchens, our refrigerated distribution, our Freshpet Fridge and our culture.

Components of our Results of Operations

Net Sales

Our net sales are derived from the sale of pet food products that are sold to retailers through broker and distributor arrangements. Our products are sold to consumers through a fast-growing network of company-owned branded refrigerators, known as Freshpet Fridges, located in our customers' stores. We continue to roll out Freshpet Fridges at leading retailers across North America and parts of Europe and have installed Freshpet Fridges in approximately 27,497 retail stores as of June 30, 2024. Our products are sold under the Freshpet brand name with ingredients, packaging and labeling customized by class of retail. Sales are recorded net of discounts, returns and promotional allowances.

Our net sales growth is driven by the following key factors:

- Increasing sales velocity from the average Freshpet Fridge due to increasing awareness, trial and adoption of Freshpet products and innovation. Our investments in marketing and advertising help to drive awareness and trial at each point of sale.
- Increasing penetration of Freshpet Fridge locations in major classes of retail, including Grocery, Mass, International, Digital, Pet Specialty, and Club. The impact of new Freshpet Fridge installations on our net sales varies by retail class and depends on numerous factors including store traffic, refrigerator size, placement within the store, and proximity to other stores that carry our products.
- Consumer trends including growing pet ownership, pet humanization and a focus on health and wellness.
- At times we increase our sales price to offset any adverse movement in input costs.

Gross Profit

Our gross profit is net of costs of goods sold, which include the costs of product manufacturing, product ingredients, packaging materials and inbound freight, as well as depreciation and amortization and non-cash share-based compensation.

We expect to continue to mitigate any adverse movement in input costs through a combination of cost management and price increases.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist of the following:

Outbound freight. We use a third-party logistics provider for outbound freight that ships directly to retailers as well as third-party distributors.

Marketing & advertising. Our marketing and advertising expenses primarily consist of national television media, digital marketing, social media and grass roots marketing to drive brand awareness. These expenses may vary from quarter to quarter depending on the timing of our marketing and advertising campaigns. Our Feed the Growth initiative focuses on growing the business through increased marketing investments.

Freshpet Fridge operating costs. Freshpet Fridge operating costs consist of repair costs and depreciation. The purchase and installation costs for new Freshpet Fridges are capitalized and depreciated over the estimated useful life. All new refrigerators are covered by a manufacturer warranty for three years. We subsequently incur maintenance and freight costs for repairs and refurbishments handled by third-party service providers.

Research & development. Research and development costs consist of expenses to develop and test new products. The costs are expensed as incurred.

Brokerage. We use third-party brokers to assist with monitoring our products at the point-of-sale as well as representing us at headquarters for various customers. These brokers visit our retail customers' store locations to ensure items are appropriately stocked and maintained.

Share-based compensation. We account for all share-based compensation payments issued to employees, directors and non-employees using a fair value method. Accordingly, share-based compensation expense is measured based on the estimated fair value of the awards on the grant date using the Black-Scholes Merton option-pricing model. We recognize compensation expense for the portion of the award that is ultimately expected to vest over the period during which the recipient renders the required services to us using the straight-line single option method.

Other general & administrative costs. Other general and administrative costs include non-plant personnel salaries and benefits, as well as corporate general & administrative costs.

Income Taxes

We had federal net operating loss ("NOL") carry forwards of approximately $420.3 million as of December 31, 2023, of which approximately $175.4 million, generated in 2017 and prior, will expire between 2025 and 2037. The NOLs generated from 2018 through 2023, of approximately $244.9 million, will have an indefinite carryforward period but can generally only be used to offset 80% of taxable income in any particular year. We may be subject to certain limitations in our annual utilization of NOL carry forwards to off-set future taxable income pursuant to Section 382 of the Internal Revenue Code, which could result in NOLs expiring unused. At December 31, 2023, we had approximately $312.8 million of state NOLs, which expire between 2024 and 2043, and had $20.7 million of foreign NOLs in the United Kingdom which do not expire. At December 31, 2023, we had a full valuation allowance against our net deferred tax assets as the realization of such assets was not considered more likely than not.

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Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2024		2023		2024		2023	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales
	(Dollars in thousands)				(Dollars in thousands)			
Net sales	$ 235,253	100 %	$ 183,331	100 %	$ 459,102	100 %	$ 350,853	100 %
Cost of goods sold	141,301	60 %	124,087	68 %	276,992	60 %	240,849	69 %
Gross profit	93,952	40 %	59,244	32 %	182,110	40 %	110,004	31 %
Selling, general, and administrative expenses	95,702	41 %	75,996	41 %	175,396	38 %	148,267	42 %
(Loss) income from operations	(1,750)	(1)%	(16,752)	(9)%	6,714	1 %	(38,263)	(11)%
Interest and other income, net	2,861	1 %	4,108	2 %	6,195	1 %	5,055	1 %
Interest expense	(2,751)	(1)%	(3,329)	(2)%	(5,811)	(1)%	(6,501)	— %
Gain on equity investment	—	— %	—	— %	9,918	2 %	—	— %
(Loss) income before income taxes	(1,640)	(1)%	(15,972)	(9)%	17,016	4 %	(39,708)	(11)%
Income tax expense	54	— %	70	— %	108	— %	140	— %
Loss on equity method investment	—	— %	910	— %	—	— %	1,890	1 %
Net (loss) income	$ (1,694)	(1)%	$ (16,952)	(9)%	$ 16,908	4 %	$ (41,738)	(12)%

Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023

Net Sales

The following table sets forth net sales by class of retailer:

	Three Months Ended June 30,			
	2024		2023	
	Amount	**% of Net Sales**	**Amount**	**% of Net Sales**
		(Dollars in thousands)		
Grocery, Mass, International and Digital	$ 192,255	82 %	$ 154,812	84 %
Pet Specialty and Club	42,998	18 %	28,519	16 %
Net Sales	$ 235,253	100 %	$ 183,331	100 %

Net sales increased $51.9 million, or 28.3%, to $235.3 million for the three months ended June 30, 2024 as compared to $183.3 million in the same period in the prior year. The $51.9 million increase in net sales was driven by growth in the Grocery, Mass, International, and Digital channel of $37.4 million, with the remaining growth in the Pet Specialty and Club channel. The net sales increase was entirely driven by volume gains of 28.3%.

Gross Profit

Gross profit was $94.0 million, or 39.9% as a percentage of net sales, for the three months ended June 30, 2024, compared to $59.2 million, or 32.3% as a percentage of net sales, in the prior year period. The increase in gross profit as a percentage of net sales was primarily due to lower input costs, reduced quality costs, and improved leverage on plant expenses. For the three months ended June 30, 2024, Adjusted Gross Profit was $108.0 million, or 45.9% as a percentage of net sales, compared to $73.0 million, or 39.8% as a percentage of net sales, in the prior year period.

See “—Non-GAAP Financial Measures” for how we define Adjusted Gross Profit, a reconciliation of Adjusted Gross Profit to gross profit, the closest comparable U.S. GAAP measure, certain limitations of Non-GAAP measures and why management has included such Non-GAAP measures.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") were $95.7 million for the three months ended June 30, 2024, compared to $76.0 million in the prior year period. As a percentage of net sales, SG&A decreased to 40.7% for the three months ended June 30, 2024, compared to 41.5% in the prior year period. The decrease of 80 basis points in SG&A as a percentage of net sales was mainly a result of reduced logistics costs and media as a percentage of net sales, offset by higher share-based compensation.

Adjusted SG&A for the three months ended June 30, 2024, was $72.9 million, or 31.0% as a percentage of net sales, compared to $64.0 million, or 34.9% as a percentage of net sales, in the prior year period.

See “—Non-GAAP Financial Measures” for how we define Adjusted SG&A, a reconciliation of Adjusted SG&A to SG&A, the closest comparable U.S. GAAP measure, certain limitations of Non-GAAP measures and why management has included such Non-GAAP measures.

Loss from Operations

As a result of the factors discussed above, loss from operations decreased by $15.0 million to a loss from operations of $1.8 million for the three months ended June 30, 2024 as compared to a loss from operations of $16.8 million for the same period in the prior year.

Interest and Other Income, net

The Company recorded interest and other income, net of $2.9 million for the three months ended June 30, 2024 as a result of interest income generated from cash and cash equivalents as compared to $4.1 million for the three months ended June 30, 2023.

Interest Expense

Interest expense decreased $0.5 million to $2.8 million for the three months ended June 30, 2024 as compared to $3.3 million for the same period in the prior year. The decrease was primarily driven by a $1.2 million decrease in interest expense on our Convertible Notes due to an increase in capitalized interest compared to prior period, offset by an increase of $0.6 million related to the interest on our finance lease liability.

Net Loss

Net loss decreased $15.3 million to $1.7 million for the three months ended June 30, 2024, as compared to $17.0 million for the same period in the prior year due to contribution from higher sales, improved gross margin, and reduced logistics costs as a percentage of net sales, partially offset by increased SG&A expenses.

Adjusted EBITDA

Adjusted EBITDA was $35.1 million for the three months ended June 30, 2024, compared to $9.0 million in the prior year period. The increase in Adjusted EBITDA was a result of increased Adjusted Gross Profit, partially offset by higher Adjusted SG&A expenses.

See "—Non-GAAP Financial Measures" for how we define Adjusted EBITDA, a reconciliation of Adjusted EBITDA to net income (loss) the closest comparable U.S. GAAP measure, certain limitations of Non-GAAP measures and why management has included such Non-GAAP measures.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Net Sales

The following table sets forth net sales by class of retailer:

	Six Months Ended June 30,			
	2024		2023	
	Amount	% of Net Sales	Amount	% of Net Sales
	(Dollars in thousands)			
Grocery, Mass, International and Digital	$ 376,647	82 %	$ 294,999	84 %
Pet Specialty and Club	82,455	18 %	55,854	16 %
Net Sales	$ 459,102	100 %	$ 350,853	100 %

Net sales increased $108.2 million, or 30.9%, to $459.1 million for the six months ended June 30, 2024 as compared to $350.9 million in the same period in the prior year. The $108.2 million increase in net sales was driven by growth in the Grocery, Mass, International and Digital channel of $81.6 million, with the remaining growth in Pet Specialty and Club channel. The net sales increase was primarily driven by volume gains of 29.4%.

Gross Profit

Gross profit was $182.1 million, or 39.7% as a percentage of net sales, for the six months ended June 30, 2024, compared to $110.0 million, or 31.4% as a percentage of net sales, in the prior year period. The increase in gross profit as a percentage of net sales was primarily due to lower input costs, reduced quality costs, and improved leverage on plant expenses. For the six months ended June 30, 2024, Adjusted Gross Profit was $209.5 million, or 45.6% as a percentage of net sales, compared to $137.5 million, or 39.2% as a percentage of net sales, in the prior year period.

See “—Non-GAAP Financial Measures” for how we define Adjusted Gross Profit, a reconciliation of Adjusted Gross Profit to gross profit, the closest comparable U.S. GAAP measure, certain limitations of Non-GAAP measures and why management has included such Non-GAAP measures.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") were $175.4 million for the six months ended June 30, 2024, compared to $148.3 million in the prior year period. As a percentage of net sales, SG&A decreased to 38.2% for the six months ended June 30, 2024, compared to 42.3% in the prior year period. The decrease of 410 basis points in SG&A as a percentage of net sales was mainly a result of reduced logistics costs and media as a percentage of net sales, offset by higher share-based compensation.

Adjusted SG&A for the six months ended June 30, 2024, was $143.8 million, or 31.3% as a percentage of net sales, compared to $125.5 million, or 35.8% as a percentage of net sales, in the prior year period.

See “—Non-GAAP Financial Measures” for how we define Adjusted SG&A, a reconciliation of Adjusted SG&A to SG&A, the closest comparable U.S. GAAP measure, certain limitations of Non-GAAP measures and why management has included such Non-GAAP measures.

Income (Loss) from Operations

As a result of the factors discussed above, income from operations increased by $45.0 million to an income from operations of $6.7 million for the six months ended June 30, 2024 as compared to a loss from operations of $38.3 million for the same period in the prior year.

Interest and Other Income, net

The Company recorded interest and other income, net of $6.2 million for the six months ended June 30, 2024 as a result of interest income generated from cash and cash equivalents and short-term investments as compared to $5.1 million for the six months ended June 30, 2023.

Interest Expense

Interest expense decreased $0.7 million to $5.8 million for the six months ended June 30, 2024 as compared to $6.5 million for the same period in the prior year. The decrease was primarily driven by the termination of our Credit Agreement in the prior year period resulting in the write-off of unamortized fees of $2.5 million, which were recorded to interest expense, partially offset by a $0.6 million increase (net of capitalized interest) as a result of interest incurred on our Convertible Notes compared to interest incurred in the prior year period, as well as a $1.2 million increase related to the interest on our finance lease liability.

Gain on Equity Investment

The $9.9 million gain on equity investment for the six months ended June 30, 2024, resulted from the change in fair value of the Company's equity interest in a privately held company, as discussed in Note 1 - Summary of Significant Accounting Policies of our (unaudited) condensed consolidated financial statements.

Net Income (Loss)

Net income increased $58.6 million to net income of $16.9 million for the six months ended June 30, 2024, as compared to a net loss of $41.7 million for the same period in the prior year due to contribution from higher sales, improved gross margin, reduced logistics costs as a percentage of net sales, and gain on equity investment, partially offset by increased SG&A expenses.

Adjusted EBITDA

Adjusted EBITDA was $65.7 million for the six months ended June 30, 2024, compared to $12.0 million in the prior year period. The increase in Adjusted EBITDA was a result of increased Adjusted Gross Profit partially offset by higher Adjusted SG&A expenses.

See "—Non-GAAP Financial Measures" for how we define Adjusted EBITDA, a reconciliation of Adjusted EBITDA to net income (loss), the closest comparable U.S. GAAP measure, certain limitations of Non-GAAP measures and why management has included such Non-GAAP measures.

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 U.S. GAAP reported measures, should not be considered replacements for, or superior to, the U.S. GAAP measures and may not be comparable to similarly named measures used by other companies.

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

Such financial measures are not financial measures prepared in accordance with U.S. GAAP. We define Adjusted Gross Profit as Gross Profit before depreciation expense, non-cash share-based compensation, and loss on disposal of manufacturing equipment. We define Adjusted SG&A as SG&A expenses before depreciation and amortization expense, non-cash share-based compensation, implementation and other costs associated with the implementation of an ERP system, fees related to the Capped Call Transactions, loss on disposal of equipment, and advisory fees related to activism engagement. EBITDA represents net income (loss) plus interest expense net of interest income, income tax expense and depreciation and amortization expense. Adjusted EBITDA represents EBITDA plus loss on equity method investment, gain on equity investment, non-cash share-based compensation expense, implementation and other costs associated with the implementation of an ERP system, loss on disposal of property, plant and equipment, fees related to the Capped Call Transactions, and advisory fees related to activism engagement.

We believe that each of these non-GAAP financial measures provide additional metrics to evaluate our operations and, when considered with both our U.S. GAAP results and the reconciliation to the closest comparable U.S. GAAP measures, provides a more complete understanding of our business than could be obtained absent this disclosure. We use the non-GAAP financial measures, together with U.S. GAAP financial measures, such as net sales, gross profit margins and cash flow from operations, to assess our historical and prospective operating performance, to provide meaningful comparisons of operating performance across periods, to enhance our understanding of our operating performance and to compare our performance to that of our peers and competitors.

Adjusted EBITDA is also an important component of internal budgeting and setting management compensation.

The non-GAAP financial measures are presented here because we believe they are useful to investors in assessing the operating performance of our business without the effect of non-cash items, and other items as detailed herein. The non-GAAP financial measures should not be considered in isolation or as alternatives to net income (loss), income (loss) from operations or any other measure of financial performance calculated and prescribed in accordance with U.S. GAAP. Neither EBITDA nor Adjusted EBITDA should be considered a measure of discretionary cash available to us to invest in the growth of our business. Our non-GAAP financial measures may not be comparable to similarly titled measures in other organizations because other organizations may not calculate non-GAAP financial measures in the same manner as we do.

Our presentation of the non-GAAP financial measures should not be construed as an inference that our future results will be unaffected by the expenses that are excluded from that term or by unusual or non-recurring items. We recognize that the non-GAAP financial measures have limitations as analytical financial measures. For example, the non-GAAP financial measures do not reflect:

- our capital expenditures or future requirements for capital expenditures;
- the interest expense, or the cash requirements necessary to service interest expense or principal payments associated with indebtedness;

- depreciation and amortization, which are non-cash charges, although the assets being depreciated and amortized will likely have to be replaced in the future, nor any cash requirements for such replacements; and
- changes in our cash requirements for our working capital needs.

Additionally, Adjusted EBITDA excludes (i) non-cash share-based compensation expense, which is and will remain a key element of our overall long-term incentive compensation package, and (ii) certain costs essential to our sales growth and strategy. Adjusted EBITDA also excludes certain cash charges resulting from matters we consider not to be indicative of our ongoing operations. Other companies in our industry may calculate the non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to net income (loss), the most directly comparable financial measure presented in accordance with U.S. GAAP:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Net (loss) income	$ (1,694)	$ (16,952)	$ 16,908	$ (41,738)
Depreciation and amortization	17,212	14,438	32,957	28,930
Interest income, net of interest expense	(110)	(779)	(384)	1,446
Income tax expense	54	70	108	140
EBITDA	**15,462**	**(3,223)**	**49,589**	**(11,222)**
Loss on equity method investment	—	910	—	1,890
Gain on equity investment	—	—	(9,918)	—
Loss on disposal of property, plant and equipment	136	196	286	464
Non-cash share-based compensation (a)	19,533	8,447	25,755	16,862
Enterprise Resource Planning (b)	—	537	—	1,338
Capped Call Transactions fees (c)	—	—	—	113
Activism engagement (d)	—	2,240	—	2,629
Organization changes (e)	—	(67)	—	(67)
Adjusted EBITDA	**$ 35,131**	**$ 9,040**	**$ 65,712**	**$ 12,007**
Adjusted EBITDA as a % of Net Sales	14.9 %	4.9 %	14.3 %	3.4 %

(a) Includes true-ups to share-based compensation expense compared to prior periods. We have certain outstanding share-based awards with performance-based vesting conditions that require the achievement of certain Adjusted EBITDA and/or Net Sales targets as a condition of vesting. At each reporting period, we reassess the probability of achieving the performance criteria and the performance period required to meet those targets. When the probability of achieving such performance conditions changes, the compensation cost previously recorded is adjusted as needed. When such performance conditions are deemed to be improbable of achievement, the compensation cost previously recorded is reversed.
(b) Represents costs associated with the implementation of an ERP system.
(c) Represents fees associated with the Capped Call Transactions.
(d) Represents advisory fees related to activism engagement.
(e) Represents a true-up to transition costs related to the organization changes designed to support growth, including several changes in organizational structure designed to enhance capabilities and support long-term growth objectives.

The following table provides a reconciliation of Adjusted Gross Profit to Gross Profit, the most directly comparable financial measure presented in accordance with U.S. GAAP:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Gross profit	$ 93,952	$ 59,244	$ 182,110	$ 110,004
Depreciation expense	11,827	10,618	22,502	21,339
Non-cash share-based compensation	2,220	3,161	4,841	6,117
Loss on disposal of manufacturing equipment	32	—	53	—
Adjusted Gross Profit	**108,031**	**73,023**	**209,506**	**137,460**
Adjusted Gross Profit as a % of Net Sales	45.9 %	39.8 %	45.6 %	39.2 %

The following table provides a reconciliation of Adjusted SG&A Expenses to SG&A Expenses, the most directly comparable financial measure presented in accordance with U.S. GAAP:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
SG&A expenses	$ 95,702	$ 75,996	$ 175,396	$ 148,267
Depreciation and amortization expense	5,385	3,820	10,455	7,591
Non-cash share-based compensation (a)	17,313	5,286	20,913	10,745
Loss on disposal of equipment	104	196	233	464
Enterprise Resource Planning (b)	—	537	—	1,338
Capped Call Transactions fees (c)	—	—	—	113
Activism engagement (d)	—	2,241	—	2,630
Organization changes (e)	—	(67)	—	(67)
Adjusted SG&A Expenses	**$ 72,900**	**$ 63,983**	**$ 143,795**	**$ 125,453**
Adjusted SG&A Expenses as a % of Net Sales	31.0 %	34.9 %	31.3 %	35.8 %

(a) Includes true-ups to share-based compensation expense compared to prior periods. We have certain outstanding share-based awards with performance-based vesting conditions that require the achievement of certain Adjusted EBITDA and/or Net Sales targets as a condition of vesting. At each reporting period, we reassess the probability of achieving the performance criteria and the performance period required to meet those targets. When the probability of achieving such performance conditions changes, the compensation cost previously recorded is adjusted as needed. When such performance conditions are deemed to be improbable of achievement, the compensation cost previously recorded is reversed.

(b) Represents costs associated with the implementation of an ERP system.

(c) Represents fees associated with the Capped Call Transactions.

(d) Represents advisory fees related to activism engagement.

(e) Represents a true-up to transition costs related to the organization changes designed to support growth, including several changes in organizational structure designed to enhance capabilities and support long-term growth objectives.

Liquidity and Capital Resources

To meet our capital needs, we issued approximately $402.5 million in convertible notes in March 2023 (the “Convertible Notes”), used $66.2 million of the proceeds to enter into capped call transactions, and used $11.0 million of the proceeds on debt issuance related costs. Further, on March 13, 2023, in connection with the proposed offering of the Convertible Notes, the Company notified City National Bank of Freshpet's intent to terminate the Credit Agreement, and such termination became effective as of March 15, 2023 (the "Termination Date"). The Company had no borrowings outstanding under the Credit Agreement as of the Termination Date.

We expect to make future capital expenditures in connection with the completion of our planned development of Freshpet Kitchens Ennis Phase 2 and 3. During the six months ended June 30, 2024, we spent approximately $94.8 million of capital to meet our capacity needs as well as recurring capital expenditures. We expect to spend an additional $105.2 million in the remainder of fiscal 2024.

We expect to rely on our current and future cash flow from operations, may issue additional debt, and/or raise capital through our access to capital markets, if appropriate. Our ability to obtain additional funding will be subject to various factors, including general economic and market conditions, our operating performance, the market’s perception of our growth potential, lender sentiment and our ability to incur additional debt in compliance with other contractual restrictions.

Our ability to make future minimum interest payments on the Convertible Notes, to refinance any indebtedness and to fund any necessary expenditures for our growth will depend on our ability to generate cash in the future. If our business does not achieve the levels of profitability or generate the amount of cash that we anticipate or if we expand faster than anticipated, we may need to seek additional debt or equity financing to operate and expand our business. Future third-party financing may not be available on favorable terms or at all.

Our primary cash needs, in addition to our plant expansions, are for purchasing ingredients, operating expenses, marketing expenses and capital expenditures to procure Freshpet Fridges. We believe that cash and cash equivalents, expected cash flow from operations, amounts previously raised through the issuance of the Convertible Notes and our ability to access the capital markets, if appropriate, are adequate to fund our debt service requirements, operating and finance lease obligations, capital expenditures and working capital obligations for the foreseeable future. We believe our sources of liquidity and capital will be sufficient to finance our continued operations, growth strategy and additional expenses we expect to incur for at least the next twelve months. However, our ability to continue to meet these requirements and obligations will depend on, among other things, our ability to achieve anticipated levels of revenue and cash flow from operations and our ability to manage costs and working capital successfully. Additionally, our cash flow generation ability is subject to general economic factors, including but not limited to increasing interest rates and inflation, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations in an amount sufficient to enable us to fund our liquidity needs. Expanding certain of our Freshpet Kitchens primarily comprises our material future cash requirement. However, our capital requirements, including our cash requirements, may vary materially from those currently planned if, for example, our revenues do not reach expected levels, or we have to incur unforeseen capital expenditures and make investments to maintain our competitive position. If this is the case, we may seek alternative financing, such as issuing additional debt or equity securities, and we cannot assure you that we will be able to do so on favorable terms, if at all. Moreover, if we issue new debt securities, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity or if the Convertible Notes are converted to common shares, existing stockholders may experience dilution, and such new securities could have rights senior to those of our common stock. These factors may make the timing, amount, terms and conditions of additional financing unattractive. Our inability to raise capital could impede our growth or otherwise require us to forego growth opportunities and could materially adversely affect our business, financial condition and results of operations.

The following table sets forth, for the periods indicated, our working capital:

	June 30, 2024	December 31, 2023
	(Dollars in thousands)	
Cash and cash equivalents	251,699	296,871
Accounts receivable, net of allowance for doubtful accounts	68,156	56,754
Inventories, net	73,252	63,238
Prepaid expenses	8,566	7,615
Other current assets	3,547	2,841
Accounts payable	(34,051)	(36,096)
Accrued expenses	(52,884)	(49,816)
Current operating lease liabilities	(1,034)	(1,312)
Current finance lease liabilities	(2,031)	(1,998)
Total Working Capital	315,220	338,097

Working capital consists of current assets net of current liabilities. Working capital decreased $22.9 million to $315.2 million as of June 30, 2024 compared with working capital of $338.1 million as of December 31, 2023. The decrease was primarily a result of a decrease of $45.2 million in cash and cash equivalents and an increase in accrued expenses of $3.1 million due to timing. The decrease was partially offset by an increase in accounts receivable of $11.4 million, an increase in inventories, net of $10.0 million, an increase in prepaid expenses of $1.0 million, an increase in other current assets of $0.7 million, a decrease in accounts payable of $2.0 as a result of timing, and a decrease of current operating lease liabilities of $0.3 million.

We normally carry three to four weeks of finished goods inventory and less than 30 days of accounts receivable.

As of June 30, 2024, our capital resources consisted primarily of $251.7 million of cash and cash equivalents on hand.

As of December 31, 2023, our capital resources consisted primarily of $296.9 million of cash and cash equivalents on hand.

We expect to fund our ongoing operations and obligations with cash and cash equivalents and cash flow from operations.

The following table sets forth, for the periods indicated, our beginning balance of cash, net cash flows provided by (used in) operating, investing and financing activities and our ending balance of cash:

	Six Months Ended June 30,	
	2024	2023
	(Dollars in thousands)	
Cash at the beginning of period	296,871	132,735
Net cash provided by (used in) operating activities	47,819	(231)
Net cash used in investing activities	(94,795)	(215,948)
Net cash provided by financing activities	1,804	327,492
Cash at the end of period	251,699	244,048

Net Cash Provided by (Used In) Operating Activities

Net cash provided by (used in) operating activities consists primarily of net income (loss) adjusted for certain non-cash items (i.e., provision for loss (gains) on receivable, loss on disposal of property, plant and equipment, share-based compensation, change in reserve for inventory obsolescence, depreciation and amortization, write-off and amortization of deferred financing costs and loan discount, change in operating lease right of use asset, loss on equity method investment, and gain on equity investment).

Net cash provided by operating activities of $47.8 million for the six months ended June 30, 2024, was primarily attributed to:

- $68.9 million of net income, adjusted for reconciling non-cash items, which excludes $52.0 million of non-cash items related to $33.3 million of depreciation and amortization, $25.8 million of share-based compensation including amortization of warrants, $1.0 million of write-off and amortization of deferred financing costs and loan discount, $0.8 million of change in operating lease right of use asset, $0.7 million of reserve for inventory obsolescence and $0.3 million of loss on disposal of property, plant and equipment, partially offset by $9.9 million of gain on equity investment.

This was partially offset by:

- $21.1 million decrease due to changes in operating assets and liabilities. The decrease was primarily due to the change in accounts receivable, inventories, prepaid expenses and other current assets, other assets, accounts payable, and operating lease liability, partially offset by the change in accrued expenses.

Net cash used in operating activities of $0.2 million for the six months ended June 30, 2023, was primarily attributed to:

- $9.3 million of net income, adjusted for reconciling non-cash items, which excludes $51.0 million of non-cash items related to $28.9 million of depreciation and amortization, $16.9 million of share-based compensation including amortization of warrants, $3.0 million of write-off and amortization of deferred financing costs and loan discount, $1.9 million of loss on investments in equity method investment, $0.8 million of change in operating lease right of use asset and $0.5 million of loss on disposal of property, plant and equipment, offset by $1.0 of amortization of discount on short-term investments.

This was offset by:

- $9.5 million decrease due to changes in operating assets and liabilities. The decrease was primarily due to the change in inventories, accounts payable, other assets, and operating lease liability, partially offset by the change in accounts receivable, and accrued expenses.

Net Cash Used in Investing Activities

Net cash used in investing activities of $94.8 million for the six months ended June 30, 2024, was primarily attributed to:

- $94.8 million of capital expenditures related to Freshpet Kitchens, plant recurring capital expenditures, expenditures relating to investment in fridges, and other capital spend.

Net cash used in investing activities of $215.9 million for the six months ended June 30, 2023, was primarily attributed to:

- $102.5 million of capital expenditures related to Freshpet Kitchens, plant recurring capital expenditures, expenditures relating to investment in fridges, and other capital spend.
- $113.4 million purchase of short-term investments.

Net Cash Provided by Financing Activities

Net cash provided by financing activities of $1.8 million for the six months ended June 30, 2024, was primarily attributed to:

- $4.2 million cash proceeds from the exercise of stock options.

This was partially offset by:

- $1.4 million for tax withholdings related to net share settlements of restricted stock units
- $1.0 million for principal payments under finance lease obligations.

Net cash provided by financing activities of $327.5 million for the six months ended June 30, 2023, was primarily attributed to:

- $393.5 million net proceeds from Convertible Notes.
- $3.1 million cash proceeds from the exercise of stock options.

This was partially offset by:

- $66.2 million for the purchase of a capped call option.
- $2.0 million for debt issuance costs.
- $0.9 million for tax withholdings related to net share settlements of restricted stock units.

Indebtedness

For a discussion of our material indebtedness, see Notes 5 and 6 to our (unaudited) condensed consolidated financial statements included in this report.

Contractual Obligations

There were no material changes to our commitments under contractual obligations, as disclosed in our Annual Report, except as noted in Note 8 - Leases and Note 13 - Commitments and Contingencies of our (unaudited) condensed consolidated financial statements.

Critical Accounting Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States or ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the revenue and expenses incurred during the reported periods. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and share-based compensation. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ from these estimates under different assumptions or conditions.

There have been no material changes to our critical accounting estimates as compared to the critical accounting policies and estimates described in our Annual Report.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements:

See Note 1 - Summary of Significant Accounting Policies of our (unaudited) condensed consolidated financial statements for additional information.

Standards Effective in Future Years:

We consider the applicability and impact of all Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board (FASB). ASUs not listed herein were assessed and determined to be either not applicable or are expected to have minimal impact to our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

Interest Rate Risk

During period of rising interest rates, our cost of borrowing could increase, the fair value of our investments could be affected, and it could constrain the purchasing power of our customers.

Commodity Price and Inflation Risk

We purchase certain products and services that are affected by commodity prices and are, therefore, subject to price volatility caused by weather, market conditions, and other factors which are not considered predictable or within our control. In many cases, we believe we will be able to address material commodity cost increases by either increasing prices or reducing operating expenses. However, increases in commodity prices, without adjustments to pricing or reduction to operating expenses, could increase our operating costs as a percentage of our net sales.

Foreign Exchange Rates

Fluctuations in the currencies of countries where the Company operates outside the U.S. may impact our financial results. The Company is exposed to movements in the British pound sterling and Euro. The Statements of Financial Position of non-U.S. business units are translated into U.S. dollars using period-end exchange rates for assets and liabilities and weighted average exchange rates for revenues and expenses. The percentage of our consolidated revenue for the three and six months ended June 30, 2024 recognized in Europe was less than 1%.

The Company may, from time to time, enter into forward exchange contracts to reduce the Company’s exposure to foreign currency fluctuations of certain assets and liabilities denominated in foreign currencies. Historically, the foreign currency forward contracts have not been designated as hedges and, accordingly, any changes in their fair value are recognized on the Consolidated Statements of Operations and Comprehensive Income (Loss) in Interest and Other Income, net, and carried at their fair value in the Consolidated Balance Sheet with gains reported in prepaid expenses and other current assets and losses reported in accrued expenses. As of June 30, 2024, there were no forward contracts outstanding.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of such date our disclosure controls and procedures were effective.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are currently involved in various claims and legal actions that arise in the ordinary course of our business. While the results of such litigation proceedings cannot be predicted with certainty, management believes none of these claims or proceedings are expected to have a material adverse effect on our business, financial condition, results of operations or cash flows. See Note 13 - Commitments and Contingencies for additional discussion of pending litigation.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously reported under Part I, Item 1A. "Risk Factors" in our Annual Report. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially affect our business, financial condition and/or operating results.

Item 5. Other Information

Insider Trading Arrangements

Our directors and executive officers may from time to time enter into plans or other arrangements for the purchase or sale of our shares that are intended to satisfy the affirmative defense conditions of Rule 10b5-1 trading arrangements under the Exchange Act.

During the fiscal quarter ended June 30, 2024*,* none of our directors or officers informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408.

Item 6. Exhibits

Exhibit No.	Description
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
EX-101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.
EX-101.SCH*	Inline XBRL Taxonomy Extension Schema Document
EX-101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
EX-101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
EX-101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
EX-101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
EX-104	Inline XBRL Formatted Cover Page (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

* Furnished herewith.

SIGNATURES

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 thereunto duly authorized.

Date: August 5, 2024	**FRESHPET, INC.**
	/s/ William B. Cyr William B. Cyr Chief Executive Officer (Principal Executive Officer)
	/s/ Todd Cunfer Todd Cunfer Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, William B. Cyr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Freshpet, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2024

/s/ William B. Cyr

William B. Cyr
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Todd Cunfer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Freshpet, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2024

/s/ Todd Cunfer

Todd Cunfer
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO § 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of the Quarterly Report on Form 10-Q of Freshpet, Inc., a Delaware corporation (the “Company”), for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: August 5, 2024

/s/ William B. Cyr
William B. Cyr
Chief Executive Officer

/s/ Todd Cunfer
Todd Cunfer
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.