

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): August 03, 2020

FRESHPET, INC.

(Exact name of Registrant as Specified in Its Charter)

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

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

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

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

**07094
(Zip Code)**

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

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

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

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

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

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

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

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition.

On August 3, 2020, Freshpet, Inc. (“Freshpet”) issued a press release disclosing its financial results for the quarter ended June 30, 2020. The full text of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

As previously announced, Freshpet will hold a conference call at 4:30 p.m., Eastern Time, on Monday, August 3, 2020 to discuss its financial results for the quarter ended June 30, 2020.

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

Item 7.01. Regulation FD Disclosure.

On August 3, 2020, Freshpet published to the investor relations section of its website a presentation which will be used by Freshpet’s management team in meetings with analysts and stockholders. A copy of the presentation is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

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

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

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	Press Release, dated August 3, 2020
99.2	Investors Presentation
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

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

FRESHPET, INC.

Date: August 3, 2020

By: /s/ Richard Kassar

Name: Richard Kassar

Title: Chief Financial Officer



Freshpet, Inc. Reports Second Quarter 2020 Financial Results

Company Raises Full Year 2020 Outlook

SECAUCUS, N.J. – August 3, 2020 – Freshpet, Inc. (“Freshpet” or the “Company”) (NASDAQ: FRPT) today reported financial results for its second quarter and six months ended June 30, 2020.

Second Quarter 2020 Financial Highlights Compared to Prior Year Period

- Net sales of \$80.0 million, an increase of 33.2%
- Net Income of \$0.2 million, compared with prior year net loss of \$5.7 million
- Adjusted EBITDA of \$11.2 million, compared to \$1.2 million, an increase of 833.3%¹

“When the COVID crisis struck in March, our team quickly pivoted to address the changing environment and that enabled us to deliver very robust results – with the second quarter reflecting our strongest sales growth in years and we converted that growth into a sharp improvement in our bottom line,” commented Billy Cyr, Freshpet’s Chief Executive Officer. “By focusing our efforts on the safety and wellbeing of our team members, we have been able to rebuild supply, replenish stores and convert more families to Freshpet at a time when our pets mean so much to us. As a result, we are raising our guidance for the year and are well on our way towards fulfilling our mission to change the way people feed their pets forever. We are incredibly grateful to our employees and those of our customers, suppliers and partners for their dedicated efforts in making this possible.”

Second Quarter 2020

Second quarter of 2020 net sales increased 33.2% to \$80.0 million compared to \$60.1 million for the second quarter of 2019. Net sales for the second quarter of 2020 were driven by velocity, innovation, and distribution gains.

Gross profit was \$33.9 million, or 42.4% as a percentage of net sales, for the second quarter of 2020, compared to \$27.3 million, or 45.5% as a percentage of net sales, in the same period last year. For the second quarter 2020, Adjusted Gross Profit was \$39.2 million, or 49.1% as a percentage of net sales, compared to \$29.1 million, or 48.5% as a percentage of net sales, in the prior year period. The increase in Adjusted Gross Profit as a percentage of net sales was primarily due to higher sales price realization and a shift in sales mix, partially offset by increased processing cost. Adjusted Gross Profit is a Non-GAAP financial measure defined under “Non-GAAP Measures,” and is reconciled to Gross Profit in the financial tables that accompany this release.

Selling, general and administrative expenses (“SG&A”) were \$33.7 million for the second quarter of 2020 compared to \$32.7 million in the prior year period. As a percentage of net sales, SG&A decreased to 42.1% for the second quarter of 2020 compared to 54.4% in the second quarter of 2019. Adjusted SG&A for the second quarter of 2020 was \$28.1 million, or 35.1% as a percentage of net sales, compared to \$27.9 million, or 46.4% as a percentage of net sales, in the prior year period. The decrease in Adjusted SG&A as a percentage of net sales was a result of increased expense leverage on higher net sales and decreased media spend as a result of shifting the timing of the media spend in the current year versus prior year period. Adjusted SG&A is a Non-GAAP financial measure defined under “Non-GAAP Measures,” and is reconciled to SG&A in the financial tables that accompany this release.

Net income was \$0.2 million for the second quarter of 2020 compared to net loss of \$5.7 million for the prior year period. The increase in net income was due to higher net sales and increased gross profit, partially offset by increased SG&A.

Adjusted EBITDA was \$11.2 million, or 14.0% as a percentage of net sales, for the second quarter of 2020, compared to \$1.2 million, or 2.0% as a percentage of net sales, in the second quarter of 2019. The increase in Adjusted EBITDA was a result of higher net sales, increased Adjusted Gross Profit, partially offset by increased Adjusted SG&A expense. Adjusted EBITDA is a Non-GAAP financial measure defined under “Non-GAAP Measures,” and is reconciled to net loss in the financial tables that accompany this release.

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

First Six Months of 2020

Net sales increased 30.7% to \$150.1 million for the first six months of 2020 compared to \$114.8 million for the first six months of 2019. Growth in net sales for the first six months of 2020 was driven by velocity, innovation, and distribution gains.

Gross profit was \$65.7 million, or 43.8% as a percentage of net sales, for the first six months of 2020, compared to \$53.2 million, or 46.4% as a percentage of net sales, in the same period last year. For the first six months of 2020, Adjusted Gross Profit was \$73.9 million, or 49.3% as a percentage of net sales, compared to \$56.7 million, or 49.4% as a percentage of net sales, in the prior year period. The slight decrease in Adjusted Gross Profit as a percentage of net sales was primarily due to increased processing cost, and increased cost related to the ramp up of seven-day production, partially offset by higher sales price realization and a shift in sales mix. Adjusted Gross Profit is a Non-GAAP financial measure defined under “Non-GAAP Measures,” and is reconciled to Gross Profit in the financial tables that accompany this release.

SG&A expenses were \$68.4 million for the first six months of 2020 compared to \$61.9 million in the prior year period. As a percentage of net sales, SG&A decreased to 45.6% for the first six months of 2020 compared to 53.9% in the prior year period. Adjusted SG&A for the first six months of 2020 was \$57.0 million, or 38.0% as a percentage of net sales, compared to \$52.8 million, or 45.9% as a percentage of net sales, in the prior year period. The decrease in SG&A and Adjusted SG&A as a percentage of net sales was a result of increased expense and media leverage on higher net sales. Adjusted SG&A is a Non-GAAP financial measure defined under “Non-GAAP Measures,” and is reconciled to SG&A in the financial tables that accompany this release.

Net loss was \$3.4 million for the first six months of 2020 compared to net loss of \$9.1 million for the prior year period. The improvement in net loss was due to higher net sales and increased gross profit, partially offset by increased SG&A expenses.

Adjusted EBITDA was \$16.9 million, or 11.3% as a percentage of net sales, for the first six months of 2020, compared to \$4.0 million, or 3.5% as a percentage of net sales, in the prior year period. The increase in Adjusted EBITDA was a result of increased Adjusted Gross Profit, partially offset by increased Adjusted SG&A expense. Adjusted EBITDA is a Non-GAAP financial measure defined under “Non-GAAP Measures,” and is reconciled to net loss in the financial tables that accompany this release.

Cash and Net Debt

In February 2020, the Company raised \$252.1 million in net proceeds from common stock issued in a primary offering. The Company utilized a portion of the proceeds to pay down \$76.0 million of the outstanding balance of its credit facilities as well as partially fund the \$57.0 million capital expansion project spend incurred during the six months ended June 30, 2020.

As of June 30, 2020, the Company had cash and cash equivalents of \$107.7 million and short-term certificates of deposits of \$20.0 million, with no debt outstanding. The Company has an available \$130.0 million delayed draw term loan facility and a \$35.0 million revolving loan facility.

The Company expects to fund the remaining planned capacity expansions through its cash on hand, borrowing capacity under the credit facility, and cash from operations.

Outlook

For full year 2020, the Company increased its net sales and Adjusted EBITDA outlook compared to the prior year. The Company's guidance continues to assume that the macroeconomic environment progresses as it has for the last month or two and that there are no additional, significant disruptions to the supply chain, its customers or consumers, including any issues from an adverse macroeconomic environment and increased social unrest.

The Company now expects the following results for the year ending December 31, 2020:

- To exceed net sales of \$320.0 million, an increase greater than 30% from 2019, and reflects an increase from prior guidance of net sales to exceed \$310.0 million.
- To exceed Adjusted EBITDA of \$46.0 million, an increase greater than 57% from 2019, and reflects an increase from prior guidance of Adjusted EBITDA to exceed \$44.0 million.

The Company does not provide guidance for the most directly comparable GAAP measure, net income, and similarly cannot provide a reconciliation between its forecasted Adjusted EBITDA and net income metrics without unreasonable effort due to the unavailability of reliable estimates for certain items. These items are not within the Company's control and may vary greatly between periods and could significantly impact future financial results.

Conference Call & Earnings Presentation Webcast Information

As previously announced, today the Company will host a conference call beginning at 4:30 p.m. Eastern Time with members of its leadership team. Please visit the "Investors" section of Freshpet's website at www.freshpet.com to access the live webcast and presentation. The webcast will be available in listen-only mode and will be archived online through August 18, 2020.

About Freshpet

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

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

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

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

Forward Looking Statements

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

Non-GAAP Financial Measures

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

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

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

Adjusted SG&A Expenses: Freshpet defines Adjusted SG&A as SG&A expenses before depreciation and amortization expense, non-cash share-based compensation, launch expense, fees related to equity offerings of our common stock, loss/(gain) on disposal of equipment, COVID-19 expenses and Enterprise Resource Planning (“ERP”) expense.

EBITDA and Adjusted EBITDA: EBITDA represents net loss plus interest expense, income tax expense and depreciation and amortization expense, and Adjusted EBITDA represents EBITDA plus loss/(gain) on disposal of equipment, non-cash share-based compensation expense, launch expenses, fees related to equity offerings, plant start up expense, COVID-19 expenses and ERP expense.

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

CONTACT
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FRESHPET, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 107,727,885	\$ 9,471,676
Short-term investments	20,001,196	—
Accounts receivable, net of allowance for doubtful accounts	22,651,347	18,580,840
Inventories, net	18,692,994	12,542,269
Prepaid expenses	2,782,085	3,275,992
Other current assets	765,463	10,452,990
Total Current Assets	<u>172,620,970</u>	<u>54,323,767</u>
Property, plant and equipment, net	220,074,510	165,287,597
Deposits on equipment	6,134,329	3,600,931
Operating lease right of use assets	8,690,401	9,154,234
Other assets	4,340,100	3,759,058
Total Assets	<u>\$ 411,860,310</u>	<u>\$ 236,125,587</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 9,090,164	\$ 18,667,729
Accrued expenses	8,985,593	22,132,928
Current operating lease liabilities	1,336,694	1,185,058
Total Current Liabilities	<u>19,412,451</u>	<u>41,985,715</u>
Long term debt	—	54,466,099
Long term operating lease liabilities	7,856,832	8,409,252
Total Liabilities	<u>\$ 27,269,283</u>	<u>\$ 104,861,066</u>
STOCKHOLDERS' EQUITY:		
Common stock	40,480	36,162
Additional paid-in capital	591,386,109	334,299,172
Accumulated deficit	(206,172,555)	(202,735,417)
Accumulated other comprehensive income	(406,781)	(79,170)
Treasury stock, at cost — 14,169 shares on June 30, 2020 and on December 31, 2019	(256,226)	(256,226)
Total Stockholders' Equity	<u>384,591,027</u>	<u>131,264,521</u>
Total Liabilities and Stockholders' Equity	<u>\$ 411,860,310</u>	<u>\$ 236,125,587</u>

FRESHPET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
NET SALES	\$ 79,980,060	\$ 60,052,179	\$ 150,077,864	\$ 114,844,381
COST OF GOODS SOLD	46,046,979	32,725,598	84,355,157	61,602,819
GROSS PROFIT	33,933,081	27,326,581	65,722,707	53,241,562
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	33,702,103	32,672,284	68,378,046	61,904,534
INCOME (LOSS) FROM OPERATIONS	230,978	(5,345,703)	(2,655,339)	(8,662,972)
OTHER INCOME/(EXPENSES):				
Other Income/(Expenses), net	23,586	(20,748)	45,104	(3,453)
Interest Expense	(79,869)	(275,649)	(783,703)	(378,425)
	(56,283)	(296,397)	(738,599)	(381,878)
INCOME (LOSS) BEFORE INCOME TAXES	174,695	(5,642,100)	(3,393,938)	(9,044,850)
INCOME TAX EXPENSE	21,600	19,250	43,200	38,500
INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 153,095	\$ (5,661,350)	\$ (3,437,138)	\$ (9,083,350)
OTHER COMPREHENSIVE INCOME (LOSS):				
Change in foreign currency translation	\$ (386,566)	\$ (153,321)	\$ (327,611)	\$ (62,274)
TOTAL OTHER COMPREHENSIVE (LOSS)	(386,566)	(153,321)	(327,611)	(62,274)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (233,471)	\$ (5,814,671)	\$ (3,764,749)	\$ (9,145,624)
NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	\$ 0.00	\$ (0.16)	\$ (0.09)	\$ (0.25)
-DILUTED	\$ 0.00	\$ (0.16)	\$ (0.09)	\$ (0.25)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING USED IN COMPUTING NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	40,338,982	35,930,350	38,891,370	35,800,061
-DILUTED	41,509,819	35,930,350	38,891,370	35,800,061

FRESHPET, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Six Months Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (3,437,138)	\$ (9,083,350)
Adjustments to reconcile net loss to net cash flows provided by operating activities:		
Provision for loss/(gains) on accounts receivable	6,631	(2,520)
Loss on disposal of equipment	35,855	684
Share-based compensation	4,464,116	2,630,180
Inventory obsolescence	151,123	105,170
Depreciation and amortization	9,893,912	7,643,452
Amortization of deferred financing costs and loan discount	691,467	72,294
Changes in operating assets and liabilities:		
Accounts receivable	(4,077,138)	(7,027,205)
Inventories	(6,301,848)	(4,013,770)
Prepaid expenses and other current assets	10,181,434	(177,392)
Operating lease right of use	463,833	(177,249)
Other assets	(211,754)	(44,498)
Accounts payable	(3,430,173)	(158,556)
Accrued expenses	(13,147,335)	(31,969)
Other lease liabilities	(400,784)	229,194
Other current liabilities	—	200,000
Net cash flows used in operating activities	(5,117,799)	(9,835,535)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of short-term investments	(20,001,196)	—
Acquisitions of property, plant and equipment, software and deposits on equipment	(73,250,757)	(22,888,753)
Net cash flows used in investing activities	(93,251,953)	(22,888,753)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from common shares issued in primary offering, net of issuance cost	252,062,253	—
Proceeds from exercise of options to purchase common stock	2,090,536	3,775,548
Tax withholdings related to net shares settlements of restricted stock units	(1,636,296)	(1,252,953)
Proceeds from borrowings under Credit Facilities	20,933,000	35,307,000
Repayment of borrowings under Credit Facilities	(76,000,000)	(7,500,000)
Financing fees paid in connection with borrowings	(823,532)	(406,859)
Net cash flows provided by financing activities	196,625,961	29,922,736
NET CHANGE IN CASH AND CASH EQUIVALENTS	98,256,209	(2,801,552)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,471,676	7,554,388
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 107,727,885	\$ 4,752,836

FRESHPET, INC. AND SUBSIDIARIES

RECONCILIATION BETWEEN GROSS PROFIT AND ADJUSTED GROSS PROFIT

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Gross Profit	\$ 33,933	\$ 27,327	\$ 65,723	\$ 53,242
Depreciation expense (a)	2,550	1,589	4,294	3,155
Plant start-up expense (b)	725	—	1,192	—
Non-cash share-based compensation (c)	493	186	941	334
COVID-19 expense (d)	1,546	—	1,763	—
Adjusted Gross Profit	\$ 39,248	\$ 29,102	\$ 73,914	\$ 56,731
Adjusted Gross Profit as a % of Net Sales	49.1%	48.5%	49.3%	49.4%

(a) Represents depreciation and amortization expense included in cost of goods sold.

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

(c) Represents non-cash share-based compensation expense included in cost of goods sold.

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

FRESHPET, INC. AND SUBSIDIARIES

RECONCILIATION BETWEEN SG&A EXPENSES AND ADJUSTED SG&A EXPENSES

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
SG&A expenses	\$ 33,702	\$ 32,672	\$ 68,378	\$ 61,904
Depreciation and amortization expense (a)	2,891	2,334	5,600	4,486
Non-cash share-based compensation (b)	1,793	1,244	3,523	2,296
Launch expense (c)	686	948	1,642	2,071
Loss (gain) on disposal of equipment	34	(7)	36	1
Equity offering expenses (d)	—	265	58	299
Enterprise Resource Planning (e)	129	—	402	—
COVID-19 expense (f)	96	—	96	—
Adjusted SG&A Expenses	\$ 28,073	\$ 27,888	\$ 57,020	\$ 52,751
Adjusted SG&A Expenses as a % of Net Sales	35.1%	46.4%	38.0%	45.9%

(a) Represents non-cash depreciation expense included in SG&A.

(b) Represents non-cash share-based compensation expense included in SG&A.

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

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

(e) Represents fees associated with due diligence of new Enterprise Resource Planning software.

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

FRESHPET, INC. AND SUBSIDIARIES

RECONCILIATION BETWEEN NET INCOME (LOSS) AND ADJUSTED EBITDA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Net income (loss)	\$ 153	\$ (5,661)	\$ (3,437)	\$ (9,083)
Depreciation and amortization	5,441	3,923	9,894	7,643
Interest expense	80	276	784	379
Income tax expense	22	19	43	38
EBITDA	\$ 5,696	\$ (1,443)	\$ 7,284	\$ (1,023)
Loss (gain) on disposal of equipment	34	(7)	36	1
Non-cash share-based compensation	2,286	1,430	4,464	2,630
Launch expense (a)	686	948	1,642	2,071
Plant start-up expenses (b)	725	—	1,192	—
Equity offering expenses (c)	—	265	58	299
Enterprise Resource Planning (d)	129	—	402	—
COVID-19 expense (e)	1,642	—	1,859	—
Adjusted EBITDA	\$ 11,199	\$ 1,193	\$ 16,938	\$ 3,978
Adjusted EBITDA as a % of Net Sales	14.0%	2.0%	11.3%	3.5%

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

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

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

(d) Represents fees associated with due diligence of new Enterprise Resource Planning software.

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



freshpet
pets. people. planet.
Q2 2020 Earnings Report
August 3, 2020

Forward Looking Statements & Non-GAAP Measures

Forward-Looking Statements

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

Non-GAAP Measures

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

Freshpet defines EBITDA as net income (loss) plus interest expense, income tax expense and depreciation and amortization expense, and Adjusted EBITDA as EBITDA plus gain (loss) on disposal of equipment, plant start-up expenses, non-cash share-based compensation, launch expense, fees related to equity offerings, COVID-19 expenses, and fees associated with due diligence of new enterprise resource planning ("ERP") software.

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

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

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

Certain of these measures present the company's guidance for fiscal year 2020, for which the Company has not yet completed its internal or external audit procedures. The Company does not provide guidance for the most directly comparable GAAP measure and similarly cannot provide a reconciliation to such measure without unreasonable effort due to the unavailability of reliable estimates for certain items. These items are not within the Company's control and may vary greatly between periods and could significantly impact future financial results.

Driving growth through the crisis by focusing on our strengths

Pre-Crisis

January - February

- Drive growth under Feed the Growth Plan
- Add capacity

- Nielsen Mega-Channel cons. (Jan-Feb) +29%
- Jan-Feb. shipments +25%
- Capacity constrained
- Began year with low trade inventory
- Endcap Fridge placements in Walmart completed
- New products shipped to some customers
- Start-up Kitchens South and 4th line 24 hour operation

Outbreak

March - April

- Keep our employees safe
- Reliably supply our customers and pet parents

- Nielsen Mega-Channel (Mar-Apr)
 - 4 wks thru 3/28 +42%
 - 4 wks thru 4/25 +10%
- March sales +34%
- April sales +34%
- Capacity constrained
- Fridge and new product placements delayed; April advertising pushed back
- Significant investments in safety and supply chain

Breakout

May - December

- Adapt to the new realities
- Leverage our strengths to continue driving growth

- Incremental advertising investment
- New e-commerce programs launched
- Incremental retail coverage
- Capacity catch up; Kitchens South 2nd shift and start-up Kitchens 2.0
- Complete fridge and new product placements
- Significant investments in safety and supply chain

Uniquely positioned to grow in this chaotic environment

Freshpet pivoted to leverage our strengths and the changing COVID environment to drive growth

Post-trough growth rate exceeds pre-COVID growth rate

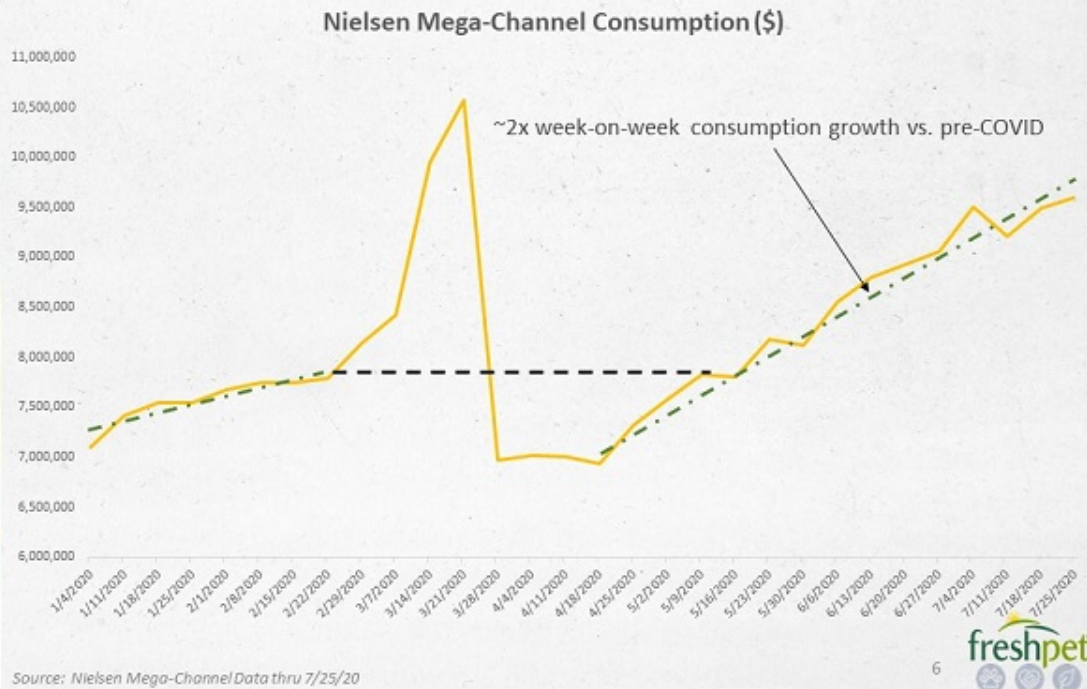


- Moved April advertising
- Increased advertising \$2 million
- Continuous media May-October
- Delivery options on website
- Launched "Delivered" ad
- Introduced DTC option
- Incremental retail coverage
- Ran production lines continuously
- Improved fill rates to 90+%
- Added 2nd shift at Kitchens South
- 3 layers of protection
- Transparent communication

Post-surge pivot is driving accelerated consumption growth

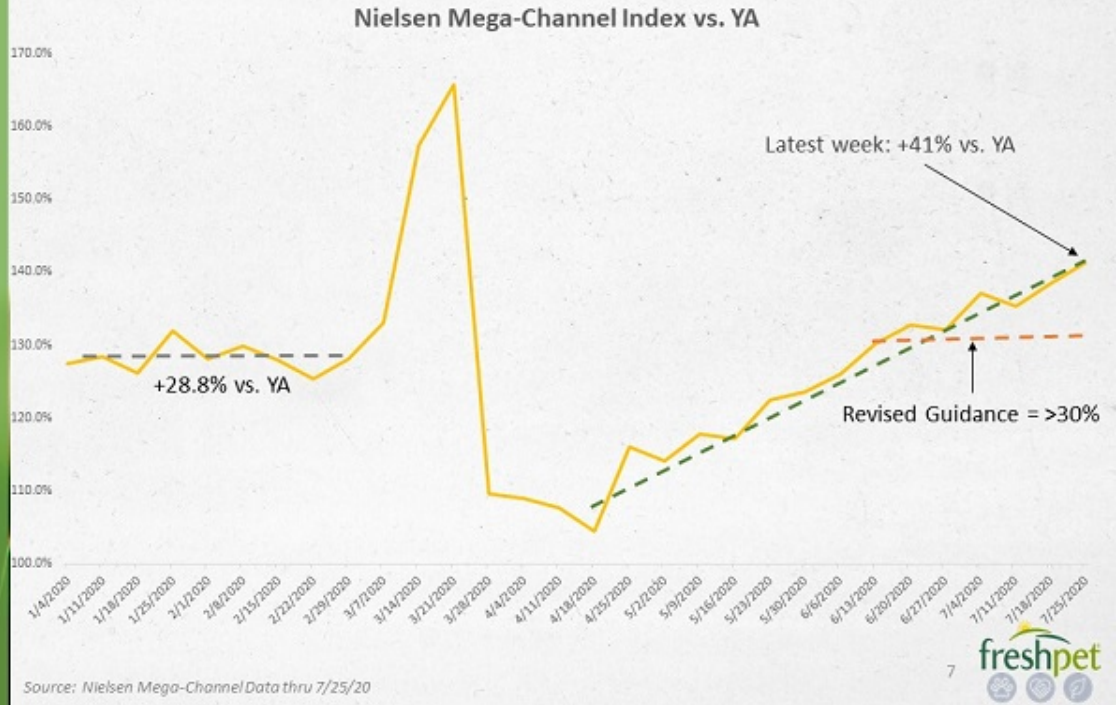
Nielsen Mega-Channel consumption vs. YA thru 7/25/20:

- Q2: +21%
- Latest week: +41%
- YTD: +27%



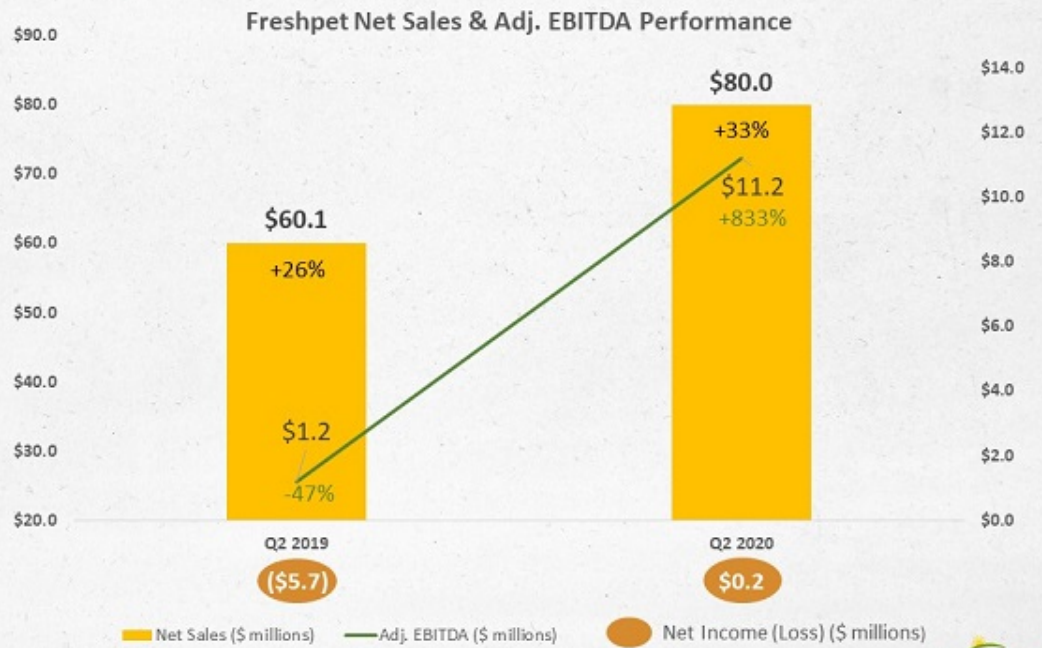
Continuous media on air May-October capitalizes on lower media rates and higher viewership

Accelerating growth rate behind post-surge pivot



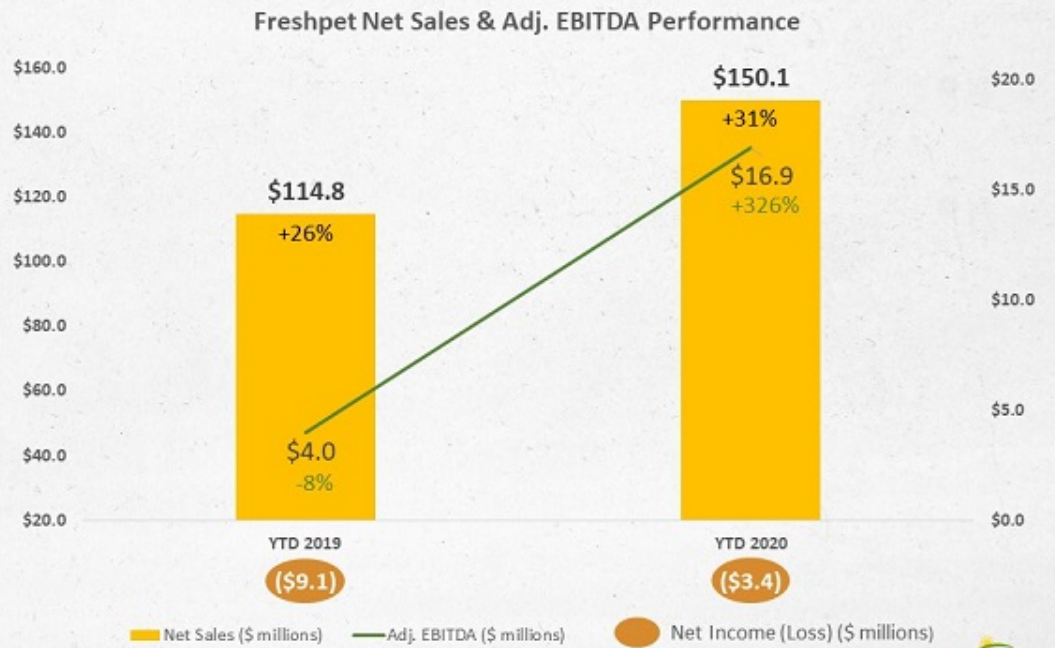
9 of last 10 quarters
>25% net sales
growth

Q2 2020: Accelerating growth and leverage from scale



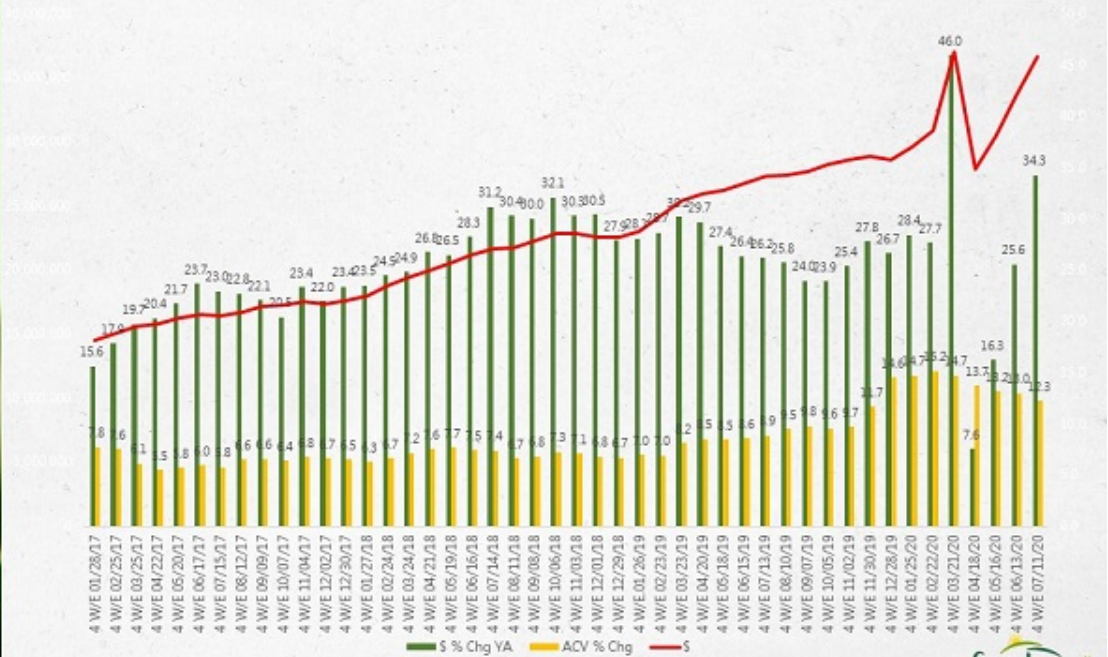
Both Q1 and Q2 delivered strong top line growth consistent with long-term performance

YTD 2020: Consistent performance despite the COVID crisis



YTD consumption growth of 27% and accelerating to >30% in June

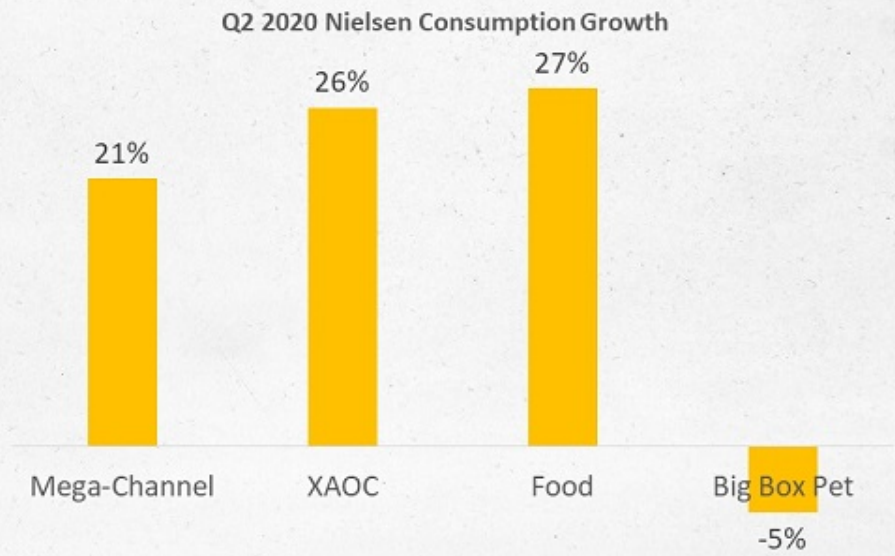
Accelerating growth after the COVID-trough



Source: Nielsen Mega-Channel Data thru 7/11/20

Q2 2020: Continued strong consumption growth despite post-COVID trough in April

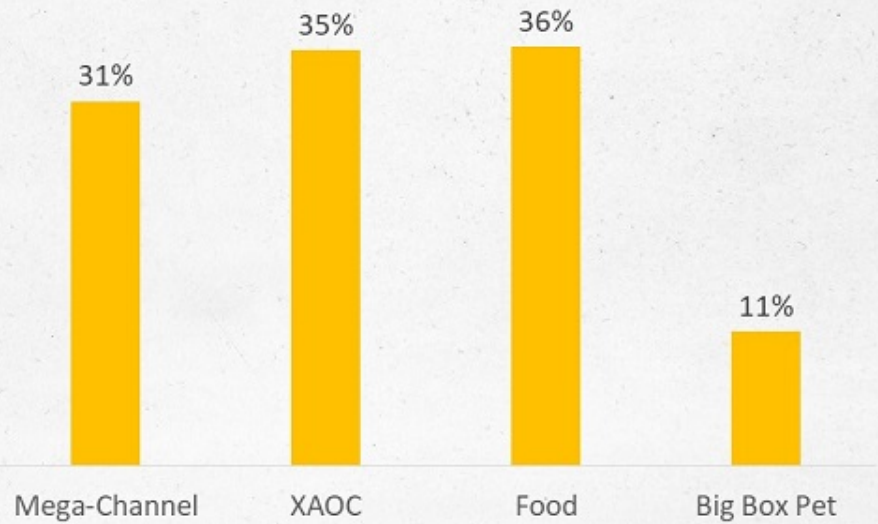
Shelter-in-place orders disproportionately helped Food and hurt Big Box Pet



Source: Nielsen Q2 consumption data thru 6/27/20

June: Strengthening trends the last 4 weeks of Q2

June 2020 Nielsen Consumption Growth



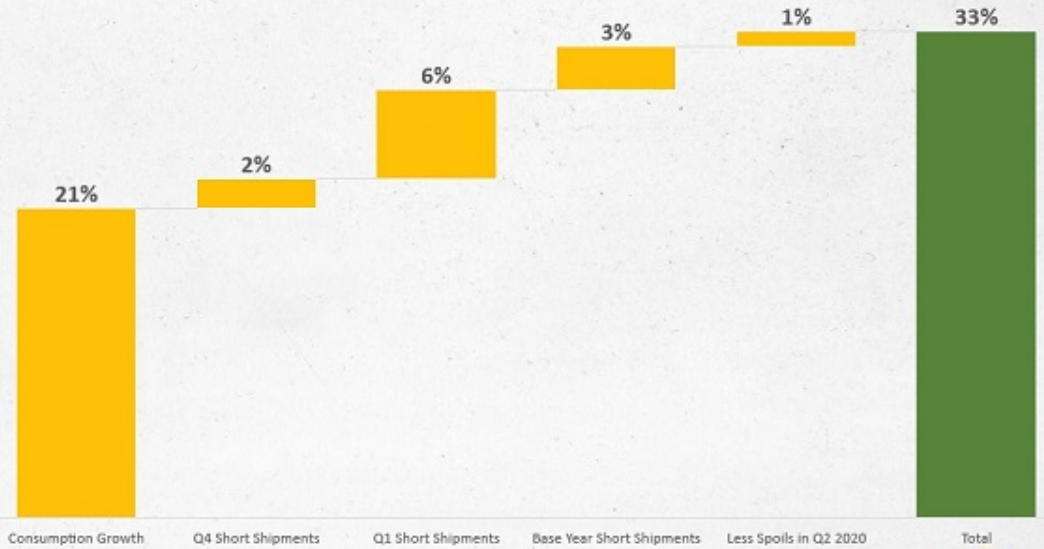
Last week of June
Nielsen Mega-
Channel: +33%
growth

Source: Nielsen Latest 4 Week Consumption Data thru 6/27/20

Q2: Net sales grew faster than consumption as we re-filled trade inventory void created in Q4 '19 and Q1 '20

By the end of Q2, fill rates were ~90% with only a few sku's experiencing occasional shortages

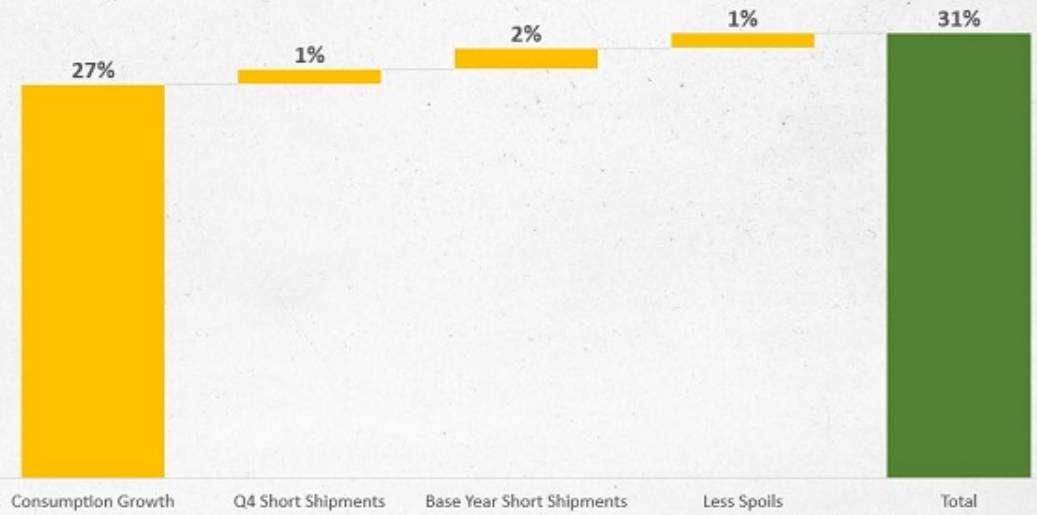
Q2 2020 Consumption to Net Sales Reconciliation



Source: Nielsen Q2 consumption data thru 6/27/20 and company estimates

YTD: Strong, balanced performance despite COVID surge and trough

YTD Consumption to Net Sales Reconciliation

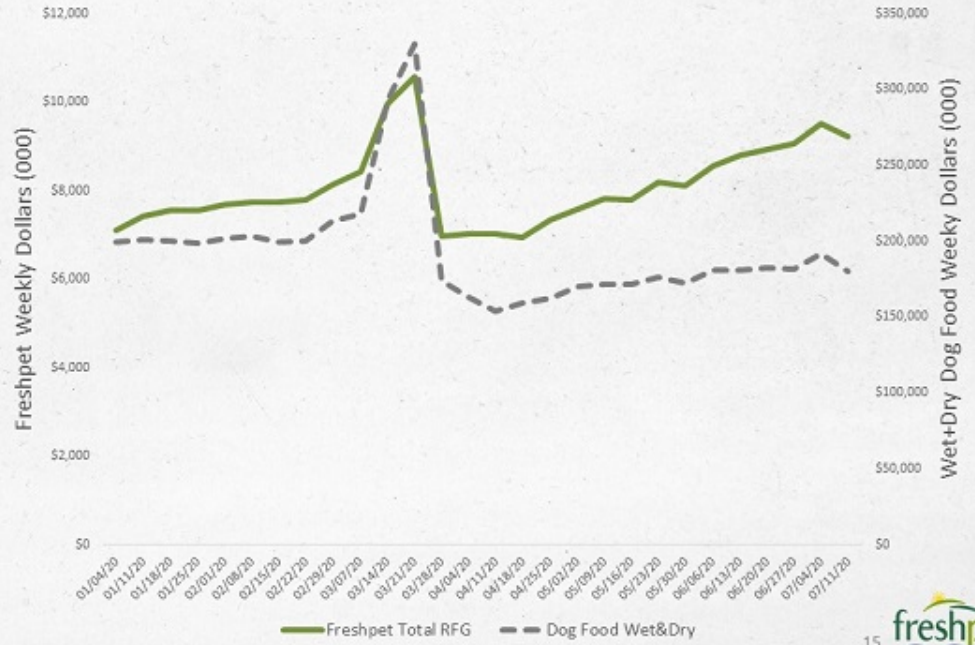


June consumption growth >30% and accelerating

Source: Nielsen YTD consumption data thru 6/27/20 and company estimates

Freshpet is now ahead of where it would have been if there had been no COVID crisis

Freshpet bouncing back from post-surge trough faster than the category

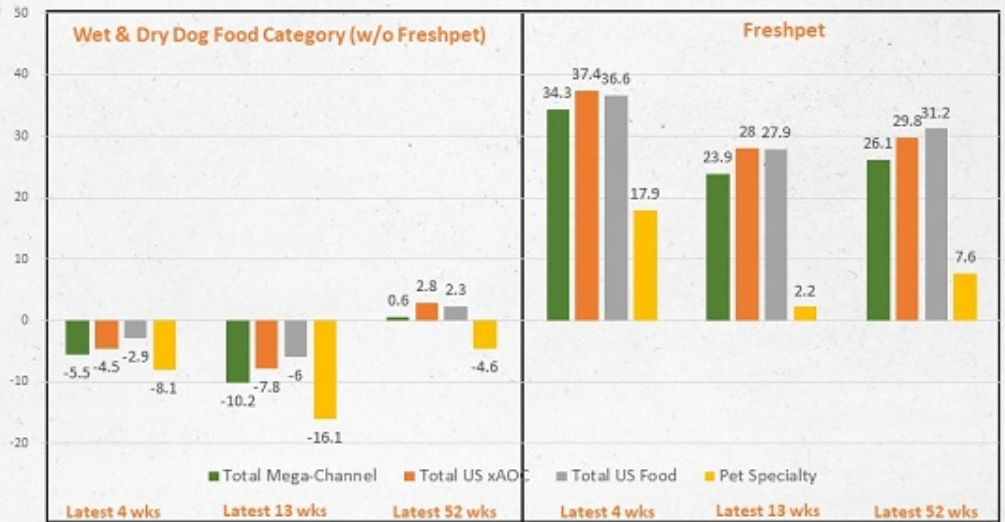


Source: Nielsen Mega-Channel Data thru 7/11/20

Freshpet's growth significantly outperformed the category

Freshpet growth typically 25-30 points better than the category

Nielsen Consumption Growth vs. YA



Source: Nielsen Data thru 7/11/20

Consistently building market share across all classes of trade

Freshpet's total \$ growth leads the category in Nielsen Mega-Channel

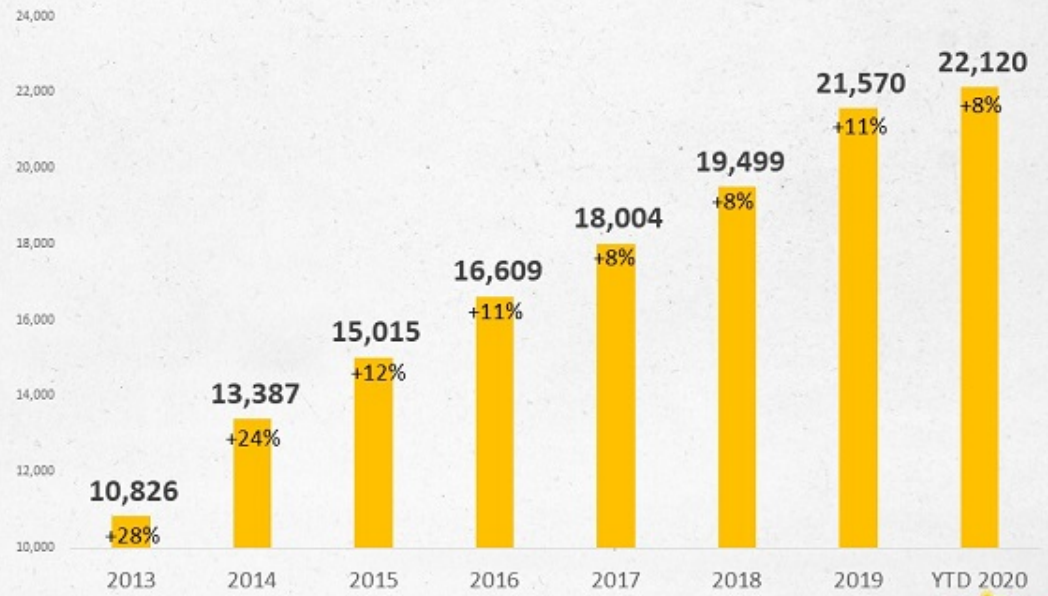
Freshpet \$ Share of Wet & Dry Dog



Source: Nielsen Data thru 7/11/20

Q2: 253 net new stores

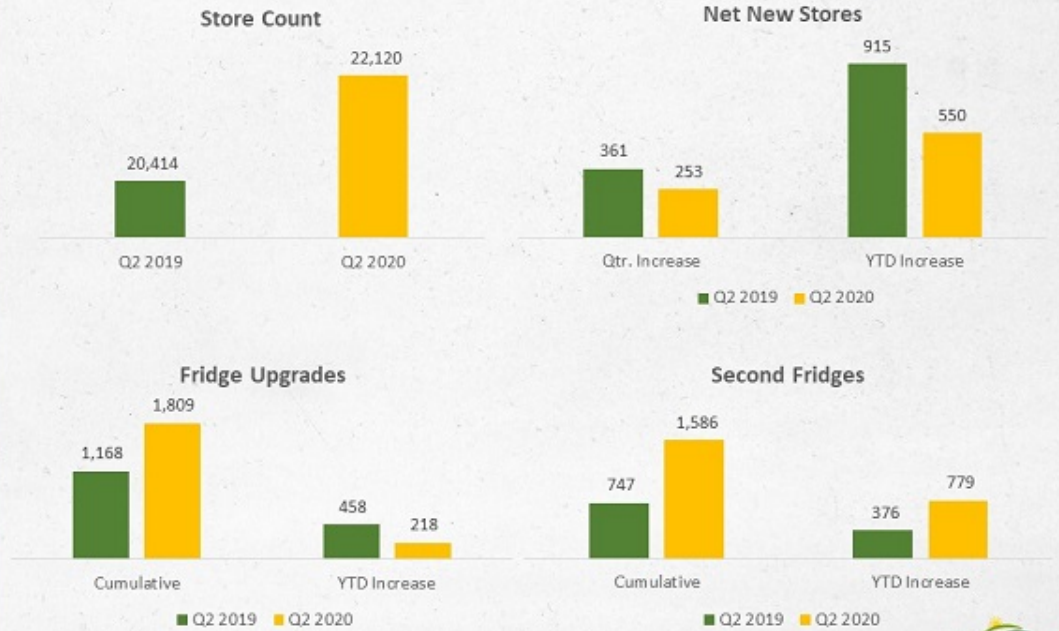
Store count growth limited by COVID-19 related retail disruption



Source: Internal company data; all periods are ending 12/31 except 2020 which is quarter end 6/30/20 compared to YA

Retailers have resumed Fridge placements consistent with our expectations

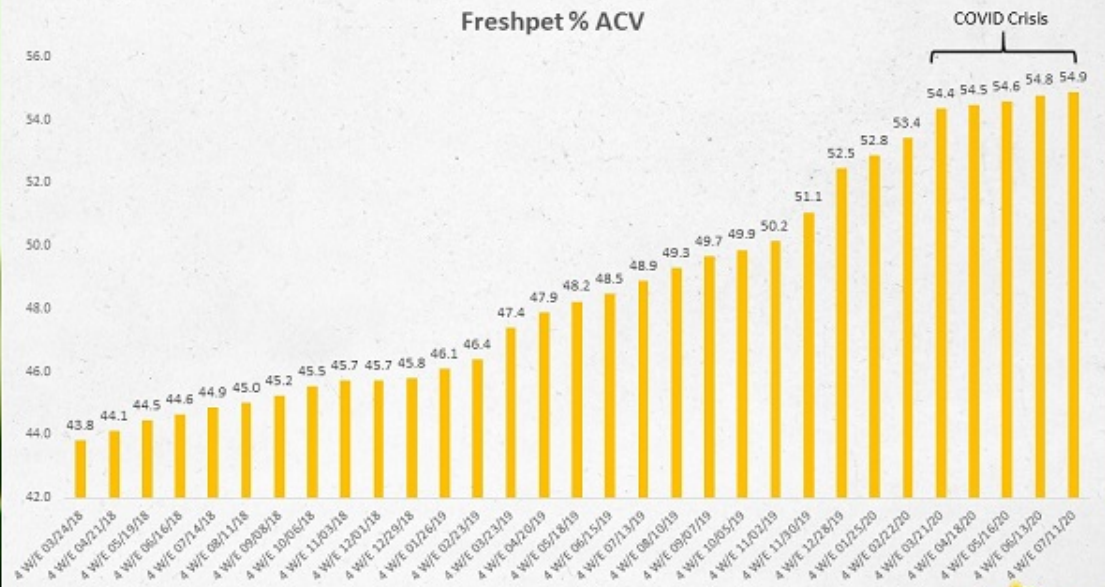
Retail disruptions reduced new Fridge placements, but second Fridge placements were completed



Source: Internal company data

Distribution gains slowed during COVID-19 crisis; expected to resume in Q3 and beyond

Added 253 net new stores in Q2 – now totaling 22,120

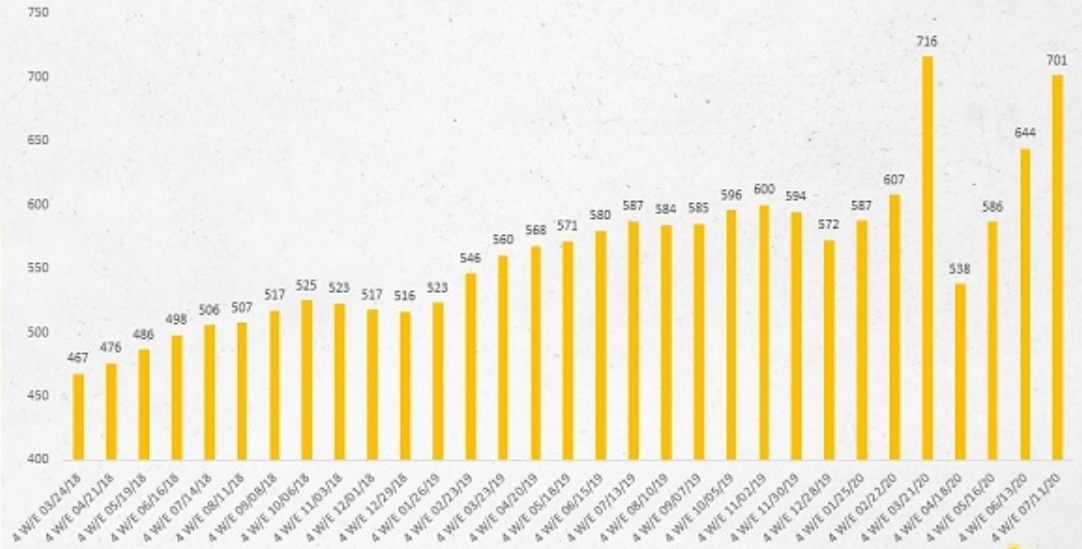


Source: Nielsen Mega-Channel Data thru 7/11/20

Rapid velocity growth behind post-surge pivot

Latest 4 weeks
 \$/\$ million ACV:
 +19% vs. YA

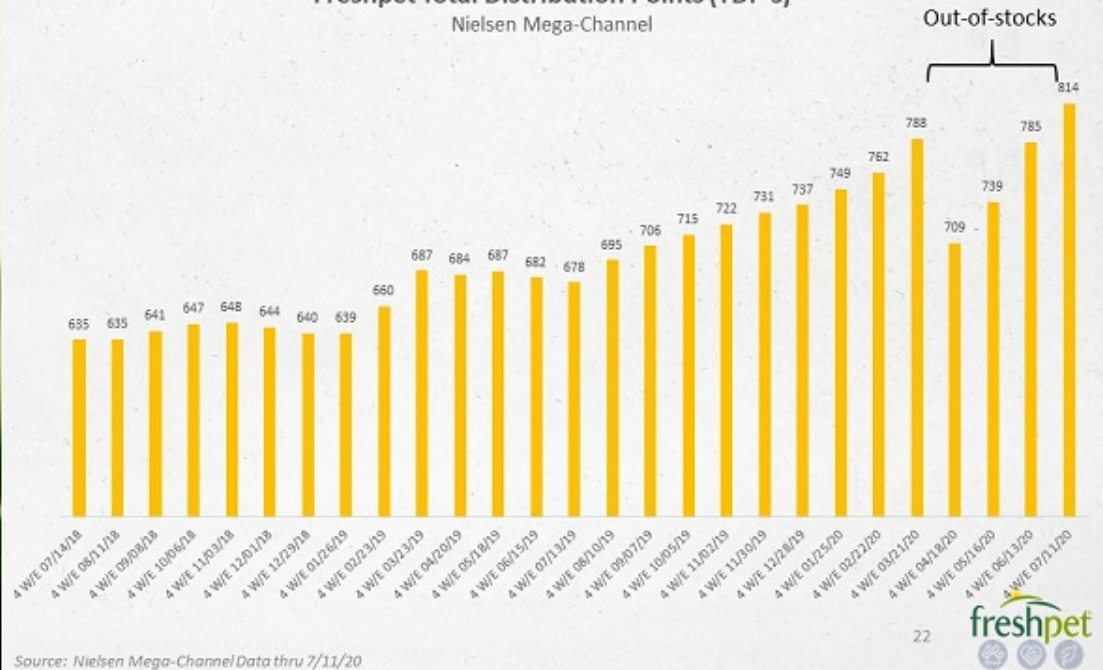
Freshpet Velocity
 \$ / \$MM ACV



Source: Nielsen Mega-Channel Data thru 7/11/20

Retail availability has improved significantly

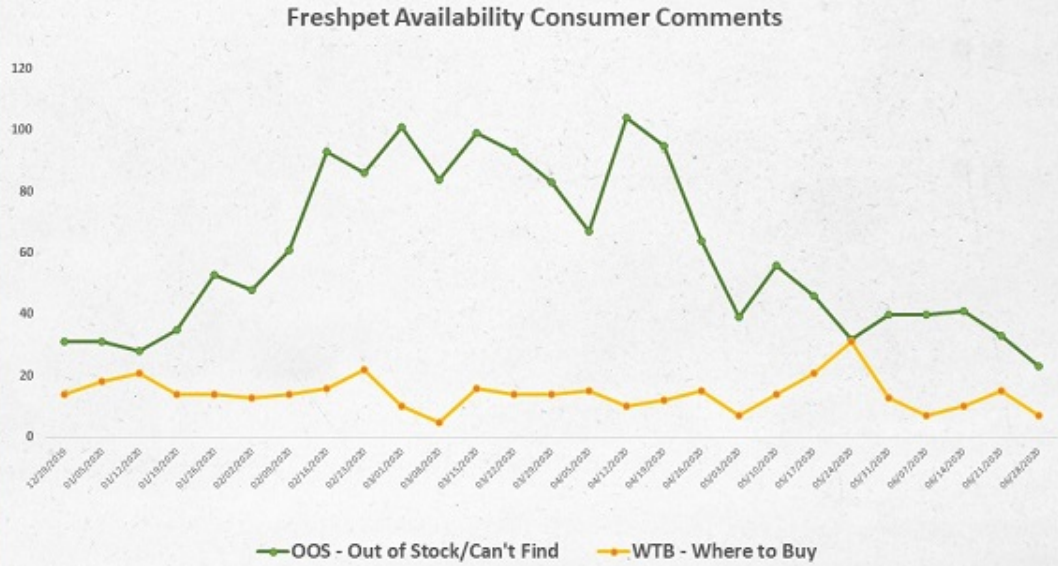
Freshpet Total Distribution Points (TDP's)
Nielsen Mega-Channel



Retail conditions
returned to normal
by the end of
June/early July

Freshpet consumers confirm improved availability

>90% of consumers claimed they could find the exact item they wanted by June



Source: Internal company data; Consumer contacts via e-mail, letter and phone

Q2 2020 e-commerce sales +201% vs. YA

Find Freshpet Near You

Bethlehem, PA 18020, US

Store Search

0 Selected

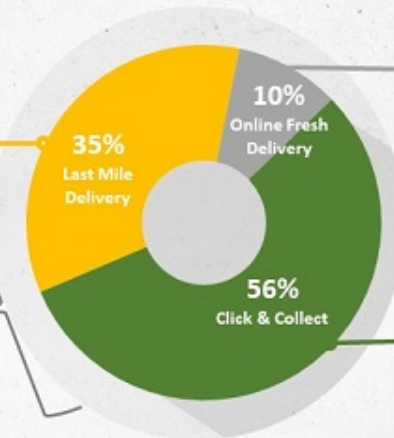
Buy Online

Remember to check your favorite local retailer for additional online and curbside pickup options!

5.0% of Freshpet sales in Q2 2020 were e-commerce



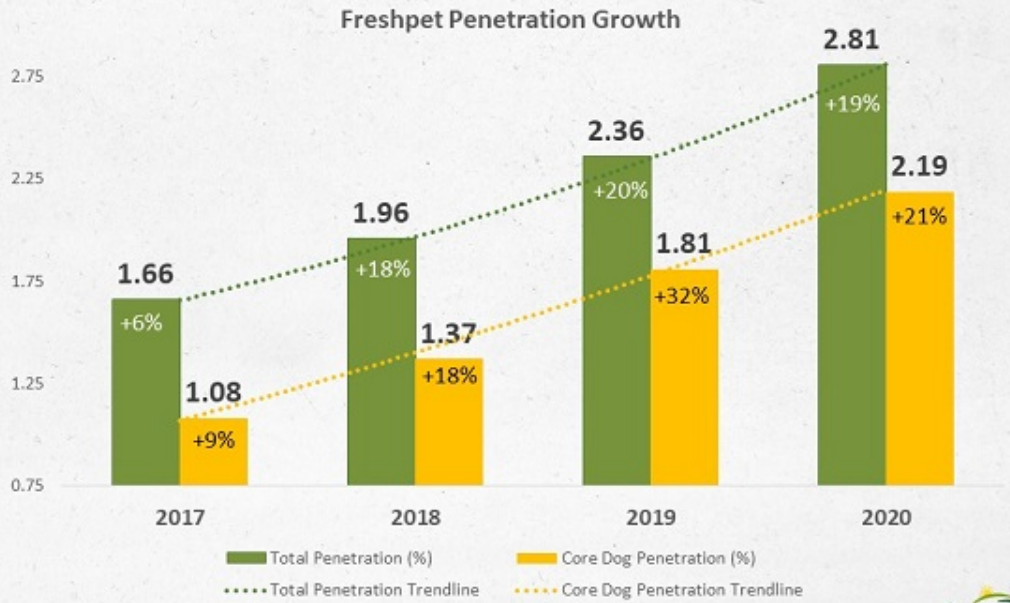
>90% of e-commerce sales go through a Freshpet Fridge in Q2



Source: Internal company data

More than doubled
Core Dog HH
penetration in 3
years

Strong penetration growth despite moving April advertising back to May-October

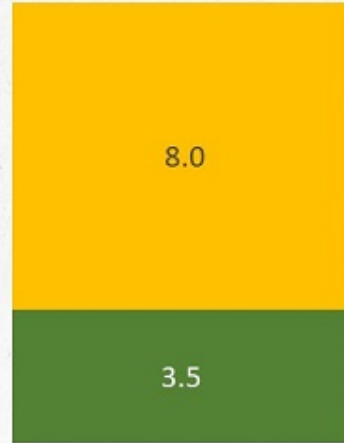


Source: Nielsen HH Panel for the periods ending mid-July 2017, 2018, 2019, 2020

On pace for our 5 x 2025 HH penetration goal

Added 575K
incremental users in
the past year

Progress Towards 2025 HH Penetration Goal



■ Current HH Penetration ■ 2025 Target HH Penetration

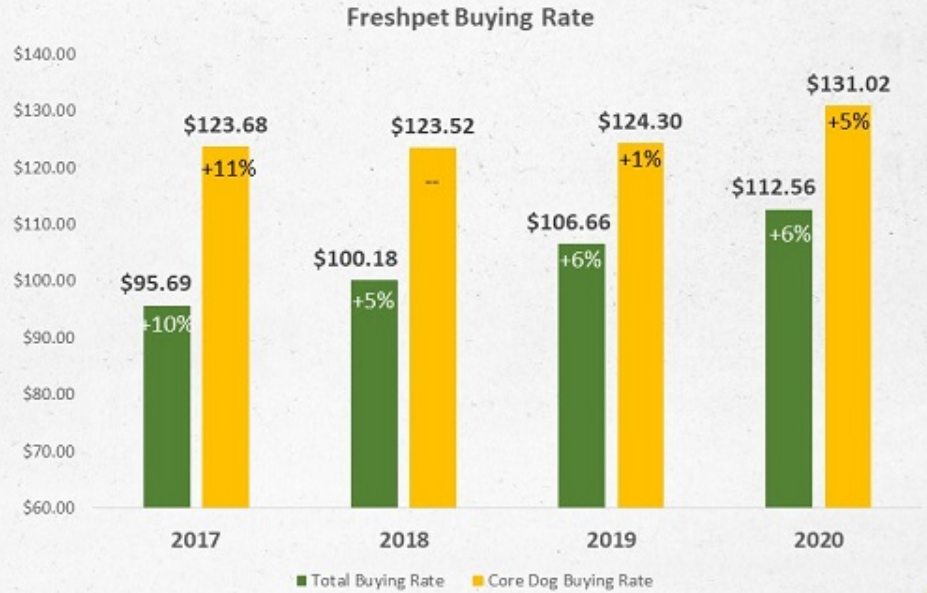
Source: Nielsen HH Panel for the period ending July 11, 2020

26



5% growth in core dog buying rate

Buying rate growth continues



Source: Nielsen HH Panel for the period ending mid-July 2017, 2018, 2019, 2020 and company internal data

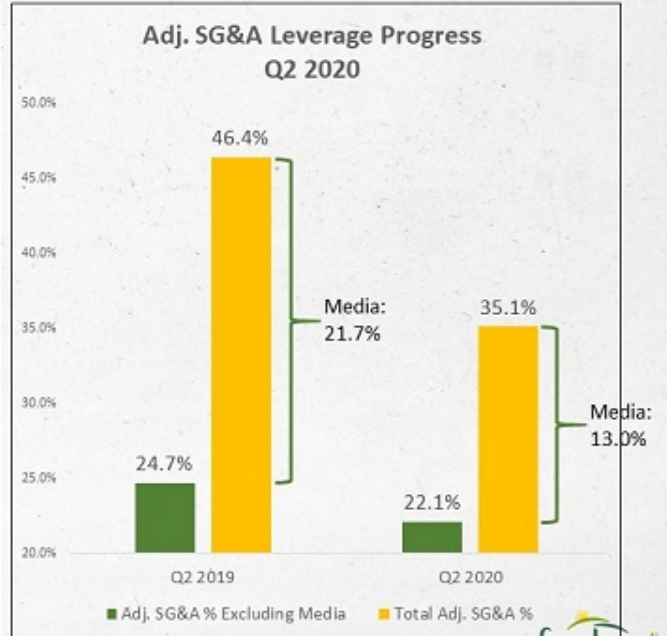
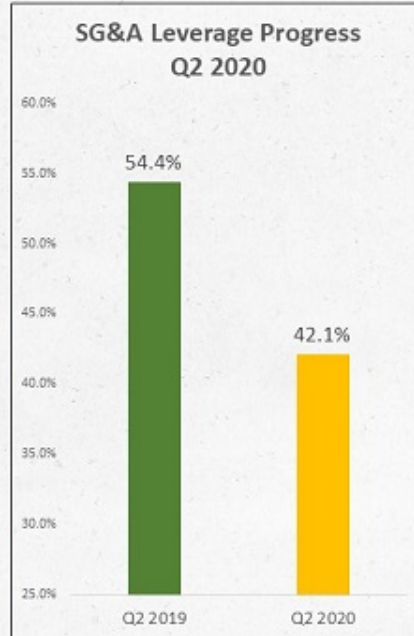
Consistent gross margin performance

Q2 Adj. Gross Margin impacted by mix shift to bags vs. Q1



Delivered 260 bps of Adj. SG&A (excluding media) leverage in Q2

Moving April media to May-August drove 340 bps reduction in Adj. SG&A in Q2



Currently have \$350 million of capacity; will have >\$550 million by year end

Capacity addition projects are on track

To meet demand, we have completed the following capacity expansion projects

- ✓ • **Rolls line 24/7:** In January, we took our second roll line to 24/7 production. Since then, we have had ample capacity to meet all demand for rolls.
- ✓ • **Kitchens South:** In February, we started up a small piece-size/small bag size line in a partner's facility (using our equipment). That start-up has gone well.
- ✓ • **Kitchens South – Second Shift:** We started up a second shift at Kitchens South. In combination with the first shift, that site now has capacity for \$50 million of net sales.

As of today, we have enough capacity to support \$350 million of business. However, we will be a bit tight on Fresh From the Kitchen capacity until Kitchens 2.0 starts up at the end of Q3 and ships product in October.

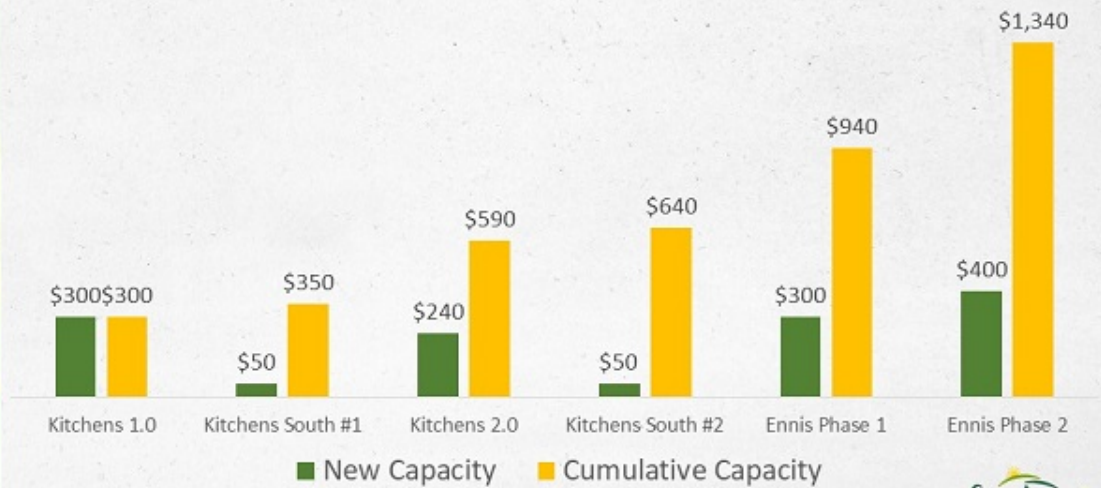
- ✓ • **Kitchens 2.0:** Construction is nearing completion and slated to start-up by the end of Q3. This will take total capacity to >\$550 million.
- ✓ • **Ennis, TX Kitchens 3.0:** We will break ground on Kitchens 3.0 in Ennis, TX in early August 2020. It is expected to start-up in the second half of 2022 and the first phase will bring total Freshpet capacity to just under \$1 billion.

Adding 2nd shift at Kitchens South increased our run rate capacity in June to \$350 million

Kitchens 2.0 will take capacity to ~\$590 million by the first quarter of 2021

Freshpet Capacity

Net Sales Potential



Kitchens 2.0 construction on track for start-up by Q4

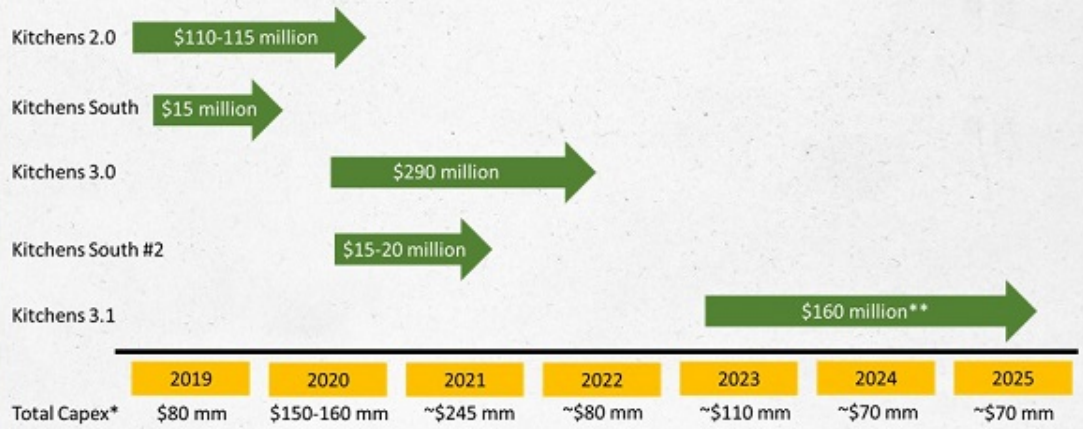


In final installation phase. Expect to begin line trials by the end of September.

Plan to start-up bag
line in Q4 and roll
line in Q1 2021

Capital spending plan is on track

Targeting to have available capacity one year ahead of need



*also includes maintenance capex, fridges and IT

** Includes 4 production lines, taking total capacity to \$1.3 billion

Employee safety results have been strong and ensured continuous operation

COVID-19 Team Member safety & reward plan is working



Wellness check:
Third-party nurse



Deep cleaning:
Expert "deep cleaning" of Kitchens' break/meeting areas



Social distancing:
6ft/2M
Tripled size of break / meeting areas



Masks Required:
Required use by all team members



Air filtration:
Increased air filtration and system upgrades



Staggered Shifts:
To avoid a concentration of team members



Personal Sanitation:
At doors and in meeting room sanitation



Suspended absenteeism policy:
To encourage people to stay home if needed.
Reinstated on 7/1/20.



Quarantine with pay:
Followed or exceeded all CDC and FDA guidelines



Quarterly incentive:
Quarterly incentive based on Q1 & Q2 performance on quality, safety, productivity



Incremental cash bonus:
\$500 after tax bonus for all Kitchens' team members in April



Safety & Continuity Stock Grants:
Stock grants to frontline employees who are critical to protecting our team and ensuring continued operations



Restaurant gift cards:
\$50 gift cards to local restaurants 2x month, helping the community and our team



Gift baskets to teams families:
Game / movie night + stay safe initiatives + masks for family + bulk food

Current estimate of
COVID-19 related
costs:
\$4 million

Committed to protecting our employees and continuing to nourish our pets

- **Protecting our employees**

- 3rd party medical staff performing health checks on employees
- Increased deep cleanings
- Increased sanitizing and social distancing cost
- Providing employees with mandatory personal protective equipment



- **Increased COVID-19 related compensation cost**

- Additional direct compensation to employees
- Increased absenteeism and need for incremental staffing



- **Costs to protect supply chain**

- Temporary cost of bringing on additional ingredient and packaging suppliers in case of disruption at current vendors



These costs are temporary in nature. These costs will be added back to the Company's Net Income to Adjusted EBITDA reconciliation.

Raising 2020 Net Sales and Adj. EBITDA Guidance

\$ in Millions	Previous	New	Increase
Net Sales vs. YA	>\$310 +26%	>\$320 +30%	+\$10
Adjusted EBITDA vs. YA	>\$44 +51%	>\$46 +58%	+\$2

See assumptions on
next page

Updated Commentary:

- **Volume cadence:** Q2 shipments exceeded consumption as we re-filled trade inventory drained by the Q1 COVID-surge. Potential for a small portion of FFTK demand in Q3 to turn into Q4 shipments due to FFTK capacity limits until Kitchens 2.0 begins shipping in October.
- **Advertising investment:** On-air continuously from May until October which could drive stronger HH penetration gains in Q3 than historically. Media viewership is also higher than normal. Media investment split 65%/35% first half/second half.
- **Gross margin:** Q2 adj. gross margin reflects the catch up on bags shipments (vs. Q1 skew towards rolls). Beef cost inflation could drop adj. gross margin slightly below 49%.
- **Add Backs:** COVID-19 related costs will impact Q2 and Q3 most significantly; anticipate \$4 million in total costs for the year

Post-surge pivot has positioned us well to accelerate growth

Progress Against Guidance Assumptions

Our guidance considers the following factors. We believe we have made reasonable assumptions about each factor. However, the external environment is very dynamic, so we want investors to understand the basis for our guidance:

- ✓ Supply: We do not encounter any significant supply interruptions – either upstream from us or in our facilities. *So far, we have not had to shut down our facility at any time due to COVID but have shut down a line from time to time due to absenteeism.*
- ✓ Costs: The costs that we incur to manage the COVID-19 crisis total \$4 million and are concentrated in Q2 and Q3. *On track.*
- ✓ Media Effectiveness: The effectiveness of our media investment is not adversely impacted by the changing consumer environment. *Media returns greatly exceed YA.*
- Shopping Behavior: The presence of significant restrictions on shopping in stores doesn't prevent reasonable consumption and replenishment patterns similar to what we have seen historically. *Currently strong; on watch for impacts from further social mobility restrictions, the macroeconomic environment and social unrest.*
- ✓ Retailer Activity: Retailers resume a significant portion of their fridge placements and new item distribution in Q3. *On track-- added 253 net new stores in Q2*
- ✓ Customer Credit: We have no major customer credit issues as a result of the COVID-19 crisis. *No issues to date.*

Too early to tell

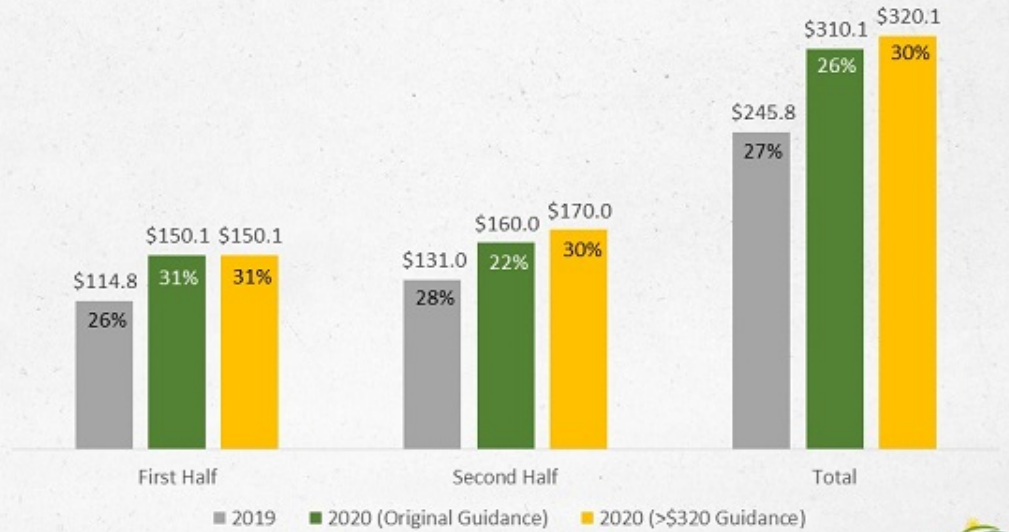
This is not an all-inclusive list. For that, please consult the Risks section of our latest SEC filings.

- ✓ = To date, market conditions and business performance are expected to match the assumption to the best of our knowledge

Accelerating consumption trends support second half growth rate of >30%

Increasing Net Sales Guidance to >\$320 million

2020 Guidance



Accelerated growth rate and capturing scale benefits

“Feed the Growth” is working



Step-by-step governance transition plan matches the increasing scale and sophistication of the Company over the next 5 years

2020 Freshpet proxy will include long-term governance transition plan

Objective: Transition Freshpet's governance practices in place since the 2014 IPO as a fast growing, small cap, private equity-backed company to the practices one would expect in 2025 of a mature \$1 billion company that has a broad and sophisticated shareholder base. The plan will match the increasing scale and complexity of the Company over the next 5 years with a step-by-step process that removes the governance practices associated with early stage companies. The plan includes:

	YOUNG	Today	2020	2021	2022	2023 to 2025	MATURE
INDEPENDENT CHAIRMAN	Yes	●					Yes
SEPARATE CEO & CHAIR	Yes	●					Yes
NO POISON PILL	Yes	●					Yes
ELIMINATE SUPERMAJORITY VOTING RIGHTS	75%		●*				50%
DIRECTOR RESIGNATION POLICY	No		●				Yes
MAJORITY VOTING IN UNCONTESTED ELECTIONS	No (plurality)			●*			Yes
DIRECTOR RETIREMENT POLICY	No			●			Yes
PROXY ACCESS	No				●*		Yes
SHAREHOLDER RIGHT TO CALL SPECIAL MEETING	No				●*		Yes
DECLASSIFIED BOARD**	3 Year Terms			●*		●	1 Year Terms

*Proposals requiring shareholder action in that year's Proxy Statement.

** The company expects to submit a stockholder proposal in 2021 to begin declassifying its board in 2023, with the board to be fully declassified by 2025.



2025

BY

FEED THE GROWTH



Appendix

Reconciliation between Gross Profit to Adjusted Gross Profit

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Gross Profit	\$ 33,933	\$ 27,327	\$ 65,723	\$ 53,242
Depreciation expense (a)	2,550	1,589	4,294	3,155
Plant start-up expense (b)	725	—	1,192	—
Non-cash share-based compensation (c)	493	186	941	334
COVID-19 expense (d)	1,546	—	1,763	—
Adjusted Gross Profit	\$ 39,248	\$ 29,102	\$ 73,914	\$ 56,731
Adjusted Gross Profit as a % of Net Sales	49.1%	48.5%	49.3%	49.4%

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

Reconciliation between SG&A to Adjusted SG&A

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
SG&A expenses	\$ 33,702	\$ 32,672	\$ 68,378	\$ 61,904
Depreciation and amortization expense (a)	2,891	2,334	5,600	4,486
Non-cash share-based compensation (b)	1,793	1,244	3,523	2,296
Launch expense (c)	686	948	1,642	2,071
Loss on disposal of equipment	34	(7)	36	1
Equity offering expenses (d)	—	265	38	299
Enterprise Resource Planning (e)	129	—	402	—
COVID-19 expense (f)	96	—	96	—
Adjusted SG&A Expenses	\$ 28,073	\$ 27,888	\$ 57,020	\$ 52,751
Adjusted SG&A Expenses as a % of Net Sales	35.1%	46.4%	38.0%	45.9%

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

Reconciliation between Net Income to Adjusted EBITDA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Net income (loss)	\$ 153	\$ (5,661)	\$ (3,437)	\$ (9,083)
Depreciation and amortization	5,441	3,923	9,894	7,643
Interest expense	80	276	784	379
Income tax expense	22	19	43	38
EBITDA	\$ 5,696	\$ (1,443)	\$ 7,284	\$ (1,023)
Loss (gain) on disposal of equipment	34	(7)	36	1
Non-cash share-based compensation	2,286	1,430	4,464	2,630
Launch expense (a)	686	948	1,642	2,071
Plant start-up expenses (b)	725	—	1,192	—
Equity offering expenses (c)	—	265	58	299
Enterprise Resource Planning (d)	129	—	402	—
COVID-19 expense (e)	1,642	—	1,859	—
Adjusted EBITDA	\$ 11,199	\$ 1,193	\$ 16,938	\$ 3,978
Adjusted EBITDA as a % of Net Sales	14.0%	2.0%	11.3%	3.5%

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