

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

**FORM 8-K**

**CURRENT REPORT**

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

**Date of Report (Date of earliest event reported): November 02, 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.

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**Item 2.02. Results of Operations and Financial Condition.**

On November 2, 2020, Freshpet, Inc. (“Freshpet”) issued a press release disclosing its financial results for the quarter ended September 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, November 2, 2020 to discuss its financial results for the quarter ended September 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 November 2, 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

<b>Exhibit Number</b>	<b>Description</b>
99.1	<a href="#">Press Release, dated November 2, 2020</a>
99.2	<a href="#">Investors Presentation</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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**SIGNATURE**

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

FRESHPET, INC.

Date: November 2, 2020

By: /s/ Heather Pomerantz

Name: Heather Pomerantz

Title: Chief Financial Officer



## Freshpet, Inc. Reports Third Quarter 2020 Financial Results

*Announces that Freshpet Kitchens 2.0 is Now Online - Expanding Capacity to Meet Strong Demand*

SECAUCUS, N.J. – November 2, 2020 – Freshpet, Inc. (“Freshpet” or the “Company”) (NASDAQ: FRPT) today reported financial results for its third quarter and nine months ended September 30, 2020.

### Third Quarter 2020 Financial Highlights Compared to Prior Year Period

- Net sales of \$84.2 million, an increase of 29.0%
- Net income of \$3.5 million, compared with prior year net income of \$3.1 million
- Adjusted EBITDA of \$17.0 million, compared to \$12.0 million, an increase of 42.2%<sup>1</sup>

“Despite capacity limitations and the COVID pandemic, Freshpet continued to deliver incredibly strong and consistent growth on the top line and even stronger growth on the bottom line in the third quarter. Clearly, our strategies are working,” commented Billy Cyr, Freshpet’s Chief Executive Officer. “More importantly, our engineering team was able to complete construction and start-up our Kitchens 2.0, which will provide the capacity to support continued strong growth in 2021 and beyond. We now have the ability to change the way so many more families will feed their pets - forever.”

### Third Quarter 2020

Third quarter of 2020 net sales increased 29.0% to \$84.2 million compared to \$65.3 million for the third quarter of 2019. Net sales for the third quarter of 2020 were driven by velocity, innovation, and distribution gains.

Gross profit was \$36.7 million, or 43.5% as a percentage of net sales, for the third quarter of 2020, compared to \$30.7 million, or 47.0% as a percentage of net sales, in the same period last year. For the third quarter 2020, Adjusted Gross Profit was \$41.5 million, or 49.3% as a percentage of net sales, compared to \$32.5 million, or 49.8% as a percentage of net sales, in the prior year period. The decrease in Adjusted Gross Profit as a percentage of net sales was primarily due to increased processing cost, and increased beef input cost, partially offset by higher sales price realization and a shift in sales mix, as well as plant cost efficiencies. 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 \$32.9 million for the third quarter of 2020 compared to \$27.2 million in the prior year period. As a percentage of net sales, SG&A decreased to 39.1% for the third quarter of 2020 compared to 41.6% in the third quarter of 2019. Adjusted SG&A for the third quarter of 2020 was \$24.5 million, or 29.1% as a percentage of net sales, compared to \$20.5 million, or 31.4% 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. 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 \$3.5 million for the third quarter of 2020 compared to net income of \$3.1 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 \$17.0 million, or 20.2% as a percentage of net sales, for the third quarter of 2020, compared to \$12.0 million, or 18.4% as a percentage of net sales, in the third 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.

<sup>1</sup>Adjusted EBITDA, as well as certain other measure 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 measure to the closet comparable GAAP measures.

## First Nine Months of 2020

Net sales increased 30.1% to \$234.3 million for the first nine months of 2020 compared to \$180.1 million for the first nine months of 2019. Growth in net sales for the first nine months of 2020 was driven by velocity, innovation, and distribution gains.

Gross profit was \$102.4 million, or 43.7% as a percentage of net sales, for the first nine months of 2020, compared to \$83.9 million, or 46.6% as a percentage of net sales, in the same period last year. For the first nine months of 2020, Adjusted Gross Profit was \$115.4 million, or 49.3% as a percentage of net sales, compared to \$89.2 million, or 49.5% 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 beef input cost, 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 \$101.3 million for the first nine months of 2020 compared to \$89.1 million in the prior year period. As a percentage of net sales, SG&A decreased to 43.2% for the first nine months of 2020 compared to 49.5% in the prior year period. Adjusted SG&A for the first nine months of 2020 was \$81.5 million, or 34.8% as a percentage of net sales, compared to \$73.2 million, or 40.7% 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 income was \$0.1 million for the first nine months of 2020 compared to net loss of \$6.0 million for the prior year period. The improvement in net income (loss) was due to higher net sales and increased gross profit, partially offset by increased SG&A expenses.

Adjusted EBITDA was \$34.0 million, or 14.5% as a percentage of net sales, for the first nine months of 2020, compared to \$16.0 million, or 8.9% 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.

## Balance Sheet and Cash Flow

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 \$77.0 million capital expansion project spend incurred during the nine months ended September 30, 2020. Further, on September 2, 2020 the Company made a \$26.6 million minority interest investment in a privately held company.

As of September 30, 2020, the Company had cash and cash equivalents of \$84.2 million and short-term certificates of deposits of \$10.0 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.

## Outlook

For full year 2020, the Company reiterated its guidance. The Company continues to expect the following results:

- To exceed net sales of \$320.0 million, an increase greater than 30% from 2019
- To exceed Adjusted EBITDA of \$46.0 million, an increase greater than 57% from 2019

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. The conference call webcast will be available live over the Internet through the "Investors" section of the Company's website at [www.freshpet.com](http://www.freshpet.com). To participate on the live call, listeners in North America may dial (877) 407-0792 and international listeners may dial (201) 689-8263.

A replay of the conference call will be archived on the Company's website and telephonic playback will be available from 7:30 p.m. Eastern Time today through November 16, 2020. North American listeners may dial (844) 512-2921 and international listeners may dial (412) 317-6671; the passcode is 13711364.

#### **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](http://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 on disposal of equipment, COVID-19 expenses and implementation and other costs associated with the implementation of an ERP system.

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

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

	September 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 84,184,714	\$ 9,471,676
Short-term investments	10,000,000	—
Accounts receivable, net of allowance for doubtful accounts	21,644,451	18,580,840
Inventories, net	17,510,839	12,542,269
Prepaid expenses	3,411,293	3,275,992
Other current assets	730,596	10,452,990
<b>Total Current Assets</b>	<u>137,481,893</u>	<u>54,323,767</u>
Property, plant and equipment, net	242,299,147	165,287,597
Deposits on equipment	5,669,151	3,600,931
Operating lease right of use assets	8,192,272	9,154,234
Equity method investment	27,749,501	—
Other assets	4,550,532	3,759,058
<b>Total Assets</b>	<u>\$ 425,942,496</u>	<u>\$ 236,125,587</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 10,742,536	\$ 18,667,729
Accrued expenses	11,958,320	22,132,928
Current operating lease liabilities	1,269,380	1,185,058
<b>Total Current Liabilities</b>	<u>23,970,236</u>	<u>41,985,715</u>
Long term debt	—	54,466,099
Long term operating lease liabilities	7,483,060	8,409,252
<b>Total Liabilities</b>	<u>\$ 31,453,296</u>	<u>\$ 104,861,066</u>
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock — voting, \$0.001 par value, 200,000,000 shares authorized, 40,645,047 issued and 40,630,878 outstanding on September 30, 2020, and 36,162,433 issued and 36,148,264 outstanding on December 31, 2019	40,645	36,162
Additional paid-in capital	597,368,593	334,299,172
Accumulated deficit	(202,625,523)	(202,735,417)
Accumulated other comprehensive income (loss)	(38,289)	(79,170)
Treasury stock, at cost — 14,169 shares on September 30, 2020 and on December 31, 2019	(256,226)	(256,226)
<b>Total Stockholders' Equity</b>	<u>394,489,200</u>	<u>131,264,521</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 425,942,496</u>	<u>\$ 236,125,587</u>



FRESHPET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
NET SALES	\$ 84,189,912	\$ 65,265,901	\$ 234,267,776	\$ 180,110,282
COST OF GOODS SOLD	47,535,488	34,560,261	131,890,646	96,163,080
GROSS PROFIT	36,654,424	30,705,640	102,377,130	83,947,202
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	32,894,793	27,171,138	101,272,838	89,075,672
INCOME (LOSS) FROM OPERATIONS	3,759,631	3,534,502	1,104,292	(5,128,470)
OTHER INCOME/(EXPENSES):				
Other Income/(Expenses), net	24,663	(137,624)	69,766	(141,077)
Interest Expense	(215,661)	(310,465)	(999,364)	(688,890)
	(190,998)	(448,089)	(929,598)	(829,967)
INCOME (LOSS) BEFORE INCOME TAXES	3,568,633	3,086,413	174,694	(5,958,437)
INCOME TAX EXPENSE	21,600	19,250	64,800	57,750
INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 3,547,033	\$ 3,067,163	\$ 109,894	\$ (6,016,187)
OTHER COMPREHENSIVE INCOME (LOSS):				
Change in foreign currency translation	\$ 368,492	\$ (81,667)	\$ 40,881	\$ (143,941)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	368,492	(81,667)	40,881	(143,941)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 3,915,525	\$ 2,985,496	\$ 150,775	\$ (6,160,128)
NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	\$ 0.09	\$ 0.09	\$ 0.00	\$ (0.17)
-DILUTED	\$ 0.09	\$ 0.08	\$ 0.00	\$ (0.17)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING USED IN COMPUTING NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	40,560,104	36,079,935	39,451,675	35,894,377
-DILUTED	41,699,862	37,289,478	40,473,290	35,894,377

FRESHPET, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Nine Months Ended September 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 109,894	\$ (6,016,187)
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:		
Provision for loss/(gains) on accounts receivable	(3,826)	104,700
Loss on disposal of equipment	1,300,519	138,106
Share-based compensation	7,811,081	5,706,580
Inventory obsolescence	146,830	104,624
Depreciation and amortization	14,945,758	11,707,422
Amortization of deferred financing costs and loan discount	762,555	125,303
Changes in operating assets and liabilities:		
Accounts receivable	(3,059,785)	(7,278,751)
Inventories	(5,115,400)	(4,094,386)
Prepaid expenses and other current assets	9,587,093	(10,650,214)
Operating lease right of use	961,962	125,711
Other assets	(221,614)	(608,060)
Accounts payable	(3,021,045)	3,742,265
Accrued expenses	(10,299,608)	10,396,504
Other lease liabilities	(841,870)	(17,018)
Net cash flows from operating activities	<u>13,062,544</u>	<u>3,486,599</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of short-term investments	(20,001,196)	—
Proceeds from maturities of short-term investments	10,001,196	—
Investments in equity method investment	(27,624,501)	—
Acquisitions of property, plant and equipment, software and deposits on equipment	(99,923,887)	(40,738,346)
Net cash flows used in investing activities	<u>(137,548,388)</u>	<u>(40,738,346)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from common shares issued in primary offering, net of issuance cost	252,062,254	—
Proceeds from exercise of options to purchase common stock	4,663,456	3,841,918
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	50,620,988
Repayment of borrowings under Credit Facilities	(76,000,000)	(15,900,000)
Financing fees paid in connection with borrowings	(823,532)	(406,859)
Net cash flows provided by financing activities	<u>199,198,882</u>	<u>36,903,094</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	74,713,038	(348,653)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,471,676	7,554,388
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 84,184,714</u>	<u>\$ 7,205,735</u>

FRESHPET, INC. AND SUBSIDIARIES

RECONCILIATION BETWEEN GROSS PROFIT AND ADJUSTED GROSS PROFIT

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Gross Profit	\$ 36,654	\$ 30,706	\$ 102,377	\$ 83,948
Depreciation expense	2,129	1,599	6,422	4,754
Plant start-up expense (a)	1,828	—	3,020	—
Non-cash share-based compensation	484	174	1,425	508
COVID-19 expense (b)	395	—	2,157	—
<b>Adjusted Gross Profit</b>	<b>\$ 41,490</b>	<b>\$ 32,479</b>	<b>\$ 115,402</b>	<b>\$ 89,210</b>
Adjusted Gross Profit as a % of Net Sales	49.3%	49.8%	49.3%	49.5%

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

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

FRESHPET, INC. AND SUBSIDIARIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
SG&A expenses	\$ 32,895	\$ 27,171	\$ 101,273	\$ 89,075
Depreciation and amortization expense	2,923	2,465	8,524	6,953
Non-cash share-based compensation	2,863	2,902	6,386	5,198
Launch expense (a)	760	1,264	2,403	3,335
Loss on disposal of equipment	1,265	—	1,301	—
Equity offering expenses (b)	—	50	58	349
Enterprise Resource Planning (c)	428	—	830	—
COVID-19 expense (d)	187	—	283	—
<b>Adjusted SG&amp;A Expenses</b>	<b>\$ 24,468</b>	<b>\$ 20,490</b>	<b>\$ 81,488</b>	<b>\$ 73,240</b>
Adjusted SG&A Expenses as a % of Net Sales	29.1%	31.4%	34.8%	40.7%

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

FRESHPET, INC. AND SUBSIDIARIES

RECONCILIATION BETWEEN NET INCOME (LOSS) AND ADJUSTED EBITDA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Net income (loss)	\$ 3,547	\$ 3,067	\$ 110	\$ (6,016)
Depreciation and amortization	5,052	4,064	14,946	11,707
Interest expense	216	310	999	689
Income tax expense	22	19	65	57
<b>EBITDA</b>	<b>\$ 8,837</b>	<b>\$ 7,460</b>	<b>\$ 16,120</b>	<b>\$ 6,437</b>
Loss on disposal of equipment	1,265	137	1,301	138
Non-cash share-based compensation	3,347	3,076	7,811	5,706
Launch expense (a)	760	1,264	2,403	3,335
Plant start-up expenses (b)	1,828	—	3,020	—
Equity offering expenses (c)	—	50	58	349
Enterprise Resource Planning (d)	428	—	830	—
COVID-19 expense (e)	582	—	2,440	—
<b>Adjusted EBITDA</b>	<b>\$ 17,048</b>	<b>\$ 11,987</b>	<b>\$ 33,983</b>	<b>\$ 15,965</b>
Adjusted EBITDA as a % of Net Sales	20.2%	18.4%	14.5%	8.9%

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



# 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.



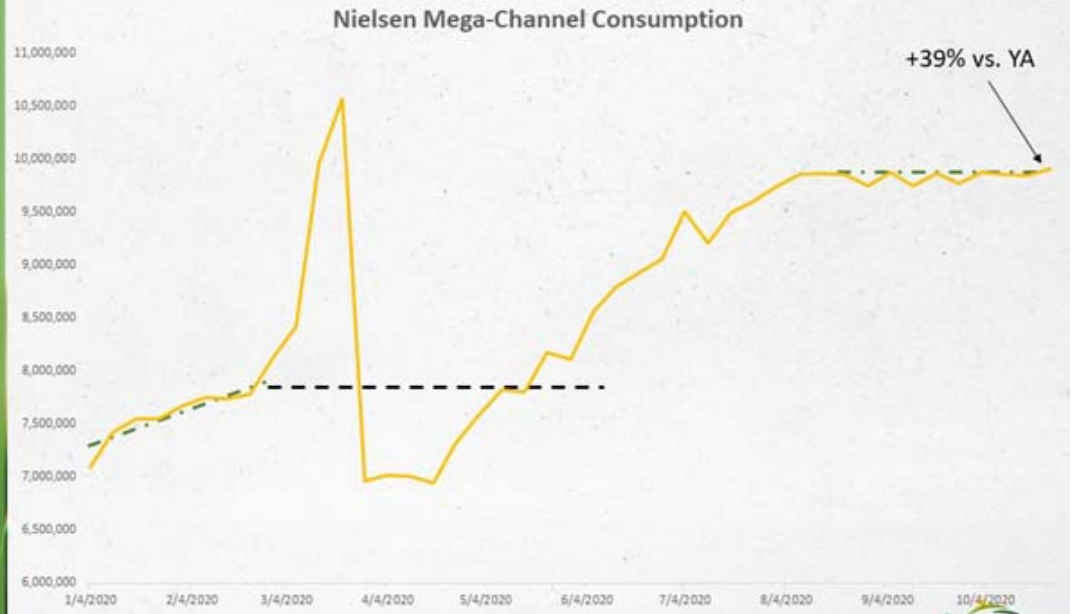
10 million meals  
donated since  
2007



## Strong consumption leveled off due to capacity limits

Nielsen Mega-Channel consumption vs. YA thru 10/24/20:

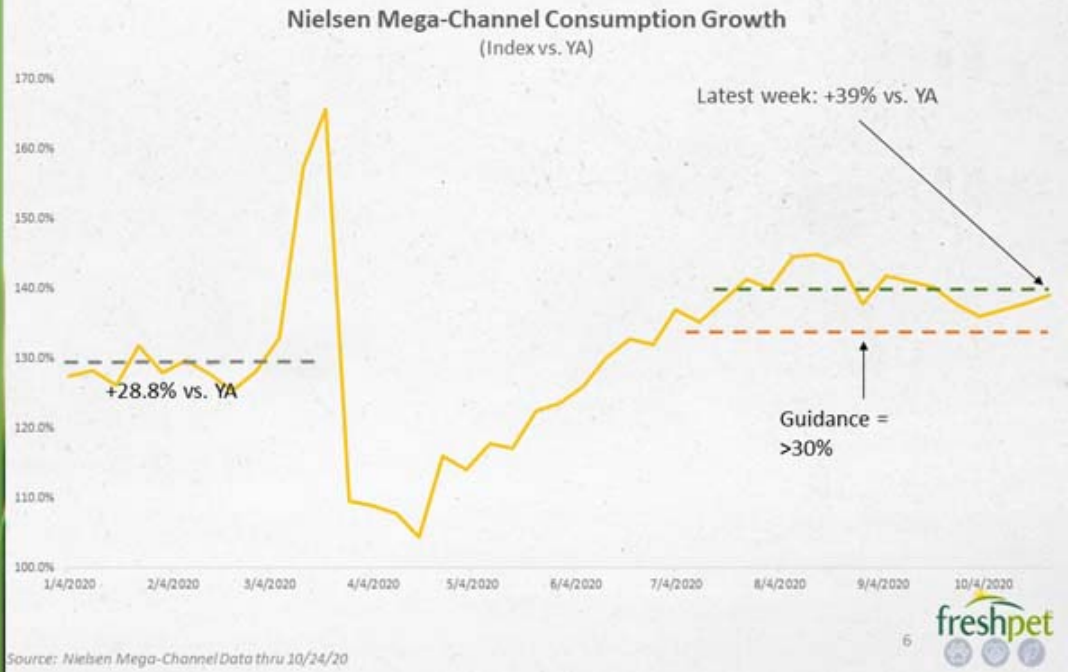
- Q3: +40%
- Latest week: +39%
- YTD: +31%



Source: Nielsen Mega-Channel Data thru 10/24/20

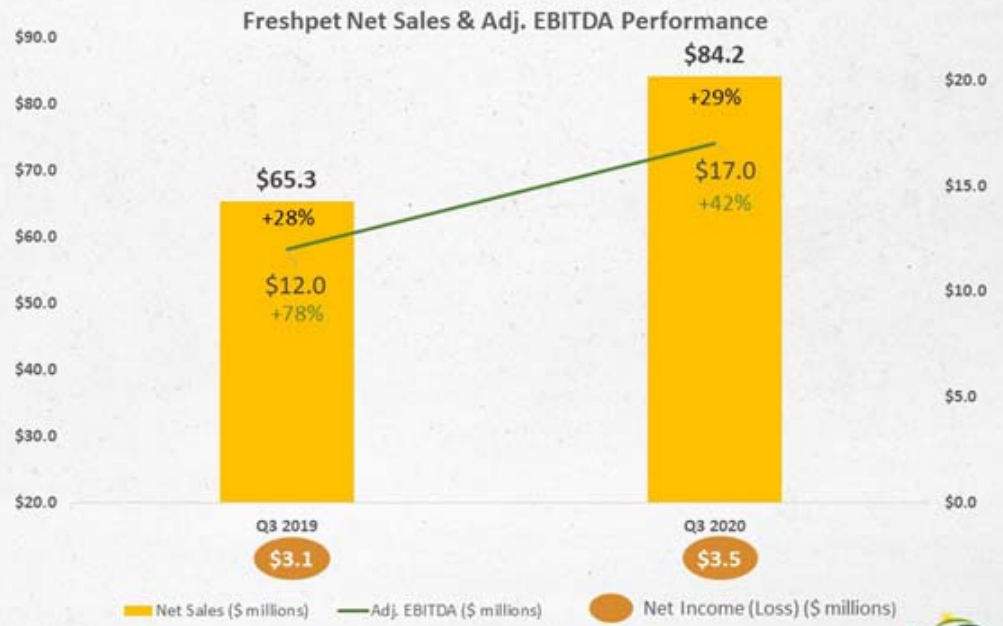
## Growth rate peaked in low 40's; out-of-stocks hurting growth rate

Continuous media on air May-October capitalized on lower media rates and higher viewership and drove strong growth



10 of last 11 quarters  
>25% net sales  
growth

## Q3 2020: Strong growth and leverage from scale



We anticipate delivering positive net income in 2020 for the first time

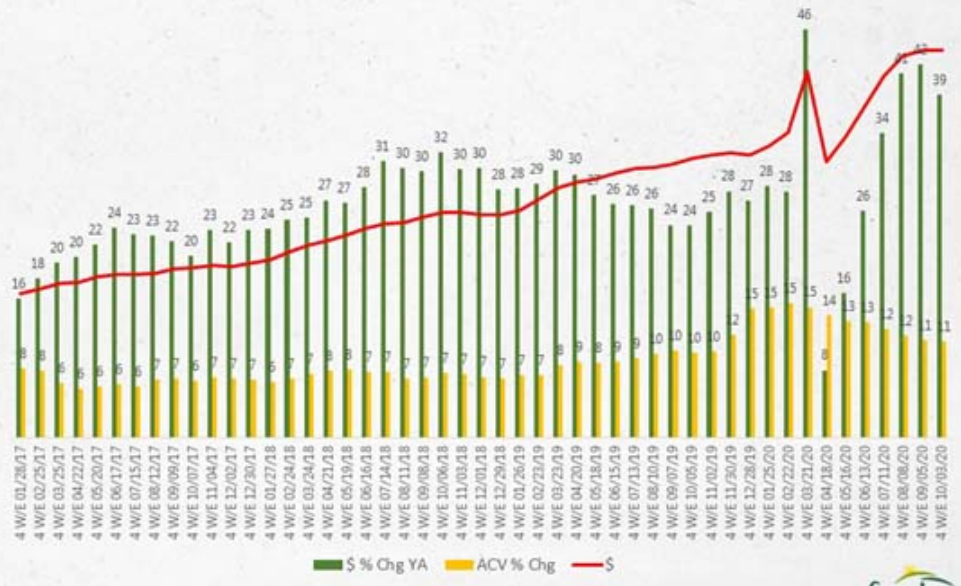
## YTD 2020: Strong performance despite the COVID crisis

Freshpet Net Sales & Adj. EBITDA Performance



# Strong consumption growth prior to reaching capacity limits late in Q3

YTD consumption growth of 31%

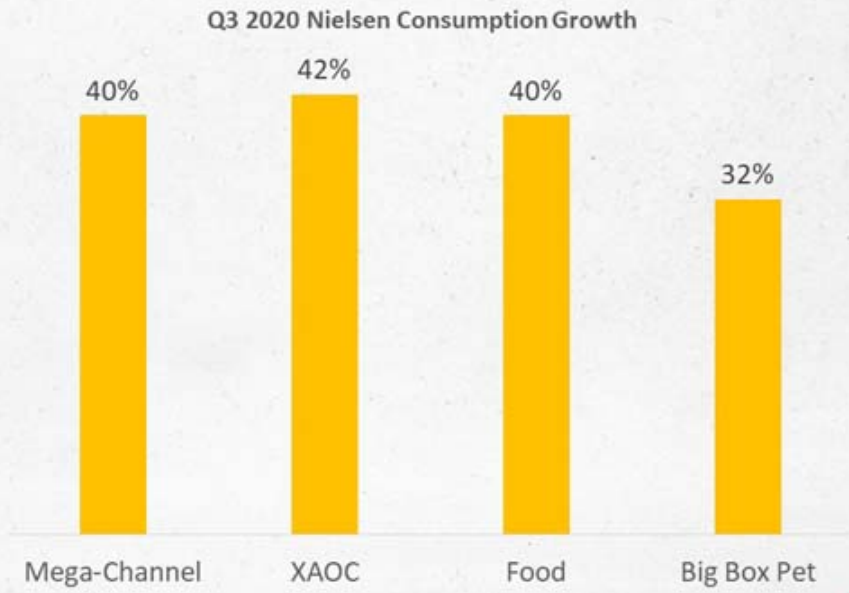


Source: Nielsen Mega-Channel Data thru 10/3/20



## Q3 2020: Strong and balanced growth across all classes of trade

2<sup>nd</sup> Fridges delivered strong improvement in Big Box Pet consumption growth

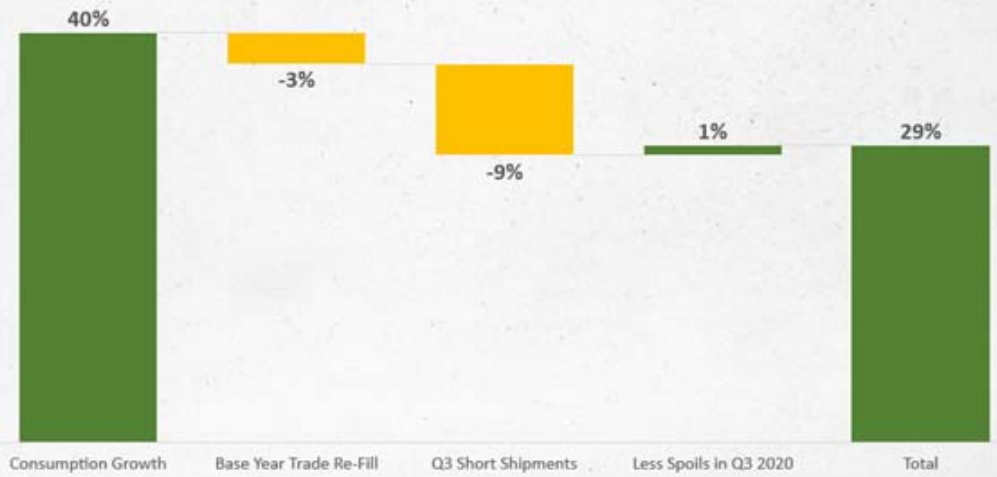


Source: Nielsen Q3 consumption data thru 10/3/20

## Q3: Consumption grew faster than net sales as we drew down trade inventory due to capacity limitations

Capacity limits resulted in ~\$7-8 million of net sales lost which will be recaptured in Q4 and Q1 2021

Q3 2020 Consumption to Net Sales Reconciliation

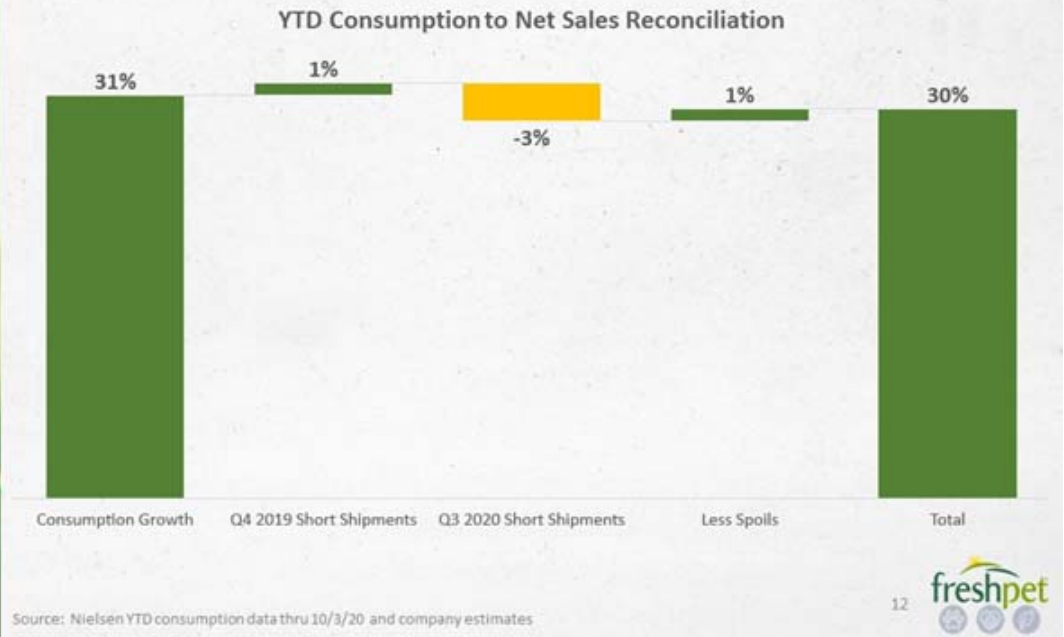


Source: Nielsen Q3 consumption data thru 10/3/20 and company estimates



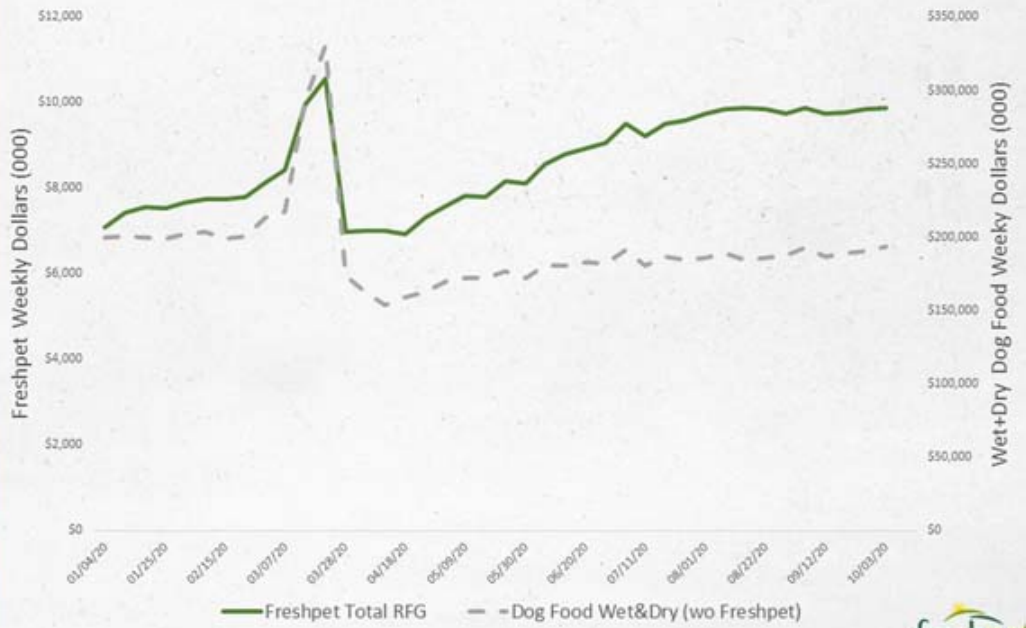
## YTD: Strong, consistent performance despite capacity limits

On track for strongest year of growth since 2015



Retailers recognize that Freshpet has dramatically outperformed the category in the post-COVID period

## Freshpet consistently outperforming the category during the post-COVID period

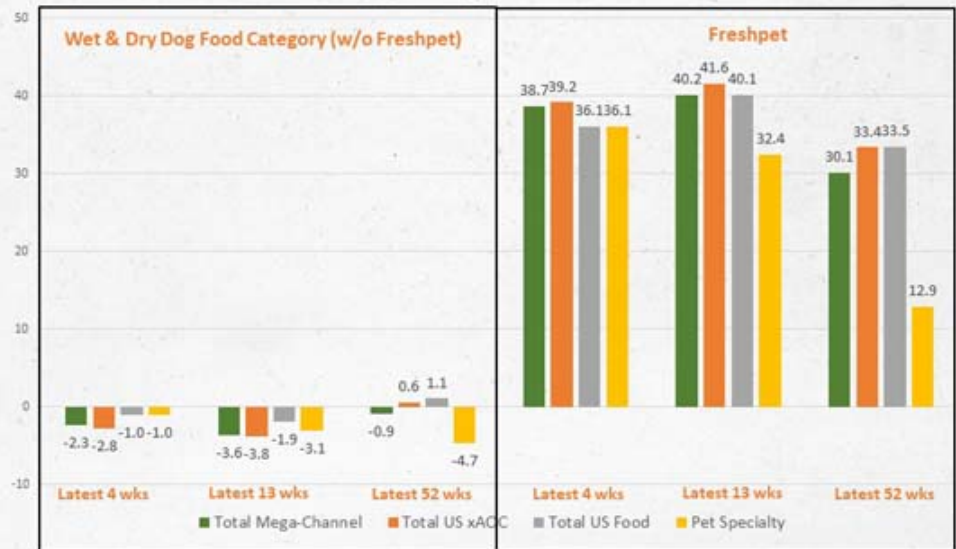


Source: Nielsen Mega-Channel Data thru 10/3/20

# Freshpet's growth significantly outperformed the category

Freshpet consumption grew >35 pts. faster than the balance of the category in all classes of trade in Q3

Nielsen Consumption Growth vs. YA

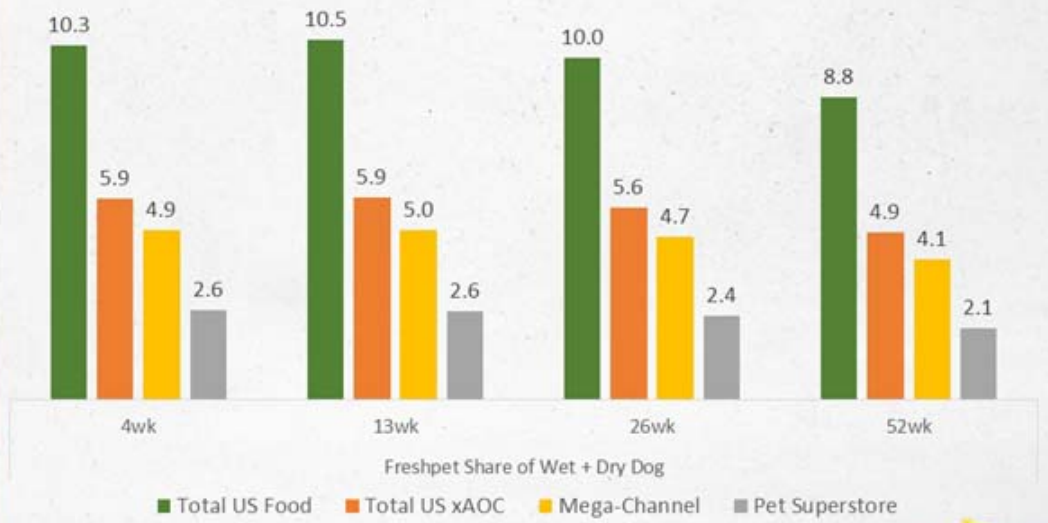


Source: Nielsen Data thru 10/3/20

## Consistently building market share across all classes of trade

Out-of-stocks limited growth in the last 4 weeks of Q3

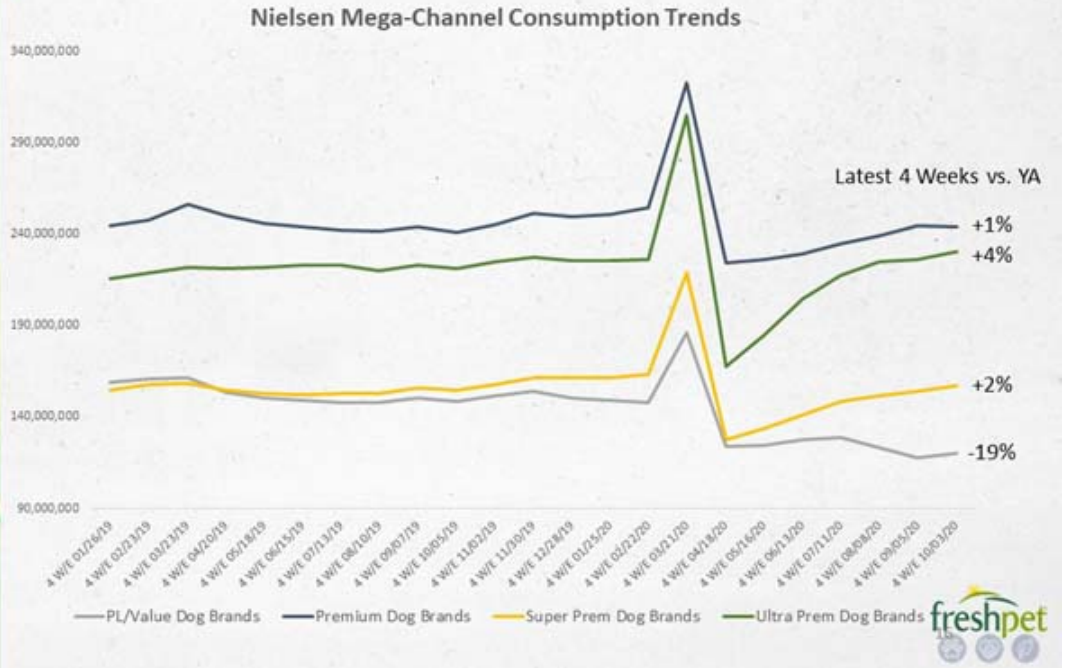
### Freshpet \$ Share of Wet & Dry Dog



Source: Nielsen Data thru 10/3/20

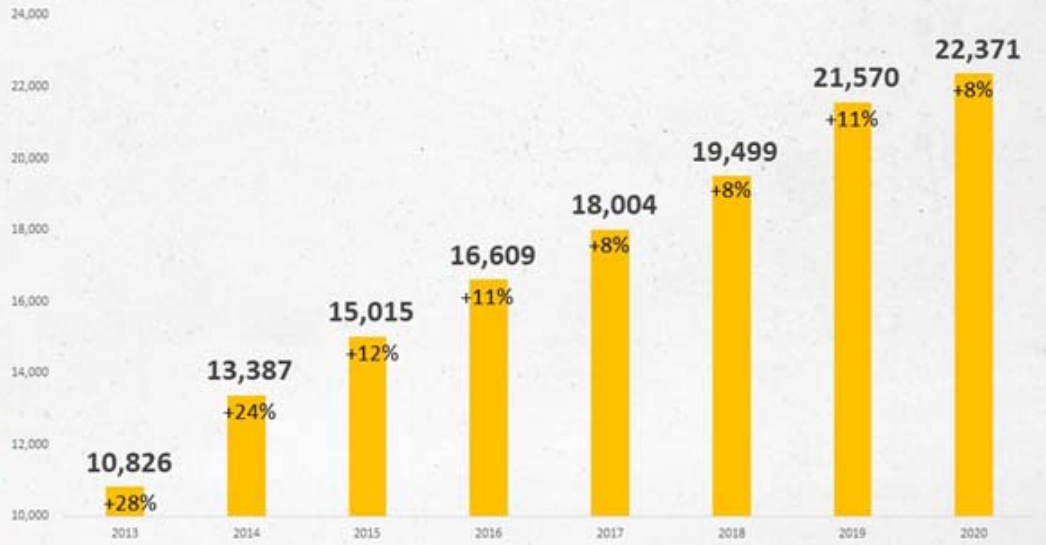
# Category growth skewing towards more premium brands

Pet food category – particularly premium brands – have performed well in previous economic downturns



Q3: 251 net new stores

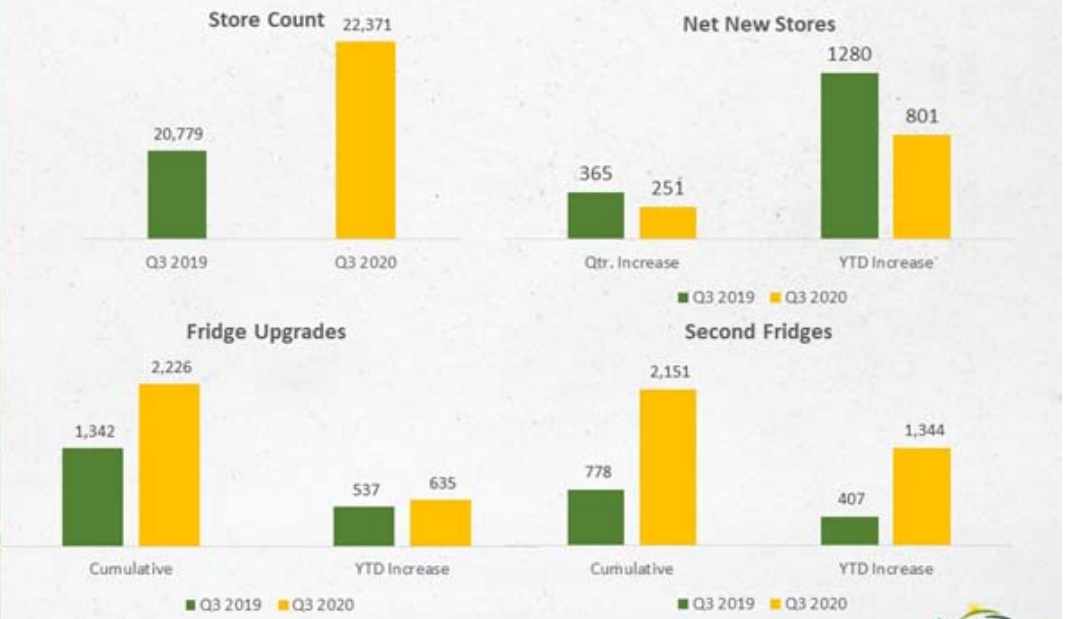
## Store count growth limited by COVID-19 related retail disruption



Source: Internal company data; all periods are ending 12/31 except 2020 which is quarter end 9/30/20 compared to YA

# Retail disruptions reduced new Fridge placements, but upgrades and 2<sup>nd</sup> Fridge placements accelerated

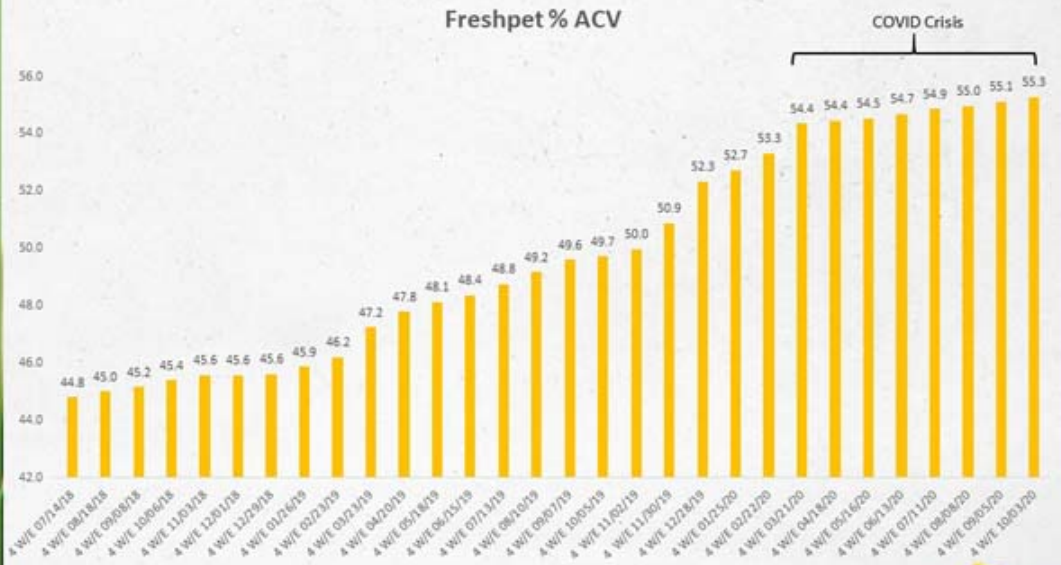
Upgrades and 2<sup>nd</sup> Fridges are increasingly becoming a significant enabler of growth



Source: Internal company data

# Distribution gains slowed during COVID-19 crisis due to retailers' operating challenges

Added 251 net new stores in Q3 – now totaling 22,371



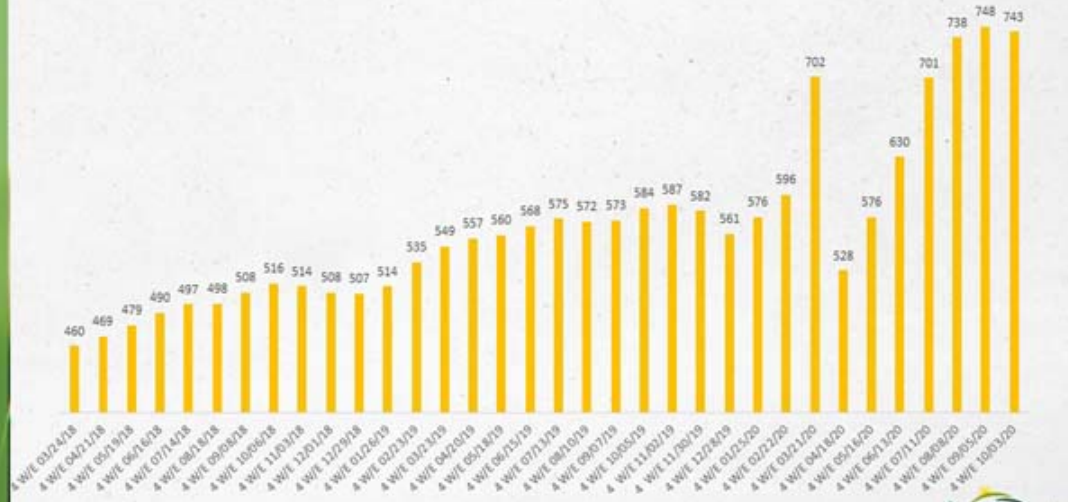
Source: Nielsen Mega-Channel Data thru 10/3/20



# Rapid velocity growth behind continuous media

Q3 velocity gains  
 (\$/\$ million ACV):  
 +29% vs. YA

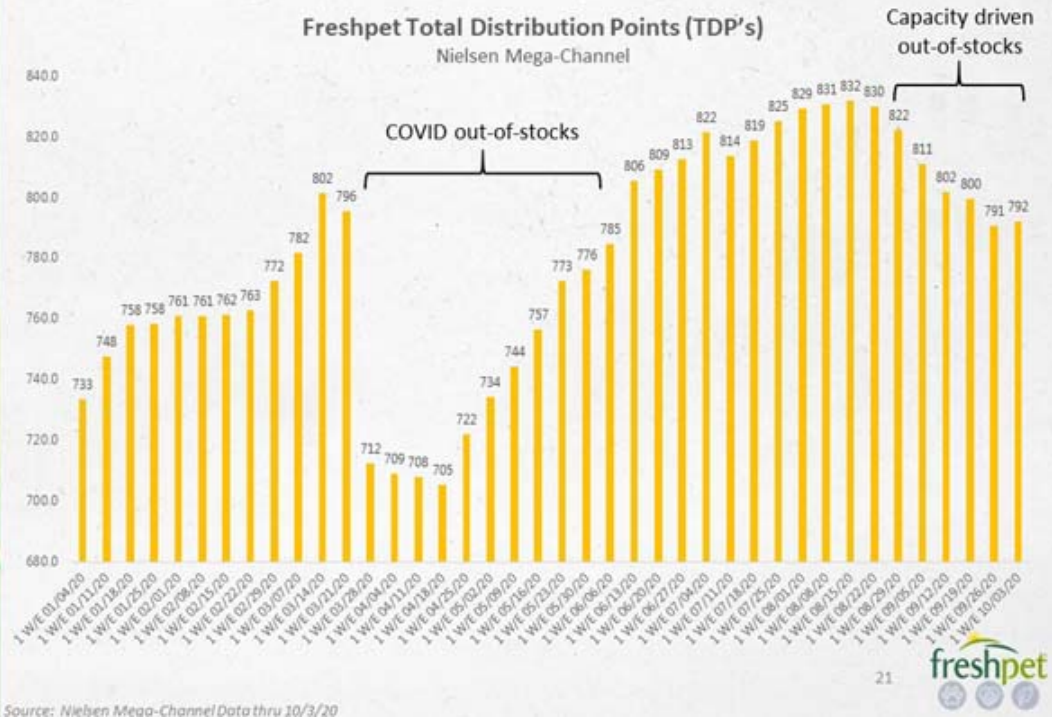
Freshpet Velocity  
 \$ / \$MM ACV



Source: Nielsen Mega-Channel Data thru 10/3/20

# Strong TDP growth limited by capacity constraints

TDP growth = +21%  
in July due to  
upgraded and 2<sup>nd</sup>  
Fridges before  
capacity limits  
created out-of-stocks



# Better than anticipated media response drove out-of-stocks late in Q3

Freshpet Availability Consumer Comments

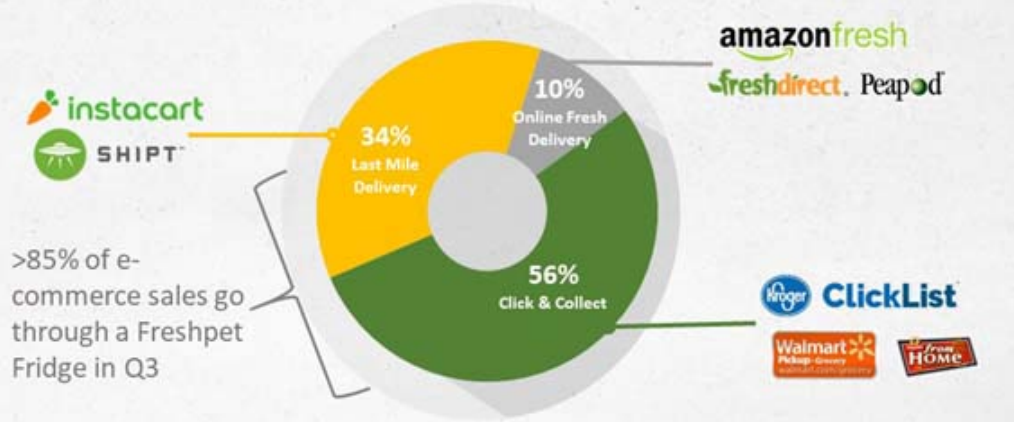
With Kitchens 2.0 now producing, we will catch up on supply in Q4 and Q1 2021



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

# Q3 2020 e-commerce sales +188% vs. YA

5.1% of Freshpet sales in Q3 2020 were e-commerce

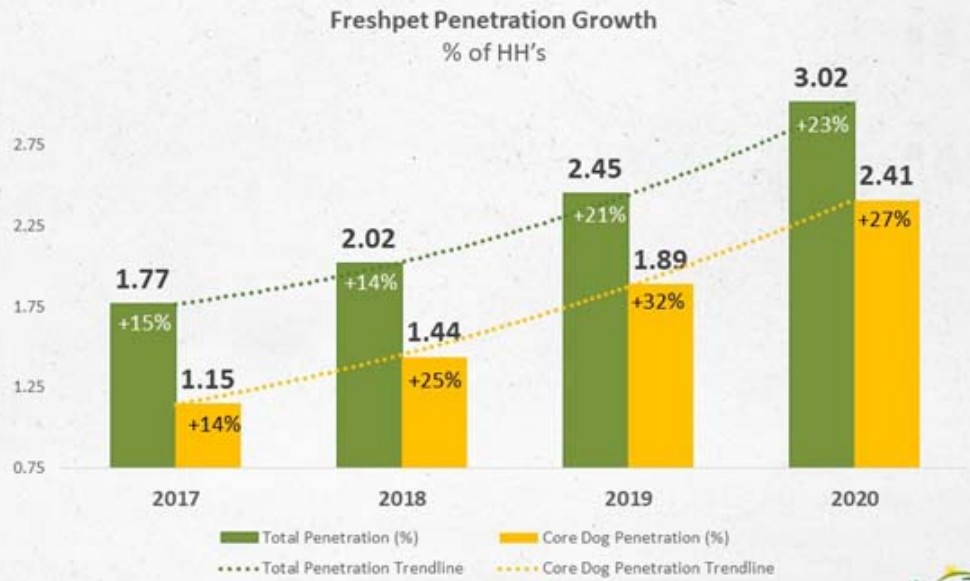


>85% of e-commerce sales go through a Freshpet Fridge in Q3

Source: Internal company data

# Strong penetration growth despite capacity limits and out-of-stocks

More than doubled  
Core Dog HH  
penetration in 3  
years

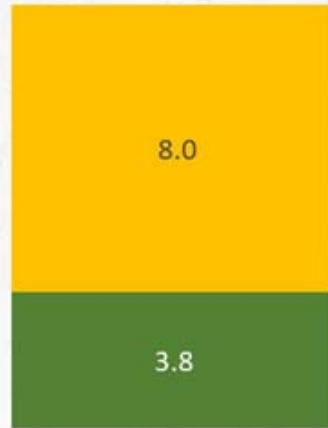


Source: Nielsen HH Panel for the periods ending early October 2017, 2018, 2019, 2020

# On pace for our 5 x 2025 HH penetration goal

Added 725K incremental users in the past year

Progress Towards 2025 HH Penetration Goal

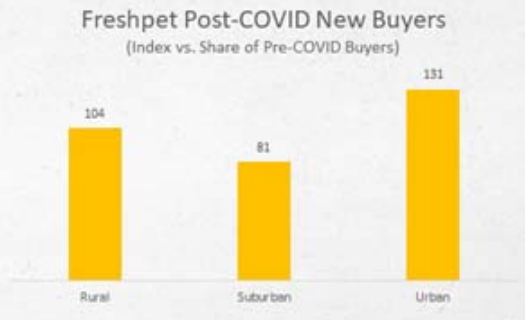
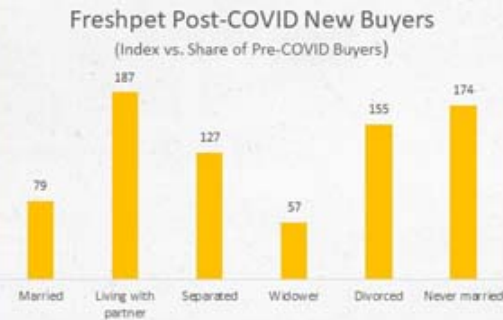
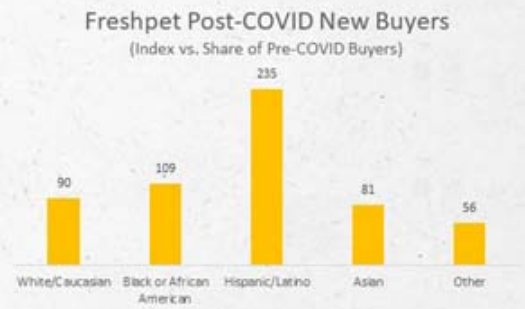
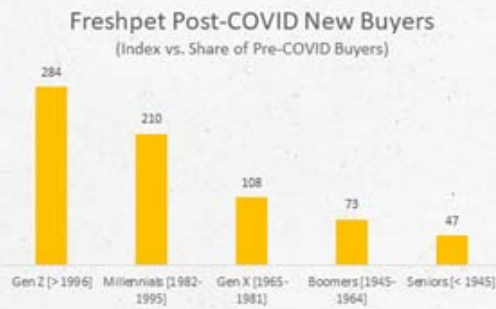


■ Current HH Penetration    ■ 2025 Target HH Penetration

Source: Nielsen HH Panel for the period ending October 3, 2020.

## Post-COVID new buyers skew young, urban, ethnic and unmarried

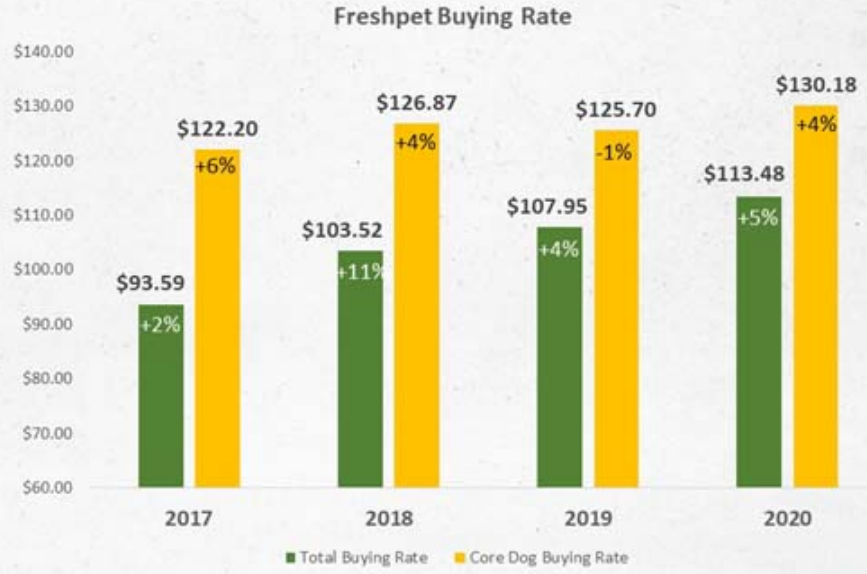
Attractive demographics for franchise longevity



Source: Numerator Custom New Buyer Analysis

5% growth in core dog buying rate

## Buying rate growth continues



Source: Nielsen HH Panel for the period ending early October 2017, 2018, 2019, 2020 and company internal data

27





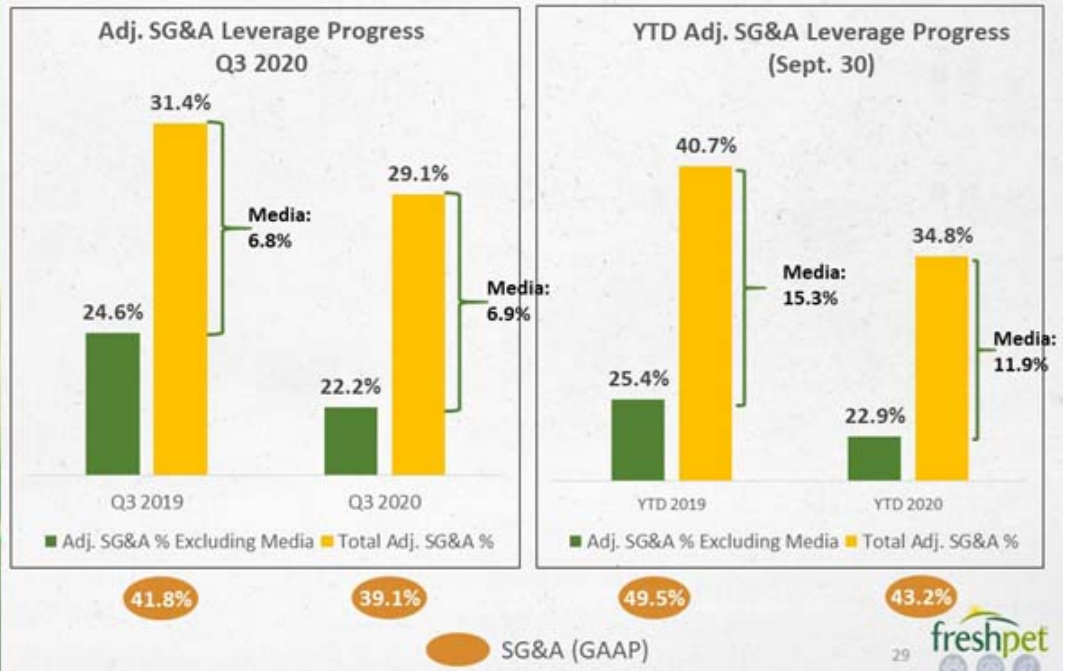
## Consistent gross margin performance

Q3 Adj. Gross Margin impacted by higher beef prices and a favorable mix shift to rolls



## Generating significant leverage in Adj. SG&A (excluding media)

Q3 media investment was +30% vs YA; moved 90 bps of YTD media to Q4 to manage capacity limits



Target is to have adequate installed capacity one year ahead of demand

## 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. This line will be out of capacity by Q1 of 2021.
- ✓ Kitchens South: In February, we started up a small piece-size/small bag size line in a partner's facility (using our equipment). This capacity has consistently met demand.
- ✓ 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.
- ✓ Kitchens 2.0: Started up the bag line on 9/29/20 and began producing saleable product by the end of October. Will begin producing meaningful quantities in November and December. Roll line will start-up by January 2021. Once fully operational, we will have total installed capacity for ~\$590 million of net sales.

It will take us a few months to re-fill trade inventory. We expect to be fully caught up by mid-Q1 2021 and should have ample capacity to support aggressive growth from that point forward.

- ✓ Kitchens South – Second Line: We have begun building preparation to install a second line. Target is to have the line running by late-2021 – adding \$50 million in capacity
- ✓ Ennis, TX Kitchens 3.0: Construction began in August. We now have 7 engineers on-site and numerous partners. Expect to start-up in mid-2022.

**Kitchens 2.0 started up in September and began producing saleable product in October**

Installed capacity is now \$590 million in net sales when fully staffed



## Reiterating 2020 Net Sales and Adj. EBITDA Guidance

\$ in Millions	Guidance	Growth vs YA
Net Sales	>\$320	+30%
Adjusted EBITDA	>\$46	+58%

See assumptions on  
next page

### Updated Commentary:

- **Volume cadence:** Extremely strong consumption in Q3 led to short shipments that drained \$7- 8 million of net sales from trade inventory. Will recapture those net sales during Q4 2020 and Q1 2021 as Kitchens 2.0 ramps up production.
- **Advertising investment:** Pushed some advertising back from Q3 to Q4 in the US due to capacity limits in Q3 and added Q4 media in the UK. Still expect 65/35 first half/second half split.
- **Gross margin:** Q3 adj. gross margin helped by mix shift to rolls due to capacity limits on bags. Will reverse in Q4 as Kitchens 2.0 ramps up. Beef cost inflation could drop adj. gross margin slightly below 49% in Q4.
- **Add Backs:** COVID-19 related costs moderated in Q3; anticipate <\$4 million in total costs for the year.

On track to deliver  
guidance

## 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. *To date, we have only had production interruptions due to absenteeism. Good planning and preparation avoided upstream interruptions.*
- ✓ Costs: The costs that we incur to manage the COVID-19 crisis total \$4 million and are concentrated in Q2 and Q3. *Likely to be <\$4 million.*
- ✓ Media Effectiveness: The effectiveness of our media investment is not adversely impacted by the changing consumer environment. *Media returns greatly exceeded 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. *No significant impact yet this year.*
- ✓ Retailer Activity: Retailers resume a significant portion of their fridge placements and new item distribution in Q3. *On track-- added 251 net new stores in Q3 and significant upgrades and second fridges.*
- ✓ Customer Credit: We have no major customer credit issues as a result of the COVID-19 crisis. *No issues anticipated at this time.*

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

## COVID-19 Team Member safety & reward plan is working

>500,000 man-hours  
with no evidence of  
the virus being  
spread in our  
facilities



**Wellness check:**  
Third-party nurse



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



**Social distancing:**  
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

## Committed to protecting our employees and continuing to nourish our pets

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

- **Protecting our employees**
  - 3<sup>rd</sup> 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 cost are temporary in nature. These cost will be added back to the Company's Net Income to Adjusted EBITDA reconciliation.



# "Feed the Growth" is working

Accelerated growth rate and capturing scale benefits



freshpet®

2025  
BY

FEED THE GROWTH

37 freshpet

# Appendix



**RECONCILIATION BETWEEN GROSS PROFIT AND ADJUSTED GROSS PROFIT**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Gross Profit	\$ 36,654	\$ 30,706	\$ 102,377	\$ 83,948
Depreciation expense	2,129	1,599	6,422	4,754
Plant start-up expense (a)	1,828	—	3,020	—
Non-cash share-based compensation	484	174	1,425	508
COVID-19 expense (b)	395	—	2,157	—
<b>Adjusted Gross Profit</b>	<b>\$ 41,490</b>	<b>\$ 32,479</b>	<b>\$ 115,402</b>	<b>\$ 89,210</b>
Adjusted Gross Profit as a % of Net Sales	49.3%	49.8%	49.3%	49.5%

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
SG&A expenses	\$ 32,895	\$ 27,171	\$ 101,273	\$ 89,075
Depreciation and amortization expense	2,923	2,465	8,524	6,953
Non-cash share-based compensation	2,863	2,902	6,386	5,198
Launch expense (a)	760	1,264	2,403	3,335
Loss on disposal of equipment	1,265	—	1,301	—
Equity offering expenses (b)	—	50	58	349
Enterprise Resource Planning (c)	428	—	830	—
COVID-19 expense (d)	187	—	283	—
<b>Adjusted SG&amp;A Expenses</b>	<b>\$ 24,468</b>	<b>\$ 20,490</b>	<b>\$ 81,488</b>	<b>\$ 73,240</b>
Adjusted SG&A Expenses as a % of Net Sales	29.1%	31.4%	34.8%	40.7%

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

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

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

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

RECONCILIATION BETWEEN NET INCOME (LOSS) AND ADJUSTED EBITDA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Net income (loss)	\$ 3,547	\$ 3,067	\$ 110	\$ (6,016)
Depreciation and amortization	5,052	4,064	14,946	11,707
Interest expense	216	310	999	689
Income tax expense	22	19	65	57
<b>EBITDA</b>	<b>\$ 8,837</b>	<b>\$ 7,460</b>	<b>\$ 16,120</b>	<b>\$ 6,437</b>
Loss on disposal of equipment	1,265	137	1,301	138
Non-cash share-based compensation	3,347	3,076	7,811	5,706
Launch expense (a)	760	1,264	2,403	3,335
Plant start-up expenses (b)	1,828	—	3,020	—
Equity offering expenses (c)	—	50	58	349
Enterprise Resource Planning (d)	428	—	830	—
COVID-19 expense (e)	582	—	2,440	—
<b>Adjusted EBITDA</b>	<b>\$ 17,048</b>	<b>\$ 11,987</b>	<b>\$ 33,983</b>	<b>\$ 15,965</b>
Adjusted EBITDA as a % of Net Sales	20.2%	18.4%	14.5%	8.9%

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

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

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

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

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