**Freshpet, Inc.**

**Second Quarter 2026 Earnings Call Prepared Remarks**

**Wednesday, August 5, 2026**

**CORPORATE PARTICIPANTS**

**Rachel Ulsh** – *Vice President, Investor Relations and Corporate Communications*

**Billy Cyr** – *Chief Executive Officer*

**John O'Connor** – *Chief Financial Officer*

**PRESENTATION**

**Rachel Ulsh**

Good morning, and welcome to Freshpet's second quarter 2026 earnings call and webcast. On today's call are Billy Cyr, Chief Executive Officer, and John O'Connor, Chief Financial Officer. Nicki Baty, Chief Operating Officer, will also be available for Q&A.

Before we begin, please remember that during the course of this call, management may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements related to the size of the category and our TAM, our strategy and expectations for growth, the competitive advantage of our manufacturing on quality and cost, fridge expansion expectations, opportunities in capital efficiencies, timing of new lines and capital spending, 2026 guidance and 2027 targets. They involve risks and uncertainties that could cause actual results to differ materially from any forward-looking statements made today including those associated with these statements, and those discussed in our earnings press release and our most recent filings with the SEC, including our 2025 Annual Report on Form 10-K, which are all available on our website.

Please note that on today's call, management will refer to certain non-GAAP financial measures, such as EBITDA and Adjusted EBITDA among others. While the Company believes these non-GAAP financial measures provide useful information for investors, the presentation of this information is not intended to be considered in isolation or as a substitute for the financial information presented in accordance with GAAP. Please refer to today's press release for how management defines such non-GAAP measures, why management believes such non-GAAP measures are useful, a reconciliation of the non-GAAP financial measures to the most comparable measures prepared in accordance with GAAP, and limitations associated with such non-GAAP measures.

Finally, the Company has produced a presentation that contains many of the key metrics that will be discussed on this call. That presentation can be found on the Company's investor website. Management's commentary will not specifically walk through the presentation on the call – rather it is a summary of the results and guidance they will discuss today.

With that, I would like to turn the call over to Billy Cyr, Chief Executive Officer.

**Billy Cyr**

Thank you, Rachel, and good morning, everyone. The message I would like you to take away from today's call is that our results, and the number of competitors trying to emulate us, continue to prove that fresh is the future of pet food, and we remain well positioned to capture a meaningful share of what we believe can become a $10 billion category over time. Our confidence is grounded in the scale, quality, and cost advantages we have built through our owned manufacturing network, our broad product portfolio, and our expanding omnichannel presence. We have built a business over the last 20 years around a wide range of product forms, sizes, prices, and channels, and believe our manufacturing scale and expertise is one of our greatest competitive advantages enabling us to create the highest quality products at the lowest cost.

Our second quarter financial results were ahead of our guidance range for the year, demonstrating the power of our business model. We delivered our strongest growth rate in over a year and our highest Adjusted Gross Margin since Q1 of 2020. As a result, we are raising our sales and Adjusted EBITDA guidance ranges for 2026, which John will cover in a few moments.

We accomplished this against a challenging consumer backdrop – with higher gas prices and weaker consumer sentiment affecting trade up behavior across a number of categories, including pet food. This is a pattern we have seen before, and it is one we anticipated. We are encouraged by recent improvements in consumer sentiment, but we are also mindful that the macro remains volatile and are not relying on sustained improvements to deliver our updated guidance.

Amidst that volatile consumer backdrop, our consumer franchise remains healthy – with an increasing share of our growth coming from increases in the buying rate of our consumers. This is a reflection of both our focus on the MVP's who spend 5x more per year than the average household and account for 71% of our sales, and the tentative consumer backdrop. We closely monitor the combination of household penetration growth and buying rate growth as a good proxy for our total net sales growth and know that the balance between the two can shift over time based on the economic backdrop and the strength of our efforts to win more MVP's. Over the last 52 weeks, that combination totaled 13% -- with 7% coming from buying rate growth as we grew MVP's at a much higher rate than we grew overall households. Those strong results give us the confidence to continue investing behind the long-term opportunity while maintaining discipline in how we balance growth, profitability, and returns on capital.

We are seeing encouraging evidence that our business model is working across three key areas: omnichannel access, marketing and consumer engagement, and manufacturing scale and expertise.

First, omnichannel—we continue to expand access to Freshpet in the places and channels where consumers increasingly want to shop. We believe we're uniquely positioned to compete in multiple channels rather than one, and this will really unlock that MVP consumer. Our products are available in over 30,000 stores, and approximately 25% of our U.S. and Canadian stores have multiple fridges. That footprint is increasingly valuable because our fridges do more than support in-store sales — they also serve as micro-fulfillment points for our omnichannel demand. Our multiple chiller expansion will enable holding capacity to support both online and in-store sales, and the broadest possible assortment to be available nationally.

In the second quarter, digital orders grew 41% and accounted for 16.7% of our total business. This was up from 16.1% in the first quarter—and approximately 78% of those sales volume went through our extensive fridge network. Additionally, our growth in DTC and Pure Play e-commerce was particularly strong in the quarter.

We are encouraged by the way retailers are responding to consumer demand for fresh pet food, with total distribution points up 13% in the second quarter. We continue to see opportunities to add fridges to existing high-velocity locations, expand selectively with new retail partners, and broaden our presence in channels such as club. For example, we have 33 fridge islands in market today across select stores in mass, pet specialty, and grocery. Further, we now expect to expand our presence to at least 700 rural lifestyle retail stores by the end of the year, and we are now testing a third SKU in a set of club stores. We will continue experimenting with retail partners on what fridge configuration and merchandising work best, but at this point do not expect a material expansion of fridge islands in 2026. Discussions for 2027 are underway now.

Taken together, we believe that both retail-based TDP growth and ecommerce growth are a good representation of how we can continue to deliver strong omnichannel growth. We still have limited market share in the category, with only 4.3% in US dog food and treats according to Nielsen Omnichannel data; however, we are the fastest growing brand in dog food in dollars, and the second most popular brand among New Gen Z and Millennial dog households.

Second, our marketing and consumer engagement is becoming more effective as we sharpen both the message and the audience definition. Our latest campaign “Better Food for Your Better Half” is designed to deepen the emotional connection with pet parents while reinforcing the difference fresh food can make. In terms of households, we are particularly encouraged by the strength we are seeing among Millennials, e-commerce shoppers, club shoppers, and our highest-value households. These are areas where we made deliberate investments, and the early results suggest those investments are beginning to pay off. We are disproportionately winning with Millennials and Gen Z compared to the category, and they are the future pet parents that are driving the total addressable market growth. They also over index to purchasing online and in the club channel, where we see a long runway for growth.

We are building a stronger, more durable consumer franchise by increasing availability, improving relevance, and deepening relationships with the pet parents who are most likely to participate in the long-term shift from conventional pet food to fresh.

Third, our manufacturing scale, technical capability and expertise continue to be a meaningful competitive advantage – and that is evident in both the operating performance we have delivered and the noticeable difference between the products we produce and those that our competitors are able to produce.

We now have three lines utilizing our new bag product technology — two in Bethlehem and one in Ennis — and we are encouraged by the improvement in quality, throughput, yield, and unit economics, and what it could mean for innovation. The lines are running well and we expect to continue to refine our operating performance on those lines for the balance of the year just as you would expect with any breakthrough new technology. You can see some evidence of that in the slightly higher quality costs in the quarter, which were due to disposals we incurred during the start-up phase.

We have clear line of sight to the margin improvements that we can unlock with this technology. At fully optimized performance, we expect over 100 basis points of gross margin improvement on the entire business from the lines we have already installed. We expect approximately 25 basis points of improvement from the new technology in 2026, and more in 2027, as we continue to improve and optimize performance.

These technology investments are not just operational improvements; they are strategic enablers. They support better product quality, greater capacity, and new forms of innovation that can help us serve a broader range of consumer needs over time and attract new MVPs to the brand. When fully optimized, the new technology can produce more product per day than a conventional line, higher quality and more innovative products, and do it with greater yields.

We have already begun to launch new innovation from these lines in a cross section of stores, including Homestyle Creations Beef and Healthy Mixers. These new products are evidence of our new manufacturing capabilities, and we have a multi-year pipeline of other exciting new innovations utilizing the new technology.

Beyond the new bag technology, we're driving greater capital efficiency through our operational effectiveness programs. We intend to 1. Get more out of existing lines, primarily through OEE improvements, 2. Get more out of existing sites- whether that be finding ways to optimize our network or add more lines or capabilities to our existing campuses, and 3. Develop and implement new technologies in order to improve returns on capital investments, and we are pleased by the progress we have made to-date.

Given the strong operating performance of our existing lines, we have ample capacity to support projected demand this year and much of 2027. When needed, the next new bag line will utilize our new technology. This approach gives us the flexibility to continue advancing our technology, incorporating further improvements that we believe can enhance capital efficiency, quality and cost before committing to additional new lines.

We are very encouraged by the new opportunities for further improvement that this new technology enables and are committed to continue developing new generations of it so that we can further expand our leadership in manufacturing technology and drive innovation.

These three proof points give us confidence that we are building on our advantaged position in the future pet food category-- that we believe will be $10 billion category. Pet food is still attractive, with long-term tailwinds that we believe will continue to increase our total addressable market to above 10 million MVP households and 36 million total households, as younger generations are increasingly interested in feeding high-quality food to every member of their family – including their pets. We continue to gain market share and expect to capture a large portion of the future growth of the fresh/frozen category as it continues to become more mainstream.

We are navigating a more volatile consumer environment today than we would like but we anticipated this and we are doing so from a position of strength — with strong year-to-date growth, a more durable consumer franchise, expanding omnichannel access, and a manufacturing platform that we believe is difficult to replicate.

With that, I'll turn it over to John to walk through more details of our financial results.

**John O'Connor**

Thank you, Billy, and good morning, everyone. The second quarter results demonstrated strong sales and margin growth in the face of a more challenged economic backdrop. Net sales in the quarter were $305.6 million, up 15.5% year-over-year. Volume contributed 15.7% growth, partially offset by unfavorable price/mix of 0.2%. We again had broad-based consumption growth across channels and for Nielsen measured dollars we saw 12.9% growth in Total US Pet Retail Plus with Costco. The delta between Nielsen growth of 12.9% and reported net sales of 15.5% was primarily driven by underreported or unmeasured ecommerce sales, as well as an approximate 1-point benefit from the timing of shipments mid-year in 2025 that provided a softer comp for Q2 this year and a tougher comp in Q3.

In the second quarter we delivered adjusted gross margin of 48.6%, a significant improvement from 46.9% in the prior year period. The 170-basis point increase was driven by strong leverage on plant expenses from higher sales and lower input costs, partially offset by disposal-related quality costs incurred in the commissioning of our new technology. We are incredibly proud of our improved operating performance, especially as it came while we were implementing our new technology. This strong performance comes as a result of our continued focus on operational improvements and is a strong indicator of the progress we can make in this area. In the second quarter, we had limited benefit from the new bag technology, which remains in the start-up and optimization phase. As that technology scales and performance improves, we continue to expect it to become a more meaningful contributor to margin expansion over the next several quarters.

Second quarter adjusted SG&A was 31.4% of net sales, compared to 30.1% in the prior year period. This increase was primarily due to an increase in our logistics costs and higher variable compensation. Logistics costs were 6.9% of net sales in the quarter, compared to 5.7% a year ago. This increase in logistics was primarily due to higher fuel costs and capacity pressures in the trucking market. Media spending was 13.4% of net sales in the quarter, down from 15.0% in the prior year period.

Second quarter net income was $19.5 million, compared to net income of $16.4 million in the prior year period. The increase in net income was primarily due to contributions from higher sales, favorable post-closing adjustments to the sale price of our equity investment in Ollie, and decreased non-recurring SG&A charges, partially offset by the increase in income tax expense related to the gain on the Ollie sale.

Second quarter Adjusted EBITDA was $52.2 million compared to $44.4 million a year ago – an increase of approximately 18%. This growth was primarily driven by higher sales and gross profit, partially offset by higher adjusted SG&A expenses. Adjusted EBITDA margin was 17.1% in the second quarter, compared to 16.8% in the prior year period. The year-over-year increase was primarily driven by improvements in adjusted gross margin, the cadence of media investments, and was partially offset by higher logistics costs in the quarter.

Operating cash flow in the quarter was $44.4 million – growth of 31% compared to the prior year period, while capital spending was $29.7 million representing free cash flow of $14.7 million compared to $0.5 million a year ago. On May 21st we announced a $150 million share repurchase authorization, and as of the end of July, we had executed $86.5 million and repurchased 1.6 million shares while ending the quarter with cash on hand of $350.8 million.

Now turning to our updated guidance for 2026… We were encouraged with our performance during a challenging macro backdrop in Q2. We now expect net sales growth of 10% to 12%, compared to 8% to 11% previously. Our strong growth in the first half gives us confidence in our ability to navigate the challenging operating environment. However, we have a tougher comp in Q3 from the significant expansion in a large club customer and shift in ordering around the Fourth of July last year, which will impact our year-over-year growth by a little more than 2 points in the third quarter. We have also started to see total household penetration growth slow given increased inflationary pressure on consumers. To achieve the low end of our sales guidance, we assume the macro environment stays the same as it is today, with little to no sequential sales or household penetration growth. To meet or exceed the high end of our guidance, we would need to see greater impact from our advertising, an outperformance of our omnichannel efforts, and additional distribution gains. And from a category perspective, we would likely need to see stronger dog food category growth, and/or a resurgence in trade-up behaviors. At either end of our net sales range, we continue to expect to grow market share as we benefit from a generational shift from dry and wet food to fresh.

We now expect Adjusted EBITDA to be in the range of $210 to $220 million, an increase of 7% to 12% year-over-year, compared to $205 to $215 million previously. Adjusted EBITDA dollars and margin are still expected to improve sequentially for the remainder of the year. Media as a percent of sales for the year is still expected to be roughly in-line with 2025, at approximately 12.5% of net sales. We now expect further elevated logistics costs for the remainder of the year primarily due to increased fuel costs and a pressured market for trucking capacity. Given where costs are today, this updated guidance assumes an additional $8 million versus our original expectations. As we've said previously, 2026 is not necessarily indicative of the underlying operating leverage in our model given the significant investments in omnichannel capabilities we are annualizing from 2025 and the reset in variable compensation we previously outlined. Beyond 2026, we still expect Adjusted EBITDA growth to exceed net sales growth with an expectation of continued gross margin expansion and a more consistent variable compensation expense.

We now anticipate adjusted gross margin to improve by approximately 100 to 150 basis points this year at the midpoint of our net sales guidance, compared to 50 to 100 basis points previously, primarily driven by improved plant leverage and partially offset by mix. As we have raised our sales outlook for the year, we have decided to add staffing starting in the fourth quarter to support additional volumes. From an inflation standpoint, we are carefully watching for any higher costs to be sustained. To address any higher input and fuel costs, we are evaluating opportunities to offset through network efficiencies and product reformulations.

Capital expenditures are still projected to be approximately $150 million in 2026. As Billy mentioned earlier, we do not expect to spend any incremental capital on implementing new technology this year because our operating performance on our current base has exceeded expectations. Improved operating performance of the lines in place today, and incremental staffing will also help defer future capital.

Regarding our fiscal year 2027 targets, we are confident in our ability to deliver net sales growth well in excess of the US dog food category growth. We are raising our adjusted gross margin goal from at least 48% Adjusted Gross Margin to now at least 49% Adjusted Gross Margin based on our significant gains achieved in our operating performance this year, and the small benefit from the new technology we expect in 2026. The upper bound for our adjusted gross margin in 2027 will be determined by sales and a number of factors including commodity inflation, any pricing actions we take, formulation changes, and other cost improvement activities. We also expect meaningful, incremental contribution from running the new manufacturing technology at full rate, which we expect to reach during 2027. We are reiterating our 2027 Adjusted EBITDA margin target of 20 to 22%. We expect leverage on G&A expenses and optimizing our logistics network. Our operating performance to date demonstrates our ability to achieve stronger adjusted gross margin, and our ability to achieve our 2027 margin goals.

To summarize, our ability to raise our outlook in this environment reinforces the resilience of our model and the benefit of having multiple growth drivers across channels, households, buy rate, and operating efficiency. We are pleased with our second quarter results and remain cautiously optimistic with our outlook for the remainder of the year given the volatile macro environment. Looking ahead, we see significant opportunities for continued growth and remain focused on leveraging our scale, expertise, and innovation to reinforce our leadership position in fresh and frozen pet food.

That concludes our overview. We will now be glad to answer your questions. As a reminder, we ask that you please focus your questions on the quarter, guidance, and the company's operations. Operator?