

**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): February 22, 2021

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 February 22, 2021, Freshpet, Inc. (“Freshpet”) issued a press release disclosing its financial results for the quarter and year ended December 31, 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, February 22, 2021 to discuss its financial results for the quarter and year ended December 31, 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 February 22, 2021, 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 February 22, 2021
99.2	Investor 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: February 22, 2021

By: /s/ Heather Pomerantz
Name: Heather Pomerantz
Title: Chief Financial Officer



Freshpet, Inc. Reports Fourth Quarter and Full Year 2020 Financial Results
Raises 2025 Growth Targets

SECAUCUS, N.J. – February 22, 2021 – Freshpet, Inc. (“Freshpet” or the “Company”) (NASDAQ: FRPT) today reported financial results for its fourth quarter and full year ended December 31, 2020.

Fourth Quarter 2020 Financial Highlights Compared to Prior Year Period

- Net sales of \$84.5 million, an increase of 28.5%
- Net loss of \$3.3 million, compared with prior year net income of \$4.6 million
- Adjusted EBITDA of \$12.9 million, compared to \$13.2 million ¹

2020 Financial Highlights Compared to Prior Year

- Net sales of \$318.8 million, an increase of 29.7%
- Net loss of \$3.2 million compared to a net loss of \$1.4 million
- Adjusted EBITDA of \$46.9 million compared to \$29.2 million, an increase of 60.9% ¹

“Thanks to the efforts of our dedicated team members, Freshpet has continued to weather the COVID-19 storm and produced our fourth consecutive year of accelerating growth in 2020. Clearly, our 'Feed the Growth' strategy is working and is proving that the upside potential for Freshpet continues to grow,” commented Billy Cyr, Freshpet's Chief Executive Officer. “If we simply continued the rate with which pet parents have joined the Freshpet franchise over the past two years, we would greatly exceed our 2025 goal of having 8 million households feeding Freshpet to their pets. So, we are raising our 2025 household penetration target by 37% to 11 million households and in pursuit of that goal we will get the opportunity to satisfy millions more pets and pet parents. That will also enable us to raise our 2025 net sales target to \$1.25 billion. To meet that higher demand, we are accelerating and increasing our capacity expansion plan. We appreciate the support of our stakeholders who are enabling this rapid growth.”

Fourth Quarter 2020

Fourth quarter of 2020 net sales increased 28.5% to \$84.5 million compared to \$65.8 million for the fourth quarter of 2019. Net sales for the fourth quarter of 2020 were driven by continued growth in household penetration and buying rate.

Gross profit was \$30.5 million, or 36.1% as a percentage of net sales, for the fourth quarter of 2020, compared to \$30.3 million, or 46.0% as a percentage of net sales, in the same period last year. For the fourth quarter 2020, Adjusted Gross Profit was \$38.7 million, or 45.8% as a percentage of net sales, compared to \$32.3 million, or 49.1% 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 and production cost, and beef inflation, partially offset by higher sales price realization. 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 \$33.6 million for the fourth quarter of 2020 compared to \$25.4 million in the prior year period. As a percentage of net sales, SG&A increased slightly to 39.8% for the fourth quarter of 2020 compared to 38.6% in the fourth quarter of 2019. Adjusted SG&A for the fourth quarter of 2020 was \$25.8 million, or 30.5% as a percentage of net sales, compared to \$19.2 million, or 29.3% as a percentage of net sales, in the prior year period. The increase in Adjusted SG&A as a percentage of net sales was a result of increased media spend, offset by 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 loss was \$3.3 million for the fourth quarter of 2020 compared to net income of \$4.6 million for the prior year period. The net loss compared to the net income in the prior year was due to increased expense due to COVID-19, plant start up (including increased depreciation), beef inflation, and media spend, offset by contribution from increased net sales.

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 measure to the closet comparable GAAP measures.

Adjusted EBITDA was \$12.9 million, or 15.3% as a percentage of net sales, for the fourth quarter of 2020, compared to \$13.2 million, or 20.1% as a percentage of net sales, in the fourth quarter of 2019. The slight decrease in Adjusted EBITDA was a result of higher Adjusted SG&A expense, offset by higher net sales, and increased Adjusted Gross Profit. 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.

Full Year 2020

Net sales increased 29.7% to \$318.8 million for the full year ended December 31, 2020 compared to \$245.9 million for the prior year. Net sales for the full year 2020 were driven by continued growth in household penetration and buying rate.

Gross profit was \$132.9 million, or 41.7% as a percentage of net sales for 2020, compared to \$114.2 million, or 46.4% as a percentage of net sales, in the same period last year. Adjusted Gross Profit was \$154.1 million, or 48.3% as a percentage of net sales for 2020, compared to \$121.5 million, or 49.4% as a percentage of net sales, in the prior year. The decrease in Adjusted Gross Profit as a percentage of net sales was primarily due to increased processing and production cost, and beef inflation, partially offset by higher sales price realization and a shift in sales mix.

SG&A was \$134.9 million for the full year ended December 31, 2020 compared to \$114.5 million in the prior year. As a percentage of net sales, SG&A decreased to 42.3% for 2020 compared to 46.6% in 2019. Adjusted SG&A for 2020 was \$107.2 million, or 33.6% as a percentage of net sales, compared to \$92.5 million, or 37.6% 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.

Net loss was \$3.2 million for 2020 compared to net loss of \$1.4 million for the prior year. The increase in net loss was due to increased expense due to COVID-19, plant start up (including increased depreciation), beef inflation, and media spend, offset by contribution from increased net sales.

Adjusted EBITDA was \$46.9 million, or 14.7% as a percentage of net sales for 2020, compared to \$29.2 million, or 11.9% as a percentage of net sales for the prior year. The increase in Adjusted EBITDA was a result of higher net sales and Adjusted Gross Profit, partially offset by increased Adjusted SG&A.

Funding Capacity Expansion

The Company plans to fund its accelerated and increased capacity expansion plan through a combination of cash on the balance sheet, availability under its credit facility or potential capital raises.

On February 19, 2021, the Company amended and restated its credit facility, entering into a \$350.0 million senior credit facility (the "New Credit Facility"). This New Credit Facility includes a \$300.0 million delayed draw term loan facility and a \$50.0 million revolving loan facility that replaces the Company's prior \$130.0 million delayed draw term loan facility and \$35.0 million revolving loan facility. The New Credit Facility will mature on February 19, 2026.

"We are pleased to strengthen our liquidity position with our amended credit facility. Our increased liquidity will enable us to both expedite and increase our capacity expansion, supporting our accelerated growth plans," commented Heather Pomerantz, Freshpet's Chief Financial Officer.

As of December 31, 2020, the Company had cash and cash equivalents of \$67.2 million with no long-term debt outstanding.

2021 and Long-term Outlook

For full year 2021, the Company is providing the following guidance:

- To exceed net sales of \$430 million, an increase greater than 35.0% from 2020
- To exceed Adjusted EBITDA of \$61 million, an increase greater than 30% from 2020
- The Company is investing for growth with increased media as a percentage of net sales to its long-term target level of approximately 12%, coupled with incremental staffing in manufacturing to ensure limited short shipments as it ramps up capacity through the year.

The Company is raising its long-term guidance associated with its "Feed the Growth" 2025 strategic plan to align with its capacity expansion initiatives that are designed to meet consumer demand. The updated 2025 guidance is as follows:

- Increasing household penetration from 8 million households to 11 million households, an increase of 37%
- Increasing net sales from \$1 billion to \$1.25 billion, an increase of 25%

The Company does not provide guidance for net income, the most directly comparable GAAP measure to Adjusted EBITDA, and similarly cannot provide a reconciliation between its forecasted Adjusted EBITDA and net income 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. 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 March 8, 2021. North American listeners may dial (844) 512-2921 and international listeners may dial (412) 317-6671; the passcode is 13715760.

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 Freshpet Kitchens. 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, including the guidance set forth herein, 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 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, equity offering expenses, net gain/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 net gain/loss on disposal of equipment, non-cash share-based compensation expense, launch expenses, equity offering expenses, 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

	December 31, 2020	December 31, 2019
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 67,247	\$ 9,472
Accounts receivable, net of allowance for doubtful accounts	18,438	18,581
Inventories, net	19,119	12,542
Prepaid expenses	3,378	3,276
Other current assets	914	10,453
Total Current Assets	<u>109,096</u>	<u>54,324</u>
Property, plant and equipment, net	281,073	165,288
Deposits on equipment	3,710	3,601
Operating lease right of use assets	7,866	9,154
Equity method investment	27,894	—
Other assets	4,749	3,759
Total Assets	<u>\$ 434,388</u>	<u>\$ 236,126</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 16,452	\$ 18,668
Accrued expenses	15,371	22,133
Current operating lease liabilities	1,298	1,185
Total Current Liabilities	<u>\$ 33,121</u>	<u>\$ 41,986</u>
Long term debt	—	54,466
Long term operating lease liabilities	7,098	8,409
Total Liabilities	<u>\$ 40,219</u>	<u>\$ 104,861</u>
STOCKHOLDERS' EQUITY:		
Common stock — voting, \$0.001 par value, 200,000,000 shares authorized, 40,732,409 issued and 40,718,240 outstanding on December 31, 2020, and 36,162,433 issued and 36,148,264 outstanding on December 31, 2019	41	36
Additional paid-in capital	600,388	334,299
Accumulated deficit	(205,924)	(202,735)
Accumulated other comprehensive income (loss)	(80)	(79)
Treasury stock, at cost — 14,169 shares on December 31, 2020 and on December 31, 2019	(256)	(256)
Total Stockholders' Equity	<u>394,169</u>	<u>131,265</u>
Total Liabilities and Stockholders' Equity	<u>\$ 434,388</u>	<u>\$ 236,126</u>

FRESHPET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2020	2019	2020	2019
	(Unaudited)			
	(Dollars in thousands except share and per share data)			
NET SALES	\$ 84,522	\$ 65,752	\$ 318,790	\$ 245,862
COST OF GOODS SOLD	53,989	35,502	185,880	131,665
GROSS PROFIT	30,533	30,250	132,910	114,197
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	33,635	25,375	134,908	114,450
INCOME (LOSS) FROM OPERATIONS	(3,103)	4,876	(1,998)	(253)
OTHER INCOME/(EXPENSES):				
Other Income/(Expenses), net	17	146	87	5
Interest Expense	(212)	(302)	(1,212)	(991)
	(195)	(156)	(1,125)	(986)
INCOME (LOSS) BEFORE INCOME TAXES	(3,298)	4,720	(3,123)	(1,239)
INCOME TAX EXPENSE	-	86	65	144
INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ (3,298)</u>	<u>\$ 4,633</u>	<u>\$ (3,188)</u>	<u>\$ (1,383)</u>
OTHER COMPREHENSIVE INCOME (LOSS):				
Change in foreign currency translation	\$ (42)	\$ 96	\$ (1)	\$ (48)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(42)	96	(1)	(48)
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ (3,340)</u>	<u>\$ 4,730</u>	<u>\$ (3,189)</u>	<u>\$ (1,430)</u>
NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	<u>\$ (0.08)</u>	<u>\$ 0.13</u>	<u>\$ (0.08)</u>	<u>\$ (0.04)</u>
-DILUTED	<u>\$ (0.08)</u>	<u>\$ 0.12</u>	<u>\$ (0.08)</u>	<u>\$ (0.04)</u>
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING USED IN COMPUTING NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	<u>40,668,963</u>	<u>36,115,518</u>	<u>39,757,660</u>	<u>35,950,117</u>
-DILUTED	<u>40,668,963</u>	<u>37,359,970</u>	<u>39,757,660</u>	<u>35,950,117</u>

FRESHPET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ (3,188)	\$ (1,383)	\$ (5,361)
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:			
Provision for loss/(gains) on accounts receivable	(23)	15	(15)
Loss on disposal of equipment	1,805	787	142
Share-based compensation	10,925	7,834	6,808
Inventory obsolescence	232	113	99
Depreciation and amortization	21,125	15,922	14,068
Amortization of deferred financing costs and loan discount	834	211	115
Changes in operating assets and liabilities:			
Accounts receivable	166	(8,019)	410
Inventories	(6,808)	(3,338)	702
Prepaid expenses and other current assets	9,437	(11,969)	174
Operating lease right of use	1,289	432	—
Other assets	(719)	118	(262)
Accounts payable	(5,922)	2,777	195
Accrued expenses	(6,762)	13,082	1,531
Other lease liabilities	(1,198)	(265)	(31)
Net cash flows from operating activities	<u>21,193</u>	<u>16,317</u>	<u>18,575</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of short-term investments	(20,000)	—	—
Proceeds from maturities of short-term investments	20,000	—	—
Investments in equity method investment	(27,894)	—	-
Acquisitions of property, plant and equipment, software and deposits on equipment	(134,568)	(70,633)	(16,274)
Net cash flows used in investing activities	<u>(162,462)</u>	<u>(70,633)</u>	<u>(16,274)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from common shares issued in primary offering, net of issuance cost	252,062	—	—
Proceeds from exercise of options to purchase common stock	5,441	4,460	3,325
Tax withholdings related to net shares settlements of restricted stock units	(2,568)	(1,295)	(256)
Proceeds from borrowings under Credit Facilities	20,933	72,291	6,000
Repayment of borrowings under Credit Facilities	(76,000)	(18,500)	(6,000)
Financing fees paid in connection with borrowings	(824)	(723)	—
Net cash flows provided by financing activities	<u>199,044</u>	<u>56,234</u>	<u>3,069</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	57,775	1,917	5,370
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,472	7,554	2,184
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 67,247</u>	<u>\$ 9,472</u>	<u>\$ 7,554</u>

FRESHPET, INC. AND SUBSIDIARIES

RECONCILIATION BETWEEN GROSS PROFIT AND ADJUSTED GROSS PROFIT

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Gross Profit	\$ 30,533	\$ 30,250	\$ 132,910	\$ 114,197
Depreciation expense	3,153	1,616	9,576	6,370
Plant start-up expense (a)	2,942	—	5,962	—
Non-cash share-based compensation	707	414	2,132	922
COVID-19 expense (b)	1,340	—	3,497	—
Adjusted Gross Profit	\$ 38,675	\$ 32,279	\$ 154,077	\$ 121,489
Adjusted Gross Profit as a % of Net Sales	45.8%	49.1%	48.3%	49.4%

- (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 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 December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
	(Dollars in thousands)			
SG&A expenses	\$ 33,635	\$ 25,375	\$ 134,908	\$ 114,450
Depreciation and amortization expense	3,026	2,598	11,549	9,551
Non-cash share-based compensation	2,407	1,714	8,793	6,912
Launch expense (a)	1,019	1,228	3,421	4,563
Loss on disposal of equipment	505	649	1,805	649
Equity offering expenses (b)	—	(47)	58	302
Enterprise Resource Planning (c)	852	—	1,682	—
COVID-19 expense (d)	74	—	357	—
Adjusted SG&A Expenses	\$ 25,753	\$ 19,233	\$ 107,243	\$ 92,473
Adjusted SG&A Expenses as a % of Net Sales	30.5%	29.3%	33.6%	37.6%

- (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 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 December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Net income (loss)	(3,298)	\$ 4,633	\$ (3,188)	\$ (1,383)
Depreciation and amortization	6,179	4,214	21,125	15,921
Interest expense	212	302	1,211	991
Income tax expense	—	87	65	144
EBITDA	\$ 3,093	\$ 9,236	\$ 19,213	\$ 15,673
Loss on disposal of equipment	505	649	1,805	787
Non-cash share-based compensation	3,114	2,128	10,925	7,834
Launch expense (a)	1,019	1,228	3,421	4,563
Plant start-up expenses (b)	2,942	—	5,962	—
Equity offering expenses (c)	—	(47)	58	302
Enterprise Resource Planning (d)	852	—	1,682	—
COVID-19 expense (e)	1,414	—	3,854	—
Adjusted EBITDA	\$ 12,939	\$ 13,194	\$ 46,920	\$ 29,159
Adjusted EBITDA as a % of Net Sales	15.3%	20.1%	14.7%	11.9%

- (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 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..

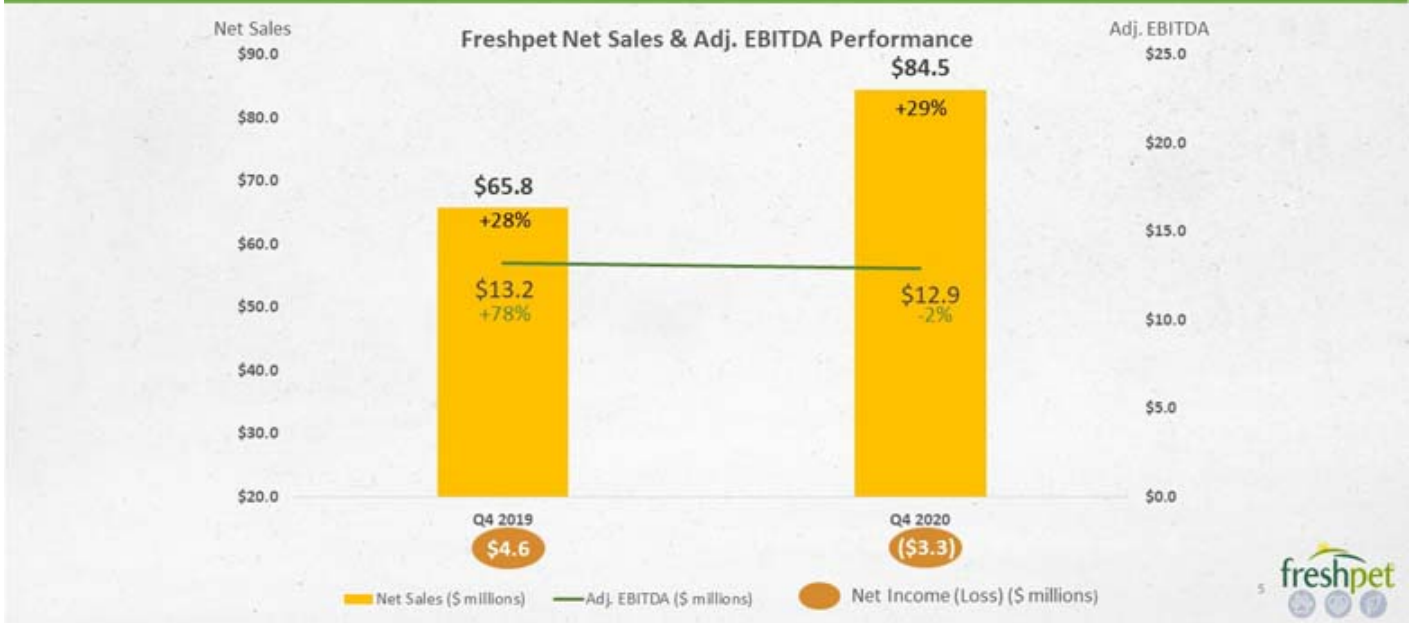
Management believes that the non-GAAP financial measures are meaningful to investors because they provide a view of the Company with respect to ongoing operating results. Non-GAAP financial measures are shown as supplemental disclosures in this presentation because they are widely used by the investment 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.

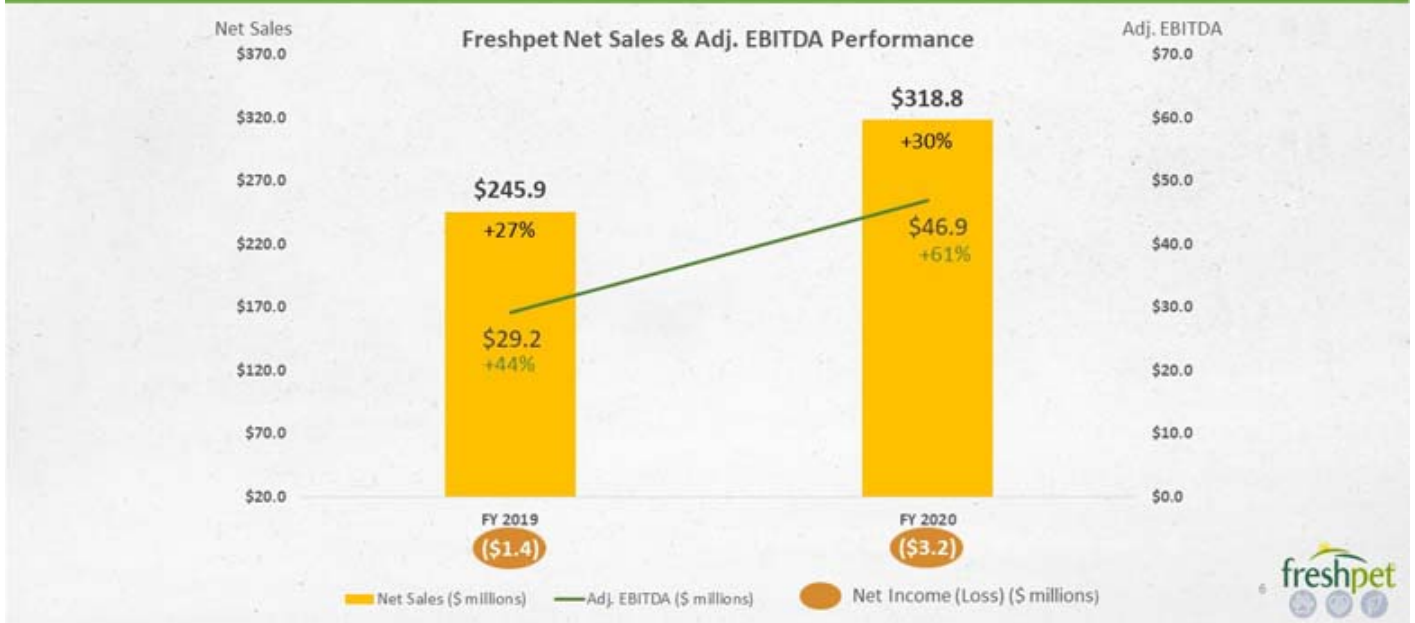


Q4 2020 & FY 2020 Final Results

Q4 2020 : Strong growth constrained by supply limits that also temporarily increased costs



FY 2020 : Continued accelerating Net Sales and Adj. EBITDA growth

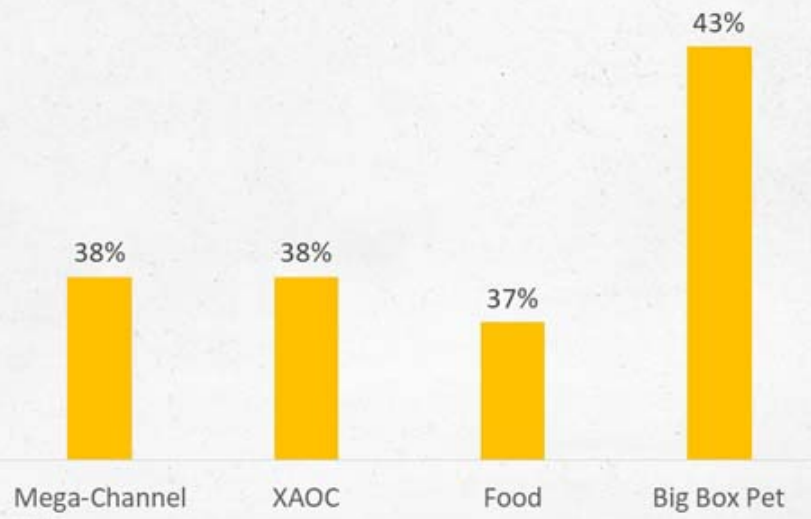


2020: Fourth consecutive year of accelerating growth



Strong growth across channels; resurgence of pet specialty

Q4 2020 Nielsen Consumption Growth



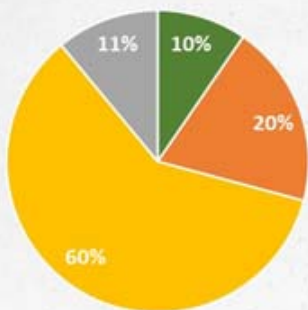
Source: Nielsen Q4 consumption data thru 12/26/20

Despite COVID interruptions, store count growth continued



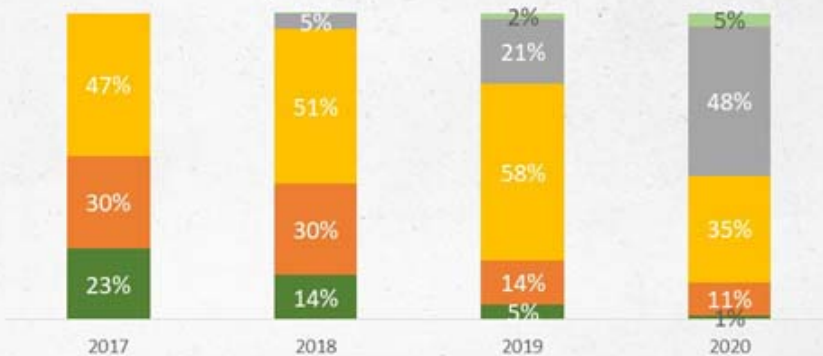
New fridge placements skew heavily to second fridges

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



■ Small ■ Medium ■ Large ■ 2+ Chillers

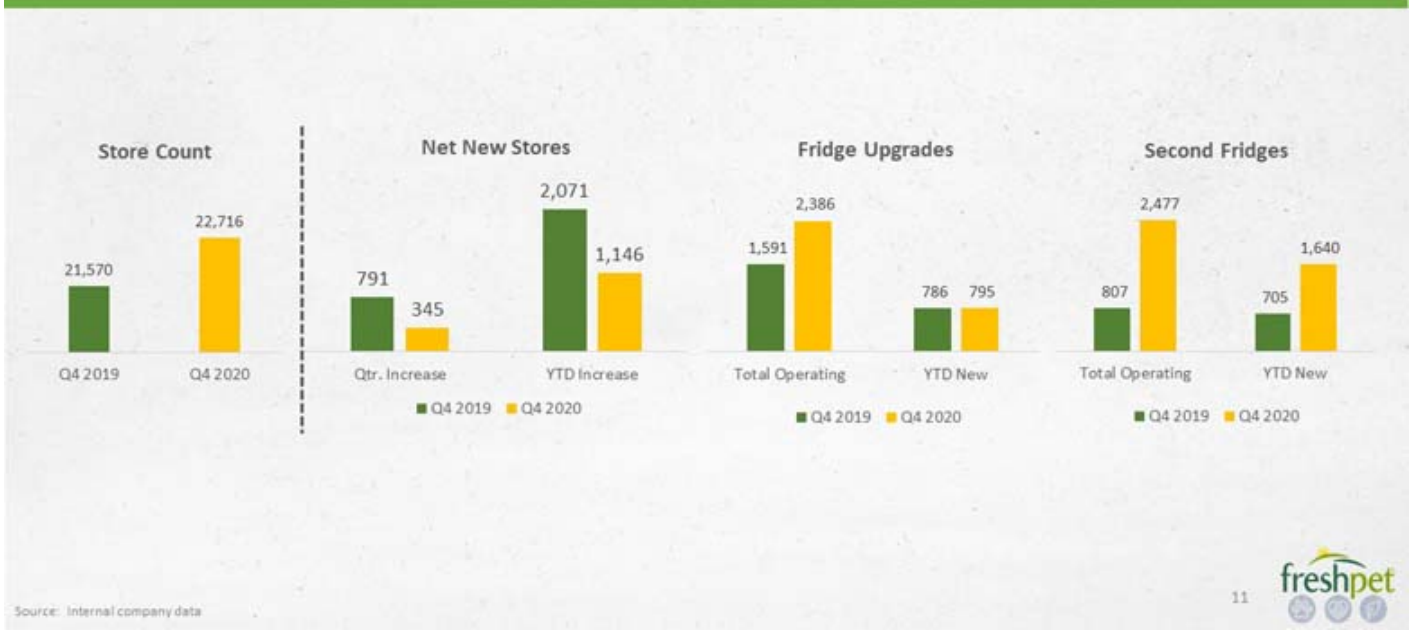
New Fridge Installations by Size
(US & Canada)



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

Source: Internal company data through December 2020

Strong gains in retail availability



Source: Internal company data

2020 Freshpet e-com grew +173%

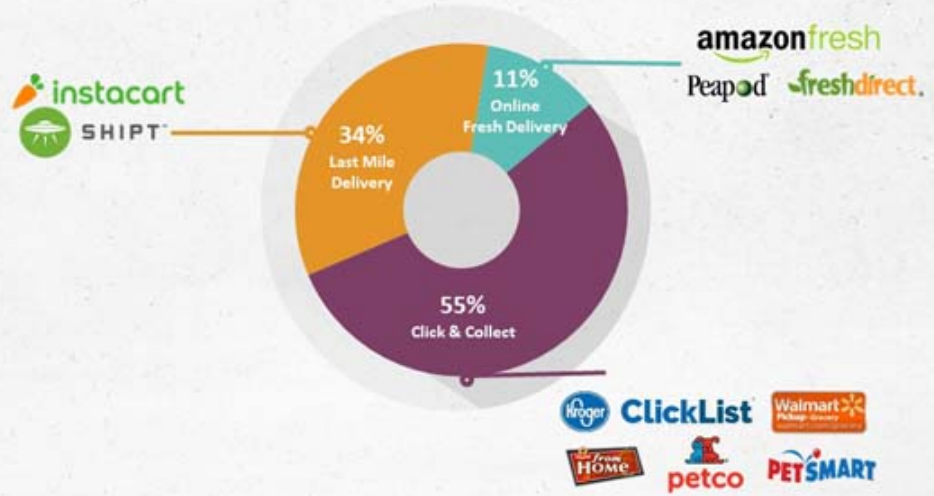
2020 - 4.9%
% of total FP sales
through e-com

89% of Sales
contribute to brick
& mortar

e-com business
model established
with strong returns

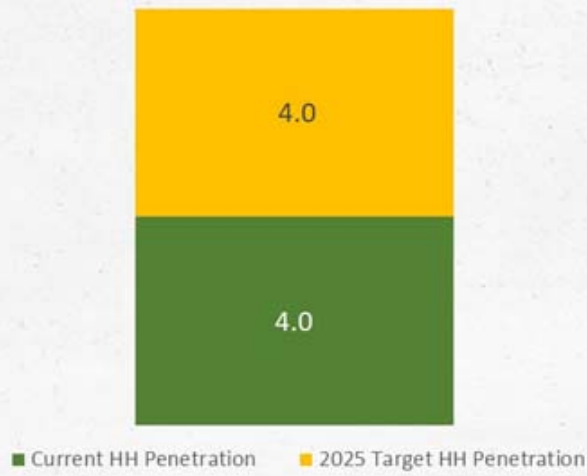
2021+ will see 3x+
marketing
investments

2021 - major
expansion with
partners



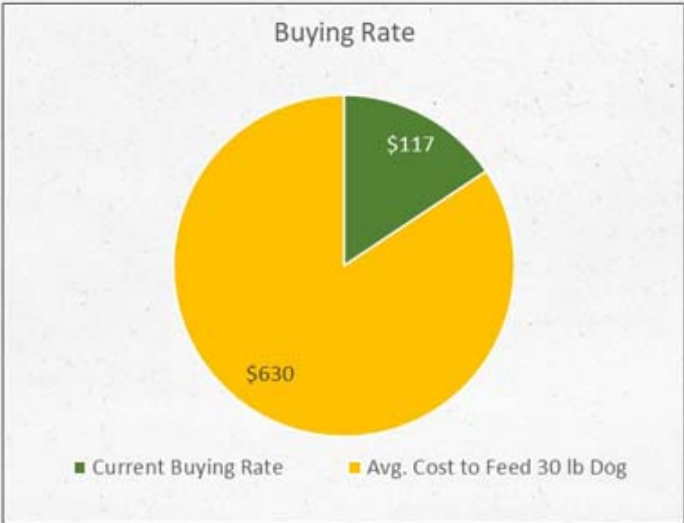
Halfway to our 2025 8 MM household (HH) goal

Progress Towards 2025 HH Penetration Goal



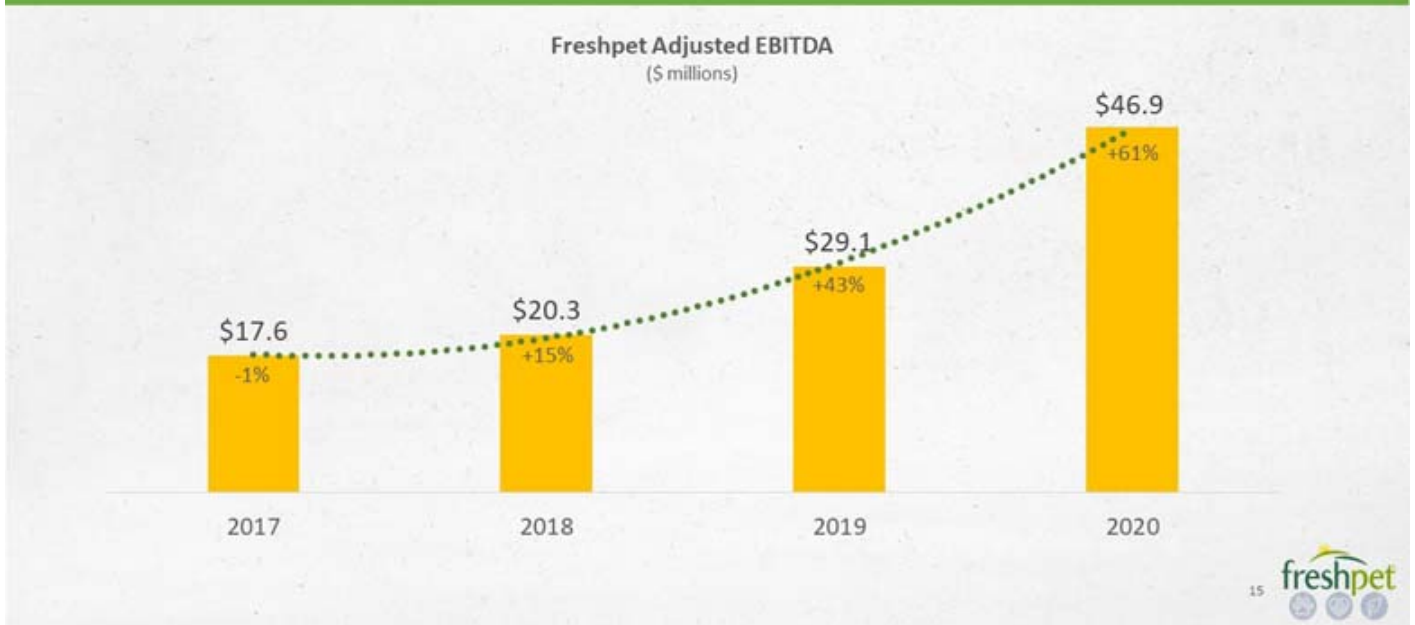
Source: Nielsen HH Panel for the period ending 12/26/20

Opportunity to continue growing the buying rate

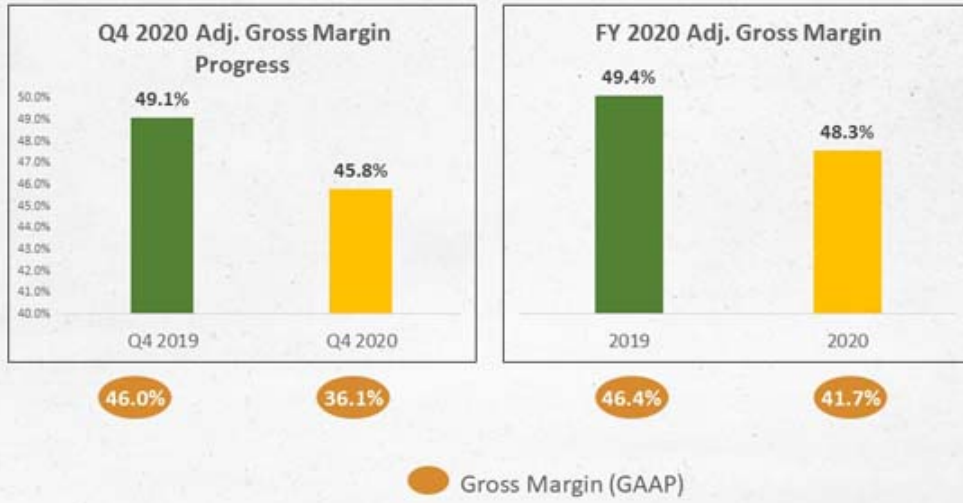


Source: Nielsen HH Panel Data through 12/26/20 and internal company calculations

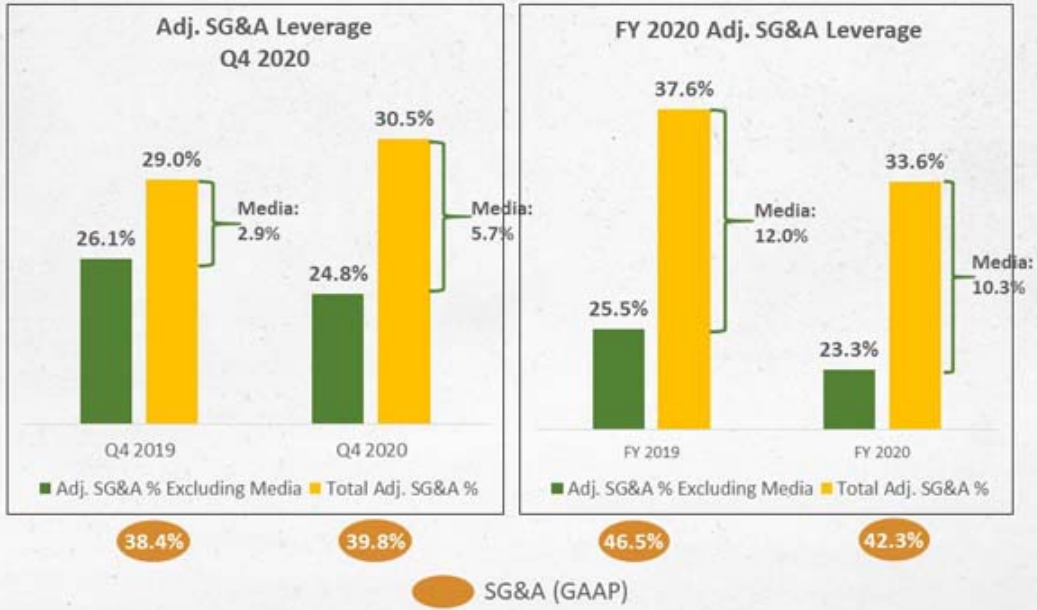
Capacity investments are driving scale and flowing through to bottom line



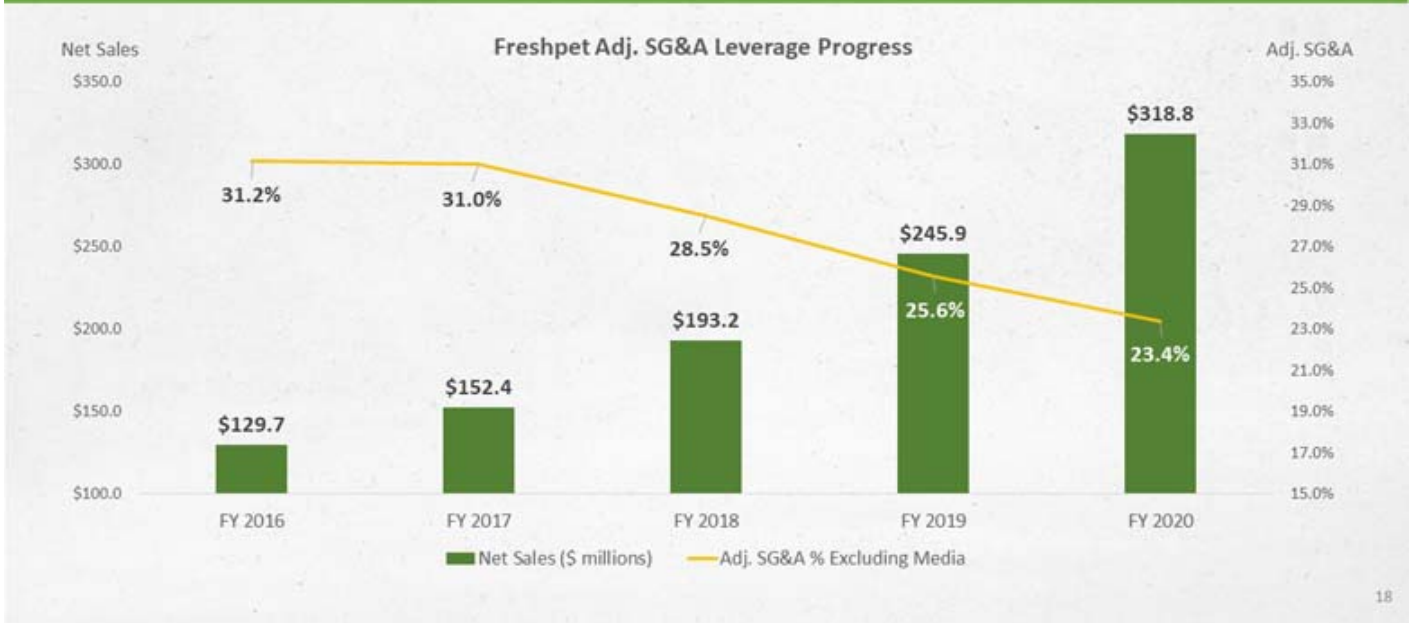
Adj. Gross Margin negatively impacted by COVID-related productivity issues and higher beef costs



>200 bps of Adj. SG&A leverage excluding media in 2020



Delivered 780 bps of Adj. SG&A (excl. media) leverage since 2016

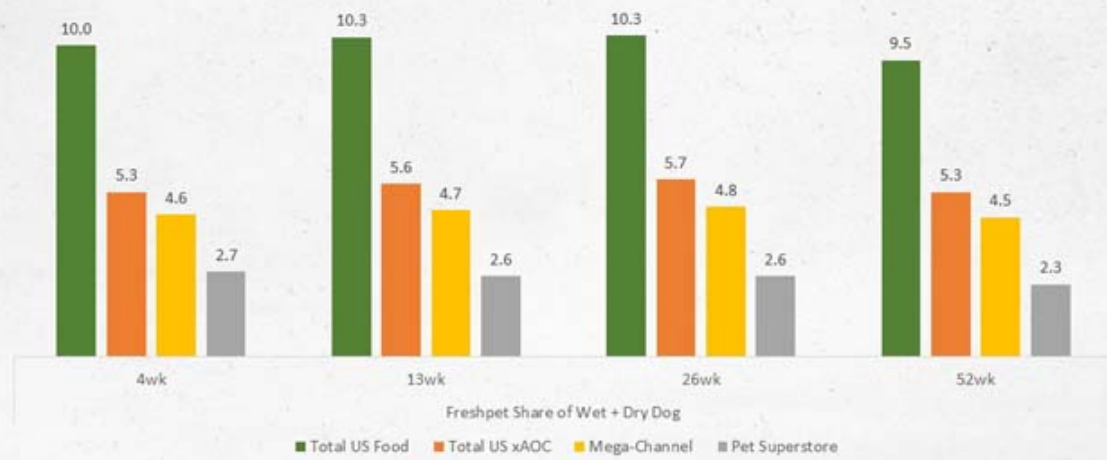




2021 Progress To Date

Building meaningful share of the category

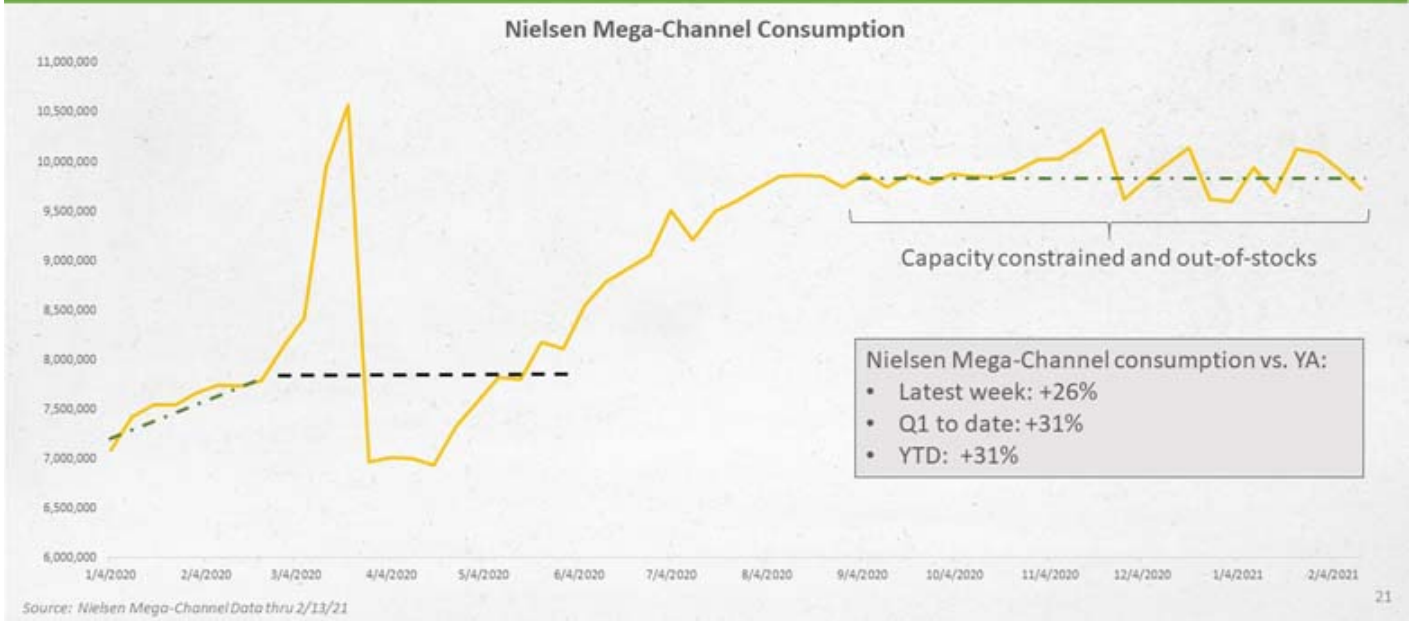
Freshpet \$ Share of Wet & Dry Dog



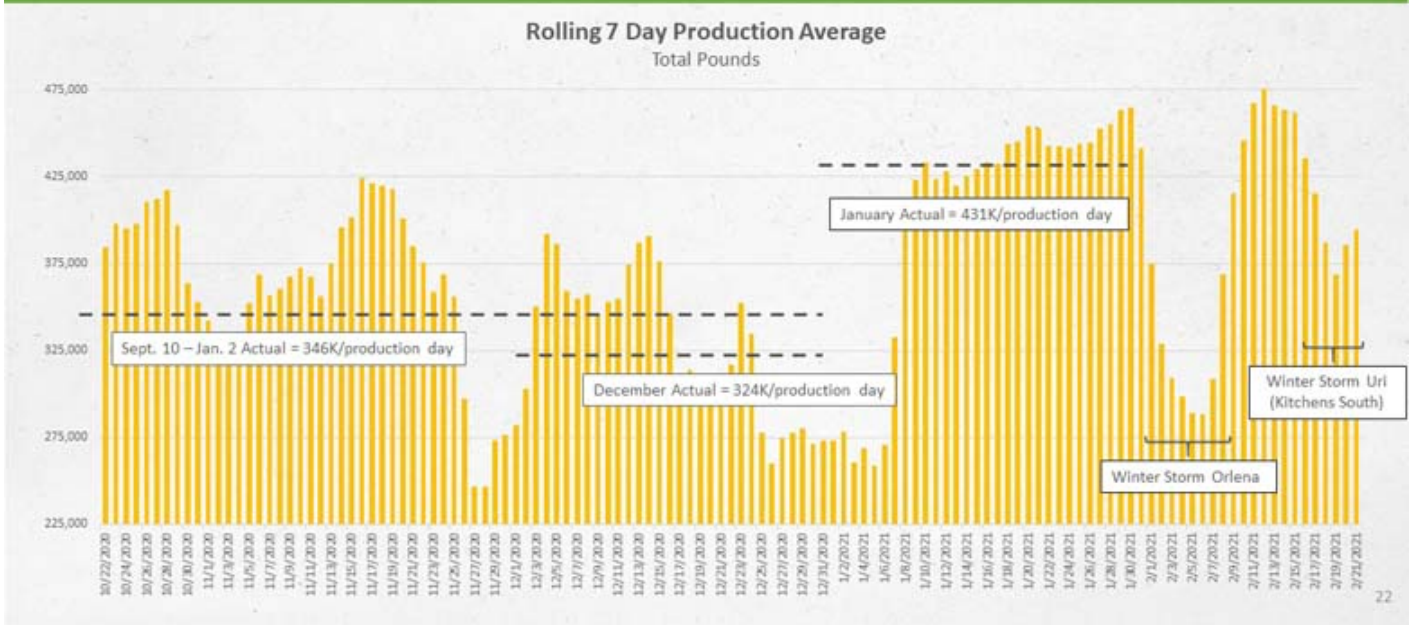
Source: Nielsen Mega-Channel Data thru 1/23/21



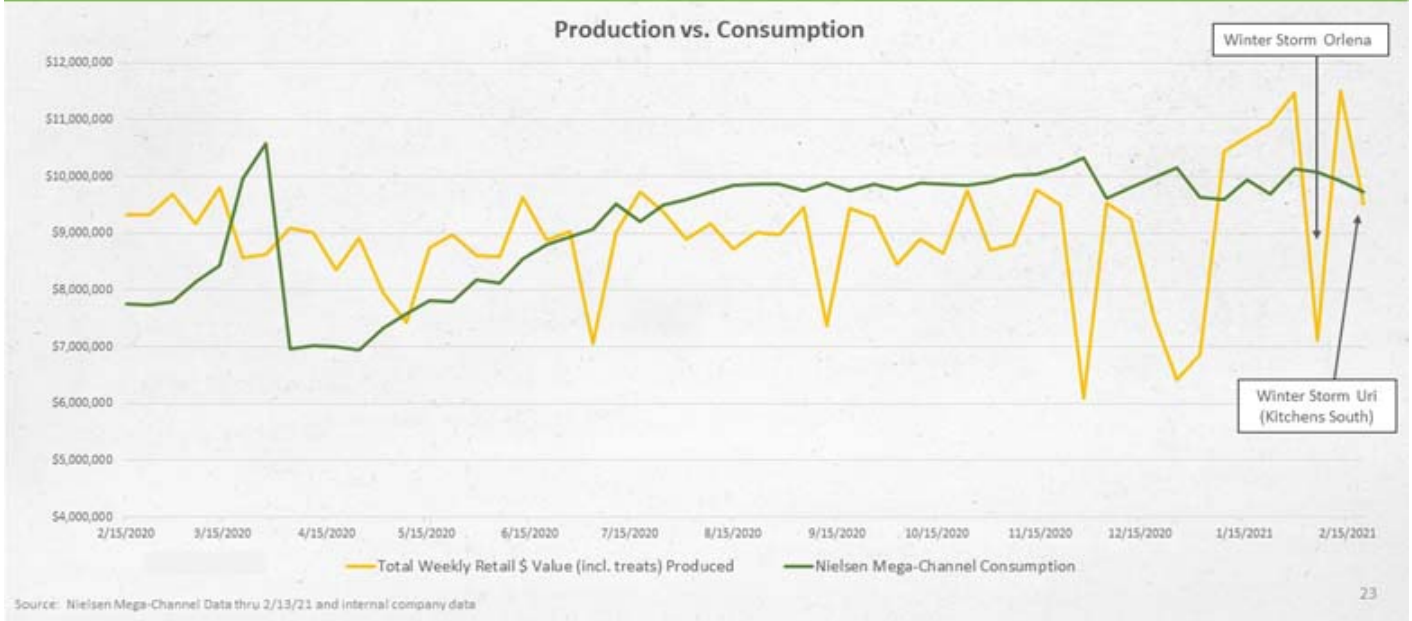
Strong consumption despite out-of-stocks and delayed start to advertising



Winter storms have interrupted progress, but production has improved significantly from Q4



Outside of winter storms, production consistently exceeds consumption since January 1



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



Fast growth, challenging times, and more food on the way every day
 Hello - I hope you and your pets are safe, warm, and able to find some Freshpet. I've continued to read all the comments you're posting. I'm glad many have been finding Freshpet, and understand your frustration if you have not. I truly feel terrible we haven't been able to keep our fridges full; we are working so hard to make more.

When we started the company in 2006, our goal was to bring healthier, less-processed foods to pets. We set out to build the company the right way and focused on nourishing not just pets, but also people and the planet. We call it our 'Pets, People and Planet' initiative. Those principals we started with are still our values today. The cornerstone is to do the right thing, and really live that. Doing the right thing here is to tell you what's up, and to focus on getting more food out.

I am proud we created a product that people love and changed the pet food industry for the better. As more people try our foods, they're seeing the benefits of fresh. Today, rapid growth, coupled with Covid and bad weather are making it challenging to keep our fridges stocked. This issue is then exacerbated by people buying extra in an effort to stock up. I completely understand why people are buying extra; however, it makes the shortage much worse. In the spirit of doing the right thing, I encourage all of us to buy what we need and leave as much as possible for other Freshpet parents.

To update you on our Kitchens: We are working 7 days a week, 24 hours a day cooking our foods. We are asking our team to work as many hours as they can, many putting in voluntary overtime working 50-60+ hours a week and being paid 1.5x for the overtime. That's helped to make more, but just not enough to keep up with the current demand. We have continued to increase our production each week outside of weather issues and have shipped over 8,006,500 packages of Freshpet so far this year. That's more than 30% over what we were shipping this time last year! We are sending stocks of food out to our retailer partners every single day. There's also more packages than normal held up in distribution centers around the country due to the weather, so as we warm up, that should help over the next week. In addition, we're continuing to add team members, shifts, and production lines to increase supply, and anticipate that each week you will see more and more fuller fridges. Sorry to see some pictures I took at our Kitchens last week.

I want to be super clear and transparent: I know many people have speculated, but there is nothing we aren't saying or being anyone other than our company is growing fast during some challenging times, and we just don't have enough. People here are working really hard to get more food for you! I also want to share that no expense is being spared to keep the team safe and to make more Freshpet, faster. And I promise there will be no price increases - we will not pass these costs on to you. Our singular focus is to get more food to our pet parents and their pets.

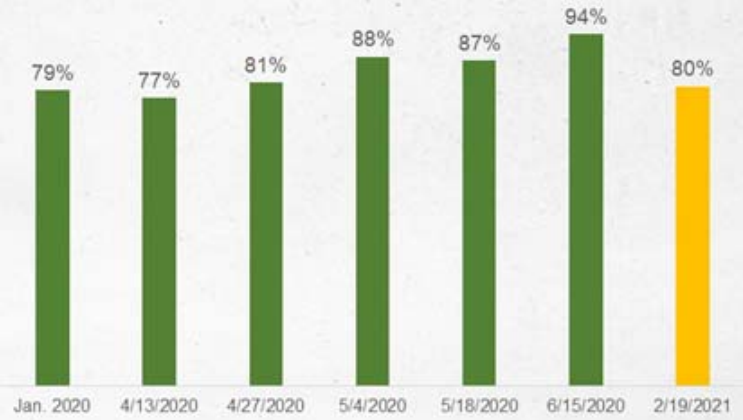
Fresh regards,

Scott Morris
 Co-Founder of Freshpet
 Pet parent to Piper, Harley and Suzu

Posted on:

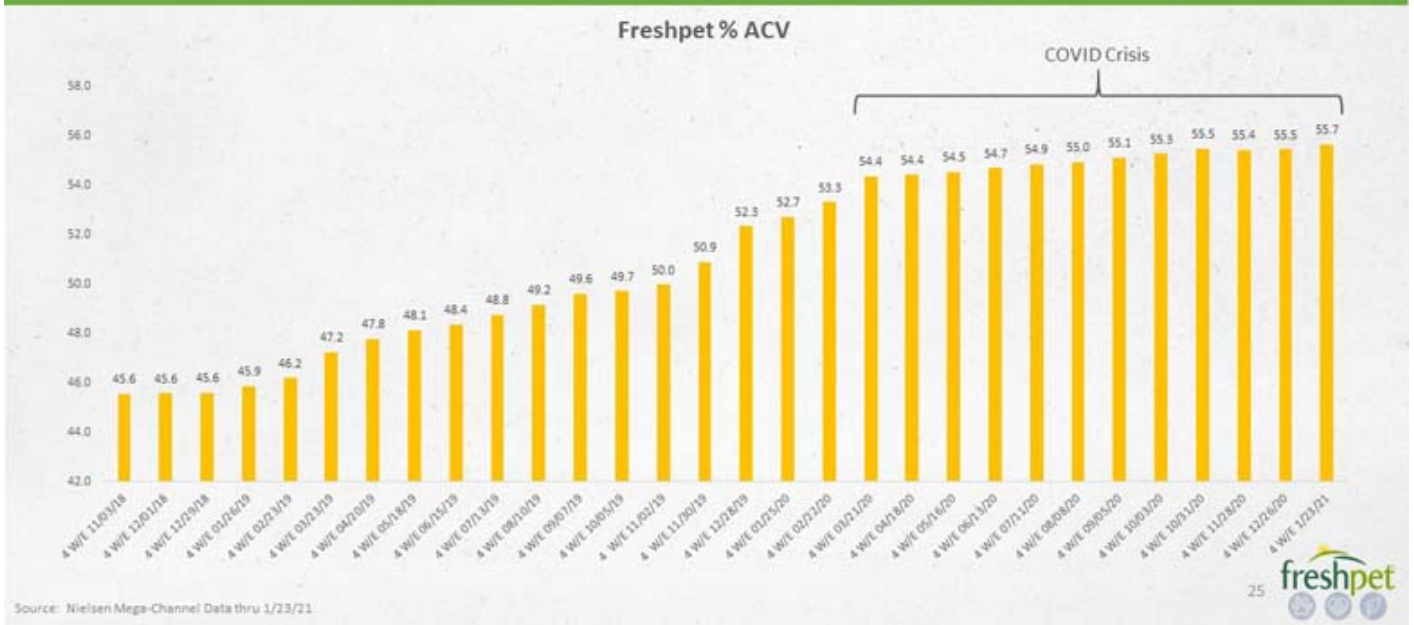


Freshpet Item Wanted Available On Last Shopping Trip



Source: FP Panel, n=378 FP Users

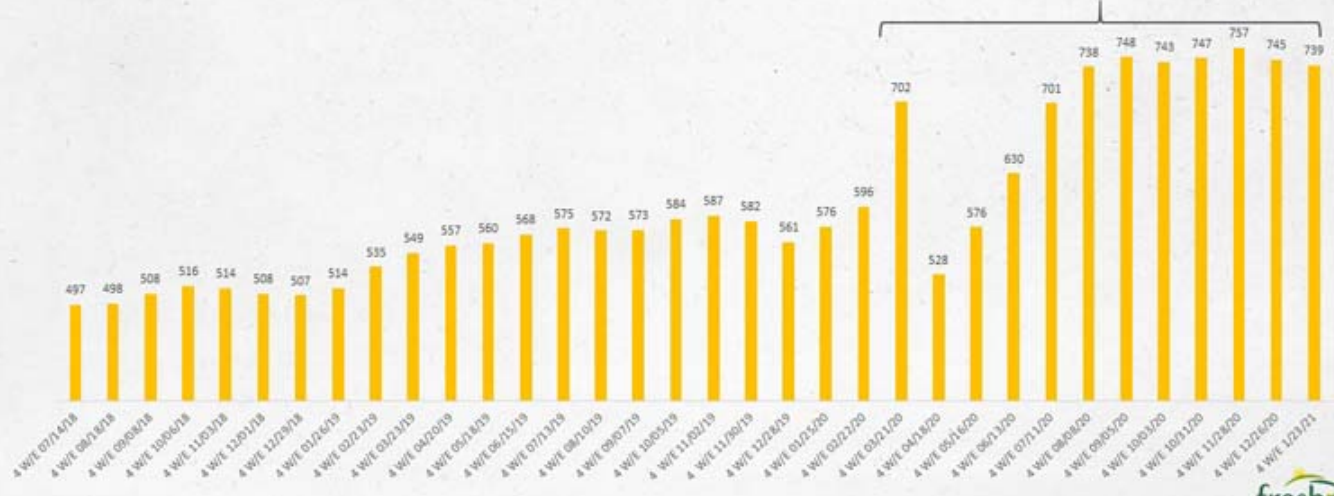
Distribution growth plateaued during COVID crisis



Velocity growth has surged

Freshpet Velocity
\$/ \$MM ACV

COVID Crisis



Source: Nielsen Mega-Channel Data thru 1/23/21

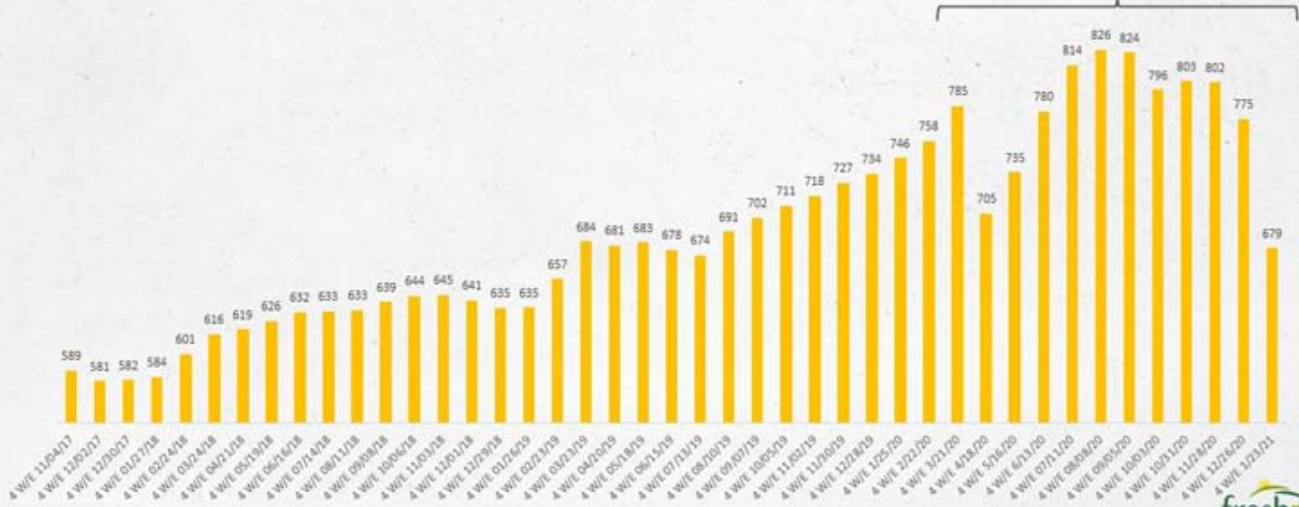
\$ / \$ MM ACV = Nielsen Measured Mega-Channel sales / retail availability as measured in \$MM of All Commodity Volume (ACV)



Out-of-stocks due to short shipments are eroding TDP's temporarily

Freshpet Total Distribution Points (TDP)
Nielsen Mega-Channel

COVID Crisis



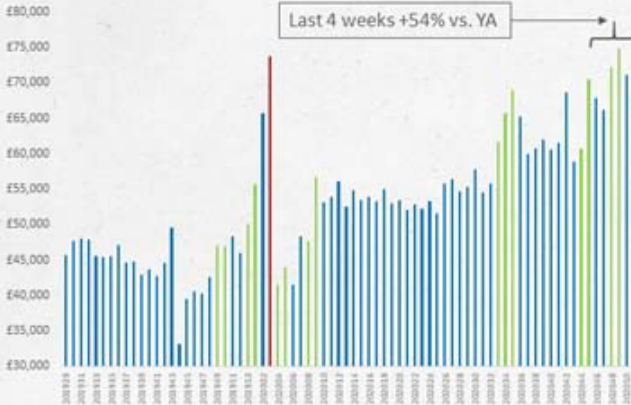
Source: Nielsen Mega-Channel Data thru 1/23/21

Canadian business accelerating behind advertising investment

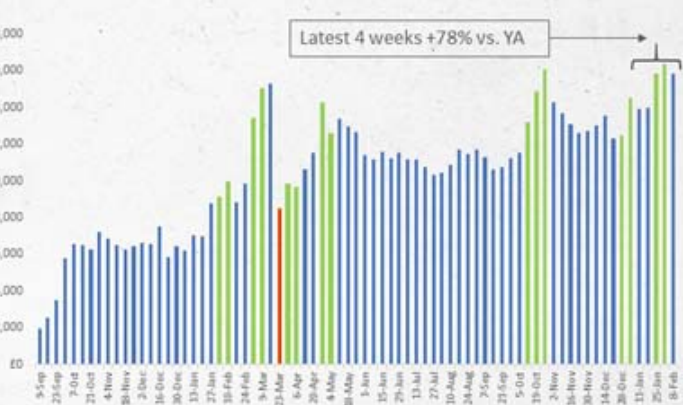


Freshpet's advertising-driven model works in the UK

Retail Sales **Leading UK Retail Customer Sales by Week**



Retail Sales **Leading UK Retail Customer Sales by Week**



█ Panic Buying █ TV █ Regular Sales

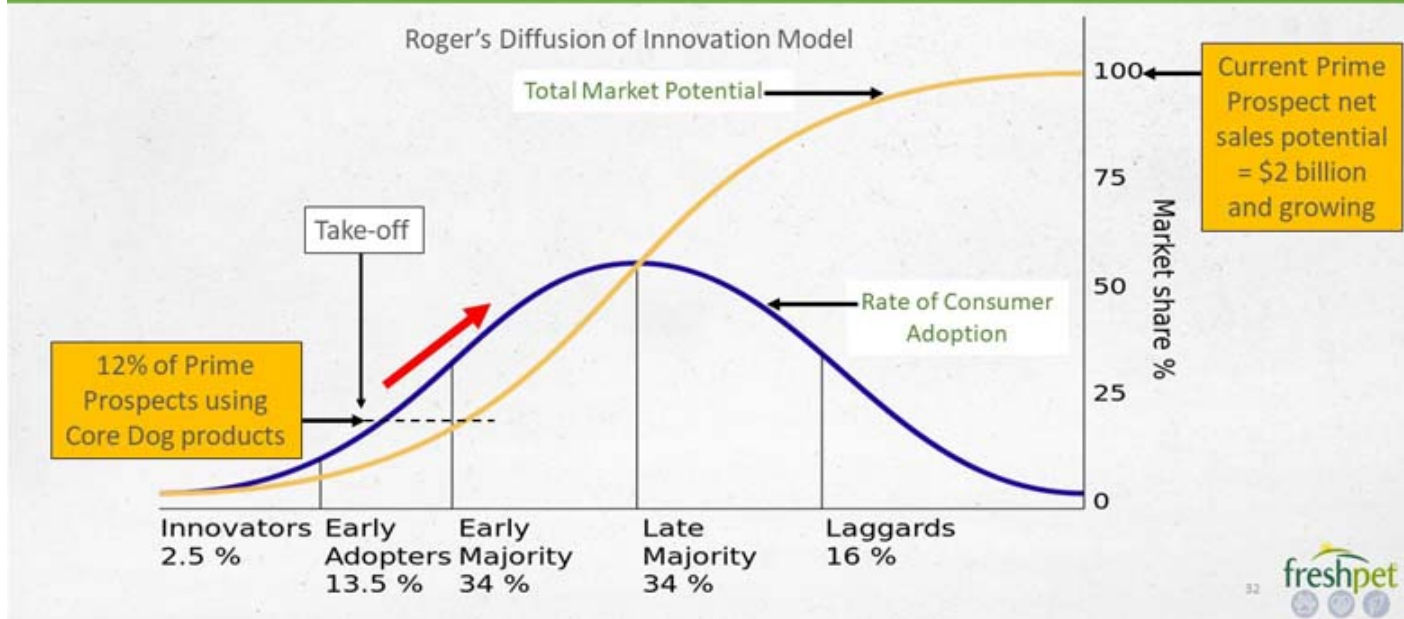


Increasing Long Term Guidance

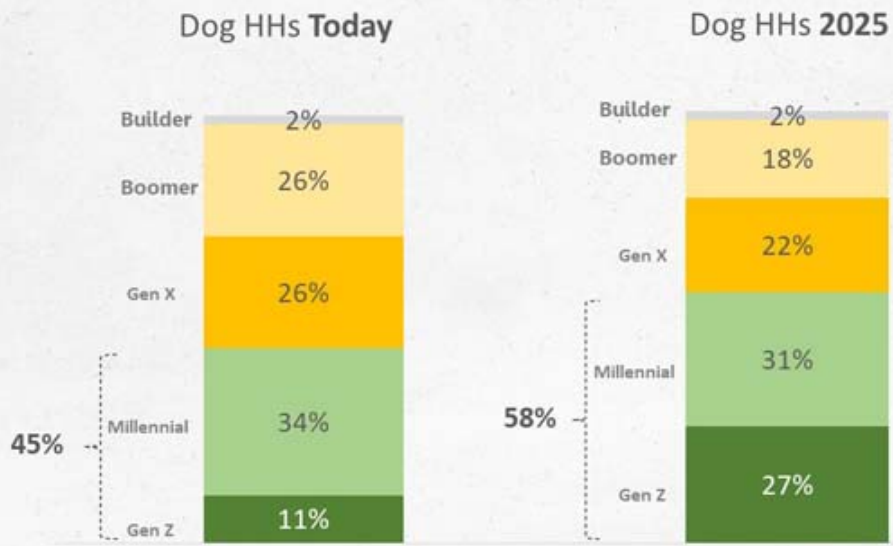
"Feed the Growth" creates scale and leverage through accelerated growth rate



In the early stages of accelerating consumer adoption



Demographic trends are working in our favor



Source: Idexx, 2019 A&U, APPA

Addressable market: >20 million HH's

Consumer Concept

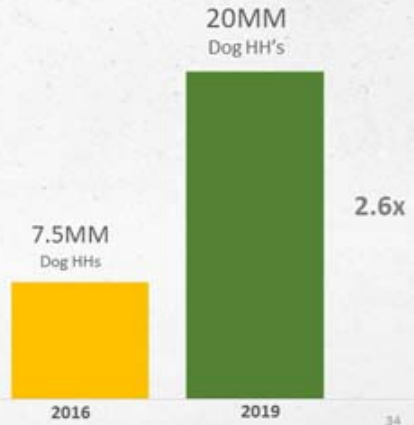
Purchase Interest Among Those Who Have Never Used

Top 2 Box purchase interest



Prime Prospect Methodology

(Consumers who are similar to existing users)



Source: 2019 A&U



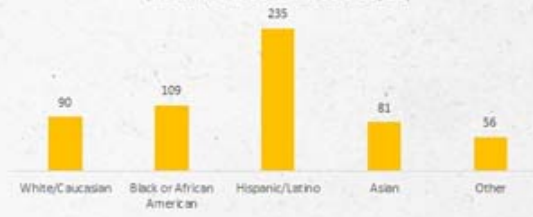
34

COVID-19 brought more young buyers into the franchise

Freshpet Post-COVID New Buyers
(Index vs. Share of Pre-COVID Buyers)



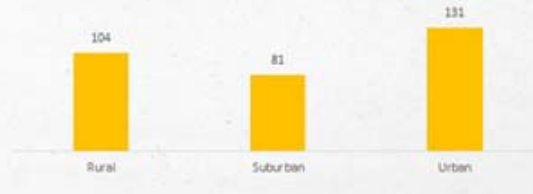
Freshpet Post-COVID New Buyers
(Index vs. Share of Pre-COVID Buyers)



Freshpet Post-COVID New Buyers
(Index vs. Share of Pre-COVID Buyers)

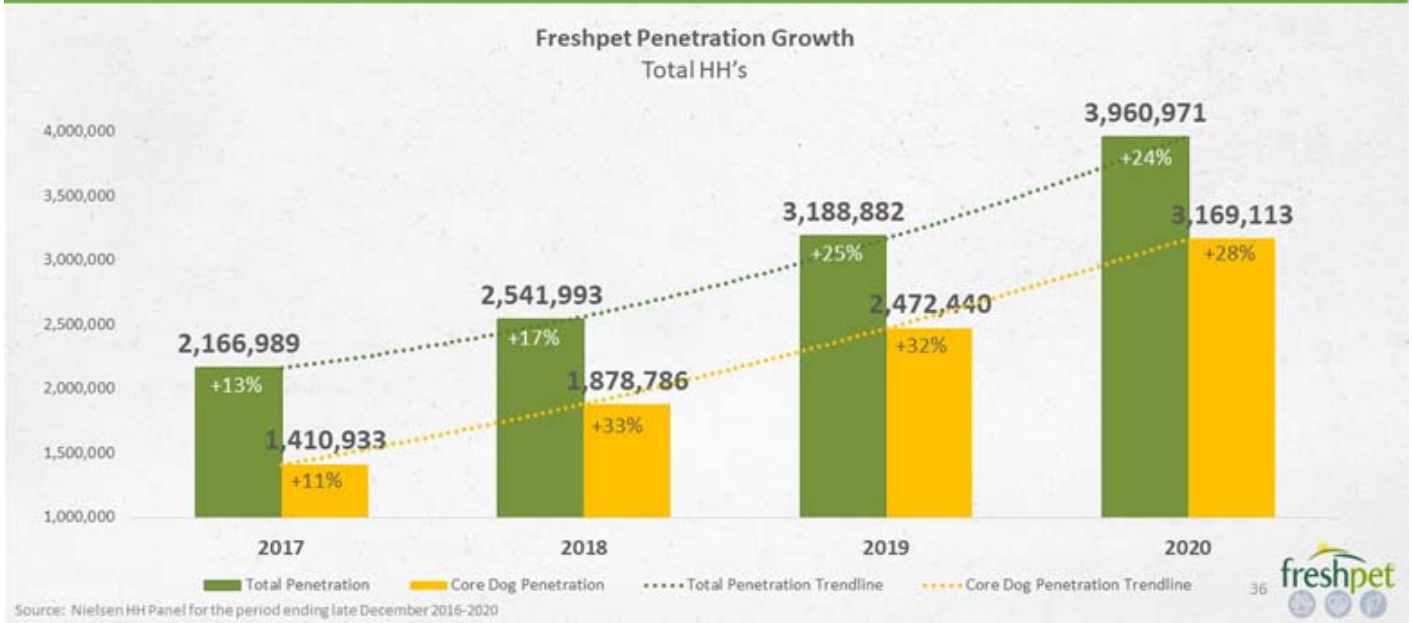


Freshpet Post-COVID New Buyers
(Index vs. Share of Pre-COVID Buyers)



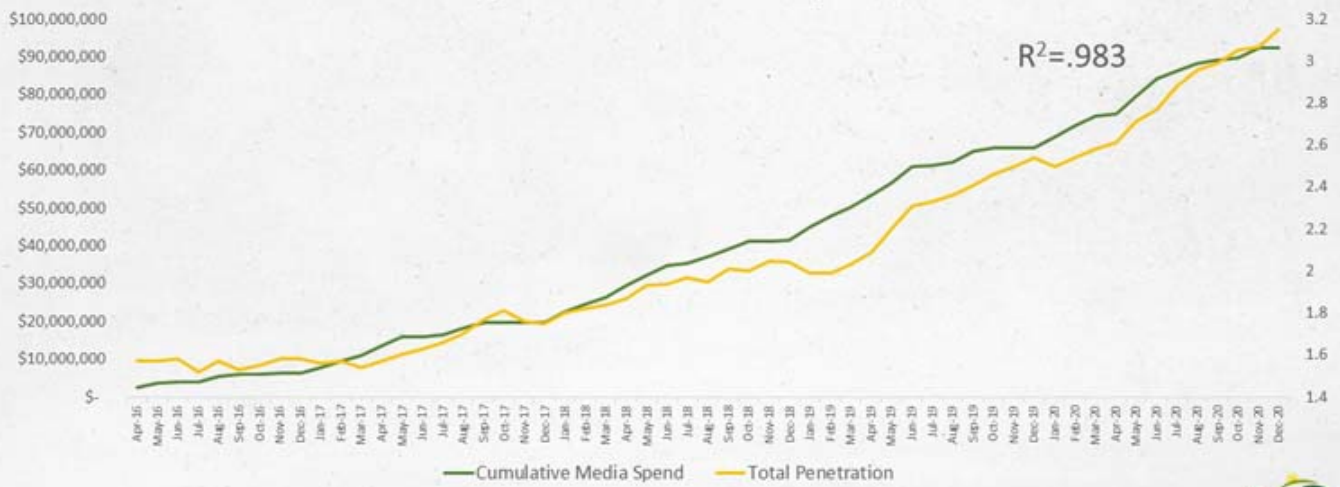
Source: Numerator Custom New Buyer Analysis

Added 24% more HH's each of past two years despite capacity limits and reduced advertising investment



Demonstrated track record of driving HH penetration gains via media investment

Freshpet HH Penetration & Media Spending

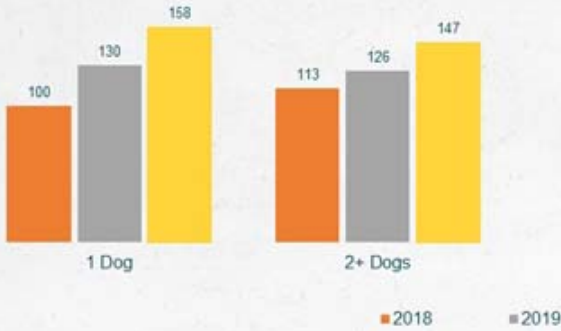


Source: Nielsen 52-week HH panel through 12/26/20 and internal data

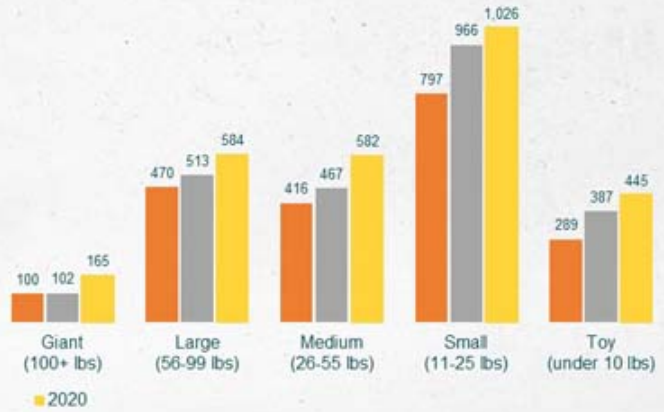


Increasing penetration in all dog HH's regardless of the size of the dog or number of dogs in the HH

Freshpet HH's by # of Dogs*
(Index vs 1 dog in 2018)



Freshpet HH's by Size of Dog*
(Index vs Giant Dog in 2018)

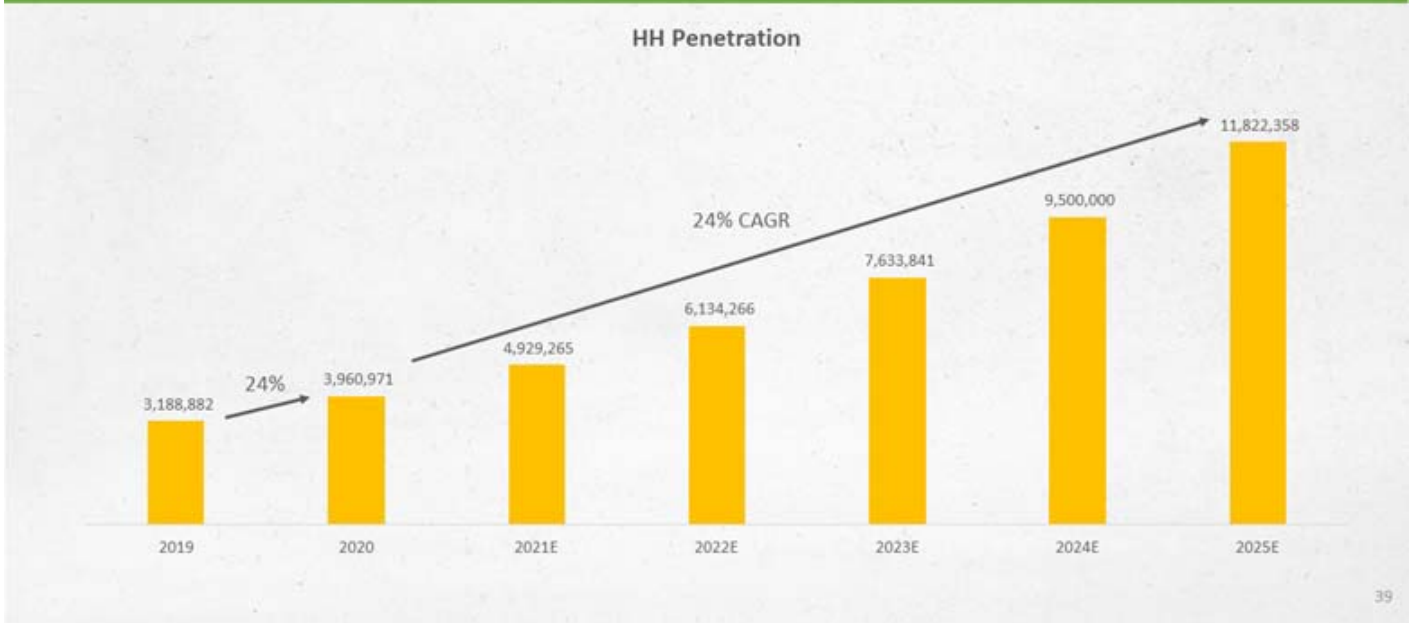


*Source: Numerator Insights, Mini-America, Freshpet shoppers n=2,432 in 2020; Different source than Nielsen HH panel data typically reported thus totals are slightly different. To avoid confusion, we have converted actual numbers to indices to show trends.

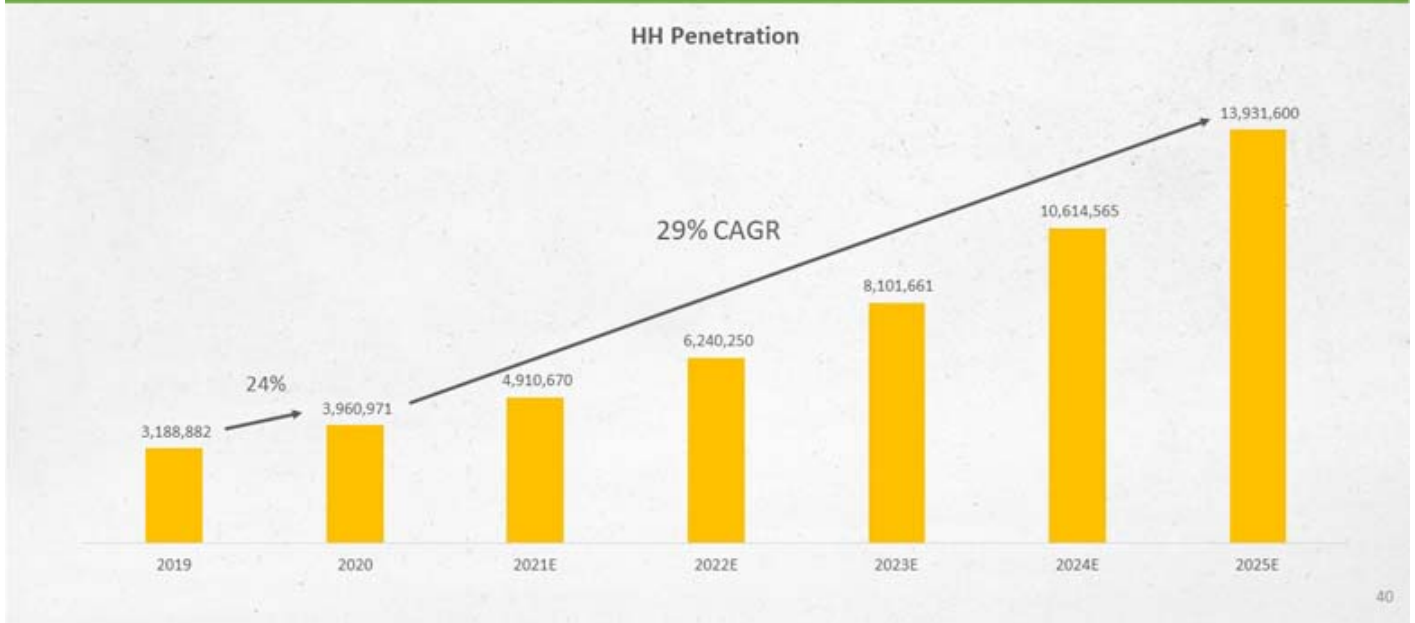
*Dog Size totals overlap due to multi-dog HHs;

*Sample size small on Giant dog group

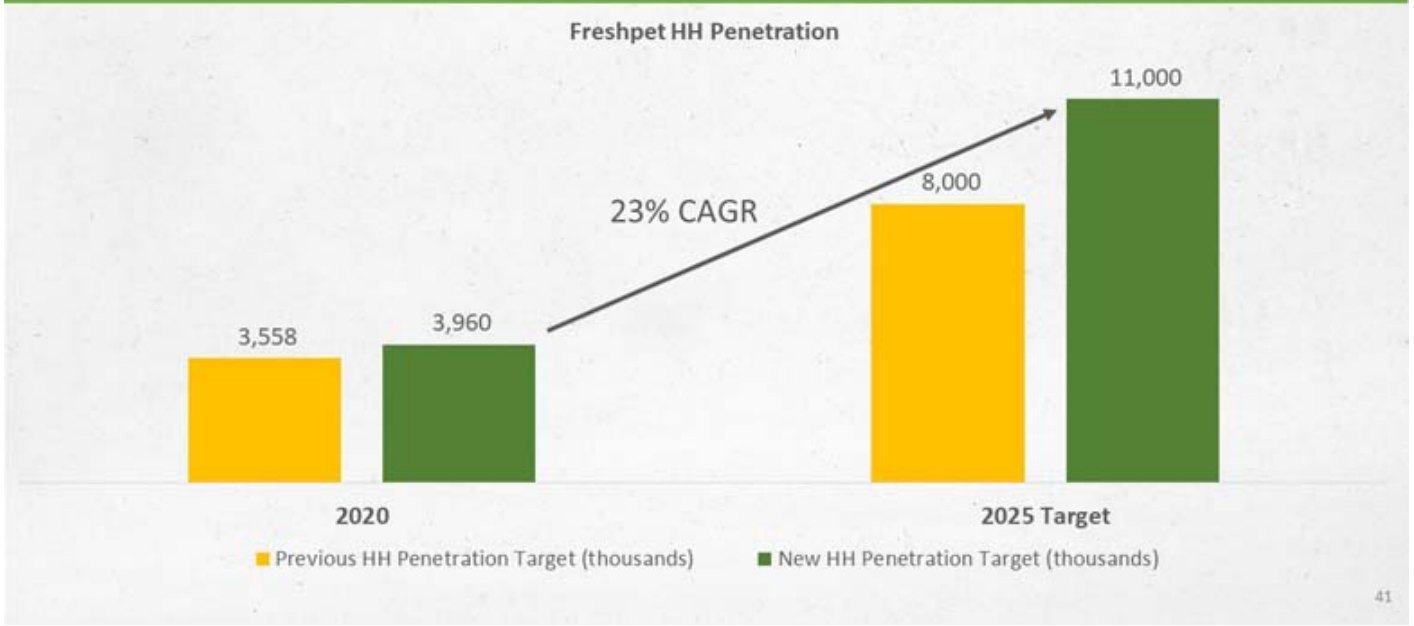
At our current 24% growth rate, HH penetration exceeds our legacy 8 MM HH target by 3.8 MM HH's



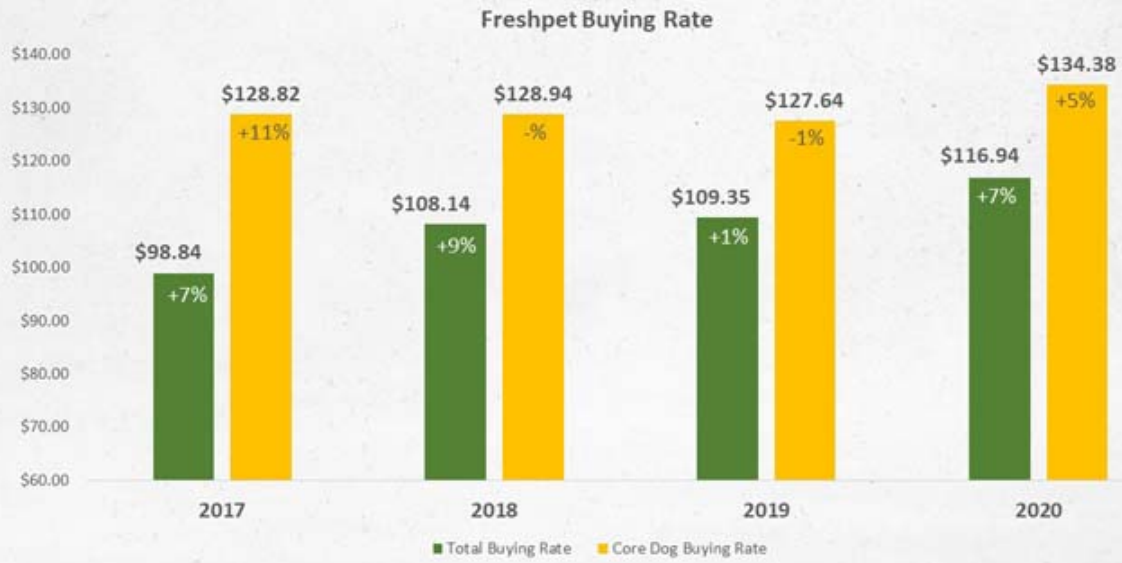
At \$50 CAC and media spending at ~11% of net sales, HH penetration could reach 13.9 million in 2025



Raising HH penetration target to 11 million HH's by 2025



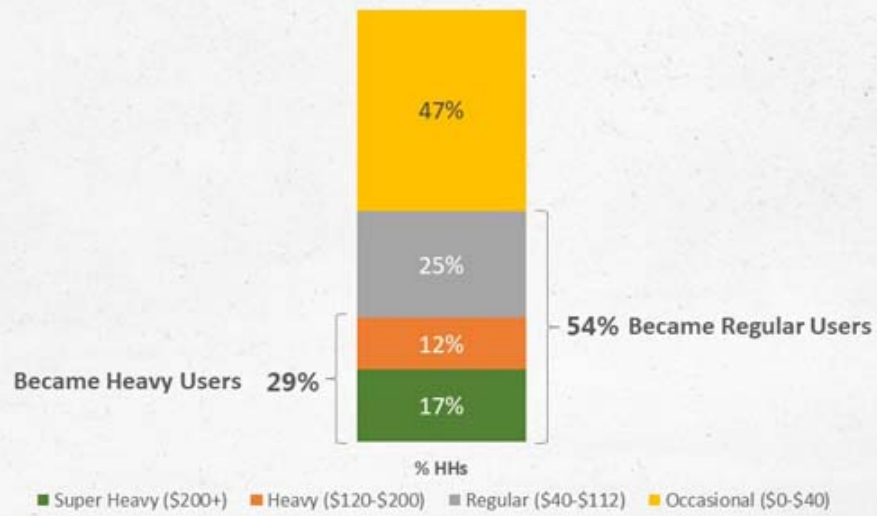
Buying rate grew 7% this past year



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

More than half of new users become regular users

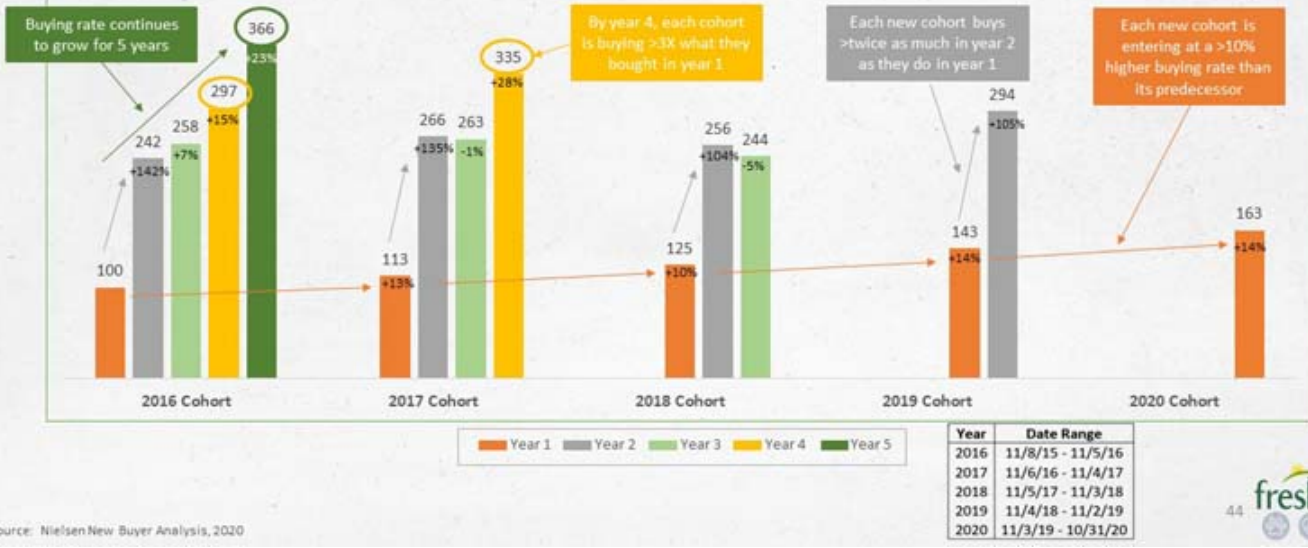
2019 Buying Habits of New Consumers Who Entered in 2018



Source: Nielsen Freshpet Behavioral Study Preview – February 2020

Cohort buying rate data confirms significant multi-year growth potential of each new user

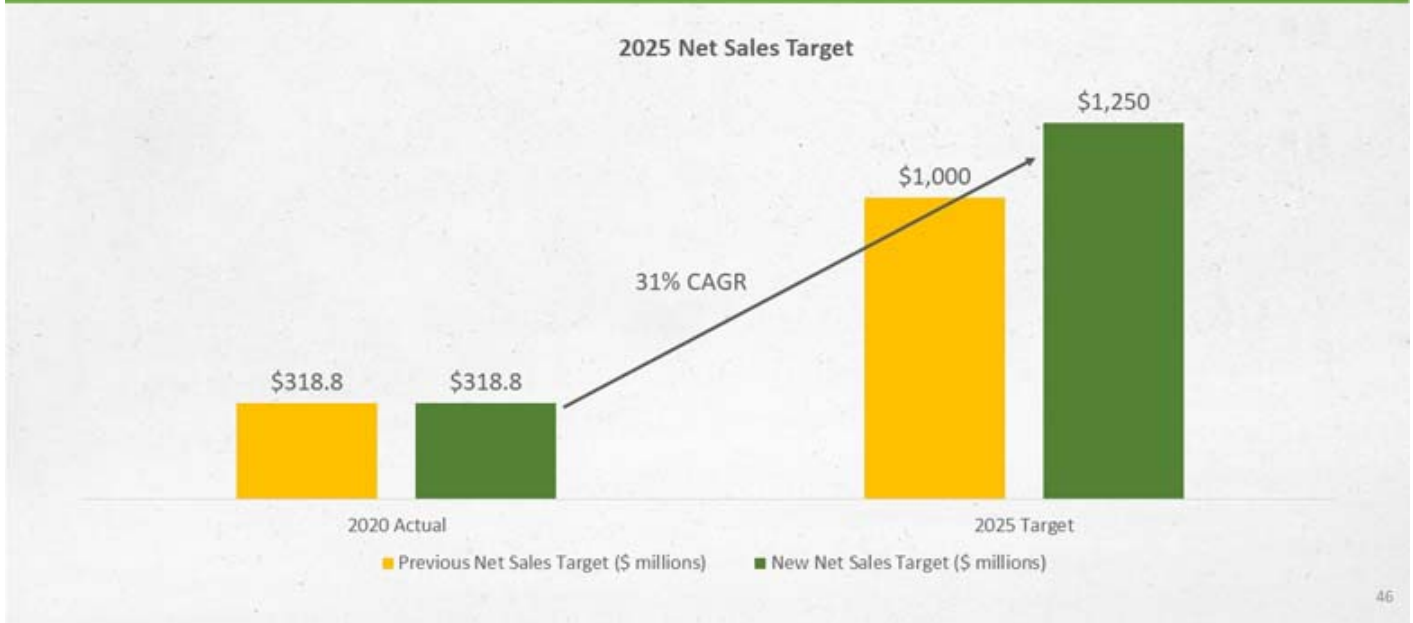
Freshpet Core Dog New Buyers - Dollar Buy Rate Evolution
(Index vs. 2016 New Buyers)



Holding buying rate growth at 7% CAGR due to ongoing dilution from rapid influx of new users



Revised 2025 Plan: Increasing Net Sales target by 25% to \$1.25 billion

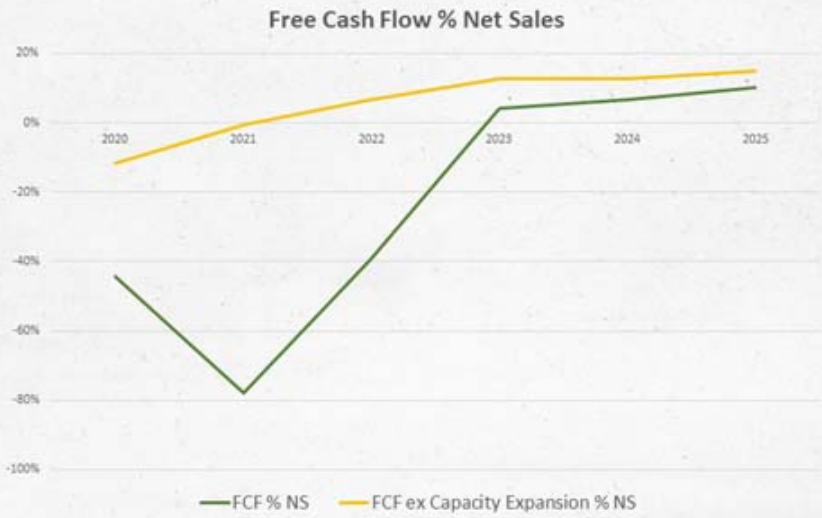


Holding Adj. EBITDA margin target to enable increased investment for future growth

2025 Adj. EBITDA Margin Target



Generating strong free cash flow by 2023



Maintaining leverage below 3.5x Adj. EBITDA while driving accelerated growth



With these financing plans, we believe we will have the ability to support a \$1.25 billion business with capacity at the end of 2025 of almost \$2 billion in net sales



Accelerating and Increasing Capacity

Significant achievements in 2020 demonstrate our capability to add capacity and the value of our partnership



Completed construction and started up **Kitchens 2.0** – despite limitations imposed by COVID



Proved that we could create and operate **higher throughput lines** with more automation that drives better margins



Started up operations with long-term partner at **Kitchens South**



Broke ground on our biggest project yet – **Ennis Phase 1**



Installed and are operating an **innovation line**



Advanced **new manufacturing technology** with potential to produce more in less space

Strategy: Accelerating and increasing capacity investments to meet increased demand expectations



Pulling forward Ennis start-up

- Ennis Phase 1 to begin production in Q2 of 2022 vs. Q3 and have higher speed lines
- Investing in round-the-clock construction to meet demand at Ennis

Pulling forward Kitchens South Line #2 and adding a third line at Kitchens South sooner:

- Kitchens South Line #2 to start production in Q3 of 2021 vs. Q4
- Kitchens South Line #3 to start production in Q1 of 2022 vs. Q3 of 2022

Adding a second building at Kitchens South:

- Adding ~\$300 million in sales capacity in 2023
- Same intellectual property protections that have worked in existing facility
- Ideally located to supply both Bethlehem and Dallas DC's
- Deep engineering bench to enable more rapid capacity expansion

Kitchens 2.0: Proving that higher speed/more automated operations work as expected



landfill free



powered
by wind



carbon
emissions offset

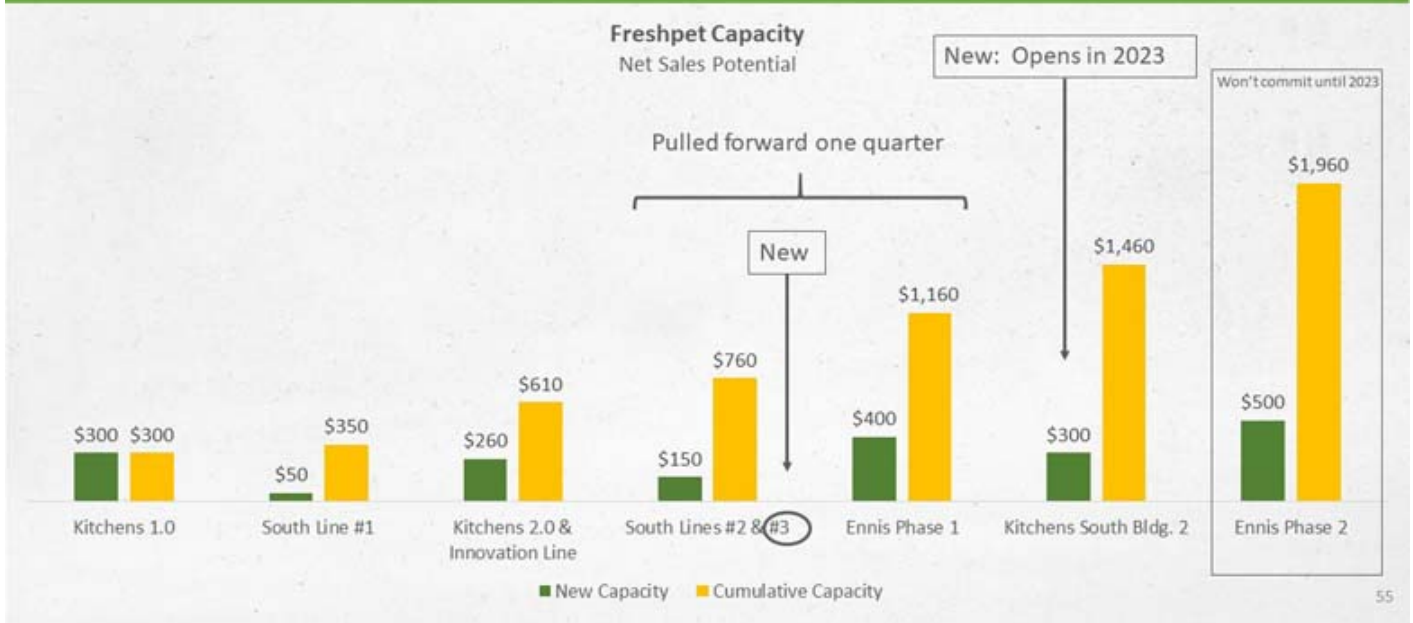
Kitchens 3.0 in Ennis, TX is being pulled forward and will produce more



Phase 1 is being pulled forward to start producing in Q2 2022

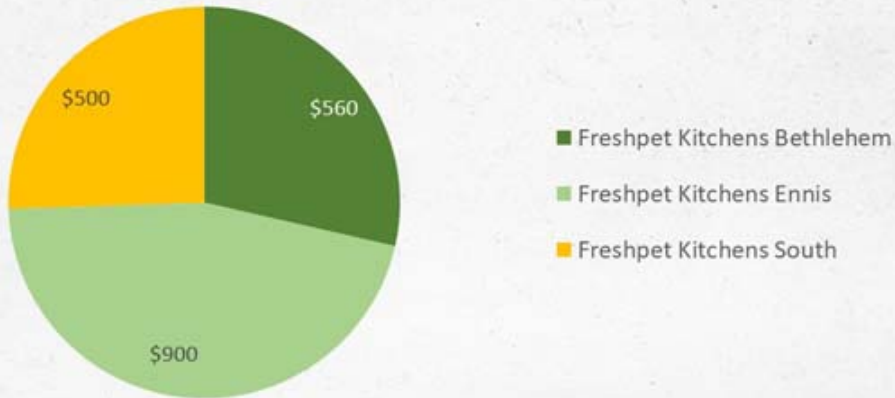
Increasing projected capacity by ~30% to reflect higher speed equipment

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

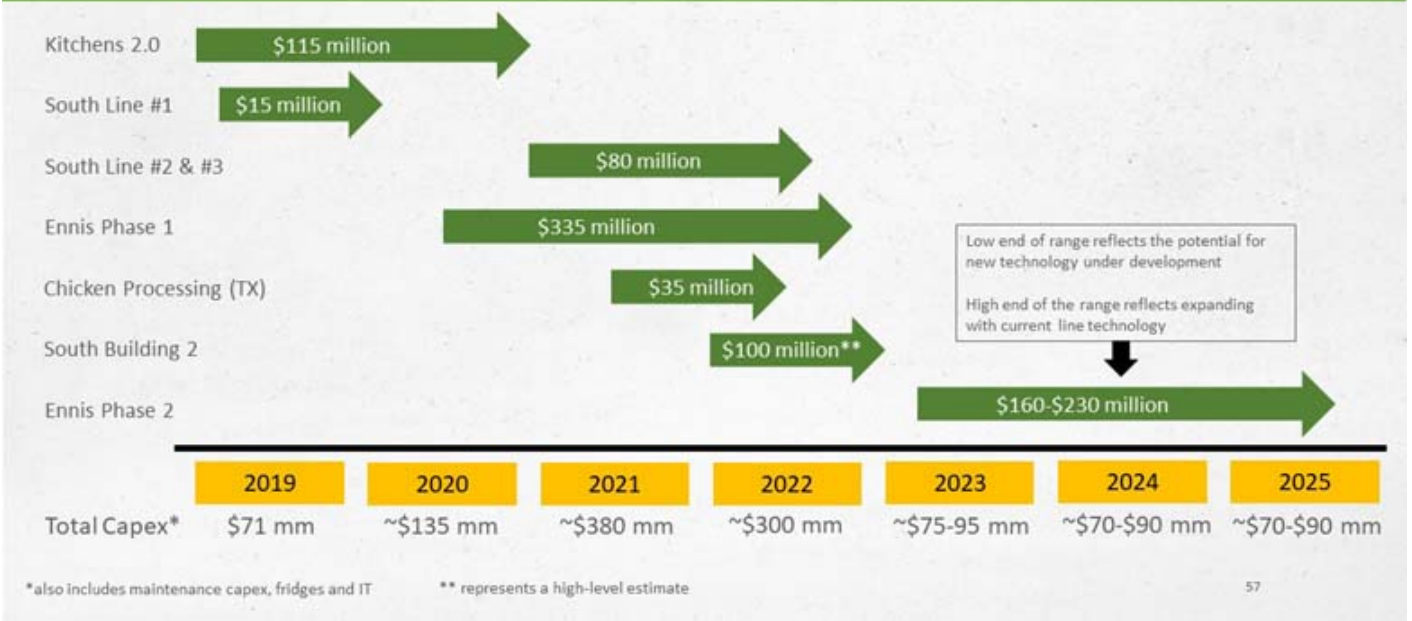


At ~\$2 billion in net sales, we will have a 75/25 split between self-manufacture and partner production

Total Freshpet Capacity (\$ millions)



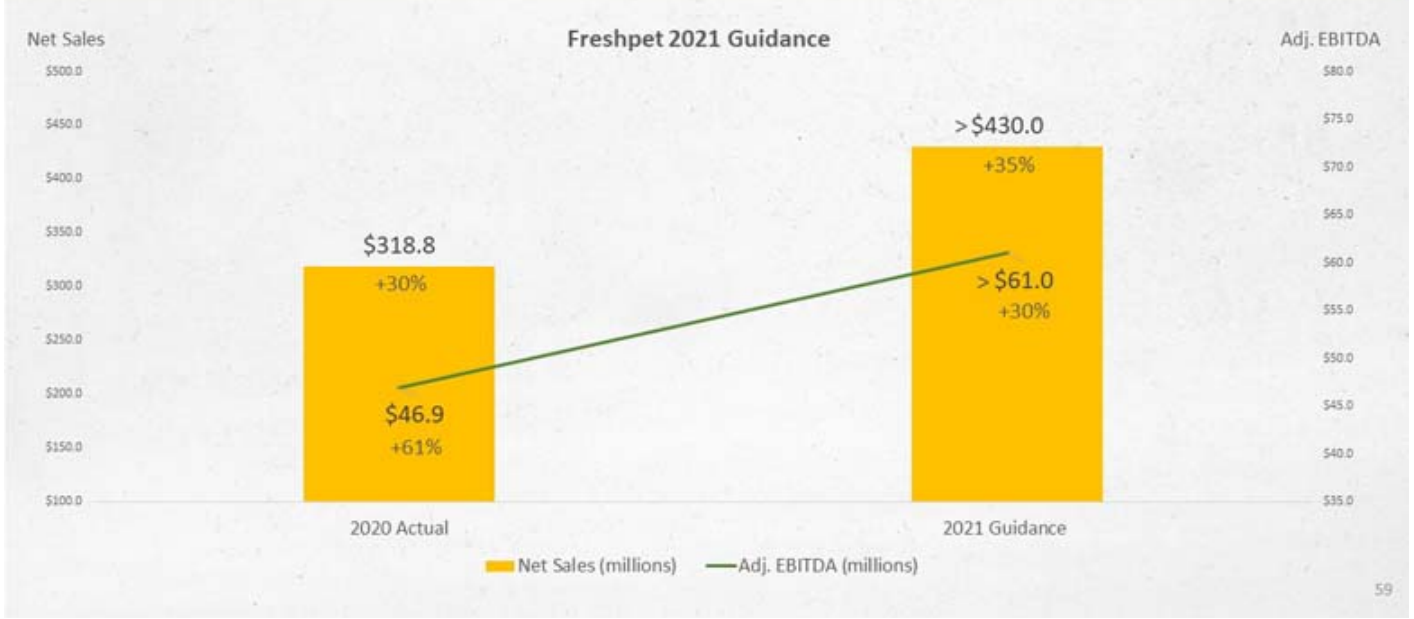
Capital spending plan supports up to ~\$2 billion in capacity





2021 Guidance

2021 Guidance: Accelerating growth again

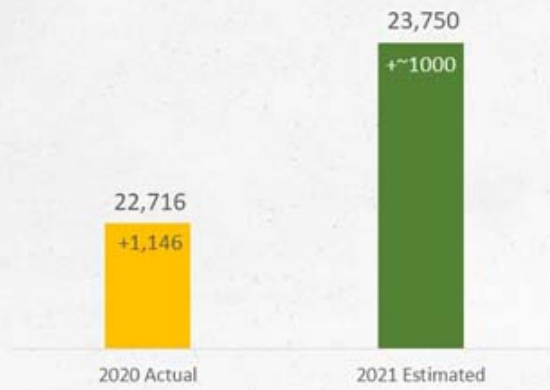


Meaningful innovation to engage new users in the US, Canada and UK

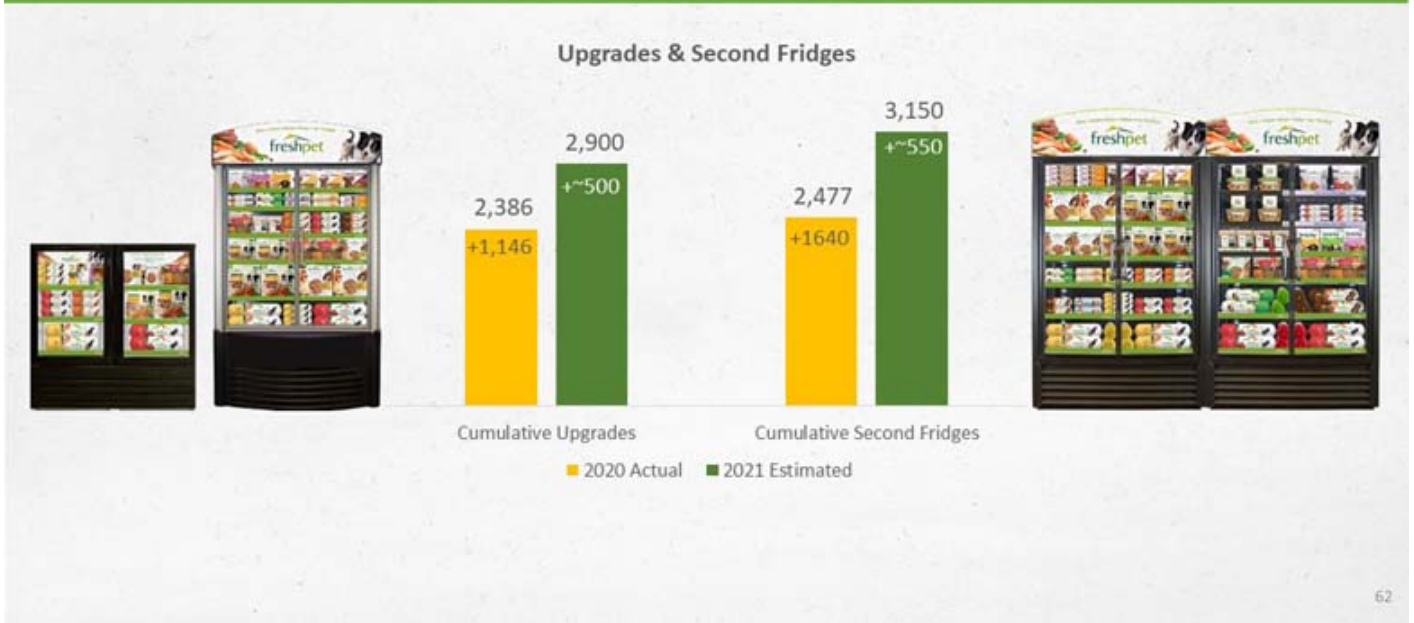


Continued increases in retail availability

Store Count



Continued increases in retail visibility



Adding staffing to support increasing demand in 2021

Freshpet Production Capacity
2021



2021 Adj. Gross Margin expected to be flat to PY but improve as the year progresses



2021 Guidance

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

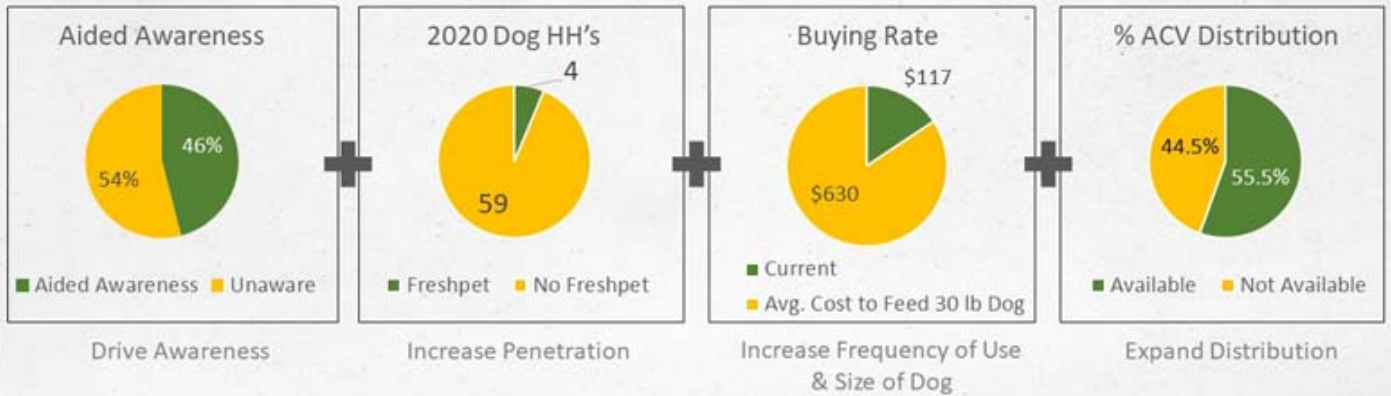
- **Volume cadence:** Q1 growth in excess of consumption growth as we re-fill trade inventory. Q2 growth moderates due to delayed start of advertising. Strong Q3 and Q4 due to availability of capacity and marketing investment
- **Advertising investment:** Investing at ~12% of net sales. Balanced between first half and second half due to out-of-stocks in Q1 causing a delay in Q1 advertising start date
- **Adj. Gross Margin:** Flat year-on-year with a slow start due to start-up of new lines and higher beef costs. Incremental staffing throughout the year to ensure no short shipments and higher night shift differential.
- **ERP Conversion:** Tentatively targeted for 10/1/21
- **COVID Addback:** Anticipating \$2.0 million in COVID-related costs until broadscale vaccination has occurred



Summary

Significant opportunities to grow

We have multiple ways to win



Source: Nielsen HH Panel data ending 12/26/20, Scanner data through 12/26/20, and Freshpet 2019 A&U

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Fortified business model that provides strong competitive insulation





freshpet®

FEED THE GROWTH

11 MILLION HH BY 2025





Appendix

FRESHPET, INC. AND SUBSIDIARIES

RECONCILIATION BETWEEN GROSS PROFIT AND ADJUSTED GROSS PROFIT

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Gross Profit	\$ 30,533	\$ 30,250	\$ 132,910	\$ 114,197
Depreciation expense	3,153	1,616	9,576	6,370
Plant start-up expense (a)	2,942	—	5,962	—
Non-cash share-based compensation	707	414	2,132	922
COVID-19 expense (b)	1,340	—	3,497	—
Adjusted Gross Profit	\$ 38,675	\$ 32,279	\$ 154,077	\$ 121,489
Adjusted Gross Profit as a % of Net Sales	45.8%	49.1%	48.3%	49.4%

- (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 December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
	(Dollars in thousands)			
SG&A expenses	\$ 33,635	\$ 25,375	\$ 134,908	\$ 114,450
Depreciation and amortization expense	3,026	2,598	11,549	9,551
Non-cash share-based compensation	2,407	1,714	8,793	6,912
Launch expense (a)	1,019	1,228	3,421	4,563
Loss on disposal of equipment	505	649	1,805	649
Equity offering expenses (b)	—	(47)	58	302
Enterprise Resource Planning (c)	852	—	1,682	—
COVID-19 expense (d)	74	—	357	—
Adjusted SG&A Expenses	\$ 25,753	\$ 19,233	\$ 107,243	\$ 92,473
Adjusted SG&A Expenses as a % of Net Sales	30.3%	29.3%	33.6%	37.6%

- (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 December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Net income (loss)	(3,298)	\$ 4,633	\$ (3,188)	\$ (1,383)
Depreciation and amortization	6,179	4,214	21,125	15,921
Interest expense	212	302	1,211	991
Income tax expense	—	87	65	144
EBITDA	\$ 3,093	\$ 9,236	\$ 19,213	\$ 15,673
Loss on disposal of equipment	505	649	1,805	787
Non-cash share-based compensation	3,114	2,128	10,925	7,834
Launch expense (a)	1,019	1,228	3,421	4,563
Plant start-up expenses (b)	2,942	—	5,962	—
Equity offering expenses (c)	—	(47)	58	302
Enterprise Resource Planning (d)	852	—	1,682	—
COVID-19 expense (e)	1,414	—	3,854	—
Adjusted EBITDA	\$ 12,939	\$ 13,194	\$ 46,920	\$ 29,159
Adjusted EBITDA as a % of Net Sales	15.3%	20.1%	14.7%	11.9%

- (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.