



pets. people. planet.

Q3 2021 Earnings Call
November 8, 2021



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, our net sales and Adjusted EBITDA guidance 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 net income (loss) on equity method investment, plant start-up expense, non-cash share-based compensation, launch expense, fees related to equity offerings of our common stock, implementation and other costs associated with the implementation of an ERP system, and other expenses, including loss on disposal of equipment and COVID-19 expenses.

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

Freshpet defines Adjusted Gross Profit as gross profit before depreciation expense, plant start-up expense, 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 of our common stock, implementation and other costs associated with the implementation of an ERP system and COVID-19 expenses.

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 represent the Company's guidance for fiscal year 2021. The Company is unable to reconcile these forward-looking non-GAAP financial measures to the most directly comparable GAAP measures without unreasonable efforts because the Company is currently unable to predict with a reasonable degree of certainty the type and impact of certain items, including the timing of and amount of costs of goods sold and selling, general and administrative expenses, that would be expected to impact GAAP measures for these periods but would not impact the non-GAAP measures. The unavailable information could significantly impact our financial results. These items are not within the Company's control and may vary greatly between periods. Based on the foregoing, the Company believes that providing estimates of the amounts that would be required to reconcile these forecasted non-GAAP measures to forecasted GAAP measures would imply a degree of precision that would be confusing or misleading to investors for the reasons identified above.



Nourishing Pets, People and Planet

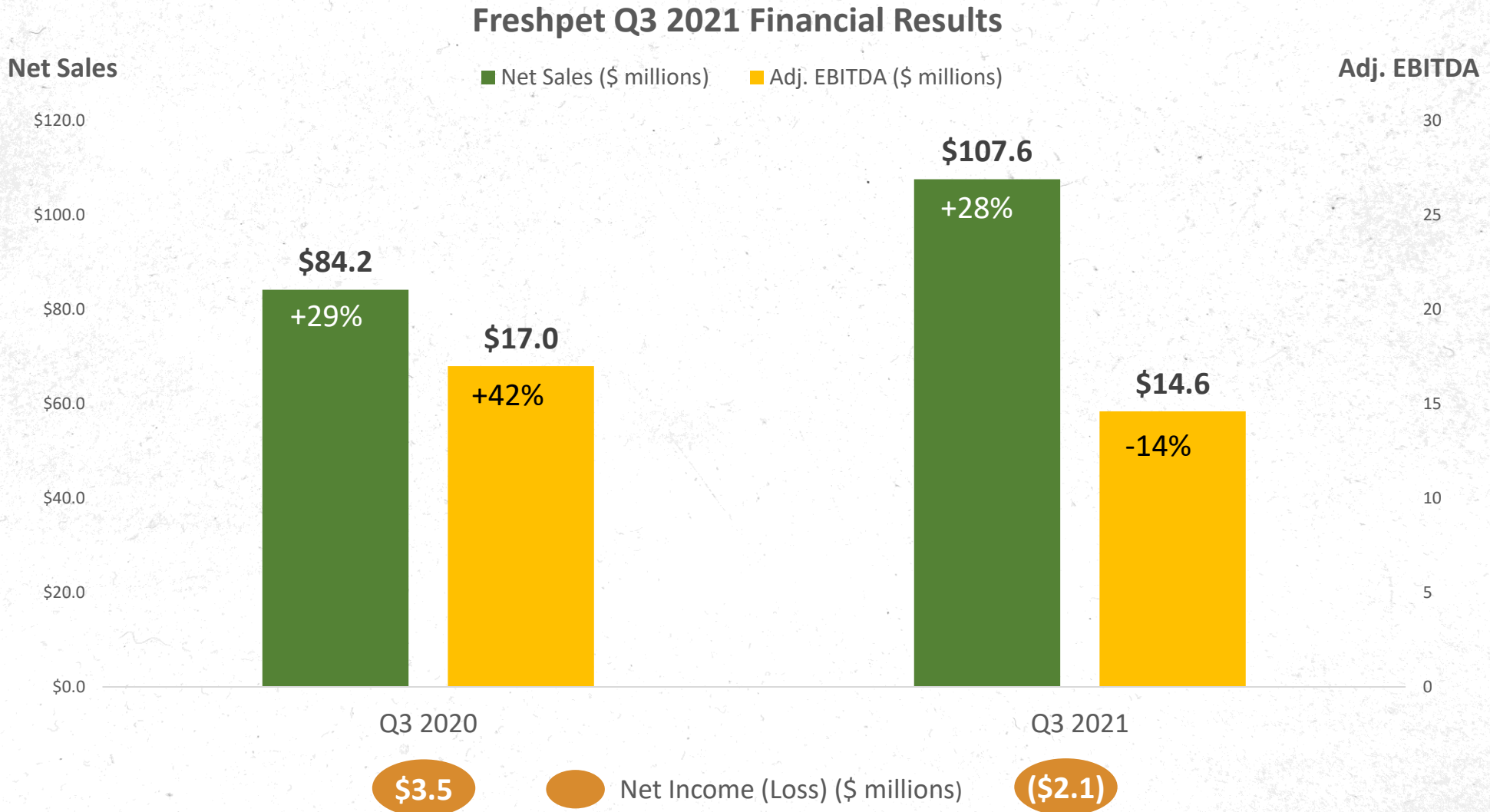
Freshpet strengthens the bond between **people** and our **pets** so that we both live longer, healthier and happier lives -- while being kind to the **planet**





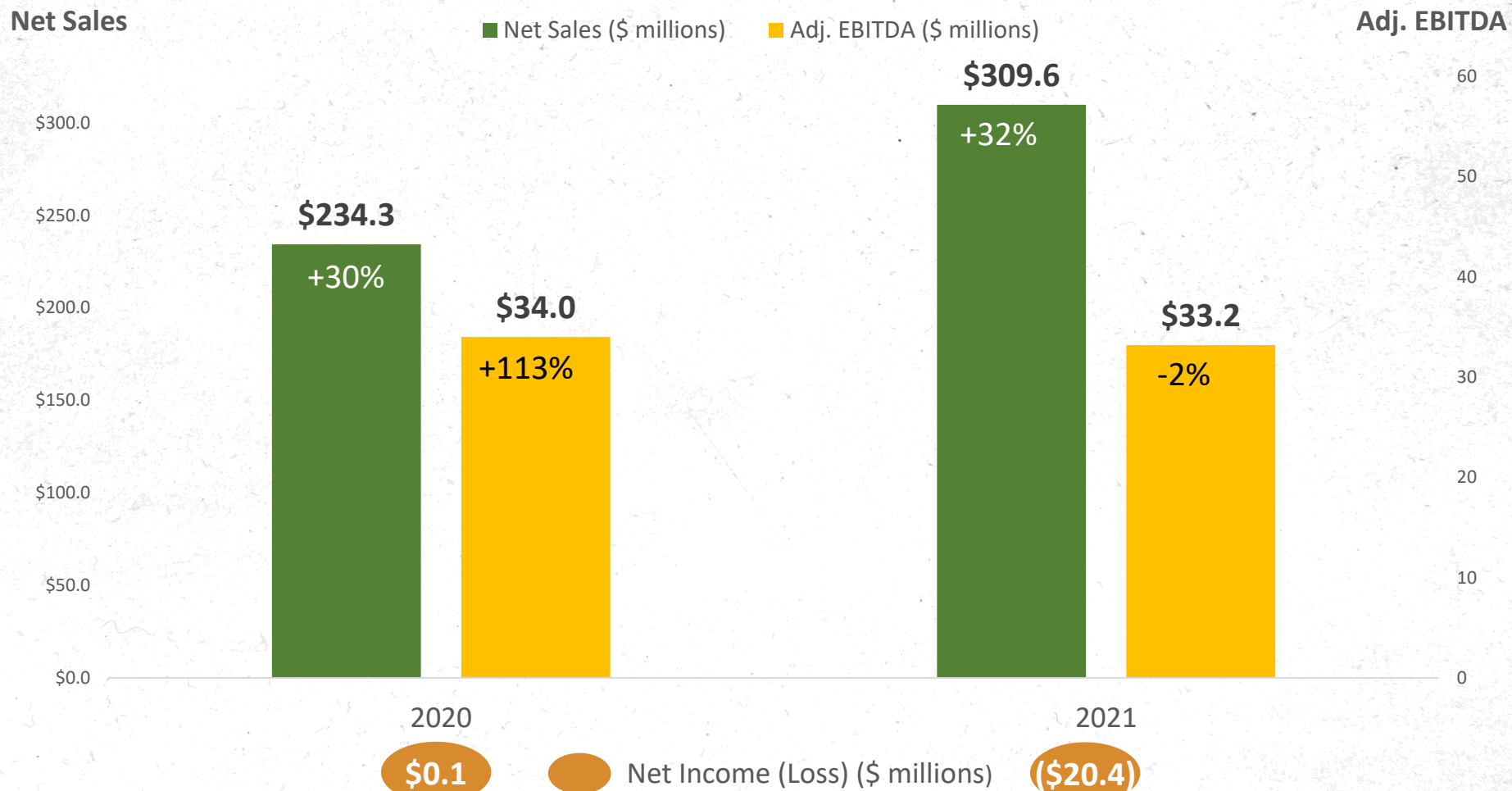
Q3 2021 Results

Q3 2021: Continued strong net sales growth offset by inflation and temporary operating inefficiencies



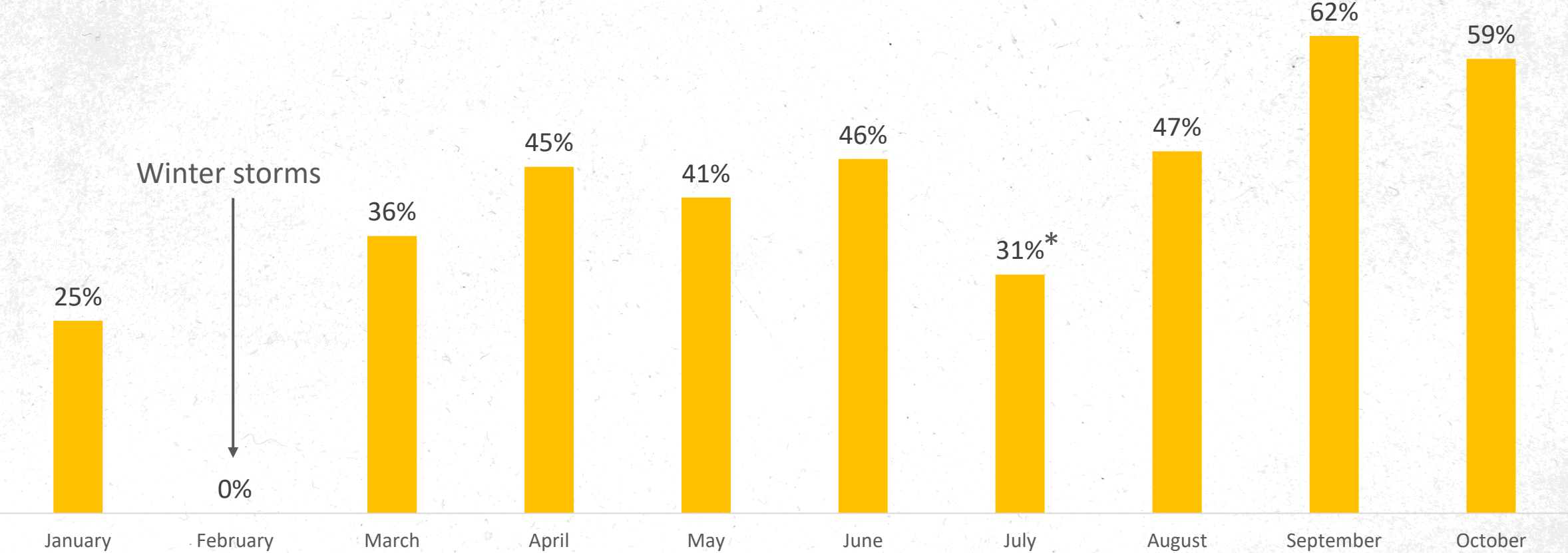
YTD 2021: Strong growth with cost challenges

Freshpet YTD Financial Results (Sept 30)



Strong production supports robust growth vs. YA

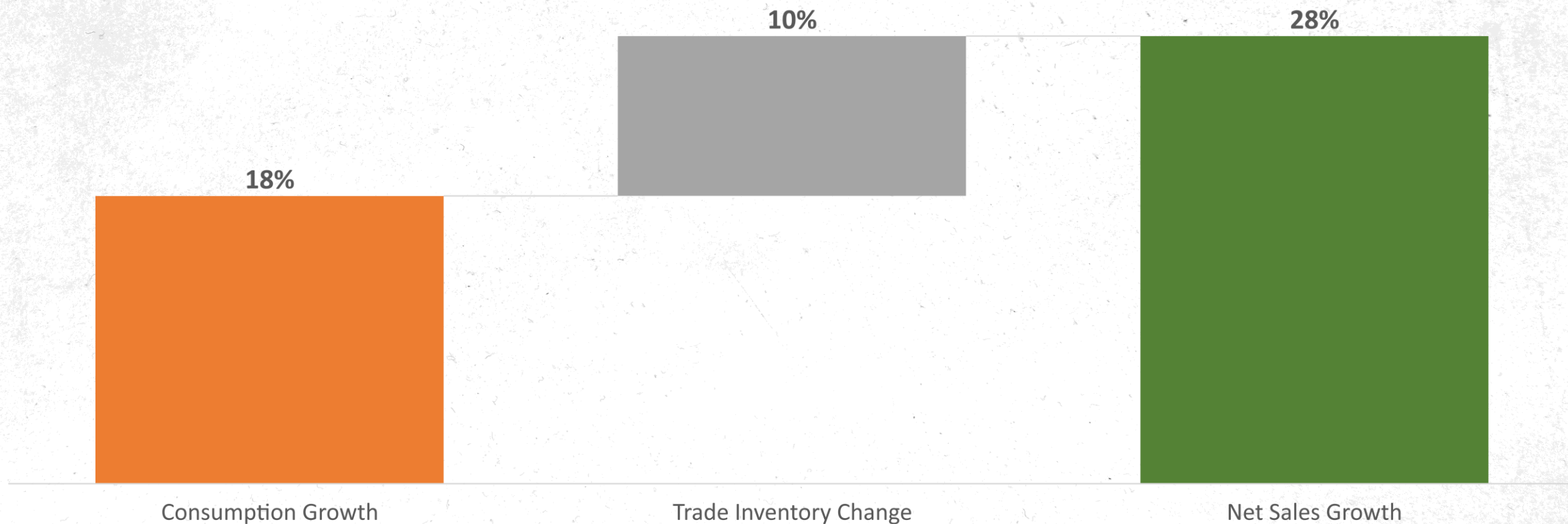
Freshpet Pounds Produced -- 2021
(growth vs. YA)



* Shut down lines for 3 days to perform maintenance over 4th of July holiday

We successfully re-filled ~\$8.5 million of trade inventory

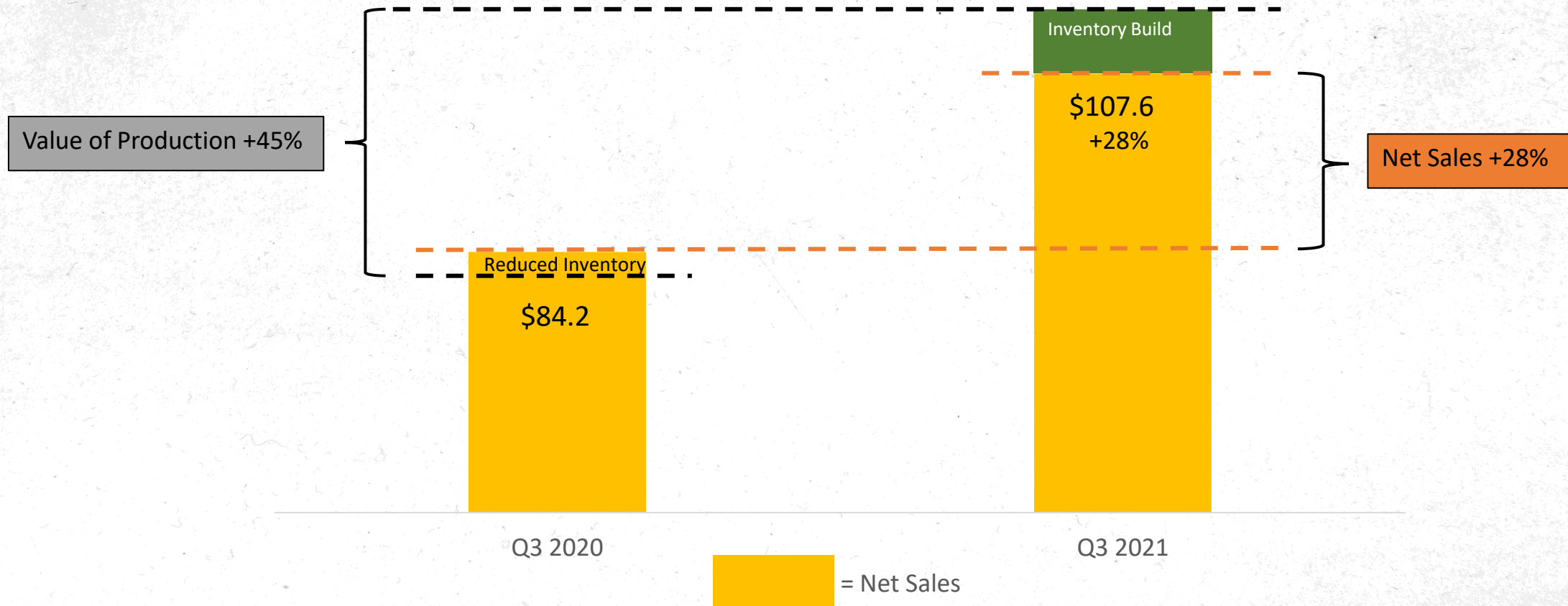
Q3 2021 Consumption to Net Sales Bridge



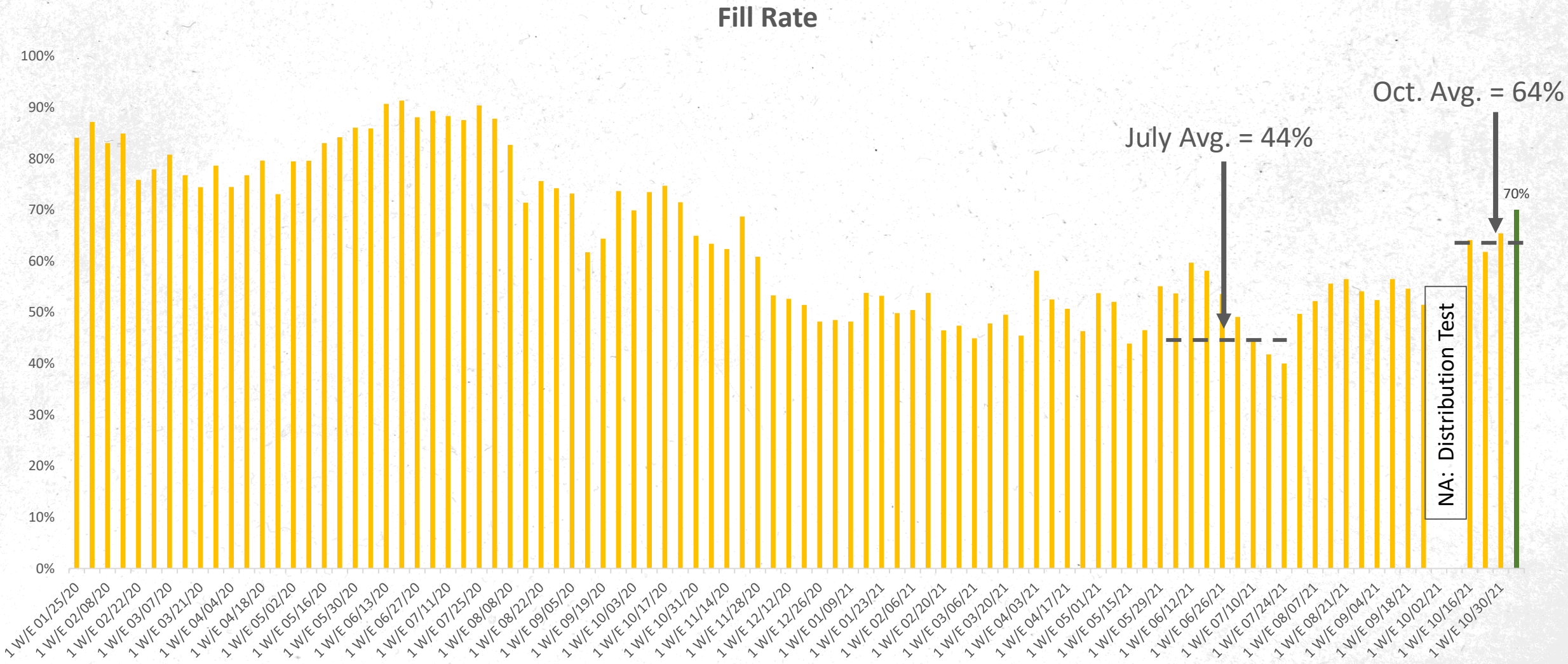
Trade inventory change includes the net sales change created by the drawdown of trade inventory in 2020 and the increase in trade inventory in 2021

Strong production growth generated internal inventory needed to improve fill rates by 20 pts.

Q3 2021 Net Sales & Internal Inventory Increases/Decreases



Fill rates improved by 20 pts since July; significant backlog of orders remain to be filled in Q4



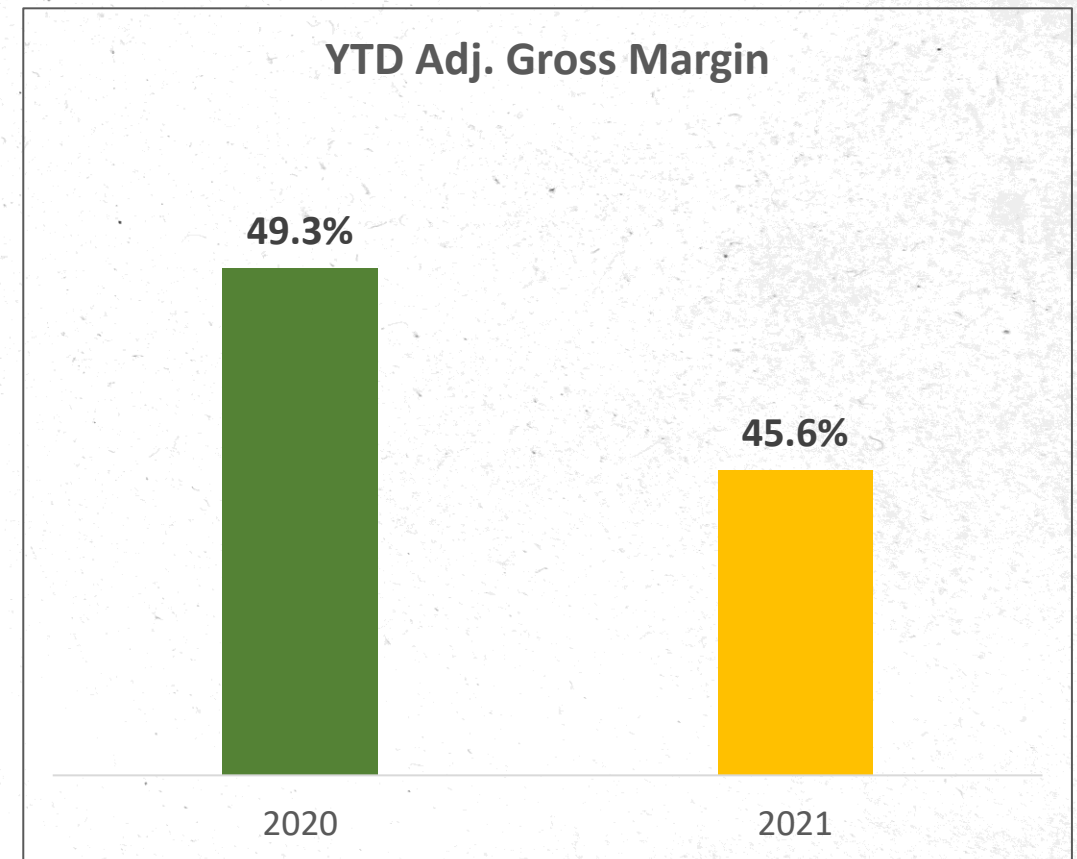
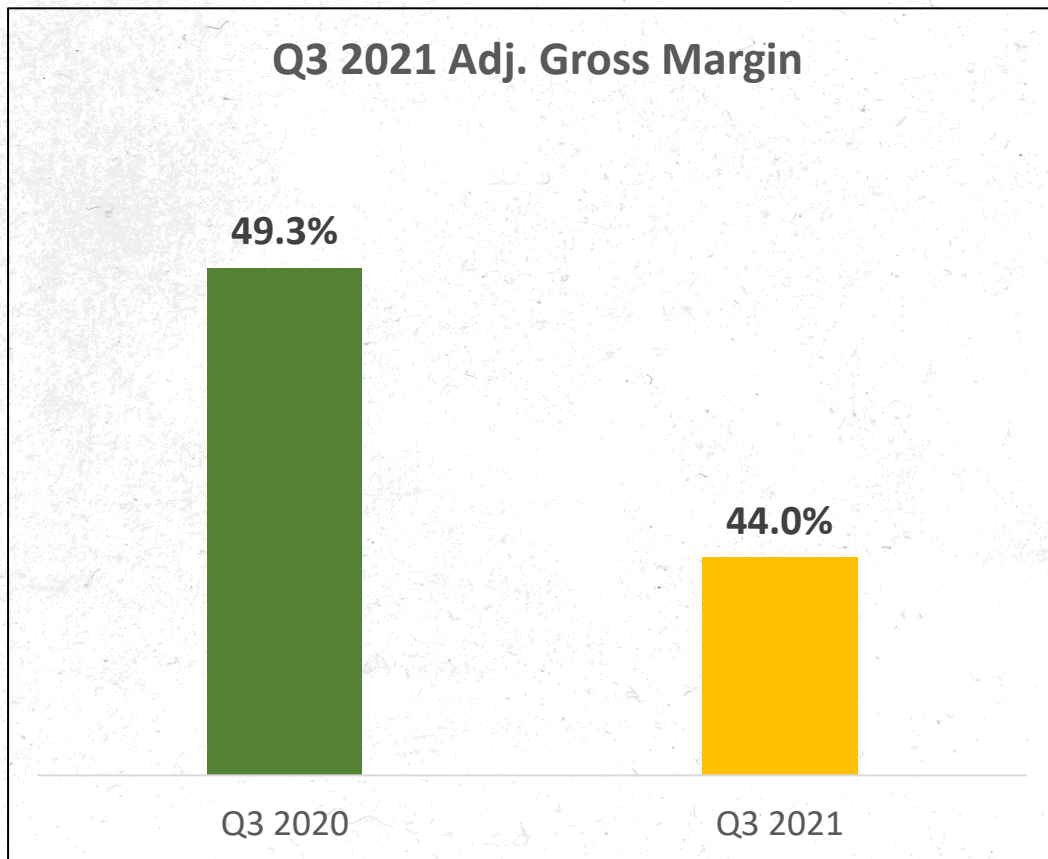
Source: Internal company data

Significant investment in maintenance and inventory limited net sales potential in Q3

Q3 2021 Production Capacity to Net Sales Capacity
(\$ millions)



Adj. Gross Margin impacted by inflation and temporary operating inefficiencies



43.5%

38.6%

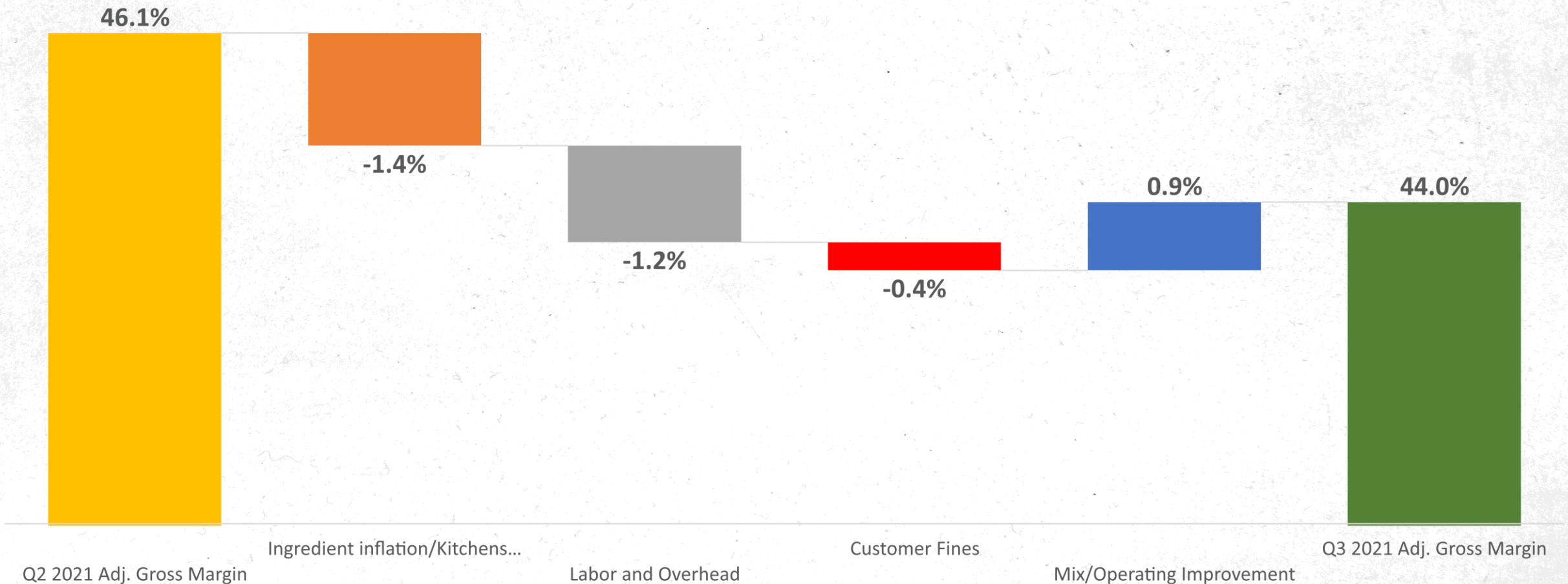
43.7%

39.1%

● Gross Margin (GAAP)

Accelerating wage and ingredient inflation had significant impact on adj. gross margin

Q2 2021 to Q3 2021 Adj. Gross Margin Bridge

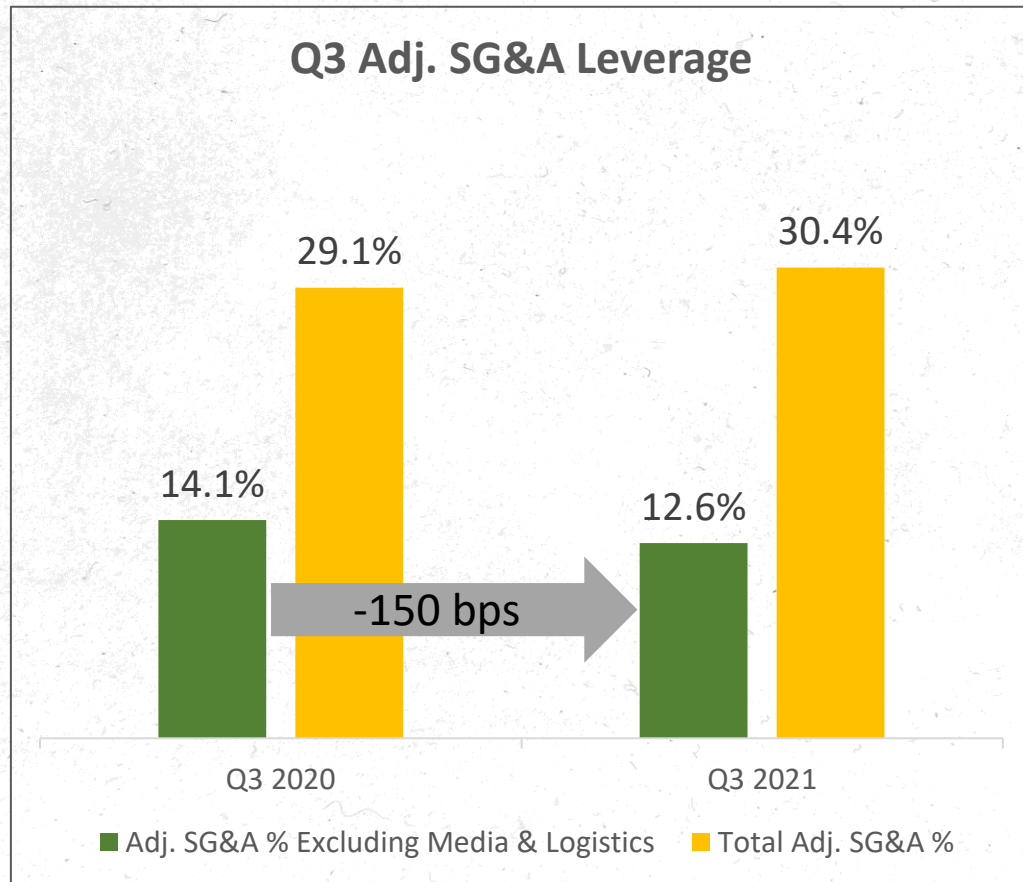


Pricing, freight, labor and high-speed technology initiatives designed to improve margins

	Q4 2021	Q1 2022	Q2-4 2022	
Pricing	4.8% Price Increase			
Freight		ERP Implementation	Bracket Pricing (Timing TBD)	Second DC (Benefits begin Q4)
Labor	Freshpet Academy: Yield, Throughput & Quality Improvements			
Operations	High Speed Lines: Kitchens South Lines 2 & 3, Ennis Lines			
Risk Mgmt		Increased Pricing to Offset Increasing Inflation (Timing TBD)		

Note: Initiatives must also offset ongoing mix shift towards lower margin bags and Kitchens South production

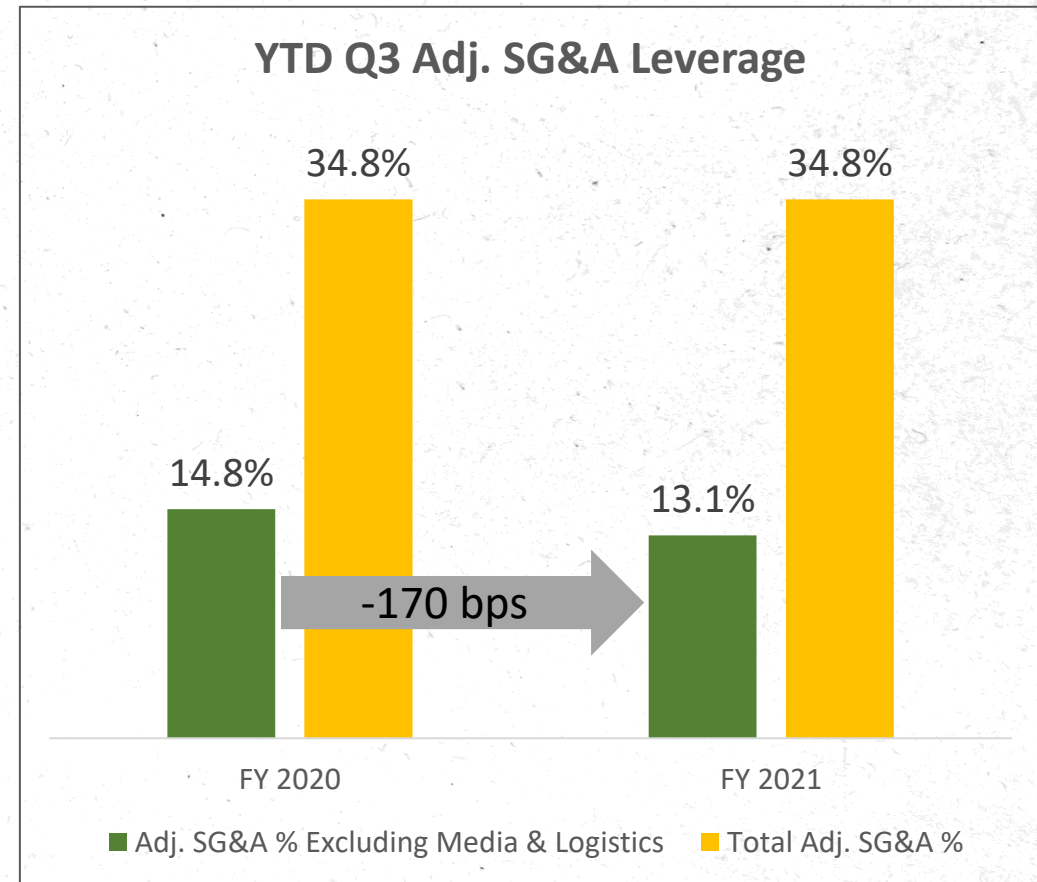
Continue to deliver significant SG&A leverage excluding media & logistics



39.1%

39.4%

● SG&A (GAAP)



43.2%

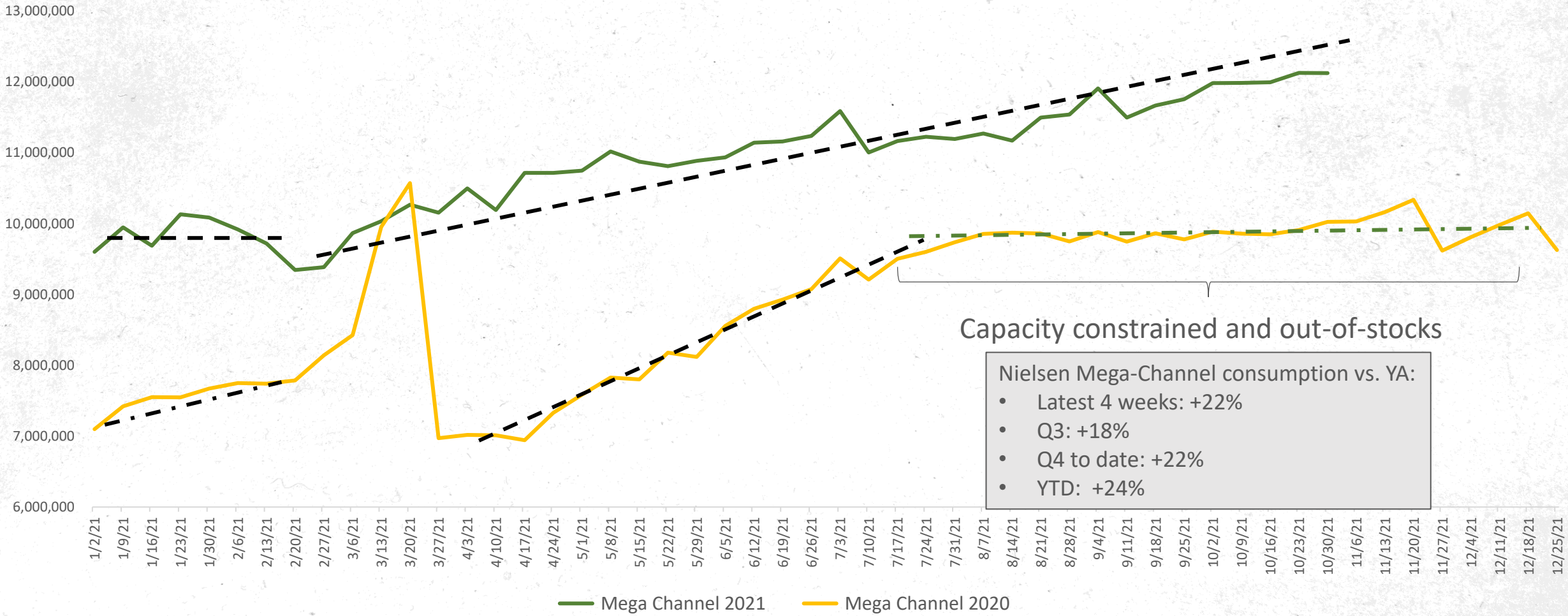
44.6%



Market Data

Consumption growth vs. YA projected to accelerate through 2H21

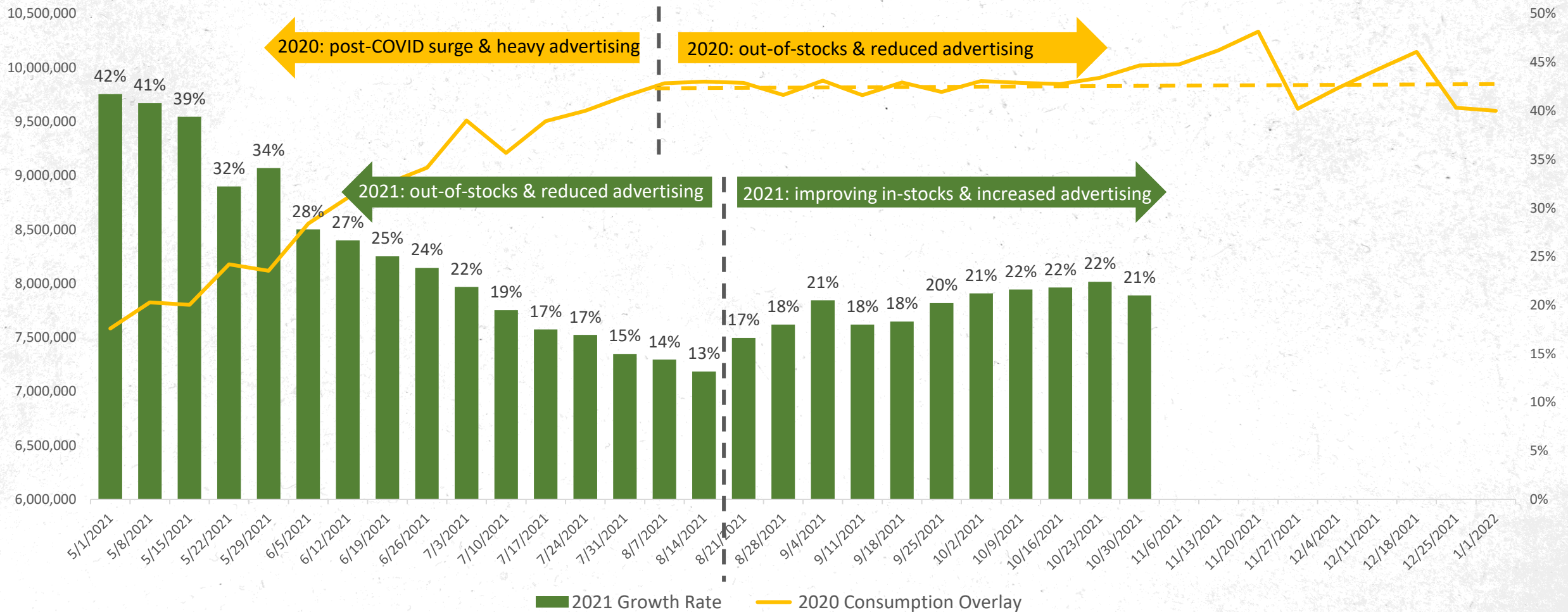
Nielsen Mega-Channel Consumption



Source: Nielsen Mega-Channel Data thru 10/30/21

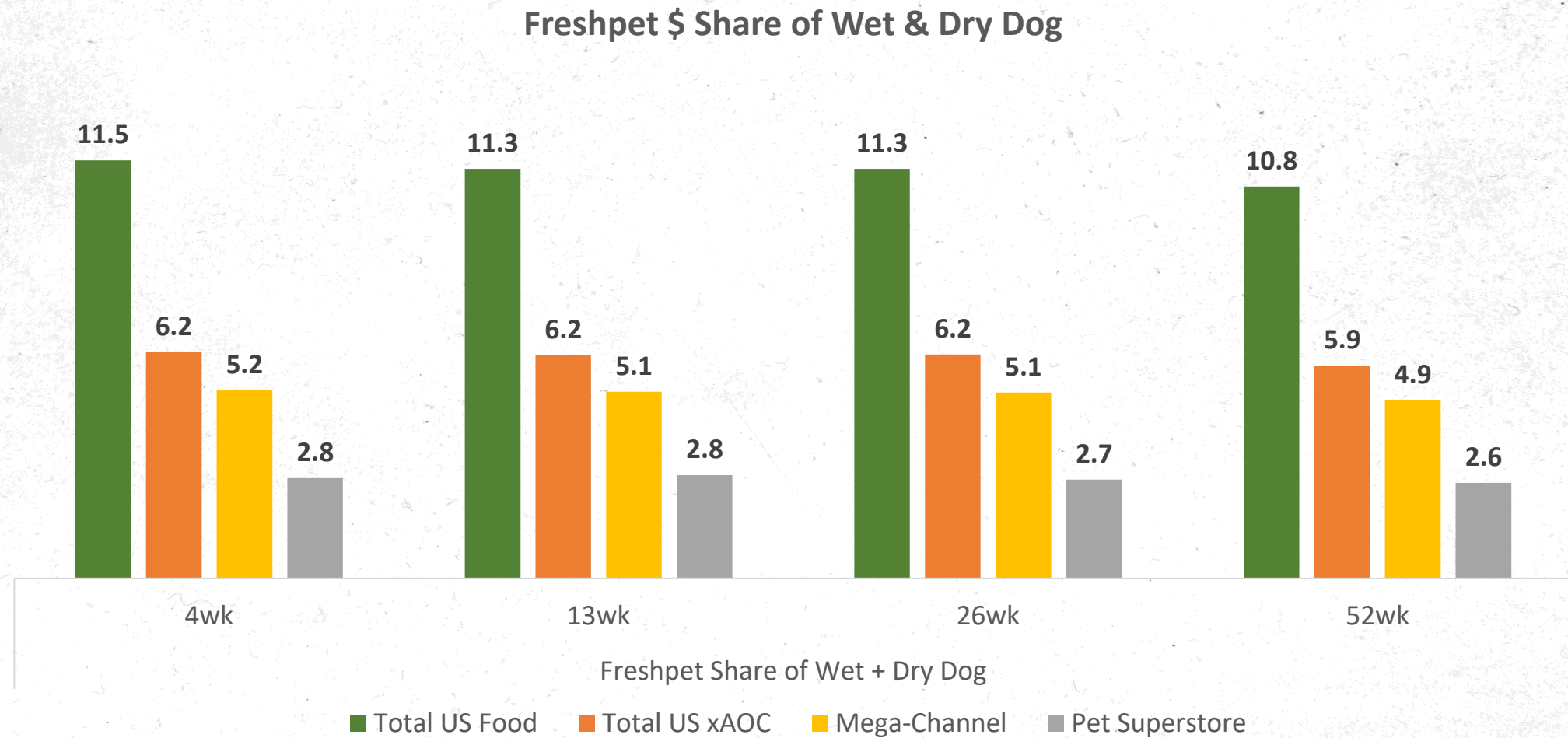
Inflection point: 2021 growth rate re-accelerates as in-stocks improve & advertising investment increases

Freshpet 2021 Growth Rate vs. 2020 Consumption



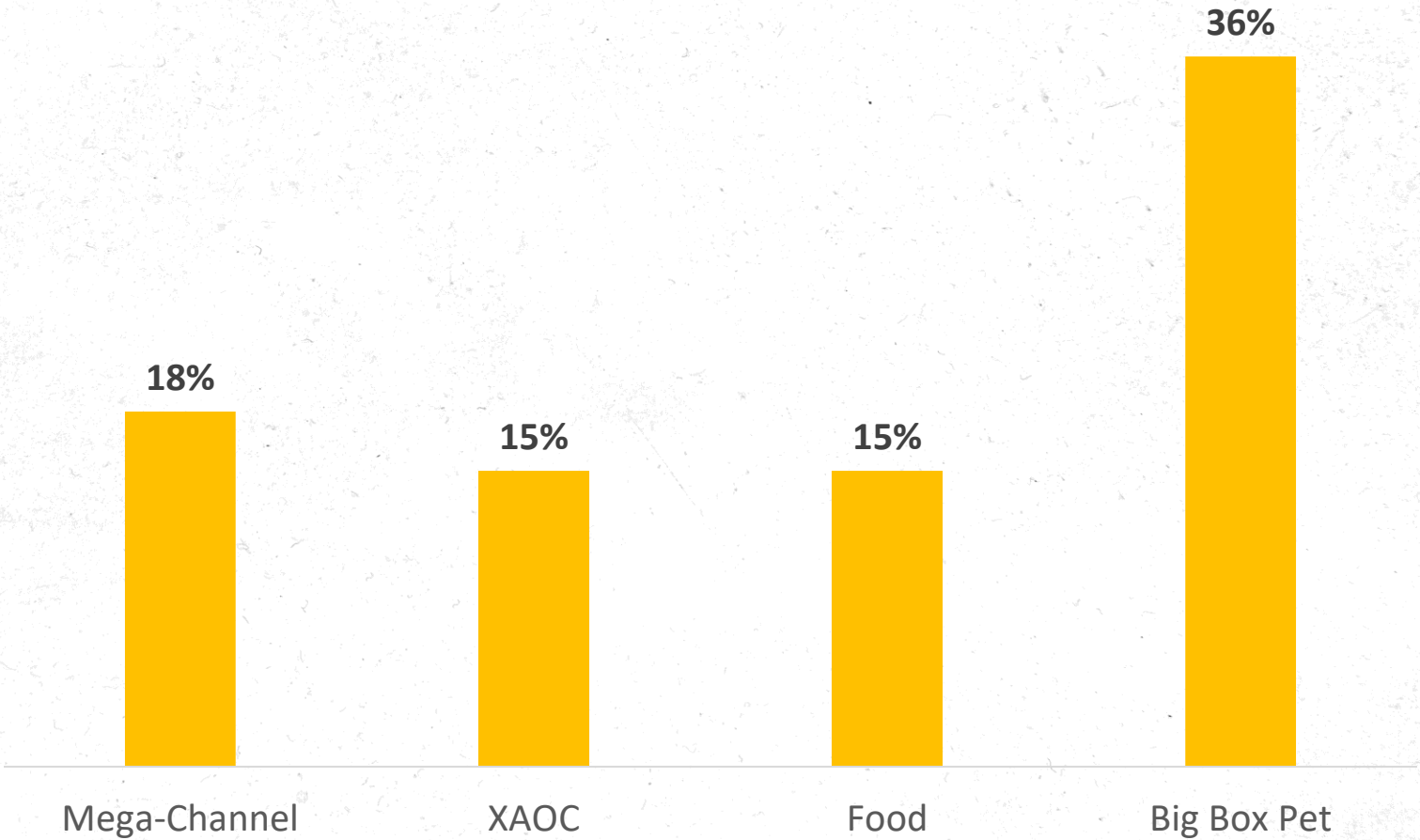
Source: Nielsen Mega-Channel Data thru 10/30/21

Freshpet: Building meaningful share of the category



Out-of-stocks constrained growth in Q3; continued strength in pet specialty

Latest 13 Week Nielsen Consumption Growth



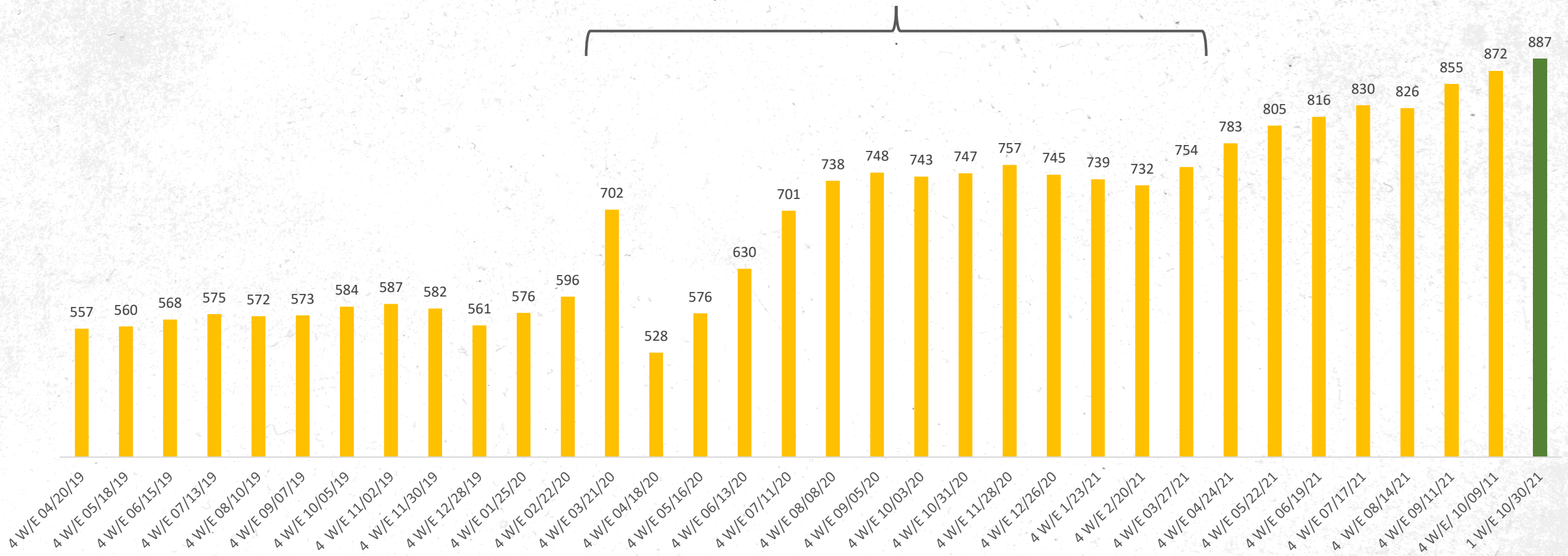
Source: Nielsen consumption data thru 9/25/21

Continued strong velocity gains

Freshpet Velocity

\$ / \$MM ACV

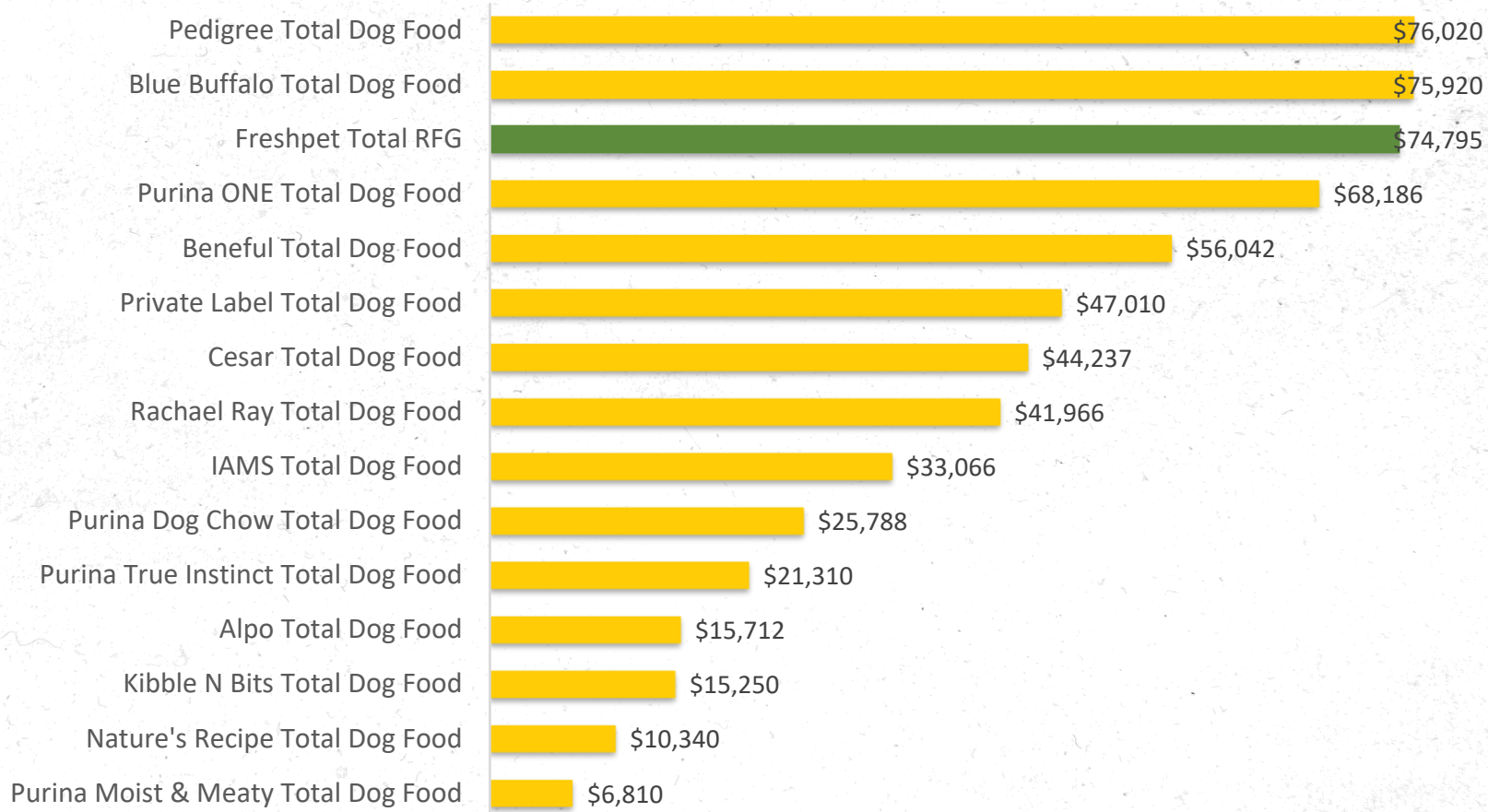
COVID Crisis



On a total brand basis, Freshpet now rivals the leading brands in the grocery channel

Total Wet & Dry Dog Food Brands Dollar Sales: US Food

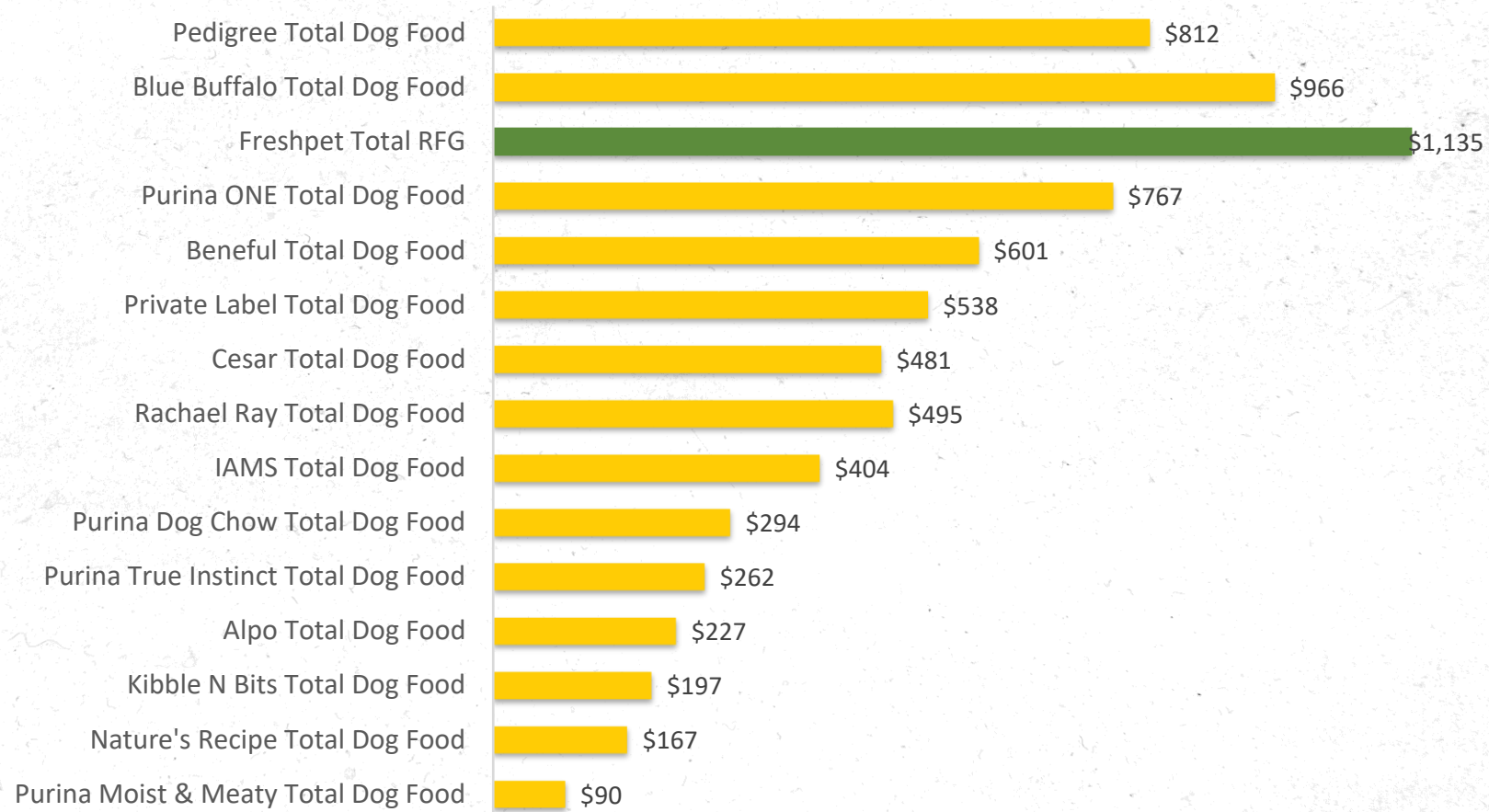
(Latest 13wks thru 10/09/21 -- \$M)



Freshpet velocity leads the category in grocery

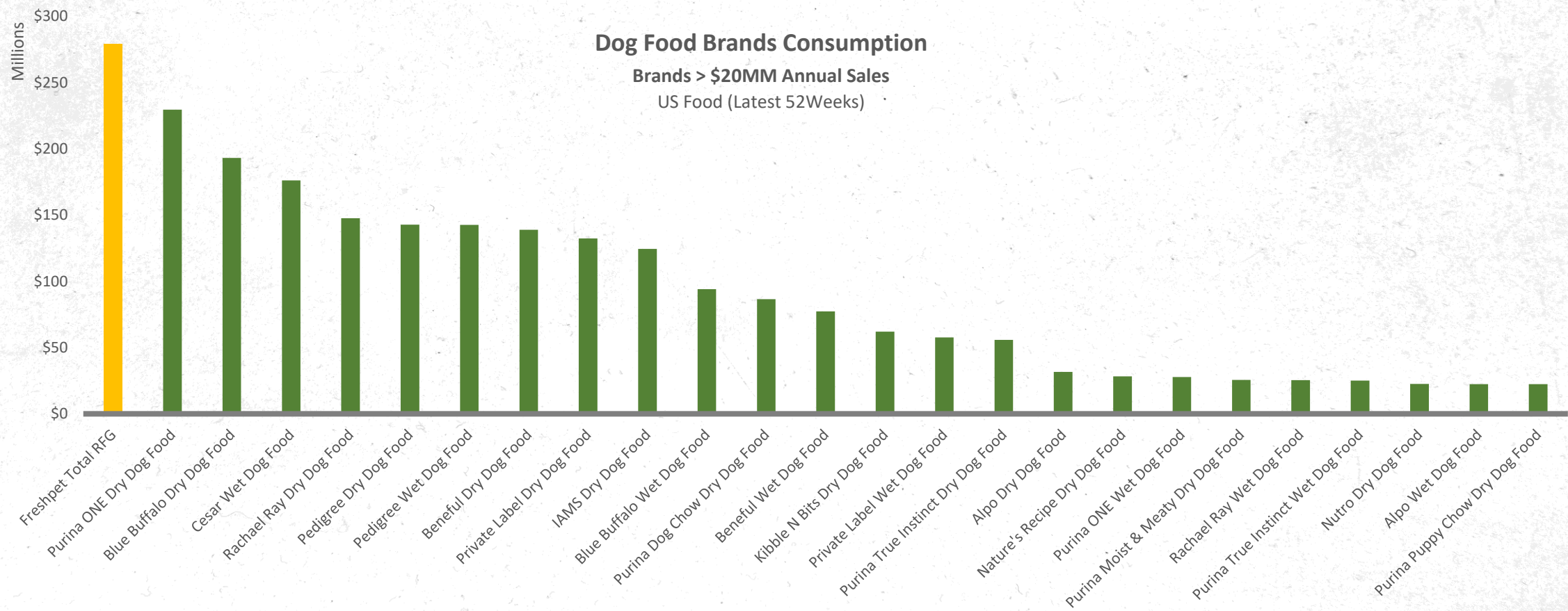
Total Wet & Dry Dog Food Brands Dollar Velocity: US Food

(Latest 13wks \$/%ACV thru 10/09/21 -- \$M)



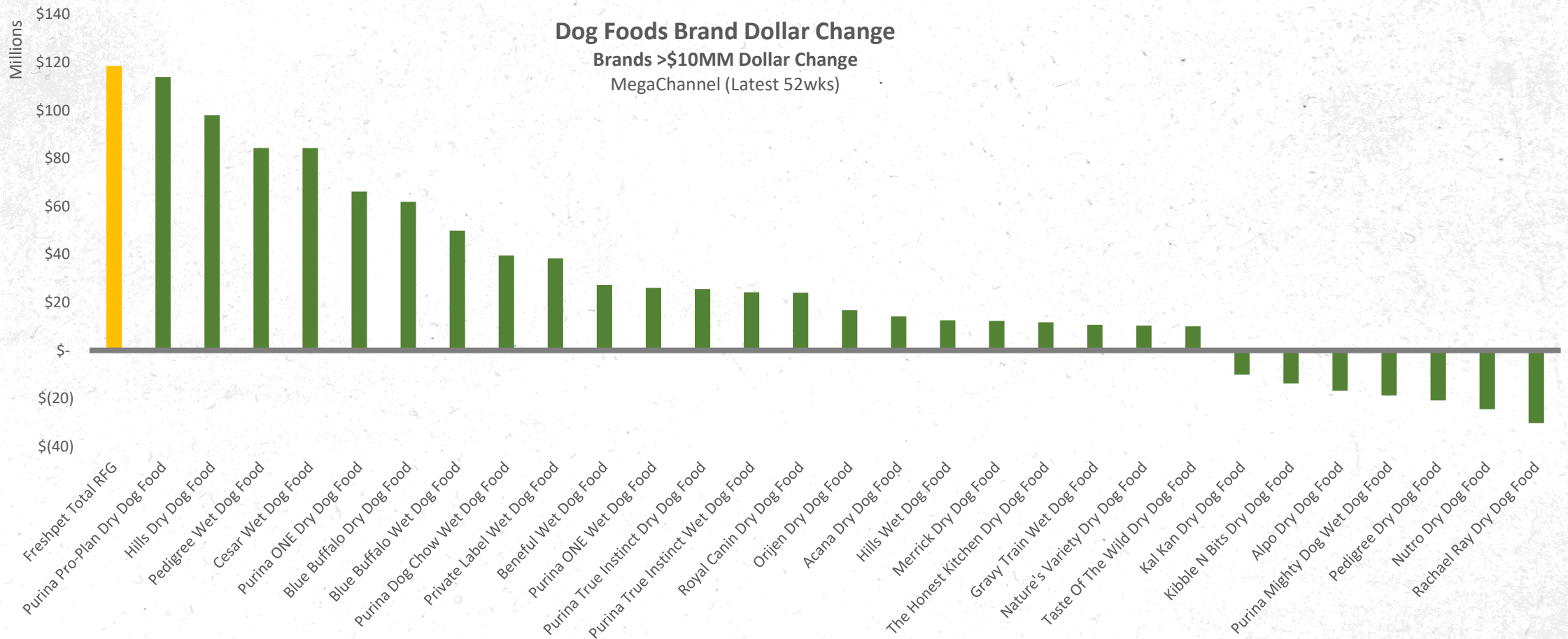
Retailers paying attention: Freshpet is #1 brand by dollar sales in US Food

Larger Dollar Sales Than All Dry Dog Food Brands in US Food (Grocery)



Retailers paying attention: Freshpet is fastest growing brand by dollar sales

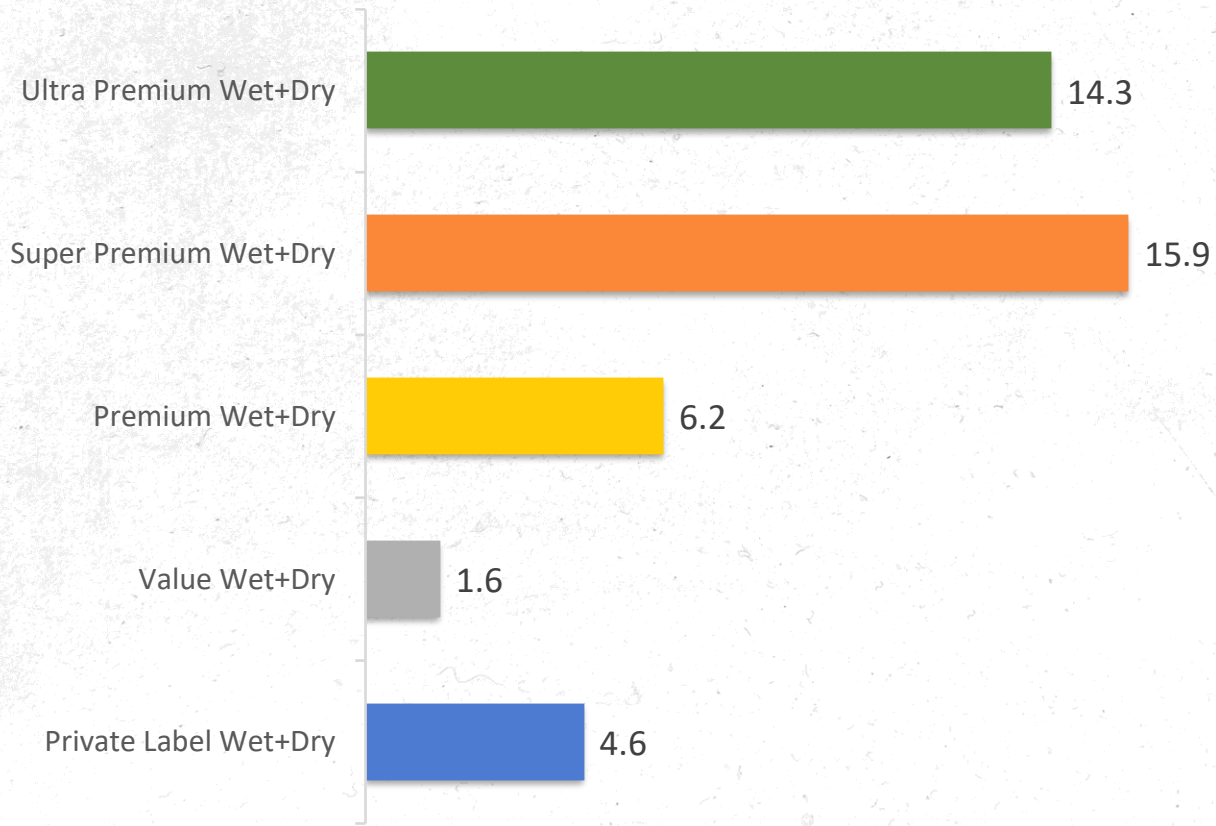
Largest Dollar Growth in Wet & Dry Dog Food



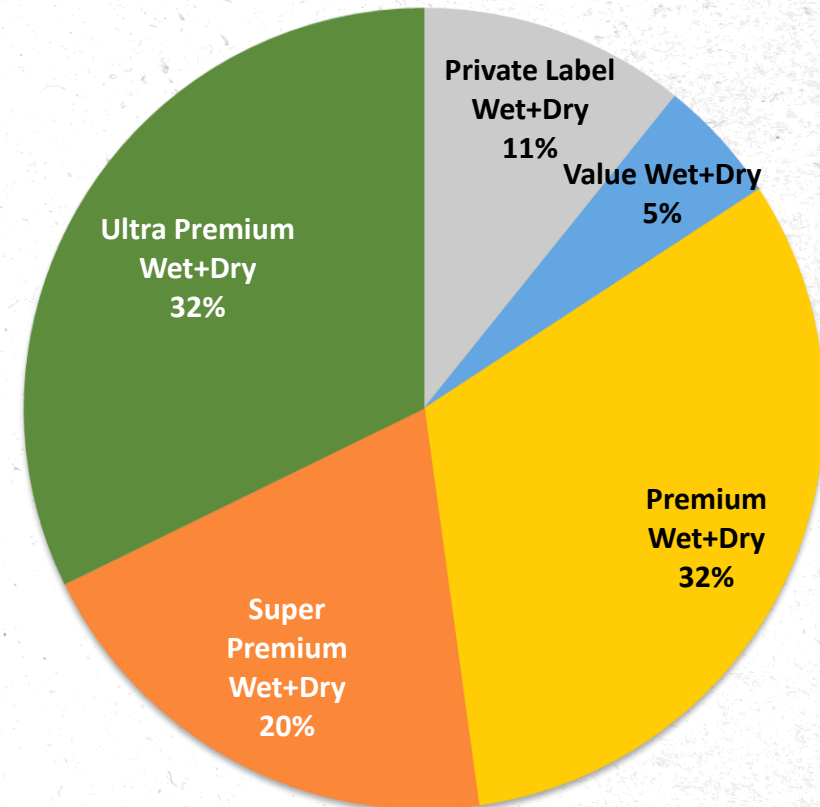
Category growth skews towards premium items

Growth by Value Segment

Latest 13wks dollar sales vs. YA

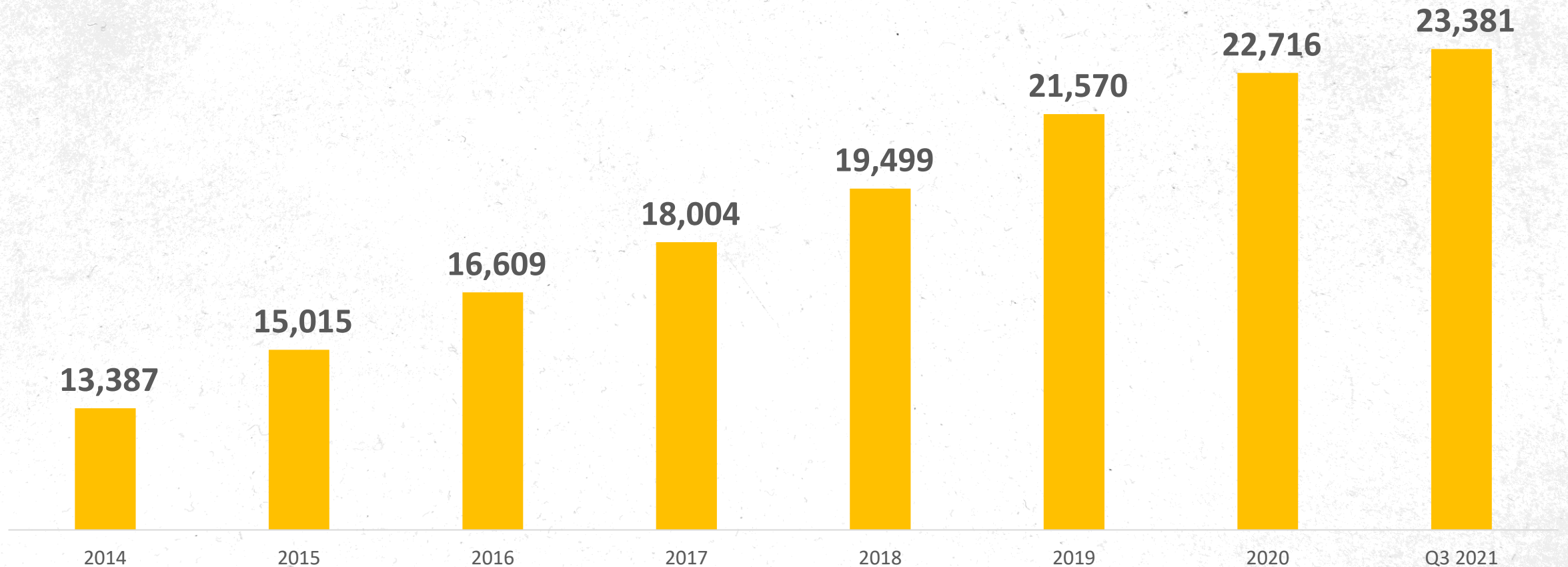


Value Segment Size Latest 13wk Dollar Share



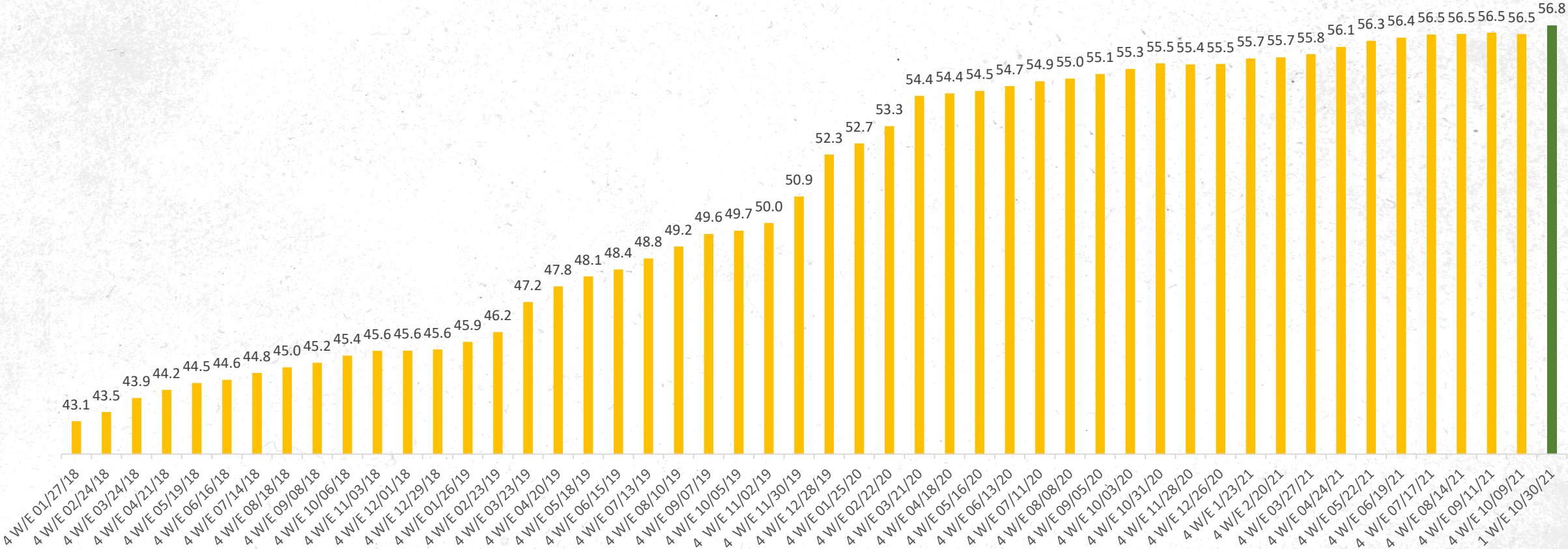
Despite out-of-stocks, store count continued to grow

Freshpet Store Count



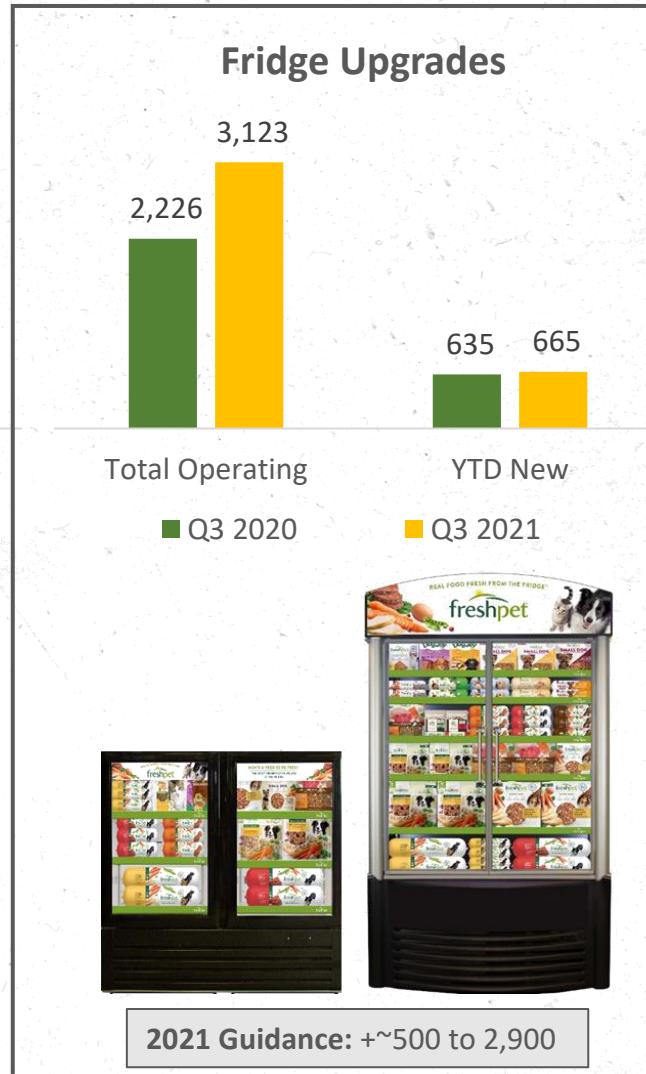
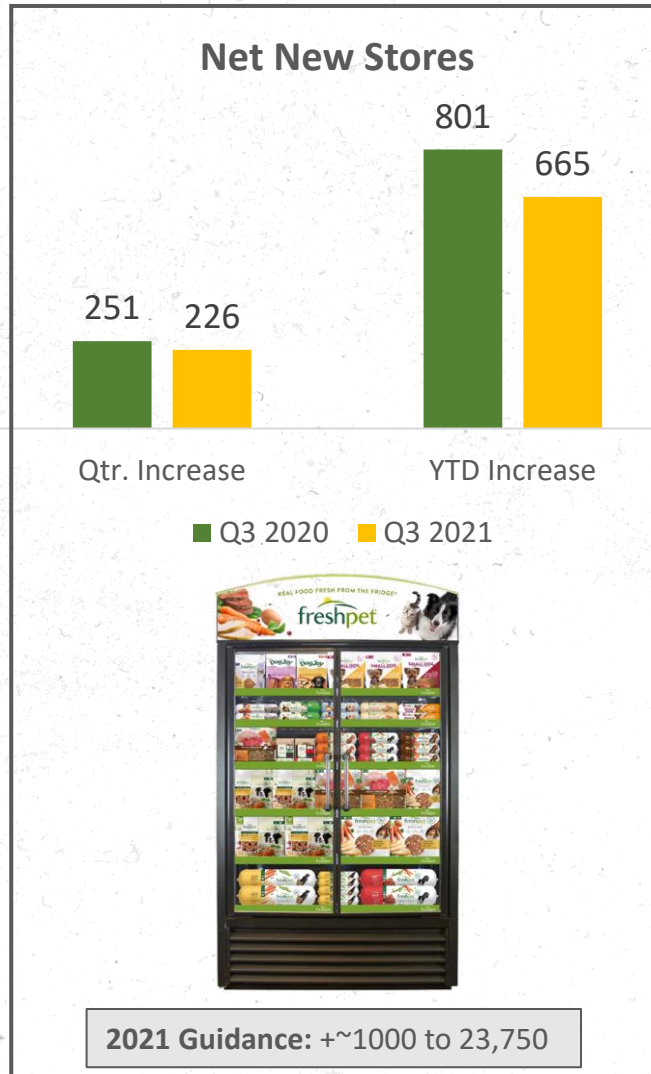
Distribution growth continues despite capacity limits

Freshpet % ACV

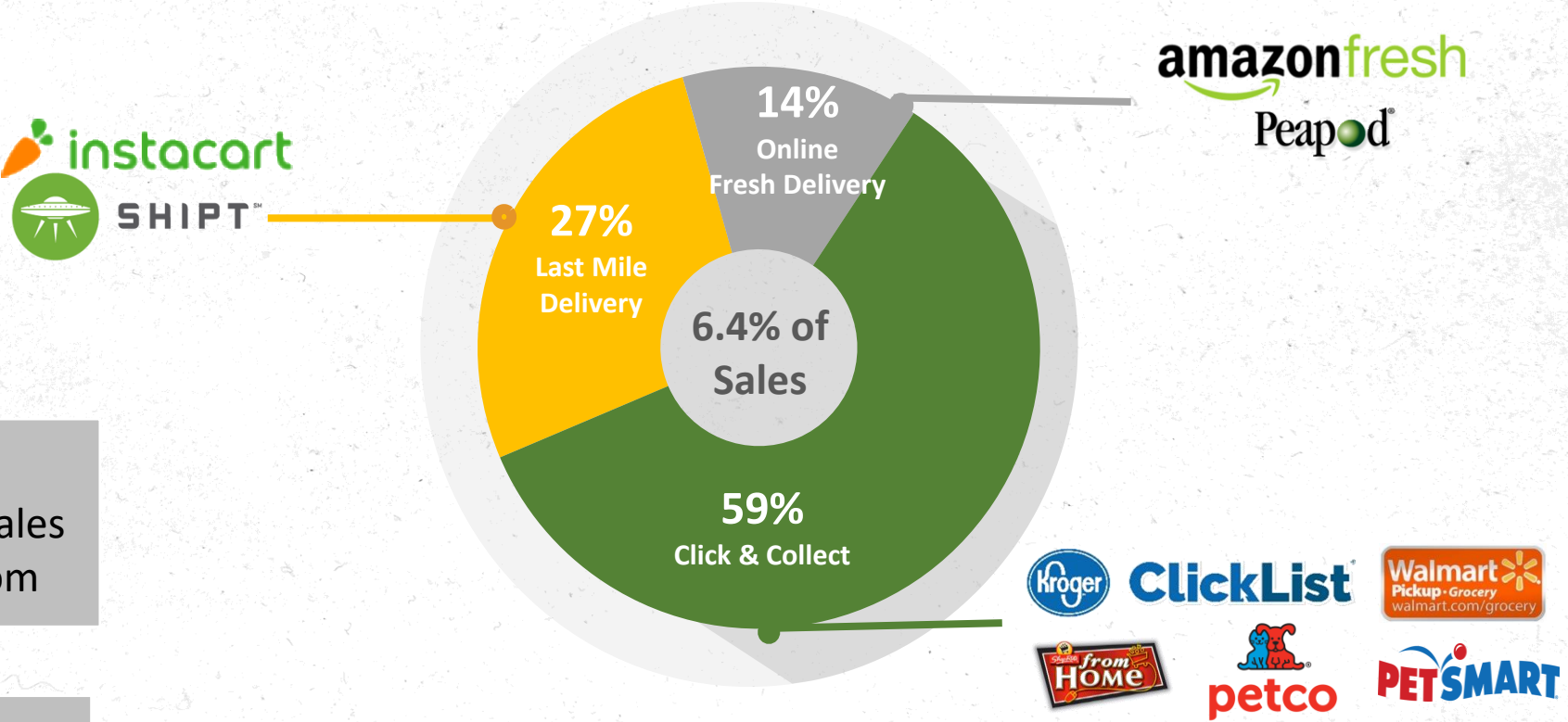


Source: Nielsen Mega-Channel Data thru 10/30/21

Q3: Continued increases in retail availability & visibility



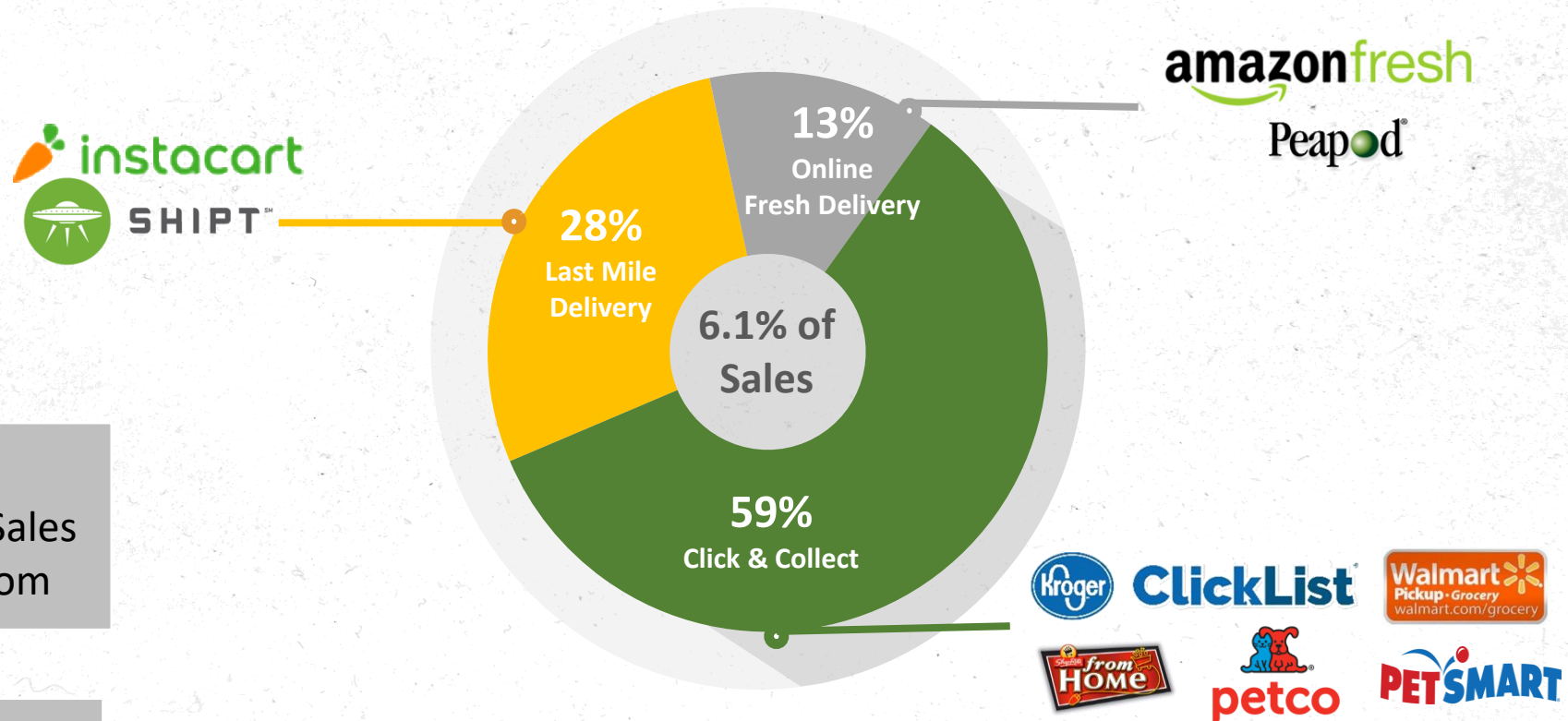
Q3 2021 Freshpet E-Com grew +57% vs. YA



6.4%
% of Total FP Sales
Through E-Com

86% of Sales
Contribute to Brick
& Mortar

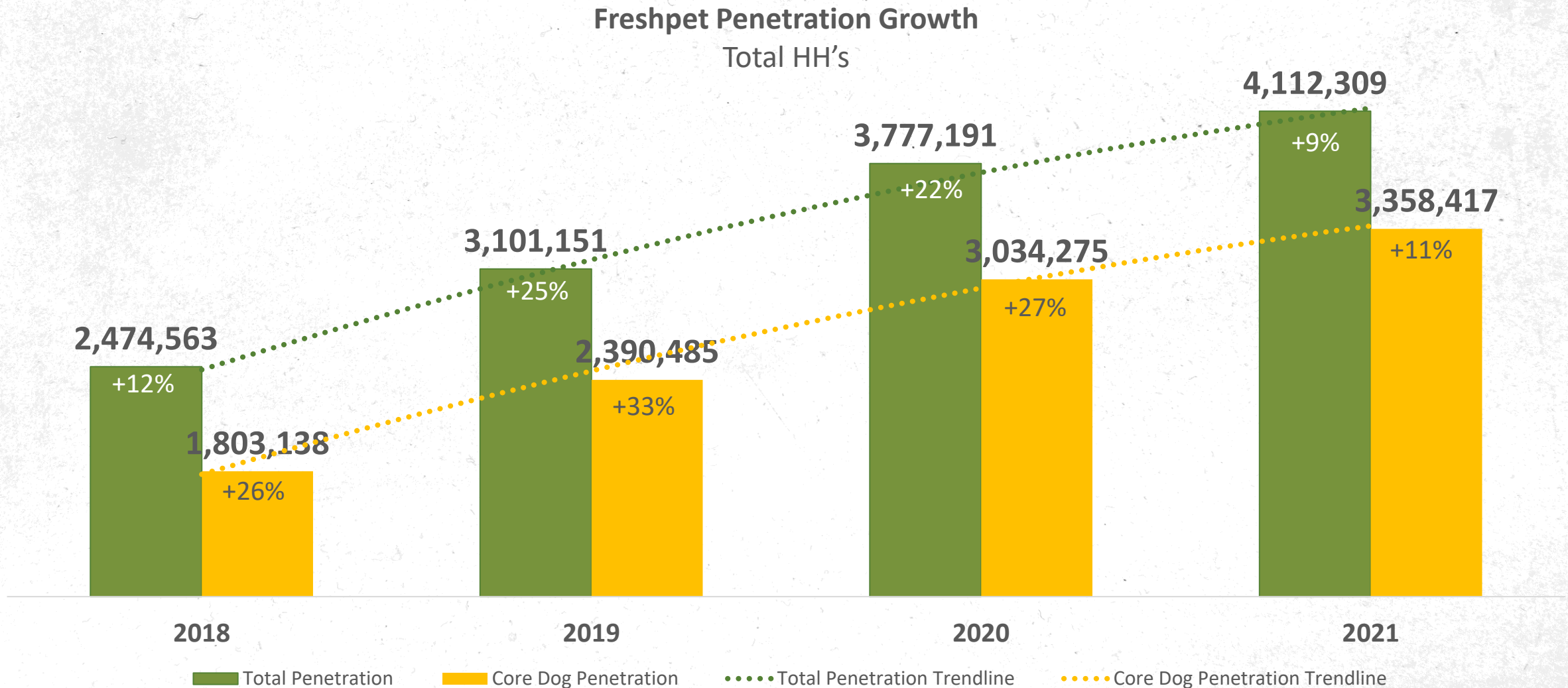
YTD Q3 2021 Freshpet E-Com grew +74% vs. YA



6.1%
% of Total FP Sales
Through E-Com

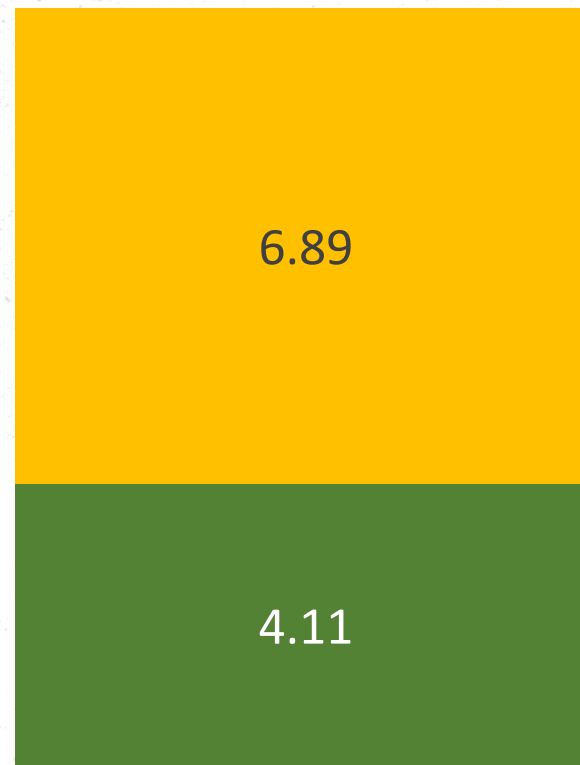
87% of Sales
Contribute to Brick
& Mortar

HH penetration growth is temporarily restrained by out-of-stocks



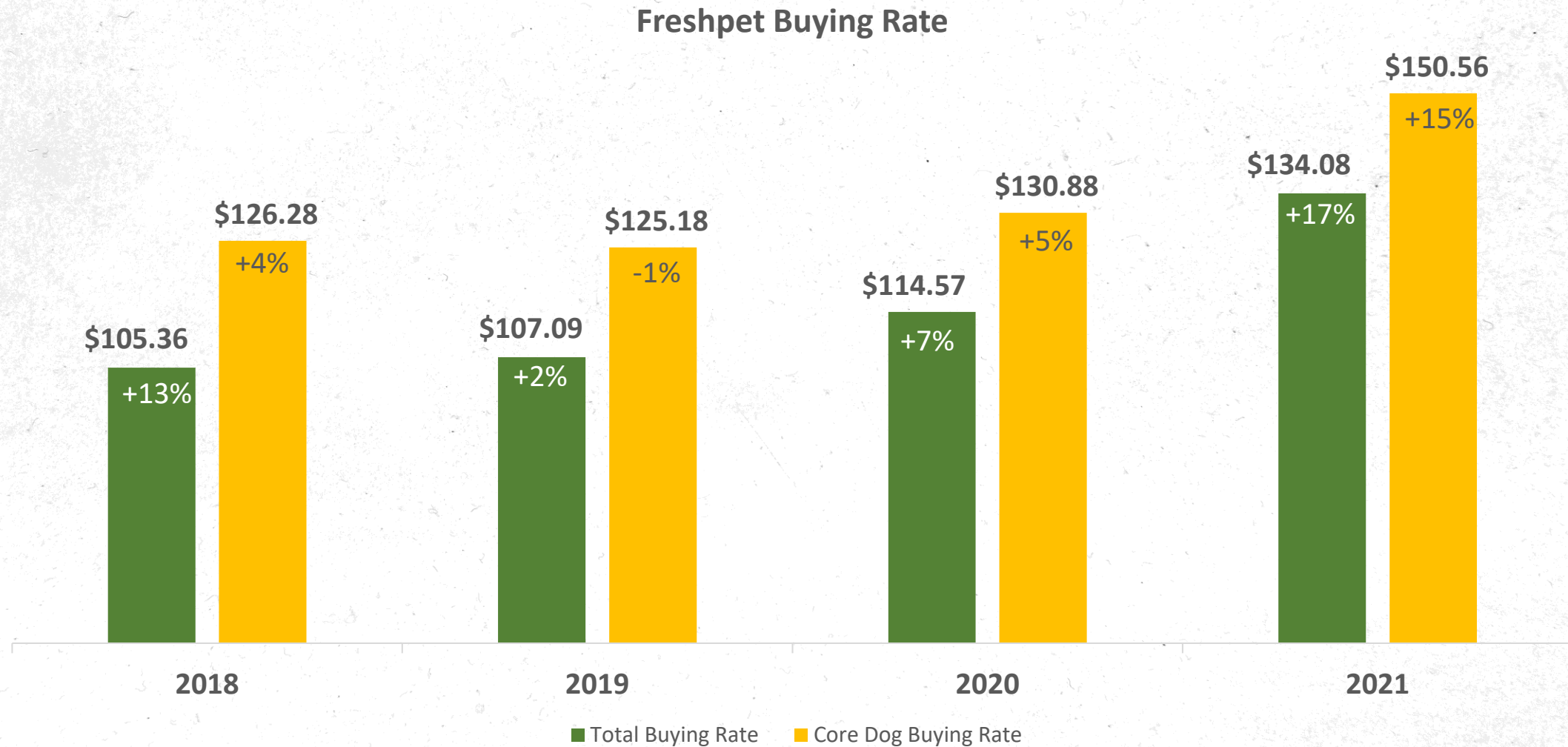
Exceeded 4 MM HH's: On our way to 11 MM HH goal

Progress Towards 2025 Household Penetration Goal



■ Current HH Penetration ■ 2025 Target HH Penetration

Buying rate continues to grow despite out-of-stocks



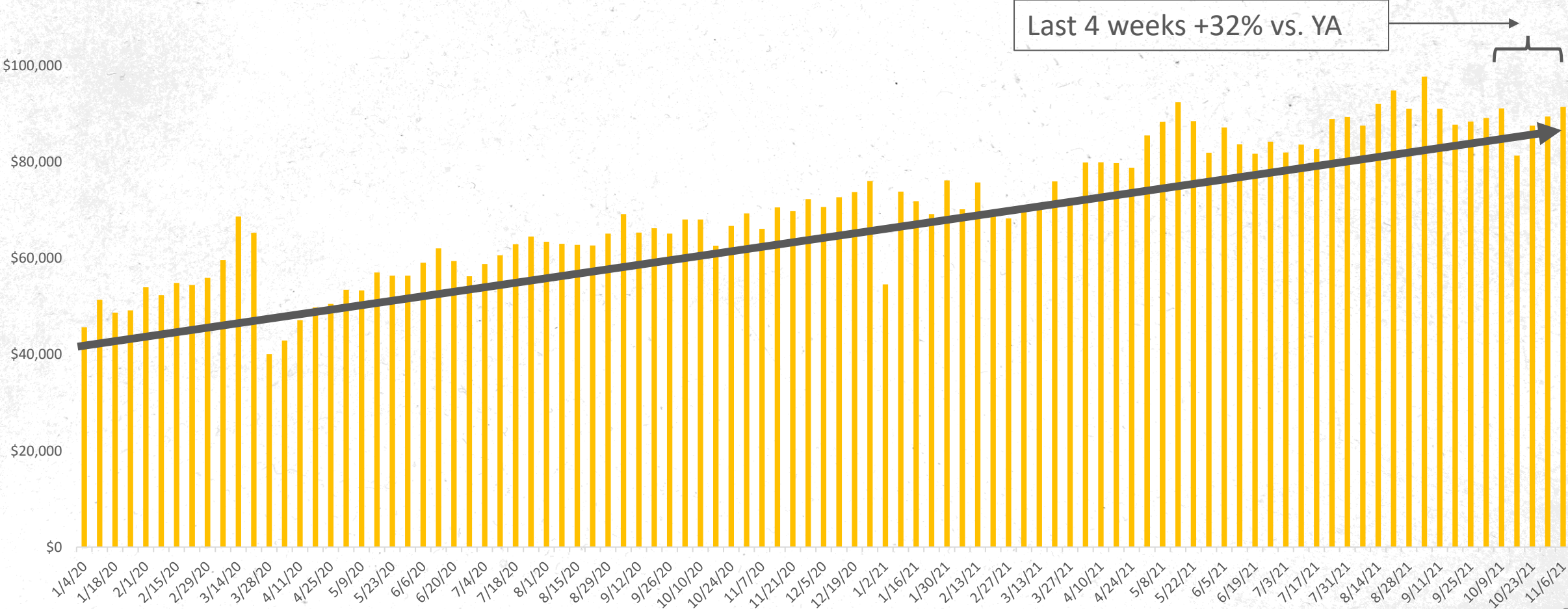


International Business

Canadian business accelerating behind advertising investment

Leading Canadian Freshpet Retailer

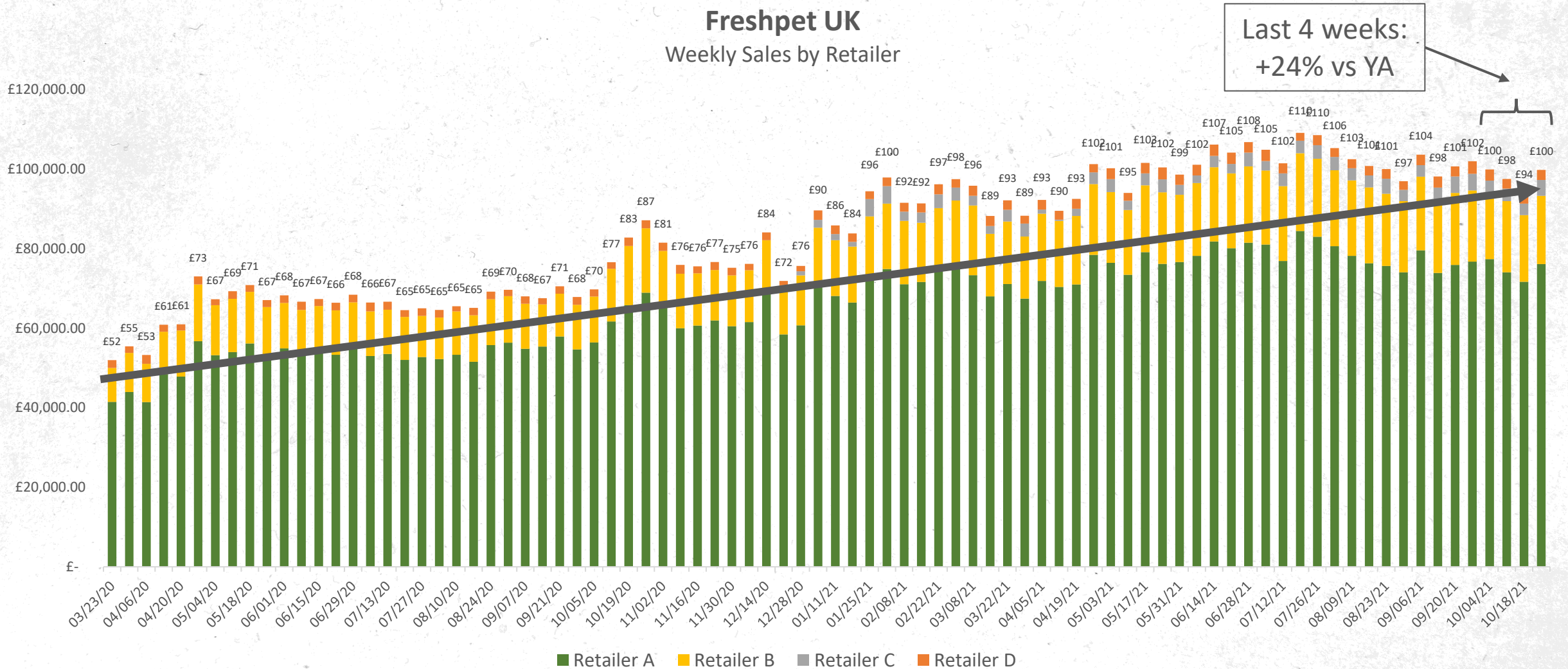
Weekly Sales



Last 4 weeks +32% vs. YA

Source: Internal company data for the period ending 11/6/21

Freshpet's advertising-driven model works in the UK



Source: Internal company data for the period ending 10/30/21



Guidance

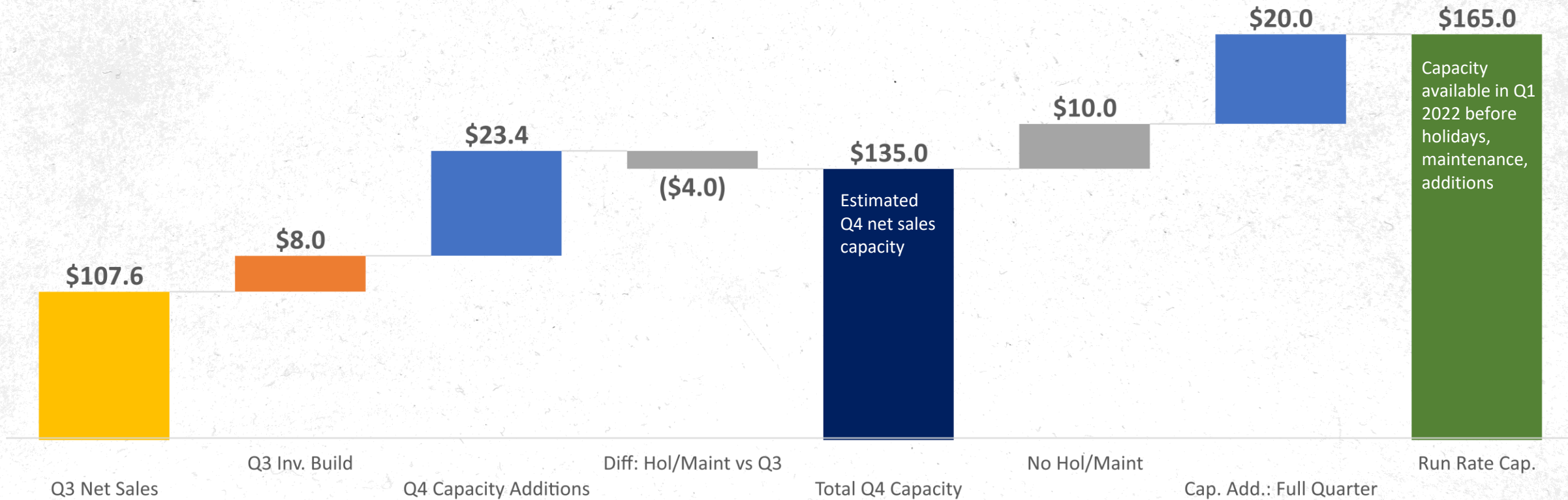
2021 Adj. EBITDA guidance updated to reflect incremental inflation and temporary inefficiencies

\$ in Millions	Previous	New	Change
Net Sales vs. YA	>\$445 +40%	~\$445 +40%	--
Adjusted EBITDA vs. YA	>\$61 +30%	~\$50 +7%	-\$11

- **Net Sales:** Provides consideration for delay in Kitchens South Line #2 start-up timing
- **ERP Conversion:** Delayed to February 2022 due to need for improved inventories to protect against out-of-stocks in the event of production challenges post-conversion
- **COVID Addback:** Anticipating \$2.0 million in COVID-related costs in 2021; we have rolled back supplemental compensation due to broadly available vaccines

We expect to have significantly more net sales capacity in Q4 than Q3

Q3 to Q4 2021 Production Capacity Bridge



Q4 Capacity Additions = 1) Net impact of return of RM 1 to service; 2) Full quarter impact of 24/7 in Kitchens 2; 3) Partial quarter of Kitchens South Line 2

Q4 net sales will grow significantly vs. Q3 and YA



Increased production capacity



Volume from re-filling trade inventory



Improved in-store availability

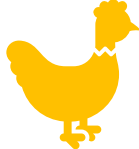






Strongest Q4 marketing investment ever



Healthy demand for Freshpet in Q4

Inflation and temporary operating inefficiencies accelerated in Q3 and expected to continue in Q4

Key cost element	Chicken 	Beef 	Packaging 	Labor 	Freight 
Potential cost impact	Priced annually in December; likely impact next year	Priced quarterly; assumed in plan	Floats with resin price; increases seen in all materials	Labor market tightness is driving cost increases at virtually every supplier	Assumed inflation but exceeding expectations; fuel costs have skyrocketed

- Full year 2021 adj. gross margin will be below 2020 (<48.3%)
- We need increased pricing and elimination of temporary operating inefficiencies to restore adj. gross margin
- Announced plans to increase prices 4.8% at the end of this year
- Will consider additional pricing if increased costs necessitate it

COVID Impact & Addback

Q1 Results

- Includes \$950K of COVID-related addbacks for supplemental wages to production team, incremental sanitation and health screening, and above normal absenteeism

Q2 Actuals

- Team members became eligible for vaccines on March 31, 2021
- Offered team members an incentive to provide documentation that they have successfully been vaccinated
 - 2 days of paid time off if vaccinated by June 1; 1 day of paid time off if vaccinated between June 1 and August 1
 - \$25 gift card
 - Entered in drawing to win \$1500
- Continuing all safety protocols, supplemental wages, testing/quarantine costs

Q3 Actuals & Q4 Expectations

- Anticipated completion of COVID addback
- Final quarter of supplemental pay and compensation for testing/quarantine in Q3
- Likely to maintain screening and sanitation as an ongoing cost that we can absorb
- Will begin testing in Q1 2022

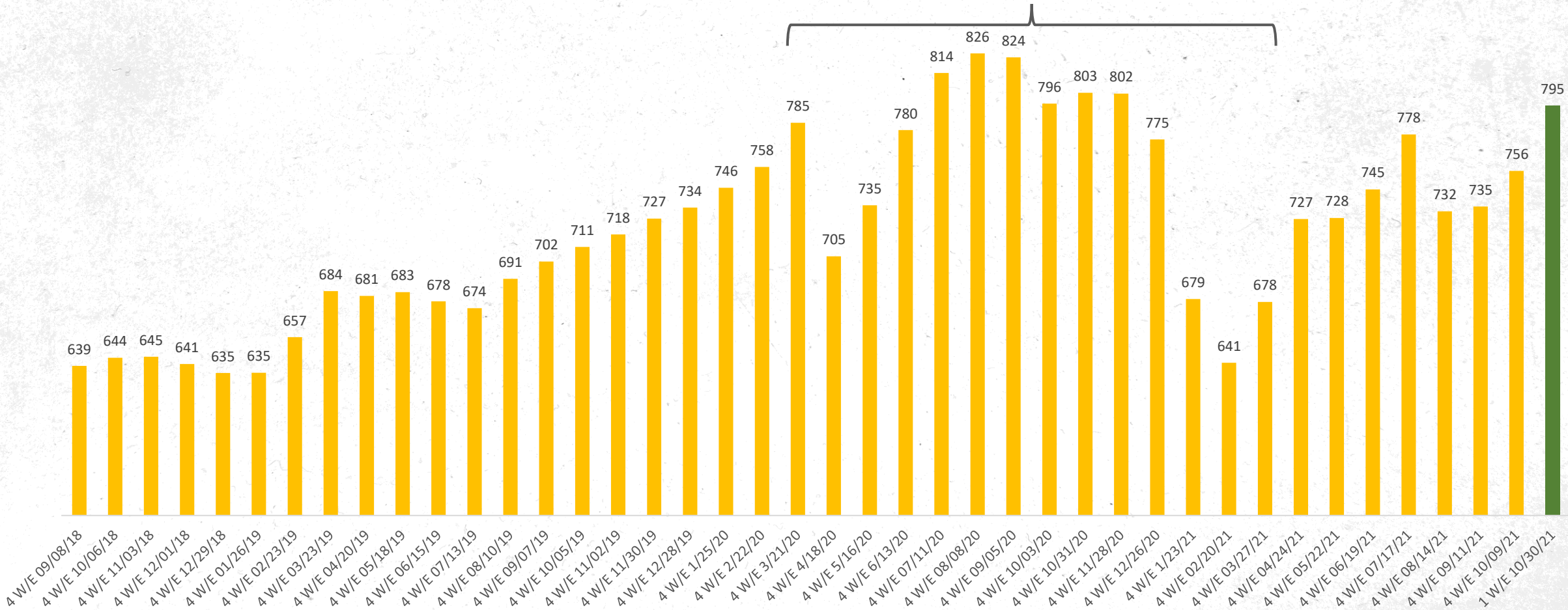


Progress Towards Improved Retail Conditions

Retail availability is improving

Freshpet Total Distribution Points (TDP)

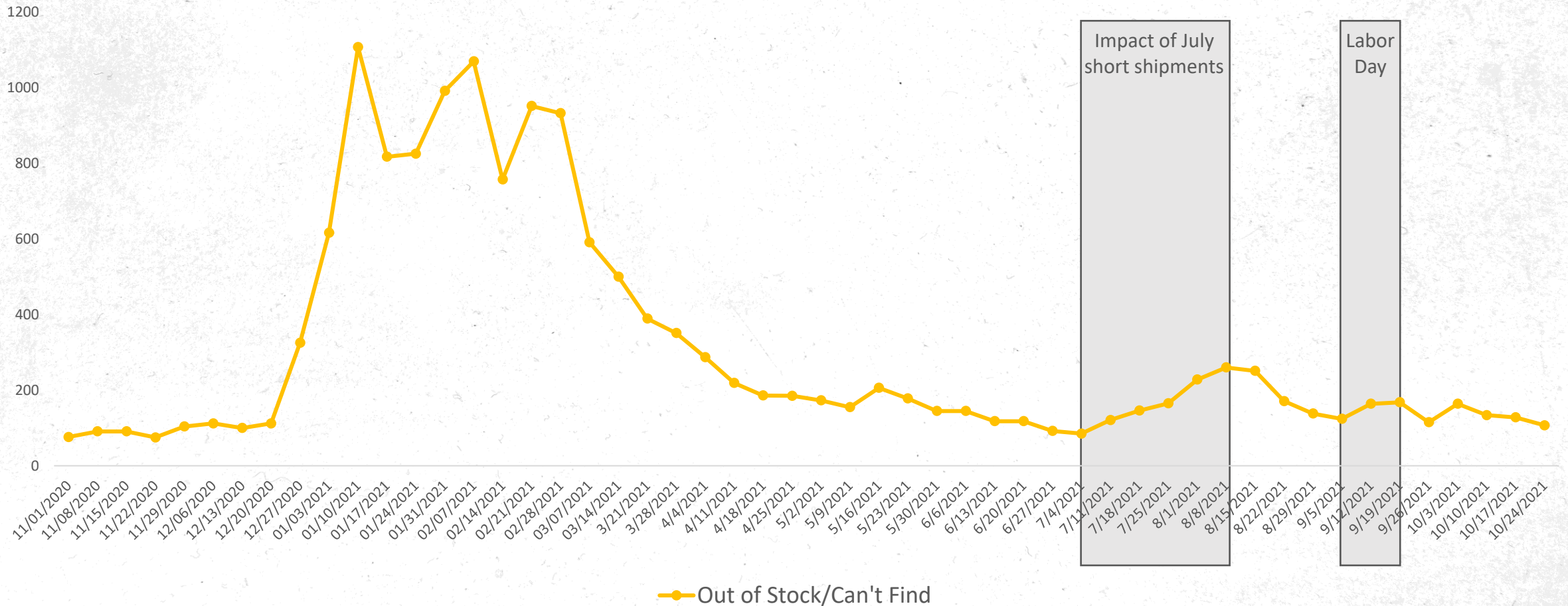
Nielsen Mega-Channel COVID Crisis



Source: Nielsen Mega-Channel Data thru 10/30/21

Out-of-stocks have improved significantly

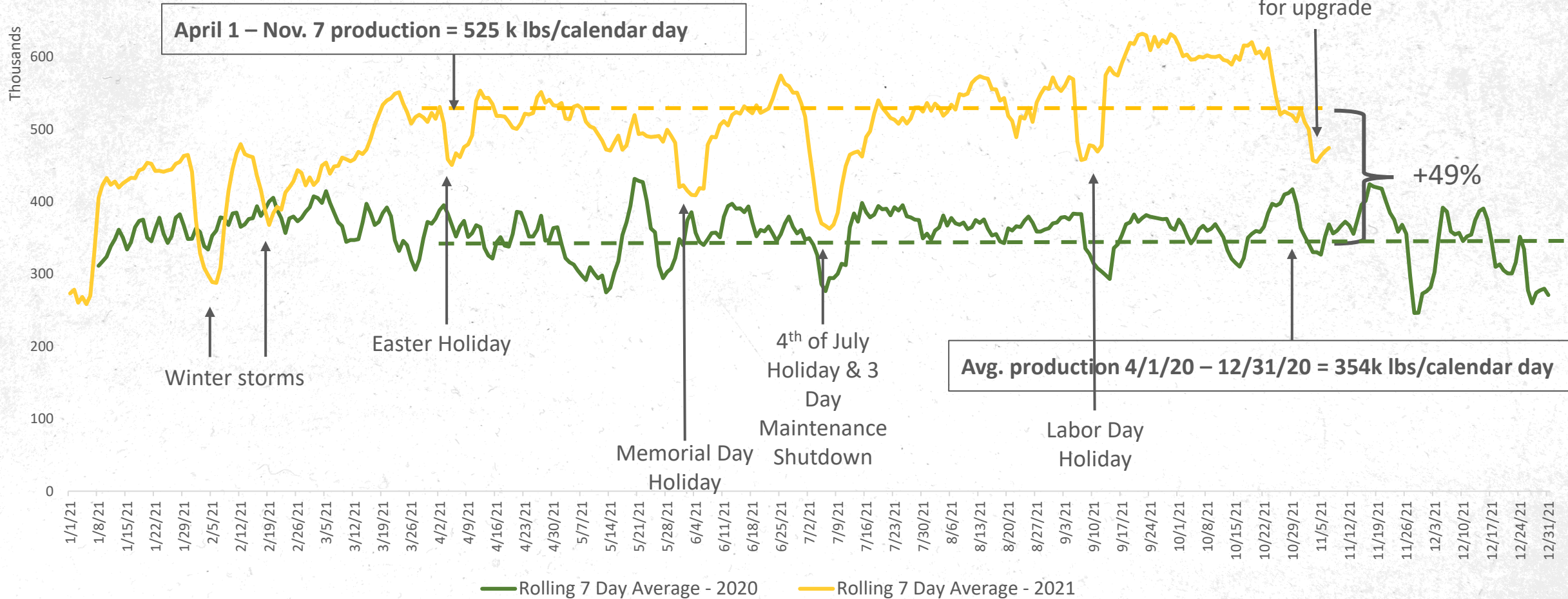
Freshpet Consumer Comments: Out-of-stock & Can't find



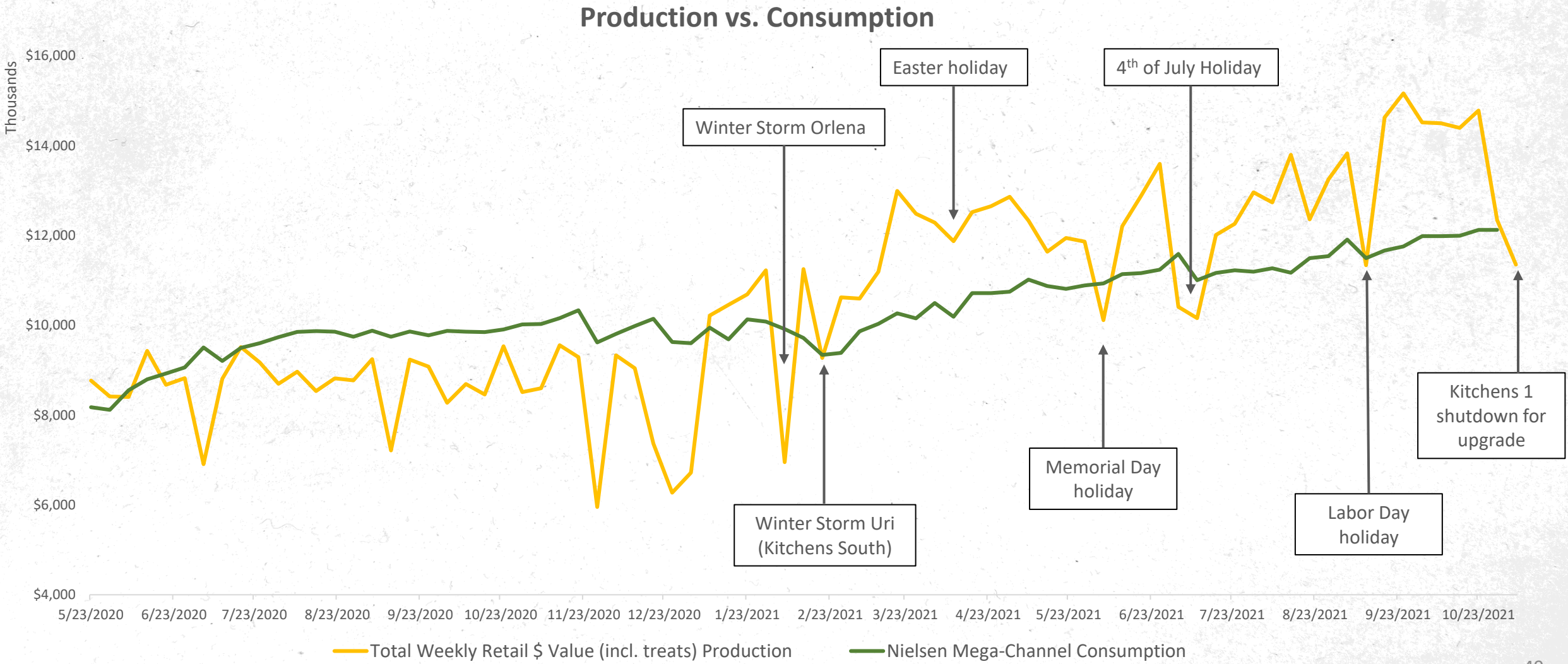
Production is running well ahead of YA with more capacity coming on-stream

2021 vs. 2020 Production Performance Comparison

Rolling 7-Day Average Pounds Produced



Outside of holidays, snowstorms and upgrades, production is in excess of consumption every week this year



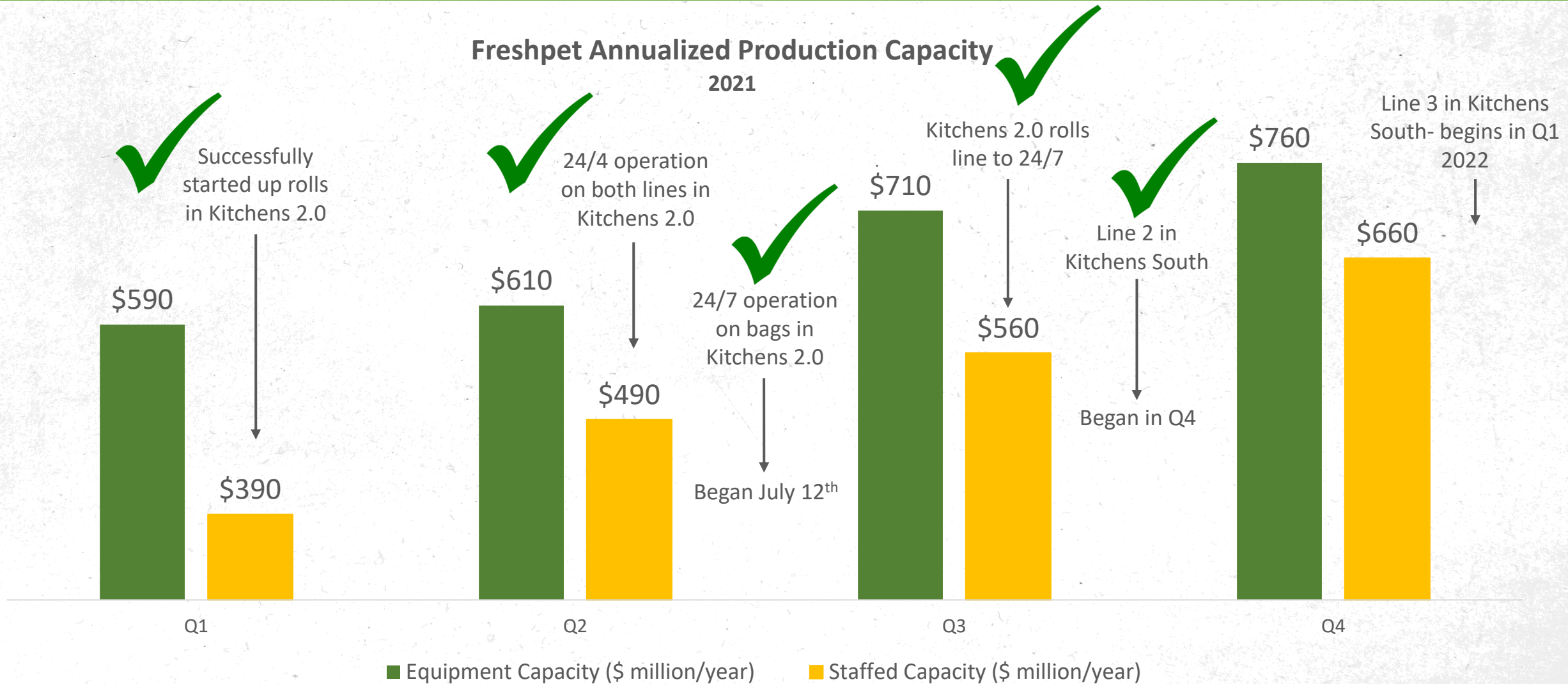
Source: Nielsen Mega-Channel Data thru 10/30/21 and internal company data



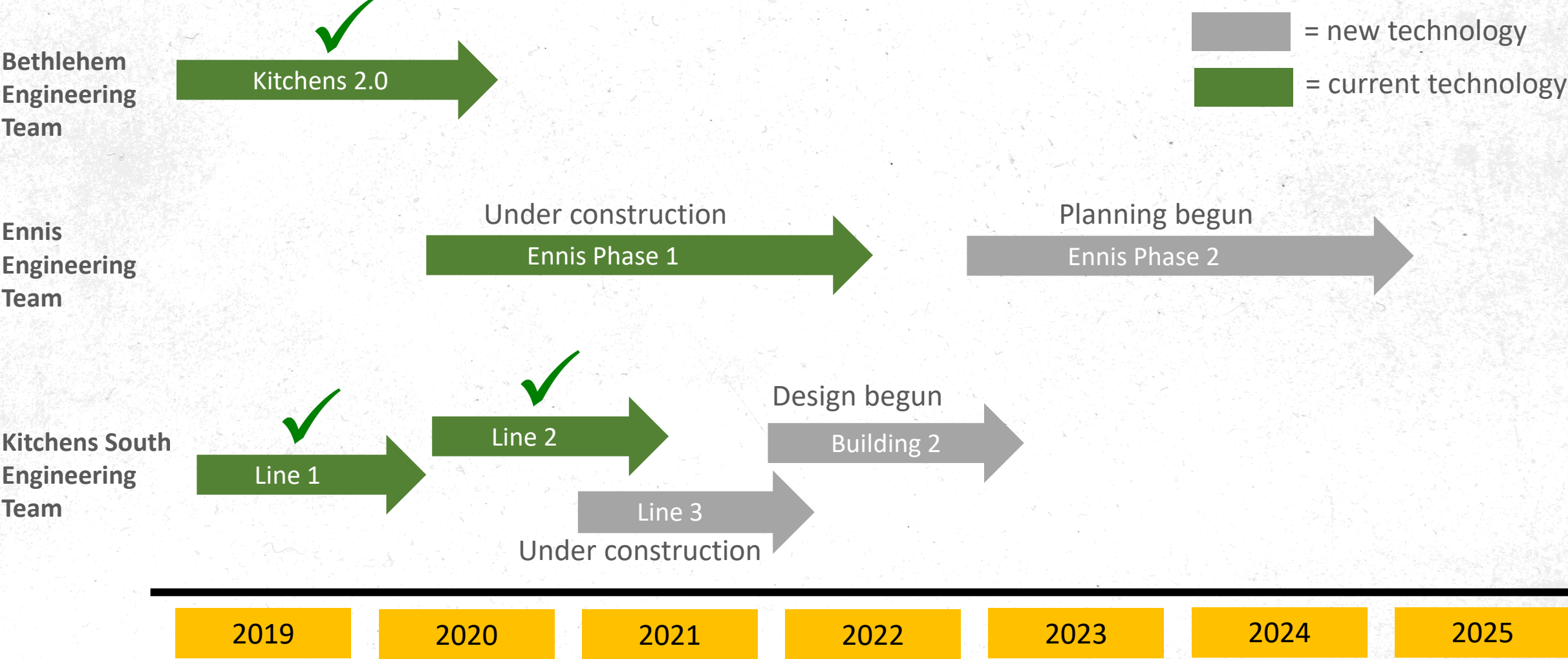
Projects to Increase Capacity

Steady increases in production capacity throughout 2021

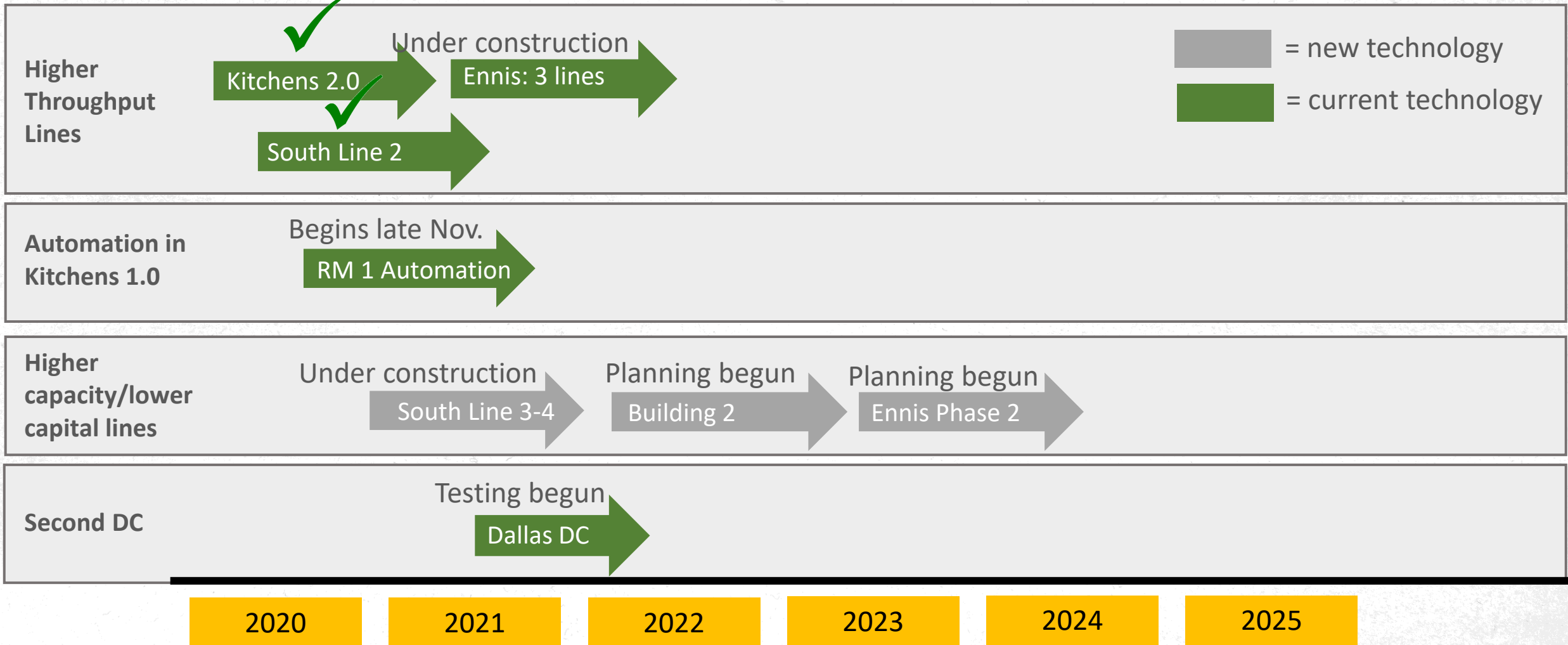
Freshpet Annualized Production Capacity 2021



Key capacity projects remain on track

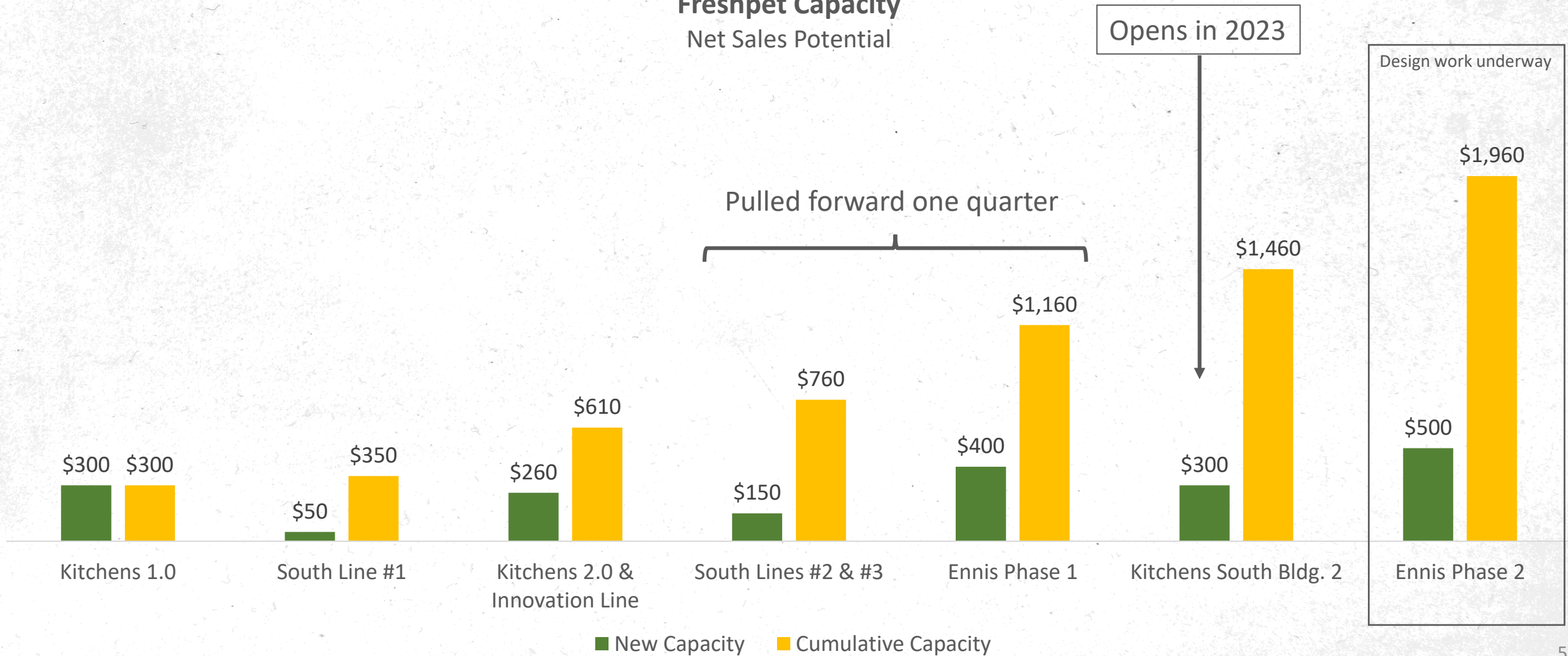


Key efficiency improvement projects underway



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

Freshpet Capacity Net Sales Potential



Kitchens 2.0 is now running 24/7 on all lines



landfill free



powered
by wind



carbon
emissions offset

Kitchens 3.0 in Ennis, TX: Construction is still on track for a Q2 2022 start-up



Kitchens 3.0 will include all the technical advances found in Kitchens 2.0 with additional improvements designed to increase throughput, improve quality and safety, and enhance the environmental sustainability of the facility



Freshpet Kitchen in Ennis, TX
October 2021

“Feed the Growth” creates scale and leverage through accelerated growth rate





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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Gross Profit	\$ 41,525	\$ 36,654	\$ 120,931	\$ 102,377
Depreciation expense	4,075	2,129	11,896	6,422
Plant start-up expense (a)	588	1,828	3,561	3,020
Non-cash share-based compensation	1,058	484	2,970	1,425
COVID-19 expense (b)	119	395	1,753	2,157
Adjusted Gross Profit	\$ 47,365	\$ 41,490	\$ 141,111	\$ 115,402
Adjusted Gross Profit as a % of Net Sales	44.0%	49.3%	45.6%	49.3%

- (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 mitigating 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,	
	2021	2020	2021	2020
	(Dollars in thousands)			
SG&A expenses	\$ 42,365	\$ 32,895	\$ 137,955	\$ 101,273
Depreciation and amortization expense	3,671	2,923	10,593	8,524
Non-cash share-based compensation	4,688	2,863	15,546	6,386
Launch expense (a)	562	760	2,311	2,403
Loss on disposal of equipment	412	1,265	518	1,301
Equity offering expenses (b)	—	—	—	58
Enterprise Resource Planning (c)	273	428	1,123	830
COVID-19 expense (d)	—	187	5	283
Adjusted SG&A Expenses	\$ 32,759	\$ 24,468	\$ 107,859	\$ 81,488
Adjusted SG&A Expenses as a % of Net Sales	30.4%	29.1%	34.8%	34.8%

- (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 mitigating 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,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Net (loss) income	\$ (2,070)	\$ 3,547	\$ (20,433)	\$ 110
Depreciation and amortization	7,746	5,052	22,489	14,946
Interest expense	677	216	2,232	999
Income tax expense	16	22	48	65
EBITDA	\$ 6,369	\$ 8,837	\$ 4,336	\$ 16,120
Loss on equity method investment	\$ 539	\$ —	\$ 1,124	\$ —
Loss on disposal of equipment	412	1,265	518	1,301
Non-cash share-based compensation	5,746	3,347	18,516	7,811
Launch expense (a)	562	760	2,311	2,403
Plant start-up expense (b)	588	1,828	3,561	3,020
Equity offering expenses (c)	—	—	—	58
Enterprise Resource Planning (d)	273	428	1,123	830
COVID-19 expense (e)	119	582	1,758	2,440
Adjusted EBITDA	\$ 14,608	\$ 17,048	\$ 33,247	\$ 33,983
Adjusted EBITDA as a % of Net Sales	13.6%	20.2%	10.7%	14.5%

- (a) Represents new store marketing allowance of \$1,000 for each store added to our distribution network, as well as the non-capitalized freight costs associated with Freshpet Fridge replacements. The expense enhances the overall marketing spend to support our growing distribution network.
- (b) Represents additional operating costs incurred in connection with the start-up of our new manufacturing lines as part of the Freshpet Kitchens expansion projects.
- (c) Represents fees associated with public offerings of our common stock.
- (d) Represents 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 mitigating potential supply chain disruptions during the pandemic.