

**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): May 2, 2022

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 May 2, 2022, Freshpet, Inc. (“Freshpet”) issued a press release disclosing its financial results for the quarter ended March 31, 2022. 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, May 2, 2022 to discuss its financial results for the quarter ended March 31, 2022.

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 May 2, 2022, 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 May 2, 2022
99.2	Investors Presentation
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

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

FRESHPET, INC.

Date: May 2, 2022

By: /s/ Heather Pomerantz

Name: Heather Pomerantz

Title: Chief Financial Officer



Freshpet, Inc. Reports First Quarter 2022 Financial Results
Delivers Strongest Quarterly Growth Since Going Public in 2014
Announces Enhanced Capacity Plan that Delivers Greater Capital Efficiency and Incremental Capacity

SECAUCUS, N.J. – May 2, 2022 – Freshpet, Inc. (“Freshpet” or the “Company”) (Nasdaq: FRPT) today reported financial results for its first quarter ended March 31, 2022.

First Quarter 2022 Financial Highlights Compared to Prior Year Period

- Net sales of \$132.2 million, an increase of 41.5%
- Net loss of \$17.5 million, compared with prior year net loss of \$10.9 million
- Adjusted EBITDA of \$5.1 million, compared to prior year of \$7.8 million ¹

"Our Q1 results demonstrate that we are a much more resilient company today than we were one year ago. The investments we made in our workforce and buffer capacity enabled us to overcome the challenges presented by Omicron, industry-wide supply chain disruptions, and our ERP conversion - and still deliver Freshpet's strongest quarterly net sales growth rate (41.5%) since the Company went public in 2014," commented Billy Cyr, Freshpet's Chief Executive Officer. "We are now extending that same conservative planning and aggressive action approach to our long-term capacity expansion plan. Our updated capacity plan delivers incremental capacity, expanded capacity and greater efficiency than the previous plan. This will ensure that Freshpet continues to fulfill its mission of changing the way people nourish their pets forever."

First Quarter 2022

Net sales increased 41.5% to \$132.2 million for the first quarter of 2022 compared to \$93.4 million for the first quarter of 2021. Net sales for the first quarter of 2022 were driven by velocity, pricing, distribution gains and innovation.

Gross profit was \$44.8 million, or 33.9% as a percentage of net sales, for the first quarter of 2022, compared to \$36.3 million, or 38.9% as a percentage of net sales, in the prior year period. For the first quarter of 2022, Adjusted Gross Profit was \$55.4 million, or 41.9% as a percentage of net sales, compared to \$43.6 million, or 46.7% as a percentage of net sales, in the prior year period. The decrease in gross profit as a percentage of net sales and Adjusted Gross Profit as a percentage of net sales was primarily due to increased cost at Freshpet Kitchens as a result of our wage increase plan, investments as we grow into capacity, inflation of ingredient cost, slightly offset by increased pricing. 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 \$60.6 million for the first quarter of 2022 compared to \$46.0 million in the prior year period. As a percentage of net sales, SG&A decreased to 45.9% for the first quarter of 2022 compared to 49.3% in the prior year period. The decrease in SG&A as a percentage of net sales was a result of increased selling, general and administrative expense leverage of 760 basis points due to higher net sales, partially offset by increased media as a percentage of net sales of 410 basis points. Adjusted SG&A for the first quarter of 2022 was \$50.5 million, or 38.2% as a percentage of net sales, compared to \$35.9 million, or 38.4% as a percentage of net sales, in the prior year period. The decrease in Adjusted SG&A as a percentage of net sales was a result of increased selling, general and administrative expense leverage of 440 basis points due to higher net sales, offset by increased media as a percentage of net sales of 410 basis points. 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.

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

Net loss was \$17.5 million for the first quarter of 2022 compared to net loss of \$10.9 million for the prior year period. The increase in net loss was due to increased SG&A, partially offset by higher net sales and increased gross profit.

Adjusted EBITDA was \$5.1 million, or 3.9% as a percentage of net sales, for the first quarter of 2022, compared to \$7.8 million, or 8.3% as a percentage of net sales, in the prior year period. The decrease in Adjusted EBITDA was a result of increased Adjusted SG&A expense partially offset by higher net sales and 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.

Balance Sheet

As of March 31, 2022, the Company had cash and cash equivalents of \$29.7 million with \$51.0 million of debt outstanding, translating to a net ratio of 6.0.

Enhanced Capacity Plan to Deliver Greater Capital Efficiency and Incremental Capacity

The Company is introducing an enhanced long-term capacity expansion plan today that provides greater capital efficiency and approximately 20% growth in potential net sales capacity of up to \$2.9 billion, while solving for practical challenges present within today's complex operating environment. The key elements of the plan include an alignment of talent to maximize utilization, realignment of the Company's manufacturing operations to specific products and technologies to create efficiencies, optimize capital investment to assets of greatest strategic value, and reinforce Freshpet's leadership position through a commitment to innovation. This foundation translates to a re-phasing of the Ennis facility that is designed to bring on roll capacity sooner, a re-focus of Kitchens South operations to bag manufacturing, and the addition of an innovation scale-up facility in Bethlehem. Together, management believes that this plan presents greater flexibility to meet forecasted demand and insulation against construction and equipment sourcing.

Outlook

For full year 2022, the Company reiterated its guidance. The Company continues to expect the following results:

- Net sales of >\$575 million, an increase of ~35% from 2021
- Adjusted EBITDA of >\$55 million, an increase of ~28% from 2021

The Company does not provide guidance for the most directly comparable GAAP measure, net income, and similarly cannot provide a reconciliation between its forecasted adjusted EBITDA and net income metrics without unreasonable effort due to the unavailability of reliable estimates for certain components of net income and the respective reconciliations, including the timing of and amount of costs of goods sold and selling, general and administrative expenses. 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, May 2, 2022, 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 May 16, 2022. North American listeners may dial (844) 512-2921 and international listeners may dial (412) 317-6671; the passcode is 13728528.

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.

Connect with Freshpet:

<https://www.facebook.com/Freshpet>

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<http://pinterest.com/Freshpet>

<https://www.tiktok.com/@Freshpet>

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

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

Forward Looking Statements

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

Non-GAAP Financial Measures

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

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

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

Adjusted SG&A Expenses: Freshpet defines Adjusted SG&A as SG&A expenses before depreciation and amortization, 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 enterprise resource planning ("ERP") system, loss on disposal of equipment and COVID-19 expenses.

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

	March 31,	December 31,
	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 29,730	\$ 72,788
Accounts receivable, net of allowance for doubtful accounts	61,458	34,780
Inventories, net	45,311	35,574
Prepaid expenses	4,494	5,834
Other current assets	1,972	1,349
Total Current Assets	142,965	150,325
Property, plant and equipment, net	663,844	583,922
Deposits on equipment	1,167	4,100
Operating lease right of use assets	6,227	6,537
Equity method investment	27,840	25,856
Other assets	11,417	13,670
Total Assets	\$ 853,460	\$ 784,410
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 77,151	\$ 42,612
Accrued expenses	13,139	14,950
Current operating lease liabilities	1,384	1,384
Current portion of long term debt	4,770	-
Total Current Liabilities	\$ 96,444	\$ 58,946
Long term debt	43,541	—
Long term operating lease liabilities	5,421	5,710
Total Liabilities	\$ 145,406	\$ 64,656
STOCKHOLDERS' EQUITY:		
Common stock — voting, \$0.001 par value, 200,000 shares authorized, 43,485 issued and 43,471 outstanding on March 31, 2022, and 43,449 issued and 43,435 outstanding on December 31, 2021	43	43
Additional paid-in capital	961,914	955,710
Accumulated deficit	(253,165)	(235,623)
Accumulated other comprehensive loss	(482)	(120)
Treasury stock, at cost — 14 shares on March 31, 2022 and on December 31, 2021	(256)	(256)
Total Stockholders' Equity	708,054	719,754
Total Liabilities and Stockholders' Equity	\$ 853,460	\$ 784,410

FRESHPET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except per share data)

	For the Three Months Ended	
	March 31,	
	2022	2021
NET SALES	\$ 132,171	\$ 93,414
COST OF GOODS SOLD	87,419	57,099
GROSS PROFIT	44,753	36,315
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	60,631	46,033
LOSS FROM OPERATIONS	(15,878)	(9,718)
OTHER (EXPENSES)/INCOME:		
Other (Expenses)/Income, net	258	(5)
Interest Expense	(571)	(901)
	(313)	(906)
LOSS BEFORE INCOME TAXES	(16,191)	(10,624)
INCOME TAX EXPENSE	41	16
LOSS ON EQUITY METHOD INVESTMENT	1,310	248
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (17,542)	\$ (10,888)
OTHER COMPREHENSIVE (LOSS) INCOME:		
Change in foreign currency translation	\$ (362)	259
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	(362)	259
TOTAL COMPREHENSIVE (LOSS) INCOME	\$ (17,904)	\$ (10,629)
NET (LOSS) INCOME PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS		
-BASIC	\$ (0.40)	\$ (0.26)
-DILUTED	\$ (0.40)	\$ (0.26)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING USED IN COMPUTING NET (LOSS) INCOME PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS		
-BASIC	43,437	41,627
-DILUTED	43,437	41,627

FRESHPET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	For the Three Months Ended	
	March 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (17,542)	\$ (10,888)
Adjustments to reconcile net loss to net cash flows provided by operating activities:		
Provision for loss (gains) on accounts receivable	(25)	(3)
Loss on disposal of equipment	43	60
Share-based compensation	6,295	6,080
Inventory obsolescence	(149)	129
Depreciation and amortization	8,007	7,089
Amortization of deferred financing costs and loan discount	132	617
Change in operating lease right of use asset	310	309
Loss on equity method investment	1,310	236
Changes in operating assets and liabilities:		
Accounts receivable	(26,653)	(10,378)
Inventories	(9,588)	(2,835)
Prepaid expenses and other current assets	717	(140)
Other assets	(990)	137
Accounts payable	5,449	6,248
Accrued expenses	(1,811)	(1,801)
Other lease liabilities	(290)	(345)
Net cash flows used in operating activities	<u>(34,785)</u>	<u>(5,485)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in equity method investment	(3,294)	—
Acquisitions of property, plant and equipment, software and deposits on equipment	(55,888)	(49,334)
Net cash flows used in investing activities	<u>(59,182)</u>	<u>(49,334)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from common shares issued in primary offering, net of issuance cost	—	332,520
Proceeds from exercise of options to purchase common stock	232	714
Tax withholdings related to net shares settlements of restricted stock units	(323)	(1,529)
Proceeds from borrowings under Credit Facility	51,000	—
Fees paid in connection with financing agreements	—	(3,166)
Net cash flows provided by financing activities	<u>50,909</u>	<u>328,539</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(43,058)	273,720
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	72,788	67,247
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 29,730	\$ 340,967

FRESHPET, INC. AND SUBSIDIARIES
RECONCILIATION BETWEEN GROSS PROFIT AND ADJUSTED GROSS PROFIT

	Three Months Ended	
	March 31,	
	2022	2021
	(Dollars in thousands)	
Gross Profit	\$ 44,753	\$ 36,315
Depreciation expense	4,701	3,800
Plant start-up expense (a)	4,748	1,843
Non-cash share-based compensation	1,168	710
COVID-19 expense (b)	—	953
Adjusted Gross Profit	\$ 55,369	\$ 43,621
Adjusted Gross Profit as a % of Net Sales	41.9%	46.7%

(a) Represents additional operating costs, inclusive of inventory disposal, 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. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.

FRESHPET, INC. AND SUBSIDIARIES
RECONCILIATION BETWEEN SG&A EXPENSES AND ADJUSTED SG&A EXPENSES

	Three Months Ended March 31,	
	2022	2021
	(Dollars in thousands)	
SG&A expenses	\$ 60,631	\$ 46,033
Depreciation and amortization expense	3,285	3,289
Non-cash share-based compensation	5,127	5,370
Launch expense (a)	632	731
Loss on disposal of equipment	43	60
Equity offering expenses (b)	—	125
Enterprise Resource Planning (c)	1,018	603
COVID-19 expense (d)	—	4
Adjusted SG&A Expenses	\$ 50,526	\$ 35,851
Adjusted SG&A Expenses as a % of Net Sales	38.2%	38.4%

(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. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.

FRESHPET, INC. AND SUBSIDIARIES
RECONCILIATION BETWEEN NET INCOME (LOSS) AND ADJUSTED EBITDA

	Three Months Ended	
	March 31,	
	2022	2021
	(Dollars in thousands)	
Net loss	\$ (17,542)	\$ (10,888)
Depreciation and amortization	7,986	7,089
Interest expense	571	901
Income tax expense	41	16
EBITDA	\$ (8,944)	\$ (2,882)
Loss on equity method investment	\$ 1,310	248
Loss on disposal of equipment	43	60
Non-cash share-based compensation	6,295	6,080
Launch expense (a)	632	731
Plant start-up expense (b)	4,748	1,843
Equity offering expenses (c)	—	125
Enterprise Resource Planning (d)	1,018	603
COVID-19 expense (e)	—	957
Adjusted EBITDA	\$ 5,102	\$ 7,765
Adjusted EBITDA as a % of Net Sales	3.9%	8.3%

- (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, inclusive of inventory disposal, 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. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.



Forward Looking Statements & Non-GAAP Measures

Forward-Looking Statements

Certain statements in this presentation by Freshpet, Inc. (the "Company") constitute "forward-looking" statements, which include any statements related to the novel coronavirus ("COVID-19"), the Freshpet Kitchens Expansion, our long-term capacity planning, 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 our long-term capacity planning, and 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 EBITDA Margin), 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 2022. 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

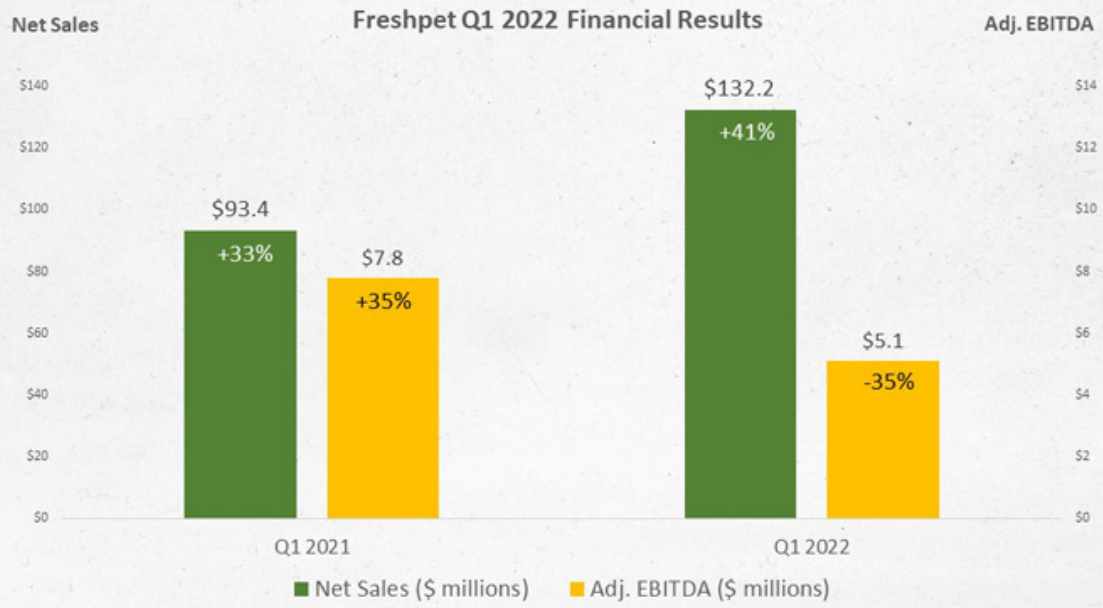
Freshpet strengthens the bond between people and our pets so that we both live longer, healthier and happier lives -- while being kind to the planet





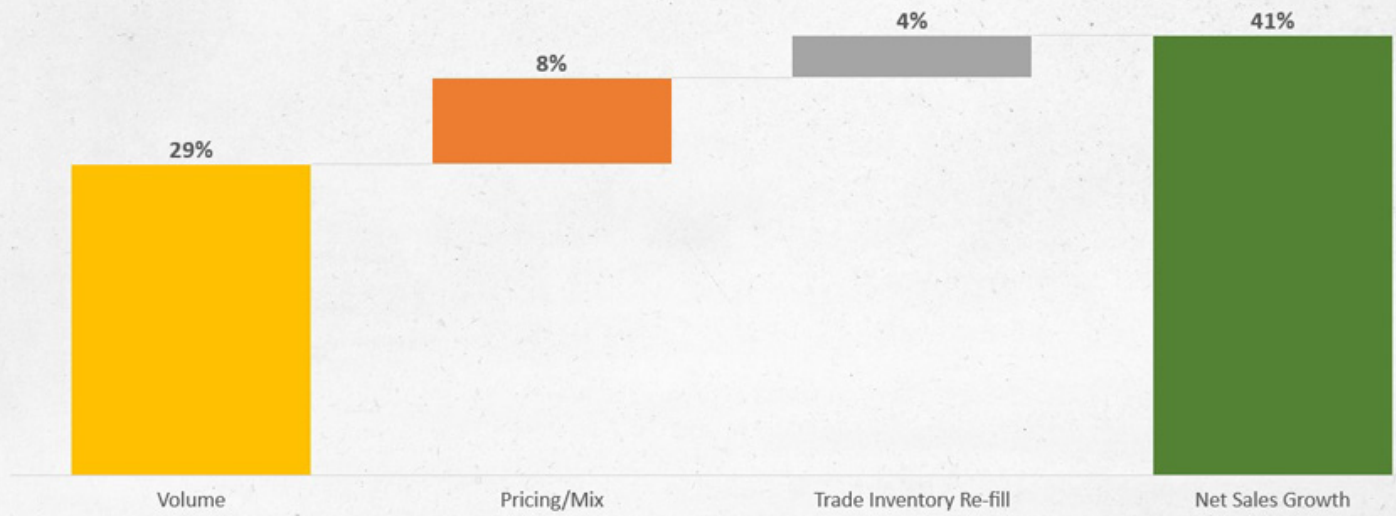
Q1 2022 Results

Strong start to 2022



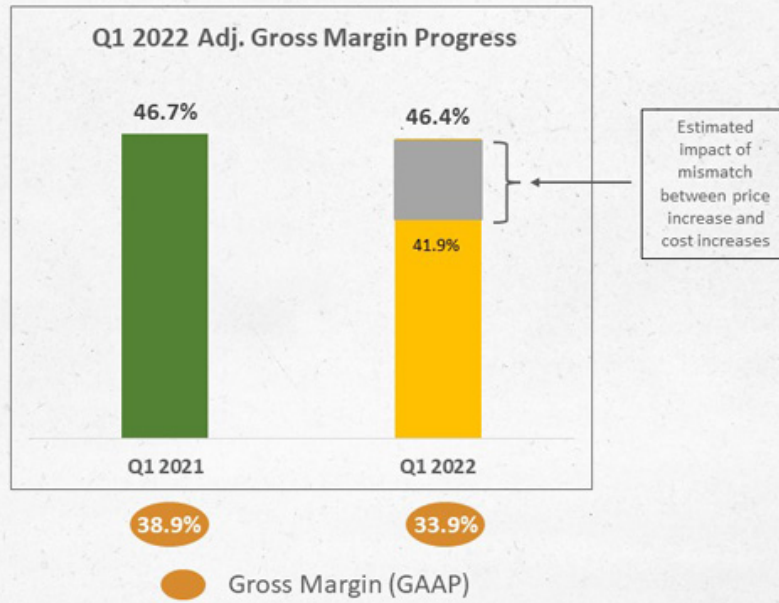
Net Sales growth driven by volume/mix, pricing and trade inventory re-fill

Q1 2022 Estimated Sales Growth Composition



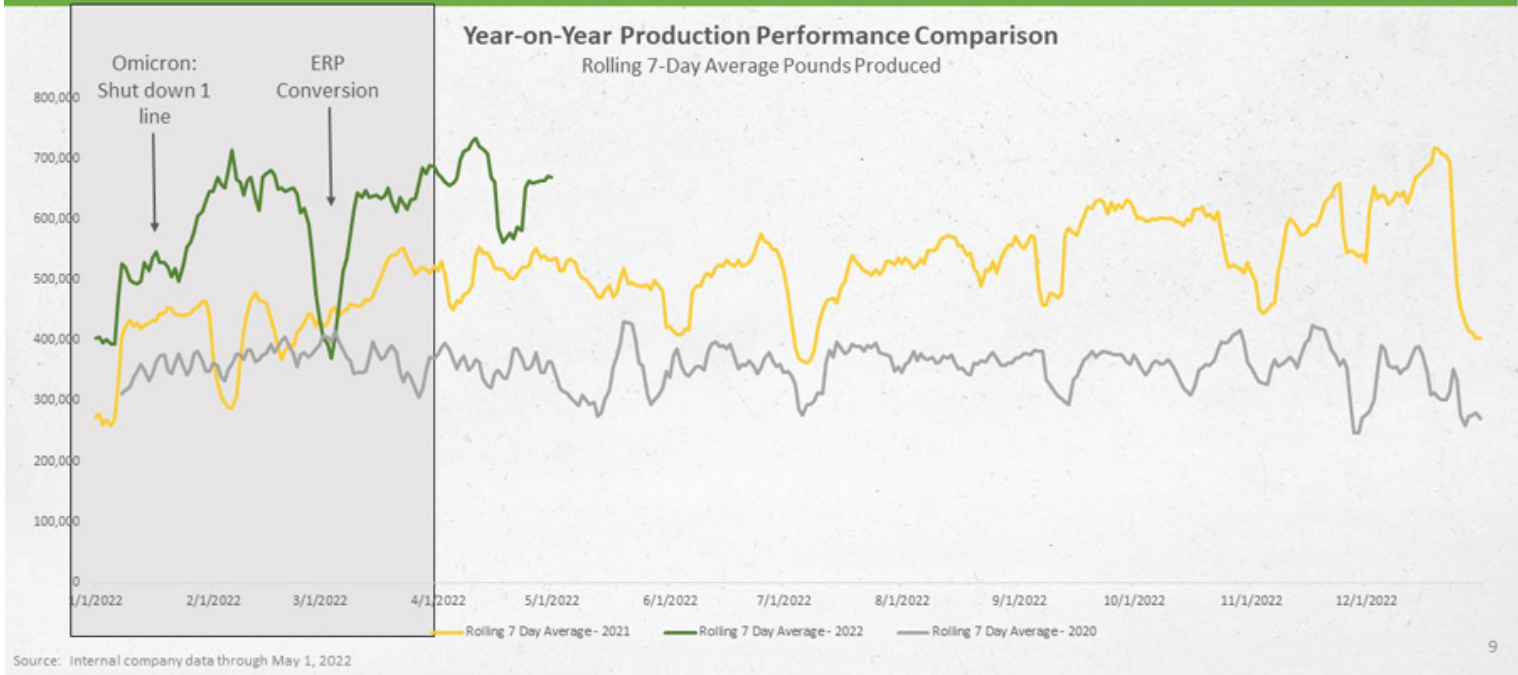
Source: Nielsen consumption data thru 3/26/22 and internal sales data

Mismatch between timing of price increase and commodity cost increases temporarily depressed Adj. Gross Margin

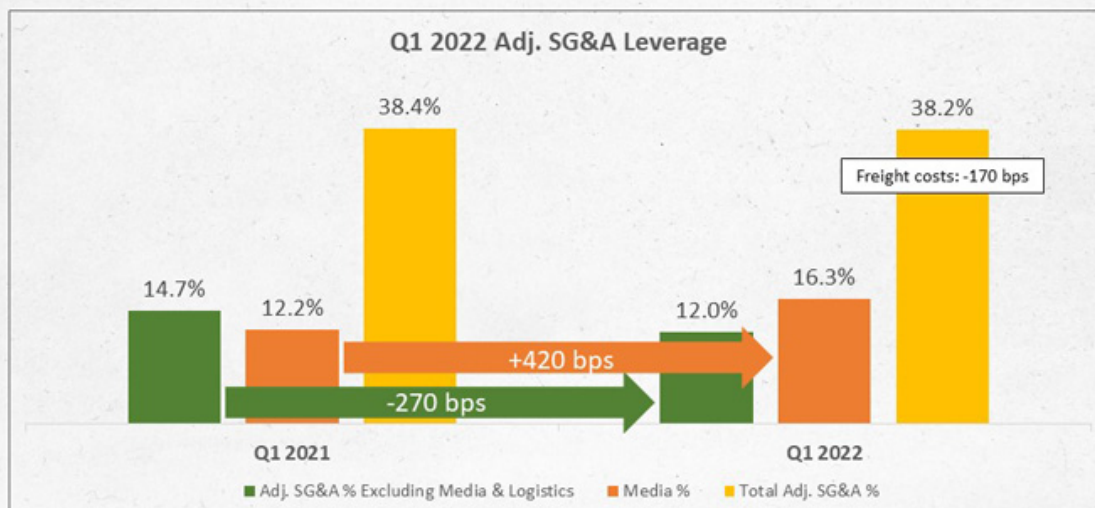


Freshpet defines Adjusted Gross Profit as gross profit before depreciation expense, plant start-up expense, non-cash share-based compensation and COVID-19 expenses

Strong production performance post-ERP conversion enabled strong shipments



Reinvested in increased media investment to drive accelerated growth



45.9%

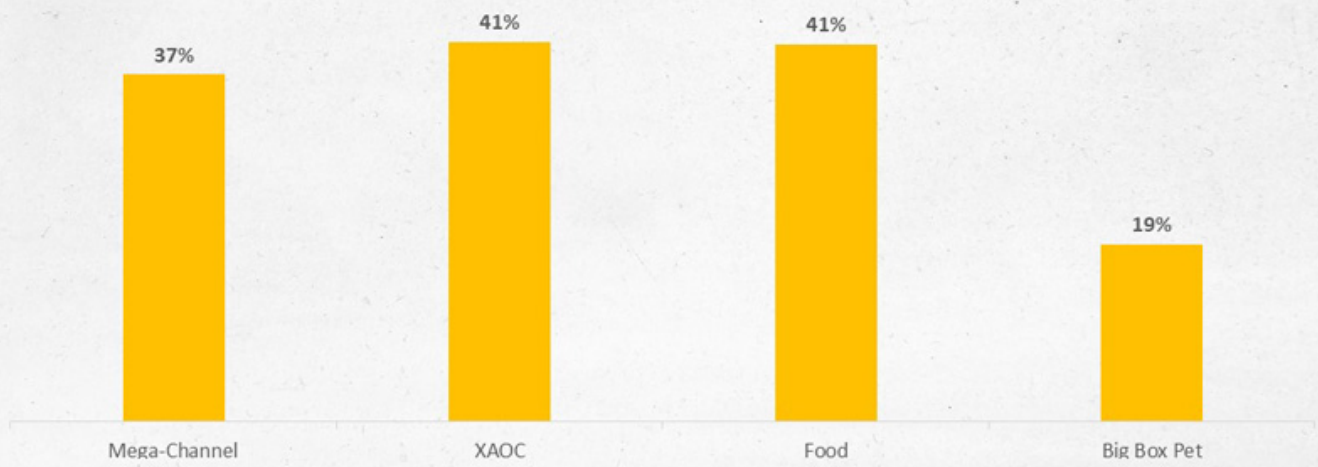
49.3%

SG&A (GAAP)

Freshpet defines Adjusted SG&A as SG&A expenses before depreciation and amortization, 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 enterprise resource planning ("ERP") system, loss of disposal of equipment and COVID-19 expenses

Q1 2022 consumption: Strong growth in all channels

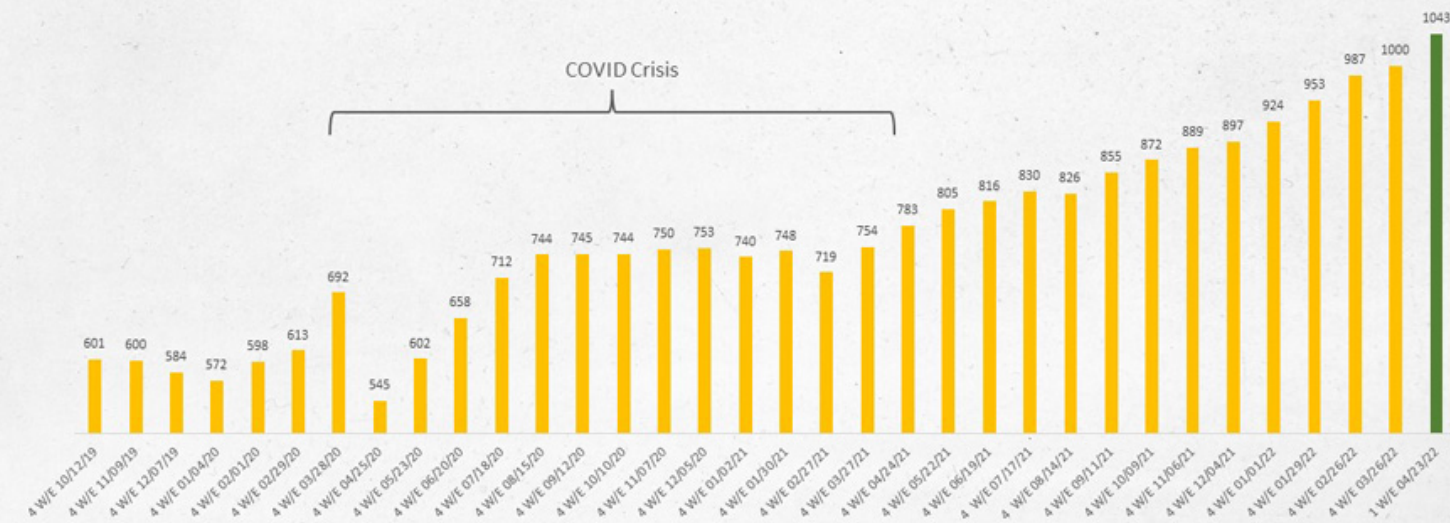
Latest 13wk Nielsen Consumption Growth



Source: Nielsen consumption data thru 3/26/22

Continued strong velocity gains

Freshpet Velocity (\$/\$MM ACV)
Nielsen Mega-Channel

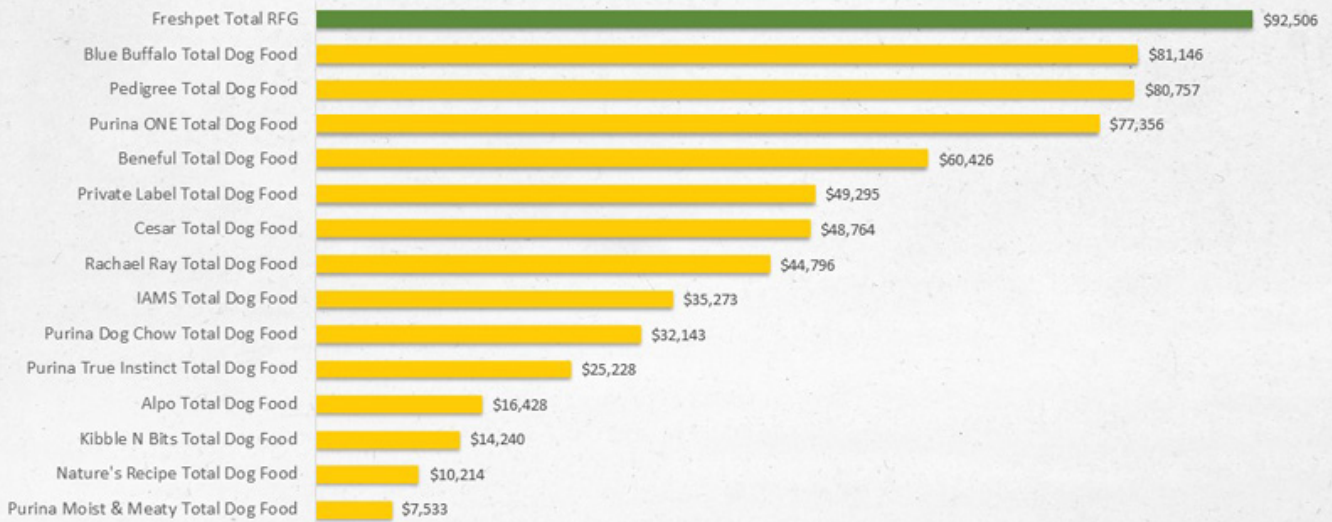


Source: Nielsen Mega-Channel Data thru 4/23/22

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

On a total brand dollar sales basis, Freshpet is now the leading brand in the grocery channel

Total Wet & Dry Dog Food Brands Dollar Sales: US Food
(Latest 13wks thru 3/26/22 -- \$M)



Source: Nielsen US Food Scanner Data thru 3/26/22

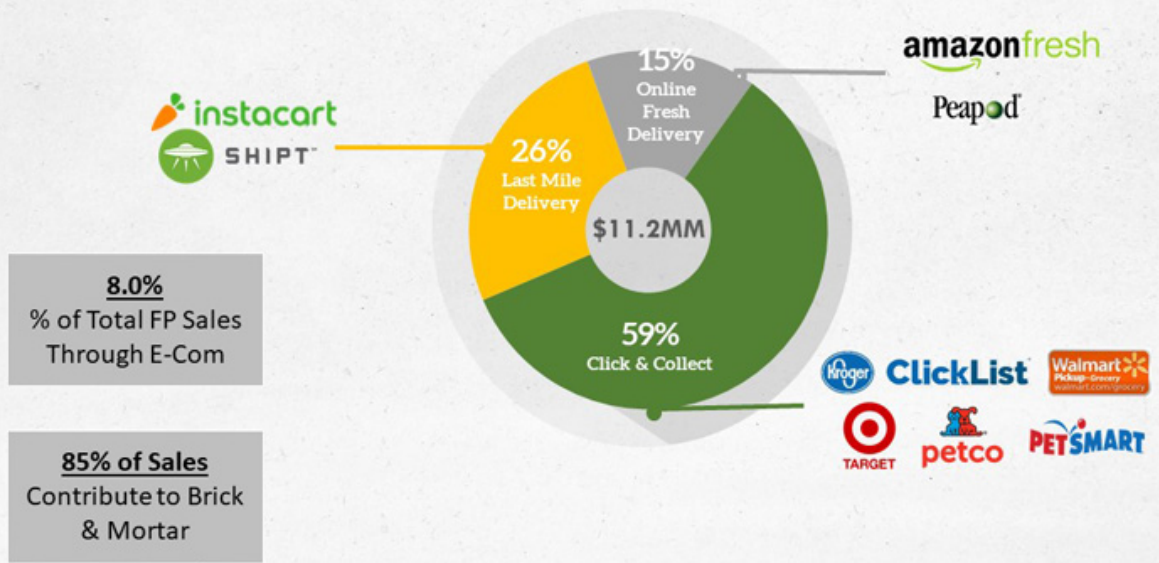
Freshpet: Building meaningful share of the category

Freshpet \$ Share of Wet & Dry Dog



Source: Nielsen Mega-Channel Data thru 3/26/22

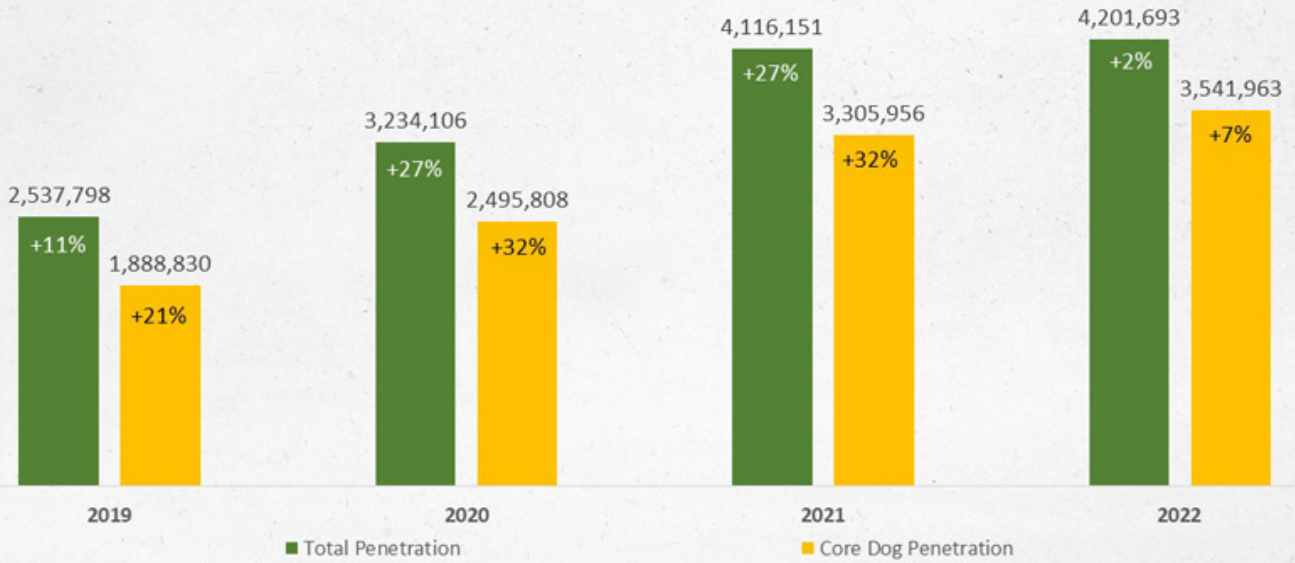
Q1 2022 Freshpet E-Com grew +79% vs. YA



Source: Freshpet Internal Data

HH penetration growth expected to accelerate in 2022 following improved in-stocks and advertising support

Freshpet Penetration Growth



Source: Nielsen HH Panel for the 52-week period ending late March 2018-2022

4-week buying HH's growth rate is moving up again as in-stocks have improved

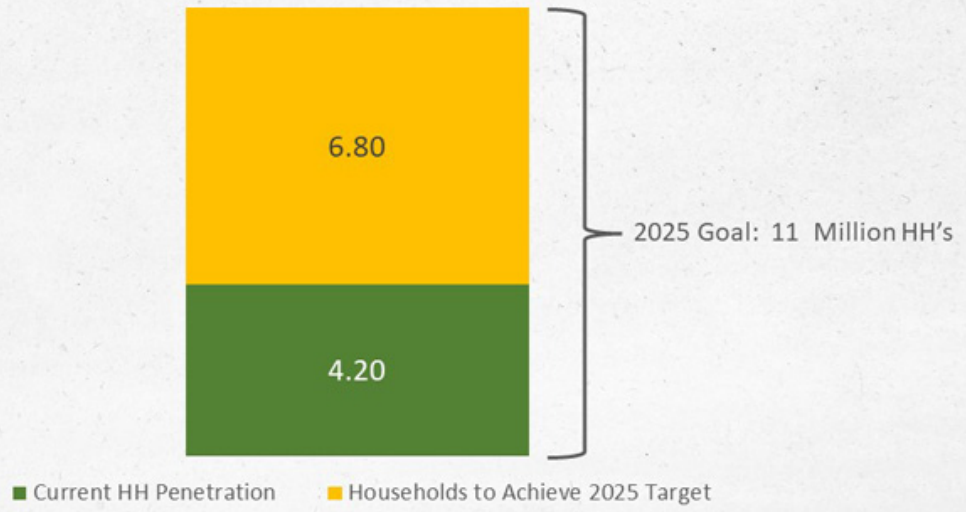
Freshpet 4-Week Buying HH's
Growth vs. YA



Source: Nielsen HH Panel for the period ending 3/26/22

Still on path to meet our 2025 HH penetration goal

Progress Towards 2025 Household Penetration Goal



Buying rate continues to grow strongly and is helped by price increases

Freshpet Buying Rate



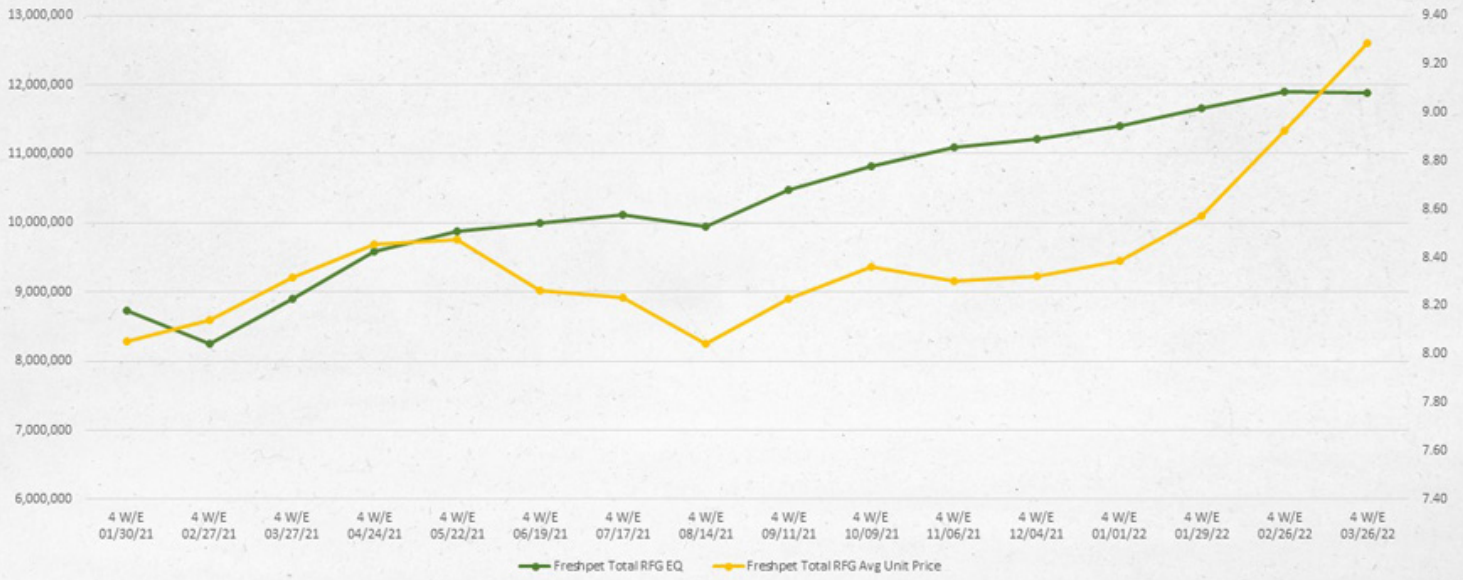
Source: Nielsen HH Panel for the 52-week period ending late March 2018-2022 and company internal data



Pricing

Limited evidence of price sensitivity on the first price increase overall

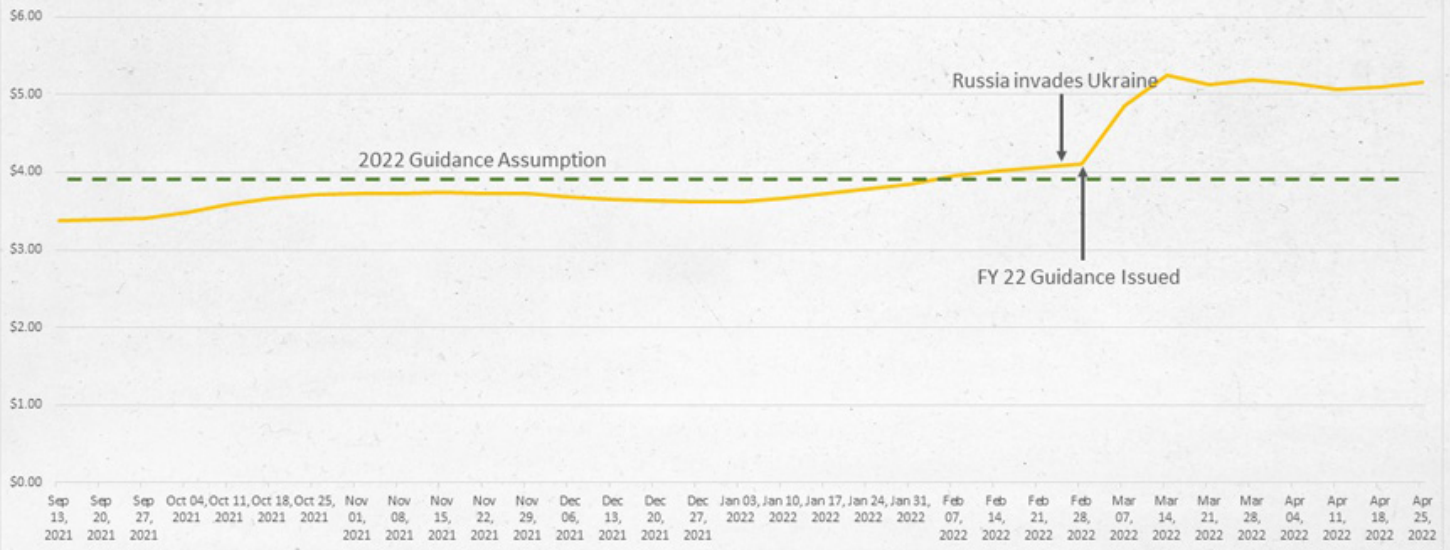
Total Freshpet Price Sensitivity – Grocery & Mass



Source: Nielsen Mega-Channel Data thru 3/26/22

Diesel costs increased dramatically in the past 8 weeks

Weekly U.S. No 2 Diesel Retail Prices
(Dollars per Gallon)



Source: US Energy Information Administration (EIA) On-Highway Diesel Prices



Q1 2022 Visibility & Availability

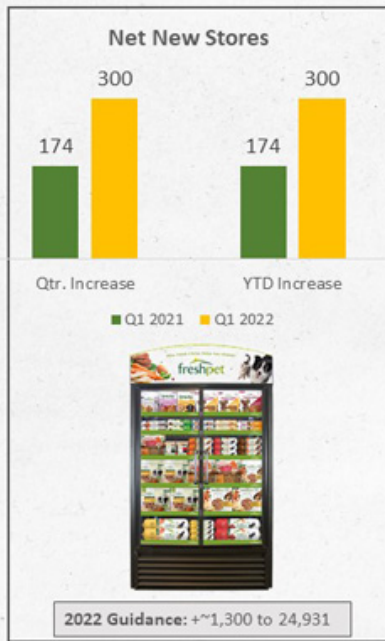
Store count continues to grow

Freshpet Store Count



Source: Internal data for the period ending 3/25/22

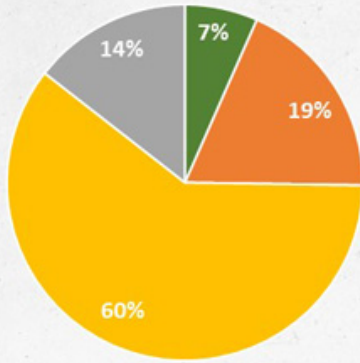
Q1 2022: Strong performance on Upgrades & 2nd Fridges



Source: Internal company data through 3/25/22

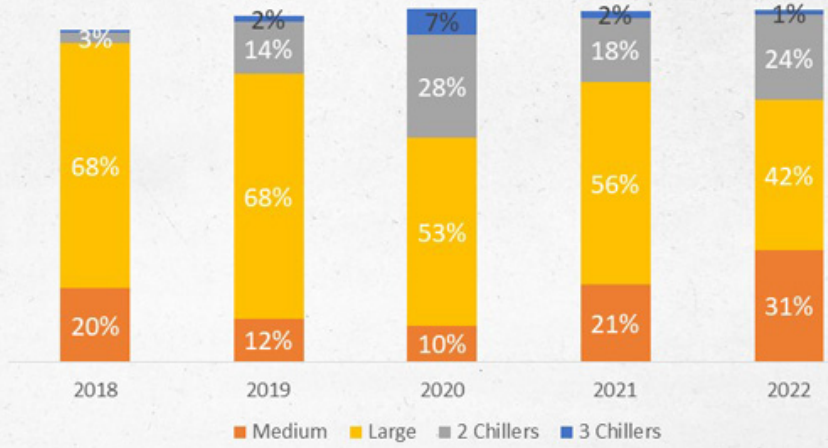
Q1 2022: Continued success with placements of large and multi-fridge stores

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



■ Small ■ Medium ■ Large ■ 2+ Chillers

Installed Fridges by Size and Year Installed
(US & Canada)



■ Medium ■ Large ■ 2 Chillers ■ 3 Chillers

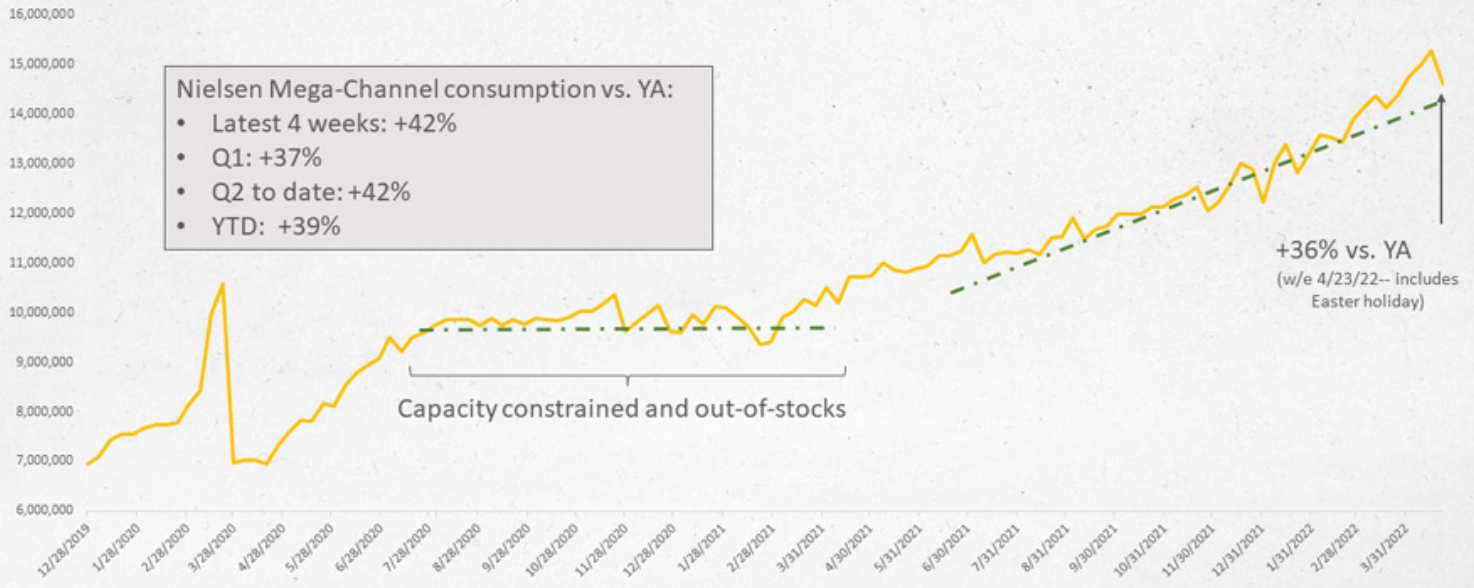
Source: Internal company data through 3/25/22



Current Business Trends

Strong, sustained growth

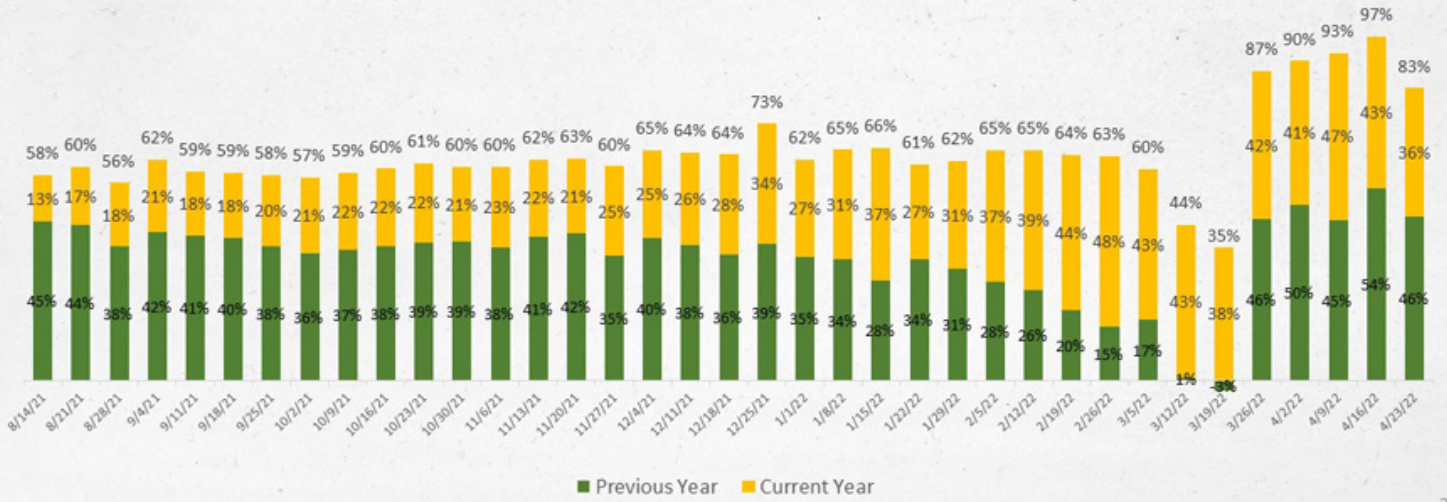
Nielsen Mega-Channel Consumption



Source: Nielsen Mega-Channel Data thru 4/23/22

2-year stacked growth rate continues at a robust rate

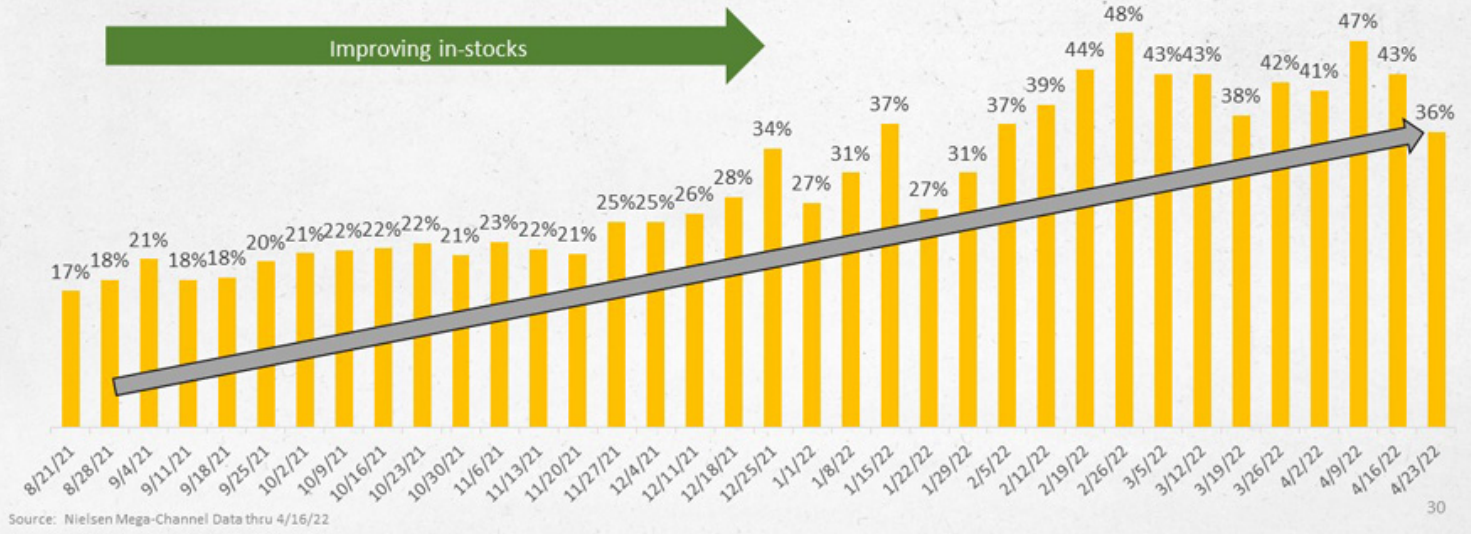
Nielsen Mega-Channel Consumption Growth
(2 Year Stacked)



Source: Nielsen Mega-Channel Data thru 4/23/22

Consistent improvement in in-stock rates drives accelerated growth

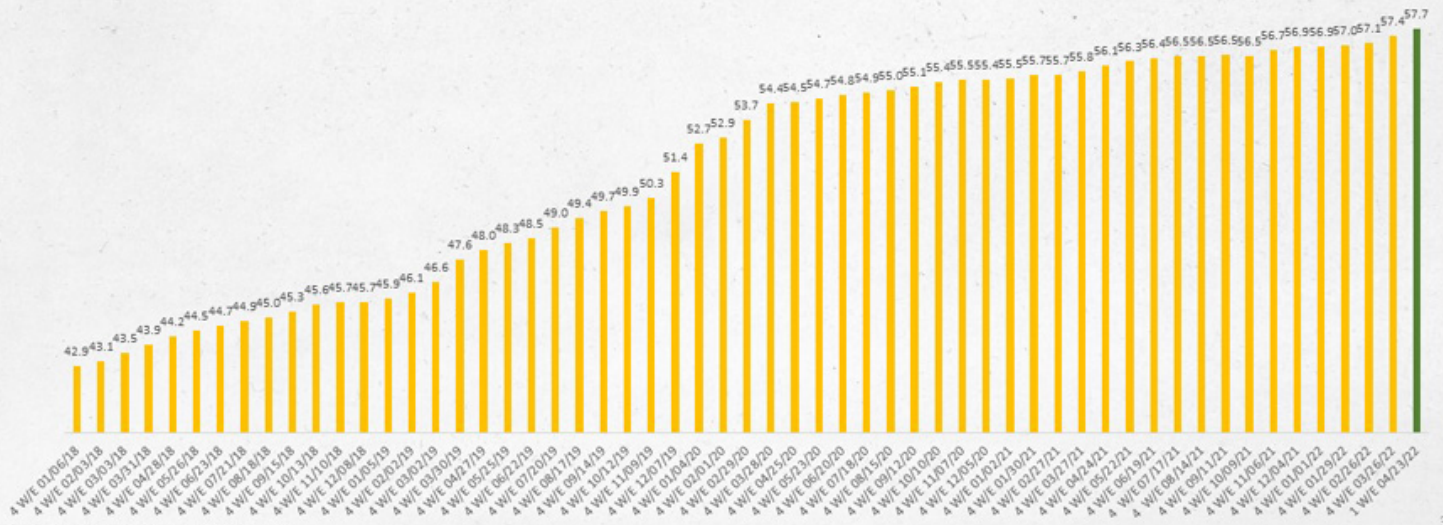
Freshpet Nielsen Mega-Channel Growth Rate



Source: Nielsen Mega-Channel Data thru 4/16/22

Distribution growth continues despite capacity limits

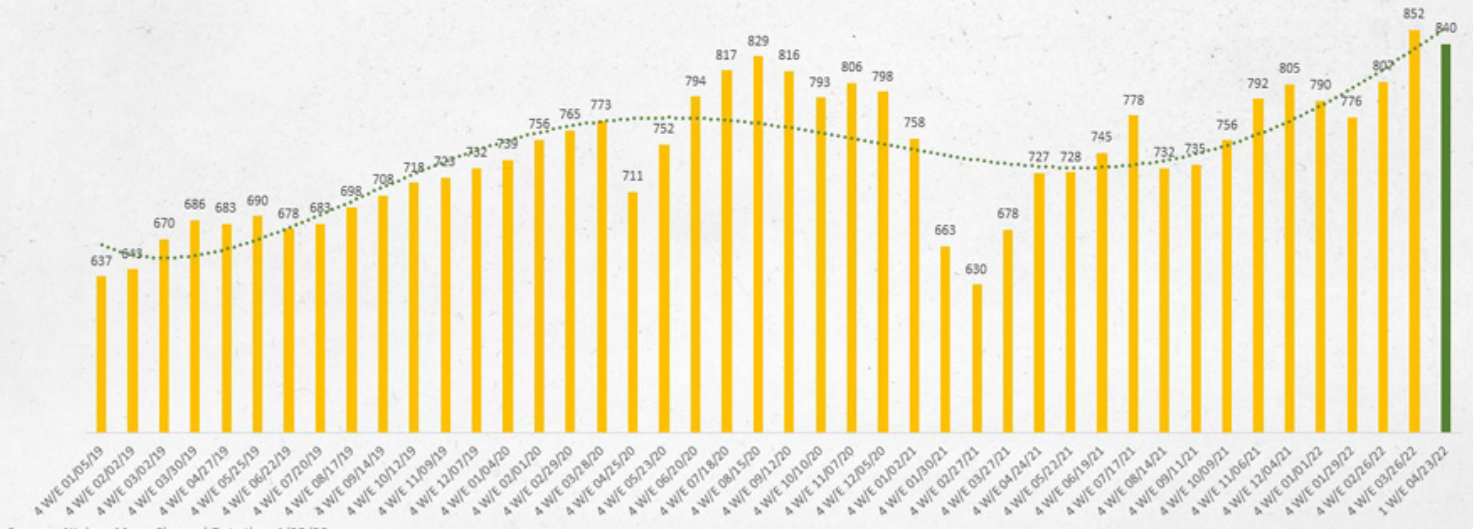
Freshpet Distribution (% ACV)
Nielsen Mega-Channel



Source: Nielsen Mega-Channel Data thru 4/23/22

Retail availability continues at a high level

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



Source: Nielsen Mega-Channel Data thru 4/23/22

Positive pet ownership and related sentiment trends remain intact post-COVID peaks

Table 1: How has your pet ownership been affected by COVID-19?

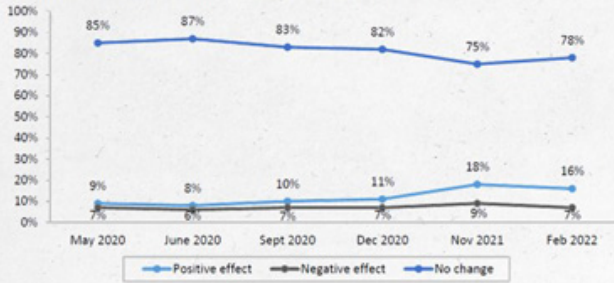
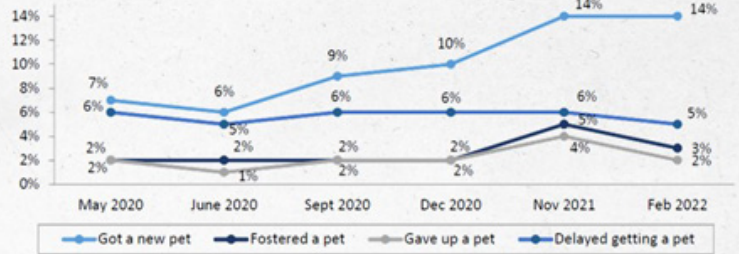


Table 2: How has your pet ownership been affected by COVID-19?



Pet ownership continues to grow amongst younger households

Table 3: Change in the Number of Pets Owned in the Past Three Months

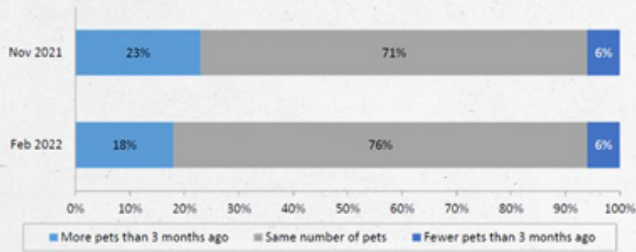
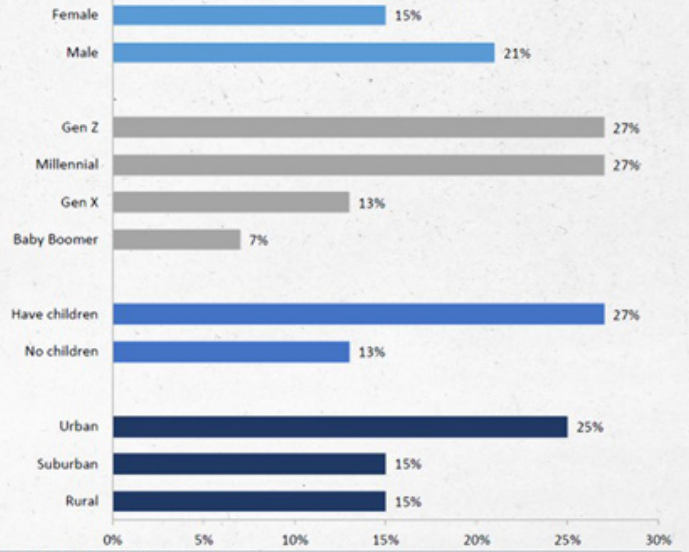


Table 4: Pet owners who have more pets now than 3 months ago*



*Wave 6 (February 2022) data.

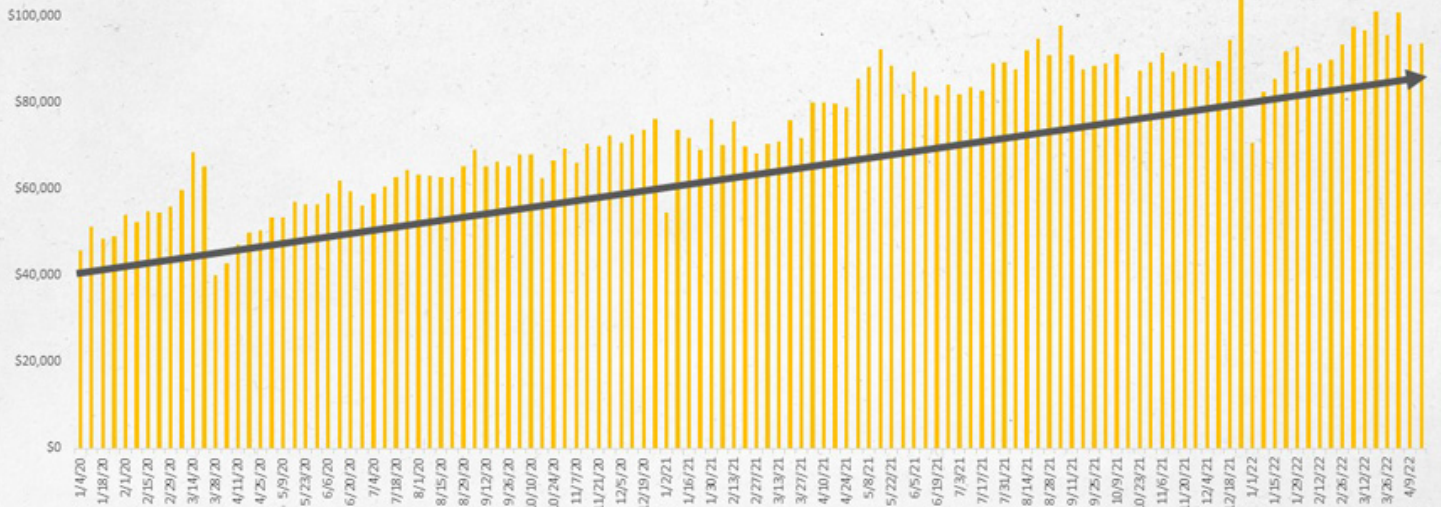


International Business

Canadian business accelerating behind advertising investment

Leading Canadian Freshpet Retailer
Weekly Sales

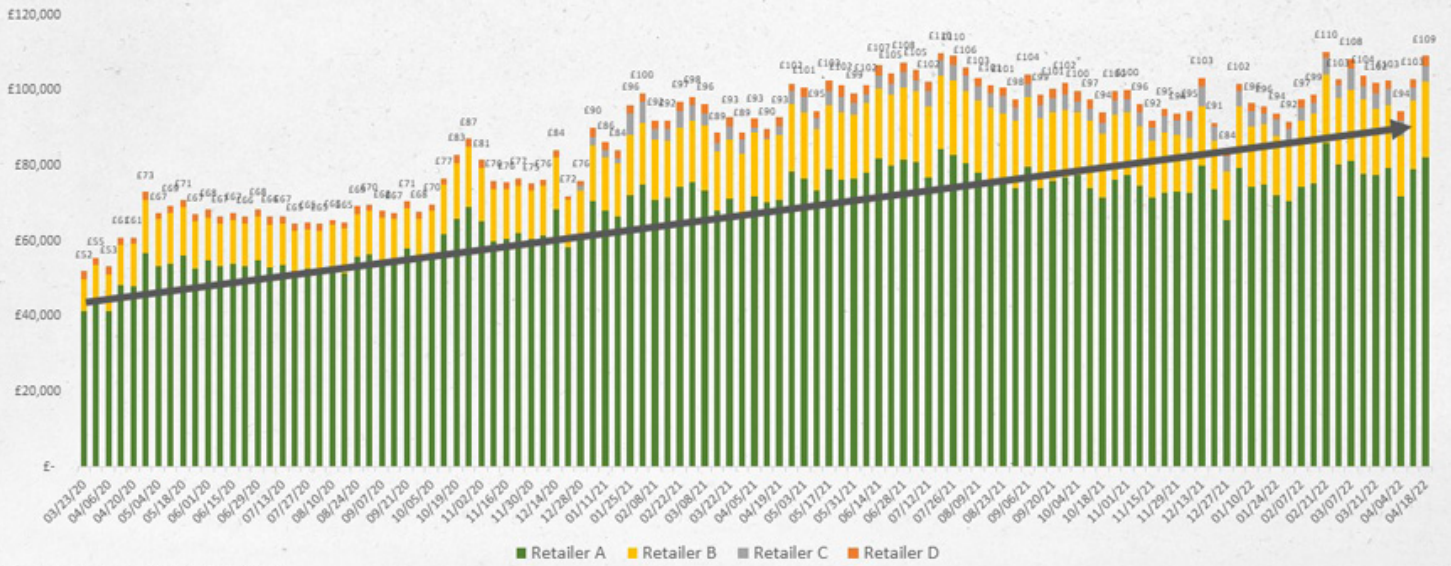
Last 4 weeks +23% vs. YA



Source: Internal company data through 4/16/22

Freshpet's advertising-driven model works in the UK

Freshpet UK
Weekly Sales by Retailer



Source: Internal company data through 4/18/22



Long-Term Capacity Plan Update

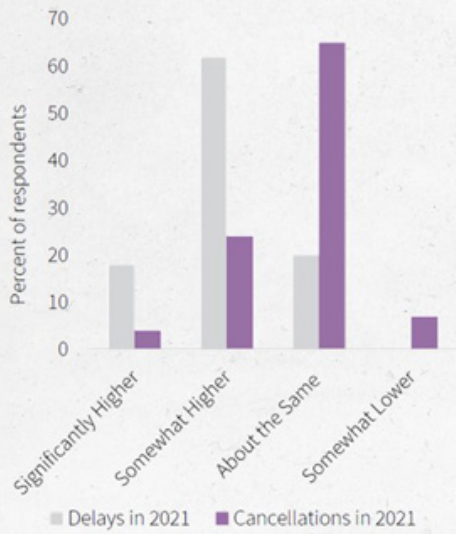
Revising the long-term capacity plan

Since we last established a long-term capacity plan, several things have changed:

- **Lead times:** Construction and equipment lead times have been extended
- **Costs:** Cost of construction has increased significantly
- **Operational expertise:** We have learned how to design facilities to operate more efficiently
- **Technology:** New production technology has been developed
- **Competition:** Rise of new, high-end fresh and frozen products necessitates continued investment in innovation to ensure we are always offering the best product at the best value

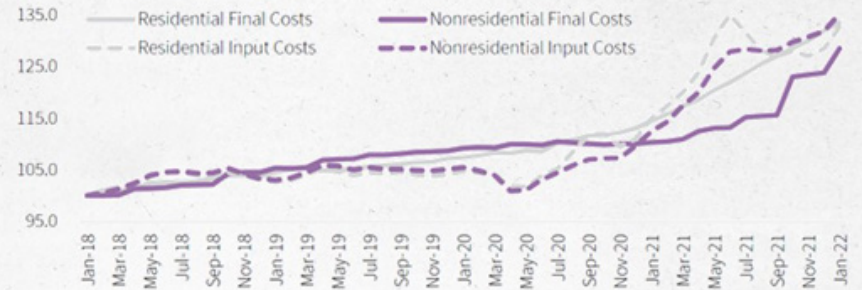
Construction projects are taking longer and cost more

Frequency of delays and cancellations



Source: Construction Industry Round Table

Construction costs: Input vs. Final by building type
Construction cost index (index value 100 = Jan. 2018)



Sources: JLL Research, U.S. Bureau of Labor Statistics

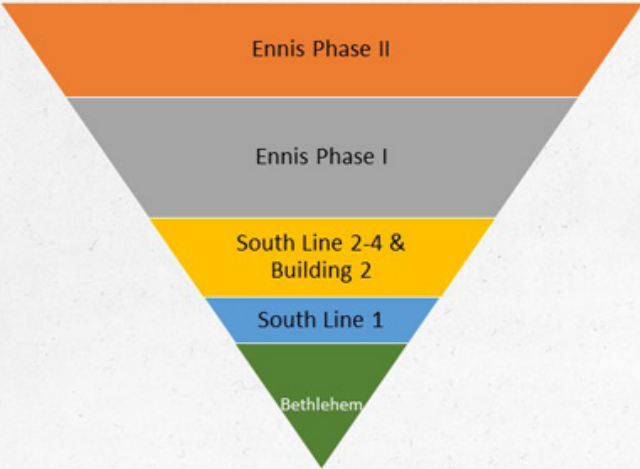
Key principles guiding our new long-term plan

- **Build where our talent is based** (Bethlehem, Ennis, Kitchens South) to maximize utilization of technical staff
- **Locate and group technology/equipment** in most cost-effective manner
 - Group roll lines together and bag lines together for optimal operating and maintenance efficiency
 - Retain all rolls production in Freshpet owned facilities for margin maximization
 - House innovative products in Bethlehem to connect with R&D staffing
- **Limit Freshpet capital investment** to assets of greatest strategic value (fewer buildings and more equipment and technology) to gain greatest leverage
- **Enable innovation** that ensures we never lose our product advantage
- **Provide the capacity** to grow faster if needed or insulate the business from delays in new capacity additions

Tactical adjustments tailored to drive capital efficiency and enhance capacity to meet demand

- **Splitting Ennis Phase II into two phases (rolls operation and bags operation) with the rolls phase constructed first**
 - Enables more rapid addition of needed rolls capacity and more rolls lines
 - Buys more time to validate new bags technology at Kitchens South
 - Phase II will open in Q4 2023
 - Phase III is slated to open in Q4 2024
- **Eliminating the new, second building at Kitchens South (rolls lines) and replacing it with an expanded set of bag lines in the existing building**
 - Will occupy the entire existing Kitchens South building
 - Will house 5 bag lines
- **Adding an innovation scale-up facility in Bethlehem**
 - 100K sq. ft. facility <1 mile from current Kitchens
 - Will house lines capable of scaling up our new product innovations
 - Leased facility with significant improvements made by Freshpet. Operated by Freshpet.

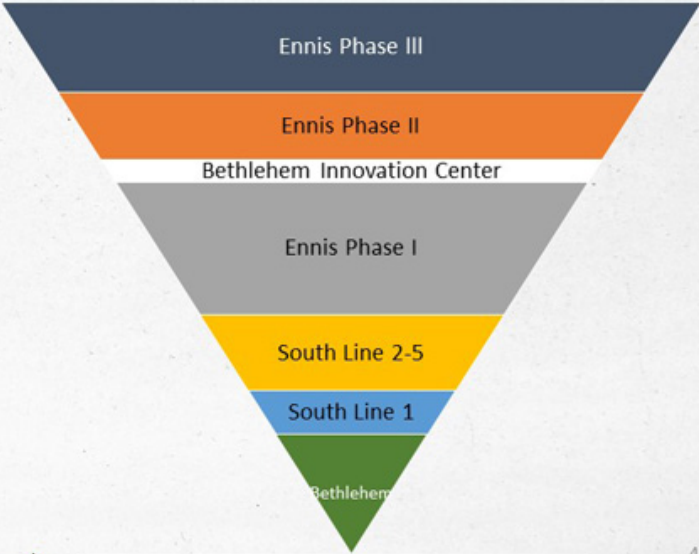
New plan adds capacity, capability and efficiency



Previous Plan*: \$2.4 billion net sales capacity



New Plan: \$2.9 billion net sales capacity



*Net Sales potential of previous plan has been updated to account for recent price increases

Phases of Expansion to Reach \$2.9 Billion Revenue Total Capacity Goal



Phase 1:
Net Sales Capacity
\$465m

PA Kitchens 1.0*
Kitchens South Line 1*

Phase 2:
Net Sales Capacity
\$815m

PA Kitchens 2.0*
Kitchens South Line 2*& 4
Ennis Phase 1

Phase 3:
Net Sales Capacity
\$975m

Ennis Phase 2
Kitchens South Expansion
Jaindl Rd Innovation

Phase 4:
Net Sales Capacity
\$650m

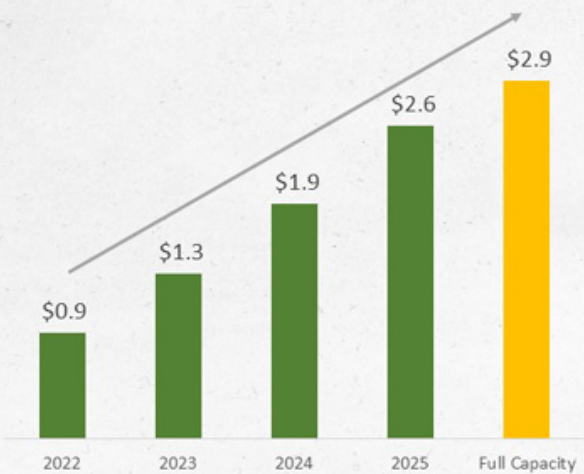
Ennis Phase 3

* In service as of Q1'2022

(*Net Sales Capacity defined as expected Net Sales production for our mix of products, before any inventory disposals and obsolescence or inventory build to support growth)

3x increase in capacity by the end of 2025

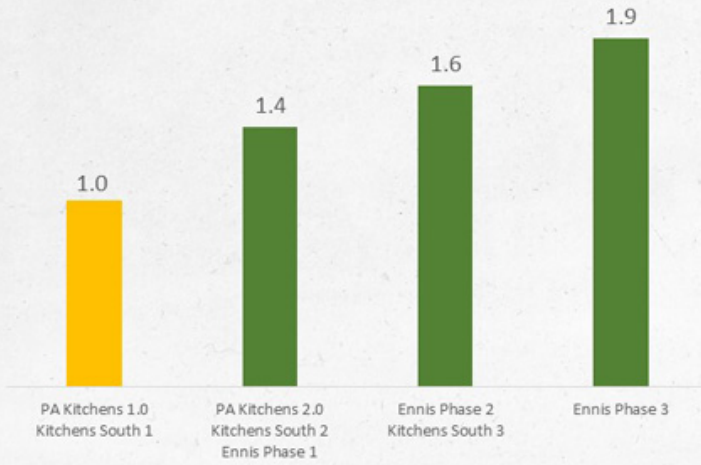
Targeted Annualized Net Sales Capacity
(in \$ billions)



- This capacity is comprised of:**
- ✓ New technologies → increased speed
 - ✓ New capabilities → new product forms
 - ✓ Our existing footprint → leverages our existing and new facilities & teams

Technology advancement drives speed & efficiency

Relative Net Sales Capacity per Production Line
vs Kitchens 1.0
(core rolls & bags lines only)



Higher speed lines increase capacity for the full network by nearly 40% compared to our PA Kitchens 1.0 facility. This will provide:

- Ability to meet accelerating demand with our existing network
- Leverage of our operating costs, assuming today's cost structure

> \$1B investment will continue to deliver strong returns

	Installed & Operating	Planned, Core Lines	Planned, Innovation	Total Capacity
	PA Kitchens 1.0 PA Kitchens 2.0 Kitchens South 1,2	Ennis Phase 1 Ennis Phase 2 Kitchens South 3,5 Ennis Phase 3	Kitchens South 4 Bethlehem Innovation	
Annual Net Sales Capacity, \$ billion	\$0.8	\$1.7	\$0.4	\$2.9
Capital Investment, \$ billion	\$0.3	\$0.9	\$0.2	\$1.4
Annual Net Sales per Capex Dollar	\$3.21	\$1.84	\$2.35	\$2.06
Avg. Adj. EBITDA % Margin during phase	10%	20%	20%	25%
Years to Recover Capital Investment	3.2	2.7	2.2	

Definitions

Annual net sales capacity – when fully utilized

Capital investment – cumulative investment, a portion of spend has been incurred to date

Adjusted EBITDA as a % of Net Sales (Adjusted EBITDA Margin) – Installed & Committed lines applied at FY22 rate; Planned lines applied at average expected rate during period

Time to Recover Capital Investment – measured from line operating at full utilization

Automation and quality improvement investments reduce cumulative net sales efficiency but scale drives profitability

Net Sales Efficiency per Cumulative Capex \$



Adjusted EBITDA per Cumulative Capex \$

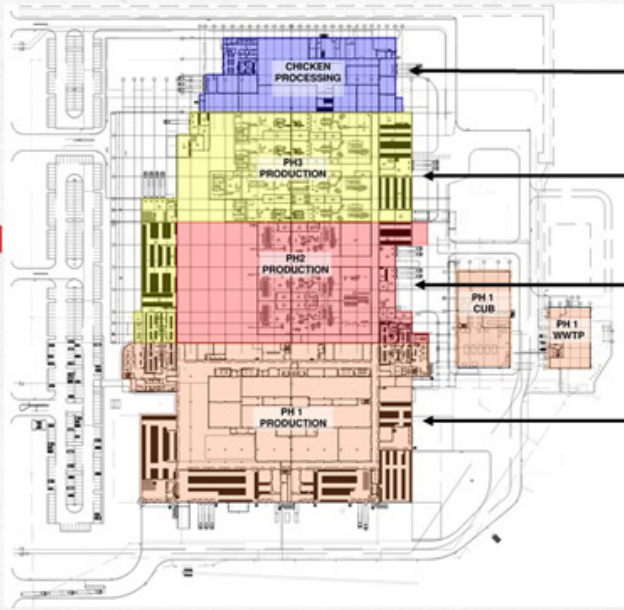


With each phase, assume additional leverage with scale towards our 25% Adjusted EBITDA Margin target in 2025

Site of Freshpet Kitchens 3.0: Ennis, TX



Expanding Ennis in 3 phases



- Chicken processing** 2022
- Phase III:**
 - 2 rolls lines
 - 4 bag lines2024
- Phase II:**
 - 3 rolls lines2023
- Phase I:**
 - 2 bag lines
 - 1 roll line2022

Ennis Kitchen

Phase I



Full Build Out

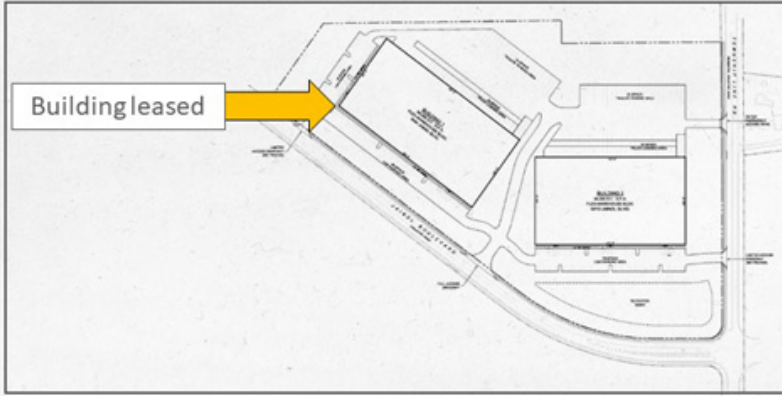


Phase I is on track to start up in late Q3 and site preparation work for Phase II has already begun



Leasing and equipping new facility to scale up innovative new products in Bethlehem, PA

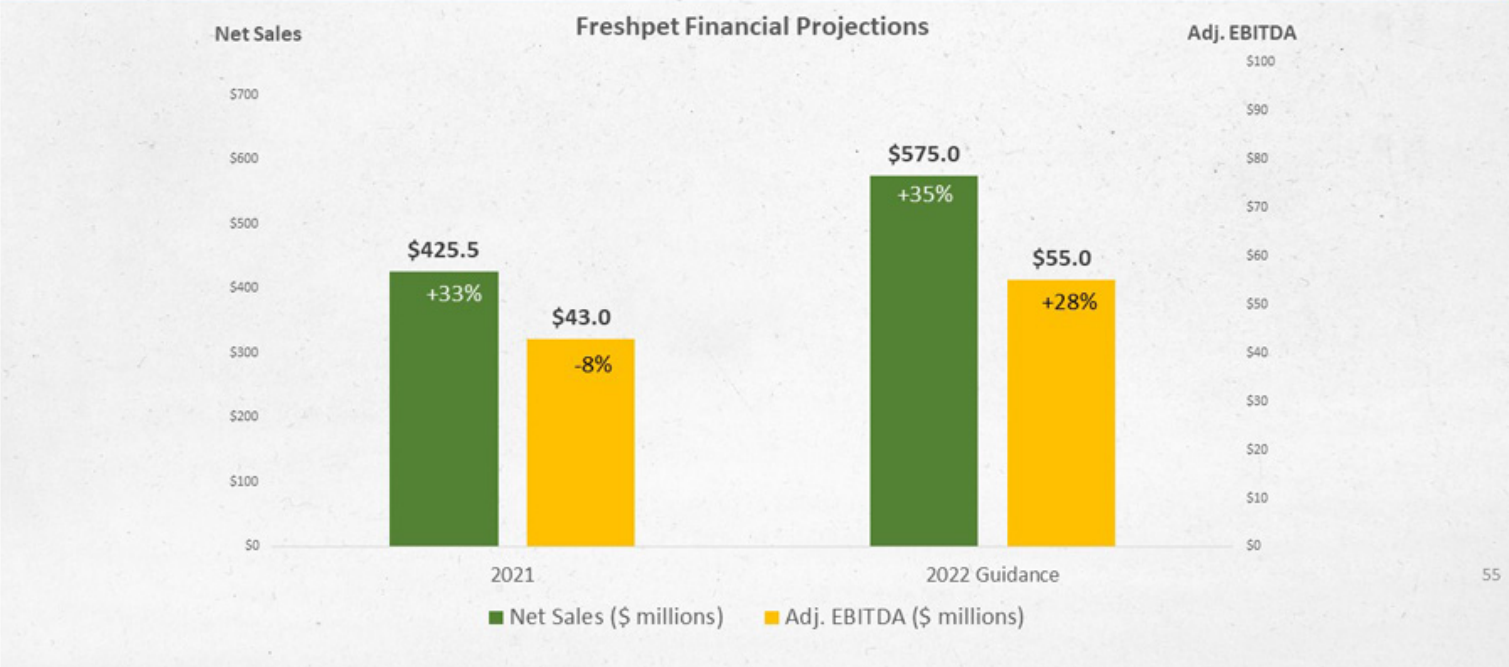
- **Purpose:** Quickly commercialize innovative new products while leveraging the talent and physical infrastructure available at the existing Bethlehem Campus
- **Location:** Less than 1 mile from existing campus
- **Timing:** Target to be in production Q3 2023
- **Products:** 3 lines capable of producing innovative new products
- **Expansion:** Right of first refusal for the second building for a limited time





2022 Guidance

Re-affirming Guidance



2022 Freshpet Guidance: Net Sales

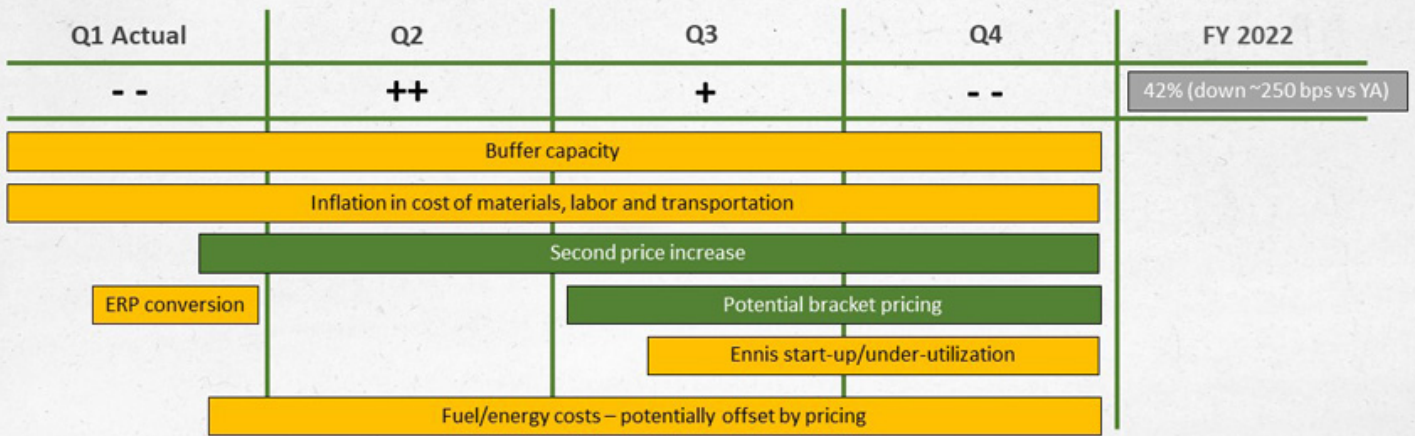
Key Drivers of Net Sales Cadence

Q1 Actual	Q2	Q3	Q4	FY 2022
++	neutral	++	-	35+% growth vs YA
Out-of-stocks and delayed marketing investment in YA		Significant trade inventory re-fill in YA		
Front loaded media investment (65/35)				
Complete trade inventory refill on bags		Warehouse issue in YA		
ERP conversion				

+ / - = relative comparison to projected FY22 growth rate

2022 Freshpet Guidance: Adj. Gross Margin

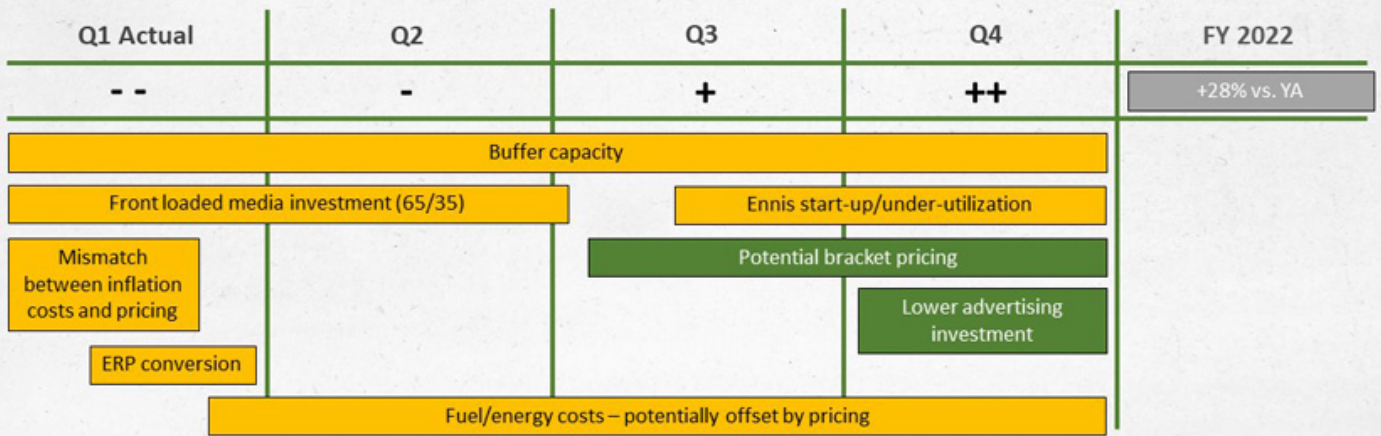
Key Drivers of Adj. Gross Margin Cadence



+ / - = relative comparison to forecasted FY22 Adj. Gross Margin

2022 Freshpet Guidance: Adj. EBITDA

Key Drivers of Adj. EBITDA Cadence



+ / - = relative comparison to forecasted FY22 EBITDA margin

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





Appendix

FRESHPET, INC. AND SUBSIDIARIES
RECONCILIATION BETWEEN GROSS PROFIT AND ADJUSTED GROSS PROFIT

	Three Months Ended March 31,	
	2022	2021
	(Dollars in thousands)	
Gross Profit	\$ 44,753	\$ 36,315
Depreciation expense	4,701	3,800
Plant start-up expense (a)	4,748	1,843
Non-cash share-based compensation	1,168	710
COVID-19 expense (b)	—	953
Adjusted Gross Profit	\$ 55,369	\$ 43,621
Adjusted Gross Profit as a % of Net Sales	41.9%	46.7%

(a) Represents additional operating costs, inclusive of inventory disposal, 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. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.

FRESHPET, INC. AND SUBSIDIARIES
RECONCILIATION BETWEEN SG&A EXPENSES AND ADJUSTED SG&A EXPENSES

	Three Months Ended March 31,	
	2022	2021
	(Dollars in thousands)	
SG&A expenses	\$ 60,631	\$ 46,033
Depreciation and amortization expense	3,285	3,289
Non-cash share-based compensation	5,127	5,370
Launch expense (a)	632	731
Loss on disposal of equipment	43	60
Equity offering expenses (b)	—	125
Enterprise Resource Planning (c)	1,018	603
COVID-19 expense (d)	—	4
Adjusted SG&A Expenses	\$ 50,526	\$ 35,851
Adjusted SG&A Expenses as a % of Net Sales	38.2%	38.4%

(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. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.

FRESHPET, INC. AND SUBSIDIARIES
RECONCILIATION BETWEEN NET INCOME (LOSS) AND ADJUSTED EBITDA

	Three Months Ended March 31,	
	2022	2021
	(Dollars in thousands)	
Net loss	\$ (17,542)	\$ (10,888)
Depreciation and amortization	7,986	7,089
Interest expense	571	901
Income tax expense	41	16
EBITDA	\$ (8,944)	\$ (2,882)
Loss on equity method investment	\$ 1,310	248
Loss on disposal of equipment	43	60
Non-cash share-based compensation	6,295	6,080
Launch expense (a)	632	731
Plant start-up expense (b)	4,748	1,843
Equity offering expenses (c)	—	125
Enterprise Resource Planning (d)	1,018	603
COVID-19 expense (e)	—	957
Adjusted EBITDA	\$ 5,102	\$ 7,765
Adjusted EBITDA as a % of Net Sales	3.9%	8.3%

(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, inclusive of inventory disposal, 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. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.



freshpet[®]

FEED THE GROWTH

11 MILLION HH BY 2025

