



2019 Earnings Update
February 25, 2020



Important Information about this Presentation

Forward-Looking Statements

Certain statements in this presentation constitute “forward-looking” statements. These statements are based on management’s current opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results. These forward-looking statements are only predictions, not historical fact, and involve certain risks and uncertainties, as well as assumptions. Actual results, levels of activity, performance, achievements and events could differ materially from those stated, anticipated or implied by such forward-looking statements. While Freshpet believes that its assumptions are reasonable, it is very difficult to predict the impact of known factors, and, of course, it is impossible to anticipate all factors that could affect actual results. There are 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 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. Adjusted EBITDA represents EBITDA plus loss on disposal of equipment, plant start-up expenses, non-cash share-based compensation, warrant fair valuation, launch expense, fees related to secondary offerings, leadership transition expenses and litigation expense.

Important Information about this Presentation (cont.)

Freshpet defines Adjusted Gross Profit as gross profit before non-cash depreciation expenses, plant start-up 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, loss on disposal of equipment, launch expense, fees related to secondary offerings, leadership transition expenses and litigation expense:

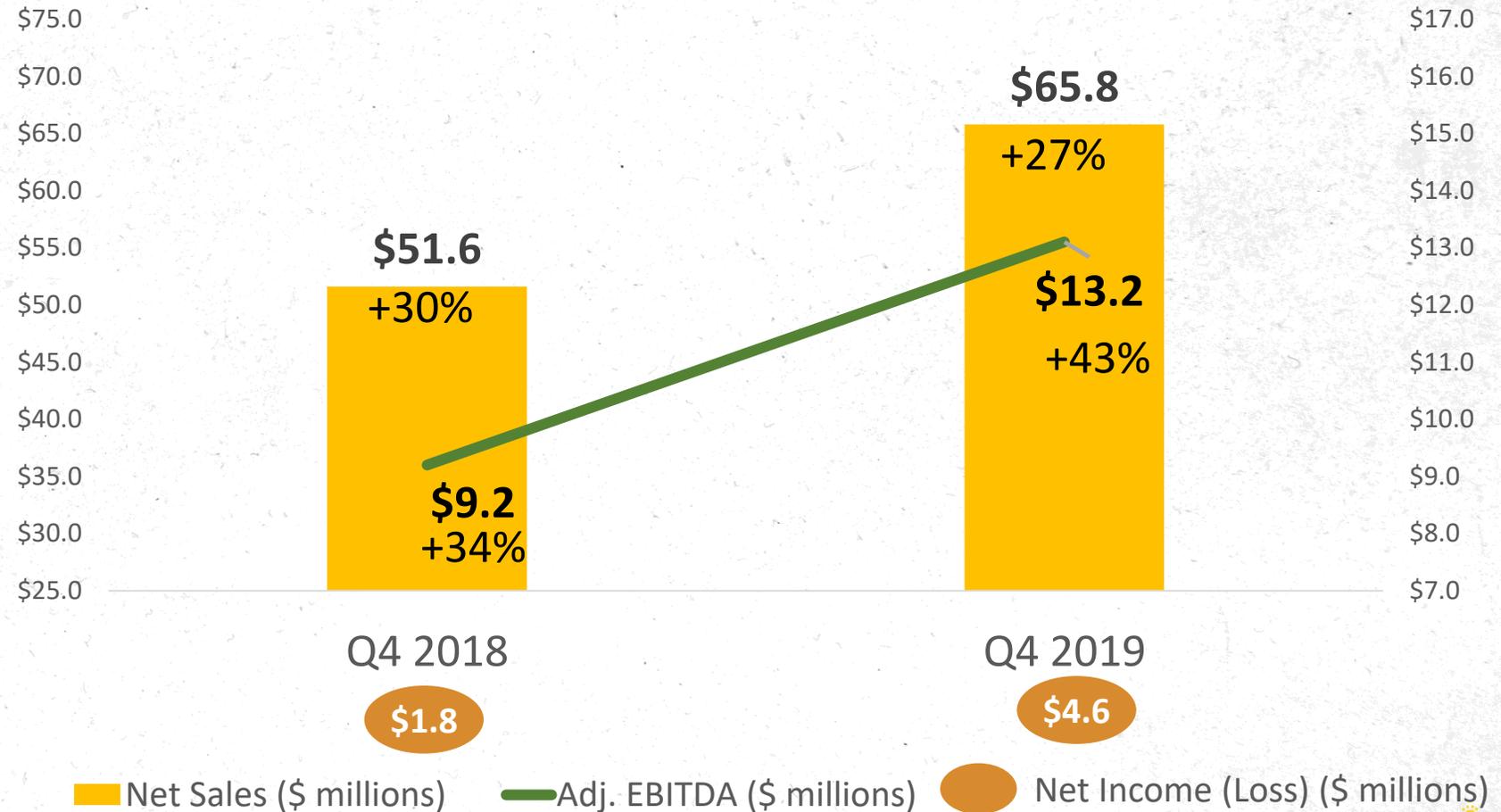
Management believes that the non-GAAP financial measures are meaningful to investors because they provide a view of the Company with respect to ongoing operating results. Non-GAAP financial measures are shown as supplemental disclosures in this presentation because they are widely used by the investment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

See the Appendix hereto for a reconciliation of historical non-GAAP measures to the closest comparable GAAP measures. Certain non-GAAP measures present the Company's guidance for fiscal year 2020. 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 2019: Continued strong top line growth and accelerating bottom line

7 of last 8 quarters >25% growth

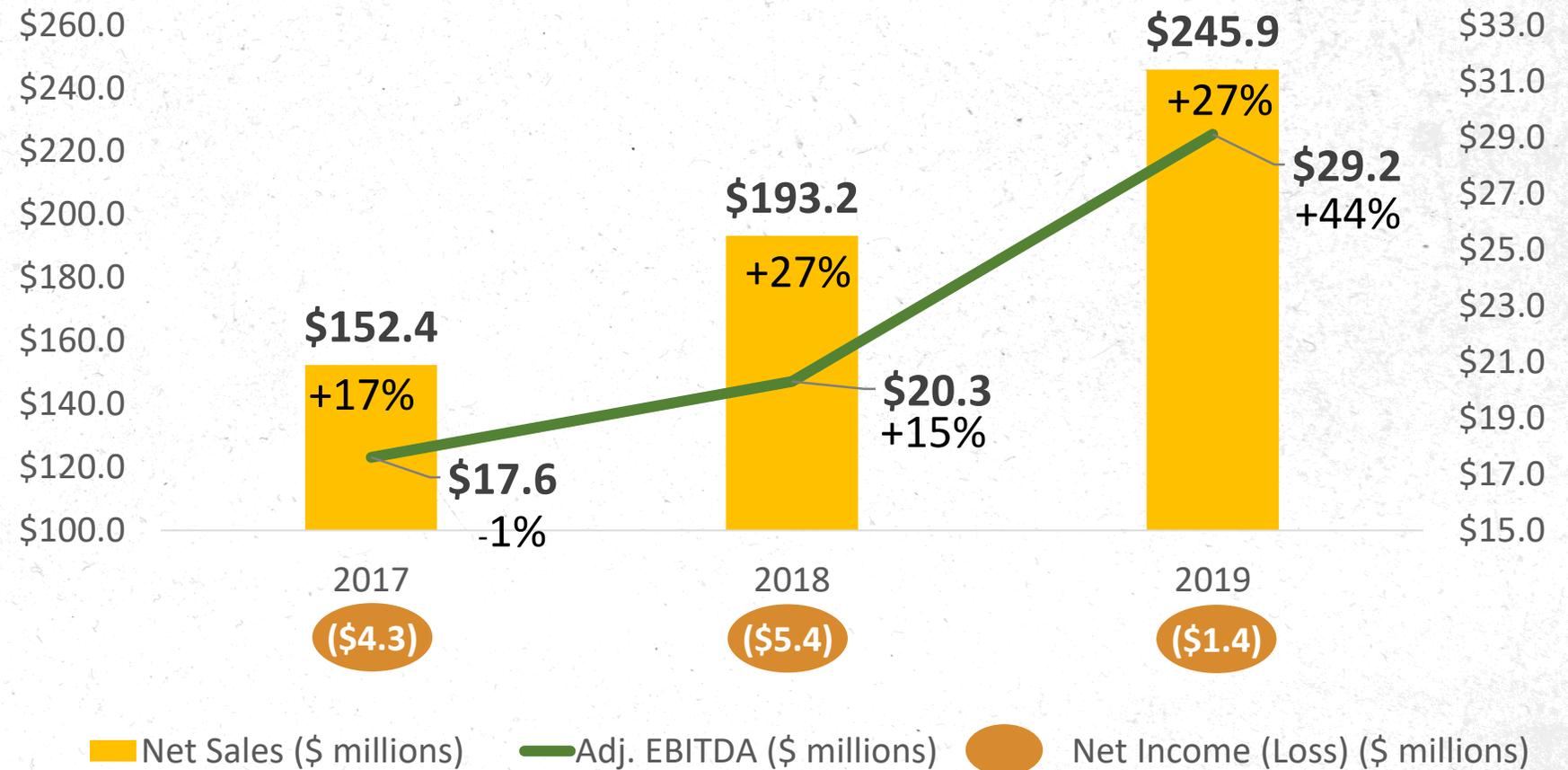
Freshpet Net Sales & Profitability Performance



FY 2019: Continued strong top line growth and accelerating bottom line

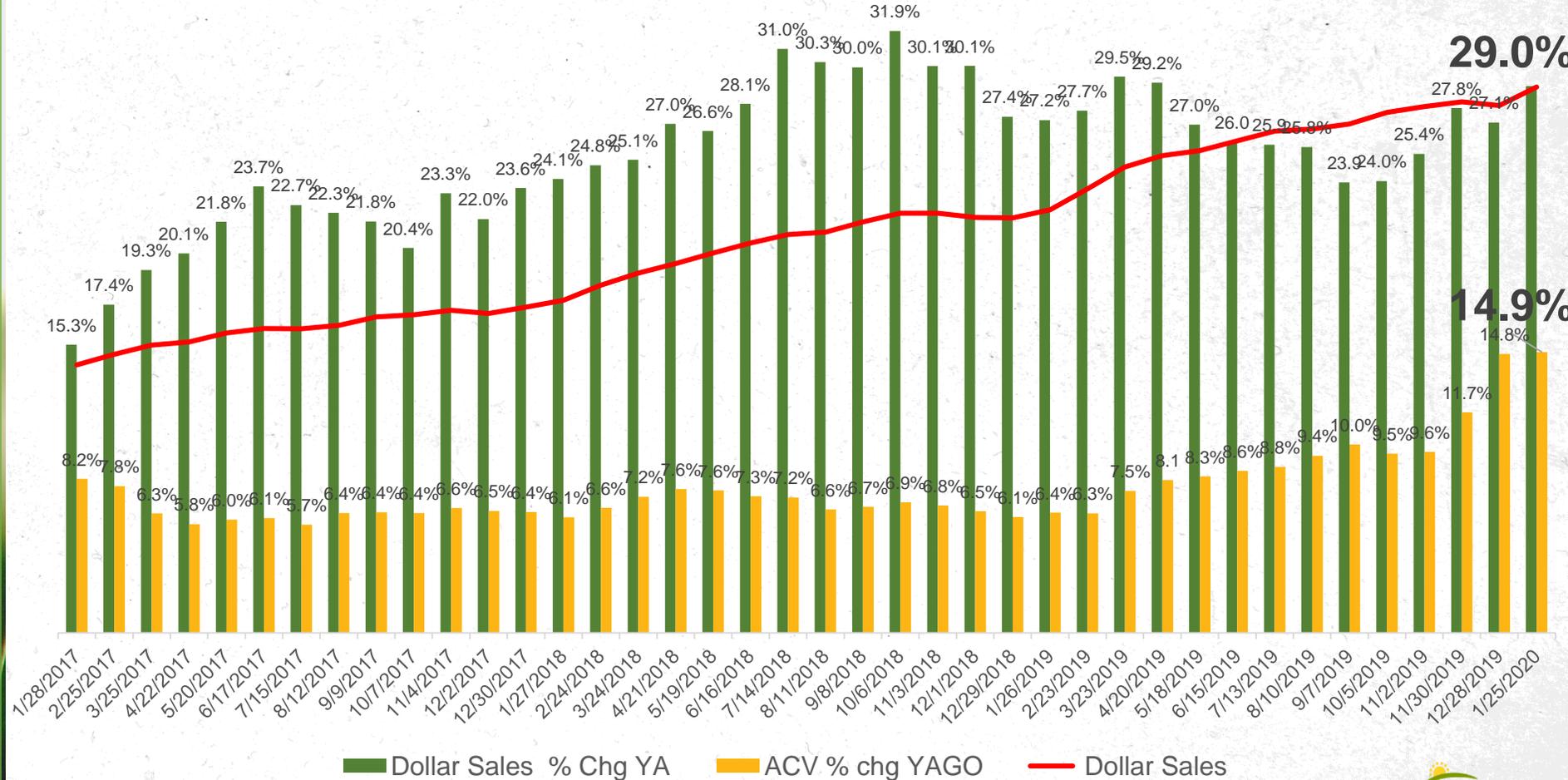
Exceeded guidance:
Net Sales: >\$244M
Adj. EBITDA: >\$29M

Freshpet Net Sales & Adj. EBITDA Performance



Accelerating Consumption Growth and Strong Distribution Growth

Nielsen Mega-Channel Consumption and Distribution Growth

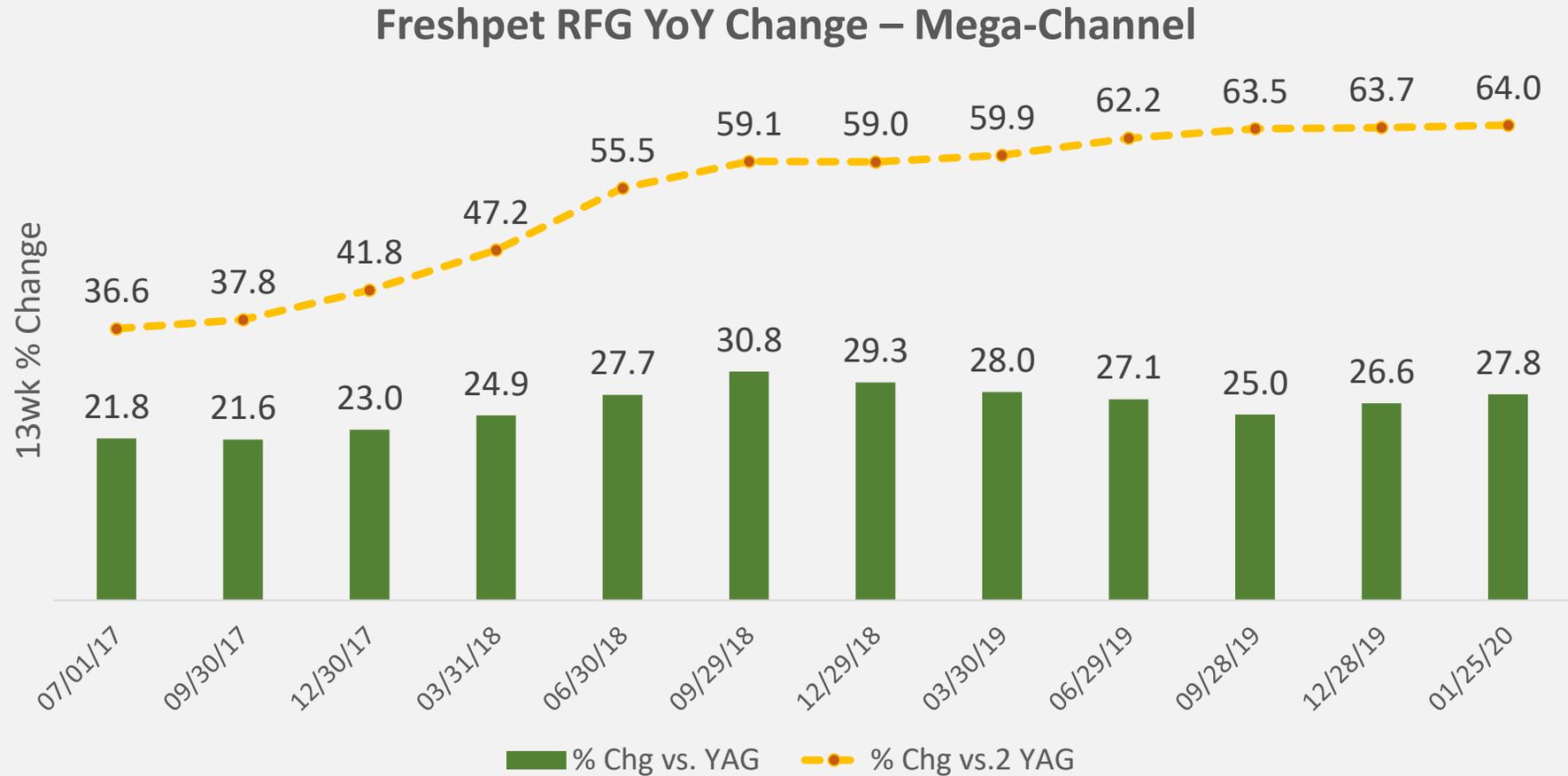


Source: Nielsen Mega-Channel Data thru 1/25/20

>20% Growth
Every Period Since
March 2017

Growth rates continue to build

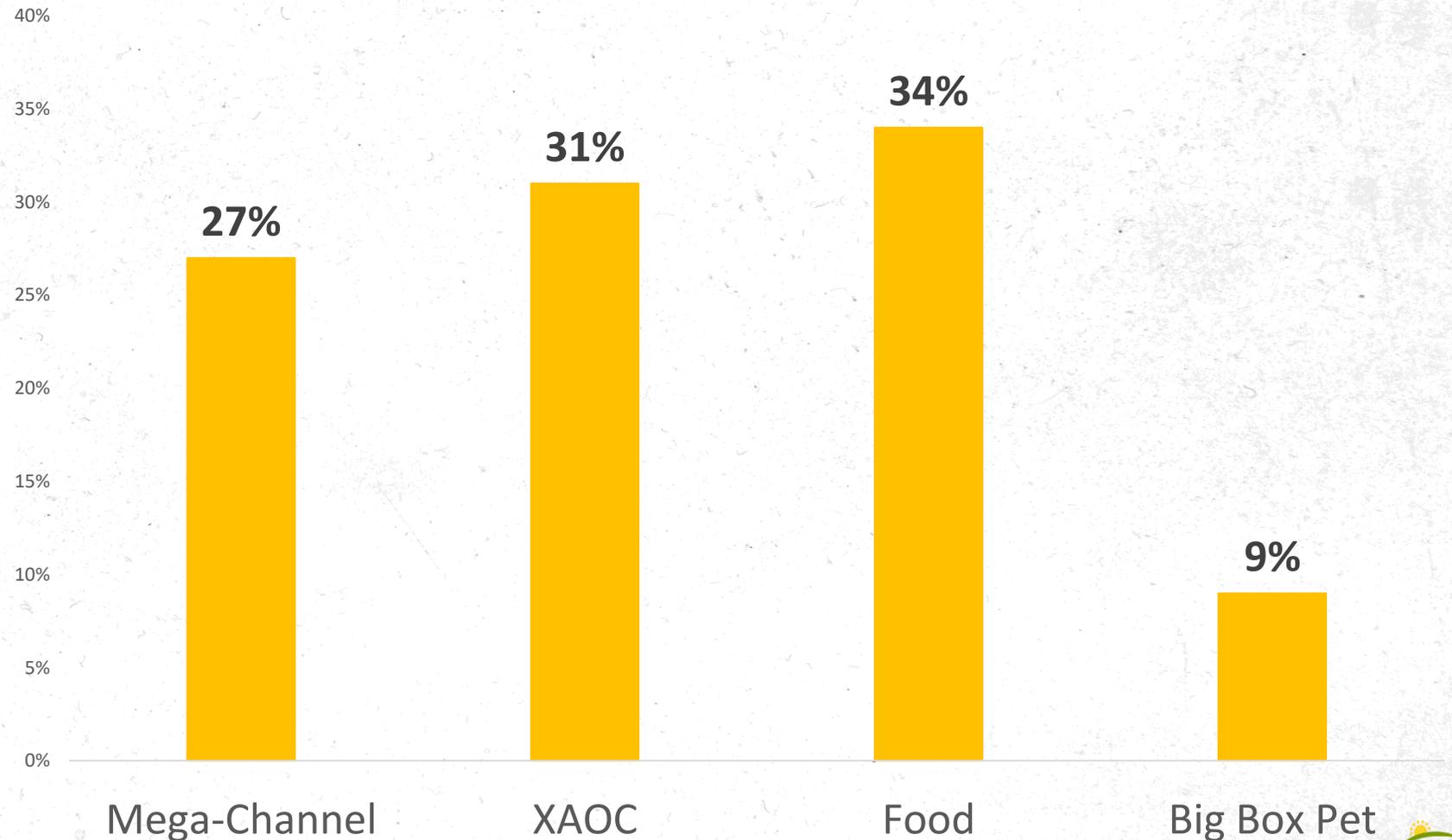
Sustainable and predictable business model



Q4 2019: Strong growth across channels

Two-year stacked growth of 56% in Nielsen Mega-Channel

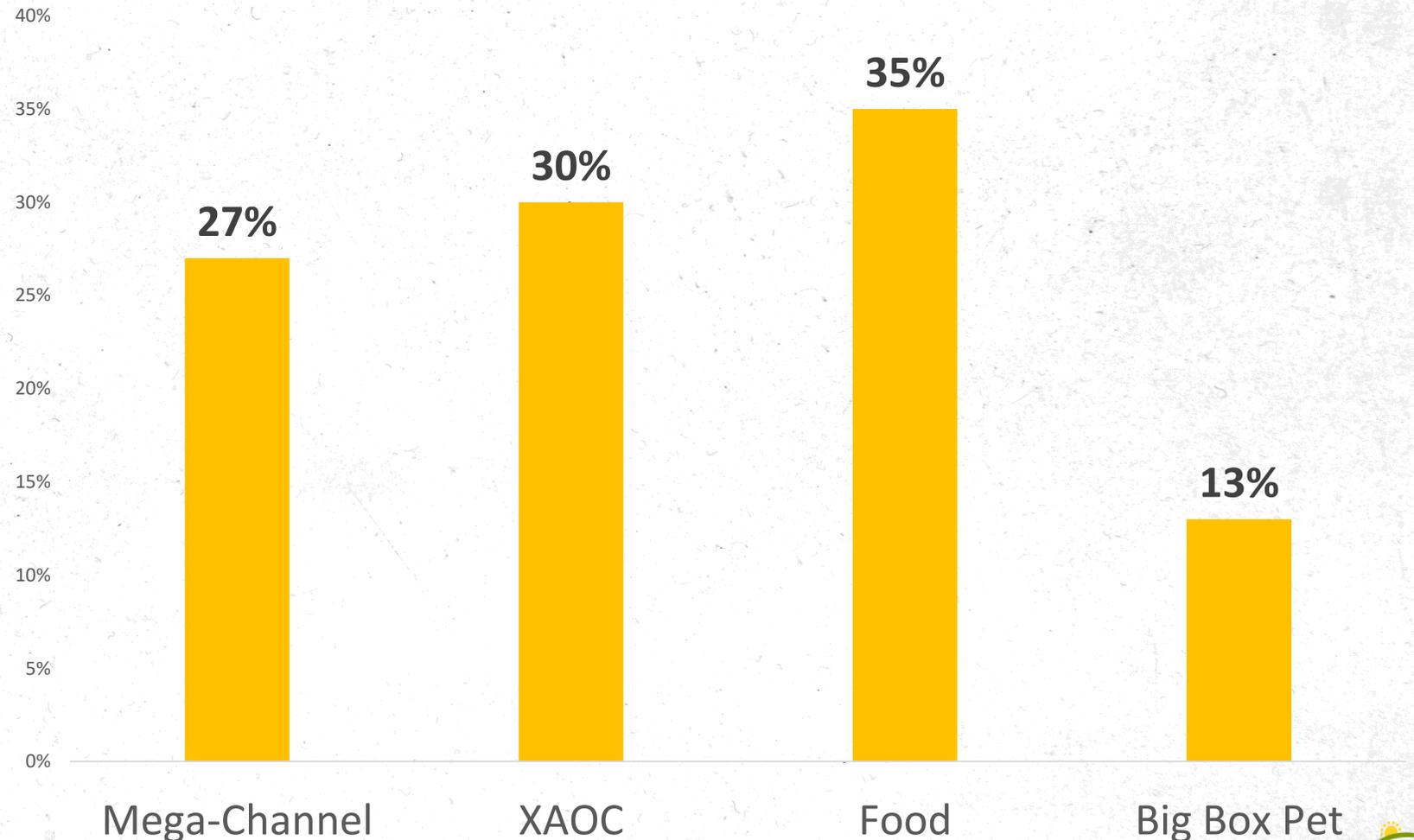
Q4 2019 Nielsen Consumption Growth



Source: Nielsen Consumption Data thru 12/28/19

FY 2019: Strong growth across channels

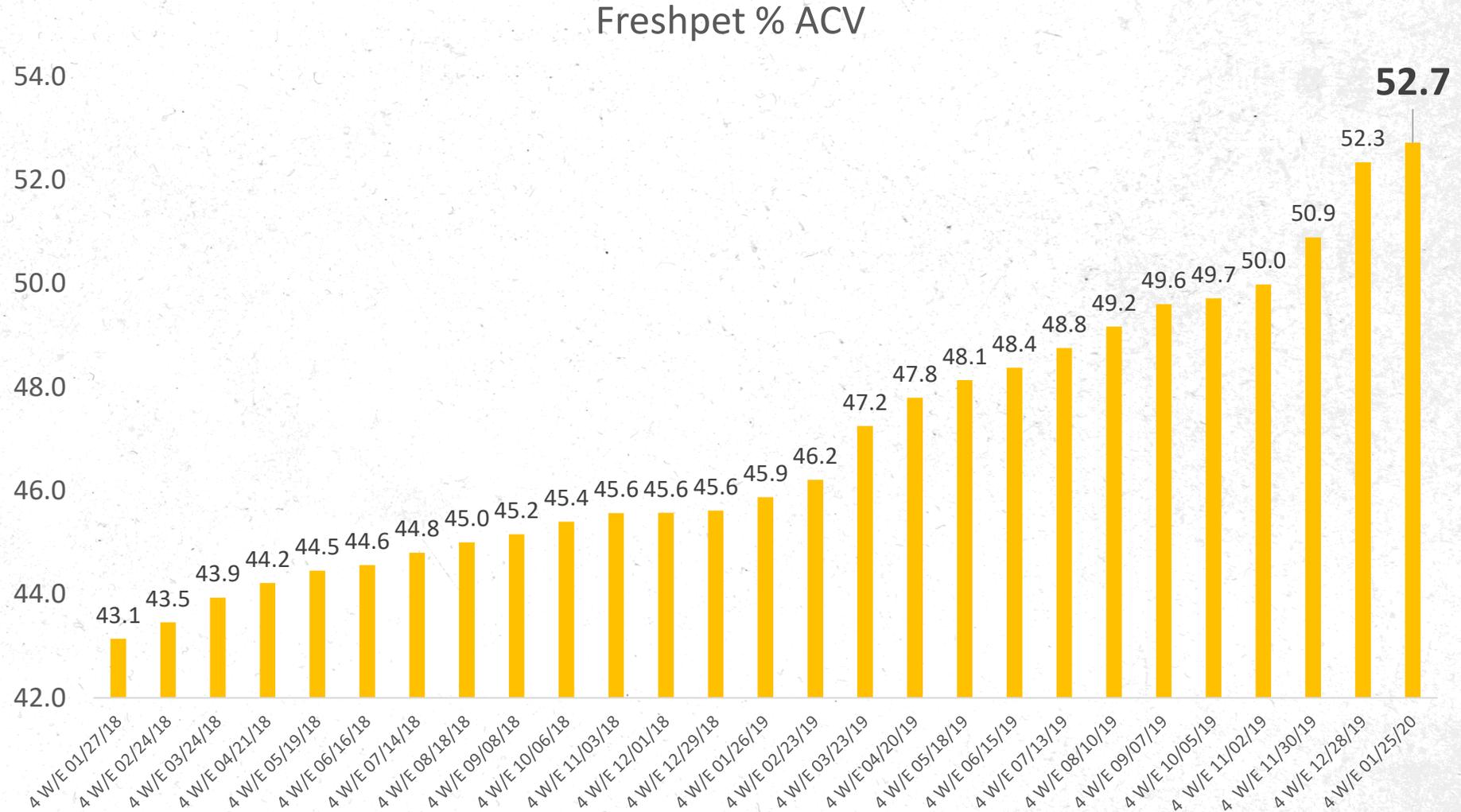
CY 2019 Nielsen Measured Consumption Growth



Second year of at least 27% Nielsen Mega-Channel growth

Accelerating % ACV growth

15% increase in ACV in 2019

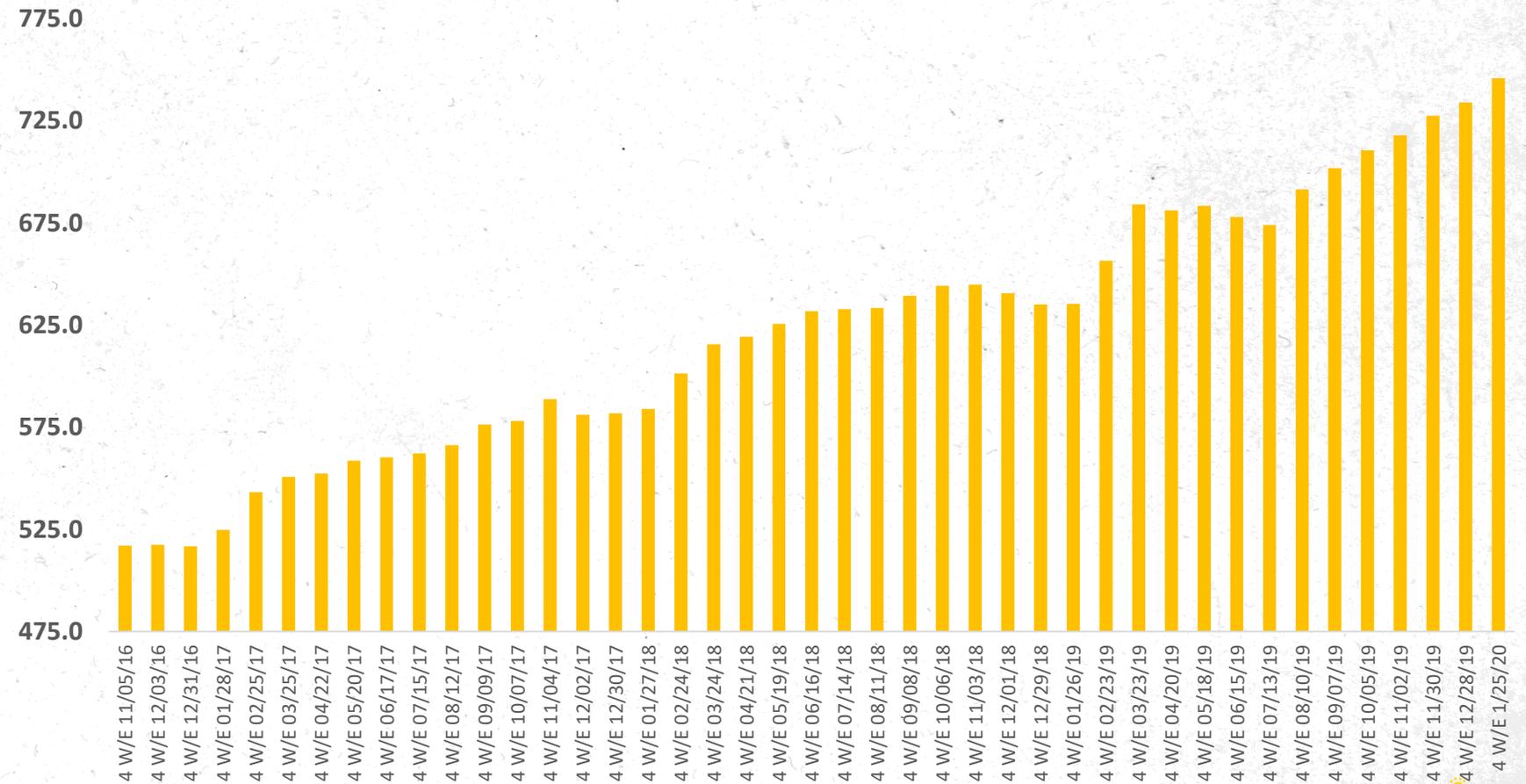


Source: Nielsen Mega-Channel Data thru 1/25/20

Increasing Total Distribution Points (TDP's)

16% increase in TDP's in 2019

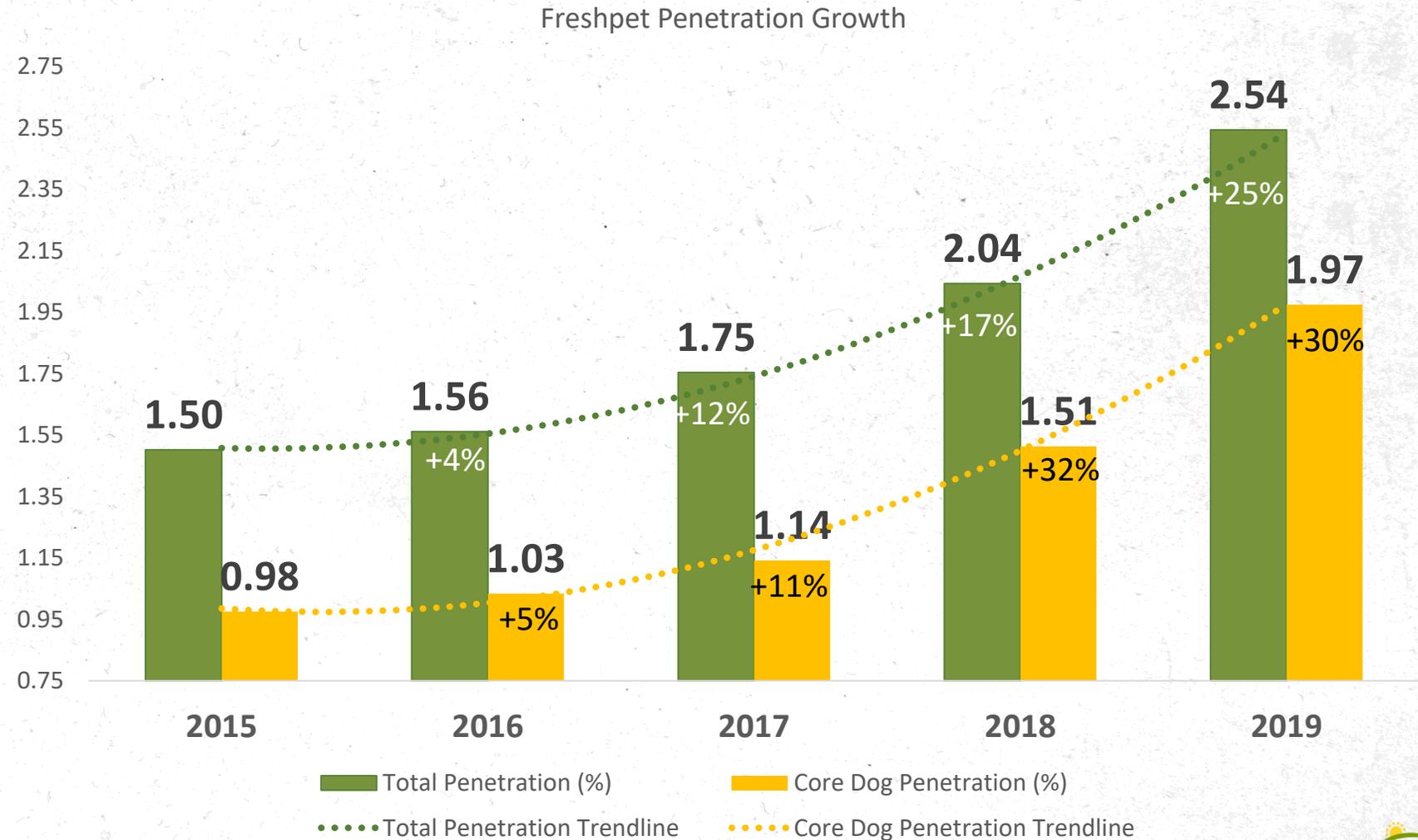
Freshpet Total Distribution Points (TDP)
Nielsen Mega-Channel



Source: Nielsen Mega-Channel Data thru 1/25/20

Accelerating Penetration Growth

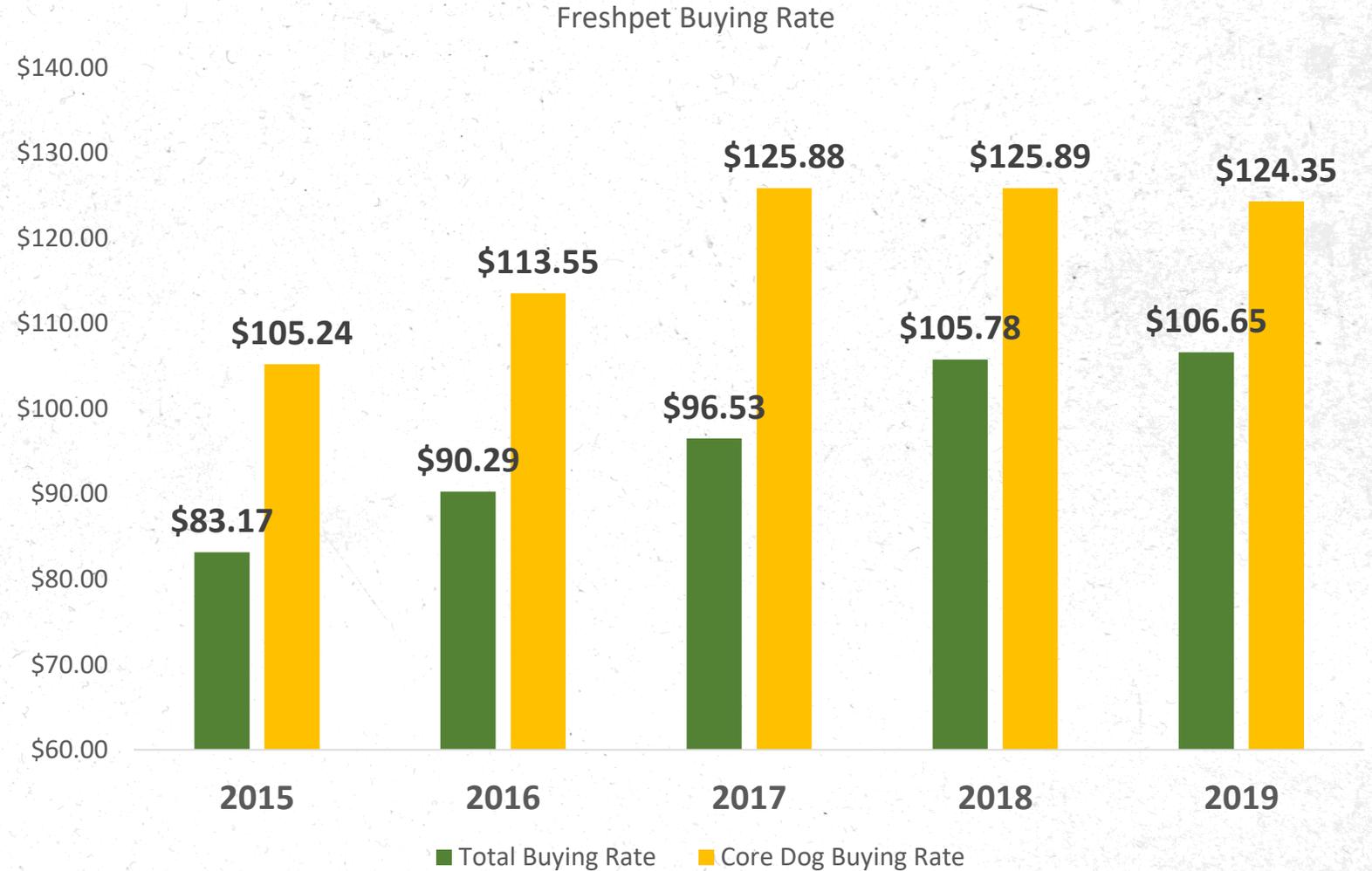
Almost Doubled
Core Dog HH
Penetration in
3 Years



Source: Nielsen HH Panel for the period ending Dec 2019

Buying Rate Growth Diluted by Strong Penetration Growth

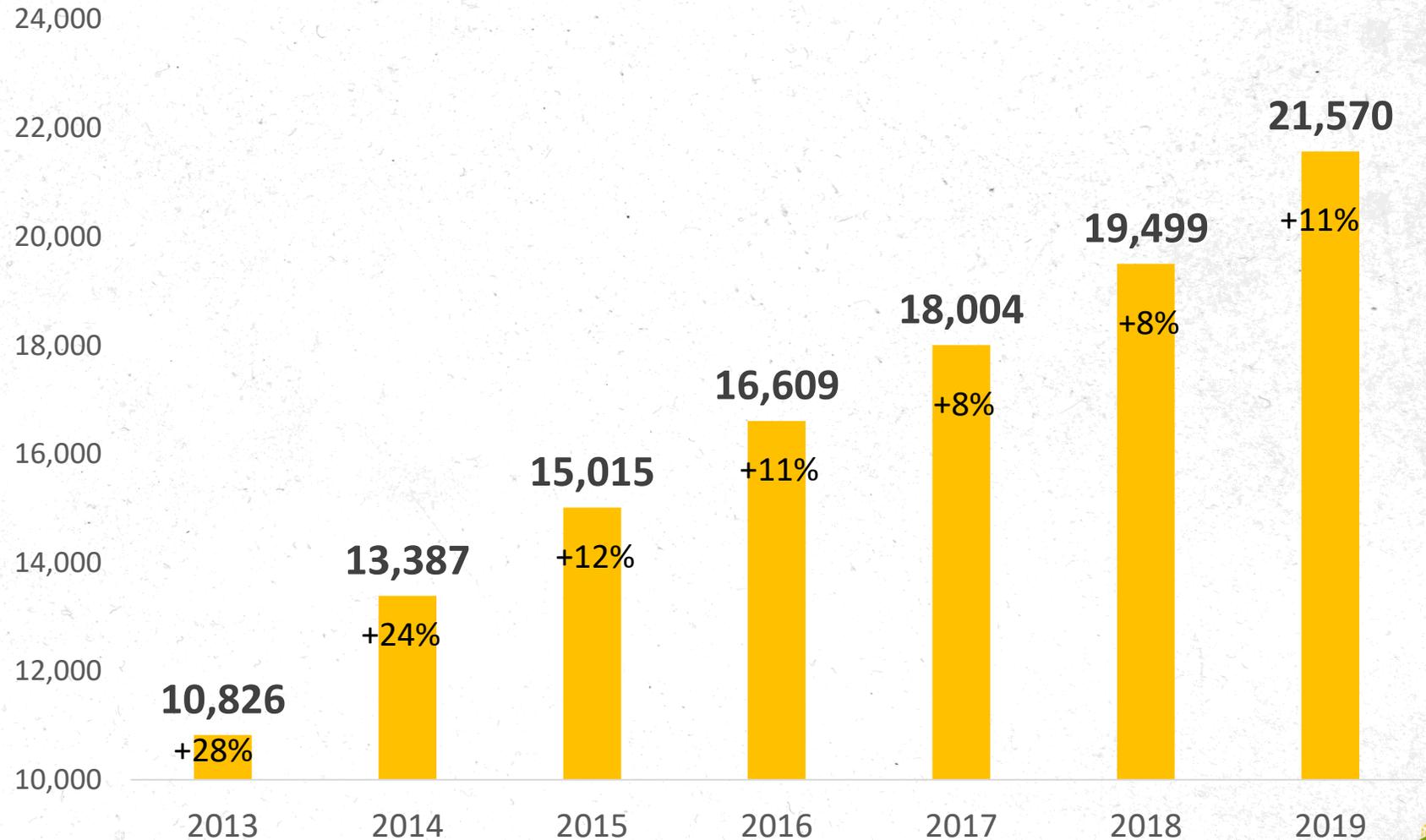
18% Increase in Core Dog Buying Rate Since 2015



Source: Nielsen HH Panel for the period ending Dec 2019 and company internal data

Increasing Freshpet Store Count

2,071 Net New Stores in 2019

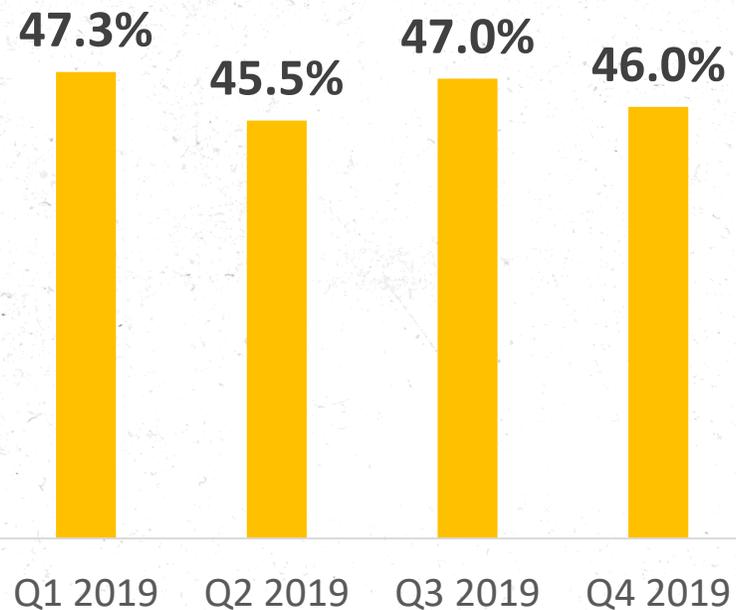


Source: Internal company data

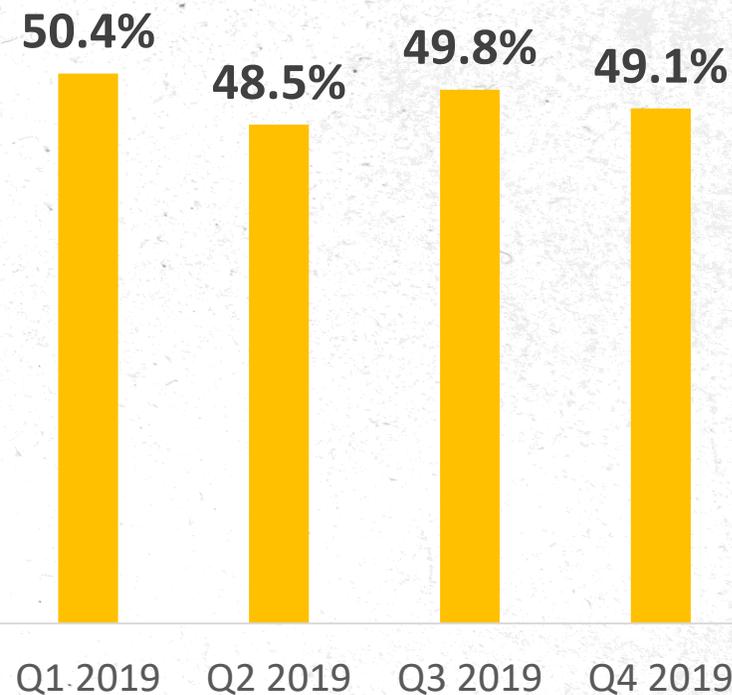
Q4 2019: Stable Gross Margins

~50% Adj. Gross Margin Provides Adequate Resources for Marketing Investment

Freshpet Gross Margin Progress



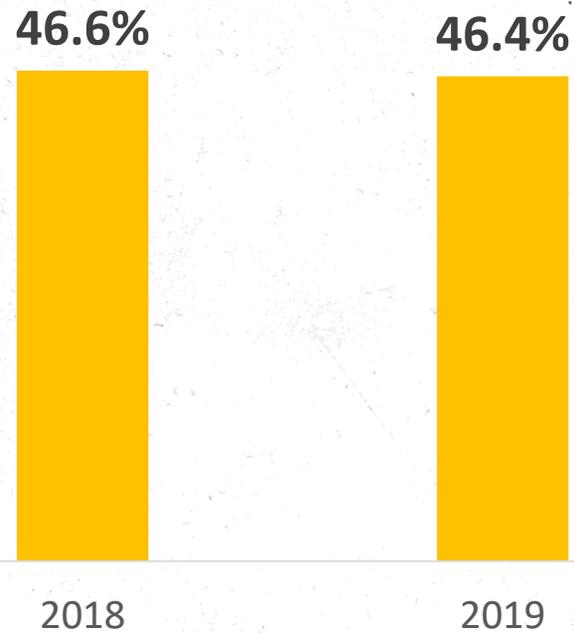
Freshpet Adj. Gross Margin Progress



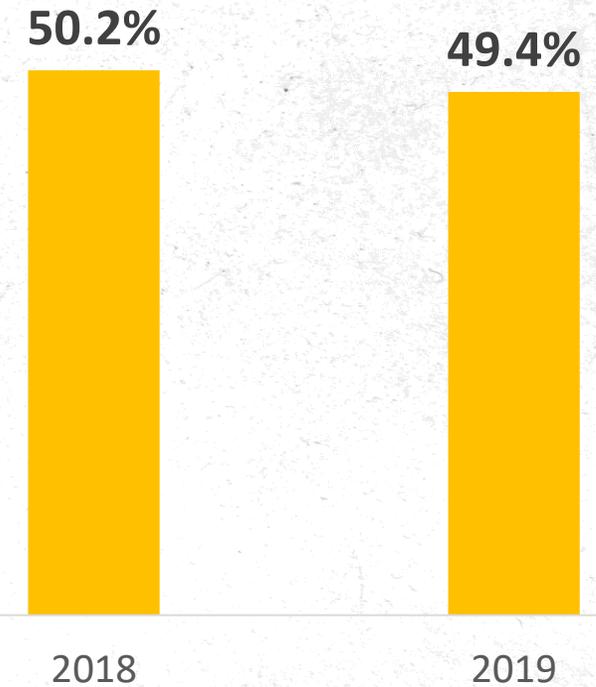
FY 2019: Stable Gross Margins

Stable Gross Margin Despite Challenges of Rapid Growth

Freshpet Gross Margin Progress

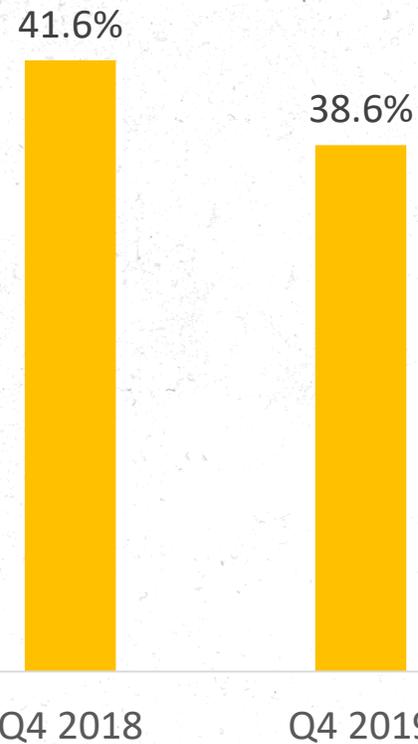


Freshpet Adj. Gross Margin Progress

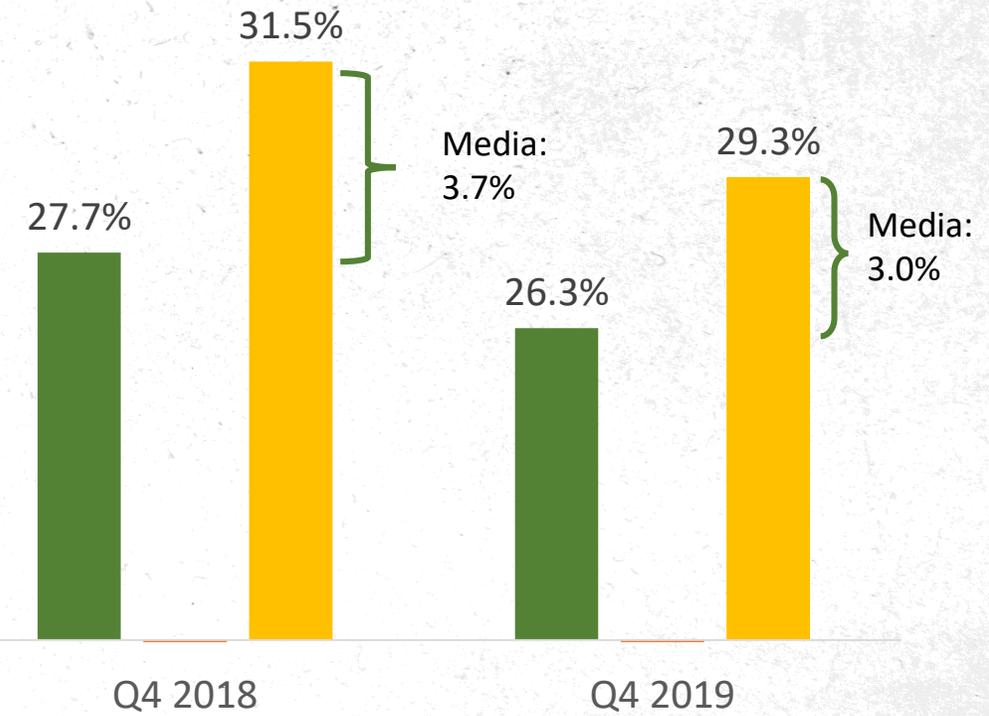


Q4 2019: Continued gains in SG&A leverage

SG&A Leverage Progress – Q4 2019



Adj. SG&A Leverage Progress – Q4 2019



■ Total Adj. SG&A %

■ Adj. SG&A % Excluding Media

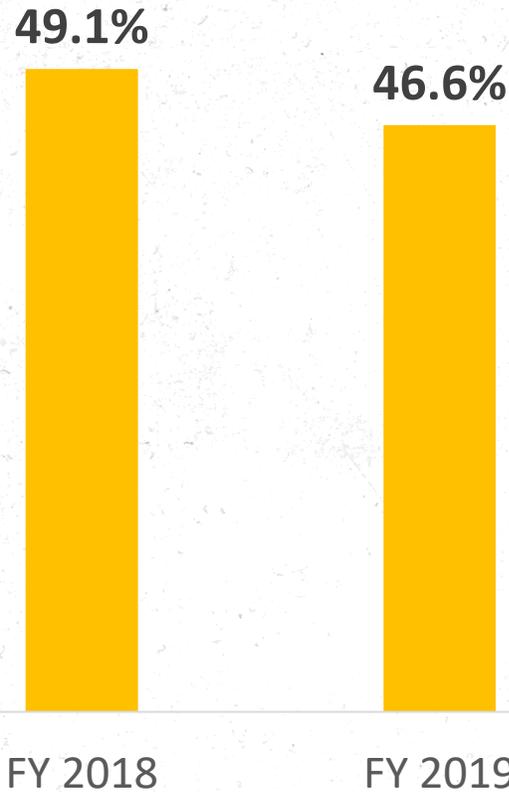
■ Total Adj. SG&A %

Gained 150 bps of Adj. SG&A (excl. media) leverage

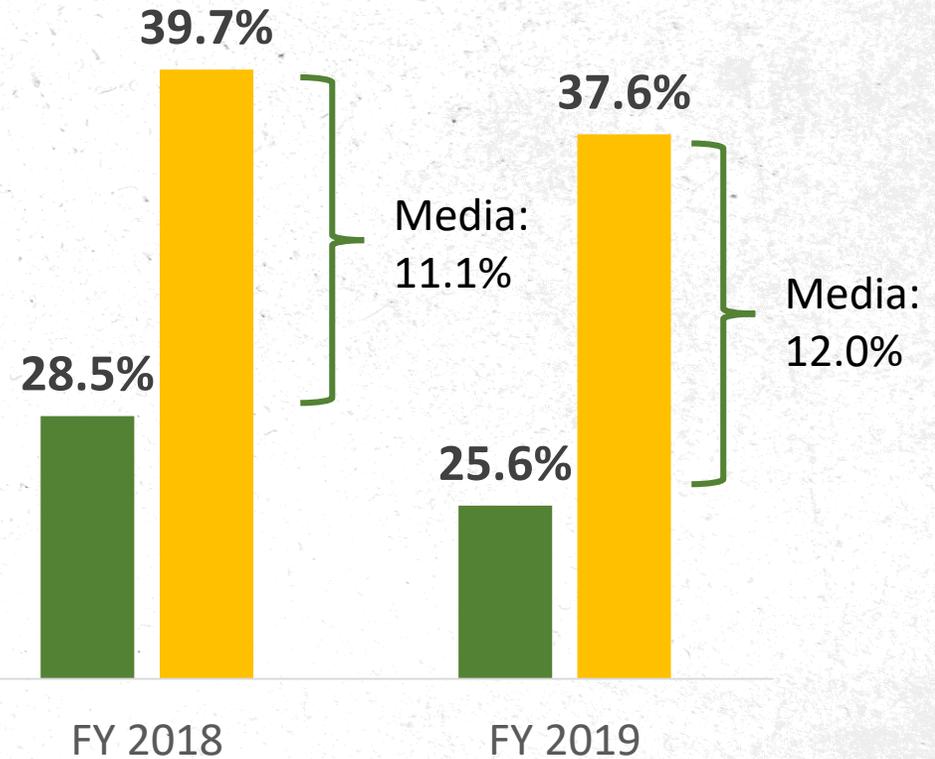
FY 2019: Continued Gains in SG&A Leverage

Gained 290 bps of Adj. SG&A (excl. media) Leverage

SG& Leverage Progress -- CY 2019



Adj. SG& Leverage Progress -- CY 2019



■ Total SG&A %

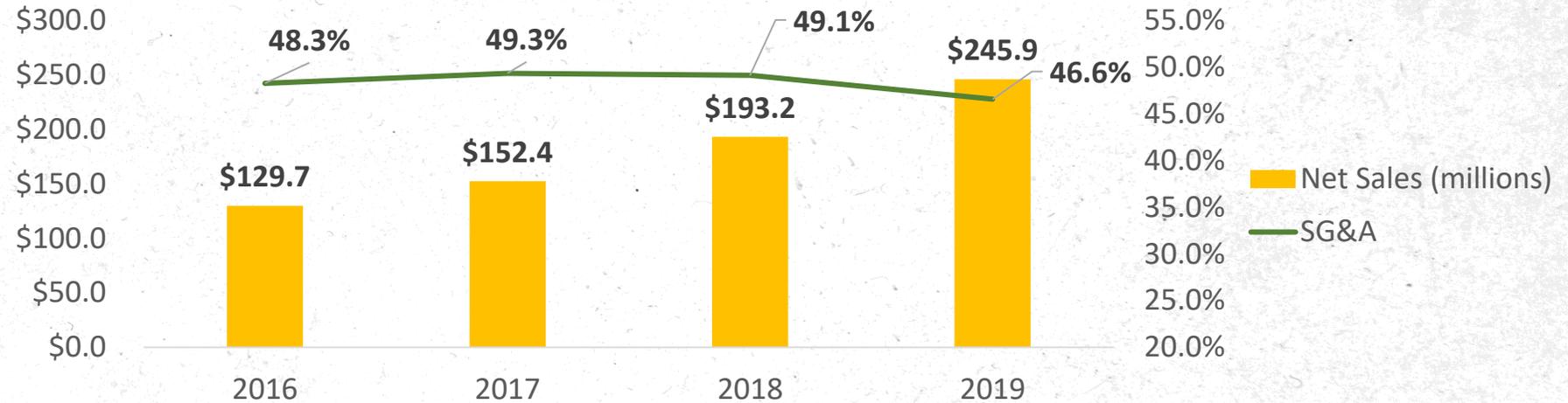
■ Adj. SG&A % Excluding Media

■ Total Adj. SG&A %

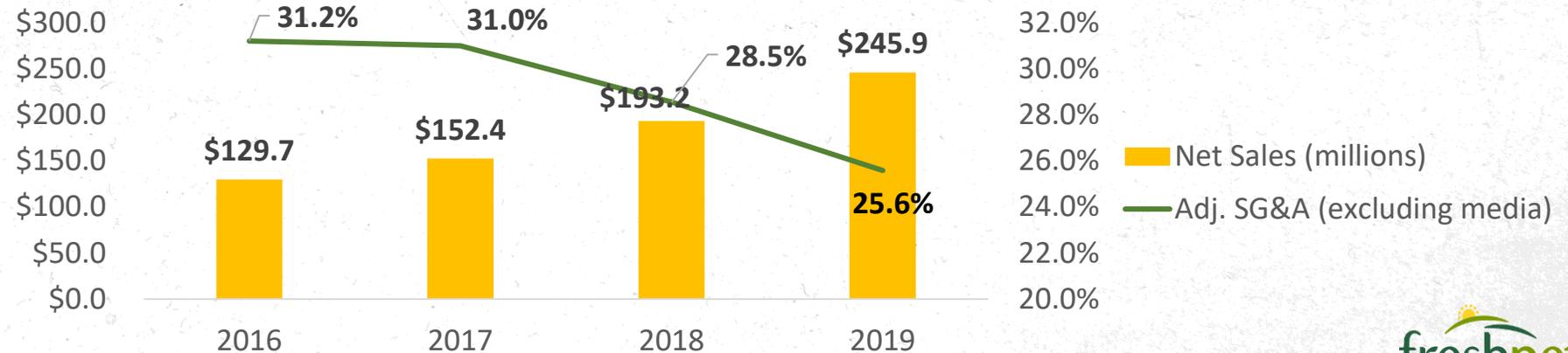
Captured 560 bps of Adjusted SG&A (excl. Media) leverage since 2016

2020 Goal: 700 bps of Adjusted SG&A (excl. media) leverage

SG&A Leverage Progress

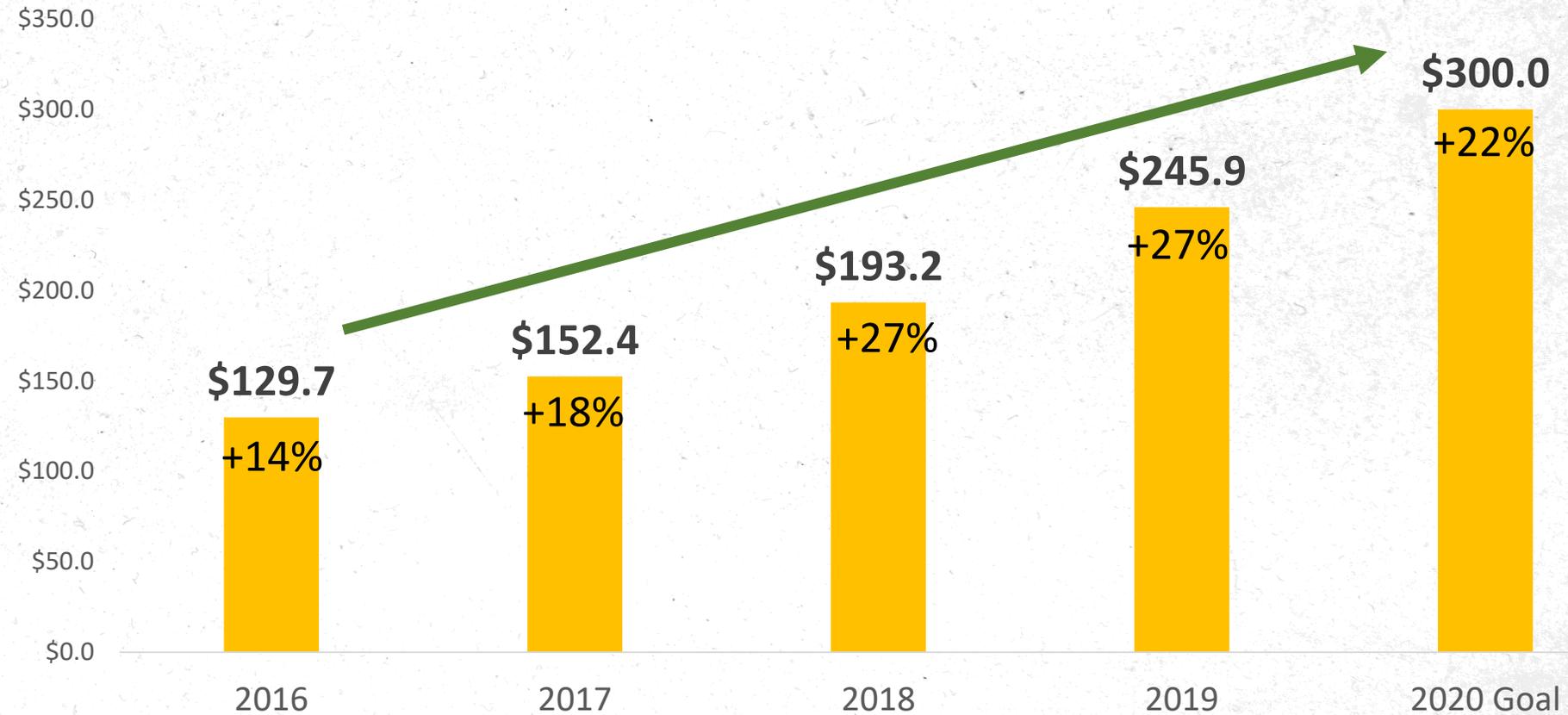


Adj. SG&A Excluding Media Leverage Progress



On Track to Exceed 2020 Net Sales Goal

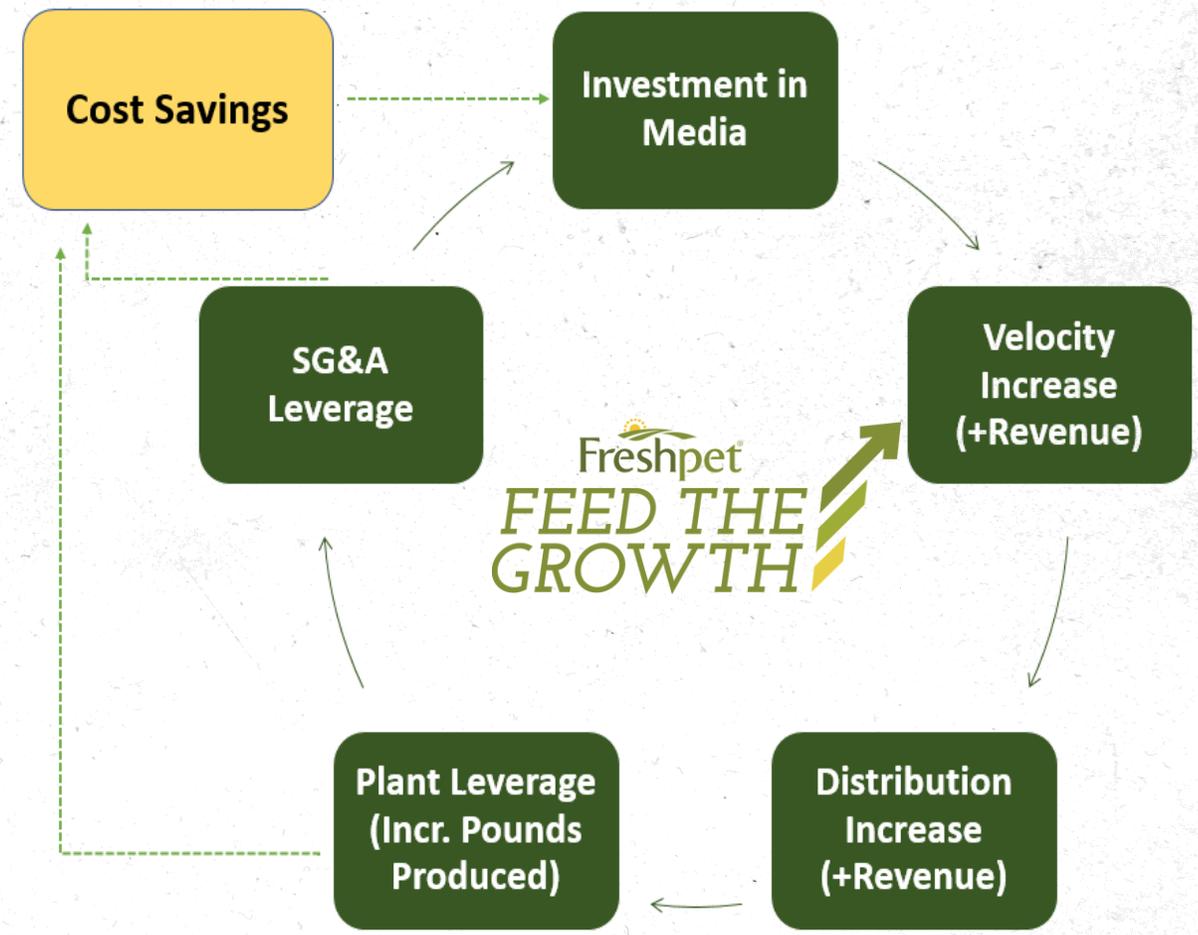
Progress Towards Original 2020 "Feed The Growth" Net Sales Goal



Original 2020
"Feed the Growth"
Net Sales Goal:
\$300 Million

“Feed the Growth” is Working

Accelerated Growth Rate and Beginning to Capture Scale Benefits



Reconciliation of gross profit to adjusted gross profit

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
	(Dollars in thousands)		(Dollars in thousands)	
Gross Profit	\$ 30,250	\$ 23,368	\$ 114,197	\$ 89,990
Depreciation expense (a)	1,616	1,520	6,370	6,089
Plant start-up expense (b)	—	—	—	—
Non-cash share-based compensation (c)	414	635	922	859
Adjusted Gross Profit	\$ 32,279	\$ 25,523	\$ 121,489	\$ 96,938
Adjusted Gross Profit as a % of Net Sales	49.1%	49.4%	49.4%	50.2%

- (a) Represents depreciation and amortization expense included in cost of goods sold.
- (b) Represents additional operating costs incurred in connection with the start-up of our new manufacturing lines as part of the Freshpet Kitchens expansion project in 2016 that included adding two additional product lines.
- (c) Represents non-cash share-based compensation expense included in cost of goods sold.

Reconciliation of SG&A expenses to adjusted SG&A expenses

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
	(Dollars in thousands)		(Dollars in thousands)	
SG&A expenses	\$ 25,375	\$ 21,478	\$ 114,450	\$ 94,876
Depreciation and amortization expense (a)	2,598	2,127	9,551	7,977
Non-cash share-based compensation (b)	1,714	2,002	6,912	5,949
Launch expense (c)	1,228	863	4,563	3,540
Loss on disposal of equipment	649		649	—
Secondary offering expenses (d)	(47)	225	302	362
Leadership transition expenses (e)	—	—	—	—
Litigation expense (f)	—	—	—	348
Adjusted SG&A Expenses	\$ 19,233	\$ 16,261	\$ 92,473	\$ 76,698
Adjusted SG&A Expenses as a % of Net Sales	29.3%	31.5%	37.6%	39.7%

- (a) Represents depreciation and amortization expense included in SG&A.
- (b) Represents non-cash share-based compensation expense included in SG&A.
- (c) 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.
- (d) Represents fees associated with secondary public offerings of our common stock.
- (e) Represents charges associated with our former Chief Executive Officer's separation agreement, as well as changes in estimates associated with leadership transition costs.
- (f) Represents fees associated with two securities lawsuits.

Reconciliation of net income to adjusted EBITDA

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
	(Dollars in thousands)		(Dollars in thousands)	
Net income (loss)	4,633	\$ 1,757	\$ (1,383)	\$ (5,361)
Depreciation and amortization	4,214	3,649	15,921	14,068
Interest expense	302	35	991	296
Income tax expense	87	20	144	77
EBITDA	\$ 9,236	\$ 5,461	\$ 15,673	\$ 9,080
Loss on disposal of equipment	649	37	787	142
Non-cash share-based compensation	2,128	2,637	7,834	6,808
Launch expense (a)	1,228	863	4,563	3,540
Plant start-up expenses (b)	—	—	—	—
Warrant fair valuation (c)	—	—	—	—
Secondary offering expenses (d)	(47)	225	302	362
Leadership transition expenses (e)	—	—	—	—
Litigation expense (f)	—	—	—	348
Adjusted EBITDA	\$ 13,194	\$ 9,223	\$ 29,159	\$ 20,280
Adjusted EBITDA as a % of Net Sales	20.1%	17.9%	11.9%	10.5%

- (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 project in 2016 that included adding two additional product lines.
- (c) Represents the change of fair value for the outstanding common stock warrants. All outstanding warrants were converted to common stock in September 2017.
- (d) Represents fees associated with secondary public offerings of our common stock.
- (e) Represents charges associated with our former Chief Executive Officer's separation agreement as well as changes in estimates associated with leadership transition costs.
- (f) Represents fees associated with two securities lawsuits.