Freshpet, Inc.

Third Quarter 2026 Earnings Call Prepared Remarks

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CORPORATE PARTICIPANTS

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

Billy Cyr – *Chief Executive Officer*

John O'Connor – *Chief Financial Officer*

PRESENTATION

Rachel Ulsh

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

Before we begin, please remember that during the course of this call, management may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements related to the size of the category and our TAM, our strategy and expectations for growth, the competitive advantage of our manufacturing on quality and cost, fridge expansion expectations, opportunities in capital efficiencies, expectations on margin improvement, capital spending, media spend, logistics costs, 2026 guidance and 2027 targets.

They involve risks and uncertainties that could cause actual results to differ materially from any forward-looking statements made today including those associated with these statements, and those discussed in our earnings press release and our most recent filings with the SEC, including our 2025 Annual Report on Form 10-K, which are all available on our website.

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

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

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

Billy Cyr

Thank you, Rachel, and good morning, everyone. The message I would like for you to take away from today's call is that our market performance and financial results continue to demonstrate the strength and durability of the Freshpet business model. We have built a structurally different business than many of our CPG peers, with multiple strategic competitive advantages that have grown and evolved over the last 20 years —and are now the foundation of an advantaged business that has sizeable upside potential.

We continue to raise our product quality, advance the manufacturing of fresh pet food, and improve the access and distribution of our products. Our breadth of product forms, sizes, price points, and channels is unmatched. We believe our most significant competitive advantage is the product itself — i.e., our recipes are strongly preferred by dogs and pet parents due to taste, aroma, color, texture, inclusions, and overall quality. And our manufacturing scale and technical expertise are the foundation of why we believe our product quality is superior. Owning our kitchens enables us to continue to develop the highest quality products at the lowest cost to help pets live longer, happier, healthier lives.

We also continue to broaden our availability and access, particularly online, as we continue to grow our franchise of highly loyal consumers. The total addressable market of these loyal consumers— who we refer to as Most Valuable Pet Parents, or MVP's— is 10 million households and growing due to the generational shift of pet owning households. We are only at 2.6 million MVP households today, or approximately 26% into our current and still growing MVP TAM.

Our third quarter results demonstrate the strength and durability of our business. In a consumer environment that remains challenging, we are performing and operating well. We achieved double-digit sales growth and reported an adjusted gross margin of 50% in the third quarter. This was our best adjusted gross margin in over seven years—since the first quarter of 2019— before we had opened our second Kitchen in Bethlehem, our Ennis Kitchen, or Kitchen South, and when higher margin rolls made up a greater percentage of our sales. Importantly, our gross margin this quarter included only a limited benefit from the new bag technology, with the adjusted gross margin increase primarily driven by our improved operating performance. I am incredibly proud of our team for their hard work and dedication in achieving this milestone, and we are very encouraged by our future margin potential.

Our sources of growth in the quarter were broad-based and the result of a wide range of strategic initiatives we have implemented. They include:

1. **Advertising**: We continue to invest heavily in advertising as the primary driver of our growth and have particularly targeted that to potential MVP's, our most valuable pet parents. As a result, we saw our MVP household penetration increase 8% and the combination of total household penetration gains and buying rate overall grow 10%. A portion of our media spend is still aimed at growing total brand awareness, particularly on linear tv, but we have evolved our strategy to super serve MVPs to drive greater returns. As the category becomes more competitive, we're also increasingly focused on building awareness of Freshpet and our 'real' food leadership, not just building awareness of the fresh category. Our marketing campaign launched in May, "Better Food for Your Better Half," and new creative we launched in September, are designed to reinforce the qualities that make Freshpet unique: real ingredients you can see, freshly cooked, vet developed

healthy recipes— a proposition that resonates with pet parents who treat their pets like family members.

2. **Distribution**: Our retail presence continues to strengthen, including a 5% increase in store count to more than 31,000 stores and a 14% increase in TDP's due to the increased presence of larger and double fridges. We continued to grow distribution significantly in a major rural lifestyle retailer, began testing new 3-door fridges in a major club customer, added SKU's in two major club customers, and 25% of stores have more than one fridge. We expect this figure to increase to enable both greater holding capacity and the broadest assortment to be available. Each of these increases is another indication of retailer confidence in the growth potential of Freshpet– even in the face of significant new competition. Retailers know that we are growing market share, and we remain the fastest growing brand in dog food in dollars, and the second most popular brand among new Gen Z and Millennial dog households.

3. **Omnichannel Access**: In the third quarter, we had outsized growth in ecommerce with sales up 35% year-over-year. Digital orders now account for 16.9% of our total business and our fridges in retail serve as micro-fulfillment points and support both online and in-store sales. Approximately 82% of our digital order volume went through our fridge network via omni-retail or last mile delivery services, with the remainder of the volume from pure play online retailers or direct-to-consumer.

4. **Technology**: Our Fresh from the Kitchen product line has been the major beneficiary of the product quality and margin improvement potential of our new bag production technology. Since we converted that product to the new technology, we have seen consumer feedback on quality improve significantly and volume trends have stepped up noticeably. The new technology is also enabling a broader range of new innovation, including new protein formulas, upgraded recipes, new pack sizes like our Healthy Mixers, and better-looking inclusions like carrots and green beans. All these technology-led innovations increase our product quality advantage and do it at attractive costs.

5. **New Product Innovation**: In addition to the new products enabled by our new technology, our business model enables us to nurture significant new innovations much longer. For example, our most premium product line—Homestyle Creations— crossed the $100 million mark in annual retail sales during the quarter and is the fastest growing part of our business. And it accomplished that with just a handful of recipes.

We continue to believe that this wide array of strategies can drive strong and sustained topline growth well in excess of the dog food category and deliver sizable market share gains. As the economic backdrop and competitive environment shift over time, each tool may play a larger or smaller role at any particular time, but the wide array of tools we have, the scale and technology we have built, our mastery of the fresh pet food category, and the strength of our team provide us with the ability to drive outsized growth over time.

The past year has provided solid evidence of that, as we are now projecting to grow 12-13% this year in the face of the most significant amount of new competition we have ever had and a tough economic backdrop, all while increasing margins and cash flow.

As encouraging as that is, we are more encouraged by the long-term growth potential that remains in front of us.

1. **Large category and growing market share:** We only have a 4.5% market share of the approximately $38 billion dog food and treats category— a significant whitespace opportunity to continue to take share from traditional dog food competitors.
2. **Large and expanding TAM**: As I said earlier, we are only 26% into our MVP TAM and that TAM grows each year as more Millennial and Gen Z consumers form households and get dogs. The MVPs in our franchise represent 72% of our sales today and spend roughly $522 a year, which is nearly 13x more than a non-MVP— and they are likely to have a much higher lifetime value than an occasional user.
3. **Expanding distribution with an omnichannel focus:** We still have a long runway for growth both online and in-store. Ecommerce is the fastest growing part of our business and still has a significant runway for growth as over 35% of the dog food category sales are done online vs. our 16.9% today. And 75% of stores only have one fridge– the same number of fridges that most of them had when Freshpet was ¼ of the size it is today. More fridges provide a broader assortment, more holding power to support an online business, and greater visibility. For retailers looking to lean into the growing part of the category, we believe we have one of the most attractive propositions. And with our products in over 31,000 stores today, we have a unique distribution advantage to reach consumers however they choose to shop our products.
4. **Innovation:** We believe we are just scratching the surface as we are still finding more and better ways to use technology for future strategic innovation that will enable us to serve a broader range of consumer needs over time and attract new MVPs to the brand– and do it with attractive economics.

The long-term growth potential is enabled by one of our most important competitive advantages: our manufacturing scale and expertise. It is the foundation for our product quality, which is noticeably different than competition. We continue to improve the products and are increasingly bullish on our new bag technology potential. We have made significant progress on our operations and will continue to refine elements of those lines and ramp up volume throughout this year and next year. At fully optimized performance, we still expect over 100 basis points of adj. gross margin improvement on the entire business from the three lines we have already installed. We are still finding more and better ways to use technology for innovation as well as optimize performance to unlock greater capacity.

Within our existing asset base, we are driving better capital efficiency through our productivity and operational effectiveness initiatives. Our goal is to 1. Optimize our existing lines to drive more volume primarily through OEE improvements, 2. Get more out of existing sites— whether that be optimizing our network or adding more lines or capabilities to our existing campuses, and 3. Develop and deploy new technologies to improve returns on capital investments. We have a long runway to further improve capital efficiency but are very pleased by the progress we have made to date.

We have also made a strategic decision to transition from a third-party distribution center in Allentown, Pennsylvania, to our own new distribution center in Bethlehem, Pennsylvania that will open in early 2027. While this is a custom-built, dedicated facility, it is leased, so it requires very little capital spending on our part. Beyond adding capacity, it brings a critical piece of our cold-chain network closer to our Bethlehem Kitchen, giving us greater control over distribution, enhancing service levels, and creating a platform for longer term efficiency, automation, and scale as we continue to grow.

I hope you can see why we are very bullish on the long-term potential of Freshpet. Our core strategy remains intact, but we continue to adapt and evolve our strategies and are focused on the things we can control in a challenging operating environment. We are operating from a position of strength — with a strong portfolio of products, a loyal and growing consumer franchise, expanding omnichannel access, and a proprietary manufacturing platform that we believe is difficult to replicate. The key areas we have chosen to focus on to maintain and expand our competitive advantages are resulting in more durable growth and improving financial performance. Our results continue to prove that fresh is the future of pet food, and we remain well positioned to capture a meaningful share of what we believe can become a $10 billion category over time.

Lastly, I wanted to highlight that in October we celebrated Freshpet's 20th anniversary. As we announced in June, upon this milestone, one of our co-founders, Scott Morris, transitioned to an advisory role, and Nicki Baty has assumed the role of President & COO. Freshpet is now entering its third decade with a strong leadership team, scaled operations, and significant opportunities for future growth.

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

John O'Connor

Thank you, Billy, and good morning, everyone. Our third quarter results reflected strong sales and margin growth despite a challenging economic environment. Net sales in the quarter were $317.8 million, up 10.0% year-over-year, and was entirely volume-driven. We again had broad-based consumption growth across channels, with Nielsen measured dollar growth of 12.7% in Total US Pet Retail Plus with Costco, and strong contribution from the unmeasured channels with approximately 1 to 2 points of growth. The delta between Nielsen growth of 12.7% and reported net sales of 10.0% was primarily driven by two factors. The first was the significant expansion in a large club customer and a shift in ordering around the Fourth of July that we previously had said would impact this year's third quarter growth by a little more than 2 points. The second factor was a major customer growing sales faster than they grew their inventory. Normally, customers grow inventory at the same rate that they grow sales. This provided a headwind of approximately 1-2 points in the quarter when you compare consumption growth to net sales growth.

In the third quarter we delivered adjusted gross margin of 50.0%, a significant improvement from 46.0% in the prior year period and 47.7% in the first half of the year. The 400-basis point increase versus the prior year was driven by strong leverage on plant expenses, reduced quality costs and lower input costs as a percent of revenue. This performance reflects our continued focus on operational improvements and demonstrates the meaningful progress we can achieve in this area, as well as some benefit from the new bag technology. For the year, we now expect approximately 35 basis points improvement from the

technology, compared to approximately 25 basis points previously, and we are on pace to capture a substantial portion of the 100-basis point improvement in full year results for 2027.

Third quarter adjusted SG&A was 29.6% of net sales, compared to 27.1% in the prior year period. This increase was primarily due to elevated logistics costs and higher variable compensation. Logistics costs were 7.1% of net sales in the quarter, compared to 5.5% a year ago. This increase in logistics was primarily due to higher fuel costs and capacity pressures in the trucking market. Media spending was 10.8% of net sales in the quarter, down from 11.2% in the prior year period.

Third quarter net income was $27.9 million, compared to net income of $101.7 million in the prior year period. The decrease in net income was primarily due to the $77.9 million deferred income tax benefit recognized in the prior year as a result of the release of the majority of a valuation allowance, compared to income tax expense in the current year period and increases in SG&A, partially offset by contributions from higher sales.

Third quarter adjusted EBITDA was $64.5 million compared to $54.6 million a year ago— an increase of approximately 18%. This growth was primarily driven by higher sales and gross profit, partially offset by higher adjusted SG&A expenses. Adjusted EBITDA margin was 20.3% in the third quarter, compared to 18.9% in the prior year period. The year-over-year increase was primarily driven by improvements in adjusted gross margin, the cadence of media investments, and was partially offset by higher logistics costs in the quarter.

Operating cash flow in the quarter was $60.8 million, compared to $66.8 million in the prior year period, while capital spending was $22.9 million representing free cash flow of $37.8 million compared to $31.6 million a year ago. As of the end of September, we had executed $102.3 million and repurchased 1.8 million shares as part of our $150 million share repurchase authorization, while ending the quarter with cash on hand of $345.9 million.

Now turning to our updated guidance for 2026… We are very encouraged by our performance year to date, and we are again raising our guidance. We now expect net sales growth of 12% to 13%, compared to 10% to 12% previously.

We now expect adjusted EBITDA to be in the range of $215 to $220 million, an increase of 10% to 13% year-over-year, compared to $210 to $220 million previously. Media as a percent of sales for the year is still expected to be roughly in-line with 2025, at approximately 12.5% of net sales, which given the raised sales guidance, implies over $5 million of additional media investment than when we started the year. Media continues to be our primary lever to drive growth and we are proving that our MVP media strategy is delivering growth despite the challenging macro environment. We expect logistics costs to remain elevated for the remainder of the year primarily due to higher fuel costs and line haul rates. Given where these costs are today, this updated guidance assumes an additional $10 to $12 million versus our original expectations for this year.

We now anticipate adjusted gross margin to improve by approximately 150 basis points this year at the midpoint of our net sales guidance, compared to 100 to 150 basis points previously, based on the increasing, sustained manufacturing performance improvements we've seen to date. Our operating performance has exceeded our expectations and is now providing us with the opportunity to proactively plan downtime in the fourth quarter to invest in the reliability, durability, and productivity of our network.

With this planned downtime, as well as the addition of incremental staffing on our fast-growing Homestyle Creations line, we expect a step down in adjusted gross margin in the fourth quarter. From an inflation standpoint, it is evident that cost pressures for ingredients and packaging will be more structural in nature, and we are now planning to implement selective price increases for 2027.

Capital expenditures are now projected to be in the range of $125 million to $150 million in 2026, versus our previous guidance of approximately $150 million. Our operating performance year-to-date has exceeded expectations and based on our ability to sustain these gains we have unlocked over $100 million of incremental capacity from our existing manufacturing footprint —the equivalent of a new line— allowing us to defer some of this year's originally planned investment.

Regarding our fiscal year 2027 targets, we are confident in our ability to deliver net sales growth well in excess of the US dog food category growth, and we are reiterating our margin targets. Our performance to-date gives us increased confidence in our ability to achieve at least 49% Adjusted Gross Margin next year. As I mentioned earlier, looking ahead, the cost environment is more challenging than just a few months ago, so if we do not see a significant improvement in the inflation picture we would expect to be in the lower half of our Adjusted EBITDA margin range. We have several drivers identified to ensure we can overcome these headwinds and achieve our goals including: capturing, sustaining, and annualizing the operating gains we have seen in 2026; building on our 2026 performance and continuing to drive gains in throughput, yield, and quality; capturing substantially all of the annualized 100 basis points of adjusted gross margin improvement we expect from our new bag technology; newly launched productivity initiatives centered around sourcing, product formulation, and G&A expenses; and price increases that are targeted towards a small number of specific items in our product portfolio.

In summary, our ability to raise our outlook again for 2026 despite a challenging environment, and in the face of increased competitive entrants, demonstrates the power of our business model. Over the last 20 years, we have built strategic competitive advantages—pioneering fresh manufacturing technology, building an unmatched distribution network, strong brand equity, and a superior quality product-- and we believe we have multiple levers to drive growth and profitability going forward.

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