



pets. people. planet.

Q4 2021 Earnings Presentation
February 28, 2022



Forward Looking Statements & Non-GAAP Measures

Forward-Looking Statements

Certain statements in this presentation constitute “forward-looking” statements, which include any statements related to the novel coronavirus (“COVID-19”), the Freshpet Kitchens Expansion, our net sales and Adjusted EBITDA guidance and the Company's general operating and economic environment. These statements are based on management's current opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results. These forward-looking statements are only predictions, not historical fact, and involve certain risks and uncertainties, as well as assumptions. Actual results, levels of activity, performance, achievements and events could differ materially from those stated, anticipated or implied by such forward-looking statements. While Freshpet believes that its assumptions are reasonable, it is very difficult to predict the impact of known factors, and, of course, it is impossible to anticipate all factors that could affect actual results. There are many risks and uncertainties that could cause actual results to differ materially from forward-looking statements made herein including, most prominently, the risks discussed under the heading “Risk Factors” in the Company's latest annual report on Form 10-K and quarterly reports on Form 10-Q filed with the Securities and Exchange Commission. Such forward-looking statements are made only as of the date of this presentation. Freshpet undertakes no obligation to publicly update or revise any forward-looking statement because of new information, future events or otherwise, except as otherwise required by law. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

Non-GAAP Measures

Freshpet uses certain non-GAAP financial measures, including EBITDA, Adjusted EBITDA, Adjusted EBITDA as a % of net sales, Adjusted Gross Profit, Adjusted Gross Profit as a % of net sales (Adjusted Gross Margin), Adjusted SG&A and Adjusted SG&A as a % of net sales. These non-GAAP financial measures should be considered as supplements to GAAP reported measures, should not be considered replacements for, or superior to, GAAP measures and may not be comparable to similarly named measures used by other companies.

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

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

Freshpet defines Adjusted Gross Profit as gross profit before depreciation expense, plant start-up expense, COVID-19 expenses and non-cash share-based compensation, and Adjusted SG&A as SG&A expenses before depreciation and amortization expense, non-cash share-based compensation, launch expense, gain (loss) on disposal of equipment, fees related to equity offerings of our common stock, implementation and other costs associated with the implementation of an ERP system and COVID-19 expenses.

Management believes that the non-GAAP financial measures are meaningful to investors because they provide a view of the Company with respect to ongoing operating results. Non-GAAP financial measures are shown as supplemental disclosures in this presentation because they are widely used by the investment community for analysis and comparative evaluation. They also provide additional metrics to evaluate the Company's operations and, when considered with both the Company's GAAP results and the reconciliation to the most comparable GAAP measures, provide a more complete understanding of the Company's business than could be obtained absent this disclosure. Adjusted EBITDA is also an important component of internal budgeting and setting management compensation. The non-GAAP measures are not and should not be considered an alternative to the most comparable GAAP measures or any other figure calculated in accordance with GAAP, or as an indicator of operating performance. The Company's calculation of the non-GAAP financial measures may differ from methods used by other companies. Management believes that the non-GAAP measures are important to an understanding of the Company's overall operating results in the periods presented. The non-GAAP financial measures are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance.

Certain of these measures represent the Company's guidance for fiscal year 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

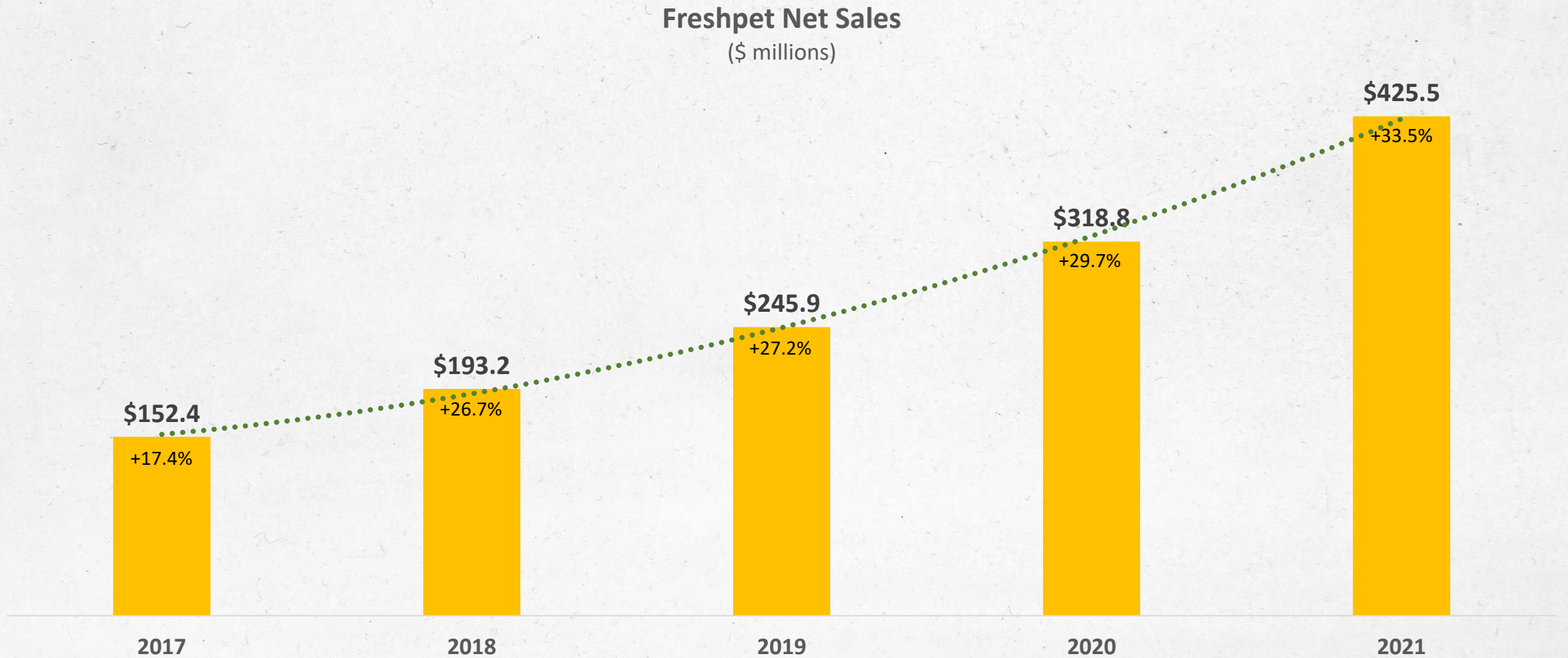
Freshpet strengthens the bond between people and our pets so that we both live longer, healthier and happier lives -- while being kind to the planet



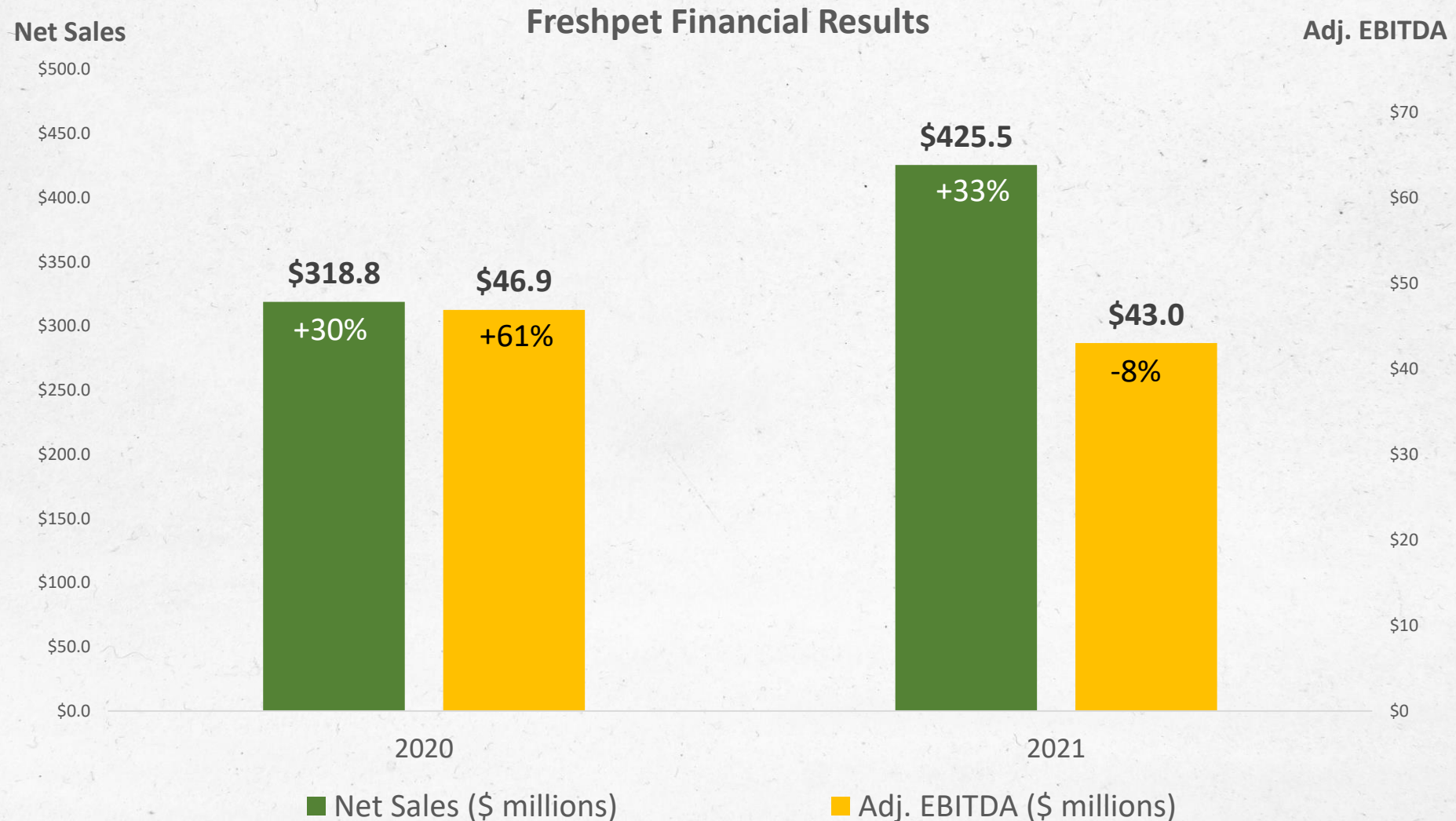


2021 Results

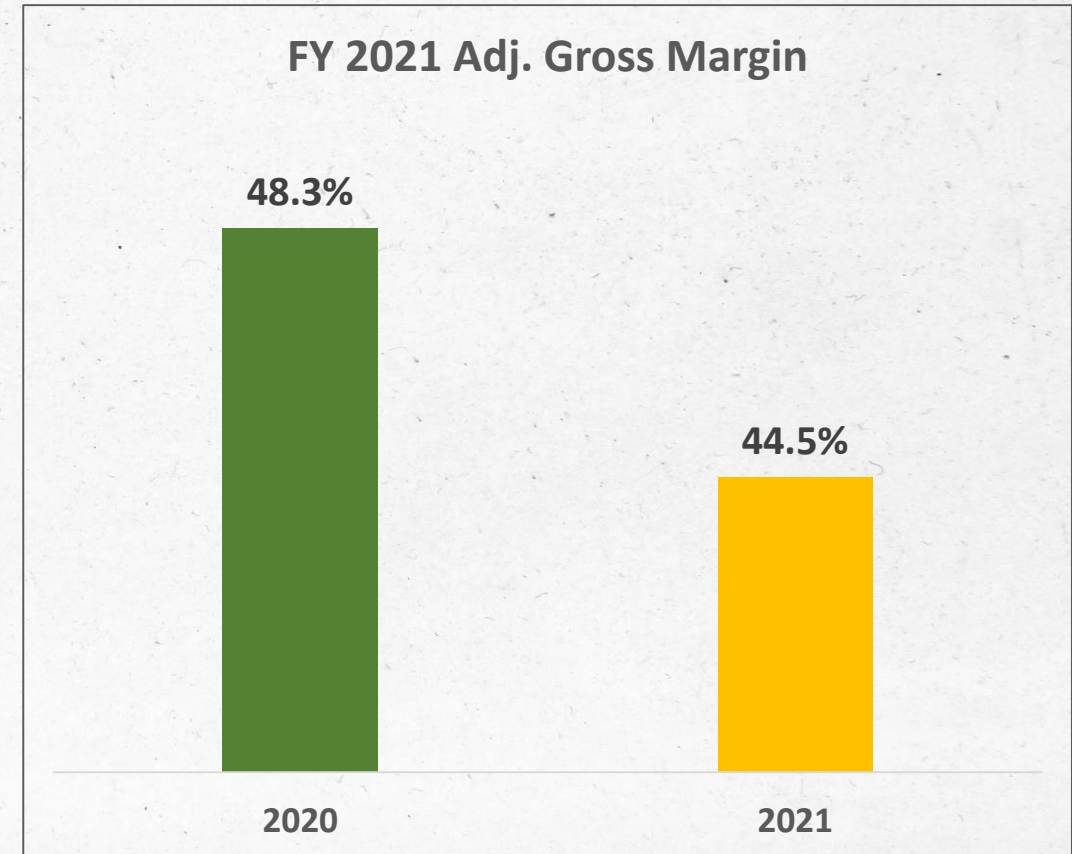
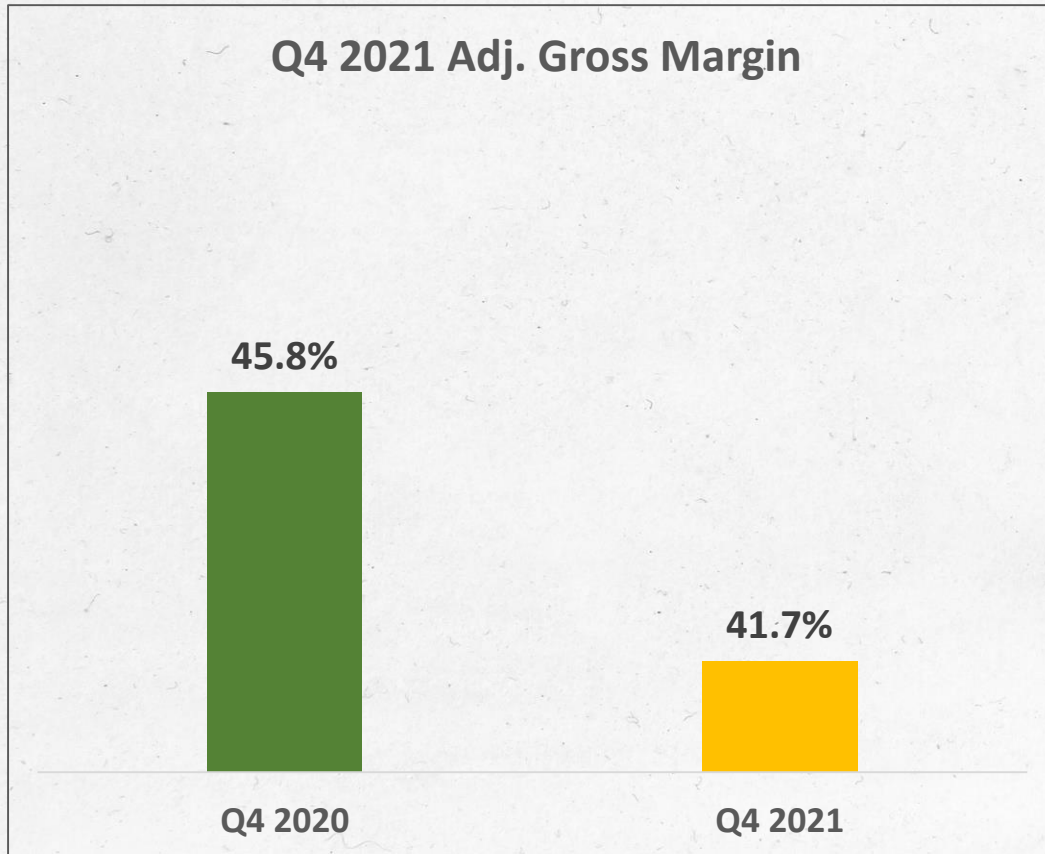
5 consecutive years of accelerating growth



Despite strong growth, inflation and operating inefficiencies eroded profitability in 2021



Adj. Gross Margin impacted by inflation and temporary operating inefficiencies




36.1%

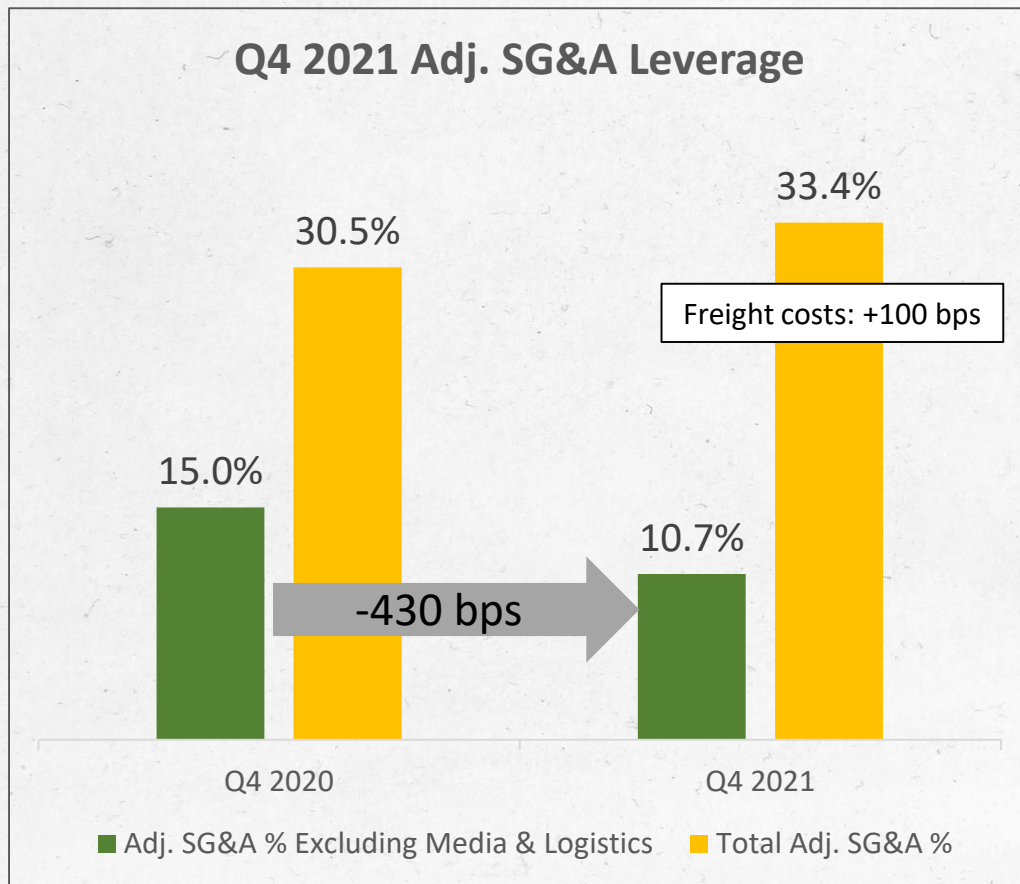
35.6%

41.7%

38.1%

 Gross Margin (GAAP)

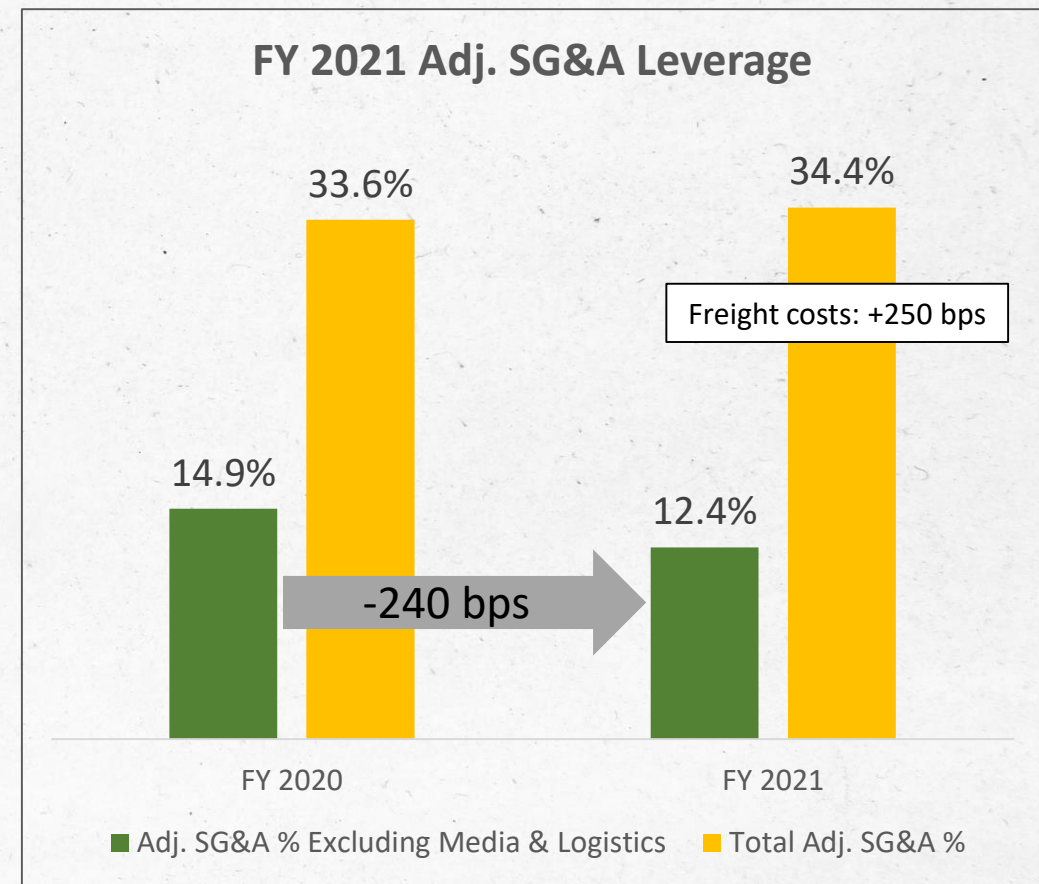
G&A efficiency gains offset by higher freight costs



39.8%

42.2%

● SG&A (GAAP)

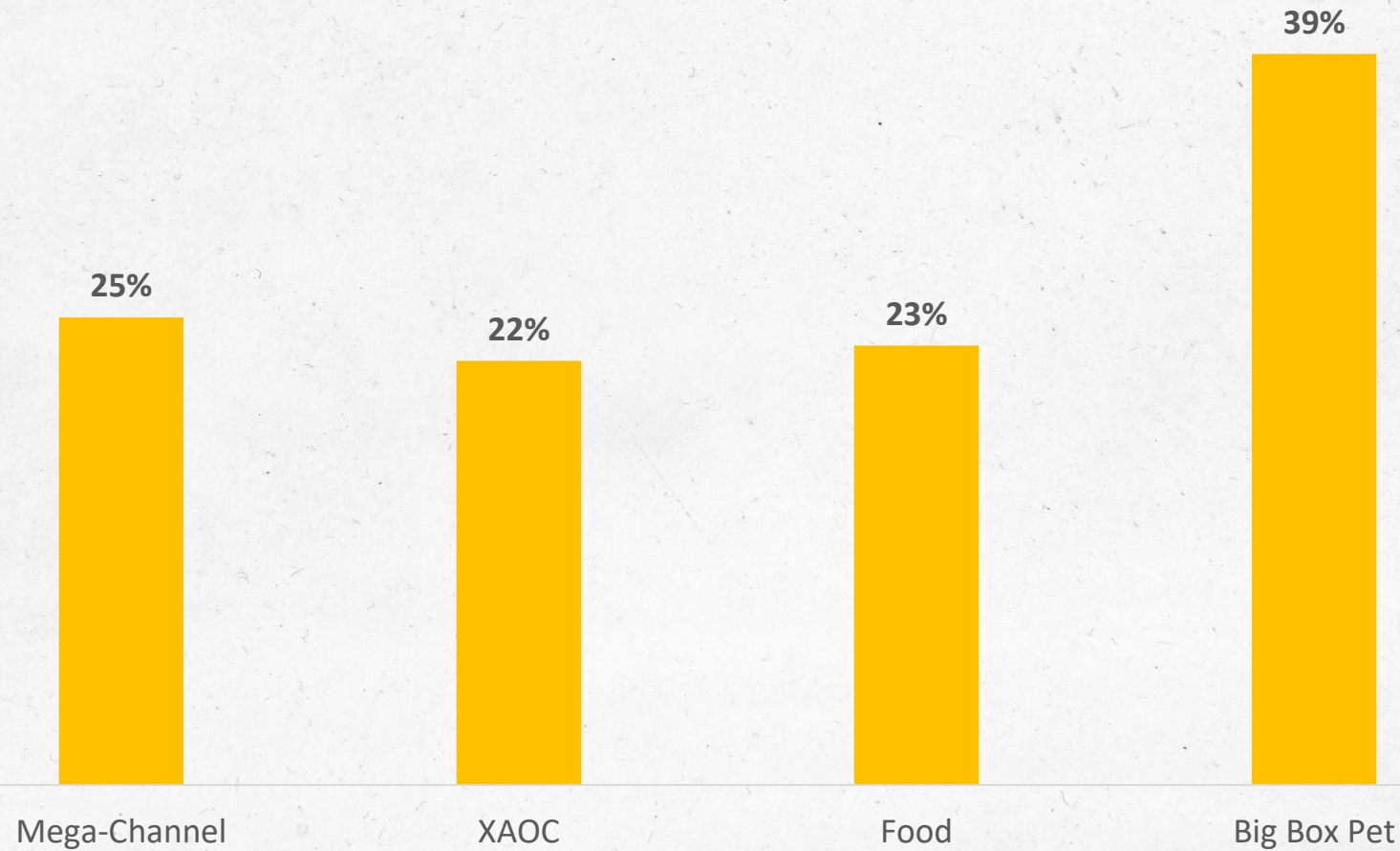


42.3%

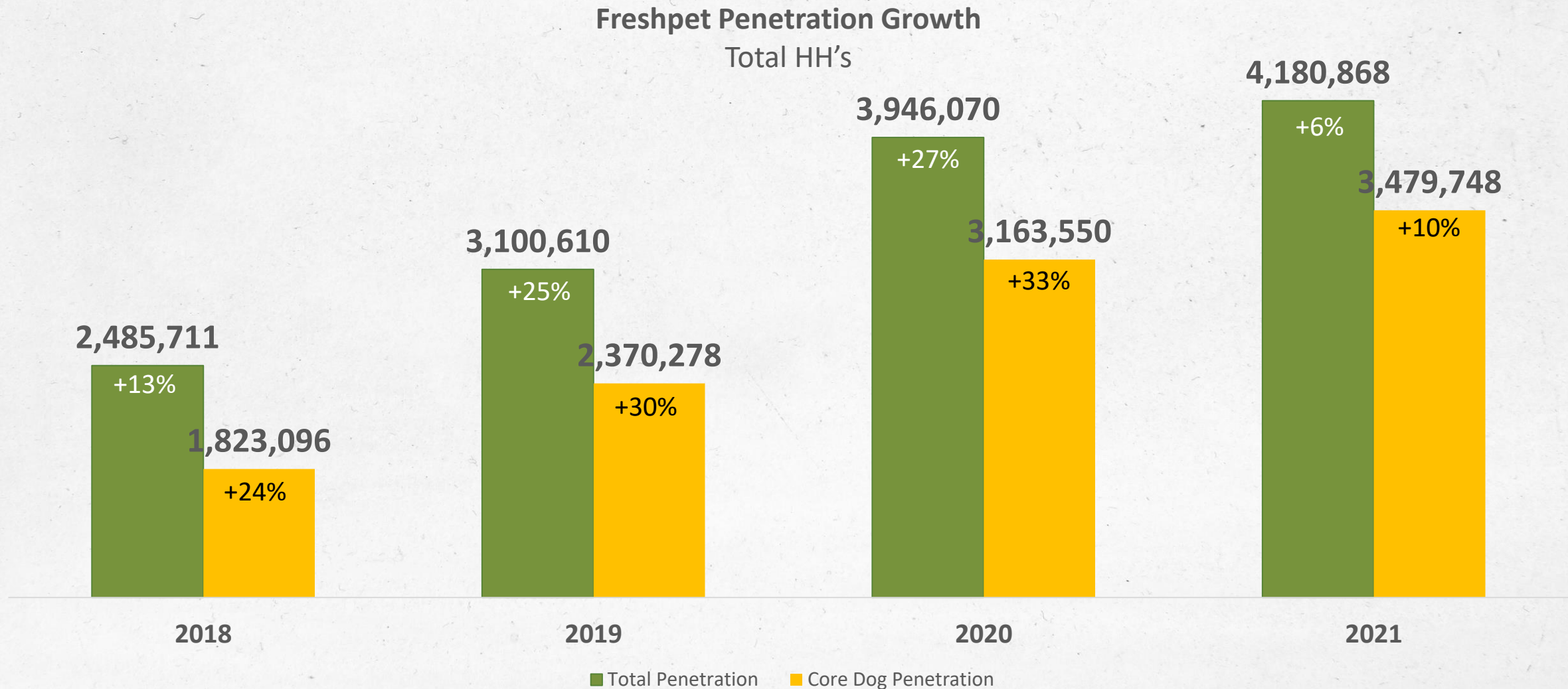
43.9%

Strong growth across all channels in 2021

Latest 52 wk Nielsen Consumption Growth

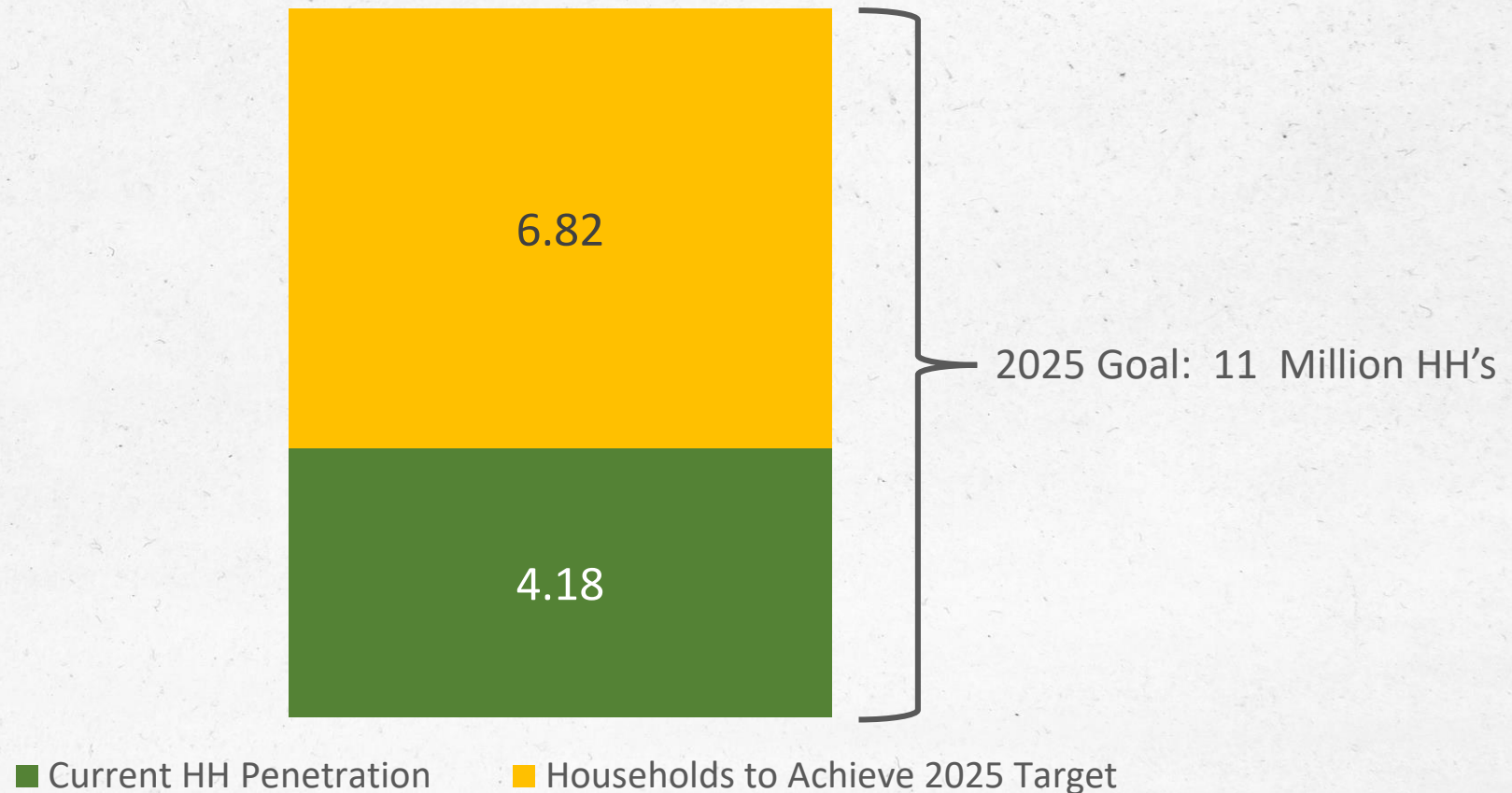


HH penetration growth was well below our historical trend due to massive out-of-stocks and delayed marketing

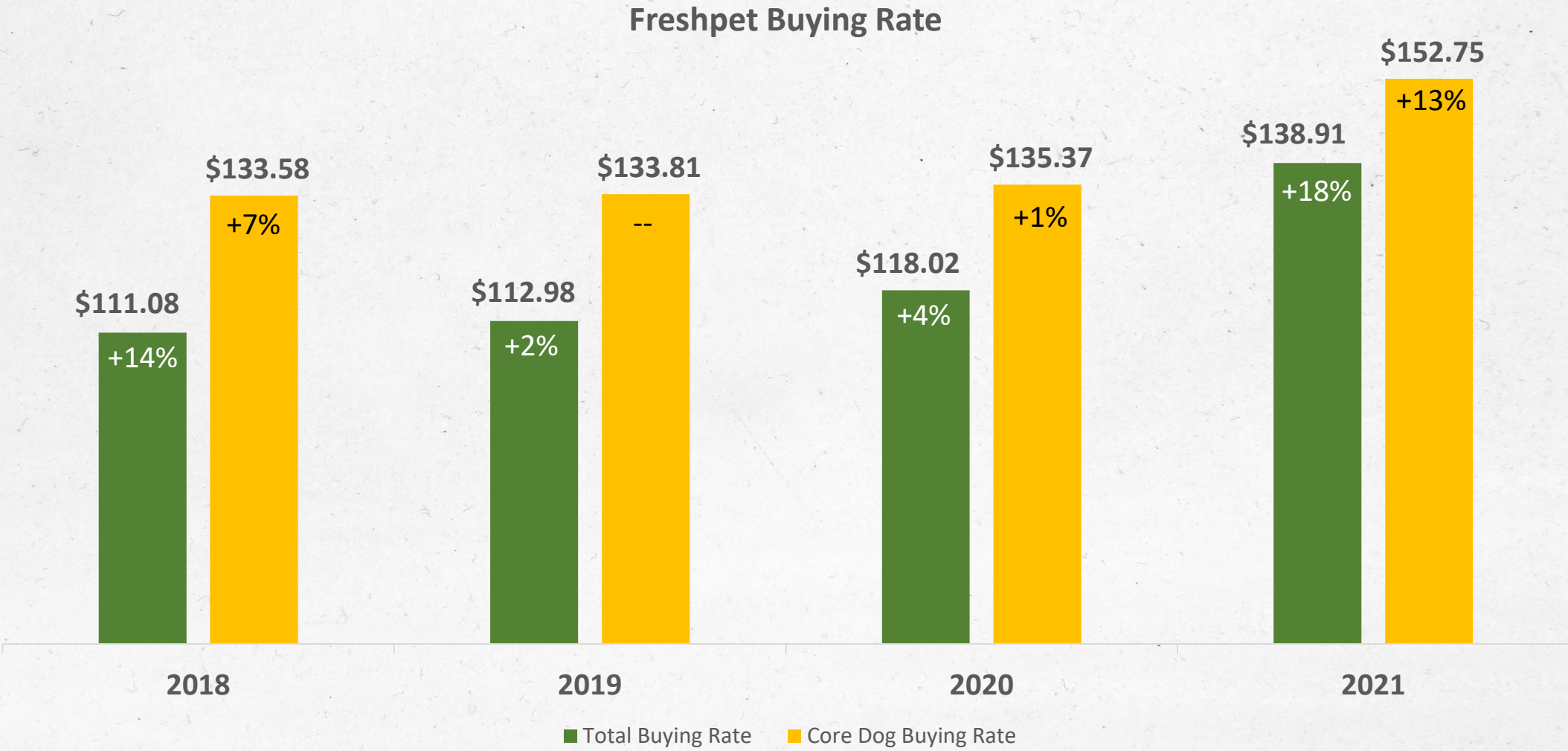


Still on path to meet our 2025 HH penetration goal

Progress Towards 2025 Household Penetration Goal



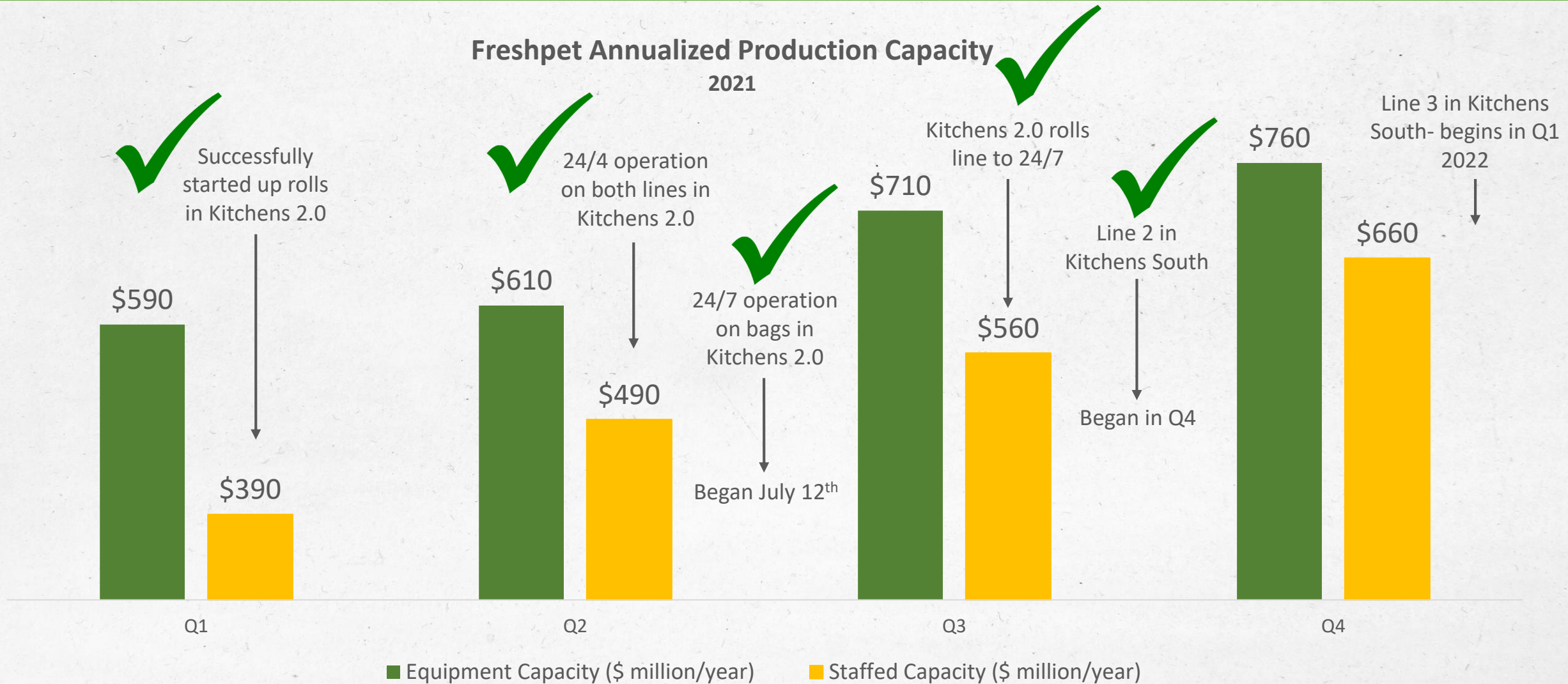
Reduction in new buyers skewed buying rate well above long-term trend



Source: Nielsen HH Panel for the period ending late December/early January 2017-2021 and company internal data

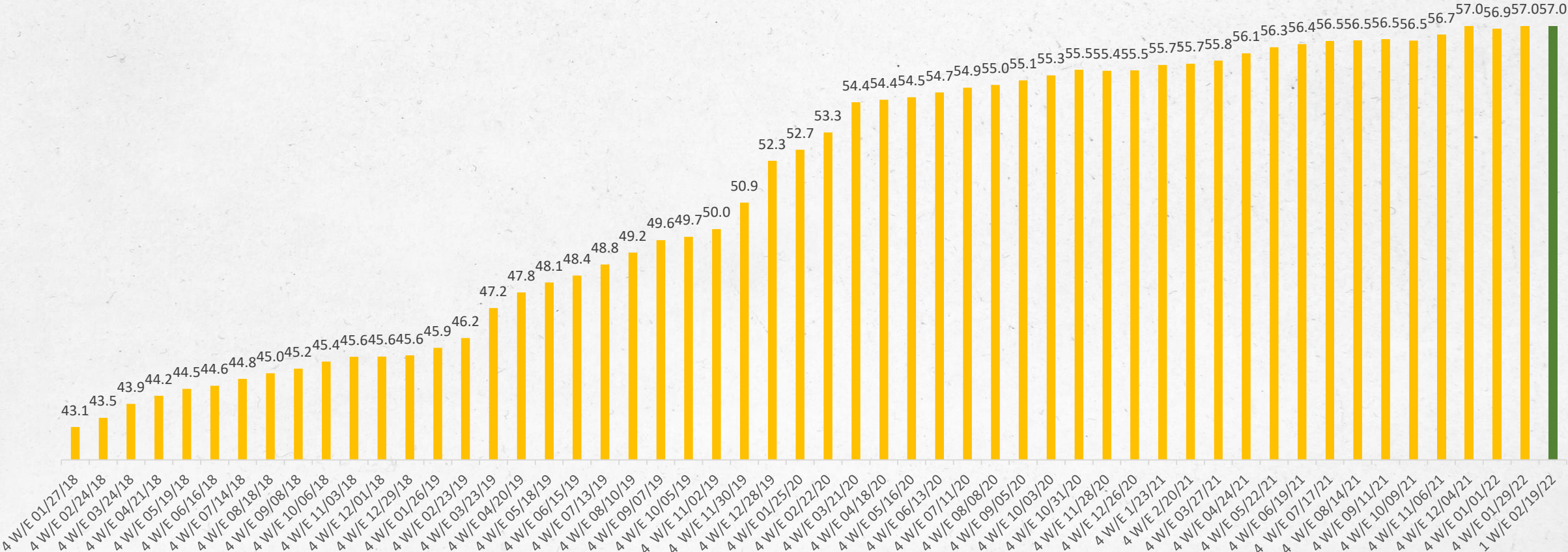
Added significant production capacity in 2021

Freshpet Annualized Production Capacity 2021



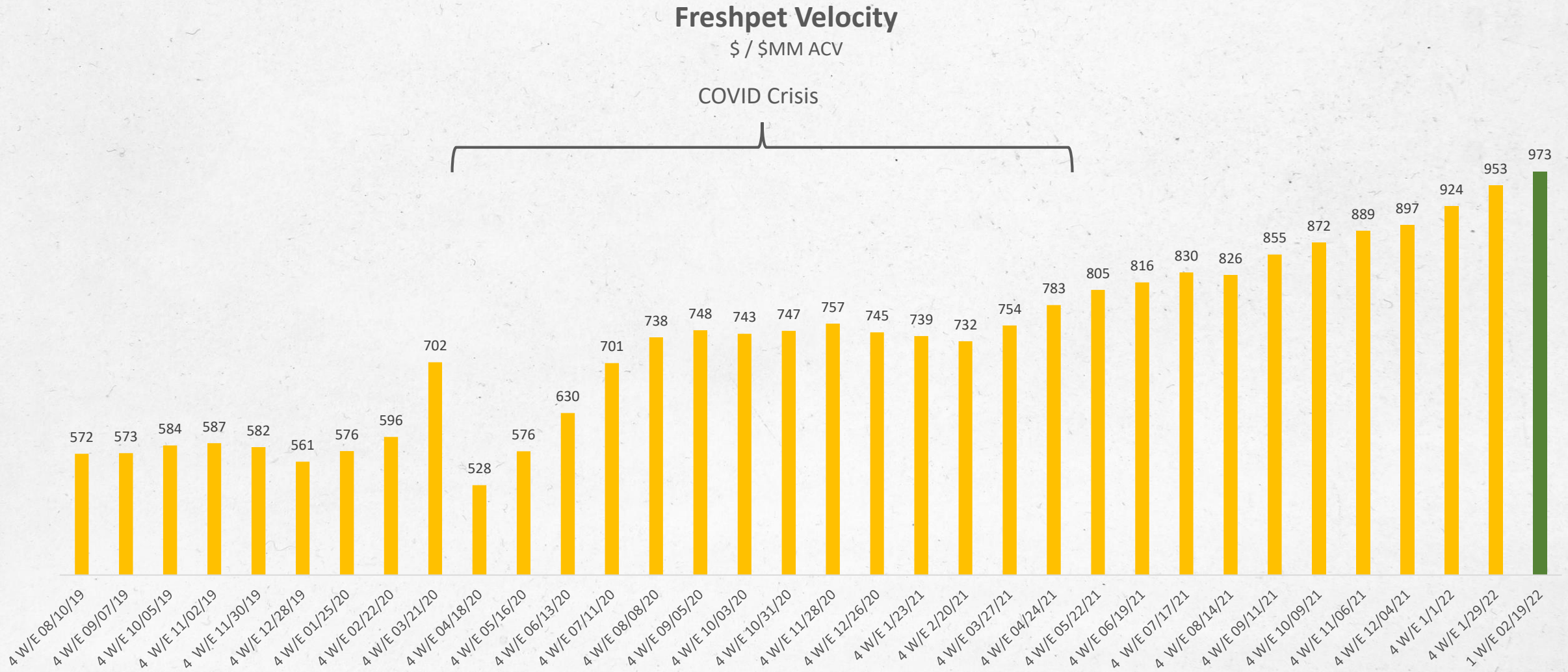
Distribution growth continues despite capacity limits

Freshpet % ACV

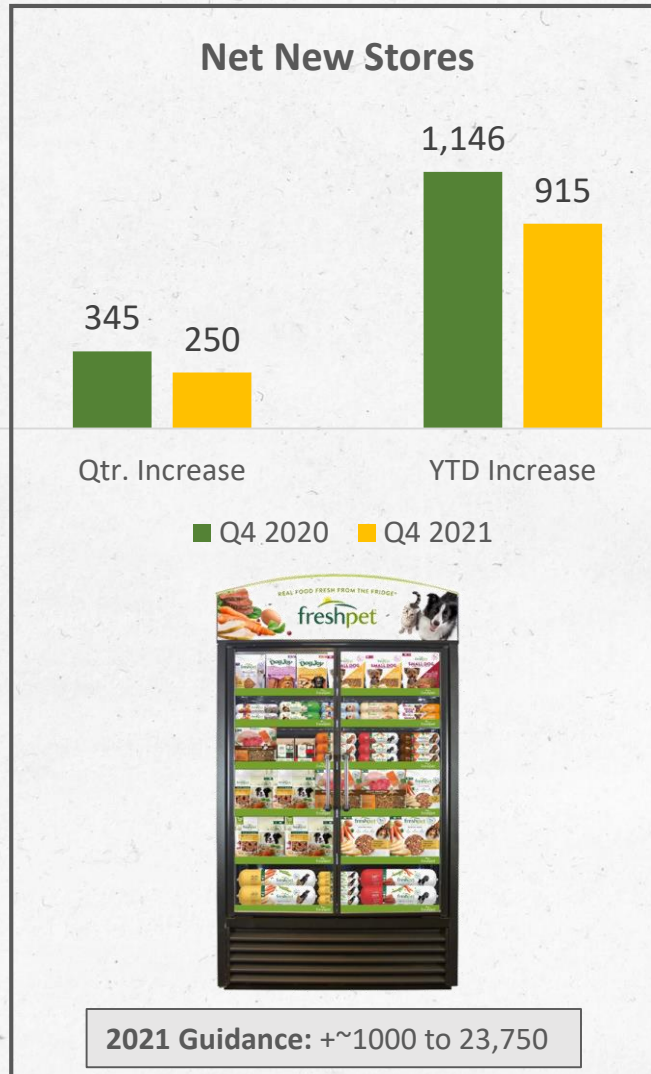


Source: Nielsen Mega-Channel Data thru 2/19/22

Continued strong velocity gains



Q4 2021: Strong performance on Upgrades & 2nd Fridges

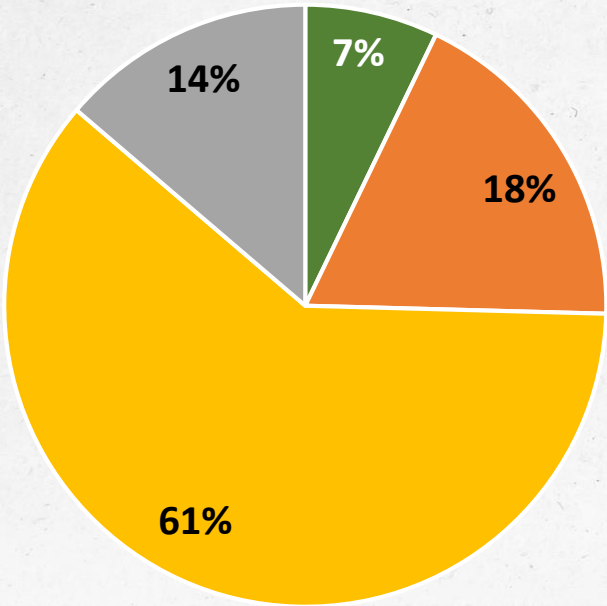


2021: Despite out-of-stocks, store count continued to grow



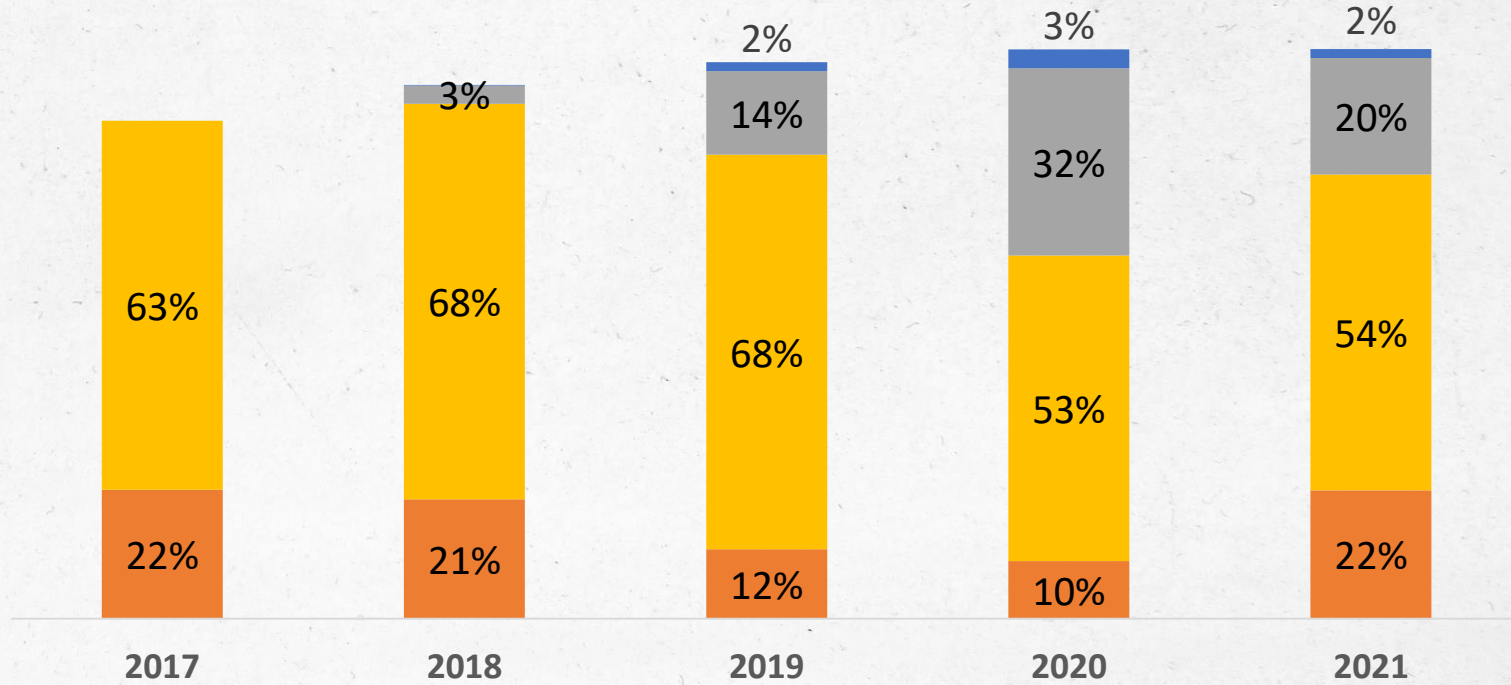
2021: New fridge placements skew heavily to large and multi-fridge stores

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



■ Small ■ Medium ■ Large ■ 2+ Chillers

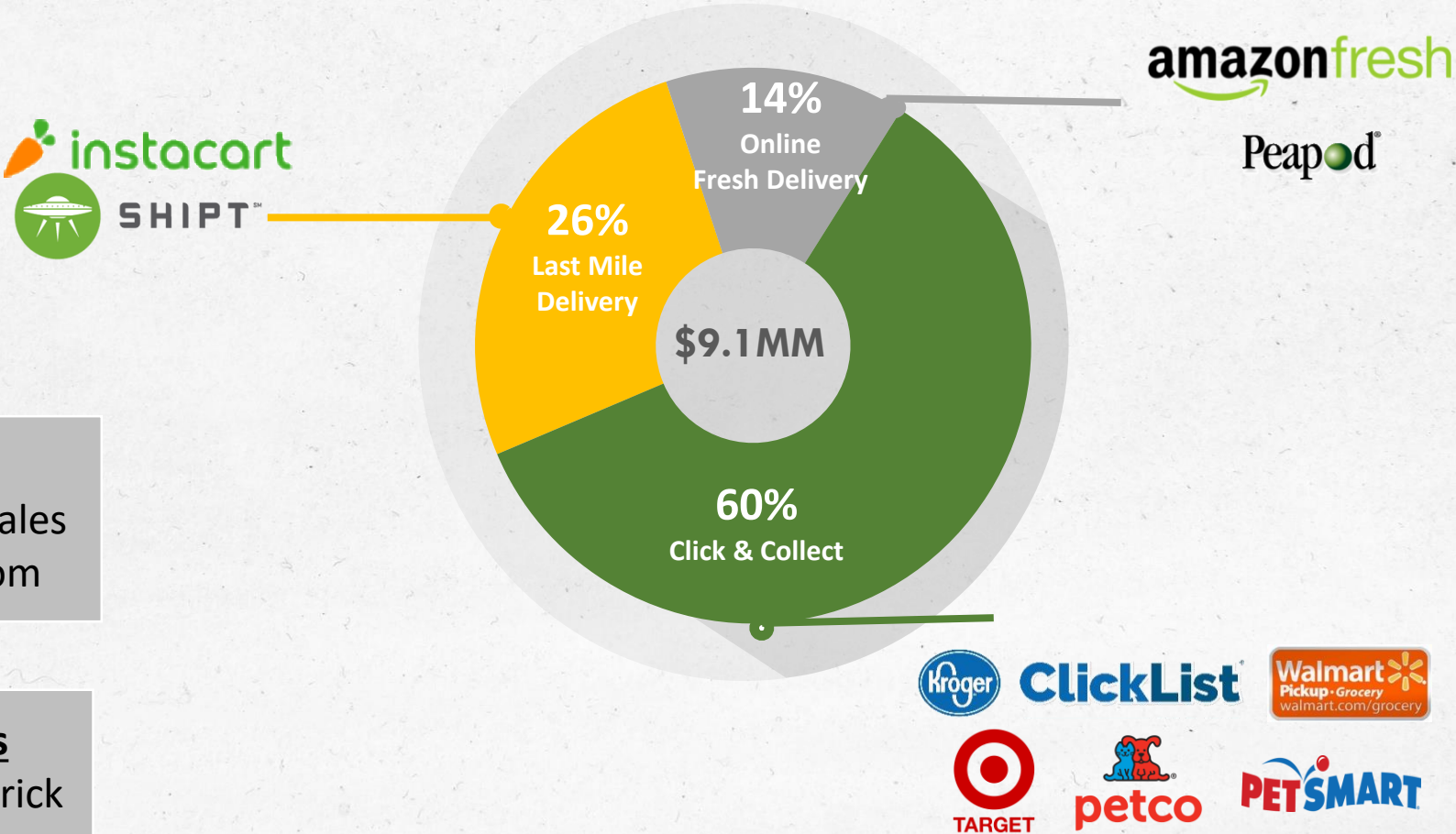
New Fridge Installations by Size
(US & Canada)



■ Medium ■ Large ■ 2 Chillers ■ 3 Chillers

Source: Internal company data through 12/31/21

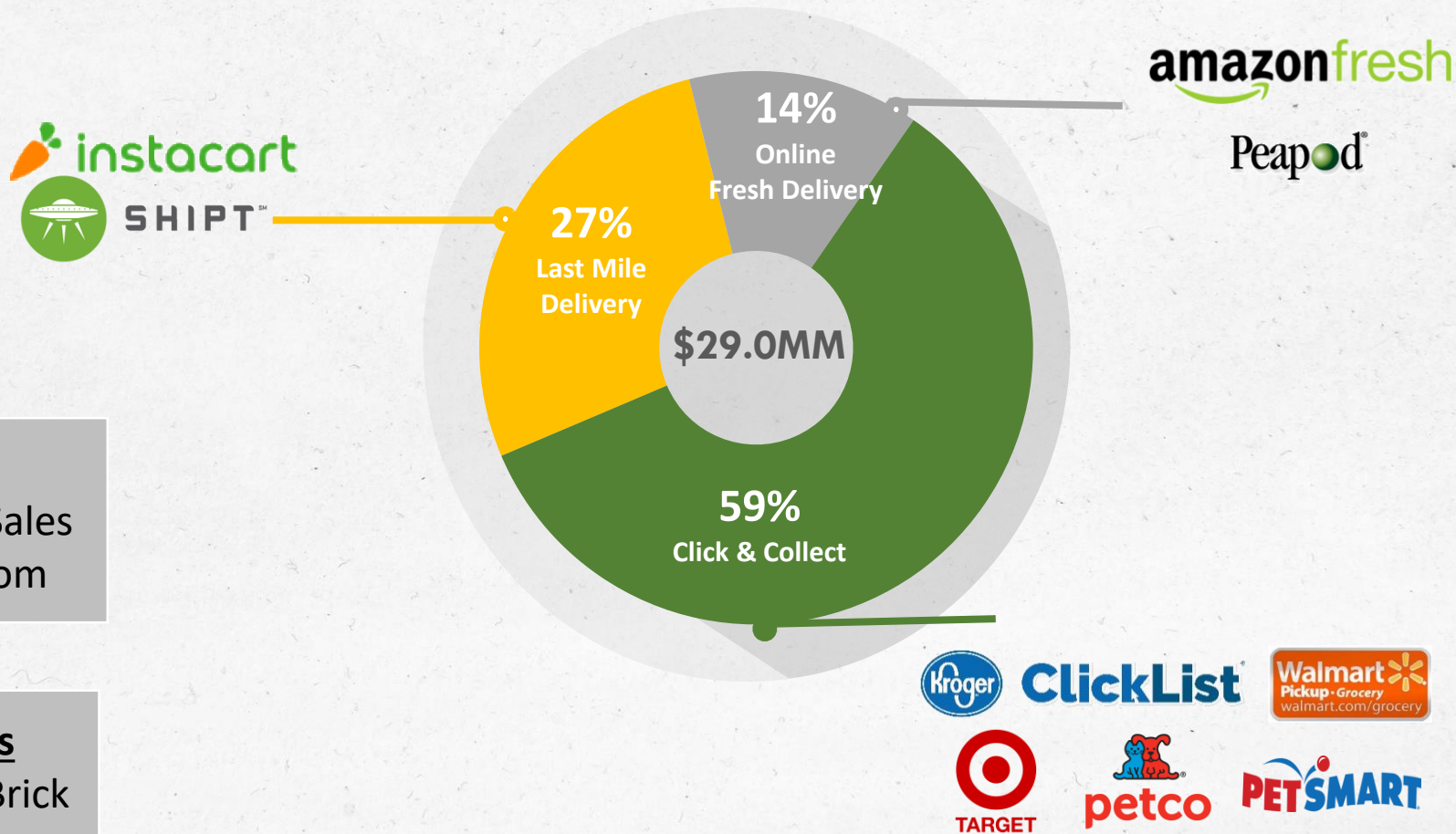
Q4 2021 Freshpet E-Com grew +69% vs. YA



7.4%
% of Total FP Sales
Through E-Com

86% of Sales
Contribute to Brick
& Mortar

FY 2021 Freshpet E-Com grew +73% vs. YA



6.4%
% of Total FP Sales
Through E-Com

87% of Sales
Contribute to Brick
& Mortar



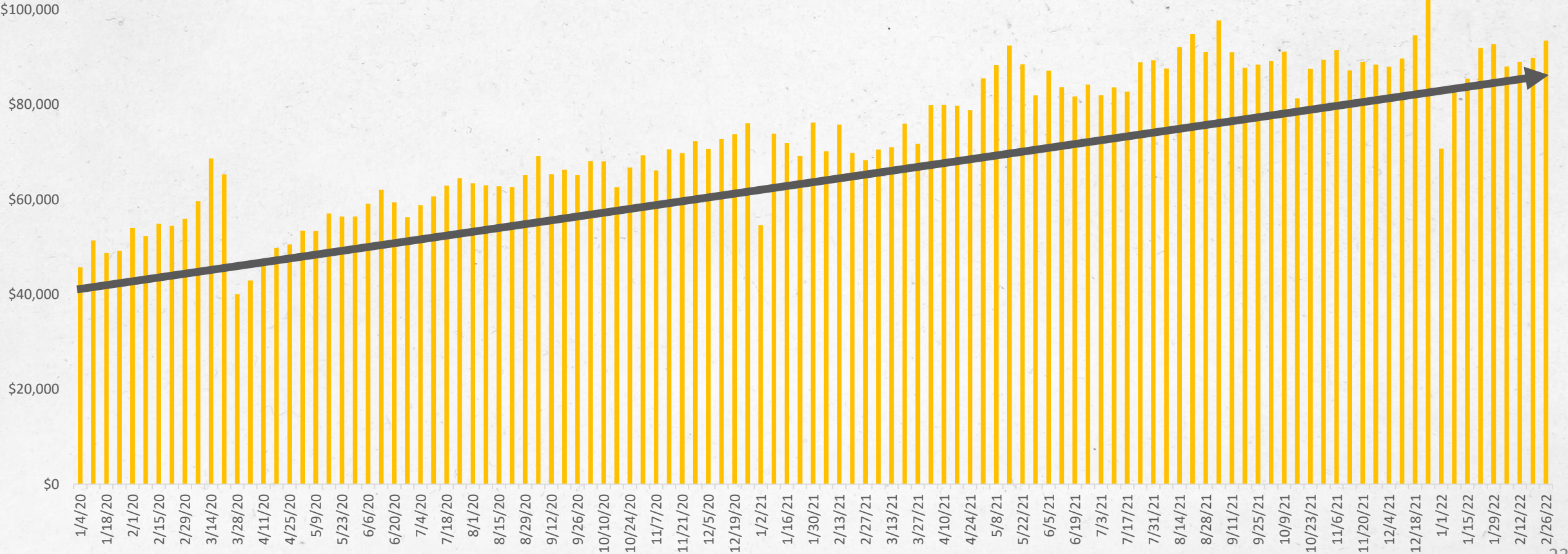
International Business

Canadian business accelerating behind advertising investment

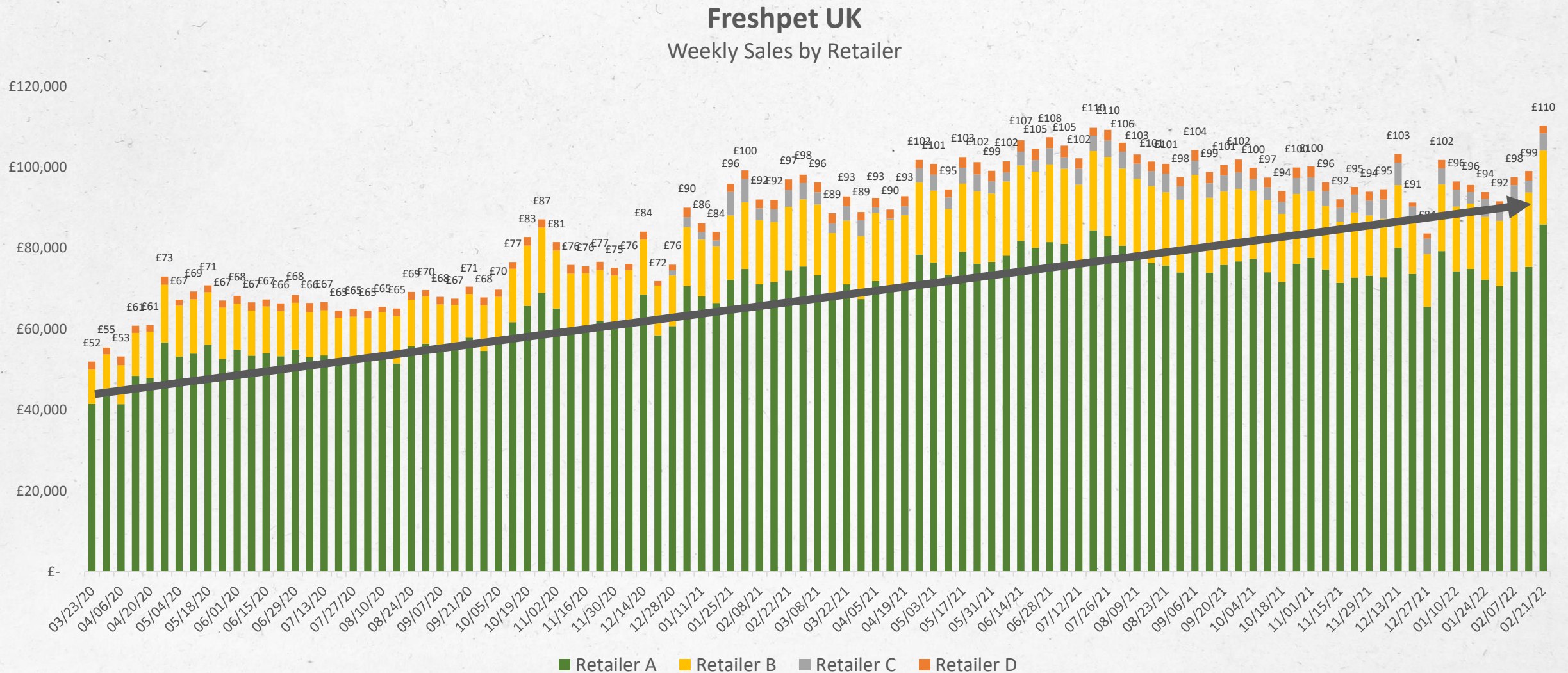
Leading Canadian Freshpet Retailer

Weekly Sales

Last 4 weeks +27% vs. YA



Freshpet's advertising-driven model works in the UK

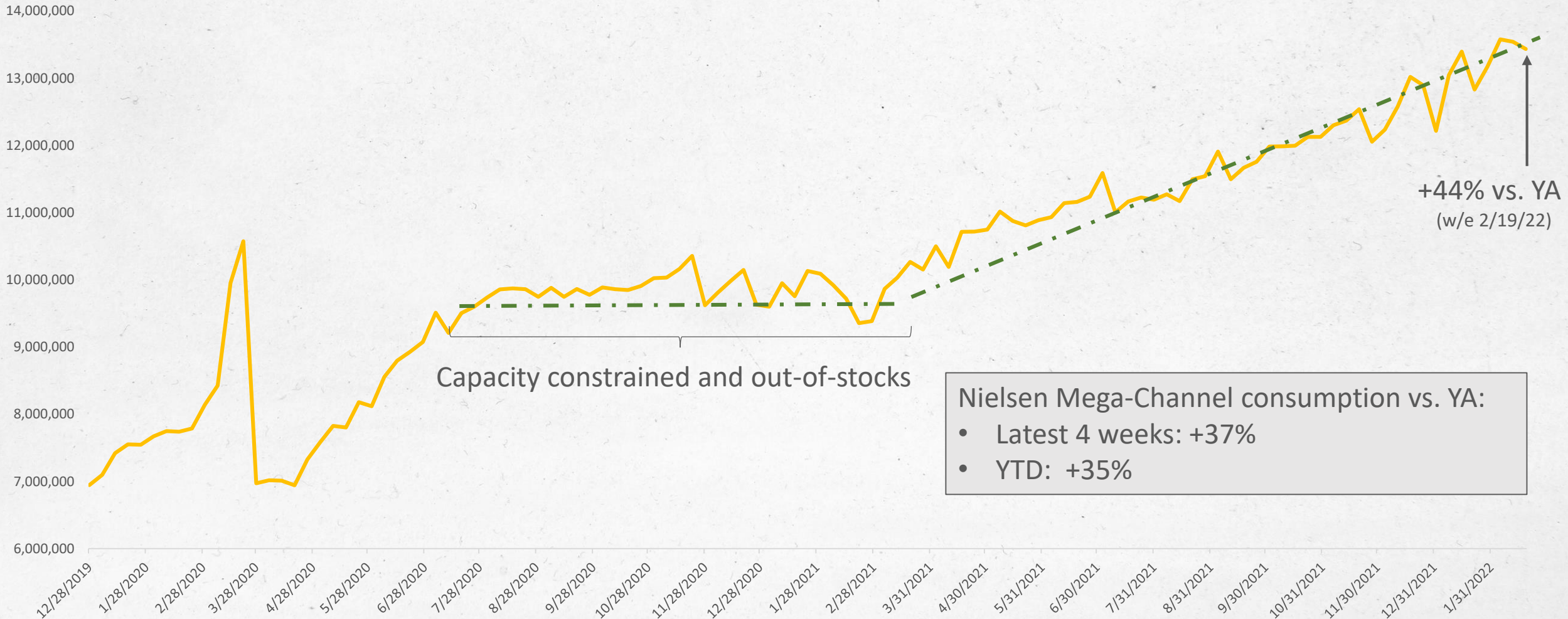




Current Business Trends

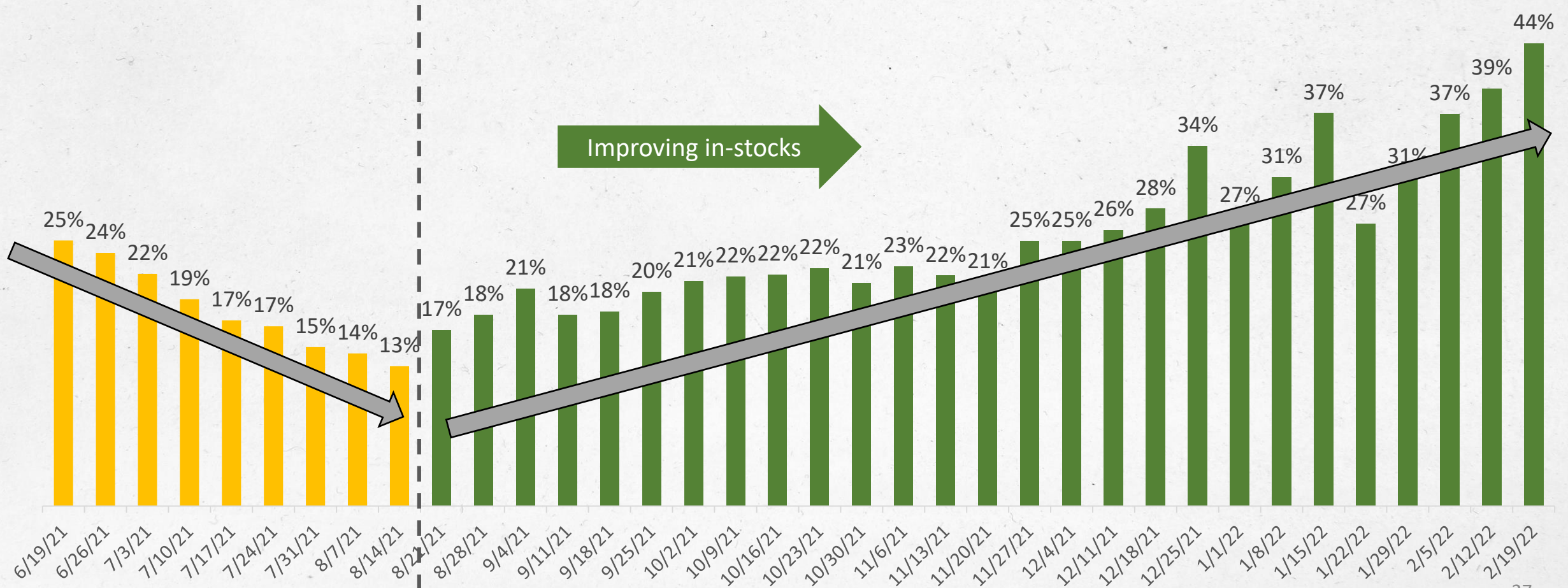
Strong, sustained growth

Nielsen Mega-Channel Consumption



Growth continues to accelerate

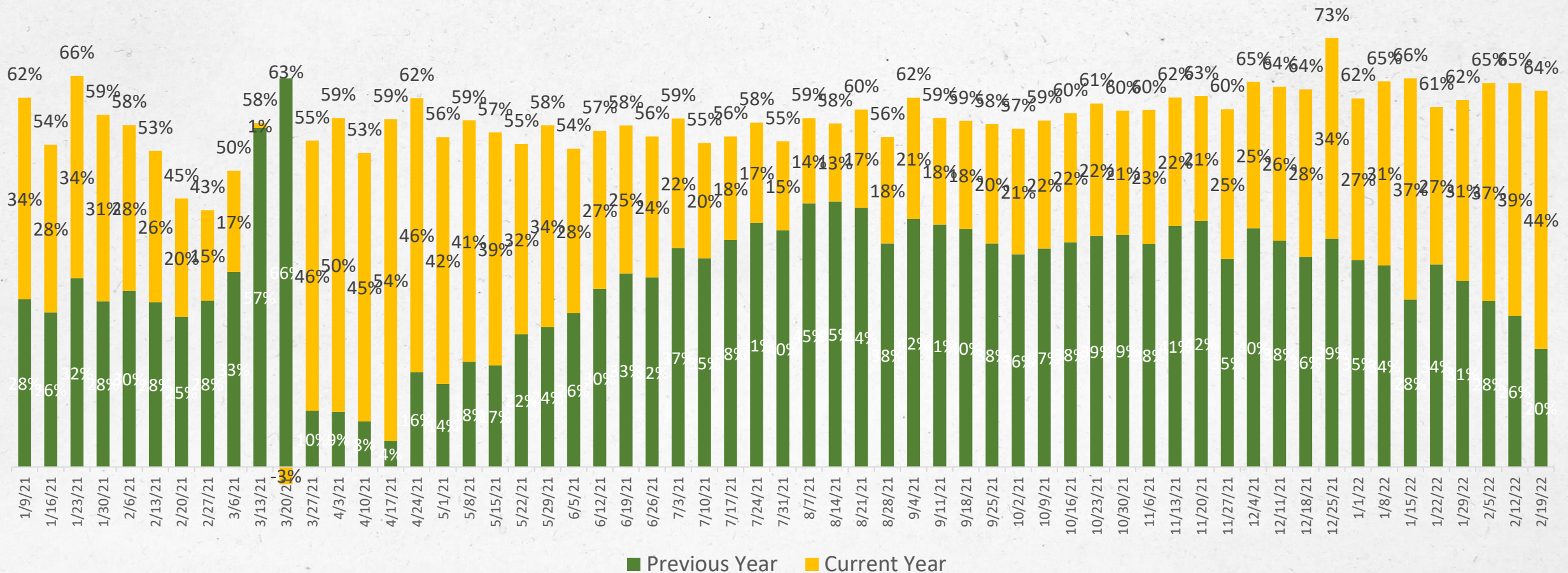
Freshpet Nielsen Mega-Channel Growth Rate



Source: Nielsen Mega-Channel Data thru 2/19/22

2-year stacked growth rate consistently above 60%

Nielsen Mega-Channel Consumption Growth
(2 Year Stacked)



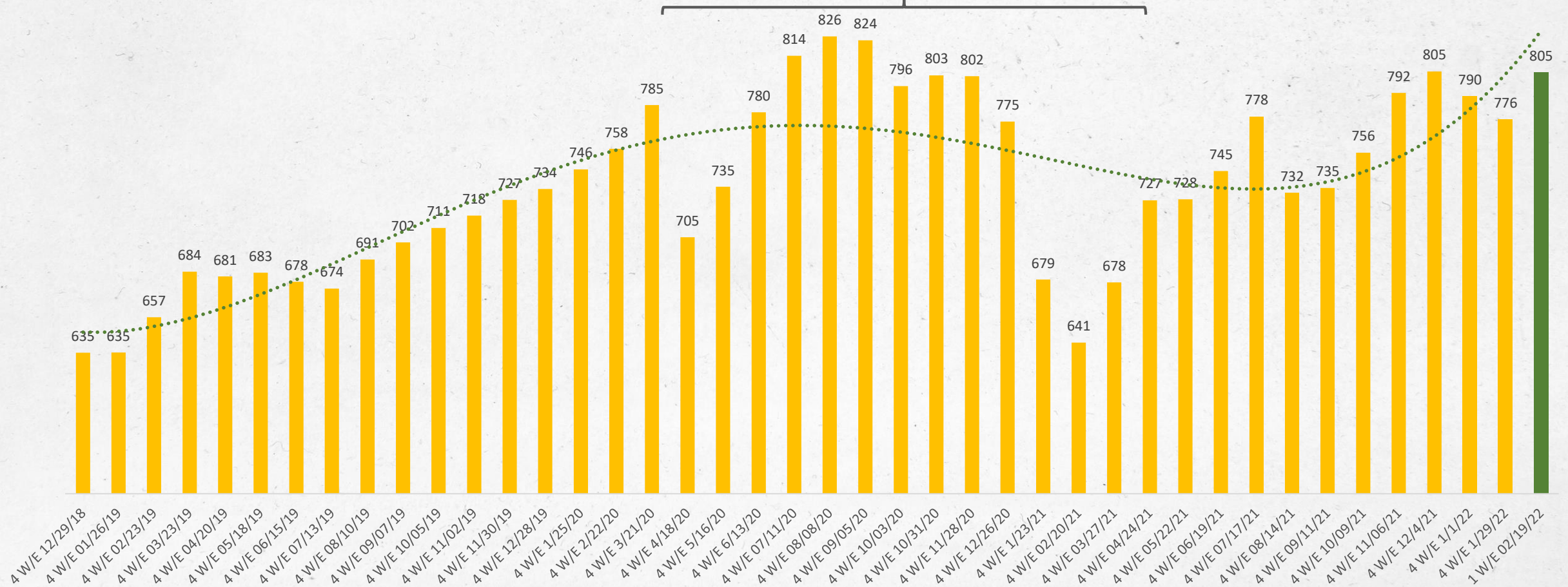
Source: Nielsen Mega-Channel Data thru 2/19/22

Retail availability at the highest level since September 2020

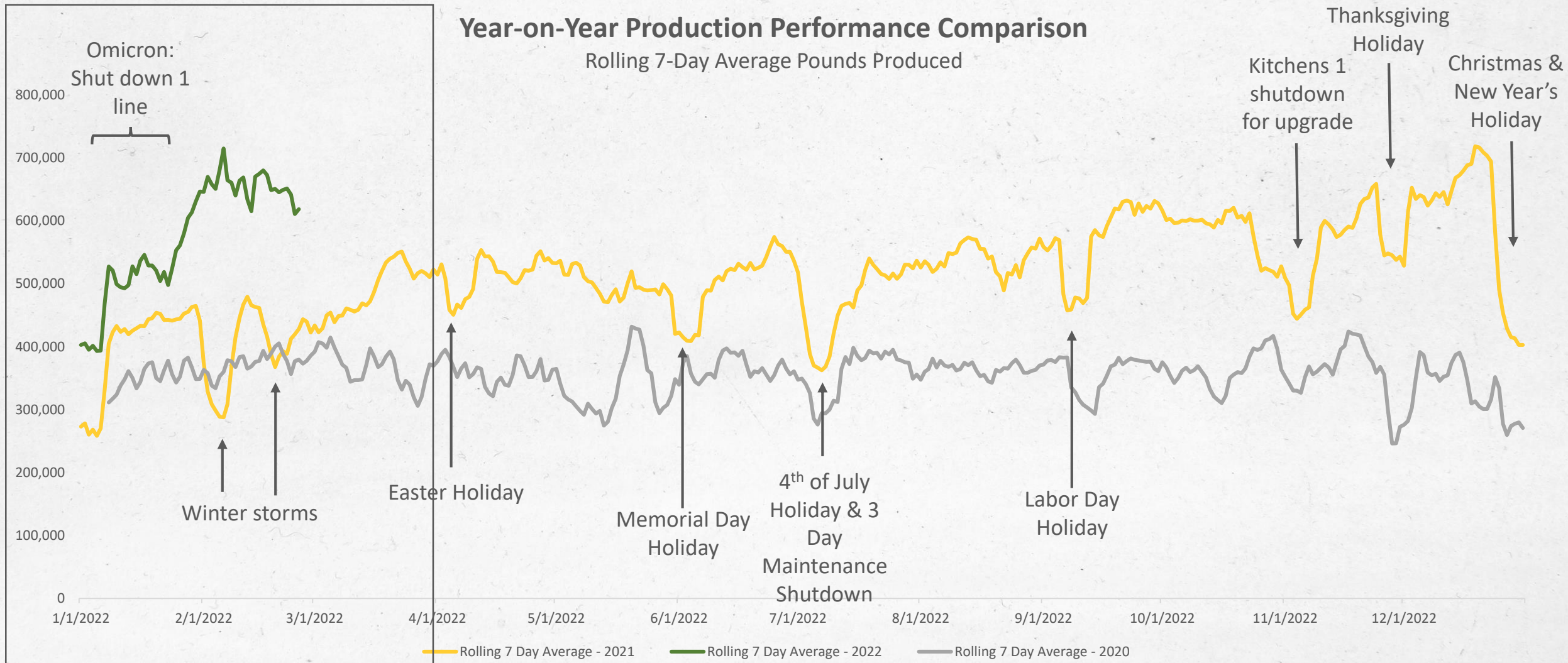
Freshpet Total Distribution Points (TDP)

Nielsen Mega-Channel

COVID Crisis



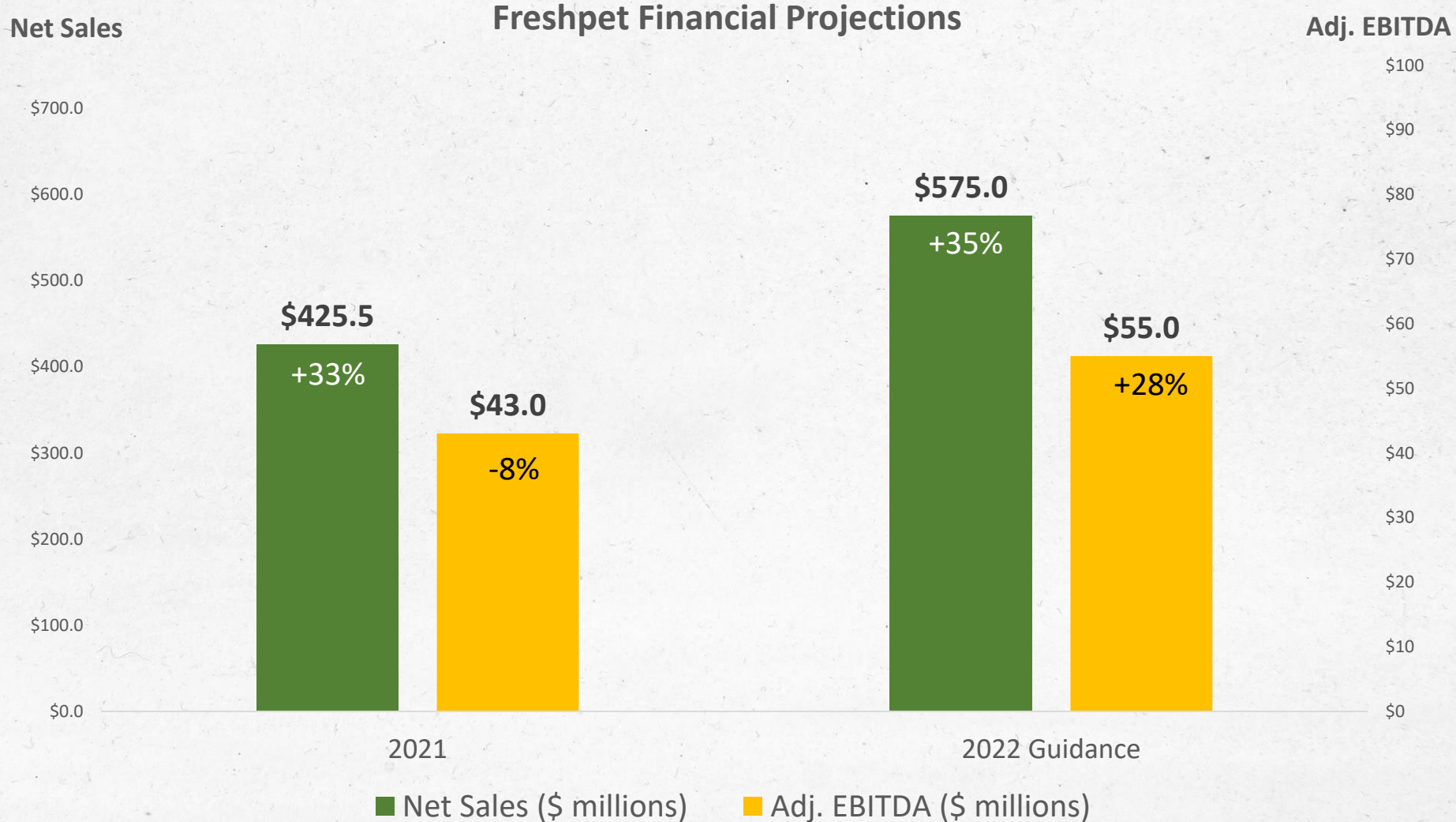
Buffer capacity enabled us to meet customer demand in January despite Omicron



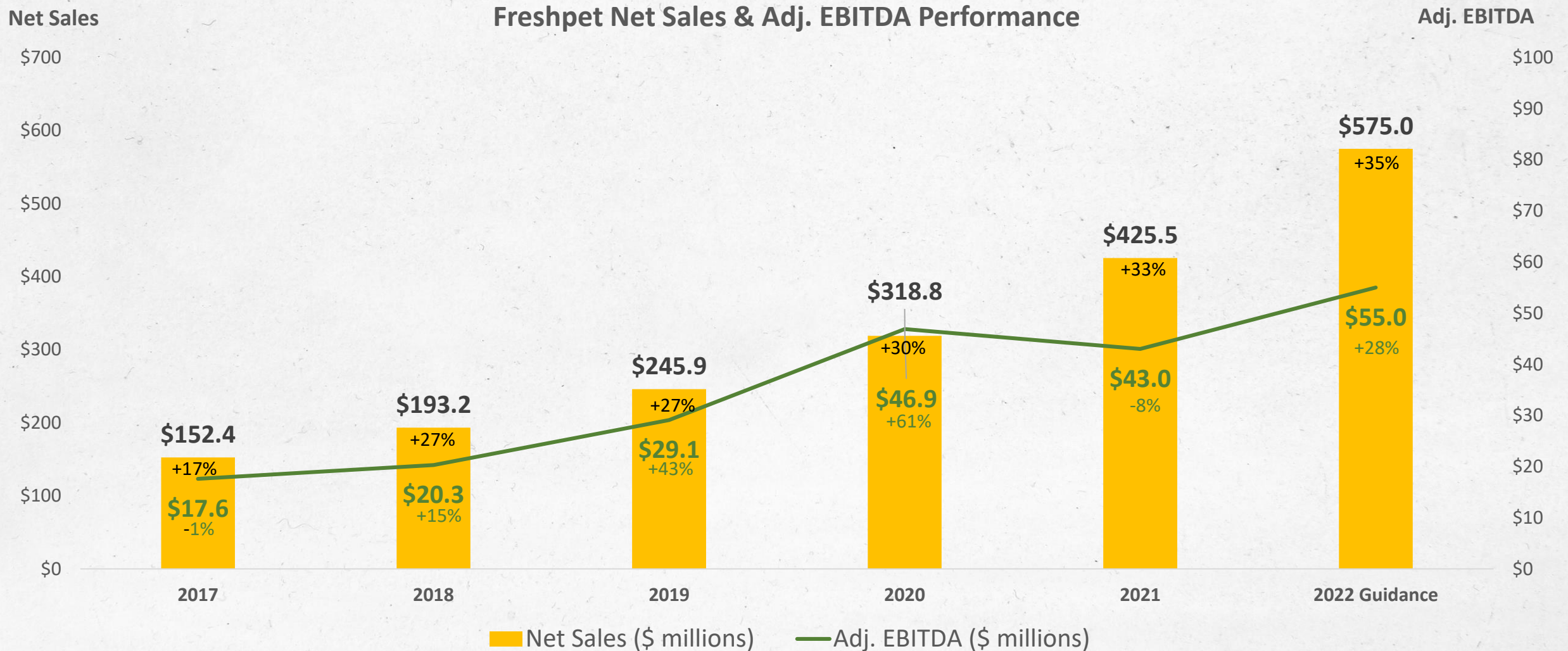


2022 Guidance & Plan

2022 Guidance: Accelerating growth and rebuilding profitability



Delivering 6th consecutive year of accelerating growth



Maintaining at least 15% buffer capacity to ensure continuity of operations in preparation for projected demand

Freshpet Capacity vs. Demand

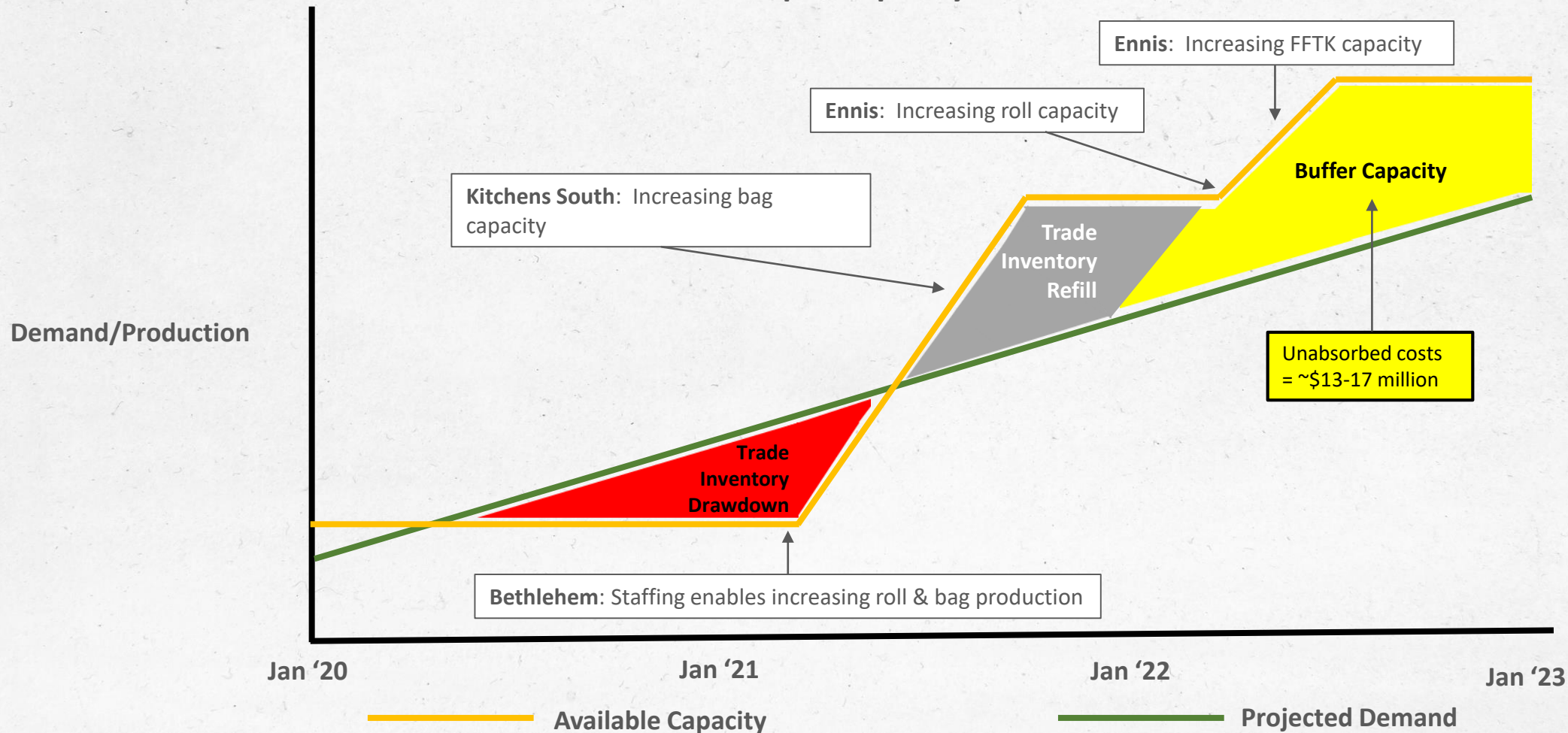
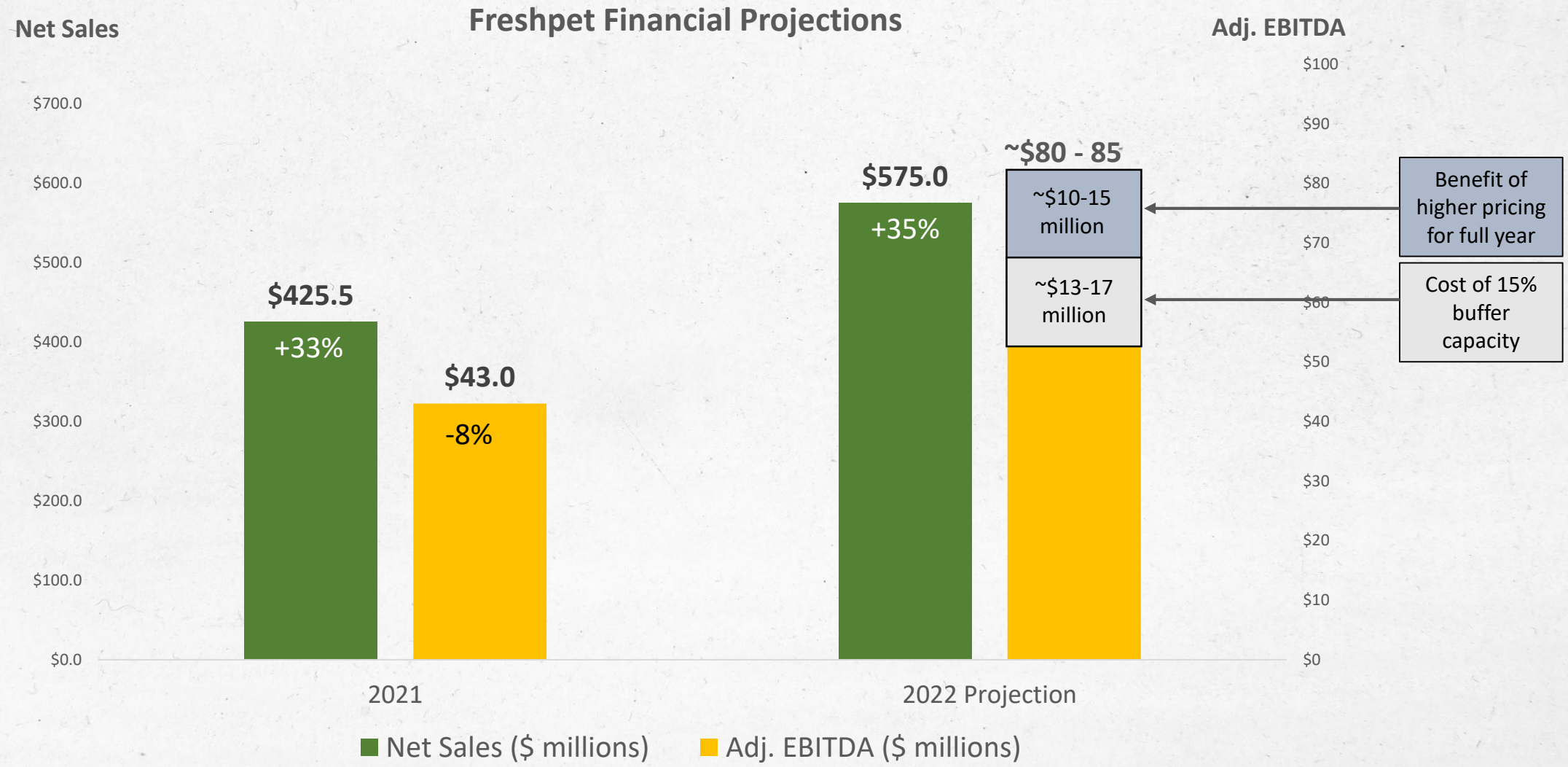


Chart is purely representational and not drawn to scale

Excluding cost of buffer capacity and including the full year benefit of higher pricing, Adj. EBITDA would almost double



2022 Adj. Gross Margin is negatively impacted by cost of buffer capacity and price/inflation mismatch

2022 Adj. Gross Margin Projection



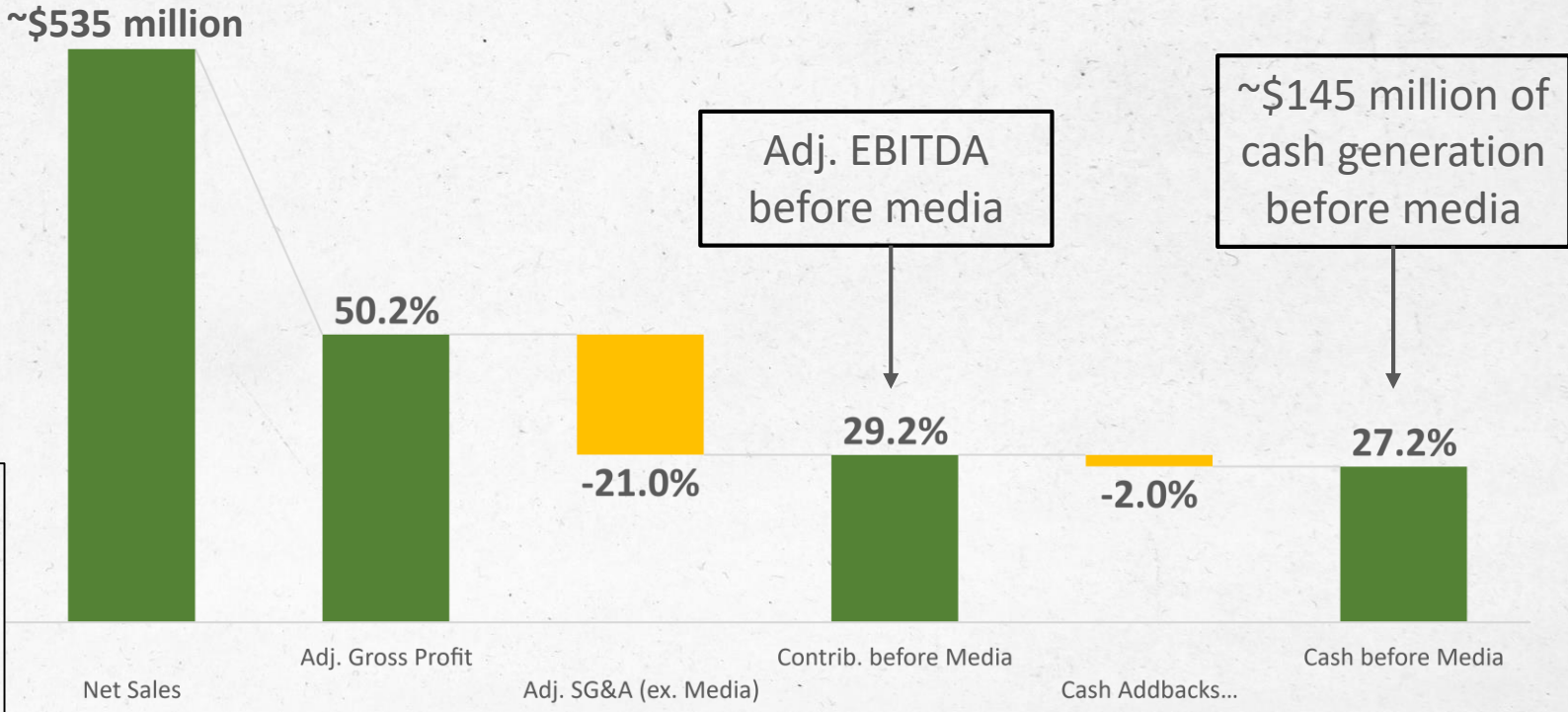
Freshpet defines Adjusted Gross Profit as gross profit before depreciation expense, plant start-up expense, non-cash share-based compensation and COVID-19 expenses

At scale, Bethlehem Kitchens campus produces significant profitability and cash – with opportunity to improve further



- Significant opportunities for further margin improvement include:**
- Scale in SG&A
 - Further efficiency improvements in manufacturing
 - Logistics benefits from 2nd DC and ERP implementation

Bethlehem Campus Profitability



*Assumes Adj. SG&A at total company sales of \$600 million and full year benefit of 2/28/22 price increase.

2022 Freshpet Guidance

\$ in Millions	2021	2022	% Change
Net Sales	\$425.5	>\$575	+35%
Adjusted EBITDA	\$43.0	>\$55	+28%

2022 Freshpet Guidance: Net Sales

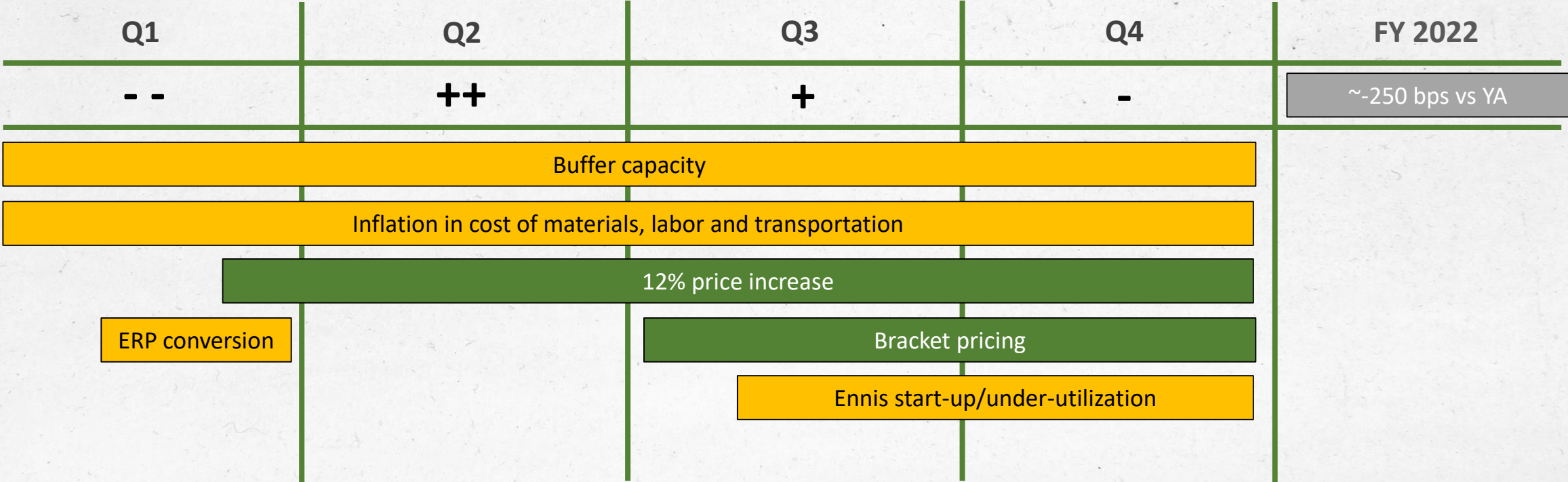
Key Drivers of Net Sales Cadence

Q1	Q2	Q3	Q4	FY 2022
neutral	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				

+ / - = comparison to average growth rate for the year

2022 Freshpet Guidance: Adj. Gross Margin

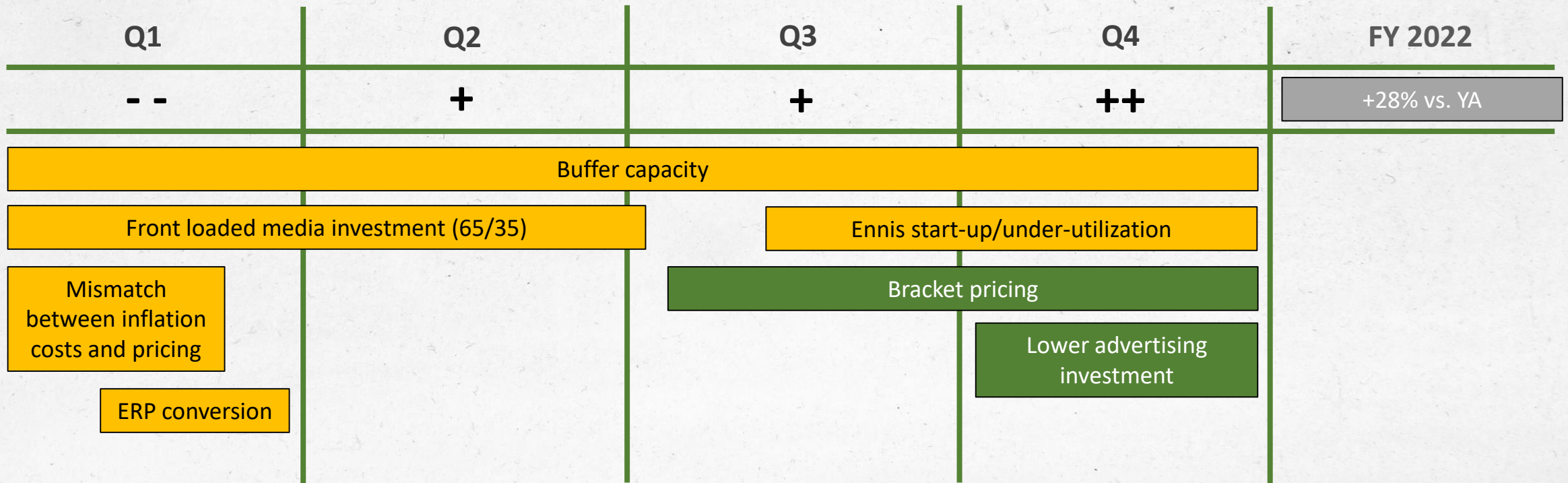
Key Drivers of Adj. Gross Margin Cadence



+ / - = comparison to average Adj. Gross Margin for the year

2022 Freshpet Guidance: Adj. EBITDA

Key Drivers of Adj. EBITDA Cadence



+ / - = comparison to average EBITDA margin for the year



Margin Improvement Plan

Pricing is just one piece of comprehensive plan to restore margins

	Q4 2021	Q1 2022	Q2-4 2022	
Pricing	4.8% Price Increase	Second Price Increase		
Freight		ERP Implementation	Bracket Pricing (Timing TBD)	Second DC (Benefits begin Q4)
Labor	Freshpet Academy: Yield, Throughput & Quality Improvements			
Operations	High Speed Lines: Kitchens South Lines 2 & 3, Ennis Lines			
Risk Mgmt	Locking pricing on key commodities where possible			

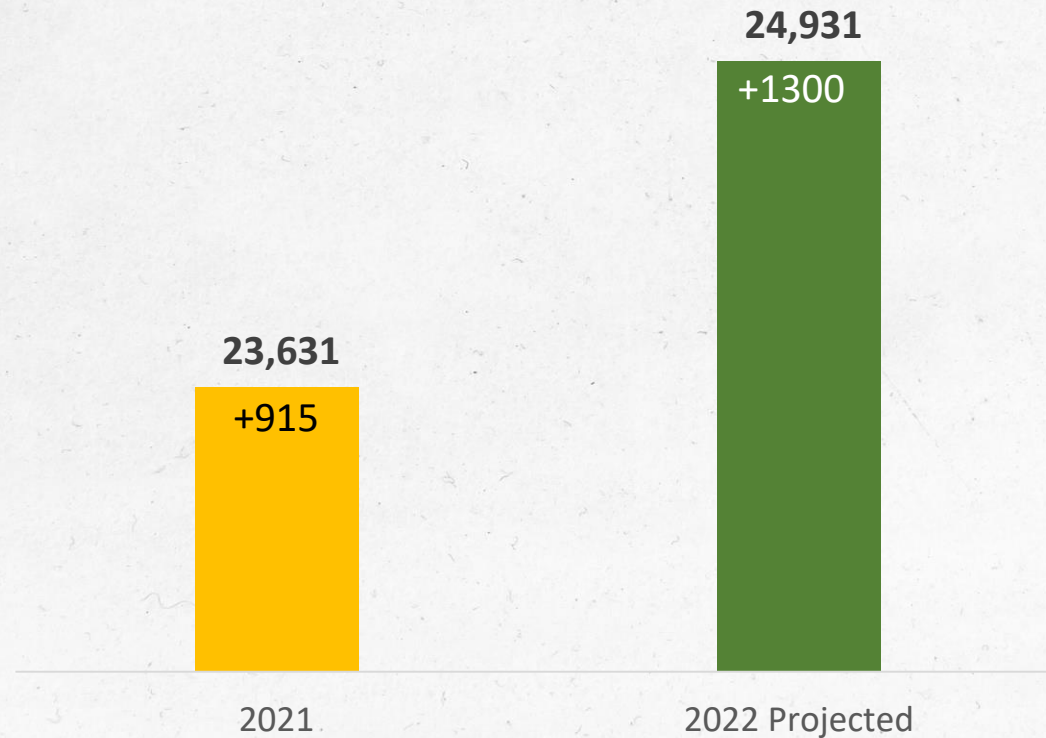
Note: Initiatives must also offset ongoing mix shift towards lower margin bags and outsourced production at Kitchens South production



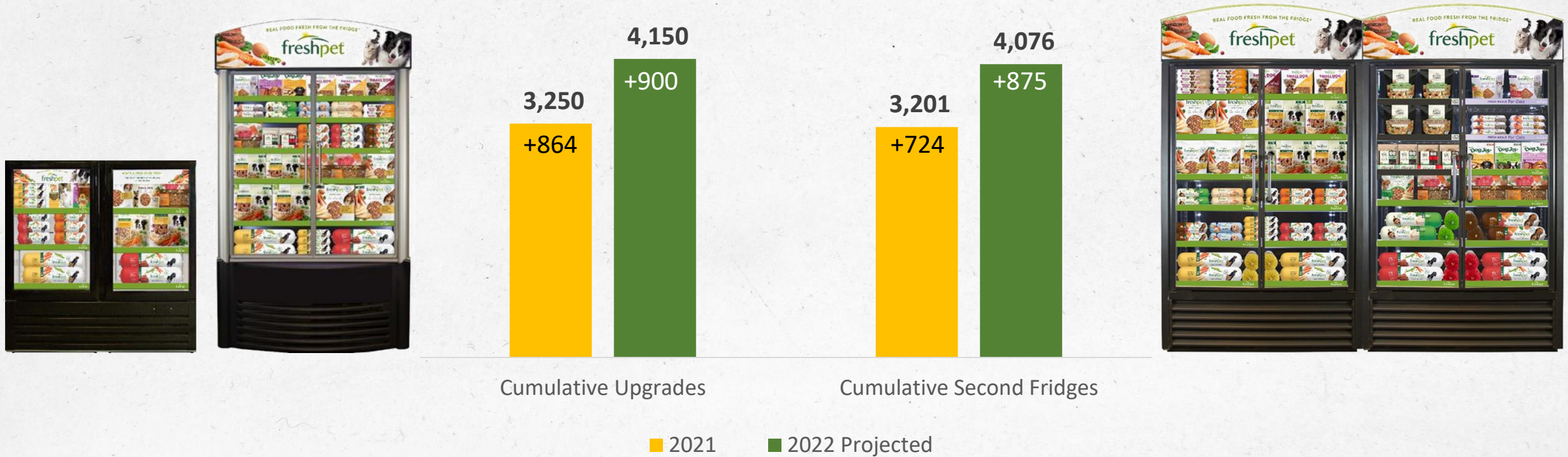
Visibility & Availability: 2022

2022: Continued increases in retail availability

Store Count



2022: Continued increases in retail visibility



“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		Twelve Months Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Gross Profit	\$ 41,216	\$ 30,533	\$ 162,146	\$ 132,910
Depreciation expense	4,649	3,153	16,545	9,576
Plant start-up expense (a)	1,306	2,942	4,868	5,962
Non-cash share-based compensation	1,182	707	4,152	2,132
COVID-19 expense (b)	—	1,340	1,753	3,497
Adjusted Gross Profit	\$ 48,352	\$ 38,675	\$ 189,464	\$ 154,077
Adjusted Gross Profit as a % of Net Sales	41.7%	45.8%	44.5%	48.3%

- (a) Represents additional operating costs incurred in connection with the start-up of our new manufacturing lines as part of the Freshpet Kitchens expansion projects.
- (b) Represents COVID-19 expenses including (i) costs incurred to protect the health and safety of our employees during the COVID-19 pandemic, (ii) temporary increased compensation expense to ensure continued operations during the pandemic, and (iii) costs to mitigate potential supply chain disruptions during the pandemic included in cost of goods sold.

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
	(Dollars in thousands)			
SG&A expenses	\$ 48,854	\$ 33,635	\$ 186,809	\$ 134,908
Depreciation and amortization expense	3,330	3,026	13,923	11,549
Non-cash share-based compensation	5,300	2,407	20,846	8,793
Launch expense (a)	819	1,019	3,130	3,421
Loss on disposal of equipment	482	505	1,000	1,805
Equity offering expenses (b)	—	—	—	58
Enterprise Resource Planning (c)	256	852	1,379	1,682
COVID-19 expense (d)	—	74	5	357
Adjusted SG&A Expenses	\$ 38,667	\$ 25,753	\$ 146,526	\$ 107,243
Adjusted SG&A Expenses as a % of Net Sales	33.4%	30.5%	34.4%	33.6%

- (a) Represents new store marketing allowance of \$1,000 for each store added to our distribution network, as well as the non-capitalized freight costs associated with Freshpet Fridge replacements. The expense enhances the overall marketing spend to support our growing distribution network.
- (b) Represents fees associated with public offerings of our common stock.
- (c) Represents implementation and other costs associated with the implementation of an ERP system.
- (d) Represents COVID-19 expenses including (i) costs incurred to protect the health and safety of our employees during the COVID-19 pandemic, (ii) temporary increased compensation expense to ensure continued operations during the pandemic, and (iii) costs to mitigate potential supply chain disruptions during the pandemic, included in SG&A.

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

	Twelve Months Ended December 31,				
	2021	2020	2019	2018	2017
	(Dollars in thousands)				
Net loss	\$ (29,699)	\$ (3,188)	\$ (1,383)	\$ (5,361)	\$ (4,262)
Depreciation and amortization	30,468	21,125	15,921	14,068	12,692
Interest expense	2,882	1,211	991	296	910
Income tax expense	162	65	144	77	75
EBITDA	\$ 3,813	\$ 19,213	\$ 15,673	\$ 9,080	\$ 9,415
Loss on equity method investment	\$ 2,005	\$ —	\$ —	\$ —	\$ —
Loss on disposal of equipment	1,000	1,805	787	142	104
Non-cash share-based compensation	24,998	10,925	7,834	—	4,438
Launch expense (a)	3,130	3,421	4,563	6,808	3,066
Plant start-up expenses (b)	4,868	5,962	—	3,540	335
Warrant fair valuation (c)	—	—	—	—	—
Equity offering fees (d)	—	58	302	362	—
Leadership transition expenses (e)	—	—	—	—	63
Enterprise Resource Planning (f)	1,379	1,682	—	—	—
Litigation expense (g)	—	—	—	348	145
COVID-19 expense (h)	1,758	3,854	—	—	—
Adjusted EBITDA	\$ 42,951	\$ 46,920	\$ 29,159	\$ 20,280	\$ 17,565
Adjusted EBITDA as a % of Net Sales	10.1%	14.7%	11.9%	10.5%	11.5%

- (a) Represents new store marketing allowance of \$1,000 for each store added to our distribution network, as well as the non-capitalized freight costs associated with Freshpet Fridge replacements. The expense enhances the overall marketing spend to support our growing distribution network.
- (b) Represents additional operating costs incurred in connection with the start-up of our new manufacturing lines as part of the Freshpet Kitchens expansion projects.
- (c) Represents 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 public offerings of our common stock.
- (e) Represents charges associated within our former Chief Executive Officer's separation agreement as well as changes in estimates associated with leadership transition costs.
- (f) Represents implementation and other costs associated with the implementation of an ERP system.
- (g) Represents fees associated with two securities lawsuits.
- (h) Represents COVID-19 expenses including (i) costs incurred to protect the health and safety of our employees during the COVID-19 pandemic, (ii) temporary increased compensation expense to ensure continued operations during the pandemic, and (iii) costs to mitigate potential supply chain disruptions during the pandemic.



freshpet[®]

FEED THE GROWTH

11 MILLION HH BY 2025

