



Freshpet, Inc.

Fourth Quarter and Full Year 2025 Earnings Call Prepared Remarks

Monday, February 23, 2026

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 fourth quarter and full year 2025 earnings call and webcast. On today's call are Billy Cyr, Chief Executive Officer, and John O'Connor, Chief Financial Officer. Nicki Baty, 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 our strategies to re-accelerate growth, progress and opportunities in capital efficiencies, timing and impact of new technology, capital spending, adequacy of capacity, expectations to be free cash flow positive, 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 2024 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 you to take away from today's call is that the challenges we faced in 2025 taught us quite a bit about our strengths and weaknesses and have made us a much stronger company for 2026 and beyond.

We learned that after more than a decade of strong, reliable and predictable growth, the pet food category and the Freshpet growth algorithm are not immune to swings in consumer sentiment. Category growth last year slowed dramatically, and our net sales growth rate dropped from 27% in fiscal year 2024 to 13% in fiscal year 2025. While the 13% growth we delivered in fiscal year 2025 would excite most companies, it was not the kind of growth we had become accustomed to nor what we expected when we started the year.

This dramatic change in sentiment forced us to re-evaluate every aspect of our model and adapt to the new environment. We changed our messaging and media buying strategy. We increased our focus on creating value at the entry point. And we demonstrated flexibility in and control over our capacity expansion plans. In the end, I am very proud of the agility that our team showed in the face of a dramatic change in the macroeconomic market.

The benefits of that agility were demonstrated in our results. Our growth was more than 10 points better than the category, we built significant market share, and we exceeded the \$1 billion net sales target we set in 2020. We also expanded distribution in a very large club customer and began tests in another new class of trade – rural lifestyle retail. At the same time, we protected and even expanded our margins and achieved positive free cash flow. And we withstood the onslaught of new competitive entries with little discernible impact on our business.

More importantly, we built a really strong foundation for fiscal year 2026 and beyond. Our new messaging and related media plans are showing early signs of generating the household penetration growth we expect. Our efforts to expand our e-commerce business continue to gain traction, with digital business growing nearly 40% last year and it is now up to 14% of our total business. We have installed and started up the biggest breakthrough in manufacturing technology in our history. And we began testing fridge islands in a major retailer – one of our biggest breakthroughs in retail visibility and availability ever. In each case, we believe we are in the very early stages of a major new driver of growth and profitability.

In total, we believe we are very well positioned to continue to capture a very large share of the growing market for fresh pet food. Our data suggests that despite the macroeconomic headwinds we experienced last year and continue to see today, the total addressable market for Freshpet continues to grow and is now up to 36 million households, compared to the 33 million households we announced at CAGNY last year. These figures reflect consumers ongoing interest in treating their pets as valuable family members and the growth is driven in part by the ongoing generational transition to younger consumers for whom pets and high-quality food are of greater interest than previous generations. We believe this suggests that fresh pet food is the future of the pet food category, and that Freshpet has a very long runway for growth.

And the results of the past year strongly suggest that we have the ability to maintain a very high share of this market – despite the determined efforts of many new competitors. The competitive moat we have built enables us to deliver a wide range of noticeably better products at lower costs, in more locations, and in a variety of channels vs. competition. And we continue to invest in new manufacturing technologies



that we believe will extend our competitive advantages even further. Plus, we are leveraging our extensive fridge network, digital marketing efforts, and strong brand equity to create an omnichannel business that will be difficult for other fresh food marketers to match.

We firmly believe we have a unique and compelling competitive advantage in not only manufacturing, but also quality and product appeal, and it can be enhanced through marketing. Last quarter we talked about our improved commercial framework that focuses on consumers who have the potential and ability to become very heavy users. We expected the increase in digital and streaming as part of our media mix to drive increased trial and usage by Millennials and Gen Z who have the highest propensity to become MVP's – and it has. We continue to outperform the category and peers on household acquisition across income brackets and generations, and see Millennials and Gen Z as our fastest growing generations. Further, we are disproportionately gaining share despite heightened competition, particularly in retail.

In 2026, we are rebalancing our media mix to be more diversified and digital-forward, helping to build out our omnichannel presence. We are evolving our marketing plans to super serve MVP's that now make up 71% of our net sales—designing our marketing plans to deliver against this critical MVP consumer while ensuring our media reaches our entire TAM. The current campaign showcases the product and ingredients more than in the past and has been effective so far in driving new households. In addition to our current campaign, we are leaning more heavily on trusted voices to build relevance and credibility with our MVPs. And this spring, we're introducing a new campaign that deepens our connection with our core audience.

We believe we have a strong value proposition with our product portfolio today and we are continuously working on ways to drive more perceived value for our consumers. We have affordable innovation with multipacks/bundles of both rolls and bags now available in select retailers and expect those to gain traction and more distribution in 2026, particularly in the club channel. We also have our Complete Nutrition line that has a bag item and a roll item at an attractive entry price point, which will continue to gain distribution as well. Further, we have an exciting pipeline of innovation and renovation slated for this year that we will share more on as it hits the market.

From a distribution standpoint, 2025 was our best year in over a decade for new store growth, largely driven by our club expansion. In 2026, we're focused on having a stronger omnichannel presence and we are building capabilities around that. In Q4, ecommerce as a percent of sales was 14.6% and for the full year it was up to 14% as I mentioned earlier. The digital channel will be an important growth driver for us moving forward, but we are also still focused on expanding to multiple fridges in the highest velocity stores. The rural lifestyle retailer test we referenced last quarter has now confirmed an expansion to 250 stores in the first half of the year. And we've expanded the fridge island test in a mass retailer from 16 to 28 stores today. Additionally, we are testing open-air bunker fridges and full-size open-air end-caps as we reimagine how consumers shop for their pets. We expect continued experimentation with these new fridge configurations—seeking the optimal combination of visibility, shopability, holding power and space efficiency.

We are also building a stronger product proposition by leveraging our breakthrough technology to deliver both meaningful product improvements and significantly improved economics. I am pleased to report that our first line using the new production technology is up and running and producing product that we began shipping to customers last month. The products produced on that new line are exceptional, and the early indications are that the new line should deliver significant quality, throughput and yield benefits. We want



to run the line for several months before we quantify the magnitude of the benefits, but we are encouraged so far.

The first retrofit of an existing bag line in Bethlehem with the lite version of this new technology is slated for the second quarter, and we plan to use it to both renovate and innovate our product portfolio. We believe that the conversion of our existing lines to the lite version of the new technology will require minimal downtime and modest capex. Investing in manufacturing capability and technologies can not only extend our competitive moat but also offers us the opportunity to produce the highest quality products at the best possible cost—and demonstrate the technical mastery of our team.

Now I'll provide some highlights from the fourth quarter and year. Fourth quarter net sales were \$285.2 million, up 8.6% year-over-year, primarily driven by volume. Adjusted gross margin in the fourth quarter was 48.4%, compared to 48.1% in the prior year period. Adjusted EBITDA in the fourth quarter was \$61.2 million, up approximately \$8.5 million, or 16% year-over-year.

For the year, net sales were up 13.0% year-over-year, in line with our guidance of approximately 13% growth. Full year 2025 adjusted gross margin was 46.7%, up 20 basis points year-over-year, despite the slowdown in volume growth, and full year Adjusted EBITDA was \$195.7 million, up 21% or approximately \$34 million year-over-year.

From a category perspective, we are the leading dog food brand in US Food, and maintain a sizable market share within the gently cooked fresh/frozen branded dog food segment in Nielsen Brick and Mortar Customers, defined as XAOC + Pet. We compete in the \$56 billion US pet food category per Nielsen Omnichannel data for the 52 weeks ended 12/27/2025, and within the nearly \$38 billion US dog food and treats segment, we have increased our market share to 4.0%.

As I mentioned a few moments ago, 2025 was our best year in over a decade for new store expansion, demonstrating that our fridge expansion has not been hindered by heightened competition entering brick & mortar stores. From a retail standpoint, our products are now in 30,235 stores, 24% of which have multiple fridges in the US and Canada. As we add additional fridges to the highest velocity stores to service more omnichannel customers, this percentage should increase over time. We ended the fourth quarter with 39,347 fridges, or nearly 2.1 million cubic feet of retail space, with an average of 19.1 SKUs in distribution. Our percent ACV in grocery, was 80% at quarter-end, and in XAOC we are up to 72%.

From a household penetration and buy-rate standpoint, we have seen some green shoots recently. On a 12-month basis as of December 31, 2025, household penetration was 15.2 million households, up 10% year-over-year, and total buy rate was approximately \$115, up 4% year-over-year. MVPs, our super heavy and ultra heavy users, are continuing to grow faster than overall households, and now total 2.4 million households, up 11% year-over-year and have an average buy rate of \$506. Our fastest growing buyer group is our Ultra buyers who make up nearly 500K households and spend over \$1,100 a year on Freshpet. Overall, we are not seeing trade down, and we are not seeing loyal customers buying us less often. We are continuing to win with new dog households, the next generation of dog owners – Millennials and Gen Z—and believe our omnichannel strategy will drive further growth with these cohorts.

Turning to capacity... We have 16 lines across our network today that can support over \$1.5 billion in sales when fully staffed. This figure excludes additional throughput or yields that could come from the new technology we've developed for our bag lines. After we run both the full version and the "light" version



for an extended period of time, we will update the market on what our full capacity potential is within the current footprint.

Our capital efficiency framework underpins the work we have been doing to advance the manufacturing process for fresh pet food and what we believe is a significant competitive advantage. To continue to drive capital efficiency, we aim to 1. Get more out of existing lines, primarily through OEE improvements, 2. Get more out of existing sites- whether that be finding ways to optimize our network or add more lines on our campuses, and 3. Develop and implement new technologies.

Now turning to 2026 guidance. We expect net sales growth to be between 7% and 10% for the year and Adjusted EBITDA to be between \$205 and \$215 million.

We expect capital expenditures to be approximately \$150 million this year absent any incremental investment to accelerate our manufacturing technology or capitalize on a distribution breakthrough in fridge islands. At our current planned level of capital expenditures we expect to be free cash flow positive in 2026. If we do decide to retrofit more than just one bag line with the new technology and we have a large rollout of fridge island units, we may choose to increase capex by anywhere between \$20 to \$50 million so that we can capture those benefits sooner.

John will walk through more details of our 2026 guidance in a few minutes.

In regard to our fiscal year 2027 targets, we remain confident in our ability to deliver net sales growth well in excess of the US dog food category growth and thus grow market share. Depending on the macro-economic conditions and the health of the dog food category, that growth could be in the high single digits or low double digits. We believe we can achieve at least 48% Adjusted Gross Margin under a variety of growth scenarios, and have updated our Adjusted EBITDA margin target to a range of 20 to 22%. We believe we have a variety of paths to achieve those margins, including higher net sales growth rates, further improvement in gross margins, media efficiency and effectiveness, and further SG&A efficiencies. For example, if our net sales growth is in high single digits, we believe we can still achieve an Adjusted EBITDA margin of approximately 20% in 2027. If we exceed the high end of our guidance and deliver growth in the mid-teens, we believe we can achieve a 22% Adjusted EBITDA margin in 2027.

As we announced earlier this month via press release, we are thrilled to welcome John O'Connor as our new Chief Financial Officer and Ana Lopez as SVP Supply Chain. We continue to build out the leadership team that can support our mission and fuel our next phase of growth. John brings deep financial leadership and animal health expertise, having spent much of his career at Zoetis, and previously served as Chief Financial Officer of Thrive Pet Healthcare, a leading veterinary services platform. Ana Lopez, our new SVP Supply Chain, brings extensive experience across both Supply Chain and Manufacturing, and joins us from Unilever.

I'd like to thank Ivan Garcia for the incredible job he did as Interim CFO over the past several months. We did not miss a beat during his tenure, and he has made the CFO transition seamless. We are grateful for his continued assistance as John gets up to speed on the business.

Lastly, as some of you may recall, we made an equity investment 6 years ago, and a follow-on investment a few years later, in a strategically related business for a total of \$33.4 million. For competitive reasons, we never disclosed the company we had invested in. We can now tell you that the investment was in Ollie,



the DTC dog food brand. We invested so that we could learn more about the DTC business and maintain some level of optionality if we wanted to enter that space. We learned quite a bit from that ownership position that is helping us develop our omnichannel approach to the Freshpet business. And it was also a successful investment from a financial perspective. Ollie was recently sold, and we received proceeds of approximately \$95.5 million in January, plus the potential for a small amount of additional consideration subject to ordinary post-closing conditions. So, we got a good financial return in addition to the strategic benefits of observing the development of the DTC dog food space from the inside.

With John now on board and getting up to speed, we are evaluating our capital allocation strategy. I'm pleased that we are operating from a position of strength, especially now that we are free cash flow positive and with a strong balance sheet, and plan to share an update on the strategy in the coming months. That update will take into account the opportunities we have to accelerate our growth and improve margins through various investments and our desire to continue to improve our cash efficiency and deliver strong returns to investors.

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. The fourth quarter results demonstrated our ability to deliver category leading growth while also achieving positive free cash flow. Net sales in the quarter were \$285.2 million, up 8.6% year-over-year. Volume contributed 9.7% growth, partially offset by unfavorable price/mix of 1.1%, which was primarily driven by modest pricing actions in the current year designed to deliver value at the entry point and bring in new users, and favorable pricing in the prior year period. We had broad-based consumption growth across channels. For Nielsen measured dollars, we saw 9.4% growth in Total US Pet Retail Plus with Costco, 8.5% in Total US Pet Retail Plus, 9.0% growth in XAOC, 5.8% in US Food, and 1% growth in pet specialty. As we said on the last earnings call, the initial pipeline fill of a club customer helped boost our third quarter shipments and impacted the fourth quarter by about a point.

Fiscal 2025 net sales were \$1.102 billion, up 13.0% year-over-year. Volume contributed 12.0% growth, and we had favorable price/mix of 1.0%.

Fourth quarter adjusted gross margin was 48.4%, compared to 48.1% in the prior year period. The 30 basis point increase was driven by reduced quality costs, partially offset by higher input costs.

Fiscal year 2025 adjusted gross margin was 46.7%, an increase of 20 basis points compared to the prior year.

Fourth quarter adjusted SG&A was 27.0% of net sales, compared to 28.0% in the prior year period. This decrease was primarily due to lower variable compensation, partially offset by increased media as a percentage of net sales. Media spending was 10% of net sales in the quarter, up from 8.9% of net sales in the prior year period. Logistics costs were flat in the quarter at 6.2% of net sales.



Fiscal year 2025 adjusted SG&A was 29.0% of net sales, compared to 29.9% in the prior year period. Media as a percent of net sales was 12.7%, compared to 11.4% in the prior year, while logistics improved 20 bps year over year to 5.8% of net sales.

Fourth quarter net income was \$33.8 million, compared to \$18.1 million in the prior year period. The increase in net income was primarily due to the contribution from higher sales, an increase in gross profit, and lower SG&A expenses, partially offset by the deferred income tax expense in the current year period.

Fiscal year 2025 net income was \$139.1 million, compared to \$46.9 million in the prior year period. The significant increase in net income was primarily due to the deferred income tax benefit resulting from the release of a \$68.4 million valuation allowance in the current year, higher sales, and was partially offset by higher SG&A.

Fourth quarter Adjusted EBITDA was \$61.2 million compared to \$52.6 million in the prior year period – an increase of 16%. This improvement was primarily driven by higher sales and gross profit, partially offset by higher adjusted SG&A expenses.

Fiscal year 2025 Adjusted EBITDA was \$195.7 million, or 17.8% of net sales, compared to \$161.8 million, or 16.6% of net sales in the prior year period.

Capital spending for 2025 was \$148.2 million, while operating cash flow was \$160.6 million. We ended the year with cash on hand of \$278.0 million and were free cash flow positive. As Billy mentioned, subsequent to the quarter end, we received \$95.5 million in proceeds from the sale of Ollie, bringing our cash balance to approximately \$400 million today.

Now turning to guidance for 2026... As Billy mentioned earlier, we expect net sales growth of 7% to 10% compared to 2025, with the midpoint of this range in line with the growth we delivered in Q4. We believe this is a prudent place to start our guidance after a challenging year. As for the cadence of the growth in 2026, it is important to remember that the base year included some disruption in Q1 from the change in our pet distributor and that we had unusually strong growth in Q3 primarily from the significant expansion in a large club customer, including pipeline fill. That will make the Q1 comp a bit easier, and the Q3 comp more challenging. This guidance for the year assumes that there is no material change in the macro-economic environment compared to where we exited 2025, and does not include any significant fridge island expansion. We continue to expect our growth to be in excess of the U.S. dog food category and in turn grow market share.

Given year-to-date trends, we are optimistic about our ability to deliver these plans. Our current Nielsen growth rate and the recent household penetration and buying rate data we have seen support growth at this level or higher. Further, our advertising and media plans have begun to demonstrate traction in the market and we are increasingly confident that the plan is working. But we acknowledge the fact that it is still early, and there have been storm-related impacts to the recent Nielsen numbers, which create noise. To meet or exceed the high end of our guidance, from a category perspective, we would likely need to see stronger dog food category growth, and/or a resurgence in trade-up behaviors. In terms of the factors



that are within our control, we would need to see an outperformance of our omnichannel efforts, more rapid expansion of island fridges, and greater impact from our advertising.

We expect Adjusted EBITDA in the range of \$205 to \$215 million, an increase of 5% to 10% year-over-year. Media as a percent of sales for the year is expected to be roughly in-line with 2025, and will be front half weighted in dollars and as a percent of sales, with the first quarter expected to be our largest quarter of media spend. With the turn of the calendar, we have reset expectations for incentive compensation to target levels, which will compare unfavorably to 2025 when lower variable compensation expense helped cushion margins from the lower sales growth than we expected at the start of the year. With this factor at play, to have Adjusted EBITDA growth outpace sales growth in 2026, we need to overdeliver on sales volume. Beyond 2026, however, we expect Adjusted EBITDA growth to exceed net sales growth with an expectation of a more consistent variable compensation expense.

We anticipate adjusted gross margin to improve by approximately 50 to 100 basis points at the midpoint of our net sales range, primarily driven by plant leverage, partially offset by mix. We do not intend to add staffing in 2026 based on our guidance, but rather utilize our existing staffing and use further OEE improvements to deliver more volume. From an inflation standpoint, we are optimizing our formulations and have taken pricing on specific SKUs to address some higher input costs.

Capital expenditures are currently projected to be approximately \$150 million in 2026 and as mentioned earlier, this figure excludes any significant incremental investments in fridge islands or expediting the rollout of our new technology. If we were to take those actions, we would likely make that decision sometime in the middle of the year and they would be supported by strong results from our tests in the case of fridge islands, and demonstration of consistent, and meaningful efficiency gains in the case of the manufacturing technology expansion.

As I said earlier, we believe our outlook is prudent coming off a challenging year and in the midst of a still uncertain consumer backdrop. While I just completed my second week here, I'm incredibly excited to join Freshpet at such an important moment in its growth story and look forward to meeting many of you over the weeks and months ahead. I believe the company has a long runway for growth from an already solid leadership position, supported by a strong foundation and a compelling long-term opportunity to capture sales and profit growth in the fresh/frozen dog food category.

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?