



June 2020 Investor Update
June 23, 2020



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, 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 gain (loss) on disposal of equipment, plant start-up expenses, non-cash share-based compensation, launch expense, fees related to equity offerings, COVID-19 expenses, and fees associated with due diligence of new enterprise resource planning (“ERP”) software.

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

Freshpet defines Adjusted Gross Profit as gross profit before depreciation expense, plant start-up costs, 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, and fees associated with due diligence of new ERP software..

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 present the company's guidance for fiscal year 2020, for which the Company has not yet completed its internal or external audit procedures. 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.

Driving through the crisis by focusing on our strengths

Pre-Crisis

January - February

- Drive growth under Feed the Growth Plan
- Add capacity

- Nielsen Mega-Channel cons. (Jan-Feb) +29%
- Jan-Feb. shipments +25%
- Capacity constrained
- Began year with low trade inventory
- Endcap Fridge placements in Walmart completed
- New products shipped to some customers
- Start-up Kitchens South and 4th line 24 hour operation

Outbreak

March - April

- Keep our employees safe
- Reliably supply our customers and pet parents

- Nielsen Mega-Channel (Mar-Apr)
 - 4 wks thru 3/28 +42%
 - 4 wks thru 4/25 +10%
- March sales +34%
- April sales +34%
- Capacity constrained
- Fridge and new product placements delayed; April advertising pushed back
- Significant investments in safety and supply chain

Breakout

May - December

- Adapt to the new realities
- Leverage our strengths to continue driving growth

- Incremental advertising investment
- New e-commerce programs launched
- Incremental retail coverage
- Capacity catch up; Kitchens South 2nd shift and start-up Kitchens 2.0
- Complete fridge and new product placements
- Significant investments in safety and supply chain

Uniquely positioned
to grow in this
chaotic
environment

Path Back to Normal Business Conditions

To restore the kind of growth Freshpet had prior to the pandemic surge, the following conditions need to be in place:

- ✓ • **Caught Up on Supply:** Supply has largely caught up to demand and we have adequate supply to support our planned growth for the balance of the year-- with the exception that we will be tight on Fresh From The Kitchen supply until Kitchens 2.0 starts up in October
- ✓ • **Improved Retail Availability:** Retail availability has improved dramatically and in-stock levels on most SKU's at most customers are now >80%-- with many > 90%. We expect conditions to continue to improve and meet our expectations by the end of June.
- ✓ • **Advertising Driving Demand:** Advertising went back on air at the beginning of May and appears to be driving the anticipated level of engagement which appears to be converting to demand-- although it is still early. HH penetration is growing.
- ✓ • **Consumers Resume Frequent Shopping Visits:** States are opening up, retail outlets are extending their hours and relaxing some restrictions. Consumers are still not fully comfortable with the new environment but are moving towards that.

In total, we are encouraged by the progress and it matches the expectations we had when we gave guidance with our Q1 earnings

Expect to have returned to good conditions by the end of June

Reiterating 2020 Guidance

\$ in Millions	2019	2020	% Change
Net Sales	\$245.9	>\$310	+26%
Adjusted EBITDA	\$29.2	>\$44	+51%

See assumptions on
next page

Updated Commentary:

- **Volume cadence:** Q2 shipments will exceed consumption as we re-fill trade inventory drained by the Q1 COVID-surge. Potential for a small portion of FFTK demand in Q3 to turn into Q4 shipments due to FFTK capacity limits until Kitchens 2.0 begins shipping in October.
- **Advertising investment:** On-air continuously from May until October which could drive stronger HH penetration gains in Q3 than historically. Media viewership is also higher than normal.
- **Gross margin:** Q2 adj. gross margin will reflect the catch up on bags shipments (vs. Q1 skew towards rolls). Still anticipating 49-50% adj. gross margin for the year.
- **Add Backs:** COVID-19 related costs will impact Q2 and Q3 most significantly; anticipate \$4 million in total costs for the year

Progress Against Guidance Assumptions

Our guidance considers the following factors. We believe we have made reasonable assumptions about each factor. However, the external environment is very dynamic so we want investors to understand the basis for our guidance:

- ✔ **Supply:** We do not encounter any significant supply interruptions – either upstream from us or in our facilities. *So far, we have not had to shut down our facility at any time due to COVID but have shut down a line from time to time due to absenteeism.*
- ✔ **Costs:** The costs that we incur to manage the COVID-19 crisis total \$4 million and are concentrated in Q2 and Q3. *On track.*
- ✔ **Media Effectiveness:** The effectiveness of our media investment is not adversely impacted by the changing consumer environment. *Media engagement is high.*
- ✔ **Shopping Behavior:** The presence of significant restrictions on shopping in stores doesn't prevent reasonable consumption and replenishment patterns similar to what we have seen historically. *Improving but too early to tell.*
- ✔ **Retailer Activity:** Retailers resume a significant portion of their fridge placements and new item distribution in Q3. *On track-- added 223 net new stores in Q2 thru 6/12/20.*
- ✔ **Customer Credit:** We have no major customer credit issues as a result of the COVID-19 crisis. *No issues to date.*

Too early to tell

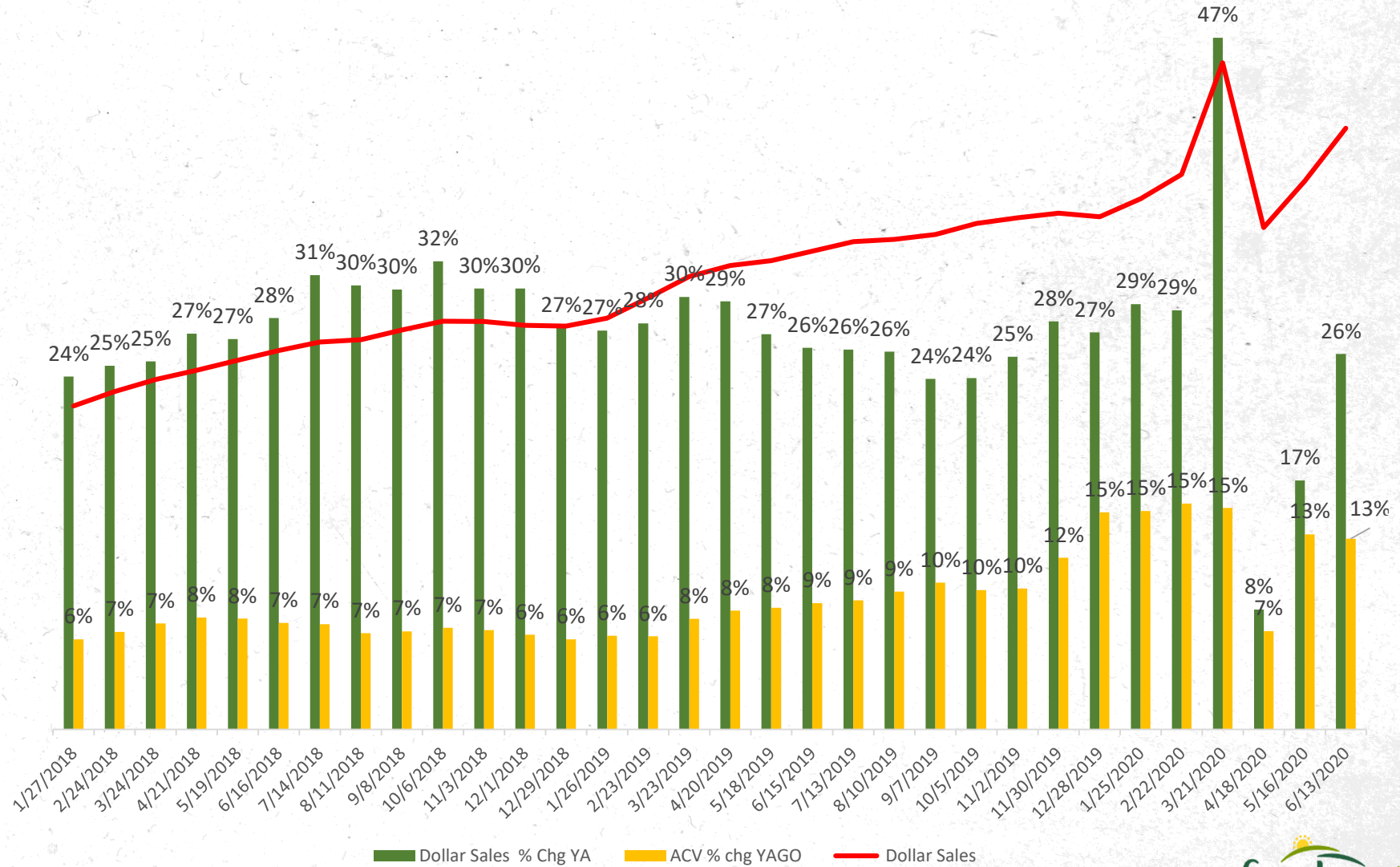
This is not an all-inclusive list. For that, please consult the Risks section of our latest SEC filings.

- ✔ = To date, market conditions and business performance are expected to match the assumption to the best of our knowledge

On track to deliver the guidance provided on 5/4/20

Nielsen Mega-Channel growth (4 week) quickly returning to pre-COVID levels

Distribution growth
(ACV)
= +13%



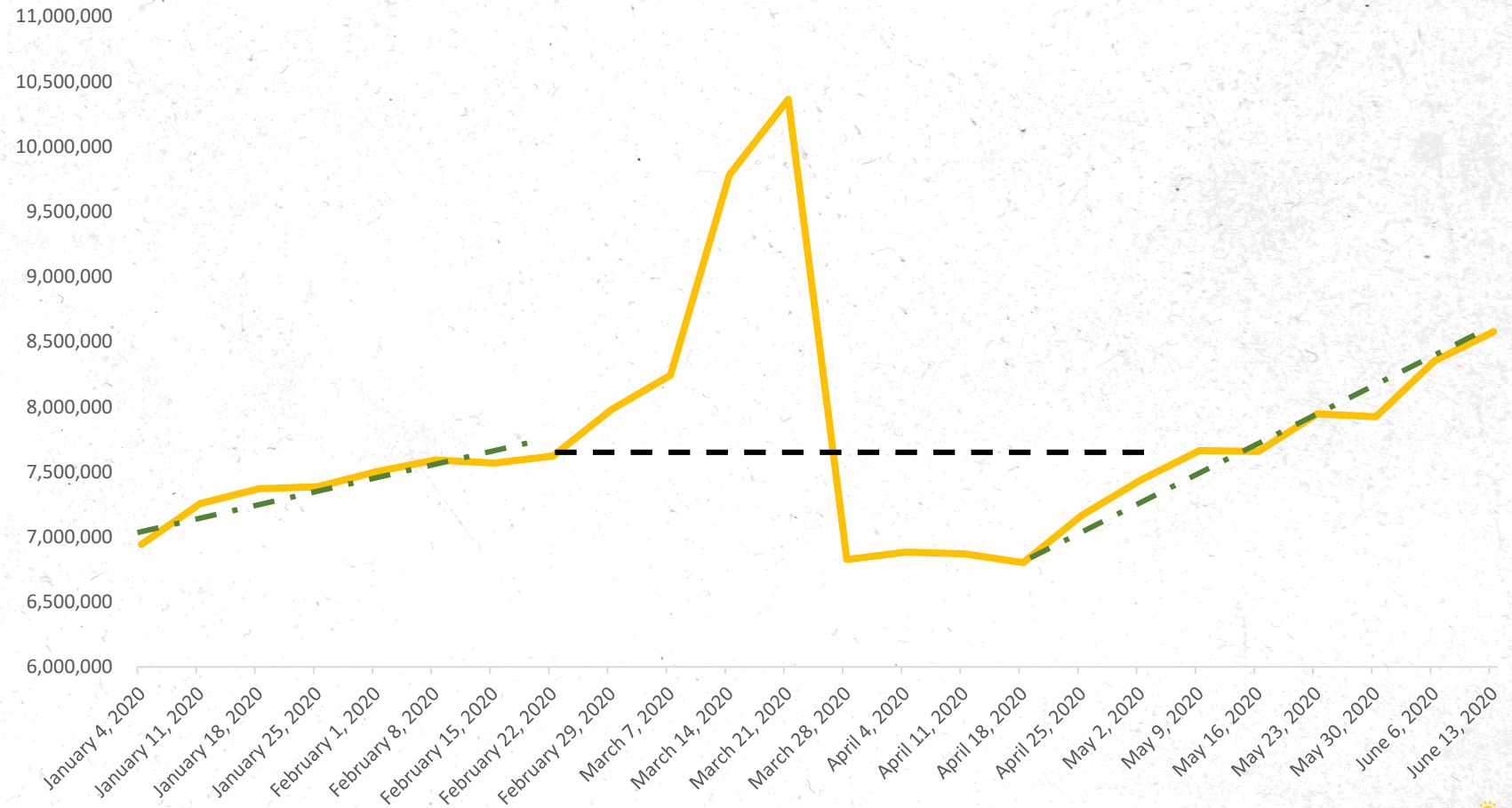
Source: Nielsen Mega-Channel Data through 6/13/20

Weekly consumption has caught up to where we would have been if there had not been a pandemic

Nielsen Mega-Channel consumption vs. YA thru 6/13/20:

- Q2 to date: +18%
- Latest week: +30%
- YTD: +26%

Nielsen Mega Channel Consumption



Source: Nielsen Mega-Channel Data thru 6/13/20

Freshpet's growth significantly outperforms the category

+35 pts.

	Dog Food Wet+Dry (wo Freshpet)			Freshpet Total RFG		
	Latest 4 Wks - W/E 06/13/20	Latest 13 Wks - W/E 06/13/20	Latest 52 Wks - W/E 06/13/20	Latest 4 Wks - W/E 06/13/20	Latest 13 Wks - W/E 06/13/20	Latest 52 Wks - W/E 06/13/20
	\$ % Chg YA					
Total Mega-Channel	-9.4	-7.3	1.4	25.7	20.8	25.7
Total US xAOC	-7.7	-3.9	3.6	30.3	26.5	30.2
Total US Food	-5.1	2.5	2.8	30.8	29.8	33.2
Pet Specialty	-14.0	-16.9	-4.5	4.4	-6.6	5.9

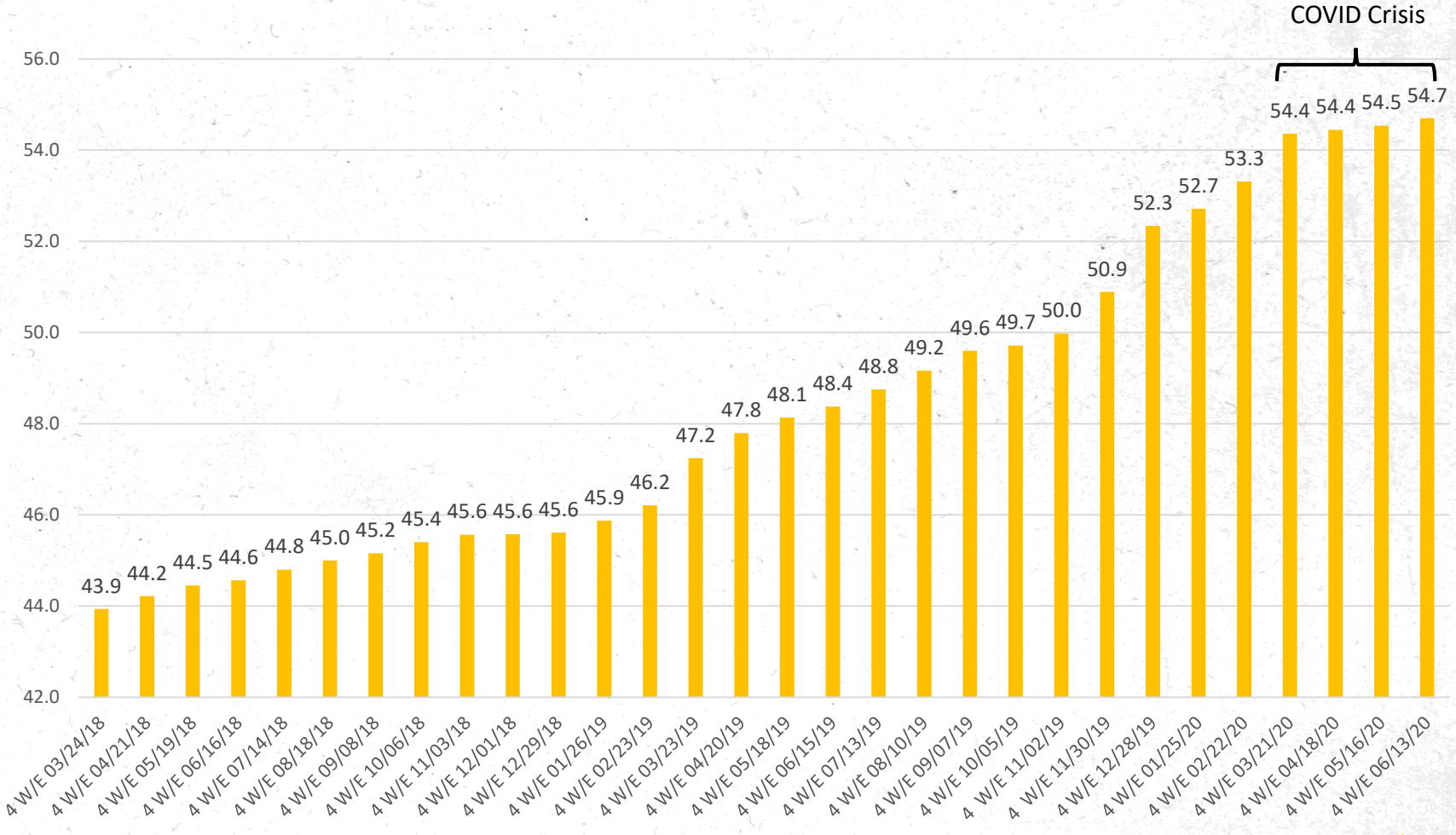
Freshpet growth typically 25-30 points better than the category



Distribution gains slowed during COVID-19 crisis; expected to resume in Q3 and beyond

Added 223 net new stores in Q2 thru June 12, 2020 – now totaling 22,090

Freshpet % ACV

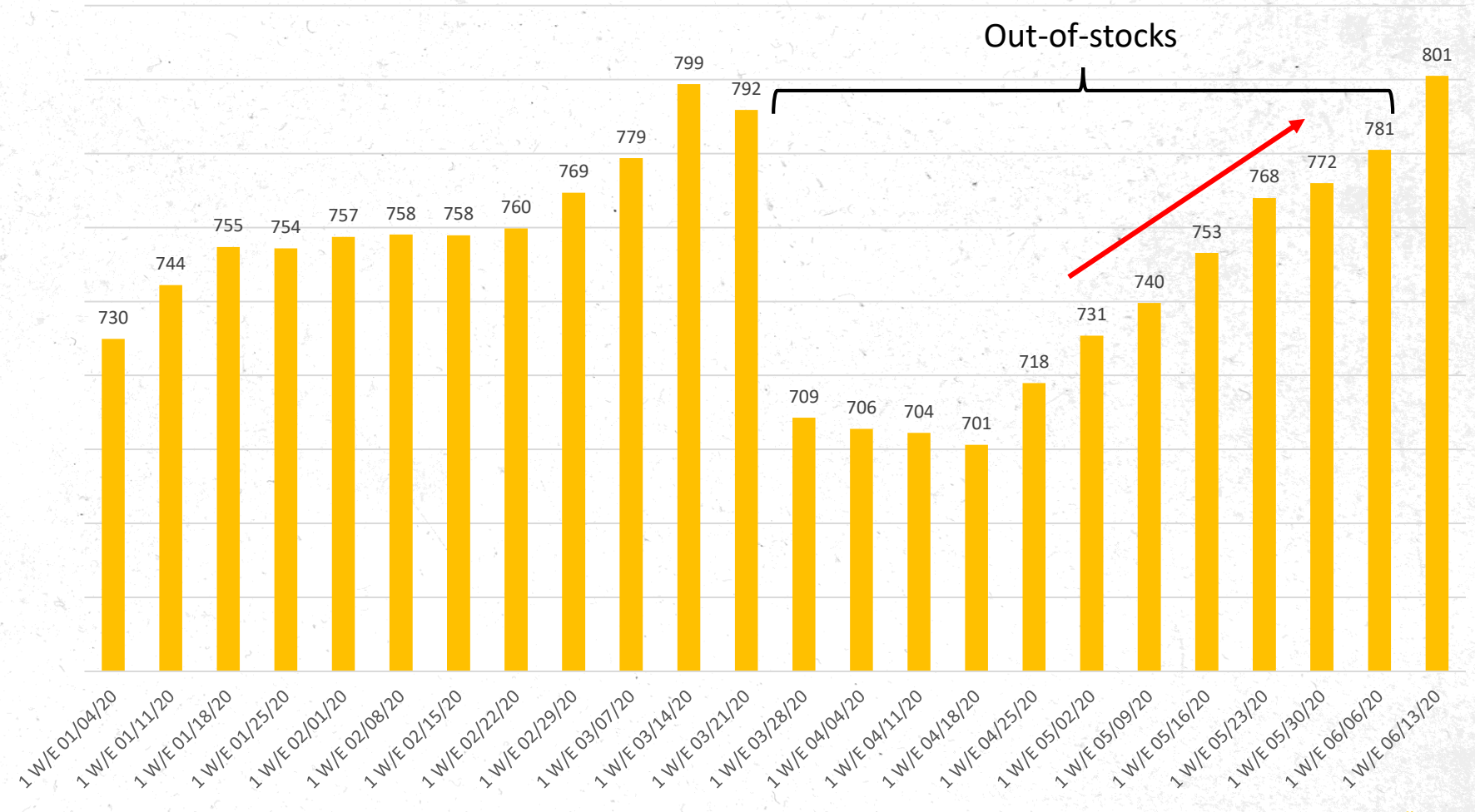


Source: Nielsen Mega-Channel Data thru 6/13/20



Retail availability has improved significantly

Freshpet Total Distribution Points -- Nielsen Mega Channel

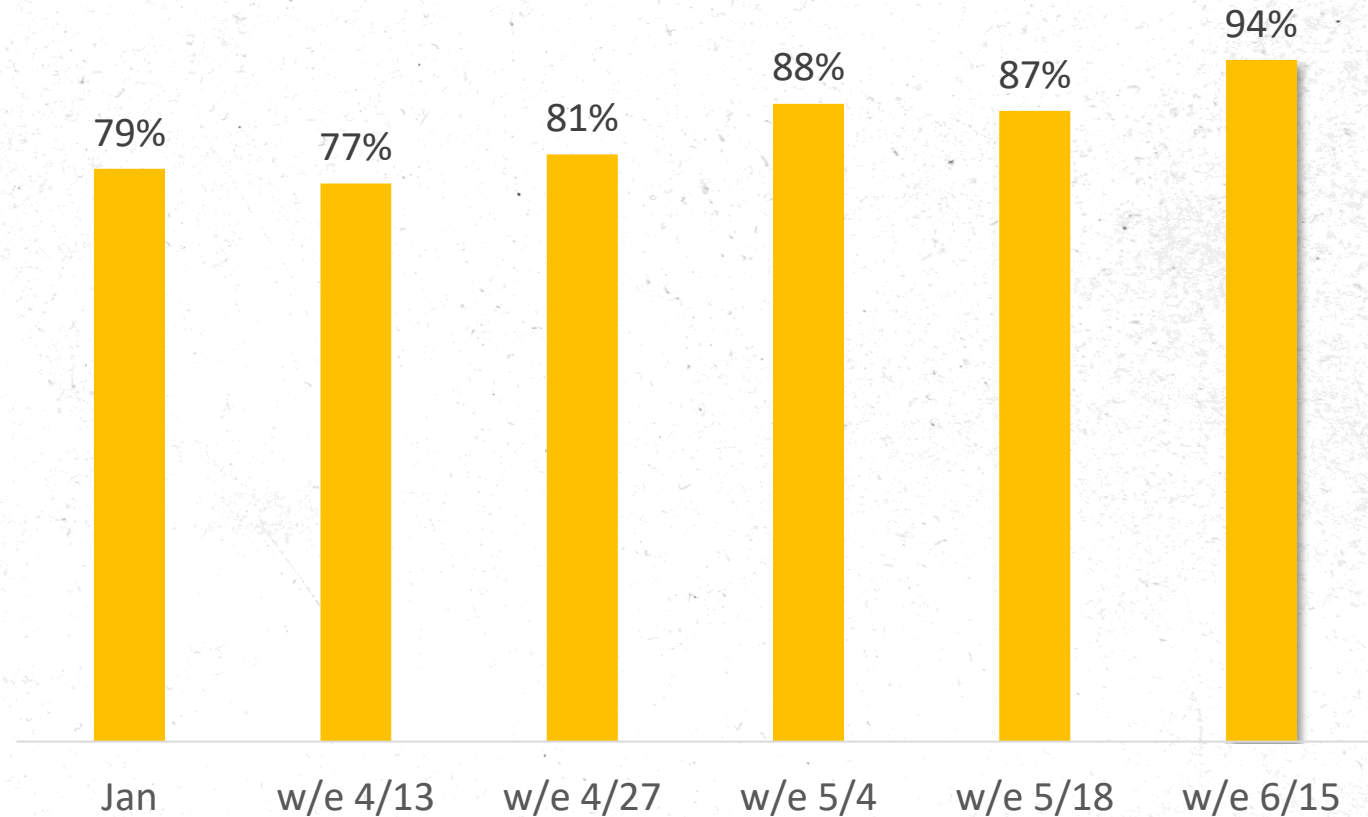


Expect retail conditions to normalize by the end of June

Pet parents are noticing the improved availability

800# calls related to availability dropped 50% from April to May

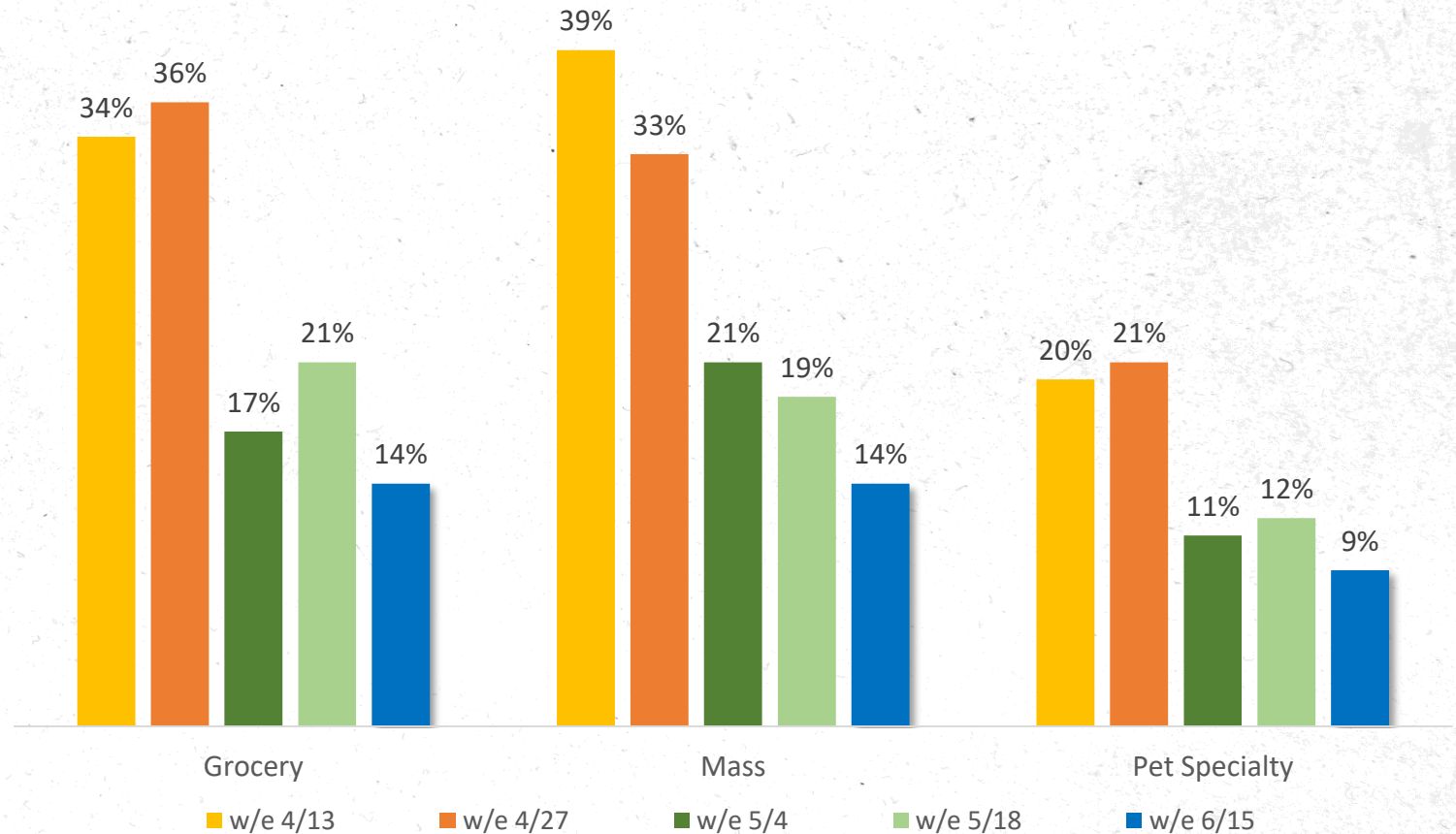
Item Wanted Available On Last Shopping Trip



Availability improving across all classes of trade

Fresh From The Kitchen will be the only item with tight supply in Q3

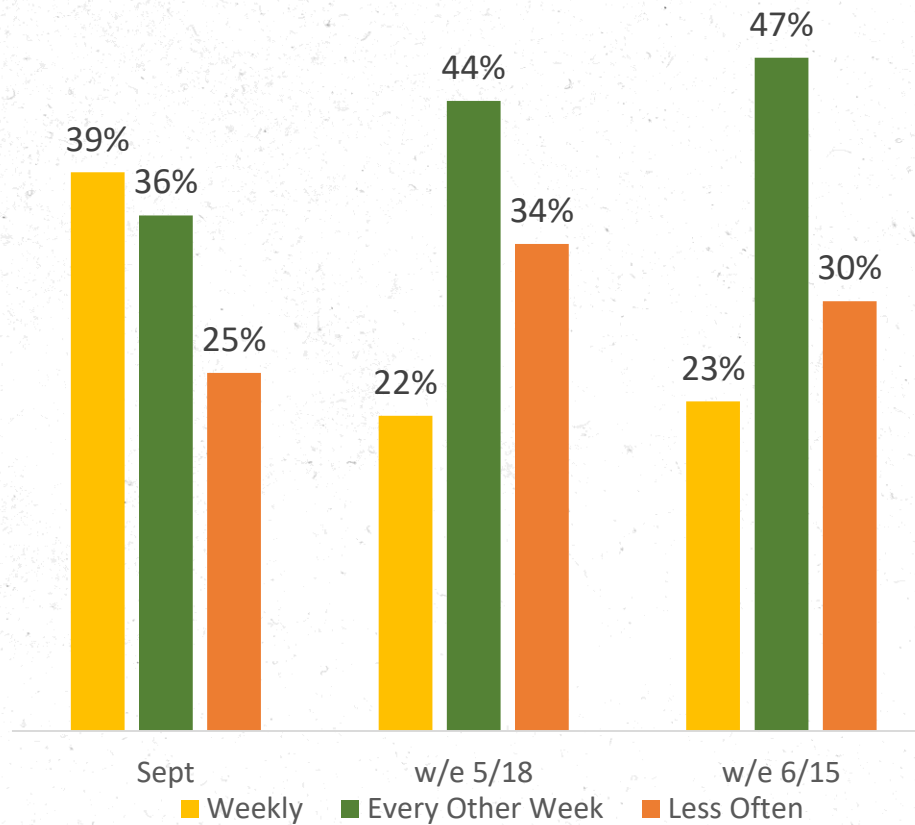
Freshpet Not Available On Last Shopping Trip
(% Sometimes, Rarely, Never Available)



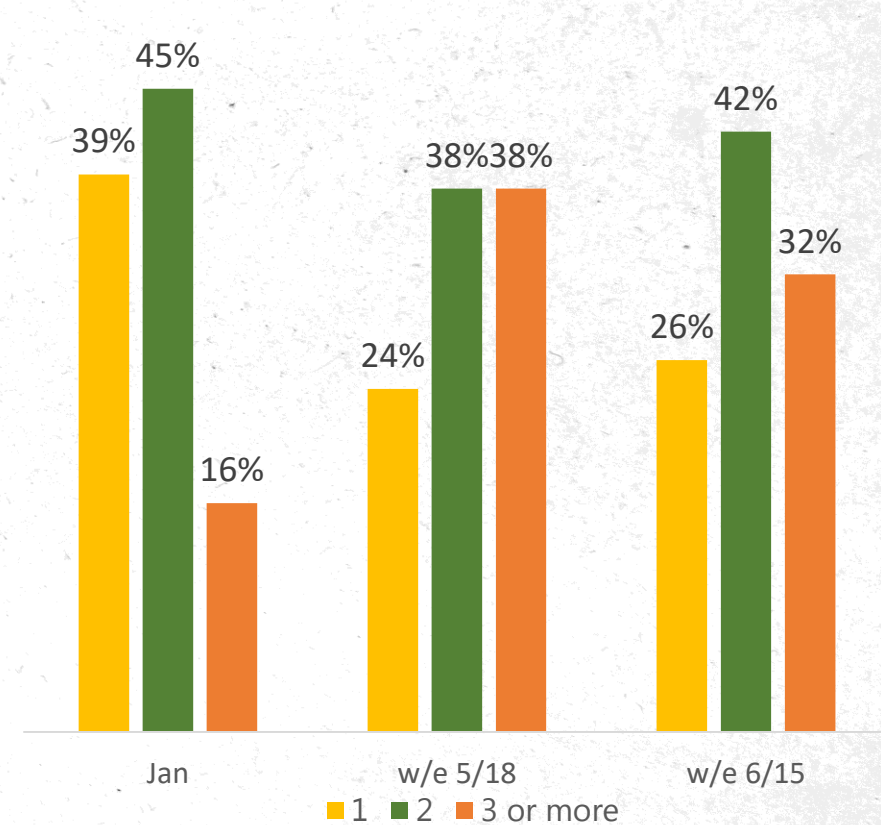
Pet parents are shopping less and buying more on each trip

COVID-19 has changed shopping habits

How Often Buying Freshpet



Freshpet Packages per Trip



Freshpet e-commerce growth accelerated in Q2 as we funneled consumers into our existing e-com platforms

e-commerce accounted for 3.3% of Freshpet net sales in Q1



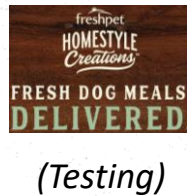
Direct to Consumer

Online Fresh Retail

Triple Digit Growth
Last Mile Delivery

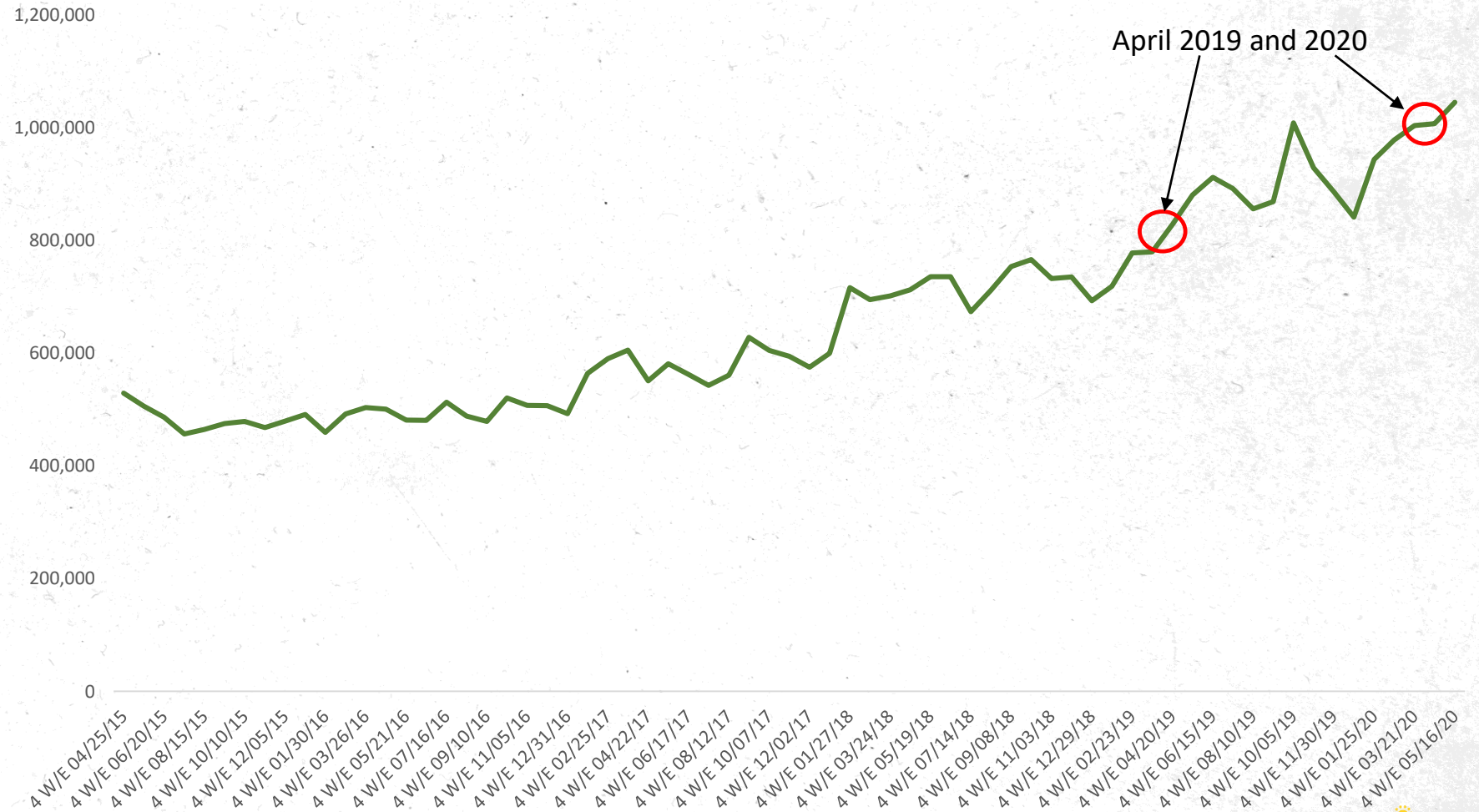
Largest & Triple Digit Growth
Curbside Pickup

Freshpet E-Com



HH penetration growth has resumed and is strong

Freshpet Projected HH's Purchasing
4 week periods

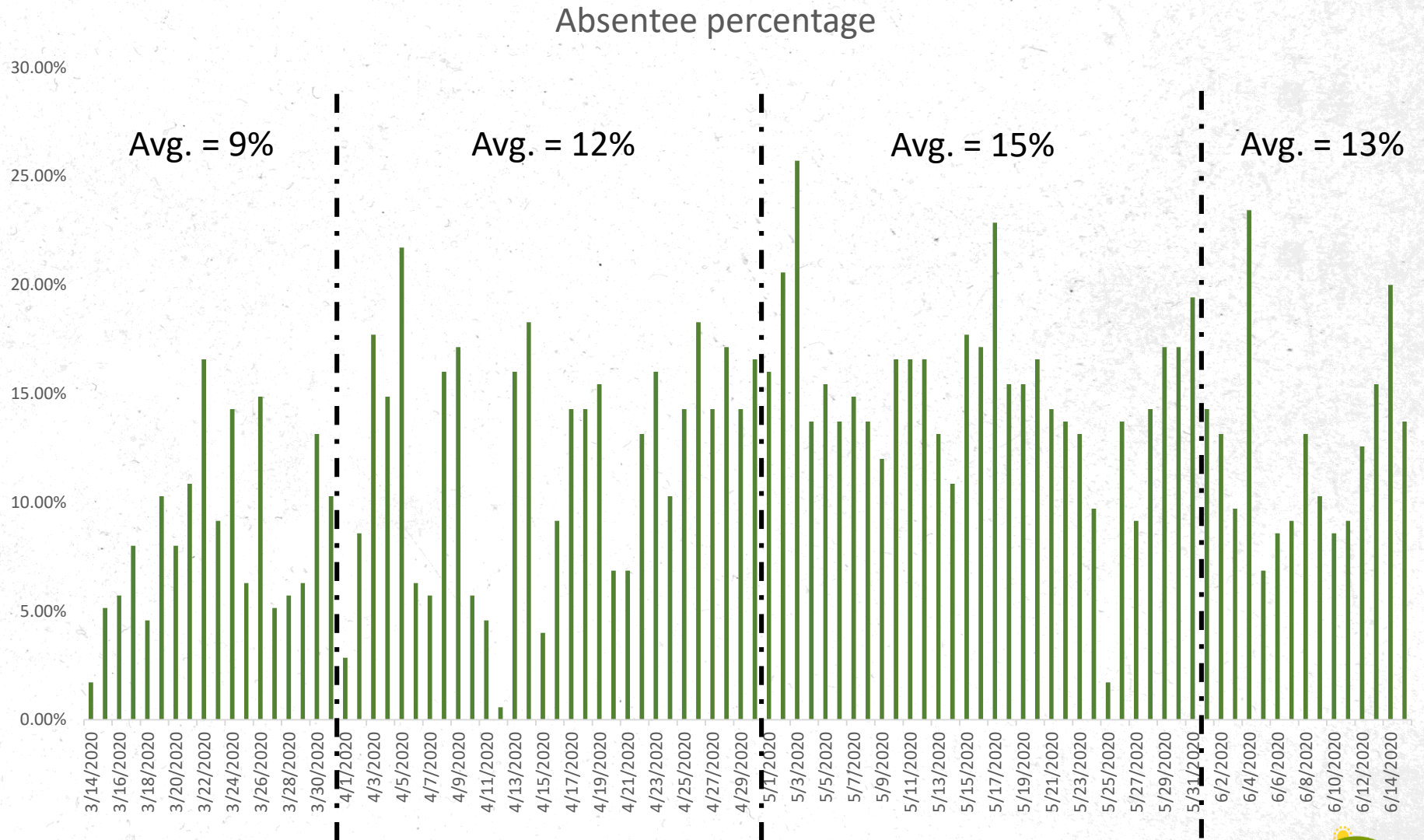


Source: Nielsen HH Panel Data thru 5/16/20

HH penetration gains stalled in April due to absence of media, out-of-stocks and shelter-in-place orders but resumed in May

Absenteeism due to COVID-19 fears has abated slightly

Returning to standard absentee policy on 7/1/20 – with exceptions for those with underlying health conditions (themselves or family member)

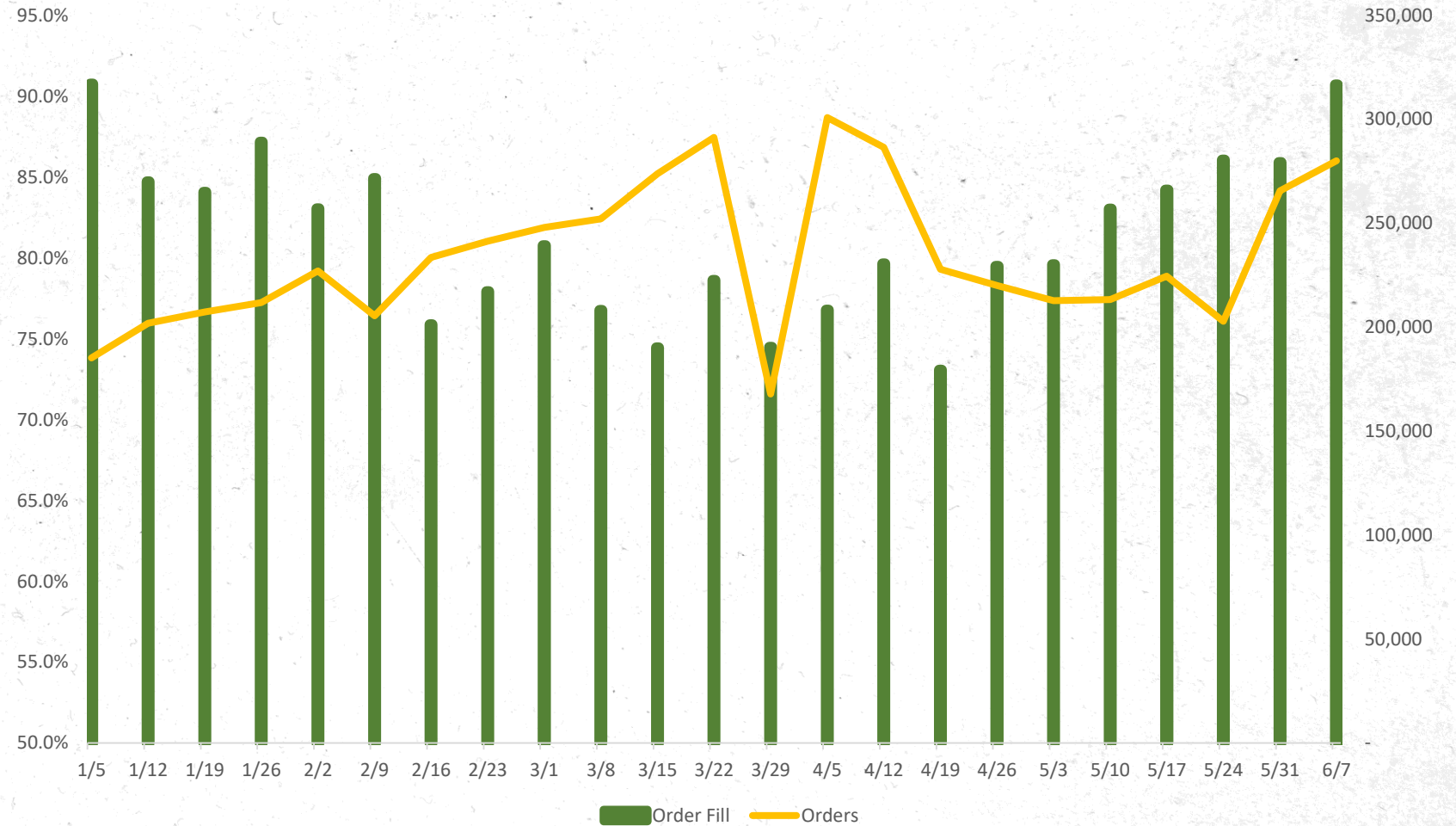


Source: Internal Data

Fill rates have improved significantly

Most major sku's have fill rates in the 90's; latest week fill rate = 91.4%

Fill Rates and Order Volume



Source: Internal Data

Currently have \$350 million of capacity; will have >\$550 million by year end

Capacity addition projects are on track

To meet demand, we have completed the following capacity expansion projects

- ✓ **Rolls line 24/7:** In January, we took our second roll line to 24/7 production. Since then, we have had ample capacity to meet all demand for rolls.
- ✓ **Kitchens South:** In February, we started up a small piece-size/small bag size line in a partner's facility (using our equipment). That start-up has gone well.
- ✓ **Kitchens South – Second Shift:** We started up a second shift at Kitchens South. In combination with the first shift, that site now has capacity for \$50 million of net sales.

As of today, we have enough capacity to support \$350 million of business. However, we will be a bit tight on Fresh From the Kitchen capacity until Kitchens 2.0 starts up at the end of Q3 and ships product in October.

- ✓ **Kitchens 2.0:** Construction is nearing completion and slated to start-up by the end of Q3. This will take total capacity to >\$550 million.
- ✓ **Ennis, TX Kitchens 3.0:** We expect to break ground on Kitchens 3.0 in Ennis, TX in August 2020. It is expected to start-up in the second half of 2022 and the first phase will bring total Freshpet capacity to just under \$1 billion.

Kitchens 2.0 construction on track for start-up by end of Q3

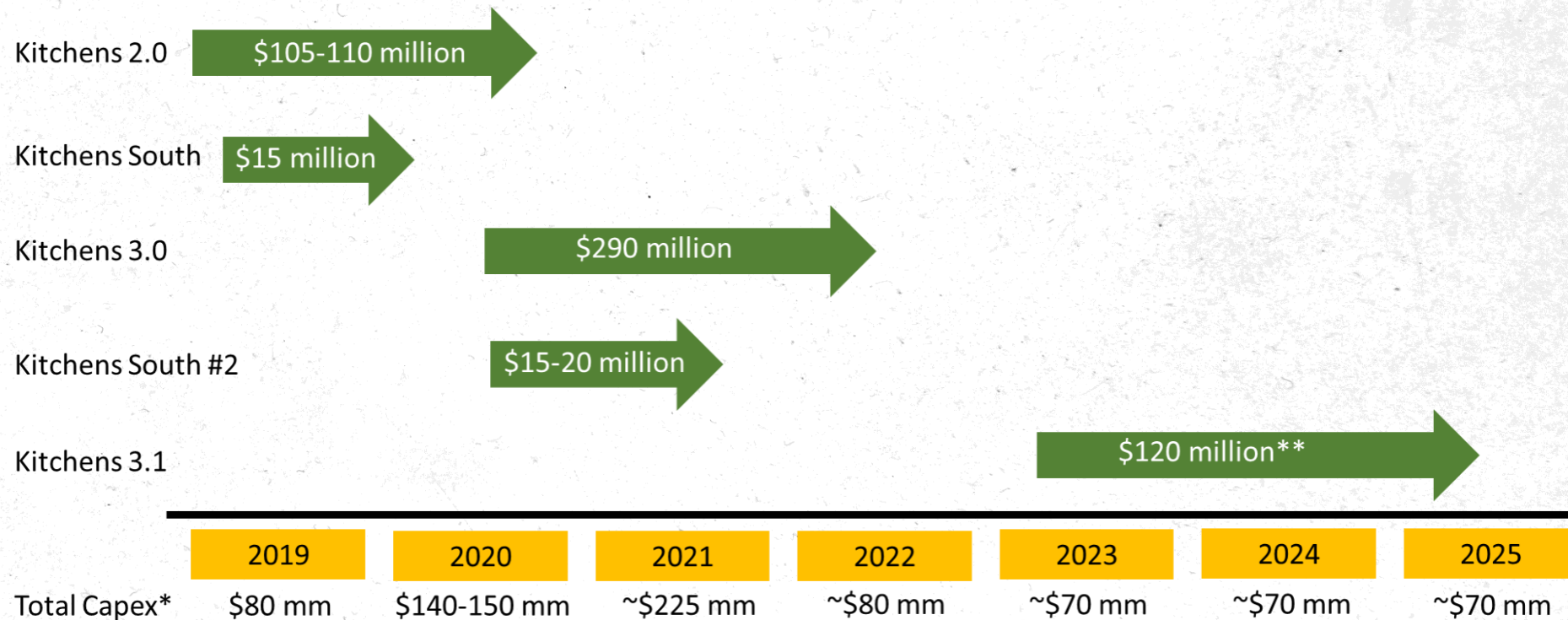


Building is complete and most equipment has been set. Needs to be plumbed and wired before start-up.

When 2.0 is fully operational, total Freshpet capacity will exceed \$550 million in net sales

Capital spending plan is on track

Targeting to have available capacity one year ahead of need



*also includes maintenance capex, fridges and IT

** includes 3 production lines, taking total capacity to \$1.2 billion

COVID-19 Team Member safety & reward plan is working



Wellness check:

Third-party nurse



Deep cleaning:

Expert “deep cleaning” of Kitchens’ break/meeting areas



Social distancing:

Tripled size of break / meeting areas



Masks Required:

Required use by all team members



Air filtration:

Increased air filtration and system upgrades



Staggered Shifts:

To avoid a concentration of team members



Personal Sanitation:

At doors and in meeting room sanitation



Suspended absenteeism policy:

To encourage people to stay home if needed



Quarantine with pay:

Followed or exceeded all CDC and FDA guidelines



Quarterly incentive:

Quarterly incentive based on Q1 performance on quality, safety, productivity



Incremental Cash bonus:

\$500 after tax bonus for all Kitchens’ team members in April



Restaurant gift cards:

\$50 gift cards to local restaurants 2x month, helping the community and our team



Gift baskets to teams families:

Game / movie night + stay safe initiatives + masks for family + bulk food

Employee safety results have been strong and ensured continuous operation

Committed to protecting our employees and continuing to nourish our pets

Current estimate of
COVID-19 related
costs:
\$4 million

- **Protecting our employees**

- 3rd party medical staff performing health checks on employees
- Increased deep cleanings
- Increased sanitizing and social distancing cost
- Providing employees with mandatory personal protective equipment



- **Increased COVID-19 related compensation cost**

- Additional direct compensation to employees
- Increased absenteeism and need for incremental staffing



- **Costs to protect supply chain**

- Temporary cost of bringing on additional ingredient and packaging suppliers in case of disruption at current vendors



These cost are temporary in nature. These cost will be added back to the Company's Net Income to Adjusted EBITDA reconciliation.

“Feed the Growth” is working

Accelerated growth rate and capturing scale benefits





2025
BY

FEED THE GROWTH

