



## Freshpet, Inc. Reports Third Quarter 2018 Financial Results

November 5, 2018

SECAUCUS, N.J., Nov. 05, 2018 (GLOBE NEWSWIRE) -- Freshpet, Inc. ("Freshpet" or the "Company") (NASDAQ: FRPT) today reported financial results for its third quarter and nine months ended September 30, 2018.

### Third Quarter 2018 Financial Highlights Compared to Prior Year Period

- Net Sales of \$50.8 million, an increase of 26.6%
- Net loss of \$0.1 million, compared with prior year net loss of \$0.2 million
- Adjusted EBITDA of \$6.7 million compared to \$5.6 million, an increase of 20%<sup>1</sup>

"Our accelerated rate of growth for the third quarter demonstrates the strength of the Freshpet consumer proposition and the effectiveness of our Feed the Growth strategy. Further, it demonstrates that we can convert that strong top line growth into meaningful adjusted EBITDA growth – and there is more of that to come," commented Billy Cyr, Freshpet's Chief Executive Officer. "Pet parents are increasingly becoming aware of how Freshpet's unique, fresh, all natural foods can enrich the lives of their pets – and the relationships they have with them. In pursuit of our mission to change the way people feed their pets we believe we will continue to deliver significant value to all of our stakeholders."

### Third Quarter 2018

Third quarter of 2018 net sales increased 26.6% to \$50.8 million compared to \$40.1 million for the third quarter of 2017. The Company's core fresh refrigerated product offering grew 27.6% as compared to the same period in the prior year. Net sales for the third quarter of 2018 were driven by velocity, innovation, and distribution gains.

Gross profit was \$23.6 million, or 46.5% as a percentage of net sales for the third quarter of 2018, compared to \$19.5 million, or 48.6% as a percentage of net sales, in the same period last year. For the third quarter 2018, Adjusted Gross Profit was \$25.2 million, or 49.6% as a percentage of net sales, compared to \$21.0 million, or 52.2% as a percentage of net sales, in the prior year period. The decrease in Adjusted Gross Profit as a percentage of net sales was primarily due to higher ingredient and inbound freight costs, unabsorbed labor costs as the Company converts to a planned, new seven-day manufacturing operations, partially offset by increased efficiencies through scale and production improvements. Adjusted Gross Profit is a Non-GAAP financial measure defined under "Non-GAAP Measures," and is reconciled to Gross Profit in the financial tables that accompany this release.

Selling, general and administrative expenses ("SG&A") were \$23.6 million for the third quarter of 2018 compared to \$19.3 million in the prior year period. The third quarter of 2018 includes a planned increase in media spend of \$0.5 million compared to the prior year period. As a percentage of net sales, SG&A decreased to 46.4% for the third quarter of 2018 compared to 48.1% in the third quarter of 2017. Adjusted SG&A for the third quarter of 2018 was \$21.6 million, or 42.5% as a percentage of net sales, compared to \$18.1 million, or 45.2% as a percentage of net sales, in the prior year period. The improvement in Adjusted SG&A as a percentage of net sales was primarily a result of increased expense leverage on higher net sales. Adjusted SG&A is a Non-GAAP financial measure defined under "Non-GAAP Measures," and is reconciled to SG&A in the financial tables that accompany this release.

Net loss was \$0.1 million for the third quarter of 2018 compared to net loss of \$0.2 million for the prior year period.

Adjusted EBITDA was \$6.7 million for the third quarter of 2018, compared to \$5.6 million in the third quarter of 2017. The increase in adjusted EBITDA was a result of increased gross profit and increased leverage of SG&A. Adjusted EBITDA is a Non-GAAP financial measure defined under "Non-GAAP Measures," and is reconciled to net loss in the financial tables that accompany this release.

### First Nine Months of 2018

Net sales for the first nine months ended September 30, 2018 increased 25.8% to \$141.6 million compared to \$112.5 million for the first nine months of 2017. The Company's core fresh refrigerated product offering grew 27.6% as compared to the same period in the prior year. Net sales for the first nine months of 2018 were driven by velocity, innovation, and distribution gains.

Gross profit was \$66.6 million, or 47.0% as a percentage of net sales for the first nine months of 2018, compared to \$53.5 million, or 47.5% as a percentage of net sales, in the same period last year. For the first nine months of 2018, Adjusted Gross Profit was \$71.2 million, or 50.3% as a percentage of net sales, compared to \$57.8 million, or 51.4% as a percentage of net sales, in the prior year period. The decrease in Adjusted Gross Profit as a percentage of net sales was primarily due to higher ingredient and inbound freight costs, unabsorbed labor costs as the Company converts to a planned, new seven-day manufacturing operations, partially offset by increased efficiencies through scale and production improvements.

SG&A was \$73.4 million for the first nine months of 2018 compared to \$57.8 million in the prior year period. The first nine months of 2018 includes a planned increase in media spend of \$6.3 million compared to the prior year period. As a percentage of net sales, SG&A increased to 51.8% for the first nine months of 2018 compared to 51.4% in the first nine months of 2017. Adjusted SG&A for the first nine months of 2018 was \$69.0 million, or 48.7% as a percentage of net sales, compared to \$54.6 million, or 48.5% as a percentage of net sales, in the prior year period. The slight increase in Adjusted SG&A as a percentage of net sales was primarily a result of the planned media spend increase of \$6.3 million for the first nine months of 2018, partially offset by increased expense leverage on higher net sales.

Net loss was \$7.2 million for the first nine months of 2018 compared to net loss of \$5.8 million for the prior year period.

Adjusted EBITDA was \$11.1 million for the first nine months of 2018, compared to \$10.7 million in the first nine months of 2017. The increase in adjusted EBITDA was a result of increased gross profit, offset by a slight decrease in SG&A leverage primarily related to the planned media increase of \$6.3 million.

#### **Cash and Net Debt**

As of September 30, 2018, the Company had cash and cash equivalents of \$2.9 million and \$2.0 million of debt outstanding under its \$30.0 million revolving credit facility that matures in September 2020. We have the ability to increase the revolving credit facility by an additional \$10.0 million, subject to certain conditions.

#### **Outlook**

For full year 2018, the Company reiterated its guidance. The Company continues to expect the following results for the full year:

- To exceed net sales of \$190 million, an increase greater than 25% from 2017
- To exceed Adjusted EBITDA of \$20.0 million, an increase greater than 14% from 2017

The Company does not provide guidance for the most directly comparable GAAP measure, net income, and similarly cannot provide a reconciliation between its forecasted Adjusted EBITDA and net income metrics 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.

#### **Conference Call and Webcast**

The Company will host a conference call and webcast with the executive management team to discuss these results with additional comments and details today at 4:30 p.m. ET. The conference call webcast will be available live over the Internet through the "Investors" section of the Company's website at [www.freshpet.com](http://www.freshpet.com). To participate on the live call listeners in North America may dial (877) 407-0792 and international listeners may dial (201) 689-8263.

A replay of the conference call will be archived on the Company's website and telephonic playback will be available from 7:30 p.m. ET today through November 19, 2018. North American listeners may dial (844) 512-2921 and international listeners may dial (412) 317-6671. The passcode is 13684063.

#### **About Freshpet**

Freshpet's mission is to improve the lives of dogs and cats through the power of fresh, real food. Freshpet foods are blends of fresh meats, vegetables and fruits farmed locally and made at our Kitchens in Bethlehem PA. We thoughtfully prepare our foods using natural ingredients, cooking them in small batches at lower temperatures to preserve the natural goodness of the ingredients. Freshpet foods and treats are kept refrigerated from the moment they are made until they arrive at Freshpet Fridges in your local market.

Our foods are available in select mass, grocery (including online), natural food, club, and pet specialty retailers across the United States, Canada and Europe. From the care, we take to source our ingredients and make our food, to the moment it reaches your home, our integrity, transparency and social responsibility are the way we like to run our business. To learn more, visit [www.freshpet.com](http://www.freshpet.com).

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<https://www.youtube.com/user/freshpet400>

#### **Forward Looking Statements**

Certain statements in this release constitute "forward-looking" statements. These statements are based on management's current opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results. These forward-looking statements are only predictions, not historical fact, and involve certain risks and uncertainties, as well as assumptions. Actual results, levels of activity, performance, achievements and events could differ materially from those stated, anticipated or implied by such forward-looking statements. While Freshpet believes that its assumptions are reasonable, it is very difficult to predict the impact of known factors, and, of course, it is impossible to anticipate all factors that could affect actual results. There are several risks and uncertainties that could cause actual results to differ materially from forward-looking statements made herein including, most prominently, the risks discussed under the heading "Risk Factors" in the Company's latest annual report on Form 10-K filed with the Securities and Exchange Commission. Such forward-looking statements are made only as of the date of this release. 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 Financial Measures**

Freshpet uses the following non-GAAP financial measures in its financial communications. These non-GAAP financial measures should be considered as supplements to the GAAP reported measures, should not be considered replacements for, or superior to, the GAAP measures and may not be comparable to similarly named measures used by other companies.

- Adjusted Gross Profit

- Adjusted Gross Profit as a % of net sales (Adjusted Gross Margin)
- Adjusted SG&A
- Adjusted SG&A as a % of net sales
- EBITDA
- Adjusted EBITDA

Adjusted Gross Profit: Freshpet defines Adjusted Gross Profit as Gross Profit before plant depreciation expenses.

Adjusted SG&A Expenses: Freshpet defines Adjusted SG&A as SG&A expenses before non-cash items related to share-based compensation, leadership transition expenses, shelf registration expenses, and fees related to the litigation of a securities lawsuit.

EBITDA and Adjusted EBITDA: EBITDA represents net loss plus depreciation and amortization, interest expense, and income tax expense, and Adjusted EBITDA represents EBITDA plus loss on disposal of equipment, share-based compensation, warrant fair valuation, leadership transition expenses, launch expenses, shelf registration expenses, and fees related to the litigation of a securities lawsuit.

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

<sup>1</sup> Adjusted EBITDA, as well as certain other measures in this release, is a non-GAAP financial measure. See "Non-GAAP Measures" for how we define these measures and the financial tables that accompany this release for reconciliations of these measures to the closest comparable GAAP measures.

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## FRESHPET INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS (Unaudited)

|                                                             | September 30,<br>2018 | December 31,<br>2017  |
|-------------------------------------------------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                               |                       |                       |
| <b>CURRENT ASSETS:</b>                                      |                       |                       |
| Cash and cash equivalents                                   | \$ 2,850,063          | \$ 2,184,259          |
| Accounts receivable, net of allowance for doubtful accounts | 13,130,215            | 12,721,521            |
| Inventories, net                                            | 8,709,111             | 10,118,394            |
| Prepaid expenses                                            | 772,014               | 1,200,834             |
| Other non-trade receivable                                  | 1,291,369             | 337,340               |
| Other current assets                                        | 351,612               | 395,620               |
| Total Current Assets                                        | 27,104,384            | 26,957,968            |
| Property, plant and equipment, net                          | 103,085,709           | 100,598,639           |
| Deposits on equipment                                       | 3,540,516             | 4,370,922             |
| Other assets                                                | 2,067,086             | 1,972,805             |
| Total Assets                                                | <u>\$ 135,797,695</u> | <u>\$ 133,900,334</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                 |                       |                       |
| <b>CURRENT LIABILITIES:</b>                                 |                       |                       |
| Accounts payable                                            | 9,889,931             | 9,173,169             |
| Accrued expenses                                            | 6,821,475             | 7,519,348             |
| Borrowings under Credit Facilities                          | <u>2,000,000</u>      | <u>—</u>              |

|                                                                                                  |                       |                       |
|--------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Total Current Liabilities                                                                        | \$ 18,711,406         | \$ 16,692,517         |
| Other liabilities                                                                                | 281,596               | 304,839               |
| Total Liabilities                                                                                | <u>\$ 18,993,002</u>  | <u>\$ 16,997,356</u>  |
| STOCKHOLDERS' EQUITY:                                                                            |                       |                       |
| Common stock                                                                                     | 35,524                | 35,132                |
| Additional paid-in capital                                                                       | 320,115,324           | 312,783,195           |
| Accumulated deficit                                                                              | (203,110,100)         | (195,991,478)         |
| Accumulated other comprehensive income                                                           | 20,171                | 76,129                |
| Treasury stock, at cost — 14,169 shares on September 30, 2018 and no shares on December 31, 2017 | <u>(256,226)</u>      | <u>—</u>              |
| Total Stockholders' Equity                                                                       | <u>116,804,693</u>    | <u>116,902,978</u>    |
| Total Liabilities and Stockholders' Equity                                                       | <u>\$ 135,797,695</u> | <u>\$ 133,900,334</u> |

## FRESHPET INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

|                                                                                                                              | For the Three Months Ended<br>September 30, |                     | For the Nine Months Ended<br>September 30, |                       |
|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------|--------------------------------------------|-----------------------|
|                                                                                                                              | 2018                                        | 2017                | 2018                                       | 2017                  |
| NET SALES                                                                                                                    | \$ 50,799,601                               | \$ 40,125,006       | \$ 141,594,158                             | \$ 112,530,942        |
| COST OF GOODS SOLD                                                                                                           | 27,183,648                                  | 20,622,277          | 74,972,294                                 | 59,055,099            |
| GROSS PROFIT                                                                                                                 | 23,615,953                                  | 19,502,729          | 66,621,864                                 | 53,475,843            |
| SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES                                                                                | 23,572,314                                  | 19,303,705          | 73,397,781                                 | 57,844,411            |
| INCOME (LOSS) FROM OPERATIONS                                                                                                | 43,639                                      | 199,024             | (6,775,917)                                | (4,368,568)           |
| OTHER INCOME/(EXPENSES):                                                                                                     |                                             |                     |                                            |                       |
| Other Income/(Expenses), net                                                                                                 | (27,392)                                    | 41,435              | (24,302)                                   | (515,473)             |
| Interest Expense                                                                                                             | (94,381)                                    | (465,253)           | (261,307)                                  | (830,932)             |
|                                                                                                                              | <u>(121,773)</u>                            | <u>(423,818)</u>    | <u>(285,609)</u>                           | <u>(1,346,405)</u>    |
| LOSS BEFORE INCOME TAXES                                                                                                     | (78,134)                                    | (224,794)           | (7,061,526)                                | (5,714,973)           |
| INCOME TAX EXPENSE                                                                                                           | 19,032                                      | 20,754              | 57,096                                     | 62,261                |
| NET LOSS                                                                                                                     | <u>(97,166)</u>                             | <u>(245,548)</u>    | <u>(7,118,622)</u>                         | <u>(5,777,234)</u>    |
| NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS                                                                                 | <u>\$ (97,166)</u>                          | <u>\$ (245,548)</u> | <u>\$ (7,118,622)</u>                      | <u>\$ (5,777,234)</u> |
| OTHER COMPREHENSIVE LOSS:                                                                                                    |                                             |                     |                                            |                       |
| Change in foreign currency translation                                                                                       | \$ (54,325)                                 | \$ —                | \$ (55,958)                                | \$ —                  |
| TOTAL OTHER COMPREHENSIVE LOSS                                                                                               | <u>(54,325)</u>                             | <u>—</u>            | <u>(55,958)</u>                            | <u>—</u>              |
| TOTAL COMPREHENSIVE LOSS                                                                                                     | <u>\$ (151,491)</u>                         | <u>\$ (245,548)</u> | <u>\$ (7,174,580)</u>                      | <u>\$ (5,777,234)</u> |
| NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS                                                                       |                                             |                     |                                            |                       |
| -BASIC                                                                                                                       | <u>\$ (0.00)</u>                            | <u>\$ (0.01)</u>    | <u>\$ (0.20)</u>                           | <u>\$ (0.17)</u>      |
| -DILUTED                                                                                                                     | <u>\$ (0.00)</u>                            | <u>\$ (0.01)</u>    | <u>\$ (0.20)</u>                           | <u>\$ (0.17)</u>      |
| WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING USED IN COMPUTING NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS |                                             |                     |                                            |                       |
| -BASIC                                                                                                                       | <u>35,396,550</u>                           | <u>34,666,180</u>   | <u>35,259,365</u>                          | <u>34,316,161</u>     |
| -DILUTED                                                                                                                     | <u>35,396,550</u>                           | <u>34,666,180</u>   | <u>35,259,365</u>                          | <u>34,316,161</u>     |

## FRESHPET INC. AND SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited)

|                                                                                       | <b>For the Nine Months Ended<br/>September 30,</b> |                            |
|---------------------------------------------------------------------------------------|----------------------------------------------------|----------------------------|
|                                                                                       | <b>2018</b>                                        | <b>2017</b>                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                          |                                                    |                            |
| Net loss                                                                              | \$ (7,118,622)                                     | \$ (5,777,234)             |
| Adjustments to reconcile net loss to net cash flows provided by operating activities: |                                                    |                            |
| Provision for loss/(gains) on accounts receivable                                     | (15,300)                                           | 30,953                     |
| Loss on disposal of equipment and deposits on equipment                               | 104,769                                            | 97,692                     |
| Share-based compensation                                                              | 4,170,409                                          | 3,292,362                  |
| Fair value adjustment for outstanding warrants                                        | —                                                  | 334,628                    |
| Change in reserve for inventory obsolescence                                          | 69,912                                             | 315,006                    |
| Depreciation and amortization                                                         | 10,418,274                                         | 9,411,173                  |
| Amortization of deferred financing costs and loan discount                            | 86,327                                             | 398,648                    |
| Changes in operating assets and liabilities                                           |                                                    |                            |
| Accounts receivable                                                                   | (393,394)                                          | (3,534,273)                |
| Inventories                                                                           | 1,339,371                                          | (3,603,074)                |
| Prepaid expenses, other non-trade receivables and other current assets                | (481,201)                                          | (347,876)                  |
| Other assets                                                                          | (118,675)                                          | (162,488)                  |
| Accounts payable                                                                      | 1,190,993                                          | 2,307,943                  |
| Accrued expenses                                                                      | (697,873)                                          | 2,129,095                  |
| Other liabilities                                                                     | (23,243)                                           | 236,878                    |
| Net cash flows provided by operating activities                                       | <u>8,531,747</u>                                   | <u>5,129,433</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                          |                                                    |                            |
| Acquisitions of property, plant and equipment, software and deposits on equipment     | <u>(12,681,600)</u>                                | <u>(10,835,532)</u>        |
| Net cash flows used in investing activities                                           | <u>(12,681,600)</u>                                | <u>(10,835,532)</u>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                          |                                                    |                            |
| Debt issuance costs                                                                   | —                                                  | (245,291)                  |
| Exercise of options to purchase common stock                                          | 3,071,883                                          | 5,612,557                  |
| Purchase of stock for tax withholding                                                 | (256,226)                                          | —                          |
| Proceeds from borrowings under Credit Facilities                                      | 6,000,000                                          | 7,500,000                  |
| Repayment of borrowings under Credit Facilities                                       | <u>(4,000,000)</u>                                 | <u>(9,000,000)</u>         |
| Net cash flows provided by financing activities                                       | <u>4,815,657</u>                                   | <u>3,867,266</u>           |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                                        | <u>665,804</u>                                     | <u>(1,838,833)</u>         |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                                   | <u>2,184,259</u>                                   | <u>3,908,177</u>           |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                                       | <u><u>\$ 2,850,063</u></u>                         | <u><u>\$ 2,069,344</u></u> |

**FRESHPET INC. AND SUBSIDIARIES**

**RECONCILIATION BETWEEN GROSS PROFIT AND ADJUSTED GROSS PROFIT**  
(Unaudited)

*Certain totals may not sum due to rounding*

|                            | <b>Three Months Ended<br/>September 30,</b> |              | <b>Nine Months Ended<br/>September 30,</b> |              |
|----------------------------|---------------------------------------------|--------------|--------------------------------------------|--------------|
|                            | <b>2018</b>                                 | <b>2017</b>  | <b>2018</b>                                | <b>2017</b>  |
|                            | <b>(Dollars in thousands)</b>               |              |                                            |              |
| Gross Profit (as reported) | \$ 23,616                                   | \$ 19,503    | \$ 66,622                                  | \$ 53,476    |
| Depreciation expense       | <u>1,579</u>                                | <u>1,448</u> | <u>4,569</u>                               | <u>4,330</u> |

|                                           |                  |                  |                  |                  |
|-------------------------------------------|------------------|------------------|------------------|------------------|
| <b>Adjusted Gross Profit</b>              | <b>\$ 25,196</b> | <b>\$ 20,951</b> | <b>\$ 71,191</b> | <b>\$ 57,805</b> |
| Adjusted Gross Profit as a % of Net Sales | 49.6%            | 52.2%            | 50.3%            | 51.4%            |

## FRESHPET INC. AND SUBSIDIARIES

### RECONCILIATION BETWEEN SG&A EXPENSES AND ADJUSTED SG&A EXPENSES

(Unaudited)

*Certain totals may not sum due to rounding*

|                                            | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|--------------------------------------------|-------------------------------------|------------------|------------------------------------|------------------|
|                                            | 2018                                | 2017             | 2018                               | 2017             |
|                                            | (Dollars in thousands)              |                  |                                    |                  |
| SG&A expenses (as reported)                | \$ 23,572                           | \$ 19,304        | \$ 73,398                          | \$ 57,844        |
| Non-cash share-based compensation          | 1,706                               | 1,064            | 3,947                              | 3,118            |
| Shelf registration expenses (a)            | 137                                 | —                | 137                                | —                |
| Leadership transition expenses (b)         | —                                   | 100              | —                                  | 100              |
| Litigation expense (c)                     | 120                                 | —                | 348                                | —                |
| <b>Adjusted SG&amp;A Expenses</b>          | <b>\$ 21,609</b>                    | <b>\$ 18,139</b> | <b>\$ 68,966</b>                   | <b>\$ 54,628</b> |
| Adjusted SG&A Expenses as a % of Net Sales | 42.5%                               | 45.2%            | 48.7%                              | 48.5%            |

(a) Represents expenses related to the preparation and filing of a shelf registration statement.

(b) Leadership transition expenses represent costs detailed within our former Chief Executive Officer's separation agreement as well as incremental costs associated with leadership transition.

(c) Represents fees associated with a securities lawsuit.

## FRESHPET INC. AND SUBSIDIARIES

### RECONCILIATION BETWEEN NET LOSS AND ADJUSTED EBITDA

(Unaudited)

*Certain totals may not sum due to rounding*

|                                    | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                  |
|------------------------------------|-------------------------------------|-----------------|------------------------------------|------------------|
|                                    | 2018                                | 2017            | 2018                               | 2017             |
|                                    | (Dollars in thousands)              |                 |                                    |                  |
| Net Loss                           | \$ (97)                             | \$ (246)        | \$ (7,119)                         | \$ (5,778)       |
| Depreciation and amortization      | 3,623                               | 3,216           | 10,419                             | 9,411            |
| Interest expense                   | 94                                  | 465             | 261                                | 831              |
| Income tax expense                 | 19                                  | 21              | 57                                 | 62               |
| <b>EBITDA</b>                      | <b>\$ 3,639</b>                     | <b>\$ 3,456</b> | <b>\$ 3,619</b>                    | <b>\$ 4,526</b>  |
| Loss on disposal of equipment      | 29                                  | 7               | 105                                | 98               |
| Launch expense (a)                 | 1,015                               | 929             | 2,677                              | 2,359            |
| Non-cash share-based compensation  | 1,776                               | 1,133           | 4,170                              | 3,292            |
| Warrant fair valuation (b)         | —                                   | (44)            | —                                  | 335              |
| Shelf registration expenses (c)    | 137                                 | —               | 137                                | —                |
| Leadership transition expenses (d) | —                                   | 100             | —                                  | 100              |
| Litigation expense (e)             | 120                                 | —               | 348                                | —                |
| <b>Adjusted EBITDA</b>             | <b>\$ 6,716</b>                     | <b>\$ 5,580</b> | <b>\$ 11,056</b>                   | <b>\$ 10,709</b> |

(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 the change of fair value for the outstanding common stock warrants. All warrants were converted to common stock in the third quarter of 2017.

- (c) Represents expenses related to the preparation and filing of a shelf registration statement.
- (d) Leadership transition expenses represent costs detailed within our former Chief Executive Officer's separation agreement as well as incremental costs associated with leadership transition.
- (e) Represents fees associated with a securities lawsuit.



Source: Freshpet, Inc.