UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-36729

FRESHPET, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**20-1884894** **(I.R.S. Employer Identification No.)**
400 Plaza Drive, 1st Floor, Secaucus, New Jersey **(Address of principal executive offices)**	**07094** **(Zip Code)**

Registrant's telephone number, including area code: (201) 520-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock	FRPT	NASDAQ Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 31, 2022, the registrant had 48,020,070 shares of common stock, $0.001 par value per share, outstanding.

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Forward-Looking Statements

This report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this report are forward-looking statements. Forward-looking statements discuss our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “aim,” “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “outlook,” “potential,” “project,” “projection,” “plan,” "target," “intend,” “seek,” “may,” “could,” “would,” “will,” “should,” “can,” “can have,” “likely,” the negatives thereof and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- changes in global economic and financial market conditions generally, such as inflation and interest rate increases;
- the impact of various worldwide or macroeconomic events, such as the COVID-19 pandemic and the ongoing conflict between Russia and Ukraine, on the U.S. and global economics, our employees, suppliers, customers and end consumers, which could adversely and materially impact our business, financial condition and results of operations;
- our ability to successfully implement our growth strategy, including related to implementing our marketing strategy and building capacity to meet demand, such as through the timely expansion of certain of our Freshpet Kitchens (as defined below);
- our ability to timely complete the construction at our Freshpet Kitchens South and Freshpet Kitchens Ennis (our Freshpet Kitchens Bethlehem, Freshpet Kitchens South and Freshpet Kitchens Ennis collectively, “Freshpet Kitchens") and achieve the anticipated benefits therefrom;
- our ability to generate sufficient cash flow or raise capital on acceptable terms;
- the loss of key members of our senior management team;
- allegations that our products cause injury or illness or fail to comply with government regulations;
- the loss of a significant customer;
- the entrance of new competitors into our industry;
- the effectiveness of our marketing and trade spending programs;
- our ability to introduce new products and improve existing products;
- our ability to match our manufacturing capacity with demand;
- the impact of government regulation, scrutiny, warnings and public perception;
- the effect of false marketing claims;
- the effect of shareholder activism;
- adverse weather conditions, natural disasters, pestilences and other natural conditions affecting our operations;
- our ability to meet our sustainability targets, goals, and commitments, including due to the impact of climate change;
- our ability to develop and maintain our brand;
- the effect of potential price increases and shortages on the inputs, commodities and ingredients that we require, including those caused by inflation;
- our ability to manage our supply chain effectively;
- our ability to generate sufficient cash flow or raise capital on acceptable terms;
- volatility in the price of our common stock; and
- other factors discussed under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this report and the headings "Risk Factors," "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2021.

While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

FRESHPET, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except per share data)

	September 30, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 240,310	$ 72,788
Short-term investments	19,891	—
Accounts receivable, net of allowance for doubtful accounts	48,235	34,780
Inventories, net	64,334	35,574
Prepaid expenses	8,395	5,834
Other current assets	2,314	1,349
Total Current Assets	383,479	150,325
Property, plant and equipment, net	719,444	583,922
Deposits on equipment	3,821	4,100
Operating lease right of use assets	5,516	6,537
Equity method investment	26,180	25,856
Other assets	27,057	13,670
Total Assets	$ 1,165,497	$ 784,410
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 37,046	$ 42,612
Accrued expenses	19,576	14,950
Current operating lease liabilities	1,478	1,384
Current portion of long-term debt	72,872	-
Total Current Liabilities	$ 130,972	$ 58,946
Long term operating lease liabilities	4,588	5,710
Total Liabilities	$ 135,560	$ 64,656
STOCKHOLDERS' EQUITY:		
Common stock — voting, $0.001 par value, 200,000 shares authorized, 47,838 issued and 47,824 outstanding on September 30, 2022, and 43,449 issued and 43,435 outstanding on December 31, 2021	48	43
Additional paid-in capital	1,321,299	955,710
Accumulated deficit	(292,200)	(235,623)
Accumulated other comprehensive income (loss)	1,046	(120)
Treasury stock, at cost — 14 shares on September 30, 2022 and on December 31, 2021	(256)	(256)
Total Stockholders' Equity	1,029,937	719,754
Total Liabilities and Stockholders' Equity	$ 1,165,497	$ 784,410

See accompanying notes to the unaudited consolidated financial statements.

FRESHPET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited, in thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
NET SALES	$ 151,333	$ 107,590	$ 429,511	$ 309,620
COST OF GOODS SOLD	106,788	66,065	289,187	188,689
GROSS PROFIT	44,545	41,525	140,324	120,931
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	60,449	42,365	190,241	137,955
LOSS FROM OPERATIONS	(15,904)	(840)	(49,917)	(17,024)
OTHER (EXPENSES)/INCOME:				
Other (Expenses)/Income, net	256	2	492	(5)
Interest Expense	(1,817)	(677)	(4,060)	(2,232)
	(1,561)	(675)	(3,568)	(2,237)
LOSS BEFORE INCOME TAXES	(17,465)	(1,515)	(53,485)	(19,261)
INCOME TAX EXPENSE	41	16	123	48
LOSS ON EQUITY METHOD INVESTMENT	943	539	2,969	1,124
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (18,449)	$ (2,070)	$ (56,577)	$ (20,433)
OTHER COMPREHENSIVE (LOSS) INCOME:				
Change in foreign currency translation	$ (592)	4	$ 895	$ 173
Unrealized gain on available for sale investments	$ 271	—	$ 271	$ —
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(321)	4	1,166	173
TOTAL COMPREHENSIVE LOSS	$ (18,770)	$ (2,066)	$ (55,411)	$ (20,260)
NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	$ (0.39)	$ (0.05)	$ (1.24)	$ (0.48)
-DILUTED	$ (0.39)	$ (0.05)	$ (1.24)	$ (0.48)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING USED IN COMPUTING NET (LOSS) INCOME PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	47,856	43,373	45,545	42,774
-DILUTED	47,856	43,373	45,545	42,774

See accompanying notes to the unaudited consolidated financial statements.

FRESHPET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited, in thousands)

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Shares	Treasury Stock	Total Stockholders' Equity
BALANCES, June 30, 2022	47,834	$ 48	$ 1,305,260	$ (273,751)	$ 1,367	14	$ (256)	$ 1,032,668
Exercise of options to purchase common stock	2	—	—	—	—	—	—	—
Vesting of restricted stock units	2	—	(66)	—	—	—	—	(66)
Share-based compensation expense	—	—	6,671	—	—	—	—	6,671
Issuance of partner warrants	—	—	9,775	—	—	—	—	9,775
Shares issued in primary offering, net of issuance costs	—	—	(341)	—	—	—	—	(341)
Unrealized gain on available for sale investments	—	—	—	—	271	—	—	271
Foreign currency translation	—	—	—	—	(592)	—	—	(592)
Net loss	—	—	—	(18,449)	—	—	—	(18,449)
BALANCES, September 30, 2022	47,838	$ 48	$ 1,321,299	$ (292,200)	$ 1,046	14	$ (256)	$ 1,029,937

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Shares	Treasury Stock	Total Stockholders' Equity
BALANCES, June 30, 2021	43,373	$ 43	$ 944,222	$ (224,287)	$ 89	14	$ (256)	$ 719,811
Exercise of options to purchase common stock	29	—	308	—	—	—	—	308
Vesting of restricted stock units	2	—	(281)	—	—	—	—	(281)
Share-based compensation expense	—	—	5,746	—	—	—	—	5,746
Shares issued in primary offering, net of issuance costs	—	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	4	—	—	4
Net loss	—	—	—	(2,070)	—	—	—	(2,070)
BALANCES, September 30, 2021	43,404	$ 43	$ 949,995	$ (226,357)	$ 93	14	$ (256)	$ 723,518

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Shares	Treasury Stock	Total Stockholders' Equity
BALANCES, December 31, 2021	43,449	$ 43	$ 955,710	$ (235,623)	$ (120)	14	$ (256)	$ 719,754
Exercise of options to purchase common stock	34	—	329	—	—	—	—	329
Vesting of restricted stock units	35	1	(1,279)	—	—	—	—	(1,278)
Share-based compensation expense	—	—	19,260	—	—	—	—	19,260
Issuance of partner warrants	—	—	9,775	—	—	—	—	9,775
Shares issued in primary offering, net of issuance costs	4,320	4	337,504	—	—	—	—	337,508
Unrealized gain on available for sale investments	—	—	—	—	271	—	—	271
Foreign currency translation	—	—	—	—	895	—	—	895
Net loss	—	—	—	(56,577)	—	—	—	(56,577)
BALANCES, September 30, 2022	47,838	$ 48	$ 1,321,299	$ (292,200)	$ 1,046	14	$ (256)	$ 1,029,937

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Shares	Treasury Stock	Total Stockholders' Equity
BALANCES, December 31, 2020	40,732	$ 41	$ 600,388	$ (205,924)	$ (80)	14	$ (256)	$ 394,169
Exercise of options to purchase common stock	203	—	2,048	—	—	—	—	2,048
Vesting of restricted stock units	54	—	(3,198)	—	—	—	—	(3,198)
Share-based compensation expense	—	—	18,587	—	—	—	—	18,587
Shares issued in primary offering, net of issuance costs	2,415	2	332,170	—	—	—	—	332,172
Foreign currency translation	—	—	—	—	173	—	—	173
Net loss	—	—	—	(20,433)	—	—	—	(20,433)
BALANCES, September 30, 2021	43,404	$ 43	$ 949,995	$ (226,357)	$ 93	14	$ (256)	$ 723,518

See accompanying notes to the unaudited consolidated financial statements.

FRESHPET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	For the Nine Months Ended September 30,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (56,577)	$ (20,433)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Provision for loss (gains) on accounts receivable	(23)	15
Loss on disposal of equipment	203	284
Share-based compensation	20,409	18,516
Inventory obsolescence	3,455	249
Depreciation and amortization	24,422	22,489
Amortization of deferred financing costs and loan discount	596	1,013
Change in operating lease right of use asset	1,021	992
Loss on equity method investment	2,969	1,124
Changes in operating assets and liabilities:		
Accounts receivable	(22,403)	(13,794)
Inventories	(32,215)	(10,435)
Prepaid expenses and other current assets	1,074	(1,140)
Other assets	(1,639)	(5,520)
Accounts payable	1,430	5,057
Accrued expenses	4,626	(781)
Other lease liabilities	(1,028)	(971)
Net cash flows used in operating activities	(53,680)	(3,335)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of short-term investments	(19,840)	—
Investments in equity method investment	(3,293)	—
Acquisitions of property, plant and equipment, software and deposits on equipment	(167,437)	(220,835)
Net cash flows used in investing activities	(190,570)	(220,835)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from common shares issued in primary offering, net of issuance cost	337,508	332,172
Proceeds from exercise of options to purchase common stock	329	2,048
Tax withholdings related to net shares settlements of restricted stock units	(1,279)	(3,198)
Proceeds from borrowings under Credit Facility	78,000	—
Repayment of borrowings under Credit Facility	(2,786)	—
Fees paid in connection with financing agreements	—	(3,263)
Net cash flows provided by financing activities	411,772	327,759
NET CHANGE IN CASH AND CASH EQUIVALENTS	167,522	103,589
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	72,788	67,247
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 240,310	$ 170,836
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 3,152	$ 1,288
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Property, plant and equipment purchases in accounts payable	$ 15,486	$ 2,599
Issuance of partner warrants	$ 9,775	$ —

See accompanying notes to the unaudited consolidated financial statements.

Note 1 – Nature of the Business and Summary of Significant Accounting Policies:

Nature of the Business – Freshpet, Inc. (hereafter referred to as “Freshpet”, the “Company”, “we,” "us" or “our”), a Delaware corporation, manufactures and markets natural fresh meals and treats for dogs and cats. The Company’s products are distributed throughout the United States, Canada and other international markets, into major retail classes including Grocery (including online), Mass and Club, Pet Specialty, and Natural retail.

Basis of Presentation – The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”). The unaudited consolidated financial statements include the accounts of the Company as well as the Company’s wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The interim unaudited consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements and in accordance with the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). In the opinion of management, the interim unaudited financial statements reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company’s financial position as of September 30, 2022, the results of its operations and changes to stockholders’ equity for the three and nine months ended September 30, 2022 and 2021, and its cash flows for the nine months ended September 30, 2022 and 2021. The results for the three and nine months ended September 30, 2022, are not necessarily indicative of results to be expected for the year ending December 31, 2022, or any other interim periods, or any future year or period. All amounts included herein have been rounded except where otherwise stated. As figures are rounded, numbers presented throughout this document may not add up precisely to the totals we provide and percentages may not precisely reflect the absolute figures.

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes in Item 8 of Part II, “Financial Statements and Supplementary Data,” of our Annual Report on Form 10-K for the year ended December 31, 2021.

Equity method investment – The Company utilizes the equity method to account for investments when the Company possesses the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. The ability to exercise significant influence is presumed when an investor possesses more than 20% of the voting interests of the investee. This presumption may be overcome based on specific facts and circumstances that demonstrate that the ability to exercise significant influence is restricted. The Company has the ability to exercise significant influence based on our representation on and the makeup of the investee's Board of Directors. The Company has elected to record its share of equity in income (losses) of equity method investment on a one-quarter lag based on the most recently available financial statements.

In applying the equity method, the Company records the investment at cost and subsequently increases or decreases the carrying amount of the investment by our proportionate share of the net income or loss.

On March 10, 2022, the Company invested $3,300 to maintain our 19% interest in a privately held company that operates in our industry, with our investments to date totaling $31,200. The Company concluded that it is not the primary beneficiary, which is primarily the result of the Company's conclusion that it does not have the power to direct activities that most significantly impact the economic performance. The Company accounts for the investment under the equity method of accounting based on our ability to exercise significant influence even though the Company's percentage of ownership is below 20%. The basis difference between the Company's carrying value of its investment and the amount of underlying equity in net assets of the privately held company is not material to the Company's consolidated financial statements.

Variable interest entities – In accordance with the applicable accounting guidance for the consolidation of variable interest entities, the Company analyzes its variable interests to determine if an entity in which it has a variable interest is a variable interest entity. The Company's analysis includes both quantitative and qualitative reviews to determine if we must consolidate a variable interest entity as its primary beneficiary.

Estimates and Uncertainties – The preparation of our consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used in determining, among other items, trade incentives, share-based compensation and useful lives for long-lived assets. Actual results, as determined at a later date, could differ from those estimates.

Fair Value of Financial Instruments – Financial Accounting Standards Board ("FASB") guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active). Level 2 includes financial instruments that are valued using models or other valuation methodologies.
- Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

The carrying amounts reported in the balance sheets for cash and cash equivalents, other receivables, accounts payable and accrued expenses approximate their fair value based on the short-term maturity of these instruments. Certain assets, including the equity method investment, right-of-use assets and property and equipment are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review.

As of September 30, 2022, the Company maintained Level 1 and Level 2 assets and liabilities.

Cash Equivalents – The Company holds treasury bills with original maturities when purchased of less than three months, measured as a level 2 asset. Treasury bills have been classified as available-for-sale which may be sold before maturity or are not classified as held-to-maturity or trading. Cash equivalents classified as available-for-sale are carried at fair value with unrealized gains or losses reported in other comprehensive income (loss).

Short-Term Investments – The Company holds treasury bills with original maturities when purchased of greater than three months, measured as a Level 2 asset. Treasury bills have been classified as available-for-sale which may be sold before maturity or are not classified as held to maturity or trading. Short-term investments classified as available-for-sale are carried at fair value with unrealized gains or losses reported in other comprehensive income (loss).

Trade accounts receivable – The allowance for doubtful accounts is based on the Company's assessment of the collectability of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, the age of the accounts receivable balances and current economic conditions that may affect a customer's ability to pay.

Implementation Costs of Cloud Computing Arrangement – As of September 30, 2022 and December 31, 2021, the Company's deferred implementation costs of our new ERP system associated with our cloud computing arrangement, which were reflected within prepaid and other assets, were $9,138 and $7,380, respectively. The cost will be recognized over the term of the agreement, which began in the first quarter of 2022.

Debt Issuance Cost – During the first quarter of 2021, as part of the Sixth Amended and Restated Loan and Security Agreement, dated February 19, 2021, (as amended, the "New Loan Agreement"), the Company incurred an additional $3,263 of fees associated with the debt modification, of which $2,797 of the fees were related to the Delayed Draw Term Loan ("DDTL") (as defined below) with the remaining balance relating to the Revolving Loan Facility (as defined below). The Company also wrote down $485 of fees incurred from the prior credit facilities. The Company's policy is to record the debt issuance cost related to the Delayed Draw Term Loan, net of debt, for the portion of the Delayed Draw Term Loan that is outstanding, with the remaining amount recorded within assets.

The Company amortizes debt issuance costs categorized as assets on a straight-line basis over the term of the loan and amortizes the debt issuance costs that are categorized net of debt using the effective interest method, over the term of the loan.

(Unaudited, in thousands, except share data)

Net Sales - Information about the Company's net sales by class of retailer is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Grocery, Mass and Club	$ 132,757	$ 91,148	$ 375,847	$ 259,227
Pet Specialty and Natural	18,576	16,442	53,664	50,393
Net Sales (a)	$ 151,333	$ 107,590	$ 429,511	$ 309,620

(a) Online sales associated with each class of retailer are included within their respective total.

Recently Adopted Accounting Standards
The Company did not adopt any new Accounting Standard Updates during the quarter ended September 30, 2022.

Note 2 – Inventories:

	September 30, 2022	December 31, 2021
Raw Materials and Work in Process	$ 17,593	$ 13,339
Packaging Components Material	6,562	2,823
Finished Goods	40,322	19,704
	64,477	35,866
Reserve for Obsolete Inventory	(143)	(292)
Inventories, net	$ 64,334	$ 35,574

Note 3 – Property, Plant and Equipment:

	September 30, 2022	December 31, 2021
Refrigeration Equipment	$ 132,233	$ 122,063
Machinery and Equipment	162,863	140,471
Building, Land, and Improvements	167,463	150,927
Furniture and Office Equipment	9,340	8,844
Leasehold Improvements	1,319	1,319
Construction in Progress	382,043	273,880
	855,260	697,504
Less: Accumulated Depreciation	(135,816)	(113,582)
Property, plant and equipment, net	$ 719,444	$ 583,922

Depreciation expense related to property, plant and equipment totaled $8,485 and $24,264 for the three and nine months ended September 30, 2022, respectively, of which $5,159 and $14,208 was recorded to cost of goods sold for the three and nine months ended September 30, 2022, respectively, with the remainder of depreciation and amortization expense recorded to selling, general and administrative expense.

Depreciation expense related to property, plant and equipment totaled $7,389 and $21,571 for the three and nine months ended September 30, 2021, respectively, of which $4,075 and $11,896 was recorded to cost of goods sold for the three and nine months ended September 30, 2021, respectively, with the remainder of depreciation and amortization expense recorded to selling, general and administrative expense.

(Unaudited, in thousands, except share data)

Note 4 – Accrued Expenses:

	September 30, 2022		December 31, 2021	
Accrued Compensation and Employee Related Costs	$	5,822	$	6,934
Accrued Chiller Cost		2,889		2,050
Accrued Customer Consideration		1,278		828
Accrued Freight		2,225		1,547
Accrued Production Expenses		4,529		1,862
Accrued Corporate and Marketing Expenses		1,631		1,081
Other Accrued Expenses		1,202		648
Accrued Expenses	$	19,576	$	14,950

Note 5 – Debt:

On February 19, 2021, the Company entered into the Sixth Amended and Restated Loan and Security Agreement ("Sixth Amendment"), which amended and restated in full the Company's Fifth Amended and Restated Loan and Security Agreement, dated as of April 17, 2020. The Sixth Amendment provides for a $350,000 senior secured credit facility (as amended the "Credit Facility"), encompassing a $300,000 delayed draw term loan facility (the "Delayed Draw Facility") and a $50,000 revolving loan facility (the "Revolving Loan Facility"), which replaced the Company's prior $130,000 delayed draw term loan facility and $35,000 revolving loan facility.

The Credit Facility matures on February 19, 2026 and borrowings thereunder bear interest at variable rates depending on the Company's election, either at a base rate or at the adjusted term SOFR (which rate shall be calculated based upon a one-month tenor in effect on such date and shall be determined on a daily basis), in each case, plus an applicable margin. Subject to the Company's leverage ratio, the applicable margin varies between 0.75% and 2.25% for base rate loans and 1.75% and 3.25% for SOFR loans. The Company has the option to borrow term loans under the Delayed Draw Facility ("Delayed Draw Term Loans") until August 19, 2023, subject to certain conditions. As of August 19, 2022, the amount of any outstanding Delayed Draw Term Loans shall be repayable in equal consecutive quarterly installments equal to 1/28th of the total single term loan ("the Initial Combined Delayed Draw Term Loan"). Commencing on August 19, 2023, the amount of any outstanding Delayed Draw Term Loans, combined with the Initial Combined Delayed Draw Term Loan, shall be repayable in equal consecutive quarterly installments equal to 1/28th of the outstanding Delayed Draw Term Loans and the remainder shall be due and payable on February 19, 2026.

As of September 30, 2022, the Company had $75,214 outstanding under the Delayed Draw Facility. Any prepayments of the Delayed Draw Facility under the agreement may not be reborrowed. The Credit Facility includes a quarterly commitment fee on any unused amounts at a per annum rate between 0.30% to 0.50% depending on the aggregate principal outstanding. As of September 30, 2022, the Company was not in compliance with the total funded debt ratio and the fixed charge coverage ratio financial covenants associated with the Credit Facility. Prior to the issuance of these financial statements, the lenders under the Credit Facility consented to such covenants not being tested as of such date. At the time such consent was granted, the Company repaid in full the $75,214 outstanding amount under the Delayed Draw Facility.

In connection with entering into the Sixth Amendment, the Company incurred $3,166 of debt issuance cost, which is capitalized on the balance sheet and amortized over the life of the facility, and wrote off $485 of fees incurred from the prior credit facilities.

As of September 30, 2022, there was $2,342 of debt issuance cost recorded against the Current Portion of Long-Term Debt related to the issuance costs of the Delayed Draw Facility. In addition, $235 of debt issuance costs recorded to other assets, and $99 was recorded in other current assets related to the issuance costs of the Revolving Loan Facility.

On April 29, 2022, the Company entered into the First Amendment to the New Loan Agreement, which amendment, among other things, (i) made amendments to allow for the Company's projected capital expenditures without either triggering mandatory prepayment obligations or violating the covenant and (ii) replaced the LIBOR interest rate for U.S. dollar loans to a term Secured Overnight Financing Rate ("Term SOFR").

(Unaudited, in thousands, except share data)

Note 6 – Leases:

We have various noncancelable lease agreements for office and warehouse space, as well as office equipment, with original remaining lease terms of two years to five years, some of which include an option to extend the lease term for up to five years. Because the Company is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term and associated potential option payments are excluded from lease payments. The Company's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants.

Weighted-average remaining lease term (in years) and discount rate related to operating leases were as follows:

Weighted-average remaining lease term	3.82
Weighted-average discount rate	6.15%

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments.

Maturities of lease liabilities under noncancelable operating leases as of September 30, 2022 were as follows:

Operating Lease Obligations	As of September 30, 2022
2022 (a)	$ 443
2023	1,802
2024	1,511
2025	1,210
2026 and beyond	1,576
Total lease payments	$ 6,542
Less: Imputed interest	(476)
Present value of lease liabilities	$ 6,066

(a) Excluding the nine months ended September 30, 2022.

A summary of rent expense for the three and nine months ended September 30, 2022 and 2021 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating lease cost	$ 438	$ 444	$ 1,314	$ 1,335

Supplemental cash flow information and non-cash activity relating to operating leases are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Operating cash flow information:	2022	2021	2022	2021
Cash paid for amounts included in the measurement of lease liabilities	$ 443	$ 440	$ 1,321	$ 1,313

(Unaudited, in thousands, except share data)

Note 7 – Warrants:

In connection with an agreement with one of our suppliers during the third quarter of 2022 in exchange for services, we issued our partner warrants to purchase up to an aggregate of 194 thousand shares of voting common stock of the Company at a purchase price of $0.01 per share. The Company determined these warrants are accounted for under FASB ASC 718 Stock Compensation. The warrants were recorded as a prepaid expense as the warrants were exercisable at the grant date. The prepaid expense will be amortized within Cost of Goods Sold as services are provided by the supplier. As of September 30, 2022, there were $4,600 of warrants in prepaid expense and $4,026 of warrants in other assets.

During the three and nine months ended September 30, 2022, 194 thousand warrants were issued and exercised, respectively. The grant date fair value of warrants granted during the three and nine months ended September 30, 2022 was $50.32 per share.

Warrants Assumptions

Fair value of the warrants at September 30, 2022, was based on the Black Scholes Option Pricing Model, which is based, in part, upon level 3 unobservable inputs for which there is little or no market data, requiring the Company to develop its own assumptions.

The Company used the following assumptions for its warrants:

Expected Volatility - Expected volatility was based on the historical volatility of the Company's common stock.

Exercise Price of Warrants Granted - The Company determined the exercise price pursuant to the terms of the warrant agreement of $0.01 per share.

Risk-Free Interest Rate - The risk-free interest rates are based on the U.S. Treasury yield for a period consistent with the expected term in effect at the time of the warrant issuance.

Expected Dividend Yield - The Company has not historically declared dividends, and no future dividends are expected to be available to benefit warrant holders at the time of warrant issuance. Accordingly, the Company used an expected dividend yield of zero in the valuation model.

A summary of warrants assumptions as of September 30, 2022 were as follows:

	As of September 30, 2022
Exercise price of warrants granted	$ 0.01
Expected volatility	52.5%
Expected terms in years	0.0
Risk-free interest rate	3.9%
Expected dividend yield	0.0%

Total amortization associated with partner warrants for the three and nine months ended September 30, 2022 was $1,150.

Note 8 – Equity Incentive Plans:

Total compensation cost for share-based payments recognized for the three and nine months ended September 30, 2022 was $6,671 and $19,260, respectively, and for the three and nine months ended September 30, 2021 was $5,746 and $18,587, respectively. During the nine months ended September 30, 2022, 35 thousand stock options were exercised. During the nine months ended September 30, 2022, 81 thousand service period restricted stock units were granted at a weighted average grant-date fair market value of $85.01. During the nine months ended September 30, 2022, 57 thousand restricted stock units vested.

Note 9 – Earnings Per Share Attributable to Common Stockholders:

Basic net earnings (loss) per share of common stock is calculated by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Diluted net earnings (loss) per share of common stock is computed by giving effect to all potentially dilutive securities.

The potentially dilutive securities excluded from the determination of diluted loss per share, as their effect is antidilutive, are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Service Period Stock Options	1,269	1,275	1,259	1,298
Restricted Stock Units	149	160	147	173
Performance Stock Options	944	886	944	886
Total	2,362	2,321	2,350	2,357

For the three and nine months ended September 30, 2022 and 2021, diluted net loss per share of common stock was the same as basic net loss per share of common stock, due to the fact that potentially dilutive securities would have an antidilutive effect as the Company incurred a net loss during such periods.

Note 10 – Concentrations:

Concentration of Credit Risk—The Company maintains its cash balances in financial institutions that are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to $250 each. At times, such balances may be in excess of the FDIC insurance limit.

Note 11 – Commitments and Contingencies:

We are currently involved in various claims and legal actions that arise in the ordinary course of our business, including claims resulting from employment related matters. None of these claims or proceedings, most of which are covered by insurance, are expected to have a material adverse effect on our business, financial condition, results of operations or cash flows. However, a significant increase in the number of these claims or an increase in amounts owing under successful claims could materially and adversely affect our business, financial condition, results of operations or cash flows.

On April 8, 2022, Phillips Feed Service, Inc., d/b/a Phillips Feed And Pet Supply ("Phillips") filed a complaint against the Company in U.S. District Court for the Eastern District of Pennsylvania (Allentown Division) for damages allegedly sustained as a result of the termination of the Company's distribution arrangement with Phillips, a former distributor of Freshpet products. Phillips asserts a claim for breach of contract, and seeks monetary damages in excess of $8,300 based on a claimed "termination payment" under a 2018 "Letter Of Intent" and additional damages based on a claim for improper notice of termination. Phillips also claims a right of setoff with respect to monies owed by Phillips to the Company.

On July 5, 2022, the Company answered the complaint disputing the claimed damages, assertions of breach of contract, and the right of offset. In addition, the Company counterclaimed breach of contract for amounts owed to Freshpet earned while Phillips served as an authorized distributor of Freshpet product. As of September 30, 2022, due to the claims and counterclaims between the parties, the Company reclassified the amounts due from Phillips of $8,971 to other noncurrent assets.

Based on information currently available and advice of counsel, we do not believe that the outcome of any of this matter is likely to have a material adverse effect on our business, financial condition, results of operations or liquidity. However, in the event of unexpected further developments, it is possible that the ultimate resolution of this matter, if unfavorable, may be materially adverse to our business, financial condition, results of operations or liquidity. Legal costs such as outside counsel fees and expenses are charged to selling, general and administrative expenses in the period incurred.

Note 12 – Subsequent Events:

As of September 30, 2022, the Company was not in compliance with the total funded debt ratio and the fixed charge coverage ratio financial covenants associated with the credit facility referenced in Note 5. Prior to the issuance of these financial statements, the lenders under the Credit Facility consented to such covenants not being tested as of such date. At the time such consent was granted, the Company repaid in full the $75,214 outstanding amount under the Delayed Draw Facility.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and cash flows as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes in Item 1 and with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2021 (our "Annual Report").

In addition to historical information, this discussion and analysis contains forward-looking statements based on current expectations that involve risks, uncertainties and assumptions, such as our plans, objectives, expectations, and intentions. Our actual results and the timing of events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section entitled "Forward-Looking Statements" in this report and in the section entitled "Risk Factors" in our Annual Report.

Overview

We started Freshpet with a single-minded mission to bring the power of real, fresh food to our dogs and cats. We were inspired by the rapidly growing view among pet owners that their dogs and cats are a part of their family, leading them to demand healthier pet food choices. Since Freshpet's inception in 2006, we have created a comprehensive business model to deliver wholesome pet food that pet parents can trust, and in the process we believe we have become one of the fastest growing pet food companies in North America. Our business model is difficult for others to replicate and we see significant opportunity for future growth by leveraging the unique elements of our business, including our brand, our product know-how, our Freshpet Kitchens, our refrigerated distribution, our Freshpet Fridge and our culture.

Recent Developments

Throughout 2022 revenue growth remains strong and vibrant across dollars, units and consumer penetration. As Freshpet has grown and faced supply chain adversity, we have established that we need incremental resources across three areas. These include improvements in logistics and supply chain, quality (lowering HPP & disposals), and procurement/hedging of major ingredients. We have implemented improvement programs and action plans in each area and expect to begin to see positive impact in the latter months of 2022 and into 2023.

In order to manage ingredient costs, our third price increase of 2.6% went into effect during September 2022. Thus far, it appears that most major retailers have reflected that in their shelf prices and to date, we have not seen an adverse effect on our growth rates.

Increased Focus on Cash

As part of the Company's increased focus on cash, we are changing how we report Adjusted Gross Profit, Adjusted SG&A, and Adjusted EBITDA. Beginning for the period ended September 30, 2022, we are no longer adding back launch expenses and plant start-up expense in our calculation of our non-GAAP metrics. This change is reflective of our increased focus on cash, and we believe that this revised presentation will provide greater clarity on our path toward generating positive net income as the business scales further following the Company's planned capacity additions.

The presentation for Adjusted Gross Profit, Adjusted SG&A, and Adjusted EBITDA for the prior year period and prior quarter period has been recast as shown below to reflect these changes to enhance comparability between periods.

The impact of the change on an annual basis is as follows:

	FY 2020	FY 2021
	(Dollars in thousands)	
Gross profit	$ 132,910	$ 162,146
Depreciation expense	9,576	16,545
Non-cash share-based compensation	2,132	4,152
COVID-19 expense (a)	3,497	1,753
Adjusted Gross Profit	**$ 148,115**	**$ 184,596**
Adjusted Gross Profit as a % of Net Sales	46.5%	43.4%

(a) 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 related to mitigating potential supply chain disruptions during the pandemic included in cost of goods sold. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.

	FY 2020	FY 2021
	(Dollars in thousands)	
SG&A expenses	$ 134,908	$ 186,809
Depreciation and amortization expense	11,549	13,923
Non-cash share-based compensation	8,793	20,846
Loss on disposal of equipment	1,805	1,000
Equity offering expenses (a)	58	—
Enterprise Resource Planning (b)	1,682	1,379
COVID-19 expense (c)	357	5
Organization changes (d)	—	—
Adjusted SG&A Expenses	**$ 110,664**	**$ 149,656**
Adjusted SG&A Expenses as a % of Net Sales	34.7%	35.2%

(a) Represents fees associated with public offerings of our common stock.

(b) Represents implementation, amortization of deferred implementation costs and other costs associated with the implementation of an ERP system.

(c) 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 related to mitigating potential supply chain disruptions during the pandemic. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.

(d) Represents transition costs related to the organization changes designed to support growth, including several changes in organizational structure designed to enhance capabilities and support long-term growth objectives.

	FY 2020	FY 2021
	(Dollars in thousands)	
Net loss	$ (3,188)	$ (29,699)
Depreciation and amortization	21,125	30,468
Interest expense	1,211	2,882
Income tax expense	65	162
EBITDA	**$ 19,213**	**$ 3,813**
Loss on equity method investment	—	2,005
Loss on disposal of equipment	1,805	1,000
Non-cash share-based compensation	10,925	24,998
Equity offering expenses (a)	58	—
Enterprise Resource Planning (b)	1,682	1,379
COVID-19 expense (c)	3,854	1,758
Organization changes (d)	—	—
Adjusted EBITDA	**$ 37,537**	**$ 34,953**
Adjusted EBITDA as a % of Net Sales	11.8%	8.2%

(a) Represents fees associated with public offerings of our common stock.

(b) Represents implementation, amortization of deferred implementation costs and other costs associated with the implementation of an ERP system.

(c) 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 related to mitigating potential supply chain disruptions during the pandemic. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.

(d) Represents transition costs related to the organization changes designed to support growth, including several changes in organizational structure designed to enhance capabilities and support long-term growth objectives.

Prior to September 30, 2022, the Company presented for the following items as adjustments to its non-GAAP metrics. Those details are provided again here for your convenience and for consideration in making comparisons to prior periods:

	FY 2020	FY 2021
	(Dollars in thousands)	
Plant start-up expense	$ 5,962	$ 4,868
Launch expense	3,421	3,130

The impact of the change on a quarterly basis is as follows:

	Three Months Ended						
	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022
	(Dollars in thousands)						
Gross profit	$ 36,315	$ 43,091	$ 41,525	$ 41,216	$ 44,753	$ 51,080	$ 44,545
Depreciation expense	3,800	4,021	4,075	4,649	4,701	4,295	5,159
Non-cash share-based compensation	710	1,203	1,058	1,182	1,168	1,170	2,450
COVID-19 expense (a)	953	681	119	—	—	—	—
Adjusted Gross Profit	**$ 41,778**	**$ 48,996**	**$ 46,777**	**$ 47,047**	**$ 50,622**	**$ 56,545**	**$ 52,154**
Adjusted Gross Profit as a % of Net Sales	44.7%	45.1%	43.5%	40.6%	38.3%	38.7%	34.5%

(a) 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 related to mitigating potential supply chain disruptions during the pandemic included in cost of goods sold. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.

	Three Months Ended						
	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022
	(Dollars in thousands)						
SG&A expenses	$ 46,033	$ 49,557	$ 42,365	$ 48,854	$ 60,631	$ 69,215	$ 60,449
Depreciation and amortization expense	3,289	3,633	3,671	3,330	3,285	3,585	3,387
Non-cash share-based compensation	5,370	5,487	4,688	5,300	5,127	5,124	5,371
Loss on disposal of equipment	60	46	412	482	43	48	124
Equity offering expenses (a)	125	(125)	—		—	—	—
Enterprise Resource Planning (b)	603	247	273	256	1,018	1,991	1,937
COVID-19 expense (c)	4	—	—	—	—	—	—
Organization changes (d)	—	—	—	—	—	—	734
Adjusted SG&A Expenses	**$ 36,582**	**$ 40,269**	**$ 33,321**	**$ 39,486**	**$ 51,158**	**$ 58,467**	**$ 48,896**
Adjusted SG&A Expenses as a % of Net Sales	39.2%	37.1%	31.0%	34.1%	38.7%	40.0%	32.3%

(a) Represents fees associated with public offerings of our common stock.

(b) Represents implementation, amortization of deferred implementation costs and other costs associated with the implementation of an ERP system.

(c) 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 related to mitigating potential supply chain disruptions during the pandemic. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.

(d) Represents transition costs related to the organization changes designed to support growth, including several changes in organizational structure designed to enhance capabilities and support long-term growth objectives.

	Three Months Ended						
	3/21/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022
	(Dollars in thousands)						
Net loss	$ (10,888)	$ (7,475)	$ (2,070)	$ (9,265)	$ (17,542)	$ (20,586)	$ (18,448)
Depreciation and amortization	7,089	7,654	7,746	7,979	7,986	7,880	8,546
Interest expense	901	654	677	650	571	1,671	1,817
Income tax expense	16	16	16	114	41	41	41
EBITDA	**$ (2,882)**	**$ 849**	**$ 6,369**	**$ (523)**	**$ (8,944)**	**$ (10,994)**	**$ (8,044)**
Loss on equity method investment	248	337	$ 539	881	1,310	$ 717	943
Loss on disposal of equipment	60	46	412	482	43	48	124
Non-cash share-based compensation	6,080	6,690	5,746	6,482	6,295	6,294	7,821
Equity offering expenses (a)	125	(125)	—	—	—	—	—
Enterprise Resource Planning (b)	603	247	273	256	1,018	1,991	1,937
COVID-19 expense (c)	957	681	119	—	—	—	—
Organization changes (d)	—	—	—	—	—	—	734
Adjusted EBITDA	**$ 5,191**	**$ 8,725**	**$ 13,458**	**$ 7,578**	**$ (278)**	**$ (1,944)**	**$ 3,515**
Adjusted EBITDA as a % of Net Sales	5.6%	8.0%	12.5%	6.5%	-0.2%	-1.3%	2.3%

(a) Represents fees associated with public offerings of our common stock.

(b) Represents implementation, amortization of deferred implementation costs and other costs associated with the implementation of an ERP system.

(c) 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 related to mitigating potential supply chain disruptions during the pandemic. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.

(d) Represents transition costs related to the organization changes designed to support growth, including several changes in organizational structure designed to enhance capabilities and support long-term growth objectives.

Prior to September 30, 2022, the Company presented for the following items as adjustments to its non-GAAP metrics. Those details are provided again here for your convenience and for consideration in making comparisons to prior periods:

	Three Months Ended						
	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022
	(Dollars in thousands)						
Plant start-up expense	$ 1,843	$ 1,130	$ 588	$ 1,306	$ 4,748	$ 5,293	$ 8,015
Launch expense	731	1,018	562	819	632	504	1,542

Components of our Results of Operations

Net Sales

Our net sales are derived from the sale of products that are sold to retailers through broker and distributor arrangements. Our products are sold to consumers through a fast-growing network of company-owned branded refrigerators, known as Freshpet Fridges, located in our customers' stores. We continue to roll out Freshpet Fridges at leading retailers across North America and parts of Europe and have installed Freshpet Fridges in approximately 24,651 retail stores as of September 30, 2022. Our products are sold under the Freshpet brand name with ingredients, packaging and labeling customized by class of retail. Sales are recorded net of discounts, returns and promotional allowances.

Our net sales growth is driven by the following key factors:

- Increasing sales velocity from the average Freshpet Fridge due to increasing awareness, trial and adoption of Freshpet products and innovation. Our investments in marketing and advertising help to drive awareness and trial at each point of sale.
- Increasing penetration of Freshpet Fridge locations in major classes of retail, including Grocery (including online), Mass, Club, Pet Specialty, and Natural. The impact of new Freshpet Fridge installations on our net sales varies by retail class and depends on numerous factors including store traffic, refrigerator size, placement within the store, and proximity to other stores that carry our products.
- Consumer trends including growing pet ownership, pet humanization and a focus on health and wellness.

We believe that as a result of the above key factors, we will continue to penetrate the pet food marketplace and increase our share of the pet food category.

Gross Profit

Our gross profit is net of costs of goods sold, which include the costs of product manufacturing, product ingredients, packaging materials and inbound freight, as well as depreciation and amortization and non-cash share based compensation.

We expect to continue to mitigate any adverse movement in input costs through a combination of cost management and price increases.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist of the following:

Outbound freight. We use a third-party logistics provider for outbound freight that ships directly to retailers as well as third-party distributors.

Marketing & advertising. Our marketing and advertising expenses primarily consist of national television media, digital marketing, social media and grass roots marketing to drive brand awareness. These expenses may vary from quarter to quarter depending on the timing of our marketing and advertising campaigns. Our Feed the Growth initiative focuses on growing the business through increased marketing investments.

Freshpet Fridge operating costs. Freshpet Fridge operating costs consist of repair costs and depreciation. The purchase and installation costs for new Freshpet Fridges are capitalized and depreciated over the estimated useful life. All new refrigerators are covered by a manufacturer warranty for three years. We subsequently incur maintenance and freight costs for repairs and refurbishments handled by third-party service providers.

Research & development. Research and development costs consist of expenses to develop and test new products. The costs are expensed as incurred.

Brokerage. We use third-party brokers to assist with monitoring our products at the point-of-sale as well as representing us at headquarters for various customers. These brokers visit our retail customers' store locations to ensure items are appropriately stocked and maintained.

Share-based compensation. We account for all share-based compensation payments issued to employees, directors and non-employees using a fair value method. Accordingly, share-based compensation expense is measured based on the estimated fair value of the awards on the grant date. We recognize compensation expense for the portion of the award that is ultimately expected to vest over the period during which the recipient renders the required services to us using the straight-line single option method.

Other general & administrative costs. Other general and administrative costs include non-plant personnel salaries and benefits, as well as corporate general & administrative costs.

Income Taxes

We had federal net operating loss ("NOL") carry forwards of approximately $291.8 million as of December 31, 2021, of which approximately $175.4 million, generated in 2017 and prior, will expire between 2025 and 2037. The NOL generated from 2018 through 2021, of approximately $116.4 million, will have an indefinite carryforward period but can generally only be used to offset 80% of taxable income in any particular year. We may be subject to certain limitations in our annual utilization of NOL carry forwards to off-set future taxable income pursuant to Section 382 of the Internal Revenue Code, which could result in NOLs expiring unused. At December 31, 2021, we had approximately $229.5 million of state NOLs, which expire between 2022 and 2041, and had $14.3 million of foreign NOLs which do not expire. At December 31, 2021, we had a full valuation allowance against our net deferred tax assets as the realization of such assets was not considered more likely than not.

Consolidated Statements of Operations and Comprehensive Loss

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022		2021		2022		2021	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales
	(Dollars in thousands)				(Dollars in thousands)			
Net sales	$ 151,333	100%	$ 107,590	100%	$ 429,511	100%	$ 309,620	100%
Cost of goods sold	106,788	71	66,065	61	289,187	67	188,689	61
Gross profit	44,545	29	41,525	39	140,324	33	120,931	39
Selling, general and administrative expenses	60,449	40	42,365	39	190,241	44	137,955	45
Loss from operations	(15,904)	(11)	(840)	(1)	(49,917)	(12)	(17,024)	(5)
Other (expenses)/income, net	256	0	2	0	492	0	(5)	(0)
Interest expense	(1,817)	(0)	(677)	(0)	(4,060)	(0)	(2,232)	(1)
Loss before income taxes	(17,465)	(12)	(1,515)	(1)	(53,485)	(12)	(19,261)	(6)
Income tax expense	41	0	16	0	123	0	48	0
Loss on equity method investment	943	1	539	1	2,969	1	1,124	0
Net loss	$ (18,449)	(12)%	$ (2,070)	(2)%	$ (56,577)	(13)%	$ (20,433)	(7)%

Three Months Ended September 30, 2022 Compared to Three Months Ended September 30, 2021

Net Sales

The following table sets forth net sales by class of retailer:

	Three Months Ended September 30,					
	2022			2021		
	Amount	% of Net Sales	Store Count	Amount	% of Net Sales	Store Count
	(Dollars in thousands)					
Grocery, Mass and Club (1)	$ 132,757	88%	19,081	$ 91,148	85%	17,941
Pet Specialty and Natural (2)	18,576	12%	5,570	16,442	15%	5,440
Net Sales (3)	$ 151,333	100%	24,651	$ 107,590	100%	23,381

(1) Stores at September 30, 2022 and 2021 consisted of 13,429 and 12,595 Grocery and 5,652 and 5,346 Mass and Club, respectively.
(2) Stores at September 30, 2022 and 2021 consisted of 5,096 and 4,967 Pet Specialty and 474 and 473 Natural, respectively.
(3) Online sales associated with each class of retailer are included within their respective total.

Net sales increased $43.7 million, or 40.7%, to $151.3 million for the three months ended September 30, 2022 as compared to $107.6 million in the same period in the prior year. The $43.7 million increase in net sales was driven by $25.0 million related to price and mix and $18.7 million due to volume, including refilling our trade inventory. Of the sales increase $41.6 million of growth was experienced in our Grocery (including Online), Mass, and Club refrigerated channels, and $2.1 million of growth was experienced in our Pet Specialty and Natural refrigerated channels. Our Freshpet Fridge store locations grew by 5.4% to 24,651 as of September 30, 2022 compared to 23,381 as of September 30, 2021.

Gross Profit

Gross profit was $44.5 million, or 29.4% as a percentage of net sales, for the three months ended September 30, 2022, compared to $41.5 million, or 38.6% as a percentage of net sales, in the prior year period. For the three months ended September 30, 2022, Adjusted Gross Profit was $52.2 million, or 34.5% as a percentage of net sales, compared to $46.8 million, or 43.5% as a percentage of net sales, in the prior year period. The decrease in gross profit as a percentage of net sales and Adjusted Gross Profit as a percentage of net sales were primarily due to increased plant start-up cost, inflation of ingredient cost and labor, and quality issues, partially offset by increased pricing. Beginning with third quarter 2022, the Company is no longer adding back plant start-up expense in its calculation of Adjusted Gross Profit, which for the third quarter represented $8.0 million. See "—Non-GAAP Financial Measures" for how we define Adjusted Gross Profit, a reconciliation of Adjusted Gross Profit to gross profit, the closest comparable U.S. GAAP measure, certain limitations of Non-GAAP measures and why management has included such Non-GAAP measures.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") were $60.4 million for the three months ended September 30, 2022, compared to $42.4 million in the prior year period. As a percentage of net sales, SG&A increased to 39.9% for the three months ended September 30, 2022, compared to 39.4% in the prior year period. The increase in SG&A as a percentage of net sales was a result of increased media expenses as a percentage of net sales of 290 basis points, increased logistics cost of 60 basis points, offset by increased selling, general and administrative expense leverage of 300 basis points due to higher net sales. Adjusted SG&A for the three months ended September 30, 2022, was $48.9 million, or 32.3% as a percentage of net sales, compared to $33.3 million, or 31.0% as a percentage of net sales, in the prior year period. The increase in Adjusted SG&A as a percentage of net sales was mainly a result of increased media spend as a percentage of net sales of 290 basis points, increased logistics cost of 60 basis points, offset by adjusted selling, general and administrative expense leverage of 220 basis points. See “—Non-GAAP Financial Measures” for how we define Adjusted SG&A, a reconciliation of Adjusted SG&A to SG&A, the closest comparable U.S. GAAP measure, certain limitations of Non-GAAP measures and why management has included such Non-GAAP measures.

Loss from Operations

Loss from operations increased by $15.1 million to a loss from operations of $15.9 million for the three months ended September 30, 2022 as compared to a loss from operations of $0.8 million for the same period in the prior year as a result of the factors discussed above.

Interest Expense

Interest expense relating to our Credit Facility increased $1.1 million to interest expense of $1.8 million for the three months ended September 30, 2022 as compared to interest expense of $0.7 million for the same period in the prior year as a result of the New Loan Agreement and additional borrowings discussed in Note 1.

Loss on Equity Method Investment

Our loss on equity method investment for the three months ended September 30, 2022, was $0.9 million from the Company's 19% interest in a privately held company.

Net Loss

Net loss increased $16.4 million to a net loss of $18.4 million for the three months ended September 30, 2022, as compared to a net loss of $2.1 million for the same period in the prior year due to increased SG&A, which includes increased media spend of $7.2 million and increased plant start-up cost of $7.4 million, partially offset by contribution profit from higher sales.

Adjusted EBITDA

Adjusted EBITDA was $3.5 million, or 2.3% as a percentage of net sales (also called Adjusted EBITDA Margin), for the three months ended September 30, 2022, compared to $13.5 million, or 12.5% as a percentage of net sales, in the prior year period. The decrease in Adjusted EBITDA was a result of increased Adjusted SG&A expense partially offset by higher Adjusted Gross Profit. Beginning with third quarter 2022, the Company is no longer adding back plant start-up expense and launch expenses in its calculation of Adjusted EBITDA, which for the third quarter of 2022 represented $8.0 million and $1.5 million, respectively, compared to $0.6 million and $0.6 million, respectively, in the prior year period. Please see the supplemental schedule within "— Recent Developments" reconciling this change in methodology. See "—Non-GAAP Financial Measures" for how we define Adjusted EBITDA, a reconciliation of Adjusted EBITDA to EBITDA, the closest comparable U.S. GAAP measure, certain limitations of Non-GAAP measures and why management has included such Non-GAAP measures, as well as for a discussion of certain changes we made to our methodology for calculating Adjusted EBITDA beginning with the current period ending September 30, 2022; see the section entitled "Forward-Looking Statements" in this report and the section entitled "Risk Factors" in our Annual Report for factors that could cause our results to differ, in some cases materially.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Net Sales

The following table sets forth net sales by class of retailer:

	Nine Months Ended September 30,					
	2022			2021		
	Amount	% of Net Sales	Store Count	Amount	% of Net Sales	Store Count
	(Dollars in thousands)					
Grocery, Mass and Club (1)	$ 375,847	88%	19,081	$ 259,227	84%	17,941
Pet Specialty and Natural (2)	53,664	12%	5,570	50,393	16%	5,440
Net Sales (3)	$ 429,511	100%	24,651	$ 309,619	100%	23,381

(1) Stores at September 30, 2022 and 2021 consisted of 13,429 and 12,595 Grocery and 5,652 and 5,346 Mass and Club, respectively.
(2) Stores at September 30, 2022 and 2021 consisted of 5,096 and 4,967 Pet Specialty and 474 and 473 Natural, respectively.
(3) Online sales associated with each class of retailer are included within their respective total.

Net sales increased $119.9 million, or 38.7%, to $429.5 million for the nine months ended September 30, 2022 as compared to $309.6 million in the same period in the prior year. The $119.9 million increase in net sales was driven by $62.5 million due to volume, including refilling our trade inventory, and $57.4 million due to price and mix. Of the sales increase, $116.6 million of growth was experienced in our Grocery (including Online), Mass, and Club refrigerated channels and $3.3 million of growth was experienced in our Pet Specialty and Natural refrigerated channels. Our Freshpet Fridge store locations grew by 5.4% to 24,651 as of September 30, 2022 compared to 23,381 as of September 30, 2021.

Gross Profit

Gross profit was $140.3 million, or 32.7% as a percentage of net sales, for the nine months ended September 30, 2022, compared to $120.9 million, or 39.1% as a percentage of net sales, in the prior year period. For the nine months ended September 30, 2022, Adjusted Gross Profit was $159.3 million, or 37.1% as a percentage of net sales, compared to $137.6 million, or 44.4% as a percentage of net sales, in the prior year period. The decreases in gross profit as a percentage of net sales and Adjusted Gross Profit as a percentage of net sales were primarily due to plant start-up expense of $18.1 million, inflation of ingredient cost and labor, and quality issues, partially offset by increased pricing. See "—Non-GAAP Financial Measures" for how we define Adjusted Gross Profit, a reconciliation of Adjusted Gross Profit to gross profit, the closest comparable U.S. GAAP measure, certain limitations of Non-GAAP measures and why management has included such Non-GAAP measures.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") were $190.2 million for the nine months ended September 30, 2022, compared to $138.0 million in the prior year period. As a percentage of net sales, SG&A decreased to 44.3% for the nine months ended September 30, 2022, compared to 44.6% in the prior year period. The decrease in SG&A as a percentage of net sales was a result of increased selling, general and administrative expense leverage of 370 basis points due to higher net sales, partially offset by increased media expenses as a percentage of net sales of 340 basis points. Adjusted SG&A for the nine months ended September 30, 2022, was $158.5 million, or 36.9% as a percentage of net sales, compared to $110.2 million, or 35.6% as a percentage of net sales, in the prior year period. The increase in Adjusted SG&A as a percentage of net sales was a result of increased media expenses as a percentage of net sales of 340 basis points offset by increased selling, general and administrative expense leverage of 210 basis points due to higher net sales. See "—Non-GAAP Financial Measures" for how we define Adjusted SG&A, a reconciliation of Adjusted SG&A to SG&A, the closest comparable U.S. GAAP measure, certain limitations of Non-GAAP measures and why management has included such Non-GAAP measures.

Loss from Operations

Loss from operations increased by $32.9 million to a loss from operations of $49.9 million for the nine months ended September 30, 2022 as compared to a loss from operations of $17.0 million for the same period in the prior year as a result of the factors discussed above.

Interest Expense

Interest expense relating to our Credit Facility increased $1.8 million to interest expense of $4.1 million for the nine months ended September 30, 2022 as compared to an interest expense of $2.2 million for the same period in the prior year as a result of the New Loan Agreement and increased borrowings discussed in Note 1.

Loss on Equity Method Investment

Our loss on equity method investment for the nine months ended September 30, 2022, was $3.0 million from the Company's 19% interest in a privately held company.

Net Loss

Net loss increased $36.1 million to a net loss of $56.6 million for the nine months ended September 30, 2022, as compared to a net loss of $20.4 million for the same period in the prior year due to increased SG&A, which includes increased media spend of $27.2 million and increased plant start-up expense of $14.4 million, partially offset by higher net sales and increased gross profit.

Adjusted EBITDA

Adjusted EBITDA was $1.3 million, or 0.3% as a percentage of net sales (also called Adjusted EBITDA Margin), for the nine months ended September 30, 2022, compared to $27.4 million, or 8.8% as a percentage of net sales, in the prior year period. The decrease in Adjusted EBITDA was a result of increased Adjusted SG&A expense (including $2.7 million of launch expense) partially offset by higher net sales and Adjusted Gross Profit (including $18.1 million of plant start-up expense). See "—Non-GAAP Financial Measures" for how we define Adjusted EBITDA, a reconciliation of Adjusted EBITDA to EBITDA, the closest comparable U.S. GAAP measure, certain limitations of Non-GAAP measures and why management has included such Non-GAAP measures, as well as for a discussion of certain changes we made to our methodology for calculating Adjusted EBITDA beginning with the current period ending September 30, 2022; see the section entitled "Forward-Looking Statements" in this report and the section entitled "Risk Factors" in our Annual Report for factors that could cause our results to differ, in some cases materially.

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 U.S. GAAP reported measures, should not be considered replacements for, or superior to, the U.S. GAAP measures and may not be comparable to similarly named measures used by other companies.

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

Such financial measures are not financial measures prepared in accordance with U.S. GAAP. We define Adjusted Gross Profit as Gross Profit before depreciation expense, non-cash share-based compensation and COVID-19 expenses. We define Adjusted SG&A as SG&A expenses before depreciation and amortization expense, non-cash share-based compensation, fees related to equity offerings of our common stock, implementation and other costs associated with the implementation of an ERP system, loss on disposal of equipment, COVID-19 expenses, and organization changes designed to support long-term growth objectives. As of the fourth quarter of 2021, all remaining COVID-19 expenses are part of our operating performance. EBITDA represents net income (loss) plus interest expense, income tax expense and depreciation and amortization. Adjusted EBITDA represents EBITDA plus loss on equity method investment, non-cash share-based compensation, fees related to equity offerings of our common stock, implementation and other costs associated with the implementation of an ERP system, loss on disposal of equipment, COVID-19 expenses, and organization changes designed to support long-term growth objectives. As part of the Company's focus on cash, we are changing how we report Adjusted EBITDA. Beginning with the current period ended September 30, 2022, the Company is no longer adding back launch expenses and plant start-up expense in its calculation of Adjusted EBITDA. This change is reflective of a renewed focus on cash, that will provide greater clarity on our path toward generating positive net income as the business scales further following the Company's planned capacity additions. The presentation for Adjusted EBITDA for the prior year period and prior quarter period has been recast to reflect these changes to enhance comparability between periods, as set forth above under "-Recent Developments".

We believe that each of these non-GAAP financial measures provide additional metrics to evaluate our operations and, when considered with both our U.S. GAAP results and the reconciliation to the closest comparable U.S. GAAP measures, provides a more complete understanding of our business than could be obtained absent this disclosure. We use the non-GAAP financial measures, together with U.S. GAAP financial measures, such as net sales, gross profit margins and cash flow from operations, to assess our historical and prospective operating performance, to provide meaningful comparisons of operating performance across periods, to enhance our understanding of our operating performance and to compare our performance to that of our peers and competitors.

Adjusted EBITDA is also an important component of internal budgeting and setting management compensation.

The non-GAAP financial measures are presented here because we believe they are useful to investors in assessing the operating performance of our business without the effect of non-cash items, and other items as detailed below. The non-GAAP financial measures should not be considered in isolation or as alternatives to net income (loss), income (loss) from operations or any other measure of financial performance calculated and prescribed in accordance with U.S. GAAP. Neither EBITDA nor Adjusted EBITDA should be considered a measure of discretionary cash available to us to invest in the growth of our business. Our non-GAAP financial measures may not be comparable to similarly titled measures in other organizations because other organizations may not calculate non-GAAP financial measures in the same manner as we do.

Our presentation of the non-GAAP financial measures should not be construed as an inference that our future results will be unaffected by the expenses that are excluded from that term or by unusual or non-recurring items. We recognize that the non-GAAP financial measures have limitations as analytical financial measures. For example, the non-GAAP financial measures do not reflect:

- our capital expenditures or future requirements for capital expenditures;
- the interest expense, or the cash requirements necessary to service interest expense or principal payments, associated with indebtedness;
- depreciation and amortization, which are non-cash charges, although the assets being depreciated and amortized will likely have to be replaced in the future, nor any cash requirements for such replacements; and
- changes in our cash requirements for our working capital needs.

Additionally, Adjusted EBITDA excludes (i) non-cash share-based compensation expense, which is and will remain a key element of our overall long-term incentive compensation package, and (ii) certain costs essential to our sales growth and strategy, including an allowance for marketing expenses for each new store added to our network and non-capitalizable freight costs associated with Freshpet Fridge replacements. Adjusted EBITDA also excludes certain cash charges resulting from matters we consider not to be indicative of our ongoing operations. Other companies in our industry may calculate the non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to net loss, the most directly comparable financial measure presented in accordance with U.S. GAAP:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Net loss	$ (18,449)	$ (2,070)	$ (56,577)	$ (20,433)
Depreciation and amortization	8,546	7,746	24,424	22,489
Interest expense	1,817	677	4,060	2,232
Income tax expense	41	16	123	48
EBITDA	**$ (8,045)**	**$ 6,369**	**$ (27,970)**	**$ 4,336**
Loss on equity method investment	943	539	$ 2,969	1,124
Loss on disposal of equipment	124	412	203	518
Non-cash share-based compensation	7,821	5,746	20,409	18,516
Enterprise Resource Planning (a)	1,937	273	4,946	1,123
COVID-19 expense (b)	—	119	—	1,758
Organization changes (c)	734	—	734	—
Adjusted EBITDA	**$ 3,514**	**$ 13,458**	**$ 1,291**	**$ 27,375**
Adjusted EBITDA as a % of Net Sales	2.3%	12.5%	0.3%	8.8%

(a) Represents implementation, amortization of deferred implementation costs and other costs associated with the implementation of an ERP system.

(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 related to mitigating potential supply chain disruptions during the pandemic. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.

(c) Represents transition costs related to the organization changes designed to support growth, including several changes in organizational structure designed to enhance capabilities and support long-term growth objectives.

The following table provides a reconciliation of Adjusted Gross Profit to Gross Profit, the most directly comparable financial measure presented in accordance with U.S. GAAP:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Gross profit	$ 44,545	$ 41,525	$ 140,324	$ 120,931
Depreciation expense	5,159	4,075	14,208	11,896
Non-cash share-based compensation	2,450	1,058	4,789	2,970
COVID-19 expense (a)	—	119	—	1,753
Adjusted Gross Profit	**$ 52,154**	**$ 46,777**	**$ 159,321**	**$ 137,550**
Adjusted Gross Profit as a % of Net Sales	34.5%	43.5%	37.1%	44.4%

(a) 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 related to mitigating potential supply chain disruptions during the pandemic included in cost of goods sold. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.

The following table provides a reconciliation of Adjusted SG&A Expenses to SG&A Expenses, the most directly comparable financial measure presented in accordance with U.S. GAAP:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
SG&A expenses	$ 60,449	$ 42,365	$ 190,241	$ 137,955
Depreciation and amortization expense	3,387	3,671	10,216	10,593
Non-cash share-based compensation	5,371	4,688	15,620	15,546
Loss on disposal of equipment	124	412	203	518
Enterprise Resource Planning (a)	1,937	273	4,946	1,123
COVID-19 expense (b)	—	—	—	5
Organization changes (c)	734	—	734	—
Adjusted SG&A Expenses	**$ 48,896**	**$ 33,321**	**$ 158,522**	**$ 110,170**
Adjusted SG&A Expenses as a % of Net Sales	32.3%	31.0%	36.9%	35.6%

(a) Represents implementation, amortization of deferred implementation costs and other costs associated with the implementation of an ERP system.

(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 related to mitigating potential supply chain disruptions during the pandemic included in SG&A. As of the fourth quarter of 2021, all remaining COVID-19 related expenses are part of our operating performance.

(c) Represents transition costs related to the organization changes designed to support growth, including several changes in organizational structure designed to enhance capabilities and support long-term growth objectives.

Liquidity and Capital Resources

We expect to make future capital expenditures in connection with the completion of our planned development and of Freshpet Kitchens Ennis Phase 1, Ennis Chicken Processing and Freshpet Kitchens South. During FY 2022, we expect to spend approximately $290 million of capital expenditures to meet our capacity needs as well as recurring capital expenditures. To meet our capital needs, we expect to rely on our current and future cash flow from operations, our available borrowing capacity, and access to the capital markets, if appropriate. Our ability to obtain additional funding will be subject to various factors, including general market conditions, our operating performance, the market's perception of our growth potential, lender sentiment and our ability to incur additional debt in compliance with other contractual restrictions, such as financial covenants under our debt agreements.

Additionally, our ability to make payments on, and to refinance, any indebtedness under our credit facilities and to fund any necessary expenditures for our growth will depend on our ability to generate cash in the future. If our business does not achieve the levels of profitability or generate the amount of cash that we anticipate or if we expand faster than anticipated, we may need to seek additional debt or equity financing to operate and expand our business. Future third-party financing may not be available on favorable terms or at all.

Our primary cash needs, in addition to our plant expansions, are for purchasing ingredients, operating expenses, marketing expenses and capital expenditures to procure Freshpet Fridges. We believe that cash and cash equivalents, expected cash flow from operations, planned borrowing capacity and our ability to access the capital markets, if appropriate, are adequate to fund our debt service requirements, operating lease obligations, capital expenditures and working capital obligations for the foreseeable future. We believe our sources of liquidity and capital will be sufficient to finance our continued operations, growth strategy and additional expenses we expect to incur for at least the next twelve months. However, our ability to continue to meet these requirements and obligations will depend on, among other things, our ability to achieve anticipated levels of revenue and cash flow from operations and our ability to manage costs and working capital successfully. Additionally, our cash flow generation ability is subject to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations in an amount sufficient to enable us to fund our liquidity needs. Expanding certain of our Freshpet Kitchens, including any long-term capacity expansion, primarily comprises our material future cash requirement. However, our capital requirements, including our cash requirements, may vary materially from those currently planned if, for example, our revenues do not reach expected levels, or we have to incur unforeseen capital expenditures and make investments to maintain our competitive position. If this is the case, we may seek alternative financing, such as selling additional debt or equity securities, and we cannot assure you that we will be able to do so on favorable terms, if at all. Moreover, if we issue new debt securities, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity or convertible debt securities, existing stockholders may experience dilution, and such new securities could have rights senior to those of our common stock. These factors may make the timing, amount, terms and conditions of additional financings unattractive. Our inability to raise capital could impede our growth or otherwise require us to forego growth opportunities and could materially adversely affect our business, financial condition and results of operations.

On April 29, 2022, the Company entered into the First Amendment to the New Loan Agreement, which amendment, among other things, (i) made amendments to allow for the Company's projected Capital Expenditures (as defined in the Amended Credit Agreement) without either triggering mandatory prepayment obligations or violating the Capital Expenditure covenant and (ii) replaced the LIBOR interest rate for U.S. dollar loans to a term Secured Overnight Financing Rate (or "Term SOFR", as defined in the Amended Credit Agreement).

The following table sets forth, for the periods indicated, our working capital:

	September 30, 2022	December 31, 2021
	(Dollars in thousands)	
Cash and cash equivalents	$ 240,310	$ 72,788
Short-term investments	19,891	—
Accounts receivable, net of allowance for doubtful accounts	48,235	34,780
Inventories, net	64,334	35,574
Prepaid expenses	8,395	5,834
Other current assets	2,314	1,349
Accounts payable	(37,046)	(42,612)
Accrued expenses	(19,576)	(14,950)
Current operating lease liabilities	(1,478)	(1,384)
Current portion of long-term debt	(72,872)	-
Total Working Capital	$ 252,507	$ 91,379

Working capital consists of current assets net of current liabilities. Working capital increased $161.1 million to $252.5 million at September 30, 2022 compared with working capital of $91.4 million at December 31, 2021. The increase was primarily a result of an increase of $167.5 million in cash and cash equivalents as we fund our capital expansion plan, an increase in accounts receivable of $13.5 million due to increased sales, an increase in inventory of $28.8 million and an decrease in accounts payable of $5.6 million as a result of timing and capital expenditures of approximately $15.5 million related to our capital expansion plan. The increase was partially offset by an increase of current portion of long-term debt of $72.9 million and an increase of accrued expenses of $4.6 million.

We normally carry three to four weeks of finished goods inventory. The average duration of our accounts receivable is approximately 25 days. As of September 30, 2022, our accounts receivable aging increased by approximately four days as a result of the ERP implementation.

As of September 30, 2022, our capital resources consisted primarily of $240.3 million of cash and cash equivalents on hand, $19.9 million of short-term investments, and $274.8 million available under our $350.0 million Credit Facility, which reflects $0.2 million reserved for two letters of credit.

We expect to fund our ongoing operations and obligations with cash and cash equivalents, short-term investments, cash flow from operations and available funds under our Credit Facility.

The following table sets forth, for the periods indicated, our beginning balance of cash, net cash flows used in operating, investing and provided by financing activities and our ending balance of cash:

	Nine Months Ended September 30,	
	2022	2021
	(Dollars in thousands)	
Cash at the beginning of period	$ 72,788	$ 67,247
Net cash used in operating activities	(53,680)	(3,335)
Net cash used in investing activities	(190,570)	(220,835)
Net cash provided by financing activities	411,772	327,759
Cash at the end of period	$ 240,310	$ 170,836

Net Cash used in Operating Activities

Cash used in operating activities consists primarily of net loss adjusted for certain non-cash items (i.e., provision for loss on receivables, loss/(gain) on disposal of equipment, change in reserve for inventory obsolescence, depreciation and amortization, amortization of deferred financing costs and loan discount, and share-based compensation).

Net cash used in operating activities of $53.7 million for the nine months ended September 30, 2022, was primarily attributed to:

- $3.5 million of net loss, adjusted for reconciling non-cash items, which excludes $53.1 million primarily related to $24.4 million of depreciation and amortization, $20.4 million of share-based compensation including amortization of warrants, $3.5 million of inventory obsolescence, $3.0 million of loss on investments in equity method investment, and $1.0 million of change in operating lease right of use asset.

This was offset by:

- $50.2 million decrease due to changes in operating assets and liabilities. The decrease is primarily due to the change in accounts receivable, inventories and other assets, primarily offset by the change in accrued expenses.

Net cash from operating activities of $3.3 million for the nine months ended September 30, 2021, was primarily attributed to:

- $24.2 million of net income, adjusted for reconciling non-cash items, which excludes $44.7 million primarily related to $22.5 million of depreciation and amortization, $18.5 million of share-based compensation, $1.1 million of losses on equity method investments, $1.0 million of amortization of deferred financing costs, and $1.0 million of change in operating lease right of use asset.

This was offset by:

- $27.6 million decrease due to changes in operating assets and liabilities. The decrease is primarily due to the change in accounts receivable, inventories, other assets, and prepaid expenses and other current assets, offset by change in accounts payable and accrued expenses.

Net Cash Used in Investing Activities

Net cash used in investing activities of $190.6 million for the nine months ended September 30, 2022, was primarily attributed to:

- $167.4 million capital expenditures related to Freshpet Kitchens, plant recurring capital expenditures, and expenditures relating to investment in fridges and other capital spend.
- $19.8 million purchase of short-term investments.
- $3.3 million investment in equity method investment.

Net cash used in investing activities of $220.8 million for the nine months ended September 30, 2021, was primarily attributed to:

- $3.0 million capital expenditures related to Freshpet Kitchens Bethlehem expansion.
- $53.6 million capital expenditures related to Freshpet Kitchens South Expansion
- $136.3 million capital expenditures related to Freshpet Kitchens Ennis expansion.
- $12.8 million in plant recurring capital expenditures.
- $15.1 million capital expenditures relating to investment in fridges and other capital spend.

Net Cash Provided by Financing Activities

Net cash provided by financing activities of $411.8 million for the nine months ended September 30, 2022, was primarily attributed to:

- $337.5 million of proceeds from common shares issued in a primary offering, net of issuance cost.
- $78.0 million of proceeds from borrowings under Credit Facility.
- $0.3 million cash proceeds from the exercise of stock options.

This was partially offset by:

- $2.8 million for repayment of borrowings under Credit Facility.
- $1.3 million for tax withholdings related to net share settlements of restricted stock units.

Net cash provided by financing activities of $327.8 million for the nine months ended September 30, 2021, was primarily attributed to:

- $332.2 million of proceeds from common shares issued in a primary offering, net of issuance cost.
- $2.0 million cash proceeds from the exercise of stock options.

This was partially offset by:

- $3.3 million for debt issuance cost related to the new Credit Facility.
- $3.2 million for tax withholdings related to net share settlements of restricted stock units.

Indebtedness

For a discussion of our material indebtedness, see Note 5 to our (unaudited) consolidated financial statements included in this report.

Contractual Obligations

There were no material changes to our commitments under contractual obligations, as disclosed in our Annual Report.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements.

Critical Accounting Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States or ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the revenue and expenses incurred during the reported periods. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and share-based compensation. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ from these estimates under different assumptions or conditions.

There have been no material changes to our critical accounting estimates as compared to the critical accounting policies and estimates described in our Annual Report.

Recent Accounting Pronouncements

Recently Adopted Standards:

See Note 1 of our (unaudited) consolidated financial statements for additional information.

Standards Effective in Future Years:

We consider the applicability and impact of all Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board (FASB). ASUs not listed herein were assessed and determined to be either not applicable or are expected to have minimal impact to our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

Interest Rate Risk

We are sometimes exposed to market risks from changes in interest rates on debt and changes in commodity prices. Our exposure to interest rate fluctuations is limited to our outstanding indebtedness under our credit facilities, which bears interest at variable rates. As of September 30, 2022, we had $75.2 million outstanding borrowings under our credit facilities.

Commodity Price and Inflation Risk

We purchase certain products and services that are affected by commodity prices and are, therefore, subject to price volatility caused by weather, market conditions and other factors which are not considered predictable or within our control. In many cases, we believe we will be able to address material commodity cost increases by either increasing prices or reducing operating expenses. However, increases in commodity prices, without adjustments to pricing or reduction to operating expenses, could increase our operating costs as a percentage of our net sales.

Foreign Exchange Rates

Fluctuations in the currencies of countries where the Company operates outside the U.S. may have a significant impact on financial results. The Company is exposed to movements in the British pound sterling and Euro. The Statements of Financial Position of non-U.S. business units are translated into U.S. dollars using period-end exchange rates for assets and liabilities and average exchange rates for revenues and expenses. The percentage of our consolidated revenue for the three and nine months ended September 30, 2022 recognized in Europe was approximately 1%.

The Company may, from time to time, enter into forward exchange contracts to reduce the Company’s exposure to foreign currency fluctuations of certain assets and liabilities denominated in foreign currencies. Historically, the foreign currency forward contracts have not been designated as hedges and, accordingly, any changes in their fair value are recognized on the Consolidated Statements of Operations and Comprehensive Income (Loss) in Other expenses, net, and carried at their fair value in the Consolidated Balance Sheet with gains reported in prepaid expenses and other current assets and losses reported in accrued expenses. As of September 30, 2022, there were no forward contracts outstanding.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Interim Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Interim Chief Financial Officer have concluded that as of such date our disclosure controls and procedures were effective.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We transitioned to a new enterprise resource planning (ERP) system during the first quarter of 2022. Implementation, integration and transition efforts will continue thereafter. In connection with the implementation, integration and transition, and resulting business process changes, we continue to review and enhance the design and documentation of our internal control over financial reporting processes to maintain effective controls over our financial reporting following the completion of the implementation, integration and transition. To date, the implementation, integration and transition have not materially affected our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer and Interim Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are currently involved in various claims and legal actions that arise in the ordinary course of our business, including claims resulting from employment related matters. None of these claims or proceedings, most of which are covered by insurance, are expected to have a material adverse effect on our business, financial condition, results of operations or cash flows. However, a significant increase in the number of these claims or an increase in amounts owing under successful claims could materially and adversely affect our business, financial condition, results of operations or cash flows. See Note 11 — Commitments and Contingencies for additional discussion of pending litigation.

Item 1A. Risk Factors

Except as set forth below, there have been no material changes to the risk factors previously reported under Item 1A. "Risk Factors" in our Annual Report. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially affect our business, financial condition and/or operating results.

Shareholder activism could cause us to incur significant expense, disrupt our business, result in a proxy contest or litigation and impact our stock price.

We have been subject to shareholder activism, including relating to the positions expressed by JANA Partners LLC in the Schedule 13D that it filed on September 22, 2022, and may be subject to such activism in the future, which could result in substantial costs and divert management's and our Board's attention and resources from our business. Such shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with our employees, customers, or suppliers and make it more difficult to attract and retain qualified personnel. We may be required to incur significant fees and other expenses related to activist shareholder matters, including for third-party advisors. We may be subjected to a proxy contest or to litigation by activist investors and our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any shareholder activism.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On September 29, 2022, the Company issued to operators of Freshpet Kitchens warrants to purchase up to an aggregate of 194 thousand shares of our voting common stock, on a cashless exercise basis, at a price of $0.01 per share. The warrants were issued as partial consideration to this operator under our supply agreement with them for a value of approximately $9.8 million under that agreement.

The foregoing transaction did not involve any underwriters, any underwriting discounts or commissions, or any public offering. We believe the issuance described above was exempt from registration under the Securities Act by virtue of Section 4(a)(2) of the Securities Act, because the issuance of securities to the recipients did not involve a public offering. The issuances of these securities were made without any general solicitation or advertising.

Item 6. Exhibits

Exhibit No.	Description
3.1	Sixth Amended and Restated Certificate of Incorporation of Freshpet, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on October 4, 2022)
3.2	Amended and Restated Bylaws of Freshpet, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on October 4, 2022)
10.1	Separation Agreement and General Release of Claims, dated October 13, 2022, by and among the Company and Heather Pomerantz (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 19, 2022)
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Interim Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Chief Executive Officer and Interim Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
EX-101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.
EX-101.SCH*	Inline XBRL Taxonomy Extension Schema Document
EX-101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
EX-101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
EX-101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
EX-101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
EX-104	Inline XBRL Formatted Cover Page (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 8, 2022	**FRESHPET, INC.**
	/s/ William B. Cyr William B. Cyr Chief Executive Officer (Principal Executive Officer)
	/s/ Richard Kassar Richard Kassar Interim Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, William B. Cyr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Freshpet, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2022

/s/ William B. Cyr
William B. Cyr
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Richard Kassar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Freshpet, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2022

/s/ Richard Kassar
Richard Kassar
Interim Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO § 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Quarterly Report on Form 10-Q of Freshpet, Inc., a Delaware corporation (the "Company"), for the quarter ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: November 8, 2022

/s/ William B. Cyr
William B. Cyr
Chief Executive Officer

/s/ Richard Kassar
Richard Kassar
Interim Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.