



pets. people. planet.

Q4 2020 Earnings Report & 2021 Guidance
February 22, 2021



Forward Looking Statements & Non-GAAP Measures

Forward-Looking Statements

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

Non-GAAP Measures

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

Freshpet defines EBITDA as net income (loss) plus interest expense, income tax expense and depreciation and amortization expense, and Adjusted EBITDA as EBITDA plus gain (loss) on disposal of equipment, plant start-up expenses, non-cash share-based compensation, launch expense, fees related to equity offerings, COVID-19 expenses, and fees associated with due diligence of new enterprise resource planning (“ERP”) software.

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

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

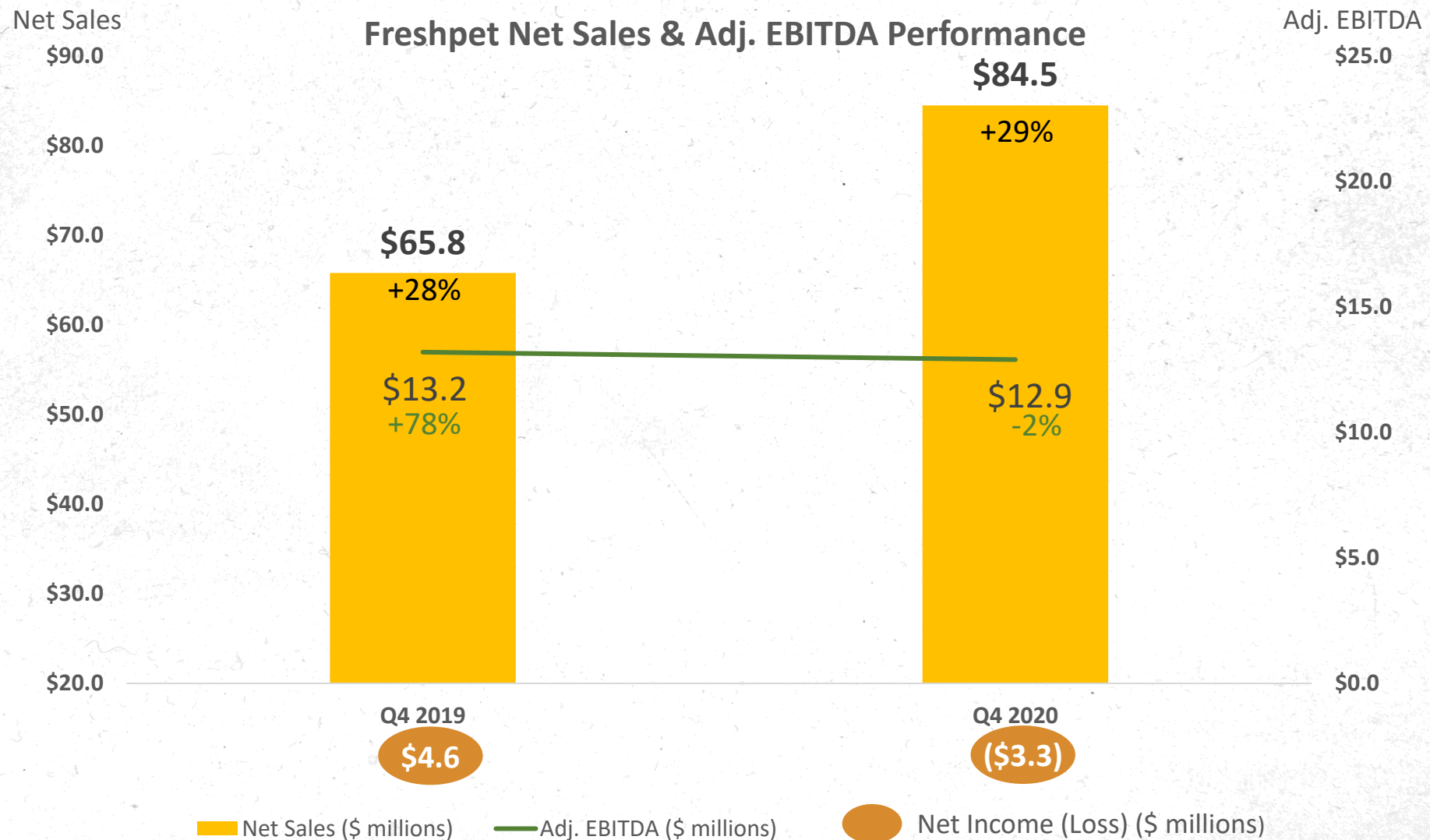
Management believes that the non-GAAP financial measures are meaningful to investors because they provide a view of the Company with respect to ongoing operating results. Non-GAAP financial measures are shown as supplemental disclosures in this presentation because they are widely used by the investment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

Certain of these measures present the company's guidance for fiscal year 2020, for which the Company has not yet completed its internal or external audit procedures. The Company does not provide guidance for the most directly comparable GAAP measure and similarly cannot provide a reconciliation to such measure without unreasonable effort due to the unavailability of reliable estimates for certain items. These items are not within the Company's control and may vary greatly between periods and could significantly impact future financial results.

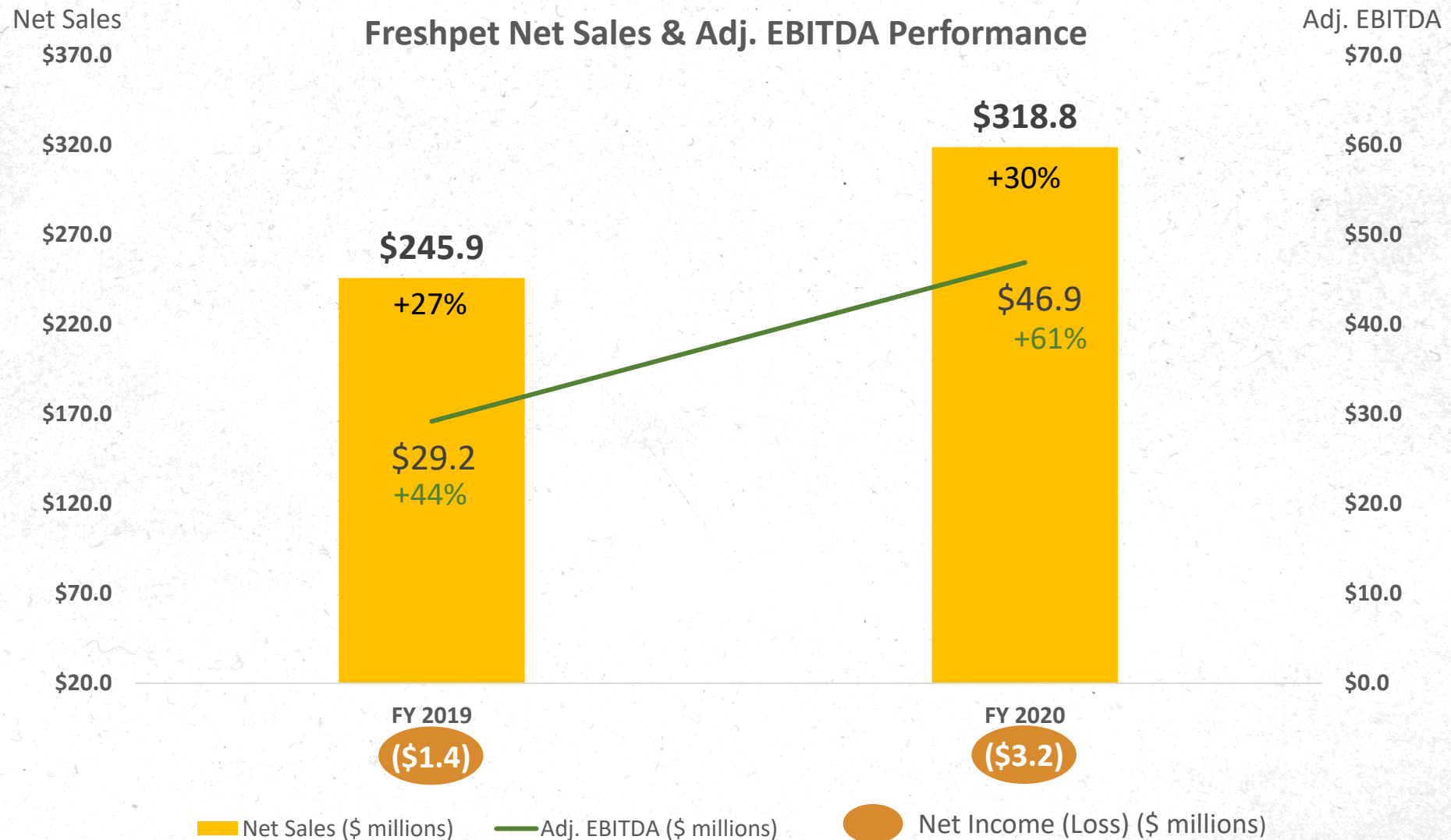


Q4 2020 & FY 2020 Final Results

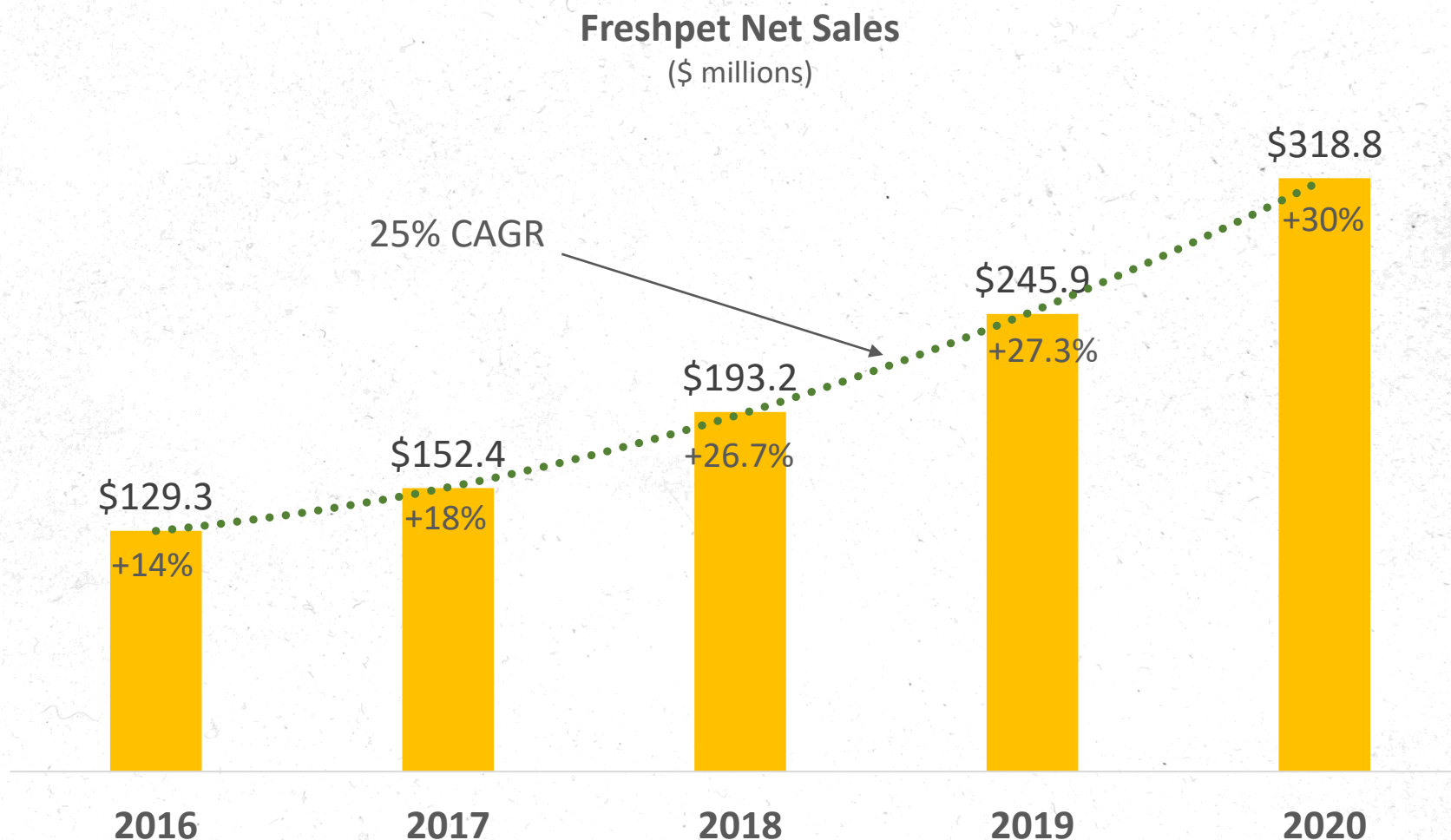
Q4 2020 : Strong growth constrained by supply limits that also temporarily increased costs



FY 2020 : Continued accelerating Net Sales and Adj. EBITDA growth

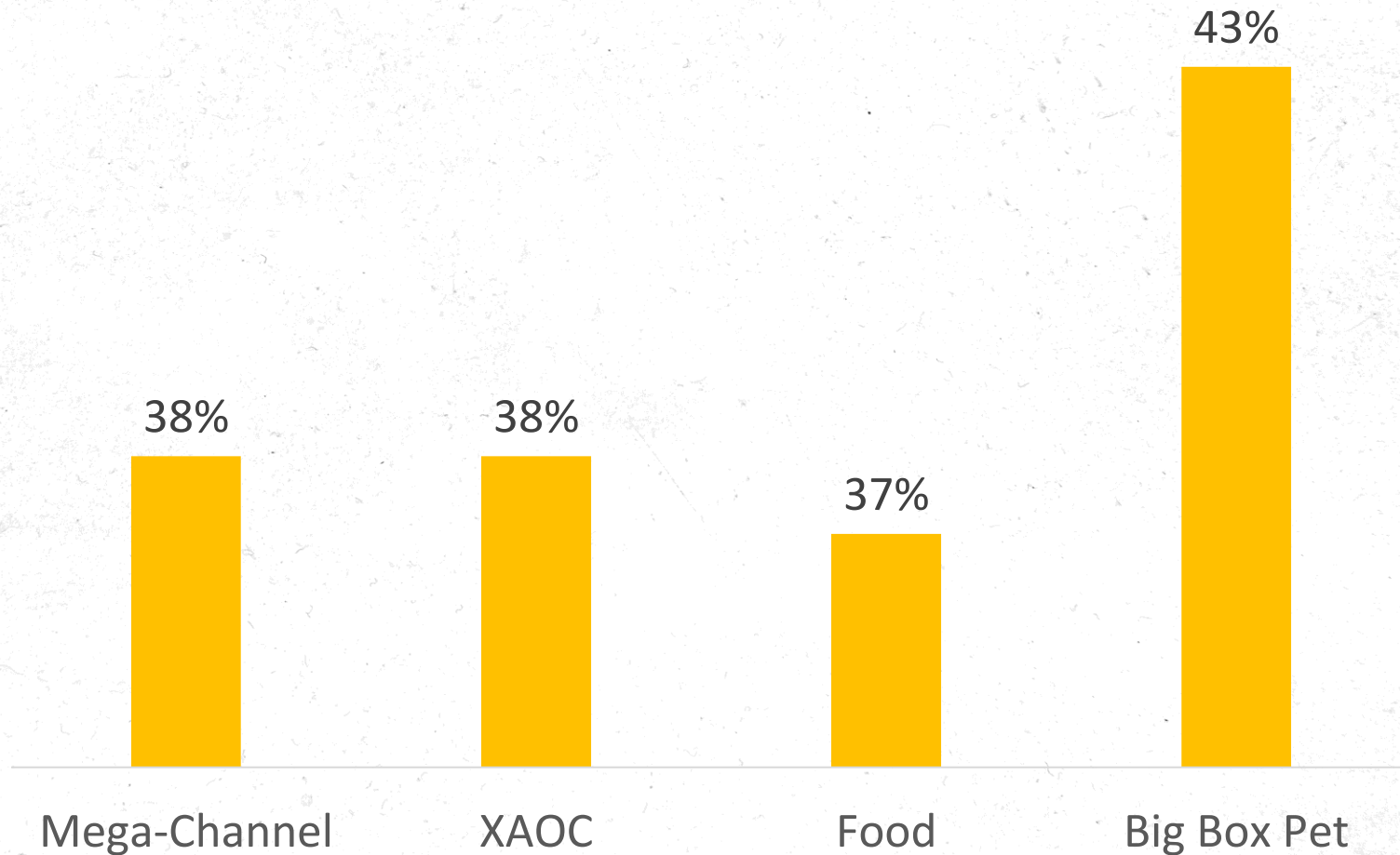


2020: Fourth consecutive year of accelerating growth



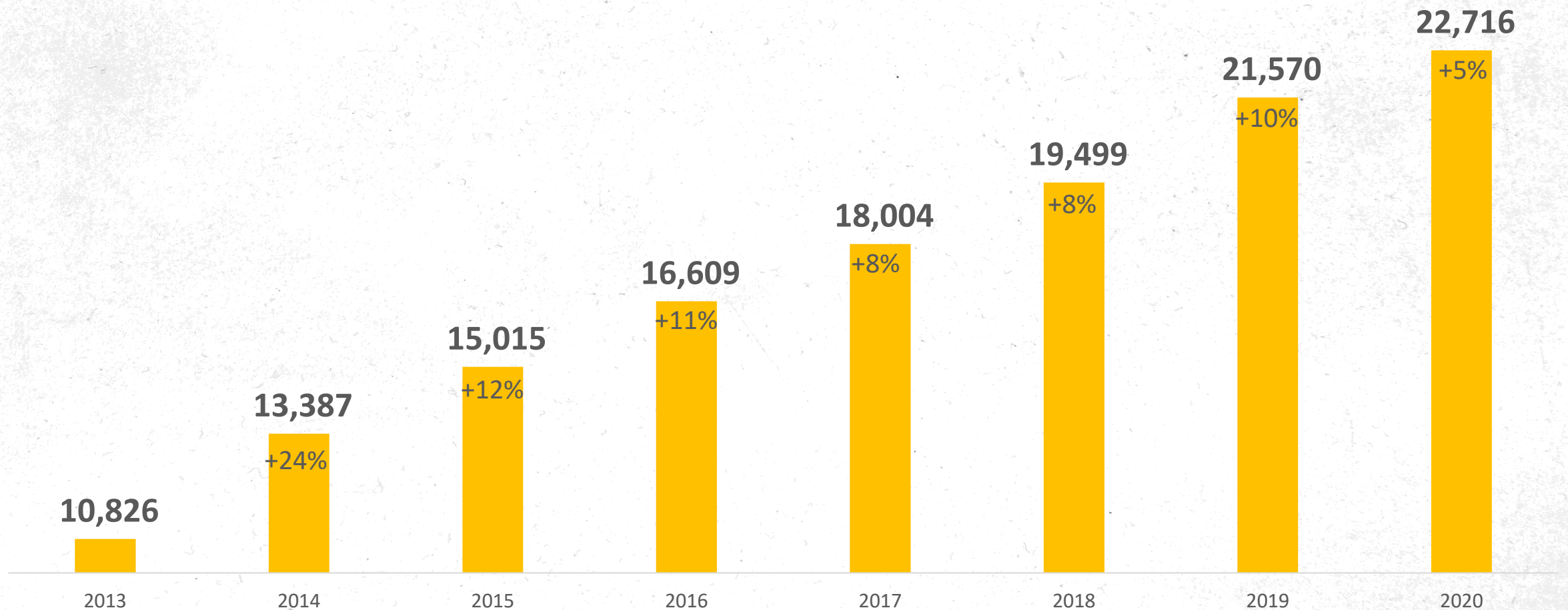
Strong growth across channels; resurgence of pet specialty

Q4 2020 Nielsen Consumption Growth



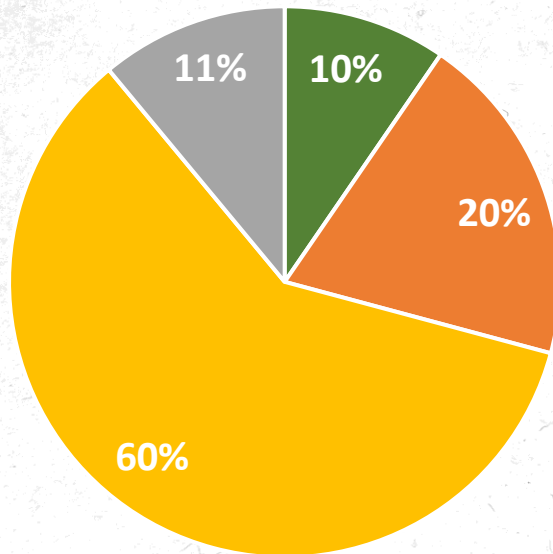
Despite COVID interruptions, store count growth continued

Freshpet Store Count



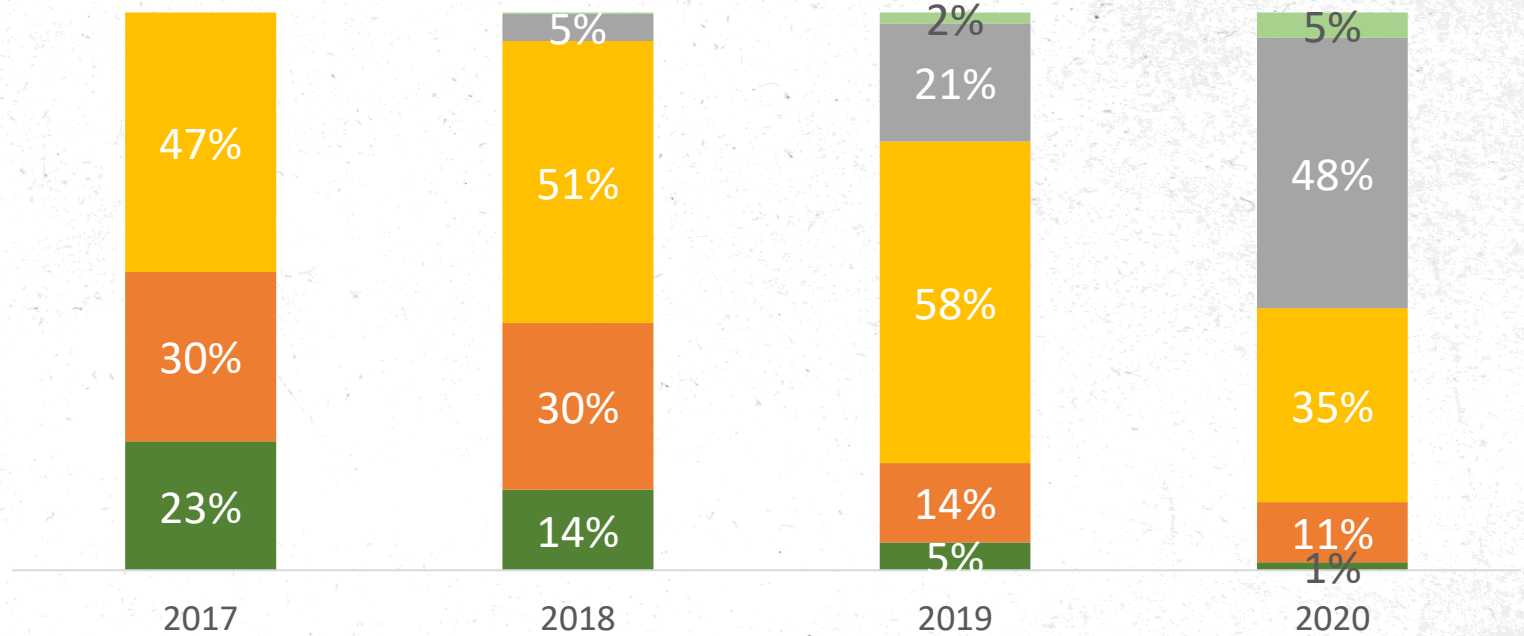
New fridge placements skew heavily to second fridges

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



■ Small ■ Medium ■ Large ■ 2+ Chillers

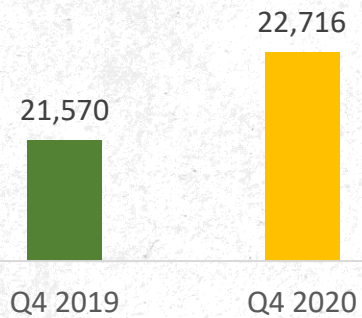
New Fridge Installations by Size
(US & Canada)



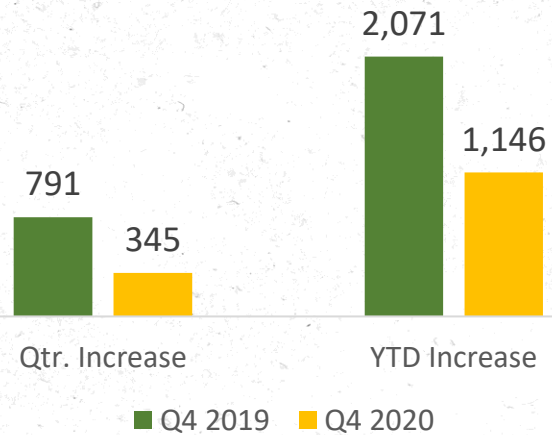
■ Small ■ Medium ■ Large ■ 2 Chillers ■ 3 Chillers

Strong gains in retail availability

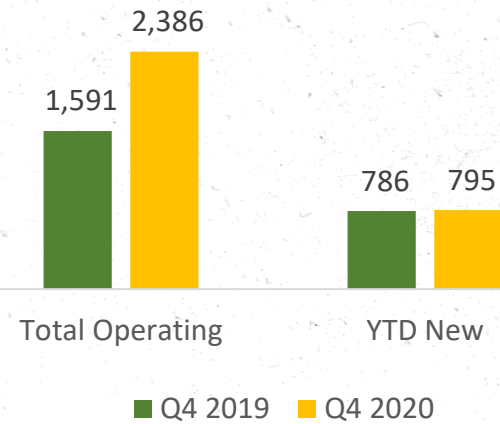
Store Count



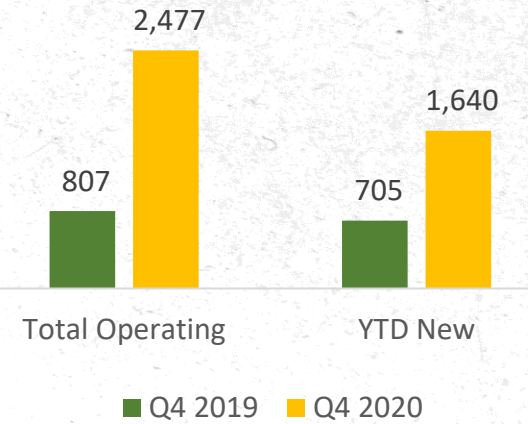
Net New Stores



Fridge Upgrades



Second Fridges



2020 Freshpet e-com grew +173%

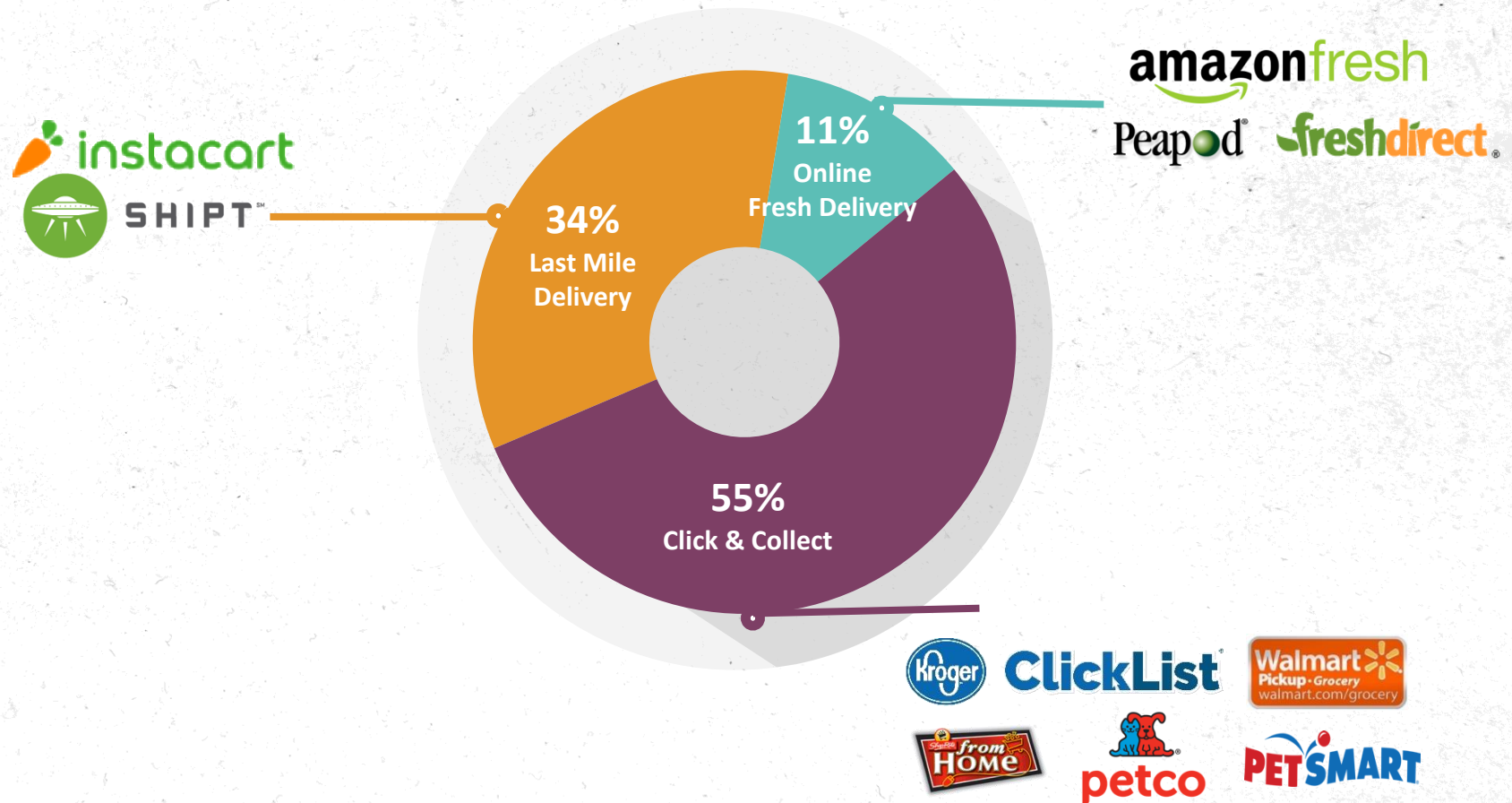
2020 - 4.9%
% of total FP sales
through e-com

89% of Sales
contribute to brick
& mortar

e-com business
model established
with strong returns

2021+ will see 3x+
marketing
investments

2021 - major
expansion with
partners



Halfway to our 2025 8 MM household (HH) goal

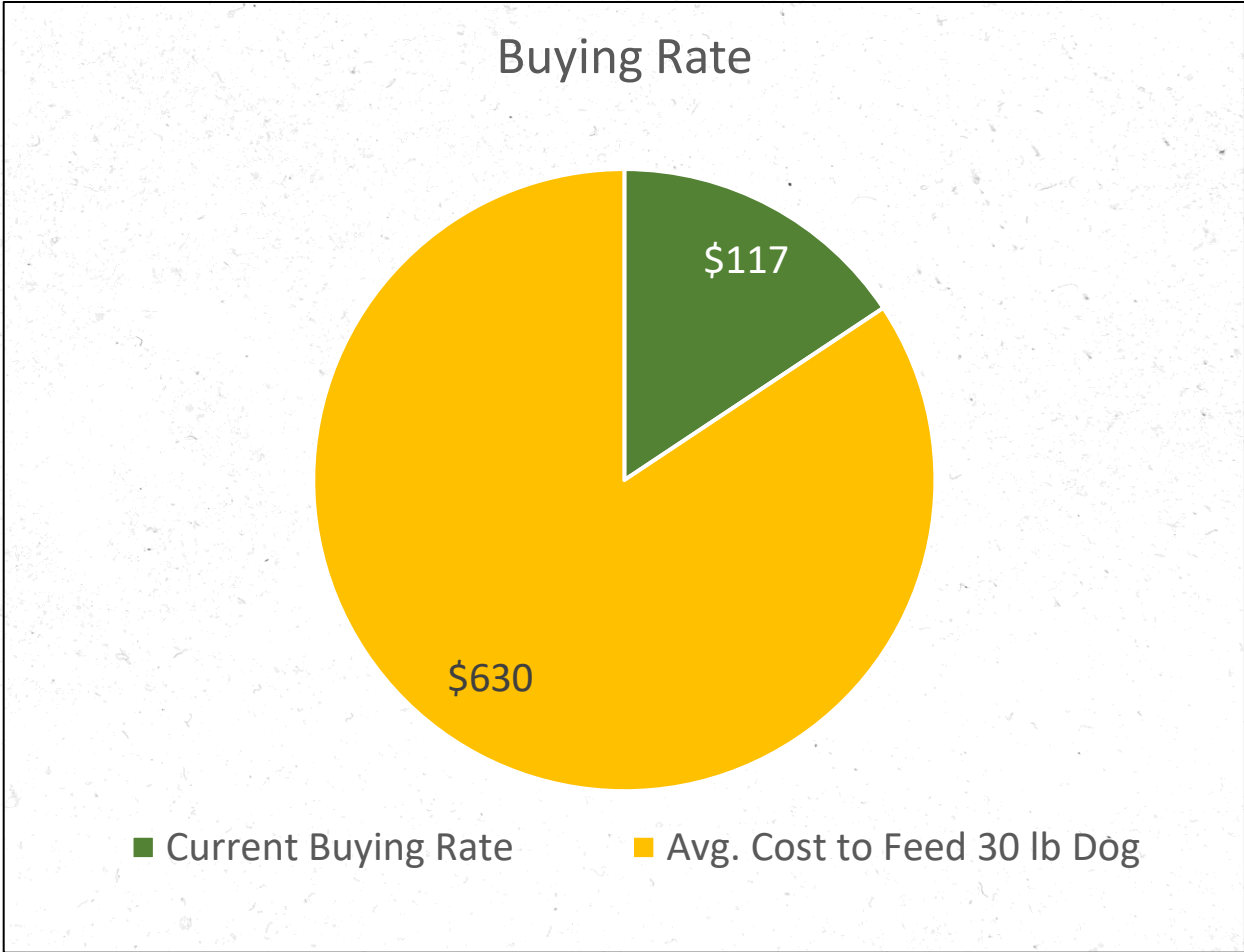
Progress Towards 2025 HH Penetration Goal



■ Current HH Penetration ■ 2025 Target HH Penetration

Source: Nielsen HH Panel for the period ending 12/26/20

Opportunity to continue growing the buying rate

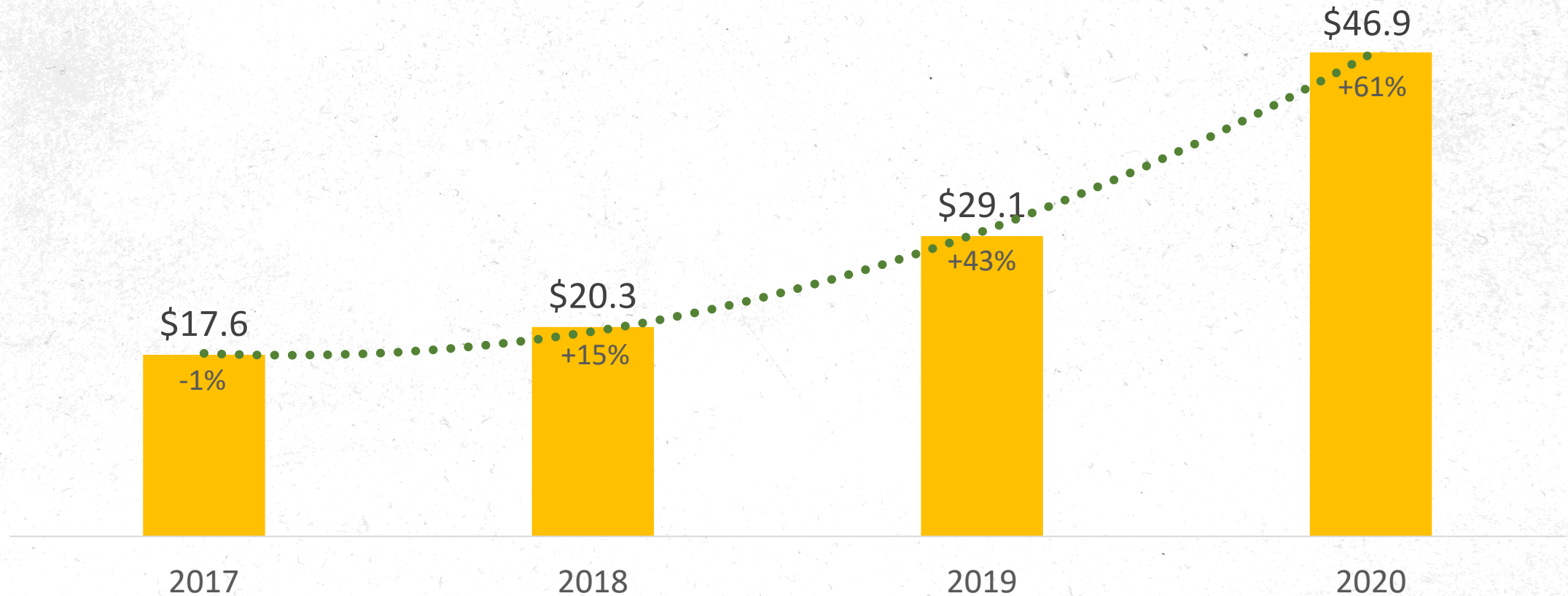


Source: Nielsen HH Panel Data through 12/26/20 and internal company calculations

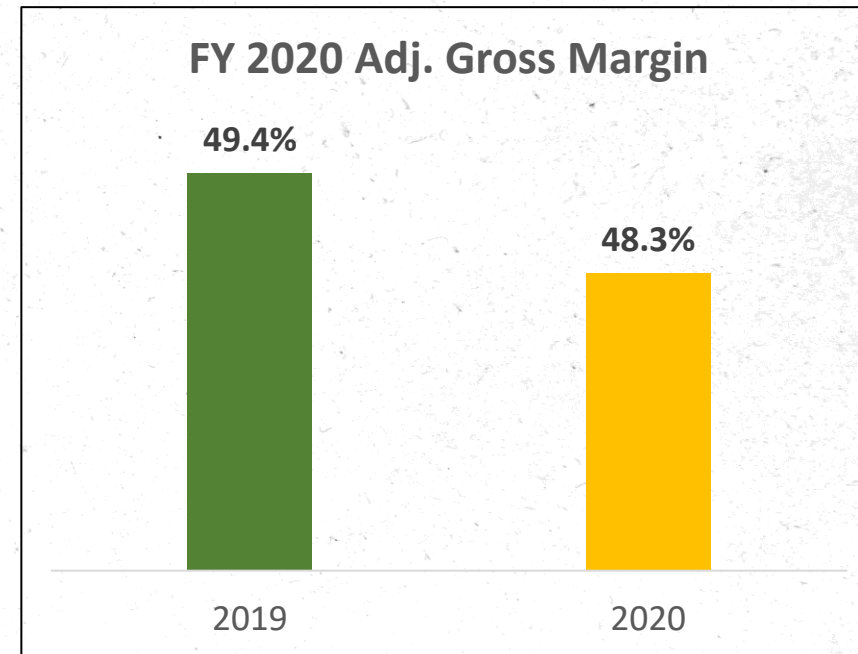
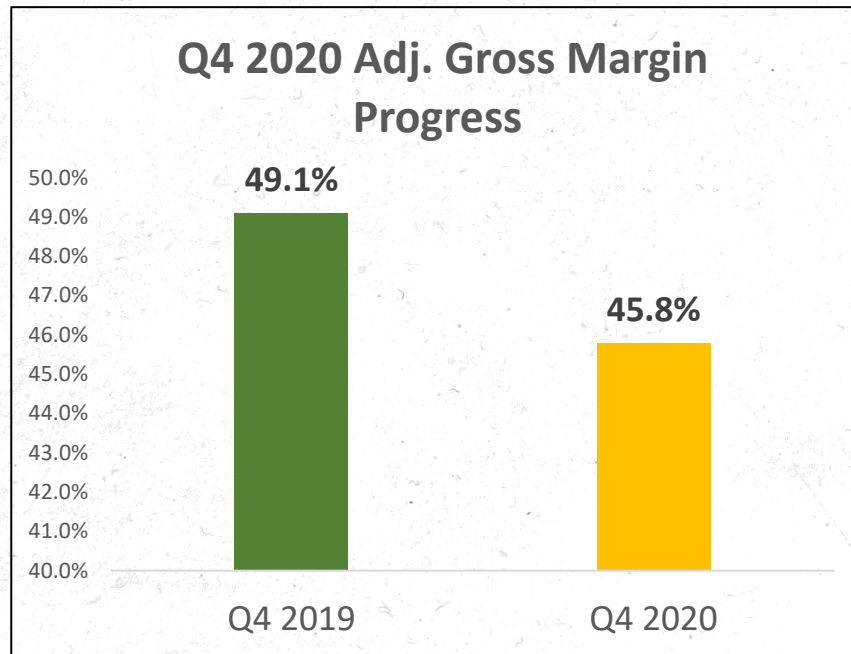


Capacity investments are driving scale and flowing through to bottom line

Freshpet Adjusted EBITDA
(\$ millions)



Adj. Gross Margin negatively impacted by COVID-related productivity issues and higher beef costs



46.0%

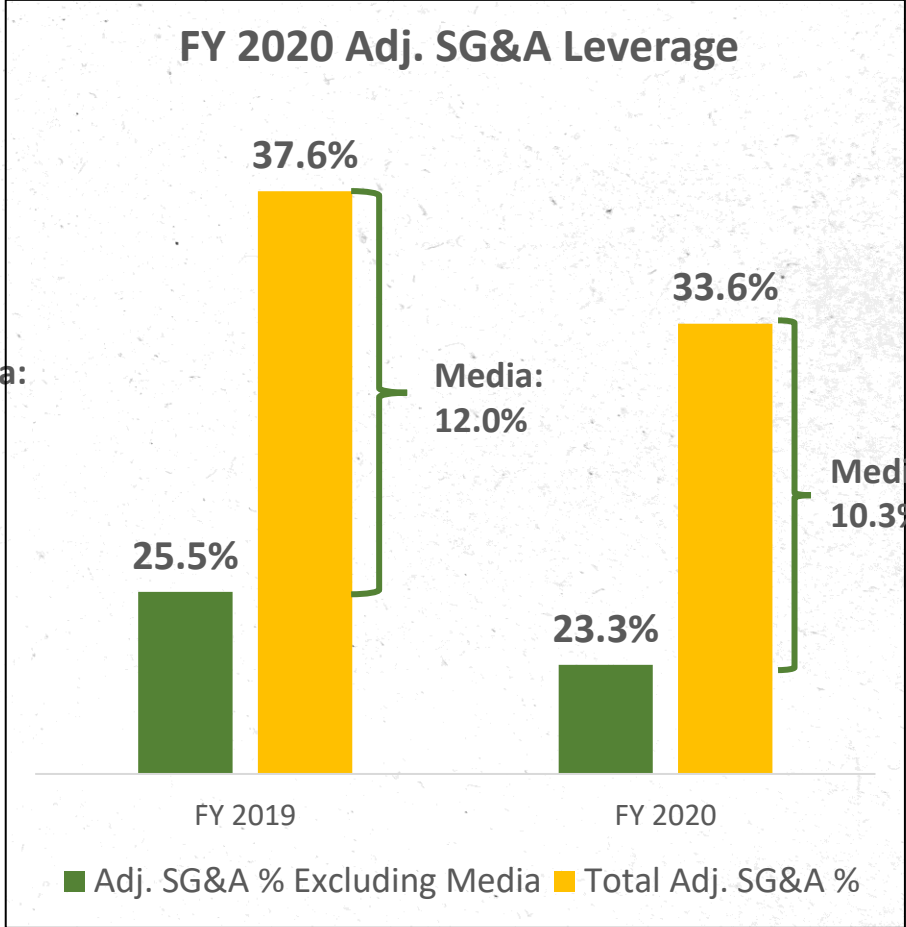
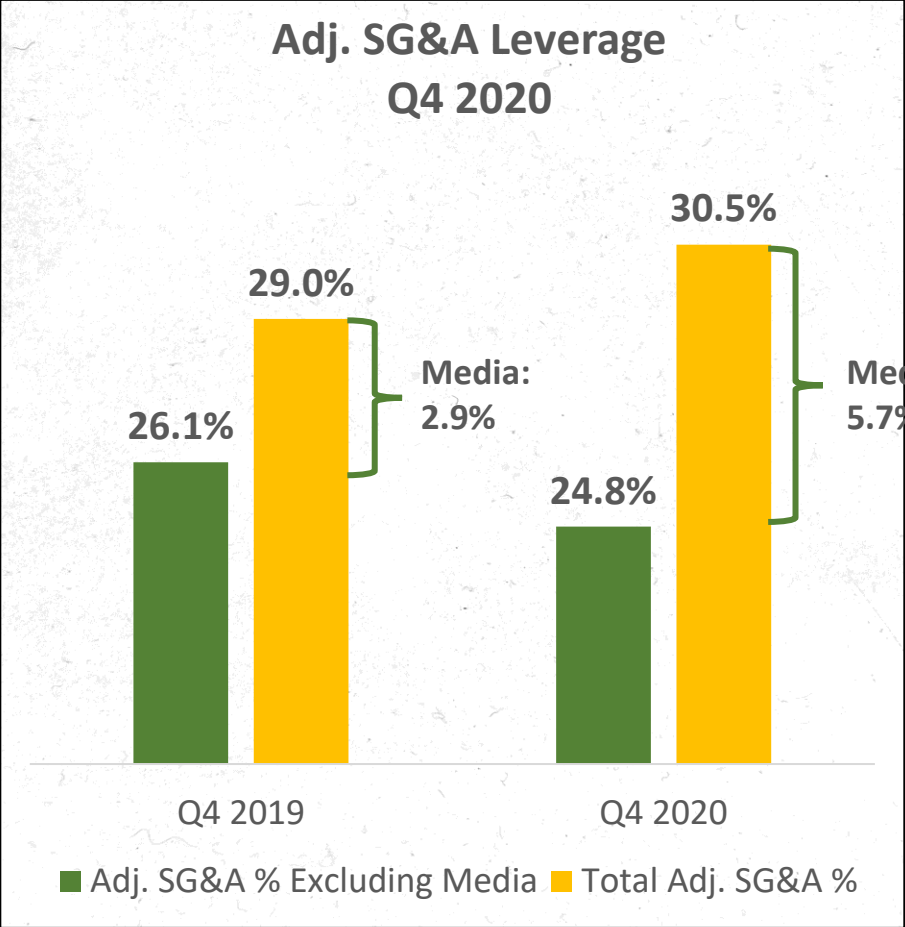
36.1%

46.4%

41.7%

 Gross Margin (GAAP)

>200 bps of Adj. SG&A leverage excluding media in 2020



38.4%

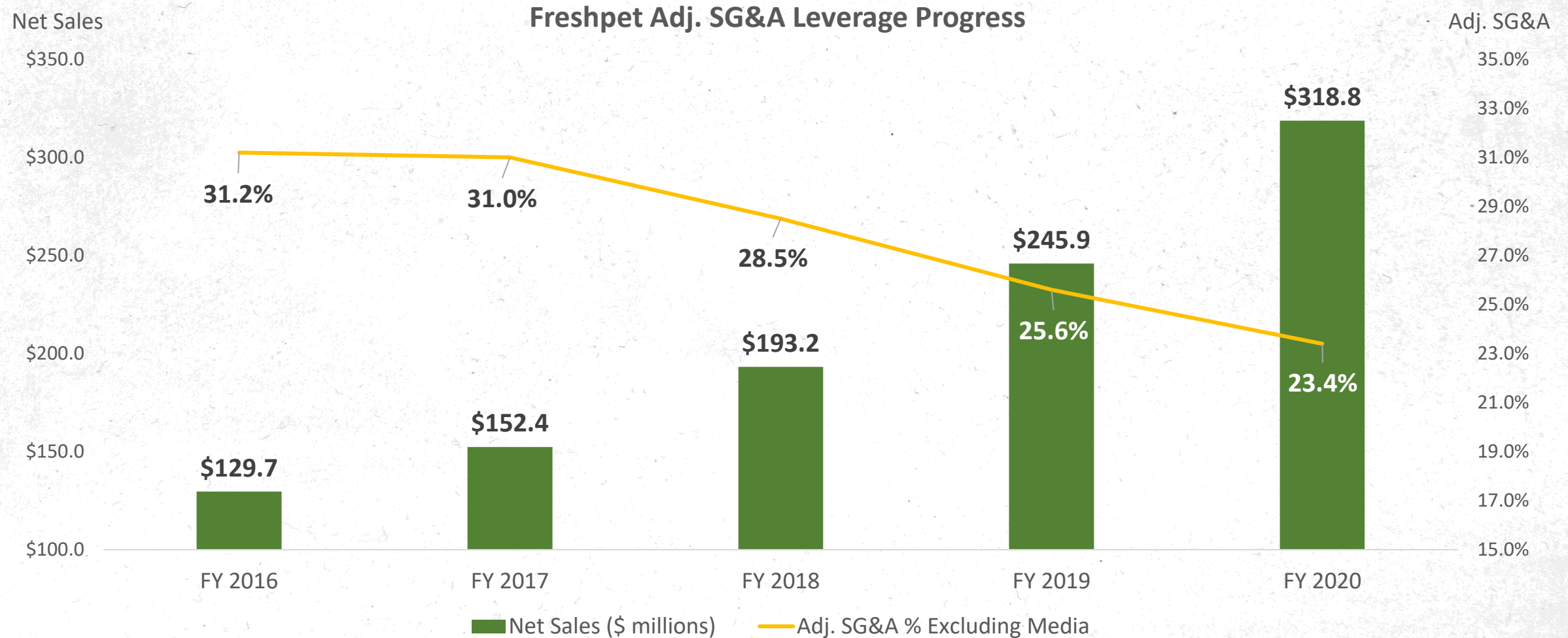
39.8%

46.5%

42.3%

SG&A (GAAP)

Delivered 780 bps of Adj. SG&A (excl. media) leverage since 2016

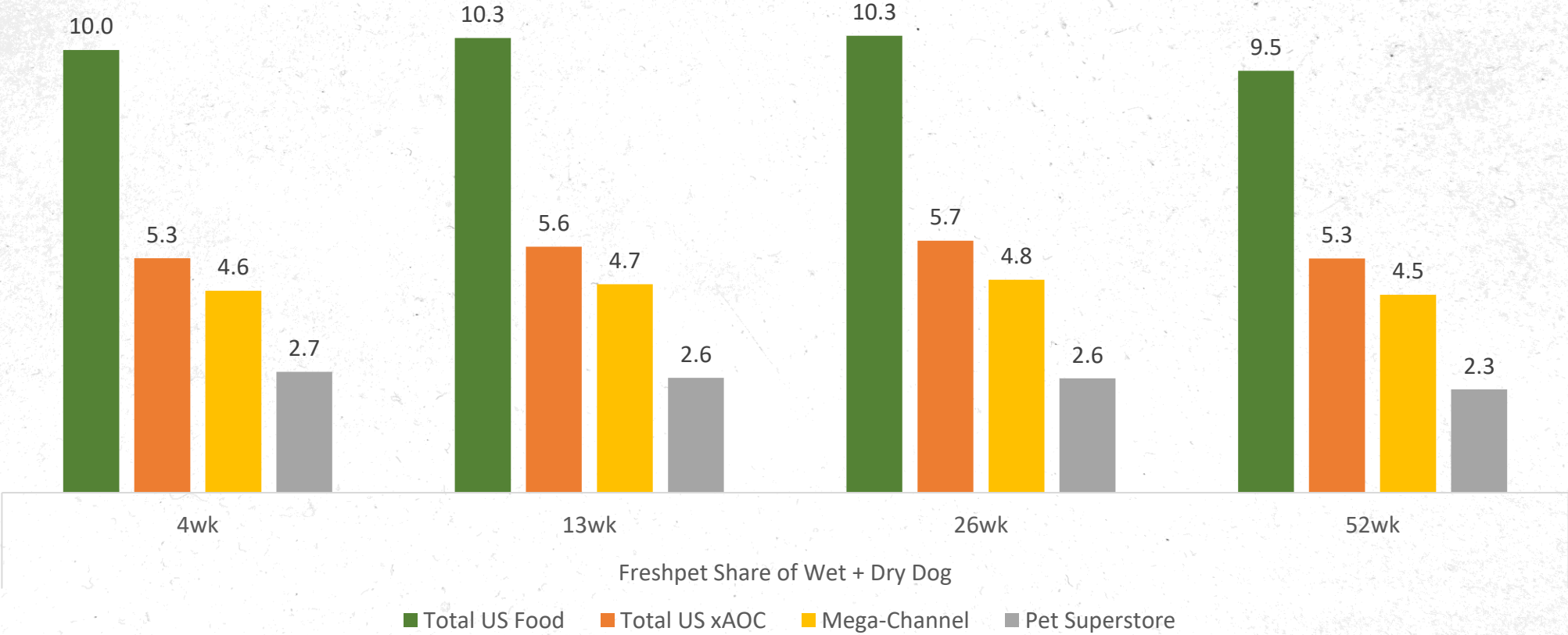




2021 Progress To Date

Building meaningful share of the category

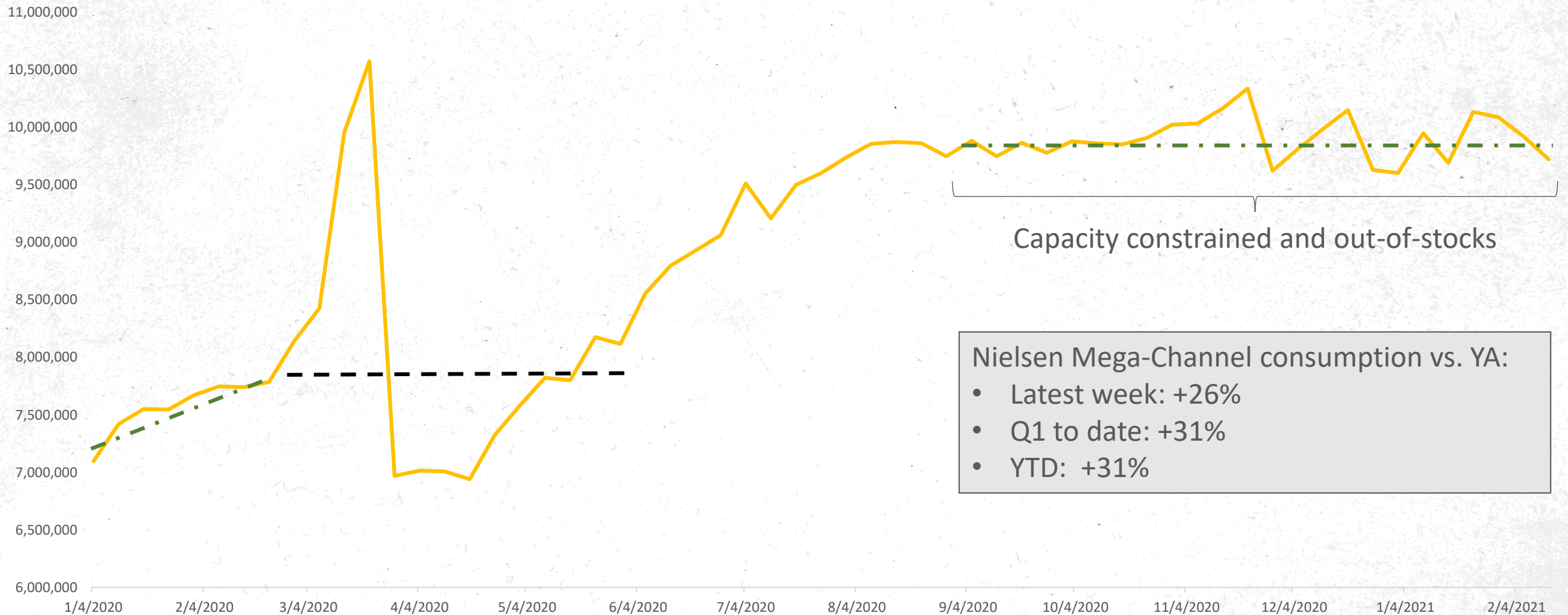
Freshpet \$ Share of Wet & Dry Dog



Source: Nielsen Mega-Channel Data thru 1/23/21

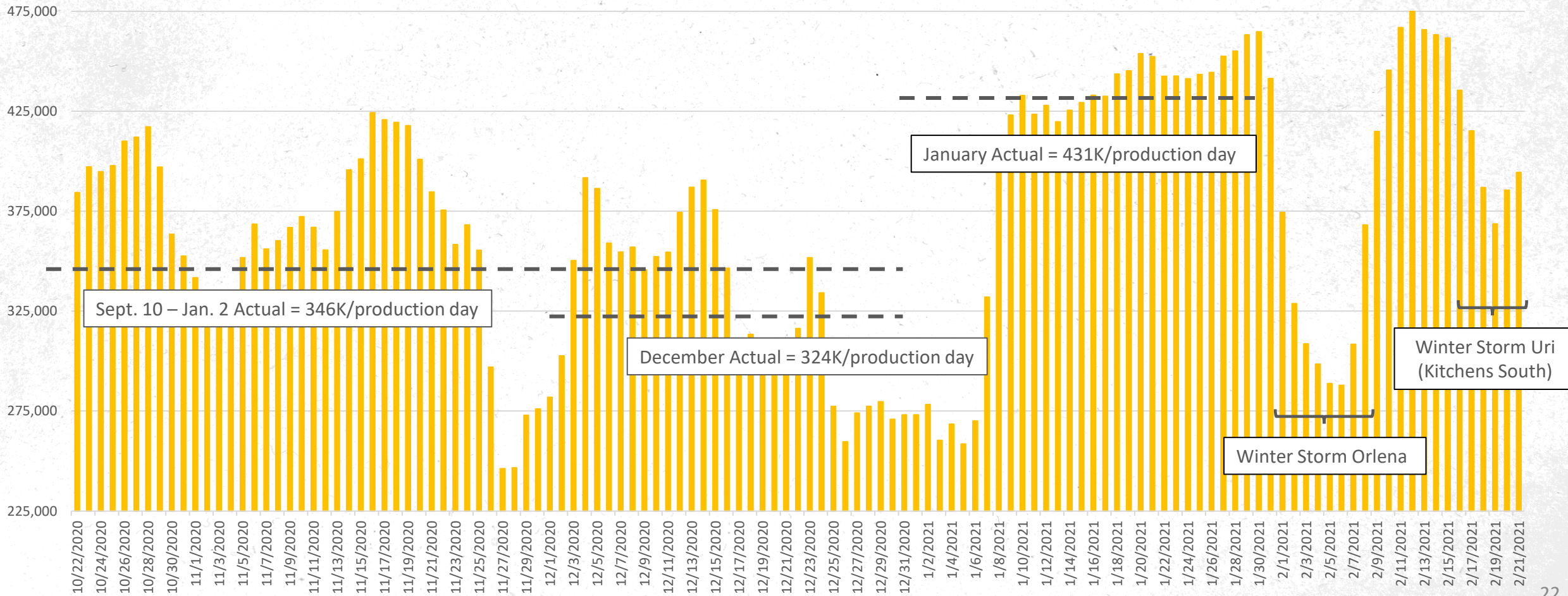
Strong consumption despite out-of-stocks and delayed start to advertising

Nielsen Mega-Channel Consumption

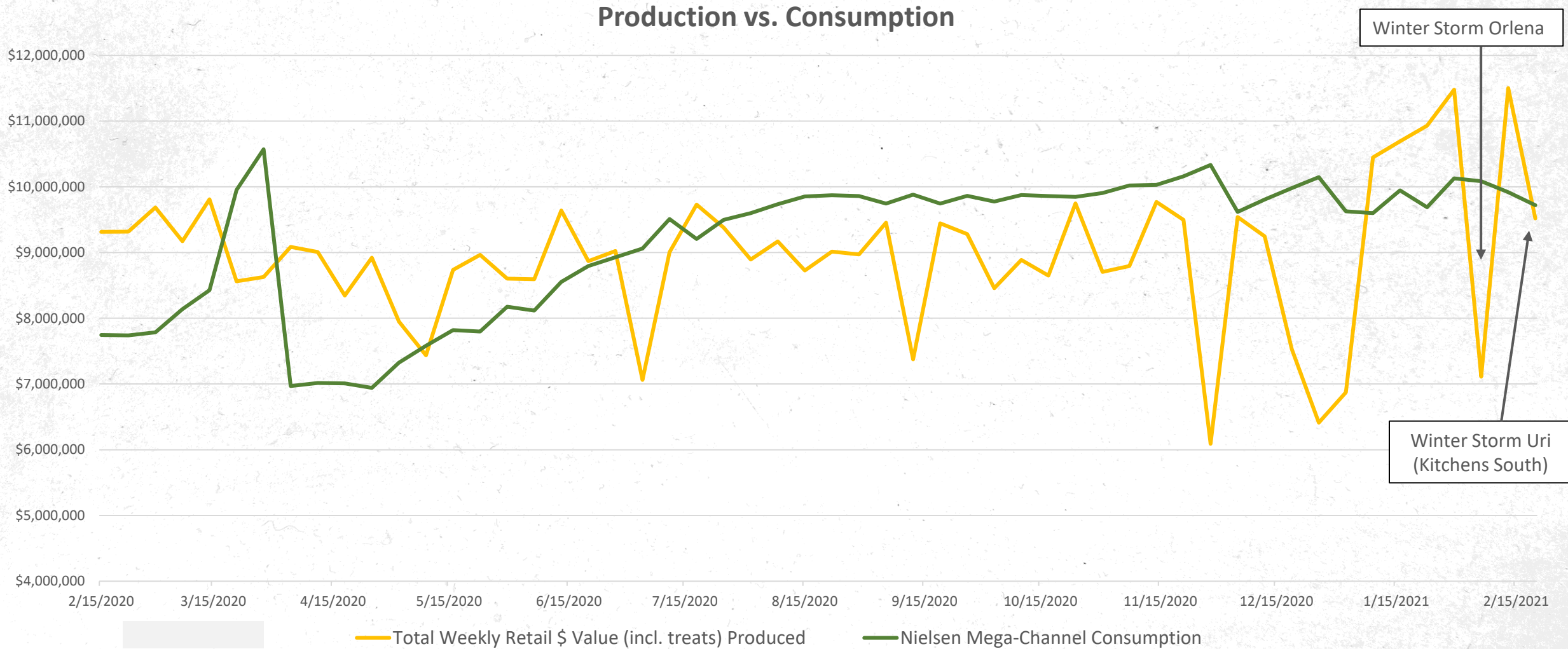


Winter storms have interrupted progress, but production has improved significantly from Q4

Rolling 7 Day Production Average
Total Pounds



Outside of winter storms, production consistently exceeds consumption since January 1



Actively communicating with consumers via social media to explain the out-of-stocks



Fast growth, challenging times, and more food on the way every day

Hello – I hope you and your pets are safe, warm, and able to find some Freshpet. I've continued to read all the comments you're posting. I'm glad many have been finding Freshpet, and understand your frustration if you have not. I truly feel terrible we haven't been able to keep our fridges full; we are working so hard to make more.

When we started the company in 2006, our goal was to bring healthier, less-processed foods to pets. We set out to build the company the right way and focused on nourishing not just pets, but also people and the planet. We call it our 'Pets, People and Planet' initiative. Those principals we started with are still our values today. The cornerstone is to do the right thing, and really live that. Doing the right thing here is to tell you what's up, and to focus on getting more food out.

I am proud we created a product that people love and changed the pet food industry for the better. As more people try our foods, they're seeing the benefits of fresh. Today, rapid growth, coupled with Covid and bad weather are making it challenging to keep our fridges stocked. This issue is then exacerbated by people buying extra in an effort to stock up. I completely understand why people are buying extra; however, it makes the shortage much worse. In the spirit of doing the right thing, I encourage all of us to buy what we need and leave as much as possible for other Freshpet parents.

To update you on our Kitchens: We are working 7 days a week, 24 hours a day cooking our foods. We are asking our team to work as many hours as they can, many putting in voluntary overtime working 50-60+ hours a week and being paid 1.5x for the overtime. That's helped to make more, but just not enough to keep up with the current demand. We have continued to increase our production each week outside of weather issues and have shipped over 8,056,500 packages of Freshpet so far this year. That's more than 30% over what we were shipping this time last year! We are sending trucks of food out to our retailer partners every single day. There's also more packages than normal held up in distribution centers around the country due to the weather, so as we warm up, that should help over the next week. In addition, we're continuing to add team members, shifts, and production lines to increase supply, and anticipate that each week you will see more and more fuller fridges. Swipe to see some pictures I took at our Kitchens last week.

I want to be super clear and transparent: I know many people have speculated, but there is nothing we aren't saying or telling anyone other than our company is growing fast during some challenging times, and we just don't have enough. People here are working really hard to get more food for you! I also want to share that no expense is being spared to keep the team safe and to make more Freshpet, faster. And I promise there will be no price increases – we will not pass these costs on to you. Our singular focus is to get more food to our pet parents and their pets.

Fresh regards,

Scott Morris
Co-Founder of Freshpet
Pet parent to Piper, Harley and Suzu

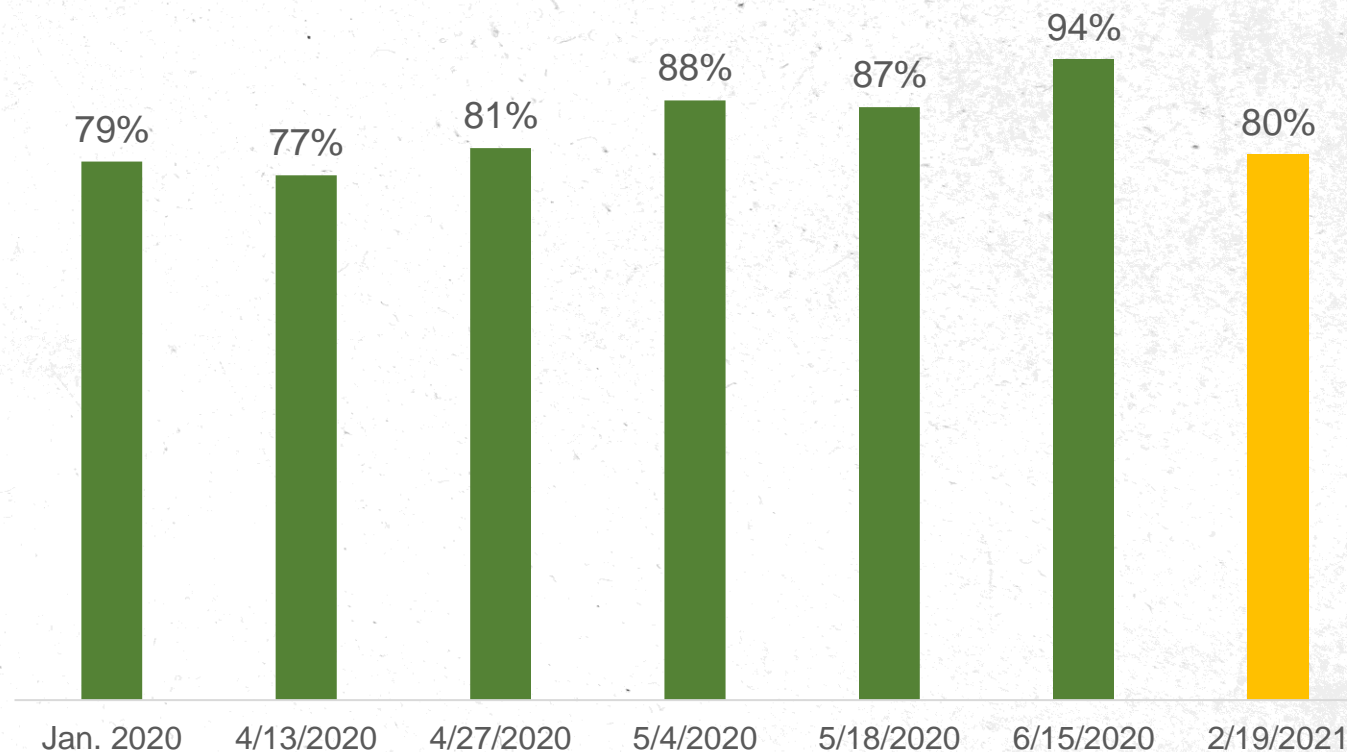
Posted on:



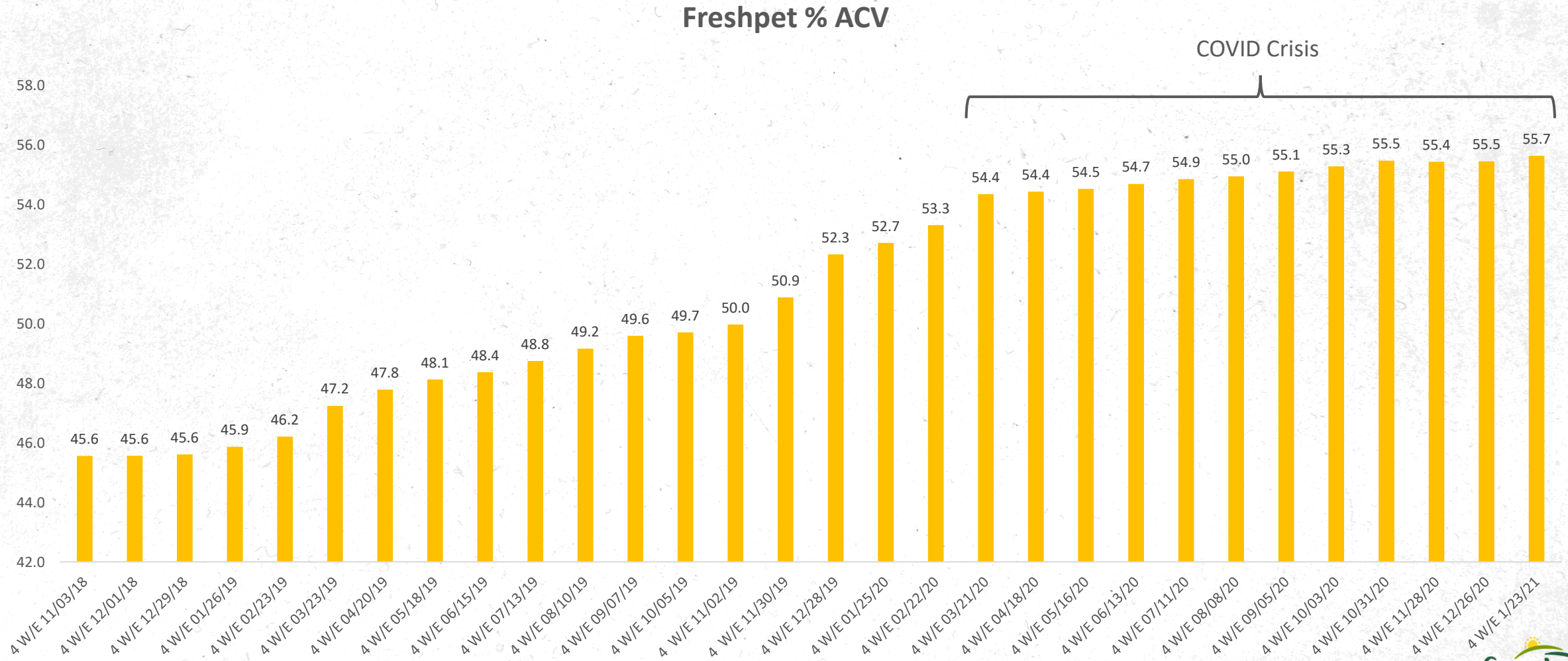
Instagram



Freshpet Item Wanted Available On Last Shopping Trip



Distribution growth plateaued during COVID crisis



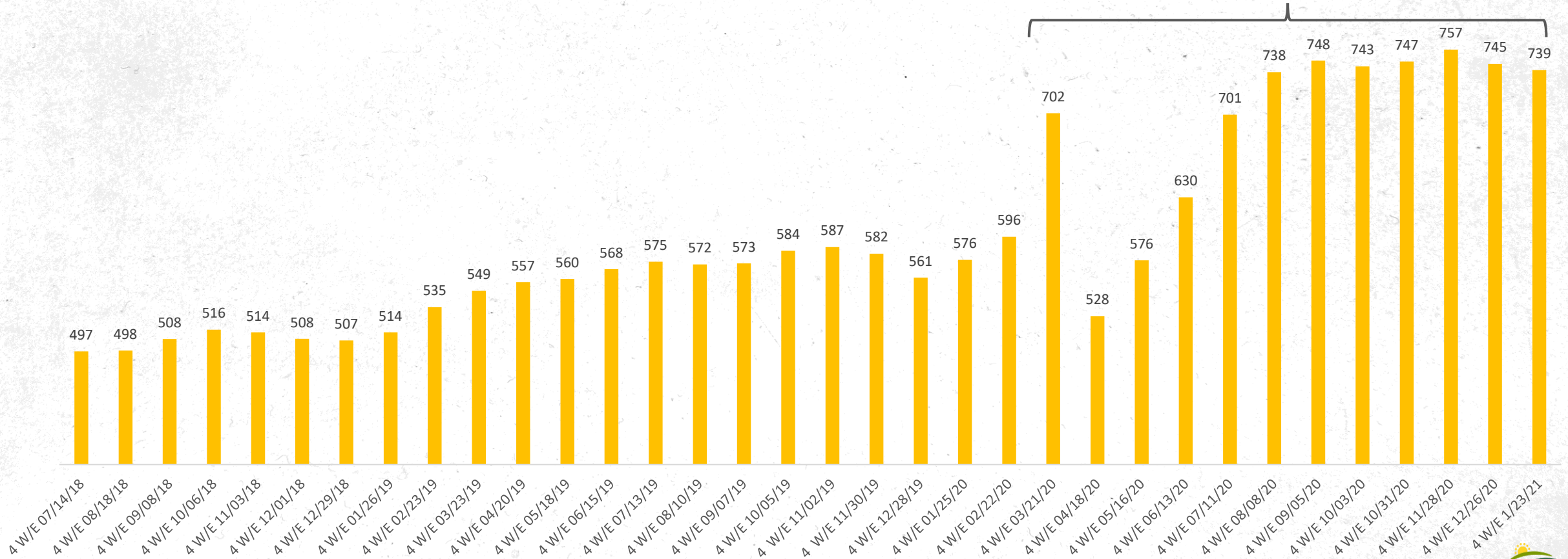
Source: Nielsen Mega-Channel Data thru 1/23/21



Velocity growth has surged

Freshpet Velocity
\$ / \$MM ACV

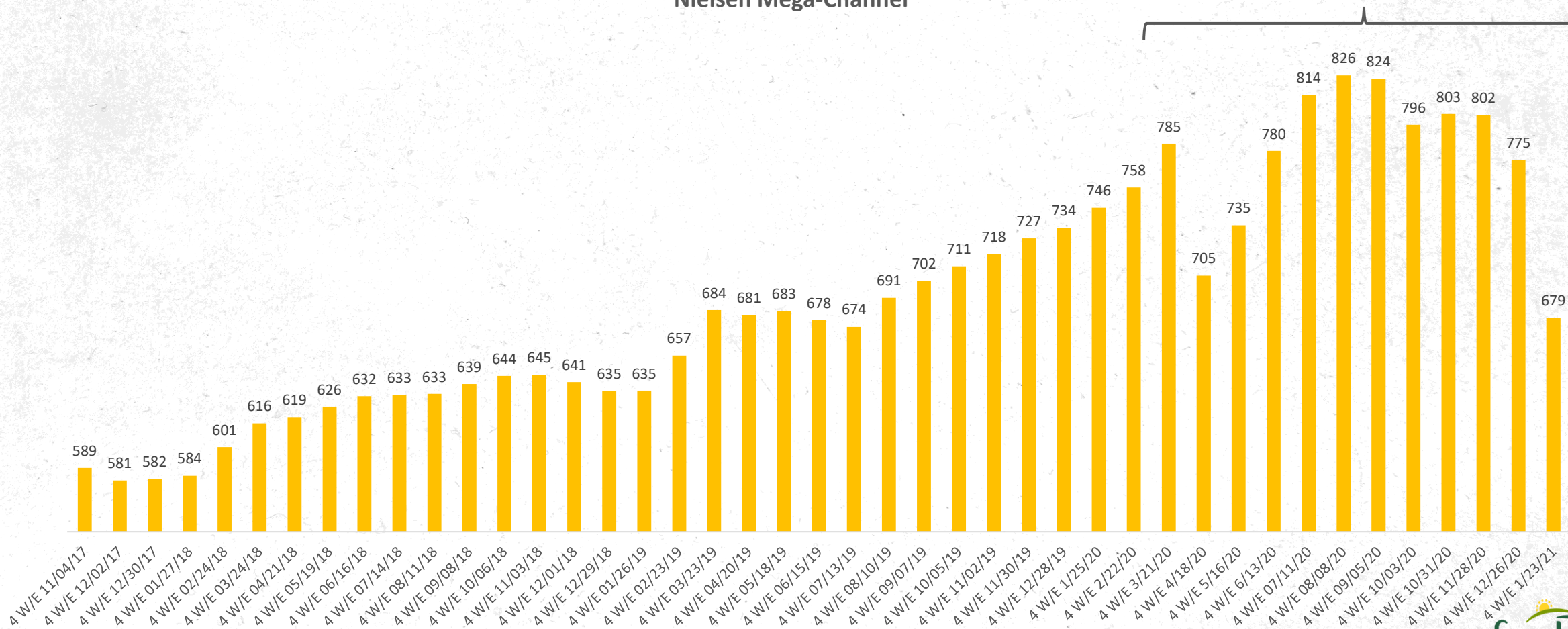
COVID Crisis



Out-of-stocks due to short shipments are eroding TDP's temporarily

Freshpet Total Distribution Points (TDP)
Nielsen Mega-Channel

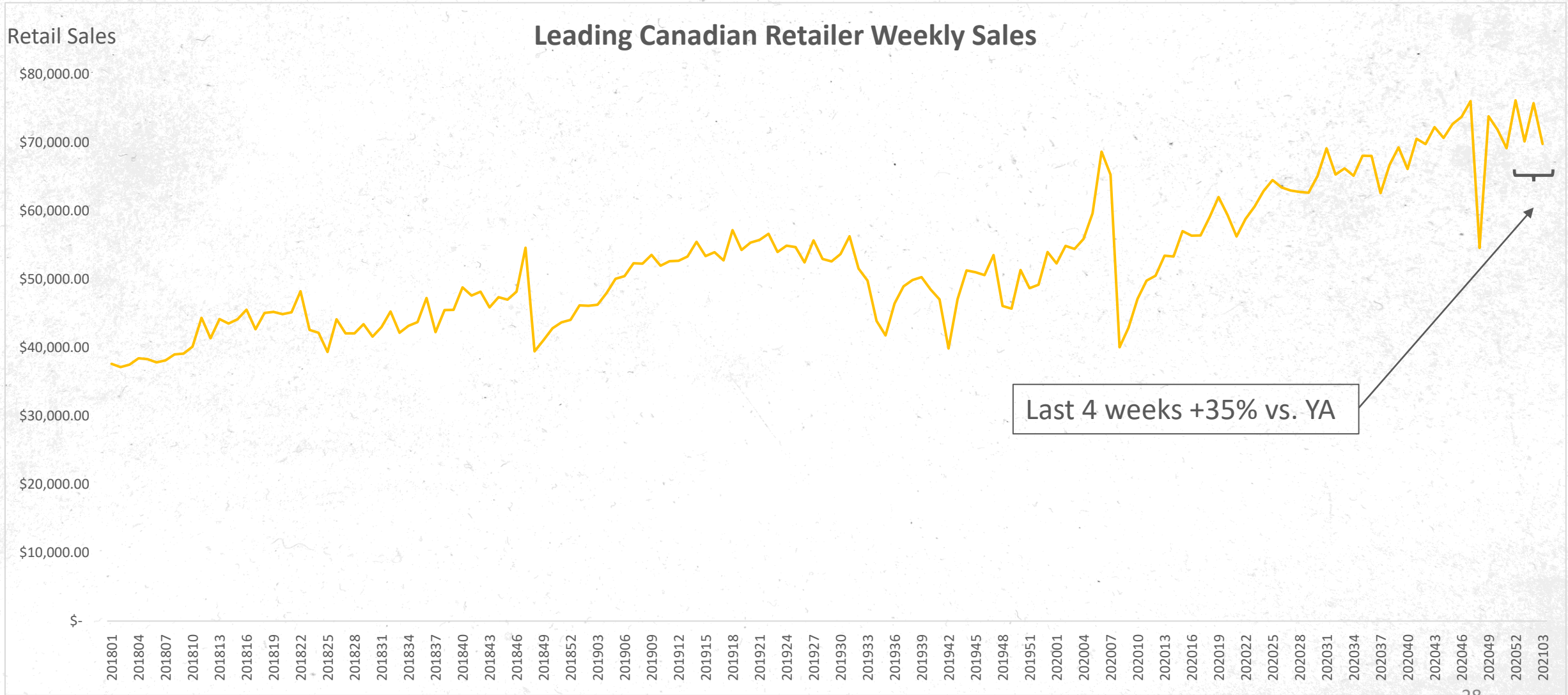
COVID Crisis



Source: Nielsen Mega-Channel Data thru 1/23/21

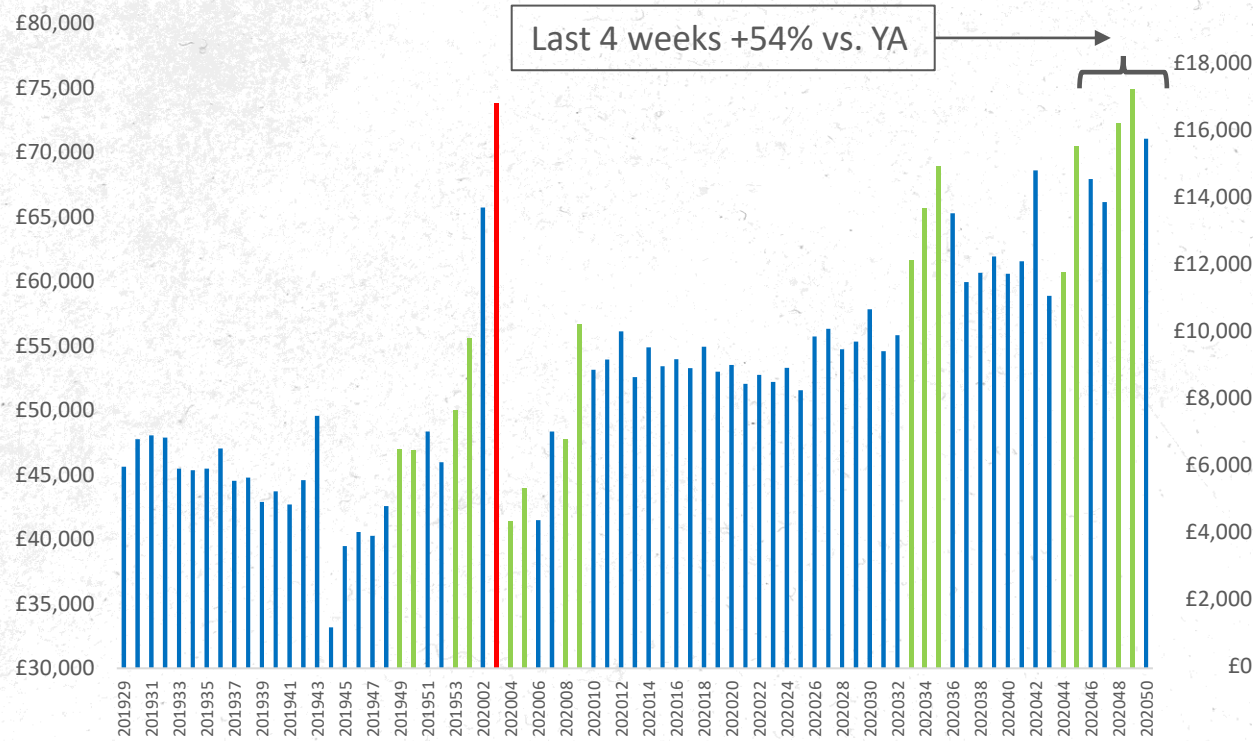


Canadian business accelerating behind advertising investment

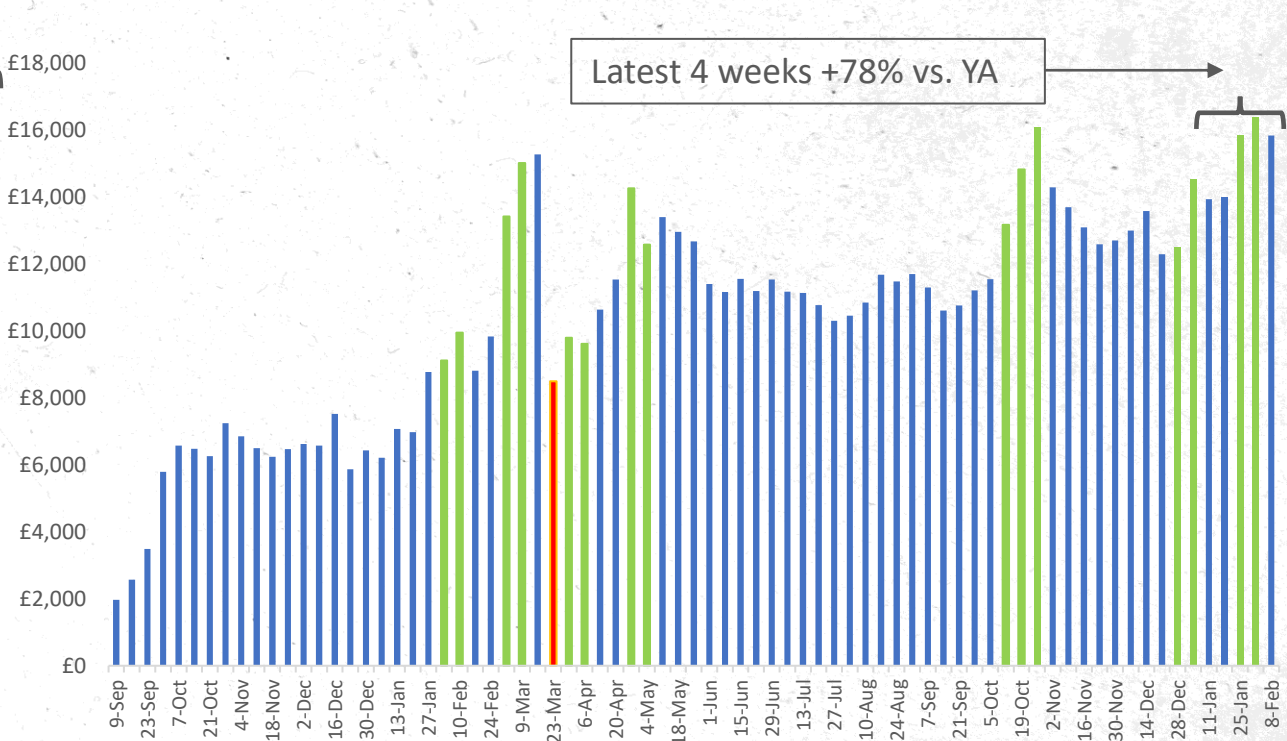


Freshpet's advertising-driven model works in the UK

Retail Sales **Leading UK Retail Customer Sales by Week**



Retail Sales **Leading UK Retail Customer Sales by Week**



█ Panic Buying
 █ TV
 █ Regular Sales



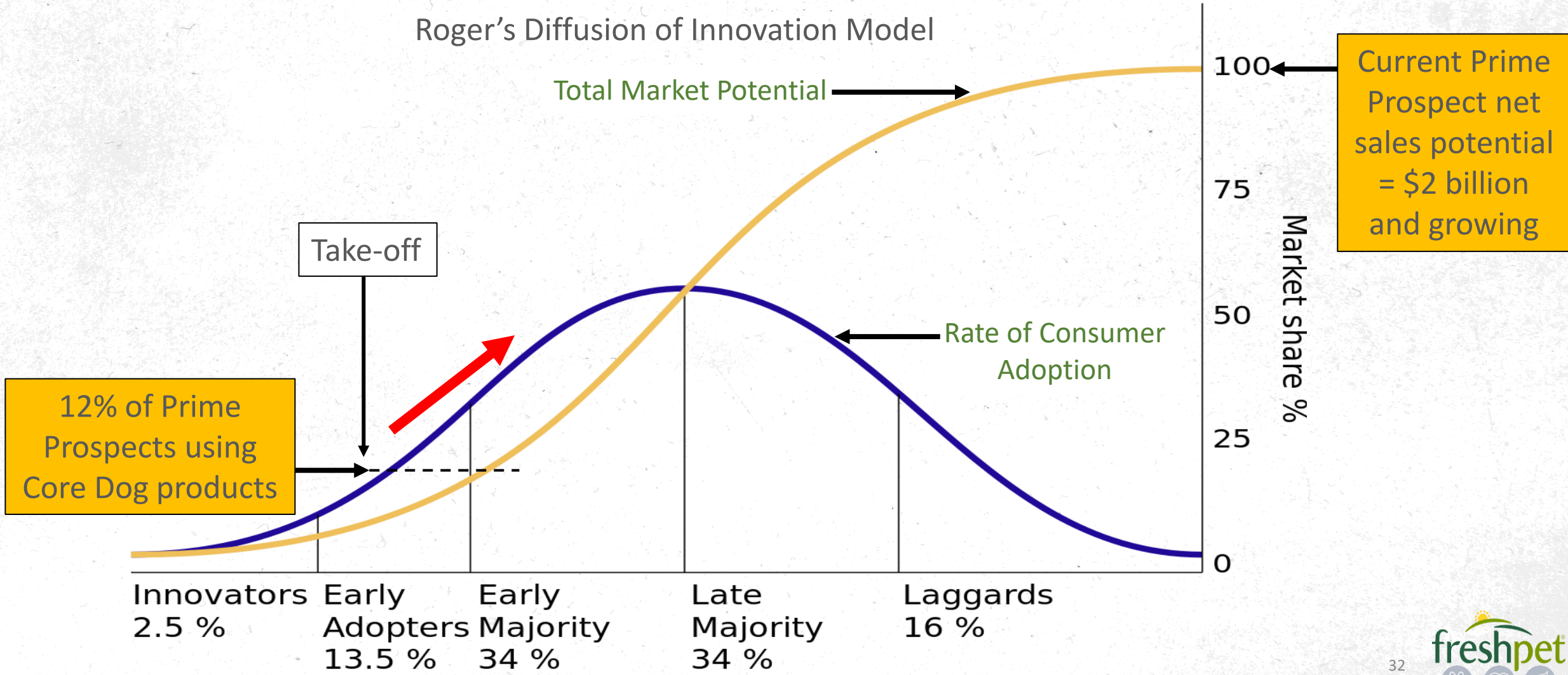
Increasing Long Term Guidance

“Feed the Growth” creates scale and leverage through accelerated growth rate

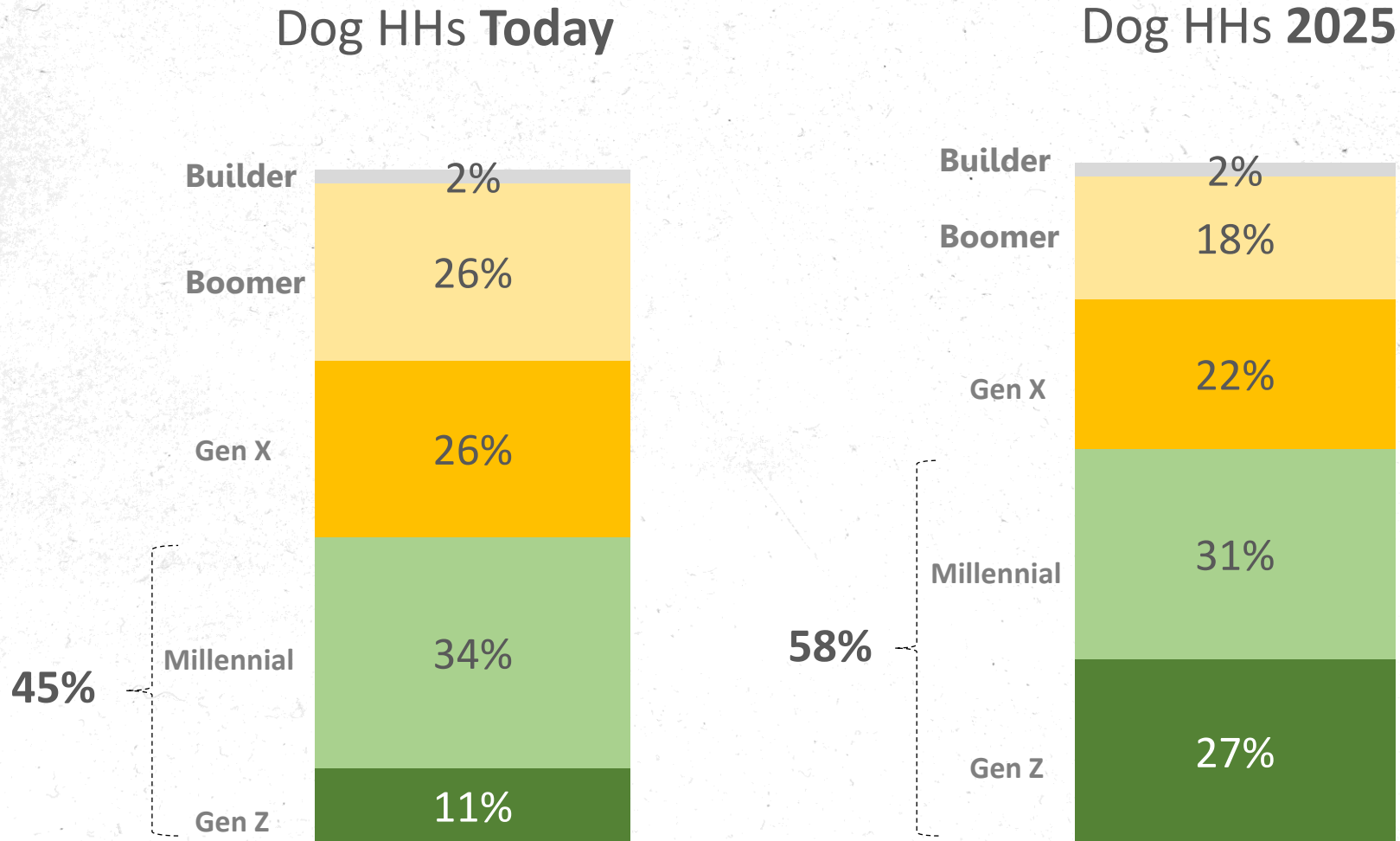


In the early stages of accelerating consumer adoption

Roger's Diffusion of Innovation Model



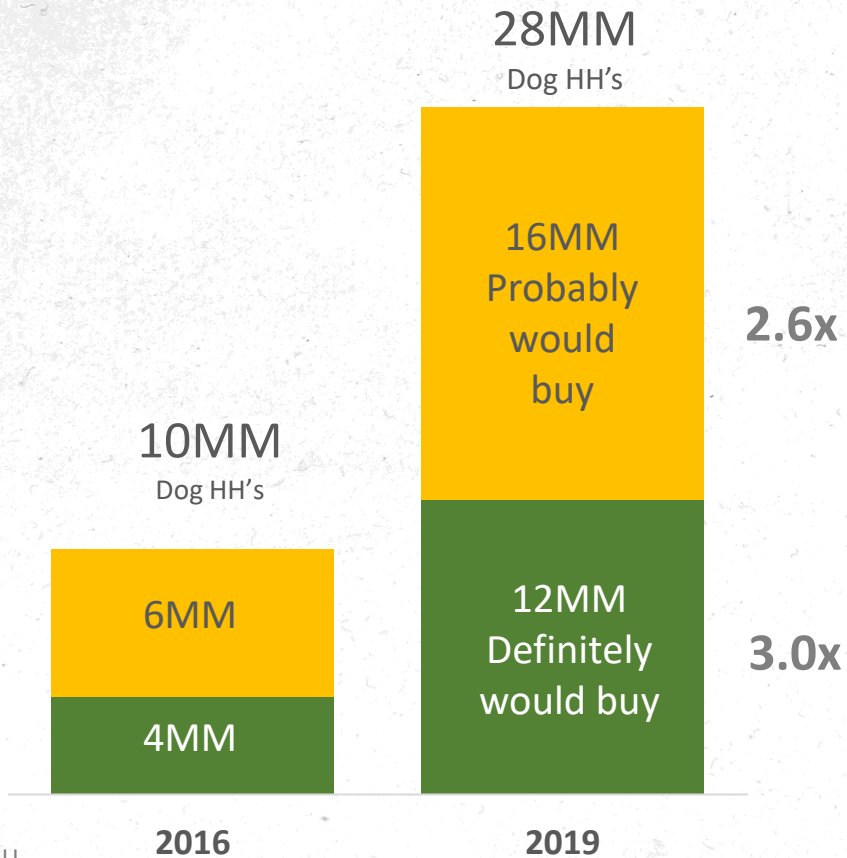
Demographic trends are working in our favor



Addressable market: >20 million HH's

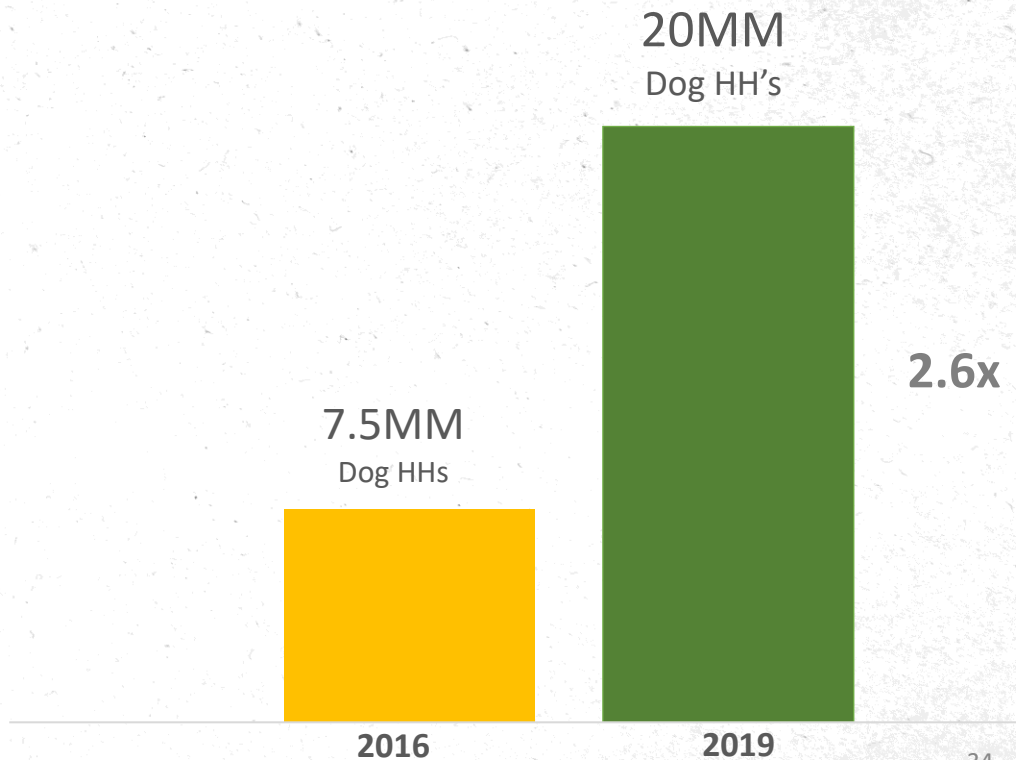
Consumer Concept

Purchase Interest Among Those Who Have Never Used
Top 2 Box purchase interest



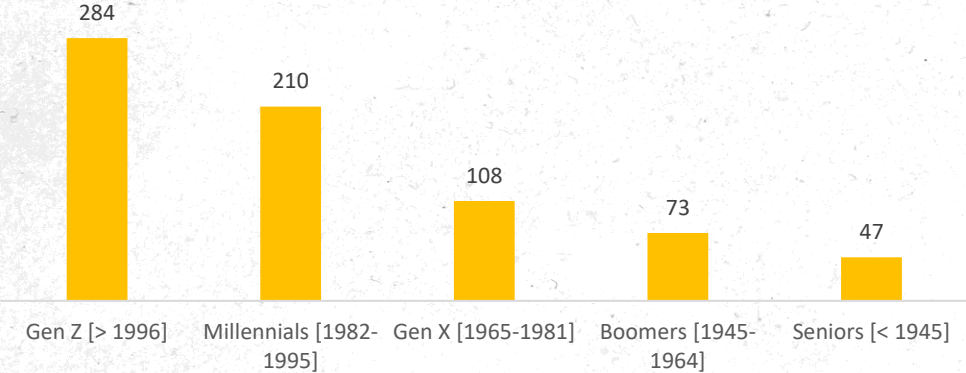
Prime Prospect Methodology

(Consumers who are similar to existing users)

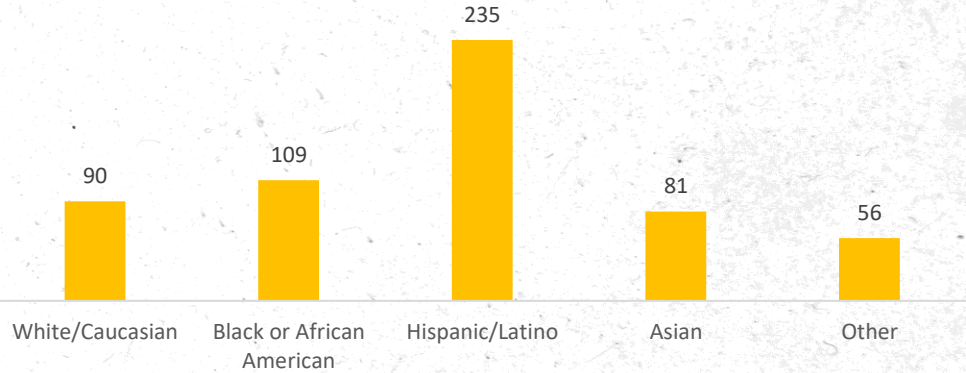


COVID-19 brought more young buyers into the franchise

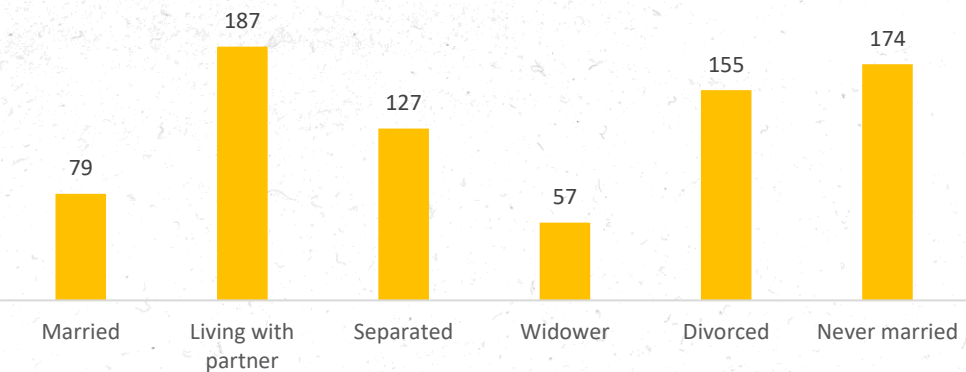
Freshpet Post-COVID New Buyers
(Index vs. Share of Pre-COVID Buyers)



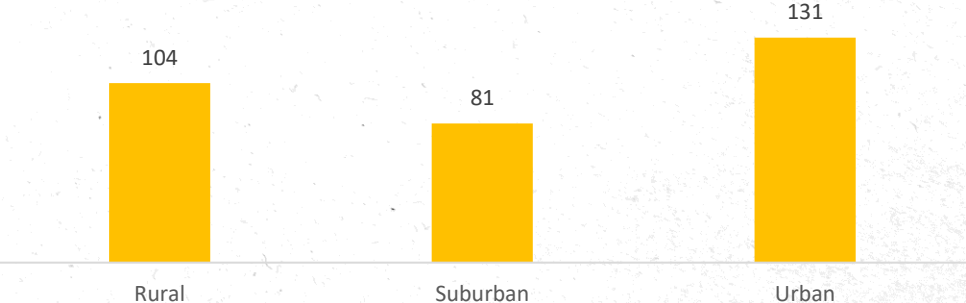
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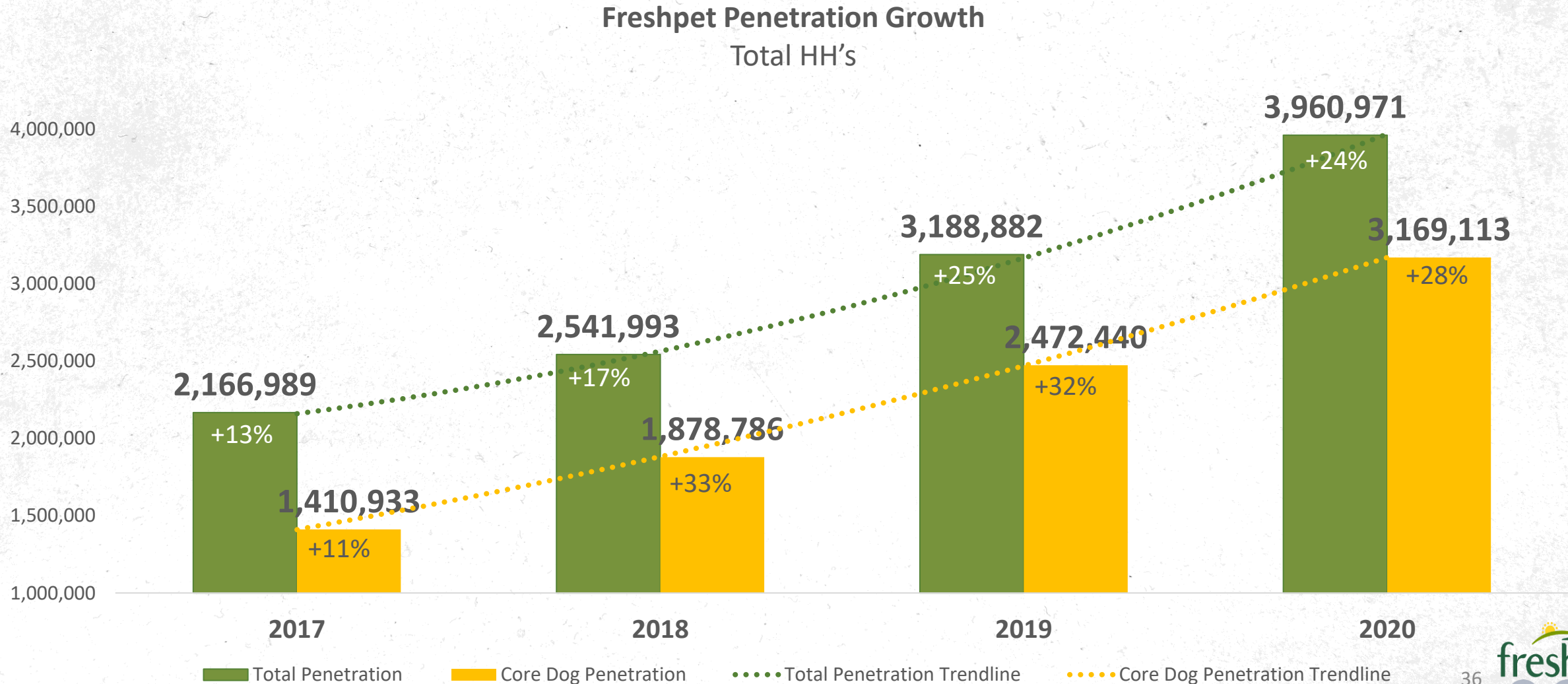


Freshpet Post-COVID New Buyers
(Index vs. Share of Pre-COVID Buyers)

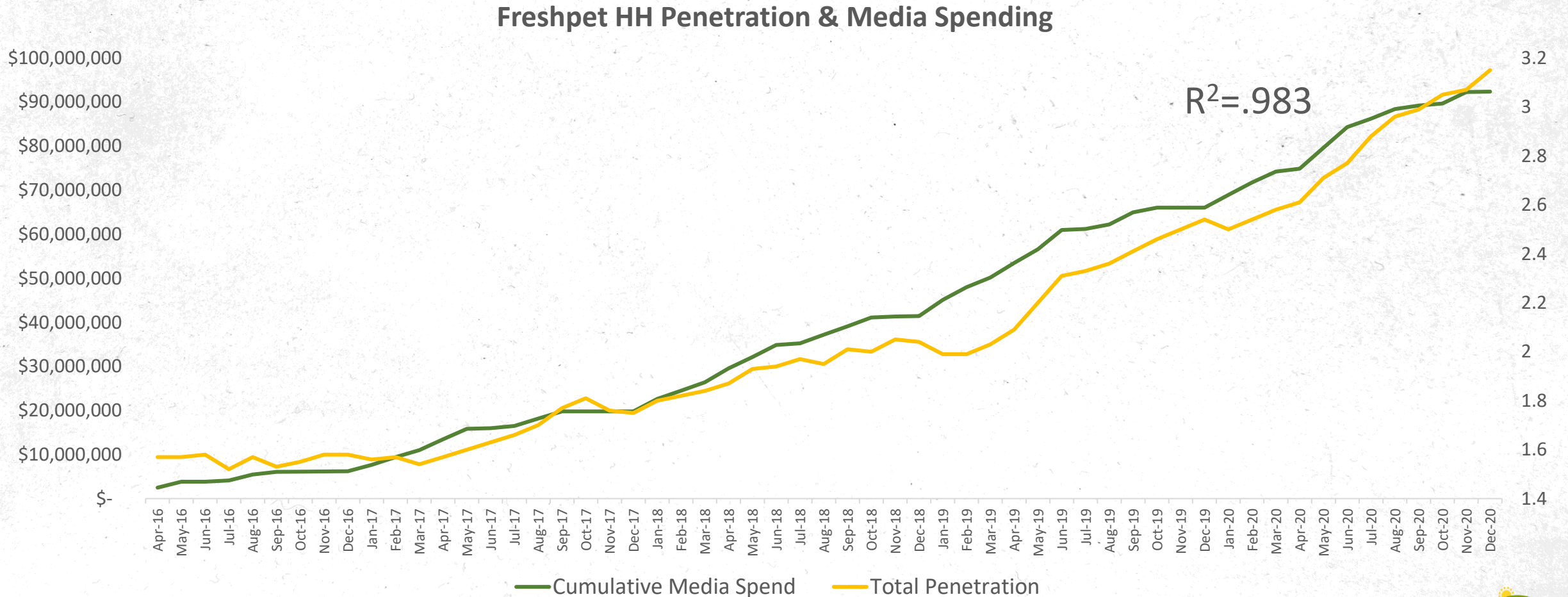


Source: Numerator Custom New Buyer Analysis

Added 24% more HH's each of past two years despite capacity limits and reduced advertising investment



Demonstrated track record of driving HH penetration gains via media investment

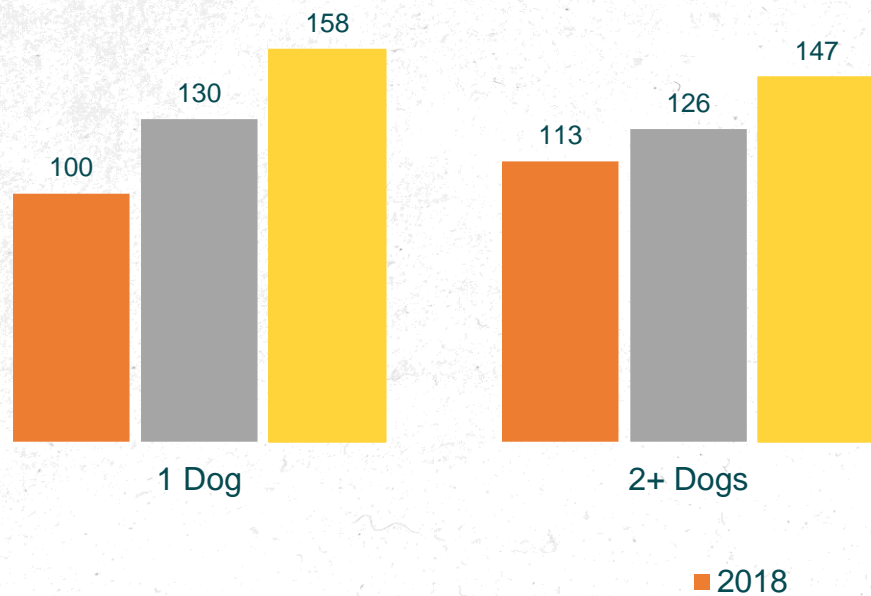


Source: Nielsen 52-week HH panel through 12/26/20 and internal data

Increasing penetration in all dog HH's regardless of the size of the dog or number of dogs in the HH

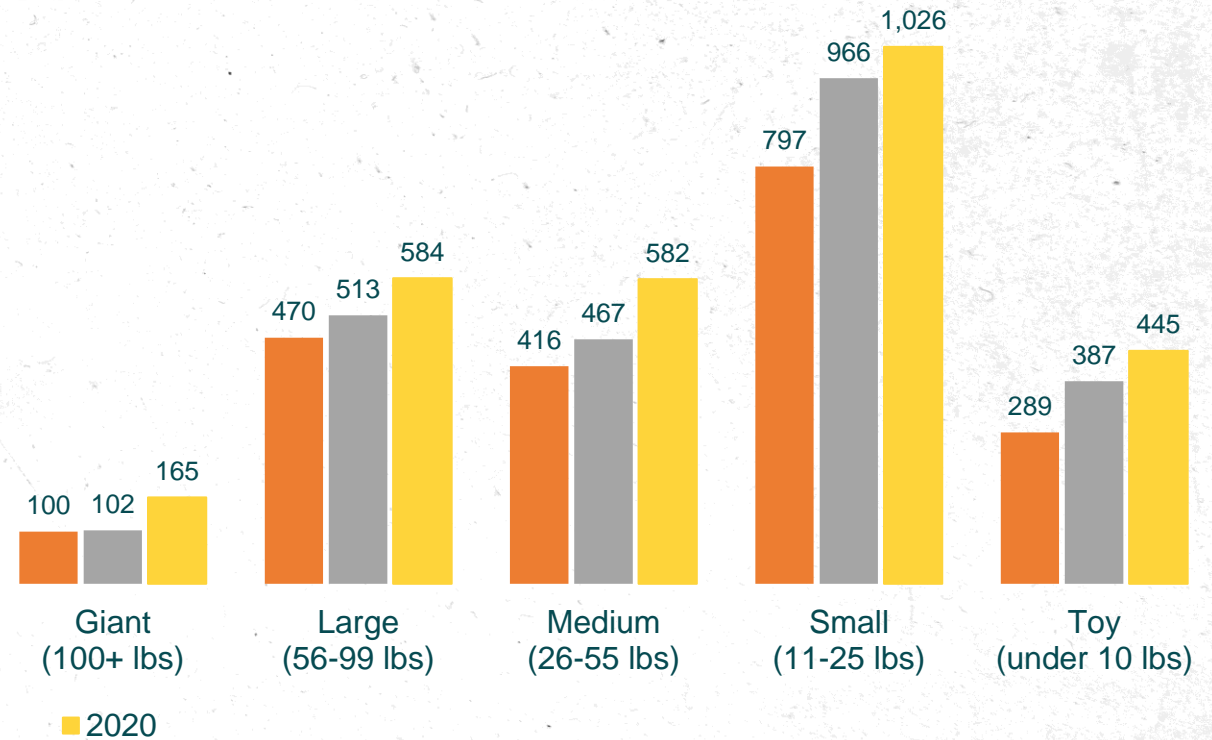
Freshpet HH's by # of Dogs*

(Index vs 1 dog in 2018)



Freshpet HH's by Size of Dog*

(Index vs Giant Dog in 2018)



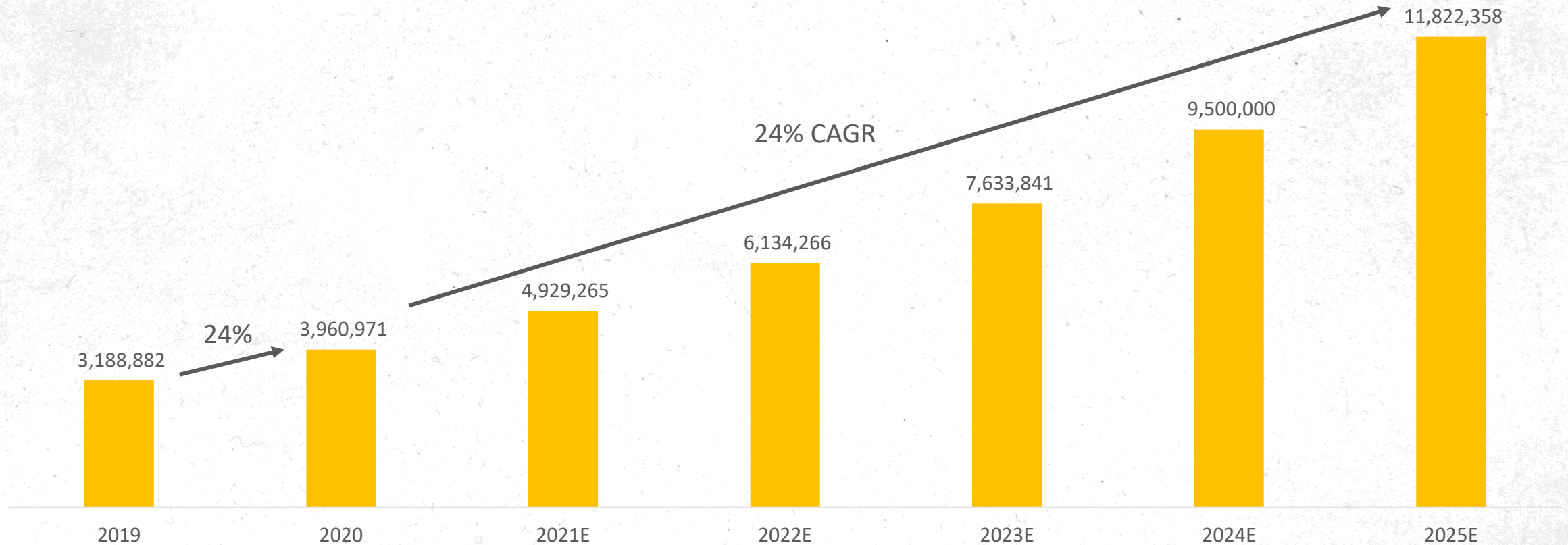
*Source: Numerator Insights, Mini-America, Freshpet shoppers n=2,432 in 2020; Different source than Nielsen HH panel data typically reported thus totals are slightly different. To avoid confusion, we have converted actual numbers to indices to show trends.

*Dog Size totals overlap due to multi-dog HHs ;

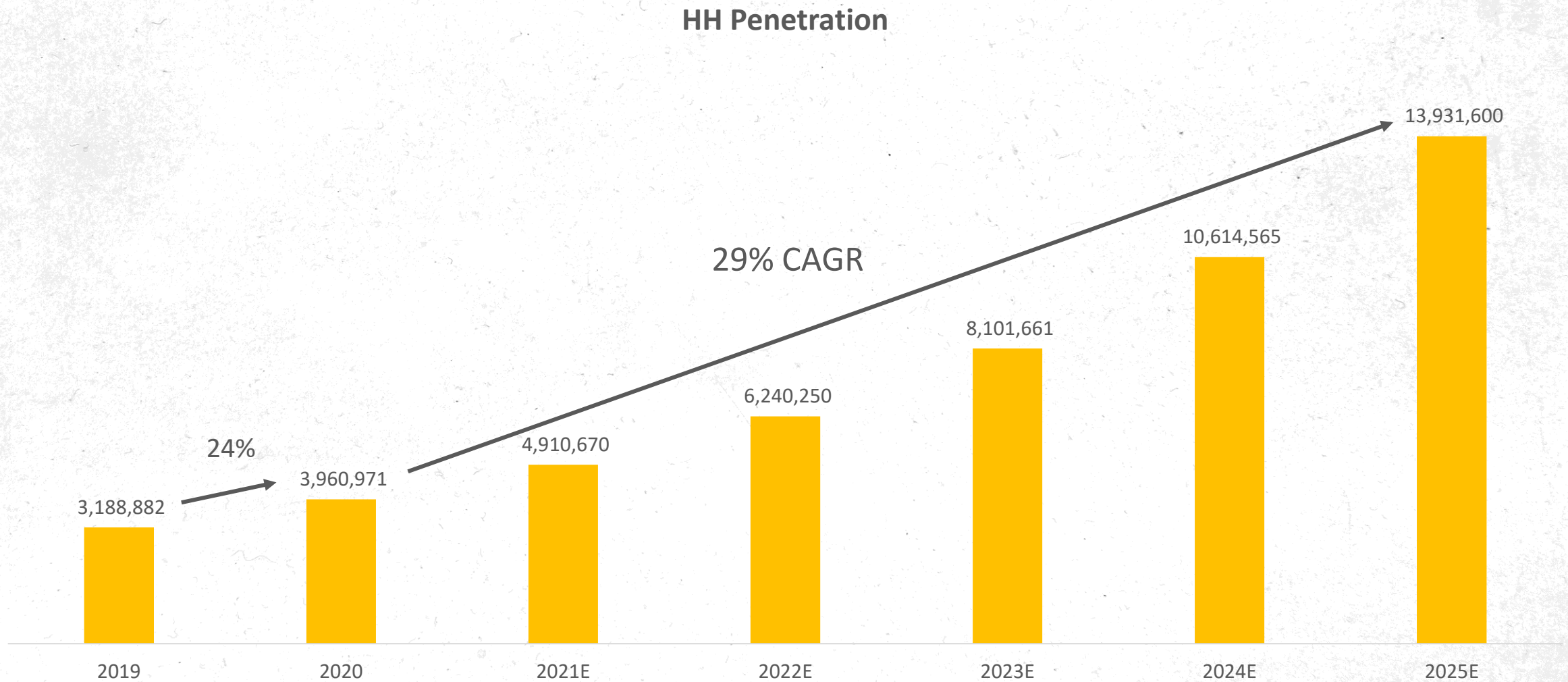
*Sample size small on Giant dog group

At our current 24% growth rate, HH penetration exceeds our legacy 8 MM HH target by 3.8 MM HH's

HH Penetration

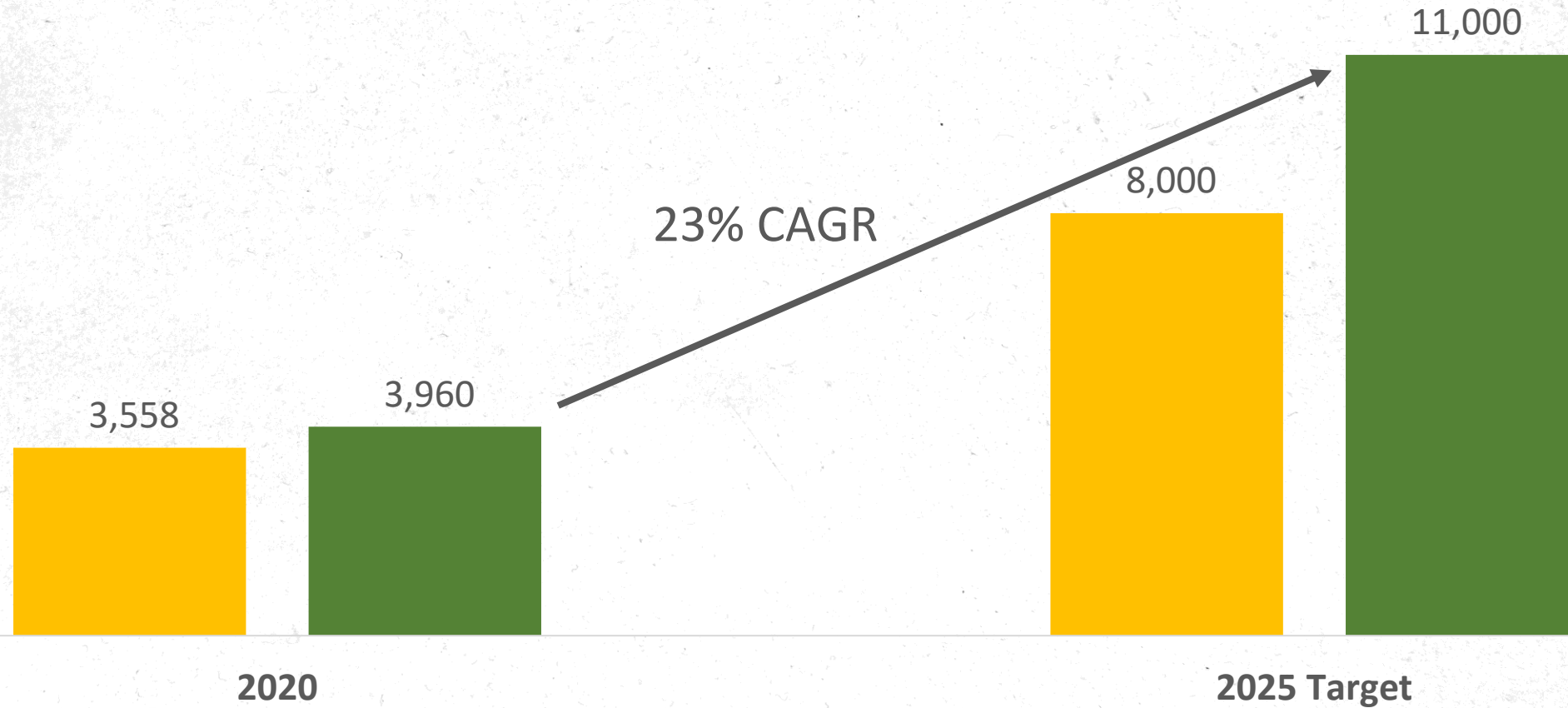


At \$50 CAC and media spending at ~11% of net sales, HH penetration could reach 13.9 million in 2025



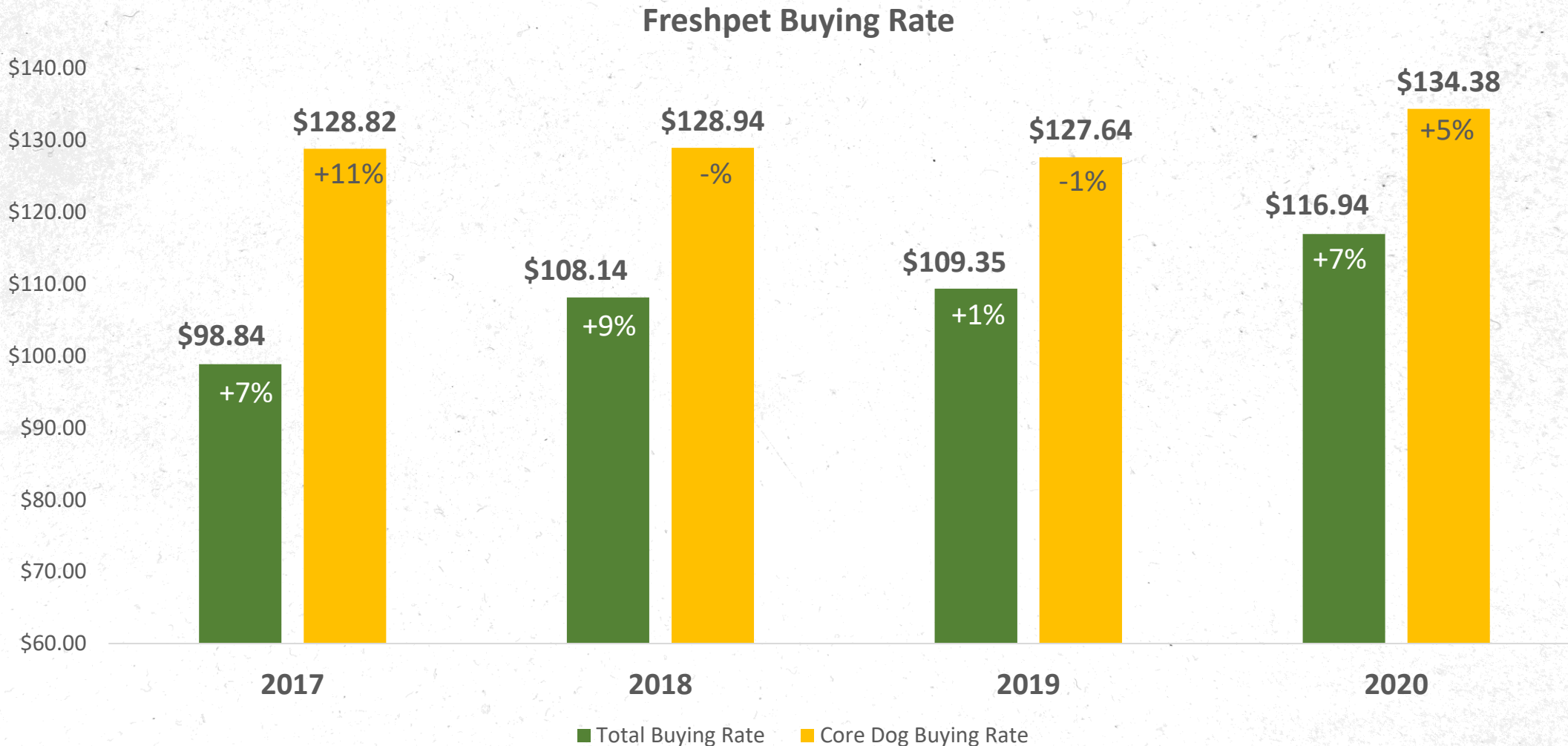
Raising HH penetration target to 11 million HH's by 2025

Freshpet HH Penetration



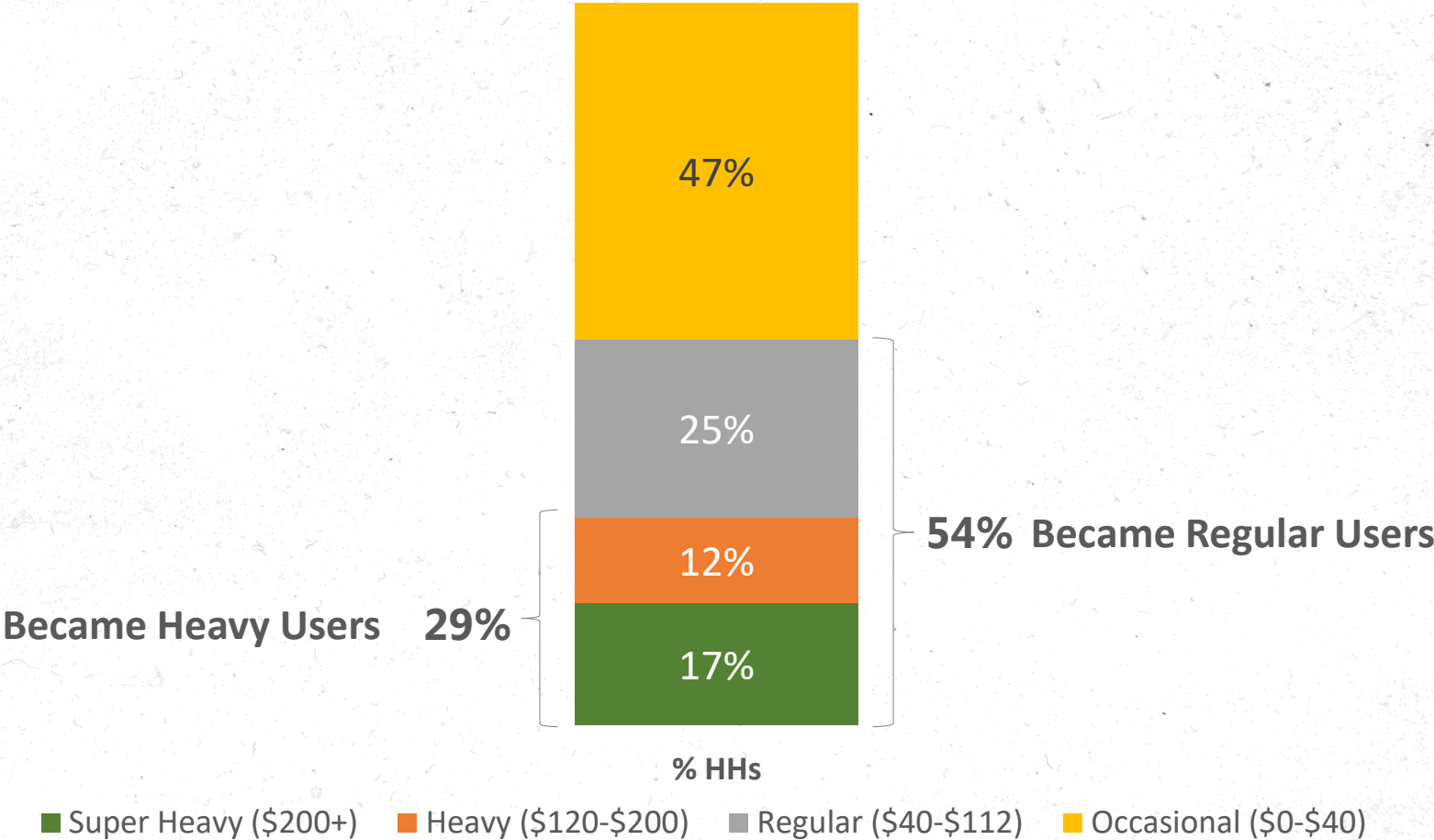
■ Previous HH Penetration Target (thousands) ■ New HH Penetration Target (thousands)

Buying rate grew 7% this past year



More than half of new users become regular users

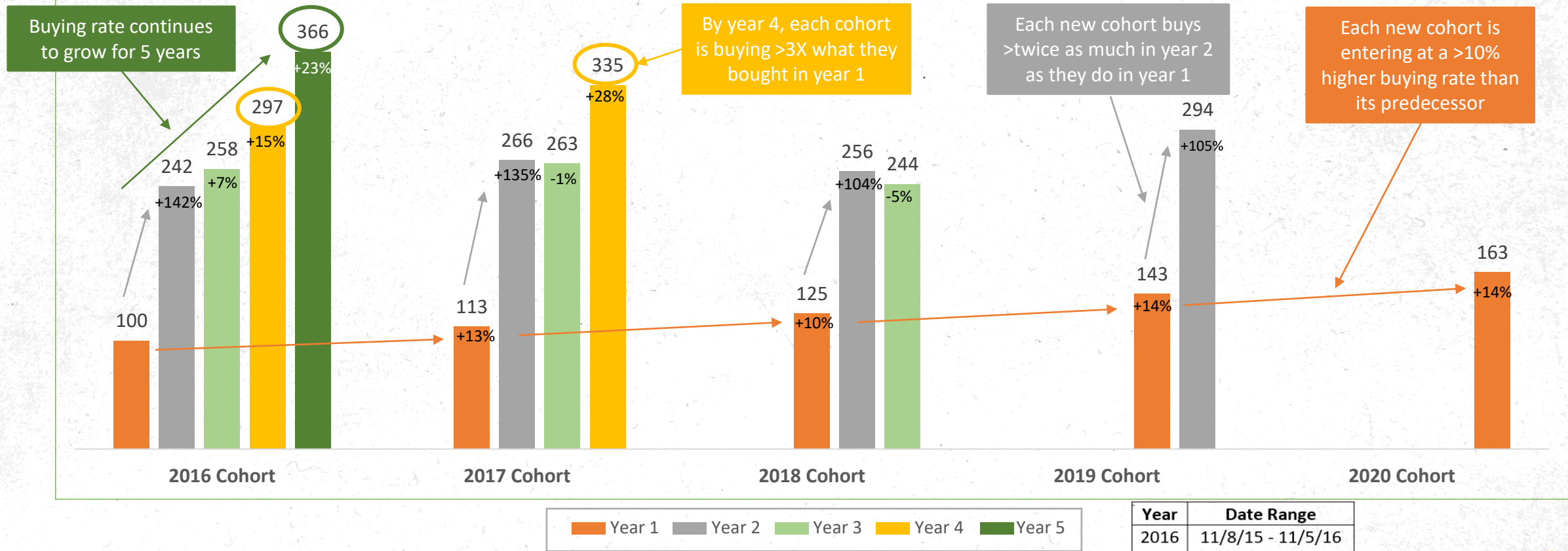
2019 Buying Habits of New Consumers Who Entered in 2018



Source: Nielsen Freshpet Behavioral Study Preview – February 2020

Cohort buying rate data confirms significant multi-year growth potential of each new user

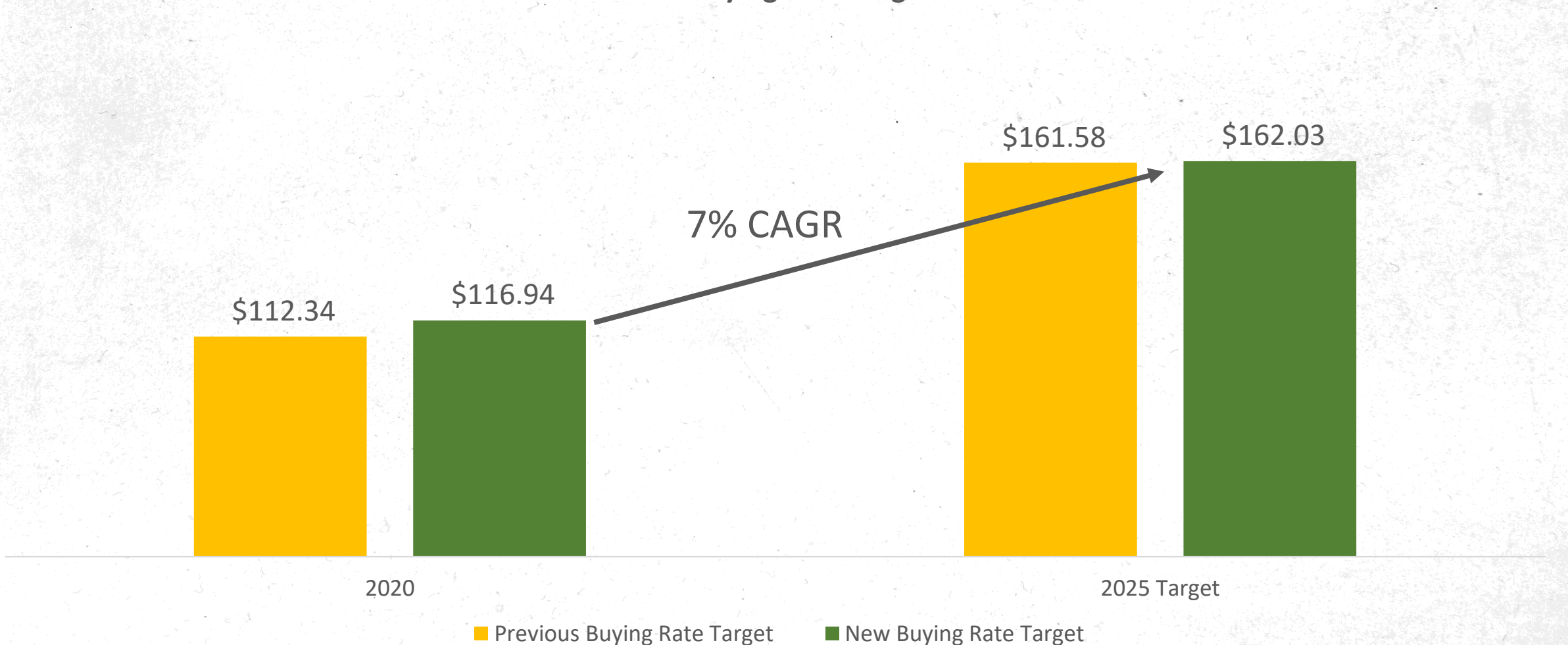
Freshpet Core Dog New Buyers - Dollar Buy Rate Evolution
(Index vs. 2016 New Buyers)



Year	Date Range
2016	11/8/15 - 11/5/16
2017	11/6/16 - 11/4/17
2018	11/5/17 - 11/3/18
2019	11/4/18 - 11/2/19
2020	11/3/19 - 10/31/20

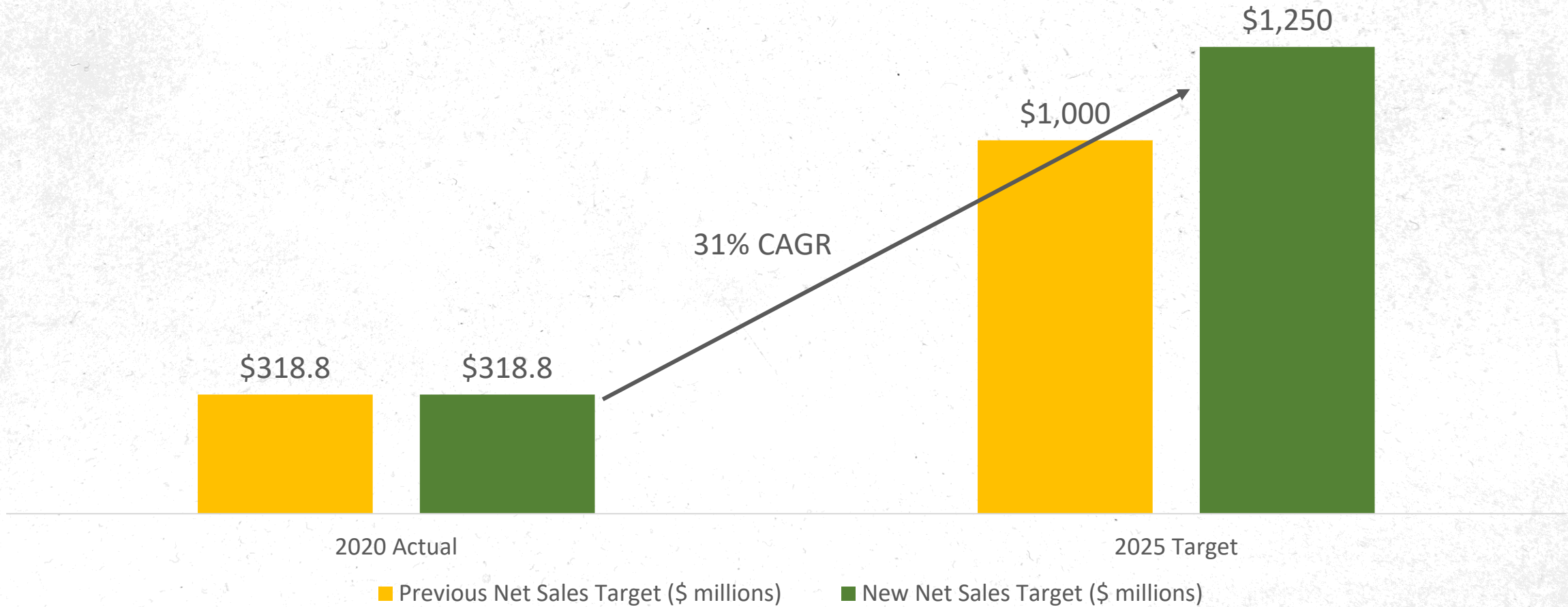
Holding buying rate growth at 7% CAGR due to ongoing dilution from rapid influx of new users

2025 Buying Rate Target



Revised 2025 Plan: Increasing Net Sales target by 25% to \$1.25 billion

2025 Net Sales Target

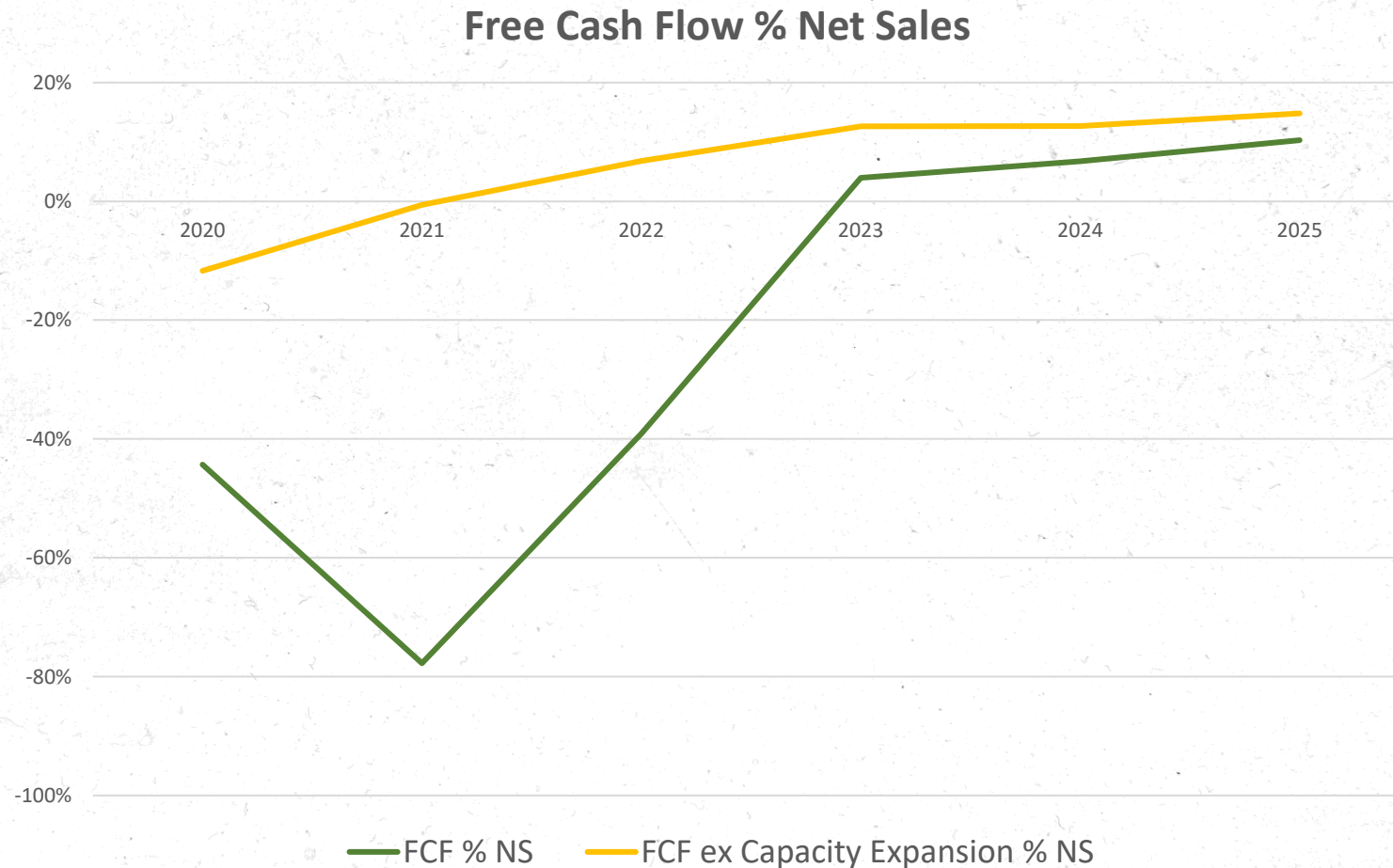


Holding Adj. EBITDA margin target to enable increased investment for future growth

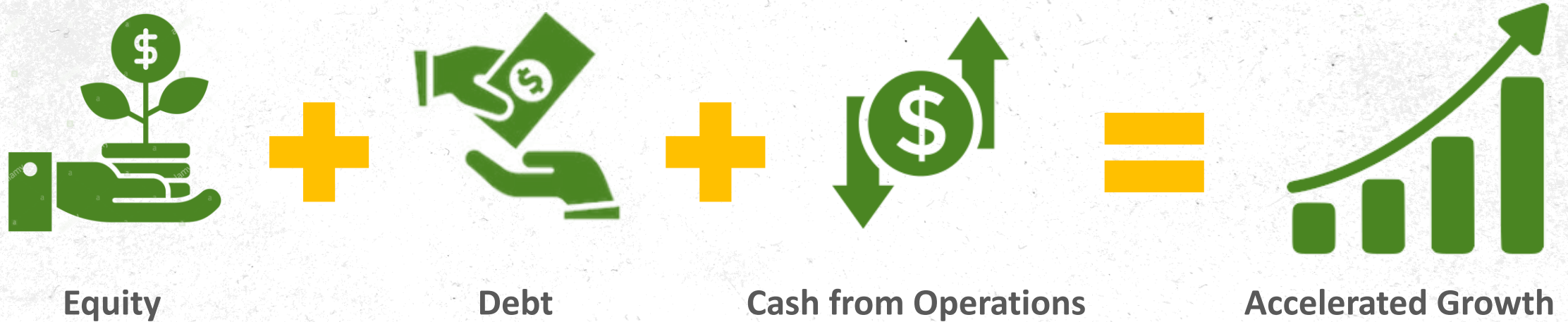
2025 Adj. EBITDA Margin Target



Generating strong free cash flow by 2023



Maintaining leverage below 3.5x Adj. EBITDA while driving accelerated growth



With these financing plans, we believe we will have the ability to support a \$1.25 billion business with capacity at the end of 2025 of almost \$2 billion in net sales



Accelerating and Increasing Capacity

Significant achievements in 2020 demonstrate our capability to add capacity and the value of our partnership



Completed construction and started up **Kitchens 2.0** – despite limitations imposed by COVID



Proved that we could create and operate **higher throughput lines** with more automation that drives better margins



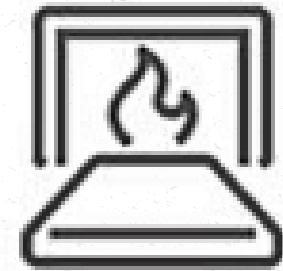
Started up operations with long-term partner at **Kitchens South**



Broke ground on our biggest project yet – **Ennis Phase 1**



Installed and are operating an **innovation line**



Advanced **new manufacturing technology** with potential to produce more in less space

Strategy: Accelerating and increasing capacity investments to meet increased demand expectations



Pulling forward Ennis start-up

- Ennis Phase 1 to begin production in Q2 of 2022 vs. Q3 and have higher speed lines
- Investing in round-the-clock construction to meet demand at Ennis



Pulling forward Kitchens South Line #2 and adding a third line at Kitchens South sooner:

- Kitchens South Line #2 to start production in Q3 of 2021 vs. Q4
- Kitchens South Line #3 to start production in Q1 of 2022 vs. Q3 of 2022



Adding a second building at Kitchens South:

- Adding ~\$300 million in sales capacity in 2023
- Same intellectual property protections that have worked in existing facility
- Ideally located to supply both Bethlehem and Dallas DC's
- Deep engineering bench to enable more rapid capacity expansion

Kitchens 2.0: Proving that higher speed/more automated operations work as expected



landfill free



powered
by wind



carbon
emissions offset

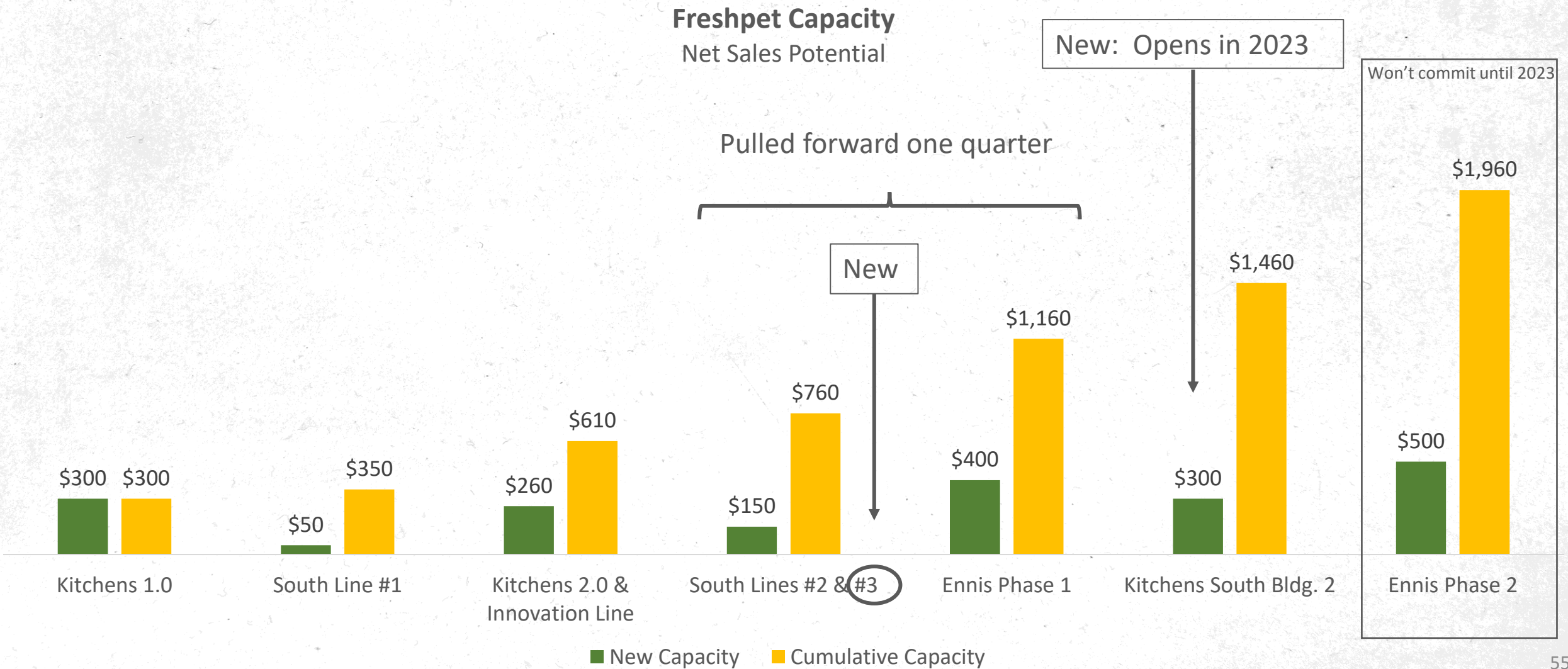
Kitchens 3.0 in Ennis, TX is being pulled forward and will produce more



Phase 1 is being pulled forward to start producing in Q2 2022

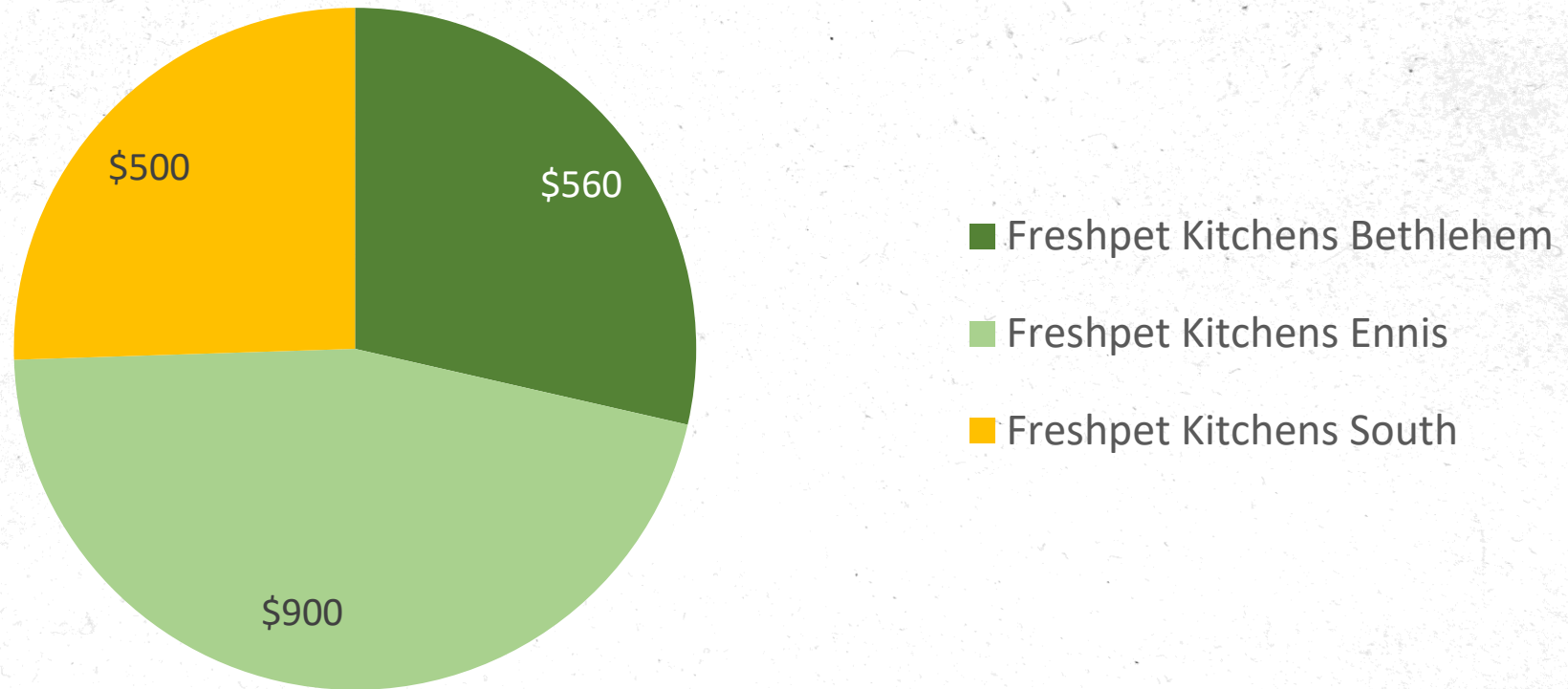
Increasing projected capacity by ~30% to reflect higher speed equipment

Almost \$2 billion in net sales production capacity by 2025

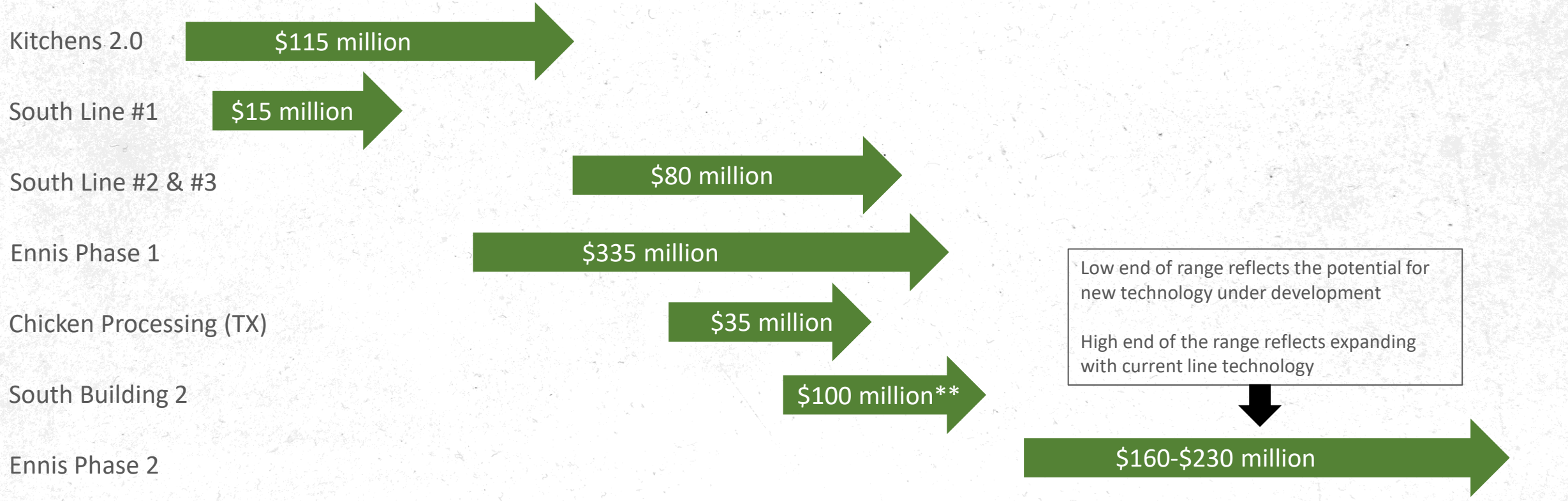


At ~\$2 billion in net sales, we will have a 75/25 split between self-manufacture and partner production

Total Freshpet Capacity (\$ millions)



Capital spending plan supports up to ~\$2 billion in capacity



Low end of range reflects the potential for new technology under development
 High end of the range reflects expanding with current line technology

	2019	2020	2021	2022	2023	2024	2025
Total Capex*	\$71 mm	~\$135 mm	~\$380 mm	~\$300 mm	~\$75-95 mm	~\$70-\$90 mm	~\$70-\$90 mm

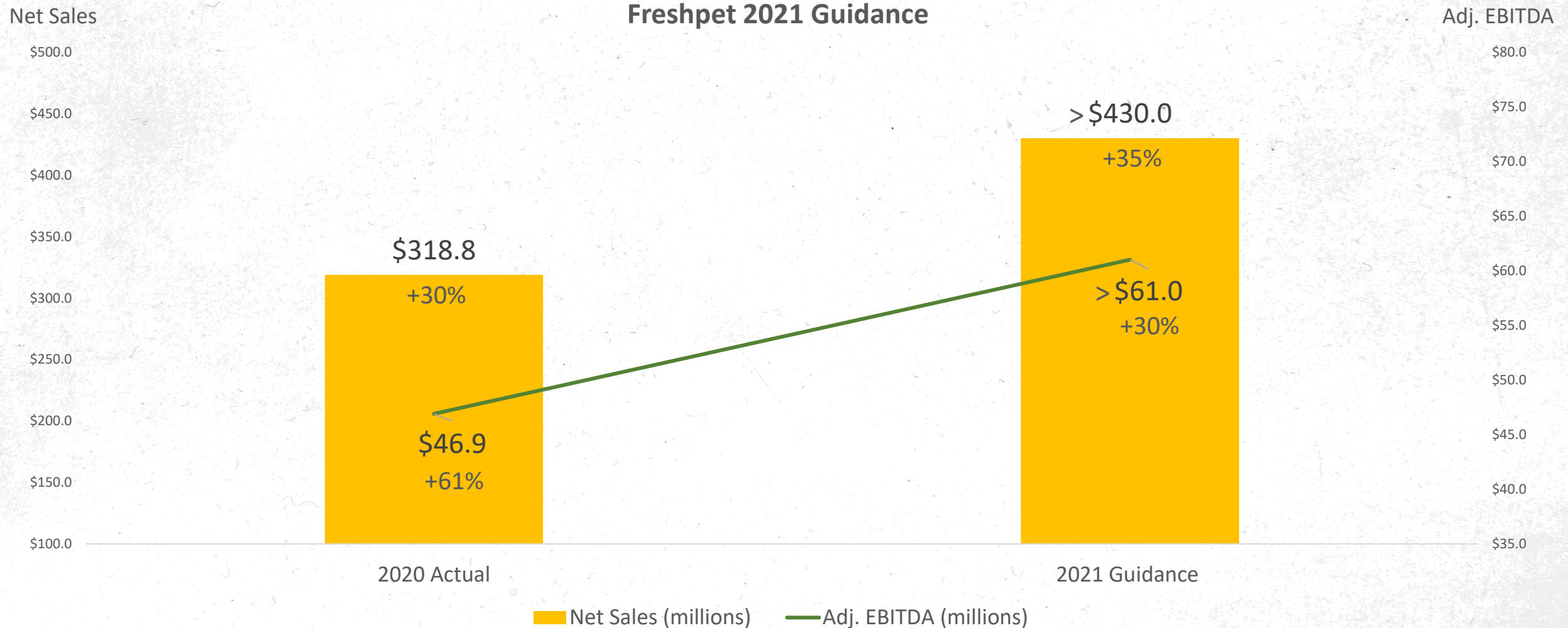
*also includes maintenance capex, fridges and IT

** represents a high-level estimate



2021 Guidance

2021 Guidance: Accelerating growth again



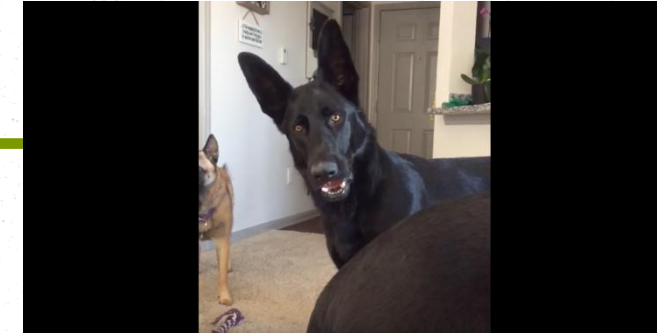
Meaningful innovation to engage new users in the US, Canada and UK

Letters



MARKETING COMMUNICATIONS & INNOVATION

Awakening



IMPROVE



INNOVATE

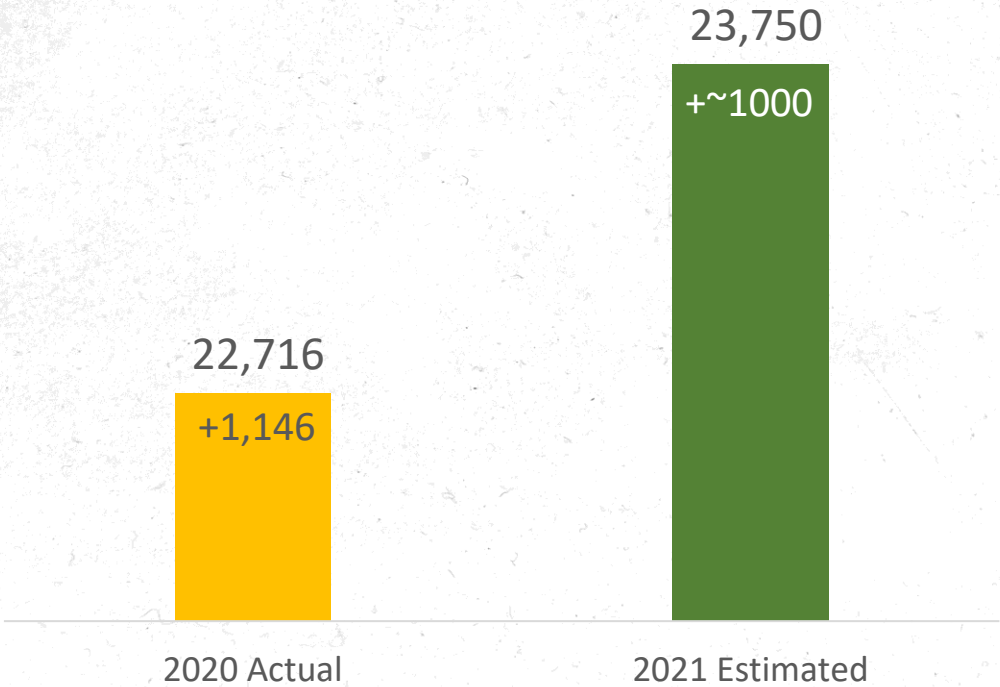


REINVENT

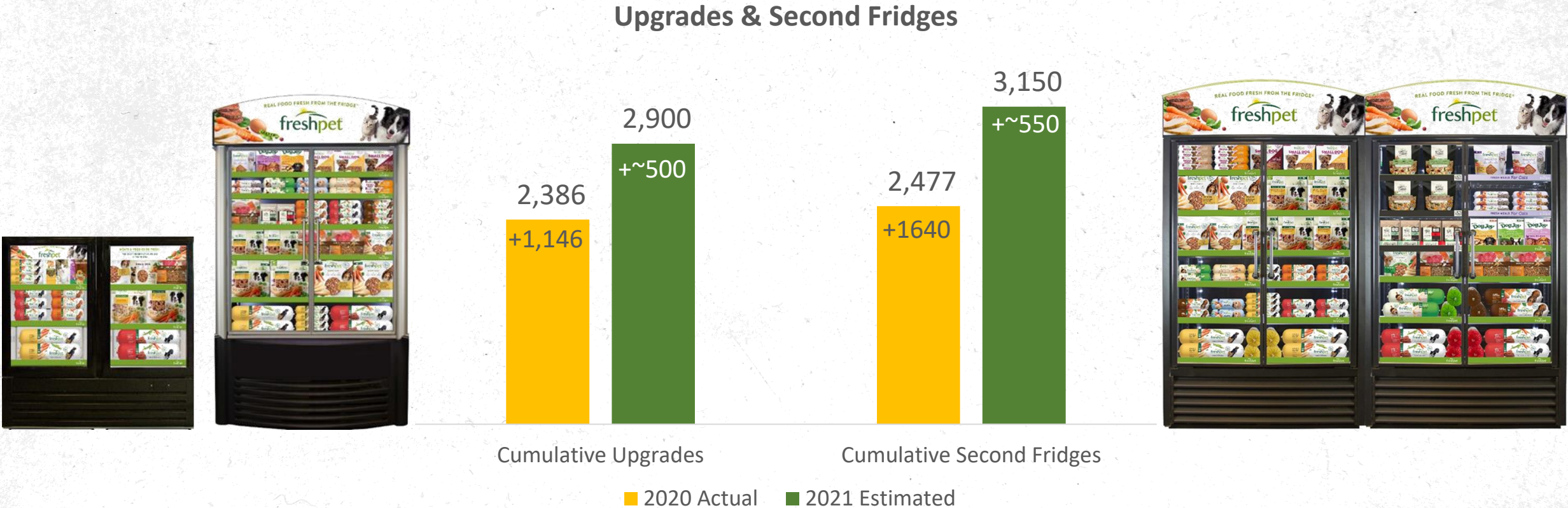


Continued increases in retail availability

Store Count

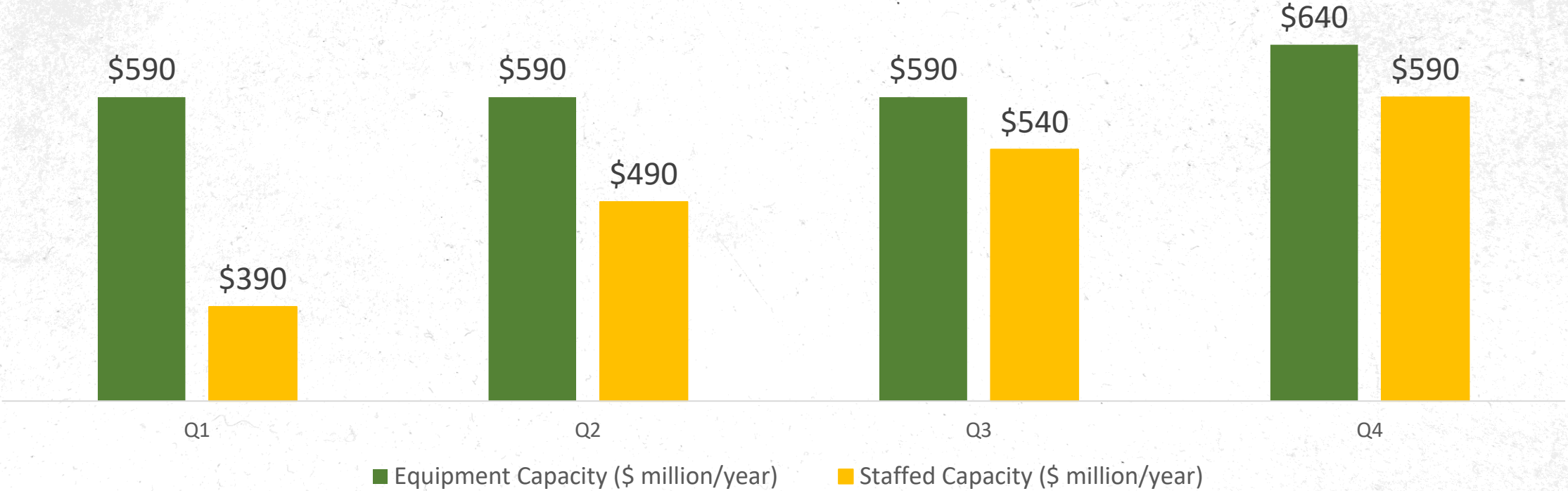


Continued increases in retail visibility

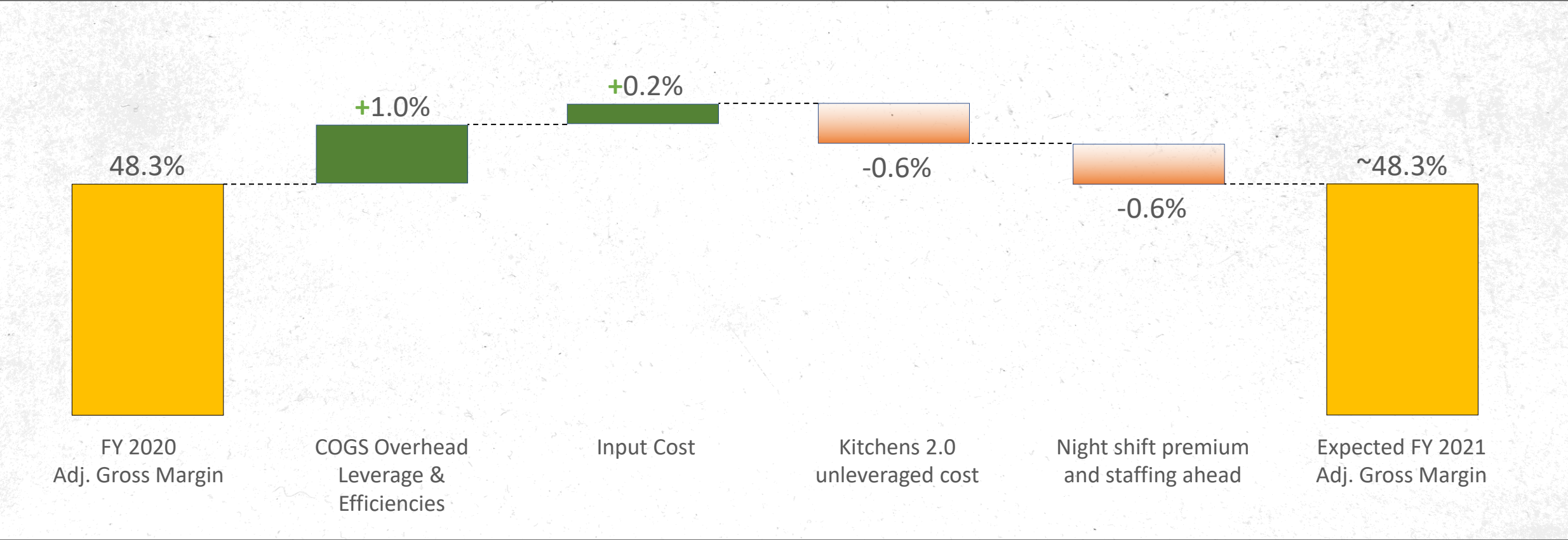


Adding staffing to support increasing demand in 2021

Freshpet Production Capacity
2021



2021 Adj. Gross Margin expected to be flat to PY but improve as the year progresses



2021 Guidance

\$ in Millions	2020	2021	% Change
Net Sales	\$318.8	>\$430	+35%
Adjusted EBITDA	\$46.9	>\$61	+30%

- **Volume cadence:** Q1 growth in excess of consumption growth as we re-fill trade inventory. Q2 growth moderates due to delayed start of advertising. Strong Q3 and Q4 due to availability of capacity and marketing investment
- **Advertising investment:** Investing at ~12% of net sales. Balanced between first half and second half due to out-of-stocks in Q1 causing a delay in Q1 advertising start date
- **Adj. Gross Margin:** Flat year-on-year with a slow start due to start-up of new lines and higher beef costs. Incremental staffing throughout the year to ensure no short shipments and higher night shift differential.
- **ERP Conversion:** Tentatively targeted for 10/1/21
- **COVID Addback:** Anticipating \$2.0 million in COVID-related costs until broadscale vaccination has occurred

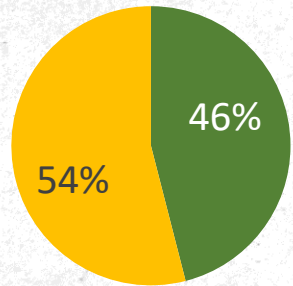


Summary

Significant opportunities to grow

We have multiple ways to win

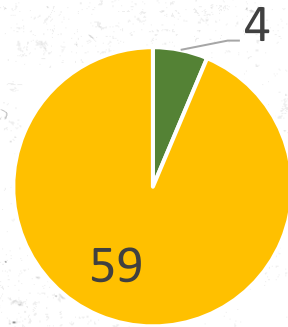
Aided Awareness



■ Aided Awareness ■ Unaware

Drive Awareness

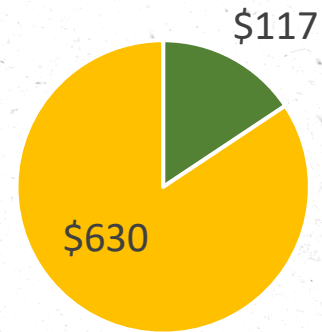
2020 Dog HH's



■ Freshpet ■ No Freshpet

Increase Penetration

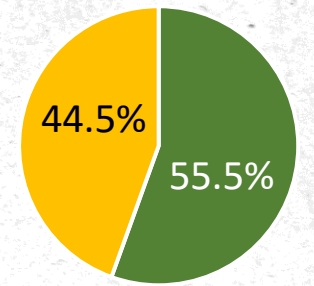
Buying Rate



■ Current
■ Avg. Cost to Feed 30 lb Dog

Increase Frequency of Use
& Size of Dog

% ACV Distribution



■ Available ■ Not Available

Expand Distribution

Fortified business model that provides strong competitive insulation

Diverse line-up that is difficult to match

Differentiated
Innovative forms, technologies, and appearance



Manufacturing
Proprietary technology, processes, and infrastructure



\$~2.0 billion capacity

High Brand Loyalty
Alignment with deep pet parent emotional motivations



11 mm HH's



Supply Chain
Only refrigerated pet food network in North America



Significant scale in distribution

Freshpet Fridge
Branded, company-owned real estate



Retailer Partners
Delivers benefits in traffic, frequency and retailer margins

~75-80% ACV

40,000 Fridges



freshpet[®]

FEED THE GROWTH

11 MILLION HH BY 2025





Appendix

FRESHPET, INC. AND SUBSIDIARIES

RECONCILIATION BETWEEN GROSS PROFIT AND ADJUSTED GROSS PROFIT

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Gross Profit	\$ 30,533	\$ 30,250	\$ 132,910	\$ 114,197
Depreciation expense	3,153	1,616	9,576	6,370
Plant start-up expense (a)	2,942	—	5,962	—
Non-cash share-based compensation	707	414	2,132	922
COVID-19 expense (b)	1,340	—	3,497	—
Adjusted Gross Profit	\$ 38,675	\$ 32,279	\$ 154,077	\$ 121,489
Adjusted Gross Profit as a % of Net Sales	45.8%	49.1%	48.3%	49.4%

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

FRESHPET, INC. AND SUBSIDIARIES

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
	(Dollars in thousands)			
SG&A expenses	\$ 33,635	\$ 25,375	\$ 134,908	\$ 114,450
Depreciation and amortization expense	3,026	2,598	11,549	9,551
Non-cash share-based compensation	2,407	1,714	8,793	6,912
Launch expense (a)	1,019	1,228	3,421	4,563
Loss on disposal of equipment	505	649	1,805	649
Equity offering expenses (b)	—	(47)	58	302
Enterprise Resource Planning (c)	852	—	1,682	—
COVID-19 expense (d)	74	—	357	—
Adjusted SG&A Expenses	\$ 25,753	\$ 19,233	\$ 107,243	\$ 92,473
Adjusted SG&A Expenses as a % of Net Sales	30.5%	29.3%	33.6%	37.6%

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

FRESHPET, INC. AND SUBSIDIARIES

RECONCILIATION BETWEEN NET INCOME (LOSS) AND ADJUSTED EBITDA

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Net income (loss)	(3,298)	\$ 4,633	\$ (3,188)	\$ (1,383)
Depreciation and amortization	6,179	4,214	21,125	15,921
Interest expense	212	302	1,211	991
Income tax expense	—	87	65	144
EBITDA	\$ 3,093	\$ 9,236	\$ 19,213	\$ 15,673
Loss on disposal of equipment	505	649	1,805	787
Non-cash share-based compensation	3,114	2,128	10,925	7,834
Launch expense (a)	1,019	1,228	3,421	4,563
Plant start-up expenses (b)	2,942	—	5,962	—
Equity offering expenses (c)	—	(47)	58	302
Enterprise Resource Planning (d)	852	—	1,682	—
COVID-19 expense (e)	1,414	—	3,854	—
Adjusted EBITDA	\$ 12,939	\$ 13,194	\$ 46,920	\$ 29,159
Adjusted EBITDA as a % of Net Sales	15.3%	20.1%	14.7%	11.9%

- (a) Represents new store marketing allowance of \$1,000 for each store added to our distribution network, as well as the non-capitalized freight costs associated with Freshpet Fridge replacements. The expense enhances the overall marketing spend to support our growing distribution network.
- (b) Represents additional operating costs incurred in connection with the start-up of our new manufacturing lines as part of the Freshpet Kitchens expansion projects.
- (c) Represents fees associated with public offerings of our common stock.
- (d) Represents implementation and other costs associated with the implementation of an ERP system.
- (e) 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 mitigate potential supply chain disruptions during the pandemic.