



Q2 2023

# EARNINGS

August 7, 2023



# FORWARD LOOKING STATEMENTS & NON-GAAP MEASURES

## Forward-Looking Statements

Certain statements in this presentation by Freshpet, Inc. (the “Company”) constitute “forward-looking” statements, which include any statements related to the the Freshpet Kitchens Expansion, our long-term capacity planning, our net sales and Adjusted EBITDA guidance 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 our long-term capacity planning, and 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 EBITDA Margin), 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 net income (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, and other expenses, including loss on disposal of equipment, COVID-19 expenses and organization changes designed to support long-term growth objectives.

# FORWARD LOOKING STATEMENTS & NON-GAAP MEASURES

Freshpet defines Adjusted Gross Profit as gross profit before depreciation expense, COVID-19 expense and non-cash share-based compensation, and Adjusted SG&A as SG&A expenses before depreciation and amortization expense, non-cash share-based compensation, gain (loss) on disposal of equipment, fees related to equity offerings of our common stock, implementation and other costs associated with the implementation of an ERP system, COVID-19 expense and organization changes designed to support long term growth objectives.

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 represent the Company's guidance for fiscal year 2023. The Company is unable to reconcile these forward-looking non-GAAP financial measures to the most directly comparable GAAP measures without unreasonable efforts because the Company is currently unable to predict with a reasonable degree of certainty the type and impact of certain items, including the timing of and amount of costs of goods sold and selling, general and administrative expenses, that would be expected to impact GAAP measures for these periods but would not impact the non-GAAP measures. The unavailable information could significantly impact our financial results. These items are not within the Company's control and may vary greatly between periods. Based on the foregoing, the Company believes that providing estimates of the amounts that would be required to reconcile these forecasted non-GAAP measures to forecasted GAAP measures would imply a degree of precision that would be confusing or misleading to investors for the reasons identified above.



FRESHPET STRENGTHENS THE BOND BETWEEN **PEOPLE** AND OUR **PETS** SO THAT WE BOTH LIVE LONGER, HEALTHIER AND HAPPIER LIVES WHILE BEING KIND TO THE **PLANET.**



# PROGRESS REPORT

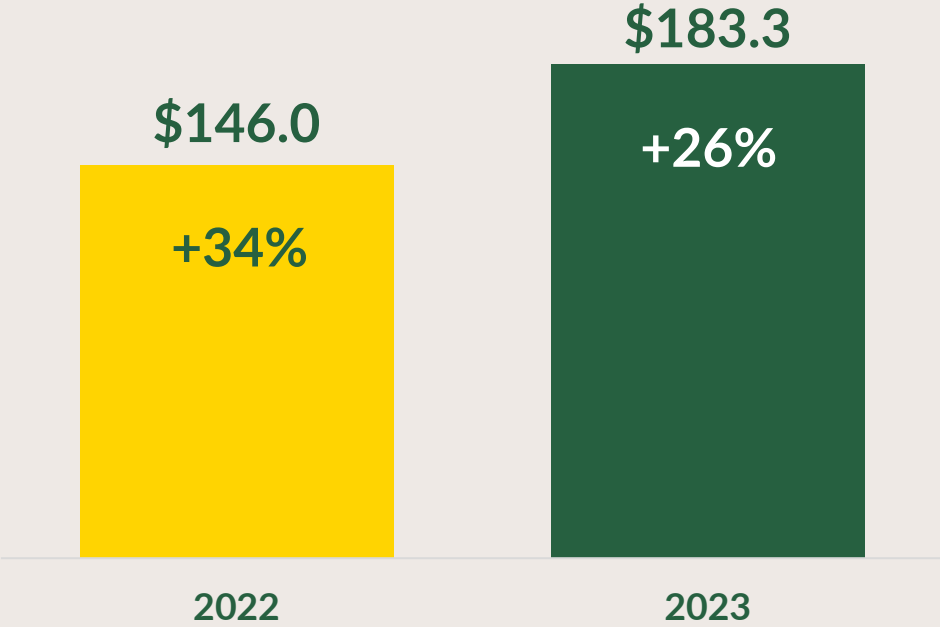


# Q2 2023 RESULTS



# STRONG Q2 RESULTS THAT DEMONSTRATE IMPROVED OPERATING PERFORMANCE & 20<sup>th</sup> CONSECUTIVE QUARTER OF >25% GROWTH

FRESHPET Q2 2023 NET SALES  
(\$ millions)

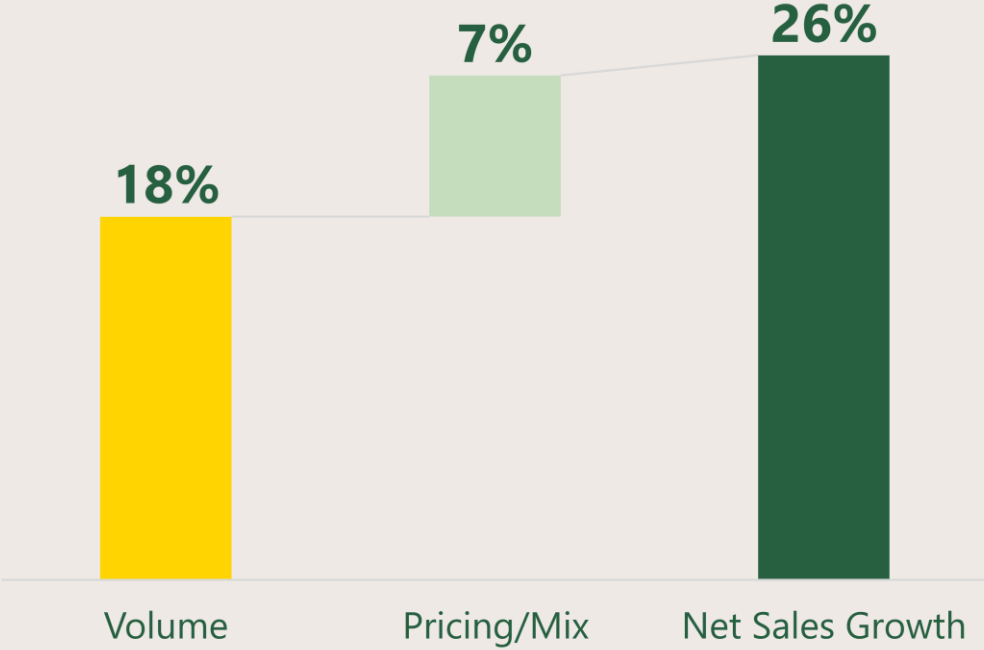


FRESHPET Q2 2023 ADJ. EBITDA  
(\$ millions)

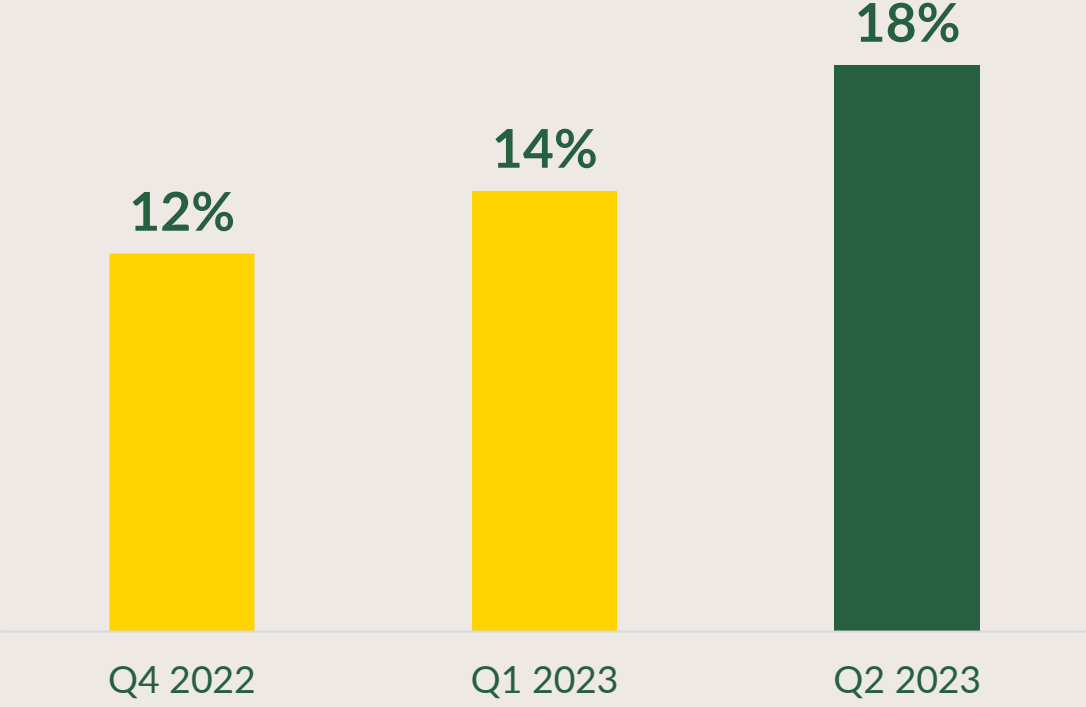


# NET SALES GROWTH DRIVEN BY RENEWED VOLUME GROWTH AND THE IMPACT OF THE LAST TWO PRICE INCREASES

Q2 2023 NET SALES BRIDGE



CONSUMPTION GROWTH TRENDS  
(Volume in Pounds)

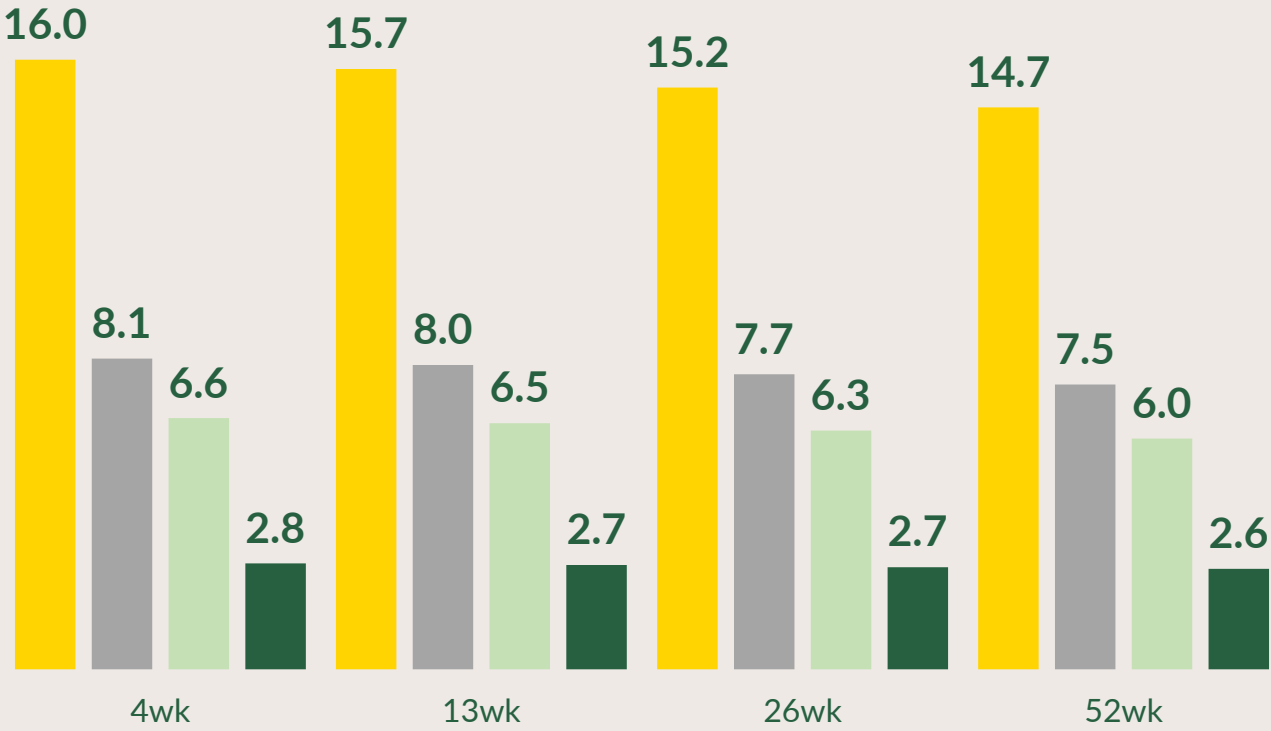




# CONSUMPTION GROWTH IS STRONG ACROSS CHANNELS & OVER TIME

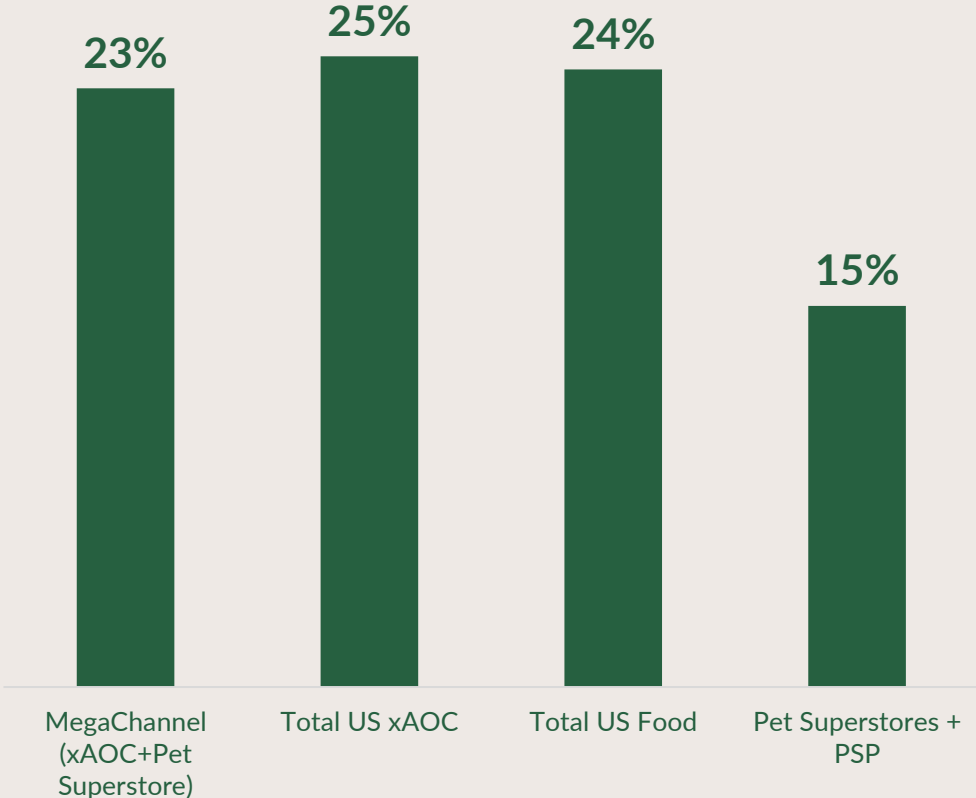
## FRESHPET \$ SHARE OF WET & DRY DOG

■ Total US Food 
 ■ Total US xAOC 
 ■ Mega-Channel 
 ■ Pet Superstore



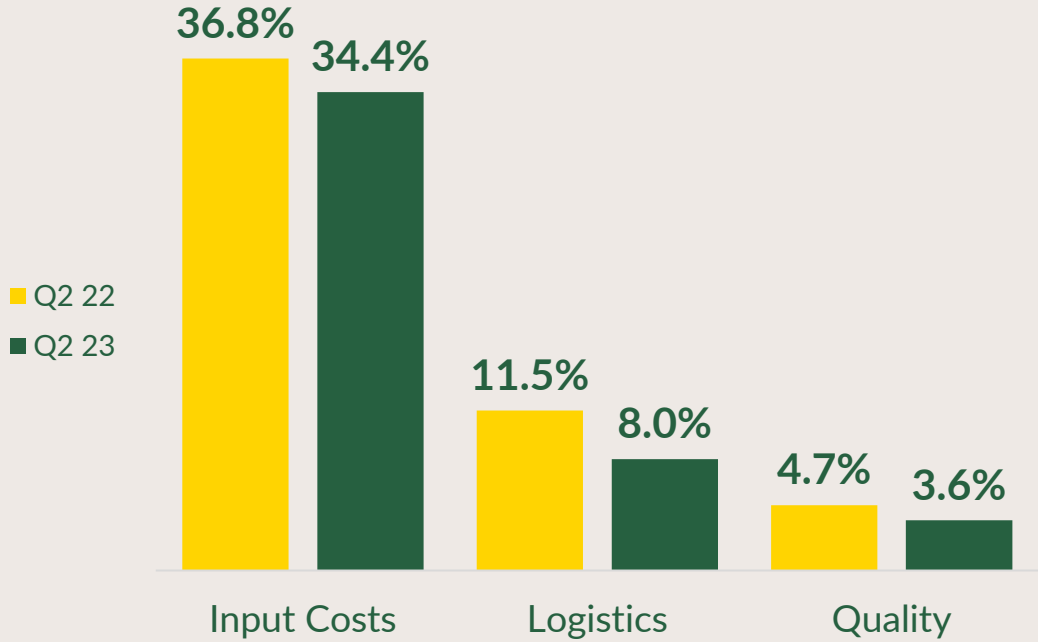
Freshpet Share of Wet + Dry Dog

## Q2 2023 CONSUMPTION GROWTH

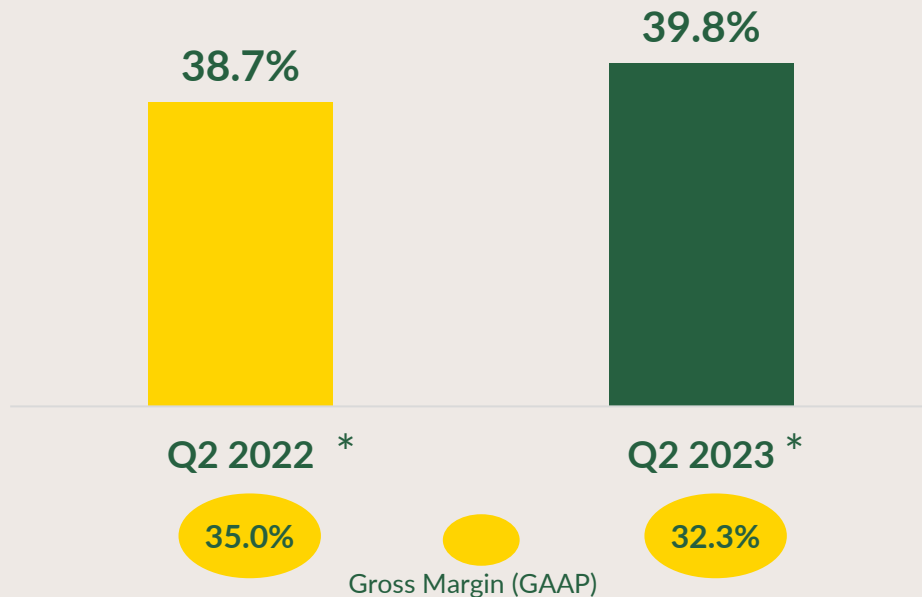


# GENERATED 700 BPS IMPROVEMENT YEAR-ON-YEAR ON KEY OPERATING COSTS: INPUT COSTS/PRICING, LOGISTICS AND QUALITY

**Q2 2023 KEY OPERATING COSTS**  
(% of net sales)



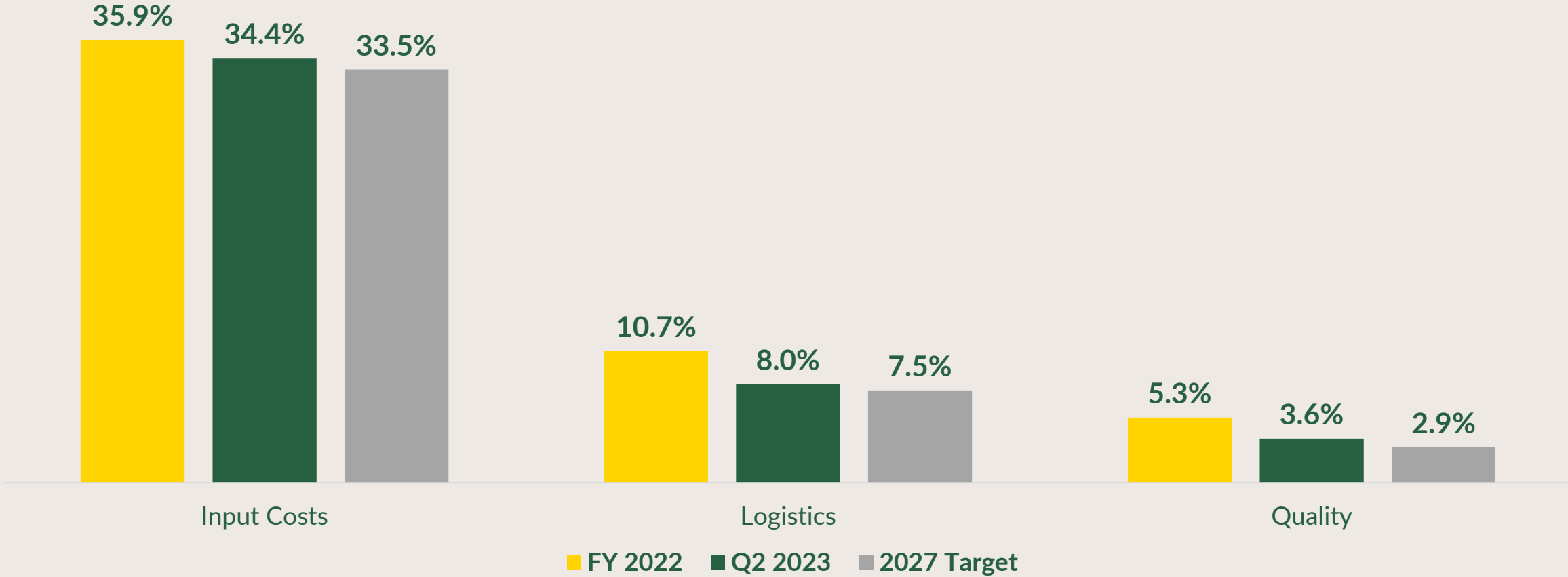
**Q2 2023 ADJ. GROSS MARGIN**



\*Ennis plant start-up expenses included in Adj. Gross Margin and Gross Margin

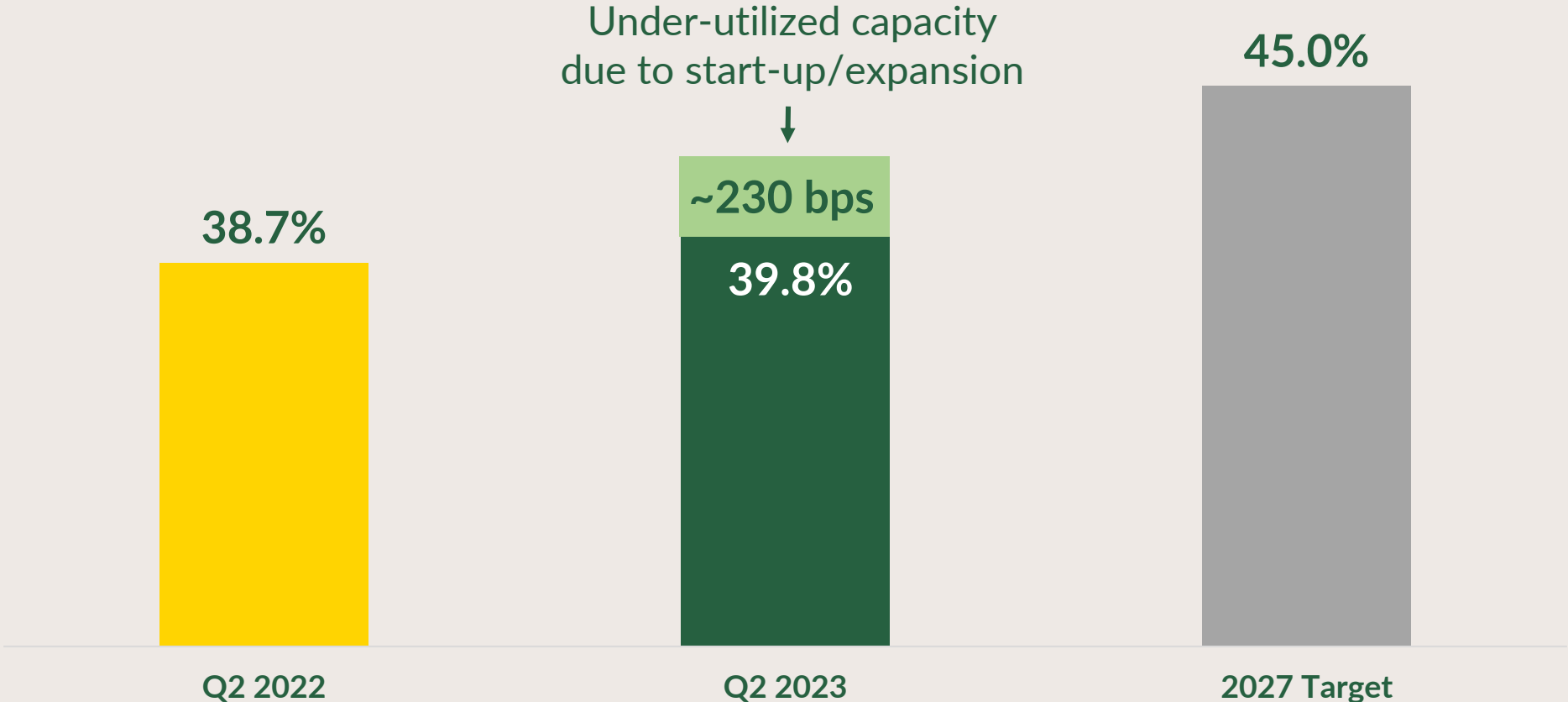
# WE ARE AHEAD OF PACE TO DELIVER THE CRITICAL COST IMPROVEMENTS EMBEDDED IN OUR FY 2027 MARGIN TARGETS

## KEY MARGIN IMPROVEMENT TARGETS & PROGRESS



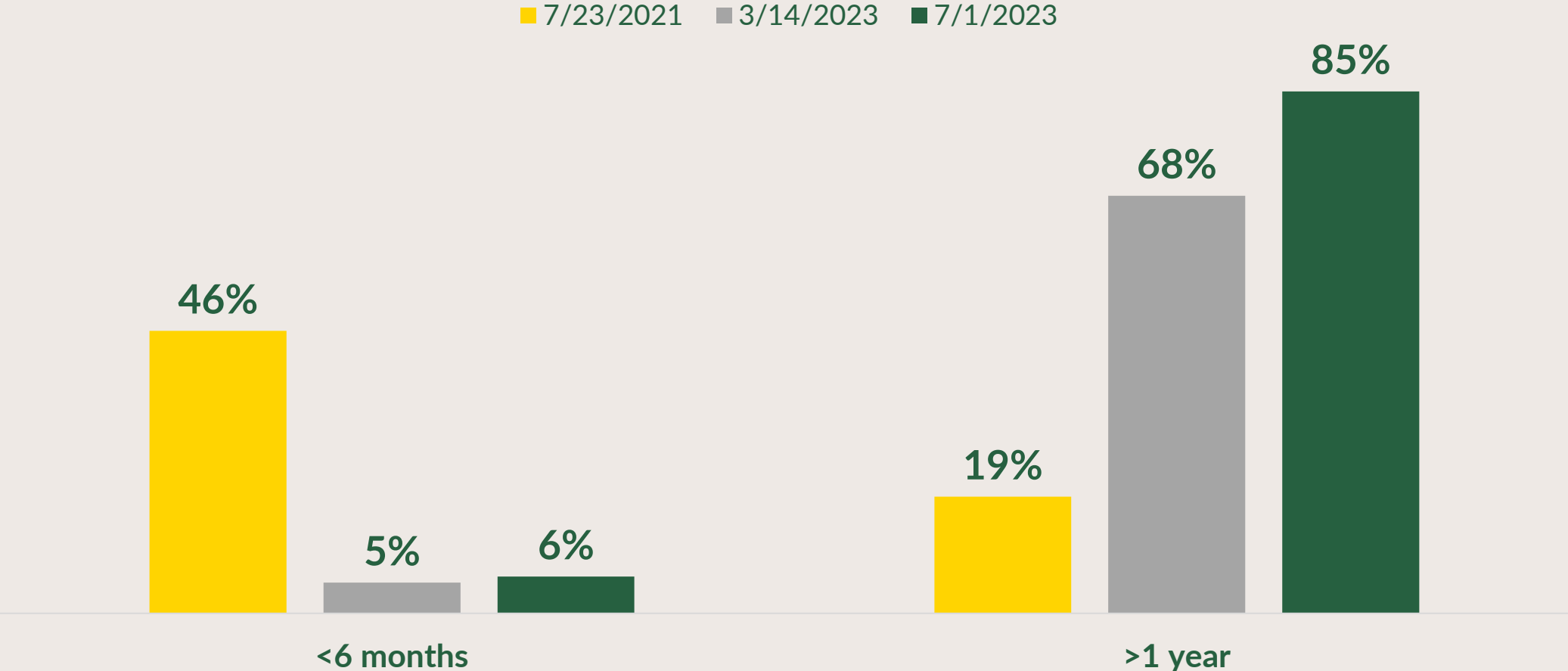
# WE ARE ON TRACK TO DELIVER OUR ADJ. GROSS MARGIN TARGET AS WE GROW INTO OUR MANUFACTURING SCALE AND DELIVER THE PLANNED IMPROVEMENTS ON INPUT COSTS, QUALITY AND OPERATING EFFICIENCY

## ADJ. GROSS MARGIN PROGRESS VS TARGETS



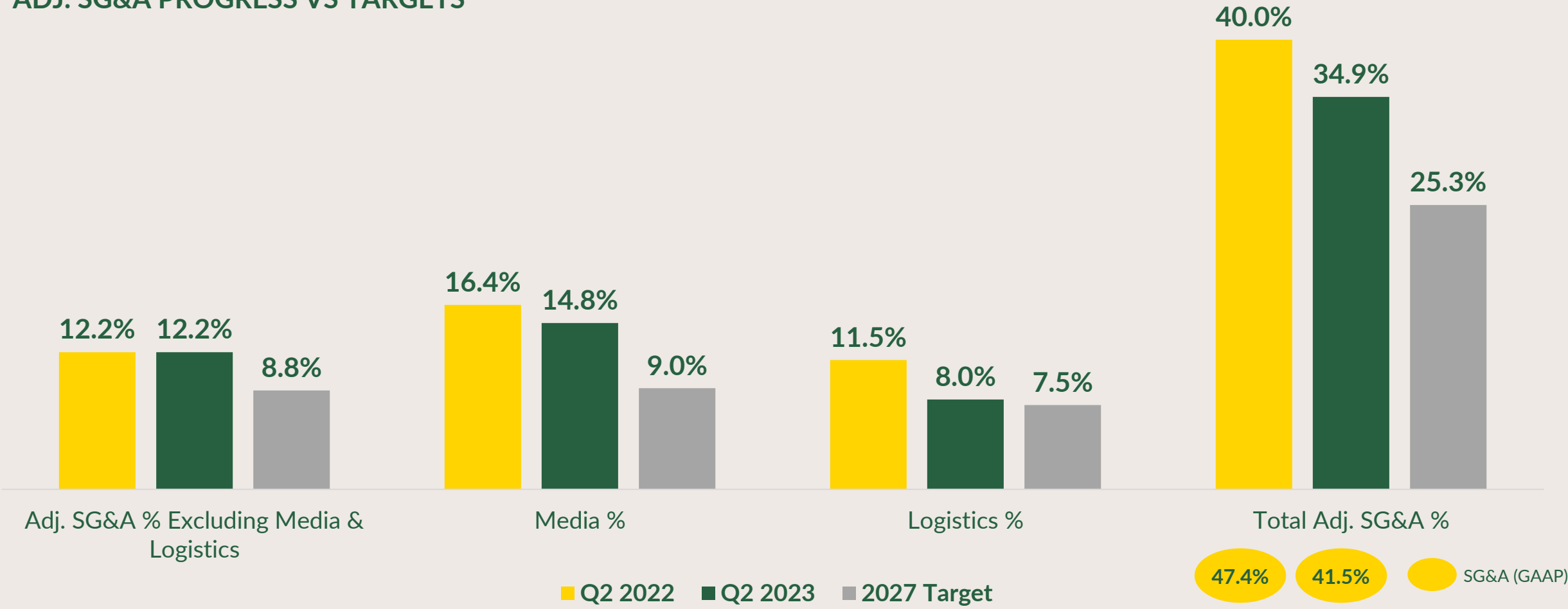
# THE FRESHPET ACADEMY IS DRIVING IMPROVED RETENTION AND SKILL LEVELS THAT HAVE DRIVEN OPERATING IMPROVEMENTS

## FRESHPET TEAM MEMBER TENURE



# WE ARE ON TRACK TO DELIVER THE SG&A IMPROVEMENTS IN OUR 2027 TARGET; FUTURE GROWTH AND ADDED SCALE WILL UNLOCK LEVERAGE OF MEDIA AND G&A

## ADJ. SG&A PROGRESS VS TARGETS



## ENNIS KITCHEN: NOW PRODUCING >20% OF TOTAL FRESHPET PRODUCTION FROM TWO LINES IN THE ENNIS KITCHEN

- ✔ Both bag line and roll line are operating 24/7
- ✔ Chicken processing operation is rapidly scaling up
- ✔ Second bag line will begin commissioning in Q4 2023
- ✔ Phase II is under construction; will start up in late Q3 2024



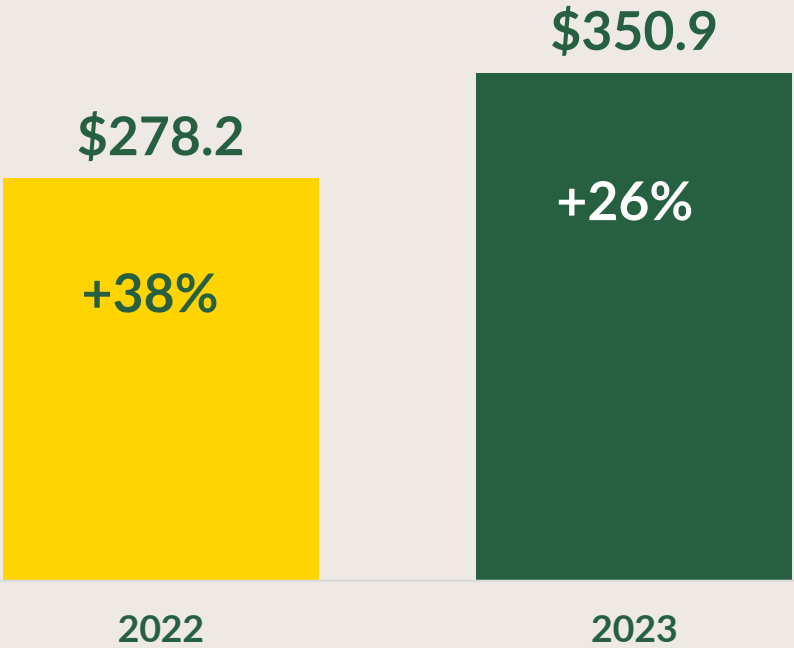
# YTD 2023 RESULTS



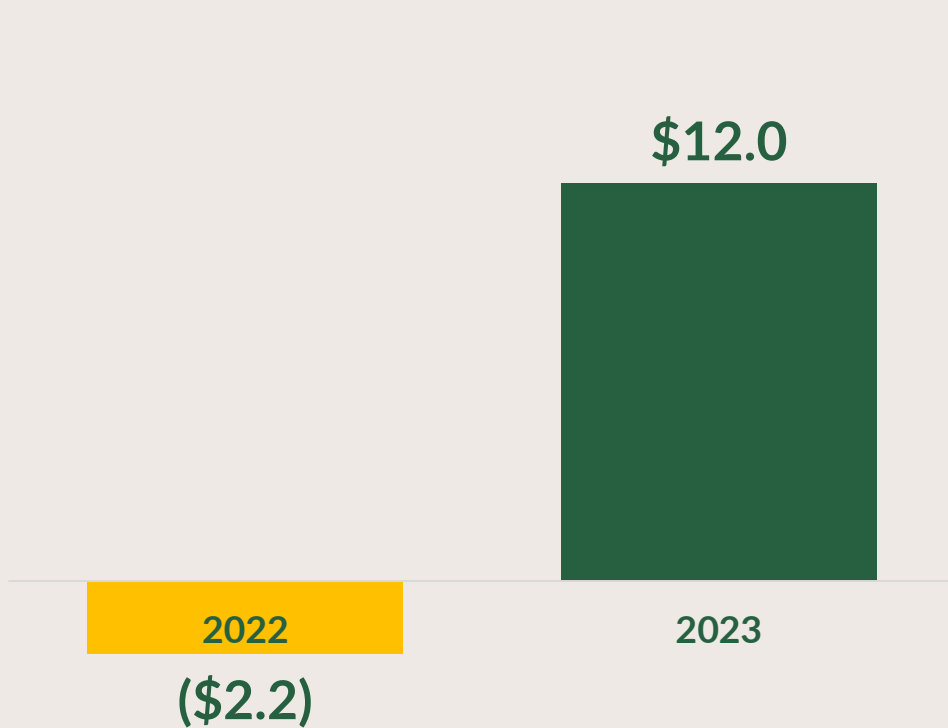


# STRONG FYTD RESULTS THAT DEMONSTRATE IMPROVED OPERATING PERFORMANCE AND STRONG GROWTH

FRESHPET YTD 2023 NET SALES  
(\$ millions)

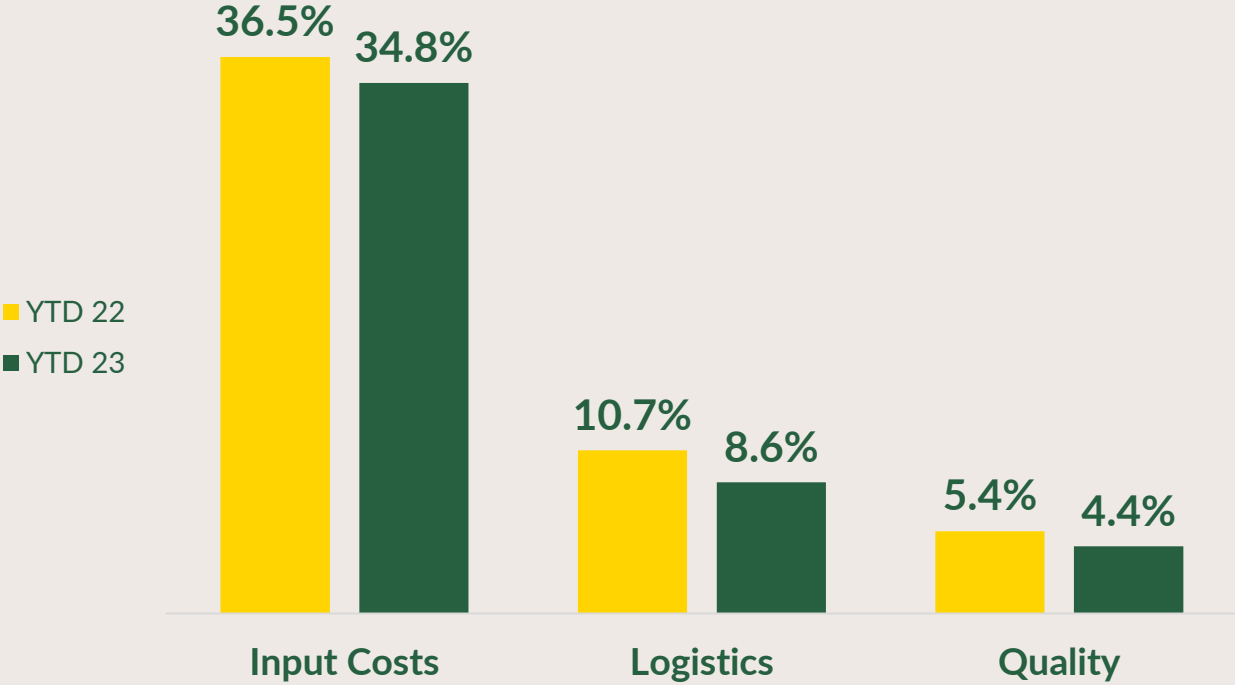


FRESHPET YTD 2023 ADJ. EBITDA  
(\$ millions)

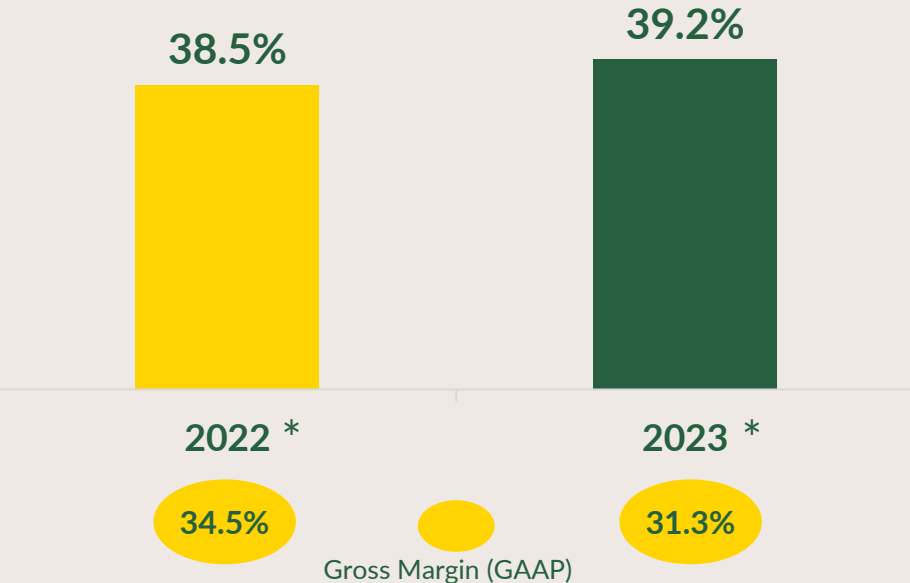


# GENERATED 480 BPS IMPROVEMENT YTD vs YA ON KEY OPERATING COSTS: INPUT COSTS/PRICING, QUALITY AND LOGISTICS

YTD 2023 KEY OPERATING COSTS



YTD 2023 ADJ. GROSS MARGIN



\*Ennis plant start-up expenses included in Adj. Gross Margin and Gross Margin

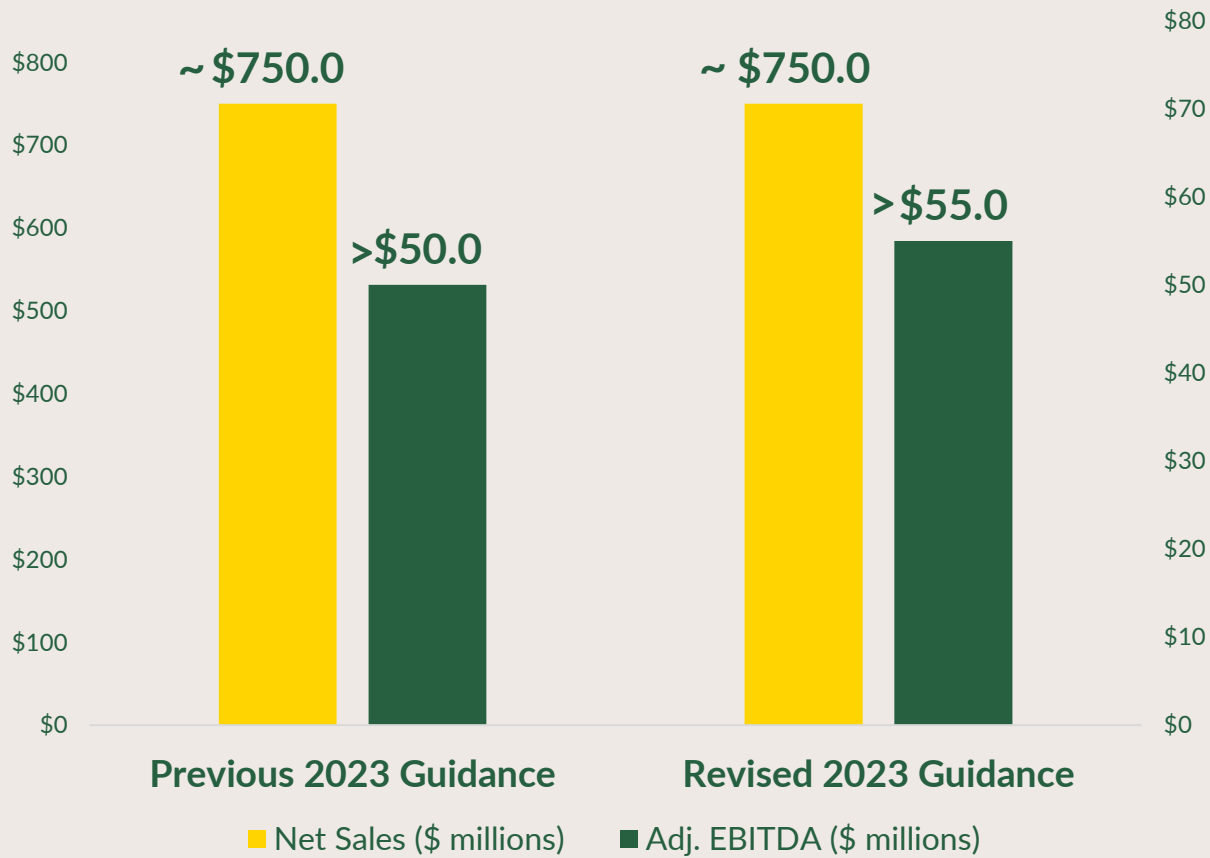
# FY 2023 GUIDANCE



# RAISING 2023 ADJ. EBITDA GUIDANCE AND RE-AFFIRMING NET SALES GUIDANCE: FOCUS ON IMPROVING PROFITABILITY WHILE DRIVING GROWTH

- **Volume cadence:** Accelerating volume growth in Q3 and Q4; net sales growth rate stronger in Q3 vs Q4 due to lapping large trade inventory re-fill in Q4 (\$10-15 million)
- **Advertising investment:** Media split 65%/35% first half vs second half; 2<sup>nd</sup> half 2023 media investment ~\$15 million more than 2<sup>nd</sup> half 2022; more Q4 media vs YA
- **Adj. Gross Margin:** Adj. Gross Margin will begin to absorb costs of incremental staffing as we add staffing to support Q1 2024 shipments.
- **Logistics costs:** Continued strong performance based on expanding footprint of second DC and favorable lane rates/diesel

FRESHPET FINANCIAL PROJECTIONS



## 2023 GUIDANCE: Q3 EXPECTATIONS

- ✔ **Volume/Net Sales cadence:** Q3 2023 is projected to have stronger net sales growth rate than Q4 and Q2; volume growth rate will accelerate throughout Q3 and Q4
- ✔ **Advertising investment:** Continued investment in media in Q3 at levels above 2022 spending (\$)
- ✔ **Logistics costs:** Q3 2023 will include favorable lane rates and diesel costs along with expansion of the Dallas DC
- ✔ **Adj. Gross Margin:** Improving Adj. Gross Margin as we grow into the scale in Ennis and continue the operation improvement plan which will be offset by hiring incremental staffing to support incremental capacity for 2024. Expect 2H Adj. Gross Margin in the 38-39% range.
- ✔ **Adj. EBITDA \$:** Q3 2023 will benefit from lower media investment than Q2, increased scale in Ennis and increased sales volume. Approximately half of the full year Adj. EBITDA will occur in Q4.

# 2023 PLAN: KEY GROWTH DRIVERS



**STRONG ADVERTISING INVESTMENT**



**SIGNIFICANT INCREASE IN RETAIL PRESENCE**



**NEW PRODUCT LAUNCHES**



# 2023 PLAN: OPERATIONAL IMPROVEMENTS



Ample capacity



More efficient logistics



Improved quality



Commodity costs in line with pricing

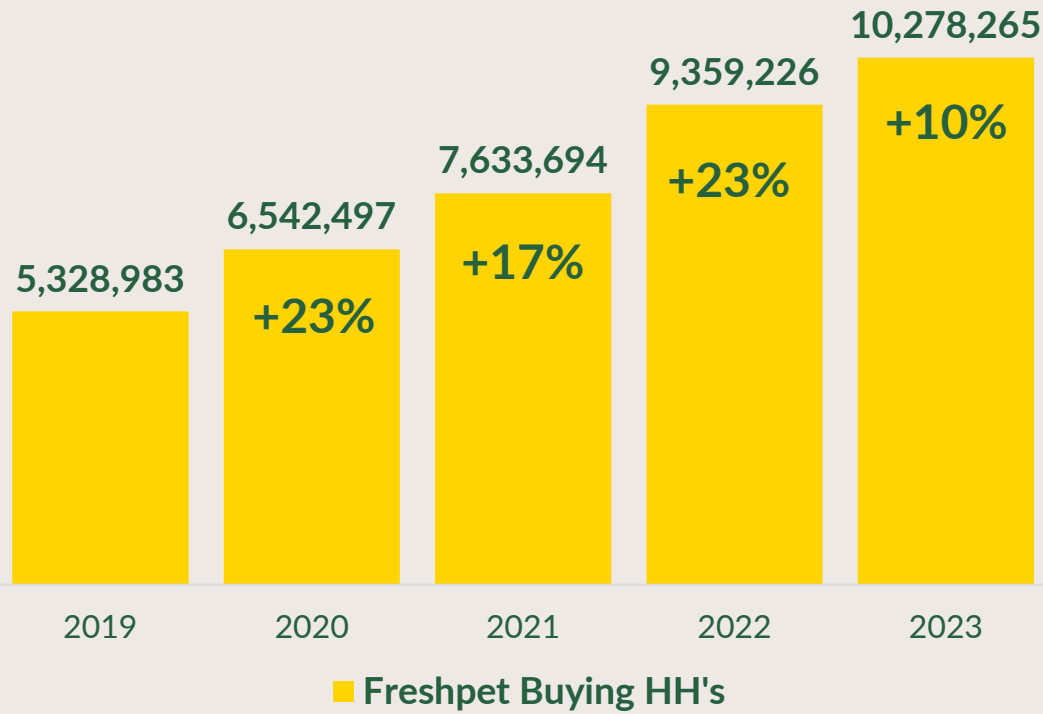
# HOUSEHOLD PENETRATION & BUYING RATE



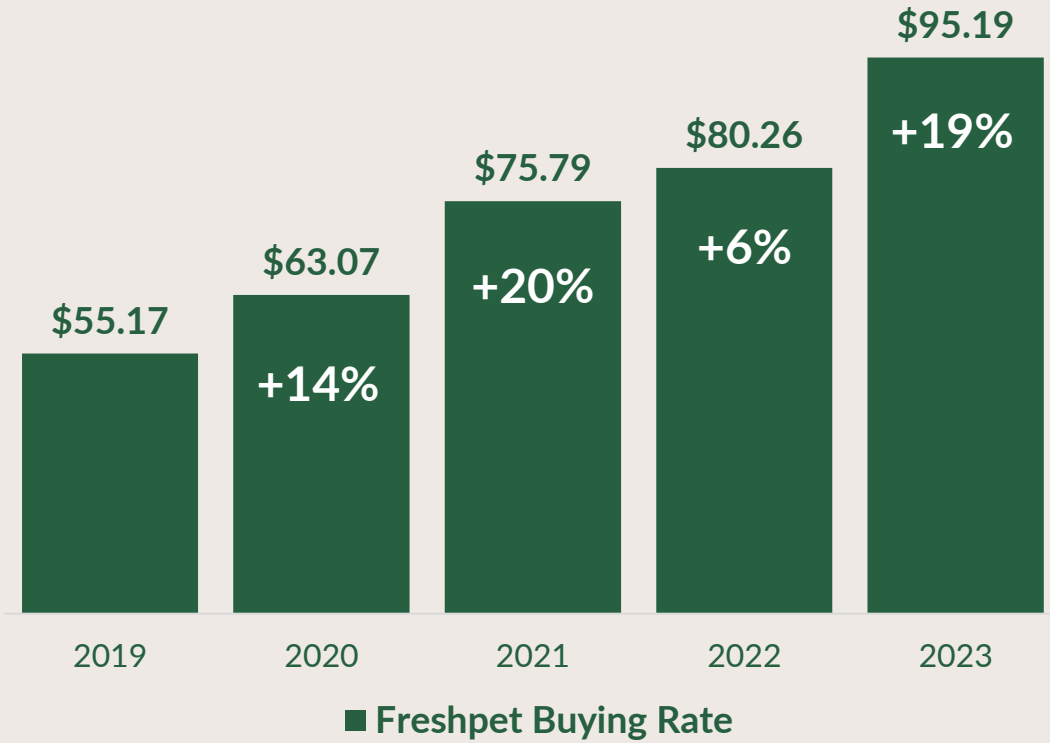


# CONTINUED GROWTH IN CONSUMER FRANCHISE; EXCEEDING 10MM HH'S WITH VERY STRONG BUYING RATE INCREASE

### FRESHPET PENETRATION GROWTH (52 weeks)

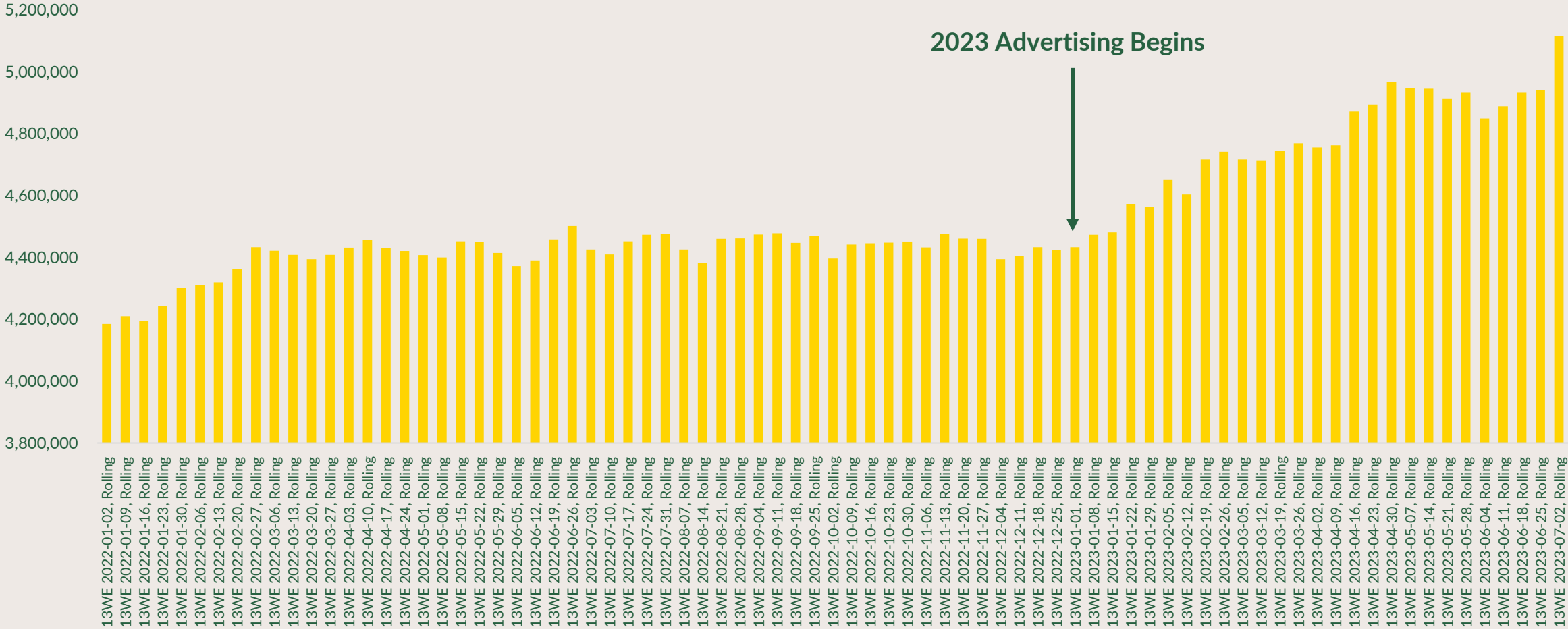


### FRESHPET BUYING RATE (52 weeks)



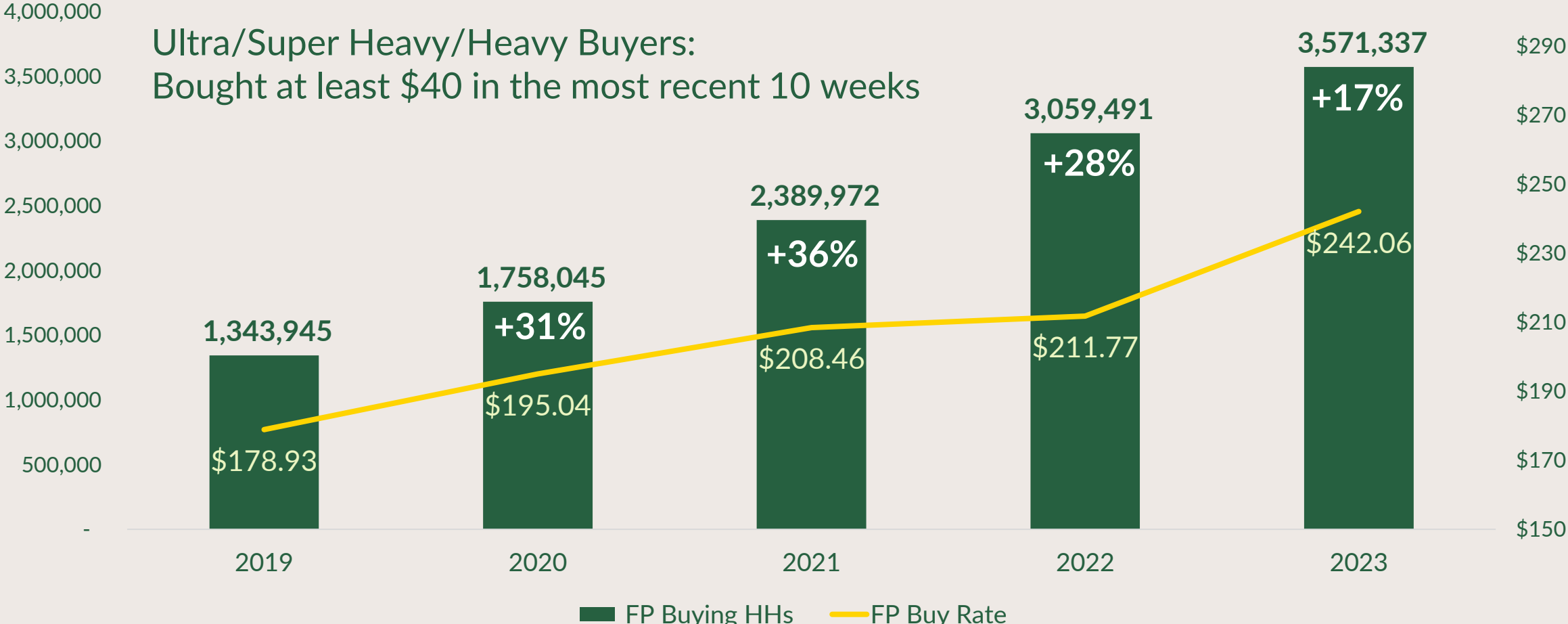
# HH PENETRATION GROWTH RE-ACCELERATED IN 2023

## FRESHPET BUYING HH'S: ROLLING 13 WEEKS



# FRESHPET HEAVY/SUPER HEAVY BUYERS CONTINUE TO INCREASE

FRESHPET ULTRA/SUPER HEAVY/HEAVY BUYERS 5 YEAR TREND (PAST 52 WEEKS)

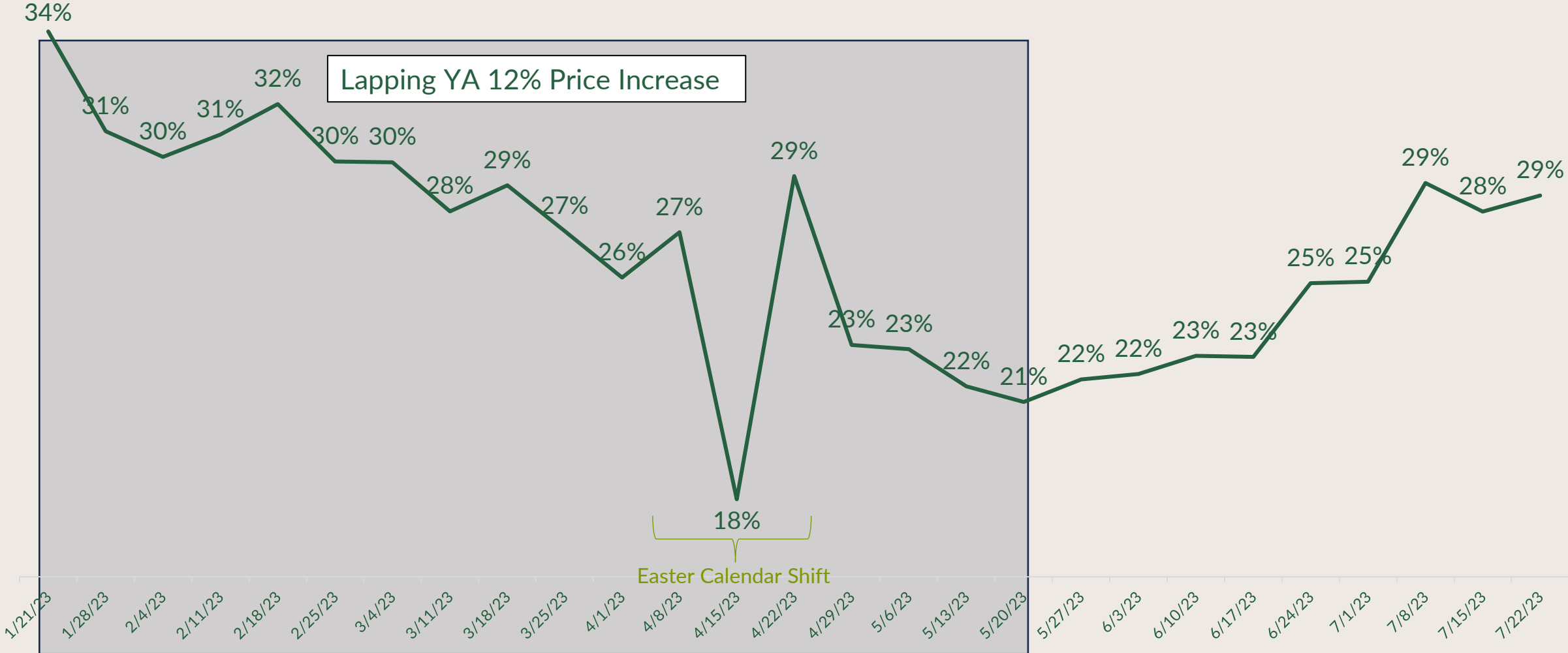




# CURRENT CONSUMPTION TRENDS

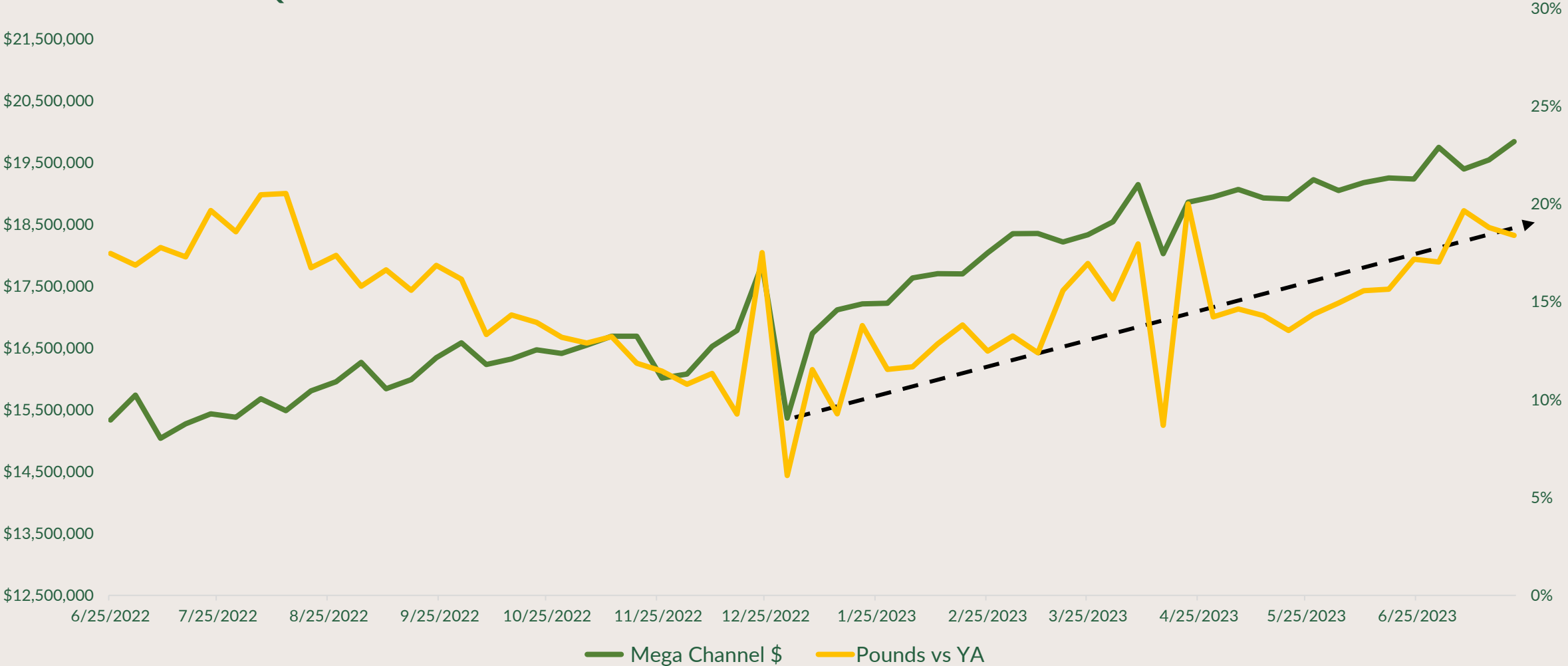
# YEAR-ON-YEAR GROWTH RATE HAS REACHED AN INFLECTION POINT AND IS NOW TRENDING UP

NIELSEN IQ MEGA-CHANNEL CONSUMPTION (\$) GROWTH VS YA



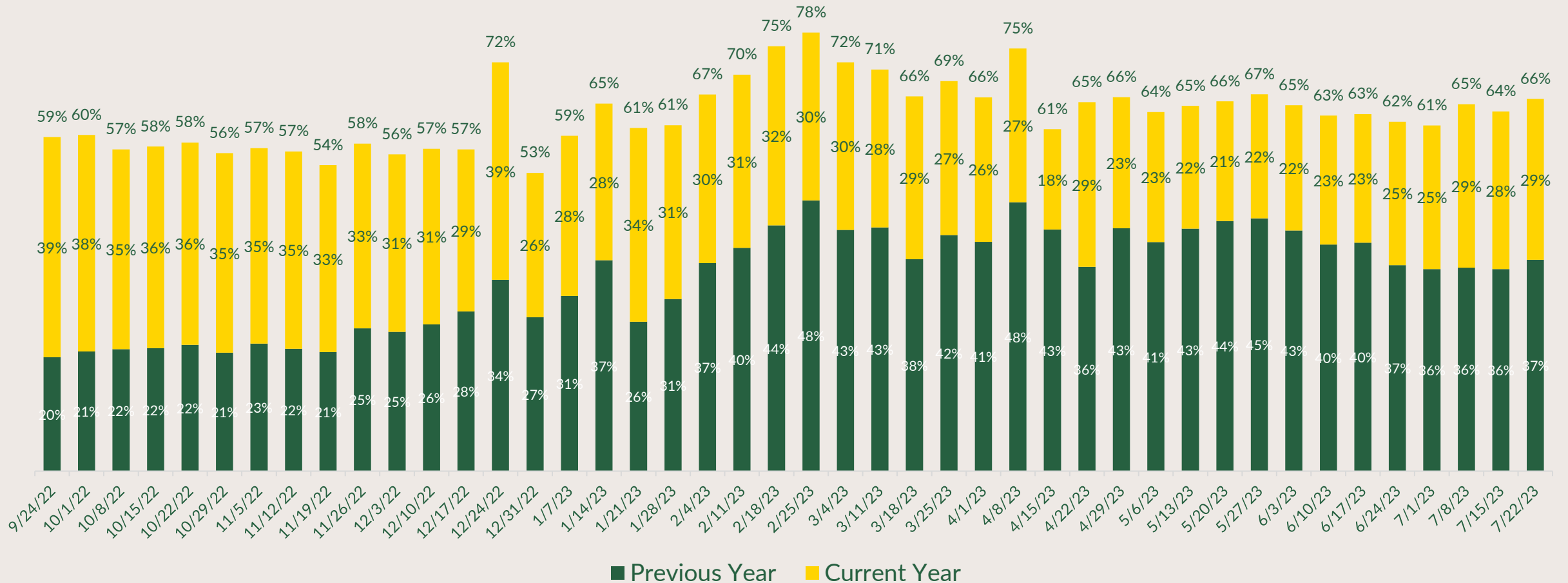
# VOLUME GROWTH IS DRIVING CONSUMPTION GROWTH AGAIN

## FRESHPET NIELSENIQ MEGA-CHANNEL DOLLAR SALES & POUNDS GROWTH RATE



# 2-YEAR STACKED GROWTH REMAINS STRONG

## NIELSEN IQ MEGA-CHANNEL CONSUMPTION GROWTH 2-YEAR STACKED



# CAPITAL SPENDING, CAPACITY & LIQUIDITY





# WE ARE TAKING A FLEXIBLE APPROACH TO CAPITAL SPENDING AND CAPACITY EXPANSION **DESIGNED TO SUPPORT OUR GROWTH WITHIN OUR EXISTING RESOURCES**

**GOAL: DELIVER OUR COMMITTED GROWTH PLAN WITHOUT ANY FURTHER DILUTION**

## **KEY PRINCIPLES:**

- **Always have adequate capacity to meet demand**
  - Short-shipping customers is very expensive and creates opportunities for competitors
- **Do not commit to more capacity than we will need or sooner than we need**
  - Avoid committing for capacity before we know it is needed
  - Identify options with shorter lead times on capital commitments
  - Leave open the opportunity to apply new technologies as soon as they are validated

**WE EXPECT EACH CAPITAL INVESTMENT TO DELIVER AN AFTER-TAX MID-TEENS ROIC.**

# OUR CAPACITY EXPANSION PLAN IS CONSISTENT WITH THE PRINCIPLES **DESIGNED TO PREVENT THE NEED FOR ADDITIONAL EQUITY**

## COMMITTED PROJECTS:

- First portion of Ennis Phase II (building for all of Phase II but only two out of four production lines)
- When completed, we will have ~\$1.5 billion of capacity

## PROJECTS THAT WILL BE COMMITTED AS DEMAND REQUIRES:

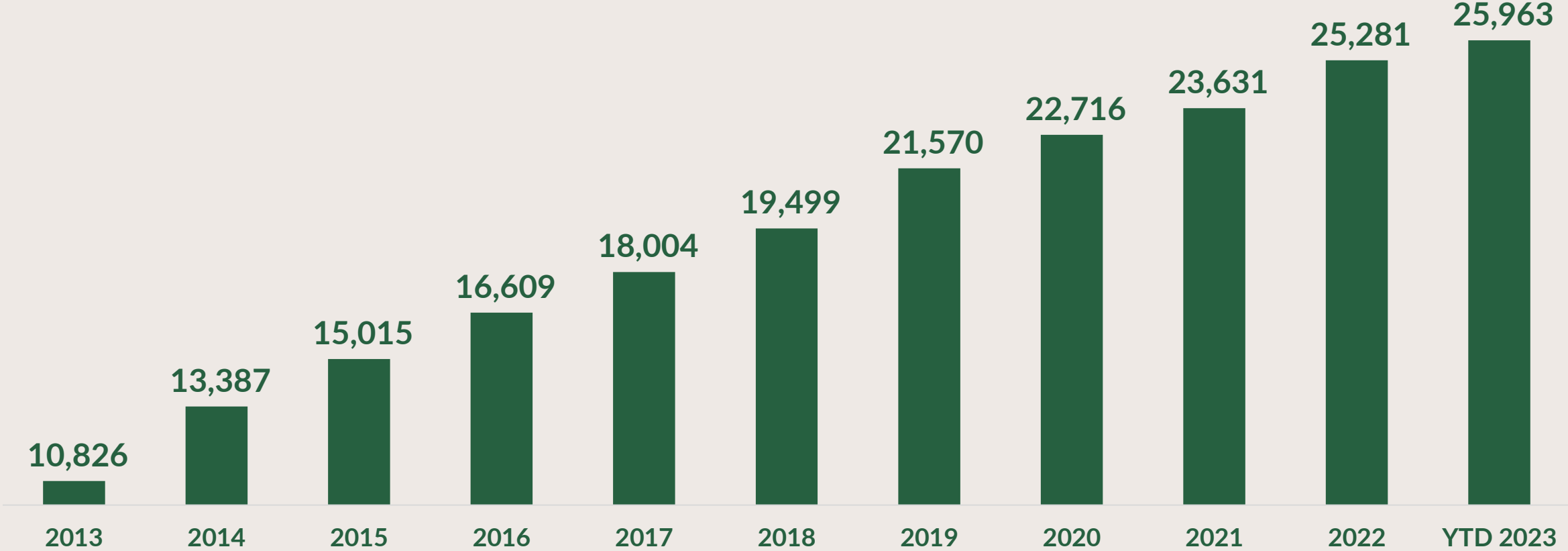
- Second portion of Ennis Phase II (two lines)
- Ennis Phase III (building and 3 more lines)
- Kitchens South (two more lines)

# Q2 2023 VISIBILITY & AVAILABILITY



# STORE COUNT CONTINUES TO GROW

## FRESHPET STORE COUNT



# RETAIL AVAILABILITY AT RECORD LEVELS

## FRESHPET TOTAL DISTRIBUTION POINTS (TDP'S)

NIELSENIQ MEGA-CHANNEL

1,200

1,100

1,000

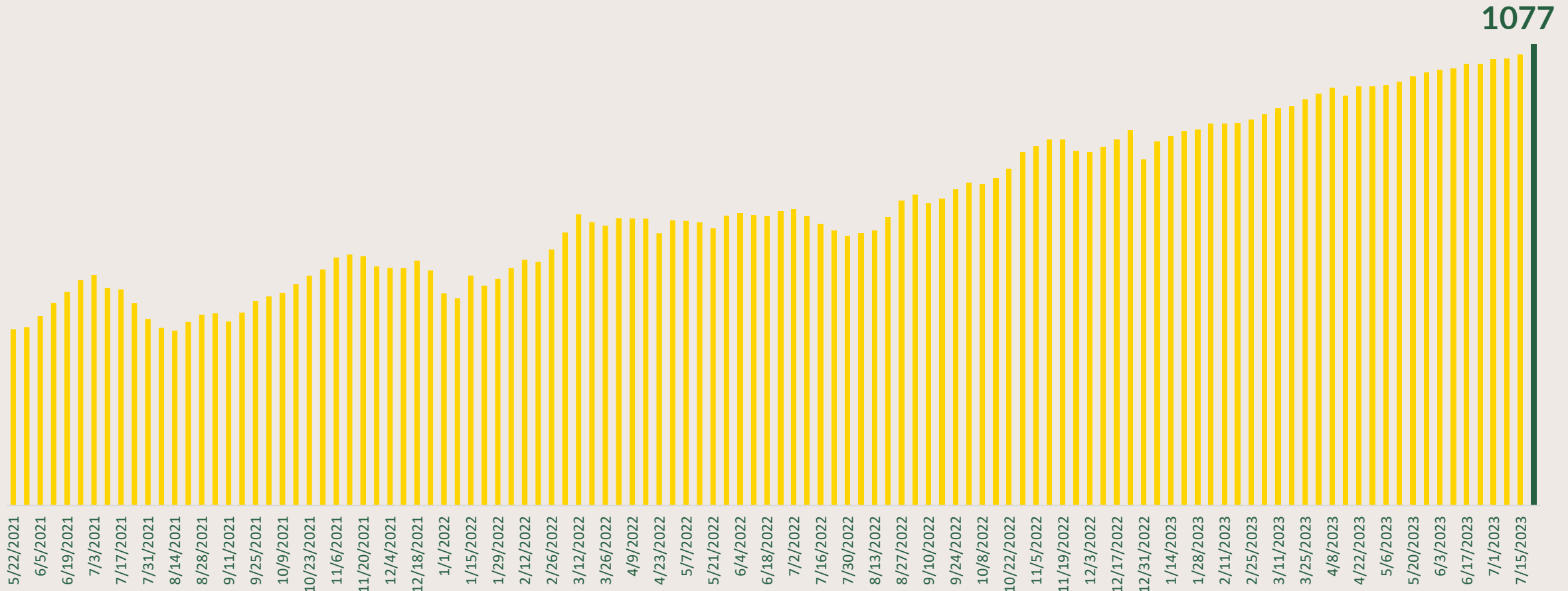
900

800

700

600

500



# APPENDIX



**FRESHPET, INC. AND SUBSIDIARIES**  
**RECONCILIATION BETWEEN GROSS PROFIT AND ADJUSTED GROSS PROFIT**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in thousands)			
Gross profit	\$ 59,244	\$ 51,080	\$ 110,004	\$ 95,833
Depreciation expense	10,618	4,295	21,339	8,996
Non-cash share-based compensation	3,161	1,170	6,117	2,339
<b>Adjusted Gross Profit</b>	<b>\$ 73,023</b>	<b>\$ 56,545</b>	<b>\$ 137,460</b>	<b>\$ 107,168</b>
Adjusted Gross Profit as a % of Net Sales	39.8%	38.7%	39.2%	38.5%

**FRESHPET, INC. AND SUBSIDIARIES**  
**RECONCILIATION BETWEEN SG&A EXPENSES AND ADJUSTED SG&A EXPENSES**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>(Dollars in thousands)</b>			
SG&A expenses	\$ 75,996	\$ 69,215	\$ 148,267	\$ 129,846
Depreciation and amortization expense	3,820	3,585	7,591	6,871
Non-cash share-based compensation	5,286	5,124	10,745	10,250
Loss on disposal of equipment	196	48	464	91
Enterprise Resource Planning (a)	537	1,991	1,338	3,008
Capped Call Transactions fees (b)	—	—	113	—
Activism engagement (c)	2,241	—	2,630	—
Organization changes (d)	(67)	—	(67)	—
<b>Adjusted SG&amp;A Expenses</b>	<b>\$ 63,983</b>	<b>\$ 58,467</b>	<b>\$ 125,453</b>	<b>\$ 109,626</b>
Adjusted SG&A Expenses as a % of Net Sales	34.9%	40.0%	35.8%	39.4%

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

(b) Represents fees associated with the Capped Call Transactions purchases.

(c) Represents advisory fees related to activism engagement.

(d) Represents a true up to 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.



**FRESHPET, INC. AND SUBSIDIARIES**  
**RECONCILIATION BETWEEN NET (LOSS) AND ADJUSTED EBITDA**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(Dollars in thousands)			
Net loss	\$ (16,952)	\$ (20,586)	\$ (41,738)	\$ (38,128)
Depreciation and amortization	14,438	7,880	28,930	15,867
Interest expense, net of interest income	(779)	1,671	1,446	2,243
Income tax expense	70	41	140	82
<b>EBITDA</b>	<b>\$ (3,223)</b>	<b>\$ (10,994)</b>	<b>\$ (11,222)</b>	<b>\$ (19,936)</b>
Loss on equity method investment	910	717	\$ 1,890	2,027
Loss on disposal of equipment	196	48	464	91
Non-cash share-based compensation	8,447	6,294	16,862	12,589
Enterprise Resource Planning (a)	537	1,991	1,338	3,008
Capped Call Transactions fees (b)	—	—	113	—
Activism engagement (c)	2,240	—	2,629	—
Organization changes (d)	(67)	—	(67)	—
<b>Adjusted EBITDA</b>	<b>\$ 9,040</b>	<b>\$ (1,944)</b>	<b>\$ 12,007</b>	<b>\$ (2,221)</b>
Adjusted EBITDA as a % of Net Sales	4.9%	-1.3%	3.4%	-0.8%

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

(b) Represents fees associated with the Capped Call Transactions purchases.

(c) Represents advisory fees related to activism engagement.

(d) Represents a true up to 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.



2027  
**freshpet**<sup>®</sup>  
**THE FUTURE IS FRESH**  
**UNLEASHING GROWTH. SCALING PROFITS.**

