



Q2 2024

# Earnings

August 5, 2024



# Forward Looking Statements & Non-GAAP Measures



## FORWARD-LOOKING STATEMENTS

Certain statements in this presentation by Freshpet, Inc. (the "Company") constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are based on our current expectations and assumptions. These forward-looking statements, which include any statements related to the timing of Freshpet Kitchens Expansion and capacity, our long-term strategy, focus, 2027 goals, our pace in achieving these goals, growth prospects, FY 2024 guidance and associated considerations. Words such as "anticipate", "believe", "could", "estimate", "expect", "guidance", "intend", "may", "might", "outlook", "plan", "predict", "seek", "will", "would" and variations of such word and similar future or conditional expressions are intended to identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements including difficulties in construction, third party data presented accompanying such statements, 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. 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

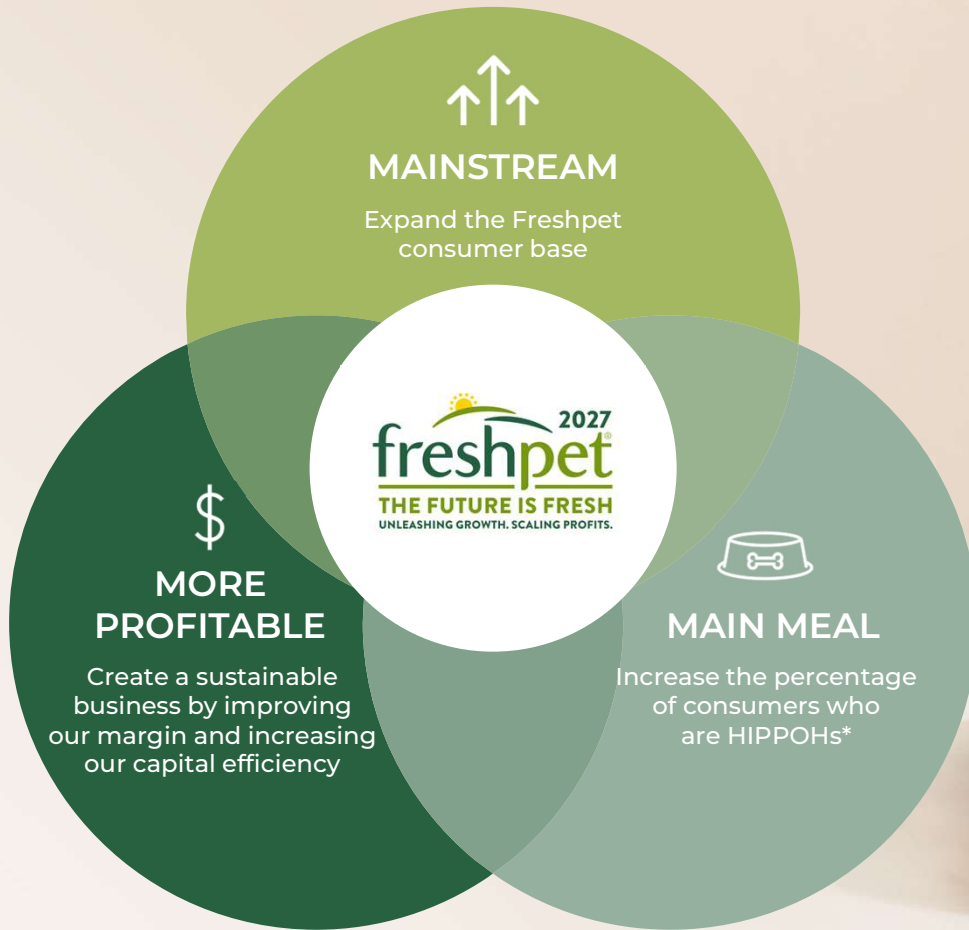
component of internal budgeting and setting management compensation. The non-GAAP measures are not and should not be considered an alternative to the most comparable GAAP measures or any other figure calculated in accordance with GAAP, or as an indicator of operating performance. The Company's calculation 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 2024. 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.





# Highlights



"Freshpet is delivering disciplined growth. That has enabled us to significantly improve profitability while continuing to deliver category-leading net sales growth."



## Q2 2024: Robust growth and profitability improvement across each key metric



### FINANCIAL

|                         | Q2 2024         | YoY Change        |
|-------------------------|-----------------|-------------------|
| Net Sales               | <b>\$235.3M</b> | <b>+28%</b>       |
| Adjusted Gross Margin*  | <b>45.9%</b>    | <b>+610 bps</b>   |
| Adjusted EBITDA         | <b>\$35.1M</b>  | <b>+\$26.1M</b>   |
| Adjusted EBITDA Margin* | <b>14.9%</b>    | <b>+1,000 bps</b> |
| Logistics Costs*        | <b>5.8%</b>     | <b>-220 bps</b>   |
| Input Costs*            | <b>29.8%</b>    | <b>-460 bps</b>   |
| Quality Costs*          | <b>2.7%</b>     | <b>-90 bps</b>    |
| Operating Cash Flow     | <b>\$42.4M</b>  | <b>+\$28.9M</b>   |

\*As a percent of net sales

### RETAIL

|                           | YoY Change  |
|---------------------------|-------------|
| Household Penetration     | <b>+25%</b> |
| Buy Rate                  | <b>+3%</b>  |
| Cubic Feet                | <b>+15%</b> |
| Store Count               | <b>+6%</b>  |
| Total Distribution Points | <b>+17%</b> |

# Strong performance driven by key fundamentals:

## Strength of the Freshpet growth model

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- 24<sup>th</sup> consecutive quarter of >25% net sales growth
- Volume-based growth of 28%
- Household penetration growth of 25% in-line with long-term target
- Media spend driving household penetration at a healthy customer acquisition cost

## Improved operational effectiveness

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- 770 basis point improvement across quality, input, and logistics costs in Q2 2024
- Adjusted gross margin, input, quality and logistics costs all exceeded long-term targets in Q2 2024
- Adding organizational capabilities at all levels to support growth

## Operating discipline to balance capacity and demand at a high growth rate

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- Expanding capacity on-budget and on-time while improving margins
- Strong fill rates (high 90s) support excellent customer service



# Long-term tailwinds supporting our growth:

## Humanization of Pets

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- Growing importance of pets in our lives
- Long-term trend we have seen for over a decade

## Value

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- Consumers recognize quality for the price, not just price
- Find value in a differentiated product
- Heaviest users growing faster than total households





## Vast runway for growth in a growing category



**\$53B**

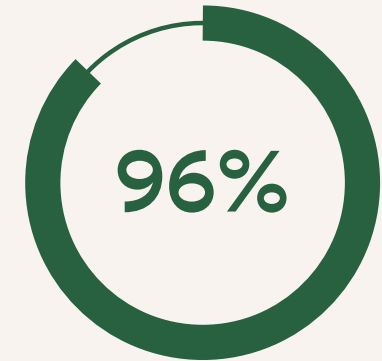
U.S. pet food category<sup>1</sup>

**\$36B**

Dog food category<sup>1</sup>

**3%**

Freshpet market share of dog food<sup>1</sup>

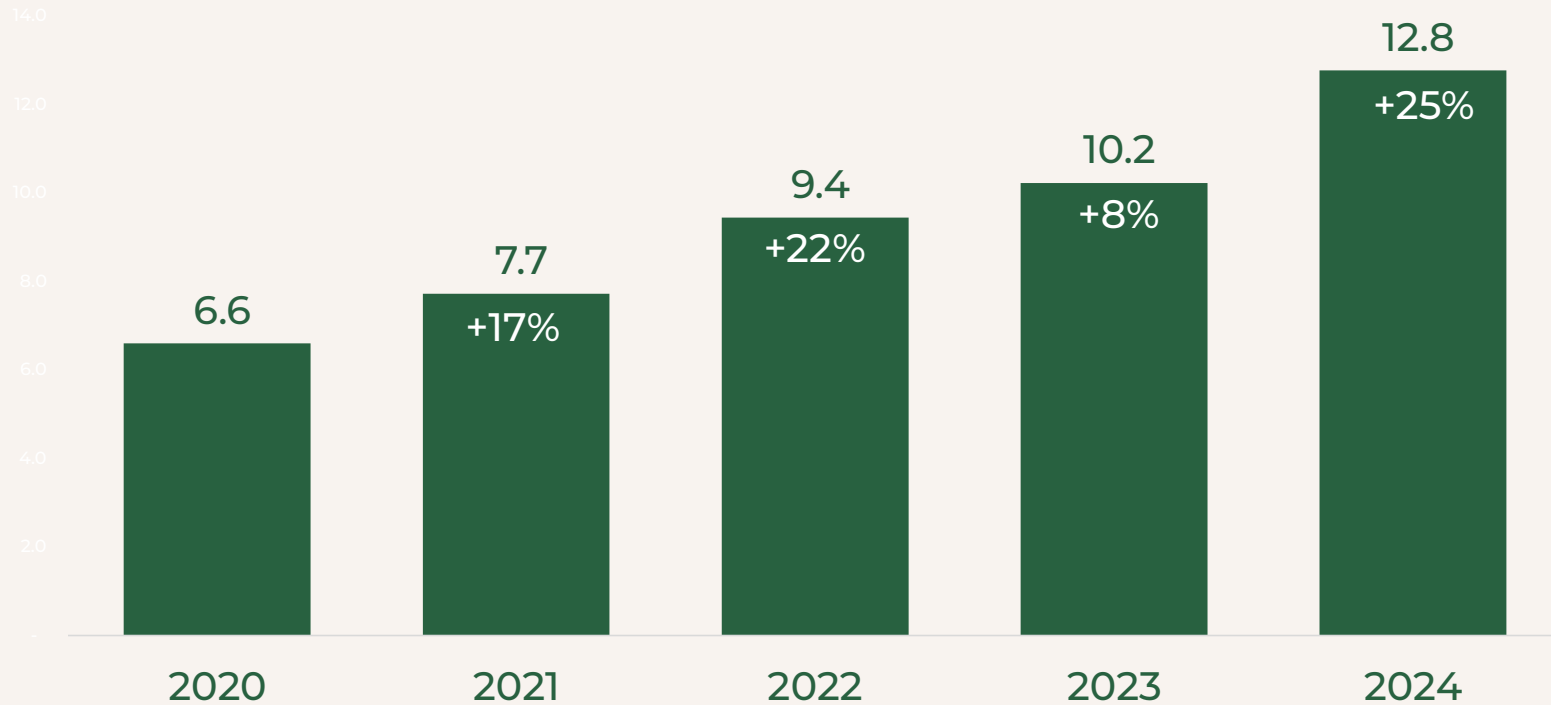


Freshpet market share  
of fresh/frozen in  
measured channels<sup>2</sup>



## Continued growth in consumer franchise; added 2.5m+ households YoY

Freshpet Household Penetration Growth (in millions)  
(52 weeks)

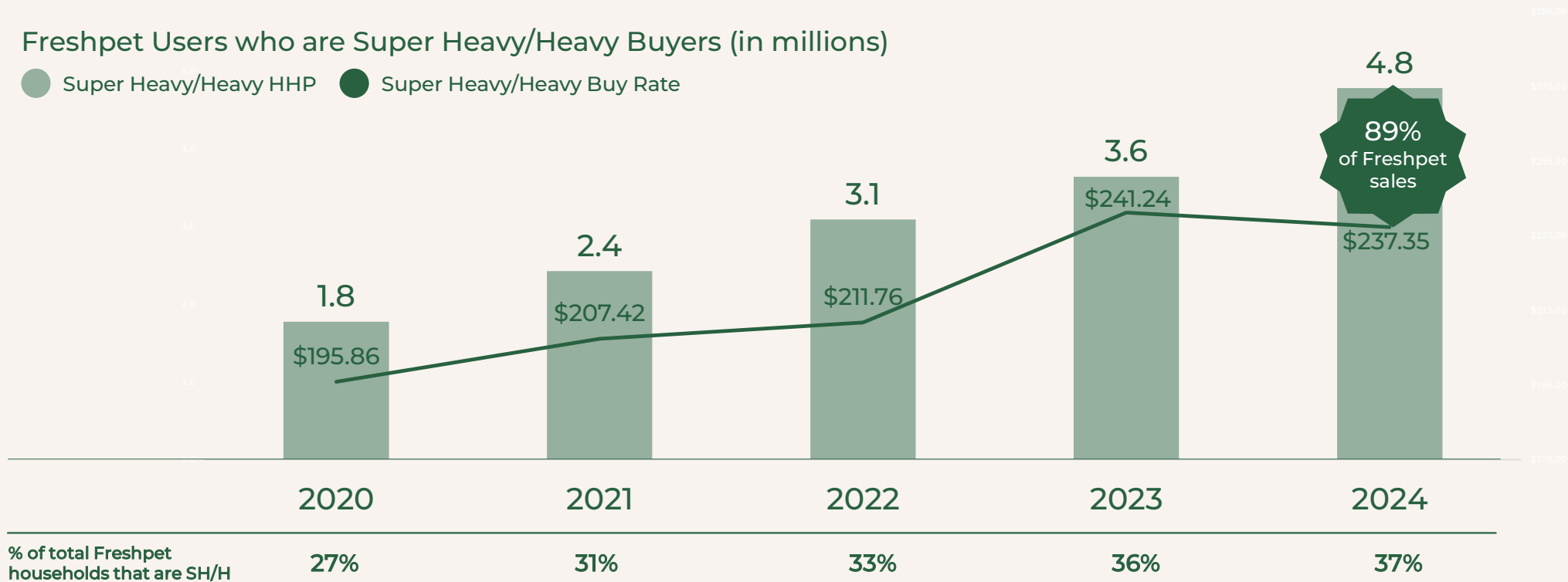




## Freshpet sales are increasingly concentrated in our heaviest users (HIPPOHs\*) and account for 89% of Q2 2024 net sales

Freshpet Users who are Super Heavy/Heavy Buyers (in millions)

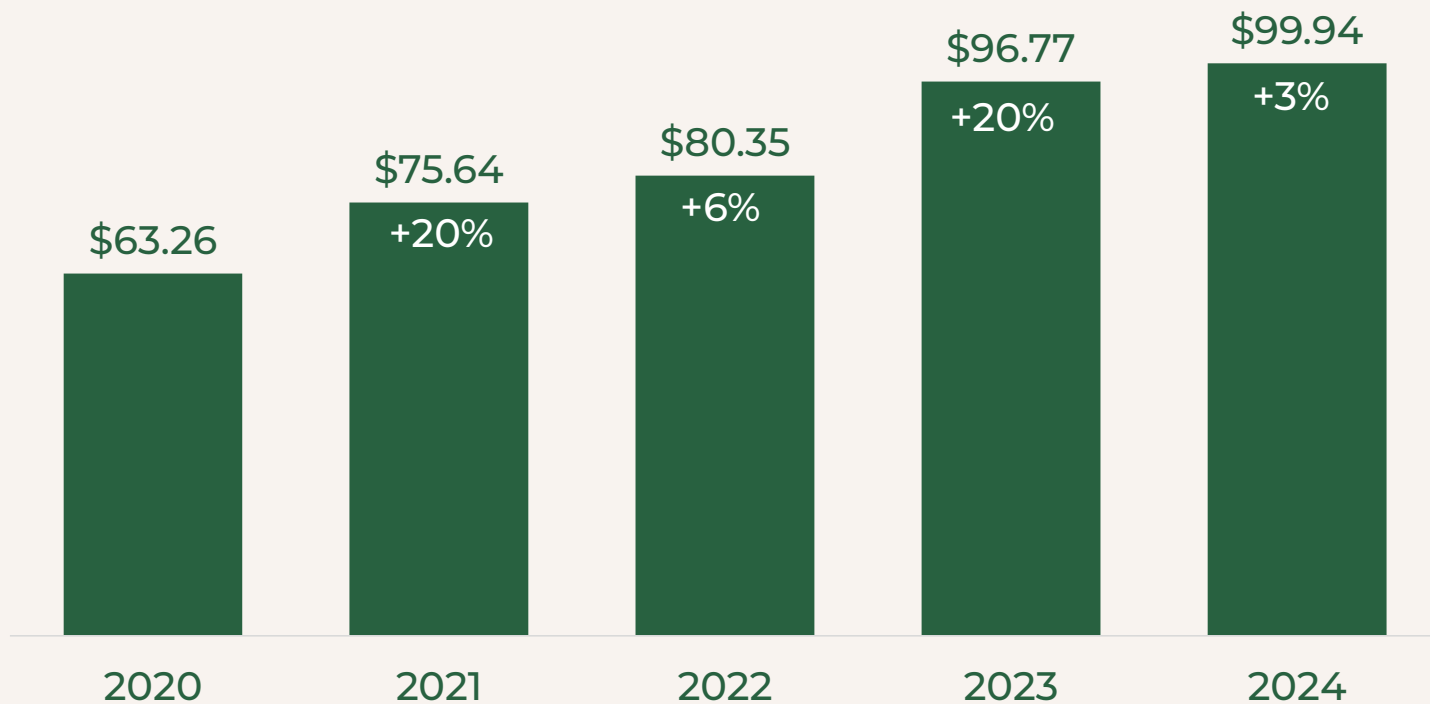
● Super Heavy/Heavy HHP ● Super Heavy/Heavy Buy Rate





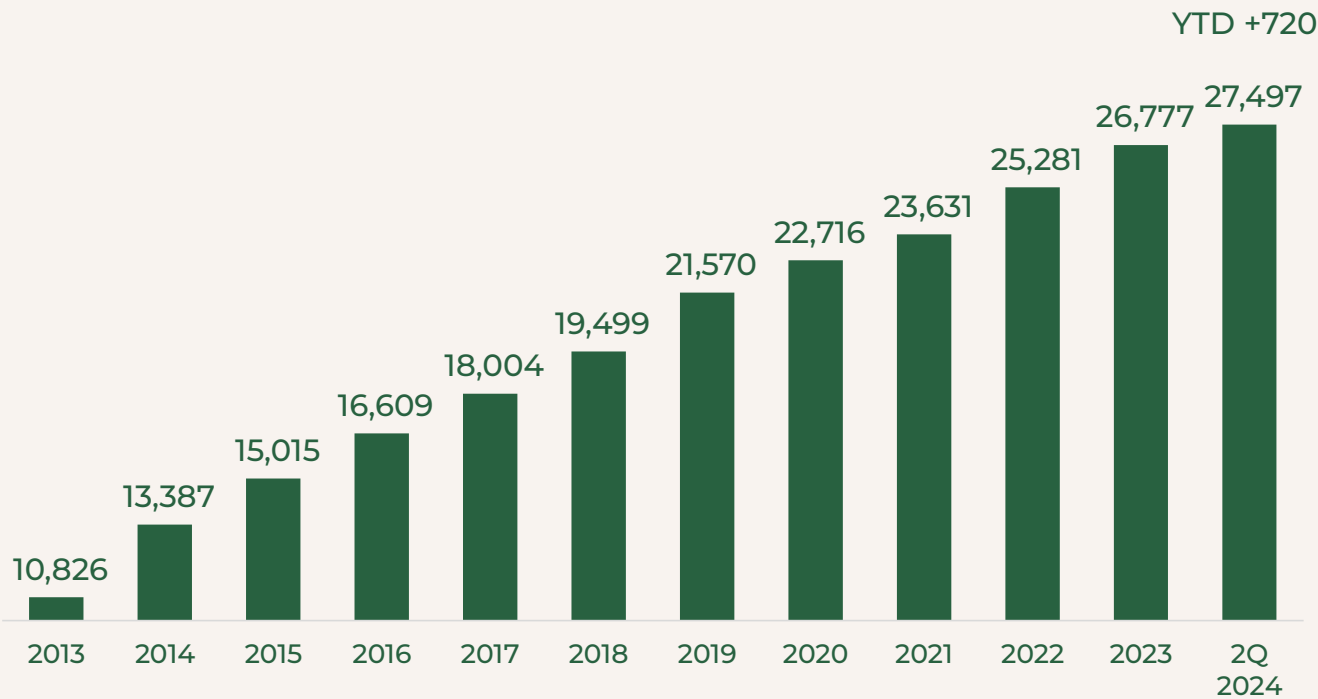
## Converting toppers into main meal users will continue to increase buy rate

Freshpet Buy Rate  
(52 weeks)

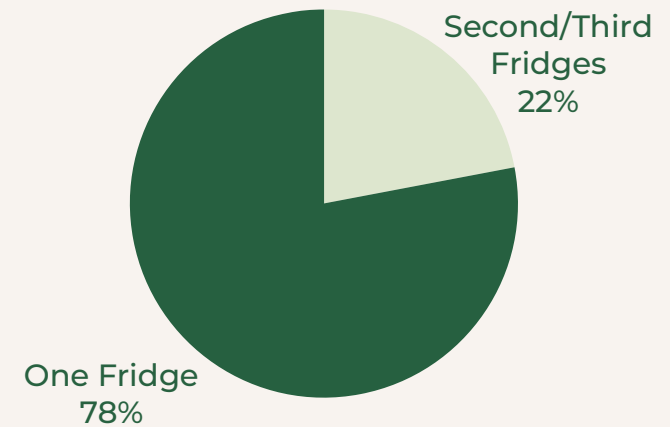


# Expanding depth and breadth: 22% of all stores have multiple fridges

Freshpet Store Count



Number of Fridges per Store\*

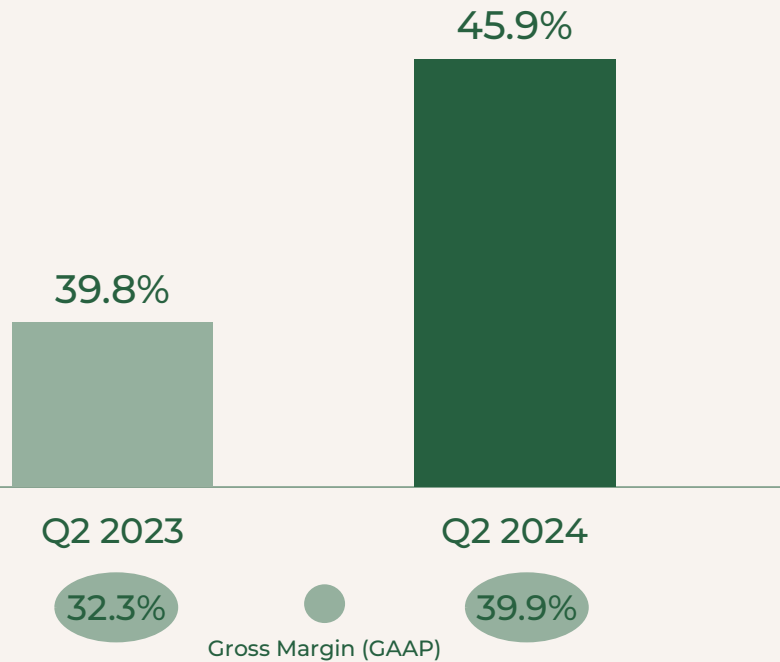


14 Source: Internal data for the period ending 6/30/24; \*U.S. Fridges

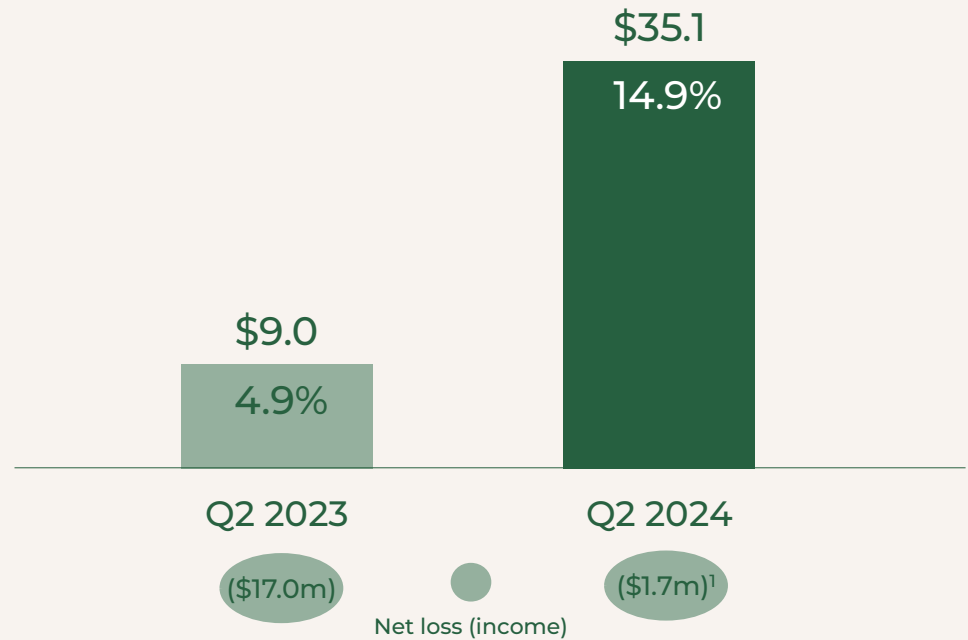


# Enhancing margins through improved operating performance and leveraging scale and efficiency

Q2 2024 Adj. Gross Margin  
% of net sales



Q2 2024 Adj. EBITDA (\$m)  
% of net sales



15 Source: Internal Data  
1. Excluding an \$11.1 million true-up of non-cash share-based compensation based on multi-year share-based awards granted in fiscal year 2020, net income for Q2 2024 would have been \$9.4 million.



# Improved costs by 770 bps in Q2 2024 across key focus areas



**-220 bps**  
Q2 2024



**-90 bps**  
Q2 2024



**-460 bps**  
Q2 2024





# Capacity Update

| Facility          | # Lines Today | # Lines Projected |
|-------------------|---------------|-------------------|
| Bethlehem Kitchen | 6             | 7                 |
| Kitchen South     | 3             | 5+                |
| Ennis Kitchen     | 3             | 10                |
| <b>Total</b>      | <b>12</b>     | <b>22+</b>        |

- ✓ Fourth line in Ennis to begin production by the end of Q3 2024



# Capital Efficiency Framework



**MORE OUT OF  
EXISTING LINES**



**MORE OUT OF  
EXISTING SITES**




**DEVELOP & IMPLEMENT  
NEW TECHNOLOGIES**

# Long-Term Strategy: Path to 2027



  
**\$1.8 billion**  
Net Sales  
(target)

  
**~18%**  
Adjusted EBITDA  
Margin (target)

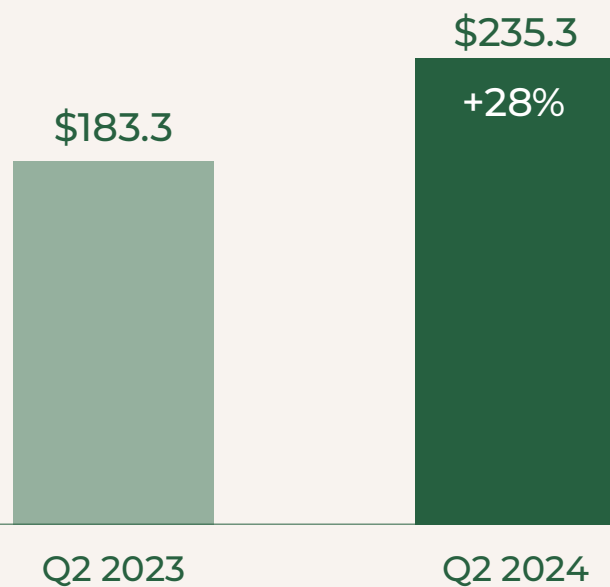
  
**20 million**  
Freshpet Households  
by 2027 (target)

# Q2 2024 Results

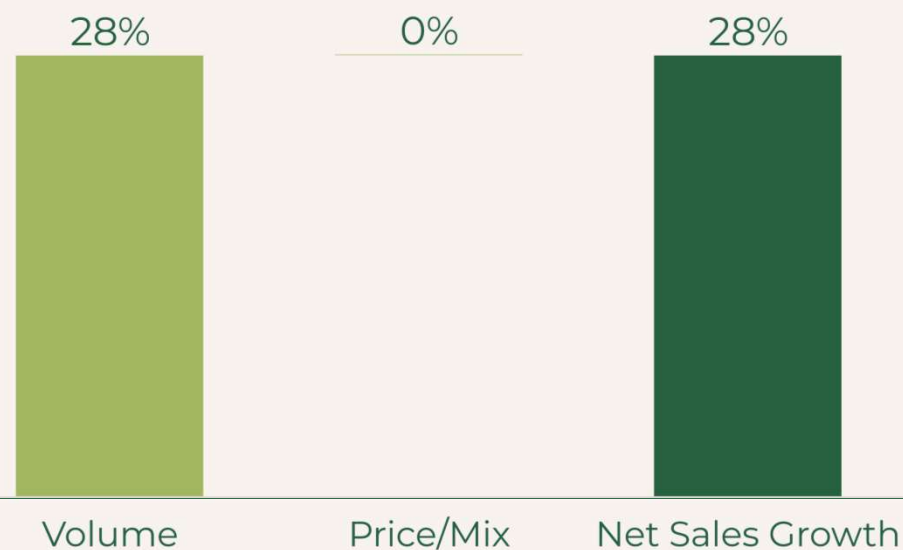


## Strong Q2 results demonstrate all volume-driven growth

Q2 2024 Net Sales (\$m)

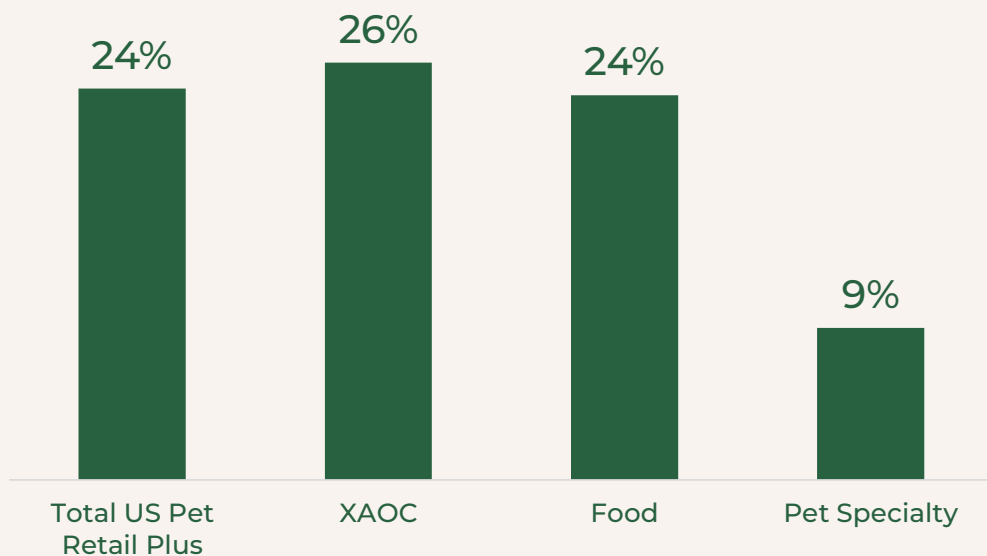


Q2 2024 Net Sales Bridge

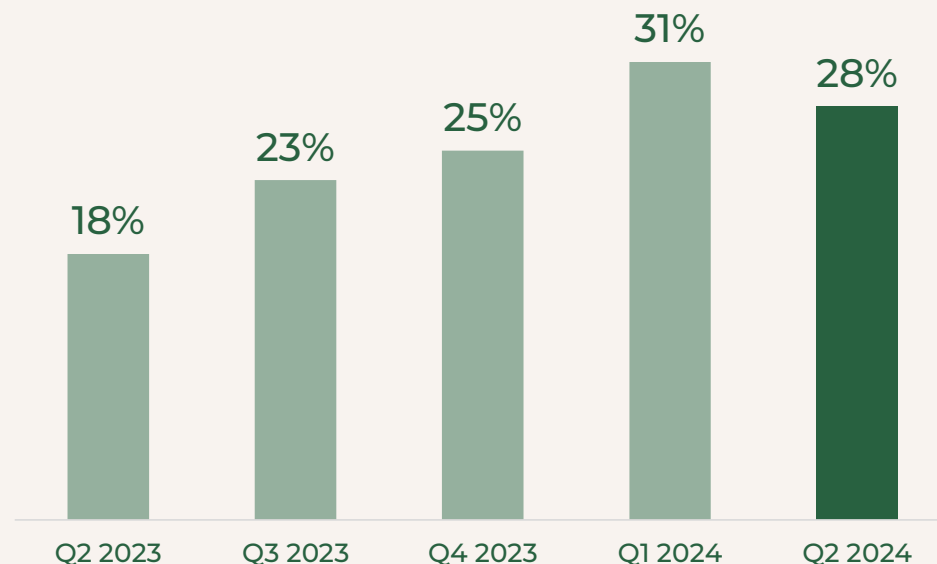


# Consumption growth remains strong and has accelerated

Q2 2024 Consumption Growth (\$)



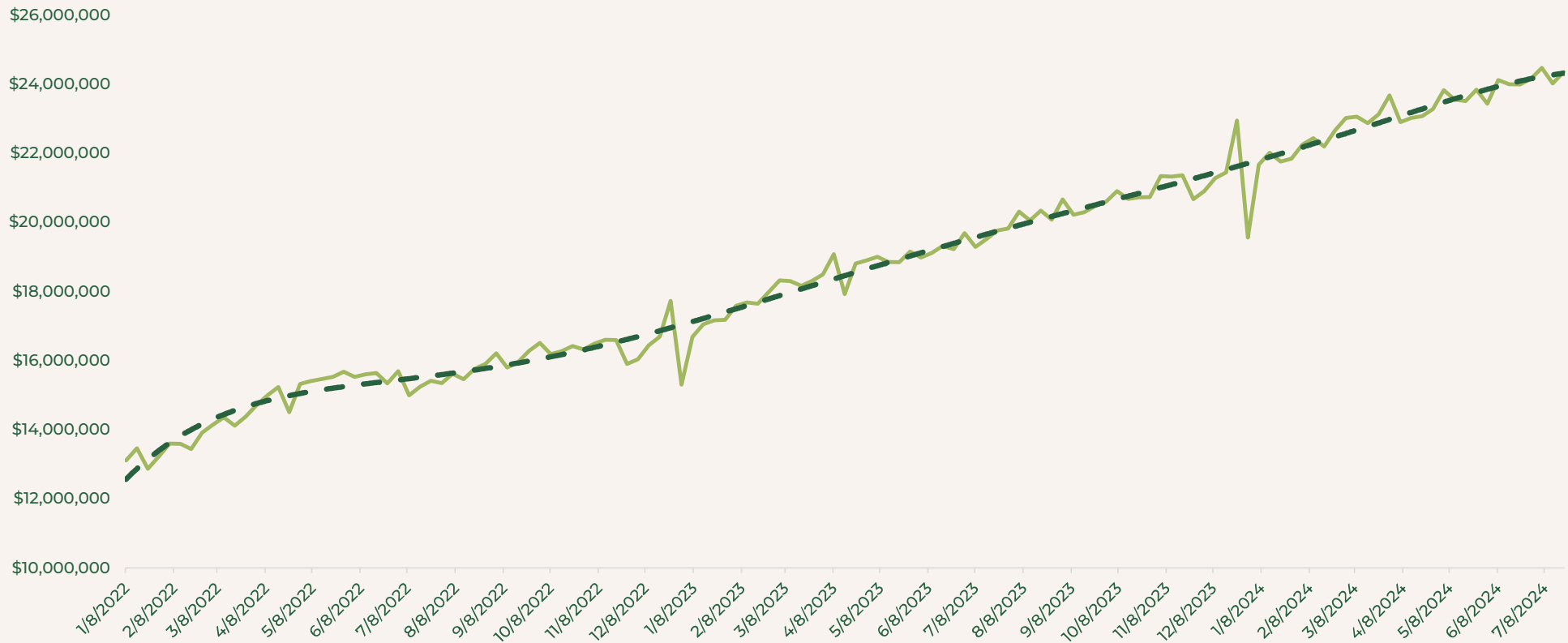
Consumption Growth Trends (volume in pounds)



PLUS >100% GROWTH IN UNMEASURED CHANNELS

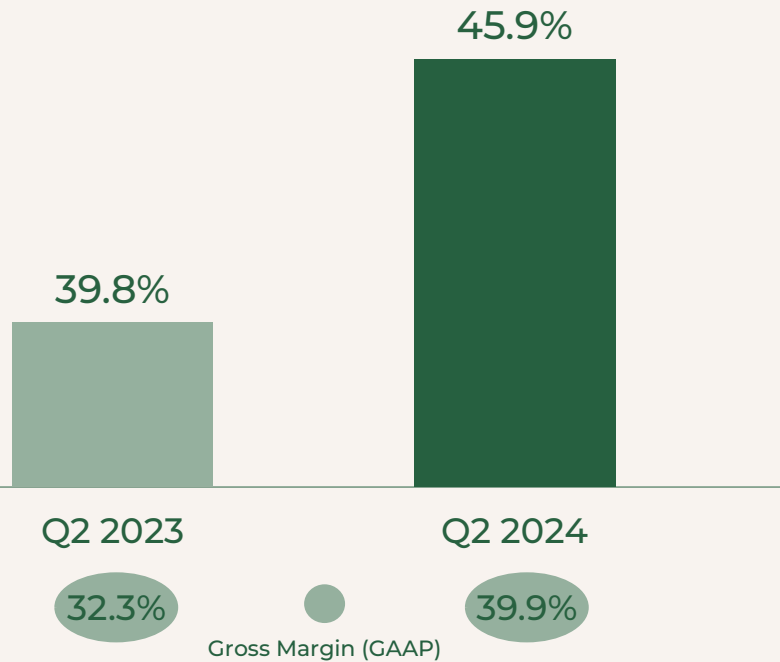
# Nielsen data demonstrates robust growth

Nielsen Total US Pet Retail Plus Consumption

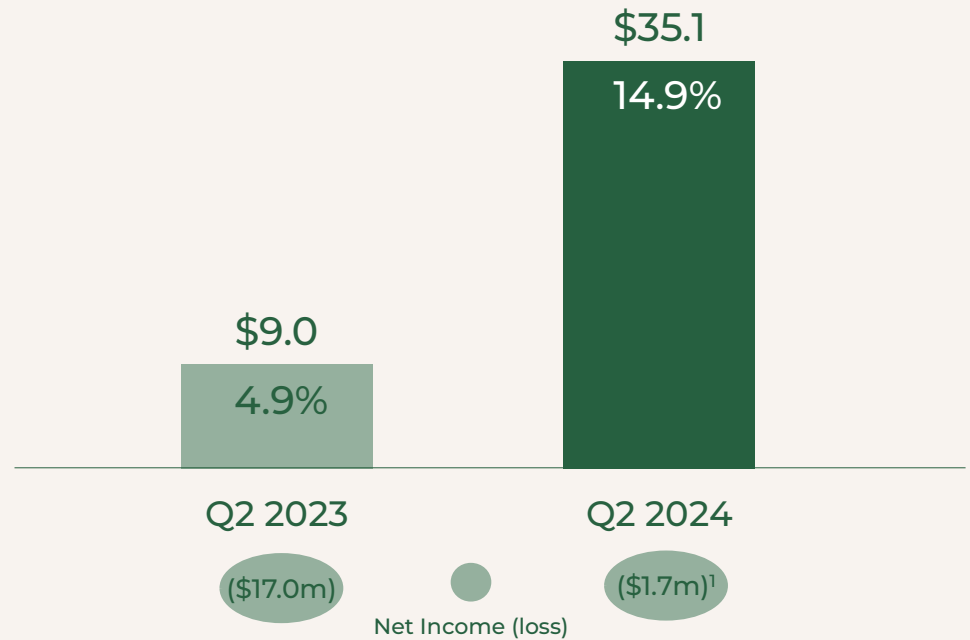


# Q2 2024 delivered significant margin improvement

Q2 2024 Adj. Gross Margin  
% of net sales



Q2 2024 Adj. EBITDA (\$m)  
% of net sales



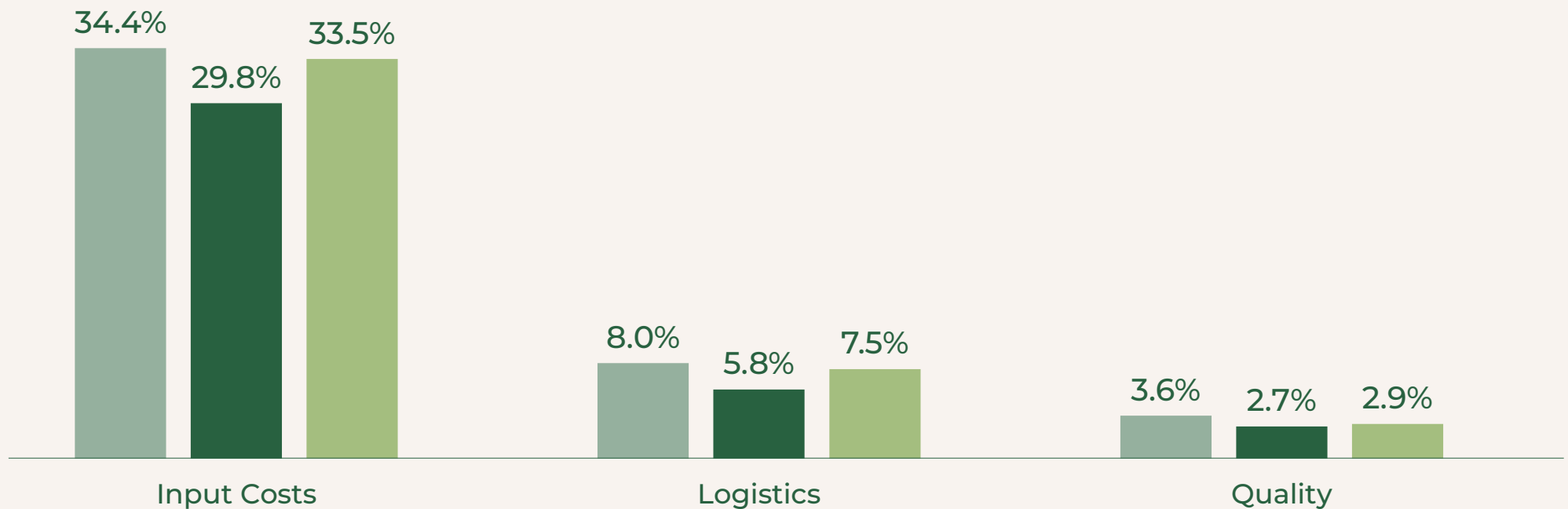
24 Source: Internal Data  
1. Excluding an \$11.1 million true-up of non-cash share-based compensation based on multi-year share-based awards granted in fiscal year 2020, net income for Q2 2024 would have been \$9.4 million.



# 770 basis point improvement in Q2 2024; demonstrated our ability to deliver FY 2027 margin targets again

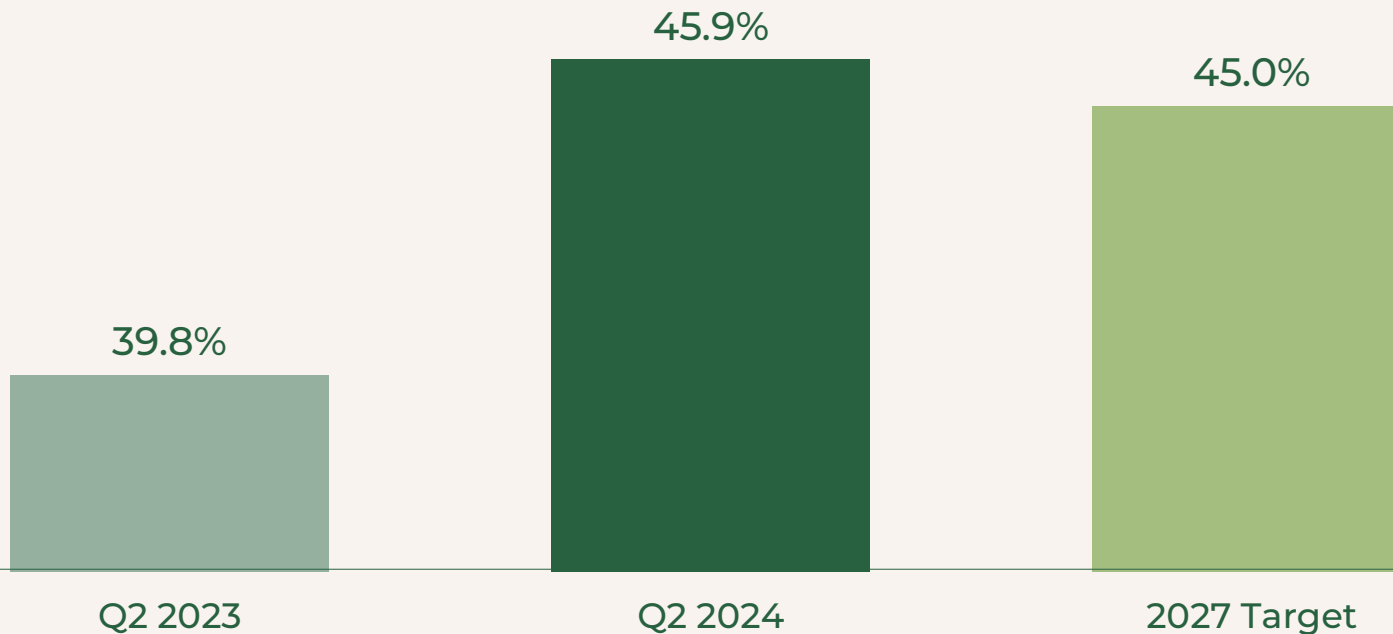
Key Margin Improvement Targets & Progress

● Q2 2023 ● Q2 2024 ● 2027 Target



# Significant Adj. Gross Margin improvement YOY; ahead of our long-term target and now focused on consistent performance

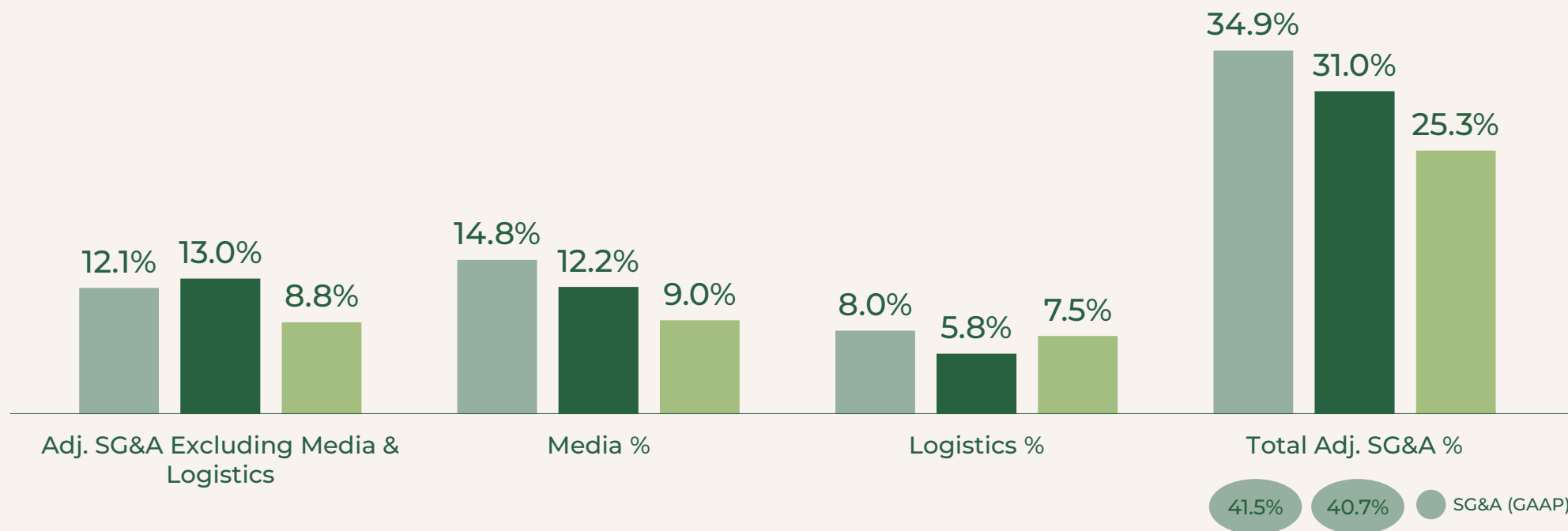
Adj. Gross Margin Progress vs. 2027 Targets



# SG&A improvements tracking to long-term target; logistics is well ahead of plan and G&A will follow as we add scale

Adj. SG&A Progress vs. Targets

● Q2 2023 ● Q2 2024 ● 2027 Target



# FY 2024 Guidance

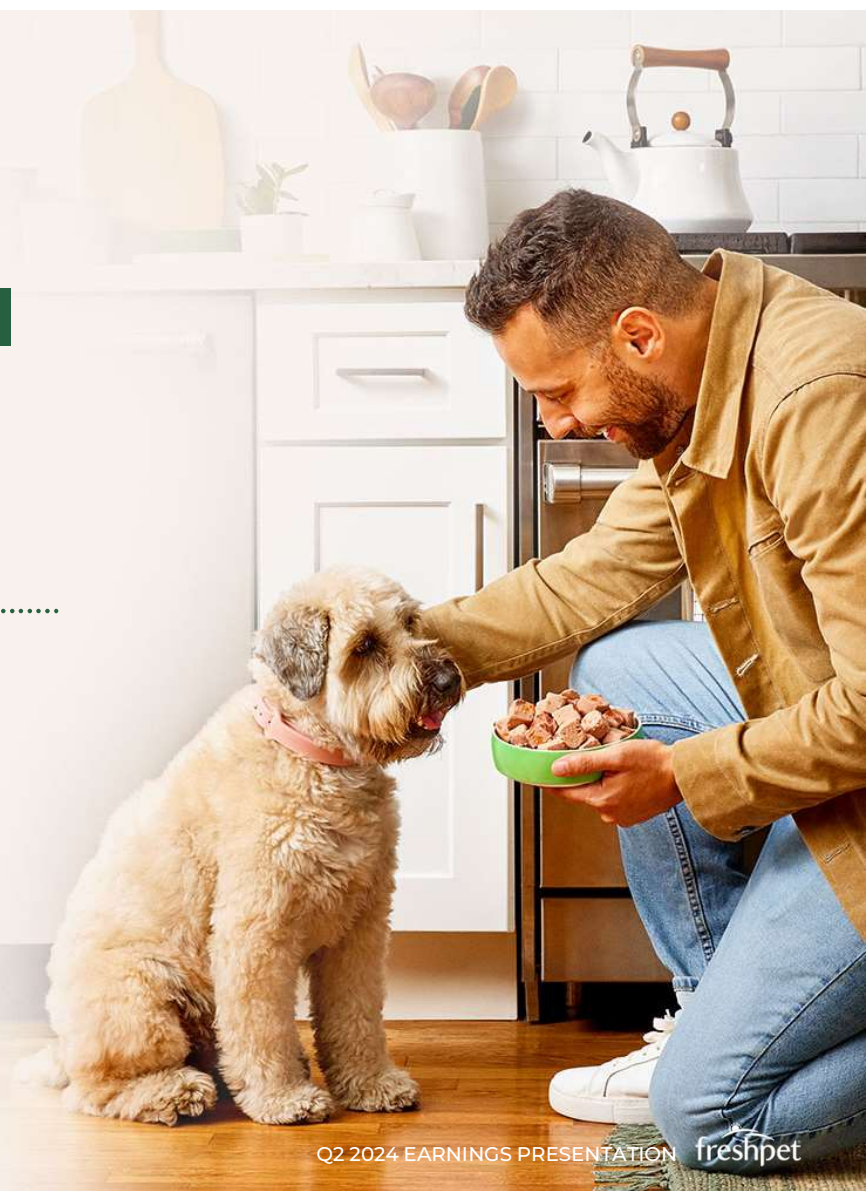


# Updated FY 2024 Guidance

|                      | Previous | Updated |
|----------------------|----------|---------|
| Net Sales            | >\$950M  | >\$965M |
| Net Sales Growth YoY | >24%     | >26%    |
| Adjusted EBITDA      | >\$120M  | >\$140M |
| Capital Expenditures | ~\$210M  | ~\$200M |

## Additional considerations:

- **Net Sales:** Raising guidance with improvements on production capacity; managing growth as new line ramps up at the end of 3Q and through 4Q
- **Volume Cadence:** Expect volume to be sequentially lower throughout the year to manage growth and cash with capacity
- **Adjusted Gross Margin:** Expect improvement of +500 basis points year-over-year vs. +300 basis points previously
- **Advertising Investment:** Expect media to grow in-line with sales



# Capital Spending, Cash Flow & Liquidity



# Significant improvement in operating cash flow

## ✓ Capital Spending:

- Key projects remain on-track and on-budget; estimated 2024 spending of ~\$200 million
- Once Ennis Phase II is completed this summer/fall, we will have built adequate infrastructure/buildings to accommodate our next 5+ lines

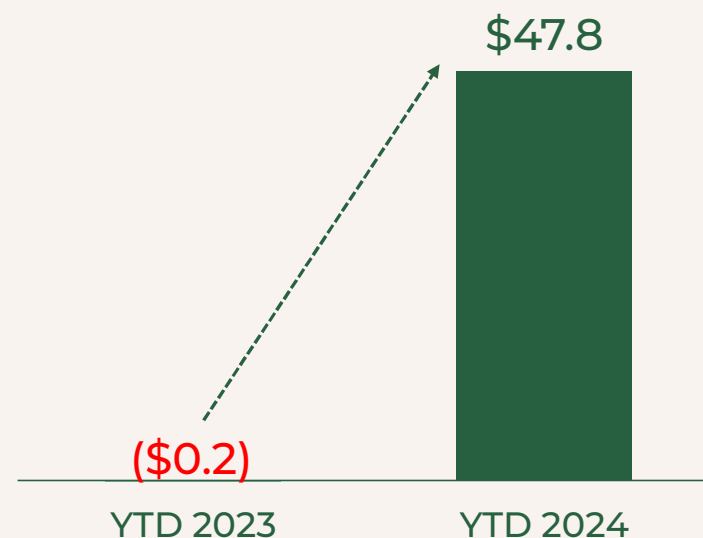
## ✓ Cash flow:

- Generated \$47.8 million of operating cash flow YTD 2024, a YoY improvement of \$48.0 million driven by:
  - Adj. EBITDA growth
  - Working capital position
- Interest income is offsetting interest expense

## ✓ Liquidity:

- \$251.7 million of cash-on-hand as of 6/30/24
- Generating meaningful Adj. EBITDA which could be leveraged to provide increased liquidity in 2025, if necessary

Operating Cash Flow (\$m)



# Appendix





## Freshpet, Inc. and Subsidiaries Reconciliation between Gross Profit and Adjusted Gross Profit

|  | For the Three Months Ended<br>June 30, |           | For the Six Months Ended<br>June 30, |            |
|--|--|-----------|--------------------------------------|------------|
|  | 2024                                   | 2023      | 2024                                 | 2023       |
|  | (Dollars in thousands)                 |           |                                      |            |
| <b>Gross profit</b>                                | \$ 93,952                              | \$ 59,244 | \$ 182,110                           | \$ 110,004 |
| <b>Depreciation expense</b>                        | 11,827                                 | 10,618    | 22,502                               | 21,339     |
| <b>Non-cash share-based compensation</b>           | 2,220                                  | 3,161     | 4,841                                | 6,117      |
| <b>Loss on disposal of manufacturing equipment</b> | 32                                     | —         | 53                                   | —          |
| <b>Adjusted Gross Profit</b>                       | \$ 108,031                             | \$ 73,023 | \$ 209,506                           | \$ 137,460 |
| <b>Adjusted Gross Profit as a % of Net Sales</b>   | 45.9%                                  | 39.8%     | 45.6%                                | 39.2%      |

# Freshpet, Inc. and Subsidiaries Reconciliation between SG&A Expenses and Adjusted SG&A Expenses

|   | For the Three Months Ended<br>June 30, |           | For the Six Months Ended<br>June 30, |            |
|---|--|-----------|--------------------------------------|------------|
|   | 2024                                   | 2023      | 2024                                 | 2023       |
|   | (Dollars in thousands)                 |           |                                      |            |
| <b>SG&amp;A expenses</b>                              | \$ 95,702                              | \$ 75,996 | \$ 175,396                           | \$ 148,267 |
| <b>Depreciation and amortization expense</b>          | 5,385                                  | 3,820     | 10,455                               | 7,591      |
| <b>Non-cash share-based compensation (a)</b>          | 17,313                                 | 5,286     | 20,913                               | 10,745     |
| <b>Loss on disposal of equipment</b>                  | 104                                    | 196       | 233                                  | 464        |
| <b>Enterprise Resource Planning (b)</b>               | —                                      | 537       | —                                    | 1,338      |
| <b>Capped Call Transactions fees (c)</b>              | —                                      | —         | —                                    | 113        |
| <b>Activism engagement (d)</b>                        | —                                      | 2,241     | —                                    | 2,630      |
| <b>Organization changes (e)</b>                       | —                                      | (67)      | —                                    | (67)       |
| <b>Adjusted SG&amp;A Expenses</b>                     | \$ 72,900                              | \$ 63,983 | \$ 143,795                           | \$ 125,453 |
| <b>Adjusted SG&amp;A Expenses as a % of Net Sales</b> | 31.0%                                  | 34.9%     | 31.3%                                | 35.8%      |

(a) Includes true-ups to share-based compensation expense compared to prior periods. We have certain outstanding share-based awards with performance-based vesting conditions that require the achievement of certain Adjusted EBITDA and/or Net Sales targets as a condition of vesting. At each reporting period, we reassess the probability of achieving the performance criteria and the performance period required to meet those targets. When the probability of achieving such performance conditions changes, the compensation cost previously recorded is adjusted as needed. When such performance conditions are deemed to be improbable of achievement, the compensation cost previously recorded is reversed.

(b) Represents costs associated with the implementation of an ERP system.

(c) Represents fees associated with the Capped Call Transactions.

(d) Represents advisory fees related to activism engagement.

(e) 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) Income and Adjusted EBITDA

|  | For the Three Months Ended<br>June 30, |             | For the Six Months Ended<br>June 30, |             |
|--|--|-------------|--------------------------------------|-------------|
|  | 2024                                   | 2023        | 2024                                 | 2023        |
|  | (Dollars in thousands)                 |             |                                      |             |
| <b>Net (loss) income</b>                                 | \$ (1,694)                             | \$ (16,952) | \$ 16,908                            | \$ (41,738) |
| <b>Depreciation and amortization</b>                     | 17,212                                 | 14,438      | 32,957                               | 28,930      |
| <b>Interest income, net of interest expense</b>          | (109)                                  | (779)       | (385)                                | 1,446       |
| <b>Income tax expense</b>                                | 54                                     | 70          | 108                                  | 140         |
| <b>EBITDA</b>  | 15,463                                 | (3,223)     | 49,588                               | (11,222)    |
| <b>Loss on equity method investment</b>                  | —                                      | 910         | —                                    | 1,890       |
| <b>Gain on equity investment</b>                         | —                                      | —           | (9,918)                              | —           |
| <b>Loss on disposal of property, plant and equipment</b> | 136                                    | 196         | 286                                  | 464         |
| <b>Non-cash share-based compensation (a)</b>             | 19,533                                 | 8,447       | 25,755                               | 16,862      |
| <b>Enterprise Resource Planning (b)</b>                  | —                                      | 537         | —                                    | 1,338       |
| <b>Capped Call Transactions fees (c)</b>                 | —                                      | —           | —                                    | 113         |
| <b>Activism engagement (d)</b>                           | —                                      | 2,240       | —                                    | 2,629       |
| <b>Organization changes (e)</b>                          | —                                      | (67)        | —                                    | (67)        |
| <b>Adjusted EBITDA</b>                                   | \$ 35,132                              | \$ 9,040    | \$ 65,711                            | \$ 12,007   |
| <b>Adjusted EBITDA as a % of Net Sales</b>               | 14.9%                                  | 4.9%        | 14.3%                                | 3.4%        |

(a) Includes true-ups to share-based compensation expense compared to prior periods. We have certain outstanding share-based awards with performance-based vesting conditions that require the achievement of certain Adjusted EBITDA and/or Net Sales targets as a condition of vesting. At each reporting period, we reassess the probability of achieving the performance criteria and the performance period required to meet those targets. When the probability of achieving such performance conditions changes, the compensation cost previously recorded is adjusted as needed. When such performance conditions are deemed to be improbable of achievement, the compensation cost previously recorded is reversed.

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# Convertible Share Dilution Calculations at Maturity

- We have run share dilution calculations to compare outcomes for the 2028 convertible notes
  - Freshpet has structured the convertible with Flexible Settlement, so we have the option to settle the convertible in shares, cash, or a combination at its option
  - We have run convertible dilution calculations once using the most dilutive physical settlement method (i.e. Freshpet delivers all underlying shares upon conversion if the convertible is in-the-money) and again using net share settlement method (i.e. Freshpet delivers the \$402.5mm principal amount in cash and any remaining in-the-money amount in shares under Treasury Stock method)

| Stock Price at Maturity | Physical Settlement (mm shares) <sup>(1,2)</sup> |                       | Net Share Settlement (mm shares) |                       |
|-------------------------|--|-----------------------|----------------------------------|-----------------------|
|                         | Convert  | Convert + Capped Call | Convert                          | Convert + Capped Call |
| \$80.00                 | 5.8  | 5.0                   | 0.7                              | 0.0                   |
| \$90.00                 | 5.8  | 4.5                   | 1.3                              | 0.0                   |
| \$100.00                | 5.8  | 4.0                   | 1.8                              | 0.0                   |
| \$110.00                | 5.8  | 3.7                   | 2.1                              | 0.0                   |
| \$120.00                | 5.8  | 3.4                   | 2.4                              | 0.0                   |
| \$130.00                | 5.8  | 3.5                   | 2.7                              | 0.4                   |
| \$140.00                | 5.8  | 3.7                   | 2.9                              | 0.8                   |
| \$150.00                | 5.8  | 3.8                   | 3.1                              | 1.1                   |
| \$160.00                | 5.8  | 4.0                   | 3.3                              | 1.4                   |

Note: Based on Freshpet's \$402.5mm convertible offering, a \$54.65 stock price at issue, a 27.5% conversion premium, and an up 120% capped call.

(1) If the convertible is in-the-money, Freshpet can deliver full underlying shares at its option since it has chosen a Flexible Settlement Structure.

(2) At stock prices below the conversion price, the convertible is redeemed for cash without any equity dilution.



# thank you!

