



pets. people. planet.

Q2 2022 Earnings Presentation

August 8, 2022



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 novel coronavirus (“COVID-19”), 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, plant start-up expense, non-cash share-based compensation, launch expense, 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 and COVID-19 expenses.

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

Freshpet defines Adjusted Gross Profit as gross profit before depreciation expense, plant start-up expense, 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 of our common stock, implementation and other costs associated with the implementation of an ERP system and COVID-19 expenses.

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 2022. 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.



Nourishing Pets, People and Planet

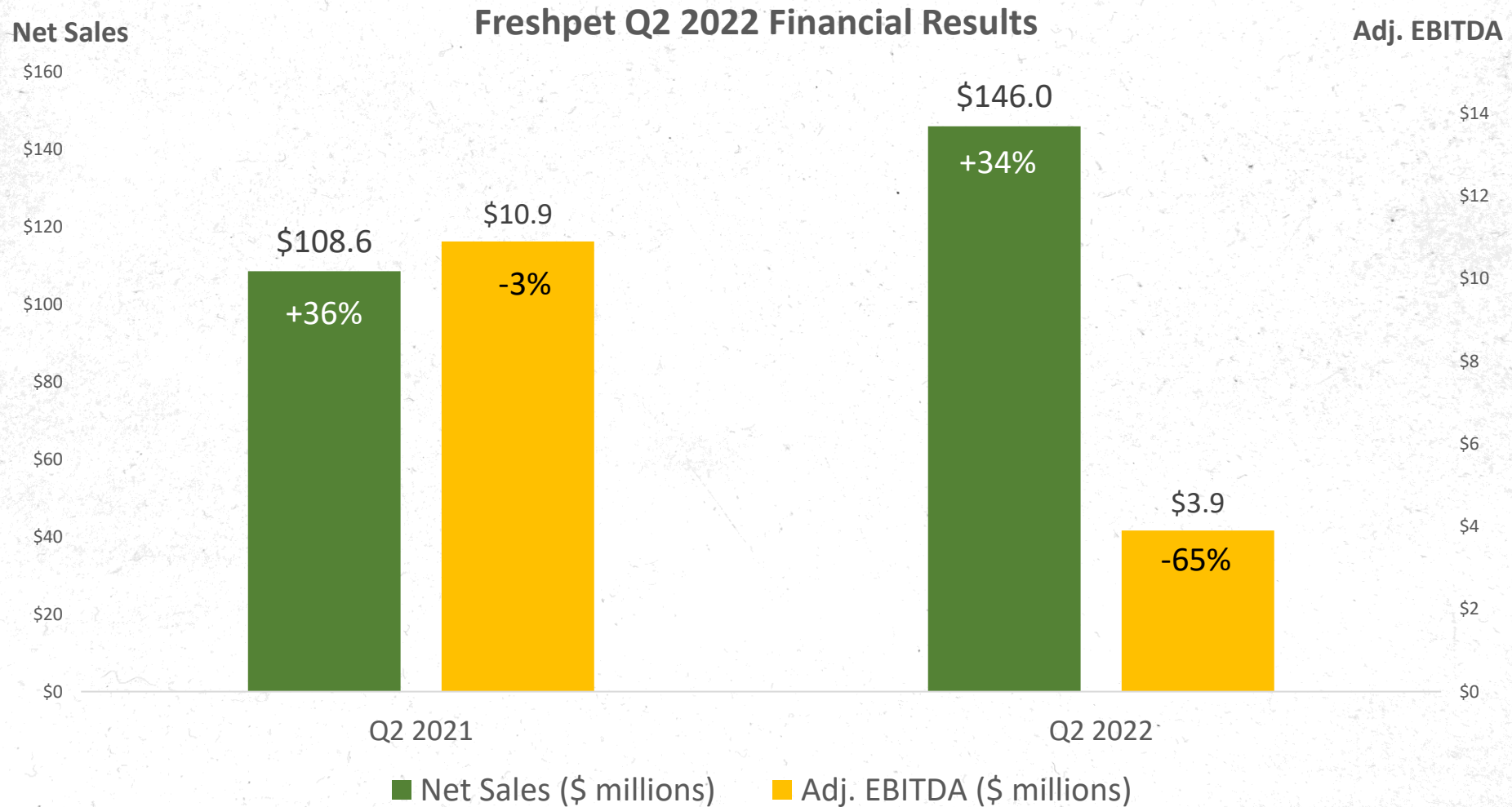
Freshpet strengthens the bond between people and our pets so that we both live longer, healthier and happier lives -- while being kind to the planet





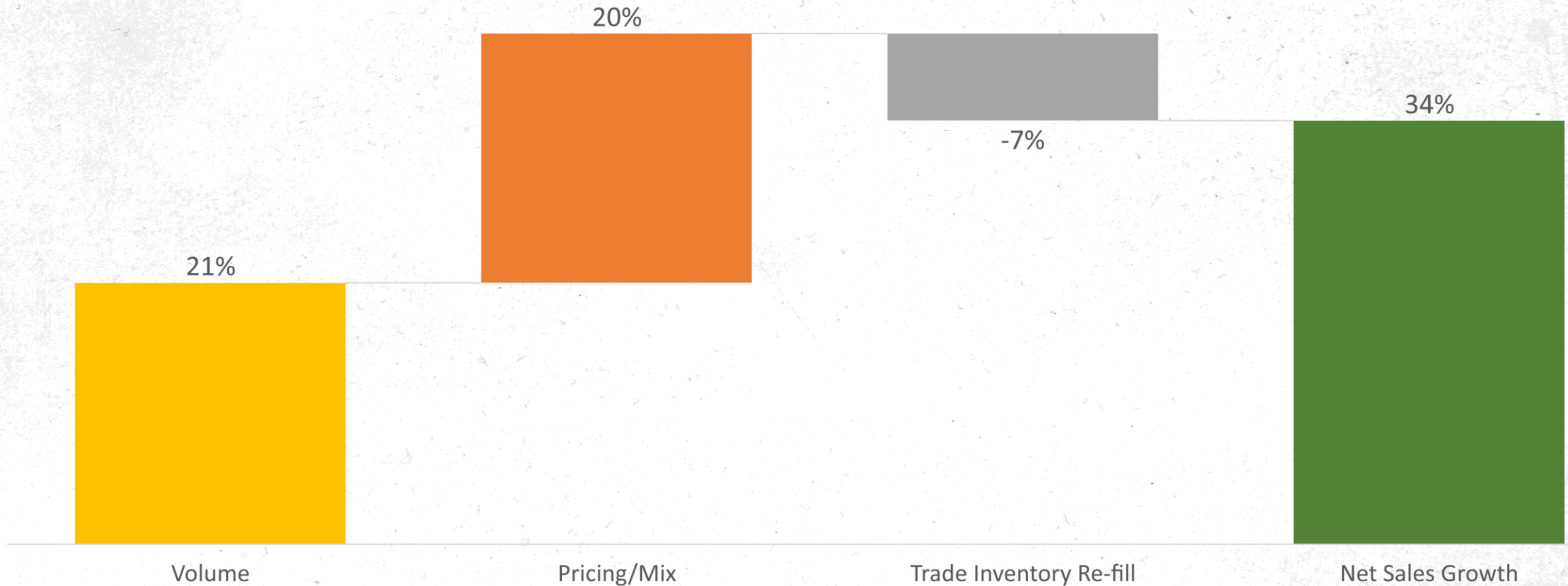
Q2 2022 Results

Strong net sales growth offset by inflation and operating challenges



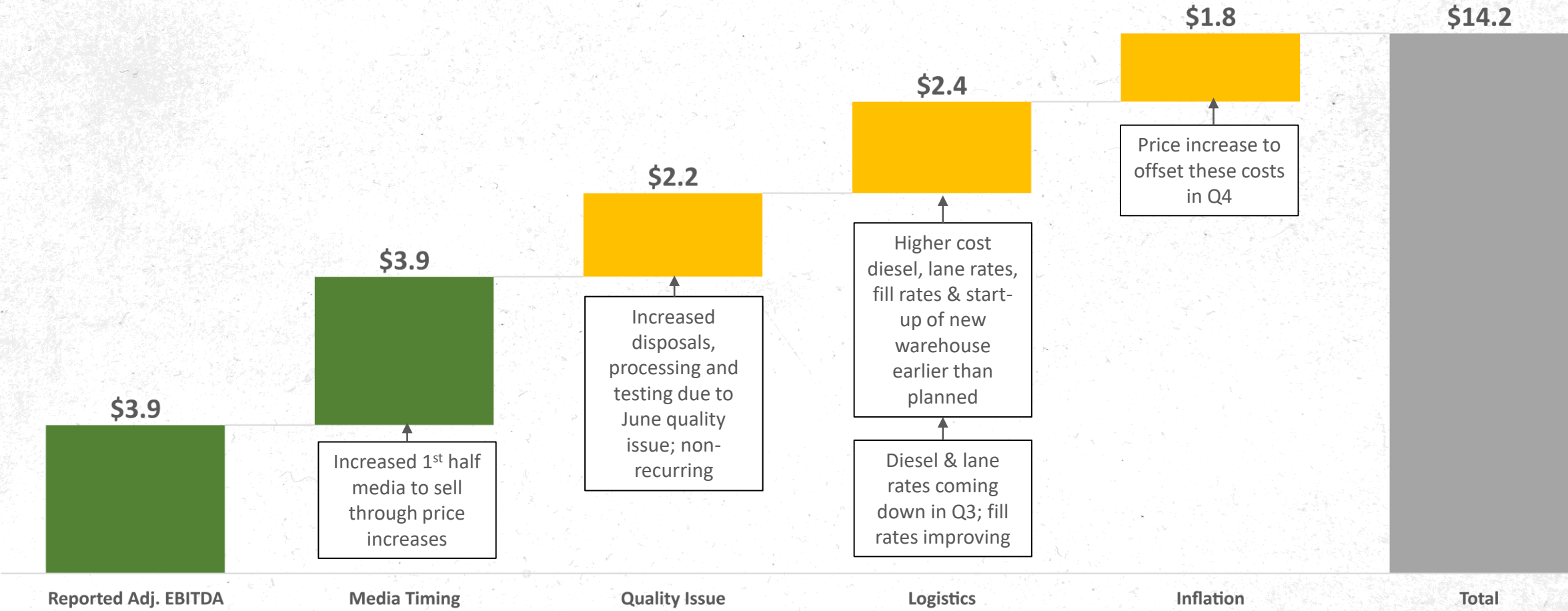
Net Sales growth driven by volume/mix, pricing and partially offset by trade inventory re-fill in the YA

Q2 2022 Sales Growth Composition

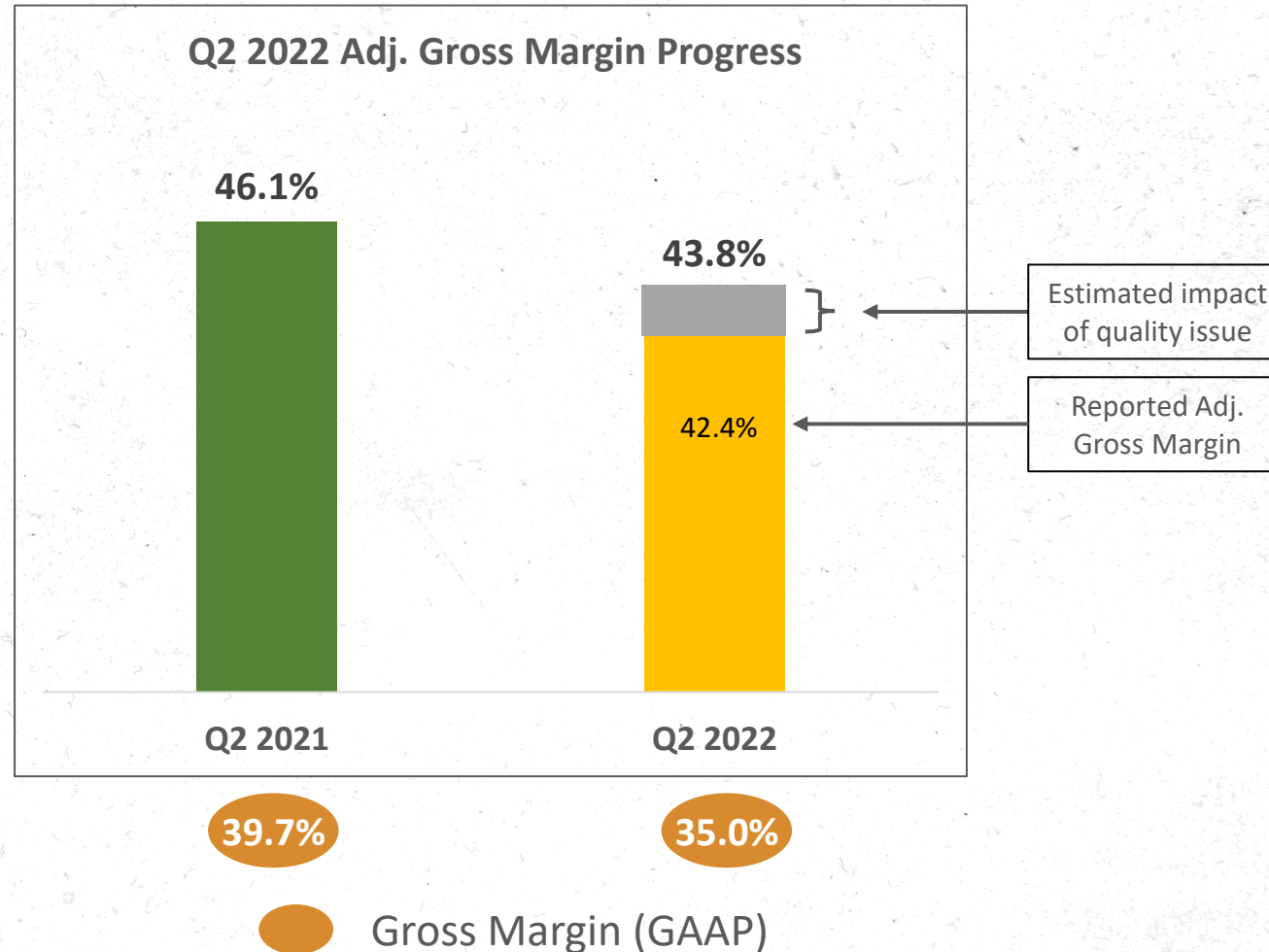


Q2 Adj. EBITDA impacted by timing, inflation and operational issues

Adj. EBITDA Impact in Q2 2022

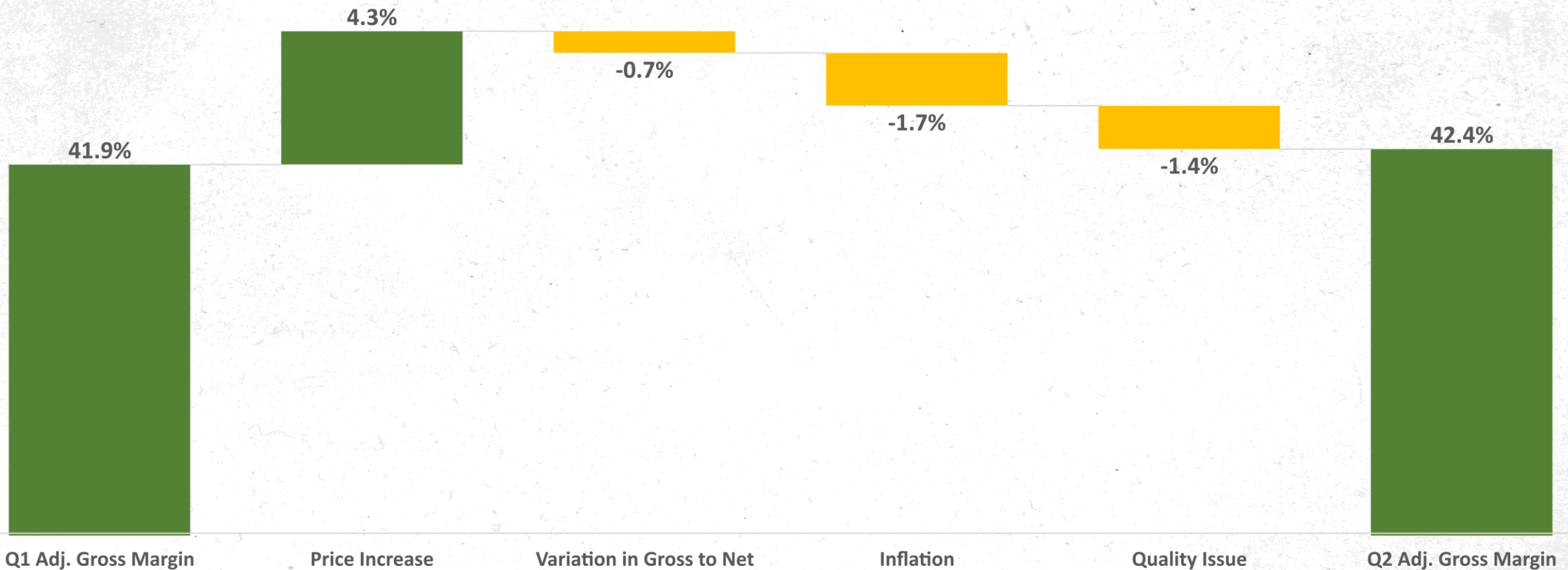


Decline in Adj. Gross Margin due to quality issue and inflation

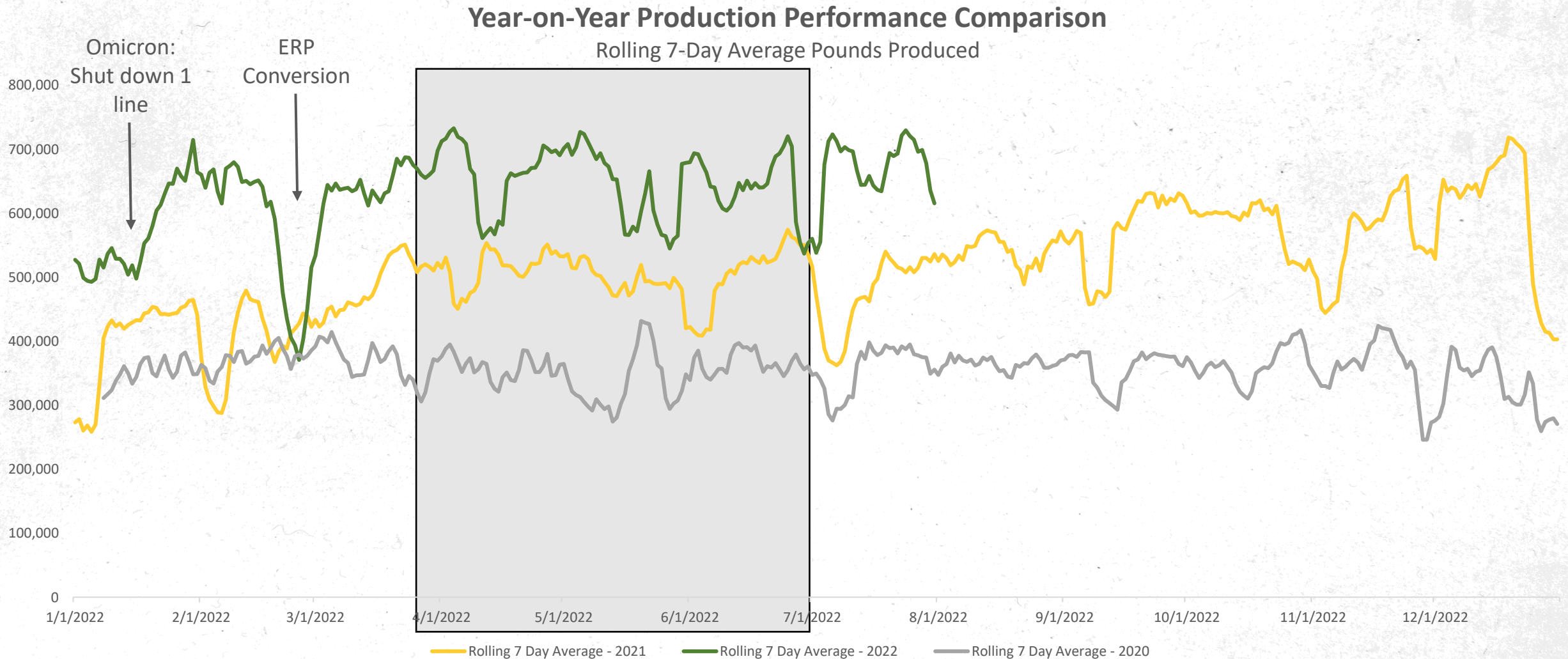


Price increase gains partially offset by inflation, quality issue and other minor issues

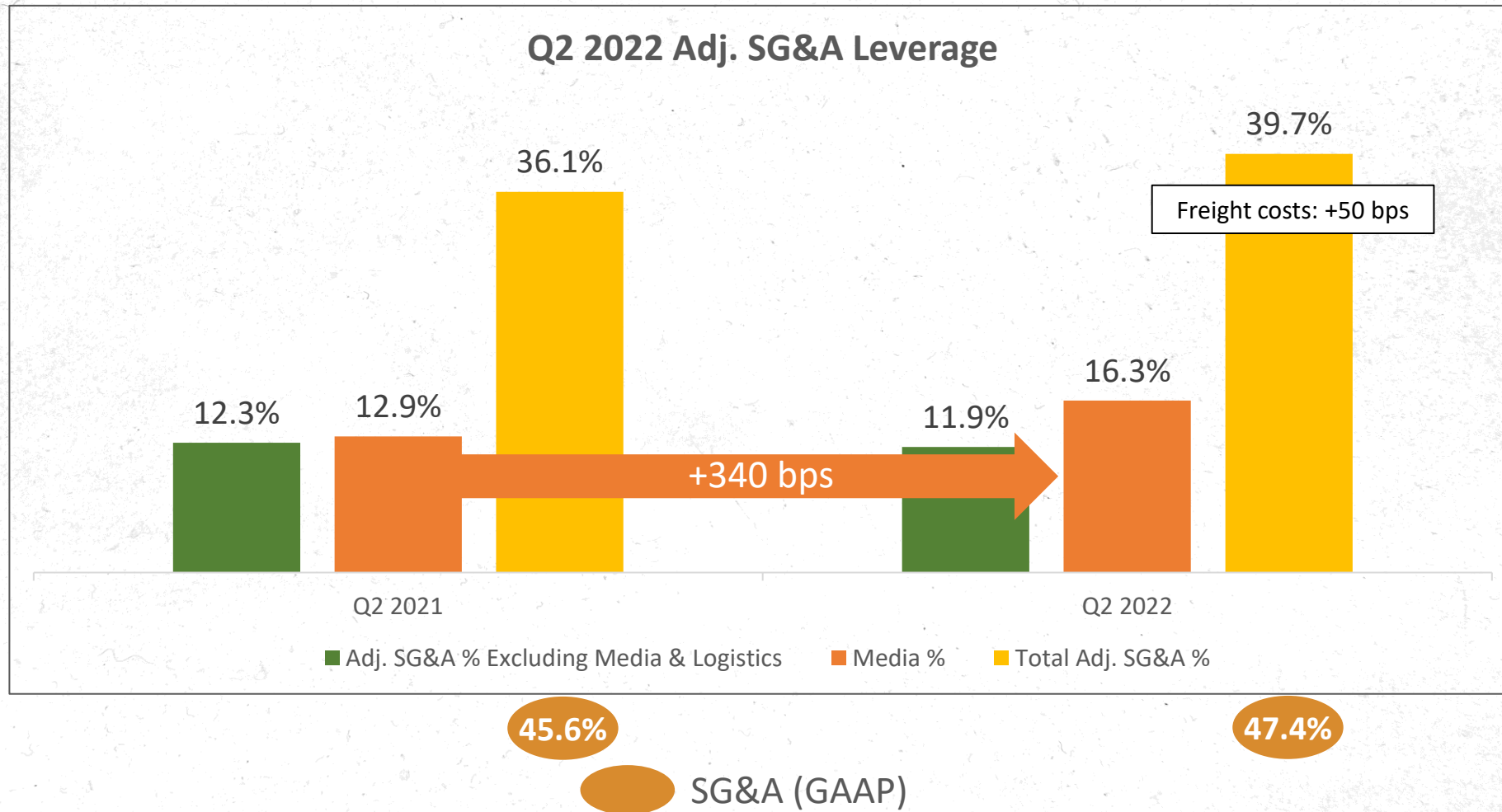
Q2 Adj. Gross Margin Bridge from Q1 2022



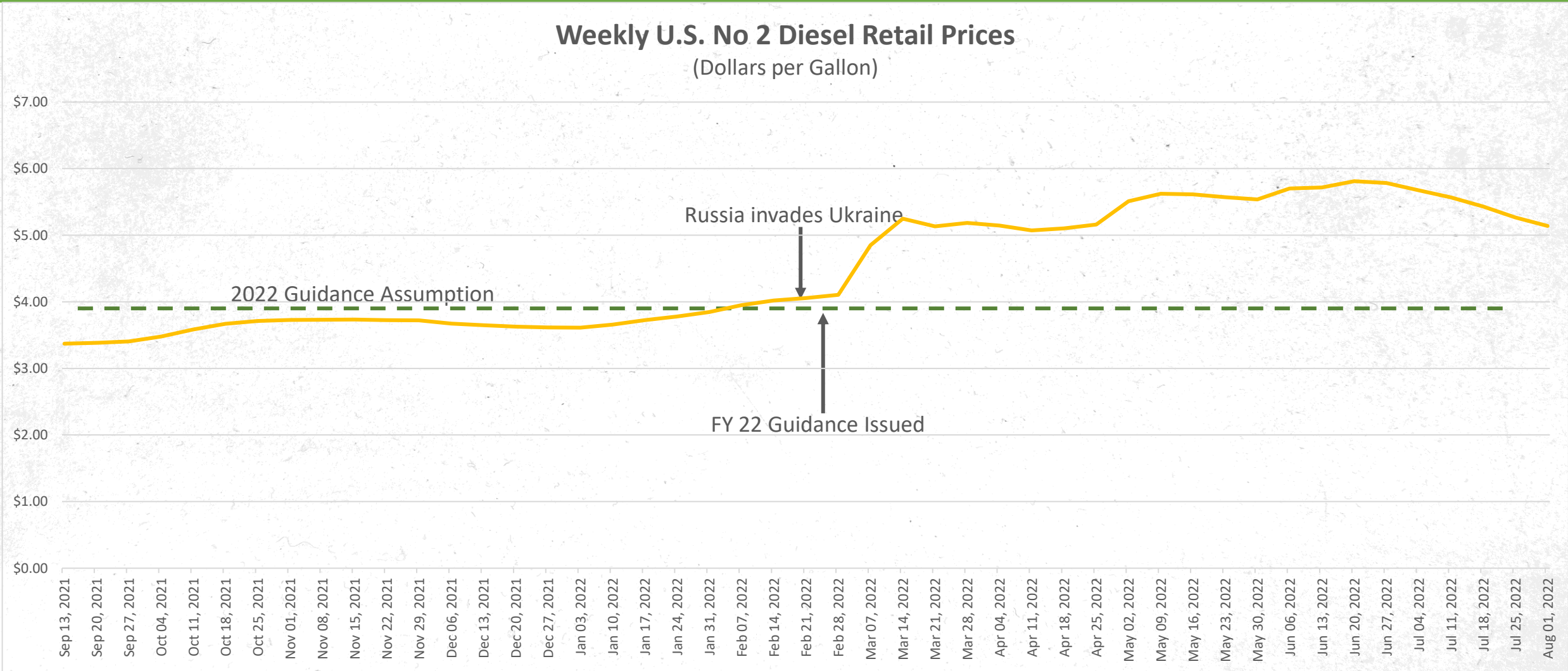
Strong production rates continue



Pulled media forward to sell our way through the price increase



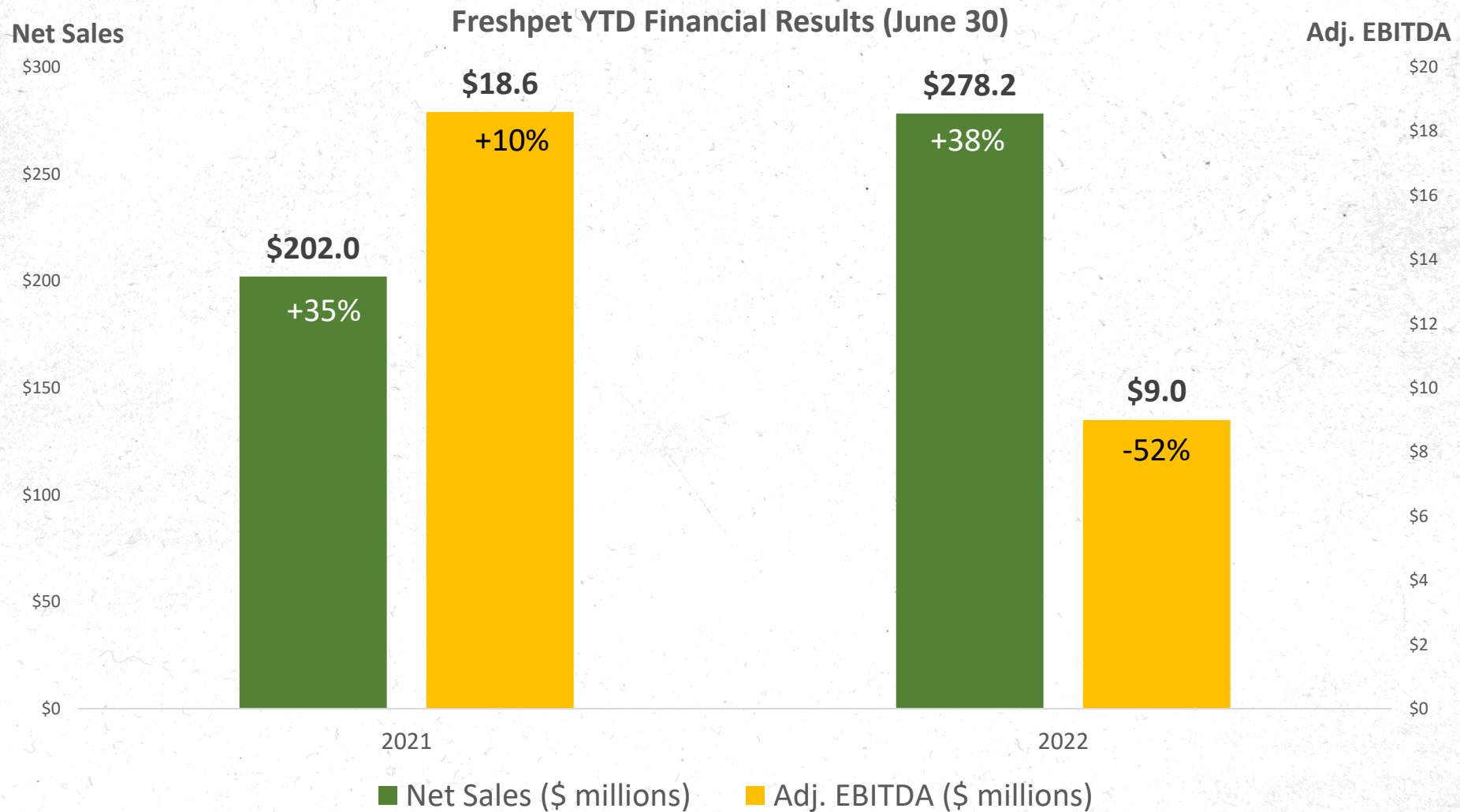
Diesel costs increased dramatically in the past 4 months, but recent trends show some relief



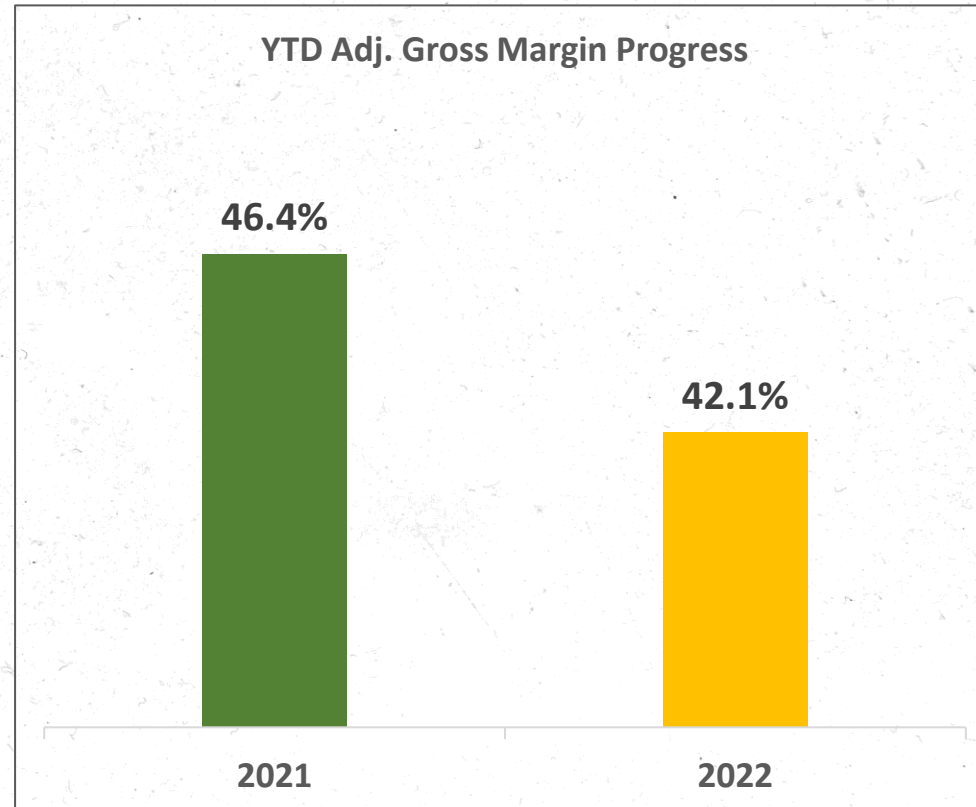


Year-to-Date 2022 Results Thru Q2

First half results impacted by Q2 challenges



YTD decline in Adj. Gross Margin due to quality issue and inflation

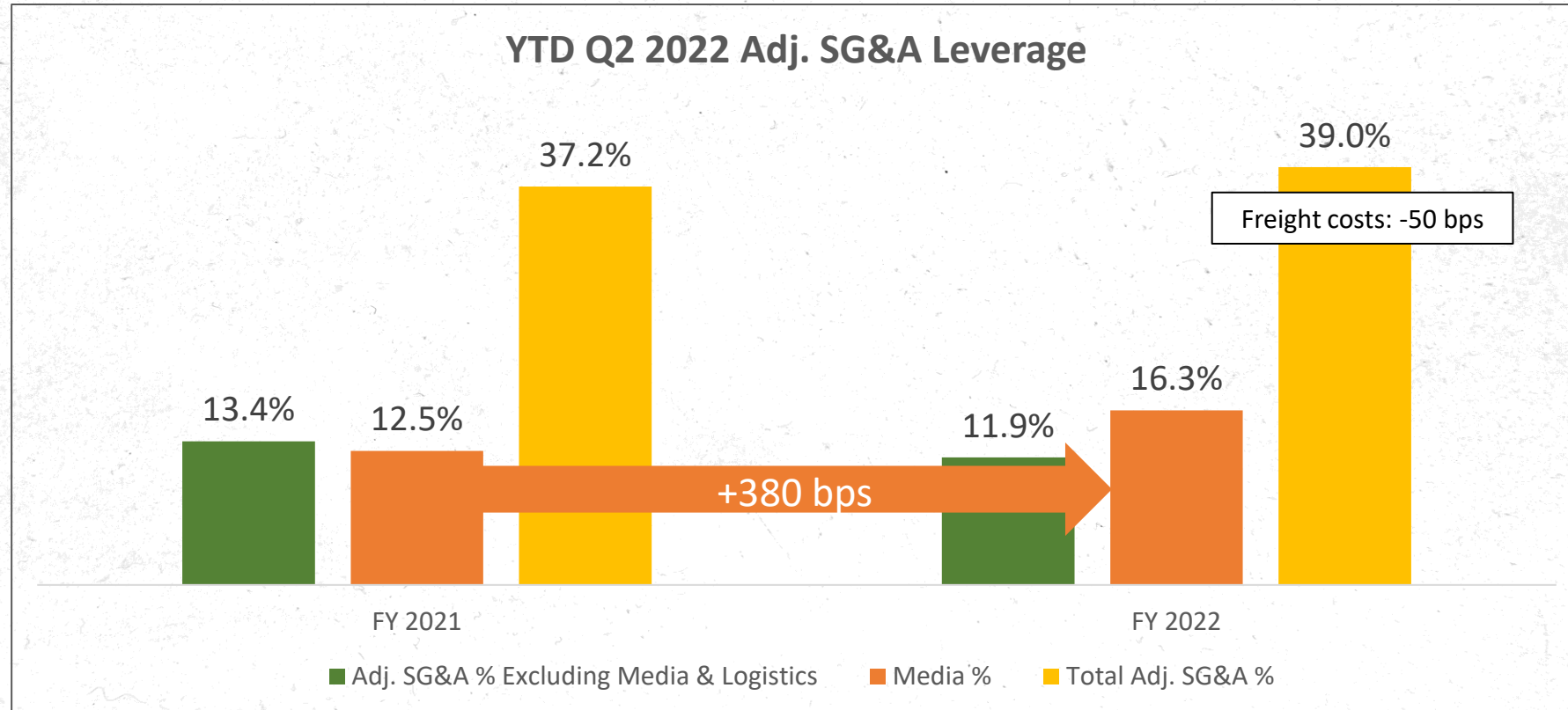


39.3%

34.5%

Gross Margin (GAAP)

First half media investment increased to reflect better in-stocks and to offset higher pricing



47.3%

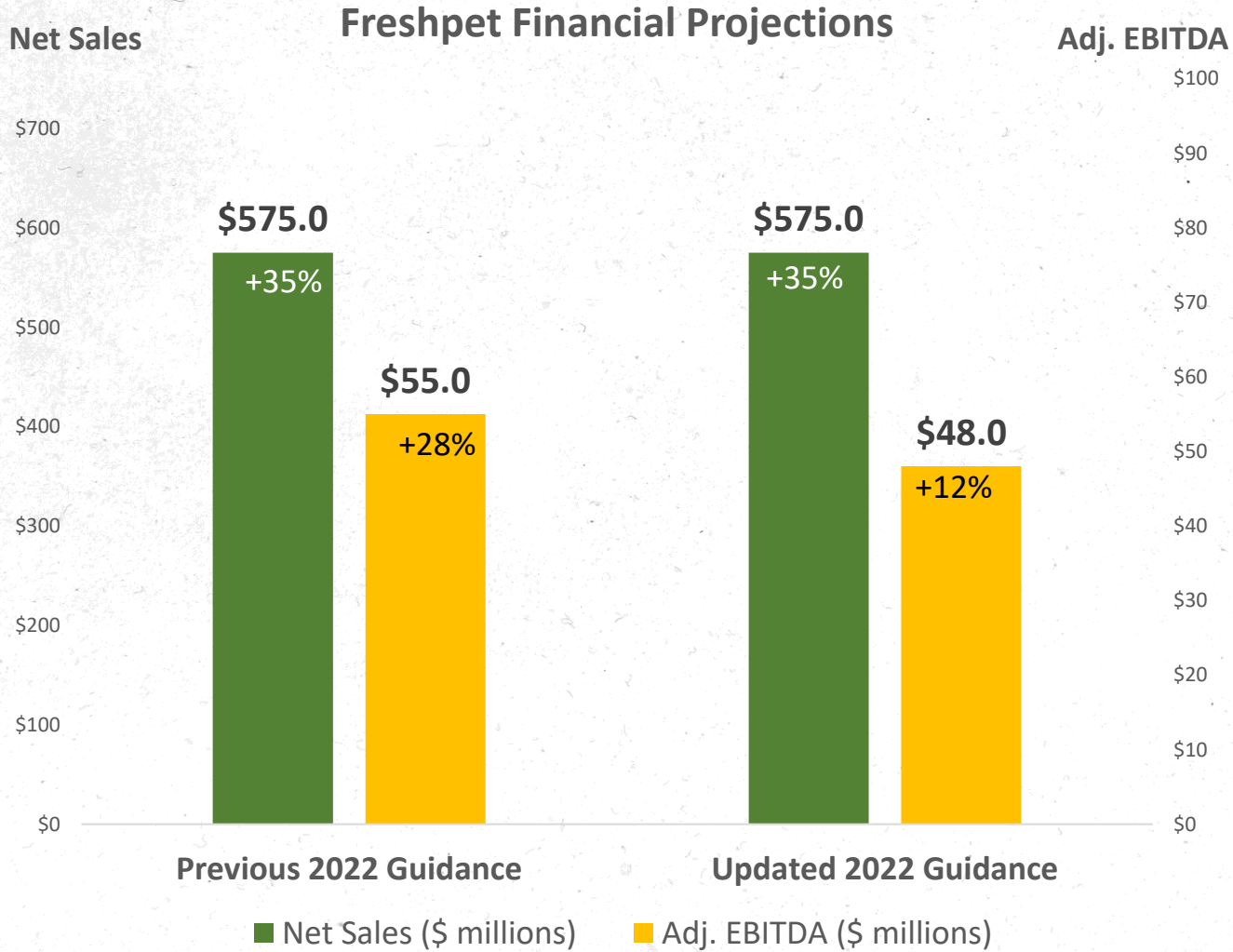
SG&A (GAAP)

46.7%



2022 Guidance

Updating Adj. EBITDA guidance to reflect timing mismatch on pricing/inflation and quality issue

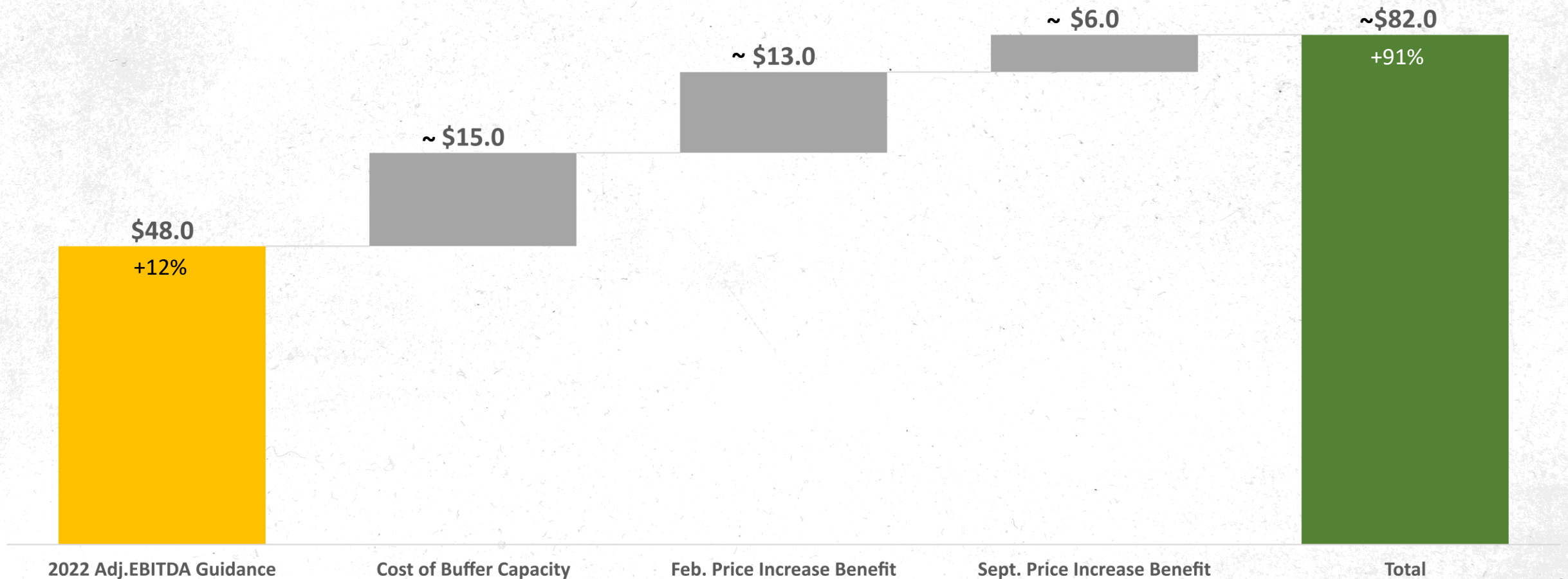


- **Re-affirming Net Sales guidance**
- **Adj. EBITDA guidance reduced to account for:**
 - Cost of quality issue
 - Timing mismatch on inflation/pricing

Timing mismatch on costs and pricing have cost ~\$19 million of Adj. EBITDA this year

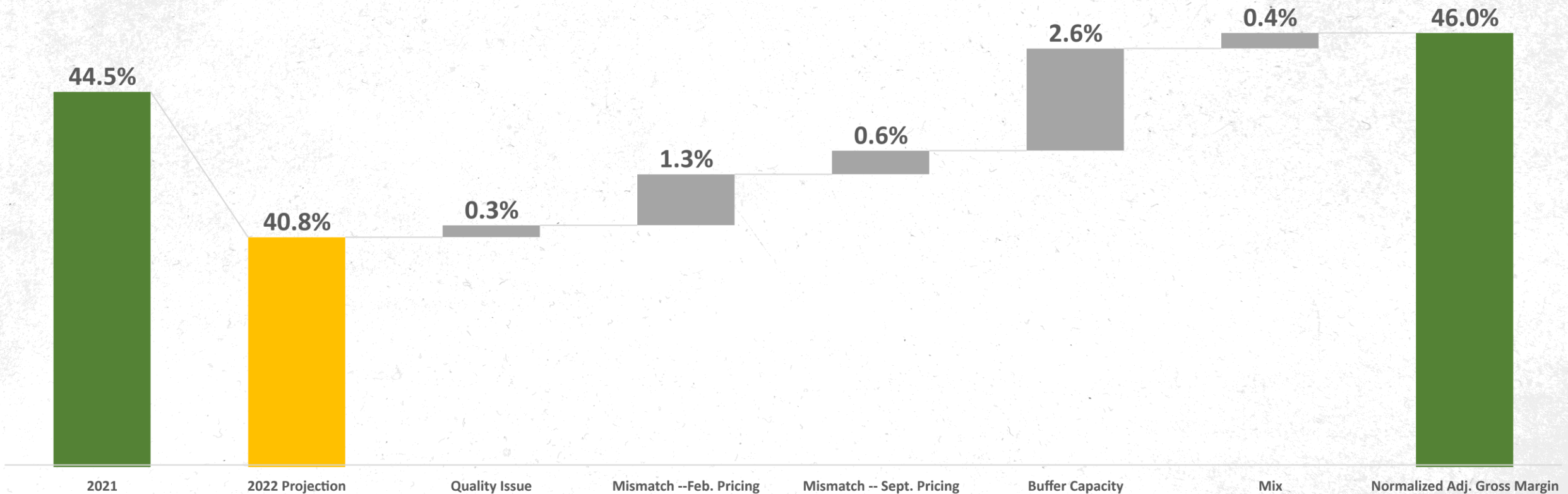
Freshpet Financial Projections

Adjusted for Impact of Price/Cost Mismatch and Buffer Capacity

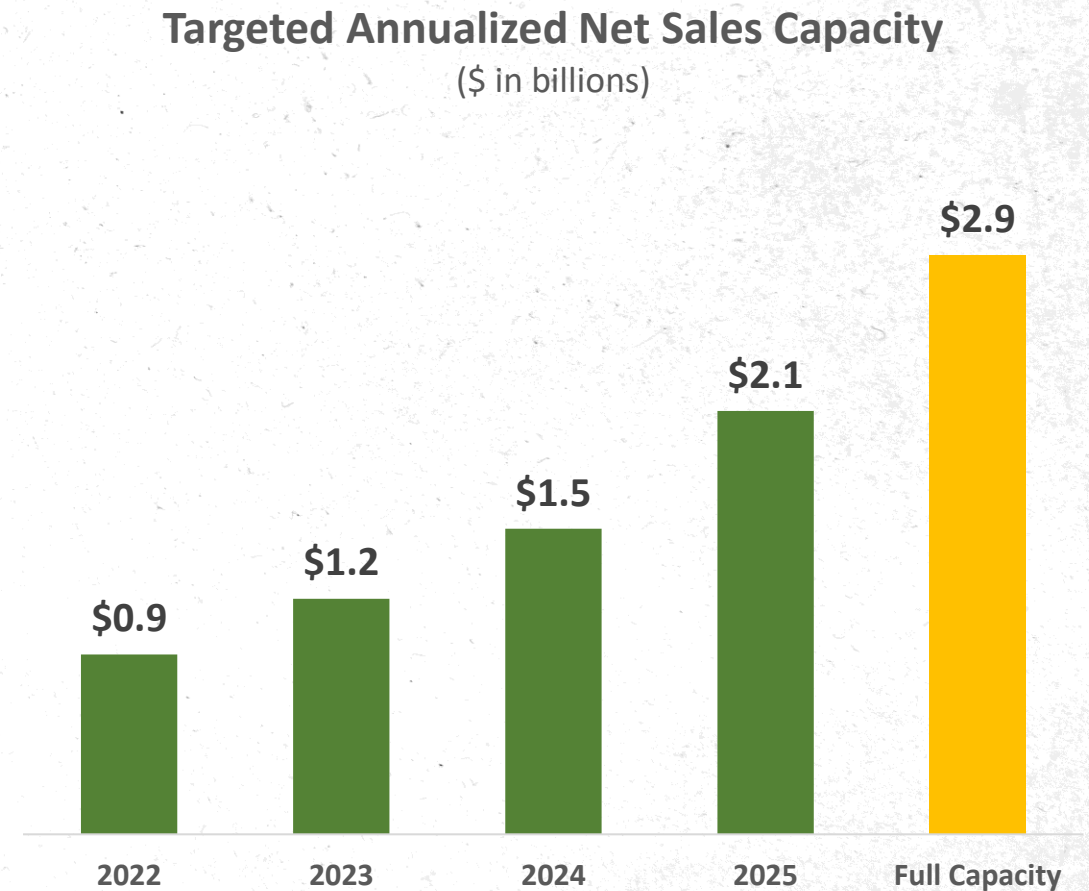
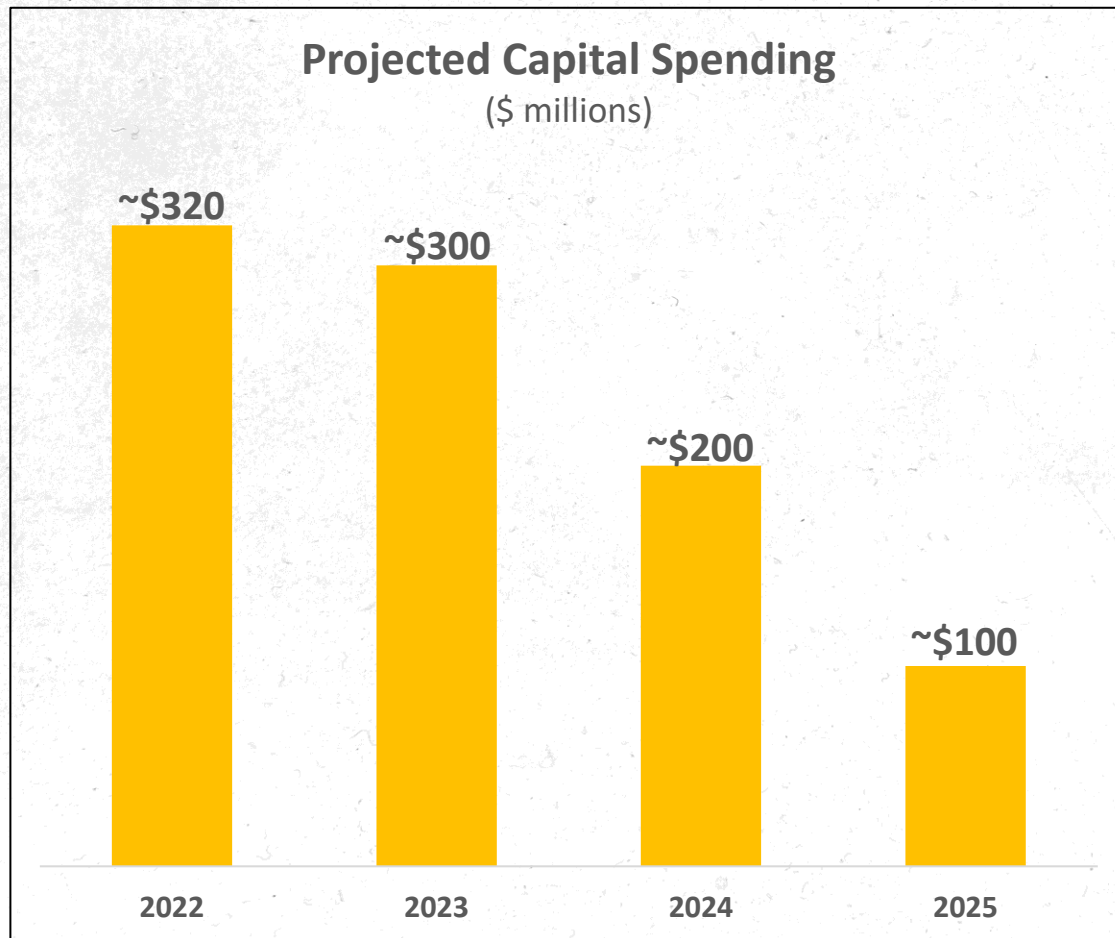


Adj. Gross Margin has been negatively impacted by inflation, quality issue and buffer capacity

2022 Adj. Gross Margin Projection

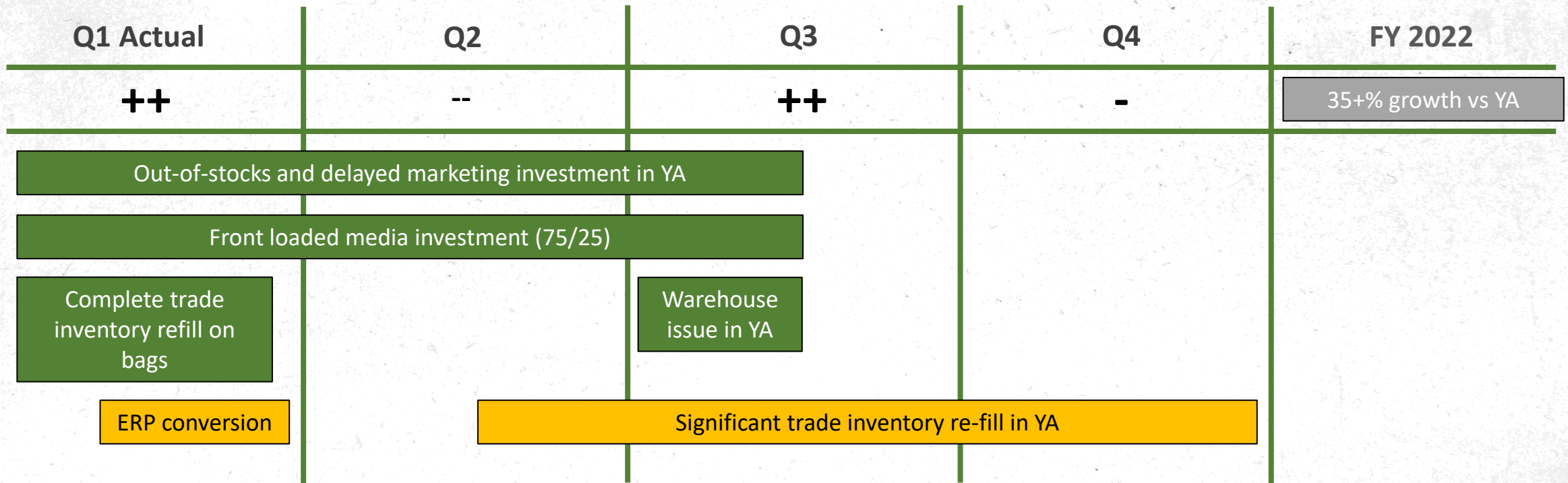


Projected 2022 capital spending reduced by \$80 million; will support >\$1 billion in 2023 capacity



2022 Freshpet Guidance: Net Sales

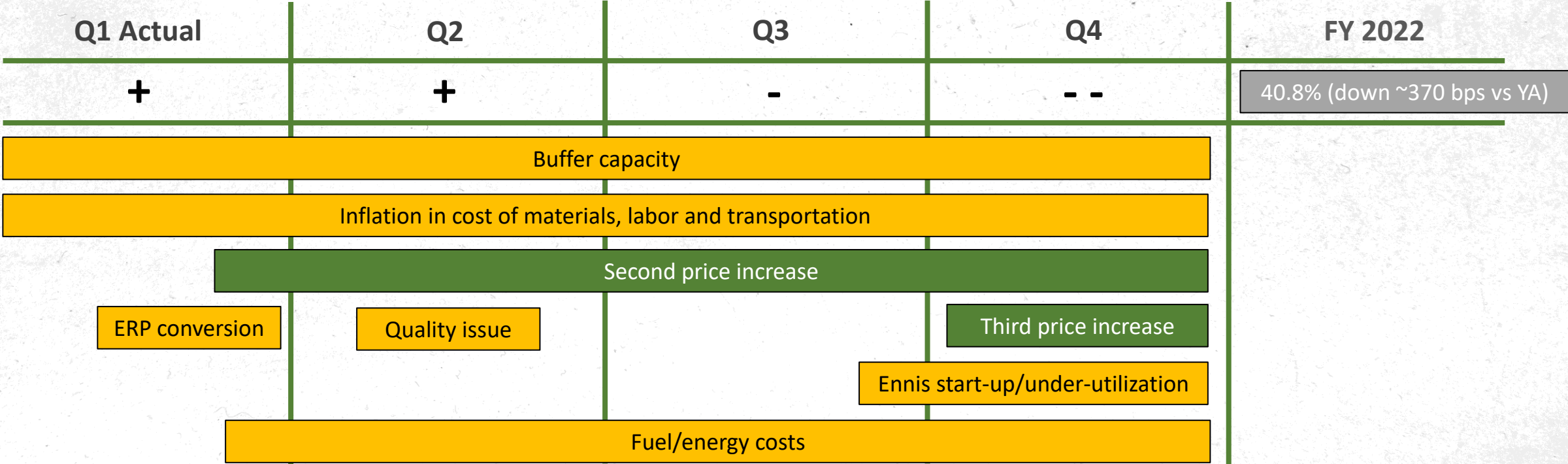
Key Drivers of Net Sales Cadence



+ / - = relative comparison to projected FY22 growth rate

2022 Freshpet Guidance: Adj. Gross Margin

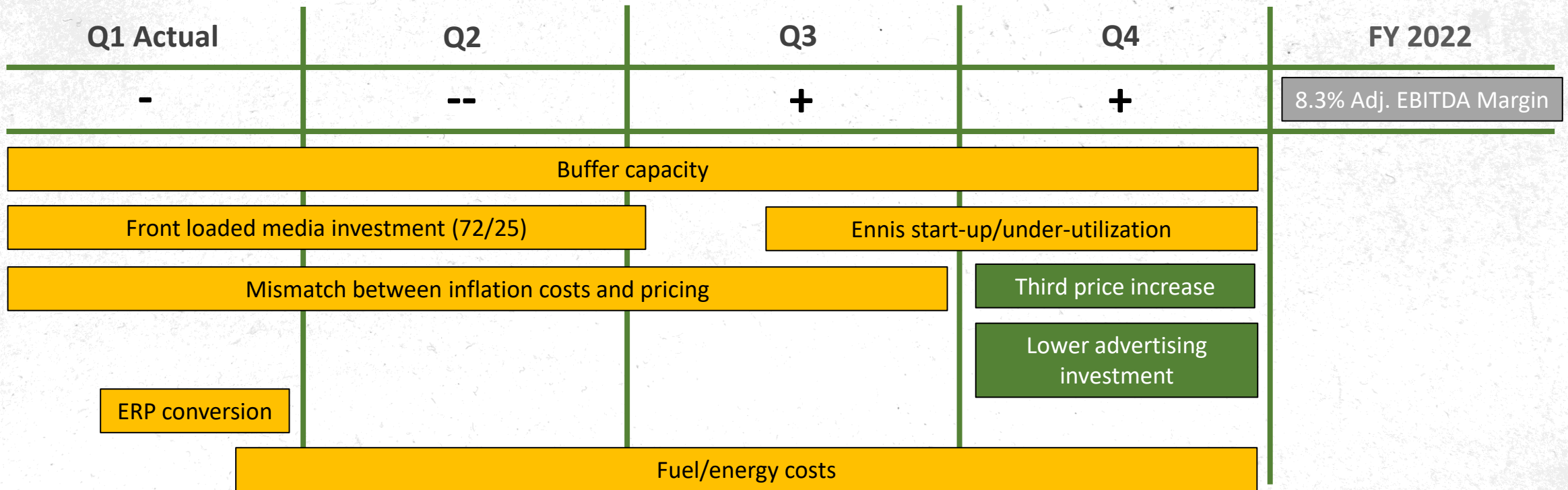
Key Drivers of Adj. Gross Margin Cadence



+ / - = relative comparison to forecasted FY22 Adj. Gross Margin

2022 Freshpet Guidance: Adj. EBITDA

Key Drivers of Adj. EBITDA Cadence

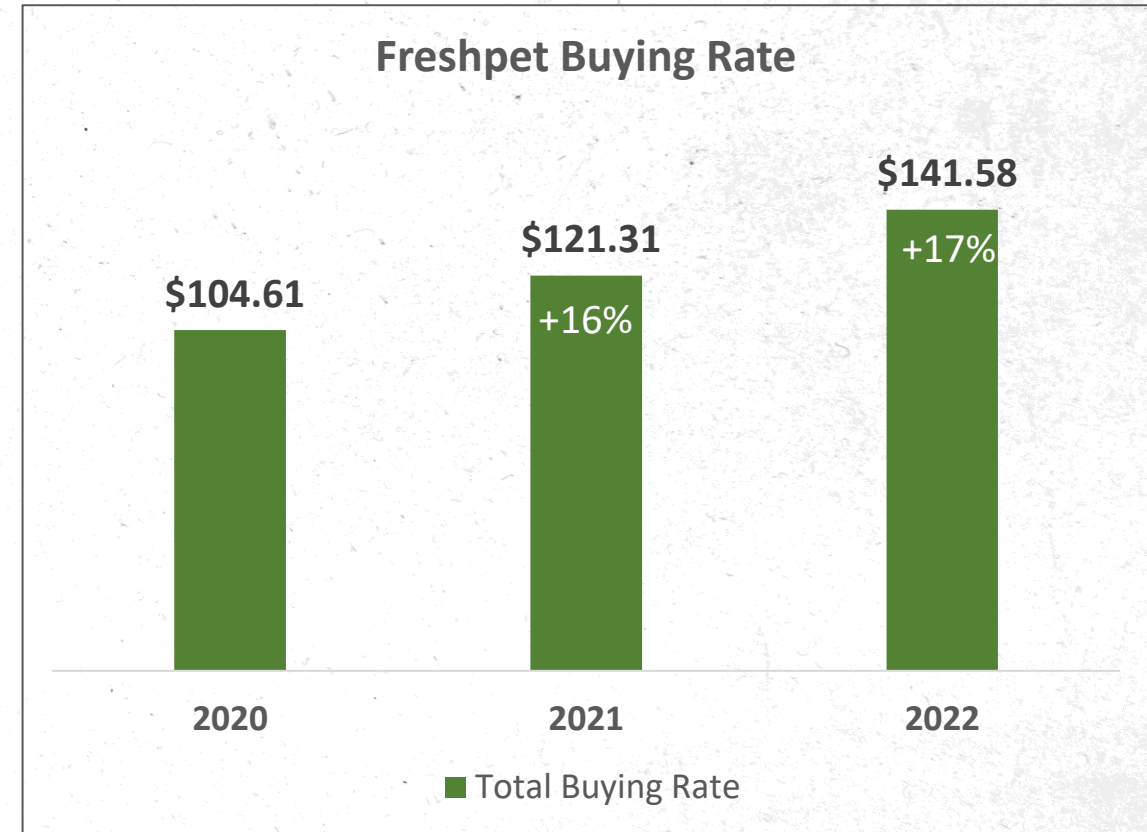
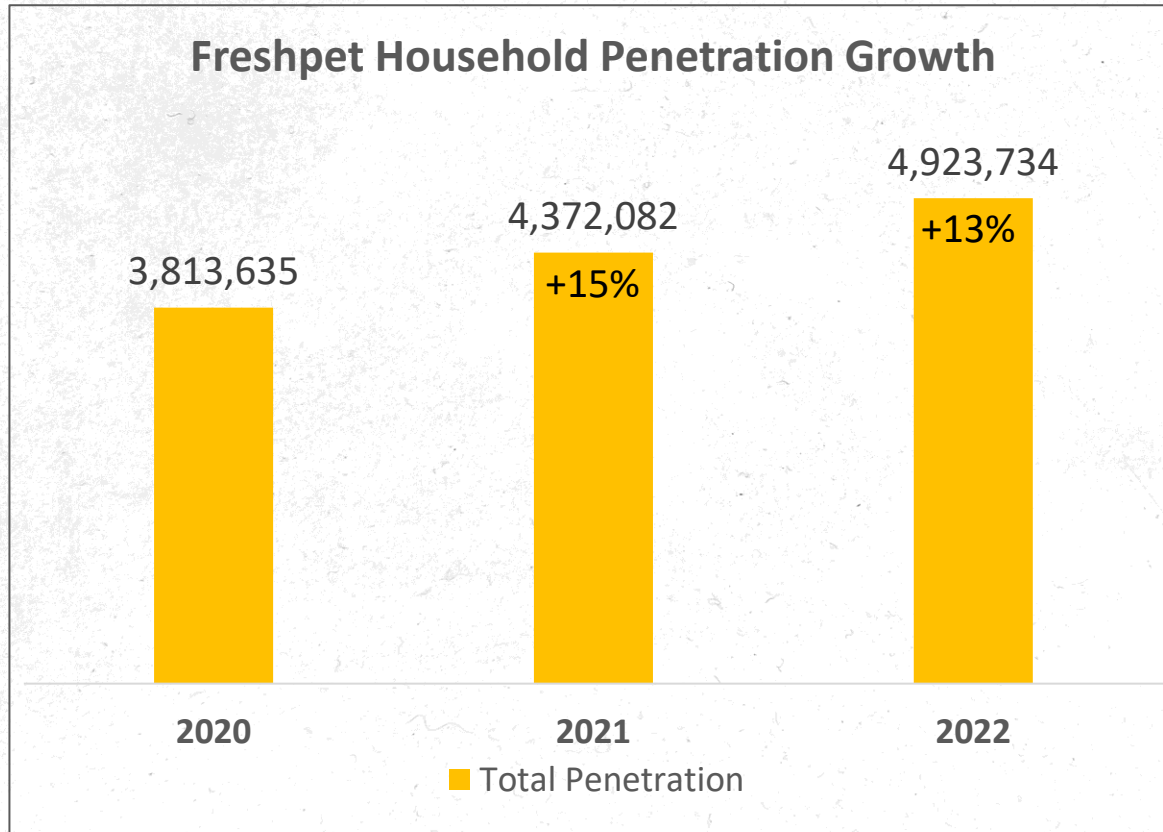


+ / - = relative comparison to forecasted FY22 EBITDA margin



Household Penetration & Buying Rate

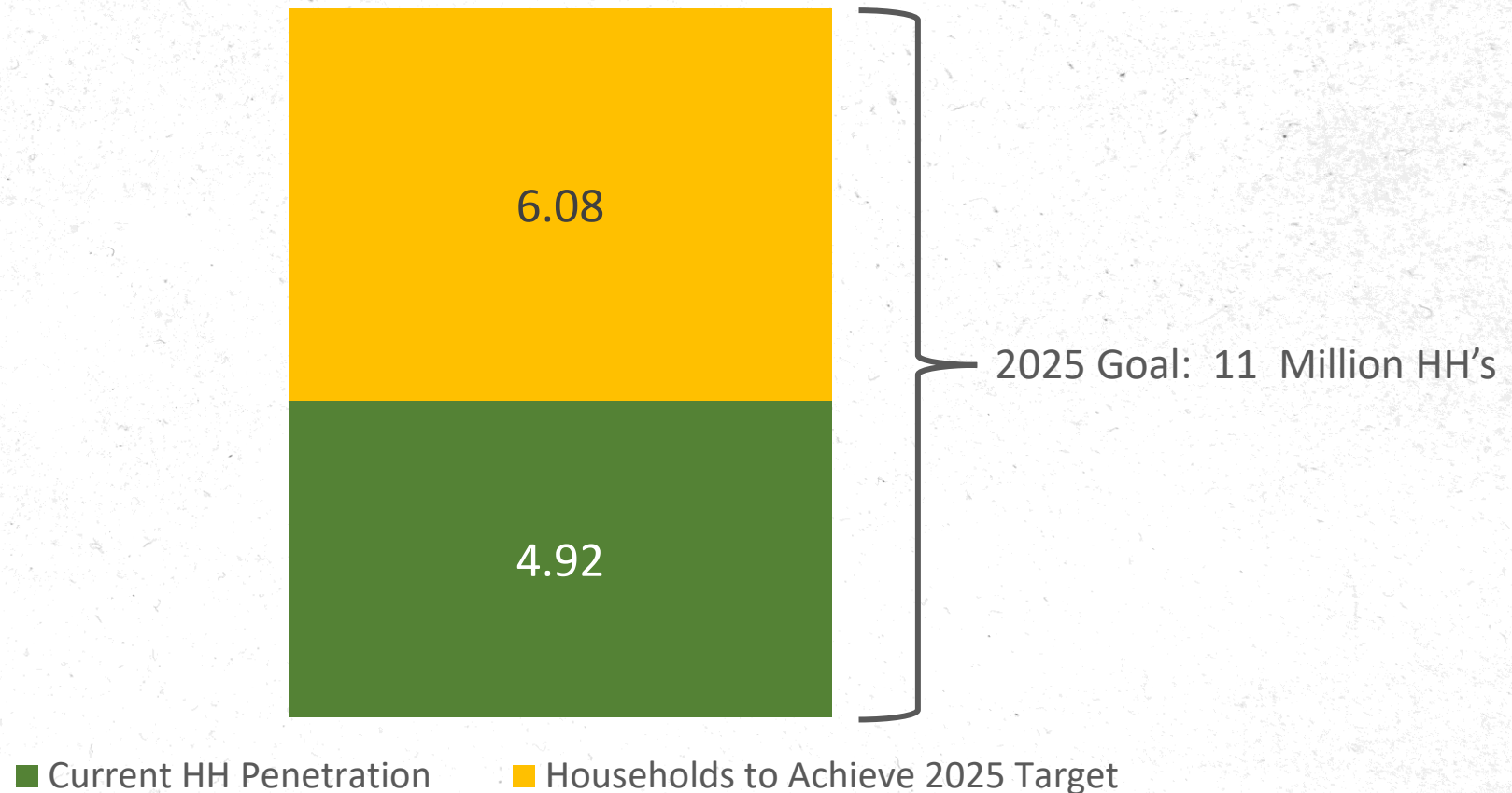
Updated Nielsen HH panel methodology shows a larger consumer franchise and balanced growth in penetration and buying rate



Note: Updated Nielsen projections only include the past 3 years of data, so year-on-year comparisons are not possible for 2020

Still on path to meet our 2025 HH penetration goal

Progress Towards 2025 Household Penetration Goal

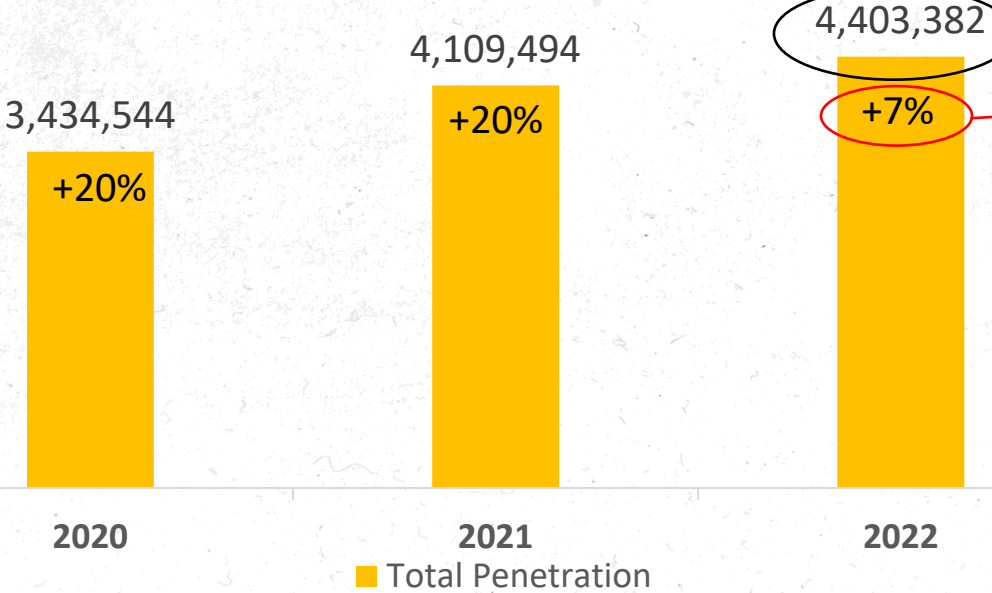


Nielsen's updated methodology for projecting HH penetration shows a larger number of HH's and more rapid growth

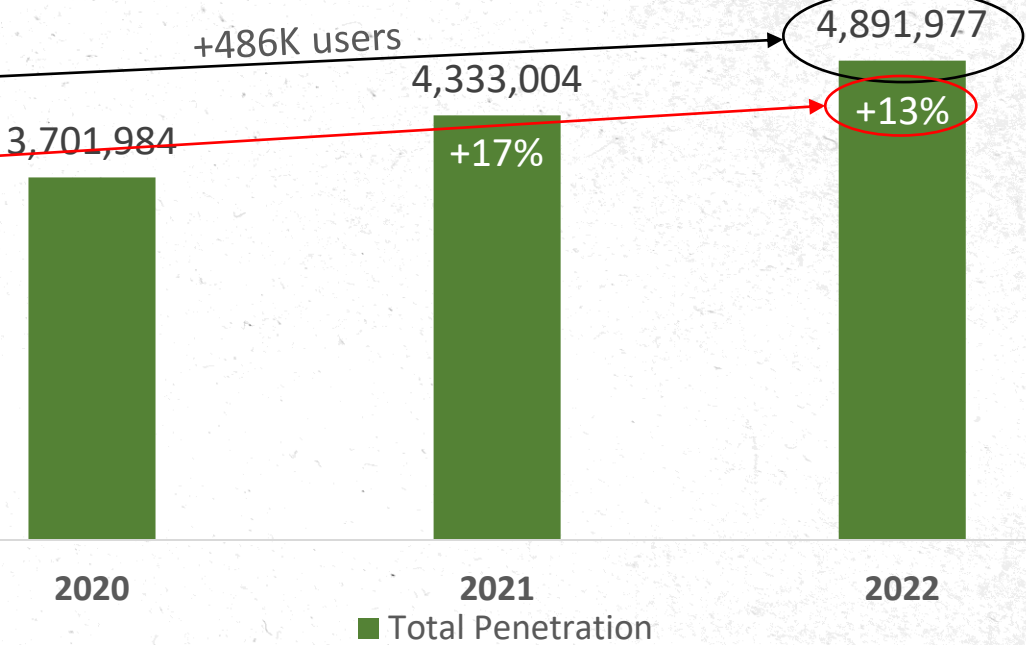
Comparison of Old and New Nielsen HH Panel Methodology

June 2022 Data

Freshpet Penetration Growth
(Nielsen's previous method)



Freshpet Penetration Growth
(Nielsen's new method)

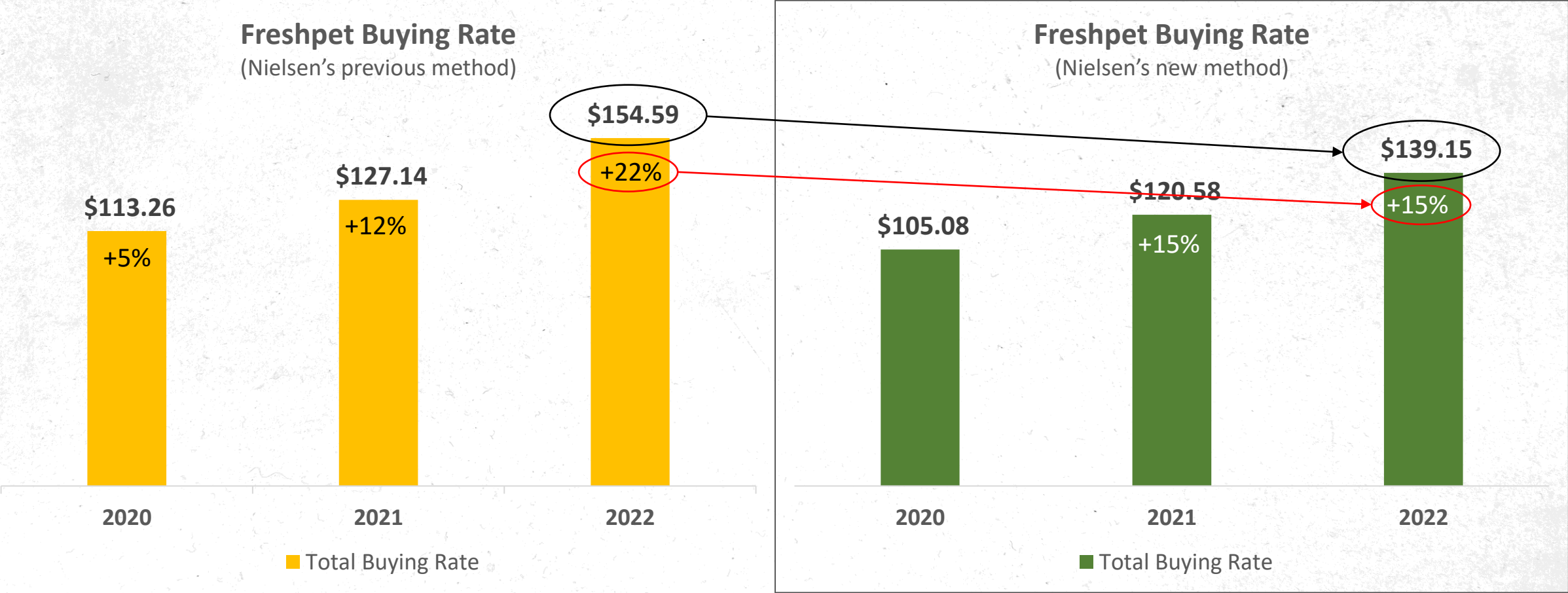


Note: Updated Nielsen projections only include the past 3 years of data, so year-on-year comparisons are not possible for 2020

Nielsen's updated methodology for projecting HH penetration lowers our calculated buying rate and buying rate growth

Comparison of Old and New Nielsen HH Panel Methodology

June 2022 Data



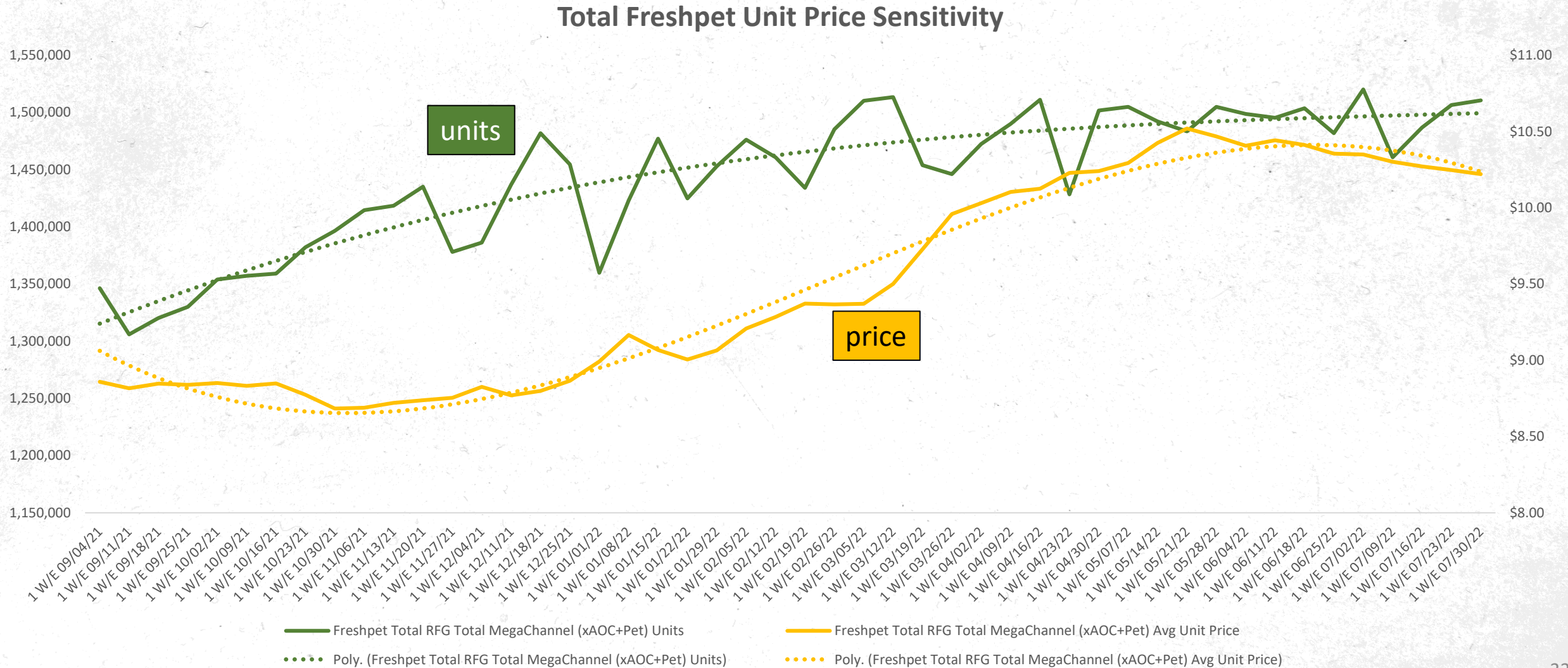
Source: Nielsen HH Panel for the 52-week period ending late June 2018-2022 and internal calculation

Note: Updated Nielsen projections only include the past 3 years of data, so year-on-year comparisons are not possible for 2020

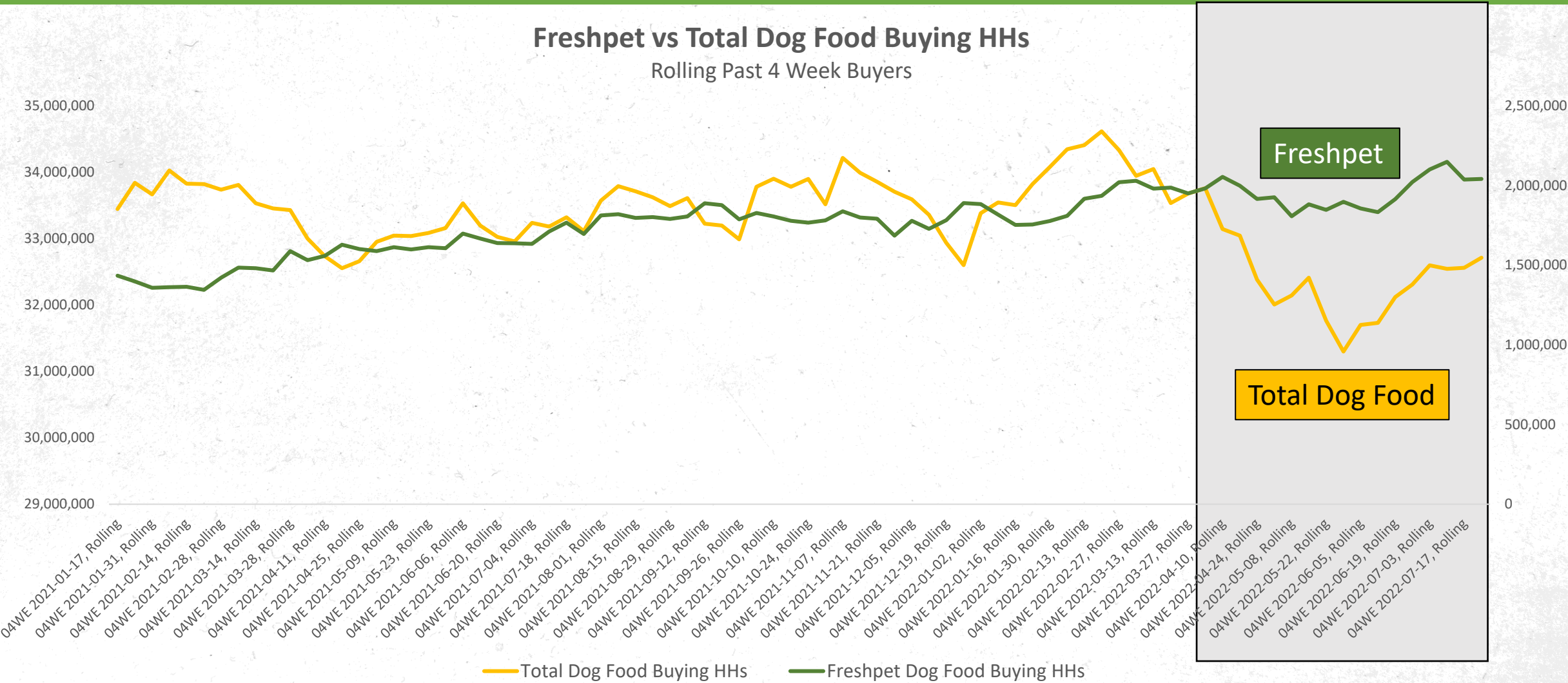


Pricing Impact

Price sensitivity in line with our projections



Freshpet buyers holding up better than the category and they have begun to bounce back

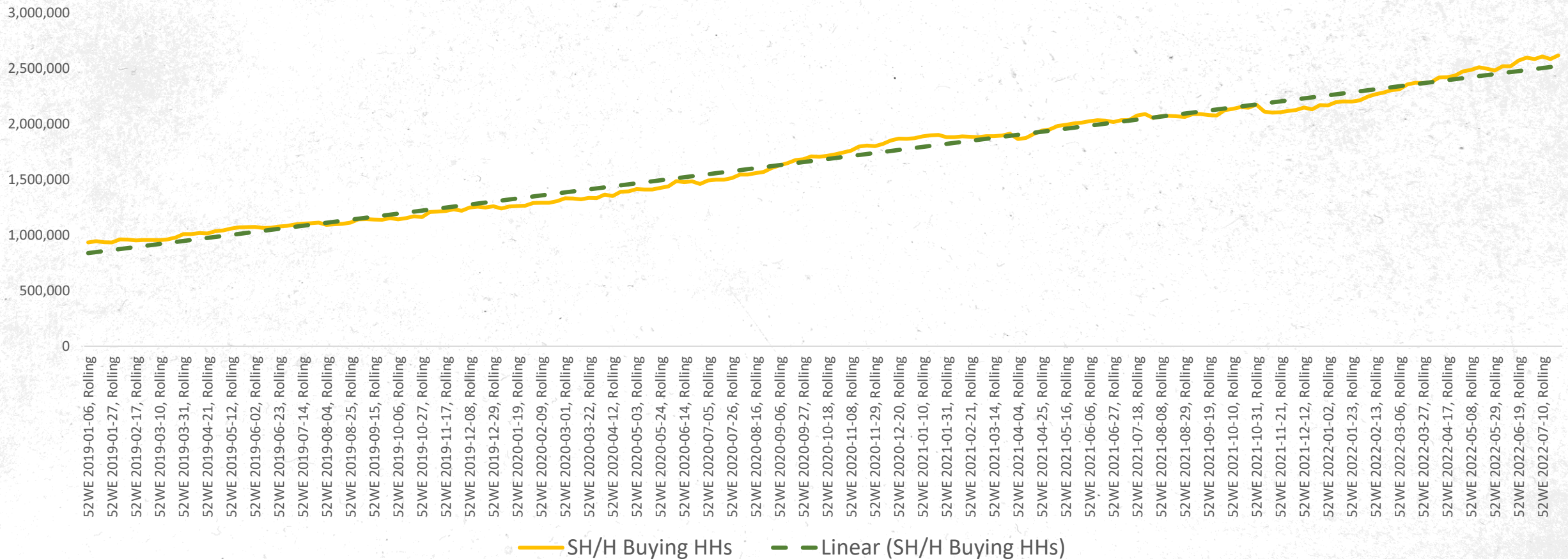


Source: Numerator Data thru 7/24/22

Freshpet heavy and super heavy buyers continue to increase

Freshpet Super Heavy (SH)/Heavy (H) Dog Food Buyers

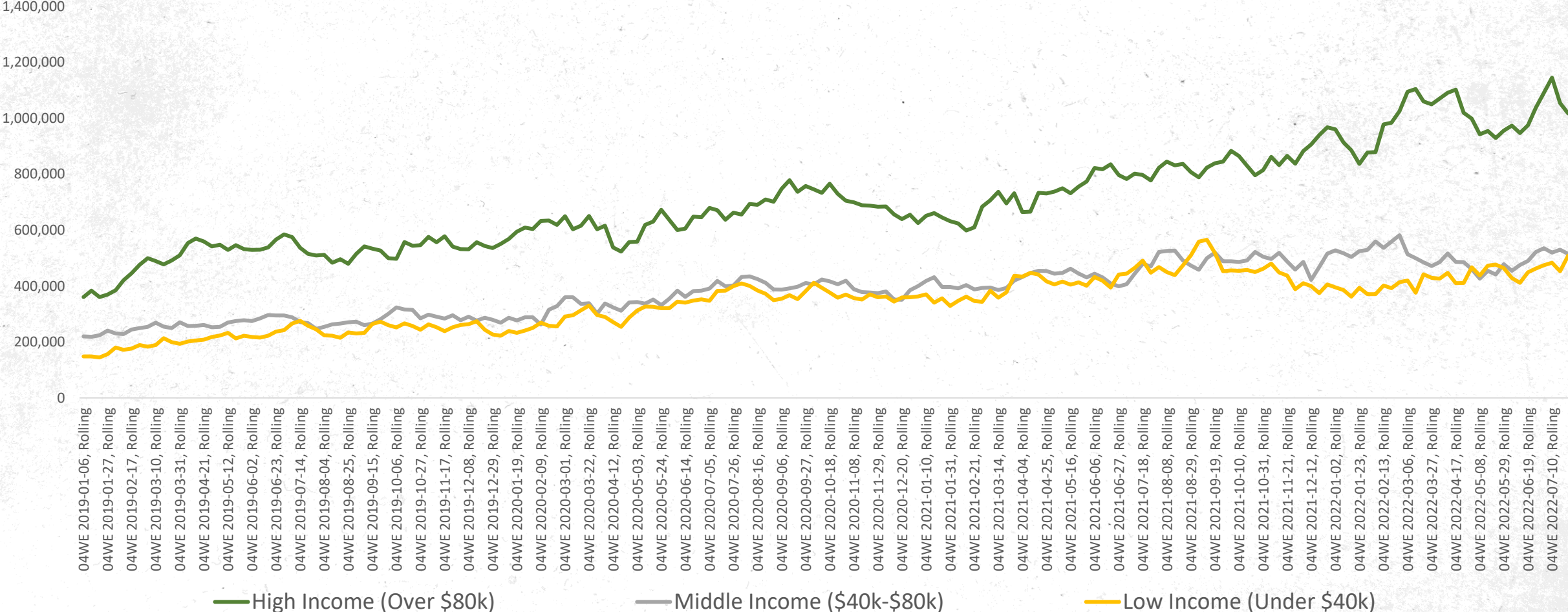
Rolling Past 52 Week Buyers



Super Heavy/Heavy Buyers: Bought at least \$40 in the most recent 10 weeks

Freshpet growth is steady across all income groups

Freshpet Dog Food Buyers by Income



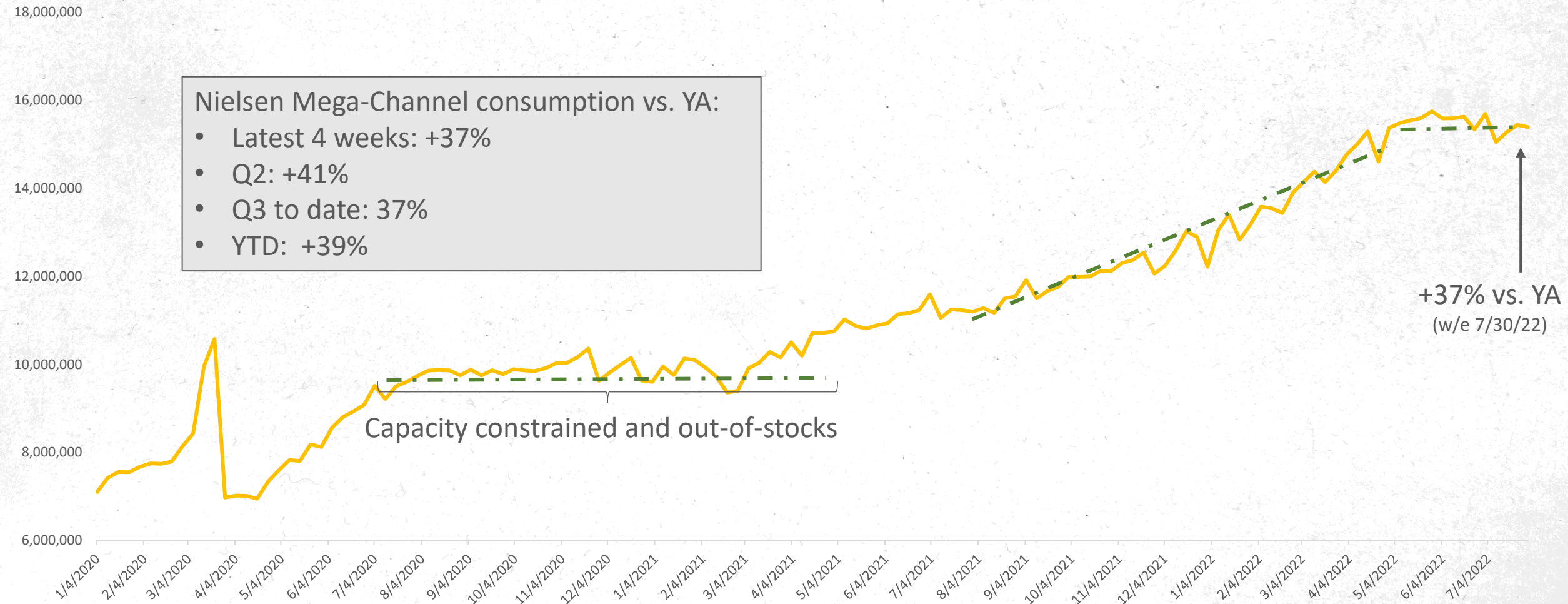
Source: Numerator Data thru 7/24/22



Current Consumption Trends

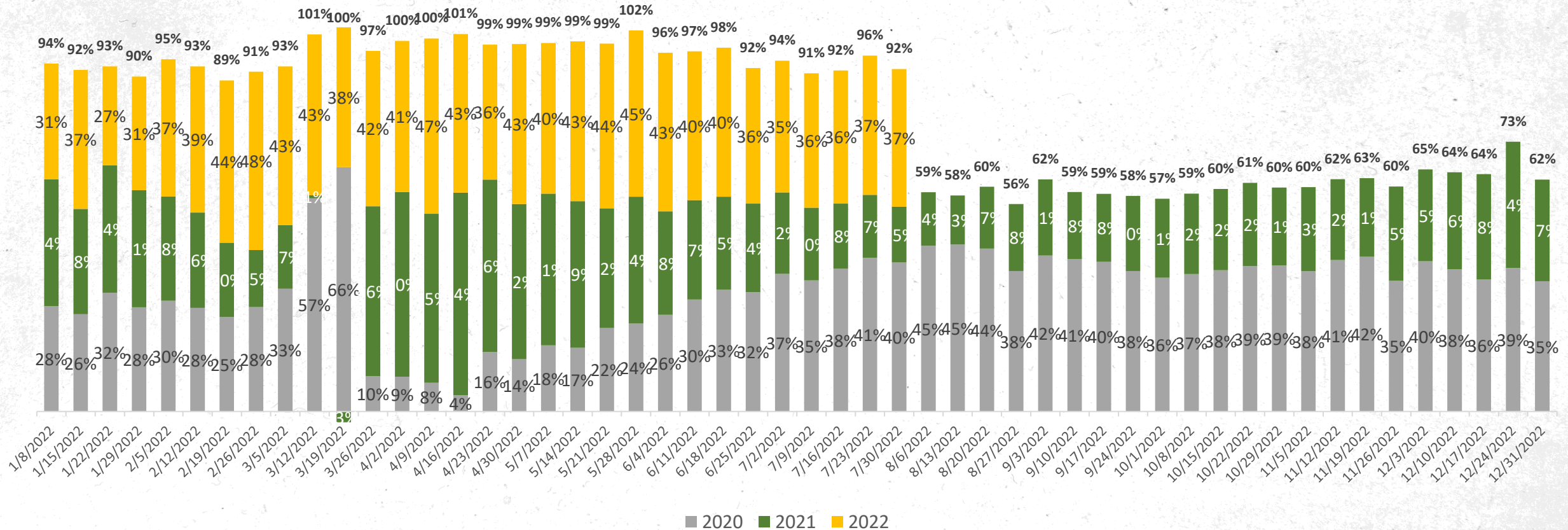
Strong, sustained growth entering traditional pre-pandemic summer consumption pattern

Nielsen Mega-Channel Consumption

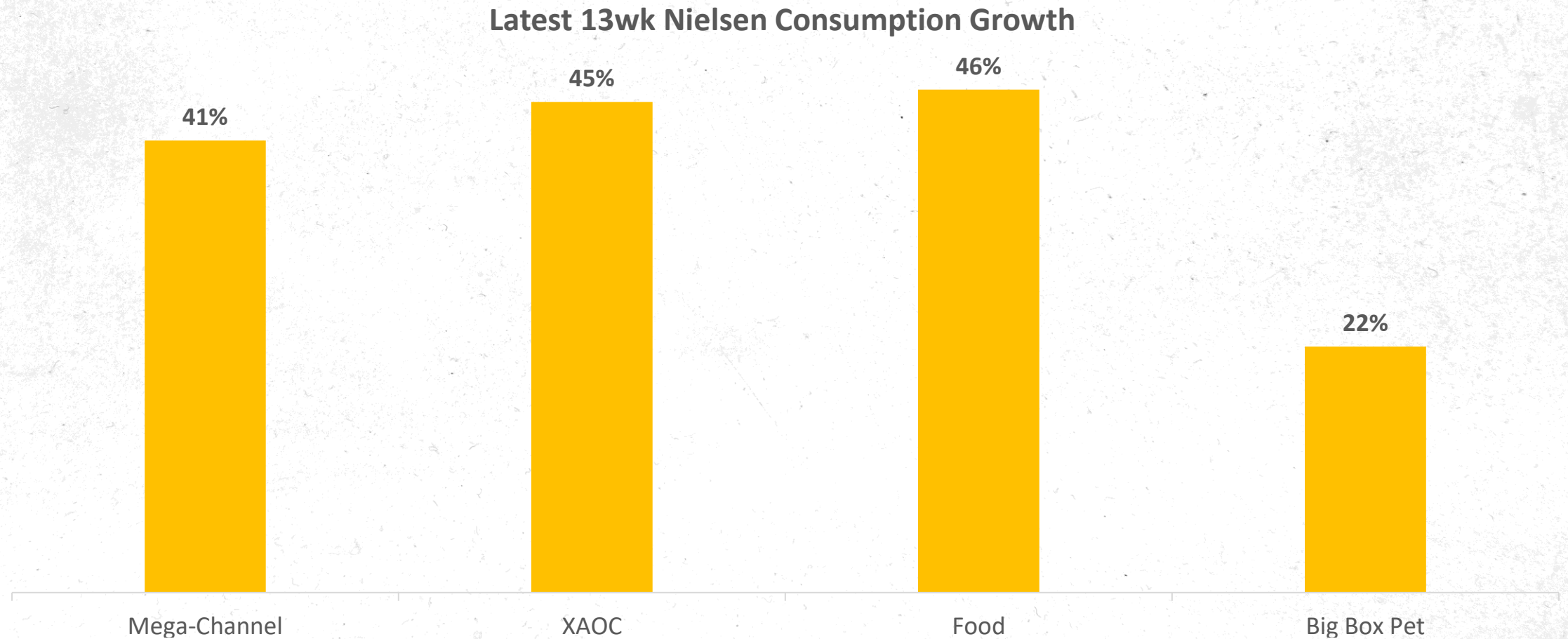


On a 3-year stacked basis, our growth is remarkably consistent

Nielsen Mega-Channel Consumption Growth 3-Year Stacked



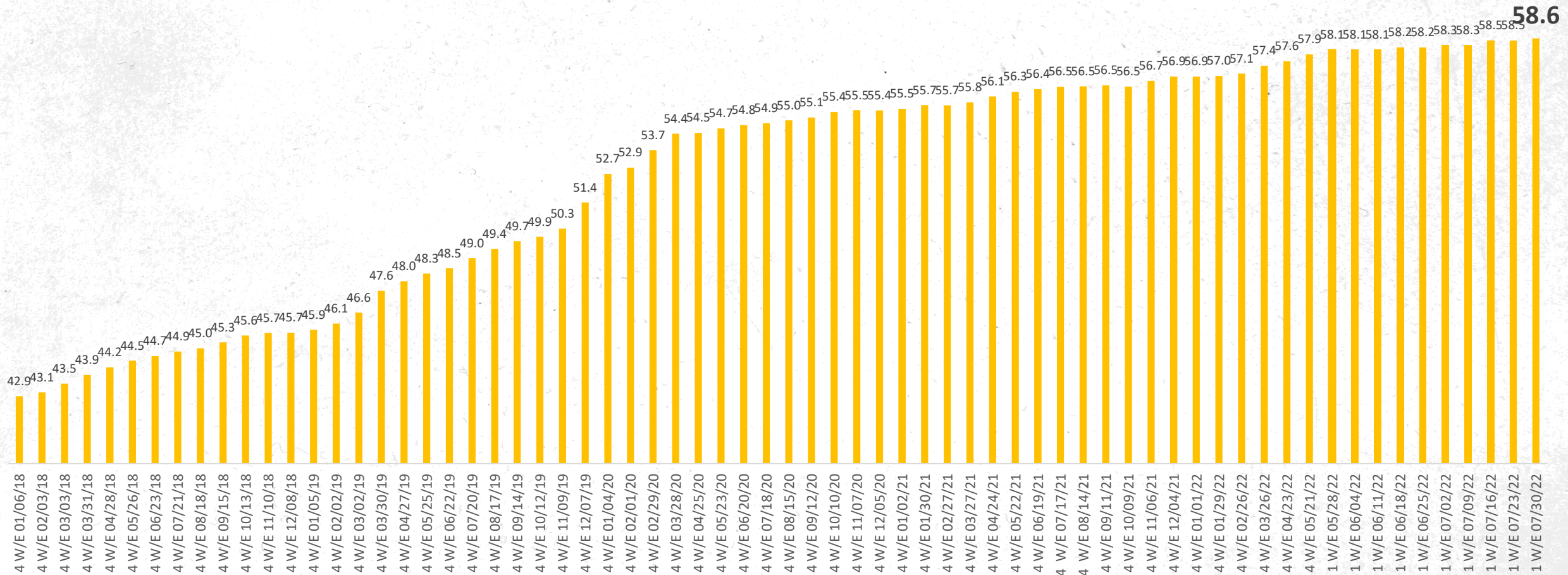
Q2 2022 consumption: Strong growth in all channels



Distribution growth continues

Freshpet Distribution (% ACV)

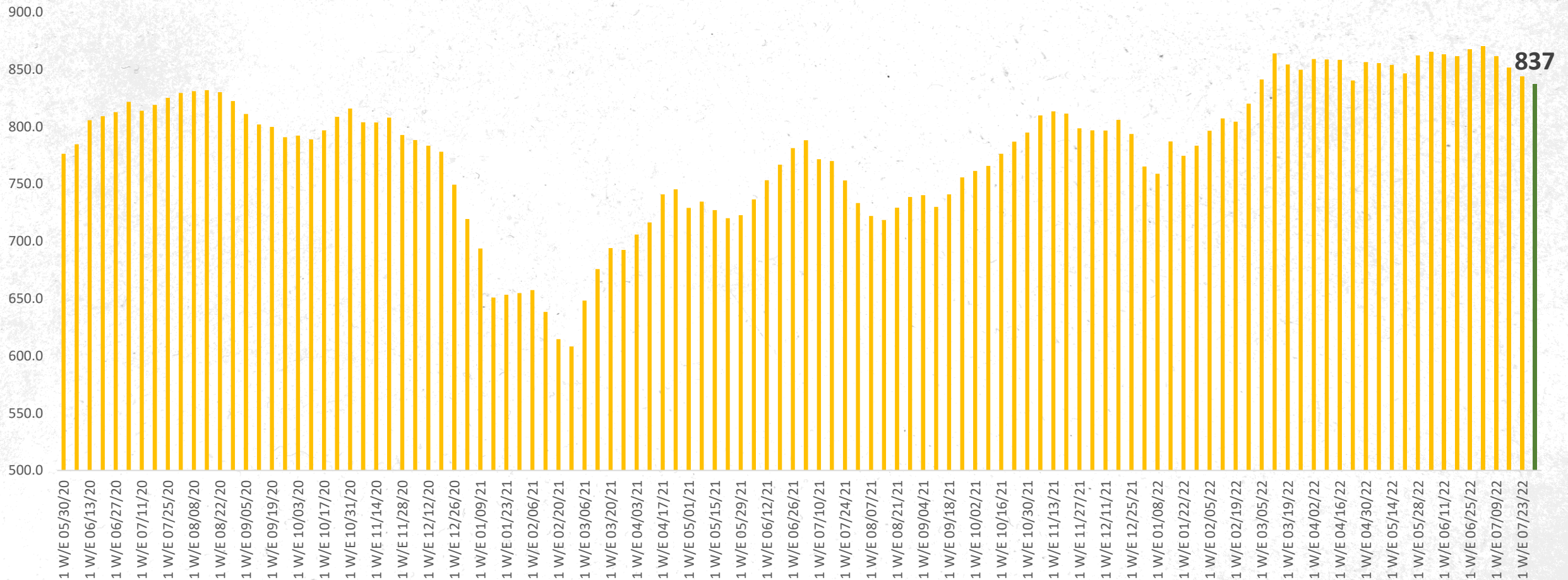
Nielsen Mega-Channel



Retail availability remains at a high level

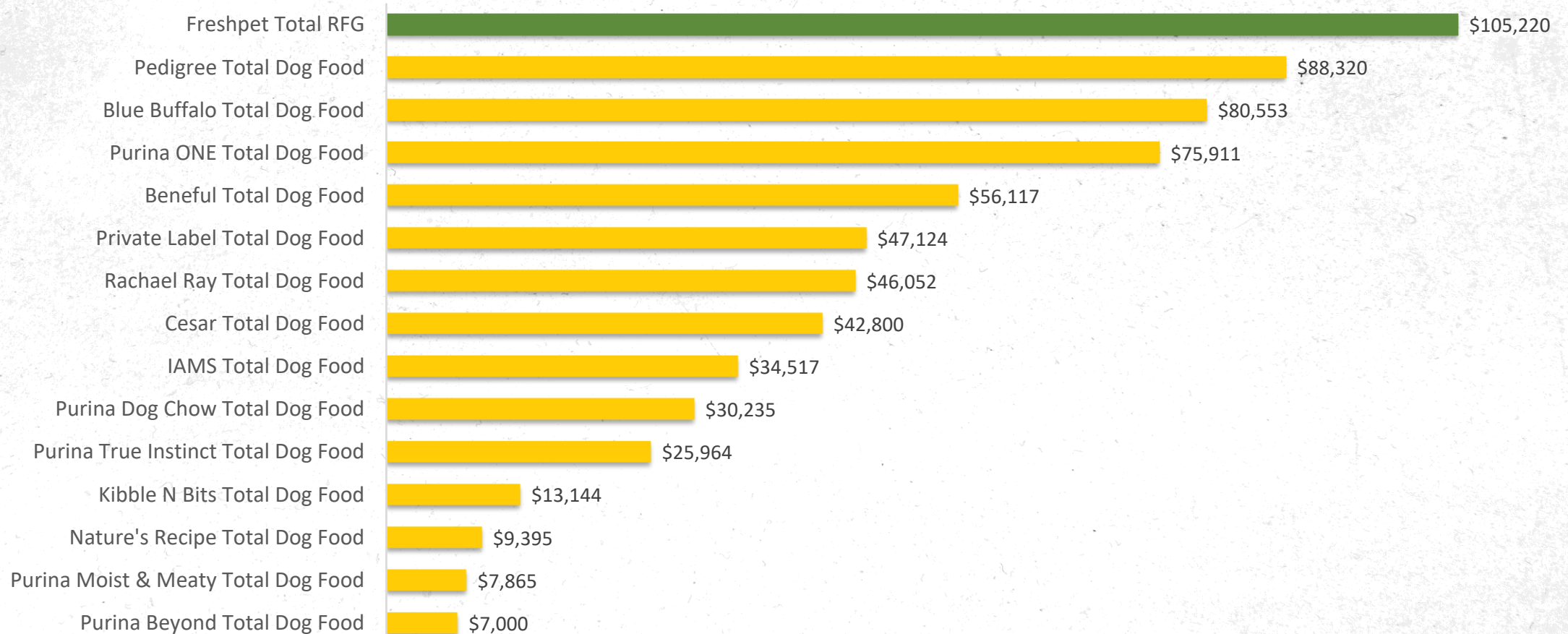
Freshpet Total Distribution Points (TDP's)

Nielsen Mega-Channel



On a total brand basis, Freshpet is now the leading brand in the grocery channel

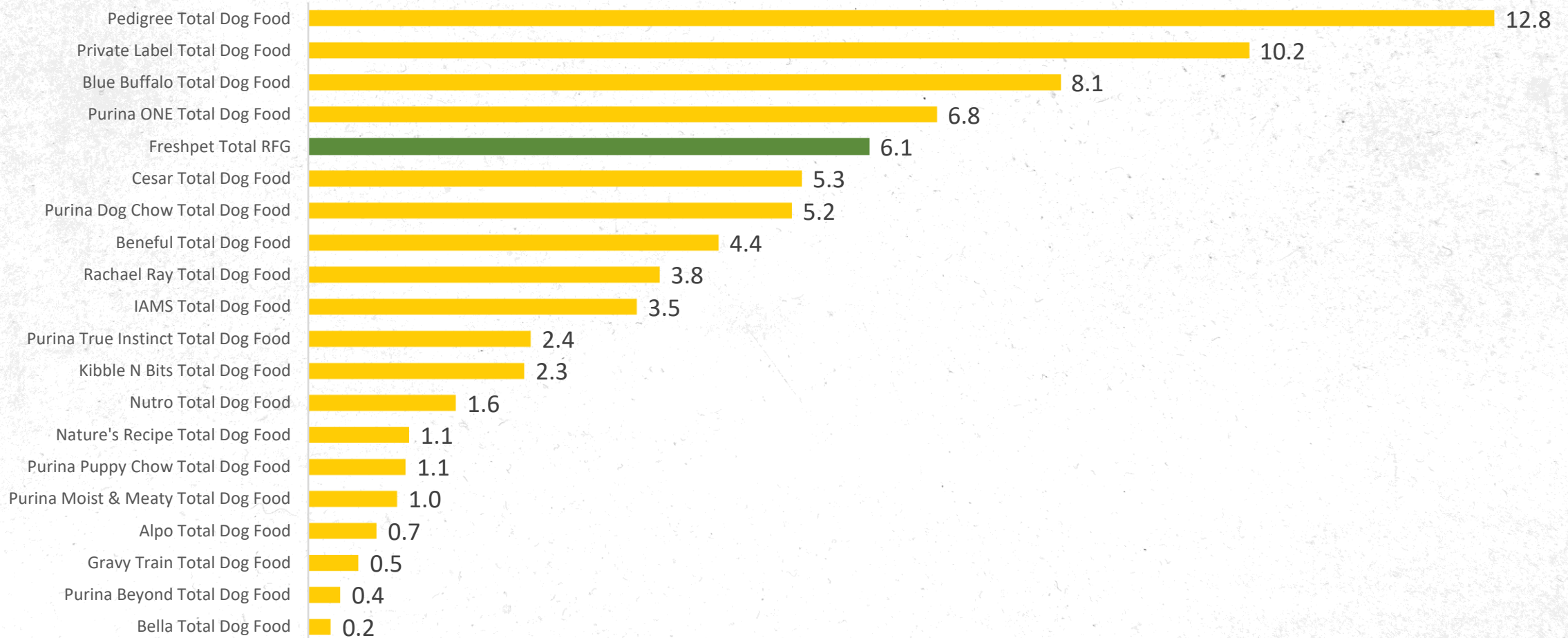
Total Wet & Dry Dog Food Brands Dollar Sales: US Food
(Latest 13wks thru 7/16/22 -- \$M)



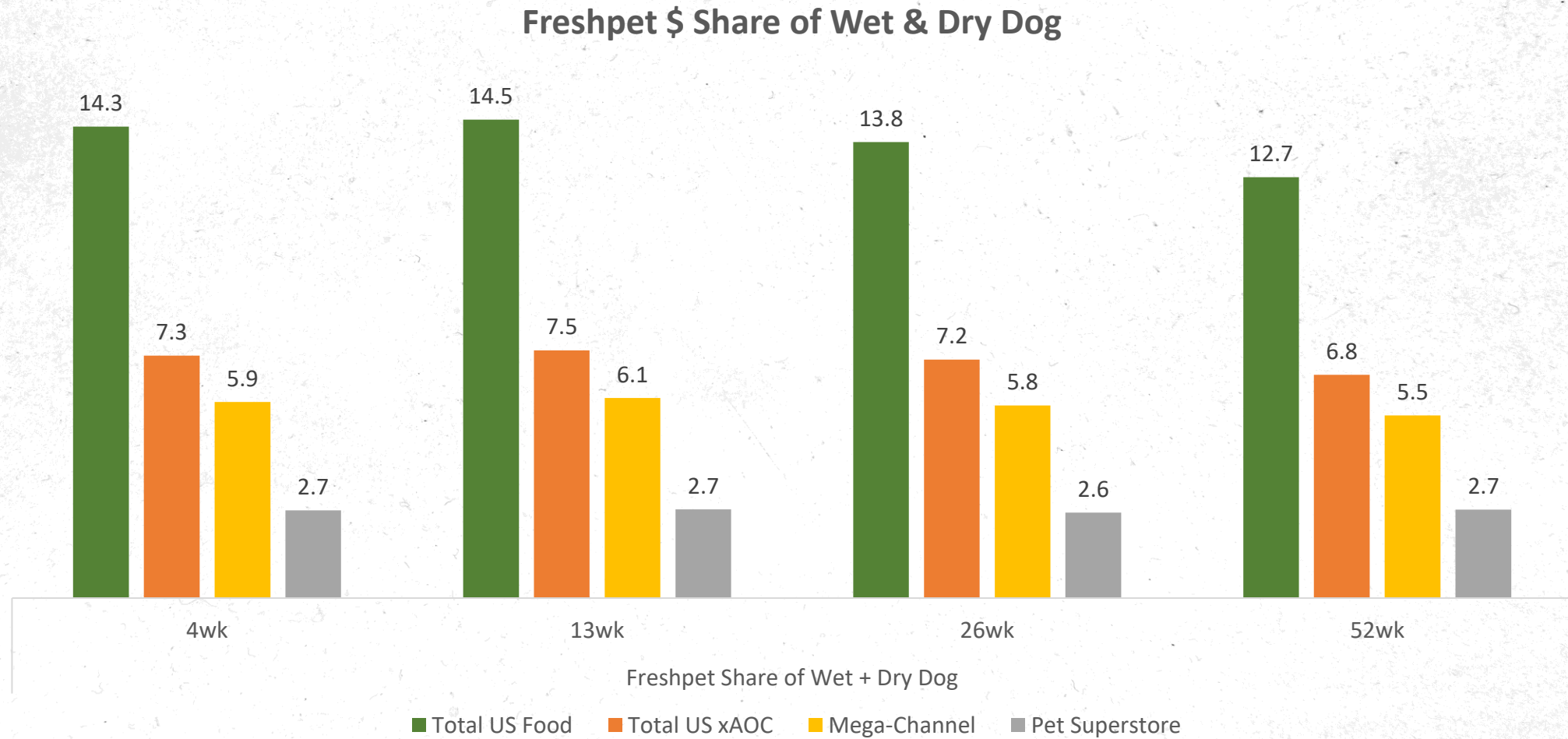
Freshpet is now the #4 brand in the dog food category

Top Dog Food Brands Dollar Share Mega-Channel

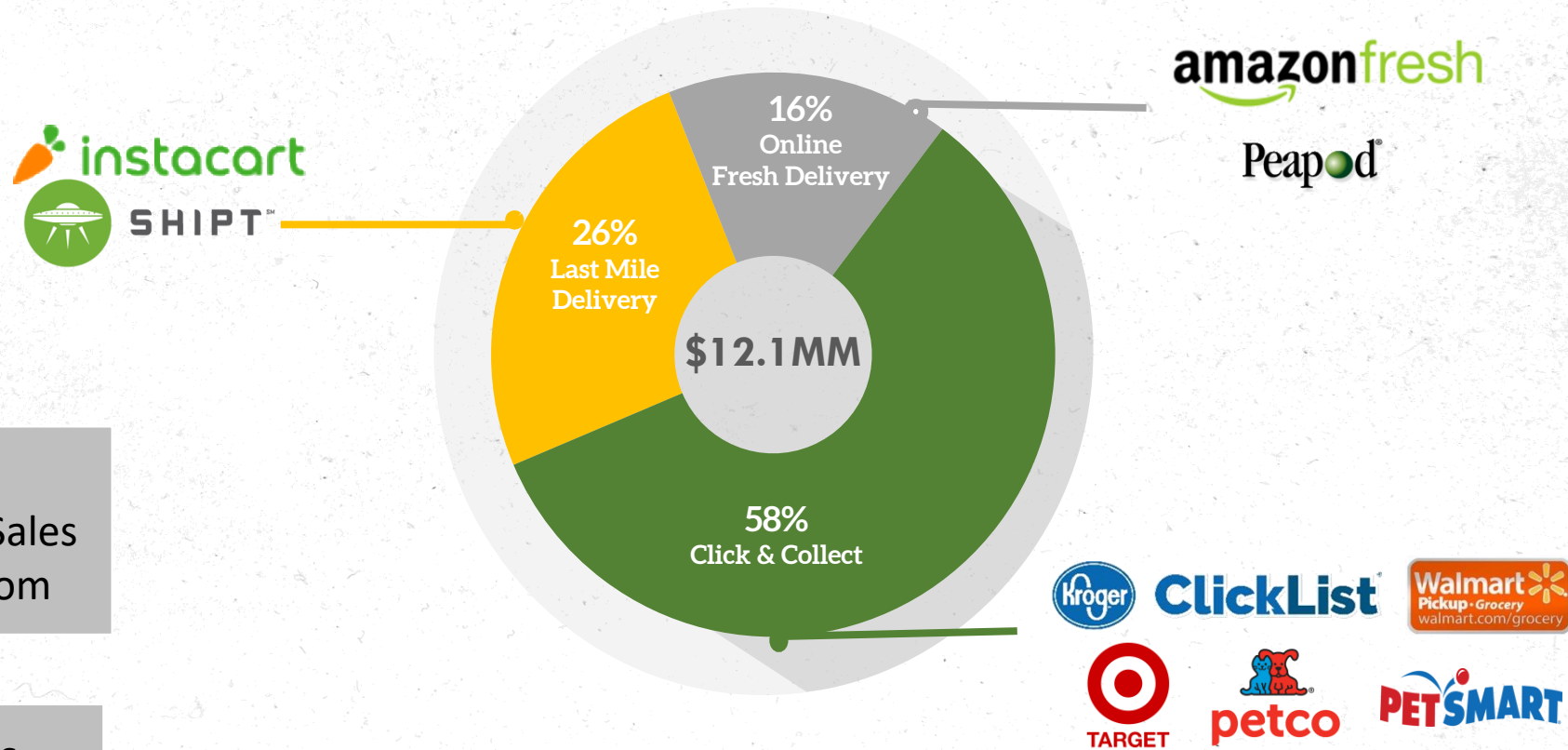
13 weeks ending 7/16/22



Building meaningful share of the category



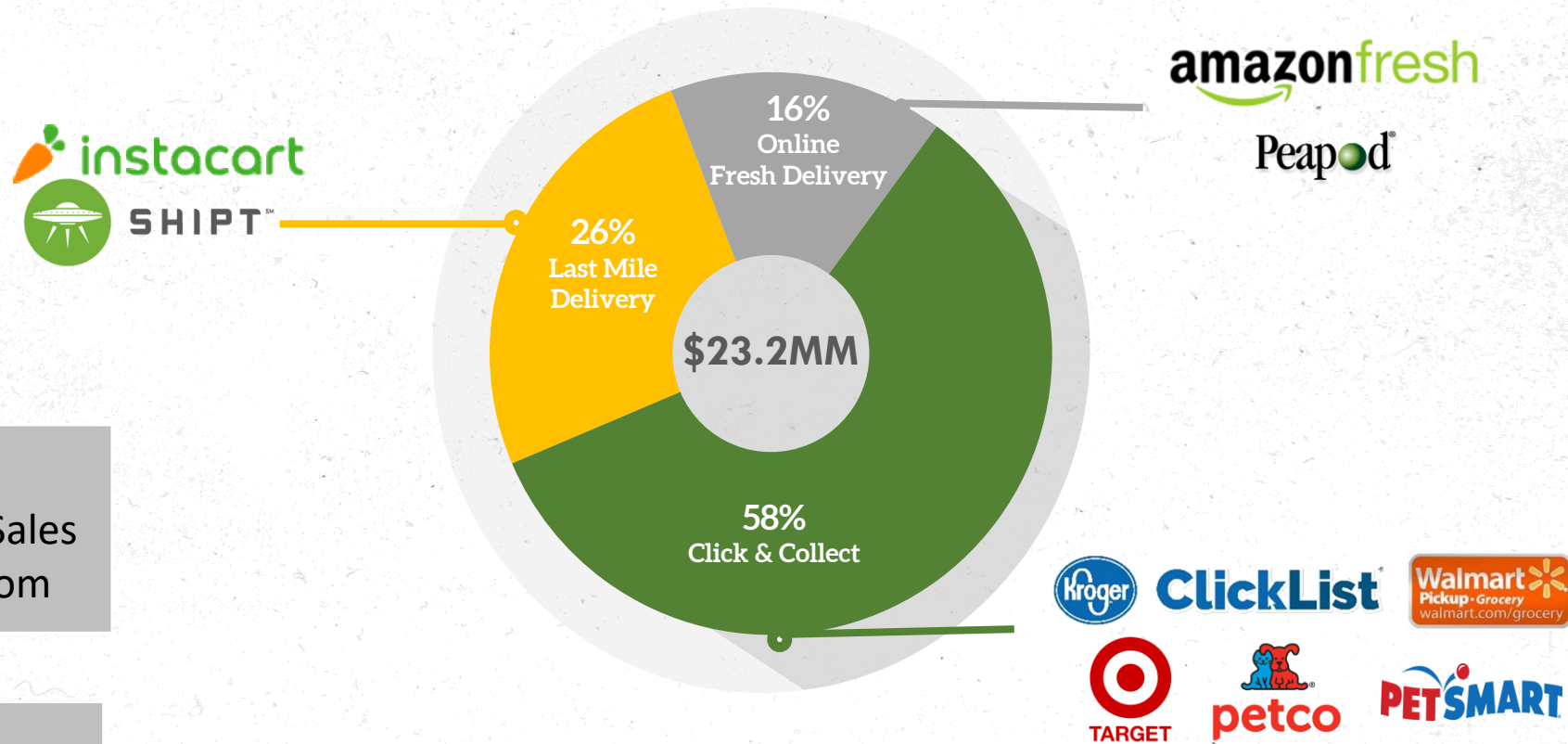
Q2 2022 Freshpet E-Com grew 92% vs YA



7.8%
% of Total FP Sales
Through E-Com

84% of Sales
Contribute to Brick
& Mortar

1H 2022 Freshpet E-Com 86% vs YA



7.9%
% of Total FP Sales
Through E-Com

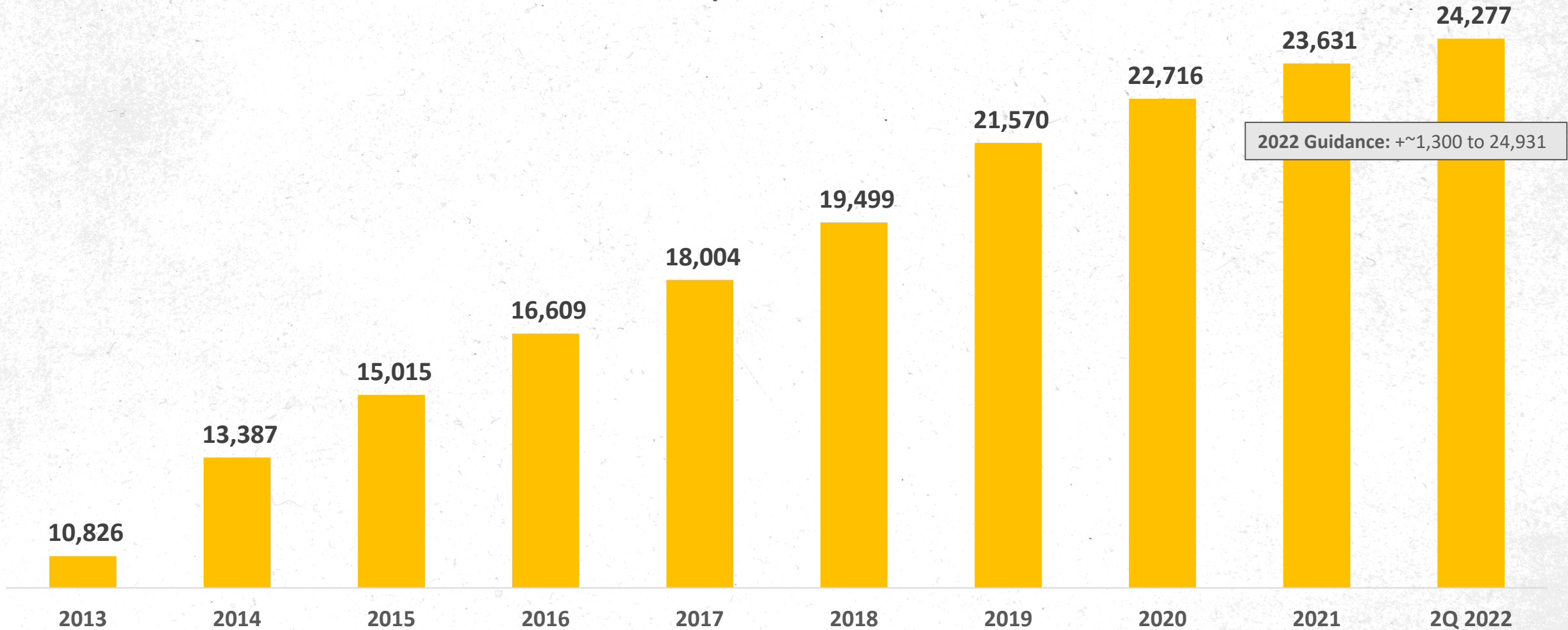
84% of Sales
Contribute to Brick
& Mortar



Q2 2022 Visibility & Availability

Store count continues to grow

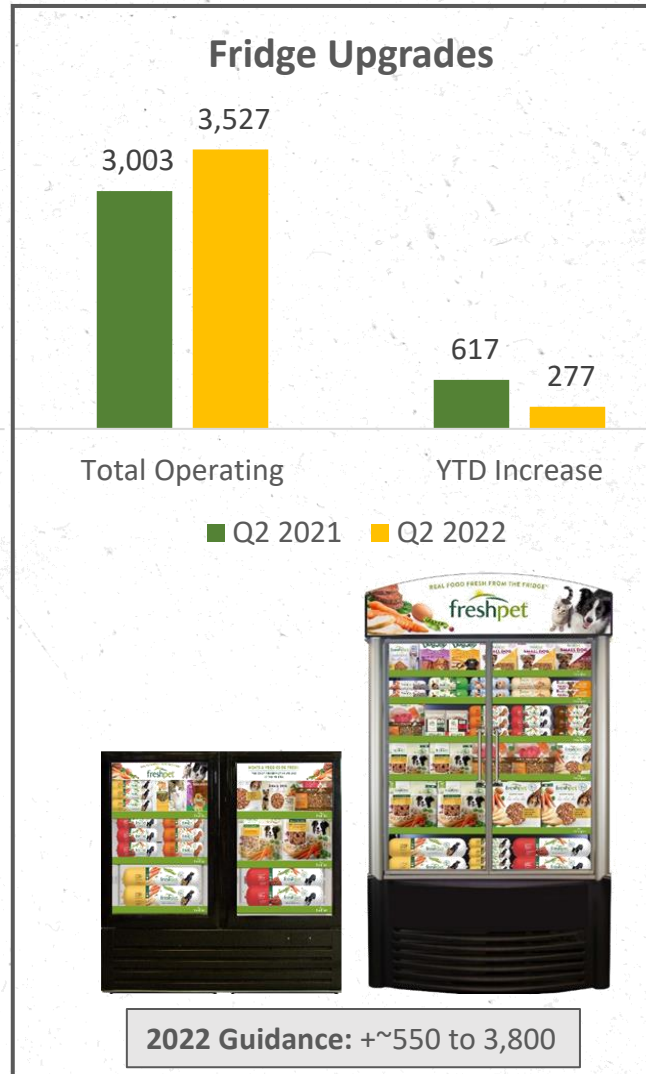
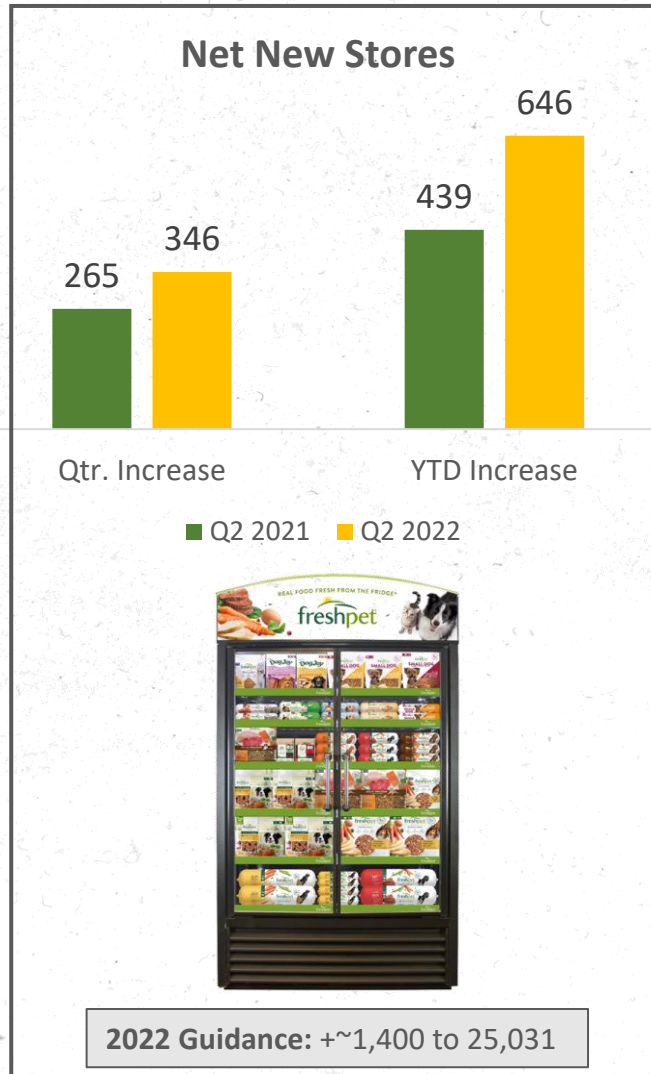
Freshpet Store Count



Q2 2022: Strong increase in new stores

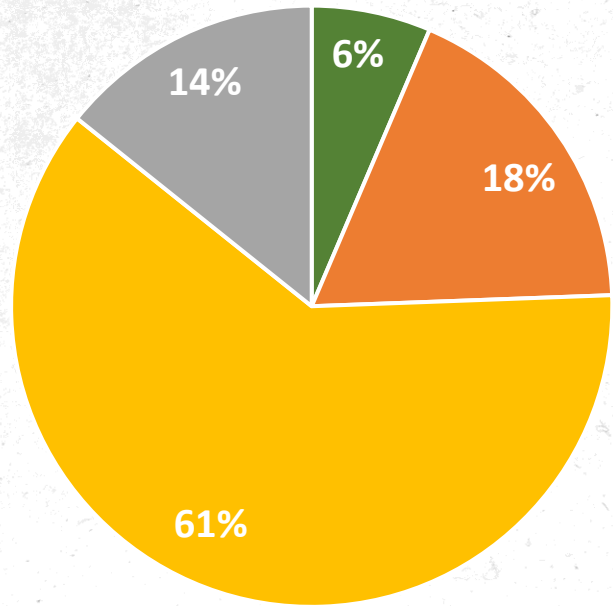


Freshpet Fridges account for >1.4 million cubic feet of retail space to date



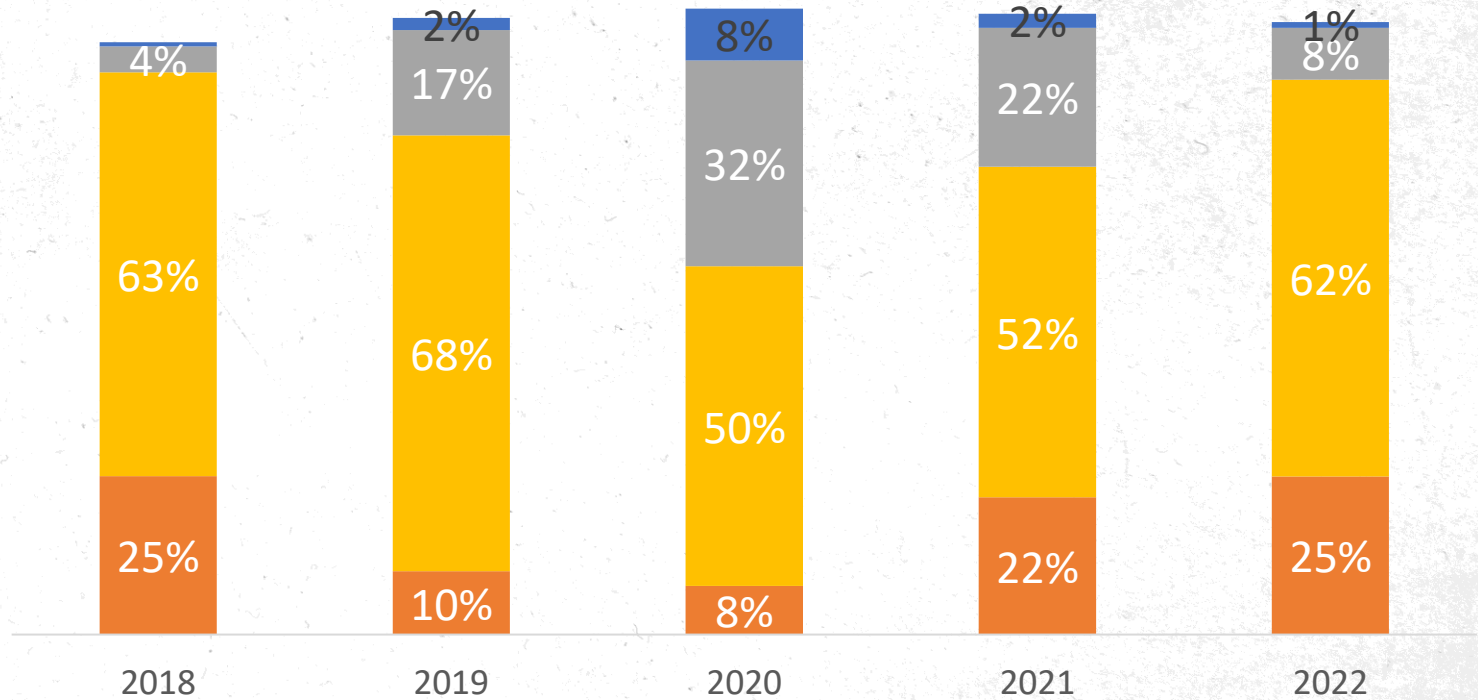
Q2 2022: Continued success with placements of large and multi-fridge stores

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



■ Small ■ Medium ■ Large ■ 2+ Chillers

Installed Fridges by Size and Year Installed
(US & Canada)



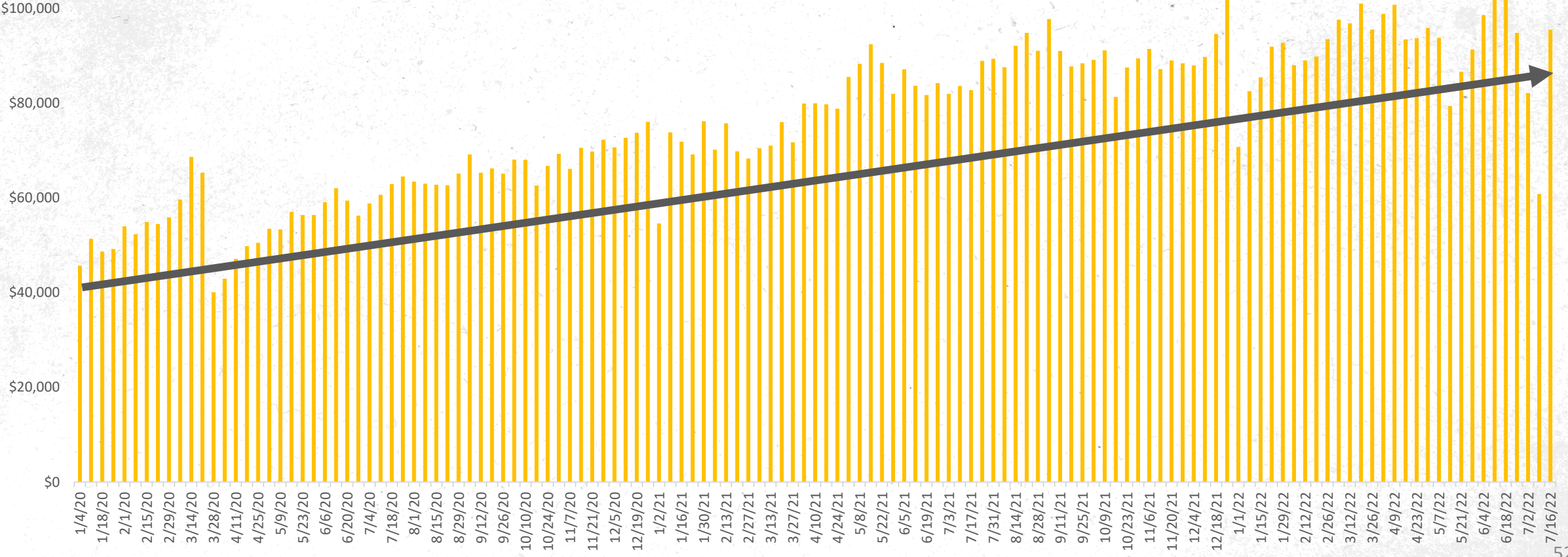
■ Medium ■ Large ■ 2 Chillers ■ 3 Chillers



International Business

Canadian business accelerating behind advertising investment

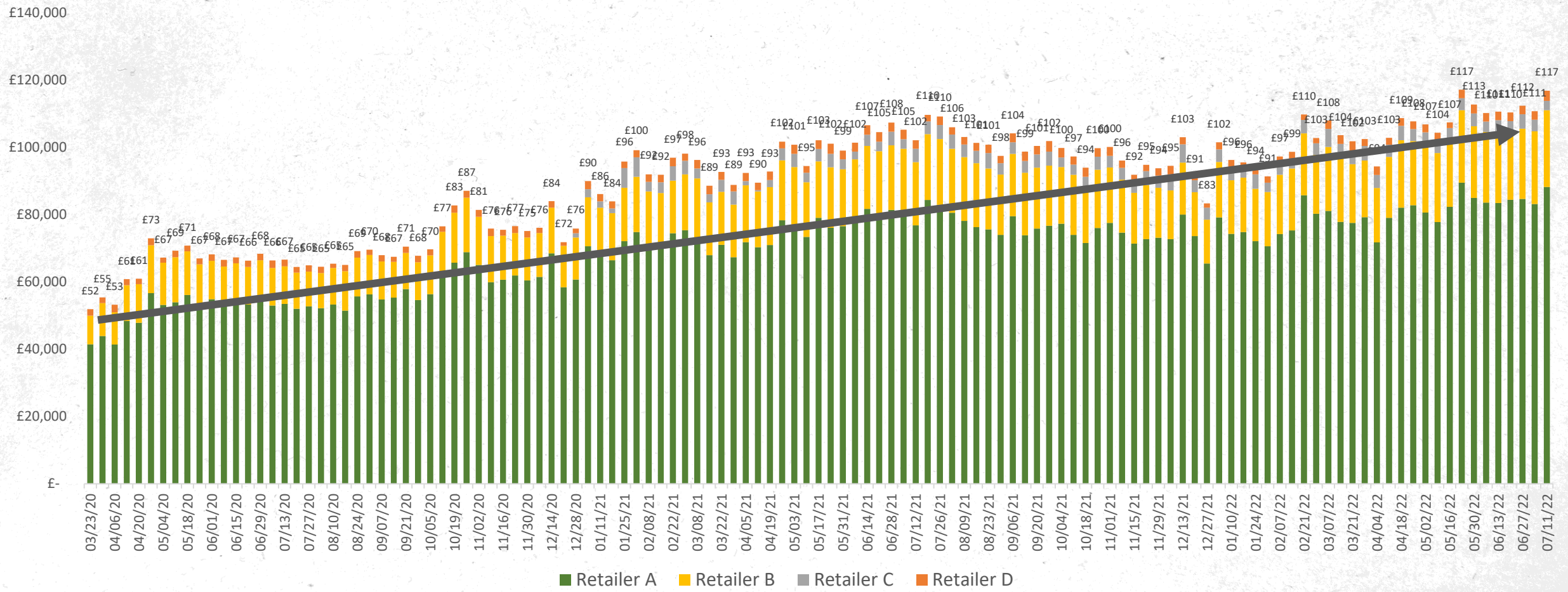
Leading Canadian Freshpet Retailer
Weekly Sales



Source: Internal company data through 7/16/22

Freshpet's advertising-driven model works in the UK

Freshpet UK
Weekly Sales by Retailer



Source: Internal company data through 7/11/22



Ennis Kitchen Update

Ennis Phase I is on track to open in Q3 and produce meaningful quantities in Q4



- Enables total Freshpet growth to >\$1.1 billion in 2022
- Most efficient Freshpet Kitchen
- Enables lower cost logistics for part of US
- Most environmentally sustainable Kitchen
- Enables significant quality improvements

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





Appendix

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Gross profit	\$ 51,080	\$ 43,091	\$ 95,833	\$ 79,405
Depreciation expense	4,295	4,021	8,996	7,821
Plant start-up expense (a)	5,293	1,130	10,040	2,973
Non-cash share-based compensation	1,170	1,203	2,339	1,913
COVID-19 expense (b)	—	681	—	1,634
Adjusted Gross Profit	\$ 61,838	\$ 50,126	\$ 117,208	\$ 93,746
Adjusted Gross Profit as a % of Net Sales	42.4%	46.1%	42.1%	46.4%

(a) Represents additional operating costs, inclusive of inventory disposal, 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 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.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
SG&A expenses	\$ 69,215	\$ 49,557	\$ 129,846	\$ 95,589
Depreciation and amortization expense	3,585	3,633	6,871	6,922
Non-cash share-based compensation	5,124	5,487	10,250	10,857
Launch expense (a)	504	1,018	1,136	1,749
Loss on disposal of equipment	48	46	91	106
Equity offering expenses (b)	—	(125)	—	—
Enterprise Resource Planning (c)	1,991	247	3,008	850
COVID-19 expense (d)	—	—	—	5
Adjusted SG&A Expenses	\$ 57,963	\$ 39,251	\$ 108,489	\$ 75,100
Adjusted SG&A Expenses as a % of Net Sales	39.7%	36.1%	39.0%	37.2%

- (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 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Net loss	\$ (20,586)	\$ (7,475)	\$ (38,128)	\$ (18,364)
Depreciation and amortization	7,880	7,654	15,867	14,743
Interest expense	1,671	654	2,243	1,556
Income tax expense	41	16	82	32
EBITDA	\$ (10,994)	\$ 849	\$ (19,936)	\$ (2,033)
Loss on equity method investment	\$ 717	337	\$ 2,027	585
Loss on disposal of equipment	48	46	91	106
Non-cash share-based compensation	6,294	6,690	12,589	12,770
Launch expense (a)	504	1,018	1,136	1,749
Plant start-up expense (b)	5,293	1,130	10,040	2,973
Equity offering expenses (c)	—	(125)	—	—
Enterprise Resource Planning (d)	1,991	247	3,008	850
COVID-19 expense (e)	—	681	—	1,639
Adjusted EBITDA	\$ 3,853	\$ 10,873	\$ 8,955	\$ 18,639
Adjusted EBITDA as a % of Net Sales	2.6%	10.0%	3.2%	9.2%

(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, inclusive of inventory disposal, 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 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.



freshpet[®]

FEED THE GROWTH

11 MILLION HH BY 2025

