



# Q4 & FY 2023 EARNINGS

February 26, 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, our long-term strategy, focus and 2027 goals, our pace in achieving these goals, growth prospects, and FY 2024 guidance. 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

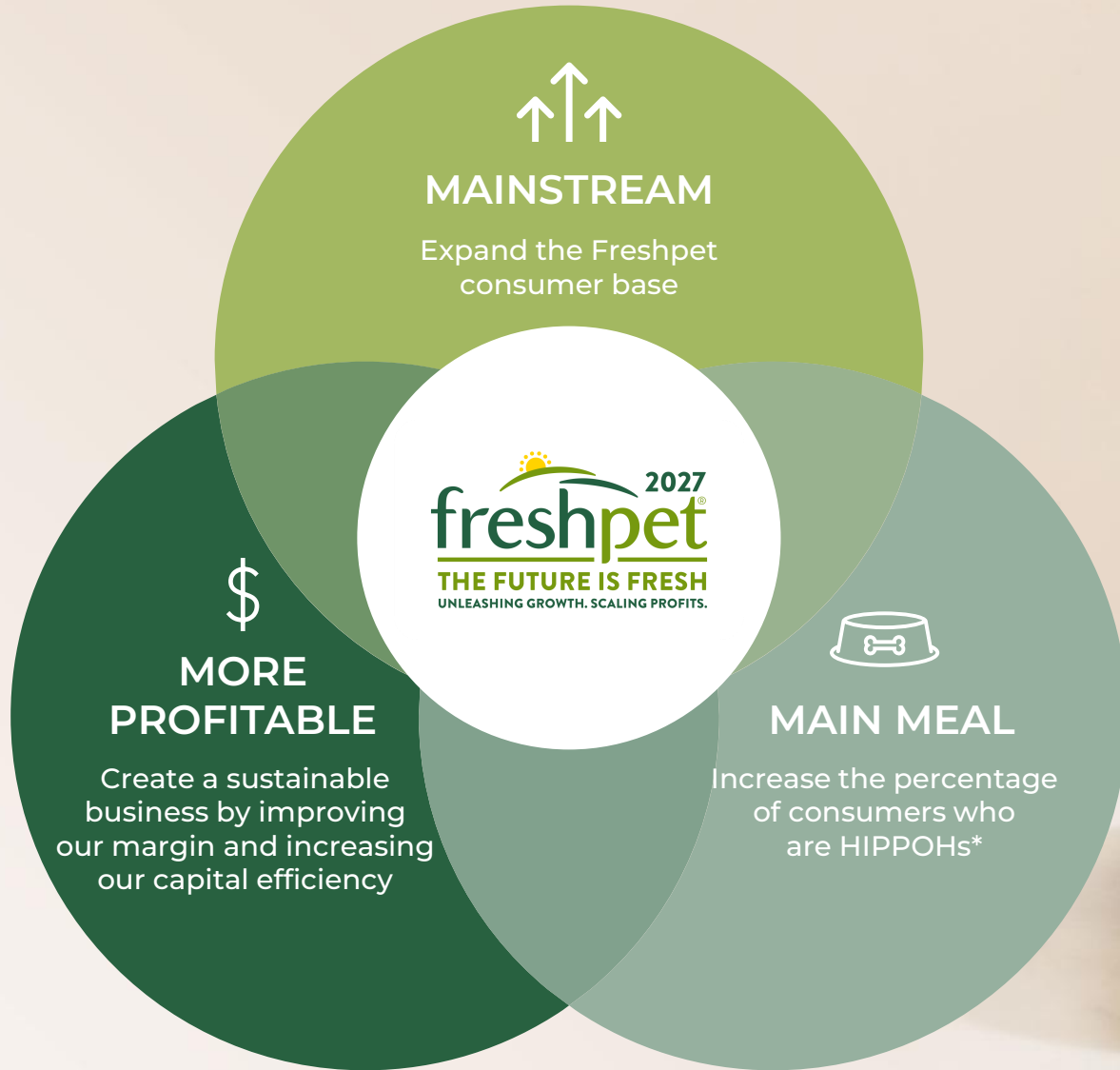
obtained absent this disclosure. adjusted EBITDA is also an important component of internal budgeting and setting management compensation. The non-GAAP measures are not and should not be considered an alternative to the most comparable GAAP measures or any other figure calculated in accordance with GAAP, 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



# Q4 & FY 2023 SUMMARY:

## Significant progress across nearly all metrics

### FINANCIAL

All comparisons to prior year period

	Q4 2023	FY 2023
Net Sales Growth	<b>+30%</b>	<b>+29%</b>
Adjusted Gross Margin	<b>+810 bps</b>	<b>+400 bps</b>
Adjusted EBITDA Margin	<b>+320 bps</b>	<b>+530 bps</b>
Logistics Costs	<b>-310 bps</b>	<b>-320 bps</b>
Input Costs	+30 bps	<b>-110 bps</b>
Quality Costs	<b>-110 bps</b>	<b>-130 bps</b>
Operating Cash Flow	<b>+\$26M</b>	<b>+\$119M</b>

### RETAIL

All comparisons to prior year period

	FY 2023
Household Penetration	<b>+19%</b>
Buy Rate	<b>+6%</b>
Cubic Feet	<b>+18%</b>
Store Count	<b>+6%</b>
Total Distribution Points	<b>+22%</b>

# We continued our track record of strong growth

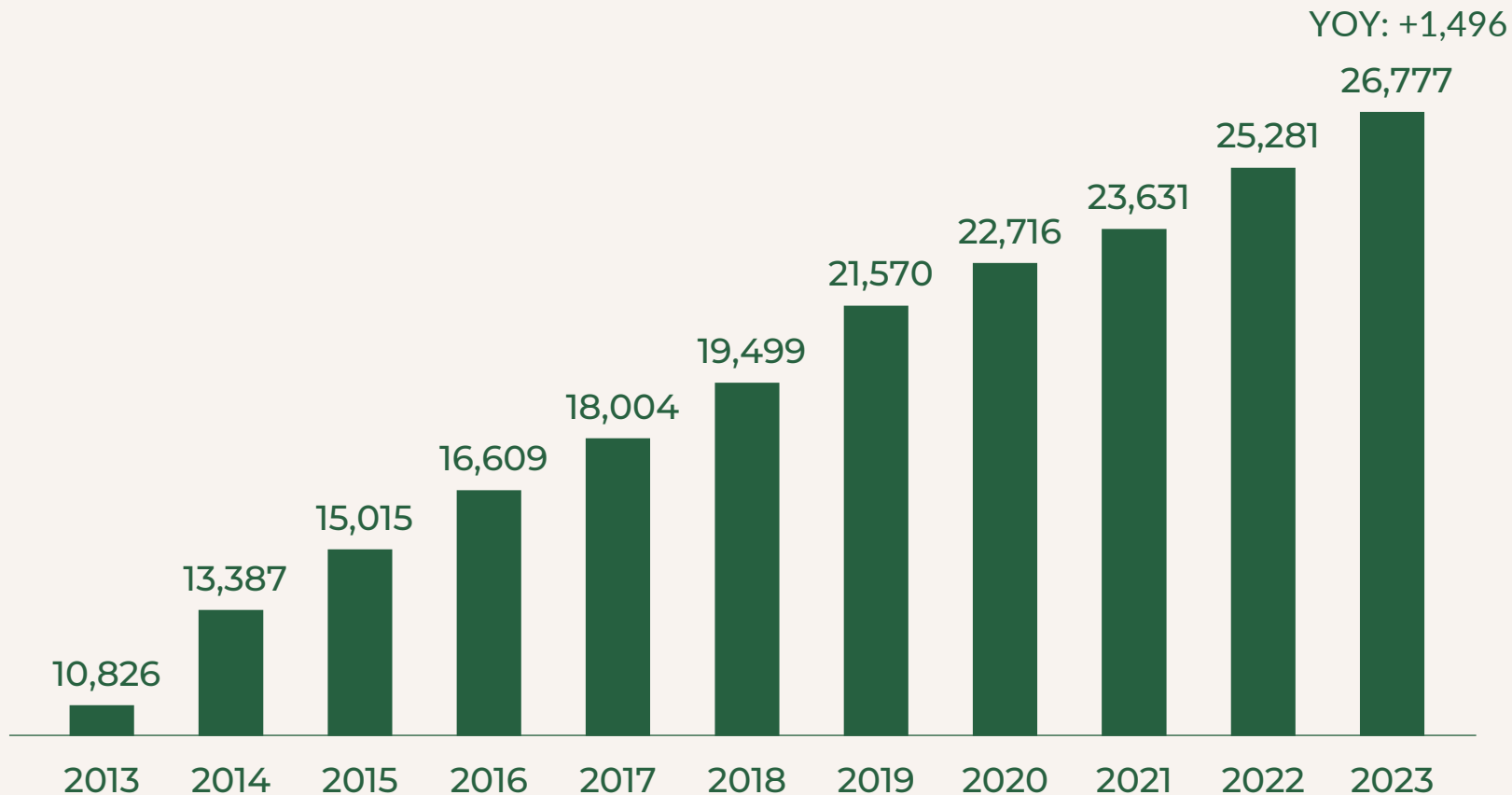
Freshpet Net Sales  
(\$ millions)

6<sup>TH</sup> CONSECUTIVE YEAR WITH >25% GROWTH

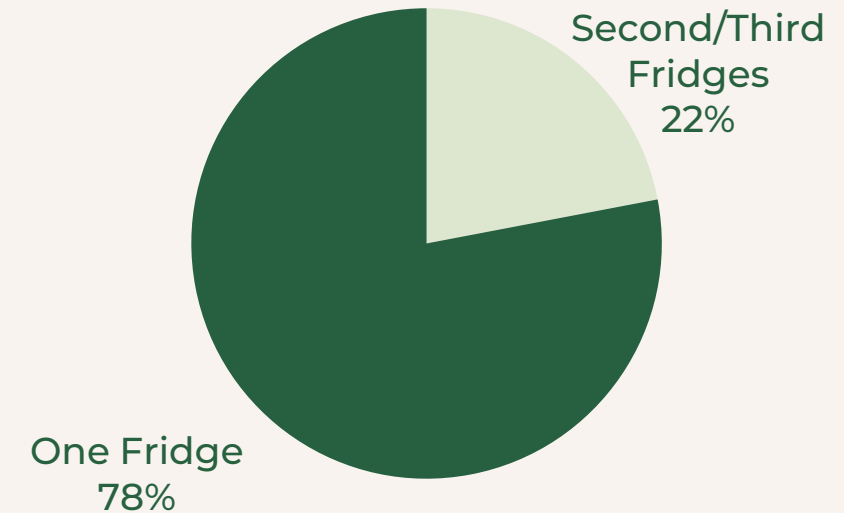


# Store count continues to grow: 22% of all stores have multiple fridges, up from 15% in 2022

Freshpet Store Count



Number of Fridges per Store\*







# Vast runway for growth in a growing category



**\$52B**

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>

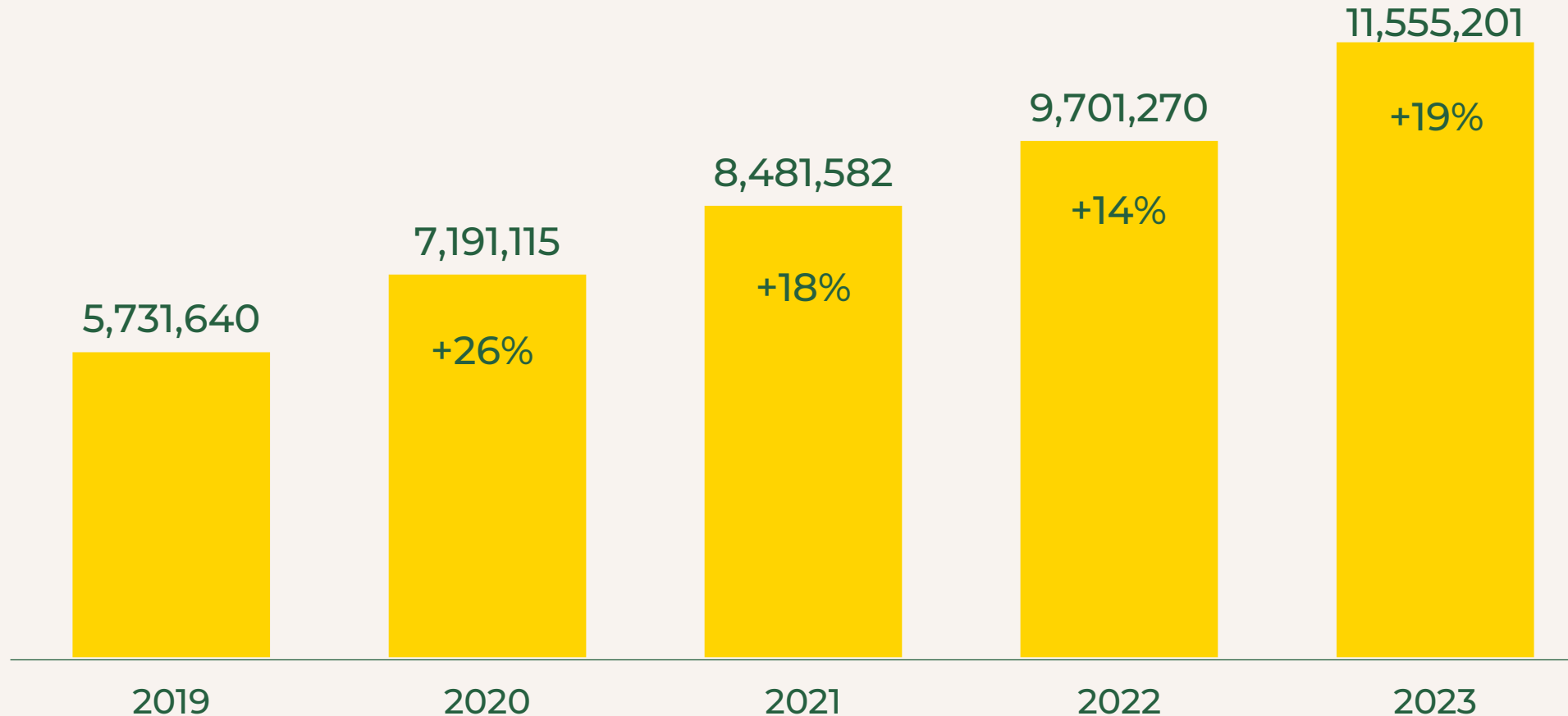


Freshpet market share of fresh/frozen in measured channels<sup>2</sup>



# Continued growth in consumer franchise; added 1.8m+ households

Freshpet Household Penetration Growth  
(52 weeks)

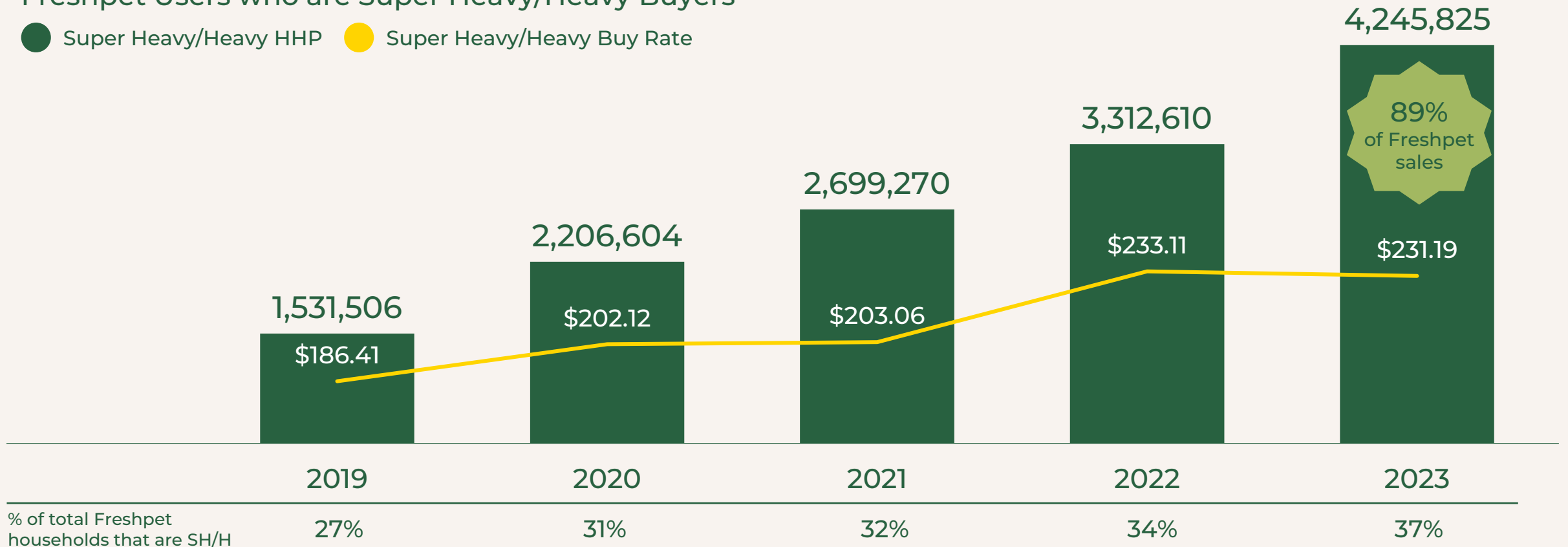




# Freshpet sales are increasingly concentrated in our heaviest users (HIPPOHs\*) and account for 89% of FY 2023 net sales

Freshpet Users who are Super Heavy/Heavy Buyers

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

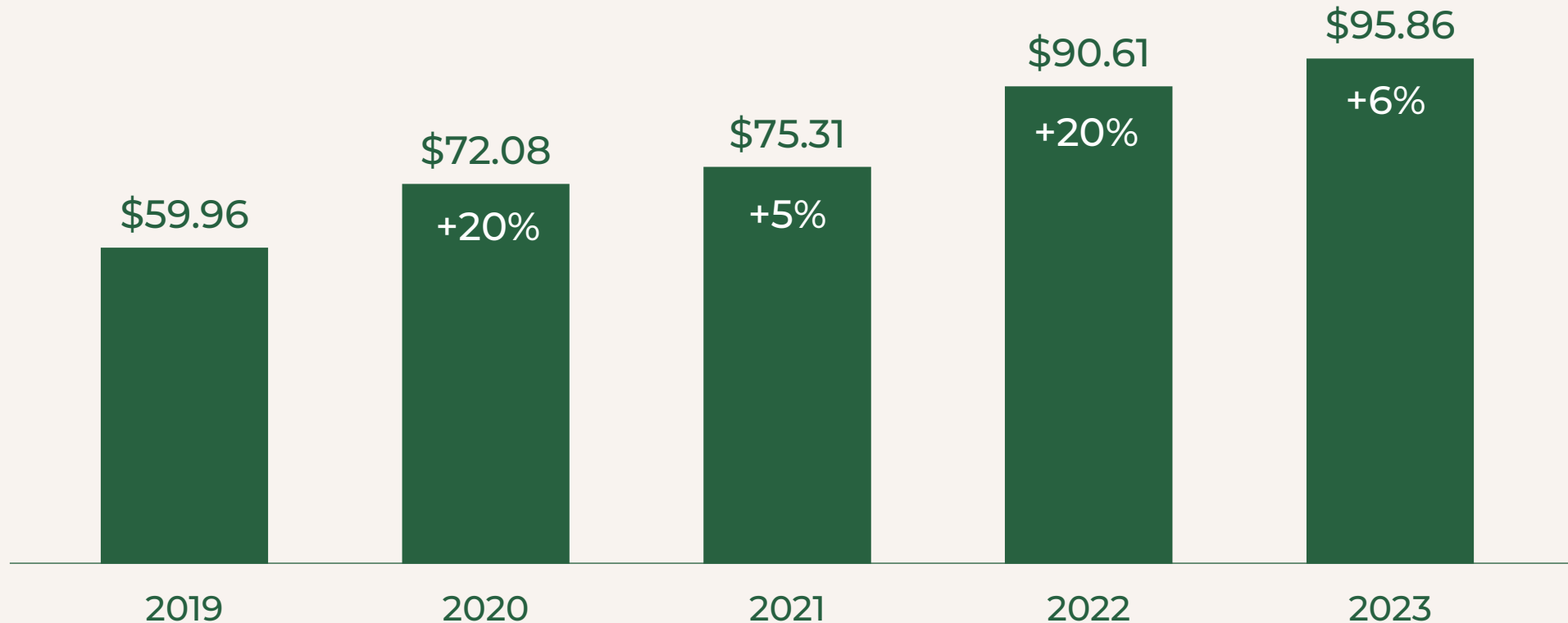


89%  
of Freshpet  
sales



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

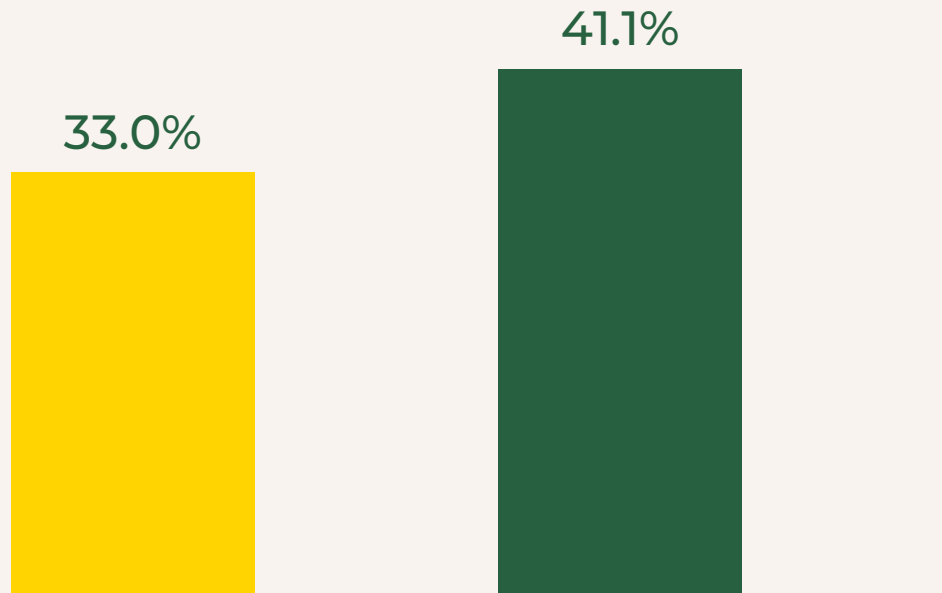
Freshpet Buy Rate  
(52 weeks)





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

Q4 2023 Adj. Gross Margin



Q4 2022

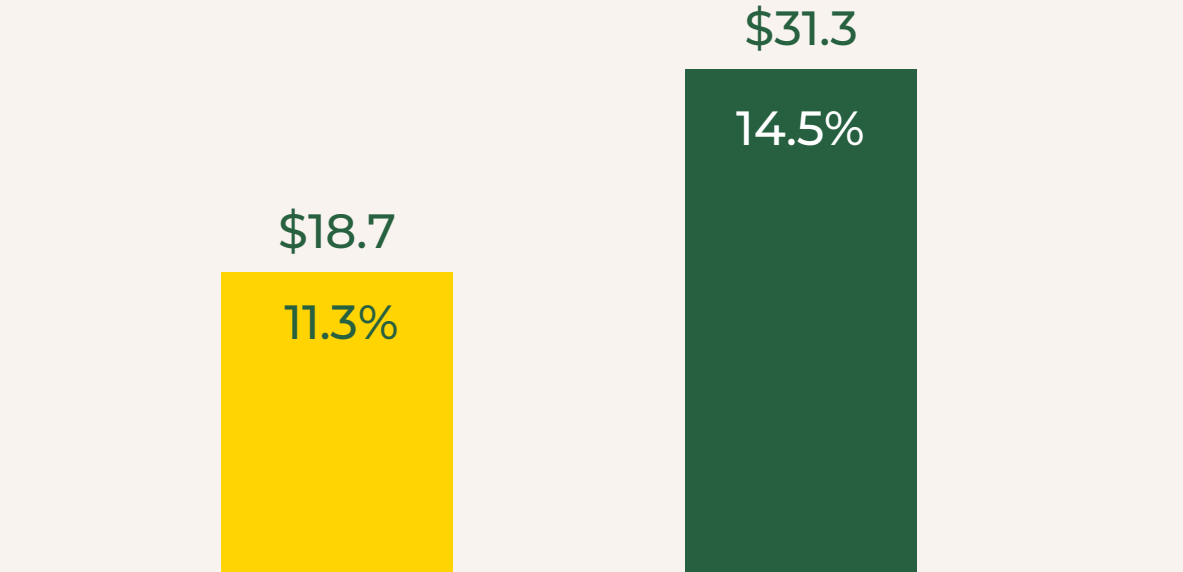
Q4 2023

27.6%

34.6%

Gross Margin (GAAP)

Q4 2023 Adj. EBITDA (\$m)  
% of net sales



Q4 2022

Q4 2023

\$18.7

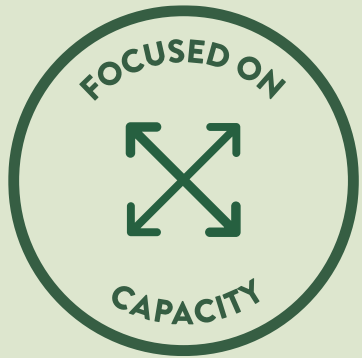
11.3%

\$31.3

14.5%



# Improved costs by 560 bps in FY 2023 across key focus areas



**-320 bps**  
FY 2023



**-130 bps**  
FY 2023



**-110 bps**  
FY 2023

All comparisons to prior year period

# Capacity Update

✓ December was a record production month across the system and then January topped that

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✓ Ennis kitchen now producing ~25% of total Freshpet production from three lines in the Ennis Kitchen

.....

✓ Phase II construction is on track or slightly ahead of schedule; expect roll line to begin production by the end of Q3 2024

.....

## Focused on:

- Maximizing output of existing lines
- Maximizing capacity of existing sites, adding more lines to each
- Developing new, more capital efficient technologies




# Long-Term Strategy: Path to 2027



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

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

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

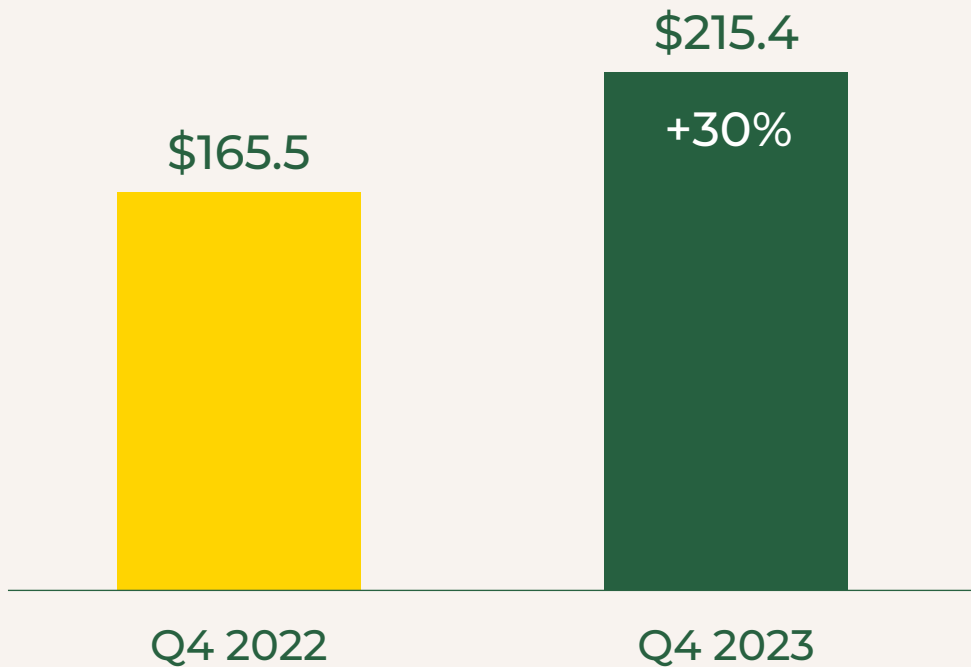


# Q4 2023 Results

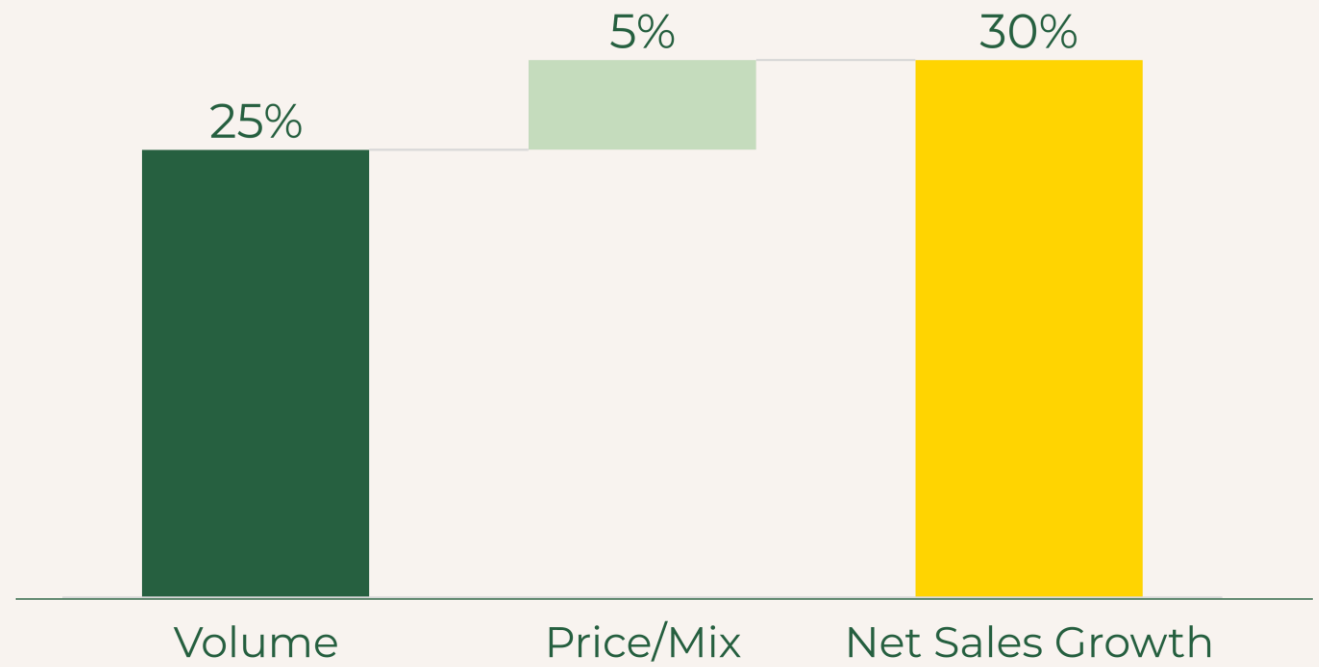


# Strong Q4 results that demonstrate strong momentum driven by volume growth

Q4 2023 Net Sales (\$m)

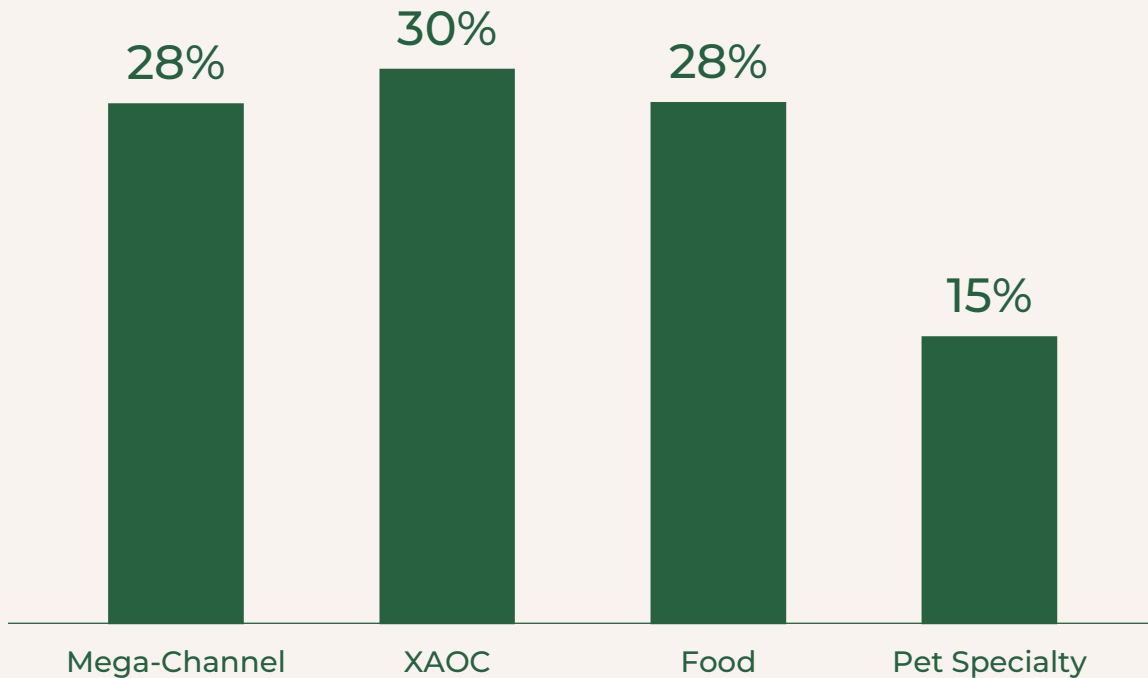


Q4 2023 Net Sales Bridge

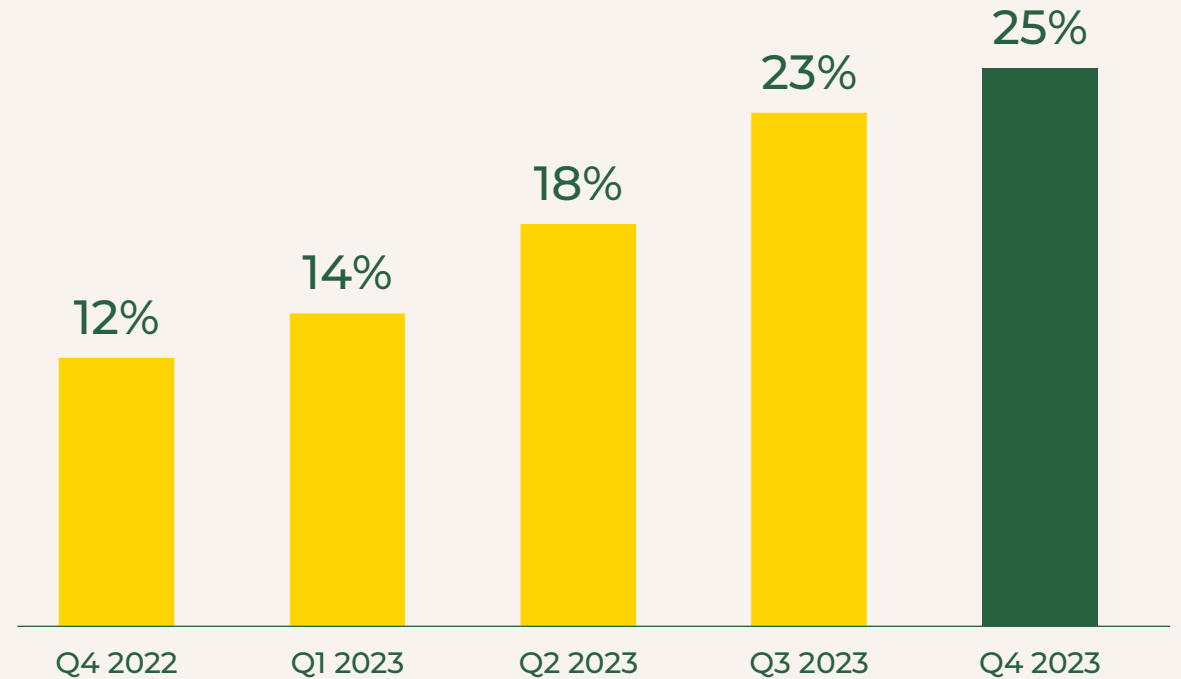


# Consumption growth remains strong

Q4 2023 Consumption Growth (\$)



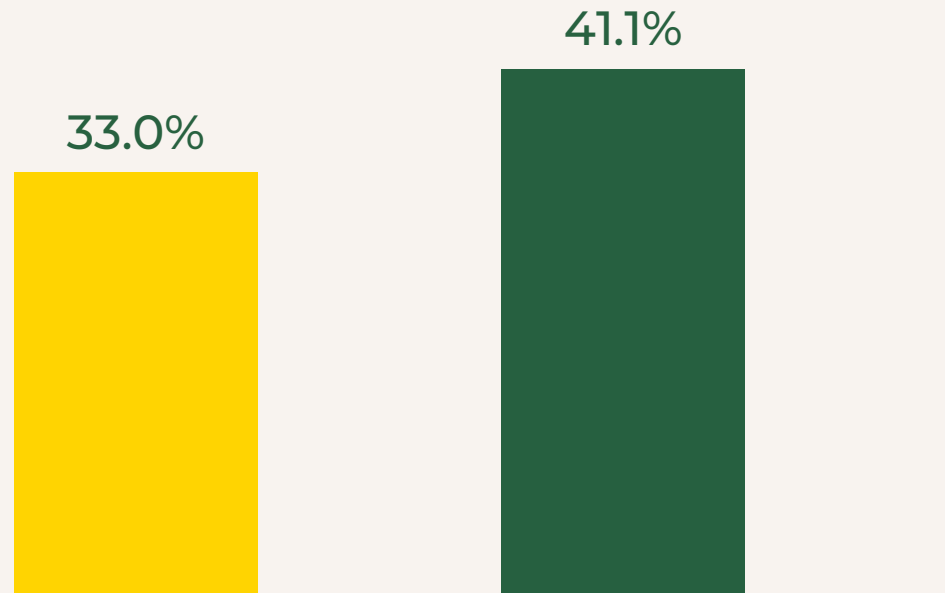
Consumption Growth Trends (volume in pounds)



PLUS >100% GROWTH IN UNMEASURED CHANNELS

# Q4 2023 significant margin improvement

Q4 2023 Adj. Gross Margin\*



Q4 2022

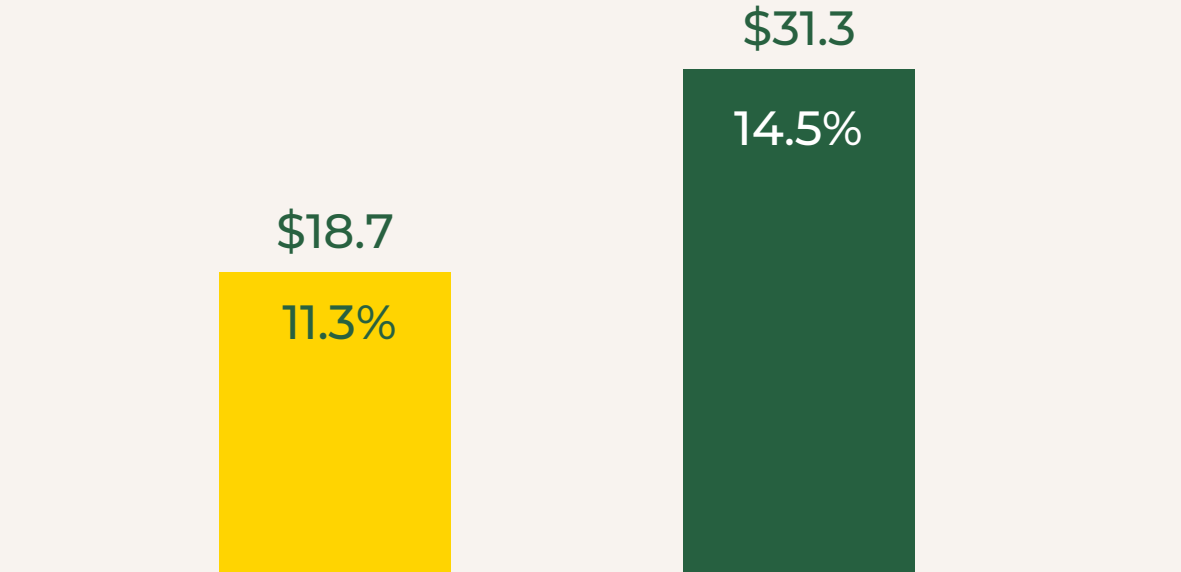
Q4 2023

27.6%

34.6%

Gross Margin (GAAP)\*

Q4 2023 Adj. EBITDA (\$m)  
% of net sales



Q4 2022

Q4 2023

\$18.7

11.3%

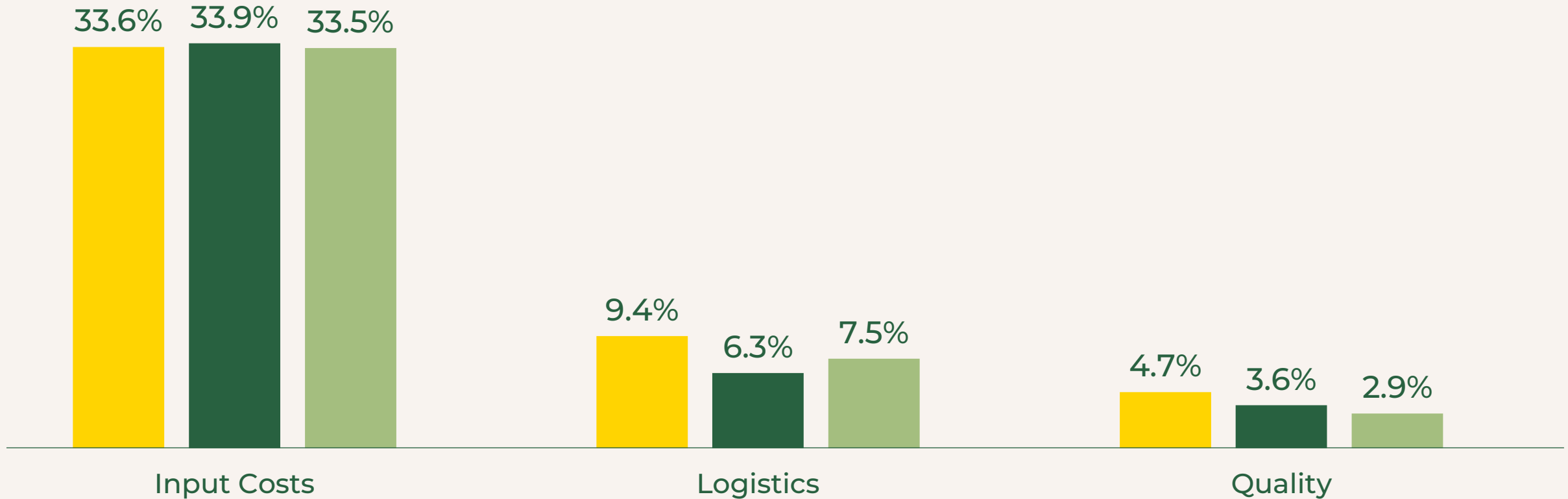
\$31.3

14.5%

# 390 basis point improvement in Q4 2023; ahead of pace to deliver the critical cost improvements embedded in our FY 2027 margin targets

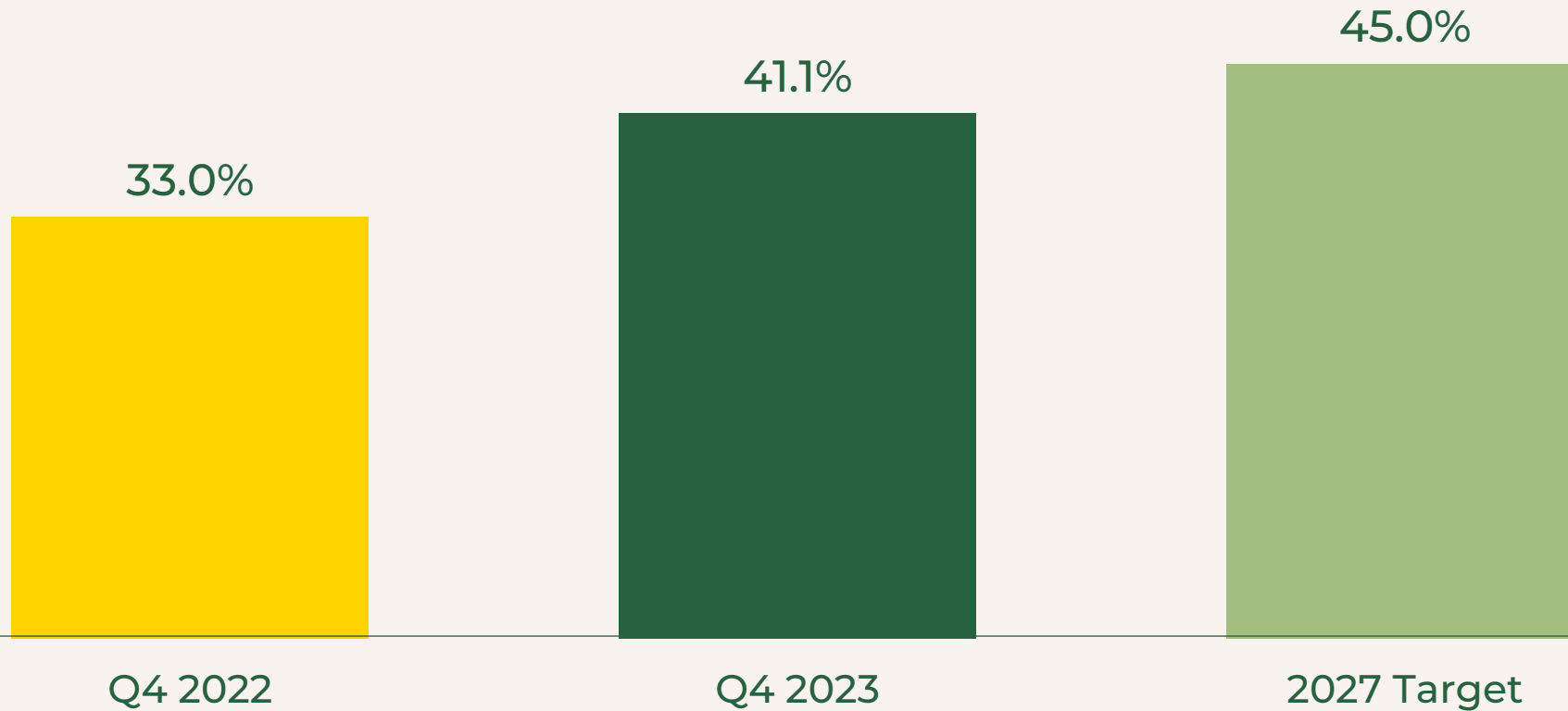
Key Margin Improvement Targets & Progress

● Q4 2022 ● Q4 2023 ● 2027 Target



# Strong progress on Adj. Gross Margin; on track to achieve long-term goals

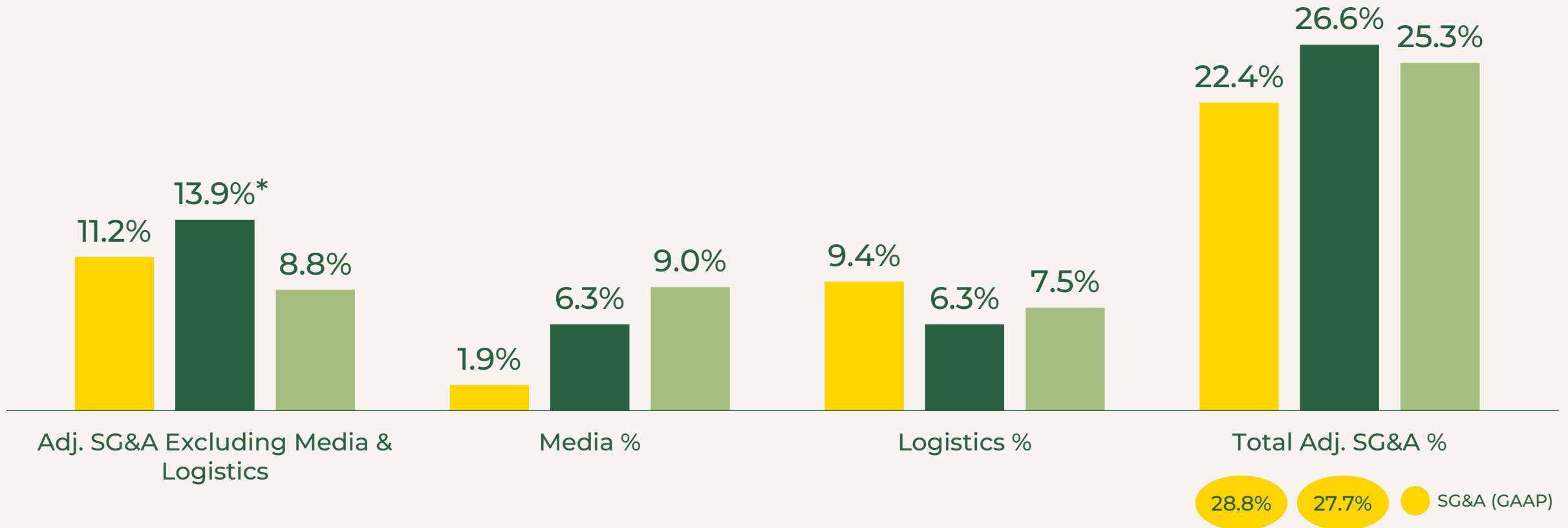
Adj. Gross Margin Progress vs. 2027 Targets



# SG&A improvements also 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

● Q4 2022 ● Q4 2023 ● 2027 Target



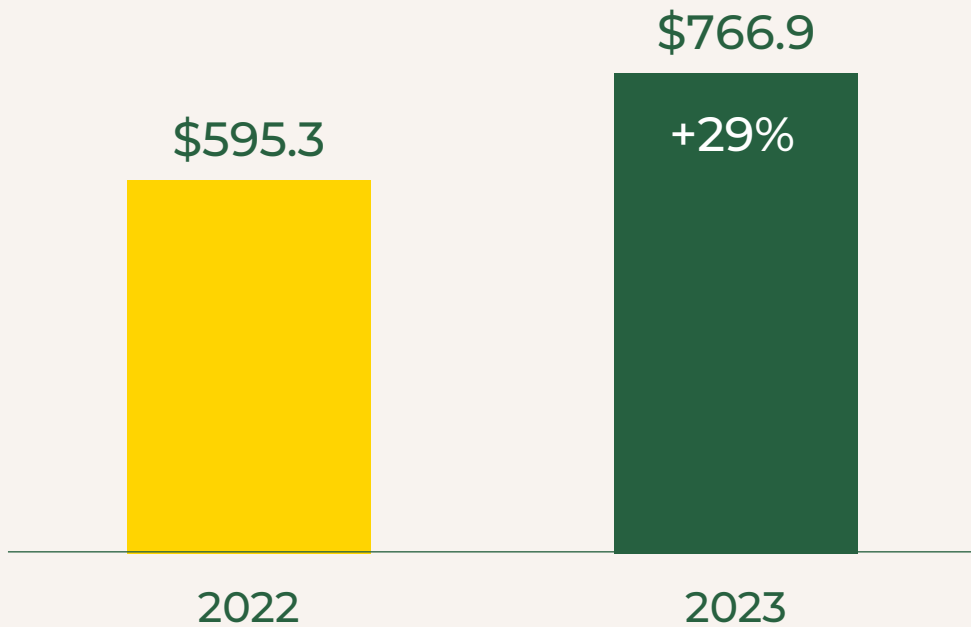
# FY 2023 Results



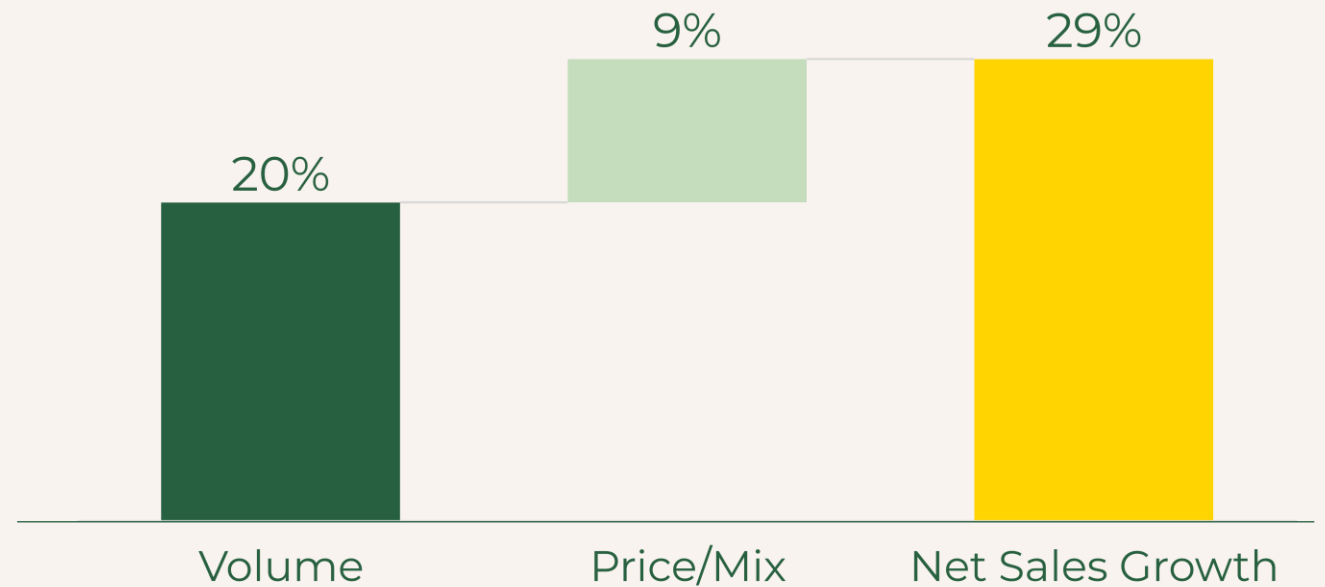


# Strong FY 2023 results that demonstrate improved operating performance and strong growth

FY 2023 Net Sales (\$m)

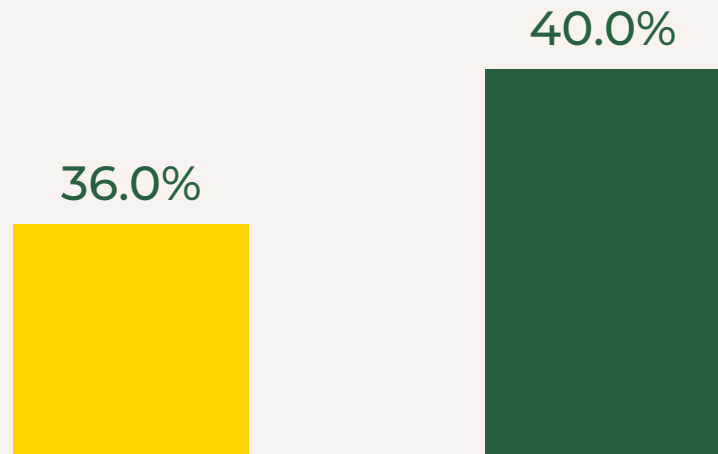


FY 2023 Net Sales Bridge



# FY 2023 continued margin improvement

FY 2023 Adj. Gross Margin\*



2022

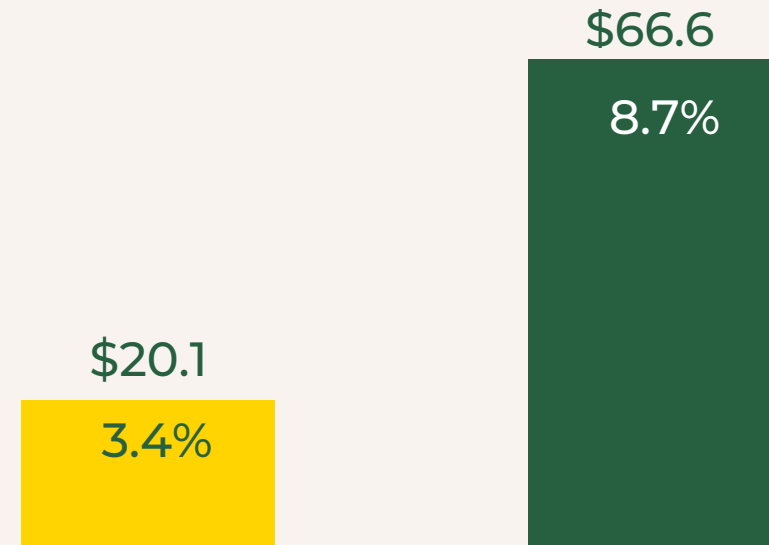
2023

31.2%

32.7%

Gross Margin (GAAP)\*

FY 2023 Adj. EBITDA (\$m)  
% of net sales



\$20.1

\$66.6

3.4%

8.7%

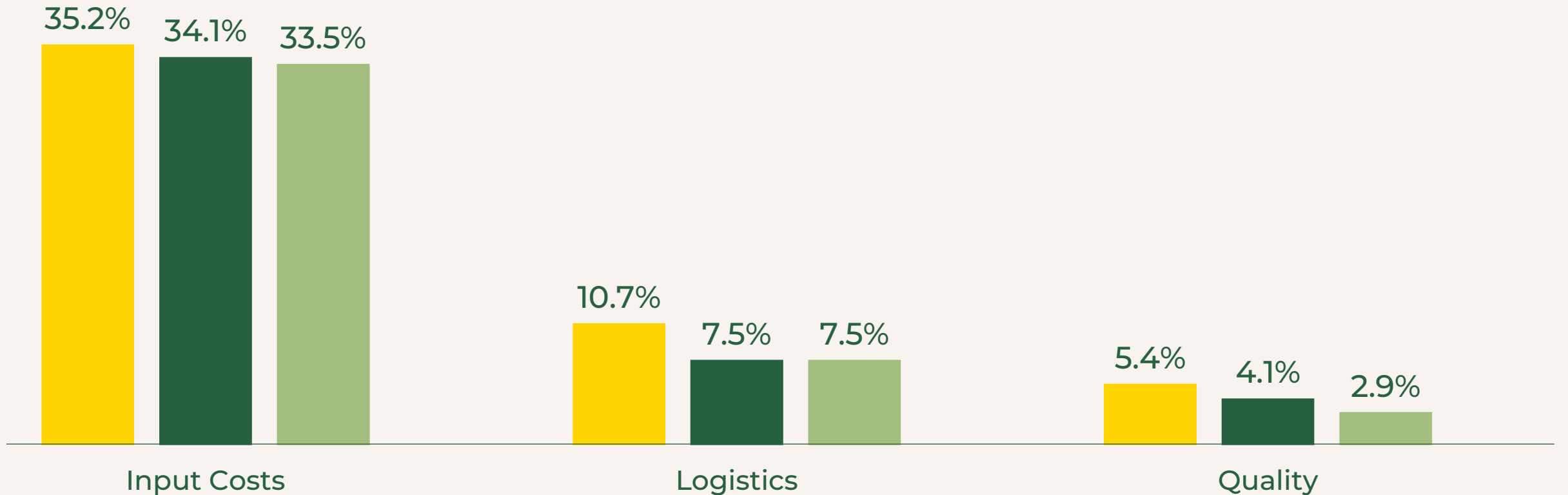
2022

2023

# Generated 560 basis point improvement in 2023 vs. 2022 on key operating costs: input costs/pricing, logistics and quality

FY 2023 Key Operating Costs  
(% of net sales)

FY22 FY23 2027 Target



# FY 2024 Guidance



# FY 2024 Guidance

**Volume cadence:** Expect Q1 to have the highest percent growth YoY then sequentially lower throughout the year to manage growth and cash as we ramp capacity

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**Advertising investment:** Expect media to grow in-line with sales, and will pull back as necessary to control growth in-line with long-term algorithm

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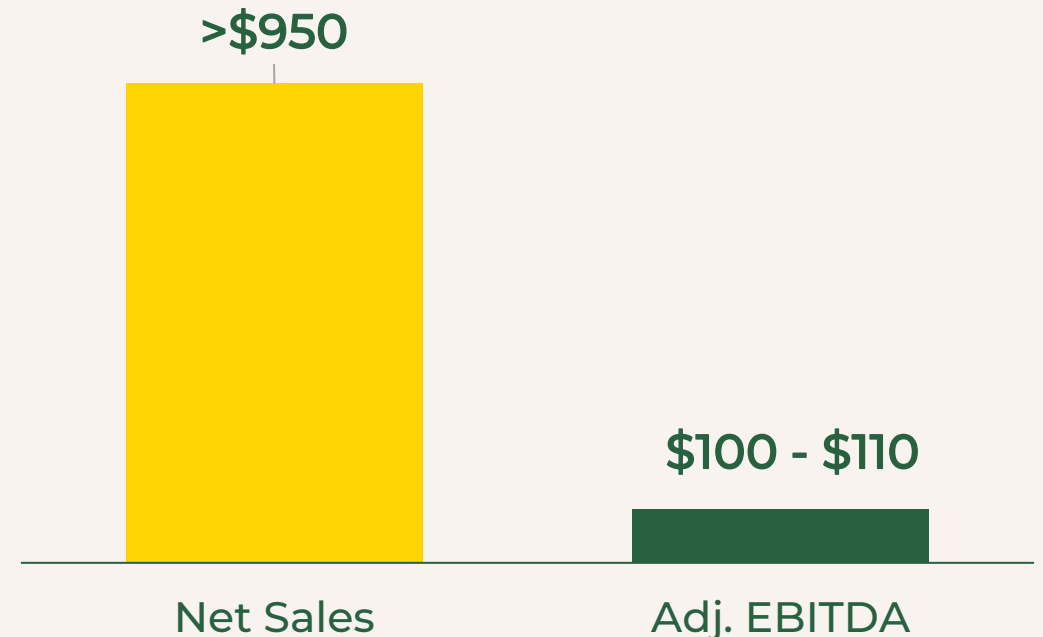
**Adj. Gross Margin:** Expect FY 2024 expansion of at least 100 basis points

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**Capital expenditures:** ~\$210 million

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## Freshpet Financial Projections (\$m)



# 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 ~\$210 million
- Once Ennis Phase II is completed next summer, we will have built adequate infrastructure/buildings to accommodate our next 5+ lines

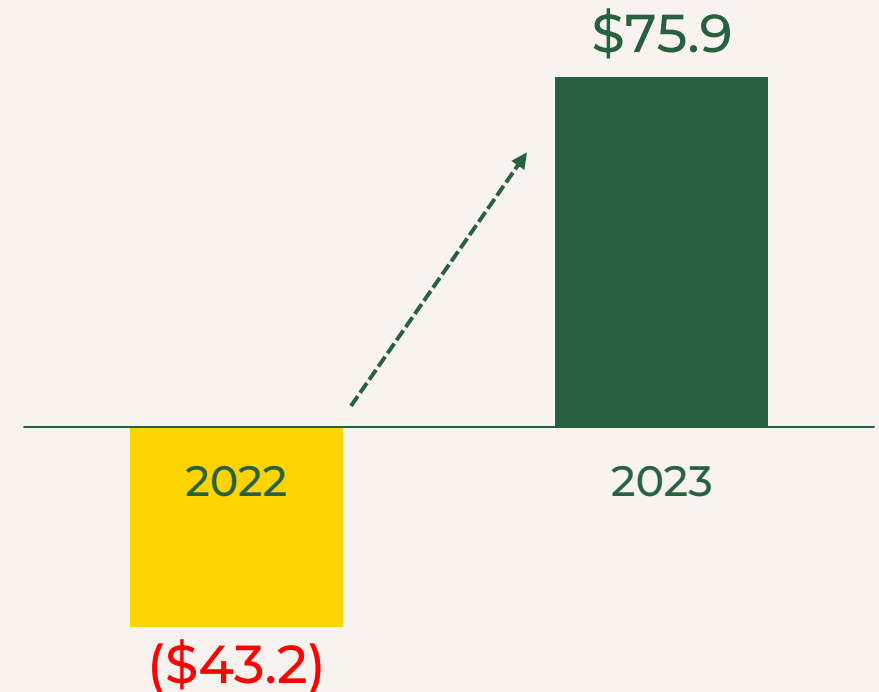
## ✓ Cash flow:

- Generated \$76 million of operating cash flow in 2023, a YoY improvement of over \$119 million driven by:
  - Adj. EBITDA growth
  - Working capital position
- Interest income is offsetting interest expense

## ✓ Liquidity:

- \$297 million of cash-on-hand as of 12/31/23
- Generating meaningful Adj. EBITDA which could be leveraged to provide increased liquidity in 2025, if necessary

## Operating Cash Flow (\$m)



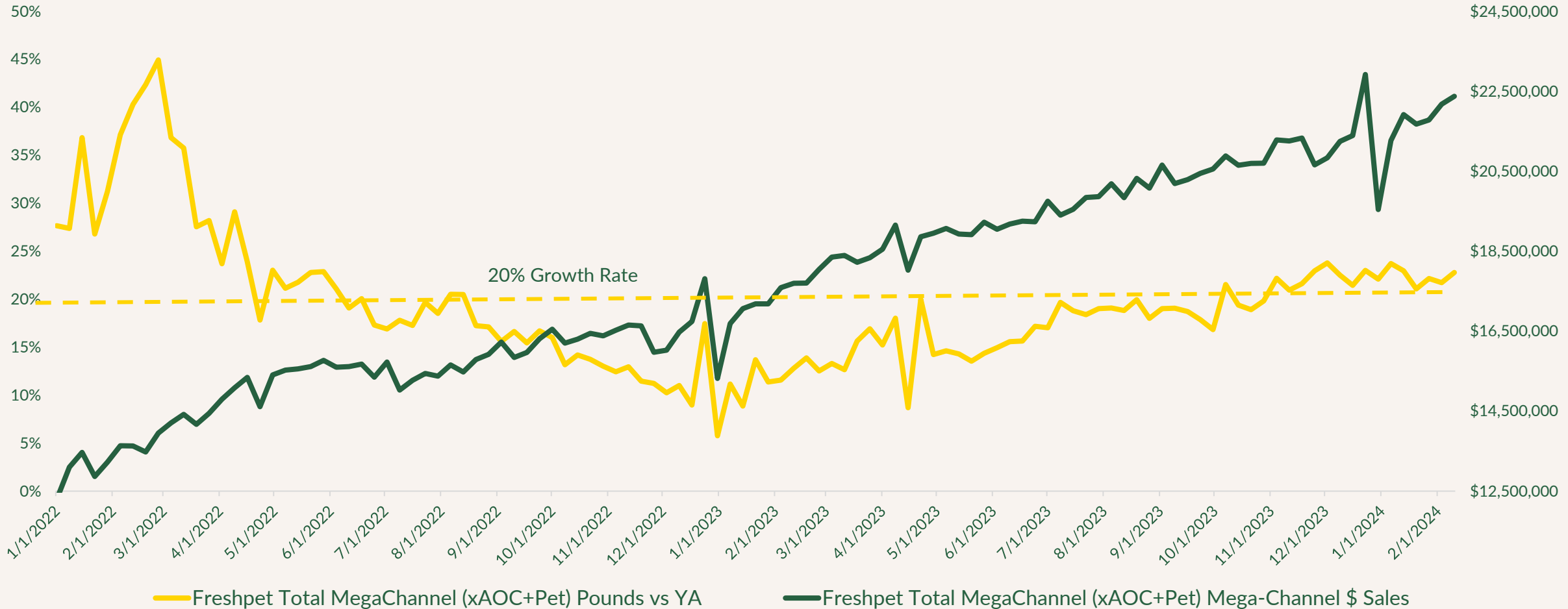
# Appendix





# Consistently strong volume growth trends

## NielsenIQ MegaChannel Consumption Growth



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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
	(Dollars in thousands)			
Gross Profit	\$ 74,575	\$ 45,709	\$ 250,872	\$ 186,033
Depreciation expense	8,103	6,566	41,209	20,774
Non-cash share-based compensation	2,299	2,505	10,995	7,293
Loss on disposal of manufacturing equipment	3,547	—	3,547	—
Adjusted Gross Profit	<u>\$ 88,524</u>	<u>\$ 54,780</u>	<u>\$ 306,623</u>	<u>\$ 214,100</u>
Adjusted Gross Profit as a % of Net Sales	41.1%	33.0%	40.0%	36.0%

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
	(Dollars in thousands)			
SG&A expenses	\$ 59,680	\$ 47,775	\$ 281,318	\$ 238,016
Depreciation and amortization expense	4,248	3,565	15,849	13,781
Non-cash share-based compensation (a)	(2,315)	3,178	13,941	18,799
Loss on disposal of equipment	86	193	774	396
Enterprise Resource Planning (b)	465	3,613	2,457	8,558
Capped Call Transactions fees (c)	—	—	113	—
Activism engagement (d)	—	—	8,177	—
Organization changes (e)	—	—	(67)	734
Adjusted SG&A Expenses	<u>\$ 57,196</u>	<u>\$ 37,227</u>	<u>\$ 240,074</u>	<u>\$ 195,748</u>
Adjusted SG&A Expenses as a % of Net Sales	26.6%	22.4%	31.3%	32.9%

(a) Includes the true-up of share-based compensation expense in the three months ended December 31, 2023. We have certain outstanding multi-year share-based awards, granted in FY 2020, with performance-based vesting conditions that require the achievement of certain Adjusted EBITDA targets in FY 2024 as a condition to vesting. At each reporting period, we reassess the probability of achieving the performance criteria and the performance period required to meet those targets set in 2020. When such performance conditions are deemed to be improbable of achievement, the compensation cost previously recorded is reversed.

(b) Represents implementation, amortization of deferred implementation costs and other 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 Income (loss) and Adjusted EBITDA

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
	(Dollars in thousands)			
Net Income (loss)	15,289	\$ (2,918)	\$ (33,614)	\$ (59,494)
Depreciation and amortization	12,351	10,131	57,058	34,555
Interest expense, net of interest income	(394)	1,148	1,069	5,208
Income tax expense	—	159	210	282
EBITDA	<u>\$ 27,246</u>	<u>\$ 8,520</u>	<u>\$ 24,723</u>	<u>\$ (19,449)</u>
Loss on equity method investment	\$ -	\$ 762	\$ 1,890	\$ 3,731
Loss on disposal of property, plant and equipment	3,633	193	4,321	396
Non-cash share-based compensation (a)	(16)	5,683	24,936	26,092
Enterprise Resource Planning (b)	465	3,613	2,457	8,558
Capped Call Transaction fees (c)	—	—	113	—
Activism engagement (d)	—	—	8,177	—
Organization changes (e)	—	—	(67)	734
Adjusted EBITDA	<u>\$ 31,328</u>	<u>\$ 18,771</u>	<u>\$ 66,550</u>	<u>\$ 20,062</u>
Adjusted EBITDA as a % of Net Sales	14.5%	11.3%	8.7%	3.4%

(a) Includes the true-up of share-based compensation expense in the three months ended December 31, 2023. We have certain outstanding multi-year share-based awards, granted in FY 2020, with performance-based vesting conditions that require the achievement of certain Adjusted EBITDA targets in FY 2024 as a condition to vesting. At each reporting period, we reassess the probability of achieving the performance criteria and the performance period required to meet those targets set in 2020. When such performance conditions are deemed to be improbable of achievement, the compensation cost previously recorded is reversed.

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thank you!

