



pets. people. planet.

ICR Investor Presentation

January 13, 2021



# Forward Looking Statements & Non-GAAP Measures

## Forward-Looking Statements

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

## Non-GAAP Measures

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

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

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

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

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

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



# Mission: Awaken the world to a better way of feeding pets





# Today's Objectives

- **Share Preliminary 2020 Results**

- Actual Net Sales result and Adj. EBITDA guidance
- Strong consumption, distribution, HH penetration and buying rate results

- **Share New Cohort Buying Rate Data**

- First detailed look at 5 years of buying rate data by cohort
- In conjunction with rapidly growing HH penetration, adds even greater support for long-term growth opportunity for Freshpet

- **Outline Capacity Plans**

- Outline quarterly capacity for 2021
- Highlight opportunities/potential for increased and accelerated capacity expansion



Preliminary 2020 Results



# 2020 highlights

- **Strongest growth since 2015 and accelerating**

- 30% Net Sales growth for the year with 33% Nielsen Mega-Channel growth
- Consumption growth accelerated throughout the year – ending with 38% in Q4
- Strong growth occurred despite out-of-stocks and scaled back advertising investment due to capacity constraints

- **Both HH penetration and buying rate grew strongly**

- HH penetration grew +24% for the second year in a row and up from 17% in 2018
- Buying rate grew +7% -- up from 1% growth last year

- **Increasing scale delivered cost leverage**

- Adj. EBITDA guidance of ~+58% vs. YA

# 2020 challenges & opportunities

## Challenges

### **COVID created significant chaos**

- Need to rapidly implement numerous new protocols to keep employees safe
- Supply chain interruptions (e.g., ingredients and packaging, warehouse labor)
- Ingredient costs (i.e., beef prices)
- Absenteeism and labor supply issues reduced our production output
- One-month delay in construction of Kitchens 2.0 due to shelter-in-place orders impacted capacity

## Opportunities

### **Consumers' focus on pets grew**

- Super premium/ultra-premium pet foods grew rapidly
- Many younger consumers adopted pets for the first time

### **Lower media costs reduced customer acquisition costs (CAC)**

- Continued multi-year trend of continually declining CAC

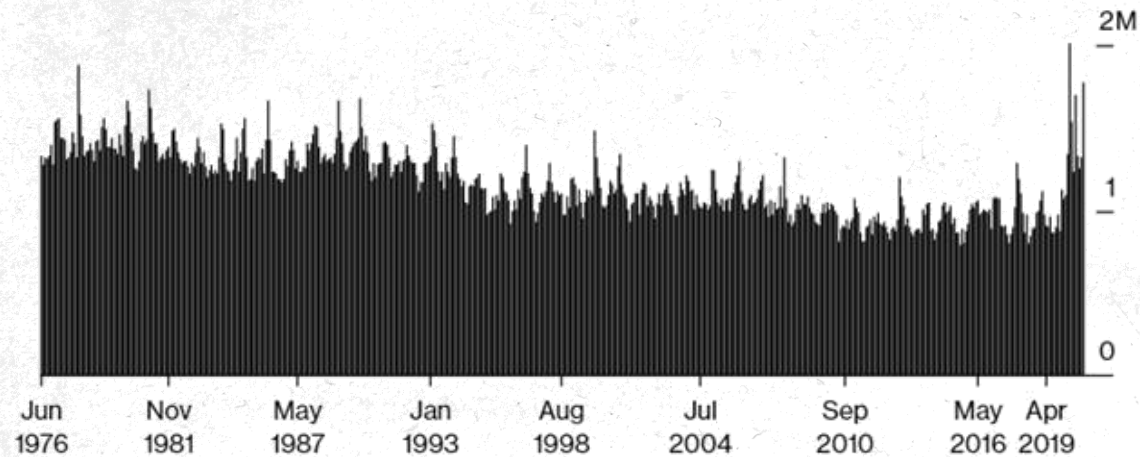
### **Customers increased their commitment to multi-fridge programs**

- 7 of top 10 customers have at least 40 of their stores with multi-fridge tests/expansions underway

# We are operating in a difficult labor market that has caused some supply challenges

## Sidelined by Sickness

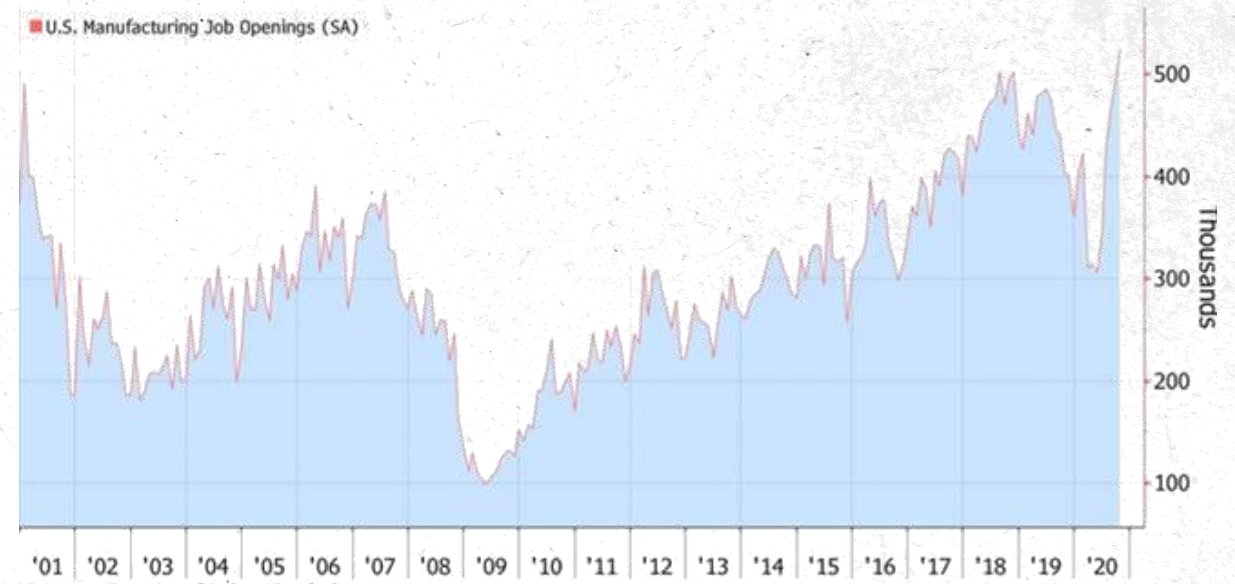
Record numbers of U.S. workers have been absent because of illness



Source: U.S. Labor Department  
With job but not at work because of illness, age 16+, not seasonally adjusted

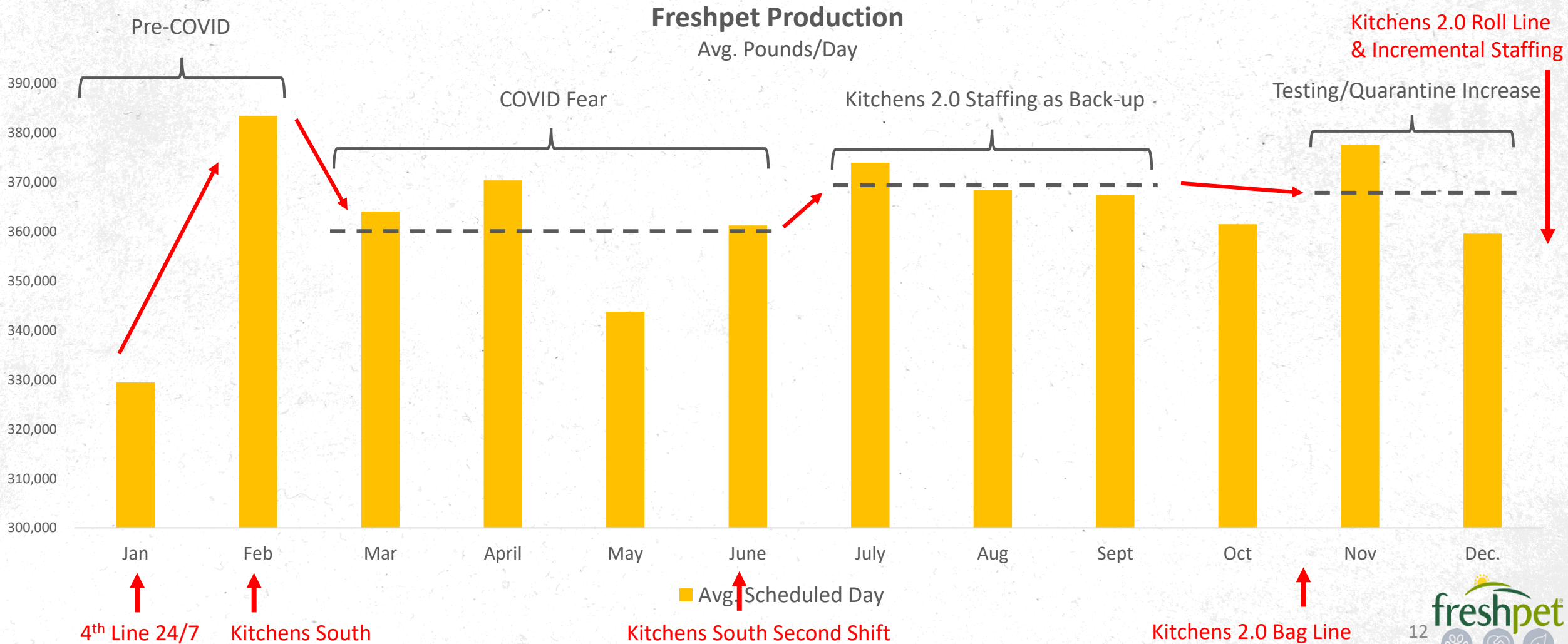
## Labor Lacking

U.S. job openings in manufacturing are at their highest level on record

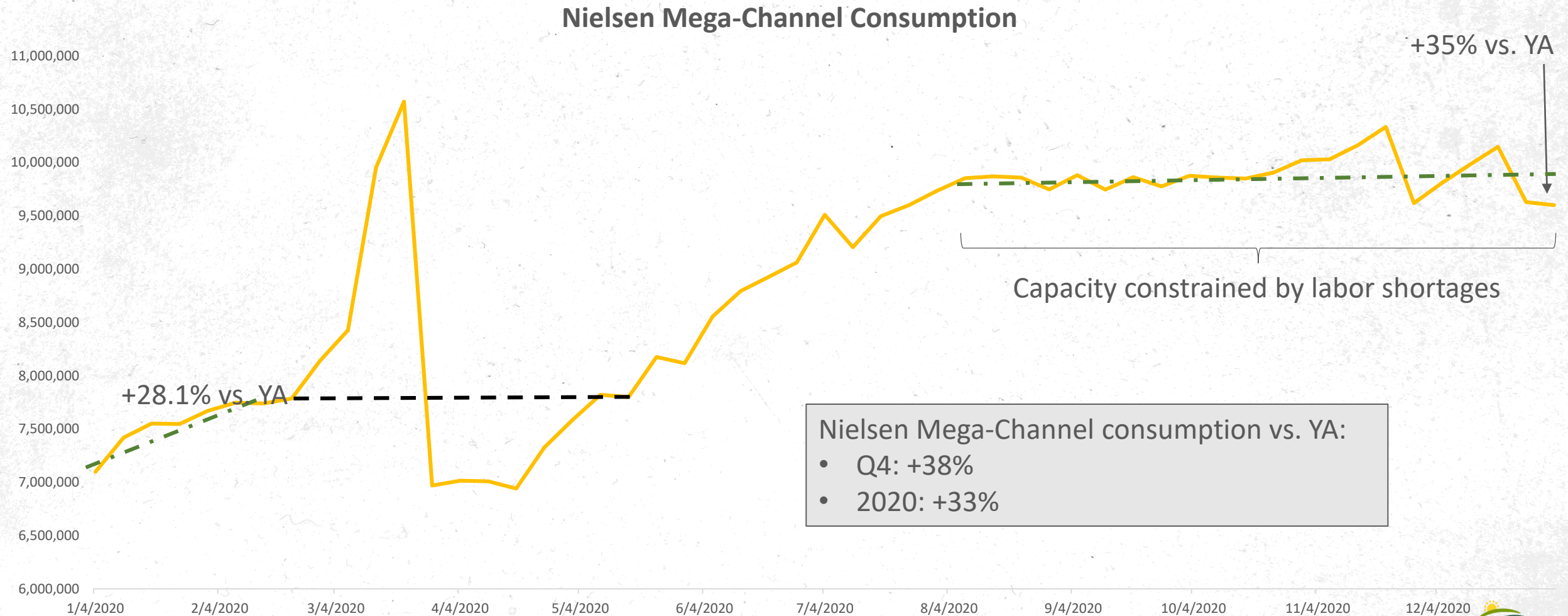


Source: Bureau of Labor Statistics

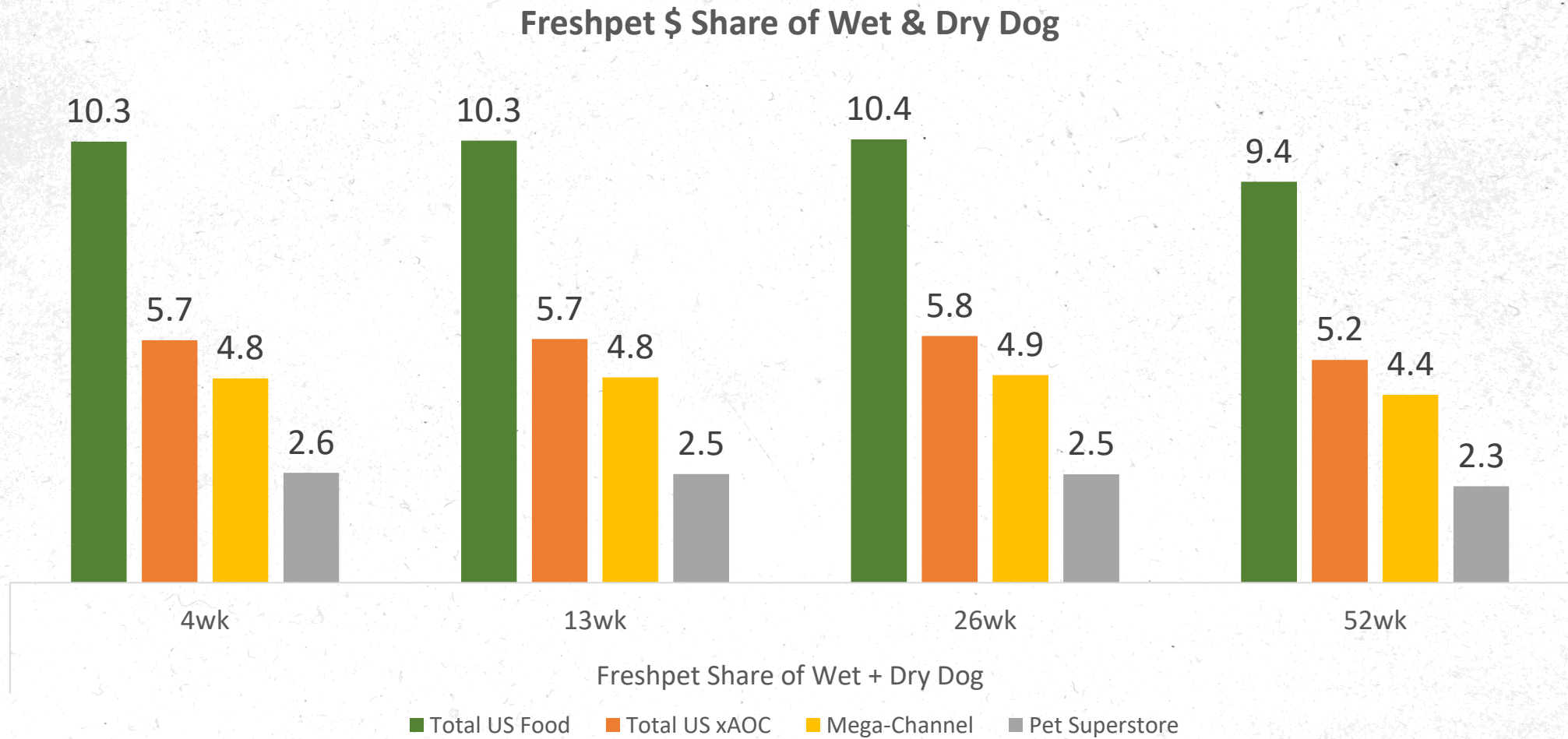
# Increases in production capacity offset by COVID issues



# Strong consumption growth vs. YA despite capacity constraints



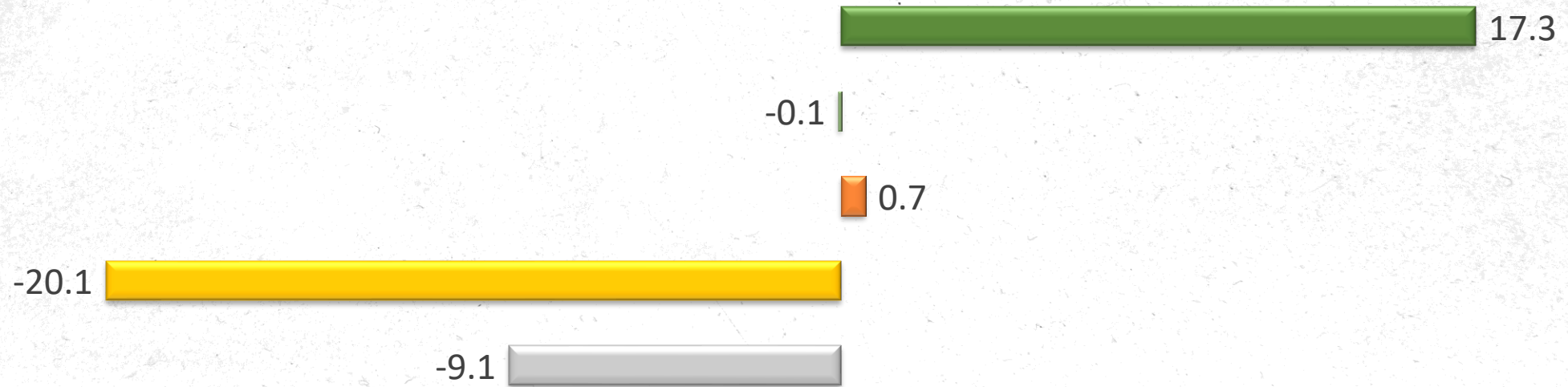
# Building meaningful share of the category



# Category growth skews heavily towards most premium brands

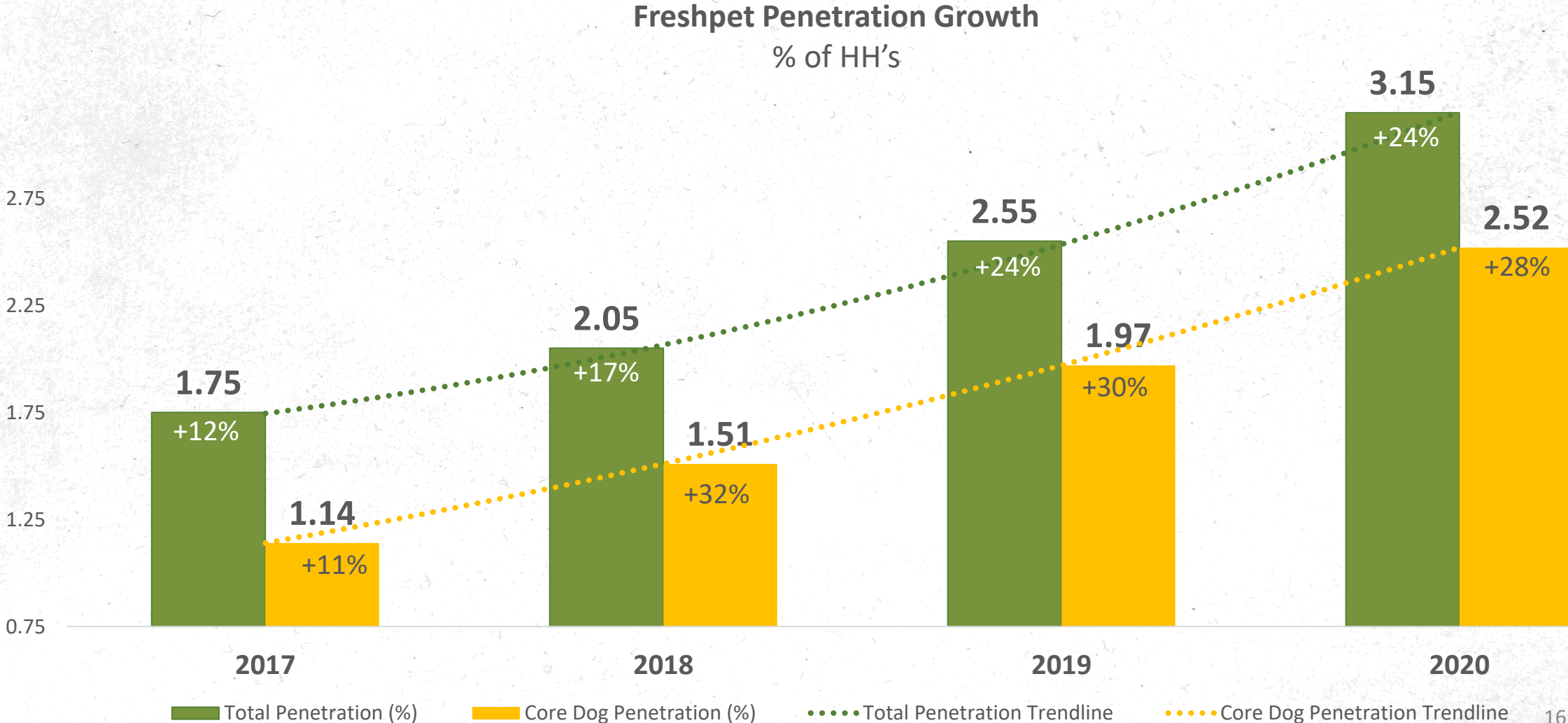
## Price Tier Growth: Wet + Dry + Fresh Dog Food

52 Weeks: Dollar % Change vs. YAG



■ Private Label Wet + Dry ■ Value Wet + Dry ■ Premium Wet + Dry Dog Food ■ Super Premium Wet + Dry ■ Ultra Premium Wet + Dry + Refrigerated

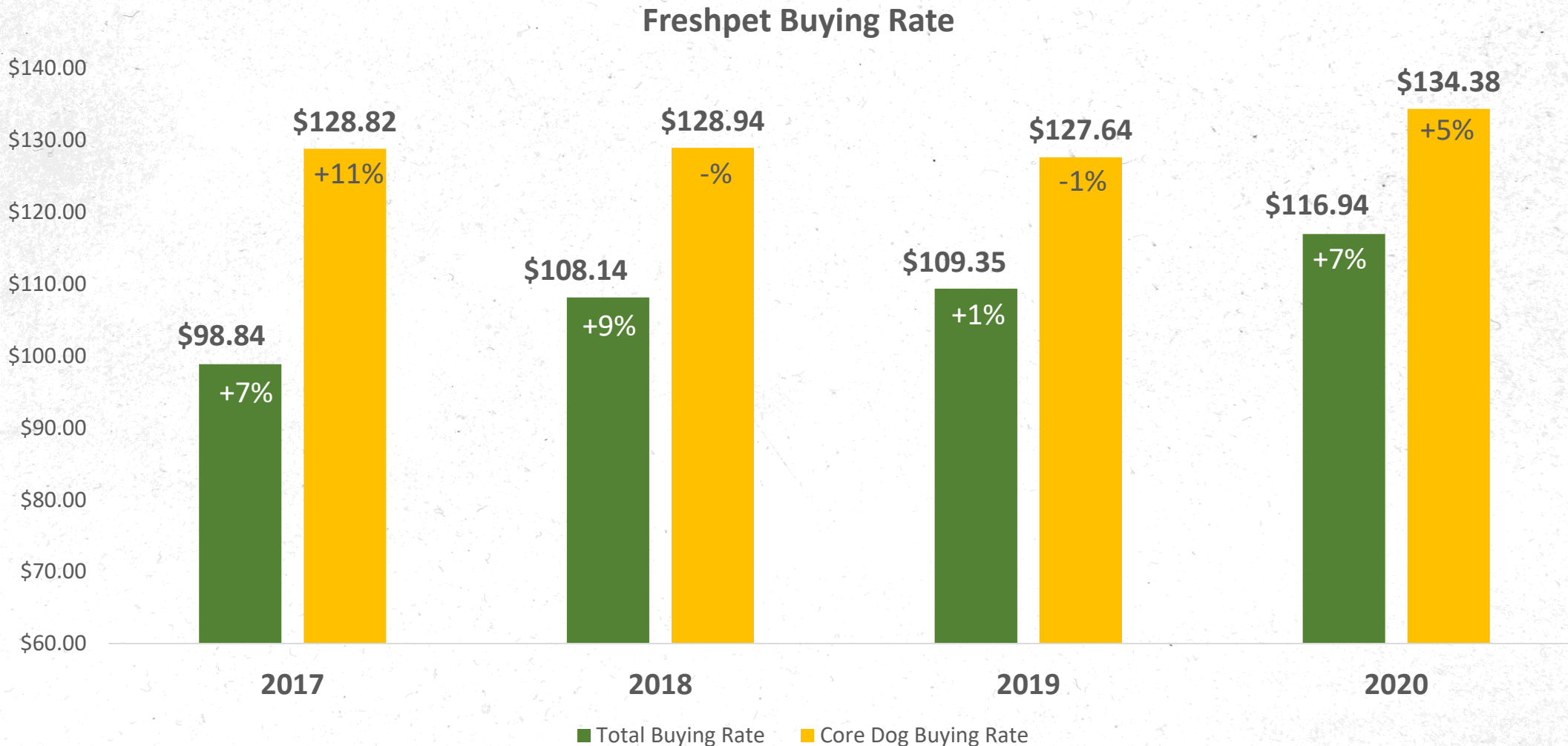
# Adding HH's quickly



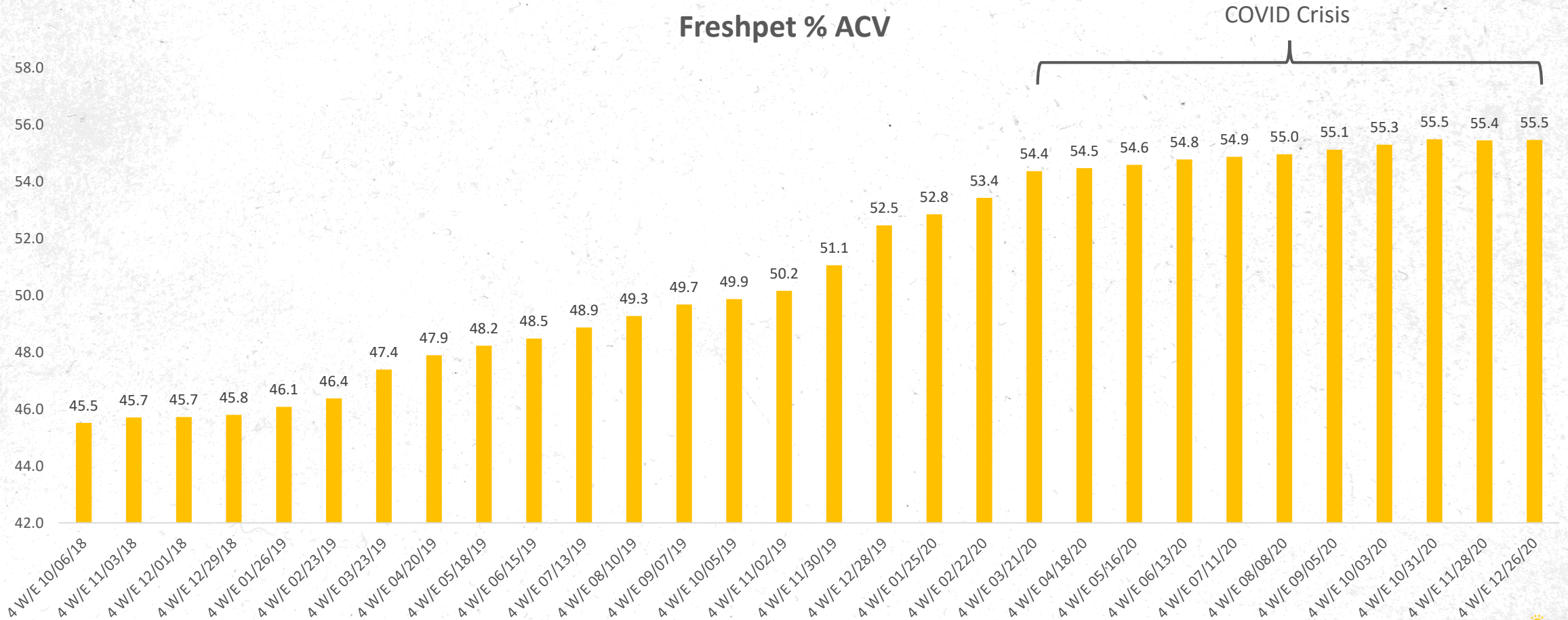
Source: Nielsen HH Panel for the period ending late December 2016-2020



# Buying rate growth continues

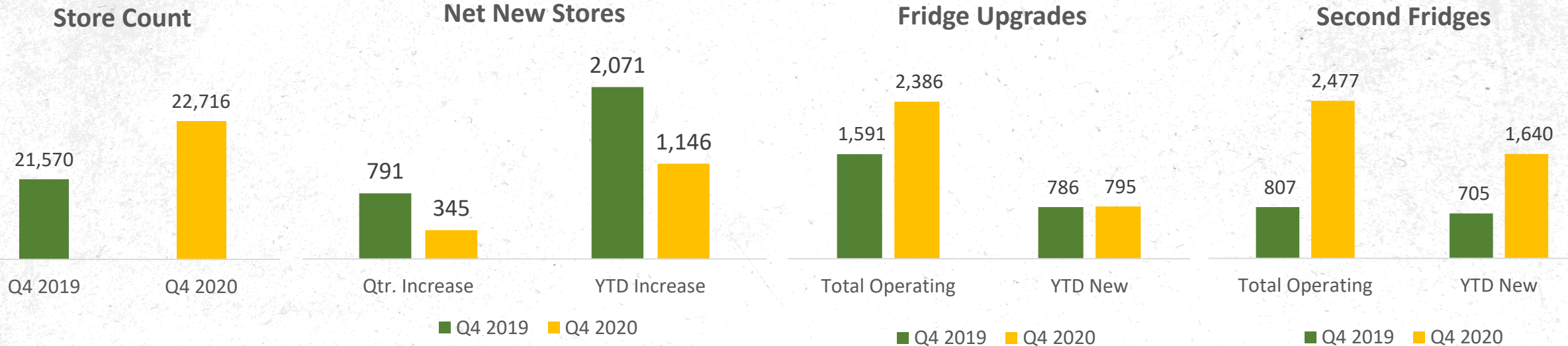


# Distribution growth plateaued during COVID crisis



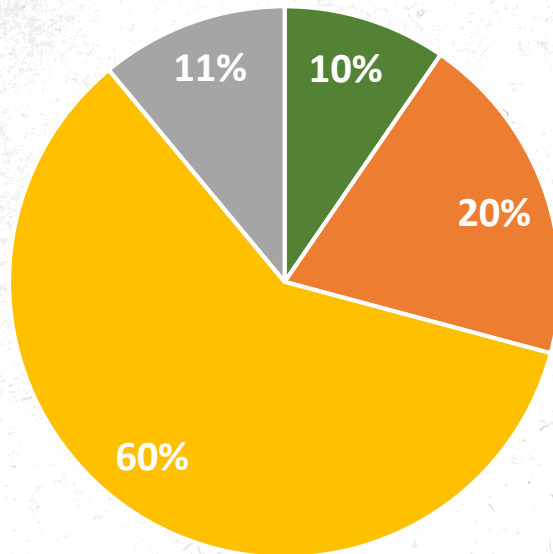
Source: Nielsen Mega-Channel Data thru 12/26/20

# Store count growth limited by COVID; 2<sup>nd</sup> Fridge growth accelerating



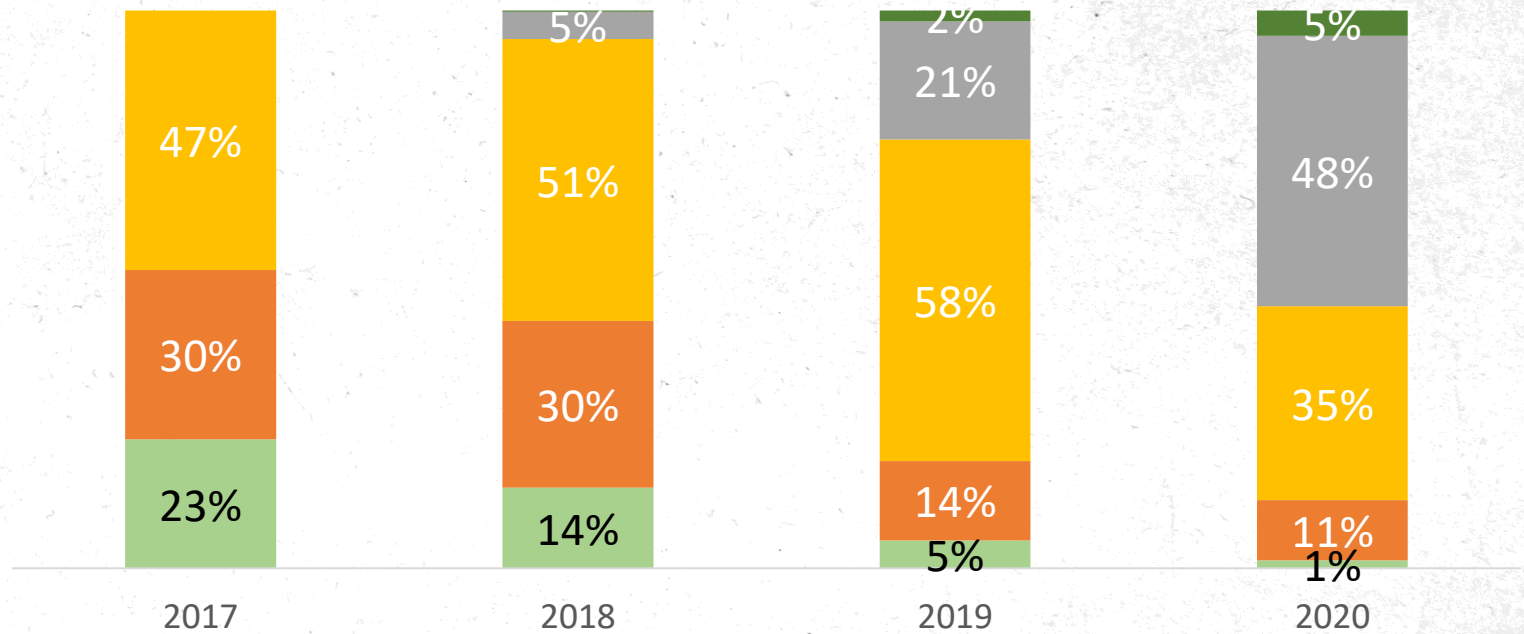
# New fridge placements skew heavily to second fridges

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



■ Small ■ Medium ■ Large ■ 2+ Chillers

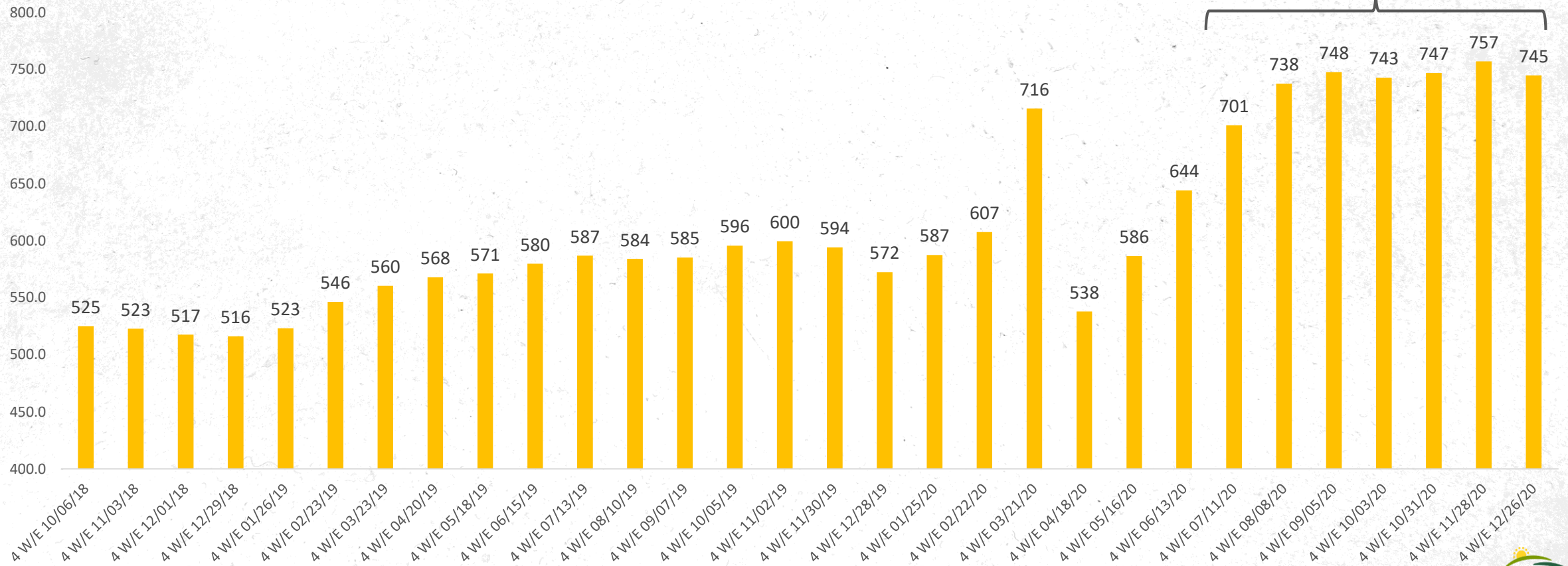
**New Fridge Installations by Size**  
(US & Canada)



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

# Velocity growth has surged

**Freshpet Velocity**  
\$/ \$MM ACV



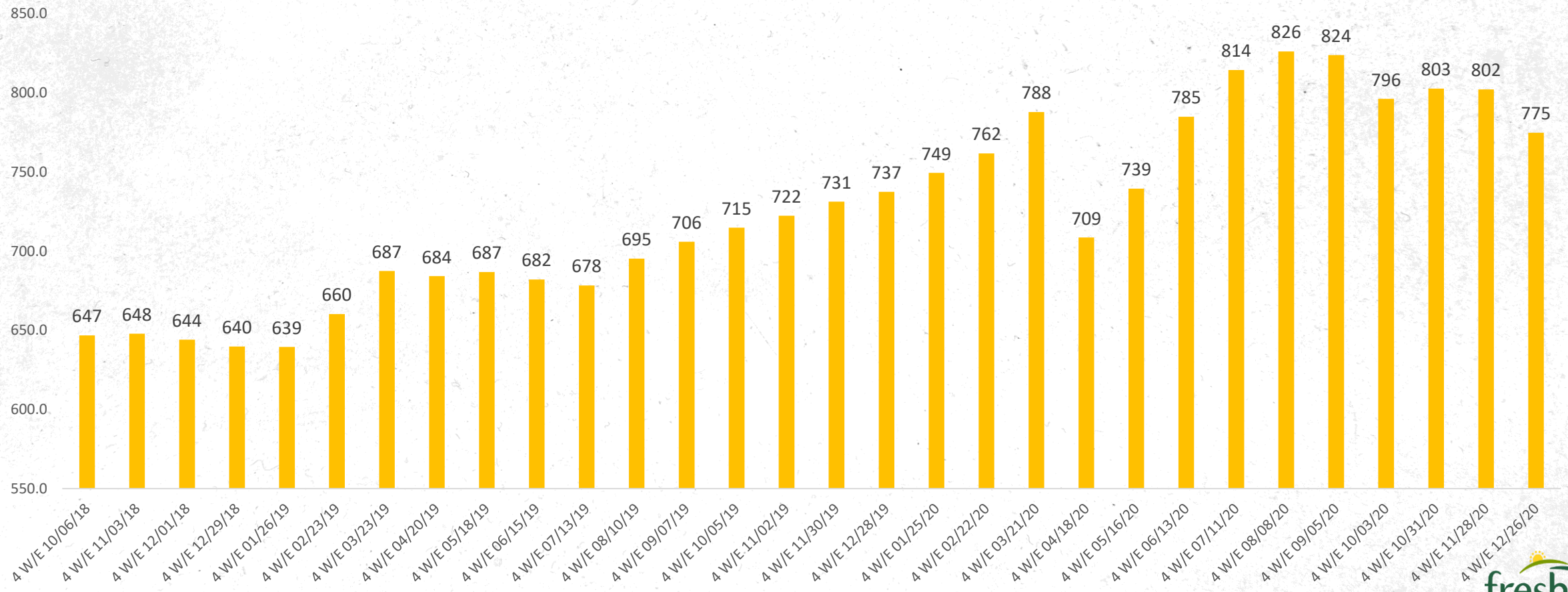
Source: Nielsen Mega-Channel Data thru 12/26/20

# Distribution is eroding behind out-of-stocks but 2<sup>nd</sup> Fridges adding TDP's vs. YA

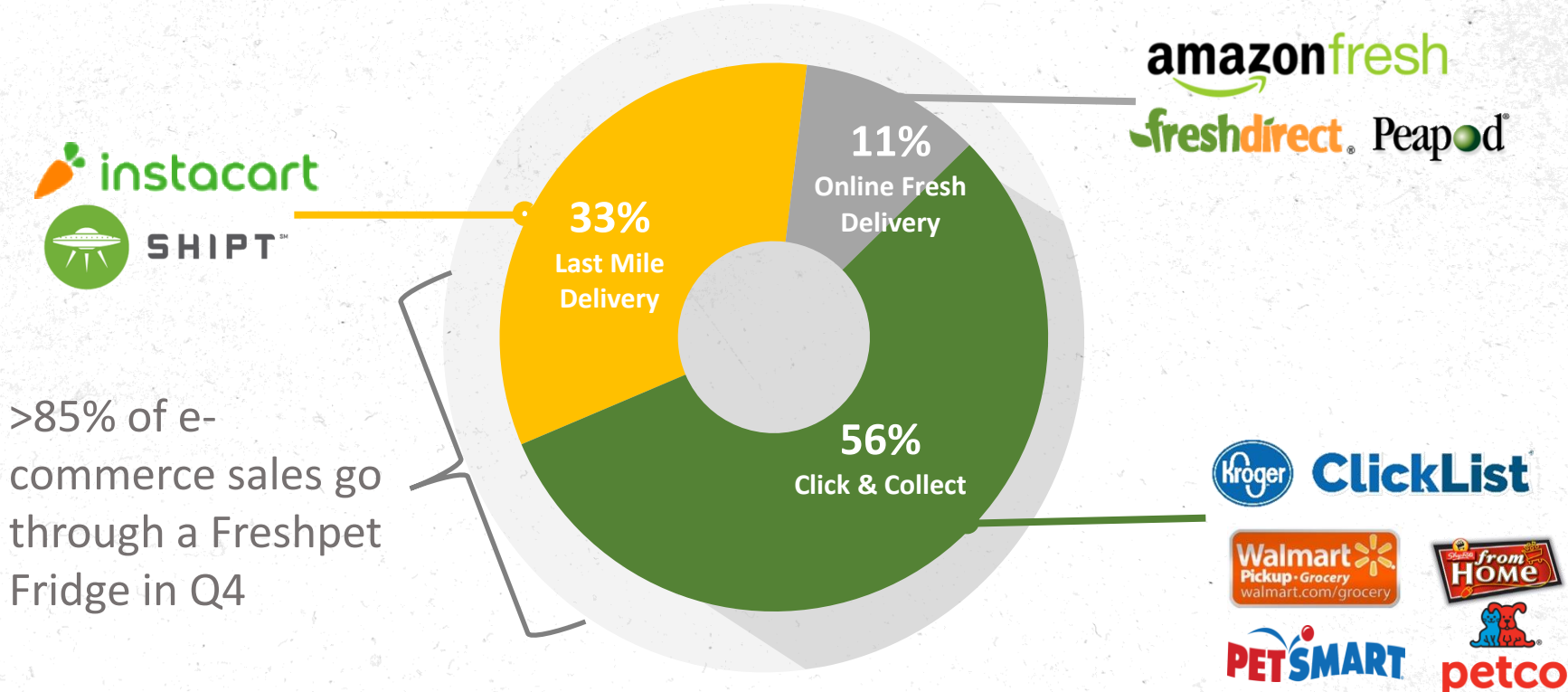
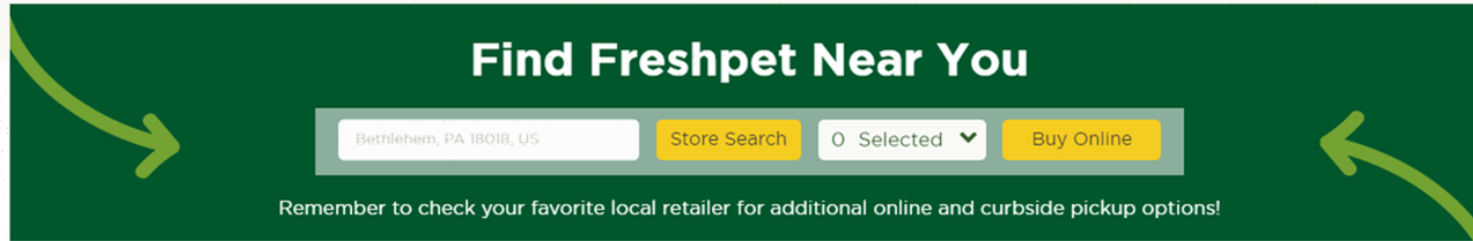
## Freshpet Total Distribution Points (TDP)

Nielsen Mega-Channel

COVID Crisis



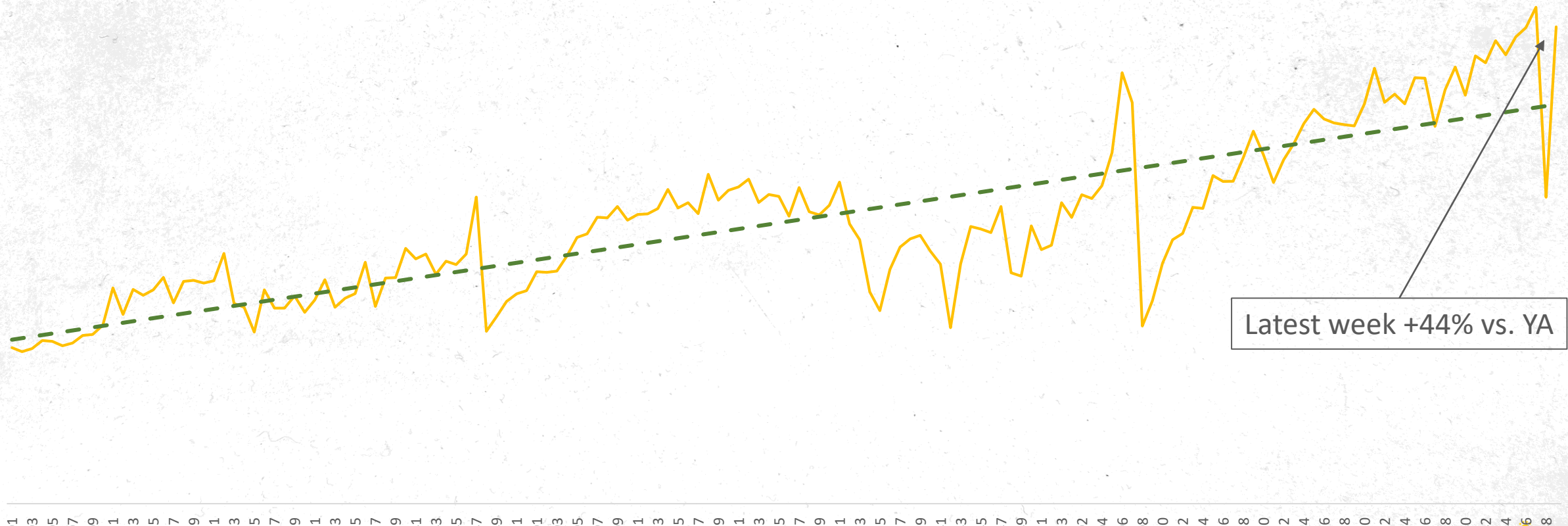
# Continued strong growth in e-commerce



Q4 2020 e-commerce results: • Net sales +192% vs. YA • e-commerce = 6.1% of sales

# Canadian business accelerating post-COVID

## Leading Canadian Customer Total Weekly Sales



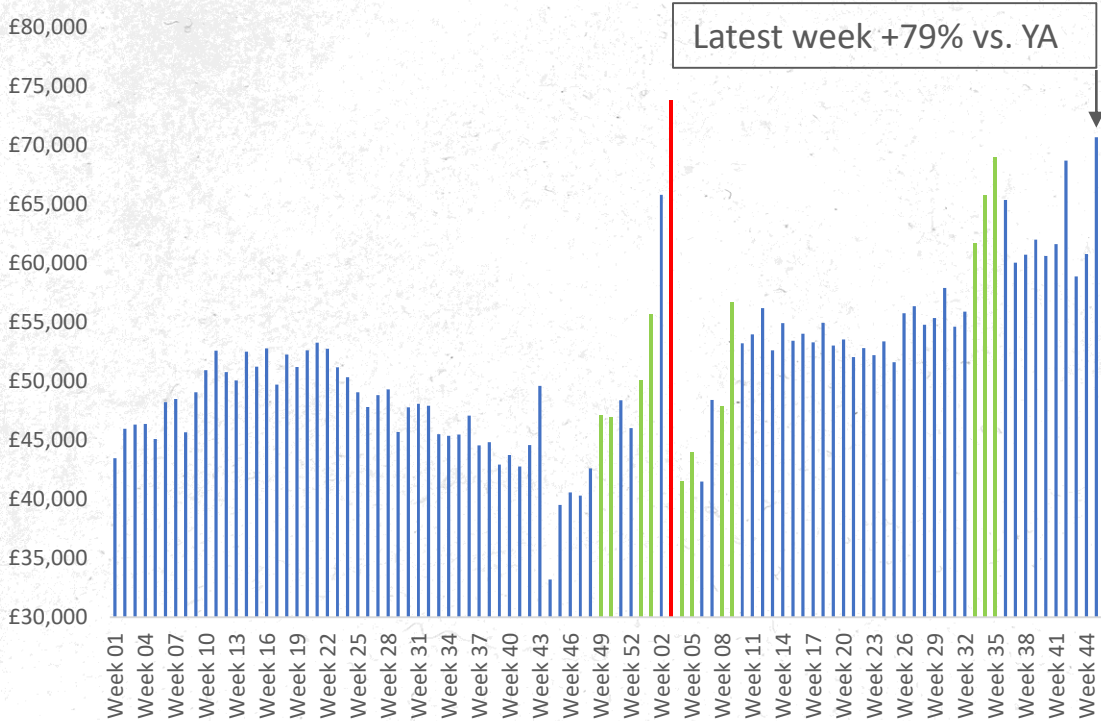
Latest week +44% vs. YA



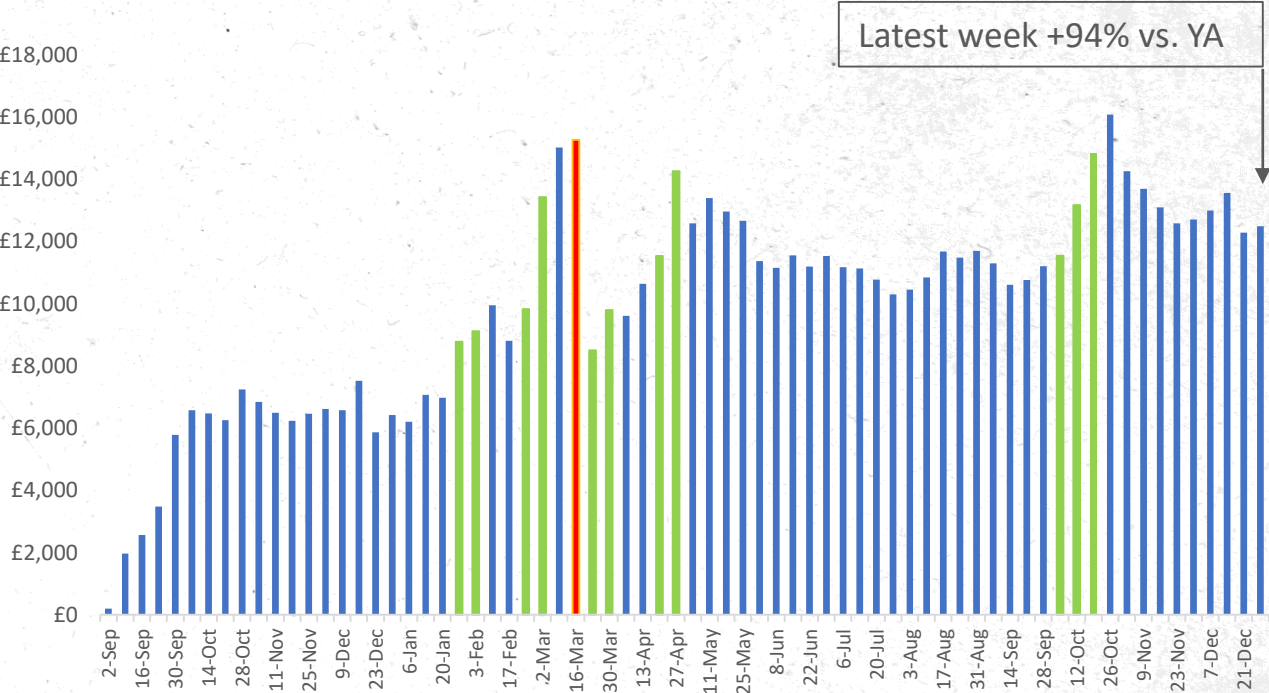


# UK well ahead of YA

### Leading UK Customer Sales By Week



### Leading UK Customer Sales By Week



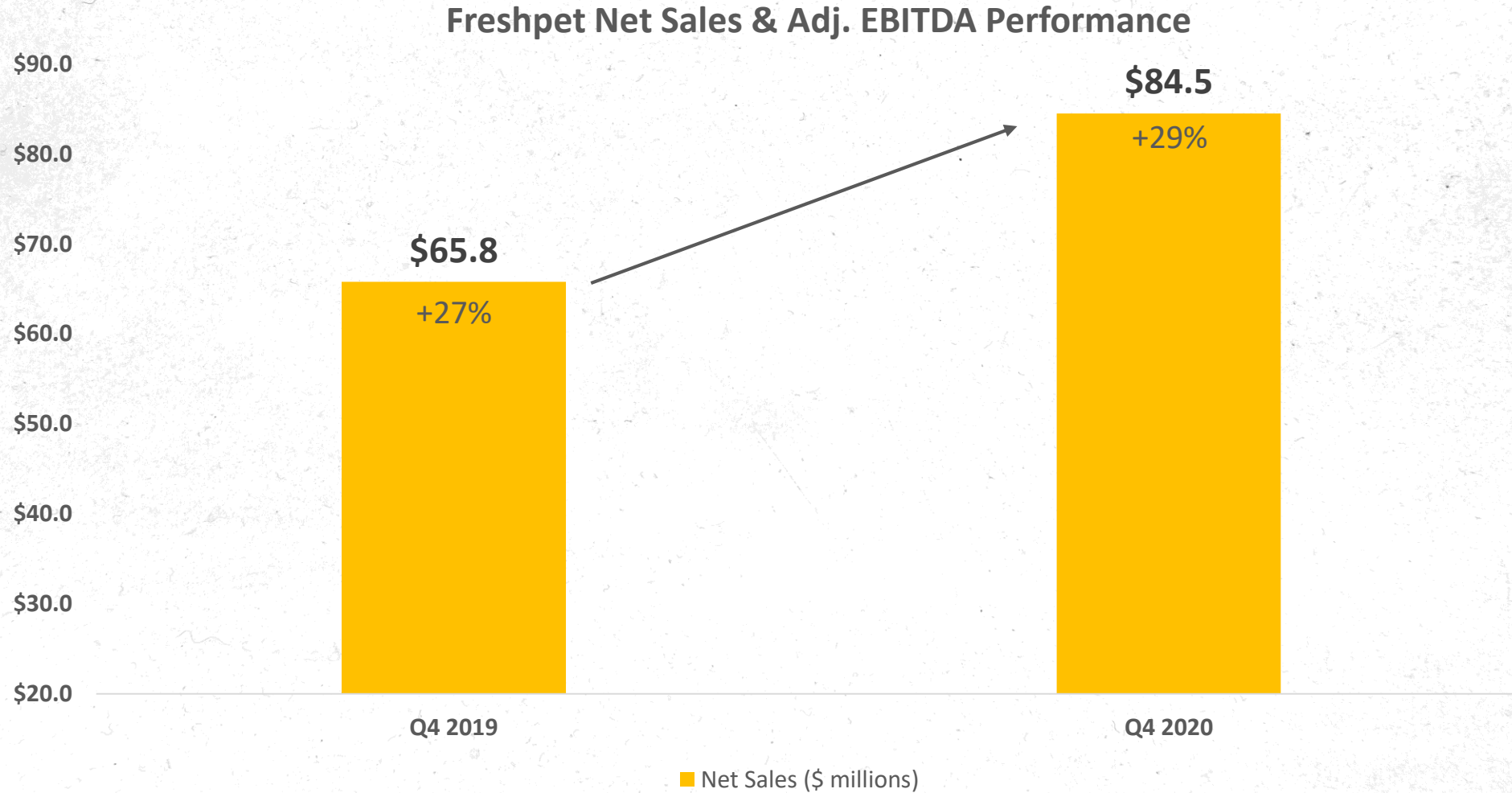
█ Panic Buying   
 █ TV   
 █ Regular Sales





2020 Net Sales & Adj. EBITDA

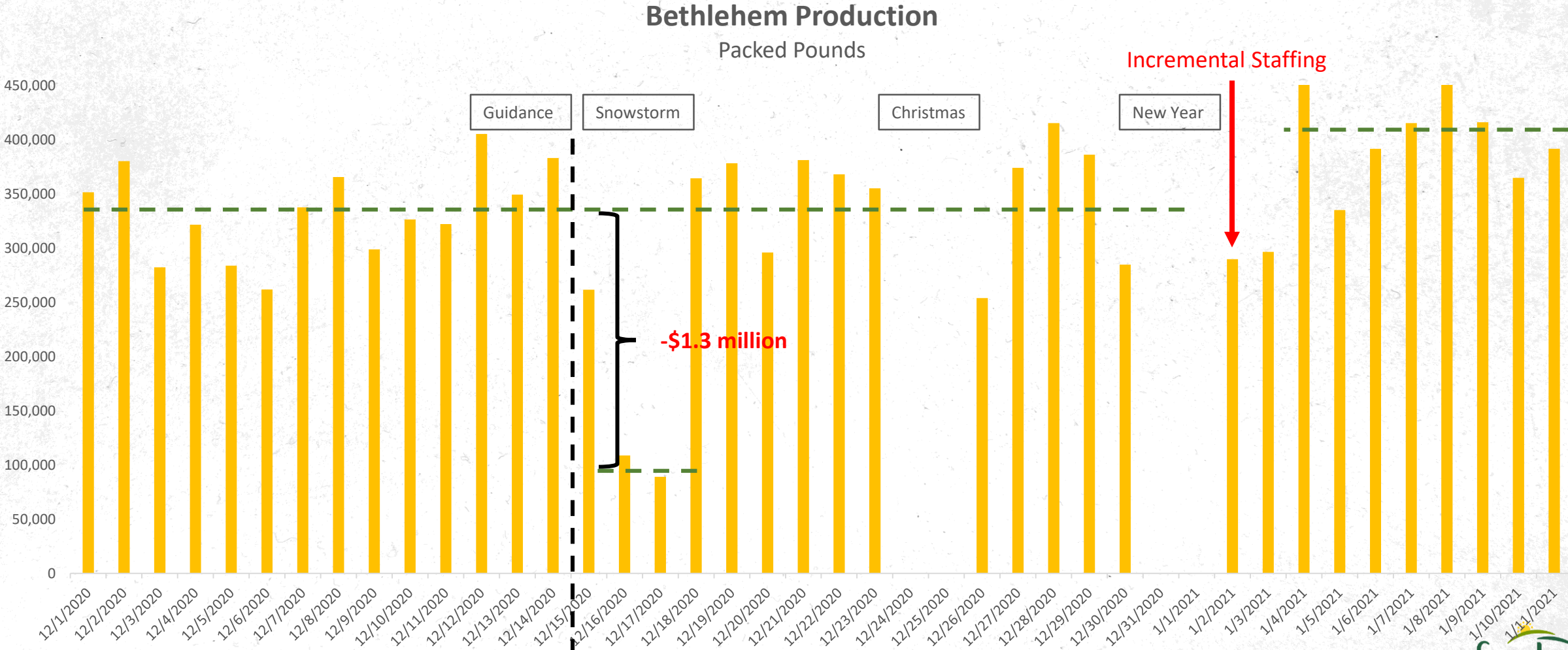
# Q4 2020 Net Sales: Strong growth constrained by supply limits



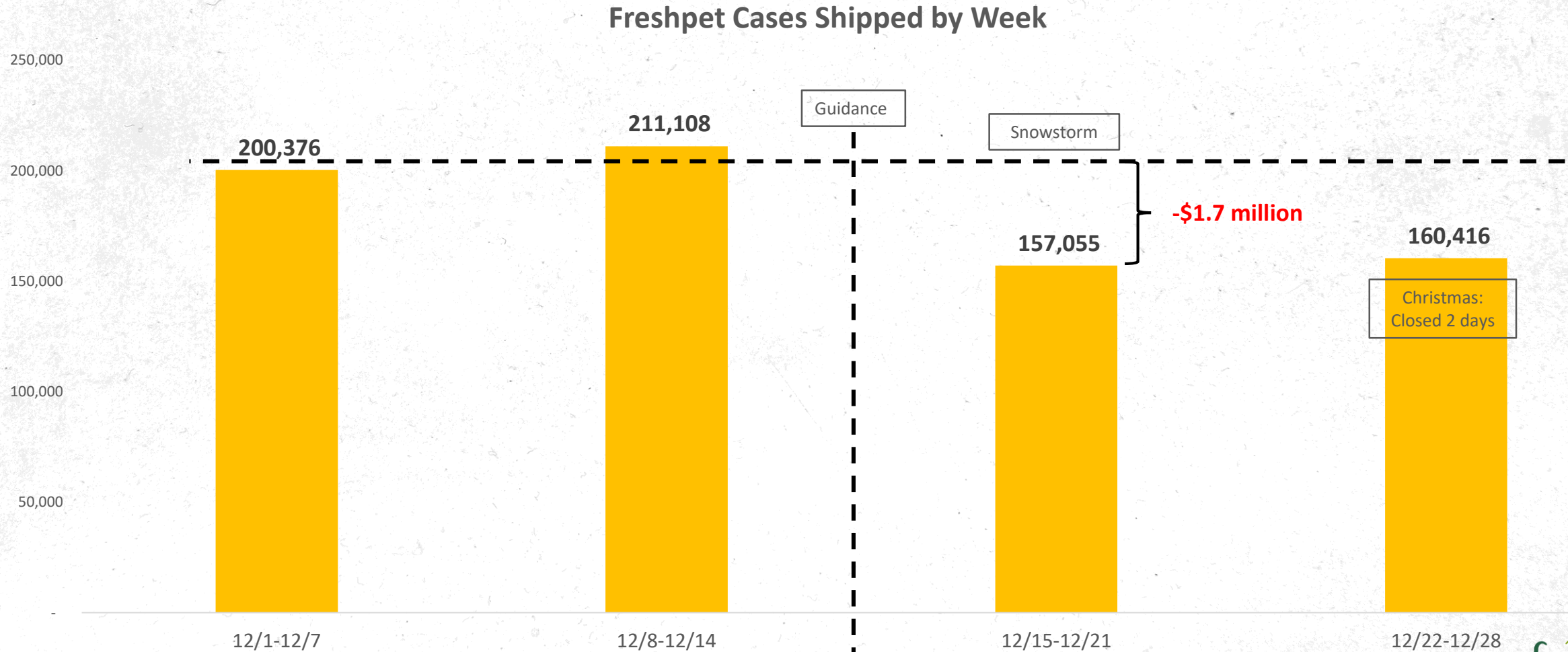
# Post-December guidance snowstorm impacted final net sales results



# Late December Nor'easter left no time to recover lost production

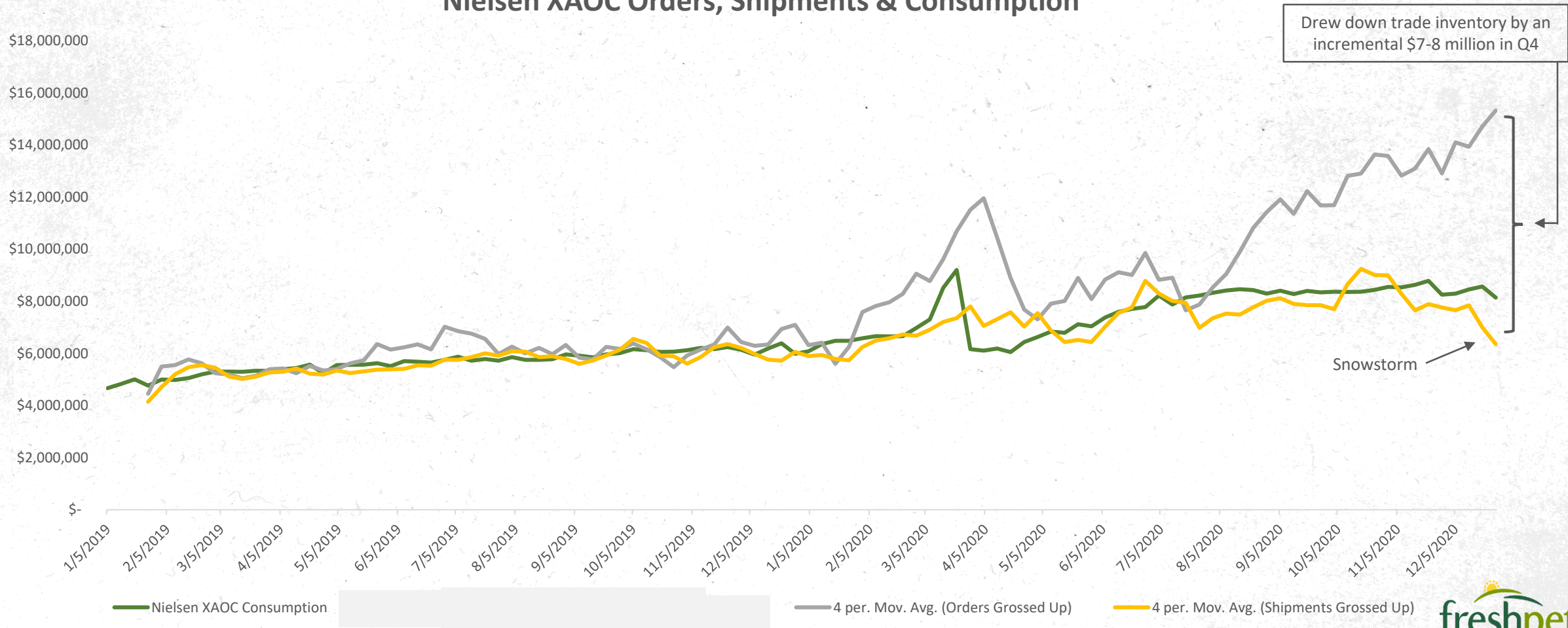


# Late December Nor'easter snarled roads and logistics system resulting in lost shipments



# Carrying a large backlog of orders into Q1 2021

## Nielsen XAOC Orders, Shipments & Consumption



Source: Nielsen Mega-Channel Data thru 12/26/20 and internal company data



# Updated 2020 Net Sales & Adj. EBITDA guidance

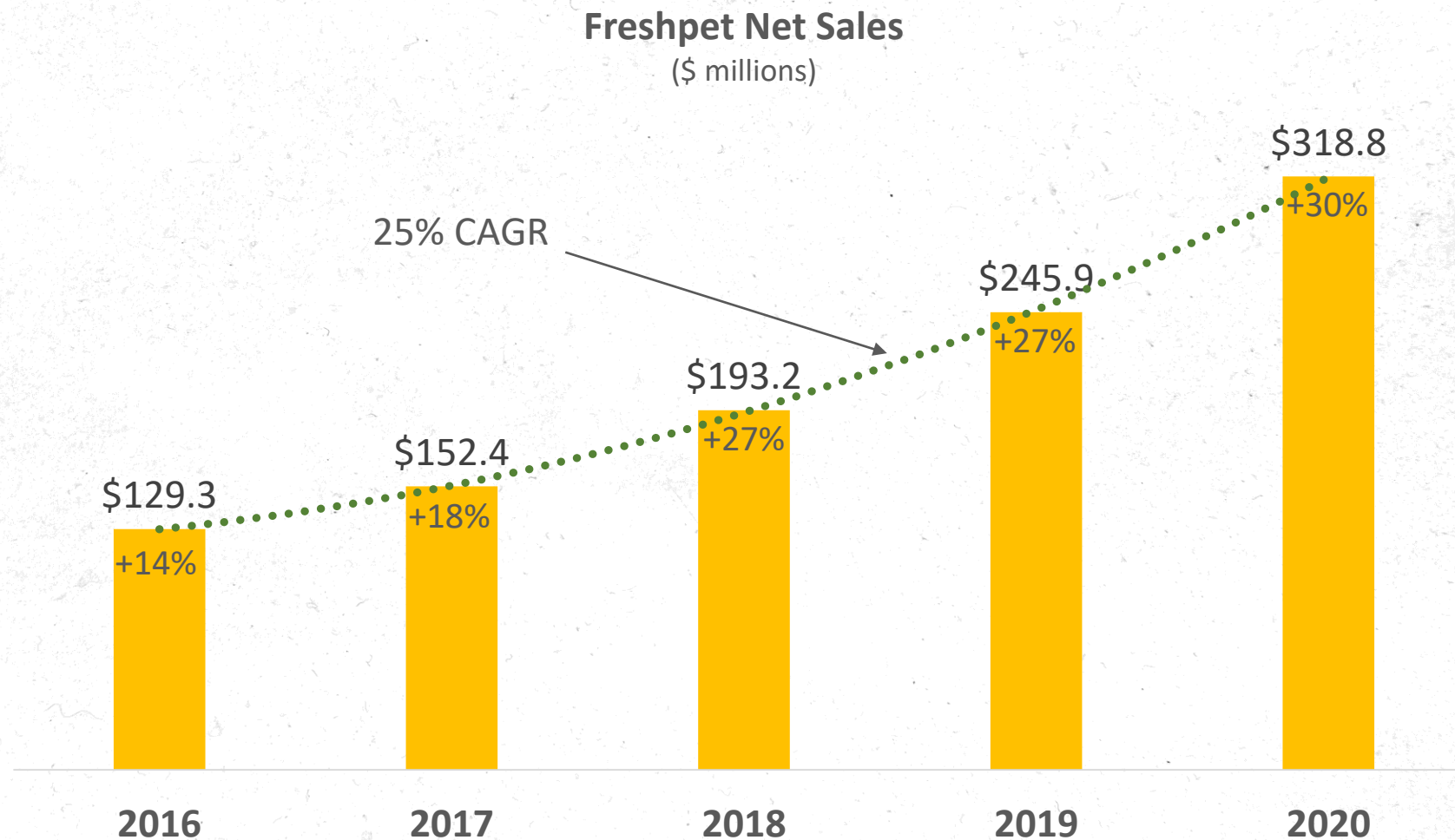
\$ in Millions	Previous	Actual/Est.	Growth vs YA
<b>Net Sales (actual)</b>	<b>&gt;\$320</b>	<b>\$318.8</b>	<b>+30%</b>
<b>Adjusted EBITDA (est.)</b>	<b>&gt;\$46</b>	<b>~\$46</b>	<b>+58%</b>

## Updated Commentary:

- **Volume cadence:** Strong demand continues but supply was constrained in the back half of Q4 due to COVID testing/quarantines, holidays and weather
- **Advertising investment:** Completed Q4 advertising investment in the US and UK with positive results. Delayed Q1 2021 advertising to begin at the end of January rather than beginning of January and begin at lighter weights.
- **Gross margin:** Q4 adj. gross margin will be hurt by mix shift to bags, increased testing/quarantines that result in lost production, and continued higher cost of beef. Q4 adj. gross margin ~46% range.
- **Add Backs:** COVID-19 related costs accelerated in Q4 due to testing and quarantines; anticipate ~\$4 million in total costs for the year.

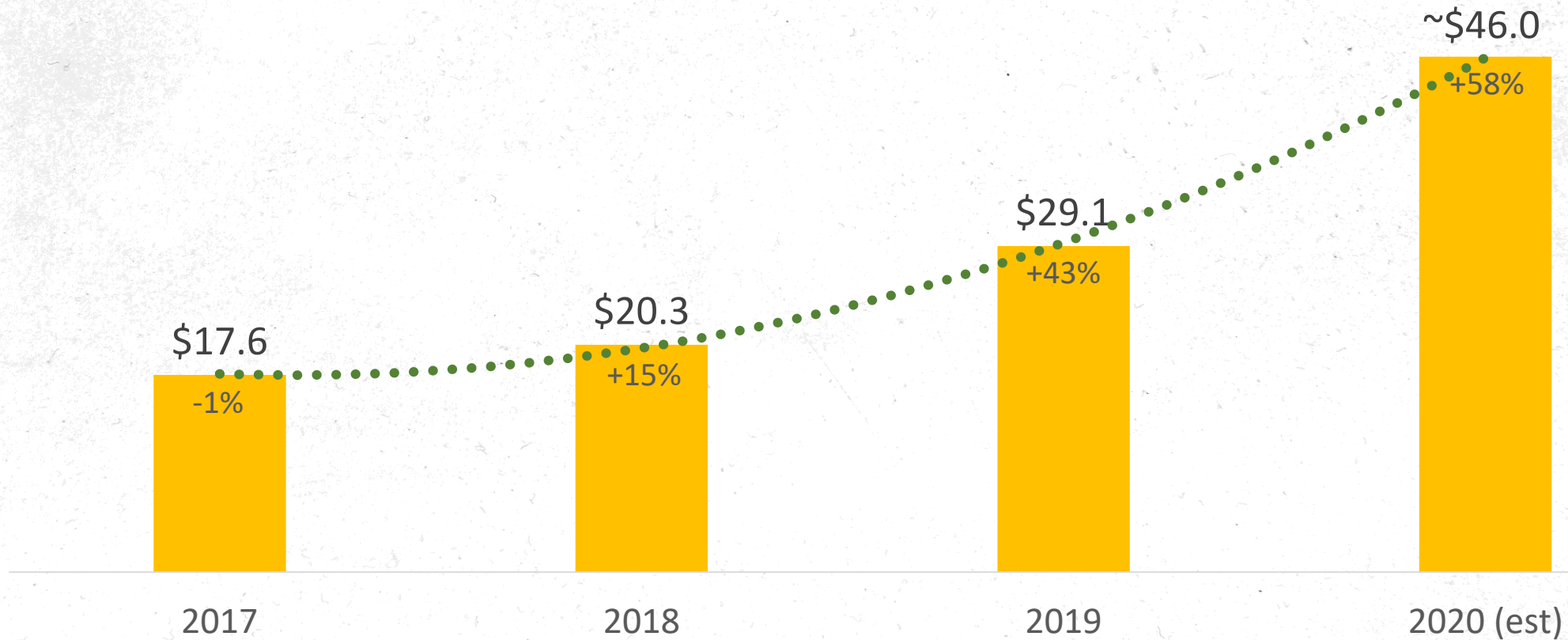


# 2020: Accelerating growth rate continues



# Capturing scale benefits on bottom line

Freshpet Adjusted EBITDA  
(\$ millions)

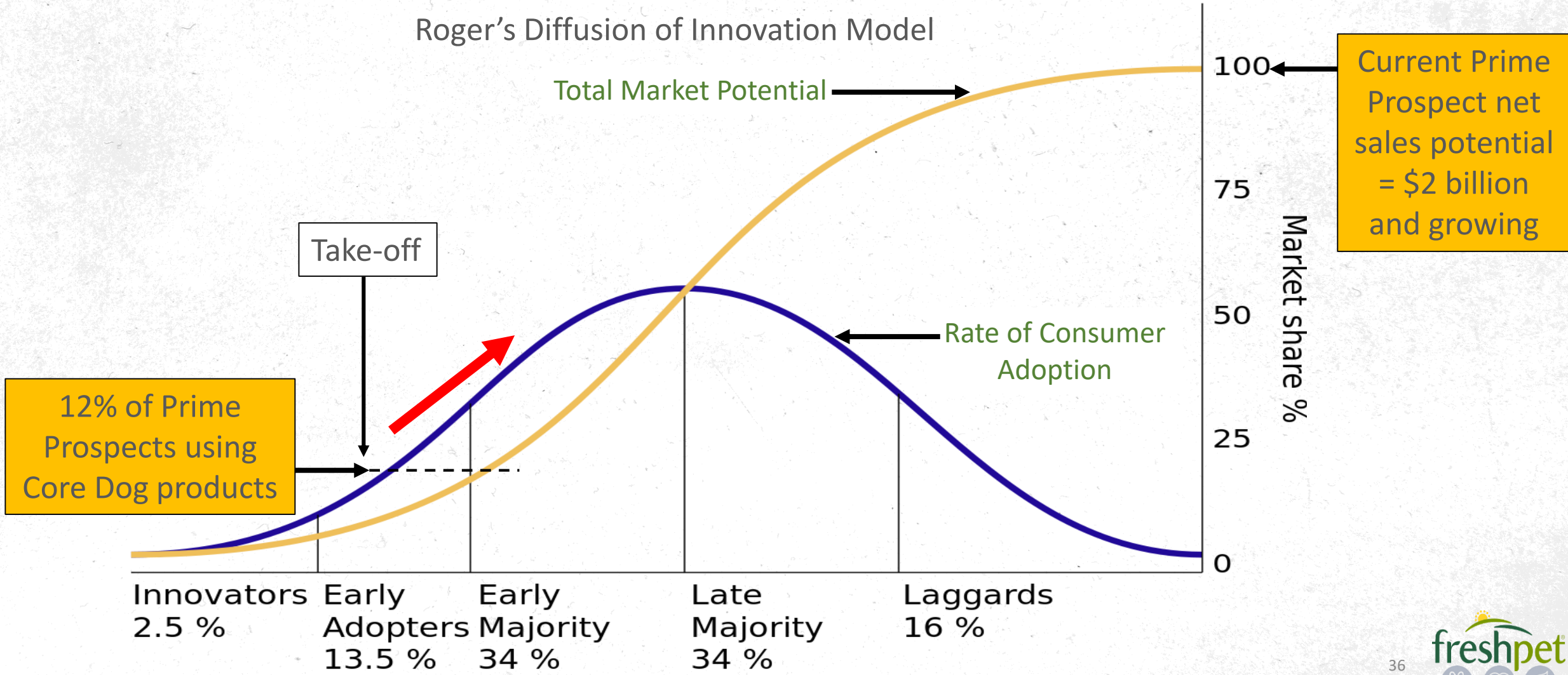




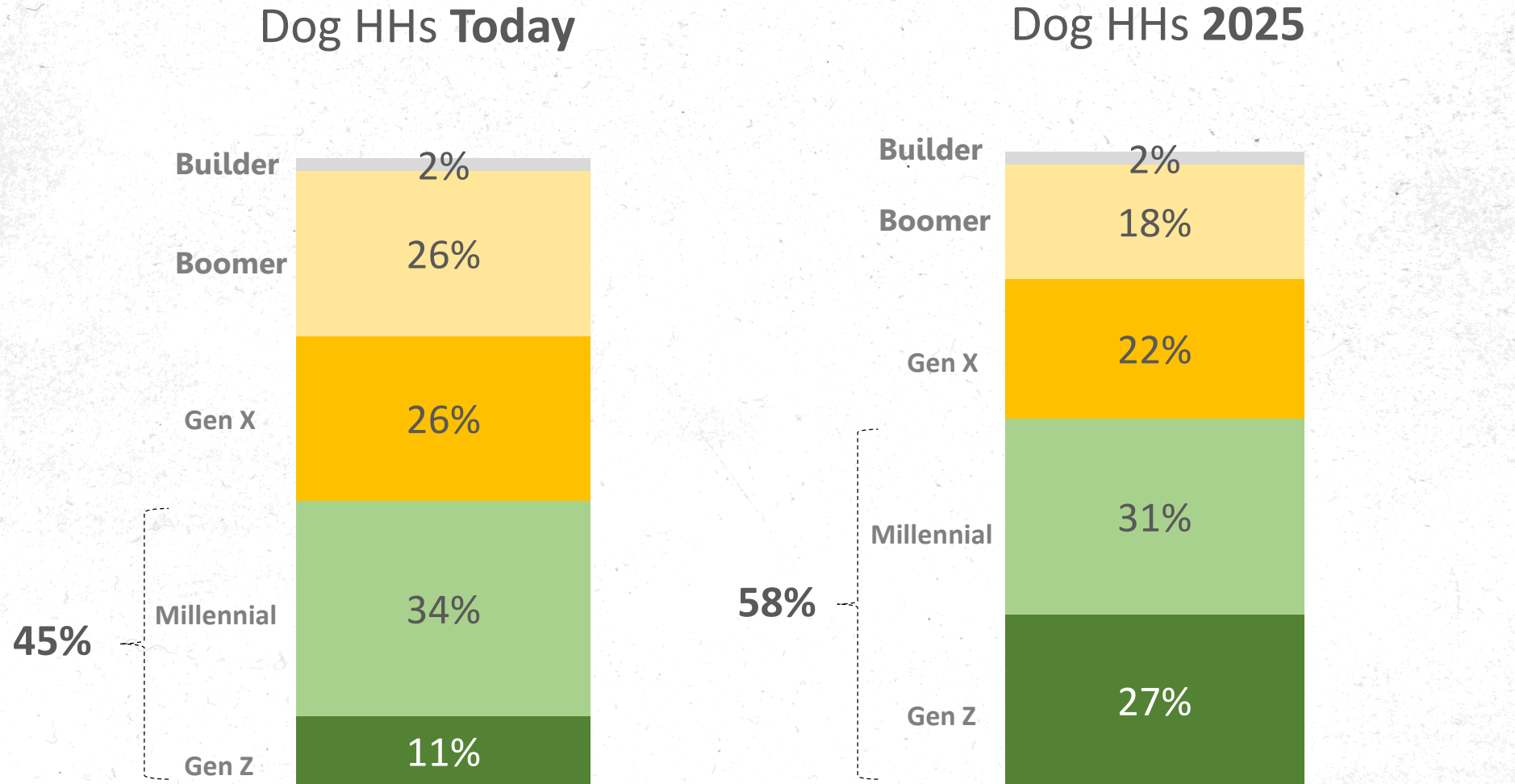
Growth Opportunity: Penetration and Buying Rate

# In the early stages of accelerating consumer adoption

Roger's Diffusion of Innovation Model



# Demographic trends are working in our favor

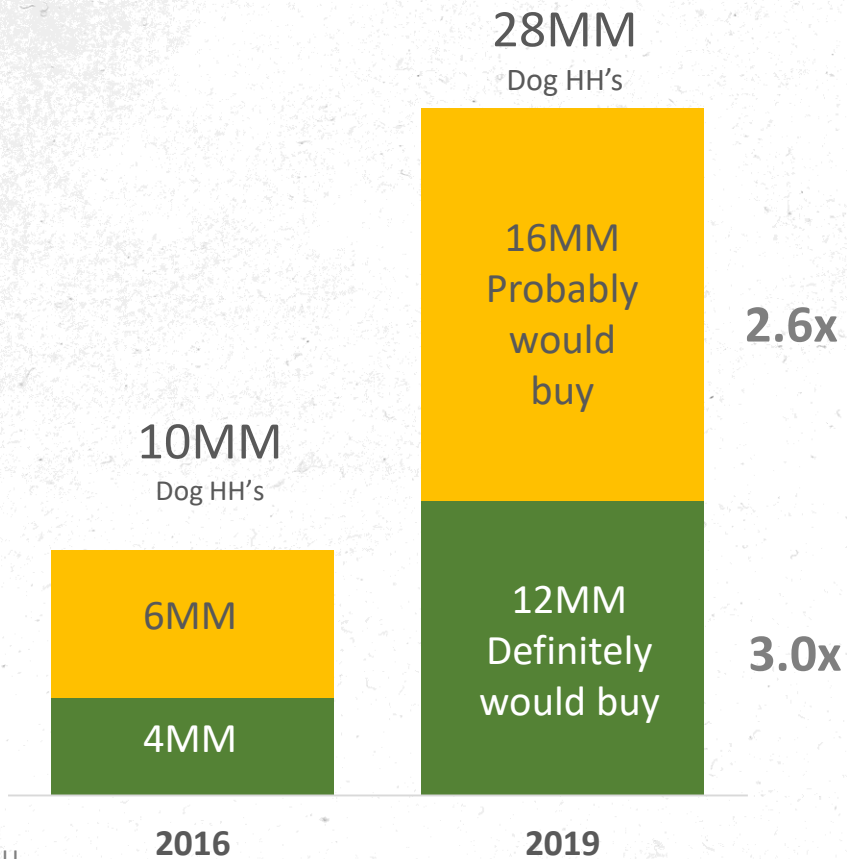


# Addressable market: >20 million HH's

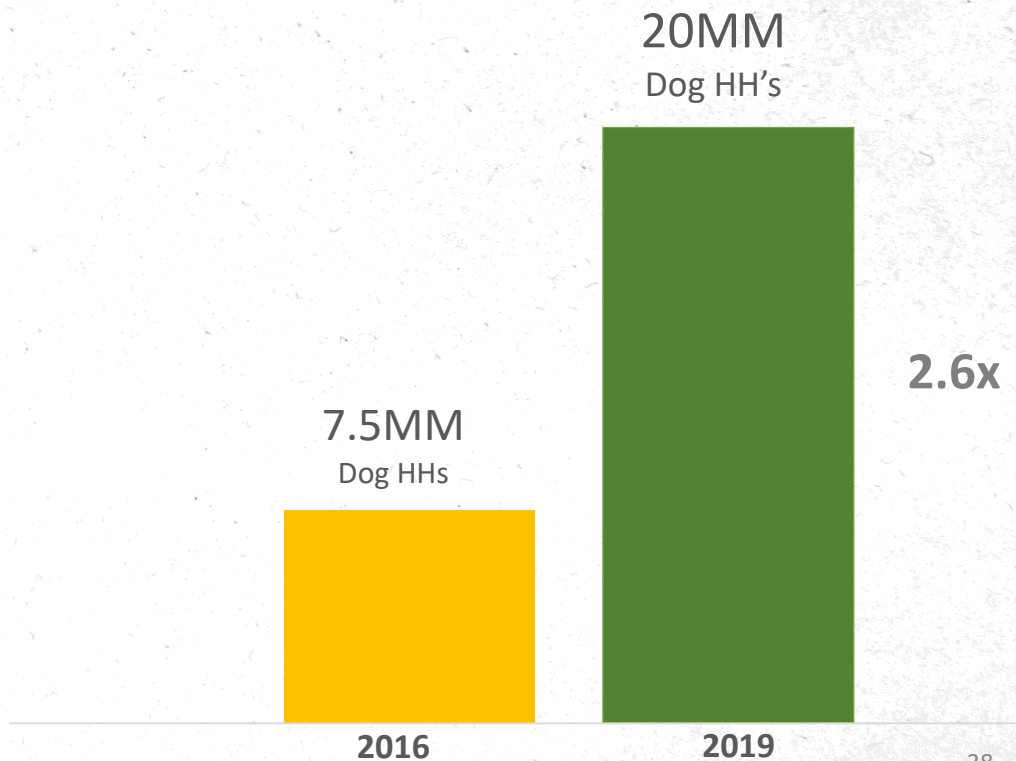
## Consumer Concept

Purchase Interest Among Never Users

Top 2 Box purchase interest

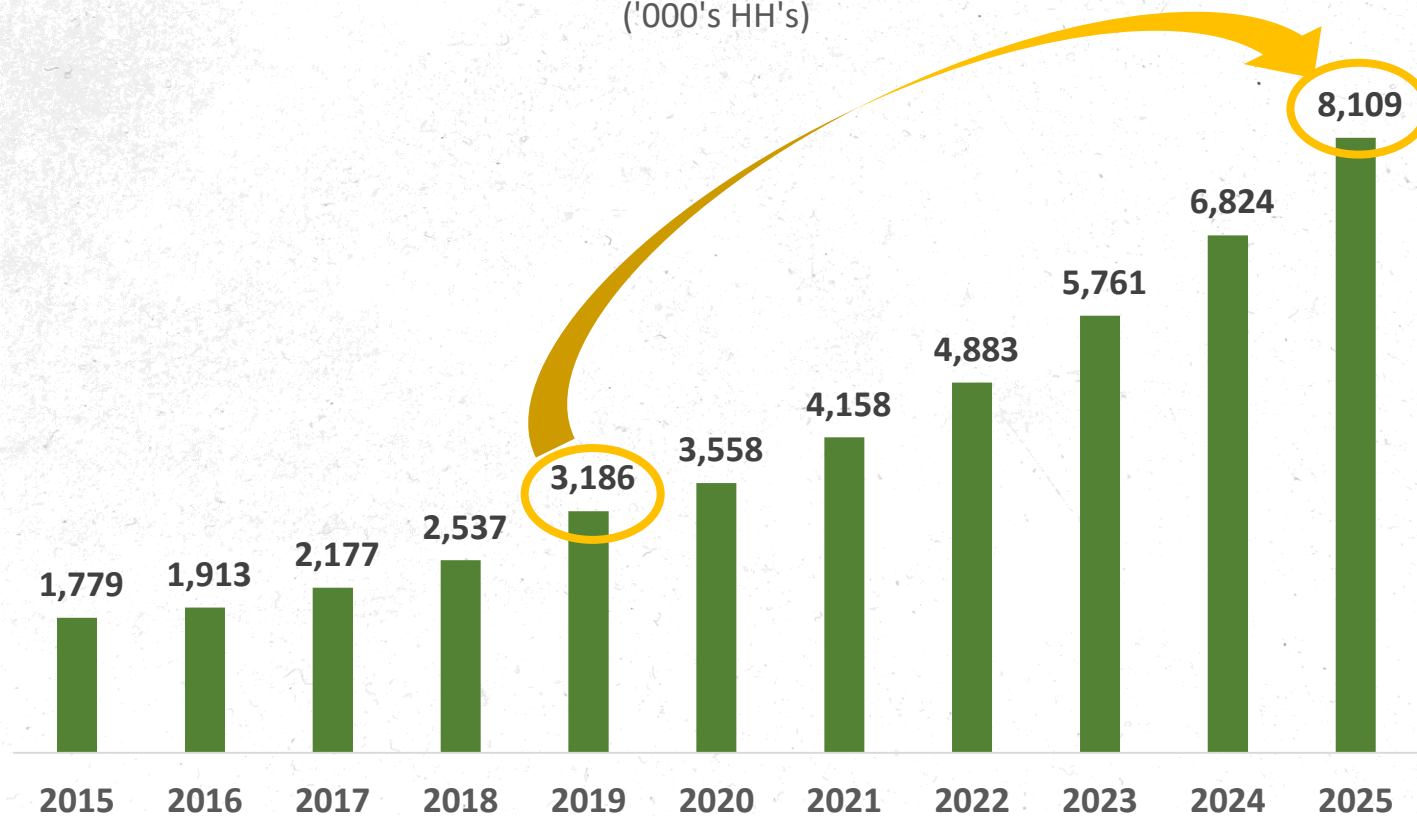


## Prime Prospect Methodology



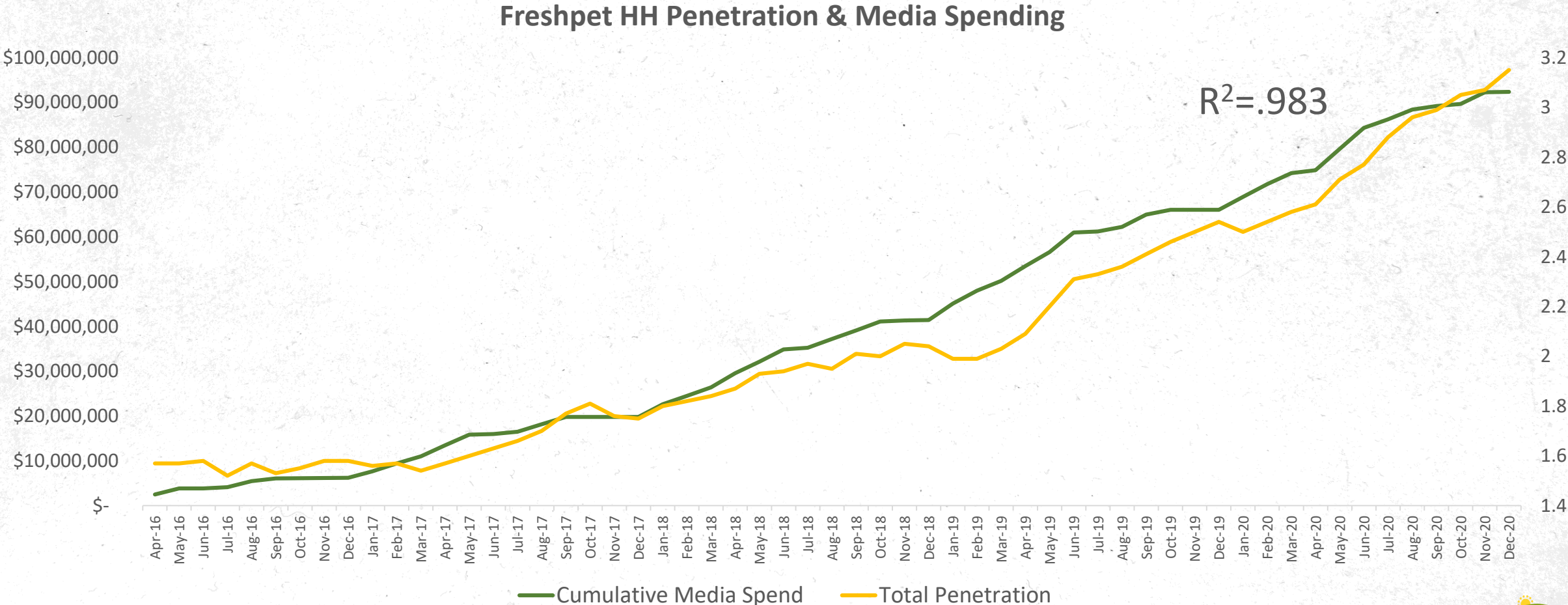
# 5 million more HH's by 2025

Freshpet HH Penetration  
('000's HH's)



freshpet  
**2025**  
BY  
**FEED THE GROWTH**

# Demonstrated track record of driving HH penetration gains via media investment



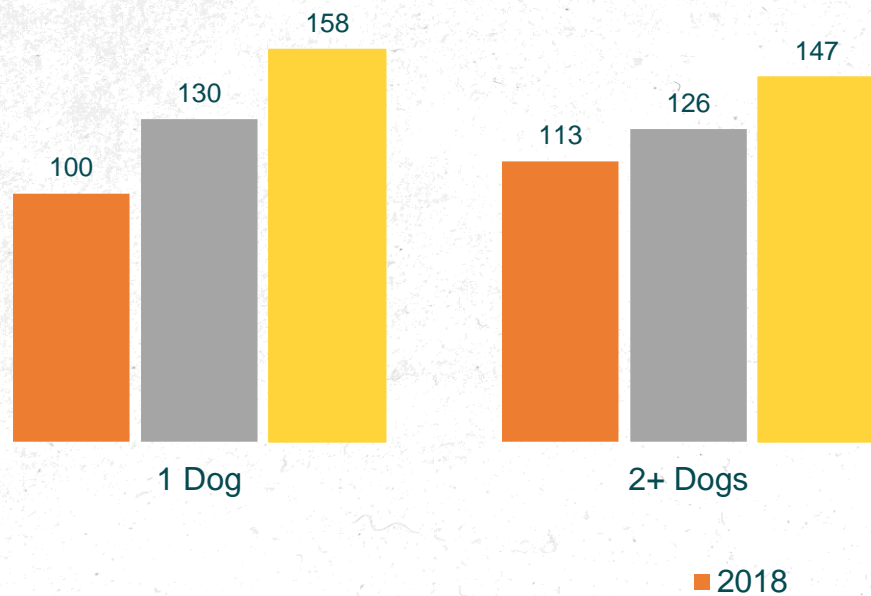
Source: Nielsen 52-week HH panel through 12/26/20 and internal data



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

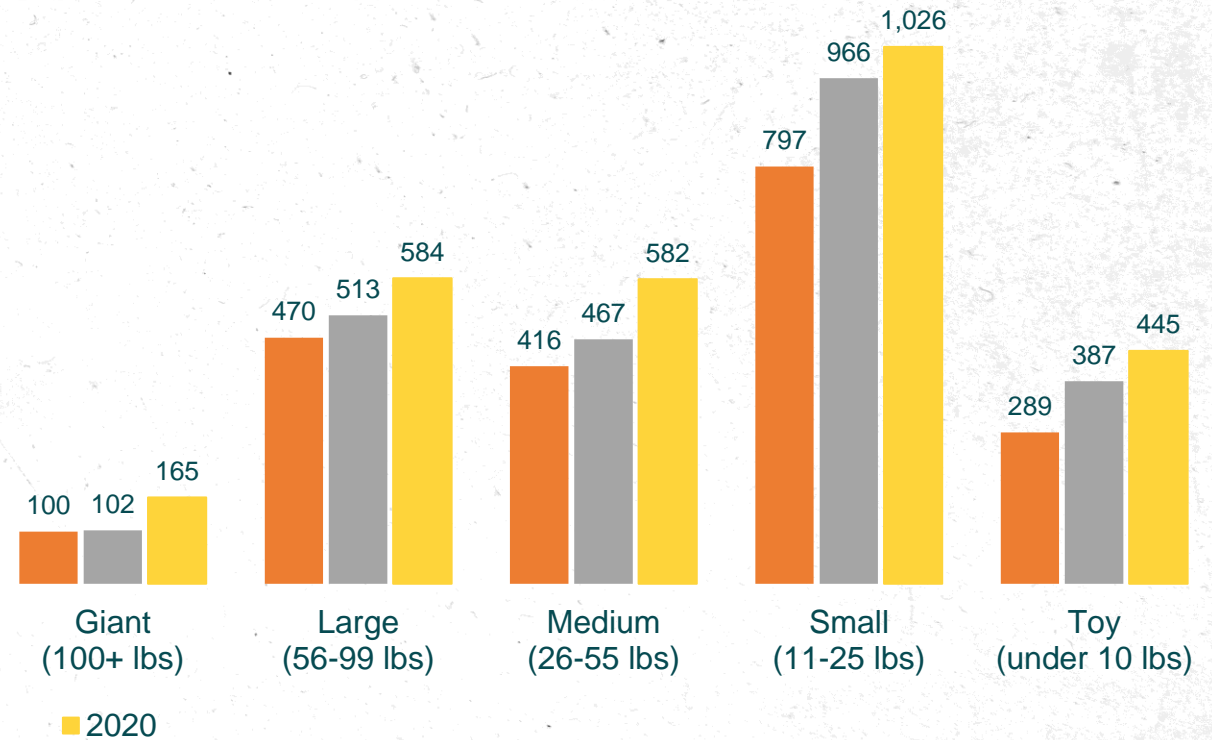
## Freshpet HH's by # of Dogs\*

(Index vs 1 dog in 2018)



## Freshpet HH's by Size of Dog\*

(Index vs Giant Dog in 2018)



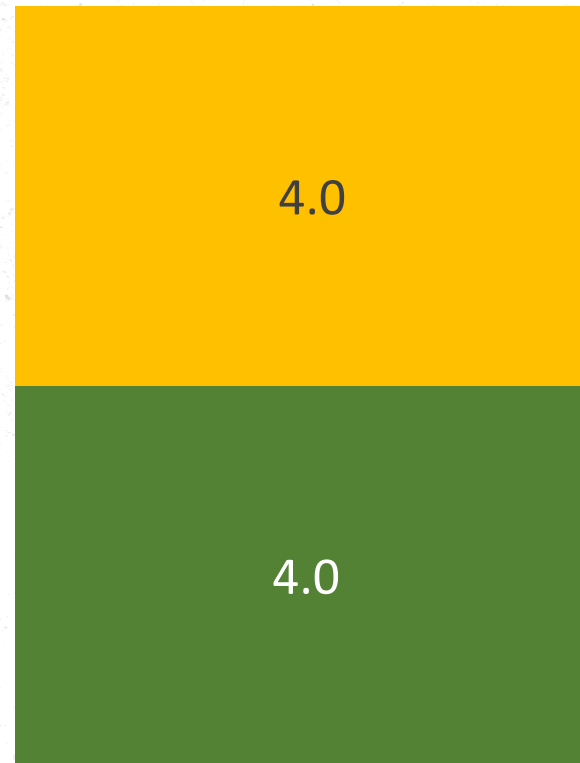
\*Source: Numerator Insights, Mini-America, Freshpet shoppers n=2,432 in 2020; Different source than Nielsen HH panel data typically reported thus totals are slightly different. To avoid confusion, we have converted actual numbers to indices to show trends.

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

\*Sample size small on Giant dog group

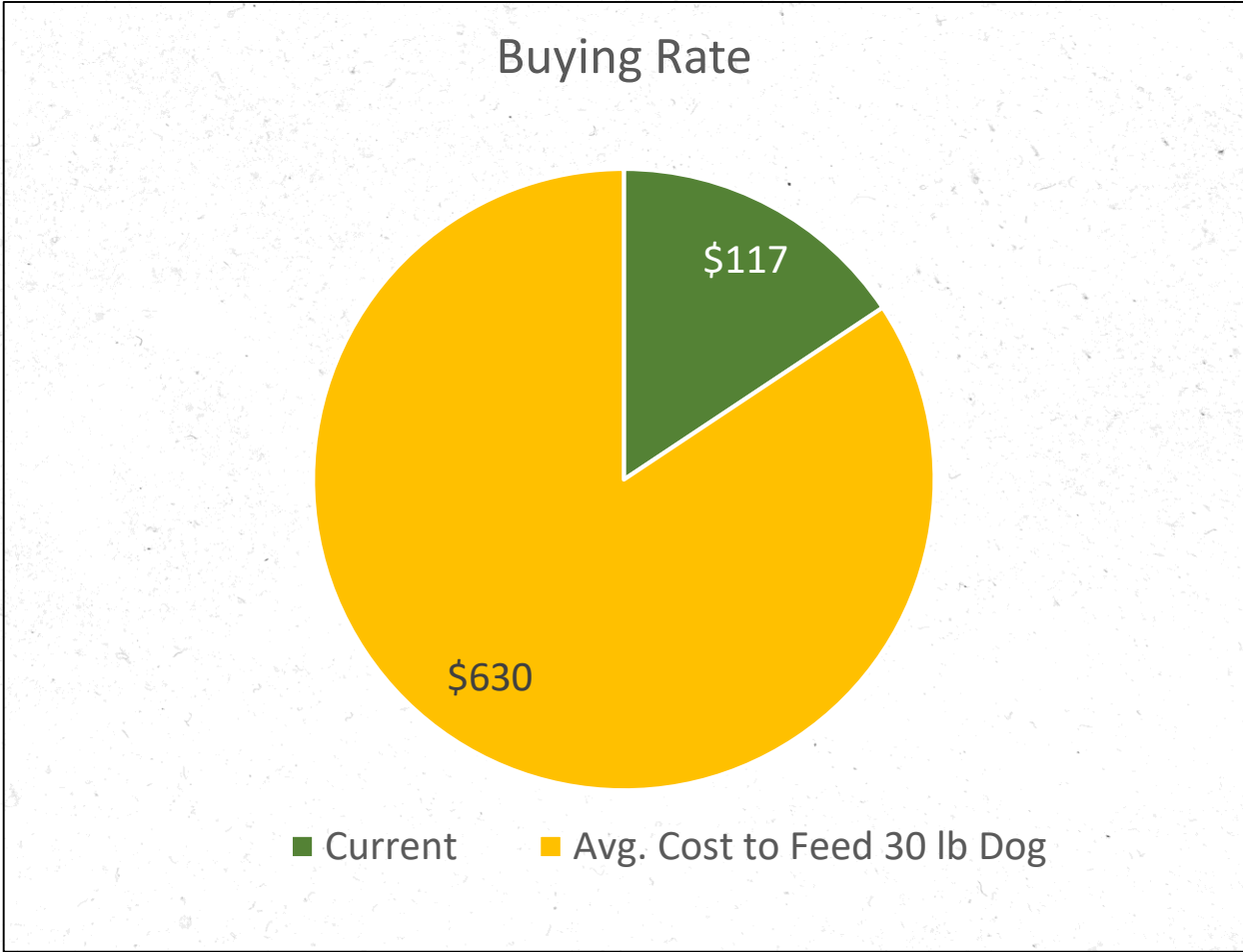
# Halfway to our 2025 8 MM HH goal

## Progress Towards 2025 HH Penetration Goal



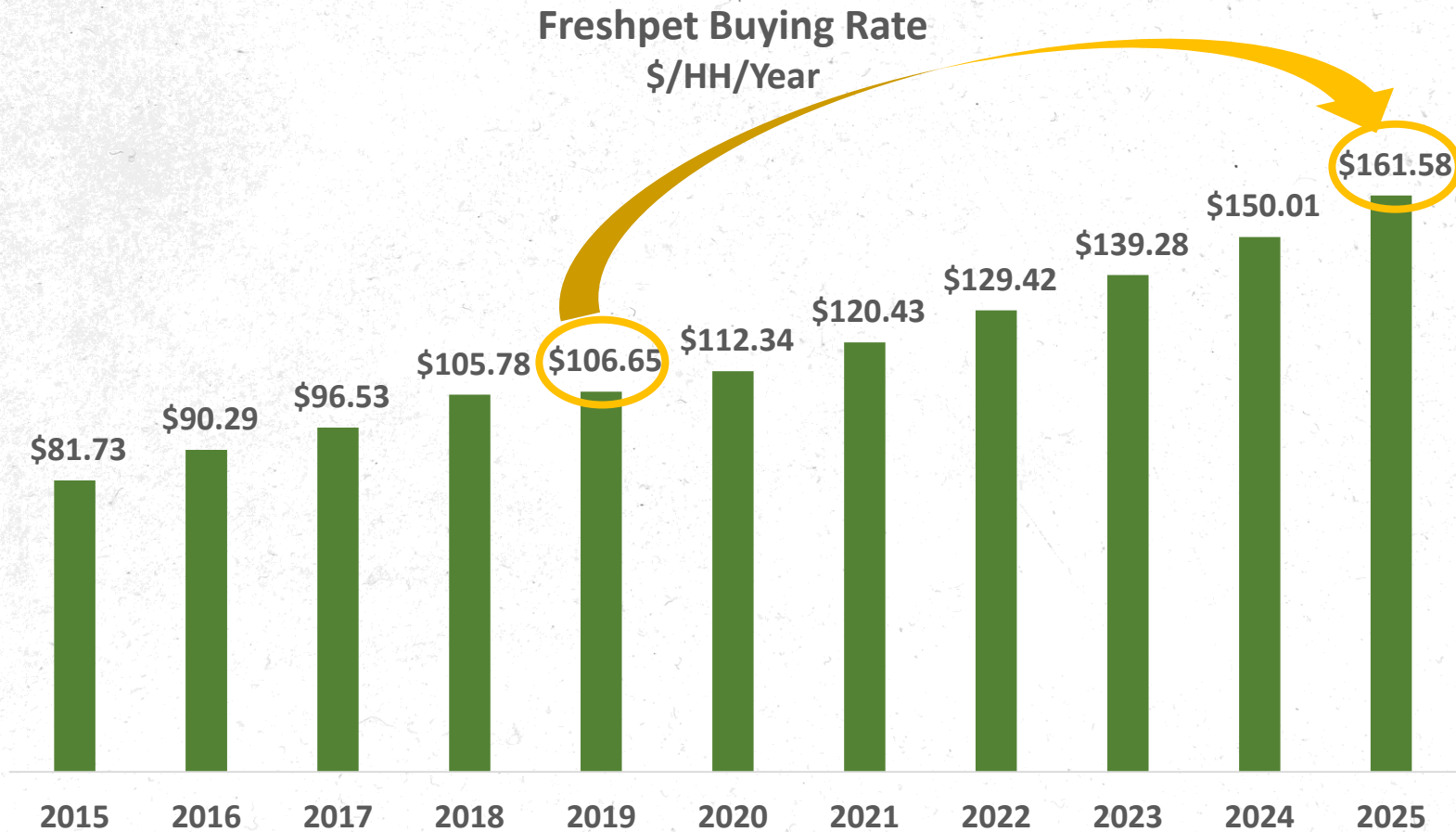
■ Current HH Penetration    ■ 2025 Target HH Penetration

# Opportunity to continue growing the buying rate



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

# Quality & satisfaction drives increasing buying rate



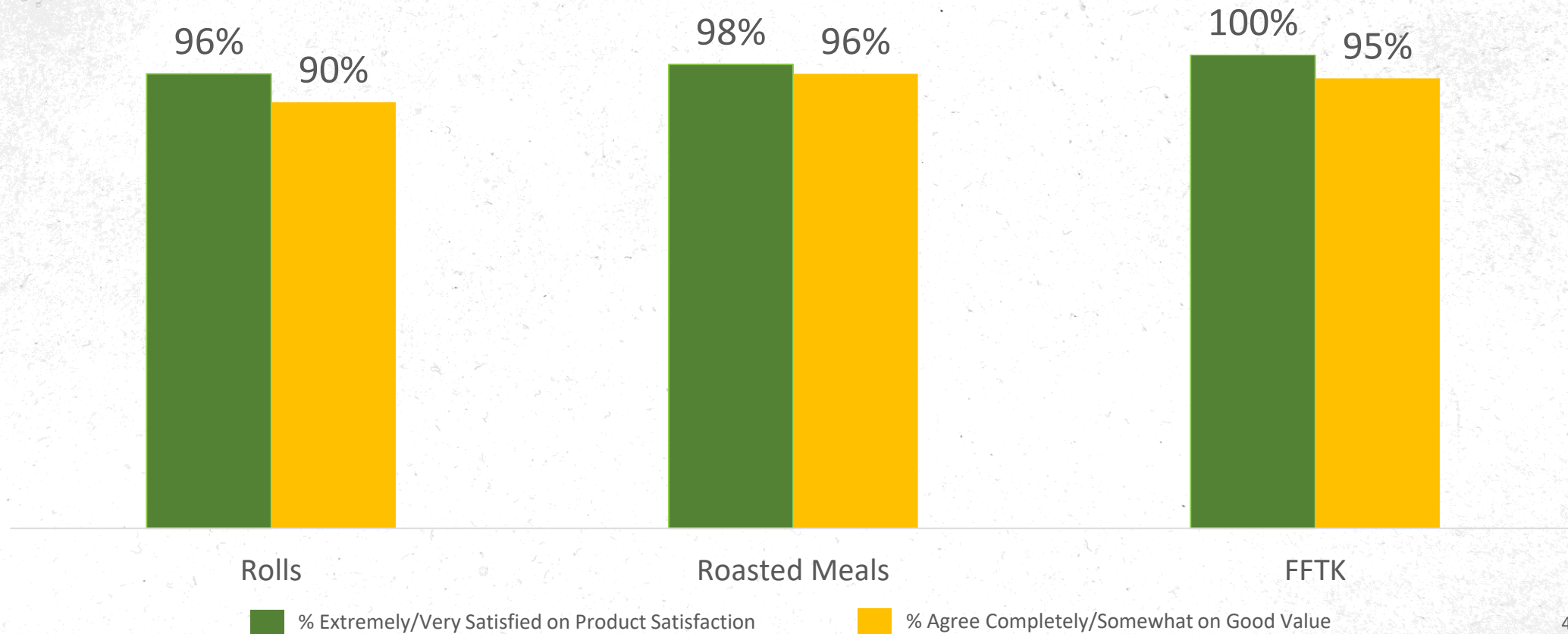
\$630 = cost to feed 30 lb. dog/year



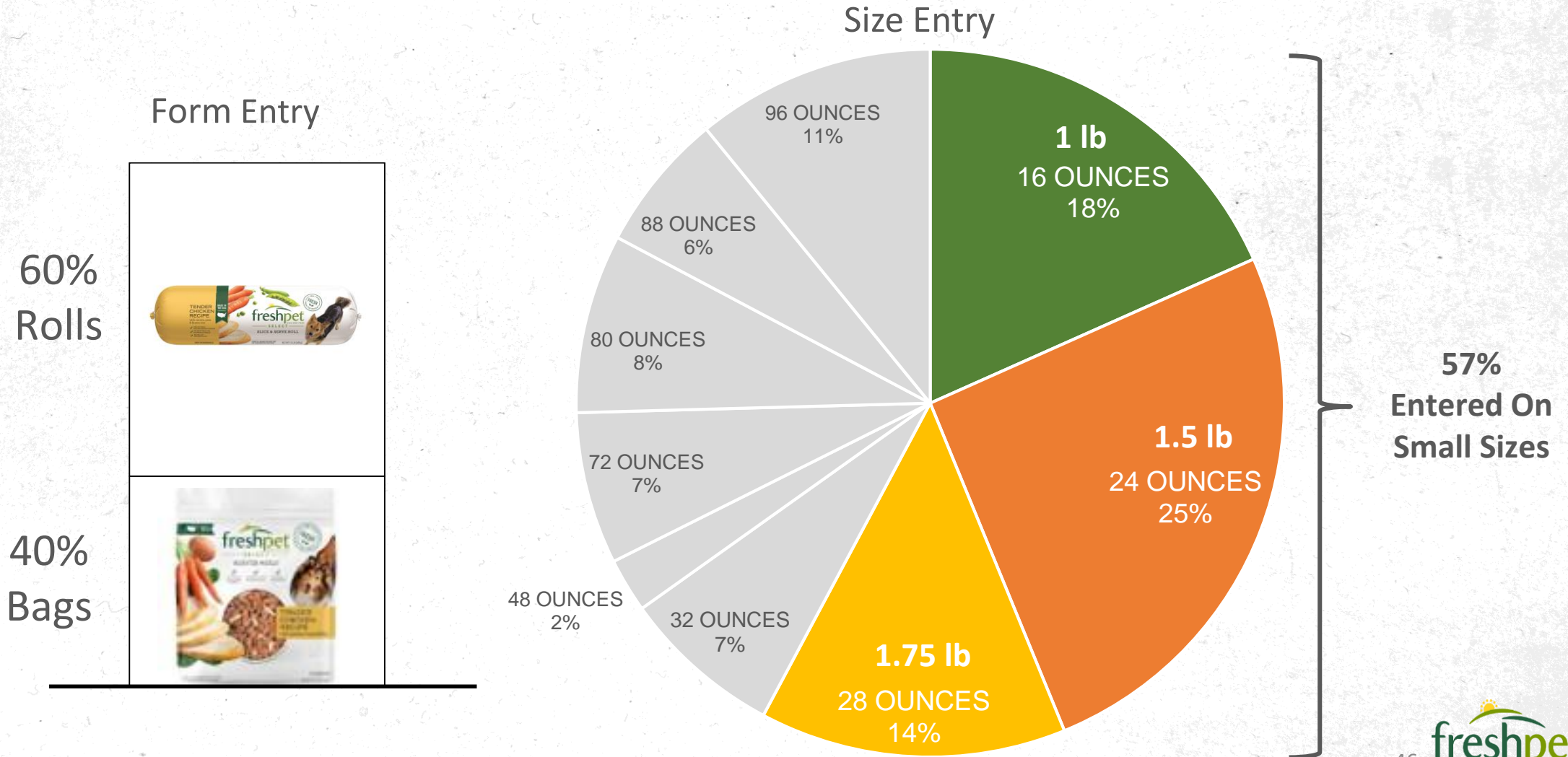
# Very strong consumer satisfaction

## Freshpet Product Satisfaction

Top Two Box Percentages  
Among Regular FP Users

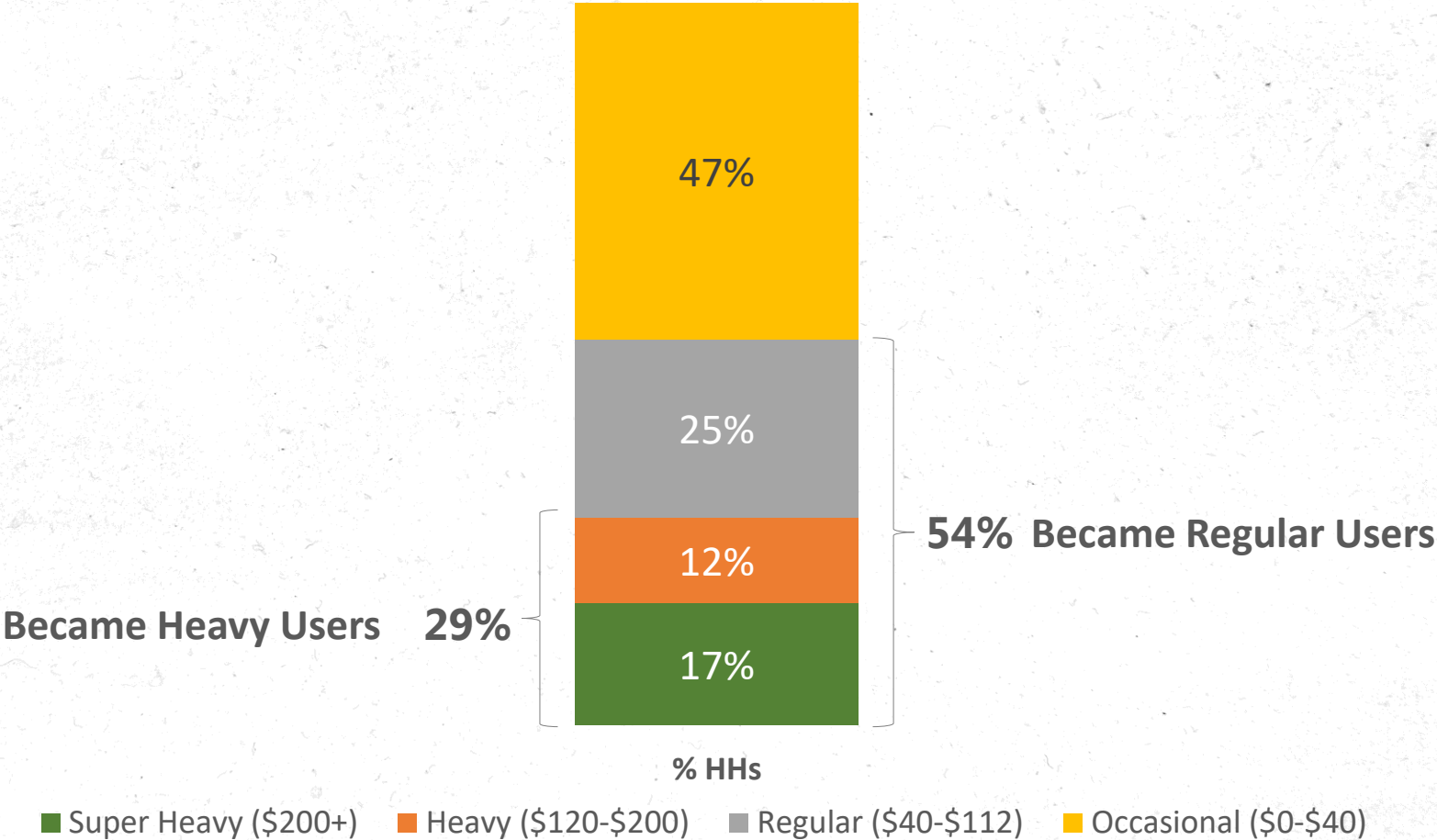


# The Freshpet journey begins tentatively – as you would expect with something so different and new



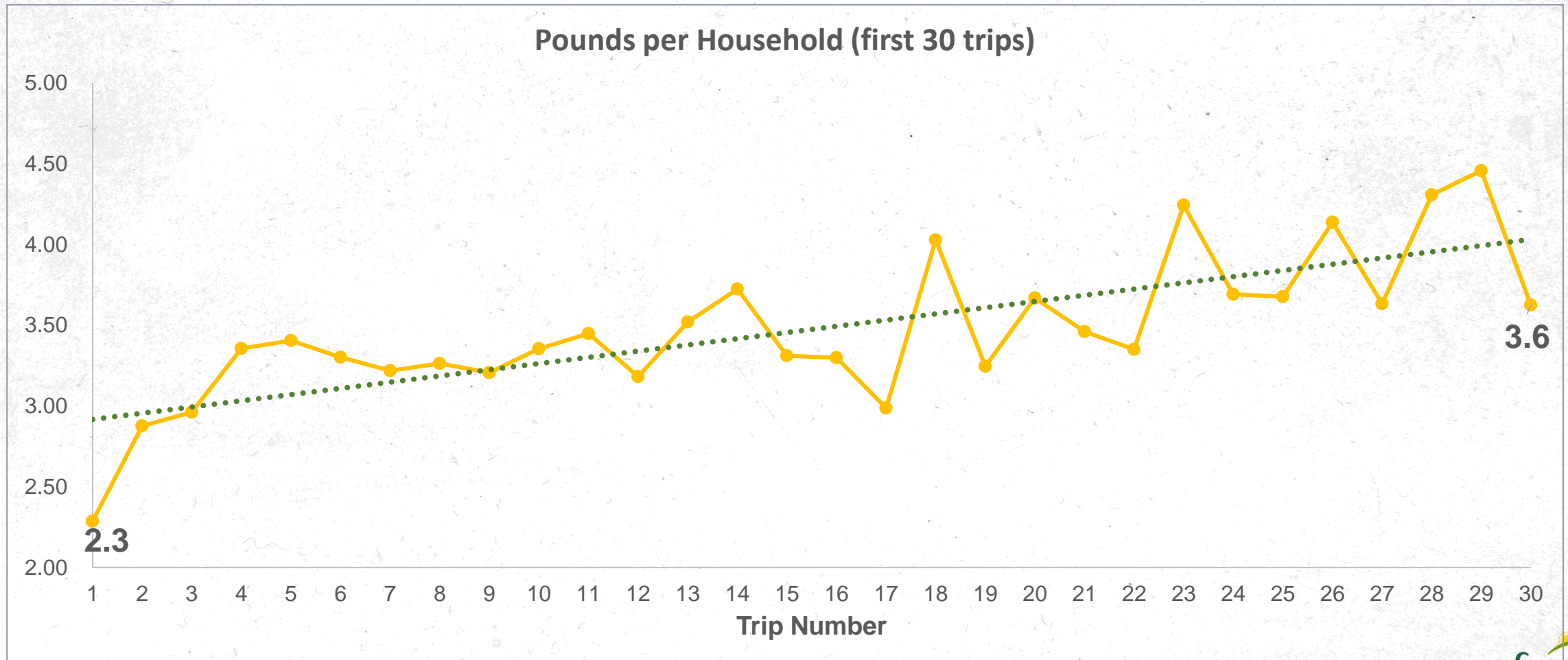
# More than half of new users become regular users

2019 Buying Habits of New Consumers Who Entered in 2018



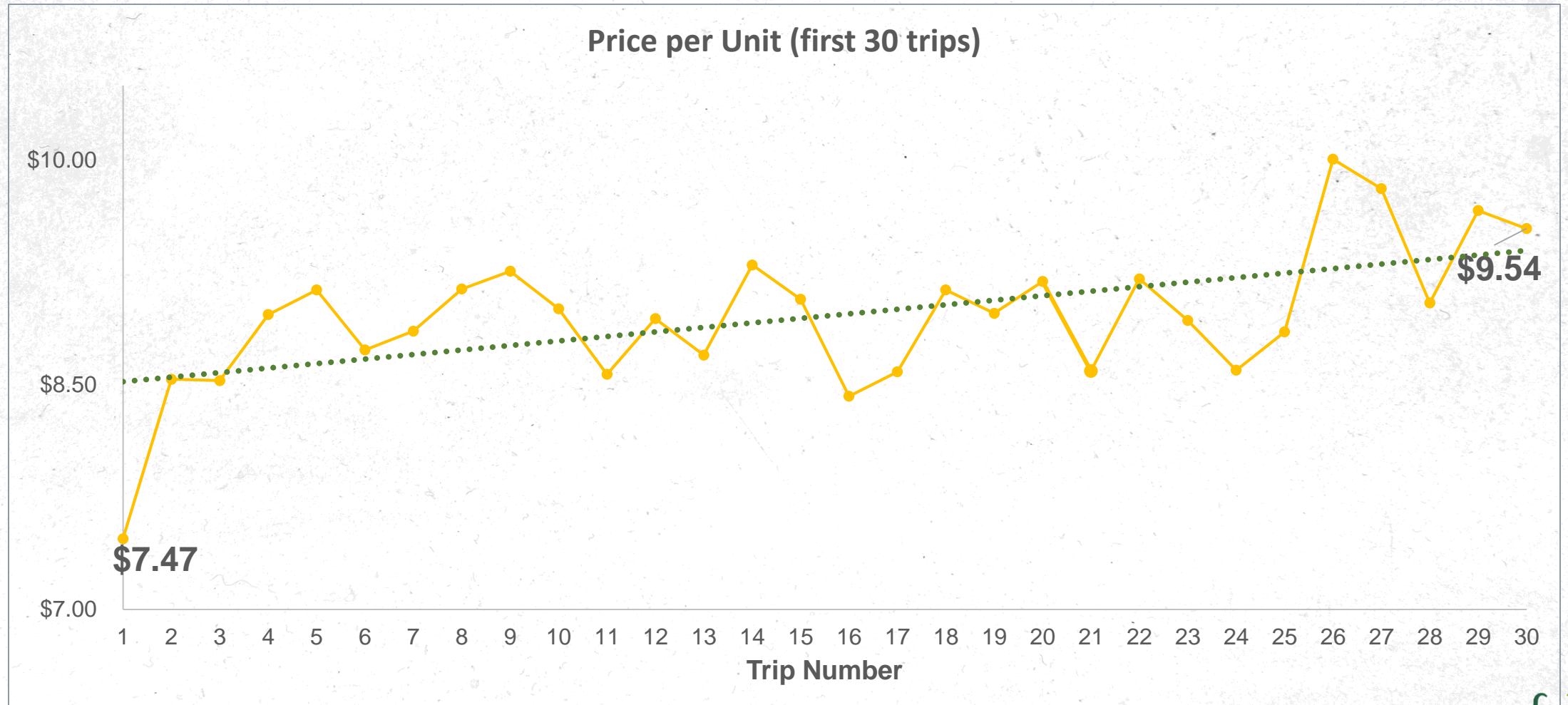
Source: Nielsen Freshpet Behavioral Study Preview – February 2020

# Buying larger quantities per trip

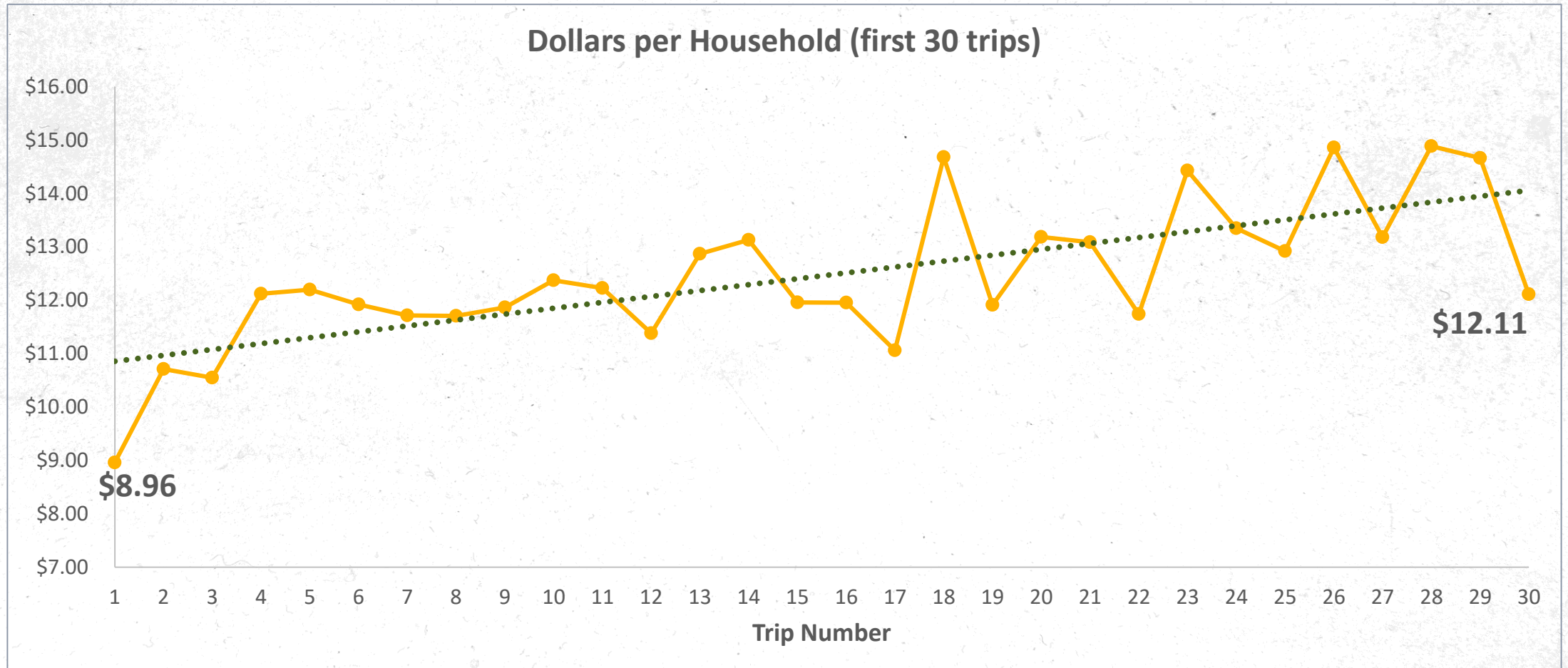




# Moving into larger sizes and higher price points

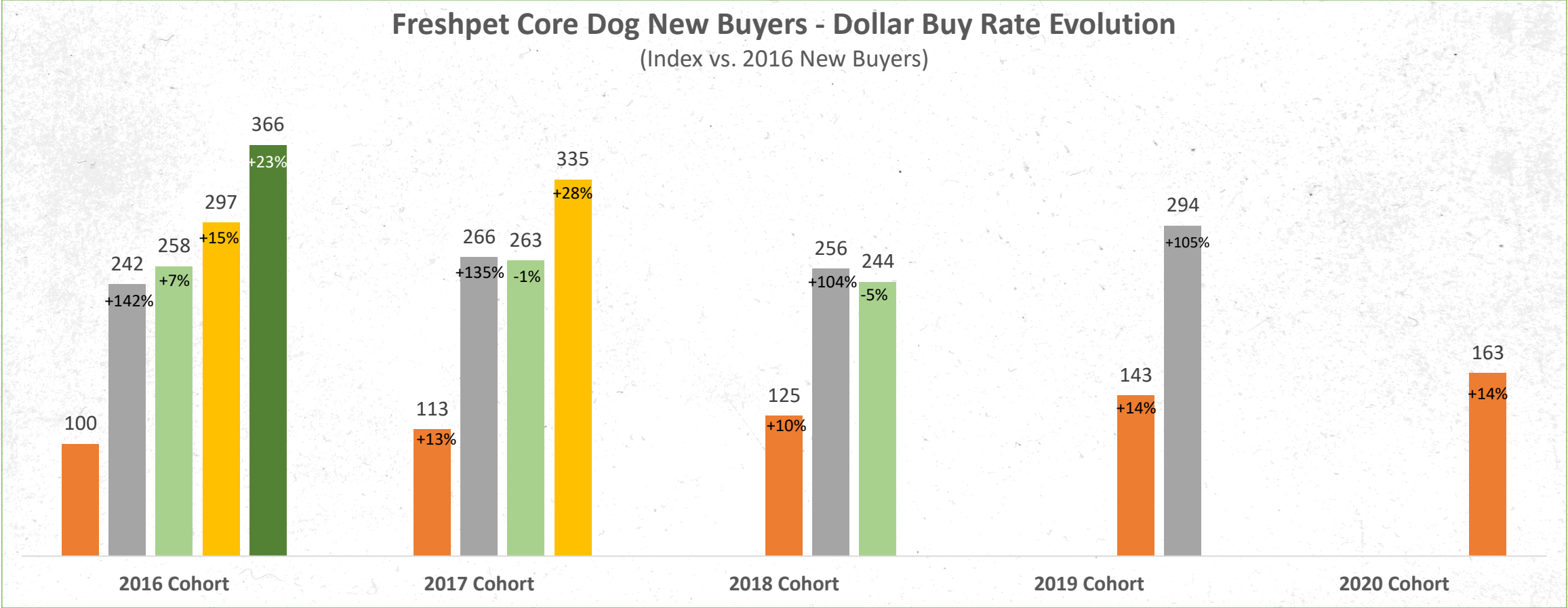


# Steady increase in dollars spent per trip



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

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



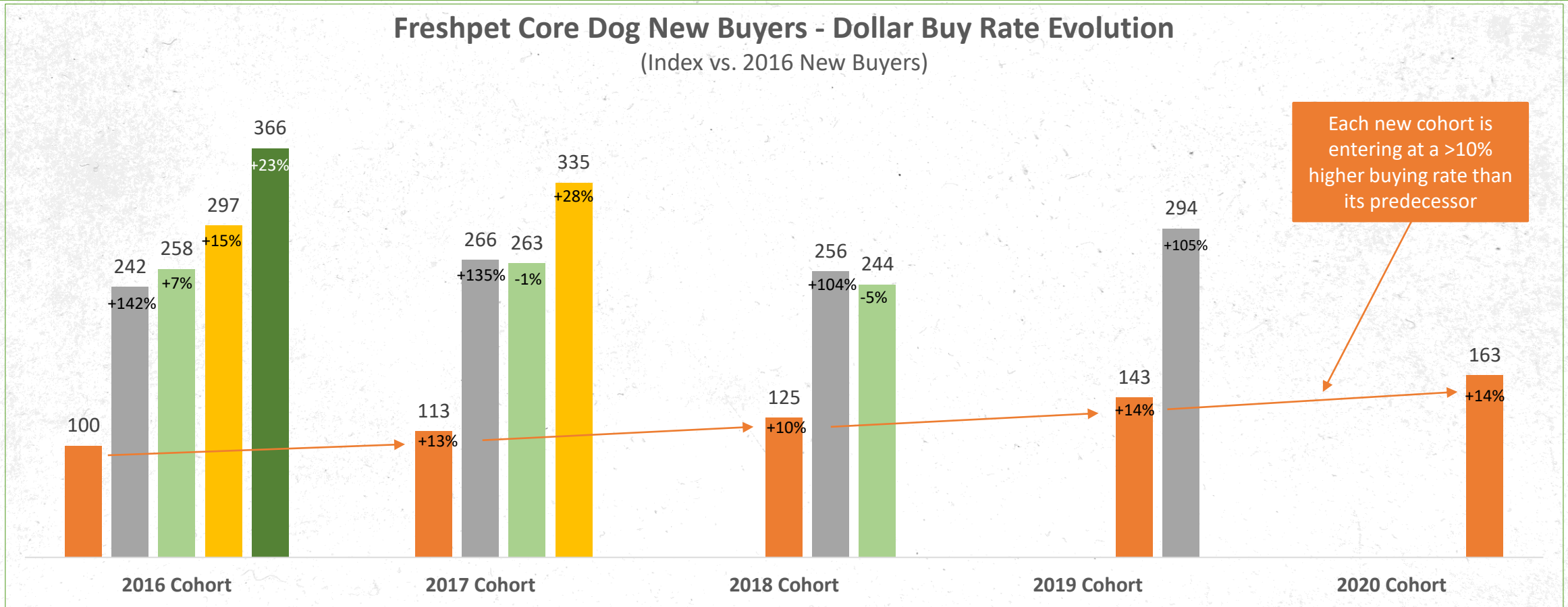
■ Year 1  
 ■ Year 2  
 ■ Year 3  
 ■ Year 4  
 ■ Year 5

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

Source: Nielsen New Buyer Analysis, 2020

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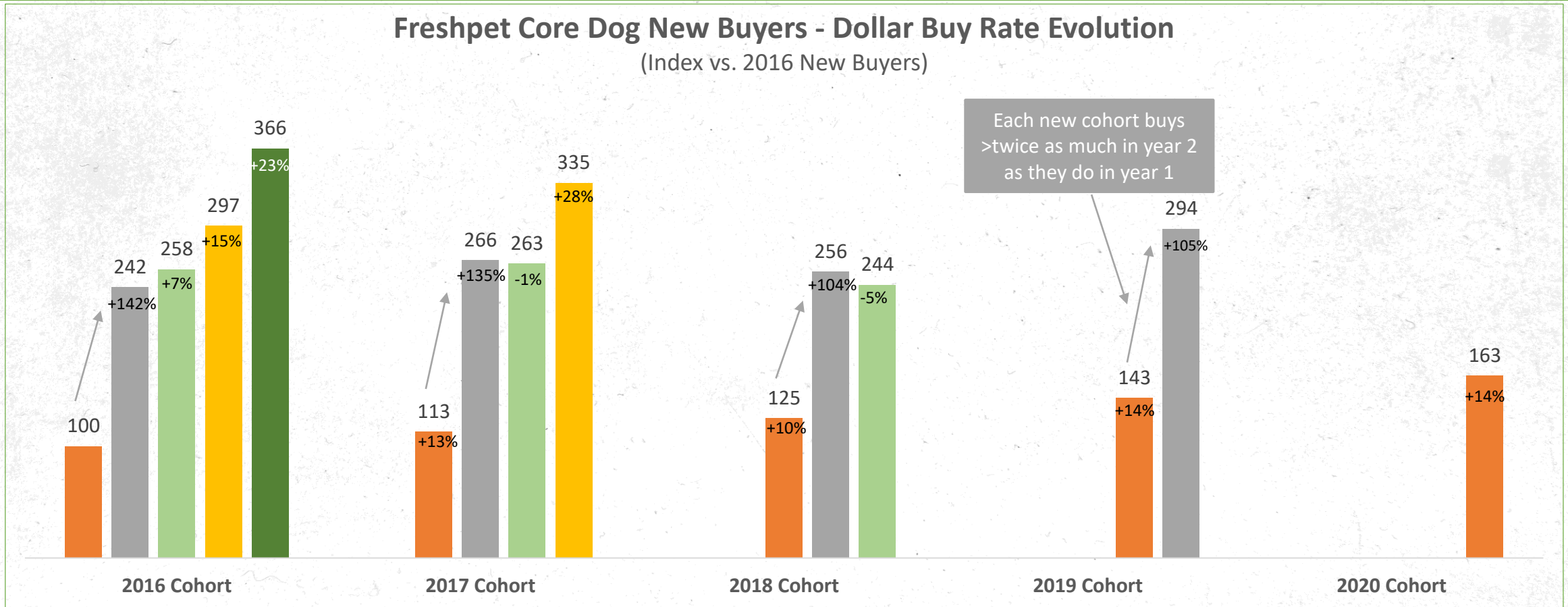


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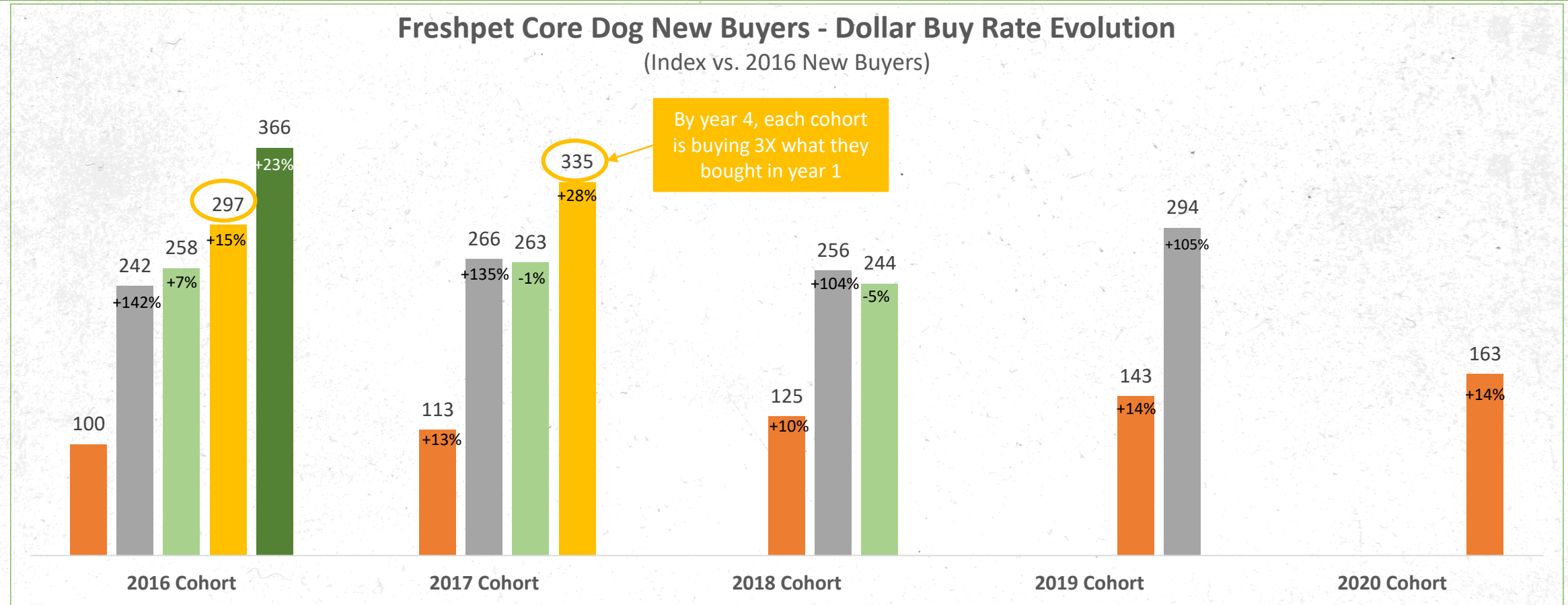


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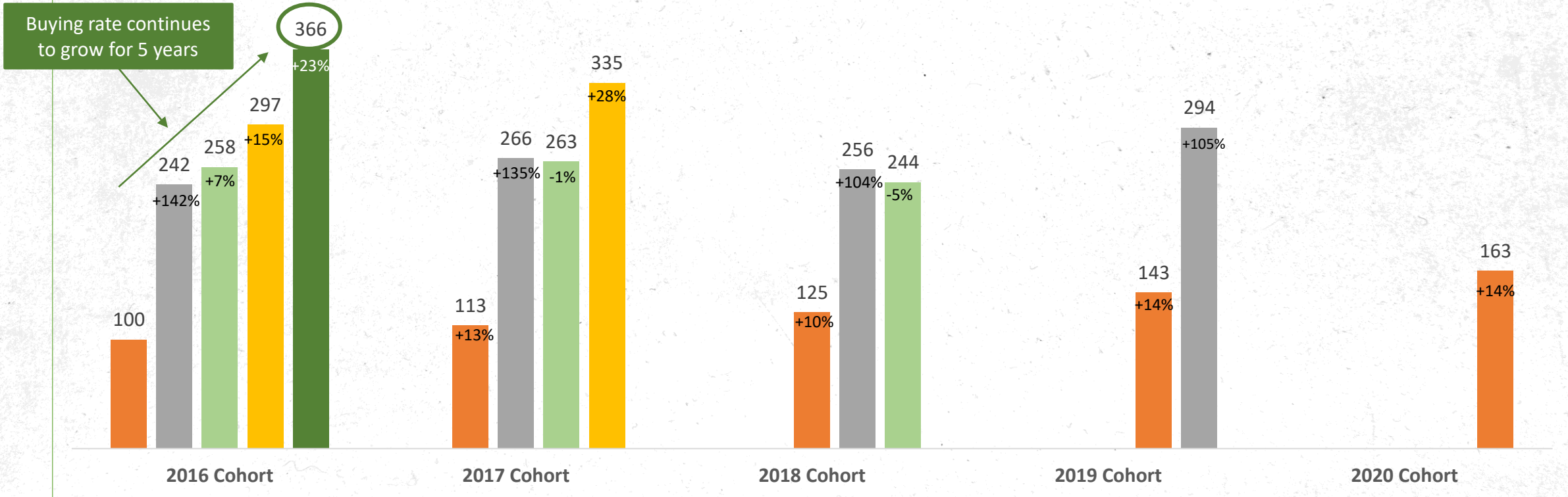
By year 4, each cohort is buying 3X what they bought in year 1

Year 1 Year 2 Year 3 Year 4 Year 5

Year	Date Range
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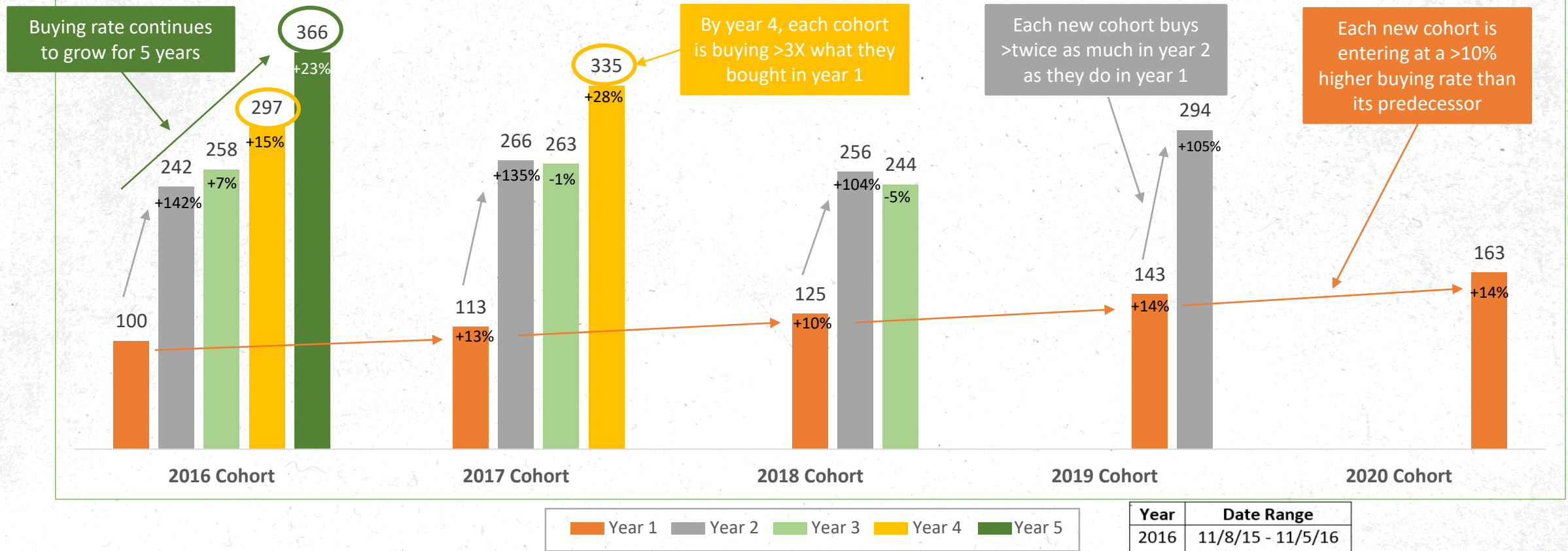
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Source: Nielsen New Buyer Analysis, 2020

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



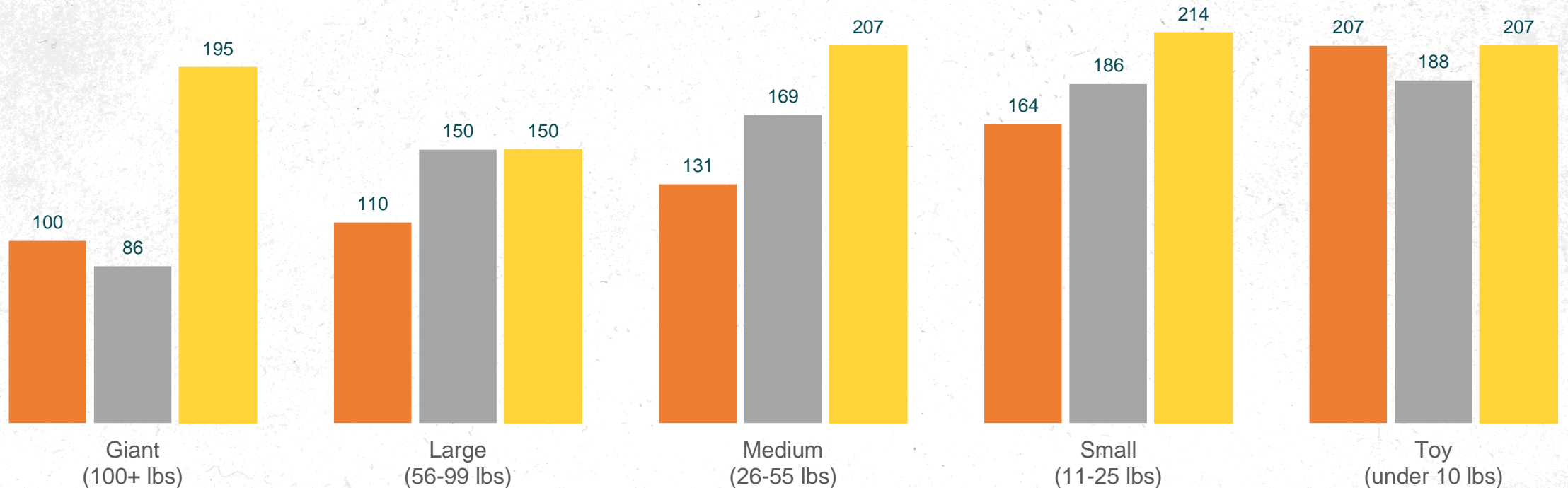
Year	Date Range
2016	11/8/15 - 11/5/16
2017	11/6/16 - 11/4/17
2018	11/5/17 - 11/3/18
2019	11/4/18 - 11/2/19
2020	11/3/19 - 10/31/20



# Buying rate grows even in HH's with larger dogs

## Freshpet Buying Rate by Size of Dog\*

(Index vs Giant Dog in 2018)



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

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

\*Sample size small on Giant dog group

# Conclusions

- **Strong and increasingly efficient ability to drive HH penetration**
  - HH penetration growth accelerating into mid-20% range
  - Penetration remains very low – with significant upside
  - Media investment reduced to fit within capacity constraints; at 12% of sales, we expect stronger growth in penetration
  - CAC has gone down each year for >5 consecutive years
- **Buying rate is growing strongly but is obscured by number of new buyers**
  - Sustained mid-teen buying rate growth for existing users is well in excess of our long-term volume forecasts
  - Buying rate gains continuing for 5 consecutive years is well in excess of our long-term volume forecasts
- **Combined, these two pieces of data suggest the long-term Freshpet opportunity is larger than previously projected**
  - We are not revising 2025 target at this time but planning to protect the high side from a capacity perspective
  - Building plans to deliver the high side if market opportunity is proven



Capacity

# New capacity: Kitchens 2.0 started up in Q3 2020



landfill free

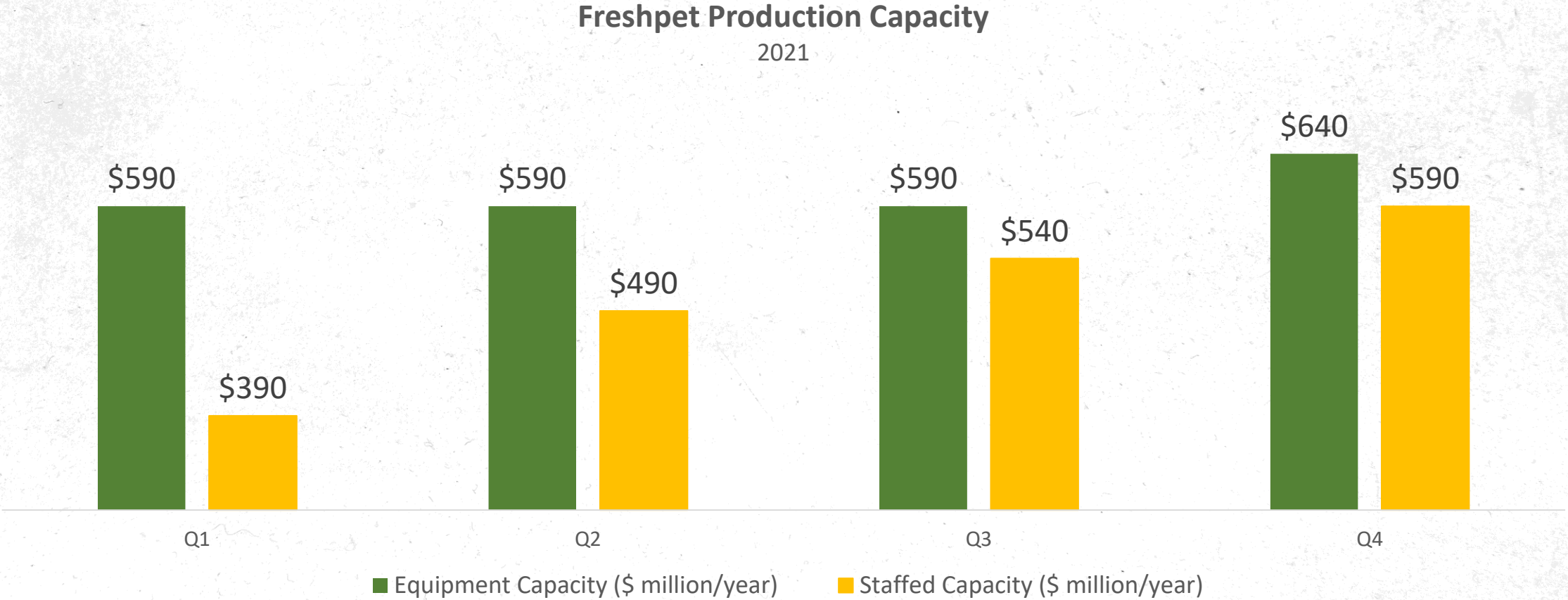


powered  
by wind



carbon  
emissions offset

# Adding staffing to support increasing demand in 2021



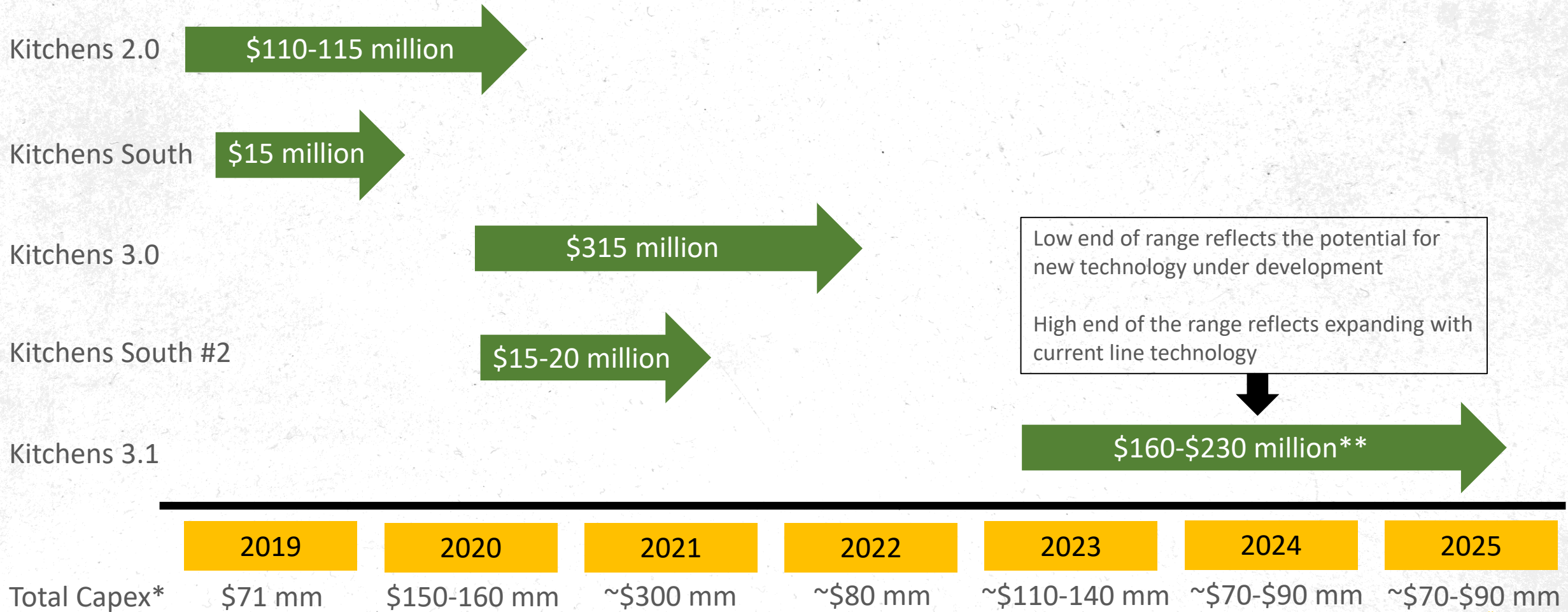
# Kitchens 3.0 in Ennis, TX is on track



**Phase 1 scheduled to begin production in mid-2022\***

\*Could pull start-up forward by one quarter through increased investment to meet higher levels of demand

# Base plan has aggressive investment to deliver 2025 goals



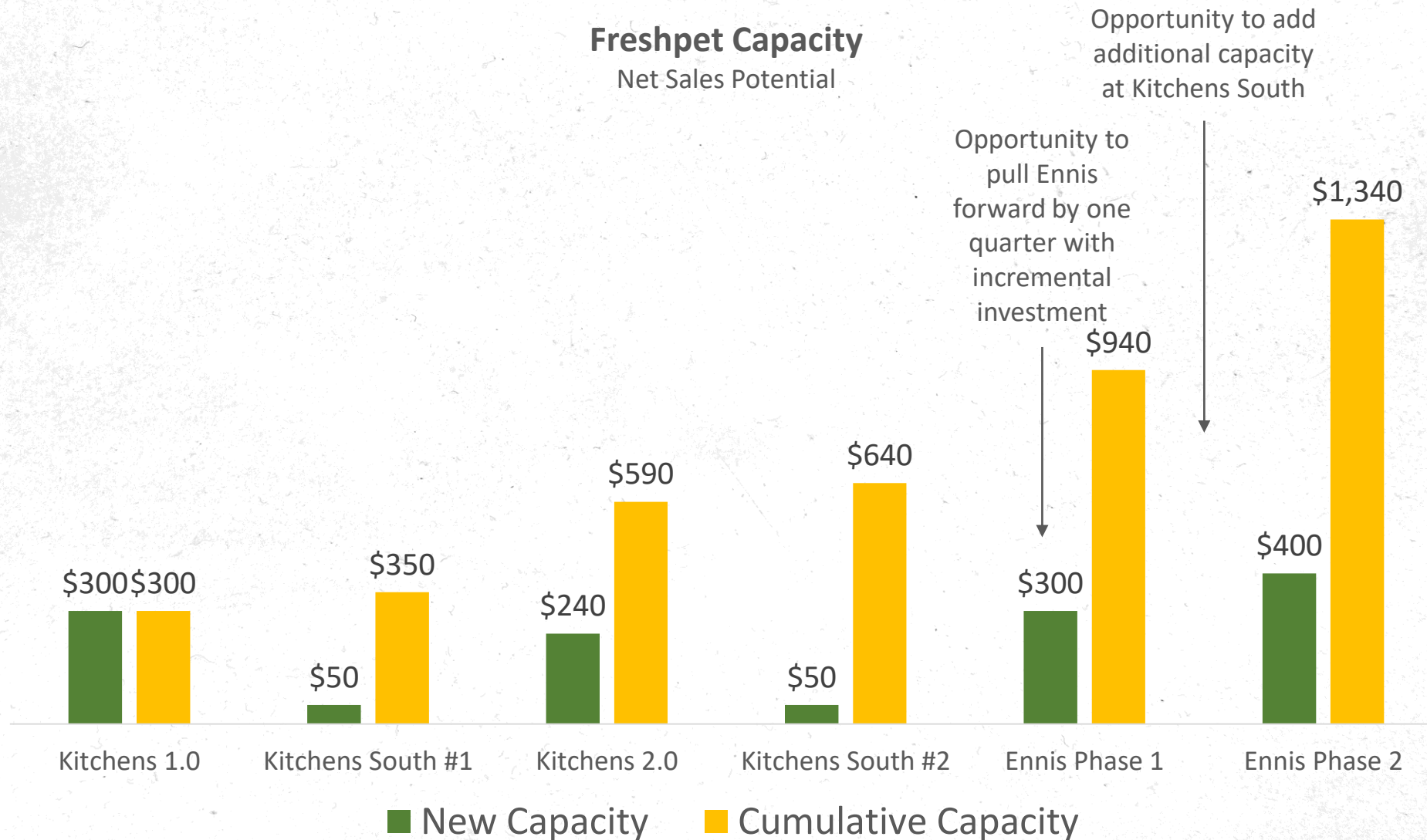
Low end of range reflects the potential for new technology under development

High end of the range reflects expanding with current line technology

\*also includes maintenance capex, fridges and IT

\*\* includes 4 production lines, taking total capacity to \$1.3 billion

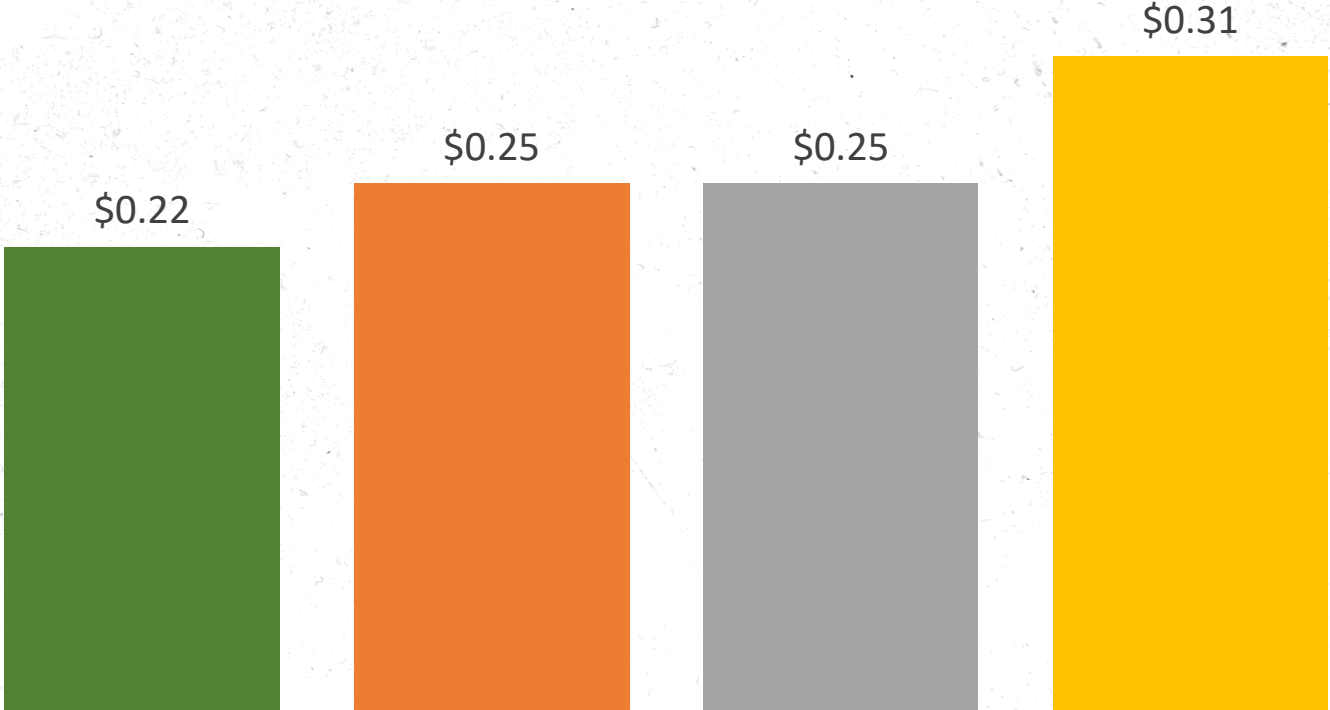
# Base plan adds significant capacity with options to both pull forward capacity and add additional capacity





# Capital investments will drive increased profitability

Adj. EBITDA per Cum. \$1 Capex



Adj. EBITDA Per Cum. \$1 Capex

■ Phase 1 ■ Phase 2 ■ Phase 3 ■ Phase 4

# Target: Hold debt to reasonable leverage and only use equity for accelerated growth opportunities beyond current plan



Maintaining a Strong Balance Sheet



Managing ST Debt Leverage



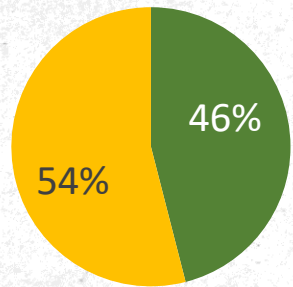
Treating Equity as “Gold” / Managing dilution



Summary

# Significant opportunities to grow

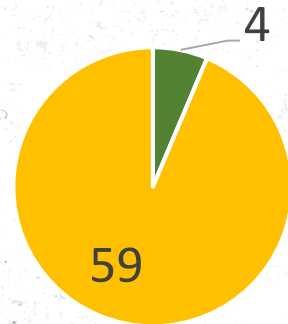
## Aided Awareness



■ Aided Awareness ■ Unaware

Drive Awareness

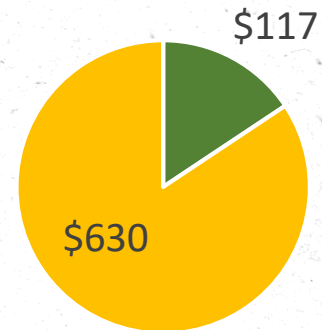
## 2020 Dog HH's



■ Freshpet ■ No Freshpet

Increase Penetration

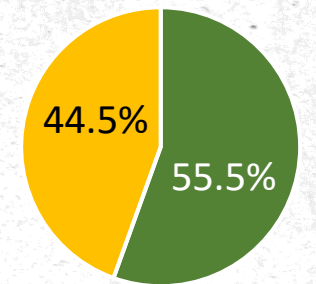
## Buying Rate



■ Current  
■ Avg. Cost to Feed 30 lb Dog

Increase Frequency of Use  
& Size of Dog

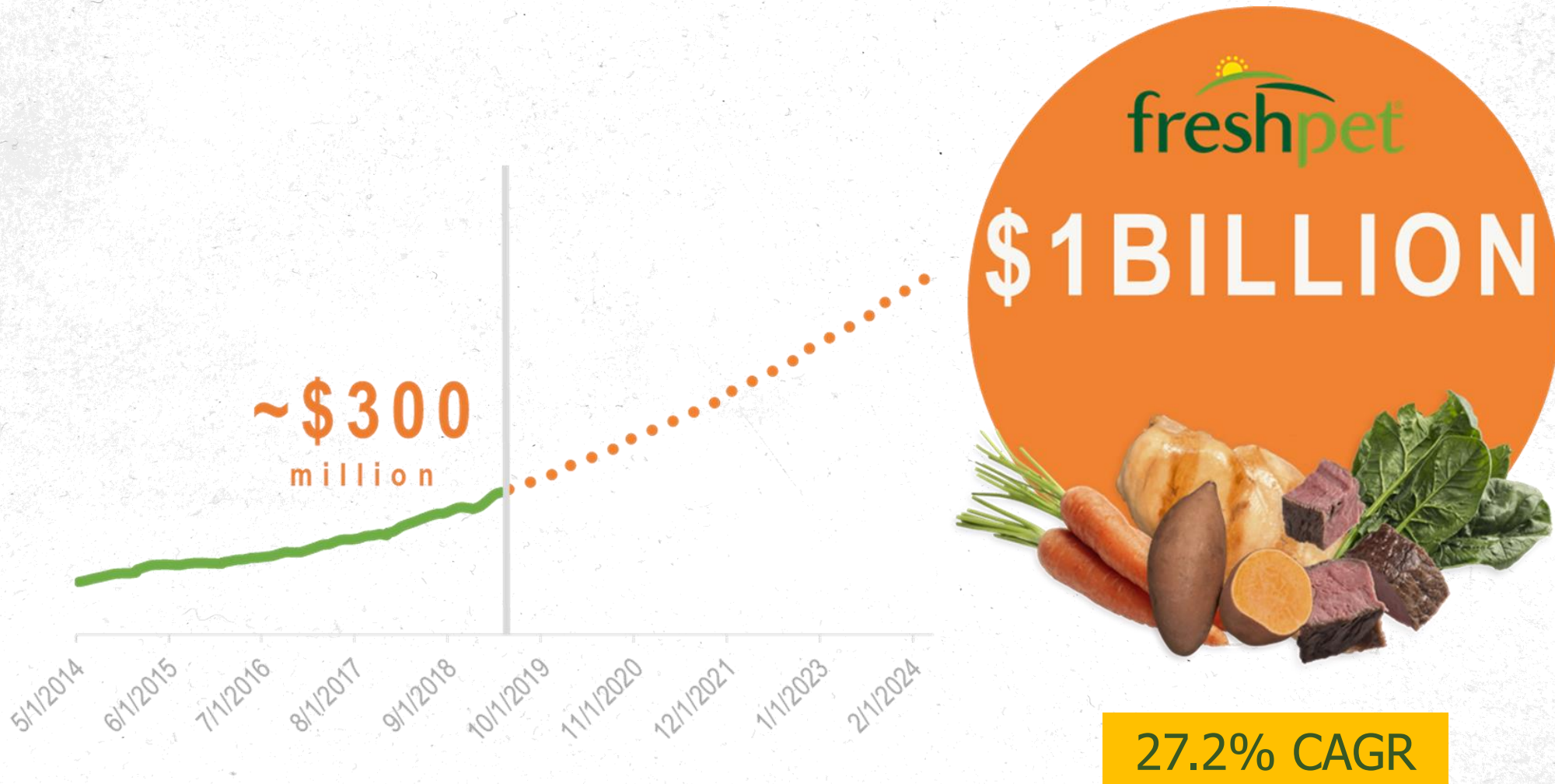
## % ACV Distribution



■ Available ■ Not Available

Expand Distribution

# 5 million new HH's leads to \$1 billion net sales by 2025



27.2% CAGR

# Fortified business model that provides strong competitive insulation

Diverse line-up that is difficult to match

**Differentiated**  
Innovative forms, technologies, and appearance



**Manufacturing**  
Proprietary technology, processes, and infrastructure



\$1.3 billion capacity and cash flow to build more

**High Brand Loyalty**  
Alignment with deep pet parent emotional motivations



8mm HH's



**Supply Chain**  
Only refrigerated pet food network in North America



Significant scale in distribution

**Freshpet Fridge**  
Branded, company-owned real estate



**Retailer Partners**  
Delivers benefits in traffic, frequency and retailer margins

~75-80% ACV

40,000 Fridges

# Building the foundation for a business with the potential to be >\$2 billion in net sales



40,000 highly visible, branded, technology-enabled  
Fridges in 75-80% ACV

Manufacturing capacity to support at least \$1.3 billion of  
net sales and the organization capability to build more



R&D capability, infrastructure and systems capable of  
supporting a >\$2 billion business

Thank-you!



Appa





**2025**  
**BY**

**FEED THE GROWTH**

