



pets. people. planet.

Q2 2021 Earnings Call  
August 2, 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, 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, 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 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 present the Company's guidance for fiscal year 2021. 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 components of net income and the respective reconciliations, including the timing of and amount of costs of goods sold and selling, general and administrative expenses. These items are not within the Company's control and may vary greatly between periods and could significantly impact future financial results.





Nourishing Pets, People and Planet

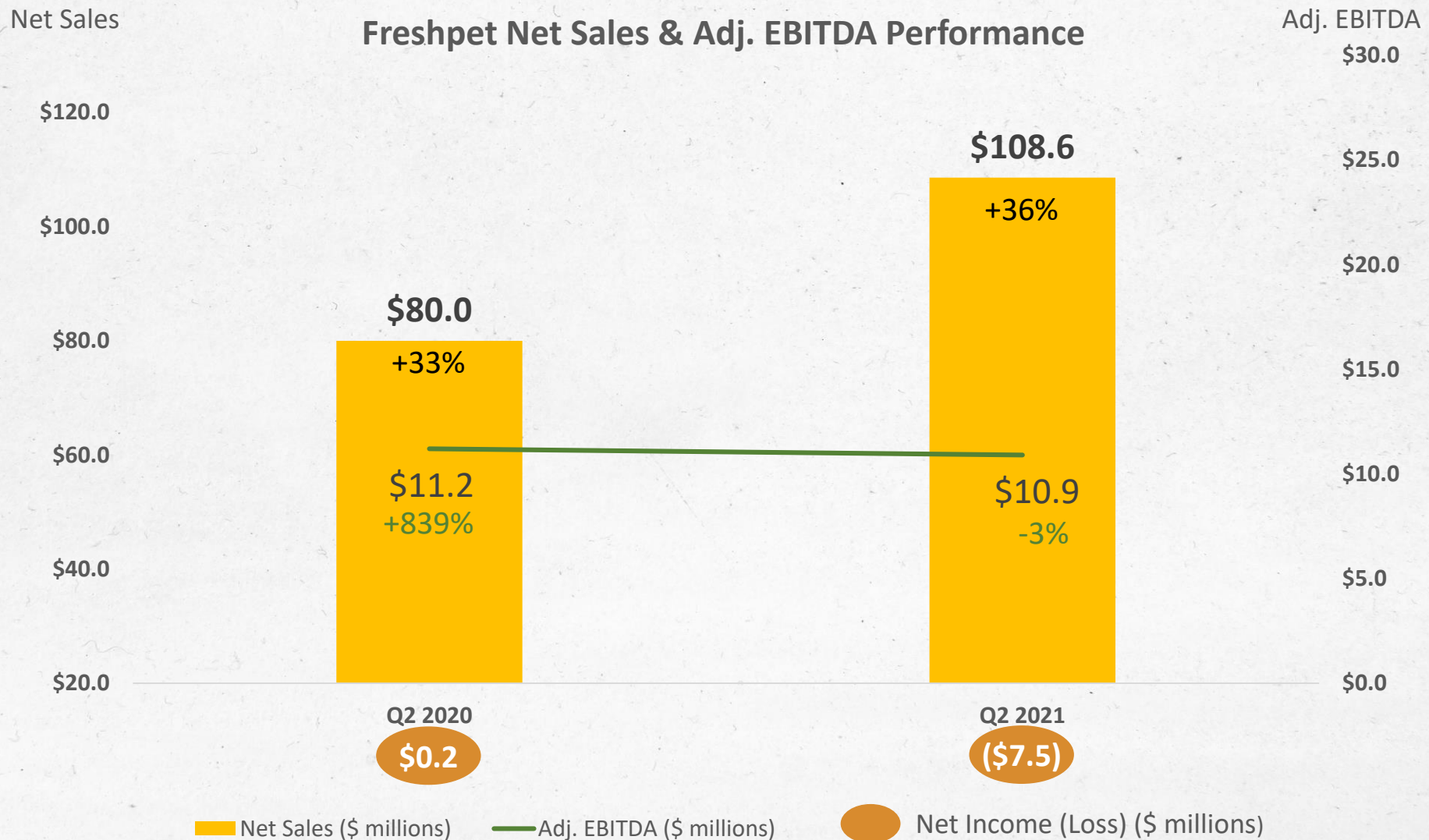
Freshpet strengthens the bond between people and our pets so that we both live longer, healthier and happier lives -- while being kind to the planet





Q2 2021 Results

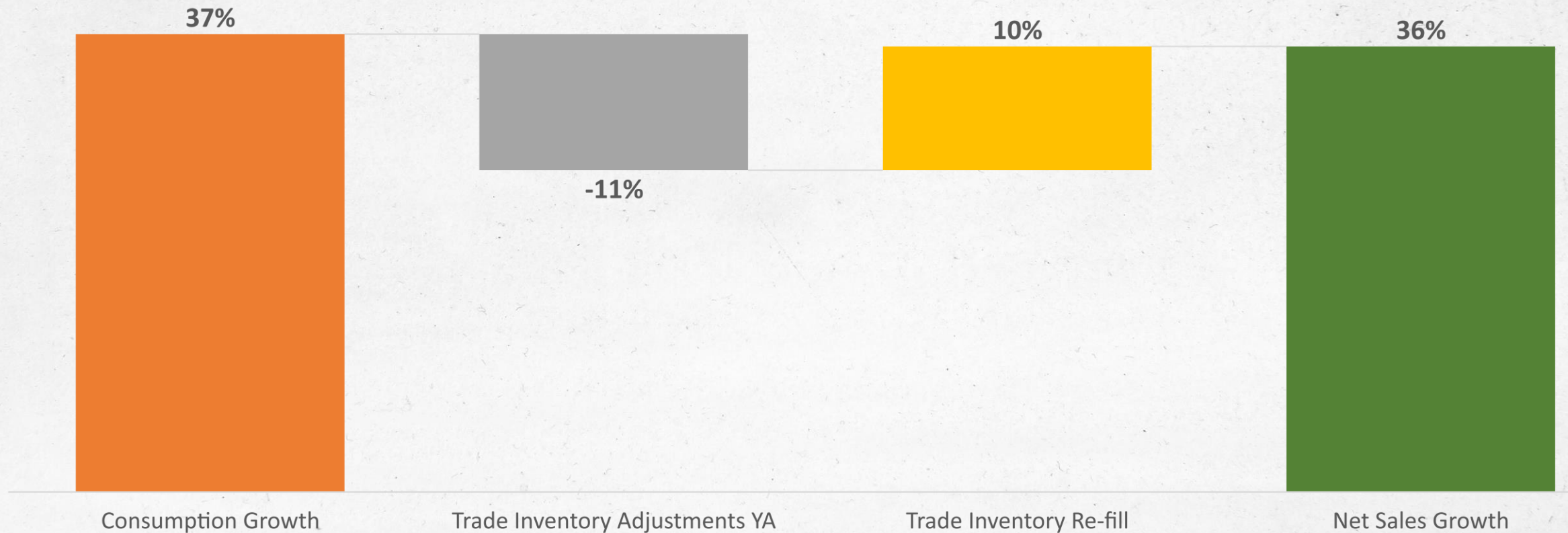
# Q2 2021: Strong growth in Net Sales; Inflation & temporary inefficiencies hurt Adj. EBITDA





# We successfully re-filled ~\$8 million of trade inventory

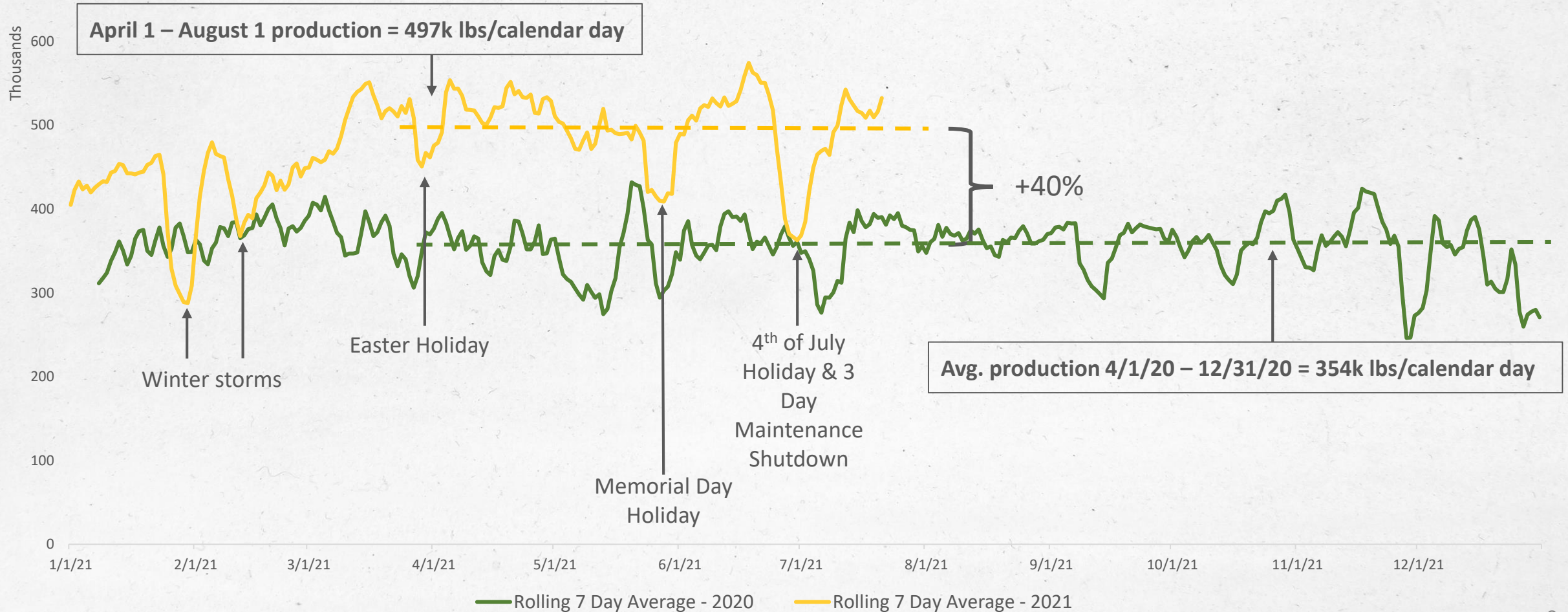
Q2 2021 Net Sales Bridge



# Production is running well ahead of YA with more capacity coming on-stream in Q3

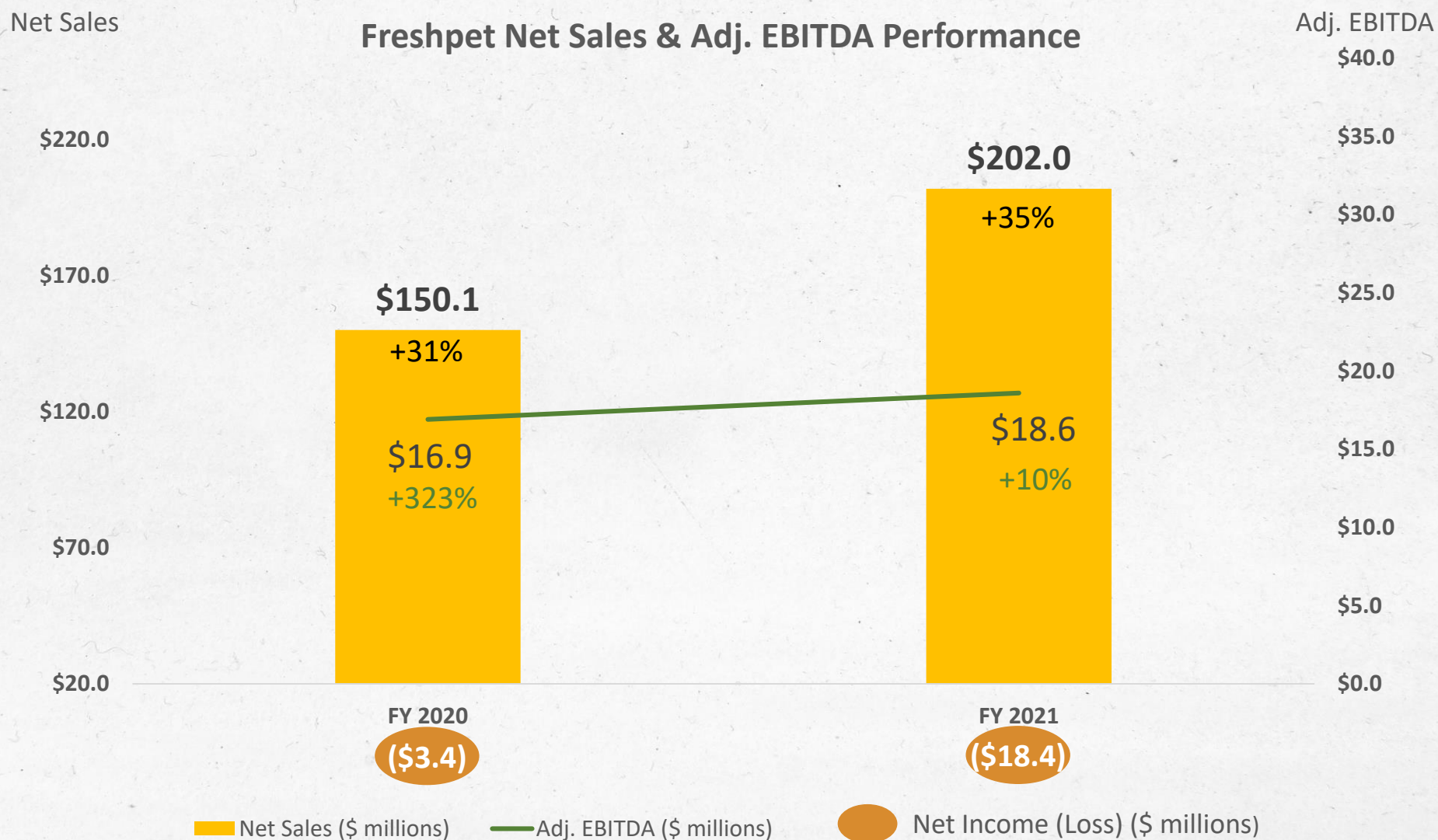
## 2021 vs. 2020 Production Performance Comparison

Rolling 7-Day Average Pounds Produced

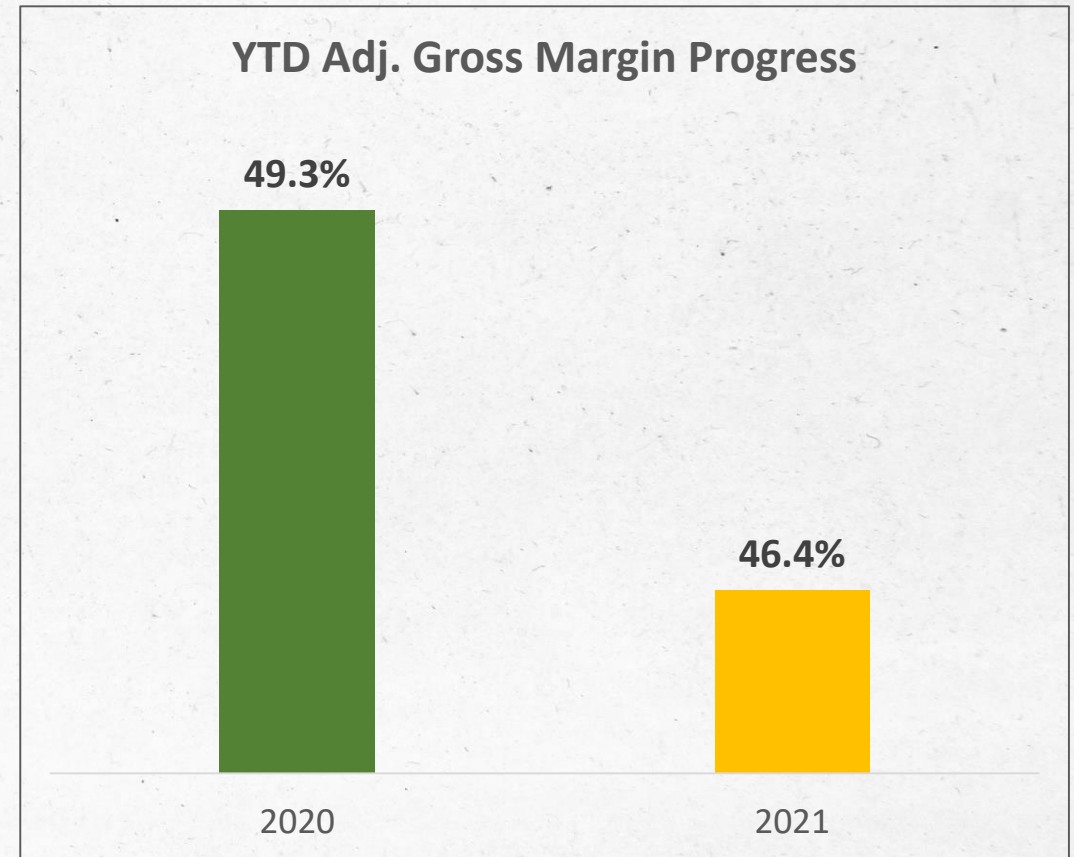
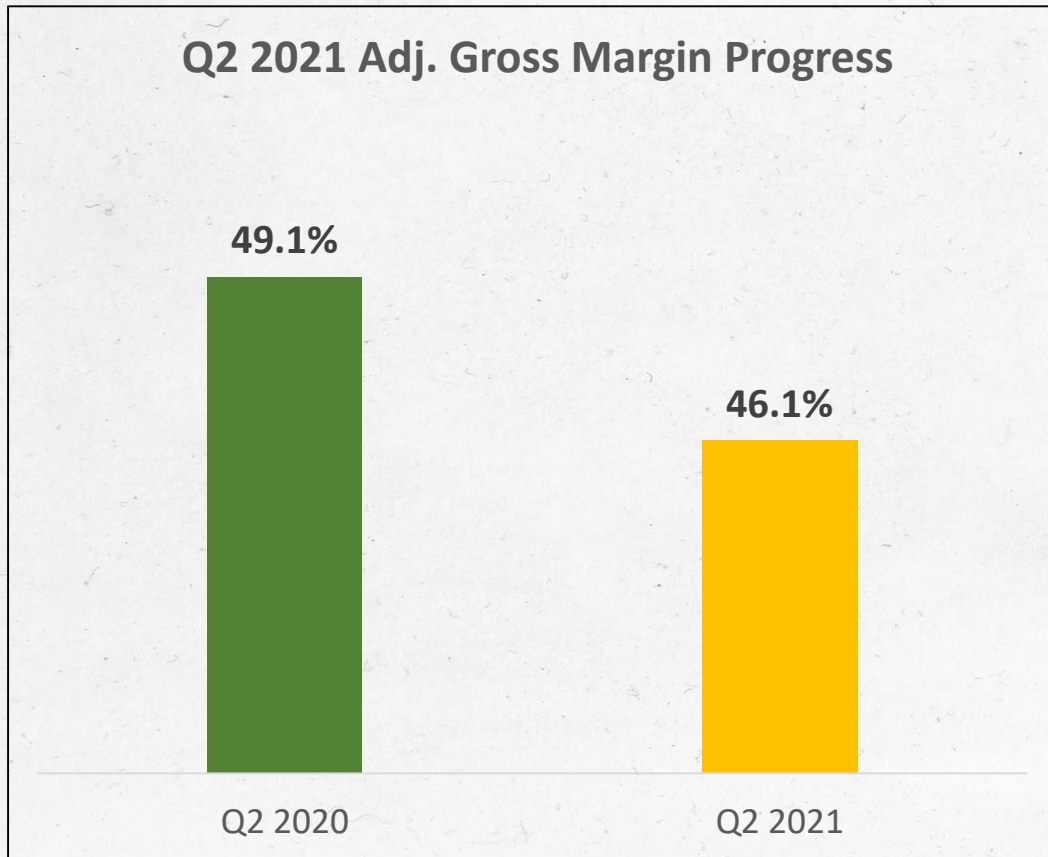




# YTD 2021: Strong growth with cost challenges



# Adj. Gross Margin impacted by inflation and temporary operating inefficiencies



42.4%

39.7%

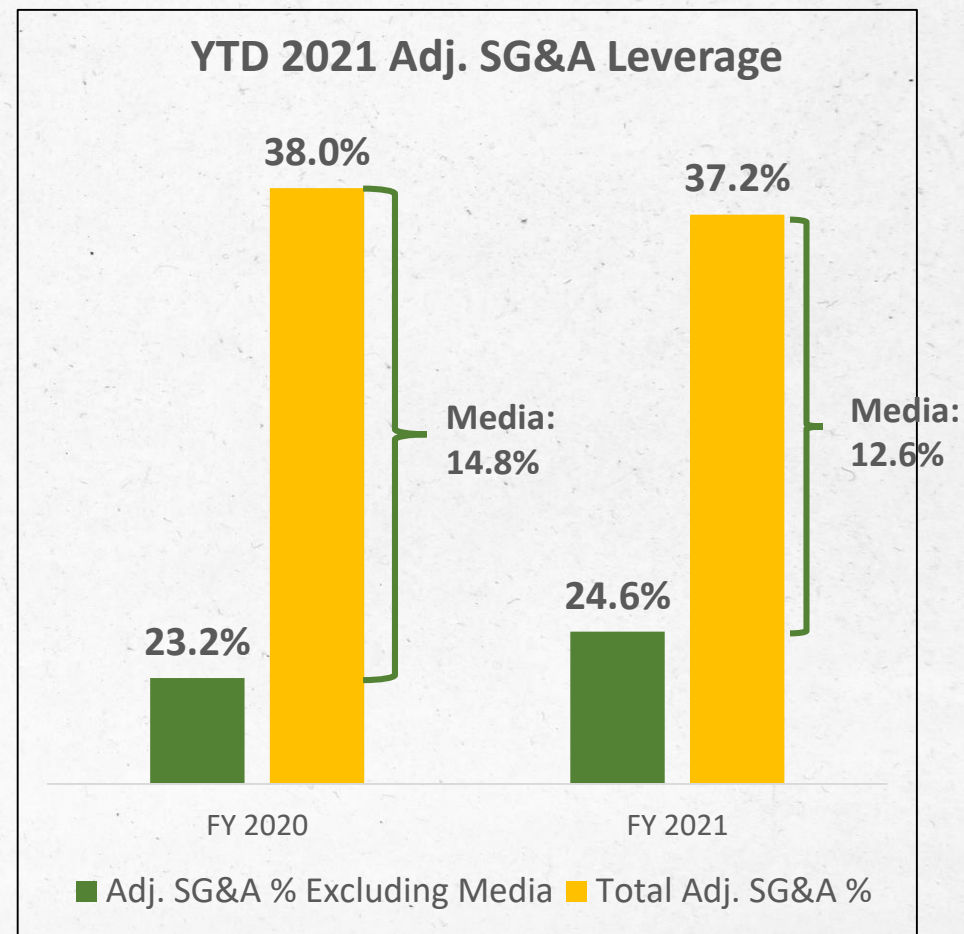
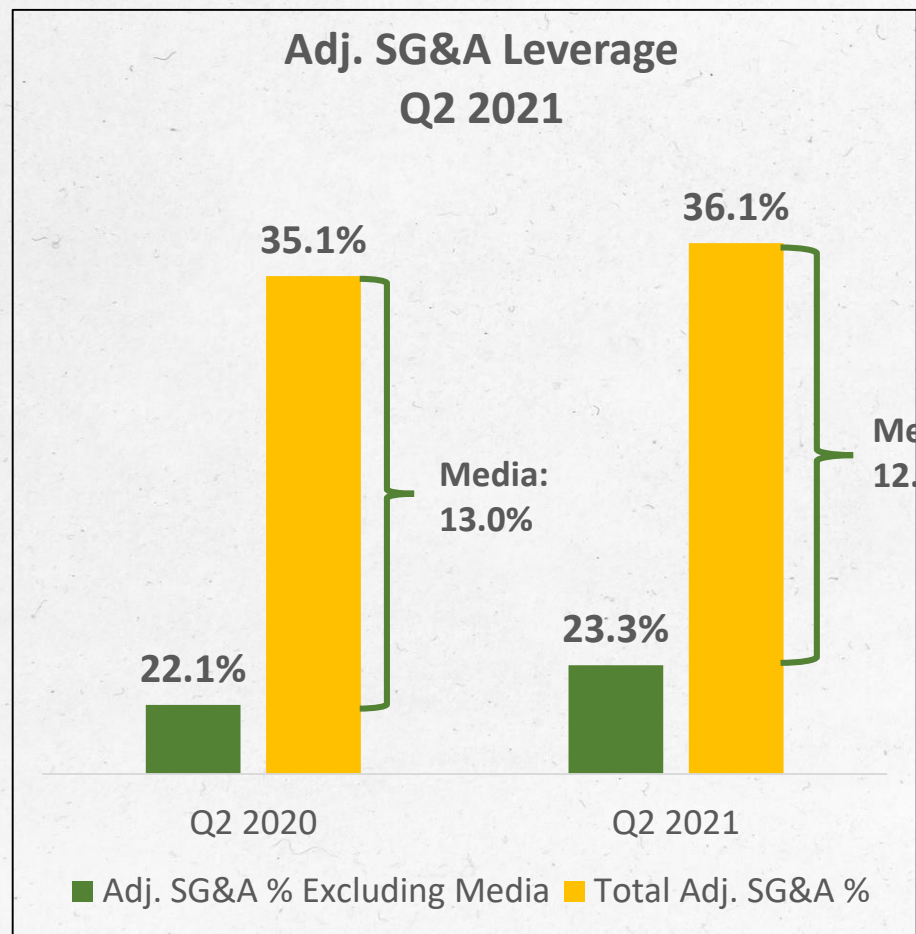
43.8%

39.3%

● Gross Margin (GAAP)

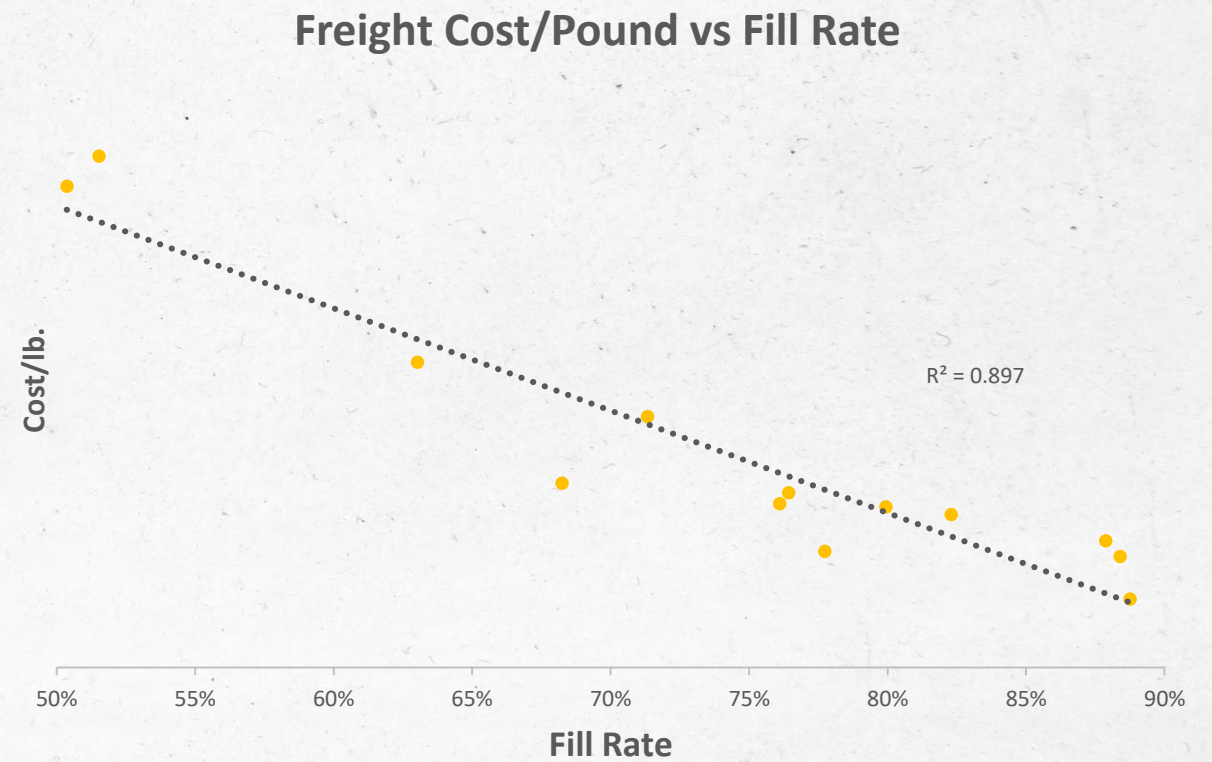
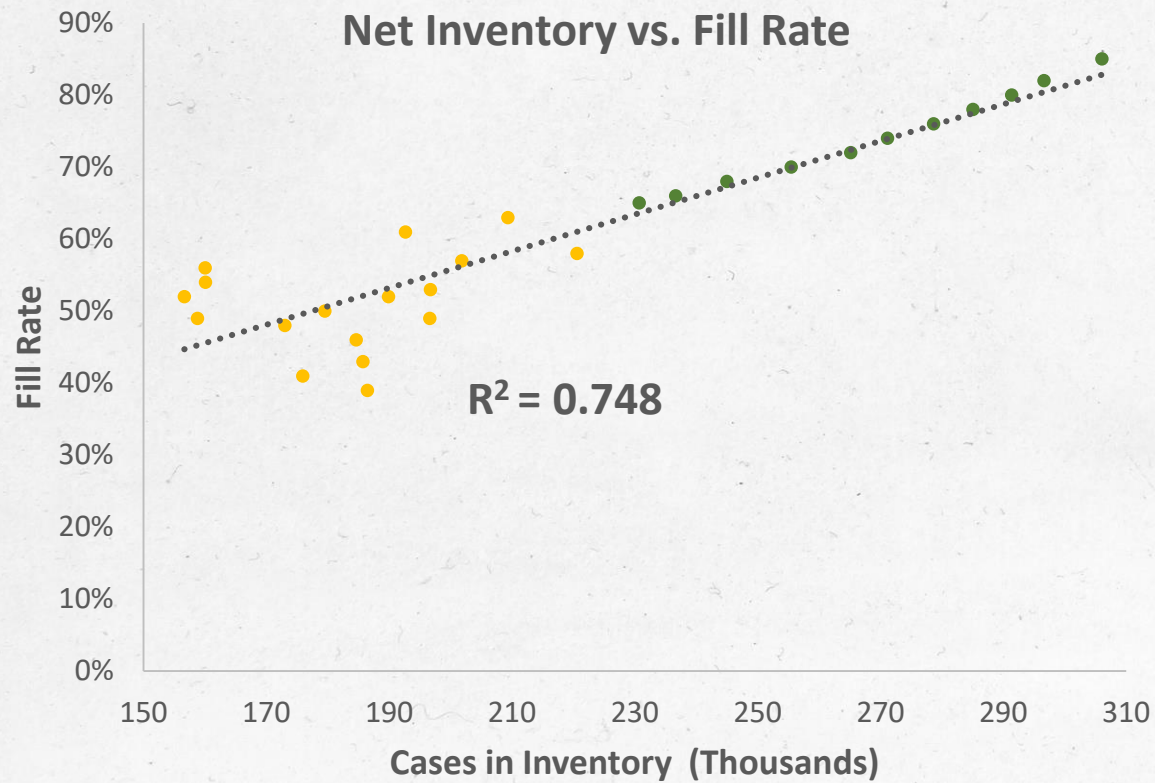


# Adj. SG&A leverage



● SG&A (GAAP)

# As we rebuild inventory, fill rates go up and freight costs go down

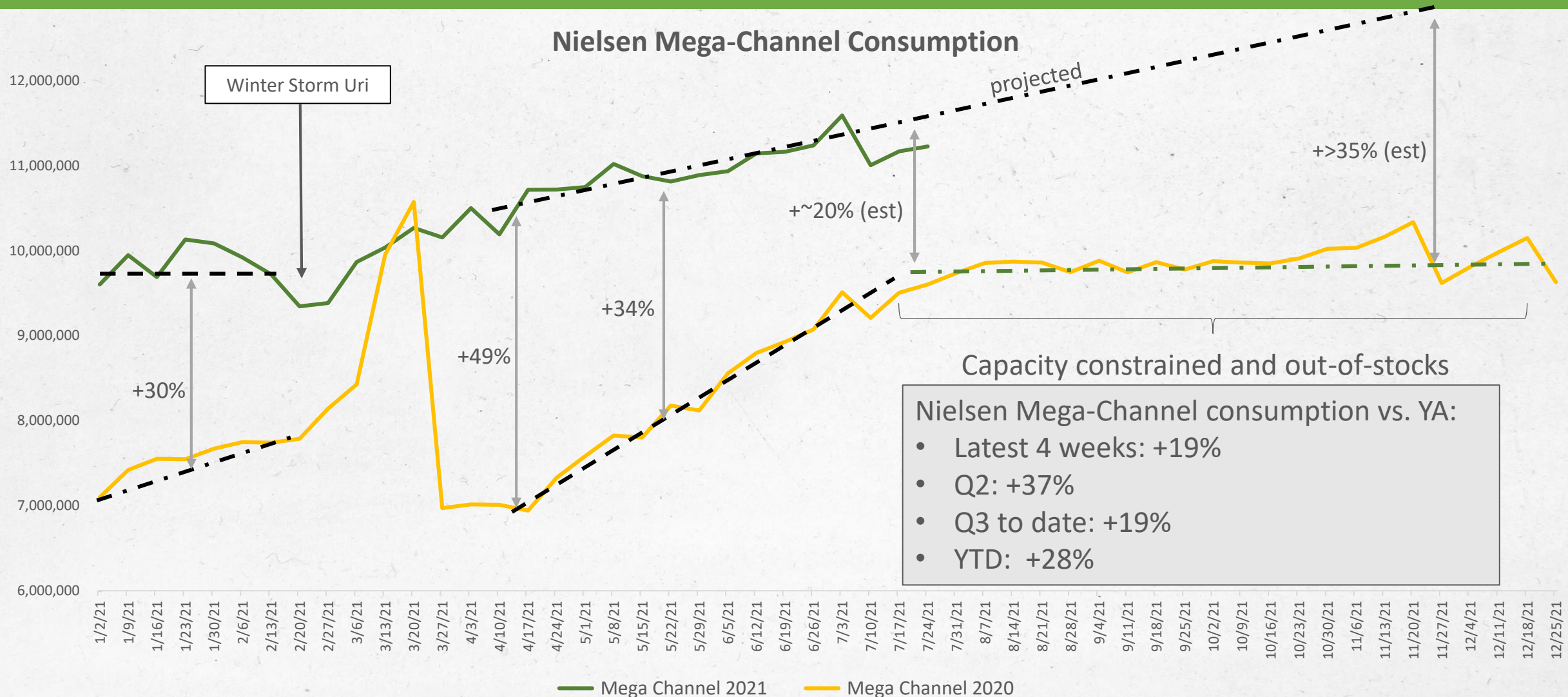






Market Data

# Consumption growth vs. YA projected to accelerate through 2H21



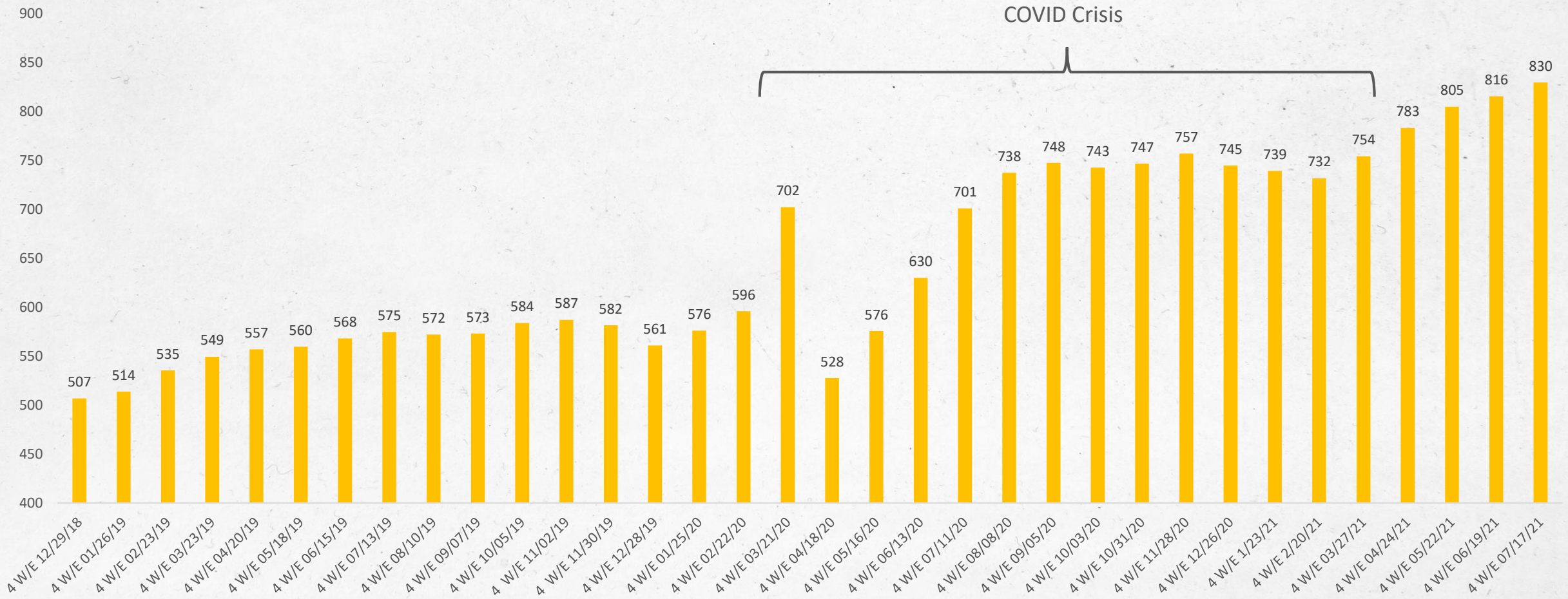
Source: Nielsen Mega-Channel Data thru 7/24/21



# Continued strong velocity gains

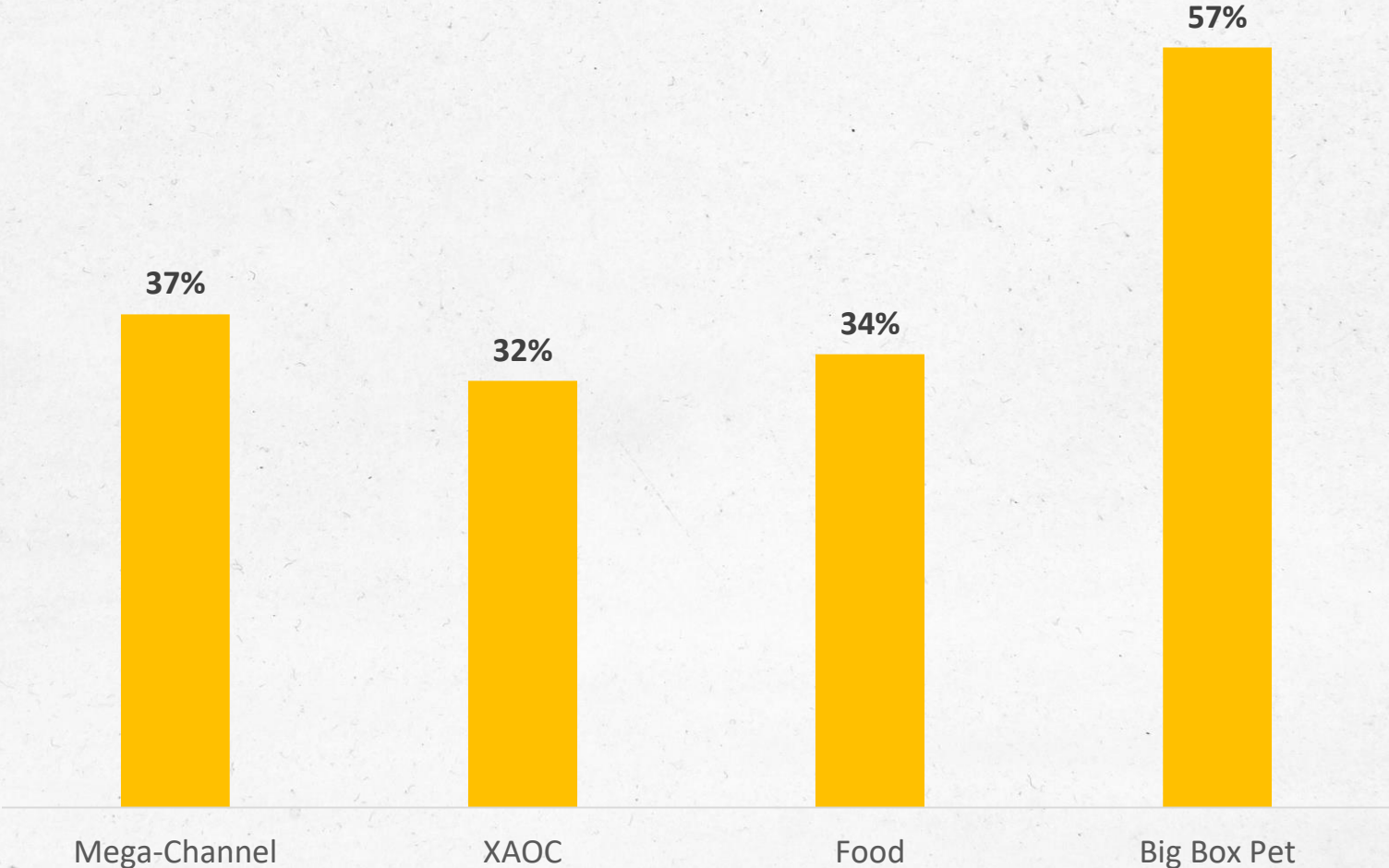
## Freshpet Velocity

\$ / \$MM ACV



# Out-of-stocks constrained growth in Q2; continued strength in pet specialty

Latest 13 Week Nielsen Consumption Growth

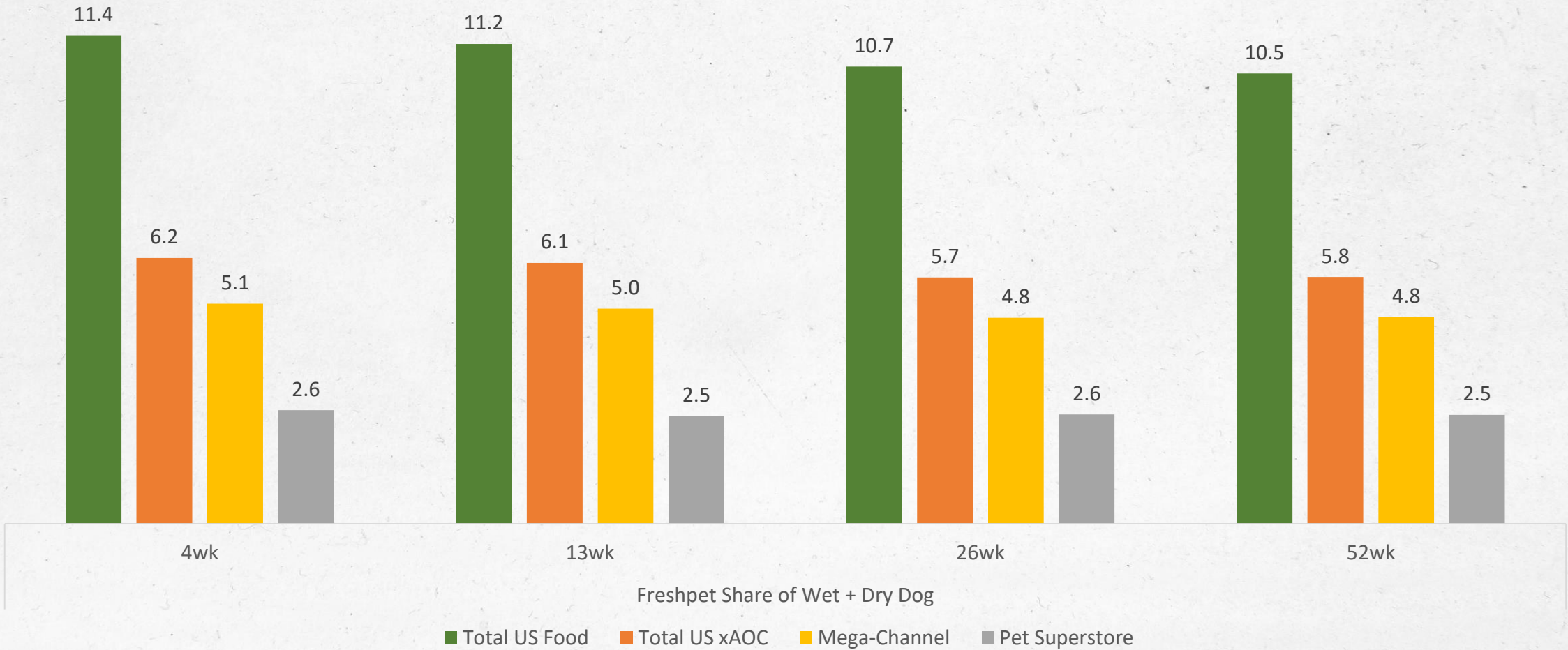


Source: Nielsen consumption data thru 6/26/21



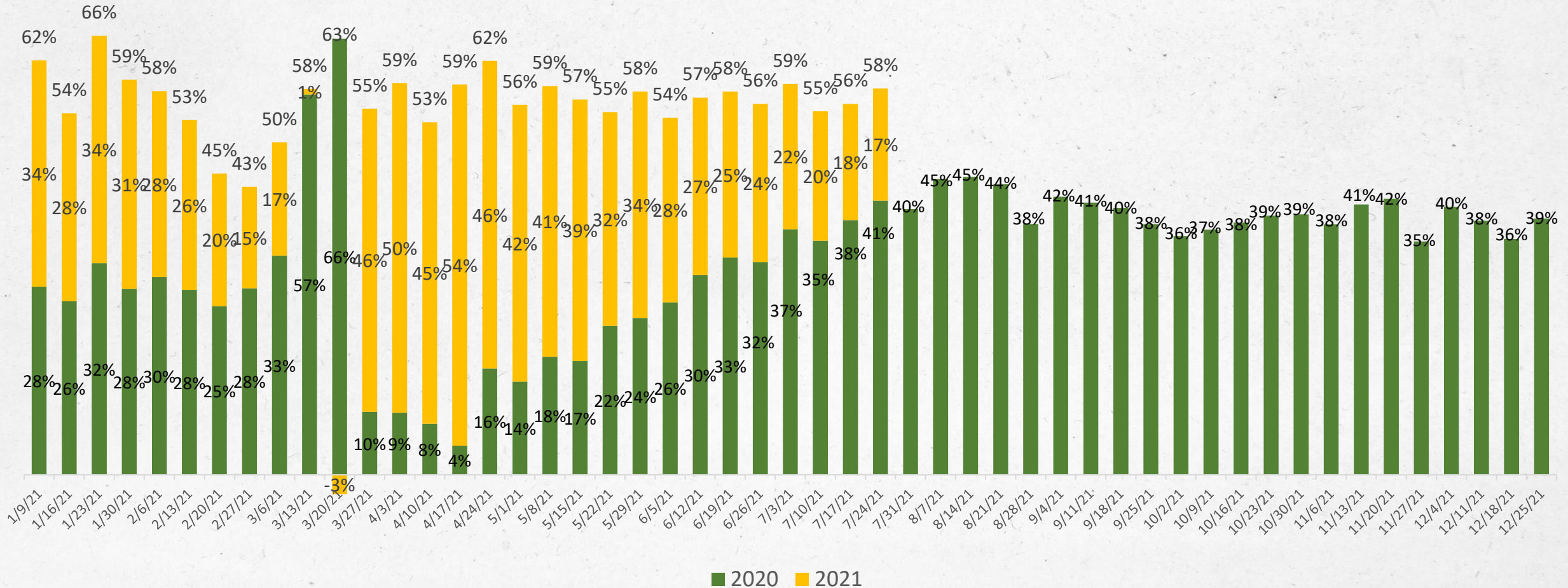
# Building meaningful share of the category

## Freshpet \$ Share of Wet & Dry Dog



# Consistent 2-year stacked growth poised to accelerate in 2H21 with increased advertising investment

Nielsen Mega-Channel Consumption Growth  
(2 Year Stacked)



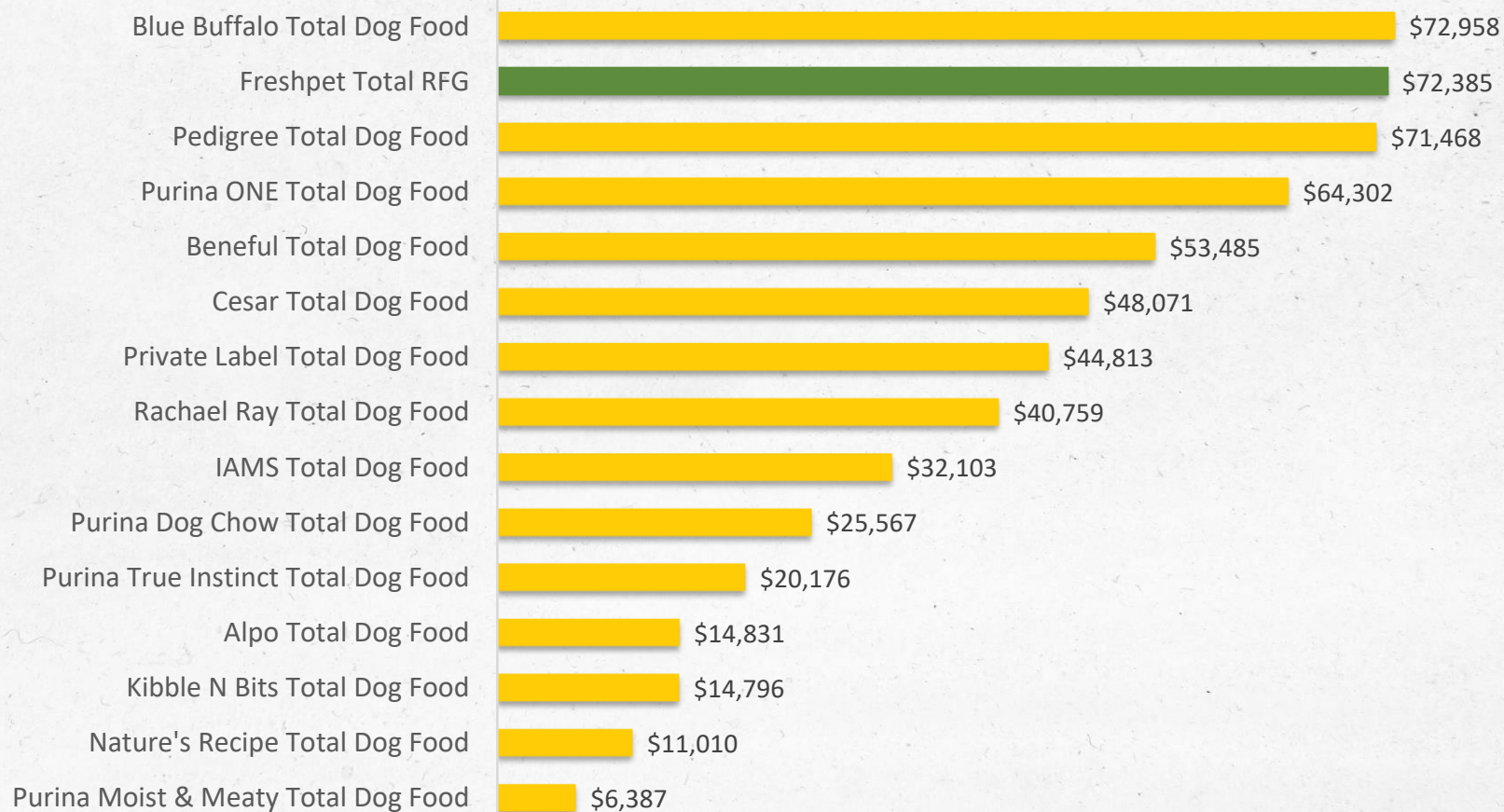
Source: Nielsen Mega-Channel Data thru 7/24/21



# On a total brand basis, Freshpet now rivals the leading brands in the grocery channel

## Total Wet & Dry Dog Food Brands Dollar Sales: US Food

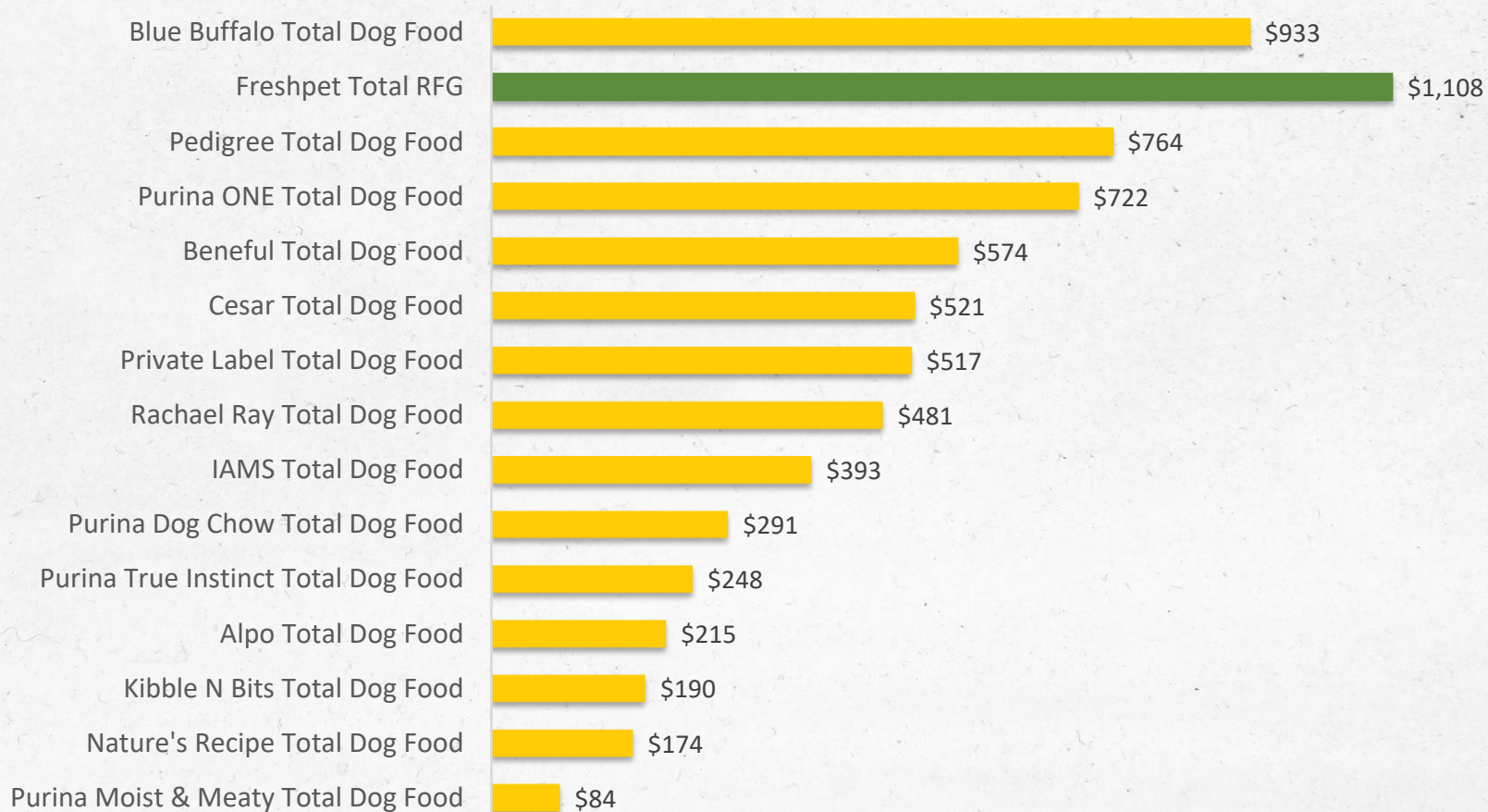
(Latest 13wks thru 7/17/21 -- \$M )



# Freshpet velocity leads the category in grocery

## Total Wet & Dry Dog Food Brands Dollar Velocity: US Food

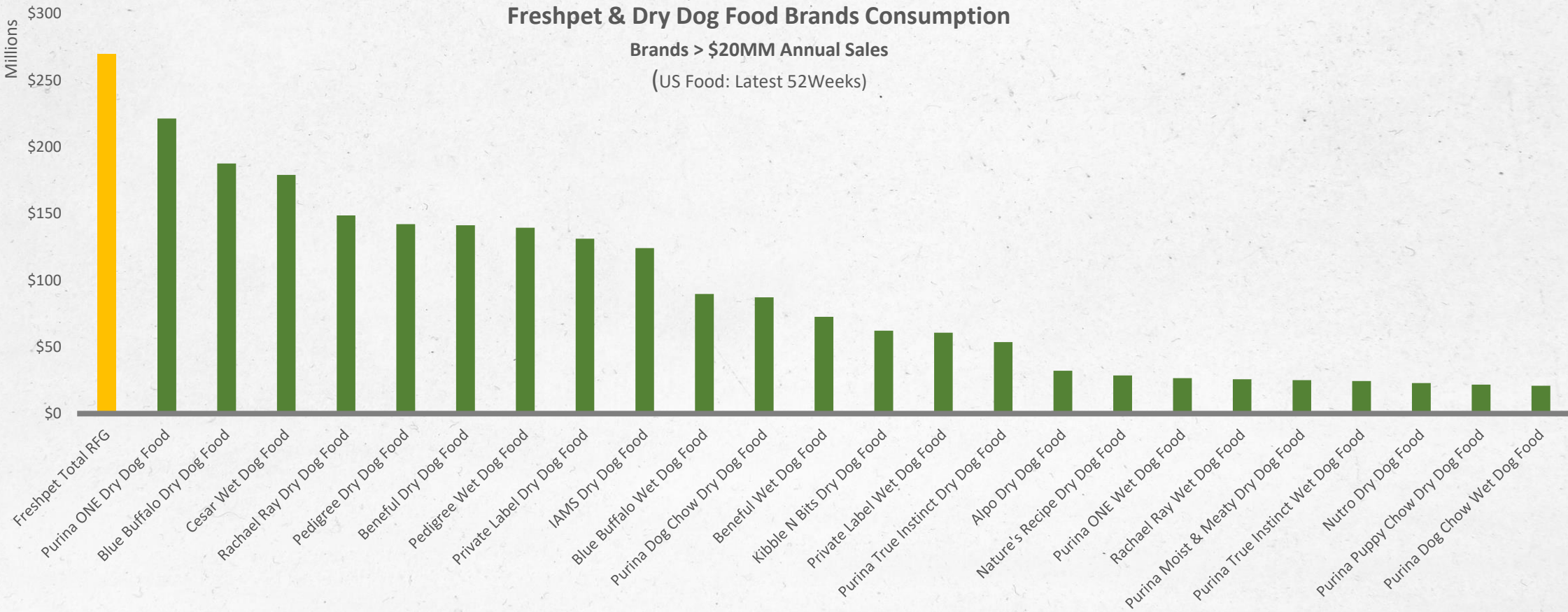
(Latest 13wks \$/%ACV thru 7/17/21 -- \$M )





# Retailers paying attention: Freshpet is #1 brand in US Food

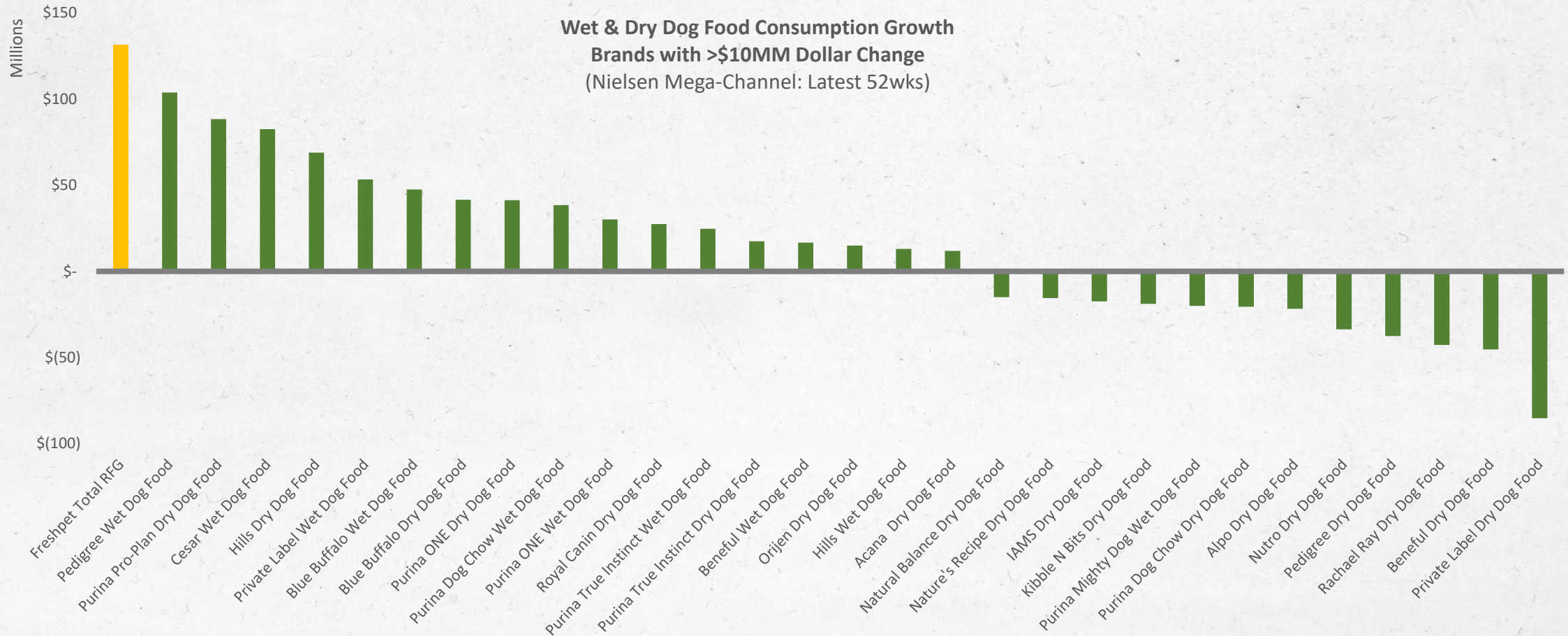
**Larger Dollar Sales Than All Dry Dog Food Brands in US Food (Grocery)**



Source: Nielsen US Food (Grocery) Data thru 7/17/21

# Retailers paying attention: Freshpet is fastest growing brand

## Largest Dollar Growth in Wet & Dry Dog Food

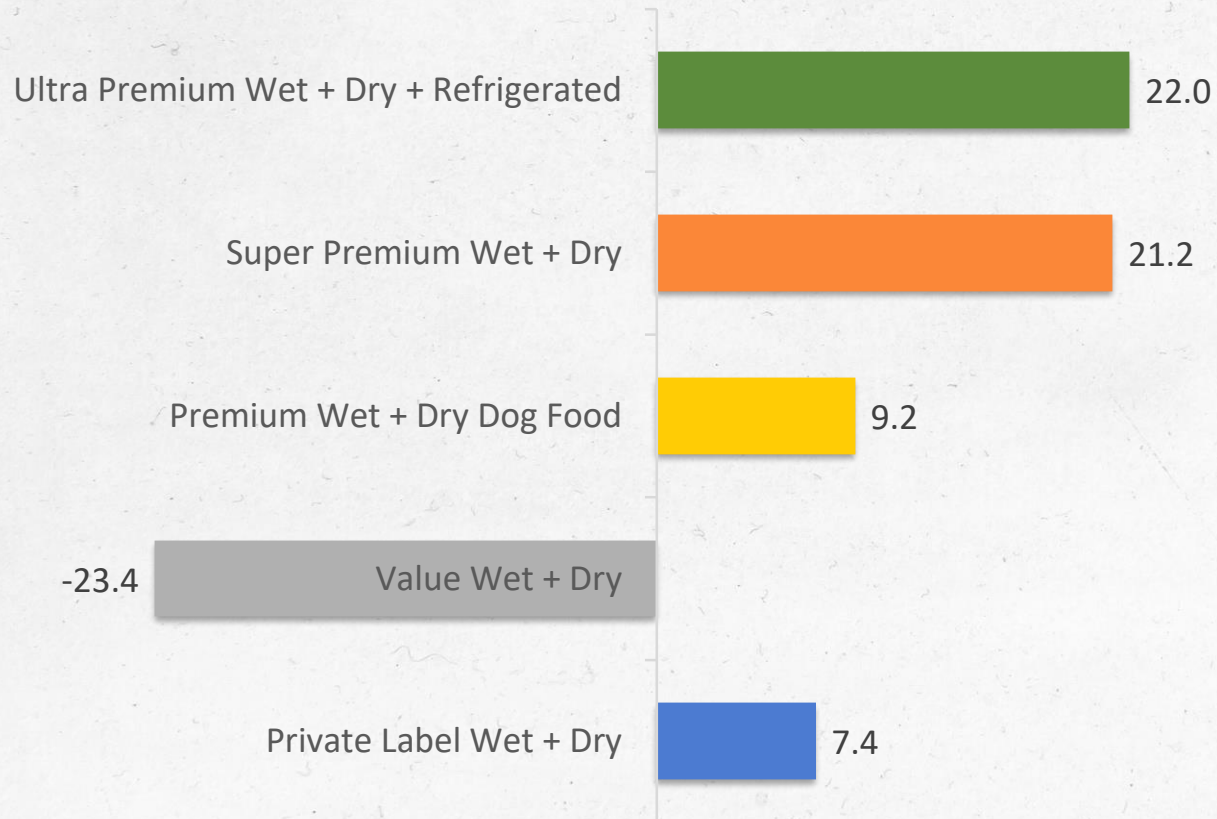




# Category growth skews towards premium items

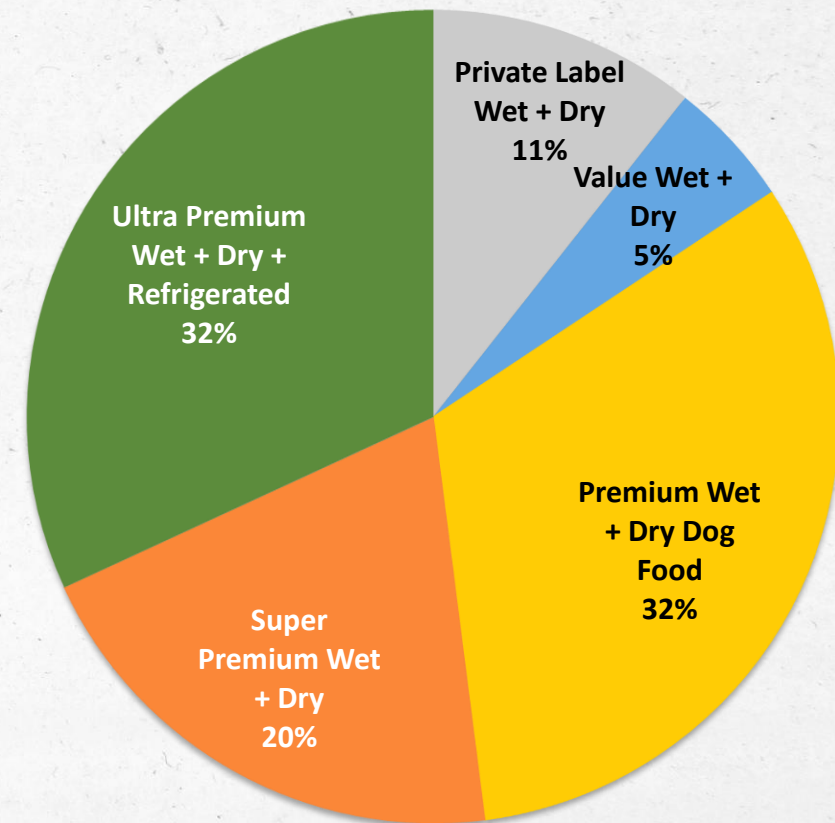
## Growth by Value Segment

Latest 13 weeks dollar sales vs. YA



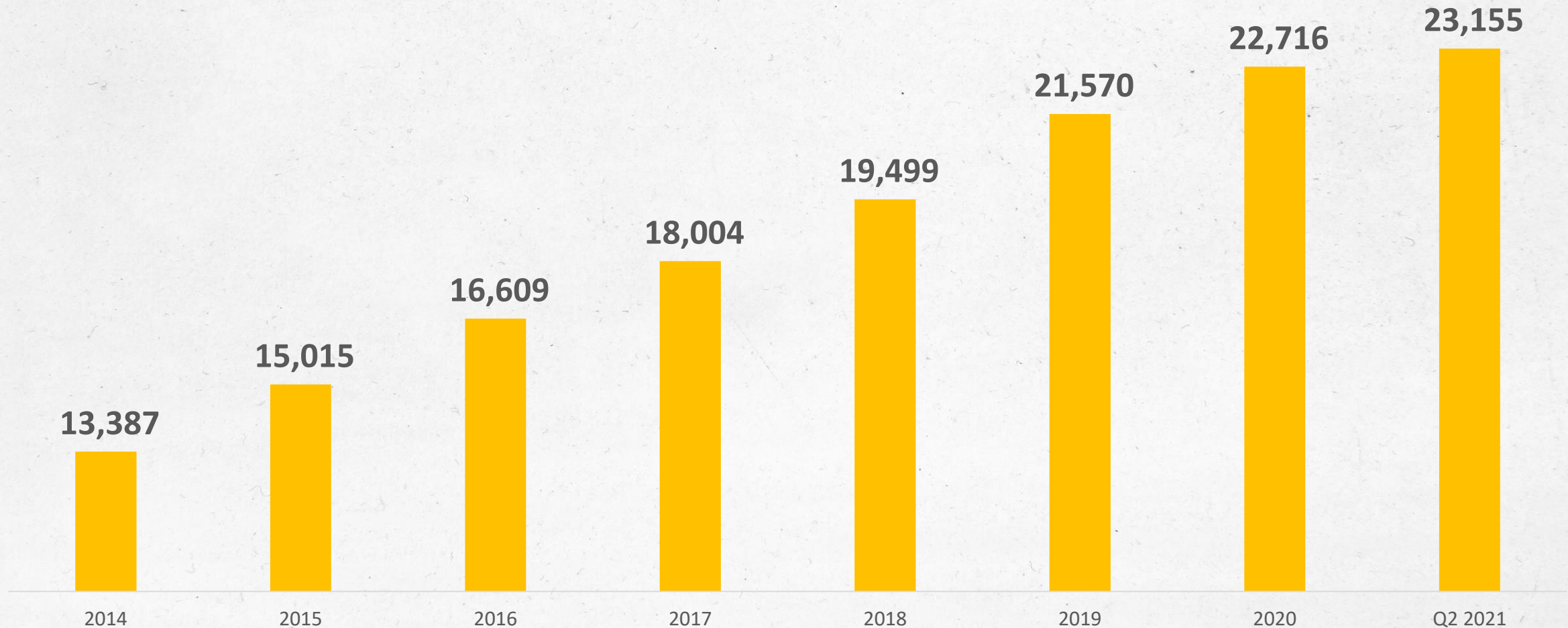
## Value Segment Size

Latest 13wk Dollar Share



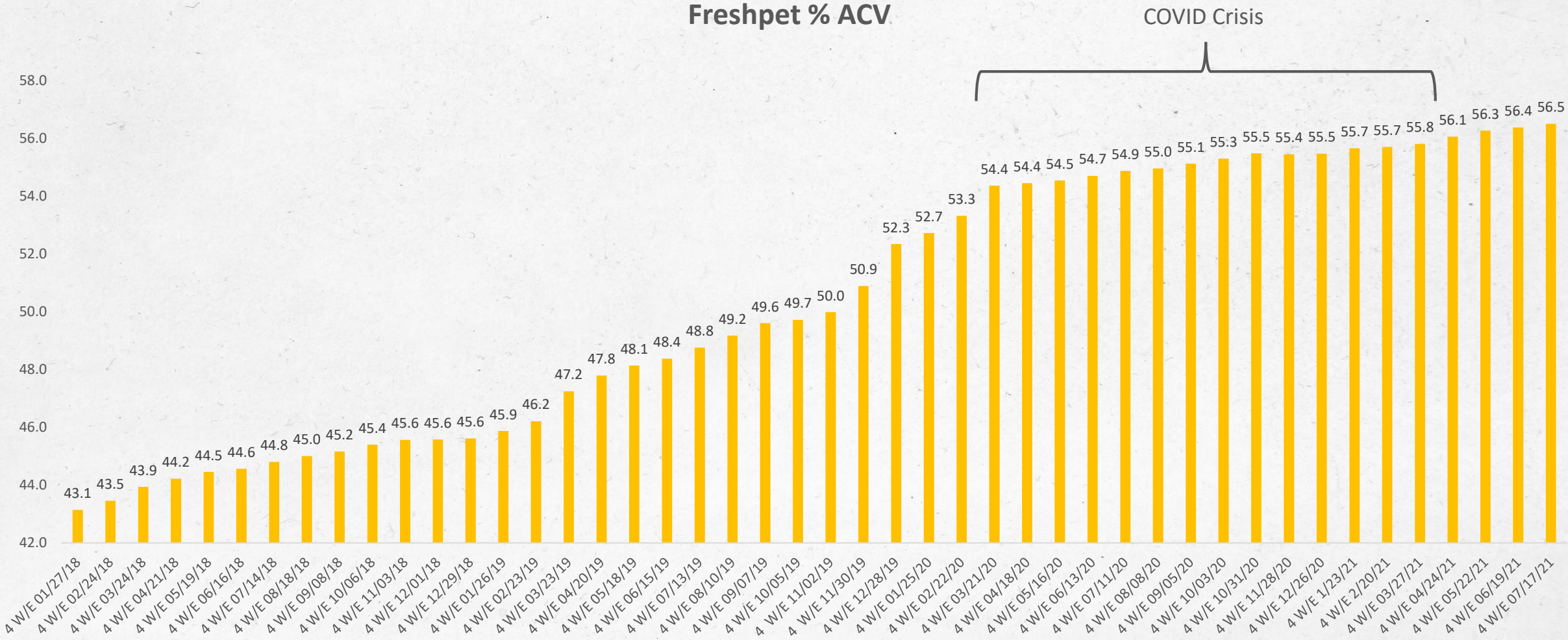
# Despite out-of-stocks, store count continued to grow

Freshpet Store Count



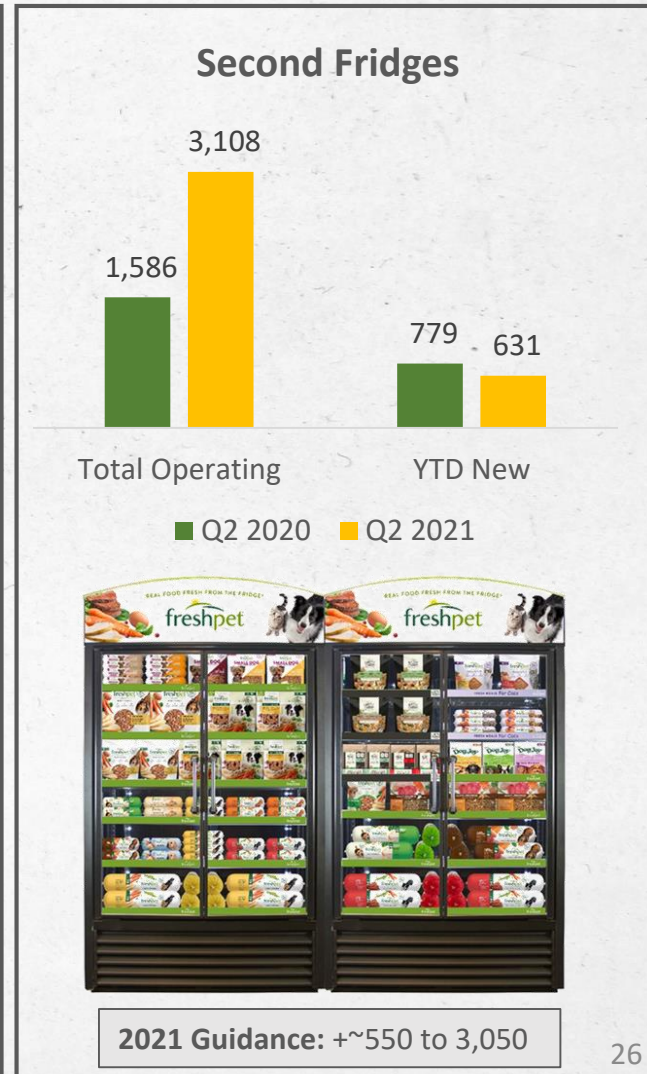
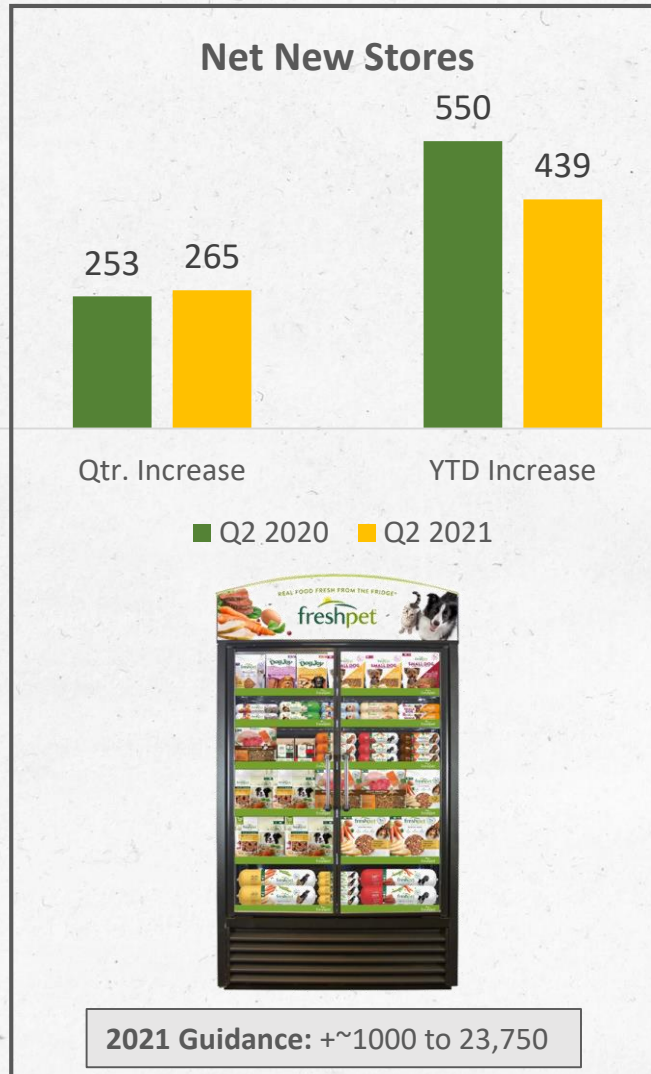


# Distribution growth continues despite capacity limits



Source: Nielsen Mega-Channel Data thru 7/17/21

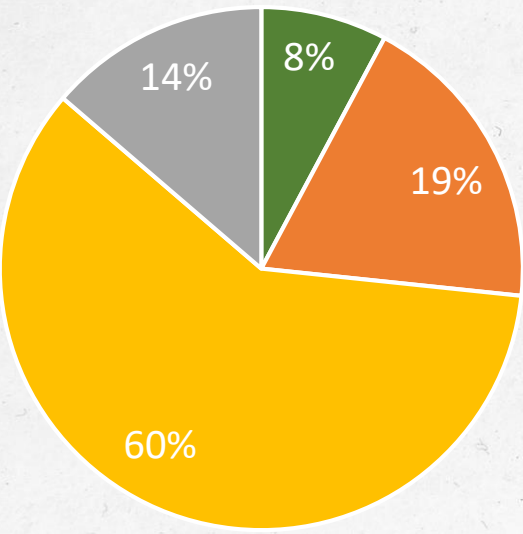
# Q2: Continued increases in retail availability & visibility





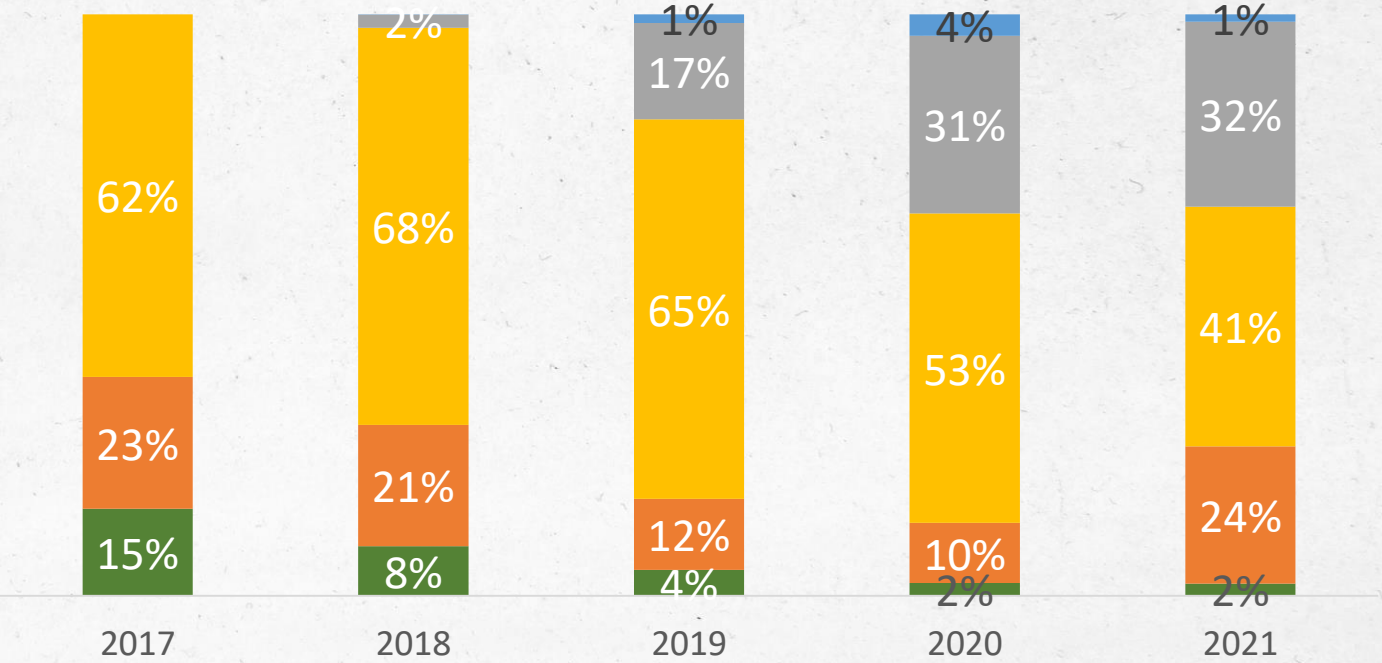
# New fridge placements skew heavily to large and multi-fridge stores

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



■ Small ■ Medium ■ Large ■ 2+ Chillers

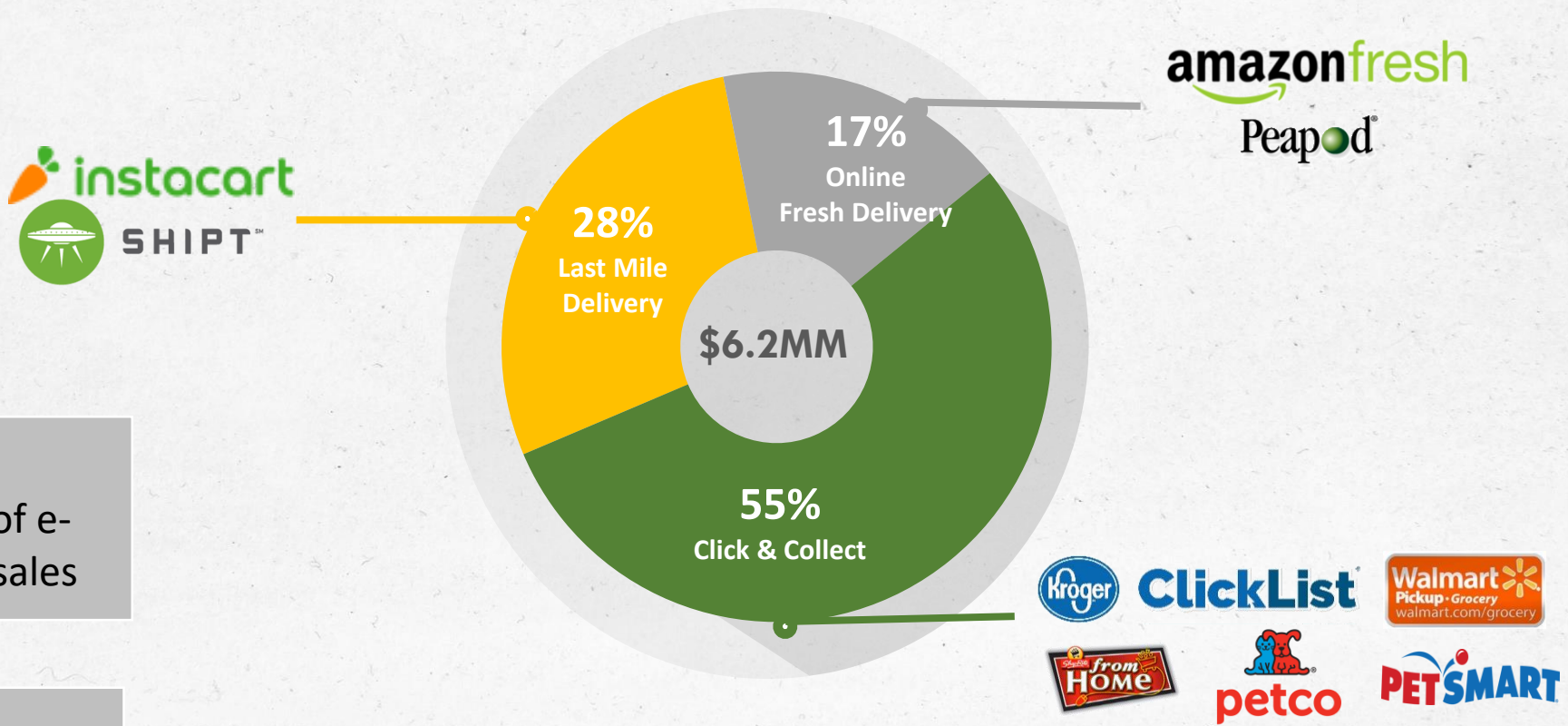
**New Fridge Installations by Size**  
(US & Canada)



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

Source: Internal company data through 6/25/21

# Q2 2021 Freshpet E-Com grew +46% vs. YA



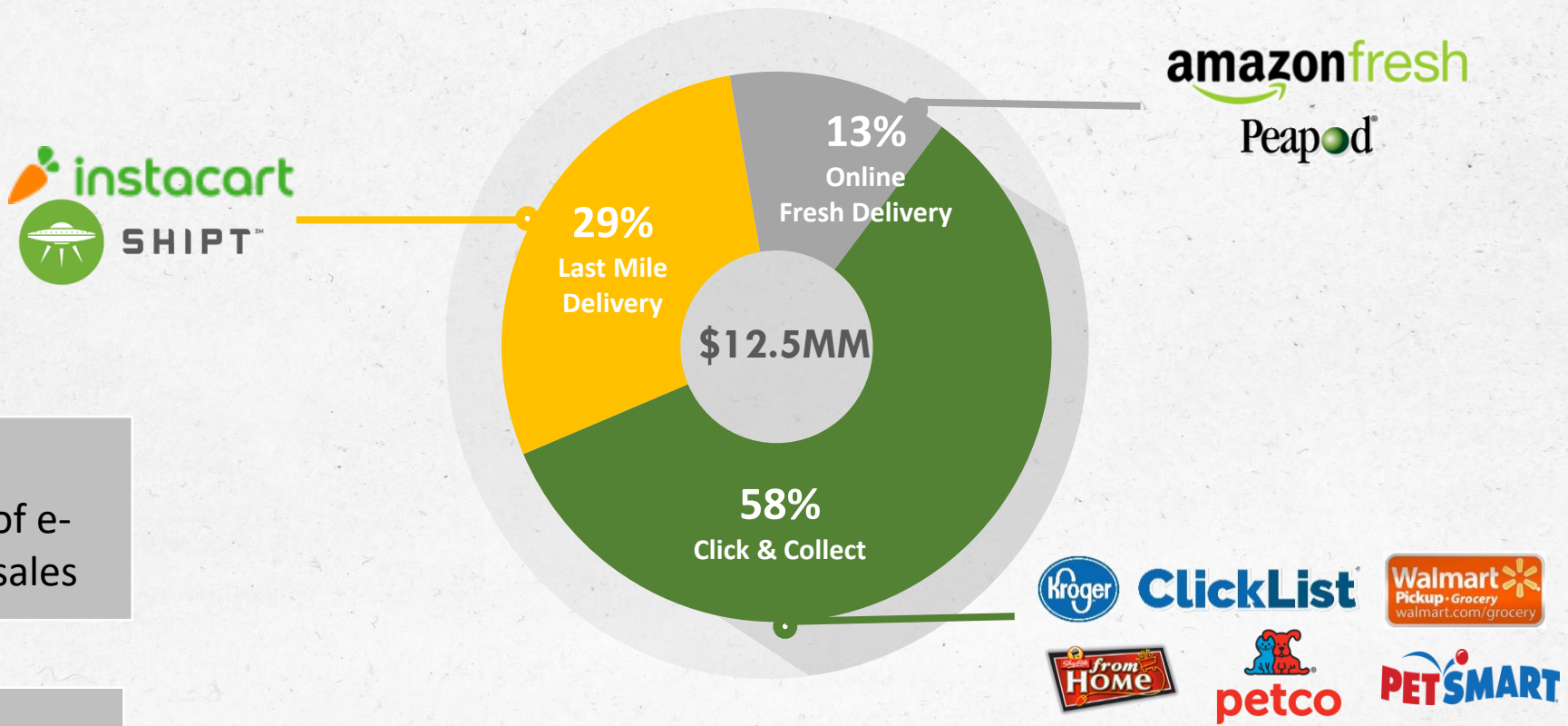
**5.6%**  
2Q 21 mix of e-commerce sales

**83% of Sales**  
Contribute to Brick & Mortar

Source: Internal company data for Q2 2021



# H1 2021 Freshpet E-Com grew +86% vs. YA



**5.9%**  
2Q 21 mix of e-commerce sales

**87% of Sales**  
Contribute to Brick & Mortar

Source: Internal company data for 1H 2021

# Partnership with Chewy.com began on July 7th

## A Fresh Idea for Pets and Pet Parents

We are excited to announce our entry into the fresh and prepared pet food space with new selections from the segment's leading brand, Freshpet, and our premium proprietary brand, Tylee's. Our highly trained and best-in-class customer service team, coupled with our personalized search and discovery features, make Chewy the right platform to drive customer adoption in this category, given the increased level of education and awareness pet parents need when deciding among the many pet food options that are available today.

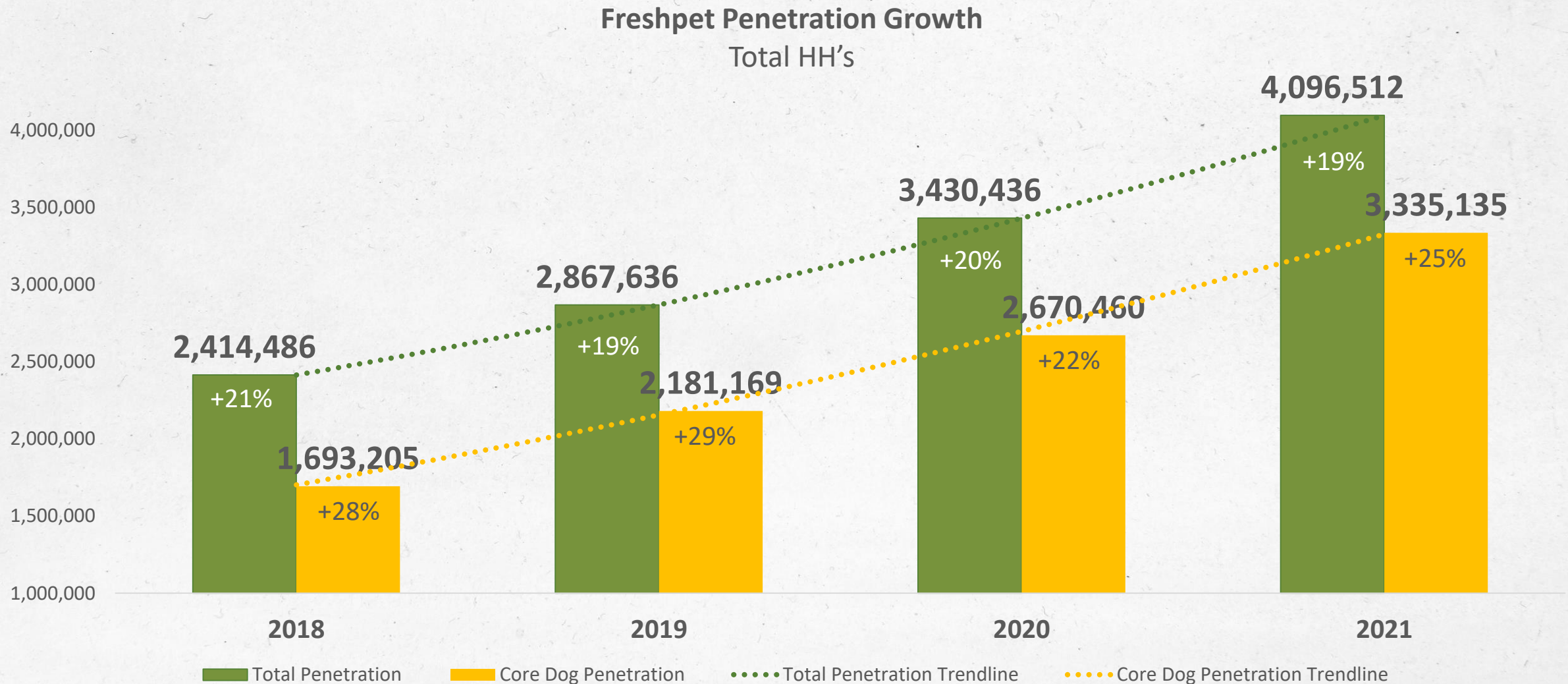
In Fresh, we developed (and patented) new sustainable packaging that allows us to preserve product quality throughout the delivery process. We are currently in Beta mode and will soon launch initial distribution in three geographies covering approximately 60 percent of Chewy's customer base, and we intend to grow both our fresh catalog and expand geographic distribution as we scale this business.

We are enthusiastic about the fresh and prepared foods category and the opportunity to serve new customers and expand assortment choices for our existing ones. With this launch, Fresh joins "Connect with a Vet" and our Compounding Pharmacy on the growing list of recently launched offerings that expand our total addressable market.



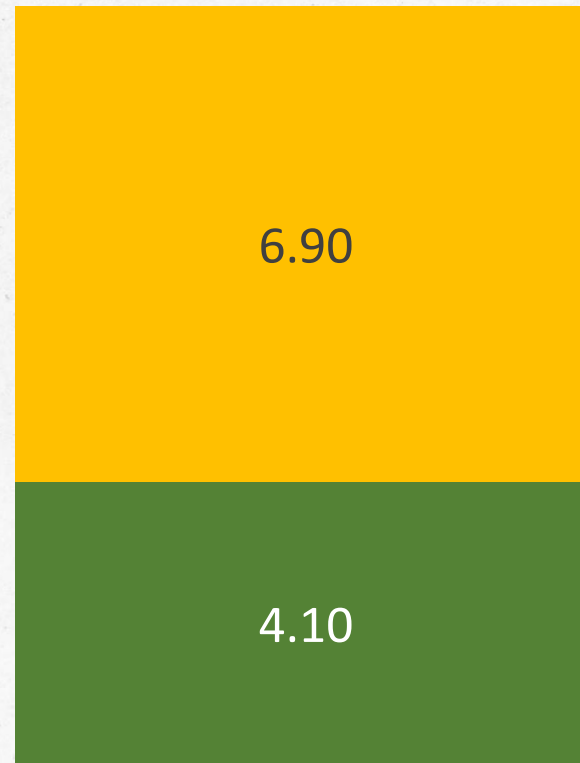


# Strong HH penetration growth despite out-of-stocks



# Exceeded 4 MM HH's: On our way to 11 MM HH goal

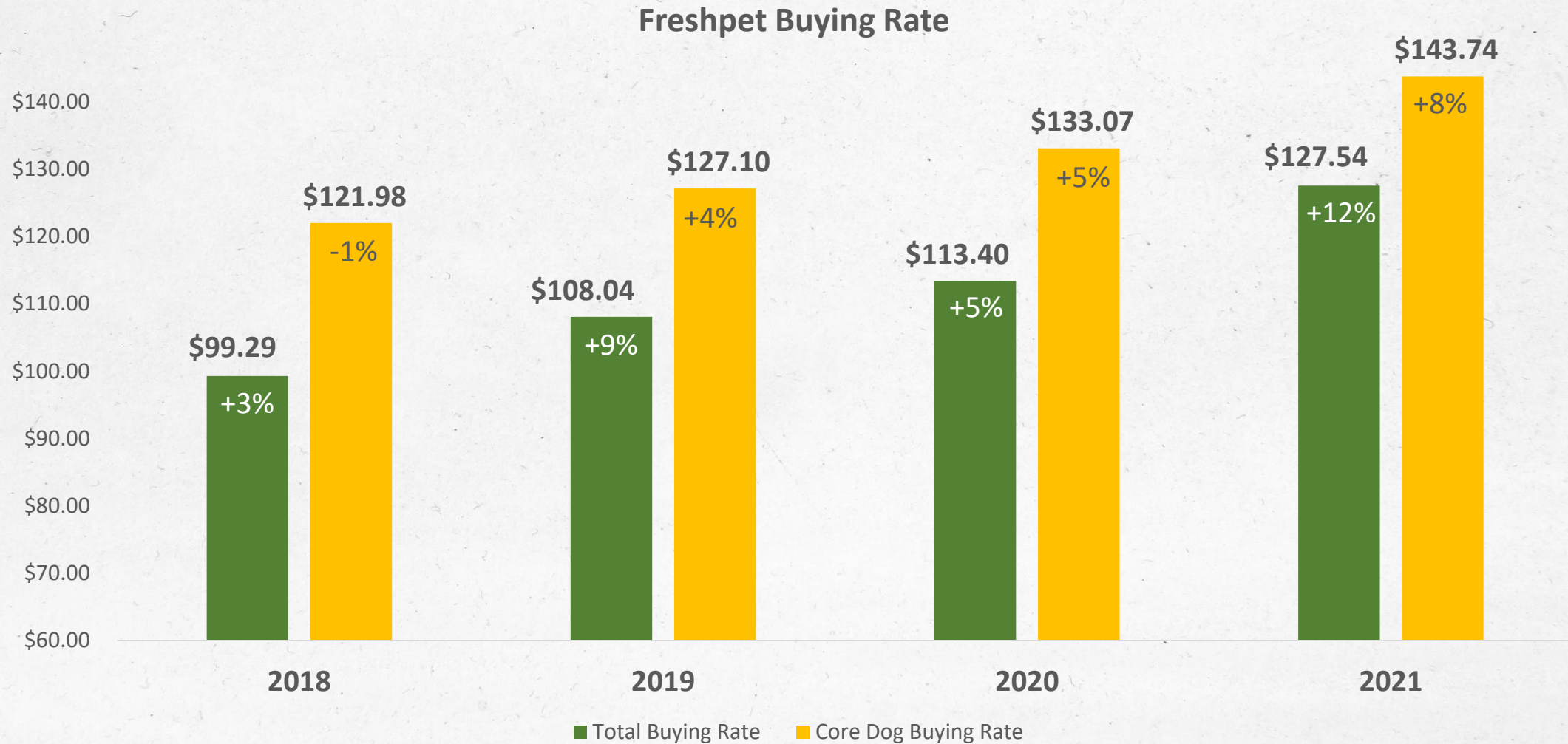
## Progress Towards 2025 Household Penetration Goal



■ Current HH Penetration    ■ 2025 Target HH Penetration



# Buying rate continues to grow despite out-of-stocks

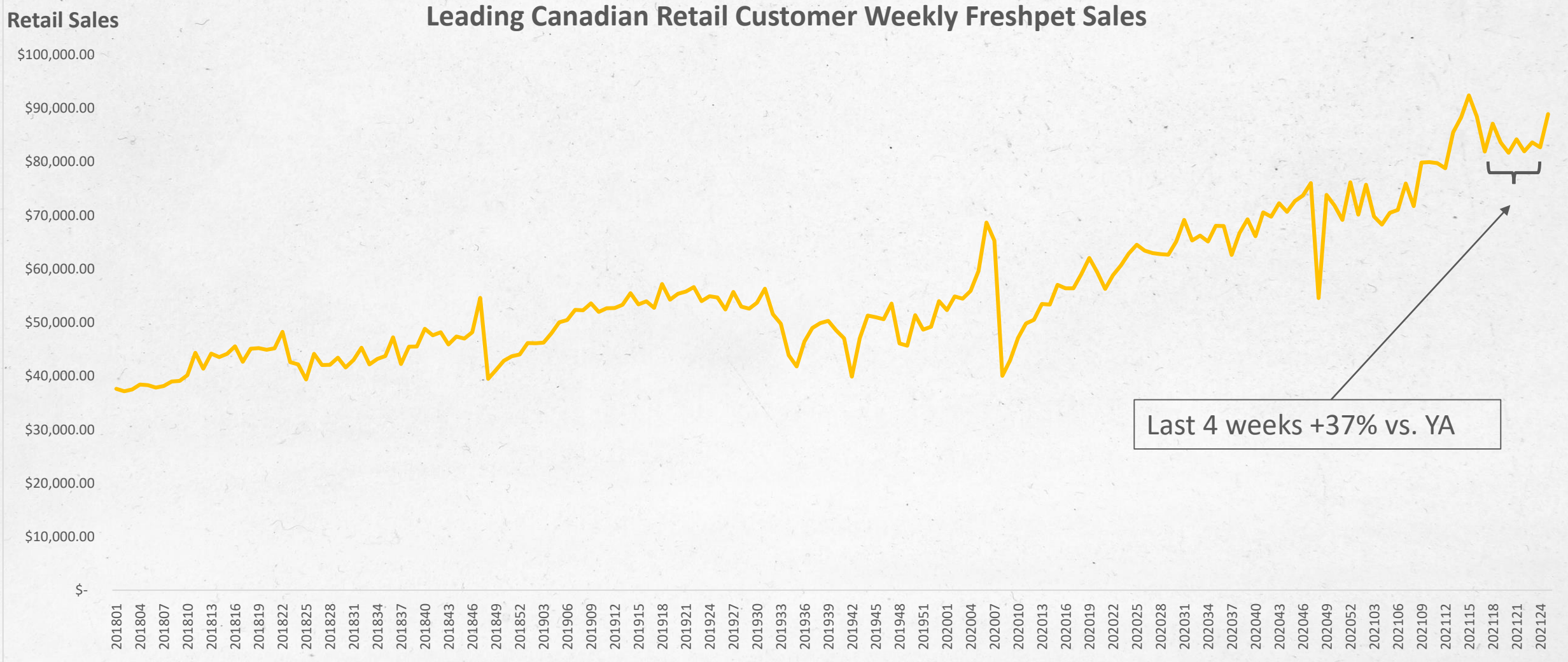




International Business

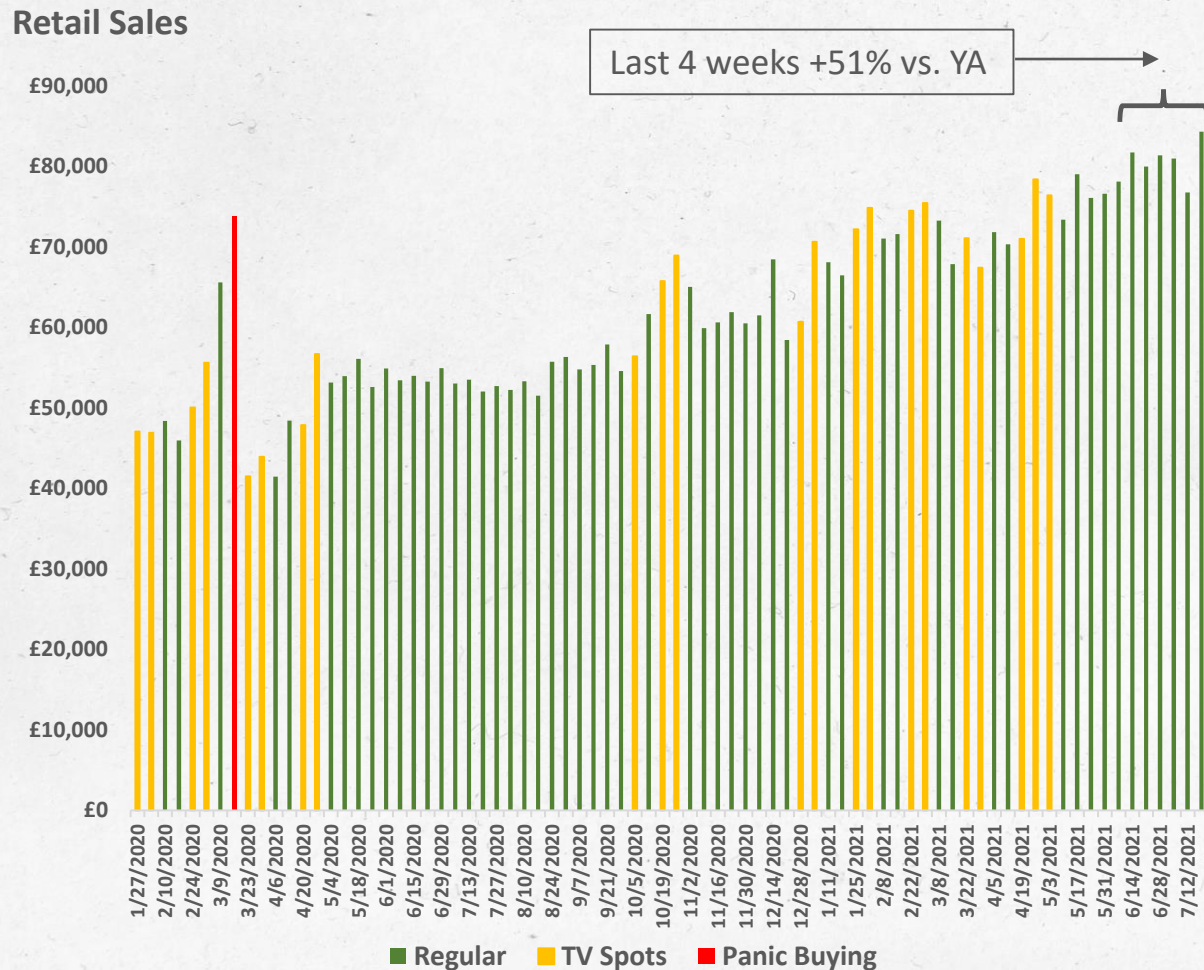


# Canadian business accelerating behind advertising investment

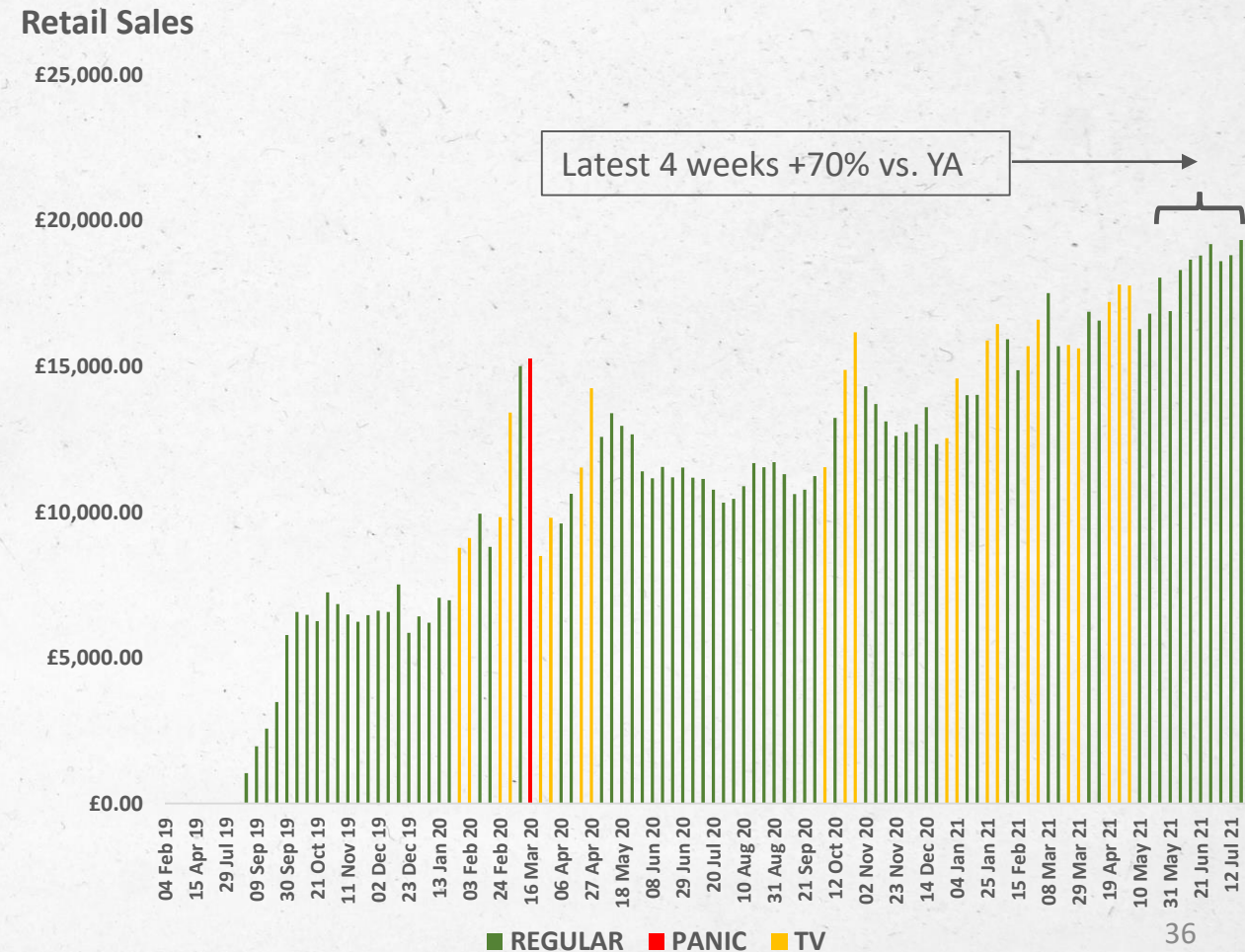


# Freshpet's advertising-driven model works in the UK

## Leading UK Retail Customer Sales by Week



## Leading UK Retail Customer Sales by Week



Source: Retail data for the period ending 7/24/21





Guidance

# 2021 Net Sales guidance raised

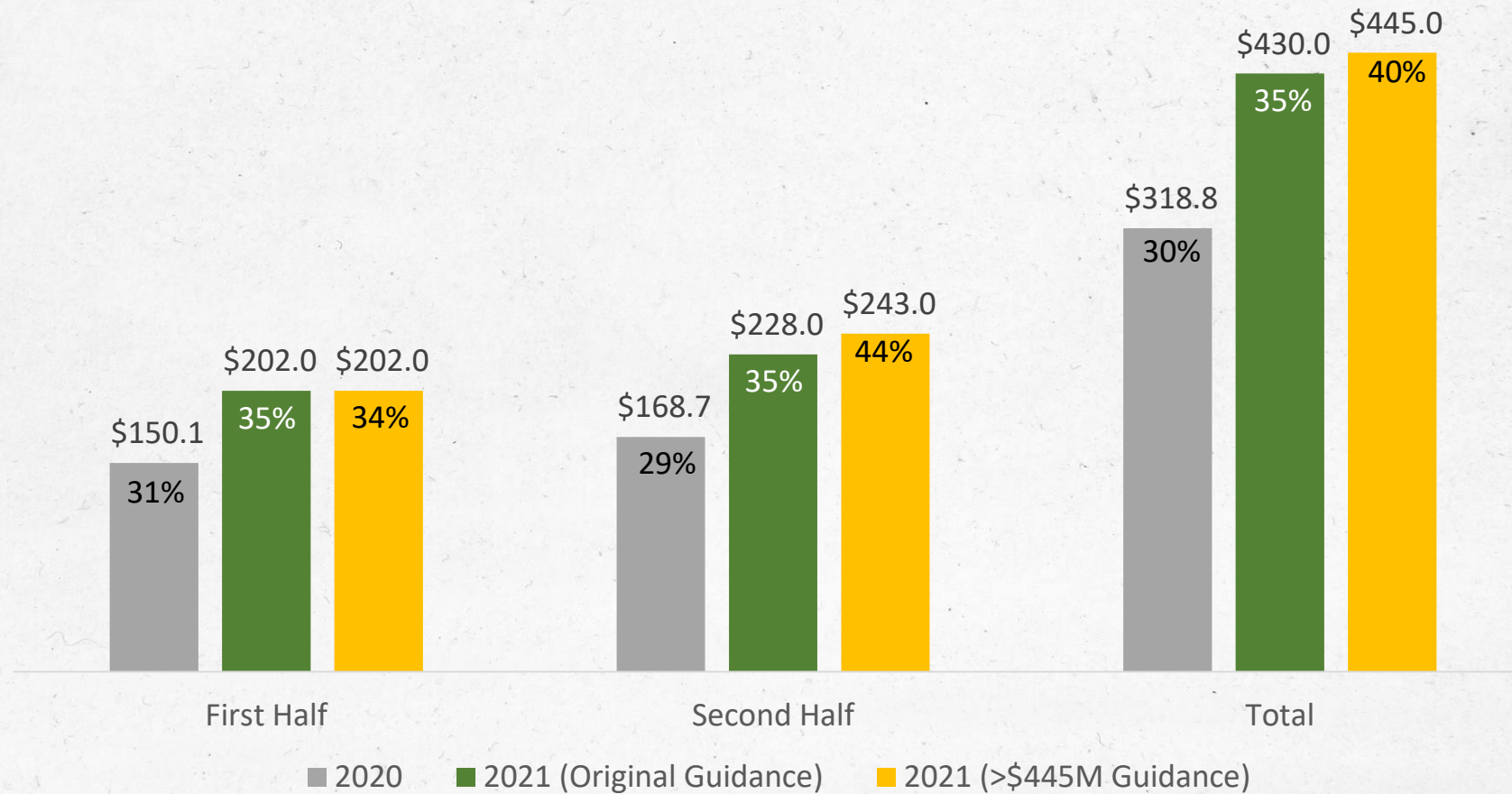
\$ in Millions	Previous	New	Increase
<b>Net Sales</b> vs. YA	<b>&gt;\$430</b> +35%	<b>&gt;\$445</b> +40%	<b>+\$15</b>
<b>Adjusted EBITDA</b> vs. YA	<b>&gt;\$61</b> +30%	<b>&gt;\$61</b> +30%	--

- **Inflation:** Adj. EBITDA guidance not raised due to increased costs from inflation and temporary operating inefficiencies; price increases announced for the end of this year
- **ERP Conversion:** Targeting a November implementation to coincide with equipment upgrades in Kitchens 1
- **COVID Addback:** Anticipating \$2.0 million in COVID-related costs in 2021; we have rolled back supplemental compensation due to broadly available vaccines

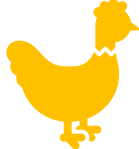






# Revised 2021 net sales guidance implies further acceleration in 2H

## 2021 Guidance



# Inflation and temporary operating inefficiencies will mute benefits from increased net sales guidance in H2

Key cost element	<b>Chicken</b> 	<b>Beef</b> 	<b>Packaging</b> 	<b>Labor</b> 	<b>Freight</b> 
<b>Potential cost impact</b>	Priced annually in December; potential impact next year	Priced quarterly; assumed in plan	Floats with resin price; expect some impact in back half	Tight labor market; second wage increase in September	Assumed inflation but exceeding expectations

- Full year 2021 adjusted gross margin could be pressured and be slightly below previous year
- Announced plans to increase prices at the end of this year



# On track for the cadence outlined in our guidance

## Q1 Expectations

- ✓ Moderating consumption growth due to out-of-stocks
- ✓ Net sales in excess of consumption as we re-fill trade inventory – slight acceleration in growth rate from Q4
- ✓ Adj. gross margin in line with Q4 due to higher staffing levels to drive higher throughput, beef costs, lost production due to storms and mix shift to bags
- ✓ U. S. advertising investment delayed to allow for improved in-stocks– in line with previous year
- ✓ Low new store additions until trade inventory is replenished in April

## Q2 Expectations

- ✓ Accelerating consumption growth behind improved retail conditions and strong advertising investment
- Shipment growth modestly in excess of consumption growth due to trade inventory re-fill
- ✓ Lower cost per lb. of production (improved mix & higher throughput)
- ✓ Incremental costs associated with disposals & incremental processing
- ✓ Strong advertising investment
- ✓ Resumption of Fridge placements as inventories are replenished

## Q3 & Q4 Expectations

- Accelerating growth delivers stronger Q4 growth rate and net sales than Q3
- Shipment growth in excess of consumption growth due to short shipments in the YA
- Flat adj. gross margin due to higher labor and material costs
- Higher freight costs due to inflation and inability to allocate inventory to orders
- Continued heavy advertising investment
- Meaningful Fridge placements

# COVID Impact & Addback

## Q1 Results

- Includes \$950K of COVID-related addbacks for supplemental wages to production team, incremental sanitation and health screening, and above normal absenteeism

## Q2 Expectations

- Team members became eligible for vaccines on March 31, 2021
- Offered team members an incentive to provide documentation that they have successfully been vaccinated
  - 2 days of paid time off if vaccinated by June 1; 1 day of paid time off if vaccinated between June 1 and August 1
  - \$25 gift card
  - Entered in drawing to win \$1500
- Continuing all safety protocols, supplemental wages, testing/quarantine costs

## Q3 Expectations

- Anticipated completion of COVID addback
- Final quarter of supplemental pay and compensation for testing/quarantine
- Likely to maintain screening and sanitation as an ongoing cost that we can absorb





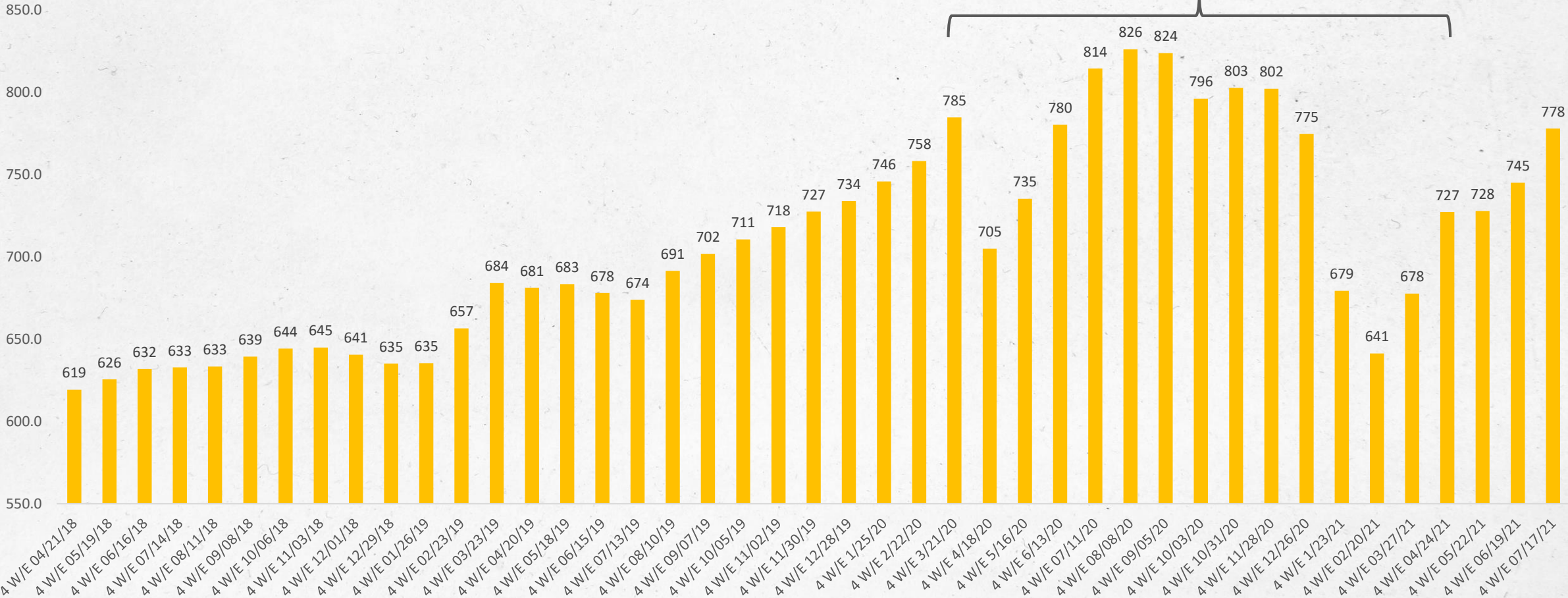
Progress Towards Improved Retail Conditions

# TDP's still growing but below last year's peak

## Freshpet Total Distribution Points (TDP)

Nielsen Mega-Channel

COVID Crisis

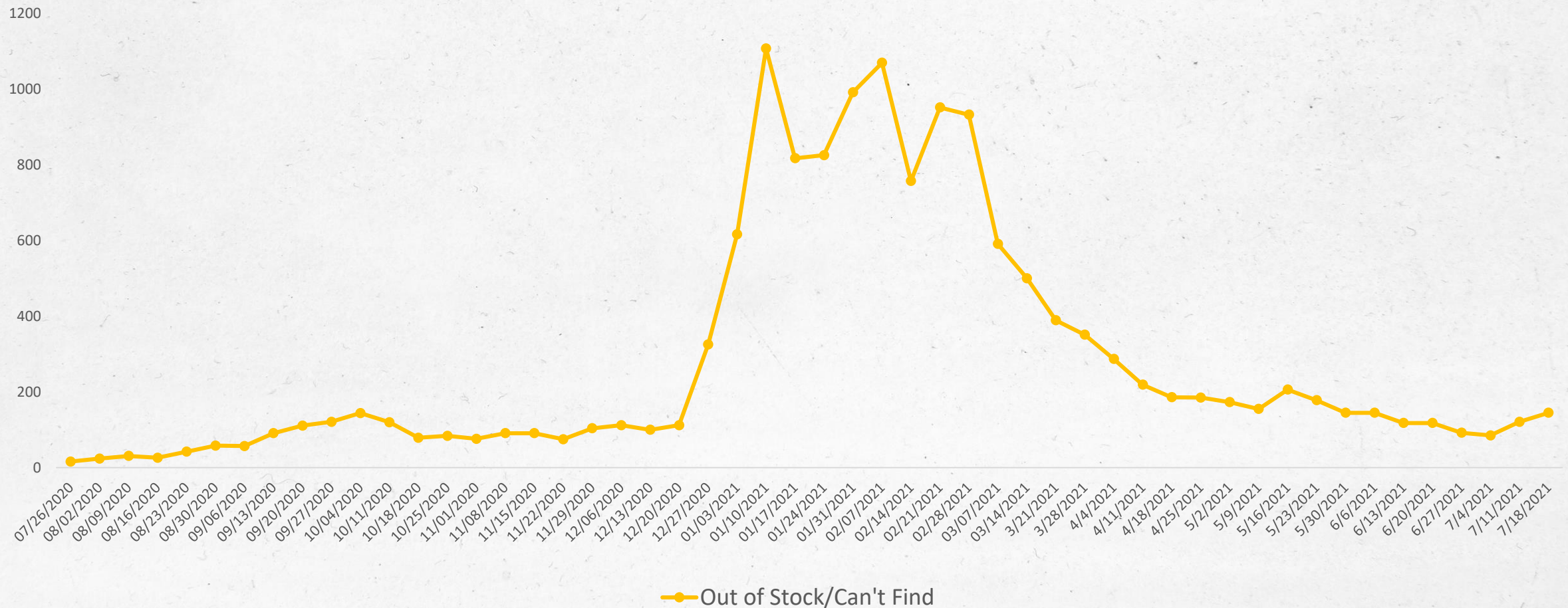


Source: Nielsen Mega-Channel Data thru 7/17/21



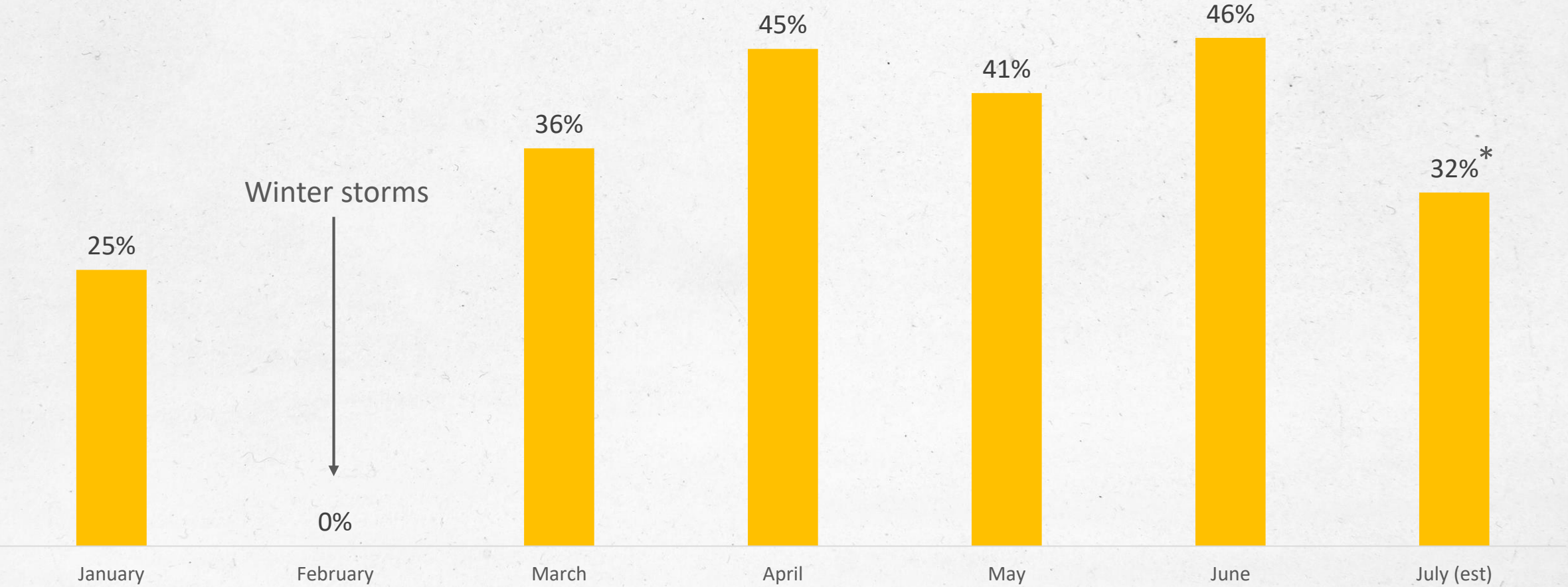
# Out-of-stocks are improving

Freshpet Consumer Comments: Out-of-stock & Can't find



# Strong production supports robust growth vs. YA

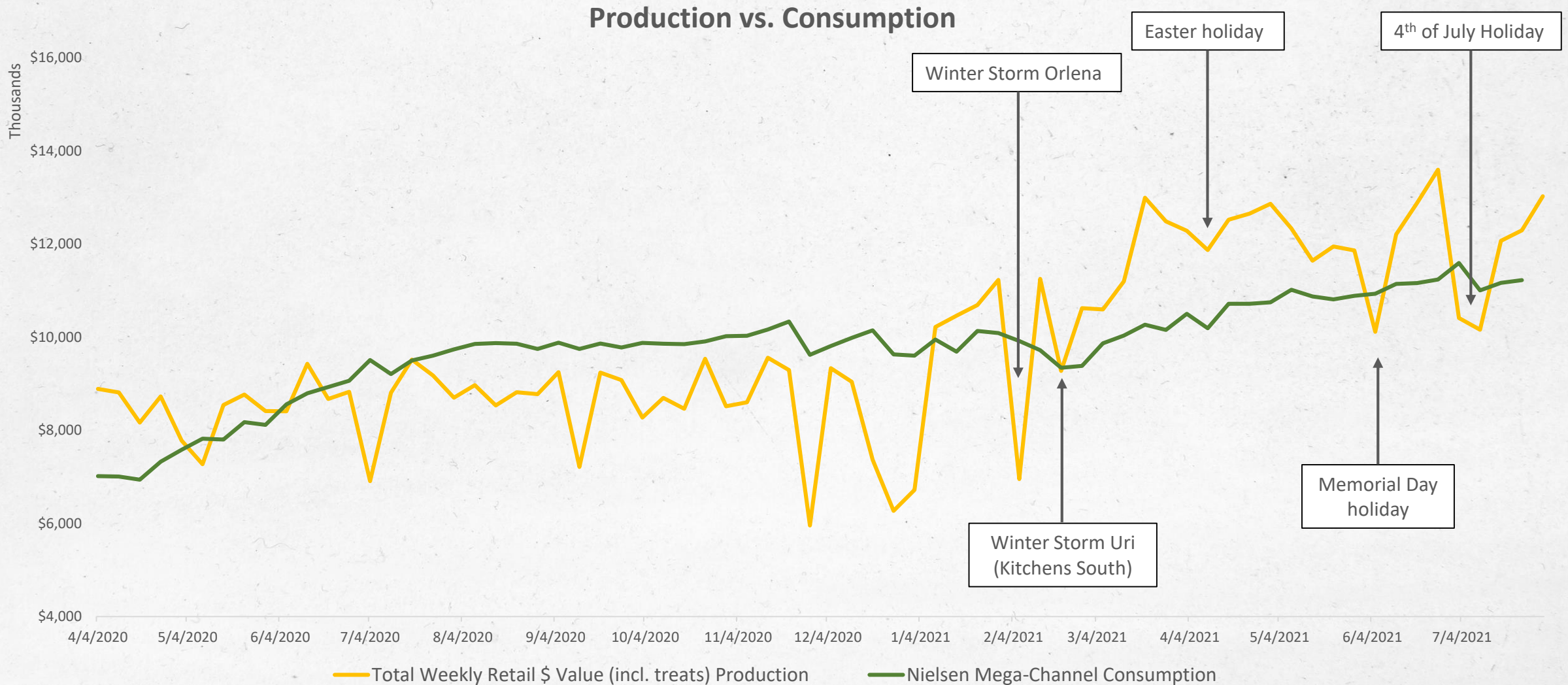
Freshpet Pounds Produced -- 2021  
(growth vs. YA)



\* Shut down lines for 3 days to perform maintenance over 4<sup>th</sup> of July holiday



# Outside of holidays and snowstorms, production is in excess of consumption every week this year



Source: Nielsen Mega-Channel Data thru 7/24/21 and internal company data

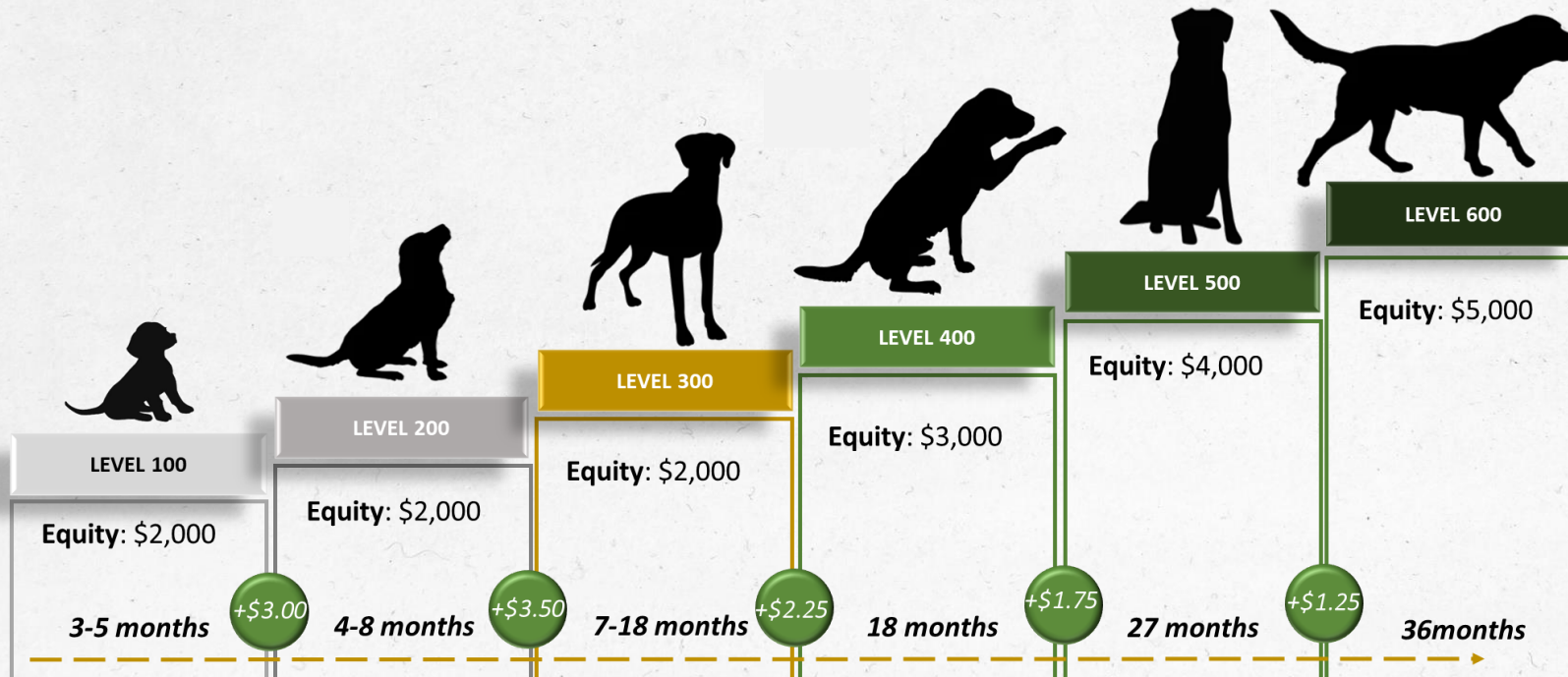


Projects to Increase Capacity



# Freshpet Academy: Pathway to Shared Success

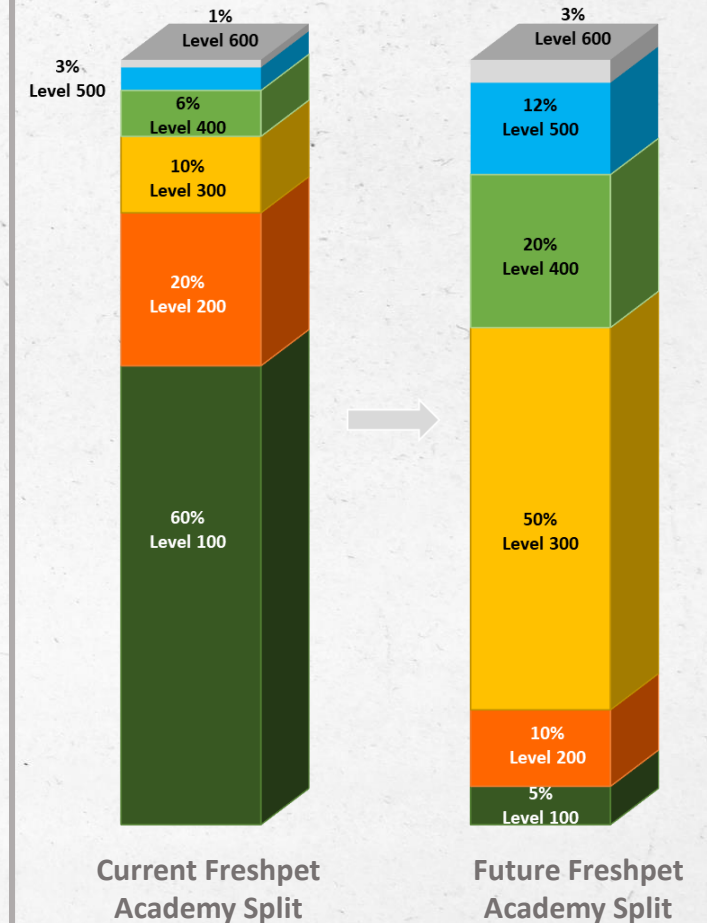
## Growing our talent



## Increasing skills

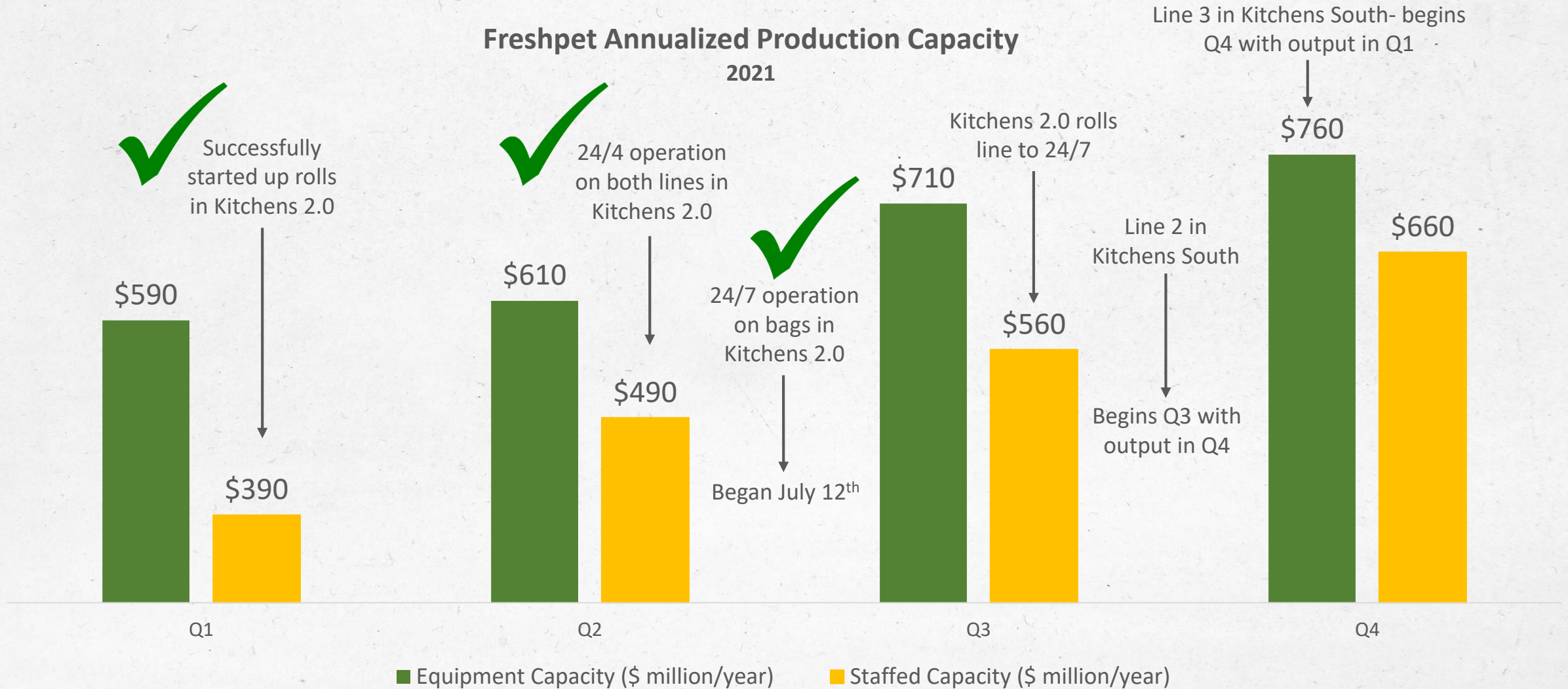


## Shifting the mix



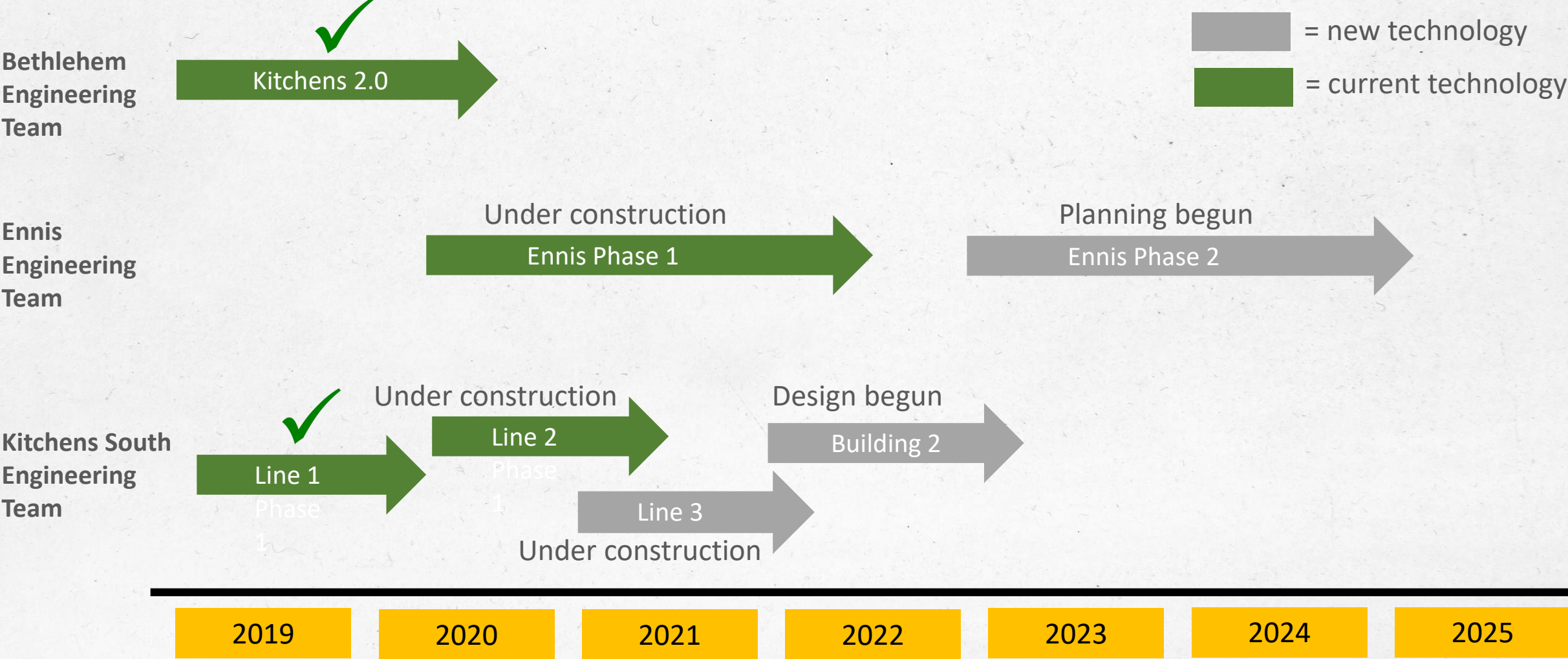
# Steady increases in production capacity throughout 2021

## Freshpet Annualized Production Capacity 2021

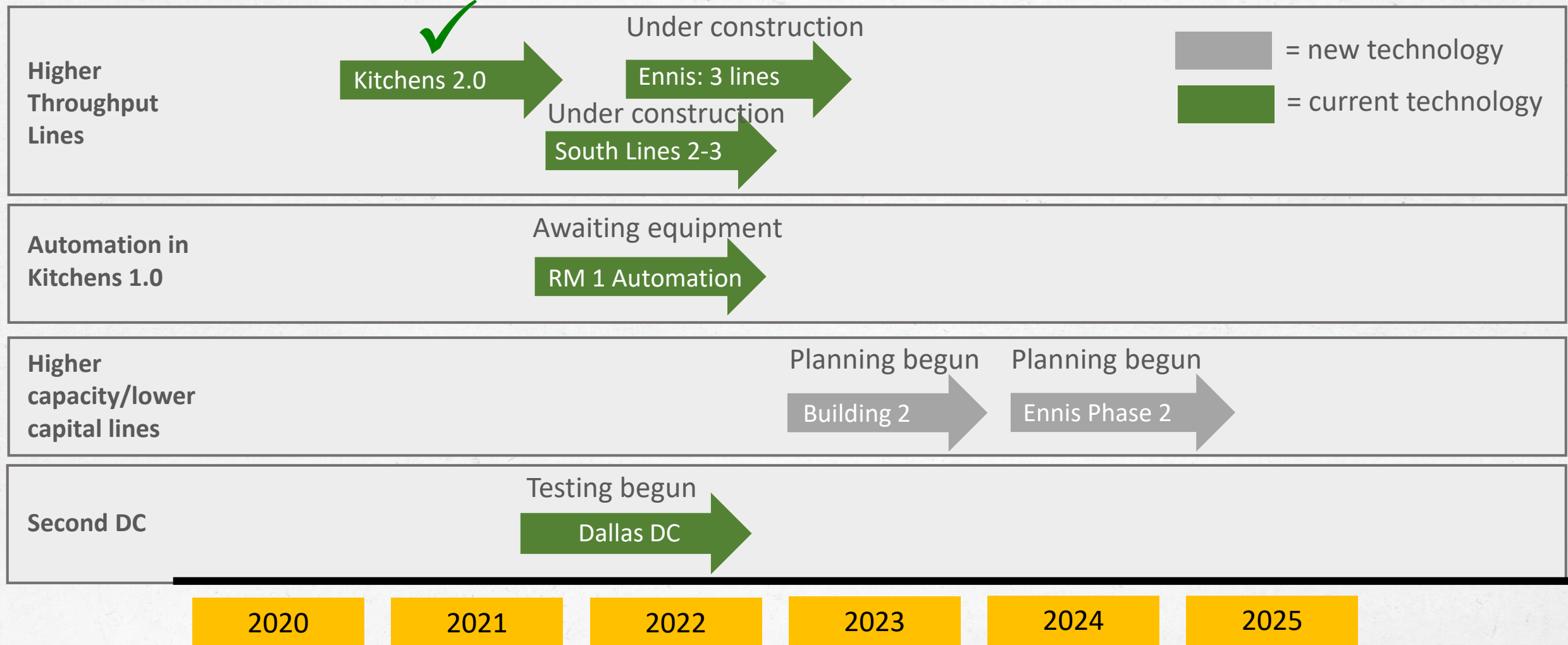




# Key capacity projects remain on track



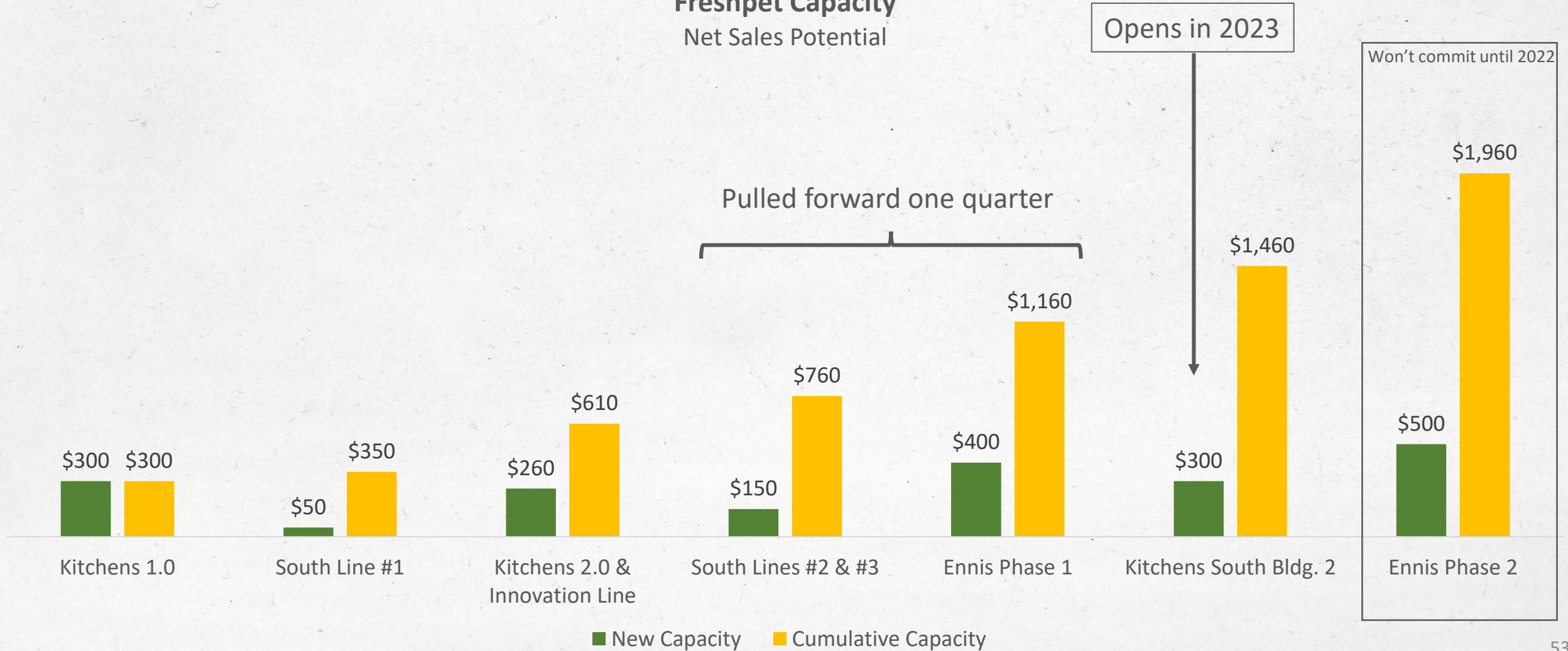
# Key efficiency improvement projects underway





# Almost \$2 billion in net sales production capacity by 2025

## Freshpet Capacity Net Sales Potential





Kitchens 2.0 will be 24/7 on all lines by end of Q3



landfill free



powered  
by wind



carbon  
emissions offset



# Kitchens 3.0 in Ennis, TX: Construction is on track for a Q2 2022 start-up



Kitchens 3.0 will include all the technical advances found in Kitchens 2.0 with additional improvements designed to increase throughput, improve quality and safety, and enhance the environmental sustainability of the facility



Freshpet Kitchen in Ennis, TX  
July 16, 2021





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





freshpet®

**FEED THE GROWTH**

11 MILLION HH BY 2025







Appendix

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Gross Profit	\$ 43,091	\$ 33,933	\$ 79,405	\$ 65,723
Depreciation expense	4,021	2,550	7,821	4,294
Plant start-up expense (a)	1,130	725	2,973	1,192
Non-cash share-based compensation	1,203	493	1,913	941
COVID-19 expense (b)	681	1,546	1,634	1,763
<b>Adjusted Gross Profit</b>	<b>\$ 50,126</b>	<b>\$ 39,248</b>	<b>\$ 93,746</b>	<b>\$ 73,914</b>
Adjusted Gross Profit as a % of Net Sales	46.1%	49.1%	46.4%	49.3%

(a) Represents additional operating costs 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
SG&A expenses	\$ 49,557	\$ 33,702	\$ 95,589	\$ 68,378
Depreciation and amortization expense	3,633	2,891	6,922	5,600
Non-cash share-based compensation	5,487	1,793	10,857	3,523
Launch expense (a)	1,018	686	1,749	1,642
Loss on disposal of equipment	46	34	106	36
Equity offering expenses (b)	(125)	—	—	58
Enterprise Resource Planning (c)	247	129	850	402
COVID-19 expense (d)	—	96	5	96
<b>Adjusted SG&amp;A Expenses</b>	<b>\$ 39,251</b>	<b>\$ 28,073</b>	<b>\$ 75,100</b>	<b>\$ 57,020</b>
Adjusted SG&A Expenses as a % of Net Sales	36.1%	35.1%	37.2%	38.0%

(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.



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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Net (loss) income	\$ (7,475)	\$ 153	\$ (18,364)	\$ (3,437)
Depreciation and amortization	7,654	5,441	14,743	9,894
Interest expense	654	80	1,556	784
Income tax expense	16	22	32	43
<b>EBITDA</b>	<b>\$ 849</b>	<b>\$ 5,696</b>	<b>\$ (2,033)</b>	<b>\$ 7,284</b>
Loss on equity method investment	\$ 337	\$ -	\$ 585	\$ -
Loss on disposal of equipment	46	34	106	36
Non-cash share-based compensation	6,690	2,286	12,770	4,464
Launch expense (a)	1,018	686	1,749	1,642
Plant start-up expense (b)	1,130	725	2,973	1,192
Equity offering expenses (c)	(125)	—	—	58
Enterprise Resource Planning (d)	247	129	850	402
COVID-19 expense (e)	681	1,642	1,639	1,859
<b>Adjusted EBITDA</b>	<b>\$ 10,873</b>	<b>\$ 11,199</b>	<b>\$ 18,639</b>	<b>\$ 16,938</b>
Adjusted EBITDA as a % of Net Sales	10.0%	14.0%	9.2%	11.3%

- (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 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.