



Freshpet, Inc.

First Quarter 2026 Earnings Call Prepared Remarks

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CORPORATE PARTICIPANTS

Rachel Ulsh – *Vice President, Investor Relations and Corporate Communications*

Billy Cyr – *Chief Executive Officer*

John O'Connor – *Chief Financial Officer*

PRESENTATION

Rachel Ulsh

Good morning, and welcome to Freshpet's first quarter 2026 earnings call and webcast. On today's call are Billy Cyr, Chief Executive Officer, and John O'Connor, Chief Financial Officer. Nicki Baty, Chief Operating Officer, will also be available for Q&A.

Before we begin, please remember that during the course of this call, management may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements related to our strategies to re-accelerate growth, progress and opportunities in capital efficiencies, timing and impact of new technology, capital spending, adequacy of capacity, expectations to be free cash flow positive, 2026 guidance and 2027 targets. They involve risks and uncertainties that could cause actual results to differ materially from any forward-looking statements made today including those associated with these statements, and those discussed in our earnings press release and our most recent filings with the SEC, including our 2025 Annual Report on Form 10-K, which are all available on our website.

Please note that on today's call, management will refer to certain non-GAAP financial measures, such as EBITDA and Adjusted EBITDA among others. While the Company believes these non-GAAP financial measures provide useful information for investors, the presentation of this information is not intended to be considered in isolation or as a substitute for the financial information presented in accordance with GAAP. Please refer to today's press release for how management defines such non-GAAP measures, why management believes such non-GAAP measures are useful, a reconciliation of the non-GAAP financial measures to the most comparable measures prepared in accordance with GAAP, and limitations associated with such non-GAAP measures.

Finally, the Company has produced a presentation that contains many of the key metrics that will be discussed on this call. That presentation can be found on the Company's investor website. Management's commentary will not specifically walk through the presentation on the call – rather it is a summary of the results and guidance they will discuss today.

With that, I would like to turn the call over to Billy Cyr, Chief Executive Officer.



Billy Cyr

Thank you, Rachel, and good morning, everyone. The message I would like you to take away from today's call is that we are off to a strong start to the year and are well positioned to continue to capture a very large share of the growing market for fresh pet food. This strong start and our success are built on our manufacturing scale and expertise that deliver a broad line-up of exceptional products; our extensive fridge network across a wide array of channels that increasingly serves our rapidly growing e-commerce business; and our first mover advantage that has enabled us to build a large and diverse consumer franchise. We have built a business around a wide range of product forms, sizes, prices, and channels and with a level of quality that no single competitor can match. It is those strengths that position us to lead the transformation of the pet food category from kibble and can to fresh.

Our first quarter net sales growth was ahead of our guidance range for the year, and we believe demonstrates our ability to successfully adapt our growth plans to the dynamic environment in which we are operating. Since last reporting earnings in February, however, the macroenvironment has been increasingly volatile so – while we are encouraged by the trends we see – we also want to remain prudent. Year to date, the consumer has remained remarkably resilient, but we are keeping a watchful eye on potential shifts in consumer buying habits, particularly as it relates to their willingness to trade up and are balancing these risks against the strength we have seen to start the year. As such, we are modestly increasing our sales guidance for 2026.

As we look at the business holistically, the fundamentals remain firmly intact: we compete in a large category, we are making consistent share gains, and our improving margins and new technologies are increasing our returns on capital. Together, this creates a compelling backdrop and a long runway for value creation. Against that backdrop, there are three core reasons we remain confident in our long-term growth opportunity:

First, pet food is a very attractive category, with long-term tailwinds like the humanization of pets, treating our pets as valuable family members, and younger generations are increasingly interested in feeding high quality food to every member of their family – including their pets. The phenomenon of feeding your children and pets better food is a generational shift, and that suggests we have a very long runway for growth. As a result, our total addressable market has grown to 36 million households, versus the 16.1 million we have today, and we expect both the addressable market and our household penetration to keep growing.

Second, consumers are increasingly choosing fresh and frozen over dry and canned food, so we have the winning proposition in a winning category. We have increased our market share to 4.2% in US dog food and treats according to Nielsen Omnichannel data and expect to capture a large portion of the future growth of the fresh/frozen category as it continues to become more mainstream.

Third, we are focused on improving returns on capital investments as we progress from being a category disruptor to a high-growth, profitable, scaled business. Our operational effectiveness programs, plus the new technologies we are developing, are designed to improve returns. And to continue to drive capital efficiency, we intend to 1. Get more out of existing lines, primarily through OEE improvements, 2. Get more out of existing sites- whether that be finding ways to optimize our network or add more lines to our



existing campuses, and 3. Develop and implement new technologies. We are quite encouraged by the progress we are making on each piece of that plan.

We have discussed over the last few quarters how we are shifting our commercial model by changing the media mix and message, making tactical pricing changes, and evolving into an omnichannel distribution model. Our goal is to address the needs of a broad consumer base, and we want to give them the Freshpet products they want, how they want them, when they want them, and where they want them. We have built significant organization capability to accomplish that and – in conjunction with our network of more than 39,000 fridges that serve as fulfillment centers – we believe that Freshpet is uniquely positioned to serve the widest range of consumers seeking fresh pet food and the most diverse ways in which they buy. As we make these changes, there will be learnings along the way, but the key will be how we pivot to capture that opportunity.

As you know, our marketing model is based on strong advertising driving household growth, and more households helps drive further distribution growth. Our recent shift in both our advertising message and our media mix to support our omnichannel business appears to be working and we are seeing some early signs of increasing media leverage. Our fall campaigns continue to resonate with consumers, and we just launched a new campaign this week called “Kitchen Conversations.” Our new tagline of “Better food for your better half” deepens our connection and relationship with our core audience, and our ads showcase the difference that fresh products make.

From a household penetration and buy-rate standpoint, we continue to see household penetration growth in excess of all other super-premium dog food brands, including DTC brands, and MVP growth continues to outpace total households. On a 12-month basis as of March 29, 2026, household penetration was 16.1 million households, up 8% year-over-year, and total buy rate was approximately \$114, up 6% year-over-year. MVPs, our super heavy and ultra heavy users, are continuing to grow faster than overall households, and now total 2.5 million households, up 13% year-over-year and have an average buy rate of \$513. Note that Numerator recently completed its annual panel reset in April so there have been some revisions to the absolute numbers in the historical data, but the overall trends remain the same. Growth continues to be strongest amongst higher income households and Millennials, amongst club and online shoppers, and amongst our heaviest users – ultra buyers. We do not see any signs of trade-down amongst our users.

From a retail standpoint, our objective is to improve accessibility and visibility for the omnichannel consumer. Our products are now in 30,435 stores, and 25% of those stores in the U.S. and Canada have multiple fridges. You can see on the updated chart on slide 13 of our investor presentation that we are adding fridges faster than new stores, and we expect that trend to continue. We will still add new stores such as Tractor Supply’s recently announced expansion to up to 700 stores by year end, but have more opportunity to add more fridges, in a variety of formats/configurations in the highest velocity stores we are already in, so that we can serve more omnichannel consumers. Our large retail footprint acts as micro fulfillment centers for omnichannel consumers and is a key piece of fulfilling digital orders. In the first quarter, digital orders grew 43% and accounted for 16.1% of our total business, up from 14.6% in the fourth quarter—and 81% of those sales volume went through our extensive fridge network. According to Nielsen Omnichannel data, Freshpet was the fastest growing brand over the 13 weeks ending March 28, 2026—demonstrating the power of our marketing model and the broad availability of Freshpet designed to meet a wide range consumers’ buying preferences.



Our scale advantages extend to our manufacturing as well. Because we own our manufacturing, we have the incentive and the ability to advance the technology for making fresh pet food. We believe our new breakthrough technology enables an even stronger product proposition with both a better consumer experience and better unit economics. As we mentioned last quarter, the first bag line in Bethlehem utilizing the new technology started up in January. That line continues to perform well, and our first “lite” version of the technology was successfully installed on another bag line in Bethlehem last month. We are very encouraged by the potential to significantly improve quality, throughput and yield, but we want to run each of the lines for several months before we quantify the magnitude of the benefits.

However, the results to date supported our decision to convert a bag line in Ennis to the Lite version of the technology as well. That conversion is expected to be completed by late June or early July and will allow us to convert a larger portion of our existing product line-up to the new technology this year. By the end of the year, we expect to have about 35% of our bag capacity using some version of the new technology. The capital for this expansion is modest, and does not change our capex guidance for the year.

In the coming months, we will decide whether to convert an additional bag line – i.e., a third line converted to the lite version of the new technology and also whether we will pull forward the installation of a completely new line using the full version of the technology. That incremental line using the full version of the new technology would add significant capacity to our network sooner than we might need it and that will factor in our decision-making. If we do move forward with either project, any capital spending for those projects would be above our original \$150 million capital budget.

We believe the development of this technology demonstrates our technical mastery as the self-manufactured leader in fresh pet food. Maintaining control of our manufacturing also opens up opportunities to further advance the technology.

Now I’ll provide some highlights from the first quarter. First quarter net sales were \$297.6 million, up 13.1% year-over-year, primarily driven by volume. Recall, in Q1 of FY25 we had distributor disruption in the pet specialty channel. Lapping that disruption added 50-100 bps to our growth rate in Q1 of this year.

Adjusted gross margin in the first quarter was 46.9%, compared to 45.7% in the prior year period. Adjusted EBITDA in the first quarter was \$37.9 million, up \$2.4 million year-over-year.

Now turning to our updated 2026 guidance. We are raising our net sales guidance range from 7-10% growth to 8-11% growth year-over-year and reiterating our Adjusted EBITDA guidance of \$205 to \$215 million. We are encouraged by recent sales trends and believe raising net sales guidance is prudent based on year-to-date trends; however, we are balancing the dynamic environment we are operating in, so we are monitoring our costs closely, particularly on logistics, packaging, and any additional ripple effects on input costs.

We continue to expect capital expenditures to be approximately \$150 million this year absent any incremental investments, and we expect to be free cash flow positive in 2026. John will walk through more details of our 2026 guidance in a few minutes.

With that, I’ll turn it over to John to walk through more details of our financial results.

John O’Connor



Thank you, Billy, and good morning, everyone. The first quarter results demonstrated our ability to deliver category-leading growth despite a challenged consumer environment. Net sales in the quarter were \$297.6 million, up 13.1% year-over-year. Volume contributed 14.6% growth, partially offset by unfavorable price/mix of 1.5%, which was primarily driven by gross to net items which include an unfavorable prior year comp and current year items we do not expect to recur in the rest of the year. We also saw the effect of targeted price reductions, some of which began last year and we will begin to lap in Q4. We had broad-based consumption growth across channels. For Nielsen measured dollars, we saw 13.5% growth in Total US Pet Retail Plus with Costco.

First quarter adjusted gross margin was 46.9%, compared to 45.7% in the prior year period. The 120 basis point increase was driven by improved leverage on plant expenses and lower input costs.

First quarter adjusted SG&A was 34.2% of net sales, compared to 32.2% in the prior year period. This increase was primarily due to higher variable compensation in the quarter, increased media as a percentage of sales due to timing, and increases in our logistics costs. Media spending was 15.8% of net sales in the quarter, up from 15.1% in the prior year period, mainly due to a planned shift in cadence of spend that brought more spending into the first quarter. Logistics costs were 6.3% of net sales in the quarter, compared to 5.8% a year ago. The increase was partly due to storm-related costs including driver shortages, as well as recent fuel cost increases which we began to experience in March.

First quarter net income was \$48.5 million, compared to a net loss of \$12.7 million in the prior year period. The increase in net income was primarily due to the sale of our equity investment in Ollie, contributions from higher sales, and lower non-recurring SG&A charges, partially offset by the increase in income tax expense related to the gain on the Ollie sale.

First quarter Adjusted EBITDA was \$37.9 million compared to \$35.5 million a year ago – an increase of approximately 7%. This growth was primarily driven by higher sales and gross profit, partially offset by higher adjusted SG&A expenses. Adjusted EBITDA margin was 12.7% in the first quarter, compared to 13.5% in the prior year period. This decrease was primarily driven by the higher G&A, cadence of media investments, and higher logistics costs in the quarter.

Operating cash flow in the quarter was \$40.3 million, while capital spending was \$27.6 million. We ended the quarter with cash on hand of \$381.4 million, including \$95.5 million in proceeds from the sale of Ollie, and generated free cash flow of \$12.7 million.

Now turning to guidance for 2026... As Billy mentioned earlier, we now expect net sales growth of 8% to 11%, compared to 7 to 10% previously. We are pleased with our results for the quarter and are optimistic about growth opportunities for the remainder of the year, however we continue to balance the recent acceleration in our net sales growth against the volatile macro environment and its ability to affect the consumer. Going back to last year we have taken steps to position ourselves to continue expanding the fresh dog food category amid a slower consumer backdrop with improved entry price point offerings, and will continue to make balanced investments in both improved affordability for the consumer, and profitability for Freshpet. As a reminder, we have easier comps through May and then a tougher comp in



Q3 from the significant expansion in a large club customer in the year ago, including pipeline fill. We continue to expect to grow market share as we benefit from a generational shift from dry and wet food to fresh.

We continue to expect Adjusted EBITDA in the range of \$205 to \$215 million, an increase of 5% to 10% year-over-year. Adjusted EBITDA dollars and margin should improve sequentially for the remainder of the year. Media as a percent of sales for the year is still expected to be roughly in-line with 2025, at approximately 12.5% of net sales, and will be front half weighted in dollars. We now expect elevated logistics costs for the remainder of the year given increased fuel costs. As I said on the last earnings call, 2026 is not necessarily indicative of the underlying operating leverage in our model. We reset variable compensation this year, and have made significant investments in omnichannel capabilities. Beyond 2026, we expect Adjusted EBITDA growth to exceed net sales growth with an expectation of continued gross margin expansion and a more consistent variable compensation expense.

We anticipate adjusted gross margin to improve by approximately 50 to 100 basis points at the midpoint of our net sales range, primarily driven by plant leverage, partially offset by mix. Should our current revenue trends continue it is possible we will need to add staffing in our manufacturing operations, although this is not currently contemplated in our guidance. Within our guidance range for net sales, we expect to drive OEE improvements to deliver the volume growth embedded in the range. From an inflation standpoint, we are carefully watching for any changes. To address any higher input costs, we are evaluating opportunities to offset through product formulations and targeted pricing actions.

Capital expenditures are projected to be approximately \$150 million in 2026, excluding any significant incremental investments in fridge islands or expediting the rollout of our new technology. These are two distinct investment decisions. Conversations with retailers about fridge island expansion are ongoing, and we expect to make a decision on whether to accelerate the new manufacturing technology in the middle of the year. While it is still early and we need to run the new lines for longer to demonstrate consistent efficiency gains, we are encouraged by the initial results.

Regarding our fiscal year 2027 targets, we are confident in our ability to deliver net sales growth well in excess of the US dog food category growth, achieve at least 48% Adjusted Gross Margin, and deliver an Adjusted EBITDA margin in the range of 20 to 22%. And, we believe we have a variety of paths to achieve our 2027 margin targets.

Since joining in February, a key focus of mine has been assessing our capital allocation strategy given the strong, and evolving nature of our financial position. Freshpet operates in a very attractive and growing category and has built strong competitive advantages that support durable market share gains and revenue growth. With this backdrop, investing internally in the business is far and away our highest priority for capital deployment. These investments include - expanding manufacturing capacity in a fast growing space where we lead; developing novel production methods that enhance product quality, reduce cost to produce and improve returns on capital; new recipes that broaden our offerings and enhance our appeal to pet owners; and enhancements to our commercial model to expand distribution, access new channels, and reach consumers in a more targeted way.



As we pursue these investments, we desire to retain a high degree of financial flexibility to invest in new technologies, capabilities, or accelerate our growth. To the extent we are able to cover all of these investment opportunities through internal cash generation, we would then evaluate the opportunity to improve our capital efficiency by returning cash to shareholders in a manner that does not compromise our ability to fund our long-term growth drivers.

To summarize, we are pleased with our first quarter results but remain conscious of developments in the macro environment since we initially set our guidance for 2026. In light of this we remain cautiously optimistic with our outlook for the remainder of the year. I firmly believe we have a long runway for growth and will continue to build on our competitive advantages as the scaled leader in the fresh/frozen pet food category.

That concludes our overview. We will now be glad to answer your questions. As a reminder, we ask that you please focus your questions on the quarter, guidance, and the company's operations. Operator?