



ICR Investor Presentation
January 10, 2022



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 represent the Company's guidance for fiscal year 2021. The Company is unable to reconcile these forward-looking non-GAAP financial measures to the most directly comparable GAAP measures without unreasonable efforts because the Company is currently unable to predict with a reasonable degree of certainty the type and impact of certain items, including the timing of and amount of costs of goods sold and selling, general and administrative expenses, that would be expected to impact GAAP measures for these periods but would not impact the non-GAAP measures. The unavailable information could significantly impact our financial results. These items are not within the Company's control and may vary greatly between periods. Based on the foregoing, the Company believes that providing estimates of the amounts that would be required to reconcile these forecasted non-GAAP measures to forecasted GAAP measures would imply a degree of precision that would be confusing or misleading to investors for the reasons identified above.



Nourishing Pets, People and Planet

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



Summary

- **2021 was a challenging year due to production and supply chain challenges**
 - Underestimated labor market and supply chain difficulties; resulted in significant inefficiencies, shipment shortfalls and inability to raise prices to offset inflation in a timely manner
- **Delivered 5th consecutive year of accelerating Net Sales growth in 2021**
 - +33% vs. YA to \$425.5 million
 - Re-affirming Adj. EBITDA guidance
- **Consumption growth continues to re-accelerate**
 - Last 4 weeks +29% vs YA
- **New advertising on the air**
 - Highest scoring ad ever
- **Total Addressable Market (TAM) continues to expand**
 - TAM is estimated to have grown from 20 million HH's in late 2019 to 25 million HH's in late 2021
- **Capacity expansion remains on track**
 - Current staffed capacity could support annual Net Sales of ~\$700 million (includes benefit of price increases)
 - Third line at Kitchens South scheduled to start up in February
 - Ennis on track to start-up in late Q2 with its first line
- **Anticipating total ingredients, labor and freight inflation of ~17% in 2022 vs. Q4 2020**
 - Fully offset by increased pricing after second price increase is in effect on 2/28/22



Freshpet Overview

Until Freshpet, a dog's choices were really limited

Dry Kibble



Canned
Mystery Meat



\$30 billion industry stuck in 1950



First major innovation since dry kibble in 1956



1956



2006

Freshpet Fresh from the Kitchen is a giant leap forward versus canned dog food

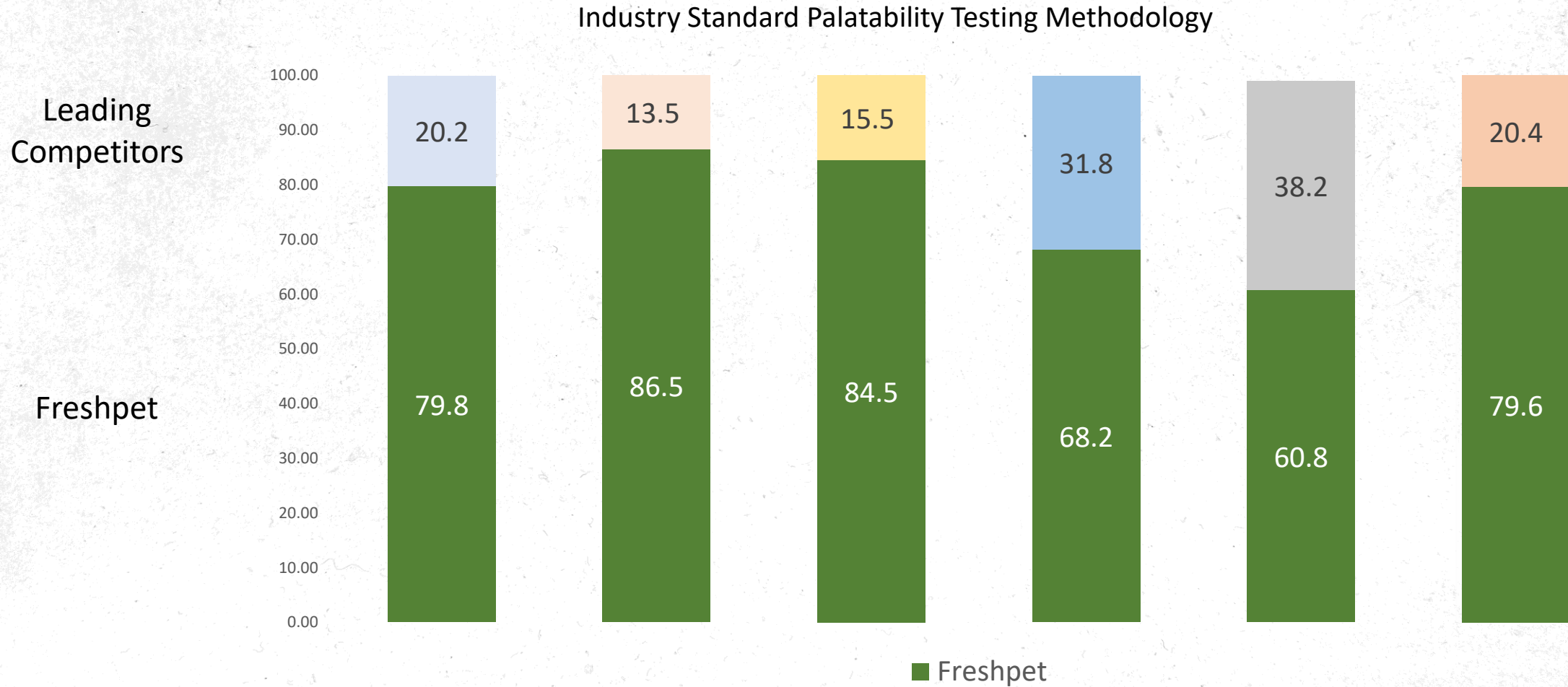


1922

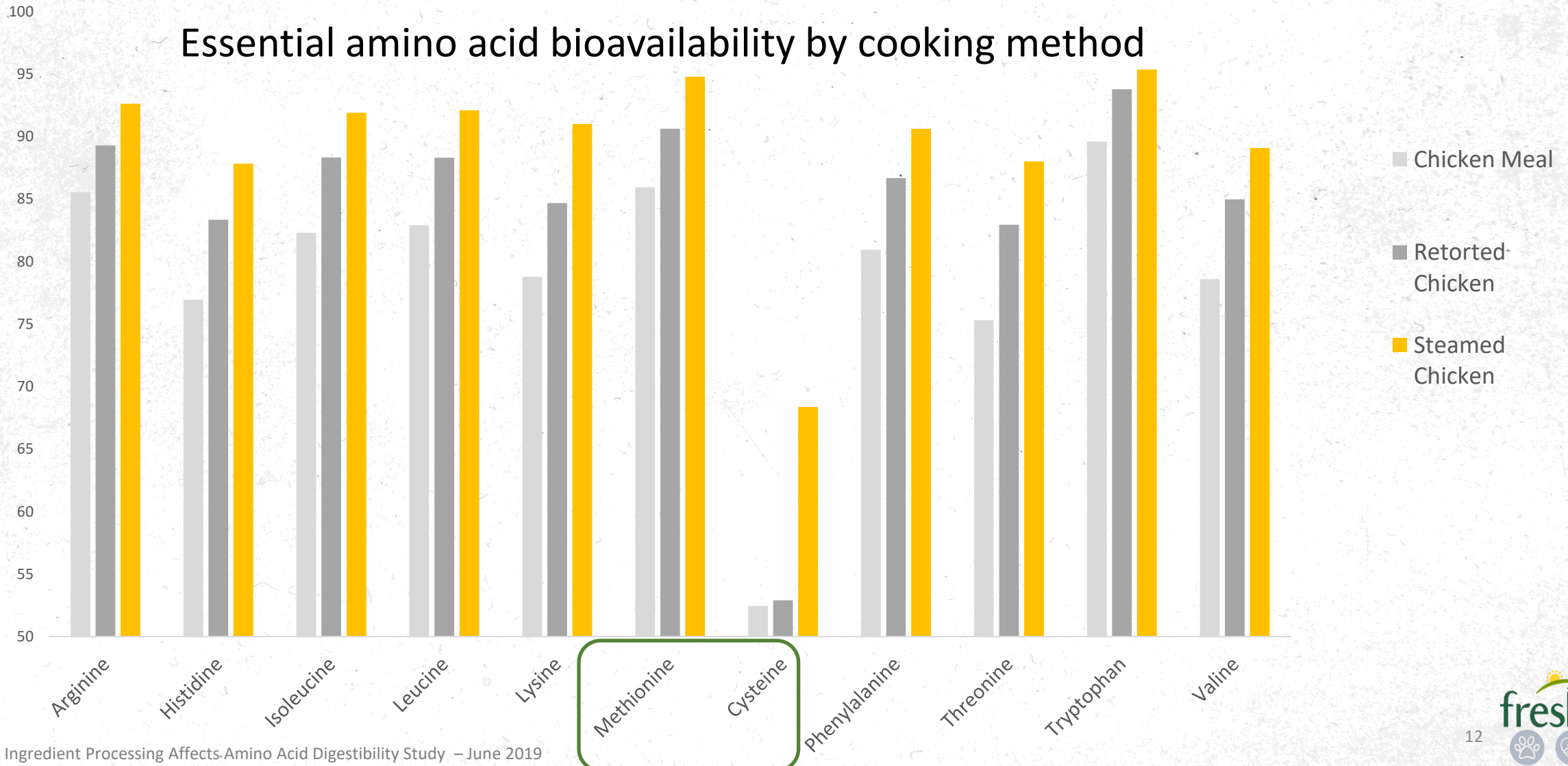


2015

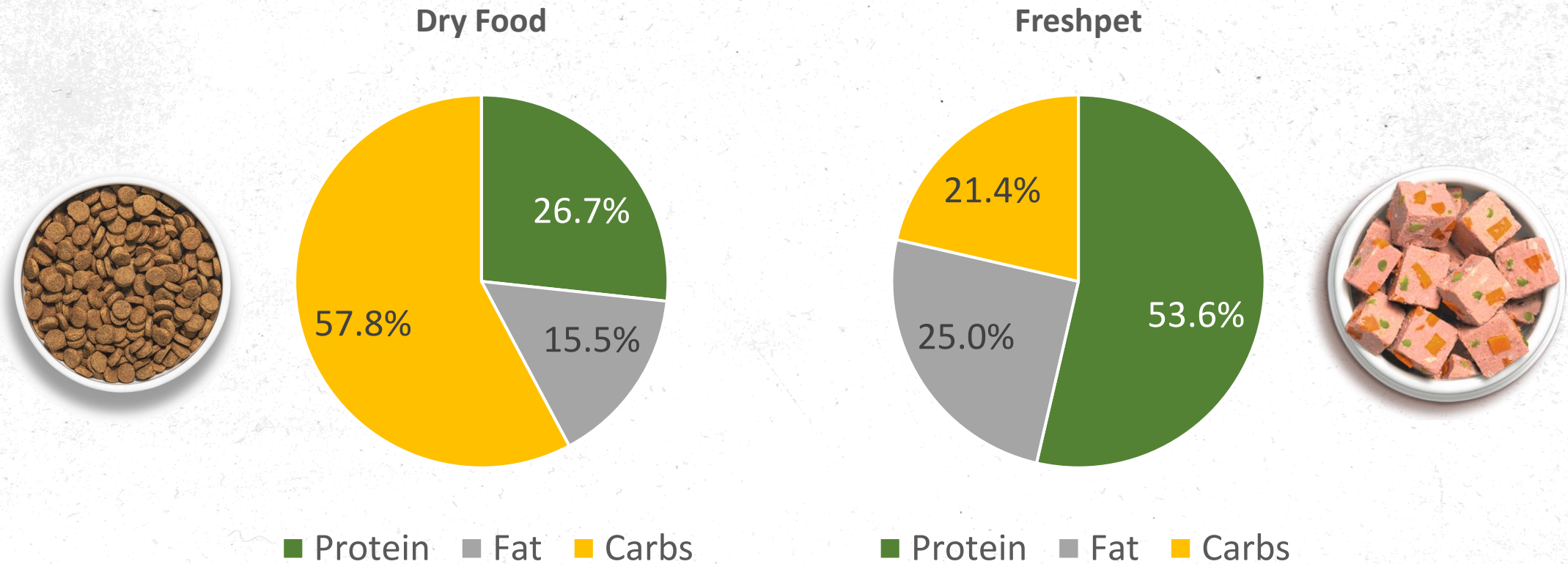
Exceptional palatability



Better amino acid bioavailability from lighter cooking



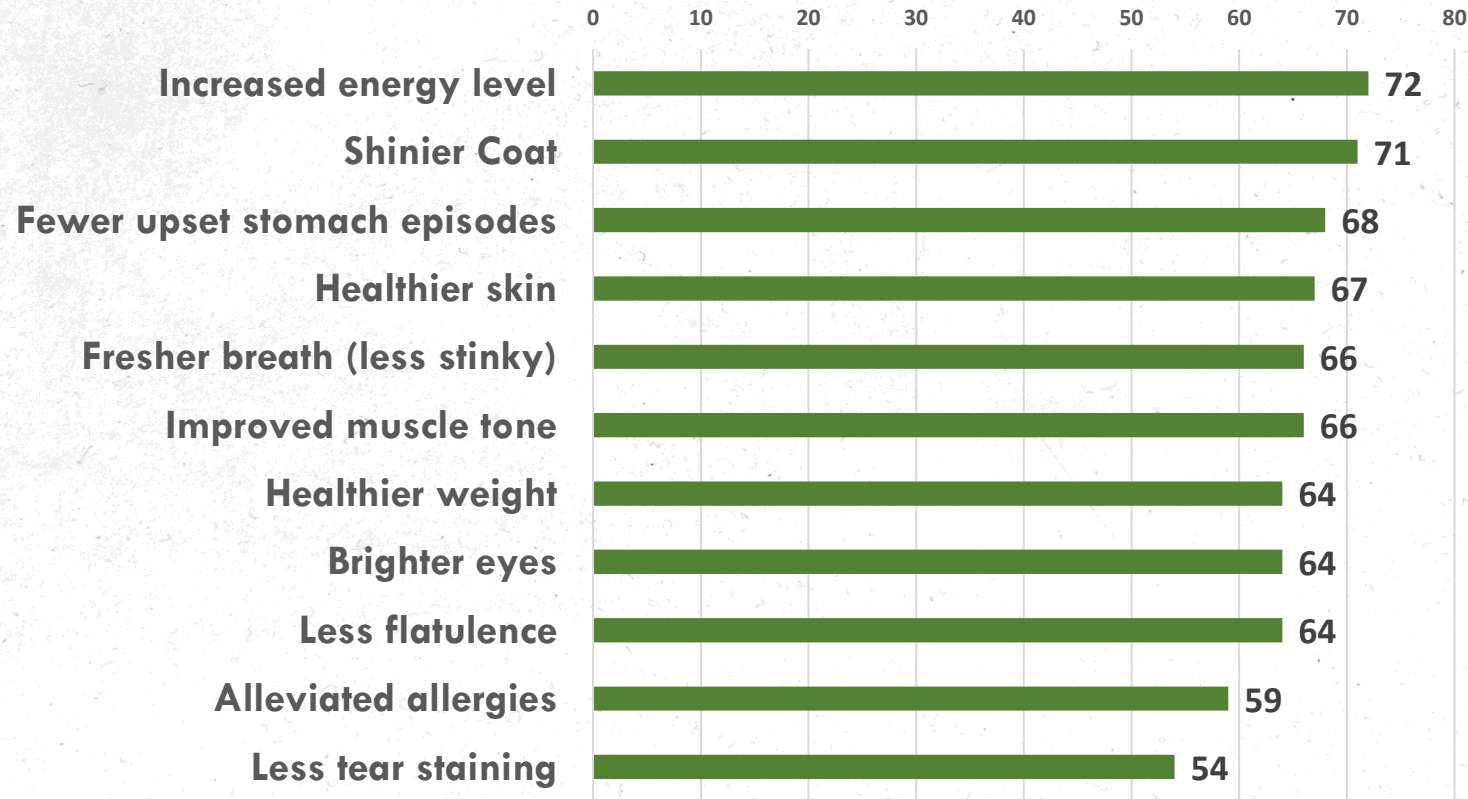
Higher percentage of calories from protein than typical dry foods



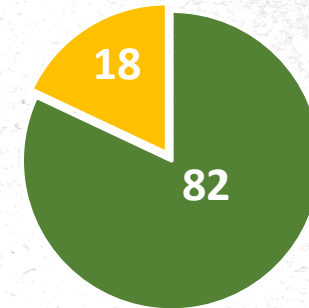
Source: Internal company calculation of source of calories for Freshpet and average dry dog food

82% of consumers notice a visible difference

% Noticed Visible Health Difference



Noticed a Visible Health Difference

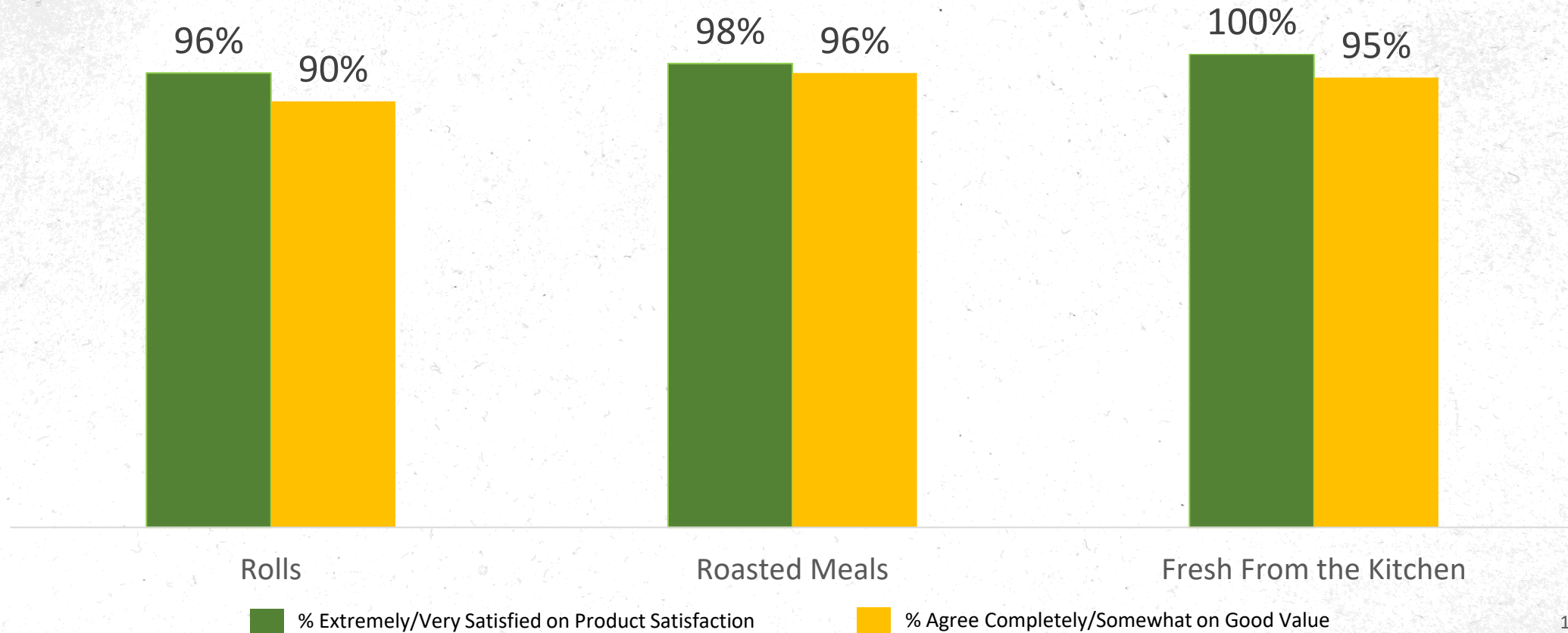


■ Yes ■ No

Very strong consumer satisfaction

Freshpet Product Satisfaction

Top Two Box Percentages
Among Regular FP Users





Sold in leading retail outlets in company-owned fridges



Walmart 



SAFEWAY 

BJ's

 Giant



 TARGET

COSTCO
WHOLESALE

 PETSMART

Fortified business model provides competitive insulation

Diverse line-up
that is difficult
to match

Differentiated
Innovative forms, technologies, and
appearance



Manufacturing
Proprietary technology, processes,
and infrastructure



\$~2.0 billion capacity

High Brand Loyalty
Alignment with deep pet
parent emotional motivations



11 mm 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

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





2021 Learnings

Tough Learnings from 2021

- **Under-estimated the challenges of doubling capacity during the pandemic**
 - Under-estimated the hiring challenges
 - Adding 200 people in the tightest labor market in years proved much harder than we projected
 - Hiring under-skilled team members resulted in significant incremental costs due to reduced productivity and errors
 - Too vulnerable to equipment supply chain challenges
 - Lost significant production capacity due to delayed equipment and inability to get parts
- **Getting behind on customer service had more significant consequences than we had projected**
 - Significant freight inefficiencies due to under-filled trucks
 - Inability to take pricing to cover inflation

Conclusion: We need to do a much better job matching growth rate with the ability of the supply chain and labor supply to meet the demand; i.e., build a buffer between expected demand and available supply to absorb delays and unexpected shortfalls

If we had it to do all over again . . .

We would have recognized that the unstable supply chain and tight labor supply could not support our rapid growth and would have better matched our growth plans with our ability to supply the demand

- **Would have delayed advertising further to slow growth and restore customer service**
 - Slowing growth to 30% could have resulted in restored customer service by mid-year
 - Would have avoided a portion of temporary operating inefficiencies
 - Would have gotten more effective return on reduced advertising investment
 - Would have provided buffer for supply interruptions due to supply chain issues
- **Would have raised wages and invested in Freshpet Academy Training sooner**
 - Stabilizing workforce and training team members has been essential to restoring service
 - This program is delivering its intended benefits. Should have started sooner.
- **With improved customer service, would have taken price increases sooner to cover inflation**
 - Lost the opportunity to take ~\$10 million in pricing in the second half due to poor customer service
 - We have taken that pricing (11/29/21) and are taking a second price increase (2/28/22) to cover additional inflation

Impact on 2022 Plan

- **We will better match demand to proven capacity**
 - Planning for a capacity buffer of ~15% above projected net sales
 - Will plan for longer lead times for new capacity additions to provide schedule buffer
 - Will continue to build inventory and redundancy on any key equipment or parts where possible
 - Investing heavily in hiring, training and start-up resources for Ennis; will plan for measured ramp-up of capacity
- **Have announced significant price increases to more quickly recover inflated costs**
 - By March 2022, our two price increases combined will cover the impact of 17% inflation on a margin basis
 - Will implement bracket pricing later in 2022 to continue driving freight efficiencies
 - New ERP system is scheduled to be implemented in February to enable additional efficiencies
- **As a growth company, acquiring and developing talent is essential to our success so we must never fall behind on our ability to attract the necessary talent**
 - Continue to invest in talent development and wages
 - Drive automation improvements to eliminate low value and low satisfaction work

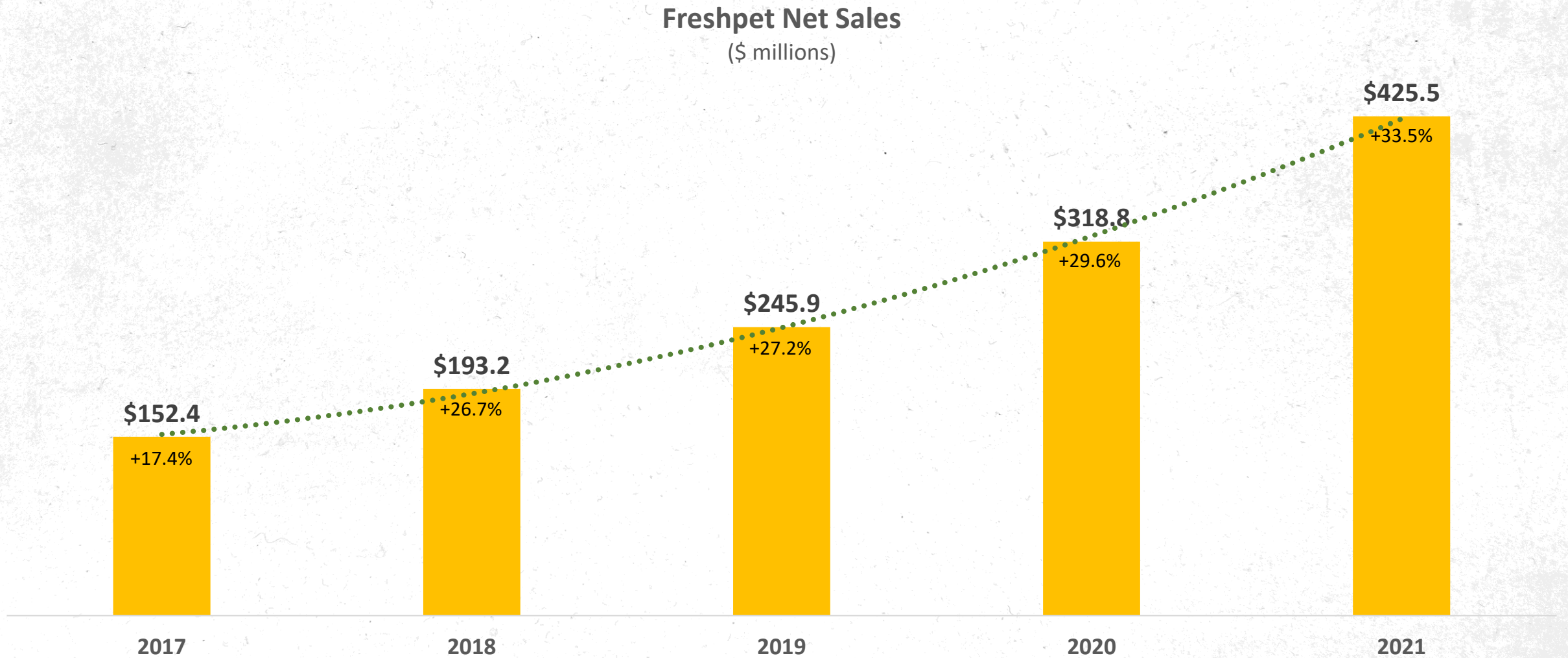
Where we stand today

- **Production is in excess of retail demand and able to support our planned growth**
 - Despite anticipated COVID-related absences in January, current production exceeds weekly scanned sales
 - To accommodate anticipated COVID-related absences, we have proactively reduced the production schedule for January to ensure high quality production
 - Current Q1 operating capacity can support up to \$155 million in Net Sales (before buffer and at planned pricing)
 - Planned 2022 capacity can support up to \$780 million in Net Sales (before buffer and at planned pricing)
 - With buffer, capacity still supports strong growth and enables us to continue to strengthen our competitive advantages
- **Retail conditions have improved and are expected to continue to improve**
 - Increase in production capacity for FFTK since 11/20/21 is driving up the fill rates
 - Despite disruption caused by a major retailer shifting to direct distribution, TDP's are improving and at the highest level in 16 months
 - Significant in-house inventory capable of absorbing short-term supply interruptions – particularly on rolls
- **We anticipate significant disruption in the downstream supply chain during January due to COVID**
 - Third party warehouse staffing and trucking capacity are limited due to significant increase in COVID cases
 - We anticipate COVID-related absences to follow the same Omicron infection curve evidenced in South Africa & the UK
 - Due to strong production, our inventory should replenish any retail outages once the logistics network regains its full capacity
- **Retailers are planning significant new Fridge placements for 2022**
 - Confidence in the growth of the fresh category has grown considerably
 - Improved fill rates have given customers the confidence to plan for new Fridge placements
- **Consumption growth has accelerated again as expected due to improved in-stocks and Q4 media investment**
 - Last 4-week consumption growth = 29%



2021 Results

5 consecutive years of accelerating growth



Affirming Adj. EBITDA Guidance

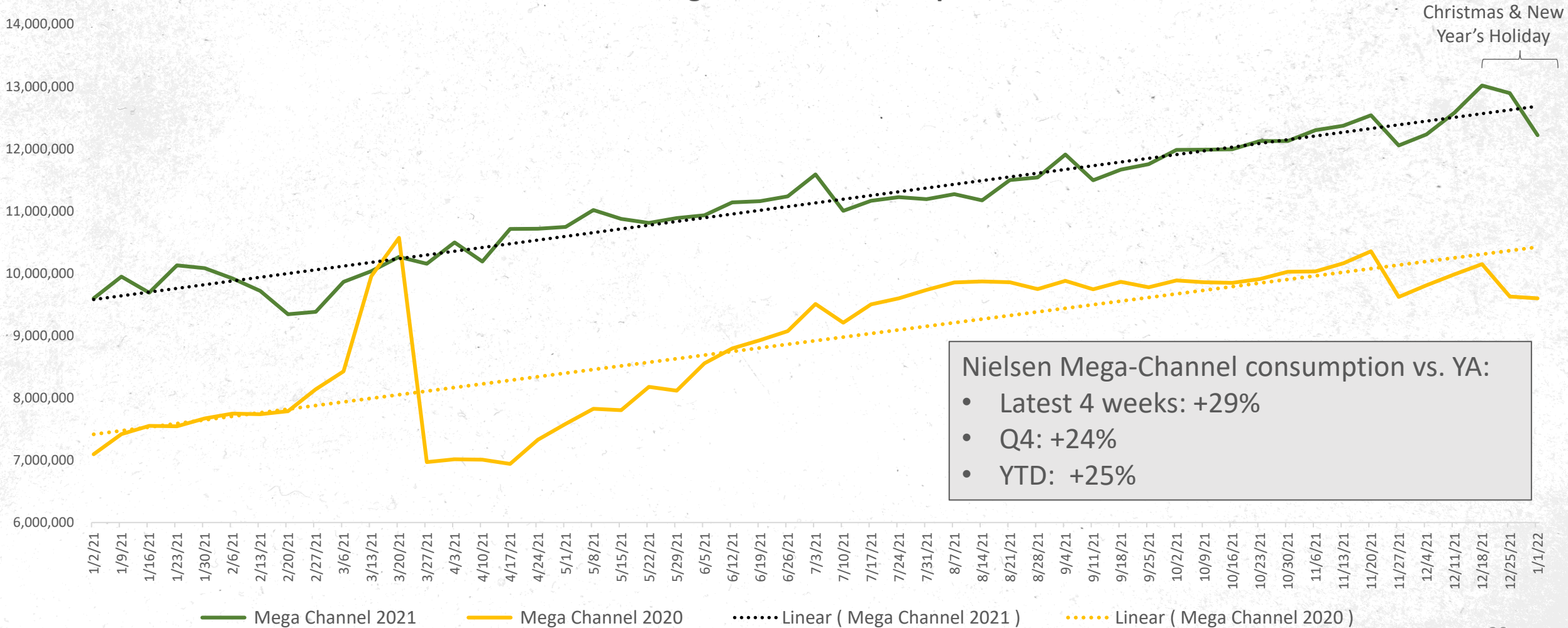
\$ in Millions	Previous	New	Change
Net Sales vs. YA	~\$425-430 +34%	\$425.5 +33%	--
Adjusted EBITDA vs. YA	~\$42 -10%	~\$42 -10%	--



Consumption Growth

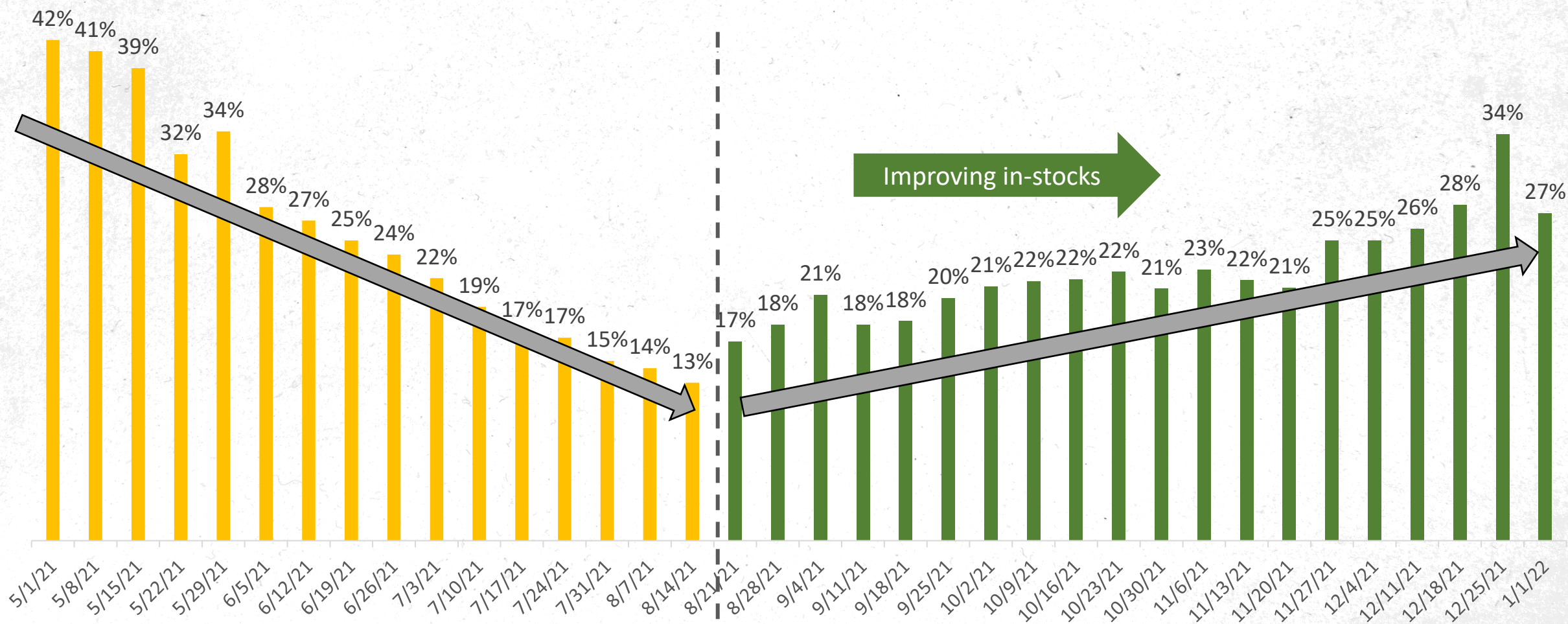
Growth trends continue at the expected rate

Nielsen Mega-Channel Consumption



Growth has re-accelerated

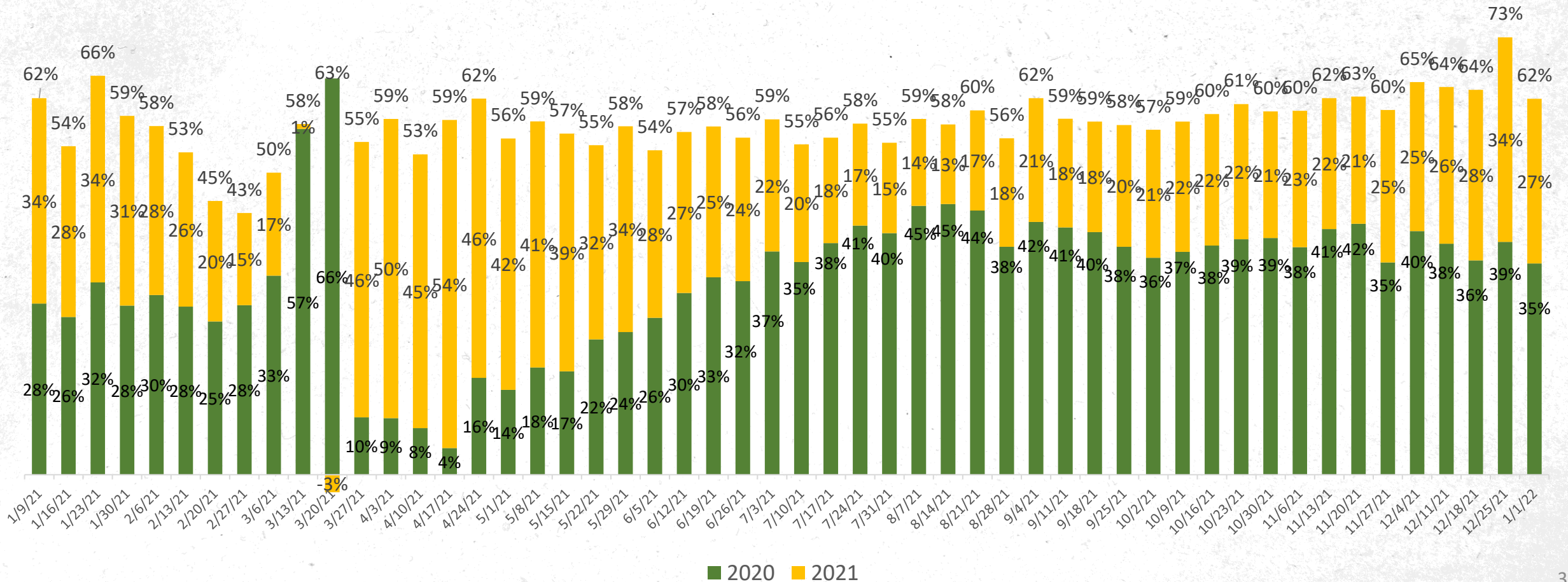
Freshpet Nielsen Mega-Channel Growth Rate



Source: Nielsen Mega-Channel Data thru 1/1/22

2-year stacked growth rate consistently above 60%

Nielsen Mega-Channel Consumption Growth
(2 Year Stacked)



Source: Nielsen Mega-Channel Data thru 1/1/22



Retail Conditions

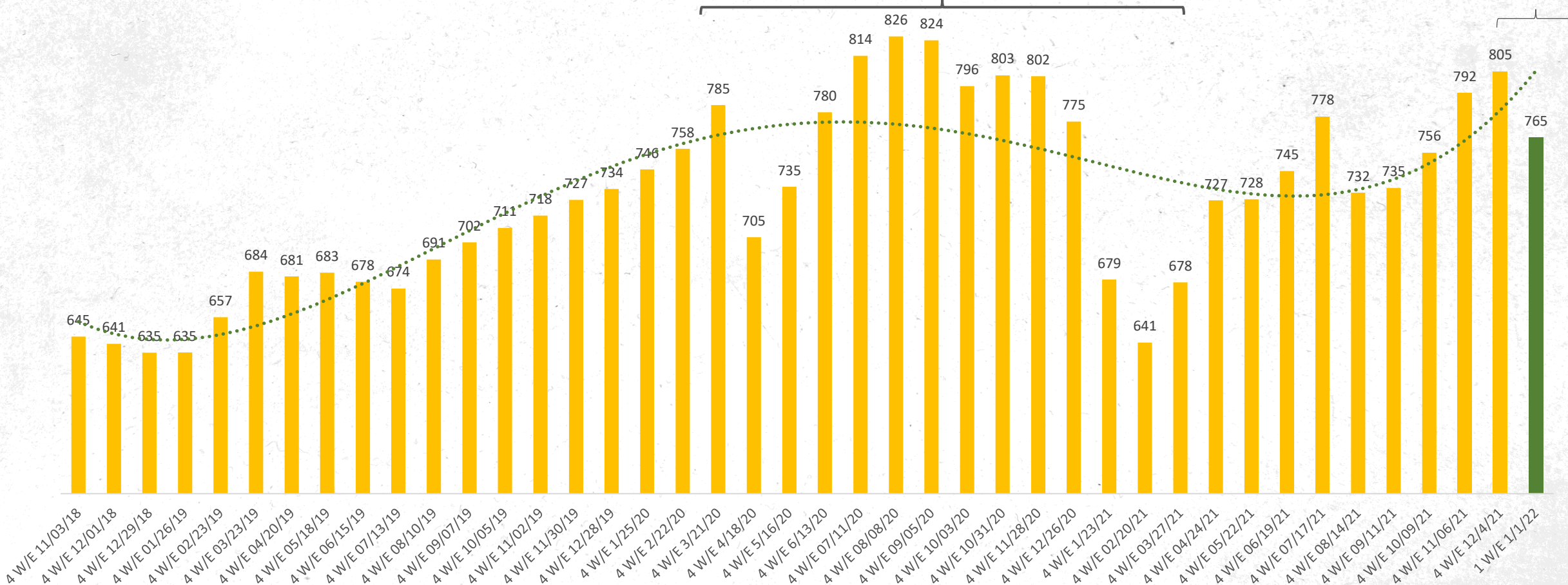
Retail availability is improving

Freshpet Total Distribution Points (TDP)

Nielsen Mega-Channel

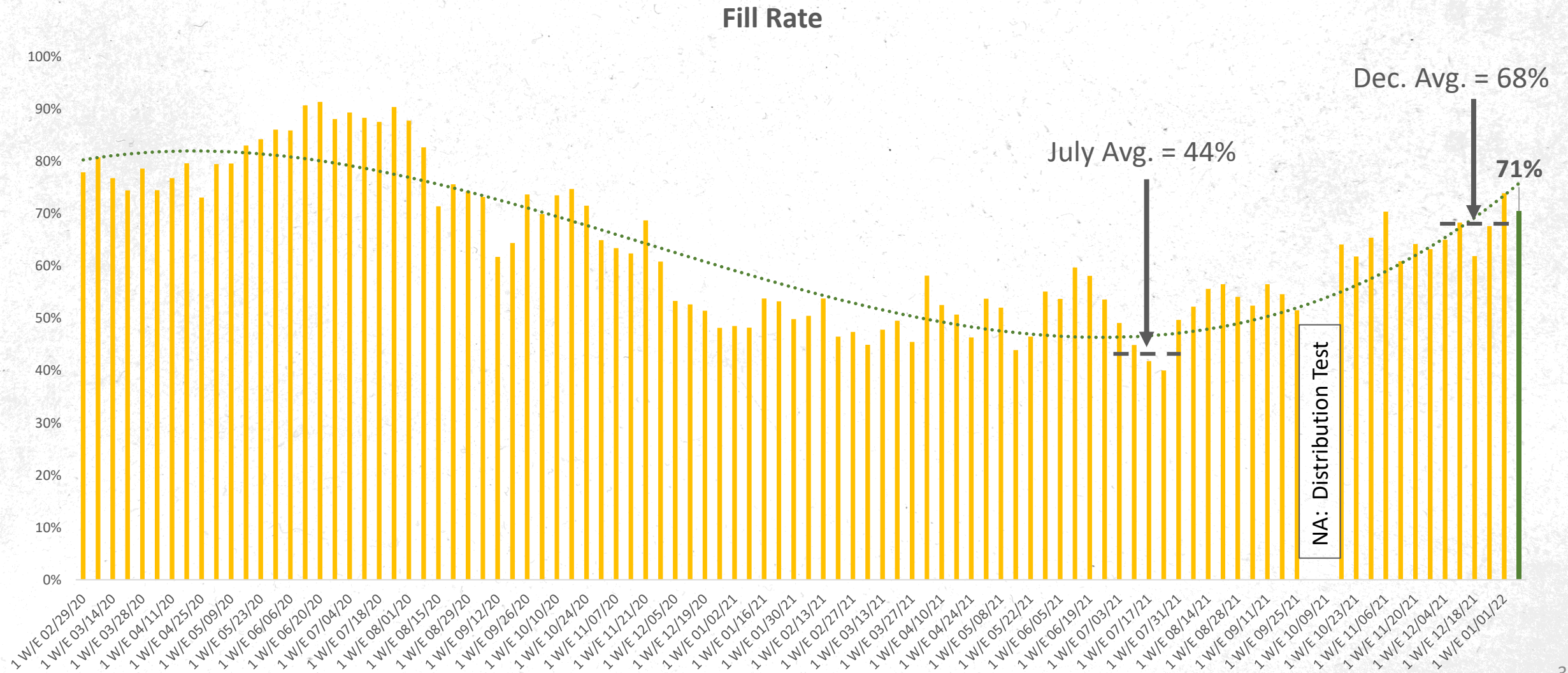
COVID Crisis

Christmas & New Year's Holiday



Source: Nielsen Mega-Channel Data thru 1/1/22

Strong upward trend in fill rate





New Advertising Campaign

STAN, 79

PICKLES, 6



BRUCE, 72

WRIGLEY, 9



Total Addressable Market

Zoeyia (Zoo-ey-ah)

The positive benefits to human health from interacting with animals



Immune
System
Development



Psycho-Social
Development



Support
Coping &
Recovery



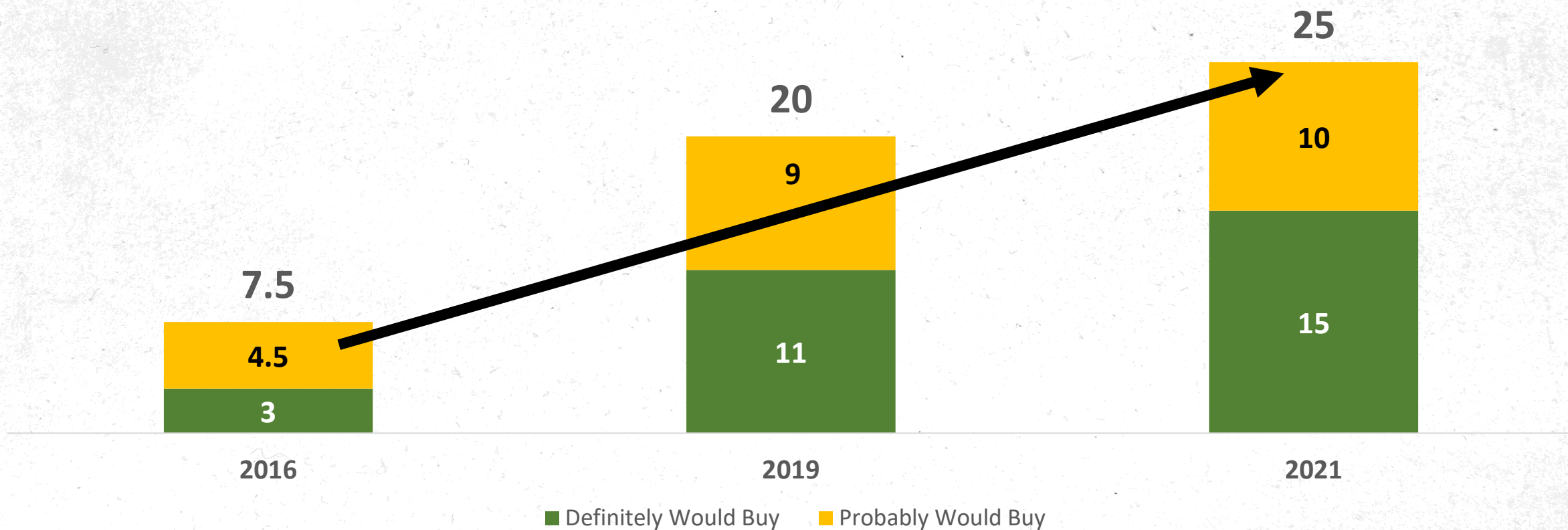
Catalyze
Social
Interactions



Motivate
Regular
Exercise

Freshpet addressable market continues to grow

Freshpet Prime Prospects
(millions of HH's)

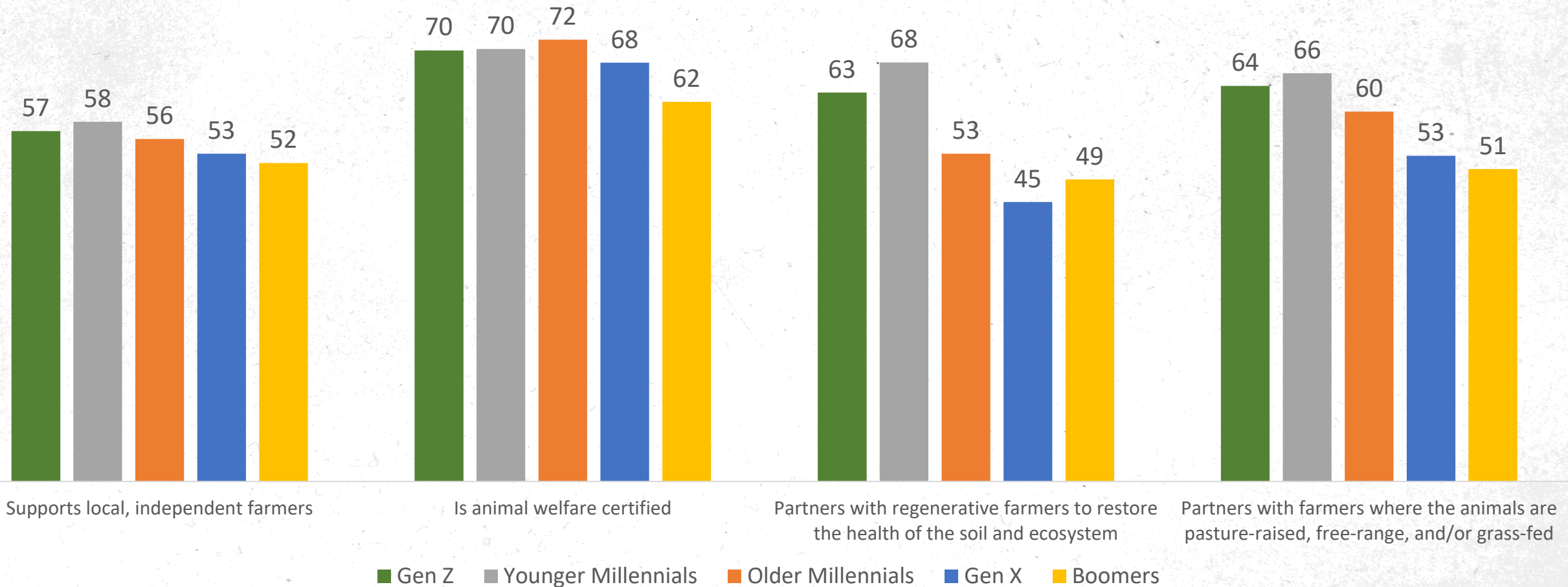


Prime Prospect Potential: Based on **Top 2 Box** Purchase Interest Among Total Dog HHs

Dog Parents – particularly younger ones – care about how a pet food is made

How Pet Foods Are Made

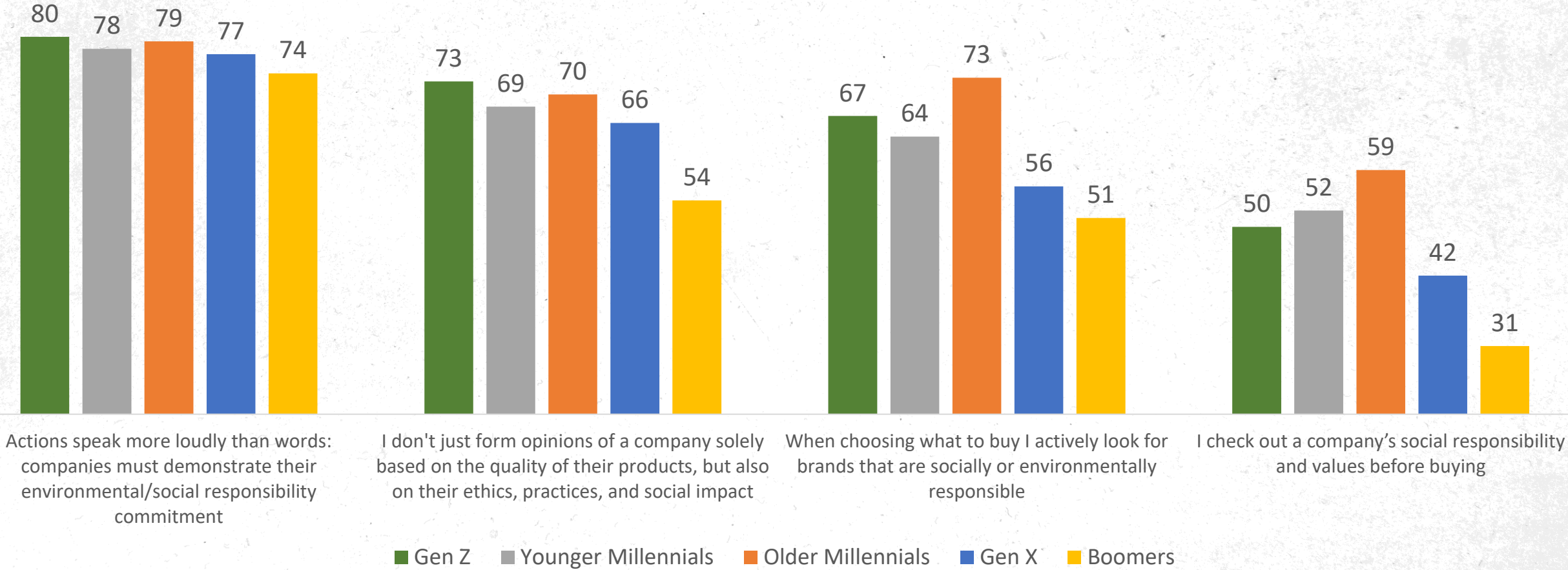
% Importance Among Dog Parents



Dog Parents – particularly younger ones – care about the conduct of companies and brands

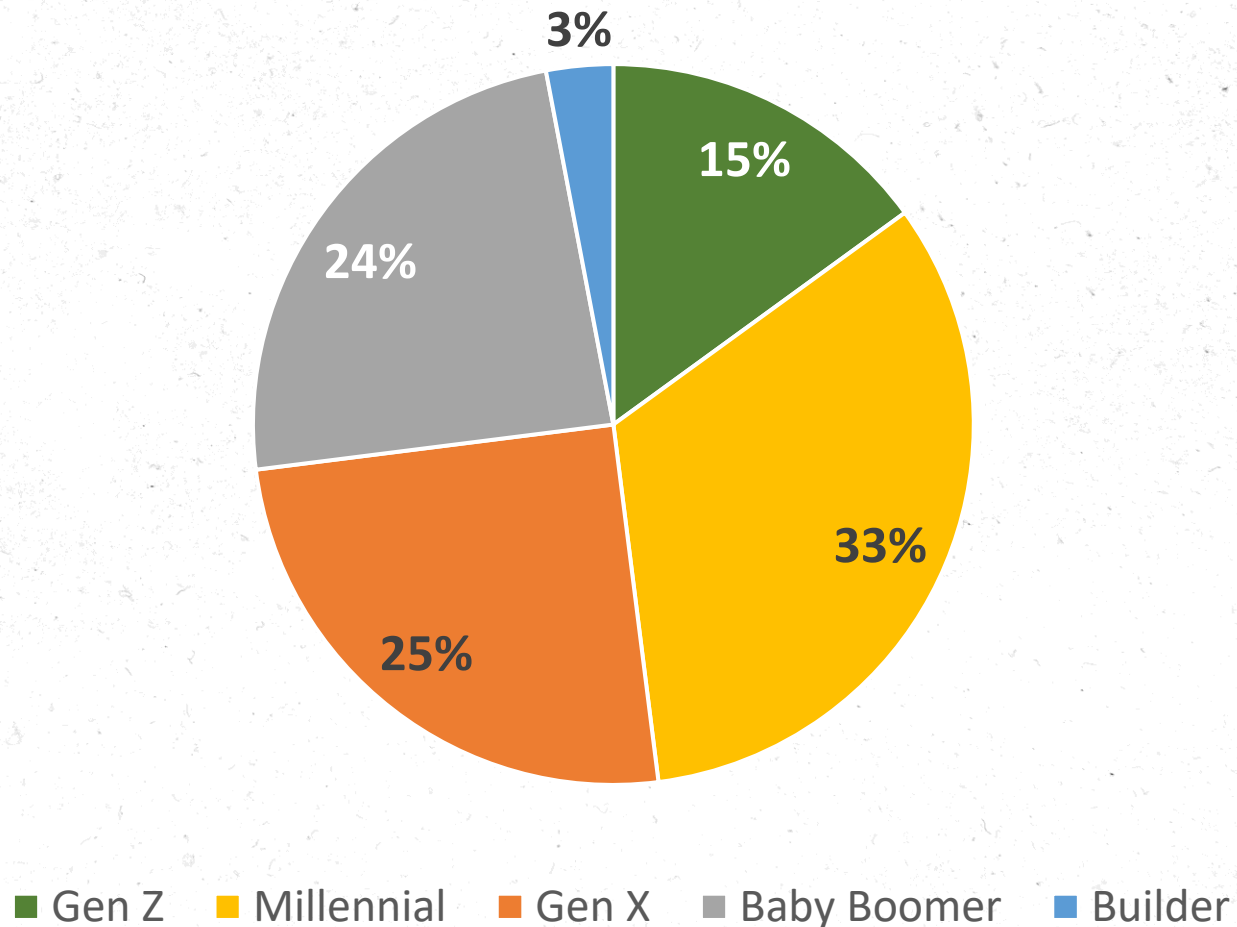
Attitudes Towards Companies and Brands by Generation

% Agreement Among Dog Parents



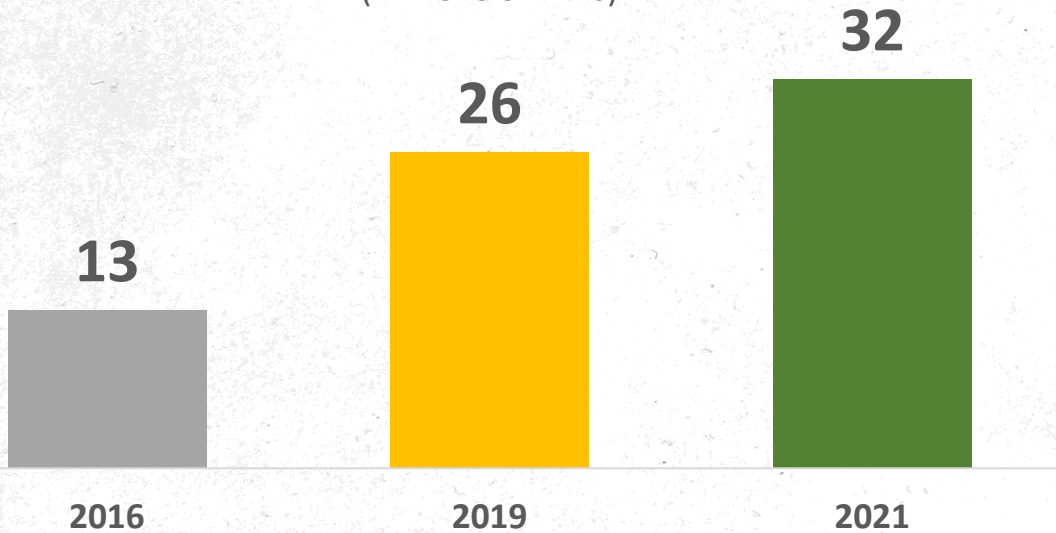
Millennials: Largest share of the dog food market today

Dog Ownership by Generation (2020)

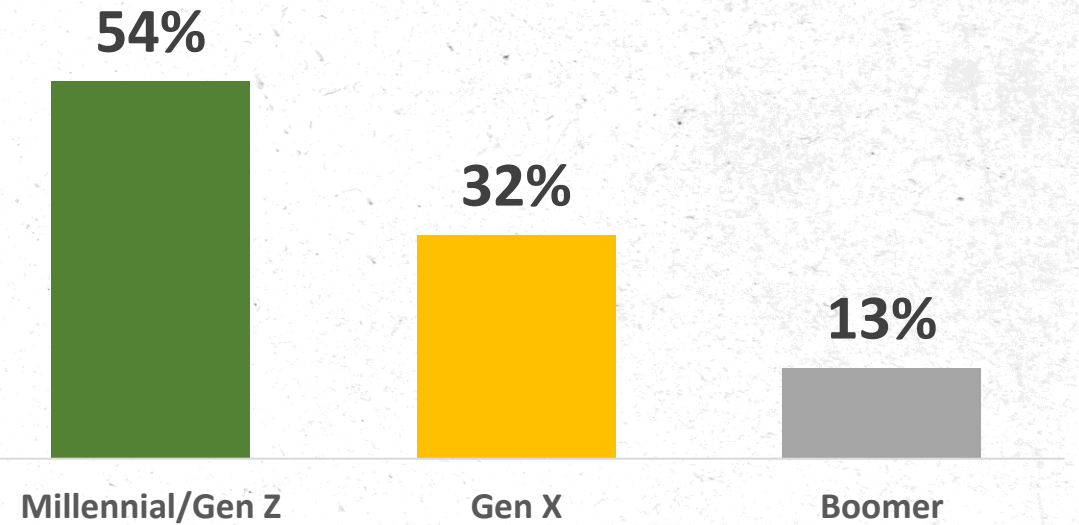


Increasing presence of Millennials/GenZ is driving up the number of potential Prime Prospects

Potential Prime Prospects*
(millions of HH's)



% of Prime Prospects by Generation



Prime Prospects are dog food buyers who share similar values to current Freshpet buyers on factors such as:

- Importance of fresh, natural and preservative-free foods
- Willing to sacrifice their needs to make their dog happy
- Made with humanely sourced and sustainable ingredients
- Willing to pay a premium for good food

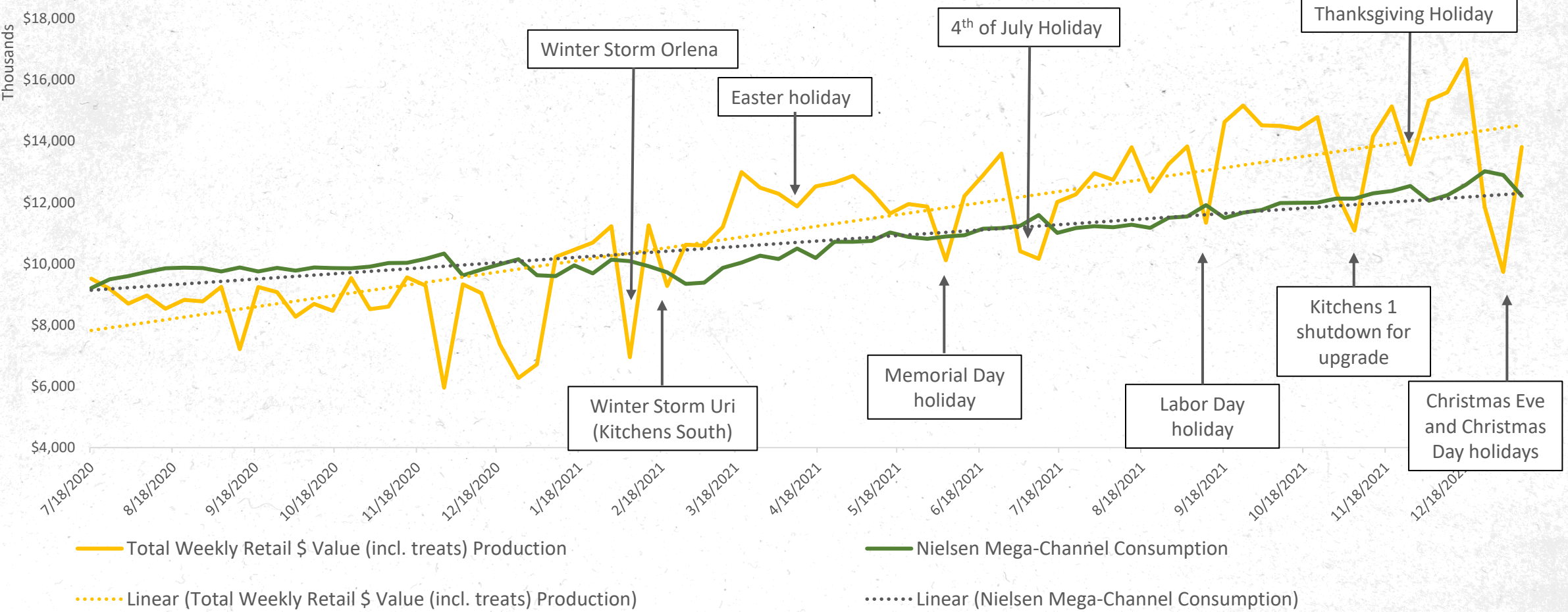
*These are “potential Prime Prospects.” Actual “Prime Prospects” go beyond possessing the appropriate attributes and also indicate purchase interest.



Production & Capacity

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

Production vs. Consumption

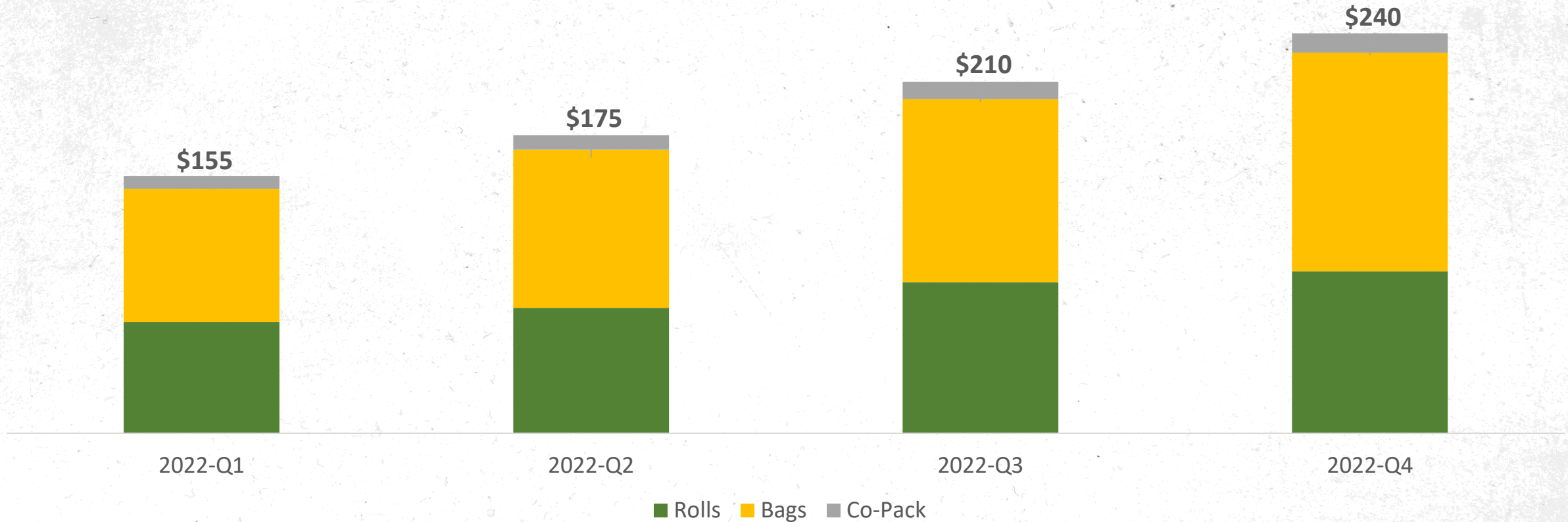


Source: Nielsen Mega-Channel Data thru 1/1/22 and internal company data

Ample capacity to support strong growth in 2022

Freshpet Estimated Capacity: 2022*

\$ millions








*Dollar value of production capacity is stated at pricing levels in place during the quarter and before a capacity utilization buffer; Q1 reflects decision to shut down 1 line per day from 1/10 – 1/29 due to COVID-related absences



Pricing & Margin Improvement

We have announced price increases to cover inflation on a margin basis

Key cost element	Chicken 	Beef 	Packaging 	Labor 	Freight 
Potential cost impact	Priced annually in December; significant increases necessitated 2 nd price increase	Priced quarterly in 2021; in 2022, we will be able to lock pricing for 6 months	Floats with resin price; increases seen in all materials	Labor market tightness is driving cost increases at virtually every supplier and in the wages we pay	Freight and fuel cost inflation continues to be high in 2022; driver shortages remain

- Pricing will fully offset inflation on a margin basis once it is fully implemented
- Implemented a 4.8% price increase on 11/29/21 and announced a second, larger price increase that will be effective on 2/28/22
- Still need to eliminate temporary operating inefficiencies to restore Adj. Gross Margin
- ERP implementation targeted for 2/1/22 which will enable freight cost improvements

Pricing is just one piece of comprehensive plan to restore margins

	Q4 2021	Q1 2022	Q2-4 2022	
Pricing	4.8% Price Increase	Second Price Increase		
Freight		ERP Implementation	Bracket Pricing (Timing TBD)	Second DC (Benefits begin Q4)
Labor	Freshpet Academy: Yield, Throughput & Quality Improvements			
Operations	High Speed Lines: Kitchens South Lines 2 & 3, Ennis Lines			
Risk Mgmt	Locking pricing on key commodities where possible			

Note: Initiatives must also offset ongoing mix shift towards lower margin bags and outsourced production at Kitchens South production



freshpet®

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11 MILLION HH BY 2025





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