



**pets. people. planet.**

December 2021 Investor Presentation

December 17, 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 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**





Overview

# Summary: Strong demand with continued supply challenges

- **Sequential and year-on-year consumption growth is on track vs. expectations**
  - Currently trending towards 30% growth; latest period (w/e 12/4/21) +25% vs. YA; ~1-2 weeks behind schedule due to out-of-stocks
- **Household penetration growth has re-accelerated behind improved retail conditions and marketing investment, but it will take time to impact the 52-week HH penetration measure**
  - 4-week HH penetration was up 22% vs. YA in October
- **Retail conditions continue to improve**
  - TDP's now well above the YA but a slight dip post-Thanksgiving due to production issues (described below)
  - Fill rates remain in the mid-60's due to continued strong orders for bags
  - Fully caught up on rolls; just caught up on large size of Roasted Meals; won't catch up on FFTK until late Q1 2022
  - Significant customer pulled forward transition to direct distribution; will improve in-store conditions but short-term shipment delay
- **Supply chain challenges continue -- will impact net sales; ramp-up of new lines slightly behind targeted pace**
  - Spare part delays have cost us significant production time on high-speed Kitchens 2.0 bag line; re-engineered solution now operating
  - Will reduce Q4 net sales and delay trade re-fill by a few weeks
  - New line at Kitchens South is achieving targeted run rates; re-start on bag line in Kitchens 1.0 is slightly behind the targeted pace
- **Second price increase announced to customers**
  - Significantly larger price increase than the 11/29/21 increase and it will be effective with orders on 2/28/22
  - Price increase will cover known inflation and protect margins
  - Many key commodity costs locked or will be locked shortly for most of 2022



# Where do we stand?

- **Growth: Resumed acceleration in growth of both HH's and Nielsen Mega-Channel consumption**
  - After more than one year of out-of-stocks, we have seen growth in both HH's and Nielsen growth rate resume during Q4 and trend towards the long-term levels we expect
  - Full marketing plan in place to begin on January 1, 2022
- **Capacity: Should not be a limiter of our growth in 2022**
  - Our current run rate of capacity that is operating and staffed supports a business of >\$660 million in net sales in 2022 (at 2021 pricing levels)
  - Rolls capacity could get tight in Q2/Q3 if Ennis is delayed, and growth continues at very high rate
- **Trade Inventory: Fully caught up on items accounting for ~60% of net sales and closing the gap on the rest**
  - Fully caught up on rolls
  - Our largest volume size of Roasted Meals is now caught up (accounts for ~30% of all Roasted Meal sales and 10% of total sales)
  - Expect to be caught up on FFTK in late Q1 2022
- **Margins: Significant actions taken that will begin to restore margins in early 2022**
  - Significant price increases taken to offset commodity, freight and labor inflation will be effective with orders on 2/28/22
  - ERP implementation (effective 2/1/22) will improve freight costs
  - Benefits of bag line upgrade and staffing plans implemented in 2021 will begin to have an impact in early 2022
- **Balance Sheet:**
  - Adequate cash to meet 2022 capacity requirements
  - Capex spending will likely require amendment to credit agreement

# 2021 Net Sales and Adj. EBITDA guidance updated to reflect lost production due to supply chain challenges

\$ in Millions	Previous	New	Change
<b>Net Sales</b> vs. YA	<b>~\$445</b> +40%	<b>~\$425-430</b> +34%	<b>-\$15-20</b>
<b>Adjusted EBITDA</b> vs. YA	<b>~\$50</b> +30%	<b>~\$42</b> -10%	<b>-\$8</b>

- **Net Sales:** Lost bag production resulted in a deferral of trade inventory re-fill to early 2022
- **Adj. EBITDA:** Lost contribution from lost volume due to production delays

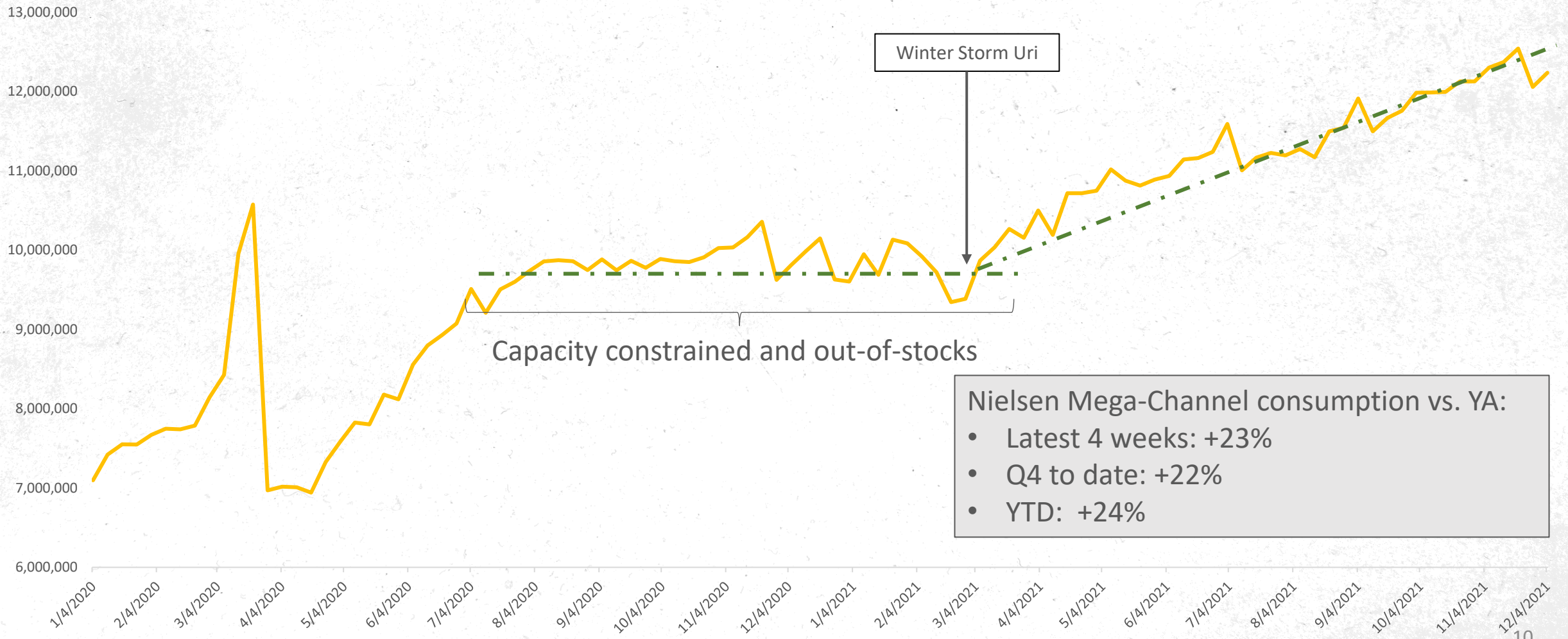




Consumption Growth

# Growth trend continues at a strong pace

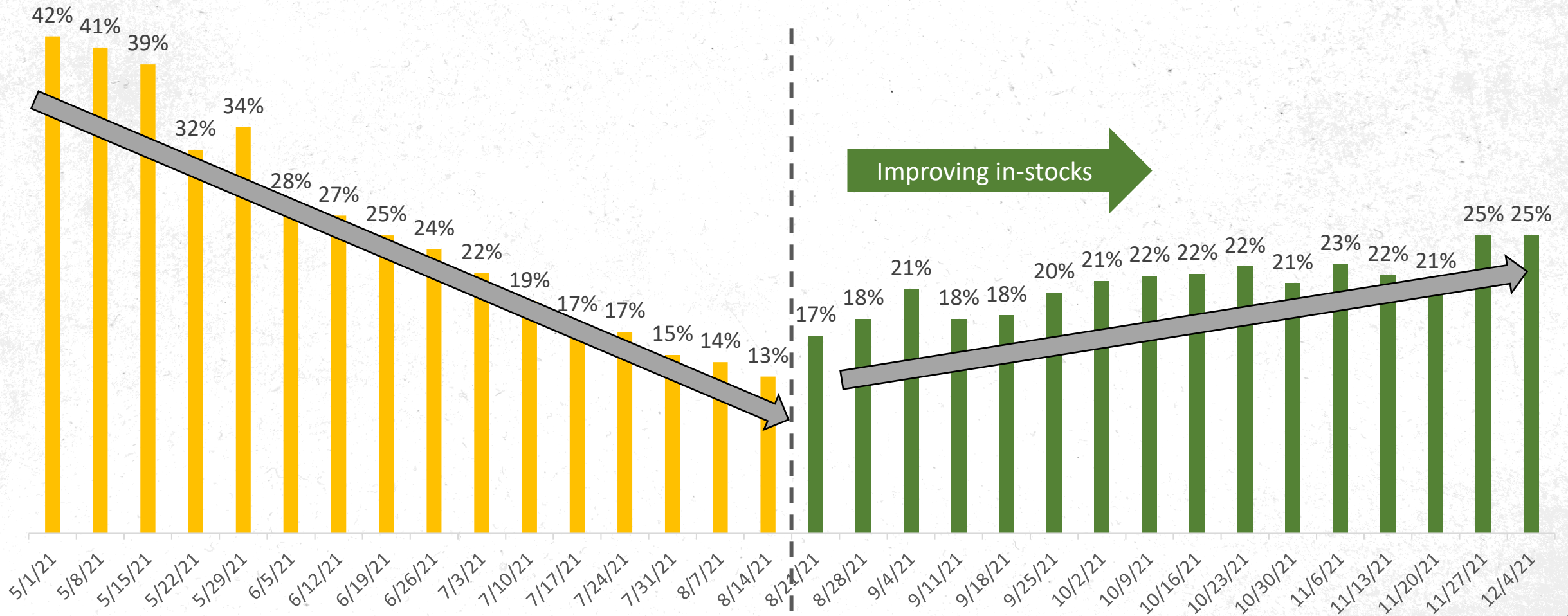
## Nielsen Mega-Channel Consumption





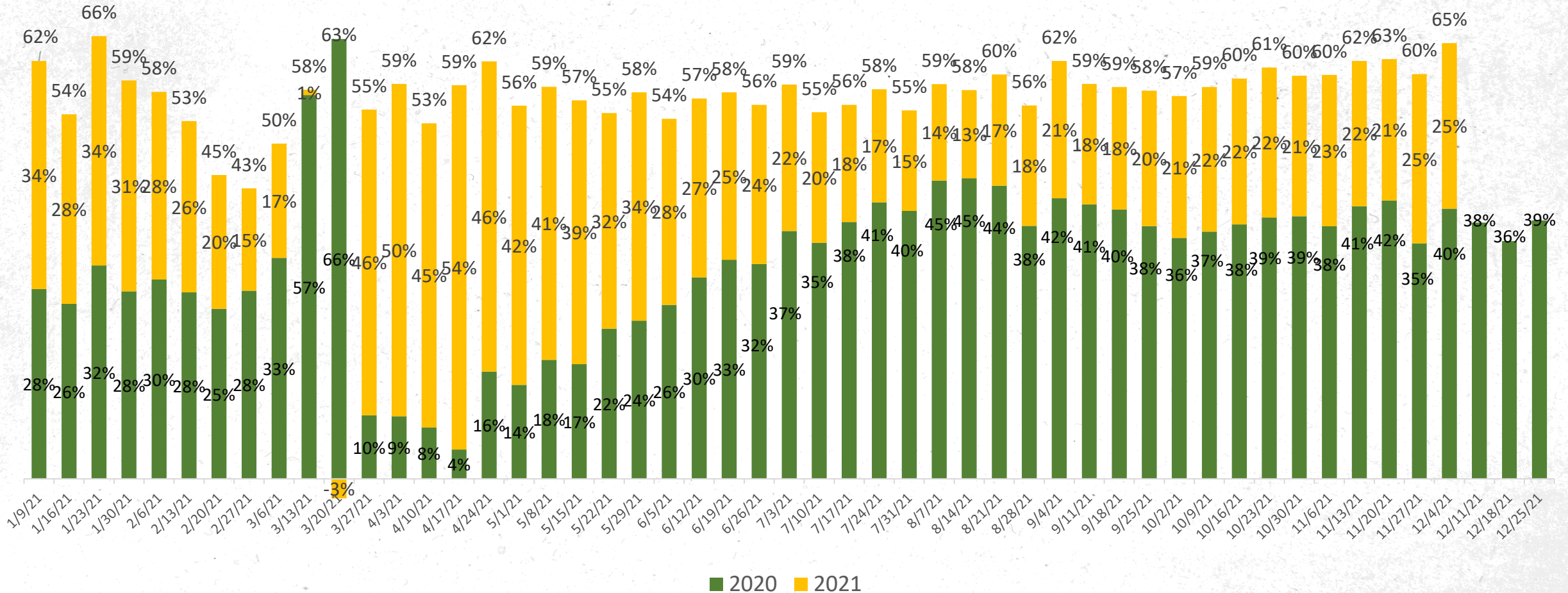
# Improving in-stocks have accelerated the growth rate

Freshpet Nielsen Mega-Channel Growth Rate



# Two-year stacked growth rate continues to grow; highest two-year growth rate since January 2021

Nielsen Mega-Channel Consumption Growth  
(2 Year Stacked)



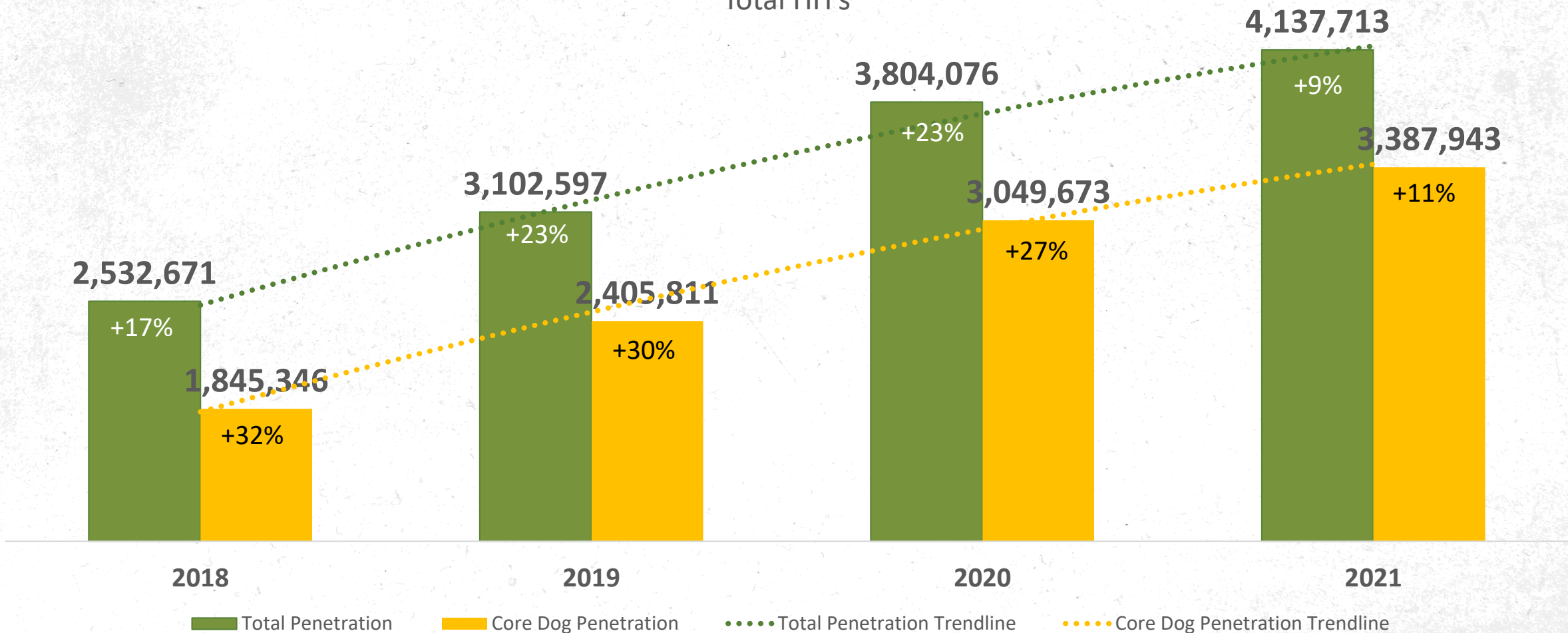




Household Penetration & Buying Rate

# 52-week HH penetration growth rate has slowed due to yearlong out-of-stocks

Freshpet Penetration Growth  
Total HH's



■ Total Penetration    
 ■ Core Dog Penetration    
 ⋯ Total Penetration Trendline    
 ⋯ Core Dog Penetration Trendline

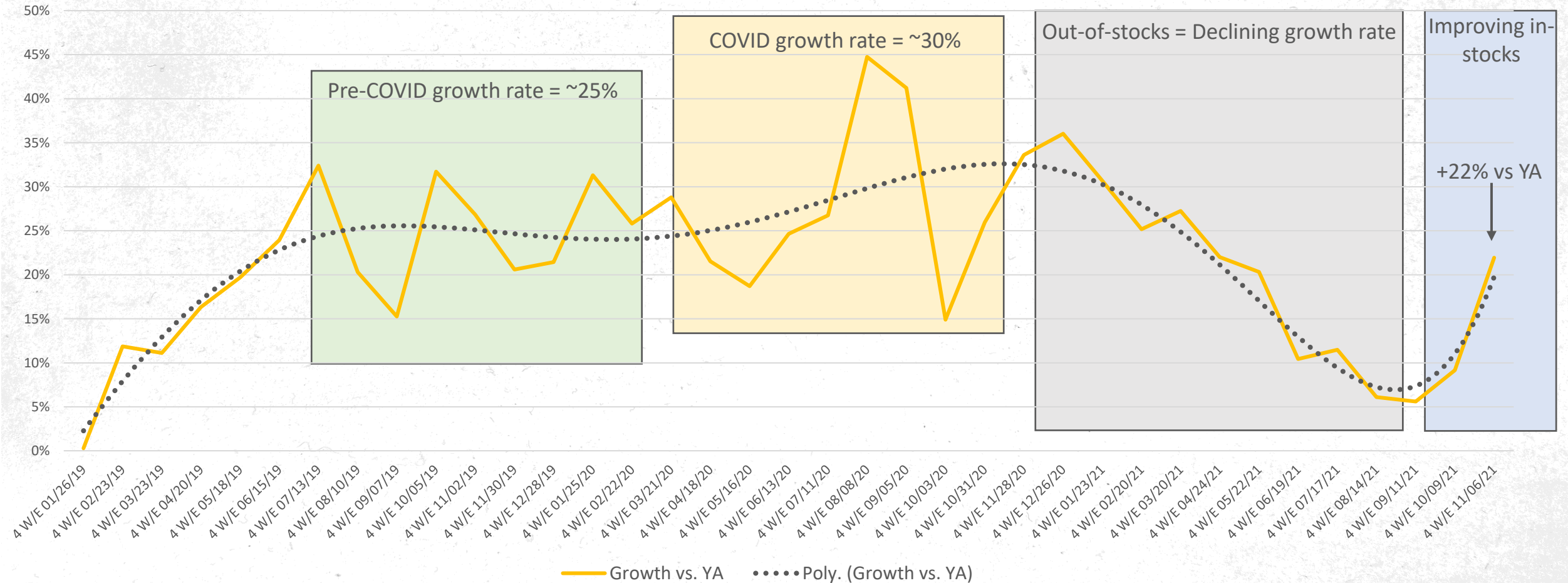
Source: Nielsen HH Panel for the period ending early-November 2017-2021



# Past 4-week HH penetration growth rate is returning to pre-pandemic levels

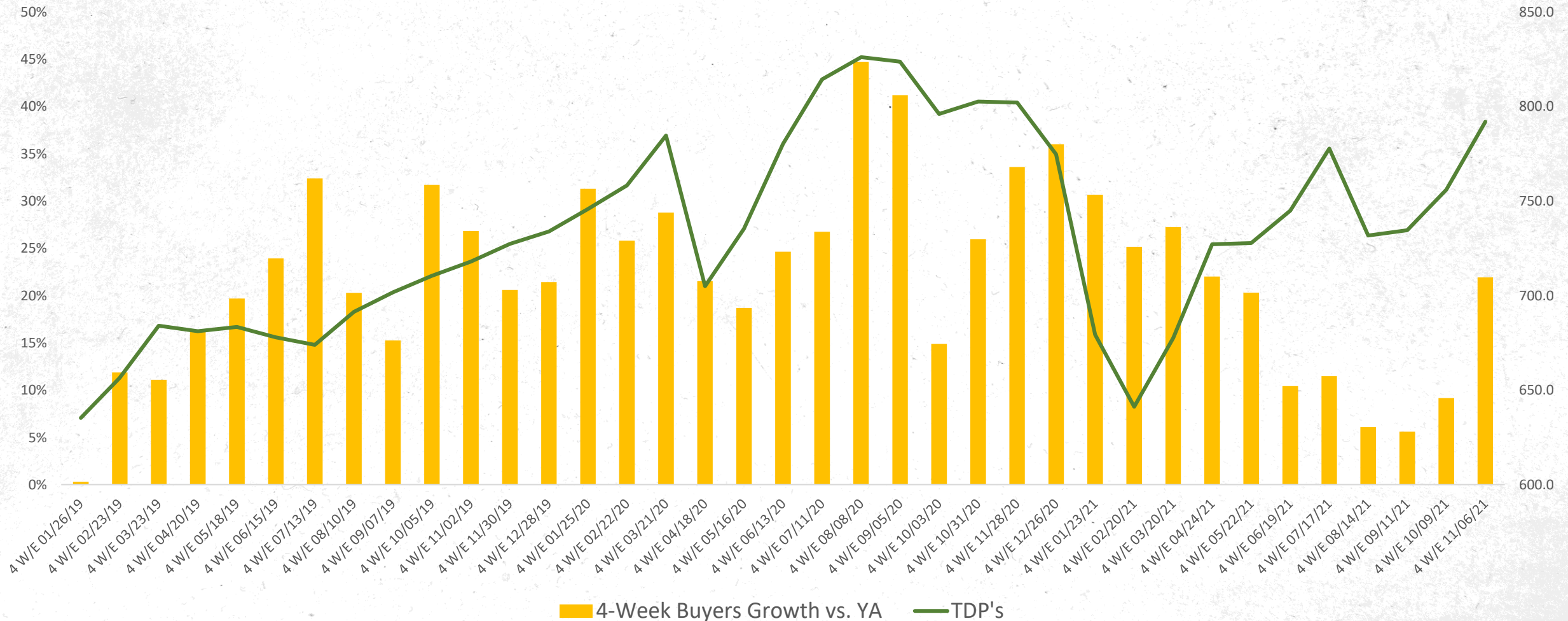
## Freshpet 4-Week Buying HH's

Growth vs. YA



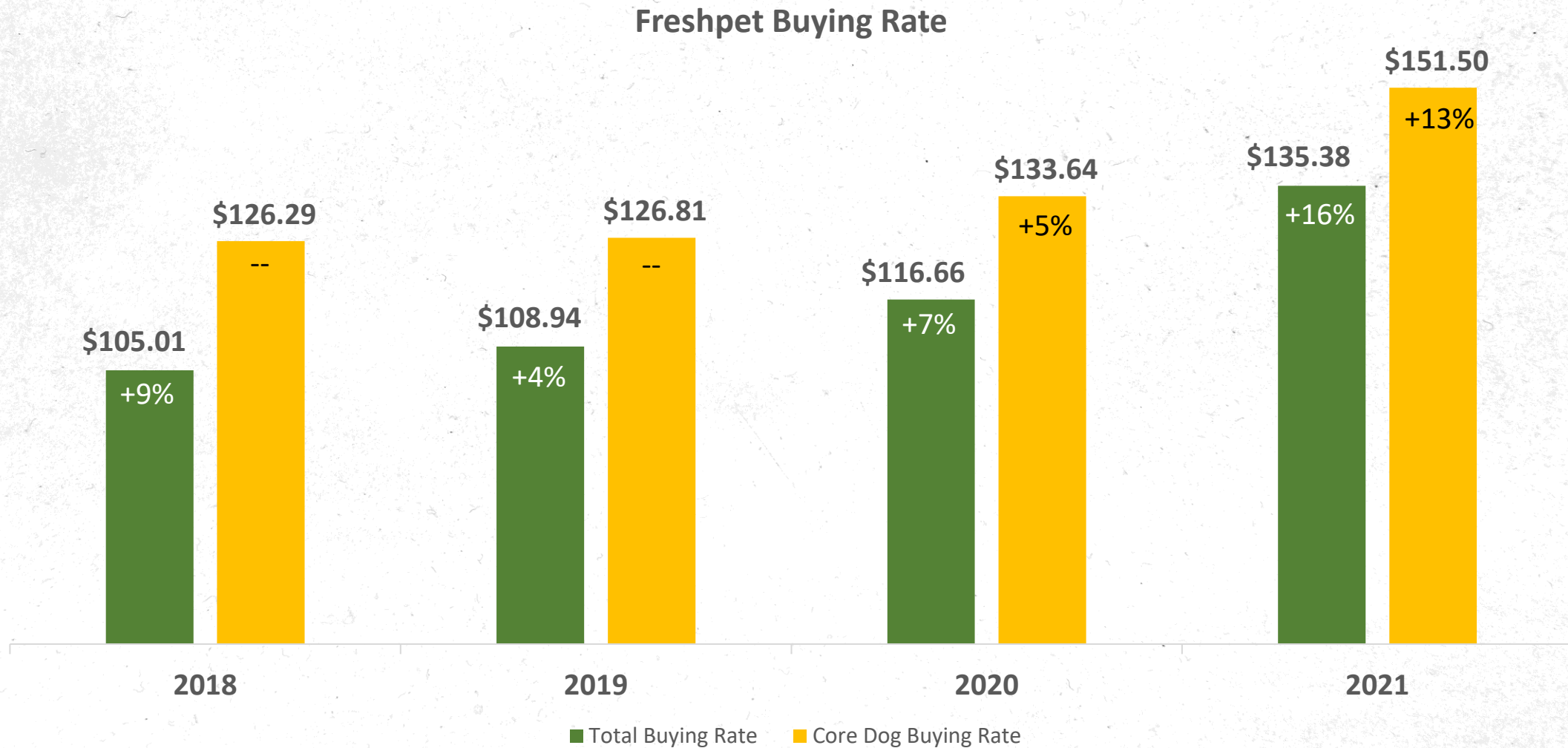
# Past 4-week HH penetration growth is accelerating with improved distribution

## 4-Week HH Penetration Growth vs. TDP's



Source: Nielsen HH Panel and Mega-Channel data for the period ending November 6, 2021

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





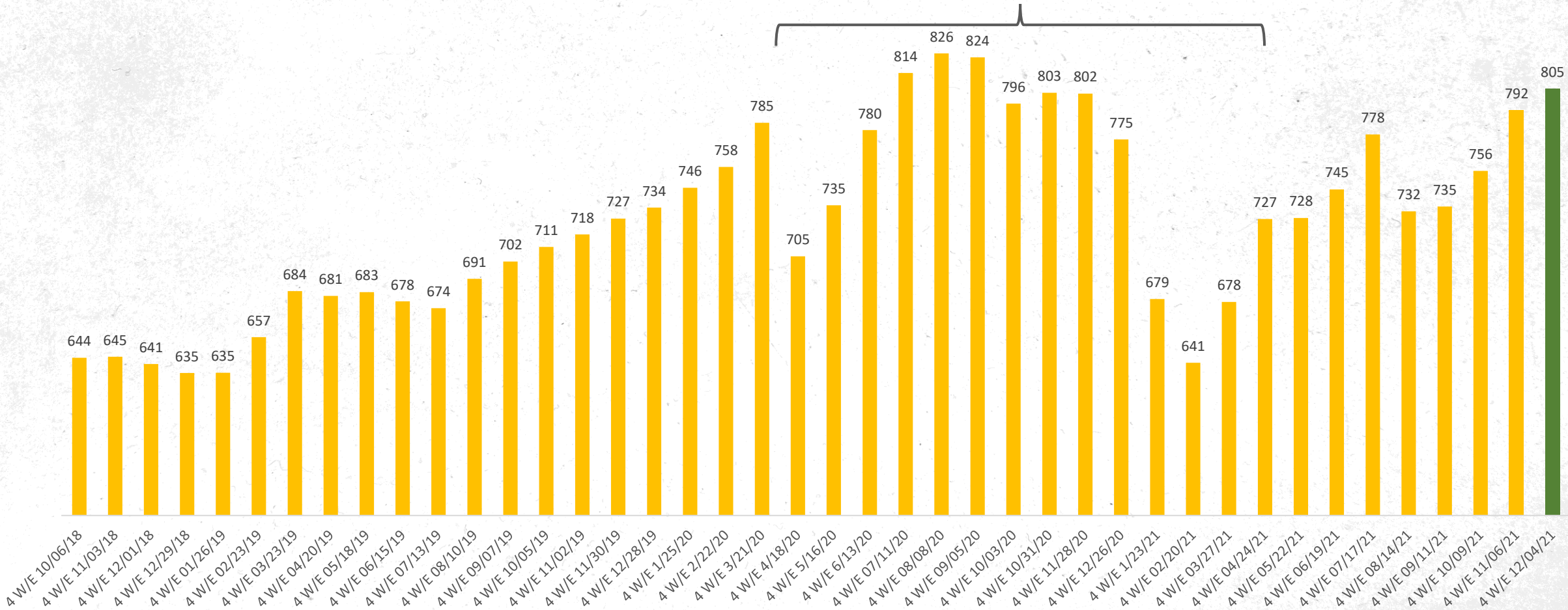


Retail Conditions

# Retail availability is improving

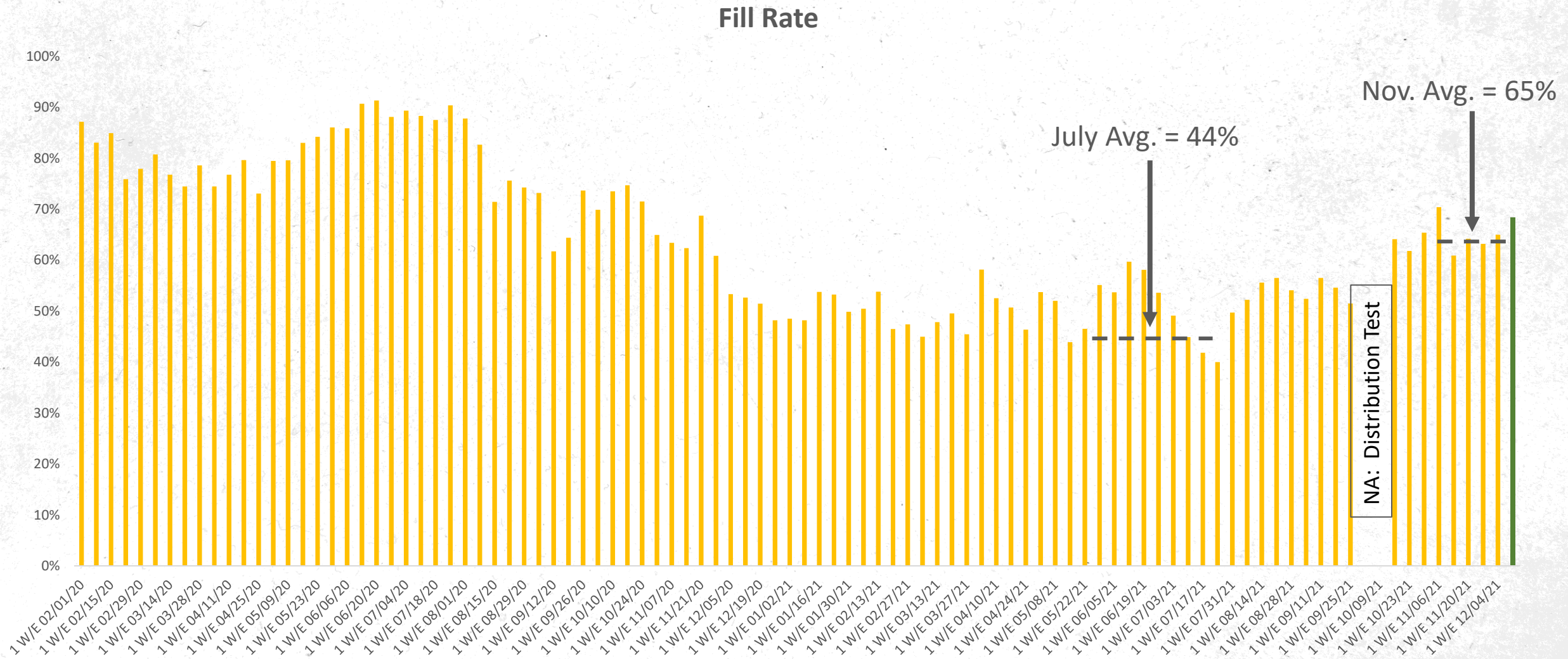
## Freshpet Total Distribution Points (TDP)

Nielsen Mega-Channel      COVID Crisis



Source: Nielsen Mega-Channel Data thru 12/4/21

# Trade inventory re-fill on rolls was completed in October; ~65% fill rate indicates unfilled demand on bags





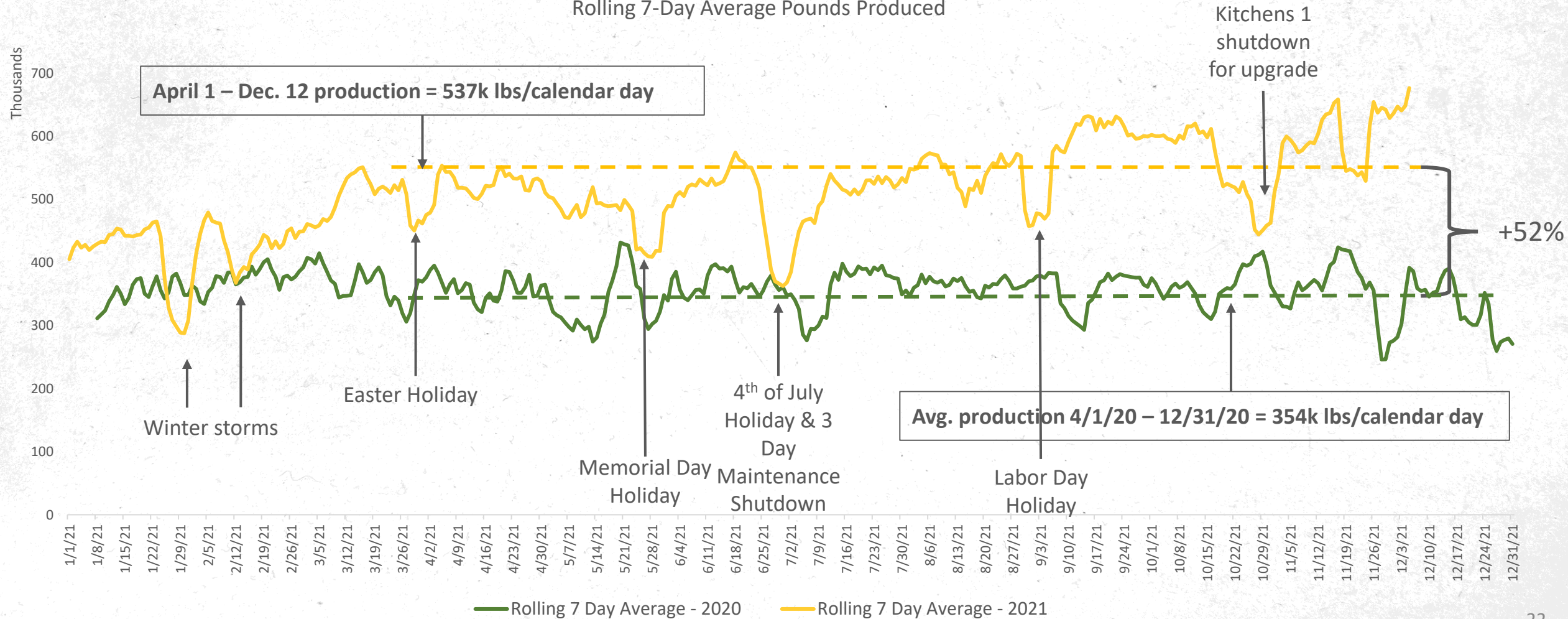


Production & Capacity

# Production running well ahead of YA; enabled us to re-fill trade inventory on items accounting for ~60% of net sales

## 2021 vs. 2020 Production Performance Comparison

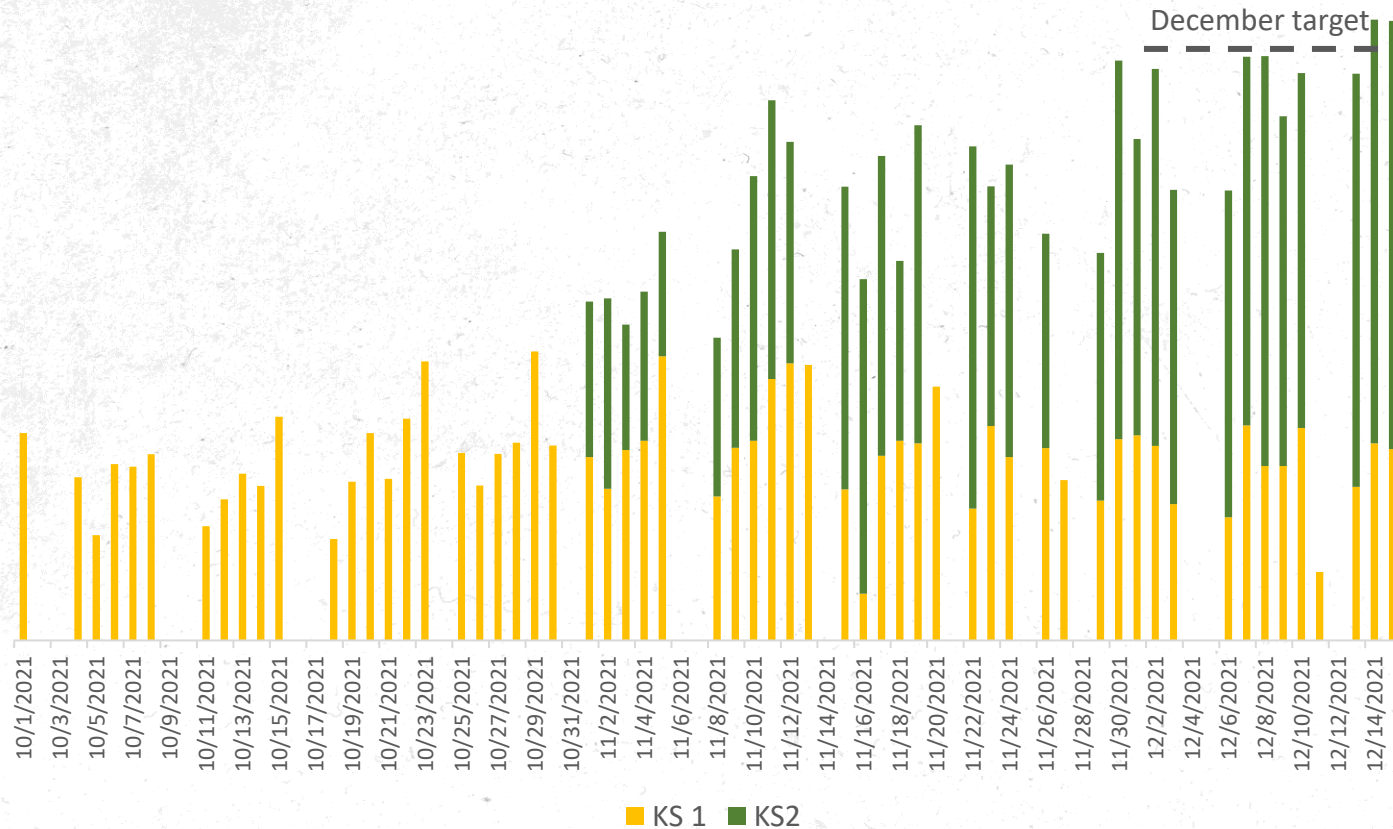
Rolling 7-Day Average Pounds Produced



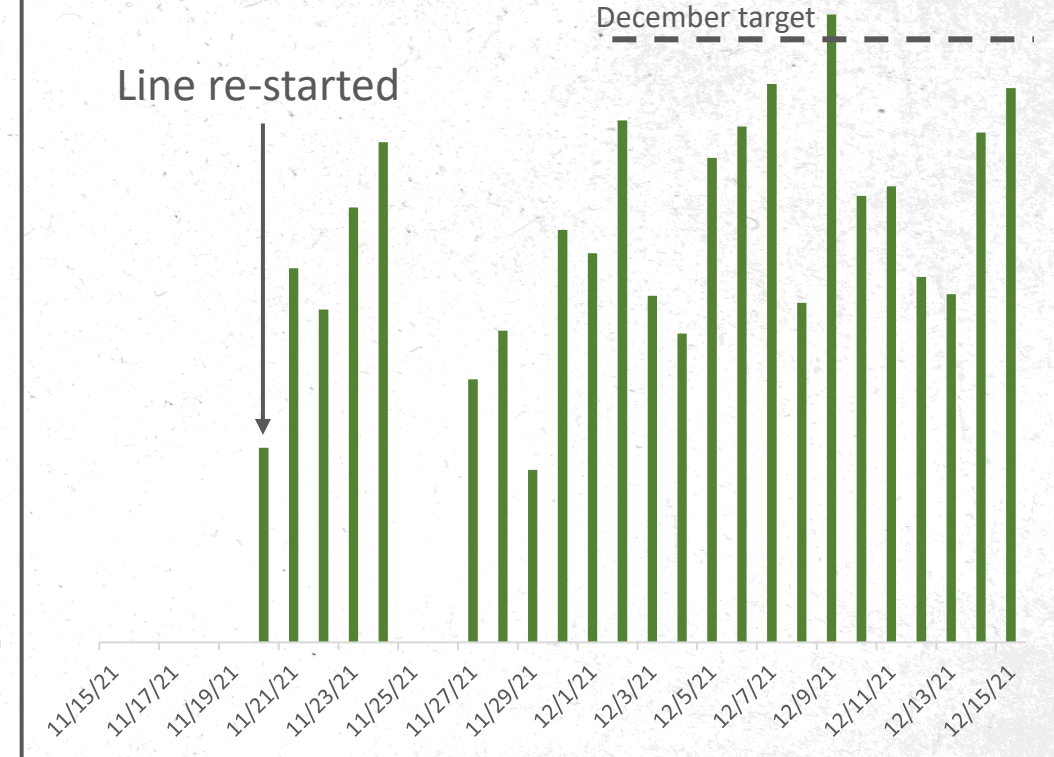
Source: Internal company data through December 12, 2021

# New and upgraded production line start-ups improving

**Kitchens South Production**  
(pounds produced by day)



**Kitchens 1 Upgraded Bag Line Production**  
(pounds produced per day)

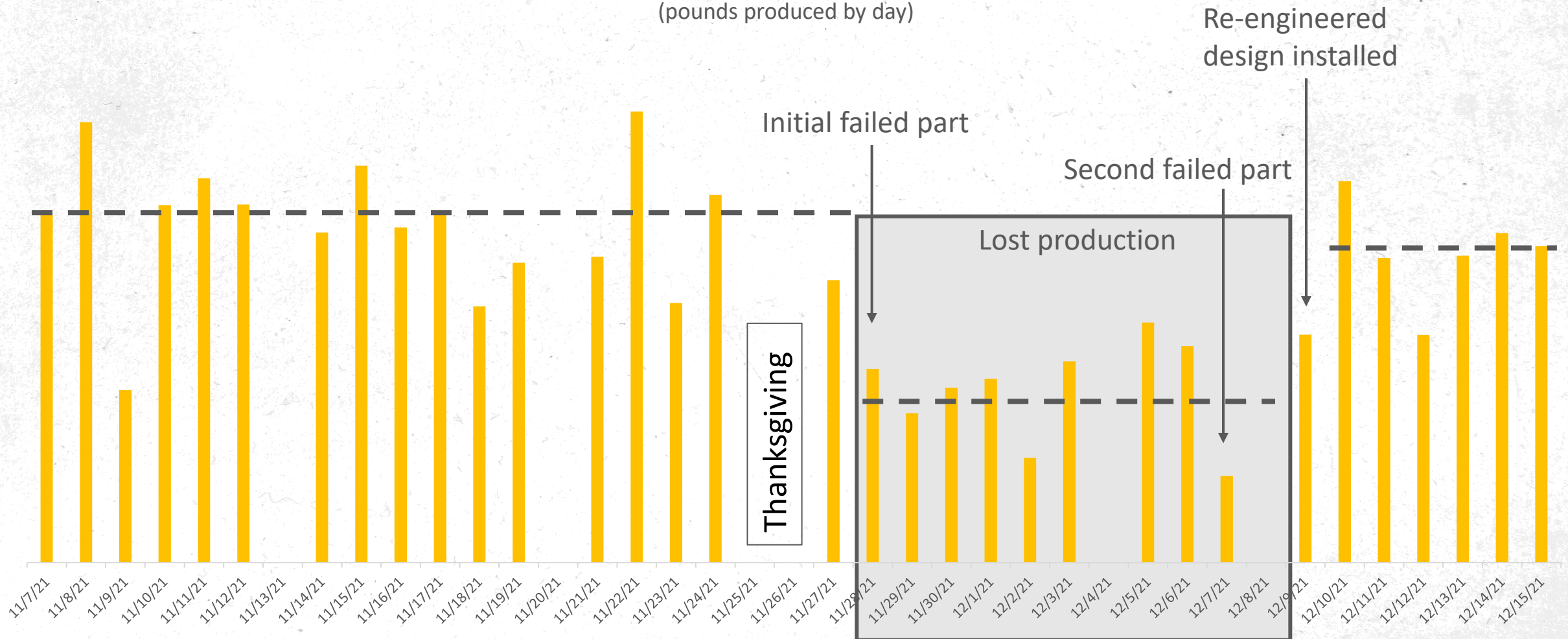




# Difficulties getting spare parts reduced production on high-speed bag line in Bethlehem

## Bethlehem Kitchens High Speed Bag Line Production






(pounds produced by day)





Pricing

# Inflation continues at a very high rate and has necessitated a 2<sup>nd</sup> price increase

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; significant increases necessitated 2 <sup>nd</sup> price increase	Priced quarterly; assumed in plan; 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	Assumed inflation but exceeding expectations; fuel costs have skyrocketed

- We need increased pricing and elimination of temporary operating inefficiencies to restore adj. gross margin
- Implemented a 4.8% price increase on 11/29/21 and announced a second price increase that will be effective on 2/28/22



# Second price increase to take effect with orders on 2/28/22 to offset increased costs and help 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 Kitchens South production

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





freshpet<sup>®</sup>

**FEED THE GROWTH**

**11 MILLION HH BY 2025**

