



Q1 2024

Earnings

May 6, 2024



Forward Looking Statements & Non-GAAP Measures



FORWARD-LOOKING STATEMENTS

Certain statements in this presentation by Freshpet, Inc. (the "Company") constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are based on our current expectations and assumptions. These forward-looking statements, which include any statements related to the timing of Freshpet Kitchens Expansion, our long-term strategy, focus and 2027 goals, our pace in achieving these goals, growth prospects, FY 2024 guidance and associated considerations. Words such as "anticipate", "believe", "could", "estimate", "expect", "guidance", "intend", "may", "might", "outlook", "plan", "predict", "seek", "will", "would" and variations of such word and similar future or conditional expressions are intended to identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements including difficulties in construction, third party data presented accompanying such statements, and 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 EBITDA Margin), 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, non-cash share-based compensation, 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, COVID-19 expenses and organization changes designed to support long-term growth objectives. Freshpet defines adjusted Gross Profit as gross profit before depreciation expense, COVID-19 expense and non-cash share-based compensation, and adjusted SG&A as SG&A expenses before depreciation and amortization expense, non-cash share-based compensation, 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, COVID-19 expense and organization changes designed to support long term growth objectives.

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 2024. 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.



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.





Highlights



Q1 2024: Solid growth and profitability improvement across all metrics



FINANCIAL

	Q1 2024	YoY Change
Net Sales	\$223.8M	+34%
Adjusted Gross Margin*	45.3%	+680 bps
Adjusted EBITDA	\$30.6M	+\$27.6M
Adjusted EBITDA Margin*	13.7%	+1,190 bps
Logistics Costs*	6.4%	-290 bps
Input Costs*	31.2%	-390 bps
Quality Costs*	2.8%	-240 bps
Operating Cash Flow	\$5.4M	+\$19M

*As a percent of net sales

RETAIL

	YoY Change
Household Penetration	+24%
Buy Rate	+5%
Cubic Feet	+15%
Store Count	+6%
Total Distribution Points	+19%

Strong performance driven by key fundamentals:

Strength of the Freshpet growth model

- 31% volume-based growth
- Increased household penetration (24% YoY) at a customer acquisition cost (CAC) comparable to levels we experienced prior to the price increases over the last two years

Improved operational effectiveness

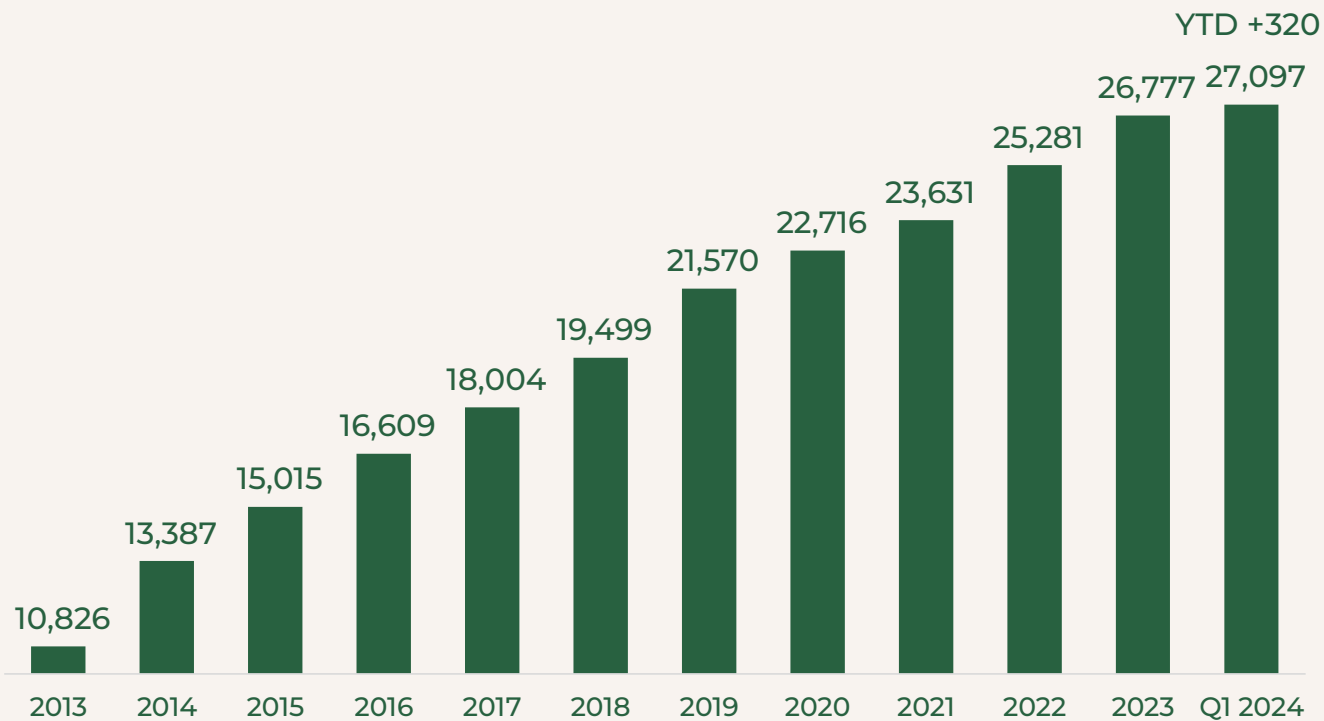
- 920 basis point improvement across quality, input, and logistics costs in Q1 2024
- Adjusted gross margin, input, quality and logistics cost all exceeded long-term targets in Q1 2024
- Adding organizational capabilities at all levels to support growth

Operating discipline to balance capacity and demand at a high growth rate

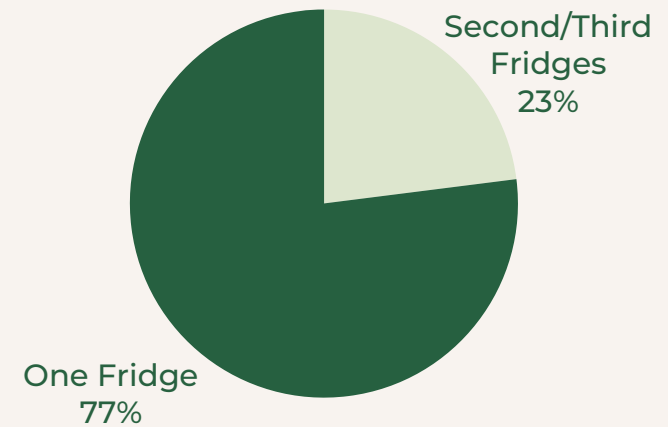
- Expanding capacity on-budget and on-time while improving margins
- Strong fill rates (high 90s) support excellent customer service

Expanding depth and breadth: 23% of all stores have multiple fridges

Freshpet Store Count



Number of Fridges per Store*



8 Source: Internal data for the period ending 3/31/24; *U.S. Fridges



Vast runway for growth in a growing category



\$53B

U.S. pet food category¹

\$37B

Dog food category¹

3%

Freshpet market share of dog food¹

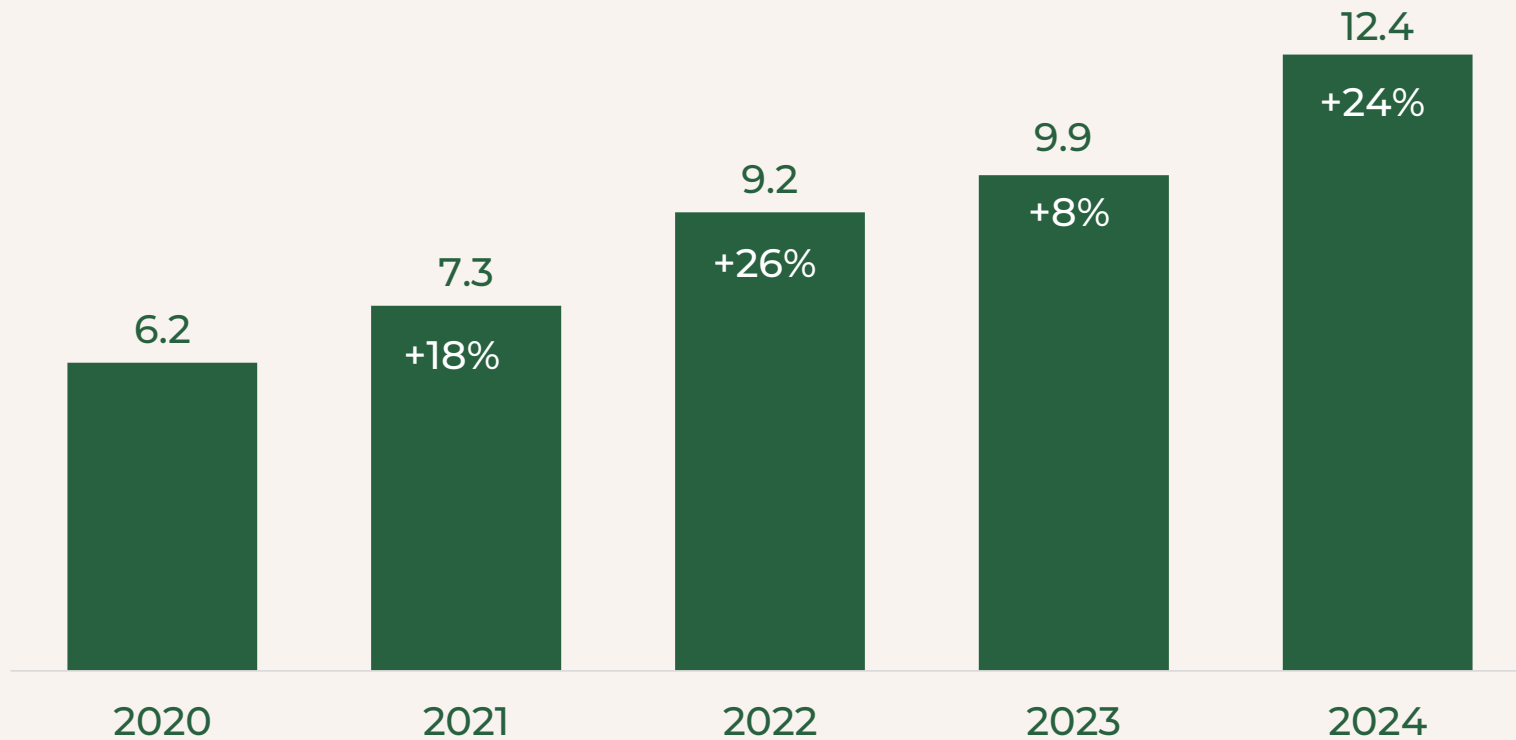


Freshpet market share of fresh/frozen in measured channels²



Continued growth in consumer franchise; added 2.4m+ households YoY

Freshpet Household Penetration Growth (in millions)
(52 weeks)



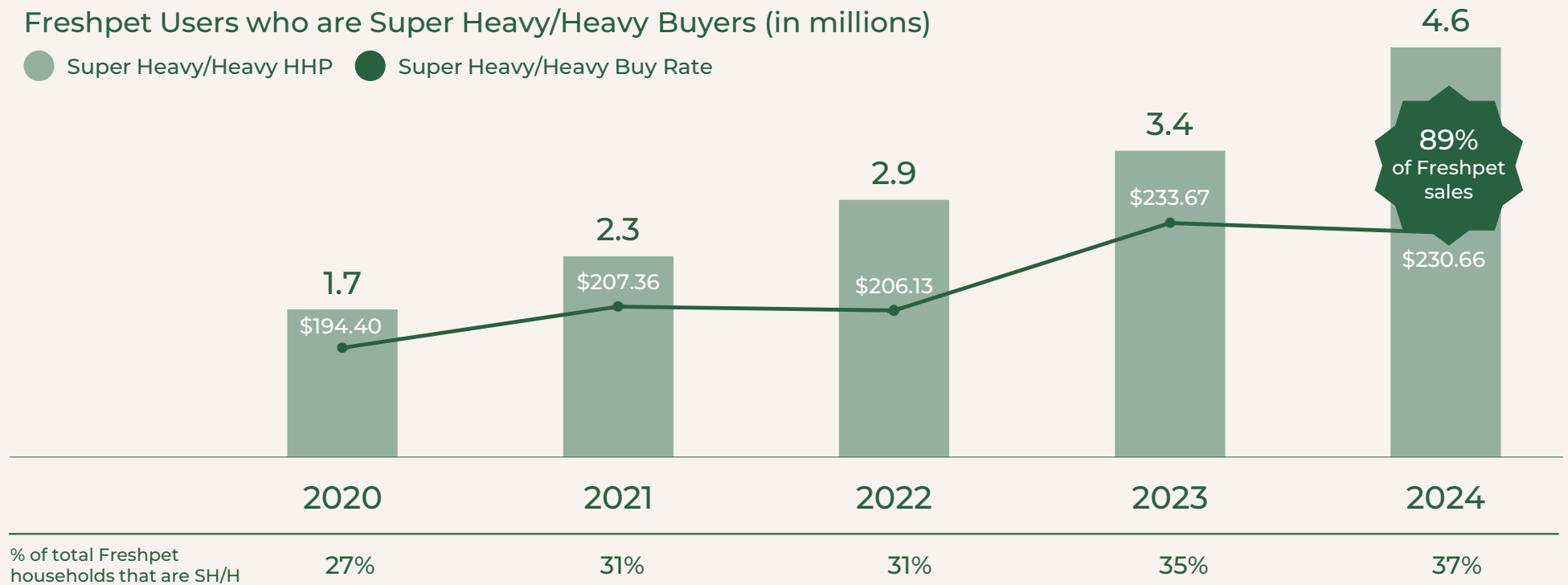
10 Source: Numerator Panel data for the 52-week periods ending 4/5/2020, 4/4/2021, 4/3/2022, 4/2/2023, 3/31/2024



Freshpet sales are increasingly concentrated in our heaviest users (HIPPOHs*) and account for 89% of Q1 2024 net sales

Freshpet Users who are Super Heavy/Heavy Buyers (in millions)

● Super Heavy/Heavy HHP ● Super Heavy/Heavy Buy Rate



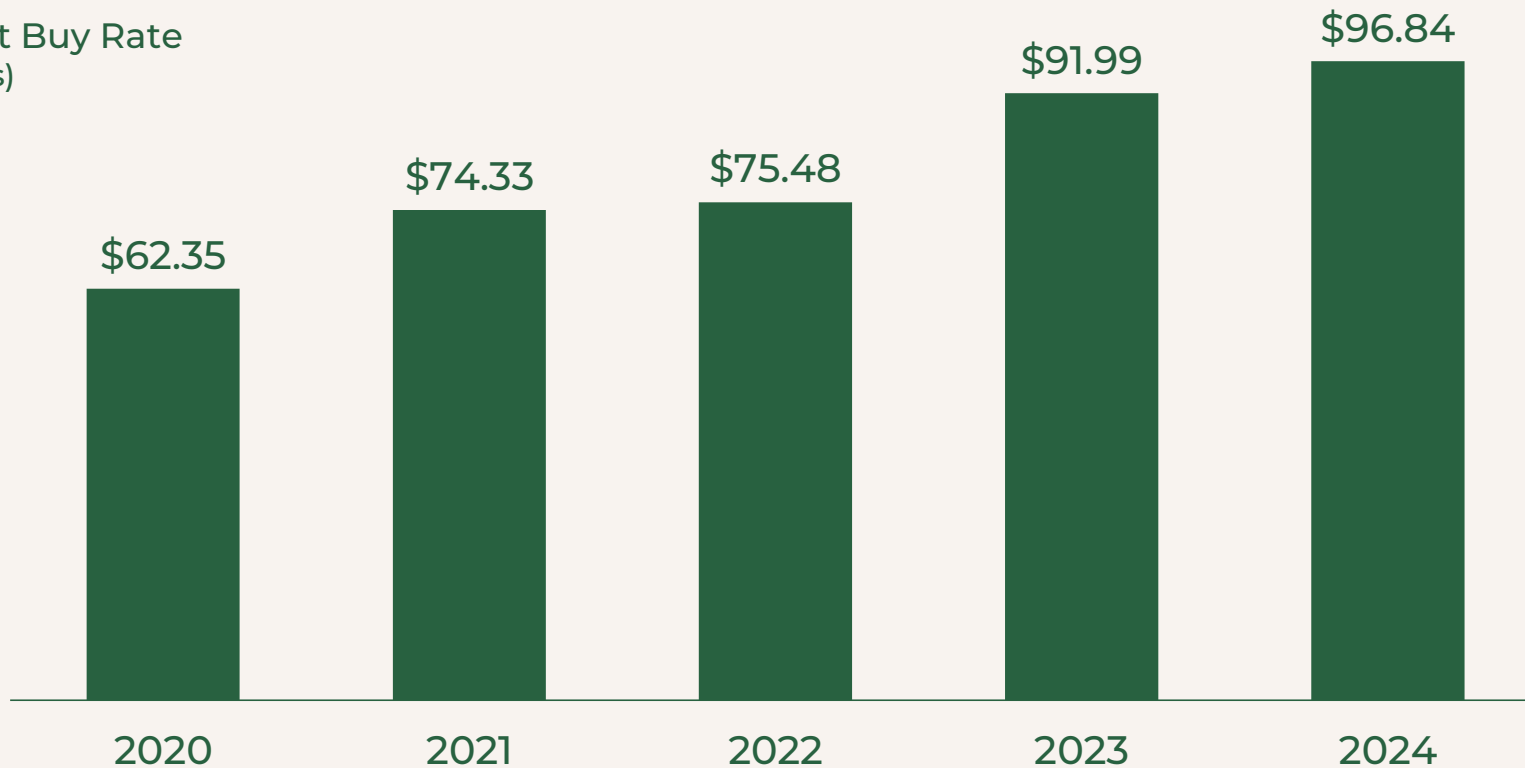
89% of Freshpet sales

11 Source: Numerator data for 52-week periods ending 4/5/2020, 4/4/2021, 4/3/2022, 4/2/2023, 3/31/2024
*High profit pet owning households



Converting toppers into main meal users will continue to increase buy rate

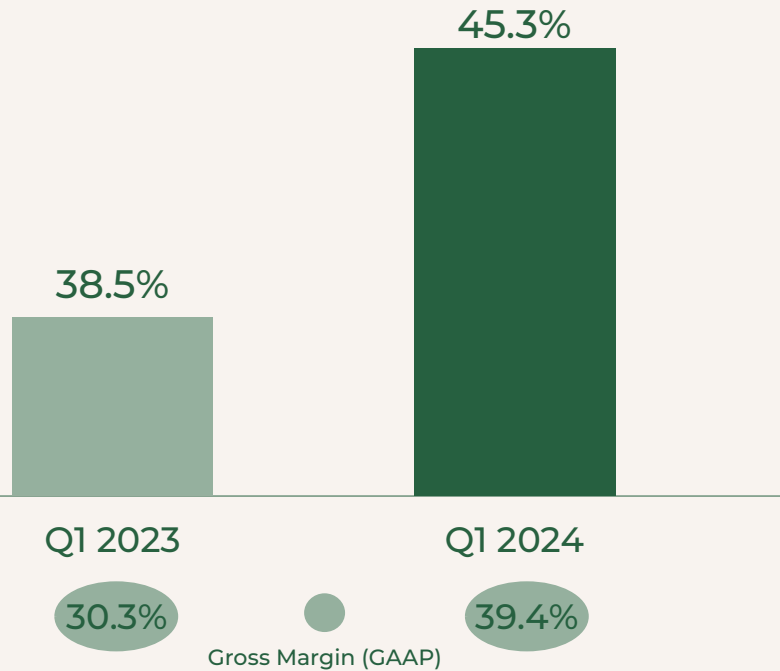
Freshpet Buy Rate
(52 weeks)



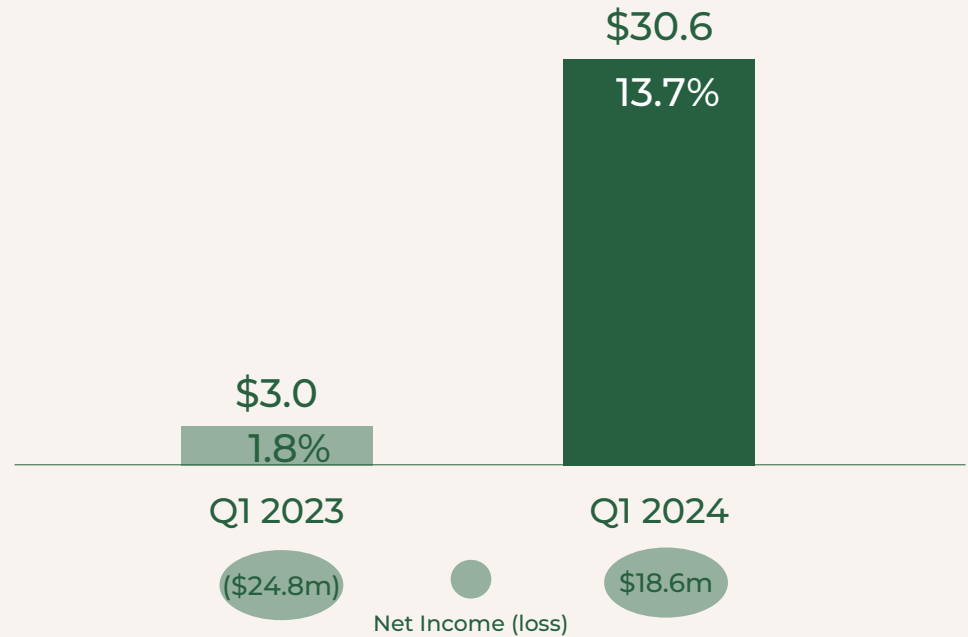


Enhancing margins through improved operating performance and leveraging scale and efficiency

Q1 2024 Adj. Gross Margin
% of net sales



Q1 2024 Adj. EBITDA (\$m)
% of net sales





Improved costs by 920 bps in Q1 2024 across key focus areas



-290 bps
Q1 2024



-240 bps
Q1 2024



-390 bps
Q1 2024

Capacity Update

- ✓ Ennis Kitchen producing ~25% of total Freshpet production from three lines

- ✓ Phase II construction is slightly ahead of schedule; expect fourth line to begin production by the end of Q3 2024

- ✓ Additional roll line in Ennis to reduce complexity of changeovers and SKU assortment



Capital Efficiency Framework



**MORE OUT OF
EXISTING LINES**



**MORE OUT OF
EXISTING SITES**




**DEVELOP & IMPLEMENT
NEW TECHNOLOGIES**

Long-Term Strategy: Path to 2027




\$1.8 billion
Net Sales
(target)


~18%
Adjusted EBITDA
Margin (target)

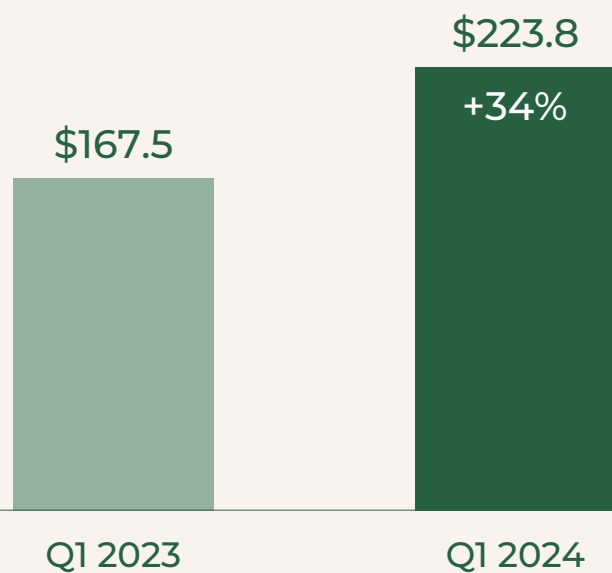

20 million
Freshpet Households
by 2027 (target)

Q1 2024 Results

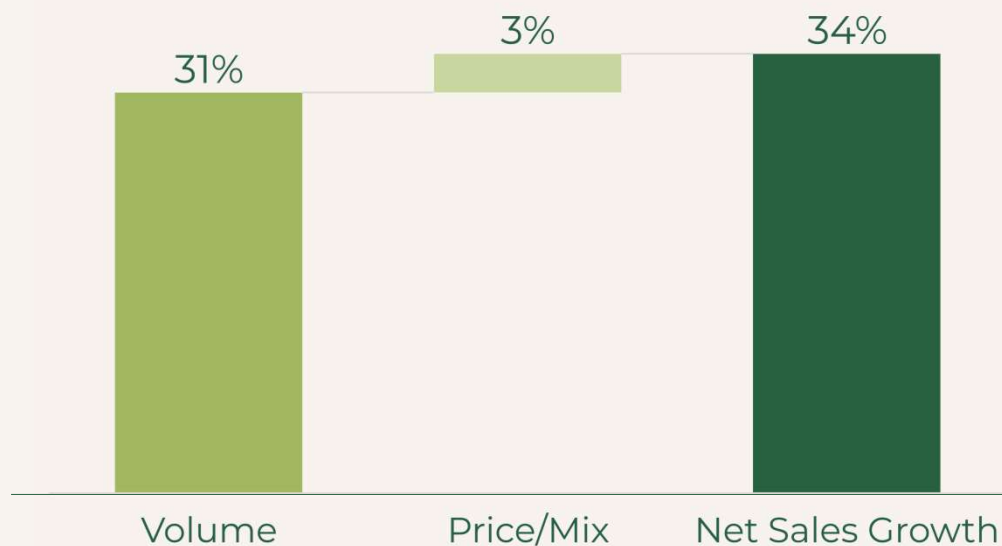


Strong Q1 results that demonstrate volume-driven growth

Q1 2024 Net Sales (\$m)

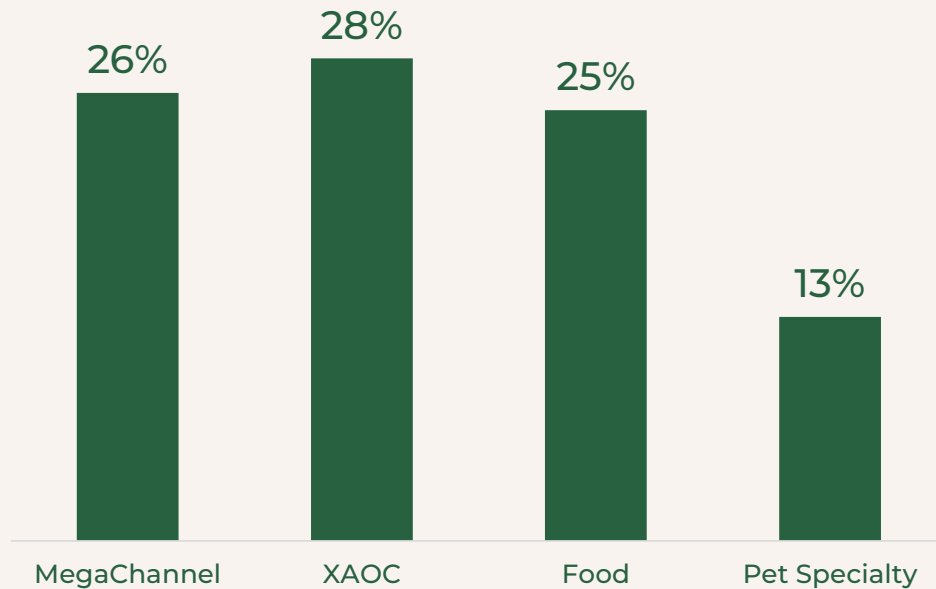


Q1 2024 Net Sales Bridge

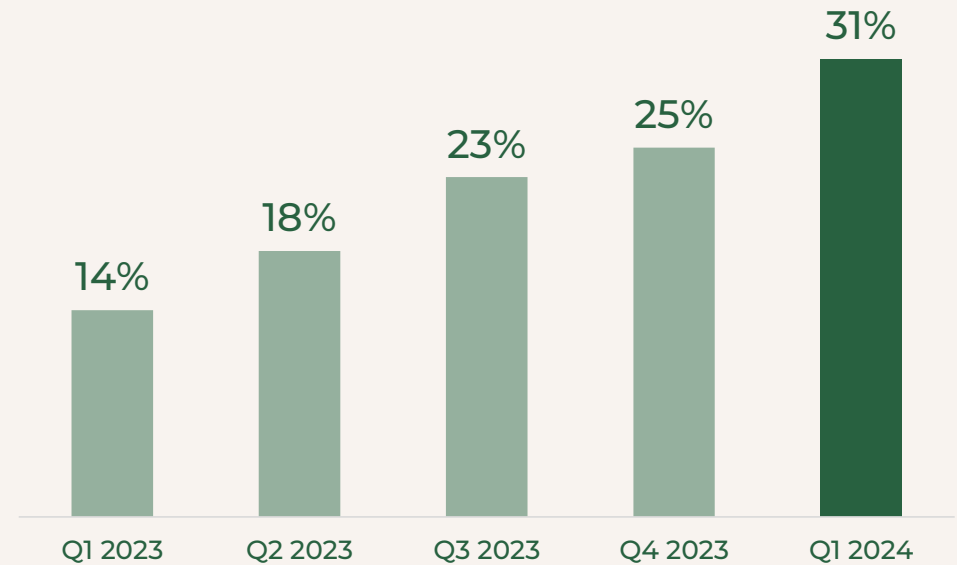


Consumption growth remains strong and has accelerated

Q1 2024 Consumption Growth (\$)

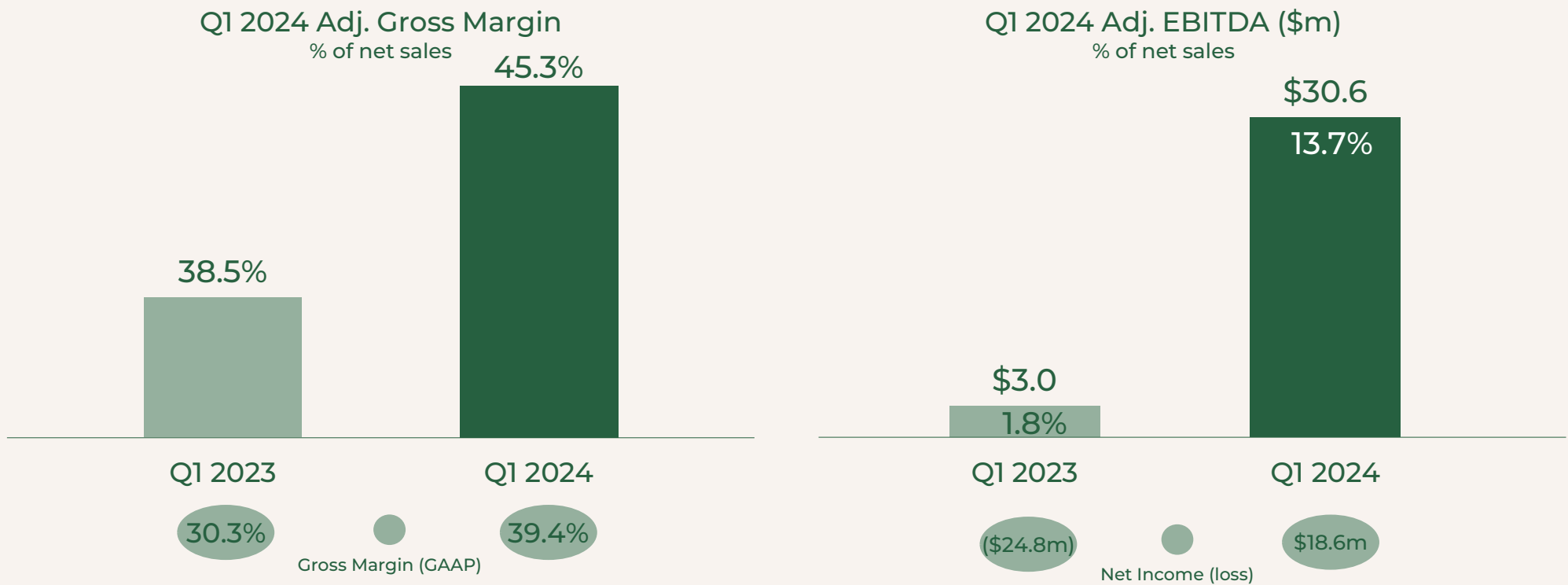


Consumption Growth Trends
(volume in pounds)



PLUS >100% GROWTH IN UNMEASURED CHANNELS

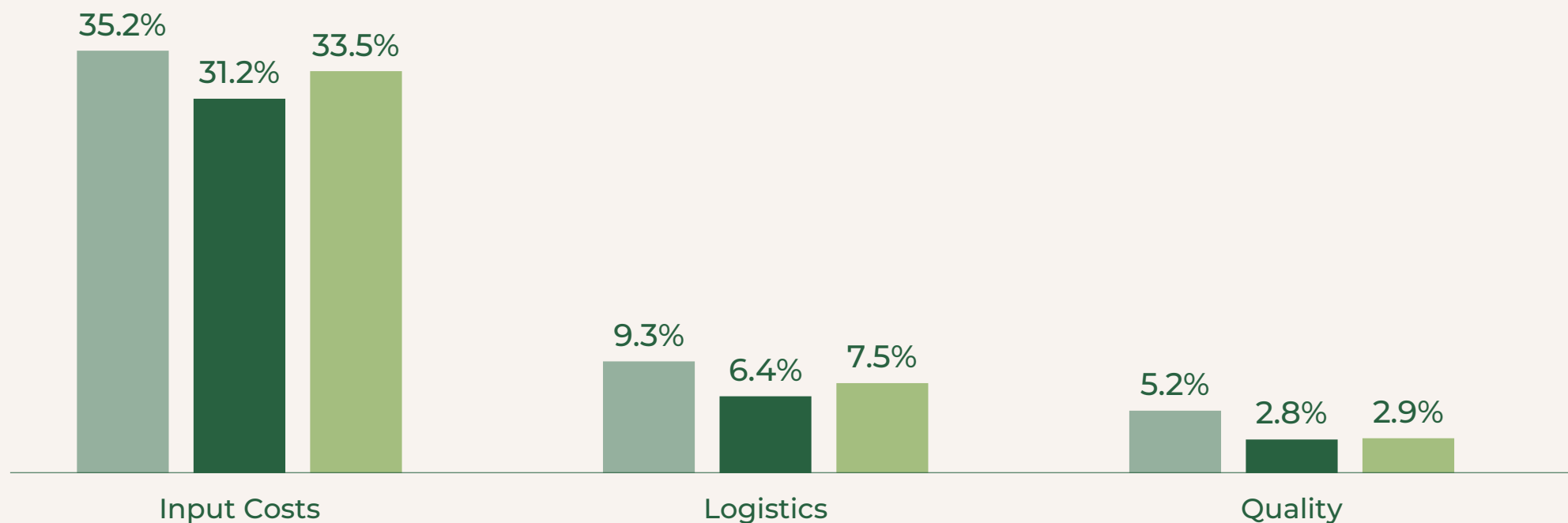
Q1 2024 delivered significant margin improvement



920 basis point improvement in Q1 2024; demonstrated our ability to deliver FY 2027 margin targets and now focused on consistency

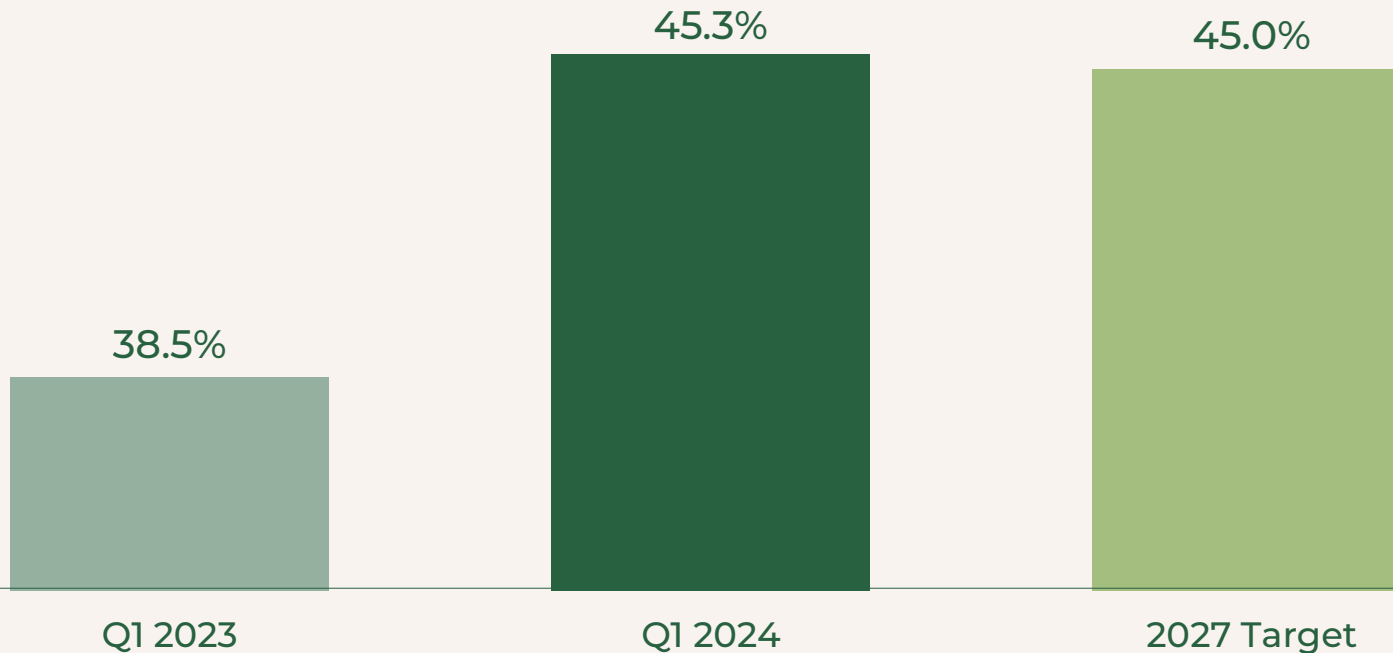
Key Margin Improvement Targets & Progress

● Q1 2023 ● Q1 2024 ● 2027 Target



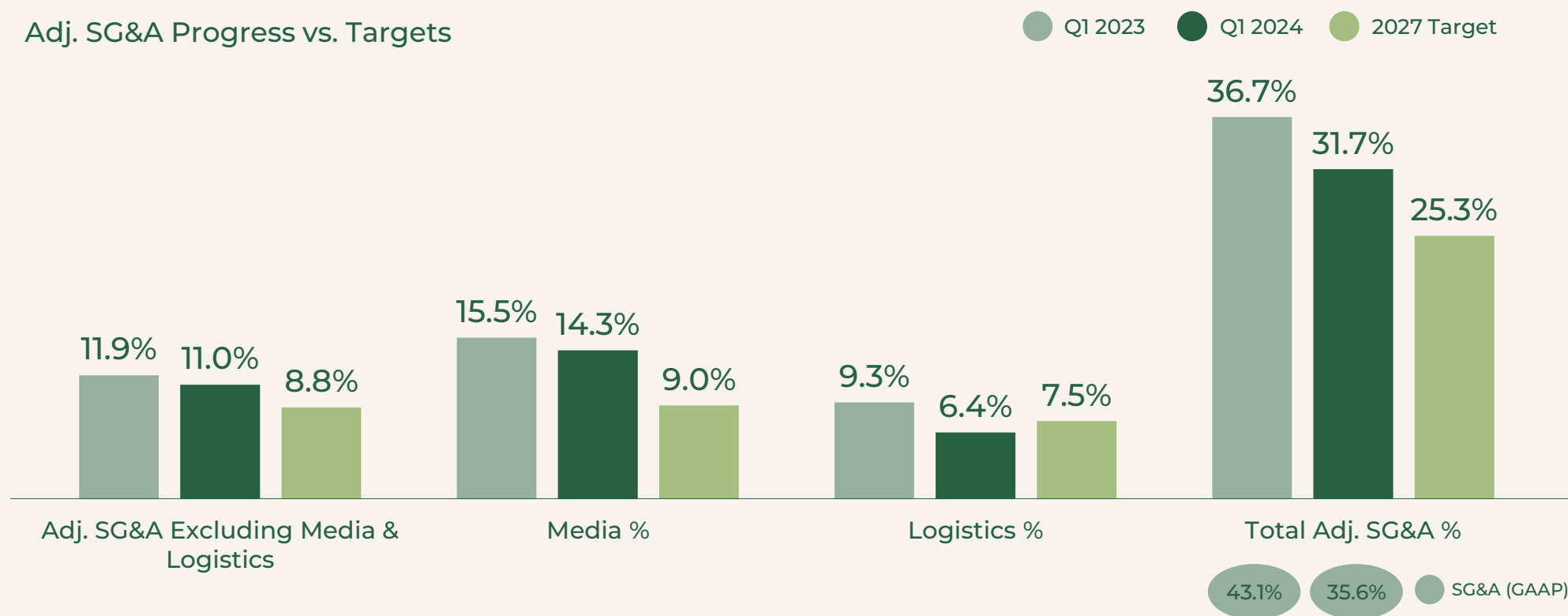
Significant Adj. Gross Margin improvement YOY; ahead of our long-term target and now focused on consistent performance

Adj. Gross Margin Progress vs. 2027 Targets



SG&A improvements tracking to long-term target; logistics is well ahead of plan and G&A will follow as we add scale

Adj. SG&A Progress vs. Targets



FY 2024 Guidance

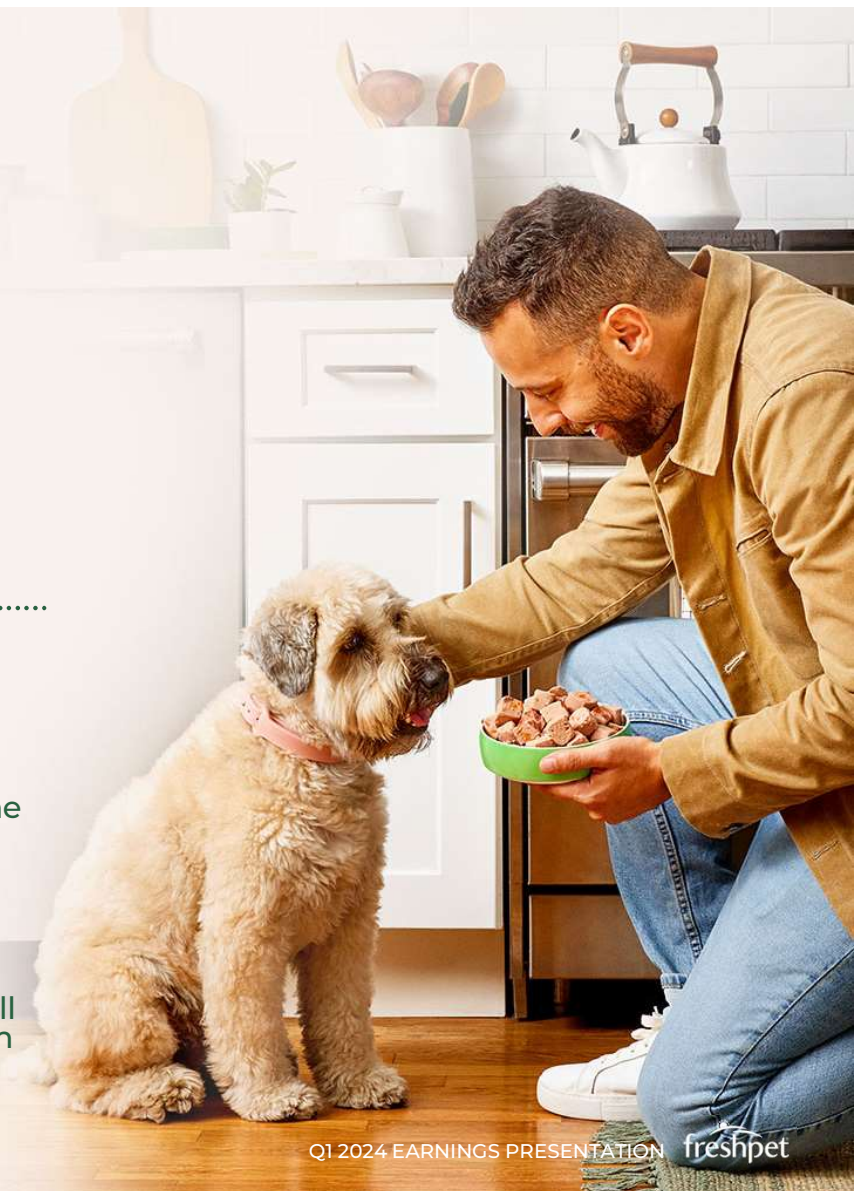


Updated FY 2024 Guidance

	Previous	Updated
Net Sales	>\$950M	no change
Net Sales Growth YoY	>24%	no change
Adjusted EBITDA	\$100 - \$110M	>\$120M
Capital Expenditures	~\$210M	no change

Additional considerations:

- **Net Sales:** Maintaining guidance until we have greater confidence that we have adequate rolls capacity to meet a higher level of demand
- **Volume cadence:** Expect volume to be sequentially lower throughout the year to manage growth and cash as we ramp capacity
- **Adjusted Gross Margin:** Expect improvement of +300 basis points year-over-year vs. +100 basis points previously; continue to expect modest deflation
- **Advertising investment:** Expect media to grow in-line with sales, and will pull back as necessary to control growth in-line with long-term algorithm



Capital Spending, Cash Flow & Liquidity



Significant improvement in operating cash flow

✓ Capital Spending:

- Key projects remain on-track and on-budget; estimated 2024 spending of ~\$210 million
- Once Ennis Phase II is completed this summer/fall, we will have built adequate infrastructure/buildings to accommodate our next 5+ lines

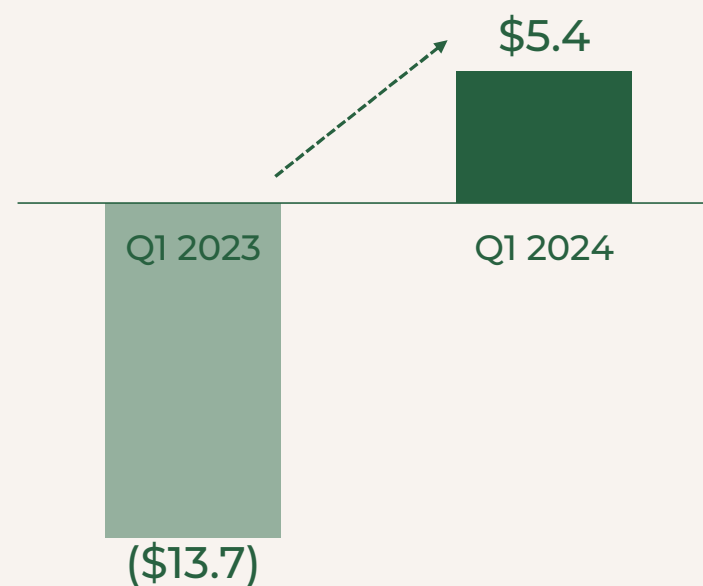
✓ Cash flow:

- Generated \$5.4 million of operating cash flow in Q1 2024, a YoY improvement of over \$19 million driven by:
 - Adj. EBITDA growth
 - Working capital position
- Interest income is offsetting interest expense

✓ Liquidity:

- \$258 million of cash-on-hand as of 3/31/24
- Generating meaningful Adj. EBITDA which could be leveraged to provide increased liquidity in 2025, if necessary

Operating Cash Flow (\$m)



Appendix



Freshpet, Inc. and Subsidiaries Reconciliation between Gross Profit and Adjusted Gross Profit

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Gross profit	\$ 88,158	\$ 50,760
Depreciation expense	10,675	10,721
Non-cash share-based compensation (a)	2,622	2,956
Loss on disposal of manufacturing equipment	21	—
Adjusted Gross Profit	<u>\$ 101,476</u>	<u>\$ 64,437</u>
Adjusted Gross Profit as a % of Net Sales	<u>45.3%</u>	<u>38.5%</u>

(a) Includes the true-up of share-based compensation expense in the three months ended December 31, 2023. We have certain outstanding multi-year share-based awards, granted in FY 2020, with performance-based vesting conditions that require the achievement of certain Adjusted EBITDA targets in FY 2024 as a condition to vesting. At each reporting period, we reassess the probability of achieving the performance criteria and the performance period required to meet those targets set in 2020. When such performance conditions are deemed to be improbable of achievement, the compensation cost previously recorded is reversed.

Freshpet, Inc. and Subsidiaries Reconciliation between SG&A Expenses and Adjusted SG&A Expenses

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
SG&A expenses	\$ 79,695	\$ 72,271
Depreciation and amortization expense	5,070	3,771
Non-cash share-based compensation (a)	3,600	5,459
Loss on disposal of equipment	129	268
Enterprise Resource Planning (b)	—	801
Capped Call Transactions fees (c)	—	113
Activism engagement (d)	—	389
Adjusted SG&A Expenses	<u>\$ 70,896</u>	<u>\$ 61,470</u>
Adjusted SG&A Expenses as a % of Net Sales	31.7%	36.7%

(a) Includes true-ups, if required, to share-based compensation expense compared to prior periods. We have certain outstanding share-based awards with performance-based vesting conditions that require the achievement of certain Adjusted EBITDA and/or Net Sales targets as a condition of vesting. At each reporting period, we reassess the probability of achieving the performance criteria and the performance period required to meet those targets. When such performance conditions are deemed to be improbable of achievement, the compensation cost previously recorded is reversed.

(b) Represents costs associated with the implementation of an ERP system.

(c) Represents fees associated with the Capped Call Transactions.

(d) Represents advisory fees related to activism engagement.

Freshpet, Inc. and Subsidiaries Reconciliation between Net Income (loss) and Adjusted EBITDA

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Net income (loss)	\$ 18,602	\$ (24,786)
Depreciation and amortization	15,745	14,492
Interest income, net of interest expense	(275)	2,225
Income tax expense	54	70
EBITDA	\$ 34,126	\$ (7,999)
Loss on equity method investment	—	980
Gain on equity investment	(9,918)	—
Loss on disposal of property, plant and equipment	150	268
Non-cash share-based compensation (a)	6,221	8,415
Enterprise Resource Planning (b)	—	801
Capped Call Transactions fees (c)	—	113
Activism engagement (d)	—	389
Adjusted EBITDA	\$ 30,579	\$ 2,967
Adjusted EBITDA as a % of Net Sales	13.7%	1.8%

- (a) Includes true-ups, if required, to share-based compensation expense compared to prior periods. We have certain outstanding share-based awards with performance-based vesting conditions that require the achievement of certain Adjusted EBITDA and/or Net Sales targets as a condition of vesting. At each reporting period, we reassess the probability of achieving the performance criteria and the performance period required to meet those targets. When such performance conditions are deemed to be improbable of achievement, the compensation cost previously recorded is reversed.
- (b) Represents costs associated with the implementation of an ERP system.
- (c) Represents fees associated with the Capped Call Transactions.
- (d) Represents advisory fees related to activism engagement.



thank you!

