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# Consumer Category Closeup

## The Battle for the (Dog Food) Bowl



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## Executive Summary

*Category Closeup* is a report, published periodically, that profiles and examines developments in a specific consumer packaged goods category. In this volume, we consider dog food in the U.S., including reviews of category structure, consumer trends, and influential brands swaying the level and division of growth. Note that from time to time, we use the term “fresh” to represent the gently cooked fresh and frozen segment of the dog food category. We separate this report into four main sections.

1. **We help make the case for long-term investment in the category.** Dog food is an attractive category, in part because of the size of the addressable market and nature of the relationship between dog and pet parent. The humanization of pets is embodied in the concept “zooevia”—a term used to emphasize the ways in which companion animals can improve one’s emotional, as well as mental and physical, well-being. Thus, we believe pet foods, particularly fresh, are secularly attractive with room for expansion.
2. **We seek to illuminate important trends influencing the category.** With pet humanization trends squarely in place, category participants are rightly seeking ways to drive and capitalize on growth through multifaceted innovation. This includes new fresh products with all natural ingredients supported by production techniques, innovative distribution methods including direct to consumer (DTC), effective brand building through marketing, and high-impact merchandising such as branded fridges.
3. **We profile select industry participants**—that is, traditional companies that have been serving the dog food market for decades and newer dog food businesses and brands that are bringing innovative products and processes to the category to better serve explicit and latent consumer needs. To do so, we conducted interviews with founders and executives, performed analytical reviews of key businesses and brands, and spoke with private investors and other market participants.
4. **We project the potential of the fresh segment and share stock considerations for covered companies including Freshpet and Chewy.** As the pioneer in the fresh refrigerated dog food category at retail, Freshpet is in an enviable position with a first-mover advantage and wide moat. As a leading online pet retailer with a new fresh offering named Get Real, Chewy has the potential to leverage its substantive user base and direct delivery capabilities to penetrate the fresh segment.

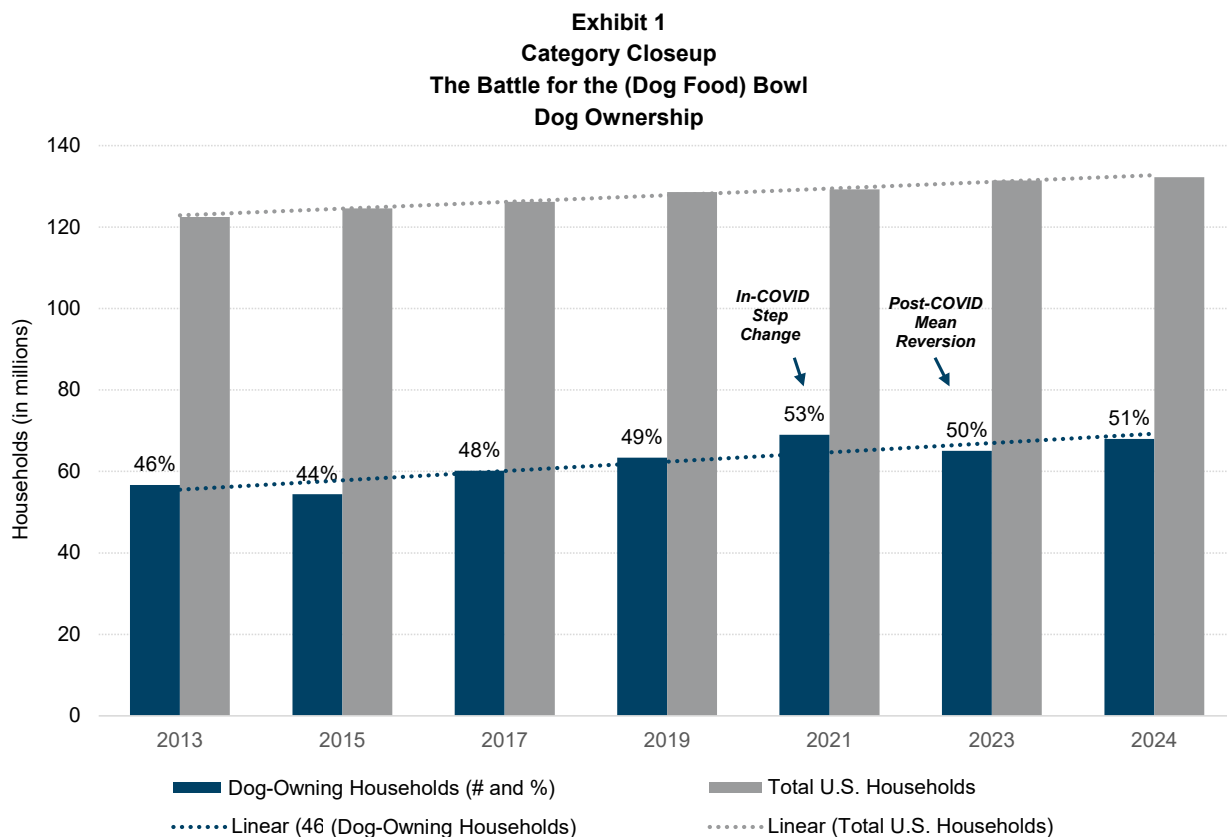
For purposes of this report, we use third-party point-of-sale data to gain visibility into market and company-level trends, including size, growth, and share. This syndicated data covers channels such as food retailers, mass merchants, and convenience stores, but excludes certain customers in e-commerce and club store channels. In addition, we use consumer panel data to better understand the “why behind the buy” with insight into category and brand-level user profiles, shopping behavior, and purchase drivers.

## The Category: It's a Dog's World

"The more I learn about people, the more I like my dog." This quote, attributed to Mark Twain, may help explain the seeming perpetually increasing levels of dog ownership and the more humanistic bonds being established between pet parents and their dogs. Moreover, it helps bolster the case for long-term investment in the category and, more specific, the fresh segment. We believe that dog foods, particularly fresh, are secularly attractive with room for expansion through both household penetration and buy rate.

### Large Addressable Market

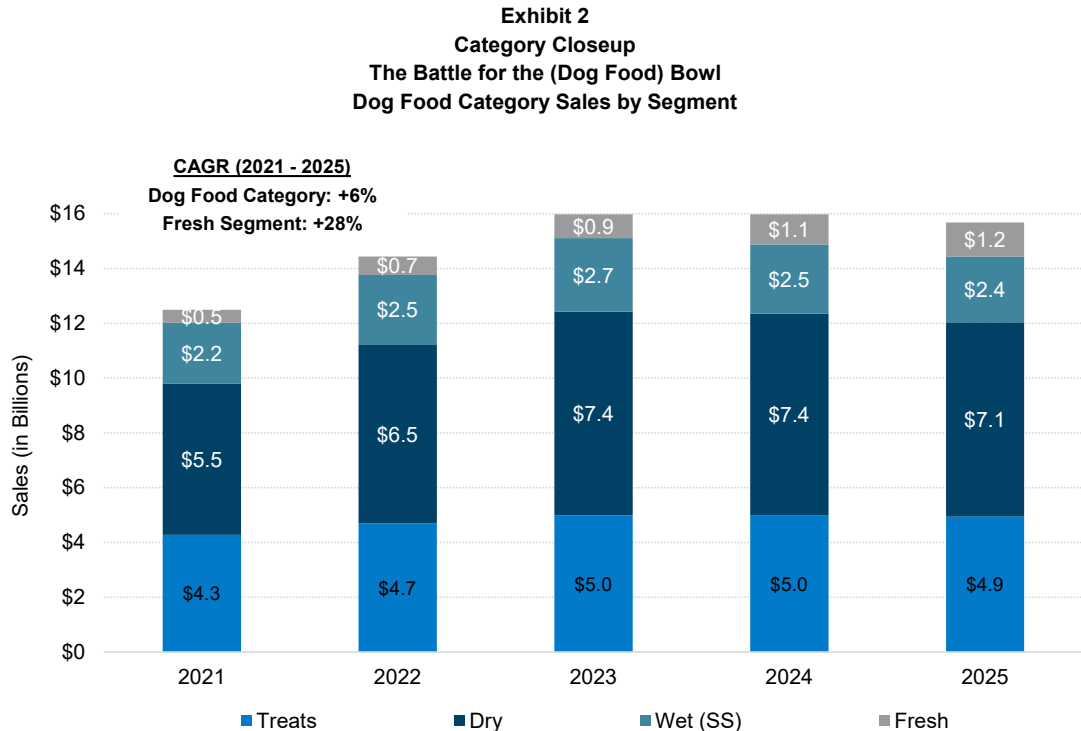
Dog ownership is important and ingrained in society. Over the past decade, the number of dog-owning households in the U.S. increased from about 57 million to 68 million (reflecting low-single-digit growth), and keeping dog-owning households as a percentage of all households near 50%. During this same period, as younger cohorts have aged into owning their own pets, the number of Gen Z and millennial dog-owning households has grown and come to represent a larger share of all households with dogs; this is encouraging since these same consumers express interest in fresh food options for their pets.



Sources: American Pet Product Association, U.S. Census Bureau, William Blair Equity Research

Omnichannel spending on pet food and treats reached about \$54 billion (at retail) in 2025, growing at a compound annual rate in the upper-single digits over the past six years. Despite a dip in 2025, dog food spending per household grew at a strong compound annual rate of about 7% over the same time frame, implying growth is being driven by premiumization and price/mix rather

than expansion of dog owning households. In exhibit 2, we show the dog food category at retail (U.S. xAOC + convenience, excluding online, club, specialty) represented about \$16 billion in 2025 and grew at a four-year compound annual rate of 6%.



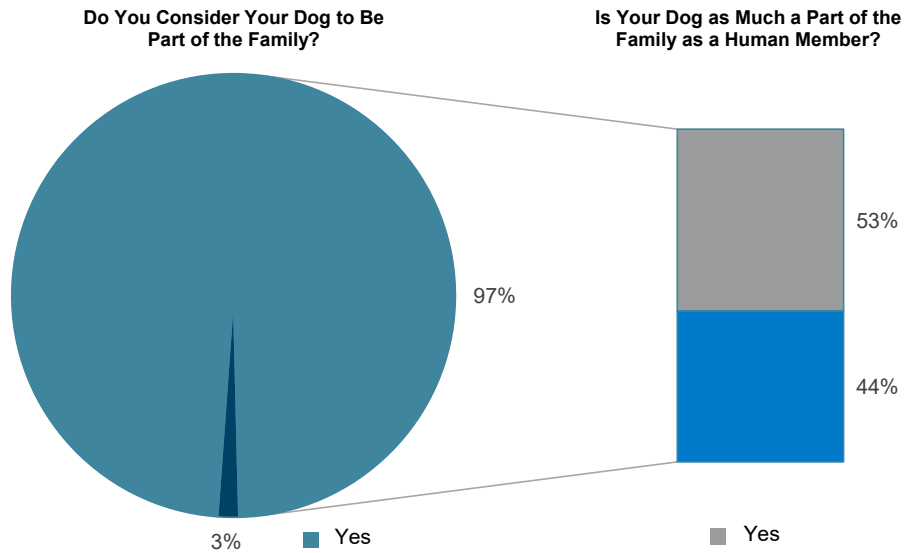
Taking an omnichannel view (including online, club, specialty), we believe the dog food category is closer to \$23 billion and grew at a rate of 8% during the same timeframe. However, the real excitement is in the fresh dog food segment, which grew at a compound annual rate closer to 30% over the past several years. Still, even today the fresh segment is only about \$2 billion (at retail), representing 8% of total dog food sales. Clearly fresh dog food has been, and should continue to be, the growth engine for the category.

### Changing Nature of the Relationship

Category demand is bolstered by the changing nature of the relationship between dog and pet parent. In the past, the dog food category largely consisted of dry kibble, a form factor developed many decades ago when dogs typically held roles that were less primary and, in turn, their treatment was more austere. This treatment extended to their diet, which consisted of highly processed, dehydrated meat by-products, fillers, and powdered meat containing artificial flavors, colors, and preservatives.

The relationship between dog and pet parent has been changing in fundamental ways, perhaps embodied by the concept of zooeyia—a term used to emphasize the ways in which companion animals can improve one’s emotional and physical well-being. More than 80% of pet owners say their dog(s) has a positive impact on their mental health. This in turn has had, and should continue to have, knock-on effects in terms of how owners both care for and interact with their dogs.

**Exhibit 3**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Dogs Now Are Family**



Sources: Pew Research Center, American Psychiatric Association, William Blair Equity Research

A growing number of dog owners are integrating their pets more fully into their lives, blurring the line between pet and family member. This trend is reshaping lifestyles, businesses, and communities to be more inclusive of canine companions. The perception of dogs as family members, or “fur babies,” is most pronounced among younger generations and leads to behaviors once reserved for human children. For example, according to the American Pet Products Association (APPA), nearly half (48%) of owners sleep in the same bed with their pets, and almost twice as many dog owners (27%) reported throwing holiday or birthday parties for their dogs in 2023 than in 2018. In addition, owners are placing more emphasis on holistic pet care, preferring brands and products that mirror human wellness trends.

This deeper integration of dogs has created new market segments and reshaped social infrastructure. To this point, more companies are adopting pet-friendly policies, a trend accelerated by the number of “pandemic puppies” acquired during remote work. Most consumers support policies allowing pets in the workplace, and nearly half indicate they would take their dog to the office if it were permissible. Three-quarters of owners travel with their dogs by plane, and more than half take their dogs with them on errands. In addition, companies are expanding their pet-friendly offerings, with platforms like Airbnb featuring dog-friendly accommodations and car rental companies providing pet-friendly options.

**Exhibit 4**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Owners Integrating Dogs Into Their Lifestyles**



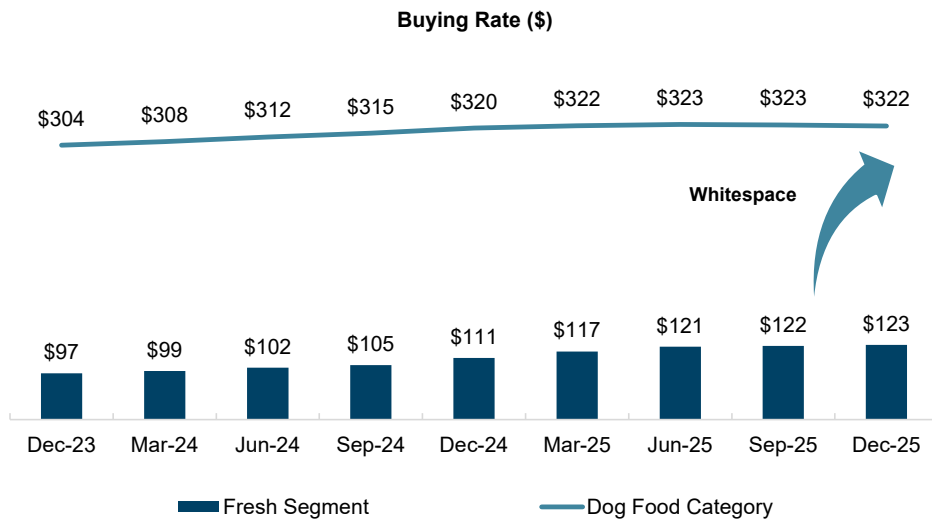
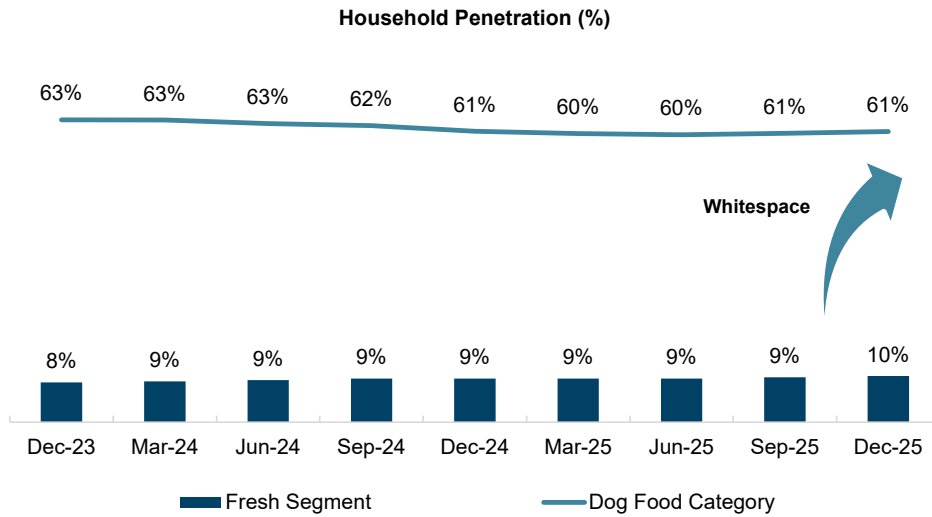
Sources: American Academy of Sleep Medicine, LiveCareer, William Blair Equity Research

Searches on platforms like Yelp for “Dogs Allowed” rose significantly between 2021 and 2023, and the foodservice industry is increasingly catering to dog owners with some restaurants offering discounts for customers with dogs. Separately, pet-friendly housing has become a major factor in real estate decisions, with some owners willing to move just to better accommodate their pets. Perhaps most telling, a survey by Talker Research indicated that nearly half of pet parents would rather cut their own expenses than reduce spending on their dogs, compared to just 9% who would prioritize their own needs.

**Fresh in the “Catbird’s Seat”**

There are many reasons to believe the fresh dog food segment will outpace—and accumulate market share in—the broader dog food category. In addition to the dynamics described above, the fresh segment has ample white space for expansion through both household penetration and buy rate. For example, a low-double-digit percentage of households purchased fresh dog food, whereas about 60% of all households purchased any type of dog food. In addition, buyers of fresh dog food spent between \$120 and \$130 on fresh in 2025, compared to buyers of any dog food who spent roughly \$300 on all dog food in the same period. As such, we see room for fresh to grow through conversion of more dog-owning households and growing its share of requirements over time.

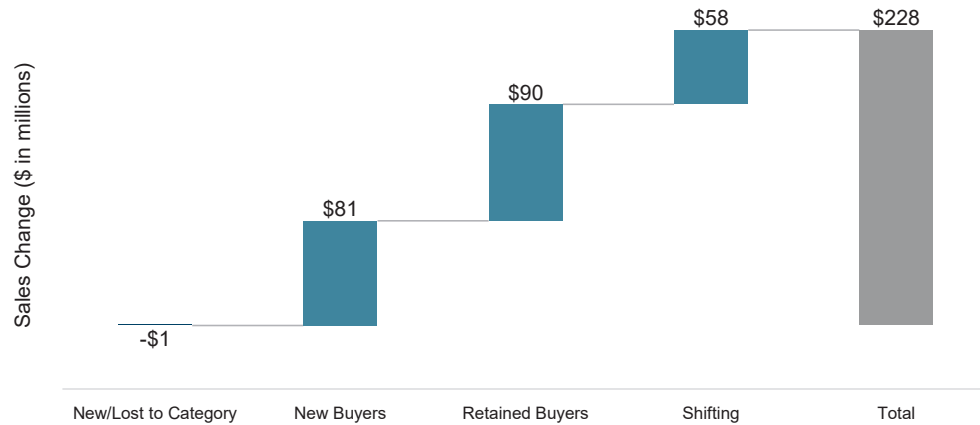
**Exhibit 5  
Category Closeup  
The Battle for the (Dog Food) Bowl  
Fresh Has Ample Category Whitespace**



Note: Freshpet is used as proxy for the fresh segment. Data is 52-week rolling periods.  
Sources: NielsenIQ, William Blair Equity Research

Fresh dog food growth is being driven by acquiring new buyers, increased purchasing among existing users, and switching from dry and wet dog food. These dynamics point to long-term upside for the fresh dog food segment. We believe this, coupled with the current low market share for fresh and the high ceilings in the dog food category for household penetration and buying rate, suggests a path to significantly higher fresh dog food sales over time.

**Exhibit 6**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Fresh Segment Sourcing Volume in Multiple Ways**

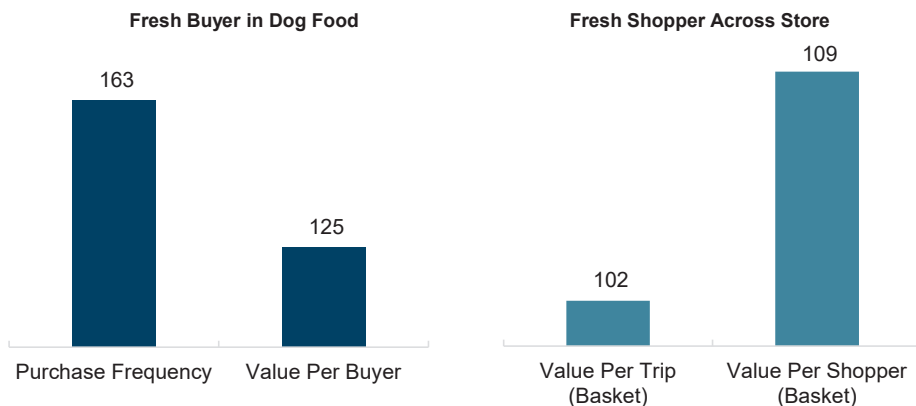


Note: Freshpet is used as proxy for the fresh segment. Data based on 52-week period ending December 27, 2025.

Sources: NielsenIQ, William Blair Equity Research

The fresh dog food consumer is valuable for retailers, so the segment should also benefit from additional distribution and merchandising over time. Within the category (dog food), fresh segment buyers purchase dog food more frequently (index 163) than buyers of dry and wet (SS) dog food. This means more traffic for food retailers. In addition, the value per buyer (annual spend on dog food) is significantly higher (index 125) in fresh than in dry and wet (SS). This means more sales and gross profit dollars for food retailers. On a total store basis (all categories)—the total value of the fresh dog food buyer as measured by basket (per trip and annual basis) is also higher than for other shoppers.

**Exhibit 7**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Fresh Segment Attracts a Valuable Shopper**  
**(indexed to 100)**



Note: Freshpet is used as proxy for the fresh segment. Data based on 52-week period ending December 27, 2025.

Sources: NielsenIQ, William Blair Equity Research

## The Trends: More Than a Few New Tricks

“To err is human—to forgive, canine.” This quote, source unknown, has parallels in dog food; for example, recognition by pet parents of their err in feeding dogs dry kibble, which is often highly processed, dehydrated food containing artificial flavors and preservatives. It is a signal for brands and retailers to invest in innovation, rethink supply chains, and meet pet parents where brand awareness and purchase decisions are formed. Then perhaps, it should not be surprising that the multidecade shift in human food purchases—from processed products merchandised in the center of the store to fresh prepared items offered around the perimeter of the store—is starting in earnest to play out in dog food.

### New Product Forms

Product innovations—namely in the form of premium fresh (refrigerated and frozen) products prepared with real ingredients, processed using gentler cooking techniques, and packaged fresh—are helping facilitate this transition.


**Exhibit 8**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Select Product Comparison**


<u>Product Characteristics</u>	<u>Fresh</u>		<u>Basic</u>	
	<u>Refrigerated</u>	<u>Frozen</u>	<u>Wet (SS)</u>	<u>Dry (Kibble)</u>
Recipes start with high-quality proteins; no meat meals, meat powders, or byproducts.	✓	✓	⊖	⊖
High protein recipes where real meat is the first ingredient.	✓	✓	✓	⊖
Made with antioxidant-rich fruits, and fiber-packed veggies you can see.	✓	⊖	✗	✗
Gently steam cooked to retain nutrients.	✓	✓	✗	✗
Preservative free.	✓	✓	✓	✗
Stored in fridge, where real food belongs.	✓	✓	✗	✗




Source: Company websites

Freshpet pioneered the fresh (refrigerated) segment at retail offering fresh refrigerated dog food in roll and bag forms made with all-natural farm-raised poultry, beef, or fish, as well as fiber-rich vegetables and antioxidant-packed fruits—all steam cooked to preserve nutrients and lock in freshness. The Farmer’s Dog has also been a leader in the fresh (frozen) segment, offering meals that are gently cooked, just enough to get rid of dangerous pathogens while maintaining whole food integrity. None of The Farmer’s Dog products contain preservatives.

**Exhibit 9**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Select Brand Attributes**





Rolls	Bags	Pouches
		
<p><b>Positioning</b>                      Healthy Food, Fresh from The Fridge</p> <p><b>Product</b>                      Slice and Serve Rolls and Easy, Resealable Bags</p> <p><b>Placement</b>                      Branded Freshpet Fridges at Retail, DTC and Online</p> <p><b>Price</b>                      Premium</p>		<p><b>Positioning</b>                      Better Food Starts Here</p> <p><b>Product</b>                      Pre-portioned Packs</p> <p><b>Placement</b>                      Branded Website for DTC</p> <p><b>Price</b>                      Super Premium</p>

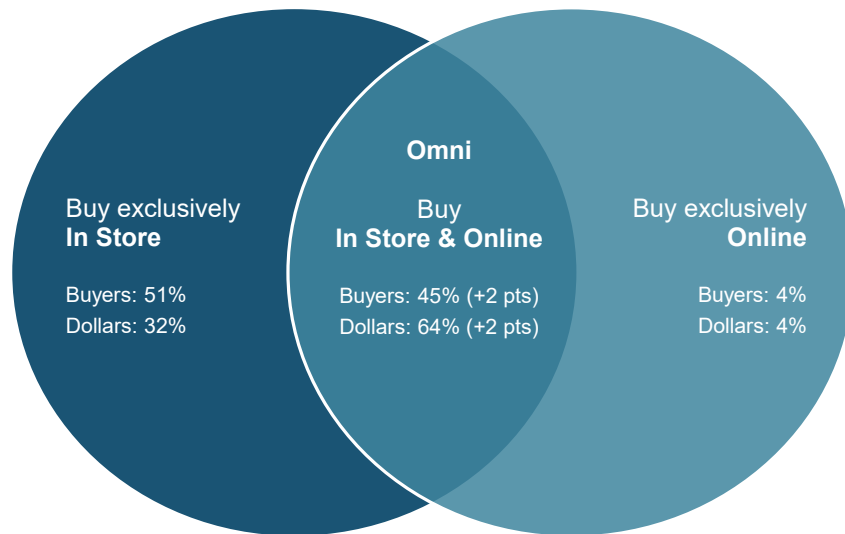
Sources: Company documents, William Blair Equity Research

More recently, other industry participants—such as Chewy (Get Real), General Mills (Blue Love Made Fresh), and Mars (Cesar)—have begun to introduce offerings to participate in the growth of the segment. Time will tell to what extent these later entrants are able to extend their businesses and/or brands to penetrate the segment. Still, we believe first movers such as Freshpet and The Farmer’s Dog are advantaged for reasons including brand equity, distinctive capabilities, and operating scale; and Chewy (Get Real) for its ecosystem and existing user base.

**Progressive Distribution Methods**

Omnichannel shopping—using both online and in-store channels—has become the dominant purchasing behavior for pet parents, especially for dog food purchases. Regarding pet food buyers, NIQ found that in 2024 omnichannel accounted for 45% of buyers and 64% of dollars, both measures are up two points year-over-year. In-store only represented 51% of buyers and 32% of dollars, while online only represented 4% of buyers and 4% of dollars.

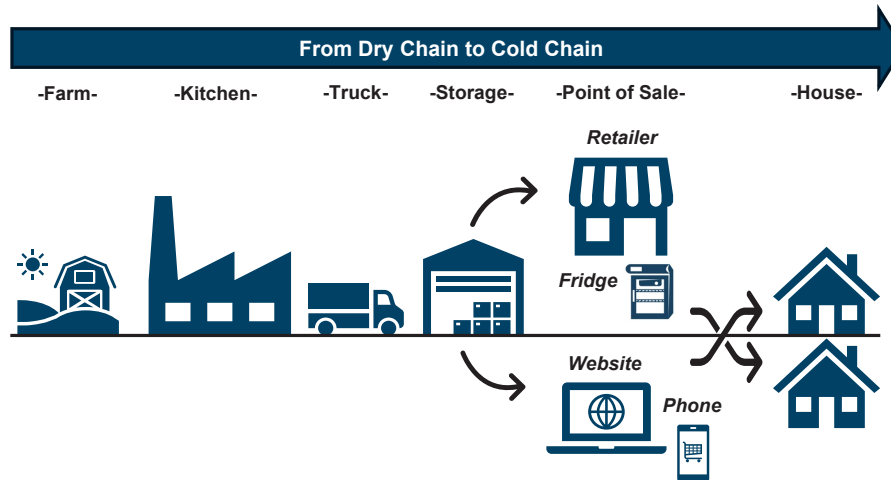
**Exhibit 10**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**More Pet Parents Shop Are Omnishoppers**



Note: Data represents Pet Food for 2024.  
 Sources: NielsenIQ, William Blair Equity Research

Pioneering brands such as Freshpet and The Farmer’s Dog have had to develop entirely new ingredient sourcing, food processing and packaging, and cold chain delivery practices and capabilities to support their fresh offerings. Freshpet uses fresh, whole ingredients, including real meats, vegetables, and fruits. Its largest ingredient purchase is chicken, which it sources via partnerships with farms, typically located near its kitchens, to secure reliable high-quality and humanely raised poultry and support sustainable practices. Ingredients are gently cooked at lower temperatures, which (unlike traditional dry kibble processes) helps retain their nutritional value and flavor. After cooking, the food is rapidly cooled to lock in freshness and prevent bacterial growth. The food is then packaged in a novel way to maintain freshness—23 weeks of shelf life—without the need for preservatives. Finished products are inventoried in cold storage facilities and distributed in refrigerated trucks to retailers, where they are placed in Freshpet-branded fridges for sales to consumers.

**Exhibit 11**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**The Evolving Dog Food Supply Chain**



Sources: Company documents, William Blair Equity Research

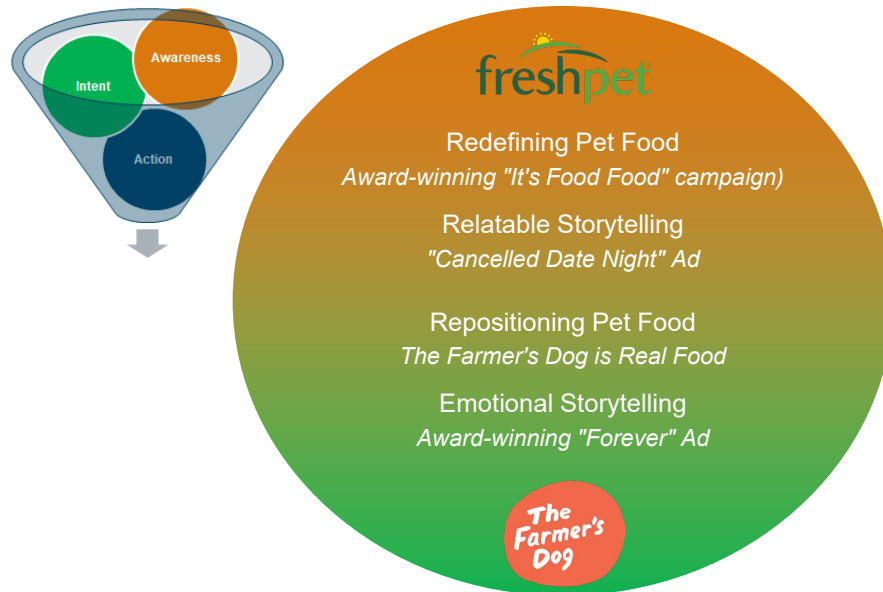
The Farmer's Dog products are described as human grade, a label that is regulated by AAFCO (Association of American Feed Control Officials) standards. Every ingredient included within a human-grade formula must be properly stored, handled, processed, and transported in compliance with applicable human food laws. Regarding production and facility operations, AAFCO's standards specify that all ingredient, manufacturing, packaging, and food-handling facilities must be licensed for human food under the Food and Drug Administration (FDA) or other regulatory authorities. The perishable nature of the food requires cold shipping and storage, and fulfillment direct to consumers is accomplished through distribution centers using frozen and insulated packages mailed to homes in the contiguous 48 U.S. states. Customers are expected to store the dog food in the freezer and allow packages to thaw for about 12 hours in the refrigerator before serving.

### Effective and Efficient Marketing

Building awareness and converting intent into action or, said another way, achieving customer acquisition is a critical part of the business given how loyal customers can become to a product that their pets enjoy. The two current leaders in the fresh dog food segment, Freshpet and The Farmer's Dog, employ a variety of techniques to deliver on both.

Freshpet's marketing success stems in part from consistent affinity-based TV advertising that highlights the human-pet bond and emotional feel-good campaigns, as well as leveraging in-store branded refrigerators as "brand beacons." More recently, the company has introduced new call-to-action advertising that showcases the lengths it goes to produce the best food, including emphasizing the quality of the brand's whole food ingredients and the health benefits derived by pets from eating fresh. Freshpet has also stepped up social, streaming, and retail media investments targeting high-value pet-owning households—those whose values and ability and willingness to spend are aligned with Freshpet's offering.

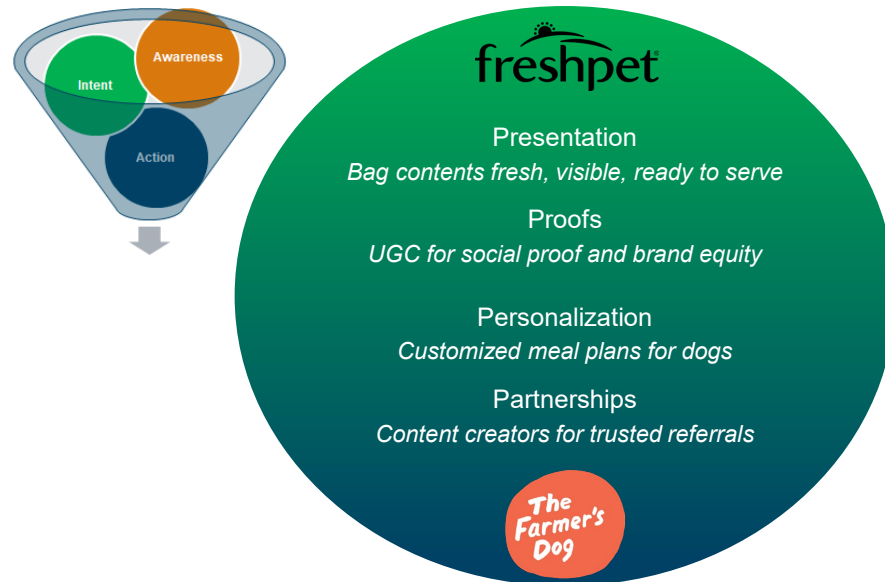
**Exhibit 12**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Building Awareness and Intent**



Sources: Company documents, William Blair Equity Research

The Farmer's Dog's primary channel of customer education is digital advertising, although it also reaches prospective customers with TV advertisements, most notably making headlines with its 2023 Super Bowl commercial "Forever." The company also relies on positive word-of-mouth, particularly referrals; the founders indicate it is the marketing activation method they value most. We understand The Farmer's Dog focuses its consumer awareness and intent-building marketing toward pet parents who feed traditional kibble to their pets rather than existing customers of fresh pet food, as they consider other players in the space as allies as opposed to competition, a dynamic echoed by Freshpet.

**Exhibit 13**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Converting Intent Into Action**



Sources: Company documents, William Blair Equity Research

**Novel Merchandising Techniques**

Among other factors including product offering, brand equity, and manufacturing technology, Freshpet's in-store sales and merchandising model consisting of an installed network of nearly 39,000 branded fridges at retail underpins a unique moat. The company's successful placement of branded fridges in stores, containing products that generate strong demand and margins for retailers while driving customer traffic, has created a virtuous flywheel—with Freshpet fridges acting as billboards for the offering in store and in turn helping grow the segment and promote awareness, trial, repeat, and loyalty for the brand.

Recently, the company shared a new merchandising concept—the fridge island—with a mix of both open-air and closed-door fridges designed to enhance the way the consumer shops for fresh pet food—in effect, changing it from a search for a packaged good in an aisle to “grocery shopping for your pet.” Late in 2025, Freshpet began testing new fridge islands in the first 16 stores of a large mass retailer, perhaps demonstrating how top retailers view Freshpet (and fresh) as the future of the dog food category.

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**Exhibit 14**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Merchandising In Store**

**Freshpet Fridge Island**



**Destination in the Fresh Section**

**Full Product Range Prominently Featured**

**Reinforces Brand Halo**

**Freshpet Fridge End Cap**



**Billboard on the Racetrack**

**Top Velocity Items Highly Shoppable**

**Accelerates Brand Awareness**

Sources: Company documents, William Blair Equity Research

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In addition to its human-grade food products and direct-to-consumer logistics, The Farmer's Dog's online sales and merchandising techniques—consisting of personalized meal plans and subscriptions—support a differentiated position. Prospective customers complete a digital dog profile questionnaire, which allows the company to better assess the nutrient and calorie needs of the pet based on factors such as breed, age, activity level, and size. Customers subscribe to a meal delivery service, as opposed to purchasing food a la carte, with meals sent every 7 to 60 days, depending on the size of the dog. Food is mailed frozen and insulated with the dog's name and package portions personalized, although not the recipes themselves. The company prioritizes high customer service, including building its own AI subscription management instead of using external services.

**Exhibit 15**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Merchandising Online**

**Freshpet**

**Multiple Formulations**

**freshpet vital**  
 freshpet nature's feast  
 freshpet homestyle creations

**"Real" Ingredients**

fresh food made with real ingredients

fresh food you can feel good about

**Find In-Store or Order**

**The Farmer's Dog**

**Customized via Questionnaire**

Spike weighs **60** lbs.

and his body condition is currently...

**Too Skinny**  
 In-Range possible loss of muscle mass.

**Just Right**  
 Clear waistline and tucked-in belly. Last rib is easy to feel.

**Rounded**  
 Waistline is disappearing, difficult to feel ribs. Short back.

**Chu**  
 Waistline and ribs are unrecognizable.

**"Human" Grade**

**Subscribe**

**Better food starts here.**

Let's determine your dog's needs, recommended recipes, and pricing for their fresh food subscription!

*This will only take ~3 minutes per dog.*

[Continue](#)

Sources: Company documents, William Blair Equity Research

## The Participants: Breeds Both Large and Small

“It’s not the size of the dog in the fight, it’s the size of the fight in the dog.” This quote, oft attributed to Dwight D. Eisenhower, is apropos given the emergence and early success of certain newer dog food businesses and brands. These brands, which we often refer to as next-generation brands, service vital consumer needs and build authentic aligned relationships. When done well, such brands create durable moats, outpace category growth (in quality ways), and achieve scale efficiencies.

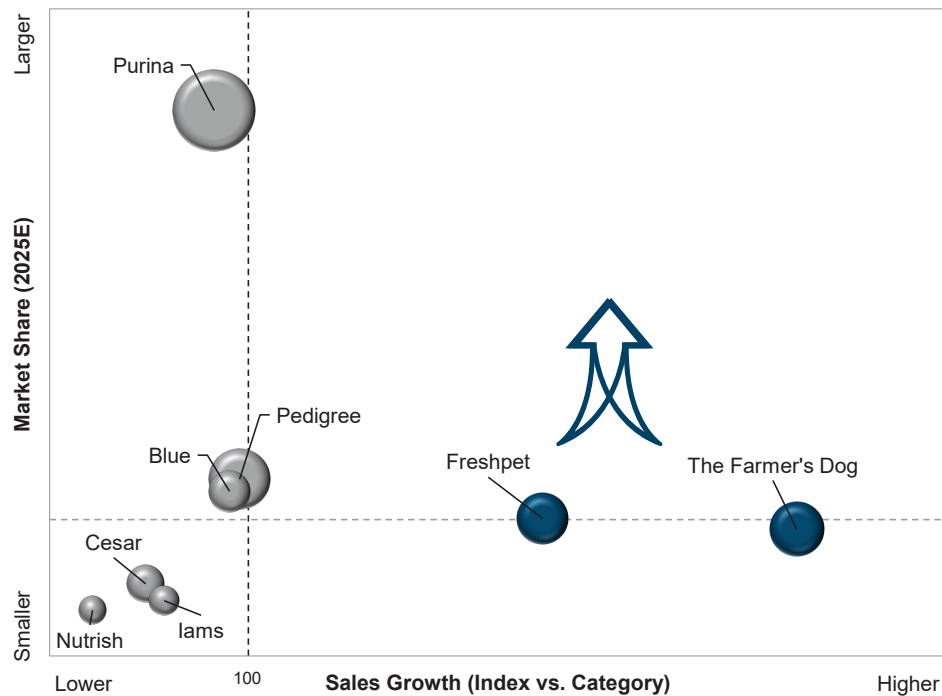
**Exhibit 16**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Dog Food Top Brands**

Brand	Company	2025			
		Sales		Market Share	
		\$ (in millions)	Change (%)	Share	Change (bps)
Dog Food		\$10,732	7%	100%	0
<b>Purina</b>	<b>Nestle</b>	<b>\$3,203</b>	<b>5%</b>	<b>30%</b>	<b>(280)</b>
Pedigree	Mars	\$1,728	6%	16%	(40)
<b>Freshpet</b>	<b>Freshpet</b>	<b>\$1,213</b>	<b>27%</b>	<b>11%</b>	<b>570</b>
Blue	General Mills	\$789	6%	7%	(40)
Cesar	Mars	\$635	0%	6%	(190)
Iams	Mars	\$402	1%	4%	(90)
Nutrish	Post Holdings	\$354	-4%	3%	(180)
Kibbles 'n Bits	Post Holdings	\$385	7%	4%	0
Nature's Recipe	Mars	\$118	-3%	1%	(50)

Note: Does not include dog treats; the sales change is CAGR for 2021 to 2025; the market share change is total basis points for 2021 to 2025.  
Sources: NielsenIQ (Total US xAOC + Conv), William Blair Equity Research

Below, we profile both traditional companies in the dog food category and newer businesses acting as change agents, including in the fresh dog food segment. The fastest-growing brands are the next-generation names such as Freshpet and The Farmer’s Dog, both of which also have substantial white space based on market share.

**Exhibit 17**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Dog Food Brands - Growth and Share Matrix**



Note: Sales growth is CAGR from 2021 to 2025; market share is 2025. Bubble size is sales in 2025.  
 Sources: NielsenIQ (Total US xAOC + Conv), Pitchbook, Bloomberg, William Blair Equity Research

### Traditional Companies

#### **Nestle**

Nestle, the No. 1 player in the category, participates through its Purina Petcare division, which houses a large multitiered sub-brand (One, Pro Plan, Dog Chow) portfolio. The brand has the highest household penetration (50%) and market share (30%) and benefits from Nestle’s manufacturing scale. The franchise spans several segments, including dry kibble (basic and premium) and wet/canned food, as well as categories outside dog food including treats and chewables. At present, Nestle does not prioritize fresh dog food, though it does have a small fresh/frozen brand, Merrick, and a minority investment in Just Food For Dogs. Thus, as more pet parents migrate to fresh dog food, Nestle’s growth has trailed the category, and its market share has declined.

#### **Mars**

Mars, the No. 2 player in the category, participates through a range of brands, which include Pedigree, Cesar, and Iams. The company has the next-highest household penetration (35%) and market share (27%) and is aided by Mars’s portfolio breadth. Mars plays across the full spectrum of dog food segments, including dry kibble (basic and premium), wet/canned food, and fresh through its Cesar and Royal Canin brands and through the acquisition of Nom Nom (in 2022), as well as categories outside dog food including treats. Mars has been focused on market shifts to e-commerce and premiumization by investing in digital capabilities and acquiring emerging brands.

### ***General Mills***

General Mills, the No. 4 player in the category, participates through its North America pet division, which contains the Blue (Buffalo) brand and its tiered sub-brands such as Wilderness, Basics, Nudges and, most recently, Love Made Fresh. The business has household penetration of 23% and market share of 7%, and benefits from General Mills's distribution reach. General Mills participates across the full spectrum of dog food categories, including dry kibble (basic and premium), wet/canned food, and fresh, as well as categories outside dog food including treats and chewables. General Mills's participation in the fresh segment is recent with the introduction of Love Made Fresh in fall 2025.

### **Next-Generation Brands**

#### ***Freshpet***

Freshpet, the No. 3 player in the category and No. 1 brand (with roughly 95% market share) in the fresh segment in measured retail channels, participates through its namesake Freshpet brand franchise. It is augmented by a tiered set of sub-lines (Fresh from the Kitchens, Vital, Select) offered in two forms—bags and rolls—tailored to address the needs of specific channels, customers, and consumers. The brand has household penetration of about 9% and category market share of 11% (in measured channels), although that market share is closer to midsingle digits when considering all channels of distribution (including DTC and club). The company is focused on converting dog-owning households from legacy (dry kibble) products to better (fresh) food in support of its mission to help pets live their longest and happiest lives while also being a force for good.

#### ***The Farmer's Dog***

The Farmer's Dog, a leading player in the dog food category and No. 1 brand in the DTC channels of the fresh segment, participates through its namesake The Farmer's Dog brand franchise. It offers a differentiated, fresh, and convenient alternative to processed pet food, leveraging technology and nutritional science to promote canine health through better diets. The company delivers personalized, human-grade, gently cooked dog food made with fresh ingredients, customized by vets, delivered in pre-portioned packs, with automatic shipping schedules set to match the dog's needs. Founded by dog lovers, the company seeks to simplify healthy eating for dogs and make pet care uncomplicated, emphasizing transparency and quality in support of its mission to turn our unconditional love for dogs into uncomplicated care, starting with what pet parents put in their dog bowls.

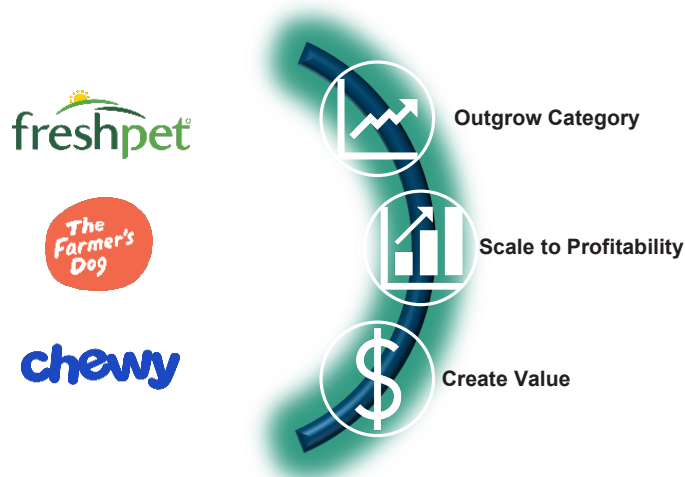
#### ***Chewy***

Chewy announced the launch of its private-label fresh foods business in August 2025. Named Get Real, the offering is a relatively price competitive option against the two largest fresh incumbents, with a price per pound range of \$4.86 to \$11.68 depending on age, weight, activity level, and meal type (full meal, mixer, and topper). For now, Chewy offers three options in its fresh assortment, and buyers must sign up to its auto ship program to purchase (similar in nature to other DTC brands). Get Real fits into a broader array of private-label products that we estimate make up somewhere close to \$700 million in sales across a wide assortment of primarily consumable and health products. Management has a longer-term target of over 15% of sales being derived from its private-label business, up from closer to mid- to high single digits currently. This would suggest upward of \$3 billion in revenue, assuming the company can grow at a high-single- to low-double-digit rate through to 2030. Given the growth and growing importance of the fresh space, we see the recent launch as a strategic pillar in achieving that target. The company has a unique opportunity here to leverage its existing scale to participate in an emerging corner of the pet market, potentially getting a faster start than what some of the larger pet food incumbents might be able to muster given their relatively limited efforts in addressing this category to date. What is more, as with most private-label product, there is a significant margin differential to third-party goods, often upward of 1,000 basis points at the product contribution level. By limiting fresh to auto-ship, the company

stands a better chance of more fully capturing that margin, while remaining competitive with its broad capacity for one-day transit time. When done right, retailers can use this margin differential to invest back into quality/value, remaining competitive to third-party brands. More broadly, management has indicated that it has built out storage and delivery capacity to handle its projected first- and third-party fresh business through at least 2028 without additional capex.

For the above next-generation brands, the question of business model sustainability matters, and we believe Freshpet, The Farmer's Dog, and Chewy meet that test. In other words, we believe they have established and/or are building sustainable competitive advantages in the fresh segment. Said another way, we see them possessing moats that should allow them to defend and extend market share in the dog food category and, in turn, scale profitability and create shareholder value over time.

**Exhibit 18**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Next-Generation Brands With Moats**



Source: William Blair Equity Research

In terms of growth, Freshpet and The Farmer's Dog have been investing for customer acquisition and in turn growing sales well above the category rate and gaining market share. With respect to scale, these businesses have been increasing volume, enabling better leverage of fixed costs and unit economics. For example, from 2022 to 2025, Freshpet's gross margin expanded by an estimated 1,000 basis points to 46%, aided by manufacturing productivity, distribution efficiencies, quality improvements, and beneficial mix. On value creation, over the past decade Freshpet shares have appreciated more than 500%, more than sixfold the return of the S&P 1500 Consumer Staples Index of about 80%.

### Select Emerging Businesses

#### *Ollie*

Ollie is a premium dog food brand focused on simple ingredients and human-grade meals tailored to each dog's needs. The brand revolves around the idea of being a dog "lifestyle" brand, using a DTC membership model that customizes meals based on user inputs for a dog's age, weight, breed, and activity level, and subsequently ships pre-portioned meals. Each fresh product consists of a single source of protein; additional offerings include baked food, treats, and supplements. Ollie

members are also able to monitor their dogs' health via the brand's app, which includes health screenings focused on digestion, dental health, and weight and can adjust meal customizations as metrics change.

### ***Just Food for Dogs***

Just Food for Dogs offers a wide variety of fresh frozen, shelf-stable, prescription, and customized meals made with human-edible ingredients that are gently cooked and have no preservatives. It separates itself as the only fresh pet food brand to offer clinically formulated prescription diets approved and prescribed by veterinarians. The brand also features a uniquely wide omnichannel platform, allowing customers to buy its products at mass retail, pet specialty, online, and DTC. Moreover, the company has about 50 standalone pantries and kitchens, which help build awareness, provide greater accessibility, and in some cases give customers visibility to the food as it is being made.

### ***Open Farm***

Open Farm is a B Corp certified brand with a portfolio of premium fresh, dry, freeze-dried, and wet food, bone broth, and treats. Core to the company is the "Open Farm Promise" calling for its products to use only animal-welfare-certified meats raised without antibiotics or added hormones, sustainable seafood, and non-GMO fruits and veggies. Open Farm products are also produced without corn, wheat, soy, artificial flavors, colors, or preservatives. In doing so, the company is committed to achieving three main goals: premium nutrition, animal welfare, and sustainability.

## The Investment Merits: A Fresher Future

It is often said that "sometimes the best medicine has four legs and a wet nose," which parallels our view that the future of fresh dog food is bright. More concretely, if fresh food can help your dog live a longer and healthier life, then your dog can offer you more vital "medicine" to enhance your own life. These symbiotic benefits, coupled with other practical considerations such as retailer economics, brand awareness, product availability, and item affordability, suggest significant growth potential for fresh.

We have multiple recent reference points from industry participants regarding the future size and growth rate of the fresh dog food segment. First, General Mills recently said it sees the fresh segment growing from \$3 billion (at retail) today to \$10 billion over the next decade. Next, Chewy indicated it expects the fresh dog food segment to expand from about \$3 billion to \$4 billion (at retail) at present to \$8 billion to \$12 billion over the next several years. Lastly, Freshpet management estimated its total addressable market for Freshpet prospects at 33 million households (and will continue to grow), or about 2.5 times the brand's current household penetration of 14 million; it also noted that its buy rate (among existing households) will continue to grow at a healthy pace. Triangulating the commentary from these industry leaders suggests that the fresh dog food segment will grow at a low- to midteens rate for at least the near future.

**Exhibit 19**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Future Fresh Segment Size**

<b>General Mills</b>
"The fresh (dog food) segment is more than \$3 billion in retail sales today, and we expect it could reach as much as 10 billion in the next 10 years."
<b>Chewy</b>
"Over the next several years we expect the (fresh dog food) category to be somewhere in the \$8 billion to \$12 billion range."
<b>Freshpet</b>
"We believe we can reach 33 million households and invest in new technology and roll out new flavors, textures, proteins, and more treats."

Source: Company reports

## Freshpet, Inc.

Freshpet is a leader in the pet food market with a focused portfolio led by Freshpet brand fresh refrigerated dog food. By serving vital consumer needs and building authentic aligned relationships, Freshpet is mainstreaming fresh refrigerated dog food and in turn transforming the pet food market in the U.S.

Among other things, Freshpet attracts first-time buyers and is a top national brand where households make their first purchase of dog food overall—that is, Freshpet is No. 1 in grocery and club and No.2 in mass. Most first-time category buyers make their initial purchase in mass followed by grocery, in part fueled by Freshpet’s strong momentum among first-time category buyers. In fact, Freshpet is now the No. 2 national brand purchased by new dog food buyers over the last 52 weeks.

Looking forward, we believe the company has significant room for growth through more households (currently ~15 million) and increased buy rate, as more consumers adopt such products for the betterment of their pets. Moreover, a more-detailed comparison of Freshpet versus the leading brand in the dog food category on measures such as velocity and distribution support this view.

### **Velocities Are Strong**

As measured by (retail) sales per point of distribution, Freshpet’s on-shelf dollar velocity is about 26% higher than that of the leading dog food brand. Such productivity not only demonstrates healthy demand from consumers but, coupled with healthy retailer gross margins, suggests strong gross profit return on space for retailers. Thus, for retailers looking to drive store traffic and category profit, Freshpet becomes the go-to brand in the dog food aisle for most large mass, grocery, and club retailers.

### Distribution White Space Exists

As measured by all commodity volume (ACV) and total points of distribution (TDP), Freshpet's retail space is significantly below that of the leading dog food brand, despite having higher velocity and growing substantially faster. Freshpet's ACV of 60% is 19 percentage points below that of the leading brand (79%), and Freshpet's TDP of 1,104 is less than one-third that of the top brand (3,689). In other words, there is a high ceiling for distribution—both fridges in new locations and more space/fridges in existing stores.

**Exhibit 20**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Velocity and Distribution Comparison**  
(\$ in millions)

Brands	Freshpet			Purina
	2023	2024	2025	2025
<b>Retail Sales</b>				
Dollar (\$ in millions)	\$851	\$1,075	\$1,213	\$3,203
% change	30%	26%	13%	-3%
Volume (in millions)	\$186	\$231	\$258	\$2,561
% change	18%	24%	12%	-3%
<b>Velocity</b>				
Sales per point of distribution	\$20,582	\$21,295	\$21,126	\$16,695
% change	4%	3%	-1%	-6%
Sales per store selling	\$35,051	\$41,808	\$43,909	\$21,233
% change	25%	19%	5%	0%
<b>Distribution</b>				
All commodity volume (ACV %)	54%	56%	60%	79%
Basis point change	307	232	394	-12
Average items per store	14.8	17.4	18.4	46.5
% change	18%	17%	6%	3%
Total points of distribution (TDP)	795	971	1,104	3,689
% change	26%	22%	14%	3%

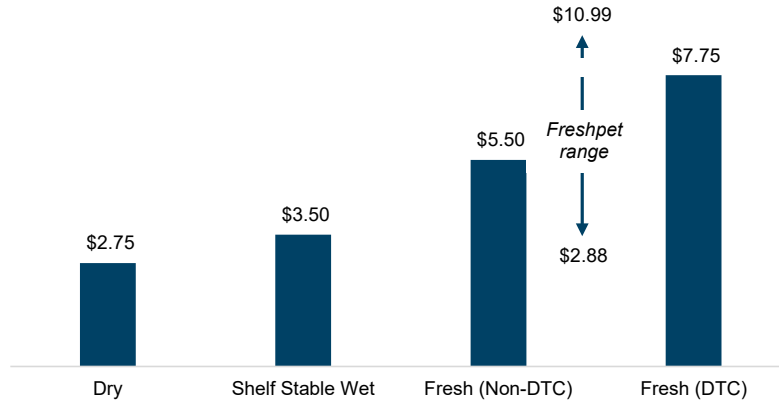
Note: Does not include Dog Treats

Source: NielsenIQ (Total US xAOC + Conv), William Blair Equity Research

### Affordability

Price always plays a key role in the consumer's value equation. Encouragingly, Freshpet has a tiered portfolio with price points starting below \$3 per pound (comparable to some dry kibble) and rising to as much as \$11 per pound, fostering greater consumer reach, with pet parents self-selecting the stores and products that best fit their formulation, form, convenience, and price point preferences. The company also recently reduced the entry price point on its 1 lb chicken roll, launched a Complete Nutrition bag, and has rolled out multipacks for greater value.

**Exhibit 21**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Price Comparison**

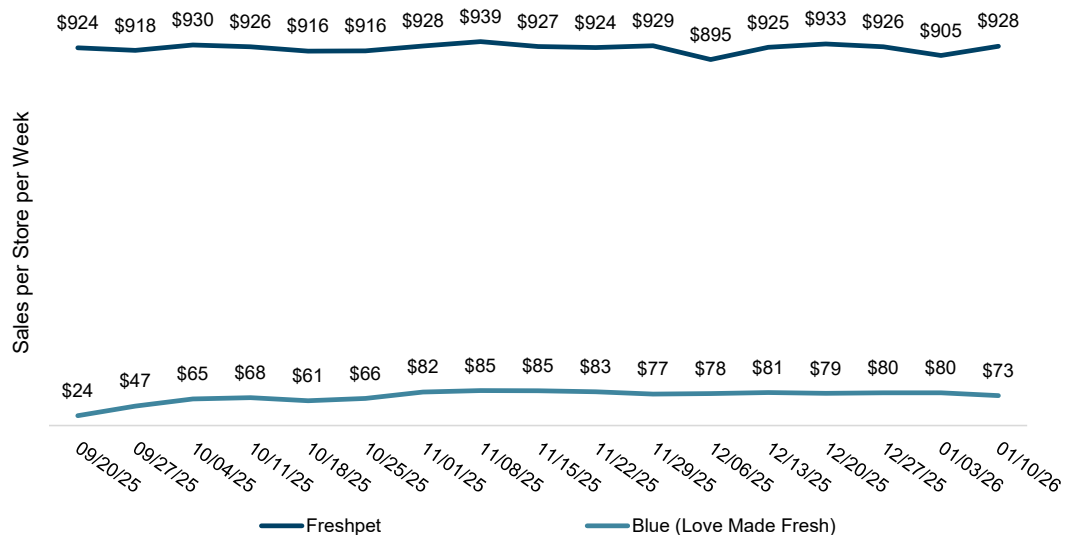


Note: price is per pound.  
 Sources: NielsenIQ, William Blair Equity Research

**Competition – Blue Love Made Fresh**

While imitation may be the sincerest form of flattery, competition is always a concern. General Mills recently launched Blue Love Made Fresh, a fresh refrigerated dog food line that seeks to mimic certain aspects of Freshpet’s model, including product forms (rolls, bags) sold in fridges at retail. While early, Freshpet management has not yet seen a perceptible impact from this new competitive offering (and others) and has emphasized that its first-mover advantage, brand equity, large fridge footprint, and manufacturing technology provide insulation. Supporting this view, over the past eight weeks, Love Made Fresh’s sales per store per week appear to have plateaued at about \$80 (with a slight decline in recent weeks), less than one-tenth of Freshpet’s sales of above \$900.

**Exhibit 22**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Freshpet vs Blue (Love Made Fresh) Consumption per Store per Week**



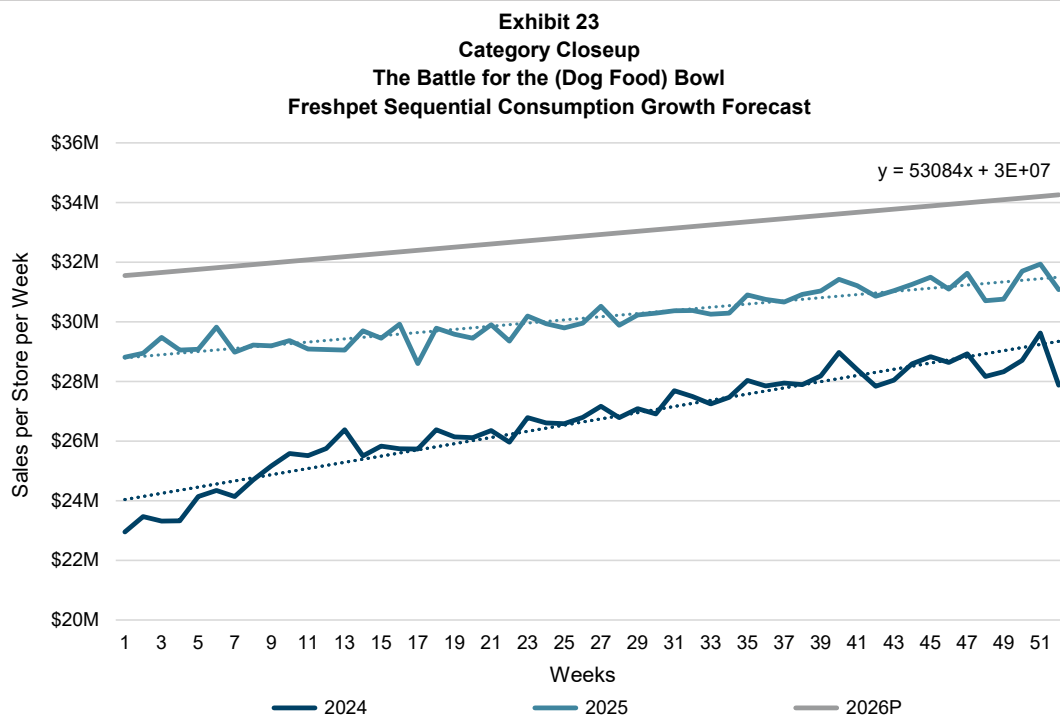
Sources: NielsenIQ, William Blair Equity Research

**Case Studies – First-Mover Advantage**

We believe investors often underestimate the importance of brands, capabilities, and scale in consumer-packaged goods. This is particularly true when it comes to categories (such as pet food) where brand loyalty tends to be sticky and where companies—such as Freshpet—have mastered new ways of doing business with intellectual property and infrastructure that is ingrained in the market, often complex, and thus, difficult, expensive, and time-consuming to replicate. To this point, we see analogies in Chobani in Greek yogurt, Red Bull in energy drinks, Annie’s in (organic) macaroni and cheese, Vita Coco in coconut milk, and Vital Farms in eggs—all of which have maintained leading market share positions in categories and segments they pioneered, often despite the efforts of larger CPG companies to displace them via the introduction of like products and heavy marketing investments.

**Consumption Projection**

If we use the slope of Freshpet’s sequential weekly retail sales (or consumption in dollars) trend throughout 2025 to predict future consumption, we calculate Freshpet consumption growth will approach 10% in 2026. We note this is consistent with Street shipment forecasts and could prove conservative because it does not necessarily reflect the full implementation of levers—marketing, value, distribution—that Freshpet is pulling to help bend the curve upward.



Sources: NielsenIQ, William Blair Equity Research

**Valuation**

We believe in our thesis that Freshpet will maintain a strong leadership position in a fast-growing (fresh) segment of the dog food category. With enterprise value at 19 times our 2026 EBITDA estimate, we reiterate our Outperform rating. Risks include consumer demand, competitive entry, and operational execution.

## Chewy, Inc.

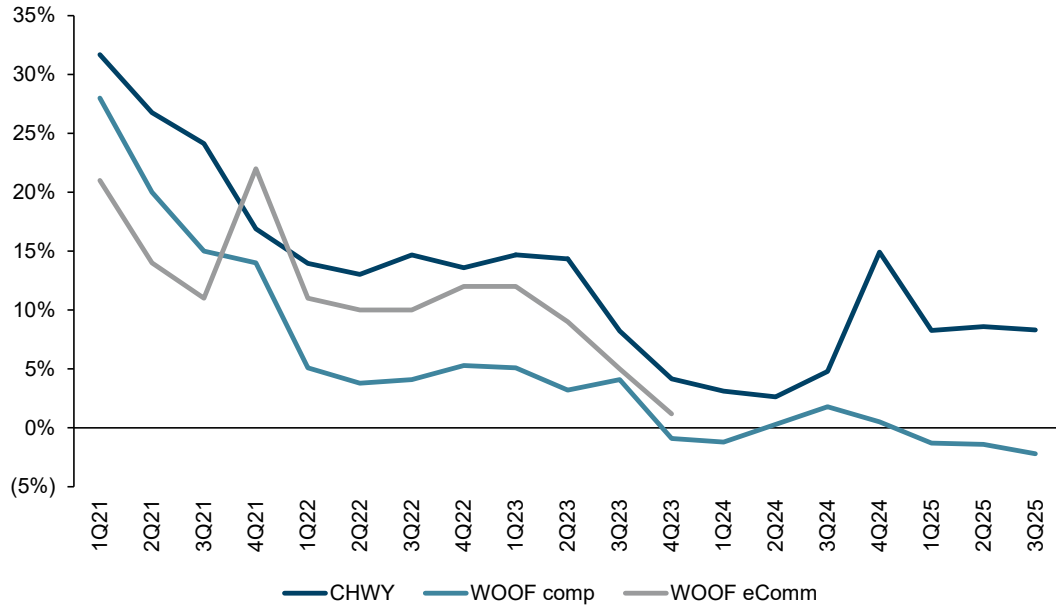
Our thesis on Chewy remains relatively straight forward: we believe at roughly 35% online sales penetration, the pet industry is moving increasingly online, where Chewy remains the primary share-taker at improving profitability, building a mounting cash position, much of which we believe will be returned to investors. Data on the pet space is limited, so we are left triangulating data points from third parties and Chewy's own public comments. From what we have been able to verify, Chewy has taken roughly \$0.50 of every \$1 that has moved online since inception, despite relatively perennial if not unfounded fears around Amazon and Walmart. The competitiveness here stems from leaning into customer service, with an aim to replicate the neighborhood pet store experience online, to the extent possible, requiring an investment in labor that larger broadline retailers likely will not replicate. In fitting with the trend of humanization that drives demand in fresh product, this customer service approach presents a competitive edge against the existing pet supply retail channel.

In looking at other categories that have moved online, particularly those that are more commoditized (books, non-consumable CPG, electronics), we estimate the pet category could be upward of 70% online, likely gaining at a pace of 200-300 basis points per year. This supports nearly a 10- to 15-year runway for above industry growth. Lastly, despite early concerns around profitability, Chewy has consistently improved margin through scale and by feathering in a broader array of product, including growing private-label and healthcare categories. We see free cash flow approaching a run-rate above \$1 billion within the next two years. With capex levels targeted between 1% and 2% of sales, much of this cash has opportunity to fund outsized shareholder returns.

### **Online Migration Is a Structural Sea Change in the Industry**

The pet category is arguably behind other categories like apparel, books, non-consumable CPG, and electronics, which are all above, if not well above 50% online. Our view is that it generally takes a catalyst to move industries online, such as Amazon for books and several more commoditized categories and social media for apparel and other more emotive categories. Chewy, in our view, is the largest catalyst for online migration in the pet space, solving for very real customer service needs in the space through a large and well-trained customer service department. The approach here includes offering native language service employees who are well trained to answer complex questions and are authorized to provide whatever the customer might need to leave with an altogether positive experience and confidence that their pet is being well looked after. We see opportunity for this approach to continue to win market share in the category as it moves online, which along with humanization is one of the more tangible investible structural shifts in the industry, and Chewy is the only pure-play opportunity.

**Exhibit 24**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Chewy Total Revenue Growth vs. Petco Comp and E-commerce Growth**



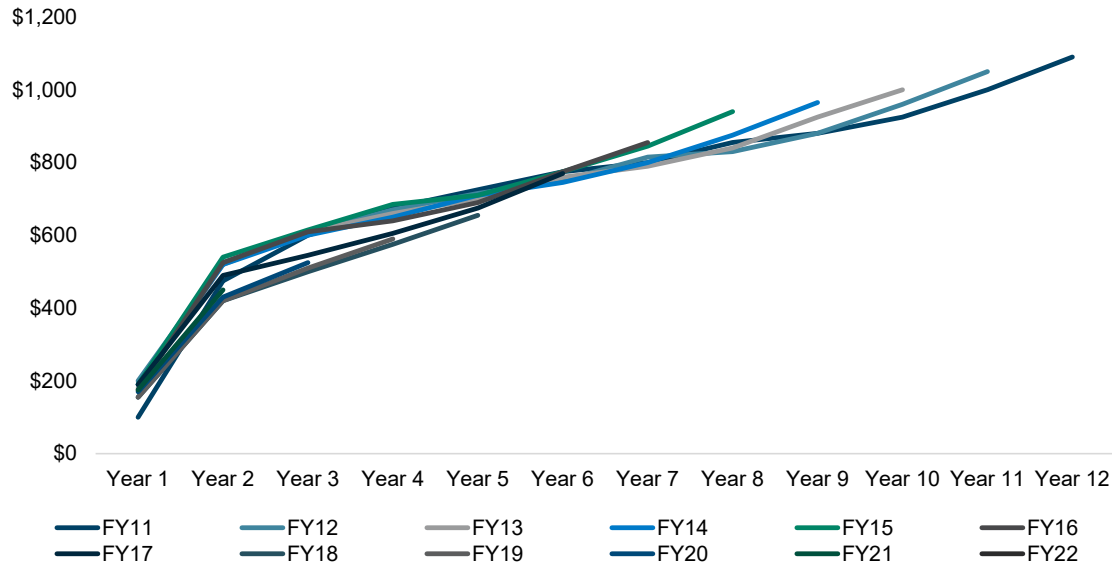
Note: PetCo stopped providing online comp in 2024

Sources: Company documents and William Blair Equity Research

**Customers Become More Valuable Over Time**

Chewy has consistently updated data to show that new customers reliably come onto the platform spending roughly \$150 in their first year, which grows at an annualized rate of 20% to roughly \$1,000 by year 10 (generally the lifespan of a pet), or near the full per capita spend in the category. What is more, this wallet share requires incrementally less marketing and involves greater mix shift into higher-margin categories. This creates not only an incredible stickiness rarely seen in the consumer space, but growing profitability per customer, with close to 85% of sales at auto-ship and providing key efficiencies across fulfillment and processing infrastructure.

**Exhibit 25**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Chewy Total Revenue Growth vs. Petco Comp and E-commerce Growth**



Sources: Company reports and William Blair Equity Research

**Limited Future Need for Cash at Growing Profitability**

Capex for Chewy has historically run between 1% and 2% of sales. With 11 distribution facilities across the U.S., the company has largely built out the domestic infrastructure it needs and has been more focused on implementing automation (which is margin accretive). There is a burgeoning platform in Canada that will require some investment, though not much relative to the scale of the ultimate business once built out. The company has also been using cash at times to buy out its private equity backer, BC Partners, who now owns less than 50% of the business. Ultimately, we see much of the annual cash generation returning to shareholders initially via buybacks. Chewy is at the lower bound of its prior 5% to 10% long-term adjusted EBITDA margin target, which more recently has been updated to 10%-plus over an unspecified period. Again, given the growing profitability of older, larger cohorts, including mix shift into more profitable segments like private label and healthcare, we believe these targets are largely achievable and set up Chewy for outsized earnings growth in the decade ahead, which we pin around 15%, assuming the platform can grow around a high-single to low-double-digit pace. We see upside to this estimate based on faster acceleration of online migration, which has been held back in more recent years by a softer post-pandemic pet market.

**Exhibit 26**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Chewy Total Revenue Growth vs. Petco Comp and E-commerce Growth**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Sales growth	0.0%	107.4%	113.0%	133.7%	67.9%	37.2%	47.4%	25.5%	12.8%	10.2%	6.4%	6.2%	7.8%	6.6%
<b>Gross margin</b>	<b>12.7%</b>	<b>17.2%</b>	<b>16.6%</b>	<b>17.5%</b>	<b>20.2%</b>	<b>23.6%</b>	<b>25.5%</b>	<b>26.6%</b>	<b>28.0%</b>	<b>28.4%</b>	<b>29.2%</b>	<b>29.7%</b>	<b>30.2%</b>	<b>30.5%</b>
SG&A % sales	19.7%	17.2%	16.6%	21.5%	16.7%	20.0%	19.6%	20.5%	21.0%	21.9%	21.5%	21.3%	20.8%	20.5%
SG&A % ex stock comp	N/A	N/A	16.0%	20.9%	16.3%	17.2%	17.8%	19.6%	19.4%	19.7%	18.7%	18.7%	18.3%	18.0%
Marketing % sales	8.6%	7.7%	12.0%	12.1%	11.1%	8.8%	7.2%	6.9%	6.4%	6.7%	6.8%	6.5%	6.3%	6.3%
<b>EBIT margin</b>	<b>(15.6%)</b>	<b>(7.7%)</b>	<b>(11.9%)</b>	<b>(16.1%)</b>	<b>(7.6%)</b>	<b>(5.2%)</b>	<b>(1.3%)</b>	<b>(0.8%)</b>	<b>0.6%</b>	<b>(0.2%)</b>	<b>0.9%</b>	<b>1.9%</b>	<b>3.2%</b>	<b>3.7%</b>
<b>Adjusted EBITDA margin</b>	<b>(19.1%)</b>	<b>(8.6%)</b>	<b>(10.8%)</b>	<b>(11.9%)</b>	<b>(6.5%)</b>	<b>(1.7%)</b>	<b>1.2%</b>	<b>0.9%</b>	<b>3.0%</b>	<b>3.3%</b>	<b>4.8%</b>	<b>5.6%</b>	<b>6.7%</b>	<b>7.2%</b>

Source: Company filings, William Blair Equity Research

### Valuation

Shares of Chewy are currently valued at 12.2 times our preliminary adjusted EBITDA estimate for 2027. Again, we see potential upside to our estimates stemming from faster online migration and/or better-than-expected margin gains on an altogether healthier top-line profile compared to recent years. Regardless, in the context of 20% growth over the next decade, we believe shares offer compelling value before accounting for potential upside to out-year numbers.

**Exhibit 27**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Freshpet Earnings Model**

	<b>2023</b>	<b>2024E</b>	<b>1Q25 Mar-25</b>	<b>2Q25 Jun-25</b>	<b>3Q25 Sep-25</b>	<b>4Q25E Dec-25</b>	<b>2025E</b>	<b>2026E</b>
<b>Income Statement</b>								
<b>Total sales</b>	<b>\$766.9</b>	<b>\$975.2</b>	<b>\$263.2</b>	<b>\$264.7</b>	<b>\$288.8</b>	<b>\$285.2</b>	<b>\$1,102.0</b>	<b>\$1,180.0</b>
Cost of goods sold	<u>460.3</u>	<u>521.7</u>	<u>143.0</u>	<u>140.7</u>	<u>156.0</u>	<u>151.5</u>	<u>591.2</u>	<u>620.7</u>
Gross profit	306.6	453.5	120.2	124.0	132.8	133.7	510.8	559.3
Selling, general and administrative	<u>240.1</u>	<u>291.6</u>	<u>84.7</u>	<u>79.6</u>	<u>78.2</u>	<u>78.2</u>	<u>320.8</u>	<u>339.3</u>
Operating income	\$66.5	\$161.9	\$35.5	\$44.4	\$54.6	\$55.4	\$190.0	\$220.0
Interest expense, net	1.1	0.4	1.1	1.6	1.2	1.2	5.0	3.9
Other expense (income)	<u>(0.0)</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Pretax income	65.5	161.4	34.5	42.9	53.4	54.2	185.0	216.1
Income taxes	<u>0.2</u>	<u>0.6</u>	<u>0.1</u>	<u>(0.1)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net income	65.3	160.8	34.3	43.0	53.4	54.2	184.9	216.1
Diluted shares outstanding	48.2	50.3	48.7	50.2	55.9	55.9	52.7	55.9
<b>EPS</b>	<b>\$1.36</b>	<b>\$3.20</b>	<b>\$0.70</b>	<b>\$0.86</b>	<b>\$0.96</b>	<b>\$0.97</b>	<b>\$3.51</b>	<b>\$3.87</b>
<b>EBITDA</b>	<b>\$66.6</b>	<b>\$161.8</b>	<b>\$35.5</b>	<b>\$44.4</b>	<b>\$54.6</b>	<b>\$55.4</b>	<b>\$190.0</b>	<b>\$220.0</b>
<b>Margin analysis</b>								
Gross margin	40.0%	46.5%	45.7%	46.9%	46.0%	46.9%	46.4%	47.4%
Selling, general and administrative	<u>31.3%</u>	<u>29.9%</u>	<u>32.2%</u>	<u>30.1%</u>	<u>27.1%</u>	<u>27.4%</u>	<u>29.1%</u>	<u>28.8%</u>
Operating income	8.7%	16.6%	13.5%	16.8%	18.9%	19.4%	17.2%	18.6%
Tax rate	0.3%	0.4%	0.4%	(0.2)%	0.0%	0.0%	0.0%	0.0%
<b>EBITDA</b>	<b>8.7%</b>	<b>16.6%</b>	<b>13.5%</b>	<b>16.8%</b>	<b>18.9%</b>	<b>19.4%</b>	<b>17.2%</b>	<b>18.6%</b>
<b>Year-over-year change</b>								
<b>Total sales</b>	<b>28.8%</b>	<b>27.2%</b>	<b>17.6%</b>	<b>12.5%</b>	<b>14.0%</b>	<b>8.5%</b>	<b>13.0%</b>	<b>7.1%</b>
Gross profit	43.2%	47.9%	18.5%	14.8%	12.9%	5.9%	12.6%	9.5%
Selling, general and administrative	22.6%	21.5%	19.5%	9.2%	5.4%	6.3%	10.0%	5.8%
Operating income	262.6%	143.3%	16.2%	26.4%	25.6%	5.2%	17.3%	15.8%
<b>EPS</b>	<b>329.6%</b>	<b>136.2%</b>	<b>28.4%</b>	<b>17.9%</b>	<b>10.6%</b>	<b>-10.6%</b>	<b>9.7%</b>	<b>10.2%</b>
<b>EBITDA</b>	<b>231.7%</b>	<b>143.2%</b>	<b>16.2%</b>	<b>26.4%</b>	<b>25.6%</b>	<b>5.3%</b>	<b>17.4%</b>	<b>15.8%</b>

Sources: Company reports, William Blair Equity Research

**Exhibit 28**  
**Category Closeup**  
**The Battle for the (Dog Food) Bowl**  
**Chewy Earnings Model**

US\$ MM	2023	2024	1Q	2Q	3Q	4QE	2025E	2026E
Fiscal year end January	Jan-24	Feb-25	May-25	Aug-25	Nov-25	Jan-26	Jan-26	Jan-27
<b>Net sales</b>	<b>11,147.7</b>	<b>11,861.3</b>	<b>3,116.0</b>	<b>3,104.2</b>	<b>3,116.6</b>	<b>3,254.6</b>	<b>12,591.4</b>	<b>13,577.8</b>
% YoY	10.2%	6.4%	8.3%	8.6%	8.3%	0.2%	6.2%	7.8%
Cost of goods sold	7,986.2	8,393.6	2,192.2	2,162.0	2,188.4	2,305.4	8,848.0	9,471.7
Gross profit	3,161.5	3,467.7	923.8	942.2	928.2	949.2	3,743.4	4,106.1
Gross margin	28.4%	29.2%	29.6%	30.4%	29.8%	29.2%	29.7%	30.2%
bps YoY	35	88	(3)	83	46	65	49	51
Selling, general and administrative expense	2,442.7	2,551.0	653.1	671.9	665.1	688.6	2,678.7	2,820.5
% YoY	14.8%	4.4%	8.4%	8.1%	6.2%	(1.7%)	5.0%	5.3%
% sales	21.9%	21.5%	21.0%	21.6%	21.3%	21.2%	21.3%	20.8%
bps YoY	88	(41)	2	(9)	(43)	(42)	(23)	(50)
Advertising and marketing	742.5	804.1	193.8	200.6	197.9	230.6	822.9	852.0
% YoY	14.3%	8.3%	3.7%	5.3%	3.2%	(1.9%)	2.3%	3.5%
% sales	6.7%	6.8%	6.2%	6.5%	6.3%	7.1%	6.5%	6.3%
bps YoY	24	12	(27)	(20)	(31)	(15)	(24)	(26)
Operating expenses	3,185.1	3,355.1	846.9	872.5	863.0	919.2	3,501.6	3,672.5
% YoY	14.7%	5.3%	7.3%	7.5%	5.5%	(1.8%)	4.4%	4.9%
% sales	28.6%	28.3%	27.2%	28.1%	27.7%	28.2%	27.8%	27.0%
bps YoY	112	(29)	(25)	(29)	(74)	57	(48)	(76)
<b>Income or (loss) from operations</b>	<b>(23.6)</b>	<b>112.6</b>	<b>76.9</b>	<b>69.7</b>	<b>65.2</b>	<b>30.0</b>	<b>241.8</b>	<b>433.6</b>
Operating margin	(0.2%)	0.9%	2.5%	2.2%	2.1%	0.9%	1.9%	3.2%
bps YoY	(77)	116	22	112	120	122	97	127
Interest expense/(income)	(58.5)	(35.1)	(1.0)	(4.3)	(4.1)	(6.9)	(16.3)	-
Other expense/(income)	(13.4)	(4.0)	-	-	-	-	-	-
Income before tax	48.2	151.7	77.9	74.0	69.3	36.9	258.1	433.6
Income tax expense/(credit)	8.7	(241.0)	15.5	12.0	10.1	7.7	45.3	108.4
Tax rate	17.9%	(158.9%)	19.9%	16.2%	14.6%	21.0%	17.6%	25.0%
Net income	39.6	392.7	62.4	62.0	59.2	29.1	212.7	325.2
Share-based compensation expense and related taxes	248.5	332.1	78.0	79.1	76.5	87.9	321.5	339.2
Change in fair value of unvested equity warrants	(13.1)	(2.4)	2.6	-	-	-	2.6	-
Deferred tax asset valuation allowance releases	-	(275.7)	-	-	-	-	-	-
Severance costs	14.3	-	5.9	-	-	-	5.9	-
Exit costs	6.8	-	-	-	-	-	-	-
Non-routine items	-	-	-	-	-	-	-	-
<b>Adjusted net income</b>	<b>296.2</b>	<b>446.8</b>	<b>148.9</b>	<b>141.1</b>	<b>135.7</b>	<b>117.0</b>	<b>542.7</b>	<b>664.4</b>
Reported EPS	\$ 0.09	\$ 0.91	\$ 0.15	\$ 0.14	\$ 0.14	\$ 0.07	\$ 0.50	\$ 0.74
% YoY	(21.5%)	894.7%	(4.3%)	(78.8%)	1409.4%	23.2%	(45.5%)	48.4%
<b>Adjusted EPS</b>	<b>\$ 0.69</b>	<b>\$ 1.04</b>	<b>\$ 0.35</b>	<b>\$ 0.33</b>	<b>\$ 0.32</b>	<b>\$ 0.27</b>	<b>\$ 1.26</b>	<b>\$ 1.51</b>
% YoY	29.5%	51.2%	11.5%	37.6%	60.2%	(6.0%)	21.8%	19.3%
Diluted shares	432.0	431.0	425.3	428.4	425.5	440.0	429.8	441.1
Loss after tax	39.6	392.7	62.4	62.0	59.2	29.1	212.7	325.2
Depreciation and amortization	109.7	114.6	30.0	32.1	32.8	32.5	127.4	132.8
Share-based compensation expense	248.5	332.1	78.0	79.1	76.5	87.9	321.5	339.2
Income tax provision	8.7	(241.0)	15.5	12.0	10.1	7.7	45.3	108.4
Interest (income) tax expense, net	(58.5)	(35.1)	(3.2)	(3.9)	(3.5)	(6.9)	(17.5)	-
Management fee expense	-	-	-	-	-	-	-	-
Non-routine items	12.3	5.7	9.9	1.4	3.1	-	14.4	-
<b>Adjusted EBITDA</b>	<b>368.1</b>	<b>570.5</b>	<b>192.7</b>	<b>183.3</b>	<b>180.9</b>	<b>150.4</b>	<b>707.3</b>	<b>905.6</b>
% margin	3.3%	4.8%	6.2%	5.9%	5.8%	4.6%	5.6%	6.7%
bps YoY	27	151	52	84	100	79	81	105
% YoY	20.0%	55.0%	18.3%	26.6%	30.9%	20.8%	24.0%	28.0%

Source: Company reports, William Blair Equity Research

The prices (1/26) of the common stock of other public companies mentioned in this report follow:

Amazon (Outperform)	\$238.42
Chewy (Outperform)	\$31.43
Costco (Outperform)	\$977.67
Freshpet (Outperform)	\$72.11
General Mills	\$44.63
Nestle, SA (ADR)	\$92.49
NIQ (Outperform)	\$17.90
Vita Coco (Market Perform)	\$54.87
Vital Farms (Outperform)	\$27.50
Walmart	\$117.64

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DOW JONES: 49412.40

S&P 500: 6950.23

NASDAQ: 23601.40

Additional information is available upon request.

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Underperform (Sell)	1	Underperform (Sell)	0

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