



CENTRAL
GARDEN & PET

Q1 FY2021

**Investor
Presentation**

02.03.2021

Agenda



Business Update

Tim Cofer, CEO



Q1 FY2021 Financials

Niko Lahanas, CFO



Management Q&A

Tim Cofer, Niko Lahanas,
J.D. Walker, John Hanson

Forward Looking Statements

This presentation includes “forward-looking statements.” Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries in which we operate and other information that is not historical information. There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this presentation, which are described in Central’s filings with the SEC. Central undertakes no obligation to publicly update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

This presentation contains certain non-GAAP financial measures. For a reconciliation of GAAP to non-GAAP financial measures, please see the Reconciliation of GAAP to non-GAAP in the Appendix of this presentation or in our most recent Form 10-K and Form 10-Q.



Central to Home Strategy

OUR PURPOSE

Nurture happy and healthy homes

OUR MISSION

Lead the future of the Garden and Pet industries... one blade of grass and one wagging tail at a time

OUR STRATEGIC PILLARS



CONSUMER

Build and grow brands Consumers love



CUSTOMER

Win with winning Customers & Channels



CENTRAL

Fortify the Central Portfolio



COST

Reduce Cost to improve margins & fuel growth



CULTURE

Strengthen our entrepreneurial, business-unit led growth Culture

Committed to Deliver Shareholder Value



**Deliver Top-Tier
Financial
Performance**



**Build Strong
Portfolio with
Leading Brands**



**Be the Destination
for Top Talent
in Garden & Pet**

Recent Acquisitions



- Builds further scale in live plants
- Strong footprint in the Northeast
- Opportunity for geographic synergies between Bell and Hopewell



- Builds further scale in garden via entry into attractive adjacency
- Leading provider of vegetable, herb and flower seeds and seed starters in the U.S. and Canada
- Leverage our merchandising and digital capabilities to grow the business



- Builds further scale in controls category
- Enhances digital, eCommerce and pick/pack/ship capabilities
- Revenue synergies with Central portfolio

Continued Strong Performance in Q1 FY2021

Strong Organic Growth across Garden and Pet

- Total Net Sales +23% vs PY
- Garden Segment Sales +34% vs PY
 - Strong demand in distribution, wild bird feed, grass seed, controls and fertilizer as well as live plants
 - Share growth in wild bird feed and fertilizer
 - Triple-digit growth in eCommerce
- Pet Segment Sales +19% vs PY
 - Strong contribution from dog & cat, distribution, small animal supplies
 - Share gains in small animal, rawhide and waste management
 - Strong double-digit in-store and online POS

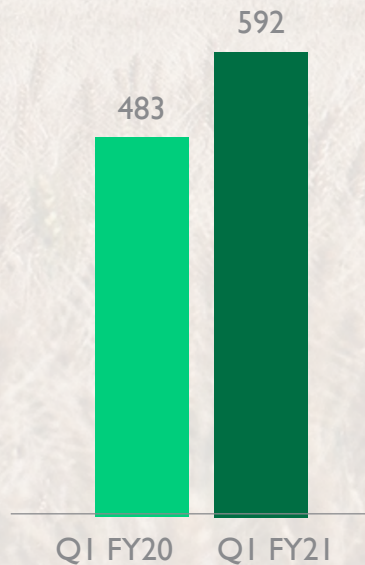
Driving Solid Improvement in EPS

- Gross Margin expansion
- EBIT fueled by topline growth and improved margins
- Q1 GAAP EPS of \$0.10 vs. a loss of \$0.08 in the prior year

Continued Strong Performance in Q1 FY2021

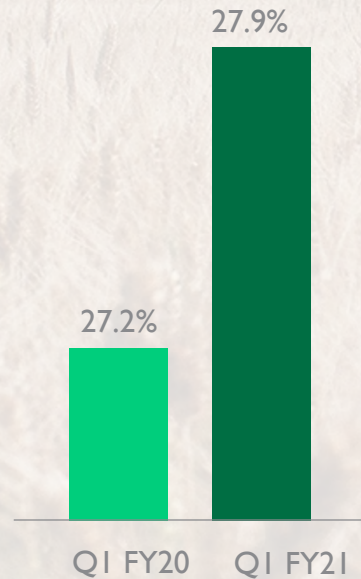
Net Sales (in \$ millions)

+23%



Gross Profit (as a percentage of Net Sales)

+70 bps



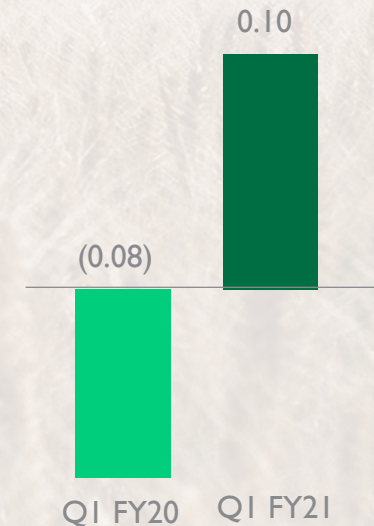
Operating Income (in \$ millions)

+\$25MM

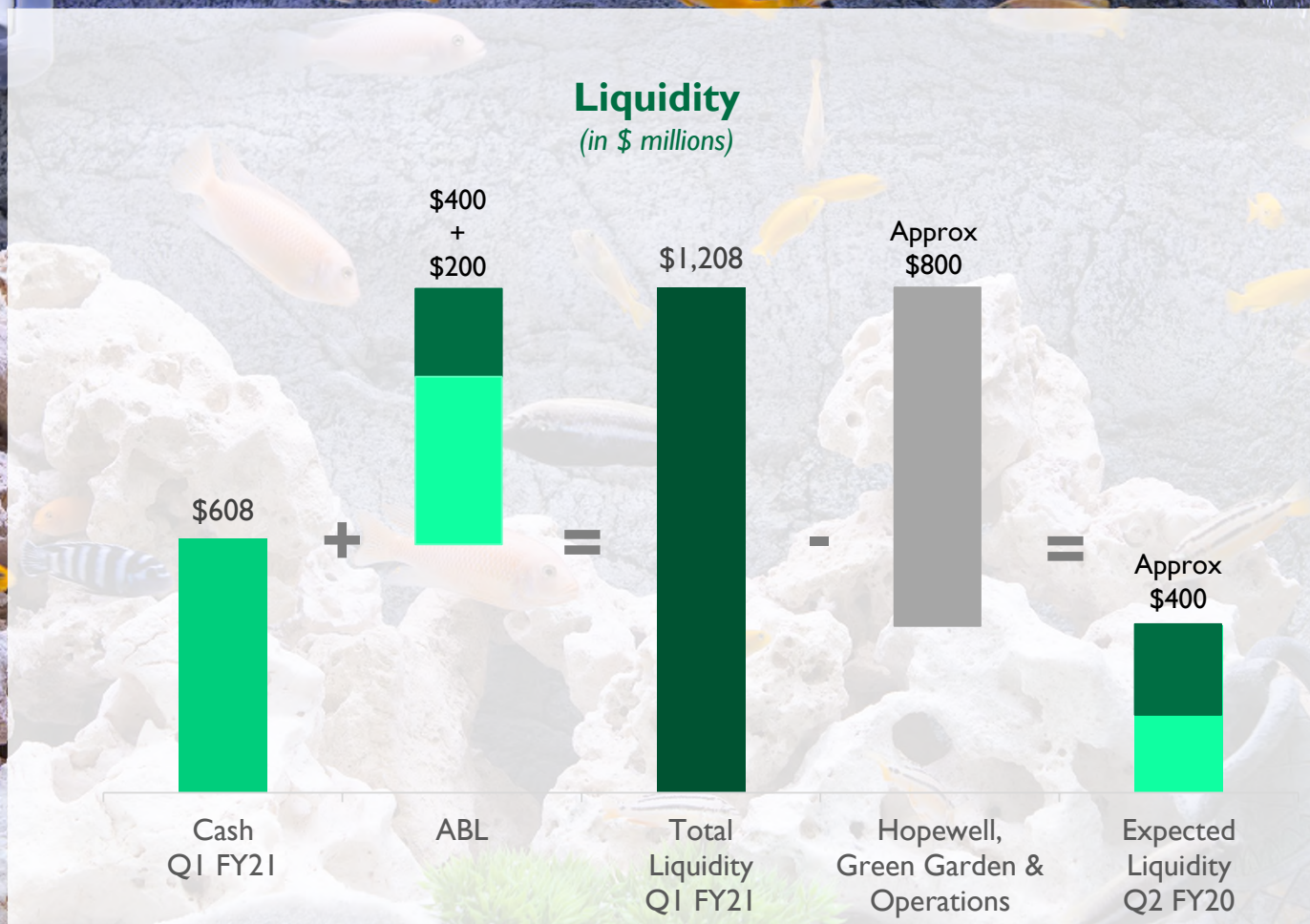


Diluted EPS (in \$)

+\$0.18



Liquidity Management





FY2021 Outlook

Continued Business Momentum

- Strong POS across both Pet and Garden
- Executing well online and instore

Investing for Growth

- Expanding long-term capacity to meet increased demand
- Investing in capabilities and demand creation

Challenges and Uncertainty Around COVID Remain

- Uncertainty around COVID and continued pressures on supply chain
- Inflationary costs across freight, commodities and labor

Confirming FY 2021 EPS of \$1.90 or Higher

- Translates to fiscal 2021 adjusted EPS of \$2.09 or higher
- Better visibility to impact of acquisitions at our Q2'21 earnings call



Q&A

Please reach out to us with any comments or questions:

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Appendix

Notes & Disclosures

Use of Non-GAAP Financial Measures

We report our financial results in accordance with accounting principles generally accepted in the United States (GAAP). However, to supplement the financial results prepared in accordance with GAAP, we use non-GAAP financial measures including EBITDA, organic sales, non-GAAP operating income and non-GAAP net income and diluted net income per share. Management believes these non-GAAP financial measures that exclude the impact of specific items (described on the next slide) may be useful to investors in their assessment of our ongoing operating performance and provide additional meaningful comparisons between current and historical results.

The reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are shown in the tables below. We believe that the non-GAAP financial measures provide useful information to investors and other users of our financial statements, by allowing for greater transparency in the review of our financial and operating performance. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating our performance, and we believe these measures similarly may be useful to investors in evaluating our financial and operating performance and the trends in our business from management's point of view. While our management believes that non-GAAP measurements are useful supplemental information, such adjusted results are not intended to replace our GAAP financial results and should be read in conjunction with those GAAP results.

We have not provided a reconciliation of forward-looking non-GAAP guidance measures to the corresponding GAAP measures, because such reconciliation cannot be done without unreasonable efforts due to the potential significant variability and limited visibility of the excluded items discussed below.

Notes & Disclosures

EBITDA: Defined by us as income before income tax, net other expense, net interest expense and depreciation and amortization (or operating income plus depreciation and amortization expense). Other companies may calculate EBITDA differently and it may not be comparable.

Organic net sales: A non-GAAP measure that excludes the impact of businesses purchased or exited in the prior 12 months, because we believe it permits investors to better understand the performance of our historical business without the impact of recent acquisitions or dispositions.

Non-GAAP financial measures reflect adjustments based on the following items:

Incremental expenses from note redemption and issuance: We have excluded the expense related to the issuance of \$500 million aggregate principal amount of 4.125% senior notes due October 2030 and redemption of our \$400 million 6.125% senior notes due November 2023 as it represents an infrequent transaction that occurs in limited circumstances that impacts the comparability between operating periods. We believe the adjustment of this expense supplements the GAAP information with a measure that may be used to assess the sustainability of our operating performance.

Loss on the sale of a business: We have excluded the impact from the sale of our Breeder's Choice business unit as it represents an infrequent transaction that occurs in limited circumstances that impacts the comparability between operating periods. We believe that the adjustment of these charges supplements the GAAP information with a measure that can be used to assess the sustainability of our operating performance.

Tax impact: adjustment represents the impact of the tax effect of the pre-tax non-GAAP adjustments excluded from non-GAAP net income. The tax impact of the non-GAAP adjustments is calculated based on the consolidated effective tax rate on a GAAP basis, applied to the non-GAAP adjustments, unless the underlying item has a materially different tax treatment.

GAAP to Non-GAAP Reconciliation
for the Fiscal Quarter Ended
(in thousands, except for per share amounts)

| | 26-Dec-20 | 28-Dec-19 |
|--|---------------|---------------|
| Net Income & Diluted Net Income Per Share Reconciliation | | |
| GAAP net income (loss) attributable to Central Garden & Pet Company | 5,613 | (4,417) |
| Incremental expenses from note redemption and issuance | 9,952 | - |
| Loss on sale of business | 2,611 | - |
| Tax effect of incremental expenses and loss on sale | (2,470) | - |
| Non-GAAP net income attributable to Central Garden & Pet | 15,706 | (4,417) |
| GAAP diluted net income per share | 0.10 | (0.08) |
| Non-GAAP diluted net income per share | 0.29 | (0.08) |
| Shares used in GAAP and non-GAAP diluted net earnings per share calculation | 54,686 | 54,755 |

**GAAP to Non-GAAP Reconciliation for the
Quarter Year Ended December 26, 2020**

(in millions)

| | Consolidated | | Pet Segment | | Garden Segment | |
|--|---------------------|-------|--------------------|-------|-----------------------|-------|
| | %Change | | %Change | | %Change | |
| Organic Net Sales Reconciliation | | | | | | |
| Reported net sales Q1 FY21 (GAAP) | 592.2 | | 436.4 | | 155.8 | |
| Reported net sales Q1 FY20 (GAAP) | 482.8 | | 366.6 | | 116.2 | |
| Increase in net sales | 109.4 | 22.7% | 69.8 | 19.0% | 39.6 | 34.1% |
| Effect of acquisitions and divestitures on increase in net sales | 1.6 | | 1.9 | | (0.3) | |
| Increase in organic net sales | 111.0 | 23.0% | 71.7 | 19.6% | 39.3 | 33.8% |

GAAP to Non-GAAP Reconciliation for the Fiscal Quarter Ended

(in thousands)

26-Dec-20

28-Dec-19

EBITDA Reconciliation

| | | |
|---|-----------------|-----------------|
| Net income attributable to Central Garden & Pet Company | 5,613 | (4,417) |
| Interest expense, net | 20,769 | 8,637 |
| Other expense (income), net | (752) | (305) |
| Income tax expense | 1,381 | (1,728) |
| Net income (loss) attributable to noncontrolling interest | 29 | (122) |
| Sum of items below operating income | 21,427 | 6,482 |
| Income from Operations | 27,040 | 2,065 |
| Depreciation & Amortization | 12,915 | 13,140 |
| EBITDA | \$39,955 | \$15,205 |