

Q1 FY2022

# Investor Presentation

02.02.2022

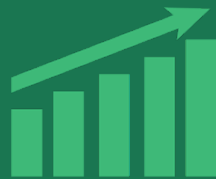


# Agenda



Business & Industry  
Update

Tim Cofer, CEO



Financials & Outlook

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.

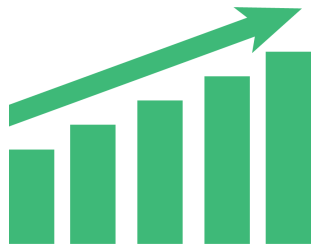
This presentation contains certain non-GAAP financial measures. For a reconciliation of GAAP to non-GAAP financial measures, please see the Reconciliation of GAAP to non-GAAP in the Appendix of this presentation or in our most recent Form 10-K and Form 10-Q.



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GARDEN & PET

# Solid Performance in Q1 FY22



**Net Sales**

**+12%** vs. PY



**Gross Margin**

**210 bps** vs. PY



**Operating Income**

**(3)%** vs. PY



**GAAP EPS**

**+\$0.06** vs. PY

# Pet Segment

## Favorable industry trends

- Remote working, less travel
- Millennials are largest group of dog & cat owners
- Increasing focus on health & wellness for pets
- Humanization, premiumization

## Pet Segment Q1 FY22 Performance

- Net sales in line with prior year
- Contributions from animal health, dog & cat and distribution
- Solid single-digit POS lapping strong double-digit growth in PY
- Grew market share in dog toys, rawhide, equine, reptile and health & wellness
- eCommerce now represents 22% of Pet branded sales

# Garden Segment

## Favorable industry trends

- Millennial household formation
- De-urbanization
- Household penetration of Lawn & Garden consumables +300 bps vs. 2019
- Buying rates remain at higher levels than in 2019

## Garden Segment Q1 FY22 Performance

- Net sales +45% vs PY, organic sales modestly lower than PY
- Organic strength in wild bird, chemicals & fertilizer and live plants
- Recent acquisitions delivered above expectations for the quarter
- POS grew low single digits
- Increased market share in wild bird and distribution share in live plants and packaged seeds
- eCommerce grew mid teens on top of triple-digit growth in PY

HOPEWELL  
Nursery

GREEN  
GARDEN  
PRODUCTS

Commodities Ltd.

DoMyOwn.

# Continued Progress on Long-Term Central to Home Strategy



## 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

### RECENT PROOF POINTS

#### Building capacity, investing in automation, improving service levels

- Invest in incremental manufacturing lines and automation
- FY22 Capex estimate of \$80+MM
- Enabling long-term sustainable growth

#### Driving Winning Innovation



Smart Patch  
Repair for  
Lawns



CHEWS BEST  
Gourmet  
Style dog  
chew toys



PURE Beta  
Beads

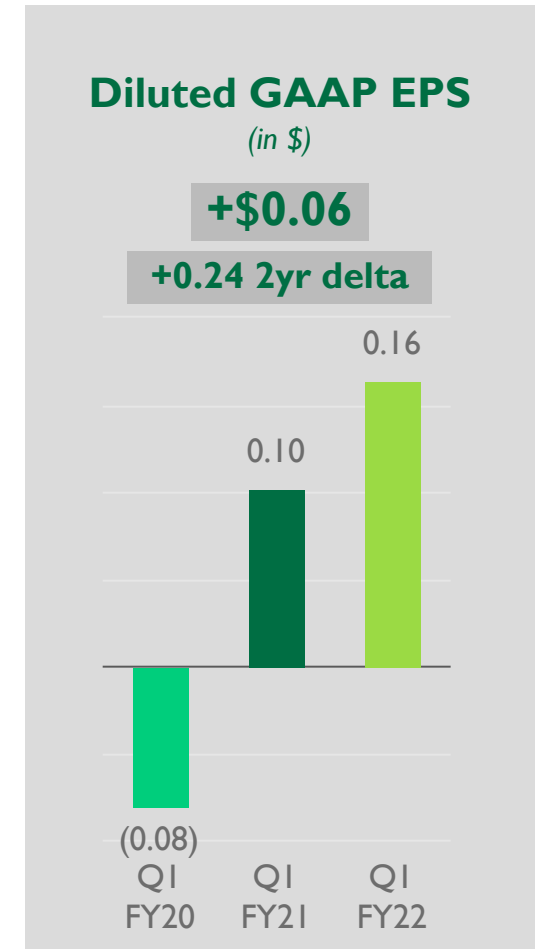
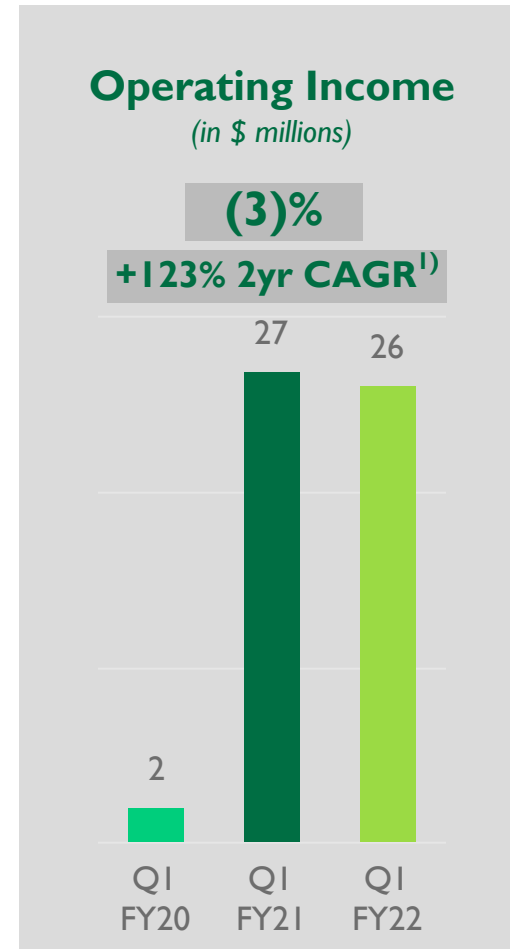
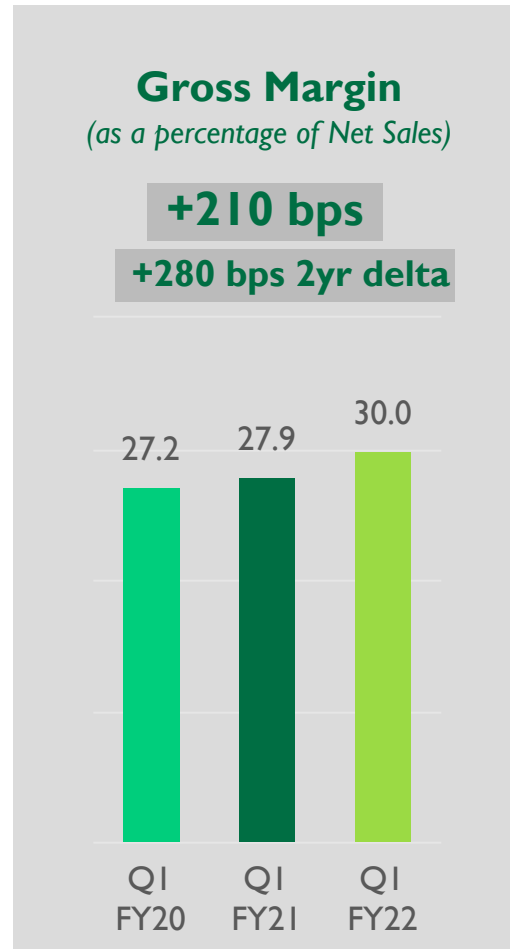
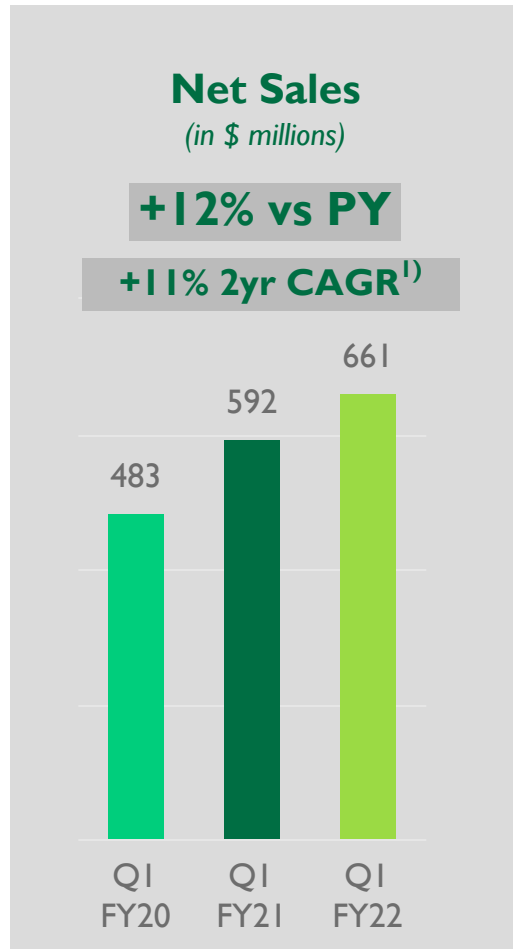






  
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# Solid Performance in Q1 FY22





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# FY22 Outlook

## Maintain Guidance

- FY22 GAAP EPS Expected to be \$3.10 or better

## Business Momentum

- Favorable long-term consumer trends in both industries
- H1 demand headwinds lapping COVID growth period

## Challenges and Uncertainty Around COVID Remain

- Uncertainty around demand, price elasticity, continued supply chain pressures
- Significant inflationary headwinds across commodities, freight and labor

## Investing for Growth

- Expanding manufacturing capacity and investing in automation
- Investing in consumer insights, digital capabilities, brand building



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Q&A

Please reach out to us with any comments or questions:

[IR@Central.com](mailto:IR@Central.com)

| (925) 412-6726



# 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 non-GAAP net income and diluted net income per share, adjusted EBITDA and organic sales. Management believes these non-GAAP financial measures that exclude the impact of specific items (described below) may be useful to investors in their assessment of our ongoing operating performance and provide additional meaningful comparisons between current results and results in prior operating periods.

Adjusted EBITDA is defined by us as income before income tax, net other expense, net interest expense, depreciation and amortization and stock-based compensation (or operating income plus depreciation and amortization and stock-based compensation expense). We present adjusted EBITDA because we believe that adjusted EBITDA is a useful supplemental measure in evaluating the cash flows and performance of our business and provides greater transparency into our results of operations. Adjusted EBITDA is used by our management to perform such evaluation. Adjusted EBITDA should not be considered in isolation or as a substitute for cash flow from operations, income from operations or other income statement measures prepared in accordance with GAAP. We believe that adjusted EBITDA is frequently used by investors, securities analysts and other interested parties in their evaluation of companies, many of which present adjusted EBITDA when reporting their results. Other companies may calculate adjusted EBITDA differently and it may not be comparable.

We have also provided 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.

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 have not provided a reconciliation of non-GAAP guidance measures to the corresponding GAAP measures on a forward-looking basis due to the potential significant variability and limited visibility of the excluded items. 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.

# Notes & Disclosures

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

- Incremental expenses from note redemption and issuance: we have excluded the impact of the incremental expenses incurred from the note redemption and issuance as they represent an infrequent transaction that occurs in limited circumstances that impacts the comparability between operating periods. We believe the adjustment of these expenses supplements the GAAP information with a measure that may be used to assess the sustainability of our operating performance.
- Loss on sale of business: we have excluded the impact of the loss on the sale of a business as it represents an infrequent transaction that occurs in limited circumstances that impacts the comparability between operating periods. We believe the adjustment of this loss supplements the GAAP information with a measure that may be used to assess the sustainability of our operating performance.

From time to time in the future, there may be other items that we may exclude if we believe that doing so is consistent with the goal of providing useful information to investors and management.

The non-GAAP adjustments reflect the following:

- (1) During the first quarter of fiscal 2021, we issued \$500 million aggregate principal amount of 4.125% senior notes due October 2030. We used a portion of the proceeds to redeem all of our outstanding 6.125% senior notes due 2023. As a result of our redemption of the 2023 Notes, we incurred incremental expenses of approximately \$10.0 million, comprised of a call premium payment of \$6.1 million, overlapping interest expense of approximately \$1.4 million and a \$2.5 million non-cash charge for the write-off of unamortized financing costs. These amounts are included in Interest expense in the condensed consolidated statements of operations.
- (2) During the first quarter of fiscal 2021, we recognized a loss of \$2.6 million, included in selling, general and administrative expense in the consolidated statement of operations, from the sale of our Breeder's Choice business unit after concluding it was not a strategic business for our Pet segment.



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

	Three months ended	
	December 25, 2021	December 26, 2020
<b>Net Income &amp; Diluted Net Income Per Share Reconciliation</b>		
GAAP net income attributable to Central Garden & Pet Company	\$ 9,009	\$ 5,613
Incremental expenses from note redemption and issuance	—	9,952
Loss on sale of business	—	2,611
Tax effect of incremental expenses, loss on sale and impairment	—	(2,470)
Non-GAAP net income attributable to Central Garden & Pet Company	9,009	15,706
GAAP diluted net income per share	\$ 0.16	\$ 0.10
Non-GAAP diluted net income per share	\$ 0.16	\$ 0.29
<b>Shares used in GAAP and non-GAAP diluted net earnings per share calculation</b>	<b>54,909</b>	<b>54,686</b>

**GAAP to Non-GAAP Reconciliation**  
for the Fiscal Quarter Ended  
(in millions)

<b>Consolidated GAAP to Non-GAAP Reconciliation</b>					
For Three Months Ended December 25, 2021					
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales			Net sales organic
<b>Q1 FY 22</b>	\$ 661.4	\$ 70.0	\$ \$		591.4
<b>Q1 FY 21</b>	\$ 592.2	\$ 3.9	\$ \$		588.3
	\$ 69.2	\$ 66.1	\$ \$		3.1
	<b>11.7 %</b>				<b>0.5 %</b>

<b>Pet GAAP to Non-GAAP Reconciliation</b>				
For Three Months Ended December 25, 2021				
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales		Net sales organic
<b>Q1 FY 22</b>	\$ 436.0	\$ —	\$	436.0
<b>Q1 FY 21</b>	\$ 436.4	\$ 3.9	\$	432.5
	\$ (0.4)	\$ (3.9)	\$	3.5
	<b>(0.1)%</b>			<b>0.8 %</b>

<b>Garden GAAP to Non-GAAP Reconciliation</b>				
For Three Months Ended December 25, 2021				
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales		Net sales organic
<b>Q1 FY 22</b>	\$ 225.4	\$ 70.0	\$	155.4
<b>Q1 FY 21</b>	\$ 155.8	\$ —	\$	155.8
	\$ 69.6	\$ 70.0	\$	(0.4)
	<b>44.7 %</b>			<b>(0.3)%</b>

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

	December 25, 2021	December 26, 2020
<b>Adjusted EBITDA Reconciliation</b>		
Net income attributable to Central Garden & Pet Company	\$ 9,009	\$ 5,613
Interest expense, net	14,408	20,769
Other income (expense)	209	(752)
Income tax expense	2,401	1,381
Net income attributable to noncontrolling interest	187	29
Sum of items below operating income	17,205	21,427
Operating income	26,214	27,040
Depreciation & amortization	20,202	12,915
Noncash stock-based compensation	5,187	4,669
Adjusted EBITDA	\$ 51,603	\$ 44,624