

2024

# Introduction to Central

12.30.2024



# Agenda

Intro to Central and Our Central to Home Strategy

Pet Business

Garden Business

Central Impact

People and Culture

Financial Overview

Summary

# 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 the 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.

For a reconciliation of GAAP to non-GAAP financial measures, please see the Appendix in this presentation.



# Introduction to Central and Our Central to Home Strategy

# Key Takeaways



Pet & Garden are highly attractive and resilient growth industries



Central is an industry leader with a strong foundation and untapped potential



Our long-term strategy sets a bold ambition for the future



We are confident in our plans to deliver significant long-term shareholder value

# Pet is an Attractive Growing Industry

**Large Market**

**\$151B Industry**

**Growing & Resilient**

**LSD Growth Rate**

**Broad Consumer Base**

**Over 90% Household Penetration<sup>1)</sup>**

**Strong Tailwinds**

**Aligned with Consumer Trends**

# Favorable Pet Industry Trends



## Humanization

95% of pet owners see pets as family



## Premiumization

Shift to higher-end nutrition drives growth



## eCommerce

More than 80% of the U.S. population shops online



## Demographics

More than half of the U.S. population born after 1981



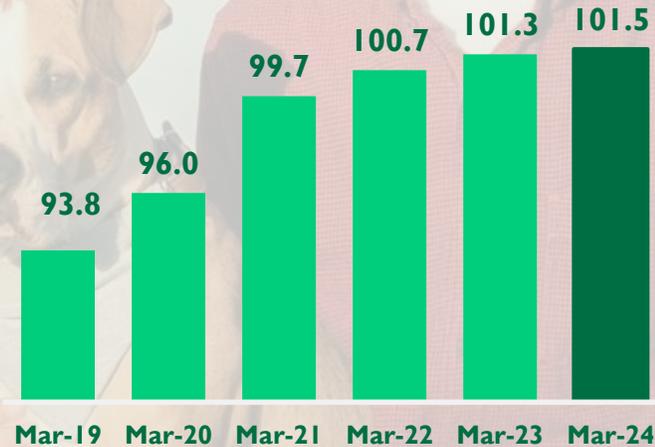
## Health & Wellness

70%+ of dog/cat owners look for products to improve pet health<sup>1)</sup>

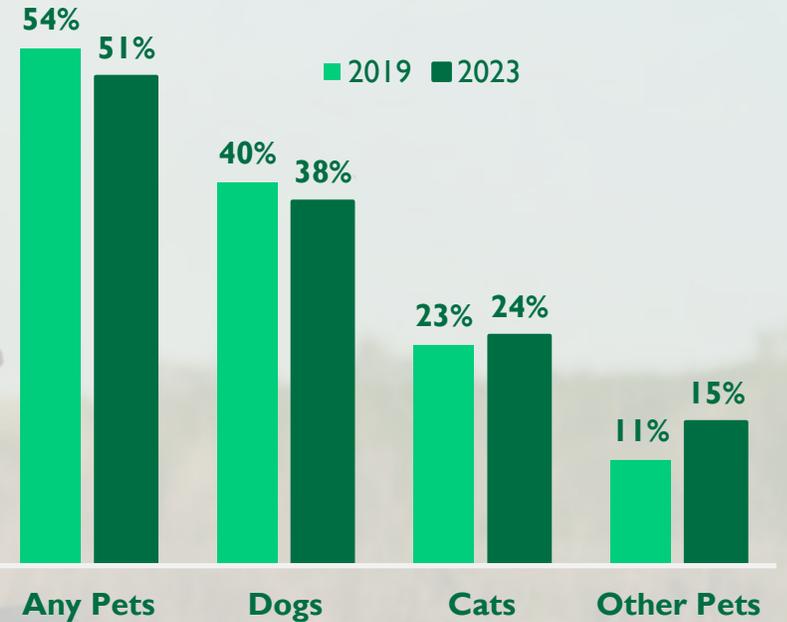
# Large Pet Household Penetration

Long-term growth is fueled by positive consumer trends

## Households Buying Pet Supplies (in millions)



## Number of Pet Owning Households (in percent of all households)



# Garden is an Attractive Industry

**Large Market**

**\$31B Industry**

**Resilient Industry**

**LSD Growth Rate**

**Broad Consumer Base**

**Over 86% Household Engagement<sup>1)</sup>**

**High Consumer Engagement**

**Strong Retention & Loyalty**

# Strong Garden Industry Trends



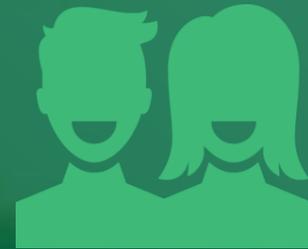
## Sustainability

66% of Gardeners<sup>1)</sup> feel it is important to use environmentally friendly products



## Hybrid Work

More than half of employees are set up to work from home<sup>2)</sup>



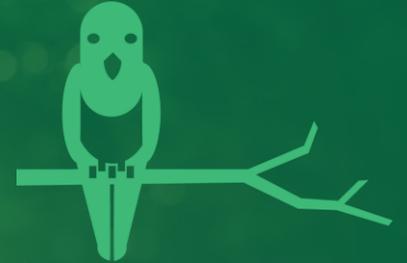
## Demographics

Gen Z, Millennials and Baby Boomers are driving category growth



## eCommerce

Emerging Home & Garden eCommerce growing faster than category



## Urbanization

Growth of suburban homes with larger outdoor spaces continues to outpace urban<sup>1)</sup>

# Significant and Growing Lawn & Garden Household Participation



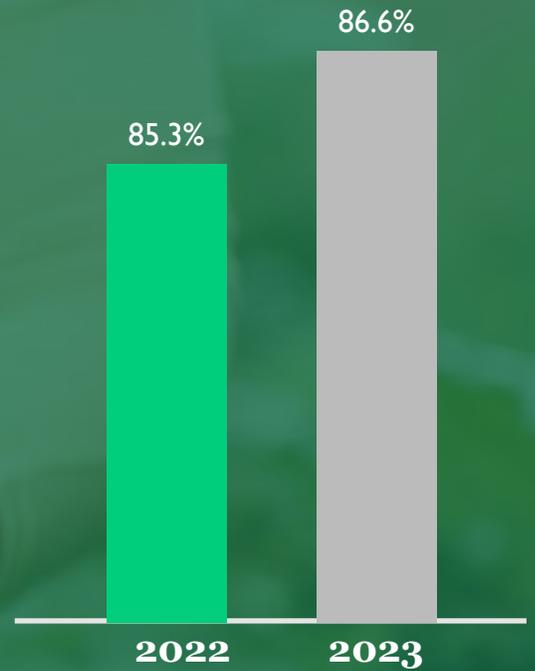
**114M**

Estimated number of households engaged in gardening

**+6%**

new households entering the category in 2023 vs PY

**+1%** Household penetration



# Central has a Strong Foundation for Sustainable Growth

Proven track record of M&A

Strong relationships with retailers built over 40 years

Robust financial performance

Superior manufacturing and distribution network

Leading brand portfolio across key pet and garden segments

Experienced leadership team & entrepreneurial culture

# Broad Portfolio across Garden & Pet

## Garden

# # 2

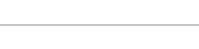
 **Lawn & Garden Consumables**

## Pet

# # 2

 **Pet Supplies**  
(ex- Dog & Cat Food, Cat Litter)

-  Major Participant
-  Meaningful Participant
-  Minor Participant

				
Controls				
Grass Seed				
Packet Seed				
Wild Bird				
Fertilizer				
Live Plants				
Growing Media & Mulch				

				
Dog & Cat Supplies				
Dog Treats & Chews				
Aquatics Supplies				
Small Animal Supplies				
Pet Bird Supplies				
Reptile Supplies				
Equine Supplies				
Professional				
Live Fish & Small Animals				
Dog & Cat Food				 *
Cat Treats				
Cat Litter				
Services (Vet/ non-medical)				

# Leading Brands across Attractive Segments



## Pet



#1 in Dog  
Chew Toys



#1 in Small Animal



#1 in Pet Bird



#1 in Suet



#2 in Aquatics



#2 in Dog Pads



#2 in Reptile



#2 in Calming  
Products

## Garden



#1 in Wild Bird



#1 in Packet Seed



#2 in Grass Seed



#3 in Controls



#4 in Fertilizer

## Professional



#1 Farm  
Insect  
Control



#1 Municipal  
Mosquito  
Control

# Fiscal 2024 Results

**Net  
Sales**

**\$3.2B  
(3)%**

**Non-GAAP  
Operating Income<sup>(1)</sup>**

**\$223MM  
(2)%**

**Non-GAAP EPS <sup>(1)</sup>**

**\$2.13  
+\$0.06**

**Cash & Cash Equiv.**

**\$754MM  
+265MM**

# Proven Track Record of M&A



**60**  
Acquisitions  
over the last  
**30 years**



## Long-standing Deep Relationships with our Retail Partners



- 40 years of outstanding partnership with top tier retailers
- Strong joint business planning
- Private label producer for many retailers in key categories
- Emerging eCommerce leadership

# Superior Manufacturing & Distribution Network



Large national footprint  
with sales, logistics, and  
manufacturing sites



Strong distributor  
capabilities in  
Pet & Garden



Low-cost  
producer in several  
categories



# Strong & Experienced Leadership Team



**Niko Lahanas**  
CEO



**Brad Smith**  
CFO



**John Hanson**  
President, Pet Consumer Products



**J.D. Walker**  
President, Garden Consumer Products

Consumer

18 years

19 years

33 years

43 years

Central

18 years

7 years

5 years

14 years



**Glen Axelrod**  
Senior Vice President, Dog & Cat Brands

29 years

27 years



**Dan Pennington**  
Senior Vice President, Wild Bird, Chemicals & Fertilizers

46 years

46 years



**Joyce McCarthy**  
General Counsel & Secretary

23 years

2 years



**Marilyn Leahy**  
Interim Senior Vice President, Human Resources

29 years

13 years



**Chris Walter**  
Senior Vice President & Chief Information Officer

27 years

19 years

## Combination of Deep Central Experience and Relevant Consumer Industry Experience





**Our foundation is strong**

**and our future is bright**



# Our New Purpose & Mission

## 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 Identity



**Home is central to life,  
we are central to home**

# Our Long-Term Strategy



## CONSUMER

Build and grow brands  
Consumers love



## CUSTOMER

Win with winning  
Customers and  
Channels



## CENTRAL

Fortify the Central  
Portfolio



## COST

Reduce Cost to  
improve margins and  
fuel growth



## CULTURE

Balance our  
entrepreneurial, BU-led,  
growth Culture



# CONSUMER

Build & grow brands  
Consumers love



Deeply understand  
our consumers



Build distinctive  
and winning brands



Invest in demand creation  
to accelerate organic growth



Create disruptive  
innovation platforms



# Innovating for Growth



- Curated gift box collection with best selling durable chew toys and natural chew treats
- Offered for puppies, small and large dogs
- Initial launch outpaced forecast by 30%

- Ready to use combination of mulch, grass seed & fertilizer
- Uses 30% less water than ordinary grass seed
- Proprietary tackifier



# Investing in Digital Marketing



## “Smart from the Start” campaign

### Results

- Doubled reach
- Increased engagement
- Grew market share



## ZILLA

## “24KGoldn” campaign

### Results

- Outperformed reach and impression goal by over 50%
- Exceeded engagement goal by over 60%
- Drove incremental sales and incremental in-store promotions during critical holiday season





# CUSTOMER

Win with winning  
Customers & Channels

-  Build a leading eCommerce platform
-  Strengthen relationships with winning customers
-  Respond to channel shifts
-  Improve sales capabilities





CUSTOMER

# Build a Leading eCommerce Platform

## Developing Winning Capabilities

Activation



Assortment



Content



Availability



eCommerce Flywheel



Search

**\$576MM**

2024 eCommerce Net Sales\*

**+3%**

2024 eCommerce Net Sales growth

**~26%**

business in Pet,

**Single**

**digits** in Garden in fiscal 2024

**amazon**  
**chewy**

**Top 10**  
Customers for Central



Fortify the Central  
Portfolio

- Drive a strong portfolio strategy
- Acquire or venture to build scale in core and adjacent categories
- Exit underperforming and non-core business
- Ensure a safe, responsible and sustainable future



Pennington - Habitat for Humanity



CENTRAL

# M&A Remains a Growth Driver

## Our M&A Priorities

- 1 Build scale in core categories
- 2 Enter priority adjacencies
- 3 Enhance key capabilities
- 4 Pursue portfolio optimization

## Preferred acquirer in our industries

- Track record of M&A success
- Focused on maintaining entrepreneurial led culture
- Immediate distribution and supply chain scale benefits
- Merchandising, category management leadership
- Stellar balance sheet and access to capital

Seeking growth and margin accretive, brand-focused companies with talented management teams



CENTRAL

# Strengthen Portfolio with Focus on Corporate Sustainability

A large green rectangular overlay on the right side of the slide. It contains the Central logo icon at the top, followed by the word "CENTRAL" in large, bold, white capital letters. Below that, the word "IMPACT" is written in smaller, bold, green capital letters. Underneath "IMPACT" are three horizontal green bars, each followed by a white text label: "Protecting our Planet", "Cultivating our Communities", and "Empowering our Employees".

**CENTRAL**

**IMPACT**

Protecting our Planet

Cultivating our Communities

Empowering our Employees



# COST

Reduce Cost to improve margins & fuel growth

- Perform with excellence everyday
- Drive net productivity and continuous improvement
- Capture scale and collaboration benefits across business units
- Improve cash conversion cycle





COST

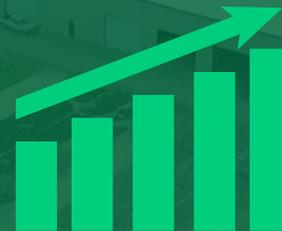
# Focus on Cost & Cash While Fueling Long-Term Growth



Control  
Cost



Enhance  
Efficiency



Leverage  
Scale



Simplify  
Operations



# CULTURE

Balance our entrepreneurial,  
BU-led, growth culture

- Develop, recruit and retain top talent
- Build capabilities and reframe how we work together
- Develop career paths
- Make Central a great place to work and embrace diversity and inclusion





CULTURE

# Maintain our Winning Growth Culture



# Committed to Driving Results



**Deliver Top-Tier  
Financial  
Performance**



**Build Strong  
Portfolio with Leading  
Brands**



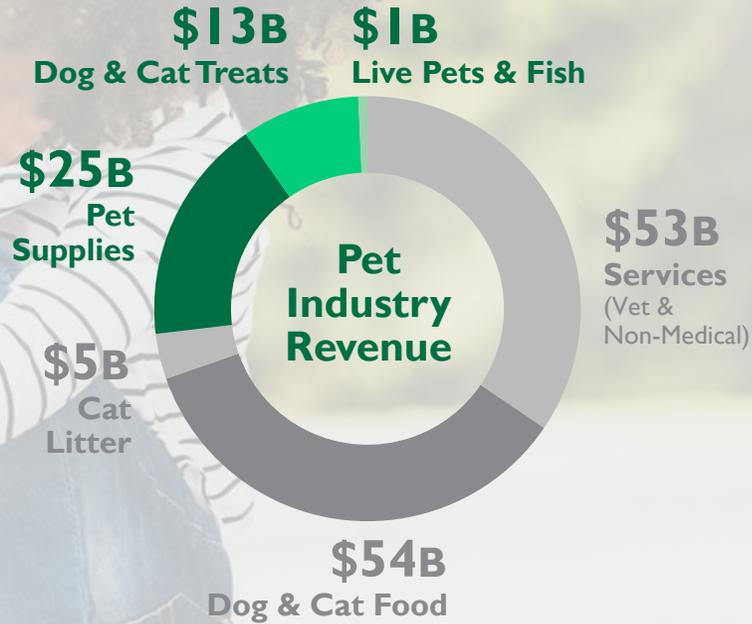
**Be the Destination  
for Top Talent in  
Pet & Garden**



# Pet Business

# Pet is a Dynamic Growth Industry

Central plays in ~\$39B of \$151B Pet industry



Strong growth dynamics

Fragmented competitive set across categories

Broad distribution across retail channels

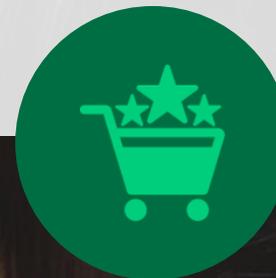
Growing eCommerce channel

# Central is a Leader in the Pet Segment

Net sales of  
**\$1.8B**  
in FY 2024



Consumer &  
professional  
businesses with  
leading brands



~80% Branded &  
Private Label  
~20% Distribution



Solid 2024 performance  
in challenging environment

**12.2%**

Non-GAAP  
Operating  
Margin

**26%**

eCommerce  
of Pet Sales

# Leading Portfolio of Brands



## Our Leadership Positions

Categories	Leading brands	
Dog & Cat	#1  CHEWS BEST™ Dog Chew Toys	#2  in Dog Pads #2  Calming Products
Aquatics	#2  Aquatics	
Small Animal	#1  Small Animal	
Bird	#1  Pet Bird	#1  Suet
Reptile	#2  Reptile	
Equine	#2  Fly Controls	
Live Pets (ex-Dog & Cat)	#1  Segrest Farms Live Pet (ex Dog & Cat)	
Professional	#1  Farm Insect Control	#1  Municipal Mosquito Control

# Innovation Expands our Industry Leadership



**Gourmet**  
Long-lasting dog chews



Finalist 2022 Pet Product News Editor Choice Awards  
“Chew Toy of the Year” 2022 Pet Independent Innovation Award



**NutriSoft**  
Bird feed with unique soft texture



“Bird food product of the Year” 2022 Pet Independent Innovation Award

# Investing in Demand Creation



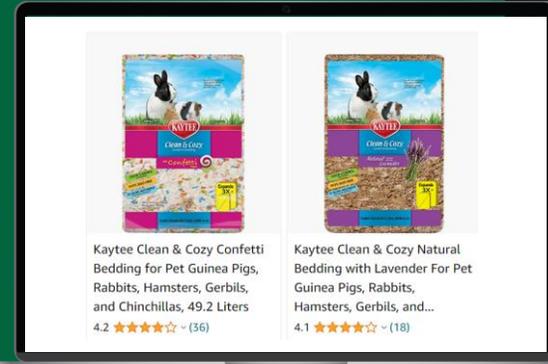
## Clean & Cozy Extreme Odor Bedding

### Online Display

Driving new “subscribe and save” orders

# Top 90%

## Of Pet Supply Category



Kaytee Clean & Cozy Confetti Bedding for Pet Guinea Pigs, Rabbits, Hamsters, Gerbils, and Chinchillas, 49.2 Liters  
4.2 ★★★★★ ~ (36)



Kaytee Clean & Cozy Natural Bedding with Lavender For Pet Guinea Pigs, Rabbits, Hamsters, Gerbils, and...  
4.1 ★★★★★ ~ (18)

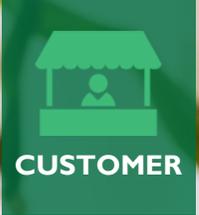


CUSTOMER

# Positioned to Win Every Channel

- Leading category insights and solutions to drive industry growth
- Strong relationships across customers and channels
- Emerging strength in eCommerce
- Tenured Pet industry sales leadership





## Winning in eCommerce

### Solid 2024 Results\*

**\$460MM**

in Net Sales

**~26%**

of Pet Sales

**+3%**

YoY Growth

**Gaining Share** in many categories



CUSTOMER

# Pet Distribution Generates Competitive Advantage



**~20%**  
of Pet  
revenue

## Largest

Assortment of supplies in  
Pet distribution with over 23,000 SKU's

### Our Portfolio

#### Third-Party Brands



~80%

~20%

### Who We Serve



**10,000+**  
Retailers



**6,000+**  
Vet clinics

## Competitive Advantages

- Insight into leading consumer trends
- Channel leadership in Pet Specialty
- Strengthened category management with top customers
- Access to emerging brands for M&A



COST

# Generating Savings to Fuel Growth

## Rightsizing Footprint

- Consolidated DMC and K&H with Arden manufacturing

## Scaling Strong Businesses

- Acquired TDBBS dog treats and chews

## Controlling Costs

- Turned inventory into cash

## Optimizing Portfolio

- SKU rationalization
- Exit of low margin private label product lines

# Key Takeaways: Pet Business



Pet is a dynamic industry with strong consumer tailwinds



Central is a strong leader in the pet industry with untapped growth potential



We are executing well in a challenging environment



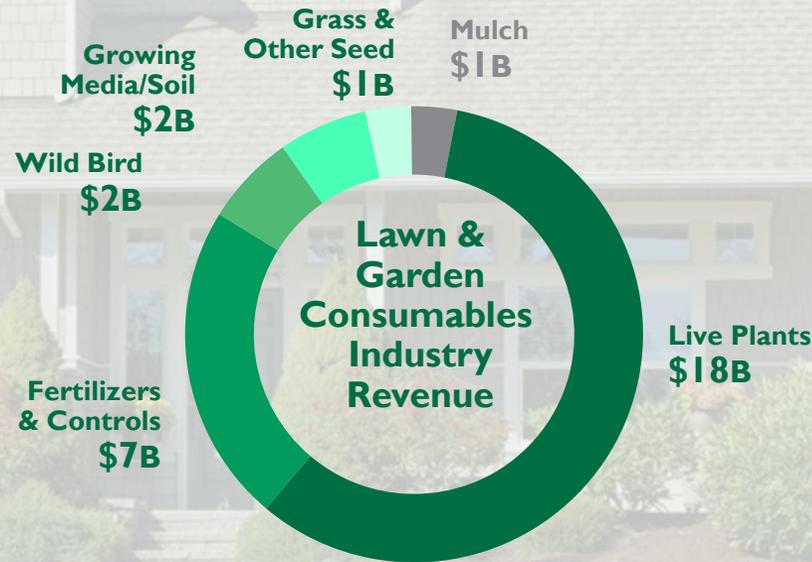
We have a bold consumer-centric growth strategy and are confident in our future



# Garden Business

# Garden is an Attractive Industry

Central plays in ~\$30B of \$31B  
Lawn & Garden  
Consumables Industry



Seasonal business

Dominated by home centers and mass merchandisers

Underpenetrated in eCommerce, but accelerating

Central one of few large players in a fragmented industry

# Central is a Leader in the Garden Segment

Net sales of  
**\$1.4B**  
in FY 2024



**>70%**  
Sales from  
Top 3 customers



**~80% Brands &  
Private Label**  
**~20% Distribution**



2023 performance in  
challenging environment

**7.5%**

Non-GAAP  
Operating  
Margin

**Strong**

eCommerce  
POS growth

# Leading Portfolio of Brands

## Our Leadership Positions

Categories                      Position                      Leading brands

Wild Bird

#1



Packet Seed

#1

FERRY~MORSE®

Grass Seed

#2



Controls

#3



Live Plants

#3



Fertilizer

#4



# Garden Distribution Generates Competitive Advantage



**~20%**  
of Garden  
revenue



**Only Distributor  
of Lawn & Garden  
Supplies to Big 3  
Retailers**



**5**  
**Full-line DCs  
providing national  
footprint and  
coverage**

## Competitive Advantages

- Valued partner for largest three retailers and select national accounts
- Strengthened customer partnerships, category management
- Insight into leading consumer trends
- Access to emerging brands for M&A

CONSUMER

# Building Brands Consumers Love



## Grass Seed

**+35%**

Sales at Top 3  
2023 vs. 2019



## Wild Bird

**+90%**

Sales at Top 3  
2023 vs. 2019



## Hummingbird Nectar

**+110%**

Sales at Top 3  
2023 vs. 2019



# Investing Behind Winning Innovation

## Brand Extension

### HSD

POS \$ growth vs. prior year\*

Launching full season Lawn Fertilizer & liquid Plant Food



## Brand Redesign

### HSD

POS \$ growth vs. prior year\*\*  
Reversing years of POS losses



CUSTOMER

# Positioned to Win Every Channel

## Winning at the Big 3

- Outstanding customer relationships
- Tenured sales team with deep Lawn & Garden expertise
- Leveraging our unique portfolio and consumer insights to tailor category solutions
- Best in class retail activation and execution with ~1,100 merchandisers in store in peak season



## Strengthening our Positions in Emerging Channels<sup>1)</sup>

**+48%**

Growth in eCommerce vs. 2019<sup>2)</sup>

**+46%**

Growth in Mass & General Merch. vs. 2019

**+43%**

Growth in Farm & Ranch vs. 2019



COST

# Generating Savings to Fuel Growth

## Rightsizing Footprint

- Closed fish fertilizer location, moved manufacturing to Missouri
- Consolidated four distribution centers into new Covington DC

## Streamlining Operations

- Consolidated two live plants business, closed several facilities

## Controlling Costs

- Turned inventory into cash

## Optimizing Portfolio

- SKU rationalization
- Winding down underperforming pottery business
- Sale of IGC distribution business

# Key Takeaways: Garden Business



Garden is a resilient industry with a broad base of loyal consumers



Central is a strong leader in the garden industry with untapped growth potential



We are executing well in a challenging environment



We have a bold consumer-centric growth strategy and are confident in our future



# Central Impact

# Corporate Sustainability is Imperative to Our Future



Grounded in our purpose to nurture happy and healthy homes



Important to our long-term profitability



Integrated within our growth strategy



Critical to our mission to lead the future of the garden and pet industries

# Our Central Impact Strategy has three priorities and 10 focus areas

## Protecting our Planet



Energy & Greenhouse Gases



Water



Waste



Biodiversity

## Cultivating our Communities



Philanthropy



Employee Volunteering



Product Stewardship

## Empowering our Employees



Health & Safety



Diversity & Inclusion



Learning & Development



# Protecting our Planet

## Our Goals

Protect our Planet by Embedding Sustainability in our Processes and Products

## Our Focus Areas

- Energy & Greenhouse Gases
- Water
- Waste
- Biodiversity

## 2023 Highlights

**33** million pounds of recycled materials in our Kaytee small animal bedding

**19** metric tons of GHG saved compressing Wee-Wee training pads during transport

**100** million gallons of water use avoided using drip irrigation

**12** million pounds of waste diverted from the landfill to be sold and repurposed from our bird feed



# Community Health

## Our Goal

Cultivate our Communities by Giving Back and Providing Better Products

## Our Focus Areas

- Philanthropy
- Employee Volunteering
- Product Stewardship

## 2023 Highlights

**\$1.5MM** in monetary and product donations





# Empower our Employees

## Our Goal

Empower our Employees by Providing a Safe and Inclusive Workplace

## Our Focus Areas

- Health & Safety
- Diversity & Inclusion
- Learning & Development

## 2023 Highlights

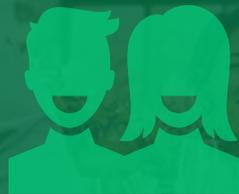
**10** Percent reduction in safety incidents on average over the last four years

**400** educational courses taken by our employees



# People & Culture

# Our People



## Passionate Engaged Employee Base

6,450 employees primarily in North America



## Broad Domestic Footprint

Domestic offices, manufacturing plants and distribution centers

Additional locations in Mexico, Canada, the U.K. and China



## Deep Experience & Expertise

6+ years Average tenure of Hourly FTEs

11+ years Average tenure of Salaried FTEs

# Building Central as a Great Place to Work



Develop, recruit & retain top talent



Build winning capabilities



Embrace diversity & inclusion

# Develop, Recruit & Retain Top Talent



Strong succession & talent management planning with focus on critical roles



External hires to complement internal talent



Extended leadership community



Robust development & career planning

# Select External Hires to Complement Internal Talent

**30+** Promotions to Director and above roles in the last year

- Finance
- Supply Chain
- Sales & Marketing
- Human Resources
- And many of our business units

**3+** new hires in Director and above roles

- Corporate Development
- Marketing
- Supply Chain

**KraftHeinz** **UG<sub>2</sub>** *Godrej*

# Developing our Next Generation of Leaders



-  Community of top ~120 leaders
-  Empowering group to lead company priorities
-  Investing in leadership development
-  Leading Central to great results & building a great place to work!

# Building Winning Capabilities



## Marketing

Consumer Insights  
Brand Building  
Innovation



## eCommerce

Omni-Channel Expansion  
Supply Chain Fulfillment  
Direct to Consumer



## Data & Analytics

Business performance  
Marketing, Sales & eCommerce  
Supply chain



## Embracing diversity & inclusion

**40%**

Of leadership  
positions\* held  
by women

### Mentorship

- Mentorship Program and education subsidies to build a strong pipeline of future leaders

### Leadership Development

- Inclusive Leadership embedded in our leadership development programs

### Recruiting

- Recruiters/hiring managers apply diversity outreach tools and track usage of system

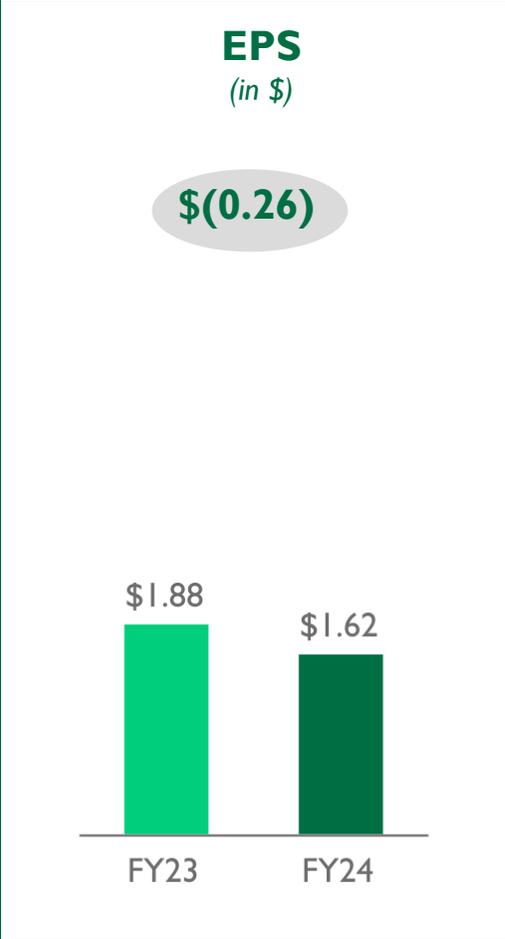
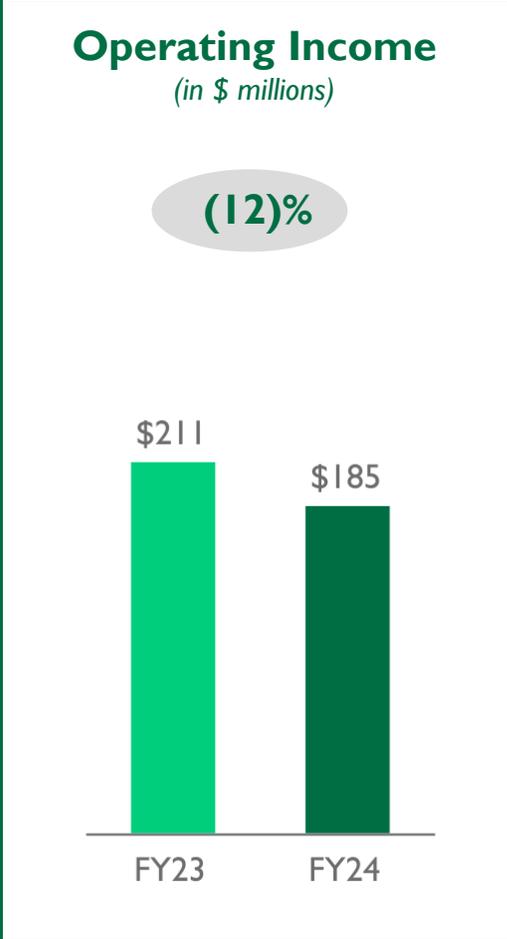
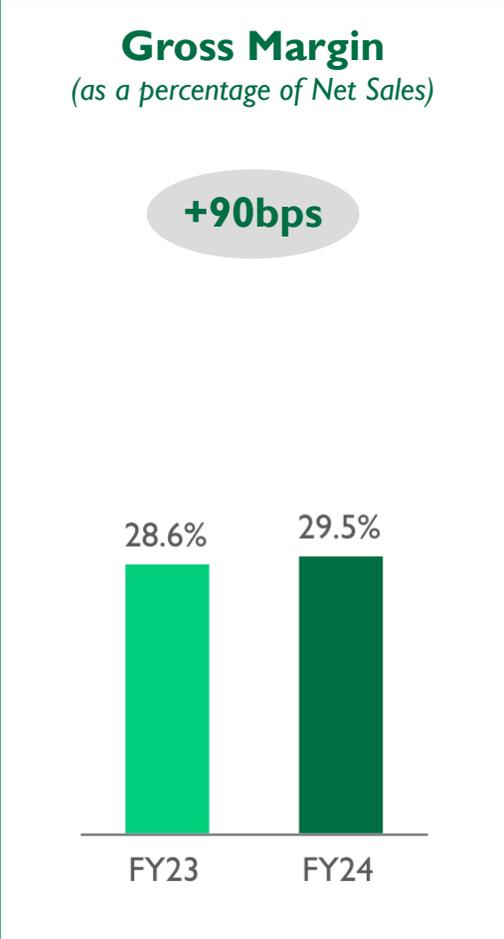
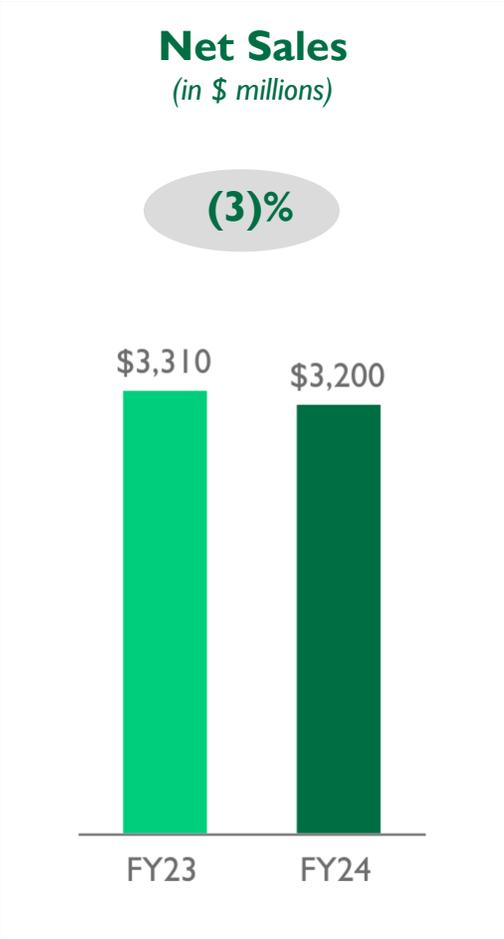
### Employee Education

- Learning Central includes rich D&I content and can be accessed by all employees

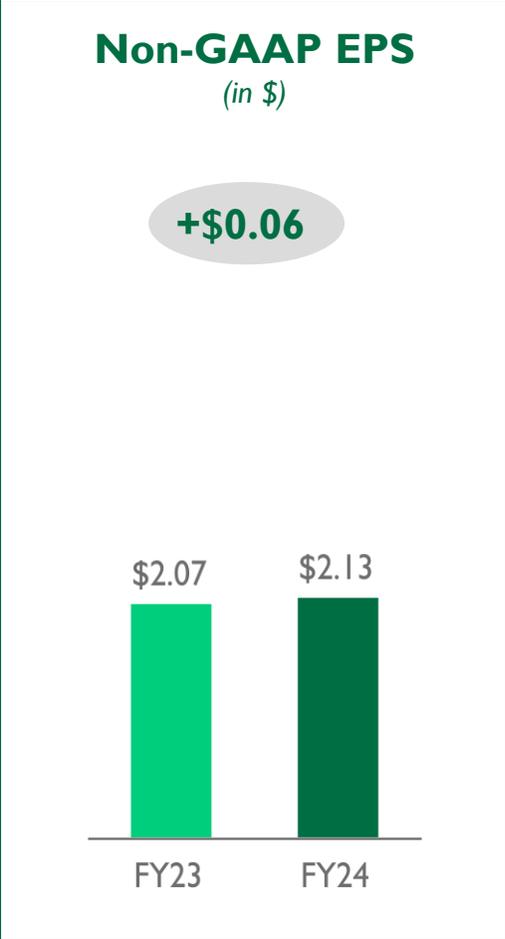
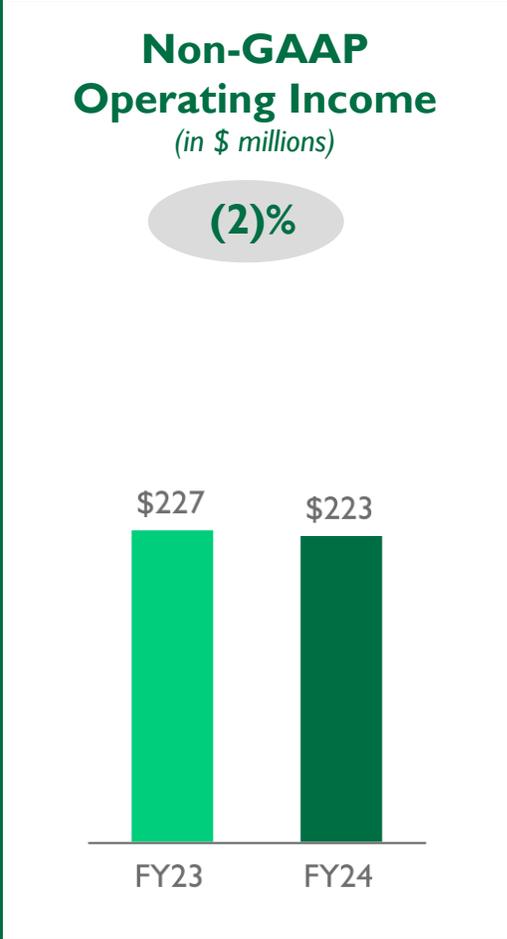
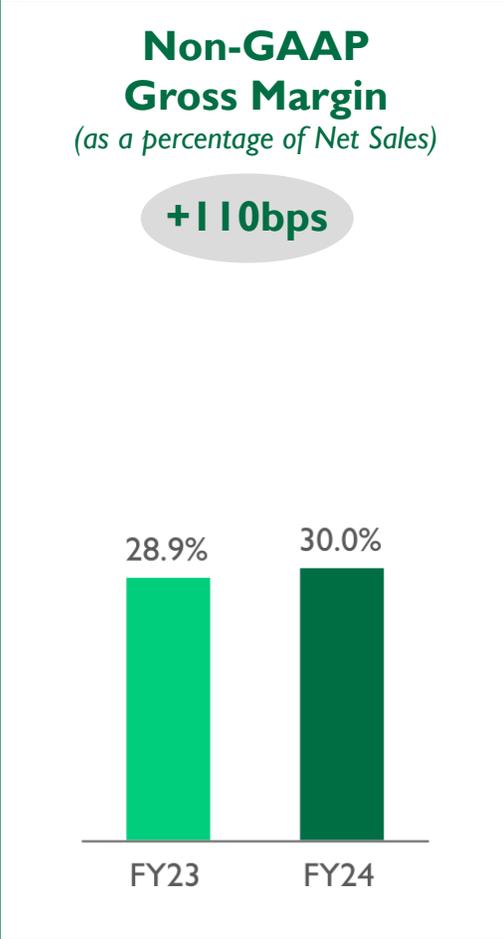
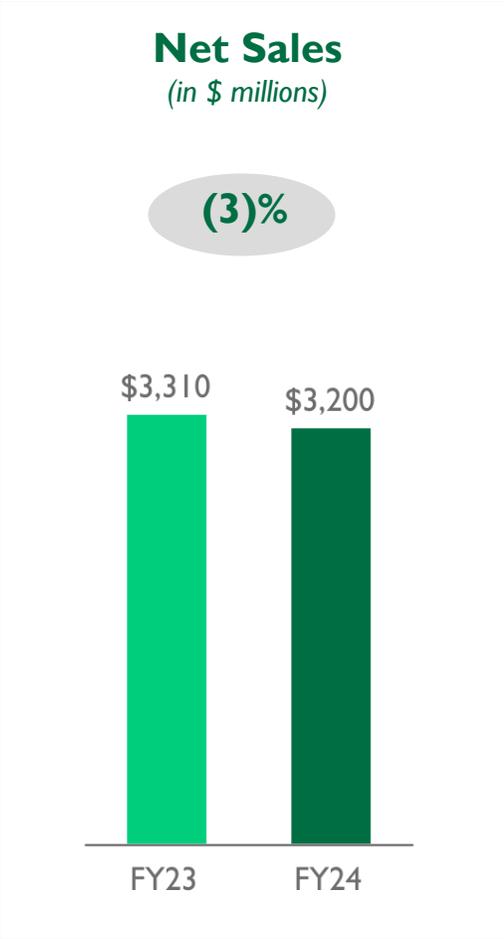


# Financial Overview

# FY24 Financial Results (GAAP)



# FY24 Financial Results (Non-GAAP)

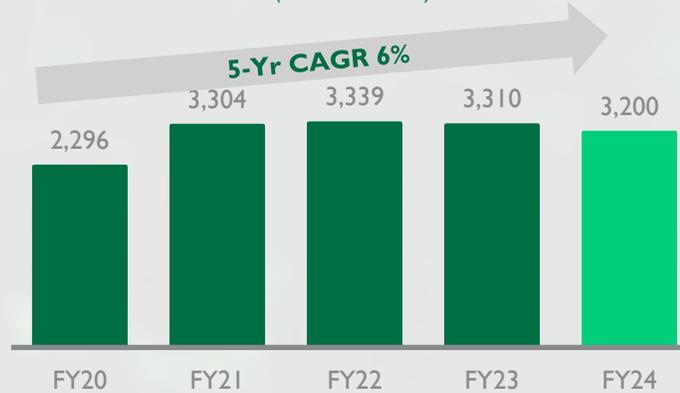


# Our Metrics Accelerated Over The Last Five Years



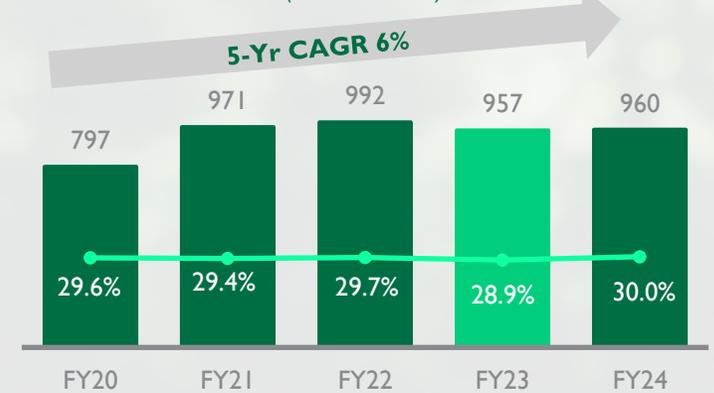
## Net Sales

(in \$ millions)



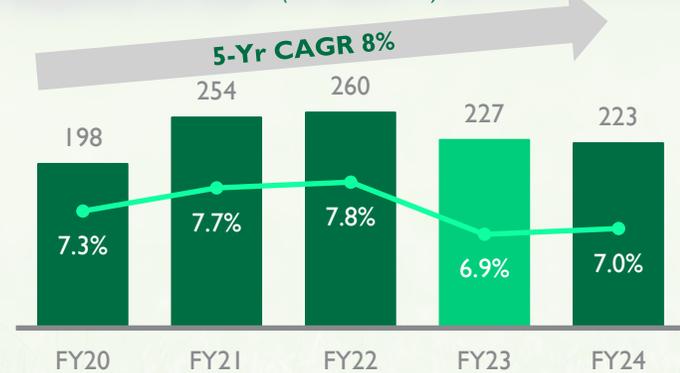
## Non-GAAP Gross Profit & Margin<sup>(1)</sup>

(in \$ millions)



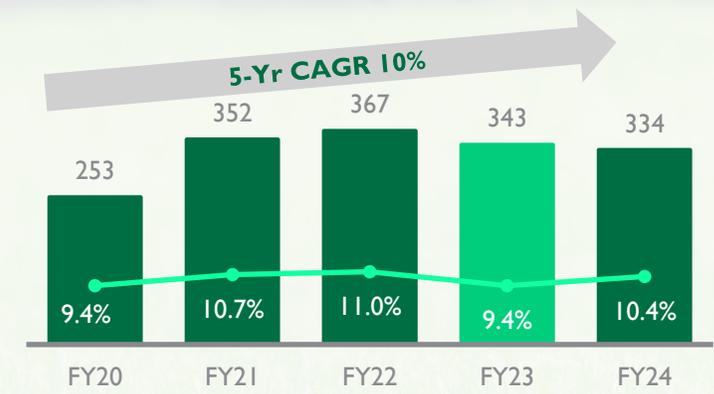
## Non-GAAP Operating Income & Margin<sup>(1)</sup>

(in \$ millions)



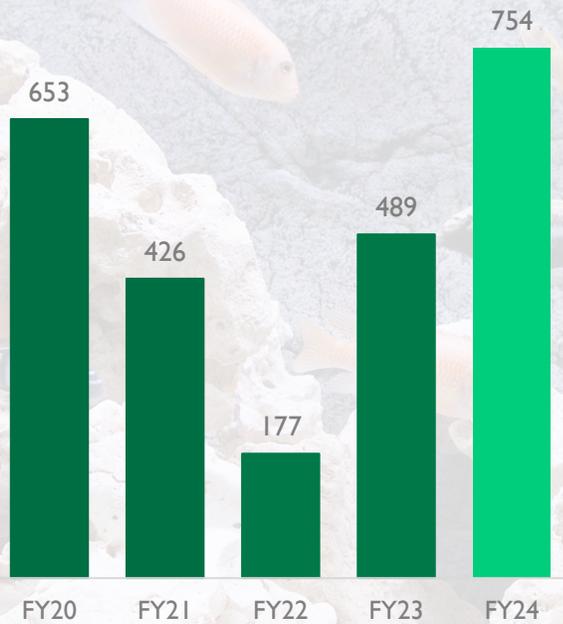
## Adj. EBITDA & Margin<sup>(1)</sup>

(in \$ millions)

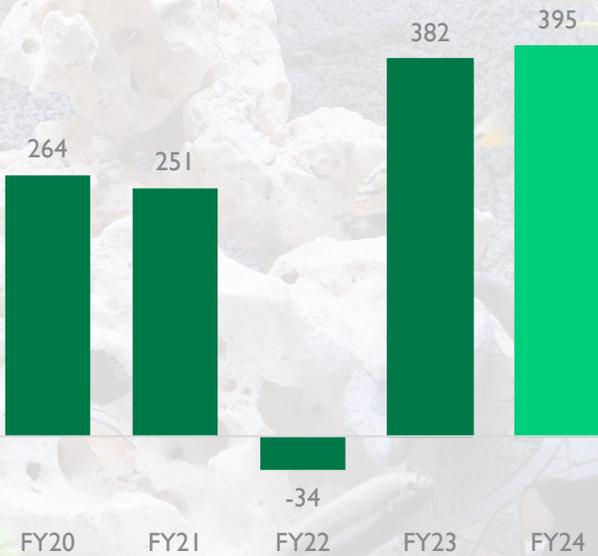


# Strong Financial Metrics

### Cash & Cash Equivalents (in \$ millions)



### Cash Flow from Operations (in \$ millions)



# Financial Resilience

Gross Leverage



- Strong and resilient balance sheet
- Refinanced debt at lower rates
- Future leverage target of 3-3.5x, willing to go higher for the right target, then quickly de-lever
- Reach investment grade rating

# Capital Allocation Priorities

## Invest for Growth

- Expand capacity and increase automation
- Selectively invest in brand building, ecommerce, digital marketing, consumer insights

## Share repurchases

- Opportunistic and programmatic share repurchases

## Targeted M&A

- Build scale, fill white spaces and enter priority adjacencies
- Enhance key capabilities and pursue portfolio optimization

## Debt Repayment

- Maintain flexibility for opportunistic M&A
- Reach investment grade rating

# Multi-year Journey to Reduce Cost and Simplify our Business

## PRINCIPLES

Simplify our business, focus our portfolio and supply chain

Improve our efficiency across everything we do

Execute in market with excellence

Take a disciplined and phased approach, avoid a “big bang”

## FOCUS AREAS



**Procurement**



**Manufacturing**



**Logistics**



**Portfolio**



**Administration**

## OUTCOMES

Significantly reduced complexity: fewer SKUs, fewer plants, fewer distribution centers

Lower COGS through lower logistics costs, better procurement

Greater focus on higher margin consumer product Pet and Garden businesses

Lower administrative costs through scale leverage and efficiency

# Long-Term Algorithm for Profitable Growth

## Organic Net Sales

### Outlook:

LSD

Grow at or above category average

### Drivers:

Strengthened capabilities and increased investment in marketing and sales

## Operating Income

### Outlook:

MSD

Grow faster than Net Sales

### Drivers:

Operating leverage and cost excellence

## Earnings per Share

### Outlook:

MSD-HSD

Grow faster than Operating Income

### Drivers:

Leverage improvement

# Key Takeaways: Financial Overview



Robust financial performance



Fortress balance sheet and strong cash flow generation



Opportunities to expand margins and fuel growth



Proven track record of M&A



Long-term strategy designed to drive shareholder returns



# Summary



# Long-term 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 STRATEGIES



#### 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

# Recap: Key Takeaways



Garden & Pet are highly attractive and resilient growth industries



Central is an industry leader with a strong foundation and untapped potential



Our long-term strategy sets a bold ambition for the future with encouraging early results



We are confident in our plans to deliver significant long-term shareholder value



# CENTRAL

## GARDEN & PET

Please reach out to us with any comments or questions:

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

| (925) 948-4657



# Appendix

# Use of Non-GAAP Financial Measures

We report our financial results in accordance with 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, non-GAAP operating income, non-GAAP gross profit and gross margin, non-GAAP selling, general and administrative expense, adjusted EBITDA and organic net sales. Management uses these non-GAAP financial measures that exclude the impact of specific items (described below) in making financial, operating and planning decisions and in evaluating our performance. Management believes that these non-GAAP financial measures 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. While Management believes that non-GAAP measures 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.

Adjusted EBITDA is defined by us as income before income tax, net other expense, net interest expense and depreciation and amortization and stock-based compensation expense (or operating income plus depreciation and amortization expense and stock-based compensation expense). Adjusted EBITDA further excludes one-time charges related to facility closures exits of business, intangible and investment impairments and gains from a litigation settlement. 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 evaluations. 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.

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 as we cannot do so without unreasonable efforts due to the potential variability and limited visibility of excluded items. For the same reasons, we are unable to address the probable significance of the unavailable information.

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

- *Facility closures and business exit:* we have excluded charges related to the closure of distribution and manufacturing facilities and our decision to exit the pottery business as they represent infrequent transactions that impact the comparability between operating periods. We believe these exclusions supplement the GAAP information with a measure that may be useful to investors in assessing the sustainability of our operating performance.
- *Asset impairment charges:* we exclude the impact of asset impairments on intangible assets and investments as such non-cash amounts are inconsistent in amount and frequency. We believe that the adjustment of these charges supplements the GAAP information with a measure that can be used to assess the performance of our ongoing operations.
- *Gain from litigation settlement:* we exclude the gain from a litigation settlement as it is a one-time occurrence. We believe that the exclusion of this gain supplements the GAAP information with a measure that can be used to assess the performance of our ongoing operations.
- *Gain on sale of a business or service line:* we exclude the impact of the gain 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 gain supplements the GAAP information with a measure that may be used to assess the performance of our ongoing operations.
- *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.

# Use of Non-GAAP Financial Measures

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 made reflect the following:

## Facility closures and business exits

1. During the fourth quarter of fiscal year 2024, we recognized incremental expense of \$7.5 million in our Pet segment in the consolidated statement of operations, from the closure of manufacturing facilities in California and Arizona. Additionally, we recognized incremental expense in our Garden segment of \$3.9 million related to facility closures and business exits announced in fiscal 2023 and earlier in fiscal 2024.
2. During the third quarter of fiscal 2024, we recognized incremental expense of \$11.1 million in the consolidated statement of operations, from the decision to exit the pottery business, the closure of a live goods distribution facility in Delaware and the relocation of our grass seed research facility.
3. During the second quarter of fiscal 2024, we recognized incremental expense of \$5.3 million in the consolidated statement of operations from the closure of a manufacturing facility in California and the consolidation of our Southeast distribution network.
4. During the fourth quarter of fiscal 2023, we recognized a gain of \$5.8 million from the sale of our independent garden center distribution business, which includes the impact of associated facility closure costs. The gain is included in selling, general and administrative expense in the consolidated statement of operations.
5. In fiscal 2023, we recognized incremental expense of \$13.9 million in our Pet segment in the consolidated statement of operations from the closure of a manufacturing and distribution facility in Texas. Additionally, we recognized incremental expense of \$1.8 million in our Pet segment in the consolidated statement of operations, from the closure of a second manufacturing and distribution facility in Texas.

## Intangible Impairments

6. During the fourth quarter of fiscal 2024, we recognized a non-cash impairment charge in our Pet segment of \$12.8 million related to the impairment of intangible assets due primarily to changing market conditions resulting from the decline in demand for durable products and increased international competition.
7. In fiscal 2023, we recognized a non-cash impairment charge in our Pet segment of \$2.8 million related to the impairment of intangible assets caused by the loss of a significant customer in our live fish business. Also, we recognized a non-cash impairment charge in our Garden segment of \$3.9 million related to the impairment of intangible assets due to reduced demand for products we sold under an acquired trade name. The impairments were recorded as part of selling, general and administrative costs.

## Gain from litigation and investment impairment

8. Within corporate, the Company received \$3.2 million during the fourth quarter of fiscal 2024 in settlement of litigation which gain is included in selling, general and administrative expense. Additionally, we recognized a \$7.5 million non-cash impairment charge for two related private company investments that is included within Other income (expense) in the consolidated statement of operations.

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

## Net Income & Diluted Net Income Per Share Reconciliation

		September 28, 2024		September 30, 2023
GAAP net income attributable to Central Garden & Pet Company		\$ 107,983	\$	125,643
Facility closures	(1)(2)(3)(5)	27,842		15,672
Intangible impairments	(6)(7)	12,790		6,731
Litigation settlement	(8)	(3,200)		—
Independent channel distribution business sale	(4)	—		(5,844)
Investment impairment	(8)	7,461		—
Tax effect of adjustments		(10,437)		(3,705)
Non-GAAP net income attributable to Central Garden & Pet Company		142,439		138,497
GAAP diluted net income per share		\$ 1.62	\$	1.88
Non-GAAP diluted net income per share		\$ 2.13	\$	2.07
<b>Shares used in GAAP and non-GAAP diluted net income per share calculation</b>		<b>66,860</b>		<b>66,783</b>

# GAAP to Non-GAAP Reconciliation for the Three Months Ended *(in thousands)*

## Pet Segment Operating Income Reconciliation

	Three Months Ended	
	September 28, 2024	September 30, 2023
GAAP operating income	\$ 14,310	\$ 43,225
Facility closures	(1)(5) 7,549	1,751
Intangible impairments	(6)(7) 12,790	2,785
Non-GAAP operating income	<u>\$ 34,649</u>	<u>\$ 47,761</u>
GAAP operating margin	3.3 %	9.0 %
Non-GAAP operating margin	8.0 %	9.9 %

## Operating Income Reconciliation

	Three Months Ended September 28, 2024		
	GAAP	Adjustments <sup>(1)(6)(8)</sup>	Non-GAAP
Net sales	\$ 669,489	\$ —	\$ 669,489
Cost of goods sold and occupancy	500,537	5,209	495,328
Gross profit	168,952	(5,209)	174,161
Selling, general and administrative expenses	201,360	15,838	185,522
Income from operations	<u>\$ (32,408)</u>	<u>\$ (21,047)</u>	<u>\$ (11,361)</u>
Gross margin	25.2 %		26.0 %
Operating margin	<u>(4.8)%</u>		<u>(1.7)%</u>

## Garden Segment Operating Income Reconciliation

	Three Months Ended	
	September 28, 2024	September 30, 2023
GAAP operating loss	\$ (28,806)	\$ (3,432)
Facility closures	(1)(2)(3) 3,908	—
Independent channel distribution business sale	(4) —	(5,844)
Intangible impairments	(7) —	3,946
Non-GAAP operating income (loss)	<u>\$ (24,898)</u>	<u>\$ (5,330)</u>
GAAP operating margin	(12.3)%	(1.3)%
Non-GAAP operating margin	(10.6)%	(2.0)%

# GAAP to Non-GAAP Reconciliation for the Fiscal Year Ended *(in thousands)*

## Operating Income Reconciliation

	Fiscal Year Ended September 28, 2024		
	GAAP	Adjustments <sup>(1)(2)(3)(6)(8)</sup>	Non-GAAP
Net sales	\$ 3,200,460	\$ —	\$ 3,200,460
Cost of goods sold and occupancy	2,256,725	16,349	2,240,376
Gross profit	943,735	(16,349)	960,084
Selling, general and administrative expenses	758,348	21,083	737,265
Income from operations	\$ 185,387	\$ (37,432)	\$ 222,819
Gross margin	29.5 %		30.0 %
Operating margin	5.8 %		7.0 %

## Pet Segment Operating Income Reconciliation

	Fiscal Year Ended	
	September 28, 2024	September 30, 2023
GAAP operating income	\$ 203,425	\$ 198,004
Facility closures	(1)(5) 7,549	15,672
Intangible impairments	(6)(7) 12,790	2,785
Non-GAAP operating income	\$ 223,764	\$ 216,461
GAAP operating margin	11.1 %	10.5 %
Non-GAAP operating margin	12.2 %	11.5 %

## Garden Segment Operating Income Reconciliation

	Fiscal Year Ended	
	September 28, 2024	September 30, 2023
GAAP operating income	\$ 81,893	\$ 123,455
Facility closures	(1)(2)(3) 20,293	—
Independent channel distribution business sale	(4) —	(5,844)
Intangible impairments	(7) —	3,946
Non-GAAP operating income	\$ 102,186	\$ 121,557
GAAP operating margin	6.0 %	8.6 %
Non-GAAP operating margin	7.5 %	8.5 %

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

## Organic Net Sales Reconciliation

	Fiscal Year Ended September 28, 2024		
	Net sales (GAAP)	Effect of acquisitions & divestitures on net sales	Net sales organic
Reported net sales FY 2024	\$ 3,200.5	\$ 66.4	\$ 3,134.1
Reported net sales FY 2023	3,310.1	48.1	3,262.0
\$ decrease	<b>\$ (109.6)</b>	<b>\$ 18.3</b>	<b>\$ (127.9)</b>
% decrease	(3.3)%		(3.9)%

## Organic Pet Segment Net Sales Reconciliation

	Fiscal Year Ended September 28, 2024		
	Net sales (GAAP)	Effect of acquisitions & divestitures on net sales	Net sales organic
Reported net sales FY 2024	\$ 1,832.8	\$ 66.4	\$ 1,766.4
Reported net sales FY 2023	1,877.2	—	1,877.2
\$ decrease	<b>\$ (44.4)</b>	<b>\$ 66.4</b>	<b>\$ (110.8)</b>
% decrease	(2.4)%		(5.9)%

## Organic Garden Segment Net Sales Reconciliation

	Fiscal Year Ended September 28, 2024		
	Net sales (GAAP)	Effect of acquisitions & divestitures on net sales	Net sales organic
Reported net sales FY 2024	\$ 1,367.7	\$ —	\$ 1,367.7
Reported net sales FY 2023	1,432.9	48.1	1,384.8
\$ decrease	<b>\$ (65.2)</b>	<b>\$ (48.1)</b>	<b>\$ (17.1)</b>
% decrease	(4.6)%		(1.2)%

# GAAP to Non-GAAP Reconciliation for the Fiscal Year Ended *(in thousands)*

## Adjusted EBITDA Reconciliation

	September 28, 2024		September 30, 2023
Net income attributable to Central Garden & Pet Company	\$ 107,983		\$ 125,643
Interest expense, net	37,872		49,663
Other expense (income)	5,090		(1,462)
Income tax benefit	33,112		36,348
Net loss attributable to noncontrolling interest	1,330		454
Income from operations	185,387		210,646
Depreciation & amortization	90,807		87,700
Noncash stock-based compensation	20,583		27,990
Non-GAAP adjustments	(1)(2)(3)(6)(8) 37,432	(4)(5)(7)	16,559
Adjusted EBITDA	\$ 334,209		\$ 342,895