Truist Securities Consumer Symposium

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Bill Chappell:

Good morning. And thanks for joining us at that my name is Bill Chappell. I'm the senior equity analyst at Trust Securities Covering Consumer. If you couldn't tell that I'm not working in my office for worldwide headquarters, as you can see that this screen really doesn't block a whole lot of my basement office. So, bear with me as we go and bear with my internet connection. And hopefully it works this time. This morning we have the management team of Central Garden & Pet. If you don't know, based in Walnut Creek, California. Central Garden & Pet is a leading player in the pet supplies category, including companion pet, aquatics, small bird, reptile, and the lawn and garden supplies market, including with a strong presence in grass seed controls, wild bird, seed, and various other categories. Its products are sold through a wide variety of retailers through including home Depot, Lowe's, Walmart.

At the end of fiscal 2020, the company had $2.7 billion in trailing revenue, and it currently has a market cap of 2.3 billion. Today we have a speaker's Chief Executive Officer, Tim Cofer, Chief Financial Officer, Niko Lahanas, and a VP of investor relations, Friederike Edelmann. I think I've pronounced that right, but I did my best. I get a lot of "Chappelle" . So, I'm used to mispronunciations. So, Tim, why don't we just jump in. You joined the company, now, I guess it's about 15 months ago. I believe you came from Mondelez and tell us a little bit about your background, but also what attracted to you to this opportunity, which is a little bit different than International Confectionery & Snacks, unless you've considered dog snacks and cat snacks. So help me walk through your background, what attracted to you and what you say the opportunities are?

Tim Cofer:

Sure. First of all Bill, thanks a lot for having us. Pleasure to join you and other investors here at this Truist Securities conference today. Little about my background. I've been in consumer products for 30 years. I've lived and worked around the world here in the United States, across Europe, Asia, Middle East Africa. And yes, I most recently joined in 2019 as CEO of Central Garden & Pet. And prior to that, I had a number of P&L and executive roles at Mondelez

International at Kraft Foods and other U.S. based companies. I was looking for a new opportunity and a chance to lead a public company. And that led me to a Central Garden & Pet. In a word, why did I join Central Garden & Pet? Opportunity. Opportunity, opportunity, opportunity.

This is a great company, Central Garden & Pet solid, foundations, strong P&L, robust balance sheet, good management team, very attractive categories, both garden and pet that I'm sure we'll get into. And yet Bill, as I've said with you and others in my first year and a half or so, there is significant untapped potential for Central Garden & Pet. And I was attracted to that and the opportunity to really unlock that full potential. So, that's obviously as a CEO would do in joining a new company, we took the first nine, 10 months of my tenure to do what I'd call a pretty comprehensive end to end strategic review and really kick the tires on the history of this company, organic and inorganic growth agenda, cost agenda, categories in which we participate, categories we wish we would participate in, what's working, what's not.

And that led us to craft a new strategy. One that we unveiled last December at our Investor Day that you joined, we call it our central to home strategy. And through this conference, we can talk more about it, but we're excited about that value creation opportunity and underneath that are a series of changes and plus-ups we're putting in. And if I would just highlight three or four quickly, and then we'll go where you want to go. One would be around a much stronger consumer orientation. So Central Garden & Pet has historically had a very customer orientation or retail partner. We need to maintain that, but we really need to invest in understanding our consumer better than ever. It's a rapidly changing marketplace that will unlock brand building opportunities, e-commerce opportunities, innovation opportunities. A second big change or plus-up I'd highlight would be around M&A which Bill, you and I have talked about on calls and maybe a little later, we'll talk about our recent acquisitions, but Niko and I are evolving our approach to M&A which I think presents exciting opportunities.

Maybe a third would be on the cost agenda. It's a “stepped up” cost agenda. We have real opportunity to drive accelerated net productivity and cost savings and better leverage the scale of a $2.7 billion leader in garden and in pet. And then finally, culturally. I want to nurture the roots of this company, which is one of an entrepreneurial business unit lad, agile culture. But what I also want to do is get those benefits of being a major player in our two industries. And there are best practices and there are scale advantages to us working together. And many of those Bill, are yet untapped. And so that's a big part of the strategy as well.

Bill Chappell:

Nice. That's great. We'll definitely unpack each of those as we go along. I want to start on that the cost, but also the margin front. I mean, when you think about it, or the question I'm on is often get is, why if this is such a good business or its margin so much lower than its peers. I mean, if you look at ScottsMiracle-Gro in Garden, and in Spectrums or I could have Spectrum brands is a pet business, and your margins are lower than both, especially on the garden side. I mean, I know some of that is structural with distribution business being part of the sales but maybe you can help us understand why it is lower maybe what the opportunity to do to close the gap and how important it is to closing the gap to you in the company?

Tim Cofer:

Niko, you want to take that?

Niko Lahanas:

I'll take that one Bill. Yeah, as you pointed out one of the key reasons our margin profiles a bit lower than our competitors is our distribution business. And as most people know that business comes in at a low single digit, EBIT margin. So, that tends to drag the business down. The other thing I would point out is, our margins tend to fluctuate a little bit based on our product mix. If you look at our portfolio, it's pretty broad. And with that comes a very differentiated, what I would say, margin profile. And so, depending on which would be used or doing well, or which products are selling a lot of that's based on weather, we can have a very different outcomes in a given quarter around margin.

Getting back to the structural issue, I would say, it's a bit of an opportunity. Tim had pointed out we've got a lot of costs to take out of the business. We are still relatively siloed, although we're making a lot of progress in that area, but we view that as a real opportunity. And I would remind everybody about our financial algorithm, where we want to grow that bottom line faster than the top. And the only way to do that is to expand margin, and the way we're doing that is taking cost out to fuel that growth. So, it's really a process of continuous improvement and it's one that we're aware of and we readily accept that challenge going forward.

Bill Chappell:

But part of on the structural side is you have a sizable - I mean it's 20% of both businesses - have distribution. And I don't know the percentage of your businesses private label, or store-brand products of both pet and garden. I mean, why is that important to the business but first on distribution, why have a distribution business at all, if you read this size? I know what that's the legacy of the business and why be in private label when you're already servicing focusing on brands?

Niko Lahanas:

Well, the distribution business gives us a number of ship points. So it allows us to really have access to that independent channel. Very readily. Additionally, allows us to match up with e-com customers, as well as food drug mass. We have a large business with a large grocery retailer out there where we manage their entire pet segment. Our ship points allow us to really marry up with that very effectively. As far as private label, I would say that, it's a situation where when we're the low cost producer, we're going to do private label. We know it's a tailwind at retail. It's a real margin contributor for the retailers. They're going to do it, they're going to bid it out. And we figure it may as well be us if it's a foregone conclusion. So well, were the low-cost producer, we will aggressively lean into private label.

It helps us absorb overhead in our manufacturing facilities. It gives us a bigger presence at the shelf and really makes us a very meaningful partner with the customers at that point. Some of the examples out there, if you look at private label and how it's evolved, it's really come a long way. Some of the packaging as the look and feel of a branded, a real, truly branded product and it's a great partnership for us and the retailer.

Bill Chappell:

Got it. Tim, before we go into some of the categories, I did want to touch on your second point on M&A. I mean, over the years it's been either a hodgepodge of different directions in terms of M&A it's, Hey, this is a partner, or this looks interesting, or we're going to go into distribution or private label or brands or what's for sale. Sometimes it's been enough. I mean, there's been no deals for two, three years at a time. How do we get comfortable that... Or help us understand the new focus, the new plan and the criteria behind that plan?

Tim Cofer:

Sure. Well, as you say, Bill, for starters, I mean, M&A has been an important part of Central Garden & Pet's history. It is largely a growth through acquisition story over the last four decades. Going forward, Niko and I, and the management team are equally committed to growing both organically and through M&A. I certainly have a lot of experience in my prior 30 years of strong M&A activity, successful integrations and creating a lot of value through adding scale or entering in new categories. We are active. Right now, I think I shared with you Bill and some of your colleagues that we've staffed up the M&A team. So we now have a five person full-time dedicated team, including a direct report to me, leading that M&A agenda.

And so I think that's a strong signal to our investors that we remain committed to this space. We take a look at each and every opportunity, and of course everyone's unique. In general, what are we trying to do, we would like to add assets in garden and in pet that further our scale and our leadership positions in core categories or near in adjacent categories still with the garden and pet. Ideally, they are growth creative, they are margin creative, they are branded and they have a for sure, the talented management teams that are excited to come and join us and we'll stick with us. That's the ideal criteria. Obviously when you do that, Bill, versus some of the historical acquisitions, you may need to pay up for that. And I'm not troubled by that potential, because I think if they tick those boxes there's still a lot of value that can be created at a higher multiple.

And some of the synergies that occur from bringing it into a close to $3 billion platform can help to justify that and still create value. Maybe a little later in the conference, if you wish we could spotlight the three most recent acquisitions, some of which adhere to that criteria very nicely, others are mixed. And I think that does speak to... We're going to be opportunistic. We're also going to be disciplined, Bill. We won't of course overpay versus what we think it's worth and what we can do with that asset. But the commitment from Niko and I is, it will continue to be an important part of the playbook as it has in the past. And we really want to, in addition to continuing M&A, we will really want to ramp up that organic growth agenda.

Bill Chappell:

Now, and for people who aren't as familiar, in my 18 years of coverage, I'm not sure I've heard Central Garden & Pets use the term, pay up for anything a whole lot of time. So it's nice to see. It's nice to hear that. That's the real change and willingness to go after high quality assets and pay the price for those. I think help us and as we go in to digging a little bit more on to pet. I mean, from an M&A standpoint, one of the questions I always have is, how much it's always there a thousand players it's right for consolidation, but you go to the pet expo and you're like, do you really want all these businesses?

It's hard to tell how much real opportunity is. So can you maybe talk about that. And then on the same thing with pet general, the knock guy here on Central is, well, they're only growing their pet business 4%, 5%, but companion pets growing high single digits, and as a category, why aren't they growing faster? So maybe help us understand your existing composition of the business with that in mind, why you're not growing as fast as the overall category? And then also how that dictates what you look for in M&A?

Tim Cofer:

Sure. So yeah, maybe stepping back on the pet category and then our business. Pet in general, what a great category. We're talking $100 billion, consistent growth in the industry over the last many years. And that's only accelerated obviously in the COVID pandemic. The pet industry, and for us, when we talk about our categories, we talk about pet supplies. We've made a pretty clear strategic choice that areas like food, probably litter, both two big segments, and then you've got your services. If you take those three chunks out of that 100,000 billion dollar pie, you're left with a massive set of categories called pet supplies. That's our core. That's where we're number two in the United States as a pet supplies company. And it all starts with the pet. It all starts with the animal. And last year we saw the rapid acceleration of pet adoption in this country. 2.7 million households added a pet last year, and those households that already have a pet, one third of them added another pet.

So we are in a real attractive, sweet spot right now in the pet industry. And that bodes well for future growth. So that's the pet category broadly. By the way, that's across all animal classes, certainly dog and cat, but small mammal, pet bird, reptile, actually the strongest of the group. And we play in all of those. Now, what about our business? Second part of your question. As I said, we're number two in pet supplies. We've got great positions. Think our Kaytee brand. Number one brand in the small mammal category, in the pet bird category. Think Nylabone the number two brand in dog toys and then a meaningful position in edibles or dog treats. Our Aqueon brand number two in aquatics.

So, you've got a number of strong brands and strong number one, or number two leadership positions in the core segments of pet supplies. Another part of your question was M&A on pet. You referenced a trade show. Obviously we're active, we're always on the lookout on Pet. I think we've got great feelers out there. Great reputation, our distribution business that Niko mentioned earlier gives us an early pulse on what's selling because we sell third-party products as well. And yeah, I mean, at a trade show, I was - just before Covid - was down in Orlando at Pet expo and there's thousands, thousand plus companies down there. I mean, are all of those on our agenda, probably not too small or in food, for example, dog food which were not so much interested in, but probably 100 of those Bill, are on our list.

I mean, we're regenerating refreshing our pipeline and a classic M&A funnel. We've got 100 or so of interest and we're working our way down through the funnel of those that are actionable. Those that have a seller that is maybe willing to sell, and those that would be great fit for us and where we could create a lot of value. So, I'm bullish on our pet business. It's the majority of our business as you know, 60/40 pet versus garden here at Central, strong leadership positions and opportunity both inorganically and organically. I think the last part of your comment was, well, why aren't you growing as fast? Part of it is, of course, what's the universe you're talking about? Are you talking about the full 100 billion, including food.

Food had quite a tear there for a few years, as you probably know. Bill, that's softened based on a number of trends. Within the categories we compete: Dog bedding, small mammal, aquatics, health and wellness, dog toys, et cetera, we track share very closely. And certainly in the last year, both in terms of a Nielsen data, as well as an Amazon data to of the stronger data sources where you can really do an apples to apples. We feel good about our growth rate, Bill, and about our competitiveness from a share position.

Bill Chappell:

And with regards to the pandemic, do you feel like you're seeing the full benefit of the increase in pet populations or is there a lag impact that we'll see that over the next year or two? Because I mean, presumably no one's destocking their pets after the pandemic's over.

Tim Cofer:

That's right. That's what's so encouraging. I mean, no question, Bill. We at Central and our industry peers saw a big bump once the lockdown started coming into effect more or less this time last year, March, April last year. So, for the least that full 12 month cycle, we're seeing extraordinary growth rates. You've seen our published rates, Q1 Central Garden & Pet group. Our fiscal first quarter grew 23% on the top line, and record profitability in our Q1. But beyond that, to your point, Bill, is this sticky? We believe on pet far more so than garden. We think in both, there is a real change and we'll talk garden later if you want, but in pet, it has the opportunity to be very sticky because as you say, it's predicated on the animal itself and we know them, we track pet adoption and pet household penetration.

And the spike that we've seen in the last 12 months is meaningful, and that's going to sustain and they still need to feed it, and they still need to treat it, and they still need to bed it and they still need to cage it, and they need to treat it's health and wellness opportunities and so on. And that's where our company and our supplies come in.

Bill Chappell:

On the last one on the competitive landscape, it seems like both pet and garden but especially pet is not one that's overly merchandised, sure, a lot of advertising. There are dozens of different brands. I mean, is there an opportunity to make this... To gain share by stepped up or different merchandising or marketing for the category. Is that something that you've seen as your other job that is lacking in this industry?

Tim Cofer:

In a word, yes, Bill. I believe that's the case. This is a largely when you get outside of Central and a couple of other big names, this is a very fragmented industry. And so you've got a smaller collection, potentially a little less sophisticated, a little less resourced in the back room set of players. And so the opportunity to distinguish our brands to as I said, really understand our consumer and invest more in brand building and digital marketing, in e-commerce, in innovation. These are organic growth opportunities that I think we're in the very early innings of seeing at Central Garden & Pet. And I think in the years to come, you're going to see a lot more in that space. And that can be a source of competitive advantage for this pet company.

Bill Chappell:

Got it. Switching over to garden and clearly it's been another category that's the big beneficiary of the lockdowns, and work from home, and virtual school. Can you talk a little bit why that is? I mean, I don't think every household has started a tomato garden. It's not just a spike there. It doesn't seem to be. So then at the same point people still had the same lawns they had before the pandemic, and I don't think the virus had any impact on lawn growth. But at the same point, the whole category is grown so well. So what's the driver and what gives you some confidence that it's a sustainable driver? The people are going to continue to have an elevated spin on the garden category.

Tim Cofer:

Yeah. Well, in, in calendar 2020, this season of 2020, it was truly extraordinary and lawn and garden, and that benefited Central and other players that participate in lawn and garden. And it was really two things at its core. One was the implications of COVID-19, how they manifested. The other is, Bill, and we've talked about it with you on our calls, it was an extraordinary weather season last year. And weather plays a very important role in our garden business. Great weather trends - the category does much better, poor weather and you do feel it. So we had an alignment of two powerful forces on the... Weather's obviously a wild card every year. We'll see how this year goes. On the COVID-19 impact, bottom line. It came back to the shelter in place, and the lack of travel, and consumer spending a lot more time at home.

So, here's some statistics for you. I mean, you've got, I think 80% of homeowners said that last year they did a project in and around their home, inclusive of beautifying their outdoor spaces. When you're locked in, you're not going to Disney World with the family. You're not taking the European vacation, whatever, you're going to spend a little bit more time, buy those live plants, beautify that backyard, make that lawn a lot nicer for the kids to play soccer and whatever on. And we saw that in the categories, we saw more plantings, et cetera. In total Bill, household penetration, we saw 8 million incremental households participating in lawn and garden consumables categories that hadn't done that in 2019. And what's most encouraging for me from a long-term outlook standpoint is that the majority of those were millennials and Gen Z.

And so we're seeing a disproportionate pickup of that younger generation. You would know as well, Bill, the statistics around people looking to get out of the big cities and maybe get a little, a bit of a suburban life and get a little bit of a space, et cetera. So, I think unlike Pet, as we just discussed, when the animal's there, that's a pretty strong guarantor that you're still going to need stuff for the animal, the lawn and garden stuff can come and go. Weather is part of it each year, let's remember that. We are weather dependent to some extent in terms of spikes. But I do think this won't go away fully when we left this cycle. Some of it is sticky and it's simply because people have enjoyed those beautified spaces, those live plants that, that are lawn, that wild bird.

One of the categories, Bill, that we've seen actually take off surprisingly was a rather dormant category of wild bird feed. We are America's largest wild bird provider with our brands like Pennington and Kaytee, that skews a little older in terms of demographic. And that category took off last year. Like we haven't seen in many years. Now, will all those people, re-up their wild bird behavior? And if the pandemic goes away, no, not all of them, will some of it stick. Yeah. I think some of it will stick. And that bodes well for the future.

Bill Chappell:

I think I'm right in saying, I remember my favorite factoid in the past as well. Bird seed sales spike when it snows because the consumers don't think the birds can find their own food when it snows?

Tim Cofer:

That's correct. You got it right. Yes. We see a big correlation with the first big snow storms in each geography and POS sales of wild bird.

Bill Chappell:

And on that-

Niko Lahanas:

What a great substitute for kitty litter to get the car out of the snow. Some people keep it in their trunk, believe it or not.

Bill Chappell:

See, this has been entertaining and educational already. I appreciate that. And I just to touch on that, I think I'm right in saying that, if it was to say, be snow on the ground, as I've been told for everyday of February in the state of Pennsylvania for the first time in 50 years, or there's a freeze in Texas and in February that doesn't really have that big of an impact on the full year garden business. Does it?

Tim Cofer:

I mean, it's early still. So certainly back to our wild bird, all jokes aside, but wild bird, those impacts help wild bird but when we're talking grass seed right for your lawn, when we're talking fertilizer, when we're talking live plants and these other categories we're in, it's still too early, Bill. The season really begins to ramp up more in the March, April timeframe. That's where we really begin to look at weather on a Metro by Metro basis. And the key from a consumer standpoint, just put your own personal behavior on if you're a gardener at all. I certainly am here. When it's good weather weekends in the early Spring, that's where you see those people run to their home centers, their hardware stores, et cetera, and invest in the type of products to beautify their outdoor living spaces. That's the key.

Bill Chappell:

Got it. And over the past year, you've talked about gaining some share in the garden side. But if I look and I get a question, and if I look at ScottsMiracle-Gro their growth was faster, excluding the Hawthorne Segments than yours was. So how do I pair those up? Or how often do you compete everywhere with Scott's, are there certain segments, where you don't compete or where you're gaining share that it's just different for us to see, or how the season compares?

Tim Cofer:

Yeah. Well, you're right Bill, and saying that our portfolio does differ a bit from our competitor Scott's. And so, we match up in some categories and then there are others where we play and they don't, or they play and we don't. So, in the last few years, a couple of places where we feel very good in terms of our competitiveness and gaining share would be wild bird is one, another would be in fertilizer. One where we don't feel good in the last call it two years would be grass seed. And that is one where we go head to head with Scott's. I'd say cautiously optimistic about this year, we've got a big launch of our Pennington Smart Seed relaunch of that business this year, quite a bit of marketing muscle and point of sale and merchandising muscle around that. So we'll see how that goes this season.

And then as you say, that competitor you referenced is also in categories we're not in. The Miracle-Gro brand, a lot of the mulch and so on. We're not in, and obviously we're not a big as they are by any stretch in the hydroponic segment. So on the one hand, it's fair to just say, Hey, how did their lawn and garden business do? How did ours in the end, but you need to really look category by category. And in some cases we're growing share and others we are losing. And of course those that we're losing are an important - we've got actions in place - an important part, our expectation is to hold their gross share in every category we compete.

Bill Chappell:

Yeah. One question is you would expect, look at the garden business, close to a third of the garden sales come from one retailer, and largely because you do the private label and have done the private label for probably 40, 50 years. So is that a risk that we should think of, or is that an opportunity by having that type of relationship or that kind of exposure?

Tim Cofer:

Yeah. I'm not sure. I recognize this statistic that you've quoted.

Bill Chappell:

Yeah. I mean, Walmart was always a big part of the garden business, and maybe it's just combined private label but I know that they're the largest private label customer for you as well. And so it's just-

Tim Cofer:

Yeah. We have a great branded business at that fantastic retail partner, and we make private label for them. I mean, so it is not just a private label business. You'll find our Pennington, for example, on the garden side, Pennington wild bird of business there at Walmart, that's a really a big business and a great partnership. So I'm not sure. And we certainly can follow-up as you wish Bill, on the premise fully. There is no question on the garden side, we have a handful of customers that represent a big part of our business. And certainly the retail partner you referenced a couple of the big home retailers would also be high on that list. And so, the partnership with those three in particular is very important to us, but in all three cases we do... In our bag that we carry, we carry a nice assortment of both branded and private label products.

Bill Chappell:

And just looking at the overall garden category, how elastic is it? I mean, you would think that especially in this past year where people just, they got nothing better to do but to spit around their home for a few options. So they're spending left and right on garden, pricing doesn't matter as much. And the same could be said with the category of usually you're only making the purchase one or two times a year, so you don't remember what you paid a year ago. So I mean, how easy or hard is it to offset commodities and maybe even talk about your commodity basket as we're looking this year.

Tim Cofer:

Niko?

Niko Lahanas:

Yeah. So yeah, commodities have risen Bill, this year and in particular the grains in our wild bird business. So we've actually had to take some pricing. If you look at our Q1 results, we largely flew without any pricing air cover in Q1 and now that pricing is taking effect across Q2 and into Q3. So yeah, we've seen commodities really rise, interestingly in wild bird. Typically, a fairly elastic category historically. Now, it's been no secret that our service levels have not been great. And we viewed the pricing reasons, perhaps a reprieve where we could catch up a little bit, but it turns out this year that the consumer is still aggressively purchasing the product even at higher prices. So, we've seen some inelasticity there this year, which I guess it's great for the category but we were hoping to catch up a little bit and it doesn't look like that's going to play out. So a still very, very strong demand.

Bill Chappell:

Got you. Any other headwinds that you're looking at, or that you are already seeing down the road?

Niko Lahanas:

Yeah. Labor continues to be a challenge, freight specifically, ocean freight is also a challenge over on the pet side. Believe it or not filling for our pet beds has really spiked. That's another area where we're dealing with higher input costs and we'll have to take pricing. So we're seeing it. I personally think it's a reality that's going to be with us for a while, just because of the increased demand. The supply chains are still fairly stressed and so prices have nowhere to go but up at this stage and we've just got to keep a sharp eye on that.

Bill Chappell:

Got you. Tim, back to the recent acquisition because it is such a change, all three of them. Maybe let's just start with Green Garden, it's the largest deal I think the company has done in at least the past 10, 15 years, and you're getting into seeds. And then I guess this isn't technically live animals, but how does it help in terms of live plants? But I mean like...why would you want to get into this part of the business that seems like be commoditized, I think of one, pumpkin seed is pretty similar to your pumpkin seed. But that a side of business. So help me understand the thought process behind making this job.

Tim Cofer:

Sure. And is it just me or is Bill's audio compromised?

Bill Chappell:

[inaudible 00:37:33].

Tim Cofer:

As your last question, it's very grainy. I don't know if others hear it.

Niko Lahanas:

Yeah. We're getting it too, Chappell.

Bill Chappell:

Is that better?

Tim Cofer:

Yes. Much better Bill-

Niko Lahanas:

That's better.

Tim Cofer:

But I did. I did hear your question, Bill. Thank you. So Green Garden, we're excited about this acquisition and Bill you're right. That was a meaningful acquisition for us, a purchase price, as we disclosed them about $530 million. And we like asset, why? Well, it builds out an important adjacency in the lawn and garden consumables portfolio. We're no stranger to seed, obviously we've got the second largest grass seed business in the United States. And moving into this, what they call an adjacent category, vegetable seed, herbs, seed seedlings, plantlings, is a clear adjacency in garden completely plugs in very nicely to our company. We talked about our retail partners earlier, concentration of that business and the fit with our routes to market, the strength of our relationships with both the big players at home centers and big box, also independence, lawn and garden nurseries, et cetera. Very nice fit there.

And it's a slightly earlier sell in the season, Bill, as you might imagine, people looking to plant, that's the very first thing they do. So even from a calendar seasonality standpoint, it's a nice complimentary fit. We liked the economics, we liked the profitability of this business. We like the brands that come along with it. And of course, you won't be surprised to hear, I will say that I think there's an opportunity to strengthen those brands so that consumers place a little bit more of a value that if they're going to spend, it's a fairly low out of pocket, they'll want to spend on a brand that they really trust that they feel like will produce a great pumpkin, a great tomato, a great set of green beans, whatever they're looking to do. We also like the management team and as I told you earlier, that's a very important part of our criteria. We're getting a great management team. We're getting a great leader.

I spoke with them again last night and talk to them later today in a call. So we've got a good team and that's an important part of it. So we like the category, like the margin structure that we're getting, like the management team and the fit with our company. I think there are potential for a few others down the road in terms of other adjacencies in garden. And of course it just so happened that earlier this year, we did three acquisitions, all three happened to be in the garden space. We can talk about the others if you wish, but rest assured we are also very much on the hunt on the pet space as well.

Bill Chappell:

But with that, it's a big deal. And the big capital outlays, is it Testament that you really are agnostic to pet versus garden, because I think in the past, the bent was towards a faster growth, more attractive category. That's where we want to be bigger, or you really more, the opportunity comes along looking at that individually.

Tim Cofer:

Yeah. I mean, absolutely. We are opportunistic Bill. And so, we're interested back to the criteria I shared with you earlier with any attractive asset that fits those are the majority of those in either garden or pet. And timing was such that in this most recent round we did three back to back to back and they all happened to be in garden.

Bill Chappell:

Well, and maybe talk a little bit about, DoMyOwn. I think I've answered for 500 investors over the years that "no, they're not. Central Garden & Pet is not a retailer." And then you ended up buying an retailer. So explain to me like what this business is, just a look, does it pick back up and then why it makes sense being part of the Central Garden & Pet family?

Tim Cofer:

Sure. Yeah, there's a lot we like about, DoMyOwn. I mean, I'll start from a core business standpoint. This is largely a controls business thing, pest control and other lawn and garden controls type products. And so that's a fit because we're a big player in controls already at Central Garden. So there's that, I would say synergy, and then really Bill, it is an extension of our commitment to lead in e-commerce in the future. So when you think about e-commerce, initially you think pure play players think Amazon on the pet side think Chewy but of course the fastest actually growing across our segments is what we'd call omni-channel or the traditional brick and mortar players who are extending their offering either through BOPUS, Buy Online, Pick Up in Store or direct to consumer shipments.

It's very important to me, to Niko and this management team that we are building future-proofed capabilities in the e-commerce arena. And if I had to oversimplify it,, Bill, I'd put it in two buckets. One is the technology, the systems that enable that. The other is the logistics side, the pick, pack and ship capability that allows you to efficiently and profitably ship eaches. Select eaches off the line and ship eaches. That's very different than shipping full pallets to a big box retailer. That's a capability that we must build. I would argue any company today needs to build that. What DoMyOwn represents, therefore is two things. One is we've added another important controls business into already a company that's active in controls but the other is we've also bought a series of capabilities and those capabilities, Bill, we will look to take the best practices from, and over time see the mothership of Central Garden & Pet benefit from those capabilities.

Bill Chappell:

No. That's great. And as I think we talked before, I was happy to find it. They have a five pound bag of scorpion control on DoMyOwns. So I'm very excited to put that to use at some point. Final question, I realized I could only call this a symposium if I focused on one subject. So I'll use the pandemic is my one subject question that I've been asking all questions, but when you look back three years from now, you think Central Garden & Pet their long-term opportunity was strengthened, weakened or no real impact as again, as we look back or was it just a blip as we go along.

Tim Cofer:

Well, Bill, thank you for the softball. But all jokes aside, a very genuine, clear answer - stronger. No, I don't need to hesitate on that. We will be stronger on the other side of this pandemic and we're really Niko and I, we had an executive team meeting last week with all the operators and so on and the real call to action from both Niko and I was a crisis is a horrible thing to waste, and we have an opportunity given this tailwind that we've experienced. We have a real opportunity now to make the investments we need to future-proof this company. Those investments, those focus areas, we've been very clear with our shareholders on what those are as part of our central, the home strategy. We have an opportunity to be more consumer-oriented, strengthen our brands, improve our innovation, really build our digital capability, accelerate our e-commerce growth, invest in the future in capacity, which we're doing, more than doubling our CapEx budget this year, year over year, get more aggressive on the cost agenda.

And when we do those things in this timeframe, I have no doubt that on the other side of the pandemic Central will emerge and even stronger and more competitive player in both garden and in pet.

Bill Chappell:

Well, that's perfect. Thank you so much for joining our Truist consumer symposium and enjoy the rest of your day.

Tim Cofer:

Thank you.

Niko Lahanas:

Thank you.