

Q3 FY2024

# Investor Presentation

8.7.2024





## **Business & Industry Update**

*Beth Springer, Interim CEO*

## **Q3 FY24 Financials, FY24 Outlook**

*Niko Lahanas, CFO*

## **Management Q&A**

*Beth Springer, 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, fiscal 2024 earnings forecast, anticipated grass seed inventory write-down, 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.



**Beth Springer**

Interim CEO

# Three Key Themes

1

## Delivered Solid Third Quarter Earnings

- expanded gross margin
- delivered GAAP EPS of \$1.19 and Non-GAAP EPS of \$1.32 against record Q3 2023
- strong eCommerce growth

2

## Advanced Cost & Simplicity Program

- initiated exit of pottery business
- closed live plants distribution facility

3

## Maintaining Non-GAAP EPS Guidance of \$2.00 or better

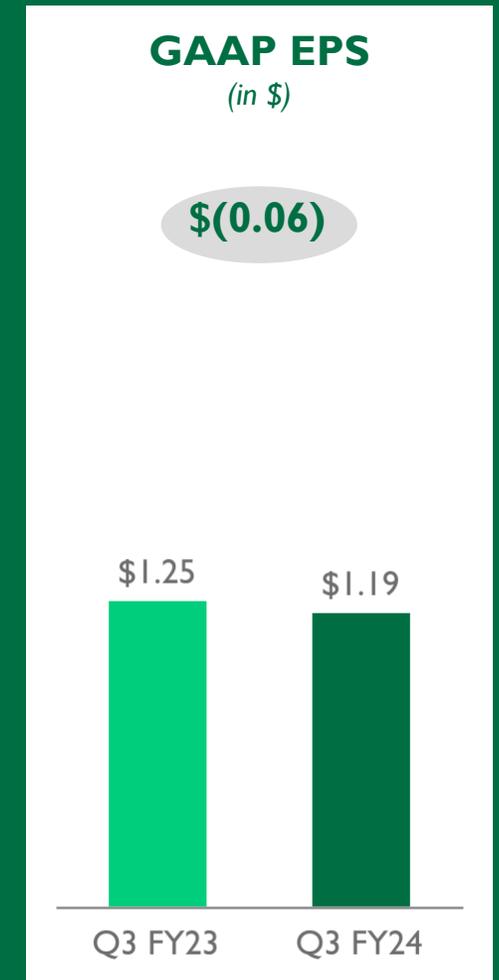
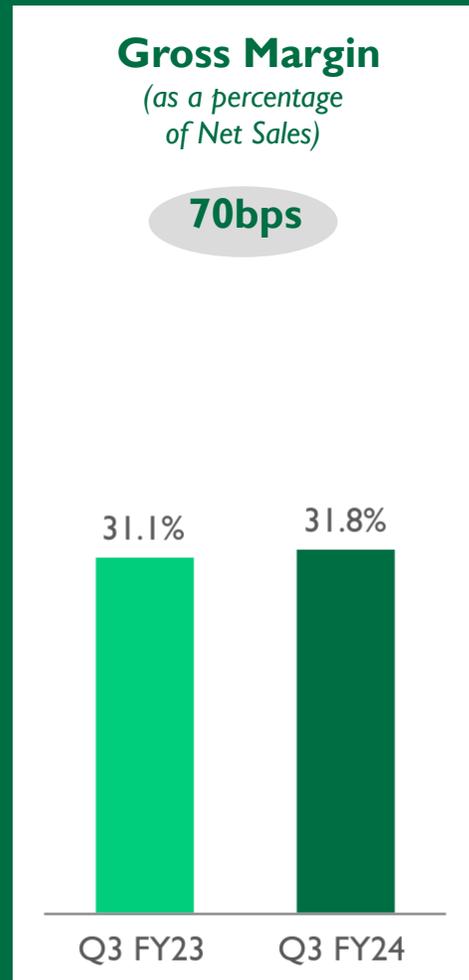
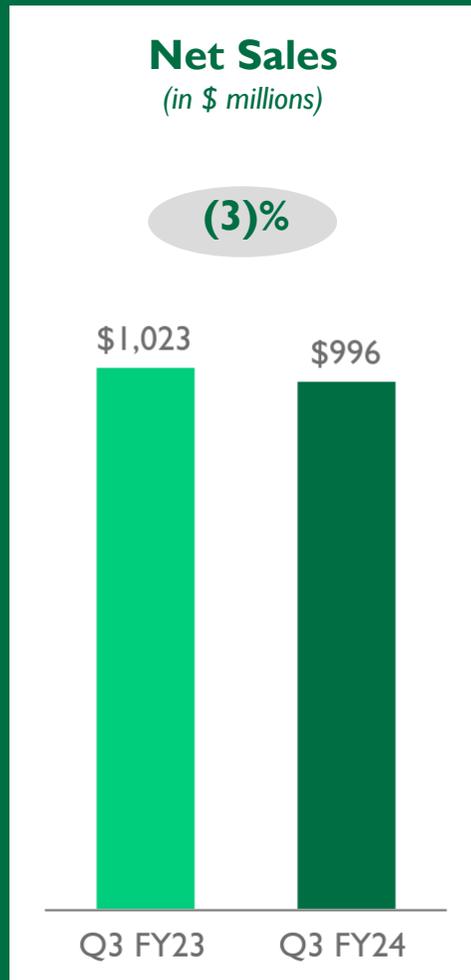
- anticipate \$15-20 million write-down in grass seed inventory in Q4
- some pull forward into Q3
- continued volatile weather, uncertainty about retailer inventory, and a value-seeking consumer
- back to a 52-week fiscal year



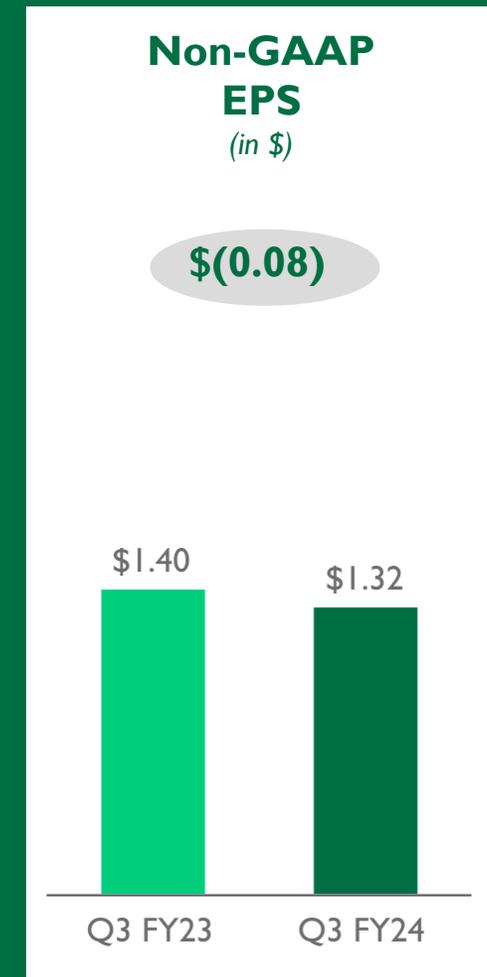
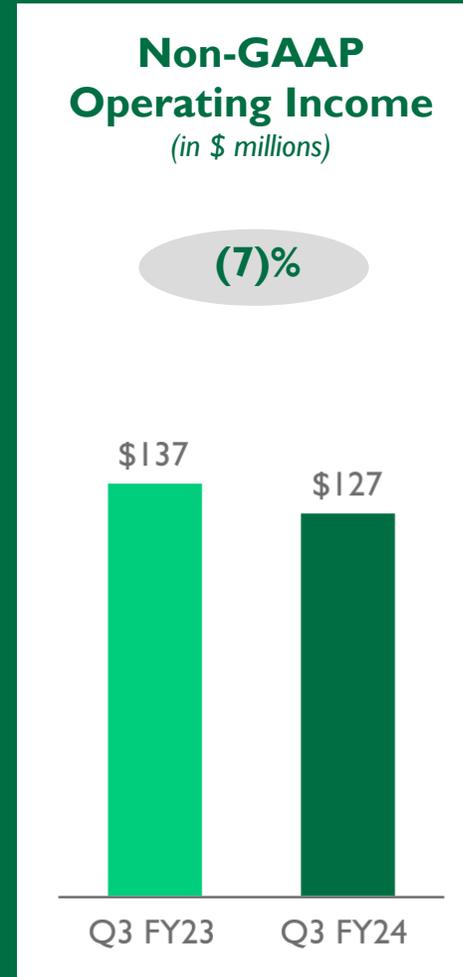
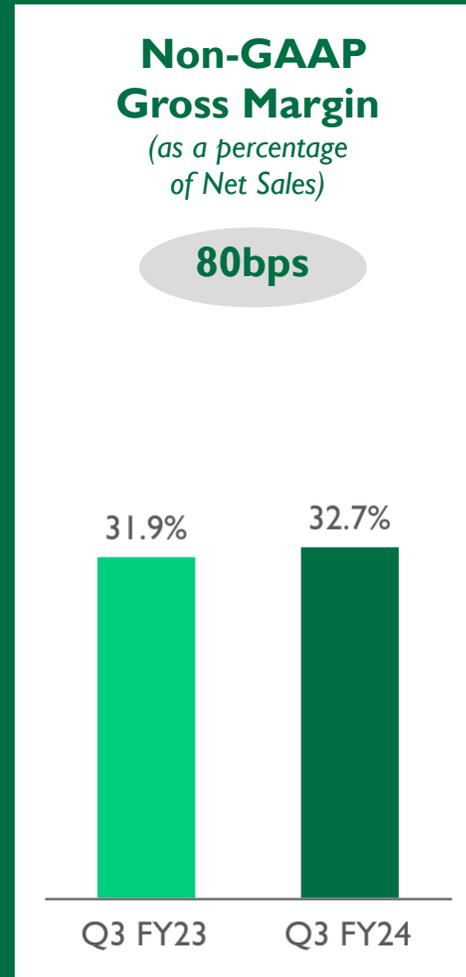
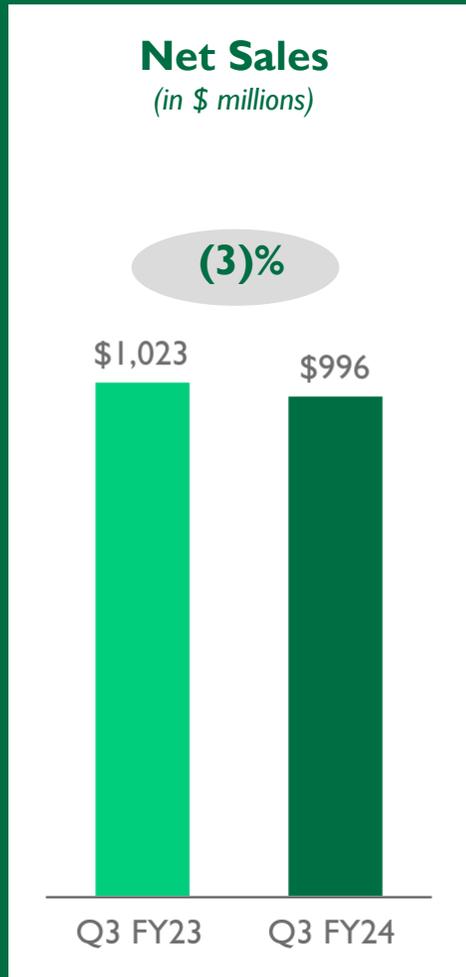
**Niko Lahanas**

CFO

# Delivered Solid FY24 Q3 Earnings against Record FY23 Q3



# Delivered Solid FY24 Q3 Non-GAAP Results



# FY24 Q3 Pet Segment Performance

## Tailwinds & Successes

- Net sales of \$508 million
- Brands outperformed private label
- Held or grew share in Flea & Tick, Small Animal, Aquatics, and Wild Bird
- eCommerce represented 28% of Pet sales
- POS outperformed shipments
- Favorable long-term consumer trends

## Headwinds & Challenges

- Softer new pet adoptions
- Macroeconomic pressures impacting consumer discretionary spending
- Durables continue to be challenged

# Recent Pet Innovation



**CENTRAL GARDEN & PET** | **Aqueon**

## Aqueon® Launches BlueIQ™ App for Smart and Easy Aquarium Care

New Hub Created to Support Beginner and Experienced Freshwater and Saltwater Fish Keepers

**AQUEON**

**BlueIQ™**

Helpful daily feeding reminders

Maintenance alerts

Tips and tricks

Fun facts

Free expert advice

Wi-Fi and Bluetooth enabled

**CORALIFE**

**ARDEN**



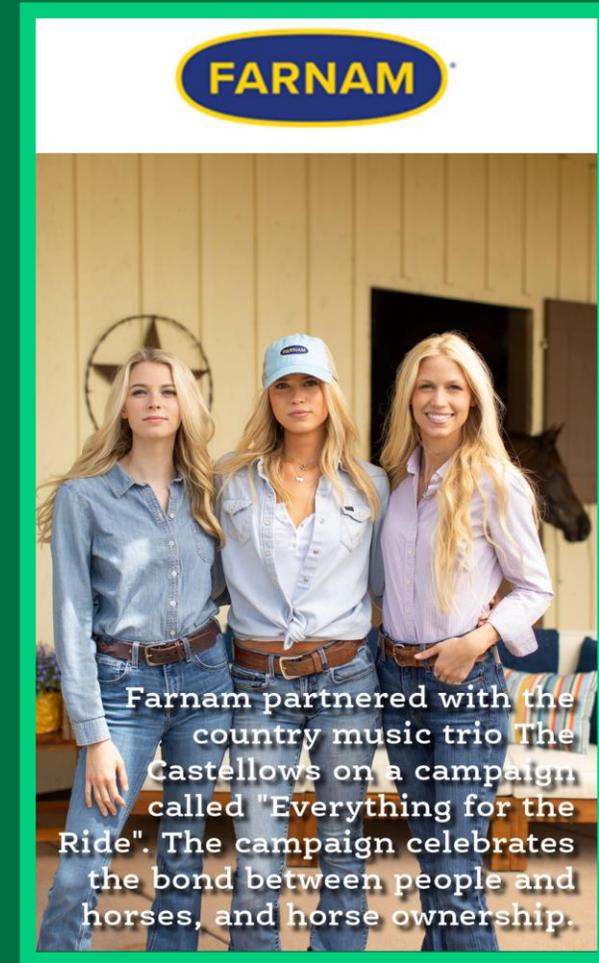
**ARDEN**

GRATITUDE GARDEN PARTY  
*Alexandra Kay*

**ARDEN**

**ARDEN** partnered with country music singer-songwriter Alexandra Kay to launch the "Favorites" collection and celebrate the start of summer outdoor entertaining.

**ARDEN**



**FARNAM**

**FARNAM** partnered with the country music trio The Castellows on a campaign called "Everything for the Ride". The campaign celebrates the bond between people and horses, and horse ownership.

# FY24 Q3 Garden Segment Performance

## Tailwinds & Successes

- Net sales of \$488 million
- Household penetration and buy rates remained above pre-COVID levels
- Grew eCommerce sales double digit, now representing 7% of Garden sales
- Shift to younger cohorts supports growth

## Headwinds & Challenges

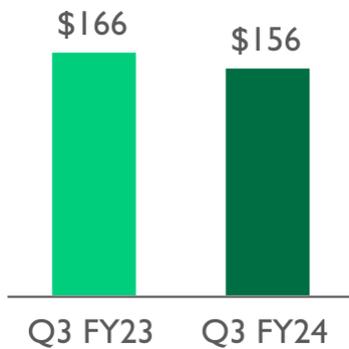
- Unfavorable weather negatively impacted sales across garden categories, in particular live plants
- Lower foot traffic at home center retailers

# Improved Cash & Liquidity

## Adj. EBITDA

(in \$ millions)

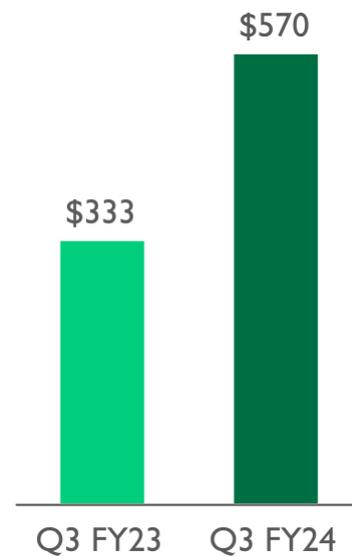
(6)%



## Cash & Cash Equivalents

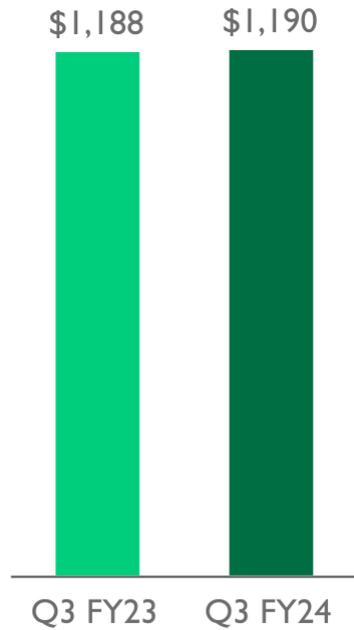
(in \$ millions)

\$237

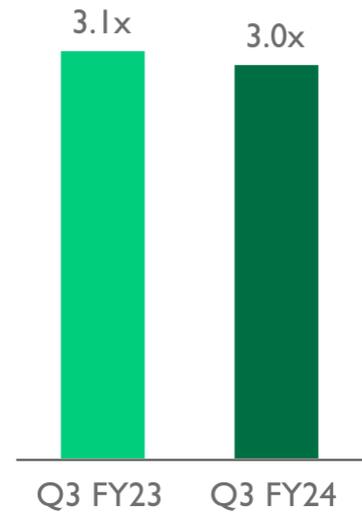


## Long-Term Debt

(in \$ millions)



## Total Leverage<sup>(1)</sup>



# 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 disruption

## 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

# Recent Examples of our Cost and Simplicity Program in Action

## Manufacturing

- Closed fertilizer manufacturing facility
- Opened research locations to reduce reliance on 3P testing and consolidate grass breeding farms

## Logistics

- Closed live goods distribution Center
- Started shipping out of new fulfillment center in Georgia

## Portfolio

- Initiated exit of remaining pottery business

# FY24 Outlook

## Challenging external environment

- Continued volatile weather
- Uncertainty about retailer inventory
- Value-seeking consumers

## Strong fundamentals of Central and our industries

- Favorable consumer trends support long-term growth in Pet and Garden
- Central remains strong, well capitalized and well positioned
- Continued focus on Cost and Simplicity program

## Maintaining guidance of FY24 Non-GAAP EPS of \$2.00 or better

- Despite anticipated write-down of \$15-20MM in grass seed inventory
- Excludes impact of any restructuring activities undertaken during the fourth quarter
- Back to 52 week fiscal year

# Question & Answer Session

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 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, 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. Also, 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. 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.

# Notes & Disclosures

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

- Facility closures and business exit: we have excluded the charges related to our decision to exit the pottery business and the closure of distribution and manufacturing facilities as they represent infrequent transactions that impact the comparability between operating periods. They exclude the impact of the expenditures related to the Cost and Simplicity program we have embarked on to improve our future operations. 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.

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 supplemental information to investors and management.

1. 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.
2. 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 Chico, California and the consolidation of our Southeast distribution network.
3. During the third quarter of fiscal 2023, we recognized incremental expense of \$13.9 million in the consolidated statement of operations, from the closure of a leased manufacturing and distribution pet bedding facility in Athens, Texas.

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

**Organic Net Sales Reconciliation**

	Three Months Ended June 29, 2024		
	Net sales (GAAP)	Effect of acquisitions & divestitures on net sales	Net sales organic
Q3 FY 24	\$ 996.3	\$ 15.8	\$ 980.5
Q3 FY 23	1,023.3	13.0	1,010.3
\$ decrease	<b>\$ (27.0)</b>		<b>\$ (29.8)</b>
% decrease	(2.6)%		(2.9)%

**Organic Pet Segment Net Sales Reconciliation**

	Three Months Ended June 29, 2024		
	Net sales (GAAP)	Effect of acquisitions & divestitures on net sales	Net sales organic
Q3 FY 24	\$ 508.0	\$ 15.8	\$ 492.2
Q3 FY 23	503.3	—	503.3
\$ increase (decrease)	<b>\$ 4.7</b>		<b>\$ (11.1)</b>
% increase (decrease)	0.9 %		(2.2)%

**Organic Garden Segment Net Sales Reconciliation**

	Three Months Ended June 29, 2024		
	Net sales (GAAP)	Effect of acquisitions & divestitures on net sales	Net sales organic
Q3 FY 24	\$ 488.3	\$ —	\$ 488.3
Q3 FY 23	520.0	13.0	507.0
\$ decrease	<b>\$ (31.7)</b>		<b>\$ (18.7)</b>
% decrease	(6.1)%		(3.7)%

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

<b>Net Income &amp; Diluted Net Income Per Share Reconciliation</b>		
	June 29, 2024	June 24, 2023
GAAP net income attributable to Central Garden & Pet Company	\$ 79,724	\$ 83,126
Facility closures & business exit	(1) 11,115 (3)	13,921
Tax effect of facility closures & business exit	(2,590)	(3,373)
Non-GAAP net income attributable to Central Garden & Pet Company	\$ 88,249	\$ 93,674
GAAP diluted net income per share	\$ 1.19	\$ 1.25
Non-GAAP diluted net income per share	\$ 1.32	\$ 1.40
<b>Shares used in GAAP and non-GAAP diluted net earnings per share calculation</b>	<b>66,945</b>	<b>66,725</b>

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

**Pet Segment Operating Income Reconciliation**

	June 29, 2024	June 24, 2023
GAAP operating income	\$ 83,068	\$ 59,969
Facility closure	(3) —	13,921
Non-GAAP operating income	<u>\$ 83,068</u>	<u>\$ 73,890</u>
GAAP operating margin	16.4 %	11.9 %
Non-GAAP operating margin	16.4 %	14.7 %

**Operating Income Reconciliation**

	June 29, 2024		
	GAAP	Facility Closure & Business Exit <sup>(1)(2)</sup>	Non-GAAP
Net sales	\$ 996,348	\$ —	\$ 996,348
Cost of goods sold and occupancy	679,290	8,613	670,677
Gross profit	\$ 317,058	\$ (8,613)	\$ 325,671
Selling, general and administrative expenses	201,122	2,502	198,620
Income from operations	<u>\$ 115,936</u>	<u>\$ (11,115)</u>	<u>\$ 127,051</u>
Operating margin	11.6 %		12.8 %

**Garden Segment Operating Income Reconciliation**

	June 29, 2024	June 24, 2023
GAAP operating income	\$ 62,519	\$ 88,088
Facility closure & business exit	(1) 11,115	—
Non-GAAP operating income	<u>\$ 73,634</u>	<u>\$ 88,088</u>
GAAP operating margin	12.8 %	16.9 %
Non-GAAP operating margin	15.1 %	16.9 %

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

**Adjusted EBITDA Reconciliation**

	<u>June 29, 2024</u>	<u>June 24, 2023</u>
Net income attributable to Central Garden & Pet Company	\$ 79,724	\$ 83,126
Interest expense, net	10,216	13,134
Other income	(225)	(853)
Income tax expense	25,468	27,000
Net income attributable to noncontrolling interest	753	423
Income from operations	\$ 115,936	\$ 122,830
Depreciation & amortization	22,712	21,701
Noncash stock-based compensation	6,211	7,305
Facility closures & business exit	(1) 11,115	(3) 13,921
Adjusted EBITDA	<u>\$ 155,974</u>	<u>\$ 165,757</u>