

Q4 & FY 2024

Investor Presentation

11.25.2024





Key Messages

Niko Lahanas, CEO

Q4 & FY24 Results, FY25 Outlook

Brad Smith, CFO

Q&A Session

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Forward-Looking Statements

The statements contained in this presentation which are not historical facts, including statements concerning evolving consumer demand and unfavorable retailer dynamics, productivity initiatives and estimated capital spending, and earnings guidance for fiscal 2025, are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from the forward-looking statements contained in this presentation. The range of risk factors is 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 tables in the Appendix of this presentation or in Central's most recent Form 10-K and Form 10-Q.



Niko Lahanas

CEO

Three Key Themes

Notable achievements despite challenges

- Growth in non-GAAP EPS
- Continued gross margin expansion
- Strong profits in Pet segment
- Another record year for operating cash flow

Meaningful progress on Cost and Simplicity program

Q4 initiatives:

- Announced further consolidation of operations: Arden outdoor cushions, dog beds and K&H pet products
- Scaling natural dog treat production
- Optimization of transportation systems
- Streamlining live plants operations

Guiding FY25 non-GAAP EPS to be \$2.20 or better

- Staying disciplined on cost & cash agenda
- Making targeted investments in critical capabilities
- Maintaining focused approach to M&A
- Advancing pipeline of new products across pet and garden portfolios



Brad Smith

CFO

FY24 Financial Results (GAAP)

Net Sales

(in \$ millions)

(3)%

\$3,310

\$3,200

FY23

FY24

Gross Margin

(as a percentage of Net Sales)

+90bps

28.6%

29.5%

FY23

FY24

Operating Income

(in \$ millions)

(12)%

\$211

\$185

FY23

FY24

EPS

(in \$)

\$(0.26)

\$1.88

\$1.62

FY23

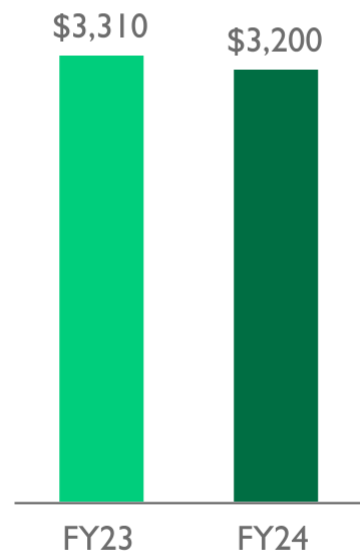
FY24

FY24 Financial Results (Non-GAAP)

Net Sales

(in \$ millions)

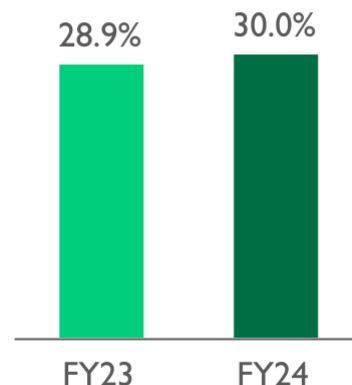
(3)%



Non-GAAP Gross Margin

(as a percentage of Net Sales)

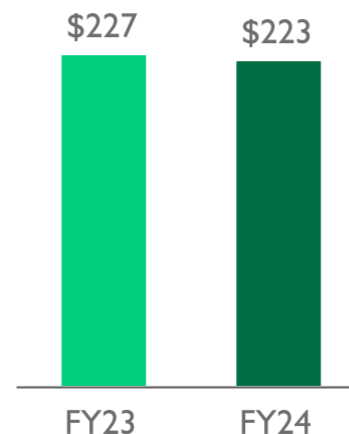
+110bps



Non-GAAP Operating Income

(in \$ millions)

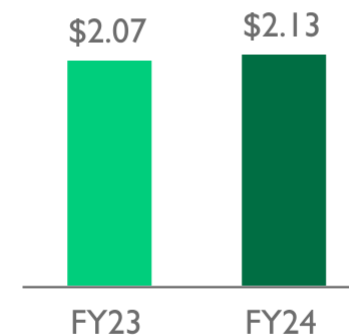
(2)%



Non-GAAP EPS

(in \$)

+\$0.06

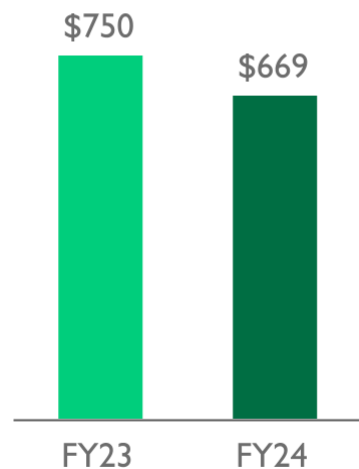


Q4 FY24 Financial Results (GAAP)

Net Sales

(in \$ millions)

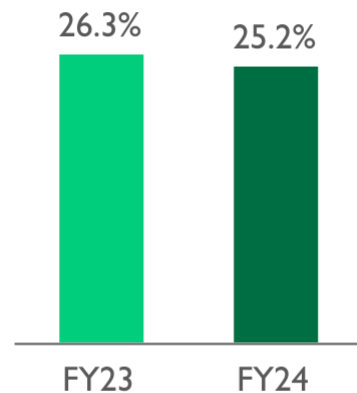
(11)%



Gross Margin

(as a percentage of Net Sales)

(110)bps

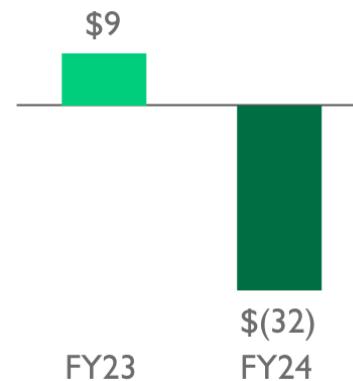


Operating Income

(Loss)

(in \$ millions)

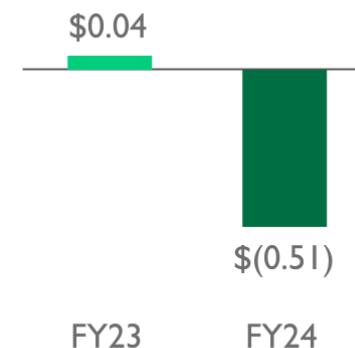
\$(42)



EPS

(in \$)

\$(0.55)

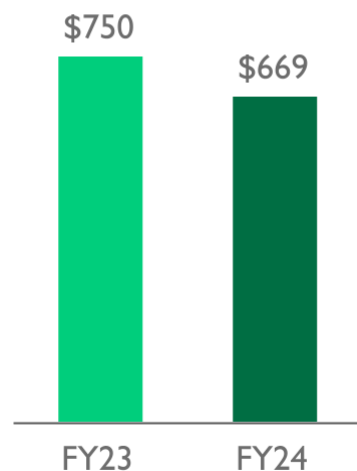


Q4 FY24 Financial Results (Non-GAAP)

Net Sales

(in \$ millions)

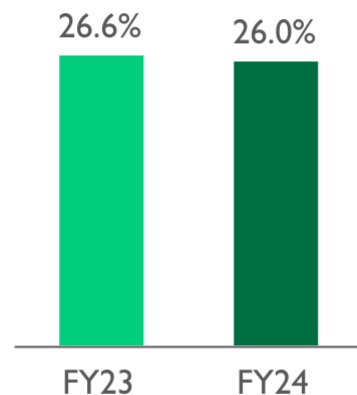
(11)%



Non-GAAP Gross Margin

(as a percentage of Net Sales)

(60)bps



Non-GAAP Operating Income (Loss)

(in \$ millions)

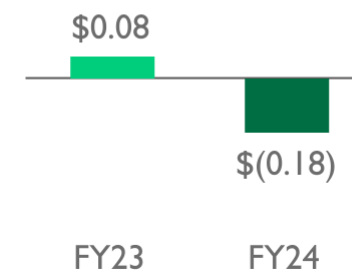
\$(23)



Non-GAAP EPS

(in \$)

\$(0.26)



Q4 Results - Pet Segment: \$435M Net Sales

Tailwinds & Successes

- POS outpaced shipments in the quarter
- eCommerce and online share growth
- Brands outperformed private label
- Market share gains in rawhide, dog treats and bird

Headwinds & Challenges

- Extra week in the prior year
- Soft demand across Pet segment, particularly in durable products
- SKU rationalization and/or exit of durable private label products

Q4 Results - Garden Segment: \$234M Net Sales

Tailwind & Successes

- Positive POS trends returned
- Foot traffic at home centers improved
- Strong share gains in Grass Seed across all retailers and channels
- eCommerce ramping up quickly

Headwinds & Challenges

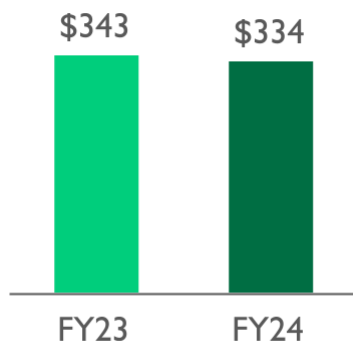
- Extra week in the prior year
- Grass seed inventory impairment

Significantly improved Cash & Liquidity

Adj. EBITDA

(in \$ millions)

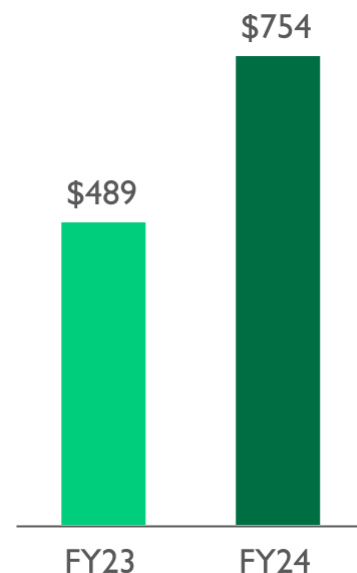
(3)%



Cash & Cash Equivalents

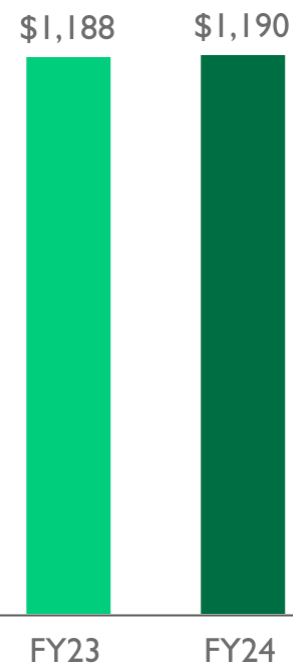
(in \$ millions)

+\$265

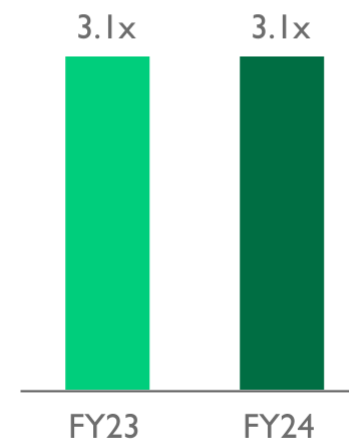


Long-Term Debt

(in \$ millions)



Total Leverage⁽¹⁾





Expect FY25 non-GAAP EPS to be \$2.20 or better

Committed to Central to Home Strategy

- Staying disciplined on cost and cash agenda
- Making targeted investments in critical capabilities
- Maintaining focused approach to strategic M&A
- Advancing pipeline of new products across pet and garden portfolio
- CapEx of approximately \$60-70 million

Anticipate challenging external environment

- Continued pressure on consumers
- Increasingly competitive and promotion-driven marketplace
- Significant headwinds in the brick-and-mortar retail sector
- Extreme weather seems the new normal and adds volatility

Q&A Session

Please reach out to us with any comments or questions.

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Appendix

Use of Non-GAAP Financial Measure

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 Measure

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
Shares used in GAAP and non-GAAP diluted net income per share calculation		66,860	66,783

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

Operating Income Reconciliation

	Three Months Ended September 28, 2024		
	GAAP	Adjustments ⁽¹⁾⁽⁶⁾⁽⁸⁾	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
Loss 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>

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 %

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 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 ⁽¹⁾⁽²⁾⁽³⁾⁽⁶⁾⁽⁸⁾	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	\$ (109.6)	\$ 18.3	\$ (127.9)
% 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	\$ (44.4)	\$ 66.4	\$ (110.8)
% 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	\$ (65.2)	\$ (48.1)	\$ (17.1)
% 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 income 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