



Q4 FY2021

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# Investor Presentation

11.22.2021

# Agenda



Business & Industry  
Update

Tim Cofer, CEO



Financials & Outlook

Niko Lahanas, CFO



Management Q&A

Tim Cofer, Niko Lahanas,  
J.D. Walker, John Hanson

# Forward Looking Statements

This presentation includes “forward-looking statements.” Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries in which we operate and other information that is not historical information. There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this presentation, which are described in Central’s filings with the SEC. Central undertakes no obligation to publicly update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

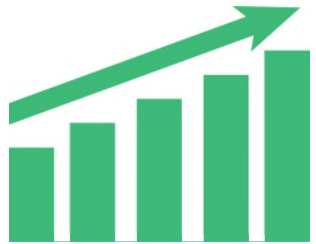
This presentation contains certain non-GAAP financial measures. For a reconciliation of GAAP to non-GAAP financial measures, please see the Reconciliation of GAAP to non-GAAP in the Appendix of this presentation or in our most recent Form 10-K and Form 10-Q.



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GARDEN & PET

# Another Record Performance in FY21



**Net Sales**

**+23%**



**Gross Margin**

**(0.2)pp**



**EBIT**

**+29%**



**GAAP EPS**

**+25%**

# Central to Home Strategy

## Leading the Future of the Garden & Pet Industries

### OUR STRATEGIC PILLARS



#### CONSUMER

Build and grow brands Consumers love



#### CUSTOMER

Win with winning Customers & Channels



#### CENTRAL

Fortify the Central Portfolio



#### COST

Reduce Cost to improve margins & fuel growth



#### CULTURE

Strengthen our entrepreneurial, business-unit led growth Culture

### RECENT PROOF POINTS

Bolstered consumer insights, brand marketing and innovation teams

Held innovation summit, building pipelines

Bell Nursery named Home Depot's "Outdoor garden supplier of the year"

Integrating four acquisitions

Leveraging DMO's eCommerce capabilities

Increased capacity & automation

Hired Chief Supply Chain Officer

Refreshed Company values

Added new members to Board of Directors

# Strong Pet Segment Performance

## Pet Segment Sales +13% vs PY

- Favorable consumer trends drive growth:
  - Humanization, premiumization, health & wellness
  - 4MM new households added a pet
- Increased market share in dog treats & toys, equine, outdoor cushions and distribution.
- eCommerce grew almost 20%, representing 22% of Pet branded sales

## Recent Innovation



**Micro-habitats**



**Broth Bones**



**FIELD+FOREST**  
by KAYTEE

**Premium small animal food**



**Easy Hold Chew Toys**



# Strong Garden Segment Performance

## Garden Segment Sales +38% vs PY

- Recent acquisitions delivering on expectations
- Strong organic growth of 10% vs PY
- Favorable category dynamics
  - 18MM new gardeners entered category
  - One third of gardeners are Millennials
- Increased market share in Wild Bird
- eCommerce grew mid teens on top of triple digit growth in PY



## Pennington Smart Seed Relaunch



Campaign reached over 13MM consumers on Facebook and Instagram

YouTube and Pinterest video and influencer campaign drove over 23MM impressions

Increased market share in straight grass segment

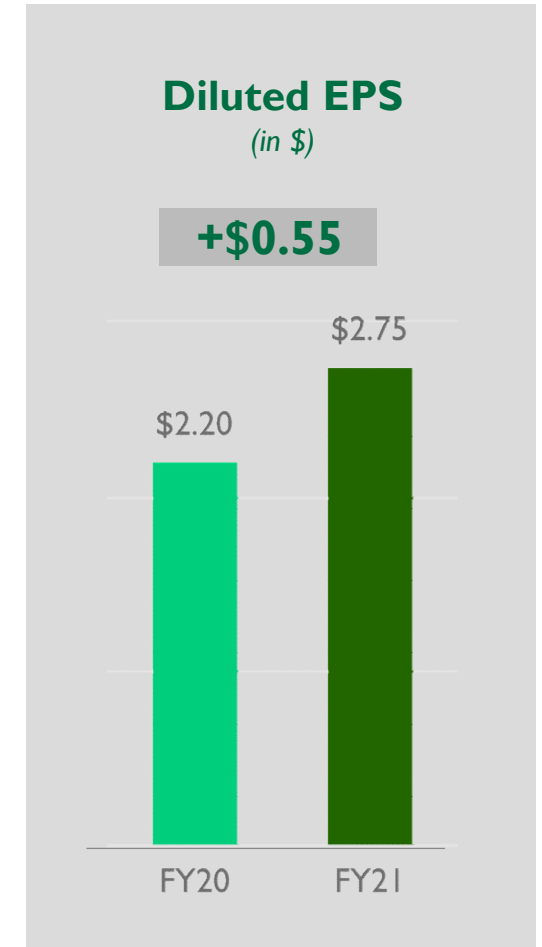
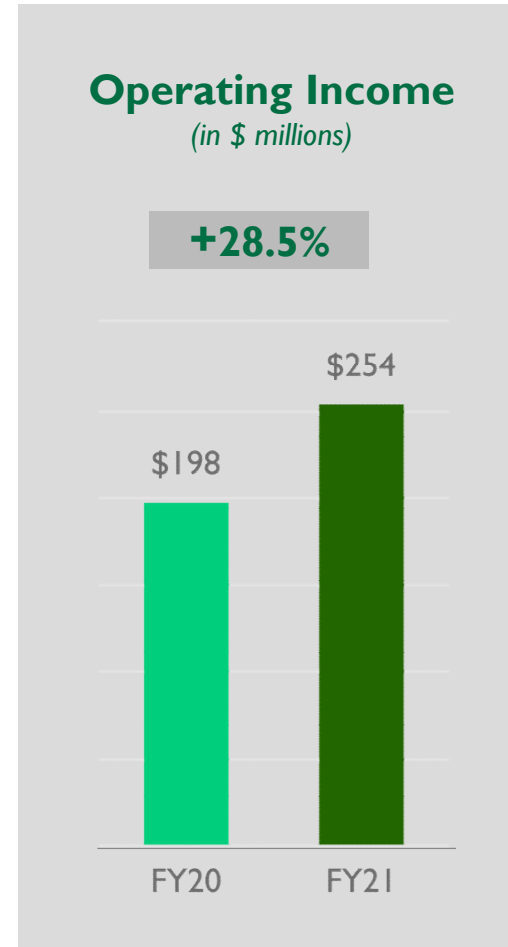
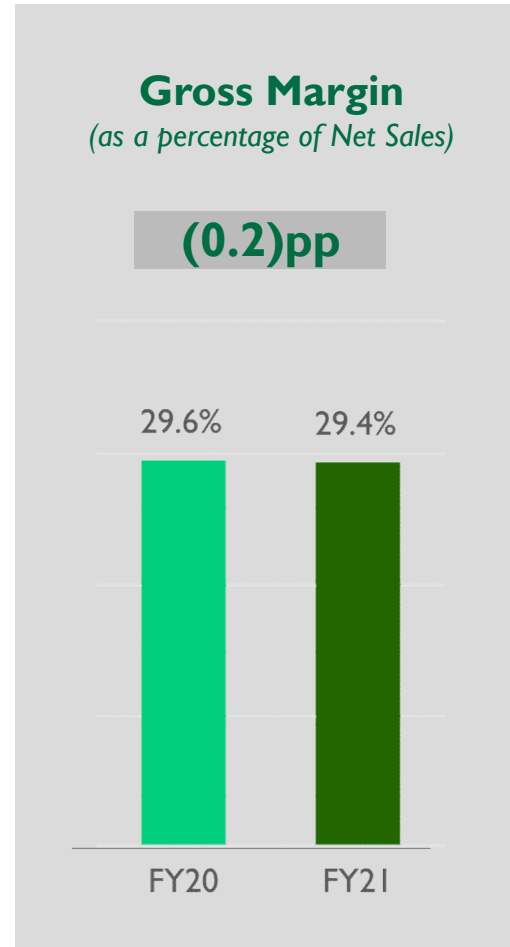
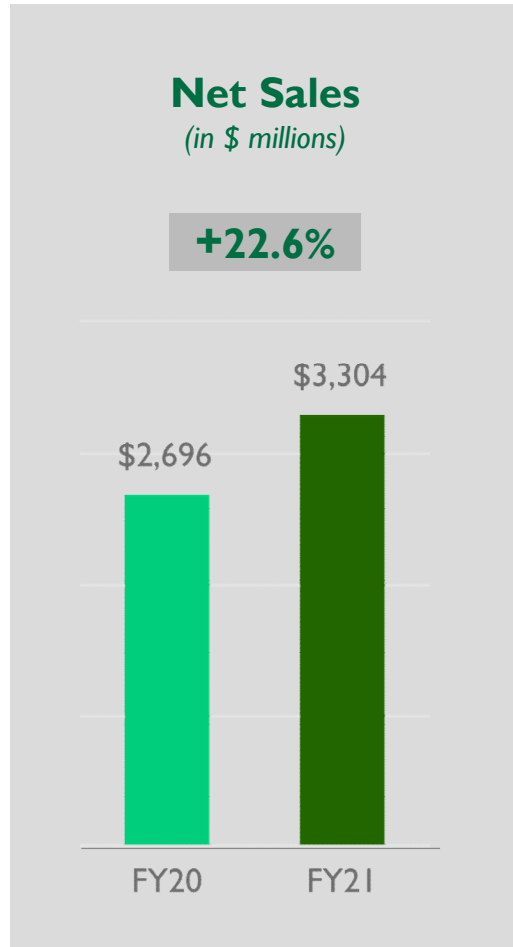




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# Strong Performance in FY21



# FY22 Outlook

## Business Momentum

- Favorable long-term consumer trends in both industries
- H1 demand headwinds lapping COVID growth period; H2 return to historic growth

## Investing for Growth

- Expanding long-term capacity and investing in automation
- Investing in consumer insights, digital capabilities, brand building and innovation

## Challenges and Uncertainty Around COVID Remain

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

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

- Strong comparables in H1 FY21
- Expecting more moderate growth in the H1 versus H2



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Q&A

Please reach out to us with any comments or questions:

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# Appendix

# Notes & Disclosures

## Use of Non-GAAP Financial Measures

We report our financial results in accordance with accounting principles generally accepted in the United States (GAAP). However, to supplement the financial results prepared in accordance with GAAP, we use non-GAAP financial measures including adjusted EBITDA, organic sales, non-GAAP operating income and non-GAAP net income and diluted net income per share. Management believes these non-GAAP financial measures that exclude the impact of specific items (described on the next slide) may be useful to investors in their assessment of our ongoing operating performance and provide additional meaningful comparisons between current and historical results.

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 believe that the non-GAAP financial measures provide useful information to investors and other users of our financial statements, by allowing for greater transparency in the review of our financial and operating performance. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating our performance, and we believe these measures similarly may be useful to investors in evaluating our financial and operating performance and the trends in our business from management's point of view. While our management believes that non-GAAP measurements are useful supplemental information, such adjusted results are not intended to replace our GAAP financial results and should be read in conjunction with those GAAP results.

We have not provided a reconciliation of forward-looking non-GAAP guidance measures to the corresponding GAAP measures, because such reconciliation cannot be done without unreasonable efforts due to the potential significant variability and limited visibility of the excluded items discussed below.

**Adjusted EBITDA:** Defined by us as income before income tax, net other expense, net interest expense and depreciation and amortization (or operating income plus depreciation and amortization expense). Other companies may calculate adjusted EBITDA differently and it may not be comparable.

**Organic net sales:** A non-GAAP measure that excludes the impact of businesses purchased or exited in the prior 12 months, because we believe it permits investors to better understand the performance of our historical business without the impact of recent acquisitions or dispositions.

# Notes & Disclosures

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

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

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

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

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

	September 25, 2021		September 26, 2020	
<b>Net Income &amp; Diluted Net Income Per Share Reconciliation</b>				
GAAP net income attributable to Central Garden & Pet Company	\$	151,746	\$	120,676
Incremental expenses from note redemption and issuance		9,952		—
Loss on sale of business		2,611		—
Investment Impairments		—		3,566
Tax effect of incremental expenses, loss on sale and impairment		(2,711)		(747)
Non-GAAP net income attributable to Central Garden & Pet Company		161,598		123,495
GAAP diluted net income per share	\$	2.75	\$	2.20
Non-GAAP diluted net income per share		2.92	\$	2.26
<b>Shares used in GAAP and non-GAAP diluted net earnings per share calculation</b>		<b>55,248</b>		<b>54,738</b>



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

**Consolidated GAAP to Non-GAAP Reconciliation**

For Twelve Months Ended September 25, 2021

	Net sales (GAAP)	Effect of acquisitions & divestiture on increase in net sales	Net sales organic
Reported net sales FY 2021	\$ 3,303.7	\$ 291.8	\$ 3,011.9
Reported net sales FY 2020	\$ 2,695.5	\$ 18.9	\$ 2,676.6
\$ increase	\$ 608.2	\$ 272.9	\$ 335.3
% increase	<b>22.6%</b>		<b>12.5%</b>

**Pet GAAP to Non-GAAP Reconciliation**

For Twelve Months Ended September 25, 2021

	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales	Net sales organic
Reported net sales FY 2021	\$ 1,894.9	\$ —	\$ 1,894.9
Reported net sales FY 2020	\$ 1,678.0	\$ 18.9	\$ 1,659.1
\$ increase	\$ 216.9	\$ 18.9	\$ 235.8
% increase	<b>12.9%</b>		<b>14.2%</b>

**Garden GAAP to Non-GAAP Reconciliation**

For Twelve Months Ended September 25, 2021

	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales	Net sales organic
Reported net sales FY 2021	\$ 1,408.8	\$ 291.8	\$ 1,117.0
Reported net sales FY 2020	\$ 1,017.5	\$ —	\$ 1,017.5
\$ increase	\$ 391.3	\$ 291.8	\$ 99.5
% increase	<b>38.5%</b>		<b>9.8%</b>

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

	September 25, 2021		September 26, 2020	
<b>Adjusted EBITDA Reconciliation</b>				
Net income attributable to Central Garden & Pet Company	\$	151,746	\$	120,676
Interest expense, net		58,182		39,989
Other expense		1,506		4,250
Income tax expense		42,035		32,218
Net loss attributable to noncontrolling interest		1,027		844
Sum of items below operating income		102,750		77,301
Income from operations		254,496		197,977
Depreciation & amortization		74,727		55,359
Adjusted EBITDA	\$	329,223	\$	253,336