

Q2 FY2022

Investor Presentation

05.04.2022



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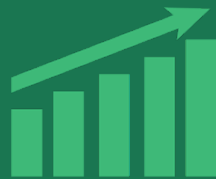


Agenda



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.

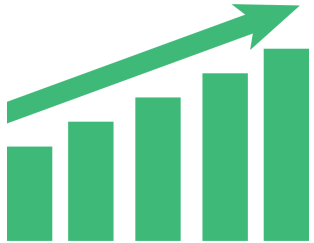
This presentation contains certain non-GAAP financial measures. For a reconciliation of GAAP to non-GAAP financial measures, please see the Reconciliation of GAAP to non-GAAP in the Appendix of this presentation or in our most recent Form 10-K and Form 10-Q.



CENTRAL

GARDEN & PET

Solid Performance in Q2 FY22



Net Sales

+2% vs. PY



Gross Margin

+100 bps vs. PY



Operating Income

+2% vs. PY



GAAP EPS

\$(0.05) vs. PY

Pet Segment



Favorable consumer trends

- Increasing number of pet owning households
- Growing spend per household
- Millennials largest group of pet parents
- Remote working is the new normal

Pet Segment Q2 FY22 Performance

- Net sales increased 1% vs PY
- Contributions from dog & cat, outdoor cushions, professional and distribution
- Single-digit POS lapping strong double-digit growth in PY
- Market share gains: health & wellness, dog toys/treats, equine
- Improved customer service levels across Pet businesses
- eCommerce now represents 22% of Pet branded sales

Garden Segment

Favorable industry trends

- Growing household penetration
- Increasing household spending
- Consumers continue to beautify their outdoor spaces

Garden Segment Q2 FY22 Performance

- Net sales +3% vs PY, organic sales and POS declined, but organic sales +17% on a 2-year basis
 - Garden season off to a slower start due to weather
 - Some sales pull forward into Q1
- Organic strength and share gains in wild bird
- Service levels improved over PY in all garden businesses
- eCommerce grew by more than 20%

HOPEWELL
Nursery

GREEN
GARDEN
PRODUCTS

Commodities Ltd.

DoMyOwn.

Continued Progress on Long-Term *Central to Home* Strategy



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

Building Brands & Driving Innovation

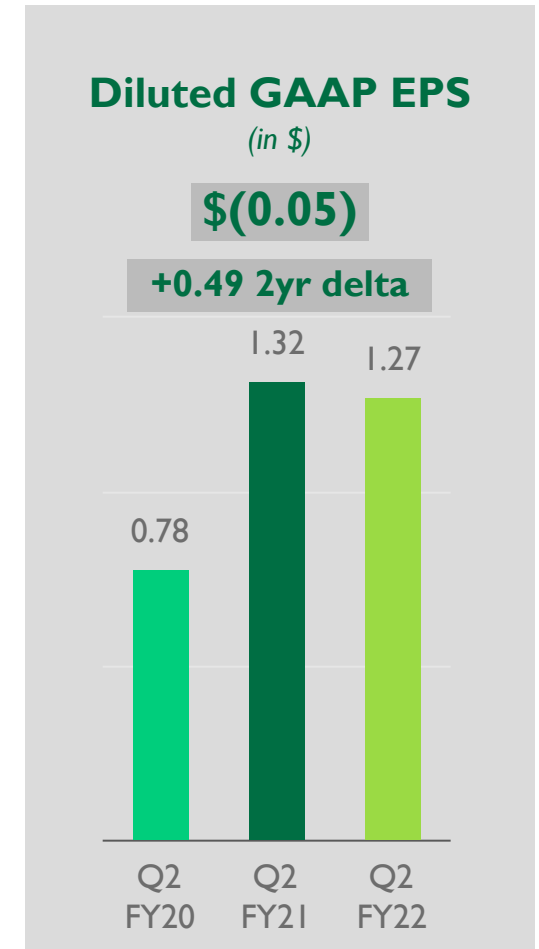
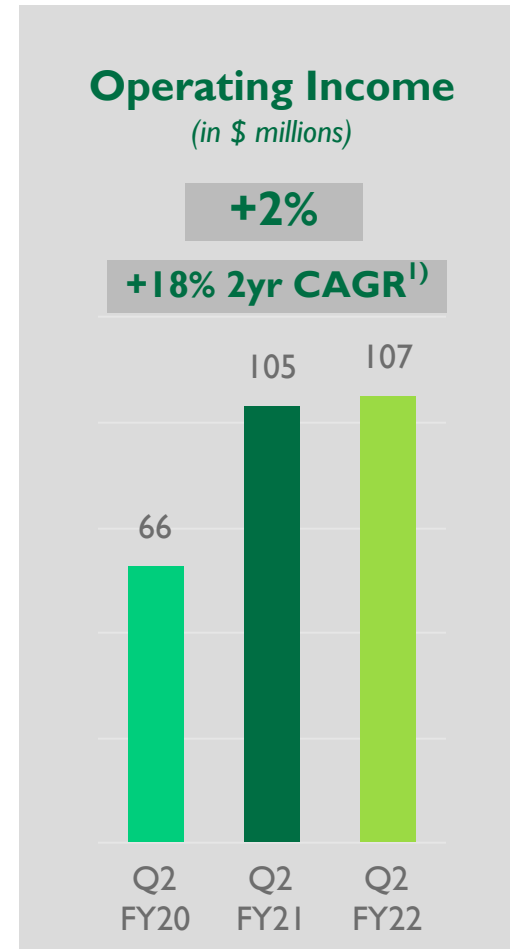
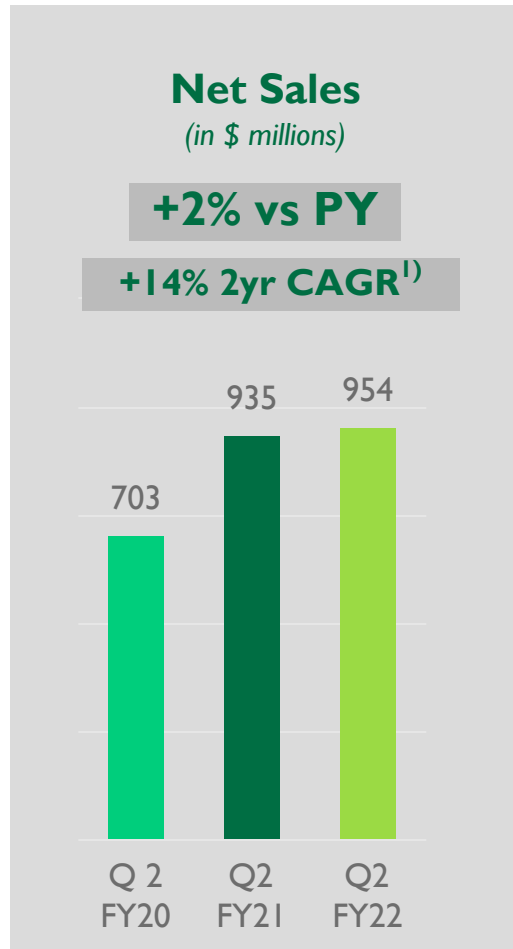


Win with Winning Customers & Channels





Solid Performance in Q2 FY22





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FY22 Outlook

Maintain Guidance

FY22 GAAP EPS expected to be \$3.10 or better, representing +13% vs. PY on a GAAP basis

Business Momentum

- Favorable long-term consumer trends in both industries
- H1 demand headwinds lapping COVID growth period; more favorable comps in H2

Challenging Inflationary Environment

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

Investing for Growth

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



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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 non-GAAP net income and diluted net income per share, adjusted EBITDA and organic sales. Management believes these non-GAAP financial measures that exclude the impact of specific items (described below) 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.

Adjusted EBITDA is defined by us as income before income tax, net other expense, net interest expense, depreciation and amortization and stock-based compensation (or operating income plus depreciation and amortization and stock-based compensation expense). 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 evaluation. 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.

We have also provided 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.

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 due to the potential significant variability and limited visibility of the excluded items. 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.

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.

The non-GAAP adjustments reflect the following:

- (1) During the first quarter of fiscal 2021, we issued \$500 million aggregate principal amount of 4.125% senior notes due October 2030. We used a portion of 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. These amounts are included in Interest expense in the condensed consolidated statements of operations.
- (2) 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 Six Months Ended
(in thousands, except for per share amounts)

	Six months ended	
	March 26, 2022	March 27, 2021
Net Income & Diluted Net Income Per Share Reconciliation		
GAAP net income attributable to Central Garden & Pet Company	\$ 78,722	\$ 78,567
Incremental expenses from note redemption and issuance	—	9,952
Loss on sale of business	—	2,611
Tax effect of incremental expenses, loss on sale and impairment	—	(2,821)
Non-GAAP net income attributable to Central Garden & Pet Company	78,722	88,309
GAAP diluted net income per share	\$ 1.44	\$ 1.43
Non-GAAP diluted net income per share	\$ 1.44	\$ 1.61
Shares used in GAAP and non-GAAP diluted net earnings per share calculation	54,818	54,930

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

Consolidated GAAP to Non-GAAP Reconciliation				
For Three Months Ended March 26, 2022				
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales		Net sales organic
Q2 FY 22	\$ 954.4	\$ 51.8	\$ \$	902.6
Q2 FY 21	\$ 935.3	\$ —	\$ \$	935.3
	\$ 19.1	\$	\$ \$	(32.7)
	2.0 %			(3.5)%

Pet GAAP to Non-GAAP Reconciliation				
For Three Months Ended March 26, 2022				
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales		Net sales organic
Q2 FY 22	\$ 497.6	\$ —	\$	497.7
Q2 FY 21	\$ 492.0	\$ —	\$	492.0
	\$ 5.7	\$	\$	5.7
	1.2 %			1.2 %

Garden GAAP to Non-GAAP Reconciliation				
For Three Months Ended March 26, 2022				
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales		Net sales organic
Q2 FY 22	\$ 456.7	\$ 51.8	\$	404.9
Q2 FY 21	\$ 443.3	\$ —	\$	443.3
	\$ 13.4	\$	\$	(38.4)
	3.0 %			(8.7)%

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

	March 26, 2022	March 27, 2021
Adjusted EBITDA Reconciliation		
Net income attributable to Central Garden & Pet Company	\$ 69,713	\$ 72,954
Interest expense, net	14,702	10,151
Other income (expense)	369	(704)
Income tax expense	21,488	21,564
Net income attributable to noncontrolling interest	573	645
Sum of items below operating income	37,132	31,656
Operating income	106,845	104,610
Depreciation & amortization	18,247	18,854
Noncash stock-based compensation	6,292	5,725
Adjusted EBITDA	\$ 131,384	\$ 129,189