



CENTRAL
GARDEN & PET

Q2 FY2021

**Investor
Presentation**

05.05.2021

Agenda



Business Update

Tim Cofer, CEO



Q2 FY21 Financials
& FY21 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 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

Relaunching Pennington Smart Seed

Investing & winning in eCommerce

Integrating three acquisitions:

- Hopewell
- DMO
- Green Garden

Driving savings through cross business-unit procurement projects

Investing in digital marketing and eCommerce capabilities

Launching Diversity & Inclusion Council and Strategy

Strong Performance in Q2 FY21

Strong Organic Growth across Garden and Pet

- **Total Net Sales +33% vs PY**
- **Garden Segment Sales +49% vs PY**
 - Strong growth in distribution, wild bird, fertilizer & controls and grass seed
 - \$76 million contribution from acquisitions
 - Share growth in fungicides and fertilizers
 - Triple-digit growth in eCommerce
- **Pet Segment Sales +21% vs PY**
 - Strong contribution from small animal supplies, dog & cat, distribution and outdoor pillows & cushions
 - Share gains in wild bird and small animal
 - Over 50% growth in eCommerce

Driving Solid Improvement in EPS

- **EBIT** fueled by topline growth and improved margins
- **GAAP EPS** of \$1.32 vs. \$0.78 in the prior year quarter
- Acquisitions added \$0.07 to EPS; accretive on FY21 basis

Q3 and Q4 FY21 Priorities



Drive Organic Growth

Deliver another great garden season

Continue to fuel momentum in pet



Integrate with Excellence

Green Garden

Do My Own

Hopewell Nursery



Build Capacity & Capability

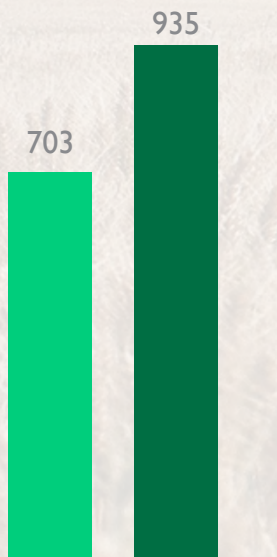
Execute capacity expansion & automation to improve service

Build consumer capabilities

Strong Performance in Q2 FY21

Net Sales *(in \$ millions)*

+33%



Q2 FY20 Q2 FY21

Gross Margin *(as a percentage of Net Sales)*

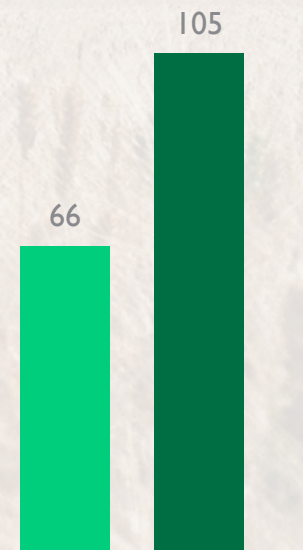
-40bps



Q2 FY20 Q2 FY21

Operating Income *(in \$ millions)*

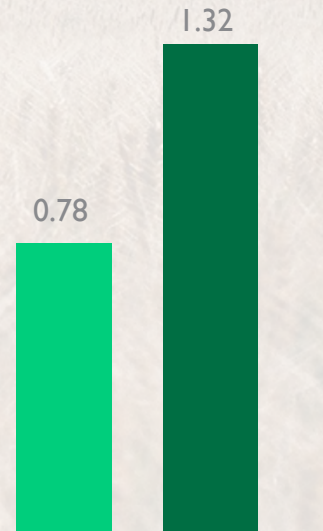
+\$39MM



Q2 FY20 Q2 FY21

Diluted EPS *(in \$)*

+\$0.54



Q2 FY20 Q2 FY21



FY21 Outlook

Continued Business Momentum

- Strong POS across both Pet and Garden
- Executing well online and instore

Investing for Growth

- Expanding long-term capacity to meet increased demand
- Investing in capabilities and demand creation

Challenges and Uncertainty Around COVID Remain

- Uncertainty around COVID and continued pressures on supply chain
- Inflationary costs across commodities, labor and freight

Raising FY21 GAAP EPS to \$2.25 or Higher

- Translates to fiscal 2021 Non-GAAP EPS of \$2.42 or higher
- Acquisitions expected to add an incremental \$0.11-\$0.16 to FY21 EPS



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 Quarter Ended
(in thousands, except for per share amounts)

Mar 27, 2021 **Mar 28, 2020**

Net Income & Diluted Net Income Per Share Reconciliation

GAAP net income (loss) attributable to Central Garden & Pet	\$ 78,567	\$ 38,287
Incremental expenses from note redemption and issuance	9,952	-
Loss on sale of business	2,611	-
Tax effect of incremental expenses and loss on sale	(2,821)	-
Non-GAAP net income attributable to Central Garden & Pet	88,309	38,287
GAAP diluted net income per share	1.43	0.69
Non-GAAP diluted net income per share	1.61	0.69
Shares used in GAAP and non-GAAP diluted net earnings per share calculation	\$ 54,930	\$ 55,220

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

Consolidated		GAAP to Non-GAAP Reconciliation		
For Three Months Ended March 27, 2021				
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales		Net sales organic
Q2 FY 21	\$ 935.3	\$ 76.1	\$	859.2
Q2 FY 20	\$ 703.2	\$ 5.9	\$	697.3
	\$ 232.1		\$	161.9
	33.0%			23.2%

Pet		GAAP to Non-GAAP Reconciliation		
For Three Months Ended March 27, 2021				
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales		Net sales organic
Q2 FY 21	\$ 492.0	\$ —	\$	492.0
Q2 FY 20	\$ 405.5	\$ 5.9	\$	399.6
	\$ 86.5		\$	92.4
	21.3%			23.1%

Garden		GAAP to Non-GAAP Reconciliation		
For Three Months Ended March 27, 2021				
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales		Net sales organic
Q2 FY 21	\$ 443.3	\$ 76.1	\$	367.2
Q2 FY 20	\$ 297.7	\$ —	\$	297.7
	\$ 145.6		\$	69.5
	48.9%			23.3%

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

	Mar 27, 2021	Mar 28, 2020
Adjusted EBITDA Reconciliation		
Net income attributable to Central Garden & Pet	\$ 72,954	\$ 42,704
Interest expense, net	10,151	9,336
Other expense (income), net	(704)	979
Income tax expense	21,564	12,648
Net income (loss) attributable to noncontrolling interest	645	438
Sum of items below operating income	31,656	23,401
Income from Operations	104,610	66,105
Depreciation & Amortization	18,854	13,176
Adjusted EBITDA	\$ 123,464	\$ 79,281