

Q2 FY2023

Investor Presentation

5.3.2023





Business & Industry Update

Tim Cofer, CEO

Q2 FY23 Financials, FY23 Outlook

Niko Lahanas, CFO

Management Q&A

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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

Three Key Messages

1

Q2 challenged by late start of garden season

- Pet segment expanded share and largely met expectations
- Garden segment impacted by poor early-spring weather

2

Cost & Simplicity program to improve margins

- Multi-year journey
- Simplify business, improve efficiency by rationalizing footprint, streamline portfolio and improve cost structure
- Focused on procurement, manufacturing, logistics, portfolio, and administrative

3

Prudent approach to full-year outlook

- Cautiously optimistic garden season will normalize and retailer inventory dynamics will stabilize
- Confident in strong second half
- Expecting operating income and EPS growth in second half

Pet: \$475 million Q2 FY23 Net Sales

Headwinds & Challenges

- Decline in durable pet supplies
- Continuing SKU rationalization and exit of certain low margin pet beds
- Tighter customer inventory management

Tailwinds & Successes

- Solid growth in consumables, incl. Dog & Cat Treats & Toys, Small Animal, Aquatics, Equine
- Share growth across most pet categories
- Brands outperformed private label
- eCommerce represents 23% of Pet branded sales, growing online share broadly across categories

Garden: \$434 million Q2 FY23 Net Sales

Headwinds & Challenges

- Broad based softness across garden due to unfavorable early spring weather
- Lower foot traffic at retailers
- Retailers continue to manage inventories tighter than in prior years

Tailwinds & Successes

- Wild bird remains a bright spot
- Grew market share in Grass Seed, Outdoor Insect Controls and Wild Bird
- eCommerce grew double digits
- Brands outperformed private label

Multi-year journey to reduce cost and simplify our business

PRINCIPLES

SIMPLICITY

Simplify our business, focus our portfolio and supply chain

EFFICIENCY

Improve our efficiency across everything we do

EXCELLENCE

Execute in market with excellence

DISCIPLINE

Take a disciplined and phased approach, avoid a “big bang”

FOCUS AREAS



Procurement: Leverage combined purchasing power to reduce input costs and build margin



Manufacturing: In-source third-party, reduce redundancies, drive synergies across the network



Logistics: Simplify number of distribution points, drive scale across transportation and warehousing



Portfolio: Simplify our portfolio & focus on higher margin, branded consumer product business



Administration: Align our admin costs to a lean, agile & entrepreneurial growth culture

Cost and simplicity program expected to deliver direct cost and efficiency benefits to fuel our long-term algorithm

PROJECT OUTCOMES

Significantly reduced complexity: fewer SKUs, fewer plants, fewer DCs

Lower COGS through lower logistics costs, better procurement

Lower administrative costs through scale leverage and efficiency

Greater focus on higher margin, branded consumer product Pet & Garden businesses

GENERATE FUEL

Higher margins and more fuel for organic growth and advantageous M&A

TO DELIVER OUR LONG-TERM ALGORITHM

Organic Sales

Guidance: LSD

Grow at or above category average

Operating Income

Guidance: MSD

Grow faster than Net Sales

Earnings Per Share

Guidance: MSD-HSD

Grow faster than Operating Income



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GARDEN & PET

Central to Home Strategy - Consumer Growth Agenda



Comprehensive Pennington Master Brand renovation



SINCE 1856
FERRY~MORSE®

Digital marketing and DTC eCommerce excellence



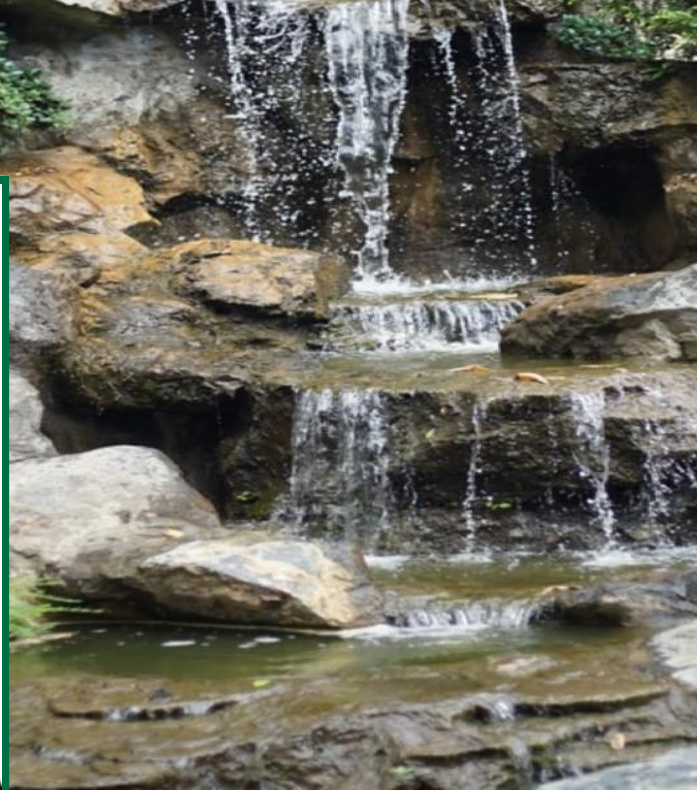
Disruptive Nylabone and Cadet innovation





Tim Cofer

CEO



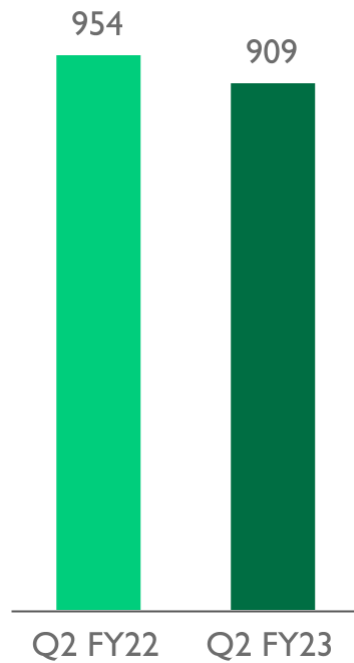
Niko Lahanas

CFO

FY23 Q2 Performance

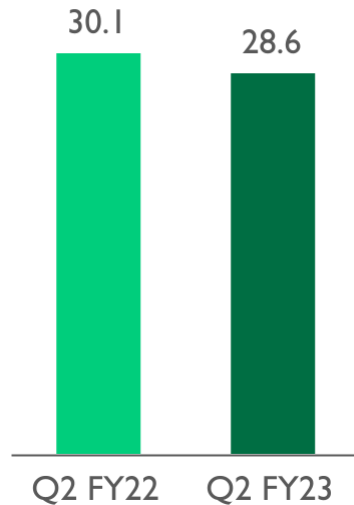
Net Sales

(in \$ millions)



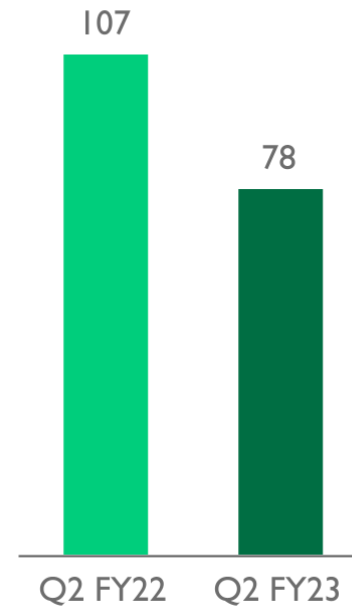
Gross Margin

(as a percentage of Net Sales)



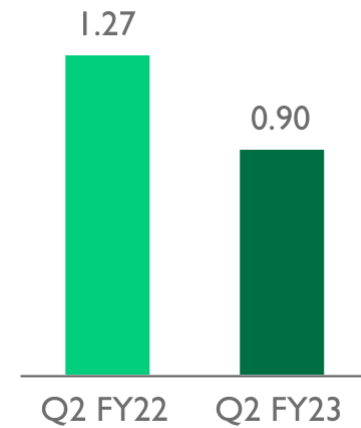
Operating Income

(in \$ millions)



EPS

(in \$)





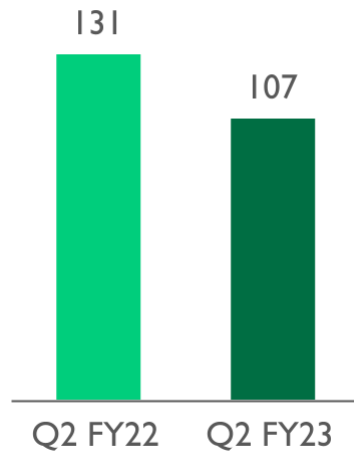
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Solid Financial Metrics

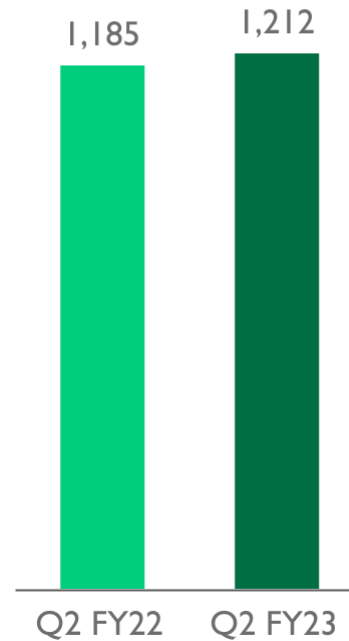
Adjusted EBITDA

(in \$ millions)



Long-Term Debt

(in \$ millions)



Total Leverage ⁽¹⁾





FY23 Outlook

Prudent approach to full-year guidance

- Cautiously optimistic garden season will normalize
- Expecting retailer inventory dynamics to stabilize

Cost & Simplicity program to support long-term algorithm

- Multi-year journey to reduce cost and simplify our business
- Program will drive higher margins and fuel organic growth

Expect FY23 EPS of \$2.35

- Operating Income and EPS growth expected in the second half
- Visibility into April builds confidence that season is improving

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. Management believes non-GAAP financial measures 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 adjusted EBITDA 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 adjusted EBITDA in making financial, operating and planning decisions and in evaluating our performance, and we believe it 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.

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

	March 25, 2023	March 26, 2022
Adjusted EBITDA Reconciliation		
Net income attributable to Central Garden & Pet Company	\$ 48,115	\$ 69,713
Interest expense, net	14,690	14,702
Other (income) expense	(595)	369
Income tax expense	15,268	21,488
Net income attributable to noncontrolling interest	563	573
Income from operations	78,041	106,845
Depreciation & amortization	22,109	18,247
Noncash stock-based compensation	6,750	6,292
Adjusted EBITDA	<u>\$ 106,900</u>	<u>\$ 131,384</u>