

Q2 FY2022

Company Presentation

05.04.2022



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 at a Glance

Market leader in the lawn & garden and pet industries

Leading portfolio of more than 65 high-quality brands

Net sales of \$3.3B in FY21, of which approx. 95% generated in the U.S.

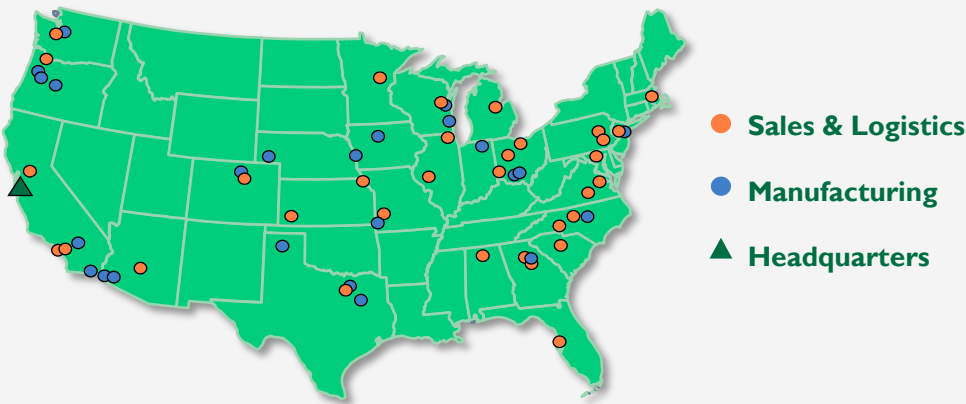
Acquired over 60 companies in the last 30 years

NASDAQ: CENT
NASDAQ: CENTA

FY21 Sales by Segment



Nationwide Presence





Central to Home Long-term Strategy

OUR PURPOSE

Nurture happy and healthy homes

OUR MISSION

Lead the future of the Garden and Pet industries

OUR STRATEGIC PILLARS



CONSUMER

Build and grow brands
Consumers love



CUSTOMER

Win with winning
Customers & Channels



CENTRAL

Fortify the
Central Portfolio



COST

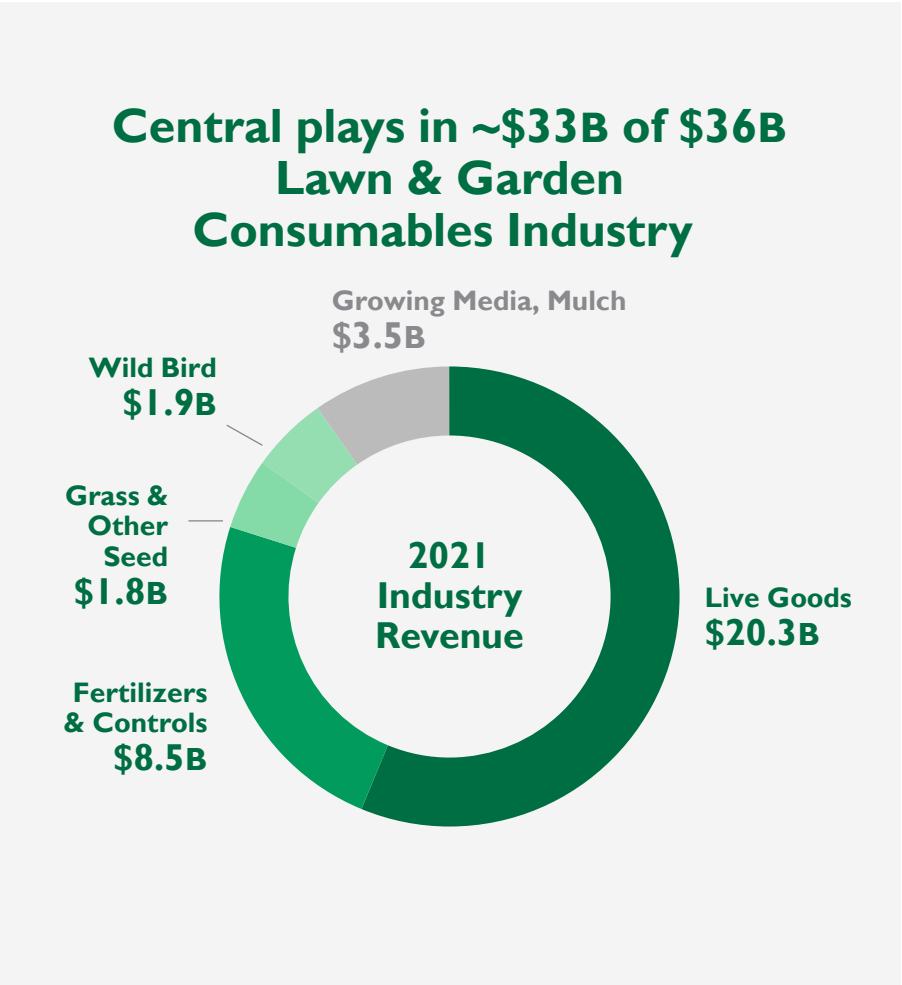
Reduce Cost to improve
margins & fuel growth



CULTURE

Strengthen our entrepreneurial,
business-unit led growth Culture

Garden is a Seasonal Industry with a Concentrated Supplier Base



Strong industry trends: Millennial household formation, counterurbanization, remote working, sustainability

Seasonal business: 2/3 of sales in fiscal Q2 & Q3

Dominated by home centers and mass merchandisers

Underpenetrated in eCommerce, but accelerating

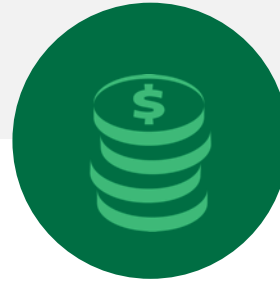
Few large players in a concentrated industry

Attractive industry annual growth rate of 0% to 1%

Garden Segment - Overview



Net Sales of
\$1.4B
in FY21



>70%
Sales from
Top 3 customers



**~80% Brands &
Private label**
~20% Distribution



Outstanding FY21 performance
in COVID-19 challenged environment

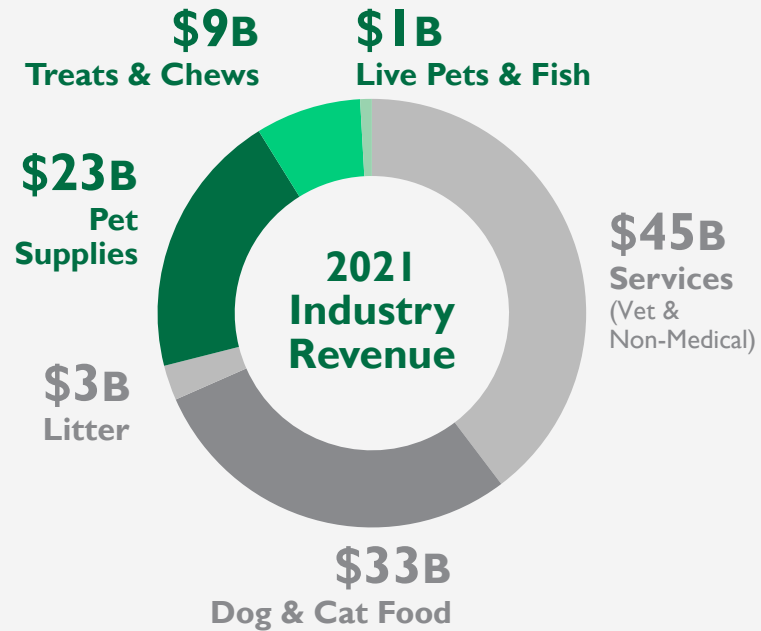
+39%
Net Sales

+20%
EBIT

+15%
eCommerce

Pet is a Fragmented Industry With Attractive Growth Rates

**Central plays in ~\$33B of
\$117B Pet Industry**



Strong industry trends: Millennial household formation, remote working, humanization, health & wellness

Household penetration of over 90%

Fragmented supplier base across categories

Broad distribution across retail channels

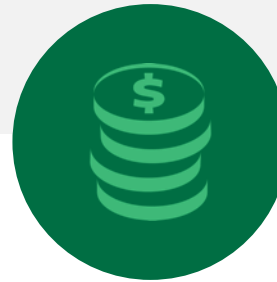
Growing eCommerce channel, accelerated by COVID-19

Attractive industry annual growth rate of 2-4 %

Pet Segment - Overview



Net Sales of
\$1.9B
in FY21



Consumer &
professional
businesses with
leading brands



~80% Branded &
Private label
~20% Distribution



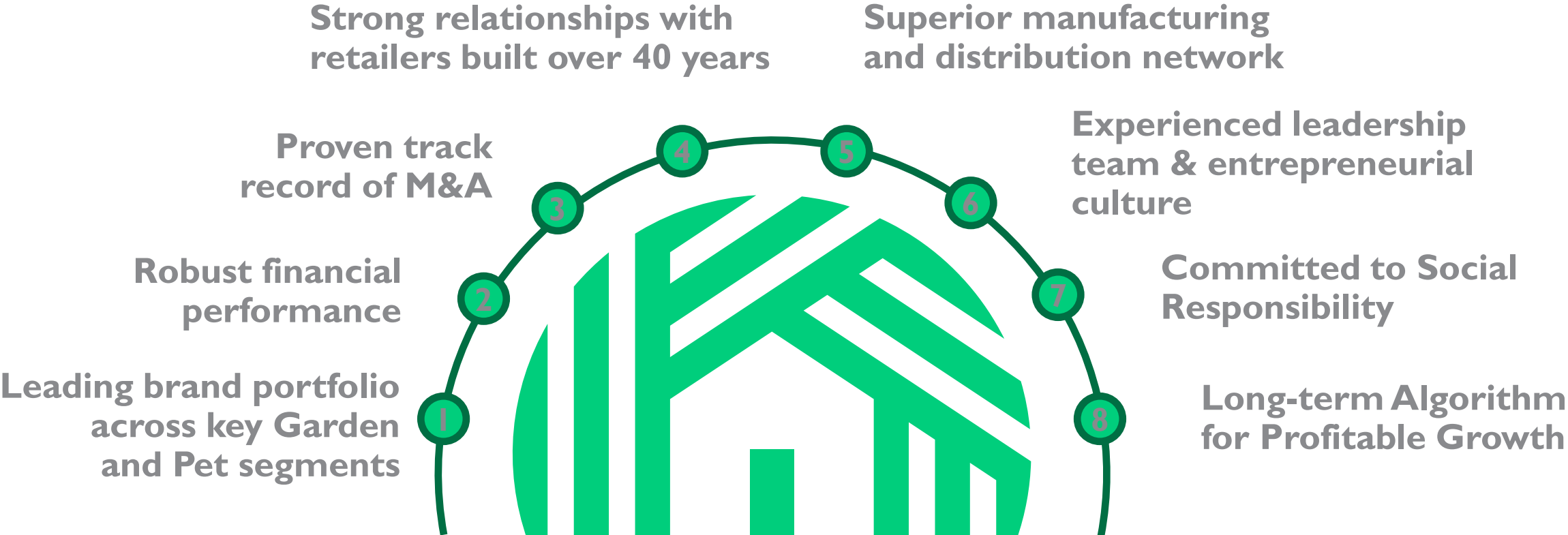
Outstanding FY21 performance
in COVID-19 challenged environment

+13%
Net Sales

+22%
EBIT

+19%
eCommerce

Central has a Strong Foundation for Sustainable Growth





Leading Brands Across Attractive Segments

#2 in Pet Supplies

	
#1 in Pet Bird	#1 in Small Animal
	
#1 in Suet	#2 in Aquatics
	
#2 in Dog Toys	#2 in Dog Pads
	
#3 in Reptile	#3 in Calming Products

#2 in Lawn & Garden Consumables

	
#1 in Wild Bird	
	
#2 in Grass Seed	
	
#2 in Fertilizer	
	
#3 in Controls	

Professional


#1 in Farm Insect Control

#1 in Municipal Mosquito Control

Note: Segment ranking includes Central brands and private label partnerships

📌 Innovation Expands our Industry Leadership



Bird Feed



Marketing Campaign

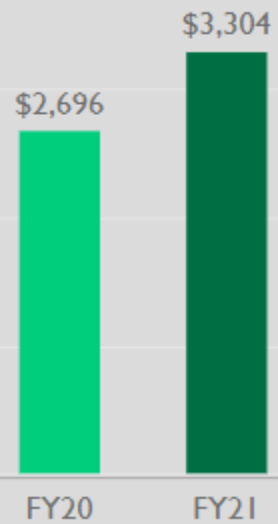


② Robust Financial Performance

Net Sales

(in \$ millions)

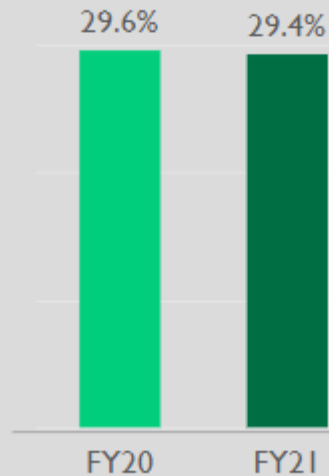
+23%



Gross Margin

(as a percentage of Net Sales)

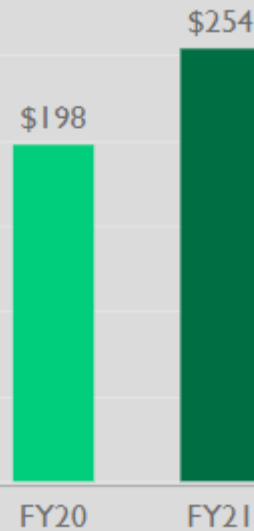
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Operating Income

(in \$ millions)

+29%



Diluted EPS

(in \$)

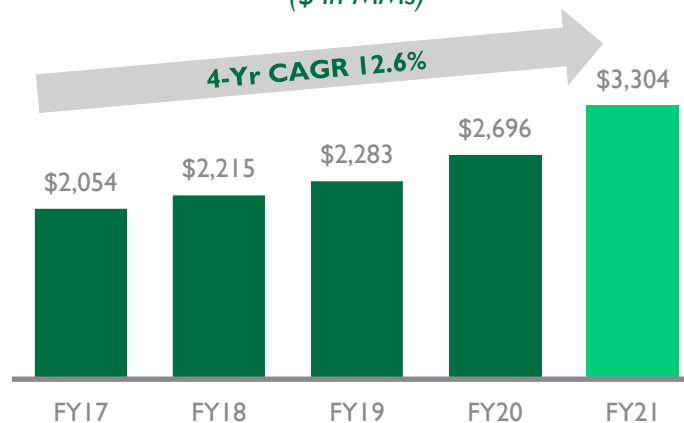
+25%



Our Metrics Accelerated Over the Last Five Years

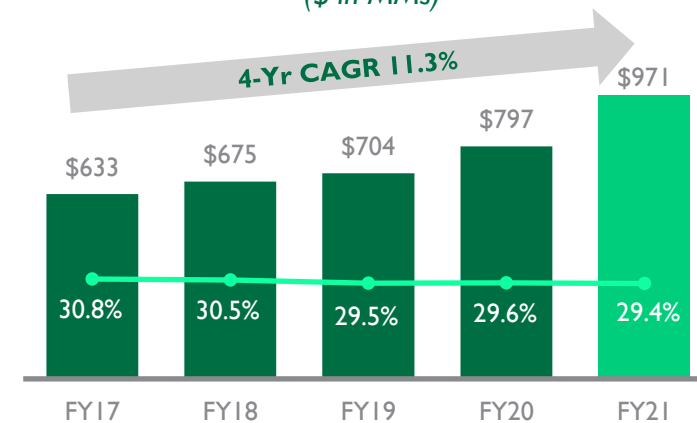
Net Sales

(\$ in MM\$)



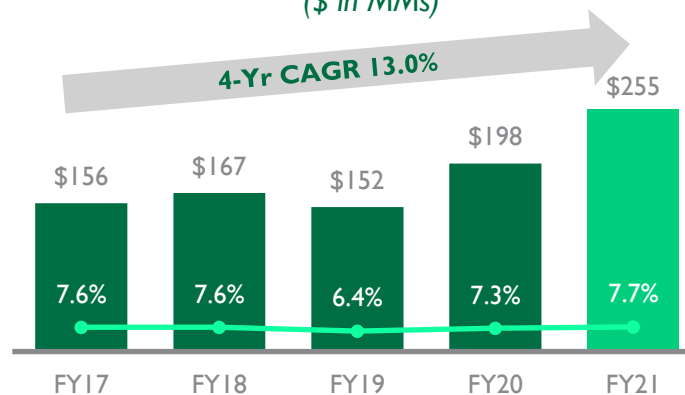
Gross Profit & Margin

(\$ in MM\$)



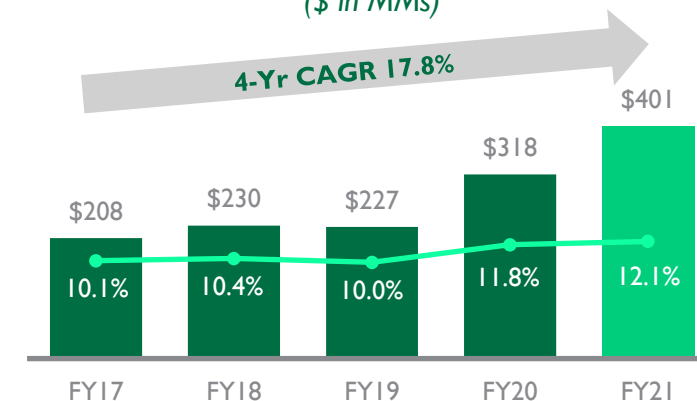
Operating Income & Margin

(\$ in MM\$)



Adjusted EBITDA & Margin

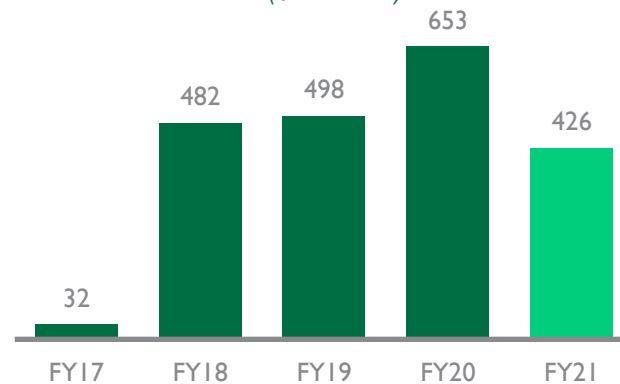
(\$ in MM\$)



Strong Cash Flow and Leverage Metrics

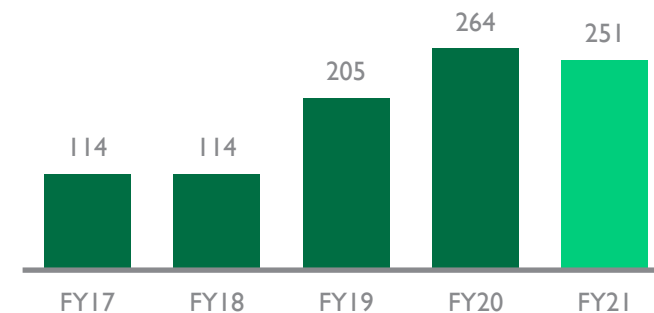
Cash & Cash Equivalents

(\$ in MM\$)



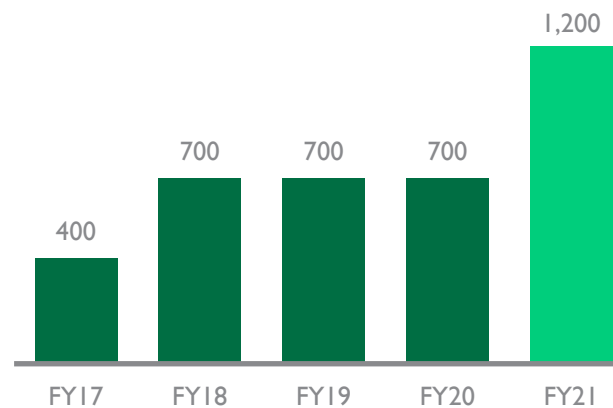
Cash Flow from Operations

(\$ in MM\$)

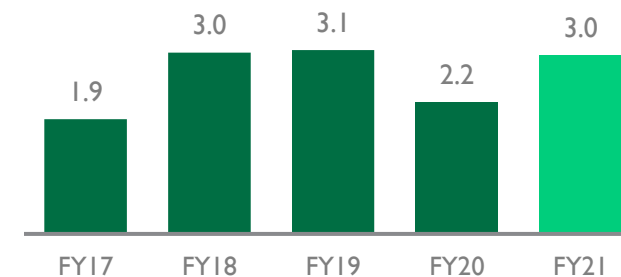


Long-Term Debt

(\$ in MM\$)



Total Leverage⁽¹⁾



⁽¹⁾ Calculated using Adjusted EBITDA as defined by the Company's Credit Agreement

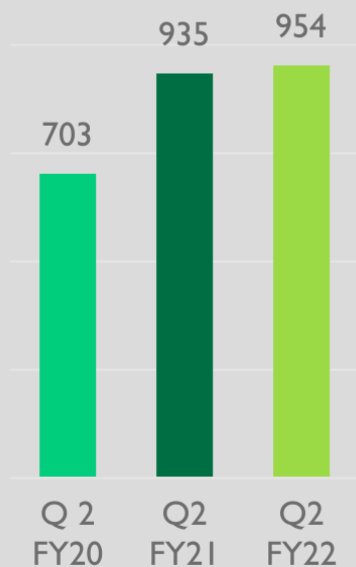
Solid Performance in Q2 FY22

Net Sales

(in \$ millions)

+2% vs PY

+14% 2yr CAGR¹⁾



Gross Margin

(as a percentage of Net Sales)

+100 bps

+60 bps 2yr delta

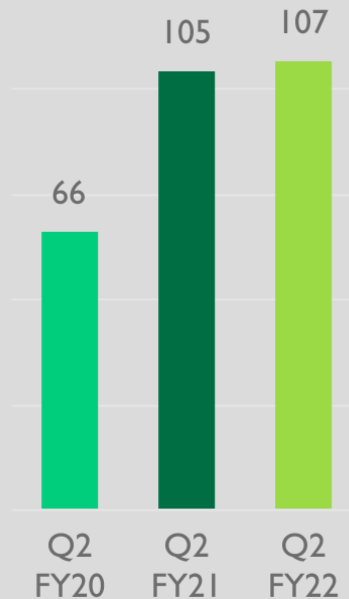


Operating Income

(in \$ millions)

+2%

+18% 2yr CAGR¹⁾

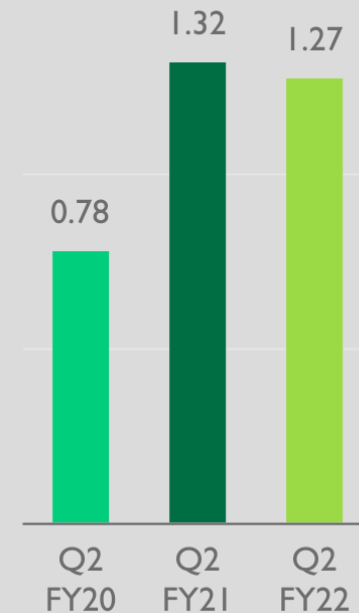


Diluted GAAP EPS

(in \$)

\$(0.05)

+0.49 2yr delta



Proven track record of M&A



Recent Acquisitions



- Builds further scale in live plants
- Strong footprint in the Northeast
- Opportunity for geographic synergies between Bell and Hopewell



- Builds further scale in garden via entry into attractive adjacency
- Leading provider of vegetable, herb and flower seeds and seed starters in the U.S. and Canada
- Leverage our merchandising and digital capabilities to grow the business



- Builds further scale in controls category
- Enhances digital, eCommerce and pick/pack/ship capabilities
- Revenue synergies with Central portfolio



- Adds premium bird feed brands to core garden category
- Further deepens relationship with major retailers
- Unique seed cleaning process

Long-standing, Deep Relationships With Our Retail Partners



- 40 years of outstanding partnerships with top tier retailers
- Strong joint business planning
- Private label producer for many retailers in key categories
- Emerging eCommerce leadership

Superior Manufacturing & Distribution Network



National footprint with
~150 sales, logistics,
manufacturing sites











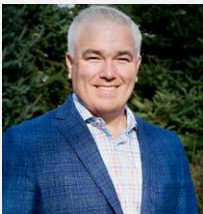




Strong distributor
capabilities in
Garden & Pet



Low-cost producer
in several categories

Strong & Experienced Leadership Team

						
	Tim Cofer CEO	Niko Lahanas CFO	John Hanson President, Pet Consumer Products	J.D. Walker President, Garden Consumer Products	Glen Axelrod Senior Vice President, Dog & Cat Brands	Dan Pennington Senior Vice President, Wild Bird, Chemicals & Fertilizers
Consumer	31 years	15 years	30 years	40 years	26 years	43 years
Central	2 year	15 years	2 year	11 years	24 years	43 years

						
Aron Kolosik Chief Supply Chain Officer	Ken Elsbury Senior Vice President, Central Life Sciences	Mike McGoohan Senior Vice President, Marketing & Strategy	Marilyn Leahy Senior Vice President, Human Resources	Jon Balousek President, Corporate Development	Chris Walter Senior Vice President & Chief Information Officer	Joyce McCarthy General Counsel
24 years	26 years	18 years	26 years	27 years	24 years	20 years
New	1 year	1 year	10 years	1 year	16 years	New

Combination of Deep Central Experience and Relevant Consumer Industry Experience



⑦ Committed to Social Responsibility

Community Health

Empowering communities where our consumers, customers and employees live

- Maximize impact where there is the greatest human and pet need
- Make volunteering easier for our employees and their families

Employee Wellbeing

Supporting the holistic well-being of our employees

- Embrace diversity and inclusion
- Invest in learning and development
- Make employee safety a top priority

Environmental Sustainability

Ensuring long-term sustainable operations while reducing our environmental impact

- Conserve ecosystems imperative to the future
- Take steps towards a full circular economy model
- Source materials that are better for people and planet

⑧ Long-term Algorithm for Profitable Growth

Organic Net Sales

Growth Outlook:

Low Single Digit

Grow at or above category average

Drivers:

Strengthened capabilities and increased investment in marketing and sales

Operating Income

Growth Outlook:

Mid Single Digit

Grow faster than Net Sales

Drivers:

Operating leverage and cost controls

EPS

Growth Outlook:

Mid-High Single Digit

Grow faster than Operating Income

Driver:

Financial leverage

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

About Central Garden & Pet

Central Garden & Pet (NASDAQ: CENT) (NASDAQ: CENTA) understands that home is central to life and has proudly nurtured happy and healthy homes for over 40 years. With fiscal 2021 net sales of \$3.3 billion, Central is on a mission to lead the future of the pet and garden industries. The Company's innovative and trusted products are dedicated to helping lawns grow greener, gardens bloom bigger, pets live healthier and communities grow stronger. Central is home to a leading portfolio of more than 65 high-quality brands including Pennington, Nylabone, Kaytee, Amdro and Aqueon, strong manufacturing and distribution capabilities and a passionate, entrepreneurial growth culture. Central Garden & Pet is based in Walnut Creek, California and has over 7,000 employees across North America and Europe.

For additional information about Central, please visit www.central.com.





Please reach out to us with any comments or questions:

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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