

Q1 FY2023

Investor Presentation

1.31.2023





Business & Industry Update

Tim Cofer, CEO

Q1 FY23 Financials, FY23 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

Three Key Messages

1

Challenging Q1 in line with guidance

NET SALES	\$628MM
GROSS MARGIN	27.4%
OPERATING INCOME	\$0.4MM
EPS	\$(0.16)

Anticipated near-term challenges

- Unfavorable cost overhang
- Higher retail inventories
- Sluggish demand

2

Full-year EPS guidance remains \$2.60 to \$2.80

- Q1 is smallest quarter due to seasonality of Garden
- 85% of Garden sales yet to follow on the year
- Assume normal weather garden season
- Expect inventory dynamics to stabilize
- Pricing actions and cost control to largely offset inflation

3

Our longer-term outlook continues to be favorable

- Pet & Garden are dynamic growth categories
- Numerous consumer trends support sustainable growth
- Confident in competitive strength of Central
- Central to Home strategy is our roadmap to create value for customers & investors

Pet: \$416 million Q1 FY23 Net Sales

Headwinds & Challenges

- Retailer inventory de-stocking
- Continuing SKU rationalization and exit of low-margin pet beds negatively impacting sales growth
- Slowdown in pet adoptions unfavorably impacting durable supplies

Tailwinds & Successes

- POS grew 6% vs PY
- Robust sales growth in Dog & Cat and Outdoor cushions
- Market share growth in Dog Treats & Toys, Small Animal, Pet Bird, Aquatics and Equine
- Brands outperformed private label
- eCommerce represents 23% of Pet branded sales

Garden: \$212 million Q1 FY23 Net Sales

Headwinds & Challenges

- Unfavorable overhang from last year's poor garden season
 - higher inventory levels
 - unfavorable fixed-cost absorption
 - weaker demand
- Foot traffic at Top 3 retailers ranging from mid-single to low-double digits below PY
- Q1 is smallest quarter; 85% of Garden sales yet to follow on the year

Tailwinds & Successes

- POS increased LSD vs PY, lapping strong 14% growth in POS in PY
- Market share grew in Grass Seed and Wild Bird
- Customer fill rates now consistently in the high 90s
- eCommerce grew double digits



Central to Home 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 and
Channels



CENTRAL

Fortify
the Central
Portfolio



COST

Reduce Cost to
improve margins
and fuel growth



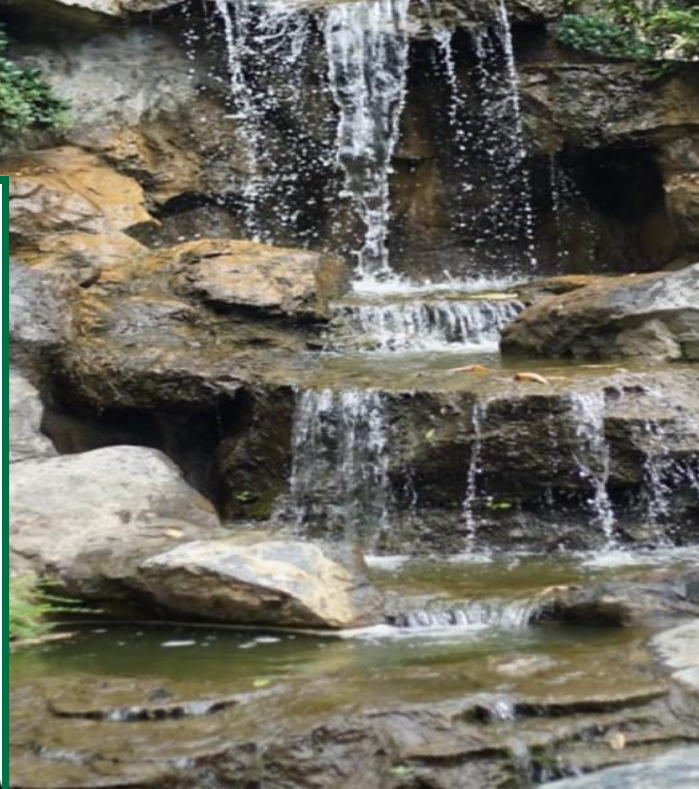
CULTURE

Strengthen our
entrepreneurial, BU-led
growth Culture



Tim Cofer

CEO



Niko Lahanas

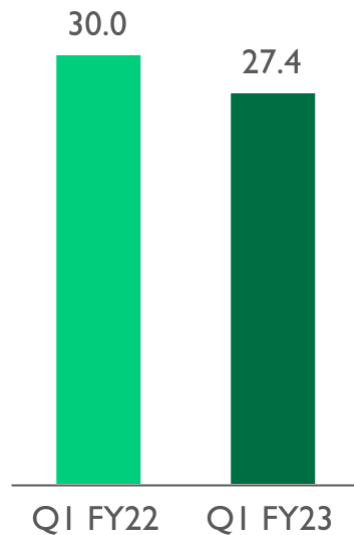
CFO

FY23 Q1 Performance: In Line With Our Guidance

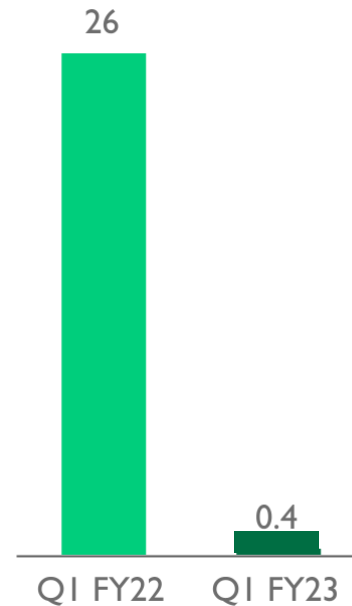
Net Sales *(in \$ millions)*



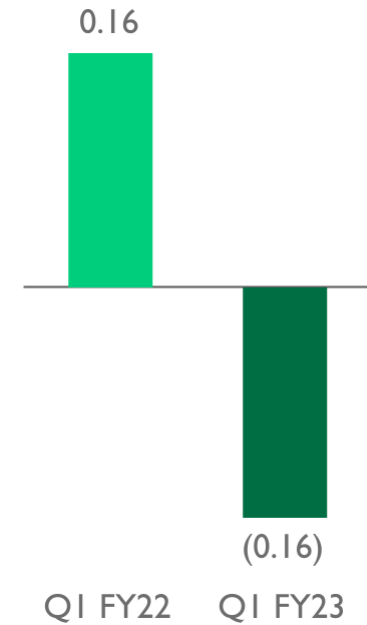
Gross Margin *(as a percentage of Net Sales)*



Operating Income *(in \$ millions)*



EPS *(in \$)*





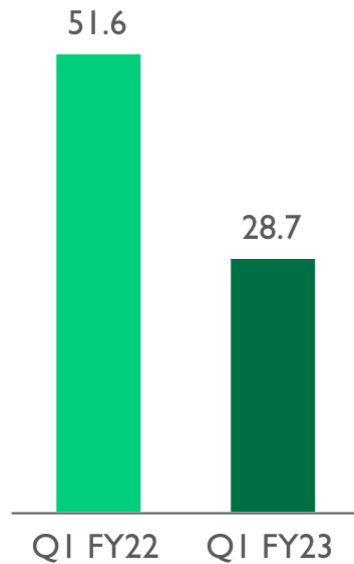
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Strong Financial Metrics

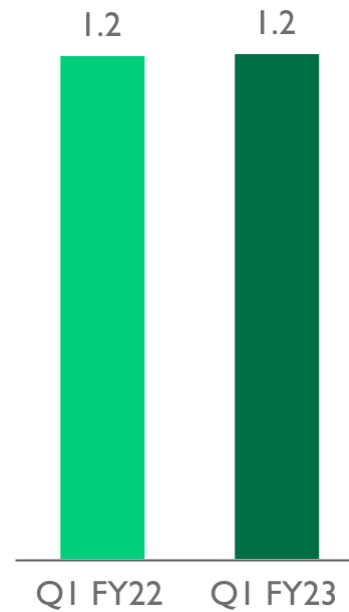
Adjusted EBITDA

(in \$ millions)

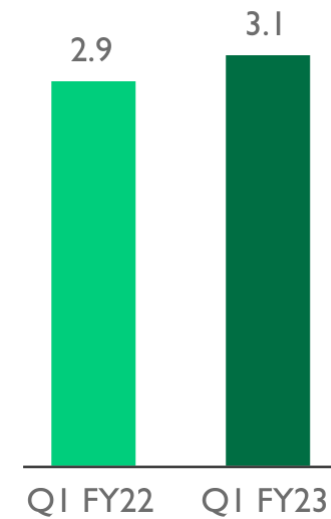


Long-Term Debt

(in \$ millions)



Total Leverage ⁽¹⁾





FY23 Outlook

Ongoing macroeconomic uncertainty

- Continued broad-based cost inflation, albeit moderating
- Retail inventory de-stocking
- Consumer behavior in potential recession

Strong fundamentals of Central and our industries

- Favorable trends support long-term growth in Pet and Garden
- Central remains strong, well capitalized and well positioned

Continue to expect FY23 EPS of \$2.60 to \$2.80

- Sharper focus on cost and cash
- FY23 EPS expected to be skewed toward the second half

Q&A

**Please reach out to us
with any comments or
questions:**

IR@Central.com

(925) 412-6726





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.

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

	December 24, 2022	December 25, 2021
Adjusted EBITDA Reconciliation		
Net income (loss) attributable to Central Garden & Pet Company	\$ (8,433)	\$ 9,009
Interest expense, net	13,776	14,408
Other income (expense)	(1,699)	209
Income tax (benefit) expense	(2,822)	2,401
Net income (loss) attributable to noncontrolling interest	(416)	187
Sum of items below operating income	8,839	17,205
Income from operations	406	26,214
Depreciation & amortization	21,692	20,202
Noncash stock-based compensation	6,577	5,187
Adjusted EBITDA	<u>\$ 28,675</u>	<u>\$ 51,603</u>