

# GROWERTALKS

## GT in Brief

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### Gary Mangum on Bell Nursery's Sale to Central Garden & Pet

*Chris Beytes*

Gary Mangum, Mike McCarthy and their financial partner Lindsay Goldberg (LG) have put the finishing touches on the sale of Bell Nursery to Central Garden & Pet, a national distributor of, well, garden and pet supplies. Gary and Mike had sold about half the business to LG about 10 years ago; in this deal, Gary and Mike sell their final stake in the business and LG cashes out (whether profitably or not will not be made public).

We tried catching up with Gary via phone to get more details than the generic press release offered, but he was busy with legislative meetings in Annapolis (for those who don't know, he has been quite active in Maryland politics of late). But he was gracious enough to type the answers to some questions while he sat through meetings and legislative sessions.

Here's what he had to say:

**GrowerTalks:** Why decide now to sell your remaining shares in the business?

**Gary Mangum:** I'm not getting any younger and it was important to me to ensure that our succession plan was in place before it was needed, and while I could actively contribute to the transition. We could not have a better partner, or a better team in place, to take Bell to the next level.

**GT:** What about your financial partner, Lindsay Goldberg? Why did they sell?

**GM:** We've been with LG for 10 years and it's been an incredible experience. We informed LG of the initial contact, and as they have been all the way along, they were supportive of the conversations we were having with Central [Garden & Pet] and ultimately agreed that the move was going to be good for the business and for our employees. LG's consent was obviously crucial and their experience facilitated diligence activities.

**GT:** Obviously, Central Garden & Pet will want to take the Bell brand into multiple retailers, including Lowe's and Walmart (where we hear they were a vendor of the year). What will Home Depot think? [Home Depot has been Bell's only customer for two decades].

**GM:** Like Home Depot, Lowe's and Walmart already have a strong supply chain. Bell will be operated within Central essentially as a stand-alone organization. We're excited to see how the business can grow with the additional resources that we'll have available. We hope and expect to earn new business with Home Depot as things progress, and we are excited to pursue those new opportunities as they may arise. My father always said to us, "We're only as good as our last delivery." I happily pass that pressure along to our team.

**GT:** Do you worry about Bell maintaining the “Act like you own it” philosophy that you’ve been preaching since you bought the business? Are you worried about losing the “human” element that came up so much in that story in GrowerTalks in 2012, after your “break” from the business?

**GM:** Actually, we’re very excited about the alignment of our [two] businesses’ core values. “Act like you own it” survives and grows. Central’s decision to invest would not exist were it not for the track record of our team. Our managers and front-line employees are key to the opportunities ahead. Brett Guthrie, who came to Bell as a leader from our second acquisition in 2007, was promoted to Chief Operating Officer two years ago. His work has been simply amazing. He’s a combination of high energy and high passion, and he’s data driven. His people skills are simply the best. Steve Crider, our CFO, has been my partner effectively since Mike retired in 2011. Steve and Brett will continue their close working relationship. I am very excited about the future and I feel like we’ve been very responsible related to succession planning.

**GT:** The press release says you’ll continue to serve as a consultant?

**GM:** I’m available for anything that Brett, Home Depot or Central leadership determines is useful. I do hope to eventually talk to others who may consider selling their businesses over time, as we have now experienced both buying other operations and selling our own. I also expect to have some more free time to “consult” close to home—reading to my grandchildren and attending some baseball games with my boys. My main priority outside of being available to Bell this summer will be working with the campaign to re-elect Maryland’s Governor (Larry Hogan). I essentially took off the summer of 2014 to help with his election, and my wife and I are fully committed to the re-elect effort.

## **Brett Guthrie: No pressure, right?**

Filling Gary’s shoes won’t be easy. His personal value to Bell has been known since Day One and was reinforced in 2010/2011 when he hired a CEO and took a break from the day-to-day running of the business. Bell didn’t perform quite as well when operated strictly by data. Gary returned and quickly righted the ship, confirming that this is, first and foremost, a relationship business.

Which brings us to Gary’s replacement, COO Brett Guthrie, who replied to our question, “Any pressure?” thusly:

*Pressure? Sure, no pressure—first day of spring with a nor’easter and 12 in. of snow forecast!*

*Let’s be honest, I don’t believe that anyone can replace Gary Mangum. However, I have been fortunate enough to work with Gary and have him as a mentor for the last 10 years and a competitor for probably six or seven years before that. I am confident that, together with our leadership team, each having lived the “Act like you own it” philosophy for many years, that the Bell culture, the icon, will not only be maintained, but will spread into the new markets we are servicing.*

*I believe that the biggest difference between then and today is the industry specific experience that I have vs. the [CEO Gary hired] in 2010. I was brought into the industry by Neal VanWingerden in 1985 and was able to interact with many of his brothers and brothers-in-law, the best production minds in the industry. When I joined Bell through acquisition in 2007, with much mentoring from Gary and help from our supply chain starting with Ball, I was able to balance being a low-cost producer with delivering a higher-quality, value-driven product to Home Depot stores every day.*

*My family is fully supportive, and I look forward to the challenges and opportunities ahead. The last thing Gary said to me before leaving our most recent meeting was, “Remember, you’re only as good as your last delivery.” No pressure.*

## About Central Garden & Pet

We have not yet been able to speak with CEO & President George Roeth or anyone else from Central Garden & Pet to learn how they'll add the Bell Nursery franchise to their long list of brands, but we can tell you a bit about this holding company:

- Headquartered in Walnut Creek, California (garden division is based in Atlanta)
- Fiscal 2017 sales of \$2.05 billion
- Publicly traded under the ticker symbol CENT; Stock price is currently \$42
- Performance has been strong, with 104% earnings per share (EPS) over the past four years
- Familiar brands include Pennington seed, Amdro, Sevin, Kaytee animal and pet food and supplies, and Ironite mineral supplement
- 4,100 employees, primarily in North America

This isn't Central's first foray into livegoods: In 2016, they acquired Segrest Farms, an aquarium fish supplier.

## Not our first corporate owner

Central Garden & Pet is hardly the first big American company to take a foray into the nursery and greenhouse business. There was Ralston Purina (RP), who, in 1977, bought two nurseries, Green Thumb in Apopka, Florida, and a company called Deco-Plants. RP spun both off in 1979. (The Green Thumb facility went on to be owned by Greiling Farms, then Fernlea, then Kerry's Bromeliads and now Costa Farms.)

Next came Weyerhaeuser, who, in 1979, bought Shemin Nurseries, then added Wight Nurseries and Hines Wholesale. They sold them all a decade later.

Most recently, in 2016, Scotts Miracle-Gro bought a minority share of herb and veggie producer Bonnie Plants. In between, there have been many private equity investors, some who failed, some who sold out after a few years, and some who seem to be in for the long haul. The big difference with Central is that they're 100% owners of Bell, not just equity partners. And they're publicly traded. It'll be interesting to see how they fare in our world. **GT**