

GROWERTALKS

Front Lines

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How is Central Garden & Pet doing?

Chris Beytes

Central is a big company, with \$3.3 billion in net sales in 2021. Curious about their performance for the first three months of this year, since they're in our space in both the garden and pet categories, I checked out the Q2 results.

"Central delivered another solid quarter thanks to strong execution by our team in this challenging inflationary environment," said Tim Cofer, CEO of the Walnut Creek, California, distributor in an official statement. "Despite the ongoing headwinds, we grew sales and operating income, and importantly, expanded gross margin, and remain on track to deliver our fiscal 2022 financial targets. We continue to make purposeful investments to drive profitable long-term growth."

Net sales increased 2% to \$954 million compared to \$935 million a year ago, driven by recent acquisitions, which contributed \$52 million to the quarter. However, organic net sales decreased 3.5% compared to the prior year quarter. That doesn't mean organic products—that means sales of existing businesses (not new acquisitions). That's not surprising, given the challenging weather this spring.

Gross margin was 30.1%, an increase of 100 basis points compared to a year ago, driven primarily by pricing as well as favorable product mix and productivity improvements, partially offset by cost inflation in commodities, freight and labor. Those are some of those headwinds he mentioned in his quote.

Operating income increased 2% to \$107 million from \$105 million a year ago. Operating margin of 11.2% was in line with the prior year despite continued inflation and heightened investment spending. The company's net income was \$70 million, a decrease of 4% from \$73 million a year ago.

Garden segment results

That was for the whole company—garden and pet. Net sales for the Garden segment increased 3% to \$457 million. However, that increase was driven by contributions from recent acquisitions, offsetting a decline in organic sales of 9%. The decline came from chemicals & fertilizer, garden distribution, controls and grass seed driven by unfavorable weather causing a late start to the garden season. (This was first reported in early May.)

Pet segment results

Net sales for the Pet segment increased 1% to \$498 million, with notable contributions from the company's dog and cat, outdoor cushions, professional and pet distribution businesses offset by softness in pet beds (yes, they really wrote that).

Pet segment operating income decreased 2% to \$61 million, and operating margin declined 40 basis points to

12.2%. Pet segment adjusted EBITDA decreased 1% to \$70 million from \$71 million a year ago, largely driven by inflationary headwinds and heightened investment spending, partially offset by improved pricing and favorable product mix. **GP**