UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 25, 2021

or

☐ **TRANSITION REPORT PURSUANT OF SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number: 001-33268

Central Garden & Pet Company

Delaware	**68-0275553**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1340 Treat Blvd., Suite 600, Walnut Creek, California 94597
(Address of principal executive offices)
(925) 948-4000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	CENT	The NASDAQ Stock Market LLC
Class A Common Stock	CENTA	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock Outstanding as of January 31, 2022	11,335,658
Class A Common Stock Outstanding as of January 31, 2022	42,175,510
Class B Stock Outstanding as of January 31, 2022	1,612,374

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This Form 10-Q 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. When used in this Form 10-Q, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes" and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, our future earnings expectations, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith, and we believe there is a reasonable basis for them, but we cannot assure you that our expectations, beliefs and projections will be realized.

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 Form 10-Q. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Form 10-Q are set forth in the Form 10-K for the fiscal year ended September 25, 2021, including the factors described in the section entitled "Item 1A – Risk Factors." If any of these risks or uncertainties materializes, or if any of our underlying assumptions are incorrect, our actual results may differ significantly from the results that we express in, or imply by, any of our forward-looking statements. We do not undertake any obligation to revise these forward-looking statements to reflect future events or circumstances, except as required by law. Presently known risk factors include, but are not limited to, the following factors:

- our ability to successfully manage the continuing impact of COVID-19 on our business, including but not limited to, the impact on our workforce, operations, fill rates, supply chain, demand for our products and services, and our financial results and condition;
- the potential for future reductions in demand for product categories that benefited from the COVID-19 pandemic;

- the success of our Central to Home strategy;
- risks associated with our acquisition strategy, including our ability to successfully integrate acquisitions and the impact of purchase accounting on our financial results;
- inflation and other adverse macro-economic conditions;
- fluctuations in market prices for seeds and grains and other raw materials;
- fluctuations in energy prices, fuel and related petrochemical costs;
- our inability to pass through cost increases in a timely manner;
- supply chain delays and disruptions resulting in lost sales, reduced fill rates and service levels and delays in expanding capacity and automating processes;
- adverse weather conditions;
- seasonality and fluctuations in our operating results and cash flow;
- supply shortages in pet birds, small animals and fish;
- dependence on a small number of customers for a significant portion of our business;
- impacts of tariffs or a trade war;
- consolidation trends in the retail industry;
- declines in consumer spending during economic downturns;
- risks associated with new product introductions, including the risk that our new products will not produce sufficient sales to recoup our investment;
- competition in our industries;
- continuing implementation of an enterprise resource planning information technology system;
- potential environmental liabilities;
- risk associated with international sourcing;
- access to and cost of additional capital;
- potential goodwill or intangible asset impairment;
- our dependence upon our key executives;
- our ability to recruit and retain new members of our management team to support our growing businesses and to hire and retain employees;
- our inability to protect our trademarks and other proprietary rights;
- litigation and product liability claims;
- regulatory issues;
- the impact of product recalls;
- potential costs and risks associated with actual or potential cyber attacks;
- potential dilution from issuance of authorized shares;
- the voting power associated with our Class B stock; and
- the impact of new accounting regulations and the possibility our effective tax rate will increase as a result of future changes in the corporate tax rate or other tax law changes.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CENTRAL GARDEN & PET COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts, unaudited)

	December 25, 2021	December 26, 2020	September 25, 2021
ASSETS			
Current assets:			
Cash and cash equivalents	$ 296,038	$ 608,285	$ 426,422
Restricted cash	12,913	13,670	13,100
Accounts receivable (less allowances of $27,937, $30,951 and $29,219)	343,659	322,806	385,384
Inventories, net	844,899	574,878	685,237
Prepaid expenses and other	34,213	28,074	33,514
Total current assets	1,531,722	1,547,713	1,543,657
Plant, property and equipment, net	340,133	252,157	328,571
Goodwill	369,391	289,955	369,391
Other intangible assets, net	130,190	131,557	134,431
Operating lease right-of-use assets	169,709	115,833	165,602
Other assets	576,896	108,884	575,028
Total	$ 3,118,041	$ 2,446,099	$ 3,116,680
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	$ 244,826	$ 216,991	$ 245,542
Accrued expenses	225,062	189,290	234,965
Current lease liabilities	43,051	34,834	40,731
Current portion of long-term debt	411	97	1,081
Total current liabilities	513,350	441,212	522,319
Long-term debt	1,185,057	788,921	1,184,683
Long-term lease liabilities	132,174	85,729	130,125
Deferred income taxes and other long-term obligations	58,560	43,224	56,012
Equity:			
Common stock, $0.01 par value: 11,335,658, 11,336,358 and 11,335,658 shares outstanding at December 25, 2021, December 26, 2020 and September 25, 2021	113	113	113
Class A common stock, $0.01 par value: 42,205,761, 42,171,329 and 42,282,922 shares outstanding at December 25, 2021, December 26, 2020 and September 25, 2021	422	422	423
Class B stock, $0.01 par value: 1,612,374, 1,612,374 and 1,612,374 shares outstanding at December 25, 2021, December 26, 2020 and September 25, 2021	16	16	16
Additional paid-in capital	578,917	570,678	576,446
Retained earnings	650,032	516,394	646,082
Accumulated other comprehensive loss	(1,273)	(1,032)	(831)
Total Central Garden & Pet Company shareholders’ equity	1,228,227	1,086,591	1,222,249
Noncontrolling interest	673	422	1,292
Total equity	1,228,900	1,087,013	1,223,541
Total	$ 3,118,041	$ 2,446,099	$ 3,116,680

See notes to condensed consolidated financial statements.

CENTRAL GARDEN & PET COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts, unaudited)

	Three Months Ended	
	December 25, 2021	December 26, 2020
Net sales	$ 661,398	$ 592,230
Cost of goods sold	463,202	426,811
Gross profit	198,196	165,419
Selling, general and administrative expenses	171,982	138,379
Operating income	26,214	27,040
Interest expense	(14,484)	(20,975)
Interest income	76	206
Other income (expense)	(209)	752
Income before income taxes and noncontrolling interest	11,597	7,023
Income tax expense	2,401	1,381
Income including noncontrolling interest	9,196	5,642
Net income attributable to noncontrolling interest	187	29
Net income attributable to Central Garden & Pet Company	$ 9,009	$ 5,613
Net income per share attributable to Central Garden & Pet Company:		
Basic	$ 0.17	$ 0.10
Diluted	$ 0.16	$ 0.10
Weighted average shares used in the computation of net income per share:		
Basic	53,491	53,734
Diluted	54,909	54,686

See notes to condensed consolidated financial statements.

CENTRAL GARDEN & PET COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, unaudited)

	Three Months Ended	
	December 25, 2021	December 26, 2020
Income including noncontrolling interest	$ 9,196	$ 5,642
Other comprehensive income (loss):		
Foreign currency translation	(442)	377
Total comprehensive income	8,754	6,019
Comprehensive income attributable to noncontrolling interest	187	29
Comprehensive income attributable to Central Garden & Pet Company	$ 8,567	$ 5,990

See notes to condensed consolidated financial statements.

CENTRAL GARDEN & PET COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Three Months Ended	
	December 25, 2021	December 26, 2020
Cash flows from operating activities:		
Net income	$ 9,196	$ 5,642
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	20,202	12,915
Amortization of deferred financing costs	640	475
Non-cash lease expense	11,405	9,087
Stock-based compensation	5,187	4,669
Debt extinguishment costs	169	8,577
Loss on sale of business	—	2,611
Deferred income taxes	2,737	973
Gain on sale of property and equipment	(88)	(664)
Other	18	210
Change in assets and liabilities (excluding businesses acquired):		
Accounts receivable	41,508	68,929
Inventories	(159,932)	(137,635)
Prepaid expenses and other assets	(3,635)	(1,362)
Accounts payable	1,150	10,134
Accrued expenses	(9,790)	(13,393)
Other long-term obligations	(53)	1,437
Operating lease liabilities	(11,172)	(8,720)
Net cash used by operating activities	(92,458)	(36,115)
Cash flows from investing activities:		
Additions to plant, property and equipment	(24,210)	(14,661)
Payments to acquire companies, net of cash acquired	—	(80,887)
Proceeds from the sale of business	—	2,400
Investments	(1,918)	—
Other investing activities	—	(223)
Net cash used in investing activities	(26,128)	(93,371)
Cash flows from financing activities:		
Repayments of long-term debt	(767)	(400,024)
Proceeds from issuance of long-term debt	—	500,000
Premium paid on extinguishment of debt	—	(6,124)
Repurchase of common stock, including shares surrendered for tax withholding	(7,775)	(871)
Payment of contingent consideration liability	(89)	(110)
Distribution to noncontrolling interest	(806)	(478)
Payment of financing costs	(2,153)	(8,031)
Net cash (used) provided by financing activities	(11,590)	84,362
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(395)	682
Net decrease in cash, cash equivalents and restricted cash	(130,571)	(44,442)
Cash, cash equivalents and restricted cash at beginning of period	439,522	666,397
Cash, cash equivalents and restricted cash at end of period	$ 308,951	$ 621,955
Supplemental information:		
Cash paid for interest	$ 19,750	$ 13,180
New operating lease right of use assets	$ 15,616	$ 9,281

See notes to condensed consolidated financial statements.

CENTRAL GARDEN & PET COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended December 25, 2021
(Unaudited)

1. Basis of Presentation

The condensed consolidated balance sheets of Central Garden & Pet Company and subsidiaries (the “Company” or “Central”) as of December 25, 2021 and December 26, 2020, the condensed consolidated statements of operations, the condensed consolidated statements of comprehensive income and the condensed consolidated statements of cash flows for the three months ended December 25, 2021 and December 26, 2020 have been prepared by the Company, without audit. In the opinion of management, the interim financial statements include all normal recurring adjustments necessary for a fair statement of the results for the interim periods presented.

For the Company’s foreign businesses in the United Kingdom and Canada, the local currency is the functional currency. Assets and liabilities are translated using the exchange rate in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Deferred taxes are not provided on translation gains and losses because the Company expects earnings of its foreign subsidiaries to be permanently reinvested. Transaction gains and losses are included in results of operations.

Due to the seasonal nature of the Company’s garden business, the results of operations for the three months ended December 25, 2021 are not necessarily indicative of the operating results that may be expected for the entire fiscal year. These interim financial statements should be read in conjunction with the annual audited financial statements, accounting policies and financial notes thereto, included in the Company’s 2021 Annual Report on Form 10-K, which has previously been filed with the Securities and Exchange Commission. The September 25, 2021 balance sheet presented herein was derived from the audited financial statements.

Noncontrolling Interest

Noncontrolling interest in the Company’s condensed consolidated financial statements represents the 20% interest not owned by Central in a consolidated subsidiary. Since the Company controls this subsidiary, its financial statements are consolidated with those of the Company, and the noncontrolling owner’s 20% share of the subsidiary’s net assets and results of operations is deducted and reported as noncontrolling interest on the consolidated balance sheets and as net income (loss) attributable to noncontrolling interest in the consolidated statements of operations. See Note 9, Supplemental Equity Information, for additional information.

Cash, Cash Equivalents and Restricted Cash

The Company considers cash and all highly liquid investments with an original maturity of three months or less at date of purchase to be cash and cash equivalents. Restricted cash includes cash and highly liquid instruments that are used as collateral for stand-alone letter of credit agreements related to normal business transactions. These agreements require the Company to maintain specified amounts of cash as collateral in segregated accounts to support the letters of credit issued thereunder, which will affect the amount of cash the Company has available for other uses. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the condensed consolidated statements of cash flows as of December 25, 2021, December 26, 2020 and September 25, 2021, respectively.

	December 25, 2021	December 26, 2020	September 25, 2021
		(in thousands)	
Cash and cash equivalents	$ 296,038	$ 608,285	$ 426,422
Restricted cash	12,913	13,670	13,100
Total cash, cash equivalents and restricted cash	$ 308,951	$ 621,955	$ 439,522

Allowance for Credit Losses and Customer Allowances

The Company’s trade accounts receivable are recorded at net realizable value, which includes an allowance for estimated credit losses, as well as allowances for contractual customer deductions accounted for as variable consideration. Under the guidance found in ASC Topic 326, the “expected credit loss” model replaces the previous incurred loss model and requires consideration of a broader range of information to estimate expected credit losses over the lives of the Company’s trade accounts receivable. The Company’s prior methodology for estimating credit losses on its trade accounts receivable did not differ significantly from the new requirements of Topic 326.

The Company maintains an allowance for credit losses related to its trade accounts receivable for future expected credit losses for the inability of its customers to make required payments. The Company estimates the allowance based upon historical bad debts, current customer receivable balances and the customer’s financial condition. The allowance is adjusted to reflect changes in current and forecasted macroeconomic conditions. The Company’s estimate of credit losses includes expected current and future economic and market conditions surrounding the COVID-19 pandemic, which did not significantly impact its allowance.

Revenue Recognition

Revenue Recognition and Nature of Products and Services

The Company manufactures, markets and distributes a wide variety of branded, private label and third-party pet and garden products to wholesalers, distributors and retailers, primarily in the United States. The majority of the Company’s revenue is generated from the sale of finished pet and garden products. The Company also recognizes a minor amount of non-product revenue (approximately one percent of consolidated net sales) comprising third-party logistics services, merchandising services and royalty income from sales-based licensing arrangements. Product and non-product revenue is recognized when performance obligations under the terms of the contracts with customers are satisfied. The Company recognizes product revenue when control over the finished goods transfers to its customers, which generally occurs upon shipment to, or receipt at, customers’ locations, as determined by the specific terms of the contract. These revenue arrangements generally have single performance obligations. Non-product revenue is recognized as the services are provided to the customer in the case of third-party logistics services and merchandising services, or as third-party licensee sales occur for royalty income. Revenue, which includes shipping and handling charges billed to the customer, is reported net of variable consideration and consideration payable to our customers, including applicable discounts, returns, allowances, trade promotion, unsaleable product, consumer coupon redemption and rebates. Shipping and handling costs that occur before the customer obtains control of the goods are deemed to be fulfillment activities and are accounted for as fulfillment costs.

Key sales terms are established on a frequent basis such that most customer arrangements and related incentives have a one year or shorter duration. As such, the Company does not capitalize contract inception costs. The Company generally does not have unbilled receivables at the end of a period. Deferred revenues are not material and primarily include advance payments for services that have yet to be rendered. The Company does not receive noncash consideration for the sale of goods. Amounts billed and due from our customers are classified as receivables and require payment on a short-term basis; therefore, the Company does not have any significant financing components.

Sales Incentives and Other Promotional Programs

The Company routinely offers sales incentives and discounts through various regional and national programs to our customers and consumers. These programs include product discounts or allowances, product rebates, product returns, one-time or ongoing trade-promotion programs with customers and consumer coupon programs that require the Company to estimate and accrue the expected costs of such programs. The costs associated with these activities are accounted for as reductions to the transaction price of the Company’s products and are, therefore, recorded as reductions to gross sales at the time of sale. The Company bases its estimates of incentive costs on historical trend experience with similar programs, actual incentive terms per customer contractual obligations and expected levels of performance of trade promotions, utilizing customer and sales organization inputs. The Company maintains liabilities at the end of each period for the estimated incentive costs incurred but unpaid for these programs. Differences between estimated and actual incentive costs are generally not material and are recognized in earnings in the period such differences are determined. Reserves for product returns, accrued rebates and promotional accruals are included in the condensed consolidated balance sheets as part of accrued expenses, and the value of inventory associated with reserves for sales returns is included within prepaid expenses and other current assets on the condensed consolidated balance sheets.

Leases

The Company determines whether an arrangement contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration and other facts and circumstances. Long-term operating lease right-of-use ("ROU") assets and current and long-term operating lease liabilities are presented separately in the condensed consolidated balance sheets. Finance lease ROU assets are presented in property, plant and equipment, net, and the related finance liabilities are presented with current and long-term debt in the condensed consolidated balance sheets.

Lease ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are calculated based on the lease liability adjusted for any lease payments paid to the lessor at or before the commencement date and excludes any lease incentives received from the lessor. Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. As the Company's leases typically do not contain a readily determinable implicit rate, the Company determines the present value of the lease liability using its incremental borrowing rate at the lease commencement date based on the lease term on a collateralized basis. Variable lease payments are expensed as incurred and include certain non-lease components, such as maintenance and other services provided by the lessor, and other charges included in the lease, as applicable. Non-lease components and the lease components to which they relate are accounted for as a single lease component, as the Company has elected to combine lease and non-lease components for all classes of underlying assets.

Amortization of ROU lease assets is calculated on a straight-line basis over the lease term with the expense recorded in cost of sales or selling, general and administrative expenses, depending on the nature of the leased item. Interest expense is recorded over the lease term and is recorded in interest expense (based on a front-loaded interest expense pattern) for finance leases and is recorded in cost of sales or selling, general and administrative expenses (on a straight-line basis) for operating leases. All operating lease cash payments and interest on finance leases are recorded within cash flows from operating activities and all finance lease principal payments are recorded within cash flows from financing activities in the condensed consolidated statements of cash flows.

Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)*, *Simplifying the Accounting for Income Taxes*, which eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating taxes during the quarters and the recognition of deferred tax liabilities for outside basis differences. This guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. ASU 2019-12 was effective for the Company as of September 26, 2021, and the adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements.

2. Fair Value Measurements

ASC 820 establishes a single authoritative definition of fair value, a framework for measuring fair value and expands disclosure of fair value measurements. ASC 820 requires financial assets and liabilities to be categorized based on the inputs used to calculate their fair values as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability, which reflect the Company’s own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The Company’s financial instruments include cash and equivalents, short term investments consisting of bank certificates of deposit, accounts receivable and payable, derivative instruments, short-term borrowings, and accrued liabilities. The carrying amount of these instruments approximates fair value because of their short-term nature.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the Company’s financial assets and liabilities measured at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of December 25, 2021:

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Liabilities:				
Liability for contingent consideration (a)	$ —	$ —	$ 1,517	$ 1,517
Total liabilities	$ —	$ —	$ 1,517	$ 1,517

The following table presents the Company’s financial assets and liabilities measured at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of December 26, 2020:

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Liabilities:				
Liability for contingent consideration (a)	$ —	$ —	$ 1,227	$ 1,227
Total liabilities	$ —	$ —	$ 1,227	$ 1,227

The following table presents the Company's financial assets and liabilities at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of September 25, 2021:

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Liabilities:				
Liability for contingent consideration (a)	$ —	$ —	$ 1,606	$ 1,606
Total liabilities	$ —	$ —	$ 1,606	$ 1,606

(a) The fair values of the Company's contingent consideration liabilities from previous business acquisitions are considered "Level 3" measurements because the Company uses various estimates in the valuation models to project timing and amount of future contingent payments. The liability for contingent consideration relates to future performance-based contingent payments for Hydro-Organics Wholesale, Inc., acquired in October 2015. The performance period related to Hydro-Organics Wholesale extends through fiscal year 2025. The fair value of the estimated contingent consideration arrangement is determined based on the Company's evaluation as to the probability and amount of any earn-out that will be achieved based on expected future performance by the acquired entity. This is presented as part of long-term liabilities in the Company's consolidated balance sheets.

The following table provides a summary of the changes in fair value of the Company's Level 3 financial instruments for the periods ended December 25, 2021 and December 26, 2020:

	Amount
	(in thousands)
Balance September 25, 2021	$ 1,606
Estimated contingent performance-based consideration established at the time of acquisition	—
Changes in the fair value of contingent performance-based payments established at the time of acquisition	—
Performance-based payments	(89)
Balance December 25, 2021	$ 1,517

	Amount
	(in thousands)
Balance September 26, 2020	$ 1,369
Estimated contingent performance-based consideration established at the time of acquisition	—
Changes in the fair value of contingent performance-based payments established at the time of acquisition	(32)
Performance-based payments	(110)
Balance December 26, 2020	$ 1,227

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company measures certain non-financial assets and liabilities, including long-lived assets, goodwill and intangible assets, at fair value on a non-recurring basis. Fair value measurements of non-financial assets and non-financial liabilities are used primarily in the impairment analyses of long-lived assets, goodwill and other intangible assets. During the periods ended December 25, 2021 and December 26, 2020, the Company was not required to measure any significant non-financial assets and liabilities at fair value.

Fair Value of Other Financial Instruments

In April 2021, the Company issued $ 400 million aggregate principal amount of 4.125% senior notes due April 2031 (the "2031 Notes"). The estimated fair value of the Company's 2031 Notes as of December 25, 2021 and September 25, 2021 was $400.1 million and $408.5 million, respectively, compared to a carrying value of $ 394.4 million and $394.2 million, respectively.

In October 2020, the Company issued $ 500 million aggregate principal amount of 4.125% senior notes due October 2030 (the "2030 Notes"). The estimated fair value of the Company's 2030 Notes as of December 25, 2021, December 26, 2020 and September 25, 2021 was $504.3 million, $522.1 million and $ 517.2 million, respectively, compared to a carrying value of $ 493.0 million, $492.1 million and $ 492.8 million, respectively.

In December 2017, the Company issued $ 300 million aggregate principal amount of 5.125% senior notes due February 2028 (the "2028 Notes"). The estimated fair value of the Company's 2028 Notes as of December 25, 2021, December 26, 2020 and September 25, 2021 was $314.4 million, $318.1 million and $318.6 million, respectively, compared to a carrying value of $ 297.1 million, $296.7 million and $297.0 million, respectively.

The estimated fair value is based on quoted market prices for these notes, which are Level 1 inputs within the fair value hierarchy.

3. Acquisitions and Divestitures

Acquisitions

Green Garden Products

On February 11, 2021, the Company acquired Flora Parent, Inc. and its subsidiaries ("Green Garden Products"), a leading provider of vegetable, herb and flower seed packets, seed starters and plant nutrients in North America, for approximately $571 million. The Company borrowed approximately $ 180 million under its credit facility to partially finance the acquisition. The Company has not yet finalized the allocation of the purchase price to the fair value of the tangible assets, intangible assets and liabilities acquired. Approximately $487 million of the purchase price remains unallocated. Deferred taxes associated with the intangible assets acquired will be finalized upon completion of the purchase accounting. The addition of Green Garden Products expands the Company's portfolio into an adjacent garden category. The financial results of Green Garden have been included in the results of operations within the Garden segment since the date of acquisition.

D&D Commodities Limited

On June 30, 2021, the Company purchased D&D Commodities, Ltd. ("D&D"), a provider of high-quality, premium bird feed, for approximately $ 88 million in cash and the assumption of approximately $30 million of long-term debt. The Company has not yet finalized the allocation of the purchase price to the fair value of the tangible assets, intangible assets and liabilities acquired. Approximately $101 million of the purchase price remains unallocated. Deferred taxes associated with the intangible assets acquired will be finalized upon completion of the purchase accounting. The addition of D&D will expand Central's portfolio in the bird feed category and is expected to deepen the Company's relationship with major retailers. The financial results of D&D have been included in the results of operations within the Garden segment since the date of acquisition.

The Company includes the unallocated purchase price for acquisitions in other assets on its condensed consolidated balance sheet.

4. Inventories, net

Inventories, net of allowance for obsolescence, consist of the following:

	December 25, 2021	December 26, 2020	September 25, 2021
		(in thousands)	
Raw materials	$ 250,822	$ 167,135	$ 211,581
Work in progress	100,933	58,175	86,187
Finished goods	469,819	335,086	349,338
Supplies	23,325	14,482	38,131
Total inventories, net	$ 844,899	$ 574,878	$ 685,237

5. Goodwill

The Company tests goodwill for impairment annually (as of the first day of the fourth fiscal quarter), or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount, by first assessing qualitative factors to determine whether it is more likely than not the fair value of the reporting unit is less than its carrying amount. The qualitative assessment evaluates factors including macro-economic conditions, industry-specific and company-specific considerations, legal and regulatory environments and historical performance. If it is determined that it is more likely than not the fair value of the reporting unit is greater than its carrying amount, it is unnecessary to perform the quantitative goodwill impairment test. If it is determined that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the quantitative test is performed to identify potential goodwill impairment. Based on certain circumstances, the Company may elect to bypass the qualitative assessment and proceed directly to performing the quantitative goodwill impairment test, which compares the estimated fair value of our reporting units to their related carrying values, including goodwill. Impairment is indicated if the estimated fair value of the reporting unit is less than its carrying value, and an impairment charge is recognized for the differential. The Company’s goodwill impairment analysis also includes a comparison of the aggregate estimated fair value of its two reporting units to the Company’s total market capitalization. No impairment of goodwill was recorded for the three months ended December 25, 2021 and December 26, 2020.

6. Other Intangible Assets

The following table summarizes the components of gross and net acquired intangible assets:

	Gross	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
		(in millions)		
December 25, 2021				
Marketing-related intangible assets – amortizable	$ 22.1	$ (19.4)	$ —	$ 2.6
Marketing-related intangible assets – nonamortizable	70.6	—	(26.0)	44.6
Total	92.7	(19.4)	(26.0)	47.2
Customer-related intangible assets – amortizable	143.6	(78.3)	(2.5)	62.8
Other acquired intangible assets – amortizable	37.2	(22.9)	—	14.3
Other acquired intangible assets – nonamortizable	7.1	—	(1.2)	5.9
Total	44.3	(22.9)	(1.2)	20.2
Total other intangible assets, net	$ 280.6	$ (120.6)	$ (29.8)	$ 130.2

	Gross	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
		(in millions)		
December 26, 2020				
Marketing-related intangible assets – amortizable	$ 20.6	$ (17.8)	$ —	$ 2.8
Marketing-related intangible assets – nonamortizable	70.6	—	(26.0)	44.6
Total	91.2	(17.8)	(26.0)	47.4
Customer-related intangible assets – amortizable	140.3	(66.8)	(2.5)	71.0
Other acquired intangible assets – amortizable	26.0	(18.7)	—	7.3
Other acquired intangible assets – nonamortizable	7.1	—	(1.2)	5.9
Total	33.1	(18.7)	(1.2)	13.2
Total other intangible assets, net	$ 264.6	$ (103.3)	$ (29.8)	$ 131.6

	Gross	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
		(in millions)		
September 25, 2021				
Marketing-related intangible assets – amortizable	$ 22.1	$ (19.0)	$ —	$ 3.1
Marketing-related intangible assets – nonamortizable	70.6	—	(26.0)	44.6
Total	92.7	(19.0)	(26.0)	47.7
Customer-related intangible assets – amortizable	143.6	(75.4)	(2.5)	65.7
Other acquired intangible assets – amortizable	37.2	(22.0)	—	15.2
Other acquired intangible assets – nonamortizable	7.1	—	(1.2)	5.9
Total	44.3	(22.0)	(1.2)	21.1
Total other intangible assets, net	$ 280.6	$ (116.4)	$ (29.8)	$ 134.4

Other acquired intangible assets include contract-based and technology-based intangible assets.

The Company evaluates long-lived assets, including amortizable and indefinite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. The Company evaluates indefinite-lived intangible assets on an annual basis. Factors indicating the carrying value of the Company’s amortizable intangible assets may not be recoverable were not present in the three months ended December 25, 2021, and accordingly, no impairment testing was performed on these assets.

The Company amortizes its acquired intangible assets with definite lives over periods ranging from two years to 25 years; over weighted average remaining lives of two years for marketing-related intangibles, seven years for customer-related intangibles and six years for other acquired intangibles. Amortization expense for intangibles subject to amortization was approximately and $ 4.2 million and $3.4 million for the three months ended December 25, 2021 and December 26, 2020, respectively, and is classified within selling, general and administrative expenses in the condensed consolidated statements of operations. Estimated annual amortization expense related to acquired intangible assets in each of the succeeding five years is estimated to be approximately $14 million per year from fiscal 2022 through fiscal 2026 and thereafter.

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7. Long-Term Debt

Long-term debt consists of the following:

	December 25, 2021	December 26, 2020	September 25, 2021
		(in thousands)	
Senior notes, interest at 5.125%, payable semi-annually, principal due February 2028	$ 300,000	$ 300,000	$ 300,000
Senior notes, interest at 4.125%, payable semi-annually, principal due October 2030	500,000	500,000	500,000
Senior notes, interest at 4.125%, payable semi-annually, principal due April 2031	400,000	—	400,000
Unamortized debt issuance costs	(15,523)	(11,153)	(15,994)
Net carrying value	1,184,477	788,847	1,184,006
Asset-based revolving credit facility, interest at LIBOR plus a margin of 1.00% to 1.50% or Base Rate plus a margin of 0.0% to 0.50%, final maturity December 2026.	—	—	—
Asset-based revolving credit facility, interest at LIBOR plus a margin of 1.00% to 1.50% or Base Rate plus a margin of 0.0% to 0.50%, final maturity September 2024.	—	—	—
Other notes payable	991	171	1,758
Total	1,185,468	789,018	1,185,764
Less current portion	(411)	(97)	(1,081)
Long-term portion	$ 1,185,057	$ 788,921	$ 1,184,683

Senior Notes

Issuance of $400 million 4.125% Senior Notes due 2031

On April 30, 2021, the Company issued $400 million aggregate principal amount of 4.125% senior notes due April 2031 (the "2031 Notes"). The Company used the net proceeds from the offering to repay all outstanding borrowings under its Amended Credit Facility, with the remainder to be used for general corporate purposes.

The Company incurred approximately $6 million of debt issuance costs in conjunction with this issuance, which included underwriter fees and legal, accounting and rating agency expenses. The debt issuance costs are being amortized over the term of the 2031 Notes.

The 2031 Notes require semi-annual interest payments on April 30 and October 30. The 2031 Notes are unconditionally guaranteed on a senior basis by each of the Company's existing and future domestic restricted subsidiaries which are borrowers under or guarantors of Central's Amended Credit Facility. The 2031 Notes were issued in a private placement under Rule 144A and will not be registered under the Securities Act of 1933.

The Company may redeem some or all of the 2031 Notes at any time, at its option, prior to April 30, 2026 at the principal amount plus a "make whole" premium. At any time prior to April 30, 2024, the Company may also redeem, at its option, up to 40% of the notes with the proceeds of certain equity offerings at a redemption price of 104.125% of the principal amount of the notes. The Company may redeem some or all of the 2031 Notes at the Company’s option, at any time on or after April 30, 2026 for 102.063%, on or after April 30, 2027 for 101.375%, on or after April 30, 2028 for 100.688% and on or after April 30, 2029 for 100.0%, plus accrued and unpaid interest.

The holders of the 2031 Notes have the right to require the Company to repurchase all or a portion of the 2031 Notes at a purchase price equal to 101% of the principal amount of the notes repurchased, plus accrued and unpaid interest, upon the occurrence of specific kinds of changes of control.

The 2031 Notes contain customary high yield covenants, including covenants limiting debt incurrence and restricted payments, subject to certain baskets and exceptions. The Company was in compliance with all financial covenants as of December 25, 2021.

Issuance of $500 million 4.125% Senior Notes due 2030

In October 2020, the Company issued $ 500 million aggregate principal amount of 4.125% senior notes due October 2030 (the "2030 Notes"). In November 2020, the Company used a portion of the net proceeds to redeem all of its outstanding 6.125% senior notes due November 2023 (the "2023 Notes") at a redemption price of 101.531% plus accrued and unpaid interest, and to pay related fees and expenses, with the remainder for general corporate purposes.

The Company incurred approximately $8.0 million of debt issuance costs associated with this transaction, which included underwriter fees and legal, accounting and rating agency expenses. The debt issuance costs are being amortized over the term of the 2030 Notes.

As a result of the Company's redemption of the 2023 Notes, the Company incurred a call premium payment of $ 6.1 million, overlapping interest expense for 30 days of approximately $1.4 million and a $2.5 million non-cash charge for the write-off of unamortized deferred financing costs related to the 2023 Notes. These amounts are included in interest expense in the condensed consolidated statements of operations.

The 2030 Notes require semiannual interest payments on October 15 and April 15. The 2030 Notes are unconditionally guaranteed on a senior basis by each of the Company's existing and future domestic restricted subsidiaries which are borrowers under or guarantors of Central's senior secured revolving credit facility or guarantee Central's other debt.

The Company may redeem some or all of the 2030 Notes at any time, at its option, prior to October 15, 2025 at a price equal to 100% of the principal amount plus a “make-whole” premium. Prior to October 15, 2023, the Company may redeem up to 40% of the original aggregate principal amount of the notes with the proceeds of certain equity offerings at a redemption price of 104.125% of the principal amount of the notes. The Company may redeem some or all of the 2030 Notes, at its option, in whole or in part, at any time on or after October 15, 2025 for 102.063%, on or after October 15, 2026 for 101.375%, on or after October 15, 2027 for 100.688% and on or after October 15, 2028 for 100.0%, plus accrued and unpaid interest.

The holders of the 2030 Notes have the right to require the Company to repurchase all or a portion of the 2030 Notes at a purchase price equal to 101.0% of the principal amount of the notes repurchased, plus accrued and unpaid interest upon the occurrence of a change of control.

The 2030 Notes contain customary high yield covenants, including covenants limiting debt incurrence and restricted payments, subject to certain baskets and exceptions. The Company was in compliance with all financial covenants as of December 25, 2021.

$300 million 5.125% Senior Notes due 2028

On December 14, 2017, the Company issued $ 300 million aggregate principal amount of 5.125% senior notes due February 2028 (the "2028 Notes"). The Company used the net proceeds from the offering to finance acquisitions and for general corporate purposes.

The Company incurred approximately $4.8 million of debt issuance costs in conjunction with this transaction, which included underwriter fees and legal, accounting and rating agency expenses. The debt issuance costs are being amortized over the term of the 2028 Notes.

The 2028 Notes require semiannual interest payments on February 1 and August 1. The 2028 Notes are unconditionally guaranteed on a senior basis by the Company's existing and future domestic restricted subsidiaries which are borrowers under or guarantors of Central's senior secured revolving credit facility, or which guarantee Central's other debt.

The Company may redeem some or all of the 2028 Notes at any time, at its option, prior to January 1, 2023 at the principal amount plus a “make whole” premium. The Company may redeem some or all of the 2028 Notes, at its option, at any time on or after January 1, 2023 for 102.563%, on or after January 1, 2024 for 101.708%, on or after January 1, 2025 for 100.854%, and on or after January 1, 2026 for 100.0%, plus accrued and unpaid interest.

The holders of the 2028 Notes have the right to require the Company to repurchase all or a portion of the 2028 Notes at a purchase price equal to 101.0% of the principal amount of the notes repurchased, plus accrued and unpaid interest upon the occurrence of a change of control.

The 2028 Notes contain customary high yield covenants, including covenants limiting debt incurrence and restricted payments, subject to certain baskets and exceptions. The Company was in compliance with all financial covenants as of December 25, 2021.

Asset-Based Loan Facility Amendment

On December 16, 2021, the Company entered into a Third Amended and Restated Credit Agreement (“Amended Credit Agreement”). The Amended Credit Agreement amended and restated the previous credit agreement dated September 27, 2019 (the "Predecessor Credit Agreement"), and has been increased to provide for a $750 million principal amount senior secured asset-based revolving credit facility, with up to an additional $400 million principal amount available with the consent of the Lenders, as defined, if the Company exercises the uncommitted accordion feature set forth therein (collectively, the “Amended Credit Facility”). The Amended Credit Facility matures on December 16, 2026. The Company may borrow, repay and reborrow amounts under the Amended Credit Facility until its maturity date, at which time all amounts outstanding under the Amended Credit Facility must be repaid in full.

The Amended Credit Facility is subject to a borrowing base that is calculated using a formula based upon eligible receivables and inventory, and at the Company's election, eligible real property, minus certain reserves. The Company did not draw down any commitments under the Amended Credit Facility upon closing. Proceeds of the Amended Credit Facility will be used for general corporate purposes. Net availability under the Amended Credit Facility was approximately $414 million as of December 25, 2021. The Amended Credit Facility includes a $50 million sublimit for the issuance of standby letters of credit and a $75 million sublimit for short-notice borrowings. As of December 25, 2021, there were no borrowings outstanding and no letters of credit outstanding under the Amended Credit Facility. There were other letters of credit of $1.5 million outstanding as of December 25, 2021.

Borrowings under the Amended Credit Facility will bear interest at an index based on LIBOR (which will not be less than 0.00%) or, at the option of the Company, the Base Rate, plus, in either case, an applicable margin based on the Company's usage under the credit facility. Base Rate is defined as the highest of (a) the Truist prime rate, (b) the Federal Funds Rate plus 0.50%, (c) one-month LIBOR plus 1.00% and (d) 0.00%. The applicable margin for LIBOR-based borrowings fluctuates between 1.00%-1.50%, and was 1.00% as of December 25, 2021, and such applicable margin for Base Rate borrowings fluctuates between 0.00%-0.50%, and was 0% as of December 25, 2021. An unused line fee shall be payable quarterly in respect of the total amount of the unutilized Lenders’ commitments and short-notice borrowings under the Amended Credit Facility. Letter of credit fees at the applicable margin on the average undrawn and unreimbursed amount of letters of credit shall be payable quarterly and a facing fee of 0.125% shall be payable quarterly for the stated amount of each letter of credit. The Company is also required to pay certain fees to the administrative agent under the Amended Credit Facility. The Amended Credit Facility provides for the transition from LIBOR to Secured Overnight Financing Rate ("SOFR") and does not require an amendment in connection with such transition. As of December 25, 2021, the applicable interest rate related to Base Rate borrowings was 3.3%, and the applicable interest rate related to one-month LIBOR-based borrowings was 1.1%.

The Company incurred approximately $2.2 million of debt issuance costs in conjunction with this transaction, which included underwriter fees and legal expenses. The debt issuance costs are being amortized over the term of the Amended Credit Facility.

The Amended Credit Facility continues to contain customary covenants, including financial covenants which require the Company to maintain a minimum fixed charge coverage ratio of 1.00:1.00 upon triggered quarterly testing (e.g. when availability falls below certain thresholds established in the agreement), reporting requirements and events of default. The Amended Credit Facility is secured by substantially all assets of the borrowing parties, including (i) pledges of 100% of the stock or other equity interest of each domestic subsidiary that is directly owned by such entity and (ii) 65% of the stock or other equity interest of each foreign subsidiary that is directly owned by such entity, in each case subject to customary exceptions. The Company was in compliance with all financial covenants under the Amended Credit Facility as of December 25, 2021.

8. Supplemental Equity Information

The following table provides a summary of the changes in the carrying amounts of equity attributable to controlling interest and noncontrolling interest through the three months ended December 25, 2021 and December 26, 2020.

	Controlling Interest								
	Common Stock	Class A Common Stock	Class B Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Noncontrolling Interest	Total
	(in thousands)								
Balance September 25, 2021	$ 113	$ 423	$ 16	$ 576,446	$ 646,082	$ (831)	$ 1,222,249	$ 1,292	$ 1,223,541
Comprehensive income	—	—	—	—	9,009	(442)	8,567	187	8,754
Amortization of share-based awards	—	—	—	3,886	—	—	3,886	—	3,886
Restricted share activity, including net share settlement	—	—	—	(705)	—	—	(705)	—	(705)
Issuance of common stock, including net share settlement of stock options	—	—	—	890	—	—	890	—	890
Repurchase of stock	—	(1)	—	(1,600)	(5,059)	—	(6,660)	—	(6,660)
Distribution to Noncontrolling interest	—	—	—	—	—	—	—	(806)	(806)
Balance December 25, 2021	$ 113	$ 422	$ 16	$ 578,917	$ 650,032	$ (1,273)	$ 1,228,227	$ 673	$ 1,228,900

	Controlling Interest								
	Common Stock	Class A Common Stock	Class B Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Noncontrolling Interest	Total
	(in thousands)								
Balance September 26, 2020	$ 113	$ 419	$ 16	$ 566,883	$ 510,781	$ (1,409)	$ 1,076,803	$ 871	$ 1,077,674
Comprehensive income	—	—	—	—	5,613	377	5,990	29	6,019
Amortization of share-based awards	—	—	—	3,225	—	—	3,225	—	3,225
Restricted share activity, including net share settlement	—	3	—	(364)	—	—	(361)	—	(361)
Issuance of common stock, including net share settlement of stock options	—	—	—	934	—	—	934	—	934
Distribution to Noncontrolling interest	—	—	—	—	—	—	—	(478)	(478)
Balance December 26, 2020	$ 113	$ 422	$ 16	$ 570,678	$ 516,394	$ (1,032)	$ 1,086,591	$ 422	$ 1,087,013

9. Stock-Based Compensation

The Company recognized share-based compensation expense of $ 5.2 million and $4.7 million for the three months ended December 25, 2021 and December 26, 2020, respectively, as a component of selling, general and administrative expenses. The tax benefit associated with share-based compensation expense for the three months ended December 25, 2021 and December 26, 2020 was $1.2 million and $1.1 million, respectively.

10. Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted per share computations for income from continuing operations.

	Three Months Ended December 25, 2021		
	Income	Shares	Per Share
	(in thousands, except per share amounts)		
Basic EPS:			
Net income available to common shareholders	$ 9,009	53,491	$ 0.17
Effect of dilutive securities:			
Options to purchase common stock	—	632	—
Restricted shares	—	786	(0.01)
Diluted EPS:			
Net income available to common shareholders	$ 9,009	54,909	$ 0.16

	Three Months Ended December 26, 2020		
	Income	Shares	Per Share
	(in thousands, except per share amounts)		
Basic EPS:			
Net income available to common shareholders	$ 5,613	53,734	$ 0.10
Effect of dilutive securities:			
Options to purchase common stock	—	414	—
Restricted shares	—	538	—
Diluted EPS:			
Net income available to common shareholders	$ 5,613	54,686	$ 0.10

Options to purchase 2.6 million shares of common stock at prices ranging from $ 13.82 to $51.37 per share were outstanding at December 25, 2021, and options to purchase 3.0 million shares of common stock at prices ranging from $10.63 to $38.97 per share were outstanding at December 26, 2020.

For the three months ended December 25, 2021 and December 26, 2020, approximately 21.0 thousand and 0.5 million options outstanding, respectively, were not included in the computation of diluted earnings per share because the option exercise prices were greater than the average market price of the common shares and therefore, the effect of including these options would be antidilutive.

11. Segment Information

Management has determined that the Company has two operating segments, which are also reportable segments based on the level at which the Chief Operating Decision Maker reviews the results of operations to make decisions regarding performance assessment and resource allocation. These operating segments are the Pet segment and the Garden segment and are presented in the table below.

	Three Months Ended	
	December 25, 2021	December 26, 2020
	(in thousands)	
Net sales:		
Pet segment	$ 436,002	$ 436,410
Garden segment	225,396	155,820
Total net sales	$ 661,398	$ 592,230
Operating Income		
Pet segment	45,251	43,525
Garden segment	6,057	4,651
Corporate	(25,094)	(21,136)
Total operating income	26,214	27,040
Interest expense - net	(14,408)	(20,769)
Other income (expense)	(209)	752
Income tax expense	2,401	1,381
Income including noncontrolling interest	9,196	5,642
Net income attributable to noncontrolling interest	187	29
Net income attributable to Central Garden & Pet Company	$ 9,009	$ 5,613
Depreciation and amortization:		
Pet segment	$ 9,549	$ 9,085
Garden segment	9,620	2,638
Corporate	1,033	1,192
Total depreciation and amortization	$ 20,202	$ 12,915

	December 25, 2021	December 26, 2020	September 25, 2021
		(in thousands)	
Assets:			
Pet segment	$ 992,788	$ 911,787	$ 966,437
Garden segment	1,417,011	599,097	1,313,899
Corporate	708,242	935,215	836,344
Total assets	$ 3,118,041	$ 2,446,099	$ 3,116,680
Goodwill (included in corporate assets above):			
Pet segment	$ 277,067	$ 277,067	$ 277,067
Garden segment	92,324	12,888	92,324
Total goodwill	$ 369,391	$ 289,955	$ 369,391

The tables below presents the Company's disaggregated revenues by segment:

	Three Months Ended December 25, 2021		
	Pet Segment	Garden Segment	Total
		(in millions)	
Other pet products	$ 153.6	$ —	$ 153.6
Dog and cat products	144.9	—	144.9
Other manufacturers' products	104.5	49.4	153.9
Wild bird products	33.0	54.7	87.7
Other garden supplies	—	121.3	121.3
Total	$ 436.0	$ 225.4	$ 661.4

	Three Months Ended December 26, 2020		
	Pet Segment	Garden Segment	Total
		(in millions)	
Other pet products	$ 144.2	$ —	$ 144.2
Dog and cat products	155.5	—	155.5
Other manufacturers' products	98.7	44.0	142.7
Wild bird products	38.0	30.6	68.6
Other garden supplies	—	81.2	81.2
Total	$ 436.4	$ 155.8	$ 592.2

12. Contingencies

The Company may from time to time become involved in legal proceedings in the ordinary course of business. Currently, the Company is not a party to any legal proceedings that management believes are likely to have a material effect on the Company's financial position or results of operations with the potential exception of the proceeding below.

In 2012, Nite Glow Industries, Inc and its owner, Marni Markell, ("Nite Glow") filed suit in the U.S. District Court for New Jersey against the Company alleging that the applicator developed and used by the Company for certain of its branded topical flea and tick products infringes a patent held by Nite Glow and asserted related claims for breach of contract and misappropriation of confidential information based on the terms of a Non-Disclosure Agreement. On June 27, 2018, a jury returned a verdict in favor of Nite Glow on each of the three claims and awarded damages of approximately $12.6 million. The court ruled on post-trial motions in early June 2020, reducing the judgment amount to $ 12.4 million and denying the plaintiff's request for attorneys' fees. The Company filed its notice of appeal and the plaintiffs cross-appealed. On July 14, 2021, the Federal Circuit Court of Appeals issued its decision on the appeal. The Federal Circuit concluded that the Company did not infringe plaintiff's patent and determined that the breach of contract claim raised no non-duplicative damages and should be dismissed. The court affirmed the jury's liability verdict on the misappropriation of confidential information claim but ordered a new trial on damages on that single claim limited to the "head start" benefit, if any, generated by the confidential information. The Company intends to vigorously pursue its defenses in the future proceedings and believes that it will prevail on the merits as to the head start damages issue. While the Company believes that the ultimate resolution of this matter will not have a material impact on the Company's consolidated financial statements, the outcome of litigation is inherently uncertain and the final resolution of this matter may result in expense to the Company in excess of management's expectations.

During fiscal 2013, the Company received notices from several states stating that they have appointed an agent to conduct an examination of the books and records of the Company to determine whether it has complied with state unclaimed property laws. In addition to seeking unclaimed property subject to escheat laws, the states may seek interest, penalties and other relief. The examinations are continuing; as a result, the ultimate resolution and impact on the Company's consolidated financial statements is uncertain.

The Company has experienced, and may in the future experience, issues with products that may lead to product liability, recalls, withdrawals, replacements of products, or regulatory actions by governmental authorities. The Company has not experienced recent issues with products, the resolution of which, management believes would have a material effect on the Company's financial position or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Our Company

Central Garden & Pet Company ("Central") is a market leader in the garden and pet industries in the United States. For over 40 years, Central has proudly nurtured happy and healthy homes by bringing innovative and trusted solutions to consumers and its customers. We manage our operations through two reportable segments: Pet and Garden.

Our pet segment includes dog and cat supplies such as dog treats and chews, toys, pet beds and grooming products, waste management and training pads, pet containment, supplies for aquatics, small animals, reptiles and pet birds including toys, cages and habitats, bedding, food and supplements, products for equine and livestock, animal and household health and insect control products, live fish and small animals as well as outdoor cushions. These products are sold under brands such as Aqueon®, Cadet®, Comfort Zone®, Farnam®, Four Paws®, K&H Pet Products® ("K&H"), Kaytee®, Nylabone® and Zilla®.

Our garden segment includes lawn and garden consumables such as grass, vegetable, flower and herb seed, wild bird feed, bird houses and other birding accessories, weed, grass, and other herbicides, insecticide and pesticide products, fertilizers and live plants. These products are sold under brands such as Amdro®, Ferry-Morse®, Pennington® and Sevin®.

In fiscal 2021, our consolidated net sales were $3.3 billion, of which our Pet segment, or Pet, accounted for approximately $1.9 billion and our Garden segment, or Garden, accounted for approximately $1.4 billion. In fiscal 2021, our operating income was $254 million consisting of income from our Pet segment of $208 million, income from our Garden segment of $139 million and corporate expenses of $93 million.

We were incorporated in Delaware in May 1992 as the successor to a California corporation that was formed in 1955. Our executive offices are located at 1340 Treat Boulevard, Suite 600, Walnut Creek, California 94597, and our telephone number is (925) 948-4000. Our website is www.central.com. The information on our website is not incorporated by reference in this quarterly report.

Recent Developments

Fiscal 2022 First Quarter Financial Performance:

- Net sales increased $69.2 million, or 11.7%, from the prior year quarter to $661.4 million due primarily to sales from our four fiscal 2021 acquisitions. Pet segment sales decreased $0.4 million, and Garden segment sales increased $69.6 million.
- Organic net sales increased 0.5%, comprised of 0.8% in our Pet segment partially offset by a decline of 0.3% in our Garden segment.
- Gross profit increased $32.8 million from the prior year quarter, and gross margin increased 210 basis points to 30.0%.
- Selling, general and administrative expense increased $33.6 million from the prior year quarter to $172.0 million and as a percentage of net sales 260 basis points to 26.0%.
- Operating income decreased $0.8 million, or 3.1%, from the prior year quarter, to $26.2 million.
- Net income in the first quarter of fiscal 2022 was $9.0 million, or $0.16 per diluted share, compared to net income of $5.6 million, or $0.10 per diluted share, in the first quarter of fiscal 2021.

Asset Backed Loan Facility Amendment

On December 16, 2021, we entered into an amended and restated credit agreement which provides up to a $750 million principal amount senior secured asset-based revolving credit facility, with up to an additional $400 million principal amount available with the consent of the Lenders if we exercise the accordion feature set forth therein (collectively, the "Amended Credit Facility"). The Amended Credit Facility matures on December 16, 2026. We may borrow, repay and reborrow amounts under the Amended Credit Facility until its maturity date, at which time all amounts outstanding under the Amended Credit Facility must be repaid in full.

The Amended Credit Facility is subject to a borrowing base, calculated using a formula based upon eligible receivables and inventory, minus certain reserves and subject to restrictions. We did not draw down any commitments under the Amended Credit Facility upon closing. Borrowings under the Amended Credit Facility bear interest at an index based on LIBOR or, at the option of the Company, the Base Rate (defined as the highest of (a) the Truist prime rate, (b) the Federal Funds Rate plus 0.5% and (c) one-month LIBOR plus 1.00%), plus, in either case, an applicable margin based on the Company's consolidated senior leverage ratio. Such applicable margin for LIBOR-based borrowings fluctuates between 1.00%-1.50% and was 1.00% at the time of closing, and such applicable margin for Base Rate borrowings fluctuates between 0.00%-0.50% and was 0.00% at the time of closing.

COVID-19 Impact

COVID-19 has led to adverse impacts on human health, the global economy and society at large. From the beginning, our priority has been the safety of our employees, customers and consumers.

Central has been impacted by COVID-19 in a number of ways, including increased demand evidenced by our organic net sales increase of 13% in fiscal year 2021. The increased demand for our products continues to challenge our supply chain and our ability to procure and manufacture enough product to meet the continued high levels of demand. At some of our facilities, we have experienced reduced productivity and increased employee absences, which we expect to continue during the balance of the pandemic. Our manufacturing facilities and distribution centers are currently open and operational. We have incurred and will continue to incur additional costs including personal protective equipment and sanitation costs. We have hosted mobile vaccination clinics at some of our larger manufacturing and distribution sites, in order to make vaccines available to our employees.

The pandemic and related increase in demand have created operational challenges, which have impacted our service and fill rates. Our supply chain has experienced disruptions and delays which have resulted in increased operational and logistics costs. We may also experience additional disruptions in our supply chain as the pandemic continues, although we cannot reasonably estimate the potential impact or timing of those events, and we may not be able to mitigate such impact. We continue to face supply constraints for commodities, materials and freight and the limited availability of labor. Inflationary pressures stemming from the COVID-19 operating environment are continuing to result in significant increases in costs for key commodities, materials, labor and freight.

We believe we have sufficient liquidity to satisfy our cash needs with our cash and revolving credit facility as we manage through the current economic and health environment.

The volatility in demand, changing consumer consumption patterns, uncertainty regarding vaccination efforts and new variants of the virus make it difficult to predict when more normal order patterns may return. Forecasting and planning remain challenging in the current environment and will continue to be challenging as the pandemic eases in the future. In the current uncertain environment, our employees, customers and consumers will continue to be our priority as we manage our business to deliver long-term growth.

Results of Operations

Three Months Ended December 25, 2021
Compared with Three Months Ended December 26, 2020

Net Sales

Net sales for the three months ended December 25, 2021 increased $69.2 million, or 11.7%, to $661.4 million from $592.2 million for the three months ended December 26, 2020. Organic net sales, which exclude the impact of acquisitions and divestitures in the last 12 months, increased $3.1 million, or 0.5%, as compared to the fiscal 2021 quarter. Our branded product sales increased $58.0 million, and sales of other manufacturers' products increased $11.2 million.

Pet net sales decreased $0.4 million, or 0.1%, to $436.0 million for the three months ended December 25, 2021 from $436.4 million for the three months ended December 26, 2020. Net sales in the prior year quarter included sales from the Breeder's Choice business unit, which we sold in December 2020. Organic net sales increased $3.5 million, or 0.8%, as compared to the prior year quarter. The organic sales increase was due primarily to increased sales in our animal health and pet distribution businesses, both favorably impacted by a shift in order timing and in pet distribution by increased pricing. These increases were partially offset by lower sales in our dog bed business, which was unfavorably impacted by a shift in order timing and COVID related challenges. Pet branded product sales declined $6.2 million, and sales of other manufacturers' products increased $5.8 million.

Garden net sales increased $69.6 million, or 44.7%, to $225.4 million for the three months ended December 25, 2021 from $155.8 million for the three months ended December 26, 2020. Sales from our four fiscal 2021 acquisitions were $70.0 million and organic net sales decreased $0.4 million, or 0.3%. The slight reduction in organic sales was due primarily to decreased sales in our grass seed business, impacted by an unfavorable order timing shift, and in our garden distribution business from reduced listings of third-party products. These decreases were offset for the most part by increased sales in wild bird feed, principally as a result of increased prices taken to offset recent commodity inflation. Garden branded sales increased $64.2 million, and sales of other manufacturers' products increased $5.4 million, both gains driven by the fiscal 2021 acquisitions.

Gross Profit

Gross profit for the three months ended December 25, 2021 increased $32.8 million, or 19.8%, to $198.2 million from $165.4 million for the three months ended December 26, 2020. Gross profit increased in both operating segments. Gross margin increased 210 basis points to 30.0% for the three months ended December 25, 2021 from 27.9% for the three months ended December 26, 2020. The increases in gross profit and gross margin were due primarily to the impact of our fiscal 2021 acquisitions and to pricing actions which were partially offset by significant cost inflation in key commodities, labor and freight. Overall, our gross margins continue to be under pressure from the current inflationary environment and we continue to experience cost increases, primarily in commodities, labor and freight. We intend to continue to seek price increases to offset the rising costs but do not anticipate that we will be able to fully offset the cost pressures in fiscal 2022.

In the Pet segment, both gross profit and gross margin improved as price increases and a mix improvement were only partially offset by cost inflation in commodities, labor and freight. In the Garden segment, gross profit and gross margin improved due to the four fiscal 2021 acquisitions, which were partially offset by rising costs in commodities, labor and freight.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $33.6 million, or 24.3%, to $172.0 million for the three months ended December 25, 2021. The increase in selling, general and administrative expense was primarily in our Garden segment due to a large extent to the four fiscal 2021 acquisitions, although selling, general and administrative expense increased in both operating segments and in corporate. As a percentage of net sales, selling, general and administrative expenses increased to 26.0% for the three months ended December 25, 2021, compared to 23.4% in the comparable prior year quarter due primarily to expense from our four fiscal 2021 acquisitions, wage and freight inflation and increased marketing investment for brand development and innovation.

Selling and delivery expense increased to $79.1 million for the three months ended December 25, 2021 as compared to $66.4 million in the prior year quarter. The increase was due primarily to the four fiscal 2021 acquisitions in our Garden segment and secondarily to increased marketing investment for brand development and innovation as well as freight and wage inflation.

Warehouse and administrative expense increased $20.9 million, or 29.0%, to $92.9 million for the three months ended December 25, 2021 from $72.0 million for the three months ended December 26, 2020. The increase was due primarily to the warehouse and administrative costs associated with our four fiscal 2021 acquisitions, including the amortization of intangibles related to purchase accounting. Additionally, both operating segments experienced increased labor and payroll-related expense. Corporate expenses increased $4.0 million due primarily to increased payroll related costs, including variable and equity compensation, and medical insurance costs. Corporate expenses are included within administrative expense and relate to the costs of unallocated executive, administrative, finance, legal, human resources, and information technology functions.

Operating Income

Operating income decreased $0.8 million, or 3.1%, to $26.2 million for the three months ended December 25, 2021. The decrease in operating income was due to higher selling, general and administrative expense which more than offset the impact of increased sales and gross profit. Our operating margin decreased from 4.6% in the prior year quarter to 4.0% in the current year quarter due to a 260 basis point increase in selling, general and administrative expense as a percentage of net sales partially offset by a 210 basis point increase in gross margin.

Pet operating income increased $1.8 million, or 4.0%, to $45.3 million for the three months ended December 25, 2021 from $43.5 million for the three months ended December 26, 2020. Pet operating income increased due to increased sales and gross profit partially offset by higher selling, general and administrative expense. Pet operating margin improved 40 basis points to 10.4% due to increased sales and an improved gross margin partially offset by higher selling, general and administrative expense as a percentage of net sales.

Garden operating income increased $1.4 million to $6.1 million for the three months ended December 25, 2021 from $4.7 million for the three months ended December 26, 2020. Garden operating income increased due to increased sales and gross profit partially offset by higher selling, general and administrative expense. Garden operating margin declined 30 basis points to 2.7% due primarily to cost inflation and increased investment spend partially offset by pricing actions.

Corporate operating expense increased $4.0 million, or 18.7%, to $25.1 million for the three months ended December 25, 2021 from $21.1 million for the three months ended December 26, 2020. Corporate expense increased due primarily to payroll related costs, including variable and equity compensation, and medical insurance costs, and increased 20 basis points as a percentage of consolidated net sales.

Net Interest Expense

Net interest expense for the three months ended December 25, 2021 decreased $6.4 million, or 30.6%, to $14.4 million from $20.8 million for the three months ended December 26, 2020. In the prior year quarter, we issued $500 million aggregate principal amount of 4.125% senior notes due October 2030 and used the proceeds to redeem all of our outstanding aggregate principal amount 6.125% senior notes due 2023 with the remainder available for general corporate purposes. As a result of our redemption of the 2023 Notes, we recognized incremental interest expense in the prior year quarter of approximately $10.0 million. Partially offsetting the reduction from the prior year quarter's incremental interest expense was increased interest expense in the current year quarter related to our issuance in April 2021 of $400 million aggregate principal amount of 4.125% senior notes due April 2031. Debt outstanding on December 25, 2021 was $1,185.5 million compared to $789.0 million at December 26, 2020.

Other Income (Expense)

Other income (expense) is comprised of income or losses from investments accounted for under the equity method of accounting and foreign currency exchange gains and losses. Other income (expense) was $0.2 million of expense for the quarter ended December 25, 2021 compared to income of $0.8 million for the quarter ended December 26, 2020, due primarily to foreign currency losses in the current year quarter as compared to gains in the prior year quarter.

Income Taxes

Our effective income tax rate was 20.7% for the quarter ended December 25, 2021 and 19.7% for the quarter ended December 26, 2020. The increase in our effective income tax rate was due primarily to increased foreign earnings which are in higher tax rate jurisdictions.

Net Income and Earnings Per Share

Our net income in the first quarter of fiscal 2022 was $9.0 million, or $0.16 per diluted share, compared to a net income of $5.6 million, or $0.10 per diluted share, in the first quarter of fiscal 2021.

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 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.

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.

Net Income and Diluted Net Income Per Share Reconciliation		GAAP to Non-GAAP Reconciliation For the Three Months Ended December 25, 2021	December 26, 2020
		(in thousands, except per share amounts)	
GAAP net income attributable to Central Garden & Pet Company		$ 9,009	$ 5,613
Incremental expenses from note redemption and issuance	(1)	—	9,952
Loss on sale of business	(2)	—	2,611
Tax effect of incremental expenses, loss on sale and impairment		$ —	$ (2,470)
Non-GAAP net income attributable to Central Garden & Pet Company		$ 9,009	$ 15,706
GAAP diluted net income per share		$ 0.16	$ 0.10
Non-GAAP diluted net income per share		$ 0.16	$ 0.29
Shares used in GAAP and non-GAAP diluted net earnings per share calculation		54,909	54,686

Organic Net Sales Reconciliation

We have provided organic net sales, a non-GAAP measure that excludes the impact of recent acquisitions and dispositions, because we believe it permits investors to better understand the performance of our historical business. We define organic net sales as net sales from our historical business derived by excluding the net sales from businesses acquired or exited in the preceding 12 months. After an acquired business has been part of our consolidated results for 12 months, the change in net sales thereafter is considered part of the increase or decrease in organic net sales.

Consolidated	GAAP to Non-GAAP Reconciliation For Three Months Ended December 25, 2021		
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales	Net sales organic
	(in millions)		
Q1 FY 22	$ 661.4	$ 70.0	$ 591.4
Q1 FY 21	592.2	3.9	588.3
$ increase	$ 69.2	$ 66.1	$ 3.1
% increase	11.7 %		0.5 %

Pet	GAAP to Non-GAAP Reconciliation For Three Months Ended December 25, 2021		
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales	Net sales organic
	(in millions)		
Q1 FY 22	$ 436.0	$ —	$ 436.0
Q1 FY 21	436.4	3.9	432.5
$ increase (decrease)	$ (0.4)	$ (3.9)	$ 3.5
% increase (decrease)	(0.1)%		0.8 %

Garden

	GAAP to Non-GAAP Reconciliation For Three Months Ended December 25, 2021		
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales	Net sales organic
	(in millions)		
Q1 FY 22	$ 225.4	$ 70.0	$ 155.4
Q1 FY 21	155.8	—	155.8
$ increase (decrease)	$ 69.6	$ 70.0	$ (0.4)
% increase (decrease)	44.7 %		(0.3)%

Adjusted EBITDA Reconciliation

	GAAP to Non-GAAP Reconciliation For the Three Months Ended December 25, 2021			
	Garden	Pet	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet Company	$ —	$ —	$ —	$ 9,009
Interest expense, net	—	—	—	14,408
Other expense	—	—	—	209
Income tax expense	—	—	—	2,401
Net income attributable to noncontrolling interest	—	—	—	187
Sum of items below operating income	—	—	—	17,205
Income (loss) from operations	$ 6,057	$ 45,251	$ (25,094)	$ 26,214
Depreciation & amortization	9,620	9,549	1,033	20,202
Noncash stock-based compensation	—	—	5,187	5,187
Adjusted EBITDA	$ 15,677	$ 54,800	$ (18,874)	$ 51,603

Adjusted EBITDA Reconciliation

	GAAP to Non-GAAP Reconciliation For the Three Months Ended December 26, 2020			
	Garden	Pet	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet Company	$ —	$ —	$ —	$ 5,613
Interest expense, net	—	—	—	20,769
Other expense	—	—	—	(752)
Income tax expense	—	—	—	1,381
Net income attributable to noncontrolling interest	—	—	—	29
Sum of items below operating income	—	—	—	21,427
Income (loss) from operations	$ 4,651	$ 43,525	$ (21,136)	$ 27,040
Depreciation & amortization	2,638	9,085	1,192	12,915
Noncash stock-based compensation	—	—	4,669	4,669
Adjusted EBITDA	$ 7,289	$ 52,610	$ (15,275)	$ 44,624

Inflation

Our revenues and margins are dependent on various economic factors, including rates of inflation, energy costs, consumer behavior toward discretionary spending, currency fluctuations, and other macro-economic factors which may impact levels of consumer spending. In certain fiscal periods, we have been adversely impacted by rising input costs related to domestic inflation, particularly relating to grain and seed prices, fuel prices and the ingredients used in our garden controls and fertilizers. Rising costs in those periods have made it difficult for us to increase prices to our retail customers at a pace sufficient to enable us to maintain margins.

During fiscal 2021, we experienced and continue to experience in fiscal 2022, increasing inflationary pressure stemming from the COVID-19 operating environment, including notable increases in costs for key commodities, labor and freight.

Weather and Seasonality

Our sales of lawn and garden products are influenced by weather and climate conditions in the different markets we serve. Our Garden segment's business is highly seasonal. In fiscal 2021, approximately 69% of our Garden segment's net sales and 60% of our total net sales occurred during our second and third fiscal quarters. Substantially all of the Garden segment's operating income is typically generated in this period, which has historically offset the operating loss incurred during the first fiscal quarter of the year.

Liquidity and Capital Resources

We have financed our growth through a combination of internally generated funds, bank borrowings, supplier credit, and sales of equity and debt securities to the public.

Our business is seasonal and our working capital requirements and capital resources track closely to this seasonal pattern. Generally, during the first fiscal quarter, accounts receivable reach their lowest level while inventory, accounts payable and short-term borrowings begin to increase. During the second fiscal quarter, receivables, accounts payable and short-term borrowings increase, reflecting the build-up of inventory and related payables in anticipation of the peak lawn and garden selling season. During the third fiscal quarter, inventory levels remain relatively constant while accounts receivable peak and short-term borrowings start to decline as cash collections are received during the peak selling season. During the fourth fiscal quarter, inventory levels are at their lowest, and accounts receivable and payables are substantially reduced through conversion of receivables to cash.

We service two broad markets: pet supplies and lawn and garden supplies. Our pet supplies businesses involve products that have a year round selling cycle with a slight degree of seasonality. As a result, it is not necessary to maintain large quantities of inventory to meet peak demands. Our lawn and garden businesses are highly seasonal with approximately 69% of our Garden segment's net sales occurring during the second and third fiscal quarters. This seasonality requires the shipment of large quantities of product well ahead of the peak consumer buying periods. To encourage retailers and distributors to stock large quantities of inventory, industry practice has been for manufacturers to give extended credit terms and/or promotional discounts.

Operating Activities

Net cash used by operating activities increased by $56.4 million, from $36.1 million for the three months ended December 26, 2020, to $92.5 million for the three months ended December 25, 2021. The increase in cash used by operating activities was due primarily to changes in our working capital accounts for the period ended December 25, 2021, as compared to the prior year period, predominantly an increase in inventory resulting from the three acquisitions made in fiscal 2021 subsequent to our quarter ended December 26, 2020, as well as intentional build-up in inventory due to the overall increased demand for our products.

Investing Activities

Net cash used in investing activities decreased $67.3 million, from $93.4 million for the three months ended December 26, 2020 to $26.1 million during the three months ended December 25, 2021. The decrease in cash used in investing activities was due primarily to the lack of acquisitions in the current year, partially offset by an increase in capital expenditures of $9.5 million in the current year compared to the prior year. During the first quarter of fiscal 2021, we acquired DoMyOwn for approximately $81 million.

Financing Activities

Net cash used by financing activities increased $96.0 million, from $84.4 million of cash provided for the three months ended December 26, 2020, to $11.6 million of cash used for the three months ended December 25, 2021. The increase in cash used by financing activities during the current year was due primarily to the issuance of $500 million of our 2030 Notes in October 2020, partially offset by the repayment of our 2023 Notes and the corresponding premium paid on extinguishment as well as debt issuance costs incurred on the issuance of the 2030 Notes. We also increased open market purchases of our common stock during the current year period as compared to the prior year. During the three months ended December 25, 2021, we repurchased approximately 0.2 million shares of our non-voting Class A common stock (CENTA) on the open market at an aggregate cost of approximately $6.7 million, or approximately $43.44 per share. During the three months ended December 26, 2020, we did not make any open market purchases of our common stock.

We expect that our principal sources of funds will be cash generated from our operations and, if necessary, borrowings under our $750 million Amended Credit Facility. Based on our anticipated cash needs, availability under our asset backed revolving credit facility and the scheduled maturity of our debt, we believe that our sources of liquidity should be adequate to meet our working capital, capital spending and other cash needs for at least the next 12 months. However, we cannot assure you that these sources will continue to provide us with sufficient liquidity and, should we require it, that we will be able to obtain financing on terms satisfactory to us, or at all.

We believe that cash flows from operating activities, funds available under our asset backed loan facility, and arrangements with suppliers will be adequate to fund our presently anticipated working capital and capital expenditure requirements for the foreseeable future. We anticipate that our capital expenditures, which are related primarily to replacements and expansion of and upgrades to plant and equipment and also investment in our continued implementation of a scalable enterprise-wide information technology platform, will be approximately $80 million to $90 million in fiscal 2022, of which we have invested approximately $24 million through December 25, 2021.

As part of our growth strategy, we have acquired a number of companies in the past, and we anticipate that we will continue to evaluate potential acquisition candidates in the future. If one or more potential acquisition opportunities, including those that would be material, become available in the near future, we may require additional external capital. In addition, such acquisitions would subject us to the general risks associated with acquiring companies, particularly if the acquisitions are relatively large.

Total Debt

At December 25, 2021, our total debt outstanding was $1,185.5 million, as compared with $789.0 million at December 26, 2020.

Senior Notes

Issuance of $400 million 4.125% Senior Notes due 2031

In April 2021, we issued $400 million aggregate principal amount of 4.125% senior notes due April 2031 (the "2031 Notes"). We used the net proceeds from the offering to repay all outstanding borrowings under our Amended Credit Facility, with the remainder to be used for general corporate purposes.

We incurred approximately $6 million of debt issuance costs in conjunction with this issuance, which included underwriter fees and legal, accounting and rating agency expenses. The debt issuance costs are being amortized over the term of the 2031 Notes.

The 2031 Notes require semi-annual interest payments on April 30 and October 30, which commenced October 30, 2021. The 2031 Notes are unconditionally guaranteed on a senior basis by each of our existing and future domestic restricted subsidiaries which are borrowers under or guarantors of our Amended Credit Facility. The 2031 Notes were issued in a private placement under Rule 144A and will not be registered under the Securities Act of 1933.

We may redeem some or all of the 2031 Notes at any time, at our option, prior to April 30, 2026 at the principal amount plus a "make whole" premium. At any time prior to April 30, 2024, we may also redeem, at our option, up to 40% of the notes with the proceeds of certain equity offerings at a redemption price of 104.125% of the principal amount of the notes. We may redeem some or all of the 2031 Notes at our option, at any time on or after April 30, 2026 for 102.063%, on or after April 30, 2027 for 101.375%, on or after April 30, 2028 for 100.688% and on or after April 30, 2029 for 100.0%, plus accrued and unpaid interest.

The holders of the 2031 Notes have the right to require us to repurchase all or a portion of the 2031 Notes at a purchase price equal to 101% of the principal amount of the notes repurchased, plus accrued and unpaid interest, upon the occurrence of specific kinds of changes of control.

The 2031 Notes contain customary high yield covenants, including covenants limiting debt incurrence and restricted payments, subject to certain baskets and exceptions. We were in compliance with all financial covenants as of December 25, 2021.

Issuance of $500 million 4.125% Senior Notes due 2030

In October 2020, we issued $500 million aggregate principal amount of 4.125% senior notes due October 2030 (the "2030 Notes"). In November 2020, we used a portion of the net proceeds to redeem all of our outstanding 6.125% senior notes due November 2023 (the "2023 Notes") at a redemption price of 101.531% plus accrued and unpaid interest, and to pay related fees and expenses, with the remainder for general corporate purposes.

We incurred approximately $8.0 million of debt issuance costs associated with this transaction, which included underwriter fees and legal, accounting and rating agency expenses. The debt issuance costs are being amortized over the term of the 2030 Notes.

As a result of our redemption of the 2023 Notes, we incurred a call premium payment of $6.1 million, overlapping interest expense for 30 days of approximately $1.4 million and a $2.5 million non-cash charge for the write-off of unamortized deferred financing costs related to the 2023 Notes. These amounts are included in interest expense in the condensed consolidated statements of operations.

The 2030 Notes require semiannual interest payments on October 15 and April 15. The 2030 Notes are unconditionally guaranteed on a senior basis by each of our existing and future domestic restricted subsidiaries which are borrowers under or guarantors of our senior secured revolving credit facility or guarantee our other debt.

We may redeem some or all of the 2030 Notes at any time, at our option, prior to October 15, 2025 at a price equal to 100% of the principal amount plus a “make-whole” premium. Prior to October 15, 2023, we may redeem up to 40% of the original aggregate principal amount of the notes with the proceeds of certain equity offerings at a redemption price of 104.125% of the principal amount of the notes. We may redeem some or all of the 2030 Notes, at our option, in whole or in part, at any time on or after October 15, 2025 for 102.063%, on or after October 15, 2026 for 101.375%, on or after October 15, 2027 for 100.688% and on or after October 15, 2028 for 100.0%, plus accrued and unpaid interest.

The holders of the 2030 Notes have the right to require us to repurchase all or a portion of the 2030 Notes at a purchase price equal to 101.0% of the principal amount of the notes repurchased, plus accrued and unpaid interest upon the occurrence of a change of control.

The 2030 Notes contain customary high yield covenants, including covenants limiting debt incurrence and restricted payments, subject to certain baskets and exceptions. We were in compliance with all financial covenants as of December 25, 2021.

$300 Million 5.125% Senior Notes due 2028

In December 2017, we issued $300 million aggregate principal amount of 5.125% senior notes due February 2028 (the "2028 Notes"). We used the net proceeds from the offering to finance acquisitions and for general corporate purposes.

We incurred approximately $4.8 million of debt issuance costs in conjunction with this transaction, which included underwriter fees and legal, accounting and rating agency expenses. The debt issuance costs are being amortized over the term of the 2028 Notes.

The 2028 Notes require semiannual interest payments on February 1 and August 1. The 2028 Notes are unconditionally guaranteed on a senior basis by our existing and future domestic restricted subsidiaries who are borrowers under or guarantors of our senior secured revolving credit facility or who guarantee the 2030 Notes.

We may redeem some or all of the 2028 Notes at any time, at our option, prior to January 1, 2023 at the principal amount plus a “make whole” premium. We may redeem some or all of the 2028 Notes, at our option, at any time on or after January 1, 2023 for 102.563%, on or after January 1, 2024 for 101.708%, on or after January 1, 2025 for 100.854% and on or after January 1, 2026 for 100.0%, plus accrued and unpaid interest.

The holders of the 2028 Notes have the right to require us to repurchase all or a portion of the 2028 Notes at a purchase price equal to 101% of the principal amount of the notes repurchased, plus accrued and unpaid interest upon the occurrence of a change of control.

The 2028 Notes contain customary high yield covenants, including covenants limiting debt incurrence and restricted payments, subject to certain baskets and exceptions. We were in compliance with all financial covenants as of December 25, 2021.

Asset-Based Loan Facility Amendment

On December 16, 2021, we entered into a Third Amended and Restated Credit Agreement (“Amended Credit Agreement”). The Amended Credit Agreement amended and restated the previous credit agreement dated September 27, 2019 (the "Predecessor Credit Agreement"), and has been increased to provide for a $750 million principal amount senior secured asset-based revolving credit facility, with up to an additional $400 million principal amount available with the consent of the Lenders, as defined, if we exercise the uncommitted accordion feature set forth therein (collectively, the “Amended Credit Facility”). The Amended Credit Facility matures on December 16, 2026. We may borrow, repay and reborrow amounts under the Amended Credit Facility until its maturity date, at which time all amounts outstanding under the Amended Credit Facility must be repaid in full.

The Amended Credit Facility is subject to a borrowing base that is calculated using a formula based upon eligible receivables and inventory, and at our election, eligible real property, minus certain reserves. We did not draw down any commitments under the Amended

Credit Facility upon closing. Proceeds of the Amended Credit Facility will be used for general corporate purposes. Net availability under the Amended Credit Facility was approximately $414 million as of December 25, 2021. The Amended Credit Facility includes a $50 million sublimit for the issuance of standby letters of credit and a $75 million sublimit for short-notice borrowings. As of December 25, 2021, there were no borrowings outstanding and no letters of credit outstanding under the Amended Credit Facility. There were other letters of credit of $1.5 million outstanding as of December 25, 2021.

Borrowings under the Amended Credit Facility will bear interest at an index based on LIBOR (which will not be less than 0.00%) or, at our option, the Base Rate, plus, in either case, an applicable margin based on our usage under the credit facility. Base Rate is defined as the highest of (a) the Truist prime rate, (b) the Federal Funds Rate plus 0.50%, (c) one-month LIBOR plus 1.00% and (d) 0.00%. The applicable margin for LIBOR-based borrowings fluctuates between 1.00%-1.50%, and was 1.00% as of December 25, 2021, and such applicable margin for Base Rate borrowings fluctuates between 0.00%-0.50%, and was 0% as of December 25, 2021. An unused line fee shall be payable quarterly in respect of the total amount of the unutilized Lenders' commitments and short-notice borrowings under the Amended Credit Facility. Letter of credit fees at the applicable margin on the average undrawn and unreimbursed amount of letters of credit shall be payable quarterly and a facing fee of 0.125% shall be payable quarterly for the stated amount of each letter of credit. We are also required to pay certain fees to the administrative agent under the Amended Credit Facility. The Amended Credit Facility provides for the transition from LIBOR to SOFR and does not require an amendment in connection with such transition. As of December 25, 2021, the applicable interest rate related to Base Rate borrowings was 3.3%, and the applicable interest rate related to one-month LIBOR-based borrowings was 1.1%.

We incurred approximately $2.2 million of debt issuance costs in conjunction with this transaction, which included underwriter fees and legal expenses. The debt issuance costs are being amortized over the term of the Amended Credit Facility.

The Amended Credit Facility continues to contain customary covenants, including financial covenants which require us to maintain a minimum fixed charge coverage ratio of 1.00:1.00 upon triggered quarterly testing (e.g. when availability falls below certain thresholds established in the agreement), reporting requirements and events of default. The Amended Credit Facility is secured by substantially all assets of the borrowing parties, including (i) pledges of 100% of the stock or other equity interest of each domestic subsidiary that is directly owned by such entity and (ii) 65% of the stock or other equity interest of each foreign subsidiary that is directly owned by such entity, in each case subject to customary exceptions. We were in compliance with all financial covenants under the Amended Credit Facility during the period ended December 25, 2021.

Summarized Financial Information for Guarantors and the Issuer of Guaranteed Securities

Central (the "Parent/Issuer") issued $400 million of 2031 Notes in April 2021, $500 million of 2030 Notes in October 2020, and $300 million of 2028 Notes in December 2017. The 2031 Notes, 2030 Notes and 2028 Notes are fully and unconditionally guaranteed on a joint and several senior basis by each of our existing and future domestic restricted subsidiaries (the "Guarantors") which are guarantors of our senior secured revolving credit facility ("Credit Facility"). The 2031 Notes, 2030 Notes and 2028 Notes are unsecured senior obligations and are subordinated to all of our existing and future secured debt, including our Amended Credit Facility, to the extent of the value of the collateral securing such indebtedness. There are no significant restrictions on the ability of the Guarantors to make distributions to the Parent/Issuer. Certain subsidiaries and operating divisions of the Company do not guarantee the 2031, 2030 or 2028 Notes and are referred to as the Non-Guarantors.

The Guarantors jointly and severally, and fully and unconditionally, guarantee the payment of the principal and premium, if any, and interest on the 2031, 2030 and 2028 Notes when due, whether at stated maturity of the 2031, 2030 and 2028 Notes, by acceleration, call for redemption or otherwise, and all other obligations of the Company to the holders of the 2031, 2030 and 2028 Notes and to the trustee under the indenture governing the 2031, 2030 and 2028 Notes (the "Guarantee"). The Guarantees are senior unsecured obligations of each Guarantor and are of equal rank with all other existing and future senior indebtedness of the Guarantors.

The obligations of each Guarantor under its Guarantee shall be limited to the maximum amount as well, after giving effect to all other contingent and fixed liabilities of such Guarantor and to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such Guarantor under the guarantee not constituting a fraudulent conveyance or fraudulent transfer under Federal or state law.

The Guarantee of a Guarantor will be released:

(1) upon any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation), in accordance with the governing indentures, to any person other than the Company;

(2) if such Guarantor merges with and into the Company, with the Company surviving such merger;

(3) if the Guarantor is designated as an Unrestricted Subsidiary; or

(4) if the Company exercises its legal defeasance option or covenant defeasance option or the discharge of the Company's obligations under the indentures in accordance with the terms of the indentures.

The following tables present summarized financial information of the Parent/Issuer subsidiaries and the Guarantor subsidiaries. All intercompany balances and transactions between subsidiaries under Parent/Issuer and subsidiaries under the Guarantor have been eliminated. The information presented below excludes eliminations necessary to arrive at the information on a consolidated basis. In presenting the summarized financial statements, the equity method of accounting has been applied to the Parent/Issuer's interests in the Guarantor Subsidiaries. The summarized information excludes financial information of the Non-Guarantors, including earnings from and investments in these entities.

Summarized Statements of Operations

	Three Months Ended December 25, 2021		Fiscal Year Ended September 25, 2021	
	Parent/Issuer	Guarantors	Parent/Issuer	Guarantors
	(in thousands)			
Net sales	$ 185,406	$ 427,511	$ 908,599	$ 2,142,925
Gross profit	$ 42,619	$ 143,599	$ 205,837	$ 686,332
Income (loss) from operations	$ (6,196)	$ 37,039	$ 4,382	$ 229,961
Equity in earnings of Guarantor subsidiaries	$ 29,530	$ —	$ 183,122	$ —
Net income (loss)	$ (16,353)	$ 29,530	$ (45,596)	$ 183,122

Summarized Balance Sheet Information

	As of December 25, 2021		As of September 25, 2021	
	Parent/Issuer	Guarantors	Parent/Issuer	Guarantors
	(in thousands)			
Current assets	$ 565,530	$ 817,914	$ 670,030	$ 733,132
Intercompany receivable from Non-guarantor subsidiaries	241,137	61,893	229,795	61,633
Other assets	2,927,245	2,346,872	2,896,162	2,399,165
Total assets	$ 3,733,912	$ 3,226,679	$ 3,795,987	$ 3,193,930
Current liabilities	$ 176,072	$ 294,189	$ 185,996	$ 298,039
Long-term debt	1,184,479	—	1,184,024	—
Other liabilities	1,374,841	155,119	1,272,798	151,011
Total liabilities	$ 2,735,392	$ 449,308	$ 2,642,818	$ 449,050

Off-Balance Sheet Arrangements

There have been no material changes to the information provided in our Annual Report on Form 10-K for the fiscal year ended September 25, 2021 regarding off-balance sheet arrangements.

Contractual Obligations

There have been no material changes outside the ordinary course of business in our contractual obligations set forth in the Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources in our Annual Report on Form 10-K for the fiscal year ended September 25, 2021.

New Accounting Pronouncements

Refer to Footnote 1 in the notes to the condensed consolidated financial statements for new accounting pronouncements.

Critical Accounting Policies, Estimates and Judgments

There have been no material changes to our critical accounting policies, estimates and assumptions or the judgments affecting the application of those accounting policies since our Annual Report on Form 10-K for the fiscal year ended September 25, 2021.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in our exposure to market risk from that discussed in our Annual Report on Form 10-K for the fiscal year ended September 25, 2021.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* Our Chief Executive Officer and principal financial officer have reviewed, as of the end of the period covered by this report, the "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) that ensure that information relating to the Company required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported in a timely and proper manner and that such information is accumulated and communicated to our management, including our Chief Executive Officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based upon this review, such officers concluded that our disclosure controls and procedures were effective as of December 25, 2021.

(b) *Changes in Internal Control Over Financial Reporting*. Our management, with the participation of our Chief Executive Officer and our principal financial officer, have evaluated whether any change in our internal control over financial reporting occurred during the first quarter of fiscal 2022. There were no other changes in our internal control over financial reporting during the first quarter of fiscal 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In 2012, Nite Glow Industries, Inc and its owner, Marni Markell, ("Nite Glow") filed suit in the U.S. District Court for New Jersey against the Company alleging that the applicator developed and used by the Company for certain of its branded topical flea and tick products infringes a patent held by Nite Glow and asserted related claims for breach of contract and misappropriation of confidential information based on the terms of a Non-Disclosure Agreement. On June 27, 2018, a jury returned a verdict in favor of Nite Glow on each of the three claims and awarded damages of approximately $12.6 million. The court ruled on post-trial motions in early June 2020, reducing the judgment amount to $12.4 million and denying the plaintiff's request for attorneys' fees. The Company filed its notice of appeal and the plaintiffs cross-appealed. On July 14, 2021, the Federal Circuit Court of Appeals issued its decision on the appeal. The Federal Circuit concluded that the Company did not infringe plaintiff's patent and determined that the breach of contract claim raised no non-duplicative damages and should be dismissed. The court affirmed the jury's liability verdict on the misappropriation of confidential information claim but ordered a new trial on damages on that single claim limited to the "head start" benefit, if any, generated by the confidential information. The Company intends to vigorously pursue its defenses in the future proceedings and believes that it will prevail on the merits as to the head start damages issue. While the Company believes that the ultimate resolution of this matter will not have a material impact on the Company's consolidated financial statements, the outcome of litigation is inherently uncertain and the final resolution of this matter may result in expense to the Company in excess of management's expectations.

From time to time, we are involved in certain legal proceedings in the ordinary course of business. Except as discussed above, we are not currently a party to any other legal proceedings that management believes would have a material effect on our financial position or results of operations.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Item 1A to Part I of our Form 10-K for the fiscal year ended September 25, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth the repurchases of any equity securities during the fiscal quarter ended December 25, 2021 and the dollar amount of authorized share repurchases remaining under our stock repurchase program.

Period	Total Number of Shares (or Units) Purchased		Average Price Paid per Share (or Units)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)(2)	
September 26, 2021 - October 30, 2021	122,737	(2) (3)	$ 43.44	120,848	$ 100,000,000	
October 31, 2021 - November 27, 2021	3,835	(3)	$ 46.78	—	$ 100,000,000	
November 28, 2021 - December 25, 2021	42,153	(2) (3)	$ 43.96	32,465	$ 100,000,000	
Total	168,725		$ 43.65	153,313	$ 100,000,000	(4)

(1) During the fourth quarter of fiscal 2019, our Board of Directors authorized a $100 million share repurchase program, (the "2019 Repurchase Authorization"). The 2019 Repurchase Authorization has no fixed expiration date and expires when the amount authorized has been used or the Board withdraws its authorization. The repurchase of shares may be limited by certain financial covenants in our credit facility that restrict our ability to repurchase our stock. As of December 25, 2021, we had $100 million of authorization remaining under our 2019 Repurchase Authorization.

(2) In February 2019, our Board of Directors authorized us to make supplemental stock purchases to minimize dilution resulting from issuances under our equity compensation plans (the "Equity Dilution Authorization"). In addition to our regular share repurchase program, we are permitted to purchase annually a number of shares equal to the number of shares of restricted stock and stock options granted in the prior fiscal year, to the extent not already repurchased, and the current fiscal year. The Equity Dilution Authorization has no fixed expiration date and expires when the Board withdraws its authorization.

(3) Shares purchased during the period indicated represent withholding of a portion of shares to cover taxes in connection with the vesting of restricted stock and do not reduce the dollar value of shares that may be purchased under our stock repurchase plan.

(4) Excludes 1.1 million shares remaining under our Equity Dilution Authorization as of December 25, 2021.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Not applicable

Item 6. **Exhibits**

Exhibit Number	Exhibit	Incorporated by Reference				Filed Herewith	Filed, Not Furnished
		Form	File No.	Exhibit	Filing Date		
10.1	Third Amended and Restated Credit Agreement dated December 16, 2021, among the Company, certain of the Company's subsidiaries as guarantors, a syndicate of financial institutions party thereto, Truist Bank, as Issuing Bank and Administrative Agent, Bank of America, N.A., Keybank National Association, U.S. Bank National Association and Wells Fargo Bank, National Association as Co-Syndication Agents, Bank of the West, Capital One, National Association, JPMorgan Chase Bank, N.A., and MUFG Bank, LTD., as Co-Documentation Agents, Truist Securities, Inc., Bank of America, N.A., Keybanc Capital Markets, Inc., U.S. Bank National Association and Wells Fargo Bank, National Association as Joint Lead Arrangers and Joint Bookrunners.	8-K	001-33268	10.1	12/21/2021		
22	List of Guarantor Subsidiaries					X	
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X	
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X	
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350.					X	
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.					X	
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended December 25, 2021, formatted in Inline XBRL: (i) Condensed Consolidated Statements of Cash Flows, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Balance Sheets, and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.					X	
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended December 25, 2021, formatted in Inline XBRL (included as Exhibit 101)						

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunder duly authorized.

CENTRAL GARDEN & PET COMPANY
Registrant

Dated: February 3, 2022

/s/ TIMOTHY P. COFER
Timothy P. Cofer
Chief Executive Officer
(Principal Executive Officer)

/s/ NICHOLAS LAHANAS
Nicholas Lahanas
Chief Financial Officer
(Principal Financial Officer)

Exhibit 22

LIST OF GUARANTOR SUBSIDIARIES

The following subsidiaries of Central Garden & Pet Company (the "Company") were, as of December 25, 2021, guarantors of the Company's $400 million aggregate principal amount of 4.125% senior notes due April 2031, $500 million aggregate principal amount of 4.125% senior notes due October 2030, and the Company’s $300 million aggregate principal amount of 5.125% senior notes due February 2028.

NAME OF GUARANTOR SUBSIDIARY	JURISDICTION OF FORMATION
A.E. McKenzie Co. ULC	British Columbia, Canada
All-Glass Aquarium Co., Inc.	Wisconsin
Aquatica Tropicals, Inc.	Delaware
Arden Companies, LLC	Michigan
B2E Biotech, LLC	Delaware
B2E Corporation	New York
B2E Manufacturing, LLC	Delaware
B2E Microbials, LLC	Delaware
Blue Springs Hatchery, Inc.	Delaware
C&S Products Co., Inc.	Iowa
Farnam Companies, Inc.	Arizona
Ferry_Morse Seed Company	Delaware
Flora Parent, Inc.	Delaware
Florida Tropical Distributors International, Inc.	Delaware
Four Paws Products, Ltd.	New York
Gro Tec, Inc.	Georgia
Gulfstream Home & Garden, Inc.	Florida
Hydro-Organics Wholesale	California
IMS Southern, LLC	Utah
IMS Trading, LLC	Utah
K&H Manufacturing, LLC	Delaware
Kaytee Products, Incorporated	Wisconsin
Livingston Seed Company	Delaware
Marteal, Ltd.	California
Matson, LLC	Washington
Midwest Tropicals LLC	Utah
New England Pottery, LLC	Delaware
Nexgen Turf Research, LLC	Oregon
P&M Solutions, LLC	Georgia
Pennington Seed, Inc.	Delaware
Pets International, Ltd.	Illinois
Plantation Products, LLC	Delaware
Quality Pets, LLC	Utah
Seed Holdings, Inc.	Delaware

Segrest, Inc.	Delaware
Segrest Farms, Inc.	Delaware
Sun Pet, Ltd.	Delaware
Sustainable Agrico LLC	Delaware
T.F.H. Publications, Inc.	Delaware
Wellmark International	California

EXHIBIT 31.1

I, Timothy P. Cofer, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended December 25, 2021 of Central Garden & Pet Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 3, 2022

/s/ TIMOTHY P. COFER

Timothy P. Cofer
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

I, Nicholas Lahanas, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended December 25, 2021 of Central Garden & Pet Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 3, 2022

/s/ Nicholas Lahanas

Nicholas Lahanas
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying quarterly report on Form 10-Q of Central Garden & Pet Company for the quarter ended December 25, 2021 (the "Report"), I, Timothy P. Cofer, Chief Executive Officer of Central Garden & Pet Company, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) such Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in such Report presents, in all material respects, the financial condition and results of operations of Central Garden & Pet Company.

February 3, 2022

/s/ TIMOTHY P. COFER

Timothy P. Cofer
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying quarterly report on Form 10-Q of Central Garden & Pet Company for the quarter ended December 25, 2021 (the "Report"), I, Nicholas Lahanas, Principal Financial Officer of Central Garden & Pet Company, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) such Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in such Report presents, in all material respects, the financial condition and results of operations of Central Garden & Pet Company.

February 3, 2022

/s/ NICHOLAS LAHANAS
Nicholas Lahanas
Chief Financial Officer
(Principal Financial Officer)