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 28, 2024

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

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 29, 2025	10,718,231
Class A Common Stock Outstanding as of January 29, 2025	53,186,394
Class B Stock Outstanding as of January 29, 2025	1,602,374

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, projected cost savings, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries and markets 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 examination of historical operating trends, 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 28, 2024, 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:

- economic uncertainty and other adverse macroeconomic conditions;
- impacts of tariffs or a trade war;
- risks associated with international sourcing, including from China;
- fluctuations in energy prices, fuel and related petrochemical costs;

- declines in consumer spending and the associated increased inventory risk;
- seasonality and fluctuations in our operating results and cash flow;
- adverse weather conditions and climate change;
- the success of our Central to Home strategy and our Cost and Simplicity program;
- fluctuations in market prices for seeds and grains and other raw materials, including the impact of significant declines in grass seed market prices on our inventory valuation;
- risks associated with new product introductions, including the risk that our new products will not produce sufficient sales to recoup our investment;
- dependence on a small number of customers for a significant portion of our business;
- consolidation trends in the retail industry;
- supply shortages in pet birds, small animals and fish;
- reductions in demand for our product categories;
- competition in our industries;
- continuing implementation of an enterprise resource planning information technology system;
- regulatory issues;
- potential environmental liabilities;
- access to and cost of additional capital;
- the impact of product recalls;
- risks associated with our acquisition strategy, including our ability to successfully integrate acquisitions and the impact of purchase accounting on our financial results;
- potential goodwill or intangible asset impairment;
- the potential for significant deficiencies or material weaknesses in internal control over financial reporting, particularly of acquired companies;
- our dependence upon our key executives;
- our ability to recruit and retain members of our management team and employees to support our businesses;
- potential costs and risks associated with actual or potential cyberattacks;
- our ability to protect our trademarks and other proprietary rights;
- litigation and product liability claims;
- 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;
- potential dilution from issuance of authorized shares; and
- the voting power associated with our Class B stock.

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 28, 2024	December 30, 2023	September 28, 2024
ASSETS			
Current assets:			
Cash and cash equivalents	$ 618,020	$ 341,419	$ 753,550
Restricted cash	14,649	14,200	14,853
Accounts receivable (less allowances of $22,264, $24,973 and $21,035)	399,443	370,996	326,220
Inventories, net	815,782	948,398	757,943
Prepaid expenses and other	39,919	39,047	34,240
Total current assets	1,887,813	1,714,060	1,886,806
Plant, property and equipment, net	370,673	389,440	379,166
Goodwill	551,361	546,436	551,361
Other intangible assets, net	465,914	489,058	473,280
Operating lease right-of-use assets	195,775	177,499	205,137
Other assets	64,319	105,841	57,689
Total	$ 3,535,855	$ 3,422,334	$ 3,553,439
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	$ 221,903	$ 212,193	$ 212,606
Accrued expenses	262,952	230,477	245,226
Current lease liabilities	58,623	51,035	57,313
Current portion of long-term debt	173	466	239
Total current liabilities	543,651	494,171	515,384
Long-term debt	1,190,271	1,189,093	1,189,809
Long-term lease liabilities	163,271	136,708	173,086
Deferred income taxes and other long-term obligations	118,831	149,776	117,615
Equity:			
Common stock, $0.01 par value: 10,718,231, 11,077,612 and 11,074,620 shares outstanding at December 28, 2024, December 30, 2023 and September 28, 2024	107	111	111
Class A common stock, $0.01 par value: 53,128,604, 54,515,853 and 54,446,194 shares outstanding at December 28, 2024, December 30, 2023 and September 28, 2024	531	545	544
Class B stock, $0.01 par value: 1,602,374 shares outstanding at December 28, 2024, December 30, 2023 and September 28, 2024	16	16	16
Additional paid-in capital	586,777	594,512	598,098
Retained earnings	936,344	858,817	959,511
Accumulated other comprehensive loss	(4,661)	(2,112)	(2,626)
Total Central Garden & Pet Company shareholders' equity	1,519,114	1,451,889	1,555,654
Noncontrolling interest	717	697	1,891
Total equity	1,519,831	1,452,586	1,557,545
Total	$ 3,535,855	$ 3,422,334	$ 3,553,439

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 28, 2024	December 30, 2023
Net sales	$ 656,436	$ 634,533
Cost of goods sold	460,737	455,688
Gross profit	195,699	178,845
Selling, general and administrative expenses	167,707	170,433
Operating income	27,992	8,412
Interest expense	(14,470)	(14,316)
Interest income	6,740	4,609
Other income (expense)	(1,717)	993
Income (Loss) before income taxes and noncontrolling interest	18,545	(302)
Income tax expense (benefit)	4,364	(869)
Income including noncontrolling interest	14,181	567
Net income attributable to noncontrolling interest	172	137
Net income attributable to Central Garden & Pet Company	$ 14,009	$ 430
Net income per share attributable to Central Garden & Pet Company:		
Basic	$ 0.22	$ 0.01
Diluted	$ 0.21	$ 0.01
Weighted average shares used in the computation of net income per share:		
Basic	64,552	65,415
Diluted	65,449	66,785

See notes to condensed consolidated financial statements.

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

	Three Months Ended	
	December 28, 2024	December 30, 2023
Income including noncontrolling interest	$ 14,181	$ 567
Other comprehensive income (loss):		
Foreign currency translation	(2,035)	859
Total comprehensive income	12,146	1,426
Comprehensive income attributable to noncontrolling interest	172	137
Comprehensive income attributable to Central Garden & Pet Company	$ 11,974	$ 1,289

See notes to condensed consolidated financial statements.

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

	Three Months Ended	
	December 28, 2024	December 30, 2023
Cash flows from operating activities:		
Net income	$ 14,181	$ 567
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	21,934	22,545
Amortization of deferred financing costs	673	666
Non-cash lease expense	15,131	12,772
Stock-based compensation	5,510	6,021
Deferred income taxes	1,276	1,498
Other operating activities	(600)	(727)
Change in assets and liabilities (excluding businesses acquired):		
Accounts receivable	(73,439)	(32,952)
Inventories	(59,356)	(92,808)
Prepaid expenses and other assets	(7,522)	(5,275)
Accounts payable	10,342	19,145
Accrued expenses	17,450	9,533
Other long-term obligations	(73)	3,310
Operating lease liabilities	(14,339)	(14,079)
Net cash used by operating activities	(68,832)	(69,784)
Cash flows from investing activities:		
Additions to plant, property and equipment	(6,100)	(10,127)
Payments to acquire companies, net of cash acquired	(3,318)	(59,498)
Investments	—	(850)
Net cash used in investing activities	(9,418)	(70,475)
Cash flows from financing activities:		
Repayments of long-term debt	(78)	(85)
Repurchase of common stock, including shares surrendered for tax withholding	(54,022)	(6,775)
Payment of contingent consideration liability	—	(25)
Distribution to noncontrolling interest	(1,346)	(900)
Net cash used by financing activities	(55,446)	(7,785)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,038)	790
Net decrease in cash, cash equivalents and restricted cash	(135,734)	(147,254)
Cash, cash equivalents and restricted cash at beginning of period	768,403	502,873
Cash, cash equivalents and restricted cash at end of period	$ 632,669	$ 355,619
Supplemental information:		
Cash paid for interest	$ 19,903	$ 19,756
Lease liabilities arising from obtaining right-of-use assets	$ 4,789	$ 13,170

See notes to condensed consolidated financial statements.

1. Basis of Presentation

The condensed consolidated balance sheets of Central Garden & Pet Company and subsidiaries (the "Company" or "Central") as of December 28, 2024 and December 30, 2023, 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 28, 2024 and December 30, 2023 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 28, 2024 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 Annual Report on Form 10-K for the fiscal year ended September 28, 2024, which has previously been filed with the Securities and Exchange Commission. The September 28, 2024 balance sheet presented herein was derived from the audited financial statements.

Stock Dividend

In December 2023, the Board of Directors approved a stock dividend in the form of one share of the Company's Class A Common Stock for every four outstanding shares of its Common Stock, Class A Common Stock and Class B Stock. Dividend shares of Class A Common Stock were distributed on February 8, 2024, to stockholders of record as of January 8, 2024.

The stock dividend did not affect the number of the Company's authorized shares, and the par value of each share of stock remained unchanged. Proportionate adjustments were made to the per share exercise price and/or the number of shares issuable upon the exercise or vesting of all stock options, restricted stock and performance share units outstanding at January 8, 2024, which resulted in a proportional increase in the number of vesting stock options, restricted stock and performance share units, and, in the case of stock options, a proportional decrease in the exercise price of all such stock options.

Unless noted, all Class A Common Stock share and per share amounts contained in the condensed consolidated financial statements and management's discussion and analysis have been retroactively adjusted to reflect the one-for-four stock dividend. The legal form of the stock dividend was accounted for as a stock split as the Company concluded that shareholders were not receiving a distribution of earnings.

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 condensed consolidated balance sheets and as net income attributable to noncontrolling interest in the condensed consolidated statements of operations. See Note 7, 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.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company manages the credit risk associated with cash equivalents by investing with high-quality institutions. The Company maintains cash accounts that exceed federally insured limits. The Company has not experienced any losses from maintaining cash accounts in excess of such limits. Management believes that it is not exposed to any significant risks on its cash and cash equivalent accounts.

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 28, 2024, December 30, 2023 and September 28, 2024, respectively.

	December 28, 2024	December 30, 2023	September 28, 2024
		(in thousands)	
Cash and cash equivalents	$ 618,020	$ 341,419	$ 753,550
Restricted cash	14,649	14,200	14,853
Total cash, cash equivalents and restricted cash	$ 632,669	$ 355,619	$ 768,403

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. The Company maintains an allowance for credit losses related to its trade accounts receivable associated with future expected credit losses resulting from 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.

Revenue Recognition

Revenue Recognition and Nature of Products and Services

The Company manufactures, markets and distributes a wide variety of 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, and when control over the finished goods transfers to retail consumers in consignment arrangements. 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 its 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

Recently Issued and Adopted Accounting Updates

There were no recently adopted accounting pronouncements that had a material impact on the Company's condensed consolidated financial statements.

Accounting Standards Not Yet Adopted

Segment Reporting

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.* This ASU requires enhanced disclosures about significant segment expenses regularly provided to the chief operating decision maker that are included within each reported measure of segment profit or loss, and also requires all annual disclosures currently required by Topic 280 to be included in interim periods. ASU No. 2023-07 is to be applied retrospectively for all periods presented in the financial statements and is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on the Company’s disclosures.

Income Taxes

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures.* This ASU primarily requires enhanced disclosures and disaggregation of income tax information by jurisdiction in the annual income tax reconciliation and quantitative and qualitative disclosures regarding income taxes paid. ASU No. 2023-09 is to be applied prospectively, with the option to apply the standard retrospectively, effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact that the adoption of this guidance will have on the Company’s disclosures.

2. Fair Value Measurements

Generally accepted accounting principles require 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, accounts receivable and payable, 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

In the prior year quarter, the Company's financial assets and liabilities measured at fair value on a recurring basis consisted of contingent consideration within Level 3 of the fair value hierarchy. Such amounts are not material.

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 28, 2024 and December 30, 2023, 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 28, 2024, December 30, 2023 and September 28, 2024 was $353.8 million, $354.7 million and $367.2 million, respectively, compared to a carrying value of $396.2 million, $395.6 million and $396.0 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 28, 2024, December 30, 2023 and September 28, 2024 was $451.2 million, $454.7 million and $465.2 million, respectively, compared to a carrying value of $495.4 million, $494.6 million and $495.2 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 28, 2024, December 30, 2023 and September 28, 2024 was $291.9 million, $293.5 million and $299.2 million, respectively, compared to a carrying value of $298.6 million, $298.1 million and $298.4 million, respectively.

The estimated fair value is based on quoted market prices for these notes, which are Level 2 inputs within the fair value hierarchy.

3. Acquisitions

On November 3, 2023, the Company acquired TDBBS, LLC (“TDBBS”), a provider of premium natural dog chews and treats for approximately $60 million. The addition of TDBBS expands the Company’s portfolio with bully and collagen sticks, bones and jerky, adds scale to its dog and cat business and enhances the Company’s eCommerce and direct-to-consumer capabilities. The purchase price exceeded the estimated fair value of the net tangible assets acquired by approximately $45 million, of which $23 million was allocated to identified intangible assets and approximately $5 million to goodwill in the Company's condensed consolidated balance sheet as of December 28, 2024. Financial results of TDBBS have been included in the results of operations within the Pet segment since the date of acquisition. The following table summarizes the purchase price and recording of fair values of the assets acquired and liabilities assumed as of the acquisition date and subsequent adjustments.

	Amounts Recognized as of Acquisition Date (1)	
Current assets, net of cash and cash equivalents acquired	$	22,968
Fixed assets		2,369
Goodwill		4,925
Operating lease right-of-use assets		3,956
Deferred tax assets		15,859
Other intangible assets, net		22,970
Current liabilities		(9,094)
Long-term lease liabilities		(3,727)
Net assets acquired, less cash and cash equivalents	$	60,226

(1) As previously reported in the Company's Form 10-K for the period ended September 28, 2024.

4. Inventories, net

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

	December 28, 2024	December 30, 2023	September 28, 2024
		(in thousands)	
Raw materials	$ 249,850	$ 279,098	$ 256,419
Work in progress	145,794	179,768	146,041
Finished goods	403,268	468,547	338,762
Supplies	16,870	20,985	16,721
Total inventories, net	$ 815,782	$ 948,398	$ 757,943

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 macroeconomic 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 that 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 28, 2024 and December 30, 2023.

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 28, 2024				
Marketing-related intangible assets – amortizable	$ 26.0	$ (23.0)	$ —	$ 3.0
Marketing-related intangible assets – nonamortizable	266.3	—	(35.0)	231.4
Total	292.3	(23.0)	(35.0)	234.4
Customer-related intangible assets – amortizable	421.7	(182.8)	(17.5)	221.4
Other acquired intangible assets – amortizable	39.7	(35.1)	(0.3)	4.3
Other acquired intangible assets – nonamortizable	7.1	—	(1.2)	5.9
Total	46.8	(35.1)	(1.5)	10.2
Total other intangible assets, net	$ 760.8	$ (240.9)	$ (54.0)	$ 465.9

	Gross	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
	(in millions)			
December 30, 2023				
Marketing-related intangible assets – amortizable	$ 22.1	$ (21.7)	$ —	$ 0.4
Marketing-related intangible assets – nonamortizable	252.5	—	(29.4)	223.1
Total	274.6	(21.7)	(29.4)	223.5
Customer-related intangible assets – amortizable	416.4	(154.4)	(10.3)	251.8
Other acquired intangible assets – amortizable	39.7	(31.5)	(0.3)	7.9
Other acquired intangible assets – nonamortizable	7.1	—	(1.2)	5.9
Total	46.8	(31.5)	(1.5)	13.8
Total other intangible assets, net	$ 737.8	$ (207.6)	$ (41.2)	$ 489.1

	Gross	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
	(in millions)			
September 28, 2024				
Marketing-related intangible assets – amortizable	$ 26.0	$ (22.8)	$ —	$ 3.1
Marketing-related intangible assets – nonamortizable	266.3	—	(35.0)	231.4
Total	292.3	(22.8)	(35.0)	234.5
Customer-related intangible assets – amortizable	421.7	(176.4)	(17.5)	227.8
Other acquired intangible assets – amortizable	39.7	(34.3)	(0.3)	5.1
Other acquired intangible assets – nonamortizable	7.1	—	(1.2)	5.9
Total	46.8	(34.3)	(1.5)	11.0
Total other intangible assets, net	$ 760.8	$ (233.5)	$ (54.0)	$ 473.3

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 28, 2024, and accordingly, no impairment testing was performed on these assets.

The Company amortizes its acquired intangible assets with definite lives over periods ranging from four years to 25 years; over weighted average remaining lives of nine years for marketing-related intangibles, ten years for customer-related intangibles and seven years for other acquired intangibles. Amortization expense for intangibles subject to amortization was approximately $7.4 million and $8.2 million for the three months ended December 28, 2024 and December 30, 2023, 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 $25 million per year from fiscal 2025 through fiscal 2027 and $23 million per year from fiscal 2028 through fiscal 2029.

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7. Long-Term Debt

Long-term debt consists of the following:

	December 28, 2024	December 30, 2023	September 28, 2024
		(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	400,000
Unamortized debt issuance costs	(9,873)	(11,759)	(10,345)
Net carrying value	1,190,127	1,188,241	1,189,655
Asset-based revolving credit facility, interest at SOFR 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.	—	—	—
Other notes payable	317	1,318	393
Total	1,190,444	1,189,559	1,190,048
Less current portion	(173)	(466)	(239)
Long-term portion	$ 1,190,271	$ 1,189,093	$ 1,189,809

Senior Notes

$400 million 4.125% Senior Notes due 2031

In April 2021, the Company issued $400 million aggregate principal amount of 4.125% senior notes due April 2031 (the "2031 Notes"). The Company used a portion of the net proceeds from the offering to repay all outstanding borrowings under its Credit Facility, with the remainder 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 the Company's 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. 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 a change 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 28, 2024.

$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"). 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 used 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.

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 the Company's Credit Facility.

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. 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 28, 2024.

$300 million 5.125% Senior Notes due 2028

In December 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 the Company's Credit Facility.

The Company may redeem some or all of the 2028 Notes, at its option, through December 31, 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 28, 2024.

Asset-Based Loan Facility Amendment

On December 16, 2021, the Company entered into a Third Amended and Restated Credit Agreement (the “Credit Agreement”). The Credit Agreement provides 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 “Credit Facility”). The Credit Facility matures on December 16, 2026. The Company may borrow, repay and reborrow amounts under the Credit Facility until its maturity date, at which time all amounts outstanding under the Credit Facility must be repaid in full.

The 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. Proceeds of the Credit Facility will be used for general corporate purposes. Net availability under the Credit Facility was approximately $547 million as of December 28, 2024. The Credit Facility includes a $50 million sublimit for the issuance of standby letters of credit and a $75 million sublimit for swing loan borrowings. As of December 28, 2024, there were no borrowings outstanding and no letters of credit outstanding under the Credit Facility. Outside of the Credit Facility, there were other letters of credit of $3.0 million outstanding as of December 28, 2024.

Borrowings under the Credit Facility bear interest at a rate based on SOFR (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 Bank prime rate, (b) the Federal Funds Rate plus 0.50%, (c) one-month SOFR plus 1.00% and (d) 0.00%. The applicable margin for SOFR-based borrowings fluctuates between 1.00%-1.50%, and was 1.00% as of December 28, 2024, and the applicable margin for Base Rate borrowings fluctuates between 0.00%-0.50%, and was 0.00% as of December 28, 2024. An unused line fee shall be payable quarterly in respect of the total amount of the unutilized Lenders’ commitments under the Credit Facility. Standby letter of credit fees at the applicable margin on the average undrawn and unreimbursed amount of standby letters of credit are payable quarterly and a facing fee of 0.125% is 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 Credit Facility. As of December 28, 2024, the interest rate applicable to Base Rate borrowings was 7.5%, and the interest rate applicable to one-month SOFR-based borrowings was 5.4%.

The Company incurred approximately $2.4 million of debt issuance costs in conjunction with this transaction, which included lender fees and legal expenses. The debt issuance costs are being amortized over the term of the Credit Facility.

The Credit Facility contains customary covenants, including financial covenants which require the Company to maintain a minimum fixed charge coverage ratio of 1:1 upon triggered quarterly testing (e.g. when availability falls below certain thresholds established in the agreement), reporting requirements and events of default. The 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 Credit Facility as of December 28, 2024.

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 28, 2024 and December 30, 2023.

	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 28, 2024	$ 111	$ 544	$ 16	$ 598,098	$ 959,511	$ (2,626)	$1,555,654	$ 1,891	$1,557,545
Comprehensive income (loss)	—	—	—	—	14,009	(2,035)	11,974	172	12,146
Amortization of share-based awards	—	—	—	3,648	—	—	3,648	—	3,648
Restricted share activity, including net share settlement	—	(1)	—	(1,810)	—	—	(1,811)	—	(1,811)
Issuance of common stock, including net share settlement of stock options	—	1	—	1,789	—	—	1,790	—	1,790
Repurchase of stock	(4)	(13)	—	(14,948)	(37,176)	—	(52,141)	—	(52,141)
Distribution to Noncontrolling interest	—	—	—	—	—	—	—	(1,346)	(1,346)
Balance December 28, 2024	$ 107	$ 531	$ 16	$ 586,777	$ 936,344	$ (4,661)	$1,519,114	$ 717	$1,519,831

	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 30, 2023	$ 111	$ 544	$ 16	$ 594,282	$ 859,370	$ (2,970)	$1,451,353	$ 1,460	$1,452,813
Comprehensive income	—	—	—	—	430	859	1,289	137	1,426
Amortization of share-based awards	—	—	—	4,169	—	—	4,169	—	4,169
Restricted share activity, including net share settlement	—	(1)	—	(1,918)	—	—	(1,919)	—	(1,919)
Issuance of common stock, including net share settlement of stock options	—	2	—	(1,583)	—	—	(1,581)	—	(1,581)
Repurchase of stock	—	—	—	(438)	(984)	—	(1,422)	—	(1,422)
Distribution to Noncontrolling interest	—	—	—	—	—	—	—	(900)	(900)
Balance December 30, 2023	$ 111	$ 545	$ 16	$ 594,512	$ 858,816	$ (2,111)	$1,451,889	$ 697	$1,452,586

9. Stock-Based Compensation

The Company recognized share-based compensation expense of $5.5 million and $6.0 million for the three months ended December 28, 2024 and December 30, 2023, 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 28, 2024 and December 30, 2023 was $1.3 million and $1.4 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 28, 2024		
	Income	Shares	Per Share
	(in thousands, except per share amounts)		
Basic EPS:			
Net income available to common shareholders	$ 14,009	64,552	$ 0.22
Effect of dilutive securities:			
Options to purchase common stock	—	110	—
Restricted shares	—	633	(0.01)
Performance stock units	—	154	—
Diluted EPS:			
Net income available to common shareholders	$ 14,009	65,449	$ 0.21

	Three Months Ended December 30, 2023		
	Income	Shares	Per Share
	(in thousands, except per share amounts)		
Basic EPS:			
Net income available to common shareholders	$ 430	65,415	$ 0.01
Effect of dilutive securities:			
Options to purchase common stock	—	343	—
Restricted shares	—	882	—
Performance stock units	—	145	—
Diluted EPS:			
Net income available to common shareholders	$ 430	66,785	$ 0.01

Options to purchase 0.8 million shares of Class A common stock at prices ranging from $20.63 to $41.10 per share were outstanding at December 28, 2024, and options to purchase 1.5 million shares of Class A common stock at prices ranging from $20.63 to $41.10 per share were outstanding at December 30, 2023.

For the three months ended December 28, 2024, approximately 0.3 million options outstanding 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 anti-dilutive.

For the three months ended December 30, 2023, approximately 0.5 million options outstanding 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 anti-dilutive.

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. Substantially all of the Company's assets and operations relate to its business in the United States. Financial information relating to the Company's business segments is presented in the table below.

	Three Months Ended	
	December 28, 2024	December 30, 2023
	(in thousands)	
Net sales:		
Pet segment	$ 427,462	$ 409,222
Garden segment	228,974	225,311
Total net sales	$ 656,436	$ 634,533
Operating income (loss)		
Pet segment	51,257	43,388
Garden segment	2,423	(8,886)
Corporate	(25,688)	(26,090)
Total operating income	27,992	8,412
Interest expense - net	(7,730)	(9,707)
Other income (expense)	(1,717)	993
Income tax expense (benefit)	4,364	(869)
Income including noncontrolling interest	14,181	567
Net income attributable to noncontrolling interest	172	137
Net income attributable to Central Garden & Pet Company	$ 14,009	$ 430
Depreciation and amortization:		
Pet segment	$ 10,080	$ 10,798
Garden segment	11,131	11,006
Corporate	723	741
Total depreciation and amortization	$ 21,934	$ 22,545

	December 28, 2024	December 30, 2023	September 28, 2024
		(in thousands)	
Assets:			
Pet segment	$ 970,020	$ 1,010,988	$ 955,000
Garden segment	1,370,229	1,432,258	1,272,033
Corporate	1,195,606	979,088	1,326,406
Total assets	$ 3,535,855	$ 3,422,334	$ 3,553,439
Goodwill (included in corporate assets above):			
Pet segment	$ 281,992	$ 277,067	$ 281,992
Garden segment	269,369	269,369	269,369
Total goodwill	$ 551,361	$ 546,436	$ 551,361

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

	Three Months Ended December 28, 2024		
	Pet Segment	Garden Segment	Total
		(in millions)	
Other pet products	$ 124.9	$ —	$ 124.9
Dog and cat products	160.7	—	160.7
Other manufacturers' products	105.0	42.2	147.2
Wild bird products	36.9	53.5	90.4
Other garden supplies	—	133.2	133.2
Total	$ 427.5	$ 228.9	$ 656.4

	Three Months Ended December 30, 2023		
	Pet Segment	Garden Segment	Total
		(in millions)	
Other pet products	$ 127.7	$ —	$ 127.7
Dog and cat products	145.3	—	145.3
Other manufacturers' products	100.3	46.6	146.9
Wild bird products	35.9	50.8	86.7
Other garden supplies	—	127.9	127.9
Total	$ 409.2	$ 225.3	$ 634.5

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 the resolution of which management believes could have a material effect on the Company's financial position or results of operations with the 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 retrial on the "head start" damages issue concluded in early March 2024, but no decision has been issued by the court. The Company intends to vigorously pursue its defenses in any 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.

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 pet and garden industries in the United States. For over 45 years, Central has marketed innovative and trusted solutions helping lawns grow greener, gardens bloom bigger, pets live healthier, and communities grow stronger. We manage our operations through two reportable segments: Pet and Garden.

Our Pet segment includes dog and cat supplies such as treats and chews, toys, beds and containment, grooming products, waste management and training pads; supplies for aquatics, small animals, reptiles and pet birds including toys, enclosures 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®, C&S®, Comfort Zone®, Farnam®, Four Paws®, Kaytee®, Nylabone® and Zilla®.

Our Garden segment includes lawn and garden consumables such as grass seed, vegetable, flower and herb packet 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 2024, our consolidated net sales were $3.2 billion, of which our Pet segment, or Pet, accounted for approximately $1.8 billion and our Garden segment, or Garden, accounted for approximately $1.4 billion. In fiscal 2024, our operating income was $185 million consisting of income from our Pet segment of $203 million, income from our Garden segment of $82 million and Corporate expenses of $100 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 2025 First Quarter Financial Performance:

- Net sales increased $21.9 million, or 3.5%, from the prior year quarter to $656.4 million. Pet segment sales increased $18.3 million, and Garden segment sales increased $3.6 million.
- Gross profit increased $16.9 million from the prior year quarter, and gross margin increased 160 basis points to 29.8%.

- Selling, general and administrative expense decreased $2.7 million from the prior year quarter to $167.7 million and as a percentage of net sales decreased 140 basis points to 25.5%.
- Operating income increased $19.6 million from the prior year quarter to $28.0 million.
- Net Income in the first quarter of fiscal 2025 was $14.0 million, or $0.21 per diluted share, compared to $0.4 million, or $0.01 per diluted share, in the first quarter of fiscal 2024.

Results of Operations

Three Months Ended December 28, 2024
Compared with Three Months Ended December 30, 2023

Net Sales

Net sales for the three months ended December 28, 2024, increased $21.9 million, or 3.5%, to $656.4 million from $634.5 million for the three months ended December 30, 2023. Net sales increased in both segments and was volume-based, benefitting from the timing of shipments, which was favorably impacted by a shift forward of sales previously expected in our second fiscal quarter and the timing of promotional activities in our Pet business. Branded product sales increased $21.6 million, and sales of other manufacturers' products increased $0.3 million.

Pet net sales increased $18.3 million, or 4.5%, to $427.5 million for the three months December 28, 2024, from $409.2 million for the three months ended December 30, 2023, due primarily to increased sales in our dog and cat treats and toys business. The increased sales in Pet were volume-based and benefitted from the favorable timing of shipments. Sales of consumables increased while sales of durable products declined, though the decline was at a lower rate than in previous quarters. Pet branded product sales increased $13.6 million, and sales of other manufacturers' products increased $4.7 million.

Garden net sales increased $3.6 million, or 1.6%, to $228.9 million for the three months ended December 28, 2024, from $225.3 million for the three months ended December 30, 2023, benefitting from the timing of shipments supported by favorable weather. The increase in Garden net sales was due primarily to increased sales in our control and fertilizer businesses. Garden branded sales increased $8.0 million, and sales of other manufacturers' products decreased $4.4 million.

Gross Profit

Gross profit for the three months ended December 28, 2024, increased $16.9 million, or 9.4%, to $195.7 million from $178.8 million for the three months ended December 30, 2023. Gross margin increased 160 basis points to 29.8% for the three months ended December 28, 2024, from 28.2% for the three months ended December 30, 2023. Both segments contributed to the gross profit increase due to higher sales and improved gross margins. The gross margin improvement in both segments was driven by productivity gains resulting from our cost and simplicity program (e.g., prior year facility consolidations and the exit of lower margin businesses) and moderating inflation.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased $2.7 million, or 1.6%, to $167.7 million for the three months ended December 28, 2024. As a percentage of net sales, selling, general and administrative expenses decreased to 25.5% for the three months ended December 28, 2024, compared to 26.9% in the comparable prior year quarter. Decreased selling, general and administrative expenses in both Garden and corporate was partially offset by increased expense in Pet.

Selling and delivery expense increased $3.4 million to $72.7 million for the three months ended December 28, 2024, as compared to $69.3 million in the prior year quarter. The increase was in the Pet segment due primarily to higher media and digital marketing spend and increased delivery costs related to the higher sales volume.

Warehouse and administrative expense declined $6.1 million, or 6.0%, to $95.0 million for the three months ended December 28, 2024, from $101.1 million for the three months ended December 30, 2023. Both Pet and Garden warehouse and administrative expense decreased due primarily to savings from the recent closure of several facilities and headcount reductions. Corporate expense decreased $0.4 million, or 1.5%, to $25.7 million for the three months ended December 28, 2024, due primarily to lower insurance costs partially offset by increased third-party spend. 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 increased $19.6 million to $28.0 million for the three months ended December 28, 2024. Our operating margin increased to 4.3% in the current year quarter from 1.3% in the prior year quarter. The increase in operating income was due to a $21.9 million increase in net sales, a 160 basis point increase in gross margin and a $2.7 million decrease in selling, general and administrative expenses.

Pet operating income increased $7.9 million, or 18.1%, to $51.3 million for the three months ended December 28, 2024, from $43.4 million for the three months ended December 30, 2023, and Pet operating margin improved 140 basis points to 12.0%. Pet operating income and margin increased due to higher net sales and an improved gross margin partially offset by higher selling, general and administrative expenses.

Garden operating income improved $11.3 million to income of $2.4 million for the three months ended December 28, 2024, from an operating loss of $8.9 million for the three months ended December 30, 2023, and Garden operating margin improved to 1.1%. Garden operating income increased due to higher net sales, an improved gross margin and lower selling, general and administrative expense.

Corporate operating expense decreased $0.4 million, or 1.5%, from the prior year quarter due primarily to lower insurance costs partially offset by increased third-party spend.

Net Interest Expense

Net interest expense for the three months ended December 28, 2024 decreased $2.0 million, or 20.4%, to $7.7 million from $9.7 million for the three months ended December 30, 2023. The decrease in net interest expense was due to increased interest income resulting from our higher cash balance during the current quarter. Debt outstanding on December 28, 2024 was $1,190.4 million compared to $1,189.6 million at December 30, 2023.

Other Income (Expense)

Other income 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 decreased $2.7 million to an expense of $1.7 million for the quarter ended December 28, 2024 from income of $1.0 million for the quarter ended December 30, 2023. The decrease in other income was due primarily to foreign currency losses in the current year quarter as compared to foreign currency gains in the prior year quarter.

Income Taxes

Our effective income tax rate was 23.5% for the quarter ended December 28, 2024. Income tax expense was $4.4 million for the quarter ended December 28, 2024, compared to an income tax benefit of $0.9 million for the quarter ended December 30, 2023. The increase in income tax expense for the quarter ended December 28, 2024, compared to the prior year fiscal quarter was due to higher pre-tax earnings.

Net Income and Earnings Per Share

Net income in the first quarter of fiscal 2025 was $14.0 million, or $0.21 per diluted share, compared to $0.4 million, or $0.01 per diluted share, in the first quarter of fiscal 2024. The increase in net income and earnings per share was due to a $19.6 million increase in operating income and lower net interest expense partially offset by a decrease in other income (expense).

Use of Non-GAAP Financial Measures

We report our financial results in accordance with generally accepted accounting principles ("GAAP"). However, to supplement the financial results prepared in accordance with GAAP, we use non-GAAP financial measures including adjusted EBITDA. Management uses adjusted EBITDA in making financial, operating and planning decisions and in evaluating our performance. Management believes this non-GAAP financial measure 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. While Management believes that this non-GAAP measure is 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.

Adjusted EBITDA is defined by us as income before income tax, net other expense, net interest expense and depreciation and amortization and stock-based compensation expense (or operating income plus depreciation and amortization expense 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 evaluations. 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.

The reconciliations of adjusted EBITDA to the most directly comparable financial measures calculated and presented in accordance with GAAP are shown in the tables below.

Adjusted EBITDA Reconciliation

	GAAP to Non-GAAP Reconciliation			
	Three Months Ended December 28, 2024			
	Pet	Garden	Corporate	Total
	(in thousands)			
Net income attributable to Central Garden & Pet Company	$ —	$ —	$ —	$ 14,009
Interest expense, net	—	—	—	7,730
Other expense	—	—	—	1,717
Income tax expense	—	—	—	4,364
Net income attributable to noncontrolling interest	—	—	—	172
Income (loss) from operations	51,257	2,423	(25,688)	27,992
Depreciation & amortization	10,080	11,131	723	21,934
Noncash stock-based compensation	—	—	5,510	5,510
Adjusted EBITDA	$ 61,337	$ 13,554	$ (19,455)	$ 55,436

Adjusted EBITDA Reconciliation

	GAAP to Non-GAAP Reconciliation			
	Three Months Ended December 30, 2023			
	Pet	Garden	Corporate	Total
	(in thousands)			
Net income attributable to Central Garden & Pet Company	$ —	$ —	$ —	$ 430
Interest expense, net	—	—	—	9,707
Other income	—	—	—	(993)
Income tax benefit	—	—	—	(869)
Net income attributable to noncontrolling interest	—	—	—	137
Income (loss) from operations	43,388	(8,886)	(26,090)	8,412
Depreciation & amortization	10,798	11,006	741	22,545
Noncash stock-based compensation	—	—	6,021	6,021
Adjusted EBITDA	$ 54,186	$ 2,120	$ (19,328)	$ 36,978

Inflation

Our revenues and margins are dependent on various economic factors, including rates of inflation, energy costs, interest rates, consumer attitudes toward discretionary spending, currency fluctuations, and other macro-economic factors which may impact levels of consumer spending. Inflation moderated in fiscal 2024. This has continued into fiscal 2025, and and we have benefitted from lower cost inventory and significant productivity gains resulting in improved margins.

Weather and Seasonality

Our sales of lawn and garden products are impacted by weather conditions in the different markets we serve. Our Garden segment's business is highly seasonal. In fiscal 2024, approximately 66% of our Garden segment's net sales and 59% 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.

Liquidity and Capital Resources

We have financed our growth through a combination of cash generated from operations, bank borrowings, supplier credit, and sales of equity and debt securities.

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 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 66% 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 decreased by $1.0 million, from $69.8 million for the three months ended December 30, 2023, to $68.8 million for the three months ended December 28, 2024. The decrease in cash used by operating activities was due primarily to changes in our working capital accounts for the period ended December 28, 2024, as compared to the prior year period, primarily increased accounts receivable partially offset by decreased inventories.

Investing Activities

Net cash used in investing activities decreased $61.1 million, from $70.5 million for the three months ended December 30, 2023 to $9.4 million during the three months ended December 28, 2024. The decrease in cash used in investing activities was due primarily to greater acquisition activity in the prior year and decreased capital expenditures in the current year.

Financing Activities

Net cash used by financing activities increased $47.7 million, from $7.8 million for the three months ended December 30, 2023, to $55.4 million for the three months ended December 28, 2024. The increase in cash used by financing activities during the current year was due primarily to increased open market purchases of our common stock as compared to the prior year. During the three months ended December 28, 2024, we repurchased approximately 1.3 million shares of our non-voting Class A common stock (CENTA) on the open market at an aggregate cost of approximately $39.9 million and 0.4 million shares of our voting common stock (CENT) on the open market at an aggregate cost of approximately $12.3 million. During the three months ended December 30, 2023, we repurchased approximately 49,000 shares of our non-voting Class A common stock (CENTA) on the open market at an aggregate cost of approximately $1.4 million.

We expect that our principal sources of funds will be cash generated from our operations and, if necessary, borrowings under our $750 million Credit Facility. Based on our anticipated cash needs, availability under our 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 and beyond. 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 Credit 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 $70 million in fiscal 2025, of which we have invested approximately $6 million through December 28, 2024.

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 28, 2024, our total debt outstanding was $1,190.4 million, as compared with $1,189.6 million at December 30, 2023.

Senior Notes

$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 a portion of the net proceeds from the offering to repay all outstanding borrowings under our Credit Facility, with the remainder 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. 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 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. 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 28, 2024.

$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"). 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 used 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.

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 Credit Facility.

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. 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 28, 2024.

$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 Credit Facility.

We may redeem some or all of the 2028 Notes at our option, through December 31, 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 101.0% 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. We were in compliance with all financial covenants as of December 28, 2024.

Asset-Based Loan Facility Amendment

On December 16, 2021, we entered into a Third Amended and Restated Credit Agreement (the “Credit Agreement”). The Credit Agreement provides 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 “Credit Facility”). The Credit Facility matures on December 16, 2026. We may borrow, repay and reborrow amounts under the Credit Facility until its maturity date, at which time all amounts outstanding under the Credit Facility must be repaid in full.

The 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. Proceeds of the Credit Facility will be used for general corporate purposes. Net availability under the Credit Facility was approximately $547 million as of December 28, 2024. The Credit Facility includes a $50 million sublimit for the issuance of standby letters of credit and a $75 million sublimit for swing loan borrowings. As of December 28, 2024, there were no borrowings outstanding and no letters of credit outstanding under the Credit Facility. Outside of the Credit Facility, there were other standby and commercial letters of credit of $3.0 million outstanding as of December 28, 2024.

Borrowings under the Credit Facility bear interest at a rate based on SOFR (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 Bank prime rate, (b) the Federal Funds Rate plus 0.50%, (c) one-month SOFR plus 1.00% and (d) 0.00%. The applicable margin for SOFR-based borrowings fluctuates between 1.00%-1.50%, and was 1.00% as of December 28, 2024, and the applicable margin for Base Rate borrowings fluctuates between 0.00%-0.50%, and was 0.00% as of December 28, 2024. An unused line fee shall be payable quarterly in respect of the total amount of the unutilized Lenders’ commitments under the Credit Facility. Standby letter of credit fees at the applicable margin on the average undrawn and unreimbursed amount of standby letters of credit are payable quarterly and a facing fee of 0.125% is 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 Credit Facility. As of December 28, 2024, the interest rate applicable to Base Rate borrowings was 7.5%, and the interest rate applicable to one-month SOFR-based borrowings was 5.4%.

We incurred approximately $2.4 million of debt issuance costs in conjunction with this transaction, which included lender fees and legal expenses. The debt issuance costs are being amortized over the term of the Credit Facility.

The Credit Facility contains customary covenants, including financial covenants which require us to maintain a minimum fixed charge coverage ratio of 1:1 upon triggered quarterly testing (e.g. when availability falls below certain thresholds established in the agreement), reporting requirements and events of default. The 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 Credit Facility as of December 28, 2024.

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 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 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 28, 2024		Fiscal Year Ended September 28, 2024	
	Parent/Issuer	Guarantors	Parent/Issuer	Guarantors
	(in thousands)			
Net sales	$ 171,663	$ 483,634	$ 694,083	$ 2,491,748
Gross profit	$ 40,673	$ 153,198	$ 154,310	$ 771,737
Income (loss) from operations	$ (572)	$ 30,200	$ (6,164)	$ 189,406
Equity in earnings of Guarantor subsidiaries	$ 27,175	$ —	$ 163,797	$ —
Net income (loss)	$ (9,063)	$ 27,175	$ (58,047)	$ 163,797

Summarized Balance Sheet Information	As of December 28, 2024		As of September 28, 2024	
	Parent/Issuer	Guarantors	Parent/Issuer	Guarantors
	(in thousands)			
Current assets	$ 840,292	$ 996,562	$ 936,497	$ 896,476
Intercompany receivable from Non-guarantor subsidiaries	82,168	—	76,084	—
Other assets	3,824,955	3,284,236	3,799,521	3,330,344
Total assets	$ 4,747,415	$ 4,280,798	$ 4,812,102	$ 4,226,820
Current liabilities	$ 163,665	$ 366,666	$ 164,607	$ 342,289
Intercompany payable from Non-guarantor subsidiaries	—	1,986	—	1,003
Long-term debt	1,190,127	144	1,189,655	154
Other liabilities	1,856,056	228,761	1,888,312	234,308
Total liabilities	$ 3,209,848	$ 597,557	$ 3,242,574	$ 577,754

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 as disclosed in our Annual Report on Form 10-K for the fiscal year ended September 28, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in our exposure to market risk from that disclosed in our Annual Report on Form 10-K for the fiscal year ended September 28, 2024.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, including our Principal 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 Principal 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 28, 2024.

Changes in Internal Control Over Financial Reporting

Our management, with the participation of our Principal 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 2025. There have been no changes in our internal control over financial reporting during the first quarter of fiscal 2025 that have materially affected, or are 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 retrial on the "head start" damages issue concluded in early March 2024, but no decision has been issued by the court. The Company intends to vigorously pursue its defenses in any 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 28, 2024.

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 28, 2024 and the dollar amount of authorized share repurchases remaining under our stock repurchase programs.

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 (1)(2)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)(2)	
September 29, 2024 - November 2, 2024	1,270,368	(1) (2) (3)	$ 30.77	1,261,989	$ 44,329,000	
November 3, 2024 - November 30, 2024	415,643	(1) (3)	$ 32.00	415,643	$ 31,028,000	
December 1, 2024 - December 28, 2024	44,593	(3)	$ 35.03	—	$ 131,028,000	
Total	1,730,604		$ 31.17	1,677,632	$ 131,028,000	(4)

(1) In August 2019, our Board of Directors authorized a share repurchase program to purchase up to $100 million of our common stock (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. In December 2024, our Board of Directors authorized a $100 million increase in the share repurchase program, (the "2024 Repurchase Authorization"). The 2024 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 28, 2024, we had $131 million of authorization remaining under our 2024 Repurchase Authorization and 2019 Repurchase Authorization, collectively.

(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 2019 and 2024 Repurchase Authorizations, 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 include 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) During the period, we repurchased 1,677,632 shares under the two programs, 1,321,243 CENTA shares and 356,389 CENT shares, including 37,563 shares repurchased under the Equity Dilution Authorization and 1,640,069 shares repurchased under the 2019 Repurchase Authorization.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

During the quarter ended December 28, 2024, none of our directors or officers informed us of the adoption, modification or termination of a "Rule 10b5-1 trading arrangement"or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408.

Item 6. Exhibits

Exhibit Number	Exhibit	Incorporated by Reference				Filed Herewith	Furnished, Not Filed
		Form	File No.	Exhibit	Filing Date		
10.23	Promotion Letter of Niko Lahanas dated September 26, 2024					X	
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 28, 2024, 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 28, 2024, 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 6, 2025

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

/s/ BRADLEY G. SMITH
Bradley G. Smith
Chief Financial Officer
(Principal Financial Officer)