

CENTRAL GARDEN & PET CO  
Form DEFA14A  
September 08, 2006

---

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934 (Amendment No. \_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**CONFIDENTIAL, FOR USE OF THE  
COMMISSION ONLY (AS PERMITTED BY  
RULE 14A-6(E)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

**CENTRAL GARDEN & PET COMPANY**

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

Edgar Filing: CENTRAL GARDEN & PET CO - Form DEFA14A

x No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

---

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party

---

(4) Date Filed:

---

Notes:

September 2006  
2006 Special Meeting of Shareholders

1

Safe Harbor

Statement under the Private Securities Litigation

Reform Act of 1995: The statements contained in this release which are not historical facts, including future earnings guidance, are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially

from those set forth in or implied by forward-looking statements. These risks are described in the Company's Securities and Exchange Commission filings. Central undertakes no obligation to publicly update these forward-looking statements to reflect new information, subsequent events or otherwise.

Safe Harbor

2

Why We Are Here

Significantly increase **Earnings per Share**

Scale change in **Company Size**

More

Stable

Business

base

Stronger **Competitive Leadership Position**

PE

Multiple

Expansion

potential

Big Opportunities to Dramatically Increase Shareholder Value

Big Opportunities

3

Issue

Current Board of Directors and Management team have created the company you have invested in

Big opportunities require equity and new players (sellers) could gain control

Big Opportunities



How to Pursue Big Opportunities while Mitigating Risk to Existing Shareholders

4

Solution

New Class A Common Stock: Same as current Common Stock, less  
voting rights

Proposal

Rationale

Authorize

100,000,000  
shares  
of  
a  
new  
class  
of  
common  
stock,  
par  
value  
\$0.01  
per  
share,  
to  
be  
designated  
as  
Class  
A  
Common  
Stock  
that  
would  
generally  
have  
no  
voting  
rights  
Fix  
and  
establish  
the  
relative  
rights,  
powers  
and  
limitations  
of  
the  
Company's  
proposed  
Class A Common Stock  
Flexibility  
To provide Management / Board of Directors with maximum flexibility to  
pursue a broader range of strategic growth opportunities  
Alignment  
To continue to ensure the long-term interests of Shareholders and  
Management / Board of Directors are aligned for future growth  
Empowerment

To  
continue  
to  
empower  
existing  
Shareholders  
relating  
to  
company  
performance and strategic direction  
Big Opportunities

5

Through a combination of Organic Growth and Strategic Acquisitions, Central Garden & Pet successfully transitioned to a leading Branded Products company with a Strong Portfolio of #1 Brands

Pet Products

Lawn & Garden Products

Corporate Strategy

Central Life  
Central Life  
Sciences  
Sciences  
Central  
Central  
Aquatics  
Aquatics  
Specialty Pet  
Specialty Pet  
Dog & Cat  
Dog & Cat  
Grass Seed  
Grass Seed  
Wild Bird  
Wild Bird  
Feed  
Feed  
Control  
Control  
Products  
Products  
Garden  
Garden  
Decor  
Decor  
Accomplishments to Date

6

Corporate Strategy

Stock Price Performance and Key Events since Initial Public Offering

\$0

\$10

\$20

\$30

\$40

\$50

\$60

07/15/93

07/15/95

07/15/97

07/15/99

07/15/01

07/15/03

07/15/05

Timeline of Significant Events

CENT consolidates Lawn & Garden  
and Pet distribution industries creating  
the only national platform in both  
categories

Management implements Branded  
Products strategy to mitigate  
distribution risk

Monsanto divests  
Solaris lawn & garden  
business to Scott's.

Management  
restructures business  
around highly  
successful branded  
products business  
Transformed into a #1  
brands product business,  
CENT solidifies operations  
and financial position;  
accelerates String of Pearls  
acquisition strategy



7  
Corporate Strategy  
\$1.73  
35  
72  
1,145  
2003

\$1.24  
29  
53  
1,078  
2002  
23%  
\$2.85  
\$2.50  
\$1.99  
EPS  
23%  
67  
54  
41  
Net Income  
26%  
135  
100  
82  
Operating Income  
10%  
1,580  
1,381  
1,267  
Sales  
CAGR  
2006 F\*\*  
2005  
2004  
Shift to Branded Products focus has produced Strong Financial Results  
\*\* Assumes midpoint of company-issued guidance of \$2.80-\$2.90 per share.  
Financial Performance  
8.5%  
7.2%  
4.9%  
6.5%  
6.3%  
81.2%  
78.2%  
75.8%  
75.3%  
74.0%  
0.0%  
1.0%  
2.0%  
3.0%  
4.0%  
5.0%  
6.0%  
7.0%

8.0%

9.0%

2002

2003

2004

2005

2006 F

60.0%

65.0%

70.0%

75.0%

80.0%

Operating Income %

% Sales from Brands

8  
0  
100  
200  
300  
400  
500

600

700

12/31/2001

12/31/2002

12/31/2003

12/31/2004

12/31/2005

CENT

S&P 500

Nasdaq

SMG

Emphasis on Branded Products has produced Superior Returns for Shareholders

Corporate Strategy

Stock Performance

520% -

CENT

114%

111%

Current

224%

9  
CENTRAL  
PERFORMANCE  
Quality

Organic Growth  
Strategic  
Acquisitions  
Sales  
Margins  
Innovation  
Service  
Extend  
Brands  
Categories  
Awareness  
Expand  
Channels  
Markets  
Enhance  
Operating Leverage  
Corporate Strategy  
Framework for Growth

10

Potential to be # 1 or # 2 Brand in its Category

Organic Growth History and Potential

Strong Management and Cultural Fit

History of Innovation

Profitable Business

Ability to Complete Acquisitions at Reasonable Price



5 to 7 x LTM EBIT Target

Accretive Day One

Ability to Extend or Leverage the Brands into other Lines, Categories or Channels

Growth Through Acquisition

Acquisition Criteria

Acquisitions are a Core Competency of Management

-

A

rigorous,

disciplined

approach

to

each

target

-

Leverage knowledge from distribution business

11  
\$800  
\$900  
\$1,000  
\$1,100  
\$1,200  
\$1,300

2003

2004

2005

2006 F

Organic + Acquisitions

Growth Through Acquisition

\$863

\$960

\$1,079

\$1,273\*

\*

Represents

an

estimate

of

branded

products

sales

based

on

the

midpoint

of

company-issued

sales

guidance

74

83

126

18%

12%

11%

Total Branded Products

3%

2004

12%

2005

15%

2006 F

Branded Products Organic

Sales Growth

Contribution from

Acquisitions

Branded Products

Organic Sales

Growth

Branded Products

Sales Performance Driven by a Combination of

Organic Growth and Contribution from Acquisitions

12  
Organic  
Sales  
5%  
Operating Income  
10%  
Acquisition

Sales

10%

Operating Income

15%

Management consistently strives to Achieve / Surpass Objective

Corporate Strategy

Long-Term Growth Objective

13

Paths to Future Growth

String of Pearls:

Current proven acquisition model

Typically

\$10-70

MM

in  
Sales  
CENT is often a Top 5 customer due  
to distribution relationship  
Sellers are often entrepreneur  
founders  
Complementary product offering  
Ability to complete transaction at 5-7x  
trailing EBIT  
Many targets  
Acquisition Considerations  
Future Growth  
Trophy  
Opportunities:  
Typically \$200 MM+ sales  
CENT is frequently a distribution  
partner  
Trophies  
= carve out opportunities  
and/or private equity portfolio  
companies  
Strategic expansion into adjacent  
and/or new channels, markets, and  
categories  
Transaction prices 7+x trailing EBIT  
due to strategic nature and scale of  
potential target  
Fewer targets

14

Summary

Management has a Strong Track Record

Successfully transitioned Central Garden & Pet into a **Leading**

Branded Products

company

Built portfolio of **#1 Brands**



in two highly desirable categories

Innovation

is core competency and competitive advantage

Effectively

completed and integrated over **40 Acquisitions**

Numerous **Organic Growth** and **Growth through Acquisition**

opportunities remain

Management has created **Significant Value for Shareholders**

15

Conclusion

Vote For

Empower the Board and Management to Pursue Big Opportunities where  
Rewards are High and Risks are Low