

CENTRAL GARDEN & PET CO
Form 10-K
December 13, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended September 29, 2012

Commission File Number 1-33268

CENTRAL GARDEN & PET COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

68-0275553
(IRS Employer Identification Number)

1340 Treat Boulevard, Suite 600, Walnut Creek, California 94597

(Address of principal executive offices) (Zip Code)

Telephone Number: (925) 948-4000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

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Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	Nasdaq
Class A Common Stock	Nasdaq

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller Reporting Company

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

At March 24, 2012, the aggregate market value of the registrant's Common Stock, Class A Common Stock and Class B Stock held by non-affiliates of the registrant was approximately \$96.2 million, \$285.0 million and \$57,100, respectively.

At November 30, 2012, the number of shares outstanding of the registrant's Common Stock was 12,247,359 and the number of shares of Class A Common Stock was 34,753,392. In addition, on such date, the registrant had outstanding 1,652,262 shares of its Class B Stock, which are convertible into Common Stock on a share-for-share basis.

DOCUMENTS INCORPORATED BY REFERENCE

Definitive Proxy Statement for the Company's 2013 Annual Meeting of Stockholders Part III of this Form 10-K.

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Central Garden & Pet Company

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FORWARD-LOOKING STATEMENTS

This Form 10-K includes forward-looking statements. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, our transformational efforts, capital expenditures, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy, our ability to pass through grain and other raw material price increases and the trends we anticipate in the industries and economies in which we operate and other information that is not historical information. When used in this Form 10-K, the words estimates, expects, anticipates, projects, plans, intends, believes and variations of these 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-K. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Form 10-K are set forth in this Form 10-K, including the factors described in the section entitled Item 1A Risk Factors. If any of these risks or uncertainties materialize, 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. Presently known risk factors include, but are not limited to, the following factors:

the success of our transformational change initiatives;

disruptions in our business as we implement our transformational change initiatives and the resulting consequences to our business and results of operations;

increased costs and expenses associated with our transformational change initiatives;

seasonality and fluctuations in our operating results and cash flow;

fluctuations in market prices for seeds and grains and other raw materials;

our ability to pass through cost increases in a timely manner;

declines in consumer spending during economic downturns;

inflation, deflation and other adverse macro-economic conditions;

supply shortages in small animals and pet birds;

adverse weather conditions;

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fluctuations in energy prices, fuel and related petrochemical costs;

access to and cost of additional capital;

dependence on a small number of customers for a significant portion of our business;

consolidation trends in the retail industry;

uncertainty about new product innovations and marketing programs;

competition in our industries;

risks associated with our acquisition strategy;

dependence upon our key executives;

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implementation of a new enterprise resource planning information technology system;

our ability to protect our intellectual property rights;

potential environmental liabilities;

risk associated with international sourcing;

litigation and product liability claims;

regulatory issues;

the impact of product recalls;

potential costs and risks associated with actual or anticipated cyber attacks;

the voting power associated with our Class B stock; and

potential dilution from issuance of authorized shares.

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MARKET, RANKING AND OTHER DATA

The data included in this Form 10-K regarding markets and ranking, including the size of certain markets and our position and the position of our competitors and products within these markets, are based on both independent industry publications, including Packaged Facts, Lawn & Garden Products in the U.S. 2012; Mintel, Marketing to Pet Owners U.S., 2012; Packaged Facts, U.S. Pet Marketing Outlook, 2012-2013; American Pet Products Association (APPA) National Pet Owners Survey 2011-2012; U.S. Census Bureau and our estimates based on management's knowledge and experience in the markets in which we operate. Our estimates have been based on information provided by customers, suppliers, trade and business organizations and other contacts in the markets in which we operate. We believe these estimates to be accurate as of the date of this Form 10-K. However, this information may prove to be inaccurate because of the method by which we obtained some of the data for our estimates or because this information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in a survey of market size. As a result, you should be aware that market, ranking and other similar data included in this Form 10-K, and estimates and beliefs based on that data, may not be reliable.

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PART I

Item 1. Business

BUSINESS

Our Company

Central Garden & Pet Company (Central) is a leading innovator, marketer and producer of quality branded products. We are one of the largest suppliers in the pet and lawn and garden supplies industries in the United States. The total pet food and supplies industry is estimated to be approximately \$30 billion in annual retail sales. We estimate the annual retail sales of the pet supplies and super premium pet food markets in the categories in which we participate to be approximately \$15 billion. The total lawn and garden industry in the United States, which includes equipment, supplies and services, is estimated to be approximately \$21 billion in annual retail sales. We estimate the annual retail sales of the lawn and garden supplies markets in the categories in which we participate to be approximately \$6 billion. In addition, we participate in the pottery and seasonal décor markets.

Our pet supplies products include products for dogs and cats, including edible bones, premium healthy edible and non-edible chews, super premium dog and cat food and treats, toys, pet carriers, grooming supplies and other accessories; products for birds, small animals and specialty pets, including food, cages and habitats, toys, chews and related accessories; animal and household health and insect control products; products for fish, reptiles and other aquarium-based pets, including aquariums, furniture and lighting fixtures, pumps, filters, water conditioners, food and supplements, and information and knowledge resources; and products for horses and livestock. These products are sold under a number of brand names including Adams™, Altosid, Aqueon®, Avoderm®, BioSpot®, Coralife®, Farnam®, Four Paws®, Interpet, Kaytee®, Kent Marine®, Nylabone®, Oceanic Systems®, Pet Select®, Pre-Strike®, Pinnacle®, Super Pet®, TFH™, Zilla® and Zodiac®.

Our lawn and garden supplies products include proprietary and non-proprietary grass seed; wild bird feed, bird feeders, bird houses and other birding accessories; weed, grass, ant and other herbicide, insecticide and pesticide products; and decorative outdoor lifestyle and lighting products including pottery, trellises and other wood products and holiday lighting. These products are sold under a number of brand names including AMDRO®, GKI/Bethlehem Lighting®, Grant & Ironite®, Lilly Miller®, Matthews Four Seasons™, New England Pottery®, Norcal Pottery®, Pennington®, Over-N-Out®, Sevin®, Smart Seed® and The Rebels®.

In fiscal 2012, our consolidated net sales were \$1.7 billion, of which our Pet segment, or Pet, accounted for approximately \$931 million and our lawn and Garden segment, or Garden, accounted for approximately \$769 million. Fiscal 2012 included an extra week compared to fiscal 2011. In fiscal 2012, our income from operations was \$74 million, of which the Pet segment accounted for \$88 million and the Garden segment accounted for \$40 million, before corporate expenses and eliminations of \$54 million. See Note 18 to our consolidated financial statements for financial information about our two operating segments.

We were incorporated in Delaware in June 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 annual report.

Recent Developments

Fiscal 2012 Operating Performance. Although we experienced increased sales in fiscal 2012, rising input costs, a change in sales mix, operational disruptions and increased costs associated with our transformational change initiatives, and unfavorable weather resulted in increased expenses and continuing pressure on gross margins.

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Financial summary:

Net sales for fiscal 2012 increased \$71.4 million, or 4%, to \$1.7 billion. Our Pet segment increased 9.3%, partially offset by a 1.0% decrease in our Garden segment.

Gross margin decreased 10 basis points in fiscal 2012 to 30.2%, from 30.3% in 2011.

Selling, general & administrative expenses increased \$31.0 million, or 7.6%, to \$439.7 million in fiscal 2012, and increased as a percentage of net sales to 25.9% from 25.1%.

Net earnings for fiscal 2012 were \$21.2 million, or \$0.44 per share on a diluted basis, a decrease of \$7.1 million and \$0.06 per share on a diluted basis, compared to fiscal 2011.

We generated cash flows from operating activities of approximately \$89.2 million during fiscal 2012, an increase of approximately \$38.2 million from fiscal 2011. Our cash and short term investments at September 29, 2012 were approximately \$71.2 million, compared with \$29.9 million at September 24, 2011.

Repurchase of Company Stock. During fiscal 2012, we repurchased \$20.9 million of our common stock which consisted of 0.7 million shares of our voting common stock (CENT) at an aggregate cost of approximately \$5.6 million, or approximately \$8.02 per share, and 1.9 million shares of our non-voting Class A common stock (CENTA) at an aggregate cost of approximately \$15.3 million, or approximately \$8.05 per share. During fiscal 2011, our Board of Directors authorized a new \$100 million share repurchase program, under which approximately \$52 million remains available for repurchases in fiscal 2013 and thereafter.

Transformational Change. In fiscal 2012, we continued the process of transformational change we embarked upon in fiscal 2011, consisting of a comprehensive series of organizational and operational initiatives intended to improve our sales and marketing, profitability and operational effectiveness. We expect to continue these initiatives over the next several years. The strategic objective of these initiatives is to transform the Company from a portfolio of separately run businesses into an integrated, multi-brand company. In connection with this change, we are strengthening our management team, reorganizing operating units, consolidating facilities, eliminating duplicative services, standardizing processes, training employees in new approaches and investing in systems, facilities and people. For example, in fiscal 2011, we began the process of combining our Garden and Pet supply chains as an integrated unit responsible for distribution, transportation, manufacturing, sourcing and sales and operations planning. In fiscal 2012, we began consolidating transactional processing in a newly created centralized shared services center in Boise, Idaho. We are in the process of moving our accounts payable, accounts receivable and order management functions to this centralized service center. During fiscal 2012, we incurred approximately \$12.1 million of additional expense related to transformation activities.

There can be no assurance that we will be able to successfully implement the transformational change initiatives or that we will be able to do so within the anticipated time period. During the process of implementation, we will be making substantial investments in our business and will incur substantial transitional costs, which will adversely affect our operating results until the transformation process is complete.

Fiscal 2013. Hurricane Sandy negatively impacted our northeastern businesses. While damage was minimal, some of our businesses experienced disruption which will impact our first quarter 2013 results.

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Competitive Strengths

We believe we have the following competitive strengths which serve as the foundation of our business strategy:

Market Leadership Positions Built on a Strong Brand Portfolio. We are one of the leaders in the premium branded U.S. pet supplies market and in the U.S. consumer lawn and garden supplies market. We have a diversified portfolio of brands, many of which we believe are among the leading brands in their respective U.S. market categories. The majority of our brands have been marketed and sold for more than 25 years.

Innovative New Products. We have a reputation for introducing innovative and high quality products. We continuously seek to introduce new products at a reasonable cost, both as complementary extensions of existing product lines and as new product categories. We have received 19 industry awards for our new pet products in the last three years, including the American Business Award's Silver Stevie in the consumer products industry for our Adams Smart Shield Applicator in 2012.

Strong Relationships with Retailers. We have developed strong relationships with major and independent retailers through product innovation, premium brand names, broad product offerings, proprietary sales and logistics capabilities and a high level of customer service. Major retailers value the efficiency of dealing with suppliers with national scope and strong brands. These strengths have made us one of the largest pet supplies vendors to PetSmart, PETCO and Wal*Mart and among the largest lawn and garden supplies vendors to Wal*Mart, Home Depot and Lowe's. In 2011, we were named Home Depot's Partner of the Year in the Outdoor Garden Category and the Ace Hardware Lawn & Garden Vendor of the Year, and in 2012, we were named the Wal*Mart Home Division Replenishment Team of the Year. Our ability to service large retailers, to meet their unique needs for packaging and point of sale displays and to offer new innovative products provides us with a competitive advantage. Independent retailers value our high level of customer service and broad array of premium branded products. We are a leading supplier to independent pet supplies retailers in the United States.

Favorable Long-Term Industry Characteristics. The pet and lawn and garden supplies markets in the U.S. have grown and are expected to continue to grow over the long-term due to favorable demographic and leisure trends. The key demographics bolstering our markets are the growth rates in the number of children under 18 and the number of adults over age 55. Households with children tend to own more pets, and adults over 55 are more likely to be empty nesters that keep pets as companions and have more disposable income and leisure time available for both pets and garden activities. According to the 2011-2012 APPA National Pet Owners Survey, the number of U.S. pet owners in recent years has reached record highs, with 73 million households, or 62%, owning a pet.

Sales and Logistics Networks. We are a leading supplier to independent specialty retailers for the pet and lawn and garden supplies markets through our sales and logistics networks. We believe our sales and logistics networks give us a significant competitive advantage over other suppliers. These networks provide us with key access to independent pet specialty retail stores and retail lawn and garden customers that require two-step distribution for our branded products facilitating:

acquisition and maintenance of premium shelf placement;

prompt product replenishment;

customization of retailer programs;

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quick responses to changing customer and retailer preferences;

rapid deployment and feedback for new products; and

immediate exposure for new internally developed and acquired brands.

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We plan to continue to utilize our team of dedicated sales people and our sales and logistics networks to expand sales of our branded products.

Experienced and Incentivized Management Team. Our senior management team has significant experience in the pet and lawn and garden supplies industries. William E. Brown, our Chairman and Chief Executive Officer, has over 30 years of industry experience. Mr. Brown also owns approximately 13% of our outstanding stock. Gus Halas, the President and Chief Executive Officer of the Central Operating Companies, has led successful transformational change initiatives at a number of other companies in a variety of industries.

Business Strategy

Our objective is to increase market share, revenue, cash flow and profitability by enhancing our position as one of the leading companies in the U.S. pet supplies industry and lawn and garden supplies industry. To achieve our objective, we plan to capitalize on our strengths and the favorable industry trends by implementing the following key elements of our business strategy:

Continue Transformational Change. The strategic objective of our transformational change initiatives is to transform our company from a portfolio of separately run businesses into an integrated, multi-brand company, thereby eliminating inefficiencies and unnecessary costs for our business and enabling us to compete more effectively. In connection with this change, we are reorganizing operating units, consolidating facilities, developing a system of shared services and eliminating duplicative services, strengthening our management team, standardizing processes, training employees in new approaches and investing in systems, facilities and people.

Build Existing Brands. With our broad product assortment, strong brand names, strong sell-through and innovative products and packaging, we believe we can further strengthen our relationships with existing retailers to increase shelf space and sales. Under our master branding strategy, we are moving to consolidate certain brands and expand others. We are utilizing some of our strongest brands to drive new products and brand extensions as we did during fiscal 2012 with our Amdro brand which introduced a complete line of insecticides specially designed to combat ants, snails, slugs, roaches and other common insect species that damage landscapes and infest homes. We believe that the strength of our major customers provides us with a solid foundation for future growth. We intend to gain market share in the home centers, mass market, grocery, specialty pet store and independent channels. We intend to add new retailers through marketing and sales personnel dedicated to these channels, as well as our innovative product introductions and packaging. We will continue to focus on using our sales and logistics network to emphasize sales of our higher margin, proprietary brands and to use efficient supply chain capabilities that enable us to provide retailers with high service levels and consistent in-stock positions.

Continue New Product and Packaging Innovation. We will continue to build and leverage the strength of our leading brand names by introducing innovative new products and packaging, extending existing product lines and entering new product categories. Our product strategy seeks to capitalize on fulfilling consumer needs, our strong brand names, established customer relationships and history of product innovation. We have also made investments in our corporate sales and marketing infrastructure in the areas of product development, category management and key account sales support.

Improve Margins. We believe there are opportunities to improve our gross and operating margins through increased sales of our higher margin, innovative branded products, timely price increases and cost reductions and leveraging of our existing infrastructure. Since fiscal 2004, we have continued to consolidate our sales and logistics centers, made capital improvements and consolidated some of our manufacturing facilities to reduce costs and improve manufacturing efficiencies. We are accelerating this effort as part of our new transformational change initiatives. For example, we have reduced the number of sales and logistics warehouses from 34 in 2008 to 29 at the end of fiscal 2012 and expect

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further consolidations during fiscal 2013. Although gross margins improved from fiscal 2004 through fiscal 2010, they declined significantly in fiscal 2011 and remained flat in fiscal 2012 as we continued to experience the impact of the rising costs of raw materials and costs associated with our transformational change initiatives. We are working with our key retail partners to implement price increases on our products as we strive to strike the right balance between pricing and our goal to deliver value to the consumer.

Pursue Strategic Acquisitions. We plan to continue to make selected strategic acquisitions of branded product companies that complement our existing brands and product offerings. Management has substantial experience in acquiring branded products companies. By leveraging our marketing, manufacturing and sales and logistics capabilities, we believe we can increase the sales and improve the operating efficiencies of acquired companies. We look for companies with the potential to have the top one or two brands in their respective categories. The characteristics we generally seek when evaluating target companies are strong brand names, high quality and innovative product offerings, an experienced management team and a history of organic earnings growth.

Reduce Our Investment In Working Capital. We believe there are opportunities to reduce our investment in working capital over the long term by focusing on specific balance sheet metrics. In particular, we believe that our supply chain initiatives will enable us to substantially reduce our investment in inventory once they have been fully implemented.

Products General

The following table indicates each class of similar products which represented more than 10% of our consolidated net sales in the fiscal years presented (in millions).

Category	2012	2011	2010
Pet supplies (excluding wild bird feed)	\$ 847.1	\$ 773.1	\$ 766.5
Garden controls and fertilizer products	281.7	260.0	255.5
Wild bird feed	205.1	197.5	168.9
Other garden supplies	185.7	212.1	196.0
Grass seed	180.4	185.9	136.7
Total	\$ 1,700.0	\$ 1,628.6	\$ 1,523.6

Pet Segment*Overview*

We are one of the leading marketers and producers of premium branded pet supplies in the United States. In addition, our Pet segment operates the largest sales and logistics network in the industry strategically supporting its brands. In fiscal 2012, the Pet segment accounted for \$931 million of our consolidated net sales and \$87 million of our consolidated income from operations before corporate expenses and eliminations.

Industry Background

According to the 2011-2012 APPA National Pet Owners Survey, U.S. pet ownership is at its highest level, with 73 million households, or 62%, owning a pet. During the past decade, the number of pet-owning households increased 15%.

The pet industry includes food, supplies, veterinarian care and services and live animals. We operate primarily in the pet supplies segment of the industry. This segment includes: products for dogs and cats, including edible bones, premium healthy edible and non-edible chews, toys, pet carriers, grooming supplies and other accessories; products for birds, small animals and specialty pets, including food,

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cages and habitats, toys, chews and related accessories; animal and household health and insect control products; products for fish, reptiles and other aquarium-based pets, including aquariums, furniture and lighting fixtures, pumps, filters, water conditioners and supplements, and information and knowledge resources; and products for horses and livestock. According to Mintel, U.S. retail sales of pet food and supplies in 2017 are expected to total approximately \$35 billion, from approximately \$28 billion in 2010. We also operate in the super premium category of dog and cat food and treats. Mintel estimates the total pet food market to be approximately \$21 billion in 2017. We believe the pet food market is experiencing an upscale thrust, featuring products that are natural, functional and address specific dietary needs of animals, primarily dogs and cats. We estimate the current applicable market opportunity for our high-end, premium and super-premium dog and cat food and treats to be approximately \$4 billion.

We believe this growth is due in significant part to favorable demographic and leisure trends, which we expect to continue, albeit potentially at a slower rate due to recessionary pressures in the broader U.S. economy. The key demographics bolstering the U.S. pet supplies market are the growth rates in the number of children under 18 and the number of adults over age 55. According to 2010 U.S. census data, approximately 40% of the population is 45 years or older. Households with children tend to own more pets, and adults over 55 are more likely to be empty nesters, who keep pets as companions and have more disposable income and leisure time available for pets. In addition, many pet supplies products (e.g., dog and cat food, dog chews, bird food, grooming supplies, pest control, etc.) are routinely consumed and replenished.

The U.S. pet supplies market is highly fragmented with approximately 1,400 manufacturers, consisting primarily of small companies with limited product lines. The majority of these manufacturers do not have a captive sales and logistics network and must rely on us or other independent distributors to supply their products to regional pet specialty chains and independent retailers. According to Mintel, pet supplies sales are up 19 percent over the last five years, indicating that this category has been able to weather the recession fairly well.

The pet food and supplies industry retail channel also remains fragmented, with approximately 7,600 independent pet supply stores in the United States and only two national specialty retailers, PetSmart and PETCO. These two pet superstores have grown rapidly, and pet products have also become a growing category in mass merchandisers, discounters and grocery outlets. PetSmart and PETCO typically offer the broadest product selection with competitive prices and a growing array of pet services. Mass merchandisers, supermarkets and discounters have historically carried a limited product assortment that features primarily pet food, but we believe these retailers are devoting more shelf space to meet increased consumer demand for premium pet supplies. Independent pet stores typically have a relatively broad product selection and attempt to differentiate themselves by offering premier brands and knowledgeable service.

Proprietary Branded Pet Products

Our principal pet supplies categories are dog & cat, aquatics, bird & small animal food and animal health and nutrition products.

Dog & Cat. We are a leading marketer and producer of premium healthy edible and non-edible chews, super premium dog and cat food, toys, grooming supplies, pet carriers and other accessories, and information and knowledge resources featuring the brands Nylabone, Four Paws, TFH, Pet Select, Interpet, Pet Love and Mikki®. Nylabone has a strong history of developing innovative new products such as the NutriDent® Edible Dental Brush Chews, Toro and Lobo as well as numerous other award winning dog toys. Four Paws products include grooming supplies and toys, and TFH is a leading producer and publisher of pet books and magazines. Breeder's Choice is regarded by the industry as one of the highest quality developers and manufacturers of super premium natural pet food and treats. Breeder's Choice brands include Pinnacle®, Avoderm®, Simply Natural® and Active Care®.

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Aquatics. We are a leading supplier of aquariums and related fixtures and furniture, water conditioners and supplements, sophisticated lighting systems and accessories featuring the brands Aqueon, Zilla, Oceanic Systems, Kent Marine, Coralife and Blagdon.

Small Animal & Wild Bird Feed. We are a leading marketer and producer of specialty pet food for birds, wild birds and small animals, vitamins and nutritional supplements, bird and small animal cages, habitats, transportation devices, toys and other accessories designed for the small animal marketplace featuring the brands Kaytee, Super Pet, Critter Trail® and Canopy Scientific®. Kaytee is one of the largest producers of specialty bird feed.

Animal Health. We are a leading marketer and producer of flea, tick, mosquito and other insect control products produced by Wellmark International and sold primarily under the Zodiac, Altosid, Pre Strike and Extinguish® brand names. Wellmark is the only domestic producer of (S)-Methoprene, which is an active ingredient to control mosquitoes, fleas, ticks, ants and mites in many professional and consumer insect control applications. We also sell (S)-Methoprene to manufacturers of other insect control products, including Frontline Plus. In addition, through our Farnam operations, we are a leading manufacturer and marketer of innovative health care products for horses, household pets and livestock. Farnam's portfolio of industry leading brands includes the Farnam umbrella brand, Equicar®, ComboCare®, IverCar®, Bronco®, Super Mask® and Repel-X® for horses, D-Worm®, BioSpot® and Scratchex® for household pets, and Adams® and Bite Free® insect controls for home and yard care.

Sales Network

Our domestic sales network exists primarily to promote our proprietary brands and provides value-added service to approximately 4,000 independent specialty retail stores for our branded products. This includes acquisition and maintenance of premium shelf placement, prompt product replenishment, customization of retailer programs, quick response to changing customer and retailer preferences, rapid deployment and feedback for new products and immediate exposure for acquired brands. The network also sells many other manufacturers' brands of pet supplies and combines these products with our branded products into single shipments enabling our independent customers to deal with us on a cost effective basis to meet their pet supplies requirements. We also operate one sales and logistics facility in the United Kingdom.

Sales and Marketing

Our sales strategy is multi-tiered and designed to capture maximum market share with retailers. Our customers include retailers, such as regional and national specialty pet stores, independent pet retailers, mass merchants, grocery and drug stores. In addition, we also serve the professional market with insect control and health and wellness products to veterinarians, municipalities, farmers and equine product suppliers. PetSmart accounted for approximately 12% of our Pet segment's net sales in both fiscal 2012 and fiscal 2011, and 11% in fiscal 2010. PETCO is also a significant customer.

To optimize our product placement and visibility in retail stores, our focused sales resources are segmented as follows:

a sales organization operating by category and channel;

dedicated account teams servicing our largest customers;

a group of account managers focused on regional chains;

a geographic based group of territory managers dedicated to the independent retailer; and

a specialized group of account managers dedicated to the professional and equine markets.

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These sales teams deliver our marketing strategy that is consumer, brand and channel driven. We provide value creation with a focus on innovation, product quality and performance, premium packaging, product positioning and consumer value. To execute with excellence, we collaborate closely with our customers to identify their needs, jointly develop strategies to meet those needs and deliver programs that include print, broadcast, direct mail and digital execution.

Competition

The pet supplies industry is highly competitive and has experienced considerable consolidation in the last five years. Our branded pet products compete against national and regional branded products and private label products produced by various suppliers. Our largest competitors in most product categories are Spectrum Brands and Hartz Mountain. The Pet segment competes primarily on the basis of brand recognition, innovation, upscale packaging, quality and service. Our Pet segment's sales and logistics operations compete with a number of smaller local and regional distributors, with competition based on product selection, price, value-added services and personal relationships.

Garden Segment

Overview

We are a leading company in the consumer lawn and garden market in the United States and offer both premium and value-oriented branded products. We market and produce a broad array of premium brands, including Pennington, The Rebels, AMDRO, Grants, Lilly Miller, Ironite, Sevin, Over-N-Out, Norcal Pottery, New England Pottery, GKI/Bethlehem Lighting and Matthews Four Seasons. We also produce value brands at lower prices, including numerous private label brands. In addition, our Garden segment operates a sales and logistics network that strategically supports its brands. In fiscal 2012, the Garden segment accounted for \$769 million of our consolidated net sales and \$40 million of our consolidated income from operations before corporate expenses and eliminations.

Industry Background

We believe that gardening is one of the most popular leisure activities in the United States, although in recent years our garden segment has been adversely impacted by the input costs, weather and global recessionary economic environment. Packaged Facts asserts that the economy has brought more homeowners into their yards. The key demographic bolstering our lawn and garden market is the growth rate in the number of adults over age 55, who are more likely to be empty nesters and have more disposable income and leisure time available for garden activities. As the baby boom generation ages, this segment is expected to grow faster than the total population. According to 2010 U.S. census data, approximately 40% of the population is 45 years or older. We believe that this demographic should increase the number of lawn and garden product users. With more people gardening in their yards and the potential trends of food gardening and organic gardening, we perceive this market as staying intact and showing slow positive growth. We estimate the retail sales of the lawn and garden supplies industry in the categories in which we participate to be approximately \$6 billion. In addition, we participate in the pottery and seasonal décor markets. We believe that the industry will continue to grow, albeit potentially at a slower rate in the near term due to industry dynamics.

Lawn and garden products are sold to consumers through a number of distribution channels, including home centers, mass merchants, independent nurseries and hardware stores. Home and garden centers and mass merchants often carry one or two premium product lines or brands and one value brand. Due to the rapid expansion and consolidation of mass merchants and home and garden centers in the last 15 years, the concentration of purchasing power for the lawn and garden category has increased dramatically. We expect the growth of home and garden centers, such as Home Depot and Lowes, and mass merchants, such as Wal*Mart, to continue to concentrate industry distribution.

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Proprietary Branded Lawn and Garden Products

Our principal lawn and garden product lines are grass seed, wild bird feed, insect control products, lawn and garden care products, decorative outdoor patio products and Christmas products and lighting. Our Pennington brand is one of the largest in grass seed and wild bird feed, and our Amdro brand is a leading portfolio of fire ant bait products. We are also a leading marketer of indoor and outdoor pottery products through our Norcal Pottery and New England Pottery brands.

Grass Seed. We are a leading marketer and producer of numerous mixtures and blends of cool and warm season turf grass for both the residential and professional markets, as well as forage and wild game seed mixtures. We sell these products under the Pennington Seed, Pennington, Penkoted[®], Max-Q[®], ProSelect, Tournament Quality CM, MasterTuff, The Rebels and Smart Seed[®] brand names. We also produce numerous private label brands of grass seed. The Pennington grass seed manufacturing facilities are some of the largest and most modern seed conditioning facilities in the industry. In fiscal 2012, Pennington Seed enhanced its Smart Seed[™] and 1-Step Complete in its premium grass seed line with a new proprietary mix of multiple fiber sources, polymers and biostimulants to ensure seeds stay in place, germinate and produce deeper, healthy roots to reinforce the benefits of these premium products. Smart Seed is a drought-tolerant grass seed product that develops strong, deep root systems and requires up to 30% less water compared to ordinary grass seed. 1-Step Complete is a pre-mixed combination of mulch, Smart Seed premium grass seed and fertilizer that grows thicker and requires less water to establish.

Wild Bird Products. We are a leading marketer and producer of wild bird feed, bird feeders, bird houses and other birding accessories in the United States. These products are sold primarily under the Pennington brand name. Our wild bird feed is treated with Bird-Kote[®], a nutritious coating made up of vegetable oil fortified with oil-soluble vitamins and elements needed by wild birds.

Fertilizers and Controls. We are a leading marketer of lawn and garden weed, moss, insect and pest control products and soil supplements and stimulants. We sell these products under the Knockout[®], Strike(i)

Sole power to vote or to direct the vote

See Item 5 of each cover page.

(ii)

Shared power to vote or to direct the vote

See Item 6 of each cover page.

(iii)

Sole power to dispose or to direct the disposition of

See Item 7 of each cover page.

(iv)

Shared power to dispose or to direct the disposition of

See Item 8 of each cover page.

CUSIP No. 37951D102

Item 5.

Not applicable.

Ownership of Five Percent or Less of a Class.

Item 6.

See Item 4 above.

Ownership of More than Five Percent on Behalf of Another Person.

Item 7.

Not applicable.

Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company.

Item 8.

Not applicable.

Identification and Classification of Members of the Group.

Item 9.

Not applicable.

Notice of Dissolution of Group.

Item 10.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect, other than activities solely in connection with a nomination under § 240.14a-11.

Certifications.

CUSIP No. 37951D102

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated August 5, 2016

EMC HOLDCO 2 B.V.

By: /s/ K.F.J. Jansen
Name: K.F.J. Jansen
Title: Director A

By: /s/ Tomer Yosef-Or
Name: Tomer Yosef-Or
Title: Director B

ABRY PARTNERS VII, L.P.

By: ABRY VII Capital Partners, L.P.
Its General Partner

By: ABRY VII Capital Investors, LLC
Its General Partner

By: /s/ Jay Grossman
Name: Jay Grossman
Title: Authorized Person

ABRY PARTNERS VII CO-INVESTMENT FUND, L.P.

By: ABRY Partners VII Co-Investment GP, LLC
Its General Partner

By: ABRY VII Capital Investors, LLC
Its Member

By: /s/ Jay Grossman
Name: Jay Grossman
Title: Authorized Person

ABRY INVESTMENT PARTNERSHIP, L.P.

By: ABRY Investment GP, LLC

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Its General Partner

By: /s/ Jay Grossman
Name: Jay Grossman
Title: Authorized Person

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/s/ Peggy Koenig
Peggy Koenig

/s/ Jay Grossman
Jay Grossman

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EXHIBITS

Exhibit Number	Title
1	Joint Filing Agreement

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