

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
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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):

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Notes:

September 2006
2006 Special Meeting of Shareholders

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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

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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

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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

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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

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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

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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%

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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

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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

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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

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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**

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Conclusion

Vote For

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