

Garden Business Boosts Central's Financials

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Buoyed by a relatively strong third quarter for its garden business, Central Garden & Pet Co. of Walnut Creek, Calif., saw sales slip 2 percent to \$493 million but net income roughly double to \$31.1 million for the quarter.

The garden business's strong quarter offset roughly 10 percent falls in pet product sales and operating income.

Overall, Central posted net income of \$31.1 million on sales of \$482 million for its third quarter ended June 27, compared to net income of \$15.6 million on sales of \$493 million in the year-ago period.

On the pet side, the company posted operating income of \$29.8 million on sales of \$215 million for the quarter, compared to operating income of \$32.7 million on sales of \$253 million in the year-ago period. Sales of Central-branded pet products were down 13 percent from the year-ago period to \$176 million, while distributed product (other manufacturers' products) sales were up 3 percent to \$39 million from the year-ago period.

By comparison, Central posted operating income of \$35.3 million on sales of \$267 million on the garden side for the quarter, compared to operating income of \$12.6 million on sales of \$253 million in the year-ago period. Branded garden product sales were up six percent from the year-ago period to \$231 million, while distributed garden product sales were flat at \$37 million.

"Once again, we made progress in the quarter against our three operating objectives," said William Brown, Central's chairman and CEO. "Gross profit margins improved substantially, we further lowered operating expenses and we continued to significantly reduce our investment in working capital. Building upon these achievements, our goal is to drive further margin and capital efficiency improvement across the business."

Year-to-date, Central posted net income of \$57.9 million on sales of \$1.25 billion for the nine-month period, compared to a net loss of \$253 million on sales of \$1.29 billion in the year-ago period.

In the year-ago period, Central took a \$400 million pre-tax charge related to goodwill impairment.