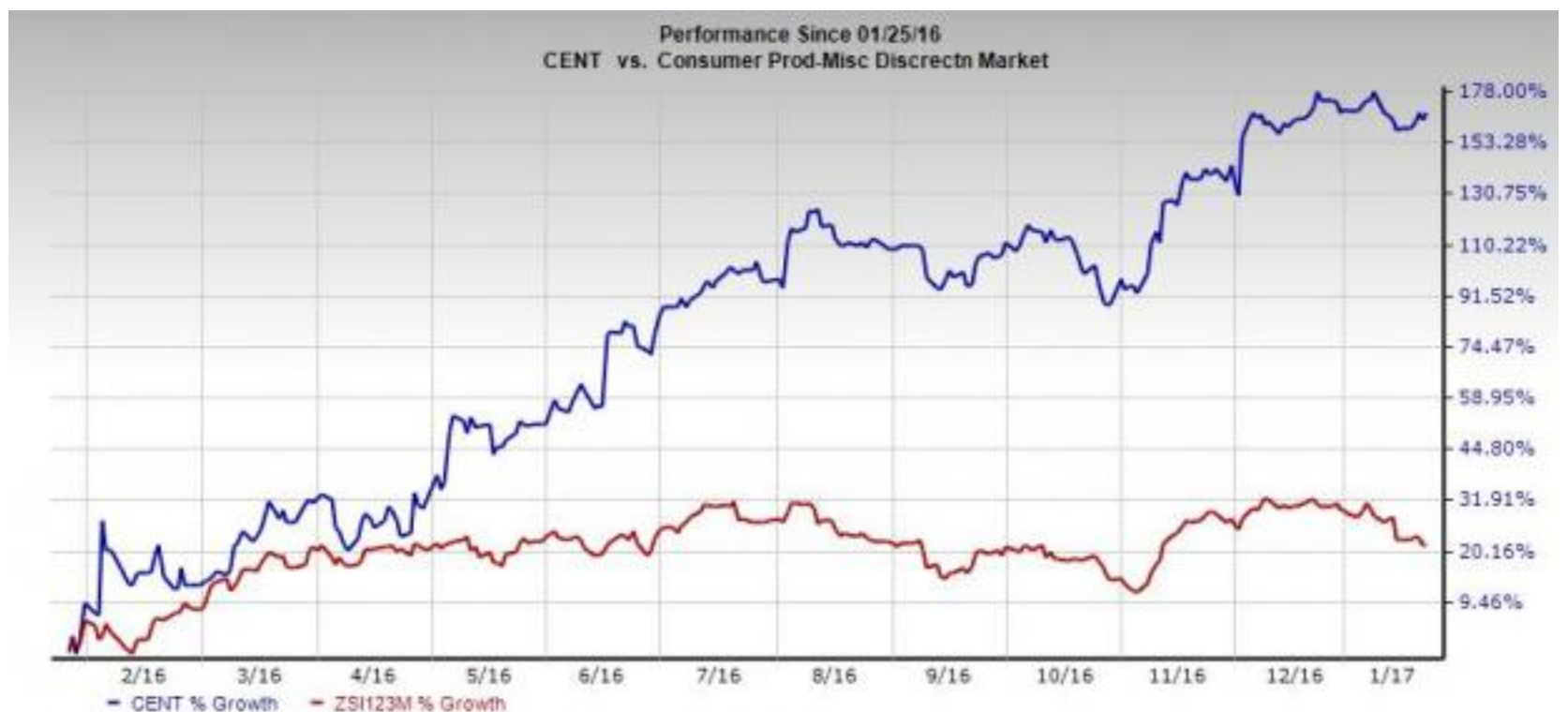


# Central Garden & Pet (CENT) Marching Ahead of the Industry

Shares of **Central Garden & Pet Company** [CENT](#) has notably outperformed the Zacks categorized [Consumer Products-Miscellaneous Discretionary](#) industry backed by its solid earnings history, impressive gross margin trend and other strategic initiatives. The stock delivered a substantial return of 168% over the past year, compared with the industry's gain of 21.7% in the said time frame.

This Zacks Rank #1 (Strong Buy) company, with a [Growth Score](#) of "A" and a long-term earnings growth rate of 10% is an indication of its growth potential, moving ahead.



The stock appears compelling from the earnings perspective as well. Central Garden & Pet has outperformed the Zacks Consensus Estimate in nine straight quarters. In the trailing four quarters, it delivered an average positive earnings surprise of 72.5%. This CA-based company posted fourth-quarter fiscal 2016 adjusted earnings of 13 cents per share that beat the Zacks Consensus Estimate of 5 cents and has also increased sharply from the year-ago figure of 1 cent. (Read more: [Central Garden & Pet Tops Q4 Earnings, Lags Sales](#) )

Further, management expects fiscal 2017 earnings per share of \$1.34, up approximately 6% from the prior year. Consequently, the Zacks Consensus Estimate of \$1.36 a share has increased 3.8% for fiscal 2017 over the past 60 days.

Organic growth and value accretive acquisitions, such as that of the pet bedding

business and divestment of non-strategic assets have been helping the company to enhance its portfolio, thereby resulting in the improved performance.

Additionally, Central Garden & Pet's gross margin has shown constant improvement in the past four quarters. Improvement in gross margin can be attributed to the company's efforts toward enhancing manufacturing efficiency and exit from the holiday decor business, which were hurting the margins beside lower raw material costs. In fourth-quarter fiscal 2016, gross profit increased 11.3% to \$120.2 million, while gross margin expanded 120 basis points to 29.1%.

Central Garden & Pet is also revamping both its Pet and Garden segments. Moreover, it intends to have a balanced approach that encompasses improvement in revenues and profits through operational efficiency along with cost reduction. Further, it plans to launch several products that appeal to customers, as well as upgrade its customer service. In addition, the company intends to gain market share in the home centers, mass market, grocery, specialty pet store and other independent channels.

Being the leading producer of garden and pet supplies products in the U.S. with a diversified portfolio of brands has aided Central Garden & Pet in developing healthy commercial relationships with the giant retailers. We believe this provides the company a significant opportunity to drive growth. Alongside, the company intends to evolve into an integrated, multi-brand company from a portfolio of stand-alone businesses, by restructuring and reorganizing operating units along with consolidating facilities.