



CENTRAL
Garden & Pet

2017 Investor Presentation

February 28, 2017



Safe Harbor

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The statements contained in this presentation which are not historical facts, including expectations for improved efficiency and profitability and FY17 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.

This presentation contains certain non-GAAP financial measures. For a reconciliation of GAAP to non-GAAP financial measures, please see the Reconciliation of GAAP to non-GAAP in the Appendix of this presentation or in our most recent Form 10-K and Form 10-Q.

Agenda

Company Overview

Performance Track Record

Strategy

Investment Thesis



ESTABLISHES QUICKLY
AND LIVES UP TO
30% LESS WATER
YEAR AFTER YEAR



Agenda

Company Overview

Performance Track Record

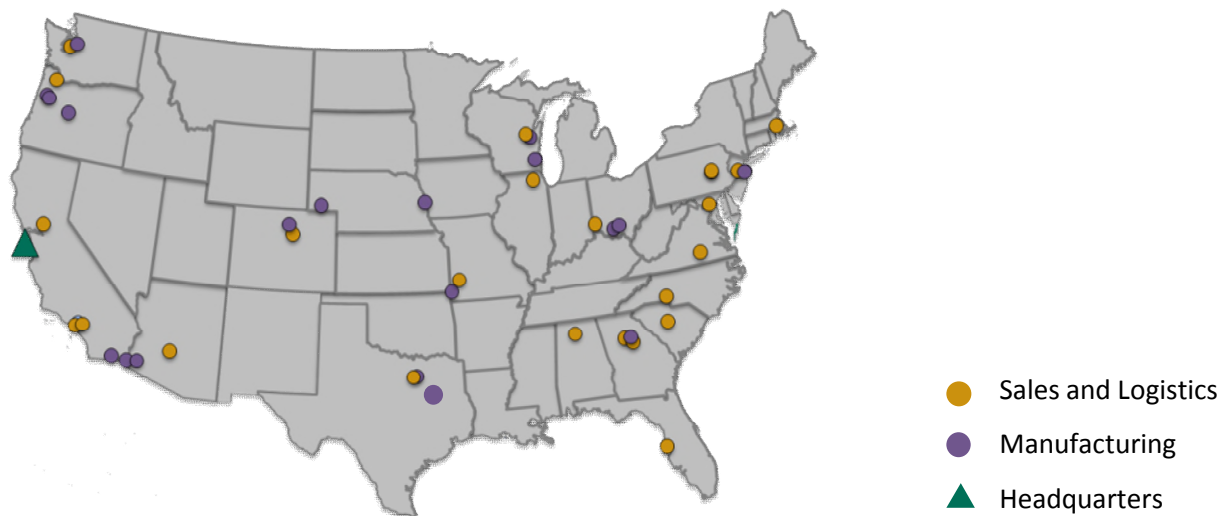
Strategy

Investment Thesis



Central Garden & Pet (Nasdaq: CENT and CENTA)

- Net sales of \$1.8B in FY 2016
- \$400 million of 6.125% notes outstanding due 11/2023
- \$1.7B Market cap (12/31/2016)
- 96% of sales in U.S.



Central has a nationwide multi-category, multi-channel platform

The following cities have multiple facilities Phoenix, AZ (2); Neptune City, NJ (2); Dallas, TX (2); Franklin, WI (2); Eatonton, GA (2); Madison, GA (5); and Greenfield, MO (3)

Not on map: Guelph, Ontario, Canada; Guangzhou, China; Dorking, Surrey, UK; and Taunton, Somerset, UK

Central Garden & Pet Evolved through a Series of Acquisitions

- Founded in 1980 as a distribution company
- Formed through a series of over 40 acquisitions
- Today approximately 21% in 3rd party distribution



Central Garden & Pet has a Broad Array of Garden & Pet Products

Pet Products



Animal Health -
Consumer



Aquatics

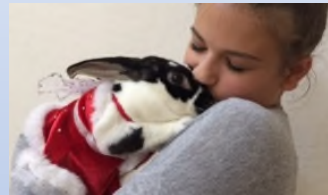
Wild Bird
Feed



Animal Health -
Professional



Small Animal
& Pet Bird



Dog & Cat
Supplies



Dog & Cat
Food, Treats &
Chews

Equine

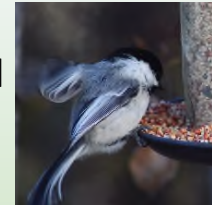


Third Party
Distribution -
Pet



Garden Products

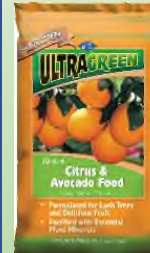
Wild Bird
Feed



Grass
Seed



Fertilizers



Controls



Decor

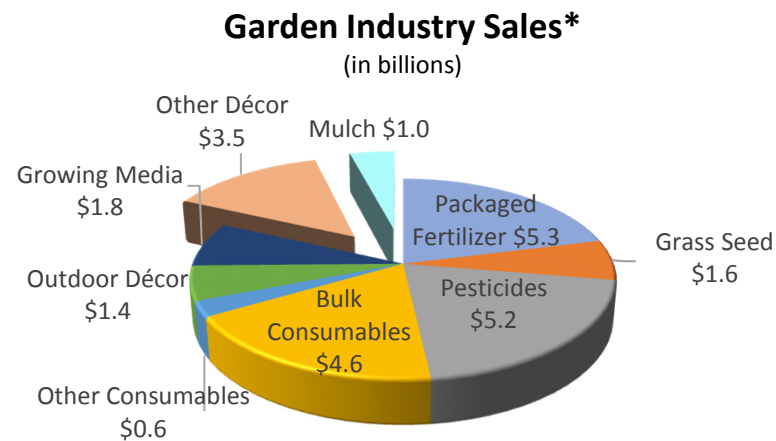
Third Party
Distribution -
Garden



The Garden Industry is Seasonal with a Concentrated Supplier Base

The Garden Industry

- Central participates in \$20 billion of a \$25 billion industry



- 3 retailers represent approximately 70% of sales
- Seasonal business – 2/3 sales in fiscal Q2 & Q3
- Industry annual growth rate 0% – 1%

* Freedonia Home & Garden Pesticides – February 2016

Central is a Leader in Several Garden Categories

Central's Garden Business

- Net sales of \$747M in 2016
- Leading brands in several categories including:

Grass seed



Wild bird feed



Specialty controls niches



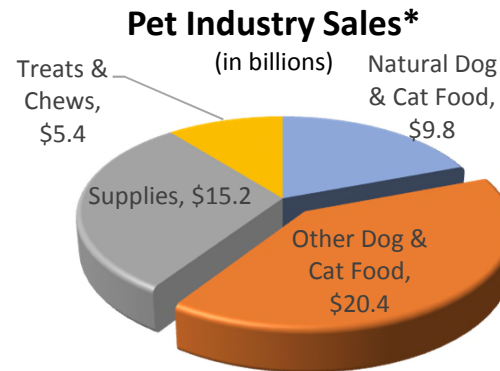
- 20% of segment sales from 3rd party distribution
- 2% organic growth in 2016*

* See non-GAAP reconciliation in the appendix

The Pet Segment is Fragmented with Attractive Growth Rates

The Pet Industry

- Central participates in \$30 billion of a \$51 billion industry



- Fragmented customer base
 - ~20%+ sales through major pet specialty retailers
 - 8,300 independent retail stores
 - Mass market, club, e-Commerce
- Diverse supplier base of 1,400 global manufacturers
- Industry annual growth rate – low to mid-single digits

* Packaged Facts Pet Supplies 2015 and Treats & Chews 2015

Central is a Leader in Key Non-Food Pet Categories

Central's Pet Business

- Net sales of \$1.1B in 2016
- Consumer and professional businesses
- Leading brands in several categories including:

Small animal, bird
feed & supplies



Pet beds



Aquatic tanks &
supplies



Equine



- 22% of segment sales from 3rd party distribution
- 6% organic growth in 2016

* See non-GAAP reconciliation in the appendix

Central has a Diverse Set of Competitors Across its Portfolio

	Garden				Pet						
	Grass Seed	Fertilizers	Controls	Décor	Wild Bird Feed	Aquatics & Reptile	Bird & Small Animal	Dog & Cat Food, Treats & Chews	Dog & Cat Supplies	Animal Health – Consumer	Animal Health – Professional
Central Garden & Pet	Major participant	Major participant	Major participant	Minor participant	Major participant	Major participant	Major participant	Major participant	Major participant	Major participant	Major participant
Scotts	Major participant	Major participant	Major participant								
Spectrum			Major participant		Minor participant	Major participant	Major participant	Major participant			
Hartz							Major participant	Major participant	Major participant	Major participant	Major participant
Blue Buffalo								Major participant			
Smuckers								Major participant			
Market Position	Major participant		Meaningful participant			Minor participant					

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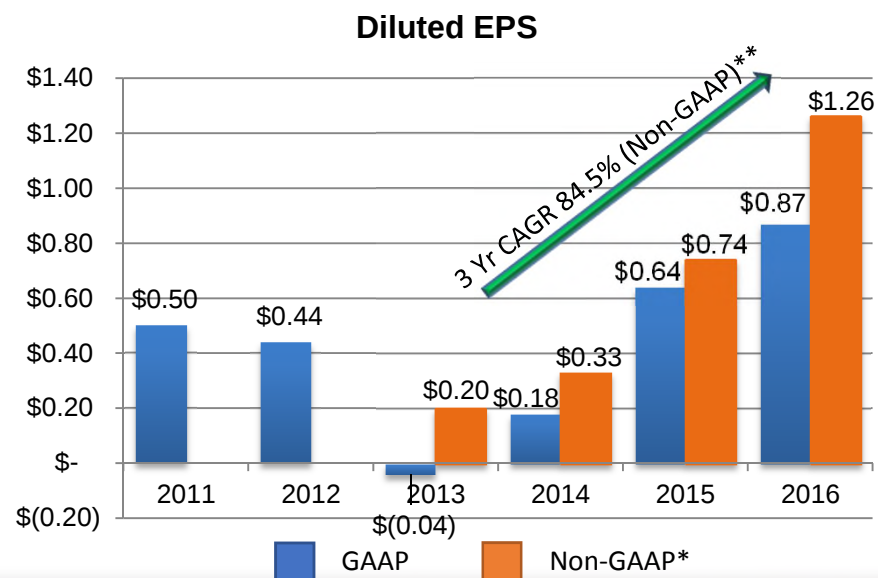
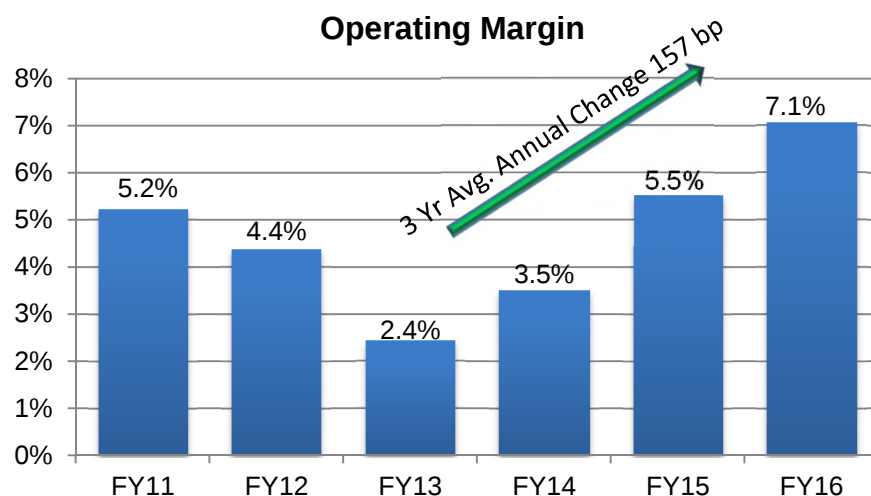
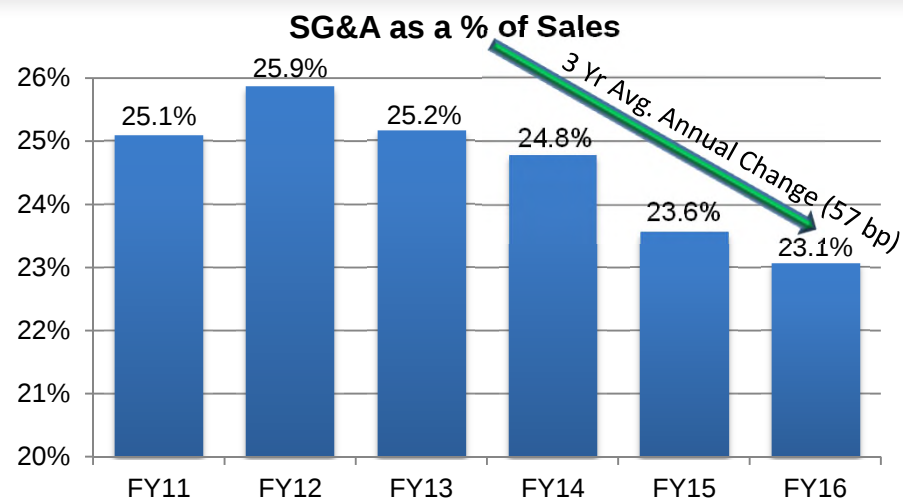
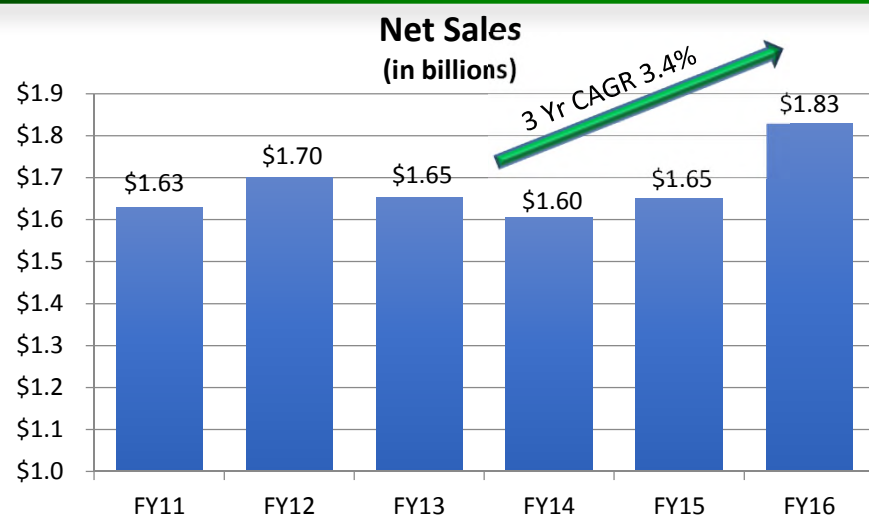


Strong 2016 Results

\$ in millions except EPS	GAAP				Non-GAAP ¹
	2015		2016		Change
Net Sales/Organic Net Sales	\$1,651		\$1,829		10.8%
Gross Margin %	29.6%		30.2%		60 bp
Operating Income	\$ 91.4		\$129.4		41.5%
Operating Margin %	5.5%		7.1%		160 bp
Net Income	\$ 32.0		\$ 44.5		39.0%
Diluted EPS	\$ 0.64		\$ 0.87		35.9%

¹2016 non-GAAP results exclude charges related to refinancing of fixed rate notes, income related to sale of manufacturing plant & non-cash impairment charges primarily related to an investment in two joint ventures. 2015 non-GAAP results exclude a Pet non-cash intangible impairment charge. GAAP to non-GAAP reconciliations are available in the appendix of this presentation

P&L Metrics Accelerating Over the Last Three Years

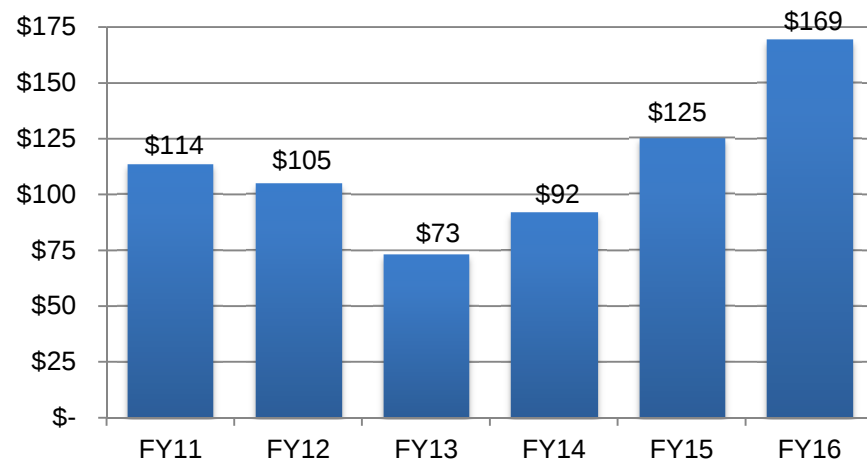


*See non-GAAP reconciliations in the appendix

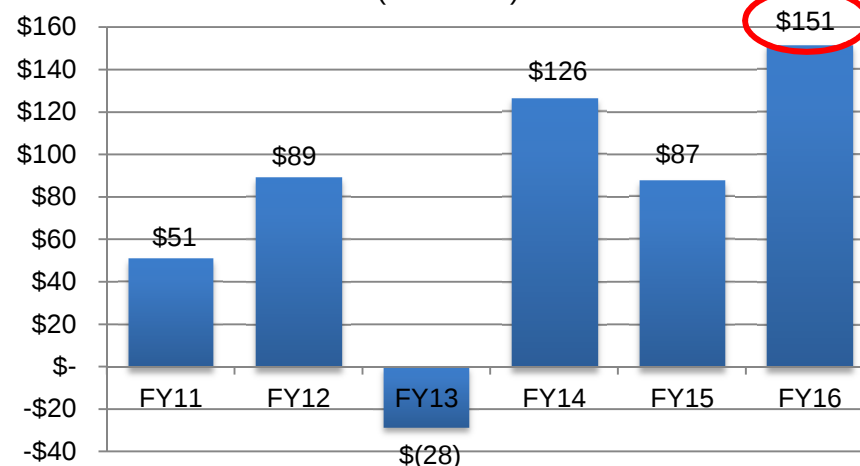
**GAAP Diluted EPS 3 Yr CAGR is not meaningful

Strong Cash Flow for Additional Growth Investments & Acquisitions

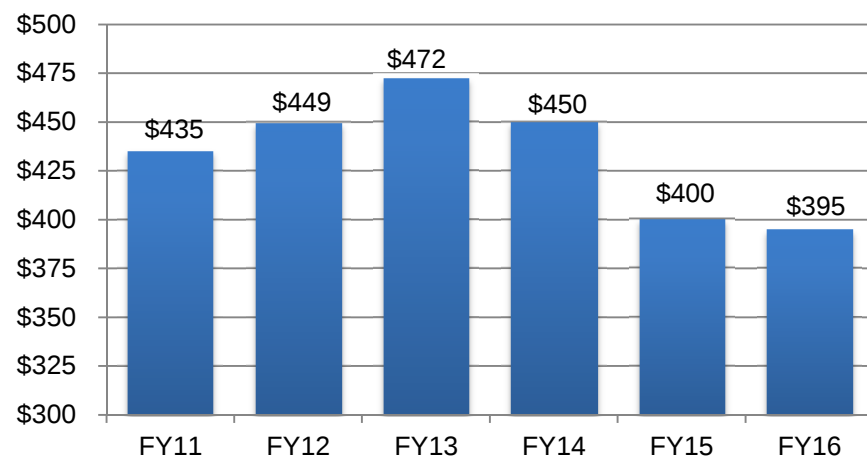
EBITDA*
(in millions)



Cash Provided by Operations
(in millions)

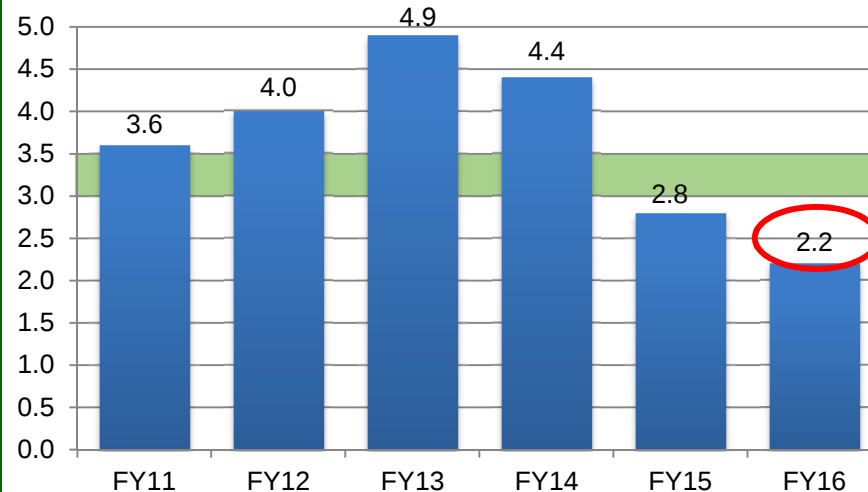


Long-Term Debt (year end)
(in millions)



* See non-GAAP reconciliation in the appendix

Leverage Ratio**



**As calculated per the terms of our 2016 Credit Agreement

Q1 2017 Results - Off to a Strong Start

\$ in millions except EPS	GAAP			Non-GAAP ¹
	Q1'16	Q1'17	Change	Change
Net Sales/Organic Sales	\$359.8	\$419.5	16.6%	7.0%
Gross Margin %	27.7%	28.8%	110 bp	
Operating Income	\$8.8	\$19.9	127.3%	
Operating Margin %	2.4%	4.8%	240 bp	
Net Income	(\$8.6)	\$7.6	\$16.2	
Diluted EPS	(\$0.18)	\$0.15	\$0.33	\$0.11

¹2017 Q1 non-GAAP results exclude charges related to a \$2.0 million gain in our Garden segment from the sale of a distribution facility. 2016 Q1 non-GAAP results exclude expenses of \$14.3 million related to the redemption of our 2018 Notes and issued senior notes due November 2023. GAAP to non-GAAP reconciliations are available in the appendix of this presentation.

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Central Garden & Pet Strategy

Accelerate the Growth Momentum of Our Portfolio

Build on Strong Customer Relationships

Increase Innovation Output and Success Rates

Drive Cost Savings and Productivity Improvements to Fuel Growth

Attract, Retain and Develop Exceptional Employees

Central Garden & Pet Strategy

Accelerate the Growth
Momentum of Our
Portfolio

- Manage each business differentially based on role and strategy
- Seek to acquire businesses that are accretive to our growth
- Exit businesses if we cannot find a path to consistent profitability

Manage Each Business Differentially Based on Role and Strategy

Profitability	<u>PROTECT & MAINTAIN</u>	<u>STRATEGIC GROWTH ENGINES</u>
	<u>MANAGE FOR PROFIT</u>	<u>BUILD HIGH POTENTIAL BRANDS</u>
	<u>OPTIMIZE FOR CASH</u>	<u>TEST & LEARN</u>
Growth Potential		

- Some businesses will be more focused on topline growth
- Some businesses will be more focused on improving profitability
- Resources and initiatives will be aligned with the role

Seek to Acquire Businesses that are Accretive to our Growth



Successful M&A Model and Track Record

- 40+ acquisitions to create a company with \$1.7B market cap
- Disciplined buyers guided by economic profit
- Focus on close-in opportunities in garden and pet to leverage our capabilities
- Manageable size (DMC, IMS, Segrest)
- Thorough due diligence and prefer to acquire with proven management
- Model delivering successful results as recent acquisitions have been accretive by the end of Year 1

Exit Businesses if We Cannot Find a Path to Consistent Profitability



Central Garden & Pet Strategy

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Build on Strong Customer
Relationships

- Operate with a Customer First mindset
- Expand our category management capabilities

Operate with a Customer First Mindset

- Listen, flexible, fast, principled
- Offer an array of branded manufactured and 3rd party products
- Develop & market private label products like major brands



Lowes Private Label



Expand our Category Management Capabilities

- Provide direction, fueled by consumer insights and specific customer understanding, on how our retail partners can grow their category sales and profits
 - **M**erchandising
 - **A**ssortment
 - **P**ricing
 - **S**trategy



Central Garden & Pet Strategy

Accelerate the Growth Momentum of Our Portfolio	• Manage each business differentially based on role and strategy • Seek to acquire businesses that are accretive to our growth • Exit businesses if we cannot find a path to consistent profitability
Build on Strong Customer Relationships	• Operate with a Customer First mindset • Expand our category management capabilities
Increase Innovation Output and Success Rates	• Develop more differentiated and more defensible new products • Increase overall investment in innovation, consumer insights and demand creation to an appropriate level for each business • Expand our retail partners' categories

Develop More Differentiated and Defensible New Products

Ultragreen® Plant Fertilizers

- Dramatically reduces need for water



Farnam® PuriShield™ Wound Products

- Patented wound care technology

Develop More Differentiated and Defensible New Products



Cadet®

- Unique flavors, proteins & shapes

Kaytee

- Unique colors, sizing & benefits



Increase Overall Investment in Innovation, Consumer Insights and Demand Creation to an Appropriate Level for Each Business

- Create three year line-of-sight on inventory of innovation initiatives



Increase Overall Investment in Innovation, Consumer Insights and Demand Creation to an Appropriate Level for Each Business

- Create three year line-of-sight on inventory of innovation initiatives
- Invest in consumer insights to create value-added new products



Increase Overall Investment in Innovation, Consumer Insights and Demand Creation to an Appropriate Level for Each Business

- Create three year line-of-sight on inventory of innovation initiatives
- Invest in consumer insights to create value-added new products
- Increase digital capabilities to better reach consumers



Digital Marketing Initiative - AvoDerm



[Click here to watch video](#)

Expand our Retailer's Categories



- A leading aquatics manufacturer in U.S.
- Complete line of aquatic products from one brand



- Leading wholesaler of fresh water aquarium fish
- Supply pet stores, public aquariums & research institutions



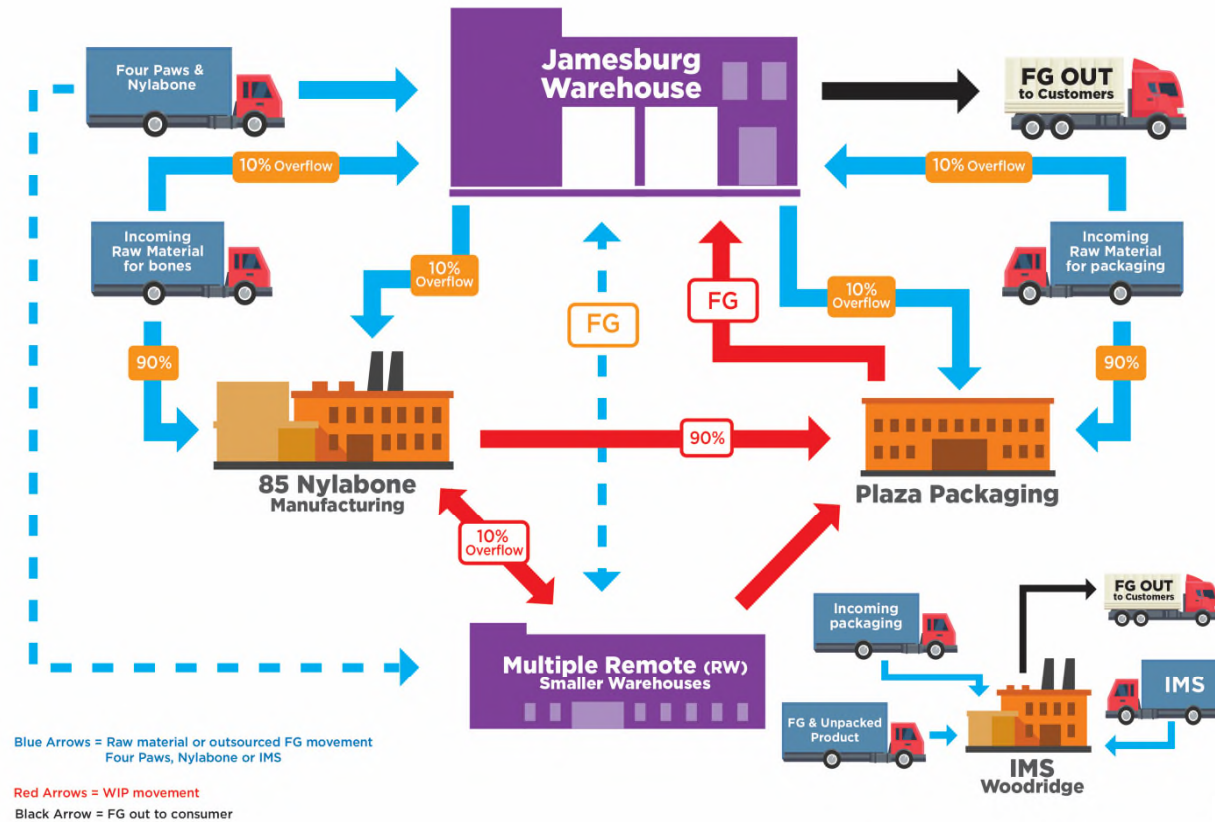
Leverage synergies across businesses to drive category growth

Central Garden & Pet Strategy

Accelerate the Growth Momentum of Our Portfolio	• Manage each business differentially based on role and strategy • Seek to acquire businesses that are accretive to our growth • Exit businesses if we cannot find a path to consistent profitability
Build on Strong Customer Relationships	• Operate with a Customer First mindset • Expand our category management capabilities
Increase Innovation Output and Success Rates	• Develop more differentiated and more defensible new products • Increase overall investment in innovation, consumer insights and demand creation to an appropriate level for each business • Expand our retail partners' categories
Drive Cost Savings and Productivity Improvements to Fuel Growth	• Optimize our supply chain footprint • Improve our operating efficiency with a continuous improvement mindset • Improve coordination by sharing best practices and aligning for scale

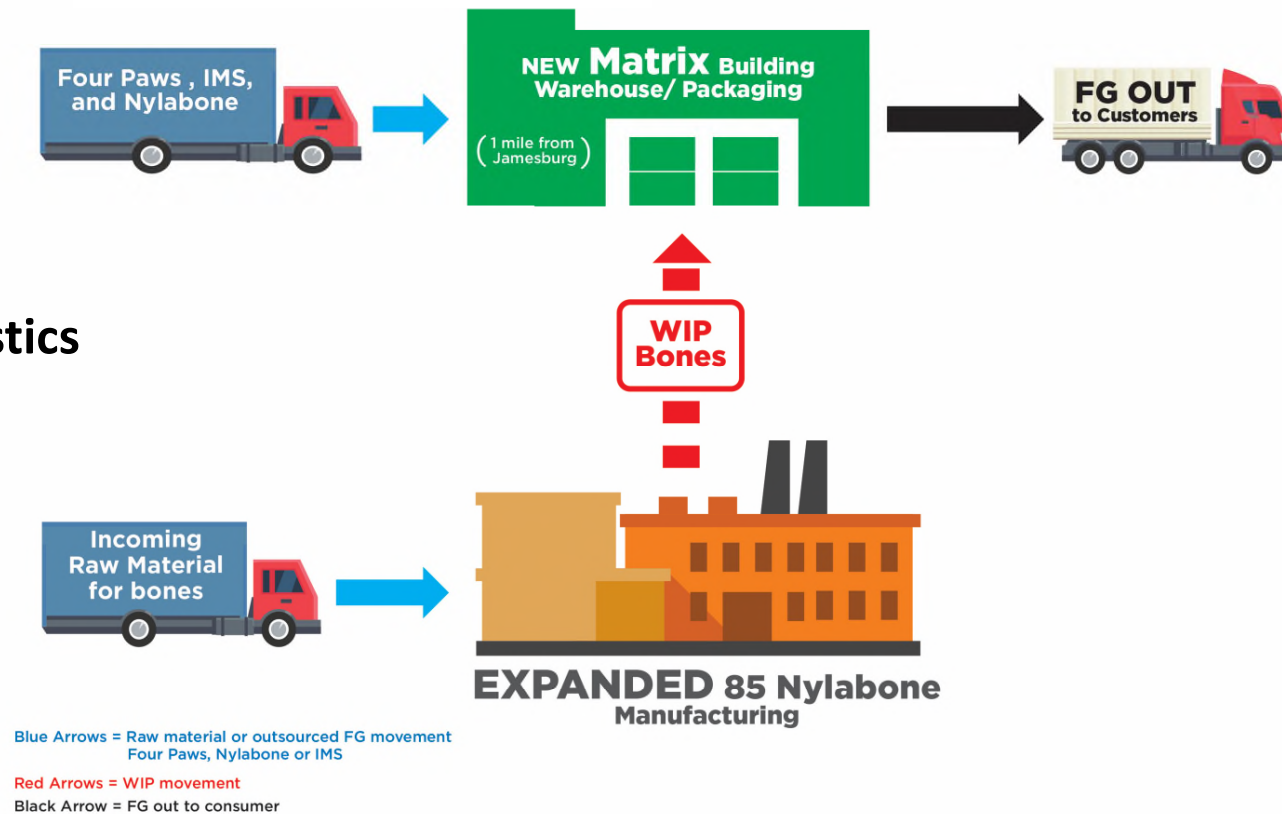
Optimize our Supply Chain Footprint

Current Logistics Flow



Optimize our Supply Chain Footprint

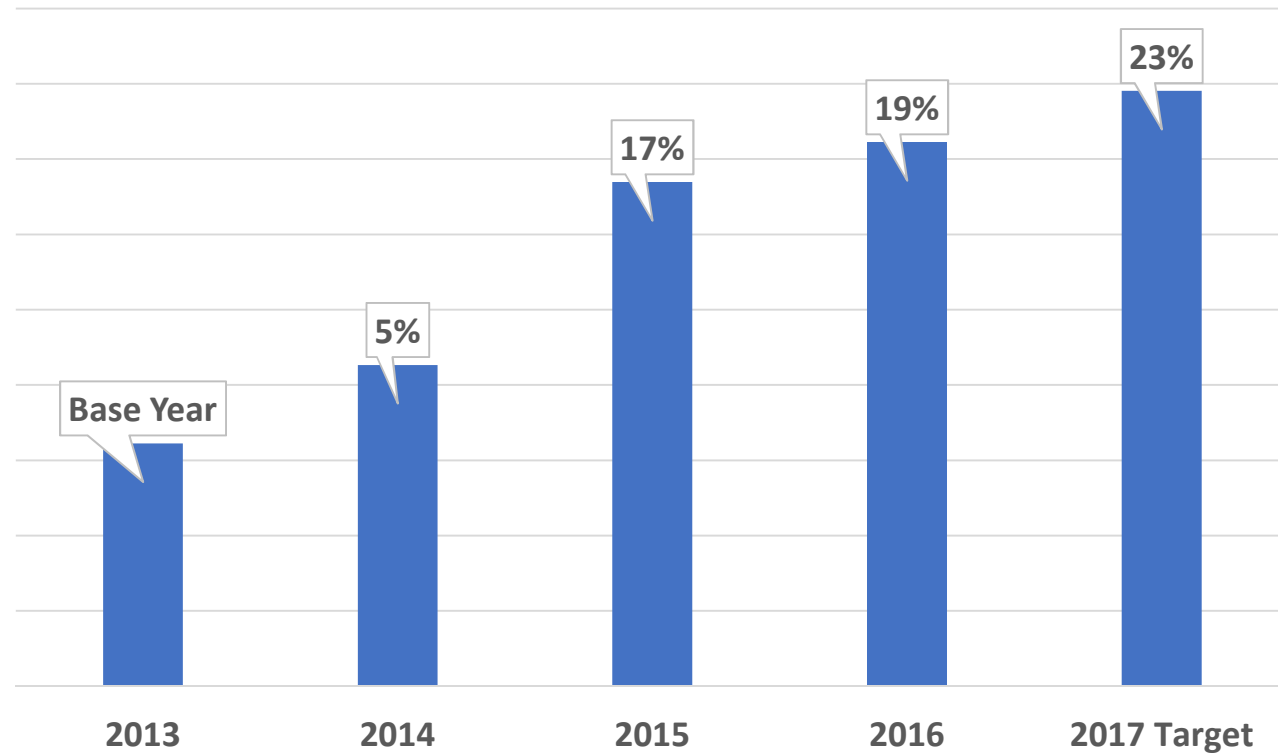
Future Logistics Flow



Improve our Operating Efficiency with a Continuous Improvement Mindset

Productivity over Base Year

Lines
Picked per
Hour



Improve Coordination by Sharing Best Practices and Aligning for Scale



Consolidated truck buy

Attract, retain and develop exceptional employees

Accelerate the Growth Momentum of Our Portfolio

- Manage each business differentially based on role and strategy
- Seek to acquire businesses that are accretive to our growth
- Exit businesses if we cannot find a path to consistent profitability

Build on Strong Customer Relationships

- Operate with a Customer First mindset
- Expand our category management capabilities

Increase Innovation Output and Success Rates

- Develop more differentiated and more defensible new products
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Drive Cost Savings and Productivity Improvements to Fuel Growth

- Optimize our supply chain footprint
- Improve our operating efficiency with a continuous improvement mindset
- Improve coordination by sharing best practices and aligning for scale

Attract, Retain and Develop Exceptional Employees

Central is Led by a Seasoned Management Team

Glen Axelrod
SVP, Dog & Cat Brands

Jim Heim
President of Pet Industry & Customer
Development

Niko Lahanas
SVP, Finance Ops, & Reporting

Marilyn Leahy
SVP, Human Resources

Bill Lynch
SVP of Operations

Howard Machek
SVP, Corp. Controller & CAO

Dan Pennington
SVP & COO Manufacturing/Pennington

Mike Reed
EVP, Strategy and M&A

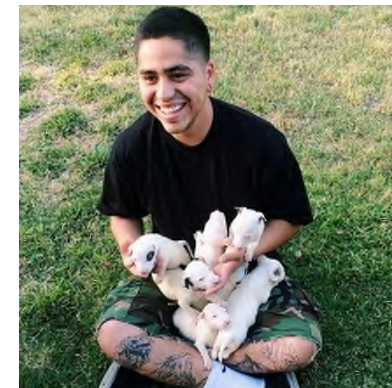
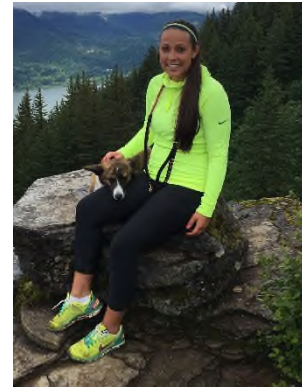
Kay Schwichtenberg
EVP, Animal & Public Health, CLS

Rodolfo Spielmann
President of Pet Consumer Products

JD Walker
President, Garden Brands

George Yuhas
General Counsel & Corporate Secretary

And a Dedicated Staff of over 4,100 Employees Working in 64 Locations Throughout the United States and UK



Central Garden & Pet Strategy

Accelerate the Growth Momentum of Our Portfolio

Build on Strong Customer Relationships

Increase Innovation Output and Success Rates

Drive Cost Savings and Productivity Improvements to Fuel Growth

Attract, Retain and Develop Exceptional Employees

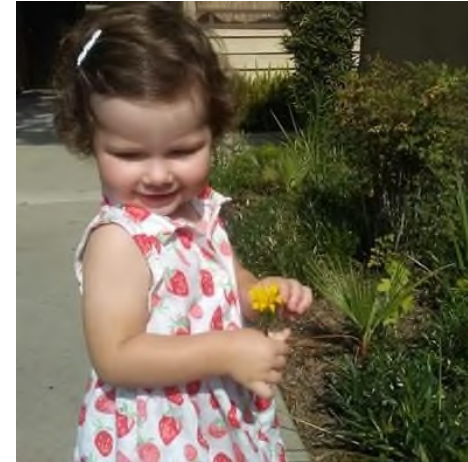
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Investment Thesis



Investment Thesis

- 1) Underlying trends in both garden and pet categories are favorable
- 2) The company is operating with a continuous improvement mindset – and has ample opportunities to take 1% to 2% out of costs per year
- 3) Cost savings expected to fund growth levers, e.g. R&D, selling, marketing, trade promotions, to fuel organic growth
- 4) Cash flow and balance sheet are strong, providing flexibility to make strategically sound acquisitions
- 5) The company is small relative to large global CPG players, so reasonably modest changes can have a big impact on total performance
- 6) We have delivered three successive years of strong growth and financial performance

Questions & Answers

PENNINGTON

Interpet

AMDRO

VITA FLEX

Cadet

Lilly Miller

Worry Free

GARDEN TECH
Sevin
BUG KILLER

Alaska

IRONITE

ZODIAC

THE Rebels

DMC
Dallas Manufacturing Company

Nutri Dent
Edible Dental Chews



HORSE HEALTH
PRODUCTS

Farnam

AQUEON

KAYTEE

tffh

four paws

Comfort Zone

KENT
MARINE

Segrest Farms
Quality • Service • Dependability

ADAMS

Nylabone
CHEWS BEST

Zilla

AvoDerm
Good health shows

ZOËCON
Professional
Products

Altosid

Over'n Out!
ADVANCED
Fire Ant
Killer

CORALIFE

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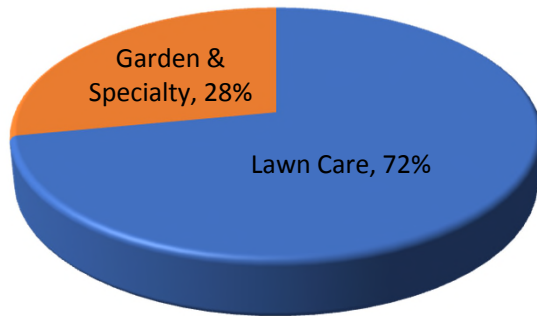
Appendix



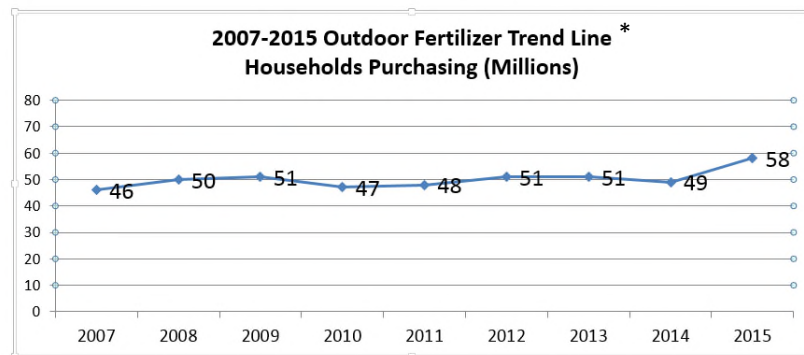
Fertilizers

Fertilizer sales expected to grow 43% in the next decade*

Fertilizer Industry Sales*



- Current outdoor fertilizer household participation rate in the past 9 years.
- Organic fertilizer had the highest increase in household participation increasing 47% to 13.5M households



*Freedonia 2016 Lawn & Garden Consumables

Providing a wide range of fertilizer options for its customers



The Central Garden & Pet Branded Fertilizer portfolio offers consumers differentiated value-add products for their lawn, landscape and garden needs.

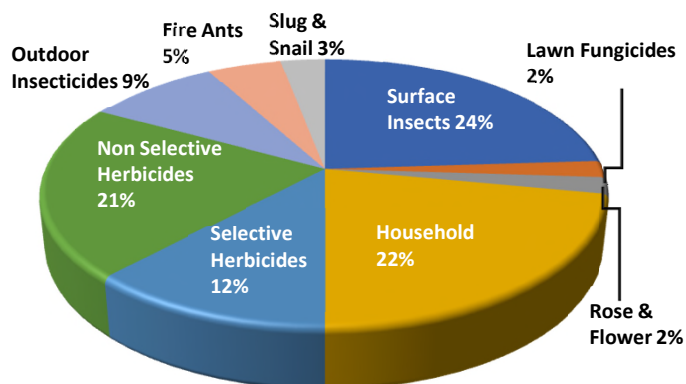
From a new line of enhanced plant fertilizers which contain beneficial microbes and unique soil stabilizing ingredients, to nutrients for hydroponic systems and organic plant fertilizers, our customers can grow with Central Garden & Pet.



Controls

Pesticide sales expected to grow 37% in the next decade*

Industry Sales of Outdoor Controls**



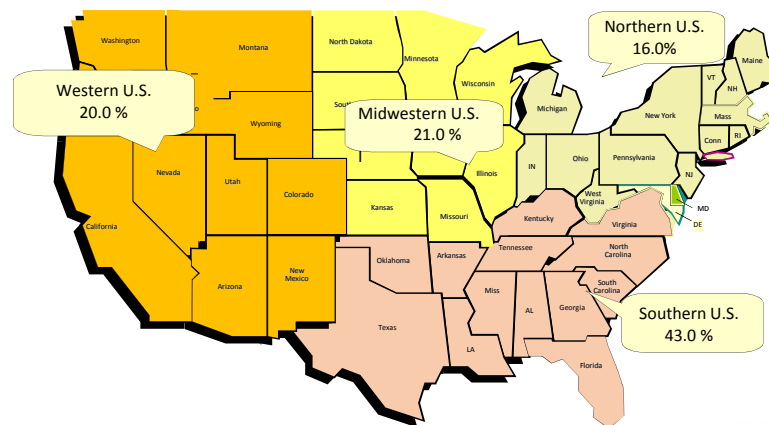
Our AMDRO® brand is backed by nearly 40 years of pest expertise. Beginning with fire ant controls, we have extended the brand to include a portfolio of high quality products that serve a variety of pest control needs, introducing new control options for home invading insects and wood destroying insects.



Our portfolio includes well established and trusted brands like Sevin® (60 years strong) and Corry's® (70 years strong), as well as more contemporary strong brands like Over'n Out, AMDRO and Moss Out!



Industry Market – Outdoor Controls*



*Freedonia 2016 Lawn & Garden Consumables

**Source: Kline Report, Internal Market Research and Volume Estimates, 2010 IRI pesticide category data

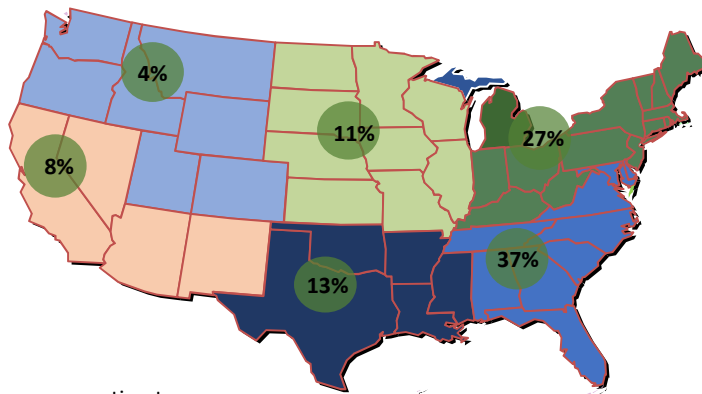
Grass Seed

A broad line of product with an emphasis on superior performance & technology

- **Grass Seed Industry**
 - 64% of all grass seed sales in the Southeast & Northeast
- **Central is the largest grass seed manufacturer**
 - Package & ship 160M pounds of turf grass annually
- **Central is the largest seed producer**
 - Over 40K acres contracted for seed production
 - Over 15K acres production purchased annually
 - Two facilities dedicated to turf grass research

Industry Grass Seed Sales*

% by region



*Internal company estimates

30% Less Water claim: NexGen Turf Research



ESTABLISHES QUICKLY
AND USES UP TO
30% LESS WATER
YEAR AFTER YEAR



Décor

The Home and Garden Décor category is the focal point of every living spacing; from indoor design through to an outdoor oasis. Central's Pennington® Décor offers a wide array of products and families to inspire, simplify and educate the consumer in the beauty of decorating.

- 1. Scale:** Central is the #1 planter company in the USA. Now extending into multiple Décor categories. Known as the category leader in marketplace trends and consumer expertise.
 - 2. Logistics:** The only nationwide distributor of garden décor products. Directly importing from 8 countries worldwide.
 - 3. Category Management & Innovation:** The art of merging trends with shopper insights drive Right Product * Right Outlet * Right Price.
- 



Wild Bird Feed

Pennington® & Kaytee®

Industry Sales



122M

Estimated number of US Households in 2013



18.5M (15%)

Households buy Wild Bird Feed at least occasionally

Brand	Segment	Distribution
Pennington	Garden	Predominantly sold in the mass channel with additional home improvement channel distribution
Kaytee	Pet	Sold primarily in small format hardware (Ace, True Value), grocery stores, farm/agriculture and pet specialty stores



Driving category demand through innovative programs and partnerships:

In Elementary Schools and Homeschools: Educator and student links on POS for classroom lessons and activities to create the next generation of bird watchers. Lesson plans, feeders and coupons distributed via Cornell kits to teachers and Facebook outreach.



* Industry data based on Nielsen and internal assumptions

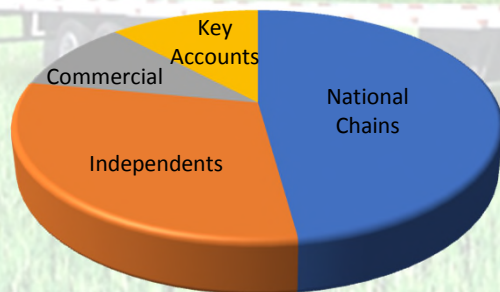
Distribution

Garden



- 20% of Garden revenue from 3rd party products
- Distribution services over 12K “ship to” locations in all 50 states
- Stocks over 8K SKUs from over 325 vendors to ensure we meet the assortment needs of our customer base

Garden Distribution Sales

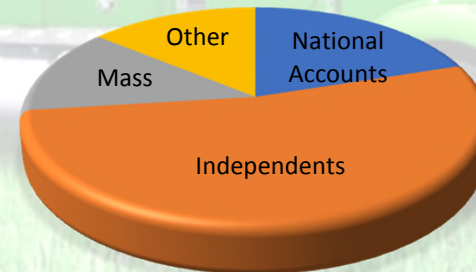


Pet



- 22% of Pet revenue from 3rd party products
- Distributes products, foods and provides service to nearly 4K retailers throughout the continental US, Alaska & Hawaii
- Stocks over 27K unique items from over 300 manufacturers offering the largest assortment of pet products in the industry

Pet Distribution Sales



By distributing other manufacturers' products, Central is better able to influence shelf space at retail.

Also, ensures regional assortment needs of customers are met beyond core Central portfolio.

Dog & Cat Supplies

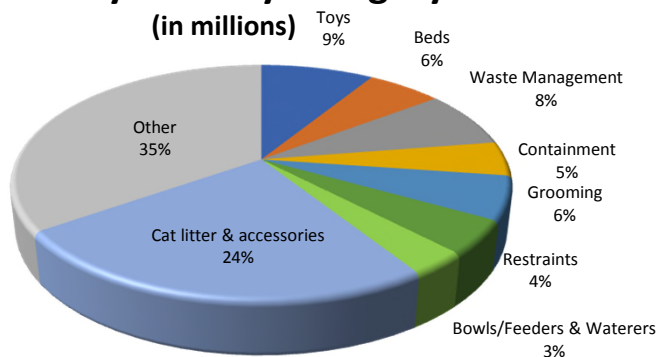
Nylabone®, Four Paws® & DMC™



Nylabone® makes the best chew toys to meet all the different chew types and chew styles of dogs and puppies because all dogs need to chew.



Industry Sales by Category*



* Based on Packaged Facts data, and Industry Estimates



Four Paws® provides high quality solutions for pet parents in a wide array of product categories, including: Stain & Odor removers plus Wee-Wee® brand pads, Magic Coat® brand grooming tools and cleansers.



DMC™ is the largest provider of quality dog and cat bedding in the U.S. This number one share position is being leveraged in adjacent segments.



Dog & Cat Food, Treats and Edible Chews

Nylabone®, IMS, Breeder's Choice

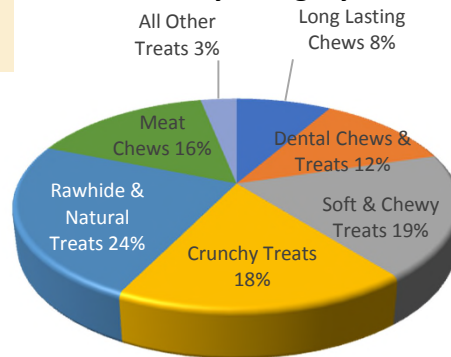
Edible Chews & Treats is a \$4.4B category & projected to grow approximately 6% annually*

Nylabone® makes edible chews and treats for pure indulgence, with dental benefits and for occupying dogs.



Dog & Cat Treats & Chews*

Sales by Category



Cadet® offers a full line of high quality rawhide chews, bully sticks, jerky treats and other natural chews for dogs.



Breeder's Choice Brands



Super premium, specialty channel brand providing holistic health with healthy skin & coat benefits through avocados, an omega rich super food, and premium, natural ingredients.



Super premium, independent channel brand providing holistic health from super premium, natural ingredients

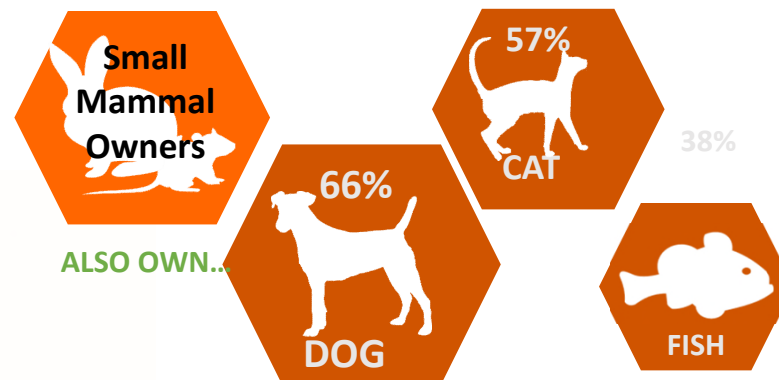
* Based on Packaged Facts Pet Supplies 2015 data, and industry estimates

Small Animal & Pet Bird

Kaytee®

Kaytee has the #1 share in the combined Pet Bird & Small Animal Category

Kaytee is the **only** brand to offer consumers a complete solution from food, treats, bedding, hay and habitats



Most Small Mammal Owners also own other animals making them important for the entire pet industry



Small Animal ownership is influenced by children, making it an important experience for a lifetime of pet companionship

Aquatics

Aqueon®, Zilla® & Segrest

Make getting into the hobby and keeping fish/reptiles easy.



- A leading aquatics manufacturer in U.S.
- Complete line of aquatic products from one brand
- Easy to find solutions for the entry level customer
- Developed for pet specialty



- Leading wholesaler of premium quality fresh water & cold water aquarium fish
- Supplying pet stores, public aquariums & research institutions
- Significant synergies with existing aquatics business



- Single brand name across all consumer touch points improves shop-ability
- Provides consumers with reassurance that all the products will work together
- Developed for pet specialty
- Follows proven success of Aqueon brand roadmap – habitats to consumables to promotion

Animal Health - Professional

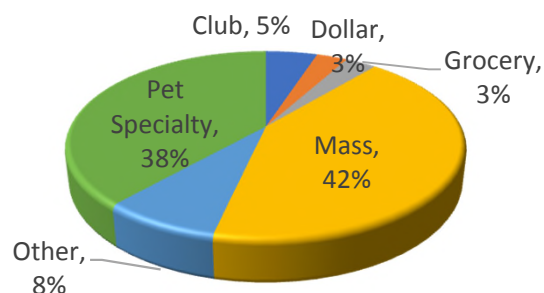
- Over 35 years ago, invented insect growth regulator technology using the insect's chemistry as a means to reduce pest populations
- Professional products scientifically developed with an environmental focus and applied with purpose
- Trusted products used in sensitive areas including schools, hospitals and food handling, as well in neighborhoods, farms and grain handling facilities



Animal Health – Consumer Products

Flea & Tick Control

F&T Category Sales by Channel



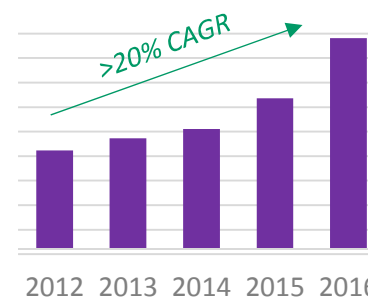
ADAMS™ products take a smarter approach to pet care and make protecting your family, pet, home, and yard from fleas & ticks easier and more effective.



Bio Spot Active Care and Zodiac brands offering unique products sold in Pet Specialty Channel and Independent Pet

Behavior Management

Comfort Zone Sales Growth*



Comfort Zone®



Comfort Zone™ brand is #1 share leader in behavior management for cats and dogs, and continues to grow at 4 year CAGR of over 20%.

Central Garden & Pet continues to lead in pet behavior management solutions, delivering innovation and record Category sales growth.

* Nielsen Share data and CGP Shipment

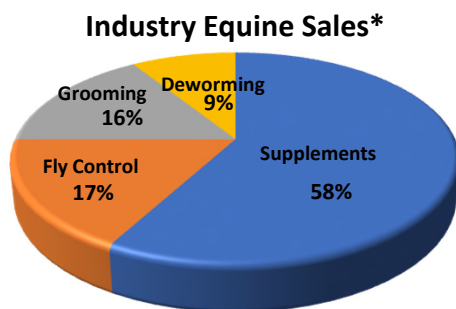
Equine

Central Garden & Pet's Equine Brands

	Comprehensive Horse Care: Complete range of horse care products to keep horses healthy inside and out, from head to hoof
	Fundamental Horse Care: Fundamental care and ingredient-focused products for the experienced horseman
	Performance Horse Care: Industry thought leadership by providing solutions for elite performance horses



For over 70 years, generations of horse owners have known and trusted our products as effective fly control, dewormers, top quality feed supplements, grooming products and more.



* Based on stated data and custom Central survey

Total Market Size	- The total population of 'cared-for' horses is about 2.5M - On average, each horse owner has 5 horses - We estimate 500k horse owners drive category purchases - Total retail dollars spent industry-wide in 2015 on equine products: \$1.7B
Go-To-Market Strategy	Improve the Lives of Horses by offering: <u>Customers</u>—Exceptional horse care business expertise whether a Distributor or Dealer. <u>Consumer</u>—Comprehensive horse care products and knowledge whenever and wherever needed.

GAAP to Non-GAAP Reconciliation

Use of Non-GAAP Financial Measures

We report our financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, to supplement the financial results prepared in accordance with GAAP, we use non-GAAP financial measures including non-GAAP operating income on a consolidated and segment basis and non-GAAP net income and diluted net income per share. Management believes these non-GAAP financial measures that exclude the impact of specific items (description following) may be useful to investors in their assessment of our ongoing operating performance, provide additional meaningful comparisons between current results and results in prior operating periods and by allowing for greater transparency in the review of our financial and operating performance.

The reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are shown in the following tables. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating our performance. While our management believes that non-GAAP measurements are useful supplemental information, such adjusted results are not intended to replace our GAAP financial results and should be read in conjunction with those GAAP results.

We have not provided a reconciliation of non-GAAP guidance measures to the corresponding GAAP measures on a forward-looking basis, because such reconciliation cannot be done without unreasonable efforts due to the potential significant variability and limited visibility of the excluded items discussed below.

GAAP to Non-GAAP Reconciliation (continued)

Non-GAAP financial measures reflect adjustments based on the following items:

- **Gains or losses on disposals of significant plant assets:**

- Q1' 2017, we recorded a \$2.0 million gain in our Garden segment from the sale of a distribution facility resulting from rationalizing our facilities to reduce excess capacity. This adjustment was recorded as part of selling, general and administrative costs in the condensed consolidated statements of operations.
- Fiscal 2016, we recorded a \$2.4 million gain in our Pet segment from the sale of a manufacturing plant resulting from rationalizing our facilities to reduce excess capacity. This adjustment was recorded as part of Selling, general and administrative costs.

- **Loss on early extinguishment of debt:**

- Q1'16, we redeemed our 2018 Notes and issued senior notes due November 2023. As a result of the redemption, we incurred incremental expenses of \$14.3 million, comprised of a call premium payment of \$8.3 million, a \$2.7 million payment of overlapping interest expense for 30 days and a \$3.3 million non-cash charge for the write off of unamortized deferred financing costs and discount related to the 2018 Notes. These amounts are included in Interest expense in the condensed consolidated statements of operations.

- **Asset impairment charges:**

- Q4'16 we recognized non-cash impairment charges in our Pet segment of \$1.8 million related to the impairment of intangible assets caused by increased competition and declining volume of sales. These impairments are included within Intangible asset impairment.
- Q4'16, we recognized a non-cash impairment charge of \$16.6 million related to our investment in two joint ventures as a result of changes in marketplace conditions, which impacted the expected cash flows and recoverability of the investment. The impairment is included within Other income (expense).

- **Tax impact:** adjustment represents the impact of the tax effect of the pre-tax non-GAAP adjustments excluded from non-GAAP net income. The tax impact of the non-GAAP adjustments is calculated based on the consolidated effective tax rate on a GAAP basis, applied to the non-GAAP adjustments, unless the underlying item has a materially different tax treatment.

- **Organic net sales,** a non-GAAP measure that excludes the impact of businesses purchased or exited in the prior 12 months, because we believe it permits investors to better understand the performance of our historical business without the impact of recent acquisitions or dispositions.

GAAP to Non-GAAP Reconciliation (continued)

Non-GAAP Adjustments

FY 2016	GAAP to Non-GAAP Reconciliation (in thousands) For the Year Ended	
	2016	2015
Impairments of intangible assets	\$ 1,828	\$ 7,272
(Gain)/loss on disposal of plant assets	(2,363)	-
Incremental expenses from note redemption and issuance	14,339	-
Impairment of equity method investments	16,572	-
Total non-GAAP adjustments	\$ 30,376	\$ 7,272
Tax effects of non-GAAP adjustments	(10,492)	(2,618)
Total net income impact from non-GAAP adjustments	\$ 19,884	\$ 4,654

GAAP to Non-GAAP Reconciliation (continued)

SG&A Expense Reconciliation

FY 2016	GAAP to Non-GAAP Reconciliation (in thousands) For the Year Ended					
	2016	2015	2014	2013	2012	2011
GAAP SG&A expense	\$423,692	\$396,617	\$397,811	\$423,747	\$439,737	\$408,744
SG&A expense impact from non-GAAP adjustments	535	(7,272)	4,875	(7,710)		
Non-GAAP SG&A expense	\$424,227	\$389,345	\$402,686	\$416,037		
GAAP SG&A expense as a percentage of net sales	23.1%	24.0%	24.8%	25.6%	25.9%	25.1%
Non-GAAP SG&A expense as a percentage of net sales	23.2%	23.6%	25.0%	25.1%		

GAAP to Non-GAAP Reconciliation (continued)

Consolidated Operating Income Reconciliation

FY 2016	GAAP to Non-GAAP Reconciliation (in thousands) For the Year Ended							
	2016		2015		2014		2013	
							2012	2011
GAAP operating income	\$129,358		\$91,435		\$56,213		\$40,155	\$74,421
Total operating income impact from non-GAAP adjustments	(535)		7,272		12,033		18,870	
Non-GAAP operating income	\$128,823		\$98,707		\$68,246		\$59,025	
GAAP operating margin	7.1%		5.5%		3.5%		2.4%	4.4%
Non-GAAP operating margin	7.0%		6.0%		4.2%		3.6%	5.2%

GAAP to Non-GAAP Reconciliation (continued)

Pet Operating Income Reconciliation

FY 2016	GAAP to Non-GAAP Reconciliation (in thousands) For the Year Ended		
	2016		2015
GAAP Pet segment operating income	\$119,930		\$98,798
Total operating income impact from non-GAAP adjustments	(535)		7,272
Non-GAAP Pet segment operating income	\$119,395		\$106,070
GAAP Pet segment operating margin	11.1%		11.0%
Non-GAAP Pet segment operating margin	11.0%		11.9%

GAAP to Non-GAAP Reconciliation (continued)

Interest Expense Reconciliation

FY 2016	GAAP to Non-GAAP Reconciliation (in thousands) For the Year Ended	
	2016	2015
GAAP interest expense	\$(42,847)	N/A
Impact from non-GAAP adjustments	14,339	-
Non-GAAP interest expense	\$(28,508)	-

GAAP to Non-GAAP Reconciliation (continued)

Net Income & Diluted Net Income Per Share Reconciliation

Q1 2017	GAAP to Non-GAAP Reconciliation (in thousands, except per share amounts) For the Three Months Ended	
	December 24, 2016	December 26, 2015
GAAP net income (loss) attributable to Central Garden & Pet	\$ 7,637	\$(8,602)
Sale of distribution facility	(2,050)	-
2018 notes redemption	-	14,339
Tax effects of non-GAAP adjustments	734	(5,394)
Total net income (loss) impact from non-GAAP adjustments	\$(1,316)	\$ 8,945
Non-GAAP net income attributable to Central Garden & Pet	\$ 6,321	\$ 343
GAAP diluted net income per share	\$ 0.15	\$ (0.18)
Non-GAAP diluted net income per share	\$ 0.12	\$ 0.01
Shares used in GAAP diluted net earnings per share calculation	51,810	48,566
Shares used in non-GAAP diluted net earnings per share calculation	51,810	50,684

GAAP to Non-GAAP Reconciliation (continued)

Net Income & Diluted Net Income Per Share Reconciliation

FY 2016	GAAP to Non-GAAP Reconciliation (in thousands, except per share amounts) For the Year Ended September						
	2016	2015	2014	2013	2012	2011	
GAAP net income attributable to Central Garden & Pet	\$44,514	\$31,971	\$8,804	\$(1,929)	\$21,173	\$28,323	
Total non-GAAP adjustments	30,376	7,272					
Tax effects of non-GAAP adjustments	(10,492)	(2,618)					
Total adjustments			7,581	11,888			
Non-GAAP net income attributable to Central Garden & Pet	\$64,398	\$36,625	\$16,385	\$9,959			
GAAP diluted net income per share	\$0.87	\$0.64	\$0.18	\$(0.04)	\$0.44	\$0.50	
Non-GAAP diluted net income per share	\$1.26	\$0.74	\$0.33	\$0.20			
Shares used in GAAP diluted net earnings per share calculation	51,075	49,638	49,397	48,094			
Shares used in non-GAAP diluted net earnings per share calculation	51,075	49,638	49,397	48,781	48,374		

GAAP to Non-GAAP Reconciliation (continued)

Organic Net Sales Reconciliation

We have provided organic net sales, a non-GAAP measure that excludes the impact of recent acquisitions and dispositions, because we believe it permits investors to better understand the performance of our historical business. We define organic net sales as net sales from our historical business derived by excluding the net sales from businesses acquired or exited in the preceding 12 months. After an acquired business has been part of our consolidated results for 12 months, the change in net sales thereafter is considered part of the increase or decrease in organic net sales.

Consolidated Organic Reconciliation

Q1 2017		GAAP to Non-GAAP Reconciliation (in thousands) For the Three Months Ended		
	December 24, 2016		December 26, 2015	Percentage Change
Reported net sales – GAAP	\$419.5		\$359.8	16.6%
Effect of acquisitions and divestitures	41.8		6.7	
Organic net sales	\$377.7		\$353.1	7.0%

FY 2016		GAAP to Non-GAAP Reconciliation (in thousands) For the Year Ended September 24, 2016		
	Consolidated		Pet Segment	Garden Segment
Reported net sales – GAAP	10.8%		20.9%	(1.2%)
Impact of acquisitions & divestitures	6.6%		14.9%	(3.2%)
Organic net sales	4.2%		6.0%	2.0%

GAAP to Non-GAAP Reconciliation (continued)

Pet Segment Organic Reconciliation

Q1 2017	GAAP to Non-GAAP Reconciliation (in thousands) For the Three Months Ended			
	December 24, 2016		December 26, 2015	Percentage Change
Reported net sales – GAAP	\$304.0		\$248.7	22.2%
Effect of acquisitions and divestitures	41.8		1.6	
Organic net sales	\$262.2		\$247.1	6.1%