

Use of Non-GAAP Financial Measures

We report our financial results in accordance with accounting principles generally accepted in the United States (GAAP). However, to supplement the financial results prepared in accordance with GAAP, we use non-GAAP financial measures including EBITDA and organic sales. Management believes these non-GAAP financial measures that exclude the impact of specific items (described below) may be useful to investors in their assessment of our ongoing operating performance and provide additional meaningful comparisons between current results and results in prior operating periods.

EBITDA is defined by us as income before income tax, net other expense, net interest expense and depreciation and amortization (or operating income plus depreciation and amortization expense). We present EBITDA because we believe that EBITDA is a useful supplemental measure in evaluating the cash flows and performance of our business and provides greater transparency into our results of operations. EBITDA is used by our management to perform such evaluation. EBITDA should not be considered in isolation or as a substitute for cash flow from operations, income from operations or other income statement measures prepared in accordance with GAAP. We believe that EBITDA is frequently used by investors, securities analysts and other interested parties in their evaluation of companies, many of which present EBITDA when reporting their results. Other companies may calculate EBITDA differently and it may not be comparable.

We have also provided 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.

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 tables below. We have not provided a reconciliation of non-GAAP guidance measures to the corresponding GAAP measures on a forward-looking basis due to the potential significant variability and limited visibility of the excluded items. We believe that the non-GAAP financial measures provide useful information to investors and other users of our financial statements by allowing for greater transparency in the review of our financial and operating performance. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating our performance, and we believe these measures similarly may be useful to investors in evaluating our financial and operating performance and the trends in our business from management's point of view. 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.

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.

	GAAP to Non-GAAP Reconciliation (in millions)					
	For the Three Months Ended December 28, 2019					
	Consolidated		Pet Segment		Garden Segment	
	Percent change		Percent change		Percent change	
Reported net sales - Q1 FY20 (GAAP)	\$ 482.8		\$ 354.0		\$ 128.8	
Reported net sales - Q1 FY19 (GAAP)	462.0		340.4		121.6	
Increase in net sales	20.8	4.5 %	13.6	4.0 %	7.2	5.9 %
Effect of acquisition and divestitures on increase in net sales	21.7		9.1		12.6	
Increase in organic net sales - Q1 2020	\$ (0.9)	(0.2)%	\$ 4.5	1.3 %	\$ (5.4)	(4.4)%

EBITDA Reconciliation**GAAP to Non-GAAP Reconciliation**
(in thousands, except per share amounts)
For the Three Months Ended December 28, 2019

	<u>Garden</u>	<u>Pet</u>	<u>Corp</u>	<u>Total</u>
Net income attributable to Central Garden & Pet	—	—	—	\$ (4,417)
Interest expense, net	—	—	—	8,637
Other income	—	—	—	(305)
Income tax expense	—	—	—	(1,728)
Net income attributable to noncontrolling interest	—	—	—	(122)
Sum of items below operating income	—	—	—	6,482
Income (loss) from operations	\$ (8,368)	\$ 30,222	\$ (19,789)	\$ 2,065
Depreciation & amortization	3,295	8,490	1,355	13,140
EBITDA	\$ (5,073)	\$ 38,712	\$ (18,434)	\$ 15,205

EBITDA Reconciliation**GAAP to Non-GAAP Reconciliation**
(in thousands, except per share amounts)
For the Three Months Ended December 29, 2018

	<u>Garden</u>	<u>Pet</u>	<u>Corp</u>	<u>Total</u>
Net income attributable to Central Garden & Pet	—	—	—	\$ 1,803
Interest expense, net	—	—	—	8,077
Other income	—	—	—	192
Income tax expense	—	—	—	273
Net income attributable to noncontrolling interest	—	—	—	(164)
Sum of items below operating income	—	—	—	8,378
Income (loss) from operations	\$ (4,637)	\$ 29,755	\$ (14,937)	\$ 10,181
Depreciation & amortization	2,826	8,056	1,470	12,352
EBITDA	\$ (1,811)	\$ 37,811	\$ (13,467)	\$ 22,533