



**CENTRAL**

*Garden & Pet*

**Barclays Global  
Consumer Staples  
Conference**

**September 2018**

# Presenters

- **George Roeth**

- President & CEO



- **Steve Zenker**

- Vice President,  
Investor Relations, FP&A & Communications



# 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 FY18 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

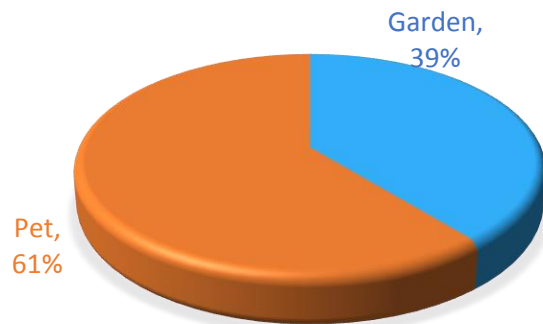
Appendix



# Central Garden & Pet (Nasdaq: CENT and CENTA)

- Leading manufacturer and supplier of branded and private label lawn & garden and pet products.
- Founded in 1980 as a distribution company. Approximately 20% of revenues today from distribution.
- In fiscal 2017, Company had \$2.1 billion in net sales, approximately 96% of sales in the U.S.

Sales by Segment (FY 2017)



Nationwide Presence



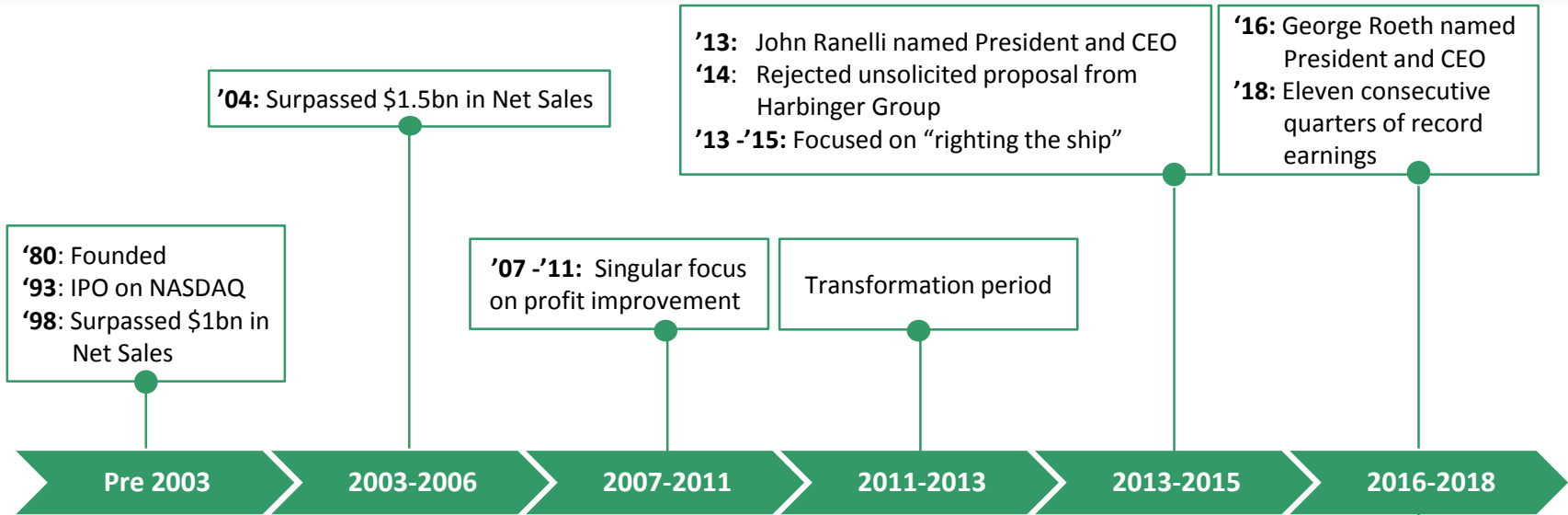
**Central has a nationwide multi-category, multi-channel platform**

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

# History of Growth

Milestones

M&A



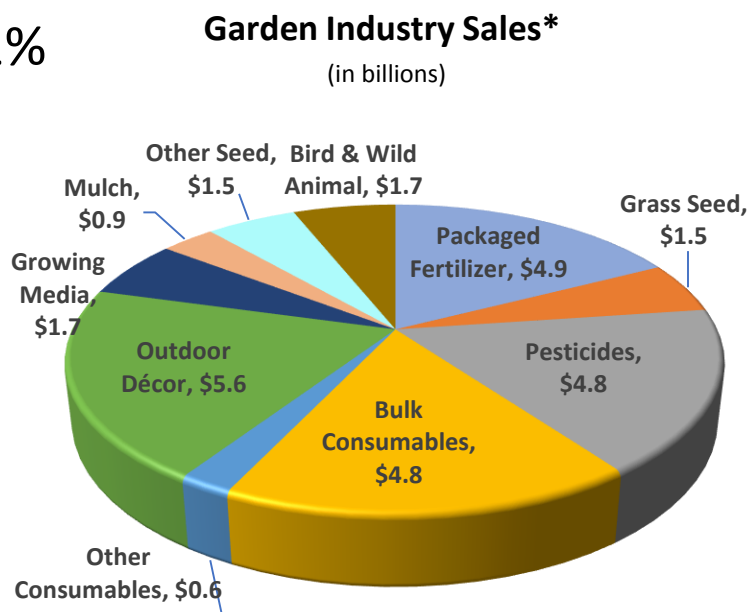
Over 50 Acquisitions in the Past 25 Years



# The Garden Industry is Seasonal with a Concentrated Supplier Base

## The Garden Industry

- Central participates in \$19B of a \$28B industry
- 3 retailers represent approximately 70% of sales
- Seasonal business – 2/3 sales in fiscal Q2 & Q3
- Industry annual growth rate 0% – 1%
- E-commerce not much of a factor
- Concentrated supplier base



\* Freedonia Home & Garden Pesticides – February 2016

# The Garden Industry is Seasonal with a Concentrated Supplier Base

## Central's Garden Business

- Net sales of \$808M in 2017
- 21% of segment sales from 3<sup>rd</sup> party distribution
- 8% revenue growth FY 2017; all organic
- Widespread market share gains driven by private label and branded products
- Leading brands in several categories including:

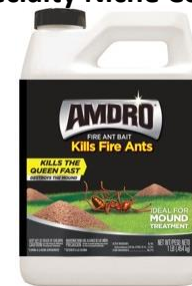
Wild Bird Feed



Grass Seed



Specialty Niche Controls

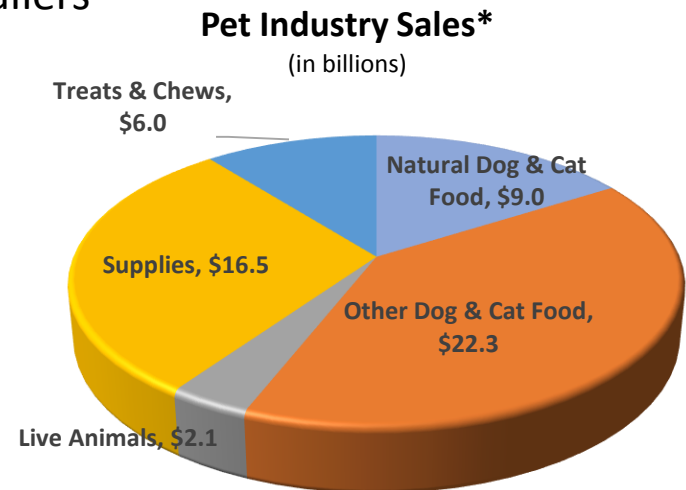




# The Pet Segment is Fragmented with Attractive Growth Rates

## The Pet Industry

- Central participates in \$28B of a \$56B 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 – 2 – 4%
- Dynamics are changing
  - E-commerce accounts for over 10% of sales and is growing double digits



\* Packaged Facts Pet Supplies 2015 and Treats & Chews 2015

# The Pet Segment is Fragmented with Attractive Growth Rates

## Central's Pet Business

- Net sales of \$1.25B in 2017
- Consumer and professional businesses
- 19% of segment sales from 3<sup>rd</sup> party distribution
- 15% revenue growth FY 2017; 5% organic growth
- E-commerce growth superseding decline in pet specialty
- Leading brands in several categories including:

Aquatic Tanks & Supplies



Equine



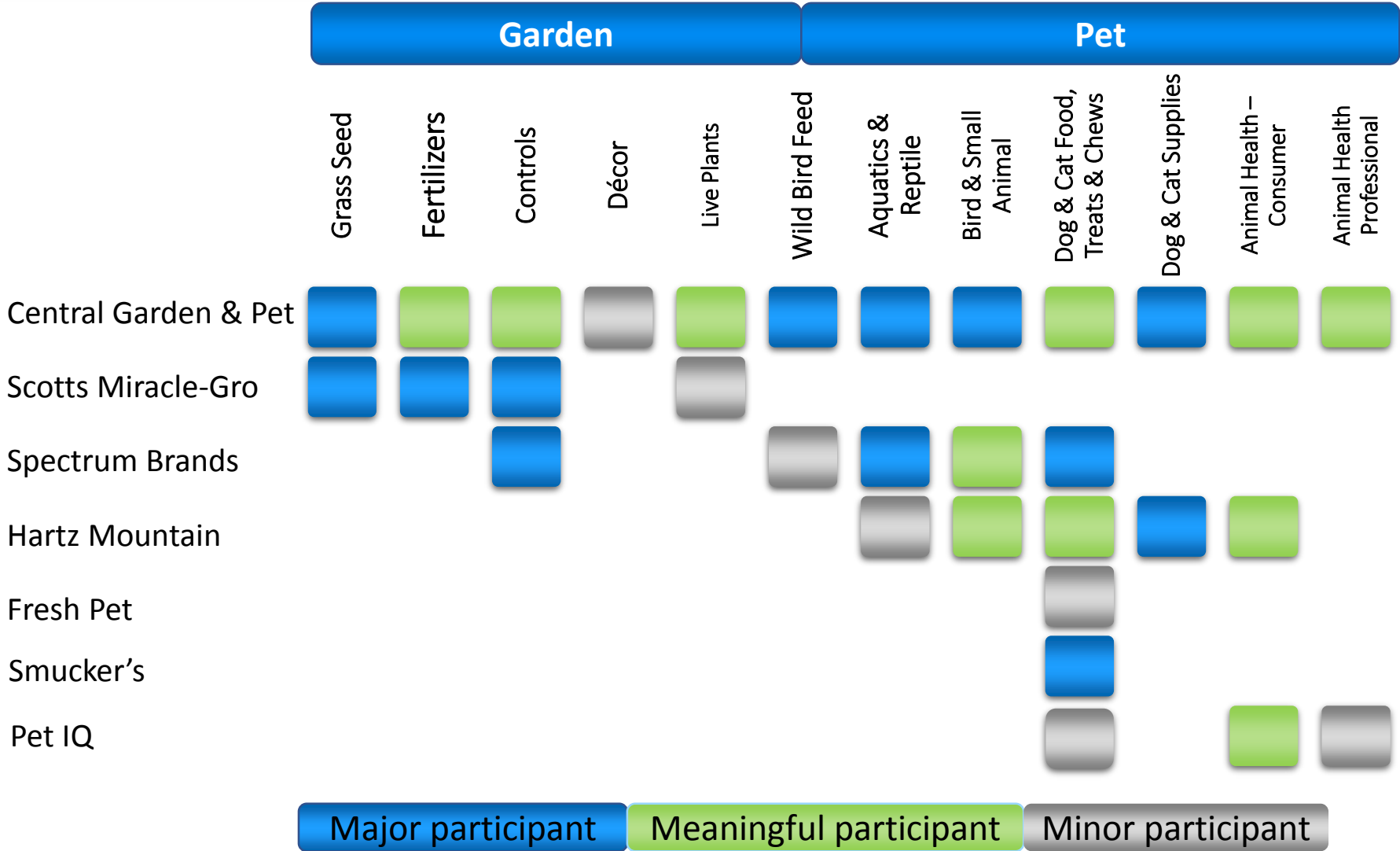
Small Animal, Bird feed & Supplies



Pet Beds



# Central's Broad Product Portfolio is Unique



# Business Model Drives Competitive Advantages

## Our Broad Product Portfolio and Distribution Footprint Differentiate CENT

- Broad product portfolio: premium brands through private label programs
- Superior knowledge of consumer and marketplace trends as a manufacturer & an owner of distribution networks
- Strong customer capabilities and relationships
- Leading franchises in most categories or segments
- Low cost producer in many categories

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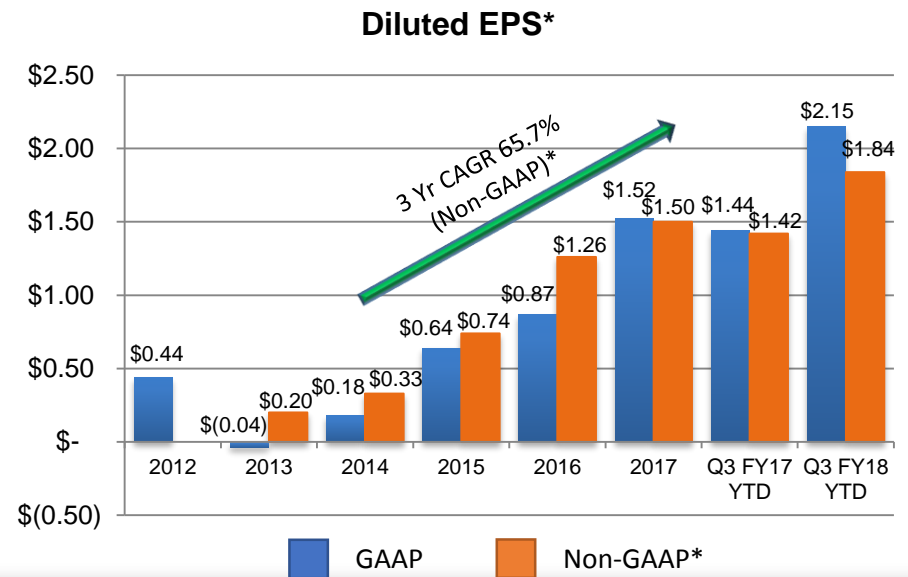
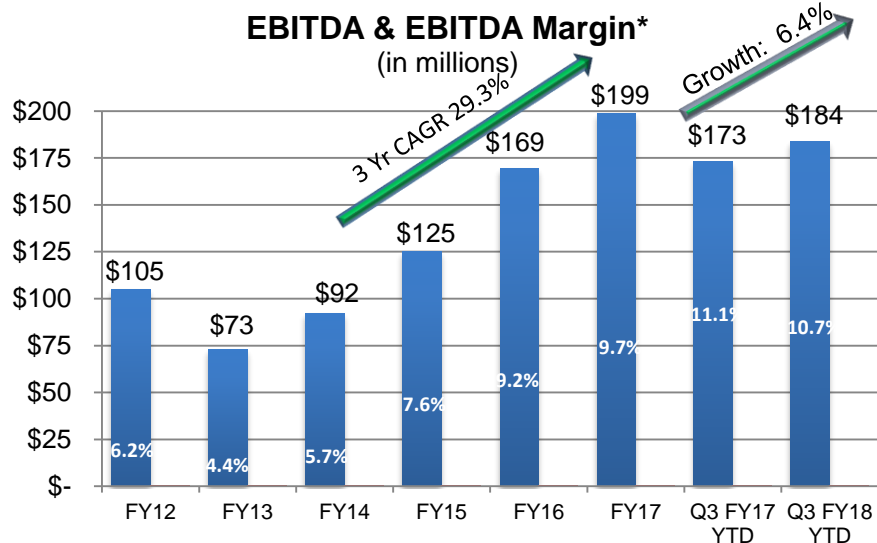
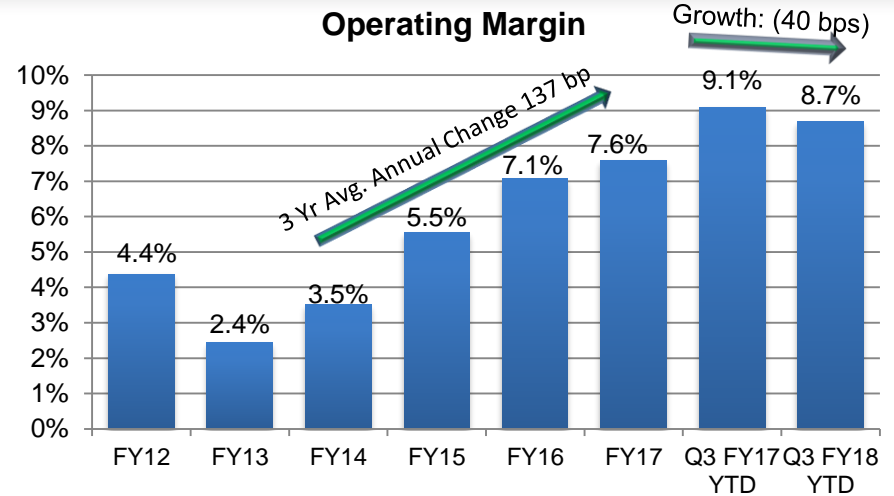
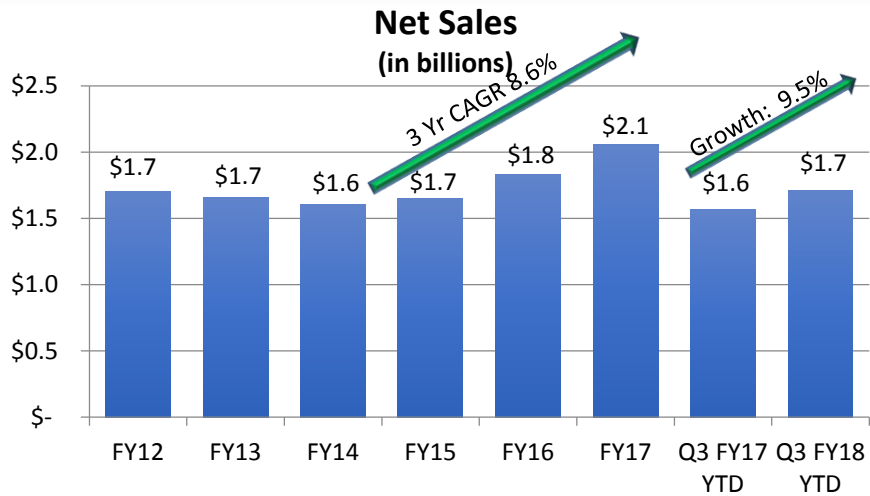
# 2018 Off to a Strong Start

\$ in millions except EPS	GAAP			Non-GAAP <sup>1</sup>
	For the Nine Months Ended June			
	2017 YTD	2018 YTD	Change	Change
Net Sales/Organic Net Sales	\$1,564.0	\$1713.0	9.5%	2.5%
Gross Margin %	31.2%	30.8%	(40 bps)	-
Operating Income	\$141.7	\$149.1	5.2%	6.7%
Operating Margin %	9.1%	8.7%	(40 bps)	(20 bps)
Net Income	\$74.6	\$113.0	51.6%	31.9%
Diluted EPS <sup>1</sup>	\$1.44	\$2.15	49.3%	29.6%

<sup>1</sup>2018 non-GAAP diluted EPS excludes the tax impact of the revaluation of the Company's deferred tax accounts and presents organic sales information



# Metrics Accelerating Over the Last Three Years



\*See non-GAAP reconciliations in the appendix

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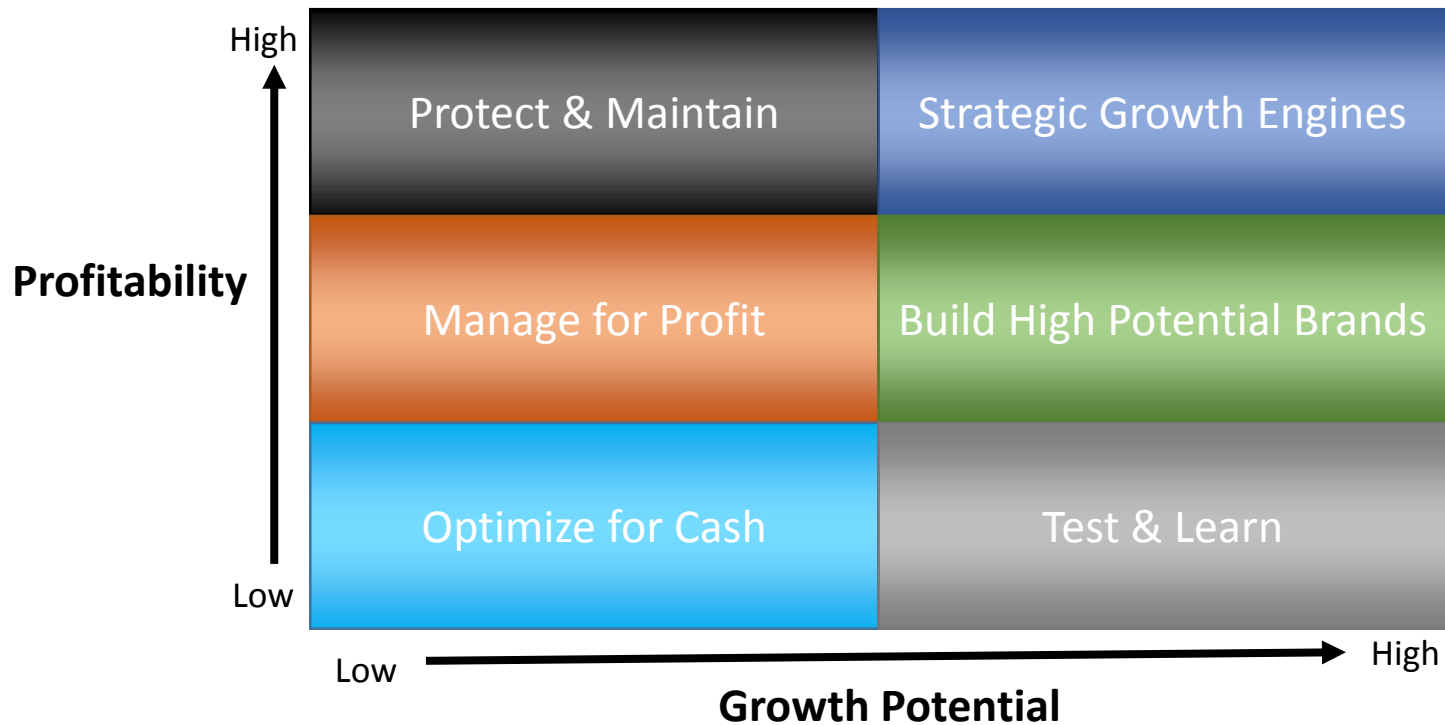
# CENTRAL GARDEN & PET STRATEGY

Accelerate the portfolio growth momentum	<ul style="list-style-type: none"><li>• Manage businesses differentially based on clearly articulated strategies.</li><li>• Build out our portfolio in attractive broadly defined Pet &amp; Garden markets.</li></ul>
Keep the Core Healthy	<ul style="list-style-type: none"><li>• Ensure sufficient demand creation investment to drive organic growth &amp; build share.</li><li>• Develop more differentiated and defensible new products.</li><li>• Build on our strong customer relationships by developing and executing winning category growth strategies.</li></ul>
Build digital capabilities for competitive advantage and compelling consumer experience	<ul style="list-style-type: none"><li>• Free up businesses to compete in ecommerce by ensuring we have the right policies, products and programs to allow all channels to compete effectively.</li><li>• Optimize the supply chain for high-demand ecommerce items to ensure customer and consumer availability requirements are met at the optimal cost.</li><li>• Expand data and analytics capability to accelerate business insights.</li></ul>
Drive Cost Savings & Productivity to Fuel Growth	<ul style="list-style-type: none"><li>• Optimize our supply chain footprint.</li><li>• Improve our operating efficiency with a continuous improvement mindset.</li><li>• Improve coordination by sharing best practices and aligning for scale.</li></ul>

Attract, Retain and Develop Exceptional Employees

## Accelerate the Portfolio Growth Momentum

# MANAGE BUSINESSES DIFFERENTIALLY BASED ON CLEARLY ARTICULATED STRATEGIES



- Each business has a role in the portfolio – some more sales growth-oriented, others more focused on profit
- Resources and initiatives will be aligned with the role

## BUILD OUT OUR PORTFOLIO IN ATTRACTIVE BROADLY DEFINED PET & GARDEN MARKETS



- The largest commercial grower of flowers & plants in the mid-Atlantic U.S.
- Live plants drive traffic to stores
- Category growing faster than overall Garden industry
- Dedicated on-site “Purple Shirted” merchandising team to manage deliveries, care for the plants and answer consumer questions
- Growth synergies with existing lawn & garden portfolio
- Expected to be accretive in FY 2018

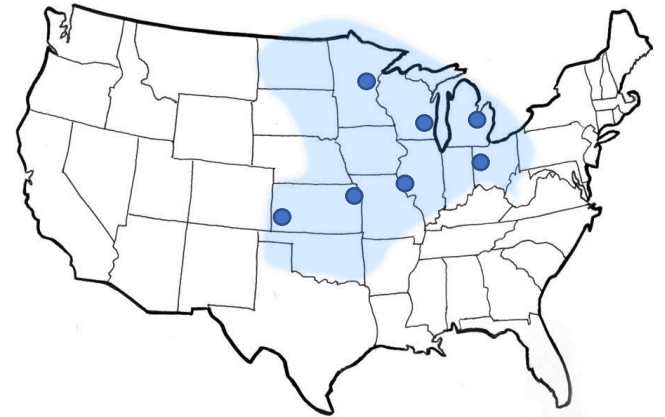


Accelerate the Portfolio Growth Momentum

BUILD OUT OUR PORTFOLIO IN ATTRACTIVE BROADLY DEFINED PET & GARDEN MARKETS



- A leading supplier of pet food & supplies in the Midwest
- Fills out company's national footprint
- Expands Central's food distribution business
- Provides access to the veterinary channel

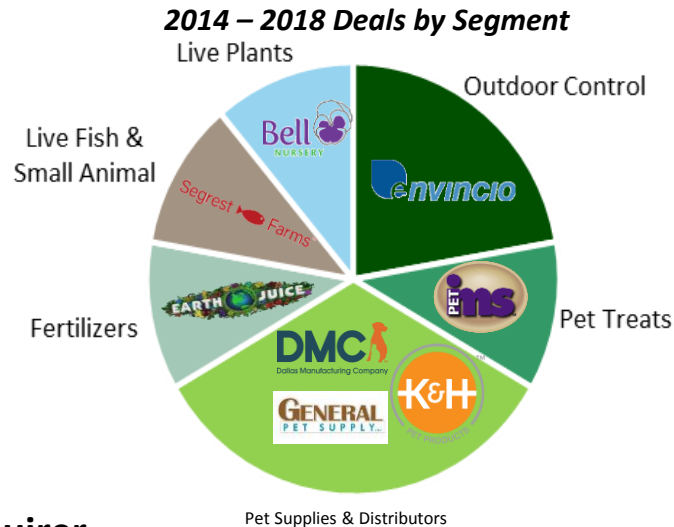




# Accelerate the Portfolio Growth Momentum

## PROVEN M&A CAPABILITY

### ...Central Possesses Acquisition Momentum with Several Recent Deals...

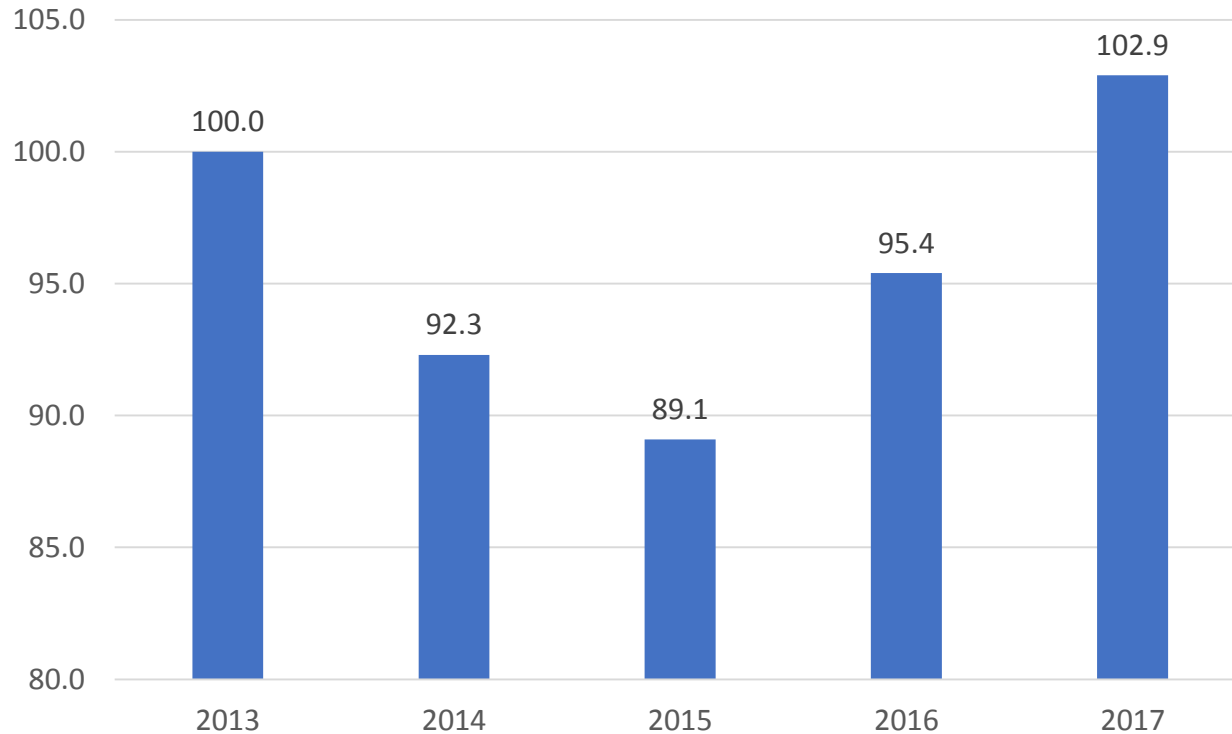


- Central is a **preferred acquirer**
  - Track record of successful M&A - over 50 acquisitions in the last 25 years
  - Provides a national platform for smaller businesses to scale up
  - Acquired businesses generally maintain degree of independence
- Few strategic buyers in Pet and Garden industries
- Disciplined buyers
- Also investing in joint ventures to drive growth

# Keep the Core Healthy

## ENSURE SUFFICIENT DEMAND CREATION INVESTMENT TO DRIVE ORGANIC GROWTH & BUILD SHARE

### Commercial Spending Trends in \$(<sup>1</sup>)



Commercial spending includes selling, merchandising, marketing and innovation.

(1) Indexed with 2013 as base year

Keep the Core Healthy

ENSURE SUFFICIENT DEMAND CREATION INVESTMENT TO DRIVE ORGANIC GROWTH & BUILD SHARE



Keep the Core Healthy

## DEVELOP MORE DIFFERENTIATED AND DEFENSIBLE NEW PRODUCTS

### Sevin® New formulation Leads to Product Improvement

- More efficient active ingredient
- Best in class claims and performance vs. competitive set and previous formula
  - Liquids Kills 500 Insects (old formula 100)
  - Granules Kills 100 Insects (old formula 30)
  - Begins to work on contact – lasts up to 3 months
  - No signal word (caution, warning, danger) required



### Potting Soil Products

- Pennington brand & private label
- Products that offer extended feeding
- Contains wetting agents for easy watering



Keep the Core Healthy

## DEVELOP MORE DIFFERENTIATED AND DEFENSIBLE NEW PRODUCTS

### Nylabone® Primal Instinct Dental Bones

- All-natural
- Made with real meat and real chicken
- Highly-digestible dental treats
- Helps clean teeth and freshen breath
- 100% grain-free



### Four Paws Wee Wee

- Stain & Odor and pads
- Wee-Wee Professional Strength
- Febreze license

## Keep the Core Healthy

BUILD ON OUR STRONG CUSTOMER RELATIONSHIPS BY DEVELOPING AND EXECUTING WINNING CATEGORY GROWTH STRATEGIES

- 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**helving



Major food retailer – store within a store



# Keep the Core Healthy

BUILD ON OUR STRONG CUSTOMER RELATIONSHIPS BY DEVELOPING AND EXECUTING WINNING CATEGORY GROWTH STRATEGIES



- A leading full line aquatics manufacturer in U.S.



- A leading wholesaler of small animals & aquarium fish
- Over a lifetime, one guinea pig will generate \$3,000 of sales and one fish \$500.\*



- Joint venture investment
- Global supplier of livestock displays for retail pet stores
- Leader in display innovation improving aesthetics, reducing mortality and improving profits



- A leading full line manufacturer of small animal products in U.S.



**Leverage synergies across businesses to drive category growth**

\*Business Insider & ASPCA 2010

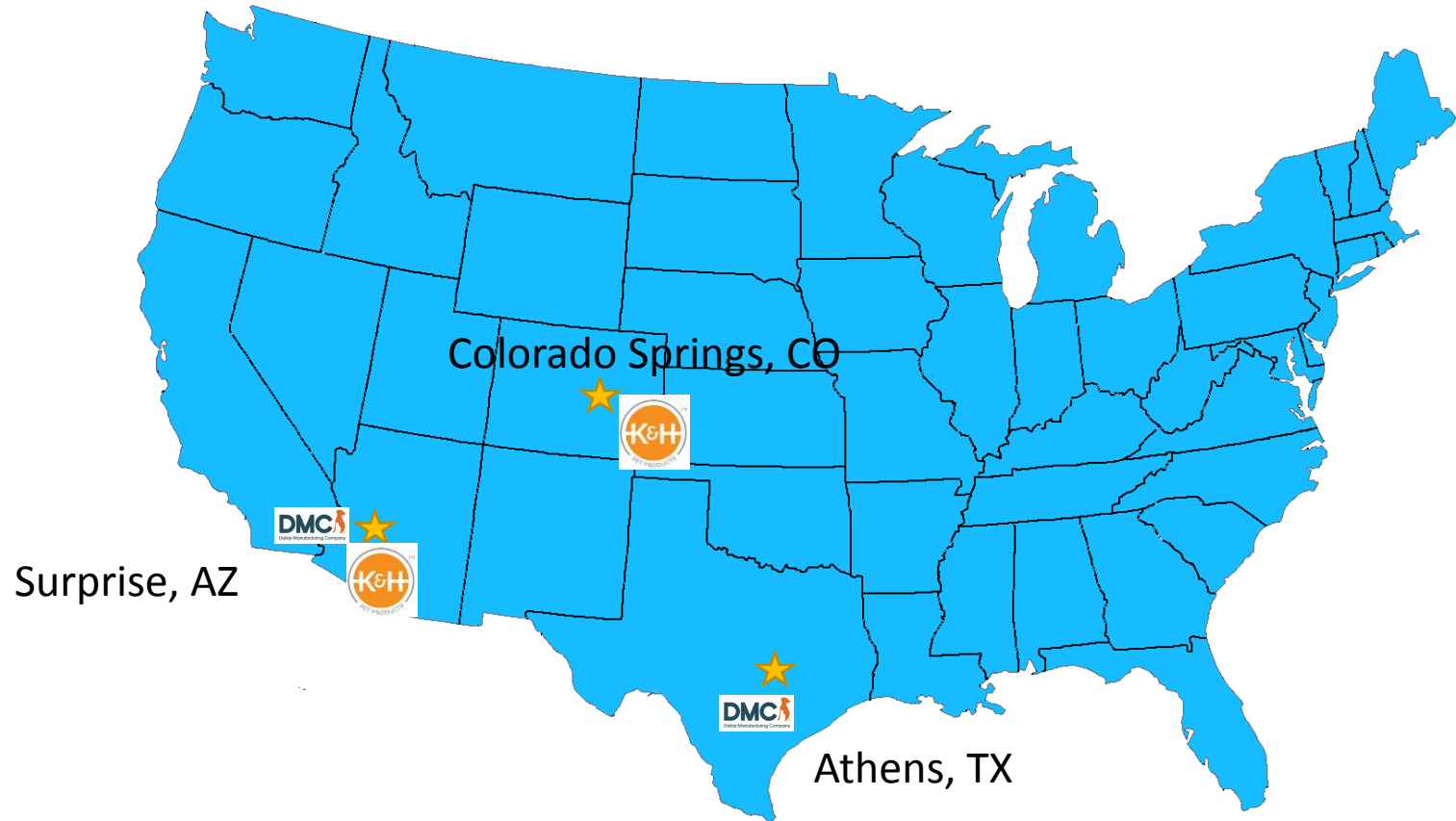
# Build Digital Capabilities for Competitive Advantage and Compelling Consumer Experience

- Free up businesses to compete in ecommerce by ensuring we have the right policies, products and programs to allow all channels to compete effectively.
- Optimize the supply chain for high-demand ecommerce items to ensure customer and consumer availability requirements are met at the optimal cost.
- Expand data and analytics capability to accelerate business insights.



# Drive Cost Savings and Productivity to Fuel Growth

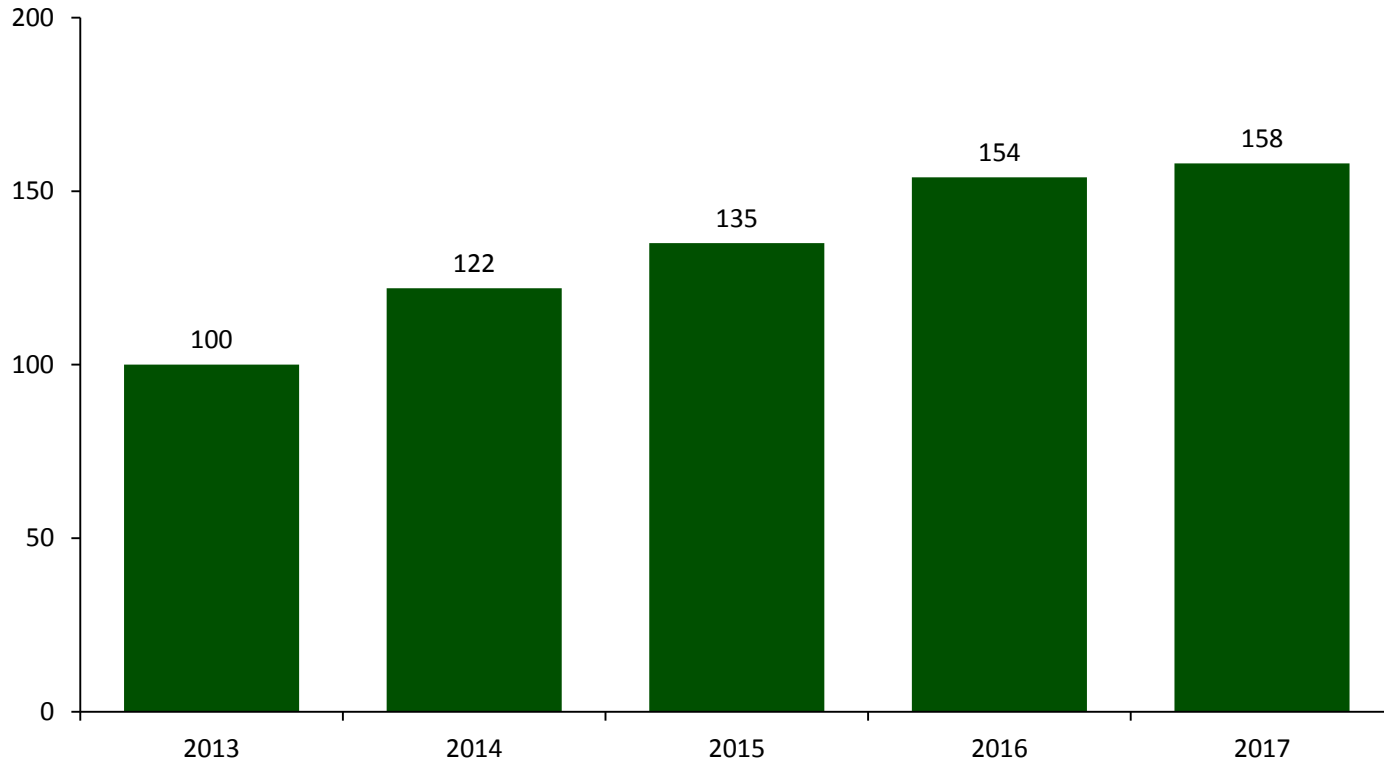
## OPTIMIZE OUR SUPPLY CHAIN FOOTPRINT



### Productivity over Base Year (1)

(Garden Distribution Pounds Picked per Hour)

Index, 2013 = 100



(1) Indexed with 2013 as base year, based on internally tracked productivity metrics.

## AMDRO Quick Kill® Mosquito Controls



Only brand to offer full line of solutions aligned with CDC recommendation

- Cross-company collaboration
- Larvicide & Adulticide – control products and inhibit breeding
- Works faster, longer than competitive products



Attract, Retain & Develop Exceptional Employees  
**UNIQUE MIX OF MANAGEMENT TALENT**

<b>George Roeth</b> President & CEO		
<b>Glen Axelrod</b> SVP, Dog & Cat Brands	<b>Bill Lynch</b> SVP of Operations	<b>Kay Schwichtenberg</b> EVP, Animal & Public Health, CLS
<b>Jim Heim</b> Pres. Pet Industry & Consumer Dev.	<b>Howard Machek</b> SVP, Corp. Controller & CAO	<b>Rodolfo Spielmann</b> President of Pet Consumer Products
<b>Niko Lahanas</b> Chief Financial Officer	<b>Dan Pennington</b> SVP & COO Manufacturing/Pennington	<b>J.D. Walker</b> President, Garden Brands
<b>Marilyn Leahy</b> SVP, Human Resources	<b>Mike Reed</b> EVP, Strategy and M&A	<b>George Yuhas</b> General Counsel & Corporate Secretary



# Attract, Retain & Develop Exceptional Employees AND A DEDICATED STAFF OF APPROXIMATELY 5,000 EMPLOYEES

Working in 64 Locations Throughout the United States and UK





# Agenda

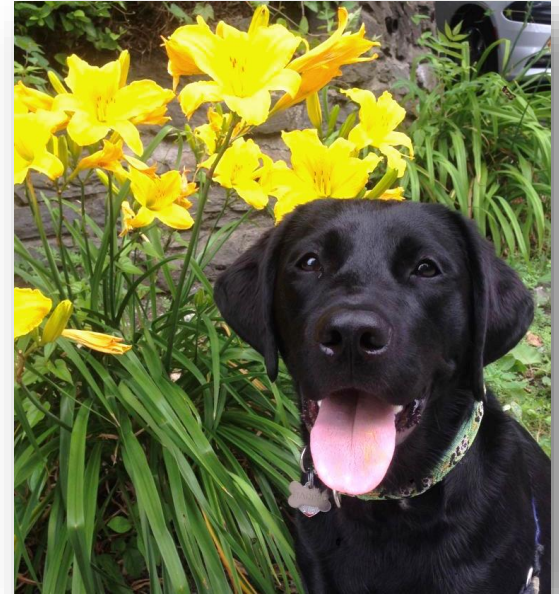
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# Investment Thesis

- 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 thus creating a virtuous cycle
- 4) Cash flow and balance sheet are strong, providing flexibility to make strategically sound acquisitions
- 5) Competitive advantages driven by scale and distribution networks in Garden and Pet
- 6) The company is small relative to large global CPG players, so reasonably modest changes can have a big impact on total performance
- 7) We have delivered three successive years of strong growth and financial performance

# Questions & Answers



Comfort Zone



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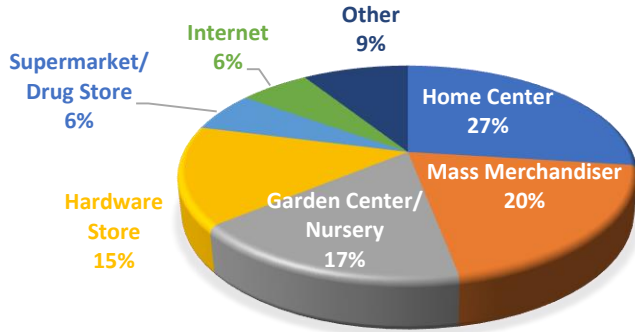
Appendix





# Fertilizers

## L&G Retailer Share 2016



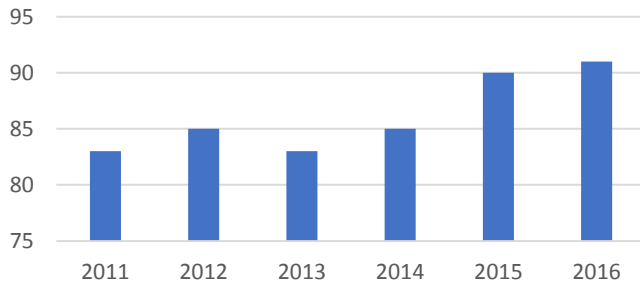
Providing a wide range of fertilizer options for its customers



- Household participation in Lawn & Garden is highest in past 6 years
- Home Centers are still the preferred shopping destination and maintain largest share retail share

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

**Household Lawn & Garden Participation**  
Millions of Households



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

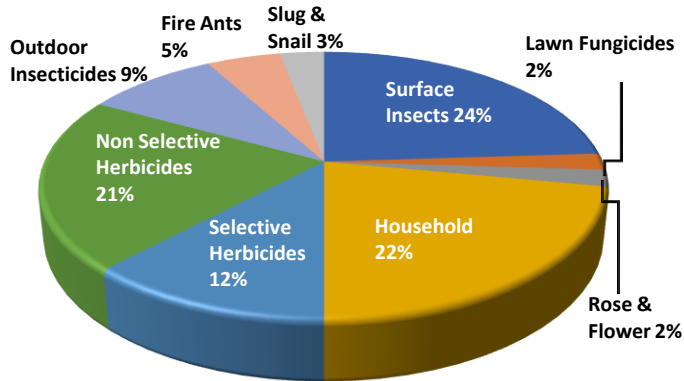
\*National Gardening Survey, 2017 Edition



# Controls

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

## Industry Sales of Outdoor Controls\*\*

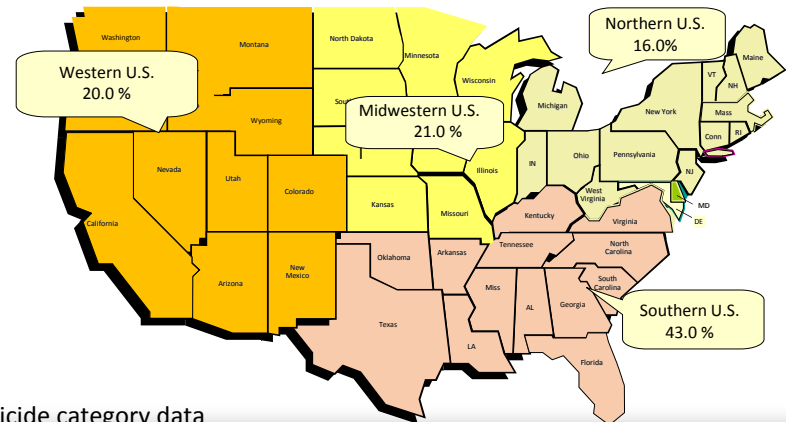


Our AMDRO® brand is backed by nearly 40 years of pest expertise. Beginning with fire ant controls, we have extended the brand to include a portfolio of high quality products that serve a variety of pest control needs, introducing new control options for home invading insects, wood destroying insects, and new for 2018 – a range of products to control mosquitos.



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

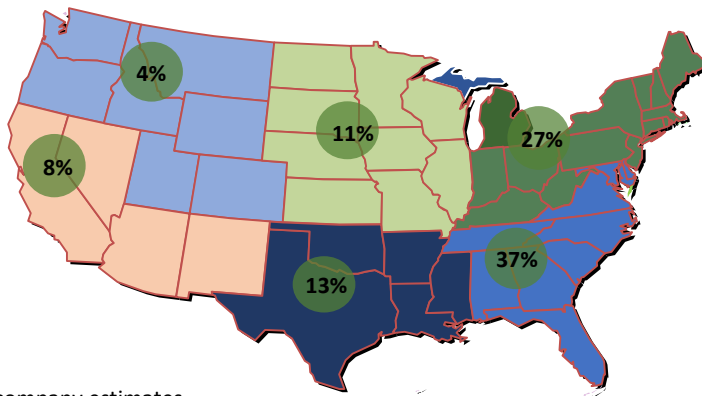


ESTABLISHES QUICKLY  
AND USES UP TO  
**30% LESS WATER**  
YEAR AFTER YEAR



## Industry Grass Seed Sales\*

% by region

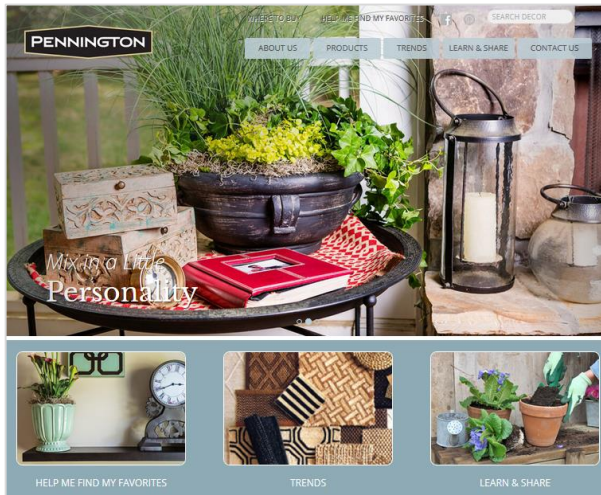


\*Internal company estimates  
30% Less Water claim: NexGen Turf Research

# Pennington 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®

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

## Industry Sales



Over 35% of every dollar spent by U.S. Households on Wild Bird is for Pennington or Kaytee branded products.



The **Cornell** Lab of Ornithology

PENNINGTON is a proud sponsor\* of the Cornell Lab of Ornithology's research and education about wild birds. Visit [allaboutbirds.org](http://allaboutbirds.org)

### 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



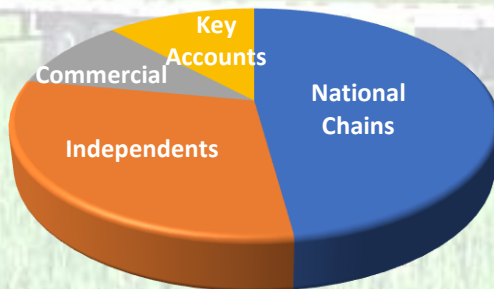
# Distribution

## Garden



- 21% of Garden revenue from 3<sup>rd</sup> 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

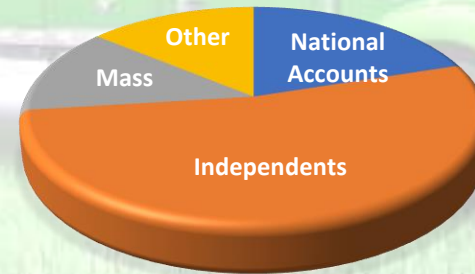


## Pet



- 19% of Pet revenue from 3<sup>rd</sup> party products
- Distributes products, foods and provides service to nearly 4K retailers throughout the continental US, Alaska & Hawaii
- Stocks nearly 30K unique items from nearly 350 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™ and K&H



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

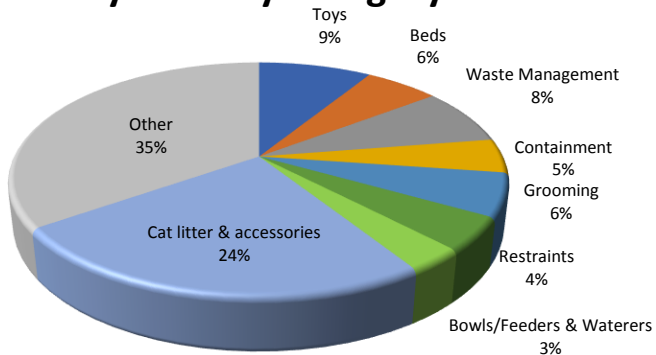


Four Paws® provides high quality solutions for pet parents in a wide array of product categories, including: Stain & Odor removers plus Wee-Wee® brand pads, Magic Coat® brand grooming tools and cleansers.



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.

## Industry Sales by Category\*



\* Based on Packaged Facts data in 2015, and industry estimates



K&H Pet Products® produces premium pet supplies and is the largest marketer of heated pet products in the U.S. Products in several categories including dog & cat, small animal and farm & ranch.

# Dog & Cat Food, Treats and Edible Chews

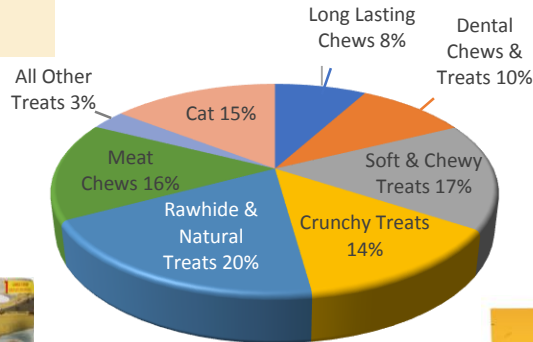
Nylabone®, IMS, Breeder's Choice

Edible Dog & Cat Treats & Chews is a \$4.8B category & projected to grow approximately 2% 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

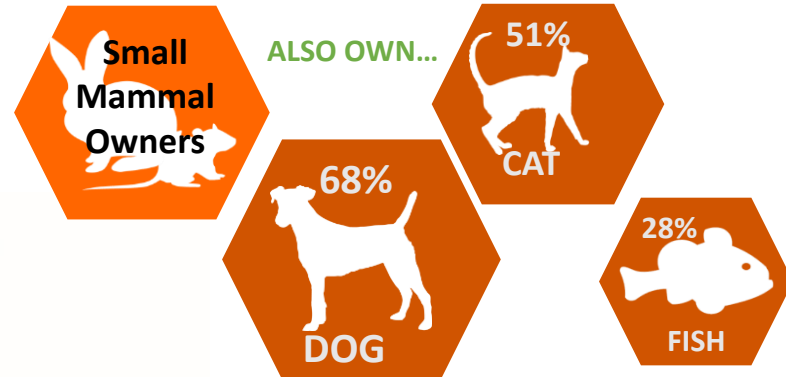


# Small Animal & Pet Bird

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 and Casco

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



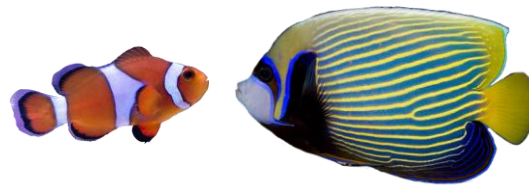
**AQUEON**

- 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



**Segrest Farms**  
Quality • Service • Dependability

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



**Zilla**

- 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

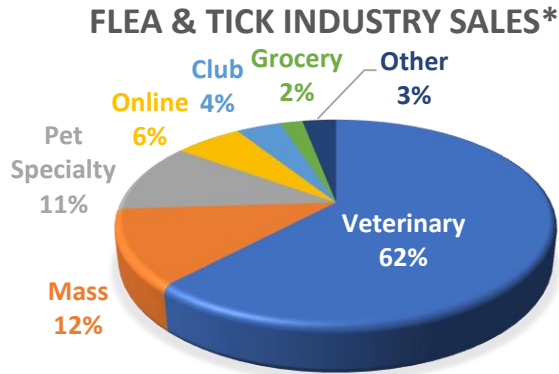
- Over 45 years ago, invented insect growth regulator technology using the insect's chemistry as a means to reduce pest populations
- Professional Applied Science solutions centered on animals, pets & families living healthier & more enjoyable lives
- Trusted products used in sensitive areas including schools, hospitals and food handling, as well in neighborhoods, farms and grain handling facilities



SCIENCE THAT MATTERS

# Animal Health & Wellness – Consumer Products

## Flea & Tick Control



ADAMS™ products take a *smarter* approach to pet care making 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.

\* Based on Braake, ARA Scan & Panel Data

## Behavior Management

**Comfort zone**  
Less stress. More love.



- 2/3 of cat & dog households report behavior problems
- Behavior problems are responsible for 30-40% of animals in shelters
- 6.5M dogs & cats enter shelters every year

**Comfort Zone™ is a leading brand in pet behavior management bringing thoroughly tested, superior-performing products to market that are safe, effective, and that drive Category growth.**

Central Garden & Pet is dedicated to improving the lives and well-being of pets through innovative solutions that meet the increasing and evolving needs of pets and their parents.

\* CGP Shipments



# 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



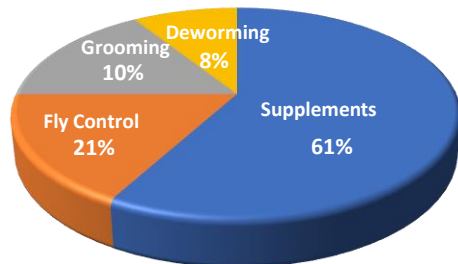
### Performance Horse Care:

- 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.*

### Industry Equine Sales for 2016\*



\* 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 2016 on equine products: \$1.7B

### Go-To-Market Strategy

Improve the Lives of Horses by offering:

Customers—Exceptional horse care business expertise whether a Distributor or Dealer.

Consumer—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 organic net sales on a consolidated and segment basis, non-GAAP selling, general and administrative (SG&A) expense, non-GAAP operating income on a consolidated and segment basis, non-GAAP interest expense, non-GAAP other income (expense) 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 (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.

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 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.

We have not provided a reconciliation of forward-looking non-GAAP guidance measures to the corresponding GAAP measures, 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:

- **Asset impairment charges:** We have excluded the impact of asset impairments on intangible assets and equity method investments as such non-cash amounts are inconsistent in amount and frequency. We believe that the adjustment of these charges supplements the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- **Tax Reform Act:** The U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Job Act in December 2017. We have excluded the transitional impact of the Tax Reform Act as the remeasurement of our deferred tax assets and liabilities does not reflect the ongoing impact of the lower U.S. statutory rate on our current year earnings.
- **Gains on disposals of significant plant assets:** We have excluded the impact of gains on the disposal of significant plant assets as these represent infrequent transactions that impact the comparability between operating periods. We believe the adjustment of these gains supplements the GAAP information with a measure that may be used to assess the sustainability of our operating performance.
- **Loss on early extinguishment of debt:** We have excluded the charges associated with the refinancing of our 2018 Notes as the amount and frequency of such charges is not consistent and is significantly impacted by the timing and size of debt financing transactions.
- **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. For fiscal 2017, we have also adjusted our organic net sales for our estimate of the impact of the extra week on our 2017 fiscal year net sales.

# GAAP to Non-GAAP Reconciliation (continued)

## Non-GAAP Adjustments

GAAP to Non-GAAP Reconciliation (in thousands) For the Fiscal Year Ended September,		
	2017	2016
Impairments of intangible assets	\$ -	\$ 1,828
(Gain)/loss on disposal of plant assets	(2,050)	(2,363)
Incremental expenses from note redemption and issuance	-	14,339
Impairment of equity method investments	-	16,572
Total non-GAAP adjustments	\$ (2,050)	\$ 30,376
Tax effects of non-GAAP adjustments	(757)	(10,492)
Total net income impact from non-GAAP adjustments	\$ (1,293)	\$ 19,884

# 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.

## Organic Reconciliation

### GAAP to Non-GAAP Reconciliation (in thousands) For the Fiscal Year Ended September 30, 2017

	Consolidated		Pet Segment		Garden Segment	
		Percent Change		Percent Change		Percent Change
Reported net sales FY17 – GAAP	\$2,054.5		\$1,246.4		\$808.1	
Reported net sales FY16 – GAAP	1,829.0		1,081.8		747.2	
Increase in net sales	225.5	12.3%	164.6	15.2%	60.9	8.2%
Effect of acquisition and divestitures on increase in net sales	104.7		110.3		(5.6)	
Increase in organic net sales	\$ 120.8	6.6%	\$ 54.3	5.0%	\$ 66.5	8.9%
Estimated impact of extra week in Fiscal 2017 on organic sales	32.8		21.4		11.4	
Organic net sales adj. for extra week	\$ 88.0	4.8%	\$ 32.9	3.0%	\$ 55.1	7.4%

# GAAP to Non-GAAP Reconciliation (continued)

## Organic Net Sales Reconciliation (YTD)

**GAAP to Non-GAAP Reconciliation**  
(in millions, except per share amounts)  
For the Nine Months Ended June 30, 2018

	Consolidated		Pet Segment		Garden Segment	
		Percent Change		Percent Change		Percent Change
Reported Net Sales – Q3 FY18 (GAAP)	\$ 1,713.0		\$1,001.5		\$711.5	
Reported Net Sales – Q3 FY17 (GAAP)	1,564.0		915.9		648.1	
Increase in net sales	149.0	9.5%	85.6	9.3%	63.4	9.8%
Effect of acquisition and divestitures on increase in net sales	(110.2)		(42.6)		(67.6)	
Increase in organic net sales – Q3 2018	<u>\$38.8</u>	2.5%	<u>\$ 43.0</u>	4.7%	<u>\$ (4.2)</u>	(0.6)%

# GAAP to Non-GAAP Reconciliation (continued)

## Consolidated Operating Income Reconciliation

GAAP to Non-GAAP Reconciliation (in thousands) For the Fiscal Year Ended September,						
	2017	2016	2015	2014	2013	2012
GAAP operating income	\$156,112	\$129,358	\$91,435	\$56,213	\$40,155	\$74,421
Total operating income impact from non-GAAP adjustments	(2,050)	(535)	7,272	12,033	18,870	-
Non-GAAP operating income	\$154,062	\$128,823	\$98,707	\$68,246	\$59,025	\$74,421
GAAP operating margin	7.6%	7.1%	5.5%	3.5%	2.4%	4.4%
Non-GAAP operating margin	7.5%	7.0%	6.0%	4.2%	3.6%	4.4%

# GAAP to Non-GAAP Reconciliation (continued)

## Consolidated Operating Income Reconciliation (YTD)

GAAP to Non-GAAP Reconciliation (in thousands) For the Nine Months ended June 30, 2018,			
	2018		2017
GAAP operating income	\$149,126		\$141,731
Total operating income impact from non-GAAP adjustments	-		(2,050)
Non-GAAP operating income	\$149,126		\$139,681
GAAP operating margin	8.7%		9.1%
Non-GAAP operating margin	8.7%		8.9%



# GAAP to Non-GAAP Reconciliation (continued)

## EBITDA Reconciliation

GAAP to Non-GAAP Reconciliation (in thousands) For the Fiscal Year Ended September,						
	2017	2016	2015	2014	2013	2012
GAAP Operating Income	\$ 156,112	\$ 129,358	\$ 91,435	\$56,213	\$40,155	\$ 74,421
Depreciation & Amortization	42,719	40,001	33,703	35,781	32,968	30,425
EBITDA	\$198,831	\$169,359	\$125,138	\$91,994	\$73,123	\$104,846

# GAAP to Non-GAAP Reconciliation (continued)

## EBITDA Reconciliation (YTD)

GAAP to Non-GAAP Reconciliation (in thousands) For the Nine Months Ended June 30, 2018			
	2018		2017
GAAP Operating Income	\$ 149,126		\$ 141,731
Depreciation & Amortization	34,872		31,374
<b>EBITDA</b>	<b>\$183,998</b>		<b>\$173,105</b>

# GAAP to Non-GAAP Reconciliation (continued)

## Net Income & Diluted Net Income Per Share Reconciliation

GAAP to Non-GAAP Reconciliation (in thousands, except per share amounts) For the Fiscal Year Ended September,						
	2017	2016	2015	2014	2013	2012
GAAP net income attributable to Central Garden & Pet	\$78,828	\$44,514	\$31,971	\$8,804	\$(1,929)	\$21,173
Total non-GAAP adjustments	(2,050)	30,376	7,272	12,033	18,870	-
Tax effects of non-GAAP adjustments	(757)	(10,492)	(2,618)	(4,452)	(6,982)	-
Total adjustments	(1,293)	19,884	4,654	7,581	11,888	-
<b>Non-GAAP net income attributable to Central Garden &amp; Pet</b>	<b>\$77,535</b>	<b>\$64,398</b>	<b>\$36,625</b>	<b>\$16,385</b>	<b>\$9,959</b>	<b>\$21,173</b>
GAAP diluted net income per share	\$1.52	\$0.87	\$0.64	\$0.18	\$(0.04)	\$0.44
Non-GAAP diluted net income per share	\$1.50	\$1.26	\$0.74	\$0.33	\$0.20	N/A
Shares used in GAAP diluted net earnings per share calculation	51,820	51,075	49,638	49,397	48,094	48,374
Shares used in non-GAAP diluted net earnings per share calculation	51,820	51,075	49,638	49,397	48,781	N/A

# GAAP to Non-GAAP Reconciliation (continued)

## Net Income & Diluted Net Income Per Share Reconciliation (YTD)

GAAP to Non-GAAP Reconciliation (in thousands, except per share amounts) For the Nine Months Ended June 30, 2018		
	2018	2017
GAAP net income attributable to Central Garden & Pet	\$ 113,026	\$ 74,569
Gain on sale of distribution facility	-	(2,050)
Tax effect of sale of distribution facility adjustment	-	759
Tax effect of revaluation of deferred tax amounts	16,343	-
Total impact on net income from non-GAAP adjustments	\$16,343	\$ (1,291)
<b>Non-GAAP net income attributable to Central Garden &amp; Pet</b>	<b>\$ 96,683</b>	<b>\$ 73,278</b>
GAAP diluted net income per share	\$ 2.15	\$ 1.44
Non-GAAP diluted net income per share	\$ 1.84	\$ 1.42
Shares used in GAAP and non-GAAP diluted net earnings per share calculation	52,670	51,769