

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 non-GAAP net income and diluted net income per share, adjusted 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.

Adjusted 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 adjusted EBITDA because we believe that adjusted 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. Adjusted EBITDA is used by our management to perform such evaluation. Adjusted 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 adjusted EBITDA is frequently used by investors, securities analysts and other interested parties in their evaluation of companies, many of which present adjusted EBITDA when reporting their results. Other companies may calculate adjusted 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.

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

- Incremental expenses from note redemption and issuance: we have excluded the impact of the incremental expenses incurred from the note redemption and issuance as they represent an infrequent transaction that occurs in limited circumstances that impacts the comparability between operating periods. We believe the adjustment of these expenses supplements the GAAP information with a measure that may be used to assess the sustainability of our operating performance.
- Loss on sale of business: we have excluded the impact of the loss on the sale of a business as it represents an infrequent transaction that occurs in limited circumstances that impacts the comparability between operating periods. We believe the adjustment of this loss supplements the GAAP information with a measure that may be used to assess the sustainability of our operating performance.

From time to time in the future, there may be other items that we may exclude if we believe that doing so is consistent with the goal of providing useful information to investors and management.

The non-GAAP adjustments reflect the following:

- (1) During the first quarter of fiscal 2021, we issued \$500 million aggregate principal amount of 4.125% senior notes due October 2030. We used a portion of the proceeds to redeem all of our outstanding 6.125% senior notes due 2023. As a result of our redemption of the 2023 Notes, we incurred incremental expenses of approximately \$10.0 million, comprised of a call premium payment of \$6.1 million, overlapping interest expense of approximately \$1.4 million and a \$2.5 million non-cash charge for the write-off of unamortized financing costs in interest expense. These amounts are included in Interest expense in the condensed consolidated statements of operations.
- (2) During the first quarter of fiscal 2021, we recognized a loss of \$2.6 million, included in selling, general and administrative expense in the consolidated statement of operations, from the sale of our Breeder's Choice business unit after concluding it was not a strategic business for our Pet segment.

- (3) During the third quarter of fiscal 2020, we recorded a non-cash impairment charge for two private company investments. The impairment was recorded as part of other income (expense).

Net Income and Diluted Net Income Per Share Reconciliation	GAAP to Non-GAAP Reconciliation			
	For the Three Months Ended		For the Nine Months Ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
	(in thousands, except per share amounts)			
GAAP net income attributable to Central Garden & Pet Company	\$ 76,186	\$ 68,800	\$ 154,753	\$ 107,087
Incremental expenses from note redemption and issuance (1)	—	—	9,952	—
Loss on sale of business (2)	—	—	2,611	—
Investment impairments (3)	—	3,566	—	3,566
Tax effect of incremental expenses, loss on sale and impairment	—	(807)	(2,825)	(800)
Non-GAAP net income attributable to Central Garden & Pet Company	\$ 76,186	\$ 71,559	\$ 164,491	\$ 109,853
GAAP diluted net income per share	\$ 1.37	\$ 1.27	\$ 2.80	\$ 1.95
Non-GAAP diluted net income per share	\$ 1.37	\$ 1.32	\$ 2.98	\$ 2.00
Shares used in GAAP and non-GAAP diluted net earnings per share calculation	55,658	54,168	55,236	54,984

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	GAAP to Non-GAAP Reconciliation					
	For Three Months Ended June 26, 2021			For the Nine Months Ended June 26, 2021		
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales	Net sales organic	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales	Net sales organic
	(in millions)					
Q3 FY 21	\$ 1,037.1	\$ 137.0	\$ 900.1	\$ 2,564.6	\$ 213.4	\$ 2,351.2
Q3 FY 20	\$ 833.5	\$ 5.6	\$ 827.9	\$ 2,019.5	\$ 13.4	\$ 2,006.1
\$ increase	\$ 203.6		\$ 72.2	\$ 545.1		\$ 345.1
% increase	24.4 %		8.7 %	27.0 %		17.2 %

Pet**GAAP to Non-GAAP Reconciliation**

	For Three Months Ended June 26, 2021			For the Nine Months Ended June 26, 2021		
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales	Net sales organic	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales	Net sales organic
	(in millions)					
Q3 FY 21	\$ 507.8	\$ —	\$ 507.8	\$ 1,436.2	\$ —	\$ 1,436.2
Q3 FY 20	\$ 461.6	\$ 5.6	\$ 456.0	\$ 1,233.7	\$ 13.4	\$ 1,220.3
\$ increase	\$ 46.2		\$ 51.8	\$ 202.5		\$ 215.9
% increase	10.0 %		11.4 %	16.4 %		17.7 %

Garden**GAAP to Non-GAAP Reconciliation**

	For Three Months Ended June 26, 2021			For the Nine Months Ended June 26, 2021		
	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales	Net sales organic	Net sales (GAAP)	Effect of acquisition & divestitures on increase in net sales	Net sales organic
	(in millions)					
Q3 FY 21	\$ 529.3	\$ 137.0	\$ 392.3	\$ 1,128.4	\$ 213.4	\$ 915.0
Q3 FY 20	\$ 371.9	\$ —	\$ 371.9	\$ 785.8	\$ —	\$ 785.8
\$ increase	\$ 157.4		\$ 20.4	\$ 342.6		\$ 129.2
% increase	42.3 %		5.5 %	43.6 %		16.4 %

Adjusted EBITDA Reconciliation**GAAP to Non-GAAP Reconciliation
For the Three Months Ended June 26, 2021**

	Garden	Pet	Corp	Total
		(in thousands)		
Net income attributable to Central Garden & Pet Company	—	—	—	\$ 76,186
Interest expense, net	—	—	—	13,086
Other expense	—	—	—	1,086
Income tax expense	—	—	—	22,315
Net income attributable to noncontrolling interest	—	—	—	568
Sum of items below operating income	—	—	—	37,055
Income (loss) from operations	\$ 67,037	\$ 71,021	\$ (24,817)	\$ 113,241
Depreciation & amortization	10,808	8,960	1,222	20,990
Adjusted EBITDA	\$ 77,845	\$ 79,981	\$ (23,595)	\$ 134,231

Adjusted EBITDA Reconciliation**GAAP to Non-GAAP Reconciliation
For the Three Months Ended June 27, 2020**

	Garden	Pet	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet Company	—	—	—	\$ 68,800
Interest expense, net	—	—	—	11,471
Other expense	—	—	—	3,541
Income tax expense	—	—	—	20,291
Net income attributable to noncontrolling interest	—	—	—	537
Sum of items below operating income	—	—	—	35,840
Income (loss) from operations	\$ 64,941	\$ 63,606	\$ (23,907)	\$ 104,640
Depreciation & amortization	2,663	9,249	1,371	13,283
Adjusted EBITDA	<u>\$ 67,604</u>	<u>\$ 72,855</u>	<u>\$ (22,536)</u>	<u>\$ 117,923</u>

Adjusted EBITDA Reconciliation**GAAP to Non-GAAP Reconciliation
For the Nine Months Ended June 26, 2021**

	Garden	Pet	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet Company	—	—	—	\$ 154,753
Interest expense, net	—	—	—	44,006
Other income	—	—	—	(370)
Income tax expense	—	—	—	45,260
Net income attributable to noncontrolling interest	—	—	—	1,242
Sum of items below operating income	—	—	—	90,138
Income (loss) from operations	\$ 137,650	\$ 176,604	\$ (69,363)	\$ 244,891
Depreciation & amortization	22,250	26,927	3,582	52,759
Adjusted EBITDA	<u>\$ 159,900</u>	<u>\$ 203,531</u>	<u>\$ (65,781)</u>	<u>\$ 297,650</u>

Adjusted EBITDA Reconciliation**GAAP to Non-GAAP Reconciliation
For the Nine Months Ended June 27, 2020**

	Garden	Pet	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet Company	—	—	—	\$ 107,087
Interest expense, net	—	—	—	29,444
Other expense	—	—	—	4,215
Income tax expense	—	—	—	31,211
Net income attributable to noncontrolling interest	—	—	—	853
Sum of items below operating income	—	—	—	65,723
Income (loss) from operations	\$ 101,219	\$ 135,819	\$ (64,228)	\$ 172,810
Depreciation & amortization	7,971	27,491	4,136	39,598
Adjusted EBITDA	<u>\$ 109,190</u>	<u>\$ 163,310</u>	<u>\$ (60,092)</u>	<u>\$ 212,408</u>