

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 net sales 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 (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. 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 substitutes for cash flow from operations, income from operations or other income statement measure 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, 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 item:

- The U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Job Act (the "Tax Reform 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 or future year earnings.

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) Transitional impact of U.S. Tax Reform: As a result of the Tax Reform Act, the Company recorded a provisional tax benefit of \$16.3 million in the quarter ended December 30, 2017, due to the remeasurement of its deferred tax assets and liabilities. We have excluded only this transitional impact and have not included in the adjustment the ongoing impact of the lower U.S. statutory rate on our current or future year earnings.

Net Income and Diluted Net Income Per Share Reconciliation	GAAP to Non-GAAP Reconciliation (in thousands, except per share amounts) For the Three Months Ended	
	December 29, 2018	December 30, 2017
GAAP net income attributable to Central Garden & Pet	\$ 1,803	\$ 26,247
Tax effect of revaluation of deferred tax amounts	(1) —	16,343
Non-GAAP net income attributable to Central Garden & Pet	\$ 1,803	\$ 9,904
GAAP diluted net income per share	\$ 0.03	\$ 0.50
Non-GAAP diluted net income per share	\$ 0.03	\$ 0.19
Shares used in GAAP and non-GAAP diluted net earnings per share calculation	58,001	52,695

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 29, 2018					
	Consolidated		Pet Segment		Garden Segment	
		Percent change		Percent change		Percent change
Reported net sales - Q1 FY19 (GAAP)	\$ 462.0		\$ 340.4		\$ 121.6	
Reported net sales - Q1 FY18 (GAAP)	442.0		325.1		116.9	
Increase in net sales	20.0	4.5 %	15.3	4.7 %	4.7	4.0 %
Effect of acquisition and divestitures on increase in net sales	27.3		17.2		10.1	
Decrease in organic net sales - Q1 2019	\$ (7.3)	(1.7)%	\$ (1.9)	(0.6)%	\$ (5.4)	(4.6)%

EBITDA Reconciliation

	GAAP to Non-GAAP Reconciliation (in thousands, except per share amounts) For the Three Months Ended December 29, 2018			
	Garden	Pet	Corp	Total
Net income attributable to Central Garden & Pet	—	—	—	\$ 1,803
Interest expense, net	—	—	—	8,077
Other income	—	—	—	192
Income tax expense	—	—	—	273
Net loss 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

EBITDA Reconciliation**GAAP to Non-GAAP Reconciliation**
(in thousands, except per share amounts)
For the Three Months Ended December 30, 2017

	<u>Garden</u>	<u>Pet</u>	<u>Corp</u>	<u>Total</u>
Net income attributable to Central Garden & Pet	—	—	—	\$ 26,247
Interest expense, net	—	—	—	7,218
Other income	—	—	—	3,089
Income tax benefit	—	—	—	(14,236)
Net income attributable to noncontrolling interest	—	—	—	203
Sum of items below operating income	—	—	—	(3,726)
Income (loss) from operations	\$ 2,300	\$ 36,176	\$ (15,955)	\$ 22,521
Depreciation & amortization	1,569	7,145	2,449	11,163
EBITDA	\$ 3,869	\$ 43,321	\$ (13,506)	\$ 33,684