

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, non-GAAP operating income and adjusted EBITDA. Management believes non-GAAP financial measures 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, depreciation and amortization and stock-based compensation (or operating income plus depreciation and amortization and stock-based compensation expense). Adjusted EBITDA further excludes one-time charges related to facility closures. 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.

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 variability and limited visibility of 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 measures in making financial, operating and planning decisions and in evaluating our performance, and we believe it 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:

- Facility closure: we have excluded the impact of the closure of our Athens, Texas pet bedding facility as it represents an infrequent transaction that occurs in limited circumstances that impacts the comparability between operating periods. We believe the adjustment of closure costs 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.

- (1) During the third quarter of fiscal 2023, we recognized incremental expense of \$13.9 million in the consolidated statement of operations, from the closure of a leased manufacturing and distribution facility in Athens, Texas.

Net Income and Diluted Net Income Per Share Reconciliation

	GAAP to Non-GAAP Reconciliation For the Three Months Ended		GAAP to Non-GAAP Reconciliation For the Nine Months Ended	
	June 24, 2023	June 25, 2022	June 24, 2023	June 25, 2022
(in thousands, except per share amounts)				
GAAP net income attributable to Central Garden & Pet Company	\$ 83,126	\$ 75,420	\$ 122,808	\$ 154,142
Facility closure (1)	13,921	—	13,921	—
Tax effect of facility closure	(3,373)	—	(3,373)	—
Non-GAAP net income attributable to Central Garden & Pet Company	<u>\$ 93,674</u>	<u>\$ 75,420</u>	<u>\$ 133,356</u>	<u>\$ 154,142</u>
GAAP diluted net income per share	\$ 1.56	\$ 1.39	\$ 2.30	\$ 2.82
Non-GAAP diluted net income per share	\$ 1.75	\$ 1.39	\$ 2.49	\$ 2.82
Shares used in GAAP and non-GAAP diluted net income per share calculation	53,380	54,329	53,466	54,658

Operating Income Reconciliation

	GAAP to Non-GAAP Reconciliation					
	For Three Months Ended June 24, 2023			For the Nine Months Ended June 24, 2023		
	GAAP	Facility Closure ⁽¹⁾	Non-GAAP	GAAP	Facility Closure ⁽¹⁾	Non-GAAP
(in thousands)						
Net sales	\$ 1,023,269	\$ —	\$ 1,023,269	\$ 2,559,936	\$ —	\$ 2,559,936
Cost of goods sold and occupancy	705,217	8,010	697,207	1,810,547	8,010	1,802,537
Gross profit	\$ 318,052	\$ (8,010)	\$ 326,062	\$ 749,389	\$ (8,010)	\$ 757,399
Selling, general and administrative expenses	195,222	5,911	189,311	548,112	5,911	542,201
Income from operations	<u>\$ 122,830</u>	<u>\$ (13,921)</u>	<u>\$ 136,751</u>	<u>\$ 201,277</u>	<u>\$ (13,921)</u>	<u>\$ 215,198</u>

Pet Segment Operating Income Reconciliation

	GAAP to Non-GAAP Reconciliation For the Three Months Ended		GAAP to Non-GAAP Reconciliation For the Nine Months Ended	
	Pet		Pet	
	June 24, 2023	June 25, 2022	June 24, 2023	June 25, 2022
(in thousands)				
GAAP operating income	\$ 59,969	\$ 62,616	\$ 154,779	\$ 168,512
Facility closure (1)	13,921	—	13,921	—
Non-GAAP operating income	<u>\$ 73,890</u>	<u>\$ 62,616</u>	<u>\$ 168,700</u>	<u>\$ 168,512</u>

Adjusted EBITDA Reconciliation**GAAP to Non-GAAP Reconciliation
For the Three Months Ended June 24, 2023**

	Pet	Garden	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet Company	\$ —	\$ —	\$ —	\$ 83,126
Interest expense, net	—	—	—	13,134
Other income	—	—	—	(853)
Income tax expense	—	—	—	27,000
Net income attributable to noncontrolling interest	—	—	—	423
Income (loss) from operations	59,969	88,088	(25,227)	122,830
Depreciation & amortization	10,060	10,823	818	21,701
Noncash stock-based compensation	—	—	7,305	7,305
Facility closure ⁽¹⁾	13,921	—	—	13,921
Adjusted EBITDA	\$ 83,950	\$ 98,911	\$ (17,104)	\$ 165,757

Adjusted EBITDA Reconciliation**GAAP to Non-GAAP Reconciliation
For the Three Months Ended June 25, 2022**

	Pet	Garden	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet Company	\$ —	\$ —	\$ —	\$ 75,420
Interest expense, net	—	—	—	14,335
Other expense	—	—	—	759
Income tax expense	—	—	—	23,430
Net income attributable to noncontrolling interest	—	—	—	135
Income (loss) from operations	62,616	75,564	(24,101)	114,079
Depreciation & amortization	9,791	9,118	975	19,884
Noncash stock-based compensation	—	—	7,400	7,400
Adjusted EBITDA	\$ 72,407	\$ 84,682	\$ (15,726)	\$ 141,363

Adjusted EBITDA Reconciliation**GAAP to Non-GAAP Reconciliation
For the Nine Months Ended June 24, 2023**

	Pet	Garden	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet Company	\$ —	\$ —	\$ —	\$ 122,808
Interest expense, net	—	—	—	41,600
Other income	—	—	—	(3,147)
Income tax expense	—	—	—	39,446
Net income attributable to noncontrolling interest	—	—	—	570
Income (loss) from operations	154,779	126,887	(80,389)	201,277
Depreciation & amortization	30,647	32,483	2,374	65,504
Noncash stock-based compensation	—	—	20,632	20,632
Facility closure ⁽¹⁾	13,921	—	—	13,921
Adjusted EBITDA	\$ 199,347	\$ 159,370	\$ (57,383)	\$ 301,334

Adjusted EBITDA Reconciliation

GAAP to Non-GAAP Reconciliation For the Nine Months Ended June 25, 2022

	Pet	Garden	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet Company	\$ —	\$ —	\$ —	\$ 154,142
Interest expense, net	—	—	—	43,445
Other expense	—	—	—	1,337
Income tax expense	—	—	—	47,319
Net income attributable to noncontrolling interest	—	—	—	895
Income (loss) from operations	168,512	152,132	(73,506)	247,138
Depreciation & amortization	28,879	26,457	2,997	58,333
Noncash stock-based compensation	—	—	18,879	18,879
Adjusted EBITDA	\$ 197,391	\$ 178,589	\$ (51,630)	\$ 324,350