

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, 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), non-GAAP net income and diluted net income per share, and EBITDA. 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 expense, 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 so 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 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:

- Tax reform impacts: 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 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.
- 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.
- 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. For fiscal 2018, 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.

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 made reflect the following:

- (1) Transitional impact of U.S. Tax Reform: As a result of the Tax Reform Act, during fiscal 2018, we recorded a tax benefit of \$21.5 million, of which \$16.3 million was recorded in the first quarter and \$5.2 million in the fourth quarter, 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 year earnings.

- (2) During fiscal 2017, we recognized a \$2.0 million gain in our Garden segment from the sale of a distribution facility. This adjustment was recorded as part of selling, general and administrative costs.

		GAAP to Non-GAAP Reconciliation (in thousands) For the Fiscal Year Ended September	
		2018	2017
Non-GAAP Adjustments			
(Gain)/loss on disposal of plant assets	(2)	\$ —	(2,050)
Total non-GAAP adjustments		—	(2,050)
Tax effects of non-GAAP adjustments	(1)	—	(757)
Tax effect of revaluation of deferred tax amounts	(1)	(21,485)	—
Total net income impact from non-GAAP adjustments		\$ 21,485	\$ (1,293)
SG&A Expense Reconciliation			
		\$ 508,040	\$ 476,696
GAAP SG&A expense		—	2,050
SG&A expense impact from non-GAAP adjustments	(2)	\$ 508,040	\$ 478,746
Non-GAAP SG&A expense		22.9%	23.2%
GAAP SG&A expense as a percentage of net sales		22.9%	23.3%
Operating Income Reconciliation			
GAAP operating income		\$ 167,336	\$ 156,112
Total operating income impact from non-GAAP adjustments	(2)	—	(2,050)
Non-GAAP operating income		\$ 167,336	\$ 154,062
GAAP operating margin		7.6%	7.6%
Non-GAAP operating margin		7.6%	7.5%
Garden Segment Operating Income Reconciliation			
		GAAP to Non-GAAP Reconciliation (in thousands) For the Fiscal Year Ended September	
		2018	2017
GAAP Garden segment operating income		\$ 95,551	87,298
Total operating income impact from non-GAAP adjustments	(2)	—	(2,050)
Non-GAAP Garden segment operating income		\$ 95,551	\$ 85,248
GAAP Garden segment operating margin		10.9%	10.8%
Non-GAAP Garden segment operating margin		10.9%	10.5%

GAAP to Non-GAAP Reconciliation
(in thousands, except per share amounts)
For the Fiscal Year Ended September

Net Income and Diluted Net Income Per Share Reconciliation

	2018	2017
GAAP net income attributable to Central Garden & Pet	\$ 123,594	\$ 78,828
Total non-GAAP adjustments (2)	—	(2,050)
Tax effects of non-GAAP adjustments (1)	—	757
Tax effect of revaluation of deferred tax amounts (1)	(21,485)	—
Total net income impact from non-GAAP adjustments	\$ (21,485)	\$ (1,293)
Non-GAAP net income attributable to Central Garden & Pet	\$ 102,109	\$ 77,535
GAAP diluted net income per share	\$ 2.32	\$ 1.52
Non-GAAP diluted net income per share	\$ 1.91	\$ 1.50
Shares used in GAAP and non-GAAP diluted net earnings per share calculation	53,341	51,820

GAAP to Non-GAAP Reconciliation
(in thousands)
For the Quarter Ended September 29, 2018

	September 29, 2018	September 30, 2017
Net income and diluted net income per share		
GAAP net income (loss)	\$ 10,568	\$ 4,259
Tax effect of revaluation of deferred tax amounts (1)	5,142	—
Non-GAAP net income	\$ 5,426	\$ 4,259
GAAP diluted income (loss) per share	\$ 0.19	\$ 0.08
Non-GAAP diluted income per share	\$ 0.10	\$ 0.08
Shares used in GAAP and non-GAAP diluted net earnings per share calculation	55,376	51,935

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
For the Fiscal Year Ended September 29, 2018

	Consolidated		Pet Segment		Garden Segment	
		Percent Change		Percent Change		Percent Change
Reported net sales FY 2018 (GAAP)	\$ 2,215.4		\$ 1,340.9		\$ 874.5	
Reported net sales FY 2017 (GAAP)	2,054.5		1,246.4		808.1	
Increase in net sales	160.9	7.8%	94.5	7.6%	66.4	8.2 %
Effect of acquisitions and dispositions on increase in net sales	140.3		56.2		84.1	
Increase (decrease) in organic net sales	20.6	1.0%	38.3	3.1%	(17.7)	(2.2)%
Estimated impact of extra week in fiscal 2017 on organic sales	32.8		21.4		11.4	
Organic net sales adjusted for extra week	\$ 53.4	2.6%	\$ 59.7	4.8%	\$ (6.3)	(0.8)%

**GAAP to Non-GAAP Reconciliation
For the Quarter Ended September 29, 2018**

	Consolidated		Pet Segment		Garden Segment	
		Percent Change		Percent Change		Percent Change
Reported net sales Q4 FY18 (GAAP)	\$ 502.3		\$ 339.4		\$ 162.9	
Reported net sales Q4 FY17 (GAAP)	\$ 490.5		\$ 330.5		\$ 160.0	
Increase in net sales	\$ 11.8	2.4 %	\$ 8.9	2.7 %	\$ 2.9	1.8 %
Effect of acquisition and divestitures on increase in net sales	\$ 31.1		\$ 14.6		\$ 16.5	
Decrease in organic net sales	\$ (19.3)	(3.9)%	\$ (5.7)	(1.7)%	\$ (13.6)	(8.5)%
Impact estimate of extra week in Q4 FY17	\$ 32.8		\$ 21.4		\$ 11.4	
Adjusted organic net sales	\$ 13.5	2.8 %	\$ 15.7	4.8 %	\$ (2.2)	(1.4)%

EBITDA Reconciliation

The following is a reconciliation of net income to EBITDA:

	GAAP to non-GAAP Reconciliation Fiscal Year Ended	
	September 29, 2018	September 30, 2017
EBITDA Reconciliation		
Net income attributable to Central Garden & Pet	\$ 123,594	\$ 78,828
Interest expense, net	36,051	28,062
Other expense	3,860	1,621
Income tax expense	3,305	46,699
Net income attributable to noncontrolling interest	526	902
Sum of items below operating income	43,742	\$ 77,284
Income from Operations	167,336	156,112
Depreciation & Amortization	47,199	42,719
EBITDA	\$ 214,535	\$ 198,831

	GAAP to non-GAAP Reconciliation Quarter Ended	
	September 29, 2018	September 30, 2017
EBITDA Reconciliation		
Net income attributable to Central Garden & Pet	\$ 10,568	\$ 4,259
Interest expense, net	8,938	7,185
Other expense	4,402	1,315
Income tax (benefit) expense	(5,497)	2,078
Net loss attributable to noncontrolling interest	(201)	(456)
Sum of items below operating income	7,642	10,122
Income from Operations	18,210	14,381
Depreciation & Amortization	12,327	11,345
EBITDA	\$ 30,537	\$ 25,726