

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 EBITDA, organic sales, non-GAAP operating income 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 (or operating income plus depreciation and amortization expense). 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 a substitute for cash flow from operations, income from operations or other income statement measures 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 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 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:

- Gains from the fair value remeasurement of previously held investment interests: we have excluded the impact of the fair value remeasurement of a previously held investment interest as it represents an infrequent transaction that occurs in limited circumstances that impacts the comparability between operating periods. We believe the adjustment of this gain supplements the GAAP information with a measure that may be used to assess the sustainability of our operating performance.
- Asset impairment charges: we have excluded the impact of asset impairments on intangible assets 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.
- 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.
- 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.

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) During the second quarter of fiscal 2019, we recorded a \$3.2 million non-cash gain in our Garden segment from the fair value remeasurement of our previously held 45% interest in Arden upon our acquisition of the remaining 55% interest. The gain was recorded as part of selling, general and administrative costs in the condensed consolidated statements of operations.
- (2) During the second quarter of fiscal 2019, we recognized a non-cash impairment charge in our Pet segment of \$2.5 million related to the impairment of intangible assets caused by a retail customer exiting the live fish business. The adjustment was recorded as part of selling, general and administrative costs.
- (3) 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 our deferred tax assets and liabilities. We excluded only this transitional impact and did not include in the adjustment the ongoing impact of the lower U.S. statutory rate on our earnings.

**GAAP to Non-GAAP Reconciliation
(in thousands)
For the Fiscal Year Ended**

Consolidated

	September 28, 2019	September 29, 2018
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Operating Income Reconciliation

GAAP operating income	\$ 152,068	\$ 167,336
Previously held investment interest fair value remeasurement	(1) (3,215)	—
Intangible asset impairment	(2) 2,540	—
Non-GAAP operating income	\$ 151,393	\$ 167,336

Pet Segment Operating Income Reconciliation

GAAP Pet segment operating income	\$ 122,727	\$ 140,353
Intangible asset impairment	(2) 2,540	—
Non-GAAP Pet segment operating income	\$ 125,267	\$ 140,353

Garden Segment Operating Income Reconciliation

GAAP Garden segment operating income	\$ 102,170	\$ 95,551
Previously held investment interest fair value remeasurement	(1) (3,215)	—
Non-GAAP Garden segment operating income	\$ 98,955	\$ 95,551

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

	September 28, 2019	September 29, 2018
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Net Income and Diluted Net Income Per Share Reconciliation

GAAP net income attributable to Central Garden & Pet	\$ 92,786	\$ 123,594
Previously held investment interest fair value remeasurement	(1) (3,215)	—
Intangible asset impairment	(2) 2,540	—
Tax effect of remeasurement and impairment	151	—
Tax effect of revaluation of deferred tax amounts	(3) —	(21,485)
Non-GAAP net income attributable to Central Garden & Pet	\$ 92,262	\$ 102,109
GAAP diluted net income per share	\$ 1.61	\$ 2.32
Non-GAAP diluted net income per share	\$ 1.60	\$ 1.91
Shares used in GAAP and non-GAAP diluted net earnings per share calculation	57,611	53,341

	GAAP to Non-GAAP Reconciliation (in thousands) For the Quarter Ended	
	September 28, 2019	September 29, 2018
Net income and diluted net income per share		
GAAP net income (loss)	\$ 2,440	\$ 10,568
Tax effect of revaluation of deferred tax amounts	(1) —	5,142
Non-GAAP net income	\$ 2,440	\$ 5,426
GAAP diluted income (loss) per share	\$ 0.04	\$ 0.19
Non-GAAP diluted income per share	\$ 0.04	\$ 0.10
Shares used in GAAP and non-GAAP diluted net earnings per share calculation	56,618	55,376

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 28, 2019					
	Consolidated		Pet Segment		Garden Segment	
		Percent Change		Percent Change		Percent Change
Reported net sales FY 2019 (GAAP)	\$ 2,383.0		\$ 1,384.7		\$ 998.3	
Reported net sales FY 2018 (GAAP)	2,215.4		1,340.9		874.5	
Increase in net sales	167.6	7.6%	43.8	3.3%	123.8	14.2%
Effect of acquisitions and dispositions on increase in net sales	134.7		46.3		88.4	
Increase (decrease) in organic net sales	\$ 32.9	1.5%	\$ (2.5)	(0.2)%	\$ 35.4	4.0%

	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 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 28, 2019**

	Consolidated		Pet Segment		Garden Segment	
		Percent Change		Percent Change		Percent Change
Reported net sales Q4 FY19 (GAAP)	\$ 540.7		\$ 355.9		\$ 184.8	
Reported net sales Q4 FY18 (GAAP)	502.3		339.4		162.9	
Increase in net sales	38.4	7.7%	16.5	4.9%	21.9	13.4%
Effect of acquisition and divestitures on increase in net sales	15.1		9.0		6.1	
Adjusted organic net sales	\$ 23.3	4.6%	\$ 7.5	2.2%	\$ 15.8	9.7%

**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:

EBITDA Reconciliation

Net income attributable to Central Garden & Pet	\$ 92,786
Interest expense, net	33,060
Other income	(243)
Income tax expense	26,604
Net income attributable to noncontrolling interest	(139)
Sum of items below operating income	59,282
Income from Operations	152,068
Depreciation & Amortization	50,828
EBITDA	\$ 202,896

**GAAP to non-GAAP Reconciliation
Fiscal Year Ended September 28, 2019**

	Total	Garden	Pet	Corp
Net income attributable to Central Garden & Pet	\$ 92,786	—	—	—
Interest expense, net	33,060	—	—	—
Other income	(243)	—	—	—
Income tax expense	26,604	—	—	—
Net income attributable to noncontrolling interest	(139)	—	—	—
Sum of items below operating income	59,282	—	—	—
Income from Operations	152,068	102,170	122,727	(72,829)
Depreciation & Amortization	50,828	11,959	32,803	6,066
EBITDA	\$ 202,896	\$ 114,129	155,530	(66,763)

GAAP to non-GAAP Reconciliation
Fiscal Year Ended September 29, 2018

EBITDA Reconciliation

	Total	Garden	Pet	Corp
Net income attributable to Central Garden & Pet	\$ 123,594	—	—	—
Interest expense, net	36,051	—	—	—
Other income	3,860	—	—	—
Income tax expense	3,305	—	—	—
Net income attributable to noncontrolling interest	526	—	—	—
Sum of items below operating income	43,742	—	—	—
Income from Operations	167,336	95,551	140,353	(68,568)
Depreciation & Amortization	47,199	8,744	29,889	8,566
EBITDA	\$ 214,535	\$ 104,295	170,242	(60,002)

GAAP to non-GAAP Reconciliation
Quarter Ended

	September 28, 2019	September 29, 2018
Net income attributable to Central Garden & Pet	\$ 2,440	\$ 10,568
Interest expense, net	8,100	8,938
Other expense	245	4,402
Income tax expense	573	(5,497)
Net income attributable to noncontrolling interest	(495)	(201)
Sum of items below operating income	8,423	7,642
Income from Operations	10,863	18,210
Depreciation & Amortization	13,517	12,327
EBITDA	\$ 24,380	\$ 30,537