

## 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. Management does not attempt to provide reconciliations of forward-looking non-GAAP EPS guidance to projected GAAP EPS guidance because the combined impact and timing of recognition of these potential charges or gains is inherent uncertain and difficult to predict and is unavailable without unreasonable efforts. In addition, the Company believes such reconciliations would imply a degree of precision and certainty that could be confusing to investors. Such items could have a substantial impact on GAAP measures of financial performance.

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.
- 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 third quarter of fiscal 2020, we recorded a \$3.6 million non-cash impairment charge for two private company investments. The Impairment was recorded as part of other income (expense).

- (2) 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.
- (3) 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.

	GAAP to Non-GAAP Reconciliation For the Fiscal Year Ended	
	Consolidated	
	September 26, 2020	September 28, 2019
	(in thousands)	
<b>Operating Income Reconciliation</b>		
GAAP operating income	\$ 197,977	\$ 152,068
Previously held investment interest fair value remeasurement	(2) —	(3,215)
Intangible asset impairment	(3) —	2,540
Non-GAAP operating income	<u>\$ 197,977</u>	<u>\$ 151,393</u>
<b>Pet Segment Operating Income Reconciliation</b>		
GAAP Pet segment operating income	\$ 154,190	\$ 122,727
Intangible asset impairment	(3) —	2,540
Non-GAAP Pet segment operating income	<u>\$ 154,190</u>	<u>\$ 125,267</u>
<b>Garden Segment Operating Income Reconciliation</b>		
GAAP Garden segment operating income	\$ 132,592	\$ 102,170
Previously held investment interest fair value remeasurement	(2) —	(3,215)
Non-GAAP Garden segment operating income	<u>\$ 132,592</u>	<u>\$ 98,955</u>

	GAAP to Non-GAAP Reconciliation For the Fiscal Year Ended	
	(in thousands, except per share amounts)	
	September 26, 2020	September 28, 2019
<b>Net Income and Diluted Net Income Per Share Reconciliation</b>		
GAAP net income attributable to Central Garden & Pet	\$ 120,676	\$ 92,786
Previously held investment interest fair value remeasurement	(2) —	(3,215)
Investment Impairments	(1) 3,566	—
Intangible asset impairment	(3) —	2,540
Tax effect of remeasurement and impairment	(747)	151
Non-GAAP net income attributable to Central Garden & Pet	<u>\$ 123,495</u>	<u>\$ 92,262</u>
GAAP diluted net income per share	\$ 2.20	\$ 1.61
Non-GAAP diluted net income per share	\$ 2.26	\$ 1.60
Shares used in GAAP and non-GAAP diluted net earnings per share calculation	54,738	57,611

## 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 26, 2020

	(in millions)					
	Consolidated		Pet Segment		Garden Segment	
		Percent Change		Percent Change		Percent Change
Reported net sales FY 2020 (GAAP)	\$ 2,695.5		\$ 1,562.2		\$ 1,133.3	
Reported net sales FY 2019 (GAAP)	2,383.0		1,384.7		998.3	
Increase in net sales	312.5	13.1 %	177.5	12.8 %	135	13.5 %
Effect of acquisitions and dispositions on increase in net sales	58.4		29.6		28.8	
Increase in organic net sales	<u>\$ 254.1</u>	10.7 %	<u>\$ 147.9</u>	10.7 %	<u>\$ 106.2</u>	10.6 %

### GAAP to Non-GAAP Reconciliation For the Fiscal Year Ended September 28, 2019

	(in millions)					
	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	<u>\$ 32.9</u>	1.5 %	<u>\$ (2.5)</u>	(0.2)%	<u>\$ 35.4</u>	4.0 %

## EBITDA Reconciliation

The following is a reconciliation of net income to EBITDA:

### GAAP to non-GAAP Reconciliation Fiscal Year Ended September 26, 2020

(in thousands)

EBITDA Reconciliation	Total	Garden	Pet	Corp
Net income attributable to Central Garden & Pet	\$ 120,676	—	—	—
Interest expense, net	39,989	—	—	—
Other expense	4,250	—	—	—
Income tax expense	32,218	—	—	—
Net income attributable to noncontrolling interest	844	—	—	—
Sum of items below operating income	77,301	—	—	—
Income (loss) from operations	197,977	\$ 132,592	\$ 154,190	\$ (88,805)
Depreciation & amortization	55,359	13,520	\$ 35,186	\$ 6,653
EBITDA	\$ 253,336	\$ 146,112	189,376	(82,152)

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

(in thousands)

EBITDA Reconciliation	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 loss attributable to noncontrolling interest	(139)	—	—	—
Sum of items below operating income	59,282	—	—	—
Income (loss) 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 Quarter Ended September 26, 2020

(in thousands)

EBITDA Reconciliation	Total	Garden	Pet	Corp
Net income attributable to Central Garden & Pet	\$ 13,589	—	—	—
Interest expense, net	10,545	—	—	—
Other expense	35	—	—	—
Income tax expense	1,007	—	—	—
Net loss attributable to noncontrolling interest	(9)	—	—	—
Sum of items below operating income	\$ 11,578	\$ —	\$ —	\$ —
Income (loss) from operations	25,167	10,153	39,591	(24,577)
Depreciation & amortization	15,761	3,363	9,881	2,517
EBITDA	\$ 40,928	\$ 13,516	\$ 49,472	\$ (22,060)

**GAAP to non-GAAP Reconciliation**  
**Quarter Ended September 28, 2019**

<b>EBITDA Reconciliation</b>	(in thousands)			
	Total	Garden	Pet	Corp
Net income attributable to Central Garden & Pet	\$ 2,440	—	—	—
Interest expense, net	\$ 8,100	—	—	—
Other income	\$ 245	—	—	—
Income tax expense	\$ 573	—	—	—
Net loss attributable to noncontrolling interest	(495)	—	—	—
Sum of items below operating income	\$ 8,423	\$ —	\$ —	\$ —
Income (loss) from operations	\$ 10,863	349	30,922	(20,408)
Depreciation & amortization	13,517	3,324	\$ 8,625	\$ 1,568
<b>EBITDA</b>	<b>\$ 24,380</b>	<b>\$ 3,673</b>	<b>\$ 39,547</b>	<b>\$ (18,840)</b>