

November 25, 2024



## Use of Non-GAAP Financial Measures

We report our financial results in accordance with 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, non-GAAP gross profit and gross margin, non-GAAP selling, general and administrative expense, adjusted EBITDA and organic net sales. Management uses these non-GAAP financial measures that exclude the impact of specific items (described below) in making financial, operating and planning decisions and in evaluating our performance.

Management believes that these 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. While Management believes that non-GAAP measures 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.

Adjusted EBITDA is defined by us as income before income tax, net other expense, net interest expense and depreciation and amortization and stock-based compensation expense (or operating income plus depreciation and amortization expense and stock-based compensation expense). Adjusted EBITDA further excludes one-time charges related to facility closures exits of business, intangible and investment impairments and gains from a litigation settlement. 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 evaluations. 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 as we cannot do so without unreasonable efforts due to the potential variability and limited visibility of excluded items. For the same reasons, we are unable to address the probable significance of the unavailable information.

Non-GAAP financial measures reflect adjustments based on the following items:

- *Facility closures and business exit:* we have excluded charges related to the closure of distribution and manufacturing facilities and our decision to exit the pottery business as they represent infrequent transactions that impact the comparability between operating periods. We believe these exclusions supplement the GAAP information with a measure that may be useful to investors in assessing the sustainability of our operating performance.
- *Asset impairment charges:* we exclude the impact of asset impairments on intangible assets and investments 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 performance of our ongoing operations.
- *Gain from litigation settlement:* we exclude the gain from a litigation settlement as it is a one-time occurrence. We believe that the exclusion of this gain supplements the GAAP information with a measure that can be used to assess the performance of our ongoing operations.
- *Gain on sale of a business or service line:* we exclude the impact of the gain on the sale of a business 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 performance of our ongoing operations.

- *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:

#### **Facility closures and business exits**

- (1) During the fourth quarter of fiscal year 2024, we recognized incremental expense of \$7.5 million in our Pet segment in the consolidated statement of operations, from the closure of manufacturing facilities in California and Arizona. Additionally, we recognized incremental expense in our Garden segment of \$3.9 million related to facility closures and business exits announced in fiscal 2023 and earlier in fiscal 2024.
- (2) During the third quarter of fiscal 2024, we recognized incremental expense of \$11.1 million in the consolidated statement of operations, from the decision to exit the pottery business, the closure of a live goods distribution facility in Delaware and the relocation of our grass seed research facility.
- (3) During the second quarter of fiscal 2024, we recognized incremental expense of \$5.3 million in the consolidated statement of operations from the closure of a manufacturing facility in California and the consolidation of our Southeast distribution network.
- (4) During the fourth quarter of fiscal 2023, we recognized a gain of \$5.8 million from the sale of our independent garden center distribution business, which includes the impact of associated facility closure costs. The gain is included in selling, general and administrative expense in the consolidated statement of operations.
- (5) In fiscal 2023, we recognized incremental expense of \$13.9 million in our Pet segment in the consolidated statement of operations from the closure of a manufacturing and distribution facility in Texas. Additionally, we recognized incremental expense of \$1.8 million in our Pet segment in the consolidated statement of operations, from the closure of a second manufacturing and distribution facility in Texas.

#### **Intangible Impairments**

- (6) During the fourth quarter of fiscal 2024, we recognized a non-cash impairment charge in our Pet segment of \$12.8 million related to the impairment of intangible assets due primarily to changing market conditions resulting from the decline in demand for durable products and increased international competition.
- (7) In fiscal 2023, we recognized a non-cash impairment charge in our Pet segment of \$2.8 million related to the impairment of intangible assets caused by the loss of a significant customer in our live fish business. Also, we recognized a non-cash impairment charge in our Garden segment of \$3.9 million related to the impairment of intangible assets due to reduced demand for products we sold under an acquired trade name. The impairments were recorded as part of selling, general and administrative costs.

#### **Gain from litigation and investment impairment**

- (8) Within corporate, the Company received \$3.2 million during the fourth quarter of fiscal 2024 in settlement of litigation which gain is included in selling, general and administrative expense. Additionally, we recognized a \$7.5 million non-cash impairment charge for two related private company investments that is included within Other income (expense) in the consolidated statement of operations.

## Net Income and Diluted Net Income Per Share Reconciliation

	GAAP to Non-GAAP Reconciliation			
	Three Months Ended		Fiscal Year Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
	(in thousands, except per share amount)			
GAAP net (loss) income attributable to Central Garden & Pet Company	\$ (34,158)	\$ 2,835	\$ 107,983	\$ 125,643
Facility closures	(1)(2)(3)(5) 11,457	1,751	27,842	15,672
Intangible impairments	(6)(7) 12,790	6,731	12,790	6,731
Litigation settlement	(8) (3,200)	—	(3,200)	—
Independent channel distribution business sale	(4) —	(5,844)	—	(5,844)
Investment impairment	(8) 7,461	—	7,461	—
Tax effect of adjustments	(6,725)	(332)	(10,437)	(3,705)
Non-GAAP net (loss) income attributable to Central Garden & Pet Company	\$ (12,375)	\$ 5,141	\$ 142,439	\$ 138,497
GAAP diluted net income per share	\$ (0.51)	\$ 0.04	\$ 1.62	\$ 1.88
Non-GAAP diluted net income per share	\$ (0.18)	\$ 0.08	\$ 2.13	\$ 2.07
Shares used in GAAP and non-GAAP diluted net income per share calculation	66,917	66,671	66,860	66,783

## Operating Income Reconciliation

	GAAP to Non-GAAP Reconciliation					
	Three Months Ended September 28, 2024			Fiscal Year Ended September 28, 2024		
	GAAP	Adjustments <sup>(1)(6)(8)</sup>	Non-GAAP	GAAP	Adjustments <sup>(1)(2)(3)(6)(8)</sup>	Non-GAAP
	(in thousands)					
Net sales	\$ 669,489	\$ —	\$ 669,489	\$ 3,200,460	\$ —	\$ 3,200,460
Cost of goods sold and occupancy	500,537	5,209	495,328	2,256,725	16,349	2,240,376
Gross profit	168,952	(5,209)	174,161	943,735	(16,349)	960,084
Selling, general and administrative expenses	201,360	15,838	185,522	758,348	21,083	737,265
(Loss) Income from operations	\$ (32,408)	\$ (21,047)	\$ (11,361)	\$ 185,387	\$ (37,432)	\$ 222,819
Gross margin	25.2 %		26.0 %	29.5 %		30.0 %
Operating margin	(4.8)%		(1.7)%	5.8 %		7.0 %

## Operating Income Reconciliation

	GAAP to Non-GAAP Reconciliation					
	Three Months Ended September 30, 2023			Fiscal Year Ended September 30, 2023		
	GAAP	Adjustments <sup>(4)(5)(7)</sup>	Non-GAAP	GAAP	Adjustments <sup>(4)(5)(7)</sup>	Non-GAAP
	(in thousands)					
Net sales	\$ 750,147	\$ —	\$ 750,147	\$ 3,310,083	\$ —	\$ 3,310,083
Cost of goods sold and occupancy	552,694	1,751	550,943	2,363,241	9,761	2,353,480
Gross profit	197,453	(1,751)	199,204	946,842	(9,761)	956,603
Selling, general and administrative expenses	188,084	887	187,197	736,196	6,798	729,398
Income from operations	\$ 9,369	\$ (2,638)	\$ 12,007	\$ 210,646	\$ (16,559)	\$ 227,205
Gross margin	26.3 %		26.6 %	28.6 %		28.9 %
Operating margin	1.2 %		1.6 %	6.4 %		6.9 %

## Pet Segment Operating Income Reconciliation

	GAAP to Non-GAAP Reconciliation			
	Three Months Ended		Fiscal Year Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
	(in thousands)			
GAAP operating income	\$ 14,310	\$ 43,225	\$ 203,425	\$ 198,004
Facility closures	(1)(5) 7,549	1,751	7,549	15,672
Intangible impairments	(6)(7) 12,790	2,785	12,790	2,785
Non-GAAP operating income	\$ 34,649	\$ 47,761	\$ 223,764	\$ 216,461
GAAP operating margin	3.3 %	9.0 %	11.1 %	10.5 %
Non-GAAP operating margin	8.0 %	9.9 %	12.2 %	11.5 %

## Garden Segment Operating Income Reconciliation

	GAAP to Non-GAAP Reconciliation			
	Three Months Ended		Fiscal Year Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
	(in thousands)			
GAAP operating income	\$ (28,806)	\$ (3,432)	\$ 81,893	\$ 123,455
Facility closures	(1)(2)(3) 3,908	—	20,293	—
Independent channel distribution business sale	(4) —	(5,844)	—	(5,844)
Intangible impairments	(7) —	3,946	—	3,946
Non-GAAP operating (loss) income	\$ (24,898)	\$ (5,330)	\$ 102,186	\$ 121,557
GAAP operating margin	(12.3)%	(1.3)%	6.0 %	8.6 %
Non-GAAP operating margin	(10.6)%	(2.0)%	7.5 %	8.5 %

## Organic Net Sales Reconciliation

	GAAP to Non-GAAP Reconciliation					
	Three Months Ended September 28, 2024			Fiscal Year Ended September 28, 2024		
	Net sales (GAAP)	Effect of acquisitions & divestiture on net sales	Net sales organic	Net sales (GAAP)	Effect of acquisitions & divestitures on net sales	Net sales organic
	(in millions)					
Reported net sales FY 2024	\$ 669.5	\$ 18.0	\$ 651.5	\$ 3,200.5	\$ 66.4	\$ 3,134.1
Reported net sales FY 2023	750.1	3.7	746.4	3,310.1	48.1	3,262.0
\$ decrease	<u>\$ (80.6)</u>	<u>\$ 14.3</u>	<u>\$ (94.9)</u>	<u>\$ (109.6)</u>	<u>\$ 18.3</u>	<u>\$ (127.9)</u>
% decrease	(10.7)%		(12.7)%	(3.3)%		(3.9)%

## Organic Pet Segment Net Sales Reconciliation

	GAAP to Non-GAAP Reconciliation					
	Three Months Ended September 28, 2024			Fiscal Year Ended September 28, 2024		
	Net sales (GAAP)	Effect of acquisitions & divestitures on net sales	Net sales organic	Net sales (GAAP)	Effect of acquisitions & divestitures on net sales	Net sales organic
	(in millions)					
Reported net sales FY 2024	\$ 435.3	\$ 18.0	\$ 417.3	\$ 1,832.8	\$ 66.4	\$ 1,766.4
Reported net sales FY 2023	482.8	—	482.8	1,877.2	—	1,877.2
\$ decrease	<u>\$ (47.5)</u>	<u>\$ 18.0</u>	<u>\$ (65.5)</u>	<u>\$ (44.4)</u>	<u>\$ 66.4</u>	<u>\$ (110.8)</u>
% decrease	(9.8)%		(13.6)%	(2.4)%		(5.9)%

## Organic Garden Segment Net Sales

	GAAP to Non-GAAP Reconciliation					
	Three Months Ended September 28, 2024			Fiscal Year Ended September 28, 2024		
	Net sales (GAAP)	Effect of acquisitions & divestitures on net sales	Net sales organic	Net sales (GAAP)	Effect of acquisitions & divestitures on net sales	Net sales organic
	(in millions)					
Reported net sales FY 2024	\$ 234.2	\$ —	\$ 234.2	\$ 1,367.7	\$ —	\$ 1,367.7
Reported net sales FY 2023	267.3	3.7	263.6	1,432.9	48.1	1,384.8
\$ decrease	<u>\$ (33.1)</u>	<u>\$ (3.7)</u>	<u>\$ (29.4)</u>	<u>\$ (65.2)</u>	<u>\$ (48.1)</u>	<u>\$ (17.1)</u>
% decrease	(12.4)%		(11.2)%	(4.6)%		(1.2)%

## Adjusted EBITDA Reconciliation

	GAAP to Non-GAAP Reconciliation			
	Fiscal Year Ended September 28, 2024			
	Pet	Garden	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet	\$ —	\$ —	\$ —	\$ 107,983
Interest expense, net	—	—	—	37,872
Other expense	—	—	—	5,090
Income tax expense	—	—	—	33,112
Net income attributable to noncontrolling interest	—	—	—	1,330
Sum of items below operating income	—	—	—	77,404
Income (loss) from operations	203,425	81,893	(99,931)	185,387
Depreciation & amortization	43,642	44,403	2,762	90,807
Noncash stock-based compensation	—	—	20,583	20,583
Non-GAAP adjustments (1)(2)(3)(6)(8)	20,339	20,293	(3,200)	37,432
Adjusted EBITDA	\$ 267,406	\$ 146,589	\$ (79,786)	\$ 334,209

## Adjusted EBITDA Reconciliation

	GAAP to Non-GAAP Reconciliation			
	Fiscal Year Ended September 30, 2023			
	Pet	Garden	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet	\$ —	\$ —	\$ —	\$ 125,643
Interest expense, net	—	—	—	49,663
Other income	—	—	—	(1,462)
Income tax expense	—	—	—	36,348
Net income attributable to noncontrolling interest	—	—	—	454
Sum of items below operating income	—	—	—	85,003
Income (loss) from operations	198,004	123,455	(110,813)	210,646
Depreciation & amortization	41,126	43,375	3,199	87,700
Noncash stock-based compensation	—	—	27,990	27,990
Non-GAAP adjustments (4)(5)(7)	18,457	(1,898)	—	16,559
Adjusted EBITDA	\$ 257,587	\$ 164,932	\$ (79,624)	\$ 342,895

## Adjusted EBITDA Reconciliation

	GAAP to Non-GAAP Reconciliation			
	Three Months Ended September 28, 2024			
	Pet	Garden	Corp	Total
	(in thousands)			
Net loss attributable to Central Garden & Pet	\$ —	\$ —	\$ —	\$ (34,158)
Interest expense, net	—	—	—	6,476
Other expense	—	—	—	6,137
Income tax benefit	—	—	—	(10,621)
Net loss attributable to noncontrolling interest	—	—	—	(242)
Sum of items below operating income	—	—	—	1,750
Income (loss) from operations	14,310	(28,806)	(17,912)	(32,408)
Depreciation & amortization	10,741	11,375	622	22,738
Noncash stock-based compensation	—	—	5,445	5,445
Non-GAAP adjustments	(1)(2)(3)(6)(8) 20,339	3,908	(3,200)	21,047
Adjusted EBITDA	\$ 45,390	\$ (13,523)	\$ (15,045)	\$ 16,822

## Adjusted EBITDA Reconciliation

	GAAP to Non-GAAP Reconciliation			
	Three Months Ended September 30, 2023			
	Pet	Garden	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet	\$ —	\$ —	\$ —	\$ 2,835
Interest expense, net	—	—	—	8,063
Other expense	—	—	—	1,685
Income tax benefit	—	—	—	(3,098)
Net loss attributable to noncontrolling interest	—	—	—	(116)
Sum of items below operating income	—	—	—	6,534
Income (loss) from operations	43,225	(3,432)	(30,424)	9,369
Depreciation & amortization	10,479	10,892	825	22,196
Noncash stock-based compensation	—	—	7,358	7,358
Non-GAAP adjustments	(4)(5)(7) 4,536	(1,898)	—	2,638
Adjusted EBITDA	\$ 58,240	\$ 5,562	\$ (22,241)	\$ 41,561