ScottsMiracle-Gro Revises Full-Year Guidance for Fiscal 2019; Sales Outlook Improves for U.S. Consumer and Hawthorne

June 5, 2019

- Company-wide sales now expected to improve 13-14% from 2018
- U.S. Consumer segment sales expected to improve 3-4%
- Hawthorne segment sales expected to improve 75-80%; 12-15% on comparative basis
- Non-GAAP adjusted EPS guidance revised to range of $4.20 to $4.40

MARYSVILLE, Ohio, June 05, 2019 (GLOBE NEWSWIRE) -- The Scotts Miracle-Gro Company (NYSE: SMG), the world's leading marketer of branded consumer lawn and garden as well as hydroponic growing products, today announced that it now expects company-wide sales to improve 13 to 14 percent for the full-year, higher than its previous guidance, based on stronger-than-expected performance in both its U.S. Consumer and Hawthorne segments. The Company also raised its outlook for adjusted earnings per share on a full year basis.

Sales in the U.S. consumer segment are expected to improve 3 to 4 percent from 2018 levels, contributing a similar level of growth on a company-wide basis. This compared to the previous guidance of 1 to 2 percent growth. Hawthorne segment sales are expected to grow 75 to 80 percent, with comparative sales growth of 12 to 15 percent. Hawthorne is expected to contribute approximately 10 points of growth on a company-wide basis, up from 8 to 9 percent initially.

The Company also revised its guidance for non-GAAP adjusted earnings per share to a range of $4.20 to $4.40, compared with previous guidance of $4.10 to $4.30 per share.

"Hawthorne continues to benefit from strong growth in both long-standing markets like California and emerging markets like Florida and Michigan," said Randy Coleman, chief financial officer. "Also, we are now expecting stronger sales growth in our U.S. Consumer business due to higher-than-planned sales of mulch products and increased year-over-year retailer engagement."

Consumer purchases of the Company's core lawn and garden products were up 4 percent entering fiscal June, driven primarily by continued demand for soils, mulch, weed control and lawn care products.

"The year-over-year POS comparisons for May were extremely difficult, but we exited the month in line with our initial expectations for year-to-date consumer purchases," Coleman said. "We believe the U.S. Consumer business is well-positioned as we begin line review discussions with our retail partners about our plans for next season."

The Company expects the gross margin rate to be flat to down 50 basis points for the full year due to higher-than-expected lower margin mulch sales in the U.S. Consumer segment as well as increased promotional spending in Hawthorne. The promotional activity has helped Hawthorne improve its overall position in the marketplace and more clearly establish itself as the leading provider of hydroponic growing equipment.

SG&A is now expected to increase 8 to 9 percent on a full-year basis, compared to an original projection of 5 to 6 percent. Higher marketing spending has been the primary driver in the revision due to investments in support of new weed control products that were not anticipated at the start of the year.

Free cash flow, defined as operating cash flow net of capital expenditures, is expected to range from $140 to $160 million. That number includes approximately $45 million of litigation payments that were accrued for in fiscal 2018, as well as approximately $120 million of tax payments associated with the $234 million of proceeds, reflected as investing cash flow, from the 2019 divestiture of the Company's minority ownership position in TruGreen.

"While we still have work in front of us for the balance of the fiscal year, we are pleased with our overall performance this season, the strength of our brands and the strong recovery we've seen in the hydroponics industry," Coleman said. "We continue to see cash flow as our primary financial metric and, without the unusual litigation and tax items, we would be expecting free cash flow of approximately $300 million."

ScottsMiracle-Gro management will be discussing the updated guidance and other strategic initiatives on Thursday, June 6 at the William Blair 39th Annual Growth Stock Conference in Chicago at 10:40 a.m. central time. The remarks will be available via webcast at investor.scotts.com.

About ScottsMiracle-Gro
With approximately $2.6 billion in sales, the Company is one of the world's largest marketers of branded consumer products for lawn and garden care. The Company's brands are among the most recognized in the industry. The Company's Scotts®, Miracle-Gro® and Ortho® brands are market-leading in their categories. The Company's wholly-owned subsidiary, The Hawthorne Gardening Company, is a leading provider of nutrients, lighting and other materials used in the hydroponic growing segment. For additional information, visit us at www.scottsmiraclegro.com.

Forward Looking Non-GAAP Measures
In this release, the Company provides an outlook for fiscal 2019 non-GAAP adjusted EPS. The Company does not provide a GAAP EPS outlook, which is the most directly comparable GAAP measure to non-GAAP adjusted EPS, because changes in the items that the Company excludes from GAAP EPS to calculate non-GAAP adjusted EPS, described above, can be dependent on future events that are less capable of being controlled or reliably predicted by management and are not part of the Company's routine operating activities. Additionally, due to their unpredictability, management does not forecast the excluded items for internal use and therefore cannot create or rely on a GAAP EPS outlook without unreasonable efforts. The timing and amount of any of the excluded items could significantly impact the Company's GAAP EPS. As a result, the Company does not provide a reconciliation of guidance for non-GAAP adjusted EPS to GAAP EPS, in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K.

Cautionary Note Regarding Forward-Looking Statements

Statements contained in this press release, other than statements of historical fact, which address activities, events and developments that the Company expects or anticipates will or may occur in the future, including, but not limited to, information regarding the future economic performance and financial condition of the Company, the plans and objectives of the Company's management, and the Company's assumptions regarding such performance and plans are "forward-looking statements" within the meaning of the U.S. federal securities laws that are subject to risks and uncertainties. These forward-looking statements generally can be identified as statements that include phrases such as "guidance," "outlook," "projected," "believe," "target," "predict," "estimate," "forecast," "strategy," "may," "goal," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will," "should" or other similar words or phrases. Actual results could differ materially from the forward-looking information in this release due to a variety of factors, including, but not limited to:

- Compliance with environmental and other public health regulations could increase the Company's costs of doing business or limit the Company's ability to market all of its products;
- Damage to the Company's reputation or the reputation of its products or products it markets on behalf of third parties could have an adverse effect on its business;
- The highly competitive nature of the Company's markets could adversely affect its ability to maintain or grow revenues;
- Because of the concentration of the Company's sales to a small number of retail customers, the loss of one or more of, or significant reduction in orders from, its top customers could adversely affect the Company's financial results;
- Climate change and unfavorable weather conditions could adversely impact financial results;
- Certain of the Company's products may be purchased for use in new or emerging industries or segments and/or be subject to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations and consumer perceptions;
- The Company may not be able to adequately protect its intellectual property and other proprietary rights that are material to the Company's business;
- In the event the Restated Marketing Agreement for consumer Roundup products terminates, or Monsanto's consumer Roundup business materially declines the Company would lose a substantial source of future earnings and overhead expenses absorption;
- Hagedorn Partnership, L.P. beneficially owns approximately 27% of the Company's common shares and can significantly influence decisions that require the approval of shareholders;
- Acquisitions, other strategic alliances and investments could result in operating difficulties, dilution and other harmful consequences that may adversely impact the Company's business and results of operations.

Additional detailed information concerning a number of the important factors that could cause actual results to differ materially from the forward-looking information contained in this release is readily available in the Company's publicly filed quarterly, annual and other reports. The Company disclaims any obligation to update developments of these risk factors or to announce publicly any revision to any of the forward-looking statements contained in this release, or to make corrections to reflect future events or developments.

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