



ScottsMiracle-Gro Announces Preliminary Sales Results for Second Quarter; Strong Product Demand is Driving U.S. Consumer and Hawthorne Segments

March 26, 2020

Strong safety measures implemented for associates working in essential operations

MARYSVILLE, Ohio, March 26, 2020 (GLOBE NEWSWIRE) -- The Scotts Miracle-Gro Company (NYSE: SMG) today announced preliminary results for its second fiscal quarter and said demand for products in both its U.S. Consumer and Hawthorne segments surged in recent weeks, especially in categories focused on edible gardening, professional growing and pest control.

For its fiscal second quarter, which ends March 28, 2020, ScottsMiracle-Gro expects to report an increase in company-wide sales of approximately 16 to 17 percent compared with the same period a year ago. Sales in the U.S. Consumer segment are expected to increase approximately 12 percent while Hawthorne sales are expected to increase at least 55 percent for the quarter.

In the U.S. Consumer segment, demand increased sharply in March, resulting in an increase in consumer purchases approaching 25 percent for the second quarter. During the month, soil and insect control purchases increased nearly 35 percent and 45 percent respectively. Bonnie Plants, in which the Company maintains a 25 percent interest, said consumer purchases increased nearly 60 percent in March, with many markets in the southern U.S. up more than 100 percent.

"Demand in nearly all areas of the business has surged in recent weeks and we have benefited as a result," said Randy Coleman, executive vice president and chief financial officer. "However, we have been more focused on understanding the potential challenges that may accompany a dramatic slowing of the economy in the weeks ahead and ensuring we are well-positioned to manage those issues. I am confident, based on our current scenario planning, that we will continue to manage within our existing debt covenants, have no liquidity concerns, and should be well-positioned to resume a normal business cadence once this crisis passes."

Coleman said share repurchase activity is being suspended and that certain capital expenditures may be delayed until next year.

"Based solely on our expected first half results, we currently are making no changes to our guidance," Coleman said. "We recognize the potential risk to consumer purchases in the months ahead, and while we cannot accurately predict what will occur, we have significant cost savings tools available to us if needed. We also have a history of open communications with the investment community and will share more when we know more."

The Company, which has maintained a pandemic crisis plan for nearly a decade, began planning to manage COVID-19 issues in January and continues to be fully operational. The Company's manufacturing and distribution operations are viewed as essential services and continue to operate normally. There have been no significant disruptions thus far of incoming supplies and raw materials nor a delay in shipments to retailers and other customers. All of the Company's major retail partners also have been designated as essential services and remain open.

"While we are coordinating closely with our partners to meet the current market demand, our main priority has been taking the steps necessary to protect our associates in the face of the COVID-19 crisis," said Jim Hagedorn, chairman and CEO. Hagedorn, who previously served on the board of the CDC Foundation, continued, "we have been aggressive in protecting the safety of our associates, their families and our communities. That commitment will not change."

Hagedorn said the Company has implemented a premium pay allowance for associates in its field sales force as well as those still working in manufacturing or distribution centers. The Company also continues to honor the contracts of third-party vendors that manage functions such as wellness, food, mail and janitorial services in office facilities that are currently closed.

"In addition to the safety protocols we've put in place I want to ensure that our people don't suffer economic harm from a crisis that, for most of them, came out of nowhere," Hagedorn said. "This is a family business and that fact is key to why we have thrived for more than 150 years. Our ScottsMiracle-Gro family remains our top priority."

"In these unprecedented times I am proud of the efforts of our team in all parts of the company around the world. We know we have a difficult comparison in April that would likely have chipped away at our strong year-to-date growth regardless of the current market realities. But we're encouraged for the time being that consumers and professionals are continuing to focus on their gardens and greenhouses."

The Company said it plans to announce its full second quarter results on May 6, 2020.

About ScottsMiracle-Gro

With approximately \$3.2 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 indoor and hydroponic growing segment. For additional information, visit us at www.scottsmiraclegro.com.

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 or changes in such regulations or regulatory enforcement priorities 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;
- If the Company is unable to effectively execute its e-commerce business, its reputation and operating results may be harmed;
- 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's operations may be impaired if its information technology systems fail to perform adequately or if it is the subject of a data breach or cyber-attack;
- 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 Third 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 expense absorption;
- Hagedorn Partnership, L.P. beneficially owns approximately 26% 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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Source: Scotts Miracle-Gro Company