ScottsMiracle-Gro

ScottsMiracle-Gro Expands Hawthorne Gardening Portfolio with Acquisitions of Luxx Lighting and True Liberty Bags

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Company reaffirms full-year guidance for adjusted EPS; lowers sales outlook for Hawthorne

MARYSVILLE, Ohio, Jan. 04, 2022 (GLOBE NEWSWIRE) -- The Scotts Miracle-Gro Company (NYSE: SMG), the world's leading marketer of branded consumer lawn and garden as well as indoor and hydroponic growing products, today announced it has acquired Luxx Lighting in a transaction that significantly strengthens The Hawthorne Gardening Company's industry-leading lighting portfolio. The Company also said it has acquired True Liberty Bags, the industry's leading provider of liners and storage solutions to dry and cure plant products.

"These strategic acquisitions reinforce our commitment to provide commercial cannabis cultivators in state-authorized markets with a complete set of solutions driven by insight and innovation," said Chris Hagedorn, division president of Hawthorne. "While the cannabis market continues to see near-term challenges from an over-production in recent months, we see the current reality as an opportunity to further distance ourselves from the competition and strengthen our business for long-term success.

"The True Liberty transaction gives us our first offering in this niche market, however, the acquisition of Luxx bolsters a lighting portfolio that is now several times larger and more diverse than our nearest competitor. Luxx has deep roots in the cannabis industry with lights that were designed, tested and refined in collaboration with the team at Jungle Boys, a company run by a group of some of the best cannabis cultivators in the world. We look forward to an ongoing relationship with Jungle Boys to support the sales and marketing efforts of the Luxx brand."

Luxx joins a product lineup that also includes the Gavita and Sun System brands and provides the opportunity for significant cost synergies and process improvements across the portfolio that will be disclosed in greater detail in the weeks ahead, Hagedorn said.

ScottsMiracle-Gro acquired the assets of Luxx for $215 million. Hawthorne, which previously did not distribute Luxx, will expand the marketing and distribution of the brand in emerging markets, including the East Coast. The acquisition, which closed December 30, 2021, adds approximately $100 million in sales and $20 million in operating income to Hawthorne on an annualized basis. While approximately $75 million of revenue from Luxx is expected in the remainder of fiscal 2022, the transaction is expected to be neutral to earnings for the year due to the impact of purchase accounting and one-time deal costs.

True Liberty, which was acquired for $10 million, introduced storage solutions directly to the hydroponic market, developing a full offering of liners and storage solutions to dry and cure plant products. Hawthorne has been the primary U.S. provider of True Liberty brands, which expands Hawthorne's harvest portfolio.

These deals follow the August 2021 acquisitions of HydroLogic Purification Systems, which moved Hawthorne into the water reclamation and purification category, and Rhizoflora, whose industry-leading Terpinator and Purpinator brands expanded Hawthorne's nutrient offering.

Separately, ScottsMiracle-Gro said it is maintaining its full-year company-wide outlook for adjusted earnings per share despite a greater-than-expected decline in Hawthorne sales for the fiscal first quarter, which ended January 1. First quarter sales in Hawthorne are expected to decline approximately 40 percent caused by a slowdown in the cannabis market as well as supply chain disruptions that have delayed the sale of certain product lines.

"We are optimistic the supply chain disruptions we've experienced will be corrected by the end of January and we'll be able to meet the continued demand we're seeing for our industry-leading signature products," said Cory Miller, chief financial officer. "We're also encouraged by the year-over-year increase we've been experiencing in pre-orders for growing media products for delivery to commercial growers in the second and third quarters. However, the decline we've seen in the first quarter, against a 71 percent growth comparison a year ago, is greater than we had anticipated. Based on our current view of the market, we are lowering our full-year sales guidance for Hawthorne to a range of 0 to minus 10 percent on a year-over-year basis, including the expected benefit from Luxx. This range assumes a return to growth during the second half of the year."

The Company said its U.S. Consumer segment continues to perform well with POS growth in both dollars and units in every major product category and continued support in all retail channels.

"Consumer purchases, in units, were up 3 percent in the quarter against a 40 percent growth comparison a year earlier, and POS dollars increased 9 percent in the quarter," Miller said. "Retail inventory levels are appropriate for this time of the year, and we remain optimistic about the potential for the segment as we prepare for the upcoming lawn and garden season."

U.S. Consumer segment sales in the first quarter are expected to decline less than 20 percent, which is better than the Company originally anticipated.

"While it's too early to raise our guidance for this segment, the current trends and our continued optimism about the upcoming season, coupled with a focus on expense control in both Hawthorne and U.S. Consumer, allow us to maintain our guidance for adjusted earnings in a range of $8.50 to $8.90 per share," Miller said.

The Company currently expects to issue complete first quarter results on February 1, 2022.

About ScottsMiracle-Gro

With approximately $4.9 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. Another wholly-owned subsidiary, The Hawthorne Collective, has been established to invest in emerging areas of the cannabis industry. For additional information, visit us at www.scottsmiraclegro.com.

About Luxx Lighting and True Liberty Bags
Luxx Lighting, based in Los Angeles, Calif., was started in 2017 by a group of hands-on southern California growers who sought to bring their growing expertise to the lighting market, consistently testing and innovating to find what works best. True Liberty Bags® is a family-oriented business founded in 2009 in Sonoma County, Calif., to initially serve farmers, growers and vintners in the region and expanding into the #1 niche brand for cultivators.

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:

- The ongoing COVID-19 pandemic could have a material adverse effect on the Company's business, results of operation, financial condition and/or cash flows;
- 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;
- If the Company underestimates or overestimates demand for its products and does not maintain appropriate inventory levels, its net sales and/or working capital could be negatively impacted;
- 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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