ScottsMiracle-Gro Provides Business Update at Institutional Investor Event; Reduces Sales Outlook for Hawthorne and Non-GAAP Adjusted EPS

March 8, 2022

ORLANDO, Fla., March 08, 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 lowered its full-year sales guidance for its Hawthorne segment and said the reduction would likely lead to adjusted earnings per share that are lower than previously expected.

Speaking at the Raymond James 43rd Annual Institutional Investors Conference, chief financial officer Cory Miller said the Company now expects Hawthorne sales to decline 15 to 25 percent, including the benefit of acquisitions. Sales in the segment have been challenged for several months due to an oversupply of cannabis, which is leading to a slowdown in both indoor and outdoor cultivation.

"We believe Hawthorne sales have found the bottom in terms of average daily volume," Miller explained. "However, there is a seasonal element to the business that would normally be in play by now that has not materialized to the extent we anticipated. While sales volume has begun to improve recently, the year-over-year rate of decline has expanded and that trend appears likely to carry through March."

The revised Hawthorne sales outlook means ScottsMiracle-Gro is unlikely to reach the low end of its guidance for non-GAAP adjusted earnings per share. Miller said management remains optimistic about the continued strength of the U.S. Consumer segment and is working to moderate the earnings gap from the shortfall in Hawthorne sales with a goal of achieving non-GAAP adjusted earnings per share of at least $8.00.

"The midpoint for our sales guidance for our U.S. Consumer business continues to assume an 8-point decline in unit volume on a full-year basis and the business continues to significantly outperform against that plan," Miller said. "Consumer purchases, in units, entering March are essentially flat from year-ago levels and shipments to retailers through five months are at record levels. Still, it is too early in the season to adjust our outlook for the business. However, we and our retail partners remain encouraged by the level of consumer participation we continue to see as we prepare for the peak weeks of the season."

During his presentation to investors, Miller also said the Company no longer expects a significant acquisition in fiscal 2022 to bolster its presence in the live goods category. ScottsMiracle-Gro had been actively pursuing such an opportunity over the past year but has ended those discussions.

"We see live goods as critical to our future with growth in this category through M&A remaining a major component of our strategic plan," Miller said. "However, our M&A strategy has been successful over the last several years because we have remained disciplined in our approach and been willing to step away when the economics or other factors no longer make sense."

The Company expects to provide a further update on May 3, 2022, when it releases its second quarter results.

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.

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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