ScottsMiracle-Gro updates fiscal ’24 guidance at peak of lawn and garden season

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- *Reaffirms two-year free cash flow target of $1 billion, debt paydown of $350 million in fiscal ’24 and full-year non-GAAP gross margin improvement of 250 bps*
- *Expects to reduce leverage to below 5 times EBITDA by fiscal year-end*
- *Projects non-GAAP adjusted EBITDA in range of $530 to $540 million, an approximate 20-percent improvement over prior year*
- *Anticipates mid single-digit growth in core consumer business versus prior year*

MARYSVILLE, Ohio, June 06, 2024 (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 updated its guidance for fiscal year 2024 based on financial results through the end of May, which reflects the peak of its Q3 lawn and garden season.

The Company announced that it now projects non-GAAP adjusted EBITDA in the range of $530 to $540 million, approximately a 20-percent year-over-year improvement, and U.S. Consumer segment sales growth of 5 to 7 percent. This compares with its earlier guidance of $575 million in non-GAAP adjusted EBITDA and high single-digit U.S. Consumer sales growth. Additionally, the Company reaffirmed that it expects to complete its free cash flow target of $1 billion over two years by delivering the remainder of $560 million in fiscal 2024, meet or exceed its goal of paying down an additional $350 million in debt and drive full-year non-GAAP gross margin improvement of at least 250 basis points. As for Hawthorne, the Company reaffirmed its previously stated guidance that the segment’s non-GAAP adjusted EBITDA will be break-even or better by year end.

“Despite the season not meeting our operating plan for topline sales and adjusted EBITDA, we are seeing year-over-year growth and feel good about our overall performance,” said Jim Hagedorn, chairman, CEO and president. “We are driving improvement in the most critical financial metrics that strengthen our ability to deliver long-term shareholder returns. By tightly managing expenses and free cash flow, we remain on track to achieve our debt reduction goal while making important investments in our brands, marketing and other value drivers. We have strengthened our financial flexibility to ensure we have the proper resources to manage POS and retailer replenishment through the summer and fall.”

The Company also reaffirmed that the Project Springboard cost-saving initiative will deliver run-rate annualized savings of at least $300 million by the end of fiscal 2024 along with incremental investments in media and innovation.

“Our decisive actions are contributing to sales growth, strong free cash flow generation and significantly improved year-over-year adjusted EBITDA, putting us in position to exit 2024 with leverage below 5 times,” said Matt Garth, chief financial and administrative officer. “As we progress through the balance of our fiscal year, we will tightly manage costs while making improvements in both operational efficiency and balance sheet flexibility to ensure a solid foundation for further growth in fiscal 2025 and beyond.”

The Company will provide more commentary today when it participates in the William Blair 44th Annual Growth Stock Conference in Chicago at 9 a.m. ET. Investors and other interested parties may listen to a live webcast of the presentation from the events page of the Company’s investor relations website. An archive of the webcast will be available on the website for at least 90 days.

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:

- An economic downturn and economic uncertainty may adversely affect demand for the Company’s products;
- 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;
- The Company’s operations, financial condition or reputation, 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;

- Climate change and unfavorable weather conditions could adversely impact financial results;
- Our success depends upon the retention and availability of key personnel and the effective succession of senior management;
- Our workforce reductions may cause undesirable consequences and our results of operations may be harmed;
- Disruptions in availability or increases in the prices of raw materials, fuel or transportation costs could adversely affect our results of operations;
- A significant interruption in the operation of the Company's or its suppliers' facilities could impact the Company's capacity to produce products and service its customers, which could adversely affect the Company's revenues and earnings;
- 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;
- Compliance with environmental and other public health regulations or changes in such regulations or regulatory enforcement priorities could increase our costs of doing business or limit our ability to market all of our products;
- 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, or a material reduction in the inventory of the Company's products that they carry, could adversely affect the Company's financial results;
- The Company's indebtedness could limit its flexibility and adversely affect its financial condition;
- The Company's decision to maintain, reduce or discontinue paying cash dividends to its shareholders or repurchasing its Common Shares could cause the market price for its common shares to decline;
- If the perception of the Company's brands or organizational reputation are damaged, its customers, distributors and retailers may react negatively, which could materially and adversely affect the Company's business, financial condition and results of operations;
- 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; and
- Hagedorn Partnership, L.P. beneficially owns approximately 24% of the Company's common shares and can significantly influence decisions that require the approval of shareholders.

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.

For investor inquiries:
Aimee DeLuca
Sr. Vice President, Investor Relations
aimee.deluca@scotts.com
(937) 578-5621

For media inquiries:
Tom Matthews
Chief Communications Officer
tom.matthews@scotts.com
(937) 644-7044