ScottsMiracle-Gro to Detail Operating and Financial Targets at “Meet the Management” Investor Day in Marysville, Ohio

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- *Outlining three-year plans to achieve an average annual growth rate of 3 percent and a return to historic adjusted gross margin rates above 30 percent*
- *Introducing U.S. Consumer and Hawthorne leadership teams and their midterm strategic and operating priorities*
- *Reaffirming fiscal year 2024 guidance on strength of year-over-year POS unit growth of 10 percent through June*

MARYSVILLE, Ohio, July 16, 2024 (GLOBE NEWSWIRE) -- The Scotts Miracle-Gro Company (NYSE: SMG), the world’s largest marketer of branded consumer lawn and garden as well as a leader in indoor and hydroponic growing products, today is hosting a “Meet the Management” Investor Day at its headquarters and research and development facilities in Marysville, Ohio.

“Over the past two years, we've been on a journey to transform our Company and return to a more shareholder friendly environment,” said Jim Hagedorn, chairman, CEO and president. “We’ve made major progress on this front and are on track to our near-term targets. Looking to fiscal ‘25 through fiscal ‘27, we expect to further drive meaningful value by delivering significant gross margin improvement and consistent annual growth rates.

“Investor Day is our opportunity not only to provide insights into these go-forward plans, but also to showcase the power and enduring nature of our franchise. The leadership team has brought a broader base of talent, experience and diversity of thought to our organization, and we’re approaching our business with renewed enthusiasm, energy and momentum.”

Strategic Objectives and Plans to Deliver Shareholder Value Creation

The Company will highlight its strategic and operational objectives for the next three years that will build upon its leading market positions in both the U.S.Consumer lawn and garden and Hawthorne businesses.

The U.S. Consumer business is pursuing growth opportunities at emerging touchpoints, such as with omnichannel retail partnerships and Hispanic consumers. Additionally, investments in technology and infrastructure for predictive analysis and optimized service models are fueling margin growth and efficiency. Through these efforts, the U.S. Consumer business expects $150 million in supply chain cost savings over the next three years, a component of the Company’s projected return to adjusted gross margin rates above 30 percent.

The Company also continues to transform its Hawthorne subsidiary through its previously announced strategic pivot from distributor to branded solution provider. By focusing on its proprietary “Signature” brands, Hawthorne expects to meaningfully contribute to total Company adjusted earnings beginning in fiscal 2025 through single-digit net sales growth weighted towards higher-margin consumable versus durable products.

Midterm Targets - Fiscal 2025 through Fiscal 2027

On a total Company basis, the Company expects to average 3 percent net sales growth through innovation, net pricing and synergistic mergers and acquisitions in near adjacencies in the U.S. Consumer business.

The non-GAAP adjusted gross margin rate is expected to return to above 30 percent via improved volume and mix, net pricing averaging more than 1 percent per year, additional fixed cost leverage and over $150 million in U.S. Consumer supply chain efficiencies over three years including material cost savings.

SG&A is expected to remain in the range of 15 to 16 percent of net sales while reinvesting operational cost savings in important growth drivers including marketing and innovation. Taken together, delivering these mid-range targets will achieve total Company non-GAAP adjusted operating margin in excess of 15 percent and adjusted EBITDA in excess of $600 million.

“Over the past two years, we’ve tightly controlled costs while transforming the organizational structure of ScottsMiracle-Gro for a return to sustainable growth and shareholder value creation,” said Matt Garth, chief financial officer and chief administrative officer. “While work remains to achieve an acceptable level of leverage and financial flexibility, the Company is poised to capitalize on its leading market positions and unmatched strengths. Because our midterm plans are built on these core competencies, we are highly confident in our ability to execute upon and achieve our targets.”

With a return to normalized working capital levels, the Company expects greater than $300 million annualized free cash flow after annual capital expenditures in a range of 2.5 percent to 3.5 percent of net sales. Near-term, free cash flow will continue to be directed toward further debt paydown, driving leverage below four times non-GAAP adjusted EBITDA by the end of fiscal 2026, and sustaining the quarterly dividend to shareholders. Longer term, the Company anticipates returning to a more balanced capital allocation including a return to accretive mergers and acquisitions and further returns to shareholders.

2024 Outlook

The Company affirms it is on track to achieve the updated full-year guidance provided in June and is encouraged by consumer engagement with unit POS through June up 10 percent over prior year despite challenging weather and macroeconomic conditions.

The Company will provide fiscal third quarter financial results and hold its quarterly webcast on July 31, 2024 at 9 a.m. ET. Registration details will be shared the week prior to the event.

Supporting Materials

Today's financial presentation is available on the events page of the Company's investor website at investor.scotts.com. Summarized videos featuring other key events and messages from the investor day will be posted to the website within the next 10 business days.

About ScottsMiracle-Gro
With approximately $3.6 billion in sales, the Company is the world's largest marketer 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:

- 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.

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