FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 1994

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 0-19768

THE SCOTTS COMPANY
(Exact name of registrant as specified in its charter)

Ohio	31-1199481
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14111 Scottslawn Road
Marysville, Ohio 43041
(Address of principal executive offices)
(Zip Code)

(513) 644-0011
(Registrant's telephone number, including area code)

No change
(Former name, former address and former fiscal year,
if changed since last report.)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

18,667,064	Outstanding at January 15, 1995
Common Shares, voting, no par value	

Exhibit Index at page 12

THE SCOTTS COMPANY AND SUBSIDIARIES

INDEX

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

THE SCOTTS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands)

	Three Months Ended	
	January 1 1994	December 31 1994
Net sales	$ 68,326	$ 98,019
Cost of sales	37,364	53,520
Gross profit	30,962	44,499
Marketing	12,921	19,902
Distribution	10,976	14,540
General and administrative	5,010	5,967
Research and development	2,004	2,765
Other expenses, net	28	995
Income from operations	23	330
Interest expense	2,640	5,694
Loss before income tax benefit	(2,617)	(5,364)
Income tax benefit	(1,060)	(2,226)
Net loss	$ (1,557)	$ (3,138)
Net loss per common share	(.08)	(.17)
Weighted average number of common shares outstanding	18,659	18,667

See Notes to Consolidated Financial Statements

THE SCOTTS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Three Months Ended January 1 1994	December 31 1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,557)	$ (3,138)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,603	5,801
Postretirement benefits	32	166
Net increase in certain components of working capital	(53,377)	(47,003)
Net increase (decrease) in other assets and liabilities and other adjustments	(147)	354
Net cash used in operating activities	(50,446)	(43,820)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in plant and equipment, net	(4,985)	(5,012)
Investment in Affiliate	-	(250)
Acquisition of Sierra, net of cash acquired	(118,986)	-
Net cash used in investing activities	(123,971)	(5,262)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under term debt	125,000	-
Payments on term and other debt	(141)	(727)
Revolving lines of credit and bank line of credit, net	53,598	44,646
Net cash provided by financing activities	178,457	43,919
Effect of exchange rate changes on cash	(116)	(122)
Net increase (decrease) in cash	3,924	(5,285)
Cash at beginning of period	2,323	10,695
Cash at end of period	$ 6,247	$ 5,410
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid, net of amount capitalized	$ 1,958	$ 2,082
Income taxes paid	2,261	890
Detail of entities acquired:		
Fair value of assets acquired	138,933	
Liabilities assumed	(19,947)	
Net cash paid for acquisition	118,986	

See Notes to Consolidated Financial Statements

THE SCOTTS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands)

ASSETS

	January 1 1994	December 31 1994	September 30 1994

Current Assets:			
Cash and cash equivalents	$ 6,247	$ 5,410	$ 10,695
Accounts receivable, less allowances of $3,056, $3,213 and $2,933, respectively	93,964	128,454	115,772
Inventories	129,421	145,095	106,636
Prepaid and other assets	16,152	19,735	17,151
Total current assets	245,784	298,694	250,254
Property, plant and equipment, net	122,320	141,556	140,105
Patents and other intangibles, net	31,592	27,485	28,880
Goodwill	103,488	103,926	104,578
Other assets	5,558	4,957	4,767
Total Assets	$508,742	$576,618	$528,584

LIABLITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:			
Revolving credit line	$ 45,303	$ 68,062	$ 23,416
Current portion of term debt	20,444	5,540	3,755
Accounts payable	41,388	53,565	46,967
Other current liabilities	25,932	36,100	35,550
Total current liabilities	133,067	163,267	109,688
Long-term debt, less current portion	205,640	217,618	220,130
Postretirement benefits other than pensions	26,678	27,180	27,014
Other liabilities	1,986	3,492	3,592
Total Liabilities	367,371	411,557	360,424
Commitments and Contingencies			
Shareholders' Equity:			
Preferred Stock, $.01 par value in 1993	-		
Common Shares	211	211	211
Capital in excess of par value	193,353	193,418	193,450
Retained earnings (deficit)	(10,565)	10,737	13,875
Cumulative translation gain (loss)	(187)	2,136	2,065
Treasury stock, 2,415 shares at cost	(41,441)	(41,441)	(41,441)
Total Shareholders' Equity	141,371	165,061	168,160
Total Liabilities and Shareholders' Equity	$508,742	$576,618	$528,584

See Notes to Consolidated Financial Statements

THE SCOTTS COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. Organization and Basis of Presentation

The Scotts Company ("Scotts") and its wholly owned subsidiaries, Hyponex Corporation ("Hyponex"), Republic Tool and Manufacturing Corp. ("Republic") and Scott-Sierra Horticultural Products Company ("Sierra"), (collectively, the "Company"), are engaged in the manufacture and sale of lawn care and garden products. The Company's business is highly seasonal with approximately 70% of sales occurring in the second and third fiscal quarters.

The consolidated balance sheets as of January 1, 1994 and December 31, 1994, the related consolidated statements of income for the three month periods ended January 1, 1994 and December 31, 1994 and the related consolidated statements of cash flows for the three month periods ended January 1, 1994 and December 31, 1994 are unaudited;

however, in the opinion of management, such financial statements contain all adjustments necessary for the fair presentation of the Company's financial position and results of operations. Interim results reflect all normal recurring adjustments and are not necessarily indicative of results for a full year. The interim financial statements and notes are presented as specified by Regulation S-X of the Securities Exchange Act of 1934, and should be read in conjunction with the financial statements and accompanying notes in the Company's fiscal 1994 Annual Report on Form 10-K.

2. Inventories
(in thousands)

Inventories consisted of the following:

	January 1 1994	December 31 1994	September 30 1994
Finished Goods	$ 80,174	$ 85,314	$ 54,980
	49,247	59,781	51,656
	$129,421	$145,095	$106,636

3. Reclassifications

Certain reclassifications have been made to the prior periods' financial statements to conform to December 31, 1994 presentation.

4. Acquisitions

Effective December 16, 1993, the Company completed the acquisition of Grace-Sierra Horticultural Products Company now known as Scotts-Sierra Horticultural Products Company (all further references will be made as "Sierra"). Sierra is a leading international manufacturer and marketer of specialty fertilizers and related products for the nursery, greenhouse, golf course and consumer markets. Sierra manufactures controlled-release fertilizers in the United States and the Netherlands, as well as water-soluble fertilizers and specialty organics in the United States. Approximately one-quarter of Sierra's net sales are derived from European and other international markets; approximately one-quarter of Sierra's assets are internationally based.

The following represents pro forma results of operations assuming the Sierra acquisition had occurred effective October 1, 1992 after giving effect to certain related adjustments, including depreciation and amortization on tangible and intangible assets, and interest on acquisition debt.

	Three Months Ended (in thousands, except per share amounts) January 1 1994
Net sales	$ 89,152
Net income (loss)	$ (2,641)
Net income per common share	$ (.14)

The pro forma information provided does not purport to be indicative of actual results of operations if the Sierra acquisition had occurred as of October 1, 1992, and is not intended to be indicative of future results or trends.

5. Accounting Issues

In November 1992, the Financial Accounting Standard Board issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits," which changed the prevalent method of accounting for benefits provided after employment but before retirement. The Company adopted SFAS No. 112 in the first quarter of fiscal 1995. Since most of these benefits were already accounted for by the Company on the accrual method, the impact of adoption was not significant.

6. Subsequent Event

On January 26, 1995, the Company and the shareholders of Stern's Miracle-Gro Products, Inc. and affiliated companies (Miracle-Gro) entered into a merger agreement. The Company will issue $195 million face value convertible preferred stock convertible at $19 per share plus warrants exercisable over 8 1/2 years, to purchase three million shares at prices ranging from $21 to $29 per share. The preferred stock will pay quarterly dividends at an annual rate of 5.0%, will be non-callable for five years and will be subject to certain restrictions on transfer. The total purchase price is based on the fair value of the convertible preferred stock and warrants as of closing and is estimated to be approximately $200 million. The transaction requires approval of the Scotts shareholders.

ITEM II. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Three Months Ended December 31, 1994, versus Three Months Ended January 1, 1994

Net sales of $98,019,000 increased by $29,693,000 or approximately 43.5%. Net sales included net sales for Sierra, which was acquired by Scotts on December 16, 1993. On a pro forma basis, assuming the acquisition had taken place on October 1, 1992, net sales for the three months ended December 31, 1994 would have increased by $8,867,000 or approximately 9.9%. Consumer Business Group sales of $55,748,000 increased by approximately 26%. On a pro forma basis, Consumer Business Group sales were up approximately 19.5%, resulting primarily from increased sales volume. Commercial Business Group (previously referred to as the Professional Business Group) sales of $27,906,000 increased by 46.1% but decreased, on a pro forma basis, by approximately 10.2%. Scotts management feels that this decrease reflects a continuing trend by golf course customers to order products closer to Spring usage and, therefore, management believes that sales expectations for the Commercial Business Group will be met by the end of the fiscal year. International sales of $14,365,000 increased by approximately 189.4%. On a pro forma basis, International sales increased by approximately 25.7%. The increase primarily reflected increased sales volume, partly due to the introduction of Scotts branded products into the Sierra distribution network.

Cost of sales for the three months ended December 31, 1994 represented 54.6% of net sales, nearly flat with cost of sales for 54.7% for the three months ended January 1, 1994.

Operating expenses of $44,169,000 increased by $13,230,000 or approximately 42.8%, which was proportional to the sales increase. On a pro forma basis, including Sierra operating expenses from October 1, 1992, operating expenses increased by approximately 8.4% reflecting slightly higher marketing expense and increased distribution expense related to higher sales.

Interest expense of $5,694,000 increased by $3,054,000 or approximately 115.7%. The increase was caused, in significant part, by increased borrowings for the Sierra acquisition, which were outstanding for the full three months ended December 31, 1994, and partly caused by higher interest rates for floating-rate bank debt this year and the higher rate payable with respect to the 9 7/8% Senior Subordinated Notes issued by Scotts last summer compared with the floating rate bank debt the notes replaced.

The net loss of $3,138,000 increased by $1,581,000 or approximately 101.5%, primarily due to increased interest expense which is discussed above.

Financial Position as at December 31, 1994

Capital expenditures for the year ending September 30, 1995 are expected to be approximately $23,000,000 which will be financed with cash provided by operations and utilization of existing credit facilities.

Current assets of $298,694,000 increased by $48,440,000 compared with current assets at September 30, 1994 and by $52,910,000 compared with current assets at January 1, 1994. The increase compared with September 30, 1994 is primarily attributable to the seasonal nature of Scotts' business, with inventory and accounts receivable levels generally being higher in December relative to September. The increase compared with January 1, 1994 was partly due to

increased accounts receivable related to higher sales and also, in part, to higher inventory levels for Scotts and Hyponex products this year in anticipation of the upcoming peak selling season as well as higher inventories for golf course products which reflect lower than expected sales for the quarter ended December 31, 1994.

Current liabilities of $163,267,000 increased by $53,579,000 compared with current liabilities at September 30, 1994 and by $30,200,000 compared with current liabilities at January 1, 1994. The increase compared with September 30, 1994 is primarily caused by the seasonality of Scotts' business. The increase compared with January 1, 1994 is caused, in part, by increased short-term borrowings, higher trade payables and higher accrued liabilities this year reflecting somewhat higher working capital needs this year including higher accruals for interest and taxes.

Shareholders' equity of $165,061,000 decreased by $3,099,000 compared with shareholders' equity at September 30, 1994 and increased by $23,690,000 compared with shareholders' equity at January 1, 1994. The decrease compared with September 30, 1994 reflects the net loss for the three months ended December 31, 1994. The increase compared with January 1, 1994 resulted primarily from net earnings for the twelve months ended December 31, 1994 which included a cumulative foreign currency adjustment related to translating the assets and liabilities of Sierra's foreign subsidiaries to U. S. dollars.

The primary sources of liquidity for the Company are funds generated by operations and borrowings under the Company's Credit Agreement. As amended, the Credit Agreement provides a revolving credit commitment of $150,000,000 through March 31, 1996 and provided $195,000,000 of term debt with scheduled maturities extending through September 30, 2000 until the prepayment discussed below. As of the date of this report, the Credit Agreement provides $93.1 million of term debt. The Credit Agreement contains financial covenants which, among other things, limit capital expenditures, require maintenance of Adjusted Operating Profit, Consolidated Net Worth and Interest Coverage (each as defined therein) and require the Company to reduce revolving credit borrowings to no more than $30,000,000 for 30 consecutive days each year.

On July 19, 1994, the Company issued $100,000,000 of 9 7/8% Senior Subordinated Notes due August 1, 2004 ("Notes") at 99.212% of face value. The net proceeds of the offering were $96,354,000 after underwriting discount and expenses and this amount was used to prepay term debt outstanding under the Credit Agreement. Scheduled term debt maturities were adjusted to reflect the prepayment in accordance with the terms of the Credit Agreement. All of the notes are subordinated to other outstanding debt, principally to banks. The Notes are subject to redemption, at the Company's option, in whole or in part, at any time after August 1, 1999 at redemption prices specified in the Notes indenture. In order to redeem the Notes, the Company must obtain approval of the banks party to the Credit Agreement as specified therein. The Notes include a limited number of financial covenants which are generally less restrictive than the financial covenants contained in the Credit Agreement.

The proposed merger of the Company and Stern's Miracle-Gro is described in Footnote No. 6 on page 7 of this Report. Any additional working capital needs resulting from the merger are expected to be financed through an increase in the amount of revolving credit available under the Company's Credit Agreement.

The seasonal volume of the Company's business is reflected in working capital requirements. Working capital requirements are greatest from November through May, the peak production period, and are at their highest in March. Working capital needs are relatively low in the summer months.

In the opinion of Scotts' management, cash flows from operations and capital resources will be sufficient to meet future debt service and working capital needs.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

No response required.

Item 2-5.

Not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) See Exhibit Index at page 12 for a list of the exhibits included herewith.

(b) No reports on Form 8-K were filed during the fiscal quarter ended December 31, 1994.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE SCOTTS COMPANY

Date___February 3, 1995___ /s/ Paul D. Yeager____________

Paul D. Yeager
Executive Vice President
Chief Financial Officer
Principal Accounting Officer

THE SCOTTS COMPANY

QUARTERLY REPORT ON FORM 10-Q FOR
FISCAL QUARTER ENDED DECEMBER 31, 1994

EXHIBIT INDEX

Exhibit Number	Description	Page Number
2	Agreement and Plan of Merger dated as of January 26, 1995 among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products, Inc., and Miracle-Gro Products Limited (the "Miracle-Gro Constituent Companies"), Horace Hagedorn, James Hagedorn, Katherine Hagedorn Littlefield, Paul Hagedorn, Peter Hagedorn, Robert Hagedorn, Susan Hagedorn and John Kenlon (the "Shareholders"), The Scotts Company ("Scotts") and XYZ Corporation ("Merger Subsidiary")	Incorporated herein by reference to the Registration Statement on Form S-4 of The Scotts Company filed with the Securities and Exchange Commission on February 3, 1995 [Exhibit 2]
11	Computation of Net Income Per Common Share	13
27	Financial Data Schedule	14

Exhibit 11

THE SCOTTS COMPANY

Computation of Net Income Per Common Share
Primary (Unaudited)
(Dollars in thousands except per share amounts)

	For the Three Months Ended January 1 1994	For the Three Months Ended December 31 1994
Net loss for computing net loss per common share:		
Net loss	$ (1,557)	$ (3,138)
Net loss per common share:		
Net loss per common share	$ (.08)	(.17)

Computation of Weighted Average Number of Common Shares Outstanding (Unaudited)

	For the Three Months Ended January 1 1994	For the Three Months Ended December 31 1994
Weighted average number of shares for computing net loss per common share	18,658,535(1)	18,667,064(1)

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(1) On a fully diluted basis, weighted average shares outstanding did not differ from the primary calculation due to the antidilutive effect of common stock equivalents in a loss period.

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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This schedule contains summary financial information extracted from the consolidated balance sheets and statements of income of The Scotts Company and is qualified in its entirety by reference to such Form 10-Q for the quarter ended December 31, 1994.

1000
U.S. DOLLARS

QTR-1
SEP-30-1995
OCT-01-1994
DEC-31-1994
1
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