

The Scotts Miracle-Gro Company

NYSE:SMG

FQ2 2019 Earnings Call Transcripts

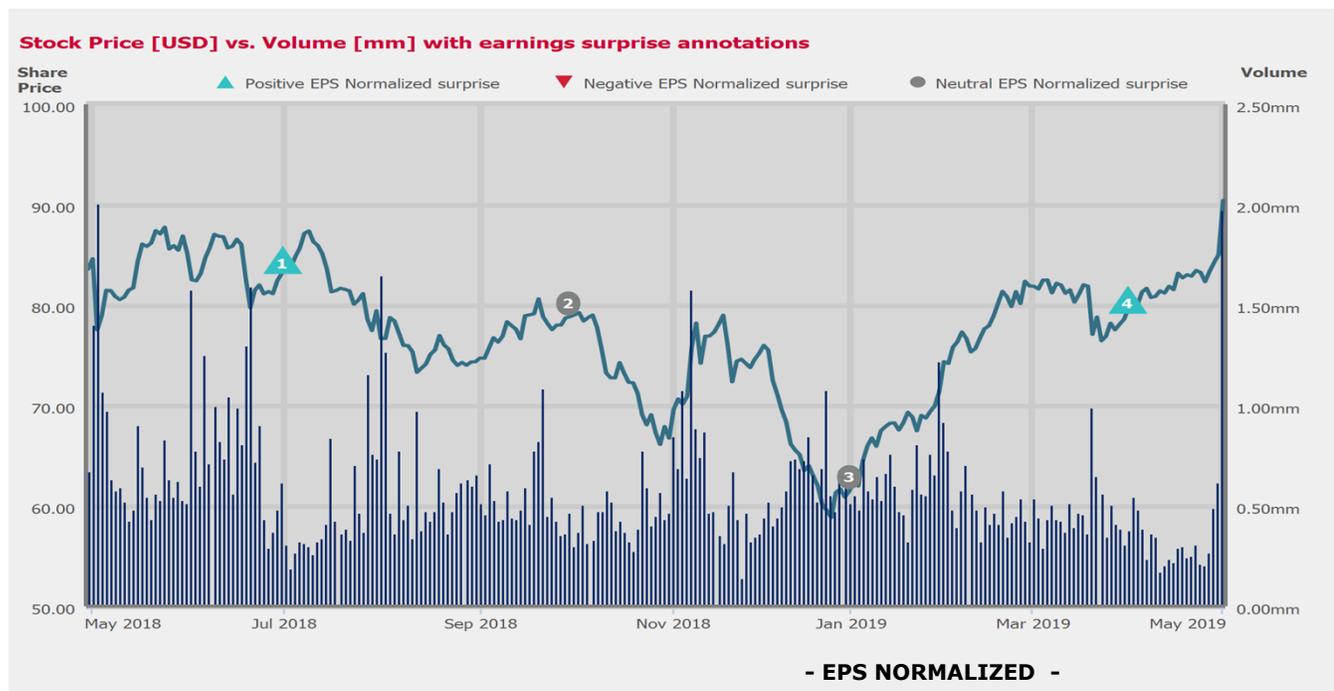
Wednesday, May 01, 2019 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2019-			-FQ3 2019-	-FY 2019-	-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	3.45	3.64	▲ 5.51	2.73	4.22	4.71
Revenue (mm)	1158.79	1189.90	▲ 2.68	1036.85	2946.09	3040.97

Currency: USD

Consensus as of May-01-2019 1:41 PM GMT



	CONSENSUS	ACTUAL	SURPRISE
FQ3 2018	2.58	2.67	▲ 3.49 %
FQ4 2018	(0.66)	(0.75)	NM
FQ1 2019	(1.24)	(1.39)	NM
FQ2 2019	3.45	3.64	▲ 5.51 %

Table of Contents

Call Participants	3
Presentation	4
Question and Answer	11

Call Participants

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Presentation

Operator

Good day, and welcome to the ScottsMiracle-Gro 2019 Second Quarter Earnings Conference Call. Today's conference is recorded.

At this time, I would like to turn the conference over to Mr. Jim King. Please go ahead, sir.

Jim King

Chief Communications Officer and Senior VP of Investor Relations & Corporate Affairs

Thank you, John. Good morning, everyone, and welcome to the ScottsMiracle-Gro Second Quarter Conference Call. With me here in Marysville, Ohio, this morning are Jim Hagedorn, our Chairman and CEO; Randy Coleman, our Chief Financial Officer; Mike Lukemire, President and Chief Operating Officer; as well as several other members of our operating team.

We'll get started in a moment with prepared comments by Jim and Randy, respectively. At that point, we'll open the call to your questions. [Operator Instructions] If there are questions left unanswered, I'm glad to follow up with as many of you as I can later in the day.

For clarity, during our call this morning, we will be referring to both sales to retailers, which are reflected in the P&L through March 30; as well as consumer purchases at retail as measured by POS, or point-of-sale, data. The POS data is current to last Saturday, April 27.

One bit of housekeeping related to our IR activities. On Thursday, June 6, Randy and I will be presenting at the William Blair Growth Stock Conference in Chicago. This will be a webcast presentation and be available on our website. More details will be provided leading up to that event. We have historically used this conference to update our guidance for the full year and have issued a press release in conjunction with the update. While those are -- while those plans could change between now and June 6, our current intent is to follow these past practices.

With that, let's move on to today's call. As always, we expect to make forward-looking statements this morning, so we want to caution you that our actual results could differ materially from what we say here. Investors should familiarize themselves to the full range of risk factors that could impact our results, and those are filed in our Form 10-K, which is filed with the Securities and Exchange Commission. I also want to remind everyone that today's call is being recorded and an archived version of that call will be available on our website later today.

With that, let's get things started, and I'll turn things over to Jim Hagedorn.

James S. Hagedorn

Chairman & CEO

Thanks, Jim. Good morning, everyone. Yesterday, I had laryngitis pretty bad and couldn't speak. So I'll try to get through the script. If I need help, Randy may pick up. So just heads up. So here we go.

There was a morning a couple of weeks ago when I was walking into the office and I realized that spring was finally here. The grass was green again, the leaves were opening on the trees and the flowers were in full bloom. And it dawned on me right then what I wanted to talk about today. I doubt that many of my peer company CEOs walk outside in the morning and get inspired about their business. But that experience means something here. Spring is our season, the time of year when the spotlight shine the brightest on our business. And at the risk of sounding a bit corny, I consider ScottsMiracle-Gro the undisputed leader of spring. It's hard to argue that point this year with POS up 13% in our U.S. Consumer business and strong performance in nearly every category in which we compete.

But I don't want to focus on today's press release on the strong start to the season. What I'd rather focus on are the real efforts that enabled those results, and I want to target my comments to those

shareholders who are not just interested in the latest quarterly scorecard but those who, like me, are focused on what we're doing to create long-term shareholder value. That effort goes well beyond how we're executing on a day-to-day basis. It's about how we're pushing ourselves to develop new and more creative ways to strengthen our multigenerational relationship with our consumers. It's about bringing energy and new approaches to the table to keep our retail partners engaged. It's about creating and implementing an interesting -- industry-leading approach to the hydroponics space. It's about driving value for our shareholders by focusing on cash flow over EPS and sustained and predictable performance over periodic burst of energy. And it's about creating a corporate culture that is both energetic and inviting, the kind of place that will allow us to attract the young talent that we need to maintain the momentum for years to come.

A lot of folks have started asking me if I'm contemplating a slower pace or maybe even retirement. The truth is I haven't had this much fun at work in years, and my level of engagement is actually increasing, not decreasing. The reason, I suspect, is twofold. First, the issues we're working on, the evolution of Hawthorne, changes in how we communicate with consumers, the challenges regarding Roundup, our commitment to improving cash flow, the development of our next generation of leaders are critical to our success in both the near and long term. And second, frankly, I'm just energized by what we're trying to do. All of our efforts are paying off so far this year, so I'll just hit a few of the highlights.

Sales to retailers in U.S. Consumer are up 8%. 5 of the last 6 months at Hawthorne have been up double digits on a comparative basis. And we've once again been able to get our leverage ratio below 4x. Someone will probably ask the question later, so I'll just say it upfront. Yes, we are running better than we expected entering May; and no, we're not changing our guidance at this time.

While there's a lot of optimism falling through the building right now, it's May. We've been here too many times to declare a victory at this point. There's a lot of season ahead of us, and we have to stay focused all the way through to the finish line. Like I said, I don't want to dwell on the numbers. What I rather do is focus on the real efforts that allowed us to deliver those numbers.

A year ago, there wasn't much celebrating going on here. We had a terrible start to the season, and changes to California cannabis laws wreaked havoc on the hydroponics space. It would have been easy to panic as the stock price fell, and some investors questioned our strategy. We could have scrambled to restructure, pull back on innovation or said investments in marketing could wait for a better day. We actually may have known some of those very things a decade ago, but this is a different company today, and we didn't do any of that. Instead, we stayed focus on the play we called and kept executing. In fact, while we were sitting on this call a year ago talking about the challenges of the 2018 season, our teams were head down, already focused on the 2019 season. And that approach is evident in the results we announced this morning, both in our U.S. Consumer segment and in Hawthorne.

Looking at our lawn fertilizer business, where POS is up 10% entering May. The biggest drivers in this category are product that didn't even exist 3 years ago. A decade ago, this category was in a deep slide, but we took the time to understand why that was happening. We found new ways to engage with the consumer, created trade programs that rallied our retailers and launched products that exceeded our expectations.

One of those products is Scotts Triple Action. It feeds your lawn, kills weeds and even prevents crabgrass or controls bugs, depending on a reasonably specific product that you buy. Another example is the Scotts Thick'R, which contains soil enhancements, fertilizer and grass seed all in a single bag. It's been blowing the doors off with consumers. Grass seed is up 35% this year and was one of our high-performing categories last year as well. Over 90% of the online reviews for Thick'R carry a 5 star rating, further proof that the innovation we're bringing to the market is driven by understanding and adapting to consumer needs.

The way we're talking to consumers also continues to evolve. We're not just investing more heavily this year, we're evolving our approach, and the actions we've taken so far are just the tip of the iceberg. A decade ago, I've spoken in an analyst day meeting in New York and criticized our digital marketing efforts. Yes, we were doing a great job with TV and radio, but our digital efforts were way behind the curve. We were doing almost nothing with social media, and our online comments -- commerce efforts were

nonexistent. Today, our digital efforts are greatly improved, and I want to acknowledge our team for their work. But the digital marketplace is ever-changing. And if we were lagging in this space in the past, I want us to be leading in the future. More of our spending needs to move to digital, but our efforts have to be focused on inspiring the consumer. We have to be clever, provocative and innovative. We also have to be willing to challenge our own thinking. That's why we've enhanced our internal efforts through the engagement [history] with Gary Vaynerchuk, an acclaimed online influencer who has become one of the country's most sought after digital marketing authorities. He and his colleagues at VaynerMedia have helped us launch our successful new Ortho GroundClear campaign and have been heavily engaged with our team on using our social media presence more creatively.

I mentioned Gary's work with us, not just in the context of marketing but through the lens of creating long-term value. Consumers are changing fast, and if we hope to enjoy our relationship with them in the future, we have to change, too. I'm committed to revolutionizing our approach to marketing, positioning both our company and our brands in a way that instills trust with the next generation of gardeners and allows them to see us as a relevant and necessary part of their lives season after season.

Speaking of being relevant, I want to spend a few months -- it feels like it -- moments talking about what's happening with the launch of our new GroundClear product and also provide an update on Roundup. First, on the Roundup front. You saw in the press release, the POS is up more than 20%. That's obviously good news, and we're particularly thankful for the strong retailer support the brand is continuing to receive. On the past 2 calls, I've hinted that we were talking to Bayer about the structure of our relationship with them, and we've made tremendous progress in recent weeks. First, you may recall we entered into a JV with Monsanto a couple of years ago that resulted in Scotts acquiring a 51% stake in a professional, nonselective weed control product business. In recent weeks, we sold our interest back to Bayer and have exited that business. It negatively impacts the P&L by a few cents per share, but the cash proceeds of \$37 million will go straight to paying down debt. Additionally, we've already reduced our debt by about \$140 million using the proceeds from our sale of our minority interest in TruGreen. These 2 transactions have allowed us to get below 4x leverage in the quarter, and we should remain at that level through the end of the year. If we stay in our current path, we would expect to get back to about 3.5x leverage next year. This would allow us to get back to one of our major pillars of project focus: to return cash to our shareholders.

A second development is Bayer has agreed to a \$20 million reimbursement this year. We have been anticipating this payment for several months as reimbursement for investments we didn't anticipate entering fiscal 2019. In other words, I would caution you against adding this to your models.

Our counterparts at Bayer have been committed to working with us. We've been working collaboratively to further make amendments to our agency agreement that gives us more flexibility going forward. I'm cautiously optimistic and will obviously have more to say as things move along.

As for GroundClear, it's the story behind the story that I think matters the most here. We've brought this innovative herbicide to the market in less than a year. That's unheard of in the pesticide lines. Nearly every major function in the company touched this product, and the process ran with near perfection. GroundClear serves 2 important purposes. First, it provides an alternative to consumers who might have otherwise decided to leave the category. But this is also our first OMRI-listed nonselective weed control, so it can be used around organic gardens, and it is extremely effective and fast. This opens up an entirely new segment of audience for us and allows us to expand in the category. In fact, if you look at the nonselective category in total, that's Roundup and the entire GroundClear line, consumer purchases are up nearly 30% entering May.

GroundClear is an example of turning the organization on its head and getting something done with urgency. Sometimes the process doesn't work like that. Sometimes bringing a product to market takes patience, and that's what we demonstrated with Miracle-Gro Performance Organics. In a slow-growth category like lawn and garden, it's easy to consider reductions in areas like R&D as a potential pathway if you're looking to save your way to success. That approach could have made sense in this instance since our soil products are already the #1 product line by a wide margin. But consumer sentiment is evolving. If we didn't create the ultimate organic product, we knew someone else would. So we spent 4 years working

on Performance Organics, and the result, the creation of an organic fertilizer to perform every well as bit as synthetic was worth the wait. Retailers' support has been fantastic, consumer engagement has been strong and the entire growing media category is up 10% on a fiscal year-to-date basis entering May. And that's before we get to the peak gardening weeks of the year.

There's a common thread in all the products [indiscernible] have highlighted this morning. In each case, it's been about addressing the changing needs and attitudes of consumers. To truly address those changes, we need the support of our retailers. This season in particular, we strengthened our relationship with them by having critical, timely and honest conversations about the challenges and opportunities in our category. The transparency of those conversations has helped strengthen those relationships and trust and drive the announced -- the results we announced today and positioned us for continued success in 2020 as well.

I'll cover more about the U.S. Consumer business in Q&A if you'd like, but in the interest of time, I want to shift gears and talk about Hawthorne a bit. Clearly, we're pleased with what we're seeing. We had double-digit growth throughout the quarter, with strong growth in both durables and consumables. And we're seeing growth in both emerging and mature markets. I'll leave the rest of the facts of numbers to Randy.

On the last call, someone asked me why we're so confident we would win in this space and what we would bring to the party that gives us the right to win on the professional side of the industry. There was a clear implication that some folks believe our experience as a consumer company somehow impedes our ability to be successful here. When you run a public company, it's hard to plug your ears sometimes. That was one of those times. Because the notion that we have the wrong products or skill set to win in the professional grower market is just flat out wrong.

I'll start reminding you that a every small percentage, we believe likely less than 5% of our hydroponic products, are used by people growing plants at home. Said differently, more than \$500 million worth of our products will be used by commercial operators this year, including the largest growers in the world. In fact, we have a dedicated team that focuses exclusively on that segment. While it's become cool and fashionable to invest in companies that are affiliated in the hemp and state-authorized cannabis industries, we were the first major player and certainly the first public company to enter the space. We've been bullish in this category from day 1, including a year ago when I felt like the sky was falling. I've suggested many times that last year was an aberration, the kind of result that occurs sometimes when a business is still in the adolescent stage. But the results we posted in Q2 and the momentum we've seen so far in Q3 is showing once again that this industry has great potential and we are better positioned than anyone to win.

First, the results we report today demonstrate that large commercial operators in the industry see us as a critical part of their success. And the approach we've taken with them has allowed us to expand our market position. Over the past year, we've taken an aggressive approach to promotions, and it's not because we lack confidence, it's because we have confidence. In a moment of frustration last year, I made a comment on one of these calls that the team was gun-shy. They've taken a great pride in proving me wrong.

Our goal is to be the perfect supplier to growers in both the U.S. and Canada. And so we have been investing as we plan to do to build our customer base and distance ourselves from the competition. We're succeeding. The #3 player in this space has exited the category in recent months, and we have further distanced ourselves from the #2 player. We have demonstrated to our customers that we are just as committed to their success as we are to our own. To be the perfect vendor, we can't simply sell products. We have to sell performance and be viewed as a trusted resource. This is especially true as the market continues to evolve and the financial stakes growers continues to climb.

We have to help them understand how to use our systems in a way that delivers the best results in the most cost-effective way possible. To be the perfect vendor, our customers can't see us as a vendor. They have to see us as an indispensable partner to their success. To achieve that goal, there is a clear near-term trade-off that we're making. Our margin rate is clearly not where we'd like it to be right now. In the near term, however, by engaging in aggressive promotional strategy, we have solidified our market leadership, which I believe creates the best environment for more attractive level of profitability over the long term.

Sustained success will require us to continue to further improve our product portfolio. We need to expand our technical capabilities and ensure that our R&D pipeline is focused on performance, costs and speed. We have to be mindful that as fast as this industry is evolving, much of it remains the same. Just as we do in our U.S. Consumer business, we need to respect the culture that the pioneers in this industry created and help them continue to succeed alongside the larger players who are now coming in.

I want to wrap up and turn things over to Randy, but I first want to reiterate how good I feel about the way we're running this company. As I said earlier, creating long-term value requires a lot more than getting a good break from mother nature or hitting the occasional home run with a new product. It starts with a mindset and a commitment, and it requires investment in both the right people and the right processes to get things done.

I want to tip my hat to Mike Lukemire. He's done a great job as Chief Operator, and his team is performing at an extremely high level. What's really exciting is that I'm confident they've got a lot more in their tank. I also have to give a nod across the table to Randy. In my 20 years as CEO, he's been the best operating CFO I've ever worked with. It's been rewarding to see him expand his role to take on strategy, to help us navigate M&A and to drive our discussions with the team at Bayer.

It's also been great to see the momentum which is back on our side at Hawthorne. Even though politicians, mostly at the federal level, are ridiculously slow to embrace changes that Americans clearly want, it's encouraging to see positive changes in states where voters are getting a say. In those places, state laws are helping our business. Growers are finding it profitable to grow again, and retailers are feeling more comfortable taking inventory because they're feeling the tailwinds as well.

It's not hard to be pleased with the results we announced today. It always feels better when people are stressed to keep up with demand instead of being stressed to create it. There is a renewed sense of confidence and enthusiasm throughout the company this year, and it's palpable. We can feel it. I can feel it. I hope you guys can as well.

So let me turn things over to my partner to run you through the numbers. Randy?

Thomas Randal Coleman

Executive VP & CFO

Nice job, Jim.

James S. Hagedorn

Chairman & CEO

Thank you.

Thomas Randal Coleman

Executive VP & CFO

I know that was a struggle. Hopefully, everybody listening appreciates that.

So good morning, everyone. We clearly have a great deal of good news to cover today, and I want to start by reinforcing the confidence Jim just expressed about where we stand right now. I'll discuss our guidance in more detail near the end of my prepared comments, but I'll just say out of the gate that I feel optimistic about our ability to deliver on the commitments we made at the start of the year.

I'm not going to go line by line to the P&L. We'll cover things in Q&A if there's an area we need more explanation. But I will hit the highlights and try and anticipate some of the questions you may have that may not be answered by simply looking at the numbers.

On the sales line, let me touch on a couple of items. We said the U.S. Consumer business would be up 1% to 2% for the year and we're up 8% in the quarter and year-to-date, and we're now at the midway point of year. Two things you should know. First, a lot of the mulch sales we're seeing this year were not contemplated in our original guidance, at least \$35 million worth. The other point is remind you what I said on our last call. We've seen some of our retailers take a more aggressive approach to filling their

stores earlier this year. That's exactly what happened. So more -- so then in most years, the balance of 2019 is really about replenishment, and that means it's really about consumer engagement and POS from this point forward. But we and our retail partners remain extremely active in trying to drive consumer engagement. Remember, though, we have a plus 28% comp in May, so we're likely to give back much of the POS growth we've seen year-to-date. In addition, historically speaking, we still have about 50% of the POS here still in front of us. If POS is plus 4% or plus 5% in mid-June, I'll be very pleased with that result.

The other thing working out there right now is that retail inventory levels are up from last year's levels. There is clearly less focus on that metric at this point in the season than we saw a year ago. But season inventory is really what the retailers historically tried to manage. When anticipated going into the year, that retail inventory reductions could put downward pressure on our top line number by the end of the year. Even though that's not manifesting itself right now, we're not going to move off of this assumption until much later in the year.

Hawthorne total shipments, up 21% in the quarter and 5% year-to-date on an apples-to-apples basis, also look a bit better right now than our guidance would have suggested at the midway point in the year. Even more encouragingly, we are also up over 20% in the U.S. hydroponics business for the month of April.

I'm usually a margin hawk, but I'm totally aligned with Jim's comments about our near-term focus to reenergize the top line at Hawthorne. My bias actually stems from a dozen of shareholder meetings I participated in over the past year. I believe getting this business to once again just sustainable growth is our #1 near-term priority. However, looking into the future, we will be shifting our focus next year to create a margin profile that allows us to drive the kind of value from the business that our shareholders expect.

On a company-wide gross margin line, our rate had decline 60 basis points in the quarter and 160 basis points year-to-date on a non-GAAP basis. While our gross margin dollars are up almost \$65 million so far this year, we obviously have some ground to make up to get our gross margin rate to flat by year-end as we had originally planned.

Right now, as expected, the impact of the Sunlight deal and more specifically the lower-margin distribution side of this business is the biggest drag in the rate, but that begins to anniversary in June. Also, we've been highly promotional in Hawthorne over the past few months. While this approach is driving share gains and top line growth, that also has an impact on the gross margin rate.

Pricing in our U.S. Consumer segment only took effect in Q2, so we get more benefit in the months ahead. Additionally, the impact of the incremental mulch business could add more margin dollars, but it will also be dilutive to our overall rate.

Some of the margin pressure will be offset in Q3 by a \$20 million reimbursement we received from Bayer for incremental expenses incurred and to be incurred in the future related to the Roundup business. This payment will run through our P&L similar to how they commissioned us. As a reminder, we originally guided to a \$20 million contractual reduction in Roundup-related gross margins for the full year, and that impact will now be entirely offset within gross margins via this April 1 payment.

Commodities continue to come in as expected. Headwind, there were last year but negated by pricing. We're about 90% locked on the commodity purchases for this year and have begun locking in costs 2020 as well. On a related note, hats off to our supply chain team. Despite retailers pulling forward inventory and consumer purchases being red-hot in the early season, we've done a great job of keeping retailers in stock without facing any unexpected pressure on either the availability or the cost of trust.

Moving on to SG&A. We saw increases of 8% in the quarter and year-to-date to \$180 million and \$296 million, respectively. The increases were driven primarily by the Sunlight deal net of synergies. We've had higher media spending this year as well. Some of it was planned and some of it not planned at the start of the year. However, some of the \$20 million reimbursement coming from Bayer is targeted to help cover the incremental investment and advertising spend that was not contemplated in the original guidance that we've provided to you.

In terms of the Sunlight deal, the SG&A savings we anticipated have been realized on time and in full. Some of the interest paid and supply chain savings are trending slightly behind schedule, but we still plan to hit our incremental \$30 million cost savings goal for the full year. You'll notice that segment profit for Hawthorne is about \$15 million year-to-date, so we need a strong performance in the second half to hit our \$60 million profit goal. Continued strong sales trends, back half synergies and prior year purchase accounting expenses that will not repeat are the key drivers for Hawthorne.

Interest expense in the quarter was \$29 million, an increase of about \$6.5 million from last year, and our leverage ratio stood at about 3.9x entering Q3. I will reiterate once again that 100% of the proceeds from the TruGreen divestiture have gone to our paying down debt. In addition, separate from the \$20 million reimbursement mentioned earlier, we also received on April 1 a \$37 million payment from Bayer for the sale of our interest in a JV for our professional business, and we also applied those proceeds to debt reduction. Combined with the plans we already have in place, I would anticipate our leverage ratio continue to be slightly below 4x at the end of the year.

When we take all this down to the bottom line, our non-GAAP adjusted net income was \$203.2 million or \$3.64 per share in the quarter. That compares with \$165.2 million or \$2.88 per share in the same period a year ago. On a year-to-date basis, the non-GAAP adjusted earnings are \$126.2 million or \$2.26 per share compared with \$103 million or \$1.78 per share a year ago.

What does this all mean for our full year guidance? Frankly, it's still too early in the year to change anything, but some clear trends are definitely shaping out. I think it's reasonable to expect that we may over-deliver on the top line, either in one segment or both, and I'm optimistic about where we stand right now. Our original guidance for the gross margin rate, flat from last year is still possible, but may now be a best case scenario.

Regarding SG&A, given the media spending that is incremental to our initial guidance, SG&A dollars will likely be higher than we thought, but SG&A as a percentage of sales probably will not change materially.

Perhaps this is redundant from my previous comments, but I also want to clearly address the impact of the \$20 million we received from Bayer on April 1. We've been in discussion with Bayer for several months, providing confidence that we have extra money to invest in both U.S. Consumer media and Hawthorne promotions that would drive our top line after paying for certain other SG&A costs. Accordingly, I would not assume that any of the \$20 million is incremental earnings for the year.

To date, we've seen terrific success with incremental spending plans developed after we provided our full year guidance last fall. However, we still have several big [pillars] weeks ahead of us, and hydroponics business can vary significantly from one month to the next, so it's not prudent to formally update our expectations until we have more visibility on the year. And with all these puts and takes, it's simply too early to give you an accurate gauge on what all these means to our non-GAAP adjusted EPS targets.

Jim King said at the outset that we'll be in Chicago on June 6 for the William Blair conference. We almost always use the event to provide a live update on where we stand, and I expect us to do that again this year.

But regardless of all that, I want to close my remarks by once again expressing my optimism about where we stand. And frankly, I appreciate Jim's comments about how we got there. A year ago, I was out there front and center listening to people question our strategy. Did we get everything perfect? Not initially, but I'm proud that we stayed true to our beliefs, stay focused on executing. Those facts put us in a great position and in the back half of this year and also as we begin preparing for the 2020 season. So with that, let me open the call for your questions. Thank you.

Question and Answer

Operator

[Operator Instructions] We will now take our first question from Bill Chappell of SunTrust.

William Bates Chappell

SunTrust Robinson Humphrey, Inc., Research Division

Just first, on the Hawthorne side. Can you kind of give us a little more color on what the liquidation did to your sales and your margins intra-quarter of the number -- I guess the #3 player? Just trying to understand, did that cause a cut in prices because of slowdown in sales, I mean, where they could have actually been better? I just didn't understand what the near-term impact was.

Thomas Randal Coleman

Executive VP & CFO

This is Randy. So we have been promotional, we have been taking market share. The #3 player is out of business, #2 player is definitely challenged given how aggressive we've been in the market share we've been taking. To exactly quantify the impact of that, just got to say, I can tell you the promotions that we've run have been profitable so -- but the margin is dilutive, but we're not losing money, not a loss leader. We're still making money in what we're doing, and we're being very successful driving the top line. And we always engage in a lot of debates here about margin versus sales and so on, but for what we're doing for this year, I'm completely aligned with driving the top line, taking share and putting us in a really good long-term position. So hopefully that helps. I don't know if Jim or Luke or Chris want to add anything else.

James S. Hagedorn

Chairman & CEO

I'm going to try to save my voice if that works.

Christopher J. Hagedorn

GM & Senior VP

Yes. Bill, this is Chris. One thing I would add is that without looking at it from a financial perspective, just looking at it from sort of a market share perspective, following the closure of the #3 player, we've seen a significant increase in the number of retail accounts that we've signed up, either as a partial supplier or exclusive supplier to those retailers, which, to us, is probably the clearest indicator of market share. And as I've said, that number went up significantly following the closure of the #3 player. So that's a bit of indicative for us.

William Bates Chappell

SunTrust Robinson Humphrey, Inc., Research Division

Got it. And then on the Bayer payment, is this -- do you expect this to be an ongoing payment? I mean -- or ongoing kind of subsidy to help offset the negative news?

James S. Hagedorn

Chairman & CEO

You might as well take this. My voice is crashing here.

Thomas Randal Coleman

Executive VP & CFO

I've watched Jim try to jump in here, but I'll answer that one, Bill.

James S. Hagedorn

Chairman & CEO

You guys are saved. I can't talk.

Thomas Randal Coleman

Executive VP & CFO

So the \$20 million for 2019, given what's going on with marketplace and the challenges that have been going on, we've been working collaboratively with the team both in St. Louis and in Germany over the last several months. So we probably came to an agreement and the payment was made on April 1. But it's a onetime payment in 2019, the reimbursement of those certain costs related to Roundup. And some of that is incremental to those costs, and we've been able to take those dollars, invest it in Roundup media, other media in our U.S. business as well as help fund some of the promotions in Hawthorne that we already talked. So happy the way what that turned out, but 2019, it's a 1-year payment.

James S. Hagedorn

Chairman & CEO

And maybe just talk about kind of where you're going.

Thomas Randal Coleman

Executive VP & CFO

Well, we're still in conversations, like Jim said. We think it's important to have flexibility, optionality, security and agency agreement that we already have. Conversations have been very productive. The team over there understands where we're coming from. Too early to be more clear or definite, but we're encouraged by [the other promotions]...

James S. Hagedorn

Chairman & CEO

One of the conversations is about the economics. And those -- like what we said, those conversations are ongoing. And I want to be constructive and I want to be thankful to our partners at Bayer for -- at a time of, I think, pretty high stress for them to sort of deal with our issues as we see them. And I think these conversations are being led by Randy and are going, I think, really well. And we'll have more to say when we can.

William Bates Chappell

SunTrust Robinson Humphrey, Inc., Research Division

Got it. And then just last one for me. I mean the 13% POS this time of the year, it's the highest I can remember, at least in the past 5-plus years. And you'd started going back to January saying that the retailers were kind of geared up better than they have been before and were really ready. Is there an explanation for -- beyond weather? I mean -- and weather was better, I get that, but like why it's just so strong this early in the year?

James S. Hagedorn

Chairman & CEO

First, the weather has been good. That always helps. I think it's a little bit go back and look, take out last year and -- so there's good growth, but last year sucks so bad that it sort of says what a pretty good like trajectory if you'd just take last year out. But I think you're right in that there's more than that going on. I think all the retailers are highly engaged in the category. I mentioned in my script that we have a lot of senior-level discussions primarily about what's happening with Roundup. And this has been, really, Mike and myself at the most senior levels of really all of our retailers. And number one, I think it's allowed Mike and I to kind of renew our relationship without talking about the day-to-day of kind of the transaction of doing business with a big retailer, which tends to be kind of everything which is selling stuff. This is one where it's kind of adults in the room talking about what we want to do, how we're going to do it together. And I think it resulted in some retailers that we have had more stressful relationship with over the years recently where we renewed our relationships at the senior levels. And I think we sort of discovered we like each other more than we knew. And I think that's helped.

I also think that new management at Lowe's, to be fair, is extremely keen on stepping out on really the first quarter of their first year, their first full year, and so they're taking it very seriously, which is great. And last, I think this is one of those internal things that we're all going to have to figure out. I mean you guys too, Randy is -- mulch is a very -- I mean I think we discovered the importance of mulch at that start of the season. And I think it's pretty critical. I think we've got to figure out in our sort of margin structure if mulch is really important to us, what does that mean to our gross margin expectations. It clearly is slightly dilutive, and we just got to figure out sort of how permanent that is. But it's -- I just don't think you can actually promote -- I'm talking as a retailer, promote into the season without something like mulch. And therefore, I think we've been conflicted about that and tried to sort of move toward discipline on margin and reduction in our exposure of that category. Just saying it's not that high calorie count, but I think that I view that as a mistake.

So I think it's really good for the total business, and I think it's important for the Street to sort of see that this is not falling into undisciplined selling. This is actually leading with something that really gets lawn and garden season going. And I think that's been a big part of what happened this year. And I want to put -- Tom Crabtree and Mike have been -- and the whole senior sales team, have been out really doing good work. So I don't know, Bill, I would say that so many things were coming together this year, good weather, good products, good programs, relationships of trust that are new, that give us more upside opportunity. It's going pretty well, and so it's a healthy thing. And I think that it's more than one thing. It's a lot of things coming together that you would hope would come together, and they have.

Thomas Randal Coleman
Executive VP & CFO

Bill, to answer your question on this year, April 2019 that we're in just about rivals, the best April that we've had in history looking backwards versus a 3-year average over the last few years, we're up about 3%, so that's upwards of 13% contact. But really pleased with where we're at. And a little bit more color on just what the numbers look like. When we look at retail performance, we're up across all channels. So we're doing well across the board for a lot of reasons that Jim talked about. When you look at it regionally, we're doing right now better in midwest and northeast just because last year was such a challenge on the weather end. So we expect the west and the south to do a lot better in May and June and complement that. And when you think about share with -- typically higher market share midwest and northeast, especially in the fertilizer business, so that's up quite a bit as well. And then on our last call, we talked about coming out of line reviews and market share expectations for this year. And like I said, there were certain SKUs that retailers took out, but I understand completely. They weren't really working well for us. They weren't working well for the retailers either. But since then, we've been really competitive. I believe we've taken market share at this point in a post line review outcomes. We've been a lot more competitive in the marketplace, taking advantage of opportunities in the store. And the new products we've introduced aren't just about market share but also about going to categories. So when you think about GroundClear, it's going to category in nonselective weed. Performance Organics, it's going to category in potting mix and garden soil and plant food as well. So not just market share plays there, truly going to category, more reason why we're excited about what's happening this year.

James S. Hagedorn
Chairman & CEO

Mike, anything you want to add on this in your business?

Michael C. Lukemire
President & COO

I think you've got to look at it is retailers and the renewals are counting on us to grow the category, and that's the complete solution across all categories versus picking and choosing winners and losers. And I think that's where mulch plays in to help bring more people in. And then when we convert with our brands, we win another category. So I think that's the effect you're seeing.

Operator

We will now move on to our next question from Jon Andersen of William Blair.

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Jon Robert Andersen

William Blair & Company L.L.C., Research Division

I wanted to ask, to start on Roundup, I'm trying to kind of square the idea that Roundup point of sale was up 20% with some of the noise around the brand and then the payment that you referred to from Bayer. Could you talk a little bit about the strength of Roundup in light of some of the headlines and what you would expect going forward for that brand? And is GroundClear meant to replace Roundup over time or add as kind of an option for those consumers who may not be comfortable on the margin by Roundup in the future?

James S. Hagedorn

Chairman & CEO

All right. I'll start if I can continue. We're surprised, too. So one of the things we did is increase the ad spend. And both of us, Bayer and Scotts, agreed to pay for it. When you're seeing like, whatever it is, Prop 65 language in California being talked about, I think we told you guys last year, California, in spite of the Prop 65 and IR stuff, actually had really good POS results last year in spite of what you would say. And by the way, our research would show that consumers were concerned. So -- and one of the things that's happened, I think, is the southwest had a pretty wet winter and a lot of weed pressure. And so we started out early with really good sales in like Arizona, Phoenix especially. And when you look at it and look by year before that and the year before that, it was -- Roundup last year was such a bad year that it's a little bit like talking about our consumer business. So part of the growth is the fact that it's less impressive when you look at it compared to sort of the previous years, not excluding last year. So we increased the advertising. We were concerned, retailers were concerned. We didn't know what's going to happen. Honestly, I'm not sure I can tell you exactly what's happened. But we're happy about the results. I think all of us, Bayer, Scotts, the retailers, have been concerned and we're relieved that -- the result that we're getting. So that's kind of on that side.

The lineup -- the GroundClear lineup is designed as a -- kind of a fallback just because we didn't know, and we wanted a product line that was allowed under the agency agreement, which GroundClear is, to, just in case there was a backlash, be ready for that. And we funded that at a pretty high level. And so the result is when you see our sales, which are really the category, being up almost 1/3 year-to-date, it is impressive as heck. So GroundClear was designed as a backup. I think it actually has a real place in the -- I mean, we're not going to not focus on that product line next year as a result of the results of this year. I think it gives us a better shelf set. I think it offers an OMRI-certified product for retailers who -- or for consumers who might be concerned or want a different sort of less-chemical product. So I think it is a little bit of serendipity in that you had a bad season last year, that season was a lot better, meaning a lot more weed pressure. And I think it's probably pretty clear that consumers have a lot more resiliency than maybe our research would have shown in regards to sort of the brand reputation.

Thomas Randal Coleman

Executive VP & CFO

Jon, the only other thing I'd add is if you haven't seen that, EPA came out yesterday, U.S. EPA. They've done the review of glyphosate and very comfortable that science has found safer to use. So I think even more affirmation that things are fine.

James S. Hagedorn

Chairman & CEO

Well, I want to again say to -- if our friends at Bayer are listening, that they've actually been really good to work with so far throughout what I think is extremely disruptive period of their history as they're dealing with integration of Monsanto and the Monsanto kind of reputational issues and certain legal liability issues that they're dealing with. So if I look back at kind of where we were last fall after that original Johnson verdict to where we are today, Randy has really primarily led the exercise in trying to figure out how our relationship needs to be modified in order to do the right thing for this company. And they've actually been receptive in dealing with that, and it's been not pleasant to deal with but it's been pretty professional.

Jon Robert Andersen

William Blair & Company L.L.C., Research Division

Okay. You talked in the prepared portion of your comments how important it's going to be, to be viewed or become a trusted partner for large commercial operators in the hydroponics space and having the right products differentiate. But I was just wondering if you could talk a little bit about, you have 2 sides of the business, you have a consumable side and the durable side, and where you think you have the most differentiation or importance today to those large-scale commercial operators and where you have the most work or more work to do to demonstrate that technical expertise and differentiation, again, comparing your durables portion of your business versus the consumables.

James S. Hagedorn

Chairman & CEO

Do you want to take that question?

Christopher J. Hagedorn

GM & Senior VP

It's Chris. So it's a good question. And it's a little bit difficult for us to break it down because on the one hand, we are the market leader by a pretty significant margin on the lighting side as we are on the consumables side. Now I think you can look at it and say as -- with our roots from ScottsMiracle-Gro as the biggest and most experienced consumer lawn and garden company and us nutrient and growing media company in the world, I think our prowess there is pretty unparalleled, and we compete on the lighting side with some very significant, very established players. So I think the competition, I would probably say, is stiffer on the durable side particularly as it relates to lighting. But we've got some very strong partnerships with some extremely significant players. So I don't think we're in a disadvantaged position there, but I think, again, just understanding who we are from an enterprise level at ScottsMiracle-Gro, I think our sort of primacy there is pretty unrivaled, not to sound arrogant.

James S. Hagedorn

Chairman & CEO

Well, look, and I probably would say it slightly differently. Sorry, Chris. I think we have on sort of the consumables side, I agree with what Chris said, I think we just have to do it. I think we've got to look at our nutrients business, our soils business, our R&D pipeline. I mean the things that we can add when you talk about -- Chris talks about prowess, I think we have to execute against it. And I think we're headed down the road. On the light business, first of all, we have a Board meeting tomorrow and Friday where Chris and his team are going to talk about all the stuff. But I think that we aim to lead lighting, both in sort of the traditional lights and LEDs. And I think we've got a plan to do that, which is key. And I think in the other durable areas, which would be sort of hydroponic systems, sort of your rolling stock, there's a lot of innovation happening. So I think that -- somebody said how far down the track you think you are in being what I've been saying lately, the kind of the perfect vendor, perfect partner to professional growers? I think we're more than halfway there, and that's a long way since where we were a year ago. So I think we've got a lot of work to do, but when we talk durables, we're really talking kind of plastics and lights. And I think there is a lot of really good work happening both here, in Europe and in Vancouver. And on the consumables side, we got a lot of value we can add that we're just -- I mean it's been -- I think Randy was actually being -- or maybe it was Mike, last week being defensive of Hawthorne and said, for Christ's sake, guys, we have like 8 months to integrate. And when you consider -- if we're trying to strategically make ourselves into an essential partner, I think we've made progress in both areas. But Scott has a lot to help Chris with and his group on the consumables side. On the durable side, there is a lot of progress happening.

Christopher J. Hagedorn

GM & Senior VP

Yes. And just one thing that I want to add is that as important it is to look at those 2 halves of our business, and we do look at them that way between durables and consumables, I think it's also important to note that we had competitors in each of our individual categories. But for me, I don't really see the

differentiator as much in individual category for Hawthorne is the fact that we are basic or partnered with people who are basic in every category. And when you look at these operations from a growers perspective, everything has to work in concert, every product, every tool you use has to work together with the others. And being the only people out there who offer all of that along the tech services package that we have, that to me is a big differentiator, less than any individual product line.

Jon Robert Andersen

William Blair & Company L.L.C., Research Division

Last one for me. It's just the #2 -- #3 player that liquidated relative to Sunlight, what are your expectations for the #2 player? Are they tethering? Do you expect them to remain as a competitor? And what are kind of the implications there going forward?

James S. Hagedorn

Chairman & CEO

I'll answer the question for my team. We respect everybody who's competing in the space, and we aim to beat them hard. And to what Randy says, you better start focusing on margin. So I would say highly respectful of our other competitor, and we have not taken our foot off the gas either. But I'm not going to say anything about tethering because every time I do that comes back to bite us on the ass. But I will say, so they're good, honest people, and we are going to continue doing what we do.

Operator

We will now move on to our next question from Joe Altobello of Raymond James.

Joseph Nicholas Altobello

Raymond James & Associates, Inc., Research Division

So I guess a couple of questions on the Bayer reimbursement. First, if I understand what you said earlier, Randy, it's in the guide but you're spending it back, so don't flow it through the model, number one. And number two, what was the rationale for the reimbursement? Because it seems like the Roundup business is doing pretty well as you guys pointed out this morning.

James S. Hagedorn

Chairman & CEO

All right. So let's view that as question one, and Randy is capable of answering the whole thing. I would just say is as we talked about this before, we didn't know how this was going to go. So we've done a lot of work to make sure that the good result you're seeing today, at least as close -- we want to sort of overcome headwinds. I would say 3 or 4 months ago -- if I had an answer for you, I would tell you. Is it safe? Maybe it was like a marathon man or something, I have no idea, okay, if it's safe. The results certainly...

Thomas Randal Coleman

Executive VP & CFO

The product or the outlook, I think you need to be clear.

James S. Hagedorn

Chairman & CEO

I'm talking about the outlook.

Thomas Randal Coleman

Executive VP & CFO

Yes. Okay. Just to be clear.

James S. Hagedorn

Chairman & CEO

The -- Roundup is through 2 cases of leaving like 12,998 left to go. But given the environment we thought we're in, I think we spent the money extremely well, and I think you're seeing the results of it. So we didn't know how it was going to go, and I can't predict that it's going to be as good next year. We're 2 cases into this, and it's the court of public opinion and consumers that matters here, not what we hope it's -- but I think the money has been spent really well, and I think you're seeing the results. But I don't know what it means. Maybe, Randy...

Thomas Randal Coleman

Executive VP & CFO

Yes. I will just say, Joe, again, the payment on April 1 and the sale of the JV in April 1 were both results of conversations at deep, way back to the fall, it took many months to consummate. So I'd say that was how we got here. Like Jim said, looking forward, we're encouraged by what's happening this year, difficult to predict the future, but really happy with the way this year is turning out and we'll go from there. But so far, so good.

Joseph Nicholas Altobello

Raymond James & Associates, Inc., Research Division

Okay. Understood. And if I could ask a question for Chris. I figure I'd save Jim's voice a little bit. But on California hydroponics, it seemed like the market's bottomed there. Where does supply/demand stand for cannabis in California? And are you still seeing movement toward the black market, which I think would be good for you guys?

Christopher J. Hagedorn

GM & Senior VP

Yes. So we are definitely seeing -- the market there on the legal side, I think, is beginning to resolve itself. That being said, I don't think it's happening quickly enough to satisfy just the pent-up consumer demand there. So we do believe that there's a shift taking place back towards the black market. I would shuck that up largely to, again, just a sort of -- a slow rate of legal changeover as well as just the fact that even a state like California where things, I think, are relatively permissive and becoming more so, it's still -- it's hard to be a legal grower due to the way that businesses are taxed, the way that businesses can bank at a legal level. I think a lot of folks who dipped their toes in the legal market found that unfortunately, due to the way that the laws are written, it is more beneficial for them as individuals to remain in the black market. So there's been a shift backwards, that at least that's what we've seen as a feedback we get from our retailers. Now the product set that we have that has traditionally serviced that market, it is a relatively high-margin product set, so it's not something we're lamenting, but I do hope that the state federal government can work through those issues and we can continue to see it towards the white market because I think that's just better for everybody long term.

Operator

We would now move on to our next question from William Reuter of Bank of America.

Unknown Analyst

This is [Mike] on for Bill. Just one question here. You guys mentioned that [indiscernible] next year. Do you expect [indiscernible]?

Jim King

Chief Communications Officer and Senior VP of Investor Relations & Corporate Affairs

This is Jim King. John, if we can put that caller back in the queue. I think to help us understand the question, we'll be glad to take it later. We've got so much static on the line that we can't hear. So if we can just move on to the next person in the queue, let's do that.

Operator

We will move to our next question from Chris Carey of Bank of America.

Christopher Michael Carey

BofA Merrill Lynch, Research Division

So I guess I was kind of hearing in the prepared remarks or maybe during the Q&A, I can't remember, that maybe Marvin and team going over the Lowe's has caused the change in strategy there. Maybe more engagement, maybe a more aggressive approach to driving these product categories, maybe brand, and I wonder if you can elaborate on that a little bit more.

James S. Hagedorn

Chairman & CEO

I can make it easy, yes. I was having a haircut this weekend, and I was down the road from Kenny Langone who jumped me while I was in the chair at the barbershop on Saturday and said, why is Lowe's looking so good? And I said, well, it's a new management team, and this is what I would talk it up to. It's a very merchant-oriented leadership team there who aims to compete. And I view that as good for this business, and we're doing our best to be very fair to all retailers. But I would say Marvin and the team, Bill Boltz, are doing really good work and they want to make an impact. And if I had said what is it all about, I would say it's a very aggressive merchant culture that I think is healthy for this business. Mike, anything you'd...

Michael C. Lukemire

President & COO

No, I think that you said it right. They're just being aggressive in the first to market. They're competing.

Christopher Michael Carey

BofA Merrill Lynch, Research Division

Okay. Okay. Makes sense. The -- so obviously, the inventory fell was strong as you guys had expected and the POS is coming through in a pretty strong way and you have the kind of May overhang with being such a strong month. So I'm just trying to marry sort of the risk of working through some of these inventory and the consumption with the comments that you made about the potential to raise guidance when you update the market in June. So do you need POS to continue to be really strong in May in order to get reorders here? Or is there something else that you're seeing that would suggest that you can get that activity over the next month?

James S. Hagedorn

Chairman & CEO

Okay. So just a couple of points I'd throw out. One, I think pretty much at this point, Mike's got May already ordered up, meaning he's got orders in house already to cover May. So then it is a matter of selling product off the shelf. So at the end of the day, it's going to be consumer takeaway that means either during May or beyond May where you're at. Effectively, where we're at is -- our feeling is that we can comp May. Randy will have good news in June. So that's kind of the internal give-and-take of how do we manage this call, how do we manage expectations. I think we, meaning Randy, Mike and myself, are kind of seeing how May goes, which is what a consumer POS looked like. I was listening to news this morning on the way in, and the May forecast for the East Coast, long-term forecast, whatever that is, 30 days, looks very attractive for the East Coast. So I think we're in a good place, and Randy would be willing -- and that kind of -- the challenge is can we comp May. If we do, that's going to be a good result for the year. I don't think we're feeling like there's a lot of risk to the expectations we set -- put that way. So I think we're confident where we are. I don't think -- unless it snows every weekend for the rest of the year, I doubt we miss. But the challenge is, are we going to call up and I think right now we're just saying just give us a month and we'll tell you.

Christopher Michael Carey

BofA Merrill Lynch, Research Division

Okay. And I'm conscious of where the call is in time, so just -- I'll get a quick question for me on. Just on promotions in Hawthorne, I'm trying to understand maybe why you've been so promotional and more importantly, why you think that going forward, you expected to become less promotional.

James S. Hagedorn
Chairman & CEO

Why? I accused them of being gun-shy, and they're also red-hot now, so the opposite of gun-shy right now. And we have something to say in the industry, and we're saying it. I think we -- I'll put myself in the operator, at least biased, which is -- somewhat conflict with my operating finance boss. I think we reach his tolerance level probably the end of this year for aggression when it comes to use of margin, really, on both sides, which is Hawthorne and on the consumer side. Because generally, when Mike and I come back from some place, we made a mulch deal to drive the business, which -- Randy also kind of has a smile on his face, but I...

Thomas Randal Coleman
Executive VP & CFO

Kind of.

James S. Hagedorn
Chairman & CEO

I view it as something that will evaporate over time. I think we got something to prove that this business will recover and that we can show that, I think we have, that we can take share on Hawthorne, I think we have, and that we can develop the skill sets in the professional horticulture market and, call it, shops that partners will recognize us as essential to their business. I think we've done that. And I think we're doing that on the consumer side as well. So I think we're pushing Randy about as hard as we can. But all of us, including Chris, recognize that we're going to have to show some more profit discipline next year and beyond, and we accept.

Thomas Randal Coleman
Executive VP & CFO

Chris, the only thing I'd add is Jim's taught me that once you've made the sale, there's nothing else to add. So I want to thank him for representing me so well to answer your question. So thank you.

Operator

We will now move on to our last question from Jason Rodgers of Great Lakes Review.

Jason Andrew Rodgers
Great Lakes Review

I just wanted to have a follow-up question on Hawthorne. You mentioned offering service packages with the durable and consumable sales. I was wondering, what percent of Hawthorne sales are currently derived from service? Is there a recurring revenue opportunity here? Just if you could provide some more information on how services are bundled with that equipment sale with the larger growers.

Thomas Randal Coleman
Executive VP & CFO

Yes. So I probably should have phrased it differently. We have a tech services team that we deploy across pretty much the breadth of our business, really prioritizing our larger -- what we would consider kind of key accounts, particularly up in Canada right now. It's not something that we've been charging for. I don't foresee us at least in the near term making that a revenue driver. It's more of a sales tool, and it comes sort of bundled with using us as a supplier.

James S. Hagedorn
Chairman & CEO

I wanted to just add how critical I think that is. This is a relatively new industry, particularly at the scale that you're talking about where customers like this in a single site could have tens of thousands of lights. And they've got to combine that and grow the products that's of quality and predictable, all the stuff you'd expect. And everybody is learning as they go. Our ability to step in as a major supplier with a highly professional tech support group that says what's going on here, how can we help, what's not working. If you're one of the big LPs in Canada and something's not working, you need help. And being a partner that can step in with experienced technical support, including R&D, sort of sales, lighting, et cetera, nutrients, and say, let's get them back up and running or solve the problem as quickly as possible and saying it doesn't cost you anything for that, all you got to do is buy our products. You buy our products, you will get something that I don't think anybody else can offer for nothing. That's the model when this works right.

Thomas Randal Coleman

Executive VP & CFO

Jason, it's Randy. I would just add. If you could meet the people that we have on this team, they're seasoned, they're knowledgeable and they're experienced, here to help, you can be really impressed.

Operator

It appears there are no further questions at this time. I'd like to turn the conference to Mr. King for any additional closing remarks.

Jim King

Chief Communications Officer and Senior VP of Investor Relations & Corporate Affairs

All right. Thanks, John. That's all we've got today. If we've not gotten people's questions, please call me directly. That's (937) 578-5622. And because we have not gotten enough plugs in yet this morning for Jon Andersen's conference, Randy and I will be there on June 6 to give you an update on where we're staying here today. Thanks for calling, everybody, and have a great day.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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