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SMG - Q1 2015 Scotts Miracle-Gro Co Earnings Call

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OVERVIEW:

Co. reported 1Q15 sales of $216m, adjusted loss of $68.5m or $1.13 per share and GAAP loss from continuing operations of $74.6m or $1.23 per share.

CORPORATE PARTICIPANTS

Jim King *The Scotts Miracle-Gro Company - SVP of IR & Corporate Affairs, and Chief Communications Officer*

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Randy Coleman *The Scotts Miracle-Gro Company - EVP and CFO*

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Eric Bosshard *Cleveland Research Company - Analyst*

Jon Andersen *William Blair & Company - Analyst*

PRESENTATION

Operator

Good day and welcome to the Scotts Miracle-Gro quarter-one earnings conference. Today's conference is being recorded.

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

Jim King - *The Scotts Miracle-Gro Company - SVP of IR & Corporate Affairs, and Chief Communications Officer*

Thanks, Levi. Good morning, everyone, and welcome to our first-quarter conference call. With me this morning in Marysville, Ohio is our Chairman and CEO, Jim Hagedorn; and our Chief Financial Officer, Randy Coleman. Also present is Mike Lukemire, our Chief Operating Officer, as well as other members of our management team.

In a moment, Jim and Randy will share some brief prepared remarks. Afterward, we will open the call for your questions. In the interest of time, we ask that you keep to one question and to one follow-up. I've already scheduled time with many of you later today to fill in the gaps. Anyone else who needs a follow-up call can call me directly at 937-578-5622.

Before we begin, I want to remind everyone that we will be hosting an Investor Day event on February the 18th in Florida at the Boca Raton Marriott. If you haven't responded to us yet, and would like to attend, please call my office by next Tuesday, so we can include you in the event. We will start that meeting at 8 a.m. and have roughly 2 hours of presentations, primarily from Mike and his North American operating team. Shortly after 10 a.m., we will depart to visit local garden centers, and return to the hotel at roughly 11:45 for lunch and a Q&A session with management.

For those listening via webcast, we will be live during the presentations as well as the Q&A portion of the meeting, which we would expect to begin at roughly 12:15. There will be a link on our Investor Relations website that allows you to participate. Our goal would be to conclude the meeting by 1:30.

With that, let's move on to today's call. As always, we expect to make forward-looking statements this morning, so I want to caution that our actual results could differ materially from what we say. Investors should familiarize themselves with the full range of risk factors that could impact our results. 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 the call will be available on our website over the next year.

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

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Thanks, Jim. Good morning, everyone. As the other Jim just said, two weeks from now, we will give you a better look at the state of the business. We will show you our new products. We will give you a look at some of our new digital platforms and new advertising campaigns. And you will see the strong presence we have at our largest retail partners.

In addition, I will provide a brief strategic update; Randy will do the same, as it relates to our financial strategy; and Mike Lukemire will give you a high-level overview of the approach he is taking as Chief Operating Officer.

I think that we are executing extremely well right now, and I hope you will come away from that meeting with the same belief. Given the close proximity of that discussion to today's announcement, I'm going to keep my comments today pretty brief.

As most of you know, the first quarter typically constitutes less than 10% of sales for the year, and about 5% of consumer purchases, most of which date back to October. So if you're just looking at the numbers, there isn't much to take away from our release today as it relates to our full-year outlook for 2015.

With that said, I like what I see. Consumer purchases on a fiscal year-to-date basis are up 1%, but were up 11% since the first of the year. Better yet, we are positive in all channels of retail. The profitability of the business is right where we expected it to be. SG&A is well under control, our balance sheet is strong, and we are getting close on some acquisitions that will add about another 2% of growth on an annualized basis.

From a big picture perspective, it's also not -- it's hard not to be optimistic. It's been years since we have seen a healthy consumer, an engaged retailer base, and a stable cost structure all the same time. So I remain confident that we can deliver on the growth assumptions we outlined during the last call. And while we are still forecasting only about 1% to 2% organic growth, if the spring brings us an opportunity to exceed those numbers, we plan to take full advantage of it.

As it relates to the retail environment, support of the category and for our brands remains extremely strong. We are well-positioned both on-shelf and off-shelf, and we expect our retailers to once again lead with our brands as they kick off the season. In Europe, despite all of the macroeconomic challenges, we continue to see improvement in our business. Currency is really a nonissue for us, and I'll let Randy provide more color on that in a few minutes.

And in Scotts LawnService, we are entering the new calendar year with record levels of customer retention and higher customer counts, even before we get into the peak of the selling season. But it's February -- we are still two or three months away from the peak of the season. So the wildcard, as always, is whether Mother Nature cooperates. As all of you know we've had two back-to-back years of record bad weather, so I'm not going to jinx myself right now.

I want to shift gears and talk about some of the recent organizational changes and restructuring efforts we have undertaken here. When we announced Barry's departure, we said we had some further streamlining to do. And in January, we picked up where we left off. We made a change to the leadership of our UK business, and eliminate two other roles in the international headquarters, including the boss.

Previously, each country reported to an International Chief, Michele Gasenier, who then reported back to Marysville. Going forward, each country will report directly to Phil Jones, a British national who has extensive experience here and in Europe. Phil, who worked for Monsanto and competed well against us at one point, has had numerous assignments over the years, including President of our West Coast region. He is based here in Ohio and reports directly to Mike.

Remember, our international business had record profits last year. So the changes we made were not because the model was broken. The changes were made because we were convinced the model could be improved. In fact, that's been our mindset throughout the entire Company over the past two years.

Our efforts since 2012 have been to focus on streamlining the executive ranks, improving our decision-making, improving the quality of our financials, and reshaping our corporate culture. Those efforts are aimed at allowing us to consistently grow the core 1% to 3%, and add another point or two from smart acquisitions. That level of growth, coupled with leverage in the P&L and a smart capital allocation strategy, is designed to achieve double-digit shareholder returns in most years.

So what do I see? I see us succeeding. Whether it's been in the headquarters functions, North American operations or international, we've reduced layers and we have become more nimble. Our executive ranks have been trimmed by 45%, and we are working more collaboratively to prioritize spending and eliminate waste.

The result of these efforts has been the creation of a $40 million pool that we are reinvesting in the business. About half that money is going back to the core to better support our brands. The rest of it is going to emerging areas like SLS and the Hawthorne Gardening Company, where we have opportunities with urban and indoor gardening through an increased focus on hydroponics, organics and other niche products.

And so that transitions nicely into an overview of what you will hear from us in Boca. We will provide an overview that is less focused on what we are doing and more focused on how we are doing it. Mike and I will provide an overview of how the organizational structure has evolved. And what you will see is that we are approaching the business with a new philosophy -- one team. We have essentially shattered the old paradigm. We have moved away from a philosophy that corporate sits in a silo at one end of the building and the operators sit in the silo at the other.

As I said when Barry departed, we are not GE or Procter. We don't need a big infrastructure. We work better when we are all focused on strategic goals and operating as a single team.

Mike will also talk to you more about the near-term opportunities that we see in North America. In doing so, we will have brief presentations from a few members of his team. We'll talk about the new products we're rolling out this year. You'll see some of the new creative and digital assets that we are developing to speak to consumers. And you'll get a first-hand look of how the business is coming together in the stores.

While it may not feel like it to those of us buried in the snow in the Midwest and Northeast, spring is already happening in Florida. During our store walks, you'll see garden centers full of live goods, and I am confident that you will be impressed by the strong support of our retail partners that they continue to give to the Lawn and Garden category in general, and our brands in particular.

As I said at the outset, I feel good about where we are right now. We obviously don't have the ability to impact the weather, so we'll just have to wait for the season to break. But I am encouraged by the progress we are making in those areas that we do control.

If we keep executing against the strategy we have outlined in the past, I am confident shareholders will continue to benefit from the strong short-term returns and a company that is better-positioned for long-term success. And just in case you are wondering, it's been 70's in Florida. So, get out of the snow and come spend the day with us.

I look forward to seeing as many of you as possible on the 18th, and I think that you'll find it time well-spent. Thanks. And let me turn the call over to Randy to discuss the numbers.

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

Thank you, Jim, and good morning to everyone. I want to start by picking up on the optimistic tone that Jim struck in his remarks. In addition to having a good plan and good retailer support entering the year, we are also in strong financial shape with respect to both our current guidance for 2015 and also long-term growth. As Jim said, our strong balance sheet and cash flow continue to give us great flexibility to fund the needs of the business and also return cash to shareholders.

Specifically focusing on our 2015 outlook, I want anticipate questions you might have related to what other companies are reporting and what all of us keep reading in the business press. First, unlike many other consumer product companies, currency is a very small issue for us, given the modest earnings we derive from outside of the US. On a year-over-year basis, currency will negatively impact our topline by about 2% and our bottomline by $0.03 to $0.05. But some of that impact was already built into our assumptions entering the year.

Second, concerning commodity costs, falling commodity prices occurred too late in the year to provide much upside for 2015, but our risk from input costs this year has been greatly diminished.

So now let's get into the details of our first-quarter results. As is the case every year in the first quarter, it's easy to look at the numbers and get carried away by what you see, both good and bad. As Jim said, less than 10% of our sales and 5% of consumer activity for the year hits in Q1. Given the small base, there are often unusual-looking variances in Q1 versus the prior year that would begin to normalize as we get further into the year.

For example, sales in the quarter were up 14% to $216 million. That was driven by an 18% improvement in the Global Consumer segment, while Scotts LawnService was up 1%. However, acquisitions accounted for nearly all the growth in global consumer. Recall that we expect acquisitions for the full year to account for about 3 points of growth. We expect another 1% to 2% from the existing portfolio.

The other number that stands out is the gross margin rate, which was down 430 basis points to 13.6%. We had a little less than $8 million of negative mark-to-market adjustments related to our fuel hedges in the quarter. And off of such a small sales base, the rate is skewed. So if you exclude those hedges from both this year and last year, the gross margin rate would've been down only about 30 basis points, which was in line with our internal projections. This modest decline is consistent with higher warehousing costs tied to our inventory build, which I will explain when I discuss the balance sheet.

Before I move on, I want to provide a bit more color on our fuel hedges. Currently, we have locked about 80% of our fuel costs for 2015 and about 20% for 2016. I would anticipate our gross margin rate getting back to last year's levels by the end of the third quarter, which is consistent with our full-year guidance, as the mark-to-market impact is offset, once our shipments accelerate with the season, and we begin to see the benefit of lower year-over-year fuel costs.

But that is based on the assumption that we don't lock more costs and that fuel rates don't continue to decline. Obviously, the mark-to-market risk could negatively impact the full-year gross margin rate when we lock in more costs for 2016, and if we see even more downward pressure on fuel prices. Of course, the flip side of locking in more costs now would be a lower overall cost structure, once all the accounting noise settles itself out.

We are already further locked for 2016 fuel costs than we would normally be at this time of year. The conversation about how much more to lock-in our costs for next year is one that is happening in real-time, and I will likely be able to elaborate a bit further on this two weeks from now, when we are in Boca Raton.

Let's move on to SG&A. Jim already said spending is well under control, up 2% in the quarter. And I feel good about what I am seeing right now. If you look -- if you just look at the face of the P&L, it looks like there is not much of a story here. However, when you look beyond it, the story is actually a pretty good one.

The increase in spending in the quarter is in line with the increased advertising support for our Tomcat brand this fall. And with consumer purchases for Tomcat up more than 20% in the quarter, we feel good about the impact of our new creative and also new listings in this category. But remember that we also inherited SG&A from the acquisitions we've made over the past year. We were able to offset those acquired expenses by strong SG&A

controls associated with the smart spending decisions that Jim mentioned earlier, and also reduced compensation expense from our restructuring efforts.

As many of you know, I have been at Scotts for over 15 years. I wouldn't have always said we are as disciplined around SG&A as we needed to be. But the focus we've had over the past two years has become ingrained in the culture. And I continue to be optimistic that we can responsibly invest for long-term growth while maintaining strong discipline on SG&A.

We had restructuring costs of $9.6 million in the quarter, most of it driven by some of the organizational changes that Jim talked about. We would expect as much as $5 million of incremental restructuring in Q2, largely related to our international business. Our goal is to conclude our restructuring efforts by the end of Q2, though it is possible that a small amount of the associated costs could spill over into the second half of the year.

Interest expense in the quarter was $9.7 million versus $13.9 million a year ago -- the improvement driven by lower average interest rates due to the bonds we called during Q2 of last year, as well as the $2 million acceleration in Q1 of 2014 from interest rate swap accounting. Our leverage ratio at the end of the quarter was 2.4 times.

Finally, we ended the quarter with a basic share count of 60.8 million shares. During the quarter, we repurchased slightly less than $15 million of our own stock. Taking it all to the bottom line, our adjusted loss for the quarter was $68.5 million or $1.13 per share. Without the mark-to-market impact on fuel hedges, the adjusted loss would've been $1.04 per share. That compares to $65.5 million or $1.06 per share last year.

On a GAAP basis, loss attributable to controlling interest from continuing operations was $74.6 million or $1.23 per share compared to $65.7 million or $1.06 per share. There's really only one item on the balance sheet that I want to focus on, and that is inventory. As you see, the overall number is up about $77 million from last year. About half of that amount is due to acquisitions. The majority of the rest is due to a decision we made last year to accelerate the production of our growing Media and Mulch manufacturing in order to better meet the market demand in the spring.

Assuming we meet our full-year sales targets, I expect inventory will decline by $20 million to $30 million for us this year, allowing working capital to be a modest source of cash for us by the end of the year. I'm glad to get into more details related to the financials during Q&A, but there's not much to really add at this early point in the season.

But before I turn the call over to the operator, let me briefly outline what I will be sharing with you during our Investor Day event in Boca. There's really no point of going through the quarter or our full-year guidance, since nothing will change significantly between now and then. So my comments will be pretty brief. In addition to talking about our hedging strategy, I'll share an update with you about our philosophy around uses of cash as well as leverage.

You certainly won't hear any radical departures from what we've said in the past. I agree with Jim that we can and should continue to return cash to shareholders. But as the economy continues to strengthen, we need to be flexible in maintaining the right balance between investing in long-term growth and using cash for near-term returns.

I look forward to seeing you on February 18. And now I would like to turn the call over to the operator for your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Josh Borstein, Longbow Research.

Josh Borstein - *Longbow Research - Analyst*

Good morning, Jim, Randy, Mike and Jim, and everyone else there. Thanks for taking my questions, good morning to you. Just a question -- with falling gas prices putting a little extra money into everyone's pocket, do you have any reason to believe that some of that extra money might trickle into Lawn and Garden products this year?

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

I think we believe that. It's just -- if you go through the sort of the versions of the script, I really try to like reduce the size of the script, and as we kind of went through various versions of it. So we did have it in there that we viewed it as a positive. So I think the answer is yes.

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

I think when you look at consumer confidence, gas prices, general economic measures, I think it does make us have more confidence on our 1% and 2% organic growth number for the year. So, very much --.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Put it this way. It's better than the alternative.

Josh Borstein - *Longbow Research - Analyst*

Good point. And then conversely, do you have any concerns about what's going on in Texas and the economy there? And could you remind us how Texas ranks in terms of your markets in the US?

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

Texas is one of our top three. So, California, Florida and Texas are all pretty similar. Given where we are with oil prices being down and the economy there, I think it is a watch-out. But as we like to say, it's a very big country, plenty of big states. When Midwest Northeast has an off-year, it seems like California and Florida make up for it. So we are not especially concerned about the big picture, but I think Texas is an area that probably will have some economic (multiple speakers) --.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

I just want to throw out there that I do think weather probably matters more. And I think drought relief. And I think they've had a pretty good winter. And if you look at the long-term weather forecast, I think it calls for a slightly above average amount of rain in the Southwest. So I think those are actually healthy for us. So I would say if weather is good, and they are not in the middle of a terrible drought, I would say that's probably more valuable to us than sort of low oil prices and its effect on that economy.

Josh Borstein - *Longbow Research - Analyst*

Okay, great. And just one follow-up for me. Looking ahead to spring, I know one thing you guys have been working on is increasing the market basket. And some of that has to do with promoting related items together. How did that strategy work for you in 2014? And should we expect to see more of that in 2015?

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

It worked very well, but we are even doing more. And so I would say that I am highly optimistic about the spring Black Friday's that will be occurring in the market and our share of shelf with those activities.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

You know, I think this is one of the areas that -- if you look at yourself in the mirror and you say, what if we were really good? You know? I would think we would be making consumers an offer they couldn't refuse. With all the brands that we have and our presence in the stores, and a lot of things that we do that other people can't, as far as innovation in the space, you would think that we would tie stuff together, whether it's the brands we have, plus our service business, and really make it so that the consumers like doing business with us and kind of know if they are in the system.

And we just never have been able to really get that right. I think we've done better. But I think our ability to sort of cross-promote or cross our brands has been, in large part, because we tend to run our brands as separate businesses. And so, nobody really wants to spend the money to do a deal where, if I'm Miracle-Gro, I want to do a deal with Ortho, or you know what I mean?

And so people -- in spite of the fact -- and I think that Mike and some of the changes we're going to make in sort of the marketing organization that we know what we are doing, just not ready to announce yet, I think we're going to get closer to a more virtuous place. But it's a big opportunity for us. And I don't think we've been sort of at all on it.

So whatever we have been doing up until now, if you guys think you've noticed a difference, and I guess Mike does, that's great. It's just think about how great this could be if somebody buys this and they know they can get a deal on this, and it keeps people into sort of the family of brands that we own.

Mike Lukemire - *The Scotts Miracle-Gro Company - EVP and COO*

Yes. I would agree with what Jim said there. So we put together a cross-branding group, which was different. And so we've made incremental progress. We have bigger plans than that that we will be talking about later.

Josh Borstein - *Longbow Research - Analyst*

Good luck on the upcoming season.

Mike Lukemire - *The Scotts Miracle-Gro Company - EVP and COO*

Thank you, sir.

Operator

Jason Gere, KeyBanc Capital Markets.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Just I guess one question and just kind of a clarification question. So if you could talk a little bit about the advertising spending. The last two years, it's been flat after the step-down in 2012, which was the step-up from 2011. And I know you're going to talk in a couple weeks more about the evolution of the digital platform, but I was just wondering if you could provide a little bit of color of how we should think about advertising this year? How it's going to be spread out more maybe national versus regional? And then just a little bit about the evolution of digital at this point.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

You guys ask such complicated questions. I mean, seriously. (laughter) One thing -- so what do I think? I think that the average -- even when we took that big increase, I think it was in 2012, and we brought it back down -- and it wasn't that it didn't work, by the way. It was just it was sort of too devastating to the P&L if you didn't get the sales you needed to sort of justify it.

But remember, we saw like 200 basis points of share gain, I think, on our branded product, like a 6% increase. It was just kind of too expensive. And what you are seeing different we now is, we are actually cutting expenses, other parts of the organization, to spend more. But even after 2012, we didn't go back to that lower level. We still stepped it up. So even though it's looked flat, it was still at a level above where it had been in 2011. So kind of point number one.

I think that a lot of what we're doing now is that the changes we made in the Company, we are not -- Randy and I aren't taking that money. That's money we are giving Mike to use to drive business. I mean, he is carrying a pin -- or wears it all the time now -- just can you turn it so I can read it? It says -- the pin says, We must grow. And he's crossed it out and put, We will grow.

So remember, this is all about saying, I don't think we just -- I mean, I don't think; I think that -- we won't be able to sustain our equity value if we can't ultimately show that we can grow our business. And so that, in 2012, what we just said we're just going to make a bet that we can spend more without kind of reducing our expenses, and it will all be virtuous and it will work great. And it didn't.

That's not to say we don't believe in sort of advertising and marketing, and promotional support and working with our retailers, you know, all the things that we do, I think, actually pretty uniquely, at least in our space, and maybe in DIY. So, what we are doing is saying we will cut our expenses and do it responsibly, a little bit like what I think this country should do.

But we control our business. And we are saying if we are going to be good stewards of this business, we're going to cut expenses. So, now let's talk about so, how will this year, compare it to last year -- and maybe, Randy, you will take that?

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

So, in dollar terms, our plan is to take some of the money that we've harvested elsewhere, that Jim pointed out, and increase our US media spend by $10 million to $15 million. And unlike 2012, that Jim referenced, where we essentially have spent the money on more of a peanut butter approach across our entire business, it's really targeted behind three main initiatives.

One being Tomcat that we saw, this fall, it worked extremely well; as well as our naturals roll-out, but it's going to be more on a national basis this year, after testing in 10 markets last year. And then our cleaners have a product rollout, which is going to be brand-new for 2015. So I think the way we are spending the money is very targeted and makes a lot of sense. And the fact that it doesn't have to pay out in year one, I think is also very reassuring from being able to protect the bottom line while we are also growing the business.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

In addition, our existing advertising is going to be significantly more competitive than it has been. So I'd say stand by for that. That should be fun for us. I mean, Mike was just saying that he looks forward to this year. I don't know if you want to --?

Mike Lukemire - *The Scotts Miracle-Gro Company - EVP and COO*

No, I think the effectiveness of our messaging is a difference, and we'll talk about that down in Boca. And then how we have complete campaigns. And I think with the pricing and all the things we have out in the marketplace, I think we're going to be very competitive. And so I'm actually anxious for -- as Jim reminded me, spring has started, but we are seeing good indicators early. And I'm excited (multiple speakers) --.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Yes, I think that's important. So our early-season markets, pretty much Florida, Southern California, are really doing well so far.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Okay, great. And then just the other question, it's just more of a clarification. I know in the press release, I think on the call too, you guys reiterated that 4% to 5% net sales. And organic is 1% to 2%, and you said acquisitions 3%, but you also said FX, I think, would be a 2% drag. So, what am I missing in terms of how you are calculating?

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

No, I think you have the numbers right. Our original guidance we said 1% to 2% organic and about 3% in organic from the deals we did. We do think that there will be some softness from FX in Europe and Canada, but when you further that down to the bottom line, it's fairly immaterial in the overall scheme of things. And it wouldn't give us any reason to question our original bottom line guidance of $3.40 to $3.60.

So it could have a little bit impact on the top line; it won't drop to the bottom line. And given, again, the external factors we talked about as well as our internal plans, we still feel like 4% to 5% is a reasonable place to be.

Jason Gere - *KeyBanc Capital Markets - Analyst*

So does that mean that 4% to 5% could come in but it would probably be organic, maybe a little bit better, but the FX is still 2%?

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

Yes. And part of that FX, we assumed a little bit of that going into the year, so it's not all a complete surprise by any means.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Okay. No, that's great. And then just of that 1% to 2% organic, how -- pricing last year, I think was 1%, I was just wondering how pricing kind of plays into that outlook you have in there, what you have in place for this year? And then I promise to leave.

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

Sure. So we have a slight impact that's a benefit in Q1 just from pricing that's rolled over from last year that usually goes into effect in January for the most part. Our net pricing for 2015, though, going forward on a full-year basis is essentially flat. So we did take pricing in certain categories around freight costs that we incurred last year and certain categories where we did see some cost run-up. But we've also taken some very targeted and specific price decreases in other categories where we have a lot of analysis that says we will be much more competitive and we'll pay back to do that.

Or in the case of our Snap Spreader product, we've tested this over years. Initially, we tested as high as a $70 price point. And we found the $29.99 on an almost every day low price basis is a sweet spot. We make all the money on the Snap Packs, similar to the Razor-Razor blade model.

So we've changed the way we are pricing a product for 2015. On a pricing basis, you'll (multiple speakers) --

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

But not impacting pricing.

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

No. You add it all out, and I think we are taking increases where we should and we're taking decreases, it's because we have good analysis that says we should be doing that.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

And taking -- and costs, some additional costs out.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Great. Thanks a lot for the questions.

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

Thank you.

Operator

Olivia Tong, Bank of America Merrill Lynch.

Olivia Tong - *BofA Merrill Lynch - Analyst*

First, just quickly, can you give us the actual dollar impact of the acquisition to sales? And then my real question is just around the mark-to-market hedges. Do you have any sense on what -- whether you had -- whether your competitors had a similar impact? And also in terms of the retailers, are they coming to you saying with oil down as much as it is, with prices at the pump down, where is sort of our benefit coming through? Thanks.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Again, this is complicated. Listen, I would say -- so, the real question -- well, the other one is not a real question?

Olivia Tong - *BofA Merrill Lynch - Analyst*

(laughter) A bigger picture question.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Look, on hedges, no, we haven't had retailers shake us down. We probably will after this question, thank you. We are pretty shaken down -- Mike and I are shaking down our own people, finding out if there's more benefit that we can get. But look, when Randy talks in his script about real-time, trying to figure out where we go with fuel hedging out into 2016 and maybe even beyond that, I am a believer in it.

We hedge our interest rates. I think we've been taking sort of charges on those interest rates -- I think we call it fixing our interest. But it's effectively an interest rate hedge that Evans and I sort of were just buying out about as far as we can in sort of the [2's]. And thinking even if we lose a little money in those hedges, at the end of the day, it's like terrific insurance.

And I think pretty much that's how we have looked going into these years, in part from talking to folks like you is, it's important for us to understand what our actual cost is going to be. This is why we do hedge. The mark-to-markets go away at the end of the year. Since we are 20% uncovered, there's going to be some benefit from the 20% we are not hedged on that's better than budget. So we won't be worse than budget, we will be better than budget on fuel. But at least we know what our costs are.

And when things are going the other way, we feel a lot better about it. Personally, I like our interest rate hedges and I like -- I think we should be buying out farther. If we could know we could be buying $50 oil at a diesel price, which has not moved quite as well as oil has, I think we should do it. But that's a discussion that Randy and I continue to have, and I think make progress on.

But the answer is, no, we haven't as of yet gotten any sort of tree-shaking where retailers have tried to sort of say, since costs are down. We wouldn't have much to give them at this point. Yes.

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

Olivia, when you look at favorable variances that we expect this year from where we are not hedged, it's a few pennies. But again, in my mind, I more or less net that against our FX issues, which are a few pennies, and more or less call it neutral at that point.

Mike Lukemire - *The Scotts Miracle-Gro Company - EVP and COO*

So we really didn't take pricing this year, it was only targeted where we really had a problem. So I think that the --

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Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

So what was the first part of the question?

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

First question is what's the impact of M&A in sales for the quarter and the year. So for the quarter, Olivia, it's about $24 million. And for the year we are expecting $80 million to $100 million of topline benefit year-over-year. A lot of that driven by the Fafard deal in Canada, we did a Solus deal in the UK, we did an Action Pest deal in LawnService. And those are the big hitters for the most part. AeroGarden, also we consolidated initially in the fourth quarter last year, and that should add roughly $20 million in sales for us for the year.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

But I think you'll continue to see M&A focused on growing media opportunities, hydroponic opportunities, and some supply chain acquisitions of manufacturing sites that I think the Group has -- which we are not reporting at on this quarter, but actually have occurred in the second quarter. So we continue to make, I think, really smart sort of opportunistic acquisitions, plus some strategic stuff that you will hear about later in the year, we hope.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Got it. Thanks, guys. Appreciate it.

Operator

Joe Altobello, Raymond James.

Joe Altobello - *Raymond James & Associates, Inc. - Analyst*

First, in terms of the mass channel, how does that look in terms of the merchandising positioning this year versus where they were last year and the year before?

Mike Lukemire - *The Scotts Miracle-Gro Company - EVP and COO*

The merchandising of our products is going to be -- we actually gained on a lot of placements in almost every retailer. And so I think the placement of our products is going to be even greater than before.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Mike is really -- he is one of these guys that's just a happy dude. But he's acting very happy about the mass channel. And I think one of the big retailers there asked him to join their Advisory Board -- you know, their counsel or whatever they call it. And I think he feels pretty positive about that. I think they -- I put that into the -- he is a happy dude category, and it will be nice to actually see if they can achieve.

But Mike, your view on sort of mass in particular?

Mike Lukemire - *The Scotts Miracle-Gro Company - EVP and COO*

I think they are engaged and they want to participate. And I think with the consumer confidence, I think early indications is they are up. And --

Joe Altobello - *Raymond James & Associates, Inc. - Analyst*

Okay.

Mike Lukemire - *The Scotts Miracle-Gro Company - EVP and COO*

And I think --

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

I think they are actually performing pretty well so far in the calendar year, which is -- it's early but it's positive.

Joe Altobello - *Raymond James & Associates, Inc. - Analyst*

Okay. It's good to hear.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

You know, I think this is always one of those issues with mass is, do they get set in time, you know?

Mike Lukemire - *The Scotts Miracle-Gro Company - EVP and COO*

And they have actually -- some of them -- they've actually accelerated being in the stores and putting inventory in the stores more so than ever. So our fourth quarter was good with them, and I think the first quarter looks promising as well.

Joe Altobello - *Raymond James & Associates, Inc. - Analyst*

Okay. Great. And then secondly in terms of the new pricing in Ortho, have you seen any uplift in volumes from that? I know it's probably early but --

Mike Lukemire - *The Scotts Miracle-Gro Company - EVP and COO*

Yes. Yes. We've seen -- in markets that it's hit double-digit increases.

Joe Altobello - *Raymond James & Associates, Inc. - Analyst*

Okay, great. Thanks, guys.

Operator

Jeff Zekauskas, JPMorgan.

Jeff Zekauskas - *JPMorgan - Analyst*

In rough terms, do you buy 20 million gallons of fuel oil and diesel fuel annually? Or would that maybe $60 million worth, something like that, last year?

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Yes. That's a fair number. It's in the right range -- the $60 million number.

Jeff Zekauskas - *JPMorgan - Analyst*

And -- right. And so you've hedged out -- I guess that means you've bought forward, is that right?

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Yes. For 80% of 2015.

Jeff Zekauskas - *JPMorgan - Analyst*

Okay. And did you complete your buy-forward before the end of 2014? Or when did you buy the bulk of your forward buy?

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

At the end -- typically within a year. When we look at fuel in general, we are 40% to 60%. We've been a little bit higher (technical difficulty) [65%] in certain years. And we were toward the high end of that range as we closed out 2014, looking at 2015, as fuel prices were coming down, just not down to $50 a barrel.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

What I would say is probably in the second half of last year.

Jeff Zekauskas - *JPMorgan - Analyst*

Right, okay. Like -- okay. And your urea cost should be down too, right?

Mike Lukemire - *The Scotts Miracle-Gro Company - EVP and COO*

They are down marginally, but very much in line with our expectations internally. So no surprises there.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

I mean, this is an area where I've actually asked the guys to go back and take a look at -- the primary ingredients in urea, ammonia and natural gas, and see if urea prices are moving with ammonia and natural gas. You might be able to answer the question, but I know that people are working on it here and trying to understand the correlation within the entire universe of commodities with natural gas, ammonia and just other ag chems to kind of in general.

But I think that there's more demand sort of features within sort of pricing on urea that we are seeing right now. That was kind of the quick answer that I got back. I don't know if you buy that. I don't want to turn the question around, but yes, it's slightly positive, I would say, not as -- and within where we forecast.

Jeff Zekauskas - *JPMorgan - Analyst*

And just lastly, do you expect your average product pricing this year to be up or down or flat?

Mike Lukemire - *The Scotts Miracle-Gro Company - EVP and COO*

Average product pricing this year?

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Our pricing for this year or for next year?

Jeff Zekauskas - *JPMorgan - Analyst*

For everything. For 2015.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

I mean, our cost to manufacturer? Or are you saying our selling price to retailers?

Jeff Zekauskas - *JPMorgan - Analyst*

Your selling prices at retail.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

I would say for this year, pretty much flat except for some targeted changes that reflect freight or raw material increases that we were just not willing to cover -- or some reductions on some areas where, for competitive reasons, we felt we needed to be more competitive.

Jeff Zekauskas - *JPMorgan - Analyst*

Okay, great. Thank you so much.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

And -- just about flat. You bet. Thank you.

Operator

Bill Chappell, SunTrust.

Bill Chappell - *SunTrust Robinson Humphrey - Analyst*

A little bit on the pest service side. Just going back five, six months ago, I think the thought was make an acquisition, kind of test out the concept. And then if it did work, by now, maybe move full steam ahead. And I know you announced the second acquisition recently. So maybe can you help us understand how that's playing out? If it is living up to expectations? And maybe over the next 12 to 18 months, what we should be seeing out of that?

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

So I'll start by saying it's a good and timely question. The answer is I think we kind of were putting English on the ball that was what you said. And I would say what's a little different is Randy is becoming more, I think, confident in the job and figuring out how he adds value to sort of owning the checkbook for the Company.

So if I can -- and he and I are absolutely in agreement on kind of what we are doing, and it is slightly different, I think, than the body English we put on. And that -- it goes something like this, which is, I think we do like pest. Okay? I think we like what we've been able to do organically with pest, and we are optimistic about the Action Pest deal that we did.

The only thing that I would say is they're -- these pest deals tend to be pretty expensive. And what we are looking for, I think, within the business is to understand some of the cost to build a deep presence in pest versus continuing to become a bigger player in -- call it, on lawn. And not that they are mutually exclusive, because I don't think they are. But I think it's a focus issue.

And given, I think, our view that we want to continue to be shareholder-friendly, and that I think there's opportunities in a lot of areas to sort of solidify our business and make acquisitions, both kind of easy bolt-on deals, the same buyer, same sales force, branded products with hopefully better margins than what we average. So, we definitely have the ability to spend money there.

And I think for us to kind of have a conversation like we are having, where we are saying, yes, figure about $100 million in the year, I think that's about what you said -- that's different for us. So there's more competition for dollars that we still believe we ought to have a bias towards shareholder-friendly. And so within our service business, we're trying to look and say, wow, that's pretty -- those are expensive deals. I mean, they are pretty competitive; they're strategic, we like them; but I think there's a multiple at which you say this Company has never been able to make money.

My view of what a deal when you overpay enough, even the innocent get fired. And so I think they are pretty pricey deals. I think this was major strategically important, this Action Pest one, because it was a pretty material -- at least for that company -- acquisition. And it gives them a chance to do kind of what you said and what we have said, which is, let's do it and see how it goes.

I think Randy and I are also a little bit more standoffish in saying, yes, but where do go with Lawn and where do we go with Pest, and how do we balance that with the fact that kind of the core business in hydroponics and organics all want money. And we also see opportunities within sort of our growing media side, on both manufacturing and supply side, to spend money there. So it's just -- we are just trying to be careful. And I think it is probably going to cause us to slow down a little bit on the Pest side.

Bill Chappell - *SunTrust Robinson Humphrey - Analyst*

Okay. So it's not the opportunity isn't there, or it's just you can maybe get a better ROI on your cash in other areas right now, based on the purchase prices. Is that fair?

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

I think that's fair. Big time.

Bill Chappell - *SunTrust Robinson Humphrey - Analyst*

Okay. And then thinking just on the management restructuring or streamlining, I think at least some of the announcements were done since you last gave guidance, so was this already baked into your EPS guidance for this year in terms of streamlining the management team?

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

No. No. We would call this sort of continued -- I don't we call the Project Growth or project Max or -- so, the product -- I think that if you look at where we have been on restructuring that we initially announced to you guys a couple years ago, I think we are actually pretty well underspent on that. So I think that we're going to end up coming in probably at about what we had originally said to you guys.

And I would say if you want more detail on that -- because I just don't remember what the original guidance we gave you was, but I know we were well underspent on it -- I think we're going to come in more close to what we had said. But I think we would probably put that in non-GAAP and call it an adjustment.

Bill Chappell - *SunTrust Robinson Humphrey - Analyst*

Got it. Okay, great. We'll see you in a couple of weeks.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Yes.

Operator

Carla Casella, JPMorgan.

Carla Casella - *JPMorgan - Analyst*

My question was related to (technical difficulty) you spent some more on working capital earlier (technical difficulty). Can you give us how much the use of working capital? Or were there any big numbers from the CapEx to acquisitions this quarter? Call-outs?

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Yes. First of all, your phone line, if you are on a cell phone, is sketchy. I think we got about three-quarters of the words, so Randy, do you want to take that?

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

Right. So I'm going to try and interpret what I heard about every other word. But I think you're asking about working capital within the quarter and related to our inventory build. So our inventory is up almost $80 million this quarter versus a year ago. About half of that is from the deals that we've recently done, and about half was a conscious decision to build inventory in our growing Media and Mulch businesses, ahead of the spring, so we can avoid some of the distribution, excess charges that we had to incur last year.

So we think we are well-positioned to do that. We have a much tighter, much better plan; we have 31, 32 plants across the country. And I am confident that the team is on top of things much more than a year ago.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

And I just want to kind of go back to this point that Randy just made in regard to -- if we run our early-season load inventory, call it, too skinny, I think what we have seen in the last, like, at least two years, where we've had kind of just poor weather years, but then we have these insane -- like this last year, Memorial Day was insane.

And when we end up running our inventory downloads, we end up shipping all over the place to try to keep retailers in stock. It just is one of the things that we have to do. And the incremental cost of that sort of unnormal freight, it's like a dime. You know? And so part of what we're trying to do is, say we build a little more, can we avoid these sort of exceptional expenses as we try to keep retailers in stock, when we have these very violent jumps in demand, based on good weather, sort of Black Friday events, our advertising is hitting, all happening at kind of at one time?

So this is just trying to be just a little bit smarter then we have been. And that is going to, I think -- so part of the M&A you are seeing is also to sort of expand our growing media distribution footprint, which doesn't necessarily mean manufacturing, but it means storage sites like in New York, where we have a major percent of our sales occur, and we just don't have that many footprints where we can keep stuff.

So part of this is all a plan to sort of say, can we avoid, like, out-of-budget expenses that are worth, like, $10 million? You know?

THOMSON REUTERS

Mike Lukemire - *The Scotts Miracle-Gro Company - EVP and COO*

I think we lost her.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Okay. Well, everybody else got the answer even if Carla didn't get it.

Operator

And we'll go to our next question from Connie Maneaty with BMO Capital.

Connie Maneaty - *BMO Capital - Analyst*

Just two quick ones. On the hedging, as the gross margin normalizes, I think you said, towards the end of the third quarter, what does that imply for it in the second and third quarter? Is the sales base big enough -- it probably is -- to offset the impact of the mark-to-markets?

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

Yes, just because our first quarter is so small, the actual savings we are realizing on our freight, we are realizing it, but very small shipments. So as it ramps up, especially in March and then into April and May, by the time we get to end of June, it should all work itself out. Regardless of whether -- using oil as a proxy, whether it's $100 or $50, it will work itself out, as we net the savings against the hedges.

Connie Maneaty - *BMO Capital - Analyst*

Okay. And then I haven't had time to calculate it, but were organic sales growth -- was organic sales growth up or down in Q1?

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

Organic sales growth was up about 4%, excluding pricing and excluding FX. And that was largely in Europe and Canada.

Connie Maneaty - *BMO Capital - Analyst*

And excluding the acquisition?

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

And excluding acquisitions, yes.

Connie Maneaty - *BMO Capital - Analyst*

So organic sales growth was 4%. Okay, great. Thank you.

THOMSON REUTERS

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

Thank you.

Operator

Eric Bosshard, Cleveland Research.

Eric Bosshard - *Cleveland Research Company - Analyst*

A question for you. The $40 million of SG&A savings through all the work that you're doing, interested in your thoughts on the payback from where you are spending that -- I can see where you are allocating at the two different buckets -- but curious on the thoughts on what paybacks you get from that, and why not feed some of that back to margin?

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Well, somewhat complicated answer, probably more than you'd like. But I'd -- what I would say is, remember that we are not promising you kind of what we think we are doing. So we are trying to kind of underpromise and overdeliver. And I think we feel pretty good about that. We are also trying not to overpromise our Board. So we are trying not to be on the wrong side of incentive there.

So I don't think -- and what that all means is, we feel pretty good about the business right now. And I don't think we feel like we need to. I personally feel, and this is part of where kind of we got to, the reason we felt like we need to make some changes in the Company, is that -- we've talked about other consumer marketing companies, how they support their brands. Here's my view.

If we believe -- kind of call it the 0% to 2% we talked about and kind of in a flat world, that doesn't mean things couldn't get better, but a conservative kind of flat world for consumer products, we're talking like 0% to 2%. I think we think if we do things just a little bit better, meaning just be a little less dumb, that we can pick up another 100 to 200 basis points of growth. And I think that the payoff for that far exceeds the sort of short-term opportunity to say, oh, we will just pocket that. Okay? That's kind of one.

And I think if we look at our stewardship of the brands, I think we'd say we are underinvesting. We tend to invest in the big new products and all that (expletive) and put the -- excuse me -- and throw all -- you know, we do that properly. But I think that if you look at it sort of day-to-day, I think you'd look at -- there's lots of parts of the businesses that are not being supported properly.

And I think that, generally, if you look at sort of just as a academic issue, when we don't support our brands, we tend to not be able to get pricing, we see more competitive people attacking us, and I think we view it as not virtuous. It's destructive.

So I think that we're trying to be good stewards of our brands, and so I'd put it that. And that I don't think we need the money to sort of keep The Street and the shareholders sort of saying this is a good company. And so I think we can be a little more long-term, I guess that's what I'm saying.

The other part of that is sort of the other half of the business, which is some of the growth areas that we have to spend money in. I mean, this goes back to saying there are opportunities out there for us to actually grow our business in, sort of indoor urban, more into sort of crafty naturals, hydroponics -- that requires us to invest by building out a management team ahead of them, ahead of the opportunity, in order to say, okay, now go buy some stuff there, or grow it organically -- which we are doing both, by the way.

And so some of this money we know we have to spend, and we are just basically saying, instead of making it a negative to the P&L, we'll just cut expenses and redeploy that money into areas we know we want to spend money to grow. And so, I don't know, Eric, if that answered the question, but I feel pretty strongly about it. And I think it's a reasonable answer. I don't know if you do.

Eric Bosshard - *Cleveland Research Company - Analyst*

Yes, I guess the only other question is as you look at where the growth opportunities are and you talk about indoor and urban and naturals and that, is there more of an opportunity -- so you've solved with management to reallocate where you're spending money, is there more of an opportunity within the portfolio and with advertising in the organization to reduce the investments in the areas where there is not as much growth and redeploy? In other words, if we wake up a year from now, there will be another $40 million you found that you could shake out of the organization and redeploy?

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Well, I -- listen. I think that if you were to sit around with us and gave us truth serum, I think we would say that we believe there is continued opportunities to streamline this business and reinvest, or send it to the bottom line. I think that -- I think it's a really good question that you're asking, which is, what if you look at parts of -- I mean, and I would say, read Europe.

Do we believe this is an area where we would say, oh, we're just going to, like, send them a bunch of money because they say they can get growth? I think what you are seeing over there is reasonable weather and pretty significant cuts to the expense structure. And that's a lot of what you're seeing. It's not like they are being dumb; I don't think that at all. But I think that Europe is a hard place to sort of say I want invest money.

I wouldn't say we are milking it, but that is part of how we look at it. If we were to look at significant parts of the core of the North American businesses, saying no matter what we do, we can't get growth, I think we would harvest. Okay? And I don't think that's the wrong thing to say, but I don't think we are there yet.

So I would say if you could give us like 12 months to sort of be a little more coherent on it, but also to try some stuff out, I think we will be in a much better position to answer the question.

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

And Eric, this is Randy again. I would add, unlike 2012, where we essentially made a bet that we'd grow the category and would pay back, and we did grow the category and we took share, but it didn't pay back, we went through a very collaborative effort looking across all the areas where we felt like the return wasn't commensurate with the spending. So it was areas like world headquarter overheads. It was somewhat international, somewhat in supply chain, looking at our sales force areas that we could nip and tuck a little bit, and other areas of marketing.

And we were able to redeploy all that money. And I talked earlier about media, whether it was a Tomcat, which is a business we feel really good about; naturals, which we feel really strongly about what we're going to be able to do there this year; our LawnService business, the Hawthorne Group, which is more or less an incubator for startup businesses, and something that we've never done extremely well in the past. I think the way that's organized is going to play out really well.

So we are trying to think long-term. But I think we can still show really significant growth this year, and somewhat have our cake and eat it too. And then once we get beyond 2015, like Jim said, we will keep thinking about what to do. And we're starting right now thinking about 2016.

Eric Bosshard - *Cleveland Research Company - Analyst*

That's helpful. Thank you.

Operator

Jon Andersen, William Blair.

Jon Andersen - *William Blair & Company - Analyst*

I just have two quick ones. First, Jim, did I hear you say that you're close to closing additional acquisitions that could add a couple of percentage points to the top line? If so, what areas that may be, that effort may be focused on?

And then second, is there any kind of early read you've gotten on some of the major new products, like Bonus S, the naturals, and I guess the co-branded cleaning product, and some of the early markets that would kind of indicate those are going to be good innovations for 2015? Thanks.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

I'm going to go because my memory is so bad, I'm going to sort of do the part. On the new products, remember we spent behind the new Bonus S product that was in two markets in Florida last year, which is now all -- the whole Southeast will have it, the new Bonus S product. And we saw really good growth rates -- I mean, double-digit on what used to be, I think, was a declining market in those test markets.

So, we are seeing very good performance -- I'm going to call it calendar year-to-date, which I think is what matters with that new Bonus S product. And in Florida, we are seeing it as well. So I think last year where we test marketed good results, we saw good results in the overall market as well. Because remember, we spent more on the new product launch in that -- it was Fort Myers and Jacksonville, where we pushed in last year.

But even the old Bonus S product sold better in areas where they were getting overlapped from the increased media. And so I think we feel pretty good about that. The listing support on the Nature's Care line has been really good. So, I'm not sure we have enough to be able to say whether it's doing anything, except the listing support is a positive. Because remember, there's only a certain amount of concrete to put pallets, so listing support is important. And it was very good.

Onto acquisitions, I would say sort of stand by. Would I say it's going to sort of double what Randy has already talked about as far as acquisitions that have already been bedded down or that have occurred in Q1 that you'll start to see in the Q that's -- I just approved this morning. That -- I don't know when that gets published. When does the Q get filed?

Randy Coleman - *The Scotts Miracle-Gro Company - EVP and CFO*

Thursday.

Jim Hagedorn - *The Scotts Miracle-Gro Company - Chairman and CEO*

Yes. So, some of the stuff that's occurred after this reporting period, at least after January, call it January 1, are in there without sort of names. But again, very much growing media-oriented, I think is what you're going to see, which goes back to sort of manufacturing, some sales and footprint.

In the areas of growth, I think you will see, I hope, some important -- not huge, but important acquisitions that are probably, for the remainder of the year, less than 1%, I think, by the time we close. So, I don't think it's going to add a huge amount to the year, and it's just not huge to begin with. But I think it's an effort that the entire Corporation, whether it's the sort of corporate side or the operating side of the business, are very much aligned on these areas of growth.

And just to repeat, that urban indoor, hydroponic, crafty naturals are very much a focus area. And so I wouldn't be surprised to see something happen in that space.

Jon Andersen - *William Blair & Company - Analyst*

Thanks. See you in a couple weeks.

Operator

And it appears there are no further questions. At this time, I'd like to turn the conference back to Jim King for any additional or closing remarks.

Jim King - *The Scotts Miracle-Gro Company - SVP of IR & Corporate Affairs, and Chief Communications Officer*

All right. Thanks, Levi. And just a reminder -- February 18 in Boca Raton at the Boca Raton Marriott starting at 8 a.m. If you're still interested in joining us for that day and you haven't RSVP'ed yet, please call my office -- 937-578-562, and we hope to see you there. Have a great day.

Operator

That concludes today's conference. We appreciate your participation.