Scotts Miracle-Gro

William Blair Growth Stock Conference

JUNE 6, 2019

Safe Harbor Disclosure

Statement under the Private Securities Litigation Act of 1995: Certain of the statements contained in this presentation, including, but not limited to, information regarding the future economic performance and financial condition of the Company, the plans and objectives of the Company's management, and the Company's assumptions regarding such performance and plans are forward-looking in nature. Actual results could differ materially from the forward-looking information in this presentation due to a variety of factors.

Scotts Miracle-Gro encourages investors to learn more about these risk factors. A detailed explanation of these factors is available in the Company's quarterly and annual reports filed with the Securities and Exchange Commission.

Overview

- Philosophy for driving long-term shareholder value
- Overview of our industry-leading consumer goods business
- Hydroponics: Building competitive advantages in a fast-growing category
- Update on 2019 financial guidance

Why Scotts Miracle-Gro?

- Clear leader in the North American consumer lawn and garden industry
- Core business offers stable and predictable consumer engagement
- High potential prospects in indoor/hydroponic growing through Hawthorne
- Strong and reliable cash flow generation
- Average executive tenure: 20+ years

Our long-term financial targets are based on a philosophy of driving consistent shareholder return

2-4% Sales
Stable core and higher growth hydroponics

4-6% Operating Income
Hawthorne margin benefits, SG&A control

8-10% EPS
Share buybacks enhance EPS growth

10-12% Shareholder Return
EPS + dividend drives returns in rational market

Lawn & Garden remains a stable and popular activity with consumers

Key trends

- Destination category for home center/hardware channels of retail
- Consumer activity remains steady/predictable year-over-year
- Edible gardening continues to outpace economic growth
- Mature lawn care category is stable, provides strong cash flow generation

Innovation and a commitment to marketing has been key in driving growth

Keeping the consumer engaged

- **Ortho GroundClear** is our first OMRI-listed product for non-selective weed control
- **Scotts Turf Builder Triple Action** provides better performance with less work
- **Scotts Thick'R Lawn** is our most innovative grass seed product to date and is driving growth in back-to-back years
- **Miracle-Gro Performance Organics** is a break-through innovation providing comparable results vs. synthetic products

Retailers are highly engaged in 2019; lawn and garden viewed as an opportunity to drive same store growth

These five retail partners constitute roughly 80% of U.S. Consumer sales

High engagement

- First-half sales increase for U.S. Consumer segment increased 8 percent in preparation for season
- Second half comps are difficult and growth will likely moderate
- Full-year sales likely to improve 3-4% from 2018

Hawthorne Gardening Company

Hydroponics: Building competitive advantages to serve a quickly evolving market

OUR PLANS:

Products that serve all market segments

- Professional growers are the No. 1 target
- At-home growers represent less than 10% of market
- Breadth of portfolio appeals to both

Unmatched technical expertise

- Decades of expertise in supporting specialty crops
- Deep understanding of indoor growing environment
- Industry's best technically trained sales team

Leadership in a quickly evolving industry

- Solution selling that benefits retailers / end users
- Supply chain that is evolving with marketplace
- Engaged in impactful government dialogue

A bullish outlook on long-term Hawthorne prospects

Our viewpoint:

- Major new markets likely to emerge over next two years
- Consumer consumption poised to continue growing high-single digits
- Hawthorne outpacing competitors
- Market-leading product portfolio and brand recognition
- Operating margins will be a primary focus going forward

Focus in 2019 has been driving growth and increasing distance from the competition

May YTD highlights:

- Comparative sales: +16%
- Renewed momentum in California (+10%), supplemented by new markets like Florida (+40%), Ohio (+64%) and Michigan (+29%)
- Total durables increased 14%, inclusive of lighting +31%
- Consumables increased 13%, led by nutrients
- Sunlight integration and savings on track

Full-year expectations adjusted to reflect execution against near-term strategic priorities

Adjusted Hawthorne outlook

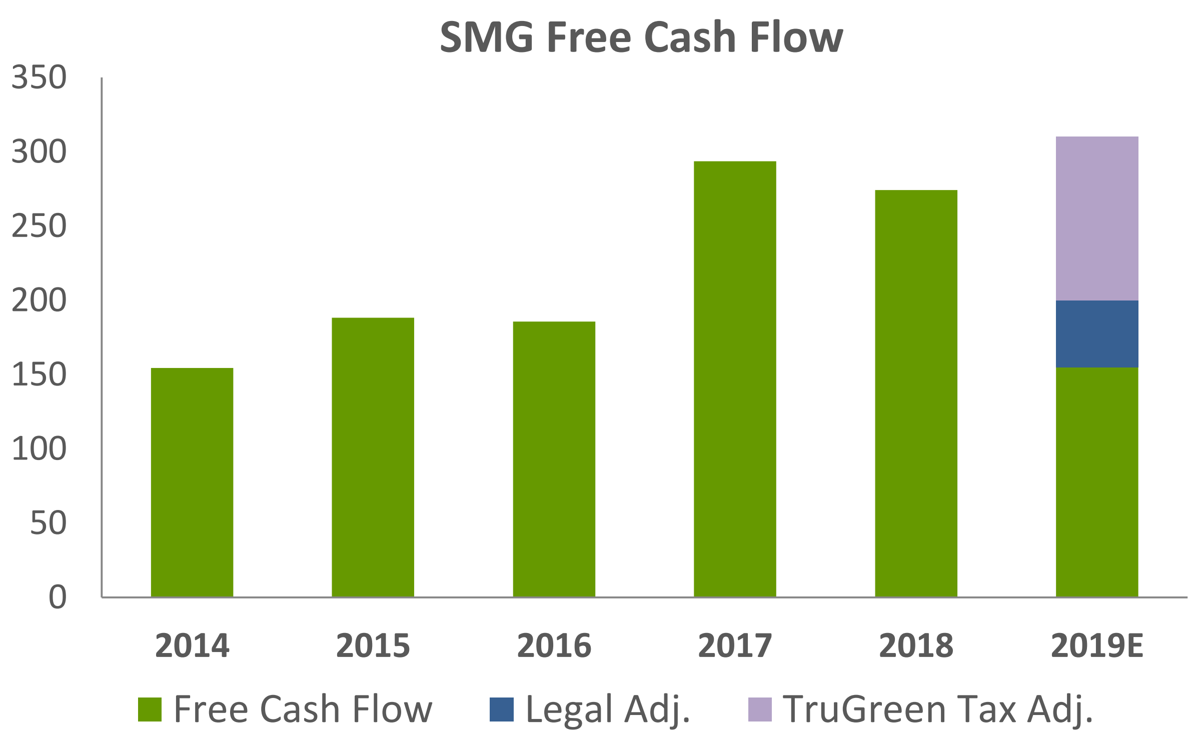
- Comparative sales: Increased to range of 12 to 15%, total segment to increase 75 to 80% including acquisitions
- Segment profit (EBITA): Decreased to between $50 and $55 million from $60 million due to higher promotion activity, poor seasonal sales with AeroGrow
- Segment margin (EBITA %): Decreased to approximately 8% from 10%

Margin improvement will be key focus area in 2020-21

Fiscal 2019 adjusted to reflect higher expected sales growth, EPS at high end of initial range

Financial Summary (excludes the impact of non-recurring items)	**Revised Guidance**	**Original Guidance**	**2018 Actual**
Net Sales	+13% - 14%	+10% - 11%	+1%
Gross Margin Rate	(50)bps - Flat	Flat	(360)bps
SG&A (including media & amortization)	+8% - 9%	+5% - 6%	(2)%
Non-GAAP Operating Margin (**EBIT**)	13% - 14%	13% - 14%	13.2%
Shares	56.5M	56.5M	57.1M
Non-GAAP EPS	**$4.20 - $4.40**	**$4.10 - $4.30**	**$3.71**

Cash flow expectations adjusted to reflect higher earnings, offsets from litigation and TruGreen



SMG defines free cash flow as operating cash flow minus capital expenditures
* Legal settlements accrued in fiscal 2018

Understanding 2019

- Working capital improvements of $15-20 million expected in U.S. Consumer segment
- Impacted by payout of $40-50 million for legal settlements*
- Impacted by up to $120 million (ex-proceeds) from TruGreen divestiture
- Goal: Return leverage ratio to 3.5 in 2020, providing flexibility to return cash to shareholders

ScottsMiracle-Gro

ScottsMiracle-Gro: Appealing for both the near- and long-term investors

<u>What we expect</u>

- Strong recovery for Hawthorne in 2019; long-term growth/margin improvement
- Steady performance from U.S. Consumer segment
- Continued focus on cash flow productivity
- Near-term de-levering efforts allow the future return of cash to shareholders

THE Scotts Miracle-Gro COMPANY

Miracle-Gro · Scotts · ORTHO · Roundup · TOMCAT · HGC

Appendix

Reconciliation of Non-GAAP Financial Measures

Use of Non-GAAP Measures

To supplement the financial measures prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company uses non-GAAP financial measures. The reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are shown in the tables below. These non-GAAP financial measures should not be considered in isolation from, or as a substitute for or superior to, financial measures reported in accordance with GAAP. Moreover, these non-GAAP financial measures have limitations in that they do not reflect all the items associated with the operations of the business as determined in accordance with GAAP. Other companies may calculate similarly titled non-GAAP financial measures differently than the Company, limiting the usefulness of those measures for comparative purposes.

In addition to GAAP measures, management uses these non-GAAP financial measures to evaluate the Company's performance, engage in financial and operational planning and determine incentive compensation because it believes that these measures provide additional perspective on and, in some circumstances are more closely correlated to, the performance of the Company's underlying, ongoing business.

Management believes that these non-GAAP financial measures are useful to investors in their assessment of operating performance and the valuation of the Company. In addition, these non-GAAP financial measures address questions routinely received from analysts and investors and, in order to ensure that all investors have access to the same data, management has determined that it is appropriate to make this data available to all investors. Non-GAAP financial measures exclude the impact of certain items and provide supplemental information regarding operating performance. By disclosing these non-GAAP financial measures, management intends to provide investors with a supplemental comparison of operating results and trends for the periods presented. Management believes these measures are also useful to investors as such measures allow investors to evaluate performance using the same metrics that management uses to evaluate past performance and prospects for future performance. Management views free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends and discretionary investment.

Reconciliation of Non-GAAP Financial Measures

Definitions of Non-GAAP Financial Measures

The reconciliations of non-GAAP disclosure items include the following financial measures that are not calculated in accordance with GAAP and are utilized by management in evaluating the performance of the business, engaging in financial and operational planning, the determination of incentive compensation, and by investors and analysts in evaluating performance of the business:

Adjusted diluted income (loss) per common share from continuing operations: Diluted income (loss) per common share from continuing operations excluding impairment, restructuring and other charges / recoveries, costs related to refinancing and TruGreen Joint Venture non-GAAP adjustments, each net of tax.

Free cash flow: Net cash provided by (used in) operating activities reduced by investments in property, plant and equipment.

Forward Looking Non-GAAP Measures

In this presentation, the Company presents its outlook for fiscal 2019 non-GAAP adjusted EPS. The Company does not provide a GAAP EPS outlook, which is the most directly comparable GAAP measure to non-GAAP adjusted EPS, because changes in the items that the Company excludes from GAAP EPS to calculate non-GAAP adjusted EPS, described above, can be dependent on future events that are less capable of being controlled or reliably predicted by management and are not part of the Company's routine operating activities. Additionally, due to their unpredictability, management does not forecast the excluded items for internal use and therefore cannot create or rely on a GAAP EPS outlook without unreasonable efforts. The timing and amount of any of the excluded items could significantly impact the Company's GAAP EPS. As a result, the Company does not provide a reconciliation of guidance for non-GAAP adjusted EPS to GAAP EPS, in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K.

Reconciliation of Non-GAAP Financial Measures

Free cash flow:

	Year Ended September 30, 2018	2017	2016	2015	2014
	(In millions, except per share data)				
Net cash provided by operating activities (GAAP)	$ 342.5	$ 363.2	$ 244.0	$ 250.1	$ 242.0
Investments in property, plant and equipment	(68.2)	(69.6)	(58.3)	(61.7)	(87.6)
Free cash flow (Non-GAAP)	$ 274.3	$ 293.6	$ 185.7	$ 188.4	$ 154.4

Diluted income per common share from continuing operations:

	2018
Diluted income per share from continuing operations (GAAP)	$ 2.23
Impairment, restructuring and other charges (recoveries)	2.68
Costs related to refinancing	—
Other non-operating expense, net	0.20
Adjustment to income tax expense (benefit) from continuing operations	(1.41)
Adjusted diluted income per common share from continuing operations (Non-GAAP)	$ 3.71