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SMG.N - Q3 2025 Scotts Miracle-Gro Co Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Brad Shelton - *Scotts Miracle-Gro Co - Head of Investor Relations*

Good morning. Welcome to Scotts Miracle-Gro third quarter 2025 earnings webcast. I'm Brad Shelton, Head of Investor Relations. Speaking today are Chairman and CEO, Jim Hagedorn; and Chief Financial Officer and Chief Accounting Officer, Mark Scheiwer. Jim will provide a business update, followed by Mark with a review of our financial results.

In conjunction with our commentary today, please review our earnings release and supplemental financial presentation slides, which were published on our website at investor.scotts.com prior to this webcast. During our review, we will make forward-looking statements and discuss certain non-GAAP financial measures. Please be aware that our actual results could differ materially from what we shared today. Please refer to our Form 10-K filed with the SEC for details of the full range of risk factors that could impact our results.

Following the webcast, President and Chief Operating Officer, Nate Baxter; and Executive Vice President and Chief of Staff, Chris Hagedorn, will join Jim and Mark for an audio-only Q&A session. To listen to the Q&A, simply remain on this webcast. To participate, please join by the audio link shared in our press release.

As always, today's session will be recorded. An archived version will be published on our website. For further discussion after the call, please e-mail or call me directly.

With that, let's get started with Jim's business update.

James Hagedorn - *Scotts Miracle-Gro Co - Chairman of the Board, President, Chief Executive Officer*

Thanks, Brad, and good morning everyone. Today I'm going to focus on two big topics. The first is our performance. We're delivering on all our key financial metrics. We've also gained another 2% of market share on top of last year's share gains. What's even more impressive is POS units across our categories are up 8% on the year.

They're keeping pace with fiscal '24 trend that saw us drive 9% gains last year. It's clear our marketing and activation programs are working and our consumer is highly engaged. The year is playing out the way we had hoped, even though weather was not particularly great in the early season.

The second thing I'll cover is our transformation and where we're headed. For most of the past two years, we've been focusing on internal initiatives to get our cost structure right, achieve efficiencies, and reorganize around our superpowers, our brands, supply chain, salesforce, and R&D.

We put completely new teams in place to lead many facets of our business from marketing and sales to supply chain. And we've made a ton of progress. We've improved our balance sheet, gotten our leverage to a more normal level, increased profitability, and given ourselves greater flexibility to reinvest in those superpowers. We continue to adopt technology to drive further productivity and efficiency improvements well into the future.

The next thing in our transformation checklist is a shift to outward facing initiatives involving our brands and our relationships with our consumers. We have the most powerful franchise in lawn and garden, and we're going to make it even better. We're deploying more resources and injecting new thinking into our approaches to marketing, messaging, channel expansion, and innovation.

We'll connect with consumers differently, communicate with them differently, and advertise differently. All this transformation work, both internally and externally, is setting us up to create a world-class consumer goods company that brings more consumers into our category and achieves greater levels of growth.

Before I dig deeper into the transformation, I want to address our results this year. With a clear view into the final months of fiscal 25, we're reaffirming our EBITDA guidance and expect to fully deliver on our top and bottom line metrics. US consumer sales are in line with our guidance of low single digit growth. Year-to-date, EBITDA increased 9%, EPS rose 24%.

Leverage improved by more than 1.25 turns and gross margin is above 30%. We're accomplishing what we set out to do. As I said, POS is a good story. The POS unit increase so far this year has been led by soils at 12%, mulch increased 8%, controls up 3%.

Lawns is a special example. POS units for branded lawn fertilizers are up 1%. Halts, our early season fertilizer product, had a 25% unit increase over prior year, while grass seed units were up 16%. You may recall that I asked the team to hold the line on this high margin business. It's been on a unit volume decline in recent years.

They've done a great job of putting together a program to start reversing the trend. There's a regional component underlying these POS numbers. Weather challenges in early Q3 impacted the lawn's business. It was an extremely late breaking spring in the Northeast, and Texas was saddled with lingering cold and rain. But we're better at navigating this unpredictability.

Nate and his planning group have a lot of tools that enable us to adjust and maximize our promotional and advertising activities. If one region is getting bad weather, we strategically shift our media plans to where it's better, and that's what we did in lawns.

When it became clear that challenges in Texas would cause us to miss our Bonus S target for POS and consistent poor weather in the Northeast would push back the season, we redirected those resources to the Midwest.

Let me take you through those Midwest numbers through Q3. Of the big regions that had more traditional weather patterns and best reflects the results of the changes that we made. Across the entire branded lawn's portfolio, POS units were up 16% in the Midwest region.

Lawn fertilizer exceeded expectations at 9%, as did grass seed, which increased 23%. Spreader POS units often indicate newer users entering the category, also grew by 24%. What lawns was able to drive in the Midwest more than offset what we're dealing with in Texas and the Northeast.

Overall, our company's performance demonstrates the strength of our consumer business. Lawn and garden is extremely healthy and no one can provide the solutions we do, and no one can drive consumer engagement like we can.

Here's some more context. Our unit buying growth since 2019 is plus 30%. Lawn and garden is resilient, and there aren't many industries out there that can achieve this kind of growth. US consumer sales are also tracking to one of our longer term priorities, sustained sales growth averaging 3% annually.

In 2024, our consumer sales were up 6%. Add that to this year's growth path and we're tracking to be where we said we want to be. When we first embarked on our transformation journey, I told my team members we must be willing to challenge the status quo and stop doing things the same way.

We had to reprioritize, streamline, and find ways to invest more in our superpowers. That's the impetus behind the internal transformation work. We have significantly reduced costs and driven efficiencies. At the same time, we're ramping up technology in our supply chain, from automated packaging and advanced assembly robotics to drone technology for inventory control. And we still have more work to do.

In fact, a sizable part of our planned capital investment spend from fiscal '25 through '28 is earmarked for transformation-related projects. And we continue to expand our use of AI. Marketing is in the early stages of using it to churn out consumer facing content, and an AI bot is giving our in-store sales teams fast access to product information.

An AI chat agent is on our brand sites and providing consumers with support. As we look to Q4 and fiscal '26, our transformation work will shift outward. To bring new consumers into Scotts Miracle-Gro, we must get better at addressing their needs and wants.

Here's what our research shows. Lawn and garden is part of a broader wellness lifestyle for more consumers. It's no longer just about outdoor upkeep. It's a source of well-being and expression in outdoor and indoor spaces.

Consumers discover and engage brands through digital experiences first. They expect the brands to be where they spend time. Consumers are personalizing lawn and garden purchases based on their values. This includes native plants for biodiversity, container gardens for smaller spaces, and organic herbs for cooking.

Today's consumers want options that align with their priorities, and that includes products that are safe around their families and their pets. As part of our continued success, we'll focus on the following. One, we'll meet consumers where they are.

The retail store is important for most consumers, and will continue to invest in driving store traffic through joint retailer programs and television news, and sports advertising. But we'll also shift more advertising and marketing resources to where younger consumers gather and go for information.

This includes streaming services, social media sites, influencers, and places like Substack, YouTube, and Reddit. There's a huge potential on these online venues. The gardening thread alone on Reddit has over 8 million members.

Two, we'll develop fresh messaging that speaks to their needs, often building on our work with the OG influencer, Martha Stewart, our Chief Gardening Officer. We're creating a bank of young influencers who inspire consumers to come into our world.

Traditionally, our marketing message have centered on product efficacy and results. While that's important, our creative approaches will paint a bigger picture for consumers, one that creates emotional connections to lawn and garden as being integral to their lifestyles.

Three, we will expand in e-commerce, including retailer sites, our own e-comm platform, and social media. We'll be on Instagram, TikTok, and other places in bigger ways. This year, we made a stronger push to engage consumers through e-commerce.

And we've driven a 54% increase in online POS unit sales. This month, we launched Ortho's new mosquito control product for the first time through a TikTok store, and we sold out in one day. We will go further down this digital road in 2026.

Four, our R&D pipeline is healthy and leans more heavily to emerging consumers, who will be our core consumer in the next 10 years. It includes more natural and organic solutions, along with products that are simpler to use. We also have a team committed to the future development of biological solutions as an alternative to synthetics.

Miracle-Gro organic demonstrates how effective this can be. It's now about 1/5 of our total soil sales, and it's increasing. Much of the engagement with this product line has come from new consumers. All of this transformation talk takes me back to lawns.

The team established a foundation this year by simplifying promotions and refocusing marketing efforts around the value of feeding. Not just once, but multiple times, to get the best results, and it's working. This is a down payment on the future of this business. The team is now remaking the entire portfolio, starting in fiscal '26, and I've asked John Sass, our Senior Vice President of Lawns, to tell you about it.

John Sass - *Scotts Miracle-Gro Co - Senior Vice President, Chief Creative Officer, General Manager of Lawns*

Thanks, Jim, and hello everyone. As you just heard, we're in the middle of a radical transformation of our lawns business, and the early success we're seeing this year is just the first step in remaking of our Turf Builder portfolio.

Now, I don't use the word transformation lightly when it comes to what we're doing on lawns. We have hit the reset button, challenging every aspect of this business and our conventional way of thinking. And I could tell you this has been an all hands on deck effort, and the result is going to be an entirely new product line, laser focused on the needs for the next generation of consumers.

Simply put, consumers want to have a great lawn they can enjoy with their family and pets, and that's what we're going to give them. So what are we doing? Well, I'll boil it down to these three major work streams. First, a completely revamped product line. This new lineup will have new enhanced formulas that perform better, and will give consumers an incredible result.

We're standardizing the sizes, and we're going to roll out a fresh new packaging design as well, but here's the best part, lower retail price points. Our supply chain is the best in the business, and their efforts have enabled us to build an entirely new pricing structure that's going to be hard for others to match.

With a new product lineup like that, it requires an entirely new media and advertising strategy, which is our second major work stream. You see, having a great lawn is easy as long as you feed on a regular basis. Our shift in media will evolve and expand beyond just a heavy spring campaign.

You're going to start to hear and see our messages pulsing throughout the entire year, reminding consumers when it's time to feed. We will continue with our Citizens of the Lawn campaign highlighting the lawn enjoyment and the fact that it is safe to use our products around kids and pets.

And thirdly, as we get consumers excited about the category, we're working closely with our retail partners to build promotional programs that incentivize consumers for multiple feedings. So as you can see, we are transforming this entire business and we're excited about where we're taking this category. This approach will give consumers an incredible lawn, one that they can feel just as good about what they're putting on it as they do playing on it.

James Hagedorn - *Scotts Miracle-Gro Co - Chairman of the Board, President, Chief Executive Officer*

Thanks, John. The performance of our lawns business is very important to the SMG P&L and our overall financial health. John and the team have made tremendous progress, and I'm really comfortable where they're taking us.

I want to go back and emphasize something for our retailers. Our partnerships are essential to both our success and their success. While we will expand our channels and marketing approaches, we view our retail activation programs as powerful tools in driving consumer takeaway.

Retailers who leaned in with us this year took market share and grew their lawn and garden business by double digits. Those who didn't go all in, did not see the same level of growth. It's a winning formula and it has to be a team effort. We'll continue to fund future investments in retailer activations, which exceed our advertising spend as long as the participating retailers help drive our POS.

Shifting to Hawthorne, divesting this business is transformation too. We'll continue to work toward a solution, and I expect to make progress on this front by the close of Q4. As I stated before, the divestiture would put us where we need to be.

The consumer lawn and garden leader with consistent earnings, less share price volatility, and enhanced ability to invest in growth. In the meantime, Hawthorne continues to do the right things to move the business forward. They've now delivered three straight quarters of profitability.

When you're looking at what we're doing across our business, we're building a world-class consumer goods company with financials to match. This includes delivering greater shareholder returns and achieving these three high-level targets we've established to start the year.

Annual sustained US consumer sales growth of at least 3%, a gross margin rate of 35% or higher, and EBITDA gains in the mid to high single digit percentages. That leads me to fiscal '26. Our plans are coming together. And as usual, we'll tell you more about that in our Q4 call.

It is our intent to take pricing next year, and these discussions are happening now with our retailers. We've held the line on price in the past few years while our costs, like everyone else's, have risen. Pricing helps us drive the business, and it is not purely about making more money. It will give us more resources to invest in innovation and activation too.

I'll close with this. We're doing exactly what we said we would do. We've improved our financials and strengthened our balance sheet. We're investing in our superpowers and the fundamentals that make our consumer franchise unique. And we're making all the right moves that will result in a premium valuation of our equity.

I appreciate the work of our leadership team and our associates and the support and guidance of our Board of Directors. I also want to thank our banks and our retailers for their partnership. As always, I appreciate our shareholders for being part of our company. Thank you.

Mark Scheiwer - *Scotts Miracle-Gro Co - Executive Vice President, Chief Financial Officer and Chief Accounting Officer*

Thank you, Jim. And hello everyone. We delivered a strong quarter, continuing the momentum we've built through the year. Jim discussed the substantial progress we've made on the financial metrics that are foundational to our fiscal '25 plan.

When you look at our performance we are well positioned to deliver on the fiscal '25 guidance for US consumer sales, gross margin, EBITDA, EPS, free cash flow, and leverage. We have momentum and you can expect us to drive continued improvements in our financial performance through fiscal year end and well into the future as we increase confidence in our growth plans.

With this background, I'll review the financial details. The overarching story is the power and health of our US consumer business. For the quarter, US consumer net sales were \$1.03 billion versus \$1.02 billion last year, an increase of 1%.

When you exclude the non-recurring AeroGarden and bulk raw material sales from fiscal '24, US consumer sales increased 2% over the prior year quarter. Year-to-date through our third quarter, US consumer net sales were \$2.68 billion, down 1% versus \$2.7 billion in the corresponding period last year.

However, when you exclude the non-recurring sales I just mentioned, US consumer sales increased 1% over prior year. These gains were driven by organic volume growth, along with continued strong performance of new products such as the expanded Miracle-Gro organics line that were initially listed in fiscal '24.

At the start of the year Jim outlined his priorities for our business, that included driving sustained average annual sales growth of 3%. When looking at our combined sales growth over fiscal '24 and '25 for US consumer, we are on pace to deliver on this target.

US Consumer sales for both the quarter and the year are tracking to the guidance we provided for fiscal '25, which is low single digit increase, excluding the non-recurring AeroGarden and bulk raw material sales from fiscal '24.

From a trend perspective, I want to call out a shift this year. Many retailers have modified their replenishment activities to align more closely with the POS sales curve as they balance their inventories not just in lawn and garden but across multiple categories.

Our supply chain and sales teams are working closely with retailers to navigate this adjusted approach and ensure we are positioned to capture all sell through opportunities through the fall season.

This said, as we prepare to close July, our order book is strong, giving us confidence in steady retail replenishment as we load in for the fall season.

Now let's look at Hawthorne and our total company net sales. For the quarter, Hawthorne net sales were \$31 million, down from \$68 million in the prior year, but roughly flat to the last quarter. Year-to-date through Q3, Hawthorne net sales were \$116 million versus \$214 million a year ago. The decline is a result of the continued hydroponic market softness, combined with the expected impact of our exit from third party distribution last year.

It's worth noting that Hawthorne continues to be positive EBITDA levels for the past three quarters and year-to-date has earned around \$6 million in an adjusted EBITDA. Total company net sales for the third quarter were \$1.19 billion, down 1% versus \$1.2 billion a year ago.

Year-to-date, total net sales were \$3.03 billion versus \$3.14 billion, a decline of 3.6%. The decline is attributable to the lower Hawthorne sales, combined with the non-reoccurring AeroGarden and bulk raw material sales for fiscal '24.

Getting back to the US consumer business, POS is strong. And in the third quarter, POS units exceeded prior year by 6%. Year-to-date POS units were up 8%. Excluding mulch, POS units increased 10% in the third quarter and 8% through the first nine months of our fiscal year.

E-commerce sales are a good story as well. Year-to-date, POS through online and retailer e-comm sites are up 24% versus prior year, a reflection of our proactive efforts to drive more business through these channels. E-commerce sales now reflect approximately 10% of our total POS dollars, with plenty of room to grow in the future.

As for specific categories, a 1% POS unit gain year-to-date in branded lawn fertilizers reversed a multi-year downward trend. Other POS unit bright spots include grass seed up 16%, soils up 12%, mulch up 8%, and controls up 3% all year-to-date.

Within the controls category, selective and non-selective weed control products were down versus the same period last year, due to cooler and wetter weather extending into the spring and early summer, along with competitive pressures.

This trend has reversed as heat impacting much of the country is now contributing to elevated weed and insect pressure. As a result, beginning in late June and continuing in July, we've seen double-digit increases in POS units for key controls products.

Looking at POS dollars, they were flat in the quarter, and through the first nine months were up 1%. The difference between our POS unit and dollar growth is primarily a reflection of strong POS for our soils and mulch products, which have lower unit dollar values, combined with the increase in joint promotional activities with our retailers.

These promotions, along with our continued strong investment in advertising, have played a critical role in driving increased consumer engagement in an environment of macroeconomic volatility and uncertainty.

Moving to gross margin, we delivered strong improvement for the quarter. The non-GAAP adjusted gross margin rate improved nearly 300 basis points, and we are on track to achieve our target of a 30% non-GAAP adjusted gross margin rate for the full fiscal year.

Primary drivers of the third quarter increase are improved product mix and lower material, manufacturing, and distribution costs. The impact of tariffs on our fiscal '25 gross margin is minimal, as 90% of cost of goods sold is domestically sourced, and our total cost of goods is greater than 95% locked for the current fiscal year.

As you might recall, we planned for this improvement, which included \$75 million of US consumer supply chain cost savings and material cost deflation this year. And our supply chain team has more than delivered on this goal, so a big shout out to the team for their outstanding execution.

Looking ahead, as a reminder, our supply chain team is working hard on delivering an additional \$75 million of cost savings over the course of fiscal '26 and '27 as part of our previously communicated long-term commitment to gross margin recovery and reinvestments in our brands.

Lastly, as we look to our fourth quarter, we will lap one-time inventory write-offs of \$29 million recorded in last year's fiscal fourth quarter. For the third quarter, the GAAP gross margin rate was 31.8% versus 29.5% in prior year. And the non-GAAP adjusted gross margin rate was 32.1% versus 29.2%.

Year-to-date, the GAAP gross margin rate was 33.7% versus 28% in prior year, and the non-GAAP adjusted gross margin rate was 34.3% versus 30.2%.

Looking down the P&L, SG&A for the quarter increased 4% from \$148 million to \$153 million, and year-to-date, SG&A increased 6% from \$441 million to \$467 million. This increase was planned and is attributable to performance incentive accruals, incremental investments in our brands, and transformation-related investments. We continue to expect our current year SG&A to be approximately 17% of net sales versus 16% last year.

Moving to EBITDA, in the third quarter, adjusted EBITDA improved from \$237 million to \$256 million. Through the first nine months, adjusted EBITDA increased over 9%, a \$56 million improvement from \$607 million in fiscal '24 to \$663 million this year. This year-over-year gain reflects our strong gross margin improvement, partially offset by higher SG&A.

As we've consistently stated, we reaffirmed our adjusted EBITDA guidance of \$570 million to \$590 million. Below the line, we are outperforming on all key metrics. For the quarter and year-to-date, interest expense continued to fall as we lowered debt balances and benefited from more favorable interest rates.

In the quarter, interest expense declined \$7 million, and through the first nine months, interest expense was \$102 million, down from \$126 million, a 19% decline over prior year. Leverage is also a very good story. We are more than comfortable with where we are, and even more importantly, where we're headed.

We ended the quarter at 4.15 times net debt to adjusted EBITDA, a more than 1.25 turn improvement from last year's 5.46 times. We are well below our covenant maximum of 5 times. We continue to deploy free cash flow to debt reduction, and our borrowings at the end of the third quarter were approximately \$300 million lower versus prior year, as we're on track to deliver our free cash flow guidance for fiscal '25 of around \$250 million.

Our non-GAAP adjusted tax rate for the quarter and first nine months was 29% and 27.4%, respectively. For the full year, the tax rate is still expected to be in the 27% to 29% range. Speaking of tax policy, I do want to address favorable tax implications, resulting from the recently passed One Big Beautiful Bill signed into law by President Trump.

The restoration of these key TCJA provisions, that include a bonus depreciation, R&D expensing, and increasing the deductible interest limitation, will provide us with meaningful cash tax benefits going forward. These changes will allow us to drive further investment in our business for years to come.

The third quarter GAAP net income was \$149.1 million, or \$2.54 per share, compared with the prior year of \$132.1 million, or \$2.28 per share. The non-GAAP adjusted net income for the quarter was \$151.5 million, or \$2.59 per share, versus prior year of \$133.8 million, or \$2.31 per share a year ago.

On a year-to-date basis through the third quarter, GAAP net income was \$297.1 million, or \$5.07 per share, compared with the prior year of \$209.1 million, or \$3.64 per share. Non-GAAP adjusted net income year-to-date was \$332.7 million, or \$5.68 per share, versus \$263.5 million, or \$4.58 per share a year ago. For the full year, we are on track to deliver non-GAAP adjusted net income of greater than \$3.50 per share.

Looking ahead to our final quarter, we will continue to make progress against our financial objectives for fiscal '25, and are reaffirming our guidance across all metrics. These include delivering sustainable net sales growth, driving margin recovery, and strengthening our balance sheet.

As Jim explained, we are in negotiations with retailers on pricing for fiscal '26, which will be a contributor to our growth strategy for next year. We are fine-tuning other elements of our growth plans, aimed at enhancing our core consumer business and building greater shareholder value.

At the center of these plans is the transformation initiative that Jim addressed. From an internal standpoint, we are investing in technology, AI tools, automation, to drive operational and cost efficiencies. Outward-facing, we will market Scotts Miracle-Gro and our leading brands in new ways to bring younger and newer consumers into our business.

We have much to look forward to, and we are confident in our trajectory and excited about the opportunities ahead as we plan to finish the year strong. Thank you, and I'll turn it over to the operator for the Q&A.

James Hagedorn - *Scotts Miracle-Gro Co - Chairman of the Board, President, Chief Executive Officer*

All right, guys, Jim Hagedorn here. I'm going to just rant a little bit, not for kind of any reason, except I want to look back at the last quarterly call we had where the shares, I think, went down about 15%. So we had a great result.

I think I'm so proud of the company with what we're doing, and the progress we've made that you're seeing today. But it was the same in the last quarter call, and there were like nonsense headlines that came out that we pulled guidance, that we didn't make our numbers, and the stocks -- the stock reacted to that.

The next day, it went up 15%, back to where it was, about a third of our shares traded, and I have not been able to get the SEC or the New York Stock Exchange to show any interest in compliance against who is behind that.

And I don't think it's orderly, and I don't think it's right for the New York Stock Exchange or the US public markets to sort of allow that kind of stuff. I'm really talking to Cleveland Research here, where I view Eric as one of the best analysts traditionally in our space.

But if I look at sort of what he's saying about private label, we are not losing share. As long as I've been the CEO, guys, we have been reducing the share of private label and gaining share in our marketplace. And so this sort of nonsense about private label, I think there is a retailer out there that is playing with private label.

I'm not going to name them mostly because they're friends of mine, but I can tell you, it doesn't work. The news about being sort of my age and having been in this industry as long as I have, I've kind of seen it all. And look, it's a tough time out there with Amazon and non-traditional marketplaces, and looking where there's going to be growth.

I think our biggest retailer has, and most of -- almost all of our retailers have gotten behind our programs. Part of what you see is when you look at our numbers is lower dollar unit gain increases, much more substantial increases in our unit buying.

That's a result of effectively taking price down by taking money with retailers and putting it into what we're calling activation dollars. And it's worked. And we've taken share, to have gains we had last year, to have the market share gains of 200 basis points this year, it's just kind of the most amazing time since I've been running this business as far as taking share.

And we're not losing to private label. And a strategy that says, I'm going to rely more on private label, it is not going to work. And it's not going to work for that retailer. And it didn't work. And they lost share.

Inventory, inventories are down at retail. They're not hurting us. We're going to make our numbers. And it's a really nice tailwind for us next year coming into the season then. So there is not any kind of disruptive inventory motion here.

Pricing, we are going to get pricing. There's probably a little room for Nate to play on pricing in his economics for next year. But pricing is important and we're taking it. And it's what we need to do to get our margins up.

But if you look at the increase in margin rate, I mean, this year, I don't know, north of 3%, probably south of 4% gain in our gross margin this year. So we are making progress against all the things. Leverage down by 1.25 turns. I'm just really happy with the business. And when I look at some of the headlines out there, I just kind of wonder, like, what it's about.

Nate, do you want to add on this?

Nate Baxter - *Scotts Miracle-Gro Co - President and Chief Operating Officer*

Yeah, I mean, I'll just echo, Jim. I think it certainly is frustrating, I'm really pleased with our performance and more importantly, I'm pleased with the partnership we've got with our retailers. I think given the macroeconomic backdrop of the last two years to see both the lawn and garden category grow as well as our share gains, I think it says a lot.

And I think, for me, the last two quarters have been a success story. And I think from an investor standpoint we'll continue to build on that and deliver, just like Mark said in his prepared remarks. So from my perspective, I think we've got momentum behind us, and I think we've got retail partners that are leaning in.

To Jim's point, we all recognize e-commerce is an important part of the business. By the way, the biggest growth we saw this last quarter has been with our biggest retail partners. And I'll speak personally, I had mulch delivered by pallet through one of our retail partners. It was cheaper and faster to get it than it was in bulk.

And I think once we get that message out there with consumers and maybe even some of the small to medium sized professional outfits, there is real opportunity for us. So, again we talked about household penetration, lawns, it's low.

We've got a lot of organic growth, not only for us as a company, but in the industry. And I'm really bullish on where we're headed. So, again, it's frustrating to see those headlines when we know we've got opportunities, and given where we are macroeconomically to have delivered the performance we've been delivering.

Brad Shelton - *Scotts Miracle-Gro Co - Head of Investor Relations*

Alright, Victor, we'll turn it over you to run the Q&A please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Eric Bosshard, Cleveland Research Company.

Eric Bosshard - *Cleveland Research Co LLC - Analyst*

Good morning. Thanks. Two questions. First of all, I'm curious on price and price mix in '25, how that has performed relative to your expectations, and what the strategy is for '26 and the expectations in '26?

Nate Baxter - *Scotts Miracle-Gro Co - President and Chief Operating Officer*

So hey Eric, this is Nate. Yeah, listen for '25, like we've said previously, we took net, call it, just under 1.5% pricing, we invested almost all of that back into the business, mostly through activation with retail partners. So I think for '26, as Jim said, we're still looking to go after pricing just because we have commodities and other things that we need to take into account.

It's a little early for me to say our strategy and how we'll reinvest those dollars, but we will. I don't know if we'll reset all of them because we're definitely looking to grow top line. But look, my view is that I'm not going to spend any less on activation with retail partners.

I think at this point in the season, the only question is, who am I spending it with and what programs am I spending it on. It worked for us significantly to our benefits this past year, and we'll figure out a way to do it for next year. Mark, any thoughts?

Mark Scheiwer - *Scotts Miracle-Gro Co - Executive Vice President, Chief Financial Officer and Chief Accounting Officer*

Eric, this is Mark Scheiwer. Just as it relates to our expectations going into the year, we were expecting a difference between unit and dollar growth from POS, mix being a big piece of it. And then I think I've said in the past, about two-thirds of it and one-third price. Those have held in line with our expectations.

And the only thing I'll call out versus some of the remarks at the beginning, we've had some great innovation this past year and past two years on Miracle-Gro organics, which has helped with our volume and a lot of our great activity and unit volume growth.

So from an expectation standpoint, it was in line from a sales guidance. And then as we look to next year, we're still in the early planning phases, but as that business like soils and mulch continue to grow and do well, there might be a continued disconnect, but we'll see -- we'll give you guidance in Q4.

Eric Bosshard - *Cleveland Research Co LLC - Analyst*

Great. And then secondly, in the neighborhood of Jim's comments. The comment about the category growth and you gaining share this year, what do you think the category growth is at retail in '25? And what have your numbers you compare to that?

Nate Baxter - *Scotts Miracle-Gro Co - President and Chief Operating Officer*

Yeah. So Eric, our calculus using our external sources as we see the year-to-date market for lawn and garden has grown about 5 points, and we gained about 2 points of that share.

Eric Bosshard - *Cleveland Research Co LLC - Analyst*

And so within that, is this dollars or units? I'm sorry.

Nate Baxter - *Scotts Miracle-Gro Co - President and Chief Operating Officer*

Dollars. I would say the market up 5% a year dollars up 7% year-to-date.

Eric Bosshard - *Cleveland Research Co LLC - Analyst*

Okay. Very good. That's all I have. Thank you.

Operator

Jon Anderson, William Blair.

Jon Andersen - *William Blair - Analyst*

Good morning. Thank you for the questions. Two questions. First is you commented about the performance of some of the customers that leaned in with you on your traffic driving strategy this year and the relative outperformance.

Can you talk about how that is influencing your 2026 line reviews? Specifically, those retailers planning to kind of re-up and lean in again with you and maybe those customers that didn't to the same extent rethinking that given their relative underperformance?

And then the second question is on margins. Great gross margin improvement last year. It looks like you set up for another significant improvement this year. If you get to 30% and then you have kind of the target in the mid-30s. Can you talk a little bit about your visibility to getting to mid-30s over the next couple few years? And what the cadence of that might look like '26 versus '27? Thank you.

James Hagedorn - *Scotts Miracle-Gro Co - Chairman of the Board, President, Chief Executive Officer*

All right. Hi, Jon. Hagedorn here. I'm going to sort of take the first part on kind of programs and activation dollars. Remember, we talked about this, which was coming out of kind of our s*** show. We use discounting pretty heavily. And as things turn around, we wanted that money back. Retailers basically said, look, man, customer counts down. Our margins are down. We'd like to keep that money.

And we decided to put that money to work saying, you know what? And when you look at a lot of our retailers, most of our retailers, they're spending more than that, pushing our products and pushing along the garden.

So we basically said, look, if you use that money for our benefit and your benefit together, we'll do that. I'm trying to, in my head, figure out kind of what that's worth. But I'm going to say that's probably worth at least 5%.

And Nate made a comment, which is we're not reducing our spend. We're not looking to bring that back. We can make our margin numbers without that. And the work that's happening in the supply chain and on the sort of operating units is really, really good at that.

But what he did say is we're going to spend more doing that, with people who are using that money. And people who are not going to be part of that program are not going to have access to that money. And I think that for people who are listening, you know who you are. And I don't think we want to go down that path.

So we're looking to spend that money. It definitely works. And we saw it this year and we saw it last year. So the question is on back to this program dollars.

Nate Baxter - *Scotts Miracle-Gro Co - President and Chief Operating Officer*

Yeah. And I guess I would say, John, it's a little early for us to project. We're in the middle of those discussions with retailers. So whether those programs look the same and each retailer takes the same approach or not is a TBD, and we'll add more color to that next quarter.

Hey, I do want to correct myself. I told Eric, dollars. I really meant units when we talked about the market share. So just I want to stay corrected on that.

Mark Scheiwer - *Scotts Miracle-Gro Co - Executive Vice President, Chief Financial Officer and Chief Accounting Officer*

Jon, just a follow-up. This is Mark Scheiwer just following up on your comment on gross margin in the phasing. So what you saw year-to-date has been outstanding performance by our supply chain team and the organization broadly.

So we've been able to over-deliver year-to-date on our gross margin, including those \$75 million of savings. We've overperformed year-to-date, we've realized those, and we've got good line of sight for the balance of this year.

As I look to next year in '26 and '27, the team has already been doing a lot of planning around this. And the walk generally from 30% to 35% is going to include about 1 point -- I call it about 1 point or 1% benefit, gross margin benefit or 100 basis points from supply chain savings, and then about 100 basis points from net pricing, net of any kind of commodity inflation.

So those are kind of the key step-ups that we go from here. And I would say that the team on the sales side is working hard on those pricing and programs, and we'll provide you more color at year-end. I can definitely tell you as well the supply chain team, we have a long history and track record of delivering at least 1% of cost out in our business.

And I've been already seeing the laddering up of projects. The team is doing a great job. It will be a little bit phased. Like I said, 1%, 1% is generally the nerdy accounting, it's phased, but the team's got to execute on CapEx projects.

We've got a lot of great CapEx projects we're working on that we spoke to in our prepared remarks around automation activities that are going to deliver a lot of those future savings. So it will be kind of a staggered measured approach.

Nate Baxter - *Scotts Miracle-Gro Co - President and Chief Operating Officer*

And I would just add innovation. I think John Sass talked about it in the introductory remarks. As we really go to full launch of the new fertilizer program in '27, that innovation will bring margin accretion with it as well.

James Hagedorn - *Scotts Miracle-Gro Co - Chairman of the Board, President, Chief Executive Officer*

Yeah. Look, I also think that. There's a lot of enthusiasm at retail on lawn and garden. If you look at our unit volume increase over two years, that 17%. So I think there's a lot of enthusiasm. And I don't want anybody to get the idea that there's any trouble kind of in paradise.

It's a really good category. It's growing really well. Retailers are highly enthusiastic. And I'm not really hearing any sort of pullback from their sort of outlook, which is positive for lawn and garden.

Operator

Chris Carey, Wells Fargo Securities.

Chris Carey - *Wells Fargo Securities LLC - Analyst*

Hey guys. Just regarding -- like more of a mix question, and this is really more strategic longer-term. Can you just give maybe a state in on how you feel about the lawns business, delivery versus expectations this year and really how it informs your thought process over the next one to two years as you look to perhaps improve the mix between some of the growing media and mulch businesses relative to lawns over the medium-term horizon.

James Hagedorn - *Scotts Miracle-Gro Co - Chairman of the Board, President, Chief Executive Officer*

Yeah, I'll start because I am really pleased with where the lawns business is. They had originally come in, I think, with like a minus 5%, I think, with the number. (multiple speakers) This is one of those means where I said, just get out of my office right now and rethink your words here carefully.

And John and his team with a lot of support from Nate have done really well. We call the Midwest numbers out because of the two big regions in the Northeast and Midwest. The Midwest had the most normal weather. So I don't know what those numbers were later like plus [15%] or something like that, which I think is way above.

If you look at -- the Northeast was just really late, and Texas really never came to fire, and they still held the line. They were still positive. They had a huge increase in crabgrass control products. So that halts business, that is no joke to be up, I think, it was 25%. I'm just looking at people ever made the thumbs up.

To be up 25%, it doesn't just do good for multi bag. There's always a lot of reserves when we do it because a lot of retailers have return rights on that product because it's kind of a short season. So basically, we sold everything that was in the street.

And so I'm going to say that you might look and say, plus 1% or whatever we said across the line and say, well, that doesn't look that great compared to where they showed up compared to the sort of regional weather effects and sort of picking and thing, did it work?

And it's advertising, it's really early days with this multistep, but there's a lot of research that our folks have done on what consumers take away from the new advertising as far as safety of their kids and pets and their willingness to use and do multi-bag and understand the need for multi-bag, I think it's really going well.

And so much of what we're talking about is go forward. John and the group -- this transformation stuff that's happening here, I'm -- I don't know. I don't think I'm being irresponsible, but my encouragement to Nate is, you can burn this whole place down. I don't care.

We'll do what we have to do to make this business the sort of consumer powerhouse that it needs to be. And one of those things where -- I don't know what that facility is worth across the street, our lawn fertilizer facility (inaudible), say, it's \$1 billion. That better be a competitive advantage.

And one of the things I told Nate and John is if Marysville can't produce fertilizer at a price that you can sort of handle with how you want to go to market, close it down, I don't care. And I think that was a revelation for the guys across the street in the supply chain.

And the work that the business team and the supply chain did, when John says, like you have no idea how competitive we're going to be going forward on fertilizer pricing and without affecting our margins. And so what I'm telling you is we have made huge progress in how we think about it.

And I think even the trajectory of that business just in this one year, it's hidden a little bit by the regionality of the Northeast and sort of Texas. But if you look particularly like the Midwest, which is one of our gigantoregions that had more normal weather, the results were like astounding. And so I'm really pleased.

And I think from a competitive -- this issue of lethality, maybe going a little bit back to sort of private label, John can be incredibly legal even in private label, they like. I mean -- I would not want to be -- like they've taken that plant and turned it into a huge competitive advantage.

And you're going to see that rolling out really next year and the year after that. It's going to be really fun to watch. And then the other brand teams, this is a whole new group. We got a Board meeting coming up, I guess starting tomorrow for two days up in Vermont.

And this is a very important Scott's 2.0 discussion that Nate is really going to be leading with the Board. And his brand teams are insanely on fire. They have a high degree of aggression and appetite. On the controls side, Davitt is just -- he's got a big list of stuff and Nate and I are all about it where he's going, and it's going to be good.

Sadie, who runs our gardens business with Martha Stewart are just -- Sadie not only has the biggest business in the company, but you just look at what's happening with sort of for soils business.

It's some amazing stuff to watch. And Martha is a part of that and Sadie's attack on the business is a part of it. And so this is not commodity soil work. This is premium branded, high-margin soil stuff. And so the gardens business is in really good shape. And so what I think all of the brand teams are all about it.

Nate Baxter - *Scotts Miracle-Gro Co - President and Chief Operating Officer*

Yeah, I'll just -- listen, Chris, I'll just get back to your question on lawns. You're focused on the right thing, and we talked about this at the last earnings call, we have so much potential. Remember, our household penetration there is about 11%, 12%.

So if you just look at a combination of focusing on frequency, which John talked about, and household penetration increase, there's a lot of organic growth that's possible there. So what Jim talked about in his opening remarks, addressing the consumer in a different way, making sure we have solutions, whether they're time-constrained or budget constrained. You'll start to see that.

Now the challenge is, we have a transition that will be coming in '26, '27 with this product. So we've got to work with retailers on that. But you get through that transition, we're going to be competitive to a point where I don't think there'll be a distant second.

Mark Scheiwer - *Scotts Miracle-Gro Co - Executive Vice President, Chief Financial Officer and Chief Accounting Officer*

And Chris, this is Mark Scheiwer just on some of the modeling related to mix. So this fiscal year, year-to-date, we actually had positive results from mix. not only because Hawthorne mix is obviously lower, but we saw some good momentum and movement within our US consumer business. The quality of the earnings related to the mix of our products has really improved.

And as I look out over the next couple of years, the innovation that's coming and the activities we're doing in the lawns category I view them to be margin accretive, but I'm not even factoring them into my -- as I consider my walk to 35% or mid-30s, I'm more focused on thing cost savings, things we can control like that and then the pricing activities.

But mix, definitely, as we see the lawns business continue to grow and perform and get those higher frequencies, that is a very high-margin business that should help us in the future.

Chris Carey - *Wells Fargo Securities LLC - Analyst*

Okay, alright, I'm going to leave it there. Thanks so much.

James Hagedorn - *Scotts Miracle-Gro Co - Chairman of the Board, President, Chief Executive Officer*

Thanks, Chris.

Operator

Joe Altobello, Raymond James.

Martin Mitela - *Raymond James - Analyst*

Hey, good morning. This is Martin on for Joe. Earlier, you had mentioned that many of the retailers have shifted their replenishment to match the POS curve. Would you mind maybe a little bit more detail as to what's going on there? And sort of what's the shape of the retail inventories?

Nate Baxter - *Scotts Miracle-Gro Co - President and Chief Operating Officer*

Sure. Look, I think if you go back to pandemic and the peak when all of our patterns got completely sideways, we were at peak sort of 60%, 40% in terms of first half, second half load in. Prior to the pandemic, we were roughly 50%, 50%, plus or minus a point, I think, year-over-year. So what we're seeing now is this natural trend back towards the 50%, 50%. By the way, we're supportive of it.

I don't worry too much about retailer any inventories. We definitely lean in with retailers as they want to make those adjustments. By the way, from my point of view, it helps our supply chain. We're probably the only supply chain that can deliver almost just in time.

So from my perspective, it actually helps, and I can level load production more. And I think each retailer is in a different place. A couple of our retailers this year have been more aggressive on that. And I think that's good. And I suspect we'll see more of that as we sort of get back to, call it, 50%, 50%. I don't know, Mark, do you want to.

Mark Scheiwer - *Scotts Miracle-Gro Co - Executive Vice President, Chief Financial Officer and Chief Accounting Officer*

And then just to follow up, Mark Scheiwer again. As far as the going into the year, retailer inventories, we did expect to have an impact from a retailer activity just being down a little bit as far as inventories go. So we had planned that into our sales guide. So that has kind of shown up as we've navigated.

And as I look to next year, as Nate spoke, as that first half, second half dynamic changes, you would expect probably some shifting mostly between Q2 and Q3. less to do about like a year-end long term, it's more of a shifting between Q2 and into Q3.

James Hagedorn - *Scotts Miracle-Gro Co - Chairman of the Board, President, Chief Executive Officer*

But I think what we're seeing and people were correcting me this morning as we were talking about it, I think excluding commodity, retail inventory is about -- down about 10%.

Nate Baxter - *Scotts Miracle-Gro Co - President and Chief Operating Officer*

I think down about 4%. Yeah, if you take out mulch. So I think they're healthy. It depends on the retailer.

But again, this -- I think shifting quarter-to-quarter doesn't bother me. What I really look at is the underlying consumer health. And if you just look at those POS gains, last year, where we are this year, 8% year-to-date. The consumer is healthy. So adjusting inventory buys to be closer to the curve, I think it's just -- it's where we're headed as an industry, and we're totally fine with that.

Martin Mitela - *Raymond James - Analyst*

Great, thank you. That's all from me.

Operator

Peter Grom, UBS.

Peter Grom - UBS - Analyst

Thanks operator. Good morning, guys. Mark, I just want to ask a follow-up question on gross margin. I said more of a clarification. So just 100 basis points of cost savings, 100 basis points on price at for each year and for both drivers.

So I guess, all else equal, that bridge would assume kind of going from 30% in fiscal '25 to 32% in fiscal '26. And then building from there, and if something happens with Hawthorne, you could see another, call it, 100 basis points on. Is that the right way to think about it? I just wanted to clarify that.

Mark Scheiwer - Scotts Miracle-Gro Co - Executive Vice President, Chief Financial Officer and Chief Accounting Officer

Yeah. So that would be how the simple math works, Peter. I would just tell you, year-to-date, we're overperforming from a supply chain perspective. So I feel confident when I say the 30%, could we be above that? Absolutely. And so that's -- as we kind of keep working on these additional supply chain savings projects, and work through our pricing activities, those will also be a little bit of a tailwind as we navigate up to 35%.

James Hagedorn - Scotts Miracle-Gro Co - Chairman of the Board, President, Chief Executive Officer

We just, by the way, we should be pretty close to that next year, I think.

Mark Scheiwer - Scotts Miracle-Gro Co - Executive Vice President, Chief Financial Officer and Chief Accounting Officer

Yeah, it will be not 35%, but yeah, we'll definitely make progress and we'll be on a good trajectory, absolutely.

Peter Grom - UBS - Analyst

Okay. That's really helpful. And I guess just to the prior question, right, I think in your response to Chris' question, you kind of mentioned that you weren't really including benefits from mix and innovation in this bridge.

So are there any guardrails you can provide in terms of what that benefit could look like? And is this something that actually could start to show its teeth in kind of the P&L next year? Or is that kind of more of a multiyear process?

Mark Scheiwer - Scotts Miracle-Gro Co - Executive Vice President, Chief Financial Officer and Chief Accounting Officer

Peter, this is Mark Scheiwer. At least for me, from a financial modeling, I would view it more as a multiyear process. The team has done a great job coming out of COVID, firing up our innovation funnel again, and so we're doing some cool things there. And you know this in the retail space, as we roll those programs out and build out the advertising, it will be a multiyear approach as we kind of navigate that.

Nate Baxter - Scotts Miracle-Gro Co - President and Chief Operating Officer

Yeah, I guess I'll just say that a different way. I think, again, we had a very cost-out focus call it, three, four years ago. We've shifted. It takes a little bit of time to get that spun back up, but I think MGO is a great story. We've got new innovation on what that means. Sorry, Miracle-Gro organics.

That organic line went from nothing to \$100 million in two years. So it's, from our perspective, been a success story. I would say we're biased towards more innovation coming out in '27. But here's a difference, Peter.

And you saw it with the mosquito product that was featured on the prepared remarks or the prepared video, we're going to -- as innovation becomes available, we're going to introduce it through digital channels. We're not going to wait for sort of traditional seasonal with the retailers.

And by the way, we're not leaving them out of this. We'll do it through their digital channels as well. So you're going to see us turn on to more of a 365. When we have something ready to go to the market, we're going to take it to market, and we'll do it in a way where we're targeting consumers.

And I think it takes a little bit of -- when you think about weather in the spring and you think about people going to a garden center or a retailer on a nice sunny day, I think what some of our retailers are seeing is people on e-comm, they'll order it on a rainy day, and they'll wait until the next nice day to apply.

So I do think we've got sort of cultural shifts that will favor us as we work with our retail partners to sort of figure out how to address consumers wherever they are, as Jim said.

James Hagedorn - *Scotts Miracle-Gro Co - Chairman of the Board, President, Chief Executive Officer*

Look, and I think one of the things that we have talked about is Bonnie has done really well this year. So I think continued progress there. And of also helping out. So not being a drag.

Peter Grom - *UBS - Analyst*

Yeah, that makes sense, Jim. I guess one last question for me, and then I'll pass it on. Just Jim, taking all the comments you made are just around the top line, the category and the retail activation, the innovation. Clearly, just a lot of momentum, a lot of enthusiasm.

And I know your comment in the prepared remarks around the long-term algorithm for certain components in the multiyear target. But as you look out to next year, is there any sort of reason why the US consumer business wouldn't see that 3% level of growth that you kind of outlined it previously? Thanks.

James Hagedorn - *Scotts Miracle-Gro Co - Chairman of the Board, President, Chief Executive Officer*

The answer is no. Here's our issue. I'm looking in this has been up probably six months on my big whiteboard in my office, which is kind of what I'm trying to get everybody head around is 2% unit volume, sort of 1% pricing.

I'm talking not next year, I'm talking kind of long-term, 1% cost out, and I think those are safe numbers. The issue is all the stuff we're doing, I would -- if I was any of the people running businesses, those are embarrassingly low numbers based on, I think, what we know we can do.

So I think the challenge is, if you look at just marketing money, that Nate wants, that was probably [\$150 million] this year or something like that, but a big increase from last year. I think what Nate's going to show up tomorrow and Friday is say I want \$300 million.

And so the question is, and I know this is a lot of pressure on Mark is he wants to be safe, okay? And I totally get it. So -- but it is the kind of square corner we're going to run into where we don't want to tell you guys numbers that we can't make.

I think that's a bad day. But we think we can do more, but they want a lot more investment in the business. And I think the brand teams, I think, need that money. They want that money. They can put that money to use.

And that's a little bit the sort of challenge in the budgeting for multiyear budgeting that we're kind of running into is if we use a low enough number, it's not going to justify the investment that Nate is going to want to make in this business.

And it's not just in sort of marketing. I think it's innovation. There's a lot of places where Baxter wants to put money. And I know Mark and I want to give it to him, we're providing that guardrail that you guys were talking about as far as limiting top line growth to a number that we believe is achievable and all day long. And that's the difference.

I think that the natural growth rate of this business should be higher than sort of 2% unit volume growth. And we've seen that. So I guess we just have to figure out how to budget through it because I think what's important is for Nate to make numbers that are higher, he needs the investment that's higher. We want to give it to them. But Mark and I are trying to be safe on sort of --

Nate Baxter - *Scotts Miracle-Gro Co - President and Chief Operating Officer*

And let me tell you guys, I think this year stands as a proof point. We made significant incremental investments in the brands in the business, and we're on track to deliver for guidance.

Mark Scheiwer - *Scotts Miracle-Gro Co - Executive Vice President, Chief Financial Officer and Chief Accounting Officer*

And Peter, again, Mark Scheiwer. So as our margins continue to improve and what you saw this year, we'll continue to invest in the business from that standpoint. And those would be sales volume driving activities, whether it be incremental advertising or investments from an IT perspective, e-comm, things like that.

So it kind of becomes circular, but we're making great progress on the gross margin activities. And I think those will help fuel growth, and we'll give you a sales guidance in Q4.

Nate Baxter - *Scotts Miracle-Gro Co - President and Chief Operating Officer*

Yeah. And we'll do it in a measured and responsible way.

James Hagedorn - *Scotts Miracle-Gro Co - Chairman of the Board, President, Chief Executive Officer*

(multiple speakers) I personally very much believe in where Nate and his crew are going. I want to invest hard behind it. And I also understand the need to sort of safety in our outlook with The Street that overpromising and underdelivering where we still produce a great number of people say, well, it's less than you said.

And we do have to figure it out. We were going through just head count here because we're getting ready for a Board meeting. We're talking about this issue of transformation or call it this company from a headcount point of view, is a lot lower. I don't know what our cuts have been. I think we said just \$400 million in cuts, \$100 million investment. That's what we said kind of last year. I think Nate's pulled out probably another \$100 million, if not more. And --

Nate Baxter - *Scotts Miracle-Gro Co - President and Chief Operating Officer*

But I would distinguish just one important point, which is Springboard were cuts. But what we've done, call it, over the last 12 to 18 months has been just strategic transformation, just eliminating workflows that need to be eliminated, automating things.

It's yes, there's a net result in terms of costs. But from my perspective, the long-term health of the business, it's about efficiency and it's about doing more with less and leveraging the technology around us. I mean that's the real story there.

Operator

Andres Padia, Jefferies. Andres, your line might be on mute.

James Hagedorn - *Scotts Miracle-Gro Co - Chairman of the Board, President, Chief Executive Officer*

Well, that's easy then.

Operator

Alright. And that actually concludes our question-and-answer session for today. Thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone, have a great day.

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