UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 30, 2019

OR

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

For the transition period from to

Commission File Number: 001-11593

The Scotts Miracle-Gro Company

(Exact name of registrant as specified in its charter)

OHIO	**31-1414921**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
14111 SCOTTSLAWN ROAD, MARYSVILLE, OHIO	**43041**
(Address of principal executive offices)	**(Zip Code)**

(937) 644-0011
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
Emerging growth company	o		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, $0.01 stated value	SMG	NYSE

As of May 3, 2019, there were 55,471,465 Common Shares outstanding.

THE SCOTTS MIRACLE-GRO COMPANY
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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidated Statements of Operations
(In millions, except per share data)
(Unaudited)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
Net sales	$ 1,189.9	$ 1,013.3	$ 1,488.0	$ 1,234.9
Cost of sales	716.8	604.1	977.8	791.7
Cost of sales—impairment, restructuring and other	1.0	—	3.5	—
Gross profit	472.1	409.2	506.7	443.2
Operating expenses:				
Selling, general and administrative	179.7	166.0	296.0	274.2
Impairment, restructuring and other	0.2	10.2	3.7	10.0
Other (income) expense, net	2.0	0.7	1.6	(1.4)
Income from operations	290.2	232.3	205.4	160.4
Equity in income of unconsolidated affiliates	(2.0)	(1.5)	(3.3)	(2.1)
Interest expense	28.9	22.6	54.1	40.4
Other non-operating (income) expense, net	(260.1)	9.2	(262.9)	6.7
Income from continuing operations before income taxes	523.4	202.0	417.5	115.4
Income tax expense (benefit) from continuing operations	126.5	49.3	103.2	(17.3)
Income from continuing operations	396.9	152.7	314.3	132.7
Income (loss) from discontinued operations, net of tax	(0.5)	(3.7)	2.5	(4.9)
Net income	$ 396.4	$ 149.0	$ 316.8	$ 127.8
Net (income) loss attributable to noncontrolling interest	0.1	(0.1)	0.1	(0.1)
Net income attributable to controlling interest	$ 396.5	$ 148.9	$ 316.9	$ 127.7
Basic income (loss) per common share:				
Income from continuing operations	$ 7.17	$ 2.70	$ 5.68	$ 2.33
Income (loss) from discontinued operations	(0.01)	(0.06)	0.04	(0.09)
Basic income per common share	$ 7.16	$ 2.64	$ 5.72	$ 2.24
Weighted-average common shares outstanding during the period	55.4	56.5	55.4	57.0
Diluted income (loss) per common share:				
Income from continuing operations	$ 7.10	$ 2.66	$ 5.62	$ 2.29
Income (loss) from discontinued operations	(0.01)	(0.07)	0.05	(0.09)
Diluted income per common share	$ 7.09	$ 2.59	$ 5.67	$ 2.20
Weighted-average common shares outstanding during the period plus dilutive potential common shares	55.9	57.4	55.9	58.0

See Notes to Condensed Consolidated Financial Statements.

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In millions)
(Unaudited)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
Net income	$ 396.4	$ 149.0	$ 316.8	$ 127.8
Other comprehensive income (loss):				
Net foreign currency translation adjustment, including reclassifications to net income of $2.5, $11.7, $2.5 and $11.7, respectively	0.7	15.8	(4.6)	15.7
Net unrealized gain (loss) on derivative instruments, net of tax of $(0.8), $0.8, $(3.6) and $1.1, respectively	(2.4)	2.0	(10.3)	2.8
Reclassification of net unrealized gains on derivative instruments to net income, net of tax of $(0.7), $(0.4), $(0.7) and $(0.5), respectively	(1.9)	(1.1)	(2.0)	(1.2)
Reclassification of net pension and other post-retirement benefit (gains) losses to net income, net of tax of $(0.1), $0.1, $0.2 and $0.2, respectively	(0.3)	0.3	0.6	0.6
Total other comprehensive income (loss)	(3.9)	17.0	(16.3)	17.9
Comprehensive income	392.5	166.0	300.5	145.7
Comprehensive (income) loss attributable to noncontrolling interest	0.1	(0.1)	0.1	(0.1)
Comprehensive income attributable to controlling interest	$ 392.6	$ 165.9	$ 300.6	$ 145.6

See Notes to Condensed Consolidated Financial Statements.

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018
OPERATING ACTIVITIES		
Net income	$ 316.8	$ 127.8
Adjustments to reconcile net income to net cash used in operating activities:		
Impairment, restructuring and other	0.5	—
Share-based compensation expense	17.0	15.7
Depreciation	27.9	25.5
Amortization	16.8	14.1
Deferred taxes	(37.5)	(45.9)
(Gain) loss on long-lived assets	0.9	(0.2)
(Gain) loss on sale of business / unconsolidated affiliate	(259.8)	3.5
Recognition of accumulated foreign currency translation loss	2.5	11.7
Equity in (income) loss and distributions from unconsolidated affiliates	1.6	(2.1)
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	(723.9)	(643.0)
Inventories	(196.5)	(184.1)
Prepaid and other assets	(42.9)	(9.1)
Accounts payable	154.5	113.9
Other current liabilities	238.2	97.3
Restructuring and other	(55.9)	5.2
Other non-current items	(7.0)	(12.9)
Other, net	0.7	(0.2)
Net cash used in operating activities	(546.1)	(482.8)
INVESTING ACTIVITIES		
Proceeds from sale of long-lived assets	0.1	0.2
Post-closing working capital payment related to sale of International Business	—	(35.3)
Investments in property, plant and equipment	(20.9)	(33.1)
Proceeds from (investments in) loans receivable	18.4	(7.7)
Proceeds from sale of investment in unconsolidated affiliates	237.7	—
Investments in acquired businesses, net of cash acquired	(6.6)	(72.0)
Other investing, net	1.0	—
Net cash provided by (used in) investing activities	229.7	(147.9)
FINANCING ACTIVITIES		
Borrowings under revolving and bank lines of credit and term loans	777.9	1,172.6
Repayments under revolving and bank lines of credit and term loans	(394.2)	(243.4)
Dividends paid	(61.6)	(60.3)
Purchase of Common Shares	(3.0)	(256.8)
Payments on seller notes	(0.8)	(3.0)
Cash received from exercise of stock options	2.3	3.8
Acquisition of noncontrolling interests	—	(72.2)
Net cash provided by financing activities	320.6	540.7
Effect of exchange rate changes on cash	(0.6)	2.5
Net increase (decrease) in cash and cash equivalents	3.6	(87.5)
Cash and cash equivalents at beginning of period	33.9	120.5
Cash and cash equivalents at end of period	$ 37.5	$ 33.0

See Notes to Condensed Consolidated Financial Statements.

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidated Balance Sheets
(In millions, except stated value per share)
(Unaudited)

	MARCH 30, 2019	MARCH 31, 2018	SEPTEMBER 30, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	$ 37.5	$ 33.0	$ 33.9
Accounts receivable, less allowances of $8.8, $6.9 and $3.6, respectively	699.6	598.0	226.0
Accounts receivable pledged	333.3	333.3	84.5
Inventories	675.3	596.9	481.4
Prepaid and other current assets	93.7	78.1	59.9
Total current assets	1,839.4	1,639.3	885.7
Investment in unconsolidated affiliates	34.5	33.2	36.1
Property, plant and equipment, net of accumulated depreciation of $636.4, $614.2 and $610.5, respectively	513.9	463.6	530.8
Goodwill	539.6	466.8	543.0
Intangible assets, net	837.9	777.6	857.3
Other assets	191.2	195.0	201.6
Total assets	$ 3,956.5	$ 3,575.5	$ 3,054.5
LIABILITIES AND EQUITY			
Current liabilities:			
Current portion of debt	$ 357.7	$ 335.8	$ 132.6
Accounts payable	298.7	253.5	150.5
Other current liabilities	503.5	316.8	329.6
Total current liabilities	1,159.9	906.1	612.7
Long-term debt	2,039.1	1,937.7	1,883.8
Distributions in excess of investment in unconsolidated affiliate	—	21.9	21.9
Other liabilities	135.4	213.9	176.5
Total liabilities	3,334.4	3,079.6	2,694.9
Commitments and contingencies (Note 12)			
Equity:			
Common shares and capital in excess of $.01 stated value per share; shares outstanding of 55.4, 55.6 and 55.3, respectively	426.2	409.0	420.3
Retained earnings	1,199.2	1,044.5	919.9
Treasury shares, at cost; 12.7, 12.5 and 12.8 shares, respectively	(929.0)	(911.4)	(939.6)
Accumulated other comprehensive loss	(79.2)	(51.3)	(46.0)
Total equity—controlling interest	617.2	490.8	354.6
Noncontrolling interest	4.9	5.1	5.0
Total equity	622.1	495.9	359.6
Total liabilities and equity	$ 3,956.5	$ 3,575.5	$ 3,054.5

See Notes to Condensed Consolidated Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Scotts Miracle-Gro Company ("Scotts Miracle-Gro" or "Parent") and its subsidiaries (collectively, together with Scotts Miracle-Gro, the "Company") are engaged in the manufacturing, marketing and sale of products for lawn and garden care and indoor, urban and hydroponic gardening. The Company's products are sold in North America, Europe and Asia.

Due to the seasonal nature of the consumer lawn and garden business, the majority of the Company's sales to customers occur in the Company's second and third fiscal quarters. On a combined basis, net sales for the second and third quarters of the last three fiscal years represented in excess of 75% of the Company's annual net sales.

Organization and Basis of Presentation

The Company's unaudited condensed consolidated financial statements for the three and six months ended March 30, 2019 and March 31, 2018 are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The condensed consolidated financial statements include the accounts of Scotts Miracle-Gro and its subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation. The Company's consolidation criteria are based on majority ownership (as evidenced by a majority voting interest in the entity) and an objective evaluation and determination of effective management control. AeroGrow International, Inc. ("AeroGrow"), in which the Company has a controlling interest, is consolidated, with the equity owned by other shareholders shown as noncontrolling interest in the Condensed Consolidated Balance Sheets, and the other shareholders' portion of net earnings and other comprehensive income shown as net (income) loss or comprehensive (income) loss attributable to noncontrolling interest in the Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Comprehensive Income (Loss), respectively. The results of businesses acquired or disposed of are included in the condensed consolidated financial statements from the date of each acquisition or up to the date of disposal, respectively. In the opinion of management, interim results reflect all normal and recurring adjustments and are not necessarily indicative of results for a full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted or condensed pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, this Quarterly Report on Form 10-Q should be read in conjunction with Scotts Miracle-Gro's Annual Report on Form 10-K for the fiscal year ended September 30, 2018 (the "2018 Annual Report"), which includes a complete set of footnote disclosures, including the Company's significant accounting policies.

The Company's Condensed Consolidated Balance Sheet at September 30, 2018 has been derived from the Company's audited Consolidated Balance Sheet at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

Long-Lived Assets

The Company had non-cash investing activities of $3.6 million and $3.3 million during the six months ended March 30, 2019 and March 31, 2018, respectively, representing unpaid liabilities incurred during each period to acquire property, plant and equipment.

Statements of Cash Flows

Supplemental cash flow information was as follows:

	SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018
	(In millions)	
Interest paid	$ (49.8)	$ (35.7)
Income taxes paid	(7.5)	(14.5)

During the six months ended March 30, 2019, the Company paid a post-closing net working capital adjustment obligation of $6.6 million related to the acquisition of Sunlight Supply (as defined in "NOTE 4. ACQUISITIONS AND INVESTMENTS") during the fiscal year ended September 30, 2018 ("fiscal 2018"), which was classified as an investing activity in the "Investments in acquired businesses, net of cash acquired" line in the Condensed Consolidated Statements of Cash Flows. During the six months ended March 31, 2018, the Company paid contingent consideration of $3.0 million related to the acquisition of Gavita Holdings B.V., and its subsidiaries (collectively, "Gavita") during the fiscal year ended September 30, 2016 ("fiscal 2016"), which was classified as a financing activity in the "Payments on seller notes" line in the Condensed Consolidated Statements of Cash Flows.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Revenue Recognition from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued amended accounting guidance that replaces most existing revenue recognition guidance under GAAP. This guidance requires companies to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The standard involves a five-step process that includes identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognizing revenue when the entity satisfies the performance obligations. The new standard also results in enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Subsequently, additional guidance was issued on several areas including guidance intended to improve the operability and understandability of the implementation of principal versus agent considerations and clarifications on the identification of performance obligations and implementation of guidance related to licensing.

The Company adopted this guidance effective October 1, 2018 under the modified retrospective approach. The Company's revenue primarily consists of product sales, which are recognized at a point in time when title transfers to customers and the Company has no further obligation to provide services related to such products. The Company's timing of recognition of revenue is substantially unchanged under the amended guidance. The new accounting guidance required the Company to recognize earlier certain deferred revenue associated with a license agreement related to the sale of the International Business (as defined in "NOTE 3. DISCONTINUED OPERATIONS"), resulting in a cumulative adjustment to its opening balance for the fiscal year ended September 30, 2019 ("fiscal 2019") of retained earnings of $9.1 million, other current liabilities of $1.4 million and other liabilities of $7.7 million. With the exception of this item, the adoption of the amended accounting guidance did not have a material impact on the Company's condensed consolidated financial statements. The additional disclosures required are presented within "NOTE 2. REVENUE RECOGNITION" and "NOTE 15. SEGMENT INFORMATION."

Cash Flow Presentation

In August 2016, the FASB issued an accounting standard update that amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows. The Company adopted this guidance on a retrospective basis effective October 1, 2018. The adoption of this guidance did not have a significant impact on the Company's consolidated cash flows.

Business Combinations

In January 2017, the FASB issued an accounting standard update that clarifies the definition of a business to provide additional guidance to assist in evaluating whether transactions should be accounted for as an acquisition (or disposal) of either an asset or business. The Company adopted this guidance on a prospective basis effective October 1, 2018. The adoption of this guidance did not have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

Employee Benefit Plans

In March 2017, the FASB issued an accounting standard update that requires entities to (1) disaggregate the current-service-cost component from the other components of net benefit cost (the "other components") and present the current-service-cost with other current compensation costs for related employees in the income statement, (2) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented and (3) limit the amount of costs eligible for capitalization (e.g., as part of inventory or property, plant, and equipment) to only the service-cost component of net benefit cost. The provisions are required to be applied retrospectively for the presentation of cost components in the income statement and prospectively for the capitalization of cost components. The Company adopted this guidance effective October 1, 2018 and has classified non-service-cost components of net benefit cost/income in the "Other non-operating income, net" line in the Condensed Consolidated Statements of Operations. The adoption of this guidance did not have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

Income Taxes

On December 22, 2017, H.R.1 (the “Act,” formerly known as the “Tax Cuts and Jobs Act”) was signed into law. The Act provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended (the “Code”). Among other items, the Act implemented a territorial tax system, imposed a one-time transition tax on deemed repatriated earnings of foreign subsidiaries, and reduced the federal corporate statutory tax rate to 21% effective January 1, 2018.

Additionally, the Securities and Exchange Commission (the “SEC”) released Staff Accounting Bulletin No. 118 (“SAB 118”) which provides guidance on accounting for the Act’s impact under Accounting Standards Codification (“ASC”) Topic 740, Income Taxes (“ASC 740”). The guidance in SAB 118 allowed companies to use provisional estimates to record the effects of the Act and also provided a measurement period (not to exceed one year from the date of enactment) to complete the accounting for the impacts of the Act. The Company completed its accounting for the impacts of the Act during the first quarter of fiscal 2019.

For discussion of the impacts of the Act that are material to the Company and required disclosures related to the Act pursuant to the guidance provided under SAB 118, refer to “NOTE 11. INCOME TAXES.”

Reporting Comprehensive Income

In February 2018, the FASB issued an accounting standard update that allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Act. The Company elected to adopt this guidance effective October 1, 2018, resulting in a reclassification of $16.9 million from accumulated other comprehensive income (loss) (“AOCI”) to retained earnings upon adoption.

Share-Based Compensation

In June 2018, the FASB issued an accounting standard update that simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the amended accounting guidance, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The Company elected to adopt this guidance effective October 1, 2018. The adoption of this guidance did not have a significant impact on the Company’s consolidated financial position, results of operations or cash flows.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Leases

In February 2016, the FASB issued its final standard on lease accounting. This guidance requires lessees to recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The provisions are effective for the Company’s financial statements no later than the fiscal year beginning October 1, 2019 and require a modified retrospective transition approach for leases that exist as of or are entered into after the beginning of either (i) the date of adoption or (ii) the earliest comparative period presented in the financial statements. The Company is currently evaluating available transition methods and the impact of this standard on its consolidated results of operations, financial position and cash flows. The Company has made progress on its evaluation of the amended guidance, including identification of the population of leases affected, determining the information required to calculate the lease liability and right-of-use asset and evaluating models to assist in future reporting.

Credit Losses

In June 2016, the FASB issued an accounting standard update related to the measurement of credit losses on financial instruments. The amended accounting guidance changes the impairment model for most financial assets to require measurement and recognition of expected credit losses for financial assets held. The provisions are effective for the Company’s financial statements no later than the fiscal year beginning October 1, 2020. The Company is continuing to assess the impact of the amended guidance.

Cloud Computing Costs

In August 2018, the FASB issued an accounting standard update that aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The provisions are effective for the Company’s financial statements no later than the fiscal year beginning October 1, 2020. The Company is continuing to assess the impact of the amended guidance.

Employee Benefit Plans

In August 2018, the FASB issued an accounting standard update that removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and requires certain additional disclosures. The provisions are effective for

the Company's financial statements no later than the fiscal year beginning October 1, 2020. The Company is continuing to assess the impact of the amended guidance.

NOTE 2. REVENUE RECOGNITION

Nature of Goods and Services

The Company's revenue is primarily generated from sales of branded and private label lawn and garden care and indoor and hydroponic gardening finished products to home centers, mass merchandisers, warehouse clubs, large hardware chains, independent hardware stores, nurseries, garden centers, e-commerce platforms, food and drug stores, indoor gardening and hydroponic product distributors, retailers and growers. In addition to product sales, the Company acts as the exclusive agent of Monsanto Company ("Monsanto") for the marketing and distribution of Monsanto's consumer Roundup® non-selective weedkiller products in the United States and certain other specified countries, and performs certain other services under ancillary agreements with Monsanto. The Company also provides marketing, research and development and certain ancillary services to Bonnie Plants, Inc. ("Bonnie"). Refer to "NOTE 15. SEGMENT INFORMATION" for disaggregated revenue information and "NOTE 8. MARKETING AGREEMENT" for revenue information related to the Monsanto agreements.

Identification and Satisfaction of Performance Obligations

Product sales are recognized at a point in time when control of products transfers to customers and the Company has no further obligation to provide services related to such products. Control is the ability of customers to direct the "use of" and "obtain" the benefit from the Company's products. In evaluating the timing of the transfer of control of products to customers, the Company considers several control indicators, including significant risks and rewards of products, the Company's right to payment and the legal title of the products. Based on the assessment of control indicators, sales are typically recognized when products are delivered to or picked up by the customer. The Company is generally the principal in a transaction, therefore revenue is primarily recorded on a gross basis. When the Company is a principal in a transaction, it has determined that it controls the ability to direct the use of the product prior to transfer to a customer, is primarily responsible for fulfilling the promise to provide the product or service to the customer, has discretion in establishing prices, and ultimately controls the transfer of the product or services provided to the customer.

Under the terms of the Second Amended and Restated Exclusive Agency and Marketing Agreement (the "Restated Marketing Agreement"), pursuant to which the Company serves as the exclusive sales and marketing agent of Monsanto with respect to Monsanto's consumer Roundup® non-selective weedkiller products in the United States and certain other specified countries, the Company is entitled to receive an annual commission from Monsanto as consideration for the performance of the Company's duties as agent. The annual commission payable under the Restated Marketing Agreement is equal to (1) 50% of the actual earnings before interest and income taxes of Monsanto's consumer Roundup® business in the markets covered by the Restated Marketing Agreement for program years 2017 and 2018 and (2) 50% of the actual earnings before interest and income taxes of Monsanto's consumer Roundup® business in the markets covered by the Restated Marketing Agreement in excess of $40.0 million for program years 2019 and thereafter. The Restated Marketing Agreement also requires the Company to make annual payments of $18.0 million to Monsanto as a contribution against the overall expenses of its consumer Roundup® business. The gross commission earned under the Restated Marketing Agreement and the contribution payments to Monsanto are included in the "Net sales" line in the Condensed Consolidated Statements of Operations. The Company performs other services, including conversion services, pursuant to ancillary agreements with Monsanto. The actual costs incurred for these activities are charged to and reimbursed by Monsanto. The Company records costs incurred for which the Company is the primary obligor on a gross basis, recognizing such costs in the "Cost of sales" line and the reimbursement of these costs in the "Net sales" line in the Condensed Consolidated Statements of Operations, with no effect on gross profit dollars or net income.

Under the terms of the Marketing, R&D and Ancillary Services Agreement (the "Services Agreement") with Bonnie and its sole shareholder, Alabama Farmers Cooperative, Inc. ("AFC"), the Company provides marketing, research and development and certain ancillary services to Bonnie. In exchange for these services, Bonnie reimburses the Company for certain costs and provides a commission fee earned based on a percentage of the growth in earnings before interest, income taxes and amortization of Bonnie's business of planting, growing, developing, manufacturing, distributing, marketing, and selling live plants, plant food, fertilizer and potting soil (the "Bonnie Business"). The commission earned under the Services Agreement is included in the "Net sales" line in the Condensed Consolidated Statements of Operations. Additionally, the Company records costs incurred under the Services Agreement for which the Company is the primary obligor on a gross basis, recognizing such costs in the "Cost of sales" line and the reimbursement of these costs in the "Net sales" line in the Condensed Consolidated Statements of Operations, with no effect on gross profit dollars or net income.

Transactional Price and Promotional Allowances

Revenue for product sales is recorded net of sales returns and allowances. Revenues are measured based on the amount of consideration that the Company expects to receive as derived from a list price, reduced by estimates for variable consideration. Variable consideration includes the cost of current and continuing promotional programs and expected sales returns. Commission income related to the Monsanto and Bonnie agreements is recognized over the program year as the services are being performed based upon the commission income formula in the agreements.

The Company's promotional programs primarily include rebates based on sales volumes, in-store promotional allowances, cooperative advertising programs, direct consumer rebate programs and special purchasing incentives. The cost of promotional programs is estimated considering all reasonably available information, including current expectations and historical experience. Promotion costs (including allowances and rebates) incurred during the year are expensed to interim periods in relation to revenues and are recorded as a reduction of net sales. Accruals for expected payouts under these programs are included in the "Other current liabilities" line in the Condensed Consolidated Balance Sheets. Provisions for estimated returns and allowances are recorded at the time revenue is recognized based on historical rates and are periodically adjusted for known changes in return levels. Shipping and handling costs are accounted for as contract fulfillment costs and included in the "Cost of sales" line in the Condensed Consolidated Statements of Operations. The Company excludes from revenue any amounts collected from customers for sales or other taxes.

NOTE 3. DISCONTINUED OPERATIONS

International Business

Prior to August 31, 2017, the Company operated consumer lawn and garden businesses located in Australia, Austria, Belgium, Luxembourg, Czech Republic, France, Germany, Poland and the United Kingdom (the "International Business"). On April 29, 2017, the Company received a binding and irrevocable conditional offer (the "Offer") from Exponent Private Equity LLP ("Exponent") to purchase the International Business. On July 5, 2017, the Company accepted the Offer and the Company completed the sale on August 31, 2017. As a result, effective in its fourth quarter of fiscal 2017, the Company classified its results of operations for all periods presented to reflect the International Business as a discontinued operation and classified the assets and liabilities of the International Business as held for sale. During the three months ended March 31, 2018, the Company recorded a reduction to the gain on the sale of the International Business of $3.7 million related to the resolution of the post-closing working capital adjustment obligation.

During the three and six months ended March 31, 2018, the Company recognized $0.2 million and $1.6 million, respectively, in transaction related costs associated with the sale of the International Business.

Wild Bird Food

During fiscal 2014, the Company completed the sale of its U.S. and Canadian wild bird food business. As a result, effective in fiscal 2014, the Company classified its results of operations for all periods presented to reflect the wild bird food business as a discontinued operation. At March 30, 2019, March 31, 2018 and September 30, 2018, $42.5 million, zero and $85.0 million, respectively, was accrued for a probable loss related to the previously disclosed legal matter *In re Morning Song Bird Food Litigation* in the "Other current liabilities" line in the Condensed Consolidated Balance Sheets. This matter relates to a pending class-action lawsuit filed in 2012 in connection with the sale of wild bird food products that were the subject of a voluntary recall in 2008 by the Company's previously sold wild bird food business. During the three and six months ended March 30, 2019, the Company received insurance reimbursement payments related to this matter of $8.4 million and $13.4 million, respectively. The Company recognized insurance recoveries of $5.0 million related to this matter in the "Income (loss) from discontinued operations, net of tax" line in the Condensed Consolidated Statements of Operations during the first quarter of fiscal 2019, and the remaining $8.4 million of reimbursements have been recognized as an accrued liability in the Condensed Consolidated Balance Sheets as of March 30, 2019 pending the finalization of the settlement. Refer to "NOTE 12. CONTINGENCIES" for more information.

The following table summarizes the results of discontinued operations described above and reflected within discontinued operations in the Company's condensed consolidated financial statements for each of the periods presented:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
	(In millions)			
Operating and exit costs	$ 0.1	$ 1.6	$ 0.1	$ 1.6
Impairment, restructuring and other charges (recoveries), net	—	0.2	(4.9)	1.6
Loss on sale / contribution of business	—	3.7	—	3.5
Income (loss) from discontinued operations before income taxes	(0.1)	(5.5)	4.8	(6.7)
Income tax expense (benefit) from discontinued operations	0.4	(1.8)	2.3	(1.8)
Income (loss) from discontinued operations, net of tax	$ (0.5)	$ (3.7)	$ 2.5	$ (4.9)

The Condensed Consolidated Statements of Cash Flows do not present the cash flows from discontinued operations separately from cash flows from continuing operations. Cash used in operating activities related to discontinued operations totaled $34.7 million and zero for the six months ended March 30, 2019 and March 31, 2018, respectively. Cash used in investing activities related to discontinued operations was zero and $35.3 million for the six months ended March 30, 2019 and March 31, 2018, respectively.

NOTE 4. ACQUISITIONS AND INVESTMENTS

FISCAL 2018

Sunlight Supply

On June 4, 2018, the Company's Hawthorne segment acquired substantially all of the assets and certain liabilities of Sunlight Supply, Inc., Sunlight Garden Supply, Inc., Sunlight Garden Supply, ULC, and IP Holdings, LLC, and all of the issued and outstanding equity interests of Columbia River Industrial Holdings, LLC (collectively "Sunlight Supply"). Sunlight Supply, based in Vancouver, Washington, is a leading developer, manufacturer, marketer and distributer of horticultural, organics, lighting, and hydroponics products. Prior to the transaction, Sunlight Supply served as a non-exclusive distributor of the Company. The estimated purchase price of Sunlight Supply was $458.6 million, a portion of which was paid by the issuance of 0.3 million common shares of Scotts Miracle-Gro ("Common Shares"), a non-cash investing and financing activity, with a fair value of $23.4 million based on the average share price at the time of payment. The purchase price included contingent consideration, a non-cash investing activity, with an initial fair value of $3.1 million and a maximum payout of $20.0 million, which will be paid by the Company contingent on the achievement of certain performance metrics of the Company through the one-year anniversary of the closing date. The purchase price was also subject to a post-closing net working capital adjustment which was paid during the first quarter of fiscal 2019.

The preliminary valuation of the acquired assets included (i) $5.8 million of cash, prepaid and other current assets, (ii) $19.3 million of accounts receivable, (iii) $84.3 million of inventory, (iv) $64.4 million of fixed assets, (v) $11.7 million of accounts payable and other current liabilities, (vi) $151.1 million of finite-lived identifiable intangible assets, and (vii) $145.4 million of tax-deductible goodwill. Identifiable intangible assets included tradenames of $65.1 million, customer relationships of $84.1 million and non-competes of $1.9 million with useful lives ranging between 5 and 25 years. The estimated fair values of the identifiable intangible assets were determined using an income-based approach, which includes market participant expectations of cash flows that an asset will generate over the remaining useful life discounted to present value using an appropriate discount rate. Certain estimated values for the acquisition, including goodwill, intangible assets, and property, plant and equipment, are not yet finalized and are subject to revision as additional information becomes available and more detailed analysis is completed. The contingent consideration related to the Sunlight Supply acquisition is required to be accounted for as a derivative instrument and is recorded at fair value in the "Other current liabilities" line in the Condensed Consolidated Balance Sheets, with changes in fair value recognized in the "Impairment, restructuring and other" line in the Condensed Consolidated Statements of Operations. The estimated fair value of the contingent consideration was $0.9 million as of March 30, 2019 and the fair value measurement was classified in Level 3 of the fair value hierarchy.

The acquisition of Sunlight Supply also resulted in the settlement of a portion of certain previously acquired customer relationships, which resulted in a non-cash impairment charge of $17.5 million recognized in the "Impairment, restructuring and other" line in the Condensed Consolidated Statements of Operations during the third quarter of fiscal 2018 to reduce the carrying value of these previously acquired customer relationship intangible assets to an estimated fair value of $30.9 million. The estimated fair value was determined using an income-based approach, which includes market participant expectations of cash flows that an

asset will generate over the remaining useful life discounted to present value using an appropriate discount rate, and has been included as part of goodwill. Additionally, the Company reduced the value of deferred tax liabilities associated with the write-off of these previously acquired customer relationship intangible assets by $7.3 million, which was recognized in the "Income tax expense (benefit) from continuing operations" line in the Condensed Consolidated Statements of Operations during the third quarter of fiscal 2018.

Net sales for Sunlight Supply included within the Hawthorne segment for the three and six months ended March 30, 2019 were $91.4 million and $163.0 million, respectively. The following unaudited pro forma information presents the combined results of operations as if the acquisition of Sunlight Supply had occurred at the beginning of fiscal 2017. Sunlight Supply's pre-acquisition results have been added to the Company's historical results. The pro forma results contained in the table below include adjustments for (i) the elimination of intercompany sales, (ii) amortization of acquired intangibles, (iii) increased depreciation expense as a result of acquisition date fair value adjustments, (iv) increased interest expense related to the financing of the acquisition, (v) adjustments to tax expense based on condensed consolidated pro forma results, and (vi) the impact of Common Shares issued as part of the purchase price in connection with the acquisition. The pro forma information does not reflect the realization of any potential cost savings or other synergies from the acquisition as a result of restructuring activities and other cost savings initiatives. These pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results of operations as they would have been had the acquisitions occurred on the assumed dates, nor are they necessarily an indication of future operating results.

UNAUDITED TOTAL COMPANY CONSOLIDATED PRO FORMA RESULTS	THREE MONTHS ENDED MARCH 31, 2018	SIX MONTHS ENDED MARCH 31, 2018
	(In millions, except per share data)	
Pro forma net sales	$ 1,095.9	$ 1,397.1
Pro forma net income attributable to controlling interest	150.5	129.7
Pro forma diluted net income per common share	2.61	2.23

Gavita

On May 26, 2016, the Company's Hawthorne segment acquired majority control and a 75% economic interest in Gavita. Gavita's former ownership group initially retained a 25% noncontrolling interest in Gavita consisting of ownership of 5% of the outstanding shares of Gavita and a loan with interest payable based on distributions by Gavita. The loan was recorded at fair value in the "Long-term debt" line in the Condensed Consolidated Balance Sheets. On October 2, 2017, the Company's Hawthorne segment acquired the remaining 25% noncontrolling interest in Gavita, including Agrolux Holding B.V. (now known as Hawthorne Lighting B.V.), and its subsidiaries (collectively, "Agrolux"), for $69.2 million, plus payment of contingent consideration of $3.0 million. The carrying value of the 25% noncontrolling interest consisted of long-term debt of $55.6 million and noncontrolling interest of $7.9 million. The difference between purchase price and carrying value of $5.7 million was recognized in the "Common shares and capital in excess of $0.01 stated value per share" line within "Total equity—controlling interest" in the Condensed Consolidated Balance Sheets. The Company has revised its historical presentation of the payment related to the acquisition of the remaining noncontrolling interest for the six months ended March 31, 2018. This payment was incorrectly classified as an investing activity in the "Investments in acquired businesses, net of cash acquired" line in the Condensed Consolidated Statements of Cash Flows, and was revised to be classified as a financing activity in the "Acquisition of noncontrolling interests" line in the Condensed Consolidated Statements of Cash Flows in accordance with GAAP. The Company previously revised this classification in its fiscal 2018 Form 10–K.

Can-Filters

On October 11, 2017, the Company's Hawthorne segment completed the acquisition of substantially all of the U.S. and Canadian assets of Can-Filters Group Inc. ("Can-Filters") for $74.1 million. Based in British Columbia, Can-Filters is a leading wholesaler of ventilation products for indoor and hydroponic gardening and industrial markets worldwide. The valuation of the acquired assets included (i) $1.5 million of cash, prepaid and other current assets, (ii) $7.7 million of inventory and accounts receivable, (iii) $4.4 million of fixed assets, (iv) $0.7 million of accounts payable and other current liabilities, (v) $39.7 million of finite-lived identifiable intangible assets, and (vi) $21.5 million of tax-deductible goodwill. Identifiable intangible assets included tradenames and customer relationships with useful lives of 25 years. The estimated fair value of the identifiable intangible assets were determined using an income-based approach, which includes market participant expectations of cash flows that an asset will generate over the remaining useful life discounted to present value using an appropriate discount rate.

NOTE 5. INVESTMENT IN UNCONSOLIDATED AFFILIATES

On March 19, 2019, the Company entered into an agreement under which it sold, to TruGreen Companies L.L.C., a subsidiary of TruGreen Holding Corporation, all of its approximately 30% equity interest in Outdoor Home Services Holdings LLC, a lawn services joint venture between the Company and TruGreen Holding Corporation (the "TruGreen Joint Venture"). Prior to this transaction, the Company's net investment and advances with respect to the TruGreen Joint Venture had been reduced to a liability which resulted in an amount recorded in the "Distributions in excess of investment in unconsolidated affiliate" line in the Condensed Consolidated Balance Sheets. Under the terms of the agreement, the Company received cash proceeds of $234.2 million related to the sale of its equity interest in the TruGreen Joint Venture and $18.4 million related to the payoff of second lien term loan financing, which was previously recorded in the "Other assets" line in the Condensed Consolidated Balance Sheets. During the three and six months ended March 30, 2019, the Company also received a distribution from the TruGreen Joint Venture intended to cover certain required tax payments of $3.5 million, which was classified as an investing activity in the Condensed Consolidated Statements of Cash Flows. During the three and six months ended March 30, 2019, the Company recognized a pre-tax gain of $259.8 million related to this sale in the "Other non-operating (income) expense, net" line in the Condensed Consolidated Statements of Operations. The Company also reclassified $47.1 million from deferred tax liabilities, which were previously recorded in the "Other liabilities" line in the Condensed Consolidated Balance Sheets, to accrued taxes, which are recorded in the "Other current liabilities" line in the Condensed Consolidated Balance Sheets, related to the outside basis difference in the TruGreen Joint Venture as a result of the sale of the Company's equity interest.

As of March 30, 2019, the Company held a noncontrolling interest in an unconsolidated affiliate whose products support the professional U.S. industrial, turf and ornamental market (the "IT&O Joint Venture"). During the three and six months ended March 30, 2019, the Company received a distribution of net earnings from the IT&O Joint Venture of $4.9 million, which was classified as an operating activity in the Condensed Consolidated Statements of Cash Flows. On April 1, 2019, the Company sold all of its equity interest in the IT&O Joint Venture for cash proceeds of $36.6 million and a pre-tax gain of approximately $3.0 million will be recognized in the "Other non-operating (income) expense, net" line in the Condensed Consolidated Statements of Operations for the Company's third quarter of fiscal 2019. The Company provided the IT&O Joint Venture with line of credit financing, which was fully repaid as of March 30, 2019 and had a balance of $7.4 million at March 31, 2018 which was previously recorded in the "Other assets" line in the Condensed Consolidated Balance Sheets.

NOTE 6. IMPAIRMENT, RESTRUCTURING AND OTHER

Activity described herein is classified within the "Cost of sales—impairment, restructuring and other," "Impairment, restructuring and other" and "Income (loss) from discontinued operations, net of tax" lines in the Condensed Consolidated Statements of Operations.

The following table details impairment, restructuring and other charges (recoveries) for each of the periods presented:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
	(In millions)			
Cost of sales—impairment, restructuring and other:				
Restructuring and other charges	$ 1.0	$ —	$ 3.0	$ —
Property, plant and equipment impairments	—	—	0.5	—
Operating expenses:				
Restructuring and other charges, net	0.2	10.2	3.7	10.0
Impairment, restructuring and other charges from continuing operations	$ 1.2	$ 10.2	$ 7.2	$ 10.0
Restructuring and other charges (recoveries), net, from discontinued operations	—	0.2	(4.9)	1.6
Total impairment, restructuring and other charges	$ 1.2	$ 10.4	$ 2.3	$ 11.6

The following table summarizes the activity related to liabilities associated with restructuring and other, excluding insurance reimbursement recoveries, during the six months ended March 30, 2019 (in millions):

Amounts accrued for restructuring and other at September 30, 2018	$	112.2
Restructuring and other charges from continuing operations		6.7
Restructuring and other charges from discontinued operations		0.1
Payments and other		(62.7)
Amounts accrued for restructuring and other at March 30, 2019	$	56.3

Included in restructuring accruals, as of March 30, 2019, is $1.6 million that is classified as long-term. Payments against the long-term accruals will be incurred as the employees covered by the restructuring plan retire or through the passage of time. The remaining amounts accrued will continue to be paid out over the course of the next twelve months.

Project Catalyst

In connection with the acquisition of Sunlight Supply during the third quarter of fiscal 2018, the Company announced the launch of an initiative called Project Catalyst, which is a company-wide restructuring effort to reduce operating costs throughout the U.S. Consumer, Hawthorne and Other segments and drive synergies from recent acquisitions within the Hawthorne segment. During the three and six months ended March 30, 2019, the Company continued to execute on its planned facility closures and consolidations and terminated employees in duplicate roles which resulted in charges of $2.1 million and $7.6 million, respectively, related to Project Catalyst. The Company incurred charges of $0.1 million and $0.4 million in its U.S. Consumer segment, $0.6 million and $2.5 million in its Hawthorne segment and $0.3 million and $0.6 million in its Other segment in the “Cost of sales—impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations during the three and six months ended March 30, 2019, respectively, related to employee termination benefits, facility closure costs and impairment of property, plant and equipment. The Company incurred charges of $0.1 million and $0.5 million in its U.S. Consumer segment, $0.4 million and $2.1 million in its Hawthorne segment, $0.5 million and $0.6 million in its Other segment and $0.1 million and $0.9 million at Corporate in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations during the three and six months ended March 30, 2019, respectively, related to employee termination benefits and facility closure costs. Costs incurred to date since the inception of Project Catalyst are $22.4 million for the Hawthorne segment, $12.5 million for the U.S. Consumer segment, $1.2 million for the Other segment and $0.9 million for Corporate.

Project Focus

In the first quarter of fiscal 2016, the Company announced a series of initiatives called Project Focus designed to maximize the value of its non-core assets and focus on emerging categories of the lawn and garden industry in its core U.S. business. During the three and six months ended March 31, 2018, the U.S. Consumer segment recognized adjustments of $0.1 million and $0.3 million, respectively, related to previously recognized termination benefits associated with Project Focus in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations. Costs incurred to date since the inception of the current Project Focus initiatives are $10.0 million for the U.S. Consumer segment, $0.9 million for the Hawthorne segment and $1.2 million for the Other segment, related to transaction activity, termination benefits and facility closure costs.

On August 31, 2017, the Company completed the sale of the International Business. Refer to “NOTE 3. DISCONTINUED OPERATIONS” for more information. During the three and six months ended March 31, 2018, the Company recognized $0.2 million and $1.6 million, respectively, in transaction related costs associated with the sale of the International Business in the “Income (loss) from discontinued operations, net of tax” line in the Condensed Consolidated Statements of Operations.

Other

During the three and six months ended March 30, 2019, the Company received insurance reimbursement payments related to the previously disclosed legal matter *In re Morning Song Bird Food Litigation* of $8.4 million and $13.4 million, respectively. The Company recognized insurance recoveries of $5.0 million related to this matter in the “Income (loss) from discontinued operations, net of tax” line in the Condensed Consolidated Statements of Operations during the first quarter of fiscal 2019, and the remaining $8.4 million of reimbursements have been recognized as an accrued liability on the Condensed Consolidated Balance Sheets as of March 30, 2019 pending the finalization of the settlement. Refer to “NOTE 12. CONTINGENCIES” for more information.

During the three and six months ended March 30, 2019, the Company recognized favorable adjustments of $0.9 million and $0.4 million, respectively, related to the previously disclosed legal matter *In re Scotts EZ Seed Litigation* in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations. During the three and six months ended March 31, 2018, the Company recognized a charge of $10.2 million for a probable loss related to this matter in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations. Refer to “NOTE 12. CONTINGENCIES” for more information.

NOTE 7. INVENTORIES

Inventories consisted of the following for each of the periods presented:

	MARCH 30, 2019	MARCH 31, 2018	SEPTEMBER 30, 2018
	(In millions)		
Finished goods	$ 469.8	$ 395.8	$ 292.1
Work-in-process	63.6	61.2	60.1
Raw materials	141.9	139.9	129.2
Total inventories	$ 675.3	$ 596.9	$ 481.4

Adjustments to reflect inventories at net realizable values were $8.1 million at March 30, 2019, $11.9 million at March 31, 2018 and $8.1 million at September 30, 2018.

NOTE 8. MARKETING AGREEMENT

The Scotts Company LLC (“Scotts LLC”) is the exclusive agent of Monsanto for the marketing and distribution of Monsanto’s consumer Roundup® non-selective weedkiller products in the consumer lawn and garden market in the United States and certain other specified countries pursuant to the Restated Marketing Agreement. The Restated Marketing Agreement covers Israel, China and every country in North America and South America that is not subject to a comprehensive U.S. trade embargo or certain other embargoes and trade restrictions.

Unless Monsanto terminates the Restated Marketing Agreement due to an event of default by the Company, upon a termination of the Restated Marketing Agreement by Monsanto, in addition to other remedies that may be available to the Company, the Restated Marketing Agreement requires a termination fee payable to the Company equal to the greater of (1) $175.0 million or (2) four times (A) the average of the program earnings before interest and income taxes for the three trailing program years prior to the year of termination, minus (B) $186.4 million (the “Termination Fee”). The Company may terminate the Restated Marketing Agreement upon a material breach of the Restated Marketing Agreement by Monsanto or upon a material fraud or material willful misconduct committed by Monsanto, among other potential remedies, and in the event of such a termination by the Company, Monsanto is required to pay to the Company an amount equal to the Termination Fee. Upon a significant decline in either (i) Monsanto’s consumer Roundup® business of more than 25% compared to program year 2014; or (ii) the Roundup® brand, subject to certain terms and conditions, the Company may either terminate the Restated Marketing Agreement or continue the Restated Marketing Agreement and be entitled to receive an additional commission amount. The Restated Marketing Agreement also provides the Company with additional rights and remedies, including the right to terminate the Restated Marketing Agreement in certain circumstances and the right to indemnification for product liability claims relating to its marketing and distribution of Monsanto’s consumer Roundup® products in its capacity as Monsanto’s agent. The term of the Restated Marketing Agreement will continue indefinitely for all included markets unless and until otherwise terminated in accordance therewith. Subsequent to March 30, 2019, Monsanto agreed to reimburse the Company for $20.0 million of additional expenses incurred and to be incurred by the Company for certain activities connected to the Restated Marketing Agreement. The $20.0 million payment will be included in the “Net sales” line in the Condensed Consolidated Statements of Operations for the third quarter of fiscal 2019.

The elements of the net commission and reimbursements earned under the Restated Marketing Agreement and included in “Net sales” are as follows:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
	(In millions)			
Gross commission	$ 23.9	$ 34.5	$ 23.9	$ 34.6
Contribution expenses	(4.5)	(4.5)	(9.0)	(9.0)
Amortization of marketing fee	—	(0.2)	—	(0.4)
Net commission	19.4	29.8	14.9	25.2
Reimbursements associated with Restated Marketing Agreement	14.4	19.7	27.0	32.5
Total net sales associated with Restated Marketing Agreement	$ 33.8	$ 49.5	$ 41.9	$ 57.7

NOTE 9. DEBT

The components of the Company's debt are as follows:

	MARCH 30, 2019	MARCH 31, 2018	SEPTEMBER 30, 2018
	(In millions)		
Credit Facilities:			
Revolving loans	$ 666.2	$ 1,043.2	$ 492.2
Term loans	770.0	266.3	790.0
Senior Notes – 5.250%	250.0	250.0	250.0
Senior Notes – 6.000%	400.0	400.0	400.0
Receivables facility	300.0	300.0	76.0
Other	19.1	22.0	17.5
Total debt	2,405.3	2,281.5	2,025.7
Less current portions	357.7	335.8	132.6
Less unamortized debt issuance costs	8.5	8.0	9.3
Long-term debt	$ 2,039.1	$ 1,937.7	$ 1,883.8

Credit Facilities

On July 5, 2018, the Company entered into a fifth amended and restated credit agreement (the "Fifth A&R Credit Agreement"), providing the Company and certain of its subsidiaries with five-year senior secured loan facilities in the aggregate principal amount of $2.3 billion, comprised of a revolving credit facility of $1.5 billion and a term loan in the original principal amount of $800.0 million (the "Fifth A&R Credit Facilities").

At March 30, 2019, the Company had letters of credit outstanding in the aggregate principal amount of $21.4 million, and $812.3 million of borrowing availability under the Fifth A&R Credit Agreement. The weighted average interest rates on average borrowings under the Fifth A&R Credit Agreement and the former credit agreement were 4.6% and 4.1% for the six months ended March 30, 2019 and March 31, 2018, respectively.

The Fifth A&R Credit Agreement contains, among other obligations, an affirmative covenant regarding the Company's leverage ratio on the last day of each quarter calculated as average total indebtedness, divided by the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA"), as adjusted pursuant to the terms of the Fifth A&R Credit Agreement ("Adjusted EBITDA"). The maximum leverage ratio is: (i) 5.25 through the second quarter of fiscal 2019, (ii) 5.00 for the third quarter of fiscal 2019 through the first quarter of fiscal 2020, (iii) 4.75 for the second quarter of fiscal 2020 through the fourth quarter of fiscal 2020 and (iv) 4.50 for the first quarter of fiscal 2021 and thereafter. The Company's leverage ratio was 3.93 at March 30, 2019. The Fifth A&R Credit Agreement also contains an affirmative covenant regarding the Company's interest coverage ratio determined as of the end of each of its fiscal quarters. The interest coverage ratio is calculated as Adjusted EBITDA divided by interest expense, as described in the Fifth A&R Credit Agreement, and excludes costs related to refinancings. The minimum interest coverage ratio was 3.00 for the twelve months ended March 30, 2019. The Company's interest coverage ratio was 5.67 for the twelve months ended March 30, 2019. The Fifth A&R Credit Agreement allows the Company to make unlimited restricted payments (as defined in the Fifth A&R Credit Agreement), including dividend payments and Common Share repurchases, as long as the leverage ratio resulting from the making of such restricted payments is 4.00 or less. Otherwise the Company may make further restricted payments in an aggregate amount for each fiscal year not to exceed the amount set forth in the Fifth A&R Credit Agreement for such fiscal year ($200.0 million for fiscal 2019 and $225.0 million for fiscal 2020 and thereafter).

Receivables Facility

Under the Master Repurchase Agreement (including the annexes thereto, the "Repurchase Agreement") and a Master Framework Agreement (the "Framework Agreement" and, together with the Repurchase Agreement, the "Receivables Facility"), as amended, the Company may sell a portfolio of available and eligible outstanding customer accounts receivable to the purchasers and simultaneously agree to repurchase the receivables on a weekly basis. The Company accounts for the sale of receivables under the Receivables Facility as short-term debt and continues to carry the receivables on its Condensed Consolidated Balance Sheets, primarily as a result of the Company's requirement to repurchase receivables sold. As of March 30, 2019 and March 31, 2018, there were $300.0 million in borrowings on receivables pledged as collateral under the Receivables Facility, and the carrying value of the receivables pledged as collateral was $333.3 million. As of March 30, 2019 and March 31, 2018, there was $100.0 million and $78.4 million, respectively, of availability under the Receivables Facility.

Interest Rate Swap Agreements

The Company has outstanding interest rate swap agreements with major financial institutions that effectively convert a portion of the Company's variable-rate debt to a fixed rate. The swap agreements had a maximum total U.S. dollar equivalent notional amount of $1,300.0 million at March 30, 2019, $1,300.0 million at March 31, 2018 and $800.0 million at September 30, 2018, respectively. Interest payments made between the effective date and expiration date are hedged by the swap agreements, except as noted below.

The notional amount, effective date, expiration date and rate of each of these swap agreements outstanding at March 30, 2019 are shown in the table below:

Notional Amount (in millions)		Effective Date (a)	Expiration Date	Fixed Rate
$ 150	(b)	2/7/2017	5/7/2019	2.12%
50	(b)	2/7/2017	5/7/2019	2.25%
50		2/28/2018	5/28/2019	2.01%
200	(c)	12/20/2016	6/20/2019	2.12%
250	(d)	1/8/2018	6/8/2020	2.09%
100		6/20/2018	10/20/2020	2.15%
200	(d)	11/7/2018	6/7/2021	2.87%
100		11/7/2018	7/7/2021	2.96%
200		11/7/2018	10/7/2021	2.98%

(a) The effective date refers to the date on which interest payments were first hedged by the applicable swap agreement.
(b) Interest payments made during the three-month period of each year that begins with the month and day of the effective date are hedged by the swap agreement.
(c) Interest payments made during the six-month period of each year that begins with the month and day of the effective date are hedged by the swap agreement.
(d) Notional amount adjusts in accordance with a specified seasonal schedule. This represents the maximum notional amount at any point in time.

Estimated Fair Values

The methods and assumptions used to estimate the fair values of the Company's debt instruments are described below:

Credit Facilities

The interest rate currently available to the Company fluctuates with the applicable LIBO rate, prime rate or Federal Funds Effective Rate and thus the carrying value is a reasonable estimate of fair value. The fair value measurement for the Fifth A&R Credit Facilities was classified in Level 2 of the fair value hierarchy.

5.250% Senior Notes

The fair value of the 5.250% Senior Notes was determined based on the trading of the 5.250% Senior Notes in the open market. The difference between the carrying value and the fair value of the 5.250% Senior Notes represents the premium or discount on that date. Based on the trading value on or around March 30, 2019, the fair value of the 5.250% Senior Notes was approximately $245.0 million. The fair value measurement for the 5.250% Senior Notes was classified in Level 1 of the fair value hierarchy.

6.000% Senior Notes

The fair value of the 6.000% Senior Notes was determined based on the trading of the 6.000% Senior Notes in the open market. The difference between the carrying value and the fair value of the 6.000% Senior Notes represents the premium or discount on that date. Based on the trading value on or around March 30, 2019, the fair value of the 6.000% Senior Notes was approximately $416.0 million. The fair value measurement for the 6.000% Senior Notes was classified in Level 1 of the fair value hierarchy.

Accounts Receivable Pledged

The interest rate on the short-term debt associated with accounts receivable pledged under the Receivables Facility fluctuated with the applicable LIBOR and thus the carrying value is a reasonable estimate of fair value. The fair value measurement for the Receivables Facility was classified in Level 2 of the fair value hierarchy.

Weighted Average Interest Rate

The weighted average interest rates on the Company's debt were 4.7% and 4.4% for the six months ended March 30, 2019 and March 31, 2018, respectively.

NOTE 10. EQUITY

The following table provides a summary of the changes in total equity, equity attributable to controlling interest, and equity attributable to noncontrolling interests for the three and six months ended March 30, 2019 (in millions):

	Common Shares and Capital in Excess of Stated Value	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Loss	Total Equity - Controlling Interest	Non-controlling Interest	Total Equity
Balance at September 30, 2018	$ 420.3	$ 919.9	$ (939.6)	$ (46.0)	$ 354.6	$ 5.0	$ 359.6
Adoption of new accounting pronouncements (see Note 1)	—	26.0	—	(16.9)	9.1	—	9.1
Net income (loss)	—	(79.6)	—	—	(79.6)	(0.1)	(79.7)
Other comprehensive income (loss)	—	—	—	(12.4)	(12.4)	—	(12.4)
Share-based compensation	6.6	—	—	—	6.6	—	6.6
Dividends declared ($0.550 per share)	—	(30.9)	—	—	(30.9)	—	(30.9)
Treasury share issuances	(1.0)	—	1.9	—	0.9	—	0.9
Balance at December 29, 2018	$ 425.9	$ 835.4	$ (937.7)	$ (75.3)	$ 248.3	$ 4.9	$ 253.2
Net income (loss)	—	396.5	—	—	396.5	(0.1)	396.4
Other comprehensive income (loss)	—	—	—	(3.9)	(3.9)	—	(3.9)
Share-based compensation	10.4	—	—	—	10.4	—	10.4
Dividends declared ($0.550 per share)	—	(32.7)	—	—	(32.7)	—	(32.7)
Treasury share purchases	—	—	(2.5)	—	(2.5)	—	(2.5)
Treasury share issuances	(10.1)	—	11.2	—	1.1	—	1.1
Balance at March 30, 2019	$ 426.2	$ 1,199.2	$ (929.0)	$ (79.2)	$ 617.2	$ 4.9	$ 622.1

The sum of the components may not equal due to rounding.

The following table provides a summary of the changes in total equity, equity attributable to controlling interest, and equity attributable to noncontrolling interests for the three and six months ended March 31, 2018 (in millions):

	Common Shares and Capital in Excess of Stated Value	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Loss	Total Equity - Controlling Interest	Non-controlling Interest	Total Equity
Balance at September 30, 2017	$ 407.6	$ 978.2	$ (667.8)	$ (69.2)	$ 648.8	$ 12.9	$ 661.7
Net income (loss)	—	(21.2)	—	—	(21.2)	—	(21.2)
Other comprehensive income (loss)	—	—	—	1.0	1.0	—	1.0
Share-based compensation	6.0	—	—	—	6.0	—	6.0
Dividends declared ($0.530 per share)	—	(31.1)	—	—	(31.1)	—	(31.1)
Treasury share purchases	—	—	(96.6)	—	(96.6)	—	(96.6)
Treasury share issuances	—	—	1.6	—	1.6	—	1.6
Acquisition of remaining noncontrolling interest in Gavita	(5.7)	—	—	—	(5.7)	(7.9)	(13.6)
Balance at December 30, 2017	$ 407.9	$ 925.9	$ (762.8)	$ (68.2)	$ 502.8	$ 5.0	$ 507.8
Net income (loss)	—	148.9	—	—	148.9	0.1	149.0
Other comprehensive income (loss)	—	—	—	17.0	17.0	—	17.0
Share-based compensation	9.7	—	—	—	9.7	—	9.7
Dividends declared ($0.530 per share)	—	(30.3)	—	—	(30.3)	—	(30.3)
Treasury share purchases	—	—	(160.2)	—	(160.2)	—	(160.2)
Treasury share issuances	(8.6)	—	11.6	—	3.0	—	3.0
Balance at March 30, 2018	$ 409.0	$ 1,044.5	$ (911.4)	$ (51.3)	$ 490.8	$ 5.1	$ 495.9

The sum of the components may not equal due to rounding.

Accumulated Other Comprehensive Loss

During the three and six months ended March 30, 2019, the Company recognized a charge of $2.5 million in the “Other non-operating (income) expense, net” line in the Condensed Consolidated Statements of Operations related to the write-off of accumulated foreign currency translation loss adjustments of a foreign subsidiary that was substantially liquidated. During the three and six months ended March 31, 2018, the Company repatriated cash from a foreign subsidiary resulting in the liquidation of substantially all of the assets of the subsidiary and the write-off of accumulated foreign currency translation loss adjustments of $11.7 million within the “Other non-operating (income) expense, net” line in the Condensed Consolidated Statements of Operations.

Share Repurchases

In August 2014, the Scotts Miracle-Gro Board of Directors authorized the repurchase of up to $500.0 million of Common Shares over a five-year period (effective November 1, 2014 through September 30, 2019). On August 3, 2016, Scotts Miracle-Gro announced that its Board of Directors authorized a $500.0 million increase to the share repurchase authorization ending on September 30, 2019. The amended authorization allows for repurchases of Common Shares of up to an aggregate amount of $1.0 billion through September 30, 2019. The authorization provides the Company with flexibility to purchase Common Shares from time to time in open market purchases or through privately negotiated transactions. All or part of the repurchases may be made under Rule 10b5-1 plans, which the Company may enter into from time to time and which enable the repurchases to occur on a more regular basis, or pursuant to accelerated share repurchases. The share repurchase authorization, which expires September 30, 2019, may be suspended or discontinued by the Board of Directors at any time, and there can be no guarantee as to the timing or amount of any repurchases. There were no share repurchases under the program during the three and six months ended March 30, 2019. During the three and six months ended March 31, 2018, Scotts Miracle-Gro repurchased 1.7 million and 2.7 million Common Shares for $160.2 million and $256.8 million, respectively. From the inception of this share repurchase program in the fourth quarter of fiscal 2014 through March 30, 2019, Scotts Miracle-Gro repurchased approximately 8.3 million Common Shares for $714.6 million. The “Treasury share purchases” lines in the tables above include cash paid to tax authorities to satisfy statutory income tax withholding obligations related to share-based compensation of $2.5 million for the three and six months ended March 30, 2019, and $2.8 million and $2.9 million for the three and six months ended March 31, 2018, respectively.

Acquisition of Sunlight Supply

On June 4, 2018, Scotts Miracle-Gro issued 0.3 million Common Shares, which represented a carrying value of $20.7 million, out of its treasury shares for payment of a portion of the purchase price for the acquisition of Sunlight Supply.

Gavita

On October 2, 2017, the Company's Hawthorne segment acquired the remaining 25% noncontrolling interest in Gavita, including Agrolux, for $69.2 million, plus payment of contingent consideration of $3.0 million. The carrying value of the 25% noncontrolling interest consisted of long-term debt of $55.6 million and noncontrolling interest of $7.9 million. The difference between purchase price and carrying value of $5.7 million was recognized in the "Common shares and capital in excess of $0.01 stated value per share" line within "Total equity—controlling interest" in the Condensed Consolidated Balance Sheets.

Share-Based Awards

Scotts Miracle-Gro grants share-based awards annually to officers and certain other employees of the Company and non-employee directors of Scotts Miracle-Gro. The share-based awards have consisted of stock options, restricted stock units, deferred stock units and performance-based awards. All of these share-based awards have been made under plans approved by the shareholders of Scotts Miracle-Gro. If available, Scotts Miracle-Gro will typically use treasury shares, or if not available, newly-issued Common Shares, in satisfaction of its share-based awards.

On October 30, 2017, Scotts Miracle-Gro issued 0.2 million upfront performance-based award units (the "Hawthorne PFAs"), covering a four-year performance period, with an estimated fair value of $20.2 million on the date of grant, to certain Hawthorne segment employees as part of its Project Focus initiative. These awards were to vest after approximately four years subject to the achievement of specific performance goals aligned with the strategic objectives of the Company's Project Focus initiatives. Based on the extent to which the performance goals were achieved, vested shares were to range from 50 to 250 percent of the target award amount. The performance goals were based on cumulative Hawthorne non-GAAP adjusted earnings. These performance-based award units were to accrue cash dividend equivalents payable upon vesting of the awards. During the first quarter of fiscal 2019, in light of Hawthorne's acquisition of Sunlight Supply and the fiscal 2018 downturn in the Hawthorne business, the Company authorized the cancellation of the Hawthorne PFAs and the issuance of a one-time performance bonus grant for certain Hawthorne segment employees with targets based on specified levels of Hawthorne non-GAAP adjusted earnings, subject to participant consent.

The following is a summary of the share-based awards granted during each of the periods indicated:

	SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018
Employees		
Restricted stock units	161,322	109,563
Performance units	68,949	235,503
Board of Directors		
Deferred stock units	29,995	20,799
Total share-based awards	260,266	365,865
Aggregate fair value at grant dates (in millions)	$ 19.6	$ 34.9

Total share-based compensation was as follows for each of the periods indicated:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
	(In millions)			
Share-based compensation	$ 10.4	$ 9.7	$ 17.0	$ 15.7
Tax benefit recognized	1.7	1.8	3.4	4.1

Stock Options

Aggregate stock option activity for the six months ended March 30, 2019 was as follows:

	No. of Options	Wtd. Avg. Exercise Price
Awards outstanding at September 30, 2018	1,217,092	$ 58.68
Granted	—	—
Exercised	(28,953)	52.99
Forfeited	—	—
Awards outstanding at March 30, 2019	1,188,139	58.82
Exercisable	1,188,139	58.82

At March 30, 2019, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested stock options not yet recognized was zero. The total intrinsic value of stock options exercised was $0.6 million for the six months ended March 30, 2019. Cash received from the exercise of stock options, including amounts received from employee purchases under the employee stock purchase plan, was $2.3 million for the six months ended March 30, 2019. The following summarizes certain information pertaining to stock option awards outstanding and exercisable at March 30, 2019 (options in millions):

	Awards Outstanding			Awards Exercisable		
Range of Exercise Price	No. of Options	Wtd. Avg. Remaining Life	Wtd. Avg. Exercise Price	No. of Options	Wtd. Avg. Remaining Life	Wtd. Avg. Exercise Price
$38.81 – $49.19	0.4	1.98	$ 45.39	0.4	1.98	$ 45.39
$63.43 – $68.68	0.8	6.37	66.24	0.8	6.37	66.24
	1.2	4.80	58.82	1.2	4.80	58.82

The intrinsic values of the stock option awards outstanding and exercisable at March 30, 2019 were as follows (in millions):

Outstanding	$ 23.5
Exercisable	23.5

Restricted share-based awards

Restricted share-based award activity (including restricted stock units and deferred stock units) for the six months ended March 30, 2019 was as follows:

	No. of Shares	Wtd. Avg. Grant Date Fair Value per Share
Awards outstanding at September 30, 2018	403,440	$ 87.42
Granted	191,317	75.69
Vested	(87,472)	71.16
Forfeited	(11,054)	89.74
Awards outstanding at March 30, 2019	496,231	85.71

At March 30, 2019, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested restricted share units not yet recognized was $14.0 million, which is expected to be recognized over a weighted-average period of 2.1 years. The total fair value of restricted stock units and deferred stock units vested was $6.2 million for the six months ended March 30, 2019.

Performance-based awards

Performance-based award activity for the six months ended March 30, 2019 was as follows (based on target award amounts):

	No. of Units		Wtd. Avg. Grant Date Fair Value per Unit
Awards outstanding at September 30, 2018	755,807	$	92.96
Granted	68,949		74.28
Vested	(56,315)		68.68
Forfeited	(84,775)		97.74
Awards outstanding at March 30, 2019	683,666		91.84

At March 30, 2019, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested performance-based units not yet recognized was $26.8 million, which is expected to be recognized over a weighted-average period of 2.5 years. The total fair value of performance-based units vested was $3.9 million for the six months ended March 30, 2019.

NOTE 11. INCOME TAXES

The effective tax rates related to continuing operations for the six months ended March 30, 2019 and March 31, 2018 were 24.7% and (15.0)%, respectively. The effective tax rate used for interim reporting purposes is based on management's best estimate of factors impacting the effective tax rate for the full fiscal year and includes the impact of discrete items recognized in the quarter. There can be no assurance that the effective tax rate estimated for interim financial reporting purposes will approximate the effective tax rate determined at fiscal year end. During the six months ended March 31, 2018, the Company recognized a one-time $45.9 million net tax benefit adjustment reflecting the revaluation of its net deferred tax liability at the lower tax rate under the Act. In addition, as part of the Act, the Company recognized a one-time tax expense on deemed repatriated earnings and cash of foreign subsidiaries as required by the Act of $14.0 million, partially offset by the recognition and application of foreign tax credits associated with these foreign subsidiaries of $13.9 million.

SAB 118 provides guidance on accounting for the tax effects of the Act. In accordance with SAB 118, any necessary measurement adjustments were recorded and disclosed within one year from the enactment date within the period the adjustments are determined. Accordingly, the Company accounted for the various elements of the Act as follows:

Statutory Tax Rate Reduction: The Act reduced the federal corporate statutory tax rate to 21% effective January 1, 2018. As the Company's fiscal year end falls on September 30, the federal corporate statutory tax rate for fiscal 2018 was prorated to 24.5%, with the statutory tax rate for fiscal 2019 and beyond at 21%. As a result of the reduction in statutory tax rate, the Company recorded a reduction in the value of its net deferred tax liability and a net benefit of $44.6 million was recorded in the "Income tax expense from continuing operations" line in the Consolidated Statements of Operations during fiscal 2018.

Deemed Repatriation Transition Tax: The Act requires companies to pay a mandatory one-time U.S. transition tax on deemed repatriation of certain undistributed earnings of foreign subsidiaries. For fiscal 2018, the Company estimated U.S. federal tax on the deemed repatriation of $21.2 million based on $97.8 million of undistributed earnings of foreign subsidiaries. This expense is largely offset by $18.2 million of foreign tax credits, $0.5 million of which was carried forward from prior periods and offset by a complete valuation allowance.

Other Provisions of the Act: Certain other aspects of the Act not expected to have a material effect on the Company's financial statements are effective for fiscal year 2019 including those related to performance based compensation and others related to international taxation such as Global Intangible Low-Taxed Income ("GILTI"), Foreign Derived Intangible Income ("FDII"), and the Base Erosion Anti-Abuse Tax ("BEAT"). The Company has elected to account for GILTI under the period cost method. Estimates for these provisions have been included as components of the Company's annualized effective tax rate and recorded in the "Income tax expense (benefit) from continuing operations" line in the Condensed Consolidated Statements of Operations for the six months ended March 30, 2019.

The Company's net deferred tax liability decreased by $37.5 million during the six months ended March 30, 2019. This decrease was primarily comprised of the reclassification of deferred tax liabilities of $47.1 million to accrued taxes related to the outside basis difference in the TruGreen Joint Venture as the result of the sale of the Company's equity interest, partially offset by the reclassification of deferred tax assets of $13.9 million to accrued taxes as a result of payments made in connection with litigation settlements.

Scotts Miracle-Gro or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. The Company is currently under examination by certain U.S. state and local tax authorities for tax periods limited to fiscal years 2009 through 2017. Other than these examinations, the Company is no longer subject to examination by tax authorities for fiscal years prior to 2015. In addition to the aforementioned audits, certain other tax deficiency notices and refund claims for previous years remain unresolved.

The Company anticipates that few of its open and active audits will be resolved within the next twelve months. The Company is unable to make a reasonably reliable estimate as to when or if cash settlements with taxing authorities may occur. Although audit outcomes and the timing of audit payments are subject to significant uncertainty, the Company does not anticipate that the resolution of these tax matters or any events related thereto will result in a material change to its consolidated financial position, results of operations or cash flows.

NOTE 12. CONTINGENCIES

Management regularly evaluates the Company's contingencies, including various lawsuits and claims which arise in the normal course of business, product and general liabilities, workers' compensation, property losses and other liabilities for which the Company is self-insured or retains a high exposure limit. Self-insurance accruals are established based on actuarial loss estimates for specific individual claims plus actuarially estimated amounts for incurred but not reported claims and adverse development factors applied to existing claims. Legal costs incurred in connection with the resolution of claims, lawsuits and other contingencies generally are expensed as incurred. In the opinion of management, the assessment of contingencies is reasonable and related accruals, in the aggregate, are adequate; however, there can be no assurance that final resolution of these matters will not have a material effect on the Company's financial condition, results of operations or cash flows.

Regulatory Matters

At March 30, 2019, $3.9 million was accrued in the "Other liabilities" line in the Condensed Consolidated Balance Sheets for environmental actions, the majority of which are for site remediation. The amounts accrued are believed to be adequate to cover such known environmental exposures based on current facts and estimates of likely outcomes. Although it is reasonably possible that the costs to resolve such known environmental exposures will exceed the amounts accrued, any variation from accrued amounts is not expected to be material.

Other

The Company has been named as a defendant in a number of cases alleging injuries that the lawsuits claim resulted from exposure to asbestos-containing products, apparently based on the Company's historic use of vermiculite in certain of its products. In many of these cases, the complaints are not specific about the plaintiffs' contacts with the Company or its products. The cases vary, but complaints in these cases generally seek unspecified monetary damages (actual, compensatory, consequential and punitive) from multiple defendants. The Company believes that the claims against it are without merit and is vigorously defending against them. No accruals have been recorded in the Company's consolidated financial statements as the likelihood of a loss is not probable at this time; and the Company does not believe a reasonably possible loss would be material to, nor the ultimate resolution of these cases will have a material adverse effect on, the Company's financial condition, results of operations or cash flows. There can be no assurance that future developments related to pending claims or claims filed in the future, whether as a result of adverse outcomes or as a result of significant defense costs, will not have a material effect on the Company's financial condition, results of operations or cash flows.

In connection with the sale of wild bird food products that were the subject of a voluntary recall in 2008, the Company, along with its Chief Executive Officer, have been named as defendants in four actions filed on and after June 27, 2012, which have been consolidated, and, on March 31, 2017, certified as a class action in the United States District Court for the Southern District of California as *In re Morning Song Bird Food Litigation*, Lead Case No. 3:12-cv-01592-JAH-AGS. The plaintiffs allege various statutory and common law claims associated with the Company's sale of wild bird food products and a plea agreement entered into in previously pending government proceedings associated with such sales. The plaintiffs allege, among other things, a class action on behalf of all persons and entities in the United States who purchased certain bird food products. The plaintiffs assert: (i) hundreds of millions of dollars in monetary damages (actual, compensatory, consequential, and restitution); (ii) punitive and treble damages; (iii) injunctive and declaratory relief; (iv) pre-judgment and post-judgment interest; and (v) costs and attorneys' fees. The Company and its Chief Executive Officer dispute the plaintiffs' assertions and have vigorously defended the consolidated action. The parties reached an agreement to settle this matter, which the parties memorialized in a settlement agreement submitted to the Court for approval on December 7, 2018. On January 31, 2019, the Court preliminarily approved the settlement, and scheduled a final fairness hearing for June 3, 2019. During the three months ended March 30, 2019, the Company paid $42.5 million to the settlement fund in accordance with the settlement agreement. At March 30, 2019, March 31, 2018 and September 30, 2018, $42.5 million, zero and $85.0 million, respectively, was accrued for a probable loss related to this matter in the "Other current liabilities" line in the Condensed Consolidated Balance Sheets. During the three and six months ended March 30, 2019, the Company received

insurance reimbursement payments related to this matter of $8.4 million and $13.4 million, respectively. The Company recognized insurance recoveries of $5.0 million related to this matter in the “Income (loss) from discontinued operations, net of tax” line in the Condensed Consolidated Statements of Operations during the first quarter of fiscal 2019, and the remaining $8.4 million of reimbursements have been recognized as an accrued liability in the Condensed Consolidated Balance Sheets as of March 30, 2019 pending the finalization of the settlement. There can be no assurance that future developments with respect to this action, whether as a result of an adverse outcome or as a result of significant defense costs, will not have a material adverse effect on the Company’s financial condition, results of operations or cash flows.

The Company was named as a defendant in *In re Scotts EZ Seed Litigation*, Case No. 12-cv-4727 (VB), a New York and California class action lawsuit filed August 9, 2012 in the United States District Court for the Southern District of New York that asserted claims under false advertising and other legal theories based on a marketing statement on the Company’s EZ Seed grass seed product from 2009 to 2012. The plaintiffs sought, on behalf of themselves and purported class members, various forms of monetary and non-monetary relief, including statutory damages that they contend could amount to hundreds of millions of dollars. The Company defended the action vigorously, and disputed the plaintiffs’ claims and theories, including the recoverability of statutory damages. In 2017, the Court eliminated certain claims, narrowed the case in certain respects, and permitted the case to continue proceeding as a class action. On August 7, 2017, the Court requested briefs on the Company’s request for interlocutory review of issues relating to the recoverability of statutory damages in a class action by the United States Court of Appeals for the Second Circuit and, on August 31, 2017, approved that request. On January 8, 2018, however, the Second Circuit denied the interlocutory appeal request. The parties engaged in mediation on April 9, 2018 and agreed in principle to a preliminary settlement of the outstanding claims on April 10, 2018. The preliminary settlement required the Company to pay certain attorneys’ and administrative fees and provide certain payments to the class members. The preliminary settlement was approved by the court on December 19, 2018. This case is now settled and the Company made final payment of the claims made by class members during the three months ended March 30, 2019. At March 30, 2019, March 31, 2018 and September 30, 2018, $0.1 million, $10.2 million, and $11.7 million, respectively, was accrued for a probable loss related to this matter in the “Other current liabilities” line in the Condensed Consolidated Balance Sheets. During the three and six months ended March 30, 2019, the Company recognized favorable adjustments of $0.9 million and $0.4 million, respectively, related to this matter in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations as a result of the final payment of the claims made by class members.

The Company is involved in other lawsuits and claims which arise in the normal course of business. These claims individually and in the aggregate are not expected to result in a material effect on the Company’s financial condition, results of operations or cash flows.

NOTE 13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. To manage a portion of the volatility related to these exposures, the Company enters into various financial transactions. The utilization of these financial transactions is governed by policies covering acceptable counterparty exposure, instrument types and other hedging practices. The Company does not hold or issue derivative financial instruments for speculative trading purposes.

Exchange Rate Risk Management

The Company uses currency forward contracts to manage the exchange rate risk associated with intercompany loans and certain other balances denominated in foreign currencies. At March 30, 2019, the notional amount of outstanding currency forward contracts was $118.3 million, with a fair value of $1.5 million. At March 31, 2018, the notional amount of outstanding currency forward contracts was $252.9 million, with a fair value of $(0.7) million. At September 30, 2018, the notional amount of outstanding currency forward contracts was $117.2 million, with a fair value of $(0.6) million. The fair value of currency forward contracts is determined using forward rates in commonly quoted intervals for the full term of the contracts. Contracts outstanding at March 30, 2019 will mature over the next fiscal quarter.

Interest Rate Risk Management

The Company enters into interest rate swap agreements as a means to hedge its variable interest rate risk on debt instruments. Net amounts to be received or paid under the swap agreements are reflected as adjustments to interest expense. Since the interest rate swap agreements have been designated as hedging instruments, unrealized gains or losses resulting from adjusting these swaps to fair value are recorded as elements of AOCI within the Condensed Consolidated Balance Sheets. The fair value of the swap agreements is determined based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date.

The Company has outstanding interest rate swap agreements with major financial institutions that effectively convert a portion of the Company’s variable-rate debt to a fixed rate. The swap agreements had a maximum total U.S. dollar equivalent notional

amount of $1,300.0 million at March 30, 2019, $1,300.0 million at March 31, 2018 and $800.0 million at September 30, 2018. Refer to “NOTE 9. DEBT” for the terms of the swap agreements outstanding at March 30, 2019. Included in the AOCI balance at March 30, 2019 was a loss of $0.9 million related to interest rate swap agreements that is expected to be reclassified to earnings during the next twelve months, consistent with the timing of the underlying hedged transactions.

Commodity Price Risk Management

The Company enters into hedging arrangements designed to fix the price of a portion of its projected future urea requirements. The contracts are designated as hedges of the Company’s exposure to future cash flow fluctuations associated with the cost of urea. The objective of the hedges is to mitigate the earnings and cash flow volatility attributable to the risk of changing prices. Since the contracts have been designated as hedging instruments, unrealized gains or losses resulting from adjusting these contracts to fair value are recorded as elements of AOCI within the Condensed Consolidated Balance Sheets. Realized gains or losses remain as a component of AOCI until the related inventory is sold. Upon sale of the underlying inventory, the gain or loss is reclassified to cost of sales. Included in the AOCI balance at March 30, 2019 was a loss of $0.2 million related to urea derivatives that is expected to be reclassified to earnings during the next twelve months, consistent with the timing of the underlying hedged transactions.

The Company also uses derivatives to partially mitigate the effect of fluctuating diesel and resin costs on operating results. These financial instruments are carried at fair value within the Condensed Consolidated Balance Sheets. Changes in the fair value of derivative contracts that qualify for hedge accounting are recorded in AOCI. The effective portion of the change in fair value remains as a component of AOCI until the related commodity is consumed, at which time the accumulated gain or loss on the derivative contract is reclassified to cost of sales. Changes in the fair value of derivatives that do not qualify for hedge accounting are recorded as an element of cost of sales. At March 30, 2019, there were no amounts included within AOCI.

The Company had the following outstanding commodity contracts that were entered into to hedge forecasted purchases:

COMMODITY	MARCH 30, 2019	MARCH 31, 2018	SEPTEMBER 30, 2018
Urea	33,000 tons	42,000 tons	88,000 tons
Resin	6,100,000 pounds	—	—
Diesel	4,452,000 gallons	3,360,000 gallons	5,460,000 gallons
Heating Oil	756,000 gallons	1,092,000 gallons	1,218,000 gallons

Fair Values of Derivative Instruments

The fair values of the Company’s derivative instruments were as follows:

		ASSETS / (LIABILITIES)		
DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	BALANCE SHEET LOCATION	MARCH 30, 2019	MARCH 31, 2018	SEPTEMBER 30, 2018
			(In millions)	
Interest rate swap agreements	Prepaid and other current assets	$ 0.9	$ 1.5	$ 2.0
	Other assets	0.1	1.9	1.8
	Other current liabilities	(1.9)	—	—
	Other liabilities	(4.4)	—	—
Commodity hedging instruments	Prepaid and other current assets	—	—	6.1
	Other current liabilities	(0.8)	(0.5)	—
Total derivatives designated as hedging instruments		$ (6.1)	$ 2.9	$ 9.9
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	**BALANCE SHEET LOCATION**			
Currency forward contracts	Prepaid and other current assets	$ 1.5	$ 0.3	$ 0.9
	Other current liabilities	—	(1.0)	(1.5)
Commodity hedging instruments	Prepaid and other current assets	—	1.1	1.7
	Other current liabilities	(0.7)	—	—
Total derivatives not designated as hedging instruments		0.8	0.4	1.1
Total derivatives		$ (5.3)	$ 3.3	$ 11.0

The effect of derivative instruments on AOCI and the Condensed Consolidated Statements of Operations was as follows:

DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS	AMOUNT OF GAIN / (LOSS) RECOGNIZED IN AOCI			
	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
	(In millions)			
Interest rate swap agreements	$ (2.2)	$ 2.1	$ (6.8)	$ 2.5
Commodity hedging instruments	(0.2)	(0.1)	(3.5)	0.3
Total	$ (2.4)	$ 2.0	$ (10.3)	$ 2.8

DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS	RECLASSIFIED FROM AOCI INTO STATEMENT OF OPERATIONS	AMOUNT OF GAIN / (LOSS)			
		THREE MONTHS ENDED		SIX MONTHS ENDED	
		MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
		(In millions)			
Interest rate swap agreements	Interest expense	$ 0.2	$ 0.1	$ 0.1	$ 0.2
Commodity hedging instruments	Cost of sales	1.7	1.0	1.9	1.0
Total		$ 1.9	$ 1.1	$ 2.0	$ 1.2

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	RECOGNIZED IN STATEMENT OF OPERATIONS	AMOUNT OF GAIN / (LOSS)			
		THREE MONTHS ENDED		SIX MONTHS ENDED	
		MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
		(In millions)			
Currency forward contracts	Other income / expense, net	$ (0.2)	$ (2.6)	$ 3.3	$ (5.2)
Commodity hedging instruments	Cost of sales	1.5	0.2	(2.2)	1.5
Total		$ 1.3	$ (2.4)	$ 1.1	$ (3.7)

NOTE 14. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or the most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following describes the valuation methodologies used for financial assets and liabilities measured at fair value on a recurring basis, as well as the general classification within the valuation hierarchy.

Cash Equivalents

Cash equivalents consist of highly liquid financial instruments with original maturities of three months or less. The carrying value of these cash equivalents approximates fair value due to their short-term maturities.

Derivatives

Derivatives consist of currency, interest rate and commodity derivative instruments. Currency forward contracts are valued using observable forward rates in commonly quoted intervals for the full term of the contracts. Interest rate swap agreements are valued based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date. Commodity contracts are measured using observable commodity exchange prices in active markets.

These derivative instruments are classified within Level 2 of the valuation hierarchy and are included within other assets and other liabilities in the Company's Condensed Consolidated Balance Sheets, except for derivative instruments expected to be settled within the next 12 months, which are included within prepaid and other current assets and other current liabilities.

Other

Other assets include investment securities in non-qualified retirement plan assets and the Company's option to increase its economic interest in Bonnie Plants, Inc. (the "Bonnie Option"). Other liabilities include the contingent consideration related to the acquisition of Sunlight Supply. Investment securities in non-qualified retirement plan assets are valued using observable market prices in active markets and are classified within Level 1 of the valuation hierarchy. The fair value of the Bonnie Option is determined using a simulation approach, whereby the total value of the loan receivable and optional exchange for additional equity was estimated considering a distribution of possible future cash flows discounted to present value using an appropriate discount rate, and is classified in Level 3 of the fair value hierarchy.

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis at March 30, 2019:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	(In millions)			
Assets				
Cash equivalents	$ 1.2	$ —	$ —	$ 1.2
Derivatives				
Interest rate swap agreements	—	1.0	—	1.0
Currency forward contracts	—	1.5	—	1.5
Other	20.9	—	13.0	33.9
Total	$ 22.1	$ 2.5	$ 13.0	$ 37.6
Liabilities				
Derivatives				
Interest rate swap agreements	$ —	$ (6.3)	$ —	$ (6.3)
Commodity hedging instruments	—	(1.5)	—	(1.5)
Other	—	—	(0.9)	(0.9)
Total	$ —	$ (7.8)	$ (0.9)	$ (8.7)

The following table presents the Company’s financial assets and liabilities measured at fair value on a recurring basis at March 31, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	(In millions)			
Assets				
Cash equivalents	$ 0.9	$ —	$ —	$ 0.9
Derivatives				
Interest rate swap agreements	—	3.4	—	3.4
Currency forward contracts	—	0.3	—	0.3
Commodity hedging instruments	—	1.1	—	1.1
Other	18.0	—	11.8	29.8
Total	$ 18.9	$ 4.8	$ 11.8	$ 35.5
Liabilities				
Derivatives				
Currency forward contracts	$ —	$ (1.0)	$ —	$ (1.0)
Commodity hedging instruments	—	(0.5)	—	(0.5)
Total	$ —	$ (1.5)	$ —	$ (1.5)

The following table presents the Company’s financial assets and liabilities measured at fair value on a recurring basis at September 30, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	(In millions)			
Assets				
Cash equivalents	$ 1.4	$ —	$ —	$ 1.4
Derivatives				
Interest rate swap agreements	—	3.8	—	3.8
Currency forward contracts	—	0.9	—	0.9
Commodity hedging instruments	—	7.8	—	7.8
Other	19.4	—	13.0	32.4
Total	$ 20.8	$ 12.5	$ 13.0	$ 46.3
Liabilities				
Derivatives				
Currency forward contracts	$ —	$ (1.5)	$ —	$ (1.5)
Other	—	—	(0.9)	(0.9)
Total	$ —	$ (1.5)	$ (0.9)	$ (2.4)

NOTE 15. SEGMENT INFORMATION

The Company divides its operations into three reportable segments: U.S. Consumer, Hawthorne and Other. U.S. Consumer consists of the Company’s consumer lawn and garden business located in the geographic United States. Hawthorne consists of the Company’s indoor, urban and hydroponic gardening business. Other consists of the Company’s consumer lawn and garden business in geographies other than the U.S. and the Company’s product sales to commercial nurseries, greenhouses and other professional customers. Corporate consists of general and administrative expenses and certain other income/expense items not allocated to the business segments. This identification of reportable segments is consistent with how the segments report to and are managed by the chief operating decision maker of the Company.

The performance of each reportable segment is evaluated based on several factors, including income (loss) from continuing operations before income taxes, amortization, impairment, restructuring and other charges (“Segment Profit (Loss)”). Senior

management uses Segment Profit (Loss) to evaluate segment performance because the Company believes this measure is indicative of performance trends and the overall earnings potential of each segment.

The following tables present financial information for the Company’s reportable segments for the periods indicated:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
	(In millions)			
Net sales:				
U.S. Consumer	$ 993.5	$ 920.2	$ 1,130.4	$ 1,046.1
Hawthorne	144.1	41.8	284.8	118.5
Other	52.3	51.3	72.8	70.3
Consolidated	$ 1,189.9	$ 1,013.3	$ 1,488.0	$ 1,234.9
Segment Profit (Loss):				
U.S. Consumer	$ 320.0	$ 286.2	$ 277.0	$ 248.3
Hawthorne	10.3	(4.8)	14.7	(3.0)
Other	3.8	1.6	(0.2)	(2.5)
Total Segment Profit	334.1	283.0	291.5	242.8
Corporate	(34.3)	(33.6)	(62.1)	(58.7)
Intangible asset amortization	(8.4)	(6.9)	(16.8)	(13.7)
Impairment, restructuring and other	(1.2)	(10.2)	(7.2)	(10.0)
Equity in income of unconsolidated affiliates	2.0	1.5	3.3	2.1
Interest expense	(28.9)	(22.6)	(54.1)	(40.4)
Other non-operating income (expense), net	260.1	(9.2)	262.9	(6.7)
Income from continuing operations before income taxes	$ 523.4	$ 202.0	$ 417.5	$ 115.4

	MARCH 30, 2019	MARCH 31, 2018	SEPTEMBER 30, 2018
	(In millions)		
Total assets:			
U.S. Consumer	$ 2,597.0	$ 2,487.6	$ 1,702.2
Hawthorne	954.0	664.4	978.6
Other	214.5	213.7	161.3
Corporate	191.0	209.8	212.4
Consolidated	$ 3,956.5	$ 3,575.5	$ 3,054.5

The following table presents net sales by product category for the periods indicated:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
	(In millions)			
U.S. Consumer:				
Lawn care	$ 423.0	$ 390.1	$ 472.7	$ 425.1
Growing media	365.4	318.2	403.7	355.9
Controls	114.8	105.6	145.0	137.0
Roundup® Restated Marketing Agreement	33.8	49.5	41.9	57.7
Other, primarily gardening and landscape	56.5	56.8	67.1	70.4
Hawthorne:				
Indoor, urban and hydroponic gardening	144.1	41.8	284.8	118.5
Other:				
Lawn care	20.7	20.5	23.2	23.6
Growing media	15.1	13.7	26.0	24.7
Other, primarily gardening and controls	16.5	17.1	23.6	22.0
Total net sales	$ 1,189.9	$ 1,013.3	$ 1,488.0	$ 1,234.9

The following table presents net sales by geographic area for the periods indicated:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
	(In millions)			
Net sales:				
United States	$ 1,124.6	$ 957.1	$ 1,371.5	$ 1,119.6
International	65.3	56.2	116.5	115.3
	$ 1,189.9	$ 1,013.3	$ 1,488.0	$ 1,234.9

NOTE 16. FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS AND NON-GUARANTORS

The 6.000% and 5.250% Senior Notes were issued on October 13, 2015 and December 15, 2016, respectively, and are guaranteed by certain of the Company's domestic subsidiaries and, therefore, the Company reports condensed consolidating financial information in accordance with SEC Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered.* The guarantees are "full and unconditional," as those terms are used in Regulation S-X Rule 3-10, except that a subsidiary's guarantee will be released in certain customary circumstances, such as (1) upon any sale or other disposition of all or substantially all of the assets of the subsidiary (including by way of merger or consolidation) to any person other than Scotts Miracle-Gro or any "restricted subsidiary" under the indentures governing the 6.000% and 5.250% Senior Notes; (2) if the subsidiary merges with and into Scotts Miracle-Gro, with Scotts Miracle-Gro surviving such merger; (3) if the subsidiary is designated an "unrestricted subsidiary" in accordance with the indentures governing the 6.000% and 5.250% Senior Notes or otherwise ceases to be a "restricted subsidiary" (including by way of liquidation or dissolution) in a transaction permitted by such indenture; (4) upon legal or covenant defeasance; (5) at the election of Scotts Miracle-Gro following the subsidiary's release as a guarantor under the Fifth A&R Credit Agreement, except a release by or as a result of the repayment of the Fifth A&R Credit Agreement; or (6) if the subsidiary ceases to be a "restricted subsidiary" and the subsidiary is not otherwise required to provide a guarantee of the 6.000% and 5.250% Senior Notes pursuant to the indentures governing the 6.000% and 5.250% Senior Notes.

The following 100% directly or indirectly owned subsidiaries fully and unconditionally guarantee at March 30, 2019 the 6.000% and 5.250% Senior Notes on a joint and several basis: Hyponex Corporation; Miracle-Gro Lawn Products, Inc.; OMS Investments, Inc.; Rod McLellan Company; Sanford Scientific, Inc.; Scotts Temecula Operations, LLC; Scotts Manufacturing Company; Scotts Products Co.; Scotts Professional Products Co.; Scotts-Sierra Investments LLC; SMG Growing Media, Inc.; Swiss Farms Products, Inc.; SMGM LLC; The Scotts Company LLC; The Hawthorne Gardening Company; Hawthorne Hydroponics LLC; HGCI, Inc.; GenSource, Inc.; SLS Holdings, Inc. and SMG ITO Holdings, Inc. (collectively, the "Guarantors"). Effective in the three month period ending March 30, 2019, Gutwein & Co., Inc. was dissolved and its subsidiary guarantee was released.

The following information presents Condensed Consolidating Statements of Operations for the three and six months ended March 30, 2019 and March 31, 2018, Condensed Consolidating Statements of Comprehensive Income (Loss) for the three and six months ended March 30, 2019 and March 31, 2018, Condensed Consolidating Statements of Cash Flows for the six months ended March 30, 2019 and March 31, 2018, and Condensed Consolidating Balance Sheets as of March 30, 2019, March 31, 2018 and September 30, 2018. The condensed consolidating financial information presents, in separate columns, financial information for: Scotts Miracle-Gro on a Parent-only basis, carrying its investment in subsidiaries under the equity method; Guarantors on a combined basis, carrying their investments in subsidiaries which do not guarantee the debt (collectively, the "Non-Guarantors") under the equity method; Non-Guarantors on a combined basis; and eliminating entries. The eliminating entries primarily reflect intercompany transactions, such as interest expense, accounts receivable and payable, short and long-term debt, and the elimination of equity investments, return on investments and income in subsidiaries. Because the Parent is obligated to pay the unpaid principal amount and interest on all amounts borrowed by the Guarantors or Non-Guarantors under the Fifth A&R Credit Facilities (and was obligated to pay the unpaid principal amount and interest on all amounts borrowed by the Guarantors and Non-Guarantors under the previous senior secured five-year revolving loan facility), the borrowings and related interest expense for the loans outstanding of the Guarantors and Non-Guarantors are also presented in the accompanying Parent-only financial information, and are then eliminated. Included in the Parent Condensed Consolidating Statement of Cash Flows for the six months ended March 30, 2019 and March 31, 2018 are $797.9 million and $554.0 million, respectively, of dividends paid by the Guarantors and Non-Guarantors to the Parent representing return of investments and as such are classified within cash flows from investing activities. Included in the Parent Condensed Consolidating Statement of Cash Flows for the six months ended March 30, 2019 and March 31, 2018 are zero and $12.2 million, respectively, of dividends paid by the Guarantors and Non-Guarantors to the Parent representing return on investments and as such are classified within cash flows from operating activities.

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the three months ended March 30, 2019
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net sales	$ —	$ 1,114.3	$ 75.6	$ —	$ 1,189.9
Cost of sales	—	658.4	58.4	—	716.8
Cost of sales—impairment, restructuring and other	—	0.6	0.4	—	1.0
Gross profit	—	455.3	16.8	—	472.1
Operating expenses:					
Selling, general and administrative	—	164.5	14.9	0.3	179.7
Impairment, restructuring and other	—	(0.3)	0.5	—	0.2
Other (income) expense, net	(0.2)	0.7	1.5	—	2.0
Income (loss) from operations	0.2	290.4	(0.1)	(0.3)	290.2
Equity (income) loss in subsidiaries	(406.4)	(1.6)	—	408.0	—
Equity in (income) loss of unconsolidated affiliates	—	(2.0)	—	—	(2.0)
Interest expense	21.0	22.0	0.8	(14.9)	28.9
Other non-operating (income) expense, net	(8.1)	(262.0)	(4.9)	14.9	(260.1)
Income (loss) from continuing operations before income taxes	393.7	534.0	4.0	(408.3)	523.4
Income tax expense (benefit) from continuing operations	(3.1)	128.6	1.0	—	126.5
Income (loss) from continuing operations	396.8	405.4	3.0	(408.3)	396.9
Income (loss) from discontinued operations, net of tax	—	(0.3)	(0.2)	—	(0.5)
Net income (loss)	$ 396.8	$ 405.1	$ 2.8	$ (408.3)	$ 396.4
Net (income) loss attributable to noncontrolling interest	—	—	—	0.1	0.1
Net income (loss) attributable to controlling interest	$ 396.8	$ 405.1	$ 2.8	$ (408.2)	$ 396.5

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the six months ended March 30, 2019
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net sales	$ —	$ 1,346.3	$ 141.7	$ —	$ 1,488.0
Cost of sales	—	865.2	112.6	—	977.8
Cost of sales—impairment, restructuring and other	—	2.8	0.7	—	3.5
Gross profit	—	478.3	28.4	—	506.7
Operating expenses:					
Selling, general and administrative	—	265.7	29.7	0.6	296.0
Impairment, restructuring and other	—	3.0	0.7	—	3.7
Other (income) expense, net	(0.4)	0.8	1.2	—	1.6
Income (loss) from operations	0.4	208.8	(3.2)	(0.6)	205.4
Equity (income) loss in subsidiaries	(336.6)	(3.1)	—	339.7	—
Equity in (income) loss of unconsolidated affiliates	—	(3.4)	0.1	—	(3.3)
Interest expense	39.8	40.3	1.7	(27.7)	54.1
Other non-operating (income) expense, net	(14.0)	(264.2)	(12.4)	27.7	(262.9)
Income (loss) from continuing operations before income taxes	311.2	439.2	7.4	(340.3)	417.5
Income tax expense (benefit) from continuing operations	(6.3)	107.6	1.9	—	103.2
Income (loss) from continuing operations	317.5	331.6	5.5	(340.3)	314.3
Income (loss) from discontinued operations, net of tax	—	2.7	(0.2)	—	2.5
Net income (loss)	$ 317.5	$ 334.3	$ 5.3	$ (340.3)	$ 316.8
Net (income) loss attributable to noncontrolling interest	—	—	—	0.1	0.1
Net income (loss) attributable to controlling interest	$ 317.5	$ 334.3	$ 5.3	$ (340.2)	$ 316.9

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the three months ended March 30, 2019
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net income (loss)	$ 396.8	$ 405.1	$ 2.8	$ (408.3)	$ 396.4
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	0.7	—	0.7	(0.7)	0.7
Net change in derivatives	(4.3)	(1.9)	—	1.9	(4.3)
Net change in pension and other post-retirement benefits	(0.3)	—	(0.3)	0.3	(0.3)
Total other comprehensive income (loss)	(3.9)	(1.9)	0.4	1.5	(3.9)
Comprehensive income (loss)	392.9	403.2	3.2	(406.8)	392.5
Comprehensive (income) loss attributable to noncontrolling interest	—	—	—	0.1	0.1
Comprehensive income (loss) attributable to controlling interest	$ 392.9	$ 403.2	$ 3.2	$ (406.7)	$ 392.6

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the six months ended March 30, 2019
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net income (loss)	$ 317.5	$ 334.3	$ 5.3	$ (340.3)	$ 316.8
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	(4.6)	—	(4.6)	4.6	(4.6)
Net change in derivatives	(12.3)	(5.4)	—	5.4	(12.3)
Net change in pension and other post-retirement benefits	0.6	0.1	0.5	(0.6)	0.6
Total other comprehensive income (loss)	(16.3)	(5.3)	(4.1)	9.4	(16.3)
Comprehensive income (loss)	301.2	329.0	1.2	(330.9)	300.5
Comprehensive (income) loss attributable to noncontrolling interest	—	—	—	0.1	0.1
Comprehensive income (loss) attributable to controlling interest	$ 301.2	$ 329.0	$ 1.2	$ (330.8)	$ 300.6

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Cash Flows
for the six months ended March 30, 2019
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (19.8)	$ (490.1)	$ (36.2)	$ —	$ (546.1)
INVESTING ACTIVITIES [a]					
Proceeds from sale of long-lived assets	—	0.1	—	—	0.1
Investments in property, plant and equipment	—	(17.0)	(3.9)	—	(20.9)
Proceeds from loans receivable	—	18.4	—	—	18.4
Net (investments in) distributions from unconsolidated affiliates	—	237.7	—	—	237.7
Investments in acquired businesses, net of cash acquired	—	(6.6)	—	—	(6.6)
Other investing, net	—	1.1	(0.1)	—	1.0
Return of investments from affiliates	797.9	2.3	—	(800.2)	—
Investing cash flows from (to) affiliates	(715.8)	(1.2)	(2.0)	719.0	—
Net cash provided by (used in) investing activities	82.1	234.8	(6.0)	(81.2)	229.7
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit and term loans	—	673.4	104.5	—	777.9
Repayments under revolving and bank lines of credit and term loans	—	(335.6)	(58.6)	—	(394.2)
Dividends paid	(61.6)	(797.9)	(2.3)	800.2	(61.6)
Purchase of Common Shares	(3.0)	—	—	—	(3.0)
Payments on seller notes	—	(0.8)	—	—	(0.8)
Cash received from exercise of stock options	2.3	—	—	—	2.3
Financing cash flows from (to) affiliates	—	717.8	1.2	(719.0)	—
Net cash provided by (used in) financing activities	(62.3)	256.9	44.8	81.2	320.6
Effect of exchange rate changes on cash	—	—	(0.6)	—	(0.6)
Net increase (decrease) in cash and cash equivalents	—	1.6	2.0	—	3.6
Cash and cash equivalents at beginning of period	—	3.0	30.9	—	33.9
Cash and cash equivalents at end of period	$ —	$ 4.6	$ 32.9	$ —	$ 37.5

(a) Cash received by the Parent from the Guarantors and Non-Guarantors in the form of dividends in the amount of $797.9 million represent return of investments and are included in cash flows from investing activities. Cash received by the Guarantors from the Non-Guarantors in the form of dividends in the amount of $2.3 million represent return of investments and are included in cash flows from investing activities.

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Balance Sheet
As of March 30, 2019
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 4.6	$ 32.9	$ —	$ 37.5
Accounts receivable, net	—	630.8	68.8	—	699.6
Accounts receivable pledged	—	333.3	—	—	333.3
Inventories	—	570.2	105.1	—	675.3
Prepaid and other current assets	0.9	72.3	20.5	—	93.7
Total current assets	0.9	1,611.2	227.3	—	1,839.4
Investment in unconsolidated affiliates	—	33.8	0.7	—	34.5
Property, plant and equipment, net	—	450.3	63.6	—	513.9
Goodwill	—	420.9	107.1	11.6	539.6
Intangible assets, net	—	739.9	91.1	6.9	837.9
Other assets	8.7	147.8	34.7	—	191.2
Equity investment in subsidiaries	1,124.2	2.2	—	(1,126.4)	—
Intercompany assets	1,596.3	—	—	(1,596.3)	—
Total assets	$ 2,730.1	$ 3,406.1	$ 524.5	$ (2,704.2)	$ 3,956.5
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of debt	$ 50.5	$ 341.6	$ 16.1	$ (50.5)	$ 357.7
Accounts payable	—	271.3	27.4	—	298.7
Other current liabilities	21.7	458.0	23.8	—	503.5
Total current liabilities	72.2	1,070.9	67.3	(50.5)	1,159.9
Long-term debt	2,037.7	1,268.9	128.7	(1,396.2)	2,039.1
Other liabilities	3.0	107.1	25.3	—	135.4
Intercompany liabilities	—	105.9	17.0	(122.9)	—
Total liabilities	2,112.9	2,552.8	238.3	(1,569.6)	3,334.4
Total equity—controlling interest	617.2	853.3	286.2	(1,139.5)	617.2
Noncontrolling interest	—	—	—	4.9	4.9
Total equity	617.2	853.3	286.2	(1,134.6)	622.1
Total liabilities and equity	$ 2,730.1	$ 3,406.1	$ 524.5	$ (2,704.2)	$ 3,956.5

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the three months ended March 31, 2018
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net sales	$ —	$ 951.9	$ 61.4	$ —	$ 1,013.3
Cost of sales	—	555.6	48.5	—	604.1
Gross profit	—	396.3	12.9	—	409.2
Operating expenses:					
Selling, general and administrative	—	150.1	15.6	0.3	166.0
Impairment, restructuring and other	—	10.2	—	—	10.2
Other (income) expense, net	(0.2)	0.9	—	—	0.7
Income (loss) from operations	0.2	235.1	(2.7)	(0.3)	232.3
Equity (income) loss in subsidiaries	(158.9)	4.6	—	154.3	—
Equity in (income) loss of unconsolidated affiliates	—	(1.5)	—	—	(1.5)
Interest expense	20.9	13.1	1.3	(12.7)	22.6
Other non-operating (income) expense, net	(7.9)	(2.5)	6.9	12.7	9.2
Income (loss) from continuing operations before income taxes	146.1	221.4	(10.9)	(154.6)	202.0
Income tax expense (benefit) from continuing operations	(3.1)	55.1	(2.7)	—	49.3
Income (loss) from continuing operations	149.2	166.3	(8.2)	(154.6)	152.7
Income (loss) from discontinued operations, net of tax	—	(3.7)	—	—	(3.7)
Net income (loss)	$ 149.2	$ 162.6	$ (8.2)	$ (154.6)	$ 149.0
Net (income) loss attributable to noncontrolling interest	—	—	—	(0.1)	(0.1)
Net income (loss) attributable to controlling interest	$ 149.2	$ 162.6	$ (8.2)	$ (154.7)	$ 148.9

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the six months ended March 31, 2018
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net sales	$ —	$ 1,099.5	$ 135.4	$ —	$ 1,234.9
Cost of sales	—	682.6	109.1	—	791.7
Gross profit	—	416.9	26.3	—	443.2
Operating expenses:					
Selling, general and administrative	—	240.5	33.0	0.7	274.2
Impairment, restructuring and other	—	10.0	—	—	10.0
Other (income) expense, net	(0.4)	(0.3)	(0.7)	—	(1.4)
Income (loss) from operations	0.4	166.7	(6.0)	(0.7)	160.4
Equity (income) loss in subsidiaries	(157.8)	6.9	—	150.9	—
Equity in (income) loss of unconsolidated affiliates	—	(2.1)	—	—	(2.1)
Interest expense	37.8	21.8	2.2	(21.4)	40.4
Other non-operating (income) expense, net	(11.8)	(5.0)	2.1	21.4	6.7
Income (loss) from continuing operations before income taxes	132.2	145.1	(10.3)	(151.6)	115.4
Income tax expense (benefit) from continuing operations	3.8	(22.7)	1.6	—	(17.3)
Income (loss) from continuing operations	128.4	167.8	(11.9)	(151.6)	132.7
Income (loss) from discontinued operations, net of tax	—	(3.9)	(1.0)	—	(4.9)
Net income (loss)	$ 128.4	$ 163.9	$ (12.9)	$ (151.6)	$ 127.8
Net (income) loss attributable to noncontrolling interest	—	—	—	(0.1)	(0.1)
Net income (loss) attributable to controlling interest	$ 128.4	$ 163.9	$ (12.9)	$ (151.7)	$ 127.7

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the three months ended March 31, 2018
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net income (loss)	$ 149.2	$ 162.6	$ (8.2)	$ (154.6)	$ 149.0
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	15.8	—	15.8	(15.8)	15.8
Net change in derivatives	0.9	(1.1)	—	1.1	0.9
Net change in pension and other post-retirement benefits	0.3	0.1	0.2	(0.3)	0.3
Total other comprehensive income (loss)	17.0	(1.0)	16.0	(15.0)	17.0
Comprehensive income (loss)	166.2	161.6	7.8	(169.6)	166.0
Comprehensive income attributable to noncontrolling interest	—	—	—	(0.1)	(0.1)
Comprehensive income attributable to controlling interest	$ 166.2	$ 161.6	$ 7.8	$ (169.7)	$ 165.9

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the six months ended March 31, 2018
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net income (loss)	$ 128.4	$ 163.9	$ (12.9)	$ (151.6)	$ 127.8
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	15.7	—	15.7	(15.7)	15.7
Net change in derivatives	1.6	(0.7)	—	0.7	1.6
Net change in pension and other post-retirement benefits	0.6	0.2	0.4	(0.6)	0.6
Total other comprehensive income (loss)	17.9	(0.5)	16.1	(15.6)	17.9
Comprehensive income (loss)	146.3	163.4	3.2	(167.2)	145.7
Comprehensive (income) loss attributable to noncontrolling interest	—	—	—	(0.1)	(0.1)
Comprehensive income (loss) attributable to controlling interest	$ 146.3	$ 163.4	$ 3.2	$ (167.3)	$ 145.6

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Cash Flows
for the six months ended March 31, 2018
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (a)	$ 9.5	$ (503.5)	$ 25.2	$ (14.0)	$ (482.8)
INVESTING ACTIVITIES (a)					
Proceeds from sale of long-lived assets	—	0.2	—	—	0.2
Post-closing working capital payment related to sale of International Business	—	(35.3)	—	—	(35.3)
Investments in property, plant and equipment	—	(29.8)	(3.3)	—	(33.1)
Investments in loans receivable	—	(7.4)	(0.3)	—	(7.7)
Investments in acquired businesses, net of cash acquired	—	(40.5)	(31.5)	—	(72.0)
Return of investments from affiliates	554.0	—	—	(554.0)	—
Investing cash flows from (to) affiliates	(250.2)	(70.2)	(80.0)	400.4	—
Net cash provided by (used in) investing activities	303.8	(183.0)	(115.1)	(153.6)	(147.9)
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit and term loans	—	1,032.9	139.7	—	1,172.6
Repayments under revolving and bank lines of credit and term loans	—	(154.8)	(88.6)	—	(243.4)
Dividends paid	(60.3)	(554.0)	(14.0)	568.0	(60.3)
Purchase of Common Shares	(256.8)	—	—	—	(256.8)
Payments on seller notes	—	—	(3.0)	—	(3.0)
Cash received from exercise of stock options	3.8	—	—	—	3.8
Acquisition of noncontrolling interests	—	—	(72.2)	—	(72.2)
Financing cash flows from (to) affiliates	—	330.2	70.2	(400.4)	—
Net cash provided by (used in) financing activities	(313.3)	654.3	32.1	167.6	540.7
Effect of exchange rate changes on cash	—	—	2.5	—	2.5
Net increase (decrease) in cash and cash equivalents	—	(32.2)	(55.3)	—	(87.5)
Cash and cash equivalents at beginning of period	—	39.8	80.7	—	120.5
Cash and cash equivalents at end of period	$ —	$ 7.6	$ 25.4	$ —	$ 33.0

(a) Cash received by the Parent from the Guarantors and Non-Guarantors in the form of dividends in the amount of $554.0 million represent return of investments and are included in cash flows from investing activities. Cash received by the Parent from the Guarantors and Non-Guarantors in the form of dividends in the amount of $12.2 million represent return on investments and are included in cash flows from operating activities. Cash received by the Guarantors from the Non-Guarantors in the form of dividends in the amount of $1.8 million represent return on investments and are included in cash flows from operating activities.

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Balance Sheet
As of March 31, 2018
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 7.6	$ 25.4	$ —	$ 33.0
Accounts receivable, net	—	533.0	65.0	—	598.0
Accounts receivable pledged	—	333.3	—	—	333.3
Inventories	—	495.5	101.4	—	596.9
Prepaid and other current assets	1.7	55.1	21.3	—	78.1
Total current assets	1.7	1,424.5	213.1	—	1,639.3
Investment in unconsolidated affiliates	—	32.4	0.8	—	33.2
Property, plant and equipment, net	—	399.8	63.8	—	463.6
Goodwill	—	323.0	132.2	11.6	466.8
Intangible assets, net	—	633.9	135.6	8.1	777.6
Other assets	8.7	171.1	15.2	—	195.0
Equity investment in subsidiaries	1,316.4	—	—	(1,316.4)	—
Intercompany assets	1,133.8	303.8	—	(1,437.6)	—
Total assets	$ 2,460.6	$ 3,288.5	$ 560.7	$ (2,734.3)	$ 3,575.5
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of debt	$ 15.0	$ 317.7	$ 18.1	$ (15.0)	$ 335.8
Accounts payable	—	222.6	30.9	—	253.5
Other current liabilities	17.2	265.5	34.1	—	316.8
Total current liabilities	32.2	805.8	83.1	(15.0)	906.1
Long-term debt	1,936.6	1,166.8	128.8	(1,294.5)	1,937.7
Distributions in excess of investment in unconsolidated affiliate	—	21.9	—	—	21.9
Other liabilities	1.0	148.1	59.8	5.0	213.9
Equity investment in subsidiaries	—	70.7	—	(70.7)	—
Intercompany liabilities	—	—	105.4	(105.4)	—
Total liabilities	1,969.8	2,213.3	377.1	(1,480.6)	3,079.6
Total equity—controlling interest	490.8	1,075.2	183.6	(1,258.8)	490.8
Noncontrolling interest	—	—	—	5.1	5.1
Total equity	490.8	1,075.2	183.6	(1,253.7)	495.9
Total liabilities and equity	$ 2,460.6	$ 3,288.5	$ 560.7	$ (2,734.3)	$ 3,575.5

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Balance Sheet
As of September 30, 2018
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 3.0	$ 30.9	$ —	$ 33.9
Accounts receivable, net	—	172.5	53.5	—	226.0
Accounts receivable pledged	—	84.5	—	—	84.5
Inventories	—	394.5	86.9	—	481.4
Prepaid and other current assets	2.2	44.6	13.1	—	59.9
Total current assets	2.2	699.1	184.4	—	885.7
Investment in unconsolidated affiliates	—	35.2	0.9	—	36.1
Property, plant and equipment, net	—	464.7	66.1	—	530.8
Goodwill	—	420.6	110.8	11.6	543.0
Intangible assets, net	—	752.3	97.5	7.5	857.3
Other assets	11.4	164.8	25.4	—	201.6
Equity investment in subsidiaries	860.0	—	—	(860.0)	—
Intercompany assets	1,422.8	—	6.5	(1,429.3)	—
Total assets	$ 2,296.4	$ 2,536.7	$ 491.6	$ (2,270.2)	$ 3,054.5
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of debt	$ 40.0	$ 118.4	$ 14.2	$ (40.0)	$ 132.6
Accounts payable	—	119.0	31.5	—	150.5
Other current liabilities	17.8	278.3	33.5	—	329.6
Total current liabilities	57.8	515.7	79.2	(40.0)	612.7
Long-term debt	1,883.0	1,140.9	102.1	(1,242.2)	1,883.8
Distributions in excess of investment in unconsolidated affiliate	—	21.9	—	—	21.9
Other liabilities	1.0	143.6	26.9	5.0	176.5
Equity investment in subsidiaries	—	1.5	—	(1.5)	—
Intercompany liabilities	—	125.0	—	(125.0)	—
Total liabilities	1,941.8	1,948.6	208.2	(1,403.7)	2,694.9
Total equity—controlling interest	354.6	588.1	283.4	(871.5)	354.6
Noncontrolling interest	—	—	—	5.0	5.0
Total equity	354.6	588.1	283.4	(866.5)	359.6
Total liabilities and equity	$ 2,296.4	$ 2,536.7	$ 491.6	$ (2,270.2)	$ 3,054.5

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of this discussion is to provide an understanding of the financial condition and results of operations of The Scotts Miracle-Gro Company ("Scotts Miracle-Gro") and its subsidiaries (collectively, together with Scotts Miracle-Gro, the "Company," "we" or "us") by focusing on changes in certain key measures from year-to-year. This Management's Discussion and Analysis ("MD&A") is divided into the following sections:

- Executive summary
- Results of operations
- Segment results
- Liquidity and capital resources
- Regulatory matters
- Critical accounting policies and estimates

This MD&A should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Scotts Miracle-Gro's Annual Report on Form 10-K for the fiscal year ended September 30, 2018 (the "2018 Annual Report").

EXECUTIVE SUMMARY

We are dedicated to delivering strong, long-term financial results and outstanding shareholder returns by providing products of superior quality and value to enhance users' growing environments. We are a leading manufacturer and marketer of branded consumer lawn and garden products in the United States. We are the exclusive agent of Monsanto for the marketing and distribution of Monsanto's consumer Roundup® non-selective weedkiller products within the United States and certain other specified countries. Through our Hawthorne segment, we are a leading manufacturer, marketer and distributor of nutrients, growing media, advanced indoor garden, lighting and ventilation systems and accessories for hydroponic gardening.

Our operations are divided into three reportable segments: U.S. Consumer, Hawthorne and Other. U.S. Consumer consists of our consumer lawn and garden business located in the geographic United States. Hawthorne consists of our indoor, urban and hydroponic gardening business. Other consists of our consumer lawn and garden business in geographies other than the U.S. and our product sales to commercial nurseries, greenhouses and other professional customers. Corporate consists of general and administrative expenses and certain other income/expense items not allocated to the business segments. This division of reportable segments is consistent with how the segments report to and are managed by our chief operating decision maker. See "SEGMENT RESULTS" below for additional information regarding our evaluation of segment performance.

Due to the seasonal nature of the lawn and garden business, significant portions of our products ship to our retail customers during our second and third fiscal quarters, as noted in the chart below. Our annual net sales are further concentrated in the second and third fiscal quarters by retailers who rely on our ability to deliver products closer to when consumers buy our products, thereby reducing retailers' pre-season inventories.

	Percent of Net Sales from Continuing Operations by Quarter		
	2018	**2017**	**2016**
First Quarter	8.3%	7.8%	6.1%
Second Quarter	38.1%	41.1%	44.6%
Third Quarter	37.3%	36.8%	35.4%
Fourth Quarter	16.3%	14.3%	13.9%

In August 2014, the Scotts Miracle-Gro Board of Directors authorized the repurchase of up to $500.0 million of common shares of Scotts Miracle-Gro ("Common Shares") over a five-year period (effective November 1, 2014 through September 30, 2019). On August 3, 2016, Scotts Miracle-Gro announced that its Board of Directors authorized a $500.0 million increase to the share repurchase authorization ending on September 30, 2019. The amended authorization allows for repurchases of Common Shares of up to an aggregate amount of $1.0 billion through September 30, 2019. There were no share repurchases under the program during the three and six months ended March 30, 2019. From the inception of this share repurchase program in the fourth quarter of fiscal 2014 through March 30, 2019, Scotts Miracle-Gro repurchased approximately 8.3 million Common Shares for $714.6 million.

RESULTS OF OPERATIONS

The following table sets forth the components of income and expense as a percentage of net sales for the periods indicated:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	60.2	59.6	65.7	64.1
Cost of sales—impairment, restructuring and other	0.1	—	0.2	—
Gross profit	39.7	40.4	34.1	35.9
Operating expenses:				
Selling, general and administrative	15.1	16.4	19.9	22.2
Impairment, restructuring and other	—	1.0	0.2	0.8
Other (income) expense, net	0.2	0.1	0.1	(0.1)
Income from operations	24.4	22.9	13.8	13.0
Equity in income of unconsolidated affiliates	(0.2)	(0.1)	(0.2)	(0.2)
Interest expense	2.4	2.2	3.6	3.3
Other non-operating (income) expense, net	(21.9)	0.9	(17.7)	0.5
Income from continuing operations before income taxes	44.0	19.9	28.1	9.3
Income tax expense (benefit) from continuing operations	10.6	4.9	6.9	(1.4)
Income from continuing operations	33.4	15.1	21.1	10.7
Income (loss) from discontinued operations, net of tax	—	(0.4)	0.2	(0.4)
Net income	33.3 %	14.7 %	21.3 %	10.3 %

The sum of the components may not equal due to rounding.

Net Sales

Net sales for the three months ended March 30, 2019 were $1,189.9 million, an increase of 17.4% from net sales of $1,013.3 million for the three months ended March 31, 2018. Net sales for the six months ended March 30, 2019 were $1,488.0 million, an increase of 20.5% from net sales of $1,234.9 million for the six months ended March 31, 2018. These changes in net sales were attributable to the following:

	THREE MONTHS ENDED MARCH 30, 2019	SIX MONTHS ENDED MARCH 30, 2019
Acquisitions	9.0 %	13.2 %
Volume	5.6	5.6
Pricing	3.1	2.2
Foreign exchange rates	(0.3)	(0.5)
Change in net sales	17.4 %	20.5 %

The increase in net sales for the three months ended March 30, 2019 as compared to the three months ended March 31, 2018 was primarily driven by:

- the addition of net sales from the Sunlight Supply acquisition of $91.4 million in our Hawthorne segment (refer to “NOTE 4. ACQUISITIONS AND INVESTMENTS” for more information regarding the Sunlight Supply acquisition);
- increased sales volume driven by increased sales of soils, mulch, grass seed, fertilizer and controls products in our U.S. Consumer segment, hydroponic gardening products in our Hawthorne segment excluding the impact of acquisitions and increased sales in our Other segment from our business in Canada; and
- increased pricing in our U.S. Consumer segment, partially offset by decreased pricing in our Hawthorne segment primarily driven by increased promotional activities;
- partially offset by an anticipated contractual decrease in commission income and lower reimbursements associated with the Restated Marketing Agreement for consumer Roundup®; and

- the unfavorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to the euro and the Canadian dollar.

The increase in net sales for the six months ended March 30, 2019 as compared to the six months ended March 31, 2018 was primarily driven by:

- the addition of net sales from the Sunlight Supply acquisition of $163.0 million in our Hawthorne segment (refer to “NOTE 4. ACQUISITIONS AND INVESTMENTS” for more information regarding the Sunlight Supply acquisition);
- increased sales volume driven by increased sales of soils, mulch, grass seed, fertilizer and controls products in our U.S. Consumer segment, hydroponic gardening products in our Hawthorne segment excluding the impact of acquisitions and increased sales in our Other segment from our business in Canada; and
- increased pricing in our U.S. Consumer segment, partially offset by decreased pricing in our Hawthorne segment primarily driven by increased promotional activities;
- partially offset by an anticipated contractual decrease in commission income and lower reimbursements associated with the Restated Marketing Agreement for consumer Roundup®; and
- the unfavorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to the euro and the Canadian dollar.

Cost of Sales

The following table shows the major components of cost of sales for the periods indicated:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
	(In millions)			
Materials	$ 417.5	$ 341.7	$ 552.3	$ 438.0
Distribution and warehousing	125.8	110.1	185.0	151.1
Manufacturing labor and overhead	159.1	132.7	213.5	170.0
Roundup® reimbursements	14.4	19.6	27.0	32.6
	716.8	604.1	977.8	791.7
Impairment, restructuring and other	1.0	—	3.5	—
	$ 717.8	$ 604.1	$ 981.3	$ 791.7

Factors contributing to the change in cost of sales are outlined in the following table:

	THREE MONTHS ENDED MARCH 30, 2019	SIX MONTHS ENDED MARCH 30, 2019
	(In millions)	
Volume, product mix and other	$ 117.7	$ 193.0
Material costs	2.9	3.8
Foreign exchange rates	(2.7)	(5.1)
Roundup® reimbursements	(5.2)	(5.6)
	112.7	186.1
Impairment, restructuring and other	1.0	3.5
Change in cost of sales	$ 113.7	$ 189.6

The increase in cost of sales for the three months ended March 30, 2019 as compared to the three months ended March 31, 2018 was primarily driven by:

- costs of $78.1 million included within “volume, product mix and other” related to sales from the Sunlight Supply acquisition in our Hawthorne segment;
- higher sales volume in our U.S. Consumer, Hawthorne and Other segments excluding the impact of acquisitions;
- higher material costs in our U.S. Consumer segment; and

- an increase in impairment, restructuring and other charges of $1.0 million related to facility closures, impairment of property, plant and equipment and employee termination benefits associated with Project Catalyst;
- partially offset by lower transportation costs included within “volume, product mix and other” associated with our U.S. Consumer, Hawthorne and Other segments;
- the favorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to the euro and the Canadian dollar; and
- a decrease in reimbursements attributable to the Restated Marketing Agreement for consumer Roundup®.

The increase in cost of sales for the six months ended March 30, 2019 as compared to the six months ended March 31, 2018 was primarily driven by:

- costs of $140.9 million included within “volume, product mix and other” related to sales from the Sunlight Supply acquisition in our Hawthorne segment;
- higher sales volume in our U.S. Consumer, Hawthorne and Other segments excluding the impact of acquisitions;
- higher transportation costs included within “volume, product mix and other” associated with our U.S. Consumer segment, including unfavorable mark-to-market adjustments associated with our fuel and resin hedges of $4.5 million;
- higher material costs in our U.S. Consumer segment; and
- an increase in impairment, restructuring and other charges of $3.5 million related to facility closures, impairment of property, plant and equipment and employee termination benefits associated with Project Catalyst;
- partially offset by the favorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to the euro and the Canadian dollar; and
- a decrease in reimbursements attributable to the Restated Marketing Agreement for consumer Roundup®.

Gross Profit

As a percentage of net sales, our gross profit rate was 39.7% and 40.4% for the three months ended March 30, 2019 and March 31, 2018, respectively. As a percentage of net sales, our gross profit rate was 34.1% and 35.9% for the six months ended March 30, 2019 and March 31, 2018, respectively. Factors contributing to the change in gross profit rate are outlined in the following table:

	THREE MONTHS ENDED MARCH 30, 2019	SIX MONTHS ENDED MARCH 30, 2019
Acquisitions	(2.1)%	(2.5)%
Roundup® commissions and reimbursements	(0.3)	(0.3)
Material costs	(0.3)	(0.3)
Volume, product mix and other	0.4	0.2
Pricing	1.7	1.3
	(0.6)%	(1.6)%
Impairment, restructuring and other	(0.1)	(0.2)
Change in gross profit rate	(0.7)%	(1.8)%

The decrease in gross profit rate for the three months ended March 30, 2019 as compared to the three months ended March 31, 2018 was primarily driven by:

- an unfavorable net impact from acquisitions in our Hawthorne segment related to Sunlight Supply;
- an anticipated contractual decrease in commission income associated with the Restated Marketing Agreement for consumer Roundup®;
- unfavorable product mix in our U.S. Consumer segment due to increased sales of mulch products; and
- higher material costs in our U.S. Consumer segment;
- partially offset by increased pricing in our U.S. Consumer segment, net of decreased pricing in our Hawthorne segment primarily driven by increased promotional activities;

- favorable leverage of fixed costs such as warehousing driven by higher sales volume in our U.S. Consumer, Hawthorne and Other segments; and
- lower transportation costs included within "volume, product mix and other" associated with our U.S. Consumer, Hawthorne and Other segments.

The decrease in gross profit rate for the six months ended March 30, 2019 as compared to the six months ended March 31, 2018 was primarily driven by:

- an unfavorable net impact from acquisitions in our Hawthorne segment related to Sunlight Supply;
- an anticipated contractual decrease in commission income associated with the Restated Marketing Agreement for consumer Roundup®;
- higher transportation costs included within "volume, product mix and other" associated with our U.S. Consumer segment, including unfavorable mark-to-market adjustments associated with our fuel and resin hedges of $4.5 million; and
- higher material costs in our U.S. Consumer segment;
- partially offset by increased pricing in our U.S. Consumer segment, net of decreased pricing in our Hawthorne segment primarily driven by increased promotional activities; and
- favorable leverage of fixed costs such as warehousing driven by higher sales volume in our U.S. Consumer, Hawthorne and Other segments.

Selling, General and Administrative Expenses

The following table sets forth the components of selling, general and administrative expenses ("SG&A") for the periods indicated:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
	(In millions)			
Advertising	$ 54.2	$ 46.8	$ 64.5	$ 57.4
Research and development	9.4	10.5	18.6	19.9
Amortization of intangibles	8.3	6.7	16.5	13.3
Share-based compensation	10.4	9.7	17.0	15.7
Other selling, general and administrative	97.4	92.3	179.4	167.9
	$ 179.7	$ 166.0	$ 296.0	$ 274.2

SG&A increased $13.7 million, or 8.3%, during the three months ended March 30, 2019 compared to the three months ended March 31, 2018. Advertising expense increased $7.4 million, or 15.8%, during the three months ended March 30, 2019 driven by increased media spending in our U.S. Consumer segment. Amortization expense increased $1.6 million, or 23.9%, during the three months ended March 30, 2019 primarily due to the impact of recent acquisitions. Share-based compensation expense increased $0.7 million, or 7.2%, during the three months ended March 30, 2019 due to an increase in the expected payout percentage on long-term performance-based awards as a result of strong cash flow performance over the last two years and expectations for future periods. Other SG&A increased $5.1 million, or 5.5%, during the three months ended March 30, 2019 driven by the impact of recent acquisitions of $4.2 million and higher short-term variable cash incentive compensation expense.

SG&A increased $21.8 million, or 8.0%, during the six months ended March 30, 2019 compared to the six months ended March 31, 2018. Advertising expense increased $7.1 million, or 12.4%, during the six months ended March 30, 2019 driven by increased media spending in our U.S. Consumer segment. Amortization expense increased $3.2 million, or 24.1%, during the six months ended March 30, 2019 primarily due to the impact of recent acquisitions. Share-based compensation expense increased $1.3 million, or 8.3%, during the six months ended March 30, 2019 due to an increase in the expected payout percentage on long-term performance-based awards as a result of strong cash flow performance over the last two years and expectations for future periods. Other SG&A increased $11.5 million, or 6.8%, during the six months ended March 30, 2019 driven by the impact of recent acquisitions of $8.6 million and higher short-term variable cash incentive compensation expense.

Impairment, Restructuring and Other

The following table sets forth the components of impairment, restructuring and other charges (recoveries) recorded in the “Cost of sales—impairment, restructuring and other,” “Impairment, restructuring and other” and “Income (loss) from discontinued operations, net of tax” lines in the Condensed Consolidated Statements of Operations:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
	(In millions)			
Cost of sales—impairment, restructuring and other:				
Restructuring and other charges	$ 1.0	$ —	$ 3.0	$ —
Property, plant and equipment impairments	—	—	0.5	—
Operating expenses:				
Restructuring and other charges, net	0.2	10.2	3.7	10.0
Impairment, restructuring and other charges from continuing operations	$ 1.2	$ 10.2	$ 7.2	$ 10.0
Restructuring and other charges (recoveries), net, from discontinued operations	—	0.2	(4.9)	1.6
Total impairment, restructuring and other charges	$ 1.2	$ 10.4	$ 2.3	$ 11.6

Project Catalyst

In connection with the acquisition of Sunlight Supply during the third quarter of fiscal 2018, we announced the launch of an initiative called Project Catalyst, which is a company-wide restructuring effort to reduce operating costs throughout our U.S. Consumer, Hawthorne and Other segments and drive synergies from recent acquisitions within our Hawthorne segment. During the three and six months ended March 30, 2019, we continued to execute on planned facility closures and consolidations and terminated employees in duplicate roles which resulted in charges of $2.1 million and $7.6 million, respectively, related to Project Catalyst. We incurred charges of $0.1 million and $0.4 million in our U.S. Consumer segment, $0.6 million and $2.5 million in our Hawthorne segment and $0.3 million and $0.6 million in our Other segment in the “Cost of sales—impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations during the three and six months ended March 30, 2019, respectively, related to employee termination benefits, facility closure costs and impairment of property, plant and equipment. We incurred charges of $0.1 million and $0.5 million in our U.S. Consumer segment, $0.4 million and $2.1 million in our Hawthorne segment, $0.5 million and $0.6 million in our Other segment and $0.1 million and $0.9 million at Corporate in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations during the three and six months ended March 30, 2019, respectively, related to employee termination benefits and facility closure costs. Costs incurred to date since the inception of Project Catalyst are $22.4 million for our Hawthorne segment, $12.5 million for our U.S. Consumer segment, $1.2 million for our Other segment and $0.9 million for Corporate.

Project Focus

In the first quarter of fiscal 2016, we announced a series of initiatives called Project Focus designed to maximize the value of our non-core assets and focus on emerging categories of the lawn and garden industry in our core U.S. business. During the three and six months ended March 31, 2018, our U.S. Consumer segment recognized adjustments of $0.1 million and $0.3 million, respectively, related to previously recognized termination benefits associated with Project Focus in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations. Costs incurred to date since the inception of the current Project Focus initiatives are $10.0 million for our U.S. Consumer segment, $0.9 million for our Hawthorne segment and $1.2 million for our Other segment, related to transaction activity, termination benefits and facility closure costs.

On August 31, 2017, we completed the sale of the International Business. Refer to “NOTE 3. DISCONTINUED OPERATIONS” for more information. During the three and six months ended March 31, 2018, we recognized $0.2 million and $1.6 million, respectively, in transaction related costs associated with the sale of the International Business in the “Income (loss) from discontinued operations, net of tax” line in the Condensed Consolidated Statements of Operations.

Other

During the three and six months ended March 30, 2019, we received insurance reimbursement payments related to the previously disclosed legal matter *In re Morning Song Bird Food Litigation* of $8.4 million and $13.4 million, respectively. We recognized insurance recoveries of $5.0 million related to this matter in the “Income (loss) from discontinued operations, net of tax” line in the Condensed Consolidated Statements of Operations during the first quarter of fiscal 2019, and the remaining $8.4 million of reimbursements have been recognized as an accrued liability in the Condensed Consolidated Balance Sheets as of March 30, 2019 pending the finalization of the settlement. Refer to “NOTE 12. CONTINGENCIES” for more information.

During the three and six months ended March 30, 2019, we recognized favorable adjustments of $0.9 million and $0.4 million, respectively, related to the previously disclosed legal matter *In re Scotts EZ Seed Litigation* in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations. During the three and six months ended March 31, 2018, we recognized a charge of $10.2 million for a probable loss related to this matter in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations. Refer to “NOTE 12. CONTINGENCIES” for more information.

Other (Income) Expense, net

Other (income) expense, net is comprised of activities outside our normal business operations, such as royalty income from the licensing of certain of our brand names, foreign exchange gains/losses and gains/losses from the disposition of non-inventory assets. Other expense was $2.0 million and $0.7 million for the three months ended March 30, 2019 and March 31, 2018, respectively. The increase was primarily due to foreign exchange losses, losses on long-lived assets and a decrease in royalty income earned from Exponent related to its use of our brand names following the divestiture of the International Business. Refer to “NOTE 3. DISCONTINUED OPERATIONS” for more information regarding the divestiture of the International Business.

Other (income) expense was $1.6 million and $(1.4) million for the six months ended March 30, 2019 and March 31, 2018, respectively. The change was primarily due to losses on long-lived assets and a decrease in royalty income earned from Exponent related to its use of our brand names following the divestiture of the International Business. Refer to “NOTE 3. DISCONTINUED OPERATIONS” for more information regarding the divestiture of the International Business.

Income from Operations

Income from operations was $290.2 million for the three months ended March 30, 2019, an increase of 24.9% compared to $232.3 million for the three months ended March 31, 2018. Income from operations was $205.4 million for the six months ended March 30, 2019, an increase of 28.1% compared to $160.4 million for the six months ended March 31, 2018. For the three and six months ended March 30, 2019, the increase was driven by higher net sales and lower impairment, restructuring and other charges, partially offset by a decrease in gross profit rate, higher SG&A and decreased other income.

Equity in Income of Unconsolidated Affiliates

Equity in income of unconsolidated affiliates was $2.0 million and $1.5 million for the three months ended March 30, 2019 and March 31, 2018, respectively. Equity in income of unconsolidated affiliates was $3.3 million and $2.1 million for the six months ended March 30, 2019 and March 31, 2018, respectively. The increase was attributable to our unconsolidated subsidiary with products supporting the professional U.S. industrial, turf and ornamental market. On April 1, 2019, we sold all of our equity interest in the IT&O Joint Venture for cash proceeds of $36.6 million and a pre-tax gain of approximately $3.0 million will be recognized in the “Other non-operating (income) expense, net” line in the Condensed Consolidated Statements of Operations for our third quarter of fiscal 2019.

Interest Expense

Interest expense was $28.9 million for the three months ended March 30, 2019, an increase of 27.9% compared to $22.6 million for the three months ended March 31, 2018. The increase was driven by an increase in average borrowings of $362.5 million and an increase in our weighted average interest rate of 50 basis points. The increase in average borrowings was driven by recent acquisition activity. The increase in the weighted average interest rate was driven by rising market rates.

Interest expense was $54.1 million for the six months ended March 30, 2019, an increase of 33.9% compared to $40.4 million for the six months ended March 31, 2018. The increase was driven by an increase in average borrowings of $460.9 million and an increase in our weighted average interest rate of 40 basis points. The increase in average borrowings was driven by recent acquisition activity. The increase in the weighted average interest rate was driven by rising market rates.

Other Non-Operating (Income) Expense, net

Other non-operating (income) expense was $(260.1) million and $9.2 million for the three months ended March 30, 2019 and March 31, 2018, respectively. Other non-operating (income) expense was $(262.9) million and $6.7 million for the six months ended March 30, 2019 and March 31, 2018, respectively.

On March 19, 2019, we entered into an agreement under which we sold, to TruGreen Companies L.L.C., a subsidiary of TruGreen Holding Corporation, all of our approximately 30% equity interest in Outdoor Home Services Holdings LLC, a lawn services joint venture between the Company and TruGreen Holding Corporation (the "TruGreen Joint Venture"). Prior to this transaction, our net investment and advances with respect to the TruGreen Joint Venture had been reduced to a liability which resulted in an amount recorded in the "Distributions in excess of investment in unconsolidated affiliate" line in the Condensed Consolidated Balance Sheets. Under the terms of the agreement, we received cash proceeds of $234.2 million related to the sale of our equity interest in the TruGreen Joint Venture and $18.4 million related to the payoff of second lien term loan financing, which was previously recorded in the "Other assets" line in the Condensed Consolidated Balance Sheets. During the three and six months ended March 30, 2019, we also received a distribution from the TruGreen Joint Venture intended to cover certain required tax payments of $3.5 million, which was classified as an investing activity in the Condensed Consolidated Statements of Cash Flows. During the three and six months ended March 30, 2019, we recognized a pre-tax gain of $259.8 million related to this sale in the "Other non-operating (income) expense" line in the Condensed Consolidated Statements of Operations. The cash proceeds have been applied to reduce our indebtedness, and we expect to pay taxes associated with the disposition of approximately $110.0 million to $130.0 million during the third and fourth quarters of fiscal 2019.

During the three and six months ended March 30, 2019, we recognized a charge of $2.5 million in the "Other non-operating (income) expense, net" line in the Condensed Consolidated Statements of Operations related to the write-off of accumulated foreign currency translation loss adjustments of a foreign subsidiary that was substantially liquidated. During the three and six months ended March 31, 2018, we repatriated cash from a foreign subsidiary resulting in the liquidation of substantially all of the assets of the subsidiary and the write-off of accumulated foreign currency translation loss adjustments of $11.7 million within the "Other non-operating (income) expense, net" line in the Condensed Consolidated Statements of Operations.

Income Tax Expense (Benefit) from Continuing Operations

On December 22, 2017, H.R.1 (the "Act," formerly known as the "Tax Cuts and Jobs Act") was signed into law. The Act provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended (the "Code"). Among other items, the Act implemented a territorial tax system, imposed a one-time transition tax on deemed repatriated earnings of foreign subsidiaries, and reduced the federal corporate statutory tax rate to 21% effective January 1, 2018. As our fiscal year end falls on September 30, the federal corporate statutory tax rate for fiscal 2018 was prorated to 24.5%, with the statutory tax rate for fiscal 2019 and beyond at 21%.

The effective tax rates related to continuing operations for the six months ended March 30, 2019 and March 31, 2018 were 24.7% and (15.0)%, respectively. During the six months ended March 31, 2018, we recognized a one-time $45.9 million net tax benefit adjustment reflecting the revaluation of our net deferred tax liability at the lower tax rate under the Act. In addition, as part of the Act, we recognized a one-time tax expense on deemed repatriated earnings and cash of foreign subsidiaries as required by the Act of $14.0 million, partially offset by the recognition and application of foreign tax credits associated with these foreign subsidiaries of $13.9 million.

The effective tax rate used for interim purposes is based on our best estimate of factors impacting the effective tax rate for the full fiscal year. The ultimate impact of the Act may differ from our estimates due to changes in the interpretations and assumptions made by us as well as additional regulatory guidance that may be issued.

Other factors affecting the estimated effective tax rate include assumptions as to income by jurisdiction (domestic and foreign), the availability and utilization of tax credits and the existence of elements of income and expense that may not be taxable or deductible. The estimated effective tax rate is subject to revision in later interim periods and at fiscal year end as facts and circumstances change during the course of the fiscal year. There can be no assurance that the effective tax rate estimated for interim financial reporting purposes will approximate the effective tax rate determined at fiscal year end.

Income from Continuing Operations

Income from continuing operations was $396.9 million, or $7.10 per diluted share, for the three months ended March 30, 2019 compared to $152.7 million, or $2.66 per diluted share, for the three months ended March 31, 2018. The increase was driven by higher net sales, an increase in other non-operating income and lower impairment, restructuring and other charges, partially offset by a lower gross profit rate, higher SG&A, higher interest expense and an increase in income tax expense.

Diluted average common shares used in the diluted income per common share calculation were 55.9 million for the three months ended March 30, 2019 compared to 57.4 million for the three months ended March 31, 2018. The decrease was primarily the result of Common Share repurchase activity during fiscal 2018, partially offset by the exercise and issuance of share-based compensation awards and the payment of a portion of the purchase price of Sunlight Supply in Common Shares.

Income from continuing operations was $314.3 million, or $5.62 per diluted share, for the six months ended March 30, 2019 compared to $132.7 million, or $2.29 per diluted share, for the six months ended March 31, 2018. The increase was driven by higher net sales, an increase in other non-operating income and lower impairment, restructuring and other charges, partially offset by a lower gross profit rate, higher SG&A, higher interest expense and an increase in income tax expense.

Diluted average common shares used in the diluted income per common share calculation were 55.9 million for the six months ended March 30, 2019 compared to 58.0 million for the six months ended March 31, 2018. The decrease was primarily the result of Common Share repurchase activity during fiscal 2018, partially offset by the exercise and issuance of share-based compensation awards and the payment of a portion of the purchase price of Sunlight Supply in Common Shares.

Income (Loss) from Discontinued Operations, net of tax

Income (loss) from discontinued operations, net of tax, was $(0.5) million and $2.5 million for the three and six months ended March 30, 2019, respectively, as compared to $(3.7) million and $(4.9) million for the three and six months ended March 31, 2018, respectively.

During the three and six months ended March 30, 2019, we received insurance reimbursement payments related to the previously disclosed legal matter *In re Morning Song Bird Food Litigation* of $8.4 million and $13.4 million, respectively. We recognized insurance recoveries of $5.0 million related to this matter in the "Income (loss) from discontinued operations, net of tax" line in the Condensed Consolidated Statements of Operations during the first quarter of fiscal 2019, and the remaining $8.4 million of reimbursements have been recognized as an accrued liability in the Condensed Consolidated Balance Sheets as of March 30, 2019 pending the finalization of the settlement. Refer to "NOTE 12. CONTINGENCIES" for more information.

During the three and six months ended March 31, 2018, we recognized $0.2 million and $1.6 million, respectively, in transaction related costs associated with the sale of the International Business. During the three months ended March 31, 2018, we recorded a reduction to the gain on the sale of the International Business of $3.7 million related to the resolution of the post-closing working capital adjustment obligation. Refer to "NOTE 3. DISCONTINUED OPERATIONS" for more information.

SEGMENT RESULTS

We divide our operations into three reportable segments: U.S. Consumer, Hawthorne and Other. U.S. Consumer consists of our consumer lawn and garden business located in the geographic United States. Hawthorne consists of our indoor, urban and hydroponic gardening business. Other consists of our consumer lawn and garden business in geographies other than the U.S. and our product sales to commercial nurseries, greenhouses and other professional customers. Corporate consists of general and administrative expenses and certain other income/expense items not allocated to the business segments. This identification of reportable segments is consistent with how the segments report to and are managed by our chief operating decision maker.

The performance of each reportable segment is evaluated based on several factors, including income (loss) from continuing operations before income taxes, amortization, impairment, restructuring and other charges ("Segment Profit (Loss)"), which is a non-GAAP financial measure. Senior management uses Segment Profit (Loss) to evaluate segment performance because they believe this measure is indicative of performance trends and the overall earnings potential of each segment.

The following table sets forth net sales by segment for the periods indicated:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
	(In millions)			
U.S. Consumer	$ 993.5	$ 920.2	$ 1,130.4	$ 1,046.1
Hawthorne	144.1	41.8	284.8	118.5
Other	52.3	51.3	72.8	70.3
Consolidated	$ 1,189.9	$ 1,013.3	$ 1,488.0	$ 1,234.9

The following table sets forth Segment Profit (Loss) as well as a reconciliation to the most directly comparable GAAP measure:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2019	MARCH 31, 2018	MARCH 30, 2019	MARCH 31, 2018
	(In millions)			
U.S. Consumer	$ 320.0	$ 286.2	$ 277.0	$ 248.3
Hawthorne	10.3	(4.8)	14.7	(3.0)
Other	3.8	1.6	(0.2)	(2.5)
Total Segment Profit (Non-GAAP)	334.1	283.0	291.5	242.8
Corporate	(34.3)	(33.6)	(62.1)	(58.7)
Intangible asset amortization	(8.4)	(6.9)	(16.8)	(13.7)
Impairment, restructuring and other	(1.2)	(10.2)	(7.2)	(10.0)
Equity in income of unconsolidated affiliates	2.0	1.5	3.3	2.1
Interest expense	(28.9)	(22.6)	(54.1)	(40.4)
Other non-operating income (expense), net	260.1	(9.2)	262.9	(6.7)
Income from continuing operations before income taxes (GAAP)	$ 523.4	$ 202.0	$ 417.5	$ 115.4

U.S. Consumer

U.S. Consumer segment net sales were $993.5 million in the second quarter of fiscal 2019, an increase of 8.0% from second quarter of fiscal 2018 net sales of $920.2 million; and were $1,130.4 million for the first six months of fiscal 2019, an increase of 8.1% from the first six months of fiscal 2018 net sales of $1,046.1 million. For the second quarter of fiscal 2019, the increase was driven by the favorable impacts of volume and pricing of 4.4% and 3.6%, respectively. For the six months ended March 30, 2019, the increase was driven by the favorable impacts of volume and pricing of 5.1% and 2.9%, respectively. The increase in sales volume for the three and six months ended March 30, 2019 was driven by increased sales of soils, mulch, grass seed, fertilizer and controls products. Subsequent to March 30, 2019, Monsanto agreed to reimburse us for $20.0 million of additional expenses incurred and to be incurred for certain activities connected to the Restated Marketing Agreement. The $20.0 million payment will be included in the “Net sales” line in the Condensed Consolidated Statements of Operations for the third quarter of fiscal 2019.

U.S. Consumer Segment Profit was $320.0 million in the second quarter of fiscal 2019, an increase of 11.8% from the second quarter of fiscal 2018 Segment Profit of $286.2 million; and was $277.0 million for the first six months of fiscal 2019, an increase of 11.6% from the first six months of fiscal 2018 Segment Profit of $248.3 million. For the three and six months ended March 30, 2019, the increase was primarily due to higher net sales and a higher gross profit rate, partially offset by higher SG&A.

Hawthorne

Hawthorne segment net sales were $144.1 million in the second quarter of fiscal 2019, an increase of 244.7% from second quarter of fiscal 2018 net sales of $41.8 million; and were $284.8 million for the first six months of fiscal 2019, an increase of 140.3% from the first six months of fiscal 2018 net sales of $118.5 million. For the second quarter of fiscal 2019, the increase was driven by the favorable impacts of acquisitions and volume of 218.8% and 34.6%, respectively, partially offset by the unfavorable impacts of pricing and changes in foreign exchange rates of 4.7% and 3.9%, respectively. For the six months ended March 30, 2019, the increase was driven by the favorable impacts of acquisitions and volume of 137.5% and 9.5%, respectively, partially offset by the unfavorable impacts of pricing and changes in foreign exchange rates of 3.8% and 2.9%, respectively.

Hawthorne Segment Profit was $10.3 million in the second quarter of fiscal 2019, as compared to the second quarter of fiscal 2018 Segment Loss of $4.8 million; and was $14.7 million for the first six months of fiscal 2019, as compared to the first six months of fiscal 2018 Segment Loss of $3.0 million. For the three and six months ended March 30, 2019, the increase was driven by higher net sales and the acquisition of Sunlight Supply, partially offset by a lower gross profit rate and higher SG&A.

Other

Other segment net sales were $52.3 million in the second quarter of fiscal 2019, an increase of 1.9% from second quarter of fiscal 2018 net sales of $51.3 million; and were $72.8 million for the first six months of fiscal 2019, an increase of 3.6% from the first six months of fiscal 2018 net sales of $70.3 million. For the second quarter of fiscal 2019, the increase was driven by the favorable impacts of volume and price of 4.0% and 1.7%, respectively, partially offset by the unfavorable impact of changes in foreign exchange rates of 3.7%. For the six months ended March 30, 2019, the increase was driven by the favorable impacts of

volume and price of 6.2% and 1.1%, respectively, partially offset by the unfavorable impact of changes in foreign exchange rates of 3.7%.

Other Segment Profit was $3.8 million in the second quarter of fiscal 2019, an increase of 137.5% from second quarter of fiscal 2018 Segment Profit of $1.6 million. Other Segment Loss was $0.2 million for the first six months of fiscal 2019, a decrease of 92.0% from the first six months of fiscal 2018 Segment Loss of $2.5 million.

Corporate

Corporate expenses were $34.3 million in the second quarter of fiscal 2019, an increase of 2.1% from second quarter of fiscal 2018 expenses of $33.6 million; and were $62.1 million for the first six months of fiscal 2019, an increase of 5.8% from the first six months of fiscal 2018 expenses of $58.7 million. The increase was driven by higher share-based compensation expense due to an increase in the expected payout percentage on long-term performance-based awards as a result of strong cash flow performance over the last two years and expectations for future periods, and a decrease in royalty income earned from Exponent related to its use of our brand names following our divestiture of the International Business. Refer to “NOTE 3. DISCONTINUED OPERATIONS” for more information regarding the divestiture of the International Business.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash used in operating activities totaled $546.1 million for the six months ended March 30, 2019, an increase of $63.3 million as compared to cash used in operating activities of $482.8 million for the six months ended March 31, 2018. This increase was driven by payments made in connection with litigation settlements, timing of customer rebate payments, timing of inventory production, an increase in interest payments and higher SG&A, partially offset by lower short-term variable cash incentive payouts.

Investing Activities

Cash provided by investing activities totaled $229.7 million for the six months ended March 30, 2019, an increase of $377.6 million as compared to cash used in investing activities of $147.9 million for the six months ended March 31, 2018. During the six months ended March 30, 2019, we sold our investment in the TruGreen Joint Venture for cash proceeds of $234.2 million related to the sale of the equity interest and $18.4 million related to the payoff of second lien term loan financing. Cash used for investments in property, plant and equipment during the first six months of fiscal 2019 and 2018 was $20.9 million and $33.1 million, respectively. During the six months ended March 30, 2019, we paid a post-closing net working capital adjustment obligation of $6.6 million related to the fiscal 2018 acquisition of Sunlight Supply and we received cash of $1.0 million associated with currency forward contracts. During the six months ended March 31, 2018, we completed the acquisition of Can-Filters, which included a cash outflow of $72.0 million, paid the post-closing working capital adjustment obligation of $35.3 million related to the sale of the International Business and made loans to unconsolidated affiliates of $7.7 million.

Financing Activities

Cash provided by financing activities totaled $320.6 million for the six months ended March 30, 2019, a decrease of $220.1 million as compared to cash provided by financing activities of $540.7 million for the six months ended March 31, 2018. This decrease was the result of a decrease in net borrowings under our Fifth A&R Credit Facilities of $545.5 million driven by proceeds from the sale of the TruGreen Joint Venture that were used to reduce our indebtedness, a decrease in repurchases of our Common Shares of $253.8 million and a cash outflow of $72.2 million related to the acquisition of the remaining 25% noncontrolling interest in Gavita during the six months ended March 31, 2018.

Cash and Cash Equivalents

Our cash and cash equivalents were held in cash depository accounts with major financial institutions around the world or invested in high-quality, short-term liquid investments having original maturities of three months or less. The cash and cash equivalents balances of $37.5 million, $33.0 million and $33.9 million as of March 30, 2019, March 31, 2018 and September 30, 2018, respectively, included $25.6 million, $9.8 million and $17.7 million, respectively, held by controlled foreign corporations. As of March 30, 2019, and after consideration of the one-time transition tax on deemed repatriation of foreign earnings, we have no material unremitted earnings of foreign subsidiaries. However, we maintain our assertions of indefinite reinvestment of the earnings of all material foreign subsidiaries with the exception of the earnings of Scotts Luxembourg Sarl and O.M. Scott International Investments, Ltd., which are generally taxed on a current basis under “Subpart F” of the Code which prevents deferral of recognition of U.S. taxable income through the use of foreign entities.

Borrowing Agreements

Our primary sources of liquidity are cash generated by operations and borrowings under our credit facilities, which are guaranteed by substantially all of Scotts Miracle-Gro's domestic subsidiaries. On July 5, 2018, we entered into a fifth amended and restated credit agreement ("the Fifth A&R Credit Agreement"), providing us with five-year senior secured loan facilities in the aggregate principal amount of $2.3 billion, comprised of a revolving credit facility of $1.5 billion and a term loan in the original principal amount of $800.0 million (the "Fifth A&R Credit Facilities").

At March 30, 2019, we had letters of credit outstanding in the aggregate principal amount of $21.4 million, and $812.3 million of borrowing availability under the Fifth A&R Credit Agreement. The weighted average interest rates on average borrowings under the Fifth A&R Credit Agreement and the former credit agreement were 4.6% and 4.1% for the six months ended March 30, 2019 and March 31, 2018, respectively.

The Fifth A&R Credit Agreement contains, among other obligations, an affirmative covenant regarding our leverage ratio on the last day of each quarter calculated as average total indebtedness, divided by our earnings before interest, taxes, depreciation and amortization ("EBITDA"), as adjusted pursuant to the terms of the Fifth A&R Credit Agreement ("Adjusted EBITDA"). The maximum leverage ratio is: (i) 5.25 through the second quarter of fiscal 2019, (ii) 5.00 for the third quarter of fiscal 2019 through the first quarter of fiscal 2020, (iii) 4.75 for the second quarter of fiscal 2020 through the fourth quarter of fiscal 2020 and (iv) 4.50 for the first quarter of fiscal 2021 and thereafter. Our leverage ratio was 3.93 at March 30, 2019. The Fifth A&R Credit Agreement also contains an affirmative covenant regarding our interest coverage ratio determined as of the end of each of the Company's fiscal quarters. The interest coverage ratio is calculated as Adjusted EBITDA divided by interest expense, as described in the Fifth A&R Credit Agreement, and excludes costs related to refinancings. The minimum interest coverage ratio was 3.00 for the twelve months ended March 30, 2019. Our interest coverage ratio was 5.67 for the twelve months ended March 30, 2019. The Fifth A&R Credit Agreement allows us to make unlimited restricted payments (as defined in the Fifth A&R Credit Agreement), including dividend payments and Common Share repurchases, as long as the leverage ratio resulting from the making of such restricted payments is 4.00 or less. Otherwise we may make further restricted payments in an aggregate amount for each fiscal year not to exceed the amount set forth in the Fifth A&R Credit Agreement for such fiscal year ($200.0 million for fiscal 2019 and $225.0 million for fiscal 2020 and thereafter).

Under the Master Repurchase Agreement (including the annexes thereto, the "Repurchase Agreement") and a Master Framework Agreement (the "Framework Agreement" and, together with the Repurchase Agreement, the "Receivables Facility"), as amended, we may sell a portfolio of available and eligible outstanding customer accounts receivable to the purchasers and simultaneously agree to repurchase the receivables on a weekly basis. We account for the sale of receivables under the Receivables Facility as short-term debt and continue to carry the receivables on its Condensed Consolidated Balance Sheets, primarily as a result of our requirement to repurchase receivables sold. As of March 30, 2019 and March 31, 2018, there were $300.0 million in borrowings on receivables pledged as collateral under the Receivables Facility, and the carrying value of the receivables pledged as collateral was $333.3 million. As of March 30, 2019 and March 31, 2018, there was $100.0 million and $78.4 million, respectively, of availability under the Receivables Facility.

We continue to monitor our compliance with the leverage ratio, interest coverage ratio and other covenants contained in the Fifth A&R Credit Agreement and, based upon our current operating assumptions, we expect to remain in compliance with the permissible leverage ratio and interest coverage ratio throughout fiscal 2019. However, an unanticipated shortfall in earnings, an increase in net indebtedness or other factors could materially affect our ability to remain in compliance with the financial or other covenants of our credit agreement, potentially causing us to have to seek an amendment or waiver from our lending group which could result in repricing of our credit facilities. While we believe we have good relationships with our lending group, we can provide no assurance that such a request would result in a modified or replacement credit agreement on reasonable terms, if at all.

Judicial and Administrative Proceedings

We are party to various pending judicial and administrative proceedings arising in the ordinary course of business, including, among others, proceedings based on accidents or product liability claims and alleged violations of environmental laws. We have reviewed these pending judicial and administrative proceedings, including the probable outcomes, reasonably anticipated costs and expenses, and the availability and limits of our insurance coverage, and have established what we believe to be appropriate accruals. We believe that our assessment of contingencies is reasonable and that the related accruals, in the aggregate, are adequate; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by these proceedings, whether as a result of adverse outcomes or as a result of significant defense costs.

Contractual Obligations

There have been no material changes outside of the ordinary course of business in our outstanding contractual obligations since the end of fiscal 2018 and through March 30, 2019.

REGULATORY MATTERS

We are subject to local, state, federal and foreign environmental protection laws and regulations with respect to our business operations and believe we are operating in substantial compliance with, or taking actions aimed at ensuring compliance with, such laws and regulations. We are involved in several legal actions with various governmental agencies related to environmental matters. While it is difficult to quantify the potential financial impact of actions involving these environmental matters, particularly remediation costs at waste disposal sites and future capital expenditures for environmental control equipment, in the opinion of management, the ultimate liability arising from such environmental matters, taking into account established accruals, should not have a material effect on our financial condition, results of operations or cash flows. However, there can be no assurance that the resolution of these matters will not materially affect our future quarterly or annual results of operations, financial condition or cash flows. Additional information on environmental matters affecting us is provided in the 2018 Annual Report, under "ITEM 1. BUSINESS — Regulatory Considerations" and "ITEM 3. LEGAL PROCEEDINGS."

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preceding discussion and analysis of our consolidated results of operations and financial condition should be read in conjunction with our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. The 2018 Annual Report includes additional information about us, our operations, our financial condition, our critical accounting policies and accounting estimates, and should be read in conjunction with this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks have not changed materially from those disclosed in the 2018 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Scotts Miracle-Gro Company (the "Registrant") maintains "disclosure controls and procedures," as such term is defined under Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in the Registrant's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Registrant's management, including its principal executive officer and its principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, the Registrant's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, the Registrant's management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

With the participation of the principal executive officer and principal financial officer of the Registrant, the Registrant's management has evaluated the effectiveness of the Registrant's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Registrant's principal executive officer and principal financial officer have concluded that the Registrant's disclosure controls and procedures were effective as of March 30, 2019.

Changes in Internal Control Over Financial Reporting

In addition, there were no changes in the Registrant's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Registrant's fiscal quarter ended March 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the legal proceedings that have been previously disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2018, as updated in our Quarterly Report on Form 10-Q for the quarter ended December 29, 2018. There have been no material changes to the pending legal proceedings set forth therein.

ITEM 1A. RISK FACTORS

The Company's risk factors, as of March 30, 2019, have not changed materially from those described in "ITEM IA. RISK FACTORS" in the 2018 Annual Report.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the exhibits hereto and the information incorporated by reference herein, contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to risks and uncertainties. Other than statements of historical fact, information regarding activities, events and developments that we expect or anticipate will or may occur in the future, including, but not limited to, information relating to our future growth and profitability targets and strategies designed to increase total shareholder value, are forward-looking statements based on management's estimates, assumptions and projections. Forward-looking statements also include, but are not limited to, statements regarding our future economic and financial condition and results of operations, the plans and objectives of management and our assumptions regarding our performance and such plans and objectives, as well as the amount and timing of repurchases of Common Shares. These forward-looking statements generally can be identified through the use of words such as "guidance," "outlook," "projected," "believe," "target," "predict," "estimate," "forecast," "strategy," "may," "goal," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will," "should" and other similar words and variations.

Forward-looking statements contained in this Quarterly Report on Form 10-Q are predictions only and actual results could differ materially from management's expectations due to a variety of factors, including those described in "ITEM 1A. RISK FACTORS" in the 2018 Annual Report. All forward-looking statements attributable to us or persons working on our behalf are expressly qualified in their entirety by such risk factors.

The forward-looking statements that we make in this Quarterly Report on Form 10-Q are based on management's current views and assumptions regarding future events and speak only as of their dates. We disclaim any obligation to update developments of these risk factors or to announce publicly any revisions to any of the forward-looking statements that we make, or to make corrections to reflect future events or developments, except as required by the federal securities laws.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The payment of future dividends, if any, on the Common Shares will be determined by the Board of Directors in light of conditions then existing, including the Company's earnings, financial condition and capital requirements, restrictions in financing agreements, business conditions and other factors. The Fifth A&R Credit Agreement allows the Company to make unlimited restricted payments (as defined in the Fifth A&R Credit Agreement), including dividend payments and Common Share repurchases, as long as the leverage ratio resulting from the making of such restricted payments is 4.00 or less. Otherwise the Company may make further restricted payments in an aggregate amount for each fiscal year not to exceed the amount set forth in the Fifth A&R Credit Agreement for such fiscal year ($200.0 million for fiscal 2019 and $225.0 million for fiscal 2020 and thereafter). The Company's leverage ratio was 3.93 at March 30, 2019.

(a) Issuer Purchases of Equity Securities

The following table shows the purchases of Common Shares made by or on behalf of Scotts Miracle-Gro or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of Scotts Miracle-Gro for each of the three fiscal months in the quarter ended March 30, 2019:

Period	Total Number of Common Shares Purchased(1)	Average Price Paid per Common Share(2)	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs(3)	Approximate Dollar Value of Common Shares That May Yet be Purchased Under the Plans or Programs(3)
December 30, 2018 through January 26, 2019	26	$ 63.61	—	$ 285,432,143
January 27, through February 23, 2019	1,367	$ 70.22	—	$ 285,432,143
February 24, through March 30, 2019	4,849	$ 78.92	—	$ 285,432,143
Total	6,242	$ 76.95	—	

(1) All of the Common Shares purchased during the second fiscal quarter of 2019 were purchased in open market transactions. The total number of Common Shares purchased during this quarter includes 6,242 Common Shares purchased by the trustee of the rabbi trust established by the Company as permitted pursuant to the terms of The Scotts Company LLC Executive Retirement Plan (the "ERP").

(2) The average price paid per Common Share is calculated on a settlement basis and includes commissions.

(3) In August 2014, the Scotts Miracle-Gro Board of Directors authorized the repurchase of up to $500.0 million of Common Shares over a five-year period (effective November 1, 2014 through September 30, 2019). On August 3, 2016, Scotts Miracle-Gro announced that its Board of Directors authorized a $500.0 million increase to the share repurchase authorization ending on September 30, 2019. The amended authorization allows for repurchases of Common Shares of up to an aggregate amount of $1.0 billion through September 30, 2019. The dollar amounts indicated reflect the remaining amounts that were available for repurchase under the authorized repurchase program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

Not Applicable.

ITEM 6. EXHIBITS

See Index to Exhibits at page 61 for a list of the exhibits included herewith.

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION	LOCATION
10.1	Consulting Agreement, dated January 28, 2019, between The Scotts Company LLC and Hanft Projects LLC	*
10.2	Form of Amendment to Project Focus Amendment Award Agreement under The Scotts Miracle-Gro Company Long-Term Incentive Plan (Effective as of January 30, 2017)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed January 30, 2019 [Exhibit 10.1]
10.3	Purchase Agreement, dated March 19, 2019, among TruGreen Companies L.L.C., TruGreen, Inc., TruGreen LLC, SLS Holdings, Inc. and Outdoor Home Services Holdings LLC	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed March 20, 2019 [Exhibit 10.1]
21	Subsidiaries of The Scotts Miracle-Gro Company	*
31.1	Rule 13a-14(a)/15d-14(a) Certifications (Principal Executive Officer)	*
31.2	Rule 13a-14(a)/15d-14(a) Certifications (Principal Financial Officer)	*
32	Section 1350 Certifications (Principal Executive Officer and Principal Financial Officer)	*
101.INS	XBRL Instance Document	*
101.SCH	XBRL Taxonomy Extension Schema	*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	*
101.DEF	XBRL Taxonomy Extension Definition Linkbase	*
101.LAB	XBRL Taxonomy Extension Label Linkbase	*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	*

* Filed or furnished herewith

SIGNATURES

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

THE SCOTTS MIRACLE-GRO COMPANY

Date: May 8, 2019

/s/ THOMAS RANDAL COLEMAN

Printed Name: Thomas Randal Coleman

Title: Executive Vice President and Chief Financial Officer

Exhibit 10.1

January 28, 2019

Mr. Adam Hanft
Chief Executive Officer
Hanft Projects LLC
55 Fifth Avenue, Penthouse
New York, NY 10003

Dear Adam:

This letter sets forth our agreement (the "Agreement") regarding a consulting engagement between Hanft Projects LLC and The Scotts Company LLC ("Scotts" or the "Company"). For the purposes of this Agreement, the term "Contractor" means Hanft Projects LLC, its primary designee/employee Adam Hanft, and any other designee or employee of Hanft Projects LLC. These consulting services are separate and distinct from the services Mr. Hanft is and will be providing as a member of the Scotts Miracle-Gro Company's Board of Directors (the "Board") or any Board Committees or other Committees on which Mr. Hanft may serve.

I. Scope of Services

Subject to the approval of the Board, Contractor agrees to provide the consulting services to Scotts described below:

1. Develop creative assets for a variety of existing Scotts brands, including broadcast and social, and participate with the internal team on the execution and production of these assets;

2. Support, guide and supplement the management of external agency and creative resources as they create, develop and produce work for Scotts;

3. Support the internal consumer team - our "studio" and the SBUs - on the development of portfolio strategies, brand and product strategy for existing and new products, the content of creative briefs, and related activities;

4. Work with internal teams on the development and execution of web and content strategies;

5. Work with the internal research and insight teams to drive innovation and the exploration of new modalities to better understand consumer behaviors, wants and needs;

6. Support Scotts' internal DTC team in its transformative and catalytic roles across all areas of activity, including branding, positioning, new product development, targeting customer acquisition and CRM;

7. Work with corporate strategy on overall company direction, identify relevant trends and their application to the Company's goals;

8. As appropriate, introduce business opportunities to the company with regard to strategic partnerships, joint ventures, mergers and acquisitions;

9. Provide coaching and thought leadership to key company executives as they seek to drive cultural change and nurture a more responsive and agile internal environment; and

10. Work with Hawthorne, as required, across all areas of strategy, branding and messaging to our key target audiences.

Contractor and the Company may agree to modifications of these work activities from time to time as necessary to achieve the purpose of this Agreement. When such modifications are necessary, Contractor and the Company will execute an amendment to this agreement reflecting the agreed upon modifications, which may include, by way of non-limiting examples, modifications regarding the work activities, the hours of consulting services provided, and/or the consulting fees and expenses paid to Contractor. Company expects Contractor to provide a minimum of 1,000 hours (50% of FTE) of consulting services during the term of this Agreement (outside services in his capacity as a member of the Board).

In providing consulting services to Scotts under this Agreement, Contractor will be an independent contractor and will not be an employee, agent, partner, or joint venturer of Scotts or of any of Scotts' affiliates, or of any of its or their respective officers, directors or employees. Except as provided as a member of the Board, if applicable, and except as otherwise expressly stated herein including in paragraph 1(b), Mr. Hanft and any other designee or employee of Contractor will not participate in or receive benefits under any of Scotts' employee fringe benefit programs or receive any other fringe benefits from Scotts, including, without limitation, the health, disability, life insurance, retirement, equity awards, pension and profit sharing benefits on account of the consulting services provided to Scotts under this Agreement.

II. Length of Agreement

The term of this Agreement will commence on February 1, 2019 and will end on January 31, 2020, unless terminated earlier under Section V.1. The term of this Agreement may be extended only by written agreement, signed by both parties and setting forth expressly the terms related to the consulting fee.

III. Authority

In providing consulting services to Scotts under this Agreement, Contractor will have no authority at any time to assume or create any obligation or liability, express or implied, on Scotts' behalf or in Scotts' name or to bind Scotts in any manner whatsoever.

IV. Consulting Fees and Expenses

1. In exchange for providing the consulting services hereunder, during the term of this Agreement, Scotts shall pay Contractor a consulting fee consisting of a combination of cash and restricted stock units, as follows:

   a. A monthly cash payment of $75,000 for each month during the term irrespective of whether Scotts requests that Contractor provides consulting services hereunder. Contractor shall be required to submit monthly invoices including days/hours worked with brief descriptions of the services provided. Scotts shall pay Contractor within 30 days of its receipt of Contractor's invoices.

   b. A one-time grant of restricted stock units ("RSUs") with a grant date value of $400,000. The RSUs' shall be issued in the name of Adam Hanft individually. The number of

RSUs will be determined by dividing the intended grant date value by the closing price of a share on the grant date, rounded up to the next whole share. Each dividend equivalent represents the right to receive additional RSUs in respect of the dividends that are declared and paid during the period beginning on the Grant Date and ending on the applicable Settlement Date. The RSUs and any related dividend equivalents will vest on January 31, 2020, provided that this Agreement has not otherwise been terminated or notified for termination on that date for any reason listed in Section V.1 of this Agreement. Should Scotts terminate this Agreement pursuant to Section V.1(a), this grant shall be considered to be liquidated damages to Contractor and vest and settle in accordance with Section V.2.

i. With the exception of the vesting provisions described above and in Section V.2, the award of RSUs and related dividend equivalents shall be subject to the terms of The Scotts Miracle-Gro Company Long Term Incentive Plan, effective as of January 27, 2017 (the "Plan"), and the standard terms and conditions of the applicable award agreement. In the event of any conflicts or ambiguity between this Agreement and the terms of the Plan and/or the award agreement, the Plan and/or award agreement will be controlling.

2. Scotts also will pay or reimburse Contractor for all reasonable expenses incurred by Contractor in connection with providing consulting services to Scotts as contemplated herein, including, without limitation, all reasonable (a) telephone and fax expenses, and (b) travel expenses, including, without limitation, transportation, food and lodging, incurred in connection with attending Scotts approved meetings pursuant to this consulting agreement. Contractor must incur and account for expenses in accordance with the policies and procedures established by Scotts as a precondition to Scotts' obligation to pay or reimburse Contractor for such expenses pursuant to the terms of the preceding sentence. This includes describing expenses in reasonable detail on invoices. Scotts will provide private transportation when practical and economically reasonable.

3. Contractor agrees to provide, at its own expense, all equipment necessary to provide the consulting services contemplated herein and to be responsible for its own overhead costs and expenses except for those expenses that Scotts has expressly agreed to pay pursuant to the terms of the preceding paragraph.

V. Termination

1. Scotts shall be permitted to terminate this Agreement and its consulting relationship with Contractor under any of the following circumstances: (a) upon Scotts' 60 days advance written notice to Contractor, (b) Mr. Hanft's death or disability, or Contractor ceasing operations, (c) Contractor's material breach of its obligations to Scotts if such breach is not cured within 30 days after receiving notice thereof, (d) Contractor's and/or Mr. Hanft's indictment for a felony or serious misdemeanor, (e) Contractor's and/or Mr. Hanft's commission of an act of fraud or bad faith toward Scotts, or (f) Contractor's and/or Mr. Hanft's misappropriation of any funds, property or rights of Scotts. Contractor shall be permitted to terminate this Agreement and its consulting relationship with Scotts upon Contractor's 30 day advance written notice to Scotts.

2. In the event that Scotts terminates this Agreement for any reason other than those listed in Section V.1(b)-(f), Scotts will pay Contractor the total value of this Agreement less any amounts already paid pursuant to this Agreement, as well as any expenses Contractor has incurred pursuant to

the terms of this Agreement prior to the date of such termination, as liquidated damages to Consultant. In such an event, the one-time RSU grant and related dividend equivalents, if any, will vest upon termination; however, the RSUs will not settle until January 31, 2020.

3. In the event that Contractor terminates this Agreement and its consulting relationship with Scotts or Scotts terminates this Agreement and its consulting relationship with Contractor for any reason listed in Section V.1 of this Agreement, such termination shall not affect Scotts' obligation to pay Contractor for the amounts Contractor has earned prior to the date of such termination or reimburse Contractor for the expenses Contractor has incurred pursuant to the terms of this Agreement prior to the date of such termination.

VI. Confidential Information and Insider Trading

1. In providing the consulting services contemplated herein, Contractor will receive Confidential Information about Scotts and its affiliates. Maintaining the confidential nature of this information is very important to Scotts. As used in this Agreement, "Confidential Information" is any information about Scotts, or its affiliates, to which Contractor gains access in connection with its provision of consulting or other services to Scotts, including Mr. Hanft's service as a member of the Board. Confidential Information does not include information Contractor can show (a) was already in Contractor's possession prior to the time Contractor received such information as a consultant to Scotts, or (b) is publicly available or otherwise in the public domain by means other than Contractor's violation of the terms of this Agreement.

2. Contractor agrees to not at any time hereafter, without the prior written consent of Scotts, disclose, directly or indirectly, any Confidential Information or use any Confidential Information for any purpose other than providing consulting services to Scotts as contemplated herein.

3. In an effort to avoid the appearance of impropriety, Contractor agrees to follow all laws and regulations concerning insider trading, as well as Scotts Insider Trading policy (attached), during the term of this Agreement. Further, Contractor agrees that Contractor will not engage in any transaction of Scotts securities during the term of this Agreement except while the Scotts trading window is open, and even then only if Contractor is not in possession of material, non-public information. Following the termination of this Agreement, Contractor agrees that Contractor remains subject to the Scotts Insider Trading policy until the next scheduled open trading window period and will not engage in any transaction of Scotts securities until then, and then only if Contractor is not in possession of material, non-public information.

4. Contractor agrees to promptly return to Scotts, upon Scotts' request, all electronic or tangible documents that contain any Confidential Information and to retain no copies.

5. These confidentiality obligations are in addition to, and not in place of, any and all confidentiality obligations arising as a result of Mr. Hanft's membership on the Board and applicable Board Committees.

VII. Other

1. Contractor understands and agrees that this Agreement does not obligate Scotts to utilize Contractor's consulting services, but it is intended to set forth the terms pursuant to which Scotts may utilize Contractor's consulting services in Scotts' discretion.

2. Contractor is not permitted to assign, sell or otherwise transfer any of its rights or obligations hereunder.

3. Contractor acknowledges that neither Scotts nor any representatives of Scotts have made any representations or promises about the tax implications of this Agreement. Nothing in this Agreement may be construed as tax advice from Scotts to Contractor. Contractor has been encouraged to discuss the tax implications of this Agreement with his own tax and financial counsel.

THE SCOTTS COMPANY LLC

By: /s/ DENISE STUMP
Denise Stump
EVP, Global Human Resources &
Chief Ethics Officer

ACKNOWLEDGED AND AGREED:

By: /s/ ADAM HANFT
Adam Hanft, Chief Executive Officer
Hanft Projects LLC

Exhibit 21

DIRECT AND INDIRECT SUBSIDIARIES OF
THE SCOTTS MIRACLE-GRO COMPANY

Directly owned subsidiaries, as of March 30, 2019, are located at the left margin, each subsidiary tier thereunder is indented. Subsidiaries are listed under the names of their respective parent entities. Unless otherwise noted, the subsidiaries are wholly-owned.

NAME	JURISDICTION OF FORMATION
GenSource, Inc.	Ohio
OMS Investments, Inc.	Delaware
Scotts Temecula Operations, LLC	Delaware
Sanford Scientific, Inc.	New York
Scotts Global Investments, Inc.	Delaware
Scotts Global Services, Inc.	Ohio
Scotts Luxembourg SARL	Luxembourg
Scotts Manufacturing Company	Delaware
Miracle-Gro Lawn Products, Inc.	New York
Scotts Products Co.	Ohio
Scotts Servicios, S.A. de C.V.[1]	Mexico
Scotts Professional Products Co.	Ohio
Scotts Servicios, S.A. de C.V.[1]	Mexico
SLS Holdings, Inc.	Delaware
SMG Growing Media, Inc.	Ohio
AeroGrow International, Inc.[2]	Nevada
Hyponex Corporation	Delaware
Rod McLellan Company	California
The Hawthorne Gardening Company	Delaware
Can-filters Chile SPA	Chile
Hawthorne Hydroponics LLC	Delaware
Hawthorne Holdings B.V.	Netherlands
Hawthorne Gardening B.V.	Netherlands
Gavita Partners B.V.	Netherlands
Gavita International B.V.	Netherlands

[1] Scotts Professional Products Co. owns 50% and Scotts Products Co. owns 50%.
[2] SMG Growing Media, Inc.'s ownership is 80.5%.

Hawthorne Lighting B.V.	Netherlands
Agrolux Europe B.V.	Netherlands
Agrolux Nederland B.V.	Netherlands
Hawthorne Canada Limited	Canada
HDP Trading B.V.	Netherlands
HGCI, Inc.	Nevada
SMG ITO Holdings, Inc.	Ohio
Seamless Control LLC[3]	Delaware
SMGM LLC	Ohio
Scotts-Sierra Investments LLC	Delaware
Scotts Gardening Co., Ltd.	China
Scotts Canada Ltd.	Canada
Laketon Peat Moss Inc.[4]	Canada
Scotts de Mexico SA de CV[5]	Mexico
Scotts France Holdings SARL	France
SMG Germany GmbH	Germany
Scotts Holdings Limited	United Kingdom
Levington Group Limited	United Kingdom
SMG Gardening (UK) Limited	United Kingdom
The Scotts Company (Manufacturing) Limited	United Kingdom
Humax Horticulture Limited	United Kingdom
O M Scott International Investments Limited	United Kingdom
Swiss Farms Products, Inc.	Delaware
The Scotts Company LLC	Ohio
The Scotts Miracle-Gro Foundation[6]	Ohio

[3] SMG ITO Holdings, Inc.'s ownership is 51.0%.
[4] Scotts Canada Ltd.'s ownership is 50.0%.
[5] The Scotts Company LLC owns 0.5% and Scotts-Sierra Investments LLC owns the remaining 99.5%.
[6] The Scotts Miracle-Gro Foundation is a 501(c)(3) corporation.

Exhibit 31.1

Rule 13a-14(a)/15d-14(a) Certifications
(Principal Executive Officer)
CERTIFICATIONS

I, James Hagedorn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Scotts Miracle-Gro Company for the fiscal quarter ended March 30, 2019;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2019

By: /s/ JAMES HAGEDORN

Printed Name: James Hagedorn

Title: Chief Executive Officer and Chairman of the Board

Exhibit 31.2

Rule 13a-14(a)/15d-14(a) Certifications
(Principal Financial Officer)
CERTIFICATIONS

I, Thomas Randal Coleman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Scotts Miracle-Gro Company for the fiscal quarter ended March 30, 2019;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 8, 2019

By: /s/ THOMAS RANDAL COLEMAN

Printed Name: Thomas Randal Coleman

Title: Executive Vice President and Chief Financial Officer

Exhibit 32

SECTION 1350 CERTIFICATIONS*

In connection with the Quarterly Report on Form 10-Q of The Scotts Miracle-Gro Company (the "Company") for the fiscal quarter ended March 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned James Hagedorn, Chief Executive Officer and Chairman of the Board of the Company, and Thomas Randal Coleman, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company and its subsidiaries.

/s/ JAMES HAGEDORN

Printed Name: James Hagedorn

Title: Chief Executive Officer and Chairman of the Board

May 8, 2019

/s/ THOMAS RANDAL COLEMAN

Printed Name: Thomas Randal Coleman

Title: Executive Vice President and Chief Financial Officer

May 8, 2019

* THESE CERTIFICATIONS ARE BEING FURNISHED AS REQUIRED BY RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 (THE "EXCHANGE ACT") AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE, AND SHALL NOT BE DEEMED "FILED" FOR PURPOSES OF SECTION 18 OF THE EXCHANGE ACT OR OTHERWISE SUBJECT TO THE LIABILITY OF THAT SECTION. THESE CERTIFICATIONS SHALL NOT BE DEEMED TO BE INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES ACT OF 1933 OR THE EXCHANGE ACT, EXCEPT TO THE EXTENT THAT THE COMPANY SPECIFICALLY INCORPORATES THESE CERTIFICATIONS BY REFERENCE.