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 July 3, 2021

OR

☐ **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)

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

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 ☐

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 ☐

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	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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. ☐

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

As of August 6, 2021, there were 55,801,258 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		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net sales	$ 1,609.7	$ 1,492.7	$ 4,187.2	$ 3,241.3
Cost of sales	1,114.3	954.3	2,822.2	2,094.9
Cost of sales—impairment, restructuring and other	0.8	11.7	22.2	15.3
Gross profit	494.6	526.7	1,342.8	1,131.1
Operating expenses:				
Selling, general and administrative	194.1	237.7	582.3	553.1
Impairment, restructuring and other	0.5	4.2	3.7	2.0
Other (income) expense, net	(2.1)	0.3	(3.4)	0.4
Income from operations	302.1	284.5	760.2	575.6
Equity in income of unconsolidated affiliates	(21.5)	—	(20.0)	—
Costs related to refinancing	—	—	—	15.1
Interest expense	21.9	20.3	57.3	63.0
Other non-operating income, net	(1.2)	(1.9)	(17.3)	(7.3)
Income from continuing operations before income taxes	302.9	266.1	740.2	504.8
Income tax expense from continuing operations	73.1	61.8	174.2	122.0
Income from continuing operations	229.8	204.3	566.0	382.8
Income (loss) from discontinued operations, net of tax	(3.9)	(1.0)	(4.7)	1.6
Net income	$ 225.9	$ 203.3	$ 561.3	$ 384.4
Net income attributable to noncontrolling interest	—	(0.5)	(0.9)	(0.9)
Net income attributable to controlling interest	$ 225.9	$ 202.8	$ 560.4	$ 383.5
Basic income (loss) per common share:				
Income from continuing operations	$ 4.12	$ 3.67	$ 10.15	$ 6.86
Income (loss) from discontinued operations	(0.07)	(0.02)	(0.09)	0.03
Basic net income per common share	$ 4.05	$ 3.65	$ 10.06	$ 6.89
Weighted-average common shares outstanding during the period	55.8	55.6	55.7	55.7
Diluted income (loss) per common share:				
Income from continuing operations	$ 4.00	$ 3.57	$ 9.90	$ 6.74
Income (loss) from discontinued operations	(0.06)	(0.02)	(0.09)	0.02
Diluted net income per common share	$ 3.94	$ 3.55	$ 9.81	$ 6.76
Weighted-average common shares outstanding during the period plus dilutive potential common shares	57.4	57.1	57.1	56.7

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		Nine Months Ended	
	July 3, 2021	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**
Net income	$ 225.9	$ 203.3	$ 561.3	$ 384.4
Other comprehensive income (loss):				
Net foreign currency translation adjustment	2.4	5.3	10.5	—
Net unrealized gain (loss) on derivative instruments, net of tax	1.6	(3.0)	11.5	(15.5)
Reclassification of net unrealized losses on derivative instruments to net income, net of tax	0.5	3.1	4.4	5.8
Pension and other post-retirement benefit adjustments, net of tax	(0.4)	0.3	(1.2)	1.4
Total other comprehensive income (loss)	4.1	5.7	25.2	(8.3)
Comprehensive income	230.0	209.0	586.5	376.1
Comprehensive income attributable to noncontrolling interest	—	(0.5)	(0.9)	(0.9)
Comprehensive income attributable to controlling interest	$ 230.0	$ 208.5	$ 585.6	$ 375.2

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended	
	July 3, 2021	June 27, 2020
OPERATING ACTIVITIES		
Net income	$ 561.3	$ 384.4
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Costs related to refinancing	—	15.1
Share-based compensation expense	34.0	41.8
Depreciation	47.0	45.4
Amortization	23.0	23.6
Equity in income of unconsolidated affiliates	(20.0)	—
Other, net	(3.8)	(5.0)
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	(558.1)	(840.0)
Inventories	(337.2)	46.1
Prepaid and other assets	(62.5)	(28.5)
Accounts payable	87.9	115.3
Other current liabilities	24.7	262.1
Other non-current items	(2.3)	(12.3)
Other, net	(1.1)	(5.5)
Net cash provided by (used in) operating activities	(207.1)	42.5
INVESTING ACTIVITIES		
Proceeds from sale of long-lived assets	0.1	0.2
Investments in property, plant and equipment	(77.9)	(41.7)
Investments in loans receivable	—	(2.5)
Proceeds from sale of brand extension assets	—	115.5
Investments in unconsolidated affiliates	(102.3)	—
Payment for acquisitions, net of cash acquired	(21.8)	—
Other investing, net	(10.0)	2.9
Net cash provided by (used in) investing activities	(211.9)	74.4
FINANCING ACTIVITIES		
Borrowings under revolving and bank lines of credit and term loans	1,231.9	1,134.3
Repayments under revolving and bank lines of credit and term loans	(1,064.9)	(1,118.6)
Proceeds from issuance of 4.000% Senior Notes	500.0	—
Proceeds from issuance of 4.500% Senior Notes	—	450.0
Repayment of 6.000% Senior Notes	—	(400.0)
Financing and issuance fees	(7.2)	(18.7)
Dividends paid	(106.1)	(97.8)
Purchase of Common Shares	(91.0)	(53.1)
Payments on seller notes	—	(0.5)
Cash received from exercise of stock options	14.3	17.0
Acquisition of noncontrolling interests	(17.4)	—
Net cash provided by (used in) financing activities	459.6	(87.4)
Effect of exchange rate changes on cash	1.1	—
Net increase in cash and cash equivalents	41.7	29.5
Cash and cash equivalents at beginning of period	16.6	18.8
Cash and cash equivalents at end of period	$ 58.3	$ 48.3

See Notes to Condensed Consolidated Financial Statements.

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

	July 3, 2021	June 27, 2020	September 30, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	$ 58.3	$ 48.3	$ 16.6
Accounts receivable, less allowances of $10.9, $13.3 and $7.5, respectively	1,058.0	970.1	474.8
Accounts receivable pledged	—	177.8	22.3
Inventories	962.8	493.1	621.9
Prepaid and other current assets	146.9	89.5	81.0
Total current assets	2,226.0	1,778.8	1,216.6
Investment in unconsolidated affiliates	224.5	—	—
Property, plant and equipment, net of accumulated depreciation of $727.0, $671.1 and $682.1, respectively	582.6	533.2	560.0
Goodwill	547.1	540.0	544.1
Intangible assets, net	677.8	685.3	679.2
Other assets	363.1	339.5	380.6
Total assets	$ 4,621.1	$ 3,876.8	$ 3,380.5
LIABILITIES AND EQUITY			
Current liabilities:			
Current portion of debt	$ 53.7	$ 206.4	$ 66.4
Accounts payable	467.9	310.5	391.0
Other current liabilities	515.2	589.8	493.0
Total current liabilities	1,036.8	1,106.7	950.4
Long-term debt	2,132.0	1,516.0	1,455.1
Other liabilities	329.9	250.2	272.1
Total liabilities	3,498.7	2,872.9	2,677.6
Commitments and contingencies (Note 11)			
Equity:			
Common shares and capital in excess of $0.01 stated value per share; shares outstanding of 55.8, 55.8 and 55.8, respectively	471.4	465.8	482.5
Retained earnings	1,691.0	1,557.0	1,235.6
Treasury shares, at cost; 12.4, 12.4 and 12.4 shares, respectively	(966.1)	(922.1)	(921.8)
Accumulated other comprehensive loss	(73.9)	(102.2)	(99.1)
Total equity—controlling interest	1,122.4	998.5	697.2
Noncontrolling interest	—	5.4	5.7
Total equity	1,122.4	1,003.9	702.9
Total liabilities and equity	$ 4,621.1	$ 3,876.8	$ 3,380.5

See Notes to Condensed Consolidated Financial Statements.

(Dollars in millions, except per share data)

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 and hydroponic gardening. The Company's products are sold in North America, Europe and Asia.

The Company's North America consumer lawn and garden business is highly seasonal, with more than 75% of its annual net sales occurring in the second and third fiscal quarters.

The Company follows a 13-week quarterly accounting cycle pursuant to which the first three fiscal quarters end on a Saturday and the fiscal year always ends on September 30. This fiscal calendar convention requires the Company to cycle forward the first three fiscal quarter ends every six years. Fiscal 2021 is impacted by this process and, as a result, the first quarter of fiscal 2021 had five additional days and the fourth quarter of fiscal 2021 will have six fewer days compared to the respective quarters of fiscal 2020. In addition, the third quarter of fiscal 2021 began six days later than the third quarter of fiscal 2020 and those six days fell within the Company's peak selling season. The Company's third quarter of fiscal 2021 ended on July 3, 2021 while the Company's third quarter of fiscal 2020 ended on June 27, 2020.

Organization and Basis of Presentation

The Company's unaudited condensed consolidated financial statements for the three and nine months ended July 3, 2021 and June 27, 2020 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. On February 26, 2021, the Company acquired the remaining outstanding shares of AeroGrow International, Inc. ("AeroGrow"). Prior to this date, the equity owned by other shareholders was shown as noncontrolling interest in the Condensed Consolidated Balance Sheets, and the other shareholders' portion of net earnings and other comprehensive income was 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, 2020 (the "2020 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, 2020 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 $13.8 and $3.2 during the nine months ended July 3, 2021 and June 27, 2020, respectively, representing unpaid liabilities to acquire property, plant and equipment.

Statements of Cash Flows

Supplemental cash flow information was as follows:

	Nine Months Ended	
	July 3, 2021	June 27, 2020
Interest paid	$ 56.6	$ 68.2
Income tax payments	165.9	16.6

Investment in Unconsolidated Affiliates

Non-marketable equity investments in which the Company has the ability to exercise significant influence, but does not control, are accounted for using the equity method of accounting, with the Company’s proportionate share of the earnings and losses of these entities reflected in the Condensed Consolidated Statements of Operations. The Company evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, an impairment loss is recognized in earnings for the amount by which the carrying amount of the investment exceeds its estimated fair value.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, “Financial Instruments - Credit Losses (Topic 326),” which changes the impairment model for most financial assets to require measurement and recognition of expected credit losses for financial assets held. The Company adopted this guidance on October 1, 2020. The adoption of this guidance did not have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

In August 2018, the FASB issued ASU No. 2018-15, “Intangibles-Goodwill and Other-Internal-Use Software (Topic 350): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract,” which 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 Company adopted this guidance on October 1, 2020. The adoption of this guidance did not have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2019, the FASB issued ASU No. 2019-12, “Income taxes (Topic 740): Simplifying the Accounting for Income Taxes,” which simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. The provisions are effective for the Company’s financial statements no later than the fiscal year beginning October 1, 2021. The Company is continuing to assess the impact of the amended guidance.

NOTE 2. 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 August 31, 2017, the Company completed the sale of the International Business. 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. The sale proceeds were net of seller financing provided by the Company in the form of a $29.7 loan for seven years bearing interest at 5% for the first three years, with annual 2.5% increases thereafter. The seller financing loan receivable is recorded in the “Other assets” line in the Condensed Consolidated Balance Sheets as of July 3, 2021. The transaction also included contingent consideration with a maximum payout of $23.8 and an initial fair value of $18.2, the payment of which depended on the achievement of certain performance criteria by the International Business following the closing of the transaction through fiscal 2020. During the three months ended July 3, 2021, the Company agreed to accept a contingent consideration payout of $6.0, which will be paid to the Company prior to March 31, 2022. This amount is recorded in the “Prepaid and other current assets” line in the Condensed Consolidated Balance Sheets as of July 3, 2021. The Company recorded a pre-tax charge of $12.2 in the “Income (loss) from discontinued operations, net of tax” line in the Condensed Consolidated Statements of Operations during the three months ended July 3, 2021 to write down the contingent consideration receivable to the agreed upon payout amount.

NOTE 3. ACQUISITIONS AND INVESTMENTS

On December 31, 2020, pursuant to the terms of the Contribution and Unit Purchase Agreement between the Company and Alabama Farmers Cooperative, Inc. (“AFC”), the Company acquired a 50% equity interest in the Bonnie Plants business of planting, growing, developing, manufacturing, distributing, marketing, and selling live plants, plant food, fertilizer and potting soil through a newly formed joint venture with AFC (“Bonnie Plants, LLC”) in exchange for a cash payment of $100.7, as well as non-cash investing activities that included forgiveness of the Company’s outstanding loan receivable with AFC and surrender of the Company’s options to increase its economic interest in the Bonnie Plants business. The Company’s loan receivable with AFC, which was previously recognized in the "Other assets" line in the Condensed Consolidated Balance Sheets, had a carrying value of $66.4 on December 31, 2020 and the Company recognized a gain of $12.5 during the three months ended January 2, 2021 to write-up the value of the loan to its closing date fair value of $78.9 in the "Other non-operating income, net" line in the Condensed Consolidated Statements of Operations. The Company's options to increase its economic interest in the Bonnie Plants business were previously recognized in the "Other assets" line in the Condensed Consolidated Balance Sheets and had an estimated fair value of $23.3 on December 31, 2020. The Company's interest in Bonnie Plants, LLC had an initial fair value of $202.9 and is recorded in the "Investment in unconsolidated affiliates" line in the Condensed Consolidated Balance Sheets. The Company's interest is accounted for using the equity method of accounting, with the Company's proportionate share of Bonnie Plants, LLC earnings subsequent to December 31, 2020 reflected in the Condensed Consolidated Statements of Operations. The estimated fair value of the loan receivable with AFC was determined using an income-based approach, which includes market participant expectations of cash flows over the remaining useful life discounted to present value using an appropriate discount rate. The fair value estimate utilized significant unobservable inputs and thus represents a Level 3 nonrecurring fair value measurement.

On November 11, 2020, the Company entered into an agreement and plan of merger to acquire the remaining outstanding shares of AeroGrow for cash consideration of $3.00 per share, or approximately $20.1. The merger closed on February 26, 2021. Prior to closing, SMG Growing Media, Inc., a wholly-owned subsidiary of Scotts Miracle-Gro, was the holder of 80.5% of the outstanding shares of AeroGrow. The closing date carrying value of the noncontrolling interest was $6.7 and the $13.4 difference between the purchase price and carrying value 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.

On July 29, 2021, the Company's Hawthorne segment entered into an agreement to acquire substantially all of the assets of Hydro-Logic Purification Systems, Inc., a leading provider of products, accessories and systems for water filtration and purification, for $65.0. The transaction, which is subject to customary closing conditions, is expected to close during the fourth quarter of fiscal 2021.

On August 9, 2021, the Company entered into an agreement to make its initial investment under its strategic minority non-equity investment initiative in the form of a $150.0 six-year convertible note issued to the Company by Toronto-based RIV Capital Inc. (TSX: RIV) (OTC: CNPOF), a cannabis investment and acquisition firm currently listed on the Toronto Stock Exchange. The note accrues interest at 2 percent annually for the first two years and provides additional follow-on investment rights. The conversion feature, which is based upon the RIV Capital closing stock price on August 9, 2021, would provide the Company with approximately 42 percent ownership of RIV Capital if it were to be converted. The transaction is expected to close in the fourth quarter of fiscal 2021. The Company will also have the right to nominate up to three members for election to RIV Capital's Board of Directors, which will be increased to seven members. The Company will not have an active day-to-day role in RIV Capital nor any of the companies in which it invests. RIV Capital has agreed to use the funds for general corporate and other lawful purposes, which could include acquisitions, and has agreed that the funds will not be used in connection with or for any cannabis or cannabis-related operations in the U.S. unless and until such operations comply with all applicable U.S. federal laws.

(Dollars in millions, except per share data)

NOTE 4. 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		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Cost of sales—impairment, restructuring and other:				
COVID-19 related costs	$ 1.5	$ 12.2	$ 22.5	$ 15.3
Restructuring and other charges (recoveries), net	(0.7)	(0.5)	(0.3)	—
Operating expenses:				
COVID-19 related costs	0.4	4.3	3.6	5.0
Restructuring and other charges (recoveries), net	0.1	(0.1)	0.1	(3.0)
Impairment, restructuring and other charges from continuing operations	1.3	15.9	25.9	17.3
Restructuring and other charges (recoveries), net, from discontinued operations	—	—	—	(3.1)
Total impairment, restructuring and other charges (recoveries)	$ 1.3	$ 15.9	$ 25.9	$ 14.2

The following table summarizes the activity related to liabilities associated with restructuring and other during the nine months ended July 3, 2021:

Amounts accrued for restructuring and other at September 30, 2020	$ 3.9
Restructuring and other charges from continuing operations	25.9
Payments and other	(27.8)
Amounts accrued for restructuring and other at July 3, 2021	$ 2.0

Included in restructuring accruals, as of July 3, 2021, is $1.1 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.

COVID-19

The COVID-19 pandemic has had, and continues to have, an impact on financial markets, economic conditions, and portions of the Company’s business and industry. The Company has actively addressed the pandemic’s ongoing impact on its employees, operations, customers, consumers, and communities, by, among other things, implementing contingency plans, making operational adjustments where necessary, and providing assistance to organizations that support front-line workers. Many of the Company’s employees continue to work from home. In those instances where the Company’s employees cannot perform their work at home, the Company has implemented additional health and safety measures and social distancing protocols, consistent with government recommendations and/or requirements, to help to ensure their safety. In addition, the Company implemented an interim premium pay allowance for certain associates in its field sales force and its manufacturing or distribution centers. During the three and nine months ended July 3, 2021, the Company incurred costs of $1.9 and $26.1, respectively, associated with the COVID-19 pandemic primarily related to premium pay. The Company incurred costs of $0.8 and $19.8 in its U.S. Consumer segment, $0.5 and $2.4 in its Hawthorne segment and $0.2 and $0.3 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 nine months ended July 3, 2021, respectively. The Company incurred costs of $0.3 and $3.5 in its U.S. Consumer segment and $0.1 in its Other segment in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations during the three and nine months ended July 3, 2021, respectively. Since the inception of the COVID-19 pandemic, total costs classified within the “Cost of sales—impairment, restructuring and other” and the “Impairment, restructuring and other” lines in the Condensed Consolidated Statements of Operations are $39.5 for the U.S. Consumer segment, $5.0 for the Hawthorne segment and $1.0 for the Other segment.

During the three and nine months ended June 27, 2020, the Company incurred costs of $16.5 and $20.3, respectively, associated with the COVID-19 pandemic primarily related to premium pay. The Company incurred costs of $9.6 and $12.2 in its U.S. Consumer segment, $2.0 and $2.5 in its Hawthorne segment and $0.6 in its Other segment in the “Cost of sales—

(Dollars in millions, except per share data)

impairment, restructuring and other" line in the Condensed Consolidated Statements of Operations during the three and nine months ended June 27, 2020, respectively. The Company incurred costs of $4.2 and $4.9 in its U.S. Consumer segment and $0.1 in its Other segment in the "Impairment, restructuring and other" line in the Condensed Consolidated Statements of Operations during the three and nine months ended June 27, 2020, respectively.

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 acquisitions within the Hawthorne segment. Costs incurred during the three and nine months ended July 3, 2021 and June 27, 2020 related to Project Catalyst were not material. Costs incurred to date since the inception of Project Catalyst are $24.5 for the Hawthorne segment, $13.9 for the U.S. Consumer segment, $1.3 for the Other segment and $2.8 for Corporate. Additionally, during the three and nine months ended June 27, 2020, the Company received zero and $2.6, respectively, from the final settlement of escrow funds related to a previous acquisition within the Hawthorne segment that was recognized in the "Impairment, restructuring and other" line in the Condensed Consolidated Statements of Operations.

NOTE 5. INVENTORIES

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

	July 3, 2021	June 27, 2020	September 30, 2020
Finished goods	$ 665.8	$ 307.6	$ 390.3
Raw materials	220.1	126.7	164.8
Work-in-process	76.9	58.8	66.8
Total inventories	$ 962.8	$ 493.1	$ 621.9

Adjustments to reflect inventories at net realizable values were $21.3 at July 3, 2021, $13.9 at June 27, 2020 and $31.3 at September 30, 2020.

NOTE 6. MARKETING AGREEMENT

The Scotts Company LLC ("Scotts LLC") is the exclusive agent of Monsanto Company, a subsidiary of Bayer AG ("Monsanto"), for the marketing and distribution of certain of Monsanto's consumer Roundup® branded products in the United States and certain other specified countries. Effective August 1, 2019, the Company entered into the Third Amended and Restated Exclusive Agency and Marketing Agreement (the "Third Restated Agreement") which amended, among other things, the provisions of the Second Amended and Restated Exclusive Agency and Marketing Agreement (the "Restated Marketing Agreement") relating to commissions, contributions, noncompetition, and termination. The annual commission payable under the Third Restated Agreement is equal to 50% of the actual earnings before interest and income taxes of Monsanto's consumer Roundup® business in the markets covered by the Third Restated Agreement ("Program EBIT"). The Third Restated Agreement also requires the Company to make annual payments of $18.0 to Monsanto as a contribution against the overall expenses of its consumer Roundup® business, subject to reduction pursuant to the Third Restated Agreement for any program year in which the Program EBIT does not equal or exceed $36.0.

Unless Monsanto terminates the Third Restated Agreement due to an event of default by the Company, termination rights under the Third Restated Agreement include the following:

- The Company may terminate the Third Restated Agreement (i) for any reason effective as of September 30, 2022 by delivery of notice of termination to Monsanto on January 15, 2021 (a "Convenience Termination") or (ii) upon the insolvency or bankruptcy of Monsanto;
- Monsanto may terminate the Third Restated Agreement in the event that Monsanto decides to decommission the permits, licenses and registrations needed for, and the trademarks, trade names, packages, copyrights and designs used in, the sale of the Roundup® products in the lawn and garden market (a "Brand Decommissioning Termination"); and
- Each party may terminate the Third Restated Agreement if Program EBIT falls below $50.0 and, in such case, no termination fee would be payable to either party.

On January 15, 2021, the Company declined to exercise its Convenience Termination right.

(Dollars in millions, except per share data)

The termination fee structure requires Monsanto to pay a termination fee to the Company in an amount equal to (i) $175.0 upon a Convenience Termination, which the Company declined to exercise, (ii) $375.0 upon a Brand Decommissioning Termination, and (iii) the greater of $175.0 or four times an amount equal to the average of the Program EBIT for the three program years before the year of termination, minus $186.4, if Monsanto or its successor terminates the Third Restated Agreement as a result of a Roundup Sale or Change of Control of Monsanto (each, as defined in the Third Restated Agreement).

In connection with the signing of the Third Restated Agreement, the Company also entered into the Brand Extension Agreement Asset Purchase Agreement (the "BEA Purchase Agreement"). The BEA Purchase Agreement provides for the sale by the Company to Monsanto of specified assets related to, among other things, the development, manufacture, production, advertising, marketing, promotion, distribution, importation, exportation, offer for sale and sale of specified Roundup® branded products sold outside the non-selective weedkiller category within the residential lawn and garden market. The consideration paid by Monsanto was $112.0 plus the value of finished goods inventory of $3.5. This consideration receivable was recorded in the "Prepaid and other current assets" line in the Consolidated Balance Sheets until it was received by the Company on January 13, 2020. The carrying value of the assets sold included the brand extension agreement intangible asset with a carrying value of $111.7.

The elements of the net commission and reimbursements earned under the Restated Marketing Agreement and included in the "Net sales" line in the Condensed Consolidated Statements of Operations are as follows:

	Three Months Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Gross commission	$ 34.7	$ 28.1	$ 84.9	$ 70.2
Contribution expenses	(4.5)	(4.5)	(13.5)	(13.5)
Net commission	30.2	23.6	71.4	56.7
Reimbursements associated with Roundup® marketing agreement	17.7	16.4	58.4	46.7
Total net sales associated with Roundup® marketing agreement	$ 47.9	$ 40.0	$ 129.8	$ 103.4

NOTE 7. DEBT

The components of debt are as follows:

	July 3, 2021	June 27, 2020	September 30, 2020
Credit Facilities:			
Revolving loans	$ 278.8	$ 106.2	$ 64.0
Term loans	680.0	730.0	710.0
Senior Notes – 4.000%	500.0	—	—
Senior Notes – 4.500%	450.0	450.0	450.0
Senior Notes – 5.250%	250.0	250.0	250.0
Receivables facility	—	160.0	20.0
Finance lease obligations	34.5	34.7	36.1
Other	7.9	1.6	1.1
Total debt	2,201.2	1,732.5	1,531.2
Less current portions	53.7	206.4	66.4
Less unamortized debt issuance costs	15.5	10.1	9.7
Long-term debt	$ 2,132.0	$ 1,516.0	$ 1,455.1

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 $2,300.0, comprised of a revolving credit facility of $1,500.0 and a term loan in the original principal amount of $800.0 (the "Fifth A&R Credit Facilities").

At July 3, 2021, the Company had letters of credit outstanding in the aggregate principal amount of $19.8 and had $1,201.4 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 were 1.8% and 3.4% for the nine months ended July 3, 2021 and June 27, 2020, 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 4.50. The Company's leverage ratio was 2.19 at July 3, 2021. 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 July 3, 2021. The Company's interest coverage ratio was 13.53 for the twelve months ended July 3, 2021.

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 repurchases of the common shares of Scotts Miracle-Gro ("Common Shares"), 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 $225.0.

Senior Notes

On December 15, 2016, Scotts Miracle-Gro issued $250.0 aggregate principal amount of 5.250% Senior Notes due 2026 (the "5.250% Senior Notes"). The 5.250% Senior Notes represent general unsecured senior obligations and rank equal in right of payment with the Company's existing and future unsecured senior debt. The 5.250% Senior Notes have interest payment dates of June 15 and December 15 of each year. Substantially all of Scotts Miracle-Gro's directly and indirectly owned domestic subsidiaries serve as guarantors of the 5.250% Senior Notes.

On October 22, 2019, Scotts Miracle-Gro issued $450.0 aggregate principal amount of 4.500% Senior Notes due 2029 (the "4.500% Senior Notes"). The net proceeds of the offering were used to redeem all of the Company's outstanding 6.000% Senior Notes due 2023 (the "6.000% Senior Notes") and for general corporate purposes. The 4.500% Senior Notes represent general unsecured senior obligations and rank equal in right of payment with the Company's existing and future unsecured senior debt. The 4.500% Senior Notes have interest payment dates of April 15 and October 15 of each year. All of Scotts Miracle-Gro's domestic subsidiaries that serve as guarantors of the 5.250% Senior Notes also serve as guarantors of the 4.500% Senior Notes.

On October 23, 2019, Scotts Miracle-Gro redeemed all of its outstanding 6.000% Senior Notes for a redemption price of $412.5, comprised of $0.5 of accrued and unpaid interest, $12.0 of redemption premium, and $400.0 for outstanding principal amount. The $12.0 redemption premium was recognized in the "Costs related to refinancing" line on the Condensed Consolidated Statements of Operations during the first quarter of fiscal 2020. Additionally, the Company had $3.1 in unamortized bond issuance costs associated with the 6.000% Senior Notes, which were written-off during the first quarter of fiscal 2020 and were recognized in the "Costs related to refinancing" line in the Condensed Consolidated Statements of Operations.

On March 17, 2021, Scotts Miracle-Gro issued $500.0 aggregate principal amount of 4.000% Senior Notes due 2031 (the "4.000% Senior Notes"). The net proceeds of the offering were used to reduce borrowings under the Fifth A&R Credit Facilities. The 4.000% Senior Notes represent general unsecured senior obligations and rank equal in right of payment with the Company's existing and future unsecured senior debt. The 4.000% Senior Notes have interest payment dates of April 1 and October 1 of each year, commencing October 1, 2021. All of Scotts Miracle-Gro's domestic subsidiaries that serve as guarantors of the 5.250% Senior Notes also serve as guarantors of the 4.000% Senior Notes.

On August 10, 2021, Scotts Miracle-Gro entered into a purchase agreement, pursuant to which it has agreed to issue and sell $400.0 aggregate principal amount of 4.375% senior notes due 2032 (the "4.375% Senior Notes") in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended. The Company intends to use the net proceeds from the offering to reduce borrowings under the Fifth A&R Credit Facilities and for other general corporate purposes (including acquisitions and other strategic opportunities). The 4.375% Senior Notes will represent general unsecured senior obligations and rank equal in right of payment with the Company's existing and future unsecured senior debt. All of Scotts Miracle-Gro's domestic subsidiaries that serve as guarantors of the 5.250% Senior Notes will also serve as guarantors of the

(Dollars in millions, except per share data)

4.375% Senior Notes. The issuance and sale of the 4.375% Senior Notes is expected to close on August 13, 2021, subject to customary closing conditions.

Receivables Facility

On April 7, 2017, the Company entered into a Master Repurchase Agreement (including the annexes thereto, the "Repurchase Agreement") and a Master Framework Agreement, as amended annually (the "Framework Agreement" and, together with the Repurchase Agreement, the "Receivables Facility"). Under the Receivables Facility, 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 eligible accounts receivable consist of accounts receivable generated by sales to three specified customers. The eligible amount of customer accounts receivables which may be sold under the Receivables Facility is $400.0 and the commitment amount during the seasonal commitment period beginning on February 26, 2021 and ending on June 18, 2021 is $160.0. The Receivables Facility expires on August 20, 2021.

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 July 3, 2021 and June 27, 2020, there were zero and $160.0, respectively, in borrowings on receivables pledged as collateral under the Receivables Facility, and the carrying value of the receivables pledged as collateral was zero and $177.8, respectively.

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. Interest payments made between the effective date and expiration date are hedged by the swap agreements. Swap agreements that were hedging interest payments as of July 3, 2021, June 27, 2020 and September 30, 2020 had a maximum total U.S. dollar equivalent notional amount of $700.0, $600.0 and $600.0, respectively. The notional amount, effective date, expiration date and rate of each of the swap agreements outstanding at July 3, 2021 are shown in the table below:

Notional Amount	Effective Date (a)	Expiration Date	Fixed Rate
$ 100	11/7/2018	7/7/2021	2.96 %
200	11/7/2018	10/7/2021	2.98 %
100	12/21/2020	6/20/2023	1.36 %
300 (b)	1/7/2021	6/7/2023	1.34 %
200	10/7/2021	6/7/2023	1.37 %
200 (b)	1/20/2022	6/20/2024	0.58 %
200	6/7/2023	6/8/2026	0.85 %

(a) The effective date refers to the date on which interest payments are first hedged by the applicable swap agreement.
(b) Notional amount adjusts in accordance with a specified seasonal schedule. This represents the maximum notional amount at any point in time.

Weighted Average Interest Rate

The weighted average interest rates on the Company's debt were 3.6% and 4.2% for the nine months ended July 3, 2021 and June 27, 2020, respectively.

(Dollars in millions, except per share data)

NOTE 8. EQUITY

The following tables provide a summary of the changes in total equity, equity attributable to controlling interest, and equity attributable to noncontrolling interests for each of the periods indicated:

	Common Shares and Capital in Excess of Stated Value	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Loss	Total Equity - Controlling Interest	Noncontrolling Interest	Total Equity
Balance at September 30, 2020	$ 482.5	$ 1,235.6	$ (921.8)	$ (99.1)	$ 697.2	$ 5.7	$ 702.9
Net income (loss)	—	24.4	—	—	24.4	0.8	25.2
Other comprehensive income (loss)	—	—	—	15.6	15.6	—	15.6
Share-based compensation	8.2	—	—	—	8.2	—	8.2
Dividends declared ($0.62 per share)	—	(35.7)	—	—	(35.7)	—	(35.7)
Treasury share purchases	—	—	(38.4)	—	(38.4)	—	(38.4)
Treasury share issuances	(0.1)	—	1.3	—	1.2	—	1.2
Balance at January 2, 2021	$ 490.5	$ 1,224.4	$ (958.8)	$ (83.5)	$ 672.6	$ 6.4	$ 679.0
Net income (loss)	—	310.0	—	—	310.0	0.2	310.2
Other comprehensive income (loss)	—	—	—	5.5	5.5	—	5.5
Share-based compensation	17.7	—	—	—	17.7	—	17.7
Dividends declared ($0.62 per share)	—	(34.2)	—	—	(34.2)	—	(34.2)
Treasury share purchases	—	—	(23.8)	—	(23.8)	—	(23.8)
Treasury share issuances	(21.7)	—	28.3	—	6.6	—	6.6
Acquisition of noncontrolling interests	(13.4)	—	—	—	(13.4)	(6.7)	(20.1)
Balance at April 3, 2021	$ 473.0	$ 1,500.2	$ (954.3)	$ (78.0)	$ 940.9	$ —	$ 940.9
Net income (loss)	—	225.9	—	—	225.9	—	225.9
Other comprehensive income (loss)	—	—	—	4.1	4.1	—	4.1
Share-based compensation	8.1	—	—	—	8.1	—	8.1
Dividends declared ($0.62 per share)	—	(35.1)	—	—	(35.1)	—	(35.1)
Treasury share purchases	—	—	(28.8)	—	(28.8)	—	(28.8)
Treasury share issuances	(9.7)	—	17.0	—	7.3	—	7.3
Balance at July 3, 2021	$ 471.4	$ 1,691.0	$ (966.1)	$ (73.9)	$ 1,122.4	$ —	$ 1,122.4

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

(Dollars in millions, except per share data)

	Common Shares and Capital in Excess of Stated Value	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Loss	Total Equity - Controlling Interest	Noncontrolling Interest	Total Equity
Balance at September 30, 2019	$ 442.2	$ 1,274.7	$ (904.3)	$ (93.9)	$ 718.7	$ 4.5	$ 723.2
Net income (loss)	—	(71.4)	—	—	(71.4)	0.1	(71.3)
Other comprehensive income (loss)	—	—	—	2.9	2.9	—	2.9
Share-based compensation	7.0	—	—	—	7.0	—	7.0
Dividends declared ($0.58 per share)	—	(33.5)	—	—	(33.5)	—	(33.5)
Treasury share issuances	(0.3)	—	1.2	—	0.9	—	0.9
Balance at December 28, 2019	$ 448.9	$ 1,169.8	$ (903.1)	$ (91.0)	$ 624.6	$ 4.7	$ 629.3
Net income (loss)	—	252.2	—	—	252.2	0.2	252.4
Other comprehensive income (loss)	—	—	—	(16.9)	(16.9)	—	(16.9)
Share-based compensation	12.0	—	—	—	12.0	—	12.0
Dividends declared ($0.58 per share)	—	(33.0)	—	—	(33.0)	—	(33.0)
Treasury share purchases	—	—	(52.9)	—	(52.9)	—	(52.9)
Treasury share issuances	(10.5)	—	14.2	—	3.7	—	3.7
Balance at March 28, 2020	$ 450.5	$ 1,389.0	$ (941.9)	$ (107.9)	$ 789.7	$ 4.9	$ 794.6
Net income (loss)	—	202.8	—	—	202.8	0.5	203.3
Other comprehensive income (loss)	—	—	—	5.7	5.7	—	5.7
Share-based compensation	22.8	—	—	—	22.8	—	22.8
Dividends declared ($0.58 per share)	—	(34.9)	—	—	(34.9)	—	(34.9)
Treasury share purchases	—	—	(0.2)	—	(0.2)	—	(0.2)
Treasury share issuances	(7.5)	—	20.0	—	12.5	—	12.5
Balance at June 27, 2020	$ 465.8	$ 1,557.0	$ (922.1)	$ (102.2)	$ 998.5	$ 5.4	$ 1,003.9

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

(Dollars in millions, except per share data)

Changes in AOCL by component were as follows for each of the periods indicated:

	Three Months Ended			
	Foreign Currency Translation Adjustments	Net Unrealized Gain (Loss) On Derivative Instruments	Net Unrealized Gain (Loss) in Pension and Other Post-Retirement Benefits	Accumulated Other Comprehensive Income (Loss)
Balance at April 3, 2021	$ 1.9	$ (1.3)	$ (78.6)	$ (78.0)
Other comprehensive income (loss) before reclassifications	2.4	2.2	—	4.6
Amounts reclassified from accumulated other comprehensive net income (loss)	—	0.7	(0.5)	0.2
Income tax benefit (expense)	—	(0.8)	0.1	(0.7)
Net current period other comprehensive income (loss)	2.4	2.1	(0.4)	4.1
Balance at July 3, 2021	$ 4.3	$ 0.8	$ (79.0)	$ (73.9)
Balance at March 28, 2020	$ (22.7)	$ (17.9)	$ (67.3)	$ (107.9)
Other comprehensive income (loss) before reclassifications	5.3	(4.0)	—	1.3
Amounts reclassified from accumulated other comprehensive net income (loss)	—	4.2	0.4	4.6
Income tax benefit (expense)	—	(0.1)	(0.1)	(0.2)
Net current period other comprehensive income (loss)	5.3	0.1	0.3	5.7
Balance at June 27, 2020	$ (17.4)	$ (17.8)	$ (67.0)	$ (102.2)

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

	Nine Months Ended			
	Foreign Currency Translation Adjustments	Net Unrealized Gain (Loss) On Derivative Instruments	Net Unrealized Gain (Loss) in Pension and Other Post-Retirement Benefits	Accumulated Other Comprehensive Income (Loss)
Balance at September 30, 2020	$ (6.2)	$ (15.1)	$ (77.8)	$ (99.1)
Other comprehensive income (loss) before reclassifications	10.5	15.5	—	26.0
Amounts reclassified from accumulated other comprehensive net income (loss)	—	5.9	(1.6)	4.3
Income tax benefit (expense)	—	(5.5)	0.4	(5.1)
Net current period other comprehensive income (loss)	10.5	15.9	(1.2)	25.2
Balance at July 3, 2021	$ 4.3	$ 0.8	$ (79.0)	$ (73.9)
Balance at September 30, 2019	$ (17.4)	$ (8.1)	$ (68.4)	$ (93.9)
Other comprehensive income (loss) before reclassifications	—	(20.9)	—	(20.9)
Amounts reclassified from accumulated other comprehensive net income (loss)	—	7.8	1.9	9.7
Income tax benefit (expense)	—	3.4	(0.5)	2.9
Net current period other comprehensive income (loss)	—	(9.7)	1.4	(8.3)
Balance at June 27, 2020	$ (17.4)	$ (17.8)	$ (67.0)	$ (102.2)

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

Dividends

On July 27, 2020, the Scotts Miracle-Gro Board of Directors approved an increase in the Company’s quarterly cash dividend from $0.58 to $0.62 per Common Share. In addition, on July 27, 2020, the Scotts Miracle-Gro Board of Directors approved a special cash dividend of $5.00 per Common Share, which was paid on September 10, 2020 to all shareholders of record at the close of business on August 27, 2020. On July 30, 2021, the Scotts Miracle-Gro Board of Directors approved an increase in the Company's quarterly cash dividend from $0.62 to $0.66 per Common Share, which will be first paid in the fourth quarter of fiscal 2021.

(Dollars in millions, except per share data)

Share Repurchases

On August 11, 2014, Scotts Miracle-Gro announced that its Board of Directors authorized the repurchase of up to $500.0 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 increase to the share repurchase authorization ending on September 30, 2019. On August 2, 2019, the Scotts Miracle-Gro Board of Directors authorized an extension of the share repurchase authorization through March 28, 2020. The amended authorization allowed for repurchases of Common Shares of up to an aggregate amount of $1,000.0 through March 28, 2020. During fiscal 2020 through March 28, 2020, Scotts Miracle-Gro repurchased 0.4 million Common Shares under this share repurchase authorization for $48.2. From the effective date of this share repurchase authorization in the fourth quarter of fiscal 2014 through March 28, 2020, Scotts Miracle-Gro repurchased approximately 8.7 million Common Shares for $762.8.

On February 6, 2020, Scotts Miracle-Gro announced that its Board of Directors authorized the repurchase of up to $750.0 of Common Shares from April 30, 2020 through March 25, 2023. 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 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 this share repurchase authorization during fiscal 2020. During the three and nine months ended July 3, 2021, Scotts Miracle-Gro repurchased approximately 0.1 million and 0.4 million Common Shares under this share repurchase authorization for $25.0 and $75.6, respectively. 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 $3.8 and $15.5 for the three and nine months ended July 3, 2021, respectively, and $0.2 and $4.9 for the three and nine months ended June 27, 2020, respectively.

Share-Based Awards

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

	Nine Months Ended	
	July 3, 2021	June 27, 2020
Employees		
Options	183,553	—
Restricted stock units	69,758	118,410
Performance units	1,903	37,570
Non-Employee Directors		
Restricted and deferred stock units	8,518	16,295
Total share-based awards	263,732	172,275
Aggregate fair value at grant dates	$ 29.9	$ 20.9

(Dollars in millions, except per share data)

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

	Three Months Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Share-based compensation	$ 8.1	$ 22.8	$ 34.0	$ 41.8
Related tax benefit recognized	2.1	5.8	6.0	9.7

Stock Options

Stock option activity during the nine months ended July 3, 2021 was as follows:

	No. of Options	Wtd. Avg. Exercise Price
Awards outstanding at September 30, 2020	619,225	$ 57.90
Granted	183,553	236.53
Exercised	(234,587)	51.18
Awards outstanding at July 3, 2021	568,191	118.38
Exercisable	384,638	62.00

At July 3, 2021, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested stock options not yet recognized was $4.0, which is expected to be recognized over a weighted-average period of 2.5 years. The total intrinsic value of stock options exercised was $41.8 for the nine months ended July 3, 2021. Cash received from the exercise of stock options, including amounts received from employee purchases under the employee stock purchase plan, was $14.3 and $17.0 for the nine months ended July 3, 2021 and June 27, 2020, respectively.

NOTE 9. EARNINGS PER COMMON SHARE

The following table presents information necessary to calculate basic and diluted income per Common Share.

	Three Months Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Income from continuing operations	$ 229.8	$ 204.3	$ 566.0	$ 382.8
Net income attributable to noncontrolling interest	—	(0.5)	(0.9)	(0.9)
Income attributable to controlling interest from continuing operations	229.8	203.8	565.1	381.9
Income (loss) from discontinued operations, net of tax	(3.9)	(1.0)	(4.7)	1.6
Net income attributable to controlling interest	$ 225.9	$ 202.8	$ 560.4	$ 383.5
Basic Income (Loss) Per Common Share:				
Weighted-average Common Shares outstanding during the period	55.8	55.6	55.7	55.7
Income from continuing operations	$ 4.12	$ 3.67	$ 10.15	$ 6.86
Income (loss) from discontinued operations	(0.07)	(0.02)	(0.09)	0.03
Basic net income per common share	$ 4.05	$ 3.65	$ 10.06	$ 6.89
Diluted Income (Loss) Per Common Share:				
Weighted-average Common Shares outstanding during the period	55.8	55.6	55.7	55.7
Dilutive potential Common Shares	1.6	1.5	1.4	1.0
Weighted-average number of Common Shares outstanding and dilutive potential Common Shares	57.4	57.1	57.1	56.7
Income from continuing operations	$ 4.00	$ 3.57	$ 9.90	$ 6.74
Income (loss) from discontinued operations	(0.06)	(0.02)	(0.09)	0.02
Diluted net income per common share	$ 3.94	$ 3.55	$ 9.81	$ 6.76

Stock options with exercise prices greater than the average market price of the underlying Common Shares are excluded from the computation of diluted income per Common Share because they are out-of-the-money and the effect of their inclusion would be anti-dilutive. For the three and nine months ended July 3, 2021, the average number of out-of-the-money options was 0.2 million and 0.1 million. There were no out-of-the-money options for the three and nine months ended June 27, 2020.

NOTE 10. INCOME TAXES

The effective tax rates related to continuing operations for the nine months ended July 3, 2021 and June 27, 2020 were 23.5% and 24.2%, 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.

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. Subject to the following exceptions, the Company is no longer subject to examination by these tax authorities for fiscal years prior to 2018. There are currently no ongoing audits with respect to the U.S. federal jurisdiction. With respect to the foreign jurisdictions, a German audit covering fiscal years 2014 through 2017 is underway with no known material impact to the financial statements. The Company is currently under examination by certain U.S. state and local tax authorities covering various periods from fiscal years 2012 through 2020. In addition to the aforementioned audits, certain other tax deficiency notices and refund claims for previous years remain unresolved.

The Company currently 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 the outcomes of such examinations and the timing of any payments required upon the conclusion of such examinations 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 11. 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 July 3, 2021, $3.6 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 Company believes that the amounts accrued are 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.

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.

(Dollars in millions, except per share data)

NOTE 12. 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. Currency forward contracts are valued using observable forward rates in commonly quoted intervals for the full term of the contracts. The notional amount of outstanding currency forward contracts was $162.8, $143.9 and $160.1 at July 3, 2021, June 27, 2020 and September 30, 2020, respectively. Contracts outstanding at July 3, 2021 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. 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. 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. The swap agreements had a maximum total U.S. dollar equivalent notional amount of $700.0, $600.0 and $600.0 at July 3, 2021, June 27, 2020 and September 30, 2020, respectively. Refer to "NOTE 7. DEBT" for the terms of the swap agreements outstanding at July 3, 2021. Included in the AOCL balance at July 3, 2021 was a loss of $4.6 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, diesel and resin requirements. Commodity contracts are valued using observable commodity exchange prices in active markets. Included in the AOCL balance at July 3, 2021 was a gain of $4.8 related to commodity hedges that is expected to be reclassified to earnings during the next twelve months, consistent with the timing of the underlying hedged transactions.

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

Commodity	July 3, 2021	June 27, 2020	September 30, 2020
Urea	37,500 tons	79,500 tons	76,500 tons
Resin	— pounds	7,100,000 pounds	9,100,000 pounds
Diesel	4,746,000 gallons	5,292,000 gallons	5,838,000 gallons
Heating Oil	1,638,000 gallons	1,764,000 gallons	2,142,000 gallons

(Dollars in millions, except per share data)

Fair Values of Derivative Instruments

The fair values of the Company's derivative instruments, which represent Level 2 fair value measurements, were as follows:

		Assets / (Liabilities)		
Derivatives Designated as Hedging Instruments	**Balance Sheet Location**	**July 3, 2021**	**June 27, 2020**	**September 30, 2020**
Interest rate swap agreements	Other assets	$ 2.8	$ —	$ —
	Other current liabilities	(6.5)	(11.3)	(10.4)
	Other liabilities	(3.4)	(10.8)	(9.7)
Commodity hedging instruments	Prepaid and other current assets	4.5	—	0.9
	Other current liabilities	—	(1.3)	(0.7)
Total derivatives designated as hedging instruments		$ (2.6)	$ (23.4)	$ (19.9)
Derivatives Not Designated as Hedging Instruments	**Balance Sheet Location**			
Currency forward contracts	Prepaid and other current assets	$ 1.4	$ 1.0	$ 0.5
	Other current liabilities	(0.3)	(1.6)	(1.9)
Commodity hedging instruments	Prepaid and other current assets	1.1	—	—
	Other current liabilities	—	(0.8)	(0.9)
Total derivatives not designated as hedging instruments		2.2	(1.4)	(2.3)
Total derivatives		$ (0.4)	$ (24.8)	$ (22.2)

The effect of derivative instruments on AOCL, net of tax, and the Condensed Consolidated Statements of Operations for each of the periods presented was as follows:

	Amount of Gain / (Loss) Recognized in AOCL			
	Three Months Ended		Nine Months Ended	
Derivatives in Cash Flow Hedging Relationships	**July 3, 2021**	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**
Interest rate swap agreements	$ (2.0)	$ (3.0)	$ 3.2	$ (12.7)
Commodity hedging instruments	3.6	—	8.3	(2.8)
Total	$ 1.6	$ (3.0)	$ 11.5	$ (15.5)

		Amount of Gain / (Loss)			
		Three Months Ended		Nine Months Ended	
Derivatives in Cash Flow Hedging Relationships	**Reclassified from AOCL into Statement of Operations**	**July 3, 2021**	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**
Interest rate swap agreements	Interest expense	$ (2.3)	$ (2.6)	$ (6.4)	$ (4.6)
Commodity hedging instruments	Cost of sales	1.8	(0.5)	2.0	(1.2)
Total		$ (0.5)	$ (3.1)	$ (4.4)	$ (5.8)

		Amount of Gain / (Loss)			
		Three Months Ended		Nine Months Ended	
Derivatives Not Designated as Hedging Instruments	**Recognized in Statement of Operations**	**July 3, 2021**	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**
Currency forward contracts	Other income / expense, net	$ (0.3)	$ (0.3)	$ (7.4)	$ 0.8
Commodity hedging instruments	Cost of sales	1.6	(0.3)	3.7	(2.6)
Total		$ 1.3	$ (0.6)	$ (3.7)	$ (1.8)

(Dollars in millions, except per share data)

NOTE 13. FAIR VALUE MEASUREMENTS

The following table summarizes the fair value of the Company's assets and liabilities for which disclosure of fair value is required:

		July 3, 2021		June 27, 2020		September 30, 2020	
	Fair Value Hierarchy Level	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:							
Cash equivalents	Level 1	$ 3.2	$ 3.2	$ 2.2	$ 2.2	$ 2.4	$ 2.4
Other							
Investment securities in non-qualified retirement plan assets	Level 1	46.5	46.5	26.8	26.8	29.8	29.8
Bonnie Option	Level 3	—	—	11.3	11.3	23.3	23.3
Liabilities:							
Debt instruments							
Credit facilities – revolving loans	Level 2	278.8	278.8	106.2	106.2	64.0	64.0
Credit facilities – term loans	Level 2	680.0	680.0	730.0	730.0	710.0	710.0
Senior Notes – 4.000%	Level 2	500.0	498.8	—	—	—	—
Senior Notes – 4.500%	Level 2	450.0	468.0	450.0	462.9	450.0	476.4
Senior Notes – 5.250%	Level 2	250.0	260.6	250.0	260.0	250.0	266.6
Receivables facility	Level 2	—	—	160.0	160.0	20.0	20.0
Other debt	Level 2	7.9	7.9	1.6	1.6	1.1	1.1

NOTE 14. LEASES

The Company leases certain property and equipment from third parties under various non-cancelable lease agreements, including industrial, commercial and office properties and equipment that support the management, manufacturing, distribution and research and development of products marketed and sold by the Company. The lease agreements generally require that the Company pay taxes, insurance and maintenance expenses related to the leased assets. At July 3, 2021, the Company had entered into operating leases that were yet to commence with a combined total expected lease liability of $50.6. From time to time, the Company will sublease portions of its facilities, resulting in sublease income. Sublease income and the related cash flows were not material to the condensed consolidated financial statements for the three and nine months ended July 3, 2021 and June 27, 2020.

The Company leases certain vehicles (primarily cars and light trucks) under agreements that are cancellable after the first year, but typically continue on a month-to-month basis until canceled by the Company. The vehicle leases and certain other non-cancelable operating leases contain residual value guarantees that create a contingent obligation on the part of the Company to compensate the lessor if the leased asset cannot be sold for an amount in excess of a specified minimum value at the conclusion of the lease term. If all such vehicle leases had been canceled as of July 3, 2021, the Company's residual value guarantee would have approximated $4.1.

(Dollars in millions, except per share data)

Supplemental balance sheet information related to the Company's leases was as follows:

	Balance Sheet Location	July 3, 2021	June 27, 2020	September 30, 2020
Operating leases:				
Right-of-use assets	Other assets	$ 212.7	$ 129.9	$ 156.0
Current lease liabilities	Other current liabilities	62.3	46.5	47.5
Non-current lease liabilities	Other liabilities	157.7	87.4	113.3
Total operating lease liabilities		$ 220.0	$ 133.9	$ 160.8
Finance leases:				
Right-of-use assets	Property, plant and equipment, net	$ 32.6	$ 33.6	$ 34.7
Current lease liabilities	Current portion of debt	5.8	4.8	5.2
Non-current lease liabilities	Long-term debt	28.7	29.9	30.9
Total finance lease liabilities		$ 34.5	$ 34.7	$ 36.1

Components of lease cost were as follows:

	Three Months Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Operating lease cost [(a)]	$ 18.8	$ 13.6	$ 50.3	$ 40.2
Variable lease cost	8.8	2.9	24.0	8.7
Finance lease cost				
Amortization of right-of-use assets	1.5	1.4	4.5	3.7
Interest on lease liabilities	0.3	0.3	1.0	1.0
Total finance lease cost	$ 1.8	$ 1.7	$ 5.5	$ 4.7

(a) Operating lease cost includes amortization of ROU assets of $16.7 and $44.6 for the three and nine months ended July 3, 2021, respectively, and $11.3 and $34.2 for the three and nine months ended June 27, 2020, respectively. Short-term lease expense is excluded from operating lease cost and is not material.

(Dollars in millions, except per share data)

Supplemental cash flow information and non-cash activity related to the Company's leases were as follows:

	Nine Months Ended	
	July 3, 2021	June 27, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases, net	$ 47.6	$ 40.9
Operating cash flows from finance leases	1.0	1.0
Financing cash flows from finance leases	3.9	2.6
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 100.1	$ 34.6
Finance leases	2.3	11.9

Weighted-average remaining lease term and discount rate for the Company's leases were as follows:

	July 3, 2021
Weighted-average remaining lease term (in years):	
Operating leases	4.6
Finance leases	7.9
Weighted-average discount rate:	
Operating leases	3.3 %
Finance leases	4.2 %

Maturities of lease liabilities by fiscal year for the Company's leases as of July 3, 2021 were as follows:

Year	Operating Leases	Finance Leases
2021 (remainder of the year)	$ 18.8	$ 1.7
2022	64.0	7.0
2023	48.1	7.0
2024	40.2	7.1
2025	33.3	2.8
Thereafter	33.3	15.4
Total lease payments	237.7	41.0
Less: Imputed interest	(17.7)	(6.5)
Total lease liabilities	$ 220.0	$ 34.5

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 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. In addition, Corporate consists of general and administrative expenses and certain other income and 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.

During the three months ended January 2, 2021, the Company changed its internal organization structure such that AeroGrow is now managed by and reported within the U.S. Consumer segment. Within the U.S. Consumer segment, AeroGrow is integrated into the Company's overall direct to consumer focus and strategy. AeroGrow was previously managed by and reported within the Hawthorne segment. The prior period amounts have been reclassified to conform to the new organization structure. This change in organization structure resulted in a change in the Company's reporting units. As a result, goodwill included in impacted reporting units was reallocated using a relative fair value approach, resulting in $15.8 of goodwill reallocated from the Hawthorne segment to the U.S. Consumer segment during the three months ended January 2, 2021. In addition, the Company completed an assessment of potential goodwill impairment immediately before and after the reallocation and determined that no impairment existed.

(Dollars in millions, except per share data)

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		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net Sales:				
U.S. Consumer	$ 1,046.2	$ 1,093.0	$ 2,828.4	$ 2,371.7
Hawthorne	421.9	285.7	1,095.1	685.9
Other	141.6	114.0	263.7	183.7
Consolidated	$ 1,609.7	$ 1,492.7	$ 4,187.2	$ 3,241.3
Segment Profit:				
U.S. Consumer	$ 264.4	$ 313.8	$ 745.6	$ 648.2
Hawthorne	51.9	37.8	133.7	74.2
Other	26.8	14.4	44.4	14.8
Total Segment Profit	343.1	366.0	923.7	737.2
Corporate	(31.9)	(57.8)	(114.6)	(120.7)
Intangible asset amortization	(7.8)	(7.8)	(23.0)	(23.6)
Impairment, restructuring and other	(1.3)	(15.9)	(25.9)	(17.3)
Equity in income of unconsolidated affiliates	21.5	—	20.0	—
Costs related to refinancing	—	—	—	(15.1)
Interest expense	(21.9)	(20.3)	(57.3)	(63.0)
Other non-operating income, net	1.2	1.9	17.3	7.3
Income from continuing operations before income taxes	$ 302.9	$ 266.1	$ 740.2	$ 504.8

(Dollars in millions, except per share data)

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

	Three Months Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
U.S. Consumer:				
Growing media and mulch	$ 573.9	$ 549.8	$ 1,196.3	$ 1,011.4
Lawn care	224.6	277.3	920.9	779.3
Controls	115.1	132.9	319.8	276.7
Roundup® marketing agreement	46.9	39.2	128.0	102.2
Other, primarily gardening	85.7	93.8	263.4	202.1
Hawthorne:				
Lighting	126.7	89.1	350.5	209.8
Nutrients	100.0	65.0	232.9	156.9
Growing media	57.9	43.6	151.9	108.9
Other, primarily hardware and growing environments	137.3	88.0	359.8	210.3
Other:				
Growing media	57.3	47.4	102.0	72.1
Lawn care	48.5	36.9	87.7	61.2
Other, primarily gardening and controls	35.8	29.7	74.0	50.4
Total net sales	$ 1,609.7	$ 1,492.7	$ 4,187.2	$ 3,241.3

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

	Three Months Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net sales:				
United States	$ 1,446.9	$ 1,338.0	$ 3,838.6	$ 2,977.2
International	162.8	154.7	348.6	264.1
	$ 1,609.7	$ 1,492.7	$ 4,187.2	$ 3,241.3

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, 2020 (the "2020 Annual Report").

EXECUTIVE SUMMARY

We are the leading manufacturer and marketer of branded consumer lawn and garden products in North America. We are the exclusive agent of Monsanto for the marketing and distribution of certain of Monsanto's consumer Roundup® branded products within the United States and certain other specified countries. Through our Hawthorne segment, we are the leading manufacturer, marketer and distributor of lighting, nutrients, growing media, growing environments and hardware products for indoor and hydroponic gardening.

Beginning in fiscal 2015, our Hawthorne segment made a series of key acquisitions and investments, including General Hydroponics, Gavita, Botanicare, Vermicrop, Agrolux and Can-Filters. On June 4, 2018, our Hawthorne segment acquired substantially all of the assets of Sunlight Supply. At the time of the acquisition, Sunlight Supply was a leading developer, manufacturer, marketer and distributor of horticultural, organics, lighting and hydroponic gardening products. Prior to the transaction, Sunlight Supply served as a non-exclusive distributor of our products. In connection with our acquisition of Sunlight Supply, we announced the launch of an initiative called Project Catalyst. Project Catalyst is a company-wide restructuring effort to reduce operating costs throughout our U.S. Consumer, Hawthorne and Other segments and drive synergies from acquisitions within our Hawthorne segment.

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 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. In addition, Corporate consists of general and administrative expenses and certain other income and 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.

The Company has developed a strategic initiative to make minority non-equity investments in areas of the cannabis industry not currently pursued in its Hawthorne segment. This initiative is designed to allow the Company to, in the future, participate directly in a larger marketplace as the legal environment changes over time. We are currently engaged with various potential partners to implement this strategy. On August 9, 2021, the Company entered into an agreement to make its initial investment under its strategic minority investment initiative in the form of a $150.0 six-year convertible note issued to the Company by Toronto-based RIV Capital Inc. (TSX: RIV) (OTC: CNPOF), a cannabis investment and acquisition firm currently listed on the Toronto Stock Exchange.

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. We follow a 13-week quarterly accounting cycle pursuant to which the first three fiscal quarters end on a Saturday and the fiscal year always ends on September 30. This fiscal calendar convention requires us to cycle forward the first three fiscal quarter ends every six years. Fiscal 2021 is impacted by this process and, as a result, our first quarter of fiscal 2021 had five additional days and our fourth quarter of fiscal 2021 will have six fewer days compared to the respective quarters of fiscal 2020. In addition, our third quarter of fiscal 2021 began six days later than our third quarter of fiscal 2020 and those six days fell within our peak selling season. This resulted in a decrease in net sales and net income attributable to controlling interest from continuing operations per diluted share of approximately $115.0 and $0.47, respectively, for the three months ended July 3, 2021, compared to the three months ended June 27, 2020, and an increase in net sales and net income attributable to controlling interest from continuing operations per diluted share of approximately $50.0 and $0.18, respectively, for the nine months ended July 3, 2021 compared to the nine months ended June 27, 2020.

(Dollars in millions, except per share data)

	Percent of Net Sales from Continuing Operations by Quarter		
	2020	2019	2018
First Quarter	8.9 %	9.4 %	8.3 %
Second Quarter	33.5 %	37.7 %	38.1 %
Third Quarter	36.1 %	37.1 %	37.3 %
Fourth Quarter	21.5 %	15.8 %	16.3 %

On August 11, 2014, Scotts Miracle-Gro announced that its Board of Directors authorized the repurchase of up to $500.0 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 increase to the share repurchase authorization ending on September 30, 2019. On August 2, 2019, the Scotts Miracle-Gro Board of Directors authorized an extension of the share repurchase authorization through March 28, 2020. The amended authorization allowed for repurchases of Common Shares of up to an aggregate amount of $1,000.0 through March 28, 2020. During fiscal 2020 through March 28, 2020, Scotts Miracle-Gro repurchased 0.4 million Common Shares under this share repurchase authorization for $48.2. From the effective date of this share repurchase authorization in the fourth quarter of fiscal 2014 through March 28, 2020, Scotts Miracle-Gro repurchased approximately 8.7 million Common Shares for $762.8.

On February 6, 2020, Scotts Miracle-Gro announced that its Board of Directors authorized the repurchase of up to $750.0 of Common Shares from April 30, 2020 through March 25, 2023. There were no share repurchases under this share repurchase authorization during fiscal 2020. During the three and nine months ended July 3, 2021, Scotts Miracle-Gro repurchased approximately 0.1 million and 0.4 million Common Shares under this share repurchase authorization for $25.0 and $75.6, respectively.

On July 27, 2020, the Scotts Miracle-Gro Board of Directors approved a special cash dividend of $5.00 per Common Share, which was paid on September 10, 2020 to all shareholders of record at the close of business on August 27, 2020. In addition, on July 27, 2020, the Scotts Miracle-Gro Board of Directors approved an increase in our quarterly cash dividend from $0.58 to $0.62 per Common Share, which was first paid in the fourth quarter of fiscal 2020. On July 30, 2021, the Scotts Miracle-Gro Board of Directors approved an increase in our quarterly cash dividend from $0.62 to $0.66 per Common Share, which will be first paid in the fourth quarter of fiscal 2021.

COVID-19 Response and Impacts

The COVID-19 pandemic has had, and continues to have, an impact on financial markets, economic conditions, and portions of our business and industry. We have actively addressed the pandemic’s ongoing impact on our employees, operations, customers, consumers, and communities, by, among other things, implementing contingency plans, making operational adjustments where necessary, and providing assistance to organizations that support front-line workers. The first priority of our pandemic response has been and remains the health, safety and well-being of our employees. Many of our employees continue to work from home. In those instances where our employees cannot perform their work at home, we have implemented additional health and safety measures and social distancing protocols, consistent with government recommendations and/or requirements, to help to ensure their safety. In addition, we implemented an interim premium pay allowance for certain associates in our field sales force and our manufacturing or distribution centers, which has paid out approximately $45.0 since the inception of the COVID-19 pandemic.

For our fiscal quarter ended July 3, 2021, we continued to experience increased demand for many of our products in response to the COVID-19 pandemic compared to periods before the pandemic. The extent to which the COVID-19 pandemic will impact our business, results of operations, financial condition and cash flows in the future will depend on future developments, including the duration, spread and intensity of the pandemic, our continued ability to manufacture and distribute our products, as well as any future government actions affecting consumers and the economy generally, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. We are not able to predict the impact, if any, that the COVID-19 pandemic may have on the seasonality of our business.

(Dollars in millions, except per share data)

Although we currently expect to be able to continue operating our business as described above and we intend to continue to work with government authorities and to follow the necessary protocols to maintain the health and safety of our employees, uncertainty resulting from COVID-19 could result in an unforeseen additional disruption to our business, including our global supply chain and retailer network, and/or require us to incur additional operational costs. For additional information on the impacts and our response to the COVID-19 pandemic, refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the 2020 Annual Report.

RESULTS OF OPERATIONS

The following table sets forth the components of earnings as a percentage of net sales for the three months ended July 3, 2021 and June 27, 2020:

	July 3, 2021	% Of Net Sales	June 27, 2020	% Of Net Sales
Net sales	$ 1,609.7	100.0 %	$ 1,492.7	100.0 %
Cost of sales	1,114.3	69.2	954.3	63.9
Cost of sales—impairment, restructuring and other	0.8	—	11.7	0.8
Gross profit	494.6	30.7	526.7	35.3
Operating expenses:				
Selling, general and administrative	194.1	12.1	237.7	15.9
Impairment, restructuring and other	0.5	—	4.2	0.3
Other (income) expense, net	(2.1)	(0.1)	0.3	—
Income from operations	302.1	18.8	284.5	19.1
Equity in income of unconsolidated affiliates	(21.5)	(1.3)	—	—
Interest expense	21.9	1.4	20.3	1.4
Other non-operating income, net	(1.2)	(0.1)	(1.9)	(0.1)
Income from continuing operations before income taxes	302.9	18.8	266.1	17.8
Income tax expense from continuing operations	73.1	4.5	61.8	4.1
Income from continuing operations	229.8	14.3	204.3	13.7
Loss from discontinued operations, net of tax	(3.9)	(0.2)	(1.0)	(0.1)
Net income	$ 225.9	14.0 %	$ 203.3	13.6 %

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

(Dollars in millions, except per share data)

The following table sets forth the components of earnings as a percentage of net sales for the nine months ended July 3, 2021 and June 27, 2020:

	July 3, 2021	% Of Net Sales	June 27, 2020	% Of Net Sales
Net sales	$ 4,187.2	100.0 %	$ 3,241.3	100.0 %
Cost of sales	2,822.2	67.4	2,094.9	64.6
Cost of sales—impairment, restructuring and other	22.2	0.5	15.3	0.5
Gross profit	1,342.8	32.1	1,131.1	34.9
Operating expenses:				
Selling, general and administrative	582.3	13.9	553.1	17.1
Impairment, restructuring and other	3.7	0.1	2.0	0.1
Other (income) expense, net	(3.4)	(0.1)	0.4	—
Income from operations	760.2	18.2	575.6	17.8
Equity in income of unconsolidated affiliates	(20.0)	(0.5)	—	—
Costs related to refinancing	—	—	15.1	0.5
Interest expense	57.3	1.4	63.0	1.9
Other non-operating income, net	(17.3)	(0.4)	(7.3)	(0.2)
Income from continuing operations before income taxes	740.2	17.7	504.8	15.6
Income tax expense from continuing operations	174.2	4.2	122.0	3.8
Income from continuing operations	566.0	13.5	382.8	11.8
Income (loss) from discontinued operations, net of tax	(4.7)	(0.1)	1.6	—
Net income	$ 561.3	13.4 %	$ 384.4	11.9 %

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

Net Sales

Net sales for the three months ended July 3, 2021 were $1,609.7, an increase of 7.8% from net sales of $1,492.7 for the three months ended June 27, 2020. Net sales for the nine months ended July 3, 2021 were $4,187.2, an increase of 29.2% from net sales of $3,241.3 for the nine months ended June 27, 2020. These changes in net sales were attributable to the following:

	Three Months Ended July 3, 2021	Nine Months Ended July 3, 2021
Volume	5.4 %	27.1 %
Pricing	1.1	1.2
Foreign exchange rates	1.3	0.9
Change in net sales	7.8 %	29.2 %

The increase in net sales for the three months ended July 3, 2021 as compared to the three months ended June 27, 2020 was primarily driven by:

- increased sales volume driven by lighting, nutrients, growing media, hardware and growing environments products in our Hawthorne segment; increased sales of mulch products in our U.S. Consumer segment; and increased sales in our Other segment; partially offset by decreased sales due to the impact of the fiscal calendar shift which caused our third quarter of fiscal 2021 to begin six days later than our third quarter of fiscal 2020 and those six days occurred during our peak selling season, resulting in a decrease in net sales of approximately $115.0 in our U.S. Consumer and Other segments;
- increased pricing in our Hawthorne and Other segments, and decreased promotional activity in our U.S. Consumer segment;
- increased net sales associated with the Roundup® marketing agreement; and
- the favorable impact of foreign exchange rates as a result of the weakening of the U.S. dollar relative to the euro and the Canadian dollar.

(Dollars in millions, except per share data)

The increase in net sales for the nine months ended July 3, 2021 as compared to the nine months ended June 27, 2020 was primarily driven by:

- increased sales volume due to increased consumer demand including impacts of the COVID-19 pandemic and driven by soils, fertilizer, grass seed, mulch, controls, plant food and direct to consumer products in our U.S. Consumer segment; lighting, nutrients, growing media, hardware and growing environments products in our Hawthorne segment; increased sales in our Other segment; and the impact of the fiscal calendar shift which caused our first quarter of fiscal 2021 to have five additional days and our third quarter of fiscal 2021 to end six days later than our third quarter of fiscal 2020, resulting in an increase in net sales of approximately $50.0;
- increased pricing in our U.S. Consumer, Hawthorne and Other segments;
- increased net sales associated with the Roundup® marketing agreement; and
- the favorable impact of foreign exchange rates as a result of the weakening 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		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Materials	$ 622.1	$ 552.8	$ 1,617.1	$ 1,206.4
Manufacturing labor and overhead	246.5	213.7	594.4	464.0
Distribution and warehousing	228.0	171.4	552.3	377.8
Costs associated with Roundup® marketing agreement	17.7	16.4	58.4	46.7
Cost of sales	1,114.3	954.3	2,822.2	2,094.9
Cost of sales—impairment, restructuring and other	0.8	11.7	22.2	15.3
	$ 1,115.1	$ 966.0	$ 2,844.4	$ 2,110.2

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

	Three Months Ended July 3, 2021	Nine Months Ended July 3, 2021
Volume, product mix and other	$ 113.2	$ 638.4
Material cost changes	30.9	54.6
Foreign exchange rates	14.6	22.7
Costs associated with Roundup® marketing agreement	1.3	11.6
	160.0	727.3
Impairment, restructuring and other	(10.9)	6.9
Change in cost of sales	$ 149.1	$ 734.2

The increase in cost of sales for the three months ended July 3, 2021 as compared to the three months ended June 27, 2020 was primarily driven by:

- higher sales volume in our Hawthorne and Other segments, partially offset by lower sales volume in our U.S. Consumer segment;
- higher material prices in our U.S. Consumer and Hawthorne segments;
- higher transportation prices and warehousing costs included within "volume, product mix and other" in our U.S. Consumer and Hawthorne segments;
- the unfavorable impact of foreign exchange rates as a result of the weakening of the U.S. dollar relative to the euro and the Canadian dollar; and
- an increase in costs associated with the Roundup® marketing agreement;
- partially offset by a decrease in impairment, restructuring and other charges as a result of lower costs associated with the COVID-19 pandemic.

(Dollars in millions, except per share data)

The increase in cost of sales for the nine months ended July 3, 2021 as compared to the nine months ended June 27, 2020 was primarily driven by:

- higher sales volume in our U.S. Consumer, Hawthorne and Other segments;
- higher material prices in our U.S. Consumer, Hawthorne and Other segments;
- higher transportation prices and warehousing costs included within "volume, product mix and other" in our U.S. Consumer and Hawthorne segments;
- the unfavorable impact of foreign exchange rates as a result of the weakening of the U.S. dollar relative to the euro and the Canadian dollar;
- an increase in costs associated with the Roundup® marketing agreement; and
- an increase in impairment, restructuring and other charges as a result of costs associated with the COVID-19 pandemic.

Gross Profit

As a percentage of net sales, our gross profit rate was 30.7% and 35.3% for the three months ended July 3, 2021 and June 27, 2020, respectively. As a percentage of net sales, our gross profit rate was 32.1% and 34.9% for the nine months ended July 3, 2021 and June 27, 2020, respectively. Factors contributing to the change in gross profit rate are outlined in the following table:

	Three Months Ended July 3, 2021	Nine Months Ended July 3, 2021
Volume, product mix and other	(4.0)%	(2.0)%
Material costs	(2.0)	(1.3)
Pricing	0.7	0.5
	(5.3)%	(2.8)%
Impairment, restructuring and other	0.7	—
Change in gross profit rate	(4.6)%	(2.8)%

The decrease in gross profit rate for the three months ended July 3, 2021 as compared to the three months ended June 27, 2020 was primarily driven by:

- higher transportation prices and warehousing costs included within "volume, product mix and other" in our U.S. Consumer, and Hawthorne segments;
- higher material prices in our U.S. Consumer and Hawthorne segments; and
- unfavorable mix driven by higher sales growth in our Hawthorne segment relative to our U.S. Consumer segment;
- partially offset by a decrease in impairment, restructuring and other charges as a result of lower costs associated with the COVID-19 pandemic;
- increased pricing in our Hawthorne and Other segments, and decreased promotional activity in our U.S. Consumer segment; and
- favorable leverage of fixed costs driven by higher sales volume in our Hawthorne and Other segments.

The decrease in gross profit rate for the nine months ended July 3, 2021 as compared to the nine months ended June 27, 2020 was primarily driven by:

- higher transportation prices and warehousing costs included within "volume, product mix and other" in our U.S. Consumer and Hawthorne segments;
- higher material prices in our U.S. Consumer, Hawthorne and Other segments; and
- unfavorable mix driven by higher sales growth in our Hawthorne segment relative to our U.S. Consumer segment;
- partially offset by favorable leverage of fixed costs driven by higher sales volume in our U.S. Consumer, Hawthorne and Other segments; and

(Dollars in millions, except per share data)

- increased pricing in our Hawthorne and Other segments, and decreased promotional activity in our U.S. Consumer segment.

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		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Advertising	$ 44.6	$ 55.6	$ 140.1	$ 122.4
Share-based compensation	8.1	22.8	34.0	41.8
Research and development	11.4	9.1	32.0	28.0
Amortization of intangibles	7.3	7.7	21.8	23.1
Other selling, general and administrative	122.7	142.5	354.4	337.8
	$ 194.1	$ 237.7	$ 582.3	$ 553.1

SG&A decreased $43.6, or 18.3%, during the three months ended July 3, 2021 compared to the three months ended June 27, 2020. Advertising expense decreased $11.0, or 19.8%, during the three months ended July 3, 2021 driven by the timing of media spending in our U.S. Consumer segment, partially offset by increased media spend in our Hawthorne segment. Share-based compensation expense decreased $14.7, or 64.5%, during the three months ended July 3, 2021 due to a more significant increase in the expected payout percentage on long-term performance-based awards during fiscal 2020 as compared to fiscal 2021. Other SG&A decreased $19.8, or 13.9%, during the three months ended July 3, 2021 driven by a decrease in short-term variable cash incentive compensation expense.

SG&A increased $29.2, or 5.3%, during the nine months ended July 3, 2021 compared to the nine months ended June 27, 2020. Advertising expense increased $17.7, or 14.5%, during the nine months ended July 3, 2021 driven by increased media spending in our U.S. Consumer and Hawthorne segments. Share-based compensation expense decreased $7.8, or 18.7%, during the nine months ended July 3, 2021 due to a more significant increase in the expected payout percentage on long-term performance-based awards during fiscal 2020 as compared to fiscal 2021. Other SG&A increased $16.6, or 4.9%, during the nine months ended July 3, 2021 driven by increases in various categories supporting the continued growth of the business including information technology, strategy and people costs, partially offset by a decrease in short-term variable cash incentive compensation expense.

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		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Cost of sales—impairment, restructuring and other:				
COVID-19 related costs	$ 1.5	$ 12.2	$ 22.5	$ 15.3
Restructuring and other charges (recoveries), net	(0.7)	(0.5)	(0.3)	—
Operating expenses:				
COVID-19 related costs	0.4	4.3	3.6	5.0
Restructuring and other charges (recoveries), net	0.1	(0.1)	0.1	(3.0)
Impairment, restructuring and other charges from continuing operations	1.3	15.9	25.9	17.3
Restructuring and other charges (recoveries), net, from discontinued operations	—	—	—	(3.1)
Total impairment, restructuring and other charges (recoveries)	$ 1.3	$ 15.9	$ 25.9	$ 14.2

COVID-19

In response to the COVID-19 pandemic, we have implemented additional measures intended to both protect the health and safety of our employees and maintain our ability to provide products to our customers as described in additional detail above under “COVID-19 Response and Impacts.” During the three and nine months ended July 3, 2021, we incurred costs of $1.9 and $26.1, respectively, associated with the COVID-19 pandemic primarily related to premium pay. We incurred costs of $0.8 and $19.8 in our U.S. Consumer segment, $0.5 and $2.4 in our Hawthorne segment and $0.2 and $0.3 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 nine months ended July 3, 2021, respectively. We incurred costs of $0.3 and $3.5 in our U.S. Consumer segment and $0.1 in our Other segment in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations during the three and nine months ended July 3, 2021, respectively. Since the inception of the COVID-19 pandemic, total costs classified within the “Cost of sales—impairment, restructuring and other” and the “Impairment, restructuring and other” lines in the Condensed Consolidated Statements of Operations are $39.5 for our U.S. Consumer segment, $5.0 for our Hawthorne segment and $1.0 for our Other segment.

During the three and nine months ended June 27, 2020, we incurred costs of $16.5 and $20.3, respectively, associated with the COVID-19 pandemic primarily related to premium pay. We incurred costs of $9.6 and 12.2 in our U.S. Consumer segment, $2.0 and $2.5 in our Hawthorne segment and $0.6 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 nine months ended June 27, 2020, respectively. We incurred costs of $4.2 and $4.9 in our U.S. Consumer segment and $0.1 in our Other segment in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations during the three and nine months ended June 27, 2020, respectively.

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 acquisitions within our Hawthorne segment. Costs incurred during the three and nine months ended July 3, 2021 and June 27, 2020 related to Project Catalyst were not material. Costs incurred to date since the inception of Project Catalyst are $24.5 for the Hawthorne segment, $13.9 for our U.S. Consumer segment, $1.3 for our Other segment and $2.8 for Corporate. Additionally, during the three and nine months ended June 27, 2020, we received zero and $2.6, respectively, from the final settlement of escrow funds related to a previous acquisition within the Hawthorne segment that was recognized in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations.

Other (Income) Expense, net

Other (income) expense is comprised of activities outside our normal business operations, such as royalty income from the licensing of certain of our brand names, foreign exchange transaction gains and losses and gains and losses from the disposition of non-inventory assets. Other (income) expense was $(2.1) and $0.3 for the three months ended July 3, 2021 and June 27, 2020, respectively; and was $(3.4) and $0.4 for the nine months ended July 3, 2021 and June 27, 2020, respectively. The change for the three and nine months ended July 3, 2021 was primarily due to foreign exchange transaction gains and losses.

Income from Operations

Income from operations was $302.1 for the three months ended July 3, 2021, an increase of 6.2% compared to $284.5 for the three months ended June 27, 2020; and was $760.2 for the nine months ended July 3, 2021, an increase of 32.1% compared to $575.6 for the nine months ended June 27, 2020. For the three months ended July 3, 2021, the increase was driven by higher net sales, lower SG&A, lower impairment, restructuring and other charges and higher other income, partially offset by a decrease in gross profit rate. For the nine months ended July 3, 2021, the increase was driven by higher net sales and higher other income, partially offset by a decrease in gross profit rate, higher SG&A and higher impairment, restructuring and other charges.

Equity in Income of Unconsolidated Affiliates

We acquired a 50% equity interest in Bonnie Plants, LLC on December 31, 2020. Our interest is accounted for using the equity method of accounting, with our proportionate share of Bonnie Plants, LLC earnings subsequent to December 31, 2020 reflected in the Condensed Consolidated Statements of Operations. Equity in income of Bonnie Plants, LLC was $21.5 and $20.0 for the three and nine months ended July 3, 2021, respectively.

Costs Related to Refinancing

Costs related to refinancing were zero and $15.1 for the three and nine months ended June 27, 2020, respectively. These costs were associated with the redemption of our 6.000% Senior Notes due 2023 (the “6.000% Senior Notes”), and are comprised of $12.0 of redemption premium and $3.1 of unamortized bond issuance costs that were written off. Refer to “NOTE 7. DEBT” of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for more information regarding the redemption of the 6.000% Senior Notes.

Interest Expense

Interest expense was $21.9 for the three months ended July 3, 2021, an increase of 7.9% compared to $20.3 for the three months ended June 27, 2020. The increase was driven by an increase in average borrowings of $311.0, partially offset by a decrease in our weighted average interest rate of 26 basis points. The increase in average borrowings was primarily driven by higher inventory production, capital expenditures and acquisition activity. The decrease in our weighted average interest rate was primarily driven by lower borrowing rates on the Fifth A&R Credit Agreement and the issuance of the 4.000% Senior Notes due 2031 (the “4.000% Senior Notes”).

Interest expense was $57.3 for the nine months ended July 3, 2021, a decrease of 9.0% compared to $63.0 for the nine months ended June 27, 2020. The decrease was driven by a decrease our weighted average interest rate of 64 basis points, partially offset by an increase in average borrowings of $147.8. The decrease in our weighted average interest rate was driven by lower borrowing rates on the Fifth A&R Credit Agreement and the issuance of the 4.000% Senior Notes. The increase in average borrowings was primarily driven by higher inventory production, capital expenditures and acquisition activity.

Other Non-Operating Income, net

Other non-operating income was $1.2 and $1.9 for the three months ended July 3, 2021 and June 27, 2020, respectively, and was $17.3 and $7.3 for the nine months ended July 3, 2021 and June 27, 2020, respectively.

On December 31, 2020, we acquired a 50% equity interest in Bonnie Plants, LLC in exchange for a cash payment of $100.7, forgiveness of our outstanding loan receivable with AFC and surrender of our options to increase our economic interest in the Bonnie Plants business. Our loan receivable with AFC, which was previously recognized in the “Other assets” line in the Condensed Consolidated Balance Sheets, had a carrying value of $66.4 on December 31, 2020 and we recognized a gain of $12.5 during the three months ended January 2, 2021 to write-up the value of the loan to its closing date fair value of $78.9 in the “Other non-operating income, net” line in the Condensed Consolidated Statements of Operations.

Income Tax Expense from Continuing Operations

The effective tax rates related to continuing operations for the nine months ended July 3, 2021 and June 27, 2020 were 23.5% and 24.2%, respectively. 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. 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 $229.8, or $4.00 per diluted share, for the three months ended July 3, 2021 compared to $204.3, or $3.57 per diluted share, for the three months ended June 27, 2020. The increase was driven by higher net sales, lower SG&A, lower impairment, restructuring and other charges, higher other income and higher equity in income of unconsolidated affiliates, partially offset by a decrease in gross profit rate and higher income tax expense.

(Dollars in millions, except per share data)

Diluted average common shares used in the diluted income per common share calculation for the three months ended July 3, 2021 were 57.4 million, which included dilutive potential Common Shares of 1.6 million. Diluted average common shares used in the diluted income per common share calculation for the three months ended June 27, 2020 were 57.1 million, which included dilutive potential Common Shares of 1.5 million. The increase was primarily the result of the exercise and issuance of share-based compensation awards, partially offset by Common Share repurchase activity.

Income from continuing operations was $566.0, or $9.90 per diluted share, for the nine months ended July 3, 2021 compared to $382.8, or $6.74 per diluted share, for the nine months ended June 27, 2020. The increase was driven by higher net sales, higher other income, higher equity in income of unconsolidated affiliates, lower interest expense and higher other non-operating income, partially offset by a decrease in gross profit rate, higher SG&A and higher impairment, restructuring and other charges.

Diluted average common shares used in the diluted income per common share calculation for the nine months ended July 3, 2021 were 57.1 million, which included dilutive potential Common Shares of 1.4 million. Diluted average common shares used in the diluted income per common share calculation for the nine months ended June 27, 2020 were 56.7 million, which included dilutive potential Common Shares of 1.0 million. The increase was primarily the result of the exercise and issuance of share-based compensation awards, partially offset by Common Share repurchase activity.

SEGMENT RESULTS

During the three months ended January 2, 2021, we changed our internal organization structure such that AeroGrow is now managed by and reported within our U.S. Consumer segment. Within our U.S. Consumer segment, AeroGrow is integrated into our overall direct to consumer focus and strategy. AeroGrow was previously managed by and reported within our Hawthorne segment. The prior period amounts have been reclassified to conform to the new organization structure.

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:

	Three Months Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
U.S. Consumer	$ 1,046.2	$ 1,093.0	$ 2,828.4	$ 2,371.7
Hawthorne	421.9	285.7	1,095.1	685.9
Other	141.6	114.0	263.7	183.7
Consolidated	$ 1,609.7	$ 1,492.7	$ 4,187.2	$ 3,241.3

(Dollars in millions, except per share data)

The following table sets forth Segment Profit (Loss) as well as a reconciliation to income from continuing operations before income taxes, the most directly comparable GAAP measure:

	Three Months Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
U.S. Consumer	$ 264.4	$ 313.8	$ 745.6	$ 648.2
Hawthorne	51.9	37.8	133.7	74.2
Other	26.8	14.4	44.4	14.8
Total Segment Profit (Non-GAAP)	343.1	366.0	923.7	737.2
Corporate	(31.9)	(57.8)	(114.6)	(120.7)
Intangible asset amortization	(7.8)	(7.8)	(23.0)	(23.6)
Impairment, restructuring and other	(1.3)	(15.9)	(25.9)	(17.3)
Equity in income of unconsolidated affiliates	21.5	—	20.0	—
Costs related to refinancing	—	—	—	(15.1)
Interest expense	(21.9)	(20.3)	(57.3)	(63.0)
Other non-operating income, net	1.2	1.9	17.3	7.3
Income from continuing operations before income taxes (GAAP)	$ 302.9	$ 266.1	$ 740.2	$ 504.8

U.S. Consumer

U.S. Consumer segment net sales were $1,046.2 in the third quarter of fiscal 2021, a decrease of 4.3% from third quarter of fiscal 2020 net sales of $1,093.0; and were $2,828.4 for the first nine months of fiscal 2021, an increase of 19.3% from the first nine months of fiscal 2020 net sales of $2,371.7. For the third quarter of fiscal 2021, the decrease was driven by the unfavorable impact of volume of 5.0%, partially offset by the favorable impact of decreased promotional activity of 0.8%. The decrease in sales volume for the three months ended July 3, 2021 was driven by the impact of the calendar shift, partially offset by increased sales of mulch. For the nine months ended July 3, 2021, the increase was driven by the favorable impacts of volume, which includes the impact of the calendar shift, and pricing of 18.8% and 0.4%, respectively. The increase in sales volume for the nine months ended July 3, 2021 was driven by soils, fertilizer, grass seed, mulch, controls, plant food and direct to consumer products as well as increased net sales associated with the Roundup® marketing agreement.

U.S. Consumer Segment Profit was $264.4 in the third quarter of fiscal 2021, a decrease of 15.7% from the third quarter of fiscal 2020 Segment Profit of $313.8; and was $745.6 for the first nine months of fiscal 2021, an increase of 15.0% from the first nine months of fiscal 2020 Segment Profit of $648.2. For the three months ended July 3, 2021, the decrease was due to lower net sales and a lower gross profit rate, partially offset by lower SG&A. For the nine months ended July 3, 2021, the increase was due to higher net sales, partially offset by a lower gross profit rate and higher SG&A.

Hawthorne

Hawthorne segment net sales were $421.9 in the third quarter of fiscal 2021, an increase of 47.7% from third quarter of fiscal 2020 net sales of $285.7; and were $1,095.1 for the first nine months of fiscal 2021, an increase of 59.7% from the first nine months of fiscal 2020 net sales of $685.9. For the third quarter of fiscal 2021, the increase was driven by the favorable impacts of volume, pricing and foreign exchange rates of 44.9%, 1.7% and 1.0%, respectively. For the nine months ended July 3, 2021, the increase was driven by the favorable impacts of volume, pricing and foreign exchange rates of 55.4%, 3.3%, 1.0%, respectively. The increase in sales volume for the three and nine months ended July 3, 2021 was driven by lighting, nutrients, growing media, hardware and growing environments products.

Hawthorne Segment Profit was $51.9 in the third quarter of fiscal 2021, an increase of 37.3% from the third quarter of fiscal 2020 Segment Profit of $37.8; and was $133.7 for the first nine months of fiscal 2021, an increase of 80.2% from the first nine months of fiscal 2020 Segment Profit of $74.2. For the three and nine months ended July 3, 2021, the increase was driven by higher net sales, partially offset by a lower gross profit rate and higher SG&A.

Other

Other segment net sales were $141.6 in the third quarter of fiscal 2021, an increase of 24.2% from third quarter of fiscal 2020 net sales of $114.0; and were $263.7 for the first nine months of fiscal 2021, an increase of 43.5% from the first nine months of fiscal 2020 net sales of $183.7. For the third quarter of fiscal 2021, the increase was driven by the favorable impacts of volume, pricing and foreign exchange rates of 6.9%, 2.8% and 14.5%, respectively. For the nine months ended July 3, 2021, the increase was driven by the favorable impacts of volume, pricing and foreign exchange rates of 27.8%, 3.0% and 12.8%, respectively.

(Dollars in millions, except per share data)

Other Segment Profit was $26.8 in the third quarter of fiscal 2021, an increase of 86.1% from the third quarter of fiscal 2020 Segment Profit of $14.4; and was $44.4 for the first nine months of fiscal 2021, an increase of 200.0% from the first nine months of fiscal 2020 Segment Profit of $14.8. For the three and nine months ended July 3, 2021, the increase was driven by higher net sales and a higher gross profit rate, partially offset by higher SG&A.

Corporate

Corporate expenses were $31.9 in the third quarter of fiscal 2021, a decrease of 44.8% from third quarter of fiscal 2020 expenses of $57.8; and were $114.6 for the first nine months of fiscal 2021, a decrease of 5.1% from the first nine months of fiscal 2020 expenses of $120.7. For the three and nine months ended July 3, 2021, the decrease was driven by lower short-term variable cash incentive compensation expense and a more significant increase in the expected payout percentage on long-term performance-based awards during fiscal 2020 as compared to fiscal 2021.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes cash activities:

	Nine Months Ended	
	July 3, 2021	June 27, 2020
Net cash provided by (used in) operating activities	$ (207.1)	$ 42.5
Net cash provided by (used in) investing activities	(211.9)	74.4
Net cash provided by (used in) financing activities	459.6	(87.4)

Operating Activities

Cash used in operating activities totaled $207.1 for the nine months ended July 3, 2021, a decrease of $249.6 as compared to cash provided by operating activities of $42.5 for the nine months ended June 27, 2020. This decrease was driven by higher inventory production, higher short-term variable cash incentive compensation payouts and higher SG&A during the nine months ended July 3, 2021, partially offset by higher net sales and lower interest payments.

Investing Activities

Cash used in investing activities totaled $211.9 for the nine months ended July 3, 2021 as compared to cash provided by investing activities of $74.4 for the nine months ended June 27, 2020. Cash used for investments in property, plant and equipment during the first nine months of fiscal 2021 and 2020 was $77.9 and $41.7, respectively. During the nine months ended July 3, 2021, we acquired a 50% equity interest in Bonnie Plants, LLC in exchange for cash payments of $102.3, as well as non-cash investing activities that included forgiveness of our outstanding loan receivable with AFC and surrender of our options to increase our economic interest in the Bonnie Plants business. In addition, during the nine months ended July 3, 2021, we acquired contract and license rights for $20.0 and we paid cash of $10.0 associated with currency forward contracts. During the nine months ended June 27, 2020, we received proceeds of $115.5 from the sale of the Roundup® brand extension assets, made a $2.5 loan investment and received cash of $2.9 associated with currency forward contracts.

Financing Activities

Cash provided by financing activities totaled $459.6 for the nine months ended July 3, 2021 as compared to cash used in financing activities of $87.4 for the nine months ended June 27, 2020. This increase was driven by the issuance of $500.0 aggregate principal amount of 4.000% Senior Notes, partially offset by net borrowings under our Fifth A&R Credit Facilities (as defined below) of $167.0 during the nine months ended July 3, 2021 as compared to $15.7 during the nine months ended June 27, 2020, the issuance of $450.0 aggregate principal amount of 4.500% Senior Notes and the redemption of all $400.0 aggregate principal amount of 6.000% Senior Notes during the nine months ended June 27, 2020, an increase in repurchases of our Common Shares of $37.9 during the nine months ended July 3, 2021 and payments of $17.4 associated with the acquisition of the remaining outstanding shares of AeroGrow.

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 $58.3, $48.3 and $16.6 as of July 3, 2021, June 27, 2020 and September 30, 2020, respectively, included $52.1, $33.0 and $9.4, respectively, held by controlled foreign corporations. As of July 3, 2021, we maintain our assertion of indefinite reinvestment of the earnings of all material foreign subsidiaries.

Borrowing Agreements

Credit Facilities

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. We maintain the Fifth A&R Credit Agreement that provides senior secured loan facilities in the aggregate principal amount of $2,300.0, comprised of a revolving credit facility of $1,500.0 and a term loan in the original principal amount of $800.0 (the "Fifth A&R Credit Facilities"). The Fifth A&R Credit Agreement is available for issuance of letters of credit up to $75.0 and will terminate on July 5, 2023.

At July 3, 2021, we had letters of credit outstanding in the aggregate principal amount of $19.8 and had $1,201.4 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 were 1.8% and 3.4% for the nine months ended July 3, 2021 and June 27, 2020, 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 4.50. Our leverage ratio was 2.19 at July 3, 2021. The Fifth A&R Credit Agreement also contains an affirmative covenant regarding our interest coverage ratio determined as of the end of each of our 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 July 3, 2021. Our interest coverage ratio was 13.53 for the twelve months ended July 3, 2021. As of July 3, 2021, we were in compliance with these financial covenants.

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 repurchases of Common Shares, 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 $225.0. 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 2021. 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 the Fifth A&R Credit Agreement, potentially causing us to have to seek an amendment or waiver from our lending group which could result in repricing of the Fifth A&R Credit Agreement. 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.

Senior Notes

On December 15, 2016, we issued $250.0 aggregate principal amount of 5.250% Senior Notes due 2026 (the "5.250% Senior Notes"). The 5.250% Senior Notes represent general unsecured senior obligations and rank equal in right of payment with our existing and future unsecured senior debt. The 5.250% Senior Notes have interest payment dates of June 15 and December 15 of each year. Substantially all of our directly and indirectly owned domestic subsidiaries serve as guarantors of the 5.250% Senior Notes.

On October 22, 2019, we issued $450.0 aggregate principal amount of 4.500% Senior Notes. The net proceeds of the offering were used to redeem all of our outstanding 6.000% Senior Notes and for general corporate purposes. The 4.500% Senior Notes represent general unsecured senior obligations and rank equal in right of payment with our existing and future unsecured senior debt. The 4.500% Senior Notes have interest payment dates of April 15 and October 15 of each year. All of our domestic subsidiaries that serve as guarantors of the 5.250% Senior Notes also serve as guarantors of the 4.500% Senior Notes.

On October 23, 2019, we redeemed all of our outstanding 6.000% Senior Notes for a redemption price of $412.5, comprised of $0.5 of accrued and unpaid interest, $12.0 of redemption premium, and $400.0 for outstanding principal amount. The $12.0 redemption premium was recognized in the "Costs related to refinancing" line on the Condensed Consolidated Statements of Operations during the first quarter of fiscal 2020. Additionally, we had $3.1 in unamortized bond issuance costs associated with the 6.000% Senior Notes, which were written-off during the first quarter of fiscal 2020 and were recognized in the "Costs related to refinancing" line in the Condensed Consolidated Statements of Operations.

(Dollars in millions, except per share data)

On March 17, 2021, we issued $500.0 aggregate principal amount of 4.000% Senior Notes. The net proceeds of the offering were used to reduce borrowings under the Fifth A&R Credit Facilities. The 4.000% Senior Notes represent general unsecured senior obligations and rank equal in right of payment with the our existing and future unsecured senior debt. The 4.000% Senior Notes have interest payment dates of April 1 and October 1 of each year, commencing October 1, 2021. All of our domestic subsidiaries that serve as guarantors of the 5.250% Senior Notes also serve as guarantors of the 4.000% Senior Notes.

On August 10, 2021, we entered into a purchase agreement, pursuant to which we agreed to issue and sell $400.0 aggregate principal amount of 4.375% senior notes due 2032 (the "4.375% Senior Notes") in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended. We intend to use the net proceeds from the offering to reduce borrowings under the Fifth A&R Credit Facilities and for other general corporate purposes (including acquisitions and other strategic opportunities). The 4.375% Senior Notes will represent general unsecured senior obligations and rank equal in right of payment with our existing and future unsecured senior debt. All of our domestic subsidiaries that serve as guarantors of the 5.250% Senior Notes will also serve as guarantors of the 4.375% Senior Notes. The issuance and sale of the 4.375% Senior Notes is expected to close on August 13, 2021, subject to customary closing conditions.

Receivables Facility

We also maintain a Master Repurchase Agreement (including the annexes thereto, the "Repurchase Agreement") and a Master Framework Agreement, as amended (the "Framework Agreement" and, together with the Repurchase Agreement, the "Receivables Facility"). Under the Receivables Facility, 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. The eligible accounts receivable consist of accounts receivable generated by sales to three specified customers. The eligible amount of customer accounts receivables which may be sold under the Receivables Facility is $400.0 and the commitment amount during the seasonal commitment period beginning on February 26, 2021 and ending on June 18, 2021 is $160.0. The Receivables Facility expires on August 20, 2021 but is expected to be renewed prior to its expiration.

We account for the sale of receivables under the Receivables Facility as short-term debt and continue to carry the receivables on our Condensed Consolidated Balance Sheets, primarily as a result of our requirement to repurchase receivables sold. As of July 3, 2021 and June 27, 2020, there were zero and $160.0, respectively, in borrowings on receivables pledged as collateral under the Receivables Facility, and the carrying value of the receivables pledged as collateral was zero and $177.8, respectively.

Interest Rate Swap Agreements

We enter into interest rate swap agreements with major financial institutions that effectively convert a portion of our variable rate debt to a fixed rate. Interest payments made between the effective date and expiration date are hedged by the swap agreements. Swap agreements that were hedging interest payments as of July 3, 2021, June 27, 2020 and September 30, 2020 had a maximum total U.S. dollar equivalent notional amount of $700.0, $600.0 and $600.0, respectively. The notional amount, effective date, expiration date and rate of each of the swap agreements outstanding at July 3, 2021 are shown in the table below:

Notional Amount	Effective Date (a)	Expiration Date	Fixed Rate
$ 100	11/7/2018	7/7/2021	2.96 %
200	11/7/2018	10/7/2021	2.98 %
100	12/21/2020	6/20/2023	1.36 %
300 (b)	1/7/2021	6/7/2023	1.34 %
200	10/7/2021	6/7/2023	1.37 %
200 (b)	1/20/2022	6/20/2024	0.58 %
200	6/7/2023	6/8/2026	0.85 %

(a) The effective date refers to the date on which interest payments are first hedged by the applicable swap agreement.
(b) Notional amount adjusts in accordance with a specified seasonal schedule. This represents the maximum notional amount at any point in time.

We believe that our cash flows from operations and borrowings under our agreements described herein will be sufficient to meet debt service, capital expenditures and working capital needs for the foreseeable future. However, we cannot ensure that our business will generate sufficient cash flow from operations or that future borrowings will be available under our borrowing agreements in amounts sufficient to pay indebtedness or fund other liquidity needs. Additionally, the extent to which the COVID-19 pandemic will ultimately impact our business, results of operations, financial condition and cash flows depends on future developments that are highly uncertain, rapidly evolving and difficult to predict at this time. Actual results of operations will depend on numerous factors, many of which are beyond our control as further discussed in the 2020 Annual Report, under “ITEM 1A. RISK FACTORS — Our indebtedness could limit our flexibility and adversely affect our financial condition” and “ITEM 1A. RISK FACTORS — The effects of the ongoing coronavirus (COVID-19) pandemic and any possible recurrence of other similar types of pandemics, or any other widespread public health emergencies, could have a material adverse effect on our business, results of operations, financial condition and/or cash flows.”

Financial Disclosures About Guarantors and Issuers of Guaranteed Securities

The 5.250% Senior Notes, 4.500% Senior Notes and 4.000% Senior Notes were issued by Scotts Miracle-Gro on December 15, 2016, October 22, 2019 and March 17, 2021, respectively. The 5.250% Senior Notes, 4.500% Senior Notes and 4.000% Senior Notes are guaranteed by certain consolidated domestic subsidiaries of Scotts Miracle-Gro (collectively, the “Guarantors”) and, therefore, we report summarized financial information in accordance with SEC Regulation S-X, Rule 13-01, “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(b)(3), except that a Guarantor’s guarantee will be released in certain circumstances set forth in the indentures governing the 5.250% Senior Notes, 4.500% Senior Notes and 4.000% Senior Notes, such as (i) upon any sale or other disposition of all or substantially all of the assets of the Guarantor (including by way of merger or consolidation) to any person other than Scotts Miracle-Gro or any “restricted subsidiary” under the applicable indenture; (ii) if the Guarantor merges with and into Scotts Miracle-Gro, with Scotts Miracle-Gro surviving such merger; (iii) if the Guarantor is designated an “unrestricted subsidiary” in accordance with the applicable indenture or otherwise ceases to be a “restricted subsidiary” (including by way of liquidation or dissolution) in a transaction permitted by such indenture; (iv) upon legal or covenant defeasance; (v) at the election of Scotts Miracle-Gro following the Guarantor’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 (vi) if the Guarantor ceases to be a “restricted subsidiary” and the Guarantor is not otherwise required to provide a guarantee of the 5.250% Senior Notes, 4.500% Senior Notes and 4.000% Senior Notes pursuant to the applicable indenture.

Our foreign subsidiaries and certain of our domestic subsidiaries are not guarantors (collectively, the “Non-Guarantors”) on the 5.250% Senior Notes, 4.500% Senior Notes and 4.000% Senior Notes. Payments on the 5.250% Senior Notes, 4.500% Senior Notes and 4.000% Senior Notes are only required to be made by Scotts Miracle-Gro and the Guarantors. As a result, no payments are required to be made from the assets of the Non-Guarantors, unless those assets are transferred by dividend or otherwise to Scotts Miracle-Gro or a Guarantor. In the event of a bankruptcy, insolvency, liquidation or reorganization of any of the Non-Guarantors, holders of their indebtedness, including their trade creditors and other obligations, will be entitled to payment of their claims from the assets of the Non-Guarantors before any assets are made available for distribution to Scotts Miracle-Gro or the Guarantors. As a result, the 5.250% Senior Notes, 4.500% Senior Notes and 4.000% Senior Notes are effectively subordinated to all the liabilities of the Non-Guarantors.

The guarantees may be subject to review under federal bankruptcy laws or relevant state fraudulent conveyance or fraudulent transfer laws. In certain circumstances, the court could void the guarantee, subordinate the amounts owing under the guarantee, or take other actions detrimental to the holders of the 5.250% Senior Notes, 4.500% Senior Notes and 4.000% Senior Notes.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or a valid antecedent debt is satisfied. A court would likely find that a Guarantor did not receive reasonably equivalent value or fair consideration for its guarantee to the extent such Guarantor did not obtain a reasonably equivalent benefit from the issuance of the 5.250% Senior Notes, 4.500% Senior Notes and 4.000% Senior Notes.

The measure of insolvency varies depending upon the law of the jurisdiction that is being applied. Regardless of the measure being applied, a court could determine that a Guarantor was insolvent on the date the guarantee was issued, so that payments to the holders of the 5.250% Senior Notes, 4.500% Senior Notes and 4.000% Senior Notes would constitute a preference, fraudulent transfer or conveyances on other grounds. If a guarantee is voided as a fraudulent conveyance or is found to be unenforceable for any other reason, the holders of the 5.250% Senior Notes, 4.500% Senior Notes and 4.000% Senior Notes will not have a claim against the Guarantor.

Each guarantee contains a provision intended to limit the Guarantor’s liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent conveyance. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each Guarantor.

(Dollars in millions, except per share data)

Moreover, this provision may not be effective to protect the guarantees from being voided under fraudulent conveyance laws. There is a possibility that the entire guarantee may be set aside, in which case the entire liability may be extinguished.

The following tables present summarized financial information on a combined basis for Scotts Miracle-Gro and the Guarantors. Transactions between Scotts Miracle-Gro and the Guarantors have been eliminated and the summarized financial information does not reflect investments of the Scotts Miracle-Gro and the Guarantors in the Non-Guarantor subsidiaries.

	July 3, 2021	September 30, 2020
Current assets	$ 1,951.8	$ 1,087.1
Noncurrent assets [(a)]	2,099.7	1,871.5
Current liabilities	915.4	881.2
Noncurrent liabilities	2,367.2	1,697.0

(a) Includes amounts due from Non-Guarantor subsidiaries of $42.0 and $24.8, respectively.

	Nine Months Ended	Year Ended
	July 3, 2021	September 30, 2020
Net sales	$ 3,843.7	$ 3,773.8
Gross profit	1,264.9	1,281.4
Income from continuing operations [(a)]	557.3	364.0
Net income	557.3	364.1
Net income attributable to controlling interest	556.4	362.9

(a) Includes intercompany (income) expense from Non-Guarantor subsidiaries of $(25.7) and $6.3, respectively.

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

Other than as disclosed in this Quarterly Report on Form 10-Q, there have been no material changes outside of the ordinary course of business in our outstanding contractual obligations since the end of fiscal 2020 and through July 3, 2021.

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 2020 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 2020 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 2020 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 July 3, 2021.

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 July 3, 2021 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 the 2020 Annual Report. There have been no material changes to the pending legal proceedings set forth therein.

We are involved in other lawsuits and claims which arise in the normal course of our business including the initiation and defense of proceedings to protect intellectual property rights, advertising claims and employment disputes. In our opinion, these claims individually and in the aggregate are not expected to have a material adverse effect on our financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS

The Company’s risk factors, as of July 3, 2021, have not materially changed from those described in Part I, Item 1A of the 2020 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. 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 our Common Shares or other uses of cash flows. 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 2020 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 $225.0 million. The Company’s leverage ratio was 2.19 at July 3, 2021.

(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 July 3, 2021:

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)**
April 4, 2021 through May 1, 2021	33,847	$ 239.69	33,354	$ 691,455,526
May 2, 2021 through May 29, 2021	35,774	$ 226.81	35,241	$ 683,457,454
May 30, 2021 through July 3, 2021	47,165	$ 195.73	46,014	$ 674,449,356
Total	116,786	$ 217.99	114,609	

(1) All of the Common Shares purchased during the third fiscal quarter of 2021 were purchased in open market transactions. The total number of Common Shares purchased during this quarter includes 2,177 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) On February 6, 2020, Scotts Miracle-Gro announced that its Board of Directors authorized the repurchase of up to $750.0 million of Common Shares from April 30, 2020 through March 25, 2023.

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 47 for a list of the exhibits included herewith.

THE SCOTTS MIRACLE-GRO COMPANY
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JULY 3, 2021

INDEX TO EXHIBITS

Exhibit No.	Description	Incorporated by Reference Form	Incorporated by Reference Exhibit	Incorporated by Reference Filing Date	Filed Herewith
4.1	Fourth Supplemental Indenture, dated June 24, 2021, by and among The Scotts Miracle-Gro Company, the Guarantors (as defined therein) and U.S. Bank National Association, as trustee, with respect to the 5.250% Senior Notes				X
4.2	Third Supplemental Indenture, dated June 24, 2021, by and among The Scotts Miracle-Gro Company, the Guarantors (as defined therein) and U.S. Bank National Association, as trustee, with respect to the 4.500% Senior Notes				X
4.3	First Supplemental Indenture, dated as of June 24, 2021, by and among The Scotts Miracle-Gro Company, the Guarantors (as defined therein) and U.S. Bank National Association, as trustee, with respect to the 4.000% Senior Notes				X
10	Amendment No. 1, dated August 3, 2021, to Fifth Amended and Restated Credit Agreement, dated as of July 5, 2018, by and among The Scotts Miracle-Gro Company, as a Borrower; the Subsidiary Borrowers (as defined therein); JPMorgan Chase Bank, N.A., as Administrative Agent; Wells Fargo Bank, National Association, and Mizuho Bank, Ltd. as Co-Syndication Agents; CoBank, ACB, Bank of America, N.A., Fifth Third Bank, Coöperatieve Rabobank U.A., New York Branch, Sumitomo Mitsui Banking Corporation and TD Bank N.A., as Co-Documentation Agents; and the several other banks and other financial institutions from time to time parties thereto				X
21	Subsidiaries of The Scotts Miracle-Gro Company				X
22	Guarantor Subsidiaries				X
31.1	Rule 13a-14(a)/15d-14(a) Certifications (Principal Executive Officer)				X
31.2	Rule 13a-14(a)/15d-14(a) Certifications (Principal Financial Officer)				X
32	Section 1350 Certifications (Principal Executive Officer and Principal Financial Officer)				X
101.SCH	XBRL Taxonomy Extension Schema				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase				X
101.LAB	XBRL Taxonomy Extension Label Linkbase				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				X

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: August 11, 2021

/s/ CORY J. MILLER

Printed Name: Cory J. Miller

Title: Senior Vice President and Interim Chief Financial Officer

Exhibit 4.1

THE SCOTTS MIRACLE-GRO COMPANY, as Issuer

THE GUARANTORS PARTY HERETO, as Guarantors

AND

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

5.250% Senior Notes due 2026

FOURTH SUPPLEMENTAL INDENTURE DATED AS OF

June 24, 2021

TO THE INDENTURE DATED AS OF

December 15, 2016

FOURTH SUPPLEMENTAL INDENTURE

This FOURTH SUPPLEMENTAL INDENTURE, dated as of June 24, 2021 (this "***Fourth Supplemental Indenture***"), is by and among The Scotts Miracle-Gro Company, an Ohio corporation (such corporation and any successor, the "***Company***"), the existing Guarantors (as defined in the Indenture referred to herein) (the "***Existing Guarantors***"), The Hawthorne Collective, Inc., an Ohio corporation (the "***New Guarantor***"), and U.S. Bank National Association, a national banking association, as trustee under the Indenture referred to herein (such corporation and any successor, the "***Trustee***"). The New Guarantor and the Existing Guarantors are sometimes referred to collectively herein as the "***Guarantors***," or individually as a "***Guarantor***." Capitalized terms not otherwise defined in this Fourth Supplemental Indenture will have the meanings given to them in the Indenture (as defined below).

WITNESSETH:

WHEREAS, the Company, the Existing Guarantors and the Trustee are parties to an indenture, dated as of December 15, 2016, as supplemented by that First Supplemental Indenture, dated as of July 17, 2018, as further supplemented by that Second Supplemental Indenture, dated as of March 24, 2020, and as further supplemented by that Third Supplemental Indenture, dated as of March 29, 2021 (the "***Indenture***"), relating to the Company's 5.250% Senior Notes due 2026 (the "***Securities***");

WHEREAS, pursuant to Section 9.01(5) of the Indenture, without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more supplemental indentures, in form satisfactory to the Trustee, to add any Person as a Guarantor; and

WHEREAS, all conditions precedent provided for in the Indenture relating to this Fourth Supplemental Indenture have been complied with.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Existing Guarantors, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Securities as follows:

1. <u>Definitions</u>. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. <u>Joinder of New Guarantor</u>. The New Guarantor hereby joins in the Indenture as a "Guarantor" thereunder. The New Guarantor hereby assumes the duties and obligations of Guarantors under the Indenture. The New Guarantor agrees to keep and perform all of the covenants, obligations and conditions of Guarantors under the Indenture, on the terms and subject to the conditions set forth in Article X of the Indenture, and to be bound by all other applicable provisions of the Indenture. Upon request from time to time by the Trustee, the New Guarantor shall execute and deliver to the Trustee a notation relating to the New Guarantor's Guarantee, substantially in the form attached as Exhibit E to the Indenture.

3. Effect of Fourth Supplemental Indenture. Except as amended by this Fourth Supplemental Indenture, the terms and provisions of the Indenture shall remain in full force and effect.

4. Governing Law. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS FOURTH SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. Counterparts. The parties may sign any number of copies of this Fourth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. This Fourth Supplemental Indenture may be executed in multiple counterparts which, when taken together, shall constitute one instrument.

6. Effect of Headings. The section headings herein are for convenience only and shall not affect the construction hereof.

7. Trustee. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Fourth Supplemental Indenture. This Fourth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed and delivered all as of the day and year first above written.

COMPANY:

THE SCOTTS MIRACLE-GRO COMPANY

By: /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Corporate Treasurer

NEW GUARANTOR:

THE HAWTHORNE COLLECTIVE, INC.

By: /S/ ALBERT J. MESSINA
Name: Albert J. Messina
Title: Treasurer

EXISTING GUARANTORS:

AEROGROW INTERNATIONAL, INC.
HYPONEX CORPORATION
MIRACLE-GRO LAWN PRODUCTS, INC.
ROD MCLELLAN COMPANY
SANFORD SCIENTIFIC, INC.
SCOTTS LIVE GOODS HOLDINGS, INC.
SCOTTS MANUFACTURING COMPANY
SCOTTS PRODUCTS CO.
SCOTTS PROFESSIONAL PRODUCTS CO.
SCOTTS TEMECULA OPERATIONS, LLC
SMG GROWING MEDIA, INC.
SMGM LLC
THE SCOTTS COMPANY LLC
1868 VENTURES LLC

By: /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

HAWTHORNE HYDROPONICS LLC
THE HAWTHORNE GARDENING COMPANY

By: /S/ ALBERT J. MESSINA
Name: Albert J. Messina
Title: Vice President and Treasurer

HGCI, INC.

By: /S/ ALBERT J. MESSINA
Name: Albert J. Messina
Title: Vice President

OMS INVESTMENTS, INC.
SWISS FARMS PRODUCTS, INC.
SCOTTS-SIERRA INVESTMENTS LLC

By: /S/ GREGORY A. LIENING
Name: Gregory A. Liening
Title: President and CEO

GENSOURCE, INC.

By: /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Treasurer

TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION

By:	/S/ KATHERINE ESBER
Name:	Katherine Esber
Title:	Vice President

Exhibit 4.2

THE SCOTTS MIRACLE-GRO COMPANY, as Issuer

THE GUARANTORS PARTY HERETO, as Guarantors

AND

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

4.500% Senior Notes due 2029

THIRD SUPPLEMENTAL INDENTURE DATED AS OF

June 24, 2021

TO THE INDENTURE DATED AS OF

October 22, 2019

THIRD SUPPLEMENTAL INDENTURE

This THIRD SUPPLEMENTAL INDENTURE, dated as of June 24, 2021 (this "***Third Supplemental Indenture***"), is by and among The Scotts Miracle-Gro Company, an Ohio corporation (such corporation and any successor, the "***Company***"), the existing Guarantors (as defined in the Indenture referred to herein) (the "***Existing Guarantors***"), The Hawthorne Collective, Inc., an Ohio corporation ("***New Guarantor***"), and U.S. Bank National Association, a national banking association, as trustee under the Indenture referred to herein (such corporation and any successor, the "***Trustee***"). The New Guarantor and the Existing Guarantors are sometimes referred to collectively herein as the "***Guarantors***," or individually as a "***Guarantor***." Capitalized terms not otherwise defined in this Third Supplemental Indenture will have the meanings given to them in the Indenture (as defined below).

WITNESSETH:

WHEREAS, the Company, the Existing Guarantors and the Trustee are parties to an indenture, dated as of October 22, 2019, as supplemented by that First Supplemental Indenture, dated as of March 24, 2020, as further supplemented by that Second Supplemental Indenture, dated as of March 29, 2021 (the "***Indenture***"), relating to the Company's 4.500% Senior Notes due 2029 (the "***Securities***");

WHEREAS, pursuant to Section 9.01(5) of the Indenture, without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more supplemental indentures, in form satisfactory to the Trustee, to add any Person as a Guarantor; and

WHEREAS, all conditions precedent provided for in the Indenture relating to this Third Supplemental Indenture have been complied with.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Existing Guarantors, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Securities as follows:

1. Definitions. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Joinder of New Guarantor. The New Guarantor hereby joins in the Indenture as a "Guarantor" thereunder. The New Guarantor hereby assumes the duties and obligations of Guarantors under the Indenture. The New Guarantor agrees to keep and perform all of the covenants, obligations and conditions of Guarantors under the Indenture, on the terms and subject to the conditions set forth in Article X of the Indenture, and to be bound by all other applicable provisions of the Indenture. Upon request from time to time by the Trustee, the New Guarantor shall execute and deliver to the Trustee a notation relating to the New Guarantor's Guarantee, substantially in the form attached as Exhibit E to the Indenture.

3. Effect of Third Supplemental Indenture. Except as amended by this Third Supplemental Indenture, the terms and provisions of the Indenture shall remain in full force and effect.

4. Governing Law. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS THIRD SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. Counterparts. The parties may sign any number of copies of this Third Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. This Third Supplemental Indenture may be executed in multiple counterparts which, when taken together, shall constitute one instrument.

6. Effect of Headings. The section headings herein are for convenience only and shall not affect the construction hereof.

7. Trustee. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Third Supplemental Indenture. This Third Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed and delivered all as of the day and year first above written.

COMPANY:

THE SCOTTS MIRACLE-GRO COMPANY

By: /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Corporate Treasurer

NEW GUARANTOR:

THE HAWTHORNE COLLECTIVE, INC.

By: /S/ ALBERT J. MESSINA
Name: Albert J. Messina
Title: Treasurer

EXISTING GUARANTORS:

AEROGROW INTERNATIONAL, INC.
HYPONEX CORPORATION
MIRACLE-GRO LAWN PRODUCTS, INC.
ROD MCLELLAN COMPANY
SANFORD SCIENTIFIC, INC.
SCOTTS LIVE GOODS HOLDINGS, INC.
SCOTTS MANUFACTURING COMPANY
SCOTTS PRODUCTS CO.
SCOTTS PROFESSIONAL PRODUCTS CO.
SCOTTS TEMECULA OPERATIONS, LLC
SMG GROWING MEDIA, INC.
SMGM LLC
THE SCOTTS COMPANY LLC
1868 VENTURES LLC

By: /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

HAWTHORNE HYDROPONICS LLC
THE HAWTHORNE GARDENING COMPANY

By: /S/ ALBERT J. MESSINA
Name: Albert J. Messina
Title: Vice President and Treasurer

HGCI, INC.

By: /S/ ALBERT J. MESSINA
Name: Albert J. Messina
Title: Vice President

OMS INVESTMENTS, INC.
SWISS FARMS PRODUCTS, INC.
SCOTTS-SIERRA INVESTMENTS LLC

By: /S/ GREGORY A. LIENING
Name: Gregory A. Liening
Title: President and CEO

GENSOURCE, INC.

By: /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Treasurer

TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION

By:	/S/ KATHERINE ESBER
Name:	Katherine Esber
Title:	Vice President

Exhibit 4.3

THE SCOTTS MIRACLE-GRO COMPANY, as Issuer

THE GUARANTORS PARTY HERETO, as Guarantors

AND

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

4.000% Senior Notes due 2031

FIRST SUPPLEMENTAL INDENTURE DATED AS OF

June 24, 2021

TO THE INDENTURE DATED AS OF

March 17, 2021

FIRST SUPPLEMENTAL INDENTURE

This FIRST SUPPLEMENTAL INDENTURE, dated as of June 24, 2021 (this “***First Supplemental Indenture***”), is by and among The Scotts Miracle-Gro Company, an Ohio corporation (such corporation and any successor, the “***Company***”), the existing Guarantors (as defined in the Indenture referred to herein) (the “***Existing Guarantors***”), The Hawthorne Collective, Inc., an Ohio corporation (“***New Guarantor***”), and U.S. Bank National Association, a national banking association, as trustee under the Indenture referred to herein (such corporation and any successor, the “***Trustee***”). The New Guarantor and the Existing Guarantors are sometimes referred to collectively herein as the “***Guarantors***,” or individually as a “***Guarantor***.” Capitalized terms not otherwise defined in this First Supplemental Indenture will have the meanings given to them in the Indenture (as defined below).

WITNESSETH:

WHEREAS, the Company, the Existing Guarantors and the Trustee are parties to an indenture, dated as of March 17, 2021 (the “***Indenture***”), relating to the Company’s 4.000% Senior Notes due 2031 (the “***Securities***”);

WHEREAS, pursuant to Section 9.01(5) of the Indenture, without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more supplemental indentures, in form satisfactory to the Trustee, to add any Person as a Guarantor; and

WHEREAS, all conditions precedent provided for in the Indenture relating to this First Supplemental Indenture have been complied with.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Existing Guarantors, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Securities as follows:

1. <u>Definitions</u>. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. <u>Joinder of New Guarantor</u>. The New Guarantor hereby joins in the Indenture as a “Guarantor” thereunder. The New Guarantor hereby assumes the duties and obligations of Guarantors under the Indenture. The New Guarantor agrees to keep and perform all of the covenants, obligations and conditions of Guarantors under the Indenture, on the terms and subject to the conditions set forth in Article X of the Indenture, and to be bound by all other applicable provisions of the Indenture. Upon request from time to time by the Trustee, the New Guarantor shall execute and deliver to the Trustee a notation relating to the New Guarantor’s Guarantee, substantially in the form attached as Exhibit E to the Indenture.

3. <u>Effect of First Supplemental Indenture</u>. Except as amended by this First Supplemental Indenture, the terms and provisions of the Indenture shall remain in full force and effect.

4. Governing Law. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS FIRST SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. Counterparts. The parties may sign any number of copies of this First Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. This First Supplemental Indenture may be executed in multiple counterparts which, when taken together, shall constitute one instrument.

6. Effect of Headings. The section headings herein are for convenience only and shall not affect the construction hereof.

7. Trustee. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this First Supplemental Indenture. This First Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed and delivered all as of the day and year first above written.

COMPANY:

THE SCOTTS MIRACLE-GRO COMPANY

By: /S/ LEONARD R. ESSEX

Name: Leonard R. Essex

Title: Vice President and Corporate Treasurer

NEW GUARANTOR:

THE HAWTHORNE COLLECTIVE, INC.

By: /S/ ALBERT J. MESSINA

Name: Albert J. Messina

Title: Treasurer

EXISTING GUARANTORS:

AEROGROW INTERNATIONAL, INC.
HYPONEX CORPORATION
MIRACLE-GRO LAWN PRODUCTS, INC.
ROD MCLELLAN COMPANY
SANFORD SCIENTIFIC, INC.
SCOTTS LIVE GOODS HOLDINGS, INC.
SCOTTS MANUFACTURING COMPANY
SCOTTS PRODUCTS CO.
SCOTTS PROFESSIONAL PRODUCTS CO.
SCOTTS TEMECULA OPERATIONS, LLC
SMG GROWING MEDIA, INC.
SMGM LLC
THE SCOTTS COMPANY LLC
1868 VENTURES LLC

By: /S/ LEONARD R. ESSEX

Name: Leonard R. Essex

Title: Vice President and Treasurer

HAWTHORNE HYDROPONICS LLC
THE HAWTHORNE GARDENING COMPANY

By: /S/ ALBERT J. MESSINA
Name: Albert J. Messina
Title: Vice President and Treasurer

HGCI, INC.

By: /S/ ALBERT J. MESSINA
Name: Albert J. Messina
Title: Vice President

OMS INVESTMENTS, INC.
SWISS FARMS PRODUCTS, INC.
SCOTTS-SIERRA INVESTMENTS LLC

By: /S/ GREGORY A. LIENING
Name: Gregory A. Liening
Title: President and CEO

GENSOURCE, INC.

By: /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Treasurer

TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION

By:	/S/ KATHERINE ESBER
Name:	Katherine Esber
Title:	Vice President

Exhibit 10

AMENDMENT NO. 1

Dated as of August 3, 2021

To

FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of July 5, 2018

THIS AMENDMENT NO. 1 (this "Amendment") is made as of August 3, 2021 by and among The Scotts Miracle-Gro Company, an Ohio corporation (the "Company"), The Scotts Company LLC, an Ohio limited liability company, Scotts Canada Ltd., a company organized under the laws of Canada (each together with the Company and the other Subsidiary Borrowers, the "Borrowers"), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), under that certain Fifth Amended and Restated Credit Agreement dated as of July 5, 2018 by and among the Borrowers, the Lenders and the Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Company has requested that the requisite Lenders and the Administrative Agent agree to a certain amendment to the Credit Agreement;

WHEREAS, the Borrowers, the Lenders party hereto and the Administrative Agent have agreed to amend the Credit Agreement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers, the Lenders party hereto and the Administrative Agent hereby agree to enter into this Amendment.

1. Amendment to the Credit Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below, the parties hereto agree that the Credit Agreement is hereby amended as follows:

(a) Section 6.04(e) of the Credit Agreement is hereby amended by replacing the words "and other investments" appearing therein with the words "and other loans, advances and investments".

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the conditions precedent that the Administrative Agent shall have received (i) counterparts of this Amendment duly executed by the Borrowers, the Required Lenders and the Administrative Agent, (ii) counterparts of the Consent and Reaffirmation attached as Exhibit A hereto duly executed by the Loan Parties and (iii) payment and/or reimbursement of the Administrative Agent's and its affiliates' reasonable and documented out-of-pocket fees and expenses (including, to the extent invoiced, reasonable fees and expenses of counsel for the Administrative Agent) in connection with the Loan Documents.

3. Representations and Warranties of the Borrowers. Each Borrower hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement as modified hereby constitute legal, valid and binding obligations of such Borrower, enforceable against such Borrower in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(b) As of the date hereof and after giving effect to the terms of this Amendment, (i) no Event of Default or Default has occurred and is continuing and (ii) the representations and warranties of such Borrower set forth in the Credit Agreement, as amended hereby, are true and correct in all material respects (or, in the case of any representation or warranty qualified by materiality or Material Adverse Effect, in all respects), except to the extent such representations and warranties specifically refer to an earlier date (in which case such representations and warranties shall be true and correct in all material respects (or, in the case of any representation or warranty qualified by materiality or Material Adverse Effect, in all respects) as of such earlier date).

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Each Loan Document and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement, the Loan Documents or any other documents, instruments and agreements executed and/or delivered in connection therewith.

(d) This Amendment is a Loan Document under (and as defined in) the Credit Agreement.

5. Governing Law. This Amendment shall be construed in accordance with and governed by the laws of the State of New York.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to this Amendment and/or any document to be signed in connection with this Amendment and the transactions contemplated hereby shall be deemed to include Electronic Signatures (as defined below), deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be. As used herein, “Electronic Signatures” means any electronic symbol or process attached to, or associated with, any contract or other record and adopted by a person with the intent to sign, authenticate or accept such contract or record.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective authorized officers as of the day and year first above written.

THE SCOTTS MIRACLE-GRO COMPANY,
as the Company

By:	/S/ LEONARD R. ESSEX
Name:	Leonard R. Essex
Title:	Vice President and Corporate Treasurer

THE SCOTTS COMPANY LLC,
as a Subsidiary Borrower

By: /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

SCOTTS CANADA LTD.,
as a Subsidiary Borrower

By: /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

HYPONEX CORPORATION,
as a Subsidiary Borrower

By: /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

SCOTTS MANUFACTURING COMPANY, as a Subsidiary Borrower

By: /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

SCOTTS TEMECULA OPERATIONS, LLC, as a Subsidiary Borrower

By: /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

SMG GROWING MEDIA, INC.,
as a Subsidiary Borrower

By: /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

JPMORGAN CHASE BANK, N.A.,
individually as a Lender, as the Swingline Lender, as an Issuing Bank and as Administrative Agent

By: /S/ RYAN BAKER
Name: Ryan Baker
Title: Vice President

BBVA USA f/k/a COMPASS BANK,
as a Lender

By: /S/ STEVE RAY
Name: Steve Ray
Title: Executive Director

BMO HARRIS BANK, N.A.,
as a Lender

By: /S/ DOUGLAS STEEN
Name: Douglas Steen
Title: Director

BANK OF AMERICA, N.A.,
as a Lender

By: /S/ NICHOLAS CHENG
Name: Nicholas Cheng
Title: Director

COBANK, ACB,
as a Lender

By: /S/ JAMES J. TRANKLE
Name: James J. Trankle
Title: Managing Director

FIFTH THIRD BANK, NATIONAL ASSOCIATION,
as a Lender

By: /S/ BRIAN J. MOELLER
Name: Brian J. Moeller
Title: Director

Flushing Bank,
as a Lender

By: /S/ LISA ARCHINOW
Name: Lisa Archinow
Title: Vice President

GREENSTONE FARM CREDIT SERVICES, FLCA,
as a Lender

By: /S/ KYLE HERNANDEZ
Name: Kyle Hernandez
Title: Capital Markets Lending Officer

GOLDMAN SACHS LENDING PARTNERS LLC,
as a Lender

By: /S/ DAN MARTIS
Name: Dan Martis
Title: Authorized Signatory

HSBC BANK USA, NATIONAL ASSOCIATION,
as a Lender

By: /S/ KYLE PATTERSON
Name: Kyle Patterson
Title: Senior Vice President

THE NORTHERN TRUST COMPANY,
as a Lender

By: /S/ JOHN DI LEGGE
Name: John Di Legge
Title: Senior Vice President

TD BANK, N.A.,
as a Lender

By: /S/ STEVE LEVI
Name: Steve Levi
Title: Senior Vice President

TRISTATE CAPITAL BANK,
as a Lender

By: /S/ ELLEN FRANK
Name: Ellen Frank
Title: Senior Vice President

U.S. BANK, NATIONAL ASSOCIATION,
as a Lender

By: /S/ JEFFREY HERNANDEZ
Name: Jeffrey Hernandez
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION,
individually as a Lender and as an Issuing Bank

By: /S/ MARK HOLM
Name: Mark Holm
Title: Managing Director

COÖPERATIEVE RABOBANK U.A., NEW YORK BRANCH,
as a Lender

By: /S/ ROBERT GRAFF
Name: Robert Graff
Title: Managing Director

By: /S/ JEFF BLISS
Name: Jeff Bliss
Title: Executive Director

EXHIBIT A

Consent and Reaffirmation

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 1 to the Fifth Amended and Restated Credit Agreement (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), dated as of July 5, 2018, by and among The Scotts Miracle-Gro Company, an Ohio corporation (the "Company"), The Scotts Company LLC, an Ohio limited liability company, Scotts Canada Ltd., a company organized under the laws of Canada (each together with the Company and the other Subsidiary Borrowers, the "Borrowers"), the Lenders and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), which Amendment No. 1 is dated as of August 3, 2021 and is by and among the Borrowers, the financial institutions listed on the signature pages thereof and the Administrative Agent (the "Amendment"). Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Credit Agreement. Without in any way establishing a course of dealing by the Administrative Agent or any Lender, each of the undersigned consents to the Amendment and reaffirms the terms and conditions of the Collateral Agreement and any other Loan Document executed by it and acknowledges and agrees that the Collateral Agreement and each and every such Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed. All references to the Credit Agreement contained in the above-referenced documents shall be a reference to the Credit Agreement as so modified by the Amendment and as the same may from time to time hereafter be amended, modified or restated.

Dated August 3, 2021

[Signature Page Follows]

IN WITNESS WHEREOF, this Consent and Reaffirmation has been duly executed and delivered as of the day and year above written.

MIRACLE-GRO LAWN PRODUCTS, INC.

By /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

OMS INVESTMENTS, INC.

By: /S/ GREGORY A. LIENING
Name: Gregory A. Liening
Title: President and CEO

SCOTTS PRODUCTS CO.

By /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

SCOTTS PROFESSIONAL PRODUCTS CO.

By /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

SCOTTS-SIERRA INVESTMENTS LLC

By /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

SWISS FARMS PRODUCTS, INC.

By: /S/ GREGORY A. LIENING
Name: Gregory A. Liening
Title: President and CEO

SANFORD SCIENTIFIC, INC.

By /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

ROD MCLELLAN COMPANY

By /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

SMGM LLC

By /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

GENSOURCE, INC.

By /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Treasurer

HAWTHORNE HYDROPONICS LLC

By: /S/ ALBERT J. MESSINA
Name: Albert J. Messina
Title: Vice President and Treasurer

HGCI, INC.

By: /S/ GREGORY A. LIENING
Name: Gregory A. Liening
Title: Vice President

THE HAWTHORNE GARDENING COMPANY

By: /S/ ALBERT J. MESSINA
Name: Albert J. Messina
Title: Vice President and Treasurer

1868 VENTURES LLC

By /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

SCOTTS LIVE GOODS HOLDINGS, INC.

By /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

AEROGROW INTERNATIONAL, INC.

By /S/ LEONARD R. ESSEX
Name: Leonard R. Essex
Title: Vice President and Treasurer

THE HAWTHORNE COLLECTIVE, INC.

By: /S/ ALBERT J. MESSINA
Name: Albert J. Messina
Title: Treasurer

Exhibit 21

DIRECT AND INDIRECT SUBSIDIARIES OF
THE SCOTTS MIRACLE-GRO COMPANY

Directly owned subsidiaries, as of July 3, 2021, 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**
1868 Ventures LLC	Ohio
Swiss Farms Products, Inc.	Delaware
GenSource, Inc.	Ohio
OMS Investments, Inc.	Delaware
Scotts Temecula Operations, LLC	Delaware
Sanford Scientific, Inc.	New York
Scotts Global Services, Inc.	Ohio
Scotts Live Goods Holdings, Inc.	Ohio
Bonnie Plants LLC[1]	Delaware
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.[2]	Mexico
Scotts Professional Products Co.	Ohio
Scotts Servicios, S.A. de C.V.2[2]	Mexico
SMG Growing Media, Inc.	Ohio
AeroGrow International, Inc.	Nevada
Hyponex Corporation	Delaware
Rod McLellan Company	California
The Hawthorne Gardening Company	Delaware
Hawthorne Hydroponics LLC	Delaware
Hawthorne Gardening B.V.	Netherlands
Gavita International B.V.	Netherlands
Hawthorne Lighting B.V.	Netherlands
Agrolux Canada Limited	Canada
Agrolux Nederland B.V.	Netherlands
Hawthorne Canada Limited	Canada
HGCI, Inc.	Nevada

[1] Scotts Live Goods Holdings, Inc.'s ownership is 50.0%.
[2] Scotts Professional Products Co. owns 50% and Scotts Products Co. owns 50.0%.

SMGM LLC	Ohio
Scotts-Sierra Investments LLC	Delaware
Scotts Sierra (China) Co., Ltd.	China
Scotts Canada Ltd.	Canada
Laketon Peat Moss Inc.[3]	Canada
Scotts de Mexico SA de CV[4]	Mexico
SMG Germany GmbH	Germany
SMG Gardening (UK) Limited	United Kingdom
The Hawthorne Collective, Inc.	Ohio
The Scotts Company LLC	Ohio
The Scotts Miracle-Gro Foundation[5]	Ohio

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

Exhibit 22

LIST OF GUARANTOR SUBSIDIARIES

The following subsidiaries of The Scotts Miracle-Gro Company (the "Company") were, as of July 3, 2021, guarantors of the Company's 5.250% Senior Notes due 2026, 4.500% Senior Notes due 2029 and 4.000% Senior Notes due 2031:

NAME OF GUARANTOR SUBSIDIARY	JURISDICTION OF FORMATION
1868 Ventures LLC	Ohio
AeroGrow International, Inc.	Nevada
GenSource, Inc.	Ohio
Hawthorne Hydroponics LLC	Delaware
HGCI, Inc.	Nevada
Hyponex Corporation	Delaware
Miracle-Gro Lawn Products, Inc.	New York
OMS Investments, Inc.	Delaware
Rod McLellan Company	California
Sanford Scientific, Inc.	New York
Scotts Live Goods Holdings, Inc.	Ohio
Scotts Manufacturing Company	Delaware
Scotts Products Co.	Ohio
Scotts Professional Products Co.	Ohio
Scotts-Sierra Investments LLC	Delaware
Scotts Temecula Operations, LLC	Delaware
SMG Growing Media, Inc.	Ohio
SMGM LLC	Ohio
Swiss Farms Products, Inc.	Delaware
The Hawthorne Collective, Inc.	Ohio
The Hawthorne Gardening Company	Delaware
The Scotts Company LLC	Ohio

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 July 3, 2021;

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: August 11, 2021	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, Cory J. Miller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Scotts Miracle-Gro Company for the fiscal quarter ended July 3, 2021;

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: August 11, 2021

By: /s/ CORY J. MILLER
Printed Name: Cory J. Miller
Title: Senior Vice President and Interim 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 July 3, 2021 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 Cory J. Miller, Senior Vice President and Interim 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.

JAMES HAGEDORN	/s/ CORY J. MILLER
nted Name: James Hagedorn	Printed Name: Cory J. Miller
le: Chief Executive Officer and Chairman of the Board	Title: Senior Vice President and Interim Chief Financial Officer
gust 11, 2021	August 11, 2021

* 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.