ScottsMiracle-Gro Revises Fiscal 2020 Guidance; Strong Demand Continues in both U.S. Consumer and Hawthorne Segments

June 8, 2020

- *Company-wide sales growth now expected in range of 16 to 18 percent*
- *Adjusted non-GAAP EPS expected in a range of $5.65 to $5.85*
- *Non-GAAP free cash flow expected to be approximately $350 million*

MARYSVILLE, Ohio, June 08, 2020 (GLOBE NEWSWIRE) -- The Scotts Miracle-Gro Company (NYSE: SMG), the world's leading marketer of branded consumer lawn and garden as well as indoor and hydroponic growing products, today announced increased sales and earnings guidance based on higher demand in both its U.S. Consumer and Hawthorne segments.

For the fiscal year ending September 30, 2020, ScottsMiracle-Gro now expects company-wide sales growth of 16 to 18 percent. That compares to recently revised sales guidance provided in May of 6 to 8 percent growth. The revision is due mainly to stronger growth in the U.S. Consumer segment, where the Company now expects growth of 9 to 11 percent, compared with its previous range of 1 to 3 percent. Hawthorne sales likewise continue to exceed expectations as the Company now expects sales growth of 45 to 50 percent for the full year, compared with a recent increase in guidance of 30 to 35 percent.

As a result, ScottsMiracle-Gro now expects adjusted non-GAAP earnings in a range of $5.65 to $5.85 per share. This compares to the previous guidance of $4.95 to $5.15 per share. Adjusted non-GAAP results exclude impairment, restructuring and other one-time expenses. For fiscal 2020 these one-time expenses include COVID-19 related incremental costs of approximately $30 to $35 million associated with premium pay adjustments that were given to front-line associates who work in the sales force as well as manufacturing and distribution facilities and certain one-time cleaning costs.

"It is both exciting and humbling to witness what is happening in our U.S. Consumer business," said Jim Hagedorn, chairman and CEO. "Consumer purchases of our products at our largest four retail partners were up 44 percent in May, and we are now up approximately 19 percent year-to-date at the time of this announcement. An unprecedented number of consumers planting and maintaining gardens has led to a nearly 40 percent increase in consumer purchases of Miracle-Gro branded soils and more than 30 percent increase in plant food. We've seen a more than 50 percent increase in purchases of Ortho outdoor pest control products and nearly 40 percent increase in indoor products. In fact, with the exception of mulch – which is gaining ground but still lagging last year due to a lack of retailer promotions – we have seen strong growth in every category this year.

"Likewise, the story at Hawthorne is one of exceptional demand. Even against extremely difficult year-over-year comparisons, we continue to see strong sales growth across the product portfolio in both older markets like California and Colorado, as well as emerging ones like Michigan, Oklahoma and Florida."

The Company said it expects its non-GAAP adjusted gross margin rate to be flat to slightly lower on the year as the strength in Hawthorne has a dilutive impact on the company-wide rate. However, both the U.S. Consumer and Hawthorne segments are expected to see year-over-year gross margin rate improvements. Hawthorne also remains on track to meet or exceed the Company's guidance for operating margin rate – based on segment income as a percent of sales – of 10 percent.

"We're extremely pleased with Hawthorne's progress in driving higher profitability," said Randy Coleman, executive vice president and chief financial officer. "Ironically, the rapid growth in Hawthorne is putting pressure on the margin rate due to the increased costs being incurred to keep up with higher-than-expected demand. What we're seeing, however, gives us increased confidence in our long-term target of mid-teen operating margins for this business."

Non-GAAP free cash flow, calculated as GAAP operating cash flow minus capital expenditures, is now expected to be approximately $350 million. The Company expects this level of performance despite the likelihood that it will increase year-ending inventory levels to help guard against potential supply chain disruptions in fiscal 2021.

"The results we are seeing this year could not have been achieved without the dedication of our nearly 7,000 associates," Hagedorn said. "Front-line workers aren't typically seen by Wall Street and the media, but they are the ones selling, manufacturing and distributing our products. In the face of a global crisis, they have stayed focused, followed safety protocols and allowed our business to thrive. Our entire management team thanks them for their efforts and, I believe, the rest of our shareholders owe them a debt of gratitude as well."

Management will provide more commentary about its expected results at 10:20 a.m. eastern time tomorrow, June 9, 2020, during a virtual presentation as part of the William Blair & Co. 40th Annual Growth Stock Conference. The discussion will be available on the Company's investor relations website, http://investor.scotts.com

About ScottsMiracle-Gro
With approximately $3.2 billion in sales, the Company is one of the world's largest marketers of branded consumer products for lawn and garden care. The Company's brands are among the most recognized in the industry. The Company's Scotts®, Miracle-Gro® and Ortho® brands are market-leading in their categories. The Company's wholly-owned subsidiary, The Hawthorne Gardening Company, is a leading provider of nutrients, lighting and other materials used in the indoor and hydroponic growing segment. For additional information, visit us at www.scottsmiraclegro.com.

Forward Looking Non-GAAP Measures
In this release, the Company presents its updated outlook for fiscal 2020 non-GAAP adjusted EPS. The Company does not provide a GAAP EPS outlook, which is the most directly comparable GAAP measure to non-GAAP adjusted EPS, because changes in the items that the Company excludes

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

Cautionary Note Regarding Forward-Looking Statements

Statements contained in this press release, other than statements of historical fact, which address activities, events and developments that the Company expects or anticipates will or may occur in the future, including, but not limited to, information regarding the future economic performance and financial condition of the Company, the plans and objectives of the Company's management, and the Company's assumptions regarding such performance and plans are "forward-looking statements" within the meaning of the U.S. federal securities laws that are subject to risks and uncertainties. These forward-looking statements generally can be identified as statements that include phrases such as "guidance," "outlook," "projected," "believe," "target," "predict," "estimate," "forecast," "strategy," "may," "goal," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will," "should" or other similar words or phrases. Actual results could differ materially from the forward-looking information in this release due to a variety of factors, including, but not limited to:

- The ongoing COVID-19 pandemic could have a material adverse effect on the Company's business, results of operation, financial condition and/or cash flows;
- Compliance with environmental and other public health regulations or changes in such regulations or regulatory enforcement priorities could increase the Company's costs of doing business or limit the Company's ability to market all of its products;
- Damage to the Company's reputation or the reputation of its products or products it markets on behalf of third parties could have an adverse effect on its business;
- The highly competitive nature of the Company's markets could adversely affect its ability to maintain or grow revenues;
- If the Company is unable to effectively execute its e-commerce business, its reputation and operating results may be harmed;
- Because of the concentration of the Company's sales to a small number of retail customers, the loss of one or more of, or significant reduction in orders from, its top customers could adversely affect the Company's financial results;
- Climate change and unfavorable weather conditions could adversely impact financial results;
- Certain of the Company's products may be purchased for use in new or emerging industries or segments and/or be subject to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations and consumer perceptions;
- The Company's operations may be impaired if its information technology systems fail to perform adequately or if it is the subject of a data breach or cyber-attack;
- The Company may not be able to adequately protect its intellectual property and other proprietary rights that are material to the Company's business;
- In the event the Third Restated Marketing Agreement for consumer Roundup products terminates, or Monsanto's consumer Roundup business materially declines the Company would lose a substantial source of future earnings and overhead expense absorption;
- Hagedorn Partnership, L.P. beneficially owns approximately 26% of the Company's common shares and can significantly influence decisions that require the approval of shareholders;
- Acquisitions, other strategic alliances and investments could result in operating difficulties, dilution and other harmful consequences that may adversely impact the Company's business and results of operations.

Additional detailed information concerning a number of the important factors that could cause actual results to differ materially from the forward-looking information contained in this release is readily available in the Company's publicly filed quarterly, annual and other reports. The Company disclaims any obligation to update developments of these risk factors or to announce publicly any revision to any of the forward-looking statements contained in this release, or to make corrections to reflect future events or developments.

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