



*Scotts* Miracle-Gro

Raymond James  
41<sup>st</sup> Annual Institutional  
Investors Conference

MARCH 2020

# Safe Harbor Disclosure

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

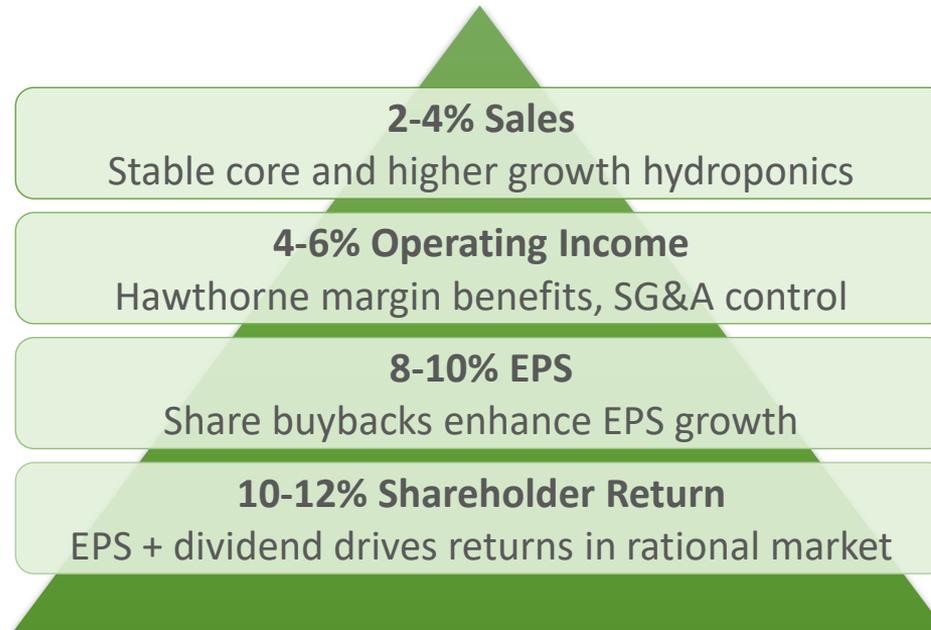
Scotts Miracle-Gro encourages investors to learn more about these risk factors. A detailed explanation of these factors is available in the Company's quarterly and annual reports filed with the Securities and Exchange Commission.

# Today's discussion

- Philosophy and track record for driving long-term shareholder value
- Overview of our industry-leading U.S. Consumer business
- Hawthorne: Building competitive advantages in a fast-growing category

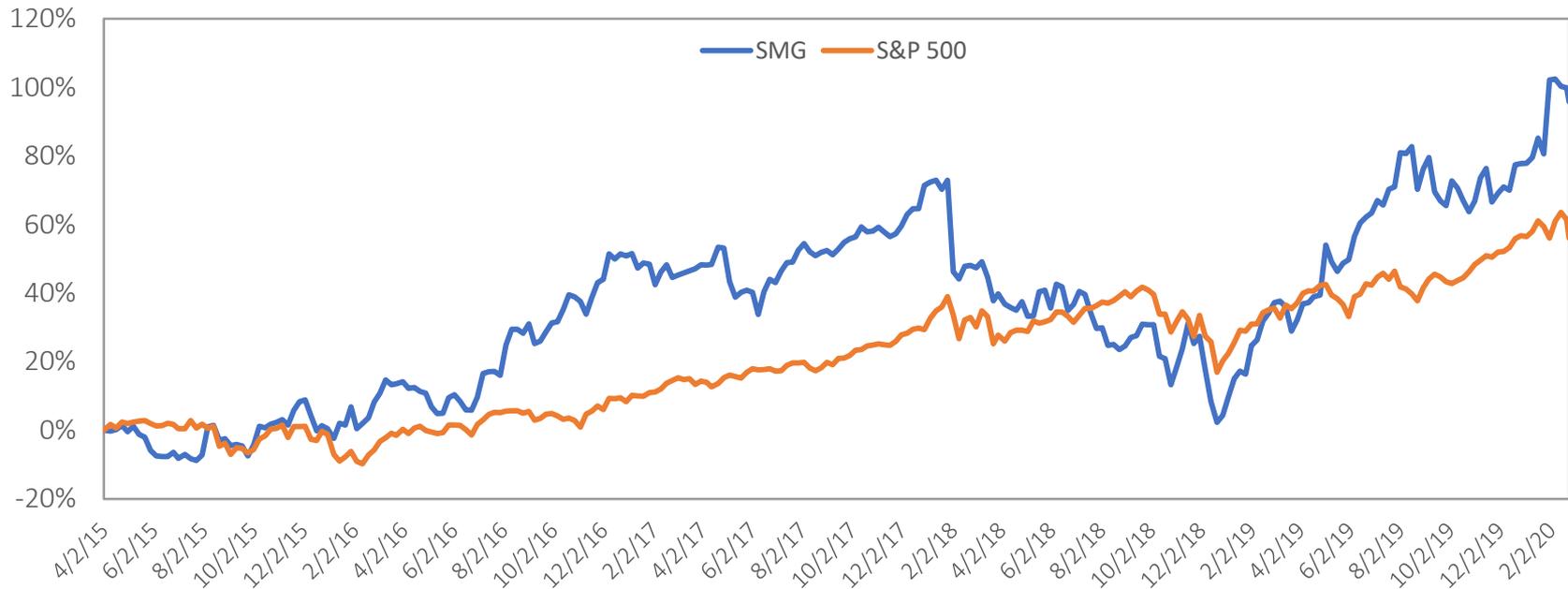


# Our approach to running the business has led to consistent growth and significant value creation for shareholders



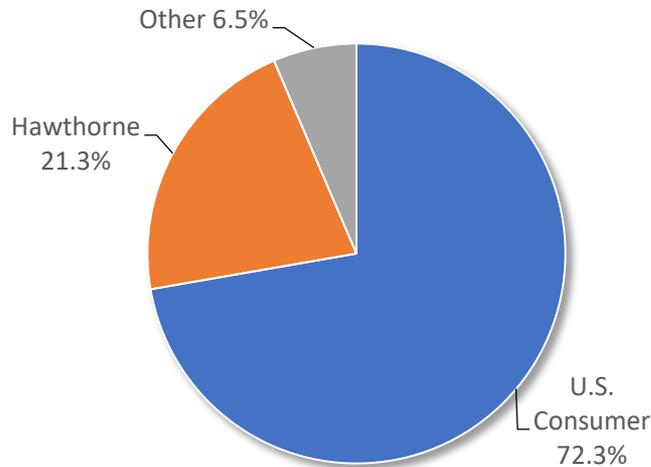
# SMG shares have outperformed the market since Project Focus was implemented despite setback in 2018

Total Shareholder Return vs S&P 500

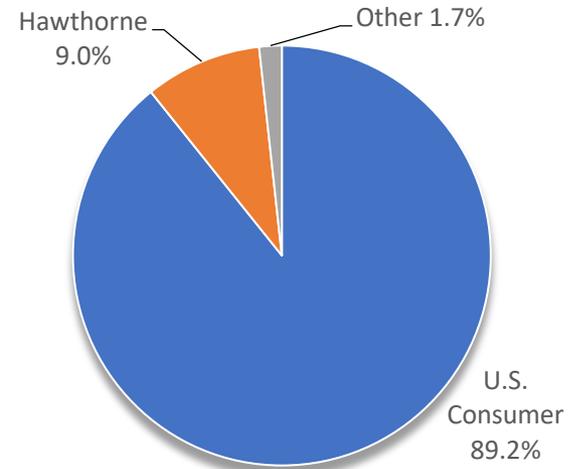


# U.S. Consumer segment remains the earnings and cash flow engine of SMG, Hawthorne is driving growth

FY 2019 Revenue % by Segment

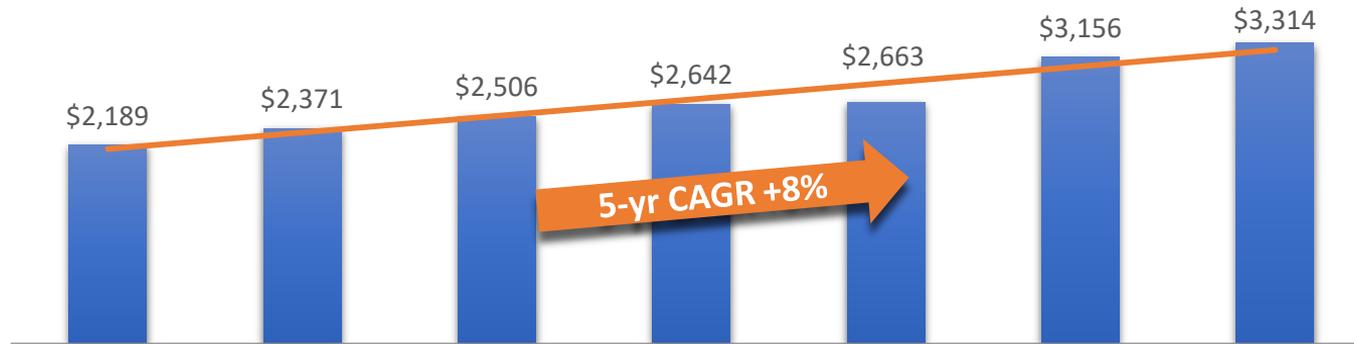


FY 2019 Net Profit % by Segment



# Scotts Miracle-Gro has delivered consistent top line growth since we began to realign our portfolio in 2015

## Consolidated Net Sales (\$ in millions)



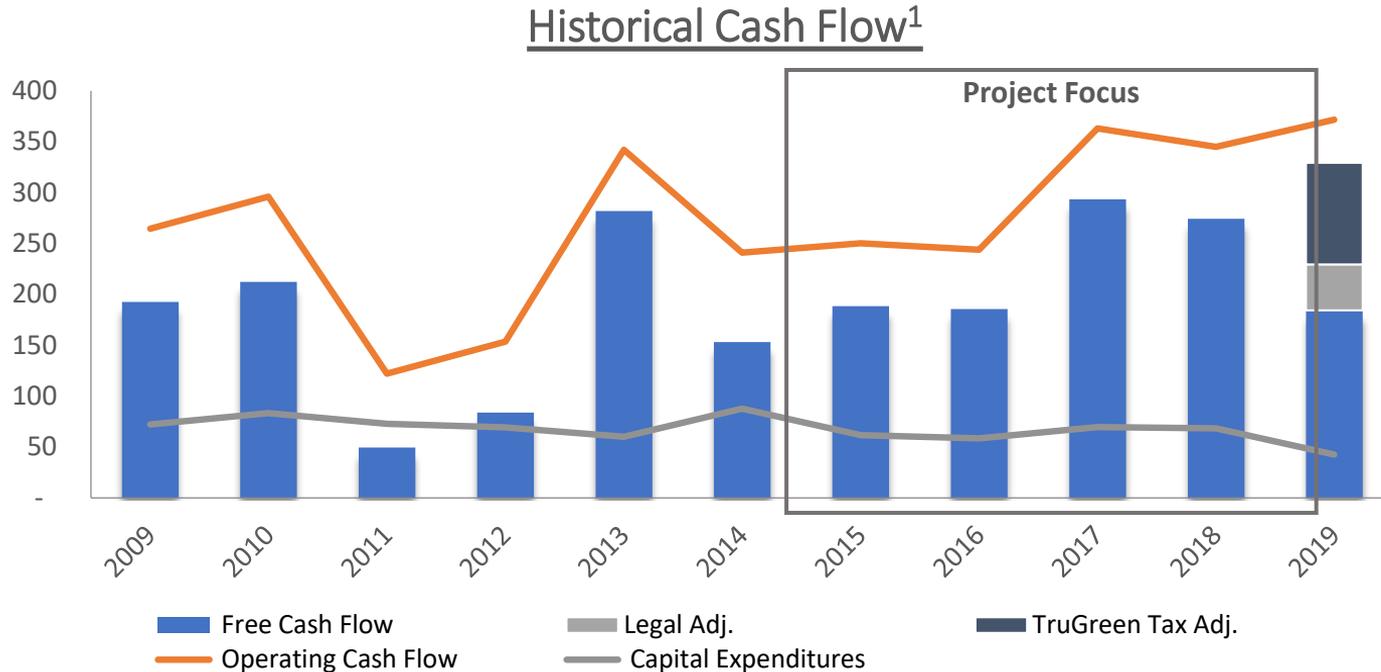
	2014	2015	2016	2017	2018	2019	2020E
Acquisitions / Divestitures	1.6%	4.6%	3.2%	5.8%	5.2%	8.7%	0.0%
Foreign Exchange	(0.4)%	(1.0)%	(0.9)%	(0.1)%	0.3%	(0.5)%	0.0%
Volume and Pricing	(0.2)%	4.7%	3.4%	(0.3)%	(4.7)%	10.3%	5.0%
<b>Total Net Sales Growth</b>	<b>1.1%</b>	<b>8.3%</b>	<b>5.7%</b>	<b>5.4%</b>	<b>0.8%</b>	<b>18.5%</b>	<b>5.0%</b>

# 2020 earnings outlook puts SMG back on track after market challenges led to disappointing 2018 results

## Non-GAAP Adjusted Net Income<sup>1</sup>



# Pay-for-performance has led to consistent cash flow performance with opportunities for further improvement



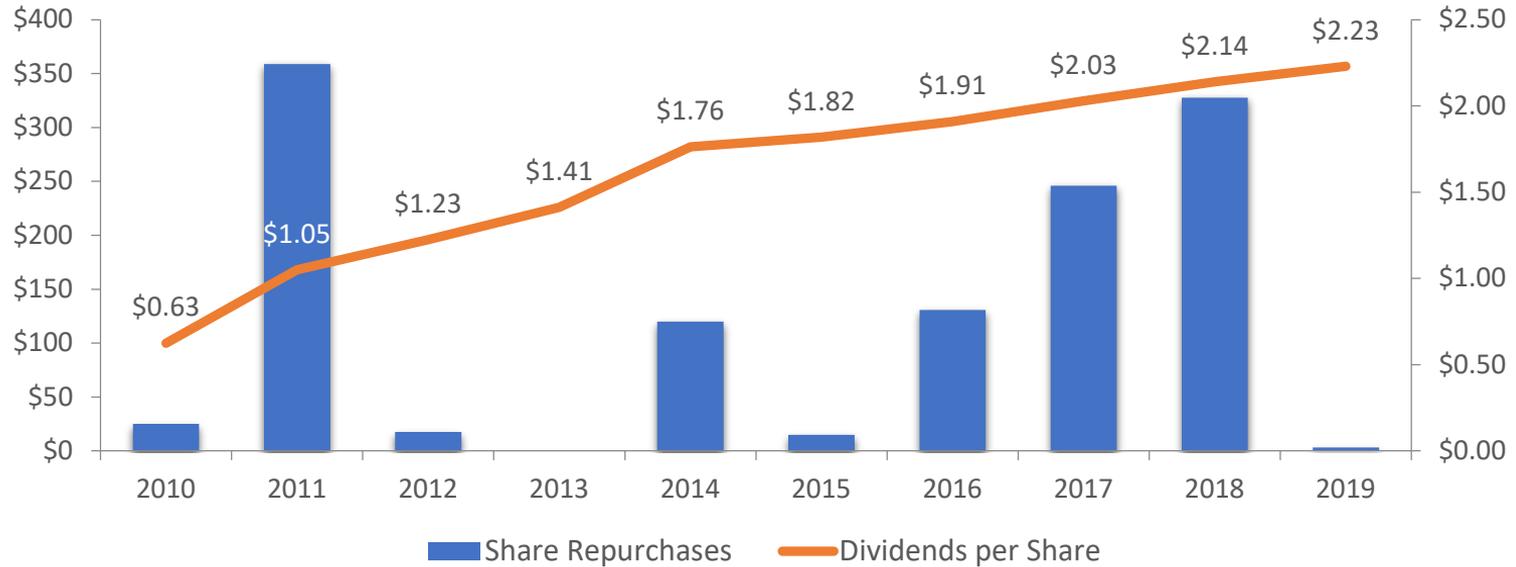
SMG defines free cash flow as operating cash flow minus capital expenditures

\* Legal settlements accrued in fiscal 2018

<sup>1</sup> Refer to the Reconciliation of Non-GAAP Financial Measures in the Appendix

# A commitment to returning cash to shareholders has been integral in driving value

Share Repurchase / Dividend Activity by Fiscal Year



# Today's discussion

- Philosophy and track record for driving long-term shareholder value
- Overview of our industry-leading consumer goods business
- Hawthorne: Building competitive advantages in a fast-growing category



# A series of unique competitive advantages has made ScottsMiracle-Gro the clear leader in lawn & garden

## Industry-Leading Brands



Brands foster unrivaled consumer relationships

## Products that Deliver



Consumer-based innovation model delivers innovation to drive profitable growth

## In-Store Execution



In-store sales associates enhance the shopping experience and drive consumer sales

## Global Supply Chain



Supply Chain network provides best-in-class service while consistently delivering cost savings

# Retail trends and favorable demographics should continue to benefit SMG into the future

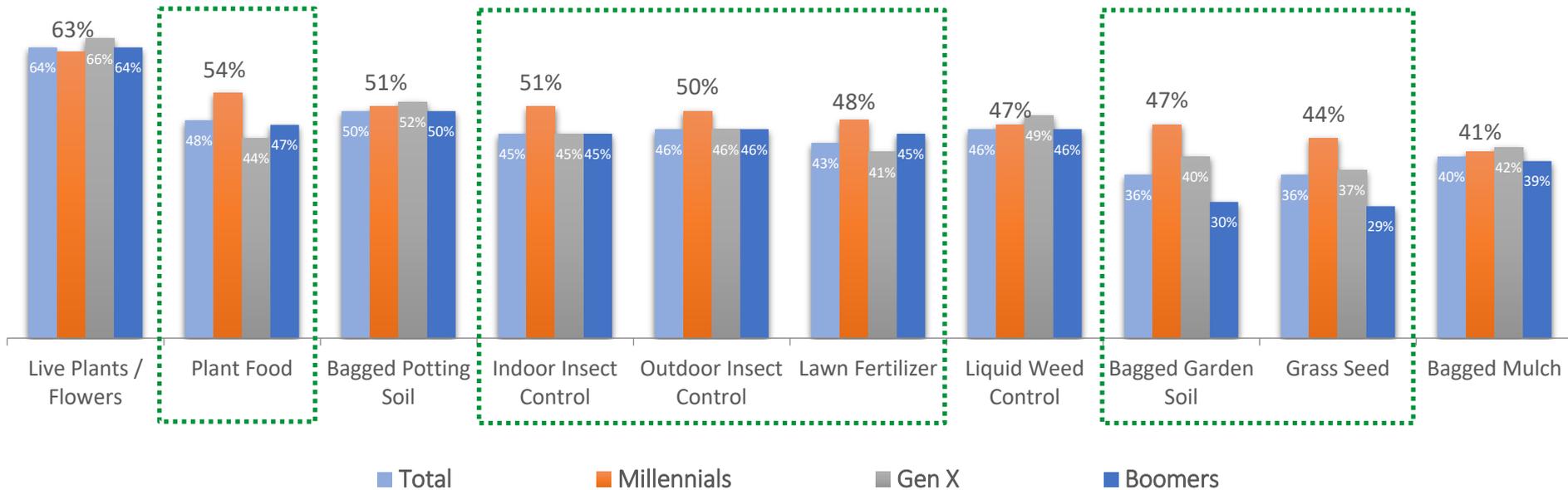
## Key trends

- Brick-and-mortar retailers, especially home centers, continue to view lawn and garden as a destination category
- Online retail is the fastest growing channel, but remains less than 5% of total sales
- Millennials have a passion for gardening and are just as likely as Baby Boomers to support SMG core brands



# In many cases millennial homeowners are more likely than older generations to buy lawn and garden products

P12M Household Purchase Incidence  
 Base: Total Single-Family Detached Homeowners with a Grass Lawn

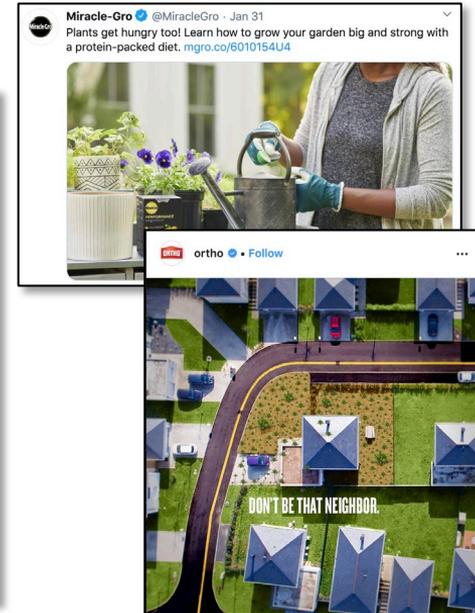


# Innovation in R&D and Marketing will be key in driving future growth especially with millennials

## Disruptive products and brands



## Successful transition to digital marketing



# Roundup remains important to SMG performance, consumer engagement remains solid



## Key points

- Roundup POS up more than 10 percent entering March
- Ortho GroundClear continues to gain momentum, backed by high levels of advertising and retail support
- While SMG serves as marketing agent for Roundup, it is not involved in litigation, settlement or other legal issues with Bayer

# We expect retailers and consumers to remain highly engaged in 2020, driving 1 to 3% full-year growth



These five retail partners constitute roughly 85% of U.S. Consumer sales

## High engagement

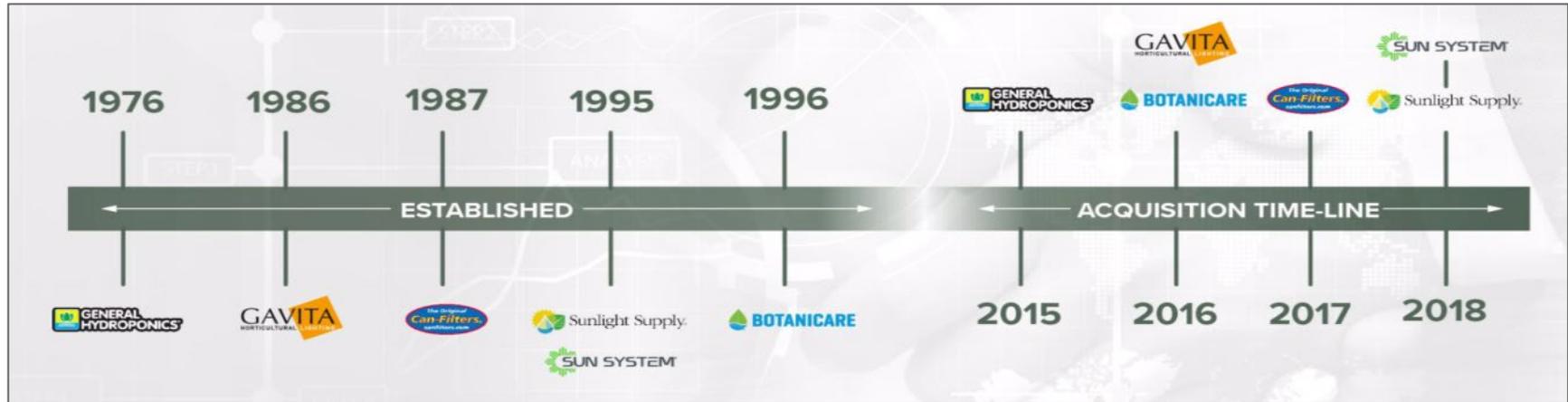
- Through first five fiscal months, consumer purchases up 8 percent entering critical weeks of season
- All key categories higher
- May-June comps are difficult and growth will likely moderate

# Today's discussion

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# Hawthorne has assembled a portfolio of industry-leading products to service an expanding market

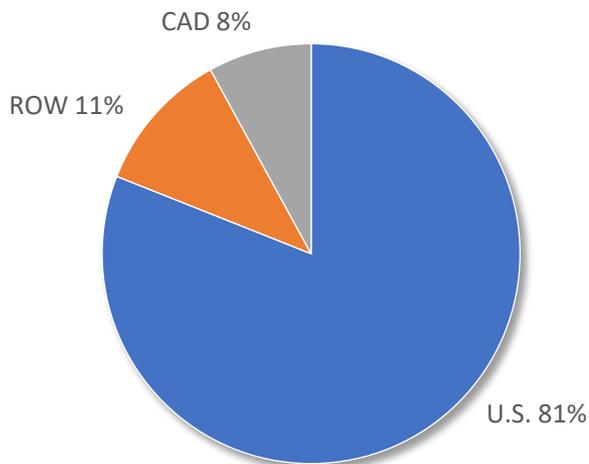


- Our signature brands have led the market since 1976
- Opening world's 1st and largest cannabis-specific R&D facility (Kelowna, B.C.)
- Conducting hemp research at R&D Field Station in Oregon

# Nearly 90% of Hawthorne sales in faster-growing U.S. and Canadian markets

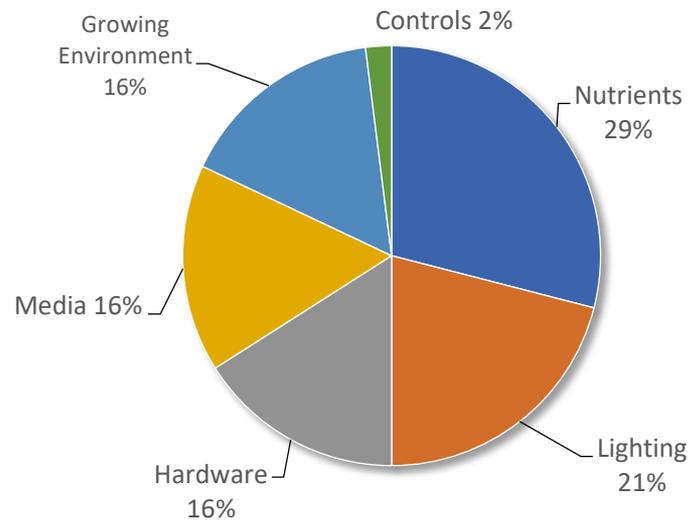
Total Sales by Geography

2020 Estimate

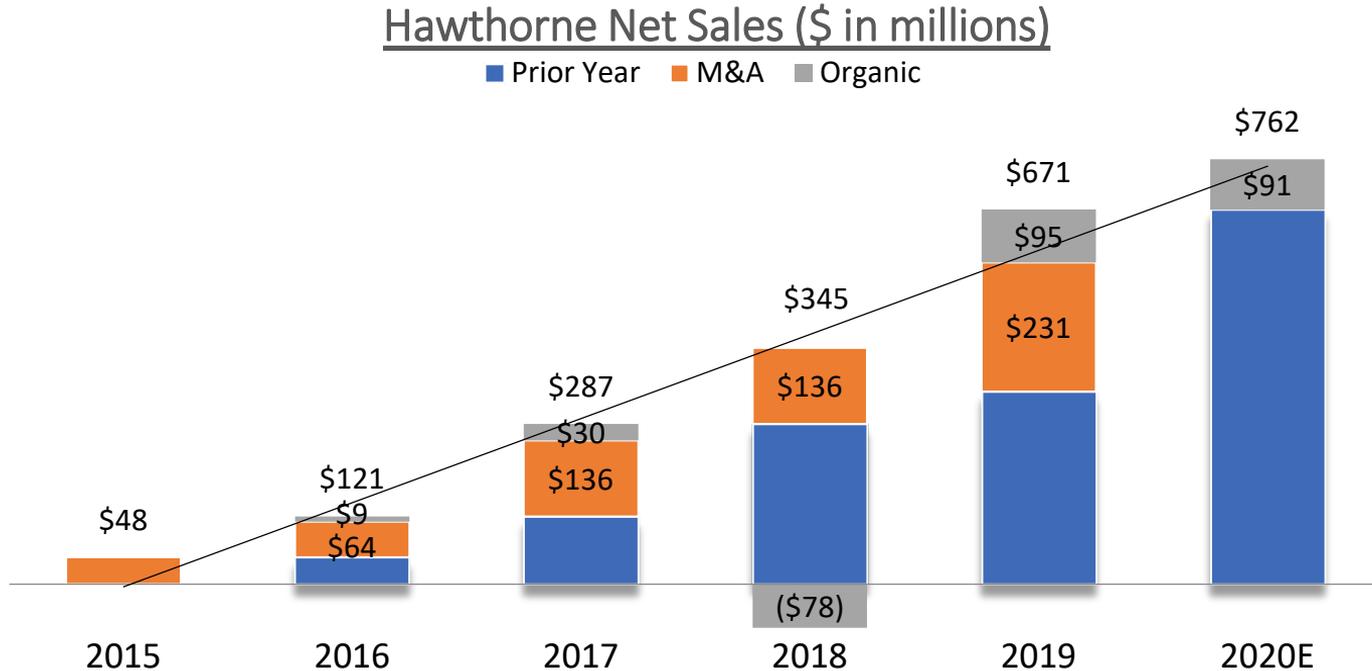


North American Sales by Category

2020 Estimate



# Sales back on track after rapid growth was interrupted by significant regulatory and market challenges in 2018



# Building competitive advantages to serve a quickly evolving market

## OUR PLANS:



### Products that serve all market segments

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

### Unmatched technical expertise

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

### Leadership in a quickly evolving industry

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

# A bullish outlook on long-term Hawthorne prospects

## Our viewpoint:

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



# YTD performance trending above guidance and will likely provide upside to our current full-year outlook

## Current Hawthorne outlook

- 12 to 15% sales growth with higher growth in U.S. indoor & hydroponic categories
- YTD sales +50% entering March, will moderate due to strong comps through year-end
- 10+% operating margin
- Improved efficiencies due to SAP implementation
- Promotional activity more focused, reduced on a percentage basis



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

## What we expect

- Continued strength at Hawthorne in 2020; long-term growth/margin improvement
- Steady performance from U.S. Consumer segment
- Continued focus on cash flow productivity
- Financial flexibility to explore and/or invest in M&A while returning cash to shareholders



# Appendix



# Reconciliation of Non-GAAP Financial Measures

## Use of Non-GAAP Measures

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

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

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

# Reconciliation of Non-GAAP Financial Measures

## Definitions of Non-GAAP Financial Measures

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

SLS (Scotts Lawn Service) Divestiture adjusted income (loss) per common share: Diluted net income (loss) per common share excluding impairment, restructuring and other charges / recoveries, costs related to refinancing and TruGreen Joint Venture non-GAAP adjustments, each net of tax. This measure also includes income (loss) from discontinued operations related to the SLS Business; however, excludes the gain on the contribution of the SLS Business to the TruGreen Joint Venture, each net of tax.

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

SLS Divestiture adjusted income: Net income (loss) from continuing operations excluding impairment, restructuring and other charges / recoveries, costs related to refinancing and TruGreen Joint Venture non-GAAP adjustments, each net of tax. This measure also includes income (loss) from discontinued operations related to the SLS Business; however, excludes the gain on the contribution of the SLS Business to the TruGreen Joint Venture, each net of tax.

## Forward Looking Non-GAAP Measures

In this presentation, the Company presents its 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.

# Reconciliation of Non-GAAP Financial Measures

## Free cash flow:

	Year Ended September 30,				
	2019	2018	2017	2016	2015
	(In millions, except per share data)				
Net cash provided by operating activities (GAAP)	\$ 226.8	\$ 342.5	\$ 363.2	\$ 244.0	\$ 250.1
Investments in property, plant and equipment	(42.4)	(68.2)	(69.6)	(58.3)	(61.7)
<b>Free cash flow (Non-GAAP)</b>	<b>\$ 184.4</b>	<b>\$ 274.3</b>	<b>\$ 293.6</b>	<b>\$ 185.7</b>	<b>\$ 188.4</b>

## SLS Divestiture adjusted income (loss) per common share:

	Year Ended September 30,					
	2019	2018	2017	2016	2015	2014
Diluted income per share from continuing operations (GAAP)	\$ 7.77	\$ 2.23	\$ 3.29	\$ 3.98	\$ 2.09	\$ 2.11
Impairment, restructuring and other charges (recoveries)	0.24	2.68	0.50	(0.55)	1.29	0.76
Costs related to refinancing	—	—	—	0.14	—	0.17
Other non-operating (income) expense, net	(4.62)	0.20	0.22	—	—	—
Adjustment to income tax expense (benefit) from continuing operations	1.09	(1.41)	(0.07)	0.15	(0.46)	(0.32)
<b>Adjusted diluted income per common share from continuing operations (Non-GAAP)</b>	<b>\$ 4.47</b>	<b>\$ 3.71</b>	<b>\$ 3.94</b>	<b>\$ 3.72</b>	<b>\$ 2.92</b>	<b>\$ 2.72</b>
Income (loss) from discontinued operations from SLS Business	\$ —	\$ —	\$ (0.03)	\$ 1.66	\$ 0.52	\$ 0.49
Gain on contribution of SLS Business	—	—	—	(2.12)	—	—
Adjustment to gain on contribution of SLS Business	—	—	0.02	—	—	—
Impairment, restructuring and other from SLS Business in discontinued operations	—	—	0.01	0.22	0.02	0.02
Adjustment to income tax expense (benefit) from SLS Business in discontinued operations	—	—	—	0.09	(0.19)	(0.18)
Adjusted diluted income (loss) from SLS Business in discontinued operations, net of tax	—	—	—	(0.15)	0.35	0.33
<b>SLS Divestiture adjusted income per common share (Non-GAAP)</b>	<b>\$ 4.47</b>	<b>\$ 3.71</b>	<b>\$ 3.94</b>	<b>\$ 3.58</b>	<b>\$ 3.27</b>	<b>\$ 3.04</b>

# Reconciliation of Non-GAAP Financial Measures

## SLS Divestiture adjusted income:

	Year Ended September 30,					
	2019	2018	2017	2016	2015	2014
	(In millions, except per share data)					
<b>Net income attributable to controlling interest (GAAP)</b>	\$ 460.7	\$ 63.7	\$ 218.3	\$ 315.3	\$ 159.8	\$ 166.5
Income (loss) from discontinued operations, net of tax	23.5	(63.9)	20.5	68.7	30.0	34.4
Impairment, restructuring and other charges (recoveries)	13.3	152.8	30.1	(33.8)	80.2	47.5
Costs related to refinancing	—	—	—	8.8	—	10.7
Other non-operating (income) expense, net	(260.2)	11.7	13.4	—	—	—
Adjustment to income tax expense (benefit) from continuing operations	61.5	(80.5)	(4.4)	9.1	(28.5)	(20.0)
<b>Adjusted net income attributable to controlling interest from continuing operations (Non-GAAP)</b>	\$ 251.8	\$ 211.6	\$ 236.9	\$ 230.7	\$ 181.5	\$ 170.3
Income (loss) from discontinued operations from SLS Business	—	—	(1.8)	102.9	32.5	30.9
Gain on contribution of SLS Business	—	—	—	(131.2)	—	—
Adjustment to gain on contribution on SLS Business	—	—	1.0	—	—	—
Impairment, restructuring and other from SLS Business in discontinued operations	—	—	0.8	13.6	1.5	1.0
Adjustment to income tax expense (benefit) from SLS Business in discontinued operations	—	—	—	5.7	(12.1)	(11.3)
Adjusted income (loss) from SLS Business in discontinued operations, net of tax	—	—	—	(9.0)	21.9	20.6
<b>SLS Divestiture adjusted income (Non-GAAP)</b>	\$ 251.8	\$ 211.6	\$ 236.9	\$ 221.7	\$ 203.4	\$ 190.9