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 June 27, 2020

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 July 31, 2020, there were 55,768,819 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	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
Net sales	$ 1,492.7	$ 1,170.3	$ 3,241.3	$ 2,658.3
Cost of sales	954.3	747.0	2,094.9	1,724.8
Cost of sales—impairment, restructuring and other	11.7	(0.1)	15.3	3.4
Gross profit	526.7	423.4	1,131.1	930.1
Operating expenses:				
Selling, general and administrative	237.7	166.4	553.1	462.4
Impairment, restructuring and other	4.2	0.6	2.0	4.3
Other (income) expense, net	0.3	(1.8)	0.4	(0.1)
Income from operations	284.5	258.2	575.6	463.5
Equity in income of unconsolidated affiliates	—	—	—	(3.3)
Costs related to refinancing	—	—	15.1	—
Interest expense	20.3	25.9	63.0	80.0
Other non-operating income, net	(1.9)	(5.1)	(7.3)	(268.2)
Income from continuing operations before income taxes	266.1	237.4	504.8	655.0
Income tax expense from continuing operations	61.8	59.4	122.0	162.7
Income from continuing operations	204.3	178.0	382.8	492.3
Income (loss) from discontinued operations, net of tax	(1.0)	23.6	1.6	26.1
Net income	$ 203.3	$ 201.6	$ 384.4	$ 518.4
Net (income) loss attributable to noncontrolling interest	(0.5)	0.1	(0.9)	0.2
Net income attributable to controlling interest	$ 202.8	$ 201.7	$ 383.5	$ 518.6
Basic income (loss) per common share:				
Income from continuing operations	$ 3.67	$ 3.21	$ 6.86	$ 8.89
Income (loss) from discontinued operations	(0.02)	0.42	0.03	0.47
Basic net income per common share	$ 3.65	$ 3.63	$ 6.89	$ 9.36
Weighted-average common shares outstanding during the period	55.6	55.5	55.7	55.4
Diluted income (loss) per common share:				
Income from continuing operations	$ 3.57	$ 3.15	$ 6.74	$ 8.78
Income (loss) from discontinued operations	(0.02)	0.41	0.02	0.46
Diluted net income per common share	$ 3.55	$ 3.56	$ 6.76	$ 9.24
Weighted-average common shares outstanding during the period plus dilutive potential common shares	57.1	56.6	56.7	56.1

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	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
Net income	$ 203.3	$ 201.6	$ 384.4	$ 518.4
Other comprehensive income (loss):				
Net foreign currency translation adjustment, including reclassifications to net income of zero, zero, zero and $2.5, respectively	5.3	3.1	—	(1.5)
Net unrealized loss on derivative instruments, net of tax of $(1.0), $(1.1), $(5.4) and $(4.7), respectively	(3.0)	(3.1)	(15.5)	(13.4)
Reclassification of net unrealized (gains) losses on derivative instruments to net income, net of tax of $1.1, zero, $2.0 and $(0.7), respectively	3.1	(0.1)	5.8	(2.1)
Reclassification of net pension and other post-retirement benefit (gains) losses to net income, net of tax of $0.1, $0.2, $0.5 and $0.5, respectively	0.3	0.7	1.4	1.3
Total other comprehensive income (loss)	5.7	0.6	(8.3)	(15.7)
Comprehensive income	209.0	202.2	376.1	502.7
Comprehensive (income) loss attributable to noncontrolling interest	(0.5)	0.1	(0.9)	0.2
Comprehensive income attributable to controlling interest	$ 208.5	$ 202.3	$ 375.2	$ 502.9

See Notes to Condensed Consolidated Financial Statements.

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

	NINE MONTHS ENDED	
	JUNE 27, 2020	JUNE 29, 2019
OPERATING ACTIVITIES		
Net income	$ 384.4	$ 518.4
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Impairment, restructuring and other	—	0.5
Costs related to refinancing	15.1	—
Share-based compensation expense	41.8	28.4
Depreciation	45.4	41.8
Amortization	23.6	25.2
Deferred taxes	(4.8)	(31.8)
(Gain) loss on long-lived assets	(0.2)	1.2
(Gain) loss on sale of business / unconsolidated affiliate	—	(262.6)
Recognition of accumulated foreign currency translation loss	—	2.5
Equity in income and distributions from unconsolidated affiliates	—	1.6
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	(840.0)	(436.0)
Inventories	46.1	(53.4)
Prepaid and other assets	(28.5)	(24.4)
Accounts payable	115.3	79.7
Other current liabilities	262.1	130.6
Restructuring and other	(5.5)	(83.6)
Other non-current items	(12.3)	(16.2)
Other, net	—	0.4
Net cash provided by (used in) operating activities	42.5	(77.7)
INVESTING ACTIVITIES		
Proceeds from sale of long-lived assets	0.2	0.2
Investments in property, plant and equipment	(41.7)	(28.8)
Proceeds from (investments in) loans receivable	(2.5)	20.8
Proceeds from sale of brand extension assets	115.5	—
Proceeds from sale of investment in unconsolidated affiliates	—	274.3
Investments in acquired businesses, net of cash acquired	—	(6.6)
Other investing, net	2.9	3.6
Net cash provided by investing activities	74.4	263.5
FINANCING ACTIVITIES		
Borrowings under revolving and bank lines of credit and term loans	1,134.3	938.8
Repayments under revolving and bank lines of credit and term loans	(1,118.6)	(1,029.0)
Proceeds from issuance of 4.500% Senior Notes	450.0	—
Repayment of 6.000% Senior Notes	(400.0)	—
Financing and issuance fees	(18.7)	—
Dividends paid	(97.8)	(92.1)
Purchase of Common Shares	(53.1)	(3.0)
Payments on seller notes	(0.5)	(0.8)
Cash received from exercise of stock options	17.0	3.2
Net cash used in financing activities	(87.4)	(182.9)
Effect of exchange rate changes on cash	—	(0.4)
Net increase in cash and cash equivalents	29.5	2.5
Cash and cash equivalents at beginning of period	18.8	33.9
Cash and cash equivalents at end of period	$ 48.3	$ 36.4

See Notes to Condensed Consolidated Financial Statements.

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

	JUNE 27, 2020	JUNE 29, 2019	SEPTEMBER 30, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	$ 48.3	$ 36.4	$ 18.8
Accounts receivable, less allowances of $13.3, $7.6 and $4.2, respectively	970.1	395.8	223.9
Accounts receivable pledged	177.8	351.1	84.5
Inventories	493.1	533.7	540.3
Prepaid and other current assets	89.5	72.9	174.2
Total current assets	1,778.8	1,389.9	1,041.7
Property, plant and equipment, net of accumulated depreciation of $671.1, $649.9 and $628.0, respectively	533.2	506.7	546.0
Goodwill	540.0	541.9	538.7
Intangible assets, net	685.3	831.1	707.5
Other assets	339.5	197.8	194.8
Total assets	$ 3,876.8	$ 3,467.4	$ 3,028.7
LIABILITIES AND EQUITY			
Current liabilities:			
Current portion of debt	$ 206.4	$ 363.2	$ 128.1
Accounts payable	310.5	222.6	214.2
Other current liabilities	589.8	369.6	278.2
Total current liabilities	1,106.7	955.4	620.5
Long-term debt	1,516.0	1,563.5	1,523.5
Other liabilities	250.2	143.3	161.5
Total liabilities	2,872.9	2,662.2	2,305.5
Commitments and contingencies (Note 10)			
Equity:			
Common shares and capital in excess of $.01 stated value per share; shares outstanding of 55.8, 55.4 and 55.8, respectively	465.8	437.0	442.2
Retained earnings	1,557.0	1,369.3	1,274.7
Treasury shares, at cost; 12.4, 12.7 and 12.4 shares, respectively	(922.1)	(927.3)	(904.3)
Accumulated other comprehensive loss	(102.2)	(78.6)	(93.9)
Total equity—controlling interest	998.5	800.4	718.7
Noncontrolling interest	5.4	4.8	4.5
Total equity	1,003.9	805.2	723.2
Total liabilities and equity	$ 3,876.8	$ 3,467.4	$ 3,028.7

See Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

Organization and Basis of Presentation

The Company’s unaudited condensed consolidated financial statements for the three and nine months ended June 27, 2020 and June 29, 2019 are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The condensed consolidated financial statements include the accounts of Scotts Miracle-Gro and its subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation. The Company’s consolidation criteria are based on majority ownership (as evidenced by a majority voting interest in the entity) and an objective evaluation and determination of effective management control. AeroGrow International, Inc. (“AeroGrow”), in which the Company has a controlling interest, is consolidated, with the equity owned by other shareholders shown as noncontrolling interest in the Condensed Consolidated Balance Sheets, and the other shareholders’ portion of net earnings and other comprehensive income shown as net (income) loss or comprehensive (income) loss attributable to noncontrolling interest in the Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Comprehensive Income (Loss), respectively. The results of businesses acquired or disposed of are included in the condensed consolidated financial statements from the date of each acquisition or up to the date of disposal, respectively. In the opinion of management, interim results reflect all normal and recurring adjustments and are not necessarily indicative of results for a full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted or condensed pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, this Quarterly Report on Form 10-Q should be read in conjunction with Scotts Miracle-Gro’s Annual Report on Form 10-K for the fiscal year ended September 30, 2019 (the “2019 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, 2019 has been derived from the Company’s audited Consolidated Balance Sheet at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

Long-Lived Assets

The Company had non-cash investing activities of $3.2 million and $1.8 million during the nine months ended June 27, 2020 and June 29, 2019, respectively, representing unpaid liabilities to acquire property, plant and equipment.

Statements of Cash Flows

Supplemental cash flow information was as follows:

	NINE MONTHS ENDED	
	JUNE 27, 2020	JUNE 29, 2019
	(In millions)	
Interest paid	$ 68.2	$ 82.8
Income tax payments	16.6	126.4

During the nine months ended June 29, 2019, the Company paid a post-closing net working capital adjustment obligation of $6.6 million related to the fiscal 2018 acquisition of Sunlight Supply, Inc., Sunlight Garden Supply, Inc., Sunlight Garden Supply, ULC, and IP Holdings, LLC, and all of the issued and outstanding equity interests of Columbia River Industrial Holdings, LLC (collectively “Sunlight Supply”), which was classified as an investing activity in the “Investments in acquired businesses, net of cash acquired” line in the Condensed Consolidated Statements of Cash Flows.

Inventories

Inventories are stated at the lower of cost or net realizable value and include the cost of raw materials, labor, manufacturing overhead and freight and inbound handling costs incurred to pre-position goods in the Company's warehouse network. The Company makes provisions for obsolete or slow-moving inventories as necessary to properly reflect inventory at the lower of cost or net realizable value. Inventories are determined by the first in, first out method of accounting. Inventories acquired through the acquisition of or subsequently produced by Sunlight Supply were initially recorded at fair value at the date of the acquisition and subsequently were measured using the average costing method of inventory valuation. During the three months ended December 28, 2019, the Company determined it was preferable to use the first in, first out inventory valuation method and adopted this method for the remaining Sunlight Supply inventories not subject to the first in, first out method. This change in accounting principle resulted in an increase in inventories of $0.2 million as of December 28, 2019, with a corresponding decrease in cost of goods sold for the three months ended December 28, 2019. The change in accounting principle was not material to prior periods so it was not retrospectively applied.

Leases

Effective October 1, 2019, the Company adopted Accounting Standards Codification ("ASC") 842, "Leases" ("ASC 842"). Under this guidance, the Company determines whether an arrangement contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration and other facts and circumstances. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are calculated based on the lease liability adjusted for any lease payments paid to the lessor at or before the commencement date and initial direct costs incurred by the Company and excludes any lease incentives received from the lessor. Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. As the Company's leases typically do not contain a readily determinable implicit rate, the Company determines the present value of the lease liability using its incremental borrowing rate at the lease commencement date based on the lease term. The Company considers its credit rating and the current economic environment in determining this collateralized rate. Variable lease payments are the portion of lease payments that are not fixed over the lease term. Variable lease payments are expensed as incurred and include certain non-lease components, such as maintenance and other services provided by the lessor, and other charges included in the lease, as applicable. The Company elected to exclude short-term leases, defined as leases with initial terms of 12 months or less, from its Condensed Consolidated Balance Sheet.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board ("FASB") issued its final standard on lease accounting, ASC 842. This guidance requires lessees to recognize a lease liability for the obligation to make lease payments and a ROU asset for the right to use the underlying asset for the lease term. The Company elected the optional transition method and adopted the new guidance on October 1, 2019 on a modified retrospective basis with no restatement of prior period amounts. Fiscal 2019 balances and related disclosures supporting those comparative period balances continue to be presented under ASC 840, "Leases." As allowed under the new accounting standard, the Company elected to apply practical expedients to carry forward the original lease determinations, lease classifications and accounting of initial direct costs for all asset classes at the time of adoption. The Company also elected to exclude short-term leases from its Condensed Consolidated Balance Sheet. The Company's adoption of the new standard resulted in the recognition of ROU assets of $129.6 million in the "Other assets" line in the Condensed Consolidated Balance Sheet, liabilities of $45.4 million in the "Other current liabilities" line in the Condensed Consolidated Balance Sheet and liabilities of $88.8 million in the "Other liabilities" line in the Condensed Consolidated Balance Sheet as of the October 1, 2019 adoption date. Adoption of the new standard did not result in a material cumulative effect adjustment to equity as of the date of adoption and did not have a material impact on the Company's Condensed Consolidated Statements of Operations or Cash Flows. In connection with the adoption of this guidance, as required, the Company reclassified certain restructuring reserves (refer to "NOTE 4. IMPAIRMENT, RESTRUCTURING AND OTHER" for more information) and deferred rent liabilities as reductions to the ROU asset. Refer to "NOTE 13. LEASES AND OTHER COMMITMENTS" for more information.

On March 2, 2020, the SEC issued a final rule that amends the financial disclosure requirements related to certain registered securities under SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered." These amendments are generally effective for registration statements filed pursuant to the Securities Act of 1933, as amended, or the Securities Exchange of Act of 1934, as amended (the "Exchange Act"), on or after January 4, 2021 and periodic reports filed pursuant to the Exchange Act for fiscal periods beginning after January 4, 2021. However, voluntary compliance in advance of these effective dates is permitted. The amendments permit the omission from the applicable filings of separate financial statements for each issuer of a registered security that is guaranteed and each guarantor of a registered security that would be required of a registrant under Regulation S-X if, subject to additional conditions, the parent company of such issuers and/or guarantors provides supplemental financial and non-financial disclosures about the subsidiary issuers and/or guarantors and the guarantees. Under the amended Rule 3-10, in lieu of separate financial statements, a parent company of the subsidiary issuers and/or guarantors may provide summarized financial information of the issuers and guarantors, as well as other qualitative disclosures about the guarantees and the issuers and guarantors, in the parent company's Management's Discussion and Analysis ("MD&A") or its consolidated financial statements. As permitted under these amendments, the Company elected to begin providing the summarized financial information and qualitative disclosures permitted under the amended Rule 3-10 during the second quarter of fiscal 2020 and has provided such information and disclosures within the "Liquidity and Capital Resources" section of the MD&A.

On March 12, 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting," which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The Company may elect to apply the contract modification provisions as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020 up until December 31, 2022. The hedge accounting expedients may be applied, on an individual hedging relationship basis, to eligible hedge accounting relationships that existed as of the beginning of the interim period that includes March 12, 2020 and to new eligible hedging relationships entered into after the beginning of the interim period that includes March 12, 2020; however, those expedients generally cannot be applied to hedging relationships evaluated for periods after December 31, 2022. The Company adopted certain optional hedge accounting expedients provided by ASU 2020-04 during fiscal 2020. The adoption of this guidance did not have a significant impact on the Company's consolidated financial position, results of operations or cash flows. The Company is continuing to assess other optional expedients and exceptions available within the amended guidance.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued 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 provisions are effective for the Company's financial statements no later than the fiscal year beginning October 1, 2020. The Company is continuing to assess the impact of the amended guidance.

In August 2018, the FASB issued ASU No. 2018-14, "Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715): Disclosure Framework–Changes to the Disclosure Requirements for Defined Benefit Plans," which removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and requires certain additional disclosures related to defined benefit pension and other postretirement plans. The provisions are effective for the Company's financial statements no later than the fiscal year beginning October 1, 2020. The Company is continuing to assess the impact of the amended guidance.

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

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

Wild Bird Food

During fiscal 2014, the Company completed the sale of its U.S. and Canadian wild bird food business. As a result, effective in fiscal 2014, the Company classified its results of operations for all periods presented to reflect the wild bird food business as a discontinued operation. At each of June 27, 2020, June 29, 2019 and September 30, 2019, zero, $20.0 million and zero, respectively, was accrued for a probable loss related to the previously disclosed legal matter *In re Morning Song Bird Food Litigation* in the "Other current liabilities" line in the Condensed Consolidated Balance Sheet. This matter relates to a class-action lawsuit filed in 2012 in connection with the sale of wild bird food products that were the subject of a voluntary recall in 2008 by the Company's previously sold wild bird food business. The Company recognized insurance recoveries related to this matter of zero and $1.5 million during the three and nine months ended June 27, 2020, respectively, and recognized insurance recoveries of $8.4 million and $13.4 million during the three and nine months ended June 29, 2019, respectively. In addition, during the three and nine months ended June 29, 2019, the Company recognized a favorable adjustment of $22.5 million as a result of the final resolution of the previously disclosed settlement agreement related to this matter.

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
	(In millions)			
Operating and exit costs	$ 2.0	$ —	$ 1.5	$ 0.1
Impairment, restructuring and other charges (recoveries), net	—	(30.9)	(3.1)	(35.8)
Income (loss) from discontinued operations before income taxes	(2.0)	30.9	1.6	35.7
Income tax expense (benefit) from discontinued operations	(1.0)	7.3	—	9.6
Income (loss) from discontinued operations, net of tax	$ (1.0)	$ 23.6	$ 1.6	$ 26.1

The Condensed Consolidated Statements of Cash Flows do not present the cash flows from discontinued operations separately from cash flows from continuing operations. Cash provided by (used in) operating activities related to discontinued operations was $3.6 million and $(24.5) million for the nine months ended June 27, 2020 and June 29, 2019, respectively. Cash (used in) provided by investing activities related to discontinued operations was zero for the nine months ended June 27, 2020 and June 29, 2019.

NOTE 3. INVESTMENT IN UNCONSOLIDATED AFFILIATES

On March 19, 2019, the Company entered into an agreement under which it sold, to TruGreen Companies L.L.C., a subsidiary of TruGreen Holding Corporation, all of its approximately 30% equity interest in Outdoor Home Services Holdings LLC, a lawn services joint venture between the Company and TruGreen Holding Corporation (the "TruGreen Joint Venture"). Prior to this transaction, the Company's net investment and advances with respect to the TruGreen Joint Venture had been reduced to a liability which resulted in an amount recorded in the "Distributions in excess of investment in unconsolidated affiliate" line in the Condensed Consolidated Balance Sheets. In connection with this transaction, the Company received cash proceeds of $234.2 million related to the sale of its equity interest in the TruGreen Joint Venture and $18.4 million related to the payoff of second lien term loan financing by the TruGreen Joint Venture. During the nine months ended June 29, 2019, the Company also received a distribution from the TruGreen Joint Venture intended to cover certain required tax payments of $3.5 million, which was classified as an investing activity in the Condensed Consolidated Statements of Cash Flows. During the three and nine months ended June 29, 2019, the Company recognized a pre-tax gain of zero and $259.8 million, respectively, related to this sale in the "Other non-operating income, net" line in the Condensed Consolidated Statements of Operations.

On April 1, 2019, the Company sold all of its noncontrolling equity interest in an unconsolidated affiliate whose products support the professional U.S. industrial, turf and ornamental market (the "IT&O Joint Venture") for cash proceeds of $36.6 million. During the three and nine months ended June 29, 2019, the Company recognized a pre-tax gain of $2.9 million related to this sale in the "Other non-operating (income) expense, net" line in the Condensed Consolidated Statements of Operations. During the nine months ended June 29, 2019, the Company received a distribution of net earnings from the IT&O Joint Venture of $4.9 million, which was classified as an operating activity in the Condensed Consolidated Statements of Cash Flows.

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	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
	(In millions)			
Cost of sales—impairment, restructuring and other:				
COVID-19 related costs	$ 12.2	$ —	$ 15.3	$ —
Restructuring and other charges (recoveries)	(0.5)	(0.1)	—	2.9
Property, plant and equipment impairments	—	—	—	0.5
Operating expenses:				
COVID-19 related costs	4.3	—	5.0	—
Restructuring and other charges, net	(0.1)	0.6	(3.0)	4.3
Impairment, restructuring and other charges from continuing operations	15.9	0.5	17.3	7.7
Restructuring and other charges (recoveries), net, from discontinued operations	—	(30.9)	(3.1)	(35.8)
Total impairment, restructuring and other charges (recoveries)	$ 15.9	$ (30.4)	$ 14.2	$ (28.1)

The following table summarizes the activity related to liabilities associated with restructuring and other, excluding insurance reimbursement recoveries, during the nine months ended June 27, 2020 (in millions):

Amounts accrued for restructuring and other at September 30, 2019	$ 11.6
Restructuring and other charges from continuing operations	20.5
Payments and other	(27.7)
Amounts accrued for restructuring and other at June 27, 2020	$ 4.4

In connection with the adoption of ASC 842 on October 1, 2019, the Company reclassified restructuring accruals of $1.7 million to lease ROU assets, and has presented this reclassification within “Payments and other” in the table above. Refer to “NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES” and “NOTE 13. LEASES AND OTHER COMMITMENTS” for more information. Included in restructuring accruals, as of June 27, 2020, is $0.6 million that is classified as long-term. Payments against the long-term accruals will be incurred as the employees covered by the restructuring plan retire or through the passage of time. The remaining amounts accrued will continue to be paid out over the course of the next twelve months.

COVID-19

The World Health Organization recognized a novel strain of coronavirus (“COVID-19”) as a public health emergency of international concern on January 30, 2020 and as a global pandemic on March 11, 2020. In response to the COVID-19 pandemic, the Company has implemented additional measures intended to both protect the health and safety of its employees and maintain its ability to provide products to its customers, including (i) requiring a significant part of its workforce to work from home, (ii) monitoring its employees for COVID-19 symptoms, (iii) making additional personal protective equipment available to its operations team, (iv) requiring all manufacturing and warehousing associates to take their temperatures before beginning a shift, (v) modifying work methods and schedules of its manufacturing and field associates to create distance or add barriers between associates, consumers and others, (vi) expanding cleaning efforts at its operation centers, (vii) modifying attendance policies so that associates may elect to stay home if they have symptoms, (viii) prioritizing production for goods that are more essential to its customers and (ix) implementing an interim premium pay allowance for associates in its field sales force as well as those still working in manufacturing or distribution centers. In addition, to help address the critical shortage of personal protective equipment in the fight against COVID-19, the Company shifted production in its Temecula, California manufacturing plant to produce face shields to help protect healthcare workers and first responders in critical need areas across the country. During the three and nine months ended June 27, 2020, the Company incurred costs of $16.5 million and $20.3 million, respectively, associated with the COVID-19 pandemic primarily related to premium pay. The Company incurred costs of $9.6 million and $12.2 million in its U.S. Consumer segment, $2.0 million and $2.5 million in its Hawthorne segment and $0.6 million in its Other segment in the “Cost of sales—impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations during the three and nine months ended June 27, 2020, respectively. The Company incurred costs of $4.2 million and $4.9 million in its U.S. Consumer segment and $0.1 million 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 June 27, 2020 related to Project Catalyst were not material. Costs incurred to date since the inception of Project Catalyst are $25.3 million for the Hawthorne segment, $13.5 million for the U.S. Consumer segment, $1.3 million for the Other segment and $2.8 million for Corporate. Additionally, during the three and nine months ended June 27, 2020, the Company received zero and $2.6 million, 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.

During the three and nine months ended June 29, 2019, the Company incurred charges of $0.4 million and $8.0 million, respectively, related to Project Catalyst. The Company incurred charges of zero and $0.4 million in its U.S. Consumer segment, $(0.1) million and $2.4 million in its Hawthorne segment and zero and $0.6 million in its Other segment in the “Cost of sales—impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations during the three and nine months ended June 29, 2019, respectively, related to employee termination benefits, facility closure costs and impairment of property, plant and equipment. The Company incurred charges of zero and $0.5 million in its U.S. Consumer segment, $0.5 million and $2.6 million in its Hawthorne segment, zero and $0.6 million in its Other segment and zero and $0.9 million at Corporate in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations during the three and nine months ended June 29, 2019, respectively, related to employee termination benefits and facility closure costs.

Other

The Company recognized insurance recoveries related to the previously disclosed legal matter *In re Morning Song Bird Food Litigation* of zero and $1.5 million during the three and nine months ended June 27, 2020, respectively, and recognized insurance recoveries of $8.4 million and $13.4 million during the three and nine months ended June 29, 2019, respectively, in the “Income (loss) from discontinued operations, net of tax” line in the Condensed Consolidated Statements of Operations. In addition, during the three and nine months ended June 29, 2019, the Company recognized a favorable adjustment of $22.5 million in the “Income (loss) from discontinued operations, net of tax” line in the Condensed Consolidated Statements of Operations as a result of the final resolution of the previously disclosed settlement agreement. Refer to “NOTE 2. DISCONTINUED OPERATIONS” for more information.

During the three and nine months ended June 29, 2019, the Company recognized favorable adjustments of zero and $0.4 million, respectively, related to the previously disclosed legal matter *In re Scotts EZ Seed Litigation* in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations.

NOTE 5. INVENTORIES

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

	JUNE 27, 2020	JUNE 29, 2019	SEPTEMBER 30, 2019
		(In millions)	
Finished goods	$ 307.6	$ 358.7	$ 344.9
Work-in-process	58.8	56.1	63.6
Raw materials	126.7	118.9	131.8
Total inventories	$ 493.1	$ 533.7	$ 540.3

Adjustments to reflect inventories at net realizable values were $13.9 million at June 27, 2020, $9.4 million at June 29, 2019 and $8.8 million at September 30, 2019.

NOTE 6. MARKETING AGREEMENT

The Scotts Company LLC (“Scotts LLC”) is the exclusive agent of Monsanto Company (“Monsanto”), a subsidiary of Bayer AG since June 2018, 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"). Prior to the Third Restated Agreement, the annual commission payable was equal to (1) 50% of the actual earnings before interest and income taxes of Monsanto's consumer Roundup® business in the markets covered for program years 2017 and 2018 and (2) 50% of the actual earnings before interest and income taxes of Monsanto's consumer Roundup® business in the markets covered in excess of $40.0 million for program year 2019. The Third Restated Agreement also requires the Company to make annual payments of $18.0 million to Monsanto as a contribution against the overall expenses of its consumer Roundup® business, 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 million. During the third quarter of fiscal 2019, Monsanto agreed to reimburse the Company for $20.0 million of additional expenses incurred by the Company for certain activities connected to the Roundup® marketing agreement and this payment was recognized in the "Net sales" line in the Condensed Consolidated Statements of Operations during the third quarter of fiscal 2019.

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 million and, in such case, no termination fee would be payable to either party.

The termination fee structure requires Monsanto to pay a termination fee to the Company in an amount equal to (i) $175.0 million upon a Convenience Termination, (ii) $375.0 million upon a Brand Decommissioning Event, and (iii) the greater of $175.0 million 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 million, 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 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 million plus the value of finished goods inventory of $3.5 million. This consideration 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, which included the brand extension agreement intangible asset with a carrying value of $111.7 million, approximated the consideration received, resulting in an insignificant gain on the sale.

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
	(In millions)			
Gross commission	$ 28.1	$ 26.4	$ 70.2	$ 50.3
Contribution expenses	(4.5)	(4.5)	(13.5)	(13.5)
Net commission	23.6	21.9	56.7	36.8
Reimbursements associated with Roundup® marketing agreement	16.4	34.3	46.7	61.3
Total net sales associated with Roundup® marketing agreement	$ 40.0	$ 56.2	$ 103.4	$ 98.1

NOTE 7. DEBT

The components of debt are as follows:

	JUNE 27, 2020	JUNE 29, 2019	SEPTEMBER 30, 2019
		(In millions)	
Credit Facilities:			
Revolving loans	$ 106.2	$ 200.3	$ 147.2
Term loans	730.0	760.0	750.0
Senior Notes – 5.250%	250.0	250.0	250.0
Senior Notes – 6.000%	—	400.0	400.0
Senior Notes – 4.500%	450.0	—	—
Receivables facility	160.0	316.0	76.0
Finance lease obligations	34.7	0.5	25.8
Other	1.6	8.0	10.3
Total debt	1,732.5	1,934.8	1,659.3
Less current portions	206.4	363.2	128.1
Less unamortized debt issuance costs	10.1	8.1	7.7
Long-term debt	$ 1,516.0	$ 1,563.5	$ 1,523.5

Credit Facilities

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

At June 27, 2020, the Company had letters of credit outstanding in the aggregate principal amount of $21.8 million, and $1,372.0 million of borrowing availability under the Fifth A&R Credit Agreement. The weighted average interest rates on average borrowings under the Fifth A&R Credit Agreement were 3.4% and 4.6% for the nine months ended June 27, 2020 and June 29, 2019, 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 4.75 for the second quarter of fiscal 2020 through the fourth quarter of fiscal 2020 and 4.50 for the first quarter of fiscal 2021 and thereafter. The Company's leverage ratio was 2.80 at June 27, 2020. 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 June 27, 2020. The Company's interest coverage ratio was 8.50 for the twelve months ended June 27, 2020.

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 million for fiscal 2020 and thereafter.

Senior Notes

On December 15, 2016, Scotts Miracle-Gro issued $250.0 million 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 million 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. 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 million, comprised of $0.5 million of accrued and unpaid interest, $12.0 million of redemption premium, and $400.0 million for outstanding principal amount. The $12.0 million 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 million 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.

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 million and the commitment amount during the seasonal commitment period beginning on February 28, 2020 and ending on June 19, 2020 was $160.0 million. The Receivables Facility expires on August 21, 2020.

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 June 27, 2020 and June 29, 2019, there were $160.0 million and $316.0 million, respectively, in borrowings on receivables pledged as collateral under the Receivables Facility, and the carrying value of the receivables pledged as collateral was $177.8 million and $351.1 million, 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. The swap agreements had a maximum total U.S. dollar equivalent notional amount of $600.0 million, $850.0 million and $850.0 million at June 27, 2020, June 29, 2019 and September 30, 2019, respectively. Interest payments made between the effective date and expiration date are hedged by the swap agreements, except as noted below.

The notional amount, effective date, expiration date and rate of each of these swap agreements outstanding at June 27, 2020 are shown in the table below:

Notional Amount (in millions)		Effective Date (a)	Expiration Date	Fixed Rate
$ 100		6/20/2018	10/20/2020	2.15 %
200	(b)	11/7/2018	6/7/2021	2.87 %
100		11/7/2018	7/7/2021	2.96 %
200		11/7/2018	10/7/2021	2.98 %
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 were 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 4.2% and 4.7% for the nine months ended June 27, 2020 and June 29, 2019, respectively.

NOTE 8. EQUITY

The following table provides a summary of the changes in total equity, equity attributable to controlling interest, and equity attributable to noncontrolling interests for each of the periods indicated (in millions):

	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 ($0.580 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 ($0.580 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 ($0.580 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.

	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, 2018	$ 420.3	$ 919.9	$ (939.6)	$ (46.0)	$ 354.6	$ 5.0	$ 359.6
Adoption of new accounting pronouncements	—	26.0	—	(16.9)	9.1	—	9.1
Net income (loss)	—	(79.6)	—	—	(79.6)	(0.1)	(79.7)
Other comprehensive income (loss)	—	—	—	(12.4)	(12.4)	—	(12.4)
Share-based compensation	6.6	—	—	—	6.6	—	6.6
Dividends declared ($0.550 per share)	—	(30.9)	—	—	(30.9)	—	(30.9)
Treasury share issuances	(1.0)	—	1.9	—	0.9	—	0.9
Balance at December 29, 2018	$ 425.9	$ 835.4	$ (937.7)	$ (75.3)	$ 248.3	$ 4.9	$ 253.2
Net income (loss)	—	396.5	—	—	396.5	(0.1)	396.4
Other comprehensive income (loss)	—	—	—	(3.9)	(3.9)	—	(3.9)
Share-based compensation	10.4	—	—	—	10.4	—	10.4
Dividends declared ($0.550 per share)	—	(32.7)	—	—	(32.7)	—	(32.7)
Treasury share purchases	—	—	(2.5)	—	(2.5)	—	(2.5)
Treasury share issuances	(10.1)	—	11.2	—	1.1	—	1.1
Balance at March 30, 2019	$ 426.2	$ 1,199.2	$ (929.0)	$ (79.2)	$ 617.2	$ 4.9	$ 622.1
Net income (loss)	—	201.7	—	—	201.7	(0.1)	201.6
Other comprehensive income (loss)	—	—	—	0.6	0.6	—	0.6
Share-based compensation	11.4	—	—	—	11.4	—	11.4
Dividends declared ($0.550 per share)	—	(31.7)	—	—	(31.7)	—	(31.7)
Treasury share purchases	—	—	(0.1)	—	(0.1)	—	(0.1)
Treasury share issuances	(0.6)	—	1.8	—	1.2	—	1.2
Balance at June 29, 2019	$ 437.0	$ 1,369.3	$ (927.3)	$ (78.6)	$ 800.4	$ 4.8	$ 805.2

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

Accumulated Other Comprehensive Loss

At June 27, 2020 and September 30, 2019, the Company had unrecognized losses on pension and other postretirement liabilities of $67.0 million, net of tax of $22.3 million, and $68.4 million, net of tax of $22.8 million, respectively, recorded in accumulated other comprehensive loss. At each of June 27, 2020 and September 30, 2019, the Company had accumulated foreign currency translation losses of $17.4 million recorded in accumulated other comprehensive loss. At June 27, 2020 and September 30, 2019, the Company had unrecognized losses on derivatives of $17.8 million, net of tax of $6.2 million, and $8.1 million, net of tax of $2.8 million, respectively, recorded in accumulated other comprehensive loss.

During the second quarter of fiscal 2019, the Company recognized a charge of $2.5 million in the “Other non-operating income, net” line in the Condensed Consolidated Statements of Operations related to the write-off of accumulated foreign currency translation loss adjustments of a foreign subsidiary that was substantially liquidated.

Dividends

On July 30, 2019, the Scotts Miracle-Gro Board of Directors approved an increase in the Company’s quarterly cash dividend from $0.55 to $0.58 per Common Share. On July 27, 2020, the Scotts Miracle-Gro Board of Directors approved a special cash dividend of $5.00 per Common Share, which will be 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 also approved an increase in the Company’s quarterly cash dividend from $0.58 to $0.62 per Common Share.

Share Repurchases

On August 11, 2014, Scotts Miracle-Gro announced that its Board of Directors authorized the repurchase of up to $500.0 million of Common Shares over a five-year period (effective November 1, 2014 through September 30, 2019). On August 3, 2016, Scotts Miracle-Gro announced that its Board of Directors authorized a $500.0 million increase to the share repurchase authorization ending on September 30, 2019. 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 $1.0 billion through March 28, 2020. During fiscal 2020 through March 28, 2020, Scotts Miracle-Gro repurchased 0.4 million Common Shares under the share repurchase authorization for $48.2 million. There were no share repurchases under the share repurchase authorization during the three and nine months ended June 29, 2019. From the effective date of the 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 million.

On January 31, 2020, the Scotts Miracle-Gro Board of Directors authorized a new share repurchase program allowing for repurchases of up to $750.0 million of Common Shares from April 30, 2020 through March 25, 2023. The share repurchase 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. On March 26, 2020, the Company announced a temporary suspension of share repurchase activity, effective as of March 30, 2020, in order to enhance the Company's financial flexibility in response to the COVID-19 pandemic. Accordingly, there were no share repurchases under this share repurchase authorization during the three months ended June 27, 2020. 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 $0.2 million and $4.9 million for the three and nine months ended June 27, 2020, respectively, and $0.1 million and $2.6 million for the three and nine months ended June 29, 2019, respectively.

Share-Based Awards

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

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

	NINE MONTHS ENDED	
	JUNE 27, 2020	JUNE 29, 2019
Employees		
Restricted stock units	118,410	163,170
Performance units	37,570	131,644
Non-Employee Directors		
Restricted and deferred stock units	16,295	31,136
Total share-based awards	172,275	325,950
Aggregate fair value at grant dates (in millions)	$ 20.9	$ 25.3

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
	(In millions)			
Share-based compensation	$ 22.8	$ 11.4	$ 41.8	$ 28.4
Tax benefit recognized	5.8	2.9	9.7	6.3

Stock Options

Aggregate stock option activity was as follows:

	No. of Options	Wtd. Avg. Exercise Price
Awards outstanding at September 30, 2019	862,388	$ 59.52
Exercised	(280,418)	55.19
Awards outstanding at June 27, 2020	581,970	61.60
Exercisable	581,970	61.60

At June 27, 2020, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested stock options not yet recognized was zero. The total intrinsic value of stock options exercised was $21.9 million for the nine months ended June 27, 2020. Cash received from the exercise of stock options, including amounts received from employee purchases under the employee stock purchase plan, was $17.0 million for the nine months ended June 27, 2020.

NOTE 9. INCOME TAXES

The effective tax rates related to continuing operations for the nine months ended June 27, 2020 and June 29, 2019 were 24.2% and 24.8%, 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. There are currently no ongoing audits with respect to the U.S. federal or foreign jurisdictions. Subject to the following exceptions, the Company is no longer subject to examination by these tax authorities for fiscal years prior to 2017. The Company is currently under examination by certain U.S. state and local tax authorities covering various periods from fiscal years 2012 through 2018. 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 10. 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 June 27, 2020, $3.7 million was accrued in the "Other liabilities" line in the Condensed Consolidated Balance Sheets for environmental actions, the majority of which are for site remediation. The 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.

NOTE 11. 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. The notional amount of outstanding currency forward contracts was $143.9 million, $135.4 million and $120.0 million at June 27, 2020, June 29, 2019 and September 30, 2019, respectively. Contracts outstanding at June 27, 2020 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. The swap agreements had a maximum total U.S. dollar equivalent notional amount of $600.0 million, $850.0 million and $850.0 million at June 27, 2020, June 29, 2019 and September 30, 2019, respectively. Refer to "NOTE 7. DEBT" for the terms of the swap agreements outstanding at June 27, 2020. Included in the AOCI balance at June 27, 2020 was a loss of $8.3 million related to interest rate swap agreements that is expected to be reclassified to earnings during the next twelve months, consistent with the timing of the underlying hedged transactions.

Commodity Price Risk Management

The Company enters into hedging arrangements designed to fix the price of a portion of its projected future urea, diesel and resin requirements. Changes in the fair value of derivative contracts that qualify for hedge accounting are recorded in AOCI. Realized gains or losses remain as a component of AOCI until the related inventory is sold. Included in the AOCI balance at June 27, 2020 was a loss of $1.6 million 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	JUNE 27, 2020	JUNE 29, 2019	SEPTEMBER 30, 2019
Urea	79,500 tons	62,500 tons	78,500 tons
Resin	7,100,000 pounds	1,900,000 pounds	14,900,000 pounds
Diesel	5,292,000 gallons	4,242,000 gallons	4,956,000 gallons
Heating Oil	1,764,000 gallons	462,000 gallons	1,344,000 gallons

Fair Values of Derivative Instruments

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

DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	BALANCE SHEET LOCATION	ASSETS / (LIABILITIES) JUNE 27, 2020	JUNE 29, 2019	SEPTEMBER 30, 2019
		(In millions)		
Interest rate swap agreements	Other current liabilities	$ (11.3)	$ (4.5)	$ (5.5)
	Other liabilities	(10.8)	(6.1)	(5.3)
Commodity hedging instruments	Prepaid and other current assets	—	0.3	—
	Other current liabilities	(1.3)	—	(0.8)
Total derivatives designated as hedging instruments		$ (23.4)	$ (10.3)	$ (11.6)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	**BALANCE SHEET LOCATION**			
Currency forward contracts	Prepaid and other current assets	$ 1.0	$ 1.2	$ 1.7
	Other current liabilities	(1.6)	(1.2)	(0.4)
Commodity hedging instruments	Other current liabilities	(0.8)	(0.3)	(0.4)
Total derivatives not designated as hedging instruments		(1.4)	(0.3)	0.9
Total derivatives		$ (24.8)	$ (10.6)	$ (10.7)

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

DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS	AMOUNT OF GAIN / (LOSS) RECOGNIZED IN AOCI — THREE MONTHS ENDED JUNE 27, 2020	THREE MONTHS ENDED JUNE 29, 2019	NINE MONTHS ENDED JUNE 27, 2020	NINE MONTHS ENDED JUNE 29, 2019
	(In millions)			
Interest rate swap agreements	$ (3.0)	$ (3.7)	$ (12.7)	$ (10.5)
Commodity hedging instruments	—	0.6	(2.8)	(2.9)
Total	$ (3.0)	$ (3.1)	$ (15.5)	$ (13.4)

DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS	RECLASSIFIED FROM AOCI INTO STATEMENT OF OPERATIONS	AMOUNT OF GAIN / (LOSS) — THREE MONTHS ENDED JUNE 27, 2020	THREE MONTHS ENDED JUNE 29, 2019	NINE MONTHS ENDED JUNE 27, 2020	NINE MONTHS ENDED JUNE 29, 2019
		(In millions)			
Interest rate swap agreements	Interest expense	$ (2.6)	$ —	$ (4.6)	$ 0.1
Commodity hedging instruments	Cost of sales	(0.5)	0.1	(1.2)	2.0
Total		$ (3.1)	$ 0.1	$ (5.8)	$ 2.1

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	RECOGNIZED IN STATEMENT OF OPERATIONS	AMOUNT OF GAIN / (LOSS) — THREE MONTHS ENDED JUNE 27, 2020	THREE MONTHS ENDED JUNE 29, 2019	NINE MONTHS ENDED JUNE 27, 2020	NINE MONTHS ENDED JUNE 29, 2019
		(In millions)			
Currency forward contracts	Other income / expense, net	$ (0.3)	$ 1.3	$ 0.8	$ 4.6
Commodity hedging instruments	Cost of sales	(0.3)	0.3	(2.6)	(1.9)
Total		$ (0.6)	$ 1.6	$ (1.8)	$ 2.7

NOTE 12. 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 (in millions):

		JUNE 27, 2020		JUNE 29, 2019		SEPTEMBER 30, 2019	
	FAIR VALUE HEIRARCHY LEVEL	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Assets:							
Cash equivalents	Level 1	$ 2.2	$ 2.2	$ 2.9	$ 2.9	$ 2.0	$ 2.0
Other							
Investment securities in non-qualified retirement plan assets	Level 1	26.8	26.8	21.9	21.9	21.6	21.6
Bonnie Option	Level 3	11.3	11.3	13.0	13.0	11.3	11.3
Liabilities:							
Debt instruments							
Credit facilities – revolving loans	Level 2	106.2	106.2	200.3	200.3	147.2	147.2
Credit facilities – term loans	Level 2	730.0	730.0	760.0	760.0	750.0	750.0
Senior Notes – 4.500%	Level 1	450.0	462.9	—	—	—	—
Senior Notes – 5.250%	Level 1	250.0	260.0	250.0	252.5	250.0	263.4
Senior Notes – 6.000%	Level 1	—	—	400.0	414.5	400.0	412.5
Receivables facility	Level 2	160.0	160.0	316.0	316.0	76.0	76.0
Other							
Debt	Level 2	1.6	1.6	8.0	8.0	10.3	10.3

NOTE 13. LEASES AND OTHER COMMITMENTS

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. Certain lease agreements contain renewal and purchase options. The lease agreements generally require that the Company pay taxes, insurance and maintenance expenses related to the leased assets. There were no material operating leases that the Company had entered into and that were yet to commence as of June 27, 2020. From time to time, the Company will sublease portions of its facilities, resulting in sublease income. Sublease income and the related cash flows are not material to the condensed consolidated financial statements for the three months ended June 27, 2020.

The Company leases certain vehicles (primarily cars and light trucks) under agreements that are cancelable 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 June 27, 2020, the Company’s residual value guarantee would have approximated $3.4 million.

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

	BALANCE SHEET LOCATION	JUNE 27, 2020 (In millions)
Operating leases:		
Right-of-use assets	Other assets	$ 129.9
Current lease liabilities	Other current liabilities	46.5
Non-current lease liabilities	Other liabilities	87.4
Total operating lease liabilities		$ 133.9
Finance leases:		
Right-of-use assets	Property, plant and equipment, net	$ 33.6
Current lease liabilities	Current portion of debt	4.8
Non-current lease liabilities	Long-term debt	29.9
Total finance lease liabilities		$ 34.7

Components of lease cost were as follows:

	THREE MONTHS ENDED JUNE 27, 2020	NINE MONTHS ENDED JUNE 27, 2020
	(In millions)	
Operating lease cost [(a)]	$ 13.6	$ 40.2
Variable lease cost	2.9	8.7
Short term lease cost	2.1	5.0
Finance lease cost		
Amortization of right-of-use assets	1.4	3.7
Interest on lease liabilities	0.3	1.0
Total finance lease cost	$ 1.7	$ 4.7

(a) Operating lease cost includes amortization of ROU assets for the three and nine months ended June 27, 2020 of $11.3 million and $34.2 million, respectively.

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

	NINE MONTHS ENDED JUNE 27, 2020 (In millions)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases, net	$ 40.9
Operating cash flows from finance leases	1.0
Financing cash flows from finance leases	2.6
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 34.6
Finance leases	11.9

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

	JUNE 27, 2020
Weighted-average remaining lease term (in years):	
Operating leases	4.4
Finance leases	8.6
Weighted-average discount rate:	
Operating leases	4.0 %
Finance leases	4.3 %

Maturities of lease liabilities by fiscal year for the Company’s leases as of June 27, 2020 were as follows (in millions):

Year	OPERATING LEASES	FINANCE LEASES
2020 (remainder of the year)	$ 13.8	$ 1.5
2021	47.2	6.1
2022	34.1	6.1
2023	19.3	6.1
2024	11.0	6.2
Thereafter	21.3	16.0
Total lease payments	146.7	42.0
Less: Imputed interest	(12.8)	(7.3)
Total lease liabilities	$ 133.9	$ 34.7

The future minimum annual lease payments required under the Company’s existing non-cancelable operating and capital lease agreements as of September 30, 2019 prior to the adoption of ASC 842 were as follows (in millions):

Year	OPERATING LEASES	CAPITAL LEASES
2020	$ 52.8	$ 3.0
2021	40.3	3.5
2022	28.1	3.5
2023	15.4	3.6
2024	7.9	3.6
Thereafter	12.6	15.4
Total lease payments	$ 157.1	$ 32.6

NOTE 14. SEGMENT INFORMATION

The Company divides its operations into three reportable segments: U.S. Consumer, Hawthorne and Other. U.S. Consumer consists of the Company’s consumer lawn and garden business located in the geographic United States. Hawthorne consists of the Company’s indoor, urban and hydroponic gardening business. Other consists of the Company’s consumer lawn and garden business in geographies other than the U.S. and the Company’s product sales to commercial nurseries, greenhouses and other professional customers. 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.

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 table presents financial information for the Company's reportable segments for each of the periods indicated:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
	(In millions)			
Net sales:				
U.S. Consumer	$ 1,075.8	$ 889.1	$ 2,325.9	$ 2,019.5
Hawthorne	302.9	176.3	731.7	461.1
Other	114.0	104.9	183.7	177.7
Consolidated	$ 1,492.7	$ 1,170.3	$ 3,241.3	$ 2,658.3
Segment Profit (Loss):				
U.S. Consumer	$ 310.5	$ 271.5	$ 641.9	$ 548.5
Hawthorne	41.1	16.8	80.5	31.6
Other	14.4	13.2	14.8	13.0
Total Segment Profit	366.0	301.5	737.2	593.1
Corporate	(57.8)	(34.4)	(120.7)	(96.7)
Intangible asset amortization	(7.8)	(8.4)	(23.6)	(25.2)
Impairment, restructuring and other	(15.9)	(0.5)	(17.3)	(7.7)
Equity in income of unconsolidated affiliates	—	—	—	3.3
Costs related to refinancing	—	—	(15.1)	—
Interest expense	(20.3)	(25.9)	(63.0)	(80.0)
Other non-operating income, net	1.9	5.1	7.3	268.2
Income from continuing operations before income taxes	$ 266.1	$ 237.4	$ 504.8	$ 655.0

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
	(In millions)			
U.S. Consumer:				
Growing media	$ 549.8	$ 463.1	$ 1,011.4	$ 866.8
Lawn care	277.3	217.1	779.3	689.8
Controls	132.9	104.3	276.7	249.3
Roundup® marketing agreement	39.2	54.7	102.2	96.6
Other, primarily gardening and landscape	76.6	49.9	156.3	117.0
Hawthorne:				
Indoor, urban and hydroponic gardening	302.9	176.3	731.7	461.1
Other:				
Growing media	47.4	42.7	72.1	68.7
Lawn care	36.9	36.9	61.2	60.1
Other, primarily gardening and controls	29.7	25.3	50.4	48.9
Total net sales	$ 1,492.7	$ 1,170.3	$ 3,241.3	$ 2,658.3

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
	(In millions)			
Net sales:				
United States	$ 1,338.0	$ 1,044.4	$ 2,977.2	$ 2,415.9
International	154.7	125.9	264.1	242.4
	$ 1,492.7	$ 1,170.3	$ 3,241.3	$ 2,658.3

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, 2019 (the "2019 Annual Report").

EXECUTIVE SUMMARY

We are a 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 a leading manufacturer, marketer and distributor of nutrients, growing media, advanced indoor garden, lighting and ventilation systems and accessories for indoor, urban and hydroponic gardening.

Beginning in fiscal 2015, our Hawthorne segment made a series of key acquisitions, including General Hydroponics, Gavita, Botanicare, Vermicrop, Agrolux, Can-Filters and AeroGrow. On June 4, 2018, our Hawthorne segment acquired substantially all of the assets of Sunlight Supply. Prior to the acquisition, Sunlight Supply was the largest distributor of hydroponic products in the United States, and engaged in the business of developing, manufacturing, marketing and distributing horticultural, organics, lighting and hydroponics products, including lighting fixtures, nutrients, seeds and growing media, systems, trays, fans, filters, humidifiers and dehumidifiers, timers, instruments, water pumps, irrigation supplies and hand tools. 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, urban and hydroponic gardening business. Other consists of our consumer lawn and garden business in geographies other than the U.S. and our product sales to commercial nurseries, greenhouses and other professional customers. 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.

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.

	Percent of Net Sales from Continuing Operations by Quarter		
	2019	**2018**	**2017**
First Quarter	9.4 %	8.3 %	7.8 %
Second Quarter	37.7 %	38.1 %	41.1 %
Third Quarter	37.1 %	37.3 %	36.8 %
Fourth Quarter	15.8 %	16.3 %	14.3 %

On August 11, 2014, Scotts Miracle-Gro announced that its Board of Directors authorized the repurchase of up to $500.0 million of Common Shares over a five-year period (effective November 1, 2014 through September 30, 2019). On August 3, 2016, Scotts Miracle-Gro announced that its Board of Directors authorized a $500.0 million increase to the share repurchase authorization ending on September 30, 2019. 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 $1.0 billion through March 28, 2020. During fiscal 2020 through March 28, 2020, Scotts Miracle-Gro repurchased 0.4 million Common Shares under the share repurchase authorization for $48.2 million. There were no share repurchases under the share repurchase authorization during the three and nine months ended June 29, 2019. From the effective date of the 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 million.

On January 31, 2020, the Scotts Miracle-Gro Board of Directors authorized a new share repurchase program allowing for repurchases of up to $750.0 million of Common Shares from April 30, 2020 through March 25, 2023. On March 26, 2020, we announced a temporary suspension of share repurchase activity, effective as of March 30, 2020, in order to enhance the Company's financial flexibility in response to the COVID-19 pandemic. Accordingly, there were no share repurchases under this share repurchase authorization during the three months ended June 27, 2020.

On July 30, 2019, the Scotts Miracle-Gro Board of Directors approved an increase in our quarterly cash dividend from $0.55 to $0.58 per Common Share, which was first paid in the fourth quarter of fiscal 2019. On July 27, 2020, the Scotts Miracle-Gro Board of Directors approved a special cash dividend of $5.00 per Common Share, which will be 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 also approved an increase in our quarterly cash dividend from $0.58 to $0.62 per Common Share.

COVID-19 Response and Impacts

The World Health Organization recognized a novel strain of coronavirus ("COVID-19") as a public health emergency of international concern on January 30, 2020 and as a global pandemic on March 11, 2020. Public health responses have included national pandemic preparedness and response plans, travel restrictions, quarantines, curfews, event postponements and cancellations and closures of facilities including local schools and businesses. Although many jurisdictions have begun down the path of re-opening their economies, the global pandemic and actions taken to contain COVID-19 have adversely affected the global economy and financial markets.

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, including (i) requiring a significant part of our workforce to work from home, (ii) monitoring our employees for COVID-19 symptoms, (iii) making additional personal protective equipment available to our operations team, (iv) requiring all manufacturing and warehousing associates to take their temperatures before beginning a shift, (v) modifying work methods and schedules of our manufacturing and field associates to create distance or add barriers between associates, consumers and others, (vi) expanding cleaning efforts at our operation centers, (vii) modifying attendance policies so that associates may elect to stay home if they have symptoms, (viii) prioritizing production for goods that are more essential to our customers and (ix) implementing an interim premium pay allowance for associates in our field sales force as well as those still working in manufacturing or distribution centers. In addition, to help address the critical shortage of personal protective equipment in the fight against COVID-19, we shifted production in our Temecula, California manufacturing plant to produce face shields to help protect healthcare workers and first responders in critical need areas across the country. As a result of these additional measures and initiatives, we expect to incur incremental costs, mostly related to premium pay provided to our associates, through the end of the fiscal year. While we believe that these efforts should enable us to maintain our operations during the COVID-19 pandemic, we can provide no assurance that we will be able to do so as a result of the unpredictability of the ultimate impact of the COVID-19 pandemic, including its length, severity and the responses of local, state, federal and foreign governmental authorities to the pandemic.

In those jurisdictions that remain closed or limited, our manufacturing and distribution operations are viewed as essential services and continue to operate. Likewise, our major retail partners have been designated as essential services and remain open at this time. In certain places, however, they have operated under reduced hours and customer capacity limitations. There have been no significant disruptions in incoming supplies or raw materials. We believe we have sufficient liquidity to satisfy our cash needs, however, we continue to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate during these uncertain times. At June 27, 2020, we had $1,372.0 million of borrowing availability under our fifth amended and restated credit agreement (the "Fifth A&R Credit Agreement").

For our fiscal quarter ended June 27, 2020, we experienced increased demand for many of our products, especially our soils, fertilizer, grass seed, controls and plant food products, in response to COVID-19, and expect strong demand for such products will continue throughout the remainder of this fiscal year. This increased demand has driven an increase in sales and profits through June 27, 2020 that were not previously projected for the fiscal year. In light of these events and in recognition of the dedication and efforts of our associates during this challenging time, we will provide one-time payments and retirement contributions to our hourly and certain salaried associates who do not participate in our variable cash incentive compensation plans along with providing increased variable payments to our salaried associates who participate in such plans. In addition, we will be increasing our contributions supporting community initiatives and charities.

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. Depending on the length and severity of the COVID-19 pandemic, we may experience an increase or decrease in future customer orders driven by volatility in retail foot traffic, consumer shopping and consumption behavior. We are not able to predict the impact that the COVID-19 pandemic may have on the seasonality of our business.

RESULTS OF OPERATIONS

The following table sets forth the components of earnings as a percentage of net sales for the three months ended June 27, 2020 and June 29, 2019 (dollars in millions):

	JUNE 27, 2020	% OF NET SALES	JUNE 29, 2019	% OF NET SALES
Net sales	$ 1,492.7	100.0 %	$ 1,170.3	100.0 %
Cost of sales	954.3	63.9	747.0	63.8
Cost of sales—impairment, restructuring and other	11.7	0.8	(0.1)	—
Gross profit	526.7	35.3	423.4	36.2
Operating expenses:				
Selling, general and administrative	237.7	15.9	166.4	14.2
Impairment, restructuring and other	4.2	0.3	0.6	0.1
Other (income) expense, net	0.3	—	(1.8)	(0.2)
Income from operations	284.5	19.1	258.2	22.1
Interest expense	20.3	1.4	25.9	2.2
Other non-operating income, net	(1.9)	(0.1)	(5.1)	(0.4)
Income from continuing operations before income taxes	266.1	17.8	237.4	20.3
Income tax expense from continuing operations	61.8	4.1	59.4	5.1
Income from continuing operations	204.3	13.7	178.0	15.2
Income (loss) from discontinued operations, net of tax	(1.0)	(0.1)	23.6	2.0
Net income	$ 203.3	13.6 %	$ 201.6	17.2 %

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

The following table sets forth the components of earnings as a percentage of net sales for the nine months ended June 27, 2020 and June 29, 2019 (dollars in millions):

	JUNE 27, 2020	% OF NET SALES	JUNE 29, 2019	% OF NET SALES
Net sales	$ 3,241.3	100.0 %	$ 2,658.3	100.0 %
Cost of sales	2,094.9	64.6	1,724.8	64.9
Cost of sales—impairment, restructuring and other	15.3	0.5	3.4	0.1
Gross profit	1,131.1	34.9	930.1	35.0
Operating expenses:				
Selling, general and administrative	553.1	17.1	462.4	17.4
Impairment, restructuring and other	2.0	0.1	4.3	0.2
Other (income) expense, net	0.4	—	(0.1)	—
Income from operations	575.6	17.8	463.5	17.4
Equity in income of unconsolidated affiliates	—	—	(3.3)	(0.1)
Costs related to refinancing	15.1	0.5	—	—
Interest expense	63.0	1.9	80.0	3.0
Other non-operating income, net	(7.3)	(0.2)	(268.2)	(10.1)
Income from continuing operations before income taxes	504.8	15.6	655.0	24.6
Income tax expense from continuing operations	122.0	3.8	162.7	6.1
Income from continuing operations	382.8	11.8	492.3	18.5
Income from discontinued operations, net of tax	1.6	—	26.1	1.0
Net income	$ 384.4	11.9 %	$ 518.4	19.5 %

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

Net Sales

Net sales for the three months ended June 27, 2020 were $1,492.7 million, an increase of 27.5% from the three months ended June 29, 2019. Net sales for the nine months ended June 27, 2020 were $3,241.3 million, an increase of 21.9% from the nine months ended June 29, 2019. These changes in net sales were attributable to the following:

	THREE MONTHS ENDED JUNE 27, 2020	NINE MONTHS ENDED JUNE 27, 2020
Volume	26.1 %	20.5 %
Pricing	1.9	1.7
Foreign exchange rates	(0.5)	(0.3)
Change in net sales	27.5 %	21.9 %

The increase in net sales for the three months ended June 27, 2020 as compared to the three months ended June 29, 2019 was primarily driven by:

- increased sales volume due to increased consumer demand including the impacts of the COVID-19 pandemic and driven by soils, fertilizer, grass seed, controls and plant food products in our U.S. Consumer segment, hydroponic gardening products in our Hawthorne segment and increased sales in our Other segment, partially offset by decreased sales of mulch products in our U.S. Consumer segment and a decrease due to the loss in sales from the Roundup® brand extension products that were sold to Monsanto during fiscal 2019; and
- increased pricing in our U.S. Consumer, Hawthorne and Other segments;
- partially offset by a decrease in expense reimbursements associated with the Roundup® marketing agreement; and
- the unfavorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to the euro and the Canadian dollar.

The increase in net sales for the nine months ended June 27, 2020 as compared to the nine months ended June 29, 2019 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, controls and plant food products in our U.S. Consumer segment, hydroponic gardening products in our Hawthorne segment and increased sales in our Other segment, partially offset by decreased sales of mulch products in our U.S. Consumer segment and a decrease of $29.3 million due to the loss in sales from the Roundup® brand extension products that were sold to Monsanto during fiscal 2019;

- increased pricing in our U.S. Consumer, Hawthorne and Other segments; and
- increased net sales associated with the Roundup® marketing agreement;
- partially offset by the unfavorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to the euro and the Canadian dollar.

Cost of Sales

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
	(In millions)			
Materials	$ 552.8	$ 414.8	$ 1,206.4	$ 966.6
Manufacturing labor and overhead	213.7	178.5	464.0	392.5
Distribution and warehousing	171.4	139.4	377.8	324.4
Costs associated with Roundup® marketing agreement	16.4	14.3	46.7	41.3
	954.3	747.0	2,094.9	1,724.8
Impairment, restructuring and other	11.7	(0.1)	15.3	3.4
	$ 966.0	$ 746.9	$ 2,110.2	$ 1,728.2

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

	THREE MONTHS ENDED JUNE 27, 2020	NINE MONTHS ENDED JUNE 27, 2020
	(In millions)	
Volume, product mix and other	$ 214.8	$ 377.4
Costs associated with Roundup® marketing agreement	2.1	5.4
Foreign exchange rates	(4.9)	(6.6)
Material costs	(4.7)	(6.1)
	207.3	370.1
Impairment, restructuring and other	11.8	11.9
Change in cost of sales	$ 219.1	$ 382.0

The increase in cost of sales for the three months ended June 27, 2020 as compared to the three months ended June 29, 2019 was primarily driven by:

- higher sales volume in our U.S. Consumer, Hawthorne and Other segments;
- an increase in costs associated with the Roundup® marketing agreement; and
- an increase in impairment, restructuring and other charges of $11.8 million as a result of costs associated with the COVID-19 pandemic;
- partially offset by the favorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to the euro and the Canadian dollar; and
- lower material costs in our U.S. Consumer, Hawthorne and Other segments.

The increase in cost of sales for the nine months ended June 27, 2020 as compared to the nine months ended June 29, 2019 was primarily driven by:

- higher sales volume in our U.S. Consumer, Hawthorne and Other segments;
- higher warehousing costs and inventory adjustments to net realizable value included within “volume, product mix and other” associated with our U.S. Consumer segment;

- an increase in costs associated with the Roundup® marketing agreement; and
- an increase in impairment, restructuring and other charges of $11.9 million as a result of costs associated with the COVID-19 pandemic;
- partially offset by the favorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to the euro and the Canadian dollar;
- lower material costs in our U.S. Consumer, Hawthorne and Other segments; and
- lower transportation costs included within “volume, product mix and other” in our U.S. Consumer segment.

Gross Profit

As a percentage of net sales, our gross profit rate was 35.3% and 36.2% for the three months ended June 27, 2020 and June 29, 2019, respectively. As a percentage of net sales, our gross profit rate was 34.9% and 35.0% for the nine months ended June 27, 2020 and June 29, 2019, respectively. Factors contributing to the change in gross profit rate are outlined in the following table:

	THREE MONTHS ENDED JUNE 27, 2020	NINE MONTHS ENDED JUNE 27, 2020
Pricing	0.9 %	0.8 %
Material costs	0.3	0.2
Roundup® commissions and reimbursements	(1.0)	—
Volume, product mix and other	(0.3)	(0.7)
	(0.1)%	0.3 %
Impairment, restructuring and other	(0.8)	(0.4)
Change in gross profit rate	(0.9)%	(0.1)%

The decrease in gross profit rate for the three months ended June 27, 2020 as compared to the three months ended June 29, 2019 was primarily driven by:

- an increase in impairment, restructuring and other charges of $11.8 million as a result of costs associated with the COVID-19 pandemic;
- a decrease in expense reimbursements associated with the Roundup® marketing agreement; and
- unfavorable mix driven by higher sales growth in our Hawthorne segment relative to our U.S. Consumer segment and increased sales of lower tier and commodity soils products within our U.S. Consumer segment;
- partially offset by increased pricing in our U.S. Consumer, Hawthorne and Other segments;
- lower material costs in our U.S. Consumer, Hawthorne and Other segments; and
- favorable leverage of fixed costs driven by higher sales volume in our U.S. Consumer, Hawthorne and Other segments.

The decrease in gross profit rate for the nine months ended June 27, 2020 as compared to the nine months ended June 29, 2019 was primarily driven by:

- an increase in impairment, restructuring and other charges of $11.9 million as a result of costs associated with the COVID-19 pandemic;
- unfavorable mix driven by higher sales growth in our Hawthorne segment relative to our U.S. Consumer segment and increased sales of lower tier and commodity soils products within our U.S. Consumer segment; and
- higher warehousing costs and inventory adjustments to net realizable value included within “volume, product mix and other” associated with our U.S. Consumer segment;
- partially offset by increased pricing in our U.S. Consumer, Hawthorne and Other segments;
- lower material costs in our U.S. Consumer, Hawthorne and Other segments;
- lower transportation costs included within “volume, product mix and other” in our U.S. Consumer segment; and
- favorable leverage of fixed costs driven by higher sales volume in our U.S. Consumer, Hawthorne and Other segments.

Selling, General and Administrative Expenses

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
	(In millions)			
Advertising	$ 55.6	$ 41.8	$ 122.4	$ 106.3
Share-based compensation	22.8	11.4	41.8	28.4
Research and development	9.1	10.2	28.0	28.8
Amortization of intangibles	7.7	8.2	23.1	24.7
Other selling, general and administrative	142.5	94.8	337.8	274.2
	$ 237.7	$ 166.4	$ 553.1	$ 462.4

SG&A increased $71.3 million, or 42.8%, during the three months ended June 27, 2020 compared to the three months ended June 29, 2019. Advertising expense increased $13.8 million, or 33.0%, during the three months ended June 27, 2020 driven by increased media spending in our U.S. Consumer segment. Share-based compensation expense increased $11.4 million, or 100.0%, during the three months ended June 27, 2020 due to an increase in the expected payout percentage on long-term performance-based awards. Other SG&A increased $47.7 million, or 50.3%, during the three months ended June 27, 2020 driven by higher short-term variable cash incentive compensation expense and higher selling expense.

SG&A increased $90.7 million, or 19.6%, during the nine months ended June 27, 2020 compared to the nine months ended June 29, 2019. Advertising expense increased $16.1 million, or 15.1%, during the nine months ended June 27, 2020 driven by increased media spending in our U.S. Consumer segment. Share-based compensation expense increased $13.4 million, or 47.2%, during the nine months ended June 27, 2020 due to an increase in the expected payout percentage on long-term performance-based awards. Other SG&A increased $63.6 million, or 23.2%, during the nine months ended June 27, 2020 driven by higher short-term variable cash incentive compensation expense and higher selling 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	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
	(In millions)			
Cost of sales—impairment, restructuring and other:				
COVID-19 related costs	$ 12.2	$ —	$ 15.3	$ —
Restructuring and other charges (recoveries)	(0.5)	(0.1)	—	2.9
Property, plant and equipment impairments	—	—	—	0.5
Operating expenses:				
COVID-19 related costs	4.3	—	5.0	—
Restructuring and other charges, net	(0.1)	0.6	(3.0)	4.3
Impairment, restructuring and other charges from continuing operations	15.9	0.5	17.3	7.7
Restructuring and other charges (recoveries), net, from discontinued operations	—	(30.9)	(3.1)	(35.8)
Total impairment, restructuring and other charges (recoveries)	$ 15.9	$ (30.4)	$ 14.2	$ (28.1)

<u>COVID-19</u>

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 June 27, 2020, we incurred costs of

$16.5 million and $20.3 million, respectively, associated with the COVID-19 pandemic primarily related to premium pay. We incurred costs of $9.6 million and $12.2 million in our U.S. Consumer segment, $2.0 million and $2.5 million in our Hawthorne segment and $0.6 million in our Other segment in the "Cost of sales—impairment, restructuring and other" line in the Condensed Consolidated Statements of Operations during the three and nine months ended June 27, 2020, respectively. We incurred costs of $4.2 million and $4.9 million in our U.S. Consumer segment and $0.1 million 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 June 27, 2020 related to Project Catalyst were not material. Costs incurred to date since the inception of Project Catalyst are $25.3 million for our Hawthorne segment, $13.5 million for our U.S. Consumer segment, $1.3 million for our Other segment and $2.8 million for Corporate. Additionally, during the three and nine months ended June 27, 2020, we received zero and $2.6 million, 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.

During the three and nine months ended June 29, 2019, we incurred charges of $0.4 million and $8.0 million, respectively, related to Project Catalyst. We incurred charges of zero and $0.4 million in our U.S. Consumer segment, $(0.1) million and $2.4 million in our Hawthorne segment and zero and $0.6 million in our Other segment in the "Cost of sales—impairment, restructuring and other" line in the Condensed Consolidated Statements of Operations during the three and nine months ended June 29, 2019, respectively, related to employee termination benefits, facility closure costs and impairment of property, plant and equipment. We incurred charges of zero and $0.5 million in our U.S. Consumer segment, $0.5 million and $2.6 million in our Hawthorne segment, zero and $0.6 million in our Other segment and zero and $0.9 million at Corporate in the "Impairment, restructuring and other" line in the Condensed Consolidated Statements of Operations during the three and nine months ended June 29, 2019, respectively, related to employee termination benefits and facility closure costs.

Other

We recognized insurance recoveries related to the previously disclosed legal matter *In re Morning Song Bird Food Litigation* of zero and $1.5 million during the three and nine months ended June 27, 2020, respectively, and recognized insurance recoveries of $8.4 million and $13.4 million during the three and nine months ended June 29, 2019, respectively, in the "Income (loss) from discontinued operations, net of tax" line in the Condensed Consolidated Statements of Operations. In addition, during the three and nine months ended June 29, 2019, we recognized a favorable adjustment of $22.5 million in the "Income (loss) from discontinued operations, net of tax" line in the Condensed Consolidated Statements of Operations as a result of the final resolution of the previously disclosed settlement agreement. Refer to "NOTE 2. DISCONTINUED OPERATIONS" of the Notes to Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for more information.

During the three and nine months ended June 29, 2019, we recognized favorable adjustments of zero and $0.4 million, respectively, related to the previously disclosed legal matter *In re Scotts EZ Seed Litigation* in the "Impairment, restructuring and other" line in the Condensed Consolidated Statements of Operations.

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 $0.3 million and $(1.8) million for the three months ended June 27, 2020 and June 29, 2019, respectively. The change for the three months ended June 27, 2020 was primarily due to foreign exchange transaction losses. Other (income) expense was $0.4 million and $(0.1) million for the nine months ended June 27, 2020 and June 29, 2019, respectively.

Income from Operations

Income from operations was $284.5 million for the three months ended June 27, 2020, an increase of 10.2% compared to $258.2 million for the three months ended June 29, 2019. Income from operations was $575.6 million for the nine months ended June 27, 2020, an increase of 24.2% compared to $463.5 million for the nine months ended June 29, 2019. For the three and nine months ended June 27, 2020, the increase was driven by higher net sales, partially offset by higher SG&A, higher impairment, restructuring and other charges and decreased other income.

Equity in Income of Unconsolidated Affiliates

Equity in income of unconsolidated affiliates was zero for the three months ended June 27, 2020 and June 29, 2019 and was zero and $3.3 million for the nine months ended June 27, 2020 and June 29, 2019, respectively. The decrease for the nine months ended June 27, 2020 was attributable to the sale of our equity interest in an unconsolidated affiliate whose products support the professional U.S. industrial, turf and ornamental market (the "IT&O Joint Venture") on April 1, 2019.

Costs Related to Refinancing

Costs related to refinancing were zero and $15.1 million for the three and nine months ended June 27, 2020. The costs incurred for the nine months ended June 27, 2020 were associated with the redemption of our 6.000% Senior Notes due 2023 (the "6.000% Senior Notes"), and are comprised of $12.0 million of redemption premium and $3.1 million 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 $20.3 million for the three months ended June 27, 2020, a decrease of 21.6% compared to $25.9 million for the three months ended June 29, 2019. The decrease was driven by a decrease in average borrowings of $175.8 million and a decrease in our weighted average interest rate of 70 basis points. The decrease in average borrowings was primarily driven by the application of the proceeds from the sale of our approximately 30% equity interest in Outdoor Home Services Holdings LLC, a lawn service joint venture between the Company and TruGreen Holding Corporation (the "TruGreen Joint Venture"), the payoff of second lien term loan financing by the TruGreen Joint Venture, the sale of our equity interest in the IT&O Joint Venture and the sale of the Roundup® brand extension assets to reduce our indebtedness. The decrease in our weighted average interest rate was driven by lower borrowing rates on the Fifth A&R Credit Agreement, the issuance of the 4.500% Senior Notes due 2029 (the "4.500% Senior Notes") and the redemption of the 6.000% Senior Notes.

Interest expense was $63.0 million for the nine months ended June 27, 2020, a decrease of 21.3% compared to $80.0 million for the nine months ended June 29, 2019. The decrease was driven by a decrease in average borrowings of $263.6 million and a decrease in our weighted average interest rate of 50 basis points. The decrease in average borrowings was primarily driven by the application of the proceeds from the sale of our approximately 30% equity interest in the TruGreen Joint Venture, the payoff of second lien term loan financing by the TruGreen Joint Venture, the sale of our equity interest in the IT&O Joint Venture and the sale of the Roundup® brand extension assets to reduce our indebtedness. The decrease in our weighted average interest rate was driven by lower borrowing rates on the Fifth A&R Credit Agreement, the issuance of the 4.500% Senior Notes and the redemption of the 6.000% Senior Notes.

Other Non-Operating Income, net

Other non-operating income, which includes the non-service-cost components of net post-employment benefit cost and interest income, was $1.9 million and $5.1 million for the three months ended June 27, 2020 and June 29, 2019, respectively, and was $7.3 million and $268.2 million for the nine months ended June 27, 2020 and June 29, 2019, respectively.

On March 19, 2019, we entered into an agreement under which we sold, to TruGreen Companies L.L.C., a subsidiary of TruGreen Holding Corporation, all of our approximately 30% equity interest in the TruGreen Joint Venture. Prior to this transaction, our net investment and advances with respect to the TruGreen Joint Venture had been reduced to a liability which resulted in an amount recorded in the "Distributions in excess of investment in unconsolidated affiliate" line in the Condensed Consolidated Balance Sheets. In connection with this transaction, we received cash proceeds of $234.2 million related to the sale of our equity interest in the TruGreen Joint Venture and $18.4 million related to the payoff of second lien term loan financing by the TruGreen Joint Venture. During the nine months ended June 29, 2019, we also received a distribution from the TruGreen Joint Venture intended to cover certain required tax payments of $3.5 million, which was classified as an investing activity in the Condensed Consolidated Statements of Cash Flows. During the three and nine months ended June 29, 2019, we recognized a pre-tax gain of zero and $259.8 million, respectively, related to this sale in the "Other non-operating income, net" line in the Condensed Consolidated Statements of Operations. The cash proceeds were applied to reduce our indebtedness. During the third quarter of fiscal 2019, we made cash tax payments of $75.2 million associated with this disposition.

On April 1, 2019, we sold all of our noncontrolling equity interest in the IT&O Joint Venture for cash proceeds of $36.6 million. During the three and nine months ended June 29, 2019, we recognized a pre-tax gain of $2.9 million related to this sale in the "Other non-operating income, net" line in the Condensed Consolidated Statements of Operations. During the nine months ended June 29, 2019, we received a distribution of net earnings from the IT&O Joint Venture of $4.9 million, which was classified as an operating activity in the Condensed Consolidated Statements of Cash Flows.

During the second quarter of fiscal 2019, we recognized a charge of $2.5 million in the "Other non-operating income, net" line in the Condensed Consolidated Statements of Operations related to the write-off of accumulated foreign currency translation loss adjustments of a foreign subsidiary that was substantially liquidated.

Income Tax Expense from Continuing Operations

The effective tax rates related to continuing operations for the nine months ended June 27, 2020 and June 29, 2019 were 24.2% and 24.8%, 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 $204.3 million, or $3.57 per diluted share, for the three months ended June 27, 2020 compared to $178.0 million, or $3.15 per diluted share, for the three months ended June 29, 2019. The increase was driven by higher net sales and lower interest expense, partially offset by higher SG&A, increased impairment, restructuring and other charges, lower other non-operating income and decreased other income.

Diluted average common shares used in the diluted income per common share calculation were 57.1 million for the three months ended June 27, 2020 compared to 56.6 million for the three months ended June 29, 2019. 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 $382.8 million, or $6.74 per diluted share, for the nine months ended June 27, 2020 compared to $492.3 million, or $8.78 per diluted share, for the nine months ended June 29, 2019. The decrease was driven by lower other non-operating income, higher SG&A, increased impairment, restructuring and other charges, higher costs related to refinancing, lower equity in income of unconsolidated affiliates and decreased other income, partially offset by higher net sales and lower interest expense.

Diluted average common shares used in the diluted income per common share calculation were 56.7 million for the nine months ended June 27, 2020 compared to 56.1 million for the nine months ended June 29, 2019. The increase was primarily the result of the exercise and issuance of share-based compensation awards, partially offset by Common Share repurchase activity.

Income (Loss) from Discontinued Operations, net of tax

Income (loss) from discontinued operations, net of tax, was $(1.0) million and $1.6 million for the three and nine months ended June 27, 2020, respectively, as compared to $23.6 million and $26.1 million for the three and nine months ended June 29, 2019, respectively.

We recognized insurance recoveries related to the previously disclosed legal matter *In re Morning Song Bird Food Litigation* of zero and $1.5 million during the three and nine months ended June 27, 2020, respectively, and recognized insurance recoveries of $8.4 million and $13.4 million during the three and nine months ended June 29, 2019, respectively. In addition, during the three and nine months ended June 29, 2019, we recognized a favorable adjustment of $22.5 million as a result of the final resolution of the previously disclosed settlement agreement related to this matter. Refer to "NOTE 2. DISCONTINUED OPERATIONS" of the Notes to Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for more information.

SEGMENT RESULTS

We divide our operations into three reportable segments: U.S. Consumer, Hawthorne and Other. U.S. Consumer consists of our consumer lawn and garden business located in the geographic United States. Hawthorne consists of our indoor, urban and hydroponic gardening business. Other consists of our consumer lawn and garden business in geographies other than the U.S. and our product sales to commercial nurseries, greenhouses and other professional customers. 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 our chief operating decision maker.

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

(Loss)”), which is a non-GAAP financial measure. Senior management uses Segment Profit (Loss) to evaluate segment performance because they believe this measure is indicative of performance trends and the overall earnings potential of each segment.

The following table sets forth net sales by segment:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
	(In millions)			
U.S. Consumer	$ 1,075.8	$ 889.1	$ 2,325.9	$ 2,019.5
Hawthorne	302.9	176.3	731.7	461.1
Other	114.0	104.9	183.7	177.7
Consolidated	$ 1,492.7	$ 1,170.3	$ 3,241.3	$ 2,658.3

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	
	JUNE 27, 2020	JUNE 29, 2019	JUNE 27, 2020	JUNE 29, 2019
	(In millions)			
U.S. Consumer	$ 310.5	$ 271.5	$ 641.9	$ 548.5
Hawthorne	41.1	16.8	80.5	31.6
Other	14.4	13.2	14.8	13.0
Total Segment Profit (Non-GAAP)	366.0	301.5	737.2	593.1
Corporate	(57.8)	(34.4)	(120.7)	(96.7)
Intangible asset amortization	(7.8)	(8.4)	(23.6)	(25.2)
Impairment, restructuring and other	(15.9)	(0.5)	(17.3)	(7.7)
Equity in income of unconsolidated affiliates	—	—	—	3.3
Costs related to refinancing	—	—	(15.1)	—
Interest expense	(20.3)	(25.9)	(63.0)	(80.0)
Other non-operating income, net	1.9	5.1	7.3	268.2
Income from continuing operations before income taxes (GAAP)	$ 266.1	$ 237.4	$ 504.8	$ 655.0

U.S. Consumer

U.S. Consumer segment net sales were $1,075.8 million in the third quarter of fiscal 2020, an increase of 21.0% from third quarter of fiscal 2019 net sales of $889.1 million, and were $2,325.9 million for the first nine months of fiscal 2020, an increase of 15.2% from the first nine months of fiscal 2019 net sales of $2,019.5 million. For the third quarter of fiscal 2020, the increase was driven by the favorable impacts of volume and pricing of 19.4% and 1.6%, respectively. For the nine months ended June 27, 2020, the increase was driven by the favorable impacts of volume and pricing of 13.8% and 1.4%, respectively. The increase in sales volume for the three and nine months ended June 27, 2020 was driven by soils, fertilizer, grass seed, controls and plant food products, partially offset by decreased sales of mulch products and the loss in sales from the Roundup® brand extension products that were sold to Monsanto during fiscal 2019. Additionally, during the third quarter of fiscal 2019, Monsanto agreed to reimburse us for $20.0 million of additional expenses incurred by the Company for certain activities connected to the Roundup® marketing agreement and this payment was recognized in the “Net sales” line in the Condensed Consolidated Statements of Operations during the third quarter of fiscal 2019.

U.S. Consumer Segment Profit was $310.5 million in the third quarter of fiscal 2020, an increase of 14.4% from the third quarter of fiscal 2019 Segment Profit of $271.5 million; and was $641.9 million for the first nine months of fiscal 2020, an increase of 17.0% from the first nine months of fiscal 2019 Segment Profit of $548.5 million. For the three and nine months ended June 27, 2020, the increase was due to higher net sales and a higher gross profit rate, partially offset by higher SG&A.

Hawthorne

Hawthorne segment net sales were $302.9 million in the third quarter of fiscal 2020, an increase of 71.8% from third quarter of fiscal 2019 net sales of $176.3 million; and were $731.7 million for the first nine months of fiscal 2020, an increase of 58.7% from the first nine months of fiscal 2019 net sales of $461.1 million. For the third quarter of fiscal 2020, the increase was driven by the favorable impacts of volume and pricing of 67.9% and 4.6%, respectively, partially offset by the unfavorable impact of foreign exchange rates of 0.7%. For the nine months ended June 27, 2020, the increase was driven by the favorable impacts of volume and pricing of 55.5% and 3.7%, respectively, partially offset by the unfavorable impact of foreign exchange rates of 0.5%.

Hawthorne Segment Profit was $41.1 million in the third quarter of fiscal 2020, an increase of 144.6% from the third quarter of fiscal 2019 Segment Profit of $16.8 million; and was $80.5 million for the first nine months of fiscal 2020, an increase of 154.7% from the first nine months of fiscal 2019 Segment Profit of $31.6 million. For the three and nine months ended June 27, 2020, the increase was driven by higher net sales and a higher gross profit rate, partially offset by higher SG&A.

Other

Other segment net sales were $114.0 million in the third quarter of fiscal 2020, an increase of 8.7% from third quarter of fiscal 2019 net sales of $104.9 million; and were $183.7 million in the first nine months of fiscal 2020, an increase of 3.4% from the first nine months of fiscal 2019 net sales of $177.7 million. For the third quarter of fiscal 2020, the increase was driven by the favorable impacts of volume and pricing of 12.9% and 0.4%, respectively, partially offset by the unfavorable impact of foreign exchange rates of 4.6%. For the nine months ended June 27, 2020, the increase was driven by the favorable impacts of volume and pricing of 6.6% and 0.3%, respectively, partially offset by the unfavorable impact of foreign exchange rates of 3.4%.

Other Segment Profit was $14.4 million in the third quarter of fiscal 2020, an increase of 9.1% from the third quarter of fiscal 2019 Segment Profit of $13.2 million; and was $14.8 million for the first nine months of fiscal 2020, an increase of 13.8% from the first nine months of fiscal 2019 Segment Profit of $13.0 million. For the three months ended June 27, 2020, the increase was driven by higher net sales and lower SG&A, partially offset by a lower gross profit rate. For the nine months ended June 27, 2020, the increase was driven by higher net sales, a higher gross profit rate and lower SG&A.

Corporate

Corporate expenses were $57.8 million in the third quarter of fiscal 2020, an increase of 68.0% from third quarter of fiscal 2019 expenses of $34.4 million; and were $120.7 million for the first nine months of fiscal 2020, an increase of 24.8% from the first nine months of fiscal 2019 expenses of $96.7 million. For the three and nine months ended June 27, 2020, the increase was driven by higher short-term variable cash incentive compensation expense and an increase in the expected payout percentage on long-term performance-based awards.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes cash activities:

	NINE MONTHS ENDED	
	JUNE 27, 2020	JUNE 29, 2019
	(In millions)	
Net cash provided by (used in) operating activities	$ 42.5	$ (77.7)
Net cash provided by investing activities	74.4	263.5
Net cash used in financing activities	(87.4)	(182.9)

Operating Activities

Cash provided by operating activities totaled $42.5 million for the nine months ended June 27, 2020, an increase of $120.2 million as compared to cash used in operating activities of $77.7 million for the nine months ended June 29, 2019. This increase was driven by higher net sales and lower interest payments during the nine months ended June 27, 2020, timing of customer rebate payments, payments made in connection with litigation settlements of $55.2 million partially offset by insurance reimbursements of $13.4 million received during the nine months ended June 29, 2019, and lower tax payments due to timing as well as payments of $75.2 million made in connection with the sale of our equity interest in the TruGreen Joint Venture during the nine months ended June 29, 2019, partially offset by higher short-term variable cash incentive compensation payouts and higher SG&A during the nine months ended June 27, 2020.

Investing Activities

Cash provided by investing activities totaled $74.4 million for the nine months ended June 27, 2020 as compared to $263.5 million for the nine months ended June 29, 2019. Cash used for investments in property, plant and equipment during the first nine months of fiscal 2020 and 2019 was $41.7 million and $28.8 million, respectively. During the nine months ended June 27, 2020, we received proceeds of $115.5 million from the sale of the Roundup® brand extension assets. During the nine months ended June 27, 2020, we made a $2.5 million loan investment and received cash of $2.9 million associated with currency forward contracts. During the nine months ended June 29, 2019, we sold our interest in the TruGreen Joint Venture for cash proceeds of $234.2 million related to the sale of our equity interest and $18.4 million related to the payoff of second lien term loan financing, and we sold our equity interest in the IT&O Joint Venture for cash proceeds of $36.6 million. During the nine months ended June 29, 2019, we paid a post-closing net working capital adjustment obligation of $6.6 million related to the fiscal 2018 acquisition of Sunlight Supply and we received cash of $3.6 million associated with currency forward contracts.

Financing Activities

Cash used in financing activities totaled $87.4 million for the nine months ended June 27, 2020 as compared to $182.9 million for the nine months ended June 29, 2019. This change was the result of the issuance of $450.0 million aggregate principal amount of 4.500% Senior Notes and an increase in net borrowings under our Fifth A&R Credit Facilities (as defined below) of $15.7 million during the nine months ended June 27, 2020 as compared to net repayments on our Fifth A&R Credit Facilities of $90.2 million during the nine months ended June 29, 2019, and an increase in cash received from the exercise of stock options of $13.8 million, partially offset by the redemption of all $400.0 million aggregate principal amount of 6.000% Senior Notes, payment of financing and issuance fees of $18.7 million and an increase in repurchases of our Common Shares of $50.1 million during the nine months ended June 27, 2020.

On July 27, 2020, the Scotts Miracle-Gro Board of Directors approved a special cash dividend of $5.00 per Common Share, which will be 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 also approved an increase in our quarterly cash dividend from $0.58 to $0.62 per Common Share.

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 $48.3 million, $36.4 million and $18.8 million as of June 27, 2020, June 29, 2019 and September 30, 2019, respectively, included $33.0 million, $24.0 million and $7.2 million, respectively, held by controlled foreign corporations. As of June 27, 2020, we maintain our assertion of indefinite reinvestment of the earnings of all material foreign subsidiaries with the exception of the cumulative earnings of Scotts Luxembourg Sarl, which are generally taxed on a current basis under “Subpart F” of the Code which prevents deferral of recognition of U.S. taxable income through the use of foreign entities.

Borrowing Agreements

<u>Credit Facilities</u>

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 $2.3 billion, comprised of a revolving credit facility of $1.5 billion and a term loan in the original principal amount of $800.0 million (the “Fifth A&R Credit Facilities”).

At June 27, 2020, we had letters of credit outstanding in the aggregate principal amount of $21.8 million, and $1,372.0 million of borrowing availability under the Fifth A&R Credit Agreement. The weighted average interest rates on average borrowings under the Fifth A&R Credit Agreement were 3.4% and 4.6% for the nine months ended June 27, 2020 and June 29, 2019, 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 4.75 for the second quarter of fiscal 2020 through the fourth quarter of fiscal 2020 and 4.50 for the first quarter of fiscal 2021 and thereafter. Our leverage ratio was 2.80 at June 27, 2020. 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 June 27, 2020. Our interest coverage ratio was 8.50 for the twelve months ended June 27, 2020. As of June 27, 2020, 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 Common Share repurchases, as long as the leverage ratio resulting from the making of such restricted payments is 4.00 or less. Otherwise we may make further restricted payments in an aggregate amount for each fiscal year not to exceed $225.0 million for fiscal 2020 and thereafter. 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 2020. 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 million 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 million 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 million, comprised of $0.5 million of accrued and unpaid interest, $12.0 million of redemption premium, and $400.0 million for outstanding principal amount. The $12.0 million 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 million 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.

Receivables Facility

We also maintain a Master Repurchase Agreement (including the annexes thereto, the “Repurchase Agreement”) and a Master Framework Agreement (the “Framework Agreement” and, together with the Repurchase Agreement, the “Receivables Facility”). 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 million and the commitment amount during the seasonal commitment period beginning on February 28, 2020 and ending on June 19, 2020 was $160.0 million. The Receivables Facility expires on August 21, 2020 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 Sheet, primarily as a result of our requirement to repurchase receivables sold. As of June 27, 2020 and June 29, 2019, there were $160.0 million and $316.0 million, respectively, in borrowings on receivables pledged as collateral under the Receivables Facility, and the carrying value of the receivables pledged as collateral was $177.8 million and $351.1 million, 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. The swap agreements had a maximum total U.S. dollar equivalent notional amount of $600.0 million, $850.0 million and $850.0 million at June 27, 2020, June 29, 2019 and September 30, 2019, respectively. Interest payments made between the effective date and expiration date are hedged by the swap agreements, except as noted below.

The notional amount, effective date, expiration date and rate of each of these swap agreements outstanding at June 27, 2020 are shown in the table below:

Notional Amount (in millions)		Effective Date (a)	Expiration Date	Fixed Rate
$ 100		6/20/2018	10/20/2020	2.15 %
200	(b)	11/7/2018	6/7/2021	2.87 %
100		11/7/2018	7/7/2021	2.96 %
200		11/7/2018	10/7/2021	2.98 %
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 were 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 2019 Annual Report, under “ITEM 1A. RISK FACTORS — Our indebtedness could limit our flexibility and adversely affect our financial condition” and in our Quarterly Report on Form 10-Q for the quarter ended March 28, 2020, under Part II, “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 and 4.500% Senior Notes were issued by Scotts Miracle-Gro on December 15, 2016 and October 22, 2019, respectively. The 5.250% Senior Notes and 4.500% 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 and 4.500% Senior Notes, such as (1) 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; (2) if the Guarantor merges with and into Scotts Miracle-Gro, with Scotts Miracle-Gro surviving such merger; (3) 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; (4) upon legal or covenant defeasance; (5) 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 (6) 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 and the 4.500% 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 and 4.500% Senior Notes. Payments on the 5.250% Senior Notes and 4.500% 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 and 4.500% 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 and 4.500% 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 or the 4.500% 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 and 4.500% 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 and 4.500% 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. 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 Non-Guarantor subsidiaries.

	JUNE 27, 2020	SEPTEMBER 30, 2019
	(In millions)	
Current assets	$ 1,523.2	$ 895.6
Noncurrent assets [(a)]	1,777.1	1,682.1
Current liabilities	1,013.2	569.3
Noncurrent liabilities	1,656.6	1,560.2

(a) Includes amounts due from Non-Guarantor subsidiaries of $11.8 million and $5.3 million, respectively.

	NINE MONTHS ENDED	YEAR ENDED
	JUNE 27, 2020	SEPTEMBER 30, 2019
	(In millions)	
Net sales	$ 2,931.0	$ 2,806.3
Gross profit	1,060.8	948.1
Income (loss) from continuing operations [(a)]	359.2	417.7
Net income (loss)	359.3	441.4
Net income (loss) attributable to controlling interest	359.3	441.4

(a) Includes intercompany expense from Non-Guarantor subsidiaries of $3.5 million and $9.2 million, 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 the issuance of our 4.500% Senior Notes and the redemption of all outstanding 6.000% Senior Notes during the first quarter of fiscal 2020, there have been no material changes outside of the ordinary course of business in our outstanding contractual obligations since the end of fiscal 2019 and through June 27, 2020.

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 2019 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 2019 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 2019 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 June 27, 2020.

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 June 27, 2020 that have materially affected, or are reasonably likely to materially affect, the Registrant’s internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the legal proceedings that have been previously disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. 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 June 27, 2020, have not materially changed from those described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended September 30, 2019 filed on November 27, 2019 as updated in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 28, 2020 filed on May 6, 2020.

Cautionary Note Regarding Forward-Looking Statements

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

Forward-looking statements contained in this Quarterly Report on Form 10-Q are predictions only and actual results could differ materially from management's expectations due to a variety of factors, including those described in "ITEM 1A. RISK FACTORS" in the 2019 Annual Report and in "ITEM 1A. RISK FACTORS" in Part II of our Quarterly Report on Form 10-Q for the quarter ended March 28, 2020. 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 for fiscal 2020 and thereafter. The Company's leverage ratio was 2.80 at June 27, 2020.

(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 June 27, 2020:

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)
March 29, 2020 through April 25, 2020	8	$ 111.48	—	$ —
April 26, 2020 through May 23, 2020	872	$ 127.72	—	$ 750,000,000
May 24, 2020 through June 27, 2020	2,259	$ 138.12	—	$ 750,000,000
Total	3,139	$ 135.16	—	

(1) All of the Common Shares purchased during the third fiscal quarter of 2020 were purchased in open market transactions. The total number of Common Shares purchased during this quarter includes 3,139 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 January 31, 2020, the Scotts Miracle-Gro Board of Directors authorized a new repurchase program allowing for repurchases of up to $750.0 million of Common Shares from April 30, 2020 through March 25, 2023. The previous repurchase program, which authorized repurchases of up to $1.0 billion, expired on March 28, 2020. In addition, on March 26, 2020, the Company announced a temporary suspension of share repurchase activity, effective as of March 30, 2020, in order to enhance the Company’s financial flexibility in response to the COVID-19 pandemic.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

On August 3, 2020, the Board approved an amendment and restatement (the “Amendment and Restatement”) to The Scotts Company LLC Amended and Restated Executive Incentive Plan (“Plan”), effective as of October 1, 2019. All of the Company’s named executive officers participate in the Plan. Among other things, the Amendment and Restatement: (i) incorporates a range of payout calculated from 0-250% based on Company performance for a fiscal year, and a personal performance factor of from 0-150% for that fiscal year, which is multiplied by the result of the Company performance and could increase or reduce the result; (ii) allows the Compensation and Organization Committee of the Board to exercise positive, as well as negative, discretion in determining an individual’s actual award based on additional factors it deems appropriate under the circumstances; and (iii) eliminates the previous $6.0 million limit on the amount that may be paid to any one individual.

On August 3, 2020, the Board approved an amendment and restatement to the Company’s Code of Business Conduct and Ethics (the “Amended Code”). Among other items, the Amended Code clarifies the conflict of interest guidance, expands upon the Company’s stated commitment to wellness, health and safety, makes explicit the Company’s commitment to upholding human rights, clarifies the Company’s procedures and expectations concerning giving and accepting gifts and entertainment vis-à-vis its business partners, adds language reflecting the Company’s corporate sustainability actions and initiatives, and makes general revisions to language, brand artwork and images. The Amended Code does not result in any waiver with respect to any officer, director or employee of the Company from any provision of the Code in effect before the Board’s approval of the Amended Code.

The foregoing summaries of the Amendment and Restatement and the Amended Code are qualified in their entirety by reference to the full text of the Amendment and Restatement and the Amended Code, respectively. A copy of the Amendment and Restatement and the Amended Code are filed as Exhibit 10 and Exhibit 14, respectively, to this Quarterly Report on Form 10-Q and are incorporated herein by reference. In addition, the Amended Code will also be available on the Investor Relations section of the Company’s website at www.scottsmiraclegro.com.

ITEM 6. EXHIBITS

See Index to Exhibits at page 46 for a list of the exhibits included herewith.

INDEX TO EXHIBITS

		Incorporated by Reference			
Exhibit No.	Description	Form	Exhibit	Filing Date	Filed Herewith
10	The Scotts Company LLC Amended and Restated Executive Incentive Plan, effective as of October 1, 2019				X
14	The Scotts Miracle-Gro Company Code of Business Conduct & Ethics (as revised effective August 3, 2020)				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 5, 2020	/s/ THOMAS RANDAL COLEMAN
	Printed Name: Thomas Randal Coleman
	Title: Executive Vice President and Chief Financial Officer

THE SCOTTS COMPANY LLC
EXECUTIVE INCENTIVE PLAN
(EFFECTIVE AS OF OCTOBER 1, 2019)

1. **Objectives**

1.1 Provide meaningful financial incentives consistent with and supportive of corporate strategies and objectives.

1.2 Encourage team effort toward achievement of corporate financial and strategic goals aligned with shareholders of The Scotts Miracle-Gro Company and our customers.

1.3 Contribute toward a competitive compensation program for all Participants.

2. **Definitions**

2.1 “Administrator” means the Committee and, to the extent delegated by the Committee in accordance with Section 3.2, any delegate of the Committee.

2.2 “Affiliate” means all trades or businesses, whether or not incorporated, with which the Company would be considered a single employer under Code §§414(b) and (c) or such other trade or business as the Committee determines, in its sole discretion.

2.3 “Board” means the Board of Directors of The Scotts Miracle-Gro Company.

2.4 “Committee” means the Compensation and Organization Committee of the Board.

2.5 “Company” means The Scotts Company LLC.

2.6 “Effective Date” means October 1, 2019.

2.7 “Executive Officer” means an Executive Vice President or more senior level officer of The Scotts Miracle-Gro Company or an associate who qualifies as an “Executive Officer”, as determined by the Committee in its sole discretion.

2.8 “Participant” means an associate of the Company or an Affiliate who is participating in the Plan for the applicable Plan Year.

2.9 “Performance Measure” means one or more of the Performance Measures listed in Section 5.2.

2.10 “Plan” means The Scotts Company LLC Executive Incentive Plan as set forth herein, as it may be amended from time to time.

2.11 “Plan Year” means the fiscal year of the Company or any other period, as determined by the Committee.

3. **Administration**

3.1 The Plan shall be administered by the Committee. The Committee shall have complete authority to administer and interpret the Plan. The Committee shall select the Performance Measures and the period during which performance will be measured. The Committee shall prescribe any minimum, target and other performance objectives and, subject to Section 5.4, the potential payout at each level of performance and the actual incentive payment for each Participant. The Committee's determinations under the Plan (including, without limitation, the determination of the individuals to receive awards under the Plan, the amount of such awards and the terms and conditions of such awards) shall be final and need not be uniform among all Participants. The express grant in the Plan of any specific power or authority of the Committee shall not be construed as limiting any power or authority of the Committee. The members of the Committee shall not be liable for any act done in good faith with respect to the Plan.

3.2 The Committee, in its discretion, may delegate to one or more of the Chief Executive Officer or the Executive Vice President, Global Human Resources of The Scotts Miracle-Gro Company or any other Executive Officers, all or part of the Committee's authority and duties with respect to awards and the participation of eligible associates who are not Executive Officers. The Committee may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Committee's delegate that were consistent with the terms of the Plan and the Committee's prior delegation. References in the Plan to the "Administrator" mean the Committee or its delegate; provided that the Committee cannot delegate its authority or duties with respect to Executive Officers. References to the Committee refer only to the Committee, *i.e.*, that specific authority or responsibility is not delegable.

3.3 The Committee shall approve the Performance Measures for Executive Officers. No incentive payment may be paid to an Executive Officer unless the Committee certifies in writing that the Performance Measure objectives for the Plan Year have been achieved.

4. **Participation**

4.1 Each Executive Officer is eligible to participate in the Plan. Senior Level associates, managers or any other associates of the Company and all Affiliates who are not Executive Officers are eligible to participate in the Plan if their participation is approved by the Administrator or the Committee.

4.2 Except as otherwise determined by the Administrator, Participants must be actively employed in an eligible job/position for at least 13 consecutive weeks during the Plan Year.

4.3 Participant eligibility is based on active status during the Plan Year. Periods of inactive status, such as short-term disability and other leaves of absence, will be reflected in the eligible earnings and payout calculation.

4.4 Except as otherwise determined by the Administrator, Participants must be employed on the last day of the Plan Year to be eligible for an incentive payment.

4.5 Except as otherwise determined by the Administrator, Participants whose employment terminates during the Plan Year, except in cases of retirement, will not be eligible for an incentive payment, prorated or otherwise.

4.6 Participants who retire during the Plan Year (as determined by the Administrator) will be eligible for a prorated incentive payment.

4.7 Associates who hold an eligible position on a part-time basis are eligible to participate in the Plan. All other terms and conditions of the Plan apply to such associates.

4.8 If a Participant moves to a different Plan-eligible position or otherwise becomes eligible for a different target percentage during the Plan Year, the Participant's incentive payment will be prorated based on new metrics/target (if applicable) if the move is for an eligible period of at least 13 weeks in the Plan Year.

4.9 If a Participant moves to a position that is not Plan-eligible during the Plan Year, the Participant will be eligible for a prorated incentive payment (based on the Participant's earnings during the Plan Year) provided other eligibility requirements are met.

4.10 Participants shall not have any right with respect to any award until an award shall, in fact, be paid to them.

4.11 The Plan confers no rights upon any associate to participate in the Plan or remain in the employ of the Company or any Affiliate. Neither the adoption of the Plan nor its operation shall in any way affect the right of the associate or the Company or any Affiliate to terminate the employment relationship at any time.

5. **Plan Design, Performance Measures, and Payouts**

5.1 The Plan is designed to recognize and reward performance against established financial targets. The terms of awards for each Plan Year will be established by the Administrator and, among other things, may include:

(a) A corporate net income "funding trigger" below which no incentives will be paid to any Participant;

(b) The selection of Performance Measures that will be used to measure performance during the plan year;

(c) An earnings multiplier, as described in Section 5.3 ("multiplier"), that will reinforce the importance of earnings by modifying the performance results against all of the other goals; and

(d) Provisions that weight the Performance Measures for each particular group or unit to reflect the relative contribution that group or unit can make to those results.

5.2 The Performance Measures that may be used to measure performance during the period established by the Administrator shall be the following (each, a "Business Performance Factor"; collectively, the "Business Performance Factors"):

(a) Net earnings or net income (before or after taxes);

(b) Earnings per share (basic or diluted);

(c) Net sales or revenue growth;

(d) Net operating profit;

(e) Return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue);

(f) Cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment);

(g) Earnings before or after taxes, interest, depreciation, and/or amortization;

(h) Gross or operating margins;

(i) Productivity ratios;

(j) Share price (including, but not limited to, growth measures and total shareholder return);

(k) Expense targets;

(l) Margins;

(m) Operating efficiency;

(n) Market share;

(o) Customer satisfaction/service;

(p) Product Fill Rate percent (% of orders filled on first delivery) or All-In Fill Rate percent (% calculated dollar fill based on potential) times Inventory Turns;

(q) Working capital targets;

(r) Economic value added or EVA® (net operating profit after tax minus the sum of capital multiplied by the cost of capital);

(s) Developing new products and lines of revenue;

(t) Reducing operating expenses;

(u) Developing new markets;

(v) Meeting completion schedules;

(w) Developing and managing relationships with regulatory and other governmental agencies;

(x) Managing cash;

(y) Managing claims against the Company, including litigation; and

(z) Identifying and completing strategic acquisitions.

Any Performance Measure(s) may be used to measure the performance of the Company and/or an Affiliate as a whole or any business unit of the Company and/or an Affiliate or any combination thereof, as the Administrator may deem appropriate, or any of the above Performance Measures as compared to the performance of a group of comparator companies, or published or special index that the Administrator, in its sole discretion, deems appropriate.

5.3 Two separate performance factors determine the Plan award each Plan Year: a Business Performance Factor and a Personal Performance Factor. The Business Performance Factor will be based on the achievement of a goal or goals designated by the Administrator based on those set forth in Section 5.2, and may result in a range between 0% to 250% of the target set by the Committee for a Business Performance Factor. Performance above and below the target Business Performance Factor will be incrementally calculated so Participants will receive a payout calculated on a straight-line basis, unless otherwise determined by the Committee, or the Administrator, if applicable, in its sole discretion, that no payouts will be made for performance below target performance goals.

The Personal Performance Factor will be based on an assessment against a combination of personal financial and/or strategic performance goals and expectations as appropriate for each Participant. In general, based on the Committee or Administrator's determination of a Participant's achievement of the Personal Performance Factor, the actual Plan award determined from the Business Performance Factor can range from 0% to 150% of the results of the Business Performance Factor.

5.4 Notwithstanding any other provision in the Plan to the contrary, the Administrator shall have the right, in its sole discretion, to reduce or increase the amount otherwise payable to a Participant irrespective of the percentages set forth in Section 5.3, based on the Participant's individual performance or any other factors that the Administrator deems appropriate. Unless a Participant has made a valid election under a deferred compensation plan maintained by the Company or an Affiliate no later than the date permitted under such plan, all awards under the Plan, including any prorated amounts described in Section 4.6, will be paid by the 15th day of the third month following the close of the applicable Plan Year.

6. **Employee Agreement and Forfeiture of Payment**

6.1 Regardless of any other provision of this section and unless the Committee specifies otherwise, in order to participate in the Plan, a Participant must execute an Employee Confidentiality, Noncompetition, Nonsolicitation Agreement or any restrictive covenant agreement acceptable to the Committee (collectively, a "Restrictive Covenant Agreement").

6.2 Furthermore, regardless of any other provision of this section and unless the Committee specifies otherwise, a Participant who breaches any part of that Restrictive Covenant Agreement will forfeit any future payment under the Plan and will also return to the Company or any Affiliate any monies paid out to the Participant under this Plan within the three years prior to said breach. Any monies paid out to a Participant under this Plan also must be returned to the Company or any Affiliate if repayment is required under any recoupment or "clawback" policy adopted by the Company or an Affiliate or as otherwise required by law.

6.3 By participating in this Plan, a Participant hereby consents to a deduction from any amount the Company or any Affiliate may owe the Participant (including amounts owed to the Participant as salary, wages or other compensation, fringe benefits, or vacation pay as well as any other amounts owed to the Participant by the Company or any Affiliate), to the extent of any amounts owed by the Participant to the Company or any Affiliate for any reason, including under this Section 6, whether or not it elects to make any set-off in whole or in part. If the Company or any Affiliate does not recover the full amount the Participant owes it by means of set-off, calculated as set forth above in Section 6.1, the Participant agrees to pay immediately the unpaid balance to the Company, Affiliate or Subsidiary, as applicable.

7. **Amendment and Termination**

The Committee reserves to itself the right to suspend the Plan, to terminate the Plan, and, to the extent allowed without shareholder approval, to amend the Plan.

8. **Code Section 409A**

It is intended that this Plan comply with the short-term deferral exemption under Treasury Regulation §1.409A-1(a)(4), and this Plan will be interpreted, administered and operated in good faith accordingly. Nothing herein shall be construed as an entitlement to or guarantee of any particular tax treatment to a Participant. Notwithstanding any provisions of the Plan to the contrary, the Company may offset any amounts to be paid to a Participant (or, in the event of the Participant's death, to his beneficiary) under the Plan against any amounts which such Participant may owe to Company; provided, however, that to the extent such amount constitutes a "deferral of compensation" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder ("Section 409A"), the Company shall not offset such amounts that the Participant may owe to the Company other than with respect to taxes, assessments or other governmental charges imposed on property or income received by the Participant pursuant to the Plan, except to the extent such offset would not result in the Participant incurring interest or additional tax under Section 409A. Notwithstanding anything contained herein to the contrary, to the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement or any other arrangement between Participant and the Company during the six (6) month period immediately following Participant's separation from service shall instead be paid on the first business day after the date that is six (6) months following Participant's separation from service (or, if earlier, Participant's date of death).

The Scotts Miracle-Gro Company

Code of Business Conduct & Ethics

"Know Where We Stand"

COVER: KNOW WHERE WE STAND

INSIDE COVER: Come Stand with Us

Page 1: To All of Our Associates Worldwide

Every day the decisions we make, small and large, contribute to the trust that consumers place in our brands and our Company. As a ScottsMiracle-Gro associate, whether you're on your first day or celebrating another year of service, you should always know where we stand – and what we stand for:

- We stand with our consumers, helping them enjoy the benefits of their lawns and gardens.
- We stand together as Associates to grow our business, protect the legacy of our Company and create a respectful and collaborative workplace, regardless of race, religion, national origin, sexual orientation or gender identity or expression.
- We stand with our suppliers and retail partners, dealing fairly with them, listening carefully to their needs and supporting their business.
- We stand for our shareholders by striving to enhance the value of their investment.
- We stand for an ethical, competitive marketplace.
- We stand for doing the right things in the countries and communities where we live and work.

These are guiding principles that have made our Company successful – and guiding principles that will continue to guide us into the future. This Code will help you better understand how these guiding principles should be applied in our day-to-day business operations and our personal behavior as representatives of ScottsMiracle-Gro.

Pages 2-3: From CEO Jim Hagedorn

Since 1868, ScottsMiracle-Gro has grown from its humble beginnings by building a firm foundation of trust with consumers. Their trust in our brands has made us the world's leading consumer lawn and garden company and an enterprise our founders never could have envisioned.

We have achieved respect and loyalty in the marketplace because consumers – as well as our partners, suppliers and shareholders – trust us to conduct our business with integrity and respect for all. We earn this trust every day by making the right decisions and taking the right actions – one person at a time. Every associate is obligated to protect the integrity of our business and help to ensure that we leave our Company to the next generation of associates in even better condition than we found it.

To do so, each of us must recognize that ethical behavior is our most important cultural attribute. At ScottsMiracle-Gro, we know that there is no personal or business goal worth compromising our integrity and commitment to ethics. We strive to win, but to win the right way.

Demonstrating and valuing ethical behavior starts with our leaders. Leaders have an especially important role to set a clear example for all associates and to make every effort to assist associates with concerns or problems.

Every associate, regardless of title or seniority, is expected to follow this Code. Do not allow anything – not your competitive instincts, desire to achieve a financial goal, or even a direct order from a superior – to compromise your commitment to acting ethically. This Code does not serve as a substitute for good judgment. It's not okay to do the wrong thing if your manager or another superior orders you to. You are accountable for your actions even if you're "just doing what I was told."

At some point, you might find that you are facing a situation not covered in this Code and are not sure how to act. **When in doubt, reach out.** Ask your manager or anyone else listed in these pages for guidance, especially if you are concerned about something that does not appear to support our commitment to integrity. You can even raise a concern anonymously. We will not tolerate retaliation against any associate who raises a concern in good faith. We will enforce the Code consistently, regardless of our position within the Company.

Generations of ScottsMiracle-Gro associates before us built a positive reputation and exceptional culture through their words and deeds. Now it’s our turn to carry the banner. Thank you for your commitment to the Company and to upholding the values set forth in this Code.

Jim Hagedorn signature

Page 4: Our Code of Business Conduct and Ethics: Intro

For over 150 years, The Scotts Miracle-Gro Company has forged a reputation with our consumers and our stakeholders as a company with integrity. This is a valuable company asset and, in today’s internet world, we recognize that we are operating under more scrutiny than ever.

We earn the trust and respect of our consumers by doing the right thing every day. Our Code of Business Conduct and Ethics guides our actions as a company, from our associates to our Board of Directors. This Code provides guidelines for ethical issues that may arise when dealing with fellow associates, customers, suppliers, competitors or the general public.

Each of us has committed to operate ethically and to lead with integrity. Specifically, this means that ScottsMiracle-Gro can expect that each of us will:

- Demonstrate the values in this Code and always act within its letter and spirit.
- Take personal accountability for maintaining an environment in which associates feel comfortable asking questions, raise concerns and report issues without fear of reprisal.
- Model at all times the expectations outlined in this Code, and hold the Associates who report to us accountable for doing so as well.

- Sustain a culture in which ethical conduct is recognized, valued and demonstrated at all levels.

Page 5: Our Cultural Attributes

Our cultural attributes define the behaviors all of us should display and expect from each other as we work together. Like our Guiding Principles, they let our customers and our partners know where we stand and what we stand for. Each attribute incorporates a measure of ethics – whether it involves doing the right thing, acting with integrity or demonstrating high ethical standards.

[Cultural Attributes Graphic]

Page 6: Why We Have a Code

At ScottsMiracle-Gro, we adhere to the highest standards of personal, professional and business ethics. This Code of Business Conduct and Ethics delivers behavioral guidance to help us conduct our business with honesty, integrity and professionalism.
The Code is intended as an overview of the Company's values, which underlie our policies. For more information about the values described here, read our policies on The Garden, the associate intranet site. Understand, however, that this Code and our policies cannot and are not intended to provide answers to all questions. For that, we must rely, ultimately, on each person's sense of doing what's right, including knowing when to seek guidance from others on the appropriate course of action.

This Code establishes guidelines for ethical as well as legal behavior and anticipates that each of us will take responsibility for our own conduct.

Who Must Follow the Code

This Code applies to every ScottsMiracle-Gro associate, officer and member of our Board of Directors. Each of us is obligated to read and understand this Code and to integrate its standards into every aspect of our business. Each of us must follow these standards as we do our jobs.

If you have questions, ask them. If you have ethical concerns, raise them. If you are unsure about how the Code applies to a particular situation, ask before you act.

What is Expected of Leaders

Leaders at our Company have a special responsibility to demonstrate our values through their actions. They should hold themselves to the highest standards of ethical conduct and foster an environment of integrity, honesty and respect. They should encourage others to act with integrity to avoid even the appearance of a violation of our guiding principles. Leaders must never retaliate against anyone for raising an ethics issue, assisting in an investigation, or participating in any proceeding relating to an alleged violation of this Code or any law or regulation.

Leaders, if you are approached by an associate with a question or concern, listen carefully and give the associate your complete attention. Ask for clarification and additional information to make sure you understand the issue being raised. Demonstrate our guiding principles by showing the associate that we take such concerns seriously. Answer the associate’s questions if you can, but do not feel that you must give an immediate response. Seek help if you need it. If an associate raises a concern that may require investigation under this Code, contact the Human Resources and/or Ethics Department.

Page 7:

Separated by several generations but united in their focus on earning and keeping the consumer's trust by maintaining the highest ethical standards: OM Scott (left), father of The Scotts Company, and Horace Hagedorn, founder of Miracle-Gro.

Do you Know . . .

- Why we need a Code of Business Conduct and Ethics?

The Code sets out our commitment to living our values in the way we conduct business. The Code provides guidance on what is expected of each of us and references other Company policies and guidelines. Failure to comply with relevant laws, the Code or any policy is taken seriously and may result in discipline, up to and including termination.

- Our Board of Directors must approve any waiver of the Code for our executive officers?

For members of the Board of Directors and our executive officers, waivers of this Code may only be made by the Board or a Board committee, and will be disclosed publicly as required by law or New York Stock Exchange Rules. Any waiver for other officers, associates or representatives may be made only by the Chief Executive Officer or, if the CEO is not available, the General Counsel together with the head of Global Human Resources.

- Most associates report concerns to their direct manager or supervisor?

You have told us through our Cultural Assessment survey that you feel most comfortable reaching out to your direct manager or supervisor when you have a question or concern. You may also use the other channels contained in this Code, including the anonymous Ethics & Compliance HelpLine, to escalate concerns. **When in doubt, reach out.**

- The Code does not contain everything you need to know to do your job?

The Code cannot detail everything you need to know to do your job or every situation you may face. You are responsible for learning about and conducting your work in a way that reflects our cultural attributes, core convictions and complies with all applicable laws. If you have questions, concerns or are unsure how to act in a particular situation, ask for help using any of the channels contained in this Code.

Pages 8-9: Getting Help

When in doubt, reach out

Raising an ethics concern protects our Company, our stakeholders and all of us. If you have a concern about compliance with a policy, behavioral expectation or the law, you have a responsibility to raise that concern.

If you are in doubt about a business conduct situation, ask yourself these questions:

- Is it legal? If legal, is it ethical?
- Does it violate a Company policy?
- Is it consistent with our values?
- Is it fair?
- How does it make me feel about myself?

You have many resources available to resolve ethics and behavioral-related questions or issues. But since questions of law and ethics do not always lend themselves to simple answers, you may be uncertain about how the Code applies to a particular situation. Generally, your supervisor or manager will be in the best position to resolve an issue or offer guidance quickly. However, your direct manager is not your only option. You may also consult:

- Our policies and procedures located on “The Garden,” our associate intranet
- Relevant e-learning and live training resources and materials
- Your Human Resources representative
- The Ethics Department
- Any lawyer in our Legal Department

- A member of senior management
- The Chief Ethics Officer

If you are more comfortable reporting an issue anonymously, you may call the 24/7 Ethics & Compliance HelpLine at (800) 736-0379. You may also report concerns, anonymously or otherwise, via letter. For issues relating to accounting, internal controls, financial or auditing matters, you may send a letter in a sealed envelope marked “Confidential” to the Audit Committee of our Board of Directors at the following address:

The Scotts Miracle-Gro Company
REPORT TO AUDIT COMMITTEE
c/o Chief Ethics Officer
14111 Scottslawn Road, Marysville, Ohio 43041

For any other type of issue, you may send a letter in a sealed envelope marked “Confidential” to the Nominating & Governance Committee of our Board of Directors at the following address:

The Scotts Miracle-Gro Company
REPORT TO NOMINATING & GOVERNANCE COMMITTEE
c/o Chief Ethics Officer
14111 Scottslawn Road, Marysville, Ohio 43041

Associates Outside of North America:

If you are an associate living and working outside of North America and have a question or concern about a potential violation of law or any ScottsMiracle-Gro policy or procedure, you should reach out to your immediate manager or supervisor, your Human Resources representative or a member of executive management based in your home country.

For issues relating to accounting, financial or auditing matters, you may report any potential issues through any of the channels above, or you may make a report to the Ethics & Compliance HelpLine. Reports to the HelpLine may be made confidentially and anonymously.

However, we prefer that, whenever possible, you identify yourself when you contact the HelpLine. We will keep your identity confidential unless your vital interests are at stake. The HelpLine is available 24/7. If you wish to use it, dial your local call-in number:

- Austria: 800-736-0379 - access code 0800-200-288
- Belgium: 0800-7-1807
- France: 0800-90-1378
- Germany: 0800-182-4026
- Italy: 800-788-598
- Netherlands: 0800-022-7347
- Poland: 0-0-800-111-1662
- Spain: ###-##-####
- United Kingdom: 0808-234-8532
- Australia: 800-736-0379 – access code 1-800-551-155
- China: 800-736-0379
    - North – access code 108-710 or 108-888
    - South – access code 108-10 or 10-811

Page 10: Share Your Concerns Without Fear

We will investigate each report. Investigations are coordinated through the Human Resources Department or the Ethics Department. Your identity and the information you provide will be shared only on a “need-to-know” basis.

Management, consulting with the Human Resources Department, may take disciplinary action it considers appropriate, including termination of employment, after investigating the report. Scotts may also bring violations to the attention of appropriate enforcement authorities. See our Open Door policy, located on The Garden, for more information.

You Will Not Be Retaliated Against

We do not tolerate retaliation. You cannot lose your job or your benefits, or be demoted, suspended, threatened, harassed or discriminated against for raising a concern honestly and in good faith or for truthfully participating in an investigation. Reporting honestly and in good faith means that you believe you are being truthful and accurate. If you believe someone is retaliating against you, please report it as you would any other violation of the Code. All reports of retaliation will be investigated.

Page 11: Do you know . . .

- You may report concerns anonymously?

You may make an anonymous report by contacting the HelpLine, which is operated by an independent company and available 24 hours a day, 7 days a week. You may also send a letter to the Audit Committee of our Board of Directors. Understand, however, that maintaining your anonymity may limit our ability to investigate your concerns.

- You need not be sure that a violation of this Code or our policies has occurred before raising a concern?

You should always raise a concern, even where you're not 100% sure that a violation has occurred. The important thing is that you raise a concern in good faith, whether or not the concern turns out to be valid. You should report any concerns using the channels explained in these pages, and you will not be retaliated against for doing so.

Page 12 Our Guiding Principles

Page 13: WE STAND

WITH OUR CONSUMERS

We are passionate about consumers. We never stop learning about our consumers and use our knowledge about their wants and needs to help them make their lawns and gardens beautiful and drive our growth as a company. We cherish the value and trust that they have placed in our brands. We act ethically every day to build, respect and enhance the trust our consumers place in us.

Here's how we do it:

Advertising: We do not make false statements about our products or unfairly disparage our competitors' products to gain the consumer's trust.

Antitrust: We price, promote, produce, market and distribute our products fairly and honestly, so our consumers may reap the benefits of an open, competitive marketplace.

Quality of Products and Services: We demonstrate our commitment to our customers and consumers by always striving to deliver products and service that are of the highest quality. Our goal is to provide the highest level of satisfaction with every product we sell and service we perform.

Data Privacy: We respect the confidential nature of the personal information we possess about our consumers. We recognize that it should only be used for business reasons in a manner that is fair and lawful.

Page 14-15: WE STAND

TOGETHER AS SCOTTS ASSOCIATES

We stand together in mutual respect. We treat one another fairly. We strive to create mutually fulfilling relationships and partnerships. We value the talents, experiences and strengths of our diverse workforce.

Here's how we do it:

Commitment to Global Human Rights: We are committed to upholding human rights and operating all aspects of our business in a responsible, honest, and ethical manner.

This holds true, not only within our business, but throughout our sales and supply chain infrastructures.

Harassment: We treat others with respect, integrity, trust and dignity, and we do not tolerate intimidation or harassment.

Discrimination: We treat people fairly and prohibit discrimination. We are committed to maintaining a diverse workforce and an inclusive work environment. We fully support the employment of all qualified persons without regard to race, religion, country of origin, sexual orientation, gender identity or expression, disability, or protected veteran or other uniformed service status.

Legal Workforce: We only employ people who are legally authorized to work, as defined by the laws in each country in which we operate. In complying with these legal requirements, we nevertheless follow our policy against discrimination on the basis of national origin or possible citizen status.

Wellness, Health and Safety: We are committed to your personal health and safety. We strive to provide a clean, safe and secure work environment for our associates, which includes following applicable laws regarding healthy and safe operations. In turn, we expect our associates to work in a safe manner, and our managers and supervisors to endorse and demonstrate a culture of safety. We want you to be well. We want you to be safe. And we want to keep our business operating.

- ***Live** TotalHealth:* We care about the health and wellbeing of you and your family, and provide programs, tools and support to empower you to manage and improve your total health. Our longstanding wellness philosophy reflects our obligation to help all associates enhance their physical health, gain financial security for now and years to come, take time away from work to rest and recharge, and cope with personal and mental health challenges. All associates are expected to make a personal commitment for their own health and to take responsibility for maintaining a healthy environment for their family at work.

- *Leave:* We respect our fellow associates' legally-recognized need for leave when they have to step away from work to care for themselves, their family members or grieve the loss of a loved one. See, e.g., the FMLA Policy located on The Garden.

- *Tobacco-Free :* Where permitted by law, we help our Associates live long and healthy lives by being a tobacco-free employer and prohibiting tobacco use on Company property and in company vehicles.

- *Drug and Alcohol-Free Workplace:* All of us are required to work safely and model the values and expectations of the Company at all times. That is why we prohibit the use, sale or possession of illegal drugs within the conduct of our business. And, that is why you should never come to work under the influence of drugs that may keep you from being able to work safely, including drugs that have been prescribed to you. If you feel that you are unable to work safely due to a clinically-prescribed treatment or prescription, please notify your manager or supervisor. We also prohibit the use of, or being under the influence of, alcohol during the conduct of our business, except in certain circumstances outlined in the Drug & Alcohol Policy, which is located on The Garden.

Fair Dealing: We deal fairly and honestly with one another. We do not manipulate, conceal or misrepresent facts when we work together.

Conflicts of Interest: We do not take advantage of an opportunity that belongs to the Company for our own personal gain. We appreciate that opportunities that we discover through our work here or as a result of Company property or information belong to ScottsMiracle-Gro. We do not engage in activities that create, or even appear to create, conflict between our personal interests and the interests of ScottsMiracle-Gro. For example, it would create at least the appearance of a conflict of interest for you or a member of your family to participate in a business arrangement or investment involving ScottsMiracle-Gro or that you learned of from a competitor, customer, client or supplier of ScottsMiracle-Gro or your position in the Company. You should disclose potential conflicts of interest immediately to your manager or supervisor and the Ethics Department, and take no further action until the situation is resolved.

Data Privacy: We respect the confidential nature of the personal information we possess about our associates. We recognize that it should only be used for business reasons in a manner that is fair and lawful.

Accurate Timekeeping: We are committed to paying our associates for the time they spend working for the Company. As associates, we must comply fully with our policies related to timekeeping.

Page 15: Do you know . . .

- That you should never perform any work for ScottsMiracle-Gro without compensation?

It is a violation of our policy for you to work without compensation or for a supervisor or manager request that you work without compensation.

- That you have a right to take leave if you have a serious health condition?

If you need time away from work to take care of your own serious health condition or that of a family member, you may be eligible for some type of covered or protected leave. Consult your manager, the Office of Disability Management or our leave policies on The Garden for further information.

- Our policies apply to your behavior any time you are representing the Company?

You are expected to abide by our policies and behavioral expectations any time you are interacting with other associates or business partners, even at functions that take place after business hours or on weekends.

- You are required to wear a seatbelt at all times when operating a Company vehicle and follow all Lockout-Tagout procedures when servicing or performing maintenance on the machinery at our plants?

You should never operate a Company vehicle without wearing your seatbelt. You should never bypass any safety interlocks or disregard any practices or procedures that keep you safe from the unexpected energization or startup of machinery and equipment. Failing to wear your seatbelt or follow Lockout-Tagout procedures is not only unsafe, it can result in immediate termination.

Pages 16-17: WE STAND

WITH OUR SUPPLIERS, CUSTOMERS AND BUSINESS PARTNERS

We maintain and practice the highest standards of ethics, fair dealing, professional courtesy and competence in dealing with our business partners.

Here's how we do it:

Business Partner Relations: We compete aggressively but without compromising our values. We deal fairly and honestly with customers, vendors and suppliers. We do not take unfair advantage of them by manipulating, concealing or misrepresenting material facts. We do not abuse privileged information they have entrusted to us. We provide equal opportunity to all capable suppliers, including Minority Business Enterprises. We never give or accept gifts or entertainment if the purpose is to improperly influence a business decision, and it is the responsibility of a business partner, supplier or vendor who is offered a gift from us to obtain the appropriate permission from their employer before accepting the gift. We expect our partners to conduct business fairly, ethically and responsibly. They should safeguard private or confidential information appropriately. Information regarding business activities, structure, finances and performance should be disclosed only in accordance with applicable laws, regulations and prevailing industry practices.

Commitment to Human Rights: We expect that everyone who works for us and our business partners works under safe, fair and legal working conditions. We are committed to upholding human rights within our business and throughout our sales and supply chain infrastructures.

Data Privacy: We respect the confidential nature of the personal information we possess about our business partners and consumers. We recognize that it should only be used for business reasons in a manner that is fair and lawful.

Gifts and Entertainment: We never give or accept gifts or entertainment if the purpose is to improperly influence a business decision. As a general rule, we don’t give or accept gifts except in very limited circumstances and with appropriate approval. Any gifts we may receive from our business partners should be considered property of Scotts. That means that we may never accept personal gifts, such as cash or cash equivalents (e.g., gift cards or gift certificates) or personal travel for ourselves or family members. When it comes to gifts or invitations for business entertainment, transparency is best - Inform your supervisor or manager anytime you receive a gift, regardless of value. Should you receive a gift of more than a nominal value ($100 USD or more), you may not accept the gift without approval from the Chief Ethics Officer.

Before giving a gift to anyone on behalf of Scotts, you must likewise have approval: your supervisor or manager’s prior approval is required for gifts of a nominal value, and the Chief Ethics Officer’s prior approval is required for gifts of more than a nominal value.

From time to time, we may receive gifts from our business partners around the holidays or in appreciation for the relationship with Scotts. Gifts of a nominal value may be given to associates as tokens of appreciation or, in the case of consumable gifts such as holiday gift baskets, placed in a common area for everyone to enjoy.

We follow the same rules for business entertainment. Business entertainment provided to or accepted from our business partners should always be reasonable and infrequent. We don’t provide or accept business entertainment beyond what is reasonable; <u>examples of reasonable business entertainment are</u> an occasional business meal, a local social or sporting event, or attendance at a company-sponsored promotional event. Business entertainment beyond what is reasonable must be approved by the Chief Ethics Officer before the event.

We expect the same from our business partners, suppliers or vendors: it is the responsibility of a business partner, supplier or vendor who is offered a gift from us to obtain the appropriate permission from their employer before accepting the gift.

Anti-Bribery: We help ensure that our partners, suppliers, consultants and others who do business with us don’t engage in corrupt practices on our behalf. If you have any questions regarding such practices, contact the Legal Department or the Chief Ethics Officer.

Do you know . . .

- When it comes to gifts and entertainment, transparency is always best?

Even where this Code does not require you to obtain approval of the Chief Ethics Officer before giving or accepting a gift or invitation to a business entertainment event, you should still discuss it with your supervisor or manager beforehand. Be transparent. If you’re not sure what to do, you may also reach out to the Ethics Department for guidance.

- We could be held responsible for the actions of our consultants and other agents doing business on our behalf?

We could be held responsible for the illegal actions of those doing business for us, no matter where they are in the world. We need to know what our consultants, agents and partners are doing for us and how they are using our money. In fact, we have to take affirmative steps to make sure that our money is not used as a bribe, and account for that money appropriately in our books and records. You can get further advice and support regarding issues of bribery and improper payments from the Anti-Bribery Policy W-LG-3, the Legal Department or the Ethics Department.

Page 18 WE STAND

FOR AN ETHICAL, COMPETITIVE MARKETPLACE

We respect the markets in which we do business. We strive to meet the marketplace's expectation that we conduct our affairs in a fair and just manner. We recognize that activities that are monopolistic, corrupt or fraudulent can be damaging to the marketplace. As a result, we do not engage in such activities or any other activity that harm the markets that support our business.

Here's how we do it:

Anti-Bribery: We make business decisions based upon the best interests of the Company. We do not offer or accept bribes, kickbacks or other illegal payments to or from our suppliers, business partners or government officials to obtain or retain business. We do not give or receive gifts, gratuities or other benefits that might improperly affect a business decision or allow us to gain a competitive advantage.

Antitrust: We compete aggressively, but fairly and honestly in our pricing, promotion, distribution and sale of our products.

Advertising: We do not make misleading or false statements about our products or those of our competitors

International Trade Compliance: We strive to follow all laws and regulations whenever we import products or materials into any country, and when exporting our products to customers in other countries. Our practice is to not do business with sanctioned persons, entities or countries, unless such dealings have been approved by the Legal Department.

Page 19: Do you know . . .

- We prohibit providing gratuities to government officials to ensure execution of official duties?

We do not pay “facilitating” or “grease” payments to government officials to get them to perform an official duty. Even in countries where such payments are not against the law, we strictly prohibit them. Seek the advice of the Legal Department or the Chief Ethics Officer to find an acceptable alternative that accomplishes your goal.

- We do not share a customer’s confidential commercial information with other customers?

We do not discuss the confidential terms or pricing plans of a customer with any of its competitors. If a customer persists in seeking such information about its competitors, contact your manager and the Legal Department to help you resolve the issue. For further information, see the Antitrust and Competition Compliance Manual located on The Garden.

Pages 20-21_: WE STAND

FOR OUR SHAREHOLDERS

We act honestly and transparently with our shareholders. We spend and invest their money wisely, as if it were our own. We follow the letter and the spirit of the law in reporting our financial performance. In so doing, we maintain the trust investors have placed in us.

Here’s how we do it:

Corporate Governance: We have an effective governance and compliance infrastructure that helps achieve our business objectives and create value for our shareholders. This includes the ethical behavior of our management team and our open and responsive approach to concerns raised by others. Our Board of Directors periodically reviews our key governance documents and policies. In addition, we update our Board regarding fiduciary duties and other governance matters as appropriate and invite our Board to attend numerous training opportunities each year. Our Board’s Compensation Committee follows a philosophy that awards incentives to corporate officers to achieve our operational and strategic goals, which aligns our interests with those of our shareholders.

Insider Trading: We treat "inside information" appropriately and lawfully. Anyone who has material inside information about ScottsMiracle-Gro or a ScottsMiracle-Gro customer, supplier or competitor must not use it for personal gain or provide it to others.

Confidentiality of Company Information: We consider every piece of information we own as an asset, and we are careful to safeguard our confidential information. We do not reveal confidential or non-public information about the Company, our customers, suppliers, vendors or anyone else. We respond to legitimate inquiries from our stakeholders without releasing confidential information or violating securities laws.

External Communications/Social Media: Generally, our Corporate Communications and Investor Relations Departments manage external communications about ScottsMiracle-Gro. When using social media services to communicate about our products and services, we are truthful, respectful of others, and transparent in disclosing our relationship with ScottsMiracle-Gro.

Conflicts of Interest: We do not take advantage of an opportunity that belongs to the Company for our own personal gain. We appreciate that opportunities that we discover through our work here or as a result of Company property or information belong to ScottsMiracle-Gro. We do not engage in activities that create, or even appear to create, conflict between our personal interests and the interests of ScottsMiracle-Gro.

Accuracy in Business Records and Financial Reporting: We are committed to integrity and honesty in financial reporting to protect our financial strength and reputation. This includes not only financial accounts, but other records such as quality reports, time records, expense reports, benefits claim forms and employment applications. We do not enable another person’s efforts to evade taxes or local currency laws.

Protection of Assets/Use of Business Systems: We use company computers, office equipment and communications devices responsibly and professionally.

Use of Company Credit Cards and P-Cards: Corporate credit cards, including P-Cards, are to be used for Company business only. Misuse of a Company credit card or P-Card is prohibited. See, e.g., the Corporate Travel and Business Expense Reimbursement Policy located on The Garden for more information.

Do You Know . . .

- What inaccurate financial reporting looks like?

Inaccurate financial reporting could be:

- ◦ Manipulating the timing of revenue recognition.
- ◦ Recording large, unjustified charges in a loss period and building reserves used to “smooth” future earnings for other periods.
- ◦ Lowering of return reserves solely to increase net sales, margins and income and to achieve a particular target, rather than to reflect objective, historical data suggesting that the reserve was too high.

- When you should consider information about the Company to be confidential?

As part of your work, you will probably come to know confidential information about the Company. For example, confidential information can be sales figures, financial data, wage and salary information of your fellow associates, projected earnings or areas in which we intend to expand our Company. Before discussing any such information with anyone outside of ScottsMiracle-Gro, ask yourself whether the information is already available to the public through our website, the media or our marketing campaigns. If not, do not discuss it.

Likewise, you should recognize that you might be asked to work on projects for ScottsMiracle-Gro that are so sensitive that they should not be discussed with any associate who does not have a need to know. You should always strive to avoid discussing such projects in open areas, hallways or anywhere else you might be overheard.

- You could commit insider trading by “tipping” a friend or family member to confidential information about our Company?

Sharing confidential Company information with someone who then buys or sells our stock before the information becomes public is unfair, dishonest and a violation of our Insider Trading policy. It could also be a violation of law.

- What a conflict of interest looks like and how to escalate it?

A potential conflict of interest can be any situation in which your personal best interests do not align with the Company’s best interests. For example, it would create at least the appearance of a conflict of interest for you or a member of your family to participate in a business arrangement or investment involving ScottsMiracle-Gro or that you learned of from a competitor, customer, client or supplier of ScottsMiracle-Gro or your position in the Company. You should disclose potential conflicts of interest immediately to your manager or supervisor and the Ethics Department, and take no further action until the situation is resolved.

Page 22: WE STAND

FOR DOING THE RIGHT THINGS IN THE COUNTRIES AND COMMUNITIES WHERE WE LIVE

We believe we can make a positive and lasting impact on our environment and the countries and communities where we live and work by doing what’s right. Our commitment to doing the right thing shapes how we care for the planet and all that we touch, both inside and outside our company. We develop products in balance with the environment, give back to our communities and nurture a dynamic workforce for our associates. Our culture values honest, integrity, transparency and ethical behavior.

That's why ScottsMiracle-Gro and our more than 6,000 associates believe we truly are "Dedicated to a Beautiful World."

Here's how we do it:

Commitment to Following All Laws and Regulations: We are in a highly regulated global business. We abide by the letter and spirit of all laws, rules and regulations that apply in all countries and communities where we do business. Each of us is responsible to act in a compliant way, support our compliance efforts, and seek out additional knowledge and expertise if we have questions.

Commitment to the Environment: By the very nature of our business, we are committed to the environment. That means consistently advocating the right use of our products, in the right manner and in a way that protects the environment. We are committed to sound stewardship and sustainability best practices, collaboration with environmental advocacy and governmental organizations, and outreach to consumers and stakeholders.

We are proud of the progress we have made to meet the expectations of our retail partners, consumers and communities. We have embraced innovations that help consumers feel good about using our products around their homes and enable them to adhere to their own environmental values. For our associates, our Code affirms this commitment to environmental stewardship and we expect all associates to consider the environment in their decisions, whether working with colleagues at the office or our facilities, advising consumers in a retail partner's store or even when applying our products in our own yards. Every decision makes a difference.

Commitment to Giving Back: We support our communities through our foundation commitments, associate volunteerism and community engagement. These efforts center on the environment, expanding access to gardens and greenspaces and youth empowerment. You may be offered the opportunity to participate in a charitable activity or program that ScottsMiracle-Gro supports. Any such participation is strictly voluntary. No one will place undue influence on you to contribute to charitable activities or organizations. You will not be retaliated against for choosing not to participate in a Company-sponsored charitable activity.

Adverse Effects Reporting: We are transparent about any unreasonable adverse effects to humans, pets, plants, water or wildlife potentially resulting from the use of our pesticide products, and report such incidents to environmental protection agencies where appropriate.

Page 23: Do you know …

- How to report an adverse effect?
    - If you become aware of any allegation of an exposure and any allegation of an effect of a pesticide, you must immediately notify the Scotts Consumer Services Help Line or the appropriate country contact. Be prepared to describe the 4 P's: Person – the name of the person to contact and their contact information; Place – the place where the incident happened; Product – the name of the product involved or the active pesticide ingredient in the product; and Problem – what happened?
    - Call even if you are not sure if there is a pesticide at issue or if the incident is a reportable one. Scotts Consumer Services will record the reported incident and follow up as appropriate.

Pages 24-29: Questions and Answers

Q & A

Question: You are thinking about hiring a consultant to take care of getting all the permits we need from a foreign government. The consultant asked for a $50,000 retainer, saying that he would use the money to "help move the process along." Since you don't really know where the money is going, do you have to worry about it?

Answer: Yes. We will be held responsible for where that money goes and for what purpose it is being used. In fact, we have to take affirmative steps to make sure that the money is not used as a bribe, and account for that money appropriately in our books and records. Seek the advice of the Legal Department immediately.
Question: You attend a conference on technical issues relating to the manufacture of one of our products. During the conference, an employee of a competitor asks the attendees about operating costs and the effect of those costs on the product price. What should you do?

Answer: You should avoid exchanging information having to do with future prices with a competitor. Giving such information to a competitor, even orally in an informal setting, could be construed as price fixing. If a competitor asks you for such information, you should decline to answer and ask him/her to drop the subject. If s/he persists, terminate the conversation by leaving the meeting or ending the phone call. Then report the incident to the Legal Department or Ethics Department.
Question: In chatting with your sister, you casually mention that you are working on a deal for Scotts to acquire a competitor. Could this create a problem?

Answer: Yes, if the possible acquisition of the competitor has not been publicly announced. If you or your sister trade in Scotts stock or the stock of the competitor, both of you could be in violation of the Insider Trading Policy and the law.
Question: You work outside of the U.S. Do U.S. laws apply to you?

Answer: ScottsMiracle-Gro does business around the world, which means you may be subject to laws of countries other than the one in which you live. You must follow those laws that apply to your business duties, wherever you work. Since Scotts is incorporated in the U.S., U.S. laws may apply to certain business activities even if they are conducted outside the U.S. If you have questions about the laws that apply to your business activity, ask your manager, the Legal Department or contact the HelpLine that best applies to you.

Question: A supplier offers you tickets to The Masters golf tournament. Though the face value of the tickets is $49 each, you have seen the same tickets for sale for $300-$400 each on the Internet. Can you accept the tickets without the approval the Chief Ethics Officer?

Answer: No. When the market value of a gift is over $100 USD, even if the face value of the item is less, you must still inform your supervisor or manager and get prior approval the Chief Ethics Officer to accept the gift.

Question: You were reviewing your manager's calendar in Outlook to find a time to meet with her. You notice she has a meeting whose subject appears to relate to promotion decisions within your department. There is a document attached to the meeting notice. What should you do?

Answer: You should not open the meeting notice or the document attached to it. You should let your manager know that you saw the meeting on her calendar but did not probe further, and suggest that she (or the meeting organizer) mark it "private." You also have a duty not to disclose the information you inadvertently learned.

Question: Your uncle's company is seeking to become one of our suppliers. Does this create a conflict of interest for you?

Answer: Maybe. If you have decision-making authority in the process to select suppliers or with your uncle's company, you have a conflict of interest. Even if you do not have such authority, this relationship could create the appearance of a conflict of interest. You should disclose potential conflicts of interest immediately to your manager or supervisor and the Ethics Department. You should remove yourself from the selection process if you are in any way involved and take no further action until the situation is resolved.

Question: I reported a concern to my supervisor. Since reporting my concern, he has stopped including me in certain meetings. Is this retaliation?

Answer: Significant changes in how you are treated after reporting a concern issue can be perceived as retaliation. If you feel you are being treated differently since reporting a concern, you should reach out to your Human Resources representative, the Ethics Department or the Ethics HelpLine.

Exhibit 21

DIRECT AND INDIRECT SUBSIDIARIES OF
THE SCOTTS MIRACLE-GRO COMPANY

Directly owned subsidiaries, as of June 27, 2020, 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
GenSource, Inc.	Ohio
OMS Investments, Inc.	Delaware
Scotts Temecula Operations, LLC	Delaware
Sanford Scientific, Inc.	New York
Scotts Global Services, Inc.	Ohio
Scotts Luxembourg SARL	Luxembourg
Scotts Manufacturing Company	Delaware
Miracle-Gro Lawn Products, Inc.	New York
Scotts Products Co.	Ohio
Scotts Servicios, S.A. de C.V.[1]	Mexico
Scotts Professional Products Co.	Ohio
Scotts Servicios, S.A. de C.V.[1]	Mexico
SMG Growing Media, Inc.	Ohio
AeroGrow International, Inc.[2]	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 Nederland B.V.	Netherlands
Hawthorne Canada Limited	Canada
HGCI, Inc.	Nevada

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

SMGM LLC	Ohio
Scotts-Sierra Investments LLC	Delaware
Scotts Gardening 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
Scotts Holdings Limited	United Kingdom
Levington Group Limited	United Kingdom
SMG Gardening (UK) Limited	United Kingdom
The Scotts Company (Manufacturing) Limited	United Kingdom
Humax Horticulture Limited	United Kingdom
O M Scott International Investments Limited	United Kingdom
Swiss Farms Products, Inc.	Delaware
The Scotts Company LLC	Ohio
The Scotts Miracle-Gro Foundation[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 June 27, 2020, guarantors of the Company's 5.250% Senior Notes due 2026 and 4.500% Senior Notes due 2029:

NAME OF GUARANTOR SUBSIDIARY	JURISDICTION OF FORMATION
1868 Ventures LLC	Ohio
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 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 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 June 27, 2020;

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 5, 2020

By: /s/ JAMES HAGEDORN
Printed Name: James Hagedorn
Title: Chief Executive Officer and Chairman of the Board

Exhibit 31.2

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

I, Thomas Randal Coleman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Scotts Miracle-Gro Company for the fiscal quarter ended June 27, 2020;

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 5, 2020	By:	/s/ THOMAS RANDAL COLEMAN
		Printed Name: Thomas Randal Coleman
		Title: Executive Vice President and Chief Financial Officer

Exhibit 32

SECTION 1350 CERTIFICATIONS*

In connection with the Quarterly Report on Form 10-Q of The Scotts Miracle-Gro Company (the "Company") for the fiscal quarter ended June 27, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned James Hagedorn, Chief Executive Officer and Chairman of the Board of the Company, and Thomas Randal Coleman, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

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

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

/s/ JAMES HAGEDORN	/s/ THOMAS RANDAL COLEMAN
Printed Name: James Hagedorn	Printed Name: Thomas Randal Coleman
Title: Chief Executive Officer and Chairman of the Board	Title: Executive Vice President and Chief Financial Officer
August 5, 2020	August 5, 2020

* 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.