ScottsMiracle-Gro

First Quarter ended December 28, 2024
Quarterly Earnings Report

Supplemental Financial Presentation

January 29, 2025

Please view this presentation in conjunction with our Q1 2025 earnings release, which is furnished on Form 8-K, our related pre-recorded remarks and additional information regarding our non-GAAP financial measures, including GAAP to non-GAAP reconciliations, available on our website at https://investor.scotts.com.

Safe Harbor Disclosure

Statements contained in this presentation, which address activities, events and developments that the Company expects or anticipates will or may occur in the future, including, but not limited to, information regarding the future economic performance and financial condition of the Company, the plans and objectives of the Company's management, and the Company's assumptions regarding such performance and plans are "forward-looking statements" within the meaning of the U.S. federal securities laws that are subject to risks and uncertainties.

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

This presentation contains certain non-GAAP financial measures. For a reconciliation of GAAP to non-GAAP financial measures, please see the Appendix of this presentation.

Today's speakers

Jim Hagedorn
Chairman and Chief Executive Officer

Mark Scheiwer
Interim Chief Financial Officer and Chief Accounting Officer

Q&A

A Q&A session will follow the earnings webcast at approximately 9:30 a.m. ET

Jim Hagedorn
Chairman & CEO

Nate Baxter
President & COO

Mark Scheiwer
Interim CFO & CAO

Chris Hagedorn
EVP, Chief of Staff to Chairman & CEO

Review the press release for registration details.

- To listen to the Q&A, please remain on the webcast link following our video.
- To ask a question, please pre-register via the audio link for call-in details and a unique PIN.

Q1 2025
Business Update

PRESENTED BY

Jim Hagedorn

Chairman and Chief Executive Officer

OUR CORE CONVICTIONS.
We Must...

POSSESS A DEEP UNDERSTANDING OF OUR CONSUMER AND INSTILL A LOVE OF GARDENING IN EVERY GENERATION.

BE STEWARDS OF OUR BRANDS. THEY ARE THE CORE OF OUR BUSINESS.

PROVIDE CONSUMERS WITH INNOVATIVE AND SUSTAINABLE PRODUCTS THAT MAKE GARDENING EASIER, MORE ACCESSIBLE AND MORE ENJOYABLE.

INVEST HEAVILY IN ADVERTISING BECAUSE WE KNOW IT WORKS.

OUT-INNOVATE, OUT-MARKET, OUT-SELL AND OUTPERFORM THE COMPETITION.

BE THE LOWEST COST MANUFACTURER IN OUR INDUSTRY.

DEVELOP CONFIDENT AND DECISIVE LEADERS.

UNDERSTAND THE FACTS OF OUR BUSINESS.

NURTURE EFFECTIVE LONG-TERM PARTNERSHIPS WITH OUR RETAILERS WITH STRONG SERVICE AND PRODUCTS, INCLUDING PRIVATE LABEL.

RECOGNIZE THAT EVERY ASSOCIATE, EVERY JOB, IS IMPORTANT TO OUR SUCCESS.

MID-RANGE (END OF FY27) STRATEGIC FOCUS AREAS

We are transforming our business by investing in our key competitive advantages and evolving into a consumer marketing powerhouse to propel our growth and maintain cost advantages

01	**Deliver sustainable net sales growth**	• Averaging 3 percent annually • Focused on our consumer lawn & garden business • Built on higher-margin products and innovation across all channels
02	**Be the lowest-cost manufacturer of high-performance products**	• Added flexibility in pricing discussions with retailers • Provide both differentiated and affordable solutions for consumers
03	**Expand gross margin back to pre-Covid levels**	• Achieve mid-30s percent gross margin rate • Deliver best in class EBITDA growth
04	**Further strengthen the balance sheet and return to balanced capital allocation**	• Strong free cash flow • Leverage below 3.5x adjusted EBITDA • Reduce our share count through share buybacks • Return to programmatic M&A in near adjacencies

Fiscal 2025

Invest Behind our Brands

Supported with $40M of incremental investments in our brands in addition to more than 10% of net sales going to customer activation & other programs run by our retail partners

Listings & Share of Shelf

New Innovation

Channel Expansion

Retail.com

The Home Depot

Lowe's

Ace Hardware

Walmart

amazon

Convenience Stores

Outdoor Retail

MI TIENDA

Carnicería · Panadería · Tortillería · Abarrotes

Media & Consumer Education

Note: this slide is not meant to represent all retailer relationships and products

ScottsMiracle-Gro

Q1 2025
Financial Update

PRESENTED BY

Mark Scheiwer

Interim Chief Financial Officer and Chief Accounting Officer

1Q 2025 - 3 Months ended December 28, 2024

First Quarter Performance Summary

Total Company Non-GAAP Results vs. Q1 2024

Net Sales	$416.8 million	*+2%*
Adjusted Gross Margin Rate	24.0%	*+1,030 bps*
SG&A	$124.8 million	*+9%*
Adjusted Net Loss	$(51.0) million	*vs. $(82.2)M*
Interest Expense	$33.7 million	*-21%*
Adjusted Effective Tax Rate	31.4%	*+190 bps*
Adjusted Diluted EPS	$(0.89)	*vs. $(1.45)*
Adjusted EBITDA	$3.8 million	*vs. $(25.8)M*
Leverage	4.52x	*vs. 5.5x maximum*

Non-GAAP Measures. Comparisons are to Q1 2024 unless otherwise indicated.

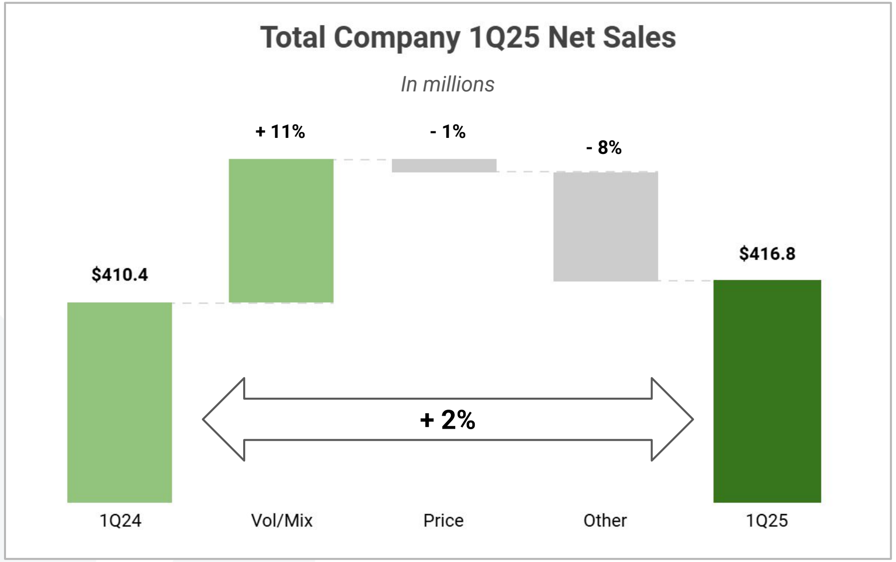
Fiscal 2025

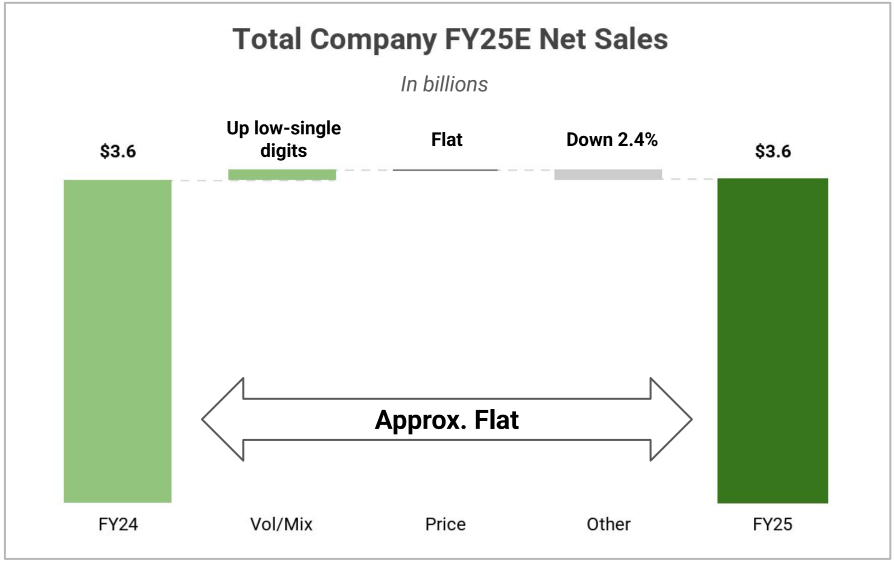
Financial Objectives for Fiscal 2025

Invest Behind Our Brands	Drive Margin Recovery	Strengthen Balance Sheet
• Maintain and build upon the additional listings and share gains achieved in FY24 to drive low single-digit organic sales growth in FY25 • Additional $40M of SG&A investments in media and innovation to drive long-term brand health across both major business segments • Introduce new innovation in Miracle-Gro Organics, O.M. Scott & Sons lawn care, and Controls	• $150M of supply chain cost savings over 3 years; approximately half to be achieved in FY25 inclusive of material cost deflation and fixed cost leverage • High visibility to FY25 input costs with commodity spend ~60% locked as of end of 1Q25 • Non-GAAP adjusted gross margin rate near 30 percent in FY25; targeting mid-30 percents by FY27	• $250 million expected free cash flow • Maximize utilization of our accounts receivable sale facility • Maintain quarterly dividend with remainder of free cash flow targeted to debt paydown • Leverage ratio in low 4's by end of FY25; below 3.5x by end of FY27 positioning us for more balanced capital allocation thererafter

Fiscal 2025

Invest Behind Our Brands





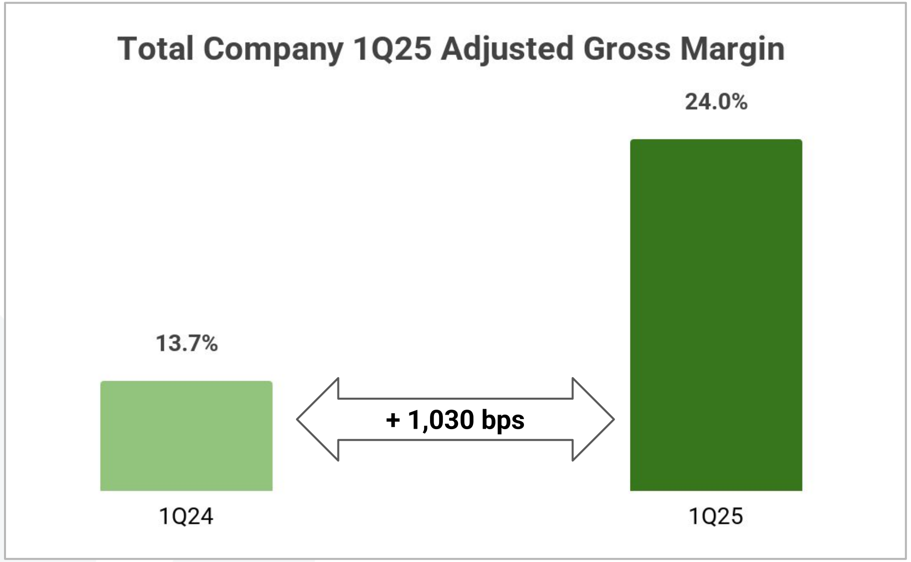
Quarter Drivers

• Vol/Mix - U.S. Consumer strong fall season across all categories and early retailer load-in for the spring season	• Price - Reflects the impact of market wide price increases on targeted SKU's with in U.S. Consumer offset by investments in customer activation & other programs to drive volume	• Other - Non-repeating FY24 sales from U.S. Consumer's AeroGarden and bulk raw material sales and Hawthorne's exit of distributed brand sales

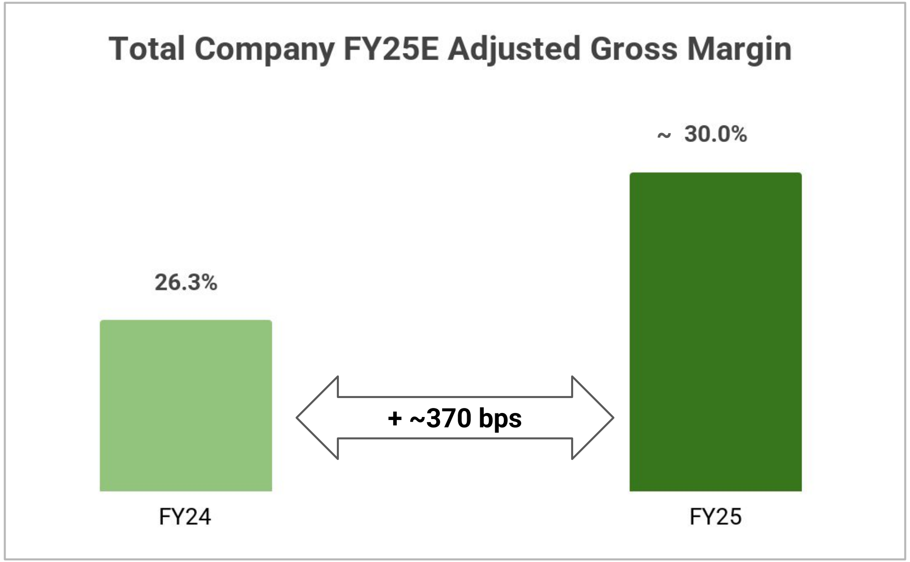
Full Year Drivers

• Vol/Mix - Low-single digit volume growth in U.S. Consumer driven by increased share of shelf, incremental promotional activity, and new listings	• Price - U.S. Consumer pricing around +1% driven by market wide targeted increases on select SKUs offset by investments in customer activation & other programs to drive volume	• Other - Non-repeating sales from U.S. Consumer's bulk raw material and AeroGarden sales; Hawthorne's exit of distributed brands in April '24

Drive Margin Recovery



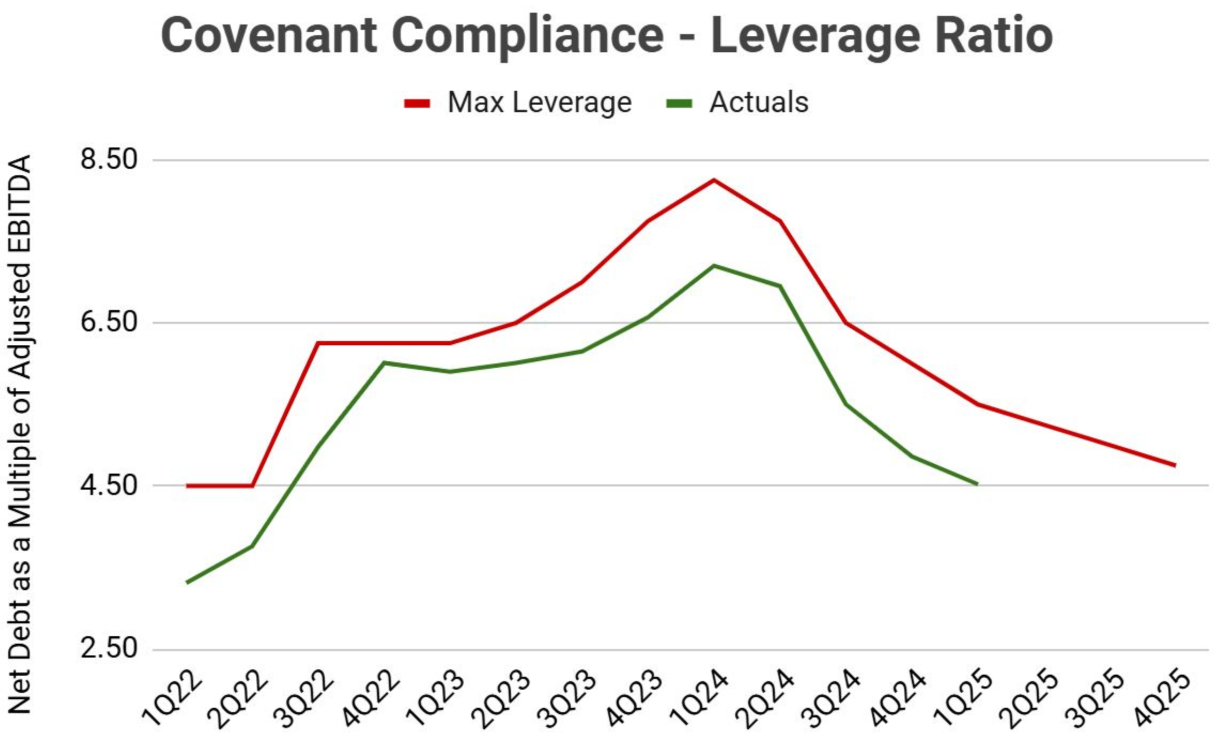
Quarter Drivers		
• Realization of a significant portion of ~$25M of material cost deflation savings	• Distribution savings related to network optimization efforts in both segments	• Favorable mix from Hawthorne's exit of distributed brand sales and U.S. Consumer bulk raw material & AeroGarden sales



Full Year Drivers		
• ~$75 million of full year supply chain savings; approx. 1/3 is related to material cost deflation most of which will be realized in 1H25	• Distribution savings from Hawthorne's exit from third-party distribution and related warehouse closures in 2H24	• $29 million of one-time inventory charges in 4Q24 that will not repeat

Non-GAAP Measures.

Strengthen Balance Sheet



Non-GAAP Measures.

Fiscal 2025

Our Fiscal 2025 Guidance

Net Sales	• US Consumer: Low single-digit growth (excluding impact of non-repeat sales from FY24 for AeroGarden and other bulk raw material sales) • Hawthorne: Mid single-digit decrease • Total Company: ~Flat
Adjusted Gross Margin Rate	• ~30%
SG&A	• ~17% of Total Company net sales • Inclusive of $40+ million additional core media & innovation investment
Other Expense	• ~$10 million increase
Interest Expense	• ~$15 million to $20 million decrease
Adjusted Effective Tax Rate	• 27% to 29%
Adjusted EBITDA	• $570 million to $590 million • Depreciation, amortization, and share-based compensation adjustments flat to prior year in total
Diluted Share Count Increase	• ~2 million shares
Free Cash Flow	• ~$250 million
Capital Expenditures	• ~$100 million

Non-GAAP Measures

Reconciliation of Non-GAAP Financial Measures

Reconciliation of Non-GAAP Financial Measures

Use of Non-GAAP Measures

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

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

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

Reconciliation of Non-GAAP Financial Measures

Definitions of Non-GAAP Financial Measures

The reconciliations of non-GAAP disclosure items include the following financial measures that are not calculated in accordance with GAAP:

- Adjusted gross margin: Gross margin excluding impairment, restructuring and other charges / recoveries.
- Adjusted income (loss) before income taxes: Income (loss) before income taxes excluding impairment, restructuring and other charges / recoveries, costs related to refinancing and certain other non-operating income / expense items.
- Adjusted income tax expense (benefit): Income tax expense (benefit) excluding the tax effect of impairment, restructuring and other charges / recoveries, costs related to refinancing and certain other non-operating income / expense items.
- Adjusted net income (loss): Net income (loss) excluding impairment, restructuring and other charges / recoveries, costs related to refinancing and certain other non-operating income / expense items, each net of tax.
- Adjusted diluted net income (loss) per common share: Diluted net income (loss) per common share excluding impairment, restructuring and other charges / recoveries, costs related to refinancing and certain other non-operating income / expense items, each net of tax.
- Adjusted EBITDA: Net income (loss) before interest, taxes, depreciation and amortization as well as certain other items such as the impact of the cumulative effect of changes in accounting, costs associated with debt refinancing and other non-recurring or non-cash items affecting net income (loss). A form of Adjusted EBITDA is used in agreements governing the Company's outstanding indebtedness for debt covenant compliance purposes. Adjusted EBITDA as used in those agreements includes additional adjustments to the Adjusted EBITDA presented in the reconciliations above which may decrease or increase Adjusted EBITDA for purposes of the Company's financial covenants.

Forward Looking Non-GAAP Measures

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

Reconciliation of Non-GAAP Financial Measures

Reconciliation of Non-GAAP Measures
(In millions, except per share data)
(Unaudited)

	Three Months Ended December 28, 2024			Three Months Ended December 30, 2023		
	As Reported (GAAP)	Impairment, Restructuring and Other	Adjusted (Non-GAAP)	As Reported (GAAP)	Impairment, Restructuring and Other	Adjusted (Non-GAAP)
Gross margin	$ 94.8	$ (5.1)	$ 99.9	$ 62.2	$ 5.8	$ 56.4
Gross margin as a % of sales	22.7%		24.0%	15.2%		13.7%
Loss before income taxes	(95.9)	(21.7)	(74.3)	(114.2)	2.4	(116.6)
Income tax benefit	(26.4)	(3.2)	(23.3)	(33.7)	0.7	(34.4)
Effective tax rate	27.5%		31.4%	29.5%		29.5%
Net loss	(69.5)	(18.5)	(51.0)	(80.5)	1.7	(82.2)
Diluted net loss per common share	(1.21)	(0.32)	(0.89)	(1.42)	0.03	(1.45)

Calculation of Adjusted EBITDA:	Three Months Ended December 28, 2024	Three Months Ended December 30, 2023
Net loss (GAAP)	$ (69.5)	$ (80.5)
Income tax benefit	(26.4)	(33.7)
Interest expense	33.7	42.8
Depreciation	15.8	16.1
Amortization	3.1	4.0
Impairment, restructuring and other	21.7	(12.9)
Equity in loss of unconsolidated affiliates	9.9	22.5
Interest income	0.0	(0.1)
Share-based compensation expense	15.5	16.0
Adjusted EBITDA (Non-GAAP)	**$ 3.8**	**$ (25.8)**

Note: See accompanying footnotes.
The sum of the components may not equal due to rounding.

Reconciliation of Non-GAAP Financial Measures

For the three months ended December 28, 2024, the following items were adjusted, in accordance with the definitions above, to arrive at the non-GAAP financial measures:

- During the three months ended December 28, 2024, the Company recorded executive severance charges of $9.5 million in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations.
- During the three months ended December 28, 2024, the Company recorded a non-cash loss of $7.0 million in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations related to the exchange of its convertible debt investment in RIV Capital Inc. for non-voting exchangeable shares of Cansortium Inc.
- During fiscal 2022, the Company began implementing a series of Company-wide organizational changes and initiatives intended to create operational and management-level efficiencies. As part of this restructuring initiative, the Company reduced the size of the supply chain network, reduced staffing levels and implemented other cost-reduction initiatives. During the three months ended December 28, 2024, the Company incurred costs of $5.1 million in the “Cost of sales—impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations associated with this restructuring initiative.

For the three months ended December 30, 2023, the following items were adjusted, in accordance with the definitions above, to arrive at the non-GAAP financial measures:

- During fiscal 2022, the Company began implementing a series of Company-wide organizational changes and initiatives intended to create operational and management-level efficiencies. During the three months ended December 30, 2023, the Company recorded recoveries of $5.8 million in the “Cost of sales—impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations and incurred costs of $2.0 million in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations associated with this restructuring initiative, primarily related to the sale of certain previously-reserved inventory at amounts in excess of estimated net realizable value, partially offset by employee termination benefits and facility closure costs.
- During the three months ended December 30, 2023, the Company recorded a gain of $12.1 million in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations associated with a payment received in resolution of a dispute with the former ownership group of a business that was acquired in fiscal 2022.
- During the three months ended December 30, 2023, the Company recorded a pre-tax impairment charge of $10.4 million associated with its investment in Bonnie Plants, LLC in the “Equity in loss of unconsolidated affiliates” line in the Condensed Consolidated Statements of Operations.

The tax effect for each of the items listed above is determined using the tax rate and other tax attributes applicable to the item and the jurisdiction(s) in which the item is recorded.