

ScottsMiracle-Gro Maintains Optimistic Outlook



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MARYSVILLE, Ohio – The Scotts Miracle-Gro Company (NYSE: SMG) on Feb. 6 announced fiscal first quarter results in line with the Company's expectations and said it is well-prepared for the upcoming 2014 lawn and garden season.

The Company's first quarter 2014 adjusted loss from continuing operations improved \$3.1 million, or \$0.07 per share, compared to the same quarter a year ago, driven by continued margin expansion and strong control of operating expenses.

Net sales in the three months ended Dec. 28, 2013 were \$196.4 million, compared to \$205.8 million during the same quarter a year ago. The year-over-year sales decline of 5 percent was primarily due to the timing of pre-season shipments to retailers.

Sales in the Global Consumer segment were \$145.3 million during the quarter, compared to \$153.2 million a year ago. Scotts LawnService sales were up 3 percent to \$46.2 million in the first quarter, compared to \$44.8 million during the same quarter a year ago, primarily due to an increase in customer count. Sales in the fiscal first quarter represent approximately 6 to 7 percent of the Company's full-year sales.

While most of North America is gripped by winter, our sales, marketing and supply chain teams are working diligently to ensure a strong start to the lawn and garden season," said Jim Hagedorn, chairman and chief executive officer. "In markets where gardening activity is occurring, we see solid levels of consumer participation, which gives us continued confidence in our plans for the year."

The adjusted company-wide gross margin rate was 17.8 percent, compared with 15.1 percent during the first quarter a year ago. The 270-basis-point

improvement was primarily attributable to favorable mix from the higher-margin Scotts LawnService business and continued improvement in the Global Consumer segment.

Selling, general and administrative expenses (SG&A) were \$125.1 million, compared to \$124.5 million a year ago, in line with Company expectations.

The adjusted loss from continuing operations for the first quarter was \$65.4 million, or \$1.05 per share, which excludes impairment, restructuring and other charges. That compares with an adjusted loss of \$68.5 million, or \$1.12 per share, last year. On a GAAP basis, the loss from continuing operations was \$65.6 million, or \$1.06 per share, compared with a loss of \$68.3 million, or \$1.11 per share, during the same quarter a year ago. Given the seasonal nature of the lawn and garden category, the Company historically reports a loss in its fiscal first quarter.

The operating loss for the Global Consumer segment was \$67.3 million during the first quarter, compared with a loss of \$68.7 million last year. Scotts LawnService reported operating income of \$2.6 million, compared with a loss of \$0.9 million during the same quarter a year ago. The consolidated company-wide adjusted loss from continuing operations before income taxes was \$103.1 million during the first quarter of 2014, compared to a loss of \$105.5 million during the same quarter a year ago.

The Company reiterated expectations for company-wide net sales to increase by approximately 2 to 3 percent in fiscal 2014 on flat unit volume, modest price increases in its Global Consumer segment and the continued growth of its Scotts LawnService business.

An anticipated improvement in adjusted gross margin rate of approximately 100 basis points and an increase in SG&A of approximately 3 to 4 percent are expected to result in adjusted earnings for fiscal 2014 in the range of \$3.05 to \$3.20 per share. In addition, the Company continues to expect operating cash flow of approximately \$275 million for the year.