

SCOTTS MIRACLE-GRO CO

Form 10-Q

February 06, 2019

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 29, 2018

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

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The Scotts Miracle-Gro Company  
(Exact name of registrant as specified in its charter)

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OHIO 31-1414921  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

14111 SCOTTSLAWN ROAD, 43041  
MARYSVILLE, OHIO  
(Address of principal executive offices) (Zip Code)  
(937) 644-0011  
(Registrant's telephone number, including area code)

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(Former name, former address and former fiscal year, if changed since last report)

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

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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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at February 1, 2019
Common Shares, \$0.01 stated value, no par value	55,350,699 Common Shares

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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		
	DECEMBER 31, 2018	DECEMBER 31, 2017	
Net sales	\$298.1	\$ 221.5	
Cost of sales	261.1	187.5	
Cost of sales—impairment, restructuring and other	2.5	—	
Gross profit	34.5	34.0	
Operating expenses:			
Selling, general and administrative	116.3	108.2	
Impairment, restructuring and other	3.5	(0.2)	)
Other income, net	(0.4)	(2.1)	)
Loss from operations	(84.9)	(71.9)	)
Equity in income of unconsolidated affiliates	(1.3)	(0.6)	)
Interest expense	25.2	17.8	
Other non-operating income, net	(2.9)	(2.5)	)
Loss from continuing operations before income taxes	(105.9)	(86.6)	)
Income tax benefit from continuing operations	(23.3)	(66.6)	)
Loss from continuing operations	(82.6)	(20.0)	)
Income (loss) from discontinued operations, net of tax	2.9	(1.2)	)
Net loss	\$(79.7)	\$ (21.2)	)
Net loss attributable to noncontrolling interest	0.1	—	)
Net loss attributable to controlling interest	\$(79.6)	\$ (21.2)	)
Basic income (loss) per common share:			
Loss from continuing operations	\$(1.49)	\$ (0.35)	)
Income (loss) from discontinued operations	0.05	(0.02)	)
Basic loss per common share	\$(1.44)	\$ (0.37)	)
Weighted-average common shares outstanding during the period	55.3	57.6	
Diluted income (loss) per common share:			
Loss from continuing operations	\$(1.49)	\$ (0.35)	)
Income (loss) from discontinued operations	0.05	(0.02)	)
Diluted loss per common share	\$(1.44)	\$ (0.37)	)
Weighted-average common shares outstanding during the period plus dilutive potential common shares	55.3	57.6	

See Notes to Condensed Consolidated Financial Statements.

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## THE SCOTTS MIRACLE-GRO COMPANY

## Condensed Consolidated Statements of Comprehensive Income (Loss)

(In millions)

(Unaudited)

	THREE MONTHS ENDED	
	DECEMBER 31, 2018	DECEMBER 31, 2017
Net loss	\$ (79.7)	\$ (21.2)
Other comprehensive income (loss):		
Net foreign currency translation adjustment	(5.3)	—
Net unrealized gain (loss) on derivative instruments, net of tax of \$(2.8) and \$0.5, respectively	(7.9)	0.8
Reclassification of net unrealized (gains) losses on derivative instruments to net income, net of tax of \$0.0 and \$(0.1), respectively	(0.1)	(0.1)
Reclassification of net pension and other post-retirement benefit losses to net income, net of tax of \$0.3 and \$0.2, respectively	0.9	0.3
Total other comprehensive income (loss)	(12.4)	1.0
Comprehensive loss	(92.1)	(20.2)
Comprehensive loss attributable to noncontrolling interest	0.1	—
Comprehensive loss attributable to controlling interest	\$ (92.0)	\$ (20.2)
See Notes to Condensed Consolidated Financial Statements.		

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

	THREE MONTHS ENDED	
	DECEMBER 31, 2018	DECEMBER 30, 2017
<b>OPERATING ACTIVITIES</b>		
Net loss	\$(79.7)	\$ (21.2 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Impairment, restructuring and other	0.5	—
Share-based compensation expense	6.6	6.0
Depreciation	14.0	12.7
Amortization	8.3	7.1
Deferred taxes	(1.3 )	(47.6 )
Gain on long-lived assets	(0.1 )	