

SCOTTS MIRACLE-GRO CO  
Form 10-Q  
February 05, 2015

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 December 27, 2014

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  
(State or other jurisdiction of incorporation or organization)

31-1414921  
(I.R.S. Employer Identification No.)

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

43041  
(Zip Code)

(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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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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 2, 2015
Common Shares, \$0.01 stated value, no par value	60,849,013 Common Shares

1

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Table of ContentsTHE SCOTTS MIRACLE-GRO COMPANY  
INDEX

PAGE NO.

PART I. FINANCIAL INFORMATION:

<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Condensed Consolidated Statements of Operations — Three months ended December 27, 2014 and December 28, 2013</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Comprehensive Income (Loss) — Three months ended December 27, 2014 and December 28, 2013</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Cash Flows — Three months ended December 27, 2014 and December 28, 2013</u>	<u>5</u>
	<u>Condensed Consolidated Balance Sheets — December 27, 2014, December 28, 2013 and September 30, 2014</u>	<u>6</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>33</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>40</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>41</u>

PART II. OTHER INFORMATION:

<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>42</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>42</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>43</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>44</u>
	<u>Signatures</u>	<u>45</u>
	<u>Index to Exhibits</u>	<u>46</u>

Table of Contents

## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## THE SCOTTS MIRACLE-GRO COMPANY

## Condensed Consolidated Statements of Operations

(In millions, except per common share data)

(Unaudited)

	THREE MONTHS ENDED	
	DECEMBER 27, 2014	DECEMBER 28, 2013
Net sales	\$216.2	\$ 189.6
Cost of sales	186.9	155.7
Gross profit	29.3	33.9
Operating expenses:		
Selling, general and administrative	126.9	124.3
Impairment, restructuring and other	9.6	0.3
Other income, net	(1.2)	(1.0)
Loss from operations	(106.0)	(89.7)
Interest expense	9.7	13.9
Loss from continuing operations before income taxes	(115.7)	(103.6)
Income tax benefit from continuing operations	(41.7)	(37.9)
Loss from continuing operations	(74.0)	(65.7)
Income from discontinued operations, net of tax	—	0.1
Net loss	\$(74.0)	\$(65.6)
Net income attributable to noncontrolling interest	\$(0.6)	\$ —
Net loss attributable to controlling interest	\$(74.6)	\$(65.6)
Basic loss per common share:		
Loss from continuing operations	\$(1.23)	\$(1.06)
Income from discontinued operations	—	—
Basic loss per common share	\$(1.23)	\$(1.06)
Weighted-average common shares outstanding during the period	60.8	62.1
Diluted loss per common share:		
Loss from continuing operations	\$(1.23)	\$(1.06)
Income from discontinued operations	—	—
Diluted loss per common share	\$(1.23)	\$(1.06)
Weighted-average common shares outstanding during the period plus dilutive potential common shares	60.8	62.1
Dividends declared per common share	\$0.450	\$ 0.438

See notes to condensed consolidated financial statements.

Table of Contents

## THE SCOTTS MIRACLE-GRO COMPANY

## Condensed Consolidated Statements of Comprehensive Income (Loss)

(In millions)

(Unaudited)

	THREE MONTHS ENDED	
	DECEMBER 27, 2014	DECEMBER 28, 2013
Net loss	\$(74.0	) \$(65.6
Other comprehensive income (loss), net of tax:		
Net foreign currency translation adjustment	(3.0	) (1.4
Net unrealized gains (loss) on derivative instruments, net of tax of \$(0.7) and \$0.2, respectively	(1.1	) 0.4
Reclassification of net unrealized loss on derivatives to net income, net of tax of \$0.6 and \$1.9, respectively	1.0	3.1
Net unrealized (loss) in pension and other post-retirement benefits, net of tax of \$0.0 and \$0.2, respectively	—	(0.3
Reclassification of net pension and post-retirement benefit income (loss) to net income, net of tax of \$0.5 and \$0.5, respectively	0.8	0.8
Total other comprehensive (loss) income	(2.3	) 2.6
Comprehensive loss	\$(76.3	) \$(63.0
See notes to condensed consolidated financial statements.		

Table of Contents

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

	THREE MONTHS ENDED	
	DECEMBER 27, 2014	DECEMBER 28, 2013
<b>OPERATING ACTIVITIES</b>		
Net loss	\$(74.0	) \$(65.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment, restructuring and other	3.6	—
Share-based compensation expense	2.1	1.8
Depreciation	12.5	13.0
Amortization	3.7	3.1
Loss on sale of assets	—	0.1
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	148.9	145.5
Inventories	(301.2	) (278.9
Prepaid and other assets	(6.8	) (6.9
Accounts payable	33.0	98.5
Other current liabilities	(93.8	) (88.1
Restructuring reserves	2.1	(4.2
Other non-current items	5.8	1.7
Other, net		