SCOTTS MIRACLE-GRO CO Form 10-Q August 07, 2014

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

FORM 10-Q

(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTI OF 1934	ION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
For the quarterly period ended June 28, 2014	
OR	
TRANSITION REPORT PURSUANT TO SECTI OF 1934	ON 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
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	(I.R.S. Employer
incorporation or organization)	Identification No.)
14111 SCOTTSLAWN ROAD,	420.41
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 c	hanged 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 sho	rter 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 ý No "
Indicate by check mark whether the registrant has submitted electronically and po	osted on its corporate Web site, if
any, every Interactive Data File required to be submitted and posted pursuant to R	Rule 405 of Regulation S-T
(§232.405 of this chapter) during the preceding 12 months (or for such shorter per	riod that the registrant was required
to submit and post such files). Yes ý No "	
Indicate by check mark whether the registrant is a large accelerated filer, an accel	erated filer, a non-accelerated filer,
or a smaller reporting company. See the definitions of "large accelerated filer," "a	accelerated filer" and "smaller reporting
company" in Rule 12b-2 of the Exchange Act.	
Large accelerated filer ý	Accelerated filer "
Non-accelerated filer o (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 R	ule 12b-2 of the Exchange
Act). Yes "No ý	C C
Indicate the number of shares outstanding of each of the issuer's classes of comm	on stock as of the latest practicable

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

Class Common Shares, \$0.01 stated value, no par value Outstanding at August 5, 2014 61,211,495 common shares

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THE SCOTTS MIRACLE-GRO COMPANY INDEX

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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 common share data) (Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 28, 2014	JUNE 29, 2013	JUNE 28, 2014	JUNE 29, 2013
Net sales	\$1,116.4	\$1,137.1	\$2,387.0	\$2,340.1
Cost of sales	693.1	695.3	1,496.0	1,490.4
Cost of sales—impairment, restructuring and other		1.5		1.6
Gross profit	423.3	440.3	891.0	848.1
Operating expenses:				
Selling, general and administrative	189.0	189.2	525.6	519.9
Impairment, restructuring and other	39.2	7.0	45.6	6.7
Other income, net	(5.8	(4.9)	(8.5)	(7.5)
Income from operations	200.9	249.0	328.3	329.0
Costs related to refinancing			10.7	
Interest expense	12.8	16.8	38.7	47.9
Income from continuing operations before income taxes	188.1	232.2	278.9	281.1
Income tax expense from continuing operations	67.4	84.5	98.3	102.5
Income from continuing operations	120.7	147.7	180.6	178.6
Income from discontinued operations, net of tax	1.0	0.5	1.1	1.9
Net income	\$121.7	\$148.2	\$181.7	\$180.5
Basic income per common share:				
Income from continuing operations	\$1.97	\$2.39	\$2.93	\$2.89
Income from discontinued operations	0.02	0.01	0.02	0.03
Basic income per common share	\$1.99	\$2.40	\$2.95	\$2.92
Weighted-average common shares outstanding during the period	61.3	61.7	61.7	61.7
Diluted income per common share:				
Income from continuing operations	\$1.93	\$2.36	\$2.88	\$2.86
Income from discontinued operations	0.02	0.01	0.02	0.03
Diluted income per common share	\$1.95	\$2.37	\$2.90	\$2.89
Weighted-average common shares outstanding during the period plus dilutive potential common shares	62.4	62.6	62.8	62.5
Dividends declared per common share	\$0.438	\$0.325	\$1.313	\$0.975
See notes to condensed consolidated financial statements.				

THE SCOTTS MIRACLE-GRO COMPANY

Condensed Consolidated Statements of Comprehensive Income (Loss) (In millions)

(Unaudited)

Net income	THREE MO ENDED JUNE 28, 2014 \$121.7	ONTHS JUNE 29, 2013 \$148.2	NINE MON ENDED JUNE 28, 2014 \$181.7	UTHS JUNE 29 2013 \$180.5	,
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	4.2	(3.6) 0.1	(8.5)
Net unrealized (loss) gain on derivative instruments, net of tax of \$2.4, \$1.1, \$4.2 and \$0.8, respectively	(3.9	1.7	(6.8)	(1.2)
Reclassification of net unrealized loss on derivatives to net income, net of tax of \$2.0, \$2.0, \$6.3 and \$4.8, respectively	3.2	3.1	10.2	7.6	
Net unrealized loss in pension and other post-retirement benefits, net of tax of \$0, \$0, \$0.2 and \$0, respectively	_	_	(0.3)	_	
Reclassification of net pension and post-retirement benefit loss to net income, net of tax of \$0.5, \$0.6, \$1.4 and \$3.2, respectively	0.8	0.9	2.3	5.1	
Total other comprehensive income	4.3	2.1	5.5	3.0	
Comprehensive income	\$126.0	\$150.3	\$187.2	\$183.5	
See notes to condensed consolidated financial statements.					

THE SCOTTS MIRACLE-GRO COMPANY

Condensed Consolidated Statements of Cash Flows

(In millions) (Unaudited)

JUNE 28, 2014 JUNE 29, 2013 OPERATING ACTIVITIES \$181.7 \$180.5 Met income Adjustments to reconcile net income to net cash provided by operating activities: 3.3.7 4.6 Costs related to refinancing 3.5 - Share-based compensation expense 8.7 10.4 Depreciation 37.8 41.0 Amortization 10.2 8.1 (Gain) loss on sale of assets (1.3 0.8 Equity in (income) loss of unconsolidated affiliates (1.3 0.8 Const receivable (433.7) (356.5) Inventories (63.3 24.3 Prepaid and other assets (15.4) Prepaid and other assets (15.0) (15.4) Accounts payable 145.8 97.1) Other ourcurnt itabilities 147.1 176.8 Restructuring reserves 2.6 (5.0) Other ourcurnt items (22.8) (7.1) Other, net .1 (6.6) </th <th></th> <th colspan="3">NINE MONTHS ENDED</th>		NINE MONTHS ENDED		
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	Cash and cash equivalents, beginning of period	129.8	131.9	

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Cash and cash equivalents, end of period	\$147.2	\$105.4			
SUPPLEMENTAL CASH FLOW INFORMATION					
Interest paid	\$(42.4) \$(45.6			
Call premium on 7.25% Senior Notes	\$(7.3) \$—			
Income taxes (paid) refunded	\$(14.5) \$29.4			
See notes to condensed consolidated financial statements.					
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THE SCOTTS MIRACLE-GRO COMPANY

Condensed Consolidated Balance Sheets (In millions, except stated value per share)

(Unaudited)

	JUNE 28, 2014	JUNE 29, 2013	SEPTEMBER 30, 2013
ASSETS			
Current assets:			
Cash and cash equivalents	\$147.2	\$105.4	\$ 129.8
Accounts receivable, less allowances of \$11.4, \$10.0 and \$9.5, respectively	512.3	482.4	206.6
Accounts receivable pledged	237.8	199.9	106.7
Inventories	387.8	385.8	324.9
Prepaid and other current assets	125.9	135.0	113.0
Total current assets	1,411.0	1,308.5	881.0
Property, plant and equipment, net of accumulated depreciation of \$606.4, \$579.1 and \$573.4, respectively	443.4	409.8	422.3
Goodwill	333.3	315.2	315.1
Intangible assets, net	281.3	297.6	284.4
Other assets	37.4	31.2	34.4
Total assets	\$2,506.4	\$2,362.3	\$ 1,937.2
LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities:			
Current portion of debt	\$200.5	\$165.5	\$ 92.4
Accounts payable	279.3	230.7	137.7
Other current liabilities	428.6		