Fourth Quarter ended September 30, 2024
Quarterly Earnings Report

Supplemental Financial Presentation

November 6, 2024

Please view this presentation in conjunction with our Q4 2024 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,
Chief Executive Officer
and President

Matt Garth
EVP, Chief Financial Officer
and Chief Administrative Officer

Q&A

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

Jim Hagedorn
Chairman,
CEO & President

Nate Baxter
EVP & COO

Matt Garth
EVP, CFO & CAO

Chris Hagedorn
President, Hawthorne Division

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.

4Q 2024 - 3 Months ended September 30, 2024

Fourth Quarter Performance Summary

Total Company non-GAAP Results vs. Q4 2023

Net sales	$414.7 million	*+11%*
Adjusted Gross Margin Rate	(3.1)%	*+570 bps*
SG&A	$117.6 million	*+9%*
Adjusted Net Loss	$(131.5) million	*vs. $(155.4)M*
Interest Expense	$33.1 million	*-17%*
Adjusted Effective Tax Rate	24.9%	*+510 bps*
Adjusted Diluted EPS	$(2.31)	*vs. $(2.77)*
Adjusted EBITDA	$(97.2) million	*vs. $(106.1)M*
Leverage	4.86x	*vs. 6.0x maximum*

Non-GAAP Measures. Comparisons are to Q4 2023 unless otherwise indicated.

Fiscal 2024 - 12 Months ended September 30, 2024

Fiscal 2024 Full Year Performance Summary

Total Company non-GAAP Results vs. FY 2023

Net sales	$3.6 billion	*flat*
Adjusted Gross Margin Rate	26.3%	*+260 bps*
SG&A	$559.0 million	*+1%*
Adjusted Net Income	$132.0 million	*vs. $68.1M*
Interest Expense	$158.8 million	*-11%*
Adjusted Effective Tax Rate	28.5%	*-810 bps*
Adjusted Diluted EPS	$2.29	*vs. $1.21*
Adjusted EBITDA	$510.1 million	*vs. $446.9M*
Free Cash Flow	$583.5 million	*vs. $438.2M*

Non-GAAP Measures. Comparisons are to FY 2023 unless otherwise indicated.

Q4 2024
Business Update

PRESENTED BY

Jim Hagedorn

Chairman, Chief Executive Officer and President

Fiscal 2024 - 12 Months ended September 30, 2024

Three Key Objectives for Fiscal 2024 - All Achieved

Improve Adjusted Gross Margin to drive Adjusted EBITDA

- 6% full year net sales growth in U.S. Consumer; in line with target
- +9% POS units through the end of September driven by new listings and incremental promotions
- Adjusted gross margin rate improved 260 bps; in line with target
- Increased total media dollars by $18M y/y which powered the U.S. Consumer growth
- Adjusted EBITDA growth of $63M y/y to $510M; for leverage purposes adjusted EBITDA was $34M higher

$560M Free Cash Flow / $350M Debt Paydown

- Q4 Leverage of 4.86x adjusted EBITDA comfortably below 6.0x max and in line with guidance
- Over-delivered on $1B of free cash flow over two years with $584M generated in FY24
- Paid down $390M of debt; more than expected due to strong free cash flow and usage of the AR Facility
- Total Company inventory ended slightly better than our $600M target
- Continued to pay quarterly dividend

Advance Strategic Path for Hawthorne

- Improved Segment Loss by 70% y/y and delivered breakeven adjusted EBITDA
- Focused on our best-in-class Signature brands; discontinued distribution of non-proprietary brands to advance margin recovery
- Increased Signature sales by 16% to 87% of invoiced sales vs FY23
- Continued efforts to support an eventual separation of the business when the timing is appropriate

Q4 2024 & FY 2024 Financial Update

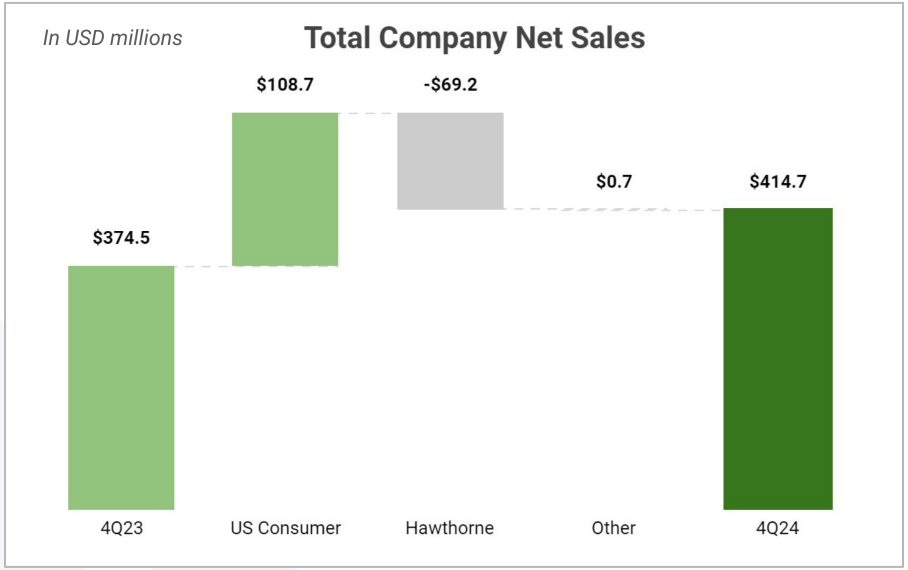
PRESENTED BY

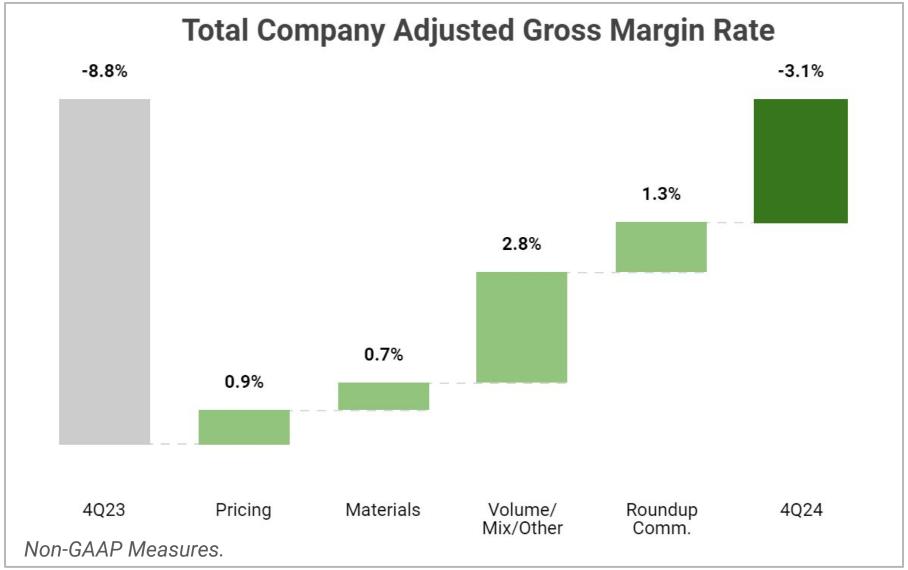
Matt Garth

EVP, Chief Financial Officer and Chief Administrative Officer

4Q 2024 - 3 Months ended September 30, 2024

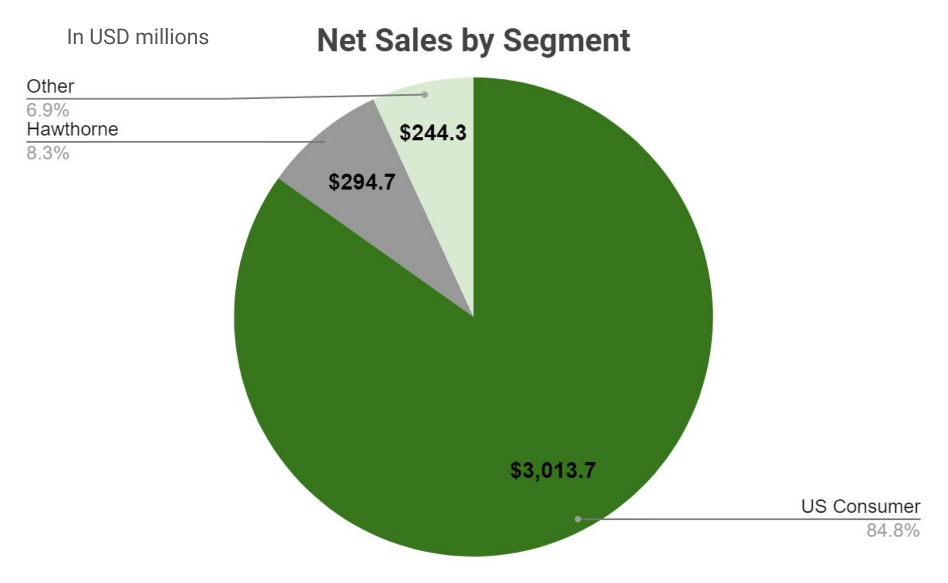
Total Company Net Sales and Adjusted Gross Margin Rate





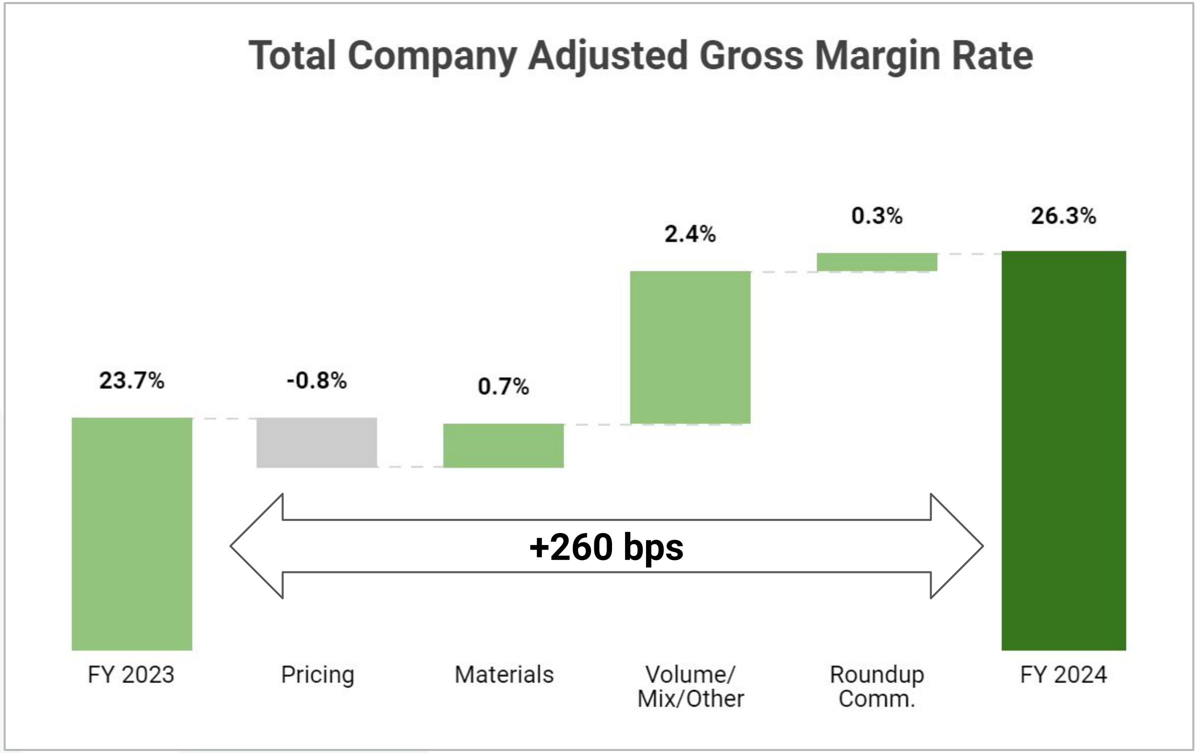
Fiscal 2024 - 12 Months ended September 30, 2024

Total Company Net Sales Targets Achieved



- **U.S. Consumer**
  - 6% net sales increase versus FY23 led by incremental shelf space, new listings and promotions mainly in the gardens and controls divisions
  - 9% growth in unit POS through September
- **Hawthorne**
  - 37% net sales decline versus FY23 led by discontinuation of distributed brands and pressures in the professional horticultural lighting business
  - 16% y/y increase in proprietary Signature invoice sales as a percent of total Hawthorne invoice sales

Total Company Adjusted Gross Margin Rate in line with Guidance



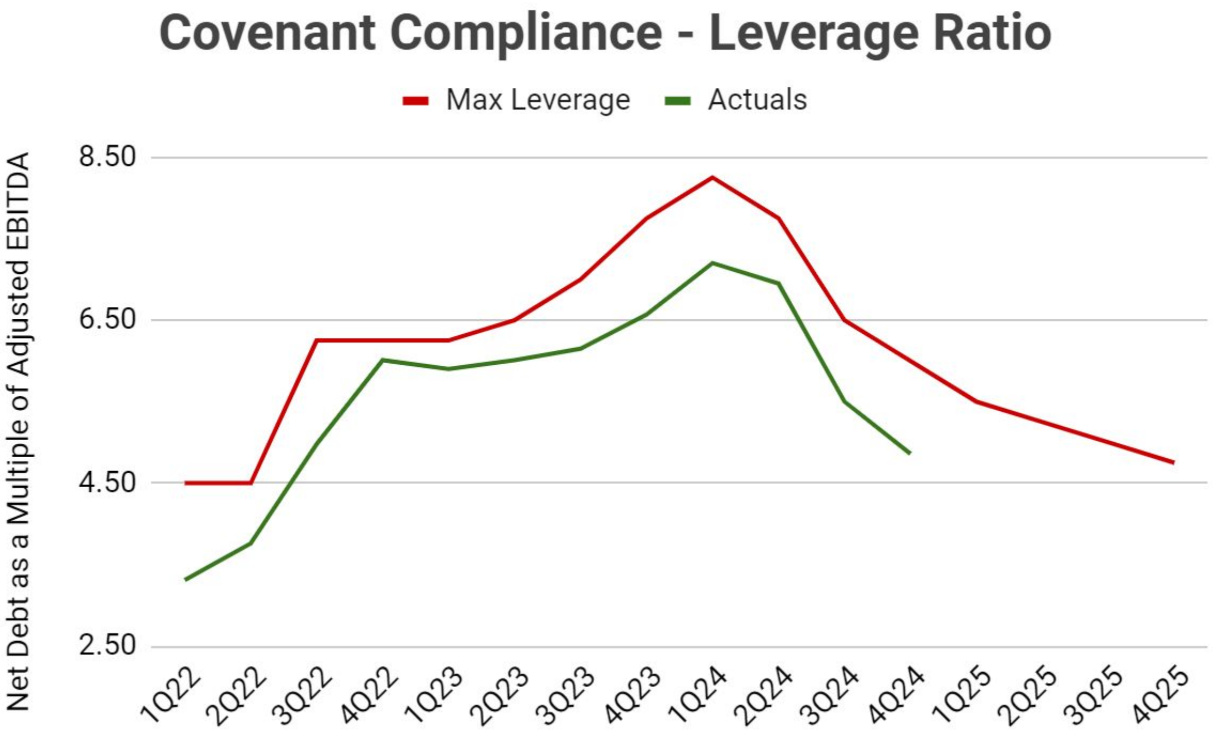
Full Year Drivers

- Favorable segment mix more than offsetting low single-digit pricing decrease
- Project Springboard distribution and other cost savings benefits
- Some early realization of benefits from lower cost materials
- Includes 80bps of charges related to the AeroGarden wind down

Non-GAAP Measures.

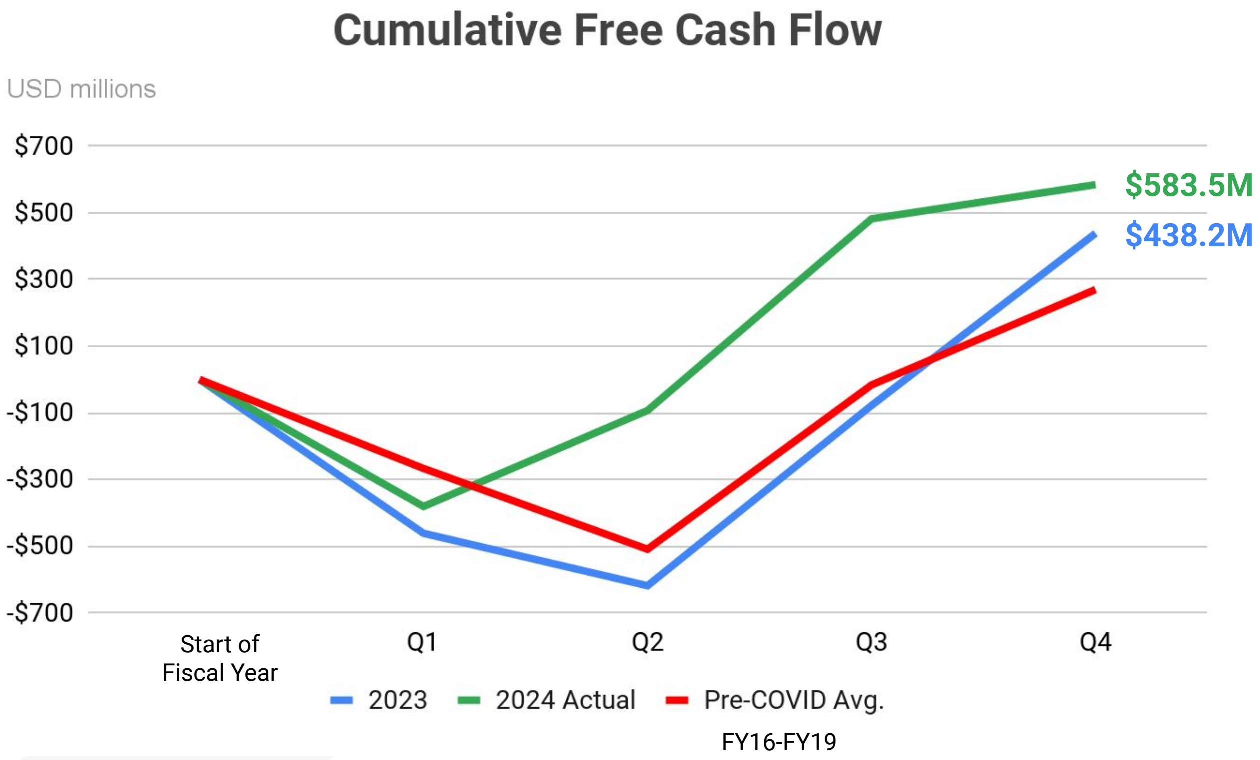
Fiscal 2024 - 12 Months ended September 30, 2024

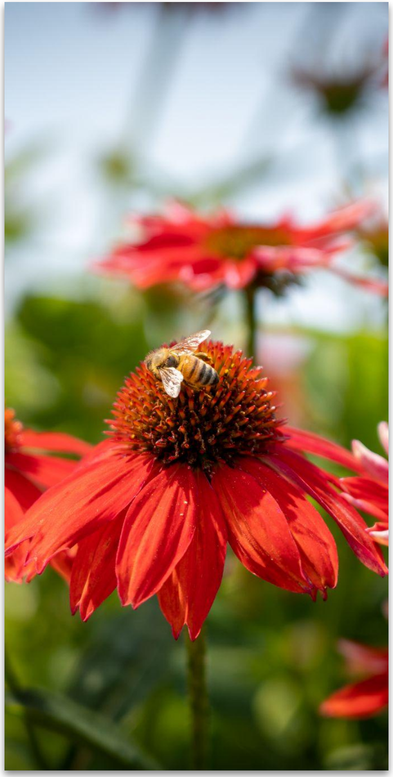
Fiscal 2024 Leverage well within Covenant Maximum



Non-GAAP Measures.

Company exceeded $1 Billion in FCF over 2 years





Non-GAAP Measures.

Appendix

Fourth quarter ended September 30, 2024

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 below. 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 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 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 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 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.
- Free cash flow: Net cash provided by (used in) operating activities reduced by investments in property, plant and equipment.

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 September 30, 2024			Three Months Ended September 30, 2023		
	As Reported (GAAP)	Impairment, Restructuring and Other	Adjusted (Non-GAAP)	As Reported (GAAP)	Impairment, Restructuring and Other	Adjusted (Non-GAAP)
Gross margin	$ (29.6)	$ (16.8)	$ (12.7)	$ (56.9)	$ (23.9)	$ (33.0)
Gross margin as a % of sales	-7.1%		-3.1%	-15.2%		-8.8%
Loss before income taxes	(312.1)	(137.0)	(175.2)	(560.7)	(367.0)	(193.7)
Income tax benefit	(68.1)	(24.5)	(43.7)	(92.3)	(54.0)	(38.3)
Effective tax rate	21.8%		24.9%	16.5%		19.8%
Net loss	(244.0)	(112.4)	(131.5)	(468.4)	(313.0)	(155.4)
Diluted net loss per common share	(4.29)	(1.98)	(2.31)	(8.33)	(5.57)	(2.77)

Calculation of Adjusted EBITDA:	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023
Net loss (GAAP)	$ (244.0)	$ (468.4)
Income tax benefit	(68.1)	(92.3)
Interest expense	33.1	40.0
Depreciation	16.1	17.8
Amortization	3.9	4.4
Impairment, restructuring and other charges	85.5	272.3
Equity in loss of unconsolidated affiliates	61.6	104.6
Interest income	(0.1)	(0.7)
Share-based compensation expense	14.8	16.2
Adjusted EBITDA (Non-GAAP)	**$ (97.2)**	**$ (106.1)**

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

Year-to-date 4Q 2024 - 12 Months ended September 30, 2024

Reconciliation of Non-GAAP Financial Measures

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

	Twelve Months Ended September 30, 2024			Twelve Months Ended September 30, 2023		
	As Reported (GAAP)	Impairment, Restructuring and Other	Adjusted (Non-GAAP)	As Reported (GAAP)	Impairment, Restructuring and Other	Adjusted (Non-GAAP)
Gross margin	$ 850.5	$ (83.5)	$ 933.9	$ 657.3	$ (185.6)	$ 842.9
Gross margin as a % of sales	23.9%		26.3%	18.5%		23.7%
Income (loss) before income taxes	(23.6)	(208.2)	184.6	(453.3)	(560.7)	107.4
Income tax expense (benefit)	11.3	(41.3)	52.6	(73.2)	(112.6)	39.3
Effective tax rate	-47.9%		28.5%	16.1%		36.6%
Net income (loss)	(34.9)	(166.9)	132.0	(380.1)	(448.1)	68.1
Diluted net income (loss) per common share	(0.61)	(2.89)	2.29	(6.79)	(7.95)	1.21

Calculation of Adjusted EBITDA:	Twelve Months Ended September 30, 2024	Twelve Months Ended September 30, 2023
Net income (GAAP)	$ (34.9)	$ (380.1)
Income tax expense (benefit)	11.3	(73.2)
Interest expense	158.8	178.1
Depreciation	64.9	67.3
Amortization	15.7	25.2
Impairment, restructuring and other charges	146.3	466.0
Equity in loss of unconsolidated affiliates	68.1	101.1
Interest income	(0.5)	(6.4)
Share-based compensation expense	80.4	68.9
Adjusted EBITDA (Non-GAAP)	**$ 510.1**	**$ 446.9**

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

Reconciliation of Non-GAAP Financial Measures

(In millions)	Year Ended September 30,					
	2024	2023	2019	2018	2017	2016
Net cash provided by operating activities (GAAP)	$ 667.5	$ 531.0	$ 226.8	$ 342.5	$ 363.2	$ 244.0
Investments in property, plant and equipment	(84.0)	(92.8)	(42.4)	(68.2)	(69.6)	(58.3)
Free cash flow (Non-GAAP)	$ 583.5	$ 438.2	$ 184.4	$ 274.3	$ 293.6	$ 185.7

Reconciliation of Non-GAAP Financial Measures

For the three and twelve months ended September 30, 2024, 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. As part of this restructuring initiative, the Company reduced the size of its supply chain network, reduced staffing levels and implemented other cost-reduction initiatives. The Company also accelerated the reduction of certain Hawthorne inventory, primarily lighting, growing environments and hardware products, to reduce our on hand inventory to align with the reduced network capacity. During the three months ended September 30, 2024, the Company incurred costs of $16.8 million in the “Cost of sales—impairment, restructuring and other” line and $2.9 million in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations associated with this restructuring initiative primarily related to facility closure costs and impairment of right-of-use assets, intangible assets, property, plant and equipment and software. During the twelve months ended September 30, 2024, the Company incurred costs of $83.5 million in the “Cost of sales—impairment, restructuring and other” line and $5.9 million in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations associated with this restructuring initiative primarily related to inventory write-down charges, employee termination benefits, facility closure costs and impairment of right-of-use assets, intangible assets, property, plant and equipment and software.
- During the three and twelve months ended September 30, 2024, the Company recognized a non-cash, pre-tax other-than-temporary impairment charge related to its convertible debt investments of $64.6 million in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations.
- During the three and twelve months ended September 30, 2024, the Company recorded pre-tax impairment charges of $51.5 million and $61.9 million, respectively, associated with its investment in Bonnie Plants, LLC in the “Equity in loss of unconsolidated affiliates” line in the Condensed Consolidated Statements of Operations.
- During the three and twelve months ended September 30, 2024, the Company established a valuation allowance against certain deferred tax assets associated with non-cash impairment charges, which resulted in the recognition of additional tax expense of $15.6 million in the “Income tax expense (benefit)” line in the Condensed Consolidated Statements of Operations.
- During the three and twelve months ended September 30, 2024, the Company recorded a gain of $0.0 million and $12.1 million, respectively, 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.

Reconciliation of Non-GAAP Financial Measures

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

- During the three and twelve months ended September 30, 2023, the Company recognized non-cash, pre-tax goodwill and intangible asset impairment charges of $127.9 million in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations, comprised of $117.7 million of finite-lived intangible asset impairment charges associated with the Hawthorne segment and $10.3 million of goodwill impairment charges associated with the Other segment.
- During the three and twelve months ended September 30, 2023, the Company recognized a non-cash, pre-tax other-than-temporary impairment charge related to its convertible debt investments of $101.3 million in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations.
- During the three and twelve months ended September 30, 2023, the Company recognized a non-cash, pre-tax impairment charge of $94.7 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.
- During the three and twelve months ended September 30, 2023, the Company established a valuation allowance against certain deferred tax assets associated with non-cash impairment charges, which resulted in the recognition of additional tax expense of $29.7 million in the “Income tax expense (benefit)” line in the Condensed Consolidated Statements of Operations.
- 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 and twelve months ended September 30, 2023, the Company incurred costs of $23.9 million and $184.8 million, respectively, in the “Cost of sales—impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations and $19.1 million and $44.1 million, respectively, in the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations associated with this restructuring initiative primarily related to inventory write-down charges, employee termination benefits, facility closure costs and impairment of right-of-use assets and property, plant and equipment.

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.