

SCOTTS MIRACLE-GRO CO
Form 10-Q
August 10, 2011
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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 JULY 2, 2011

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)

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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)

43041
(Zip Code)

(937) 644-0011

(Registrant's telephone number, including area 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

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 August 4, 2011
Common Shares, \$0.01 stated value, no par value	62,855,438 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)

	September 30, THREE MONTHS ENDED		September 30, NINE MONTHS ENDED	
	JULY 2, 2011	JULY 3, 2010	JULY 2, 2011	JULY 3, 2010
Net sales	\$ 1,058.7	\$ 1,172.6	\$ 2,418.5	\$ 2,475.7
Cost of sales	657.5	690.8	1,503.4	1,524.6
Cost of sales product registration and recall matters	1.1		3.2	1.5
Gross profit	400.1	481.8	911.9	949.6
Operating expenses:				
Selling, general and administrative	192.4	201.3	551.8	544.3
Product registration and recall matters	5.7	1.5	7.8	4.3
Impairment, restructuring and other charges	13.8		13.8	
Other income, net	(4.2)	(1.1)	(5.0)	(6.8)
Income from operations	192.4	280.1	343.5	407.8
Costs related to refinancing	1.2		1.2	
Interest expense	14.0	11.2	37.3	35.0
Income from continuing operations before income taxes	177.2	268.9	305.0	372.8
Income tax expense from continuing operations	65.5	99.4	111.4	139.2
Income from continuing operations	111.7	169.5	193.6	233.6
Income (loss) from discontinued operations, net of tax	(0.1)	6.4	27.7	3.1
Net income	\$ 111.6	\$ 175.9	\$ 221.3	\$ 236.7
BASIC INCOME PER COMMON SHARE:				
Income from continuing operations	\$ 1.73	\$ 2.55	\$ 2.95	\$ 3.53
Income from discontinued operations		0.10	0.42	0.05
Basic net income per common share	\$ 1.73	\$ 2.65	\$ 3.37	\$ 3.58
Weighted-average common shares outstanding during the period	64.5	66.5	65.6	66.2
DILUTED INCOME PER COMMON SHARE:				
Income from continuing operations	\$ 1.69	\$ 2.50	\$ 2.89	\$ 3.46

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Income from discontinued operations			0.09		0.41		0.05
Diluted net income per common share	\$	1.69	\$	2.59	\$	3.30	\$ 3.51
Weighted-average common shares outstanding during the period plus dilutive potential common shares		66.2		67.9		67.1	67.4
Dividends declared per common share	\$	0.250	\$	0.125	\$	0.750	\$ 0.375

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)

	September 30, NINE MONTHS ENDED	September 30, JULY 3,
	JULY 2, 2011	2010
OPERATING ACTIVITIES		
Net income	\$ 221.3	\$ 236.7
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Impairment, restructuring and other charges, excluding share-based compensation expense	12.4	
Costs related to refinancing	1.2	
Share-based compensation expense	14.3	12.5
Depreciation	37.3	36.3
Amortization	8.7	8.3
Gain on sale of long-lived assets	(0.1)	(21.5)
Gain on sale of business	(93.0)	
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	(352.9)	(311.3)
Inventories	(87.8)	(13.9)
Prepaid and other assets	(8.0)	(8.4)
Accounts payable	113.9	44.9
Other current liabilities	121.8	163.5
Restructuring reserves	(0.3)	
Other non-current items	(2.7)	18.4
Other, net	0.4	(9.3)
Net cash (used in) provided by operating activities	(13.5)	156.2
INVESTING ACTIVITIES		
Proceeds from sale of long-lived assets	0.2	23.6
Proceeds from sale of business, net of transaction costs	253.9	
Investments in property, plant and equipment	(53.3)	(46.9)
Payment of contingent consideration and related	(20.0)	
Investment in acquired business, net of cash acquired	(0.8)	
Net cash provided by (used in) investing activities	180.0	(23.3)
FINANCING ACTIVITIES		
Borrowings under revolving and bank lines of credit and term loans	1,419.2	927.8
Repayments under revolving and bank lines of credit and term loans	(1,459.2)	(1,234.8)
Proceeds from issuance of Senior Notes, net of discount	200.0	198.5
Financing and issuance fees	(18.5)	(5.5)
Dividends paid	(49.4)	(25.9)
Purchase of treasury shares	(218.7)	
Payments on seller notes		(0.2)
Excess tax benefits from share-based payment arrangements	5.4	3.9
Cash received from the exercise of stock options	29.4	14.8

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Net cash used in financing activities		(91.8)		(121.4)
Effect of exchange rate changes on cash		1.5		(4.4)
Net increase in cash and cash equivalents		76.2		7.1
Cash and cash equivalents at beginning of period		88.1		70.6
Cash and cash equivalents at end of period	\$	164.3	\$	77.7
Supplemental cash flow information				
Interest paid, net of interest capitalized	\$	(33.6)	\$	(29.2)
Income taxes paid		(63.1)		