

1st QUARTER 2023

*Financial Results
and Outlook*

MCCORMICK & COMPANY, INC.

MARCH 28, 2023



The following slides accompany a March 28, 2023, earnings release conference call. This information should be read in conjunction with the press release issued on that date.

FORWARD-LOOKING INFORMATION

Certain information contained in this release, including statements concerning expected performance, such as those relating to net sales, gross margin, earnings, cost savings, special charges, acquisitions, brand marketing support, volume and product mix, income tax expense and the impact of foreign currency rates are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by the use of words such as “may,” “will,” “expect,” “should,” “anticipate,” “intend,” “believe” and “plan” and similar expressions. These statements may relate to: the impact of the COVID-19 pandemic on our business, suppliers, consumers, customers, and employees; disruptions or inefficiencies in the supply chain, including any impact of COVID-19; the expected results of operations of businesses acquired by the company; the expected impact of the inflationary cost environment, including commodity, packaging materials and transportation costs on our business; the expected impact of pricing actions on the company's results of operations and gross margins; the impact of price elasticity on our sales volume and mix; the expected impact of factors affecting our supply chain, including transportation capacity, labor shortages, and absenteeism; the expected impact of productivity improvements, including those associated with our Comprehensive Continuous Improvement (CCI) program, streamlining actions, including our GOE program, and global enablement initiative; the impact of the ongoing conflict between Russia and Ukraine, including the potential for broader economic disruption; expected working capital improvements; expectations regarding growth potential in various geographies and markets, including the impact from customer, channel, category, and e-commerce expansion; expected trends in net sales and earnings performance and other financial measures; the expected timing and costs of implementing our business transformation initiative, which includes the implementation of a global enterprise resource planning (ERP) system; the expected impact of accounting pronouncements; the expectations of pension and postretirement plan contributions and anticipated charges associated with those plans; the holding period and market risks associated with financial instruments; the impact of foreign exchange fluctuations; the adequacy of internally generated funds and existing sources of liquidity, such as the availability of bank financing; the anticipated sufficiency of future cash flows to enable the payments of interest and repayment of short- and long-term debt, working capital needs, planned capital expenditures, as well as quarterly dividends and the ability to obtain additional short- and long-term financing or issue additional debt securities; and expectations regarding purchasing shares of McCormick's common stock under the existing repurchase authorization.

These and other forward-looking statements are based on management's current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by factors such as: the company's ability to drive revenue growth; the company's ability to increase pricing to offset, or partially offset, inflationary pressures on the cost of our products; damage to the company's reputation or brand name; loss of brand relevance; increased private label use; the company's ability to drive productivity improvements, including those related to our CCI program and streamlining actions, including our GOE program; product quality, labeling, or safety concerns; negative publicity about our products; actions by, and the financial condition of, competitors and customers; the longevity of mutually beneficial relationships with our large customers; the ability to identify, interpret and react to changes in consumer preference and demand; business interruptions due to natural disasters, unexpected events or public health crises, including COVID-19; issues affecting the company's supply chain and procurement of raw materials, including fluctuations in the cost and availability of raw and packaging materials; labor shortage, turnover and labor cost increases; the impact of the ongoing conflict between Russia and Ukraine, including the potential for broader economic disruption; government regulation, and changes in legal and regulatory requirements and enforcement practices; the lack of successful acquisition and integration of new businesses; global economic and financial conditions generally, including stability of financial institutions, availability of financing, interest and inflation rates, and the imposition of tariffs, quotas, trade barriers and other similar restrictions; foreign currency fluctuations; the effects of increased level of debt service following the Cholula and FONA acquisitions as well as the effects that such increased debt service may have on the company's ability to borrow or the cost of any such additional borrowing, our credit rating, and our ability to react to certain economic and industry conditions; risks associated with the phase-out of LIBOR; impairments of indefinite-lived intangible assets; assumptions we have made regarding the investment return on retirement plan assets, and the costs associated with pension obligations; the stability of credit and capital markets; risks associated with the company's information technology systems, including the threat of data breaches and cyber-attacks; the company's inability to successfully implement our business transformation initiative; fundamental changes in tax laws; including interpretations and assumptions we have made, and guidance that may be issued, and volatility in our effective tax rate; climate change; Environmental, Social and Governance (ESG) matters; infringement of intellectual property rights, and those of customers; litigation, legal and administrative proceedings; the company's inability to achieve expected and/or needed cost savings or margin improvements; negative employee relations; and other risks described in the company's filings with the Securities and Exchange Commission.

Actual results could differ materially from those projected in the forward-looking statements. The company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.



Lawrence Kurzcius

Chairman and
Chief Executive Officer



SOLID FIRST QUARTER 2023 RESULTS

STRONG DEMAND AND INCREASING PROFIT REALIZATION

SALES PERFORMANCE

- Strength of broad global portfolio
- Strong demand
- Effective execution of strategies

GROSS MARGIN IMPROVEMENT

- Global Operating Effectiveness program cost savings in line with expectations
- Pressure points being addressed with a level of urgency

CONFIDENCE IN OUR PLANS AND 2023 OUTLOOK



FIRST QUARTER 2023 FINANCIAL RESULTS

NET SALES GREW 5%¹

- Strong underlying business performance
 - 11% growth from pricing actions
 - 3% decline in underlying volume and mix decline
- Other impacts contributing to volume decline
 - 1% from Kitchen Basics divestiture and exit of Consumer business in Russia
 - 1% from COVID-related disruptions in China

ADJUSTED OPERATING INCOME INCREASED 2%¹

ADJUSTED EARNINGS PER SHARE DECLINED 6%

- Higher interest expense and a higher effective tax rate

1) In constant currency



FIRST QUARTER CONSUMER SEGMENT UPDATE

STRONG UNDERLYING PERFORMANCE AND POSITIVE CONSUMPTION MOMENTUM

AMERICAS

- U.S. branded portfolio consumption growth versus 1Q 2022
- Volume performance better than 4Q 2022 on higher price realization
- Acceleration in U.S. spices and seasonings dollars and units



EMEA

- Solid share performance in herbs, spices and seasonings in most markets
- U.K. hot sauce category growth driven by Frank's and Cholula
- Expanded distribution and share gains in fast-growing discount channel



APZ

- COVID-related disruptions in China impacted growth
- Exit of low margin business in India impacted growth
- New products and brand marketing drove growth outside of China and India



CONSUMER SEGMENT GROWTH PLANS

RENOVATING OUR U.S. EVERYDAY SPICE & SEASONINGS LINE



CONSUMER SEGMENT GROWTH PLANS

DRIVING GROWTH WITH NEW PRODUCTS AND BRAND MARKETING INVESTMENTS

LAUNCHING NEW PRODUCTS

Inspiring flavor exploration and delivering convenience



INVESTING IN BRAND MARKETING

Supporting our brands with increased investments



BUILDING OUR HEAT PLATFORM

Launching hot new products in all regions



FIRST QUARTER FLAVOR SOLUTIONS SEGMENT UPDATE

CONTINUATION OF OUTSTANDING SALES PERFORMANCE

AMERICAS

- Strong growth in snack seasonings driven by new products and base business
- Double-digit growth in flavors for performance nutrition and health applications

EMEA

- Broad-based growth across the portfolio led by higher sales to QSR customers
- Price realization nearly doubled versus 4Q 2022

APZ

- Solid volume growth in markets outside of China driven by QSR demand



FLAVOR SOLUTIONS GROWTH PLANS

ENTERED 2023 WITH ROBUST NEW PRODUCT PIPELINE

FUELING GROWTH WITH OUR DIFFERENTIATION

Culinary Foundation



Consumer Insights

Proprietary Technologies



Differentiated Customer Experience

CAPITALIZING ON THE ON THE POWER OF McCORMICK AND FONA

McCormick Flavor solutions



McCormick FONA

TARGETING OPPORTUNITIES IN HIGH-GROWTH AREAS



Alcoholic Beverages



Savory Snacks



Performance Nutrition

LAUNCHING BRANDED FOODSERVICE INNOVATION



GLOBAL DEMAND FOR FLAVOR IS FOUNDATION OF SALES GROWTH

McCORMICK IS END-TO-END FLAVOR

CAPITALIZING ON ACCELERATED LONG-TERM CONSUMER TRENDS



HEALTHY AND FLAVORFUL COOKING

DIGITAL ENGAGEMENT

TRUSTED BRANDS

PURPOSE-MINDED PRACTICES

INTENTIONALLY FOCUSED ON FAST GROWING CATEGORIES¹



CONFIDENCE IN DRIVING TOTAL SHAREHOLDER RETURN

Confidence in growth momentum and ability to navigate environment with:

- Strength of business model and value of products and capabilities
- Execution of proven strategies

Well-positioned to drive profitable growth in 2023 with three focused priorities:

- Capitalizing on strong demand
- Optimizing cost structure
- Positioning McCormick to deliver sustainable growth

Robust growth plans in place and delivering on profit realization commitment

Momentum and success driven by McCormick employees

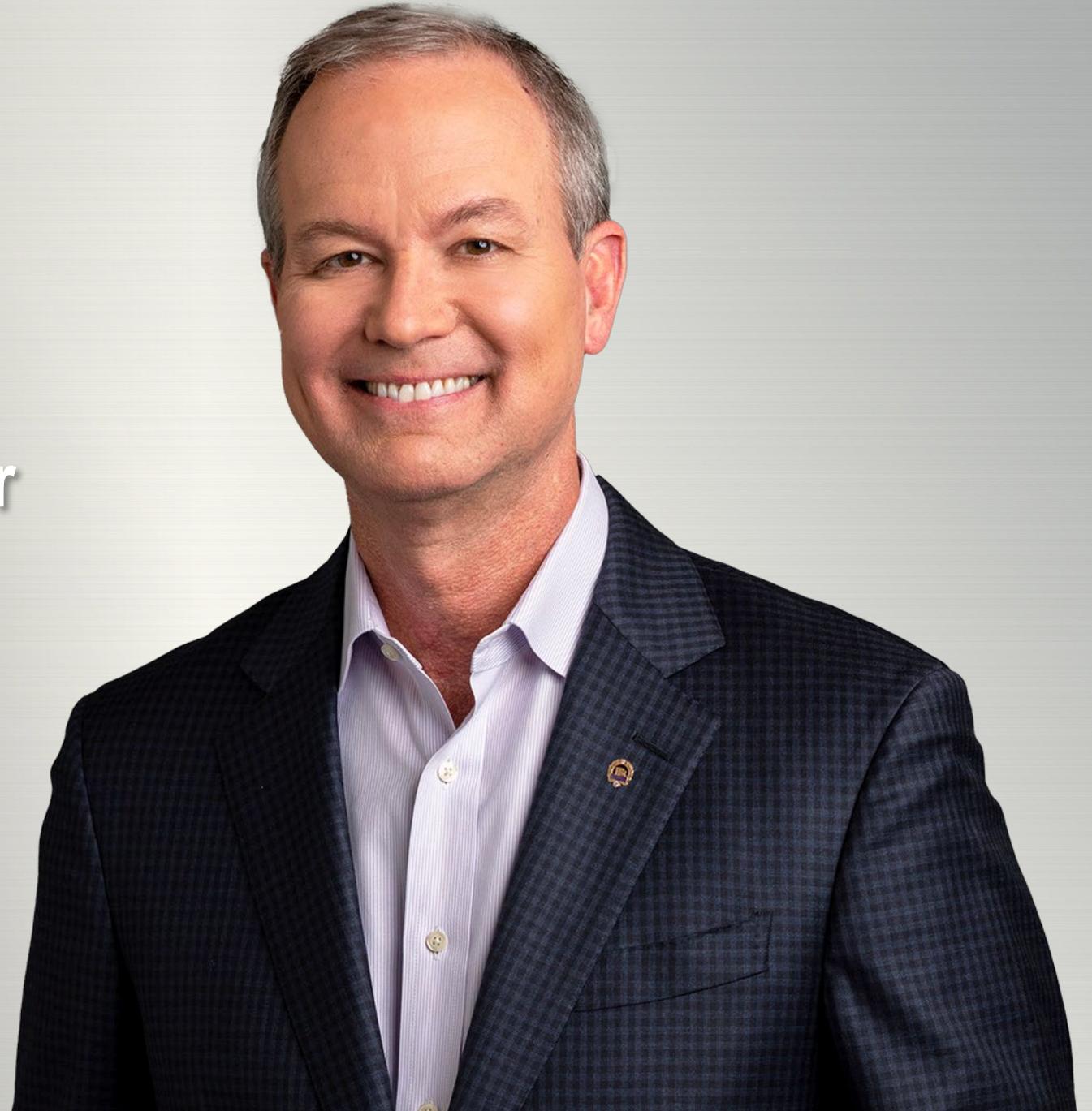
Long-term fundamentals that drove industry-leading performance remain intact





Mike Smith

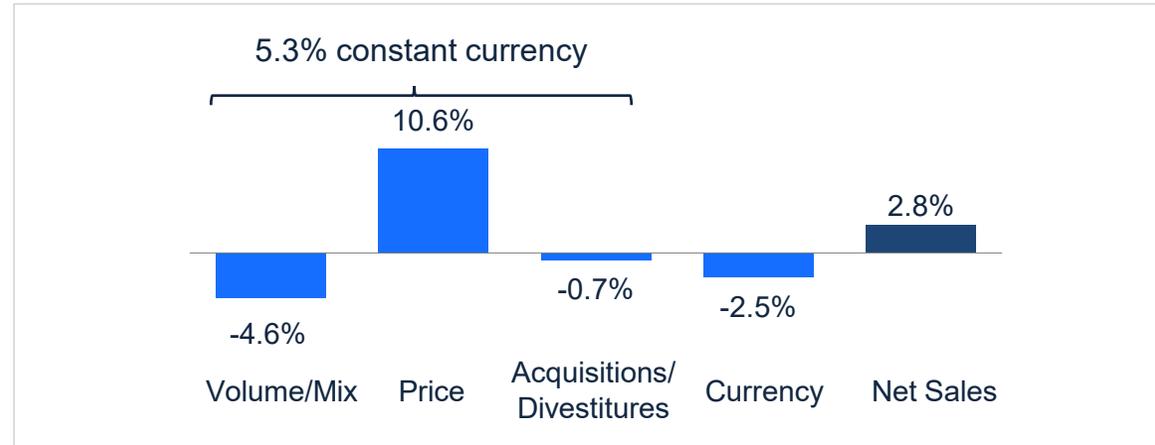
Executive Vice President
and Chief Financial Officer



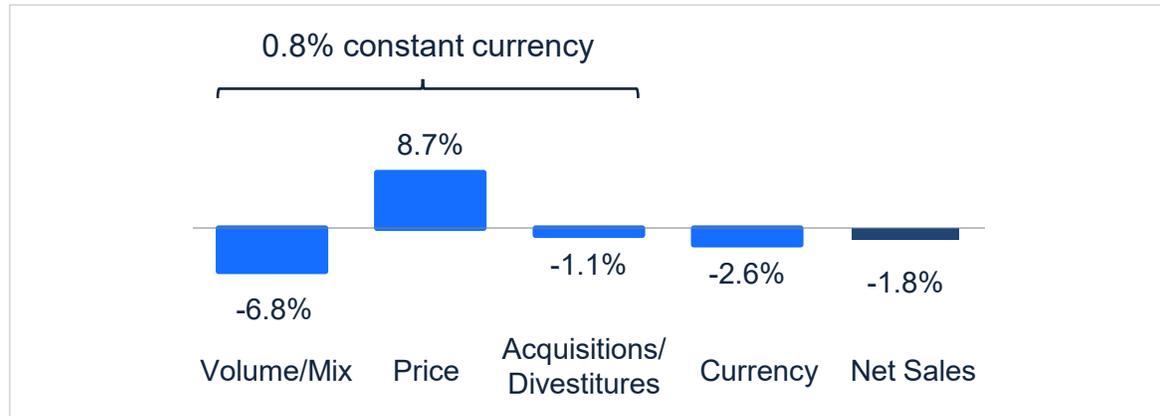


1Q 2023 SALES RESULTS

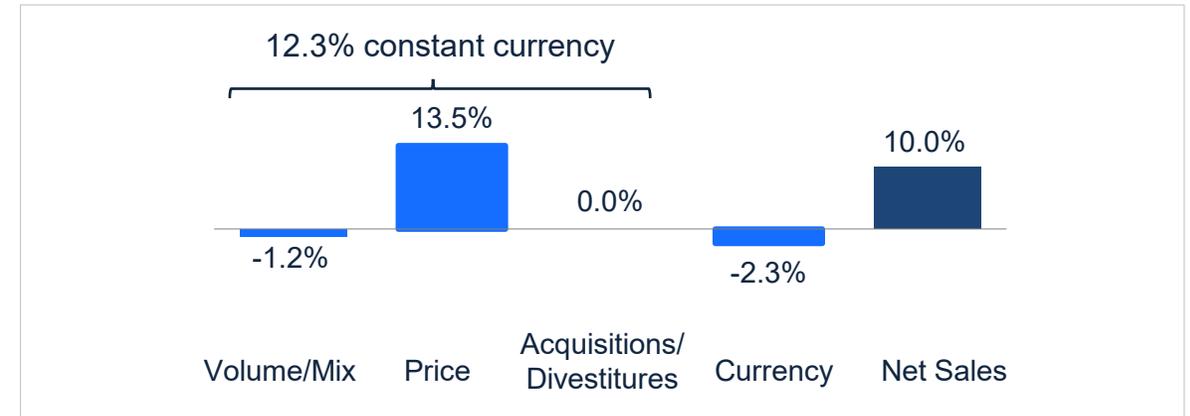
TOTAL COMPANY



CONSUMER



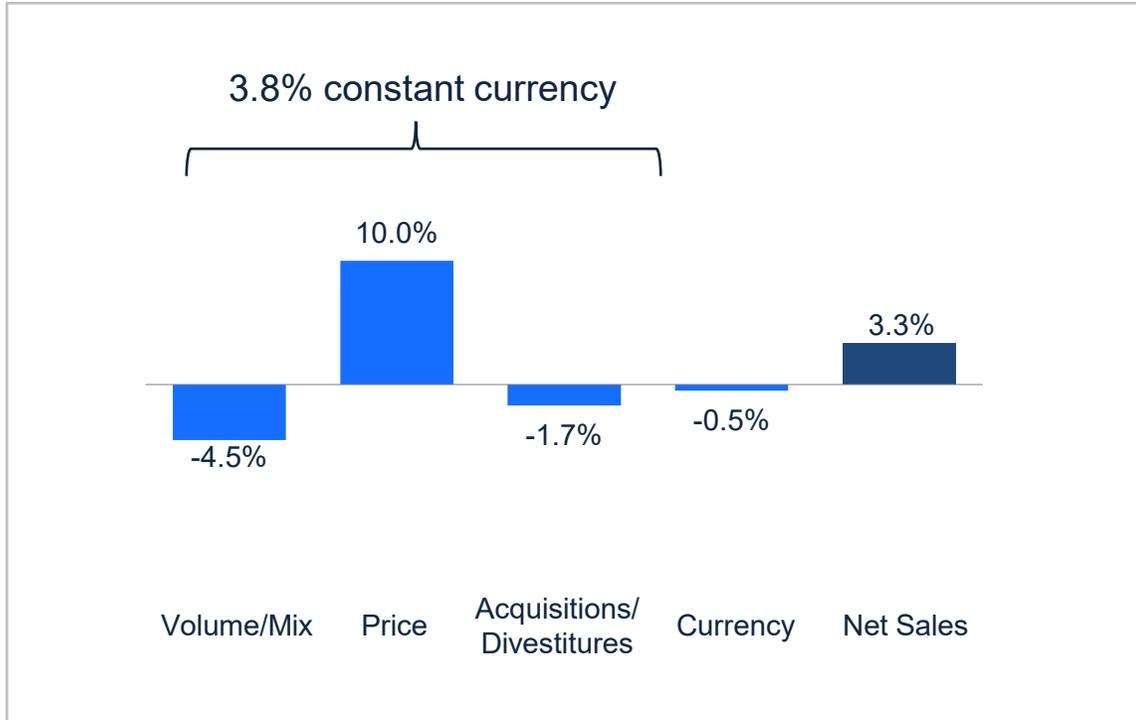
FLAVOR SOLUTIONS





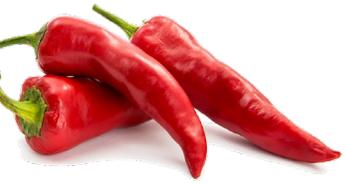
1Q 2023 SALES RESULTS: CONSUMER SEGMENT

AMERICAS CONSUMER



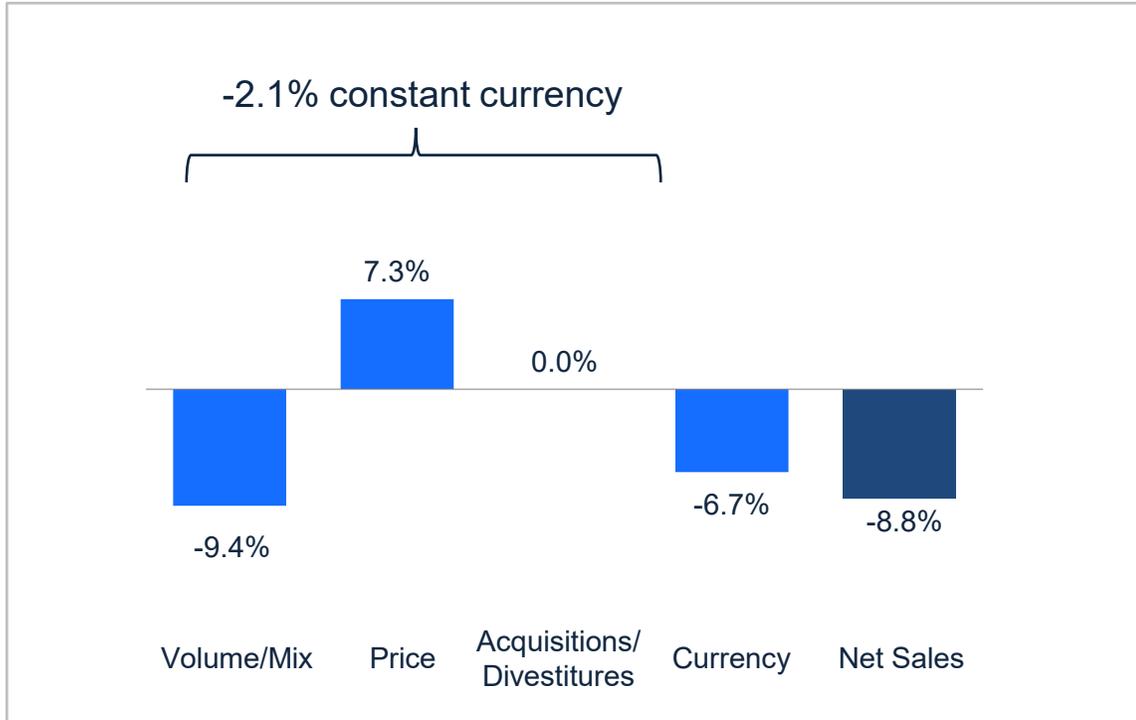
- Pricing actions to offset cost increases
- Broad-based growth across all product categories
- Volume decline impacted by lapping elevated demand due to Omicron in 1Q 2022
- 2% decline from Kitchen Basics divestiture





1Q 2023 SALES RESULTS: CONSUMER SEGMENT

EMEA CONSUMER



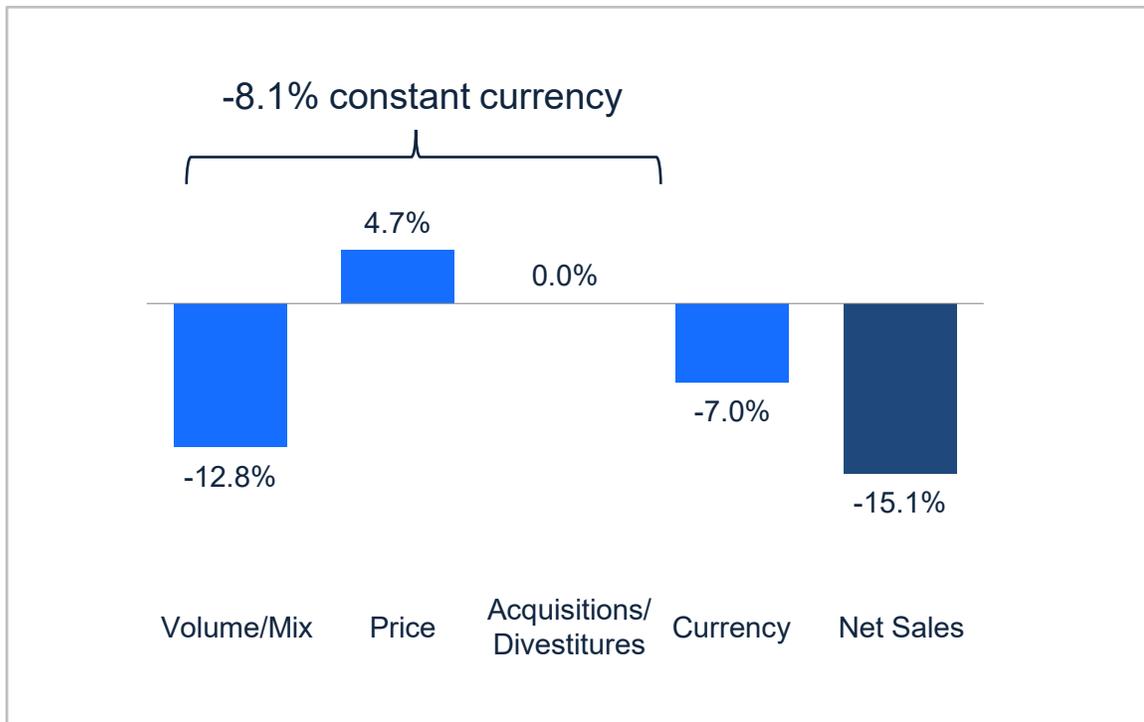
- Pricing actions to offset cost increases
- Volume and mix decline included:
 - 4% impact from lower sales in Russia
 - Impact of lapping elevated demand due to Omicron in 1Q 2022





1Q 2023 SALES RESULTS: CONSUMER SEGMENT

ASIA / PACIFIC CONSUMER



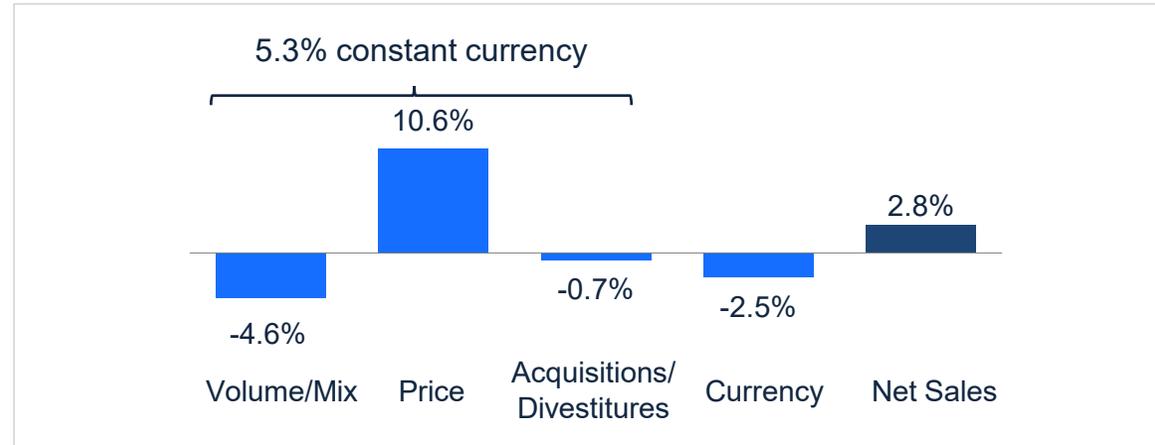
- Volume and mix includes a 11% decline driven by:
 - Consumption disruption in China related to COVID
 - Exit of low margin business in India
- Pricing actions to offset cost inflation



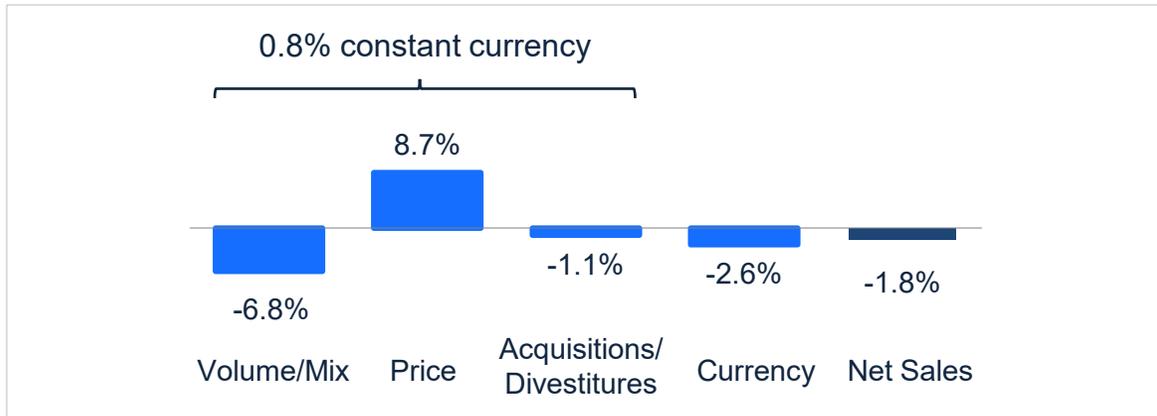


1Q 2023 SALES RESULTS

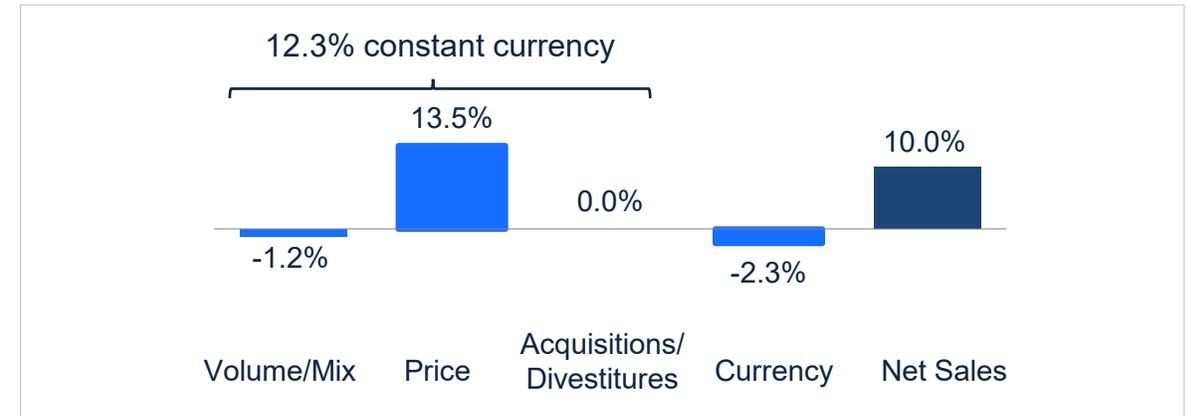
TOTAL COMPANY



CONSUMER

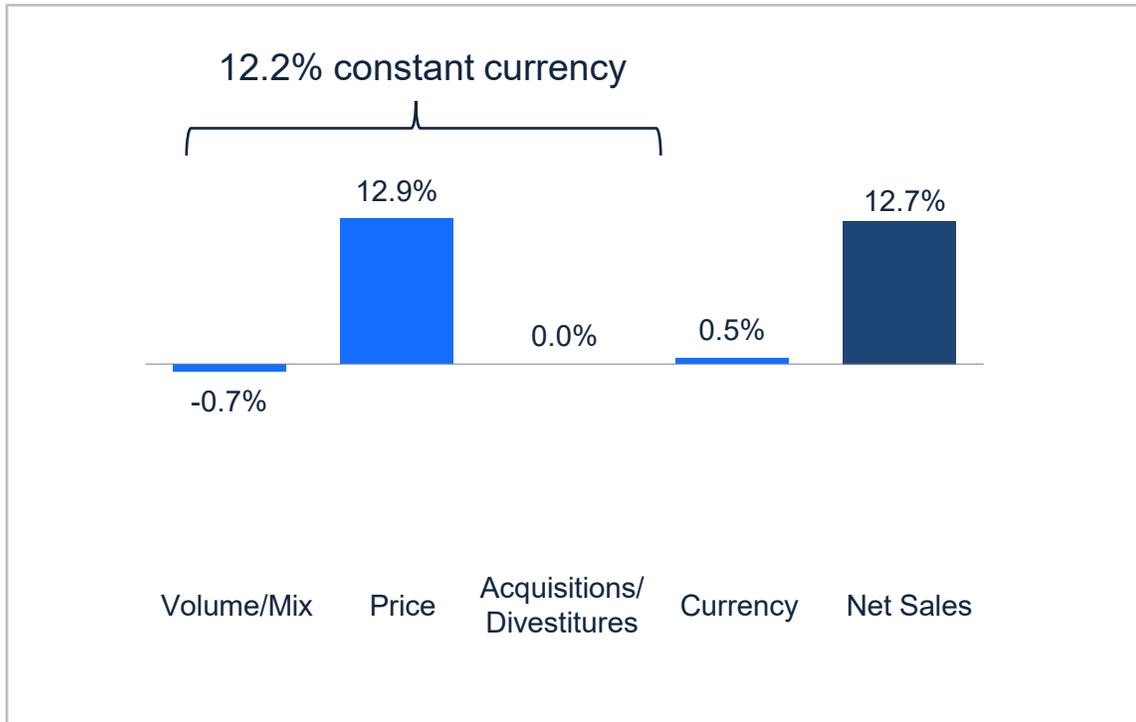


FLAVOR SOLUTIONS



1Q 2023 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

AMERICAS FLAVOR SOLUTIONS

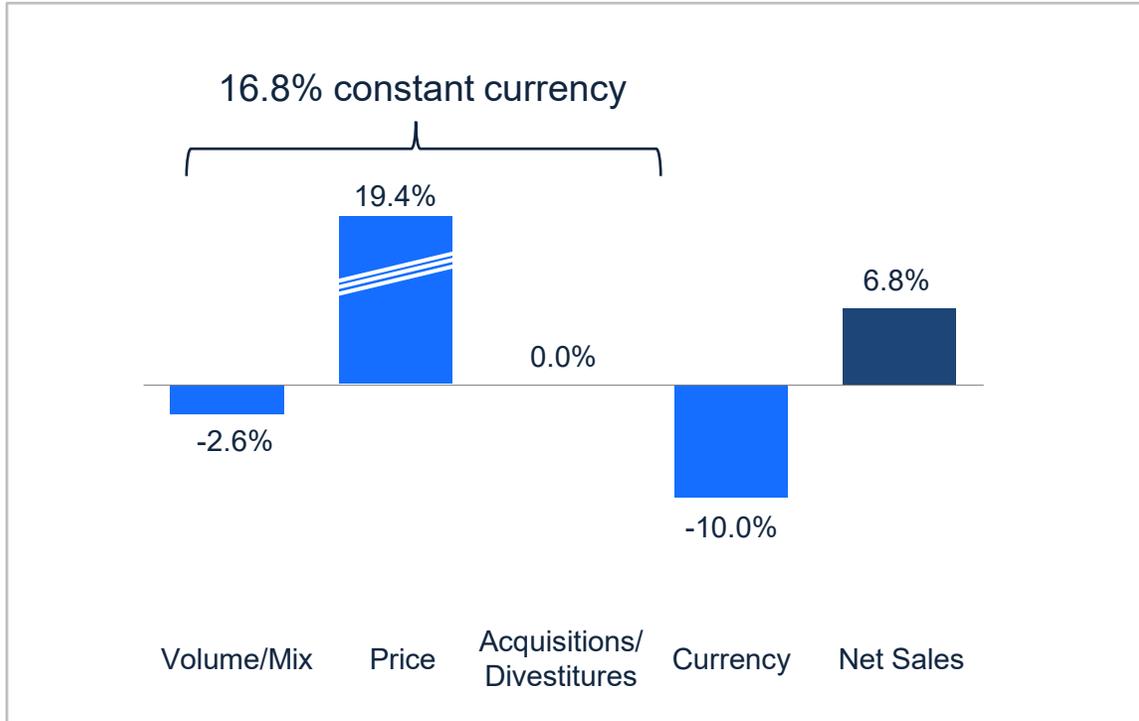


- Pricing actions to offset cost inflation
- Volume and mix impacted by:
 - Strong volume growth in snack seasonings and flavors for performance nutrition and health applications
 - Lower volume of away-from-home products due to cold weather impact on customers' businesses
 - Impact of pruning low margin business



1Q 2023 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

EMEA FLAVOR SOLUTIONS



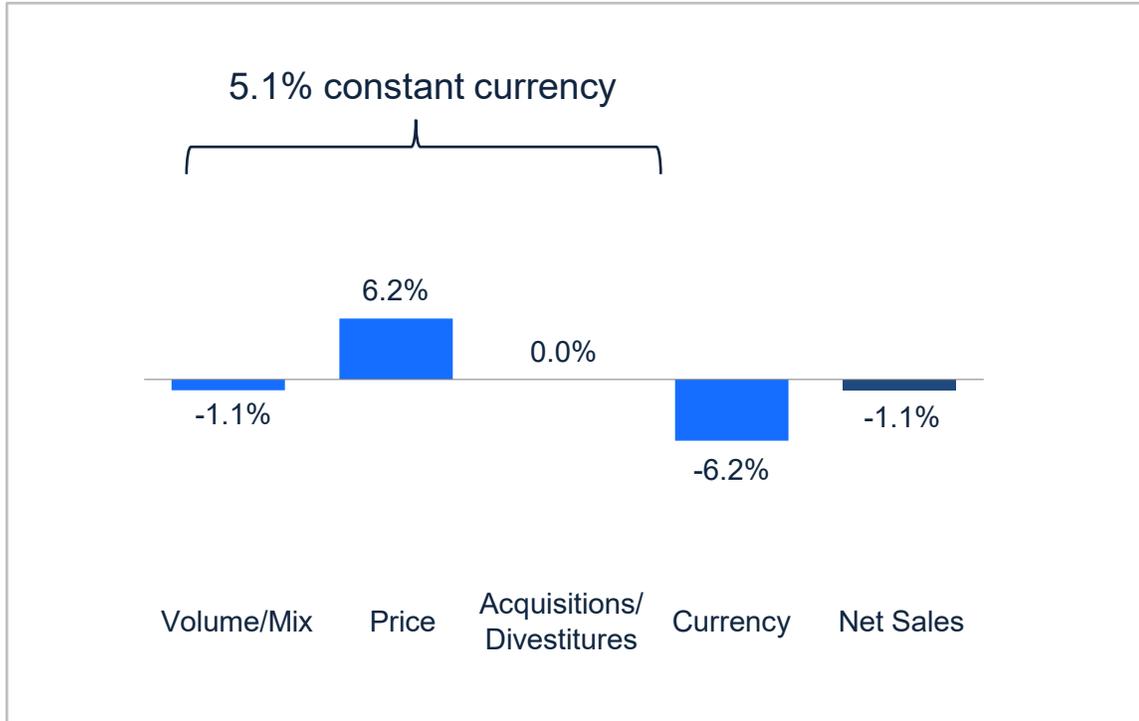
- Pricing actions to offset cost inflation
- Broad-based growth across portfolio led by higher sales to quick service restaurant customers
- Volume decline driven primarily by lower volume in the businesses of some packaged food and beverage customers





1Q 2023 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

ASIA / PACIFIC FLAVOR SOLUTIONS



- Pricing actions to offset cost inflation
- Volume and product mix decline driven by:
 - Scaled back quick service restaurant activities in China due to COVID-related disruptions
 - Partially offset by quick service restaurant growth outside of China





GROSS MARGIN

<i>(in millions)</i>	1Q 2023	1Q 2022	1Q Fav/(Unfav) Change
Gross Margin	36.0%	36.8%	(80) bps
Adjusted Gross Margin	36.0%	36.8%	(80) bps

- Unfavorable gross margin impacts
 - Elevated costs to meet high Flavor Solutions demand in certain parts of business
 - Dual running costs related to Flavor Solutions manufacturing facility transition
 - Sales shift between Consumer and Flavor Solutions segments compared to 1Q 2022
- Global Operating Effectiveness and CCI-led savings programs favorably impacted gross margin
- Pricing actions offset current year inflation and continued to recover cost inflation lagged in the last two years





OPERATING INCOME

<i>(in millions)</i>	1Q 2023	1Q 2022	1Q Fav/(Unfav) Change
Selling, general & administrative expenses as percent of net sales	21.5%	21.9%	40 bps
Operating income	\$199.0	\$206.9	(4%)
Adjusted operating income	\$226.8	\$227.1	0%
Consumer	173.4	167.0	4%
Flavor Solutions	53.4	60.1	(11%)

- Selling, general and administrative expenses as a percent of net sales decreased 40 basis points
 - Expense level comparable to 1Q 2022
 - Decline in percentage driven by leverage from sales growth
- 2% constant currency adjusted operating income growth for total company, 6% for Consumer segment and (11%) for Flavor Solutions segment
- Special charges and integration expenses were \$27.8 million in 1Q 2023 versus \$20.2 million in 1Q 2022





INTEREST EXPENSE AND INCOME TAXES

<i>(in millions)</i>	1Q 2023	1Q 2022	1Q Fav/(Unfav) Change
Interest Expense	\$50.6	\$33.1	(53%)
Income tax rate	21.6%	19.1%	(246 bps)
Adjusted income tax rate	21.8%	19.7%	(211 bps)

- Increased interest expense driven by the higher rate environment
- Higher adjusted effective tax rate in 1Q 2023 as impact of favorable discrete items was more significant in 1Q 2022



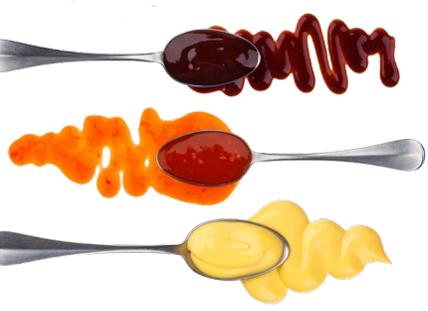


EARNINGS PER SHARE

	1Q 2023	1Q 2022	1Q Fav/(Unfav) Change
Earnings per share	\$0.52	\$0.57	(9%)
Adjusted earnings per share	\$0.59	\$0.63	(6%)

Change in adjusted earnings per share

Increase in interest expense	(0.05)
Increase in adjusted income tax rate	(0.02)
Increase in unconsolidated income	0.02
Increase in other income	<u>0.01</u>
Total decrease	<u>(\$0.04)</u>



BALANCE SHEET AND CASH FLOW

- Cash flow provided from operations was \$103 million
 - Comparison to \$18 million in 1Q 2022
 - Increase driven by lower incentive compensation payments
- \$105 million of cash returned to shareholders through dividends
- Capital expenditures of \$62 million in 1Q 2023

BALANCED USE OF CASH



- ✓ Drive growth
- ✓ Return to shareholders
- ✓ Pay down debt

2023 expected to be a year of strong cash flow driven by profit and working capital initiatives



2023 OUTLOOK

DISCRETE YEAR-OVER-YEAR DRIVERS

	CONSTANT CURRENCY GUIDANCE	GLOBAL OPERATING EFFECTIVENESS PROGRAM	NET CHINA RECOVERY	KITCHEN BASICS DIVESTITURE	INCENTIVE COMP REBUILD	INTEREST HEADWIND ¹	TAX HEADWIND	UNDERLYING BUSINESS GROWTH
Sales	5% to 7%		1%					4% to 6%
Operating Profit	9% to 11%	8%	3%	-1%	-8%			7% to 9%
EPS	1% to 3%	8%	3%	-1%	-8%	-8%	-1%	8% to 10%

1) Interest headwind includes interest expense and lapping the favorable impact from optimization of the debt portfolio in 3Q 2022. The non-GAAP measure included herein, which we refer to as "constant currency", excludes the impact of foreign currency exchange. The Company expects minimal impact on net sales, operating income, and earnings per share from currency rates in 2023.





2023 OUTLOOK

	Reported Currency	Constant Currency
Sales growth	5% to 7%	5% to 7%
Adjusted operating income increase	9% to 11%	9% to 11%
CCI-led cost savings	Approximately \$85M	
Cost inflation	Low to mid-teens increase	
Adjusted gross profit margin	Up 25 to 75 bps	
Brand marketing	Low single-digit increase	
Interest expense	\$200M to \$210M	
Adjusted income from unconsolidated operations	Mid-teens increase	
Adjusted tax rate	Approximately 22%	
Adjusted earnings per share	\$2.56 to \$2.61	
Adjusted earnings per share growth	1% to 3%	1% to 3%
Shares outstanding	Approximately 270M to 271M	



CONFIDENT IN DELIVERING 2023 OUTLOOK AND BUILDING SHAREHOLDER VALUE

First quarter performance reflects:

- Sales growth from strength of portfolio and pricing catching up with inflation
- Gross margin improvement and urgency in addressing pressure points
- Effective execution of strategies

Balance of the year expectations:

- Sales growth at an accelerated rate driven by robust growth plans
- Impact of cost structure optimization to scale up as year progresses

Well-positioned with relentless focus on growth, performance and people to realize long-term sustainable earnings growth



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NON-GAAP FINANCIAL MEASURES

The tables below include financial measures of adjusted operating income, adjusted operating income margin, adjusted income tax expense, adjusted income tax rate, adjusted net income and adjusted diluted earnings per share. These represent non-GAAP financial measures which are prepared as a complement to our financial results prepared in accordance with United States generally accepted accounting principles. These financial measures exclude the impact, as applicable, of the following:

Special charges – In our consolidated income statement, we include a separate line item captioned “Special charges” in arriving at our consolidated operating income. Special charges consist of expenses and income associated with certain actions undertaken by the Company to reduce fixed costs, simplify or improve processes, and improve our competitiveness and are of such significance in terms of both up-front costs and organizational/structural impact to require advance approval by our Management Committee. Expenses associated with the approved action are classified as special charges upon recognition and monitored on an on-going basis through completion.

Transaction and integration expenses – We exclude certain costs associated with our acquisitions and their subsequent integration into the Company. Such costs, which we refer to as “Transaction and integration expenses”, include transaction costs associated with each acquisition, as well as integration costs following the respective acquisition, including the impact of the acquisition date fair value adjustment for inventories, together with the impact of discrete tax items, if any, directly related to each acquisition.

Gain on sale of Kitchen Basics - We exclude the gain realized upon our sale of the Kitchen Basics business in August 2022. As more fully described in note 17 in our Annual Report on Form 10-K for the year ended November 30, 2022, the pre-tax gain associated with the sale was \$49.6 million and is included in Other income, net in our consolidated income statement for the year ended November 30, 2022.

We believe that these non-GAAP financial measures are important. The exclusion of the items noted above provides additional information that enables enhanced comparisons to prior periods and, accordingly, facilitates the development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of our ongoing operations and analyze our business performance and trends.

These non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but they should not be considered a substitute for, or superior to, GAAP results. In addition, these non-GAAP financial measures may not be comparable to similarly titled measures of other companies because other companies may not calculate them in the same manner that we do. We intend to continue to provide these non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting. A reconciliation of these non-GAAP financial measures to the related GAAP financial measures is provided below:



NON-GAAP FINANCIAL MEASURES

(in millions except per share data)

	Three Months Ended	
	2/28/2023	2/28/2022
Operating income	\$ 199.0	\$ 206.9
Impact of transaction and integration expenses	-	0.7
Impact of special charges	27.8	19.5
Adjusted operating income	<u>\$ 226.8</u>	<u>\$ 227.1</u>
% decrease versus year-ago period	<u>(0.1)%</u>	
Adjusted operating income margin (1)	14.5%	14.9%
Income tax expense	\$ 34.4	\$ 34.4
Impact of transaction and integration expenses	-	0.2
Impact of special charges	6.5	4.9
Adjusted income tax expense	<u>\$ 40.9</u>	<u>\$ 39.5</u>
Adjusted income tax rate (2)	21.8%	19.7%
Net income	\$ 139.1	\$ 154.9
Impact of transaction and integration expenses	-	0.5
Impact of special charges	21.3	14.6
Adjusted net income	<u>\$ 160.4</u>	<u>\$ 170.0</u>
% decrease versus year-ago period	<u>(5.6)%</u>	
Earnings per share - diluted	\$ 0.52	\$ 0.57
Impact of special charges	0.07	0.06
Adjusted earnings per share - diluted	<u>\$ 0.59</u>	<u>\$ 0.63</u>
% decrease versus year-ago period	<u>(6.3)%</u>	

- 1) Adjusted operating income margin is calculated as adjusted operating income as a percentage of net sales for each period presented.
- 2) Adjusted income tax rate is calculated as adjusted income tax expense as a percentage of income from consolidated operations before income taxes excluding transaction and integration expenses and special charges of \$187.3 million and \$200.2 million for the three months ended February 28, 2023 and 2022, respectively.



NON-GAAP FINANCIAL MEASURES

Because we are a multi-national company, we are subject to variability of our reported U.S. dollar results due to changes in foreign currency exchange rates. Those changes have been volatile over the past several years. The exclusion of the effects of foreign currency exchange, or what we refer to as amounts expressed “on a constant currency basis”, is a non-GAAP measure. We believe that this non-GAAP measure provides additional information that enables enhanced comparison to prior periods excluding the translation effects of changes in rates of foreign currency exchange and provides additional insight into the underlying performance of our operations located outside of the U.S. It should be noted that our presentation herein of amounts and percentage changes on a constant currency basis does not exclude the impact of foreign currency transaction gains and losses (that is, the impact of transactions denominated in other than the local currency of any of our subsidiaries in their local currency reported results).

Percentage changes in sales and adjusted operating income expressed on a constant currency basis are presented excluding the impact of foreign currency exchange. To present this information for historical periods, current period results for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the average exchange rates in effect during the corresponding period of the comparative year, rather than at the actual average exchange rates in effect during the current fiscal year. As a result, the foreign currency impact is equal to the current year results in local currencies multiplied by the change in the average foreign currency exchange rate between the current fiscal period and the corresponding period of the comparative year. Rates of constant currency growth (decline) follow:

	Three Months Ended February 28, 2023		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales			
Consumer Segment			
Americas	3.3%	(0.5)%	3.8%
EMEA	(8.8)%	(6.7)%	(2.1)%
Asia/Pacific	(15.1)%	(7.0)%	(8.1)%
Total Consumer segment	(1.8)%	(2.6)%	0.8%
Flavor Solutions Segment			
Americas	12.7%	0.5%	12.2%
EMEA	6.8%	(10.0)%	16.8%
Asia/Pacific	(1.1)%	(6.2)%	5.1%
Total Flavor Solutions segment	10.0%	(2.3)%	12.3%
Total net sales	2.8%	(2.5)%	5.3%
Adjusted operating income			
Consumer segment	3.8%	(2.3)%	6.1%
Flavor Solutions segment	(11.1)%	(0.4)%	(10.7)%
Total adjusted operating income	(0.1)%	(1.8)%	1.7%

NON-GAAP FINANCIAL MEASURES

To present "constant currency" information for the fiscal year 2023 projection, projected sales and adjusted operating income for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the company's budgeted exchange rates for 2023 and are compared to the 2022 results, translated into U.S. dollars using the same 2023 budgeted exchange rates, rather than at the average actual exchange rates in effect during fiscal year 2022. To estimate the percentage change in adjusted earnings per share on a constant currency basis, a similar calculation is performed to arrive at adjusted net income divided by historical shares outstanding for fiscal year 2022 or projected shares outstanding for fiscal year 2023, as appropriate. The following provides a reconciliation of our estimated earnings per share to adjusted earnings per share for 2023 and actual results for 2022:

	Twelve Months Ended	
	2023 Projection	11/30/2022
Earnings per share - diluted	\$2.42 to \$2.47	\$ 2.52
Impact of transaction and integration expenses	-	0.01
Impact of special charges	0.14	0.14
Impact of after-tax gain on sale of Kitchen Basics	-	(0.14)
Adjusted earnings per share - diluted	<u>\$2.56 to \$2.61</u>	<u>\$ 2.53</u>

