

2nd QUARTER 2023 *Financial Results and Outlook*

McCORMICK & COMPANY, INC.

June 29, 2023



The following slides accompany a June 29, 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 presentation, 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 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 success of our brand marketing, new products, category management and customer engagement plans; 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



STRONG SECOND QUARTER 2023 RESULTS

SUSTAINED DEMAND AND EFFECTIVE STRATEGY EXECUTION

Delivered double-digit constant currency sales growth

Drove meaningful year-over-year margin expansion

Achieved GOE cost savings in line with expectations

Grew adjusted earnings per share by 25%

Generated more than double year-to-date cash flow from operations

RAISED 2023 PROFIT OUTLOOK



SECOND QUARTER 2023 FINANCIAL RESULTS

Net sales grew 10%¹

Gross margin expanded 310 bps

Adjusted operating income increased 36%¹

Adjusted earnings per share increased 25%



STRONG SALES PERFORMANCE IN BOTH SEGMENTS AND ALL REGIONS

CONSUMER

Strong price realization and volume improvement

FLAVOR SOLUTIONS

9th consecutive quarter double-digit sales growth

1) In constant currency



CONFIDENT IN DRIVING CONTINUED PROFITABLE GROWTH

Strong first half results

Robust sustained demand

Continued margin improvement

Ongoing cost structure optimization

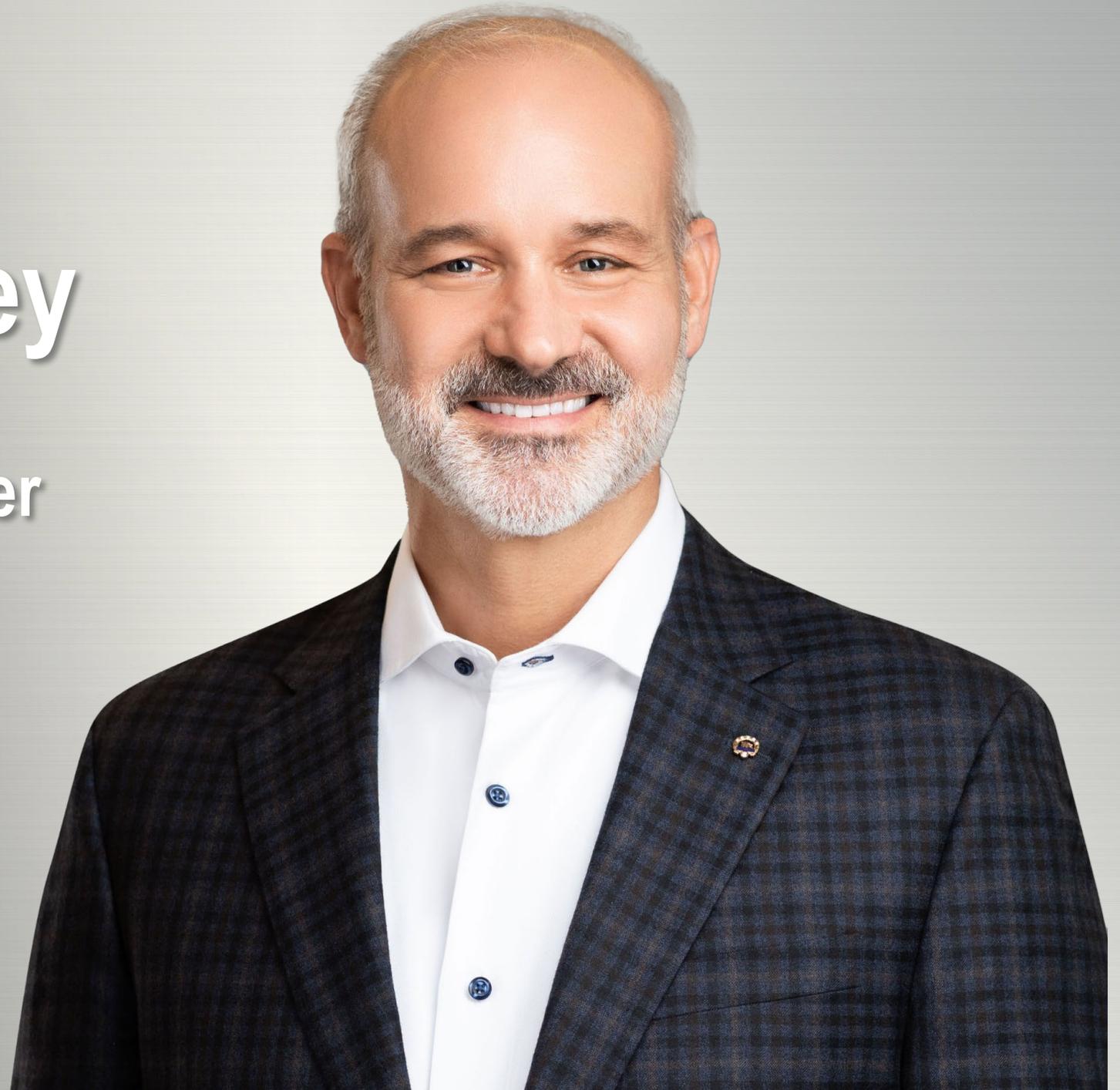


SUCCESS DRIVEN BY COLLECTIVE POWER OF MCCORMICK
EMPLOYEES



Brendan Foley

President and
Chief Operating Officer



SECOND QUARTER CONSUMER SEGMENT UPDATE – AMERICAS

DRIVING CONSUMPTION MOMENTUM

Sequential dollar and unit improvement in Spices & Seasonings
 Lawry's & Super Deal delivering incremental growth
 Renovation progressing as planned; 30% of SKUS on shelf
 Double-digit e-commerce growth



KICKING-OFF GRILLING SEASON

Firing up the grill with new products and strong promotions



EXPANDING INTO MEXICAN AISLE

Great start following Cinco de Mayo execution



ACCELERATING BRAND MARKETING INVESTMENTS

Continuing to drive growth with significant 3Q investments



SECOND QUARTER CONSUMER SEGMENT UPDATE – EMEA & APZ

EMEA

Strongest quarterly sales performance in two years

Solid consumption and share performance

Meaningful progress in fast growing discount channel

New products and brand marketing driving growth



APZ

Robust China recovery but lower than expected

Double-digit growth in markets outside of China



SECOND QUARTER FLAVOR SOLUTIONS SEGMENT UPDATE

AMERICAS

Strong growth in seasonings driven by new products and base business

Double-digit growth in performance nutrition beverages and health applications

Share gains continued in branded foodservice



EMEA

Broad-based growth led by higher sales to QSR customers

Strong growth despite pruning lower margin business



APZ

China recovery and strong QSR customer promotions

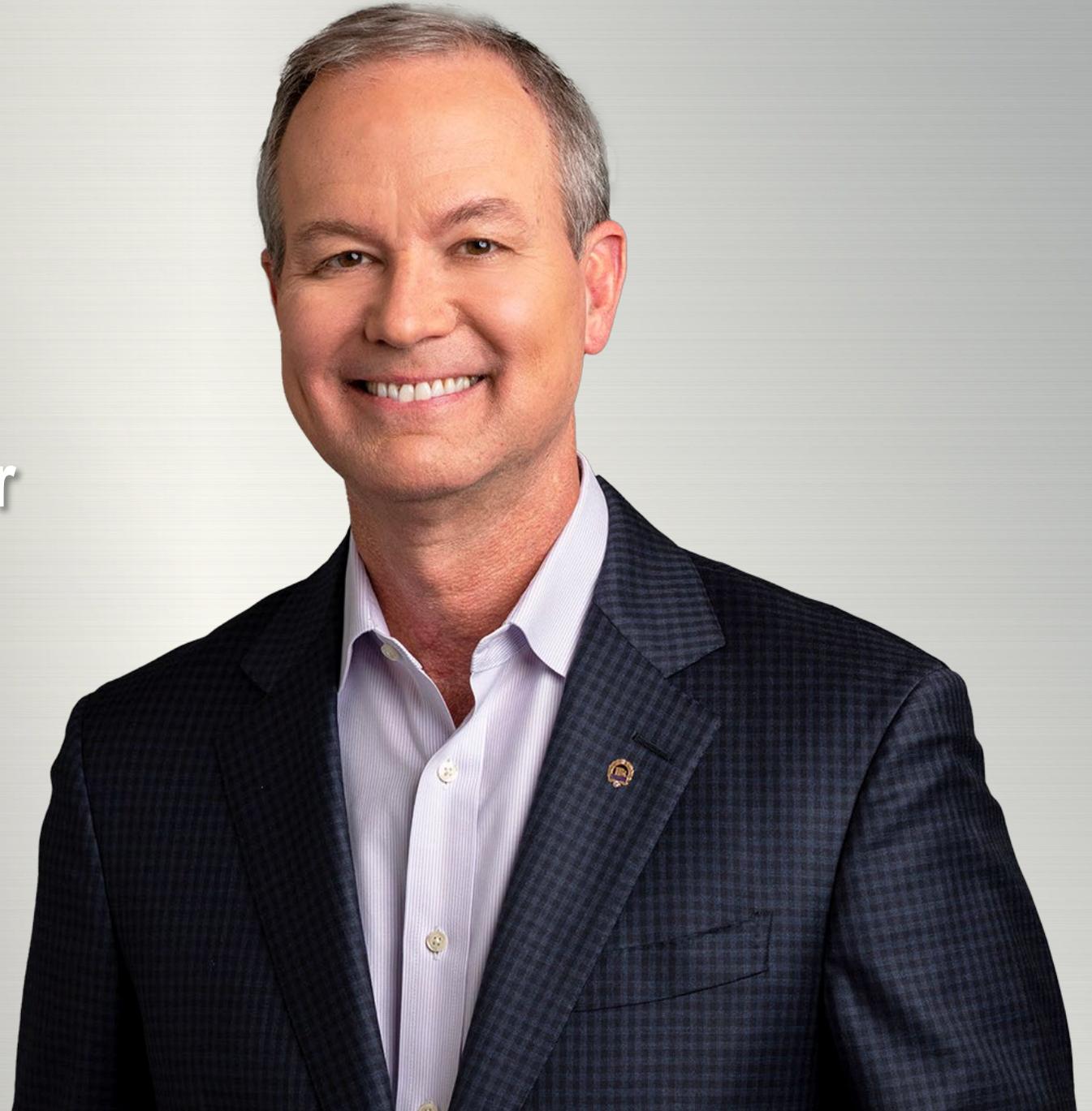
Double-digit growth outside of China driven by pricing and QSR volume growth





Mike Smith

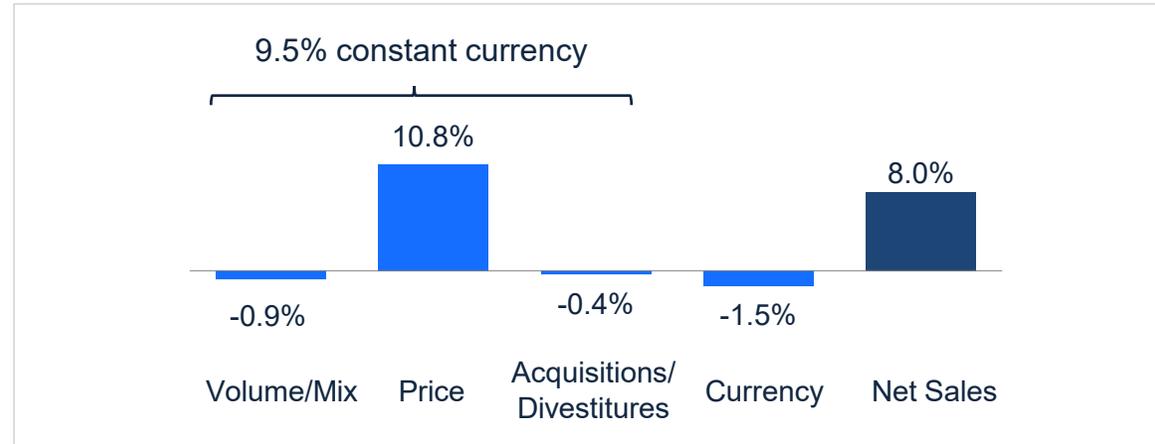
Executive Vice President
and Chief Financial Officer





2Q 2023 SALES RESULTS

TOTAL COMPANY



CONSUMER



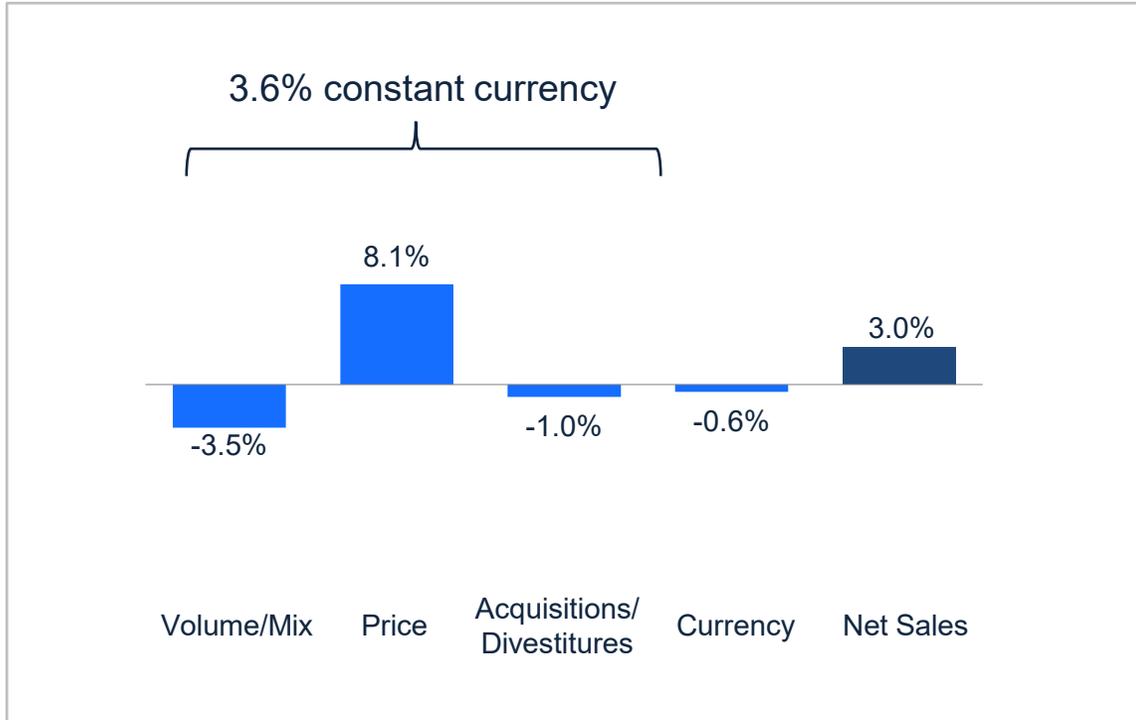
FLAVOR SOLUTIONS





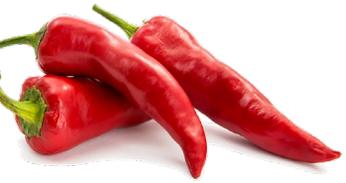
2Q 2023 SALES RESULTS: CONSUMER SEGMENT

AMERICAS CONSUMER



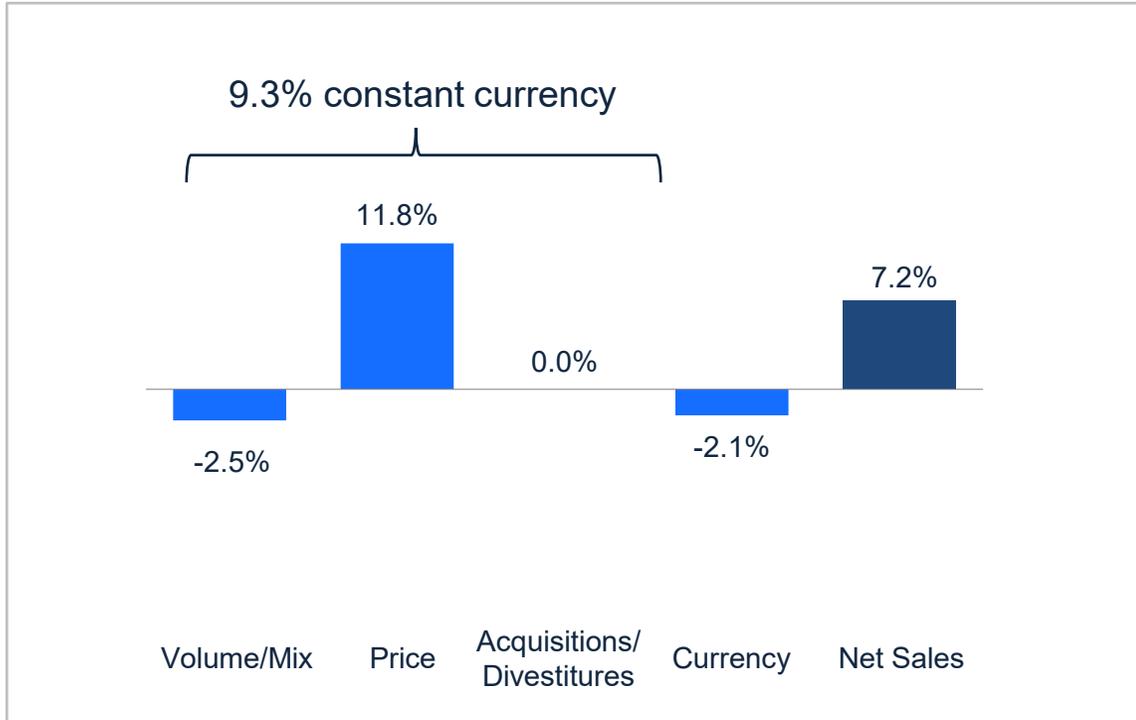
- Growth driven by grilling portfolio
- Pricing actions to offset cost inflation
- 1% decline from Kitchen Basics divestiture
- Volume and mix decline included:
 - 2% impact from Hispanic product direct store delivery exit
 - 1% decline in underlying volume and mix





2Q 2023 SALES RESULTS: CONSUMER SEGMENT

EMEA CONSUMER



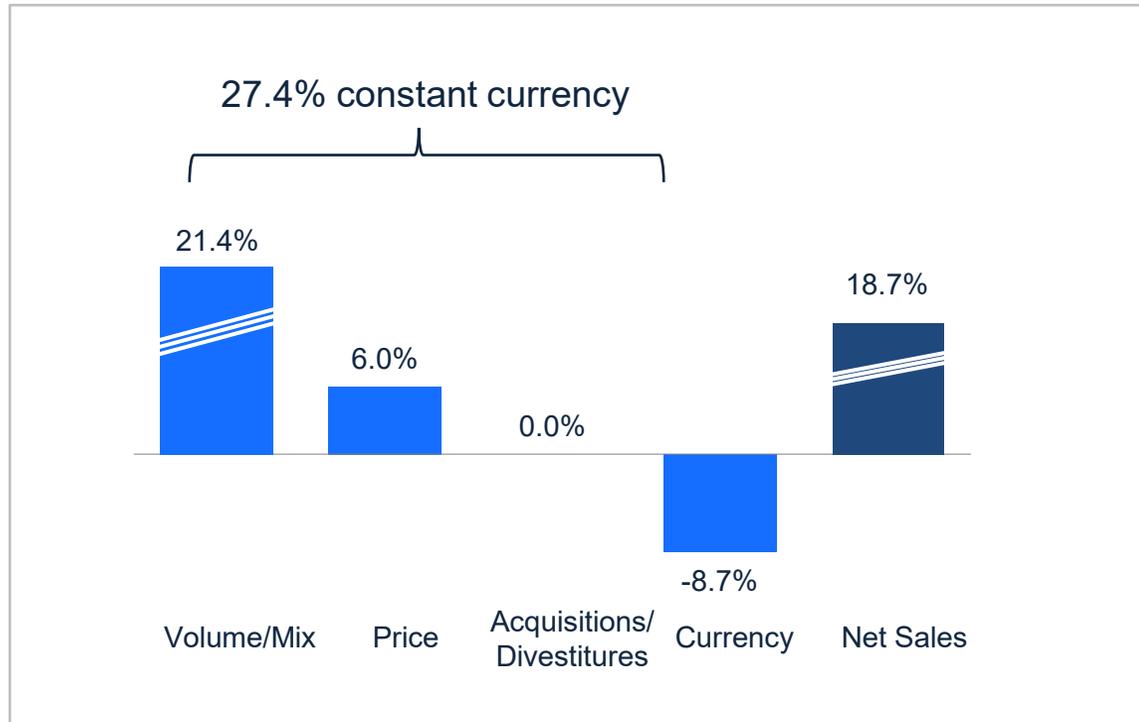
- Broad-based growth across categories and markets
- Pricing actions to offset cost inflation
- Volume and mix decline included:
 - 2% impact from exiting Russia
 - 1% decline in underlying volume and mix





2Q 2023 SALES RESULTS: CONSUMER SEGMENT

ASIA / PACIFIC CONSUMER



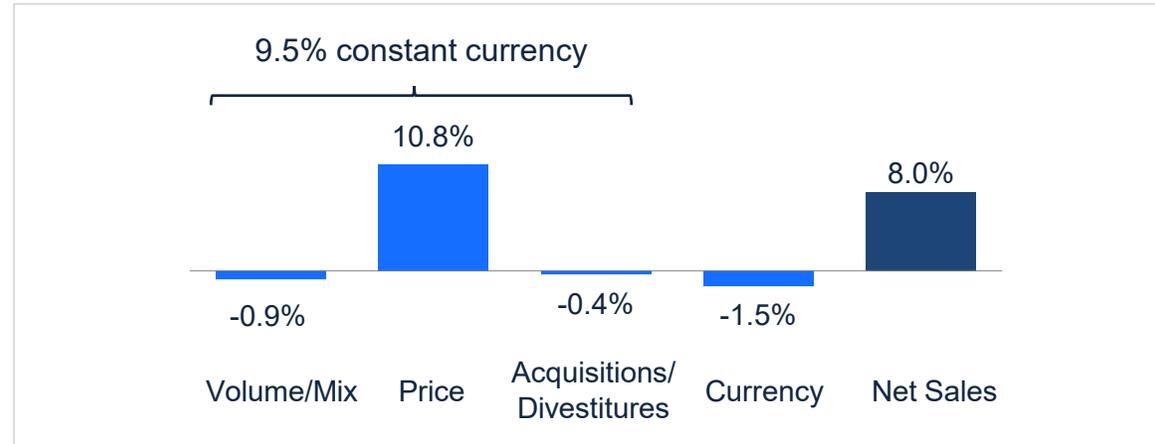
- Volume and mix growth driven by:
 - 20% impact from China recovery
 - 2% growth from markets outside of China
- Pricing actions across entire region to offset cost inflation





2Q 2023 SALES RESULTS

TOTAL COMPANY



CONSUMER

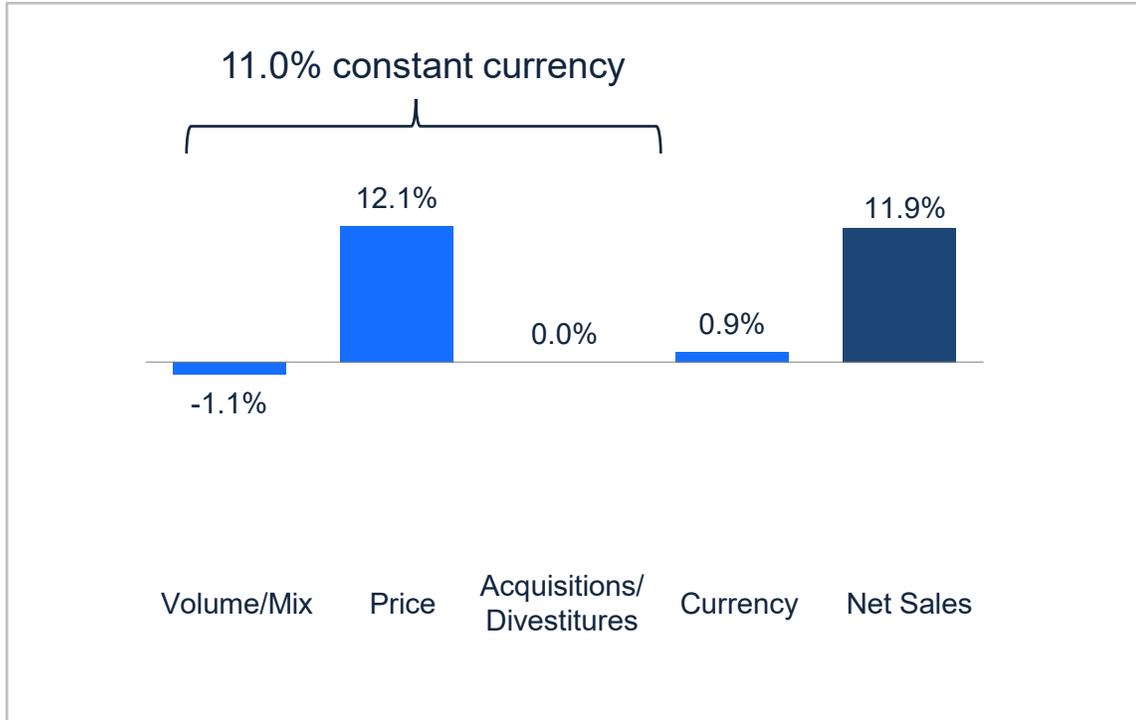


FLAVOR SOLUTIONS



2Q 2023 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

AMERICAS FLAVOR SOLUTIONS

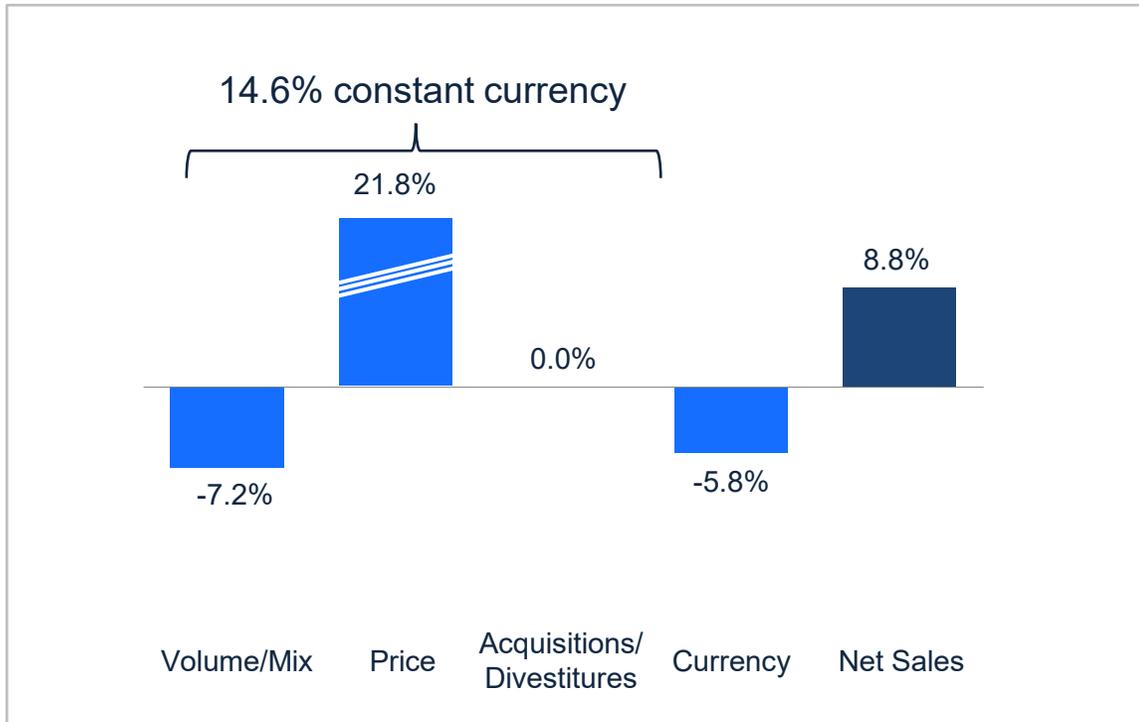


- Pricing actions to offset cost inflation
- Volume and mix decline included:
 - Impact of pruning low margin business
 - Strong volume growth in seasonings



2Q 2023 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

EMEA FLAVOR SOLUTIONS



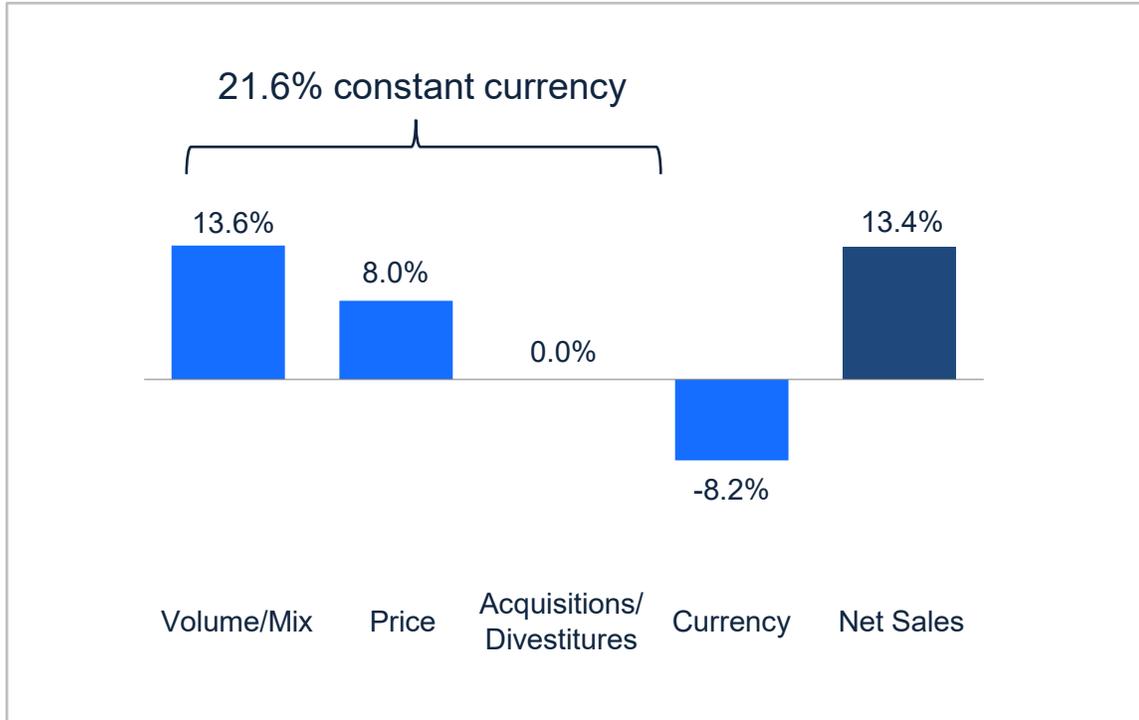
- Broad-based growth across portfolio led QSR customers
- Pricing actions to offset cost inflation
- Volume and mix decline included:
 - 2% impact from discontinuing a foodservice product line
 - Lower volume in the businesses of some customers





2Q 2023 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

ASIA / PACIFIC FLAVOR SOLUTIONS



- Volume and mix growth driven by:
 - 13% impact from China recovery
 - 1% growth all other volume and mix driven by Australia
- Pricing actions to offset cost inflation





GROSS MARGIN

<i>(in millions)</i>	2Q 2023	2Q 2022	2Q Fav/(Unfav) Change
Gross Margin	37.1%	34.0%	310 bps

- Favorable gross margin impacts:
 - GOE and CCI-led savings programs
 - Recovery of cost inflation pricing lagged over the last two years, as planned
 - Product mix in Consumer and Flavor Solutions segments





OPERATING INCOME

<i>(in millions)</i>	2Q 2023	2Q 2022	2Q Fav/(Unfav) Change
Selling, general & administrative expenses as percent of net sales	22.9%	22.7%	(20) bps
Operating income	\$221.8	\$157.2	41%
Adjusted operating income	\$235.0	\$173.8	35%
Consumer	153.6	124.8	23%
Flavor Solutions	81.4	49.0	66%

- Selling, general and administrative expenses as a percent of net sales increased 20 basis points
 - Higher employee incentive compensation expenses, distribution costs, and brand marketing investments
 - Costs partially offset by CCI-led and GOE cost savings
- Brand marketing expected to increase significantly in 3Q 2023 versus 3Q 2022
- Total MKC and Consumer segment adjusted operating income include a 1% unfavorable currency impact
- Special charges and integration expenses were \$13.2 million in 2Q 2023 versus \$16.6 million in 2Q 2022





INTEREST EXPENSE AND INCOME TAXES

<i>(in millions)</i>	2Q 2023	2Q 2022	2Q Fav/(Unfav) Change
Interest Expense	\$52.2	\$33.7	(55%)
Income tax rate	22.1%	16.7%	(540 bps)
Adjusted income tax rate	22.3%	18.6%	(370 bps)

- Increased interest expense driven by the higher rate environment
- Higher adjusted effective tax rate in 2Q 2023; favorable impact of discrete items more significant in 2Q 2022





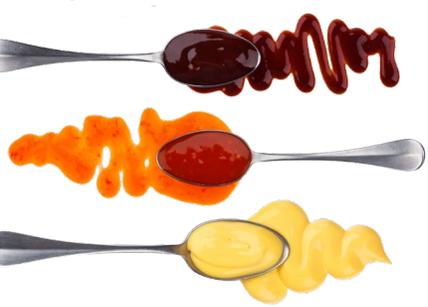
EARNINGS PER SHARE

	2Q 2023	2Q 2022	2Q Fav/(Unfav) Change
Earnings per share	\$0.56	\$0.44	27%
Adjusted earnings per share	\$0.60	\$0.48	25%

Change in adjusted earnings per share

Increase in adjusted operating income	0.18
Increase in other income	0.02
Increase in interest expense	(0.06)
Increase in adjusted income tax rate	<u>(0.02)</u>
Total Increase	<u>\$0.12</u>





BALANCE SHEET AND CASH FLOW

- Year-to-date cash flow provided from operations was \$394 million
 - Comparison to \$154 million year-to-date in 2022
 - Increase driven by higher net income and working capital improvements
- \$209 million of cash returned to shareholders through dividends
- Capital expenditures of \$119 million through 2Q 2023

BALANCED USE OF CASH



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

**EXPECTED STRONG 2023 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	10% to 12%	8%	3%	-1%	-8%			8% to 10%
EPS	3% to 5%	8%	3%	-1%	-8%	-8%	-1%	10% to 12%





2023 OUTLOOK

	Current	Prior
	Reported & Constant Currency	Reported & Constant Currency
Sales growth	5% to 7%	5% to 7%
Adjusted operating income increase	10% to 12%	9% to 11%
CCI-led cost savings	Approximately \$85M	Approximately \$85M
Cost inflation	Low to mid-teens increase	Low to mid-teens increase
Adjusted gross profit margin	Up 50 to 100 bps	Up 25 to 75 bps
Brand marketing	Low single-digit increase	Low single-digit increase
Interest expense	\$200M to \$210M	\$200M to \$210M
Adjusted income from unconsolidated operations	Up 20%	Mid-teens increase
Adjusted tax rate	Approximately 22%	Approximately 22%
Adjusted earnings per share	\$2.60 to \$2.65	\$2.56 to \$2.61
Adjusted earnings per share growth	3% to 5%	1% to 3%
Shares outstanding	Approximately 270M to 271M	Approximately 270M to 271M



KEY TAKEAWAYS

Second quarter results reflect:

- Sustained demand and successful execution of strategies
- Price realization and improved volume performance
- Meaningful year-over-year margin expansion in both segments

Confidence in delivering strong 2023 operating performance:

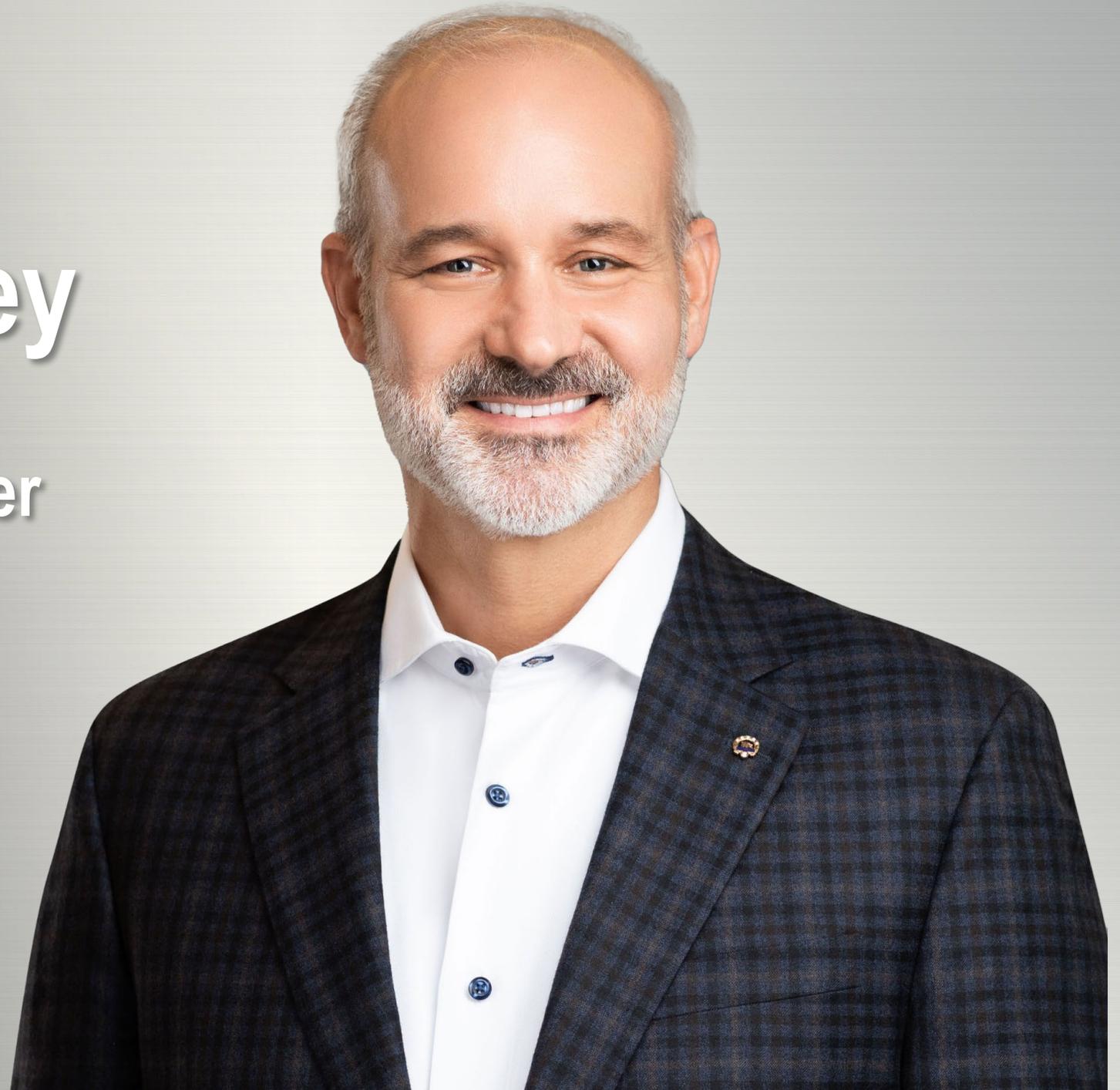
- Year-to-date performance
- Robust demand expectations
- Actions to optimize cost structure





Brendan Foley

President and
Chief Operating Officer



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



POSITIONED TO DELIVER LONG-TERM GROWTH AND SHAREHOLDER RETURN AT AN INDUSTRY-LEADING PACE

Compelling growth plans in place

Commitment to increasing profit realization

Long-term fundamentals remain strong

Confidence in growth trajectory

Relentless focus on growth, performance, and people



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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.

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	
	5/31/2023	5/31/2022
Operating income	\$ 221.8	\$ 157.2
Impact of transaction and integration expenses	-	1.5
Impact of special charges	13.2	15.1
Adjusted operating income	<u>\$ 235.0</u>	<u>\$ 173.8</u>
% increase versus year-ago period	<u>35.2%</u>	
Adjusted operating income margin (1)	14.2%	11.3%
Income tax expense	\$ 40.3	\$ 21.7
Impact of transaction and integration expenses	-	0.4
Impact of special charges	3.2	5.1
Adjusted income tax expense	<u>\$ 43.5</u>	<u>\$ 27.2</u>
Adjusted income tax rate (2)	22.3%	18.6%
Net income	\$ 152.1	\$ 118.5
Impact of transaction and integration expenses	-	1.1
Impact of special charges	10.0	10.0
Adjusted net income	<u>\$ 162.1</u>	<u>\$ 129.6</u>
% increase versus year-ago period	25.1%	
Earnings per share - diluted	\$ 0.56	\$ 0.44
Impact of special charges	0.04	0.04
Adjusted earnings per share - diluted	<u>\$ 0.60</u>	<u>\$ 0.48</u>
% increase versus year-ago period	25.0%	

- Adjusted operating income margin is calculated as adjusted operating income as a percentage of net sales for each period presented.
- 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 \$195.3 million and \$146.4 million for the three months ended May 31, 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 May 31, 2023		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales			
Consumer Segment			
Americas	3.0%	(0.6)%	3.6%
EMEA	7.2%	(2.1)%	9.3%
Asia/Pacific	18.7%	(8.7)%	27.4%
Total Consumer segment	5.3%	(1.7)%	7.0%
Flavor Solutions Segment			
Americas	11.9%	0.9%	11.0%
EMEA	8.8%	(5.8)%	14.6%
Asia/Pacific	13.4%	(8.2)%	21.6%
Total Flavor Solutions segment	11.4%	(1.3)%	12.7%
Total net sales	8.0%	(1.5)%	9.5%
Adjusted operating income			
Consumer segment	23.1%	(1.4)%	24.5%
Flavor Solutions segment	66.1%	0.4%	65.7%
Total adjusted operating income	35.2%	(0.9)%	36.1%



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	\$2.44 to \$2.49	\$ 2.52
Impact of transaction and integration expenses	-	0.01
Impact of special charges	0.16	0.14
Impact of after-tax gain on sale of Kitchen Basics	-	(0.14)
Adjusted earnings per share - diluted	\$2.60 to \$2.65	\$ 2.53