
McCormick & Company, Inc.
1st Quarter 2017 Financial
Results and Outlook
March 28, 2017

The following slides accompany a March 28, 2017 presentation to investment analysts. This information should be read in conjunction with the press release issued on that date.



Forward-looking information

Certain information contained in these materials and our remarks are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements may be identified by the use of words such as “may,” “will,” “expect,” “should,” “anticipate,” “intend,” “believe” and “plan.” These statements may relate to: the expected results of operations of businesses acquired by us, the expected impact of raw material costs and our pricing actions on our results of operations and gross margins, the expected productivity and working capital improvements, expectations regarding growth potential in various geographies and markets, expected trends in net sales and earnings performance and other financial measures, the expectations of pension and postretirement plan contributions, 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, our ability to issue additional debt or equity securities and our expectations regarding purchasing shares of our common stock under the existing repurchase authorizations.

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: damage to our reputation or brand name; loss of brand relevance; increased use of private label or other competitive products; product quality, labeling, or safety concerns; negative publicity about our products; business interruptions due to natural disasters or unexpected events; actions by, and the financial condition of, competitors and customers; our inability to achieve expected and/or needed cost savings or margin improvements; negative employee relations; the lack of successful acquisition and integration of new businesses; issues affecting our supply chain and raw materials, including fluctuations in the cost and availability of raw and packaging materials; government regulation, and changes in legal and regulatory requirements and enforcement practices; global economic and financial conditions generally, including the availability of financing, and interest and inflation rates; the investment return on retirement plan assets, and the costs associated with pension obligations; foreign currency fluctuations; the stability of credit and capital markets; risks associated with our information technology systems, including the threat of data breaches and cyber attacks; fundamental changes in tax laws; volatility in our effective tax rate; climate change; infringement of our intellectual property rights, and those of customers; litigation, legal and administrative proceedings; and other risks described in our filings with the Securities and Exchange Commission.

Actual results could differ materially from those projected in the forward-looking statements. We undertake 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 Kurzius

*Chairman, President & Chief
Executive Officer*



1Q 2017 Financial results

Grew net sales 4%*

- Acquisitions added 3 percentage points
- Solid industrial segment growth
- Double-digit increase in China*

Grew adjusted operating income 8%*

- Improved margins in both segments

Adjusted earnings per share \$0.76



* In constant currency

Adjusted operating income and adjusted EPS exclude the impact of items affecting comparability in 1Q 2017 and 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31, including the impact of constant currency.

2017 outlook

Reaffirmed guidance for 2017 adjusted earnings per share of \$4.05 - \$4.13

Projected growth rates*

| | |
|-----------------------------|----------|
| Sales | 5% - 7% |
| Adjusted operating income | 9% - 11% |
| Adjusted earnings per share | 9% - 11% |

* In constant currency

Adjusted operating income and adjusted EPS exclude the impact of items affecting comparability in 2017 projections and 2016 actual results. See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31, including the impact of constant currency.



1Q 2017 Financial results – Consumer segment

U.S. Consumer Business

- Retail purchases across center-of-store food categories soft in 1Q 2017
- Retail purchases of spices and seasonings category remains strong
- McCormick's brand retail purchases grew 4% vs year ago period
 - Successful implementation of pricing actions
 - Gourmet Garden retail purchases up 25%
 - Weak sales of Hispanic items due in part to timing
 - Unmeasured channels up double-digits
- Expect stronger growth rate for balance of 2017
 - Retailer acceptance of new products
 - Sustained momentum from Gourmet Garden
 - Brand marketing plans
 - Pricing fully in place
 - Products remain aligned with flavorful, healthy eating



1Q 2017 Financial results – Consumer segment

Consumer Business in other markets

- Increased sales in China double-digits*
- Challenging retail conditions in the U.K.
- New product launches in Europe to drive future momentum
- Purity campaign under way in U.K.



Increased adjusted operating income 5%*

- Higher sales
- Cost savings led by Comprehensive Continuous Improvement (CCI)
- Improved adjusted operating income margin 40 bps



* In constant currency

Adjusted operating income and adjusted EPS exclude the impact of items affecting comparability in 1Q 2017 and 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31, including the impact of constant currency.

1Q 2017 Financial results – Industrial segment

Grew net sales 6%* with increases in each region

- Double-digit growth of branded food service business and savory flavor products in U.S.
- Incremental sales from Giotti acquisition in Europe, Middle East, Africa (EMEA)
- Asia-Pacific region grew sales to quick service restaurants



Increased adjusted operating income 18%*

- Cost savings led by CCI
- Favorable mix from more value-added and higher margin products
- Improved adjusted operating income margin 100 bps



* In constant currency

Adjusted operating income and adjusted EPS exclude the impact of items affecting comparability in 1Q 2017 and 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31, including the impact of constant currency.

Summary



1Q 2017 a solid start building on strong momentum in 2016

- Remain confident in fiscal year outlook
- Uniquely positioned as a global leader in flavor
- Driving sales growth ... balanced with creating fuel for growth
- Employees driving momentum

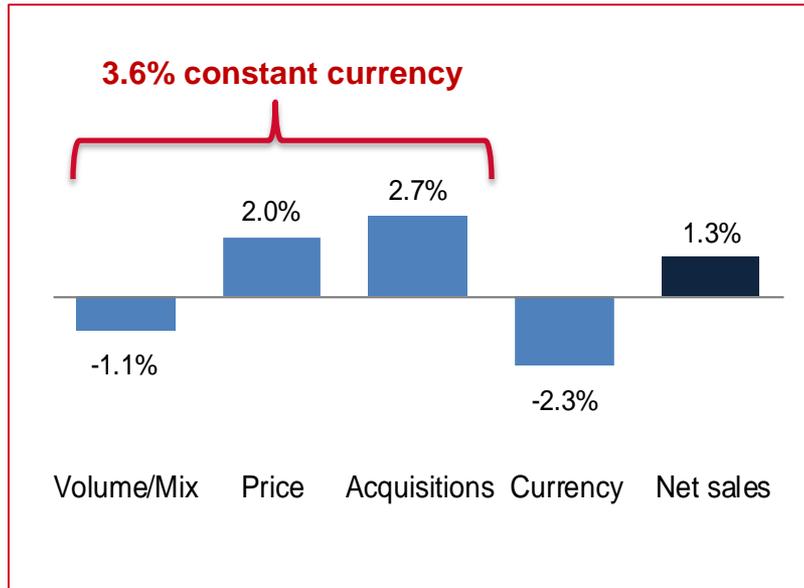
Mike Smith

Executive Vice President & CFO

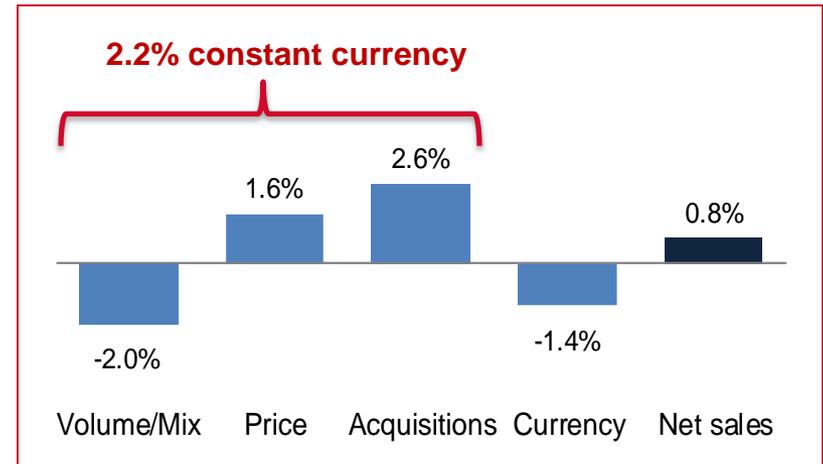


1Q 2017 Sales results

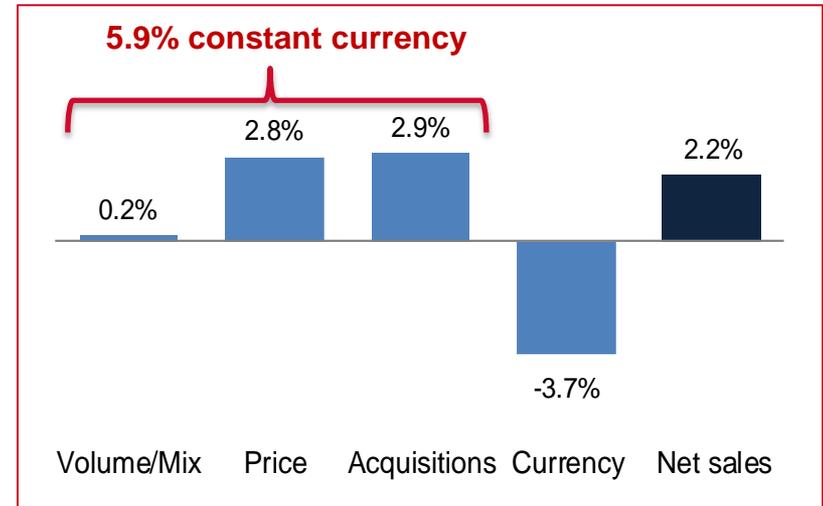
Total Company



Consumer



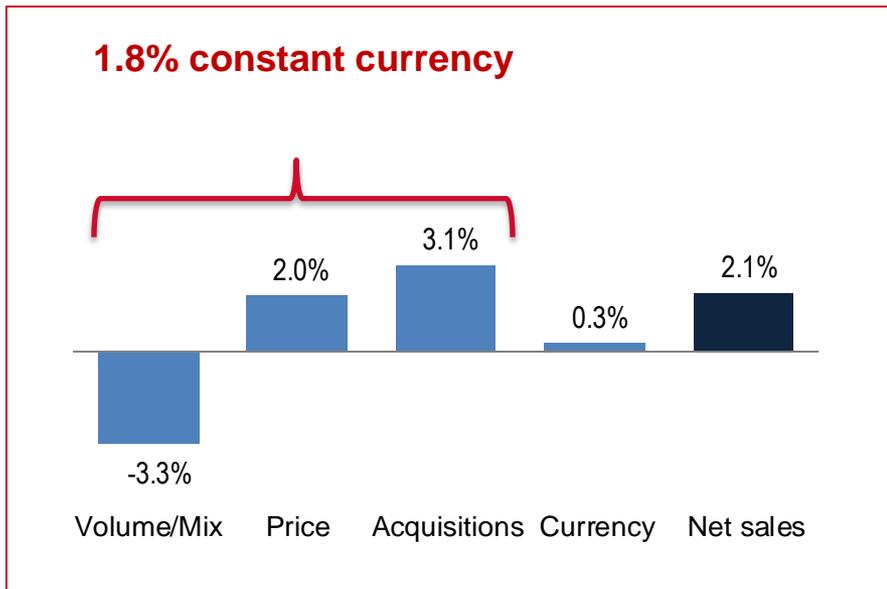
Industrial



See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31, including the impact of constant currency.

1Q 2017 Sales results: Consumer segment

Americas

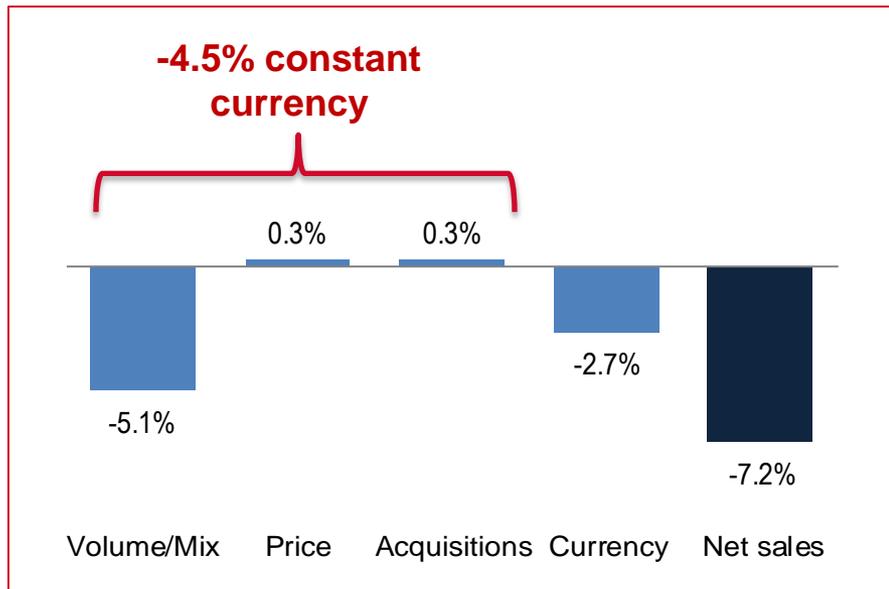


- Acquisitions of Gourmet Garden and Cajun Injector contributed to growth
- Sales impacted by weak consumer food purchases in U.S., as well as holiday timing issues including late Easter
- Price increase successfully executed mid-way through 1Q

See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31, including the impact of constant currency.

1Q 2017 Sales results: Consumer segment

EMEA

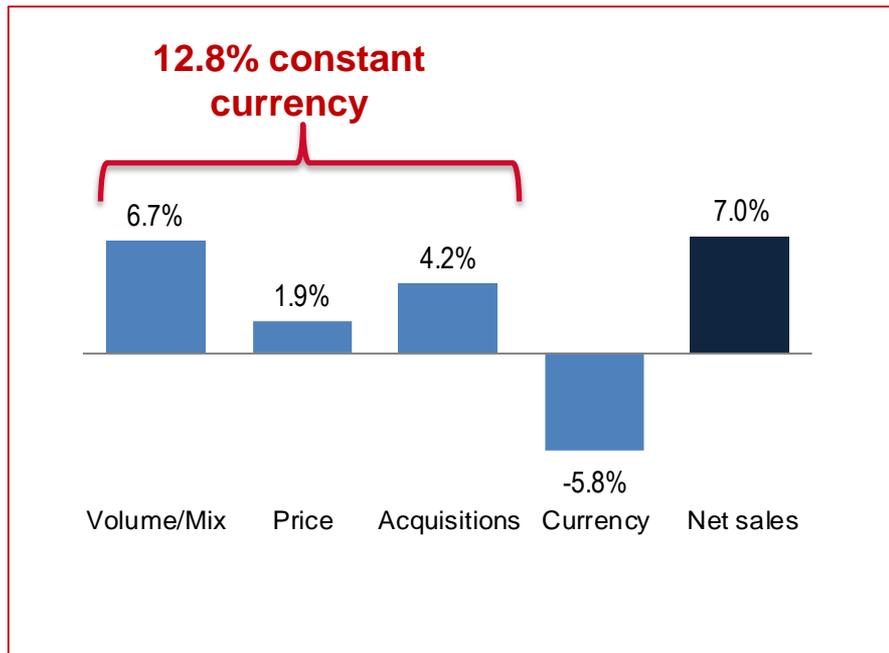


- Lower volume/mix due in part to challenging retail market in U.K. and reduction in shelf space at large U.K. retailer
- In France, Vahiné homemade dessert products impacted by the late Easter

See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31, including the impact of constant currency.

1Q 2017 Sales results: Consumer segment

Asia/Pacific



- Higher volume/mix driven mainly by double-digit constant currency sales increase in China during holiday period
- Acquisition of Gourmet Garden contributed to growth
- Decline in India related to inventory sales of discontinued low margin items in 1Q 2016

See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31, including the impact of constant currency.

1Q 2017 Operating income: Consumer segment

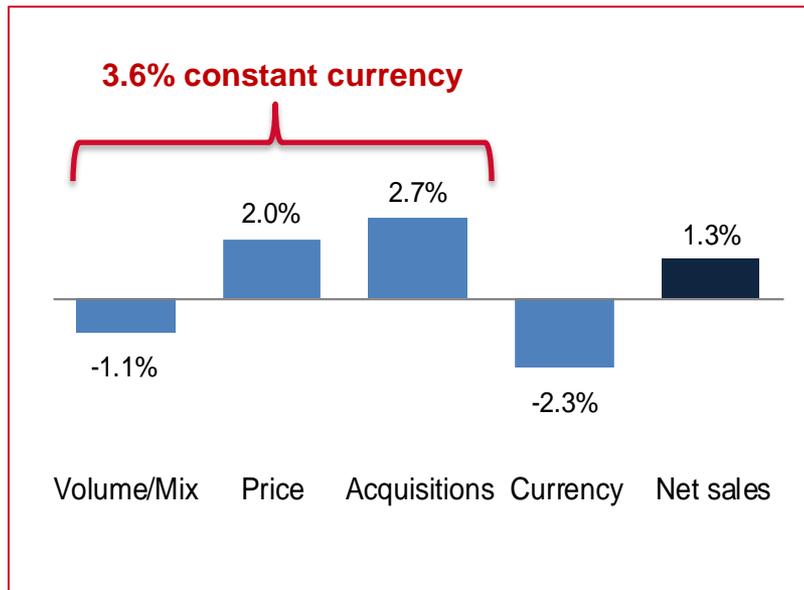
| <i>(in millions)</i> | 1Q 2017 | 1Q 2016 | Fav(Unfav) Change |
|--|---------|---------|----------------------|
| Operating income | \$95.4 | \$93.0 | 3% |
| Operating income, excluding special charges* | 97.9 | 94.3 | 4% |

- In constant currency, adjusted operating income increased 5%*
- Sales growth and cost savings more than offset unfavorable impact of higher material costs and increase in brand marketing

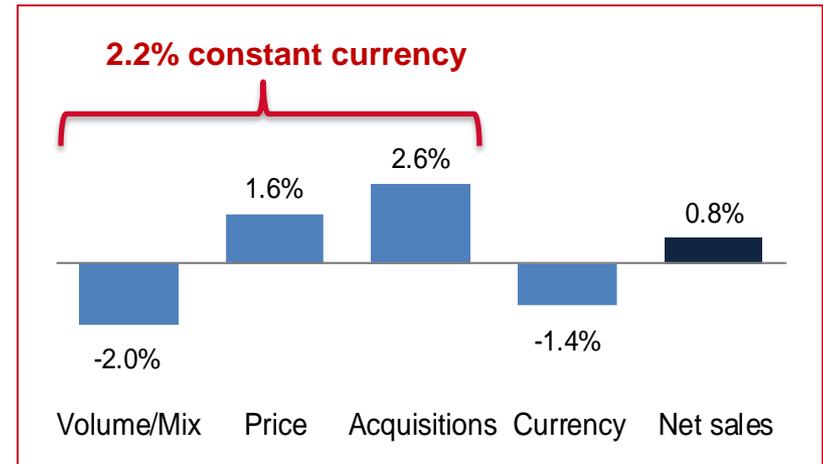
* Adjusted operating income and adjusted operating income growth rate exclude the impact of items affecting comparability in 1Q 2017 and 1Q 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31.

1Q 2017 Sales results

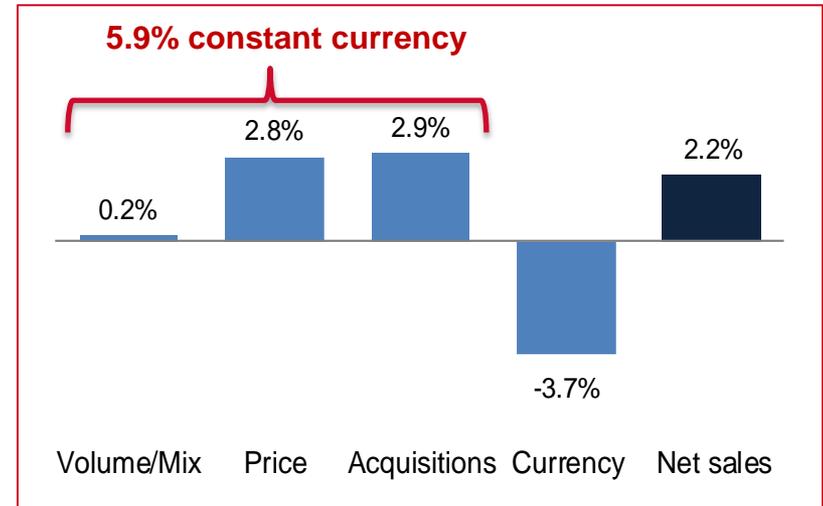
Total Company



Consumer



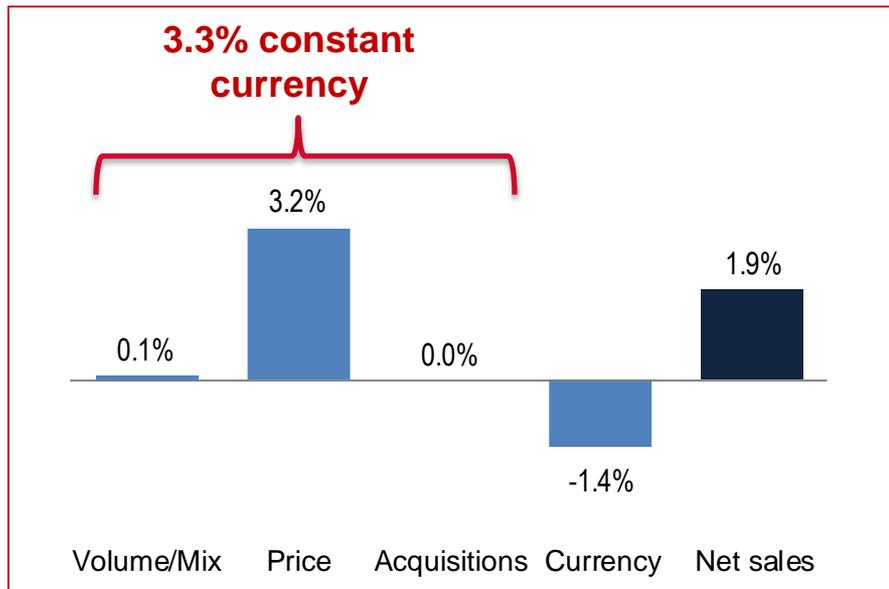
Industrial



See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31, including the impact of constant currency.

1Q 2017 Sales results: Industrial segment

Americas

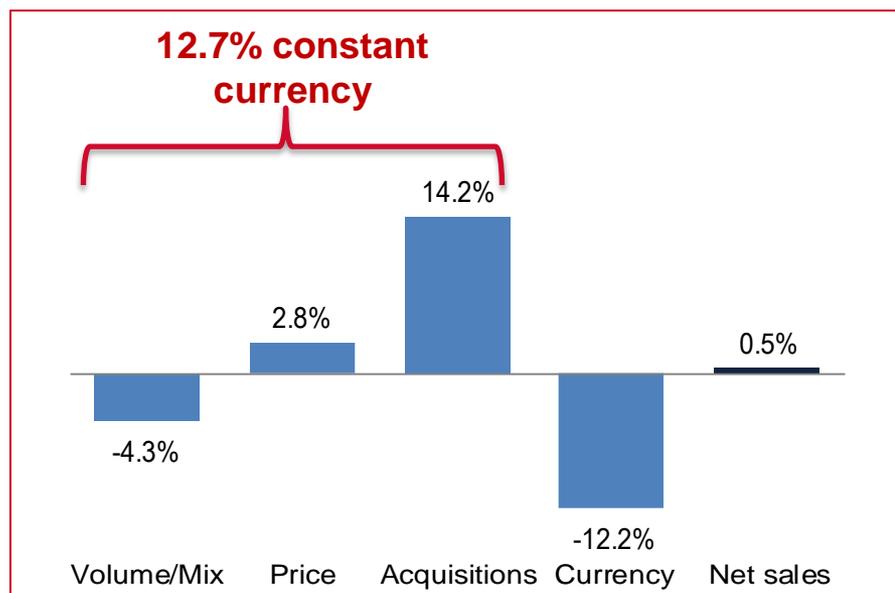


- Pricing to offset higher material costs.
- Increased sales of branded food service products, including share gains, and higher sales of savory flavor products
- Lower sales to quick service restaurants

See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31, including the impact of constant currency.

1Q 2017 Sales results: Industrial segment

EMEA

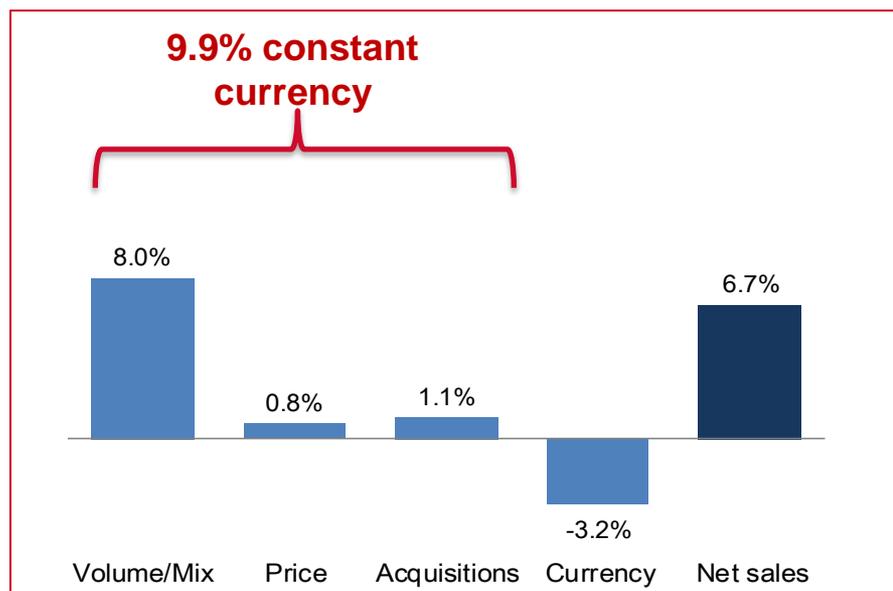


- Acquisition of Giotti contributed to growth
- Solid pricing-led growth with packaged food companies
- Discontinuation of a low margin business in South Africa

See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31, including the impact of constant currency.

1Q 2017 Sales results: Industrial segment

Asia/Pacific



- Strong sales growth in China and Australia with demand from quick service restaurant customers
- Acquisition of Gourmet Garden contributed to growth

See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31, including the impact of constant currency.

1Q 2017 Operating income: Industrial segment

| <i>(in millions)</i> | 1Q 2017 | 1Q 2016 | Fav (Unfav) Change |
|--|---------------|---------|-----------------------|
| Operating income | \$38.8 | \$36.1 | 7% |
| Operating income, excluding special charges* | 39.9 | 36.4 | 10% |

- In constant currency, adjusted operating income increased 18%*
- Sales growth, cost savings and more favorable business mix more than offset unfavorable impact of higher material cost and increase in brand marketing

* Adjusted operating income and adjusted operating income growth rate exclude the impact of items affecting comparability in 1Q 2017 and 1Q 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31.

Operating income, gross profit, SG&A

| <i>(in millions)</i> | 1Q 2017 | 1Q 2016 | Fav (Unfav) Change |
|--|----------------|---------|-----------------------|
| Operating income | \$134.2 | \$129.1 | 4% |
| Operating income, excluding special charges* | 137.8 | 130.7 | 5% |
| Gross profit margin | 39.6% | 39.3% | 30 bps |
| Selling, general & administrative expenses as percent of net sales | 26.4% | 26.6% | 20 bps |
| Promotion & advertising | 57.2 | 54.0 | (6%) |

- Grew adjusted operating income 8% in constant currency
- Special charges were \$4 million in 1Q 2017 and \$2 million in 1Q 2016
- Higher gross profit margin driven by CCI-led cost savings; pricing actions taken to offset material cost inflation
- Reduced selling, general and administrative expense as percentage of net sales, including \$3 million increase in brand marketing

* Adjusted operating income and adjusted operating income growth rate exclude the impact of items affecting comparability in 1Q 2017 and 1Q 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31.

Income taxes

| <i>(in millions)</i> | 1Q 2017 | 1Q 2016 |
|----------------------|---------------|---------|
| Income taxes | \$33.3 | \$31.3 |
| Income tax rate | 27.8% | 26.9% |

- 1Q 2016 tax rate increased 90 bps vs the year-ago period
- Continue to expect tax rate of approximately 28% in 2017, including benefit of change in accounting for equity awards

Income from unconsolidated operations

| <i>(in millions)</i> | 1Q 2017 | 1Q 2016 | Fav (Unfav) Change |
|---------------------------------------|--------------|---------|-----------------------|
| Income from unconsolidated operations | \$7.0 | \$8.4 | (17%) |

- Unfavorable impact from currency, particularly for joint venture in Mexico, which grew sales at double-digit rate in local currency
- Eastern joint venture in India grew sales and profit
- Anticipate income from unconsolidated operations to be impacted by unfavorable currency headwinds throughout FY 2017

Earnings per share

| | 1Q 2017 | 1Q 2016 | Fav(Unfav) Change |
|------------------------------|---------------|---------|----------------------|
| Earnings per share | \$0.74 | \$0.73 | 1% |
| Adjusted earnings per share* | 0.76 | 0.74 | 3% |

| | |
|--|----------------------|
| Growth in adjusted operating income | \$0.04 |
| Higher tax rate | (0.01) |
| Lower unconsolidated income | <u>(0.01)</u> |
| Change in adjusted earnings per share* | \$0.02 |

- Adjusted earnings per share \$0.02 above year-ago period, including impact of unfavorable currency rates
- Increase driven by higher adjusted operating income partially offset by higher tax rate and lower unconsolidated income

* Adjusted earnings per share excludes the impact of items affecting comparability in 1Q 2017 and 1Q 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31.

Balance sheet and cash flow

1Q 2017 cash flow from operations of \$44M vs \$79M in 1Q 2016

- Increase in net income offset by the timing of income tax payments and incentive compensation payments
- Capital expenditures of \$30M in 1Q 2017; expect 2017 capital expenditures of \$170M to \$190M
- Returned \$142 million of cash to shareholders through dividends and share repurchases

Strong cash flow providing funds for continued investment in brand marketing, product innovation, acquisitions and other growth strategies

Low debt leverage positions McCormick to finance these investments



New Shanghai facility

2017 Financial outlook

| | | <u>Including currency impact</u> |
|--|------------------------|----------------------------------|
| Sales growth in constant currency | 5% to 7% | 3% to 5% |
| Impact of acquisitions ~ 2%, pricing ~ 3%, currency ~ (2%) | | |
| Adjusted operating income increase in constant currency * | 9% to 11% | 8% to 10% |
| CCI and additional cost savings | ~ \$100M | |
| Material cost inflation | mid single digit rate | |
| Gross profit margin increase | 0 to 50 bps | |
| Brand marketing increase | high single digit rate | |
| Income from unconsolidated operations | down from 2016 | |
| Effective tax rate | approximately 28% | |
| Adjusted earnings per share ** | \$4.05 - \$4.13 | |
| Growth from 2016 adjusted EPS of \$3.78, excl currency ** | 9% to 11% | 7% to 9% |
| Shares outstanding | ~ 2% reduction | |
| Capital expenditures | \$170-\$190M | |

* From adjusted operating income of \$657 million in 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 28 to 31.

** See reconciliation of GAAP to non-GAAP financial metrics on slides 28 to 31.

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Non-GAAP Financial Measures

The tables below include financial measures of adjusted operating income, adjusted net income and adjusted diluted earnings per share, each excluding the impact of special charges for the periods presented. 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. 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 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, comprised of our Chairman, President and Chief Executive Officer; Executive Vice President and Chief Financial Officer; President Global Industrial Segment and McCormick International; President Global Consumer Segment and North America; and Senior Vice President, Human Relations. Upon presentation of any such proposed action (including details with respect to estimated costs, which generally consist principally of employee severance and related benefits, together with ancillary costs associated with the action that may include a non-cash component or a component which relates to inventory adjustments that are included in cost of goods sold; impacted employees or operations; expected timing; and expected benefits) to the Management Committee and the Committee’s advance approval, expenses associated with the approved action are classified as special charges upon recognition and monitored on an on-going basis through completion.

We believe that these non-GAAP financial measures are important. The exclusion of special charges and the impact of foreign currency exchange rates 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 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 | |
|---|--------------------|------------------|
| | <u>2/28/2017</u> | <u>2/29/2016</u> |
| Operating income | \$ 134.2 | \$ 129.1 |
| Impact of special charges | <u>3.6</u> | <u>1.6</u> |
| Adjusted operating income | <u>\$ 137.8</u> | <u>\$ 130.7</u> |
| % increase (decrease) versus prior period | 5.4% | |
| Net income | \$ 93.5 | \$ 93.4 |
| Impact of special charges above (1) | <u>2.5</u> | <u>1.3</u> |
| Adjusted net income | <u>\$ 96.0</u> | <u>\$ 94.7</u> |
| % increase versus prior period | 1.4% | |
| Earnings per share - diluted | \$ 0.74 | \$ 0.73 |
| Impact of special charges above | <u>0.02</u> | <u>0.01</u> |
| Adjusted earnings per share - diluted | <u>\$ 0.76</u> | <u>\$ 0.74</u> |
| % increase versus prior period | 2.7% | |

(1) Special charges of \$3.6 million and \$1.6 million for the three months ended February 28, 2017 and February 29, 2016 are net of taxes of \$1.1 million and \$0.3 million, 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 provided 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 in “constant currency” 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 prior fiscal 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 prior fiscal year. Constant currency growth rates follow:

| | Three Months Ended February 28, 2017 | | |
|--|--------------------------------------|--|--|
| | Percentage Change as Reported | Impact of Foreign Currency Exchange | Percentage Change on Constant Currency Basis |
| Net sales | | | |
| Consumer segment | | | |
| Americas | 2.1% | 0.3% | 1.8% |
| EMEA | (7.2)% | (2.7)% | (4.5)% |
| Asia/Pacific | 7.0% | (5.8)% | 12.8% |
| Total consumer segment | 0.8% | (1.4)% | 2.2% |
| Industrial segment | | | |
| Americas | 1.9% | (1.4)% | 3.3% |
| EMEA | 0.5% | (12.2)% | 12.7% |
| Asia/Pacific | 6.7% | (3.2)% | 9.9% |
| Total industrial segment | 2.2% | (3.7)% | 5.9% |
| Total net sales | 1.3% | (2.3)% | 3.6% |
| Adjusted operating income | | | |
| Consumer segment | 3.8% | (0.8)% | 4.6% |
| Industrial segment | 9.6% | (7.9)% | 17.5% |
| Total adjusted operating income | 5.4% | (2.8)% | 8.2% |

Non-GAAP Financial Measures

To present the percentage change in projected 2017 sales, adjusted operating income and adjusted earnings per share on a constant currency basis, 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 rate for 2017 and are compared to the 2016 results, translated into U.S. dollars using the same 2017 budgeted exchange rate, rather than at the average actual exchange rates in effect during fiscal year 2016. This calculation is performed to arrive at adjusted net income (however, no adjustment is made for the company's share of income in unconsolidated operations that are denominated in currencies other than the U.S. dollar) divided by historical shares outstanding for fiscal year 2016 or projected shares outstanding for fiscal year 2017, as appropriate.

Fiscal year 2016 actual results and 2017 projections

(in millions except per share data)

| | <u>Twelve Months Ended</u> | |
|--|----------------------------|-----------------|
| | <u>2017 Projection</u> | <u>11/30/16</u> |
| Operating income | | \$ 641.0 |
| Impact of special charges | | 16.0 |
| Adjusted operating income | | <u>\$ 657.0</u> |
| Earnings per share - diluted | \$3.98 to \$4.06 | \$ 3.69 |
| Impact of special charges, including special charges attributable to non-controlling interests | 0.07 | 0.09 |
| Adjusted earnings per share - diluted | <u>\$4.05 to \$4.13</u> | <u>\$ 3.78</u> |
| Percentage change in sales | 3% to 5% | |
| Impact of foreign currency exchange rates | <u>(2)%</u> | |
| Percentage change in sales on constant currency basis | <u>5% to 7%</u> | |
| Percentage change in adjusted operating income | 8% to 10% | |
| Impact of foreign currency exchange rates | <u>(1)%</u> | |
| Percentage change in adjusted operating income on constant currency basis | <u>9% to 11%</u> | |
| Percentage change in adjusted earnings per share | 7% to 9% | |
| Impact of foreign currency exchange rates | <u>(2)%</u> | |
| Percentage change in adjusted earnings per share on constant currency basis | <u>9% to 11%</u> | |