



McCormick Reports Financial Results for Fourth Quarter 2013 and Provides 2014 Financial Outlook

January 28, 2014

In the news release, McCormick Reports Financial Results for Fourth Quarter 2013 and Provides 2014 Financial Outlook, issued 29-Jan-2014 by McCormick & Company, Inc. over PR Newswire, we are advised by the company that in the third bullet point, \$551 million of adjusted operating income in 2013, as originally issued inadvertently, should say the following: \$551 million of adjusted operating income in 2013. The complete, corrected release follows:

McCormick Reports Financial Results for Fourth Quarter 2013 and Provides 2014 Financial Outlook

SPRING, Md., Jan. 28, 2014 /PRNewswire/ - McCormick & Company, Incorporated (NYSE: MCC), a global leader in food, today reported sales and profit results for the fourth quarter ended November 30, 2013 and provided a financial outlook for fiscal year 2014. Adjusted operating income and adjusted earnings per share included the impact of special charges and the loss on a voluntary pension settlement recorded in the fourth quarter.

• **McCormick grew fourth quarter sales 2% and reported earnings per share of \$0.36. Adjusted earnings per share was \$1.20, an 8% increase from \$1.11 in 2012.**

• **For the fiscal year, the company grew sales 2% and reported earnings per share of \$2.91. Adjusted earnings per share was \$3.13, rose 3% from \$3.04 in 2012, despite a significant increase in retirement benefit expense. Cash flow from operations reached \$463 million and the company returned a record \$37 million to its shareholders through dividends and share repurchases.**

• **In fiscal year 2014, the company expects to grow sales 2% to 5% and operating income 6% to 8% from \$551 million of adjusted operating income in 2013. Earnings per share is projected to be in a \$3.22 to \$3.29 range, which includes the unfavorable impact of a significant increase in the 2014 tax rate when compared to the 2013 tax rate.**

Chairman's Remarks

Alan D. Wilson, Chairman, President and CEO, commented, "During 2013, we achieved solid sales and profit growth in a number of key markets, completed a significant acquisition in China, delivered significant cost savings with our Comprehensive Continuous Improvement (CCI) program and reported record cash flow. Employees throughout McCormick are fully engaged in our business and dedicated to our success. Looking ahead to 2014 and beyond, we are excited about our growth prospects as consumers around the world explore new flavors and drive demand. As a global leader in developing and delivering great food for all types of eating occasions, McCormick is well-positioned to meet this demand.

"Our fourth quarter performance solidified our position as a global leader in food. We grew consumer business sales and profit at or above our plans in a number of international markets, with particular strength in China. The newly acquired Wafu Asia Pacific Confectionery (WAPAC) business exceeded our expectations with more than \$30 million of sales, and we achieved a double-digit increase in base consumer business sales in China. In the U.S., the retail category for spices and seasonings maintained a solid mid-single digit growth rate in the fourth quarter. However, the category growth the period experienced our branded sales performance. In 2014, we are responding to this competitive activity with increased brand marketing, accelerated innovation and improved efforts to readily address marketplace challenges and pursue growth opportunities. Our industrial business led a strong finish to the year, with sales in local currency up 7% and an increase of more than 10% in adjusted operating income. For the total company, we grew adjusted operating income 7% and adjusted earnings per share 8% from the year-ago result. Our business generates significant cash and our cash flow from operations was especially high in the fourth quarter and for the year as a record \$463 million. We are committed to returning a portion of that cash to our shareholders and have increased our dividend in each of the past 28 years. Through McCormick's dividend payout and share repurchases, annual cash returned to shareholders reached \$37 million in 2013, exceeding \$300 million for the first time.

"Our outlook for increased sales and operating income in 2014 is based on our growth initiatives underway around the world. For our consumer business, we are driving sales with a robust pipeline of innovation and a significant increase in our brand marketing. The impact to increase industrial business sales and profit through new product development and support for the international expansion of our customers. Across both businesses, CCI cost savings will continue to fuel our growth and we expect 2014 to be another year of strong cash flow."

Fourth Quarter Results

McCormick's fourth quarter sales rose 2% from the year-ago period. In total company, the increase was 2%. The acquisition of WAPAC, completed in May 2013, contributed 2% to sales. Pricing actions, product innovation and brand marketing also contributed to the fourth quarter result, with increases in both the consumer and industrial business. However, these increases were largely offset by a shift in sales that lowered the fourth quarter gross rate by an estimated 2%. As previously reported, the company estimates that \$30 million of consumer business sales in the U.S. shifted from the fourth quarter into the first quarter due to greater retailer response to its holiday display program and retailer purchases in advance of a price increase.

Operating income was \$174 million in the fourth quarter. Fourth quarter adjusted operating income of \$214 million in 2013 rose \$14 million from the year-ago result of \$200 million. Higher sales, CCI cost savings and a favorable mix of business contributed to this result. These increases to adjusted operating income were offset in part by a \$7 million increase in brand marketing support, \$5 million of higher retirement benefit expense and increased material costs. Earnings per share was \$0.36 in the fourth quarter. Adjusted earnings per share was \$1.20. When compared to the fourth quarter of 2012, adjusted earnings per share rose 8%.

Fiscal Year 2013 Results

For the fiscal year ended November 30, 2013, McCormick's sales were \$4.1 billion, an increase of 2% from 2012, with about half of the increase due to the acquisition of WAPAC. Product innovation, brand marketing support and pricing actions also contributed to higher sales. Each region of the consumer business - Americas, Europe, Middle East and Africa (EMEA) and Asia-Pacific - grew sales, with particular strength in China. For the industrial business, higher sales were led by the EMEA and Asia-Pacific regions. A high decline in the Americas related to a period of weak demand from quick service restaurants. Across both business segments, the percentage of sales in emerging markets reached 15% in 2013, compared to 10% in 2011.

Operating income was \$201 million. Adjusted operating income was \$251 million in 2013 and compared to \$215 million in 2012. The favorable impact of higher sales and CCI cost savings, was offset in part by a \$20 million increase in retirement benefit expense, a \$10 million increase in brand marketing support and higher material costs. Earnings per share for the fiscal year was \$2.91. Adjusted earnings per share was \$3.13 and compared to \$3.04 earnings per share in 2012, with the increase due to higher adjusted operating income, increased income from unconsolidated subsidiaries and lower share outstanding.

2014 Financial Outlook

McCormick expects further growth in consumer demand for food. Through 2016, Eurozone International projects that global retail sales for the health and fitness and recipe mixes categories will increase at a 2% to 3% compound annual growth rate. These are McCormick's two largest consumer business platforms and the company expects to participate in this growth through innovative driving innovation, brand marketing and acquisitions. The company expects to grow industrial sales as well, through innovation and expanded distribution.

Based on the outlook, in 2014 the company expects to grow sales in a 2% to 5% range driven by higher volume, pricing and the incremental impact of the WAPAC acquisition in the first half of the year. Operating income is projected to grow 6% to 8% from \$551 million adjusted operating income in 2013. CCI projects for 2014 are underway and the company anticipates cost savings of at least \$45 million. There are plans to invest at least \$25 million in increased brand marketing support to drive sales of new products as well as core items. The company expects to record \$2 million of special charges in 2014.

McCormick expects 2014 earnings per share to be in the range of \$3.22 to \$3.29, an increase of 2% to 5% from adjusted earnings per share of \$3.13 in 2013. Higher sales, a more favorable mix of business and CCI cost savings are expected to drive profit growth in 2014. The company anticipates that these increases will be offset in part by the effect of higher tax rate and an estimated \$0.1 of special charges, which together have an unfavorable impact of 0% to 0% on the 2014 earnings per share growth rate. The projected increase in the tax rate is due to the discontinuation of the R&D tax credit in the tax laws of France and the expiration of income across tax jurisdictions. In addition, the tax rate in 2013 included \$3.8 million of favorable state tax benefits.

In the first quarter of 2014, the company expects earnings per share to be comparable to \$1.27 in the first quarter of 2013, primarily as a result of a planned increase of at least \$7 million in brand marketing support and a higher tax rate, as well as lower rate of growth in its U.S. businesses in the first part of the fiscal year.

Business Segment Results

Consumer Business

(in millions)	Three months ended		Twelve months ended	
	11/30/2013	11/30/2012	11/30/2013	11/30/2012
Net sales	\$ 746.9	\$ 734.1	\$ 2,868.8	\$ 2,815.1
Operating income	\$ 84.5	\$ 117.2	\$ 68.8	\$ 62.1
Operating income, excluding special charges and loss on voluntary pension settlement	178.4	177.2	473.3	451.1

Consumer business sales rose 2% when compared to the fourth quarter of 2012. In local currency, the company grew sales 2%, largely from higher volume and product mix.

* Consumer sales in the Americas declined 1%, with minimal impact from currency. The company grew sales of snacks, seasonings and other flavors to food manufacturers in this region. However, demand from quick service restaurants continued to be weak this period due in part to lower restaurant traffic.

• In EMEA, the company grew sales 4% and in local currency the increase was 2%. This increase was largely the result of higher volume and product mix with strong demand from quick service restaurants in this region. McCormick met this demand with products supplied from operations in the U.K., Turkey and South Africa.

• Fourth quarter sales in the Asia-Pacific region rose 6%. In local currency, sales grew 7% with WAPAC contributing 6% to the increase. Sales of the company's base business in China grew at a double-digit rate with new products, expanded distribution and increased marketing.

Adjusted operating income of \$174 million for the consumer business was comparable to the fourth quarter of 2012. The favorable impact of higher sales and CCI cost savings, was offset in part by an increase in brand marketing support, increased retirement benefit expense and higher material costs.

Industrial Business

(in millions)	Three months ended		Twelve months ended	
	11/30/2013	11/30/2012	11/30/2013	11/30/2012
Net sales	\$ 68.2	\$ 61.2	\$ 268.4	\$ 268.2
Operating income	\$ 8.6	\$ 11.4	\$ 16.5	\$ 12.2
Operating income, excluding special charges and loss on voluntary pension settlement	36.8	23.0	118.5	122.2

Industrial business sales rose 1% when compared to the fourth quarter of 2012. In local currency, the company grew sales 2%, largely from higher volume and product mix.

• Industrial sales in the Americas declined 1%, with minimal impact from currency. The company grew sales of snacks, seasonings and other flavors to food manufacturers in this region. However, demand from quick service restaurants continued to be weak this period due in part to lower restaurant traffic.

• In EMEA, the company grew sales 4% and in local currency the increase was 2%. This increase was largely the result of higher volume and product mix with strong demand from quick service restaurants in this region. McCormick met this demand with products supplied from operations in the U.K., Turkey and South Africa.

• Sales in the Asia-Pacific region rose 6% this quarter and in local currency the increase was 10%. Higher volume and product mix was the result of improved sales to quick service restaurants in China, which included a number of new items. Demand was also driven by sales in India, where we began to supply strategic industrial customers for the first time in 2013.

Industrial business adjusted operating income rose 57% to \$36 million in the fourth quarter of 2013, and adjusted operating income margin was 8.5%. The growth in adjusted operating income was due to higher sales, a favorable business mix and COO cost savings, offset in part by higher retirement benefit costs and increased material costs. Also, comparing 2013 fourth quarter operating income to the year ago period, the company recorded \$4 million in expense related to a supplier quality issue in the fourth quarter of 2012.

Non-GAAP Financial Measures

The table below includes financial measures of operating income, net income and diluted earnings per share excluding the impact of \$25 million of charges related to nonrecurring activity in EMEA recorded in the fourth quarter. Also excluded is the impact of a \$15 million loss on voluntary pension settlement recorded in the fourth quarter that relates to a previously announced lump sum payment program offered to former U.S. employees with defined vested pension benefits. These are non-GAAP financial measures which are prepared as a complement to our financial results prepared in accordance with United States generally accepted accounting principles. We believe the non-GAAP financial measures are important for purposes of comparison to prior periods, and management of future projections and earnings growth projections. This information is not used by management to evaluate the performance of our ongoing operations and analysis of business performance and trends. Management believes the non-GAAP financial measures provide a more complete basis for assessing the Company's performance than the GAAP equivalent. These non-GAAP 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. 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 in our financial reporting. A reconciliation of these non-GAAP financial measures to GAAP financial results is provided below.

(In millions except per share data)

	Third Month Ended		Fourth Month of Year	
	2013	2012	2013	2012
Operating income	\$ 44.1	\$ 30.9	\$ 40.2	\$ 27.2
Impact of special charges and loss on voluntary pension settlement	40.3	—	40.2	—
Adjusted operating income	\$ 24.8	\$ 30.9	\$ 28.8	\$ 27.2
Increase versus prior period	7%	—	2%	—
Net income	\$ 123.0	\$ 148.5	\$ 388.8	\$ 407.8
Impact of special charges and loss on voluntary pension settlement	28.9	—	28.2	—
Adjusted net income	\$ 151.9	\$ 148.5	\$ 417.0	\$ 407.8
Increase versus prior period	7%	—	2%	—
Earnings per share	\$ 0.96	\$ 1.11	\$ 2.91	\$ 3.04
Impact of special charges and loss on voluntary pension settlement	0.82	—	0.82	—
Adjusted earnings per share	\$ 1.78	\$ 1.11	\$ 3.73	\$ 3.04
Increase versus prior period	6%	—	2%	—

Live Webcast

As previously announced, McCormick will hold a conference call with analysts today at 8:00 a.m. ET. The conference call will be webcast live via the McCormick web site. Go to www.mccormick.com and follow directions to listen to the call and access the accompanying presentation materials. At the same location, a replay of the call will be available following the live call. Post press releases and additional information can be found at this address.

Forward-Looking Information

Certain information contained in this release, including statements concerning expected performance such as those relating to net sales, earnings, cost savings, acquisitions and brand marketing support, 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," "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 resulting operations and gross margin, the expected production and selling capital requirements, expectations regarding growth potential, financial projections and forecasts, expected trends in net sales and operating performance and other financial measures, the expected impact of pension and retirement plan contributions and anticipated charges associated with such plans, the backlog period and market rate associated with financial instruments, the impact of foreign exchange fluctuations, the volatility of forward generated levels and existing sources of liquidity, such as the availability of bank financing, our ability to raise additional debt or equity securities and our expectations regarding purchasing shares of our common stock under the existing authorization.

These and other forward-looking statements are based on management's current view and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by factors such as changes to our operations or brand name, loss of brand licenses, increased market share, our product quality, delivery, or ability to secure, negotiate, fulfill and/or complete business transactions that are related to sales or unanticipated events, actions by third parties, financial condition of customers and suppliers, our ability to achieve expected order backlog and margin improvements, the 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 ability of credit and capital markets, risks associated with our information technology systems, the threat of data breaches and cyber attacks, volatility in our share price, climate change, changes in our intellectual property rights, and changes in customer, regulator, legal and administrative proceedings, 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.

About McCormick

McCormick & Company is a global leader in flavor & food for a variety of animal uses. McCormick manufactures, markets and distributes spices, seasoning blends, proprietary blends, essences and other flavor products to the entire food industry – retail outlets, food manufacturers and foodservice businesses – in more than 120 countries and territories. Since 1911, McCormick has been a leader in the company setting not been established in 1885. McCormick has demonstrated a strong commitment to the communities in which it operates and the planet as well as the planet as a whole. Innovation in flavor and a clear focus on

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(Financial tables follow)

Fourth Quarter Report McCormick & Company Incorporated

Consolidated Income Statement
 (In millions except per share data)

	Third Month Ended		Fourth Month Ended	
	November 30	November 30	November 30	November 30
Net sales	\$ 503.7	\$ 502.0	\$ 1,822.4	\$ 1,814.2
Cost of goods sold	150.1	145.1	512.1	510.4
Gross profit	353.6	356.9	1,310.3	1,303.8
Costs of operations	41.9	42.1	145.8	147.6
Selling, general and administrative expense	287.8	282.2	1,079.9	1,058.1
Special charges	25.8	—	25.8	—
Loss on voluntary pension settlement	154.3	—	154.3	—
Operating income	144.1	202.2	506.5	578.1
Interest expense	11.9	11.7	51.1	54.4
Other income, net	6.5	0.0	2.2	2.2
Income from consolidated operations before income taxes	148.7	190.5	457.6	526.3
Income taxes	25.6	42.1	133.0	130.2
Net income from consolidated operations	123.1	148.4	324.6	396.1
Income from nonconsolidated operations	—	—	—	—
Net income	\$ 123.1	\$ 148.4	\$ 324.6	\$ 396.1
Earnings per share – basic	\$ 0.96	\$ 1.11	\$ 2.91	\$ 3.04
Earnings per share – diluted	\$ 0.94	\$ 1.09	\$ 2.87	\$ 3.01
Average shares outstanding – basic	127.2	134.1	111.5	129.7
Average shares outstanding – diluted	131.1	134.1	113.6	134.3

Fourth Quarter Report McCormick & Company Incorporated

Consolidated Balance Sheet
 (In millions)

	November 30	November 30
Assets		
Cash and cash equivalents	\$ 63.8	\$ 79.0
Trade accounts receivable, net	482.8	488.9
Inventories	476.9	615.0
Prepaid expenses and other current assets	138.5	155.5
Total current assets	1,162.0	1,338.4
Property, plant and equipment, net	214.4	212.7
Goodwill	178.4	181.5
Intangible assets, net	105.4	101.5
Investments and other assets	25.0	25.0
Total assets	\$ 1,685.2	\$ 1,863.1
Liabilities		
Short-term borrowings and current portion of long-term debt	\$ 214.1	\$ 302.0
Stock-based compensation	387.3	371.9
Other accrued liabilities	102.7	112.2
Total current liabilities	704.1	786.1
Long-term debt	1,051.6	1,071.7
Other long-term liabilities	60.3	62.1
Total liabilities	1,816.0	1,920.1
Shareholders' equity		
Common stock	862.4	868.2
Retained earnings	275.4	224.6
Accumulated other comprehensive loss	(61.3)	(170.9)
Noncontrolling interests	88.3	78.8
Total shareholders' equity	\$ 1,144.8	\$ 1,000.7
Total liabilities and shareholders' equity	\$ 1,816.0	\$ 1,920.1

Fourth Quarter Report McCormick & Company Incorporated

Consolidated Cash Flow Statement
 (In millions)

	Third Month Ended	
	November 30	November 30
Operating activities		
Net income	\$ 388.8	\$ 407.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	106.4	102.8
Stock-based compensation	182.0	201.2
Special charges	24.8	—
Loss on voluntary pension settlement	15.2	—
Income from nonconsolidated operations	(21.2)	(21.1)
Change in operating assets and liabilities	(79.2)	(89.3)
Dividends from nonconsolidated affiliates	4.2	15.9
Net cash provided by operating activities	\$ 520.8	\$ 627.3
Investing activities		
Acquisition of businesses	(142.3)	(110.1)
Capital expenditures	(95.0)	(110.1)
Proceeds from sale of property, plant and equipment	8.0	(2.1)
Net cash used in investing activities	\$ (229.3)	\$ (222.3)
Financing activities		
Dividend payments, net	(71.9)	(76.4)
Long-term debt borrowings	248.2	5.8
Long-term debt repayments	(251.4)	(4.7)
Common stock issued	64.7	62.1
Common stock acquired by purchase	(177.4)	(132.2)
Dividends paid	(170.9)	(164.2)
Net cash used in financing activities	\$ (268.7)	\$ (209.6)
Effect of exchange rate changes on cash and cash equivalents	6.6	24.1
Change in cash and cash equivalents	\$ 16.2	\$ 21.6
Cash and cash equivalents at beginning of period	\$ 63.8	\$ 79.0
Cash and cash equivalents at end of period	\$ 80.0	\$ 100.6

SOURCE: McCormick & Company, Inc.