



McCormick Reports Financial Results For First Quarter And Reaffirms 2014 Financial Outlook

March 25, 2014

SPHACK, Md., March 25, 2014 (PRNewswire - McCormick & Company, Incorporated (NYSE: MCC), a global leader in flavor, today reported sales and profit results for the first quarter ended February 28, 2014 and reaffirmed its financial outlook for fiscal year 2014.

- **McCormick grew first quarter sales 6%, with solid increases in both its consumer and industrial businesses.**
- **Earnings per share rose 9% to \$0.62 from \$0.57 in the year-ago period, led by an 11% increase in operating income.**
- **For fiscal year 2014, the company reaffirmed its plans to grow sales 3% to 5% and report earnings per share in a \$3.22 to \$3.29 range.**

Chairman's Remarks

Alan D. Wilson, Chairman, President and CEO, commented, "Our first quarter result was a great start to 2014 with higher sales, a profit result that was ahead of our initial outlook, and strong cash flow. McCormick's leadership position in growing categories, employee engagement around the world, and focus on performance are driving these results and have us well-positioned for further success.

"Key elements of our consumer business growth strategy include brand building, scalable innovation and expansion of our geographic footprint. 100+ programs in each of these areas, we grew consumer business sales and operating income 6% in the first quarter. We invested an additional \$7 million of brand marketing during the quarter to connect with consumers through digital marketing and other media and to support our launch of innovative new products around the world. From our strength in the coastal region, we expanded our geographic footprint into central China with the acquisition of MOPIC in HANGZHOU, which contributed significantly to consumer business sales this period. In the U.S., consumer business, we are seeing early indications of effectiveness with actions underway to accelerate innovation, increase brand marketing support and develop more effective category leadership with retail customers. Our industrial business grew sales 5% in the first quarter of 2014, building on a recovery that began in the previous quarter. In the U.S., growth in sales to food and beverage companies more than offset weaker demand from quick service restaurants. In international markets, we had continued strength in industrial sales and profit growth in Europe. Middle East and Africa (MEA) again reported results in China. Operating income for our industrial business increased 24% in the first quarter, meaning a significant decline in the year-ago period.

"For the first quarter, we grew operating income 11% and earnings per share 9% from the year-ago period, as a result of higher sales, a favorable business mix, our Comprehensive Continuous Improvement (CCI) program and diligent cost management. Cash flow from operations rose \$45 million from the year-ago period. We are committed to returning a portion of cash to McCormick shareholders, and exceeded \$100 million used for dividends and share repurchases in the first quarter."

First Quarter 2014 Results

McCormick's first quarter sales rose 6% from the year-ago period and in local currency the increase was 6%. The acquisition of WAPIC, completed in May 2013, contributed 4% to the growth rate. Pricing actions and higher volume and product mix, largely accounted for the other half of this sales increase. The company grew sales in both its consumer and industrial businesses through product innovation, brand building and expanded distribution. In the first quarter, the sale of sales increase in international markets was particularly strong. Cost savings from the company's CCI program, as well as a favorable mix of business, improved gross profit margin, which rose to 33.4% from 38.7% in the year-ago period. The company increased operating income 11% to \$0.62 in the first quarter of 2014. Higher sales and improved gross profit margin more than offset a \$7 million increase in brand marketing this period. Earnings per share rose 9% to \$0.62 in the first quarter of 2014 from \$0.57 in the year-ago period, with the strong increase in operating income, offset in part by the unfavorable impact of a higher tax rate. Net cash provided by operating activities rose \$40 million from the year-ago period primarily as a result of lower retirement plan contributions.

2014 Financial Outlook

McCormick reaffirmed its financial outlook for 2014. The company anticipates growing sales 3% to 5% in local currency, which includes an incremental impact of the WAPIC acquisition in the first half of the year. In addition, the company expects unfavorable foreign currency exchange rates to reduce sales by 1% to 1.5% based on prevailing rates. Plans are underway to invest at least \$25 million in increased brand marketing support to drive sales of new products, as well as core items. Following a \$7 million increase in brand marketing support during the first quarter of 2014, the company anticipates increasing its spending by at least the same amount in the second quarter. These investments, in brand building and innovation, are funded in part by McCormick's CCI program which is expected to deliver at least \$60 million of cost savings in 2014. The company reaffirmed 2014 earnings per share at \$3.22 to \$3.29. In this projection, higher sales, a favorable mix of business and CCI cost savings are expected to more than offset a significantly higher tax rate and an estimated \$0.1 per share of special charge. In the second quarter of 2014, the company expects earnings per share to increase only slightly from the year-ago period as a result of several factors, including higher brand marketing support and weakness in demand from quick service restaurants in the U.S. Another year of strong cash flow is anticipated in 2014, with a significant portion expected to be returned to McCormick's shareholders through dividends and share repurchases.

Business Segment Results

Consumer Business

	Three months ended	
	2014	2013
Net sales	\$ 462.1	\$ 436.1
Operating income	\$ 64.3	\$ 57.7

Consumer business sales rose 6% when compared to the year-ago period, and in local currency the increase was 6%. The WAPIC acquisition accounted for a significant portion of this growth.

- Consumer sales in the Americas declined 1%, and in local currency were slightly below the first quarter of 2013. In comparison, consumer sales in this region rose 7% in the first quarter of 2013 from the first quarter of 2012. During the first quarter of 2014, higher pricing added 2% of sales growth, following a U.S. price increase effective in late 2013. This pricing impact was offset by a decline in volume and product mix. Actions are underway to address competitive pressure in this region that include accelerated innovation, increased brand marketing support and more effective category leadership with retail customers. Improved sales of core spices and seasonings and recipe mixes indicate these actions are beginning to have a positive impact on performance.
- Consumer sales in EMEA grew 6%, and in local currency the increase was 1%. Sales growth in this region remained robust, with higher sales to quick service restaurant customers driven by new products and distribution gains. In addition, the company passed-through to its customers higher pricing in response to increased material costs.
- Consumer sales in APAC grew 6%, and in local currency the increase was 4%. The company achieved this growth with higher volume and product mix that included the introduction of new products across the region and a 28% increase in brand marketing support. The sales increase was particularly strong this period in France and several smaller markets.
- First quarter consumer sales in brand marketing support rose 6%, in local currency, sales grew 7%. WAPIC contributing 4% to the increase. Sales of the company's brand business in China grew at a double-digit rate.

Operating income was \$64 million for the consumer business, reflecting an 8% increase from the year-ago period. The favorable impact of higher sales and CCI cost savings, more than offset an increase in brand marketing support.

Industrial Business

	Three months ended	
	2014	2013
Net sales	\$ 306.1	\$ 291.1
Operating income	\$ 65.3	\$ 24.3

Industrial business sales rose 5% when compared to the first quarter of 2013, and in local currency the increase was 6%. Higher volume and product mix led the growth and included both product innovation and distribution gains.

- In industrial sales in the Americas grew 7%, and in local currency the increase was 3%, due primarily to higher volume and product mix. Strong sales to food manufacturers in this region more than offset continued weak demand from quick service restaurants.
- In EMEA, the company grew industrial sales 6% and in local currency the increase was 1%. Sales growth in this region remained robust, with higher sales to quick service restaurant customers driven by new products and distribution gains. In addition, the company passed-through to its customers higher pricing in response to increased material costs.
- Industrial sales in the APAC region rose 5% this quarter and in local currency the increase was 10%. Higher volume and product mix was mainly the result of improved sales to quick service restaurants in China. This followed a decline in sales in the year-ago first quarter and throughout most of 2013 that related to consumer concerns with poultry consumption.

In the first quarter, industrial business operating income rose 24% from the year-ago period, and operating income margin reached 20%. The growth in operating income was due to higher sales, a favorable business mix and CCI cost savings. The increase in industrial business operating income this period reflected a 22% year-over-year decline in operating income when comparing the first quarter of 2013 to the first quarter of 2012.

Live Webinar

As previously announced, McCormick will hold a conference call with analysts today at 8:00 a.m. ET. The conference 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 this same location, a replay of the call will be available following the live call. Press releases and additional information can be found at this address.

Forward-looking information

Certain information contained in this release, including statements concerning anticipated 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," "expect," "should," "anticipate," "intend," "believe" and "plan." These statements may relate to the expected results of operations of businesses acquired by the company, the expected impact of the material costs and pricing actions in the company's results of operations and gross margin, the expected production and working capital requirements, operations regarding government permit or other regulatory requirements, the holding period and market risks associated with such plans, the holding period and market risks associated with franchise investments, the adequacy of internally generated funds and working capital resources, such as the availability of bank financing, the ability to raise additional debt or equity securities and expectations regarding performance of McCormick's customer base under the existing 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 adversely affected by factors such as: damage to the company's reputation or brand name; loss of brand relevance increased price that can be passed to customers; changes in regulatory requirements and enforcement practices; global economic and financial conditions generally, including the availability of financing; and the costs associated with pension obligations, foreign currency fluctuations, the ability of credit and capital markets, sales associated with the company's information technology systems, the threat of data breach and cyber attacks, volatility in the effective tax rate, climate change, infringement of intellectual property rights, and those of customers, litigation, 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, Incorporated is a global leader in flavor with \$4 billion in annual sales. McCormick manufactures, markets and distributes spices, seasonings, blends, condiments and other flavorful products to the entire food industry - retail outlets, food manufacturers and foodservice businesses - in more than 125 countries and territories. Since 1970, McCormick has demonstrated a strong commitment to the communities in which it operates and the planet as a whole. Innovation in flavor and a clear focus on employee engagement and product quality has allowed McCormick to grow its business globally and become the flavor leader in its field. For more information, visit www.mccormick.com.

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(Financial tables follow)

Consolidated Income Statement (Unaudited)
(In millions except per share data)

	Three Months Ended	
	February 28, 2014	February 28, 2013
Net sales	\$ 504.4	\$ 504.4
Cost of goods sold	262.5	272.4
Gross profit	241.9	232.0
Gross profit margin	48.1 %	46.2 %
Selling, general and administrative expense	166.9	165.6
Operating income	75.0	66.4
Interest income	0.4	0.5
Other income, net	0.2	0.5
Income from consolidated operations before income taxes	75.6	67.4
Income taxes	17.4	16.1
Income from consolidated operations	58.2	51.3
Income from unconsolidated operations	0.1	0.1
Net income	\$ 58.3	\$ 51.4
Earnings per share - basic	\$ 0.63	\$ 0.57
Earnings per share - diluted	\$ 0.62	\$ 0.57
Average shares outstanding - basic	92.1	90.5
Average shares outstanding - diluted	93.2	91.0

First Quarter Report McCormick & Company, Incorporated

Consolidated Balance Sheet (Unaudited)
(In millions)

	Three Months Ended	
	February 28, 2014	February 28, 2013
Assets		
Cash and cash equivalents	\$ 88.4	\$ 68.6
Trade accounts receivable, net	428.8	402.0
Investments	65.9	65.5
Prepaid expenses and other current assets	128.8	122.4
Total current assets	1,311.1	1,258.5
Property, plant and equipment, net	215.9	222.5
Goodwill	888.1	888.2
Intangible assets, net	322.8	321.3
Investments and other assets	78.7	77.8
Total assets	\$ 4,427.7	\$ 4,068.3
Liabilities		
Short-term borrowings and current portion of long-term debt	\$ 282.8	\$ 453.8
Trade accounts payable	346.8	361.3
Other accrued liabilities	262.1	271.8
Total current liabilities	891.7	1,086.9
Long-term debt	4,014.4	2,720.7
Other long-term liabilities	473.6	499.5
Total liabilities	4,423.3	3,813.3
Shareholders' equity		
Common stock	871.7	921.9
Accumulated earnings	365.2	348.1
Accumulated other comprehensive income (loss)	6.8	(11.1)
Noncontrolling interests	15.8	15.6
Total shareholders' equity	1,309.5	1,254.4
Total liabilities and shareholders' equity	\$ 4,423.3	\$ 4,068.3

First Quarter Report McCormick & Company, Incorporated

Consolidated Cash Flow Statement (Unaudited)
(In millions)

	Three Months Ended	
	February 28, 2014	February 28, 2013
Operating activities		
Net income	\$ 58.3	\$ 76.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24.8	24.2
Stock based compensation	2.8	2.8
Income from unconsolidated operations	(2.1)	(6.0)
Changes in operating assets and liabilities	(24.1)	(61.8)
Dividends from unconsolidated affiliates	4.8	1.8
Net cash provided by operating activities	59.7	37.0
Investing activities		
Acquisition of business	—	(2.8)
Capital expenditures	(18.5)	(14.4)
Proceeds from sale of property, plant and equipment	0.5	1.0
Net cash used in investing activities	(18.0)	(16.2)
Financing activities		
Short-term borrowings, net	82.4	82.8
Long-term debt repayments	(5.4)	(2.4)
Proceeds from exercised stock options	6.8	10.2
Common stock acquired by purchase	(26.8)	(61.2)
Dividends paid	(22.0)	(21.1)
Net cash used in financing activities	(25.0)	(11.7)
Effect of exchange rate changes on cash and cash equivalents	(0.2)	0.7
Increases (decreases) in cash and cash equivalents	26.3	12.6
Cash and cash equivalents at beginning of period	88.4	79.1
Cash and cash equivalents at end of period	\$ 114.7	\$ 91.7

SOURCE: McCormick & Company, Incorporated