McCORMICK REPORTS THIRD QUARTER PERFORMANCE AND REAFFIRMS 2022 OUTLOOK

October 6, 2022

HUNT VALLEY, Md., Oct. 6, 2022 /PRNewswire/ -- McCormick & Company, Incorporated (NYSE:MKC), a global leader in flavor, today reported financial results for the third quarter ended August 31, 2022 and reaffirmed its financial outlook for fiscal year 2022.

- **Sales increased 3% in the third quarter from the year-ago period. In constant currency, sales increased 6% driven by growth in both the Consumer and Flavor Solutions segments. Both comparisons include a 1% unfavorable impact from the divestiture of the Company's Kitchen Basics business.**
- **Operating income was $235 million in the third quarter compared to $265 million in the year-ago period. Adjusted operating income was $239 million compared to $272 million in the third quarter of 2021.**
- **Earnings per share was $0.82 in the third quarter as compared to $0.79 in the year-ago period. Adjusted earnings per share was $0.69 as compared to $0.80 in the year-ago period.**
- **For fiscal year 2022, McCormick reaffirmed its sales, operating income, and earnings per share outlook.**

Chairman and CEO's Remarks

Lawrence E. Kurzius, Chairman and CEO, stated, "Our record third quarter sales performance reflects the strength of our broad global portfolio and the effective execution of our strategies against the backdrop of a volatile operating environment. Our 6% constant currency sales growth was led by continued momentum in our Flavor Solutions segment across all three regions. The performance of our Consumer segment reflects strong underlying growth tempered by the impacts of divesting our Kitchen Basics business, exiting a low margin business in India, and exiting our Consumer business in Russia. We continue to actively respond to changes in consumer behavior that are a result of broad pressure on the cost of living from inflation. We are confident our brand marketing investments, innovation and category management initiatives will continue to drive growth.

"During the third quarter, supply chain challenges continued, and recovery of certain constrained materials has taken longer than expected. We continued to incur elevated costs to meet high demand in some parts of our business, while in other parts of our business, where demand has moderated, we are experiencing lower operating leverage. Across the supply chain, we remain focused on managing inventory levels and eliminating inefficiencies, though the normalization of our supply chain costs is taking longer than expected, pressuring gross margin. Over the coming months, we will be aggressively eliminating supply chain inefficiencies. Importantly, as we had expected in the third quarter, we began to recover the cost inflation that had been outpacing our pricing actions and other levers. We expect this will continue into next year as we plan to fully offset inflation over time.

"We remain confident that the strength of our business model and the value of our products and capabilities position us well for the long-term and will allow us to successfully navigate this dynamic global environment. We continue to capitalize on the long-term consumer trends that have accelerated since the beginning of the pandemic, including the sustained shift to cooking more at home, increased digital engagement, clean and flavorful eating, and trusted brands. Our alignment with these trends, in combination with the breadth and reach of our portfolio and our strategic investments provide a strong foundation for sustainable growth. McCormick's long-term performance, including through the pandemic and other periods of volatility, has been industry-leading. The long-term fundamentals that have driven our historical performance remain strong and our experienced leaders are executing on our proven strategies while adapting to challenges accordingly.

"I want to recognize McCormick employees around the world as they drive our momentum and success. With our vision to stand together for flavor and our relentless focus on growth, performance, and people, we are confident we will drive future sustainable growth and build long-term value for our shareholders."

Third Quarter 2022 Results

McCormick reported a 3% sales increase in the third quarter from the year-ago period. In constant currency, sales grew 6%, reflecting 10% growth from pricing actions partially offset by a 1% decline from the Kitchen Basics divestiture, a 1% decline attributable to the exits of a low margin business in India and the Consumer business in Russia, and a 2% decline in all other volume and product mix.

Third quarter sales grew at a constant currency three-year compounded annual growth rate (CAGR) of 7% for the total Company off of a pre-pandemic baseline of 2019. The three-year constant currency CAGR's for the Consumer segment and the Flavor Solutions segment were 6% and 8%, respectively, showing sustained momentum in the business in both segments.

Higher cost inflation and other supply chain costs, partially offset by pricing actions and cost savings led by the Company's Comprehensive Continuous Improvement (CCI) program, resulted in a decline in gross profit margin of 320 basis points. Operating income was $235 million in the third quarter of 2022 compared to $265 million in the third quarter of 2021. This decline was driven by gross margin compression, primarily in the

Company's Flavor Solutions segment. Selling, general and administrative expenses were comparable to the third quarter of last year with higher distribution costs and brand marketing investments offset by lower employee benefit expenses. Excluding special charges, as well as transaction and integration expenses, adjusted operating income was $239 million compared to $272 million in the year-ago period.

Earnings per share was $0.82 in the third quarter of 2022 compared to $0.79 in the third quarter of 2021. The net favorable impact of the gain on the sale of the Kitchen Basics business and special charges increased earnings per share by $0.13 in the third quarter of 2022. Special charges and transaction and integration expenses lowered earnings per share by $0.01 in the third quarter of 2021. Excluding these impacts, adjusted earnings per share was $0.69 in the third quarter of 2022 compared to $0.80 in the year-ago period. This decrease was driven by lower adjusted operating income.

Year-to-date net cash provided by operating activities was $250 million compared to $373 million through the third quarter of 2021. The decrease was primarily due to lower net income and higher inventory levels.

Fiscal Year 2022 Financial Outlook

For fiscal year 2022, McCormick reaffirmed its financial outlook which was previously issued with the Company's preliminary third quarter 2022 results on September 7, 2022.

The Company continues to expect foreign currency rates in 2022 to unfavorably impact net sales by 3% and unfavorably impact adjusted operating income and adjusted earnings per share by 2%.

McCormick expects 2022 sales to range from comparable to 2021 to an increase of 2%, which in constant currency is sales growth of 3% to 5%. These comparisons include an unfavorable impact from the divestiture of the Company's Kitchen Basics business. McCormick expects sales growth to be driven by pricing actions, which, in conjunction with cost savings, are expected to offset inflationary pressures over time. McCormick also plans to drive continued growth through the strength of its brands, as well as brand marketing, new products, category management, and differentiated customer engagement.

Operating income in 2022 is expected to decline 10% to 8% from $1.02 billion in 2021. The Company expects approximately $46 million of special charges in 2022 that relate to previously approved organization and streamlining actions as well as integration expenses related to the FONA acquisition of approximately $2 million in 2022. Excluding the impact of special charges and transaction and integration expenses in 2022 and 2021, the Company projects adjusted operating income to decline 13% to 11%, or 11% to 9% in constant currency.

McCormick projects earnings per share to be in the range of $2.64 to $2.69, compared to $2.80 in 2021. The Company expects the net favorable impact of the gain on the sale of the Kitchen Basics business, special charges and transaction and integration expenses to increase earnings per share by approximately $0.01 in 2022. Excluding these impacts, the Company projects 2022 adjusted earnings per share to be in the range of $2.63 to $2.68 as compared to adjusted earnings per share of $3.05 in 2021. This projection includes a $0.02 unfavorable impact from the divestiture of the Kitchen Basics business.

Business Segment Results

Consumer Segment

(in millions)	**Three months ended**		**Nine months ended**	
	8/31/2022	8/31/2021	**8/31/2022**	8/31/2021
Net sales	**$ 927.9**	$ 921.9	**$ 2,720.1**	$ 2,813.9
Operating income, excluding special charges, transaction and integration expenses	**183.7**	187.8	**475.5**	554.5

Consumer segment sales increased 1% from the third quarter of 2021 and in constant currency increased 4%. Both comparisons included a 1% unfavorable impact from the Kitchen Basics divestiture. Growth was driven by the Americas and Asia/Pacific regions with pricing actions increasing sales in all three regions.

- Consumer sales in the Americas increased 3% from the third quarter of 2021 with minimal impact from currency. The increase was driven by pricing actions partially offset by lower volume and product mix, including a 1% decline from the Kitchen Basics divestiture. In constant currency, third quarter sales have grown at a 6% CAGR over the last three years.

- Consumer sales in Europe, Middle East and Africa (EMEA) declined 13% compared to the year-ago period. In constant currency, sales decreased 1% with lower volume and product mix partially offset by pricing actions. The sales decline includes a 3% unfavorable impact from lower sales in Russia. Third quarter sales have grown, in constant currency, at a 3% CAGR over the last three years.

- Consumer sales in the Asia/Pacific region grew 5% compared to the year-ago period. In constant currency, sales grew 10% attributable to higher volume and product mix as well as pricing actions. The exit of a lower margin business in India tempered third quarter growth by 7%. In constant currency, third quarter sales have grown at a 4% CAGR over the last three years.

Consumer segment operating income, excluding transaction and integration expenses, as well as special charges, decreased 2% in third quarter of 2022 compared to the year-ago period. In constant currency, operating income declined 1%. Higher cost inflation and brand marketing investments as well as the impact of lower volume and operating leverage, was almost fully offset by pricing actions and CCI-led cost savings.

Flavor Solutions Segment

(in millions)	Three months ended		Nine months ended	
	8/31/2022	8/31/2021	**8/31/2022**	8/31/2021
Net sales	**$ 667.7**	$ 627.5	**$ 1,934.7**	$ 1,773.7
Operating income, excluding special charges, transaction and integration expenses	**54.9**	84.5	**164.0**	238.3

Flavor Solutions segment sales increased 6% from the third quarter of 2021. In constant currency, the outstanding sales growth of 10% was driven by all three regions. Pricing actions increased sales in each region.

- In the Americas, Flavor Solutions sales rose 9% compared to the third quarter of 2021. In constant currency, sales increased 10% driven by continued high demand from packaged food and beverage companies as well as higher sales to branded foodservice customers. Third quarter sales have grown, in constant currency, at an 8% CAGR over the last three years.

- The EMEA region's Flavor Solutions sales declined 1% compared to the third quarter of 2021. In constant currency, sales increased 11% with strong growth to quick service restaurant, branded foodservice, and packaged food and beverage company customers. Lower sales in Russia tempered growth by 1%. In constant currency, third quarter sales have grown at a 9% CAGR over the last three years.

- The Asia/Pacific region's Flavor Solutions sales increased 5% compared to the third quarter of 2021. In constant currency, sales increased 11%. This increase was driven by higher sales to quick service restaurants, partially impacted by the timing of customers' promotional activities. Third quarter sales have grown, in constant currency, at a 6% CAGR over the last three years.

Flavor Solutions segment operating income, excluding transaction and integration expenses, as well as special charges, was 35% lower in the third quarter of 2022 compared to the year-ago period. In constant currency, Flavor Solutions operating income declined 34% driven by higher cost inflation, elevated costs to meet high demand, unfavorable product mix and spending related to supply chain investments. These impacts were partially offset by higher sales, pricing actions, and CCI-led cost savings.

Non-GAAP Financial Measures

The tables below include financial measures of adjusted gross profit, adjusted gross profit margin, 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. Upon presentation of any such proposed action (generally including details with respect to estimated costs, which typically 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 savings) 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. Special charges for the nine months ended August 31, 2022 include a $13.6 million gain associated with the sale of the Kohinoor brand name. We exited our Kohinoor rice product line in India in the fourth quarter of fiscal 2021.

Transaction and integration expenses associated with the Cholula and FONA acquisitions – We exclude certain costs associated with our acquisitions of Cholula and FONA in November and December 2020, respectively, and their subsequent integration into the Company. Such costs, which we refer to as "Transaction and integration expenses", include transaction costs associated with each acquisition, as well as integration costs following the respective acquisition, including the impact of the acquisition date fair value adjustment for inventories, together with the impact of discrete tax items, if any, directly related to each acquisition.

Income from sale of unconsolidated operations – We exclude the gain realized upon our sale of an unconsolidated operation in March 2021. The sale of our 26% interest in Eastern Condiments Private Ltd resulted in a gain of $13.4 million, net of tax of $5.7 million. The gain is included in Income from unconsolidated operations in our consolidated income statement for the nine months ended August 31, 2021.

Gain on sale of Kitchen Basics - We exclude the gain realized upon our sale of our Kitchen Basics business in August 2022. The pre-tax gain associated with the sale was $49.6 million for the three and nine months ended August 31, 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:

(in millions except per share data)	Three Months Ended		Nine Months Ended	
	8/31/2022	8/31/2021	**8/31/2022**	8/31/2021
Gross profit	**$ 566.7**	$ 599.6	**$ 1,650.1**	$ 1,791.7
Impact of transaction and integration expenses included in cost of goods sold (1)	**—**	—	**—**	6.3
Adjusted gross profit	**$ 566.7**	$ 599.6	**$ 1,650.1**	$ 1,798.0
Adjusted gross profit margin (3)	**35.5 %**	38.7 %	**35.4 %**	39.2 %
Operating income	**$ 235.2**	$ 265.2	**$ 599.3**	$ 738.9
Impact of transaction and integration expenses included in cost of goods sold (1)	**—**	—	**—**	6.3
Impact of other transaction and integration expenses (1)	**—**	1.3	**2.2**	27.0
Impact of special charges (2)	**3.4**	5.8	**38.0**	20.6
Adjusted operating income	**$ 238.6**	$ 272.3	**$ 639.5**	$ 792.8
% decrease versus year-ago period	**(12.4) %**		**(19.3) %**	
Adjusted operating income margin (4)	**15.0 %**	17.6 %	**13.7 %**	17.3 %
Income tax expense	**$ 59.3**	$ 31.5	**$ 115.4**	$ 135.5
Impact of transaction and integration expenses (1)	**—**	1.2	**0.6**	(3.1)
Impact of special charges (2)	**0.7**	1.4	**10.7**	4.9
Impact of sale of Kitchen Basics	**(11.6)**	—	**(11.6)**	—
Adjusted income tax expense	**$ 48.4**	$ 34.1	**$ 115.1**	$ 137.3
Adjusted income tax rate (5)	**21.2 %**	14.1 %	**20.0 %**	19.6 %
Net income	**$ 222.9**	$ 212.4	**$ 496.3**	$ 557.9
Impact of transaction and integration expenses (1)	**—**	0.1	**1.6**	36.4
Impact of special charges (2)	**2.7**	4.4	**27.3**	15.7
Impact of after-tax gain on sale of Kitchen Basics	**(38.0)**	—	**(38.0)**	—
Impact of after-tax gain on sale of unconsolidated operation	**—**	—	**—**	(13.4)
Adjusted net income	**$ 187.6**	$ 216.9	**$ 487.2**	$ 596.6
% decrease versus year-ago period	**(13.5) %**		**(18.3) %**	
Earnings per share - diluted	**$ 0.82**	$ 0.79	**$ 1.83**	$ 2.07
Impact of transaction and integration expenses (1)	**—**	—	**0.01**	0.14
Impact of special charges (2)	**0.01**	0.01	**0.10**	0.05
Impact of after-tax gain on sale of Kitchen Basics	**(0.14)**	—	**(0.14)**	—
Impact of after-tax gain on sale of unconsolidated operation	**—**	—	**—**	(0.05)
Adjusted earnings per share - diluted	**$ 0.69**	$ 0.80	**$ 1.80**	$ 2.21
% decrease versus year-ago period	**(13.8) %**		**(18.6) %**	

(1) Transaction and integration expenses include transaction and integration expenses associated with our acquisitions of Cholula and FONA. These expenses include the effect of the fair value adjustment to acquired inventories on cost of goods sold and the impact of a discrete deferred state income tax expense item, directly related to our December 2020 acquisition of FONA. This discrete tax item had a favorable impact of $1.0 million for the three months ended August 31, 2021 and a net unfavorable impact of $10.4 million or $0.04 per diluted share for the nine months ended August 31, 2021.

(2) Special charges for the nine months ended August 31, 2022 include a $10.0 million non-cash intangible asset impairment charge associated with our exit of our business operations in Russia. We exited our Kohinoor rice product line in India in the fourth quarter of fiscal 2021. Special charges for the nine months ended August 31, 2022 include a $13.6 million gain associated with the sale of the Kohinoor brand name.

(3) Adjusted gross profit margin is calculated as adjusted gross profit as a percentage of net sales for each period presented.

(4) Adjusted operating income margin is calculated as adjusted operating income as a percentage of net sales for each period presented.

(5) 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, and for 2022, the gain on a sale of a business, of $228.5 million and $575.1 million for the three and nine months ended August 31, 2022, respectively, $241.9 million and $701.5 million for the three and nine months ended August 31, 2021, respectively.

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 as well as compounded annual growth rates (CAGR) 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 August 31, 2022		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales			
Consumer Segment			
Americas	2.8 %	(0.3) %	3.1 %
EMEA	(12.7) %	(12.1) %	(0.6) %
Asia/Pacific	5.4 %	(4.7) %	10.1 %
Total Consumer segment	0.7 %	(2.7) %	3.4 %
Flavor Solutions Segment			
Americas	9.2 %	(0.4) %	9.6 %
EMEA	(1.3) %	(12.5) %	11.2 %
Asia/Pacific	4.8 %	(6.3) %	11.1 %
Total Flavor Solutions segment	6.4 %	(3.7) %	10.1 %
Total net sales	3.0 %	(3.1) %	6.1 %
Adjusted operating income			
Consumer segment	(2.2) %	(1.0) %	(1.2) %
Flavor Solutions segment	(35.0) %	(1.3) %	(33.7) %
Total adjusted operating income	(12.4) %	(1.1) %	(11.3) %

	Nine Months Ended August 31, 2022		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales			
Consumer Segment			
Americas	0.2 %	(0.1) %	0.3 %
EMEA	(15.1) %	(7.7) %	(7.4) %
Asia/Pacific	(5.1) %	(0.8) %	(4.3) %
Total Consumer segment	(3.3) %	(1.6) %	(1.7) %
Flavor Solutions Segment			
Americas	10.9 %	(0.2) %	11.1 %
EMEA	8.1 %	(9.6) %	17.7 %
Asia/Pacific	(0.2) %	(3.5) %	3.3 %
Total Flavor Solutions segment	9.1 %	(2.5) %	11.6 %
Total net sales	1.5 %	(2.0) %	3.5 %
Adjusted operating income			
Consumer segment	(14.2) %	(0.7) %	(13.5) %
Flavor Solutions segment	(31.2) %	(2.8) %	(28.4) %
Total adjusted operating income	(19.3) %	(1.3) %	(18.0) %

	Three Months Ended August 31, 2022		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
3 Year CAGR - Net sales			
Consumer Segment			
Americas	6.4 %	— %	6.4 %
EMEA	0.3 %	(2.4) %	2.7 %
Asia/Pacific	5.0 %	0.8 %	4.2 %
Total Consumer segment	5.3 %	(0.2) %	5.5 %
Flavor Solutions Segment			

Americas	7.9 %	— %	7.9 %
EMEA	7.8 %	(1.1) %	8.9 %
Asia/Pacific	6.0 %	(0.3) %	6.3 %
Total Flavor Solutions segment	7.7 %	(0.3) %	8.0 %
Total 3 Year CAGR - Net sales	6.3 %	(0.2) %	6.5 %

To present "constant currency" information for the fiscal year 2022 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 2022 and are compared to the 2021 results, translated into U.S. dollars using the same 2022 budgeted exchange rates, rather than at the average actual exchange rates in effect during fiscal year 2021. 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 2021 or projected shares outstanding for fiscal year 2022, as appropriate.

	Projection for the Year Ending November 30, 2022
Percentage change in net sales	0% to 2%
Impact of unfavorable foreign currency exchange	3 %
Percentage change in net sales in constant currency	3% to 5%
Percentage change in adjusted operating income	(13)% to (11)%
Impact of unfavorable foreign currency exchange	2 %
Percentage change in adjusted operating income in constant currency	(11)% to (9)%

The following provides a reconciliation of our estimated earnings per share to adjusted earnings per share for 2022 and actual results for 2021:

	Twelve Months Ended	
	2022 Projection	11/30/21
Earnings per share - diluted	$2.64 to $2.69	$ 2.80
Impact of transaction and integration expenses	0.01	0.14
Impact of special charges	0.12	0.16
Impact of after-tax gain on sale of Kitchen Basics	(0.14)	—
Impact of sale of unconsolidated operation	—	(0.05)
Adjusted earnings per share - diluted	$2.63 to $2.68	$ 3.05

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 website. Go to ir.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. Past 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, gross margin, earnings, cost savings, transaction and integration expenses, 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." 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, including the acquisitions of Cholula and FONA; the expected impact of the inflationary cost environment, including commodity, packaging materials and transportation costs on our business; the expected impact of pricing actions on the company's results of operations and gross margins; the impact of price elasticity on our sales volume and mix; the expected impact of factors affecting our supply chain, including transportation capacity, labor shortages, and absenteeism; the expected impact of productivity improvements, including those associated with our Comprehensive Continuous Improvement (CCI) program and global enablement initiative; the impact of the Russia-Ukraine conflict, including the potential for broader economic disruption; expected working capital improvements; expectations regarding growth potential in various geographies and markets, including the impact from customer, channel, category, and e-commerce expansion; expected trends in net sales and earnings performance and other financial measures; the expected timing and costs of implementing our business transformation initiative, which includes the implementation of a global enterprise resource planning (ERP) system; the expected impact of accounting pronouncements; the expectations of pension and postretirement plan contributions and anticipated charges associated with those plans; the holding period and market risks associated with financial instruments; the impact of foreign exchange fluctuations; the adequacy of internally generated funds and existing sources of liquidity, such as the availability of bank financing; the anticipated sufficiency of future cash flows to enable the payments of interest and repayment of short- and long-term debt, working capital needs, planned capital expenditures, as well as quarterly dividends and the ability to obtain additional short- and long-term financing or issue additional debt securities; and expectations regarding purchasing shares of McCormick's common stock under the existing repurchase authorization.

These and other forward-looking statements are based on management's current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by factors such as: the company's ability to drive revenue growth; the company's ability to increase pricing to offset, or partially offset, inflationary pressures on the cost of our products; damage to the company's reputation or brand name; loss of brand relevance; increased private label use; the company's ability to drive productivity improvements, including those related to our CCI program; 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 Russia-Ukraine conflict, 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, 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.

About McCormick

McCormick & Company, Incorporated is a global leader in flavor. With over $6 billion in annual sales across 170 countries and territories, we manufacture, market and distribute spices, seasoning mixes, condiments and other flavorful products to the entire food industry including e-commerce channels, grocery, food manufacturers and foodservice businesses. Our most popular brands with trademark registrations include McCormick, French's, Frank's RedHot, Stubb's, OLD BAY, Lawry's, Zatarain's, Ducros, Vahiné, Cholula, Schwartz, Kamis, DaQiao, Club House, Aeroplane and Gourmet Garden. Every day, no matter where or what you eat or drink, you can enjoy food flavored by McCormick.

Founded in 1889 and headquartered in Hunt Valley, Maryland USA, McCormick is guided by our principles and committed to our Purpose – To Stand Together for the Future of Flavor. McCormick envisions A World United by Flavor where healthy, sustainable and delicious go hand in hand. To learn more, visit www.mccormickcorporation.com or follow McCormick & Company on Twitter, Instagram and LinkedIn.

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(Financial tables follow)

Third Quarter Report — McCormick & Company, Incorporated

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

	Three months ended		Nine months ended	
	August 31, 2022	August 31, 2021	**August 31, 2022**	August 31, 2021
Net sales	**$ 1,595.6**	$ 1,549.4	**$ 4,654.8**	$ 4,587.6
Cost of goods sold	**1,028.9**	949.8	**3,004.7**	2,795.9
Gross profit	**566.7**	599.6	**1,650.1**	1,791.7
Gross profit margin	**35.5 %**	38.7 %	**35.4 %**	39.1 %
Selling, general and administrative expense	**328.1**	327.3	**1,010.6**	1,005.2
Transaction and integration expenses	**—**	1.3	**2.2**	27.0
Special charges	**3.4**	5.8	**38.0**	20.6
Operating income	**235.2**	265.2	**599.3**	738.9
Interest expense	**37.9**	33.9	**104.7**	103.3
Other income, net	**77.4**	3.5	**89.9**	12.0
Income from consolidated operations before income taxes	**274.7**	234.8	**584.5**	647.6
Income tax expense	**59.3**	31.5	**115.4**	135.5
Net income from consolidated operations	**215.4**	203.3	**469.1**	512.1
Income from unconsolidated operations	**7.5**	9.1	**27.2**	45.8
Net income	**$ 222.9**	$ 212.4	**$ 496.3**	$ 557.9
Earnings per share - basic	**$ 0.83**	$ 0.79	**$ 1.85**	$ 2.09
Earnings per share - diluted	**$ 0.82**	$ 0.79	**$ 1.83**	$ 2.07
Average shares outstanding - basic	**268.3**	267.4	**268.1**	$ 267.2

Average shares outstanding - diluted	**270.2**	270.0	**270.4**	270.0

Consolidated Balance Sheet (Unaudited)
(In millions)

	August 31, 2022	November 30, 2021
Assets		
Cash and cash equivalents	**$ 343.9**	$ 351.7
Trade accounts receivable, net	**565.8**	549.5
Inventories	**1,379.5**	1,182.3
Prepaid expenses and other current assets	**123.6**	112.3
Total current assets	**2,412.8**	2,195.8
Property, plant and equipment, net	**1,139.1**	1,140.3
Goodwill	**5,209.7**	5,335.8
Intangible assets, net	**3,396.6**	3,452.5
Investments and other assets	**782.8**	781.4
Total assets	**$ 12,941.0**	$ 12,905.8
Liabilities		
Short-term borrowings and current portion of long-term debt	**$ 1,457.0**	$ 1,309.4
Trade accounts payable	**1,143.5**	1,064.2
Other accrued liabilities	**539.9**	850.2
Total current liabilities	**3,140.4**	3,223.8
Long-term debt	**3,904.8**	3,973.3
Deferred taxes	**816.3**	792.3
Other long-term liabilities	**472.8**	490.9
Total liabilities	**8,334.3**	8,480.3
Shareholders' equity		
Common stock	**2,130.9**	2,055.1
Retained earnings	**3,048.4**	2,782.4
Accumulated other comprehensive loss	**(590.0)**	(426.5)
Total McCormick shareholders' equity	**4,589.3**	4,411.0
Non-controlling interests	**17.4**	14.5
Total shareholders' equity	**4,606.7**	4,425.5
Total liabilities and shareholders' equity	**$ 12,941.0**	$ 12,905.8

Consolidated Cash Flow Statement (Unaudited)
(In millions)

	Nine Months Ended	
	August 31, 2022	**August 31, 2021**
Operating activities		
Net income	**$ 496.3**	$ 557.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**148.2**	139.1
Stock-based compensation	**49.1**	54.2
Gain on sale of intangible asset	**(13.6)**	—
Gain on sale of a business	**(49.6)**	—
Amortization of inventory fair value adjustments associated with acquisitions	**—**	6.3
Asset impairment charge	**10.0**	6.5
Income from unconsolidated operations	**(27.2)**	(45.8)
Changes in operating assets and liabilities (net of businesses acquired and disposed)		
Trade accounts receivable	**(43.6)**	1.3
Inventories	**(238.5)**	(156.5)
Trade accounts payable	**100.8**	(16.7)
Other assets and liabilities	**(209.6)**	(195.2)
Dividends from unconsolidated affiliates	**27.8**	21.8
Net cash flow provided by operating activities	**250.1**	372.9
Investing activities		
Acquisition of businesses (net of cash acquired)	**—**	(706.4)

Proceeds from sale of a business	**95.2**	—
Proceeds from sale of unconsolidated operations	**—**	65.4
Proceeds from sale of intangible asset	**13.6**	—
Capital expenditures (including software)	**(166.8)**	(189.9)
Other investing activities	**2.5**	0.3
Net cash flow used in investing activities	**(55.5)**	(830.6)
Financing activities		
Short-term borrowings, net	**898.1**	(118.9)
Long-term debt borrowings	**—**	1,001.5
Payment of debt issuance costs	**—**	(1.9)
Long-term debt repayments	**(768.7)**	(255.3)
Proceeds from exercised stock options	**39.9**	10.5
Taxes withheld and paid on employee stock awards	**(19.4)**	(13.3)
Common stock acquired by purchase	**(26.1)**	(3.2)
Dividends paid	**(297.5)**	(272.4)
Net cash flow (used in) provided by financing activities	**(173.7)**	347.0
Effect of exchange rate changes on cash and cash equivalents	**(28.7)**	(0.3)
Decrease in cash and cash equivalents	**(7.8)**	(111.0)
Cash and cash equivalents at beginning of period	**351.7**	423.6
Cash and cash equivalents at end of period	**$ 343.9**	$ 312.6

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