First Quarter Fiscal 2026 Earnings
Management's Pre-Recorded Remarks
March 31, 2026

Corporate Participants

Faten Freiha - Vice President-Investor Relations
Brendan Foley - Chairman, President & Chief Executive Officer
Marcos Gabriel - Executive Vice President & Chief Financial Officer

Management Discussion Section

Faten Freiha
Vice President-Investor Relations

Good morning. This is Faten Freiha, VP of Investor Relations. Thank you for joining today's first quarter earnings call. To accompany this call, we've posted a set of slides on our IR website... ir.mccormick.com.

With me this morning are Brendan Foley, Chairman, President and CEO and Marcos Gabriel, Executive Vice President & CFO.

During this call, we will refer to certain non-GAAP financial measures. The nature of those non-GAAP financial measures and the related reconciliations to the GAAP results are included in this morning's press release and slides.

In our comments, certain percentages are rounded. Please refer to our presentation for complete information. Today's presentation contains projections and other "forward-looking statements." Actual results could differ materially from those projected. The Company undertakes no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or other factors. Please refer to our forward-looking statement on slide 2 for more information.

I will now turn the discussion over to Brendan.

Brendan Foley
Chairman, President & Chief Executive Officer

Good morning, everyone and thank you for joining us.

We are pleased to begin the year with first quarter results that demonstrate the strength and resilience of our business. We delivered strong sales growth along with meaningful increases in adjusted operating income and adjusted earnings per share. Our top and bottom-line performance benefited from the McCormick de Mexico transaction, and we drove organic growth across both segments. Strong sales, acquisition accretion, and cost discipline, enabled us to recover gross margin ahead of our expectations and expand operating income margin, while continuing to invest in future growth. We remain agile and committed to delivering sustainable long-term value.

Turning now to our results on slide 4.

In the first quarter, total sales grew by 14% reflecting acquisition contribution from McCormick de Mexico of 13% and organic sales growth of 1%. As expected, organic growth this quarter was led by pricing in both segments. Volumes in the first quarter were consistent with our expectations, and we anticipate sequential total volume improvement throughout the year, as we continue to execute on our growth plans and strategic priorities.

In Global Consumer, flat volumes reflected the anticipated impact of pricing elasticity in the Americas. Performance in the region was in line with our expectations, despite modest winter storm-related shipment disruptions. In EMEA and Asia-Pacific, we continue to deliver strong volumes. Globally, we continue to drive insight-led innovation, invest in brand marketing and expand distribution. Looking ahead, we expect Global Consumer volumes to improve starting in the second quarter, inclusive of the Americas region, and to end the year with solid volume growth.

In Global Flavor Solutions, volume declines reflect softness in large CPG and QSR customer volumes … these headwinds were partially offset with demand from high-growth innovators and private label customers. Looking ahead we expect volumes to improve as innovation plans across our customer base begin to commercialize in the second quarter.

Turning to profitability… first quarter gross margin expanded by 100 basis points driven by acquisition accretion and execution on inflation mitigation plans, which include cost savings initiatives and targeted pricing. We are pleased with our bottom-line performance for the quarter and expect to continue to invest in the business to drive growth. Our fundamentals remain strong, positioning us to drive sustained, profitable growth. As a result, we remain on track to deliver on our 2026 outlook.

Let's move to slide 5 and let me highlight for the quarter some of the key areas of success.

Across the Global Consumer segment, consumption trends were broadly in line with our plans. Looking by core category and starting with Spices and Seasonings - In the US, we implemented targeted pricing actions to offset cost inflation, with elasticity and share performance in line with our expectations. Looking ahead to the second quarter, we expect volumes to improve, as we optimize our pricing plans on shelf with our retail partners. In addition, innovation remains a key driver … most notably with our newest lineup of finishing salts and sugars… along with renovation, including our counter-top worthy McCormick Gourmet collection, and modernized seasoning blends.

In other large markets we compete in like Canada, France, Poland, and China we continue to grow overall share, and it is contributing meaningfully to our performance.

In Recipe Mixes, our performance in EMEA continues to strengthen. We drove unit and dollar share gains this past quarter as we expanded distribution with customer wins in the UK and extended recipe mixes to new markets, most notably with our Kamis brand in Poland.

In hot sauce, we continue to deliver good results. In the US, for the sixth consecutive quarter we drove unit share gains fueled by investments in brand marketing and innovation.

Moving to mustard, outside of the US, in Canada we continued to drive dollar and unit share gains for the fifth consecutive quarter. In EMEA, most notably in Poland, we drove dollar share gains in mustard for the last five quarters.

We continue to grow distribution points, or TDPs. In the Americas, we expanded TDPs with Spices and Seasonings, which drove the majority of the growth. In addition, we are gaining distribution in high growth unmeasured channels like ecommerce and remain focused on expanding into social commerce in the US, a channel with significant growth opportunities.

Our China Consumer business is performing in line with expectations, reflecting a continued gradual recovery, despite the later timing of the Chinese New Year versus the prior year. While we are seeing softness in Foodservice, this is more than offset by strong Retail performance and our continued shift toward higher-growth foodservice channels.

The integration of McCormick de Mexico continues to progress smoothly. The Consumer business in Mexico delivered strong performance across spices and seasonings, as well as Mayonesa

Moving to Flavor Solutions, in Branded Foodservice, foot traffic trends have improved sequentially, driving volume recovery among our customers. We are also seeing continued growth across non-commercial channels, retail foodservice, and independent operators.

In terms of QSR customers, performance remains strong in China, and trends in EMEA have stabilized.

Let me now touch on some areas where we are seeing some pressure, starting with Global Consumer. In Recipe Mixes, our base business remains strong, with solid loyalty and growth across many lines. Increased U.S. competition, especially in Mexican flavors, continues to pressure share. We are addressing this through innovation, expanded distribution, and focused brand investment behind authentic Mexican brands like Cholula.

In Mustard, the category was flat in the first quarter in the US. French's mustard trailed the category, driven by higher levels of competitive promotional activity. We continue to focus on investing in innovation, brand marketing investments, and strategic partnerships.

Moving to Flavor Solutions, in the Americas, within Flavors, large CPG customers and QSR customers continue to experience softer than expected volumes, consistent with broader food industry trends. We are still seeing strong performance with high-growth innovators and private label customers that are focused on better for you offerings, particularly across snacking and beverages. Looking ahead, we expect Flavors to drive volume improvement in the second quarter, as innovation plans across our customer base begin to commercialize.

On slide 6, I'll share our current perspective on the consumer landscape and broader geopolitical environment.

First, our thoughts are with all those impacted by the conflict in the Middle East, including U.S. military service members and their families at home.

The safety of our employees remains our top priority. Our teams in the region are safe and we are maintaining close communication with our distributors and partners to support their safety and business continuity.

From a business standpoint, the evolving geopolitical environment is contributing to volatility in freight, commodities, and trade flows, while also weighing on consumer confidence.

Our diversified global sourcing model and regional manufacturing footprint helps to limit our exposure, though the situation remains fluid. We are currently navigating elevated ocean freight rates and transit delays driven by re-routing. However, we have successfully managed similar disruptions in the past, most recently during the Suez Canal disruption, and we have the experience, contingency planning, and supply chain agility to respond effectively.

Rising fuel costs are adding pressure on freight, energy, and packaging expenses. We expect to offset these impacts through productivity initiatives and disciplined pricing.

From a demand perspective, we anticipate potential softness in the food-away-from-home channel if the environment continues to impact traffic, particularly in EMEA.

Based on current market conditions and scenario planning related to the length of the conflict, we believe we are well positioned to manage through these challenges and mitigate these pressures within our guidance ranges for the fiscal year.

In terms of Consumer behavior, affordability is their primary concern across many of our core markets, and financial strain remains broad-based and persistent. Against this backdrop, consumers remain resilient and are adapting. They continue to make more frequent trips, with fewer units per basket. In addition, value is increasingly defined not just by price, but by reliability, function, and trusted brands.

Digital channels are playing a larger role in growth, with more than half of retail food and beverage gains driven by e-commerce. Online baskets are larger, store trips are more fragmented, and social and experiential commerce are accelerating discovery. At the same time, AI-driven retail algorithms are reshaping visibility, price optimization, and product substitution, reinforcing the importance of strong brand relevance and digital execution.

In terms of consumption, we're seeing continued momentum in the perimeter of the grocery store and cooking at home, while high-carb, high-sugar, and alcohol categories are trending down. Protein and broader "better-for-you" platforms continue to gain traction across both retail and foodservice.

Within this environment, flavor remains a powerful constant. At-home cooking continues to benefit from consumers seeking affordable, healthier meal solutions, and flavor is the primary driver of purchase across occasions. Spices and seasonings remain a top performer in center store growth.

The convergence of value-seeking behavior, health trends and digital transformation reinforces the central role of flavor and underscores our advantaged position across both Consumer and Flavor Solutions.

As outlined on slide 7, our proven growth levers remain consistent - to drive growth through category management, brand marketing, innovation, proprietary technologies, and our differentiated customer engagement. These levers are supported and enhanced through data and analytics, as we continue to accelerate our digital transformation.

As we look ahead, you can expect us to continue investing in our strengths. We have a strong belief in our ability to accelerate the growth of flavor-focused brands that have significant potential to expand further with increased investment, dedicated resources, and deep category expertise. We have high conviction in flavor, and we will remain firmly focused on our vision and what we do best - making the world more flavorful.

Now, over to Marcos.

Marcos Gabriel
Executive Vice President & Chief Financial Officer

Thank you, Brendan and good morning, everyone.

Let's start on slide 9 and review our topline results for the first quarter. Total net sales grew 14%, in constant currency, driven by the benefits of the acquisition of McCormick de Mexico. Organic sales grew 1%, with contributions from both Consumer and Flavor Solutions.

Moving to our Consumer segment on slide 10, constant currency sales grew 22% and organic sales increased by 2%, driven by price, as expected.

Consumer organic sales in the Americas grew 1%, with pricing contribution of 3%, partially offset by volumes. Pricing reflects the cost inflation-related pricing we recently implemented. Volume performance was in line with our expectations, despite a modest impact from storm-related shipment disruptions. Looking ahead, we expect volumes to improve throughout the year, beginning in the second quarter.

In EMEA, we grew Consumer organic sales 4% driven by a 3% increase in volume and a 1% contribution from pricing related to targeted actions taken as a result of increased commodity costs. We are pleased with the sustained volume growth for the ninth consecutive quarter in EMEA.

Consumer organic sales in the Asia-Pacific region increased by 2%. The increase was driven primarily by volume and reflects the continued gradual recovery in China. In addition, we delivered strong results outside of China, primarily in Australia.

Turning to our Flavor Solutions segment on slide 11. First quarter constant currency sales grew by 3%, reflecting a 2% contribution from acquisitions and 1% organic growth, driven by price and partially offset by volume.

In the Americas, Flavor Solutions' organic sales increased 1%, reflecting a 3% price contribution partially offset by a 2% volume decline. Volumes for the quarter were impacted by continued softness in large CPG and QSR customers volumes, offset by growth with high growth innovator and private label customers.

In EMEA, organic sales decreased by 1%, driven by lower volume, reflecting soft CPG customers' volumes. We are pleased to continue to see volumes stabilize in EMEA relative to recent trends.

In the Asia-Pacific region, Flavor Solutions organic sales increased 1%, with volume growth of 3% driven by QSR customer promotions and limited time offers, primarily in China, partially offset by price of 2%.

Moving to slide 12. Adjusted gross profit margin expanded 100 basis points in the first quarter driven by the accretion from McCormick de Mexico, pricing, and savings from our Comprehensive Continuous Improvement program, or CCI, partially offset by increased commodity costs.

Selling, General and Administrative expenses, or SG&A, increased relative to the first quarter of last year, driven by the impact of consolidating McCormick de Mexico, as well as increased investments in brand marketing and technology. As a percentage of sales SG&A was unfavorable by 70 basis points compared to the prior year, driven primarily by investments in brand marketing and technology.

For the quarter, Adjusted Operating Income increased by 19%, or 16% in constant currency. This increase was driven by a strong topline and gross margin expansion, partially offset by higher SG&A.

Our first quarter adjusted effective tax rate was 26.0% compared to 22.3% in the prior year, driven by a greater level of favorable tax items in the prior year, as expected.

Income from unconsolidated was approximately $19 million, benefiting primarily from strong pre-consolidation operating performance and favorable foreign exchange rates in McCormick de Mexico. This was offset by the elimination of non-controlling interest of $9 million.

Turning to segment operational results on slide 13. Adjusted Operating Income in the Consumer segment increased 22% or 20% in constant currency. Adjusted operating margin compressed by 30 basis points, as acquisition accretion benefits were offset by increased investments, including brand marketing and technology.

In Flavor Solutions, Adjusted Operating Income in the first quarter increased by 12% or 7% in constant currency and adjusted operating margin expanded by 70 basis points, reflecting our continued focus on improving Flavor Solutions' profitability.

At the bottom line, as shown on slide 14, first quarter 2026 Adjusted Earnings per Share was $0.66, an increase of 10% compared to the year-ago period, driven by increased adjusted operating income, partially offset by non-controlling minority interest and tax rate.

On slide 15, we've summarized highlights for cash flow and balance sheet.

Our cash flow from operations for the first quarter was $51 million compared to $116 million in 2025. The decrease was driven primarily by higher cash tax payments and increases in cash used for working capital versus the prior year.

We returned $129 million of cash to our shareholders through dividends and used $33 million for capital expenditures. Our investments include projects to increase capacity and capabilities to meet growing demand, advance our digital transformation, and optimize our cost structure. We continue to expect strong performance in our cash flow from operations for the fiscal year.

Our priority remains to have a balanced use of cash. This means funding investments to drive growth, returning a significant portion of cash to our shareholders through dividends, and maintaining a strong balance sheet. We remain committed to a strong investment grade rating and at the end of this quarter, our leverage ratio was approximately 3.0x after reflecting the impact of the McCormick de Mexico acquisition.

Turning to slide 16, our 2026 financial outlook remains unchanged across all line items from what we shared on our last earnings call.

It's important to note that our tariff cost assumptions remain consistent, considering the most recent developments and based on our current knowledge. We continue to expect the incremental year over year cost impact of tariffs to be approximately $50 million in 2026. We plan to mitigate the vast majority of this impact with productivity savings across the P&L, alternative sourcing, supply chain initiatives, and of course leverage our revenue management capabilities, including surgical pricing.

A few highlights on the 2026 outlook:

Starting with organic growth, we expect our Consumer business to deliver volume growth, driven by expanded distribution, new products, packaging renovation and increased brand marketing investments.

In Flavor Solutions, we anticipate volumes to recover from the prior year, as we execute on our plans.

Across both segments, we are leveraging our revenue growth management capabilities to partially offset inflationary pressures. We expect pricing to contribute more to organic sales growth this year compared to prior year.

Turning to gross margin, first-quarter performance exceeded our implied guidance. However, we continue to navigate several cost uncertainties, including those stemming from the conflict in the

Middle East. This is a dynamic environment, yet based on what we know today, we remain on track to deliver on our current gross margin outlook for the year.

In terms of Adjusted Operating Income and Adjusted Earnings per Share, we expect the second quarter to be at the low end of our guidance range due to sales seasonality and timing of brand marketing spend and digital investments in McCormick de Mexico. In the first quarter, McCormick de Mexico, in addition to its strong underlying performance, which we expect to be sustained for the year, delivered outsized year over year results. This was due to the timing of customers' inventory replenishment relative to the prior year.

Moving to Slide 17, this slide summarizes the cost headwinds for 2026 and how we plan to offset them. Our guidance reflects strong underlying base business performance and growth from acquisitions, with pressures from cost inflation, tariffs, and the rebuild of incentive compensation that are expected to be offset through tariff mitigation plans, CCI initiatives and SG&A streamlining. Our digital investments, most notably the refined ERP implementation plan, along with a higher tax rate, are impacting underlying growth but will become part of our base as we look beyond 2026.

To wrap up, we remain confident in the long-term strength of our business and our ability to deliver differentiated performance. Our advantaged global portfolio, anchored in attractive, high-growth categories, supports our resilience. We're investing strategically, executing with discipline, and driving productivity to fuel operating income growth and sustain our competitive edge.

Now, back to Brendan.

Brendan Foley
Chairman, President & Chief Executive Officer

Thank you, Marcos

I would like to close with our key takeaways on slide 18.

The long-term trends driving our categories, healthy, flavorful cooking, flavor exploration, and trusted brands, remain strong and continue to reinforce the resilience of our portfolio.

McCormick is operating from a position of strength, with a solid foundation, and disciplined execution. Despite ongoing macro and cost headwinds, we remain positioned for sustainable, profitable growth.

Our 2026 outlook reflects continued top-line momentum, margin recovery, and strong operating income growth anchored by innovation, efficiency, and our acquisition of McCormick de Mexico.

We remain a global leader in flavor, driving growth that is both sustainable and differentiated

Our performance reflects the power of our balanced portfolio, our leadership in flavor, and the agility of our teams around the world. I want to recognize all McCormick employees for their dedication and contributions. Their commitment and passion continue to drive our success.