

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended August 31, 2024
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number 001-14920

McCORMICK & COMPANY, INCORPORATED

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	52-0408290 (I.R.S. Employer Identification No.)
24 Schilling Road, Suite 1, Hunt Valley, MD (Address of principal executive offices)	21031 (Zip Code)

Registrant's telephone number, including area code (410) 771-7301

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value \$0.01 per share	MKC.V	New York Stock Exchange
Common Stock Non-Voting, Par Value \$0.01 per share	MKC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

	Shares Outstanding August 31, 2024
Common Stock	16,165,577
Common Stock Non-Voting	252,191,469

TABLE OF CONTENTS

<u>PART I – FINANCIAL INFORMATION</u>	<u>4</u>
ITEM 1 <u>FINANCIAL STATEMENTS</u>	<u>4</u>
ITEM 2 <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>23</u>
ITEM 3 <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>38</u>
ITEM 4 <u>CONTROLS AND PROCEDURES</u>	<u>38</u>
<u>PART II - OTHER INFORMATION</u>	<u>39</u>
ITEM 1 <u>LEGAL PROCEEDINGS</u>	<u>39</u>
ITEM 1a <u>RISK FACTORS</u>	<u>39</u>
ITEM 2 <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>39</u>
ITEM 3 <u>DEFAULTS UPON SENIOR SECURITIES</u>	<u>40</u>
ITEM 4 <u>MINE SAFETY DISCLOSURES</u>	<u>40</u>
ITEM 5 <u>OTHER INFORMATION</u>	<u>40</u>
ITEM 6 <u>EXHIBITS</u>	<u>41</u>

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
(in millions except per share amounts)

	Three months ended August 31,		Nine months ended August 31,	
	2024	2023	2024	2023
Net sales	\$ 1,679.8	\$ 1,684.7	\$ 4,925.7	\$ 4,909.4
Cost of goods sold	1,029.9	1,061.9	3,056.9	3,108.2
Gross profit	649.9	622.8	1,868.8	1,801.2
Selling, general and administrative expense	361.5	371.7	1,106.8	1,088.3
Special charges	1.9	6.1	7.9	47.1
Operating income	286.5	245.0	754.1	665.8
Interest expense	53.5	52.7	156.7	155.5
Other income, net	13.2	7.1	36.7	30.7
Income from consolidated operations before income taxes	246.2	199.4	634.1	541.0
Income tax expense	41.0	42.7	116.8	117.4
Net income from consolidated operations	205.2	156.7	517.3	423.6
Income from unconsolidated operations	17.9	13.4	56.0	37.7
Net income	\$ 223.1	\$ 170.1	\$ 573.3	\$ 461.3
Earnings per share – basic	\$ 0.83	\$ 0.63	\$ 2.13	\$ 1.72
Earnings per share – diluted	\$ 0.83	\$ 0.63	\$ 2.13	\$ 1.71
Average shares outstanding – basic	268.6	268.4	268.5	268.4
Average shares outstanding – diluted	269.7	270.1	269.6	269.8
Cash dividends paid per share – voting and non-voting	\$ 0.42	\$ 0.39	\$ 1.26	\$ 1.17
Cash dividends declared per share – voting and non-voting	\$ 0.42	\$ 0.39	\$ 0.84	\$ 0.78

See notes to condensed consolidated financial statements (unaudited).

McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(in millions)

	Three months ended August 31,		Nine months ended August 31,	
	2024	2023	2024	2023
Net income	\$ 223.1	\$ 170.1	\$ 573.3	\$ 461.3
Net income attributable to non-controlling interest	2.1	0.7	6.0	3.5
Other comprehensive income (loss):				
Unrealized components of pension and other postretirement plans	(1.6)	(0.6)	(2.8)	(2.5)
Currency translation adjustments	(5.0)	28.8	(0.4)	85.8
Change in derivative financial instruments	0.7	8.4	(3.1)	(5.4)
Tax benefit	3.7	1.2	5.2	7.4
Total other comprehensive income (loss), net of tax	(2.2)	37.8	(1.1)	85.3
Comprehensive income	<u>\$ 223.0</u>	<u>\$ 208.6</u>	<u>\$ 578.2</u>	<u>\$ 550.1</u>

See notes to condensed consolidated financial statements (unaudited).

McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)

	August 31, 2024	November 30, 2023
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 200.8	\$ 166.6
Trade accounts receivable, net of allowances	660.9	587.5
Inventories, net		
Finished products	645.0	570.0
Raw materials and work-in-process	597.6	556.5
	1,242.6	1,126.5
Prepaid expenses and other current assets	140.0	121.0
Total current assets	2,244.3	2,001.6
Property, plant and equipment, net	1,399.5	1,324.7
Goodwill	5,277.7	5,260.1
Intangible assets, net	3,332.7	3,356.7
Other long-term assets	950.7	919.2
Total assets	\$ 13,204.9	\$ 12,862.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term borrowings	\$ 1,180.7	\$ 272.2
Current portion of long-term debt	64.2	799.3
Trade accounts payable	1,227.8	1,119.3
Other accrued liabilities	671.6	908.1
Total current liabilities	3,144.3	3,098.9
Long-term debt	3,343.1	3,339.9
Deferred taxes	836.2	861.2
Other long-term liabilities	430.3	478.8
Total liabilities	7,753.9	7,778.8
Shareholders' equity		
Common stock	594.4	597.1
Common stock non-voting	1,640.3	1,602.5
Retained earnings	3,577.2	3,249.7
Accumulated other comprehensive loss	(390.4)	(388.6)
Total McCormick shareholders' equity	5,421.5	5,060.7
Non-controlling interests	29.5	22.8
Total shareholders' equity	5,451.0	5,083.5
Total liabilities and shareholders' equity	\$ 13,204.9	\$ 12,862.3

See notes to condensed consolidated financial statements (unaudited).

McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
(in millions)

	Nine months ended August 31,	
	2024	2023
Operating activities		
Net income	\$ 573.3	\$ 461.3
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	157.5	150.4
Stock-based compensation	39.9	51.1
Deferred income tax expense (benefit)	(37.2)	1.7
Income from unconsolidated operations	(56.0)	(37.7)
Changes in operating assets and liabilities		
Trade accounts receivable	(72.2)	(22.9)
Inventories	(108.9)	139.7
Trade accounts payable	112.3	(90.4)
Other assets and liabilities	(202.1)	(43.6)
Dividends from unconsolidated affiliates	56.6	50.5
Net cash flow provided by operating activities	463.2	660.1
Investing activities		
Capital expenditures (including software)	(189.3)	(187.2)
Other investing activities	0.2	2.4
Net cash flow used in investing activities	(189.1)	(184.8)
Financing activities		
Short-term borrowings, net	908.6	(850.0)
Long-term debt borrowings	—	496.4
Payment of debt issuance costs	—	(1.1)
Long-term debt repayments	(752.8)	(12.7)
Proceeds from exercised stock options	12.8	15.9
Taxes withheld and paid on employee stock awards	(8.9)	(10.8)
Common stock acquired by purchase	(29.0)	(26.7)
Dividends paid	(338.3)	(313.8)
Other financing activities	1.7	1.6
Net cash flow used in financing activities	(205.9)	(701.2)
Effect of exchange rate changes on cash and cash equivalents	(34.0)	46.6
Increase (decrease) in cash and cash equivalents	34.2	(179.3)
Cash and cash equivalents at beginning of period	166.6	334.0
Cash and cash equivalents at end of period	\$ 200.8	\$ 154.7

See notes to condensed consolidated financial statements (unaudited).

McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)
(in millions)

(millions)	Common Stock Shares	Common Stock Non-Voting Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non-controlling Interests	Total Shareholders' Equity
Three months ended August 31, 2024							
Balance, May 31, 2024	16.6	251.9	\$ 2,234.7	\$ 3,480.3	\$ (387.6)	\$ 26.8	\$ 5,354.2
Net income			—	223.1	—	—	223.1
Net income attributable to non-controlling interest			—	—	—	2.1	2.1
Other comprehensive income (loss), net of tax			—	—	(2.8)	0.6	(2.2)
Dividends			—	(112.9)	—	—	(112.9)
Stock-based compensation			8.8	—	—	—	8.8
Shares purchased and retired	(0.3)	—	(11.3)	(13.3)	—	—	(24.6)
Shares issued	0.1	—	2.5	—	—	—	2.5
Equal exchange	(0.2)	0.2	—	—	—	—	—
Balance, August 31, 2024	16.2	252.1	\$ 2,234.7	\$ 3,577.2	\$ (390.4)	\$ 29.5	\$ 5,451.0
Nine months ended August 31, 2024							
Balance, November 30, 2023	16.8	251.3	\$ 2,199.6	\$ 3,249.7	\$ (388.6)	\$ 22.8	\$ 5,083.5
Net income			—	573.3	—	—	573.3
Net income attributable to non-controlling interest			—	—	—	6.0	6.0
Other comprehensive income (loss), net of tax			—	—	(1.8)	0.7	(1.1)
Dividends			—	(225.6)	—	—	(225.6)
Stock-based compensation			39.9	—	—	—	39.9
Shares purchased and retired	(0.5)	—	(18.7)	(20.2)	—	—	(38.9)
Shares issued	0.7	—	13.9	—	—	—	13.9
Equal exchange	(0.8)	0.8	—	—	—	—	—
Balance, August 31, 2024	16.2	252.1	\$ 2,234.7	\$ 3,577.2	\$ (390.4)	\$ 29.5	\$ 5,451.0
Three months ended August 31, 2023							
Balance, May 31, 2023	17.2	251.0	\$ 2,177.1	\$ 3,191.4	\$ (431.5)	\$ 19.9	\$ 4,956.9
Net income			—	170.1	—	—	170.1
Net income attributable to non-controlling interest			—	—	—	0.7	0.7
Other comprehensive income, net of tax			—	—	37.6	0.2	37.8
Dividends			—	(104.7)	—	—	(104.7)
Stock-based compensation			12.6	—	—	—	12.6
Shares purchased and retired	(0.1)	—	(3.0)	(5.1)	—	—	(8.1)
Shares issued	0.1	—	4.8	—	—	—	4.8
Equal exchange	(0.2)	0.2	—	—	—	—	—
Balance, August 31, 2023	17.0	251.2	\$ 2,191.5	\$ 3,251.7	\$ (393.9)	\$ 20.8	\$ 5,070.1

Nine months ended August 31, 2023

Balance, November 30, 2022	17.4	250.6 \$	2,138.6 \$	3,022.5 \$	(480.6) \$	18.7 \$	4,699.2
Net income			—	461.3	—	—	461.3
Net income attributable to non-controlling interest			—	—	—	3.5	3.5
Other comprehensive income (loss), net of tax			—	—	86.7	(1.4)	85.3
Dividends			—	(209.3)	—	—	(209.3)
Stock-based compensation			51.1	—	—	—	51.1
Shares purchased and retired	(0.5)	—	(15.7)	(22.8)	—	—	(38.5)
Shares issued	0.7	—	17.5	—	—	—	17.5
Equal exchange	(0.6)	0.6	—	—	—	—	—
Balance, August 31, 2023	17.0	251.2 \$	2,191.5 \$	3,251.7 \$	(393.9) \$	20.8 \$	5,070.1

See notes to condensed consolidated financial statements (unaudited).

McCORMICK & COMPANY, INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and notes required by United States generally accepted accounting principles (GAAP) for complete financial statements. In our opinion, the accompanying condensed consolidated financial statements contain all adjustments, which are of a normal and recurring nature, necessary to present fairly the financial position and the results of operations for the interim periods presented.

The results of consolidated operations for the nine-month period ended August 31, 2024 are not necessarily indicative of the results to be expected for the full year. Historically, our net sales, net income and cash flow from operations have been lower in the first half of the fiscal year and higher in the second half of the fiscal year. The historical increase in net sales, net income and cash flow from operations in the second half of the year has largely been due to the consumer business cycle in the U.S., where customers typically purchase more products in the fourth quarter due to the Thanksgiving and Christmas holiday seasons.

For further information, refer to the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended November 30, 2023.

Accounts Payable - Supplier Finance Program

As more fully described in our Annual Report on Form 10-K for the year ended November 30, 2023, we participate in a Supply Chain Financing program (SCF) with several global financial institutions (SCF Banks). Under the SCF, qualifying suppliers may elect to sell their receivables from us to an SCF Bank, enabling participating suppliers to negotiate their receivables sales arrangements directly with the respective SCF Bank. We are not party to those agreements and have no economic interest in a supplier's decision to sell a receivable.

All outstanding amounts related to suppliers participating in the SCF are recorded within the line entitled Trade accounts payable in our condensed consolidated balance sheets, and the associated payments are included in operating activities within our consolidated statements of cash flows. As of August 31, 2024 and November 30, 2023, the amounts due to suppliers participating in the SCF and included in trade accounts payable were approximately \$394.8 million and \$300.5 million, respectively.

Accounting Pronouncement Partially Adopted

In September 2022, the FASB issued ASU No. 2022-04: Liabilities - Supplier Finance Programs (Topic 450-50): Disclosure of Supplier Finance Program Obligations, that requires entities that use supplier finance programs in connection with the purchase of goods and services to disclose the key terms of the programs and information about obligations outstanding at the end of the reporting period, including a roll-forward of those obligations. The guidance does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. We adopted the new standard's requirements to disclose the key terms of the programs and information about obligations outstanding as of November 30, 2023. The standard's requirement to disclose a roll-forward of obligations outstanding will be effective for our fiscal year ending November 30, 2025. The partial adoption of this standard did not have a material impact on our consolidated financial statements, nor do we expect the adoption of the future disclosure requirements to have a material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements — Pending Adoption

In November 2023, the FASB issued ASU No. 2023-07: Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures that requires entities to report incremental information about significant segment expenses included in a segment's profit or loss measure as well as the name and title of the chief operating decision maker. The guidance also requires interim disclosures related to reportable segment profit or loss and assets that had previously only been disclosed annually. The new standard is effective for our annual period ending November 30, 2025 and our interim periods during the fiscal year ending November 30, 2026. The guidance does not affect recognition or measurement in our consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09: Income Taxes (Topic 740): Improvements to Income Tax Disclosures that requires entities to disclose additional information about federal, state, and foreign income taxes primarily related to the income tax rate reconciliation and income taxes paid. The new standard also eliminates certain existing disclosure requirements

related to uncertain tax positions and unrecognized deferred tax liabilities. The guidance is effective for our fiscal year ending November 30, 2026. The guidance does not affect recognition or measurement in our consolidated financial statements.

2. 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, including related impairment charges, associated with certain actions undertaken to reduce fixed costs, simplify or improve processes, and improve our competitiveness and are of such significance in terms of both up-front costs and organizational/structural impact to require advance approval by our Management Committee, comprised of our senior management, including our President and Chief Executive Officer. Expenses associated with any approved action are classified as special charges upon recognition and monitored on an on-going basis through completion. Certain ancillary expenses related to these actions approved by our Management Committee do not qualify for accrual upon approval but are included as special charges as incurred during the course of the actions.

We continue to evaluate changes to our organizational structure to reduce fixed costs, simplify or improve processes, and improve our competitiveness.

The following is a summary of special charges recognized in the three and nine months ended August 31, 2024 and 2023 (in millions):

	Three months ended August 31,		Nine months ended August 31,	
	2024	2023	2024	2023
Employee severance and related benefits	\$ —	\$ 1.1	\$ 3.1	\$ 32.9
Other costs				
Cash	1.9	4.4	4.8	12.4
Non-Cash	—	0.6	—	1.8
Total special charges	\$ 1.9	\$ 6.1	\$ 7.9	\$ 47.1

During the three months ended August 31, 2024, we recorded \$1.9 million of special charges, consisting principally of \$0.7 million associated with our Global Operating Effectiveness (GOE) program, as more fully described below, and \$1.2 million associated with the transition of a manufacturing facility in Europe, Middle East, and Africa (EMEA), as more fully described below.

During the nine months ended August 31, 2024, we recorded \$7.9 million of special charges, consisting principally of \$5.3 million associated with our GOE program, as more fully described below, and \$2.6 million associated with the transition of a manufacturing facility in EMEA, as more fully described below.

During the three months ended August 31, 2023, we recorded \$6.1 million of special charges, consisting principally of \$3.6 million associated with our GOE program, as more fully described below, \$1.7 million associated with the transition of a manufacturing facility in EMEA, as more fully described below, and streamlining actions of \$0.8 million in the Americas region.

During the nine months ended August 31, 2023, we recorded \$47.1 million of special charges, consisting principally of \$37.0 million associated with our GOE program, as more fully described below, \$3.9 million associated with the transition of a manufacturing facility in EMEA, as more fully described below, and streamlining actions of \$5.3 million in the Americas region and \$0.9 million in the EMEA region.

In 2022, our Management Committee approved the GOE program, which is expected to eliminate costs associated with our supply chain operations, as well as across the remainder of the organization. The GOE program included a voluntary retirement plan, which included enhanced separation benefits to certain U.S. employees aged 55 years or older with at least ten years of service to the company. This voluntary retirement plan commenced in November 2022, and participants were required to submit their notifications by December 30, 2022. The GOE program also includes other employee separation actions as other related costs within the program. The total costs incurred under the GOE program were approximately \$48 million as of November 30, 2023. Special charges recognized during the three months ended August 31, 2024, under our GOE program included \$0.7 million in severance and related benefits costs. Special charges recognized during the nine months ended August 31, 2024, under our GOE program included \$4.6 million in severance and related benefits costs and \$0.7 million of third-party expenses and other costs. Special charges recognized during the three months ended August 31, 2023, under our GOE program included \$0.9 million in severance and related benefits costs and \$2.7 million of third-party expenses and other costs. Special

charges recognized during the nine months ended August 31, 2023, under our GOE program included \$12.4 million in severance and related benefits costs and \$4.9 million of third-party expenses and other costs.

In 2022, our Management Committee approved an initiative to consolidate our manufacturing operations in the United Kingdom into a net-zero carbon condiments manufacturing and distribution center facility with state-of-the-art technology. We expect to execute these changes to our supply chain operations and improve profitability, from a combination of lower headcount and non-headcount costs, by consolidating our operations into a scalable platform while expanding our capacity. We expect the cost of the initiative to approximate \$40 million—to be recognized as special charges in our consolidated income statement through 2024. Of that \$40 million, we expect the costs to include employee severance and related benefits, non-cash accelerated depreciation, equipment relocation costs, decommissioning and other property related lease exit costs, all directly related to the initiative. The total costs incurred under this program were approximately \$36 million as of November 30, 2023. During the three months ended August 31, 2024, we recognized a reversal of \$0.7 million associated with severance and related benefits costs and \$1.9 million in third-party expenses and other costs. During the nine months ended August 31, 2024, we recognized a reversal of \$1.5 million associated with severance and related benefits costs and \$4.1 million in third-party expenses and other costs. During the three months ended August 31, 2023, we recognized \$0.4 million in accelerated depreciation and \$1.3 million in third-party expenses and other costs. During the nine months ended August 31, 2023, we recognized \$1.2 million in accelerated depreciation and \$2.7 million in third-party expenses and other costs.

As of August 31, 2024, accruals associated with special charges of \$4.2 million are included in other accrued liabilities in our consolidated balance sheet.

The following is a breakdown by business segment of special charges for the three and nine months ended August 31, 2024 and 2023 (in millions):

	Three months ended August 31,		Nine months ended August 31,	
	2024	2023	2024	2023
Consumer segment	\$ 0.5	\$ 2.2	\$ 3.8	\$ 29.6
Flavor solutions segment	1.4	3.9	4.1	17.5
Total special charges	\$ 1.9	\$ 6.1	\$ 7.9	\$ 47.1

3. FINANCING ARRANGEMENTS AND FINANCIAL INSTRUMENTS

In August 2024, we entered into a 364-day \$500 million revolving credit facility which will expire in August 2025 (the 364-day facility). The current pricing for the 364-day facility, on a fully drawn basis, is SOFR + 1.23%. The pricing of the 364-day facility is based on a credit rating grid that contains a fully drawn maximum pricing of the facility equal to SOFR + 1.60%. The provisions of this revolving credit facility restrict subsidiary indebtedness and require us to maintain a minimum interest coverage ratio, consistent with our five-year \$1.5 billion revolving credit facility (the five-year facility). We do not expect that this covenant would limit our access to the 364-day facility or the five-year facility for the foreseeable future.

During the three months ended August 31, 2024, we repaid our \$700.0 million 3.15% notes due in August 2024.

We use derivative financial instruments to enhance our ability to manage risk, including foreign currency, net investment and interest rate exposures, which exist as part of our ongoing business operations. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instrument, and all derivatives are designated as hedges. We are not a party to master netting arrangements, and we do not offset the fair value of derivative contracts with the same counterparty in our financial statement disclosures. The use of derivative financial instruments is monitored through regular communication with senior management and the use of written guidelines.

Foreign currency exchange risk. We are potentially exposed to foreign currency fluctuations affecting net investments in subsidiaries, transactions (both third-party and intercompany) and earnings denominated in foreign currencies. We assess foreign currency risk based on transactional cash flows and translational volatility and may enter into forward contract and currency swaps with highly-rated financial institutions to reduce fluctuations in the long or short currency positions.

The following is a summary of the notional amounts of outstanding foreign currency exchange contracts as of August 31, 2024 and November 30, 2023 (in millions):

	August 31, 2024	November 30, 2023
Fair value hedges	\$ 864.8	\$ 765.4
Cash flow hedge	245.9	235.0
Total	\$ 1,110.7	\$ 1,000.4

All of these contracts were designated as hedges of foreign currency denominated assets or liabilities or hedges of anticipated purchases denominated in a foreign currency. Hedge ineffectiveness was not material. All foreign currency exchange contracts outstanding at August 31, 2024 have durations of less than 15 months, including \$252.7 million of notional contracts that have an initial duration of less than one month and are used to hedge short-term cash flow funding.

Contracts which are designated as hedges of foreign currency denominated assets are considered fair value hedges. These foreign currency exchange contracts manage both exposure to currency fluctuations in certain intercompany loans between subsidiaries as well as currency exposure to third-party non-functional currency assets or liabilities. Gains and losses from contracts that are designated as hedges of assets, liabilities or firm commitments are recognized through income, offsetting the change in fair value of the hedged item. Contracts which are designated as hedges of anticipated purchases denominated in a foreign currency (generally purchases of inventory in U.S. dollars by operating units outside the U.S.) are considered cash flow hedges. The gains and losses on these contracts are deferred in accumulated other comprehensive income until the hedged item is recognized in cost of goods sold, at which time the net amount deferred in accumulated other comprehensive income is also recognized in cost of goods sold.

We also utilize cross currency interest rate swap contracts that are designated as net investment hedges. Gains or losses on net investment hedges, exclusive of interest accruals, are included in foreign currency translation adjustments in accumulated other comprehensive loss. We exclude the interest accruals on cross-currency interest rate swap contracts from the assessment and measurement of hedge effectiveness. We recognize the interest accruals on cross-currency interest rate swap contracts within interest expense.

Interest rate risk. We finance a portion of our operations with both fixed and variable rate debt instruments, principally commercial paper, notes and bank loans. We utilize interest rate derivative contracts, including interest rate swap agreements, to minimize worldwide financing costs and to achieve a desired mix of variable and fixed rate debt.

The following table discloses the notional amount and fair values of derivative instruments on our balance sheet (in millions):

	Asset Derivatives			Liability Derivatives		
	Balance sheet location	Notional amount	Fair value	Balance sheet location	Notional amount	Fair value
As of August 31, 2024						
Interest rate contracts	Other current assets / Other long-term assets	\$ —	\$ —	Other accrued liabilities / Other long-term liabilities	\$ 600.0	\$ 36.0
Foreign exchange contracts	Other current assets	367.3	2.4	Other accrued liabilities	743.4	16.7
Cross currency contracts	Other current assets / Other long-term assets	486.8	18.6	Other accrued liabilities / Other long-term liabilities	497.0	5.9
Total			<u>\$ 21.0</u>			<u>\$ 58.6</u>
As of November 30, 2023						
Interest rate contracts	Other current assets / Other long-term assets	\$ —	\$ —	Other accrued liabilities / Other long-term liabilities	\$ 600.0	\$ 52.8
Foreign exchange contracts	Other current assets	161.3	2.5	Other accrued liabilities	839.1	16.0
Cross currency contracts	Other current assets / Other long-term assets	719.6	24.6	Other long-term liabilities	238.9	7.5
Total			<u>\$ 27.1</u>			<u>\$ 76.3</u>

The following tables disclose the impact of derivative instruments on our other comprehensive income (OCI), accumulated other comprehensive loss (AOCL) and our consolidated income statement for the three and nine months ended August 31, 2024 and 2023 (in millions):

Fair Value Hedges

Derivative	Income statement location	Expense (income)			
		Three months ended August 31, 2024	Three months ended August 31, 2023	Nine months ended August 31, 2024	Nine months ended August 31, 2023
Interest rate contracts	Interest expense	\$ 5.2	\$ 4.9	\$ 15.4	\$ 12.6

Derivative	Income statement location	Gain (loss) recognized in income		Hedged item	Income statement location	Gain (loss) recognized in income	
		2024	2023			2024	2023
Three months ended August 31,							
Foreign exchange contracts	Other income, net	\$ (5.5)	\$ (12.4)	Intercompany loans	Other income, net	\$ 4.6	\$ 10.0
Nine months ended August 31,							
Foreign exchange contracts	Other income, net	\$ (12.2)	\$ (18.1)	Intercompany loans	Other income, net	\$ 8.5	\$ 17.1

The gains (losses) recognized on fair value hedges relating to currency exposure on third-party non-functional currency assets or liabilities were not material during the three and nine months ended August 31, 2024 and 2023.

Cash Flow Hedges

Derivative	Gain (loss) recognized in OCI		Income statement location	Gain (loss) reclassified from AOCI	
	2024	2023		2024	2023
Three months ended August 31,					
Interest rate contracts	\$ —	\$ —	Interest expense	\$ (0.2)	\$ —
Foreign exchange contracts	(0.3)	0.7	Cost of goods sold	0.4	(0.4)
Total	\$ (0.3)	\$ 0.7		\$ 0.2	\$ (0.4)
Nine months ended August 31,					
Interest rate contracts	\$ —	\$ (2.6)	Interest expense	\$ (0.5)	\$ 0.2
Foreign exchange contracts	(0.6)	(1.7)	Cost of goods sold	1.9	0.9
Total	\$ (0.6)	\$ (4.3)		\$ 1.4	\$ 1.1

As of August 31, 2024, the net amount of accumulated other comprehensive loss associated with all cash flow and settled interest rate cash flow hedge derivatives expected to be reclassified in the next 12 months is \$0.8 million as a decrease to earnings.

Net Investment Hedges

Derivative	Gain (loss) recognized in OCI		Income statement location	Gain (loss) excluded from the assessment of hedge effectiveness	
	2024	2023		2024	2023
Three months ended August 31,					
Cross currency contracts	\$ (9.4)	\$ (8.0)	Interest expense	\$ 2.4	\$ 2.7
Nine months ended August 31,					
Cross currency contracts	\$ (4.4)	\$ (17.6)	Interest expense	\$ 7.0	\$ 8.9

For all net investment hedges, no amounts have been reclassified out of accumulated other comprehensive loss. The amounts noted in the tables above for OCI do not include any adjustments for the impact of deferred income taxes.

We maintain a nonrecourse accounts receivable sale program whereby certain eligible U.S. receivables are sold to a third-party financial institution in exchange for cash. The program provides us with an additional means for managing liquidity. Under the terms of the arrangement, we act as the collecting agent on behalf of the financial institution. We account for the transfer of receivables as a sale at the point control is transferred through derecognition of the receivable on our condensed consolidated balance sheet. The outstanding amounts of receivables sold under this program were \$21.1 million and \$19.6 million as of August 31, 2024, and November 30, 2023, respectively. As collecting agent on the sold receivables, we had \$3.3 million and \$1.6 million of cash collected that was not yet remitted to the third-party financial institution as of August 31, 2024, and November 30, 2023, respectively. The incremental costs of selling receivables under this arrangement were insignificant for the three months and nine months ended August 31, 2024.

4. FAIR VALUE MEASUREMENTS

Fair value can be measured using valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). Accounting standards utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

At August 31, 2024 and November 30, 2023, we had no financial assets or liabilities that were subject to a level 3 fair value measurement. Our population of financial assets and liabilities subject to fair value measurements on a recurring basis are as follows (in millions):

	Fair Value	August 31, 2024	
		Level 1	Level 2
Assets			
Cash and cash equivalents	\$ 200.8	\$ 200.8	\$ —
Insurance contracts	124.7	—	124.7
Bonds and other long-term investments	5.6	5.6	—
Foreign currency derivatives	2.4	—	2.4
Cross currency contracts	18.6	—	18.6
Total	\$ 352.1	\$ 206.4	\$ 145.7
Liabilities			
Foreign currency derivatives	\$ 16.7	\$ —	\$ 16.7
Interest rate derivatives	36.0	—	36.0
Cross currency contracts	5.9	—	5.9
Total	\$ 58.6	\$ —	\$ 58.6
	Fair Value	November 30, 2023	
		Level 1	Level 2
Assets			
Cash and cash equivalents	\$ 166.6	\$ 166.6	\$ —
Insurance contracts	114.7	—	114.7
Bonds and other long-term investments	0.3	0.3	—
Foreign currency derivatives	2.5	—	2.5
Cross currency contracts	24.6	—	24.6
Total	\$ 308.7	\$ 166.9	\$ 141.8
Liabilities			
Foreign currency derivatives	\$ 16.0	\$ —	\$ 16.0
Interest rate derivatives	52.8	—	52.8
Cross currency contracts	7.5	—	7.5
Total	\$ 76.3	\$ —	\$ 76.3

At August 31, 2024 and November 30, 2023, the carrying amounts of interest rate derivatives, foreign currency derivatives, cross currency contracts, insurance contracts, and bond and other long-term investments were equal to their respective fair values. Because of their short-term nature, the amounts reported in the balance sheet for cash and cash equivalents, receivables, short-term borrowings and trade accounts payable approximate fair value. Investments in affiliates are not readily marketable, and it is not practicable to estimate their fair value.

Insurance contracts, bonds, and other long-term investments are comprised of fixed income and equity securities held for certain non-qualified U.S. employee benefit plans and are stated at fair value on the balance sheet. The fair values of insurance contracts are based upon the underlying values of the securities in which they are invested and are from quoted market prices from various stock and bond exchanges for similar type assets. The fair values of bonds and other long-term investments are based on quoted market prices from various stock and bond exchanges. The fair values for interest rate derivatives, foreign currency derivatives, and cross currency contracts are based on values for similar instruments using models with market-based inputs.

The following table sets forth the carrying amounts and fair values of our long-term debt including the current portion thereof (in millions):

	August 31, 2024	November 30, 2023
Carrying amount	\$ 3,407.3	\$ 4,139.2
Level 1 valuation techniques	\$ 3,141.0	\$ 3,682.0
Level 2 valuation techniques	116.1	159.0
Total fair value	<u>\$ 3,257.1</u>	<u>\$ 3,841.0</u>

The fair value for Level 2 long-term debt is determined by using quoted prices for similar debt instruments.

5. EMPLOYEE BENEFIT AND RETIREMENT PLANS

We sponsor defined benefit pension plans in the U.S. and certain foreign locations. In addition, we sponsor defined contribution plans in the U.S. We also contribute to defined contribution plans in locations outside the U.S., including government-sponsored retirement plans. We also currently provide postretirement medical and life insurance benefits to certain U.S. employees and retirees. We previously froze the accrual of future benefits under certain defined benefit pension plans in the U.S. and certain foreign locations. Although our defined benefit plans in the U.S., United Kingdom and Canada have generally been frozen, employees who are participants in the plans retained benefits accumulated up to the date of the freeze, based on credited service and eligible earnings, in accordance with the terms of the plans.

The following table presents the components of our pension (income) and other postretirement benefits expense for the three months ended August 31, 2024 and 2023 (in millions):

	United States pension		International pension		Other postretirement benefits	
	2024	2023	2024	2023	2024	2023
Service cost	\$ 0.3	\$ 0.5	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.4
Interest costs	9.4	9.0	2.6	2.5	0.6	0.7
Expected return on plan assets	(9.9)	(10.6)	(4.0)	(3.9)	—	—
Amortization of prior service costs	0.2	0.2	0.1	—	—	(0.1)
Amortization of net actuarial losses (gains)	(0.1)	0.1	(0.1)	—	(0.7)	(0.6)
Total (income) expense	<u>\$ (0.1)</u>	<u>\$ (0.8)</u>	<u>\$ (1.3)</u>	<u>\$ (1.2)</u>	<u>\$ 0.1</u>	<u>\$ 0.4</u>

The following table presents the components of our pension (income) and other postretirement benefits expense for the nine months ended August 31, 2024 and 2023 (in millions):

	United States pension		International pension		Other postretirement benefits	
	2024	2023	2024	2023	2024	2023
Service cost	\$ 1.1	\$ 1.5	\$ 0.4	\$ 0.5	\$ 0.6	\$ 1.0
Interest costs	28.0	27.1	7.9	7.3	1.8	1.9
Expected return on plan assets	(29.7)	(31.8)	(12.0)	(11.3)	—	—
Amortization of prior service costs	0.4	0.4	0.1	0.1	(0.2)	(0.3)
Amortization of net actuarial losses (gains)	(0.3)	0.2	(0.2)	(0.1)	(2.0)	(1.6)
Total (income) expense	<u>\$ (0.5)</u>	<u>\$ (2.6)</u>	<u>\$ (3.8)</u>	<u>\$ (3.5)</u>	<u>\$ 0.2</u>	<u>\$ 1.0</u>

During the nine months ended August 31, 2024 and 2023, we contributed \$5.2 million and \$7.4 million, respectively, to our pension plans. Total contributions to our pension plans in fiscal year 2023 were \$9.2 million.

All of the amounts in the tables above for pension (income) and other postretirement benefits expense, other than service cost, were included in other income, net within our consolidated income statements. The net aggregate amount of pension and other postretirement benefits income, excluding service cost components, was \$(1.9) million and \$(2.7) million for the three months ended August 31, 2024 and 2023, respectively. For the nine months ended August 31, 2024 and 2023, the net aggregate amount of pension and other postretirement benefits income, excluding service cost components was \$(6.2) million and \$(8.1) million, respectively.

6. STOCK-BASED COMPENSATION

We have four types of stock-based compensation awards: restricted stock units (RSUs), stock options, company stock awarded as part of our long-term performance plan (LTPP) and price-vested stock options. The following table sets forth the stock-based compensation expense recorded in selling, general and administrative (SG&A) expense (in millions):

	Three months ended August 31,		Nine months ended August 31,	
	2024	2023	2024	2023
Stock-based compensation expense	\$ 8.8	\$ 12.6	\$ 39.9	\$ 51.1

Our 2024 annual grant of stock options and RSUs occurred in the second quarter, similar to the 2023 annual grant. Additionally, during the first quarter, approximately 380,000 stock option shares were granted.

The weighted-average grant-date fair value of each stock option granted in 2024 was \$17.63 and in 2023 was \$19.35, each as calculated under a lattice pricing model. Substantially all of the stock options and RSUs granted in 2024 and 2023 vest ratably over a three-year period or, if earlier, upon the retirement eligibility date of the holder. The fair values of stock option grants in the stated periods were computed using the following assumptions for our various stock compensation plans:

	2024	2023
Risk-free interest rates	4.1% - 5.5%	3.5% - 4.9%
Dividend yield	2.3%	1.9%
Expected volatility	22.8%	21.8%
Expected lives (in years)	7.1	7.3

The following is a summary of our stock option activity for the nine months ended August 31, 2024 and 2023:

(shares in millions)	2024		2023	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	5.3	\$ 70.43	4.8	\$ 67.08
Granted	1.2	72.88	0.9	81.79
Exercised	(0.3)	41.83	(0.4)	47.85
Forfeited	(0.1)	84.04	—	—
Outstanding at end of the period	<u>6.1</u>	<u>\$ 72.06</u>	<u>5.3</u>	<u>\$ 70.43</u>
Exercisable at end of the period	<u>4.4</u>	<u>\$ 69.64</u>	<u>3.9</u>	<u>\$ 64.29</u>

As of August 31, 2024, the intrinsic value (the difference between the exercise price and the market price) for all options outstanding was \$68.9 million and for options currently exercisable was \$62.1 million. The total intrinsic value of all options exercised during the nine months ended August 31, 2024 and 2023 was \$8.4 million and \$11.1 million, respectively.

The following is a summary of our RSU activity for the nine months ended August 31, 2024 and 2023:

(shares in thousands)	2024		2023	
	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value
Outstanding at beginning of period	494	\$ 76.94	480	\$ 77.62
Granted	278	72.67	243	78.33
Vested	(192)	84.69	(225)	78.16
Forfeited	(25)	80.06	(19)	85.58
Outstanding at end of period	<u>555</u>	<u>\$ 71.97</u>	<u>479</u>	<u>\$ 77.38</u>

The following is a summary of our price-vested stock options activity for the nine months ended August 31, 2024 and 2023:

(shares in thousands)	2024		2023	
	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value
Outstanding at beginning of period	2,055	\$ 9.40	2,107	\$ 9.40
Forfeited	—	—	(52)	9.40
Outstanding at end of period	<u>2,055</u>	<u>\$ 9.40</u>	<u>2,055</u>	<u>\$ 9.40</u>

The following is a summary of our LTPP activity for the nine months ended August 31, 2024 and 2023:

(shares in thousands)	2024		2023	
	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value
Outstanding at beginning of period	474	\$ 94.34	451	\$ 106.32
Granted	192	66.49	167	89.00
Vested	(181)	98.30	(176)	86.14
Forfeited	(17)	84.71	(18)	93.18
Outstanding at end of period	<u>468</u>	<u>\$ 81.63</u>	<u>424</u>	<u>\$ 93.68</u>

7. INCOME TAXES

Income tax expense for the three months ended August 31, 2024 included \$16.3 million of net discrete tax benefits consisting principally of the following: (i) \$5.5 million of tax benefit from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations, (ii) \$5.5 million of tax benefit from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the effective settlement from conclusion of a tax examination, (iii) \$8.3 million of tax benefits resulting from state tax matters, and related deferred taxes, (iv) \$1.5 million of tax benefits resulting from an adjustment to a prior year tax accrual, and related deferred taxes, based on the final returns filed, and (v) \$4.6 million of tax expense associated with the adjustment of a valuation allowance due to changes in judgment about the realizability of the deferred tax asset.

Income tax expense for the nine months ended August 31, 2024 included \$34.9 million of net discrete tax benefits consisting principally of the following: (i) \$19.4 million of tax benefits associated with the recognition of a deferred tax asset related to an international legal entity reorganization, (ii) \$6.8 million of tax benefit from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations, (iii) \$5.5 million of tax benefit from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the effective settlement from conclusion of a tax examination, (iv) \$6.4 million of tax benefits resulting from state tax matters, and related deferred taxes, (v) \$1.5 million of tax benefits resulting from an adjustment to a prior year tax accrual, and related deferred taxes, based on the final returns filed, and (vi) \$4.6 million of tax expense associated with the adjustment of a valuation allowance due to changes in judgment about the realizability of the deferred tax asset.

Income tax expense for the three months ended August 31, 2023 included \$3.3 million of net discrete tax benefits consisting principally of the following: (i) \$2.2 million of tax benefits from the net reversal of certain prior year reserves for unrecognized tax benefits and related interest in non-U.S. jurisdictions, (ii) \$0.8 million of tax benefits from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations in non-U.S. jurisdictions, (iii) \$0.6 million of excess tax benefits associated with stock-based compensation, (iv) \$1.5 million of tax benefits resulting from an adjustment to a prior year tax accrual, and related deferred taxes, based on the final returns filed, and (v) \$1.9 million of tax expense related to certain unremitted prior year earnings.

Income tax expense for the nine months ended August 31, 2023 included \$10.1 million of net discrete tax benefits consisting principally of the following: (i) \$3.2 million of tax benefits associated with the adjustment of a valuation allowance due to changes in judgment about the realizability of the deferred tax asset, (ii) \$2.2 million of tax benefits from the net reversal of certain prior reserves for unrecognized tax benefits and related interest in non-U.S. jurisdictions, (iii) \$2.0 million of tax benefits from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations in non-U.S. jurisdictions, (iv) \$1.2 million of tax benefit related to a tax settlement, (v) \$0.8 million of tax

benefits related to the revaluation of deferred taxes resulting from changes in tax rates, (vi) \$1.0 million of excess tax benefits associated with stock-based compensation, (vii) \$1.5 million of tax benefits resulting from an adjustment to a prior year tax accrual, and related deferred taxes, based on the final returns filed, and (viii) \$1.9 million of tax expense related to certain unremitted prior year earnings.

Other than the discrete tax benefits previously mentioned above and additions for current year tax positions, there were no significant changes to unrecognized tax benefits during the nine months ended August 31, 2024.

As of August 31, 2024, we believe the reasonably possible total amount of unrecognized tax benefits that could increase or decrease in the next 12 months as a result of various statute expirations, audit closures, and/or tax settlements would not be material to our consolidated financial statements.

8. CAPITAL STOCK AND EARNINGS PER SHARE

The following table sets forth the reconciliation of average shares outstanding (in millions):

	Three months ended August 31,		Nine months ended August 31,	
	2024	2023	2024	2023
Average shares outstanding – basic	268.6	268.4	268.5	268.4
Effect of dilutive securities:				
Stock options/RSUs/LTPP	1.1	1.7	1.1	1.4
Average shares outstanding – diluted	269.7	270.1	269.6	269.8

The following table sets forth the stock options and RSUs that were not considered in our earnings per share calculation since they were anti-dilutive (in millions):

	Three months ended August 31,		Nine months ended August 31,	
	2024	2023	2024	2023
Anti-dilutive securities	3.6	1.8	3.4	1.8

The following table sets forth common stock activity (in millions):

	Three months ended August 31,		Nine months ended August 31,	
	2024	2023	2024	2023
Shares issued under stock options, RSUs, LTPP and employee stock purchase plans	0.1	0.1	0.7	0.7
Shares repurchased under the stock repurchase program and shares withheld for taxes under stock options, RSUs, and LTPP	0.3	0.1	0.5	0.5

As of August 31, 2024, \$472.5 million remained of the \$600 million share repurchase program authorization approved by our Board of Directors in November 2019.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table sets forth the components of accumulated other comprehensive loss, net of tax, where applicable (in millions):

	August 31, 2024	November 30, 2023
Foreign currency translation adjustment ⁽¹⁾	\$ (302.6)	\$ (305.7)
Unrealized gain (loss) on foreign currency exchange contracts	(1.9)	0.8
Unamortized value of settled interest rate swaps	(2.3)	(2.7)
Pension and other postretirement costs	(83.6)	(81.0)
Accumulated other comprehensive loss	<u>\$ (390.4)</u>	<u>\$ (388.6)</u>

- (1) During the nine months ended August 31, 2024, the foreign currency translation adjustment of accumulated other comprehensive loss decreased on a net basis by \$3.1 million, inclusive of \$4.4 million of unrealized losses associated with net investment hedges. These net investment hedges are more fully described in note 3.

The following table sets forth the amounts reclassified from accumulated other comprehensive income (loss) and into consolidated net income (in millions):

	Three months ended		Nine months ended		Affected Line Items in the Condensed Consolidated Income Statement
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023	
(Gains)/losses on cash flow hedges:					
Interest rate derivatives	\$ 0.2	\$ —	\$ 0.5	\$ (0.2)	Interest expense
Foreign exchange contracts	(0.4)	0.4	(1.9)	(0.9)	Cost of goods sold
Total before tax	(0.2)	0.4	(1.4)	(1.1)	
Tax effect	—	(0.1)	0.3	0.3	Income tax expense
Net, after tax	<u>\$ (0.2)</u>	<u>\$ 0.3</u>	<u>\$ (1.1)</u>	<u>\$ (0.8)</u>	
Amortization of pension and postretirement benefit adjustments:					
Amortization of prior service costs ⁽¹⁾	\$ 0.3	\$ 0.1	\$ 0.3	\$ 0.2	Other income, net
Amortization of net actuarial (gains) ⁽¹⁾	\$ (0.9)	\$ (0.5)	\$ (2.5)	\$ (1.5)	Other income, net
Total before tax	(0.6)	(0.4)	(2.2)	(1.3)	
Tax effect	0.1	0.1	0.5	0.3	Income tax expense
Net, after tax	<u>\$ (0.5)</u>	<u>\$ (0.3)</u>	<u>\$ (1.7)</u>	<u>\$ (1.0)</u>	

- (1) This accumulated other comprehensive income (loss) component is included in the computation of total pension (income) and other postretirement benefits expense (refer to note 5 for additional details).

10. BUSINESS SEGMENTS

We operate in two business segments: consumer and flavor solutions. The consumer and flavor solutions segments manufacture, market and distribute spices, herbs, seasoning mixes, condiments and other flavorful products throughout the world. Our consumer segment sells to retail channels, including grocery, mass merchandise, warehouse clubs, discount and drug stores, and e-commerce under the “McCormick” brand and a variety of brands around the world, including “French’s”, “Frank’s RedHot”, “OLD BAY”, “Lawry’s”, “Zatarain’s”, “Simply Asia”, “Thai Kitchen”, “Ducros”, “Vahine”, “Cholula”, “Schwartz”, “Club House”, “Kamis”, “DaQiao”, “La Drogheria”, “Stubb’s”, and “Gourmet Garden”. Our flavor solutions segment sells to food manufacturers and the foodservice industry both directly and indirectly through distributors, with the exception of our business in China, where foodservice sales are managed by and reported in our consumer segment.

We measure segment performance based on operating income excluding special charges, as this activity is managed separately from the business segments.

Although the segments are managed separately due to their distinct distribution channels and marketing strategies, manufacturing and warehousing are often integrated to maximize cost efficiencies. We do not segregate jointly utilized assets by individual segment for purposes of internal reporting, performance evaluation, or capital allocation. Because of manufacturing integration for certain products within the segments, products are not sold from one segment to another but rather inventory is transferred at cost. Intersegment sales are not material.

	Consumer	Flavor Solutions	Total
	(in millions)		
<u>Three months ended August 31, 2024</u>			
Net sales	\$ 937.4	\$ 742.4	\$ 1,679.8
Operating income excluding special charges	186.8	101.6	288.4
Income from unconsolidated operations	17.1	0.8	17.9
<u>Three months ended August 31, 2023</u>			
Net sales	\$ 937.1	\$ 747.6	\$ 1,684.7
Operating income excluding special charges	173.3	77.8	251.1
Income from unconsolidated operations	11.9	1.5	13.4
<u>Nine months ended August 31, 2024</u>			
Net sales	\$ 2,763.4	\$ 2,162.3	\$ 4,925.7
Operating income excluding special charges	512.4	249.6	762.0
Income from unconsolidated operations	54.7	1.3	56.0
<u>Nine months ended August 31, 2023</u>			
Net sales	\$ 2,758.7	\$ 2,150.7	\$ 4,909.4
Operating income excluding special charges	500.3	212.6	712.9
Income from unconsolidated operations	36.5	1.2	37.7

A reconciliation of operating income excluding special charges to operating income is as follows (in millions):

	Consumer	Flavor Solutions	Total
<u>Three months ended August 31, 2024</u>			
Operating income excluding special charges	\$ 186.8	\$ 101.6	\$ 288.4
Less: Special charges	0.5	1.4	1.9
Operating income	<u>\$ 186.3</u>	<u>\$ 100.2</u>	<u>\$ 286.5</u>
<u>Three months ended August 31, 2023</u>			
Operating income excluding special charges	\$ 173.3	\$ 77.8	\$ 251.1
Less: Special charges	2.2	3.9	6.1
Operating income	<u>\$ 171.1</u>	<u>\$ 73.9</u>	<u>\$ 245.0</u>
<u>Nine months ended August 31, 2024</u>			
Operating income excluding special charges	\$ 512.4	\$ 249.6	\$ 762.0
Less: Special charges	3.8	4.1	7.9
Operating income	<u>\$ 508.6</u>	<u>\$ 245.5</u>	<u>\$ 754.1</u>
<u>Nine months ended August 31, 2023</u>			
Operating income excluding special charges	\$ 500.3	\$ 212.6	\$ 712.9
Less: Special charges	29.6	17.5	47.1
Operating income	<u>\$ 470.7</u>	<u>\$ 195.1</u>	<u>\$ 665.8</u>

Total segment operating income as disclosed in the preceding table represents our consolidated operating income. The reconciliation of that operating income to income from consolidated operations before income taxes, which includes interest expense and other income, net is presented on the consolidated income statement.

The following table sets forth our net sales, by geographic area, for the three and nine months ended August 31, 2024 and 2023 (in millions):

	Americas	EMEA	APAC	Total
Three months ended August 31, 2024	\$ 1,209.3	\$ 295.4	\$ 175.1	\$ 1,679.8
Three months ended August 31, 2023	1,203.3	304.4	177.0	1,684.7
Nine months ended August 31, 2024	3,492.7	909.4	523.6	4,925.7
Nine months ended August 31, 2023	3,475.8	899.0	534.6	4,909.4

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand McCormick & Company, Incorporated, our operations, and our present business environment from the perspective of management. MD&A is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and the accompanying notes thereto, included in Item 1 of this report. We use certain non-GAAP information – more fully described below under the caption Non-GAAP Financial Measures – that we believe is important for purposes of comparison to prior periods and 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. Unless otherwise noted, the dollar and share information in the charts and tables in MD&A are in millions, except per share data.

Business profile

McCormick is a global leader in flavor. We manufacture, market and distribute spices, seasoning mixes, condiments and other flavorful products to the entire food industry – retailers, food manufacturers and the foodservice business. In fiscal year 2023, approximately 39% of our sales were outside of the U.S. We also are partners in a number of joint ventures that are involved in the manufacture and sale of flavorful products, the most significant of which is McCormick de Mexico. We manage our business in two business segments, consumer and flavor solutions.

Executive Summary

In the third quarter of 2024, our sales declined by 0.3% from the third quarter 2023 level, including impact from the following factors:

- Volume and product mix favorably impacted our net sales by 0.6%, exclusive of divestitures. The consumer segment experienced favorable volume and product mix of 1.0% and the flavor solutions segment experienced flat volume and product mix.
- Pricing impacts unfavorably impacted our net sales decline by 0.2%. The unfavorable impact of pricing actions in our consumer segment more than offset the favorable impact of pricing actions in our flavor solutions segment.
- Divestitures negatively impacted our net sales by 0.3%.
- Net sales were negatively impacted by fluctuations in currency rates by 0.4%, decreasing sales growth by 0.2% in our consumers segment and 0.5% in our flavor solutions segment.

Operating income was \$286.5 million in the third quarter of 2024 and \$245.0 million in the comparable 2023 period, an increase of 16.9%. We recorded \$1.9 million and \$6.1 million of special charges in the third quarter of 2024 and 2023, respectively, related to organization and streamlining actions. In the third quarter of 2024, our gross profit margin improved by 170 basis points, primarily driven by favorable product and customer mix and cost savings led by our comprehensive continuous improvement (CCI) program. Also, in the third quarter of 2024, selling, general and administrative expenses as a percentage of sales decreased 60 basis points, which was driven by lower incentive and stock-based compensation expenses as well as CCI-led cost savings. Excluding special charges, adjusted operating income was \$288.4 million in the third quarter of 2024, an increase of 14.9%, compared to \$251.1 million in the year-ago period. In constant currency, adjusted operating income increased 15.6%.

Diluted earnings per share was \$0.83 and \$0.63 in the third quarter of 2024 and 2023, respectively. The increase in diluted earnings per share for the third quarter of 2024 was driven primarily by the impact of higher operating income, including the effects of lower special charges, the favorable effects of a decrease in the effective tax rate, including the effects of favorable discrete income tax benefits, and the favorable effects of an increase in income from unconsolidated operations. Special charges lowered earnings per share by \$0.02 in the third quarter of 2023. Excluding the effects of special charges, adjusted diluted earnings per share was \$0.83 in the third quarter of 2024 and \$0.65 in the third quarter of 2023, or an increase of 27.7%.

A detailed review of our third quarter 2024 performance compared to the third quarter of fiscal 2023 and our performance for the nine months ended August 31, 2024 compared to the prior year period appears in the section titled “Results of Operations – Company” and “Results of Operations – Segments”. For a reconciliation of non-GAAP to reported amounts, see the subsequent discussion under the heading “Non-GAAP Financial Measures”.

2024 Outlook

In 2024, we expect net sales to range from a decline of 1% to an increase of 1% on both a reported and a constant currency basis, with a minimal impact from currency. We anticipate that the 2024 sales change will include a favorable impact from prior year pricing actions, which will be partially reduced by current year pricing actions taken in response to price gap management as well as promotional activities. We anticipate that our volume and product mix will be impacted by the divestiture of our Giotti canning business in the third quarter of last year, and the pruning of low margin businesses.

We expect our 2024 gross profit margin to range from 50 basis points to 100 basis points higher than our gross profit margin of 37.6% in 2023. The projected 2024 increase in gross profit margin is principally due to the net effect of (i) the favorable impact of pricing actions, (ii) the favorable impacts of product mix, (iii) the favorable impact of anticipated GOE program and CCI cost savings, and (iv) a low single-digit percentage impact of inflation in 2024 compared to 2023.

In 2024, we expect an increase in operating income of 9% to 11%, which includes a minimal impact from foreign currency rates, over the 2023 level. The projected 2024 change in operating income includes the effects of the anticipated increase in our gross profit margin as well as SG&A cost savings from our CCI and GOE programs, which will be partially offset by our investments to drive volume growth, including brand marketing. We expect our brand marketing investments in 2024 to increase in the high-single digits over the 2023 level. We also expect approximately \$15 million of special charges in 2024 that relate to previously announced organization and streamlining actions; in 2023, special charges were \$61.2 million. Excluding special charges, we expect 2024's adjusted operating income to increase by 4% to 6% on a reported and a constant currency basis, with a minimal impact from currency.

We estimate that our 2024 effective tax rate, including the net favorable impact of anticipated discrete tax items, will be 21% as compared to 21.8% in 2023. Excluding projected taxes associated with special charges, we estimate that our adjusted effective tax rate will be approximately 21% in 2024, as compared to an adjusted effective tax rate of 22.0% in 2023.

We also expect that our income from unconsolidated operations, including the performance of our largest joint venture, McCormick de Mexico, will increase by a mid-teens percentage rate over the 2023 level.

Diluted earnings per share was \$2.52 in 2023. Diluted earnings per share for 2024 is projected to range from \$2.81 to \$2.86. Excluding the per share impact of special charges of \$61.2 million, adjusted diluted earnings per share was \$2.70 in 2023. Adjusted diluted earnings per share, excluding an estimated per share impact from special charges of \$0.04, is projected to range from \$2.85 to \$2.90 in 2024, or an increase of 5% to 7% over adjusted diluted earnings per share of \$2.70 in 2023.

RESULTS OF OPERATIONS – COMPANY

	Three months ended		Nine months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Net sales	\$ 1,679.8	\$ 1,684.7	\$ 4,925.7	\$ 4,909.4
Percent (decrease) increase	(0.3)%	5.6 %	0.3 %	5.5 %
Components of percent change in net sales – increase (decrease):				
Pricing actions	(0.2)%	7.8 %	0.8 %	9.7 %
Volume and product mix	0.6 %	(2.1)%	(0.4)%	(2.5)%
Divestitures	(0.3)%	(0.2)%	(0.3)%	(0.4)%
Foreign exchange	(0.4)%	0.1 %	0.2 %	(1.3)%
Gross profit	\$ 649.9	\$ 622.8	\$ 1,868.8	\$ 1,801.2
Gross profit margin	38.7 %	37.0 %	37.9 %	36.7 %

Sales for the third quarter of 2024 decreased by 0.3% from the prior year level and increased by 0.1% on a constant currency basis (that is, excluding the impact of foreign currency exchange as more fully described under the caption, Non-GAAP Financial Measures). Pricing actions decreased sales by 0.2% as compared to the prior period. Pricing actions taken in response to price gap management as well as promotional activities in our consumer segment were mitigated by the favorable impact of pricing actions taken in the prior year. Favorable volume and product mix increased sales by 0.6% for the quarter. Favorable volume and product mix in our consumer segment was mitigated by flat volume and product mix in our flavor solutions segment. Also, the divestiture of our Giotti canning business unfavorably impacted sales by 0.3% as compared to the prior year period. Foreign currency rates decreased sales by 0.4% for the quarter and is excluded from our measure of sales growth of 0.1% on a constant currency basis.

Sales for the nine months ended August 31, 2024 increased by 0.3% from the prior year level and increased by 0.1% on a constant currency basis. Pricing actions increased sales by 0.8% as compared to the prior year period principally due to pricing actions implemented in the prior year. Unfavorable volume and product mix from both our consumer and flavor solutions segments collectively decreased sales by 0.4%. Our decisions to discontinue certain low margin businesses contributed approximately 0.3% to the unfavorable impact of volume and product mix. Also, the divestiture of our Giotti canning business unfavorably impacted sales by 0.3% as compared to the prior year period. Sales were also impacted by favorable foreign currency rates that increased net sales by 0.2% in the nine months ended August 31, 2024 compared to the prior period and is excluded from our measure of sales growth of 0.1% on a constant currency basis.

Gross profit for the third quarter of 2024 increased by \$27.1 million, or 4.4%, from the comparable period in 2023. Our gross profit margin for the three months ended August 31, 2024 was 38.7%, an increase of 170 basis points from the comparable

period in 2023. The increase in gross profit margin in the quarter ended August 31, 2024 was driven by favorable product and customer mix and cost savings led by our CCI program as compared to the 2023 period.

Gross profit for the nine months ended August 31, 2024 increased by \$67.6 million, or 3.8%, from the comparable period in 2023. Our gross profit margin for the nine months ended August 31, 2024 was 37.9%, an increase of 120 basis points from the comparable period in 2023. The increase in gross profit margin in the nine months ended August 31, 2024 was driven by the favorable impact of our pricing actions, favorable product and customer mix, less scrapped inventory, and cost savings led by our CCI and GOE programs. These favorable impacts were partially offset by increased commodity and conversion costs as compared to the 2023 period.

	Three months ended		Nine months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Selling, general & administrative expense (SG&A)	\$ 361.5	\$ 371.7	\$ 1,106.8	\$ 1,088.3
Percent of net sales	21.5 %	22.1 %	22.5 %	22.2 %

SG&A decreased by \$10.2 million in the third quarter of 2024 as compared to the 2023 level, driven primarily by lower performance-based employee and stock-based compensation expense as well as CCI-led cost savings. SG&A as a percentage of net sales decreased by 60 basis points from the prior year levels due to the factors described above.

SG&A increased by \$18.5 million in the nine months ended August 31, 2024 as compared to the 2023 period, driven primarily by advertising and promotional spend, increased selling and marketing costs and a higher investment in research and development. These costs were partially offset by lower performance-based employee and stock-based compensation expense as well as CCI-led and GOE cost savings, all as compared to the 2023 period. SG&A as a percentage of net sales increased by 30 basis points from the prior year levels due primarily to a 40 basis point increase in advertising and promotional expenses as compared to the prior year period.

	Three months ended		Nine months ended	
	August 31, 2024	August 31, 2023	Aug 31, 2024	Aug 31, 2023
Total special charges	\$ 1.9	\$ 6.1	\$ 7.9	\$ 47.1

During the three months ended August 31, 2024, we recorded \$1.9 million of special charges, consisting principally of \$0.7 million associated with our Global Operating Effectiveness (GOE) program, as more fully described below, and \$1.2 million associated with the transition of a manufacturing facility in Europe, Middle East, and Africa (EMEA), as more fully described below.

During the nine months ended August 31, 2024, we recorded \$7.9 million of special charges, consisting principally of \$5.3 million associated with our GOE program, as more fully described below, and \$2.6 million associated with the transition of a manufacturing facility in EMEA, as more fully described below.

During the three months ended August 31, 2023, we recorded \$6.1 million of special charges. Those special charges principally consisted of \$3.6 million associated with the GOE program, \$1.7 million associated with the transition of a manufacturing facility in EMEA, and streamlining actions of \$0.8 million in the Americas region.

During the nine months ended August 31, 2023, we recorded \$47.1 million of special charges. Those special charges principally consisted of \$37.0 million associated with the GOE program, \$3.9 million associated with the transition of a manufacturing facility in EMEA, and streamlining actions of \$5.3 million in the Americas region, and \$0.9 million in the EMEA region.

Details with respect to the composition of special charges are included in note 2 of the notes to the accompanying condensed consolidated financial statements.

	Three months ended		Nine months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Interest expense	\$ 53.5	\$ 52.7	\$ 156.7	\$ 155.5
Other income, net	13.2	7.1	36.7	30.7

Interest expense increased \$0.8 million and \$1.2 million in the three and nine months ended August 31, 2024, respectively, as compared to the prior year periods, driven by the effects of a reduction in average borrowing levels which were more than offset by higher average interest rates on borrowings. Other income, net for the three months ended August 31, 2024 increased as compared to the prior year period primarily due to an increase in interest income and a lower level of foreign currency exchanges losses. Other income, net for the nine months ended August 31, 2024 increased as compared to the prior period primarily due to an increase in interest income.

	Three months ended		Nine months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Income from consolidated operations before income taxes	\$ 246.2	\$ 199.4	\$ 634.1	\$ 541.0
Income tax expense	41.0	42.7	116.8	117.4
Effective tax rate	16.7 %	21.4 %	18.4 %	21.7 %

The provision for income taxes is based on the estimate of the annual effective tax rate adjusted to reflect the tax impact of items discrete to the fiscal period. We record tax expense or tax benefits that do not relate to ordinary income in the current fiscal year discretely in the period in which such items occur pursuant to the requirements of GAAP. Examples of such types of discrete items not related to ordinary income include, but are not limited to, excess tax benefits or expense associated with stock-based compensation, changes in estimates of the outcome of tax matters related to prior years, including reversals of reserves upon the lapsing of statutes of limitations, provision-to-return adjustments, the settlement of tax audits, changes in enacted tax rates, changes in the assessment of deferred tax valuation allowances, and the tax effects of intra-entity asset transfers (other than inventory).

Income tax expense for the three months ended August 31, 2024 included \$16.3 million of net discrete tax benefits consisting principally of the following: (i) \$5.5 million of tax benefit from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations, (ii) \$5.5 million of tax benefit from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the effective settlement from conclusion of a tax examination, (iii) \$8.3 million of tax benefits resulting from state tax matters, and related deferred taxes, (iv) \$1.5 million of tax benefits resulting from an adjustment to a prior year tax accrual, and related deferred taxes, based on the final returns filed, and (v) \$4.6 million of tax expense associated with the adjustment of a valuation allowance due to changes in judgment about the realizability of the deferred tax asset.

Income tax expense for the nine months ended August 31, 2024 included \$34.9 million of net discrete tax benefits consisting principally of the following: (i) \$19.4 million of tax benefits associated with the recognition of a deferred tax asset related to an international legal entity reorganization, (ii) \$6.8 million of tax benefit from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations, (iii) \$5.5 million of tax benefit from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the effective settlement from conclusion of a tax examination, (iv) \$6.4 million of tax benefits resulting from state tax matters, and related deferred taxes, (v) \$1.5 million of tax benefits resulting from an adjustment to a prior year tax accrual, and related deferred taxes, based on the final returns filed, and (vi) \$4.6 million of tax expense associated with the adjustment of a valuation allowance due to changes in judgment about the realizability of the deferred tax asset.

Income tax expense for the three months ended August 31, 2023 included \$3.3 million of net discrete tax benefits consisting principally of the following: (i) \$2.2 million of tax benefits from the net reversal of certain prior year reserves for unrecognized tax benefits and related interest in non-U.S. jurisdictions, (ii) \$0.8 million of tax benefits from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations in non-U.S. jurisdictions, (iii) \$0.6 million of excess tax benefits associated with stock-based compensation, (iv) \$1.5 million of tax benefits resulting from an adjustment to a prior year tax accrual, and related deferred taxes, based on the final returns filed, and (v) \$1.9 million of tax expense related to certain unremitted prior year earnings.

Income tax expense for the nine months ended August 31, 2023 included \$10.1 million of net discrete tax benefits consisting principally of the following: (i) \$3.2 million of tax benefits associated with the adjustment of a valuation allowance due to changes in judgment about the realizability of the deferred tax asset, (ii) \$2.2 million of tax benefits from the net reversal of certain prior reserves for unrecognized tax benefits and related interest in non-U.S. jurisdictions, (iii) \$2.0 million of tax benefits from the reversal of certain reserves for unrecognized tax benefits and related interest associated with the expiration of statutes of limitations in non-U.S. jurisdictions, (iv) \$1.2 million of tax benefit related to a tax settlement, (v) \$0.8 million of tax benefits related to the revaluation of deferred taxes resulting from changes in tax rates, (vi) \$1.0 million of excess tax benefits associated with stock-based compensation, (vii) \$1.5 million of tax benefits resulting from an adjustment to a prior year tax accrual, and related deferred taxes, based on the final returns filed, and (viii) \$1.9 million of tax expense related to certain unremitted prior year earnings.

	Three months ended		Nine months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Income from unconsolidated operations	\$ 17.9	\$ 13.4	\$ 56.0	\$ 37.7

Income from unconsolidated operations, which is presented net of the elimination of earnings attributable to non-controlling interests, increased by \$4.5 million and \$18.3 million for the three and nine months ended August 31, 2024, respectively, each as compared to the year ago period. The increase was driven by higher earnings of our largest joint venture, McCormick de Mexico.

The following table outlines the major components of the change in diluted earnings per share from 2023 to 2024:

	Three months ended August 31,		Nine months ended August 31,	
2023 Earnings per share – diluted	\$	0.63	\$	1.71
Impact of change in operating income		0.11		0.14
Decrease in special charges, net of taxes		0.02		0.11
Increase in other income		0.01		0.02
Increase in income from unconsolidated operations		0.02		0.07
Impact of change in effective income tax rate, excluding taxes on special charges		0.04		0.08
2024 Earnings per share – diluted	\$	0.83	\$	2.13

RESULTS OF OPERATIONS — SEGMENTS

We measure the performance of our business segments based on operating income, excluding special charges for the periods presented. See note 10 of the notes to our accompanying condensed consolidated financial statements for additional information on our segment measures as well as for a reconciliation by segment of operating income, excluding special charges, to consolidated operating income. In the following discussion, we refer to our previously described measure of segment profit as segment operating income.

CONSUMER SEGMENT

	Three months ended		Nine months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Net sales	\$ 937.4	\$ 937.1	\$ 2,763.4	\$ 2,758.7
Percent increase	— %	1.0 %	0.2 %	1.4 %
Segment operating income	\$ 186.8	\$ 173.3	\$ 512.4	\$ 500.3
Segment operating income margin	19.9 %	18.5 %	18.5 %	18.1 %

In the third quarter of 2024, sales of our consumer segment were flat as compared to the third quarter of 2023 and increased by 0.2% on a constant currency basis. Higher sales in the EMEA region were offset by decreases in the Americas and APAC regions, all as compared to the prior year quarter. Pricing, including actions taken in response to price gap management as well as promotional activities, unfavorably impacted sales by 0.8% as compared to the prior year period. Favorable volume and product mix increased consumer segment sales by 1.0% in the third quarter of 2024 as compared to the same period last year. Sales in the third quarter of 2024 reflected an unfavorable impact from foreign currency rates that decreased consumer segment sales by 0.2% compared to the year-ago quarter and is excluded from our measure of sales growth of 0.2% on a constant currency basis.

In the Americas region, consumer sales decreased 0.4% in the third quarter of 2024 as compared to the same quarter of 2023 and decreased by 0.2% on a constant currency basis. Pricing, including actions taken in response to price gap management as well as promotional activities, decreased sales by 0.9% as compared to the prior year period. For the third quarter of 2024, favorable volume and product mix driven by growth across core product categories increased sales by 0.7% as compared to the corresponding period in 2023. During the third quarter of 2024, an unfavorable impact from foreign currency rates decreased sales by 0.2% compared to the year-ago period and is excluded from our measure of sales decline of 0.2% on a constant currency basis.

In the EMEA region, consumer sales increased 2.9% in the third quarter of 2024 as compared to the same quarter of 2023 and increased by 2.6% on a constant currency basis. Favorable volume and product mix during the third quarter of 2024 increased sales by 3.5% from the prior year level, which was driven by growth in our major markets across their product categories. Pricing actions taken in response to price gap management as well as promotional activities decreased sales by 0.9% as compared to the 2023 period. During the third quarter of 2024, a favorable impact from foreign currency rates increased sales by 0.3% compared to the year-ago period and is excluded from our measure of sales growth of 2.6% on a constant currency basis.

In the APAC region, consumer sales decreased 0.9% in the third quarter of 2024 as compared to the third quarter of 2023 and were flat on a constant currency basis. Pricing actions, principally implemented in the prior year, favorably impacted sales by 0.6% as compared to the prior year period. For the quarter ended August 31, 2024, unfavorable volume and product mix decreased sales by 0.6%, which was primarily driven by slower demand in China mitigated by growth in other parts of the region. During the third quarter of 2024, an unfavorable impact from foreign currency rates decreased sales by 0.9% compared to the year-ago period and is excluded from our measure of sales on a constant currency basis.

For the nine months ended August 31, 2024, sales of our consumer segment increased 0.2% as compared to the nine months ended August 31, 2023 and increased 0.2% on a constant currency basis. The favorable impacts of pricing in all regions, including both actions implemented in the prior year as well as those taken in the current year in response to price gap management and promotional activities, increased sales by 0.4% during the nine months ended August 31, 2024 as compared to the prior year period. Lower volume and unfavorable product mix decreased sales by 0.2% as compared to the prior year period. Volume and product mix includes a 0.3% unfavorable impact from the prior year associated with our decision to discontinue certain low margin businesses. Foreign currency rates did not have a significant impact on sales for the nine months ended August 31, 2024.

Segment operating income for our consumer segment increased by \$13.5 million, or 7.8%, in the third quarter of 2024 from the third quarter of 2023. The increase in segment operating income was driven by the effects of a decrease in SG&A expenses, primarily driven by lower distribution, incentive, and stock compensation expense as well as CCI-led cost savings, which more than offset a decrease in gross profit. The decrease in gross profit is primarily due to unfavorable pricing, which more than offset the favorable impacts of product mix, and CCI-led cost savings, all as compared to the prior year period. Segment operating margin for our consumer segment increased in the third quarter of 2024 by 140 basis points from 2023 to 19.9% and was driven primarily by a decrease in SG&A as a percentage of sales, as compared to the prior year period. On a constant currency basis, segment operating income for our consumer segment increased by 8.1% in the third quarter of 2024 in comparison to the same period in 2023.

Segment operating income for our consumer segment increased by \$12.1 million, or 2.4%, for the nine months ended August 31, 2024 as compared to the same period in 2023. The increase in segment operating income was driven by the effects of a decrease in SG&A expenses, primarily driven by lower distribution, incentive, and stock compensation expense, as well as CCI-led savings, offset by an increase in advertising and promotional expense. Gross profit was relatively flat for our consumer segment as compared to the prior year. Favorable impacts of pricing actions and product mix combined with the lower level of scrapped inventory and CCI-led and GOE savings were offset by increases in commodity prices and conversion costs as compared to the prior year period. Segment operating margin for our consumer segment for the nine months ended August 31, 2024 was 18.5%, an increase of 40 basis points from the 2023 level due to a decrease in SG&A as a percentage of sales as compared to the prior year period. On a constant currency basis, segment operating income for our consumer segment increased by 2.5% in the nine months ended August 31, 2024 in comparison to the same period in 2023.

FLAVOR SOLUTIONS SEGMENT

	Three months ended		Nine months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Net sales	\$ 742.4	\$ 747.6	\$ 2,162.3	\$ 2,150.7
Percent increase (decrease)	(0.7)%	12.0 %	0.5 %	11.2 %
Segment operating income	\$ 101.6	\$ 77.8	\$ 249.6	\$ 212.6
Segment operating income margin	13.7 %	10.4 %	11.5 %	9.9 %

In the third quarter of 2024, sales of our flavor solutions segment decreased by 0.7% as compared to the third quarter of 2023 and decreased by 0.2% on a constant currency basis. Favorable pricing in the Americas and APAC regions more than offset unfavorable pricing in the EMEA region and increased sales by 0.4% in the third quarter of 2024 as compared to the prior year period principally due to pricing actions implemented in the prior year. Favorable volume and product mix in the Americas region offset unfavorable volume and product mix in the EMEA and APAC regions, resulting in a neutral impact to sales for the quarter. Volume and product mix includes a 0.2% unfavorable impact from the prior year associated with our decision to discontinue certain low margin businesses. The divestiture of our Giotti canning business unfavorably impacted sales by 0.6% as compared to the prior year period. The unfavorable impact of foreign currency rates decreased flavor solutions segment sales by 0.5% compared to the year-ago quarter and is excluded from our measure of sales decline of 0.2% on a constant currency basis.

In the Americas region, flavor solutions sales increased by 1.8% in the third quarter of 2024 as compared to the third quarter of 2023 and increased by 2.6% on a constant currency basis. Net pricing favorably impacted sales by 1.0% during the quarter ended August 31, 2024, as compared to the prior year period principally due to pricing actions implemented in the prior year. Favorable volume and product mix increased flavor solutions sales in the Americas by 1.6% during the third quarter of 2024, as compared to the prior year period including the effects of growth in foodservice sales. An unfavorable impact from foreign currency rates decreased sales by 0.8% compared to the third quarter of 2023 and is excluded from our measure of sales growth of 2.6% on a constant currency basis.

In the EMEA region, flavor solutions sales decreased by 8.4% in the third quarter of 2024 as compared to the third quarter of 2023 and declined by 9.0% on a constant currency basis. Pricing actions, principally due to those implemented in the prior year, unfavorably impacted sales by 1.4% in the third quarter of 2024 as compared to the prior period level. Unfavorable volume and product mix decreased segment sales in the EMEA region by 4.5% as compared to the corresponding period in 2023 including the effects of lower sales at quick service restaurants, and a 1.1% impact of our decision to discontinue a low margin business. The divestiture of our Giotti canning business unfavorably impacted sales by 3.1% as compared to the prior year period. A favorable impact from foreign currency rates increased sales by 0.6% compared to the third quarter of 2023 and is excluded from our measure of sales decline of 9.0% on a constant currency basis.

In the APAC region, flavor solutions sales decreased 1.3% in the third quarter of 2024 as compared to the third quarter of 2023 and decreased by 0.1% on a constant currency basis. Pricing actions, principally due to those implemented in the prior year, favorably impacted sales by 0.3% as compared to the prior year period. Unfavorable volume and product mix decreased segment sales by 0.4% in the third quarter of 2024. Growth in quick service restaurant sales in China were more than offset by softness in quick service restaurant sales in other parts of the region. An unfavorable impact from foreign currency rates decreased sales by 1.2% compared to the third quarter of 2023 and is excluded from our measure of sales decline of 0.1% on a constant currency basis.

For the nine months ended August 31, 2024, our flavor solutions sales increased 0.5% as compared to the nine months ended August 31, 2023 and increased by 0.2% on a constant currency basis. Pricing actions, principally due to those implemented in the prior year, across all regions increased sales by 1.2% during the nine months ended August 31, 2024 and were partially offset by 0.4% of unfavorable volume and product mix, both as compared to the prior year period. Volume and product mix includes a 0.3% unfavorable impact from the prior year associated with our decision to discontinue certain low margin businesses. The divestiture of our Giotti canning business unfavorably impacted sales by 0.6% as compared to the prior year period. The favorable impact of foreign currency rates increased flavor solutions segment sales by 0.3% compared to the year-ago period and is excluded from our measure of sales growth of 0.2% on a constant currency basis.

Segment operating income for our flavor solutions segment increased by \$23.8 million, or 30.6%, in the third quarter of 2024 as compared to the third quarter of 2023. The increase in segment operating income was driven by the effects of an increase in gross profit primarily due to product mix and pricing actions, and CCI-led cost savings. Segment operating margin for our flavor solutions segment increased by 330 basis points from the prior year level to 13.7% in the third quarter of 2024. That

increase was the result of an increase in gross margin, as previously described, which was partially offset by a higher level of SG&A as a percentage of sales, all as compared to 2023. On a constant currency basis, segment operating income for our flavor solutions segment increased by 32.0% in the third quarter of 2024 as compared to the same period in 2023.

Segment operating income for our flavor solutions segment increased by \$37.0 million, or 17.4%, in the nine months ended August 31, 2024 as compared to the same period in 2023. The increase in segment operating income was driven by the effects of an increase in gross profit primarily due to favorable impacts of pricing actions, product mix, and CCI-led and GOE cost savings which more than offset the higher level of SG&A expenses. Segment operating margin for our flavor solutions segment increased by 160 basis points from the prior year level to 11.5% in the nine months ended August 31, 2024. That increase was the result of an increase in gross margin, as previously described, which was partially offset by a higher level of SG&A as a percentage of sales, all as compared to 2023. On a constant currency basis, segment operating income for our flavor solutions segment increased by 17.4% in the nine months ended August 31, 2024 as compared to the same period in 2023.

MARKET RISK SENSITIVITY

We utilize derivative financial instruments to enhance our ability to manage risk, including foreign exchange and interest rate exposures, which exist as part of our ongoing business operations. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instrument. The use of derivative financial instruments is monitored through regular communication with senior management and the utilization of written guidelines.

Foreign Exchange Risk

We are exposed to foreign currency risk affecting net investments in subsidiaries, transactions (both third-party and intercompany) and earnings denominated in foreign currencies. Management assesses foreign currency risk based on transactional cash flows and translational volatility and may enter into forward contract and currency swaps with highly-rated financial institutions to reduce fluctuations in the long or short currency positions. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instruments. All derivatives are designated as hedges.

The following table sets forth the notional values and unrealized net gain (loss) of the portfolio of our forward foreign currency and cross currency swap contracts:

	August 31, 2024	November 30, 2023
Forward foreign currency:		
Notional value	\$ 1,110.7	\$ 1,000.4
Unrealized net (loss)	(14.3)	(13.5)
Cross currency swaps:		
Notional value	983.8	958.5
Unrealized net gain	12.7	17.1

The outstanding notional value is a result of our decisions on foreign currency exposure coverage, based on our foreign currency and foreign currency translation exposures.

Interest Rate Risk

We manage our interest rate exposure by entering into both fixed and variable rate debt arrangements. We use interest rate swaps to minimize worldwide financing costs and to achieve a desired mix of fixed and variable rate debt. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instruments, and all derivatives are designated as hedges.

The following table sets forth the notional values and unrealized net gain (loss) of our interest rate swap contracts:

	August 31, 2024	November 30, 2023
Notional value	\$ 600.0	\$ 600.0
Unrealized net (loss)	(36.0)	(52.8)

The change in fair values of our interest rate swap contracts is due to changes in interest rates on the notional amounts outstanding as of each date as well as the remaining duration of our interest rate derivative contracts.

Commodity Risk

We purchase certain raw materials which are subject to price volatility caused by weather, market conditions, growing and harvesting conditions, governmental actions and other factors beyond our control. Our most significant raw materials are dairy products, pepper, onion, garlic, capsicums (red peppers and paprika), tomato products, salts, and wheat products. While future movements of raw material costs are uncertain, we respond to this volatility in a number of ways, including strategic raw material purchases, purchases of raw material for future delivery and customer price adjustments. We generally have not used derivatives to manage the volatility related to this risk.

Credit Risk

The customers of our consumer segment are predominantly food retailers and food wholesalers. Consolidations in these industries have created larger customers. In addition, competition has increased with the growth in alternative channels including mass merchandisers, dollar stores, warehouse clubs, discount chains and e-commerce. This has caused some customers to be less profitable and increased our exposure to credit risk. Some of our customers and counterparties are highly leveraged. We continue to closely monitor the credit worthiness of our customers and counterparties. We believe that our allowance for doubtful accounts properly recognizes trade receivables at realizable value. We consider nonperformance credit risk for other financial instruments to be insignificant.

NON-GAAP FINANCIAL MEASURES

The following table includes financial measures of 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 of special charges and the associated income tax effects, as applicable.

Special charges consist of expenses and income, as applicable, associated with certain actions undertaken by us 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. Expenses associated with the approved actions are classified as special charges upon recognition and monitored on an on-going basis through completion.

Details with respect to the composition of special charges set forth below are included in note 2 of the notes to our accompanying condensed consolidated financial statements. Details with respect to the composition of special charges for the year ended November 30, 2023 are included in note 3 of the notes to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended November 30, 2023.

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 follows:

	For the year ended November 30, 2023	For the three months ended		For the nine months ended		Estimated for the year ending November 30, 2024
		August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023	
Operating income	\$ 963.0	\$ 286.5	\$ 245.0	\$ 754.1	\$ 665.8	
Impact of special charges	61.2	1.9	6.1	7.9	47.1	
Adjusted operating income	\$ 1,024.2	\$ 288.4	\$ 251.1	\$ 762.0	\$ 712.9	
Operating income margin ⁽¹⁾	14.5 %	17.1 %	14.5 %	15.3 %	13.6 %	
Impact of special charges	0.9 %	0.1 %	0.4 %	0.2 %	0.9 %	
Adjusted operating income margin ⁽¹⁾	15.4 %	17.2 %	14.9 %	15.5 %	14.5 %	
Income tax expense	\$ 174.5	\$ 41.0	\$ 42.7	116.8	\$ 117.4	
Impact of special charges	14.5	0.6	1.3	2.1	11.0	
Adjusted income tax expense	\$ 189.0	\$ 41.6	\$ 44.0	\$ 118.9	\$ 128.4	
Income tax rate ⁽²⁾	21.8 %	16.7 %	21.4 %	18.4 %	21.7 %	
Impact of special charges	0.2 %	0.1 %	— %	0.1 %	0.1 %	
Adjusted income tax rate ⁽²⁾	22.0 %	16.8 %	21.4 %	18.5 %	21.8 %	
Net income	\$ 680.6	\$ 223.1	\$ 170.1	\$ 573.3	\$ 461.3	
Impact of special charges	46.7	1.3	4.8	5.8	36.1	
Adjusted net income	\$ 727.3	\$ 224.4	\$ 174.9	\$ 579.1	\$ 497.4	
Earnings per share – diluted	\$ 2.52	\$ 0.83	\$ 0.63	\$ 2.13	\$ 1.71	\$2.81 to \$2.86
Impact of special charges	0.18	—	0.02	0.02	0.13	0.04
Adjusted earnings per share – diluted	\$ 2.70	\$ 0.83	\$ 0.65	\$ 2.15	\$ 1.84	\$2.85 to \$2.90

(1) Operating income margin, impact of special charges, and adjusted operating income margin are calculated as operating income, impact of special charges, and adjusted operating income as a percentage of net sales for each period presented.

(2) Income tax rate is calculated as income tax expense as a percentage of income from consolidated operations before income taxes. Adjusted income tax rate is calculated as adjusted income tax expense as a percentage of income from consolidated operations before income taxes excluding special charges of \$248.1 million and \$205.5 million for the three months ended August 31, 2024, and 2023 respectively, and \$642.0 million and \$588.1 million for the nine months ended August 31, 2024 and 2023, respectively. Adjusted income tax rate is calculated as adjusted income tax expense as a percentage of income from consolidated operations before income taxes excluding special charges of \$859.9 million for the year ended November 30, 2023.

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 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, 2024		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales:			
Consumer segment:			
Americas	(0.4)%	(0.2)%	(0.2)%
EMEA	2.9 %	0.3 %	2.6 %
APAC	(0.9)%	(0.9)%	— %
Total Consumer segment	— %	(0.2)%	0.2 %
Flavor Solutions segment:			
Americas	1.8 %	(0.8)%	2.6 %
EMEA	(8.4)%	0.6 %	(9.0)%
APAC	(1.3)%	(1.2)%	(0.1)%
Total Flavor Solutions segment	(0.7)%	(0.5)%	(0.2)%
Total net sales	(0.3)%	(0.4)%	0.1 %
Adjusted operating income:			
Consumer segment	7.8 %	(0.3)%	8.1 %
Flavor Solutions segment	30.6 %	(1.4)%	32.0 %
Total adjusted operating income	14.9 %	(0.7)%	15.6 %

	Nine months ended August 31, 2024		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales:			
Consumer segment:			
Americas	(0.7)%	(0.1)%	(0.6)%
EMEA	7.1 %	2.2 %	4.9 %
APAC	(4.6)%	(2.3)%	(2.3)%
Total Consumer segment	0.2 %	— %	0.2 %
Flavor Solutions segment:			
Americas	2.0 %	0.4 %	1.6 %
EMEA	(5.0)%	1.4 %	(6.4)%
APAC	1.9 %	(2.8)%	4.7 %
Total Flavor Solutions segment	0.5 %	0.3 %	0.2 %
Total net sales	0.3 %	0.2 %	0.1 %
Adjusted operating income:			
Consumer segment	2.4 %	(0.1)%	2.5 %
Flavor Solutions segment	17.4 %	— %	17.4 %
Total adjusted operating income	6.9 %	(0.1)%	7.0 %

To present constant currency information for the fiscal year 2024 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 2024 and are compared to the 2023 results, translated into U.S. dollars using the same 2024 budgeted exchange rates, rather than at the average actual exchange rates in effect during fiscal year 2023.

LIQUIDITY AND FINANCIAL CONDITION

	Nine months ended	
	August 31, 2024	August 31, 2023
Net cash provided by operating activities	\$ 463.2	\$ 660.1
Net cash used in investing activities	(189.1)	(184.8)
Net cash used in financing activities	(205.9)	(701.2)

The primary objective of our financing strategy is to maintain a prudent capital structure that provides us with flexibility to pursue our growth objectives. We use a combination of equity and short- and long-term debt. We use short-term debt, comprised primarily of commercial paper, principally to finance ongoing operations, including our requirements for working capital (accounts receivable, prepaid expenses and other current assets, and inventories, less accounts payable, accrued payroll, and other accrued liabilities). We are committed to maintaining investment grade credit ratings.

Our cash flows from operations enable us to fund operating projects and investments that are designed to meet our growth objectives, service our debt, fund or increase our quarterly dividends, fund capital projects and other investments, and make share repurchases when appropriate. Due to the cyclical nature of a portion of our business, our cash flow from operations has historically been the strongest during the fourth quarter of our fiscal year. Due to the timing of the interest payments on our long-term debt, interest payments are higher in the first and third quarters of our fiscal year.

We believe that our sources of liquidity, which include existing cash balances, cash flows from operations, existing credit facilities, our commercial paper program, and access to capital markets, will provide sufficient liquidity to meet our debt obligations, including any repayment of debt or refinancing of debt, working capital needs, planned capital expenditures, and payment of anticipated quarterly dividends for at least the next twelve months.

In the condensed consolidated cash flow statement, the changes in operating assets and liabilities are presented excluding the translation effects of changes in foreign currency exchange rates as these do not reflect actual cash flows. Accordingly, the amounts in the cash flow statement do not agree with changes in the operating assets and liabilities that are presented in the balance sheet.

Operating Cash Flow — Net cash provided by operating activities of \$463.2 million for the nine months ended August 31, 2024, decreased \$196.9 million from the same period of 2023. The effects of the increase in earnings were more than offset by higher cash used for working capital, certain employee incentive compensation arrangements accrued as of the prior year-end and paid in the subsequent fiscal year as well as the timing of income tax payments.

Investing Cash Flow — Cash used in investing activities of \$189.1 million for the nine months ended August 31, 2024 increased by \$4.3 million as compared to \$184.8 million for the corresponding period in 2023. Capital expenditures increased from the 2023 level of \$187.2 million to \$189.3 million, and the cash generated by other investing activities declined from \$2.4 million in 2023 to \$0.2 million in 2024. We expect 2024 capital expenditures to approximate \$290 million.

Financing Cash Flow — Financing activities used cash of \$205.9 million for the first nine months of 2024 and decreased \$495.3 million as compared to \$701.2 million for the corresponding period in 2023. The decrease is a result of changes in our net borrowings.

The following table outlines our net borrowing activities:

	Nine months ended	
	August 31, 2024	August 31, 2023
Net increase (decrease) in short-term borrowings	\$ 908.6	\$ (850.0)
Proceeds of issuance of long-term debt, net of debt issuance costs	—	495.3
Repayments of long-term debt	(752.8)	(12.7)
Net cash provided by (used in) borrowing activities	<u>\$ 155.8</u>	<u>\$ (367.4)</u>

During the nine months ended August 31, 2024, we repaid our \$700.0 million 3.15% notes due in August 2024. During the nine months ended August 31, 2023, we issued \$500.0 million of 4.95% notes due in 2033, with net cash proceeds received of \$496.4 million.

The following table outlines the activity in our share repurchase program for the nine months ended August 31, 2024 and 2023:

	2024		2023	
Number of shares of common stock repurchased (in thousands)		382		318
Dollar amount (in millions)	\$	29.0	\$	26.7

As of August 31, 2024, \$472 million remained of the \$600 million share repurchase program that was authorized by the Board of Directors in November 2019. The timing and amount of any shares repurchased is determined by our management based on its evaluation of market conditions and other factors.

During the nine months ended August 31, 2024, we received proceeds of \$12.8 million from exercised stock options as compared to \$15.9 million received in the corresponding 2023 period. We repurchased \$8.9 million and \$10.8 million of common stock during the nine months ended August 31, 2024 and 2023, respectively, in conjunction with employee tax withholding requirements associated with our stock compensation plans.

We increased dividends paid to \$338.3 million, or a per share quarterly dividend of \$0.42, in the first nine months of 2024 from \$313.8 million, or a per share quarterly dividend of \$0.39, of dividends paid in the same period last year. The timing and amount of any future dividends is determined by our Board of Directors.

Most of our cash is in our subsidiaries outside of the U.S. We manage our worldwide cash requirements by considering available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. Those balances are generally available without legal restrictions to fund ordinary business operations, capital projects and any possible future acquisitions.

At August 31, 2024 and 2023, we temporarily used \$609.0 million and \$449.5 million, respectively, of cash from our non-U.S. subsidiaries to pay down short-term debt in the U.S. During a quarter, our short-term borrowings vary, but are typically lower at the end of a quarter. The average short-term borrowings outstanding for the three months ended August 31, 2024 and 2023 were \$955.8 million and \$1,163.1 million, respectively. Total average debt outstanding for the three months ended August 31, 2024 and 2023 was \$4,970.8 million and \$5,245.9 million, respectively.

The reported values of our assets and liabilities are significantly affected by fluctuations in foreign exchange rates between periods. At August 31, 2024, the exchange rates for the Euro, British pound sterling, Canadian dollar, Chinese renminbi, Polish zloty, and Australian dollar were higher than the U.S. dollar at November 30, 2023. At August 31, 2024, the exchange rate for the Mexican peso was lower than the U.S. dollar at November 30, 2023.

Credit and Capital Markets

Cash flows from operating activities are our primary source of liquidity for funding growth, dividends, capital expenditures and share repurchases. We also rely on our revolving credit facilities, or borrowings backed by these facilities, to fund working capital needs and other general corporate requirements.

In August 2024, we entered into a 364-day \$500 million revolving credit facility which will expire in August 2025 (the 364-day facility). The current pricing for the 364-day facility, on a fully drawn basis, is SOFR + 1.23%. The pricing of the 364-day facility is based on a credit rating grid that contains a fully drawn maximum pricing of the credit facility equal to SOFR + 1.60%. We also maintain a committed five-year \$1.5 billion revolving credit facility, which will expire in June 2026 (the five-year facility). The current pricing for the five-year facility, on a fully drawn basis, is Term SOFR plus 1.25%. The pricing of the five-year facility is based on a credit rating grid that contains a fully drawn maximum pricing of the credit facility equal to Term SOFR plus 1.75%.

The provisions of our 364-day facility and five-year facility restrict subsidiary indebtedness and require us to maintain a minimum interest coverage ratio. We do not expect that this covenant would limit our access to those facilities for the foreseeable future.

We generally use our revolving credit facilities to support our issuance of commercial paper. If the commercial paper market is not available or viable, we could borrow directly under our revolving credit facility. This facility is made available by a syndicate of banks, with various commitments per bank. If any of the banks in this syndicate are unable to perform on their commitments, our liquidity could be impacted, which could reduce our ability to grow through funding of our working capital. We periodically review our banking and financing relationships, considering the stability of the institutions and other aspects of the relationships. In addition, we engage in regular communication with all banks participating in our credit facility. During these communications, none of the banks have indicated that they may be unable to perform on their commitments. Based on these communications and our monitoring activities, we believe our banks will perform on their commitments.

Material Cash Requirements

We will continue to have cash requirements to support seasonal working capital needs and capital expenditures, to pay interest, to service debt, and to fund acquisitions. As part of our ongoing operations, we enter into contractual arrangements that obligate us to make future cash payments. Our primary obligations include principal and interest payments on our outstanding short-term borrowings and long-term debt. Our other cash requirements include raw material purchases, lease payments, income taxes, anticipated quarterly dividends, and pension and postretirement benefits, as well as other contractual obligations.

These obligations impact our liquidity and capital resource needs. To meet those cash requirements, we intend to use our existing cash, cash equivalents and internally generated funds, to borrow under our existing credit facilities or under other short-term borrowing facilities and depending on market conditions and upon the significance of the cost of a particular debt maturity to our then-available sources of funds, to obtain additional short- and long-term financing. We believe that the cash provided from these sources will be adequate to meet our future cash requirements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements are issued periodically that affect our current and future operations. See note 1 of notes to the accompanying condensed consolidated financial statements for further details of these impacts.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, we are required to make estimates and assumptions that have an impact on the assets, liabilities, revenue and expenses reported. These estimates can also affect supplemental information disclosed by us, including information about contingencies, risk and financial condition. We believe, given current facts and circumstances, our estimates and assumptions are reasonable, adhere to GAAP and are consistently applied. Inherent in the nature of an estimate or assumption is the fact that actual results may differ from estimates, and estimates may vary as new facts and circumstances arise. In preparing the financial statements, we make routine estimates and judgments in determining the net realizable value of accounts receivable, inventory, fixed assets and prepaid allowances. Our most critical accounting estimates and assumptions are included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2023.

There have been no changes in our critical accounting estimates and assumptions included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2023.

FORWARD-LOOKING INFORMATION

Certain statements contained in this report, including statements concerning expected performance such as those relating to net sales, gross margin, earnings, cost savings, 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” and similar expressions. These statements may

relate to: general economic and industry conditions, including consumer spending rates, interest rates, and availability of capital; expectations regarding sales growth potential in various geographies and markets, including the impact from brand marketing support, product innovation, and customer, channel, category, heat platform and e-commerce expansion; expected trends in net sales and earnings performance and other financial measures; the expected impact of pricing actions on the Company's results of operations, including our sales volume and mix as well as gross margins; the expected impact of the inflationary cost environment on our business; the expected impact of factors affecting our supply chain, including the availability and prices of commodities and other supply chain resources including raw materials, packaging, labor, energy, and transportation; the expected impact of productivity improvements, and cost savings, including those associated with our CCI and GOE programs and Global Business Services operating model initiative; the ability to identify, attract, hire, retain and develop qualified personnel and develop the next generation of leaders; the impact of the ongoing conflicts between Russia and Ukraine, Israel and Hamas, and in the Red Sea, including the potential for broader economic disruption; expected working capital improvements; 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, quarterly dividends and our 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 and streamlining actions, including our GOE 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; 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 ongoing conflicts between Russia and Ukraine, Israel and Hamas, and in the Red Sea, 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 our amount of outstanding indebtedness and related level of debt service as well as the effects that such 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; 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. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information regarding our exposure to certain market risks, see "Market Risk Sensitivity" in the Management's Discussion and Analysis of Financial Condition and Results of Operations above and Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended November 30, 2023. Except as described in Management's Discussion and Analysis of Financial Condition and Results of Operations above, there have been no significant changes in our financial instrument portfolio or market risk exposures since our November 30, 2023 fiscal year end.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures: The company's management, with the participation of the company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on that evaluation, the company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the company's disclosure controls and procedures were effective.

Changes in Internal Controls: During our third quarter of 2024, we migrated certain financial processing systems as part of our enterprise resource planning (ERP) replacement program. This migration included financial processing systems related to management of customer and vendor master data, accounts receivable cash application, indirect procurement and certain processes in accounts payable, and fixed assets, as well as our general ledger for our U.S. operations. We expect future migration of additional financial processing systems throughout our U.S. business as we complete the U.S. portion of the ERP replacement program through 2027. Except for the migration of certain financial processing systems, there were no changes in our internal control over financial reporting as defined in Rule 13-a-15(f) that occurred during our latest fiscal quarter, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no material pending legal proceedings in which we or our subsidiaries is a party or in which any of our or their property is the subject.

ITEM 1.A RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A to our Annual Report on Form 10-K for the fiscal year ended November 30, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes our purchases of our Common Stock (CS) and Common Stock Non-Voting (CSNV) during the third quarter of 2024.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
June 1, 2024 to June 30, 2024	CS – 0	\$ —	—	\$ 497 million
	CSNV – 400	\$ 70.56	400	
July 1, 2024 to July 31, 2024	CS – 180,665 ⁽¹⁾	\$ 76.26	180,665	\$ 483 million
	CSNV – 0	\$ —	—	
August 1, 2024 to August 31, 2024	CS – 137,022 ⁽²⁾	\$ 78.14	137,022	\$ 472 million
	CSNV – 0	\$ —	—	
Total	CS – 317,687	\$ 77.07	317,687	\$ 472 million
	CSNV – 400	\$ 70.56	400	

(1) On July 29, 2024, July 30, 2024, and July 31, 2024, we purchased 55,000 shares each day, for a total of 165,000 shares of our CS from our U.S. pension plan to facilitate the plan's rebalancing of its asset allocation. The prices paid per share represented the average of the high and low prices of the common shares on July 29, 2024, July 30, 2024, and July 31, 2024, respectively.

(2) On August 1, 2024 and August 2, 2024, we purchased 55,000 shares each day, for a total of 110,000 shares of our CS from our U.S. pension plan to facilitate the plan's rebalancing of its asset allocation. The prices paid per share represented the average of the high and low prices of the common shares on August 1, 2024 and August 2, 2024, respectively. Additionally, on August 28, 2024, we purchased 27,022 shares of our CS from our U.S. defined contribution retirement plan to manage shares, based upon participant activity, in the plan's company stock fund. The price paid per share represented the closing price of the CS on August 28, 2024.

As of August 31, 2024, \$472 million remained of the \$600 million share repurchase authorization approved by the Board of Directors in November 2019. The timing and amount of any shares repurchased is determined by our management based on its evaluation of market conditions and other factors.

In certain circumstances, we issue shares of CS in exchange for shares of CSNV, or issue shares of CSNV in exchange for shares of CS, in either case pursuant to the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended. Typically, these exchanges are made in connection with the administration of our employee benefit plans, executive compensation programs and dividend reinvestment/direct purchase plans or at the request of holders of common stock. The number of shares issued in an exchange is generally equal to the number of shares received in the exchange, although the number may differ slightly to the extent necessary to comply with the requirements of the Employee Retirement Income Security Act of 1974. During the third quarter of 2024, we issued 176,415 shares of CSNV in exchange for shares of CS and issued 90 shares of CS in exchange for shares of CSNV.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarterly period covered by this report.

ITEM 6. EXHIBITS

The following exhibits are attached or incorporated herein by reference:

	Exhibit Number	Description
(3)	(i)	Articles of Incorporation and By-Laws Restatement of Charter of McCormick & Company, Incorporated dated April 16, 1990 Articles of Amendment to Charter of McCormick & Company, Incorporated dated April 1, 1992 Articles of Amendment to Charter of McCormick & Company, Incorporated dated March 27, 2003 Articles of Amendment to Charter of McCormick & Company, Incorporated dated April 2, 2021
	(ii)	By-Laws By-Laws of McCormick & Company, Incorporated Amended and Restated on November 26, 2019
(4)		Instruments defining the rights of security holders, including indentures
	(i)	See Exhibit 3 (Restatement of Charter and By-Laws)
	(ii)	Summary of Certain Exchange Rights, incorporated by reference from Exhibit 4.1 of McCormick's Form 10-Q for the quarter ended August 31, 2001, File No. 1-14920, as filed with the Securities and Exchange Commission on October 12, 2001.
	(iii)	Indenture dated July 8, 2011 between McCormick and U.S. Bank National Association, incorporated by reference from Exhibit 4.1 of McCormick's Form 8-K dated July 5, 2011, File No. 1-14920, as filed with the Securities and Exchange Commission on July 8, 2011.
	(iv)	Form of 3.25% Notes due 2025, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated November 3, 2015, File No. 1-14920, as filed with the Securities and Exchange Commission on November 6, 2015.
	(v)	Form of 3.40% Notes due 2027, incorporated by reference from Exhibit 4.4 of McCormick's Form 8-K dated August 7, 2017, File No. 1-14920, as filed with the Securities and Exchange Commission on August 11, 2017.
	(vi)	Form of 4.20% Notes due 2047, incorporated by reference from Exhibit 4.5 of McCormick's Form 8-K dated August 7, 2017, File No. 1-14920, as filed with the Securities and Exchange Commission on August 11, 2017.
	(vii)	Form of 2.50% Notes due 2030, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated April 13, 2020, File No. 1-14920, as filed with the Securities and Exchange Commission on April 16, 2020.
	(viii)	Form of 0.90% Notes due 2026, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated February 11, 2021, File No. 1-14920, as filed with the Securities and Exchange Commission on February 11, 2021.

- (ix) [Form of 1.85% Notes due 2031, incorporated by reference from Exhibit 4.3 of McCormick's Form 8-K dated February 11, 2021, File No. 1-14920, as filed with the Securities and Exchange Commission on February 11, 2021.](#)
 - (x) [Form of 4.95% Notes due 2033, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated April 6, 2023, File No. 1-14920, as filed with the Securities and Exchange Commission on April 6, 2023.](#)
 - (xi) [Description of Securities of McCormick & Company, Incorporated, incorporated by reference from Exhibit 4\(xiii\) of McCormick's Form 10-K for the fiscal year ended November 30, 2021, File No. 1-14920, as filed with the Securities and Exchange Commission on January 27, 2022.](#)
- (10) Material Contracts
- (i) [Deferred Compensation Plan, as restated on January 1, 2000, and amended on August 29, 2000, September 5, 2000 and May 16, 2003, in which directors, officers and certain other management employees participate, a copy of which Plan document and amendments was attached as Exhibit 10\(viii\) of McCormick's Form 10-Q for the quarter ended August 31, 2003, File No. 1-14920, as filed with the Securities and Exchange Commission on October 14, 2003, and incorporated by reference herein.*](#)
 - (ii) [2004 Long-Term Incentive Plan, in which officers and certain other management employees participate, is set forth in Exhibit A of McCormick's definitive Proxy Statement dated February 17, 2004, File No. 1-14920, as filed with the Securities and Exchange Commission on February 17, 2004, and incorporated by reference herein.*](#)
 - (iii) [Non-Qualified Retirement Savings Plan, with an effective date of February 1, 2017, in which directors, officers and certain other management employees participate, a copy of which Plan document was attached as Exhibit 10\(v\) of McCormick's Form 10-Q for the quarter ended February 28, 2017, File No. 1-14920, as filed with the Securities and Exchange Commission on March 28, 2017, and incorporated by reference herein.*](#)
 - (iv) [The 2007 Omnibus Incentive Plan, in which directors, officers and certain other management employees participate, is set forth in Exhibit A of McCormick's definitive Proxy Statement dated February 20, 2008, File No. 1-14920, as filed with the Securities and Exchange Commission on February 20, 2008, and incorporated by reference herein, as amended by Amendment No. 1 thereto, which Amendment is incorporated by reference from Exhibit 10\(xi\) of McCormick's 10-K for the fiscal year ended November 30, 2008, File No. 1-14920, as filed with the Securities and Exchange Commission on January 28, 2009.*](#)
 - (v) [The Amended and Restated 2013 Omnibus Incentive Plan, in which directors, officers and certain other management employees participate, is incorporated by reference from Exhibit A of McCormick's definitive Proxy Statement dated February 14, 2019, File No. 1-14920, as filed with the Securities and Exchange Commission on February 14, 2019.*](#)
 - (vi) [The 2022 Omnibus Incentive Plan, in which directors, officers and certain other management employees participate, is incorporated by reference from Exhibit A of McCormick's definitive Proxy Statement dated February 17, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on February 17, 2022.*](#)
 - (vii) [Amendment No. 1 to the 2022 Omnibus Incentive Plan is incorporated by reference from Exhibit 10\(vii\) of McCormick's Form 10-Q for the quarter ended May 31, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on June 29, 2022.*](#)
 - (viii) [Form of Long-Term Performance Plan Agreement, incorporated by reference from Exhibit 10\(i\) of McCormick's Form 8-K/A, as amended, dated March 30, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on April 5, 2022.*](#)

- (ix) [Form of Restricted Stock Units Agreement, incorporated by reference from Exhibit 10\(ii\) of McCormick's Form 8-K/A, as amended, dated March 30, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on April 5, 2022.*](#)
 - (x) [Form of Restricted Stock Units Agreement for Directors, incorporated by reference from Exhibit 10\(iii\) of McCormick's Form 8-K/A, as amended, dated March 30, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on April 5, 2022.*](#)
 - (xi) [Form of Non-Qualified Stock Option Agreement, incorporated by reference from Exhibit 10\(xii\) of McCormick's Form 10-Q for the quarter ended May 31, 2024, File No. 1-14920, as filed with the Securities and Exchange Commission on June 27, 2024.*](#)
 - (xii) [Form of Non-Qualified Stock Option Agreement for Directors, incorporated by reference from Exhibit 10\(xiv\) of McCormick's Form 10-Q for the quarter ended May 31, 2024, File No. 1-14920, as filed with the Securities and Exchange Commission on June 27, 2024.*](#)
 - (xiii) [Form of Stock Option Agreement for the Value Creation Acceleration Program, incorporated by reference from Exhibit 99.1 of McCormick's Form 8-K, File No. 1-14920, as filed with the Securities and Exchange Commission on December 3, 2020.*](#)
 - (xiv) [Form of Indemnification Agreement, incorporated by reference from Exhibit 10\(xv\) of McCormick's Form 10-Q for the quarter ended February 28, 2014, File No. 1-14920, as filed with the Securities and Exchange Commission on March 26, 2014.*](#)
 - (xv) [Employment Agreement between McCormick \(UK\) Limited and Malcolm Swift, incorporated by reference from Exhibit 10.1 of McCormick's Form 8-K, File No. 1-14920, as filed with the Securities and Exchange Commission on January 29, 2015.*](#)
 - (xvi) [Severance Plan for Executives, incorporated by reference from Exhibit 10\(xix\) of McCormick's Form 10-Q for the quarter ended February 28, 2015, File No. 1-14920, as filed with the Securities and Exchange Commission on March 31, 2015.*](#)
- (31) Rule 13a-14(a)/15d-14(a) Certifications Filed herewith
- (i) [Certification of Brendan M. Foley, President and Chief Executive Officer, pursuant to Rule 13a-14\(a\) or Rule 15d-14\(a\) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
 - (ii) [Certification of Michael R. Smith, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14\(a\) or Rule 15d-14\(a\) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- (32) Section 1350 Certifications Filed herewith
- (i) [Certification of Brendan M. Foley, President and Chief Executive Officer, pursuant to Rule 13a-14\(b\) or Rule 15d-14\(b\) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
 - (ii) [Certification of Michael R. Smith, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14\(b\) or Rule 15d-14\(b\) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- (97) [McCormick Clawback Policy, incorporated by reference from Exhibit 97 of McCormick's Form 10-K for the fiscal year ended November 30, 2023, File No. 1-14920, as filed with the Securities and Exchange Commission on January 25, 2024.](#)
- (101) The following financial information from the Quarterly Report on Form 10-Q of McCormick for the quarter ended August 31, 2024, filed electronically herewith, and formatted in Inline XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheet; (ii) Condensed Consolidated Income Statement; (iii) Condensed Consolidated

Statement of Comprehensive Income; (iv) Condensed Consolidated Cash Flow Statement; (v) Condensed Consolidated Statement of Stockholders' Equity; and (vi) Notes to the Condensed Consolidated Financial Statements.

(104) Inline XBRL for the cover page from the Quarterly Report on Form 10-Q of McCormick for the quarter ended August 31, 2024, files electronically herewith, included in the Exhibit 101 inline XBRL Document Set.

* Management contract or compensatory plan or arrangement.

McCormick hereby undertakes to furnish to the Securities and Exchange Commission, upon its request, copies of additional instruments of McCormick with respect to long-term debt that involve an amount of securities that do not exceed 10 percent of the total assets of McCormick and its subsidiaries on a consolidated basis, pursuant to Regulation S-K, Item 601(b)(4)(iii)(A).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

McCORMICK & COMPANY, INCORPORATED

October 1, 2024

By: /s/ Michael R. Smith
Michael R. Smith
Executive Vice President & Chief Financial Officer

October 1, 2024

By: /s/ Gregory P. Repas
Gregory P. Repas
Vice President & Controller
Principal Accounting Officer

EXHIBIT 31.1
CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Brendan M. Foley, certify that:

1. I have reviewed this report on Form 10-Q of McCormick & Company, Incorporated (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: October 1, 2024

/s/ Brendan M. Foley

Brendan M. Foley

President & Chief Executive Officer

EXHIBIT 31.2
CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Michael R. Smith certify that:

1. I have reviewed this report on Form 10-Q of McCormick & Company, Incorporated (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: October 1, 2024

/s/ Michael R. Smith

Michael R. Smith

Executive Vice President & Chief Financial Officer

EXHIBIT 32.1
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of McCormick & Company, Incorporated (the "Company") on Form 10-Q for the period ending August 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brendan M. Foley, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 1, 2024

/s/ Brendan M. Foley

Brendan M. Foley

President & Chief Executive Officer

EXHIBIT 32.2
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of McCormick & Company, Incorporated (the "Company") on Form 10-Q for the period ending August 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael R. Smith, Executive Vice President & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 1, 2024

/s/ Michael R. Smith

Michael R. Smith

Executive Vice President & Chief Financial Officer