

4th QUARTER 2023

*Financial Results
and Outlook*

McCORMICK & COMPANY, INC.

January 25, 2024



The following slides accompany a January 25, 2024, earnings release conference call. This information should be read in conjunction with the press release issued on that date.

FORWARD-LOOKING INFORMATION

Certain information contained in this presentation, 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, recessions, 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 and gross margins; the impact of price elasticity on our sales volume and mix; 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, 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 and Israel and Hamas, 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.

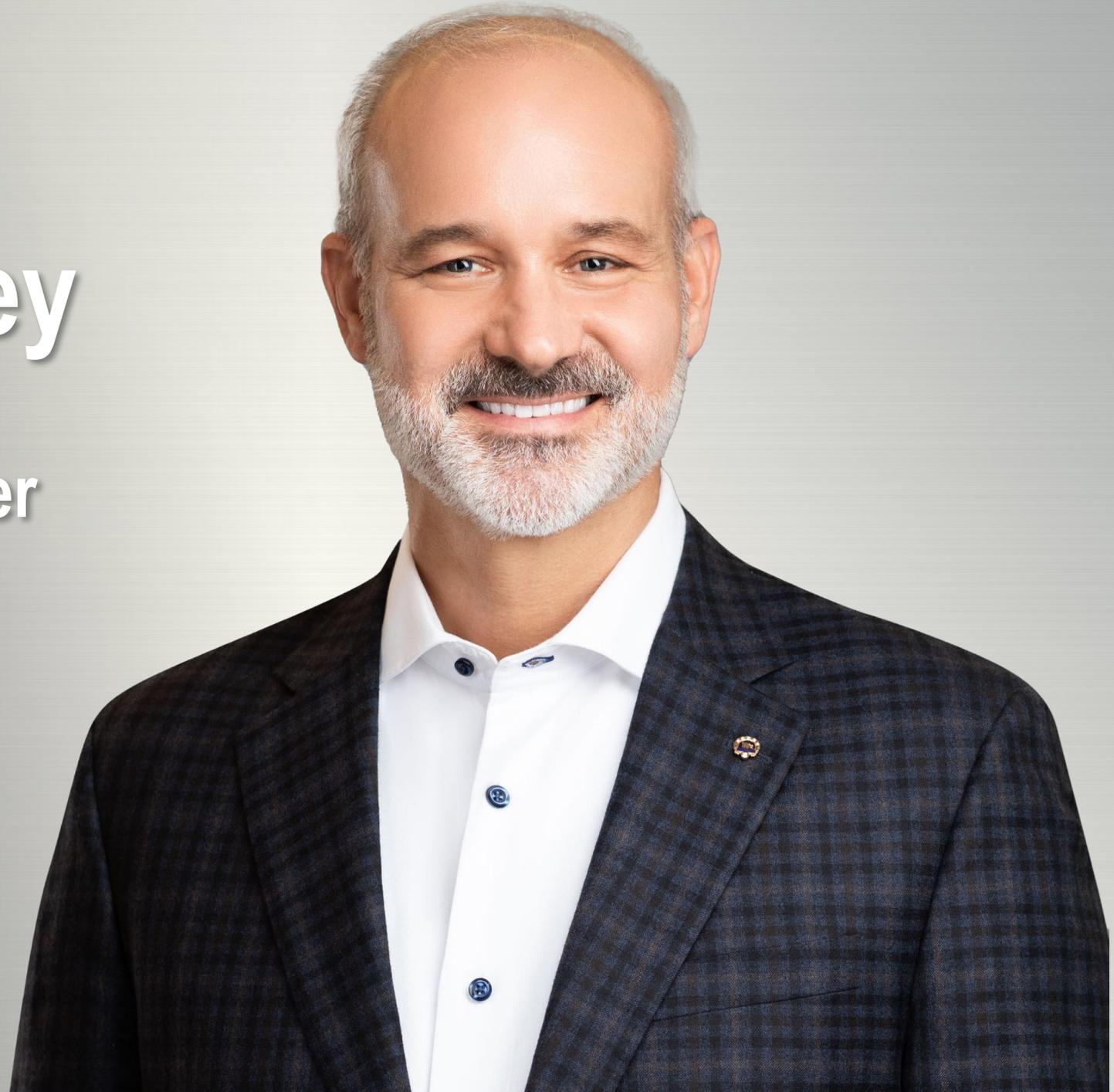
These and other forward-looking statements are based on management's current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by factors such as: the company's ability to drive revenue growth; the company's 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 conflict between Russia and Ukraine and Israel and Hamas, 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. The company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.



Brendan Foley

President and
Chief Executive Officer



FOURTH QUARTER PERFORMANCE

Greater than expected pressure on consumer impacted growth

Improvement in key areas highlights strategies and initiatives are working

Dedication to improving volume trends

Prioritized investments to drive impactful results



FOURTH QUARTER 2023 SALES GROWTH

2%¹ NET SALES GROWTH DRIVEN BY 5% PRICING WITH (3)% VOLUME OFFSET

Differed from Expectations

Consumer

More volume declines in prepared foods

Impact from mustard private label low price points

Higher stress on recipe mixes from crossing key price points

Flavor Solutions

Greater volume softness in flavors customers' businesses

Slower quick service restaurant traffic in EMEA and APAC

Met Expectations

Consumer

Spices and seasonings volume growth in Americas

Recovery in China from COVID-related disruptions

Strong volume growth in APAC, outside of China

Continued EMEA volume pressure from high pricing

Flavor Solutions

Strong branded foodservice volume-led growth



PROVEN INITIATIVES FOCUSED ON KEY AREAS

Growth Levers

BRAND MARKETING

PRICE GAP MANAGEMENT

NEW PRODUCTS

PACKAGING RENOVATION

Spices and Seasonings

Americas branded volume growth, improved share trends, restored distribution

France and Australia volume growth and share gains



Branded Foodservice

Strong volume across all channels

Share gains



Heat

Global growth accelerator outpacing rest of portfolio



IN A POSITION OF STRENGTH TO FOCUS ON GROWTH

MARGIN EXPANSION AND IMPROVED CASH FLOW TO FUEL INVESTMENTS

Gross Margin Performance

Expansion throughout the year

- Effective price realization
- Optimization of cost structure
- Favorable product mix

Full Year Performance

Operating margin expansion

Cash flow improvement

Debt paydown

Leverage ratio reduction



McCORMICK'S FOUNDATION IS STRONG
CONFIDENT IN THE EFFECTIVENESS OF STRATEGIES AND INVESTMENTS



EXECUTING ON GROWTH PLANS FOR 2024

Category Management



Brand Marketing



New Products



Proprietary Technologies



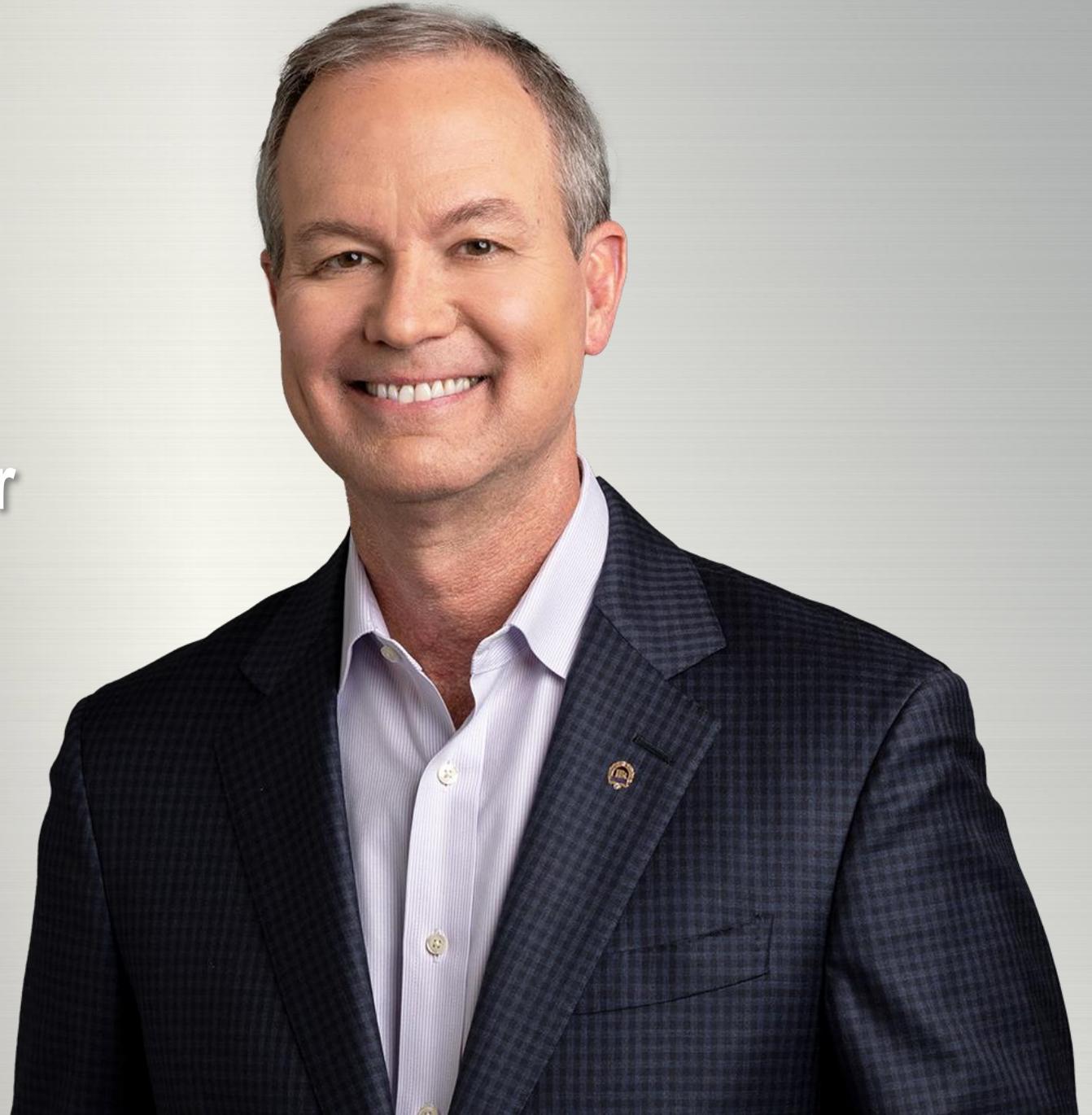
Differentiated Customer Engagement





Mike Smith

Executive Vice President
and Chief Financial Officer





4Q 2023 SALES RESULTS

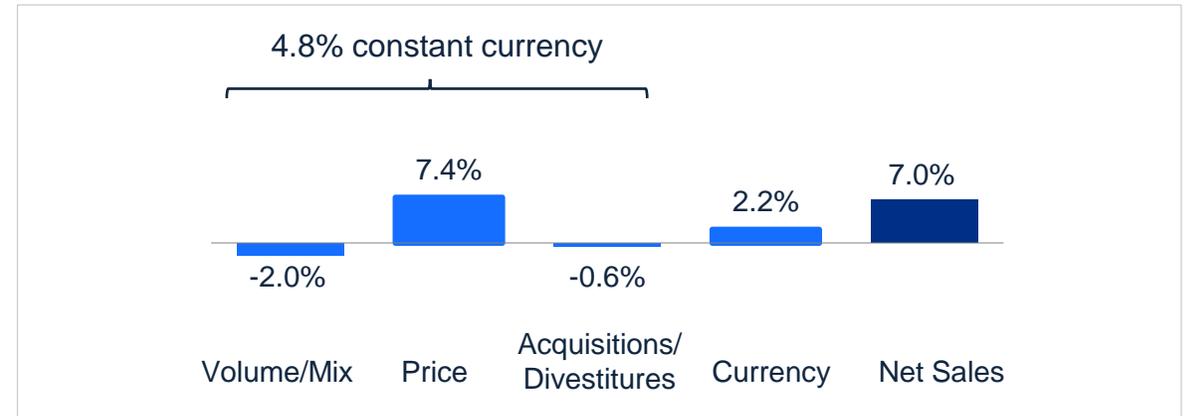
TOTAL COMPANY



CONSUMER



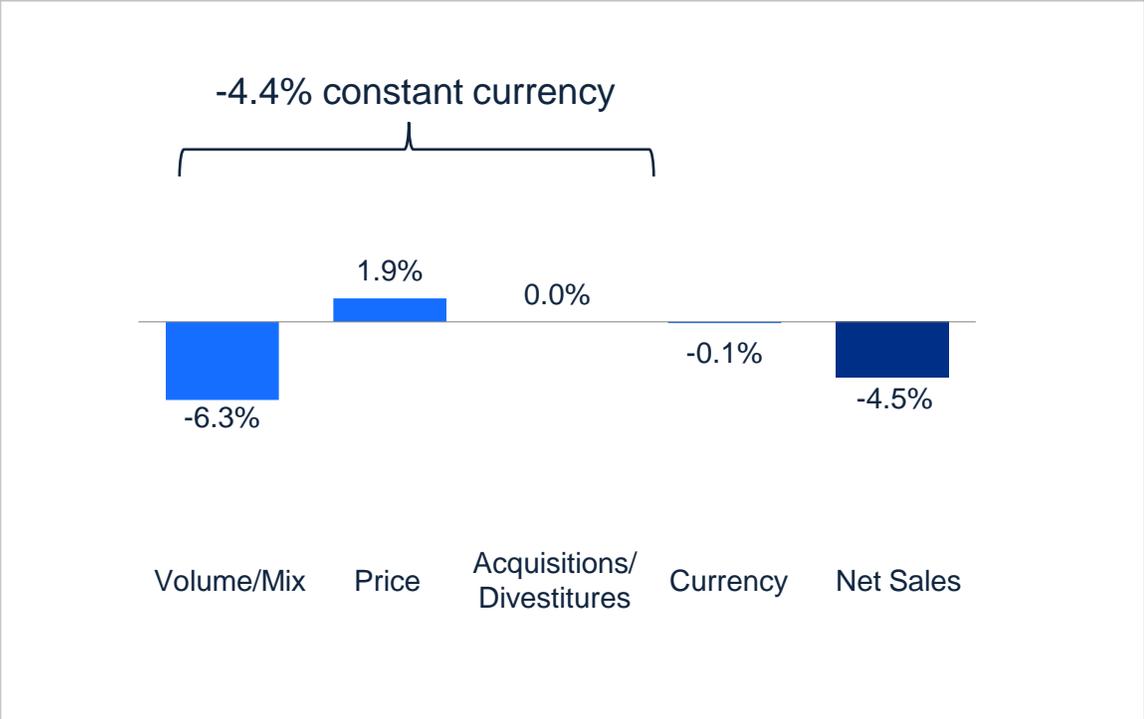
FLAVOR SOLUTIONS





4Q 2023 SALES RESULTS: CONSUMER SEGMENT

AMERICAS CONSUMER



- Volume and mix decline included:
 - Exit of Hispanic product direct store delivery
 - Lower volume in prepared foods, mustard, and recipe mixes
 - Partially offset by growth in spices and seasonings
- Pricing actions to offset cost inflation

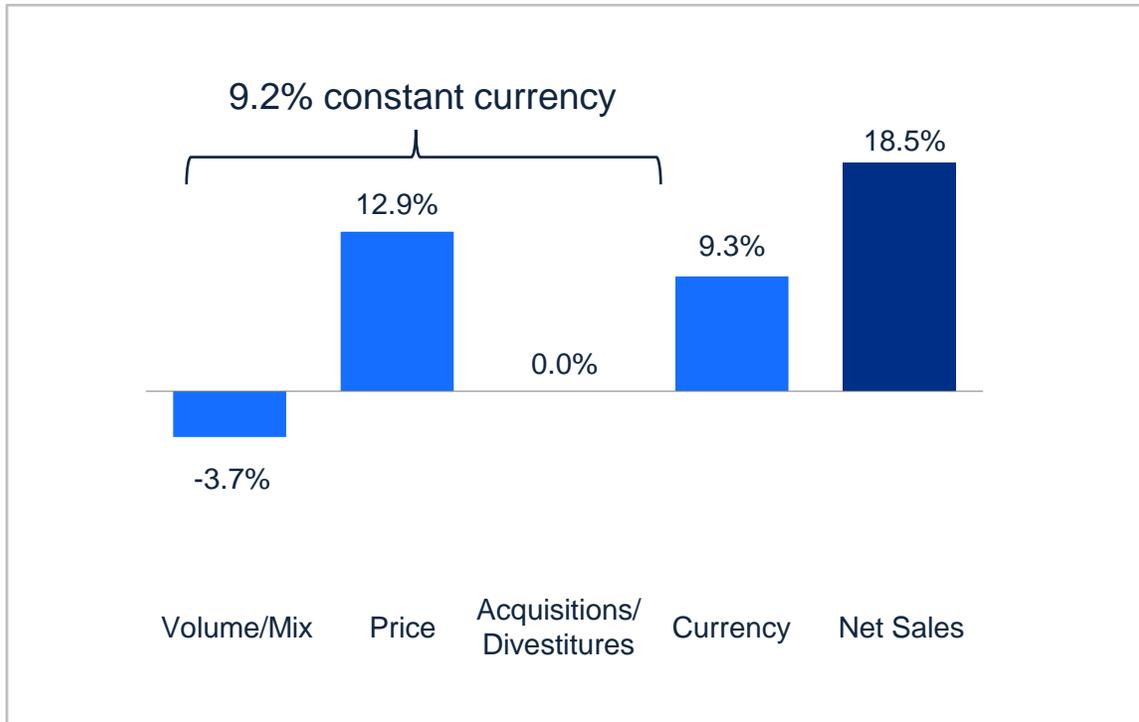
11 The non-GAAP measure included herein, which we refer to as “constant currency”, excludes the impact of foreign currency exchange. See slide 30 for the impact of constant currency.





4Q 2023 SALES RESULTS: CONSUMER SEGMENT

EMEA CONSUMER



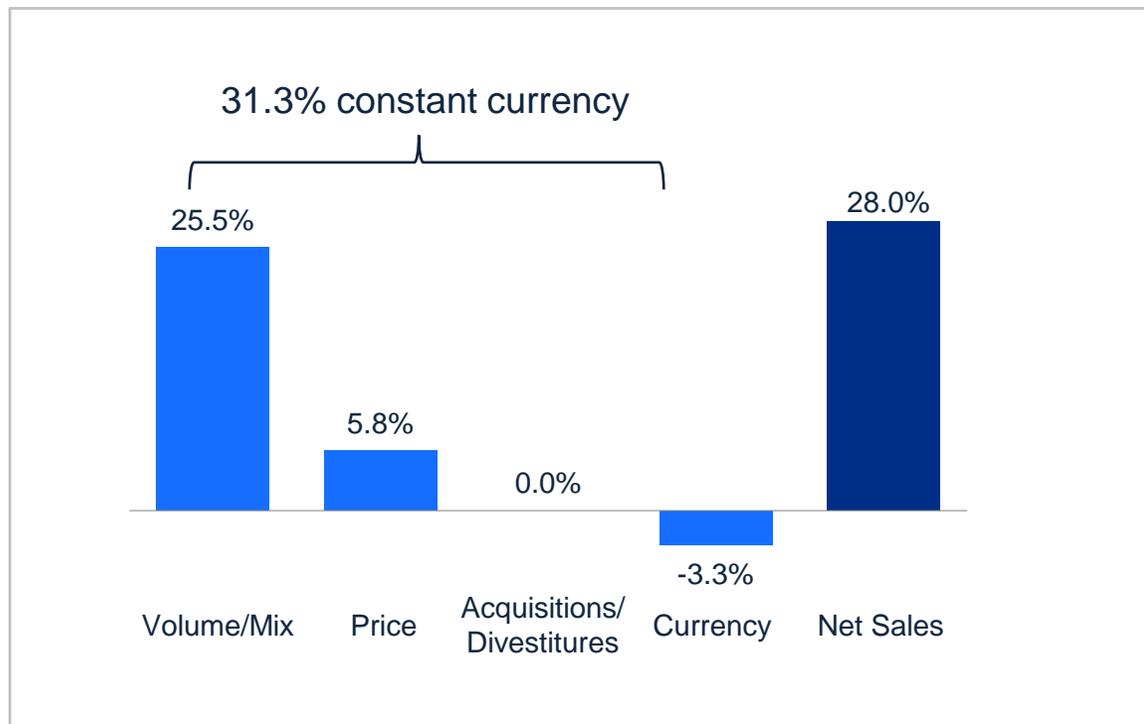
- Pricing actions to offset cost inflation
- Broad-based growth across markets and categories





4Q 2023 SALES RESULTS: CONSUMER SEGMENT

APAC CONSUMER



- Recovery in China as expected
- Broad-based volume growth outside of China
- Pricing actions to offset cost inflation





4Q 2023 SALES RESULTS

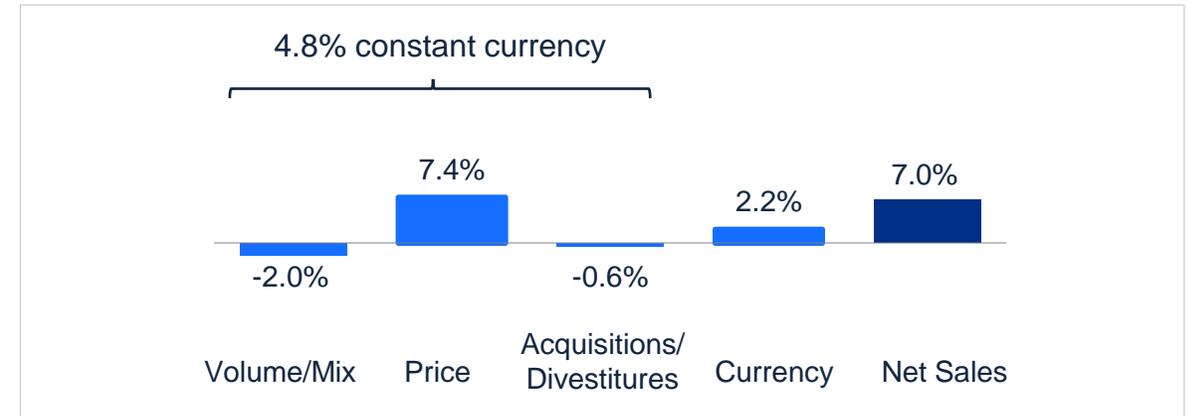
TOTAL COMPANY



CONSUMER

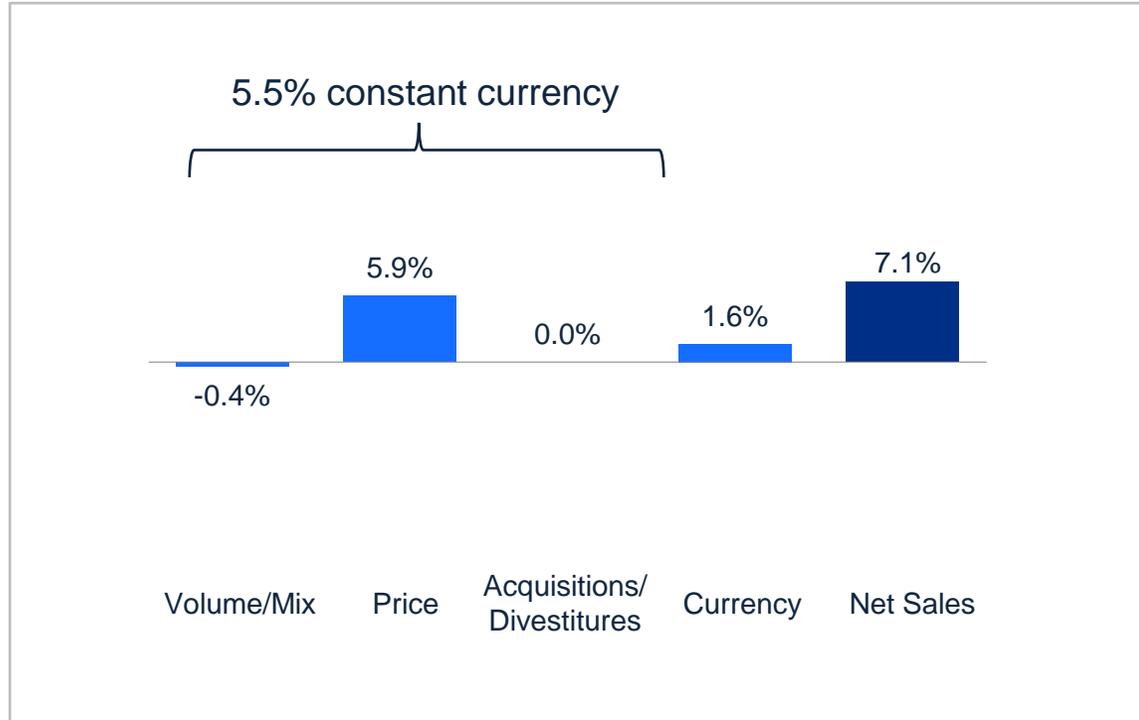


FLAVOR SOLUTIONS



4Q 2023 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

AMERICAS FLAVOR SOLUTIONS

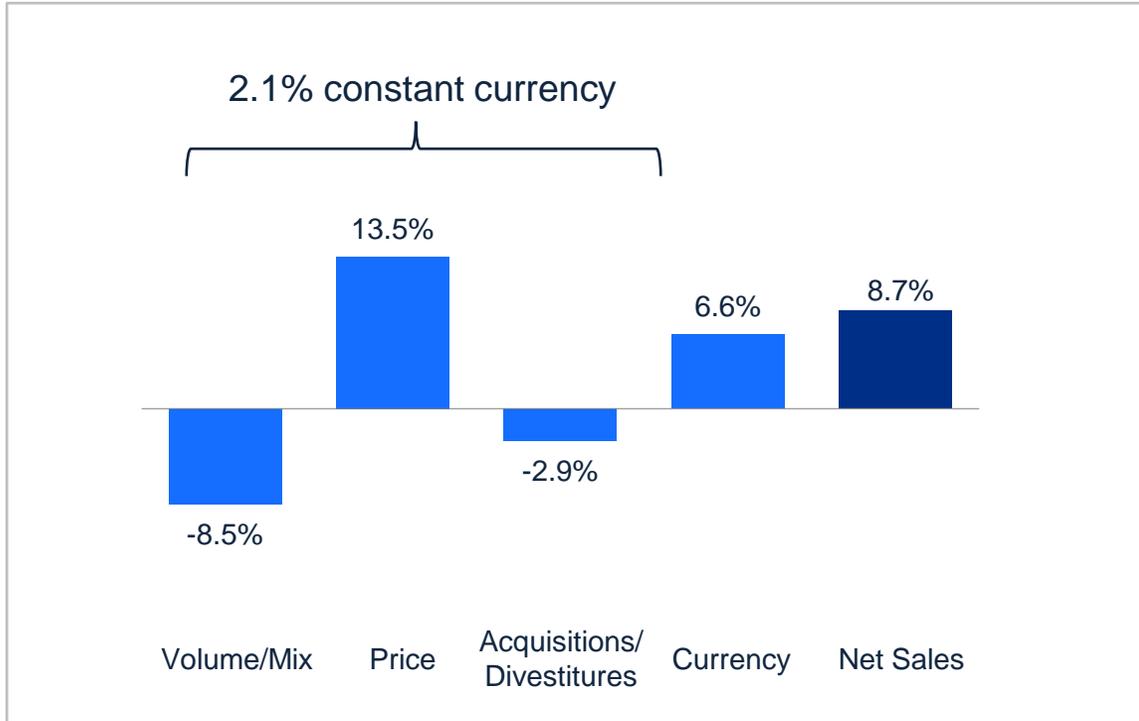


- Pricing actions to offset cost inflation
- Broad-based growth across the portfolio
- Strength in branded foodservice



4Q 2023 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

EMEA FLAVOR SOLUTIONS



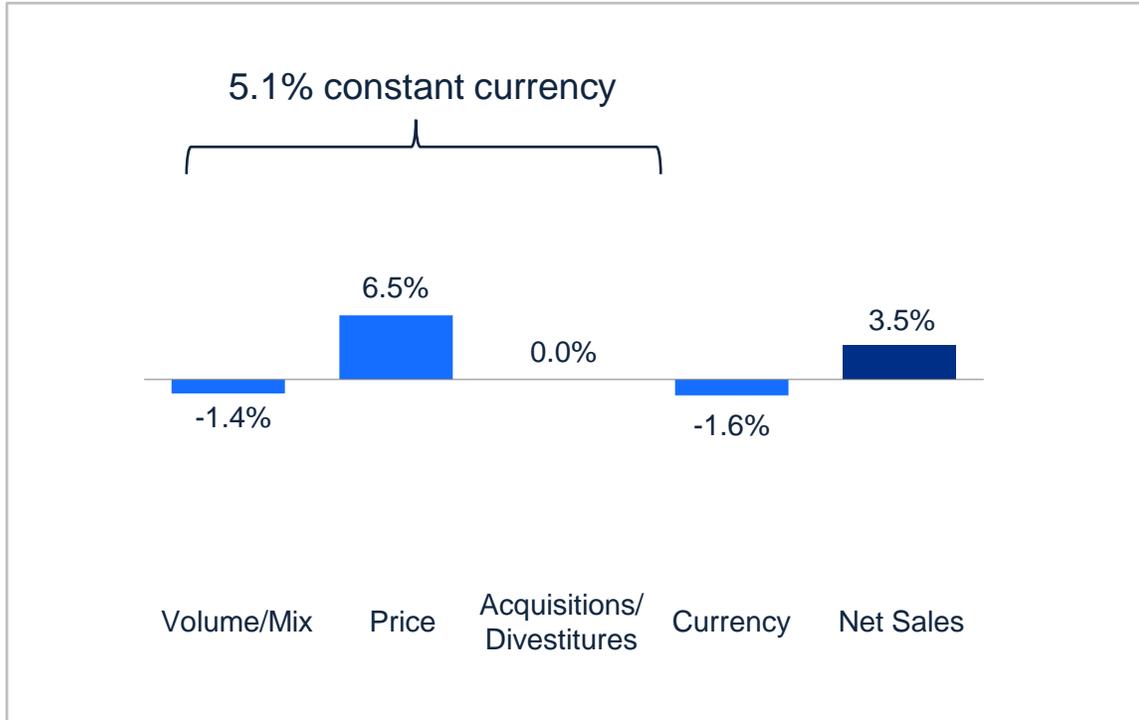
- Pricing actions to offset cost inflation
- 3% impact from divestiture of Giotti canning business
- Volume and mix decline included:
 - Lower volume in the businesses of some customers
 - 1% impact from exiting a foodservice product line





4Q 2023 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

APAC FLAVOR SOLUTIONS



- Pricing actions to offset cost inflation
- Volume and mix decline included
 - Lower demand in quick service restaurants outside of China
 - Partially offset by strong growth in China





GROSS MARGIN

<i>(in millions)</i>	4Q 2023	4Q 2022	4Q Fav/(Unfav) Change	YTD 2023 Fav/(Unfav) Change
Gross Margin	40.0%	36.8%	320 bps	180 bps

- Favorable gross margin impacts:
 - Favorable product mix in both Consumer and Flavor Solutions segments
 - Comprehensive Continuous Improvement (CCI) and Global Operating Effectiveness (GOE) savings programs
 - Effective price realization
 - Lap of elevated costs in 4Q 2022 related to discrete issues in Flavor Solutions operations

MET COST RECOVERY AND SAVINGS PLANS FOR 2023



OPERATING INCOME

<i>(in millions)</i>	4Q 2023	4Q 2022	4Q Fav/(Unfav) Change	YTD 2023 Fav/(Unfav) Change
Selling, general & administrative expenses as percent of net sales	22.3%	20.4%	(190) bps	(80) bps
Operating income	\$297.2	\$264.3	12%	12%
Adjusted operating income	\$311.3	\$277.9	12%	12%
Consumer	235.2	235.2	0%	3%
Flavor Solutions	76.1	42.7	78%	40%

- SG&A expenses as a percent of net sales increased 190 basis points
 - Higher employee incentive compensation expenses and brand marketing investments
 - Costs partially offset by CCI and GOE cost savings
- 1% favorable currency impact to total adjusted operating income and 5% favorable to Flavor Solutions
- Special charges were \$14.1 million in 4Q 2023 versus \$13.6 million in 4Q 2022

**130 BPS OF ADJUSTED OPERATING MARGIN EXPANSION
POSITIONS McCORMICK WELL TO INVEST FOR GROWTH IN 2024**





INTEREST EXPENSE AND INCOME TAXES

<i>(in millions)</i>	4Q 2023	4Q 2022	4Q Fav/(Unfav) Change	YTD 2023 Fav/(Unfav) Change
Interest Expense	\$52.7	\$44.4	(19%)	(40%)
Income tax rate	22.2%	23.3%	110 bps	(110) bps
Adjusted income tax rate	22.3%	23.1%	80 bps	(110) bps

- Increased interest expense driven by the higher rate environment
- Lower adjusted effective tax rate in 4Q 2023, due to more significant favorable impact of discrete items





INCOME FROM UNCONSOLIDATED OPERATIONS

<i>(in millions)</i>	4Q 2023	4Q 2022	4Q Fav/(Unfav) Change	YTD 2023 Fav/(Unfav) Change
Income from Unconsolidated Operations	\$18.7	\$10.6	76%	49%

- Increase driven by strong performance in largest joint venture, McCormick de Mexico



EARNINGS PER SHARE

	4Q 2023	4Q 2022	4Q Fav/(Unfav) Change	YTD 2023 Fav/(Unfav) Change
Earnings per share	\$0.81	\$0.69	17%	0%
Adjusted earnings per share	\$0.85	\$0.73	16%	7%

Change in adjusted earnings per share

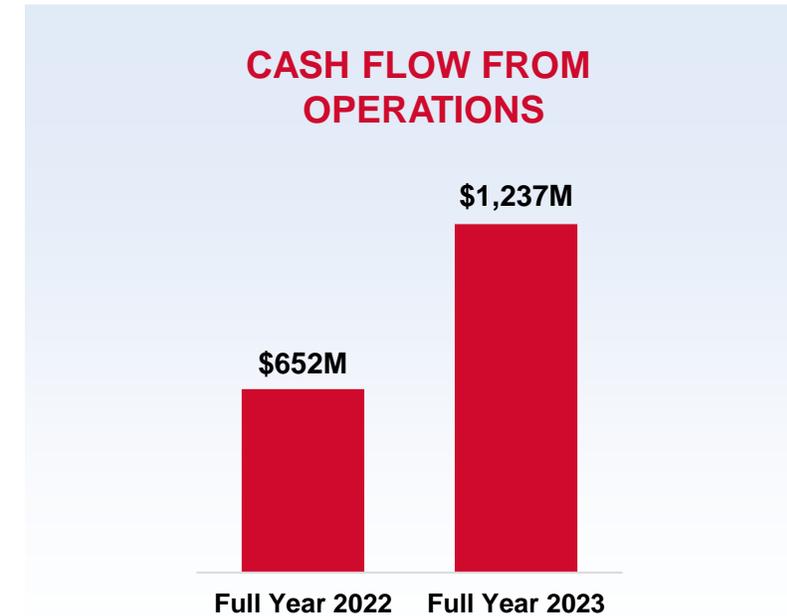
Increase in adjusted operating income	0.09
Increase in unconsolidated income	0.03
Increase in other income	0.01
Decrease in tax rate	0.01
Increase in interest expense	<u>(0.02)</u>
Total Increase	<u>\$ 0.12</u>





BALANCE SHEET AND CASH FLOW

- Strong 2023 cash flow provided from operations of \$1.2 billion
 - Nearly double the cash flow relative to prior year
 - Higher operating income and working capital improvements, including lower inventory drove increase
- \$419 million of cash returned to shareholders through dividends
- Capital expenditures of \$264 million in 2023
- Leverage ratio slightly above 2024 year-end target of 3.0x



**BALANCED USE OF CASH:
DRIVE GROWTH, RETURN TO SHAREHOLDERS AND PAY DOWN DEBT**



2024 OUTLOOK

	Reported Currency	Constant Currency
Sales growth	-2% to 0%	-1% to 1%
Adjusted operating income increase	3% to 5%	4% to 6%
Cost inflation	Low single-digit increase	
Adjusted gross profit margin	Up 50 to 100 bps	
Brand marketing	High single-digit increase	
Adjusted income from unconsolidated operations	Mid-teens increase	
Adjusted tax rate	Approximately 22%	
Adjusted earnings per share	\$2.80 to \$2.85	
Adjusted earnings per share growth	4% to 6%	5% to 7%
Shares outstanding	Approximately 271M	



KEY TAKEAWAYS

Margins strengthened, cash flow significantly improved, and debt leverage lowered

Strategies and initiatives drove volume growth in areas of focus

Certain areas are challenged and controllable drivers being addressing

Initiatives expected to drive improved volume trends and build to growth during 2H 2024

Commitment to invest to drive sustainable topline growth and recover margins

**THE FUNDAMENTALS THAT HAVE DRIVEN
HISTORICAL PERFORMANCE REMAIN IN PLACE**



KEY PRIORITIES TO ADVANCE McCORMICK'S LEADERSHIP AND DIFFERENTIATION

Strengthen global leadership in core categories

Drive profitable growth and higher returns on investments

Accelerate digital transformation

Elevate Power of People culture

Strengthen and expand system of competitive advantages



**HARNESSING THE COLLECTIVE EXPERTISE OF McCORMICK TEAM TO
DELIVER LONG-TERM SUSTAINABLE, PROFITABLE GROWTH**

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NON-GAAP FINANCIAL MEASURES

The tables below include financial measures of adjusted gross profit, adjusted gross profit margin, adjusted operating income, adjusted operating income margin, adjusted income tax expense, adjusted income tax rate, adjusted net income and adjusted diluted earnings per share. These represent non-GAAP financial measures which are prepared as a complement to our financial results prepared in accordance with United States generally accepted accounting principles. These financial measures exclude the impact, as applicable, of the following:

Special charges – In our consolidated income statement, we include a separate line item captioned “Special charges” in arriving at our consolidated operating income. Special charges consist of expenses and income associated with certain actions undertaken by the Company to reduce fixed costs, simplify or improve processes, and improve our competitiveness and are of such significance in terms of both up-front costs and organizational/structural impact to require advance approval by our Management Committee. Upon presentation of any such proposed action (generally including details with respect to estimated costs, which typically consist principally of employee severance and related benefits, together with ancillary costs associated with the action that may include a non-cash component, such as an asset impairment, or a component which relates to inventory adjustments that are included in cost of goods sold; impacted employees or operations; expected timing; and expected savings) to the Management Committee and the Committee’s advance approval, expenses associated with the approved action are classified as special charges upon recognition and monitored on an on-going basis through completion. Special charges for the year ended November 30, 2022 include a \$13.6 million gain associated with the sale of the Kohinoor brand name. We exited our Kohinoor rice product line in India in the fourth quarter of fiscal year 2021.

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

Gain on sale of Kitchen Basics - We exclude the gain realized upon our sale of our Kitchen Basics business in August 2022. The pre-tax gain associated with the sale was \$49.6 million for the year ended November 30, 2022.

We believe that these non-GAAP financial measures are important. The exclusion of the items noted above provides additional information that enables enhanced comparisons to prior periods and, accordingly, facilitates the development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of our ongoing operations and analyze our business performance and trends.

These non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but they should not be considered a substitute for, or superior to, GAAP results. In addition, these non-GAAP financial measures may not be comparable to similarly titled measures of other companies because other companies may not calculate them in the same manner that we do. We intend to continue to provide these non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting. A reconciliation of these non-GAAP financial measures to the related GAAP financial measures is provided below:



NON-GAAP FINANCIAL MEASURES

(in millions except per share data)

	Three Months Ended		Year Ended	
	11/30/2023	11/30/2022	11/30/2023	11/30/2022
Operating income	\$ 297.2	\$ 264.3	\$ 963.0	\$ 863.6
Impact of other transaction and integration expenses	-	-	-	2.2
Impact of special charges (1)	14.1	13.6	61.2	51.6
Adjusted operating income	\$ 311.3	\$ 277.9	\$ 1,024.2	\$ 917.4
% increase versus year-ago period	12.0%		11.6%	
Operating income margin (2)	17.0%	15.6%	14.5%	13.6%
Impact of transaction and integration expenses and special charges (2)	0.7%	0.8%	0.9%	0.8%
Adjusted operating income margin (2)	17.7%	16.4%	15.4%	14.4%
Income tax expense	\$ 57.1	\$ 53.2	\$ 174.5	\$ 168.6
Impact of transaction and integration expenses	-	-	-	0.6
Impact of special charges (1)	3.5	2.6	14.5	13.3
Impact of sale of Kitchen Basics	-	-	-	(11.6)
Adjusted income tax expense	\$ 60.6	\$ 55.8	\$ 189.0	\$ 170.9
Income tax rate (3)	22.2%	23.3%	21.8%	20.7%
Impact of transaction and integration expenses, special charges, and sale of Kitchen Basics (3)	0.1%	(0.2)%	0.2%	0.2%
Adjusted income tax rate (3)	22.3%	23.1%	22.0%	20.9%
Net income	\$ 219.3	\$ 185.7	\$ 680.6	\$ 682.0
Impact of transaction and integration expenses	-	-	-	1.6
Impact of special charges (1)	10.6	11.0	46.7	38.3
Impact of after-tax gain on sale of Kitchen Basics	-	-	-	(38.0)
Adjusted net income	\$ 229.9	\$ 196.7	\$ 727.3	\$ 683.9
% increase versus year-ago period	16.9%		6.3%	
Earnings per share - diluted	\$ 0.81	\$ 0.69	\$ 2.52	\$ 2.52
Impact of transaction and integration expenses	-	-	-	0.01
Impact of special charges (1)	0.04	0.04	0.18	0.14
Impact of after-tax gain on sale of Kitchen Basics	-	-	-	(0.14)
Adjusted earnings per share - diluted	\$ 0.85	\$ 0.73	\$ 2.70	\$ 2.53
% increase versus year-ago period	16.4%		6.7%	

- 1) Special charges for the year ended November 30, 2022 include a \$10.0 million non-cash intangible asset impairment charge associated with our exit of our business operations in Russia. Special charges for the year ended November 30, 2022 include a \$13.6 million gain associated with the sale of the Kohinoor brand name. We exited our Kohinoor rice product line in India in the fourth quarter of fiscal 2021.
- 2) Operating income margin, impact of transaction and integration expenses and special charges, and adjusted operating income margin is calculated as operating income, impact of transaction and integration expenses and special charges, and adjusted operating income as a percentage of net sales for each period presented.
- 3) 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 transaction and integration expenses and special charges, and for 2023, the gain on a sale of a business, of \$271.8 million and \$859.9 million for the three months and year ended November 30, 2023, respectively, \$241.9 million and \$817.0 million for the three months and year ended November 30, 2022, respectively.

NON-GAAP FINANCIAL MEASURES

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 November 30, 2023		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales			
Consumer Segment			
Americas	(4.5)%	(0.1)%	(4.4)%
EMEA	18.5%	9.3%	9.2%
APAC	28.0%	(3.3)%	31.3%
Total Consumer segment	1.0%	1.0%	—%
Flavor Solutions Segment			
Americas	7.1%	1.6%	5.5%
EMEA	8.7%	6.6%	2.1%
APAC	3.5%	(1.6)%	5.1%
Total Flavor Solutions segment	7.0%	2.2%	4.8%
Total net sales	3.4%	1.5%	1.9%
Adjusted operating income			
Consumer segment	—%	0.2%	(0.2)%
Flavor Solutions segment	78.2%	4.8%	73.4%
Total adjusted operating income	12.0%	0.9%	11.1%

NON-GAAP FINANCIAL MEASURES

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. To estimate the percentage change in adjusted earnings per share on a constant currency basis, a similar calculation is performed to arrive at adjusted net income divided by historical shares outstanding for fiscal year 2023 or projected shares outstanding for fiscal year 2024, as appropriate.

	Projections for the Year Ending November 30, 2024
Percentage change in net sales	(2)% to 0%
Impact of unfavorable foreign currency exchange	1 %
Percentage change in net sales in constant currency	(1)% to 1%
Percentage change in adjusted operating income	3% to 5%
Impact of unfavorable foreign currency exchange	1 %
Percentage change in adjusted operating income in constant currency	4% to 6%
Percentage change in adjusted earnings per share - diluted	4% to 6%
Impact of unfavorable foreign currency exchange	1 %
Percentage change in adjusted earnings per share - diluted in constant currency	5% to 7%



NON-GAAP FINANCIAL MEASURES

The following provides a reconciliation of our estimated earnings per share to adjusted earnings per share for 2024 and actual results for 2023:

	Year Ended	
	2024 Projection	11/30/2023
Earnings per share - diluted	\$2.76 to \$2.81	\$ 2.52
Impact of special charges	0.04	0.18
Adjusted earnings per share - diluted	\$2.80 to \$2.85	\$ 2.70

