

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended February 28, 1994 Commission File Number 0-748

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.)

18 Loveton Circle, P. O. Box 6000, Sparks, MD
(Address of principal executive offices)

21152-6000
(Zip Code)

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

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 filing requirements for the past 90 days. Yes X 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 February 28, 1994
Common Stock	13,603,000
Common Stock Non-Voting	67,768,000

MCCORMICK & COMPANY, INCORPORATED

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PART I. FINANCIAL INFORMATION
McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	Feb. 28, 1994	Feb. 28, 1993	Nov. 30, 1993
Current Assets			
Cash and cash equivalents	\$ 18,201	\$ 5,647	\$ 12,838
Accounts receivable - net	159,968	140,161	175,101
Inventories			
Raw materials	113,830	101,650	105,713
Work in process	48,403	38,717	36,418
Finished goods	168,843	137,321	179,120
	331,076	277,688	321,251
Prepaid expenses	13,369	16,591	17,960
Deferred income taxes	13,003	6,382	13,003
Total current assets	535,617	446,469	540,153
Investments	66,097	40,329	45,728
Property - net	474,247	429,938	465,610
Excess cost of acquisitions - net	134,330	120,064	130,638
Prepaid allowances	146,902	141,348	126,399
Other assets	4,569	4,364	4,708
Total assets	\$1,361,762	\$1,182,512	\$1,313,236

LIABILITIES AND SHAREHOLDERS' EQUITY
Current Liabilities

Notes payable	\$ 171,350	\$240,790	\$ 76,389
Current portion of long-term debt	8,275	5,084	8,299
Outstanding checks	12,062	13,543	25,401
Accounts payable, trade	95,621	79,918	113,884
Accrued payroll	15,742	18,030	29,781
Accrued sales allowances	25,719	19,743	31,240
Other accrued expenses and liabilities	81,694	82,228	90,980
Income taxes	17,780	11,074	16,893
Total current liabilities	428,243	470,410	392,867
Long-term debt	343,562	198,810	346,436
Deferred income taxes	39,959	38,013	39,006
Employee benefit liabilities	67,670	54,315	63,875
Other liabilities	4,959	4,837	4,231
Total liabilities	884,393	766,385	846,415
Shareholders' Equity			
Common Stock, no par value	50,944	47,867	53,470
Common Stock Non-Voting, no par value	98,919	83,649	93,047
Retained earnings	336,616	289,467	330,327
Foreign currency translation adjustments	(9,110)	(4,856)	(10,023)
Total shareholders' equity	477,369	416,127	466,821
Total liabilities and shareholders' equity	\$1,361,762	\$1,182,512	\$1,313,236

See notes to financial statements.

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McCORMICK & COMPANY, INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars In Thousands Except Per Share Amounts)

	Three Months Ended	
	February 28, 1994	February 28, 1993
Net sales	\$367,723	\$339,585
Costs of goods sold	234,952	216,683
Gross profit	132,771	122,902
Selling, general and administrative expense	96,532	92,744
Profit from operations	36,239	30,158
Other income	1,417	1,827
Interest expense	8,126	7,267
Other expense	1,480	1,259
Income before income taxes	28,050	23,459
Provision for income taxes	10,790	9,000
Income from consolidated operations	17,260	14,459
Income from unconsolidated operations	1,050	2,805
Income before accounting change	18,310	17,264
Cumulative effect on prior years of accounting change	-	(26,626)
Net income (loss)	\$ 18,310	\$ (9,362)

Earnings per share before accounting change	\$0.23	\$ 0.21
Cumulative effect on prior years of accounting change	-	(0.33)
Total earnings (loss) per common share	\$0.23	\$ (0.12)
Cash dividends declared per common share	\$0.12	\$ 0.11

See notes to financial statements.

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McCORMICK & COMPANY, INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars In Thousands)

	Three Months Ended	
	Feb. 28, 1994	Feb. 28, 1993
Cash flows from operating activities		
Net income	\$ 18,310	\$ (9,362)
Depreciation and amortization	13,130	11,996
Provision for deferred income taxes	932	928
Gain on sale of assets	(49)	(61)
Share of income from unconsolidated operations	(1,050)	(2,805)
Dividend received from unconsolidated subsidiary	-	3,990
Cumulative effect of accounting change	-	26,626
Changes in operating assets and liabilities net of effects from businesses acquired and disposed	(65,344)	(89,695)
Net cash used in operating activities	(34,071)	(58,383)
Cash flows from investing activities		
Acquisitions of businesses	(23,083)	(41,910)
Purchases of property, plant and equipment	(21,284)	(20,900)
Proceeds from sale of assets	31	225
Proceeds from forward exchange contract	-	8,373
Other investments	(106)	(371)
Net cash used in investing activities	(44,442)	(54,583)
Cash flows from financing activities		
Notes payable	75,182	129,263
Long-term debt		
Borrowings	20,059	917
Repayments	(2,242)	(2,237)
Common stocks		
Issued	3,626	9,544
Acquired by purchase	(2,577)	(11,769)
Dividends Paid	(9,724)	(8,844)

Net cash provided by financing activities	84,324	116,874
Effect of exchange rate changes on cash and cash equivalents	(448)	(67)
Increase/(Decrease) in cash and cash equivalents	5,363	3,841
Cash and cash equivalents at beginning of period	12,838	1,806
Cash and cash equivalents at end of period	\$ 18,201	\$ 5,647

See notes to financial statements.

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McCORMICK & COMPANY, INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands Except per Share Amounts)

1. In the opinion of the Company, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of February 28, 1994, February 28, 1993 and November 30, 1993, and the results of operations for the three month periods ended February 28, 1994 and February 28, 1993, and the cash flows for the three month periods ended February 28, 1994 and February 28, 1993. Certain reclassifications have been made to the 1993 financial statements to conform with the 1994 presentation.
2. The results of consolidated operations for the three month period ended February 28, 1994 are not necessarily indicative of the results to be expected for the full year. Historically, the Company's consolidated sales and profits are lower in the first two quarters of the fiscal year, and increase in the third and fourth quarters.
3. Earnings per common share for the three month period ended February 28, 1994 was computed by dividing net income by the weighted average number of common shares outstanding (81,136,000). Earnings per common share for the three month period ended February 28, 1993 was computed by dividing net income by the weighted average number of common shares outstanding (80,485,000), plus dilutive common equivalent shares applicable to outstanding stock options and purchase plans (1,382,000). Common stock equivalents were not added to fiscal year 1994 weighted average common shares outstanding because they resulted in an insignificant dilution in earnings per share.
4. Interest paid during the three month periods ended February 28, 1994 and February 28, 1993 was \$11,200 and \$10,400 respectively. Income taxes paid during the same periods were \$7,200 and \$17,200 respectively.
5. Changes in foreign currency exchange rates required adjustments to both the Excess Cost of Acquisition account and the Foreign Currency Translation Adjustments account at February 28, 1994 and are primarily responsible for the changes in the translation adjustment account for the periods presented. These exchange rate changes plus amounts recorded as a result of business acquisitions largely account for the

change in the Excess Cost of Acquisition account for the periods presented.

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6. During the first quarter of 1994 the Company renewed certain prepaid allowance contracts. Payments associated with these contracts are reflected in the Prepaid Allowance account at February 28, 1994.
7. During the first quarter of 1994, the Company acquired Grupo Pesa, a Mexican seasoning company, the spice business of Tuko Oy of Finland, and the retail seasoning brand of Hy's Fine Foods, Ltd. of Canada. The assets and liabilities acquired in these transactions have been recorded using the purchase method of accounting at their estimated fair values at the date of acquisition. The aggregate purchase price of these acquisitions was \$23,083. While these acquisitions are expected to contribute positively to the Company's future sales and earnings, they are not material in relation to the Company's consolidated financial statements, and therefore pro forma financial information has not been presented.
8. In November 1993, the Company adopted SFAS No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions" effective as of December 1, 1992. This accounting standard requires the expected cost of postretirement benefits be accrued during the years that employees render services. Prior to 1993, the Company recognized these expenses based on claims paid.

The Company recognized a transition obligation which was based on the aggregate amount that would have been recorded in prior years had the new standard been in effect for those years, as a one-time charge to 1993 income of \$26,600 or \$.33 per share, net of approximately \$17,200 of income tax benefit. The incremental change to 1993 net income by applying SFAS 106 rather than the previous accounting method was \$2,200 net of income tax benefit, or \$.03 per share.

Results for the first three quarters of 1993 have been restated to reflect this change.

9. In November 1992, the Financial Accounting Standards Board issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This standard requires that employers accrue a liability for their obligation to provide postemployment benefits as employees earn the right to receive them, provided that payment of the benefits is probable and the amount of the benefits can be reasonably estimated. The Company has not yet determined when this standard will be adopted. The effect of this accounting change on the Company's financial statements is not expected to be material. The Company must adopt this standard no later than in its fiscal year ending November 30, 1995.

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10. SFAS No. 107, "Disclosures About Fair Value of Financial Instruments" requires disclosure of the estimated fair value of certain financial instruments. Cash, receivables, short-term borrowings, accounts payable, and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of these instruments. Investments, principally in unconsolidated affiliates, are not readily

marketable and therefore it is not practicable to estimate their fair value. The estimated fair value of long-term debt at February 28, 1994, using discounted cash flow analysis based on the Company's current incremental borrowing rate for debt of similar remaining maturities was \$377,966. This amount excludes \$8,275 current portion of long-term debt which is considered to be at fair value.

11. Through its medium-term note program, at February 28, 1994, the Company had issued \$50,000 of notes with maturities of 12 years and coupon rates ranging from 5.78% to 6.24%. The Company also had available credit facilities with domestic and foreign banks in the aggregate of \$290,000. There were no borrowings outstanding against these facilities. At February 28, 1994, the Company's commercial paper issuance amounted to \$257,000, of which \$100,000 has been classified as long-term debt reflecting the Company's ability and intention to refinance this amount on a long-term basis through its medium-term note program.

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McCORMICK & COMPANY, INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Consolidated net sales for the three months ended February 28, 1994 increased 8% over the corresponding period last year. This increase was largely attributable to sales volume gains. Almost every operating unit reported increased sales, with particularly strong performances coming from the Company's industrial, international and plastic packaging businesses.

Income from consolidated operations was up 19%. Key contributors were also the industrial, international and plastic packaging

businesses. This operating improvement was achieved even though the Company's overall gross profit margin remained approximately even with last year's first quarter, which was depressed because of high onion costs at our Gilroy unit. Although the gross margin at Gilroy has now improved, the overall gross margin for the Company did not, because a higher percentage of total sales were from the industrial and plastic packaging businesses which deliver lower gross margins. These businesses earn good operating profit margins, however, because they do not require the high level of advertising and promotion support required by our retail consumer products businesses. Lower costs resulting from changes the Company made to its health care benefits program in 1993, also had a favorable impact on first quarter results. Income from our unconsolidated joint ventures was down \$1.8 million or approximately \$.02 per share. This decline can be attributed primarily to higher sales promotion expenses in our Mexican retail operation. We expect improvement in our unconsolidated operations as the year progresses. Net income rose to \$18.3 million while earnings per share increased to \$.23, up 9.5% excluding the effect of the 1993 one-time charge for postretirement benefits.

Return on equity (ROE), calculated by dividing twelve months to date net income by average shareholders' equity during that period, was 21.8% at February 28, 1994. This compares to ROE from continuing operations of 22.0% at year-end 1993 and 22.7% at February 28, 1993. ROE from continuing operations excludes the impact of the one-time charge for postretirement benefits. After reducing net income and equity for the impact of this one-time charge, ROE was 17.0% at year-end 1993 and 16.6% at February 28, 1993.

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Financial Condition

The Company's capital structure (excluding \$57.6 million non-recourse debt) was 49.4% debt to total capital at February 28, 1994, up from 44.3% at year-end 1993 and 48.1% at February 28, 1993. During this year's first quarter the Company increased borrowing to meet seasonal operating capital needs and also to provide \$23 million for three acquisitions. These acquisitions were (1) Grupo Pesa, a Mexican seasoning company which is a leading supplier to Mexico's food processing industry, (2) the spice business of Tuko Oy in Finland, which had been manufacturing spices, seasonings and specialty foods under license from the Company and (3) a retail brand previously owned by Hy's Fine Foods in Canada. Typically the Company reduces borrowing in the fourth quarter which historically produces its highest percentage of sales volume, profits and cash flows from operations. The Company's current ratio declined to 1.3 from 1.5 at year-end 1993, but was improved over .9 at February 28, 1993. During the first quarter the Company issued \$20 million of notes under its medium-term note program. These notes have a term of 12 years at 6.24%. The Company continues to maintain \$290 million of committed credit facilities that provide additional liquidity. These facilities were not in use at the end of the first quarter.

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PART II - OTHER INFORMATION

No response required.

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

Date: April 8, 1994

By:

James A. Hooker
Vice President &
Chief Financial Officer

Date: April 8, 1994

By:

J. Allan Anderson
Vice President & Controller

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