



McCormick Reports Financial Results For Second Quarter And Reaffirms 2014 Financial Outlook

June 26, 2014

SPH/NC, N.Y., June 26, 2014 /PRNewswire/ - McCormick & Company, Incorporated (NYSE: MCC), a global leader in food, today reported sales and profit results for the second quarter ended May 31, 2014 and reaffirmed its outlook for fiscal year 2014.

Chairman's Remarks

- **McCormick grew second quarter sales 3%, with increases in both its consumer and industrial businesses.**
- **Earnings per share rose 6% to \$0.04 from \$0.03 in the year-ago period.**
- **For fiscal year 2014, the company reaffirmed its plans to grow sales 3% to 5% and report earnings per share of \$3.22 to \$3.28.**

Alan D. Wilson, Chairman, President and CEO, commented, "We achieved further growth in our business this quarter, with year-to-date increases of 3% in sales, 9% in earnings per share and nearly \$50 million of additional cash flow from operations. Demand for flavor is growing globally and McCormick is meeting this demand with its range of products that include innovative new items, healthy recipe ideas, ethnic cuisine and family favorites. In the second half, we are expanding our product offerings with new shelf-stable, gluten-free recipe mixes, premium herbs and other items. We also plan an increase in marketing support to build our brand equity and drive sales. We are taking the growth with our Continuous Improvement (CI) program. Through CI, we are improving productivity in operations around the world and are on-track to reach at least \$5 million in 2014 cost savings. We continue to adapt to a changing environment as we grasp global growth opportunities and address competitive challenges in certain markets. We are making progress with our actions to drive sales and reaffirm our financial outlook for 2014. In addition to higher sales and profit, we continue to expect strong cash flow from our business and remain committed to a balanced use of cash to build shareholder return and invest in growth. Through the first half, we returned \$23 million in shareholder returns in the form of dividends and share repurchases, up 12% from the first half of 2013. McCormick is well-positioned for the future, with a great business, effective growth strategies and employees around the world engaged in our success."

Second Quarter 2014 Results

McCormick's second quarter sales rose 3% from the year-ago period. The year-to-date growth in international markets was particularly strong this period, including incremental sales of Wihuan Asia Pacific Condiments (WAPAC) that was acquired in May 2013 and added 3 percentage points to sales growth. The company reported lower sales in the Americas region, largely as a result of competitive pressure for its consumer business. This competitive pressure began in 2013 and the company has actions underway to build brand equity and more effective category leadership with retail customers. The company has had solid progress with these actions and anticipates improved performance in its U.S. consumer business toward the end of 2014. Cost savings from the company's CI program and the impact of higher-margin industrial products improved gross profit margin, which rose to 38.0% from 38.2% in the year-ago period. The company increased operating income 9% to \$12 million in the second quarter of 2014, as the result of higher sales and improved gross profit margin. Earnings per share rose 6% to \$0.04 in the second quarter of 2014 from \$0.03 in the year-ago period, due to the increase in operating income, as well as lower shares outstanding and a lower tax rate. For the first six months of 2014 net cash provided by operating activities rose \$45 million from the year-ago period, due in part to lower retirement plan contributions.

2014 Financial Outlook
McCormick reaffirmed its financial outlook for 2014. The company anticipates 3% to 5% sales growth in total currency, which includes the incremental impact of the WAPAC acquisition in the first half of the year. In addition, the company continues to expect unfavorable foreign currency exchange rates to reduce sales by approximately 1% in 2014, based on year-to-date results and the prevailing rates. The company also reaffirmed its plans to invest at least \$20 million in increased brand marketing support during the fiscal year to drive sales of new products, as well as core items. These investments, in brand building and innovation, are funded in part by McCormick's CI program which is expected to deliver at least \$45 million of cost savings in 2014. The company reaffirmed projected 2014 earnings per share of \$3.22 to \$3.28. In this projection, higher sales, a favorable mix of business and ECI cost savings are expected to more than offset a significantly higher tax rate and an estimated \$0.1 per share of special charges. The company has greater confidence in the upper end of its earnings per share range as it has lowered its expected tax rate for the fiscal year to approximately 25.5% from a range of 30% to 31%, based on the expected business mix. Another year of strong cash flow is anticipated in 2014, with plans to return a significant portion to McCormick's shareholders through dividends and share repurchases.

Business Segment Results

Consumer Business

	Three months ended	Six months ended
(in millions)	\$/000,000	\$/000,000
Net sales	\$ 1,522.4	\$ 2,927.0
Operating income	\$ 8.3	\$ 18.2

Consumer business sales rose 3% when compared to the second quarter of 2013. The WAPAC acquisition contributed 3 percentage points of sales growth. The impact of currency exchange rates was minimal.

- **Consumer sales in the Americas declined 5%, and in local currency decreased 4% from the second quarter of 2013. In comparison, consumer sales in this region rose 5% in the second quarter of 2013 from the second quarter of 2012. During the second quarter of 2014, higher pricing added 2% of sales growth, reflecting a U.S. price increase effective in late 2013 taken as an effort to higher material costs. Volume and product mix declined in the second quarter of 2014 and actions are underway to increase the competitive advantage in this region, including accelerated innovation, increased brand marketing support and more effective category leadership with retail customers. Improved sales of recipe mixes, new product placement and retail price adjustments are early indicators of progress with these actions and the company expects improved performance toward the end of 2014.**
- **Consumer sales in Europe, Middle East and Africa (EMEA) grew 7%. In local currency the increase was 2% and was attributable to pricing actions taken in response to higher material costs. Volume and product mix in this region declined 2%, due in part to a difficult retail environment in certain markets, including the U.K.**
- **Second quarter consumer sales in the Asia/Pacific region rose 70%. In local currency, sales grew 76% with WAPAC contributing 70 percentage points of the increase. Sales of the company's base business in China grew at a double-digit rate with new products and expanded distribution.**

Operating income was \$8 million for the consumer business, 2% lower than the second quarter of 2013. During the second quarter of 2014, the unfavorable impact of business mix and a \$3 million increase in brand marketing support were offset in part by the favorable impact of higher sales and ECI cost savings. The company also had a favorable comparison in the year-ago period to \$4 million of transaction costs related to the acquisition of WAPAC that were recorded in the second quarter of 2013.

Industrial Business

	Three months ended	Six months ended
(in millions)	\$/000,000	\$/000,000
Net sales	\$ 1,822.7	\$ 3,471.9
Operating income	\$ 35.9	\$ 61.1

Industrial business sales rose 2% when compared to the second quarter of 2013, and in local currency the increase was 3%. Contributing to this growth were pricing actions, as well as higher volume and product mix that was driven by both product innovation and distribution gains.

- **In industrial sales in the Americas decreased 2%, and in local currency the decrease was 1%. In this region, a 2% decline in volume and product mix resulted from on-going weakness in demand from quick service restaurants. This decline was offset in part by pricing actions taken to offset the impact of higher material costs.**
- **In EMEA, the company grew industrial sales 14% and in local currency the increase was 12%. Sales growth in this region remained robust, with higher sales to quick service restaurant customers driven by new products and distribution gains. In addition, the company passed through to its customers 6% in higher pricing in response to increased material costs.**
- **In industrial sales in the Asia/Pacific region rose 9%, higher volume and product mix was mainly the result of improved sales to quick service restaurants in China. This compares to a year-on-year sales decline in the second quarter of 2013 related to consumer concerns with quality consumption.**

In the second quarter of 2014, industrial business operating income rose 20% from the year-ago period to \$36 million. Operating income margin reached 8.6%. The growth in operating income was mainly due to higher sales, ECI cost savings and increased margin within the product portfolio. The increase in industrial business operating income in the second quarter of 2014, compared to a 13% year-on-year decline in operating income when the second quarter of 2013 is compared to the second quarter of 2012.

Live Webcast

As previously announced, McCormick will hold a conference call with analysts today at 8:00 a.m. ET. The conference call will be webcast live via the McCormick web site. Go to www.mccormick.com and follow directions to listen to the call and access the accompanying presentation materials. At the same location, a replay of the call will be available following the live call. Past press releases and additional information can be found at this address.

Forward-looking information

Certain information contained in this release includes statements concerning expected performance such as those relating to net sales, earnings, cost savings, acquisitions and brand marketing support, are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements may be identified by the use of words such as "year," "next," "should," "intends," "plans," "believes" and "may." These statements may relate to the expected results of operations of businesses acquired by the company, the expected impact of the material costs and pricing actions in the company's results of operations and gross margin, the expected production and working capital requirements, operations regarding government permit or various geographic and market, expected trends in net sales and earnings performance and other financial measures, the expectations of pension and postretirement plan contributions and anticipated charges associated with such plans, the holding period and market risks associated with franchise investments, the adequacy of internally generated funds and working capital resources, such as the availability of bank financing, the ability to raise additional debt or equity securities and expectations regarding purchases of shares of McCormick's common stock under the existing authorizations. These and other forward-looking statements are based on management's current views and assumptions and involve risks and uncertainties that could significantly affect the expected results. Results may be adversely affected by factors such as: demand for the company's ingredients or brand names; loss of brand license agreements; changes in the retail environment; changes in the regulatory requirements and enforcement practices; global economic and financial conditions generally, including the availability of financing; and the costs associated with pension obligations, foreign currency fluctuations, the ability of credit and capital markets, sales associated with the company's information technology systems, the threat of data breaches and cyber attacks, volatility in the effective tax rate, climate change, infringement of intellectual property rights, and those of customers, litigation, legal and information proceedings, and other risks described in the company's filings with the Securities and Exchange Commission.

Actual results could differ materially from those projected in the forward-looking statements. The company undertakes no obligation to update or revise publicly, any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

About McCormick

McCormick & Company, Incorporated is a global leader in flavor with more than \$4 billion in annual sales. McCormick manufactures, markets and distributes spices, seasoning mixes, condiments and other flavorful products to the entire food industry - retail outlets, food manufacturers and foodservice businesses - in more than 125 countries and territories. Since Willoughby M. McCormick founded the company selling nut bread in 1888, McCormick has demonstrated a strong commitment to the communities in which it operates and the planet as a whole. Innovation in flavor and a clear focus on employee engagement and product quality has allowed McCormick to grow its business globally and become the flavor leader's a today. For more information, visit www.mccormick.com.

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(Financial advice follow)

Consolidated Income Statement (Unaudited)
(in millions except per share data)

	Three months ended		Six months ended	
	May 31, 2014	May 31, 2013	May 31, 2014	May 31, 2013
Net sales	\$ 1,023.9	\$ 1,022.0	\$ 2,022.8	\$ 1,992.9
Cost of goods sold	(225.6)	(222.4)	(422.8)	(412.4)
Gross profit	\$ 798.3	\$ 800.4	\$ 1,600.0	\$ 1,580.5
Gross profit margin	78.1 %	78.3 %	79.1 %	79.3 %
Selling, general and administrative expenses	(209.2)	(205.9)	(415.1)	(411.8)
Operating income	\$ 589.1	\$ 594.5	\$ 1,184.9	\$ 1,168.7
Interest expense	(1.6)	(1.5)	(3.1)	(3.0)
Other income, net	0.3	0.8	0.5	1.4
Income from consolidated operations before income taxes	\$ 587.8	\$ 593.8	\$ 1,182.3	\$ 1,167.1
Income taxes	(8.2)	(7.7)	(16.3)	(15.8)
Net income from consolidated operations	\$ 579.6	\$ 586.1	\$ 1,166.0	\$ 1,151.3
Income from unconsolidated operations	\$ 2.2	\$ 2.2	\$ 4.4	\$ 4.4
Net income	\$ 581.8	\$ 588.3	\$ 1,170.4	\$ 1,155.7
Earnings per share - basic	\$ 4.86	\$ 4.80	\$ 9.58	\$ 9.47
Earnings per share - diluted	\$ 4.86	\$ 4.79	\$ 9.57	\$ 9.46
Average shares outstanding - basic	130.2	133.1	130.6	132.3
Average shares outstanding - diluted	131.2	133.6	131.7	133.8

Annual Quarter Report
McComick & Company, Incorporated

Consolidated Balance Sheet (Unaudited)
(in millions)

	May 31, 2014	May 31, 2013
Assets		
Cash and cash equivalents	\$ 81.4	\$ 72.1
Trade accounts receivable, net	477.1	509.9
Inventory	487.3	414.4
Prepaid expenses and other current assets	1,147.5	1,177.8
Property, plant and equipment, net	175.2	154.3
Goodwill	1,764.4	1,741.4
Intangible assets, net	248.4	253.3
Investments and other assets	276.6	292.5
Total assets	\$ 4,488.9	\$ 4,258.8
Liabilities		
Short-term borrowings and current portion of long-term debt	\$ 388.4	\$ 251.9
Trade accounts payable	158.8	121.1
Other current liabilities	158.6	152.2
Total current liabilities	695.8	525.2
Long-term debt	1,014.2	774.4
Other long-term liabilities	68.6	124.6
Total liabilities	1,778.6	1,424.2
Shareholders' equity		
Common stock	364.1	347.7
Accumulated earnings	96.3	103.2
Accumulated other comprehensive income (loss)	8.8	(14.9)
Non-controlling interests	11.7	11.6
Total shareholders' equity	\$ 2,710.3	\$ 2,834.6

Annual Quarter Report
McComick & Company, Incorporated

Consolidated Cash Flow Statement (Unaudited)
(in millions)

	Six Months Ended	
	May 31, 2014	May 31, 2013
Cash flows from operating activities		
Net income	\$ 1,170.4	\$ 1,155.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	53.5	51.7
Stock-based compensation	6.1	11.5
Income from unconsolidated operations	(14.3)	(11.4)
Changes in operating assets and liabilities	(25.4)	(27.2)
Dividends from unconsolidated affiliates	13.8	13.2
Net cash flow provided by operating activities	\$ 1,183.8	\$ 1,283.5
Cash flows from investing activities		
Acquisition of goodwill	—	(18.7)
Capital expenditures	(47.8)	(24.5)
Proceeds from sale of property, plant and equipment	8.7	1.9
Net cash flow used in investing activities	\$ (39.1)	\$ (41.3)
Cash flows from financing activities		
Long-term debt repayments	\$ 4.3	\$ 15.9
Long-term debt repayments, net	(18.2)	(18.8)
Proceeds from assumed stock options	16.1	19.8
Common stock repurchased by purchase	(128.2)	(20.1)
Dividends paid	(121.4)	(20.1)
Net cash flow used in financing activities	\$ (147.4)	\$ (23.3)
Effect of exchange rate changes on cash and cash equivalents	(2.2)	1.2
Increases (decreases) in cash and cash equivalents	\$ 993.9	\$ 1,087.0
Cash and cash equivalents at beginning of period	\$ 81.4	\$ 72.1
Cash and cash equivalents at end of period	\$ 81.4	\$ 72.1

SOURCE: McComick & Company, Incorporated