



McCormick Reports On First Quarter Results And Latest Financial Outlook

March 28, 2017

SPRING, Md., March 28, 2017 /PRNewswire - McCormick & Company, Incorporated (NYSE: MCC), a global leader in flavor, today reported financial results for the first quarter ended February 28, 2017 and provided its latest financial outlook for fiscal year 2017.

- Sales rose 1% in the first quarter from the year-ago period. In constant currency, the company grew sales 4%, with increases in both the consumer and industrial segments.
- McCormick increased gross profit margin to 39.8% from 39.3% in the first quarter of 2016. Operating income was \$134 million in the first quarter compared to \$129 million in the first quarter of 2016, and an 8% increase in constant currency.
- Earnings per share was \$0.24 in the first quarter compared to \$0.23 in the year-ago period, with higher operating income offset in part by a higher tax rate and the impact of unfavorable currency on income from unconsolidated operations. Adjusted earnings per share increased to \$0.76 from \$0.74.
- For the 2017 fiscal year, the company updated its financial outlook to reflect a higher impact from special charge. Excluding this impact, the company reaffirmed its expected constant currency growth rate for sales, adjusted operating income and adjusted earnings per share.

Chairman, President & CEO's Remarks

Lawrence C. Kurat, Chairman, President and CEO, stated: "Our first quarter financial results were a solid start to the year delivering profit results in line with our expectations. Sales in our consumer segment were up from the year-ago period, with strong momentum in China and the benefit of acquisitions, partially offset by the impact of a challenging retail environment in the U.K. Our industrial business delivered solid sales growth driven by our bodivacuum brands and customized flavors in the Asia/Pacific region. Both segments achieved an increase in operating income and higher operating income margins. This continues to look well in deciding what consumers choose to eat. We are aligned with today's move toward more flavorful, healthy food and are confident in our plans to drive growth through brand marketing, innovation across both our consumer and industrial segments, and opportunities to expand distribution. We are balancing our resources and efforts to drive sales with our work to lower costs, and are on track to achieve approximately \$100 million in 2017 in cost savings led by our Comprehensive Continuous Improvement (CCI) program."

Food for Thought, MCC's Focus

"Food for thought, MCC's focus on driving momentum and I thank them for their efforts and engagement. With our steadfast focus on growth performance and people, we are well-positioned to deliver strong financial results and shareholder return in 2017."

First Quarter 2017 Results

McCormick reported a 1% sales increase in the first quarter from the year-ago period, including a 2% unfavorable impact from currency. Consumer segment sales grew by 1%, including a 1% unfavorable impact from currency. Consumer sales growth was primarily driven by the incremental impact of the acquisitions of Gourmet Garden and Cajun Virentis, acquired in April 2016 and September 2016, respectively, as well as strong sales performance in China. These sales increases for the consumer segment were offset in part by weak U.S. food industry trends during the period and a challenging U.K. retail environment. Industrial segment sales grew by 2%, including a 4% unfavorable impact from currency. Industrial sales growth was driven by increased sales in both the Americas and Asia/Pacific regions, as well as the incremental impact of the acquisition of Gosh in December 2016. Across both segments, acquisitions contributed 3% to the sales growth in the first quarter of 2017. In constant currency, the company grew sales nearly 4%.

Operating income was \$134 million in the first quarter compared to \$129 million in the year-ago period. This increase was due to higher sales, a shift in the portfolio to more value added products and CCI led cost savings, offset in part by the unfavorable impact of currency, an \$3 million increase in brand marketing and an increase in special charges. The company recorded \$4 million of special charges in the first quarter of 2017 related to operations and restructuring actions versus \$2 million in 2016. Excluding special charges, adjusted operating income was \$138 million compared to \$131 million of adjusted operating income in the year-ago period. In constant currency, the company grew adjusted operating income 8%.

Earnings per share rose \$0.24 in the first quarter of 2017 compared to \$0.23 in the year-ago period. Special charges lowered earnings per share by \$0.02 and \$0.01 in 2017 and 2016, respectively. This increase in earnings per share was driven by higher operating income, including the impact of special charges, offset in part by a higher tax rate and the impact of foreign currency on income from unconsolidated operations. Excluding the impact of special charges, adjusted earnings per share was \$0.76 in the first quarter of 2017 compared to \$0.74 in the year-ago period.

The company continues to generate strong working capital. Year-to-date net cash provided by operating activities for the first quarter of 2017 was \$44 million compared to \$23 million in the first quarter of 2016, with the increase mainly due to the string of income tax payments and incentive compensation payments related to 2016's financial performance.

2017 Financial Outlook

For the 2017 fiscal year, McCormick updated its financial outlook to reflect a higher impact of special charges. Excluding this impact, the company reaffirmed its expected constant currency growth rates for sales, adjusted operating income and adjusted earnings per share.

In 2017, McCormick expects to grow sales 7% to 9% compared to 2016. Excluding the impact of unfavorable currency rates, the projected growth remains 9% to 7%. The company expects to drive sales with brand marketing, new products, expanded distribution and the impact of acquisitions completed in fiscal year 2016 and from Gosh, acquired in December 2016. Sales are also expected to be driven by pricing actions that are intended to offset an anticipated net single-digit increase in material costs. The company has plans to achieve approximately \$100 million of cost savings and intends to use these savings to improve margins, fund a high-single digit increase in brand marketing, and as a buffer offset to increasing material costs.

Operating income in 2017 is expected to grow 9% to 11% from \$641 million of operating income in 2016. The company has operations and restructuring actions underway and has increased its 2017 projection of related special charges to approximately \$11 million from \$4 million. Excluding the impact of special charges in 2017 and 2016, the company expects to grow adjusted operating income 8% to 10% from adjusted operating income of \$407 million in 2016. Excluding the estimated impact of unfavorable currency rates, the expected year to year increase in adjusted operating income remains 9% to 11%.

McCormick projects 2017 earnings per share to be in the range of \$1.88 to \$1.94 compared to \$1.83 of earnings per share in 2016. The company reaffirms projected adjusted earnings per share of \$1.02 to \$1.13. This range is an increase of 7% to 9% from adjusted earnings per share of \$1.78 in 2016. This range of growth includes an estimated unfavorable impact of 2 percentage points from unfavorable currency rates. For the second quarter of 2017, the company expects earnings per share to be down slightly from earnings per share of \$1.74 in the second quarter of 2016, due in part to a projected increase in the impact of special charges. Other factors affecting earnings per share in the second quarter include a higher tax rate, both the transaction and transaction impact of unfavorable currency exchange rates, and a planned increase in brand marketing. Excluding the impact of special charge, adjusted earnings per share in the second quarter of 2017 is expected to be comparable to adjusted earnings per share of \$1.75 in the second quarter of 2016. For fiscal year 2017, the company projects another year of strong cash flow, with plans to return a significant portion to McCormick's shareholders through dividends and share repurchases, absent any acquisitions.

Business Segment Results

Consumer Segment

(in millions)	Three months ended	
	2/28/2017	2/28/2016
Net sales	\$ 1,884	\$ 1,833
Operating income	\$ 64	\$ 62
Operating income, excluding special charges	\$ 73	\$ 63

The company's consumer segment sales rose 1% when compared to the first quarter of 2016. In constant currency, sales rose 2%.

- Consumer sales in the Americas grew 2%, with minimal impact from currency. Incremental sales from the acquisitions of Gourmet Garden and Cajun Virentis contributed 3 percentage points to sales growth. In the U.S., growth in the broader food industry was impacted by weak trends this period in many corner-of-the-store categories. The company attributed a portion of this weakness, related to its own products, to the impact of timing, including the effect of a late Easter in 2017.
- Consumer sales in Europe, Middle East and Africa (EMEA) decreased 7%. In constant currency, sales decreased 5% from the year-ago period mainly due to weak sales in the U.K., where the competitive retail environment has been challenging.
- First quarter consumer sales in the Asia/Pacific region rose 7% and in constant currency, sales rose 13%. Sales of Gourmet Garden added 4 percentage points of the increase in this region. The company achieved strong sales growth in China which was partially offset by lower sales in India that related to the discontinuation of lower margin product lines.

Consumer segment operating income, excluding special charges, rose 4% to \$64 million in the year-ago period. In constant currency, adjusted operating income rose 7%. The favorable impact of higher sales, product mix and lower expenses, including CCI led cost savings, more than offset the unfavorable impact of increases in material costs and an increase in brand marketing.

Industrial Segment

(in millions)	Three months ended	
	2/28/2017	2/28/2016
Net sales	\$ 485	\$ 361
Operating income	\$ 68	\$ 61
Operating income, excluding special charges	\$ 69	\$ 64

Industrial segment sales increased 2% from the first quarter of 2016. In constant currency, sales rose 6% with increases in each of the company's three regions.

- Industrial sales in the Americas grew 2% from the year-ago period. In constant currency, the increase was 2%. This was led by double-digit increases in sales of both branded foodservice items and savory flour products, offset in part by weaker demand from quick-service restaurants.
- In EMEA, industrial sales were comparable to the year-ago period. In constant currency, sales rose 13%, with sales from Gosh contributing 14% to this growth. Industrial sales in this region were unfavorably impacted by the discontinuation of a lower margin business.
- Industrial sales in the Asia/Pacific region grew 7% in the first quarter and in constant currency, sales rose 10%, mainly in China.

Industrial segment operating income, excluding special charges, rose 10% to \$68 million from \$58 million in the year-ago period. In constant currency, adjusted operating income rose 10%. The favorable impact of higher sales, product mix and lower expenses, including CCI led cost savings, more than offset the unfavorable impact of increases in material costs and an increase in brand marketing.

Non-GAAP Financial Measures

The table below includes financial measures of adjusted operating income, adjusted net income and adjusted diluted earnings per share, excluding the impact of special charges for the periods presented. 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. In our consolidated income statement, we include a separate line item for special charges in arriving at our consolidated operating income. Special charges consist of expenses associated with certain actions undertaken by the company to reduce fixed costs, simplify or improve processes, and improve our competitiveness and of such significance in terms of both net profit costs and capital expenditures that require advance approval by our Management Committee, comprised of our Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, President Global Industrial Division and McCormick International, President Global Consumer Division and North America, and Senior Vice President, Human Resources. Upon presentation of any such proposed action (including details with respect to estimated costs, which generally consist primarily of employee severance and related benefits, together with ancillary costs associated with the action that may include a non-cash component or a component which relate to inventory adjustments that are included in cost of goods sold, impacted employees or operations, expected timing and expected benefits) to the Management Committee and the Committee's advance approval, expenses associated with the approved action are classified as special charges. Such recognition and measurement are on a going basis through completion.

We believe that these non-GAAP financial measures are important. The exclusion of special charges 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 evaluate our business performance and trends. These non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but 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 defined financial measures of other companies because our company 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.

(in millions except per share data)	Three Months Ended	
	2/28/2017	2/28/2016
Operating income	\$ 134	\$ 129
Impact of special charges	\$ 4	\$ 7
Adjusted operating income	\$ 138	\$ 136
% increase year-over period	5.4	5.4
Net income	\$ 93.5	\$ 93.4

Impact of special charges above (1)	2.5	(1.1)
Adjusted net income	\$ 622	\$ 621
% increase versus prior period	1.4	%

Earnings per share - diluted	\$ 1.04	\$ 1.03
Impact of special charges above	0.02	0.01
Adjusted earnings per share - diluted	\$ 1.06	\$ 1.04
% increase versus prior period	3.7	%

(1) Special charges of \$3.6 million and \$1.6 million for the three months ended February 28, 2017 and February 29, 2016 are net of taxes of \$1.1 million and \$0.3 million, respectively.

Percent change in sales and adjusted operating income reported in "constant currency" are presented excluding the impact of foreign currency exchange. To present this information for historical purposes, current period results are being reported in currencies other than the U.S. dollar and translated into U.S. dollars at the average exchange rates in effect during the corresponding period of the prior fiscal year, rather than 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 prior fiscal year. Constant currency growth rates follow:

Net Sales	Percentage Change		Impact of Foreign	
	2017	2016	2017	2016
Constant segment	3.1%	0.3%	1.8%	1.8%
EMEA	7.2%	(2.7)%	(4.5)%	(4.5)%
Asia/Pacific	1.0%	(2.8)%	1.2%	1.2%
Total (constant segment)	(0.8)%	(1.6)%	2.2%	2.2%
Industrial segment				
Americas	1.9%	(1.4)%	3.2%	3.2%
EMEA	0.3%	(2.2)%	1.2%	1.2%
Asia/Pacific	1.7%	(0.7)%	2.8%	2.8%
Total industrial segment	3.9%	(2.3)%	7.2%	7.2%
Total net sales	1.9%	(1.1)%	9.4%	9.4%
Adjusted operating income				
Constant segment	3.8%	(0.8)%	4.9%	4.9%
Industrial segment	5.8%	(2.5)%	17.0%	17.0%
Total adjusted operating income	4.2%	(1.6)%	9.6%	9.6%

To present the percentage change in reported 2017 sales, adjusted operating income and diluted earnings per share on a constant currency basis, predicted sales and adjusted operating income for written reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the company's budgeted exchange rate for 2017 and are compared to the 2016 results, translated into U.S. dollars using the same 2017 budgeted exchange rate, rather than at the average actual exchange rates in effect during fiscal year 2016. This calculation is performed to arrive at adjusted net income (loss), as required in order to reflect the company's share of income in non-controlling subsidiaries operations that are denominated in currencies other than the U.S. dollar divided by historical rates outstanding for fiscal year 2016 or projected rates outstanding for fiscal year 2017, as appropriate.

Fiscal year 2016 actual results and 2017 projections

	Twelve Months Ended	
	2017 Projections	2016 Actual
Operating income	\$ 1,411.8	\$ 1,393.9
Impact of special charges	\$ 1.8	\$ 0.0
Adjusted operating income	\$ 1,413.6	\$ 1,393.9
Earnings per share - diluted	\$ 1.06	\$ 1.05
Impact of special charges attributable to non-controlling interests	\$ 0.00	\$ 0.00
Adjusted earnings per share - diluted	\$ 1.06	\$ 1.05
Percentage change in sales	3%	5%
Impact of foreign currency exchange rates	(20)%	(19)%
Percentage change in sales on constant currency basis	(19)%	(14)%
Percentage change in adjusted operating income on constant currency basis	(20)%	(14)%
Percentage change in diluted earnings per share	7%	10%
Impact of foreign currency exchange rates	(26)%	(26)%
Percentage change in diluted earnings per share on constant currency basis	(26)%	(14)%

All figures are unaudited. McCormick will hold a conference call with analysts today at 9:00 a.m. ET. The conference call will be webcast live via the McCormick website. Go to www.mccormick.com and follow the links to listen to the call and access the accompanying presentation materials. At this 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, including 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 "will," "expect," "anticipate," "intend," "believe" and "plan." These statements may relate to the expected results of operations of businesses acquired by the company, the expected impact of new market entry and pricing programs on the company's results of operations and profitability, the expected probability and timing of market penetration, expectations regarding growth potential in various geographic and market, expected trends in net sales and earnings performance and other financial measures, the operations of persons and governments (plus contributions and anticipated changes associated with such plans, the timing and material risks associated with foreign investments, the impact of foreign exchange fluctuations, the adequacy of internally generated funds and working capital to fund the availability of bank financing, the ability to issue additional debt or equity securities and expectations regarding participating share of McCormick's common stock under the existing repurchase authorization.

These and other forward-looking statements are based on management's estimates and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by factors such as: damage to the company's reputation or brand names; loss of brand licenses; increased product liability claims or product quality, labeling, or safety concerns; negative publicity about our products; business interruptions due to natural disasters or unexpected events; actions by the financial condition of competitors and customers; the company's ability to achieve expected and/or needed cost savings or margin improvements; negative employee relations; the lack of successful acquisition and integration of new businesses; issues affecting the company's supply chain and raw materials; including regulatory requirements and enforcement practices; global economic and financial conditions generally, including the availability of financing, and interest and inflation rates; the investment return on non-recurring gain assets, and the ability to successfully complete acquisitions; foreign currency fluctuations; the adequacy of the company's information technology systems; the threat of data breaches and cyber attacks; technological changes to our base; changes in our effective tax rate; climate change; enforcement of intellectual property rights; and those of customers, regulators, legal and administrative proceedings; and other risks discussed 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 \$4.4 billion in annual sales, the company manufactures, markets and distributes spices, seasoning mixes, condiments and other flavorful products to the entire food industry - retail outlets, food manufacturers and foodservice businesses. Every day, no matter where or what you eat, you can enjoy food flavored by McCormick. McCormick Edge® Passion to Flavor™

For more information, visit www.mccormick.com

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(Financial tables follow)

Five Quarter Report McCormick & Company, Incorporated

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

	Three months ended	
	February 28, 2017	February 29, 2016
Net sales	\$ 1,947.7	\$ 1,928.0
Cost of goods sold	858.7	858.7
Gross profit	1,089.0	1,069.3
Gross profit margin	55.9	55.5
Selling, general and administrative expense	275.2	274.1
Special charges	124.3	125.1
Research expenses	18.1	18.1
Other income, net	1.1	1.1
Income from consolidated operations before income taxes	123.8	121.2
Income taxes	33.3	32.3
Net income from consolidated operations	90.5	88.9
Income from unconsolidated operations	1.6	1.6
Net income	\$ 92.1	\$ 90.5
Earnings per share - basic	\$ 0.75	\$ 0.73
Earnings per share - diluted	\$ 0.74	\$ 0.73
Average shares outstanding - basic	123.1	127.1
Average shares outstanding - diluted	124.9	128.3

Five Quarter Report McCormick & Company, Incorporated

Consolidated Balance Sheet (Unaudited) (in millions)

	February 28, 2017	February 29, 2016
	Assets	
Cash and cash equivalents	\$ 125.7	\$ 118.8
Trade accounts receivable, net	466.4	475.3
Inventory	781.3	702.9
Prepaid expenses and other current assets	127.2	137.2
Total current assets	1,400.6	1,334.2
Property, plant and equipment, net	85.4	131.8
Goodwill	475.9	370.1
Intangible assets and other assets	10.1	39.3
Total assets	\$ 1,972.0	\$ 1,875.4
Liabilities		
Stock-based borrowings and current portion of long-term debt	\$ 888.6	\$ 390.2
Trade accounts payable	488.4	500.7
Other current liabilities	265.4	303.7
Total current liabilities	1,642.4	1,194.6
Long-term debt	287.5	1,055.6
Other long-term liabilities	182.1	1,063.9
Total liabilities	\$ 2,112.0	\$ 2,314.1
Shareholders' equity		
Common stock	1,995.1	1,647.8
Retained earnings	1,872.1	1,266.9
Accumulated other comprehensive loss	(442.6)	(412.7)
Noncontrolling interests	12.4	10.7
Total shareholders' equity	\$ 3,477.0	\$ 2,512.7

Five Quarter Report McCormick & Company, Incorporated

Consolidated Cash Flow Statement (Unaudited) (in millions)

	Three Months Ended	
	February 28, 2017	February 29, 2016
Operating activities	\$ 93.5	\$ 93.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	38.2	24.4
Stock-based compensation	4.1	3.0
Income from unconsolidated operations	(7.0)	(8.4)
Changes in operating assets and liabilities	(89.2)	(43.7)
Decreases from unconsolidated affiliates	1.1	1.1
Net cash flow provided by operating activities	43.3	71.0
Investing activities		
Acquisition of businesses (net of cash acquired)	(124.0)	—
Capital expenditures	(28.0)	(22.4)
Proceeds from sale of property, plant and equipment	0.9	(3.2)
Net cash flow used in investing activities	(151.1)	(25.6)
Financing activities		
Stock repurchases, net	247.8	251.8
Long-term debt repayments	(8.2)	(201.7)
Proceeds from exercised stock options	8.2	—
Taxes withheld and paid on employee stock awards	(1.7)	(0.7)
Common stock acquired by purchase	(87.7)	(87.6)
Dividends paid	(68.9)	(84.6)
Net cash flow provided by (used in) financing activities	(90.5)	(122.8)
Effect of exchange rate changes on cash and cash equivalents	5.5	(11.2)
Income (decrease) in cash and cash equivalents	7.8	(87.4)
Cash and cash equivalents at beginning of period	118.4	112.2
Cash and cash equivalents at end of period	\$ 125.7	\$ 118.8

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SOURCE: McCormick & Company, Incorporated