THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

MKC - McCormick & Company Inc at Barclays Global Consumer Staples Conference

EVENT DATE/TIME: SEPTEMBER 08, 2016 / 11:30AM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Lawrence Kurzius *McCormick & Company Inc - President & CEO*

Mike Smith *McCormick & Company Inc - SVP, Corporate Finance*

CONFERENCE CALL PARTICIPANTS

Andrew Lazar *Barclays - Analyst*

PRESENTATION

Andrew Lazar - *Barclays - Analyst*

Morning, everybody. If we could just come on in and find our seats, we'll kick this off. We're very pleased to yet again be hosting McCormick at our Global Consumer Staples Conference. With a good portion of its sales generated in the on-trend and growing spice and seasonings category, McCormick has long enjoyed a unique and advantaged market position within packaged food. And though the Company has faced competitive challenges, it has continued to see progress on the back of aggressive actions to stem market share losses even as it has taken pricing more recently.

Meanwhile, the Company's been working to enhance its industrial business, including solid margin expansion over the past year. I would add that, against this backdrop, McCormick expanded on its flavor offerings with four acquisitions, and has indicated it sees a broader and bigger acquisition agenda ahead.

So, it is an exciting time for McCormick, and we're happy to welcome them here today. With us we've got President and CEO, Lawrence Kurzius; Executive Vice President and CFO, Mike Smith; and EVP, Gordon Stetz, who will be retiring at the end of this year after a very long and wonderful career at McCormick.

One reminder, that McCormick will not host a breakout session today, as the Company is in its quiet period. And with that, I'll turn it over to Lawrence. Thank you.

Lawrence Kurzius - *McCormick & Company Inc - President & CEO*

Thanks for that introduction, Andrew, and for the opportunity to participate in this year's Barclays Consumer Conference. I also want to thank everyone here in the room for joining us early in the morning, and for those listening in by Webcast. We look forward to sharing our excitement about McCormick's growth momentum, and then outlook.

As Andrew indicated, we have here today from our Executive Leadership Team both Gordon Stetz and Mike Smith, along with our Investor Relations team. Gordon, I'd like to take this opportunity to recognize you for your accomplishments and contributions to McCormick's success. During his 28 years at McCormick, Gordon built a world-class finance team, expanded shared services around the world, led our IT function, and helped deliver exceptional returns for our shareholders. His strategic leadership and focus on value creation have been instrumental in driving our acquisition agenda and managing costs and cash. Congratulations, Gordon, on your successful career.

A number of you had the chance to meet Mike Smith, and I look forward to working with Mike in the CFO role at McCormick. Mike brings to this role a deep knowledge of the Company and experience as a finance leader in both corporate and operational roles spanning our consumer and industrial segments, and from locations in both North America and Europe. He's actively driving our productivity improvement and leads the work behind our recently announced four-year cost savings goal.

As we get started, please note that our remarks will include forward-looking statements. Our actual results can vary from these projections. The statement on this slide and in our Annual Report and website contain additional information regarding business risk.

For those less familiar with our business, McCormick is a global leader in flavor. We are ideally positioned to meet the rising consumer demand for flavor. Taste is the number one driver of food decisions, and by a wide margin, ahead of quality, price, and convenience. This number one ranking crosses generations from Gen Z to Boomers.

Between our consumer and industrial segments, you probably enjoy something flavored by McCormick every day, no matter where or what you choose to eat, whether you're cooking at home, dining out, or grabbing a snack. And we supply a full range of products, from premium gourmet to private label, from gluten-free to organic, and for our industrial customers, everything from sophisticated flavor solutions to seasonings and condiments.

We have a strong track record of financial performance. For the last decade, we have achieved steady growth in sales and adjusted earnings per share. During the same period, cash flow from operations has also been on an upward trajectory. We've delivered double-digit returns for McCormick shareholders for the past one-, five-, 10-, and 20-year periods. These results are at the top end of the large-cap food group and ahead of the broader market.

This track record, driven by our growth strategies, gives us confidence in our long-term financial objectives. These include 4% to 6% sales growth and a 9% to a 11% increase in earnings per share. We've been meeting our sales growth target in constant-currency, and going forward, we have a greater focus on achieving our profit realization and margin improvement as evidenced in our 2016 guidance.

Throughout McCormick, we are effectively managing both top line growth and cost reduction activity. As seen on these two charts, both of these growth ranges, sales, and EPS are at the top end of peer food companies. This bullish outlook is underpinned by our focus on flavor at McCormick.

In addition to taste being the number one factor in food decisions, consumers around the world are exploring new tastes, bold flavors, and ethnic cuisines. Cooking has become a performance art for many of us. Spices and seasonings account for about half of our consumer sales, and globally, these products are expected to grow at a substantial rate over the next five years.

Euro Monitor projects 5% annual retail sales growth comprised of a 4% rate in developed markets and 8% in emerging markets, a rate that's similar to the growth rate for the past five years. The higher growth rate in emerging markets relates to a transition underway from spices and herbs purchased in bulk to the quality and convenience of spices as a packaged food item.

Whether it's a developed market or an emerging market, consumers regard spices and seasonings as a healthy way to add flavor. These products are on-trend with the direction we're moving, toward fresh produce and protein, less processed food, simple ingredients, and lower sodium, sugar, and fat.

There's also a growing interest in the source and quality of our food. At McCormick, we've developed great capabilities in sourcing, traceability, and proprietary processes. We're proud of our quality record. In recent industry recalls of cumin that was adulterated with peanut shells and turmeric that contained lead, we were able to assure consumers and customers that our products were not involved in any way.

We're taking the opportunity to demonstrate our quality difference to retail and industrial customers, and now we're getting this message out to consumers. Let's take a look. (Video playing.)

This information is well-suited to millennials, who are nearly three times more likely to seek information on a company regarding its sourcing, culture, and other practices. Our "Pure Tastes Better" campaign has been in the US market for a year now, with 1.4 billion impressions to date, and we're rolling this out now to other markets.

Our business is particularly well-suited to meet the demands of this generation in other ways. These consumers have a love for cooking, with 63% saying they enjoy cooking. They want to make ordinary dishes extraordinary, and spice blends are considered superheroes, especially to new cooks. Millennials have a strong interest in ethnic cuisine and restaurant-quality meals at home. 35% prepare ethnic global foods for dinner compared to 26% for Gen X and Boomers.

We have brands like Thai Kitchen, Zatarain's, Simply Asia, and Lawry's, that make ethnic cooking very approachable. Importantly for McCormick, our category indexes well with this generation, and studies of brand attitude, household penetration, and share of purchase are all positive.

Let's turn next to our strategies driving our growth. This is our strategic roadmap. It's organized in a framework of our three imperatives - growth, performance, and people, and builds on our mission to save the world from boring food.

As we develop this roadmap, we're able to align our strategies across regions and segments. This alignment gives us more forward momentum as an organization. Importantly, our strategy is designed to maintain our sales momentum and balance this with our efforts to generate fuel for growth. I'm going to discuss our top line growth, and Mike will focus on performance.

Our long-term goal is to increase sales 4% to 6%, with similar contributions from the base business, innovation, and acquisitions. For the last five years, through 2015, we have achieved 5% compound annual growth rate in sales, a growth rate that's in line with our long-term goal. Our growth strategies are to drive base business, accelerate scalable and differentiated innovation, expand availability and footprint, and excel in customer intimacy and consumer insights.

We're working to increase the relevancy of our brands in the marketplace. In our largest market here in the US, we've reformulated recipe mixes about five years ago to remove artificial flavors, colors, and MSG, and added an award-winning pour spout to our classic vanilla extract. During the past two years, core renovation included the introduction of gluten-free varieties of our top-selling recipe mixes and re-launch of our entire gourmet line with new labeling and a FlavorSeal technology.

Toward the end of 2015, we relaunched our vanilla extract as non-GMO, and in 2016 we're extending non-GMO to over 70% of our everyday spices and seasonings. And in the first half, we began converting 80% of our gourmet line to organic. Where resets are complete, we're seeing a significant sales [lift].

In the second half of this year, we're introducing organic recipe mixes and Kitchen Basics product. You'll be hearing more about our core renovation in 2017, including a move to clean label on all of our Seatrain's rice mixes, no artificial dyes or flavors, and no MSG added. We're building on our brand equity through marketing programs, and increased this investment by 44% from 2010 to 2015.

In the US, we're planning a high single-digit increase in promotion and advertising in 2016, and we're getting more out of those dollars. Compared to 2015, we've reduced non-working media 20% and redeployed those savings towards working media, which we expect to increase 12% this year. We've stepped up our efforts across the globe to target millennial audiences through a variety of paid digital tactics, social platforms, and new content approaches.

In the US, digital display and page search are driving the highest ROI across marketing vehicles. Our Purity campaign continues to resonate with millennials, with double-digit lift, and then purchase intent and high levels of return website visits and content views. Our ROIs have exceeded industry benchmarks, and we're now taking this campaign to Canada.

This audience represents one-third of the visitors on our McCormick website. Recognizing there's a skills gap in the kitchen for many millennials, we're in the process of redeveloping our recipe pages to incorporate cooking and baking tip content with step-by-step instructions, infographic how-tos, and instructional videos. We're getting traction with these changes, and traffic to mccormick.com is up 15% versus last year.

In EMEA, we have a successful always-on media strategy driving engagement, traffic, and return on investment. Our traffic is up. New websites launched in France, UK, and Poland are delivering a 15% increase in visits and 50% increase in time spent on the site compared to year-ago results. And with strong new seasonal content, we have achieved record digital marketing performance in this region, with ROI in the top 15% of all the digital campaigns across industry benchmarks.

In China, original social content and interactive games are encouraging high levels of millennial engagement on Weibo and WeChat. We delivered 36 million impressions in a recent Thai chili squeeze pouch digital campaign.

Across all types of media and product lines, we're excited about our upcoming holiday plans. In the US, consumers will be reminded to flavor these important meals with the pure flavors of the holiday. During this high consumption period, we'll drive brand loyalty through television, digital, and in-store communications, as pictured here, and feature some of our latest core product, such as roasted ground cinnamon and gingerbread spice.

The holiday season is important in other markets, too. In the UK, we're scheduled to run our "Christmas is for Cinnamon" campaign, which drove cinnamon sales up 42% higher in that market last year, with our Schwartz brand gaining three percentage points of category share.

Customer intimacy is also vital to driving our business. For our consumer business, we're strengthening our relationships with improved category management tools. In the US, these include more sophisticated pricing analytics that we brought on board in the latter part of 2015, and we're already seeing the benefits. Using this pricing information, we implemented a price increase in early 2016 to offset higher raw material costs.

We had minimal impact on our volumes from this increase, and applied these same tools to a subsequent pricing action to address a rise in the cost of vanilla beans. And as we shared on our June earnings call, we're gaining share with customers who are participating with us on pricing recommendations. Since 2014, our retail sales growth has been approaching the strong category growth for US spices and seasonings, which was up 6% in the 52-week period.

Many of our customers are building out their e-commerce business, and we're partnering with them on this effort, too, along with pure-play e-commerce retailers. This is a dynamic shift in purchasing behavior, and we've been building our resources for several years. We're making great progress. In the US, an e-commerce basket with McCormick products is 20% larger due in part to our work on recipe ideas. This is reflected on our customer results.

We were proud to announce at this conference last year that Amazon had named McCormick Grocery Supplier of the Year. Our e-commerce sales with pure-play retailers are up 26% so far this year. And while still under 2% of US consumer business sales, we expect continued double-digit growth. The industry rate is already 7% in the UK and 4% in France, and our e-commerce sales are growing at a double-digit rate in both of these markets.

In China, e-commerce sales are up 150% year-to-date and account for nearly 20% of our consumer segment growth. We participate with all of the major players there and substantially expanded our items in this channel.

Before I turn to our industrial business, let's take a look at three of our 2016 marketing videos, a springtime video in the UK, one of our GrillMates how-to videos in the US, and support for our herb grinders launch underway in France. (Video playing.) I need to talk to Jim Snee about getting in the (inaudible) bacon ad up there.

Globally, we're driving base business for our industrial segment. We currently supply nine out of the top 10 food and beverage companies, and each of the top 10 food service and restaurant chains, offering these customers one of the broadest sets of flavor solutions in the industry.

A key factor in achieving this status is our customer intimacy, connecting directly with our customers across multiple functions in the organization. As evidence of our effectiveness, McCormick was named a global flavor supplier for three top food and beverage companies in the last year, and won over 80% of new product briefs in the US with one of our longstanding top industrial customers.

Now, let's move to innovation. We look for another third of our sales growth to come from innovation. Our strategy is to increase scalable and differentiated new products. In our industrial business, we have a particularly high rate of product development, and McCormick is well positioned as a global supplier for an increasing number of large multinational customers.

Our product development wins this year have included snack chip seasonings, cracker seasonings, beverage flavors, ice cream toppings, sandwich sauces, and burger seasonings. With our culinary foundation, we're a great partner for industrial customers seeking to reposition their product portfolio.

About 40% of our new product briefs have some type of health and wellness attribute. We have advanced flavor delivery capabilities that include technology, like FlavorCell, a proprietary encapsulation system that delivers maximum flavor impact while remaining secure from heat and moisture. This type of industrial innovation is [skewing] our portfolio to more value-added, higher margin products. Along with our cost reduction activity and greater scale, we've been increasing adjusted operating income margin for this segment, up 200 basis points from 2011 to 2015.

In our consumer segment, a leading example of scalable and differentiated new products is our patent pending herb grinder. These unique products provide a convenient alternative to fresh herbs for use in cooking, serving, and at the table. Just last month, we were proud to have our herb grinders awarded the top Consumer Product Innovation of the Year by the Grocery Manufacturers Association, GMA. These products are highly incremental to the category, with 35% of sales stemming from new buyers, exceeding our expectations. We're in the process of introducing this product to other markets, and it is already on retail shelves in six other countries in North America and Europe.

Another example of scalable and differentiated innovation is our liquid pouch technology. Many consumers regard liquid products as more fresh than dry seasoning mixes. We've introduced skillet sauces, slow cooker sauces, and most recently baking sauces in liquid pouch format. We've expanded our popular GrillMates to wet marinades and burger mix-ins. In the US, store turns of our single-use marinades are exceeding our forecast by 30%.

In China, we followed the success of squeeze pouch ketchup with the launch of Thai chili sauce this year. Wet products are already more than a third of our sales in China, and we see this becoming even more important as a growth category there.

Our latest product introductions are hitting the market in the second half of 2016. These include five different [tastes] for McCormick iconic black pepper from mild and smoky to tangy and hot. Organic recipe mixes for convenient, flavorful weeknight dinners, organic Kitchen Basics stocks, and then new on-trend bone broth. Bone broth is a simple way to add flavor and protein to your diet. Our Kitchen Basics bone broth has 10 grams of protein per serving and is certified heart healthy by the American Heart Association.

Within our gourmet line, pairings of flavorful, healthy ingredients like chia, flax, and matcha with spices and herbs, and a line of Lawry's brand Casero blends to deliver authentic Mexican and Latino taste. We're also relaunching our entire Produce Partners line with new packaging. These products, like Great Guacamole and Salsa Seasoning, are merchandized right in the high-traffic produce department.

Also in our Americas region, Canada is targeting millennial consumers with limited edition recipe mixes in flavors like Sriracha buffalo wing and extending their line of Produce Partner blends. Our team in Central America is introducing new cooking sauces. In EMEA across multiple markets, we're expanding our World Cuisine recipe mixes and gaining distribution for Herb Grinders, as previously noted.

And in France, we're restaging our core [Vatonee] dessert items with new ingredients and value-added packaging. We're [expanding] our recipe mixes in China. These products help consumers create hot and spicy Sichuan dishes and experience flavors from around the world, like lemon curry roasted chicken wings and Brazilian barbecue seasoning. And in Australia, our iconic Aeroplane brand has a commanding lead in gelatin, and we've been stretching this brand to other dessert categories. Our latest plans are to launch Aeroplane liquid shake mixes and mug cakes.

We're also driving sales by expanding the availability and footprint of our products both organically and through acquisitions. We see a lot of opportunities in the market right now and have increased our business development resources to go after them. In the last five years, we've completed seven acquisitions and joint ventures, and regard each of them as great additions that expand our portfolio for long-term growth.

Our latest is Gourmet Garden, a global market leader in chilled convenient packaged herbs. From its manufacturing location in Australia, products are exported to 15 other countries, with the largest being the US. Annual sales are more than $50 million, and the purchase price for this high-growth business was a 12 times multiple of EBITDA. These products put McCormick squarely in the perimeter of the store, expanding our retail footprint into the high-traffic produce section.

In the US, the fresh herb category is twice the size of the dried herb category, and Gourmet Garden products provide consumers with a convenient, cleaner, organic alternative to fresh herbs. We expect to continue the double-digit pace of sales growth for these on-trend product.

As we look ahead, we have a robust pipeline of acquisition opportunities. This pipeline includes businesses where flavor and health intersect to extend our current footprint with healthy flavors and great brands, industrial businesses that extend our capabilities and footprint and that are margin-accretive, some larger businesses in addition to bolt-on opportunities, and acquisitions that create scale where we currently have a presence in both developing and emerging markets.

Regardless of the opportunity we're pursuing, we're financially disciplined. This was evidenced by our bidding process earlier this year to purchase a UK business and subsequent decision to walk away mainly due to our value and return criteria. As Mike will discuss, economic value added, EVA, is and will continue to be a primary factor in our decision-making process for acquisitions and other investment decisions at McCormick.

We're also expanding organically in markets like China, Russia, and the Middle East. We expect to grow sales in China at a mid- to high single-digit rate this year, and the expanded availability and footprint of our product is a key driver, along with marketing and innovation.

In the past year, we estimate that the increase in our points of distribution accounted for about one-third of our constant-currency sales increase. Our products in China currently reach about 1.5 million points of distribution for consumer products, roughly half the total points of distribution in this country. So, we see a lot of opportunities for further expansion.

In Russia, through expanded distribution and innovation, we've moved from the number three brand five years ago to number one in the spice and seasoning category. And for industrial customers, we're supporting their geographic expansion. In 2015, we opened an R&D lab in Brazil, and are expanding into the Middle East this year with a new facility in Dubai.

That's an overview of our growth strategies. We're confident that these strategies across our consumer and industrial segments will continue to drive strong sales increases at McCormick. As I turn it over to Mike for remarks on performance, let's take a look at this Gourmet Gardens ad. (Video playing.)

Mike Smith - *McCormick & Company Inc - SVP, Corporate Finance*

Good morning, everyone. Thank you, Lawrence, and I'd also like to thank everyone for joining us this morning. Well, this is my eighth day as CFO, and I can already feel my hair turning as white as Gordon's.

Seriously, I'm truly excited and proud to serve as CFO of this great company. This is a business with strong leadership, engaged employees, forward momentum, and effective strategies. I'd like to also recognize Gordon for his many contributions to the success of this business and a personal thanks for his mentoring as my career at McCormick progressed.

For those of you I haven't met, I joined McCormick 25 years ago. During that time, I have led our finance teams in operational roles, both in consumer and industrial, in North America as well as our EMEA region, and also have experience in corporate controllership, supply chain finance, and M&A roles. I look forward to working with Lawrence, the leadership team, and employees throughout the Company to build shareholder return.

Let's turn now to the set of strategies we have underway that are driving our performance. First, accelerating our cost savings to generate fuel for growth; second, driving continuous value creation; and third, pursuing functional excellence and collaboration.

Back in 2009, we launched our comprehensive continuous improvement program, CCI. It's comprehensive because it spans all of our functions and engages at all levels of the organization in ways to improve productivity, and continuous because we structured the program as an ongoing effort rather than a one-time big event. This approach is particularly critical at McCormick as we balance our strategies to grow sales with our cost reduction activity.

As you can see, we stepped up our CCI program in 2015 in part by putting more emphasis on selling, general, and administrative expenses, or SG&A. Through a North American effectiveness initiative, we brought together functions, like finance and human relations, to provide more efficient support for our commercial teams. And in Europe, we began expanding the scope of the very successful regional share service center that we established in Poland a few years ago.

To share our confidence in this stepped-up level of activity, about six months ago we announced our target to achieve $400 million of cost savings over the next four years. This rate of savings is about 2% of sales and 3.5% of cost of goods sold. These rates place McCormick's targeted cost savings at the upper end of our peer food companies.

In 2016, we're off to a great start. We expect to deliver $100 million to $110 million of CCI this year. We have a robust pipeline of cost savings projects that include procurement, automation, and process reliability initiatives to lower our cost of goods sold. And the work to streamline our SG&A will continue in areas like shared services, route to market, and new system technology.

Accelerating our fuel for growth is closely linked to our second performance strategy, to drive continuous value creation, as demonstrated in our long-term financial objectives. We're doing a great job delivering our top line growth, and as Lawrence indicated, have increased our focus on profit realization. We're generating significant cost savings and reinvesting a portion of these savings back into the business, including initiatives to drive sales, and additional resources for business development and CCI.

In certain periods we've used a portion of our cost savings, along with pricing actions, to offset material cost inflation, but we also plan for a portion of the savings to drive higher margins and profit. This is implicit in our long-term guidance for the Company. Annual sales growth of 4% to 6%, operating income increase of 7% to 9%, should yield on average about 40 basis points of operating income margin improvement.

In fact, our outlook for 2016 reflects this, with our projected sales growth and increased adjusted operating profit expected to deliver approximately 50 basis points of margin improvement. Sales growth and margin improvement are key elements of delivering double-digit returns for McCormick shareholders.

At the foundation of our success in delivering strong shareholder returns is our commitment to EVA. One of my first roles at the Company back in the mid-1990s was to roll out EVA across the organization. And EVA has served both us and our shareholders well for the past 20 years. EVA drives efficiency in our use of cash. We use it to evaluate capital expenditures, acquisitions, and other investments. And it influences our incentive structure at the Company. In 2016 we're re-emphasizing this concept to our financial and business leaders throughout the organization.

Lawrence has increased the focus on cash at McCormick, and as CFO it is a focus for me, as well. I have a good appreciation for the importance of cash from my own business experience working with the operational and commercial teams. It's an important element in our customer negotiations, vendor payment processes, and certainly inventory management.

As seen on this slide, we've had some year-to-year fluctuations in cash flow from operations due in part to our global sourcing of herbs and spices. Our global sourcing group will periodically purchase a large quantity of pepper, vanilla, or other crops to secure a high quality supply at a good price.

In addition to the impact on cash flow, this causes McCormick's cash conversion cycle to be above the food group average. However, we're still going after other ways to lower this cycle, including programs to reduce finished goods inventory or increase accounts payable. For example, we're rolling out a program to extend payment terms in the US following success in the UK. We have improved our cash conversion cycle through the first half of 2016, and investors should expect further improvement in our working capital, going forward.

A view of cash flow from operations on a three-year rolling basis smoothed out the year-to-year fluctuations and better demonstrates the rate of increase we're achieving, up 9% on a compound annual growth rate since 2008, for an increase of over 80%.

As we've shown in the past, we have had a balanced use of cash between capital expenditures, our dividend payments, and the acquisition of great businesses. While we prefer to use our free cash flow for dividends and acquisitions, we'll return cash to shareholders through share repurchases during periods when we're not acquiring businesses or paying down debt related to this activity. As for capital expenditures, we've been running at about 3% of sales historically and achieving a very good return on this investment.

Much of this spending relates to our growth and CCI program, and in 2015 roughly 80% of our $128 million in capital expenditures were global supply chain projects with an expected return of 22%. In 2016 we expect capital to be closer to 3.5% of sales as we build a new larger facility in Shanghai to support our growth in China and support the expansion of our industrial customers in the Middle East with a new location in Dubai.

Before I leave this slide [in the] (inaudible) cash, I want to state that we're proud of our dividend record, with payments every year since 1925 and increases in each of the past 30 years. Since 2010, we have increased our quarterly dividend at a 9% compound annual growth rate.

To drive continuous value creation at McCormick, we're in pursuit of functional excellence and collaboration throughout the Company, our third performance strategy. The most compelling example of this is McCormick Shared Services. We developed this organization beginning with our North American finance operations in the mid-2000s. Since then, we have expanded our services and geographies to the folks on delivering end-to-end process services.

In 2014 we continued the journey, consolidating finance operations across Europe into a new shared service center in Poland. We're building further on that foundation, and are now in the process of creating functional centers for human relations, customer services, and technical organizations in EMEA. Today we have nearly 200 people at our shared services facility in Lodz, Poland, and it has become a great example of our McCormick culture at work. McCormick Shared Services is driving efficiency and effectiveness with teams across North America, EMEA, and India. And we see a long runway ahead for this effort.

Let me wrap up my remarks on performance with the long-term objectives which Lawrence shared. These include 4% to 6% sales growth, a 9% to 11% increase in earnings per share, and including our dividend, a double-digit total shareholder return. On a constant-currency basis, our 2016 outlook as discussed in our June earnings call is at or above these objectives. With our strategic roadmap, we have a clear path toward achieving our long-term financial targets. We look forward to providing you with an update to this outlook later in September when we announce our third quarter results.

Thank you for your attention, and I'll turn it back over to Lawrence.

Lawrence Kurzius - *McCormick & Company Inc - President & CEO*

Thanks, Mike. I want to conclude with our people and culture. These are the foundation of McCormick and our success, and we view them as a competitive advantage. We're strengthening our organization with a cultural shift to faster decisions, more personal accountability, and actionable insights. We've taken a number of steps forward in this direction, with our recent streamlining actions in North America and the EMEA region, that eliminated layers in the organization and increased business shared services with tools that cascade organizational goals down to the individual employee and provide a direct link to incentive compensation and by gaining insights with increased global resources in innovation, digital, CCI, analytical capabilities, and business development.

So, to summarize this morning, McCormick leads in an advantaged category, flavor. We're executing on effective growth strategies, strategies designed to win with both consumers and customers. And we're aggressively stepping up our performance as an organization to drive out costs and accelerate fuel for growth. I'd like to thank you for your attention. And Andrew, perhaps we have time for a question or two.

QUESTIONS AND ANSWERS

Andrew Lazar - *Barclays - Analyst*

Thank you. McCormick's sales growth in its core spice and seasoning business in the US is now far better tracking the really solid category growth that we're seeing. And a lot of that's due to a lot of the work you've done over the last year and a half, communication to retailers the proper price points and the algorithm and such. Can you update us on perhaps what percentage now you've kind of rolled out that program to your key retail customers? And is there an opportunity to go now deeper with that program, with the customers that have already taken it on and are starting to see the really positive results of it?

Lawrence Kurzius - *McCormick & Company Inc - President & CEO*

Well, Andrew, that's a great question. Over the last year and a half, we've had a program to restore our US business to share growth. The category growth has been strong. We've been growing through that whole time period, but we have not paced with the category. The effort has been on two prongs. It's been a consumer-directed part with all of the renovation of our core brands to make them more relevant, upping our game on innovation, and increasing our investment in advertising in particular as a greater and greater shift towards digital social marketing and re-targeting our efforts towards the younger generations, the millennials and even now Gen Z.

And then, the other side of it has been to win with customers with better analytical tools at retail. I think that's the part that you're alluding to. We in the second half of 2015 launched some new tools that we've used to work with retailers on pricing analytics and also on assortment analytics that have really improved our ability to make kind of a big database recommendations to retailers about optimizing both the assortment and the pricing within the categories.

I'd say that the larger retailers who are more sophisticated are trying to understand Big Data and work with Big Data themselves have been the ones who've been most receptive to this approach. And with the retailers who've accepted our recommendations through -- I can't talk about third quarter yet, but through the second quarter of the year, we were gaining on average 126 basis points of market share with those retailers.

We really see this as the new way of selling. This is really the future. All of us are working to try and harness the power of the data that's coming towards us. And I think that this a -- as a new way of selling, it's going to be an ongoing process. I don't see any end to it. Even those retailers who have accepted our recommendations haven't accepted everything. There's an opportunity to continue to go back for more. And as we demonstrated success, those recommendations get more and more traction.

Andrew Lazar - *Barclays - Analyst*

Perfect. Good. I think we'll have to cut it there on time. Please join me in thanking McCormick for being here today.

Lawrence Kurzius - *McCormick & Company Inc - President & CEO*

Thank you all.