

Form 10-Q

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

For Quarter Ended May 31, 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 21152-6000
(Address of principal executive offices) (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 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 May 31, 1994
Common Stock	13,355,000
Common Stock Non-Voting	67,957,000

MCCORMICK & COMPANY, INCORPORATED

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

	May 31, 1994	May 31, 1993	November 30, 1993
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 19,061	\$ 5,915	\$ 12,838
Accounts receivable - net	169,199	154,737	175,101
Inventories			
Raw materials	118,745	105,142	105,713
Work in process	47,824	41,739	36,418
Finished goods	172,363	136,683	179,120
	338,932	283,564	321,251
Prepaid expenses	6,061	9,738	17,960
Deferred income taxes	13,003	6,382	13,003
Total current assets	546,256	460,336	540,153
Investments			
Property - net	485,544	457,124	465,610
Excess cost of acquisitions - net	146,916	134,314	130,638
Prepaid allowances	137,497	136,372	126,399
Other assets	4,954	4,303	4,708
Total assets	\$1,369,755	\$1,232,232	\$1,313,236
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Notes payable	\$ 180,297	\$270,666	\$ 76,389
Current portion of long-term debt	9,693	4,853	8,299
Outstanding checks	14,421	13,894	25,401
Accounts payable, trade	97,394	92,182	113,884
Accrued payroll	23,423	20,482	29,781
Accrued sales allowances	23,410	21,896	31,240
Other accr.exp. and liabilities	89,680	85,597	90,980
Income taxes	4,591	2,115	16,893
Total current liabilities	442,909	511,685	392,867
Long-term debt			
Deferred income taxes	340,244	194,346	346,436
Employee benefit liabilities	31,622	39,443	39,006
Other liabilities	67,204	53,509	63,875
	4,896	4,308	4,231
Total liabilities	886,875	803,291	846,415
Shareholders' Equity			
Common Stock, no par value	50,181	50,063	53,470
Com.Stock Non-Voting, no par value	99,933	88,380	93,047
Retained earnings	343,671	293,329	330,327
Foreign currency translation adjustments	(10,905)	(2,831)	(10,023)
Total shareholders' equity	482,880	428,941	466,821
Total liabilities and shareholders' equity	\$1,369,755	\$1,232,232	\$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 May 31 1994	Three Months Ended May 31 1993	Six Months Ended May 31 1994	Six Months Ended May 31 1993
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Net sales	\$396,342	\$361,300	\$764,065	\$700,885
Costs of goods sold	254,670	228,873	489,622	445,556
Gross profit	141,672	132,427	274,443	255,329
Selling, general and administrative expense	104,041	100,316	200,573	193,060
Profit from operations	37,631	32,111	73,870	62,269
Other income	1,625	1,449	3,042	3,276
Interest expense	9,034	7,981	17,160	15,248
Other expense	2,831	1,624	4,311	2,883
Income before income taxes	27,391	23,955	55,441	47,414
Provision for income taxes	10,660	9,242	21,450	18,242
Income from consol operations	16,731	14,713	33,991	29,172
Income from unconsol ops	2,398	2,823	3,448	5,628
Income before accounting change	19,129	17,536	37,439	34,800
Cumulative effect on prior years of accounting change	-	-	-	(26,626)
Net income	\$19,129	\$17,536	\$37,439	\$ 8,174
Earnings per share before accounting change	\$0.24	\$0.21	\$0.46	\$0.43
Cumulative effect on prior years of accounting change	-	-	-	-(\$0.33)
Total earnings per share	\$0.24	\$0.21	\$0.46	\$0.10
Cash dividends declared per common share	\$0.12	\$0.11	\$0.24	\$0.22

See notes to financial statements.

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McCORMICK & COMPANY, INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars In Thousands)

	Six Months Ended May 31, 1994	Six Months Ended May 31, 1993
Cash flows from operating activities		
Net income	\$ 37,439	\$ 8,174
Depreciation and amortization	27,624	24,955
Provision for deferred income taxes	2,008	1,892
Gain (loss) on sale of assets	124	(35)
Share of income from unconsolidated operations	(3,448)	(5,628)
Dividend received from unconsolidated subsidiary	3,345	7,257
Cumulative effect of accounting change	-	26,626
Changes in operating assets and liabilities net of effects from businesses acquired and disposed	(69,001)	(87,630)
Net cash used in operating activities	(1,909)	(24,389)
Cash flows from investing activities		
Acquisitions of businesses	(26,083)	(74,661)
Purchases of property, plant and equipment	(41,903)	(40,146)
Proceeds from sale of assets	124	267
Proceeds (payments) from forward exchange contract	(518)	8,373
Other investments	(2,970)	(71)

Net cash used in investing activities	(71,350)	(106,238)
Cash flows from financing activities		
Notes payable	59,052	159,202
Long-term debt		
Borrowings	56,713	380
Repayments	(14,869)	(7,138)
Common stocks		
Issued	4,236	16,904
Acquired by purchase	(5,245)	(16,991)
Dividends Paid	(19,489)	(17,727)
Net cash provided by financing activities	80,398	134,630
Effect of exchange rate changes on cash and cash equivalents	(916)	106
Increase/(Decrease) in cash and cash equivalents	6,223	4,109
Cash and cash equivalents at beginning of period	12,838	1,806
Cash and cash equivalents at end of period	\$ 19,061	\$ 5,915

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)

- 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 May 31, 1994, May 31, 1993 and November 30, 1993, and the results of operations for the three and six month periods ended May 31, 1994 and May 31, 1993, and the cash flows for the six month periods ended May 31, 1994 and May 31, 1993. Certain reclassifications have been made to the 1993 financial statements to conform with the 1994 presentation.
- The results of consolidated operations for the three and six month periods ended May 31, 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.
- Earnings per common share for the three and six month periods ended May 31, 1994 were computed by dividing net income by the weighted average number of common shares outstanding (81,353,000 - three months and 81,227,000 - six months). Earnings per common share for the three and six month periods ended May 31, 1993 were computed by dividing net income by the weighted average number of common shares outstanding (80,776,000 - three months, 80,616,000 - six months), plus dilutive common equivalent shares applicable to outstanding stock option and purchase plans (941,000 shares - three months, 1,162,000 shares - six months). Common stock equivalents were not added to fiscal year 1994 weighted average common shares outstanding because they resulted in an insignificant dilution of earnings per share.
- Interest paid during the six month periods ended May 31, 1994 and May 31, 1993 was \$20,840 and \$16,600 respectively. Income taxes paid during the same periods were \$38,905 and \$33,100 respectively.
- Changes in foreign currency exchange rates required adjustments to both the Excess Cost of Acquisition account and the Foreign Currency Translation Adjustments account at

May 31, 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 second quarter of 1994 the Company renewed certain prepaid allowance contracts. Payments associated with these contracts are reflected in the Prepaid Allowance account at May 31, 1994.
7. During the first half 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 \$26,083. 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 May 31, 1994, using discounted cash flow analysis based on the Company's current incremental borrowing rate for debt of similar remaining maturities was \$357,525. This amount excludes \$9,693 current portion of long-term debt which is

considered to be at fair value.

11. Through its medium-term note program, at May 31, 1994, the Company had issued \$75,000 of notes with maturities of 12 years and coupon rates ranging from 5.78% to 7.40%. 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 May 31, 1994, the Company's commercial paper issuance amounted to \$237,540, of which \$75,000 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 and six months ended May 31, 1994 increased 10% and 9% respectively over the corresponding periods last year. In terms of sales volume alone, the increases were 7% for both the quarter and the first half. Second quarter sales improved for all of the Company's businesses with the most significant increases coming from the industrial and packaging units, and to a lesser extent, from acquisitions.

Earnings per share for the second quarter and were \$.24, a 14% increase over 1993. For the first six months of 1994, earnings per share increased to \$.46, compared to last year's \$.43 before cumulative effect of accounting change. As expected, second quarter earnings were favorably impacted by the Company's Gilroy Foods subsidiary, whose profitability has improved over last year when it experienced exceptionally high onion costs. Although most of our other operating units had improved second quarter results, operating profits were adversely affected by lower margins in the industrial flavoring and seasoning business and also by flat sales and competitive pressures in the domestic retail business. These are also reasons for the decline in the Company's overall gross margin. The Company's overall operating profit margin for the second quarter was 9.5% as compared to 8.9% last year. Results for the first half show a similar improvement. Although slightly below last year, income from unconsolidated operations improved over first quarter, primarily because of improved earnings from our Mexican retail operation.

Return on equity, calculated by dividing twelve months to date net income by average shareholder's equity during that period, was 21.7% at May 31, 1994. This meets the Company's objective of exceeding a 20% return on equity.

Financial Condition

The Company's capital structure (excluding \$57.6 million

non-recourse debt) was 49.5% debt to total capital at May 31, 1994, up from 44.3% at year end and 48.9% at May 31, 1993. Typically the Company reduces borrowing in the fourth quarter which historically produces the highest percentage of sales volume, profits and cash flows from operations. During the second quarter the Company generated approximately \$32 million cash from operations. This cash was primarily used for capital spending and shareholder dividends. The Company's current ratio declined to 1.2 at the end of the second quarter as compared to 1.4 at year end 1993, but was improved over .9 at May 31 last year. During the second quarter the Company issued \$25 million of notes under its medium-term note program to permanently finance commercial paper that was previously classified as long-term. These notes have a term of 12 years at a range from 6.79% to 7.4%. 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 second quarter.

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PART II - OTHER INFORMATION

Item 4 Submission of matters to a Vote of Security Holders

- (a) The Company held its annual meeting of stockholders on March 16, 1994.
- (b) No response required.
- (c) No response required.
- (d) 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: _____ By: Robert G. Davey
Vice President &
Chief Financial Officer

Date: _____ By: J. Allan Anderson
Vice President & Controller

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