

3rd QUARTER 2023 *Financial Results and Outlook*

McCORMICK & COMPANY, INC.

October 3, 2023



The following slides accompany an October 3, 2023, earnings release conference call. This information should be read in conjunction with the press release issued on that date.

FORWARD-LOOKING INFORMATION

Certain information contained in this presentation, including statements concerning expected performance, such as those relating to net sales, gross margin, earnings, cost savings, special charges, acquisitions, brand marketing support, volume and product mix, income tax expense and the impact of foreign currency rates are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by the use of words such as “may,” “will,” “expect,” “should,” “anticipate,” “intend,” “believe” and “plan” and similar expressions. These statements may relate to: the impact of the COVID-19 pandemic on our business, suppliers, consumers, customers, and employees; disruptions or inefficiencies in the supply chain, including any impact of COVID-19; the expected results of operations of businesses acquired by the company; the expected impact of the inflationary cost environment, including commodity, packaging materials and transportation costs on our business; the expected impact of pricing actions on the company’s results of operations and gross margins; the impact of price elasticity on our sales volume and mix; the expected impact of factors affecting our supply chain, including transportation capacity, labor shortages, and absenteeism; the expected impact of productivity improvements, including those associated with our CCI program, streamlining actions, including our GOE program, and global enablement initiative; the impact of the ongoing conflict between Russia and Ukraine, including the potential for broader economic disruption; expected working capital improvements; expectations regarding growth potential in various geographies and markets, including the impact from customer, channel, category, and e-commerce expansion; expected trends in net sales and earnings performance and other financial measures; the expected timing and costs of implementing our business transformation initiative, which includes the implementation of a global enterprise resource planning (ERP) system; the expected impact of accounting pronouncements; the expectations of pension and postretirement plan contributions and anticipated charges associated with those plans; the holding period and market risks associated with financial instruments; the impact of foreign exchange fluctuations; the adequacy of internally generated funds and existing sources of liquidity, such as the availability of bank financing; the anticipated sufficiency of future cash flows to enable the payments of interest and repayment of short- and long-term debt, working capital needs, planned capital expenditures, as well as quarterly dividends and the ability to obtain additional short- and long-term financing or issue additional debt securities; and expectations regarding purchasing shares of McCormick’s common stock under the existing repurchase authorization.

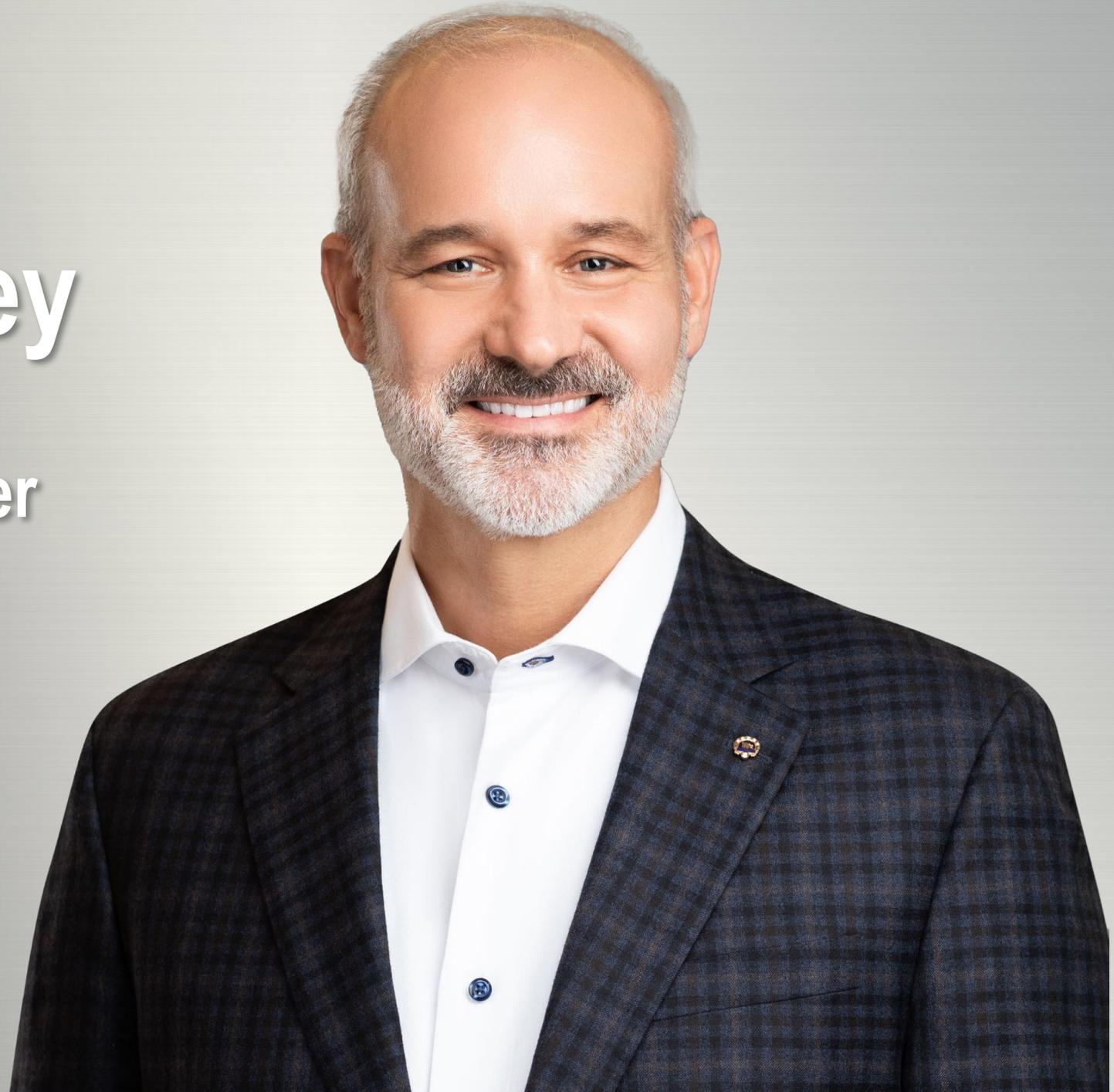
These and other forward-looking statements are based on management’s current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by factors such as: the company’s ability to drive revenue growth; the success of our brand marketing, new products, category management and customer engagement plans; the company’s ability to increase pricing to offset, or partially offset, inflationary pressures on the cost of our products; damage to the company’s reputation or brand name; loss of brand relevance; increased private label use; the company’s ability to drive productivity improvements, including those related to our CCI program and streamlining actions, including our GOE program; product quality, labeling, or safety concerns; negative publicity about our products; actions by, and the financial condition of, competitors and customers; the longevity of mutually beneficial relationships with our large customers; the ability to identify, interpret and react to changes in consumer preference and demand; business interruptions due to natural disasters, unexpected events or public health crises, including COVID-19; issues affecting the company’s supply chain and procurement of raw materials, including fluctuations in the cost and availability of raw and packaging materials; labor shortage, turnover and labor cost increases; the impact of the ongoing conflict between Russia and Ukraine, including the potential for broader economic disruption; government regulation, and changes in legal and regulatory requirements and enforcement practices; the lack of successful acquisition and integration of new businesses; global economic and financial conditions generally, including stability of financial institutions, availability of financing, interest and inflation rates, and the imposition of tariffs, quotas, trade barriers and other similar restrictions; foreign currency fluctuations; the effects of increased level of debt service following the Cholula and FONA acquisitions as well as the effects that such increased debt service may have on the company’s ability to borrow or the cost of any such additional borrowing, our credit rating, and our ability to react to certain economic and industry conditions; risks associated with the phase-out of LIBOR; impairments of indefinite-lived intangible assets; assumptions we have made regarding the investment return on retirement plan assets, and the costs associated with pension obligations; the stability of credit and capital markets; risks associated with the company’s information technology systems, including the threat of data breaches and cyber-attacks; the company’s ability to successfully implement our business transformation initiative; fundamental changes in tax laws; including interpretations and assumptions we have made, and guidance that may be issued, and volatility in our effective tax rate; climate change; Environmental, Social and Governance (ESG) matters; infringement of intellectual property rights, and those of customers; litigation, legal and administrative proceedings; the company’s inability to achieve expected and/or needed cost savings or margin improvements; negative employee relations; 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.



Brendan Foley

President and
Chief Executive Officer



STRONG THIRD QUARTER 2023 RESULTS

SUSTAINED DEMAND AND EFFECTIVE STRATEGY EXECUTION

Delivered solid constant currency sales growth

Executed in line with expectations, notwithstanding slower China economic recovery

Improved volume performance, excluding China

Drove meaningful year-over-year margin expansion

Generated more than double year-to-date cash flow from operations

DEMONSTRATES STRENGTH OF FUNDAMENTALS



THIRD QUARTER 2023 FINANCIAL RESULTS

STRONG BUSINESS PERFORMANCE

Net sales grew 6%¹ including

- 1% unfavorable impact from slower China economic recovery
- 1% decline related to divestiture and business exits
- Sequential improvement in underlying volume growth

Gross margin expanded 150 bps

Adjusted operating income increased 5%¹ including

- Lower than expected China operating income
- Incentive compensation build-back and brand marketing investments, as planned



1) In constant currency

2023 OUTLOOK

CONFIDENCE IN OUR GROWTH TRAJECTORY

Continued top-line demand momentum

2023 sales and operating income reaffirmed, including lower benefit from China

- Expecting sales outlook to be closer to middle of the range
- Reaffirming operating income highlights stronger profit realization

Strong demand, improved margin, and optimized cost structure



1) In constant currency

THIRD QUARTER CONSUMER SEGMENT UPDATE – AMERICAS

CONTINUING CONSUMPTION MOMENTUM

Spices & Seasonings total distribution point growth

Assortment on shelf more productive than pre-COVID

Velocity improvement on renovated everyday Spices & Herbs

Expanded Super Deal distribution driving share and household penetration gains

Double-digit e-commerce growth



DRIVING STRONG GRILLING PERFORMANCE

Double-digit growth across the grilling portfolio

Share gains in mustard, BBQ sauce, and marinades



OUTPERFORMING OUR EXPECTATIONS

Expansion into Mexican aisle is continuing to build distribution



THIRD QUARTER CONSUMER SEGMENT UPDATE – EMEA

ACCELERATING CONSUMPTION TRENDS

Strongest quarterly sales performance in two years

Herbs, Spices, and Seasonings share growth for total region

Volume growth in the U.K. and France

Strong grilling and e-commerce growth in key markets

New products and promotions drove U.K. recipe mix share gain



GROWING IN THE DISCOUNT CHANNEL



+30% channel growth across region

Expanded distribution in U.K. and France

DRIVING OUR HEAT PLATFORM

U.K. hot sauce category growth driven by Cholula and Frank's

Cholula building distribution in France



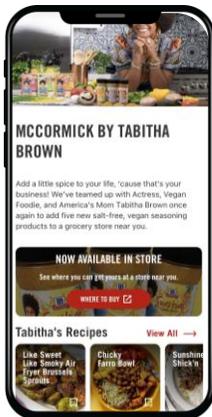
FUELING GROWTH WITH PARTNERSHIPS AND BRAND MARKETING

REACHING LOYAL BUILT-IN AUDIENCES



Launching Schwartz seasonings, recipe mixes, and meal kits co-developed with Nadiya Hussain, a celebrity British chef

Accelerating growth of Tabitha Brown new product line



DRIVING BRAND AWARENESS

Leveraging strengths across both segments to launch limited-edition Mustard-flavored SKITTLES® for National Mustard Day

Record 5 billion impressions



Increasing merchandising to historical levels and activating holiday campaigns globally



THIRD QUARTER FLAVOR SOLUTIONS SEGMENT UPDATE – AMERICAS

DRIVING DOUBLE-DIGIT GROWTH IN FLAVORS AND BRANDED FOODSERVICE

FLAVORS



Strong seasonings growth

Growth in performance nutrition beverages and health end-markets

New product wins with category leader and high-growth innovator customers

Robust pipeline of new products with strong conversion rate



BRANDED FOODSERVICE

Share gains in spices and seasonings

New heat products are exceeding expectations

Breadth of heat opportunity reinforced



THIRD QUARTER FLAVOR SOLUTIONS SEGMENT UPDATE – EMEA AND APAC

EMEA

Broad-based growth driven by pricing

Strong growth with both QSR and packaged food & beverage customers

Customers continue to experience softness in volume

Continued pruning of low margin business



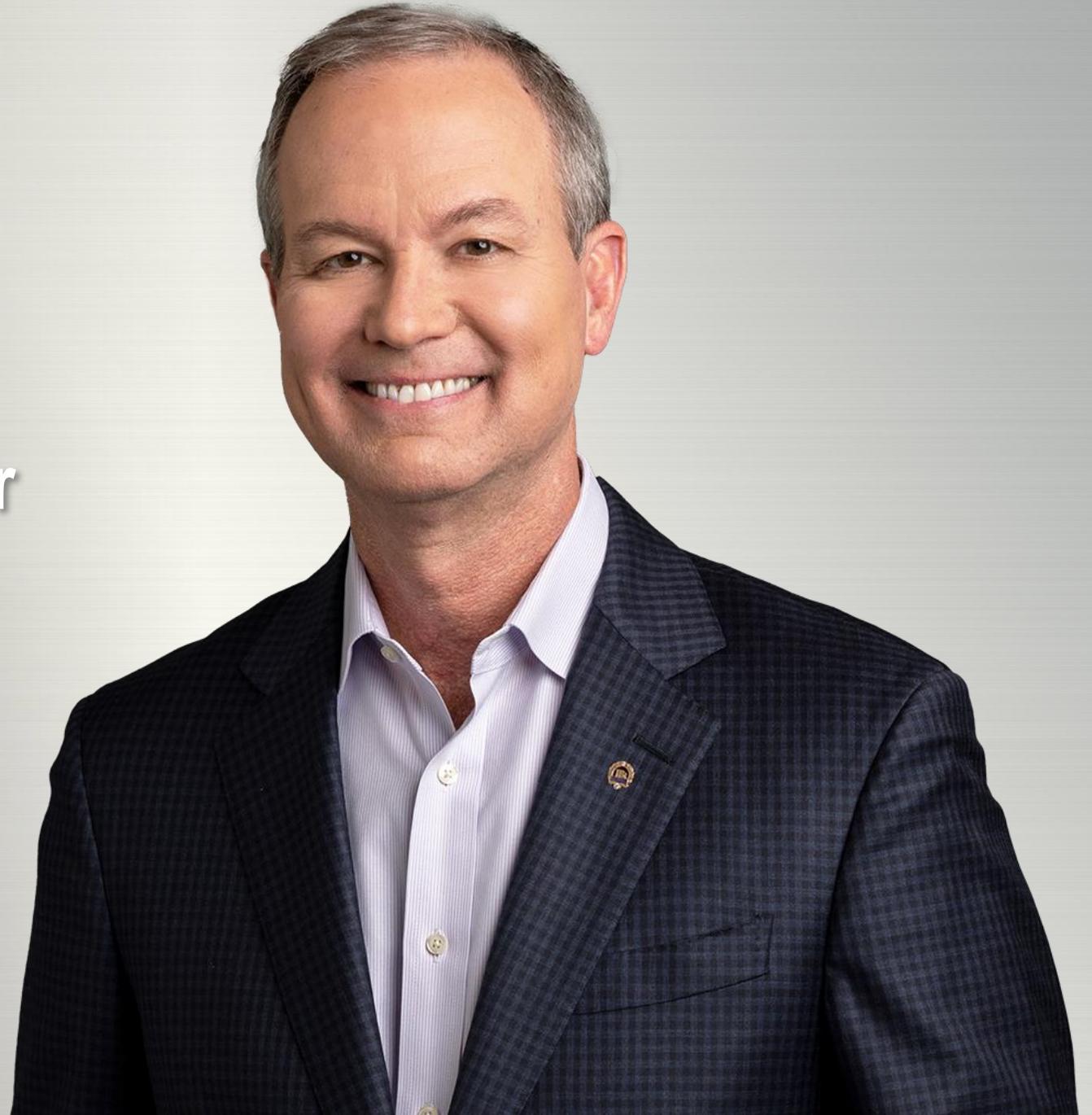
APAC

Growth driven by QSR customers' increase in promotional activities



Mike Smith

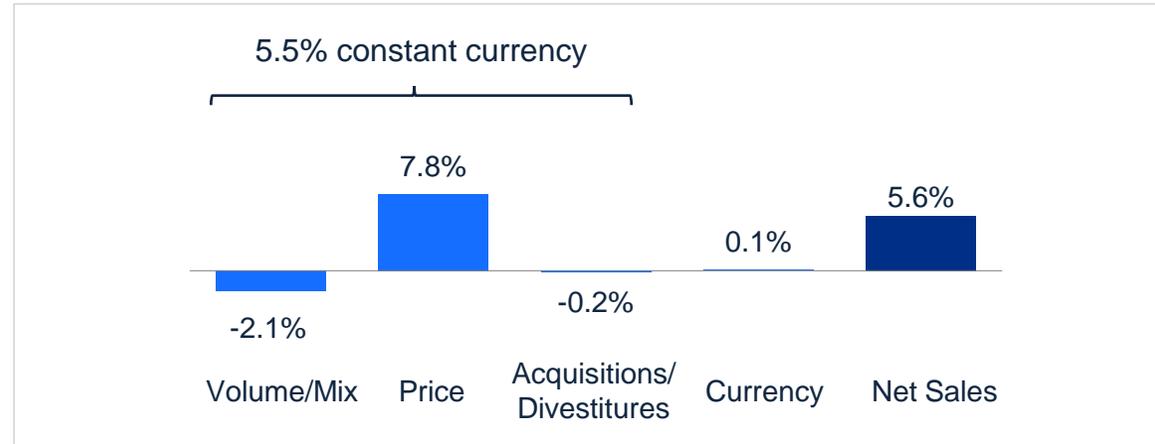
Executive Vice President
and Chief Financial Officer



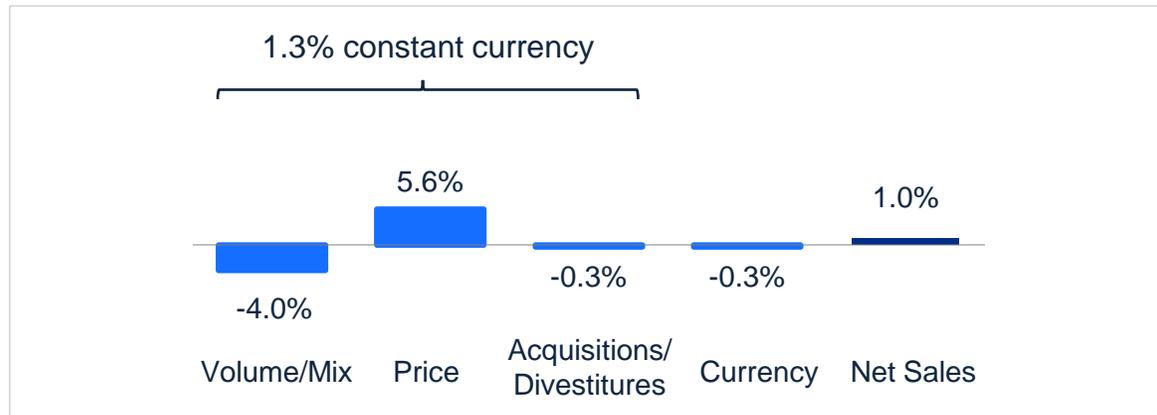


3Q 2023 SALES RESULTS

TOTAL COMPANY



CONSUMER



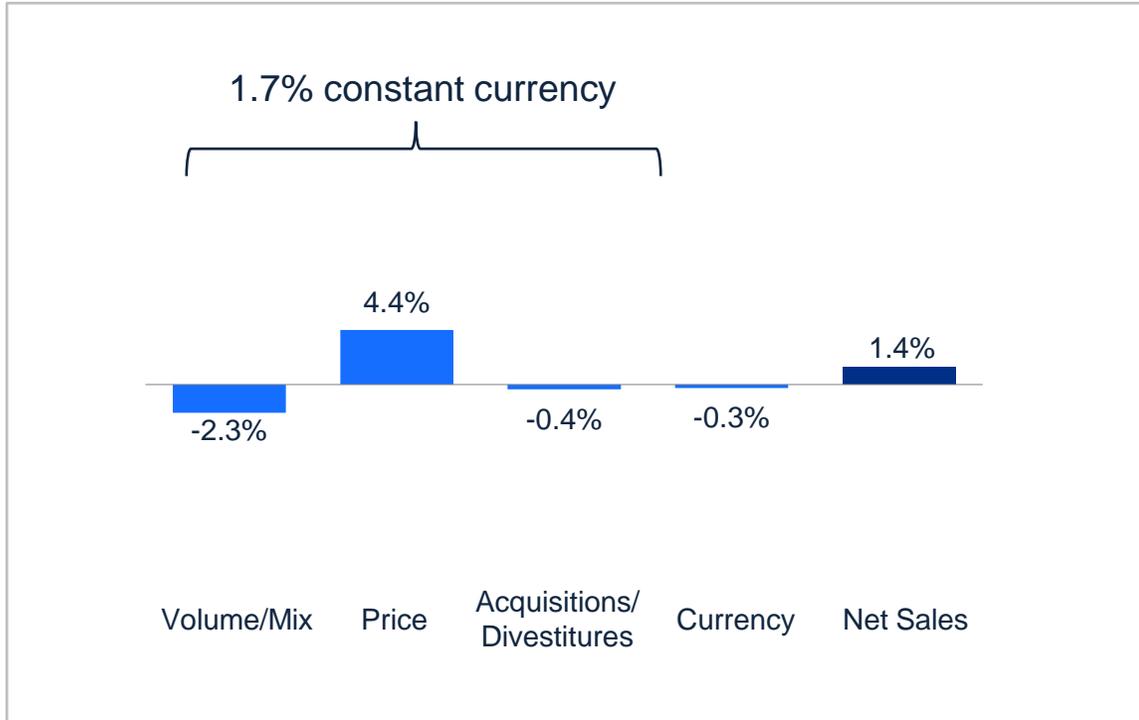
FLAVOR SOLUTIONS





3Q 2023 SALES RESULTS: CONSUMER SEGMENT

AMERICAS CONSUMER



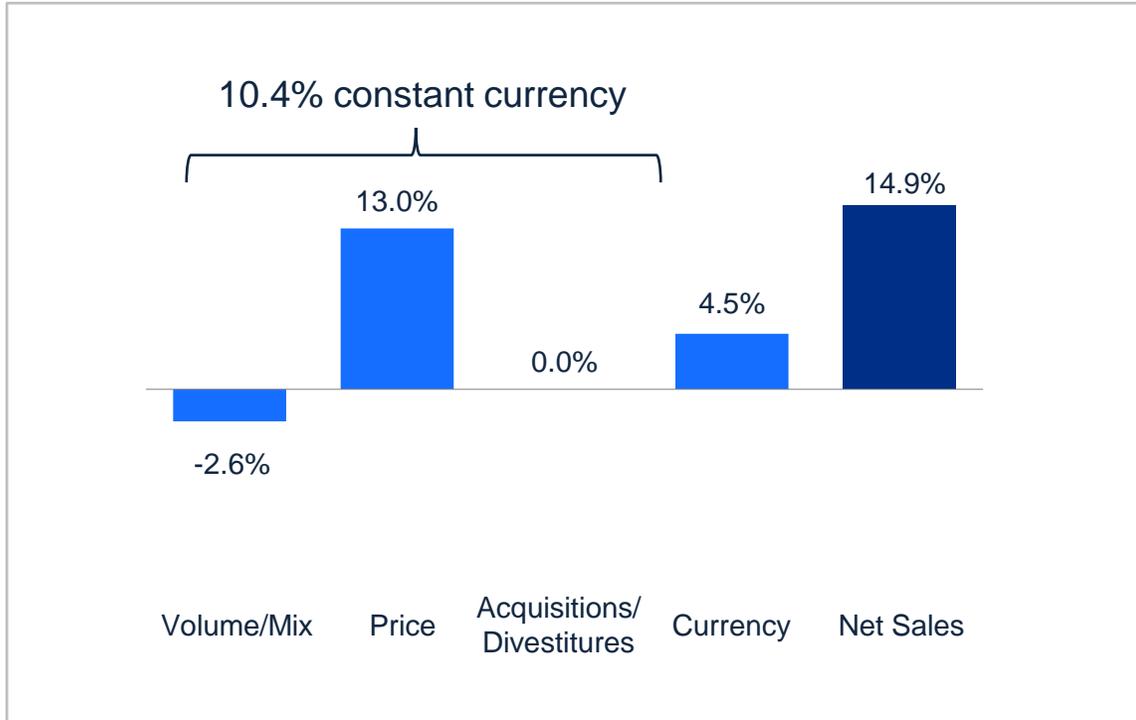
- Pricing actions to offset cost inflation
- 2% unfavorable impact from Kitchen Basics divestiture and exiting Hispanic product direct store delivery





3Q 2023 SALES RESULTS: CONSUMER SEGMENT

EMEA CONSUMER



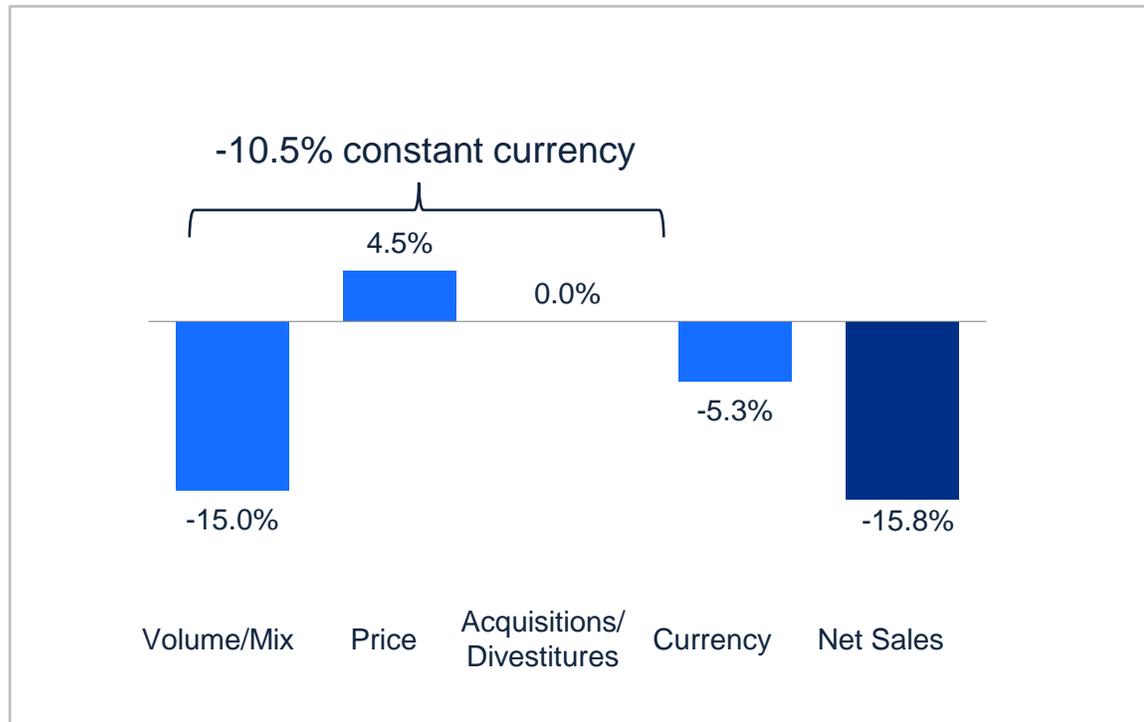
- Broad-based growth across all categories and markets, excluding Russia
- Pricing actions to offset cost inflation
- Volume and mix decline included:
 - 2% impact from exiting Russia





3Q 2023 SALES RESULTS: CONSUMER SEGMENT

APAC CONSUMER



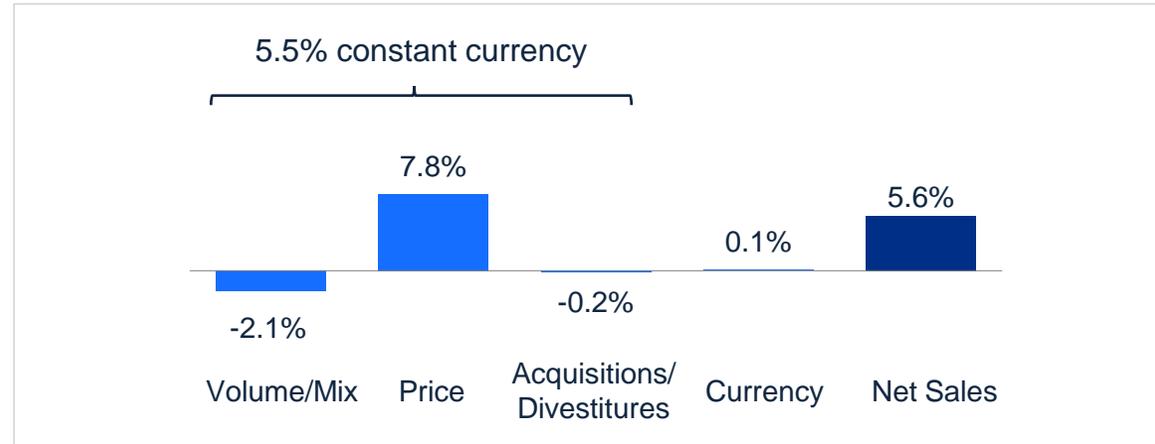
- Volume and mix decline driven primarily by:
 - Slower than expected recovery in China
 - Lapping strong China consumer consumption in 3Q 2022
- Pricing actions to offset cost inflation



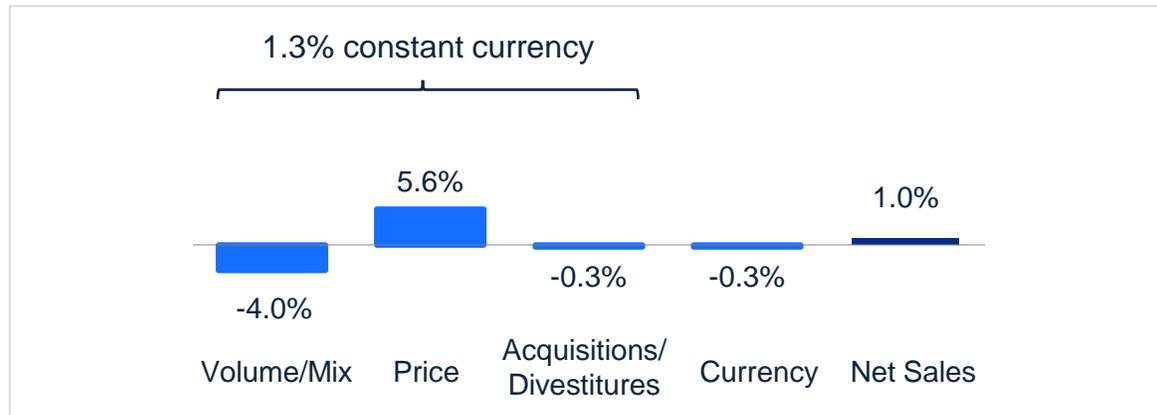


3Q 2023 SALES RESULTS

TOTAL COMPANY



CONSUMER

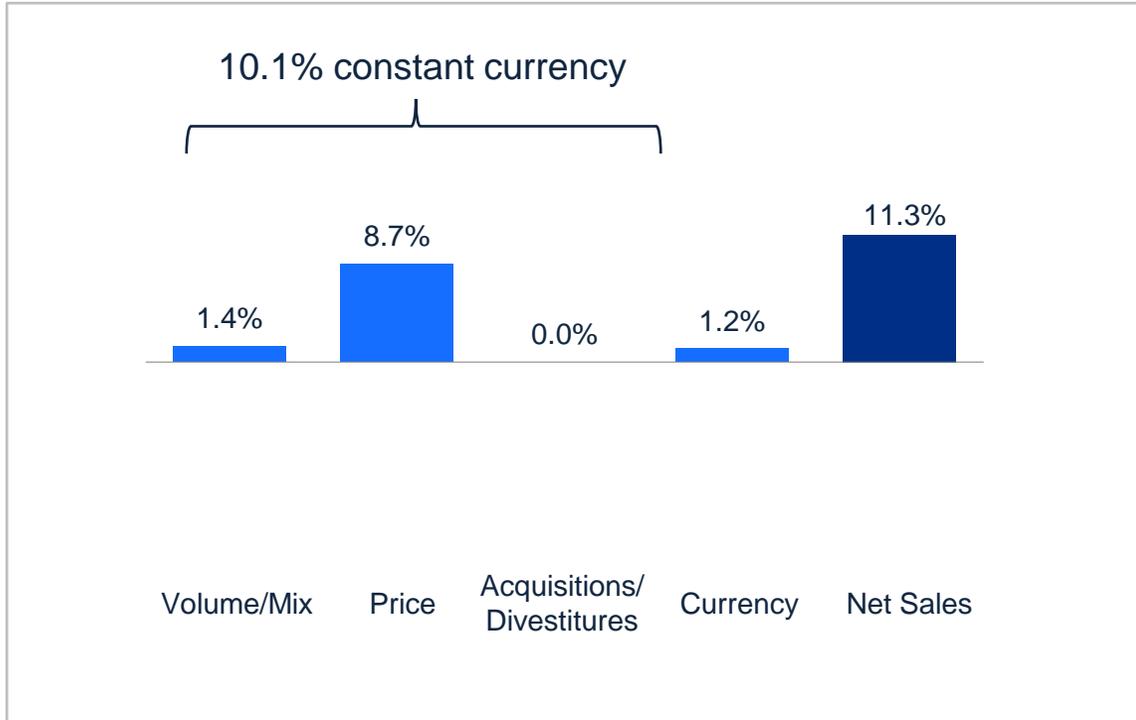


FLAVOR SOLUTIONS



3Q 2023 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

AMERICAS FLAVOR SOLUTIONS

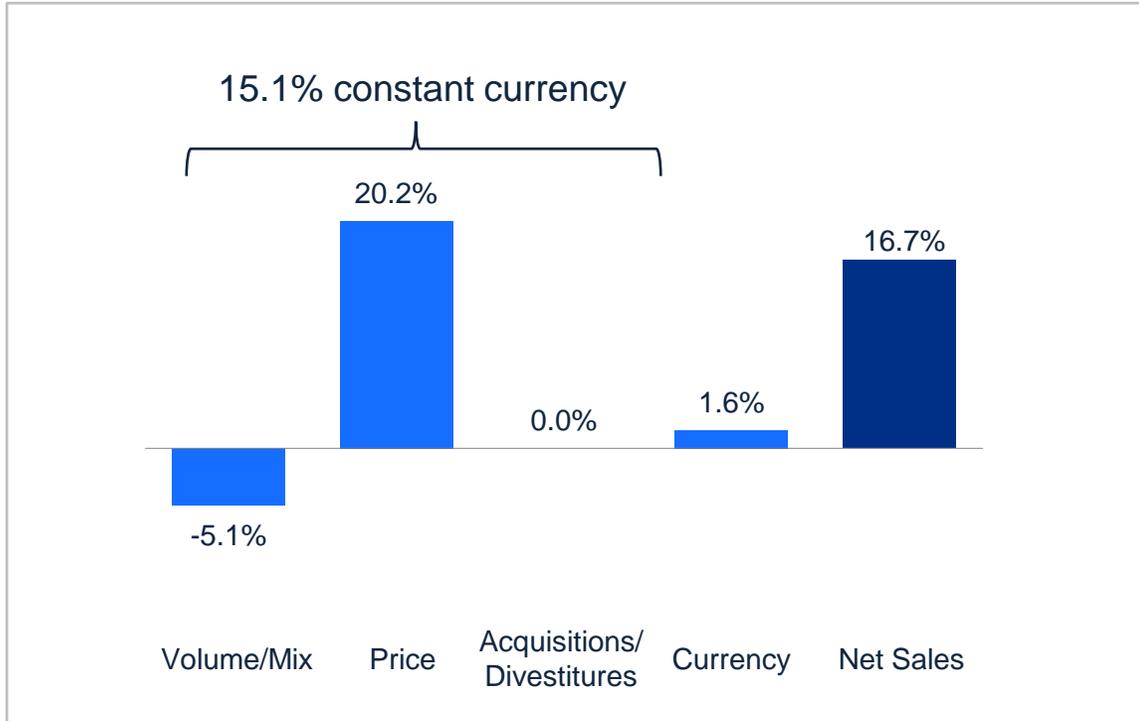


- Pricing actions to offset cost inflation
- Broad based growth across the portfolio
- Strength in flavors and branded foodservice



3Q 2023 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

EMEA FLAVOR SOLUTIONS



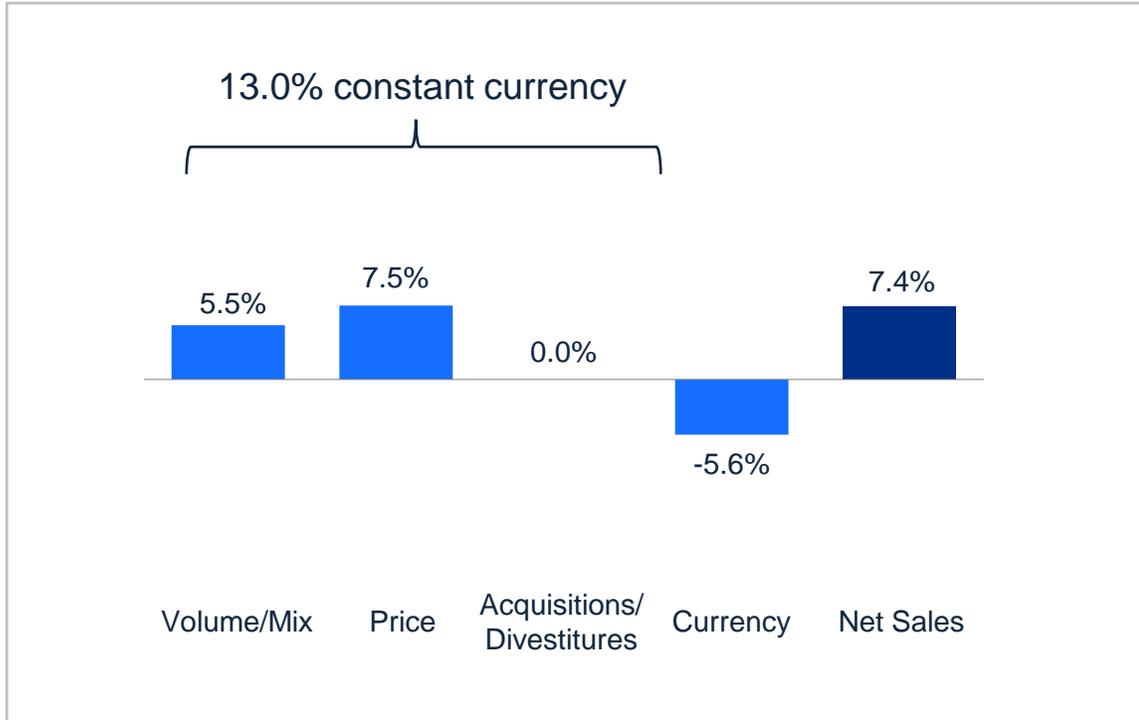
- Pricing actions to offset cost inflation
- Volume and mix decline included:
 - Lower volume in the businesses of some customers
 - 1% impact from exiting a foodservice product line





3Q 2023 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

APAC FLAVOR SOLUTIONS



- Pricing actions to offset cost inflation
- Volume growth driven by customers' promotional activities





GROSS MARGIN

<i>(in millions)</i>	3Q 2023	3Q 2022	3Q Fav/(Unfav) Change
Gross Margin	37.0%	35.5%	150 bps

- Favorable gross margin impacts:
 - Global Operating Effectiveness (GOE) and Comprehensive Continuous Improvement (CCI) led savings programs
 - Recovery of cost inflation pricing lagged over the last two years, as planned
- Gross margin comparable to 2Q 2023 due to realizing highest level of pricing and cost recovery in 2Q 2023
- Anticipate higher gross margin in 4Q 2023 than in 3Q 2023 and 4Q 2022



OPERATING INCOME

<i>(in millions)</i>	3Q 2023	3Q 2022	3Q Fav/(Unfav) Change
Selling, general & administrative expenses as percent of net sales	22.1%	20.5%	(160) bps
Operating income	\$245.0	\$235.2	4%
Adjusted operating income	\$251.1	\$238.6	5%
Consumer	173.3	183.7	(6%)
Flavor Solutions	77.8	54.9	42%

- SG&A expenses as a percent of net sales increased 160 basis points
 - Higher employee incentive compensation expenses, distribution costs, and brand marketing investments
 - Costs partially offset by CCI-led and GOE cost savings
- Total MKC adjusted operating income had minimal currency impact
 - Consumer segment had a 1% unfavorable currency impact
 - Flavor Solutions segment had a 1% favorable currency impact
- Special charges and integration expenses were \$6.1 million in 3Q 2023 versus \$3.4 million in 3Q 2022





INTEREST EXPENSE AND INCOME TAXES

<i>(in millions)</i>	3Q 2023	3Q 2022	3Q Fav/(Unfav) Change
Interest Expense	\$52.7	\$37.9	(39%)
Income tax rate	21.4%	21.6%	17 bps
Adjusted income tax rate	21.4%	21.2%	(23 bps)

- Increased interest expense driven by the higher rate environment





INCOME FROM UNCONSOLIDATED OPERATIONS

<i>(in millions)</i>	3Q 2023	3Q 2022	3Q Fav/(Unfav) Change
Income from Unconsolidated Operations	\$13.4	\$7.5	79%

- Increase driven by strong performance in largest joint venture, McCormick de Mexico
- 2023 projection of Income from Unconsolidated Operations increased to 30% growth from 2022, reflecting the strong McCormick de Mexico performance





EARNINGS PER SHARE

	3Q 2023	3Q 2022	3Q Fav/(Unfav) Change
Earnings per share	\$0.63	\$0.82	(23%)
Adjusted earnings per share	\$0.65	\$0.69	(6%)

Change in adjusted earnings per share

Increase in adjusted operating income	0.04
Increase in unconsolidated income	0.02
Decrease in other income	(0.06)
Increase in interest expense	<u>(0.04)</u>
Total Decrease	<u>(\$ 0.04)</u>



BALANCE SHEET AND CASH FLOW

- Strong year-to-date cash flow provided from operations of \$660 million
 - 164% increase from \$250 million year-to-date 2022
 - Increase driven by higher operating income and working capital improvements, including lower inventory
- \$314 million of cash returned to shareholders through dividends
- Capital expenditures of \$187 million through 3Q 2023
- Expect to de-lever to ~3.0X earlier in fiscal 2024 than originally expected



**BALANCED USE OF CASH:
DRIVE GROWTH, RETURN TO SHAREHOLDERS AND PAY DOWN DEBT**



2023 OUTLOOK

REFLECTS IMPROVED UNDERLYING PERFORMANCE

DISCRETE YEAR-OVER-YEAR DRIVERS

	CONSTANT CURRENCY GUIDANCE	GLOBAL OPERATING EFFECTIVENESS PROGRAM	NET CHINA RECOVERY	KITCHEN BASICS DIVESTITURE	INCENTIVE COMP REBUILD	INTEREST HEADWIND ¹	TAX HEADWIND	UNDERLYING BUSINESS GROWTH
Sales	5% to 7%		0%					5% to 7%
Operating Profit	10% to 12%	8%	1%	-1%	-9%			11% to 13%
EPS	4% to 6%	8%	1%	-1%	-9%	-8%	-1%	14% to 16%

 Favorable vs previous outlook
 Unfavorable vs previous outlook

1) Interest headwind includes interest expense and lapping the favorable impact from optimization of the debt portfolio in 3Q 2022





2023 OUTLOOK

	CURRENT	PRIOR
	Reported & Constant Currency	Reported & Constant Currency
Sales growth	5% to 7%	5% to 7%
Adjusted operating income increase	10% to 12%	10% to 12%
CCI-led cost savings	Approximately \$85M	Approximately \$85M
Cost inflation	Low to mid-teens increase	Low to mid-teens increase
Adjusted gross profit margin	Up 110 to 140 bps	Up 50 to 100 bps
Brand marketing	Low single-digit increase	Low single-digit increase
Interest expense	\$200M to \$210M	\$200M to \$210M
Adjusted income from unconsolidated operations	Up 30%	Up 20%
Adjusted tax rate	Approximately 22%	Approximately 22%
Adjusted earnings per share	\$2.62 to \$2.67	\$2.60 to \$2.65
Adjusted earnings per share growth	4% to 6%	3% to 5%
Shares outstanding	Approximately 270M to 271M	Approximately 270M to 271M



GLOBAL DEMAND FOR FLAVOR IS FOUNDATION OF SALES GROWTH

McCORMICK IS END-TO-END FLAVOR

CAPITALIZING ON LONG-TERM CONSUMER TRENDS

Healthy and Flavorful Cooking

Trusted Brands

Digital Engagement

Purpose-minded Practices

DRIVING SUSTAINABLE GROWTH IN BOTH SEGMENTS

Focus on Fast-Growing Categories

Breadth and Reach of Portfolio

Differentiated Platform, Results, and Culture

Success Driven by McCormick Employees



KEY TAKEAWAYS

Strong third quarter results reflect:

- Sustained demand and successful execution of growth strategies
- Improved volume performance, excluding China
- Meaningful year-over-year margin expansion
- Strong year-to-date cash flow

Sales and operating profit outlook reaffirmed:

- Including a lower than expected China recovery
- Highlighting strength of underlying business

Confidence in 2023 outlook and growth trajectory over the long-term



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NON-GAAP FINANCIAL MEASURES

The tables below include financial measures of adjusted operating income, adjusted operating income margin, adjusted income tax expense, adjusted income tax rate, adjusted net income and adjusted diluted earnings per share. 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. These financial measures exclude the impact, as applicable, of the following:

Special charges – In our consolidated income statement, we include a separate line item captioned “Special charges” in arriving at our consolidated operating income. Special charges consist of expenses and income associated with certain actions undertaken by the Company to reduce fixed costs, simplify or improve processes, and improve our competitiveness and are of such significance in terms of both up-front costs and organizational/structural impact to require advance approval by our Management Committee. Expenses associated with the approved actions are classified as special charges upon recognition and monitored on an on-going basis through completion.

Transaction and integration expenses – We exclude certain costs associated with our acquisitions and their subsequent integration into the Company. Such costs, which we refer to as “Transaction and integration expenses”, include transaction costs associated with each acquisition, as well as integration costs following the respective acquisition, including the impact of the acquisition date fair value adjustment for inventories.

Gain on sale of Kitchen Basics - We exclude the gain realized upon our sale of the Kitchen Basics business in August 2022. As more fully described in note 17 in our Annual Report on Form 10-K for the year ended November 30, 2022, the pre-tax gain associated with the sale was \$49.6 million and is included in Other income, net in our consolidated income statement for the year ended November 30, 2022.

We believe that these non-GAAP financial measures are important. The exclusion of the items noted above 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 analyze our business performance and trends.

These non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but they 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 titled measures of other companies because other companies 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:

NON-GAAP FINANCIAL MEASURES

(in millions except per share data)

	Three Months Ended	
	8/31/2023	8/31/2022
Operating income	\$ 245.0	\$ 235.2
Impact of special charges	6.1	3.4
Adjusted operating income	\$ 251.1	\$ 238.6
% increase versus year-ago period	5.2%	
Adjusted operating income margin (1)	14.9%	15.0%
Income tax expense	\$ 42.7	\$ 59.3
Impact of special charges	1.3	0.7
Impact of sale of Kitchen Basics	-	(11.6)
Adjusted income tax expense	\$ 44.0	\$ 48.4
Adjusted income tax rate (2)	21.4%	21.2%
Net income	\$ 170.1	\$ 222.9
Impact of special charges	4.8	2.7
Impact of after-tax gain on sale of Kitchen Basics	-	(38.0)
Adjusted net income	\$ 174.9	\$ 187.6
% decrease versus year-ago period	(6.8%)	
Earnings per share - diluted	\$ 0.63	\$ 0.82
Impact of special charges	0.02	0.01
Impact of after-tax gain on sale of Kitchen Basics	-	(0.14)
Adjusted earnings per share - diluted	\$ 0.65	\$ 0.69
% decrease versus year-ago period	(5.8%)	

1) Adjusted operating income margin is calculated as adjusted operating income as a percentage of net sales for each period presented.

2) Adjusted income tax rate is calculated as adjusted income tax expense as a percentage of income from consolidated operations before income taxes excluding transaction and integration expenses and special charges of \$205.5 million and \$228.5 million for the three months ended August 31, 2023 and 2022, respectively.

NON-GAAP FINANCIAL MEASURES

Because we are a multi-national company, we are subject to variability of our reported U.S. dollar results due to changes in foreign currency exchange rates. Those changes have been volatile over the past several years. The exclusion of the effects of foreign currency exchange, or what we refer to as amounts expressed “on a constant currency basis”, is a non-GAAP measure. We believe that this non-GAAP measure provides additional information that enables enhanced comparison to prior periods excluding the translation effects of changes in rates of foreign currency exchange and provides additional insight into the underlying performance of our operations located outside of the U.S. It should be noted that our presentation herein of amounts and percentage changes on a constant currency basis does not exclude the impact of foreign currency transaction gains and losses (that is, the impact of transactions denominated in other than the local currency of any of our subsidiaries in their local currency reported results).

Percentage changes in sales and adjusted operating income expressed on a constant currency basis are presented excluding the impact of foreign currency exchange. To present this information for historical periods, current period results for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the average exchange rates in effect during the corresponding period of the comparative year, rather than at 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 comparative year. Rates of constant currency growth (decline) follow:

	Three Months Ended August 31, 2023		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales			
Consumer Segment			
Americas	1.4%	(0.3)%	1.7%
EMEA	14.9%	4.5%	10.4%
APAC	(15.8)%	(5.3)%	(10.5)%
Total Consumer segment	<u>1.0%</u>	<u>(0.3)%</u>	<u>1.3%</u>
Flavor Solutions Segment			
Americas	11.3%	1.2%	10.1%
EMEA	16.7%	1.6%	15.1%
APAC	7.4%	(5.6)%	13.0%
Total Flavor Solutions segment	<u>12.0%</u>	<u>0.6%</u>	<u>11.4%</u>
Total net sales	<u>5.6%</u>	<u>0.1%</u>	<u>5.5%</u>
Adjusted operating income			
Consumer segment	(5.7)%	(0.5)%	(5.2)%
Flavor Solutions segment	<u>41.7%</u>	<u>0.9%</u>	<u>40.8%</u>
Total adjusted operating income	<u>5.2%</u>	<u>(0.2)%</u>	<u>5.4%</u>



NON-GAAP FINANCIAL MEASURES

To present "constant currency" information for the fiscal year 2023 projection, projected sales and adjusted operating income for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the company's budgeted exchange rates for 2023 and are compared to the 2022 results, translated into U.S. dollars using the same 2023 budgeted exchange rates, rather than at the average actual exchange rates in effect during fiscal year 2022. To estimate the percentage change in adjusted earnings per share on a constant currency basis, a similar calculation is performed to arrive at adjusted net income divided by historical shares outstanding for fiscal year 2022 or projected shares outstanding for fiscal year 2023, as appropriate. The following provides a reconciliation of our estimated earnings per share to adjusted earnings per share for 2023 and actual results for 2022:

	Year Ended	
	2023 Projection	11/30/2022
Earnings per share - diluted	\$2.46 to \$2.51	\$ 2.52
Impact of transaction and integration expenses	-	0.01
Impact of special charges	0.16	0.14
Impact of after-tax gain on sale of Kitchen Basics	-	(0.14)
Adjusted earnings per share - diluted	\$2.62 to \$2.67	\$ 2.53

