

McCormick & Company, Inc.
Return on Invested Capital (ROIC)

ROIC is a performance measure used by industry analysts and investors to evaluate financial performance relative to peers and, therefore, when considered in conjunction with the financial statements, is informative. This measure is not defined by United States generally accepted accounting principles and may be calculated differently from similar measures used by other companies.

ROIC Calculation

We define ROIC as net income from operations, excluding interest and amortization expense, divided by the sum of debt and equity (average total capital). The following table contains selected ROIC information for the fiscal years ended November 30 (in millions).

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net income	\$472.3	\$401.6	\$437.9	\$389.0	\$407.8	\$374.2	\$370.2	\$299.8	\$255.8	\$230.1
Interest expense, net of taxes	41.4	39.2	36.6	39.0	40.1	36.3	36.7	36.0	39.8	42.1
Subtotal	\$513.7	\$440.8	\$474.5	\$428.0	\$447.9	\$410.5	\$406.9	\$335.8	\$295.6	\$272.2
Average total capital	3,083.3	3,087.3	3,136.5	3,025.4	2,870.9	2,606.8	2,334.4	2,310.1	2,051.4	1,696.3
ROIC	16.7%	14.3%	15.1%	14.1%	15.6%	15.7%	17.4%	14.5%	14.4%	16.0%

Calculation of average total capital

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Current debt	\$393.2	\$343.0	\$270.8	\$214.1	\$392.6	\$222.4	\$100.4	\$116.1	\$354.0	\$149.6
Long-term debt (1)	1,054.0	1,051.4	1,013.1	1,017.8	778.4	1,029.7	779.9	875.0	885.2	573.5
Shareholders' equity	1,638.1	1,686.9	1,809.4	1,947.7	1,700.2	1,618.5	1,462.7	1,334.6	1,055.3	1,085.1
Total capital	\$3,085.3	\$3,081.3	\$3,093.3	\$3,179.6	\$2,871.2	\$2,870.6	\$2,343.0	\$2,325.7	\$2,294.5	\$1,808.2

Average total capital 3,083.3 3,087.3 3,136.5 3,025.4 2,870.9 2,606.8 2,334.4 2,310.1 2,051.4 1,696.3

Average total capital is the average of the current and prior year total capital.

We have also provided a calculation of ROIC that is adjusted for items affecting comparability as disclosed by the company in its Form 10K filings. On this basis, the following table contains selected ROIC information for the fiscal years ended November 30 (in millions).

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net income	\$472.3	\$401.6	\$437.9	\$389.0	\$407.8	\$374.2	\$370.2	\$299.8	\$255.8	\$230.1
Interest expense, net of taxes	41.4	39.2	36.6	39.0	40.1	36.3	36.7	36.0	39.8	42.1
Items affecting comparability	11.1	47.9	3.7	29.2	-	-	(13.9)	10.9	26.2	24.2
Subtotal	\$524.8	\$488.7	\$478.2	\$457.2	\$447.9	\$410.5	\$393.0	\$346.7	\$321.8	\$296.4
Average total capital	3,083.3	3,087.3	3,136.5	3,025.4	2,870.9	2,606.8	2,334.4	2,310.1	2,051.4	1,696.3
ROIC, adjusted for items affecting comparability	17.0%	15.8%	15.2%	15.1%	15.6%	15.7%	16.8%	15.0%	15.7%	17.5%

(1) Total assets and Long-term debt for fiscal years 2015, 2014, 2013 and 2012 reflect the impacts of Accounting Standards Updates 2015-03 for the restatement of the presentation of debt issuance costs and 2015-17 for the balance sheet reclassification of all deferred tax assets and liabilities as noncurrent. Both of these updates were adopted as of November 30, 2016.

In 2016, 2015, 2014 and 2013, we recorded special charges related to the completion of organization and streamlining actions for our businesses in EMEA, North America and Australia. In addition, for 2016 and 2015, we recorded special charges related to the discontinuance of bulk-packaged and broken basmati rice product lines for our business in India. In 2013, we recognized a loss on a voluntary pension settlement in the U.S. In 2010, we had the benefit of the reversal of a significant tax accrual for a closed tax year. This tax accrual was recorded in a prior period based on uncertainties about the tax aspects of transactions related to the reorganization of our European operations and divestment of certain of our joint ventures. From 2007 to 2009, restructuring charges were recorded. Also, in 2008 an impairment charge of \$29.0 million was recorded to reduce the value of the Silvo brand. Related to the acquisition of Lawry's in 2008, the Company recorded a net gain of \$7.9 million.