



McCormick Reports Growth in Sales And Profits For Third Quarter And Provides Latest 2014 Financial Outlook

October 2, 2014

SPRING, Md., Oct. 2, 2014 /PRNewswire/ - McCormick Company, Incorporated (NYSE: MCC), a global leader in food, today reported increased sales and profit results for the third quarter ended August 31, 2014 and provided the latest outlook for fiscal year 2014.

- **McCormick** grew third quarter sales 3% and operating income 4%, with increases in both the consumer and industrial businesses.
- **Earnings per share** rose 21% to \$0.34 from \$0.28 in the year-ago period primarily due to higher operating income and a favorable tax rate.
- **The company raised its outlook for 2014 adjusted earnings per share to \$0.30 to \$0.37, due primarily to the favorable tax rate recorded in the third quarter.**

Chairman's Remarks

Alan D. Wilson, Chairman, President and CEO, commented, "In the third quarter, we achieved solid growth in sales and operating income from the year-ago period. Our consumer business results were led by a 15% sales increase in China and solid growth in our Europe, Middle East and Africa (EMEA) region. In the U.S. consumer business, we are making steady progress with growth initiatives to build our brand equity and category leadership in a competitive environment. Industrial business sales grew 4% this period, largely driven by increases in snack seasonings in the Americas and higher margin industrial products in EMEA. We continue to improve operating income for this segment, which has increased 20% year-to-date, most from recording a year-over decline in 2013. Earnings per share rose sharply in the third quarter mainly as a result of higher operating income and a lower tax rate. We are pleased that our profit performance in getting higher cash flow from operations, which has increased nearly \$20 million year-to-date through the third quarter. During the period, we have returned \$20 million to shareholders in the form of dividends and share repurchases, up 42% from the 2013 year-to-date total.

We continue to be encouraged by the growing consumer demand for food in markets around the world. To meet this demand, we are introducing exciting new products including Saffier Sauce, Peablock herbs and in early 2015, will relaunch our premium gourmet line in the U.S. For the 2014 holiday season, we plan to increase our brand marketing support at least 15% from the fourth quarter of 2013. We are betting these investments with our Comprehensive Continuous Improvement (CCI) program. Through CCI, employees around the world are working to improve productivity and we now expect 2014 cost savings from the program to reach at least \$50 million.

While we continue to project 2% to 5% sales growth in local currency, the pace of growth is more rapid in international markets. This change in business mix has led us to moderate our outlook for operating income in 2014, but is also driving a lower tax rate. We now anticipate higher earnings per share this year, with the net impact of these factors and additional favorable tax variances. Overall, we are pleased with our performance in 2014 and believe McCormick is well-positioned for the future, with great products, effective growth strategies and employees around the world engaged in our mission."

Third Quarter 2014 Results

McCormick's third quarter sales rose 3% from the year-ago period and in local currency, the increase was 2%. In local currency, consumer business sales rose 1%, mainly driven by pricing actions. Industrial business sales grew 3% in local currency, with higher volume and product mix, as well as pricing actions. Across both business segments, higher sales and cost savings from the company's CCI program led to a 4% increase in operating income in the third quarter of 2014, which included a \$2 million impact from special charges. Earnings per share rose 21% to \$0.34 in the third quarter of 2014 from \$0.28 in the year-ago period. Together, higher operating income and income from discontinued operations accounted for \$0.09 of the increase and a favorable tax rate contributed another \$0.10. The lower tax rate reflected the company's earlier business mix across tax jurisdictions, final regulations clarified the impact of a new law change in France and other discrete tax items. Also contributing to the year-over increase in earnings per share this quarter was a reduction in share repurchases. For the first three quarters of 2014, net cash provided by operating activities reached \$276 million, an increase of \$48 million from the year-ago period. Higher net income and lower retirement plan contributions had a favorable impact on cash flow this period.

2014 Financial Outlook

McCormick reaffirms its projected 2% to 5% sales growth in local currency. Based on year-to-date results and prevailing risks, the company anticipates minimal sales impact from foreign currency exchange rates. The company also reaffirmed its goal to invest at least \$20 million in research and marketing support during the fiscal year to drive sales of new products, as well as core items. Approximately half of the brand marketing investment is planned for the fourth quarter of 2014, including a significant increase in the U.S. These investments, in innovation and brand building, are funded in part by McCormick's CCI program which is expected to deliver at least \$50 million of cost savings in 2014. Based on the year-to-date third and fourth quarter outlook, the company moderated its projected operating income growth rate. Excluding the impact of special charges in 2014, adjusted operating income is now expected to grow 4% to 5% from adjusted operating income of \$591 million in 2013. The company increased its 2014 guidance for adjusted earnings per share to a range of \$0.30 to \$0.37. The increase is primarily due to a lower tax rate projection of 27% for the current fiscal year. Excluded from this adjusted earnings per share range is \$0.01 of special charges that were recorded in the third quarter of 2014. Another year of strong cash flow is anticipated in 2014, with a significant portion being returned to McCormick's shareholders through dividends and share repurchases.

Business Segment Results

	Third quarter ended		Year-to-date ended	
	2014	2013	2014	2013
Net sales	\$ 621.8	\$ 612.4	\$ 1,852.2	\$ 1,772.2
Operating income	124.1	118.7	382.4	296.0
Operating income, excluding special charges	123.1	118.7	382.3	294.0

Consumer business sales rose 2% when compared to the third quarter of 2013 in local currency, the increase was 1%, comprised of higher pricing offset by a decline in volume and product mix.

- **Consumer sales in the Americas** declined 1%, with minimal impact from foreign currency exchange rates. Higher pricing had a favorable impact. In addition, the company made progress with growth initiatives that drove sales of grilling products, recipe mixes and a number of new products. These increases were offset in part by a shift in customer purchases. While the company anticipates a strong customer response to its holiday display activity in 2014, it expects retailer purchases under its holiday display program to be more skewed to the fourth quarter in 2014 than the prior year. In 2013, retailer purchases under this program were more skewed to the third quarter due in part to a price increase effective early in the fourth quarter of 2013. When compared to the year-ago period, this shift has lowered the growth rate for consumer sales in the Americas by approximately 5% in the third quarter of 2014 and is expected to have a favorable impact in the fourth quarter of 2014.
- **Consumer sales in EMEA** grew 6%. In local currency, the increase was 2%, mainly due to pricing actions. Volume and product mix was down slightly as growth from product innovation and expanded distribution was offset by competitive conditions in this region.
- **Third quarter consumer sales in the Asia-Pacific region** rose 10%. In local currency, sales grew 11% largely driven by increased volume and product mix across a number of product categories in China. Sales in India also grew at a double-digit rate.

Operating income, excluding special charges, was \$123 million for the consumer business. This was an increase of 3% from the third quarter of 2013, primarily due to the favorable impact of higher sales and CCI cost savings, offset in part by a \$3 million increase in brand marketing support.

	Third quarter ended		Year-to-date ended	
	2014	2013	2014	2013
Net sales	\$ 496.9	\$ 494.0	\$ 1,417.4	\$ 1,382.7
Operating income	36.2	29.7	108.8	82.4
Operating income, excluding special charges	35.2	29.7	108.8	82.4

Industrial business sales rose 3% when compared to the third quarter of 2013, and in local currency the increase was 3%. Contributing to this growth were higher volume and product mix from innovation and distribution gains, as well as pricing actions.

- **Industrial sales in the Americas** rose 3%, with minimal impact from foreign currency exchange rates. The increase was mainly due to strong demand for snack seasonings in both the U.S. and Mexico.
- **In EMEA**, the company grew industrial sales 14% and in local currency the increase was 6%. The company increased prices 5% in response to higher material costs this period. Also contributing to growth this period were increased demand from quick service restaurant customers and for snack seasonings sold to food manufacturers.
- **Industrial sales in the Asia-Pacific region** declined 1%, with minimal impact from foreign currency exchange rates. Weaker demand from quick service restaurants affected sales this period.

In the third quarter of 2014, industrial business operating income, excluding special charges, grew 26% from the year period to \$38 million, driven by higher sales, CCI cost savings and increased margins within the product portfolio. The increase in industrial business operating income this period was a strong recovery from the third quarter of 2013 when operating income declined 16% from the third quarter of 2012.

Non-GAAP Financial Measures

The table below includes financial measures of operating income, net income and diluted earnings per share excluding the impact of special charges recorded in the third quarter of 2014. These include \$1.3 million of charges primarily related to the settlement of certain manufacturing operations in the U.S. industrial business and \$1.0 million of charges related to reorganization activity in EMEA. For the fiscal year 2013, the second table below includes financial measures of operating income, net income and diluted earnings per share excluding the impact of \$25 million of charges related to reorganization activity in EMEA recorded in the fourth quarter. Also included for 2013 is the impact of a \$15 million loss on voluntary pension settlement recorded in the fourth quarter that relates to a previously announced lump sum payout program offered to former U.S. employees with defined vested pension benefits. These are non-GAAP financial measures which we prepared as a complement to our financial results prepared in accordance with United States generally accepted accounting principles. We believe this non-GAAP information is important for purposes of comparison to prior periods and future performance 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. Management believes the non-GAAP measures provide a more consistent basis for assessing the Company's performance than the stated GAAP equivalent.

These non-GAAP 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. 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 measures to GAAP financial results is provided below.

	Third Quarter Ended		Year-to-date Ended	
	2014	2013	2014	2013
Operating income	\$ 124.1	\$ 118.7	\$ 382.4	\$ 296.0
Impact of special charges	1.3	0.0	1.3	0.0
Adjusted operating income	\$ 125.4	\$ 118.7	\$ 383.7	\$ 296.0
% increase versus prior period	10.5	0.0	10.5	0.0
Net income	\$ 122.0	\$ 104.4	\$ 389.4	\$ 255.0
Impact of special charges	2.4	0.0	2.4	0.0
Adjusted net income	\$ 124.4	\$ 104.4	\$ 391.8	\$ 255.0
% increase versus prior period	19.1	0.0	19.1	0.0
Earnings per share	\$ 0.34	\$ 0.28	\$ 1.04	\$ 0.84
Impact of special charges	0.00	0.00	0.00	0.00
Adjusted earnings per share	\$ 0.34	\$ 0.28	\$ 1.04	\$ 0.84
% increase versus prior period	21.4	0.0	21.4	0.0

