



McCormick Reports Fourth Quarter Financial Results And Provides Financial Outlook For 2015

January 28, 2015

SPRING, Md., Jan. 28, 2015 (PRNewswire) - McCormick & Company, Incorporated (NYSE: MCC), a global leader in flavor, today reported financial results for the fourth quarter and fiscal year ended November 30, 2014 and provided a 2015 financial outlook.

- In the fourth quarter of 2014, the company grew sales 2% in local currency. Including the impact of unfavorable foreign currency, sales rose slightly from the year-ago period. Earnings per share was \$1.14, and excluding items affecting comparability, adjusted earnings per share was \$1.18.
- For fiscal year 2014, the company grew sales 2% in local currency and earnings per share was \$3.34. Adjusted earnings per share of \$3.37 grew 9% from adjusted earnings per share of \$3.13 in 2013. Cash flow from operations reached \$504 million in 2014 and the company returned a record \$47 million to its shareholders through dividends and share repurchases.
- McCormick has significant cost reduction underway through its Comprehensive Continuous Improvement (CCI) program, as well as additional streamlining actions. In fiscal year 2015, cost savings are expected to reach at least \$80 million, which is a 27% increase from 2014.
- In fiscal year 2015, McCormick expects to grow sales 4% to 6% in local currency. Earnings per share is projected to be in a \$2.61 to \$2.68 range, and adjusted earnings per share is expected to range from \$2.57 to \$2.58, which excludes the expected impact of special charges.

Chairman's Remarks
 Alan D. Wilson, Chairman and CEO, commented, "McCormick delivered a solid financial performance in 2014, despite a difficult environment. Our on-trend customers are growing in markets around the world with increasing consumer demand for flavor. We are driving growth in sales and profit and, in 2015, are stepping up our cost reduction activities to fuel our growth. In 2014, we grew sales 2% in local currency, achieved an 8% increase in adjusted earnings per share and generated more than \$500 million in cash from operations. Both our consumer and industrial businesses achieved higher sales and operating income. We returned a record \$47 million of cash to shareholders, which was a 22% increase from 2013, including the benefit of our acquisition in China. We also increased our investment in brand marketing nearly \$20 million and are building customer loyalty to drive growth. To fuel this growth, employees throughout McCormick made significant improvements in productivity, generating \$55 million of cost savings under our CCI program. We also introduced new products launched in the past three years accounted for 8% of sales. We also increased our investment in brand marketing nearly \$20 million and are building customer loyalty to drive growth. To fuel this growth, employees throughout McCormick made significant improvements in productivity, generating \$55 million of cost savings under our CCI program. The production in flour categories that are managed with the on-trend consumer demand based from ingredients, healthy meals and great flour. We believe that these brand strategies are the key to drive sales. While we have a growing and profitable business, in local currency, we compete in a competitive environment. We are currently addressing competitive inroads in our U.S. consumer business by accelerating innovation, building our brand and applying our analytics to help retail customers optimize the space and assessing and refine mix categories. We made good progress in 2014 with the U.S. launch of G&M Malted barley sweeteners, plus new recipe, salted sauce and other products, as well as additional brand marketing to support these launches, expand our holiday campaign and reinforce our product quality. These efforts will continue in 2015. Our focus on an on-going growth and performance. Our employees are engaged in the business and are key ingredients to our success. For both our consumer and industrial business, we have effective growth strategies that include building on brands, expanding geographically, greater customer intimacy and innovation. For 2015, we have a strong top-of-innovation that includes focused sales and a reduction of our entire portfolio in the U.S., India, Mexico and the U.K., and new Maltine brand dessert items in France. We are looking for growth initiatives with cost savings from our CCI program. In addition, we continue to evaluate our operations and have several streamlining actions to lower our cost structure and remain competitive. In 2015, we expect to achieve strong sales and profit performance as well as our dividend and share repurchase activity, increased return to McCormick shareholders."

Fourth Quarter 2014 Results

The company grew fourth quarter sales 2% in local currency, including the impact of foreign currency, sales rose slightly from the year-ago period. Consumer sales grew 2% in local currency, driven by pricing actions and higher volume and product mix. Sales growth in the Americas region and in China led the performance. During the fourth quarter, the company increased its brand marketing by \$5 million to drive future sales growth for the consumer business. Due in part to this investment, as well as a less favorable mix of business, adjusted operating income for the consumer business declined 1% from the year-ago period. Industrial business grew 4% in local currency, with the impact of pricing actions largely offsetting lower volume and product mix. The decline in volume and product mix was mainly due to weak demand from snack sensor manufacturers in China. While industrial business adjusted operating income rose 12% in local year 2014 versus the year-ago period, for the fourth quarter of 2014, adjusted operating income declined 10% versus the year-ago period, due in part to an increase in interest costs and higher research and development expense. Income from unconsolidated operations grew 37% led by a significant increase in sales and profit from McCormick's joint venture in Mexico. Earnings per share was \$1.14 in the fourth quarter of 2014 compared to \$0.88 in the fourth quarter of 2013. On a comparable basis, adjusted earnings per share of \$1.16 in the fourth quarter of 2014 compared to \$1.20 in the year-ago period. The decline was primarily due to lower adjusted operating income, offset in part by higher income from unconsolidated operations and lower share outstanding.

Fiscal Year 2014 Results

For the fiscal year ended November 30, 2014, the company grew sales 2% in local currency from the year-ago period, with contributions from pricing and acquisitions, and a minimal impact in foreign currency. The sales impact of volume and product mix was slightly below fiscal year 2013, with growth in international markets. The strongest contributor to this growth was in the China consumer business, driven by an 18% increase in the base business, which includes the additional growth from the acquisition of WANG. This increase in international markets was offset by a decline in the U.S. consumer business, while the company has actions underway to improve performance. Gross profit margin rose 43 basis points and the company achieved \$55 million in cost savings from its CCI program. For the fiscal year, the company increased its investment in marketing by \$15 million to support the growth of its brands around the world. In fiscal year 2014, earnings per share was \$3.34 compared to \$3.13 in 2013. On a comparable basis, adjusted 2014 earnings per share of \$3.37 rose 9% from \$3.13 in the year-ago period, driven largely by higher adjusted operating income. Product mix was primarily due to lower adjusted net income and lower share outstanding. Net cash provided by operating activities reached \$504 million in 2014, an 8% increase from the year-ago period, driven largely by higher adjusted net income and lower retirement plan contributions.

Significant Cost Reduction Activity

McCormick is investing in growth through brand marketing, product innovation, acquisitions and other initiatives. These investments are being funded with significant cost savings from the company's CCI program, with employees around the world working to improve productivity. In the past few years, costs have been reduced \$30 million through this program. Beginning in 2013, the company embarked on certain streamlining actions to further reduce its cost structure and remain competitive. In 2013 and 2014, reorganization activity has been underway in the Europe, Middle East and Africa (EMEA) region and streamlining actions have been taken in the U.S. and Australia.

In 2015, McCormick has significant cost reduction activity underway, and has the ability to achieve cost savings of at least \$85 million. McCormick's CCI program is expected to deliver at least \$65 million of cost savings, and savings from previously announced streamlining actions are estimated to be \$10 million. In addition, McCormick is planning to take streamlining actions as part of a North America effectiveness initiative. These actions are expected to generate annual cost savings of approximately \$25 million by 2016, with \$10 million realized in 2015. In 2015, the company expects the actions in North America to result in approximately \$20 million of special charges, to be paid largely in cash.

2015 Financial Outlook

McCormick expects better global growth in consumer demand for flavor. Through 2015, Euroconsumer/International projects a mid-single digit compound annual growth rate in global retail sales of herbs and spices. With a global consumer share above 20%, the company expects to help drive the growth and increase its sales of herbs and spices, along with other flavor products, through brand marketing, product innovation, expanded distribution and acquisitions. In 2015, the company expects to grow sales 4% to 6% in local currency. Based on prevailing exchange rates, currency is expected to lower this sales target by a percentage point. Price and packaging material costs are expected to increase at a mid-single digit rate. The company plans to largely offset this increase with higher pricing and at least \$65 million of cost savings. Operating income is expected to grow 2% to 4% from operating income of \$653 million in 2014. Excluding an estimated \$20 million of special charges in 2015 and special charges of \$5 million recorded in 2014, adjusted operating income is expected to grow 4% to 6% from adjusted operating income of \$204 million in 2014. The 2015 outlook reflects the proposed sales growth, as well as a \$10 million increase in retirement benefit expense as a result of the non-cash impact of a lower discount rate, as well as new mortality assumptions that reflect a longer life expectancy.

McCormick projects 2015 average per share earnings of \$2.61 to \$2.68. An estimated \$20 million of special charges, equivalent earnings per share of \$2.10 to \$2.18 is expected. In addition to higher adjusted operating income, the company expects income from unconsolidated operations to grow at least 10% and the price to reduce these contributing by approximately 2% in the absence of acquisition activity. Excluding the impact of any special charges in the fourth quarter of 2015, adjusted earnings per share is expected to increase slightly from the year-ago period of \$2.62, with the potential favorable impact of cost savings, cost savings and a lower tax rate, offset in part by proposed unfavorable impact of increased brand marketing, currency issues, higher retirement expense and material cost inflation versus planned pricing actions that may not be fully implemented. For fiscal year 2015, strong cash flow is expected to continue, with plans to return a significant portion to McCormick's shareholders through dividend and share repurchases.

Business Segment Results

Consumer Business

(in millions)

	Three months ended		Three months ended	
	11/30/14	11/30/13	11/30/14	11/30/13
Net sales	\$ 774.2	\$ 754.9	\$ 2,825.5	\$ 2,526.8
Operating income	166.3	166.1	476.6	140.4
Operating income, excluding special charges and loss on voluntary pension settlement	172.8	170.4	474.3	172.3

For the fourth quarter of 2014, consumer business sales rose 2% in local currency from the year-ago period, with the increase driven by pricing, as well as volume and product mix, including the impact of foreign currency, sales rose 2%. Consumer sales in the Americas rose 4% in local currency, with contributions from higher volume and product mix, as well as pricing, including the impact of foreign currency. Sales rose 3% in Europe and product mix included a favorable impact of approximately 4% from a shift in retailer purchases that related to a U.S. holiday display program. As previously indicated, purchases under this program were more skewed to the third quarter of fiscal year 2013 than in 2014, due in part to a price increase that was effective early in the quarter of 2013. In the second half of 2013, consumer sales in the Americas grew 2% in local currency from the year-ago period, driven by pricing actions, new product activity and additional brand marketing support.

• Consumer sales in the Americas rose 4% in local currency, with contributions from higher volume and product mix, as well as pricing, including the impact of foreign currency. Sales rose 3% in Europe and product mix included a favorable impact of approximately 4% from a shift in retailer purchases that related to a U.S. holiday display program. As previously indicated, purchases under this program were more skewed to the third quarter of fiscal year 2013 than in 2014, due in part to a price increase that was effective early in the quarter of 2013. In the second half of 2013, consumer sales in the Americas grew 2% in local currency from the year-ago period, driven by pricing actions, new product activity and additional brand marketing support.

• Consumer sales in EMEA were comparable to the fourth quarter of 2013 in local currency, with higher pricing largely offsetting a decline in volume and product mix, including the impact of foreign currency. Sales declined 5%. Growth from product innovation and expanded distribution was more than offset by competitive conditions and lower retail customer inventory versus the year-ago period.

• Fourth quarter consumer sales in the Asia/Pacific region were comparable to the year-ago period, and the impact of foreign currency was minimal. In this region, 5% sales growth in China was offset by declines in India and other parts of the region this period.

Operating income, excluding special charges and the 2013 loss on voluntary pension settlement, was \$172 million for the consumer business. This compared to \$178 million in the fourth quarter of 2013, with the decline due in part to a \$5 million increase in brand marketing support and less favorable mix of business, offset in part by the impact of higher sales and cost savings.

Industrial Business

(in millions)

	Three months ended		Three months ended	
	11/30/14	11/30/13	11/30/14	11/30/13
Net sales	\$ 466.1	\$ 452.2	\$ 1,617.7	\$ 1,226.4
Operating income	96.3	98.0	125.4	110.2
Operating income, excluding special charges and loss on voluntary pension settlement	96.3	98.0	125.4	110.2

For the fourth quarter, industrial business sales rose 4% in local currency, with lower volume and product mix largely offset by the favorable impact of pricing actions. Including the impact of foreign currency, sales declined 1% when compared to the third quarter of 2013.

• Industrial sales in the Americas rose 7% in local currency from the fourth quarter of 2013, and were slightly below the year-ago period when including the impact of foreign currency. Higher pricing more than offset a decline in volume and product mix that related primarily to weak demand from snack sensor manufacturers. Growth in sales of snack seasonings in both the U.S. and Mexico remains strong.

• In EMEA, the company grew industrial sales 2% in local currency, including the impact of foreign currency. EMEA industrial sales rose 7% from the fourth quarter of 2013. The company increased prices 5% in response to higher material costs this period, which was offset in part by a lower volume and product mix.

• Industrial sales in the Asia/Pacific region declined 9% in local currency, mainly due to weaker demand from quick service restaurants in China, including the impact of foreign currency. Sales declined 10% from the year-ago period.

In the fourth quarter of 2014, industrial business operating income, excluding special charges and the 2013 loss on voluntary pension settlement, was \$97 million for the consumer business. This compared to \$103 million in the fourth quarter of 2013. This decline was in part a higher material costs, as well as higher employee incentive expense. The increase in employee incentive expense relates to the 13% increase in industrial business adjusted operating income for the 2014 fiscal year.

The table below includes financial measures of operating income, net income and diluted earnings per share excluding the impact of special charges recorded in fiscal years 2013 and 2014. These sales to non-GAAP information is important for purposes of certain manufacturing operations in the U.S. industrial business, and organizational restructuring in the U.S. and Australia. In addition, the financial measures of operating income, net income and diluted earnings per share in both the fourth quarter and fiscal year 2013 also exclude a loss on voluntary pension settlement that related to a non-cash pension program offered to former U.S. employees with defined pension benefits.

These are non-GAAP financial measures which are 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 certain manufacturing operations in the U.S. industrial business, and organizational restructuring in the U.S. and Australia. In addition, the financial measures of operating income, net income and diluted earnings per share in both the fourth quarter and fiscal year 2013 also exclude a loss on voluntary pension settlement that related to a non-cash pension program offered to former U.S. employees with defined pension benefits.

These non-GAAP measures may be considered in addition to our financial 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.

(in millions except per share data)

	Three Months Ended		Three Months Ended	
	11/30/14	11/30/13	11/30/14	11/30/13
Operating income	\$ 184.4	\$ 174.1	\$ 653.9	\$ 505.1
Special charges related to streamlining actions and loss on voluntary pension settlement	8.2	6.3	2.2	4.3
Adjusted operating income	\$ 192.6	\$ 180.4	\$ 656.1	\$ 509.4

% Increase (decrease) versus prior period	80%	3	%
Net income	\$ 189	\$ 123.9	\$ 437.9
Impact of special charges related to restructuring actions and loss on voluntary pension settlement	3.4	25.2	3.7
Adjusted net income	\$ 185.6	\$ 108.7	\$ 441.6
% Increase (decrease) versus prior period	80%	3	%
Earnings per share	\$ 1.14	\$ 0.96	\$ 2.34
Impact of special charges related to restructuring actions and loss on voluntary pension settlement	0.02	0.22	0.02
Adjusted earnings per share	\$ 1.16	\$ 1.18	\$ 2.36
% Increase (decrease) versus prior period	80%	3	%

First year 2015 Population

Earnings per share range	\$3.41 to \$3.48
Impact of \$20 million special charges	0.10
Adjusted earnings per share range	\$3.31 to \$3.38

Key Risks

As previously announced, McCormick will hold a conference call with analysts today at 8:00 A.M. ET. The conference call will be webcast live via the McCormick web site. Go to www.mccormick.com and follow directions to listen to the call and access the accompanying presentation materials. At the same location, a replay of the call will be available following the live call. Past press releases and additional information can be found at this address.

Forward-Looking Information

Certain statements contained in this release, including statements concerning operational performance such as those relating to net sales, earnings, cost savings, acquisitions and brand marketing support, are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements may involve the use of words such as "may," "will," "expect," "anticipate," "intend," "believe" and "plan." These statements may relate to the expected results of operations of businesses acquired by the company, the expected impact of the market and pricing actions on the company's results of operations and gross margin, the expected productivity and working capital improvements, the expected operations regarding green portfolio or various geographic and market, expected trends in net sales and earnings performance, the expectations of person and performance plan contributions and anticipated changes associated with such plans, the holding period and market risks associated with financial instruments, the adequacy of internally generated funds and working capital resources, such as the availability of bank financing, the ability to finance additional debt or equity securities and expenditures regarding purchasing shares of McCormick's common stock under the existing 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: damage to the company's reputation or brand name; loss of brand relevance; increases in product price due to product quality, liability, safety concerns, negative publicity about our products, business interruptions due to natural disasters or unexpected events; actions by and the financial condition of competitors and customers; the company's ability to identify, acquire and/or integrate cost savings or merger opportunities; negative employee relations; the successful acquisition and integration of new businesses; issues affecting the company's supply chain and raw materials; including fluctuations in the cost and availability of raw and packaging materials; government regulations; and changes in legal and regulatory requirements and enforcement practices; global economic and financial conditions generally, including the availability of financing; and interest and inflation rates; the investment return on retirement plan assets; and the cash associated with pension obligations; foreign currency fluctuations; the stability of credit and capital markets; risks associated with the company's information technology systems; the threat of data breaches and cyber attacks; volatility in the effective tax rate; impact of climate change on raw materials; management of intellectual property rights; and those of customers; litigation, legal and administrative proceedings; 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.

McCormick & Company, Incorporated is a global leader in flavor. With \$4.2 billion in annual sales, the company manufactures, markets and distributes spices, seasoning mixes, condiments and other flavorful products to the entire food industry - retail, foodservice, food manufacturers and foodservice businesses. Every day, no matter where or what you eat, you can enjoy food flavored by McCormick. McCormick Brings Passion to Flavor!

For more information, visit www.mccormick.com

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Financial Review

Fourth Quarter Report
 McCormick & Company, Incorporated

Consolidated Income Statement

(In millions except per share data)

	Three months ended		Twelve months ended	
	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013
Net sales	\$ 1,175.4	\$ 1,135.1	\$ 4,362.3	\$ 4,123.9
Cost of goods sold	867.9	867.9	3,249.0	3,427.6
Gross profit	307.5	267.2	1,113.3	1,696.3
Gross profit margin	26.5 %	23.5 %	25.5 %	40.4 %
Selling, general and administrative expenses	263.8	227.8	1,124.2	1,022.1
Special charges	—	2.0	—	20.1
Loss on voluntary pension settlement	—	15.3	—	15.3
Operating income	143.7	122.1	689.1	228.8
Interest expense	12.4	11.9	48.7	53.3
Other income, net	0.3	0.5	1.1	2.2
Income from consolidated operations before income taxes	187.3	162.7	954.4	493.4
Income taxes	16.6	14.8	64.3	13.1
Net income from consolidated operations	170.7	127.9	890.1	380.3
Income from unconsolidated operations	1.9	—	6.5	—
Net income	\$ 172.6	\$ 127.9	\$ 896.6	\$ 380.3
Earnings per share - basic	\$ 1.15	\$ 0.95	\$ 2.37	\$ 2.04
Earnings per share - diluted	\$ 1.14	\$ 0.96	\$ 2.34	\$ 2.01
Average shares outstanding - basic	150.8	131.8	138.9	131.1
Average shares outstanding - diluted	150.8	132.1	139.4	131.4

Fourth Quarter Report
 McCormick & Company, Incorporated

Consolidated Balance Sheet

(In millions)

	November 30, 2014	November 30, 2013
Assets		
Cash and cash equivalents	\$ 77.3	\$ 61.0
Trade accounts receivable, net	49.8	49.0
Inventory	71.9	47.9
Prepaid expenses and other current assets	13.0	13.9
Total current assets	212.0	171.8
Property, plant and equipment, net	1,232.2	1,785.1
Intangible assets, net	128.0	131.4
Investments and other assets	25.4	—
Total assets	\$ 1,607.6	\$ 2,088.3
Liabilities		
Short-term borrowings and current portion of long-term debt	\$ 276.8	\$ 214.1
Trade accounts payable	274.1	387.3
Other accrued liabilities	1.8	1.9
Total current liabilities	552.7	603.3
Long-term debt	1,222.8	1,253.1
Other long-term liabilities	128.4	121.9
Total liabilities	1,903.9	1,978.3
Shareholders' equity		
Common stock	85.6	82.4
Retained earnings	85.6	314.4
Accumulated other comprehensive loss	(194.0)	(3.3)
Non-controlling interests	17.2	—
Total shareholders' equity	1,603.4	1,663.5
Total liabilities and shareholders' equity	\$ 1,607.6	\$ 2,088.3

Fourth Quarter Report
 McCormick & Company, Incorporated

Consolidated Cash Flow Statement

(In millions)

	Twelve Months Ended	
	November 30, 2014	November 30, 2013
Operating activities		
Net income	\$ 427.9	\$ 380.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	182.7	156.0
Stock-based compensation	1.8	8.9
Special charges	3.2	25.0
Loss on voluntary pension settlement	—	15.3
Loss on sale of assets	1.3	0.3
Deferred income taxes	6.1	(15.3)
Income from unconsolidated operations	(29.4)	(53.2)
Change in operating assets and liabilities	156.2	(52.2)
Dividends from unconsolidated affiliates	1.8	—
Net cash flow provided by operating activities	864.4	669.8
Investing activities		
Acquisition of businesses	—	(142.2)
Capital expenditures	(132.7)	(89.6)
Proceeds from sale of property, plant and equipment	8.1	1.8
Net cash flow used in investing activities	(124.6)	(229.0)
Financing activities		
Short-term borrowings, net	57.7	71.9
Long-term debt repayments	(5.0)	(251.4)
Proceeds from restricted stock options	3.7	41.7
Common stock acquired by purchase	(244.8)	(171.4)
Dividends paid	(138.2)	(173.3)
Net cash flow from financing activities	(246.6)	(482.5)
Effect of exchange rate changes on cash and cash equivalents	8.8	4.4
Change in cash and cash equivalents	14.8	(166.6)
Cash and cash equivalents at beginning of period	62.5	61.0
Cash and cash equivalents at end of period	\$ 77.3	\$ 61.0

To view the original version on PR Newswire, visit <http://www.prnewswire.com/stories/2014/11/20/mccormick-reports-fourth-quarter-results-and-provides-forecast-for-2015-3000961.html>

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