



McCormick Reports On First Quarter Results And Latest 2016 Financial Outlook

March 29, 2016

SPRINGFIELD, Mo., March 29, 2016 (PRNewswire - McCormick & Company, Incorporated (NYSE: MCC), a global leader in flavor, today reported financial results for the first quarter ended February 29, 2016 and provided its latest financial outlook for fiscal year 2016.

• Sales rose 2% in the first quarter from the year-ago period. In constant currency, which excludes the unfavorable impact of foreign currency, the company grew sales 7%, with strong increases in both its consumer and industrial segments.

• Earnings per share was \$0.73 in the first quarter of 2016. Excluding the impact of special charges, adjusted earnings per share was \$0.74 compared to \$0.70 adjusted earnings per share in the first quarter of 2015. This increase was mainly due to higher sales and improved gross profit margin.

• For the 2016 fiscal year, the company adjusted its financial outlook as it now expects a lower impact from unfavorable foreign currency exchange rates. Excluding this impact, the company reaffirmed its expected growth rate for sales, adjusted operating income and adjusted earnings per share.

President & CEO Remarks

Laura E. Kurita, President and CEO, stated, "McCormick's first quarter results were a great start to fiscal year 2016. Consumer demand for healthy flavor and high-quality products is increasing globally and we are meeting this demand with a growing portfolio of on-trend products. Each of our two segments achieved strong underlying sales increases driven by our growth strategy. We are growing base business sales with brand marketing and are launching differentiated new products such as herb glazes and olive cooker sauces for our consumer segment and snack seasonings for industrial customers. We had an incremental sales benefit from three acquisitions completed in 2015, and continued to expect the stability and support of our business through retail channels and with new industrial customers. Led by our Comprehensive Continuous Improvement (CCI) program, we are on track to deliver at least \$50 million of cost savings in 2016 and recently announced a goal to reach \$400 million of cost savings in the next four years. Together with our strategies to drive sales growth, these cost savings are driving higher gross profit margin and in the first quarter, led to a double-digit increase in adjusted operating income on a constant currency basis. I want to recognize McCormick employees around the world for their efforts and engagement. Together, we are focused on building value for our shareholders and customers and we are pleased with our momentum underway in 2016."

First Quarter 2016 Results

McCormick reported a 2% sales increase in the first quarter from the year-ago period and in constant currency, grew sales 7%. In constant currency, consumer segment sales rose 6%, with higher volume and product mix driven by product innovation, brand marketing support and expanded distribution, as well as pricing actions and the impact of acquisitions completed in 2015. The growth was broad based with a constant currency sales increase in each region and particularly strong in China this period. In constant currency, the company grew industrial segment sales 7%, mainly from higher volume and product mix, with the additional benefit of the three acquisitions completed in 2015 and pricing actions to offset higher material costs. The increase in volume and product mix was led by the Sprink, Sholee, Sholee Sea and Sholee BLENDs, together with three product innovations, increased distribution and geographic expansion.

Operating income was \$120 million in the first quarter compared to \$84 million in the year-ago period. The company recorded the impact of special charges in the first quarter of 2016 related to previously announced organizational and restructuring actions. Excluding special charges, adjusted operating income was \$131 million compared to \$122 million of adjusted operating income in the year-ago period. In constant currency, adjusted operating income rose 12%, with the favorable impact of higher sales and cost savings more than offsetting higher material input costs and increased employee benefit expenses. Earnings per share was \$0.73 in the first quarter compared to \$0.70 in the year-ago period. Excluding the \$0.01 and \$0.15 impact of special charges in the first quarter of 2016 and 2015, respectively, adjusted earnings per share was \$0.74 compared to \$0.70 in the year-ago period. This 6% increase included the impact of unfavorable foreign currency exchange rates and was mainly due to the increase in adjusted operating income. The company continues to generate strong cash flow and net cash provided by operating activities for the first quarter of 2016 was \$76 million compared to \$66 million in the first quarter of 2015, with the decrease mainly related to the timing of payments for new material purchases.

2016 Financial Outlook

McCormick adjusted its financial outlook for fiscal year 2016 as it now expects a lower impact from unfavorable foreign currency exchange rates.

The company plans to grow sales 4% to 6% in constant currency, driven by base business increases, new products, pricing and acquisitions completed in 2015, including the estimated impact of unfavorable currency rates, projected sales growth is 1% to 3%. The company continues to expect to have \$50 million of cost savings to lead to improved margins and full six increases in brand marketing of approximately \$20 million.

Operating income is expected to grow 11% to 13% from \$144 million in 2015. Adjusted operating income is expected to grow 6% to 8% from operating income of \$614 million in 2015. Projected adjusted operating income in 2016 excludes an estimated \$7 million of special charges that relate to previously announced organizational and restructuring actions, and adjusted operating income in 2015 excludes \$50 million of special charges. The projected year to year increase in adjusted operating income is 9% to 11%, excluding the estimated impact of unfavorable currency rates. Earnings per share is projected to range from \$0.65 to \$0.74. Excluding the impact of special charges, adjusted earnings per share is projected to range from \$0.70 to \$0.75. This is an increase of 6% to 8% from adjusted earnings per share of \$0.68 in 2015. The projected year on year growth rate in 2016 adjusted earnings per share is 9% to 11%, excluding the estimated impact of unfavorable currency rates. Adjusted earnings per share in the second quarter of 2016 is expected to be slightly below \$0.75 of adjusted earnings per share in the second quarter of 2015. While the company anticipates strong sales growth and further improvement in gross profit margin, a portion of the additional brand marketing is planned in the second quarter. Additional pressure is also expected from a year-over-year increase in the raw material and unfavorable foreign currency rates. For the first quarter of 2016, another year of strong cash flow is anticipated, with a portion expected to be returned to McCormick's shareholders through dividends and share repurchases.

Business Segment Results

Consumer Segment

	Three months ended	
	2016	2015
Net sales	\$ 532.1	\$ 520.3
Operating income	\$ 82.0	\$ 72.3
Operating income, excluding special charges	\$ 86.2	\$ 61.6

Consumer segment sales rose 2% when compared to the first quarter of 2015. In constant currency, the company grew sales 6%, with increased volume and product mix and pricing actions taken to offset higher material costs. In addition, acquisitions completed in 2015 added 3 percentage points of the year-on-year constant currency growth in the first quarter.

• Consumer sales in the Americas rose 2%. The increase was 4% in constant currency, of which 1 percentage point was added by sales from Sholee's, acquired August 2015. Higher volume and product mix this period included increased U.S. sales of McCormick brand spices and herbs, Lowry's brand products, Hispanic brands and Simply Asia products. Pricing actions also contributed to higher sales.

• Consumer sales in EMEA increased 4%. In constant currency the company grew sales 14%, with sales from Dreyfus & Admetus, acquired May 2015, adding 10 percentage points of the increase. Sales growth this quarter was also driven by increased volume and product mix in France and Poland, due in part to a 2015 increase in brand marketing support, as well as product innovation and expanded distribution. Pricing actions also contributed to higher sales.

• First quarter consumer sales in the AsiaPacific region were comparable to the year-ago period. In constant currency, sales grew 5%. The company continues to drive growth in China and achieved a double-digit increase this period in constant currency. Toward the end of 2015, the company discontinued sales of a low margin product line in India, leading to a decline in that market that reduced sales growth in the AsiaPacific region by 4 percentage points this period.

Consumer segment operating income, excluding special charges, was \$84 million compared to \$50 million in the year-ago period. In constant currency, adjusted operating income rose 7% from the year-ago period, with the favorable impact of sales growth and cost savings more than offsetting the unfavorable impact of higher material costs and employee benefits expense. Brand marketing this period was comparable to the year-ago period in the first quarter, but expected to be higher in the second quarter related in part to the launch of new products.

Industrial Segment

	Three months ended	
	2016	2015
Net sales	\$ 364.1	\$ 359.1
Operating income	\$ 36.4	\$ 30.6
Operating income, excluding special charges	\$ 36.4	\$ 30.6

Industrial segment sales rose 2% when compared to the first quarter of 2015, and in constant currency the increase was 7%. Higher volume and product mix contributed to the increase, as well as pricing actions taken in response to higher material costs. In addition, an acquisition completed in 2015 added 2 percentage points of the year-on-year growth in the first quarter.

• Industrial sales in the Americas rose 3%. In constant currency the increase was 6%, driven by increased volume and product mix, and 3 percentage points of growth from Brazil Acetates, acquired in March 2015. During the first quarter, customer demand for snack seasonings increased, including the introduction of new products.

• In EMEA, industrial sales were comparable to the year-ago period. In constant currency, the company grew sales 11%. Another quarter of strong growth in this region was driven in part by product innovation, distribution gains and geographic expansion. Pricing actions taken to cover higher material costs also added to the year-on-year growth this period.

• Industrial sales in the AsiaPacific region declined 4%. In constant currency, sales increased 3%, as a result of higher volume and product mix in both Australia and China.

Industrial segment operating income, excluding special charges, was \$36 million compared to \$31 million in the year-ago period. In constant currency, adjusted operating income had a strong 20% increase from the year-ago period, with the favorable impact of higher sales, cost savings and a shift toward more value-added products. During the first quarter, these favorable factors more than offset the unfavorable year-on-year impact of increases in material costs and employee benefits expense.

Non-GAAP Financial Measures

The table below includes financial measures or adjusted operating income, adjusted net income and adjusted diluted earnings per share, each including the impact of special charges for the periods presented. These represent non-GAAP financial measures which are prepared in accordance with United States generally accepted accounting principles. In our consolidated income statement we include a separate line item labeled "Special charges" in arriving at our consolidated operating income. Special charges consist of expenses associated with certain actions undertaken by the company to reduce their costs, simplify or improve processes, and improve our competitiveness in terms of both unit-level costs and organizational/structural trends to require advance approval by our Management Committee, comprised of our President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President and Chief Operating Officer, President Global Industrial Segment and McCormick International, President Global Consumer Segment and North America, and Senior Vice President, Human Resources. Upon presentation of any such proposal when including details with respect to estimated costs, which generally consist principally of employee severance and related benefits, together with ancillary costs associated with the action that may include a non-cash component or a component which relates to inventory adjustments that are included in cost of goods sold, impacted employees or operations, expected strong and expected benefits to the Management Committee and the Committee's advance approval, expenses associated with the approved action are classified as special charges upon recognition and reflected in an earnings line through operations.

We believe that these non-GAAP financial measures are important for purposes of comparison to prior periods and development of future practices and earnings growth prospects. This information is also used in management's analysis of the probability of our ongoing operations and measures our business performance and trends.

These non-GAAP financial measures may be considered to include items not included in accordance with GAAP but should not be considered a substitute for, or superior to, GAAP results. In addition, these non-GAAP financial measures may be compared to similar items of other companies but 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 nearest GAAP financial measure is provided below.

	Three Months Ended	
	2016	2015
Operating income	\$ 120.0	\$ 84.0
Impact of special charges	\$ 11.0	\$ 22.0
Adjusted operating income	\$ 131.0	\$ 106.0
% increase versus prior period	7.7	7.9
Net income	\$ 53.4	\$ 70.5
Impact of special charges ⁽¹⁾	\$ 1.2	\$ 0.6
Adjusted net income	\$ 54.6	\$ 71.1
% increase versus prior period	1.4	1.4
Earnings per share - diluted	\$ 0.73	\$ 0.70
Impact of special charges	\$ 0.01	\$ 0.05
Adjusted earnings per share - diluted	\$ 0.74	\$ 0.75
% increase versus prior period	6.7	7.1

(1) Special charges of \$1.6 million and \$28.4 million for the three months ended February 28, 2016 and February 28, 2015 are net of taxes of \$0.3 million and \$5.5 million, respectively.

Percentage change in sales and adjusted operating income expressed as "constant currency" are calculated excluding the impact of foreign currency exchange. To present this information for historical periods, current period results are written reporting in currencies other than the U.S. dollar and translated into U.S. dollars at the average exchange rates in effect during the corresponding period of the prior fiscal 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 prior fiscal year. Constant currency growth rates below:

Net sales	Three Months Ended February 28, 2016		Percentage Change on Constant Currency
	Percentage Change vs. Reported	Impact of Foreign Currency Exchange	
Consumer segment			
Acme	2.3%	(1.4)%	3.7%
EMEA	3.7%	(10.3)%	14.0%
Asia/Pacific	1.2%	1.2%	0.0%
Total consumer segment	2.2%	(0.2)%	2.4%
Industrial segment			
Acme	0.2%	0.2%	0.0%
EMEA	(0.3)%	(17.4)%	19.7%
Asia/Pacific	1.0%	2.4%	3.4%
Total industrial segment	0.9%	(14.8)%	15.7%
Total net sales	1.6%	(5.2)%	6.8%
Adjusted operating income			
Consumer segment			
Acme	3.1%	(0.6)%	6.7%
EMEA	2.0%	(12.1)%	14.1%
Asia/Pacific	1.0%	1.0%	0.0%
Total adjusted operating income	2.0%	(1.6)%	3.6%

To present the percentage change in projected 2016 adjusted earnings per share on a constant currency basis, projected sales and adjusted operating income for written reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the company's budgeted exchange rate for 2016 and are compared to the 2015 results, translated into U.S. dollars using the same 2016 budgeted exchange rate, rather than at the average actual exchange rates in effect during fiscal year 2015. This calculation is performed to arrive at adjusted net income (however, no adjustment is made for the company's share of income in unconsolidated operations that are accounted in currencies other than the U.S. dollar) divided by diluted shares outstanding for fiscal year 2016 as projected versus outstanding for fiscal year 2015, as appropriate.

Fiscal year 2015 actual results and 2016 projection

(In millions except per share data)	Three Months Ended	
	February 28, 2016	February 28, 2015
Operating income	\$ 346.9	\$ 352.1
Impact of special charges	\$ 0.6	\$ 0.0
Adjusted operating income	\$ 347.5	\$ 352.1
Earnings per share - diluted	\$ 2.91	\$ 2.91
Impact of special charges, including special charges attributable to non-controlling interests	\$ 0.07	\$ 0.07
Adjusted earnings per share - diluted	\$ 2.84	\$ 2.84
Percentage change in adjusted earnings per share	0.0%	0.0%
Impact of foreign currency exchange rates	0.0%	0.0%
Percentage change in adjusted earnings per share on constant currency basis	0.0%	0.0%

Law Release

As previously announced, McCormick will hold a conference call with analysts today at 9:00 a.m. ET. The conference call will be webcast live at 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. Post press releases and additional information can be found at the address.

Forward-Looking Information

Certain information contained in this release, including statements concerning expected 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 be identified by 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 new mergers, acquisitions and other business combinations on the company's results of operations and growth, the expected results of various acquisitions and marketing, operations, regulatory and compliance initiatives, the anticipated results of foreign exchange fluctuations, the anticipated results of foreign government trade and monetary policies of countries, such as the availability of financing, the ability to raise additional debt and equity securities and repurchase common stock under the existing authorization, and other forward-looking statements on a basis of management's current views and expectations that could vary from what is actually achieved. Results may be materially affected by factors such as: damage to the company's reputation or brand name; loss of brand relevance; increased use of private label or other competitive products; product quality, labeling, or safety concerns; negative publicity about our products; business interruptions due to natural disasters or unexpected events; factors by, and the financial condition of, competitors and customers; the company's inability to achieve expected and/or realized cost savings or margin improvements; negative employee relations; the lack of successful acquisition and integration of new businesses; issues affecting the company's supply chain and raw material, 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 investment in new assets, and the costs associated with various obligations, foreign currency fluctuations; the ability of credit and capital markets; risks associated with the company's information technology systems; the effect of data breaches and cyber attacks; volatility in the effective tax rate; climate change; management of intellectual property rights; and those of customers, suppliers, 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.

About McCormick

McCormick & Company, Incorporated is a global leader in flavor. With \$4.3 billion in annual sales, the company manufactures, markets and distributes spices, seasoning mixes, condiments and other flavorful products to the entire food industry - retail outlets, 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

For information contact:

Investor Relations
Alyssa Brink (415) 771-7244 or allyssa.brink@mccormick.com

Corporate Communications
Lori Williams (415) 527-6000 or lori.williams@mccormick.com

(Financial tables follow)

Full Quarter Report McCormick & Company, Incorporated

Consolidated Balance Sheet (Unaudited)

(In millions except per share data)

	Three Months Ended	
	February 28, 2016	February 28, 2015
Net sales	\$ 1,029.2	\$ 1,014.9
Cost of goods sold	425.6	420.7
Gross profit	603.6	594.2
Gross profit margin	59.3 %	58.6 %
Selling, general and administrative expense	271.1	274.6
Special charges	1.6	28.4
Operating income	128.9	109.2
Interest expense	10.9	11.0
Income from consolidated operations before income taxes	118.0	98.2
Income taxes	8.3	10.0
Net income	109.7	88.2
Income from unconsolidated operations	8.4	1.9
Net income	\$ 118.1	\$ 90.1
Earnings per share - basic	\$ 0.73	\$ 0.55
Earnings per share - diluted	\$ 0.73	\$ 0.55
Average shares outstanding - basic	127.1	128.2
Average shares outstanding - diluted	128.9	129.3

First Quarter Report McCormick & Company, Incorporated

Consolidated Balance Sheet (Unaudited)

(In millions)

	February 28, 2016	February 28, 2015
	Assets	
Cash and cash equivalents	\$ 111.8	\$ 81.8
Trade accounts receivable, net	275.2	284.1
Inventories	793.2	708.4
Prepaid expenses and other current assets	120.8	124.4
Total current assets	1,301.0	1,208.7
Property, plant and equipment, net	1,768.8	1,611.2
Intangible assets, net	376.1	321.1
Investments and other assets	708.7	717.4
Total assets	\$ 4,485.1	\$ 4,158.4
Liabilities		
Short-term borrowings and current portion of long-term debt	\$ 396.3	\$ 516.2
Trade accounts payable	336.7	326.0
Other current liabilities	665.2	577.0
Total current liabilities	1,398.2	1,419.2
Long-term debt	1,555.1	1,501.8
Other long-term liabilities	326.7	301.4
Total liabilities	2,879.9	2,922.4
Shareholders' equity		
Common stock	1,607.6	1,608.8
Retained earnings	1,688.1	1,021.2
Accumulated other comprehensive loss	(621.7)	(511.5)
Non-controlling interests	10.2	10.2
Total shareholders' equity	1,684.2	1,128.7
Total liabilities and shareholders' equity	\$ 4,485.1	\$ 4,158.4

First Quarter Report McCormick & Company, Incorporated

Consolidated Cash Flow Statement (Unaudited)

(In millions)

	Three Months Ended	
	February 28, 2016	February 28, 2015
Operating activities		
Net income	\$ 118.1	\$ 90.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26.4	24.9
Stock-based compensation	3.8	3.7
Income from unconsolidated operations	(8.4)	(1.9)
Changes in operating assets and liabilities	(44.8)	1.0
Dividends from unconsolidated affiliates	17.9	3.7
Net cash flow provided by operating activities	105.0	100.5
Investing activities		
Capital expenditures	(22.4)	(15.5)
Proceeds from sale of property, plant and equipment	(1.0)	0.0
Net cash flow used in investing activities	(23.4)	(15.5)
Financing activities		
Short-term borrowings, net	258.8	41.9
Long-term debt maturities	(241.7)	(22.0)
Proceeds from exercised stock options	7.8	11.1
Common stock repurchased by purchase	(47.8)	(66.6)
Dividends paid	(16.1)	(11.2)
Net cash flow used in financing activities	(15.0)	(57.8)
Effect of exchange rate changes on cash and cash equivalents	(11.8)	(11.7)
Decrease (increase) in cash and cash equivalents	(8.4)	4.2
Cash and cash equivalents at beginning of period	111.8	77.3
Cash and cash equivalents at end of period	\$ 103.4	\$ 81.5

To view the original version on PR Newswire, visit www.prnewswire.com/press-releases/mccormick-and-company-reports-first-quarter-2016-30102122.html

SOURCE: McCormick & Company, Incorporated