Good morning, this is Joyce Brooks, Vice President of Investor Relations. Thank you for joining today's call for a discussion of McCormick's first-quarter financial results and our current outlook for 2015. We have posted a set of slides to accompany our call at IR.Mccormick.com. (Operator Instructions). As a reminder, the conference is being recorded.

With me this morning are Alan Wilson, Chairman and CEO; Gordon Stetz, Executive Vice President and CFO; Lawrence Kurzius, Chief Operating Officer and President; and Mike Smith, Senior Vice President, Finance Capital Markets and CFO North America.

During our remarks we will refer to non-GAAP financial measures. These include adjusted operating income and adjusted earnings per share that exclude the impact of special charges as well as information in constant currency, which we formerly referred to as local currency. A reconciliation to the GAAP results is included in this morning's press release and slides.

As a reminder, today's presentation contains projections and other forward-looking statements. Actual results could differ materially from those projected. The Company undertakes no obligation to update or revise publicly any forward-looking statements whether as a result of new information, future events or other factors. As seen on slide 2, our forward-looking statement also provides information on risk factors that could affect our financial results.

It is now my pleasure to turn the discussion over to Alan.

Thank you, Joyce. Good morning, everyone, and thanks for joining us. McCormick's first-quarter results demonstrated progress with our growth strategies and our actions to reduce cost. While sales rose 2% the growth rate was 6% in constant currency with a mid-single-digit increase in each of our two segments. These increases were largely driven by volume and product mix.
Special charges, along with currency, had an adverse impact on our operating income results. In fact, we now anticipate a more significant impact from both special charges and currency this year, as Gordon will discuss as part of our 2015 outlook.

Excluding both of these factors adjusted operating income rose 1%. We expect this growth rate to improve once our 2015 pricing actions are fully in place and the benefits of our aggressive cost reduction activity begin to build.

Earnings per share this quarter were $0.55 and, excluding special charges, grew to $0.70 from $0.62 in the year ago period. This was largely the result of a favorable tax rate and higher income from unconsolidated operations. The 2014 success of our joint venture in Mexico continues in 2015 with sales up 7% and increased profit margins.

We generated strong cash flow as we kicked off the year and returned cash to shareholders through dividends and through share repurchases that lowered our average shares outstanding by 2% year on year.

Based on these results and our latest 2015 outlook, we are reaffirming our expected growth rate for sales, adjusted operating income and adjusted earnings per share on a constant currency basis. Gordon will share the details of our quarterly results and outlook. I want to comment on each of our business segments.

First our Consumer Business. We grew sales for this segment 1% and in constant currency by 5%. In the US we continue to gain share of recipe mixes while in spices and seasonings we still see robust category growth but we still have some work to do in this market.

Our key initiatives in North America are innovation, building brand equity and category leadership at retail. Our innovation activity includes completing the rollout of McCormick Skillet Sauces. We are pleased with the retailer acceptance and began advertising in the first quarter to build awareness and trial.

The re-launch of our entire gourmet line is in full swing. Our brand-new look features greater variety, a flavor seal technology that locks in flavor, color and aroma and a packaging that has more premium fresh appearance. We've also achieved good retail placement for our flavored sea salts and have new varieties of Old Bay, Lawry's marinades, gluten-free recipe mixes and Zatarain's rice mixes.

As we head into grilling season we are gaining shelf space for our line of Grill Mates burger mix and sauces and a variety of seasoning such as Blue Moon blend leveraging the popularity of this craft beer.

We are building brand equity in our US market through both digital and traditional media informed by our ROI analysis. We leveraged over 25 million impressions on Facebook over the holidays and our engagement rates are up 25% from a year ago. We attribute this to the strength of our community as well as the quality of our content, which includes user generated photos and comments and step-by-step visuals.

As for digital shopper marketing, we partnered with retailers on a first quarter Big Game campaign that had an above average conversion to purchase and 20% sales increase on advertised product. And to support our upcoming grilling campaign we are launching two new television ads that capture the effort and passion that consumers apply when grilling.

Our efforts to win at retail have included a salesforce reorganization and customer category management leadership. Heading into 2015 we have a sharp focus on retail price points and are putting more advanced analytic rigor around pricing management.

While price elasticity is low for many of our seasonal items we've identified key staples that are price sensitive. A major focus of our sales team is to target these key items and use existing trade promotion [fronts] and retailer negotiations to optimize shelf price thresholds.

We're also leveraging our gourmet re-launch to win at retail. Third-party analysis shows that greater product assortment is beneficial to the consumer shopping experience but too many brands can be detrimental. Specifically, an increase in McCormick's gourmet product assortment led to an 8% increase in our sales and a 5% category increase.
However, a shelf set with three brands resulted in a 13% drop in category buyers. The message for our customers is simple, expand their product assortment of McCormick Gourmet and discontinue competitive brands.

Our win at retail efforts extend to e-commerce and we’ve made particularly good progress with Amazon. McCormick has gained 4 share points with Amazon in the past 12 months and our taco seasoning mix has been reported as the number two item in prime pantry.

Across each of these initiatives -- innovation, brand building and winning at retail -- we believe we have the right team and the right actions underway to improve our performance in spices and seasonings.

For our Consumer Business in China we maintained a piece of double-digit sales growth this quarter driven by brand building activities, geographic expansion and great in-store execution. We also are realizing sales synergies with WAPC now that the integration of this acquisition is basically complete.

The opportunity for this cross-selling opportunity is illustrated on slide 6, which depicts the core markets for our McCormick brand in the coastal regions and our WAPC Daqiao brand in central China. Beyond China and the US we grew constant currency sales for our Consumer Business across a number of other markets this quarter including France, Canada, Australia and Central America.

Let’s turn to our Industrial business. We grew sales for this segment 3% and in constant currency by 7%. Each of our three regions had strong results. Our US business led this growth with higher pricing related to commodity cost increases and increased demand for our branded food service products, as well as customized seasonings largely for snacks.

Success with innovation and partnership with leading snack companies is part of this growth. This innovation also drove Industrial sales higher in Mexico this quarter. These increases more than offset weak sales to quick service restaurants that has extended into 2015 in the Americas.

In EMEA we have been growing sales to quick service restaurants and we had a solid increase again this quarter. From facilities in the UK, Turkey and South Africa we supply a broad range of flavor solutions across this region. Our team in EMEA is not only growing sales but improving profitability through greater efficiencies and a shift towards higher margin products.

We are pleased with the return to sales growth in China where the demand from quick service restaurants has been volatile. In 2015 these customers are expecting a gradual improvement in sales. However, our first-quarter sales rose at a double-digit rate due to new limited time menu items and increased sales of products that we manufacture in China for export to other Asian markets.

Across both business segments we continue to be encouraged by the global increase in demand for flavor. Flavor is well aligned with the broader changes in the way people are eating today whether it is spicier food, eating more fresh produce and protein, simple ingredients or the move toward healthier eating.

These are driving strong category growth rates in developed markets and in emerging markets we have added the benefit from the rise of middle-class consumers who are seeking the safety and quality of branded spices and seasonings.

This increased demand for flavor underpins the growth of our current portfolio of leading brands and the breadth of flavor solutions across the entire food industry that we provide through our Industrial business. It also supports acquisitions as another avenue of growth for McCormick.

We have developed a strong record of adding profitable businesses to our portfolio and we are pleased to recently announce two more. In late February we signed an agreement to purchase Drogeria & Alimentari for approximately EUR50 million and a potential 2018 earn out payment of up to EUR35 million.

As a supplier of both brand and private label products this business is a spice and seasoning leader in Italy with approximately one-third of the category share. In addition, its products are exported to 60 other countries. We anticipate strong growth of this premium brand, particularly in the US and key international markets where consumers are seeking unique and authentic ethnic flavors.
Since its founding in 1880 the owners and employees of Drogeria & Alimentari have built a great business and we look forward to working with them to achieve continued success. We expect to complete this acquisition by mid-year.

In early March we acquired Brand Aromatics for $63 million, our first Industrial acquisition in quite a few years. With Brand Aromatics we expand our breadth of flavor solutions to value added natural savory flavors, marinades and broth and stock concentrates.

This business has packaged food customers that complement McCormick’s Industrial customers as well as a USDA manufacturing facility and 40 employees that include an experienced product development team. We look forward to working with the employees of Brand Aromatics to drive growth and strengthen our customer intimacy.

Beyond these recent announcements we’re actively pursuing a strong pipeline of other acquisition opportunities. We have added resources across our business to support this activity.

In our January call I discussed a North American effectiveness initiative. This is more than a cost reduction program. We currently have operating units for our Consumer and Industrial businesses in the US and Canada that are comprised of both commercial and support functions.

Through this initiative we are moving to commercial units comprised of sales, marketing and R&D and centralized support functions for groups like finance, human relations and supply chain. Our simplified commercial teams are focused on growth and innovation. And our support functions will be more effectively able to leverage scale and drive cost reductions.

As a part of this initiative we are increasing spans of control and eliminating some senior positions while adding analytical talent and new capabilities. We expect to simplify our decision-making process and execute faster to capture growth and profit opportunities.

We anticipate a very good payback with an estimated annual cost savings of $25 million and charges of about $25 million. In just two months since announcing this program we have made significant progress toward this goal.

Between the EMEA project announced 18 months ago, our North American initiative and other actions we expect to lower our annual selling, general and administrative expenses as a percentage of sales by approximately 1 percentage point by 2016. We are confident that we can achieve further protections to SG&A as a percentage of net sales through scale, our CCI program and future cost reduction programs.

To summarize, our first-quarter results have us off to a great start in 2015. I am encouraged by our strong innovation pipeline, our brand building activity and aggressive cost reduction efforts. And we have announced two acquisitions that offer great growth opportunity.

I would like to recognize and thank McCormick employees around the world for their engagement and high-performance that is driving our success. It’s now my pleasure to turn it over to Gordon.

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**Gordon Stetz - McCormick & Company, Incorporated - EVP & CFO**

Thanks, Alan, and good morning, everyone. I will begin with a review of our first-quarter financial results and then update you on our latest 2015 outlook.

We were pleased with our sales and profit performance in the first quarter. However, as with many other US-based companies with international operations, we had a significant headwind from currency this period.

On a constant currency basis the underlying growth in sales was very strong at 6%. Our adjusted operating income excludes special charges and declined 2%. But if we also exclude currency we achieved modest growth of 1%. Let’s take a look at these results for each of our two segments.
Slide 14 shows that we grew year-on-year Consumer Business sales 5% in constant currency driven by higher volume and product mix. Sales in the Americas rose 5% in constant currency from the first quarter of 2014 mainly due to higher volume and product mix. As Alan indicated, the growth was in core items such as recipe mixes and Grill Mates.

In EMEA Consumer Business sales in constant currency grew 2% as a result of growth in volume and product mix. This growth was led by brands as well as other smaller markets and more than offsetting modest volume decline in the UK where we face a challenging retail environment.

In France our brand marketing support and innovation drove increased sales both of core spices and seasonings as well as homemade dessert products.

In constant currency we grew Consumer Business sales in the Asia-Pacific region 10% with a 13% increase in volume and product mix. This was led by sales in China which rose 18% mostly from higher volume and product mix. Constant currency sales in Australia also rose this period while sales in India declined due in part to lower prices in the market.

In total for the Consumer Business adjusted operating income was $92 million compared to $94 million in the first quarter of 2014. In constant currency adjusted operating income was comparable to the year ago period with the benefit of sales growth and cost savings offset by the unfavorable impact of material cost, retirement benefit expense and product mix.

As we indicated in our January call, the increase in retirement benefit expense is mainly due to the non-cash impact of a lower discount rate and new mortality table assumptions. Our brand marketing this period was up $1 million from the first quarter of 2014 and we also recorded $1 million in acquisition-related transaction costs for this business segment.

Turning to our Industrial business, we grew first-quarter sales a robust 7% in constant currency from the year ago period. Higher volume and product mix contributed 4 percentage points and pricing actions taken in response to higher material costs added 3 percentage points.

In the Americas region Industrial Business year-on-year sales rose 5% in constant currency including the impact of pricing actions. We also grew volume and product mix. Throughout 2014 snack seasonings had been a source of strong growth and this continues in 2015 with a strong pipeline of innovation. This performance, along with increased sales of branded food service products, more than offset continued weakness in sales to quick service restaurant customers.

In our EMEA Industrial business we grew sales 9% in constant currency with a 6% increase in volume and product mix. As Alan described, we are supporting the growth and geographic expansion of leading quick service restaurants and food manufacturers in this region.

We grew Industrial Business sales in the Asia-Pacific region 15% in constant currency. We were particularly pleased with this performance, especially in China, given the marketplace challenges of major quick service restaurants.

Adjusted operating income for the Industrial Business was $31 million and comparable to the year ago period. In constant currency we grew adjusted operating income 5% with the benefit of higher sales and cost savings more than offsetting the unfavorable impact of material costs and retirement benefit expense.

Let’s turn to slide 24. Across both segment adjusted operating income, which excludes special charges, was $122 million, a 2% decline from $125 million in the first quarter of 2014. In constant currency we grew adjusted operating income 1%.

As we projected, gross profit margin declined year on year. We indicated in our January call that the timing of material cost increases versus our pricing actions and cost savings would be a headwind this quarter. We also recognized that the impact of our pricing actions and cost savings would build in the upcoming quarters and we still project a slight increase in gross profit margin for the fiscal year.

As a percentage of net sales our selling, general and administrative expense declined 40 basis points due in part to the higher sales and scale advantage over our cost basis. Special charges at $28 million have exceeded our initial guidance of $20 million and we now estimate charges of...
$30 million for 2015. As Alan noted, we had a greater acceptance rate from our voluntary retirement program in North America and $4 million of charges from an action in EMEA.

Below the operating income line the tax rate was 25% and below our guidance due in part to discrete tax items recorded in the first quarter. This rate compared favorably to 31% in the first quarter of 2014 which included the impact of a higher tax rate in France that was subsequently reversed later in 2014. Based on our current outlook we continue to expect a tax rate of 27% to 28% for 2015.

Income from unconsolidated operations rose 94% to $10 million this quarter led by an excellent performance from our joint venture in Mexico, as Alan described. For the fiscal year we continue to expect an increase of at least 10% which reflects our caution on the impact of currency rates on this venture.

At the bottom line adjusted earnings per share for the first quarter of 2015 was $0.70. As you can see on slide 27, this was an $0.08 year-on-year increase led by the lower tax rate and increased income from our joint ventures.

Turning next to slide 28, we have summarized highlights for cash flow and the year-end balance sheet. Our cash flow from operations this period was $96 million compared to $77 million in the first quarter of 2014. During the first quarter of 2015 we used $65 million of cash to repurchase nearly 1 million shares of McCormick stock. At quarter end we had $51 million remaining on our $400 million authorization.

Early in March we used $63 million in cash and debt to acquire Brand Aromatics. In addition, we expect to use cash and debt for the initial payment of approximately EUR50 million when we close on the acquisition of Drogeria & Alimentari in mid-2015.

As we have done in the past, we expect to slow the pace of our share repurchase activity in order to return to our target debt to adjusted EBITDA level of 1.5 to 1.8. Even at a slower pace we still expect to lower our shares outstanding by 1% in 2015. Our balance sheet remains sound, we are generating strong cash flow and we believe we are well-positioned to fund investments to drive growth including future acquisitions.

I will wrap up with our latest 2015 financial outlook. We are reaffirming our expected 2015 growth rate in constant currency for sales, adjusted operating income and adjusted earnings per share.

Since the time of our 2015 financial guidance we have increased our estimated special charges and increased the projected unfavorable impact of currency rates. These are the primary changes to our initial guidance.

We anticipate further currency volatility in 2015 and, as necessary, will continue to update the impact on sales and profit. Because this is challenging to forecast we rely on prevailing rates as the basis for our projections.

We continue to project a 4% to 6% sales increase in constant currency. The acquisitions we have announced should add about 1% of growth and these sales, along with our first-quarter results, give us more confidence in achieving the upper end of this range.

We now believe currency rates will reduce our sales growth rate by 5 percentage points versus our initial guidance of 3 percentage points. We expect to grow adjusted operating income 6% to 7% in constant currency from $608 million of adjusted operating income in 2014.

While this is unchanged from our initial outlook, we have lowered our expected operating income on a reported basis to 0% to 2% from $603 million in 2014. This reflects an increased impact from unfavorable currency and an increase in special charges.

We expect adjusted earnings per share of $3.44 to $3.51. This includes the increased impact of currency and therefore is a reduction from our initial guidance. Exiting the impact of currency, we expect to grow adjusted earnings per share 6% to 8% from $3.37 in 2014. On a reported basis we expect earnings per share of $3.28 to $3.35 compared to earnings per share of $3.34 in 2014.

For fiscal year 2015 we expect another year of strong cash flow. This will provide funding for our dividend, our latest acquisitions and further share repurchase activity.
Let’s turn now to your questions then some closing remarks from Alan. Operator, we are ready for the first question.

**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions). Alexia Howard, Sanford Bernstein.

**Alexia Howard - Sanford C. Bernstein - Analyst**

Can I come back to the US Consumer Business? I remember last quarter the negative mix effect of what was going on [with the season] at Walmart was troublesome. And also the smaller brand encroachment that started probably a little over a year ago was a problem. It seems as though you might be coming through that a little bit better now. I just wanted to get the latest on what you are seeing on those trends. Thank you very much.

**Alan Wilson - McCormick & Company, Incorporated - Chairman & CEO**

Thanks, Alexia. We are encouraged by the trends that we are seeing. We still have a lot of work to do. There is still a pretty fragmented category and merchandising support for a number of brands continues. But we are encouraged by the progress that we are seeing.

**Alexia Howard - Sanford C. Bernstein - Analyst**

And then on the -- on both sides, on small brands and the control brand as well?

**Alan Wilson - McCormick & Company, Incorporated - Chairman & CEO**

Yes, we feel like our stories are gaining some traction, but we know it is going to be a fair bit of time to really see all that come through.

**Alexia Howard - Sanford C. Bernstein - Analyst**

Okay, and then just switching to China, I seem to remember that you were talking about how you were tapping into local restaurant chains as an avenue for growth because some of the big American restaurant chains were having so much trouble. Where are you on that and do you see sort of fairly sustainable growth in that area from here? Thank you (multiple speakers).

**Alan Wilson - McCormick & Company, Incorporated - Chairman & CEO**

I’m going to ask Lawrence to take that one.

**Lawrence Kurzius - McCormick & Company, Incorporated - President & COO**

Hi, Alexia. We are continue to make progress with the local Chinese customers, but I will say that in this quarter the biggest part of our performance has been new product wins, export from China and progress in the recovery of the Western quick service restaurants which are beginning to see foot traffic improve.
Alexia Howard - Sanford C. Bernstein - Analyst

Great. Thank you very much. I will pass it on.

Operator

Chris Growe, Stifel.

Chris Growe - Stifel Nicolaus - Analyst

So two questions if I could. One of your comments I think, Gordon, were in relation to -- product mix seemed like it was pretty positive across the business. If I heard correctly for the Consumer division, I believe you said mix was a negative for profit. I just want to make sure I heard that properly and wanted to understand the dynamic there if I could, please, on the Consumer division in particular.

Gordon Stetz - McCormick & Company, Incorporated - EVP & CFO

Yes, on a total -- I will start with total Company. On a total Company basis product mix was neutral to our results. The gross margin impact was driven, as I said, by the increased raw material costs and the timing of our savings programs coming in and our pricing actions.

On the Consumer division the raw material cost increase was still the primary story, although there was a slight negative product mix as well within Consumer. But again, the bigger story on the quarter for both segments was the raw material cost increases.

Chris Growe - Stifel Nicolaus - Analyst

Okay. And then also just a question if I could on the US Consumer side and, Alan, you were discussing the gourmet re-launch and how that is progressing, that it is allowing you to -- I don't know, say at this way -- but to box out some of the smaller competitors and try and have a better selling story for the retailers.

I guess I want to understand, are you still seeing competition at the lower end of the category? And how is Gourmet helping sort of address that challenge for the business?

Alan Wilson - McCormick & Company, Incorporated - Chairman & CEO

Yes, we are still seeing competition at the value segment as well. What -- and as we segment consumers, there is a gourmet consumer who really cares about the products that they put in their food and understand the difference in origins and spices.

And so that is what we are targeting with the gourmet consumer. So it is not necessarily helping on the value end. The work that we are doing at retail on price thresholds and absolute price points are where we are combating the value side.

Chris Growe - Stifel Nicolaus - Analyst

And I guess just to follow on that theme, competition from some of the smaller competitors, that has mostly in on the value side, less so on the premium or gourmet side, is that correct?

Alan Wilson - McCormick & Company, Incorporated - Chairman & CEO

No, we have seen a fair bit of competition on the premium side as well.
Okay. Okay, thank you for the time.

Ken Goldman, JPMorgan.

And, Joyce, thanks for some of the increased disclosure in the press release, it is appreciated. Alan, I wanted to dig in a little bit into domestic pricing for Consumer. If we look at Nielsen data, your price per unit at the retail level has been slipping but it is the opposite at the wholesale level.

You’ve talked about your efforts to convince retailers to sort of get their own shelf prices right. I will admit, I was skeptical this could be done without I guess wholesale prices dropping first, but it seems to be happening. So can you talk a little bit about, first, is that accurate? And second, what is really making that dynamic, which isn’t easy to pull off, successful?

Well, we are still seeing the dynamic with the mix because of some value products that we continue to supply and we expect that that is going to continue. But what we are doing is showing a category profitability story on key items that -- where prices are pretty sensitive. And working with the customers on getting those prices right, it is kind of a store-by-store and a customer-by-customer negotiation. But we have a very compelling category story which is what we are out selling.

But isn’t the implication then that the retailers are giving up some margin, which is never an easy thing to get them to do?

Well, in some cases it is making sure that they have the prices right to compete in their marketplace, because there are -- their competition with other retailers has them a little bit out of whack. And so, that is part of the story. The other is just reapplying some of the trade funds that we already have and getting them to the products that are more price sensitive.

Okay. If I could ask a quick follow-up. Consumer Americas organic sales, significantly better than what Nielsen would have suggested. I appreciate Nielsen doesn’t capture everything. But just as we think about modeling 2Q and beyond, any retail sell-ins of any new product in 1Q or anything we should be aware of that might be sort of considered a nonrecurring event?

I wouldn’t expect any nonrecurring event that is going to move the dial significantly. But remember, what you are seeing in Nielsen, and we have -- I know that the investment community has a real focus on spices and seasonings, we are growing share and growing the recipe mix category, that is certainly a help.
We have got a number of channels that aren’t necessarily captured there. So while we want to see the Nielsen and the IRI data in spices and seasonings improve, and we have seen some of that sequentially, we -- it doesn’t capture the whole picture.

Ken Goldman - JPMorgan - Analyst

Very helpful. Thank you, Alan.

Operator

David Driscoll, Citigroup.

Cornell Burnette - Citigroup - Analyst

Good morning, this is Cornell Burnette in with a question for David. So going back to US consumer, operating margins are down 50 basis points in the quarter following FY14 in which they were down 70 basis points. And we saw market shares in spices down about 80 basis points in the quarter.

So when we go forward, what do we need in order to get margins going in the right direction? It is a matter of seeing stabilized market share trends within that spices segment?

Alan Wilson - McCormick & Company, Incorporated - Chairman & CEO

It is a couple of things. One is our cost reduction activities are going to start to take hold and impact through the year as we offset the increased cost. We get the increased cost early in the year and it takes a while for our cost reduction activities to impact it. So that is one.

Secondly, as we stabilize and start to grow share in our higher margin items in spices and seasonings we should start to see a recovery in gross margin. Gordon, do you want to add anything to that or Lawrence?

Gordon Stetz - McCormick & Company, Incorporated - EVP & CFO

No, those are the two key items. Obviously this year, as we’ve mentioned, is a story of raw material price -- or cost increases. So the cost reductions are going to be meaningful as we progress through the year.

And as you have seen us talk earlier, we have stepped up our game in that respect. So therefore they are going to have a bigger impact as we progress. And obviously volume growth is key to leveraging our scale and that is a good start to the year, as you saw in our results, and we would need to continue that momentum.

Lawrence Kurzius - McCormick & Company, Incorporated - President & COO

I think I would echo that, Gordon. We have been very clear that the cost impact from the higher raw materials impacted us immediately from the beginning of the year. But the cost reduction activity, the cost improvement activity that we are highly confident in phases in as we go through the year.

I will also emphasize that there is -- that we took note list price decreases or conducted any extraordinary promotions in this quarter. The change in the margin structure is strictly related to the impact of cost and a minor contribution from product mix.
Cornell Burnette - Citigroup - Analyst

And then looking at the EMEA Consumer Business, noticeably no pricing in the quarter but significant headwinds from foreign currency. And it looks like you are expecting good acceleration in pricing in EMEA going forward.

Just was wondering what type of risk do you think that will have to volumes in that EMEA Consumer segment given that your cost position may be a little bit unfavorable to local competitors given that you are dealing with higher raw material costs and FX at the same time?

Gordon Stetz - McCormick & Company, Incorporated - EVP & CFO

Yes, the local competitors are going through the same issue because spices and seasonings are mostly priced in US dollars. So part of what you will see is a pricing change to reflect the impact of raw materials on currency. We feel pretty good about our ability to execute in the UK -- or I'm sorry, in EMEA.

Cornell Burnette - Citigroup - Analyst

Thank you.

Operator

Rob Dickerson, the Consumer Edge.

Rob Dickerson - Consumer Edge Research - Analyst

Just have a pretty simple maintenance question. So I just want to clarify. I thought you said -- or I know this morning you stated that I guess constant currency EPS growth didn’t change and that is at 6% to 8%.

And then I thought -- maybe I just -- I am misreading this, but I thought at the time in Q4, at least in the transcript and (inaudible) on the call was that constant currency EPS excluding the special charges was supposed to be 7% to 9%. So I just wanted to make sure there wasn’t a change to constant currency EPS. And if there is a change what is driving that? Thanks.

Gordon Stetz - McCormick & Company, Incorporated - EVP & CFO

Yes, there is no change -- in the fourth-quarter call we also highlighted pension as another impact that got us to that 7% to 9%. So excluding in constant currency and excluding the impact of the increased benefit cost EPS growth is -- was 7% to 9% and still is 7% to 9%.

Rob Dickerson - Consumer Edge Research - Analyst

Okay, great. And then I just have a quick follow-up. Then I guess the same rationale applies to adjusted operating income, which was constant -- which was 4% to 5% including FX, but that was off the $608 million. And now if we are just including an additional point of FX, I am assuming that that is just very simplistically -- we are now just at 3% to 4% off of the $608 million?

Joyce Brooks - McCormick & Company, Incorporated - VP of IR

Yes, this is Joyce. That is right. In our initial guidance of 4% to 5% growth in adjusted operating income, that had about 2 percentage points of currency implied in there. So the constant currency growth rate was 6% to 7%, which it continues to be.
Okay, great. Thanks a lot.

Operator

Robert Moskow, Credit Suisse.

If I go back to what I was kind of concerned about three months ago, it was my thought that McCormick would have to or was going to reduce sizes on certain SKUs and maintain list prices. So it was kind of like a wait out strategy in response to higher commodities.

And McCormick was doing it at a time when competition was intensifying and price gaps seemed to be getting bigger with private label. So can you just give us kind of an update on that, on where you are in that process? And has competition followed or do you feel like your price gaps are getting bigger on any items as a result of this? Thanks.

Obviously because of the fragmented competition that we have it is a mixed story, but our larger competitors have announced price increases as we've gone into the year, both on the Industrial and the Consumer side because they are seeing the same level of commodity cost increases that we are.

Got it. And just also a follow up. You said quick service restaurants in US kind of weak. I would have thought by now there would be some kind of a pickup here and maybe it is just an industry thing. So can you give us a reason why? Is it one or two retailers or is it all retailers where you are just seeing that weakness in the environment?

Our quick service business in the Americas is pretty broad to a number of customers, but there are a couple of customers that are large enough to have an impact and those larger customers, as they have reported, have been struggling somewhat with foot traffic and sales and that impacts us as well.

We are gaining with some of the smaller quick service restaurants and we feel pretty good about that. But it is not enough to offset the very large chains that are well-publicized with their challenges.

Right. All right, thanks, Alan.

Eric Katzman - Deutsche Bank - Analyst

One specific question, Alan, on the cost-cutting, I guess there are now two initiatives to lower SG&A as a percentage of sales. Not to be too specific, but when you say fiscal 2016 do you mean by the end of fiscal 2016 that that 100 basis point improvement should occur or at the -- kind of at the start?

Alan Wilson - McCormick & Company, Incorporated - Chairman & CEO

We expect it to be in our guidance for -- not giving really guidance, but we expect that to be a full-year impact for 2016 because the costs that we are taking out are coming out now.

Eric Katzman - Deutsche Bank - Analyst

Okay. So kind of like on a run rate basis but building over this year as well.

Alan Wilson - McCormick & Company, Incorporated - Chairman & CEO

That’s right.

Gordon Stetz - McCormick & Company, Incorporated - EVP & CFO

That is correct, yes.

Eric Katzman - Deutsche Bank - Analyst

Okay. And then on -- I guess you -- right, you just opened up the spigot for M&A, you have done two deals. And I think you were quite frank last quarter about saying that the pipeline looked pretty good and you are kind of reiterating that. So I mean maybe you could go a little bit more into the deals that you are seeing. Why is there kind of a pickup in that today?

Alan Wilson - McCormick & Company, Incorporated - Chairman & CEO

Well, there is the benefit right now of the low interest rate environment, so that is -- and I am assuming that some sellers are anticipating that is going to change in the not-too-distant future. So it is an optimum time.

If you have got a business that has got good traction that maybe needs -- as we have seen with the businesses we've been able to buy -- that need a little investment for growth because there is growth opportunities, now is a pretty good time.

They are probably also looking and seeing, as we have, that multiples are attractive for a seller, a little more challenging for a buyer. But as we have always done, we have been pretty financially discipline to make sure we get the returns that we expect. But it is a pretty robust environment for the kinds of deals that we like to do right now.
Okay. And then might last question is, during the -- I guess the -- you seem to be coming out of it, but during the depths of the US Consumer segment pressure you not only noted the competition in spice and seasonings, but you also mentioned slower growth or missteps in some of the other products, whether it was Grill Mates or marinades, spice and rice and Zatarain's, etc.

So I guess, one, kind of would you -- did the -- those other businesses, are they seeing some better traction in the market? And do you see like adding through M&A other kind of niches which has been very successful for the Company in the past, but we haven't seen much of late?

Yes, we do see adding more adjacencies and our businesses both in Consumer and Industrial. And so, we see those opportunities. And we are a little mixed on the smaller brands at least in the quarter. So we had good traction in some of the smaller brands and some that still have some level of challenge.

I will say that as we talked about Grill Mates, we are aggressively pursuing an earlier grilling season this year and we feel like we are getting the kind of traction that we expect. Last year our grilling promotion started closer to Memorial Day, we are getting them out a lot earlier this year.

Okay, I will pass it on. Thank you.

Good morning, this is actually Lubi on for Akshay. I was just wondering if you could talk a little bit about how you are thinking about the marketing around your new product launches slated for the remainder of the year. And maybe if you could just touch on sort of the rollout plan and in-store merchandising, etc., for those new products and then I have a follow-up. Thanks.

Sure, thank you, Alan. Well, as always the case, we have a fairly robust launch of new products, most of them are in our core category so they get the benefit of all of our branded advertising and the work that we do on them supports the growth of our core business as well.

We are really quite encouraged by the launch of skillet sauces that we introduced last year and that we continued the introduction this year. We had advertising for those products in the first quarter. And we have new grilling products and new gluten-free products that we’ve launched this year that we’re also quite excited about.
Great, thank you. And then just on the income from unconsolidated operations line, it came in quite a bit better than we were expecting. And we were modeling pretty decent growth there. But can you just talk a little bit about what is driving the results there and also do you expect to see sort of the same level of growth for the remainder of the year that we saw here in the 1Q? Thanks.

This is Gordon. As we mentioned in the call, it is driven by great performance from our joint venture in Mexico. As we’ve talked in previous calls, there is a new facility that has been ramping up and improving productivity.

The sales growth there in the market has been strong and they have been very good in managing their cost position. So all of that has contributed to some very, very strong growth in the first quarter.

We don’t expect that pace of growth as we continue through the rest of the year and the reason for that is the impact of currency on a go-forward basis on that business. So we do expect moderating growth in that area, especially as we get towards the back half of the year where their performance was also very strong and we start to lap that.

Thank you. I will pass it on.

Thank you. I will now turn the call over to Mr. Alan Wilson for closing remarks.

I want to thank you for your questions and for participating in today’s call. Consumer demand for flavor is increasing and our categories have strong growth rates. Our geographic presence and product portfolio are expanding and ideally aligned with the move towards healthier eating, fresh ingredients, ethnic cuisine and bold taste. And we are driving growth through innovation, brand marketing and acquisitions.

In 2015 we stepped up our cost reduction activity and will continue to pursue ways to improve our productivity and profit as we continue to grow. We look forward to reporting to you on our continued progress in the upcoming quarters.

Thanks, Alan. And I would also like to think those who joined us this morning. If anyone has additional questions regarding today’s information you can reach us at 410-771-7244. That concludes this morning’s conference.