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EDITED TRANSCRIPT

MKC - McCormick & Company Inc at Sanford C Bernstein Strategic Decisions Conference

EVENT DATE/TIME: MAY 29, 2015 / 12:00PM GMT

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PRESENTATION

Alexia Howard *- Bernstein - Analyst*

All right, then. Good morning, everybody. It is my great pleasure to welcome to the podium Alan Wilson, the CEO of McCormick. We also have Gordon Stetz, who is the Company's CFO, with us on the podium today.

Now, Alan has been the CEO of the Company since 2008. Over that time, he has boosted the Company's exposure to emerging markets with acquisitions and joint ventures in places like China and India. He has also taken the Company into the continuous cost improvement program, where they are getting more efficient on the productivity side.

And the focus at the moment seems to be in the Company's US consumer business. The business has had some ups and downs of late; a little bit of shell off to private label a couple of years ago and the encroachment of some smaller brands over it the past year or so. But in the latest quarter, the sales actually started bouncing back and came through a little bit better than expected.

So with that, I will hand it over to Alan and we will kick things off this morning. Thank you.

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

Thanks for having us, Alexia. We are really glad to be here again. I also have with me Lawrence Kurzius, who is our President and Chief Operating Officer, and Mike Smith, who is our VP of Finance, and Joyce Brooks, Head of Investor Relations.

This is a great format and we really appreciate the opportunity to talk about it. During my initial remarks and our Q&A, I will be making some forward-looking statements. Please keep in mind that our actual results can vary from these projections. The statement on this slide and in our annual report and website contain additional information regarding business risks.

McCormick has a long history of flavor leadership and high performance. Performance that includes 6% compounded annual sales growth, strong EPS growth and cash flow, and double-digit shareholder return for the past 1-year, 5-year, 10-year, and 20-year periods. Our global presence is expanding and we have more than 10,000 engaged employees driving our success.

We operate across two business segments. In our consumer business, we have leading iconic brands as well as regional favorites that reach more than 135 countries and territories around the world. 60% of consumer business sales are from products that are number one in their category.

Our products range from premium gourmet items to value-priced products, including private label. In the past five years, we grew sales for this business 31% and adjusted operating income by 18%.

In our industrial business, we supply a broad range of flavor solutions that reach consumers no matter what they are eating or where they are eating. Our customers include most of the top food and beverage companies as well as leaders in the restaurant industry. We support the global growth of these customers from locations around the world.

In fact, this was the catalyst for our business in China about 25 years ago. Likewise, we have established a foothold in South Africa, Turkey, Brazil, and this year in the Middle East to innovate and grow with these customers. In the past five years, we grew sales for this business 21% and adjusted operating income by 25%.

In addition to our two business segments, McCormick has joint ventures that account for 7% of net income in 2014, led by a venture in McCormick to Mexico.

While we have a diverse portfolio of flavors, the foundation of our business is spices and seasonings, which account for about half of our consumer business sales. Globally, we are a clear leader in this $10 billion category, with a 22% share, which is 4 times the size of our next largest competitor.

In a period when there is weakness in a number of food categories, sales of spices and seasonings are growing. Sales are projected to grow at a mid single-digit compounded annual rate for the next five years, with increases in both developed and emerging markets. This is an advantaged category.

Our products are aligned with healthy eating trends, with consumers seeking simple ingredients, less processed foods, and flavor alternatives to sodium, fat, and added sugar. Recently, we were pleased to learn that the draft US Government Dietary Guidelines Advisory Committee recommends spices and herbs as an alternative to sodium, something that we have advanced to the McCormick Science Institute.

Consumers are also exploring new flavors, whether it is an ethnic dish, bold grilling, or new types of snacks. This is particularly true among the Millennials, for whom cooking at home is an experience worth sharing, in person or online.

As seen in the earlier slide, spices and seasonings as a packaged food is a $10 billion category. We believe that there is another $10 billion of spices and seasonings sold in bulk, in emerging markets such as India, Southeast Asia, the Middle East, and Africa. With our expanding presence in emerging markets, we are working to meet growing consumer demand for the quality and convenience of packaged spices and seasonings.

In 2014, sales in emerging markets accounted for 17% of total McCormick sales, up from 10% just 3 years ago. As Alexia has pointed out in her reports, if you include our share of joint venture sales, we are closer to 20%.

While McCormick operates in advantaged categories with a leadership position, our business is not without challenges. We are currently facing high material cost inflation and unfavorable currency rates. In the past two to three years, we have been impacted by inroads by small competitors in the US consumer business as well as fluctuating demand from our large quick service work restaurant customers in China.

In this environment, it is imperative that we execute on strategies that differentiate us from our competition and win with both consumers and customers to drive profitable sales growth. I want to focus on several of the strategies underway: building brand equity, accelerating innovation, and expanding through acquisitions.

McCormick is investing in brand marketing to drive sales and has increased this investment 54% in the past 5 years. This decision is based on returns which are at or above industry averages. Increasingly, our efforts are directed towards digital marketing, which we expect to comprise about one-third of our advertising mix globally this year.

Digital marketing creates a direct connection with consumers, offers personalized recipes, building communities for iconic brands, like Zatarain's, Old Bay, or in France, our Vahine designed -- dessert line products. In key markets around the world, we have websites that connect consumers to our leading brands.

We still see a role for traditional media. We get a good ROI on our television advertising. And I am particularly excited about our new US Grill Mates ad that we launched this quarter. Let's have a look at that.

(video playing)

We are putting the caveman back in grilling. This ad is part of a comprehensive campaign that includes new varieties, great in-store displays, and McCormick's 2015 grilling flavor forecast.

The Grill Mates campaign is just one example of the major campaigns being executed in markets around the world. Across all media, our 2015 brand marketing includes messages about the freshness and purity of our products, easy ways to prepare healthy and delicious meals, and building awareness and trial of new products.

Which leads to our next strategy: accelerating innovation. In recent years, 8% to 10% of annual sales came from products launched in the last 3 years. At our 16 technical innovation centers around the world, we have leading capabilities that include sensory, culinary, flavor analytics, and ideation. And our flavor forecast, which is now in its 11th year, inspires innovation for both our consumer and our industrial business.

For our consumer business, we have developed global oversight to innovation through our global consumer strategy counsel, identifying opportunities that translate across borders. Our latest examples are gluten-free recipe mixes that originated in Canada and have been expanded to the US, Skillet Sauces in the US, and Flavour Shots in the UK. In a number of markets, we focused on premium gourmet offerings that include a comprehensive relaunch of this line in the United States.

For our industrial business, there is an even greater pace of innovation, driven by our customers, as evidenced by limited-time menu items or the increasing varieties of snack chips and snack bars. Innovation for these customers is also shaped by efforts to improve the health and wellness of products, whether it is reduced sodium, lower fat, less sugar, or a move towards more simple ingredients.

In recent years, one-third of our new product projects have had some type of health and wellness initiative. With our foundation in spices and herbs, we are a go-to company for these kinds of projects.

In addition to brand marketing and innovation, acquisitions are an important avenue of growth for McCormick. We have a long history of expanding through acquisitions and a steady stream of businesses which have been added since 2003.

Our purchase of WAPC in China in 2013 has been our latest success, exceeding plans for both sales and profits. In 2015, we are excited to acquire Brand Aromatics and Drogheria & Alimentari.

Brand Aromatics add stock, marinades, and other savory products to our industrial flavor solutions and a USDA facility to our manufacturing footprint. For our consumer business, Drogheria & Alimentari establishes a presence in Italy with a leader in spices and seasonings, along with the export of these premium products to 60 other countries.

Looking forward, we have a great pipeline of potential acquisitions, although we remain financially disciplined and continue to assess the impact on EVA, economic value added, as a metric.

Overall, we expect long-term sales growth of 4% to 6%, with a third of this from our base business, a third from innovation, and a third from acquisitions. Our first-quarter results have us off to a great start in meeting our 4% to 6% top-line cost currency growth objective for 2015.

While we are squarely focused on sales growth, we are balanced our resources to also achieve greater productivity and increased profitability. Since inception in 2009, CCI, our comprehensive continuous improvement program, cumulatively has delivered annual savings of nearly $350 million. This program is broad in scope, led by our CCI champions, and is generating McCormick's fuel for growth.

In 2015, we stepped up our activity with a goal to reduce costs at least $85 million. This includes expected benefits from reorganization and streamlining actions in Europe and North America that are on track to lower our selling, general, and admin expense as a percent of net sales by 1 percentage point.

These actions are designed not only to lower costs, but to make us more competitive, bringing greater focus to winning with our customers and consumers, leverage our scale, and reduce complexity. We expect to be able to make faster decisions and execute more effectively while generating fuel for growth.

We also expect these cost reduction efforts to continue at McCormick, driven by our strong leadership team, high-performance organization, and our engaged employees. These actions, together with our growth strategies, are driving strong long-term financial results and give us greater confidence in our ability to deliver our long-term financial objectives of 4% to 6% sales growth and 9% to 11% in adjusted EPS.

Let me summarize. McCormick leads in an advantaged category: flavor. Flavor is on trend and it is on the rise. And increasingly, spices and herbs are a core element of healthy eating.

We are executing on growth strategies that differentiate us from the competition, strategies that are designed to win with both customers and consumers. And we are delivering high performance, fueling our growth with improved productivity throughout the organization.

Thanks for your attention and we will turn to questions.

Alexia Howard - *Bernstein - Analyst*

Great. Thanks ever so much, Alan. And if you have questions, then feel free to write them down on the cards and we look collect them and take them a little bit later.

I know in the US consumer business, you have been focusing on a new approach to pricing architecture, trying to help the retailers with their category management and making sure they are getting the most money from the shelf space that is allocated. Can you talk a little bit about that and how the share losses to private label have now started to reverse and whether you think that is sustainable?

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

Sure. Over about the last two years, private label has not actually gained share. It has been from a fragmented set of both value and premium companies that have found their way on the shelf.

And what we are finding different than what we had seen in the past is a wide variety of different brands. And so as we're looking at one major customer, we walked through the store and found 9 -- or 10 brands of cinnamon. And the category manager didn't know it and the Senior VP of Grocery didn't understand that either. And as we pointed it out, it has just kind of drifted in over time.

What we are doing is working with our customers to help understand that category story and the impact on their productivity as well as their profits. Because when you have 10 brands of the same thing, it's not necessarily adding variety to the customers. It is actually confusing consumers. And so we are working with them.

We are getting our price points below pricing tiers and we have recognized about 10 to 12 items where pricing is really important. In some cases, we had crossed price thresholds, so going from $2.95 to $3.05 is a bigger deal than going from $2.75 tab to $2.95.

And so we are working with our customers to get the right price thresholds and reallocating some of our trade promotion funds, specifically under these critical items that are more price sensitive and have a variety of competition inside the store.

Alexia Howard - *Bernstein - Analyst*

You mentioned the smaller brand issue just now. In terms of the latest developments there, is there a concern that the Millennial generation is simply less loyal to the big established brands and like to cherry pick out their own smaller brands and that might be part of what is going on?

How do you think about that dynamic? And if you think it is the case, how can McCormick increase the brand loyalty?

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

Well, part of what we're doing is helping that consumer -- reaching that consumer in different ways, but also helping that consumer in something they are really interested in, which is cooking and the adventure of food.

And so what we are doing is, one, is reaching out to them via digital marketing and social media and through event marketing. And so if you came to the mid-Atlantic to Baltimore recently, you will see the town is painted with Old Bay, whether you're at the airport or billboards on town. You will see a similar kind of approach in New Orleans with Zatarain's, where we understand there is a lot of passion for these small, really cool brands.

Old Bay is a great example, where we are licensing it for everything from Dead Rise beer, which is a huge popular summer product, to Old Bay tartar sauce at a big fast food customer, and doing those sorts of things to really build that passion.

We recognize we are in a niche business. Part of our approach with Drogheria & Alimentari is it is a really cool premium brand that is 100% GMO-free, where everything is organic except for the sea salts, which can't be organic. And so that offers us another alternative to kind of reach that consumer.

So we are not sitting back and saying we are going to bring everybody -- we are not going to change their behavior. We're going to go where the consumers are going.

Alexia Howard - *Bernstein - Analyst*

Great. I don't know to what extent you can respond about particular customers, but Walmart has been pushing pretty heavily the Fifth Season brand, which I know you own, but it is a control label for them. And because it is priced at a similar level to private label, it has been cannibalizing sales of your more profitable McCormick-branded product.

How do you view the rationale for them doing that? Is it something that you think they might pull back on? Because it doesn't strike me that spices are very a promotionally intense category, but that is what is going on. How do you see that playing out?

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

We are seeing some of that promotion start to wane. There is also a recognition that it not only took share from McCormick-branded items, but also other higher-margin items, like their private label in the same category.

And so we are seeing the impact of that reduced over time and you see it in the data. But certainly there's a compelling story there, where consumers are looking for value and that is what we need to make sure that we are approaching.

Alexia Howard - *Bernstein - Analyst*

And Wild Oats has been a big push on that side as well. They have really been focusing on the organic area across the store and I know spices was a particular focus. How is that playing out and what are you seeing there?

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

Well, that is kind of priced more in line with our gourmet items. We are continuing to see pretty good growth in our gourmet business across the country as we've revamped that.

There is a consumer -- a growing consumer interest in organic. It is only about 2% of sales in our category right now. But we see it really growing and we have been the leader traditionally. We were early out and we were going to continue to drive to do that and are continuing to increase the amount of organic available in our line.

Alexia Howard - *Bernstein - Analyst*

Let's switch gears and maybe focus on a very important emerging market in China. The industrial sales have been under pressure because of some of the trends with Yum Brands and some of the antibiotic concerns and other issues over there.

Are you seeing any sequential improvement? Are things beginning to get a little back on a more stable footing in industrial? And then maybe a few comments on the consumer business, because that is pretty new and growing, with the WAPC acquisition. How is that picking up?

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

We have seen some recovery, as we saw in the first quarter; a lot more limited-time and innovative items, which are geared to draw consumers back to stores. We recognize it is going to take some time to build back to the level of traffic that those customers had as recently as two years ago.

We do see the Chinese consumers pretty resilient and coming back. And those customers have been very public about the fact that they are continuing to add new stores. And so we should start to see some benefit of that as well.

Consumer business in China has really been a strong growth story for us. We are really pleased with the WAPC acquisition, which put us into the center of the country. We have been able to integrate our selling with -- from our sales force on the coast with the selling force at WAPC in the middle of the country.

So we are seeing both our core consumer business growing double-digits and we are seeing WAPC grow double-digits and feel pretty good about that. Even with a bit of a slowdown in the rate of growth in the Chinese economy, it's still one of the fastest growing economies in the world. And so we are pretty bullish and see continued expansion and growth for us as we expand both distribution and household penetration.

Alexia Howard - *Bernstein - Analyst*

In terms of the margin impact of expanding in emerging markets, for many companies, the growth margins may be comparable, but the operating margins tend to be quite a bit lower because of smaller scale and what have you.

What is the margin differential as you look at your developed markets versus your developing markets, maybe particularly in consumer? And are you concerned that there is going to be a negative margin mix shift over time?

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

I will let Gordon do a little work here and take that question.

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

Sure. It really is a story that varies by country. So in a country like China, where we have been there for over 20 years, the margins are not comparable to, say, US margins. They will always be at the top of the chart. That is just by virtue of scale and the size of the economy.

However, having been there for over 20 years, with 3 facilities, it is our second-largest country in the world now; 2,000 employees. We do have a very strong margin structure, I would say.

And as it grows and we buy companies like Wuhan, we see margin expansion as we leverage that scale. So while relative to the US, it certainly is going to be dilutive as it grows faster. We are not in what I would call an investment mode, which a lot of companies often talk about when they are in these types of countries. So we are very happy with the progress that China has.

A place like India, where we have only been there three years, it is a different story. We are in the early stages. It is not yet given us the scale. Great opportunity; lots of promise in terms of the size of the market. However, we are still early game there.

And so there, as we grow, we are going to have to continue to find ways to improve that margin structure. It is more similar to the way you described, where operating margins are significantly lower. However, we still see great opportunity there.

So it is kind of -- it is not a one-size-fits-all story for our business. And we will continue to grow China and we will look at ways to expand the margin in India.

Alexia Howard - *Bernstein - Analyst*

Maybe sticking with the India question, with the change in government there, as there been any shift in terms of the potential development of the modern trade? You mentioned this massive opportunity in emerging markets of bulk spices. Could that start to shift or is it still too early to tell?

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

I think it is early to tell. What I see is a change in enthusiasm and confidence in India. Gordon was just there and I will let him kind of [speak] on that a little bit.

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

I will say that the speed at which the modern trade was going to take hold is not as quickly as we probably had envisioned it when we made the investment four years ago. So we are going to have to adjust our thinking to making sure we continue to cater to the mom-and-pop stores.

Having said that, there is a lot of excitement, back to Alan's point, around infrastructure investment, unleashing economies of scale. So there is a lot of hope in the country that is making us feel good about being there and still wanting to find our way to a strong growth platform there.

Alexia Howard - *Bernstein - Analyst*

Maybe sticking with the financial questions here, you provide long-term sales adjusted EPS growth targets, but not operating cash flow. Is there a reason for that and what is your target for cash flow growth generally?

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

Well, generally, it is in line with the EPS growth. So long as we are able to keep working capital as a percentage of sales constant with the sales growth, it should grow in line with earnings.

There is opportunity on the working capital side. Certainly on the inventory side. It can be lumpy, based on commodity cost movements and strategic inventories. And therefore, that is why it is a little more difficult for us to say every year what that cash flow is going to be, depending on what strategy we have around our inventory management.

But on average over time, it should definitely grow in line with the earnings growth algorithm. And if you look back at a period of 5 to 10 years, it is pretty much has done that. It will be at lumpy a bit depending on hedging contributions or inventory positions.

Alexia Howard - *Bernstein - Analyst*

Got you. Moving onto the industrial moving -- this is an interesting health and wellness kind of question. On the industrial side, you probably compete with IFS and other chemical-type companies.

I assume the chemical are less expensive than spices and herbs for industrial-type flavoring. So other than being more natural, how do you compete and how are things changing?

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

Well, we start with culinary. And so we created -- you have been to our culinary center. And we start first with great food. And then try to replicate that great food in whatever vehicle the customer is trying to get to.

And so there is a difference in -- and I have said this for a long time. We are a food company. We have capabilities in both reaction and compounded flavors, but we are fundamentally a food company.

And so we are able to compete. And it is really in line with where consumers are going now, which is not just looking for simple ingredient statements, but really clean flavors. And it goes beyond just natural fibers flavors. It goes beyond really getting at what is what is real food. And so we see that trend really strong for us and really plays to our strengths.

And so we are encouraged. We are continuing to develop capabilities and technologies and we are seeing good results in that.

Certainly, consumers and customers are making trade-offs in terms of cost versus those sorts of things. The cheapest thing you can put in a product is salt. So when you replace salt with something else, you have to work through the formulas. But we are really focused on providing clean, natural, and consistent flavor for our customers.

Alexia Howard - *Bernstein - Analyst*

Moving on to the commodity cost outlook, could you talk a little bit about where things are in that cycle? And then specifically, the cost differential for organic spices, if that is where the consumer is heading. Or gluten-free or non-GMO, those kinds of issues. Where are the additional costs and, yes -- basically, the commodity cost outlook? How is that looking?

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

Go ahead. Why don't you take the near term. Then I will take the --.

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

Exactly. That is what I was thinking. The near-term outlook is in the mid single-digit commodity cost, which is what we have guided to this year. One of the primary drivers of that this year is pepper.

Pepper is going through a long-term increase. So of the mid single-digit, pepper would account for almost half of that. So that has been the driver in the current year outlook.

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

Yes. The yields on -- at least in spices for organics, is about 20% lower than conventional. And have not achieved the level of quality that more conventional -- especially in the herbs -- have.

And so we are doing a lot of work on improving the supply chain and the productivity of the supply chain so that we can supply what consumers are looking for. Consumers are really interested. We want to make sure that we are doing what consumers are also looking for. GMOs is another question.

And so as you segregate a supply chain, it certainly does that add cost, but we all have to be sensitive to the fact that that is what consumers are looking for. And so we are aligning our products, like we have with gluten-free, like we have with expanded organics, to be where consumers want to go.

Alexia Howard - *Bernstein - Analyst*

Can I ask about the cost program here and really what you make of the whole 3G, Heinz, Kraft, merger kind of situation. For McCormick, though, is there a bigger cost opportunity here beyond the current CCI program? It looks as though SG&A as a percent of sales might be a little higher than some of the competition.

How do you think about that and whether, if the industry suddenly decides that they are going to take out a boatload of cost all at once to stay ahead of that curve, how would you look at that?

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

We absolutely believe that there is a balance between growth and cost. We have to be productive and the initiatives that we have undertaken this year are some of the most aggressive that McCormick has ever had.

And so I don't think that goes away. I think we will continue to drive productivity. We see it as providing fuel for growth so we can continue to -- with our R&D and our advertising investments -- to drive innovation.

Because fundamentally long term, we believe that is really the secret to success. We need to be cost competitive. We need to be really productive, but we also have to drive growth. And that is what our customers expect and our consumers expect of us. I don't think this goes away.

Now we have a number of people who have recently joined the Company who have had that experience. And so -- the 3G and Heinz experience. So we are evaluating what makes sense for McCormick that fits within our culture and our framework.

I will say we are in a bit of a different position because we are in growing categories. If we were in a category that was declining substantially, we may be taking a different tactic, but I do believe -- obviously there is opportunities for us. But I do believe that for us, investing in growth is where we want to be.

Alexia Howard - *Bernstein - Analyst*

Can we talk about the opportunities that online tools are throwing out? You have things like FlavorPrint. And obviously, everybody is looking at social networking sites and so on. Is the shift to digital advertising and interaction a really big deal for you and how do you see yourself pushing the envelope forward over time?

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

I think it absolutely is. It fits that one-on-one consumer relationship, where a consumer -- because flavor is very, very personal. And that is what we recognize with FlavorPrint.

But consumers are looking for recipe ideas when they want them. They are looking for how do they use our kinds of ingredients. And we are selling very, very small packages, where there is not very much room on the label to give information to consumers. And so the whole idea of digital information is really important.

On the other hand, social media is an even bigger deal, because it really appeals to consumers kind of bragging about the food they are preparing and taking pictures and posting on Instagram. And so working with consumers to really build that social network is really great for us.

And we find especially in our smaller, more niche brands, it is it the way we go-to-market. It is -- for Old Bay, for instance, we have got a very strong campaign. Grill Mates has a really strong campaign. And it is geared around reaching the consumer where they are and really appealing to their passion.

Alexia Howard - *Bernstein - Analyst*

Can I ask -- sorry; we missed a region off when we were talking about the emerging markets. Latin America is obviously an area where you have had a joint venture for a long time. Can you talk about the plans for down there as well?

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

Sure. You want to take about one? And then I'll --.

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

Sure. And you can fill in where I miss it. But obviously, our big presence in Latin America is through a joint venture that we have enjoyed for over 65 years with the [Ardes] organization. It is on our unconsolidated line. It is over a $400 million business. And has been highly successful and a very, very strong relationship.

So through that venture, we look to continue to enjoy the growth that we have in Mexico. And traditionally the products down there, people don't think of us because of our strong presence in herbs and spices. But in Mexico, we are number one in mayonnaise. And we have teas and jams. So it is a tremendous business and a tremendous relationship.

Elsewhere, our industrial customers are asking us to follow them and support them further into South America. So we have set up a small sales and lab and support system in Brazil to just begin that process.

Brazil would be an area that we can see ourselves having a bigger process in. We've continued to look for candidates down there from an M&A perspective. We haven't quite found the right candidate at the right valuation. But that would be a key next step for us to really expand our presence.

We also have a smaller business in Central America, which has been there quite some time, which, again, has got a high profile of products, like mayonnaise; also spices. And we have distribution agreements in Colombia, licensing agreements in Venezuela. So we recognize there is still some white space there that we need to pursue.

Alexia Howard - *Bernstein - Analyst*

Acquisitions have obviously been a very important part of the strategy over the last decade. And you've listed a lot of them up there. As you look forward, where are you prioritizing?

Are there particular regions? Are you looking industrial or consumer? Are you thinking about buying up some of these pesky brands that are here in the US? How do you think about that?

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

Yes. In the US, it is hard for us to buy something that is directly in our core category. And so where we are looking at is more adjacencies. We see opportunities anywhere that flavor really makes a difference. For instance, when Zatarain's and Simply Asia and Thai Kitchen, we are very much along that line.

We have a health and wellness platform. So we see opportunities in healthy nutrition, as a for instance, in areas that the consumers are continuing to grow.

We still have a lot of targets and a lot of white space in emerging markets. And even in developed markets, where there may be a larger competitor where we don't necessarily play. And so we see opportunities in that as well.

I think if you kind of boil it down, what we look at are things where we can add value through flavor or the strength of our distribution system. And continue to expand and grow that.

In emerging markets, we really want to buy the market leader in our core categories. In developed markets, it is really more around the adjacencies.

Alexia Howard - *Bernstein - Analyst*

In terms of -- there was an announcement I think last week from Target talking about how it is going to be deemphasizing certain center of store: more heavily processed, shelf-stable categories in the middle of the store. And favoring fresher things at the edge of the store.

How do spices fit on that dimension? Are you worried about fresh spices encroaching upon what you have to offer? And how do you think about that transition?

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

The value difference that we offer is the convenience and the shelf stability of our products. And so certainly, fresh herbs have been out forever. We used to be in that business, actually. But -- so we don't see that necessarily as our biggest competitive threat.

Certainly, as customers -- like Target -- and other customers are looking for variety, we are really working with them on helping to provide that Friday. D&A is an example -- is a great alternative on a premium. We also have a number of value offerings. And so we could be that full category solution.

But fundamentally, we still believe consumers are looking for the kinds of items that we provide, whether it is a gourmet consumer or more of a midrange everyday consumer.

Alexia Howard - *Bernstein - Analyst*

Can I turn to Europe here? Europe has been a particularly challenging region for many of the US packaged food companies: retailer dynamics, challenging, and so on. How would you characterize your strategy, both in the UK and maybe Continental Europe as well? And what is the opportunity there?

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

The UK has been a tough market. And we are pleased. We have continued to show growth and maintain our share there. It's because the dynamics are a little bit different. It is a large private label market, but there is not all the fragmented competition.

And so we have continued to hang in -- although it has been a difficult dynamic in the market. And so we continue to play there, but are focused on driving innovation to really differentiate.

I'd contrast that with France, where we have a very -- where it is not a large private label market. It is much more of a branded market. We have shown great growth, both in our spices and in our dessert mixes with Vahine. And so we have seen good performance.

In Poland, we are really happy with the Kamis acquisition that we did. We're the market leader there. We continue to expand and bring some of the innovation from around the world and grow that market.

And we are pretty excited about Italy and the opportunity there. We have got the market leader that is really creative and has great customer relationships in that market. So we believe we have got the right portfolio. And again, we are in categories that have shown growth as opposed to continue to decelerate.

Alexia Howard - *Bernstein - Analyst*

Can I ask about marketing strategy? Historically, spices have not been a particularly marketing-intensive category, but we saw the Grill Mate advert just now. Where do you see the marketing strategy going? Obviously, the mix into digital is getting important as well.

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

For most of my time in our consumer business, we have had close to 90% share of voice in our category. We expect that to continue. And we think that is important to really build a brand.

And as a category leader, we have got to drive the category growth. We have to bring the consumers through innovation and through good, strong, high ROI marketing into the category. And so we have a commitment to continue to do that.

We are a largely trade-driven category, though. We are retail intensive. We have a lot of SKUs and so part of our cost structure is built around winning at retail. So we have merchandisers in the stores. We continue to do a lot of work in making sure that we have got the right shelf positions.

And so it is not just -- we are not purely spending all our money in consumer. We spend a lot of our resources and focus in winning at retail as well.

Alexia Howard - *Bernstein - Analyst*

The innovation approach, over time, what big changes have you seen over the last 5 years? And as you think out over the next 5 years, maybe even 10 years, what are the big opportunities in terms of innovation in the category and beyond?

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

I think the fundamentals of innovation haven't changed. People are looking for an advantage in either convenience, in value, or inspiration. And so as we look at our products, we are continuing to do work on packaging in both design as well as convenience to help meet that need.

Inspiration is one that we spend a lot of time thinking about and really making sure that we are on the forefront of the food trend. So as TV chefs are changing how they cook and the kinds of ingredients, we want to make those things available to the core consumer, so they could do that at home.

And having both the food service and a consumer business helps, because we are kind of on the forefront with chefs and leading restaurants and in the food service trends. And we can quickly bring those things into the consumer.

And we continue to see it. Things like a long time ago, Chipotle is now pretty well mainstream. We started to see a trend of chefs asking for smoked paprika. We introduced it first in gourmet. Now we have it in our red line to make it more accessible. And so we want to stay in the forefront of that.

We also recognize that food is a lot like fashion: trends get really popular and then they disappear. So part of what we are doing with our reorganization in both the US and in Europe is making sure we are a lot faster to market with those trends and that we recognize and move away as those things are starting to die.

So as we saw the trend in gluten-free, we were a little slow, frankly, in our US market. We are pretty good in Canada. Part of what we are trying to do is get quicker with those things.

I can't predict what the next really cool trend is. We have experts that are always looking at that, but I will say we want to be faster to respond and lead in our categories with it.

Alexia Howard - *Bernstein - Analyst*

Maybe we can stick with the sort of lessons learned and things that you maybe think about doing differently. As you think about 2013 and 2014, and seem to be pulling yourself out of that now, what things might you have done differently? Or what were the lessons learned for next time through those two years?

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

I think we didn't stay as focused on our customer -- our trade customer as we needed to in that time. We were doing a lot. It was a time when we were responding to rapid growth in commodity cost and taking a lot of pricing.

So our discussions kind of changed from really winning on the category to making sure we get these price increases in. And so it was a very different conversation with customers.

While all that was happening, we were getting picked off or getting incursions in things like the produce area and the meat area and ethnic food area, where things were just kind of finding our way in. And I think we lost some of our focus at retail.

I would say we are now pretty focused on category leadership, on pricing analytics, and back to really telling our story to customers as to what the best answer for them is in terms of maximizing productivity in the stores and profits in the stores. We have recognized that our key battleground isn't private label. Our key battleground is a whole range of different companies.

It is not a change -- that is not necessarily a change in how our category has been. We have had -- there are over 400 branded items in our category that show up. Only 16 branded items have more than 1% market share and we own 5 of them.

And so as we kind of look at that, we want to make sure that we are not allowing those incursions in. And so it is a combination of making sure we are winning with innovation, making sure we are really focused on our base and our core business, and making sure we win with retailers.

Alexia Howard - *Bernstein - Analyst*

Okay. Thinking out -- again, more of a long-term question -- if we were to fast forward to 2020 and look back on things that caught us by surprise over the next five years, what do you think the top one or two things might be that -- just might be very different five years from now, given how quickly things are changing?

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

I think we are seeing a rapid migration with consumers and consumer attitudes. And very rapid into things like more organic, natural, free from whether it is GMOs or glutens or sugars or fats or whatever it is, there is a real move there. And I think we need to make sure that we are responding to that.

There is not just fragmentation in core grocery. There is a fragmentation in the channels that people are shopping, whether it is the value, the premium, the online. So I think we're going to see a pretty aggressive expansion at that.

And as companies, we have to make sure that we are well prepared to deal with that. And not locked into the way it used to be, but locked into the way it is going to be.

Alexia Howard - *Bernstein - Analyst*

And again, one -- as we are wrapping things up here, one final sort of longer-term question. For you personally, what are the three to five things on your agenda that you would like to accomplish and check off the list over the next three to five years?

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

Yes. I want to make sure that we have a company that is healthy and growing. We are in great categories. But we need to also find what the future growth platforms are and so we are spending a lot of time thinking and talking about that.

We've recognized that to compete, we have to be cost effective. And so we are really raising our game in productivity and so I would expect you will continue to see a ramped-up productivity effort there.

And something that -- when I talk about where I spend my time, I want to make sure we are doing things that are growing our business, making our business more profitable, or making us a better place to work. And so making sure that we are driving a culture where people want to come to work, because you really win in any business with talent. And we have a great history of highly engaged employees who really come to work every day wanting to make us better and we can't lose sight of that.

Alexia Howard - *Bernstein - Analyst*

Great. Thank you very much for your time this morning. Really appreciate you coming in. And thanks to everybody else for listening.

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

Thanks for having us, Alexia.

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

Thank you.