



McCormick & Company, Inc.
2nd Quarter 2020 Financial Results
June 25, 2020

**BUILDING THE
McCORMICK OF THE
FUTURE**



FORWARD-LOOKING INFORMATION

Certain information contained in this presentation, including statements concerning expected performance such as those relating to net sales, gross margins, earnings, cost savings, acquisitions, brand marketing support, special charges, income tax expense and the impact of foreign currency rates are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by the use of words such as “may,” “will,” “expect,” “should,” “anticipate,” “intend,” “believe” and “plan.” These statements may relate to: the impact of COVID-19 on our business, suppliers, consumers, customers, and employees; disruptions or inefficiencies in the supply chain, including any impact of COVID-19; the expected results of operations of businesses acquired by the company, including the acquisition of RB Foods; the expected impact of costs and pricing actions on the company's results of operations and gross margins; the expected impact of productivity improvements, including those associated with our Comprehensive Continuous Improvement (“CCI”) program and global enablement initiative; expected working capital improvements; expectations regarding growth potential in various geographies and markets, including the impact from customer, channel, category, and e-commerce expansion; expected trends in net sales and earnings performance and other financial measures; the expected timing and costs of implementing our business transformation initiative, which includes the implementation of a global enterprise resource planning (ERP) system; the expected impact of accounting pronouncements; the expected impact of the U.S. Tax Act enacted in December 2017; the expectations of pension and postretirement plan contributions and anticipated charges associated with such plans; the holding period and market risks associated with financial instruments; the impact of foreign exchange fluctuations; the adequacy of internally generated funds and existing sources of liquidity, such as the availability of bank financing; the anticipated sufficiency of future cash flows to enable the payments of interest and repayment of short- and long-term debt as well as quarterly dividends and the ability to issue additional debt or equity securities; and expectations regarding purchasing shares of McCormick's common stock under the existing repurchase authorizations.

These and other forward-looking statements are based on management's current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by factors such as: the company's ability to drive revenue growth; damage to the company's reputation or brand name; loss of brand relevance; increased private label use; product quality, labeling, or safety concerns; negative publicity about our products; actions by, and the financial condition of, competitors and customers; the longevity of mutually beneficial relationships with our large customers; the ability to identify, interpret and react to changes in consumer preferences and demand; business interruptions due to natural disasters or unexpected events or public health crises, including COVID-19; issues affecting the company's supply chain and raw materials, including fluctuations in the cost and availability of raw and packaging materials; government regulation, and changes in legal and regulatory requirements and enforcement practices; the lack of successful acquisition and integration of new businesses, including the acquisition of RB Foods; global economic and financial conditions generally, including the impact of the exit of the U.K. from the European Union (Brexit), availability of financing, interest and inflation rates, and the imposition of tariffs, quotas, trade barriers and other similar restrictions; foreign currency fluctuations; the effects of increased level of debt service following the RB Foods acquisition as well as the effects that such increased debt service may have on the company's ability to borrow or the cost of any such additional borrowing, our credit rating, and our ability to react to certain economic and industry conditions; impairments of indefinite-lived intangible assets; assumptions we have made regarding the investment return on retirement plan assets, and the costs associated with pension obligations; the stability of credit and capital markets; risks associated with the company's information technology systems, including the threat of data breaches and cyber-attacks; the company's inability to successfully implement our business transformation initiative; fundamental changes in tax laws; including interpretations and assumptions we have made, and guidance that may be issued, regarding the U.S. Tax Act enacted on December 22, 2017 and volatility in our effective tax rate; climate change; infringement of intellectual property rights, and those of customers; litigation, legal and administrative proceedings; the company's inability to achieve expected and/or needed cost savings or margin improvements; negative employee relations; 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.





LAWRENCE KURZIUS



COVID-19 UPDATE

COMMITMENT TO MAINTAINING CRITICAL FOOD SUPPLY AND SUPPORTING COMMUNITIES

THREE PRIORITIES SINCE FIRST DAYS

- Ensure **health and safety of our employees** and the **quality and integrity of our products**
- Keep **our brands and customers' brands in supply** and to maintain our financial strength
- **Emerge stronger** from this crisis

STATUS OF BUSINESS

- Hubei province in **early stages** of recovery
- Rest of China fairly **far along** in recovery
- Rest of APZ & EMEA varies by market – some **early stages** of recovery
- Americas in **early stages** recovery

COVID-19 SEGMENT UPDATE

CONSUMER

SECOND QUARTER

- Initial pantry stocking in Americas and EMEA
- Pantry replenishment in China
- Strong real incremental consumption as quarter progressed

EXPECTATIONS

- Shift in consumer consumption to at home continues
- Consumption remains elevated, but not as high as 2Q
- Benefit during a recessionary period based on history

FLAVOR SOLUTIONS

SECOND QUARTER

- Packaged food companies performance varied by customer; early surge tapered off
- COVID-19 measures reduced foodservice customer demand; recovery beginning late in quarter

EXPECTATIONS

- Packaged food company demand consistent with levels before COVID-19
- Foodservice gradual recovery varying by market
 - Quick Service Restaurants (QSR) recovering quicker
 - Other foodservice building more slowly

FOCUSED ON EXECUTION

CONFIDENT IN OUR CAPABILITIES TO PERFORM IN THIS DYNAMIC ENVIRONMENT

GLOBAL SUPPLY CHAIN

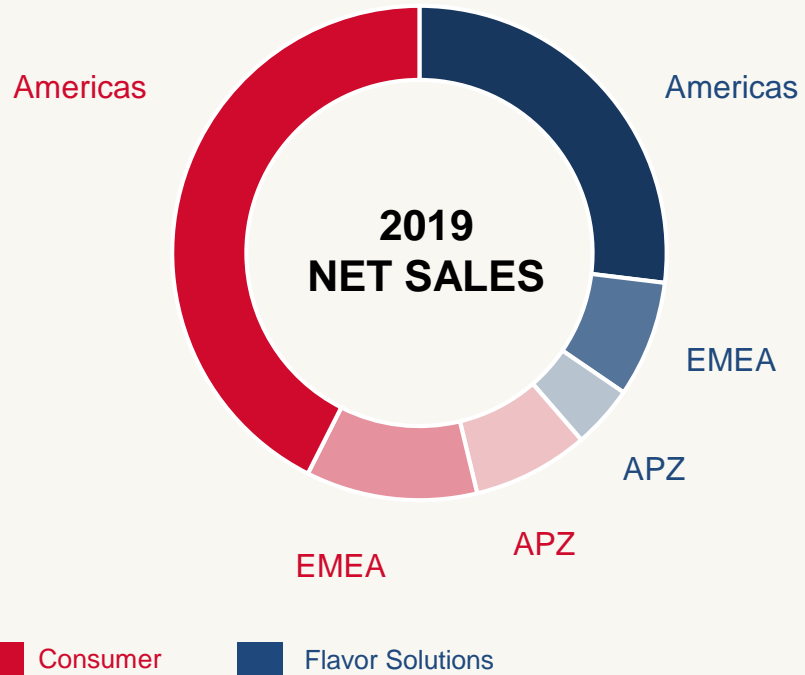
- **Global sourcing** has been a real differentiator
- **Manufacturing operations** pressure
 - **Sustained high level of** consumer **demand**
 - New **safety** and **flexibility measures**
- **U.S. manufacturing capacity addition** in second half

UNCERTAINTY DRIVEN BY COVID-19

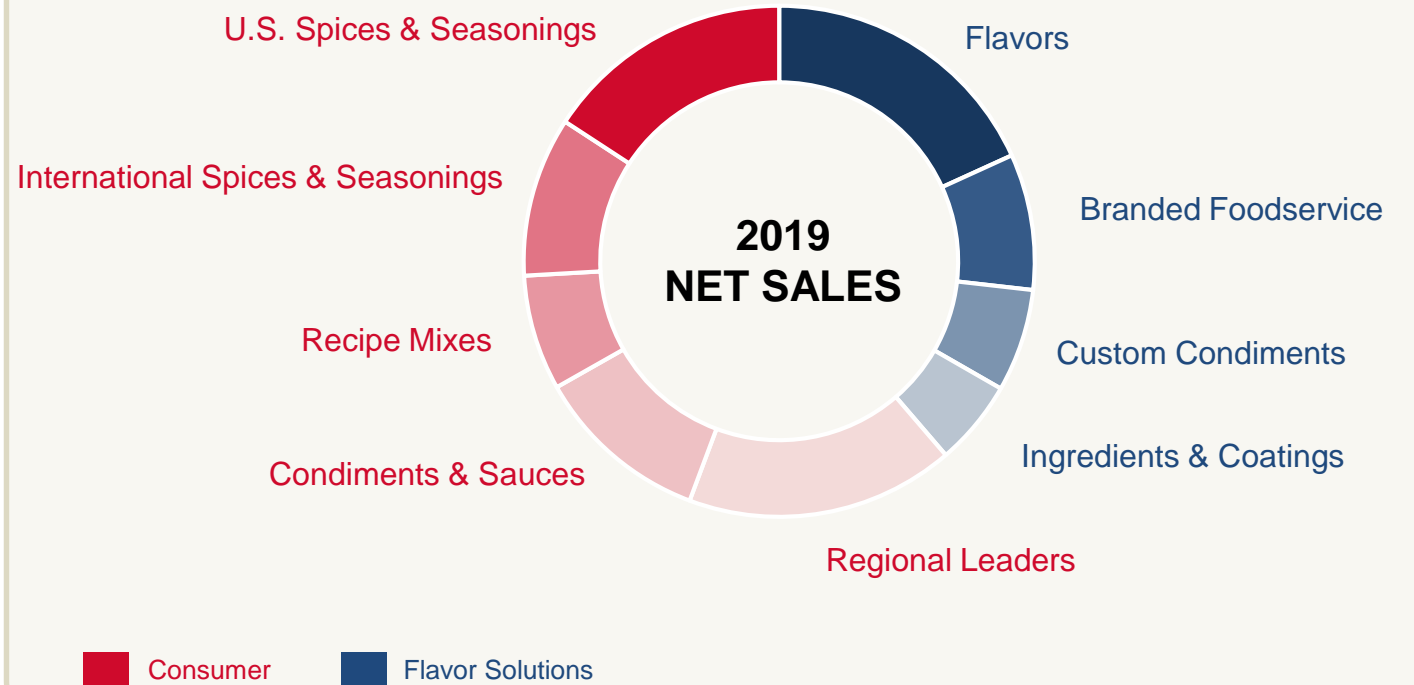
- **Evolving operating environment**
- **Consumer comfort** in eating away from home variation
- **Pacing of** foodservice **re-openings** across geographies
- Possible **impact of resurgences**

GLOBAL FOOTPRINT & PORTFOLIO

GLOBAL FOOTPRINT



BROAD & ADVANTAGED GLOBAL FLAVOR PORTFOLIO¹



2019 ESTIMATED AT HOME / AWAY FROM HOME CONSUMPTION¹

AMERICAS		EMEA		APZ		TOTAL MKC	
At Home	Away From Home	At Home	Away From Home	At Home	Away From Home	At Home	Away From Home
~85%	~15%	~80%	~20%	~40%	~60%	~80%	~20%

1) Approximation of category sizes



KEY FACTORS UNDERLYING 2Q STRENGTH

- McCormick has brands consumers trust
- Consumer messaging inspiring flavorful cooking
- Capitalization of capabilities across the organization
- Collaboration and partnerships

STANDING TOGETHER TO MANAGE THROUGH THIS CRISIS



SECOND QUARTER 2020 FINANCIAL RESULTS

GREW NET SALES 10%*

- Substantial increase in consumer demand driven by rise in cooking at home
- Partial offset by sharp declines in away from home products

GREW ADJUSTED OPERATING INCOME 23%*

- Higher sales, favorable mix and CCI
- Adjusted operating margin expansion 210 bps

GREW ADJUSTED EARNINGS PER SHARE 27% TO \$1.47

- Strong operating performance



* In constant currency

CONSUMER SEGMENT UPDATE – AMERICAS

AMERICAS

- U.S. Branded portfolio consumption growth **55%**
- **Share gains** in **9 of 11** categories
- Growth **2X** center of store rate
- **New products** launched with **exceptional trial**
- **16%** increase in **household penetration**
- **Repeat buyers rate** increased **11%**
- **Targeted media** messaging for **cooking at home**
- **Digital connectivity** with consumers



CONSUMER SEGMENT UPDATE – EMEA & APZ

EMEA

- **Broad based growth** across the region
- **Share gains** in majority of categories
- **Growth** in French Vahine **baking products**
- **U.K. dry recipe mixes** attracting **new shoppers**
- **New product plans** remain **on track** for year
- **Strong marketing** campaigns & **digital** connections



APZ

- China **condiment growth** – some items **2x** or **3x**
- China **new product success** and **acceleration**
- **Broad based growth** and **share gains** outside China
- **Marketing** plans for **value** and **scratch cooking**
- **On-line instruction** and **inspiration**



FLAVOR SOLUTIONS SEGMENT UPDATE

AMERICAS

- Declines in branded foodservice and restaurant customers demand
- Branded foodservice decline impact more significant due to portfolio mix
- Culinary and marketing support provided to help customers adapt

EMEA

- Significant rate of decline from COVID-19 restrictions
- Away from home customer base skewed to QSR
- Scale up of operations to meet demand of adapted QSR models

APZ

- Decline driven by countries outside of China due to COVID-19 restrictions
- China QSR's open and gaining momentum



CARRYOUT & DELIVERY

AS PATRONS LOOK TO ORDER MORE CARRYOUT AND DELIVERY, KEEP THOSE GOOD EATS COMING. These tips from McCormick's Executive Chef Gary will help you optimize your current curbside pickup, takeout, delivery and drive-thru menu offerings.

Steaks & Chicken
Cook on high heat grill until outside is nicely caramelized and brown. Be sure to let the meat rest before packing so it doesn't steam itself inside the box.

Burgers
Pack hot burger and ingredients separately from bun and cold ingredients to prevent food from getting soggy and ingredients from wilting.

Fries
Include a notecard with a tip for how to reheat in air fryer or even at home for ideal crispiness and to preserve the quality of the food!

Wings
Use a sauce that can be reheated or put additional sauce in the delivery box to toss with wings once delivered.

Chef Tip! Just before packing, sprinkle with Cook 'N' Bake Montreal Steak Seasoning to create a great aroma!

Chef Tip! Mix Frank's RedHot® Single Honey Garlic with a splash of lemon & white vinegar needs for a signature sauce!

CHEF GARY

SOLID FOUNDATION IN DYNAMIC ENVIRONMENT



- **Aligned** with the **consumer demands** and **preferences**, which have **accelerated**
- **Solid foundation** in a dynamic and uncertain environment
- **Agile, relevant** and **focused** on **long-term sustainable growth**
- **Strategies** are **building long-term shareholder value**
- **Exceptional second quarter results**, during period of **great disruption**
- **Success is driven by McCormick employees**



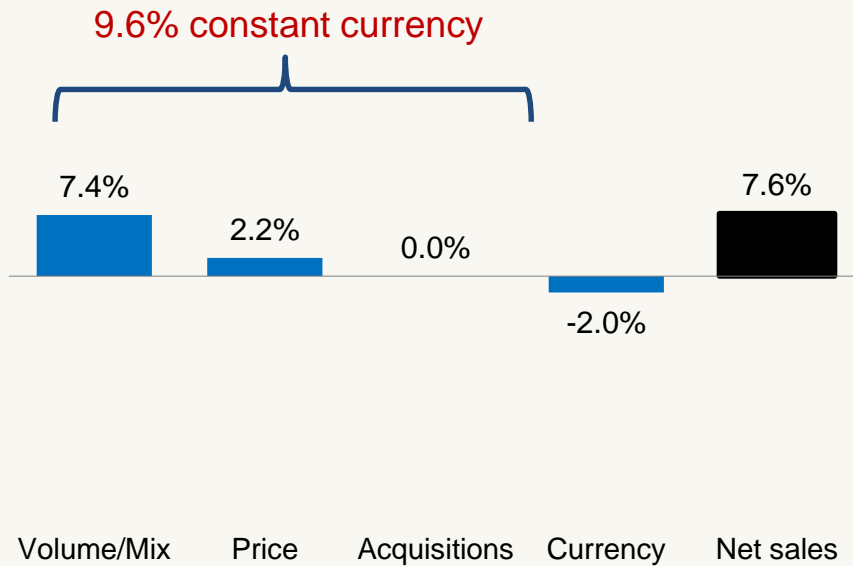
MIKE SMITH

Executive Vice President and
Chief Financial Officer

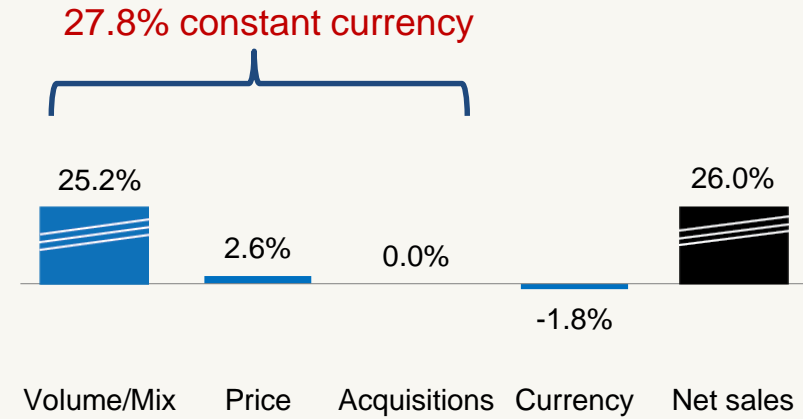


2Q 2020 SALES RESULTS

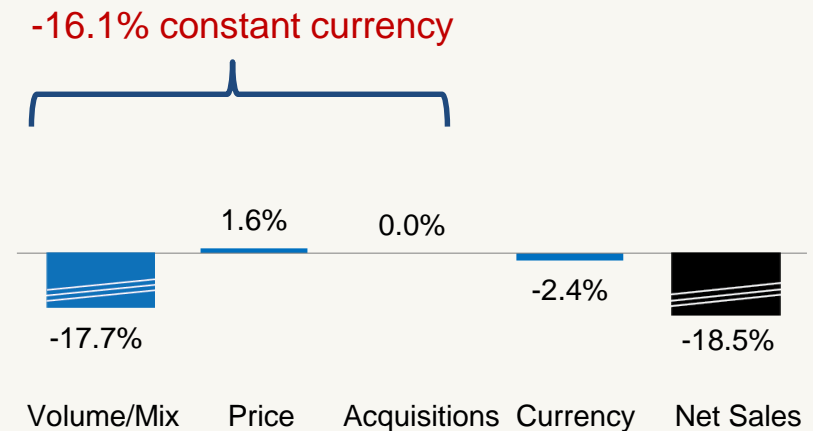
TOTAL COMPANY



CONSUMER

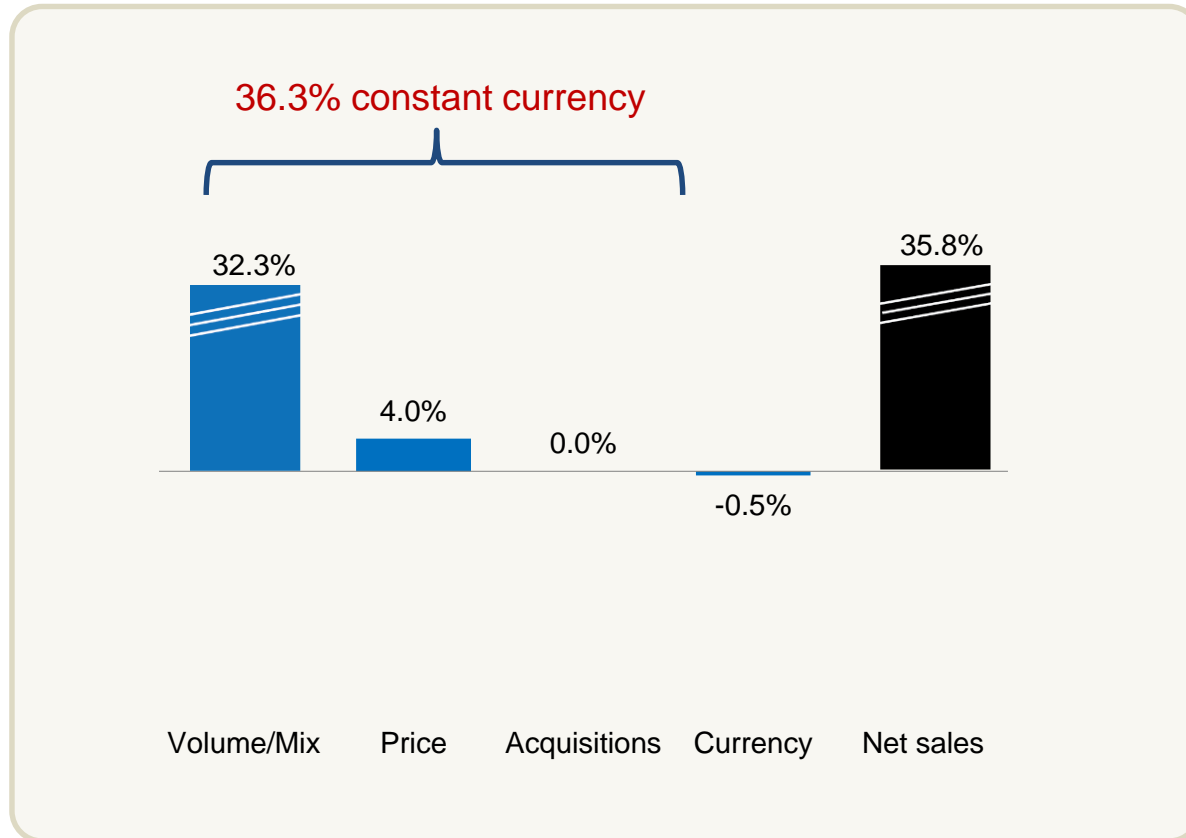


FLAVOR SOLUTIONS



2Q 2020 SALES RESULTS: CONSUMER SEGMENT

AMERICAS

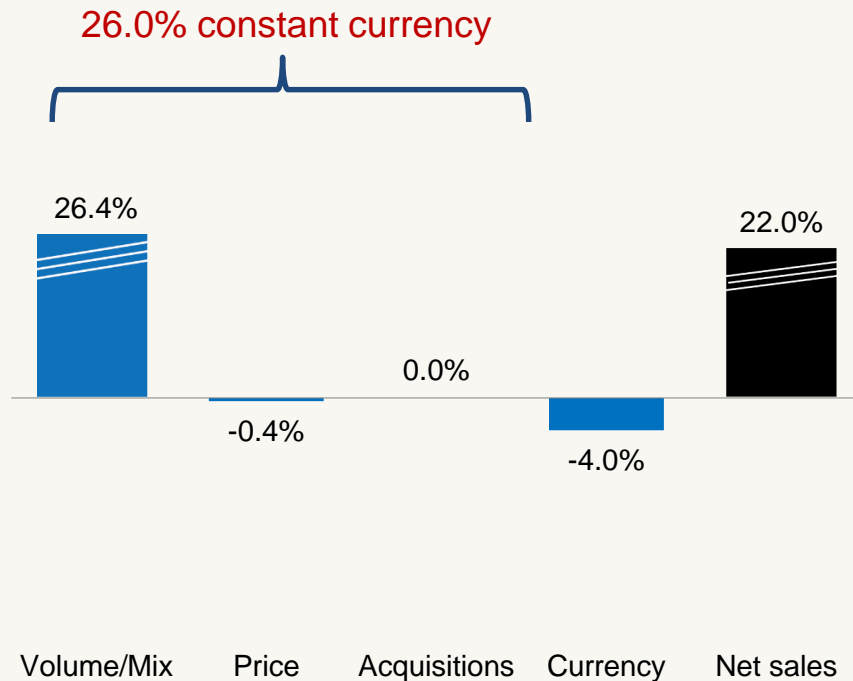


- Broad based volume and mix growth
 - Significant growth across branded portfolio
 - Private label products
- Pricing actions to offset increased costs



2Q 2020 SALES RESULTS: CONSUMER SEGMENT

EMEA

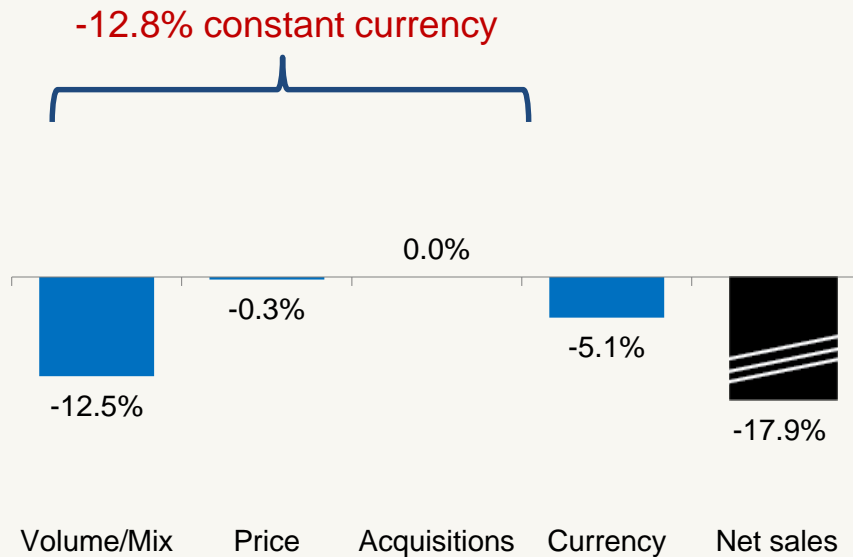


- Higher volume and mix across the region
- Significant growth drivers:
 - Vahine homemade dessert products
 - Schwartz and Ducros branded spices and seasonings
 - Schwartz dry recipe mixes



2Q 2020 SALES RESULTS: CONSUMER SEGMENT

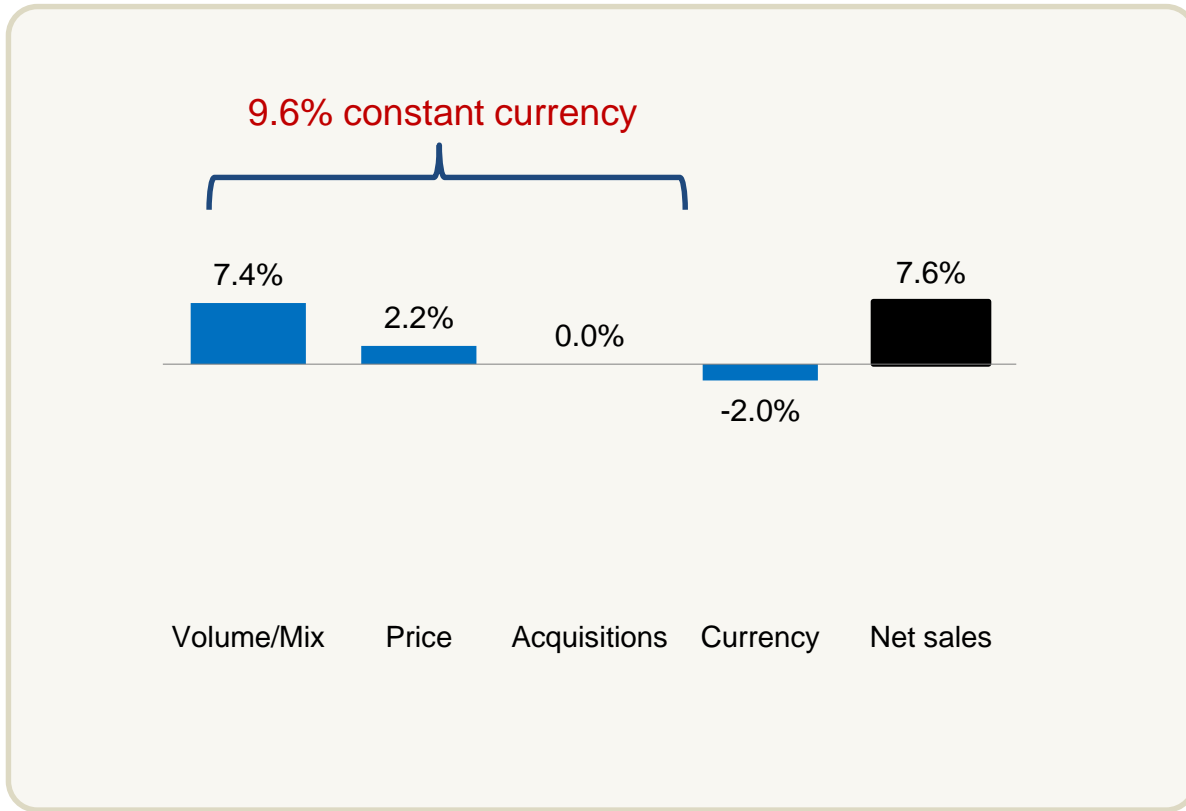
ASIA / PACIFIC



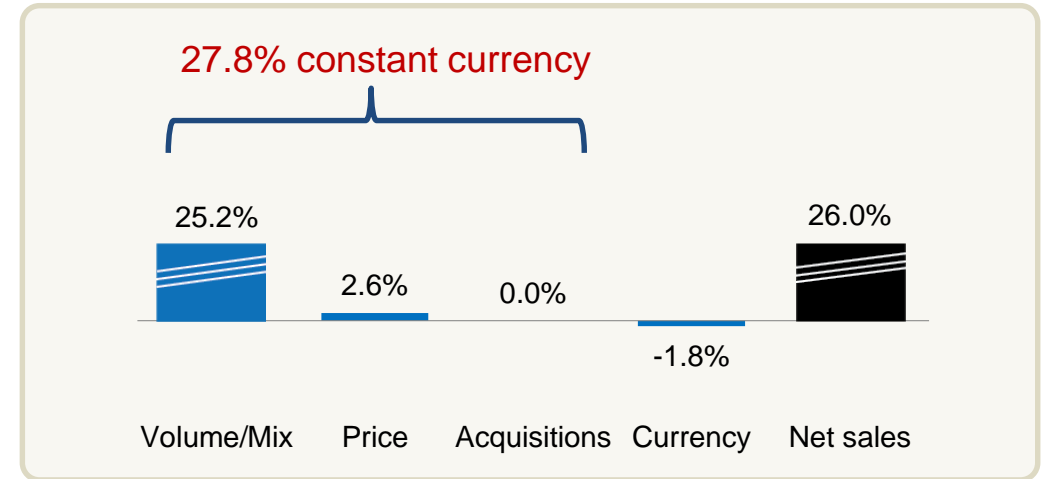
- Wuhan disruption drove a 26% decline in volume/mix
- Partially offset by increased consumer demand led by:
 - Condiments in China
 - Broad-based Australia growth
 - Strong e-commerce growth

2Q 2020 SALES RESULTS

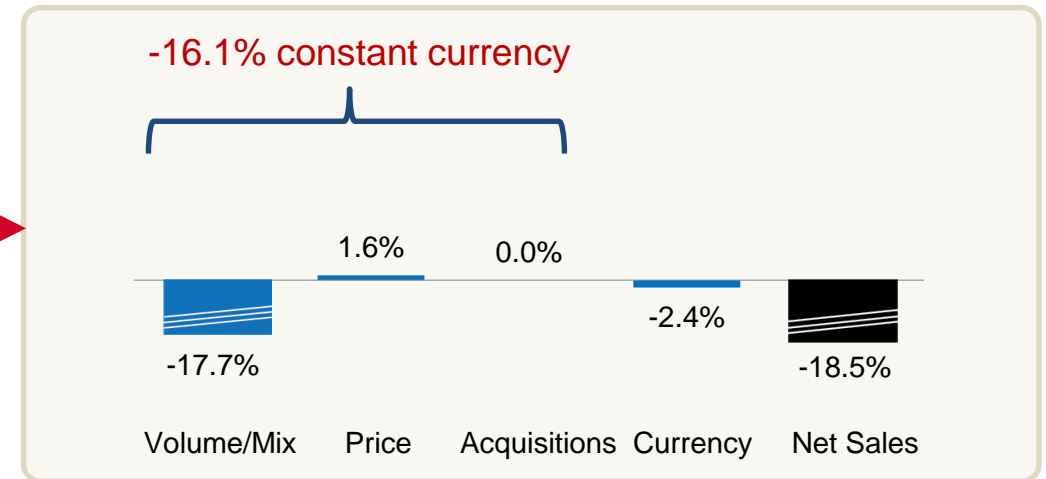
TOTAL COMPANY



CONSUMER

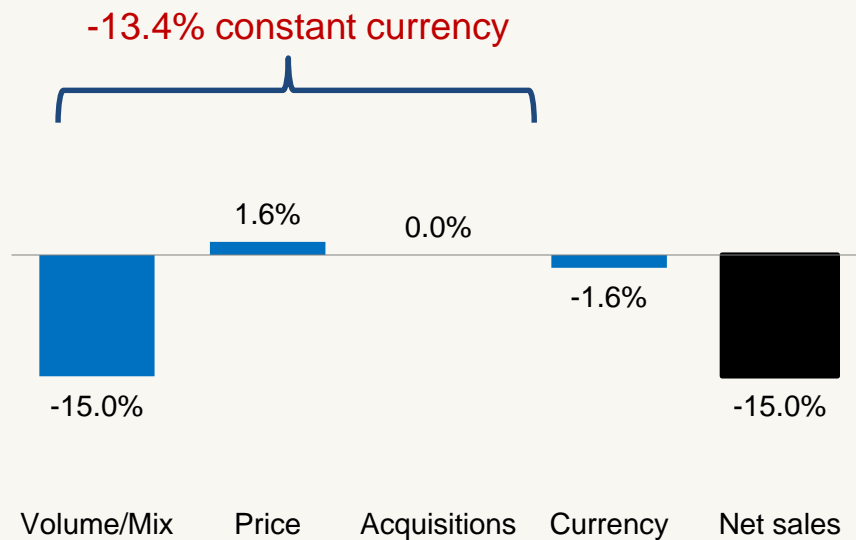


FLAVOR SOLUTIONS



2Q 2020 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

AMERICAS

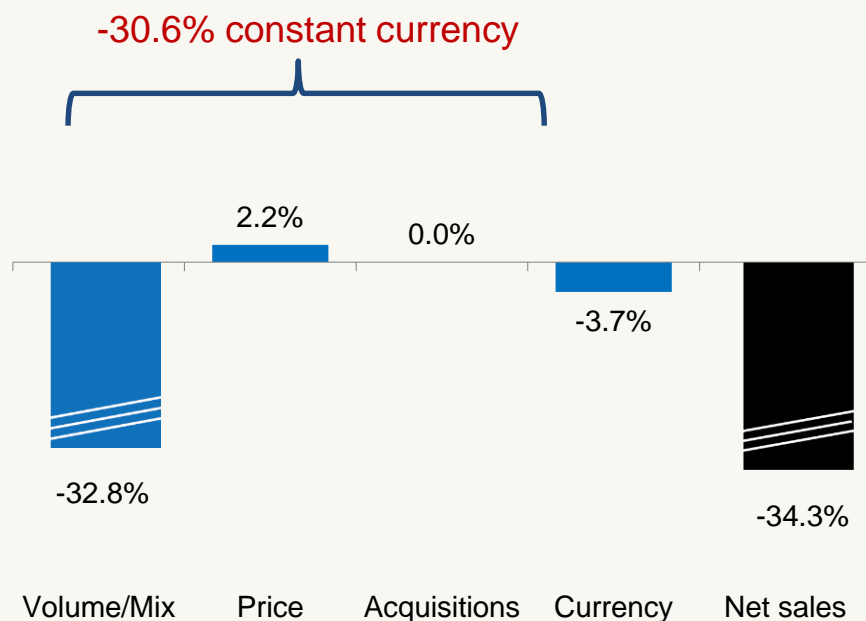


- Decline driven by branded foodservice and quick service restaurant customers
- Partially offset by:
 - Growth with packaged food companies
 - Pricing to offset cost increases



2Q 2020 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

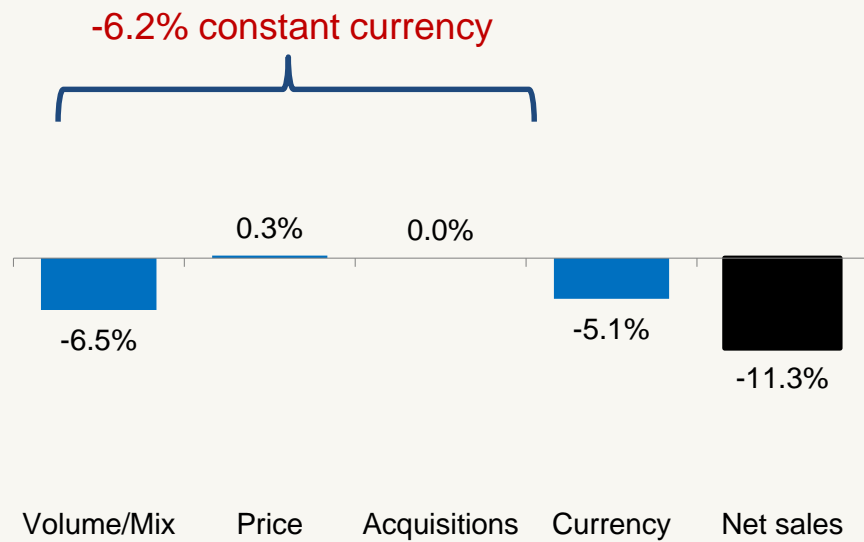
EMEA



- Decline driven by quick service restaurant and branded foodservice customers
- Partially offset by:
 - Sales growth with packaged food companies
 - Pricing to offset cost increases

2Q 2020 SALES RESULTS: FLAVOR SOLUTIONS SEGMENT

ASIA / PACIFIC



- Decline driven by COVID-19 related lockdowns and closures in countries outside of China



OPERATING INCOME

<i>(in millions)</i>	2Q 2020	2Q 2019	Fav/(Unfav) Change
Operating income	\$257.4	\$208.1	24%
Adjusted operating income	\$260.3	\$215.2	21%
Consumer	231.6	137.8	68%
Flavor solutions	28.7	77.4	(63%)

- 23% constant currency adjusted operating income increase for total company
 - Consumer segment growth of 70% driven by higher sales and CCI-led cost savings
 - Flavor solutions segment 61% decline attributable to lower sales and unfavorable manufacturing costs, partially offset by CCI-led cost savings
- Special charges were \$3 million in 2Q 2020 versus \$7 million in 2Q 2019



OPERATING MARGIN

<i>(in millions)</i>	2Q 2020	2Q 2019	Fav/(Unfav) Change
Gross margin	41.4%	39.1%	230 bps
Selling, general & administrative expenses as percent of net sales	22.8%	22.6%	(20) bps
Operating margin	18.4%	16.0%	240 bps
Adjusted operating margin	18.6%	16.5%	210 bps

- Gross margin expansion of 230 basis points driven by:
 - Favorable mix
 - CCI-led cost savings
 - Partially offset by higher manufacturing costs
- Adjusted operating margin expansion of 210 basis points



INCOME TAXES

<i>(in millions)</i>	2Q 2020	2Q 2019
Income tax rate	17.9%	18.7%
Adjusted income tax rate	18.0%	18.9%

- Adjusted income tax rate declined versus the year-ago period
- Both quarters' favorably impacted by discrete tax items, primarily related to entity structure refinements in 2020 and stock option exercises in 2019

INCOME FROM UNCONSOLIDATED OPERATIONS

<i>(in millions)</i>	2Q 2020	2Q 2019	Fav/(Unfav) Change
Income from unconsolidated operations	\$10.2	\$9.5	7%

- Income from unconsolidated operations increased 7% from the second quarter of 2019

EARNINGS PER SHARE

	2Q 2020	2Q 2019	Fav(Unfav) Change
Earnings per share	\$1.46	\$1.12	30%
Adjusted earnings per share	1.47	1.16	27%

Change in adjusted earnings per share

Increase in adjusted operating income	\$0.27
Decrease in interest expense	0.05
Other impacts, net	<u>(0.01)</u>
Total increase	<u>\$0.31</u>

BALANCE SHEET AND CASH FLOW

Balanced Use of Cash



- ✓ Drive growth
- ✓ Return to shareholders
- ✓ Pay down debt

- **Cash flow provided from operations** \$356 million vs \$314 million in 2019
- **Cash conversion cycle improved** 6 days from 2019 year end
- **Returned** \$165 million of **cash to shareholders** through dividends
- **Capital expenditures** of \$87 million through second quarter
- \$500 million **bond issuance** at 2.5% interest rate with 10 year term
- **Projecting strong 2020 cash flow**

EXPECTATIONS FOR BALANCE OF YEAR

HIGH LEVEL OF UNCERTAINTY AROUND THE PACE AND SHAPE OF COVID-19 RECOVERY

DEMAND EXPECTATIONS

- **Elevated consumer segment demand** to continue at some level
- **Packaged food customers demand** in flavor solutions to **return to pre COVID-19 levels**
- **Away from home products** in flavor solutions portfolio **gradually rebounds**, but not to 2019 level
- **COVID-19 impact** in **China** to **reduce global net sales 1%-2%** for fiscal 2020
- **Favorable mix shift** to continue, **but moderate**

OTHER KEY EXPECTATIONS

- **Incremental COVID-19 costs** to **continue**, more **heavily weighted to 3Q**
- **Mid-single digit cost inflation**
- **CCI savings** of approximately **\$105 million**
- **Mid-single digit increase** in **brand marketing**
- **Negative** impact from **foreign exchange rates** for fiscal 2020
- **High to mid-single digit decline** in income from **unconsolidated operations**

SECOND QUARTER KEY TAKEAWAYS

- **Second quarter** results speak to **the value of our products and our capabilities as a company**
- **Executing during volatility** highlights our **agility** and **strong foundation**
- **Focus** on long-term strategies, consumer behavior and accelerated trends will enable us **to emerge stronger**
- **Confident in ability to perform** in dynamic environment and **continue on growth trajectory**
- **Committed to long-term financial objectives**





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NON-GAAP FINANCIAL MEASURES

The tables below include financial measures of adjusted operating income, adjusted operating income margin, adjusted income tax expense, adjusted income tax rate, adjusted net income and adjusted diluted earnings per share, each excluding the impact of special charges for each of the periods presented. Adjusted operating income, adjusted operating income margin, adjusted income tax expense, adjusted income tax rate, adjusted net income and adjusted diluted earnings per share represent non-GAAP financial measures which are prepared as a complement to our financial results prepared in accordance with United States generally accepted accounting principles. These financial measures exclude the impact, as applicable, of the following:

In our consolidated income statement, we include a separate line item captioned “Special charges” in arriving at our consolidated operating income. Special charges consist of expenses associated with certain actions undertaken by the company to reduce fixed costs, simplify or improve processes, and improve our competitiveness and are of such significance in terms of both up-front costs and organizational/structural impact to require advance approval by our Management Committee. Upon presentation of any such proposed action (including details with respect to estimated costs, expected benefits and expected timing) to the Management Committee and the Committee’s advance approval, expenses associated with the approved action are classified as special charges upon recognition and monitored on an on-going basis through completion.

We believe that these non-GAAP financial measures are important. The exclusion of the items noted above provides additional information that enables enhanced comparisons to prior periods and, accordingly, facilitates the development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of our ongoing operations and analyze our business performance and trends.

These non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but they should not be considered a substitute for, or superior to, GAAP results. In addition, these non-GAAP financial measures may not be comparable to similarly titled measures of other companies because 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 related GAAP financial measures is provided below:

NON-GAAP FINANCIAL MEASURES

(in millions except per share data)

	Three Months Ended	
	5/31/2020	5/31/2019
Operating income	\$ 257.4	\$ 208.1
Impact of special charges	2.9	7.1
Adjusted operating income	<u>\$ 260.3</u>	<u>\$ 215.2</u>
% increase versus year-ago period	<u>21.0 %</u>	
Adjusted operating income margin (1)	18.6 %	16.5 %
Income tax expense	\$ 40.4	\$ 32.1
Impact of special charges	0.9	1.7
Adjusted income tax expense	<u>\$ 41.3</u>	<u>\$ 33.8</u>
Adjusted income tax rate (2)	18.0 %	18.9 %
Net income	\$ 195.9	\$ 149.4
Impact of special charges	2.0	5.4
Adjusted net income	<u>\$ 197.9</u>	<u>\$ 154.8</u>
% increase versus year-ago period	27.8 %	
Earnings per share - diluted	\$ 1.46	\$ 1.12
Impact of special charges	0.01	0.04
Adjusted earnings per share - diluted	<u>\$ 1.47</u>	<u>\$ 1.16</u>
% increase versus year-ago period	26.7 %	

- 1) Adjusted operating income margin is calculated as adjusted operating income as a percentage of net sales for each period presented
- 2) Adjusted income tax rate is calculated as adjusted income tax expense as a percentage of income from consolidated operations before income taxes excluding special charges or \$229.0 million and \$179.1 million for the three months ended May 31, 2020 and 2019, respectively.

NON-GAAP FINANCIAL MEASURES

Because we are a multi-national company, we are subject to variability of our reported U.S. dollar results due to changes in foreign currency exchange rates. Those changes have been volatile over the past several years. The exclusion of the effects of foreign currency exchange, or what we refer to as amounts expressed “on a constant currency basis”, is a non-GAAP measure. We believe that this non-GAAP measure provides additional information that enables enhanced comparison to prior periods excluding the translation effects of changes in rates of foreign currency exchange and provides additional insight into the underlying performance of our operations located outside of the U.S. It should be noted that our presentation herein of amounts and percentage changes on a constant currency basis does not exclude the impact of foreign currency transaction gains and losses (that is, the impact of transactions denominated in other than the local currency of any of our subsidiaries in their local currency reported results).

Percentage changes in sales and adjusted operating income expressed in “constant currency” are presented excluding the impact of foreign currency exchange. To present this information for historical periods, current period results for entities reporting in currencies other than the U.S. dollar are 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 follow:

	Three Months Ended May 31, 2020		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales			
Consumer segment			
Americas	35.8%	(0.5)%	36.3%
EMEA	22.0%	(4.0)%	26.0%
Asia/Pacific	(17.9)%	(5.1)%	(12.8)%
Total consumer segment	26.0%	(1.8)%	27.8%
Flavor solutions segment			
Americas	(15.0)%	(1.6)%	(13.4)%
EMEA	(34.3)%	(3.7)%	(30.6)%
Asia/Pacific	(11.3)%	(5.1)%	(6.2)%
Total flavor solutions segment	(18.5)%	(2.4)%	(16.1)%
Total net sales	7.6%	(2.0)%	9.6%
Adjusted operating income			
Consumer segment	68.1%	(1.7)%	69.8%
Flavor solutions segment	(62.9)%	(2.2)%	(60.7)%
Total adjusted operating income	21.0%	(1.9)%	22.9%