



McCormick & Company, Inc. 4th Quarter 2018 Financial Results and 2019 Outlook

January 24th 2019

The following slides accompany a January 24th 2019, earnings release conference call. This information should be read in conjunction with the press release issued on that date.


The joy of FLAVOR

Forward-looking information

Certain information contained in this release, including statements concerning expected performance such as those relating to net sales, earnings, cost savings, acquisitions, brand marketing support and income tax expense, are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). 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 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 CCI program and global enablement ("GE") initiative; the 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 impact of Pub.L 115-97, “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018” (the "U.S. Tax Act"); the expectations of pension and postretirement plan contributions and anticipated charges associated with those 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 authorization.

These and other forward-looking statements are based on management's current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by factors such as: damage to the company's reputation or brand name; loss of brand relevance; increased private label use; product quality, labeling, or safety concerns; negative publicity about our products; business interruptions due to natural disasters or unexpected events; actions by, and the financial condition of, competitors and customers; the company's inability to achieve expected and/or needed cost savings or margin improvements; negative employee relations; the lack of successful acquisition and integration of new businesses, including the acquisition of RB Foods; issues affecting the company's supply chain and raw materials, including fluctuations in the cost and availability of raw and packaging materials and freight; government regulation, and changes in legal and regulatory requirements and enforcement practices; global economic and financial conditions generally, including the availability of financing, and interest and inflation rates; the 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 react to certain economic and industry conditions and ability to borrow or the cost of any such additional borrowing; the interpretations and assumptions we have made, and guidance that may be issued, regarding the U.S. Tax Act; assumptions we have made regarding the investment return on retirement plan assets, and the costs associated with pension obligations; foreign currency fluctuations; 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; fundamental changes in tax laws; volatility in our effective tax rate; climate change; infringement of intellectual property rights, and those of customers; litigation, legal and administrative proceedings; and other risks described in the company's filings with the Securities and Exchange Commission.

Actual results could differ materially from those projected in the forward-looking statements. The company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

McCORMICK

Lawrence Kurzius

Chairman, President &
Chief Executive Officer

McCormick Completes Another Year of Record Performance in 2018

Drove double-digit growth in sales, operating profit and earnings per share

Expanded adjusted operating **margin** while making **investments for growth**

Achieved substantial cost savings

Delivered 7th consecutive year of record cash flow

Achieved year one **Frank's** and **French's** acquisition **expectations**

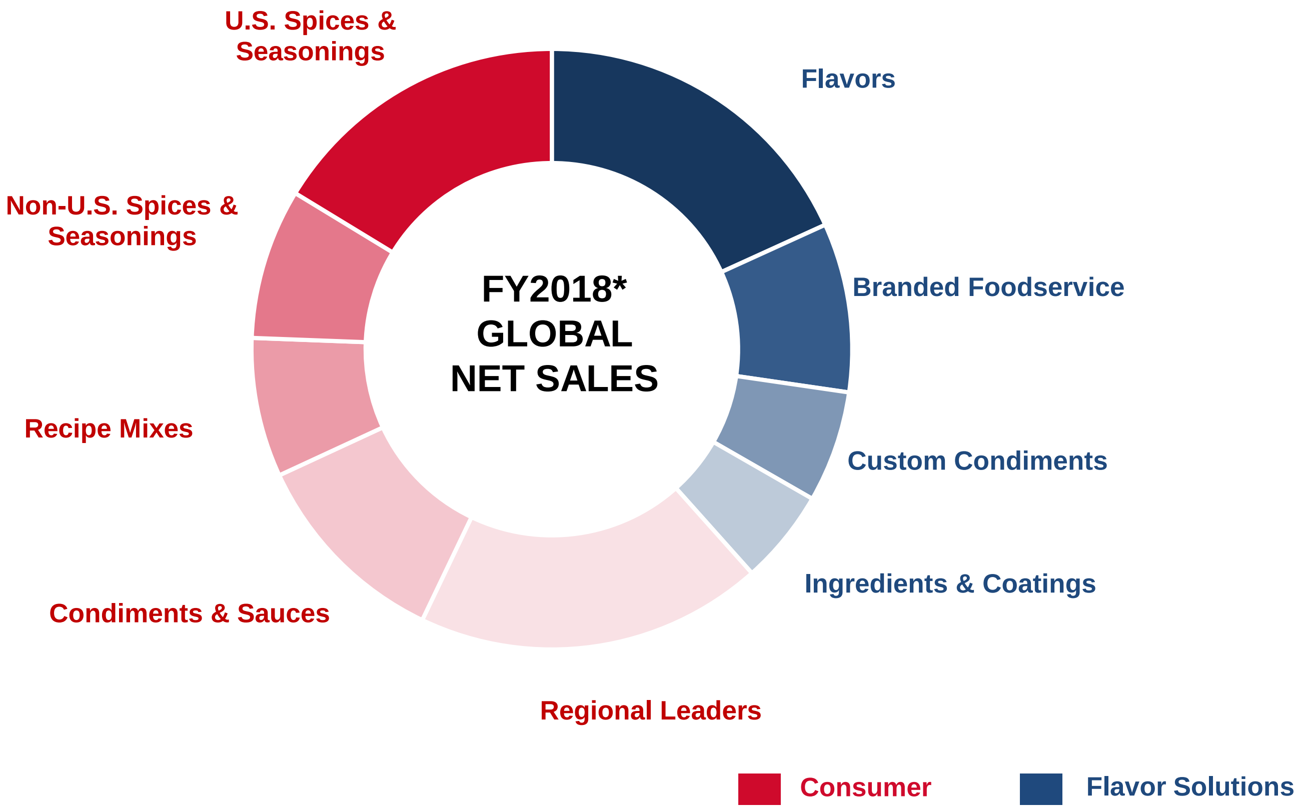
Drove **strong results** across **both segments**

Flavorsolutions

GENUINE FLAVOR. INSPIRED SOLUTIONS.

The non-GAAP measures included herein, which we refer to as "adjusted", exclude the impact of items affecting comparability between periods. See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 37, including the impact of constant currency.

Broad and Advantaged Global Flavor Portfolio



** Approximation of category sizes*

4Q 2018 Financial Results

Grew net sales 2%*

- All regions in both segments contributed to increase
- Growth driven by brand marketing support, expanded distribution, new products and pricing actions
- Strong U.S. consumption offset by trade inventory reductions

Grew adjusted earnings per share 8% to $1.67

** In constant currency*

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FY 2018 Strong Financial Results

Sales growth*	**+11%**
Incremental Frank's & French's contributed 8%	
Consumer up 10%	
Flavor Solutions up 11%	
Adjusted operating income*	**+19%**
Adjusted earnings per share	**+17%**

Expanded adjusted operating **margin 110 bps**

Reached a record **$118M cost savings,** led by CCI

Drove **$821M of operating cash flow** through working capital improvements

Announced **10% quarterly dividend increase** - 33rd consecutive annual increase

** In constant currency*

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FY 2018 Achievements

Frank’s and French’s Acquisition Progress

- Successfully completed the integration
- Created value, achieved synergies and obtaining results according to plan
- Achieved year one sales and EPS accretion expectations
- Growing Frank’s and French’s
  - Strengthening distribution
  - Category management
  - Brand marketing investments
  - Innovation
- Making great progress paying down acquisition debt

FY 2018 Achievements

Driving growth through brand marketing

18% increase

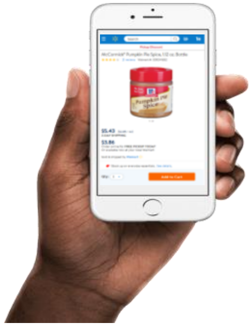
Recognized for 5th year as a **top-5 Brand by L2 Research Digital IQ Index**

Investing in our global footprint

New Thailand manufacturing facility

Growing E-commerce

E-commerce sales increase **41%** driven by omni-channel



Modernizing our work environments

New Global Headquarters
Hunt Valley, MD

Investing in technology systems

A single, **global platform**

Progressing against sustainability goals

2019 Most Sustainable Corporations in the World GLOBAL 100

BARRON'S 100 Most Sustainable Companies

DiversityInc 2018 TOP 50 COMPANIES FOR DIVERSITY

2019 Growth Plans

- **Flavor continues to be an advantaged category**
- **Well positioned for growth**
  - Aligned with the rising demand for great taste and healthy eating
  - Delivering flavor across all markets and channels
  - Executing effectively against strategies
- **Growth Drivers**
  - Brand marketing
  - Customer intimacy
  - Expanded distribution
  - New products

Summary

Solid foundation and momentum entering 2019

- Top tier 2018 financial results driven by both strong underlying business combined with Frank's and French's
- Strong momentum with growth strategies supported by cost savings initiatives
- Focus on sustainable growth
- Strategies are building long-term value
- Success is driven by McCormick employees
- Confident and well positioned for 2019

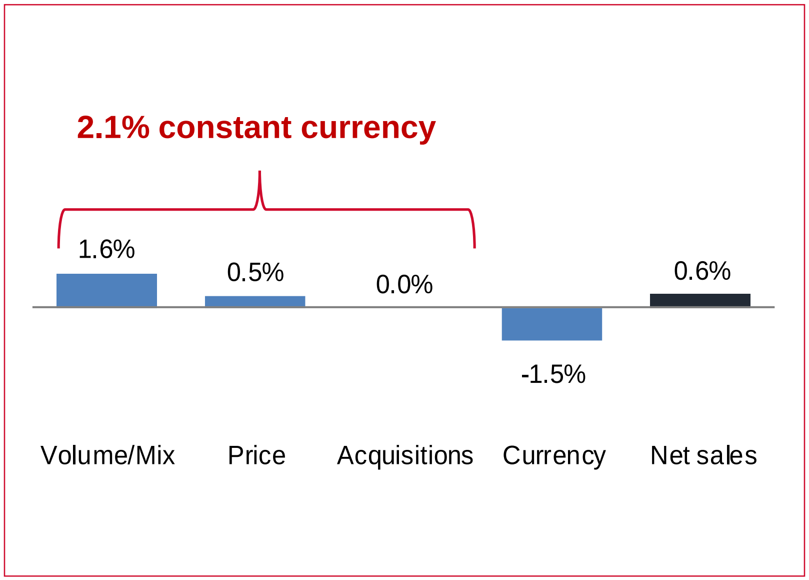
McCORMICK

Mike Smith

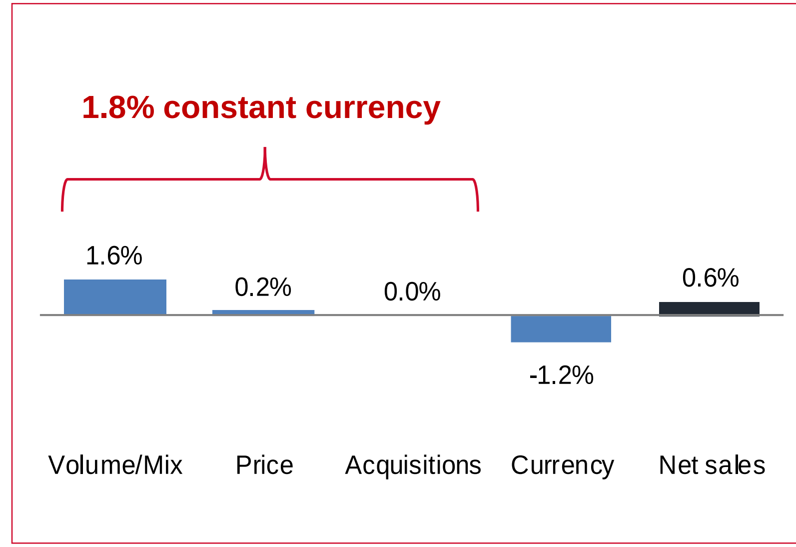
Executive Vice President & CFO

4Q 2018 Sales Results

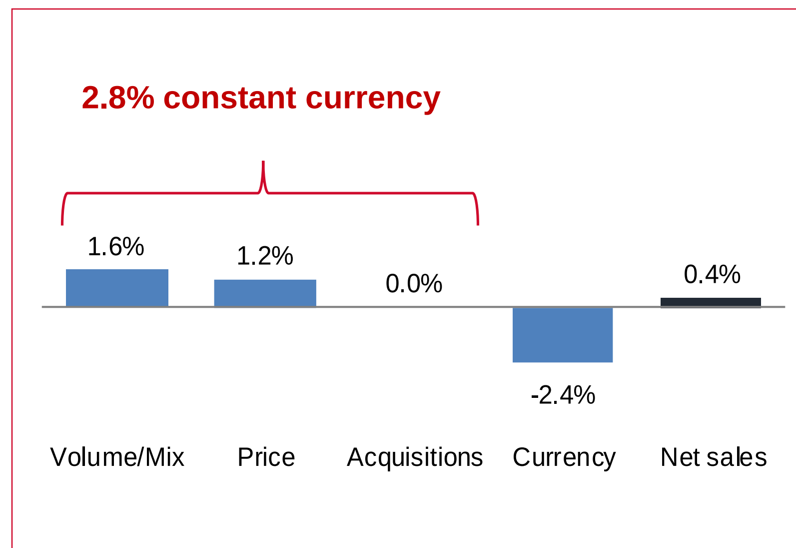
Total Company



Consumer



Flavor Solutions



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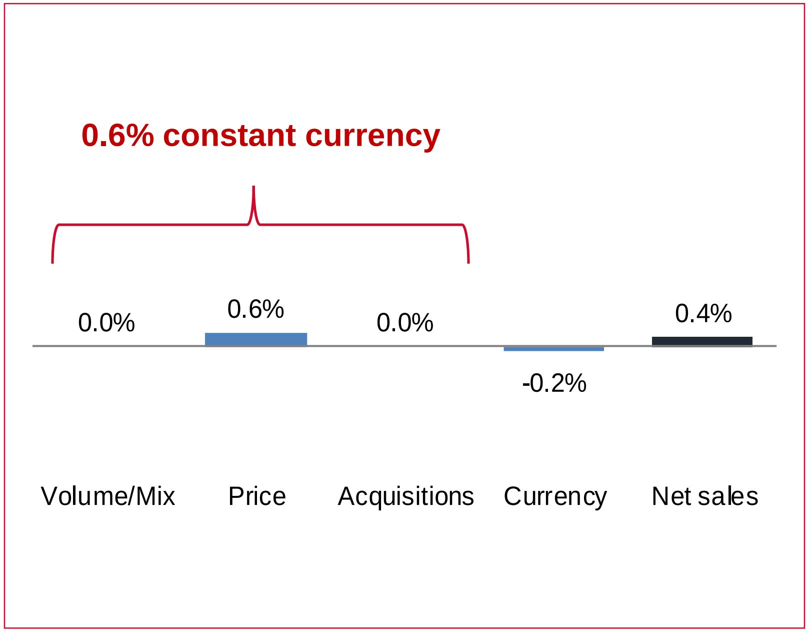
4Q 2018 Sales Results: Consumer Segment

Americas



- Increase driven by pricing actions
- Volume growth flat due to trade inventory reductions, an estimated 3% negative impact

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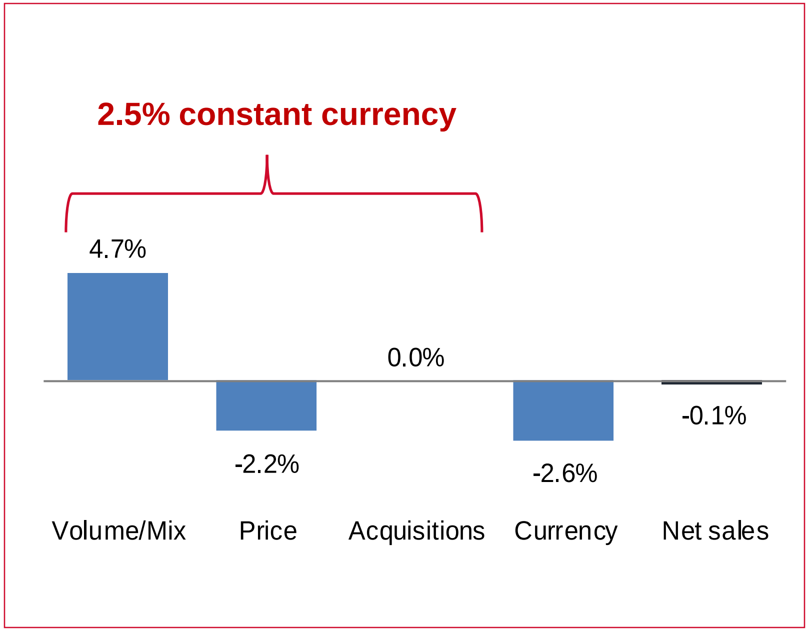
4Q 2018 Sales Results: Consumer Segment

EMEA



- Broad based volume and mix growth driven by:
  - Brand marketing support
  - UK new products
  - Organic product line momentum in France
- Pricing driven by trade promotional activities related to new products

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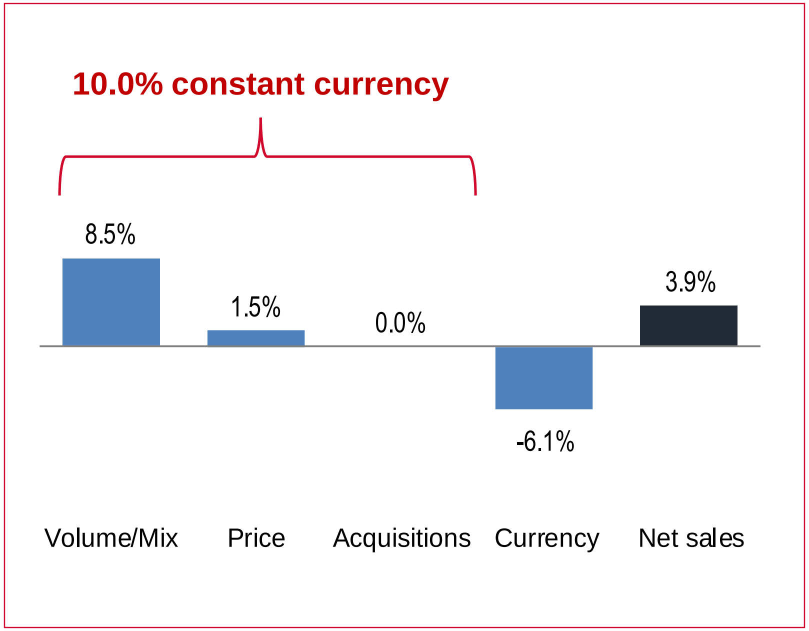
4Q 2018 Sales Results: Consumer Segment

Asia/Pacific



- China led growth in region with strength in new world flavor sauces, ketchup, chicken bouillon and herbs and spices

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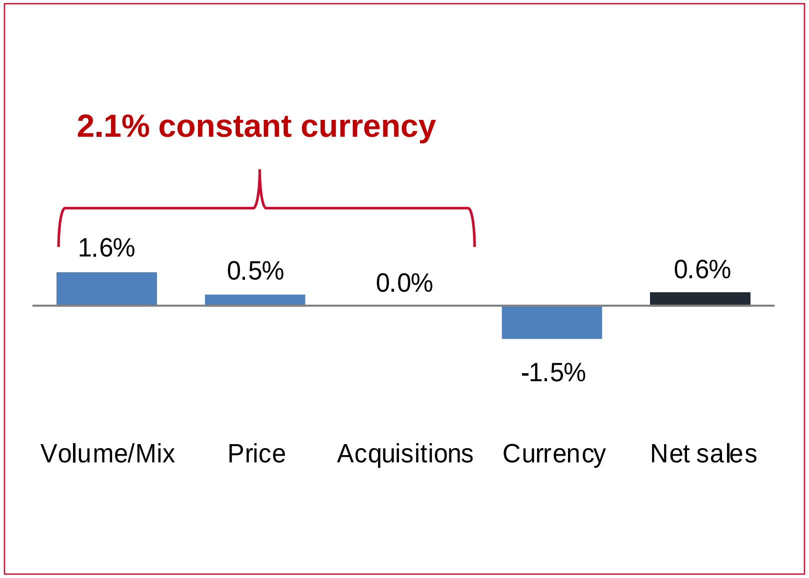
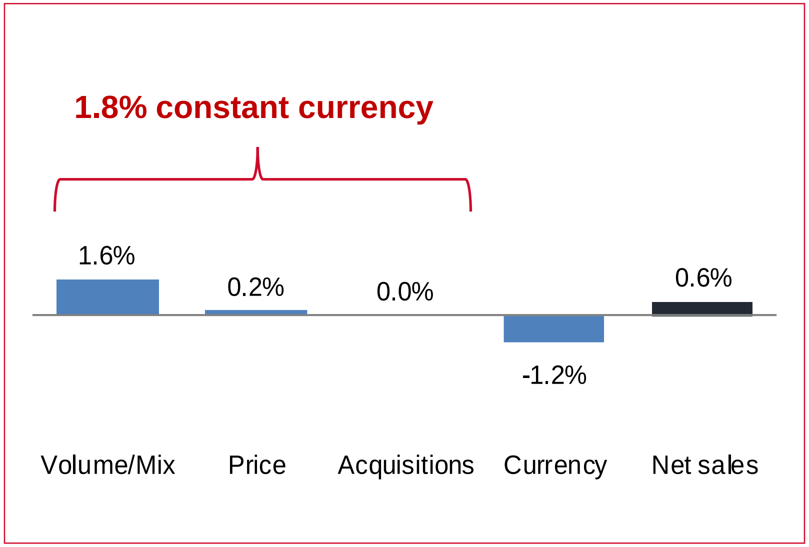
4Q 2018 Sales Results

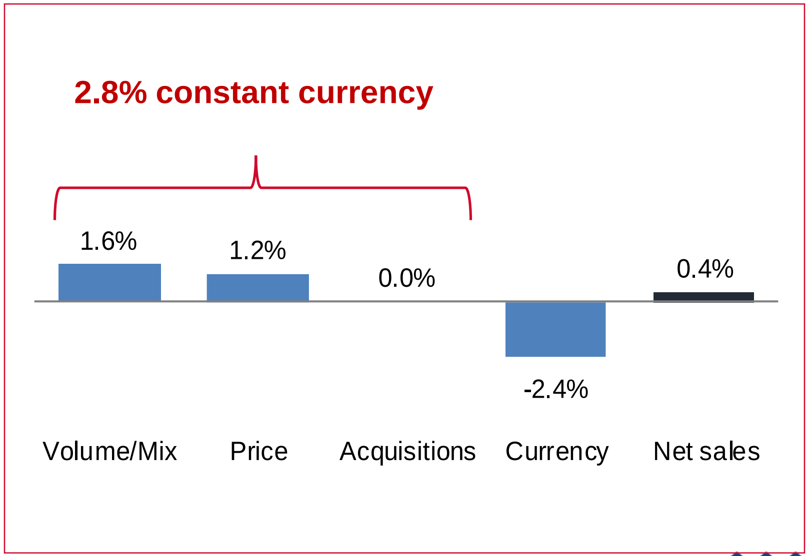
Total Company



Consumer



Flavor Solutions



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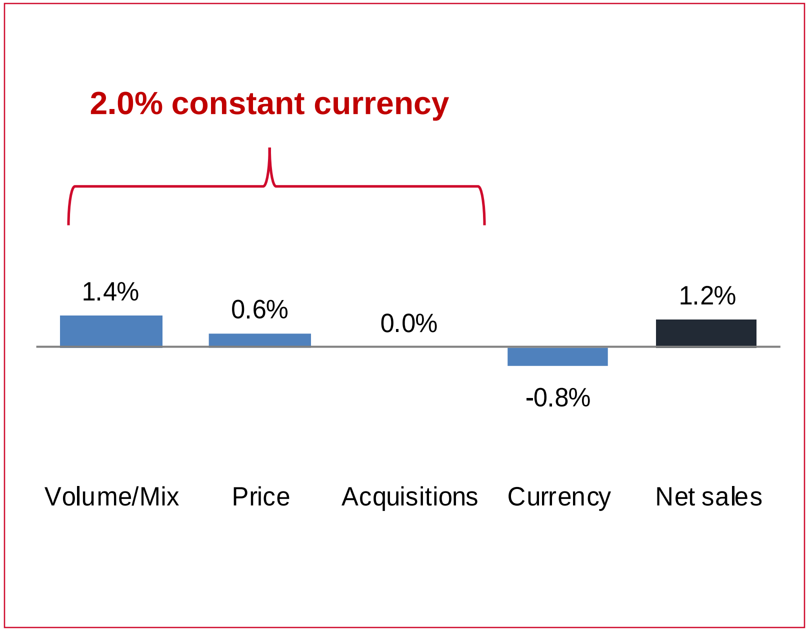
4Q 2018 Sales Results: Flavor Solutions Segment

Americas



- Higher sales to quick service restaurants
- Continued momentum in flavors
- Elimination of some low margin business
- Unfavorable impact of sales transferred to EMEA region

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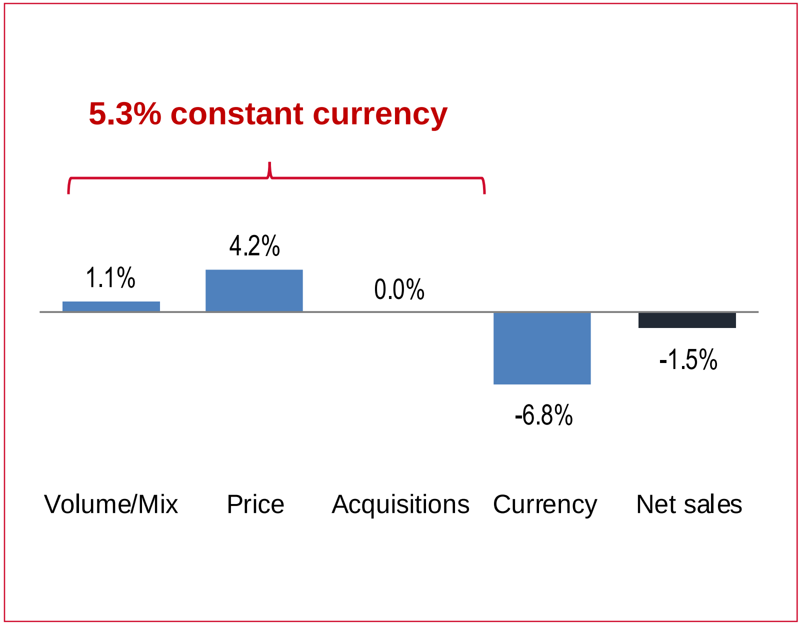
4Q 2018 Sales Results: Flavor Solutions Segment

EMEA



- Increase driven by pricing actions
- Favorable impact by global sales transferred from Americas

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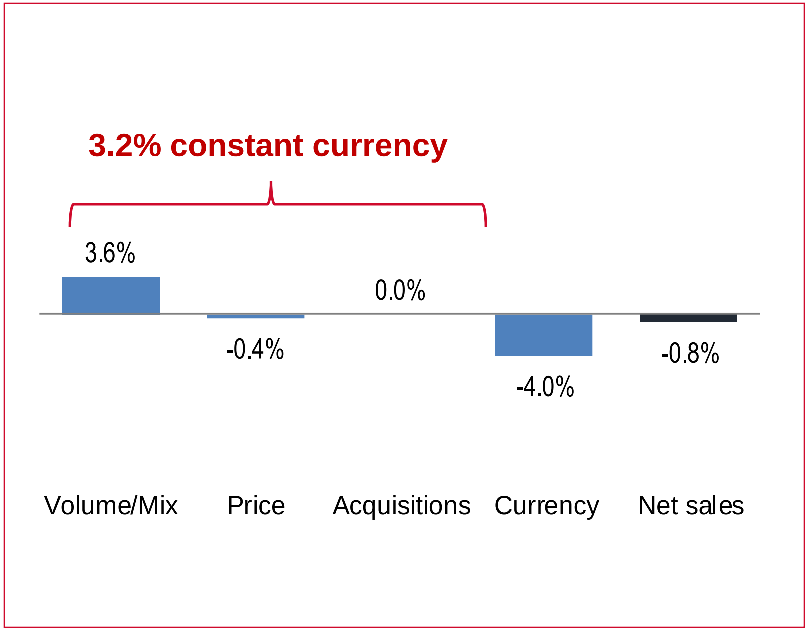
4Q 2018 Sales Results: Flavor Solutions Segment

Asia/Pacific



- Higher sales to quick service restaurants partially due to timing of customer promotional activities

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Operating Income

(in millions)	4Q 2018	4Q 2017	4Q Fav/ (Unfav) Change	FY18 Fav/ (Unfav) Change
Advertising & promotion	**$98.6**	$91.8	(7%)	(18%)
Operating income	**294.9**	266.9	10%	29%
Adjusted operating income*	**$297.7**	$307.4	(3%)	20%
Consumer	**227.5**	235.3	(3%)	14%
Flavor Solutions	**70.2**	72.1	(3%)	34%

- Total adjusted operating income declined 2% in constant currency, with consumer down 3% and flavor solutions down 1%
  - Both segments impacted by unfavorable product mix, higher freight costs and investments to drive future growth, including brand marketing increase and ERP costs
  - Consumer unfavorable mix driven by lower sales of high margin holiday items due to trade inventory reductions
  - Flavor solutions also negatively impacted by unfavorable transactional impact of foreign currency rates
- Transaction and integration expenses were $0.4 million in 4Q 2018 and $31 million in 4Q 2017
- Special charges were $2 million in 4Q 2018 and $9 million in 4Q 2017

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Operating Margin

(in millions)	4Q 2018	4Q 2017	4Q Fav/ (Unfav) Change	FY18 Fav/ (Unfav) Change
Adjusted gross margin*	**45.5%**	45.8%	(30 bps)	180 bps
Selling, general & administrative expenses as percent of net sales	**25.6%**	25.2%	(40 bps)	(60 bps)
Adjusted operating margin*	**19.9%**	20.6%	(70 bps)	110 bps

- Adjusted gross profit margin decline driven by unfavorable product mix partially offset by CCI-led cost savings
- Higher selling, general and administrative expense as percentage of net sales
  - Leverage from sales growth and CCI-led cost savings
  - More than offset by increases in brand marketing, freight and information systems cost
- Adjusted operating margin declined 70 basis points

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Income Taxes

(in millions)	**4Q 2018**	**4Q 2017**	**FY18**	**FY17**
Income tax rate	**21.6%**	25.9%	(21.2%)	25.4%
Adjusted income tax rate*	**19.0%**	26.2%	19.6%	26.1%

- Adjusted income tax rate decreased by 720 bps vs the year-ago period
  - Favorable impact from a lower U.S. corporate tax rate
  - Favorable impact of discrete items, principally a higher level of stock option exercises

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Income from Unconsolidated Operations

(in millions)	**4Q 2018**	**4Q 2017**	**4Q Fav/ (Unfav) Change**	**FY18 Fav/ (Unfav) Change**
Income from unconsolidated operations	**$10.9**	$10.3	6%	3%

- Income from unconsolidated operations increased 6% vs year-ago period
- Anticipate low single digit increase in income from unconsolidated operations in 2019

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Earnings Per Share

	4Q 2018	4Q 2017	Fav(Unfav) Change
Earnings per share	**$1.60**	$1.32	21%
Adjusted earnings per share*	**1.67**	1.54	8%

Change in adjusted earnings per share*	
Decrease in adjusted tax rate	$0.14
Increase in other income	0.04
Decrease in interest expense	0.01
Decrease in adjusted operating income	(0.05)
Increase in shares outstanding	(0.01)
Total increase	$0.13

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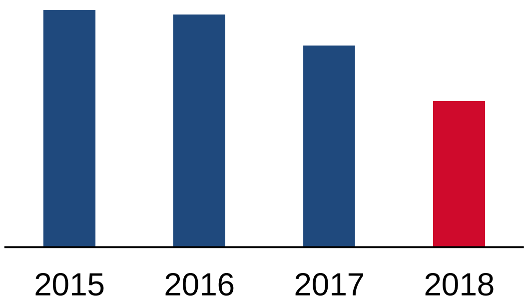
Balance Sheet and Cash Flow

- Cash flow from operations of $821 million vs $815 million in 2017
  - Driven primarily by increase in net income
  - Cash conversion cycle declined 21 days from 2017
- Returned cash to shareholders through dividends
- $545 million total acquisition debt reduction in 2018
- Paid down over 50% of the term notes related to the acquisition
- Debt to adjusted EBITDA* ratio of 4.0x
- Capital expenditures of $169 million in 2018

Cash Conversion Cycle



We expect another year of strong cash flow in 2019 to fund investments for growth, return to shareholders and pay down debt.

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2019 Financial Outlook

	Reported Currency	Constant Currency
Sales growth	**1% to 3%**	**3% to 5%**
Adjusted operating income increase	**7% to 9%**	**9% to 11%**
CCI-led cost savings	approximately $110M	
Cost inflation	low single digit increase	
Adjusted gross profit margin	25 to 75 bps increase	
Brand marketing	comparable	
Income from unconsolidated operations	low single digit increase	
Adjusted tax rate	approximately 22%	
Adjusted earnings per share	**$5.17 - $5.27**	
Adjusted EPS growth from 2018	**4% to 6%**	**6% to 8%**
Shares outstanding	approximately 134M	

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Performance versus Long Term Financial Objectives

	2016*	2017*	2018*	2019 Guidance*		4-year CAGR with Guidance*	LT Financial Objectives**
Sales growth	3%	10%	12%	1 - 3%	→	**6 - 7%**	**4 - 6%**
Adjusted operating income growth	7%	20%	20%	7 - 9%	→	**13 - 14%**	**7 - 9%**
Adjusted EPS growth	9%	13%	17%	4 - 6%	→	**10 - 11%**	**9 - 11%**

← *Includes unfavorable currency impact (2019 impact estimated 2% unfavorable)* →

Constant currency

** Reported currency, includes impact from foreign currency rates*

*** Constant currency*

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Key Takeaways

- **Another year of record results in 2018**
  - Strong organic sales growth, despite trade inventory reductions
  - Significant adjusted operating income growth while increasing brand marketing
  - Frank's and French's results in line with our plans

- **Confidence in strong 2019 outlook***
  - Strong operating performance
  - Robust earnings per share, despite significant tax headwinds
- **Differentiated results while investing for growth**

** In constant currency*

McCormick & Company, Inc. 4th Quarter 2018 Financial Results and Outlook

January 24th 2019

The *joy* of
FLAVOR

Adoption of Accounting Standard Changes in 2019

- **Accounting Standards Update No. 2014-09 related to revenue from contracts with customers**
  - Certain payments to customers, previously recorded as brand marketing support in selling, general and administrative expense (SG&A), to be reclassified as a reduction to sales
  - Freight expense, previously recorded as SG&A, to be reclassified as cost of goods sold
- **Accounting Standards Update No. 2017-07 related to compensation retirement benefits**
  - Non-service related elements of pension and postretirement expenses, previously recorded as cost of goods sold and SG&A, to be reclassified as other income below operating income

- **Adopting changes in the first quarter of 2019 on a retrospective basis**
- **Not expected to impact net income**
  - Changes expected to result in a shift between income statement line items only
- **Not expected to materially impact the growth rates or other expectations* provided in our 2019 financial outlook**
- **8-K recasting certain historical financial information for 2018, 2017 and 2016 will be furnished before 1Q 2019 earnings call**

* *Expectations described as comparable indicate 2019 values will approximate 2018 values on the same reporting basis*

Non-GAAP Financial Measures

The tables below include financial measures of adjusted gross profit, adjusted gross profit margin, 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. These financial measures also exclude the impact of certain items associated with our acquisition of RB Foods on August 17, 2017 as these items significantly impact comparability between years. These financial measures also exclude, for 2018, the net nonrecurring income tax benefit of $301.5 million related to the U.S. Tax Act as this items significantly impacts comparability between years. Adjusted gross profit, adjusted gross profit margin, 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:

Special charges - 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, comprised of our Chairman, President and Chief Executive Officer; Executive Vice President and Chief Financial Officer; President, Global Flavor Solutions Segment and McCormick International; President, Global Consumer Segment and Americas; Senior Vice President, Human Relations; and Senior Vice President, Strategy and Global Enablement. Upon presentation of any such proposed action (including details with respect to estimated costs, which generally consist principally of employee severance and related benefits, together with ancillary costs associated with the action that may include a non-cash component or a component which relates to inventory adjustments that are included in cost of goods sold; impacted employees or operations; expected timing; and expected savings) 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 ongoing basis through completion.

Transaction and integration expenses associated with the RB Foods acquisition - The costs associated with the acquisition and subsequent integration of RB Foods, which we refer to as “transaction and integration expenses” include the impact of the acquisition-date fair value adjustment for inventory, transaction costs associated with the acquisition, integration costs following the acquisition, and the bridge financing costs. In our income statement, we include the impact of the fair value adjustment for inventory in cost of goods sold, the bridge financing cost in other debt costs, and present all other transaction and integration costs associated with the RB Foods acquisition in our income statement on the line, "Transaction and integration expenses." The size of this acquisition and related costs distinguishes it from our past, recent and smaller acquisitions, the costs of which have not been excluded from our non-GAAP financial measures.

Income taxes associated with the U.S. Tax Act - In connection with the enactment of the U.S. Tax Act in December 2017, we recorded a net income tax benefit of $301.5 million during the year ended November 30, 2018, which includes the estimated impact of the tax benefit from revaluation of net U.S. deferred tax liabilities based on the new lower corporate income tax rate and the tax expense associated with the one-time transition tax on previously unremitted earnings of non-U.S. subsidiaries.

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		Twelve months ended	
	11/30/18	11/30/17	**11/30/18**	11/30/17
Gross profit	**$ 681.5**	$ 668.2	**$ 2,371.6**	$ 2,010.2
Impact of transaction and integration expenses included in cost of goods sold (1)	**—**	15.0	**—**	20.9
Adjusted gross profit	**$ 681.5**	$ 683.2	**$ 2,371.6**	$ 2,031.1
Adjusted gross profit margin (2)	**45.5 %**	45.8%	**43.8%**	42.0%
Operating income	**$ 294.9**	$ 266.9	**$ 903.3**	$ 702.4
Impact of transaction and integration expenses included in cost of goods sold (1)	**—**	15.0	**—**	20.9
Impact of other transaction and integration expenses (1)	**0.4**	16.3	**22.5**	40.8
Impact of other special charges	**2.4**	9.2	**16.3**	22.2
Adjusted operating income	**$ 297.7**	$ 307.4	**$ 942.1**	$ 786.3
% (decrease) increase versus prior period	**(3.2)%**		**19.8%**	
Adjusted operating income margin (2)	**19.9 %**	20.6%	**17.4%**	16.3%

(1) The following reconciles the transaction and integration expenses related to the acquisition of RB Foods that are recorded in our consolidated income statement for the three and twelve months ended November 30, 2018 and 2017 (in millions):

	Three months ended		Twelve months ended	
	11/30/18	11/30/17	**11/30/18**	11/30/17
Transaction and integration expenses included in cost of goods sold	$ —	$ 15.0	$ —	$ 20.9
Reflected in transaction and integration expenses	0.4	16.3	22.5	40.8
Transaction and integration expenses included in operating income	0.4	31.3	22.5	61.7
Transaction and integration expenses included in other debt costs	—	—	—	15.4
Total pre-tax transaction and integration expenses	0.4	31.3	22.5	77.1
Less: Tax effect	(0.1)	(8.9)	(4.9)	(23.6)
Total after-tax transaction and integration expenses	$ 0.3	$ 22.4	$ 17.6	$ 53.5

(2) Adjusted gross profit margin is calculated as adjusted gross profit as a percentage of net sales for each period presented. Adjusted operating income margin is calculated as adjusted operating income as a percentage of net sales for each period presented.

Non-GAAP Financial Measures

(in millions except per share data)	Three months ended		Twelve months ended	
	11/30/18	11/30/17	**11/30/18**	11/30/17
Income tax expense (benefit)	**$ 55.8**	$ 57.7	**$ (157.3)**	$ 151.3
Non-recurring benefit, net, of the U.S. Tax Act	**(6.7)**	—	**301.5**	—
Impact of transaction and integration expenses	**0.1**	8.9	**4.9**	23.6
Impact of special charges	**0.5**	2.5	**3.8**	6.4
Adjusted income tax expense	**$ 49.7**	$ 69.1	**$ 152.9**	$ 181.3
Adjusted income tax rate (3)	**19.0 %**	26.2%	**19.6%**	26.1%
Net income	**$ 214.0**	$ 175.7	**$ 933.4**	$ 477.4
Impact of total transaction and integration expenses (1)	**0.3**	22.4	**17.6**	53.5
Impact of total special charges	**1.9**	6.7	**12.5**	15.8
Non-recurring benefit, net, of the U.S. Tax Act	**6.7**	—	**(301.5)**	—
Adjusted net income	**$ 222.9**	$ 204.8	**$ 662.0**	$ 546.7
% increase versus prior period	**8.8 %**		**21.1%**	
Earnings per share - diluted	**$ 1.60**	$ 1.32	**$ 7.00**	$ 3.72
Impact of total transaction and integration expenses (1)	**—**	0.17	**0.13**	0.42
Impact of total special charges	**0.02**	0.05	**0.10**	0.12
Non-recurring benefit, net, of the U.S Tax Act	**0.05**	—	**(2.26)**	—
Adjusted earnings per share - diluted	**$ 1.67**	$ 1.54	**$ 4.97**	$ 4.26
% increase versus prior period	**8.4 %**		**16.7%**	

(1) The following reconciles the transaction and integration expenses related to the acquisition of RB Foods that are recorded in our consolidated income statement for the three and twelve months ended November 30, 2018 and 2017 (in millions, except per share amounts):

	Three months ended		Twelve months ended	
	11/30/18	11/30/17	**11/30/18**	11/30/17
Transaction and integration expenses included in cost of goods sold	$ —	$ 15.0	$ —	$ 20.9
Reflected in transaction and integration expenses	0.4	16.3	22.5	40.8
Transaction and integration expenses included in operating income	0.4	31.3	22.5	61.7
Transaction and integration expenses included in other debt costs	—	—	—	15.4
Total pre-tax transaction and integration expenses	0.4	31.3	22.5	77.1
Less: Tax effect	(0.1)	(8.9)	(4.9)	(23.6)
Total after-tax transaction and integration expenses	$ 0.3	$ 22.4	$ 17.6	$ 53.5

(2) Adjusted gross profit margin is calculated as adjusted gross profit as a percentage of net sales for each period presented. Adjusted operating income margin is calculated as adjusted operating income as a percentage of net sales for each period presented.

(3) Adjusted income tax rate is calculated as adjusted income tax expense as a percentage of income from consolidated operations before income taxes, excluding transaction and integration expenses and special charges, or $780.1 million and $694.1 million for the years ended November 30, 2018 and 2017, respectively, and $261.7 million and $263.6 million for the quarters ended November 30, 2018 and 2017, respectively.

Non-GAAP Financial Measures

In addition to the above non-GAAP financial measures, we use a leverage ratio which is determined using non-GAAP measures. A leverage ratio is a widely-used measure of ability to repay outstanding debt obligations and is a meaningful metric to investors in evaluating financial leverage. We believe that our leverage ratio is a meaningful metric to investors in evaluating our financial leverage and may be different than the method used by other companies to calculate such a leverage ratio. We determine our leverage ratio as net debt (which we define as total debt, net of cash in excess of $75.0 million) to adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA). We define Adjusted EBITDA as net income plus expenses for interest, income taxes, depreciation and amortization, less interest income and as further adjusted for cash and non-cash acquisition-related transaction and integration expenses (which may include the effect of the fair value adjustment of acquired inventory on cost of goods sold), special charges and stock-based compensation expenses. Adjusted EBITDA and our leverage ratio are both non-GAAP financial measures. Our determination of the leverage ratio is consistent with the terms of our $1.0 billion revolving credit facility and our term loans which require us to maintain our leverage ratio below certain levels. Under those agreements, the applicable leverage ratio is reduced annually. As of November 30, 2018, our capacity under the revolving credit facility is not affected by these covenants. We do not expect that these covenants would limit our access to our revolving credit facility for the foreseeable future; however, the leverage ratio could restrict our ability to utilize this facility. We expect to comply with this financial covenant for the foreseeable future.

The following table reconciles our net income to Adjusted EBITDA for the year ended November 30, 2018:

	2018
Net income	$ 933.4
Depreciation and amortization	150.7
Interest expense	174.6
Income tax expense (benefit)	(157.3)
EBITDA	1,101.4
Adjustments to EBITDA (1)	57.3
Adjusted EBITDA	$ 1,158.7
Net debt (2)	$ 4,674.8
Leverage ratio (Net debt/Adjusted EBITDA)	4.0

(1) Adjustments to EBITDA are determined under the leverage ratio covenant in our $1.0 billion revolving credit facility and term loan agreements and includes special charges, stock-based compensation expense and, for the trailing twelve-month period ended November 30, 2018, transaction and integration expenses (related to the RB Foods acquisition).

(2) The leverage ratio covenant in our $1.0 billion revolving credit facility and the term loan agreements define net debt as the sum of short-term borrowings, current portion of long-term debt, and long-term debt, less the amount of cash and cash equivalents that exceeds $75.0 million.

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 November 30, 2018			Twelve months ended November 30, 2018		
	Percentage change as reported	Impact of foreign currency exchange	Percentage change on constant currency basis	Percentage change as reported	Impact of foreign currency exchange	Percentage change on constant currency basis
Net sales						
Consumer segment						
Americas	0.4%	(0.2)%	0.6%	13.5%	0.1%	13.4%
EMEA	(0.1)%	(2.6)%	2.5%	6.5%	5.4%	1.1%
Asia/Pacific	3.9%	(6.1)%	10.0%	10.2%	2.5%	7.7%
Total consumer segment	0.6%	(1.2)%	1.8%	11.7%	1.4%	10.3%
Flavor solutions segment						
Americas	1.2%	(0.8)%	2.0%	14.8%	0.1%	14.7%
EMEA	(1.5)%	(6.8)%	5.3%	8.6%	2.3%	6.3%
Asia/Pacific	(0.8)%	(4.0)%	3.2%	3.2%	2.3%	0.9%
Total flavor solutions segment	0.4%	(2.4)%	2.8%	12.2%	0.8%	11.4%
Total net sales	0.6%	(1.5)%	2.1%	11.9%	1.2%	10.7%
Adjusted operating income						
Consumer segment	(3.3)%	(0.7)%	(2.6)%	14.3%	0.9%	13.4%
Flavor solutions segment	(2.6)%	(1.6)%	(1.0)%	33.8%	—%	33.8%
Total adjusted operating income	(3.2)%	(0.9)%	(2.3)%	19.8%	0.7%	19.1%

Non-GAAP Financial Measures

The following provides a reconciliation of our estimated earnings per share to adjusted earnings per share for 2019 and actual results for 2018:

(in millions except per share data)	Twelve Months Ended	
	2019 projection	11/30/18
Earnings per share - diluted	\$5.09 to \$5.19	\$ 7.00
Impact of special charges and transaction and integration expenses	0.08	0.23
Estimated non-recurring benefit, net, of recent U.S. tax legislation	—	(2.26)
Adjusted earnings per share	\$5.17 to \$5.27	\$ 4.97