Second Quarter Fiscal 2026 Earnings
Management's Pre-Recorded Remarks
June 25, 2026

Corporate Participants

Faten Freiha - Vice President-Investor Relations
Brendan Foley - Chairman, President & Chief Executive Officer
Marcos Gabriel - Executive Vice President & Chief Financial Officer

Management Discussion Section

Faten Freiha
Vice President-Investor Relations

Good morning. This is Faten Freiha, VP of Investor Relations. Thank you for joining today's second quarter earnings call. To accompany this call, we've posted a set of slides on our IR website... ir.mccormick.com.

With me this morning are Brendan Foley, Chairman, President and CEO and Marcos Gabriel, Executive Vice President & CFO.

During this call, we will refer to certain non-GAAP financial measures. The nature of those non-GAAP financial measures and the related reconciliations to the GAAP results are included in this morning's press release and slides.

In our comments, certain percentages are rounded. Please refer to our presentation for complete information. Today's presentation contains projections and other "forward-looking statements." Actual results could differ materially from those projected. The Company undertakes no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or other factors. Please refer to our forward-looking statement on slide 2 for more information.

I will now turn the discussion over to Brendan.

Brendan Foley
Chairman, President & Chief Executive Officer

Good morning, everyone and thank you for joining us.

Our strong second quarter performance demonstrates the underlying strength and resilience of our business. We delivered robust sales growth, expanded underlying margins, and increased earnings. Our total results were supported by the McCormick de Mexico transaction. Organic growth was driven by the accelerated momentum in Flavor Solutions, with growth across Flavors and Branded Foodservice customers highlighting the benefits of our diversified flavor focused portfolio.

Looking ahead, we expect to sustain the momentum in Flavor Solutions and increase reinvestment to improve Consumer volume trends and organic sales. Our enhanced margin profile and operational rigor position us well deliver a virtuous cycle of growth through continued investment in our brands, capabilities, and innovation that drive long-term value creation. Our fundamentals remain strong, supported by our advantaged categories and disciplined execution, giving us confidence in our ability to deliver on our 2026 outlook.

Turning now to our results on slide 4. In the second quarter, total sales grew by 14% in constant currency, reflecting acquisition contribution from McCormick de Mexico of 12% and organic sales growth of 2%. As expected, organic growth was driven by pricing.

In Global Consumer, volumes were impacted by shifting demand patterns and increased price gaps in the Americas. Looking to the second half, we are implementing targeted actions to strengthen performance. We expect sequential volume improvement in the third quarter, and volume growth in the fourth quarter, supported by refined revenue growth management initiatives, expanded distribution, targeted value-focused marketing, and innovation. In EMEA and Asia Pacific, we delivered sustained volume growth during the quarter, and we expect that momentum to continue for the remainder of the year.

In Global Flavor Solutions, volume growth exceeded expectations, driven primarily by the Americas. We benefited from growth across the Flavors customer base – including large CPG, private label, and high growth innovators. In Branded Foodservice, growth was balanced across channels, supported by distributor volume recovery, sustained demand in non-commercial channels, and strong e-commerce performance. Overall, the quarter reflects solid execution and strengthening fundamentals.

Let's move to slide 5 and let me highlight for the quarter some of the key areas of success.

Starting with Global Consumer: across key markets, food categories continued to soften. Against this backdrop, we saw good consumption trends. In Spices and Seasonings, share gains in Canada, France, Poland, and China continue to support global performance.

In Recipe Mixes, in the UK, we drove unit and dollar share gains for the last three quarters, supported by expanded distribution and customer wins. In Poland new recipe mix launches under our Kamis brand are performing well, and most recently we expanded our recipe mix portfolio in France with the Ducros brand, further strengthening our presence in the category.

In Mustard, U.S. unit share gains were driven by enhanced distribution, and we delivered the sixth consecutive quarter of dollar share gains in Poland.

In hot sauce, in the U.S. we delivered dollar and unit share gains for the third consecutive quarter, supported by expanded distribution and innovation, including new Cholula sauces.

We also drove share gains in the UK and Australia, reflecting strong execution and continued brand momentum across key international markets.

We expanded total distribution points across the Americas, led by Spices & Seasonings, with incremental gains in condiments and sauces.

Moving to Flavor Solutions, in Flavors, innovation plans across our customer base started to commercialize leading to strong growth across large CPGs, private label, and High-Growth innovators. Innovation activity remains strong, particularly in cereals, soft drinks, sports nutrition, and snacking. We are capitalizing on these tailwinds in beverage innovation, protein and better-for-you growth, premiumization, and continued customer diversification.

In Branded Foodservice, improving foot traffic drove both volume and sales growth. We continue to see momentum across non-commercial channels, retail foodservice, and independent operators. Importantly, we delivered tabletop and front-of-house share gains across Frank's, Cholula, and McCormick.

Let me now touch on some areas where we are seeing some pressure, starting with Global Consumer. In US Spices and Seasonings, the category grew but at a lower rate reflecting consumers using more of what's in their pantry. Our consumption lagged the category within certain segments due to increased price sensitivity, and increased competition both private label and branded.

We are responding with focused actions to drive growth, including disciplined promotional and assortment strategies across channels, refined revenue growth management actions, targeted brand investment and expanded precision marketing to reinforce McCormick's quality and differentiation and, consumer-insight driven innovation.

We navigated a similar environment two years ago and we have a clear understanding of the factors that impacted performance. We believe our initiatives position us to improve consumption trends and return to driving category growth.

In Recipe Mixes, we have a strong core portfolio that spans multiple segments. We see opportunity to accelerate growth in Mexican flavors - one of the faster-growing segments in the category. We plan to realize this opportunity with innovation, expanded distribution, and focused brand investment behind authentic Mexican brands like Cholula.

Moving to Flavor Solutions. In Asia Pacific, primarily outside of China, and in EMEA, QSR customer volumes were pressured by softer foot traffic. Looking ahead to the rest of the year, we expect volume trends to improve in Asia Pacific, driven by customers new products and limited time offers.

Let me provide some context on the state of the consumer.

Geopolitical volatility, elevated fuel costs, and persistent inflation continue to weigh on consumer confidence. While affordability has been a consistent theme, the key shift this quarter, particularly given rising gas prices impacting budgets was a more pronounced move toward value, as consumers became increasingly selective and focused on maximizing their budget. At the same time, a majority of consumers claim that they save for small premiums or indulgences, which includes flavor exploration. Health and wellness trends continue to shape behavior, driving sustained growth in perimeter categories, at-home cooking, protein, and broader better-for-you categories across retail and foodservice.

Within this environment, flavor remains a powerful constant. At-home cooking continues to benefit from consumers seeking affordable, healthier meal solutions, and flavor is the primary driver of purchase across occasions. As a result, spices and seasonings remain the top performer in terms of center store growth. The continued convergence of value-seeking behavior and health trends reinforces the central role of flavor and underscores our advantaged position across our flavor-focused diversified portfolio.

Let's turn to slide 6 and to our growth plans for the remainder of the year that support our confidence in our ability to deliver on our top line expectations.

Starting with Consumer, we expect second-half organic growth to be supported by improving volume trends. This improvement will be driven by expanded distribution, sustained renovation, refined revenue growth management to address increased price sensitivity in specific segments – including optimized price-pack architecture. In addition, we will accelerate innovation, and increase brand marketing, including precision marketing designed to drive purchase intent and velocity across our core categories.

Let me highlight some examples. We relaunched our seasoning blends line. Beyond new flavor introductions, we are optimizing price-pack architecture to enhance value perception and improve accessibility at shelf, an important lever in today's value-focused environment.

In addition, we continue to scale newer platforms including our finishing sugars and finishing salts with strong promotional tie-ins to globally recognized franchises including Bridgerton Harry Potter and Paris Hilton. These partnerships expand household penetration, engage younger consumers, and reinforce the role of flavor as an affordable way to elevate everyday meals.

For French's Mustard, we have activated a promotional partnership tied to the release of the new Minions movie, turning the mustard green using all-natural colors – because of one of the key characters in the movie. This type of culturally relevant activation brings excitement to the category and drives incremental traffic.

In Flavor Solutions, we expect the momentum from the second quarter to be sustained for the remainder of the year. Our Flavors customer pipeline remains healthy, and we are seeing growth across all customers. We are leveraging expertise in regulatory, R&D, and product development to help customers navigate growing health and wellness demands with innovation.

We're partnering with large and emerging brands as well as private label customers to flavor energy, hydration, and protein-based beverages, as well as protein and fiber snacks and zero-sugar drinks.

Our win rate on health and wellness briefs remains strong, and we're focusing resources where we have the greatest opportunity to win across our four taste competencies: savory, heat, naturally sweet, and citrus and fruit. In fact, in the second quarter, a majority of the briefs were tied to health and wellness innovation and renovation.

Reformulation projects are increasing, particularly with large CPG customers and we are beginning to see the benefit of this project activity launch into the marketplace.

And finally, in Branded Foodservice, we expect to sustain the momentum from this quarter. The environment remains competitive and value-conscious, targeted investments in menu placements, innovation, and disciplined execution are expected to drive pockets of growth across customer channels

Before turning it over to Marcos, I'd like to provide a brief update on the Unilever Foods transaction on slide 7.

Since the announcement on March 31, we have made strong progress on integration planning. We have established a dedicated Integration Management Office led by Andrew Foust, supported by 20 functional teams to ensure a seamless transition. Andrew previously helped successfully lead our RB Foods, Cholula, and FONA integrations. Unilever has established parallel teams… all together there is more than 200 individuals fully dedicated to working across integration streams.

From a separation standpoint, approximately 80% of Unilever Foods operates as a standalone organization which reduces complexity. In addition, we are mapping integration plans country by country. This includes focusing on the 10 markets that represent nearly 75% of combined sales – where we have direct operational overlap in the top 6. We expect TSA agreements, generally up to two years post-close, to ensure continuity across IT, distribution, and back-office functions.

In addition, we are entering a second phase of detailed synergy planning. Based on the work completed to date, we remain confident in our previously announced targets for sales growth, operating margin, and adjusted EPS accretion... We expect mid- to high-single-digit adjusted EPS accretion within the first twelve months post-close and mid- to high-teens accretion in Year 3.

Looking ahead, we expect to deliver several key milestones in the coming months. By the end of July, we expect to announce the location of a secondary listing on a European exchange. By the end of September, we expect to share further detail on the operating model, cost synergies and growth plans, and the scope of the Transition Services Agreements (TSA). At the same time, we will continue to advance parallel workstreams to support separation financial reports and regulatory filings

Importantly, we are advancing integration planning with rigor while maintaining disciplined execution in our base business.

Now, over to Marcos.

Marcos Gabriel

Executive Vice President & Chief Financial Officer

Thank you, Brendan and good morning, everyone.

Let's start on slide 9 and review our topline results for the second quarter. Total net sales grew 14%, in constant currency, and included 2% in organic growth with the balance driven by acquisition contribution.

Moving to our Consumer segment on slide 10, constant currency sales increased 20%, including a 1% increase in organic sales, with the remaining growth driven by acquisition contribution.

Consumer organic sales in the Americas were flat with pricing contribution of 3%, offset by volume decline. Volumes were impacted by shifting demand patterns and increased price gaps. Looking ahead, we expect volumes to improve in the third quarter, and to deliver volume growth in the fourth quarter.

In EMEA, we grew Consumer organic sales 3% driven by a 2% increase in volume and a 1% contribution from pricing related to targeted actions taken as a result of increased commodity costs. We are pleased with the sustained volume growth for the tenth consecutive quarter in EMEA.

Consumer organic sales in the Asia-Pacific region increased by 3%. The increase was driven primarily by volume and reflects the continued gradual recovery in China. In addition, we delivered strong results outside of China, primarily in Australia.

Turning to our Flavor Solutions segment on slide 11, second quarter constant currency sales grew by 6%, reflecting a 3% acquisition contribution and 3% organic growth, driven equally by volume and price.

In the Americas, Flavor Solutions' organic sales increased 4%, reflecting a 2% price contribution and 2% volume growth. Volumes for the quarter were driven by strong performance across our Flavors portfolio, including large CPGs and high-growth innovators, as well as robust growth in Branded Foodservice.

In EMEA, organic sales were flat driven by lower volume reflecting soft QSR customers' volumes, due to a decline in foot traffic, particularly in the UK.

In the Asia-Pacific region, Flavor Solutions organic sales were flat, as 1% volume growth was fully offset by price, with strength in China tempered by softer QSR volumes in Australia.

Moving to slide 12, gross profit margin expanded 270 basis points in the second quarter driven by accretion from McCormick de Mexico, the benefit of a tariff refund, surgical pricing, and savings from our Comprehensive Continuous Improvement program, or CCI, partially offset by increased commodity costs.

This tariff refund reversed tariffs the business absorbed in prior periods. For this quarter, it drove 140 basis points of margin expansion year over year. Underlying gross profit margin expanded 130 basis points, demonstrating the resilience of our business and strength of our brands in a dynamic environment.

Selling, General and Administrative expenses ... or SG&A ... increased relative to the second quarter of last year, driven by the impact of consolidating McCormick de Mexico, and increased investments in technology and brand marketing. As a percentage of sales, SG&A was unfavorable by 90 basis points compared to the prior year.

For the quarter, Adjusted Operating Income increased by 30%, or 27% in constant currency. This increase was driven by a strong topline and gross margin expansion, partially offset by higher SG&A.

Our second quarter adjusted effective tax rate was 22.5% compared to 24.1% in the prior year, driven by a greater level of favorable tax items in the current period.

Turning to segment operational results on slide 13, Consumer Adjusted Operating Income increased 33% or 31% in constant currency, with adjusted operating margins expanding by 140 basis points. This expansion was driven by acquisition accretion and the tariff refund, which primarily benefited the consumer segment. These benefits were partially offset by increased inflation and higher logistics costs driven by the Middle East conflict and tighter freight capacity resulting from recent changes to U.S. federal regulations

Flavor Solutions Adjusted Operating Income increased by 26% or 22% in constant currency and adjusted operating margin expanded by 210 basis points reflecting our volume-driven topline and our continued focus on improving Flavor Solutions' profitability, in line with our 2024 Investor Day commitment.

At the bottom line, as shown on slide 14, second quarter 2026 Adjusted Earnings per Share was $0.80, an increase of 16% compared to the year-ago period, driven primarily by increased adjusted operating income, partially offset by non-controlling minority interest. The tariff refund contributed approximately $0.07 per share.

On slide 15, we've summarized highlights for cash flow and balance sheet.

Cash flow from operations for the first half was $431 million compared to $161 million in the prior year, driven primarily by higher profitability and improved working capital.

We returned $258 million of cash to shareholders through dividends and used $75 million for capital expenditures, to expand capacity, advance digital transformation, and optimize our cost structure. We continue to expect strong performance in our cash flow from operations for the fiscal year.

Our capital allocation priorities remain balanced. This means funding investments to drive growth, returning cash to our shareholders through dividends, and maintaining a strong balance sheet. We remain committed to a strong investment grade rating. At the end of this quarter, our leverage ratio was approximately 2.9x, reflecting de-levering from the first quarter following the close of McCormick de Mexico. We expect to continue to make progress in paying down debt, positioning us well ahead of the Unilever Foods close.

As previously noted, at close of Unilever Foods, we expect to have industry-leading operating margins of 21% and working capital benefits that support 100% free cash flow conversion from net income, before any synergies. Post close, we expect to continue investing in the business while driving margin expansion and de-levering.

Based on current estimates, after brand investments, costs to achieve synergies, and dividends, we anticipate having $1.5 to $2.0 billion available to pay down debt within the first two years and de-lever to 3 times. Longer term we would target a leverage ratio of 2 to 3 times.

Turning to slide 16, to review our 2026 financial outlook, which remains broadly consistent with what we shared on our last earnings call.

A few call outs. Starting with organic growth, we expect our Consumer business volume to improve, driven by refined revenue growth management plans, new products, packaging renovation, expanded distribution, and increased brand marketing investments.

In Flavor Solutions, we anticipate the volume momentum to continue and for the segment to drive total volume growth for the year.

Across both segments, we expect pricing to contribute more to organic sales growth this year compared to prior year.

Our tariff cost assumptions, primarily related to the global 10% tariff, remain consistent, based on the latest developments and our current knowledge. While we anticipate incremental year-over-year cost pressure in 2026, we remain focused on mitigating the majority of the impact.

In addition to the $28 million tariff refund in the second quarter, we expect an additional $3 million in the second half. For the full year, this benefit will largely help offset heightened inflationary pressures, including costs related to the Middle East conflict, which will continue to impact us for the remainder of the year.

Turning to gross margin, first half performance exceeded our implied guidance and included most of the full year tariff refund. This is a dynamic environment, and we continue to navigate several cost uncertainties, however, based on what we know today, we expect gross margins to expand by 100 to 120 basis points for the year relative to 2025.

For the third quarter, Adjusted Operating Income is expected to grow in the high single to low double digits year over year, supported by continued gross margin expansion. This will be partially offset by SG&A expenses due to the timing of ERP-related technology investments, the build back of incentive compensation and significant increase in brand marketing investment. Adjusted EPS is also expected to be impacted by the same items as well as the lapping of a favorable tax rate in the prior year.

Moving to Slide 17, this slide summarizes the cost headwinds for 2026 and how we plan to offset them. Our guidance reflects strong underlying base business performance and growth from acquisition.

To close, we remain confident in the long-term strength of our business and our ability to deliver on our 2026 outlook. Through disciplined execution, focused strategic investment, and continued productivity gains, we are driving sustained net sales and operating income growth, as well as generating strong cash flows to support our balanced capital allocation priorities.

Brendan Foley
Chairman, President & Chief Executive Officer

Thank you, Marcos

I would like to close with three key takeaways on slide 18.

Our fundamentals remain strong, supported by resilient long-term category trends; healthy and flavorful cooking, flavor exploration, and trusted brands as well as the strength of our diversified, flavor-focused portfolio. In the second quarter, accelerated momentum in Flavor Solutions more than offset Consumer trends.

We delivered strong organic growth, expanded underlying margins, and increased profitability, driven by disciplined execution, productivity initiatives, the McCormick de Mexico acquisition, and effective cost management in a dynamic environment. We are also taking focused actions to improve Consumer volume trends, sustain Flavor Solutions momentum, and invest in innovation, brand building, and digital capabilities.

We remain confident in our long-term value creation plans, including delivering our 2026 outlook and advancing integration planning for the Unilever Foods combination which accelerates our growth strategy and reinforces our continued focus on flavor – one of the most advantaged categories in CPG. The incremental growth is supported by industry leading margins and a strong cash profile.

To wrap up for the quarter, our performance reflects the power of our balanced portfolio, our leadership in flavor, and the agility of our teams around the world. I want to recognize all McCormick employees for their dedication and contributions. Their commitment and passion continue to drive our success. And now for your questions.