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PRESENTATION

Jonathan Feeney *- Janney Capital Markets, LLC - Analyst*

Well, we're once again really happy to have with us the Management Team of McCormick & Company and specifically Alan Wilson, Chairman, President and CEO; Lawrence Kurzius, President Global Consumer Business; Gordon Stetz, Executive Vice President and CFO; and Chuck Langmead, President of Global Industrial.

At this time I'd like to especially thank them for the break this morning. Thanks very much. I appreciate it. More importantly, we all appreciate it.

In 2013 McCormick returned record cash flow to shareholders, expanded its business in China with its first acquisition, and over-delivered on its CCI cost savings program; but toward the end of the year, they reported a slowdown in its US Consumer business. We look forward to hearing its plans for renewed growth in that Consumer business and in general and, as the Company celebrates its 125th anniversary, its growth plans for the next 125 years or at least for the next 25 to 50.

Take it away, Alan.

Alan Wilson *- McCormick & Company, Inc. - Chairman, President & CEO*

Thanks, Jonathan. Thank you for those who are in the room and who are joining us by webcast.

McCormick is a global leader in flavor with on-trend categories and compelling growth opportunity. Today we want to share our progress with these opportunities and our excitement about the future.

With me at the front of the room, as Jonathan said, are McCormick's global business leaders; Lawrence Kurzius for Consumer and Chuck Langmead for Industrial, as well as our CFO, Gordon Stetz. After my remarks Lawrence is going into more in-depth in the Consumer business and then you'll hear from Gordon. All four of us will be here to answer your questions.

Throughout our remarks we'll be making forward-looking statements. As a reminder, our actual results can vary from these projections and I want to refer you to this statement, as well as our Annual Report and website which contain additional information regarding business risks.

In 2014 McCormick is celebrating our 125th year. We've come a long way from a four-person business selling root beer extract to a global leader in flavor, with brands in 125 countries and territories.

During this time we've witnessed a change in consumer demand as well, from a time when seasoning a meal meant salt and pepper to an absolute explosion of flavor and the pursuit of the exotic. Today, the average US pantry features 40 spices and seasonings. But one thing that hasn't changed at McCormick are the words of our founder, which is Make the Best.

Our anniversary theme is the Flavor of Together and we're celebrating this in a number of ways, one of which is the selection and sharing of up to 1.25 million flavor stories. For each story McCormick is donating $1.00 to United Way. Each of us has a story about how flavor brings us together, connecting us with our friends and our family.

Food defines us culturally and unites people across the globe. No one understands this better than McCormick's employees around the world. They are the key ingredients in our success. Our culture is rooted in the principles of multiple management, which include participation and high performance and date back to the early 1930s. As a sign of participation, our latest employee survey had an unprecedented 92% response rate, which is up from 83% the last time we did it. You can read more about our people and culture in our Corporate Social Responsibility Review.

Together, our mission is to save your world from boring food. In addition to our leading brands of spices and seasonings around the world, we have a strong position in other flavor categories. As a supplier to 9 of the top 10 food and beverage companies, we flavor iconic brands in salty snacks, convenient meals and other food products throughout the grocery store. And if you're eating out, we supply 9 of the top 10 restaurant chains, as well as food service distributors.

Across our Consumer and Industrial businesses we bring passion to flavor and believe that every day you're likely to enjoy something that's been flavored by McCormick.

We're a thought leader in flavor as exemplified by our Flavor Forecast, which provides insight into the future of flavor for both customers and consumers. Here's a quick look at a few of our latest predictions.

(Video playing)

I hope you had a chance to enjoy some of the tastes from our latest forecast at this morning's break.

In addition to leading-edge flavor insight, consumers and customers count on us for high-quality herbs and spices. McCormick is the taste to trust.

Our global sourcing team travels the world sourcing ingredients from approximately 40 countries. This on-the-ground presence helps us influence sustainable growing practices, ensure traceability and gain insights into crop conditions and pricing.

Upon reaching our facilities, our processing includes proprietary steam sterilization and other steps to eliminate pathogens and achieve a top level of well-recognized quality.

While we have a long history and much to celebrate at McCormick, we want to focus today on our road forward. Let's start with the sustainable growth plan that we established about a decade ago to grow sales and profit by investing in our business, fuel that investment with our Comprehensive Continuous Improvement program, CCI, our initiative to improve productivity throughout the organization.

This consistent strategy has been at the foundation of our success. In the past 10 years we've grown sales more than 80%, doubled our earnings per share and delivered strong cash flow. During this period McCormick total annual shareholder return through January 2014 has been at a double-digit rate; ahead of the food group and well above the S&P 500.

As with most companies in the food industry, we periodically face challenging business conditions that include volatile commodity costs, fluctuations in currency and various economic cycles. For those of you who have followed us for a number of years, you've witnessed our adherence to our growth model with consistent investment in our brands and product development and a steady stream of productivity improvements.

As our environment and conditions change, we've identified new business opportunities and we've adapted and this continues today. In our US Consumer business we faced a challenge toward the end of 2013. Throughout 2013 category growth in herbs, spices and seasonings, our largest category, remained strong at about 5%. While we grew sales at a robust 6% in the first half, this pace slowed in the second half. During this period private label and some smaller competitors grew at a faster pace.

Before the end of 2013 we already had actions underway, consistent with our growth model, to regain our momentum in the US. To strengthen our brand equity with consumers we're increasing our marketing investments and accelerating innovation; innovation based on strong consumer insights at every price point.

We're realigned our sales force to rapidly address competitive challenges at a regional level and we're investing in consumer insights and customer analytics, really upping our game with category leadership. Lawrence is directly leading this effort and will go into more depth, but I can assure you that improving this performance is my top priority in 2014. We're here to win in the US and in every part of our business.

McCormick is in an advantaged category; flavor. Flavor remains the number one factor in our choice of food. Our products have appeal to broad demographics; from Millennials who exhibit an above-average interest in cooking and discovering new flavors, to mature adults who are using spices and herbs as a replacement for sugar, salt and fat.

In emerging markets rising middle-class consumers are rapidly migrating from spices and herbs as a bulk ingredient to the quality and convenience and safety of these products as branded packaged foods. Clearly, the demand for flavor is growing and global.

As our current leadership team came together in 2008, we focused on three strategic imperatives; people, growth and performance. I mentioned earlier the importance of our people and the culture at McCormick. We have a clear path for our business that's ambitious and global and we're aligning our workforce with this path forward.

We have a robust talent review process driving advancement and succession for key roles across our organization. Our employees are fully engaged as demonstrated by our Voice of the Employee survey, advancements in our diversity effort and employee loyalty. And each year hundreds of employees around the world participate on one of our 17 multiple-management boards which offer current and future business leaders developmental and networking opportunities, while working on projects which really drive business value.

For growth our objective is to win share with a global focus. We're expanding our geographical footprint, both organically and through acquisition, and today we have brands sold in more than 125 countries and territories.

In addition to the McCormick brand, which accounts for about half of Consumer sales, we have 7 other brands with annual sales close to or above $100 million. Each has strong category leadership and consumer affinity in their respective market.

In our Industrial business we are partnering with strategic customers to support their growth through innovation and an expanded geographic presence.

Across both business segments we're bringing innovation and investing in facilities, R&D, brand marketing and acquisitions to drive growth.

Our third imperative is performance. We define performance as superior results consistently delivered. Instead of the 10-year charts that I showed earlier, these charts show performance since 2008. During this five-year period, we've achieved solid growth in sales and profit, generated significant cash flow and returned record levels of cash to our shareholders, reaching $357 million in 2013 and exceeding $300 million for the first time in our history.

Robust sales growth is vital to the long-term success of any food company. Our long-term goal at McCormick is to drive a mid-single-digit increase in sales with similar contributions from three avenues; our base business through category growth and expanded distribution, innovation and acquisition, which have accounted for about a third of our top-line growth for the past five years.

We have a strong commitment to invest in our growth through R&D to drive innovation; increased brand marketing support, which we project to be up at least 83% in 2014 from 2008; and $1.3 billion invested in acquisitions since the beginning of 2008.

We're very proud of our McCormick employees and leaders. We're excited about our pace of growth and our growth model and we're confident in our ability to deliver high performance.

One of the changes that you've seen at McCormick in recent years has been our organization. We've taken deliberate actions to create a more global approach, beginning with operations and technology, progressing to back office tiered services and, most recently, our commercial activities.

In that regard, in mid-2013 we appointed Lawrence Kurzius to lead our Global Consumer Business and Chuck Langmead to lead our Global Industrial Business. In these roles they are working with our regional teams to identify the most compelling growth opportunities worldwide, prioritize resources and investments, align with our global customers and build cooperation across our organization. Each of them bring to these roles deep industry experience, strong connections throughout McCormick and with key customers and a track record of success.

As Lawrence steps to the podium, let's look at one of our flavor stories that we're colleting for our anniversary. This is from one of our own employees, [Sarita Iyer].

(Video playing)

Lawrence Kurzius - *McCormick & Company, Inc. - President Global Consumer Business & CAO*

Thank you, Alan.

From my perspective, McCormick's strong leadership position in growing categories, together with our strong culture and focus on performance is a powerful combination. I'm first going to discuss the increased demand for flavor around the world and then review the strategies underway in our Consumer business building off of this trend to drive sales and profit. As I do so, I'll be sure to highlight those parts of our plans designed to drive growth in our US Consumer business.

Our largest growth platform is spices and seasoning. We're seeing impressive category growth in a number of our top markets, including double-digit increase in China. In markets where we participate through joint ventures, India, Turkey and Mexico, category growth is also at a double-digit rate from 2013. Globally, Euromonitor projects this $10 billion category to grow another 13% by 2018.

Beyond spices and seasoning, growth is projected in recipe mixes, our other core category, and across a number of other flavor categories in which we participate; honey, bouillon, sauces and spreads. So, let's look at the factors driving this interest in flavor.

In the US, as Millennials move into their 20s and 30s, we're seeing a strong interest in cooking, greater than for the Baby Boomer. This demographic shift bodes extremely well for McCormick. Today's Millennials love to cook, with 64% making this statement versus 52% for the remaining US population. More than one-third indicate that they are also more health conscious when it comes to the food they eat and they define value as real food, quality food and unique food. And with our foundation in herbs and spices, we're inspiring their healthy choices.

54% of all consumers prefer spicy or hot sauces, dips and condiments, an 8 percentage point increase from just 2 years ago. While the US is further along in its adoption of spicy food, the trend is increasingly a global one as consumers and markets which lack a traditional culture of spicy food look to turn up the heat. The demand for spicy is evident at home and in eating out. We've measured more than 120 terms for spicy food on restaurant menus.

We're also fascinated by other cultures and their food. Cuisine-specific or ethnic fare now accounts for 44% of all US flavoring occasions. This interest is especially true for younger consumers age 18 to 34. These trends in the US are similar in our other developed markets.

In emerging markets there are even more compelling growth opportunities for flavor. Euromonitor measures herbs and spices globally as a $10 billion category. We estimate another $10 billion of herbs and spices are sold in bulk, mainly in emerging markets. As more people move up to the middle class and more women enter the workforce, we're seeing a move away from bulk and towards the quality, safety and convenience of spices and herbs for the packaged food item.

By 2016 emerging markets are projected to account for over half of the measured global herbs, spices and seasoning sales and almost half of global receipt mix sales. As I discuss our growth strategy, I'll cover activity underway in both developed and emerging markets to capture our share of this growth.

We're extremely encouraged by the rapid growth of interest in flavor and are pursuing five growth strategies for our Consumer business; driving our core platforms globally, building enduring consumer differentiated brands, accelerating scalable innovation, continuing to expand our geographic footprint and deepening intimacy with our retail customers.

Approximately two-thirds of our Consumer business sales are in our global growth platform of herbs, spices and seasonings and recipe mixes. For our largest category, herbs, spices and seasonings, we have a 21% global share. This share is well ahead of the next largest competitor, but still leaves us a lot of room for expansion.

Here's a look at our share in each major market, which is equally impressive. In addition to our branded share shown here in red, we participate in the supply of private label in both North America and Europe. In this way we're able to provide customers and consumers with products at every price point in the category, from value priced to premium gourmet items.

As part of our effort to drive these platforms globally, we are introducing core items across markets. In China, broad-based consumer support and innovation during 2013 delivered a 6% share gain in the recipe mix category where we are the number one brand with a 31% share.

Also in 2013 we introduced recipe mixes in Poland and France where we already have gained more than 5% category share. And we continue to further penetrate new markets with our herbs and spices through exports.

In addition to our core growth platform, our regional leaders broaden our range of flavor offerings. These brands have a top category tier in a particular country or region for driving their growth by prioritizing selected items, allocating a portion of our brand support and building innovation. Together, they're an important contributor to profit.

Let's move to our next strategy, to build enduring consumer-differentiated brands. We've developed a deep understanding of the consumer. Leveraging this insight, we're generating relevant marketing propositions and creating more personalized engagement. We have a clear commitment to investing in our brand, increasing our marketing support; 64% from 2008 to 2013. And in 2014 we plan a further increase of more than 10%. These funds will be used to drive sales of our market-leading brands around the world and to drive sales of new products.

About half of this increase is planned in the US. We're putting greater emphasis on building brand equity. Now, a portion of this increase will be directed towards mega-themed events during holiday periods, grilling season and other important occasions when our brands outsell the competition and another portion is being directed towards advertising. Let's look at some of the television ads running this year in North America. We'll being with our first ever superiority method, emphasizing the quality of the McCormick brand, followed by a health message.

(Video playing)

Now, that last ad for Zatarain's was our highest-scoring ad to date for that brand.

We measure the effectiveness of our spending and have achieved returns ahead of industry averages in this most recent US data. And based on a strong ROI, we've been increasing our investment, particularly in digital marketing. Since 2011 we've doubled our spending on digital marketing.

There's a great partnership between our marketing and IT teams, which both have a strong interest in this area. We're beating industry benchmarks and engagement rates. In the US we've doubled the number of unique visitors to our website and increased our Facebook fan base by 87%. With these types of results, we plan to increase digital marketing to about 40% of our 2014 advertising spend in the US, equal to planned spending on television.

FlavorPrint is a technology that we've had in beta tests for the past year and are poised to launch in a big way in the coming months. FlavorPrint is a personalized recipe recommendation engine that is helping consumers identify their flavor preferences and discover recipes they are going to love. The more it is used, the more effective it becomes. It is a lot like Pandora for music and FlavorPrint for food. It goes even further and includes other elements beyond flavor, such as food intolerances, recipe time, cooking preferences and click screen data, even your geographic location, day of the week, seasonality and more; a rich stream of proprietary consumer data.

While in beta tests, together with our relaunch of McCormick.com, we've measured some great results, including six times higher pages per visit and 80% of users spending more than three minutes on the site. We anticipate an even greater consumer response once we begin our campaign for FlavorPrint later this year and connect it with our retail customers' online activity.

Whether it's through digital marketing or more traditional brand support, we're receiving a strong return on our spending and are committed to increasing this investment to drive the sales of our brand.

As a category leader, customers and consumers look to McCormick for innovation. We're focused on delivering superior consumer eating experiences and creating compelling products to maintain our leadership in a competitive market. Innovation begins with the consumer and we're getting better each year in our efforts to gain insight and capture the latest trends.

We have three global mega consumer segments based on consumer cooking attitude and behavior panels in North America and Europe. The results were surprisingly consistent across these markets and consumer learnings in China and India lead us to believe that these three segments are relative there, too. About one-third of consumers are cooks that are engaged and confident, one-third committed but needing assistance, and one-third are what we call limited engagement.

Our work also identified four global mega approaches to cooking among consumers with most falling into everyday solutions, followed by another 20% each into wholesome family planning, make it easy and make it impressive.

These insights are driving the brand portfolio management and brand marketing allocation I discussed as part of our brand-building strategy. They are also directing our innovation activity.

Shown here are new products launched in the first half of 2014 in our Americas region, aligned with the identified consumer approaches to cooking. A line of Indian essentials based on our latest flavor forecast, Hispanic seasonings superior to competitive products, following a rapid success in Canada, the introduction of gluten-free recipe mixes in the US that respond to the health interests of a large segment of consumers.

For those seeking convenience and value, we're transitioning our Recipe Inspirations into a three-pack with an attractive retail price targeted at $0.99 and launching Grill Mates Steakhouse Burger Seasoning to make the humble hamburger special, and a new Lawry's Oven Fry Mix for a quick weeknight dinner.

In EMEA and Asia-Pacific regions recent introductions include a new gourmet line in France to help consumer make it impressive; a 13-spice blend in China that goes up against our largest competitor in that market for the consumer preferred flavor, superior reclosable packet and attractive price points.

In the UK we're particularly excited about our launch of Flavor Shots which retailers are calling one of our most innovation ideas to date, and a variety of recipe mixes, both dry and liquid, including flavors inspired by our Flavor Forecast. These are every day solutions that are quick and easy.

From a consumers' value lens, our recent innovations span every price point, from premium to value with a lot in-between, as you've just seen.

Once we have a great idea we take it to new markets. Past examples include grinders, Grill Mates and slow cooker seasoning. However, these introductions occurred over a multi-year period. Going forward you're going to see a more rapid rollout of our latest ideas, like Flavor Shots and gluten-free recipe mixes.

Beyond our core growth platform we've launched new varieties of our regional leaders under brands like Zatarain's and Thai Kitchen in the US, squeezable McCormick catsup in China, and Vahine dessert items in France. We have some great innovation planned for 2014 and beyond.

Let's take a look at the ads introducing our 13-spice blend in China and Flavor Shots in the UK.

(Video playing)

Well, we seem to have missed one.

For the total company, new products launched in the past three years contributed 9% to our top-line growth in 2013. Actions are underway to accelerate scalable innovation at McCormick. We've created a flavor framework based on consumer insights, utilized our Flavor Forecast more closely as a springboard for new items, and you're going to see a more rapid pace in our global rollout of winning products. As a result, we expect to build strong momentum in 2014 with a robust pipeline of innovation. We'll have more to report to you in upcoming quarters.

Our fourth growth strategy is to expand our geographic footprint. My emphasis here is going to be on emerging markets. For McCormick, emerging markets offer a particularly compelling growth opportunity based on the dynamics that I described earlier.

We've made a number of recent inroads in emerging markets for our Consumer business. In just the last 3.5 years we've entered Poland, Russia and other Eastern European markets, established a solid foothold in India with two joint ventures, partnered with Ulker in Turkey, and made our first acquisition in China, extending our current presence in this large market into the central region.

Across both businesses, Consumer and Industrial, and including our share of unconsolidated businesses, sales in emerging markets are nearly $1 billion and more than 20% of our total. Clearly, acquisitions and joint ventures are providing an important point of entry into new geographic regions.

We have an emphasis on consumer brands and emerging markets in our selection process and are seeking businesses that have a strong category position and good growth potential. While we have some good prospects out there, we are financially disciplined. This discipline has allowed us to add businesses that are quickly accretive with a lower degree of risk. With that said, we've also made strategic investments intended to have returns over the longer term, such as in India.

We have a focus on six priority markets at this time, each with healthy growth rates in spices and seasonings, as well as other flavor categories. We're working to build brand equity and share in these markets as well. Between our recent acquisition of Wuhan Asia-Pacific Condiments and growth of our current business, we expect China to be our second largest market worldwide this year and anticipate continued sales growth at a double-digit rate.

While a smaller part of our portfolio, we've had impressive results in Russia. We entered this market as the number three brand with the acquisition of Kamis in 2011. In 2013 we grew sales 16% and gained the number one share of herbs, spices and seasoning.

I also wanted to mention Turkey, where we formed a joint venture in 2010 to launch a new brand of spices and seasoning. In short order we have achieved the number two category share.

Across each of our emerging markets we've established a solid presence and we are pursuing further organic growth, and we're working on a robust pipeline of acquisition opportunities to further expand our geographic footprint.

Let's move on to customer intimacy. McCormick is in a unique position to help retail partners increase sales in a growing category and garner greater consumer loyalty. McCormick has an advantaged position as a category leader to partner with retailers across our global footprint. Elaborating on merchandising, product assortment, pricing, basket building and loyalty, we are creating win/win solutions. We have innovation and quality products at every price point and are well ahead of any competitor with our shopper insights and analytics.

Herbs, spices and seasonings are highly profitable for the retailer. In the US this growing category ranks number four in profit for shelf space. Consumers are purchasing a McCormick-branded product and can double the basket size for the retailer. When they buy McCormick, they also buy the vegetables, chicken, fish or other ingredients to complete the meal.

When a trigger is added, the basket ring is even higher. A trigger is a personalized digital touchpoint such as a consumer who searches for chicken on line and sees the McCormick product pop up as a way to season the meal. We are now leveraging digital with innovation services like FlavorPrint to further drive significant retailer returns. All of these factors have customers eager to engage with us in actions to optimize sales and profit.

We're adapting our business to the latest customer trends. In the expanding value channel we're developing full category solutions that include exclusive branded items, shelf-ready packaging and private label products. In small urban stores we're gaining entry with mini-fixtures and dedicated category management resources. As digital touchpoints expand, our digital content and services support and omni-channel consumer experience, igniting new growth opportunity.

E-commerce provides entirely new ways to meet consumer demand for meals. We're partnering with retail customers on digital sales capabilities, digital shopper marketing services and fixture to accommodate drive-thru pick-up centers. We have cross-disciplinary teams of sales, marketing, supply chain and IT fully levered to the e-commerce opportunity.

In the US marketplace, as Alan described, we're raising our game in 2014. In addition to the brand equity building activities that I've discussed, we're taking steps to win at retail. In the past 30 days we reorganized our sales force, putting greater resources into markets identified as underdeveloped. We have direct sales leaders in place at customer headquarters representing more than 50% of US sales and we're tailoring our marketing program to address local competitors and local take.

McCormick has made significant investments in insight-driven capabilities and analytics that are setting bold standard principles for how we organize the price set. New behavioral structures are providing a better understanding of how consumers shop our categories and this will serve as an engine to inform assortment and shelving recommendations and foster a more strategic dialogue with our customer.

Armed with dedicated sales resources and our tool kit, we've increased our customer engagement by doubling our category leadership program resources over the past few years. Our goal is to influence category management decisions by leading with our brand and creating a win/win outcome for both the retailer and for McCormick.

Let's look at two recent initiatives. We helped one customer optimize shelf space and product assortment in the spice and seasoning category, increasing space for unique McCormick items like grinders and grilling, and removing low contributing duplicate items, including a competitor's rack of gourmet items. The outcome; higher category sales for the customer and higher sales of the McCormick brand.

With another retailer we recommended a new recipe mix pricing strategy that provides consumers with every day value and encourages multiple product purchases. Following a 10-week trial, this customer turned around a declining category, brought in new category shoppers and increased multiple unit purchases, all at a greater profit for both us and for the retailer.

We have effectively faced retail challenges in the past, whether it be emphasis on private label, a clean store policy or increased fragmentation. In 2014, with our reorganized sales force, tools in hand and focus on category leadership, we're even better armed for success in the US market.

Our progress was marked by the 2013 US (inaudible) Power Ranking Report, which named McCormack one of five fast movers, the only one recognized for advancement in consumer insights and category leaderships with a move to number 17 from number 31 and we're continuing on this journey and expect further improvements.

To wrap up on customer intimacy, we have a leadership position and profitable growing categories in the US and markets around the world and we continue to build our capabilities to win at retail.

Let me summarize. We're operating our global Consumer business effectively in a dynamic market -- in a dynamic environment and have a great track record of growth in both sales and profit. We have the right steps in place to strengthen the US business and to drive growth across all of our developed and emerging markets. Consumer demand for flavor, together with a strong brand equity, compelling innovation, emerging market presence and superior customer intimacy create an outsized growth opportunity for McCormick.

Thank you for your attention.

As Gordon steps to the podium, I'd like to show some additional flavor stories from a professional chef and a food blogger.

(Video playing)

Gordon Stetz - *McCormick & Company, Inc. - EVP & CFO*

Both Alan and Lawrence have described a global increase in consumer demand for flavor. This is not only driving sales of our Consumer business, but also our Industrial business. As the leading supplier across the global food industry, our Industrial business delivered $1.6 billion in sales in 2013.

We have a balanced set of customers that we supply from locations around the world. Our product portfolio is one of the broadest in the industry. And this business is making a meaningful contribution toward meeting McCormick's long-term financial objectives.

Our array of flavor solutions is more comprehensive and flexible than many of our competitors. This helps our key customers as they work to streamline their supply chain. Internally, Chuck's team is focused on shifting the mix toward higher margin, more value-added products.

Along with this shift in mix, our CCI program is leading to improve the operating income margin. While our progress is periodically interrupted by high material cost inflation, our teams are making measurable progress. We firmly believe that we can operate this business at a higher margin in the future. We have delivered an average annual increase of 6% in sales and 9% in adjusted operating income for the past 5 years, despite some challenges in this business. We are driving sustained, profitable growth by being our Industrial customers' first choice for flavor solutions.

For the total business, in 2013 the Consumer segment contributed 62% of sales and 80% of profit and the Industrial business 38% and 20%. While the Consumer business has a higher operating margin on an ROI fee basis, the two businesses have a similar level of contribution, with most of our goodwill attributable to the Consumer segment. Toward the end of 2013, in a more stable input cost environment, we got some traction with our efforts to improve Industrial operating income, exceeding 8% in the fourth quarter, and we expect to make further progress in 2014.

In addition to an expected lift from higher Industrial margins, a shift in mix toward the Consumer business as a result of our acquisition activity is designed to further improve operating income margin. In the last 10 years the Consumer segment has moved from 51% of sales to 62% in 2013; more than 100 basis points of annual increase on average, due in part to acquisitions of leading brands.

In addition, acquisitions are a vital part of our expansion in emerging markets. Through acquisitions, as well as our organic growth rate in markets like China, Mexico and Poland, our percentage of consolidated sales in emerging markets has reached 15%, up from 10% just two years ago. And as Lawrence indicated, we have additional penetration through our joint venture.

This is profitable business for us, with near two-thirds of emerging market sales and an operating income margin of at least 12% and opportunity in each emerging market business to drive margin improvement. Based on our strategic outlook, we reaffirm our goal to reach 20% of consolidated sales in emerging markets by 2015.

We are proud of a strong acquisition track record in both emerging and developed markets. Based on a report card recently prepared for our Board of Directors, we have measured financial results at or above target for 83% of the $1.3 billion invested in acquisitions since the beginning of 2008. In this assessment we compare our financial performance with the initial projections for the business and also evaluate the effectiveness of our integration and performance in the marketplace.

A strong pipeline of acquisition opportunities, together with our segment growth initiatives, support our projection to grow sales 4% to 6%. This is right in line with our compound annual growth rate of 6% for the past decade. We also anticipate increases of 7% to 9% in operating income, which is also supported by our 10-year performance. And with our dividend payout we expect long-term total shareholder return at a double-digit rate. And as of January 2014, have achieved returns of 11% or greater on a 5-, 10- or 20-year basis.

In order to get from our sales growth rate to a 7% to 9% increase in operating income, we count on continued cost savings from our CCI program. CCI is our fuel for growth. We have a long history of productivity improvement at McCormick and since the launch of CCI in 2009 have averaged $56 million in annual savings. Going forward, we expect to reach at least $45 million annually.

Our global procurement efforts are yielding strong benefits by rationalizing the supplier base where appropriate and manufacturing workplace-based teams are reducing losses, improving production efficiencies and improving quality.

Beyond procurement production we are streamlining administrative activity. For example, toward the end of 2013 we announced actions in our EMEA region that include the centralization of our shared services at a new facility in Poland. These ideas and accomplishments often originate with our high-performance employee teams and are then shared across functions and locations by our CCI champions.

A portion of our CCI projects stem from our Corporate Social Responsibility effort. Down here is an excerpt from our 2013 CSR review. On the environmental front we are marking great progress on a number of our 2018 goals, including a nearly 40% reduction in solid weight on a per-unit basis.

We have set additional goals that align corporate social responsibility with our business objectives. These include specific targets to exceed best-in-class levels of employee engagement globally, increase funding for farming communities where we source spices and herbs, and increase our marketing directed towards educating consumers and industry leaders on the role of flavor and healthy eating. Across all our activities we are making great progress with our CCI program and we have a long runway for future improvement and cost savings.

In late January we provided a financial outlook for 2014. We expect to grow sales 3% to 5% and increase operating income 6% to 8% from adjusted operating income of $591 million in 2013.

Due to a significant year-on-year increase in the tax rate, our growth rate for earnings per share is 3% to 5%. Excluding the unfavorable 5% to 6% impact from the higher tax rate, the EPS growth rate is close to our long-term goal.

Our market position, growth initiatives and engagement of McCormick employees around the world give us confidence in our ability to meet our 2014 financial outlook.

In addition to sales and profit growth, EVA, economic value added, is a foundational element of our success at McCormick. Since its inception at McCormick nearly 20 years ago, we have used EVA to prioritize resources across our business segments and behind our brand. It is our key metric for analyzing acquisitions and led to past divestments of non-core businesses; and, it helped shape our incentive program.

When Alan and I moved into our current roles, we instituted McCormick Profit, a measure that rewards our business units for both profit achievement and prudent management of working capital. EVA continues to be an important tool and has most recently been used to prioritize upcoming capital investment and to target market segments, both product and geographic, that have the largest economic profit pools.

The financial discipline of EVA has led to strong cash generation at McCormick and our balanced use of cash between capital expenditures, acquisitions, share repurchases and dividends. For capital expenditures we have a high hurdle rate, anticipating returns of at least 15% on these funds. We plan for one-third of this spending to be in support of our growth plan. As for acquisitions, I showed earlier our report card to illustrate our effectiveness.

In a period when we don't have an acquisition underway we are repurchasing shares, which in some years can reduce our share count by up to 2%. On this slide we compare the average annual repurchase price to the year-end stock price for the past 10 years as evidence that over time our repurchase activity has been accretive.

Our fourth use of cash is dividends. At McCormick we are committed to returning cash to shareholders through our dividends. We have paid a dividend each year since 1925 and had an annual increase in each of the past 28 years. From 2006 to 2013 we doubled our quarterly dividend.

At McCormick performance means superior results consistently delivered. While our financial objectives for this business are ambitious, we believe they are achievable. They are supported by our long-term track record and growth initiatives designed to drive our continued success. Through our financial discipline and EVA principles, we are prioritizing our resources to optimize our results and deliver high performance.

Thank you for your attention and I'll turn it back over to Alan.

Alan Wilson - *McCormick & Company, Inc. - Chairman, President & CEO*

Thanks, Gordon.

In our remarks today I hope you've sensed our confidence in our business at McCormick and our excitement for the future. McCormick brings passion to flavor. We have a focused business and our employees around the world are working each day to bring the joy of favor to the world.

Consumer demand for spices and herbs and other flavors is growing worldwide, whether it's exposure to new and more interesting food, or as a healthy alternative to sugar, salt or fats. We are uniquely positioned to meet this increased demand.

We have a leading share in on-trend categories and we're supplying customers with a full range of flavors from value to premium. Our broad product portfolio and expanding geographic presence allows us to drive sales in developed markets and to capture the emerging market consumers as they move from bulk to branded in spices and seasoning.

At McCormick our fundamentals are sound and with an experienced leadership team and proven growth strategies to delivery high performance for our shareholders.

Thank you for your attention and how I think we have time for some questions.

QUESTIONS AND ANSWERS

Jonathan Feeney - *Janney Capital Markets, LLC - Analyst*

Thank you. I had a question for you, Alan. You are one of the few companies that we've heard from this week where you have a good category. You've had some share challenges in that category, so it's a good starting point. And just going back a year or two ago when you started talking more about your global brands and bringing innovation in, I think you cited the need for more innovation.

So, I just want to get a sense of where you are in that progression of using global brands and bringing more innovation to your categories and then understanding the spectrum of product you're looking at, value products and private label and that kind of thing.

Alan Wilson - *McCormick & Company, Inc. - Chairman, President & CEO*

Sure. What we try to do with our product innovation is to identify global platforms like grilling or slow cookers or different packaging innovations that we have in different markets. One example, which has really grown for us in Europe, is a product that we've had in the US for over 25 years, Bag 'n Season. And so what we do is we customize the flavors for the local market, but we bring those platforms around the world and that's how we generate a lot of the growth.

I would say that we still need to drive more innovation. We've had really good results in some of our markets in innovation, but we haven't seen the same results across the board and so that's part of what we're doing. Lawrence talked about accelerating innovation to try to do that.

In terms of our multiple price point, part of its category the management story. We're in a good situation because we have a growing category and what's good for McCormick is also really good for our customers. So our goals aren't in any conflict. And as we've seen kind of a refragmentation of the shelf, which just a couple of years ago everything was kind of squeezing in and we're moving toward a single large national brand and a strong private label, now we've seen some refragmentation, we have to reeducate our customers on the impact of that in terms of their cash efficiency and the overall category growth and profitability. So we're -- that's a part of what we're doing with the category management story.

Lawrence, you want to add anything to that?

Lawrence Kurzius - *McCormick & Company, Inc. - President Global Consumer Business & CAO*

Well, the thing I would also add is that we're trying to be more nimble about transferring success from market to market. S, some of the greatest successes that we've had in the new products have been these platforms that we've moved internationally, grinders coming from France, Grill Mates really originating in Canada. Slow cookers started here in the US about seven years ago and we've spread that out through the world.

But, that seven years is an awful long time. We're trying to be more nimble about that and move it a little bit more quickly. And so I think a great example is the gluten-free recipe mixes that we launched in Canada last year. We introduced those really in the second half of last year. We got an early read that they were successful and we're in the process of selling those into the US right now.

Unidentified Audience Member

Thank you. In the fourth quarter you had a fairly sizable miss relative to the initial expectation within the US business on volumes, the core volumes. McCormick seemed to lose share to private label at the same time that you took that price increase. We talked about this a little bit on the fourth quarter call, but I have to admit that I'm still not clear on why you do not think that price gap or pricing, maybe lower-priced private label, was not the root cause of why you lost such significant share and underperformed to your expectations.

If you could also add into here does the sales force realignment, did it play a factor in the problem that occurred within the fourth quarter, that would also be of interest.

Alan Wilson - *McCormick & Company, Inc. - Chairman, President & CEO*

Yes. Let me start and I'll ask Lawrence to add.

The price increase that we did in the fourth quarter was purely commodity based. The timing wasn't probably the best timing, but it didn't impact our fourth quarter sales from a shelf price standpoint. It was not fully implemented until a little later, even though it was announced in September. So, I don't think that was the issue with the fourth quarter.

What we did see over the last year -- we'd not taken pricing in almost two years. And what we did see is that price gap expand because our customers were taking pricing, even though we didn't. And we saw some reduction in private label prices so the gaps did expand.

We really instituted the sales reorganization in January, so that didn't impact the fourth quarter. We recognize the challenges and what we're trying to do is get more regional attention and sell our category story more aggressively.

Lawrence, you want to add any?

Lawrence Kurzius - *McCormick & Company, Inc. - President Global Consumer Business & CAO*

Yes, I'd like to address the -- both of those points. So on pricing, we've got a pretty good idea of what our price elasticities are and we've got a pretty good handle on the return on investment that we get from using -- investing our money in price versus investing our money in brand building and innovation and [SMS]; just overwhelmingly in favor of brand building and innovation rather than trying to either pry down price or allow our margins to erode due to cost inflation.

The gaps versus private label are actually smaller in the US than they are in many of our international markets, so I'm not sure that the gap is 100% of the problem. Certainly, price matters. And particularly, really more than the gap versus private label, it's the gap versus some specific competitive products and specific categories.

The sales force reorganization really came as a result of the change in leadership in the US Consumer business that Alan talked about on the fourth quarter call. We've got some fresh eyes on it. We see that there is an opportunity to address an underdeveloped region of the country and so we reorganized and put very specific resources against that region and some specific markets. It also enabled us to rebalance our sales force against -- more heavily into the -- placing support behind e-commerce and some additional support behind category management.

Sir?

Unidentified Audience Member

Thanks. I have a couple of questions. The first one, just for Gordon, based on your EVA versus stock price slide, I think that was the first time where they touched was this past year. And was the no -- is weak or no path the reason why McCormick profit rolled over a little bit?

Gordon Stetz - *McCormick & Company, Inc. - EVP & CFO*

Yes. EVA was essentially flat year to year and it was primarily the performance in the US business in the fourth quarter. Yes.

Unidentified Audience Member

And then I guess just a technical question kind of following up on Dave's question. It seems like in the call you've kind of indicated there were (inaudible) three fragmentation issues. One is maybe price gaps with private label. The second you could argue the high end. You're not -- you can't get access to whole foods in some of the other markets that are growing.

Then the third was that product placement in other areas of the store allowed smaller competitors to get into. So I'm kind of wondering like how that happened and have you made changes to your, I guess, top-to-top discussions so that a local player somehow or other doesn't get distribution into the produce aisle when you're the ones that rightfully should be getting there if you're really the category manager across the book.

Lawrence Kurzius - *McCormick & Company, Inc. - President Global Consumer Business & CAO*

I think that that last issue is the one I'd particularly like to address. This product placement in other areas of the store, we do have some competitors who are coming in through other departments. You mentioned produce, and that's certainly one of them, where the buyer for our category doesn't have visibility and just sees leakage out of the category. It's all picked up through the (inaudible) scanner and so on, but the buyer isn't -- doesn't have visibility on the impact that that's having on the store.

Some of those products that have come in through the product department in particular have found a way to migrate their way to the shelf or adjacent shelving to the main center store spice section, or onto display fixtures that are placed directly in front of it. So that is in fact very much part of the category management story, that we need to take that retailer and to give them the full visibility on what impact that's having on their profitability.

It also played very much into the sales reorganization. One of the reasons some of those areas are underdeveloped is in fact that's where that kind of competitive encroachment has been happening. So, we wanted to put a very strong emphasis on winning that back.

Unidentified Audience Member

Thanks. My question's on the Industrial segment. I think a few quarters ago, or just entering this year, perhaps, you had expressed some optimism about the pipeline for food manufacturer's innovation. And even on QSR you were pretty positive and it seems to have turned out a little bit weaker than expected. Obviously, at this conference we get a lot of companies talking about innovation. Can you just give a sense of where you were in terms of expectations, where you are now in terms of pipeline innovation? Because the fear is that with commodity costs coming down, people are relying too much on promotions, but can you maybe give some insight on that?

Alan Wilson - *McCormick & Company, Inc. - Chairman, President & CEO*

Sure. Chuck, you want to--?

Chuck Langmead - *McCormick & Company, Inc. - President Global Industrial Business*

Thank you for the Industrial question. I can expense this trip now. (Inaudible) thank you for the question.

I'll (inaudible) it out this way. Myself and the teams around the world, actually across all the Industrial sectors that we manage, are very optimistic. And we see, as you know, insight into what many of the companies, quite frankly, that are here this week are doing. You see it as it reaches market. We see it way ahead of time. Obviously, we keep that very confidential.

So, we feel optimistic. That's the best word I could use to capture one word to indicate that we are feeling good. We saw momentum change in the fourth quarter, as we had hoped, and we continue to see that momentum into the new year.

Jonathan Feeney - *Janney Capital Markets, LLC - Analyst*

I think we've got time for one more.

Unidentified Audience Member

I actually have another Industrial question for you, so you get double expenses.

Chuck Langmead - *McCormick & Company, Inc. - President Global Industrial Business*

Thanks.

Unidentified Audience Member

The margin expansion in Industrial has [fallen] the last few years and you haven't talked a lot about Industrial today. So what's the opportunity there to get back towards the 10% target that you have? Similarly in Consumer, how much is the expansion of the emerging market business in your mix impacting the margin expansion there? How much is the mix shift of the private label impacting that?

Chuck Langmead - *McCormick & Company, Inc. - President Global Industrial Business*

So, first with Industrial, there's two or three areas that give us the confidence that the margin will continue to improve. First and foremost, and one that we've mentioned several times, is the stabilization of the input cost because our margin as a percent is so highly pressured by changes in the input cost because we pass those cost changes onto our product costs.

But more importantly, and what will sustain continued margin improvement and get us back into the kinds of ranges that we've talked about for several years is the innovation commitment and the commitment to portfolio. And actually, even -- and despite the pressures on productivity and so forth, our innovation and the technical solutions we're working on in this area of the business are helping achieve productivity with innovation with our customers. So, we're very encouraged by that and continue to expect from us that shift and that improved portfolio in the Industrial sector to deliver those margins (inaudible).

Alan Wilson - *McCormick & Company, Inc. - Chairman, President & CEO*

(Inaudible) I think our time's up.

Gordon Stetz - *McCormick & Company, Inc. - EVP & CFO*

Well, obviously, as I mentioned in my remarks, the emerging markets on average has operating income margins around 12%. Now, they're higher growth so the dollar growth is much higher. But as we grow in those markets we're getting stale. China's a great example where with the acquisition we've been there 20 years. It's a profitable market. That acquisition is giving us scale for margin improvement.

So, the key for us is to continue that growth in those emerging markets, as well as continue the growth that we experienced in the developed markets and the margins should be fine.

Jonathan Feeney - *Janney Capital Markets, LLC - Analyst*

Great. Well, we'll have to wrap it up there and take it to the breakout room. Please join me in thanking the Management Team of McCormick once again for the break and the great presentation. Thanks again, guys.
