



**McCormick & Company, Inc.**  
**Fourth quarter 2010 financial**  
**results and business outlook**  
**January 26, 2011**



The following slides accompany a January 26, 2011 presentation to investment analysts. This information should be read in conjunction with the press release issued on that date.

Reconciliations of any GAAP to non-GAAP financial information are included in these slides.



## Today's speakers



**Alan Wilson**  
*Chairman, President & CEO*



**Gordon Stetz**  
*Executive Vice President & CFO*



**Joyce Brooks**  
*VP Investor Relations*



## Forward-looking information

Certain information contained in this release, including statements concerning expected performance such as net sales, earnings, cost savings and brand marketing support, are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934.

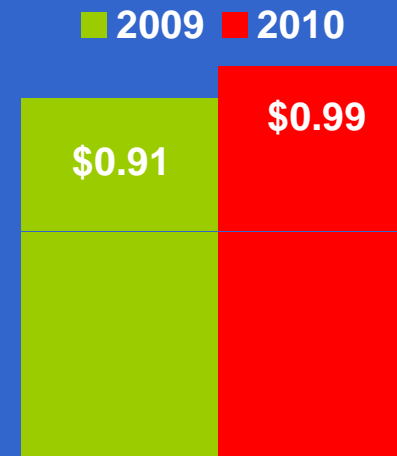
Forward-looking statements are based on management’s current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by external factors such as damage to our reputation or brand name, business interruptions due to natural disasters or similar unexpected events, actions of competitors, customer relationships and financial condition, the ability to achieve expected cost savings and margin improvements, the successful acquisition and integration of new businesses, fluctuations in the cost and availability of raw and packaging materials, changes in regulatory requirements, and global economic conditions generally which would include the availability of financing, interest, inflation rates and investment return on retirement plan assets as well as foreign currency fluctuations 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.



## 4Q a strong finish to 2010 results

- ▶ Sales growth driven by 6% increase in volume and product mix
- ▶ Underlying strength of categories and products
- ▶ Profit exceeded expectations due to lower tax rate



*Earnings per share  
fourth quarter\**

\* On comparable basis excluding the impact of restructuring charges recorded in 2009. See slide 21.



# Consumer business fourth quarter sales

## ► Holiday support, new products and expanded distribution grew consumer sales in Americas 9%

- Branded herbs and spices up double-digits
- Gourmet and extract units both up >20%
- Dry seasoning mixes rose 8%
- Increases in Lawry's and Zatarains
- Double-digit increase in Canada

## ► Estimated \$10 million shift from 1Q 2011 into 4Q 2010

- 4Q sales growth exceeded increase in consumer purchases at retail
- May be due in part to customer purchases in advance of late 2010 price increase
- Underlying growth rate for 4Q was in line with store consumption rate

## A record level of holiday brand marketing support



*Distinct ads for Thanksgiving and Christmas*



*In-store display*



*Flavor Forecast – Holiday Edition!*

# Consumer business fourth quarter sales

## ► Mixed results led to decline in Europe, Middle East and Africa (EMEA) consumer business sales

- Result of weakness in smaller markets that account for 20% of EMEA
- Increased promotions and allowances to U.K. customers more than offset mid-single digit increase in volume and product mix
- Distribution gains, new products, grinder advertising and merchandising improvements drove sales in France.

## ► New products, expanded distribution, brand support and increased demand grew sales 17% in Asia/Pacific region...12% in local currency

- 22% increase in China



*Improved merchandising in France*



*New products and brand support in China*

# Consumer business operating income and pricing actions

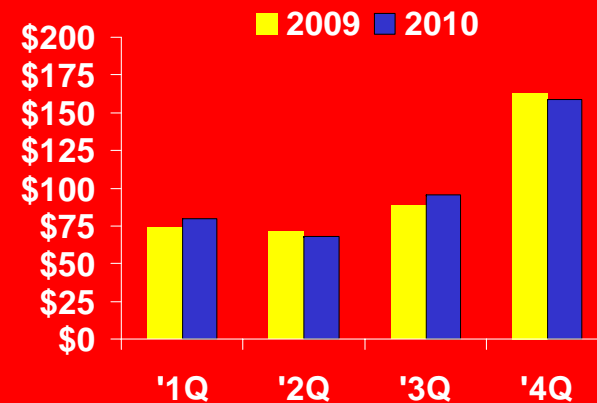
## ► Fourth quarter operating income impacted by

- Incremental \$7 million of brand marketing to drive fourth quarter and 2011 sales
- Rising raw and packaging material costs
- Offset in part by higher sales and cost savings from Comprehensive Continuous Improvement program (CCI)

## ► Price increases taken for both brand and private label

For fiscal year 2010, operating income\* grew 4.4%, but varied by quarter due to incremental brand marketing programs

Toward year-end, rising material costs also impacted profits



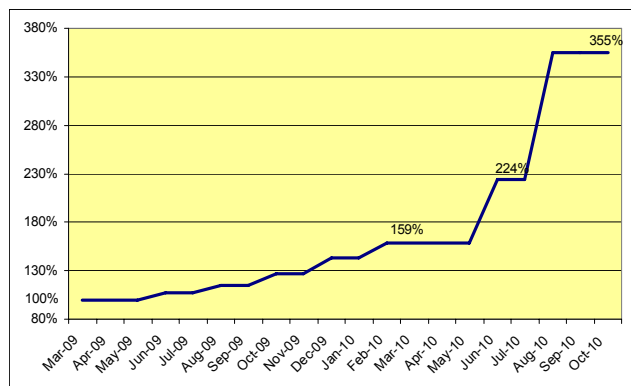


# Consumer business operating income and pricing actions

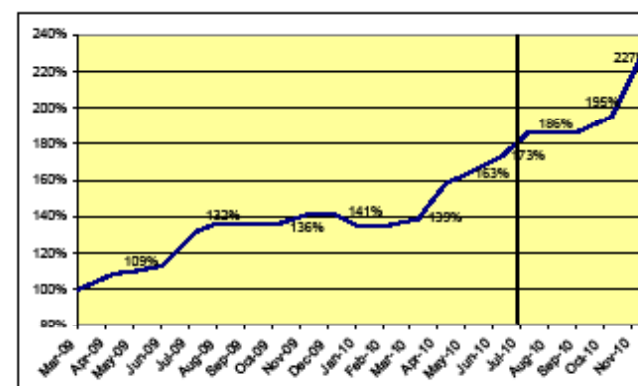
## ► Factors leading to increase..

- Global crop yields for our products and raw material inventories are at historic lows due to global competition for agricultural acreage
- Global demand for dehydrated garlic expected to exceed available supply
- Global demand for black pepper continues to rise, while supply has fallen

**DEHYDRATED GARLIC POWDER**  
**Monthly Price History - % Chg**



**BLACK PEPPER**  
**Monthly Price History - % Chg**



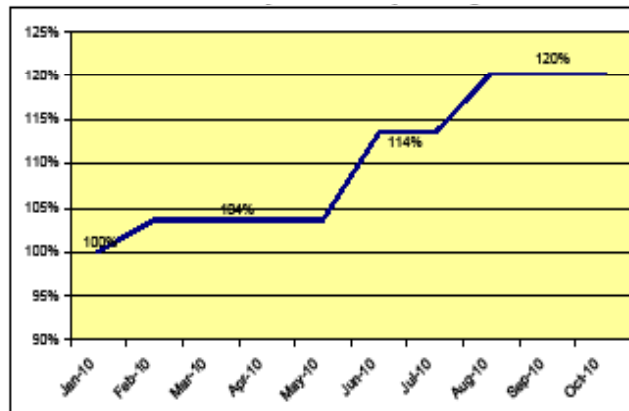


# Consumer business operating income and pricing actions

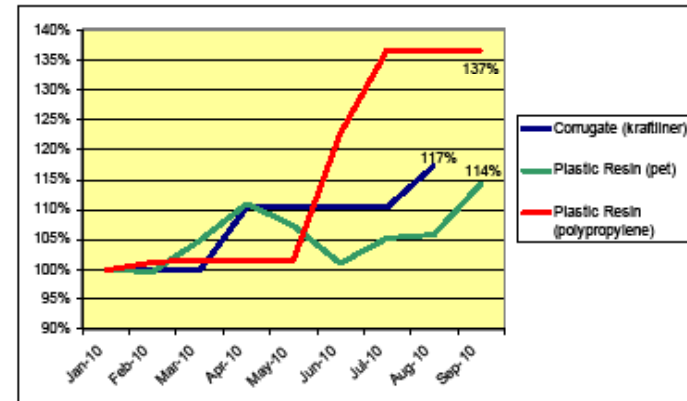
## ► Factors leading to increase..

- Cinnamon yields have been reduced with farmers not replanting trees and shifting to more profitable annual crops
- Tropical spices and seeds have experienced extraordinary increases due to excessive rains and low carryover stocks
- Wheat and corn prices have risen due to unfavorable weather patterns and acreage battles
- Packaging costs driven by rising base raw material costs and high demand

**CINNAMON**  
*Monthly Price History - % Chg*



**Packaging**  
*Monthly Price History - % Chg*



## Industrial business fourth quarter sales

- ▶ New product activity with food manufacturers in U.S. and Mexico drove 6% increase in volume and product mix in the Americas
- ▶ Sales to foodservice customers led to a 5% increase in volume and product mix in EMEA
- ▶ Sales to food service customers drove a 15% increase in volume and product mix in the Asia/Pacific region
  - Sales in China grew >20%



Across both segments...consumer and industrial...  
 sales in China and Southeast Asia contributed  
 5% of sales in 2010, up from 3% in 2005

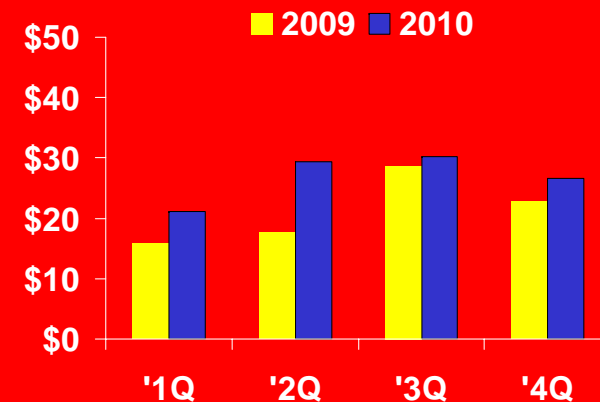


# Industrial business operating income

- ▶ Operating income rose 17% in fourth quarter on comparable basis\*
- ▶ Operating income margin was 7.8% in fourth quarter and 8.0% for fiscal year 2010
  - Reshaping portfolio with more value-added products
  - Improving productivity with CCI
  - Effectively managing pass through pricing with customers.

**For fiscal year 2010, operating income\* grew 26%**

**Moved >100 bps closer to 9-10% operating income margin goal**





# Met or exceeded 2010 objectives

	<u>Objective</u>	<u>Results</u>
Sales growth, in local currency	2 - 4%	2.9%

- ▶ Unit sales of branded extracts and gourmet both up >5% in U.S.
- ▶ Unit sales of Lawry's up 5%
- ▶ Zatarain's sales up 6%
- ▶ 7% increase in Grill Mates ... with new Brown Sugar Bourbon our #2 marinade
- ▶ Recipe Inspirations one of most successful new products in past 5 years
- ▶ Grew sales in China 14%



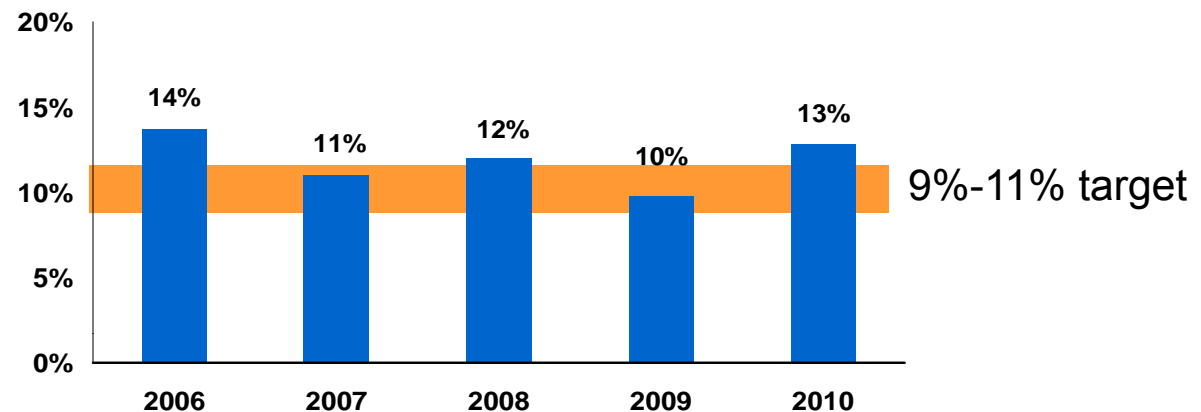
## Met or exceeded 2010 objectives

	<u>Objective</u>	<u>Results</u>
<b>Sales growth, in local currency</b>	2 - 4%	2.9%
<b>CCI-led cost savings</b>	\$35-40 million	\$54 million
<b>Investment in brand marketing</b>	+\$20 million	\$21 million
<b>Income from Unconsolidated Operations</b>	-	Record \$26 million
<ul style="list-style-type: none"> <li>- Cash dividends rose to \$18 million</li> <li>- New JV in India and in Turkey</li> </ul>		
<b>Earnings per share on comparable basis*</b>	6 – 8%	13%
<ul style="list-style-type: none"> <li>- 8% from operating income and JV's</li> <li>- 5% from favorable tax rate</li> </ul>		
<b>Cash conversion cycle**</b>	-	3 day reduction

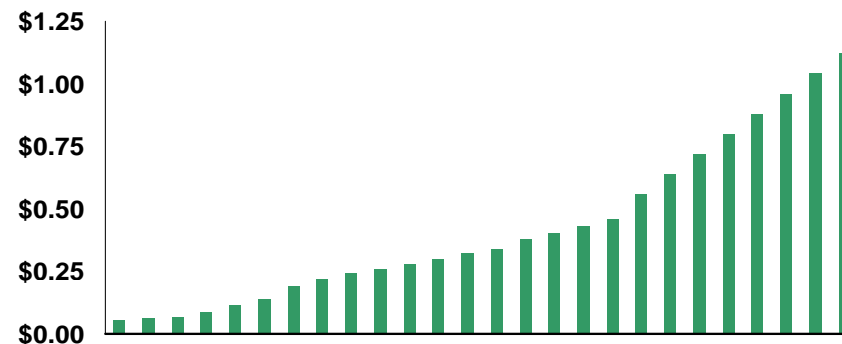
- On comparable basis excluding reversal of a significant tax accrual recorded in 2010 and restructuring charges recorded in 2009. See slide 31.

\*\* Cash conversion cycle details can be found at [ir.mccormick.com](http://ir.mccormick.com)

## Five years of double-digit EPS growth on a comparable basis\*



## 25 consecutive years of dividend increases ... added to S&P 500 Dividend Aristocrats



\* On comparable basis excluding restructuring charges and unusual items, as well as the impact of a change in stock-based compensation accounting in 2006. See slide 32.

## Fourth quarter sales growth

		- Fourth quarter impact from -		
		<u>Volume/mix</u>	<u>Pricing</u>	<u>Currency</u>
<b>Total business</b>	<b>5.9%</b>	<b>6.6%</b>	<b>(0.6%)</b>	<b>(0.1%)</b>
Consumer	5.6%	6.6%	(0.5%)	(0.5%)
Industrial	6.6%	6.7%	(0.8%)	0.7%



# Sales growth – *Consumer business*

		- Fourth quarter impact from -		
		<u>Volume/mix</u>	<u>Pricing</u>	<u>Currency</u>
<b>Consumer business</b>	<b>5.6%</b>	<b>6.6%</b>	<b>(0.5%)</b>	<b>(0.5%)</b>
Americas	9.1%	7.8%	0.8%	0.5%
EMEA	(9.9%)	0.9%	(5.6%)	(5.2%)
Asia/Pacific	16.5%	10.4%	1.1%	5.0%





## Sales growth – *Industrial business*

		- Fourth quarter impact from -		
		<u>Volume/mix</u>	<u>Pricing</u>	<u>Currency</u>
Industrial business	6.6%	6.7%	(0.8%)	0.7%
Americas	6.0%	5.8%	(0.7%)	0.9%
EMEA	1.0%	5.3%	(1.4%)	(2.9%)
Asia/Pacific	20.4%	14.8%	0.3%	5.3%



**Americas**



**EMEA**



**Asia/Pacific**

# Gross profit margin down 10 bps ... down 40 bps excluding 2009 restructuring charges

	<u>4Q 2010</u>	<u>4Q 2009</u>
Gross profit margin	45.5%	45.6%

- ▶ Favorable impact of CCI cost savings
- ▶ Unfavorable impact of rising materials costs and certain increases in promotion and allowances





## Operating income up 4%... same as 4Q 2009 excluding 2009 restructuring charges

<i>(in millions)</i>	<u>4Q 2010</u>	..... 4Q 2009 .....		
		<u>Reported</u>	<u>Restructuring Charges</u>	<u>Non-GAAP</u>
<b>Total business</b>	<b>\$185.4</b>	<b>\$178.0</b>	<b>\$7.8</b>	<b>\$185.8</b>
Consumer	158.7	158.2	4.7	162.9
Industrial	26.7	19.8	3.1	22.9

- ▶ Higher sales
- ▶ Gross profit margin decline
- ▶ Incremental brand marketing



## Other 4Q 2010 financial results

► **Favorable tax rate added \$.09 to earnings per share**

- Lower rate due to increased foreign tax credits that resulted from the repatriation of cash from foreign subsidiaries
- Expect 2011 tax rate of 31%

► **Income from unconsolidated operations down slightly**

- Double-digit increase in sales for McCormick de Mexico and other joint ventures
- Income impacted by rising raw material costs primarily in Mexico



## Earnings per share growth

	<u>4Q 2010</u>	<u>4Q 2009</u>
<b>Earnings per share</b>		
EPS as reported	\$ .99	\$ .87
Restructuring charges	-	.04
Adjusted EPS	\$ .99	\$ .91

- ▶ Favorable tax rate
- ▶ Operating income same as 4Q 2009
- ▶ Income from unconsolidated operations down slightly



## Balance sheet and cash flow

- ▶ Completed debt pay down from Lawry's acquisition
- ▶ Used \$83 million for share repurchases in 2010 at average cost of \$41.06
- ▶ Cash flow from operations \$388 million
- ▶ Higher inventory level a focus in 2011
  - Higher cost of raw and packaging materials
  - Increased certain positions

Reduced cash conversion cycle\* 3 days



# Summary of 2010 financial results

- ▶ Grew sales and operating income in face of sharp material cost increases and cautious consumers and customers
- ▶ Cash flow remains strong and balance sheet is sound
- ▶ Poised for further investments in business to drive sales and profit





# 2011 Outlook

## ▶ Continue to operate in uncertain environment

- Material costs remain volatile
- Some areas of weakness in foodservice
- Consumer sales in parts of Europe remain difficult

## ▶ Impact of 2011 tax rate compared to favorable 2010 rate

- Tax rate in 2011 projected at 31% compared to 28.5% in 2010, excluding reversal of significant tax accrual
- Tax rate increase expected to lower 2011 EPS ~3%

## ▶ Projecting 2011 EPS in \$2.80 - \$2.85 range

- Increase of 6%-8% compared to adjusted EPS of \$2.65 in 2010
- Underlying EPS growth of 9%-11%, excluding tax rate impact

# 2011 Outlook

<b>EPS</b>	<b>\$2.80-\$2.85</b>
<b>Sales growth, in local currency</b>	<b>5%-7%</b>
• Pricing impact	3%
• Volume and product mix	2%-4%
<b>Sales impact of fx as of January 2011</b>	<b>+1%</b>

- ▶ **Recipe Inspirations marketing support; introduction of 6 new World Flavors**
- ▶ **Grill Mates, grinders, salad toppings in U.S.**
- ▶ **Favourful seasonings in Canada; new Flavourful varieties in U.K.**
- ▶ **New Vahiné homemade dessert items in France**
- ▶ **Cross-marketing**
  - **Slow cookers in U.K.**
  - **Recipe Inspirations in Canada**
  - **Thai Chili Sauce in markets beyond China**





# 2011 Outlook

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## ► Distribution gains

- Private label in U.S. grocery chain and drug store
- Convenience store chain and small store formats in U.K.

## ► Robust new product pipeline with industrial customers

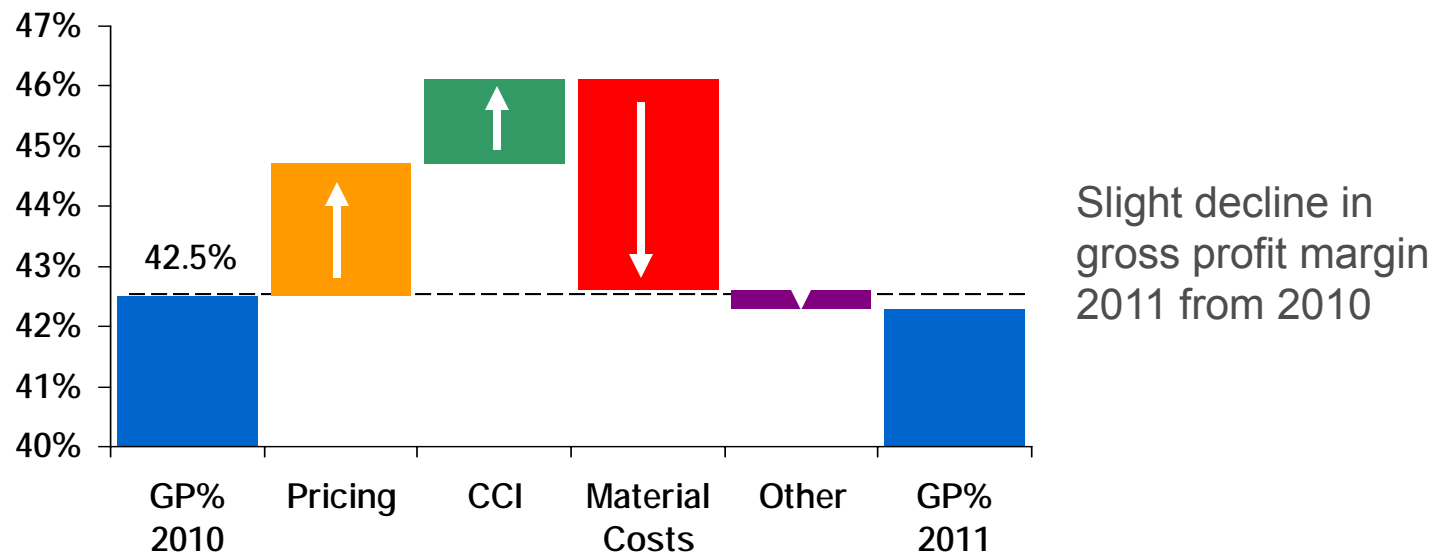
## ► Inroads with quick service restaurants

- Increased share in Americas
- Won supply of beverage flavors in Asia/Pacific
- New distribution in India



# 2011 Outlook

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<b>Sales impact of fx as of January 2011</b>	<b>+1%</b>
<b>Gross profit margin</b>	<b>slight decline</b>
<b>CCI cost savings</b>	<b>at least \$40 million</b>





## 2011 Outlook

<b>EPS</b>	<b>\$2.80-\$2.85</b>
<b>Sales growth, in local currency</b>	<b>5%-7%</b>
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<b>Gross profit margin</b>	<b>slight decline</b>
<b>CCI cost savings</b>	<b>at least \$40 million</b>
<b>Incremental brand marketing</b>	<b>in line with sales increase</b>
<b>Tax rate</b>	<b>31%</b>
<b>Inc from unconsolidated operations</b>	<b>slight decline</b>
<b>Reduce shares outstanding</b>	<b>approximately 1%</b>
<b>Capital expenditures</b>	<b>\$90-\$100 million</b>



*A Passion for  
FLAVOR*



Category leadership...

Top-line growth initiatives...

CCI program...

Expected to deliver greater shareholder value in 2011



# Additional reconciliation information

## Consumer and Industrial operating income, excluding restructuring charges in 2009

		1Q	2Q	3Q	4Q	Total
<b>2009</b>	<b>Consumer business</b>					
	Operating income	\$74.0	\$65.1	\$88.3	\$158.2	\$385.6
	Restructuring charges	0.3	6.6	0.7	4.7	12.3
	Operating income excluding restructuring charges	74.3	71.7	89.0	162.9	397.9
<b>2009</b>	<b>Industrial business</b>					
	Operating income	\$15.8	\$17.4	\$28.3	\$19.8	\$81.3
	Restructuring charges	0.2	0.3	0.2	3.1	3.9
	Operating income excluding restructuring charges	16.0	17.7	28.5	22.9	85.2

*Numbers may not add due to rounding*



## Additional reconciliation information

The Company has provided below a reconciliation of GAAP to non-GAAP earnings per share results that exclude the impact of certain items that affect comparability of financial results year-to-year. In 2010, the Company recorded the reversal of a significant tax accrual, and from 2005 to 2009, restructuring charges were recorded. Also, in 2008 an impairment charge was recorded to reduce the value of the Silvo brand. Related to the acquisition of Lawry's in 2008, the Company recorded a gain. The net impact of these items is reflected in the table below.

In 2006, McCormick began to record stock-based compensation expense and prior years' results have not been adjusted. Stock-based compensation reduced earnings per share by \$0.11 in 2006.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Earnings per share – diluted	\$1.56	\$1.50	\$1.73	\$1.94	\$2.27	\$2.75
Net impact of items affecting comparability	<u>0.05</u>	<u>0.22</u>	<u>0.18</u>	<u>0.20</u>	<u>0.08</u>	<u>(0.10)</u>
Adjusted earnings per share – diluted	\$1.61	\$1.72	\$1.91	\$2.14	\$2.35	\$2.65
% growth		7%	11%	12%	10%	13%
2005 Adjusted EPS	\$1.61					
Impact of stock-based compensation expense 2006 vs 2005	0.11					
Impact on % growth for 2006	7%	14%				