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Fourth Quarter 2012 Financial Results and 2013 Business Outlook

January 24, 2013

The following slides accompany a January 24, 2013 presentation to investment analysts.  
This information should be read in conjunction with the press release issued on that date.



## Forward-looking information

Certain information contained in these materials and our remarks are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements may be identified by the use of words such as “may,” “will,” “expect,” “should,” “anticipate,” “believe” and “plan.” These statements may relate to: the expected results of operations of businesses acquired by us, the expected impact of raw material costs and our pricing actions on our results of operations and gross margins, the expected productivity and working capital improvements, expected trends in net sales and earnings performance and other financial measures, the expectations of pension and postretirement plan contributions, the holding period and market risks associated with financial instruments, the impact of foreign exchange fluctuations, the adequacy of internally generated funds and existing sources of liquidity, such as the availability of bank financing, our ability to issue additional debt or equity securities and our expectations regarding purchasing shares of our common stock under the existing authorizations.

These and other forward-looking statements are based on management’s current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by 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 and inflation rates and investment return on retirement plan assets, as well as foreign currency fluctuations, risks associated with our information technology systems, the threat of data breaches or cyber attacks, and other risks described in our filings with the Securities and Exchange Commission.

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

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## Fiscal year and fourth quarter 2012; outlook for 2013



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

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## 2012 Highlights

- ❖ Grew sales 9%, exceeding \$4 billion and bringing CAGR to 6% for past five years
- ❖ Grew sales in emerging markets 47% to reach 14% of 2012 sales, up from 10% of 2011 sales
- ❖ Invested in product innovation
  - **U.K.:** new lab facilities and open-plan layout to develop products quicker and more creatively
  - **Mexico:** CreateIT center and sensory facilities; first in Latin America to have integrated space to conceive new products with customers
  - **U.S.:** new flavor lab is one of the most advanced in the world; designed to expedite development process
  - **South Africa:** renovated CreateIT and sensory to create a one of a kind facility in Africa
  - **China:** new R&D facility allows expanded product portfolio and greater presence in market



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## 2012 Highlights

- ❖ Launched >250 new branded products. Developed industrial products with healthy attributes, accounting for >30% of new product briefs globally



- ❖ Invested nearly \$200 million in brand marketing support, twice what was spent in 2005. Digital marketing reached 12% of total spending
  - Double-digit increase in on-line traffic in U.S.
  - Update to U.K. website increased traffic 73%
  - Established largest grilling community on the web
  - Partnerships with emerging technologies: Pinterest, Instagram, Blippar

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## 2012 Highlights

- ❖ Improved productivity through Comprehensive Continuous Improvement (CCI) program, delivering \$56 million in cost savings



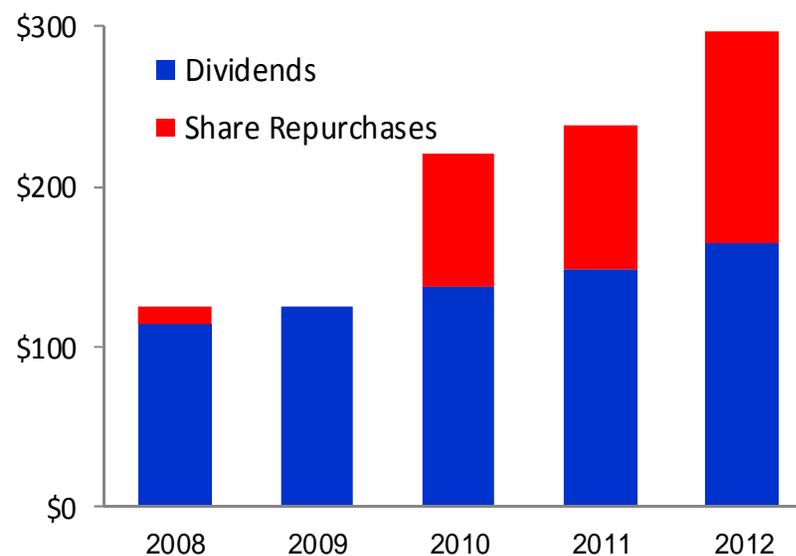
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## 2012 Highlights

- ❖ Generated record \$455 million cash from operations
- ❖ Raised the dividend for a 27<sup>th</sup> consecutive year with a 10% increase
- ❖ Employees throughout McCormick engaged and key ingredient to success

\$1 billion of cash returned to shareholders through dividends and share repurchases 2008 to 2012



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## Fourth quarter 2012

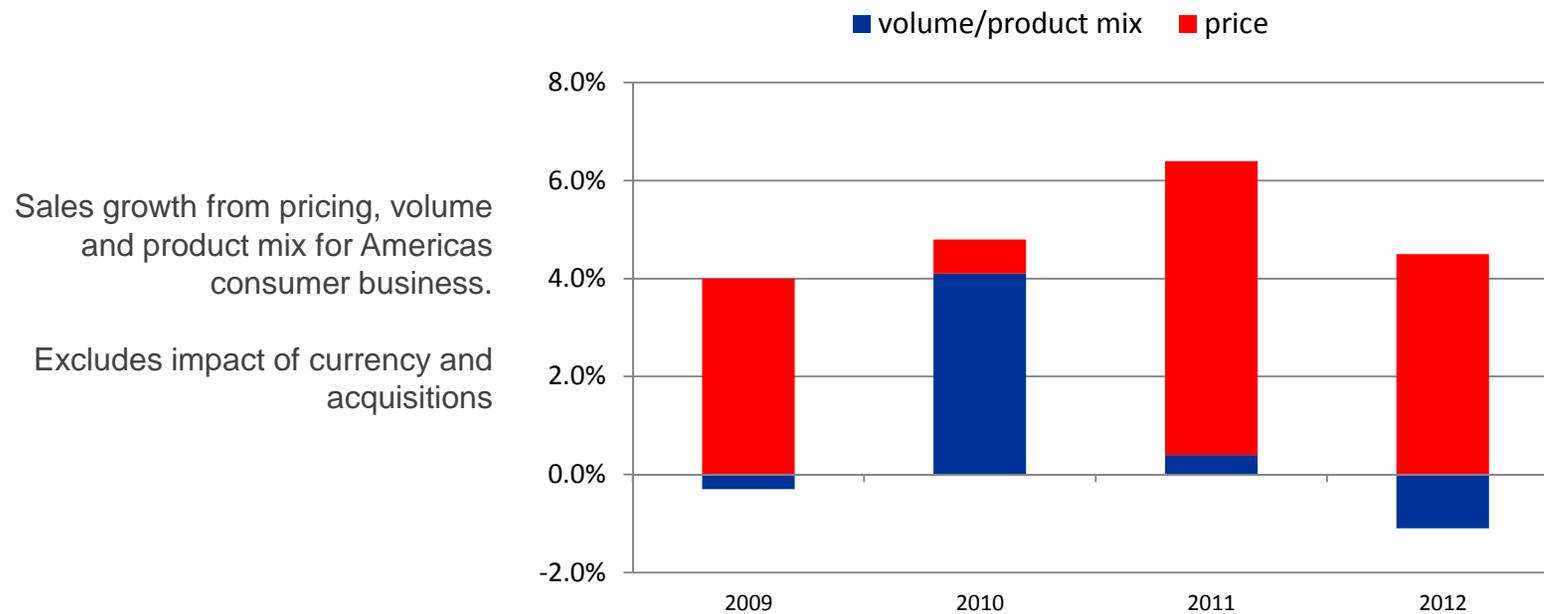
- ❖ Grew sales in local currency 10% in Europe, the Middle East, Africa (EMEA) with 7% increase in volume and product mix
- ❖ Strong performance in Asia/Pacific consumer business with double-digit increase in China
- ❖ Lower customer demand in Asia/Pacific industrial business
- ❖ Americas region affected by retailer purchase patterns and temporary supply chain disruptions
- ❖ Significant increase in income from unconsolidated operations led by joint venture in Mexico



Merchandising effectiveness recognized by leading retailer in U.K.

## Managed effectively through period of steep cost inflation

- ❖ For Americas consumer business, have maintained volume and product mix, while executing pricing actions 2009 to 2012

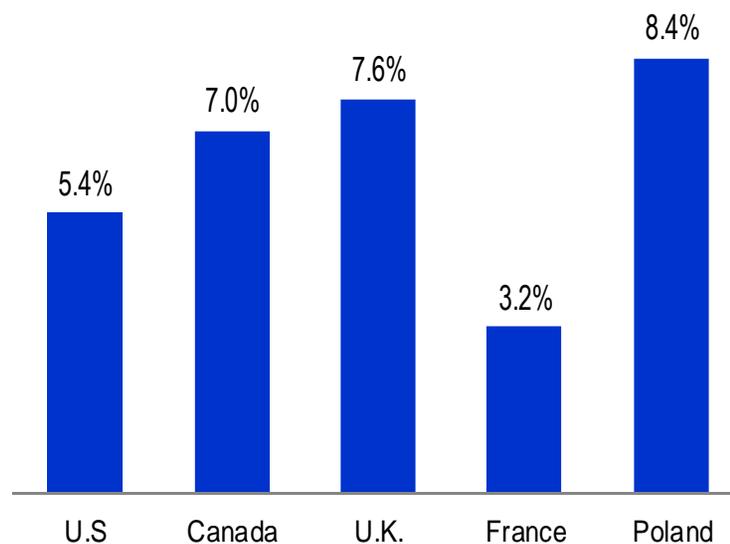


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## Consumer demand for flavor continues to grow

❖ Spices and seasoning category growth is 3% to 8% in top markets



*Source: 52 week dollar sales for spice and seasoning category; U.S. IRI period ended November 4, 2012; Canada Nielsen period ended October 20, 2012; U.K. Nielsen period ended October 17, 2012; France Nielsen period ended October 28, 2012*

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## Consumer demand for flavor continues to grow



- ❖ U.S. study shows strong interest in great taste
  - 65% say “**flavor makes all the difference**” in their meals
  - 57% say “**flavor / seasoning is a great way to add variety to everyday dishes**”
  - 53% say “**cooking with / using spices is quick and easy**”
  - 71% describe their “**cooking approach as experimental / flavorful cooking**”

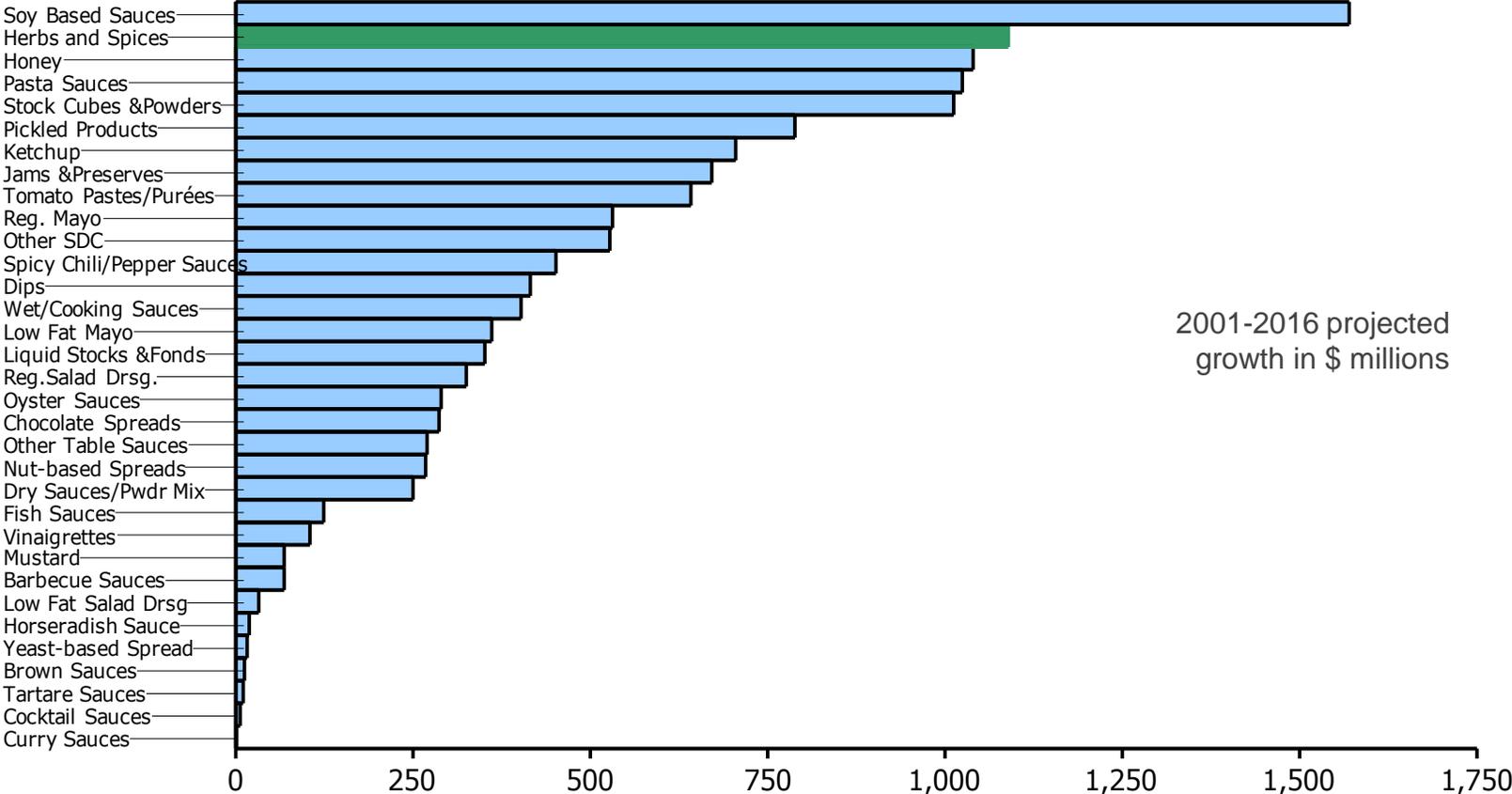
Source: The Alcott Group: McCormick Consumer Segmentation

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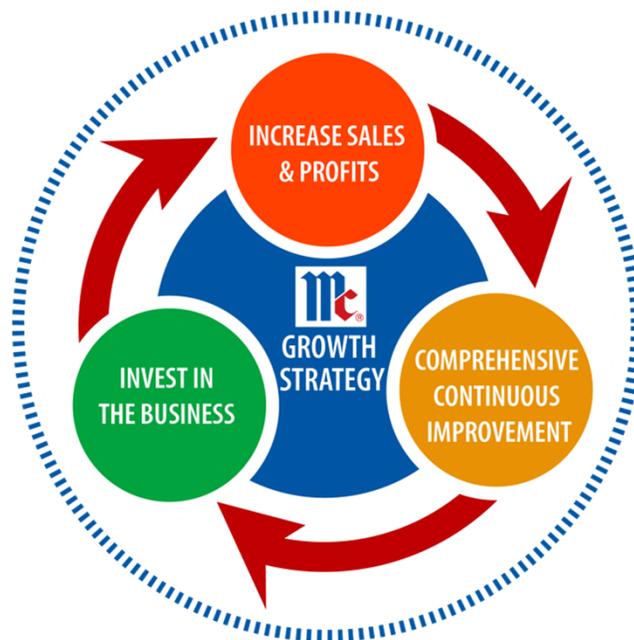
# Consumer demand for flavor continues to grow

❖ Globally, herbs and spices expected to be one of the fastest growing flavor categories through 2016 according to Euromonitor



## 2013 Outlook

- ❖ Expect latest flavor trends, growth initiatives and sustainable business strategy to drive strong underlying performance in 2013



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# 2013 Outlook

- ❖ Grow sales 3% to 5%
  - Excludes impact of Wuhan Asia-Pacific Condiments – on-track to close mid-2013
  - Great new product line-up for brands and solid pipeline of innovation for industrial business



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## Fourth quarter results, Financial guidance for 2013



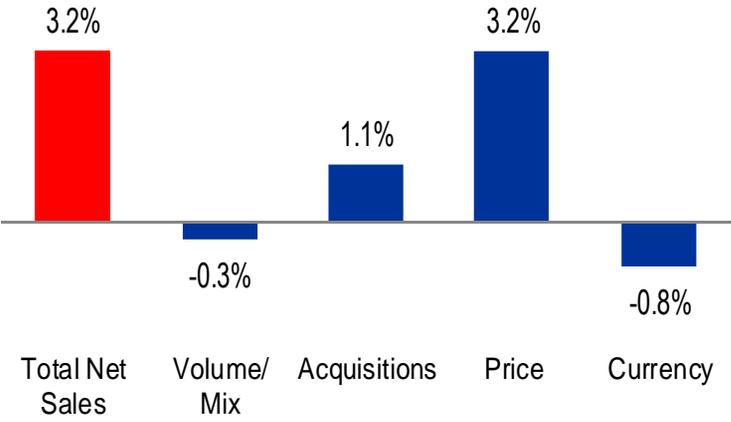
**Gordon Stetz**  
*Executive Vice President & CFO*

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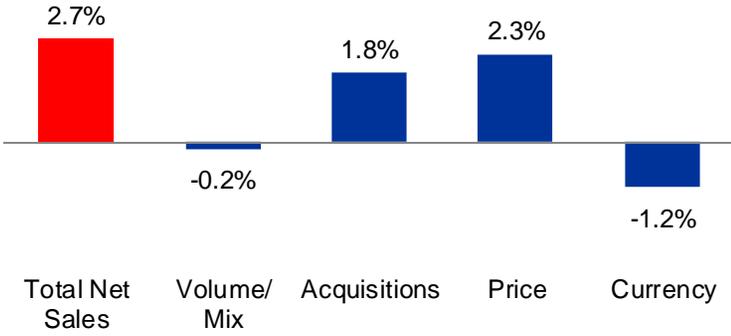


# Sales growth for both segments in 4Q 2012

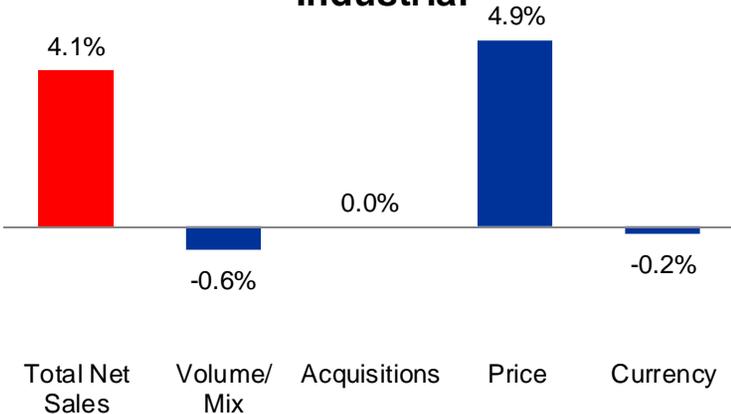
## Total Company



## Consumer



## Industrial

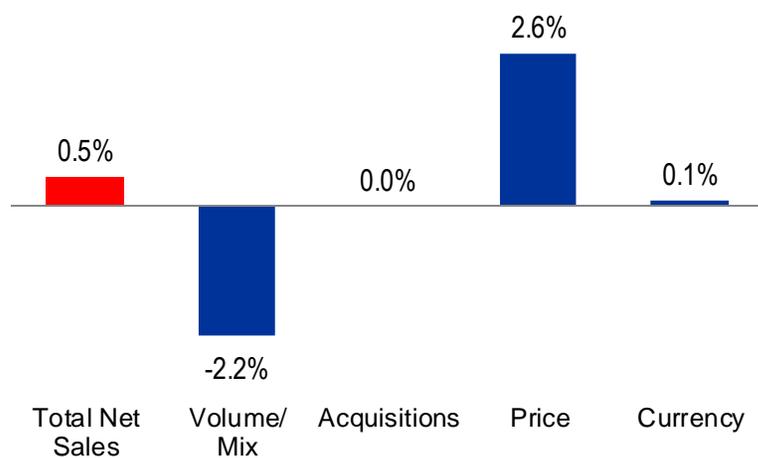


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## 4Q 2012 Sales growth: Consumer business

### Americas

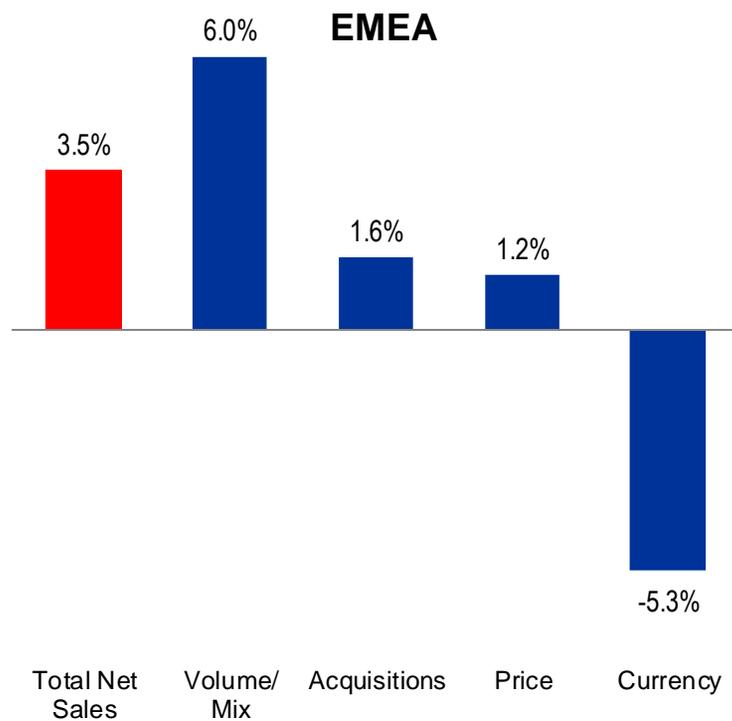


- ❖ Benefit of pricing largely offset by decline in volume and product mix
- ❖ Volume and product mix affected by retail customer purchase patterns and temporary supply chain disruptions

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## 4Q 2012 Sales growth: Consumer business

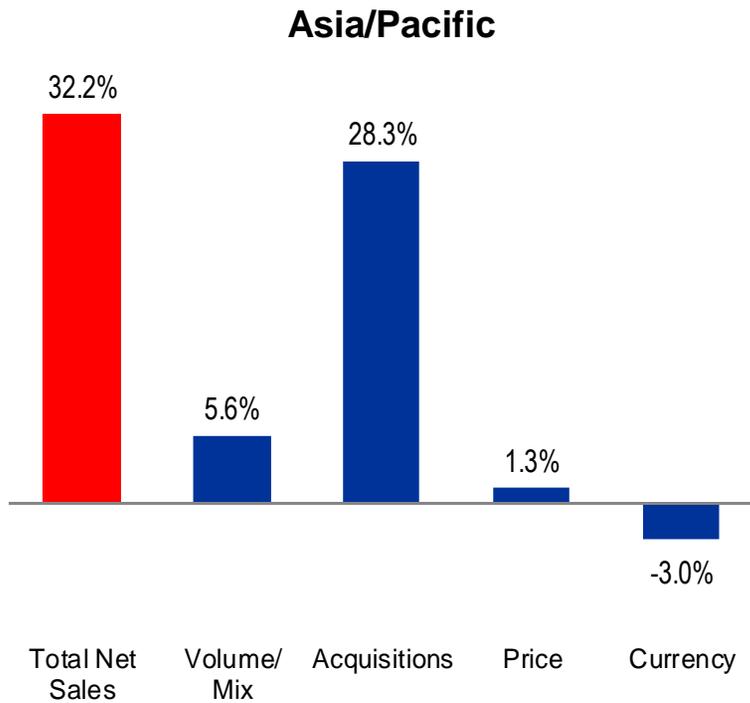


- ❖ Success with new products, brand marketing and retail distribution drove volume and product mix
- ❖ Implementation of masterbranding proceeding well
- ❖ Growth in emerging markets with Kamis and through export into Middle East and Africa

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# 4Q 2012 Sales growth: Consumer business



- ❖ Sales in China up double-digit rate
- ❖ Incremental impact from acquisition

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## 4Q 2012 Operating income: Consumer business

	4Q 2012		4Q 2011	Fav(Unfav) Change
Operating income	\$177.2	:	\$164.1	8.0%

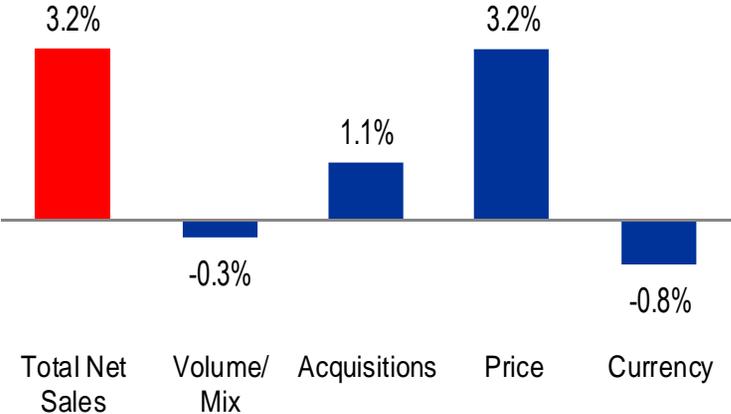
- ❖ Favorable impact from higher sales and CCI cost savings; also recorded \$7 million of transaction costs related to acquisitions in fourth quarter 2011
- ❖ Offset in part by unfavorable mix of business across regions – strength in international markets vs. Americas where margin is higher due to larger scale and less complexity

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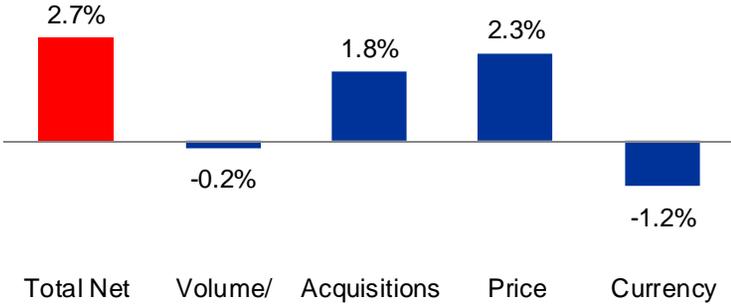


# Sales growth for both segments in 4Q 2012

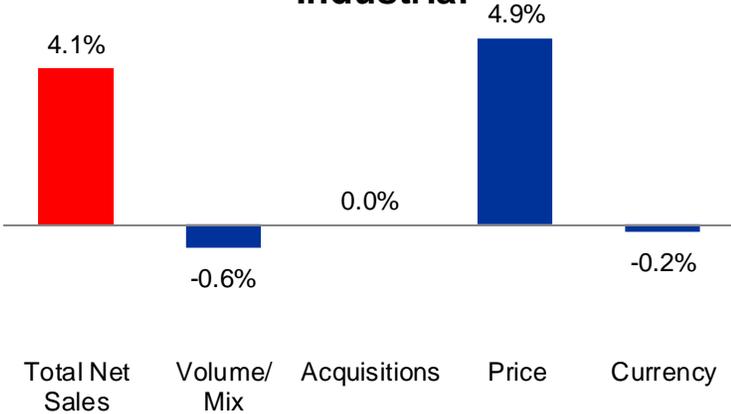
## Total Company



## Consumer



## Industrial

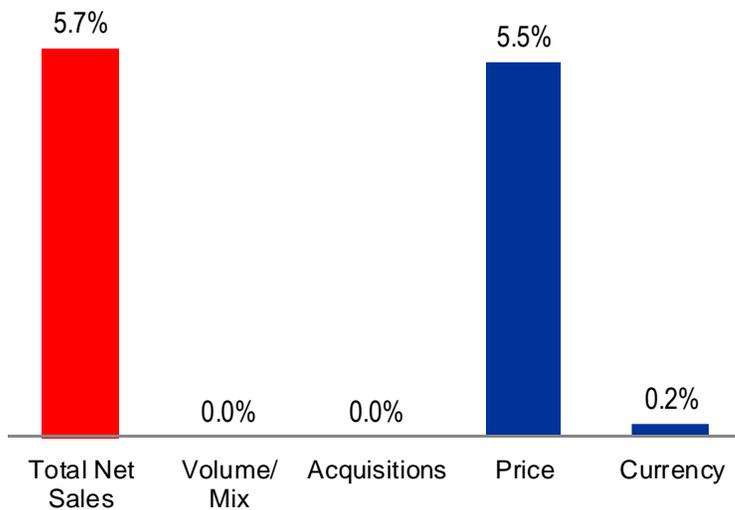


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## 4Q 2012 Sales growth: Industrial business

### Americas



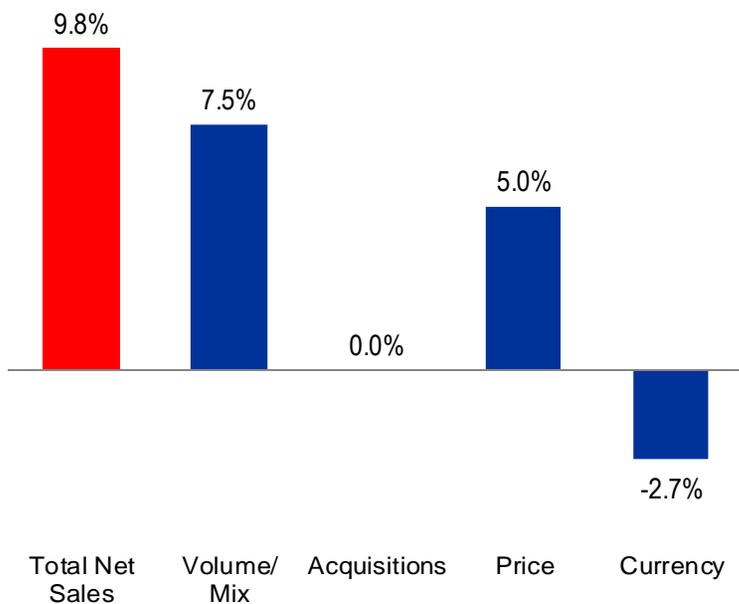
- ❖ Innovation and increased demand for customized seasoning blends and flavors for snacks and other products
- ❖ Increased sales of branded products to food service distributors
- ❖ Lower demand for products supplied to quick service restaurants this period

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## 4Q 2012 Sales growth: Industrial business

### EMEA



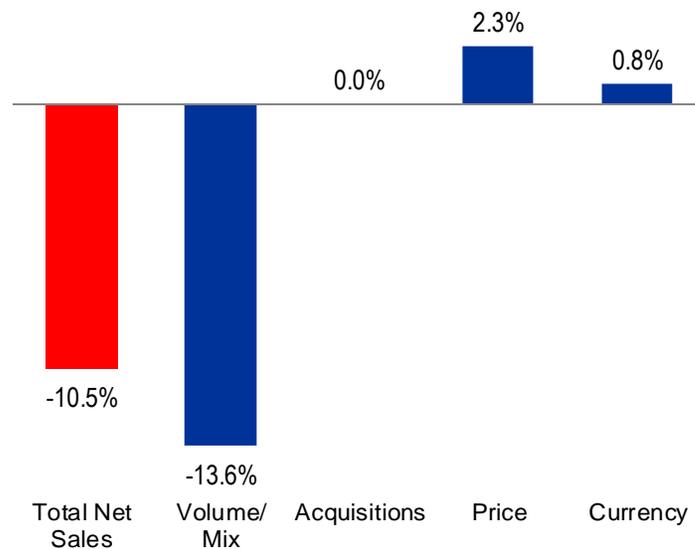
- ❖ Increased demand from quick service restaurants that continue to expand in parts of EMEA
- ❖ Gained share from competition for supply to quick service restaurants
- ❖ Introduced new branded food service items

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## 4Q 2012 Sales growth: Industrial business

### Asia/Pacific



- ❖ Comparison to a 22% sales increase in local currency in the fourth quarter 2011
- ❖ Less benefit in recent quarters from promotions and new product activity of quick service restaurants

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## 4Q 2012 Operating income: Industrial business

	4Q 2012		4Q 2011	Fav(Unfav) Change
Operating income	\$23.0	⋮	\$28.0	(17.9%)

- ❖ Favorable impact from higher sales, CCI-related costs savings offset higher material costs
- ❖ \$4 million charge related to supplier quality issue
- ❖ Less favorable business mix

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## Operating income, gross profit, SG&A

	4Q 2012	4Q 2011	Fav(Unfav) Change
Operating income	\$200.2	\$192.0	4.3%
Gross profit margin	42.1%	43.1%	(100 bps)
Selling, general & administrative expenses as percent of net sales	24.6%	25.8%	80 bps

- ❖ Benefit of higher sales and CCI program, as well as \$7 million acquisition-related transaction costs recorded in fourth quarter 2011
- ❖ Offset in part by unfavorable mix of sales and \$4 million charge
- ❖ Lower brand marketing support with \$2 million shift to coupons and price promotions in fourth quarter 2012

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## Income taxes

	4Q 2012	4Q 2011
Income taxes	\$46.1	\$51.1
Income tax rate	24.7%	28.7%

- ❖ Favorable tax rate in fourth quarter of 2012 due to mix of business and impact from cash repatriation in third quarter of 2012 that resulted in foreign tax credits in U.S.
- ❖ Favorable tax rate in fourth quarter of 2011 due to strength in international businesses

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# Income from unconsolidated operations

	4Q 2012		4Q 2011
Income from unconsolidated operations	\$7.5	:	\$4.5

- ❖ Significant increase in fourth quarter 2012 driven by 7% sales increase in joint ventures
- ❖ Improved results for McCormick de Mexico joint venture including less impact from currency

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# Earnings per share of \$1.11

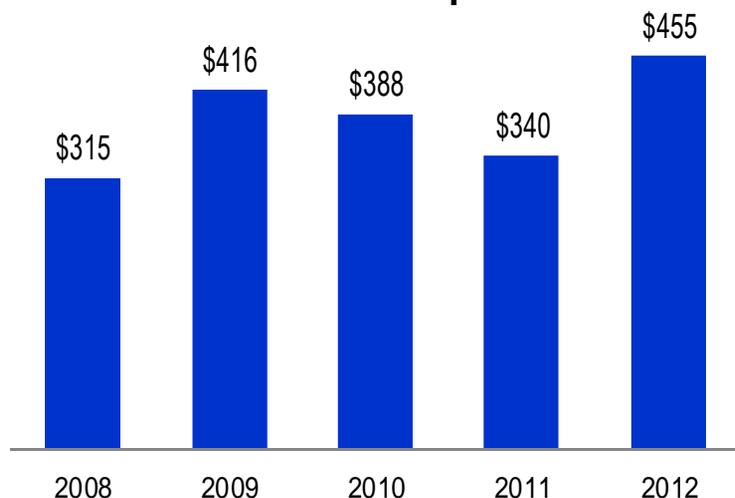
	4Q 2012		4Q 2011
Earnings per share	\$1.11	:	\$0.98
Increased operating income			0.05
Lower tax rate			0.06
Higher income from unconsolidated operations			0.02
			<hr/>
			\$1.11

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## Strong cash flow and balance sheet

### Cash Flow from Operations



- ❖ Cash flow from operations reached a record \$455 million, up from \$340 million in 2011
- ❖ Improvement led by flat inventory in 2012 compared to significant increase in 2011 from higher costs, strategic inventory purchases, acquisitions
- ❖ \$137 million remains on \$400 million share repurchase authorization
- ❖ Paid down \$85 million of debt in fourth quarter 2012

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## 2013 Outlook

### Sales growth in local currency

Components:

### Operating income

Gross profit margin

CCI cost savings

Material cost increases

Incremental brand marketing

Increase in retirement benefit expense

Income from unconsolidated operations

Tax rate

### Earnings per share

Capital expenditures

Shares outstanding

**3% - 5%**

2% - 4% volume/mix, 1% pricing

**6% - 8%**

~50 bps increase

At least \$45 million

~3% increase

In-line with sales growth

\$22 million

~10% increase

29.5%

**\$3.15 - \$3.23**

\$120-\$130 million

~1% reduction

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## 2013 Outlook

	2013 Estimate	2012
Earnings per share	\$3.15-\$3.23	\$3.04
Growth rate	4% to 6%	

Estimated impact of items affecting 2013 EPS growth rate:

Tax rate increase \$0.12

Retirement benefit expense increase 0.11

0.11  
\$0.23

**Impact on growth rate**

**8 percentage points**

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