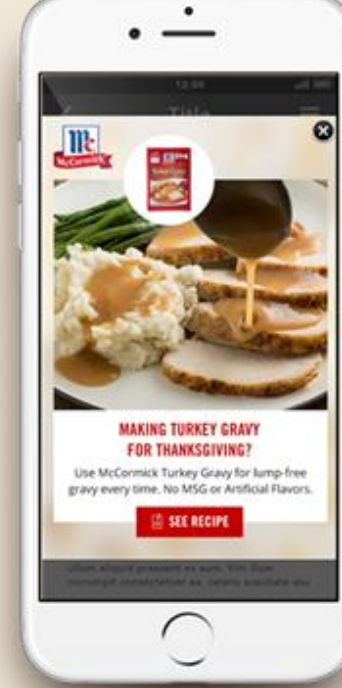




**McCormick &  
Company, Inc.**

**Barclays Global  
Consumer Staples  
Conference**

**September 6, 2018**



The *joy* of  
**FLAVOR**



# FORWARD-LOOKING INFORMATION

Certain information contained in this release, including statements concerning expected performance such as those relating to net sales, gross margins, earnings, cost savings, acquisitions, brand marketing support, transaction and integration expenses, special charges, income tax expense and the impact of foreign currency rates 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,” “intend,” “believe” and “plan.” These statements may relate to: the expected results of operations of businesses acquired by the company, including the acquisition of RB Foods; the expected impact of costs and pricing actions on the company's results of operations and gross margins; the expected impact of productivity improvements, including those associated with our CCI program and global enablement initiative; the expected working capital improvements; expectations regarding growth potential in various geographies and markets, including the impact from customer, channel, category, and e-commerce expansion; expected trends in net sales and earnings performance and other financial measures; the expected impact of the U.S. Tax Act; the expectations of pension and postretirement plan contributions and anticipated charges associated with such plans; the holding period and market risks associated with financial instruments; the impact of foreign exchange fluctuations; the adequacy of internally generated funds and existing sources of liquidity, such as the availability of bank financing; the anticipated sufficiency of future cash flows to enable the payments of interest and repayment of short- and long-term debt as well as quarterly dividends and the ability to issue additional debt or equity securities; and expectations regarding purchasing shares of McCormick's common stock under the existing repurchase authorization.

These and other forward-looking statements are based on management's current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by factors such as: damage to the company's reputation or brand name; loss of brand relevance; increased private label use; product quality, labeling, or safety concerns; negative publicity about our products; business interruptions due to natural disasters or unexpected events; actions by, and the financial condition of, competitors and customers; the company's inability to achieve expected and/or needed cost savings or margin improvements; negative employee relations; the lack of successful acquisition and integration of new businesses, including the acquisition of RB Foods; issues affecting the company's supply chain and raw materials, including fluctuations in the cost and availability of raw and packaging materials and freight; government regulation, and changes in legal and regulatory requirements and enforcement practices; global economic and financial conditions generally, including the availability of financing, and interest and inflation rates; the effects of increased level of debt service following the RB Foods acquisition as well as the effects that such increased debt service may have on the company's ability to react to certain economic and industry conditions and ability to borrow or the cost of any such additional borrowing; the interpretations and assumptions we have made, and guidance that may be issued, regarding the U.S. Tax Act enacted in December 2017; assumptions we have made regarding the investment return on retirement plan assets, and the costs associated with pension obligations; foreign currency fluctuations; the stability of credit and capital markets; risks associated with the company's information technology systems, including the threat of data breaches and cyber attacks; fundamental changes in tax laws; volatility in our effective tax rate; climate change; infringement of intellectual property rights, and those of customers; litigation, legal and administrative proceedings; and other risks described in the company's filings with the Securities and Exchange Commission.

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

# NON-GAAP FINANCIAL MEASURES

Certain disclosures in this presentation and our remarks represent non-GAAP financial measures which are prepared as a complement to our financial measures prepared in accordance with United States generally accepted accounting principles ("GAAP").

We believe that these non-GAAP financial measures are important. The presentation of information on a constant currency basis, the exclusion of special charges, transaction and integration expenses, and other debt costs provide additional information that enables enhanced comparisons to prior periods and, accordingly, facilitates the development of future projections and earnings growth prospects or is a meaningful metric to investors in evaluating our financial leverage. This information is also used by management to measure the profitability of our ongoing operations and analyze our business performance and trends.

These non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. In addition, these non-GAAP financial measures may not be comparable to similarly titled measures of other companies because other companies may not calculate them in the same manner that we do. We intend to continue to provide these non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting. A reconciliation of these non-GAAP financial measures to the related GAAP financial measures is provided in the Appendix to this presentation.



McCORMICK & COMPANY  
OUR FOCUS IS GROWTH

---

1. We're a different kind of CPG company
2. We're delivering against our objectives
3. We're building the McCormick of the future





WE'RE A DIFFERENT KIND OF CPG COMPANY

# McCORMICK IS GLOBAL FLAVOR

---

62% Consumer / 38% Flavor Solutions

Leading and iconic flavor brands in  
150 countries and territories

70% Americas / 18% EMEA /  
12% APZ

Large and fast growing  
emerging markets penetration

7 acquisitions last 3 years

~7% of net income from joint ventures

Operations and joint ventures in  
27 countries

16,300 products

14,000 high quality raw materials &  
ingredients sourced from >80  
countries

Leader in clean flavor



WE'RE A DIFFERENT KIND OF CPG COMPANY

# McCORMICK CONSUMER & FLAVOR SOLUTIONS

## CONSUMER

Leading and iconic flavor brands in 150 countries and territories

Products at every price point, from Branded to Private Label

10% of cost and 90% of flavor

Flavoring Fresh, Inspiring Healthy Choices

Category leadership

Digital leadership



## FLAVOR SOLUTIONS

Leader in Clean label, Organic, Natural extracts and better-for-you solutions

Culinary, real food, leadership

Innovation with deep in-market consumer & trend insight

Technically advanced

Customer intimacy leadership

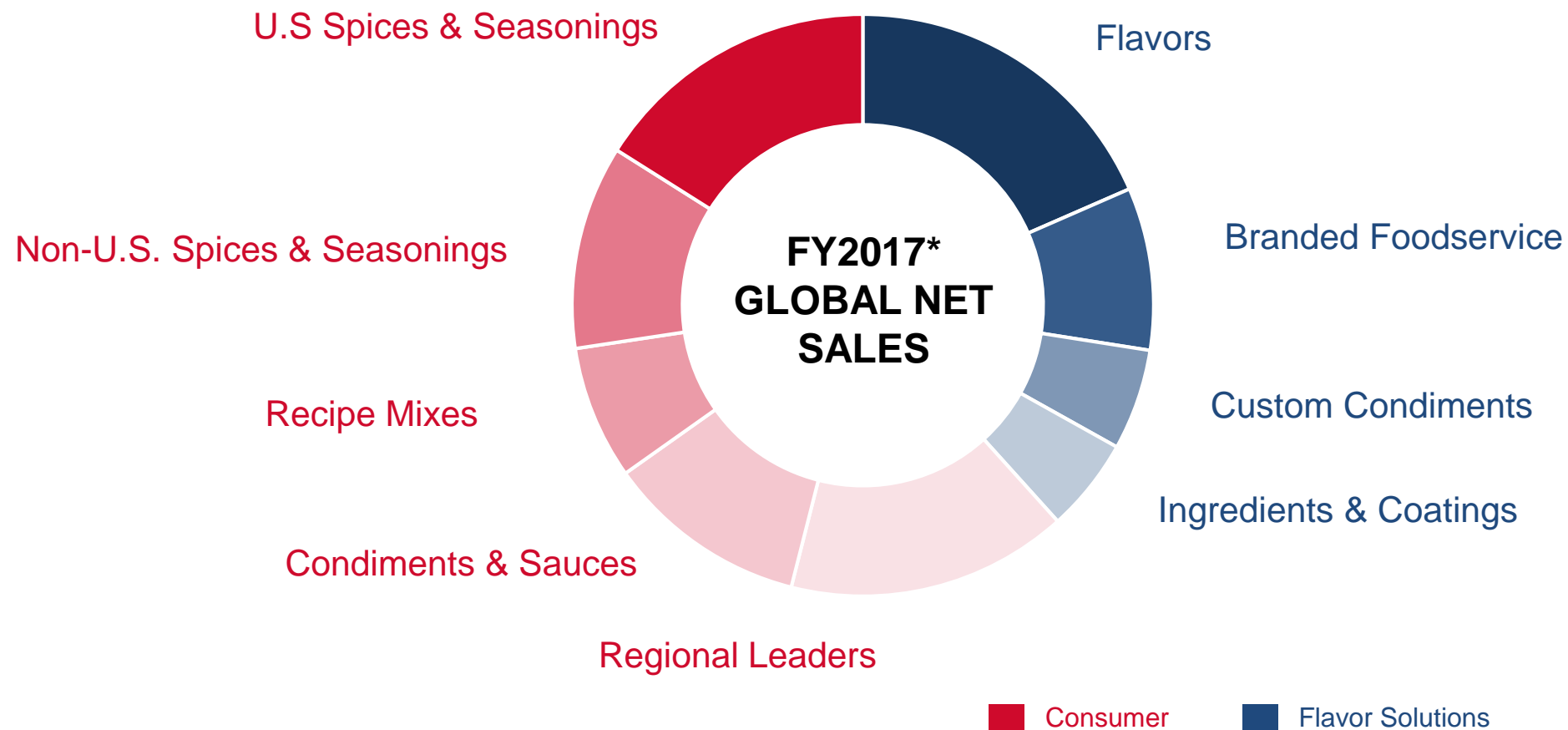
Partner with TOP 10 packaged food & beverage companies and 9 of top 10 foodservice restaurant chains

Materials & application science, quality & regulatory leadership



WE'RE A DIFFERENT KIND OF CPG COMPANY

## BROAD AND ADVANTAGED GLOBAL FLAVOR PORTFOLIO



\* Pro Forma FY2017 reflecting a full year of the RB Foods' acquisition and approximation of category sizes

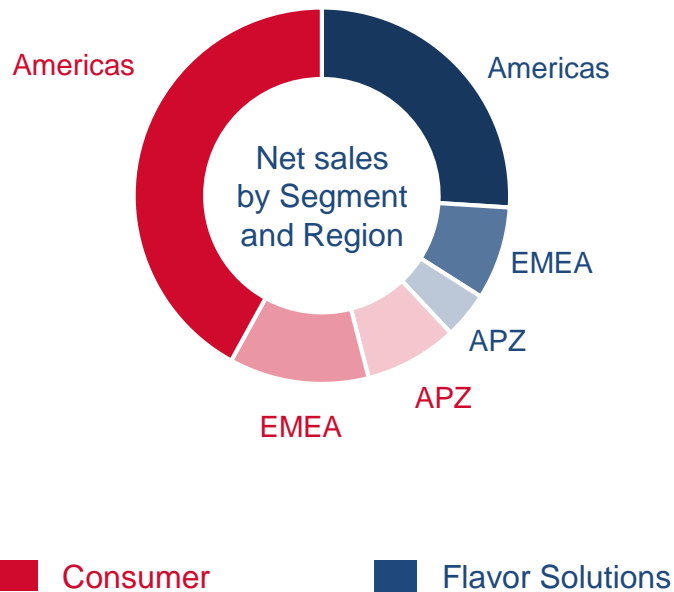




WE'RE A DIFFERENT KIND OF CPG COMPANY

NO MATTER *WHERE* YOU EAT OR DRINK, YOU'RE LIKELY ENJOYING  
SOMETHING FLAVORED BY McCORMICK...

## ACROSS THE GLOBE



## STRONG PRESENCE IN DEVELOPING MARKETS

19% of global sales\*



\* Based on 2017 Pro Forma including a full year of RB Foods and includes MKC share of joint ventures

## ACROSS EVERY CHANNEL

### Consumer Segment

Traditional Grocery  
Supercenter and club  
Hard Discounters  
Specialty and Ethnic  
E-commerce  
Convenience

### Flavor Solutions Segment

Manufacturers  
Quick Service Restaurants  
Casual Dining Restaurants  
Retail Foodservice  
Broadline & Regional  
Distributors  
Cash & Carry  
E-commerce

WE'RE A DIFFERENT KIND OF CPG COMPANY

NO MATTER *WHAT OR WHEN* YOU EAT OR DRINK, YOU'RE LIKELY ENJOYING  
SOMETHING FLAVORED BY McCORMICK...

## BROAD RANGE OF CONSUMER FORMATS



## 24/7 IN- AND AWAY-FROM-HOME



Breakfast  
Lunch  
Dinner  
Snacks  
Beverage



## BROAD RANGE OF CUSTOMER APPLICATIONS



Beverage



Bakery & Confectionary



Savory snacks



Cereal & bars



Dairy



Meats & sauces

## FLAVOR SOLUTIONS FOR EVERY TREND

Every cuisine, clean, natural, non-GMO, organic and  
Better-for-You



mc  
Flavor  
Forecast 2018



WE'RE A DIFFERENT KIND OF CPG COMPANY

# FLAVOR IS AN ADVANTAGED GLOBAL CATEGORY

## GLOBAL DEMAND FOR FLAVOR IS BIG AND GROWING

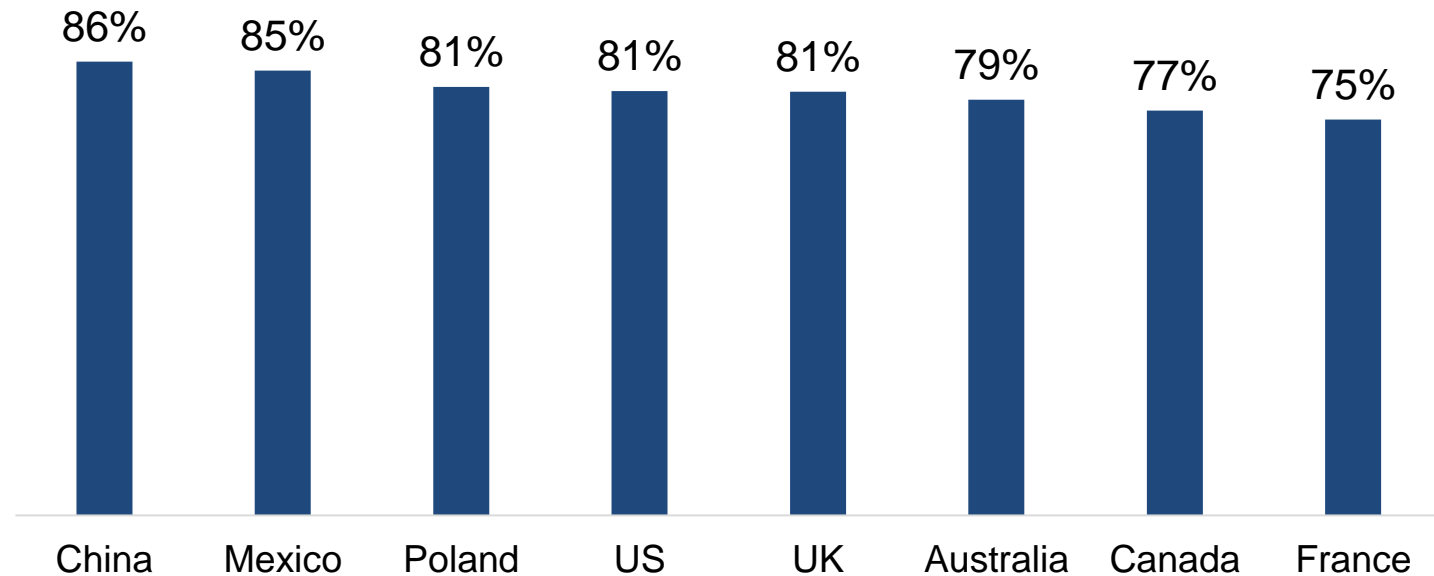


Global flavor market

↑ 5% 5-year CAGR<sup>1</sup>

80%

of consumers globally LOVE trying new spices, seasonings and flavors<sup>2</sup>



1) Euromonitor: In our flavor categories in 2017

2) Global H&W McCormick primary research (SRG) – global average across US, Canada, UK, France, Poland, Australia, China, Mexico. Question: % of people choosing "I love trying new spices, seasonings, and flavors".



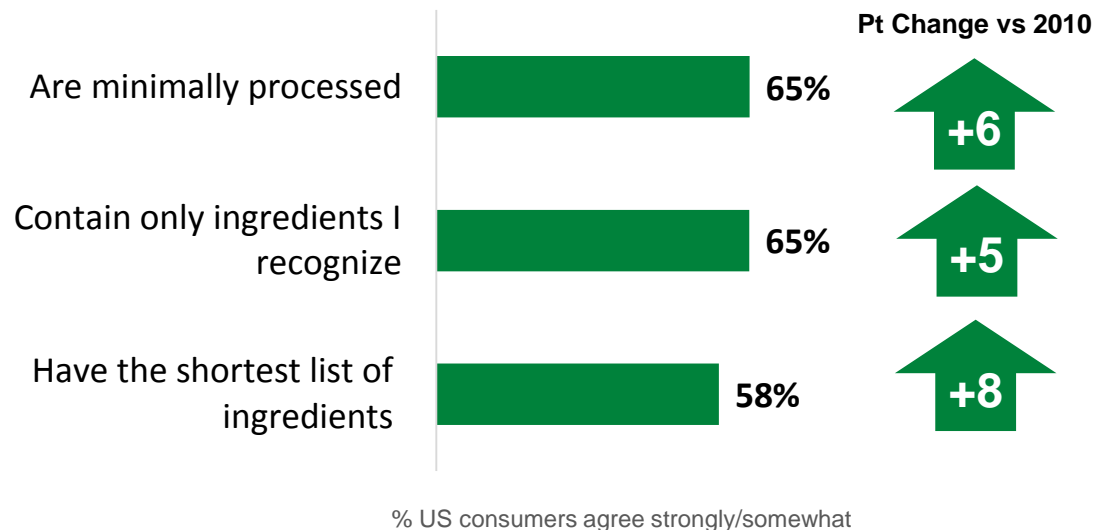


WE'RE A DIFFERENT KIND OF CPG COMPANY

## FRESH FOOD AND CLEAN LABEL GROWTH IS A TAILWIND

Fresh Perimeter growing **2X** as fast as total US Food & Beverage

Consumers look for Foods & Beverages that...



**THE McCORMICK ADVANTAGE:**  
**WE FLAVOR FRESH AND WE FLAVOR CLEAN**



*Customers* look to us to provide **flavor solutions to deliver clean label,**

*Consumers* look to us to **flavor fresh food and cooking at home**

WE'RE DELIVERING AGAINST OUR OBJECTIVES  
SUCCESSFULLY EXECUTING ON STRATEGY

STRENGTHENING OUR FLAVOR LEADERSHIP

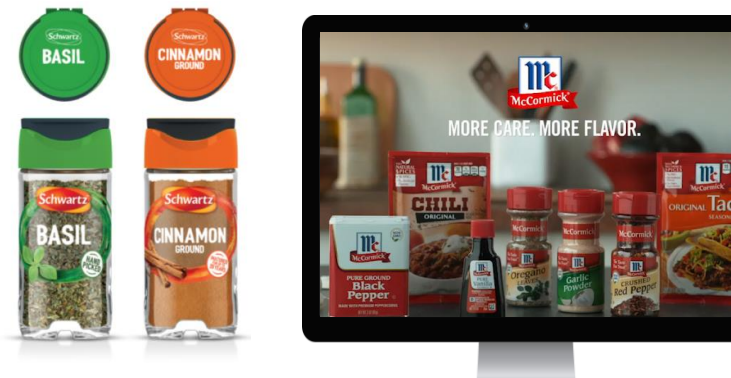
....through acquisitions



...through growth in priority  
flavor categories



....through brand investments



...through customer intimacy



DELIVERING ON OUR  
LONG TERM OBJECTIVES

3-Year CAGR\*

Net sales **+7%**

Adjusted Operating  
Income **+11%**

Adjusted EPS **+11%**

\* In Constant Currency, 3-Year CAGR FY14-FY17,

WE'RE BUILDING THE McCORMICK OF THE FUTURE

SCALABLE, AGILE, RELEVANT & FOCUSED

---

Globally-enabled



Technology-equipped



Insight-driven



Forward-focused



Science-empowered



Sustainably-driven









**Frank's RedHot  
& French's**



**I put that**  **on everything®**

The joy of  
**FLAVOR**

---



WE'RE BUILDING THE McCORMICK OF THE FUTURE

# STRENGTHENING FRANK'S AND FRENCH'S DISTRIBUTION

## FRANK'S FIX THE MIX



*Having the right assortment of flavors AND sizes on shelf*

Original RedHot U.S. TDP **+7%**

Buffalo U.S. TDP **+12%**

## FRANK'S REGIONAL GROWTH



*Gaining Total Distribution Points (TDP)*

West TDP **+8%**

Mid-South TDP **+7%**

## FRENCH'S MUSTARD



*Expanding Share of Shelf*

**Stabilizing** mustard overall points of distribution

WE'RE BUILDING THE McCORMICK OF THE FUTURE

# LEVERAGING RETAIL PROMOTIONAL SCALE AND LAUNCHING INNOVATION

## LEVERAGING PROMOTIONAL SCALE



**Frank's and French's** U.S. grilling off to a strong start



Promotional Canadian grilling kits

**Sold out in less than a week**

## LAUNCHING INNOVATION

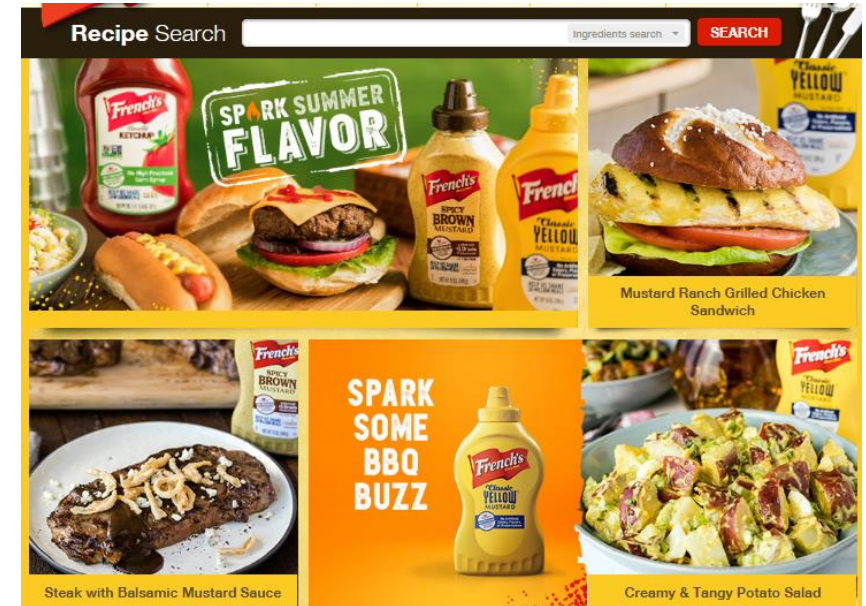
*June 2018 Launch*





# WE'RE BUILDING THE McCORMICK OF THE FUTURE

## INCREASING BRAND MARKETING





WE'RE BUILDING THE McCORMICK OF THE FUTURE

# PENETRATING ACROSS RESTAURANTS

## MENU PARTICIPATION

## FRONT OF HOUSE

Over **19,000** new restaurant locations



FRANK'S RedHOT



FRANK'S RedHOT



LaGrille BBQ, French's Crispy Onion



Cattleman's Kansas City Classic BBQ



Tabletop offerings



Mustard dispensers

WE'RE BUILDING THE McCORMICK OF THE FUTURE

## INCREASING PROMOTIONAL ACTIVITY AND LEVERAGING PRODUCT SUPERIORITY



**Doubled Operator participation** in Spring 2018

**First Fall offering** 2018



### **Superior performance**

- ✓ Natural appearance
- ✓ Thicker consistency
- ✓ Better overall application



# WE'RE BUILDING THE McCORMICK OF THE FUTURE

## INTEGRATING FRANK'S REDHOT AND FRENCH'S INTO THE McCORMICK GLOBAL NETWORK

### LEVERAGING THE McCORMICK INFRASTRUCTURE

Country/Region	Previous Resources	McCormick Resources		
	Headcount / Coverage	Sales	Marketing	Operations
United Kingdom	5	✓	✓	✓
France	Distributor	✓	✓	✓
Poland	Distributor	✓	✓	✓
Mexico	1 / Distributor	✓	✓	✓
Latin America	-	✓	✓	✓
China	-	✓	✓	✓
Southeast Asia	1 / Distributor	✓	✓	✓

### INCREASING GLOBAL PRESENCE







WE'RE A DIFFERENT KIND OF CPG COMPANY

# YOUNGER GENERATIONS FUELING FLAVOR DEMAND

## MILLENNIALS FUELING DEMAND



**24% of U.S. population**

**78%** say they **love to cook**

**83%** reporting fewer restaurant visits  
and more **cooking more at home**

McCormick holds **leading share** of  
Millennial spice and herb purchases

**74%** view McCormick brand as  
authentic; a brand that 'gets me'

## GEN Z\* EVEN MORE FOCUSED



**26% of U.S. population**

**Index higher** than all adults in  
**feeling spices & seasonings make a dish unique**

Looking for... **“Natural”, “Organic”, and  
“Sustainable”** Delicious, fresh, fast, made from  
scratch, global cuisine

**84%** of GenZ foodies say more likely to buy brand that exposes to  
**new sensations or experiences**

**Fastest growing** cohort in growth  
of fresh foods\*\*



WE'RE DELIVERING AGAINST OUR OBJECTIVES

# SUCCESSFULLY EXECUTING ON OUR STRATEGY

## STRENGTHENING OUR FLAVOR LEADERSHIP

### Driving our base business



### Accelerating innovation



### Expanding our availability and footprint



## DELIVERING ON OUR OBJECTIVES

### Net Sales\*

3-Year CAGR\*\*

**+7%**

1<sup>st</sup> Half 2018

**+15%**

\*In constant currency  
\*\* 3-Year CAGR FY14-FY17

# WE'RE DELIVERING AGAINST OUR OBJECTIVES

## McCORMICK BRANDS ARE GROWING

### BRAND INVESTMENTS



Increased **brand marketing** +7% 3-year CAGR

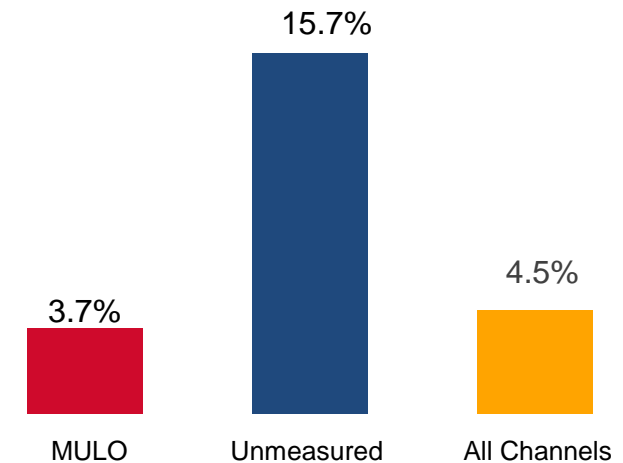


**Category management** capabilities

**Robust innovation pipeline**

### MKC U.S. SPICE & SEASONINGS BRAND GROWTH

#### 3-Year CAGR Dollars % Change



**3-year CAGR of 4.5% in U.S. Spice & Seasoning across all channels**

Source: IRI, Total US Multi Outlet FY17 vs. FY14



# WE'RE BUILDING THE McCORMICK OF THE FUTURE

## DRIVING GROWTH THROUGH INNOVATION

### ORGANIC



U.S. Expansion

France Expansion



Australia Introduction



U.K. Introduction

### PRODUCT AND PACKAGING SUPERIORITY



EMEA Schwartz Brand Renovation

### NEW FLAVORS AND VARIETIES



U.S. Flavor Forecast Seasonings



Canada Recipe Mix Power Bowls



China World Flavor Sauces



U.K. Street Food



# WE'RE BUILDING THE McCORMICK OF THE FUTURE DRIVING GROWTH THROUGH INNOVATION

## TRIAL AND VALUE



Canada Flavor Forecast Seasonings



China Herb Blends



Australia Value Packs



Poland Family Sizes

## CONVENIENCE



U.K. Tray Bakes



Australia Tray Bakes



India Ready-to-Cook Basmati Kits



China Rice Cooker One Pot Seasoning



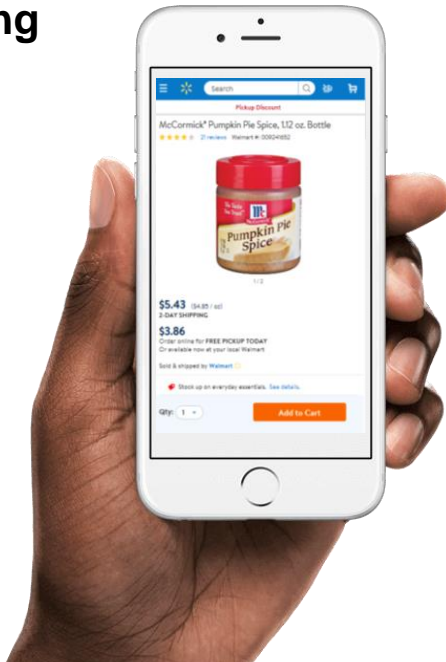
# WE'RE BUILDING THE McCORMICK OF THE FUTURE

## DRIVING GROWTH GLOBALLY THROUGH E-COMMERCE

### CONTINUING TO DRIVE STRONG E-COMMERCE GROWTH

Pure Play  
customers growing  
**+67%**

Brick & Mortar digital  
shopping growing  
**+23%**



### INVESTING TO DRIVE GROWTH

#### Increased digital product content by 3x

- Dedicated content teams
- Globally connected digital library

#### Increased dedicated headcount by 2X

- Dedicated Sales teams
- Dedicated Innovation team

#### Increased focus in 2018

- Increased promotional support
- E-commerce friendly products and design

#### China Direct to Consumer







**Flavor Solutions**



The *joy* of  
**FLAVOR**



WE'RE A DIFFERENT KIND OF CPG COMPANY

## McCORMICK FLAVOR SOLUTIONS

---

**CUSTOM FLAVOR SOLUTIONS  
FOR "LOW" & "NO"**

**CULINARY IS OUR CRAFT**

**BETTER-FOR-YOU FLAVOR THAT  
TASTES ... BETTER.**

**CUSTOMER EXPERIENCE**



CULINARY-INSPIRED. CONSUMER-PREFERRED.

**REAL TASTE BEGINS WITH REAL FOOD**

**REAL FOOD. REAL BEVERAGE. REAL INNOVATION.**

**Authentic**

**FUSION OF ART AND SCIENCE**

**MCCORMICK CLEAN MEANS ...  
CLEAN.**

**UNIQUE**

**ON-TREND, CULINARY CAPABILITY**



WE'RE DELIVERING AGAINST OUR OBJECTIVES

# SUCCESSFULLY EXECUTING ON OUR STRATEGY

## STRENGTHENING OUR FLAVOR LEADERSHIP

Grow and migrate our portfolio to value-added products



Accelerate Customer Intimacy



Drive growth from priority categories



Invest in innovation and technology



## DELIVERING ON OUR OBJECTIVES

Net Sales\*

3-Year CAGR\*\*  
**+8%**

1<sup>st</sup> Half 2018  
**+15%**

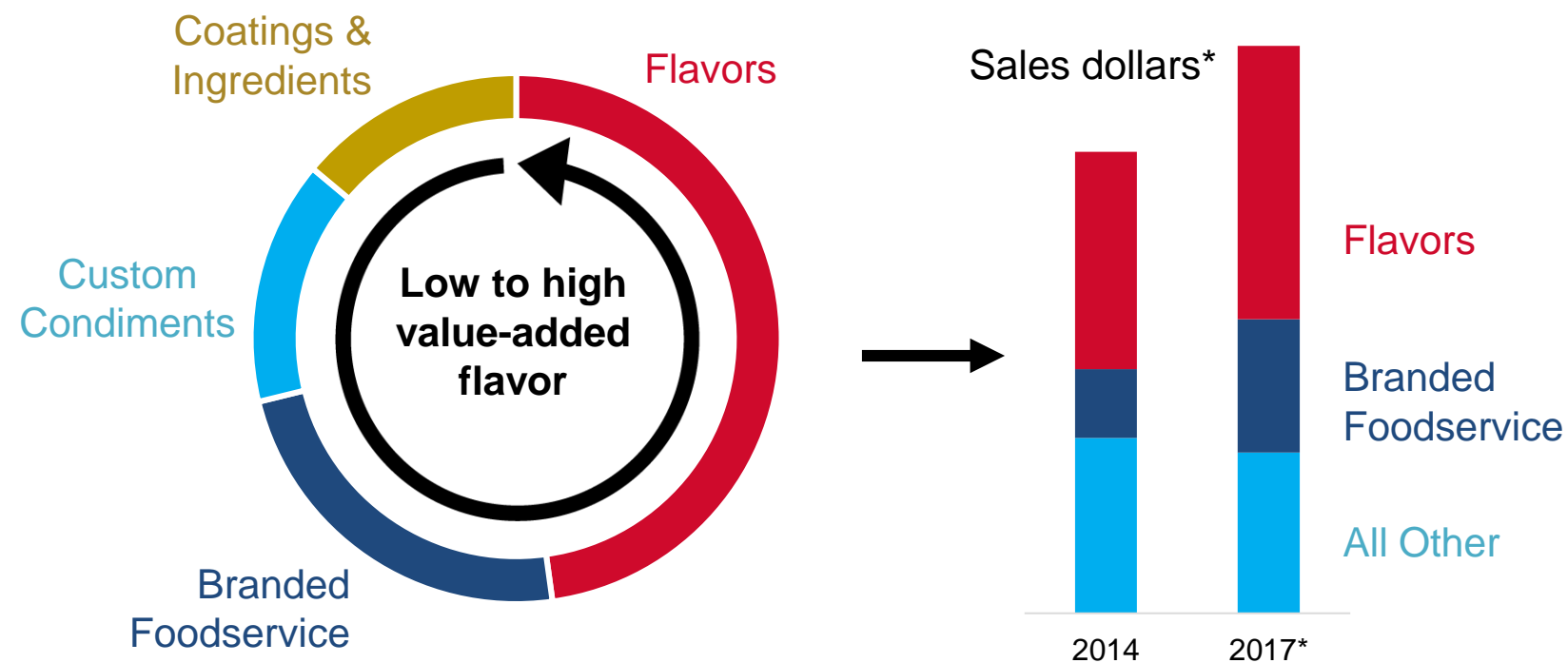
\*In constant currency  
\*\* 3-Year CAGR FY14-FY17

WE'RE DELIVERING AGAINST OUR OBJECTIVES

## PORTFOLIO SHIFT DRIVING MARGIN EXPANSION

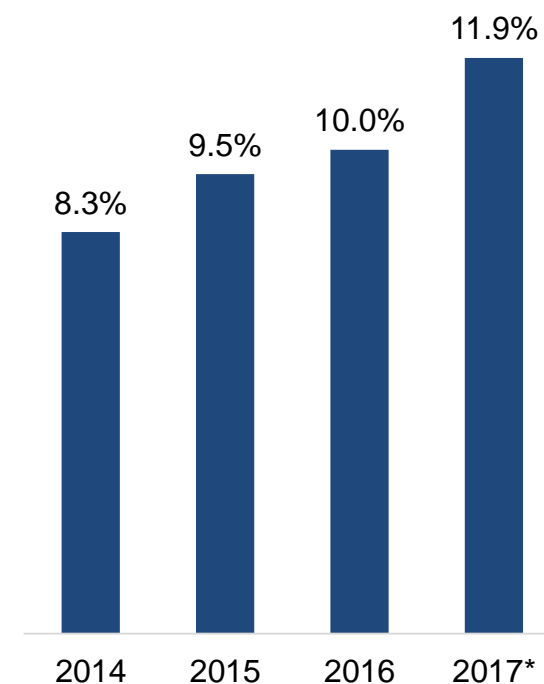
### GLOBAL SHIFT TO MORE VALUE-ADDED PRODUCTS

Shifted the Portfolio from **62% to 72%** Value-Add



### MARGIN EXPANSION

Expanding adjusted operating margin\*\*



\*\*As reported



# WE'RE DELIVERING AGAINST OUR OBJECTIVES INVESTMENTS TO DRIVE GROWTH



US



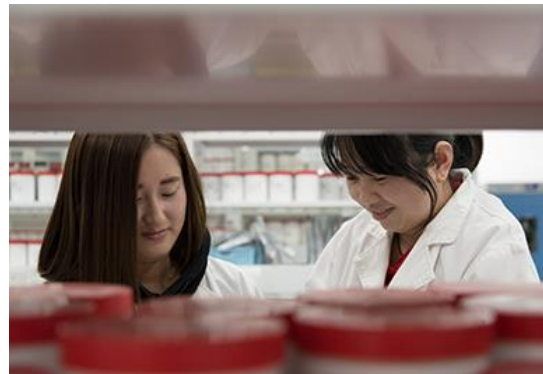
SINGAPORE



ITALY



UK



CHINA



THAILAND



BRAZIL

# WE'RE BUILDING THE McCORMICK OF THE FUTURE

## EXPANDING OUR BREADTH

### TECHNOLOGY



- Natural extracts, Organics & juice concentrates
- USDA Organic savory flavors & technologies

### TALENT



- Expanding science and commercial talent
- Enhancing capabilities with talent

### CATEGORIES



- Beverage, sweet, savory and dairy
- Soups, condiments, proteins and snacks

**Mc Flavor**solutions

**GIOTTI**  
Your Natural Flavor House



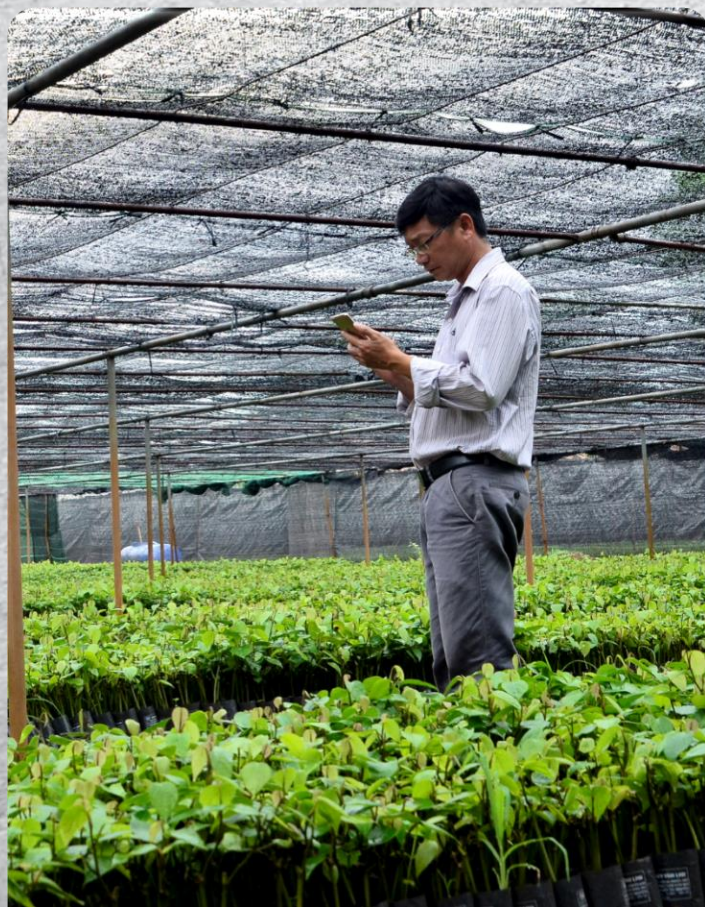
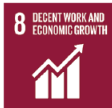
**BRAND**  
AROMATICS

### CUSTOMERS



- Wider product range for existing customers
- New customer relationships





**Purpose-Led  
Performance**



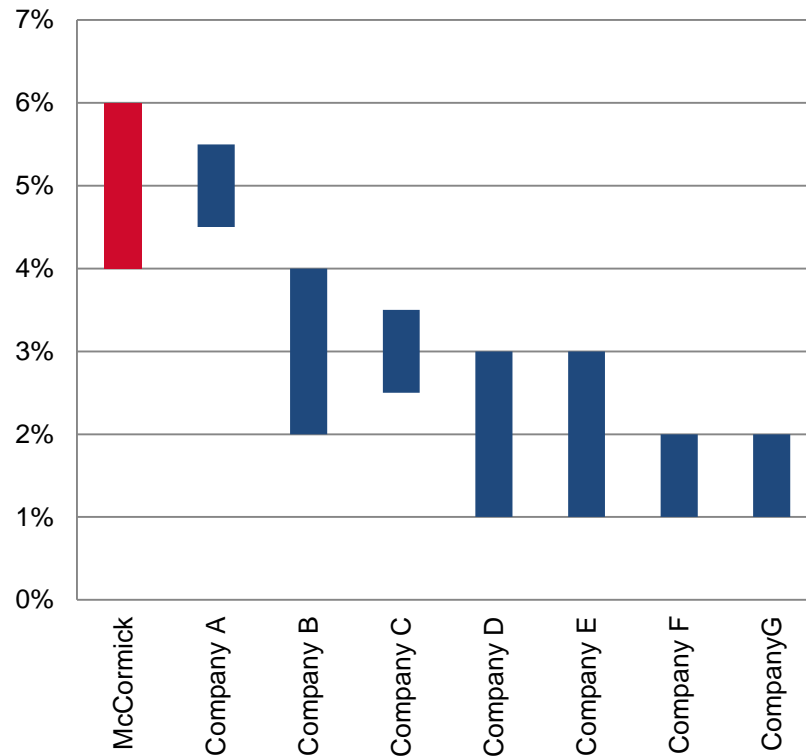
The *joy* of  
**FLAVOR**



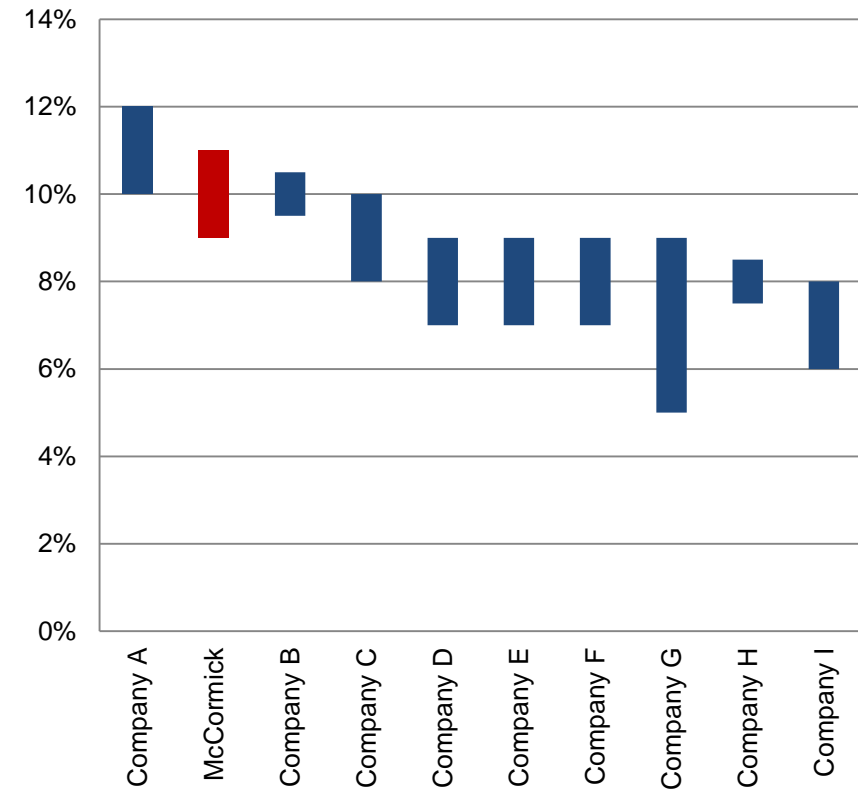
WE'RE A DIFFERENT KIND OF CPG COMPANY

# DIFFERENTIATED BY TOP-TIER GROWTH OBJECTIVES

## LONG-TERM SALES GROWTH TARGET



## LONG-TERM ADJUSTED EPS GROWTH TARGET



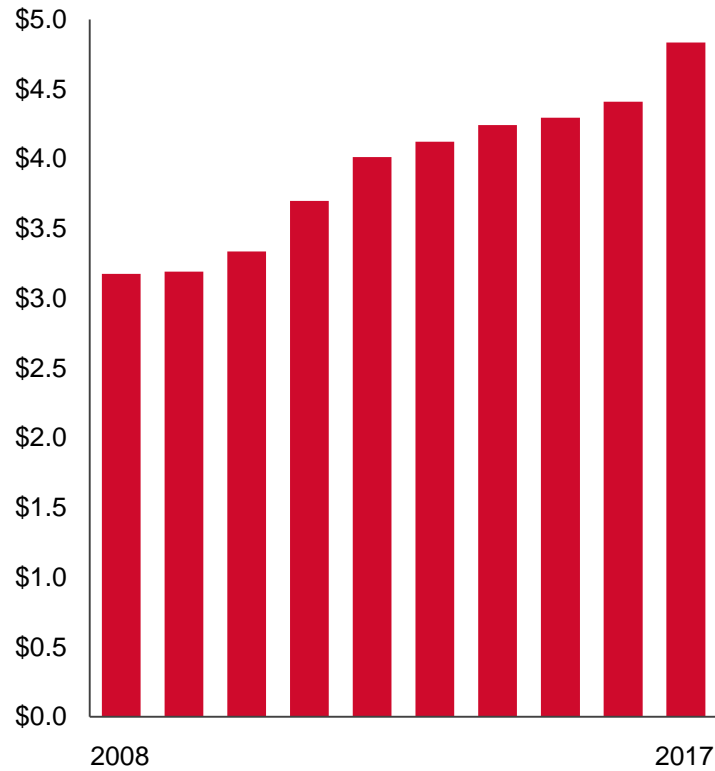
WE'RE DELIVERING ON OUR OBJECTIVES

# ACHIEVING TOP-TIER BUSINESS PERFORMANCE

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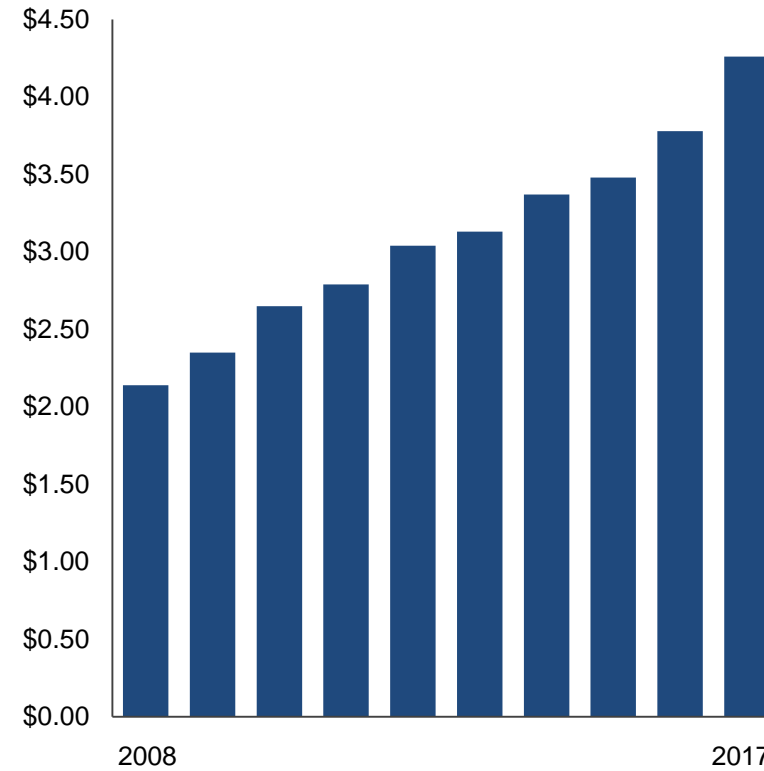
## Net sales

*in billions*



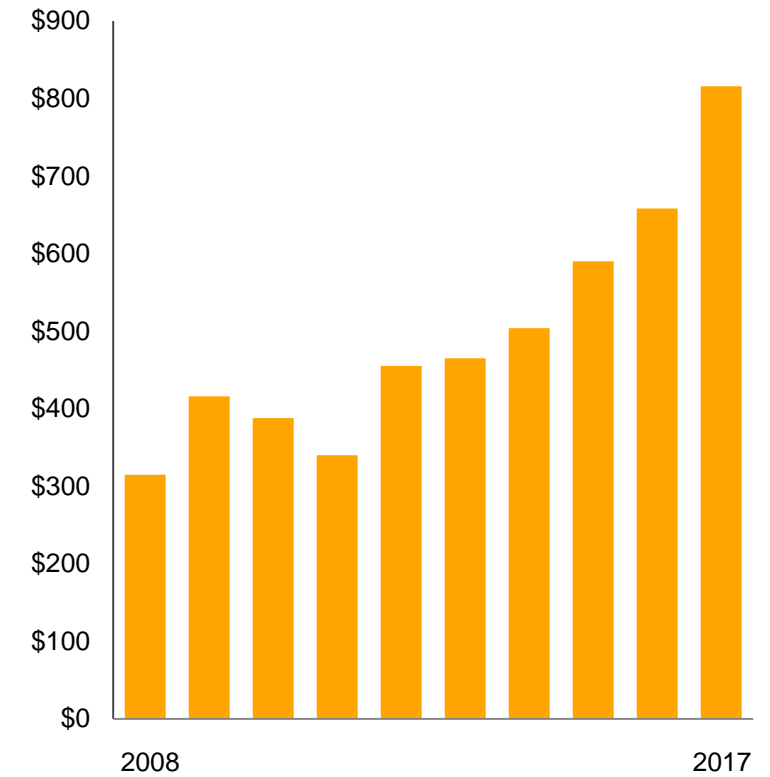
## Adjusted EPS

*per share*



## Cash flow from operations

*in millions*



WE'RE DELIVERING ON OUR OBJECTIVES

## DELIVERING AGAINST LONG-TERM GROWTH OBJECTIVES

	LT FINANCIAL OBJECTIVES*	3-YEAR CAGR PERFORMANCE*	2018 GUIDANCE**
<b>Sales growth</b>	4-6%	7%	13-15%
<b>Adjusted operating income</b>	7-9%	11%	23-25%
<b>Adjusted EPS growth</b>	9-11%	11%	14-16%
<b>Total shareholder return</b>	11-13%	13%	

\* In constant currency excluding shareholder return

\*\* Includes an expected favorable impact from foreign currency rates





WE'RE DELIVERING ON OUR OBJECTIVES

## EXPANDING ADJUSTED OPERATING MARGINS

### INCREASED FOCUS ON PROFIT REALIZATION

FY17 vs.  
FY14

1H 2018 vs.  
1H 2017

Consumer	+90 bps	+250 bps
Flavor Solutions	+360 bps	+360 bps
McCormick & Co.	+200 bps	+300 bps

### LONG TERM FINANCIAL OBJECTIVES\*

**Sales Growth** 4-6%

**Adj Operating Income Growth** 7-9%

Implies average of **40 bps** operating income margin improvement annually

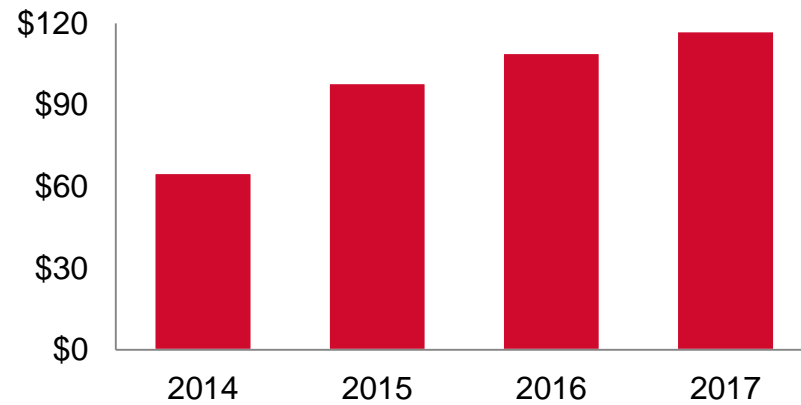
\* In constant currency



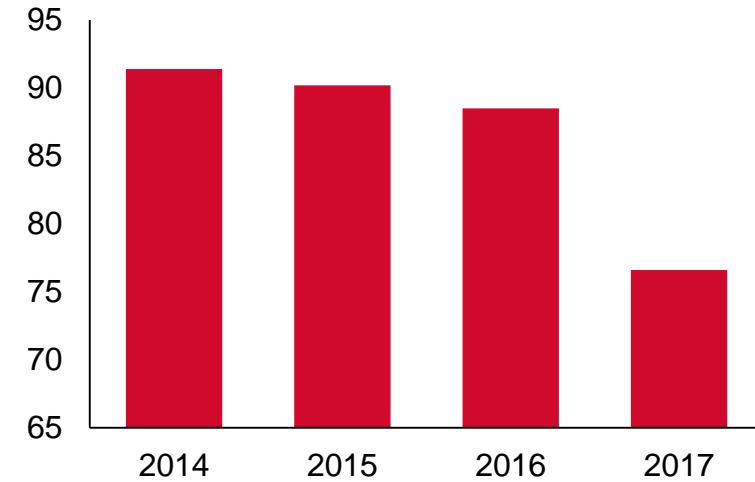
WE'RE DELIVERING ON OUR OBJECTIVES

## GENERATING SAVINGS AND CASH FLOW

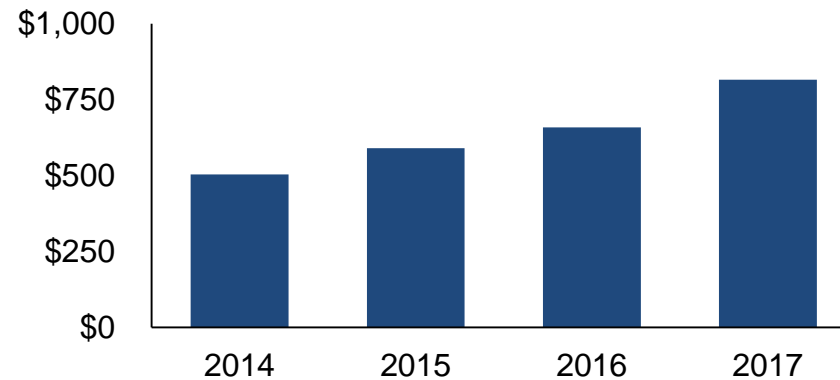
**COMPREHENSIVE CONTINUOUS  
IMPROVEMENT**



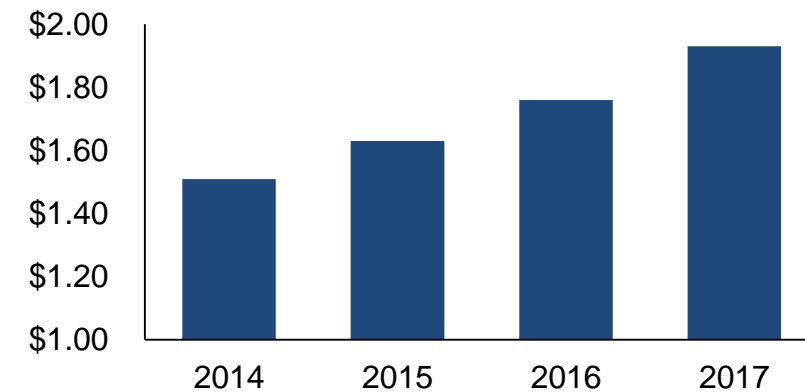
**CASH CONVERSION CYCLE**



**CASH FLOW FROM OPERATIONS**



**DIVIDENDS DECLARED**



## WE'RE DELIVERING ON OUR OBJECTIVES

# DELIVERING AGAINST THE FRANK'S AND FRENCH'S ACQUISITION PLAN



### Value creation

- ✓ Leading position in U.S. condiments
- ✓ Expanded distribution and accelerated innovation
- ✓ Meaningful margin enhancement
- ✓ Combination of portfolios driving significant shareholder value



### Synergies and one-time costs

- ✓ 2018 synergies pacing ahead of expectations
- ✓ SAP implementation and business integration completed
- ✓ Transaction and integration costs favorable



### Results

- ✓ Performance in line with year one plans
- ✓ On track to deleverage to 3.0X by 2020





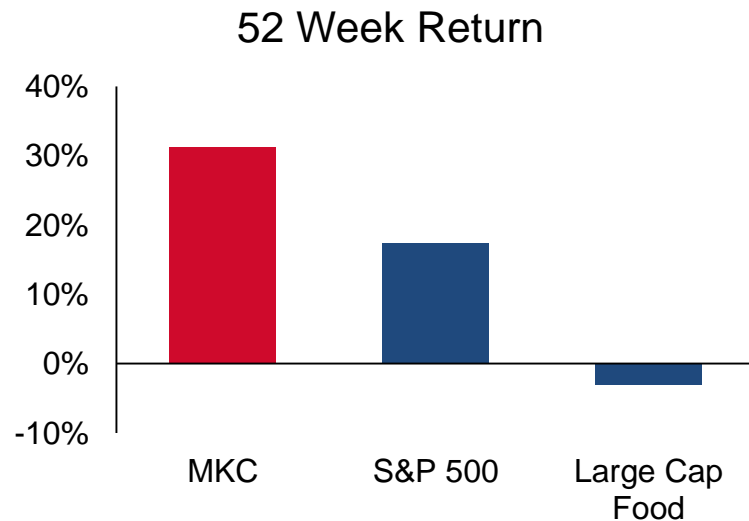
WE'RE DELIVERING AGAINST OUR OBJECTIVES  
PURPOSE-LED PERFORMANCE

DRIVEN TO DO WHAT'S RIGHT

INDUSTRY-LEADING  
FINANCIAL PERFORMANCE

*and*

MAKE EVERY DAY BETTER FOR PEOPLE,  
OUR COMMUNITIES AND PLANET



Source: Factset, August 31, 2018



Most Sustainable Corporations in the World

GLOBAL 100

BARRON'S

100 Most Sustainable Companies



WE'RE BUILDING THE McCORMICK OF THE FUTURE

# PURPOSE-LED PERFORMANCE: DRIVEN TO DO WHAT'S RIGHT



## COMMUNITIES

Goals to **increase** the **resilience** and **improve** the **livelihoods** of **small farmers** and **drive** broader **community involvement**

## PLANET

Goals to **reduce** our **environmental impact** and to **increase sustainability of ingredients** we source

## PEOPLE

Goals to **champion equality, educate** and **develop** our employees, and drive **better health outcomes** for people everywhere

## MAKING A POSITIVE IMPACT ON OUR PLANET AND COMMUNITIES

### PLANET

#### Reducing our Environmental Impact by 2025

- **20%** Carbon footprint & water use
- **80%** Solid waste

#### Sustainably sourcing 100% by 2025

Sustainably sourcing our iconic branded herbs and spices



### COMMUNITIES

#### Increasing the Resilience of our Sourcing Communities

Targeting **35,000** small farmers of our iconic herbs & spices with programs to increase their skills and education, income and health





WE'RE BUILDING THE McCORMICK OF THE FUTURE

# WINNING WITH THE RIGHT PEOPLE AND RIGHT CULTURE

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McCORMICK & COMPANY  
OUR FOCUS IS GROWTH

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1. We're a different kind of CPG company
2. We're delivering against our objectives
3. We're building the McCormick of the future





# NON-GAAP FINANCIAL MEASURES

The following tables include financial measures of adjusted operating income, adjusted operating income margin, and adjusted diluted earnings per share, each excluding the impact of special charges for each of the periods presented. These financial measures also exclude the impact of items associated with our acquisition of RB Foods on August 17, 2017 as these items significantly impact comparability between years. These financial measures also exclude, for 2018, and the comparison of our results for 2018 to 2017, the net estimated impact of the effects of the one-time transition tax and re-measurement of our U.S. deferred tax assets and liabilities as a result of the U.S. Tax Act passed in December 2017 as these items will significantly impact comparability between years. Adjusted operating income, adjusted operating income margin, adjusted income taxes, adjusted net income and adjusted diluted earnings per share represent non-GAAP financial measures which are prepared as a complement to our financial results prepared in accordance with United States generally accepted accounting principles.

In our consolidated income statement, we include separate line items captioned “Special charges” and “Transaction and integration expenses” in arriving at our consolidated operating income. Special charges consist of expenses associated with certain actions undertaken by the company to reduce fixed costs, simplify or improve processes, and improve our competitiveness and are of such significance in terms of both up-front costs and organizational/structural impact to require advance approval by our Management Committee, comprised of our Chairman, President and Chief Executive Officer; Executive Vice President and Chief Financial Officer; President Flavor Solutions Segment and McCormick International; President Global Consumer Segment and Americas; Senior Vice President, Human Relations; and Senior Vice President, Strategy and Global Enablement. Upon presentation of any such proposed action (including details with respect to estimated costs, which generally consist principally of employee severance and related benefits, together with ancillary costs associated with the action that may include a non-cash component or a component which relates to inventory adjustments that are included in cost of goods sold; impacted employees or operations; expected timing; and expected benefits) to the Management Committee and the Committee’s advance approval, expenses associated with the approved action are classified as special charges upon recognition and monitored on an on-going basis through completion.

We believe that these non-GAAP financial measures are important. The exclusion of special charges, the impact of the acquisition date-inventory fair value adjustment on cost of goods sold, transaction and integration expenses, other debt costs and income taxes associated with the U.S. Tax Act, provide additional information that enables enhanced comparisons to prior periods and, accordingly, facilitates the development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of our ongoing operations and analyze our business performance and trends.

These non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. In addition, these non-GAAP financial measures may not be comparable to similarly titled measures of other companies because other companies may not calculate them in the same manner that we do. We intend to continue to provide these non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting. A reconciliation of these non-GAAP financial measures to the related GAAP financial measures is provided in the tables that follow.



# NON-GAAP FINANCIAL MEASURES

To present the percentage change in projected 2018 sales, adjusted operating income and adjusted earnings per share on a constant currency basis, projected sales and adjusted operating income for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the company's budgeted exchange rate for 2018 and are compared to the 2017 results, translated into U.S. dollars using the same 2018 budgeted exchange rate, rather than at the average actual exchange rates in effect during fiscal year 2017. This calculation is performed to arrive at adjusted net income divided by historical shares outstanding for fiscal year 2017 or projected shares outstanding for fiscal year 2018, as appropriate.

The following provides a reconciliation of our estimated earnings per share to adjusted earnings per share for 2018 and actual results for 2017:

(in millions except per share data)	Twelve Months Ended	
	2018 Projection	11/30/17
Earnings per share - diluted	\$6.85 to \$6.95	\$ 3.72
Impact of special charges, transaction and integration expenses, and other debt costs	0.24	0.54
Estimated non-recurring benefit, net, of recent U.S. tax legislation	(2.24)	—
Adjusted earnings per share - diluted	<u>\$4.85 to \$4.95</u>	<u>\$ 4.26</u>
Percentage change in sales	13% to 15%	
Impact of foreign currency exchange rates	2%	
Percentage change in sales on constant currency basis	<u>11% to 13%</u>	
Percentage change in adjusted operating income	23% to 25%	
Impact of foreign currency exchange rates	1%	
Percentage change in adjusted operating income on constant currency basis	<u>22% to 24%</u>	
Percentage change in adjusted earnings per share	14% to 16%	
Impact of foreign currency exchange rates	1%	
Percentage change in adjusted earnings per share on constant currency basis	<u>13% to 15%</u>	

# NON-GAAP FINANCIAL MEASURES

The following provides a reconciliation of our operating income to adjusted operating income and our adjusted operating income margin.

	Year Ended November 30,	
	<u>2014</u>	<u>2017</u>
Operating income	\$603.0	\$702.4
Impact of transaction and integration expenses included in cost of goods sold	—	20.9
Impact of other transaction and integration expenses	—	40.8
Impact of special charges	<u>5.2</u>	<u>22.2</u>
Percentage increase in adjusted earnings per share — diluted	<u>\$608.2</u>	<u>\$786.3</u>
Adjusted operating margin (1)	<u>14.3%</u>	<u>16.3%</u>

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

# NON-GAAP FINANCIAL MEASURES

Because we are a multi-national company, we are subject to variability of our reported U.S. dollar results due to changes in foreign currency exchange rates. Those changes have been volatile over the past several years. The exclusion of the effects of foreign currency exchange, or what we refer to as amounts expressed “on a constant currency basis”, is a non-GAAP measure. To present the compounded annual growth rates (“CAGR”) percentages in sales, adjusted operating income and adjusted earnings per share on a constant currency basis, sales and adjusted operating income and adjusted net income for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the company's budgeted exchange rate for 2018 for all periods. This calculation is performed to arrive at adjusted earnings per share on a constant currency basis by dividing adjusted net income divided by historical shares outstanding for the applicable fiscal year.

A reconciliation of McCormick’s actual CAGR and constant currency CAGR follows:

3-Year CAGR – Net sales	4%
Impact of foreign currency exchange rates	<u>3%</u>
3-Year CAGR – Net sales on a constant currency basis	<u>7%</u>
3-Year CAGR – Adjusted operating income	9%
Impact of foreign currency exchange rates	<u>2%</u>
3-Year CAGR – Adjusted operating income on a constant currency basis	<u>11%</u>
3-Year CAGR – Adjusted earnings per share	8%
Impact of foreign currency exchange rates	<u>3%</u>
3-Year CAGR – Adjusted earnings per share on a constant currency basis	<u>11%</u>





# NON-GAAP FINANCIAL MEASURES

A reconciliation of our Consumer and Flavor Solutions actual CAGR and constant currency CAGR for sales and adjusted operating income follows:

	<u>Consumer</u>	<u>Flavor Solutions</u>
3-Year CAGR – Net sales	4%	5%
Impact of foreign currency exchange rates	<u>3%</u>	<u>3%</u>
3-Year CAGR – Net sales on a constant currency basis	<u>7%</u>	<u>8%</u>