OVERVIEW:
Co. reported 1Q18 adjusted EPS of $1. Expects 2018 sales, including updated estimate of 2 percentage point favorable impact from currency rates, to grow 13-15%, GAAP EPS to be $6.85-6.95 and adjusted EPS to be $4.85-4.95.
Good morning. This is Kasey Jenkins, Vice President of McCormick Investor Relations. Thank you for joining today's first quarter earnings call. To accompany this call, we've posted a set of slides at ir.mccormick.com. (Operator Instructions) We'll begin with remarks from Lawrence Kurzius, Chairman, President and CEO; and Mike Smith, Executive Vice President and CFO.

During our remarks, we will refer to certain non-GAAP financial measures. These include adjusted operating income, adjusted income tax rate and adjusted earnings per share that exclude the impact of transaction and integration expenses related to the Reckitt Benckiser Foods or RB Foods acquisition, special charges and income taxes excluding certain nonrecurring impacts associated with the recently enacted tax reform, which we refer to as the U.S. Tax Act, as well as information in constant currency. Reconciliations to the GAAP results are included in this morning's press release and slides.

In our comments, certain percentages are rounded. Please refer to our presentation, which includes the complete information. As a reminder, today's presentation contains projections and other forward-looking statements. Actual results could differ materially from those projected. The company undertakes no obligation to update or revise publicly any forward-looking statement, whether because of new information, future events or other factors. As seen on Slide 2, our forward-looking statements also provide information on risk factors that could affect our financial results.

It is now my pleasure to turn the discussion over to Lawrence.

Thank you, Kasey. Good morning, everyone. Thanks for joining us. Our first quarter results were a great start to the year, delivering strong sales, operating income and earnings per share growth as well as significant margin expansion. Our successful execution of our strategies and engagement of employees around the world have driven these results across both of our segments. And we’re confident they will continue to drive strong results as we go through the year.
McCormick’s business platform is growing and advantaged as seen on Slide 4. Across all regions and categories, McCormick is flavoring food and beverages. Among the first quarter highlights across our portfolio, we’re pleased with Frank’s RedHot and French’s performance and the impact they have on our portfolio of condiments and sauces and branded foodservice. Further progress has been made on expanding our flavor solutions portfolio with additional growth in flavors while pruning some low-margin business. We’re also continuing to win with restaurant customers with new products in all of our regions. In our consumer segment, we continue to grow our underlying business in every region. We’re confident that breadth and reach of our portfolio continues to position us to fully meet the demand for flavor around the world and grow our business.

Now let me go into more detail on our first quarter performance on Slide 5 as well as provide some business comments before turning it over to Mike, who will go in more depth on the quarter-end results and our update to 2018 financial guidance. As we said on our year-end earnings call in January and at CAGNY in February, we have confidence in our strategies and are well positioned to deliver strong results in 2018. You can see this beginning to come through in our first quarter performance with strong double-digit sales growth, operating profit growth, margin growth and EPS growth.

Starting with our top line for the first quarter. We grew sales 19% with a 4% benefit from favorable foreign currency. In constant currency, sales grew 15% for the total company with strong results across both segments across each of our 3 regions. Base business growth, new products and acquisitions, our 3 drivers of long-term sales growth, were all contributing factors. Incremental sales for our acquisitions, RB Foods and to a much smaller extent, Giotti, contributed 12%. In our consumer segment we grew sales nearly 15% in constant currency, led by incremental sales from RB Foods, which contributed 13% growth. The flavor solutions segment grew sales 15% in constant currency with incremental sales from RB Foods and Giotti contributing 12%.

In addition to our top line growth, our focus on profit realization drove additional adjusted operating income growth and adjusted operating margin expansion. With our higher sales, cost savings, led by our Comprehensive Continuous Improvement program, CCI, and our portfolio shift to more value-added products, including the addition of Frank’s and French’s, we grew the first quarter’s adjusted operating income 38% in constant currency and our adjusted operating income margin expanded 250 basis points. Both segments contributed double-digit adjusted operating income growth and a triple-digit basis point expansion in adjusted operating margin.

At the bottom line, our first quarter adjusted earnings per share of $1 was 32% higher than the $0.76 in the first quarter of 2017. Our strong growth in adjusted operating income and a lower tax rate drove this increase, partly offset by higher interest expense from debt related to the RB Foods acquisition as well as higher shares outstanding. Our sales follow a seasonal pattern with the first quarter generally the lightest in most of our product categories. Our strong results are in line with our expectations and the guidance we have provided. And our outlook for 2018 performance remains strong and unchanged. We do, however, now expect a greater sales impact from favorable currency rates and we’ve recognized discrete tax benefits. As Mike will discuss shortly, we are raising our guidance for sales and adjusted EPS accordingly.

Now I’d like to turn to a business update. And let’s begin with our Frank’s and French’s portfolio on Slide 6. We continue to be pleased with our progress and with the early results from Frank’s and French’s. On February 1, we successfully cut over to our systems, we completed our transition services agreement with Reckitt Benckiser earlier this month and we now have full control of the operations. We continue to be on track to achieve $50 million of cost synergies, realizing the majority by 2020. As we mentioned on our January earnings call, our 2018 synergies are pacing ahead of expectations.

In the first quarter of 2018, both Frank’s RedHot and French’s consumption continued to be impacted by the previous owners’ planned reductions in trade support and promotional activities, which we mentioned on our January earnings call. With that said, our first quarter Frank’s and French’s results are in line with our plans, we are off to a great start. We’re excited about our planned programs, growth opportunities and the impact we’ll make on these brands, starting with the grilling season.

At CAGNY last month, I shared some of our plans related to Frank’s and French’s. And I would like to reiterate a summarized version of them. We are increasing the fuel to drive Frank’s RedHot. Despite being #1 in hot sauce, we believe there remains significant upside for Frank’s in awareness, trial and household penetration. We will strengthen working media and regional programs behind a proven irreverent campaign to build awareness and trial. Frank’s under-indexes on the store shelf. Utilizing our category management, we are already increasing distribution points.
We've had great acceptance of promotional plans by customers, too. And we plan to drive core innovation on new flavors and expand beyond liquid flavor with a line of dry seasonings, recipe mixes and refrigerated dips. There is an exciting longer-term pipeline of new concepts developing, too. Frank’s also had almost no e-commerce presence and we’re building this exciting brand into our e-commerce efforts as well.

Reenergizing French’s mustard category leadership is already underway. We're launching a new consumer campaign that reinforces French’s preferred flavor, being the trusted family favorite and roots as a pure product, which we will support with increased working media. We're applying a category management focus to improve distribution and share of shelf, realign shelf pricing and increased levels of quality merchandising. We already have some early wins with key customers. We will increase innovation. And we will go beyond the bun and reframe mustard as better for you with McCormick’s proven ability to drive flavor and recipe trends with consumers.

We’ll leverage promotional scale across all of our brands, including the launch of our biggest grilling campaign ever for this summer. With a stronger go-to-market model in foodservice, we’ll leverage the full portfolio across operators. And internationally, we’re integrating the Frank’s and French’s portfolio into the McCormick global network. And we’ve seen early successes in several of our markets. We are well positioned to capitalize on the opportunities for growth and cost savings now. Our enthusiasm across the organization for this acquisition and our confidence that the combination of our powerful brands will deliver significant shareholder value only continues to strengthen.

In the consumer segment, we grew sales nearly 15% in constant currency with incremental sales from RB Foods contributing 13% and our base business and new product growth contributing 2% with growth in every region. In the Americas, growth was particularly strong, driven by the large impact of RB Foods brands, which contributed 20% growth. Our underlying Americas business grew almost 2% on both higher volume and mix and pricing. And we believe we undershipped consumer consumption due to trade inventory reductions.

In U.S. spices and seasonings, our IRI data indicate scanner sales through grocery channels for the category and McCormick-branded were both over 4%. Outside of grocery, a large retailer’s decision to convert a control label to private label, along with related promotional and merchandising actions, which we discussed on our January earnings call, reduced McCormick’s multi-outlet sales growth to 2%. While this decision hurt our branded spices and seasonings share performance, it drove growth in our private label sales.

We again, had strong branded growth in grocery and strong growth in unmeasured channels, including club, e-commerce and Hispanic markets as well as in other areas of the portfolio. The environment remains dynamic and we continue to work on our customers to optimize category performance. Overall, we continue to see good growth in our spice and seasoning brands in the U.S. market and know we have more room to grow. We remain confident in the initiatives we have underway to position us to continue our trajectory of long-term growth.

In Europe, Middle East and Africa, the EMEA region, growth was led by France, which had broad-based growth across their portfolio, branded and private label. Our launch last year of organic core herbs and spices and homemade dessert products in France has been very successful. Our rate of sales is approximately 60% higher than the main organic competitor on both our Ducros and Vahiné brands. Our extension of Thai Kitchen into France to capitalize on the fast-growing ethnic food trend has also contributed nicely to growth. In the Asia/Pacific region, our strong sales in China led consumer segment growth, driven by a strong Chinese New Year promotion as well as e-commerce growth. India has also continued their momentum on spices and seasonings.

Across our consumer segment, we are differentiating our brands and building capabilities. In 2018, we are continuing to drive growth through additional investments in brand marketing, category management and analytical capabilities and, of course, innovation in new products. We have a robust global pipeline of consumer innovation and new products being introduced in 2018 as seen starting on Slide 8.

We're strengthening our spices and seasonings leadership through packaging innovation in the U.S. and in EMEA. In the U.S. this year, we'll launch digitally connected labels with new graphics. This graphics update contemporizes the look of McCormick red cap at the shelves and will be digitally scannable, allowing consumers through their smartphones to immediately connect to our own sites for information on everything from transparency and sourcing of our ingredients to usage ideas and inspirations.

Our Schwartz brand in the U.K. and Ducros brand in France will be launching our first choice packaging initiative, a major structural and design change. Consumers prefer the modern feel and functional design of the new glass bottle and the closure. It features a transparency and quality of
the spices and herbs inside while also utilizing a new closure that reinforces freshness use-after-use. We're expanding our organic range even further. In the U.S., we'll be launching organic black pepper and garlic products. And following our success in France, we'll launch organic products in the U.K. and Poland.

And we’re introducing new flavors and varieties. Consumers are looking for easy ways to make their favorite dishes and explore new flavors. Seasoning Blends are becoming more popular to deliver both this convenient and added creative flair to any dish. Additionally, consumers are looking for the right sizes and packaging formats to take the risk out of experimenting with new flavors or to find value in something they already use.

Some examples of our launches to make this demands include a line of all-purpose blends in the U.S. that combine a few simple ingredients into innovative seasonings, and in Canada, a similar line of Club House signature blends. With a fresh approach to black pepper, we’re introducing a range of pepper items in the U.K. segmented by flavor and heat level. In China, we’re strengthening our range of spices and herbs with the relaunch of our Grinders. While in Australia, we’ll be launching seasoning mixes to combine with meats and vegetables in a convenient one-dish tray bake meal. And for trial and value, in the U.S., we’re launching McCormick Gourmet Flavor Forecast seasoning in small-sized, resealable pouches as well as larger sizes of our popular Grill Mates rubs.

We’re also continuing to drive growth globally through e-commerce across pure play with brick-and-mortar customers and direct-to-consumer. We’re continuing to make further investments to drive content, expand resources to support acceleration and develop programs and items tailored to this channel. We had strong double-digit growth in e-commerce in the quarter. And following the launch of China’s direct-to-consumer store on Tmall, we’re designing products for this platform, such as one-pot rice cooker seasonings, which will be available soon on the storefront.

As we announced at the recent CAGNY conference and shown on Slide 10, we are reintroducing our industrial segment as flavor solutions. And I’d like to reiterate the key points for this change today. McCormick flavor solutions is a culinary-inspired flavor business. We have deep understanding of the consumer experience of flavor from real food and natural ingredients and leading technology that delivers consumer-preferred solutions for our customers. We are not a bulk herb and spice or commodity business. We’re one of the top global flavor suppliers to the food industry today.

Our culinary approach to flavor development sets us apart. We have a world-class global culinary team of executive and research chefs, mixologists and culinary nutritionists, who work closely with our customers and innovation teams. They excel at translating global trends into prototypes that meet the customers’ unique requirements and deliver superior and differentiated flavor experiences. Our deep expertise in the consumer experience of real food and beverage is central to all of our innovation and our success. Starting with real food and beverage, flavor solutions segment produces authentic, complex, natural flavor solutions that resonate with consumers. Flavor development at McCormick combines the art of creating iconic flavor authenticity with the science of delivering a superior eating experience.

Today’s consumers are demanding transparency and flavor that’s natural and clean. Our flavor solutions segment provides simple, transparent solutions that deliver the results our customers need. We continue to work side-by-side with our customers to help them in their quest to reduce or eliminate MSG, sodium, sugar, fat and artificial ingredients from their iconic products. Because our approach to clean is rooted in our expertise in the science of food and natural ingredients, the proprietary technology platform that we have built enables us to solve these issues without sacrificing the winning flavor profiles that make the product successful. For us, clean flavor really does mean clean flavor.

Our strength in customer intimacy is also a key differentiator for flavor solutions. Innovation that really delivers against a customer’s brand promise requires both a deep understanding of the customer’s unique goals and challenges and an exceptional ability to collaborate. Whether partnering with a global or mid-tier customer, our focus is on ensuring best-in-class collaboration experience. It is for these reasons that new products are a significant growth driver.

The flavor solutions segment grew sales 15% in constant currency in the first quarter with incremental sales from RB Foods and Giotti contributing 12%. In the Americas, we increased sales of flavors with new products and continued momentum of our branded foodservice and Mexico snack seasonings growth. In our EMEA and Asia/Pacific regions, we continued to win with our customers through new products and promotional activities, particularly with quick service restaurants. We’re continuing to refine and optimize our portfolio, increasing our sales of higher-margin flavors and exiting lower-margin business.
Across our flavor solutions segment, the migration of our portfolio to more technically insulated and value-added categories will continue in 2018. We have already realized further results against this strategy in our first quarter with flavor sales up double digits in North America. Beyond our strategies to drive sales growth, we will continue to focus on profit realization as evident in our first quarter results.

Now I would like to highlight some recent news on Slide 12. Our performance is not just evident in our financial results. We are also doing the right thing for people, communities and our planet. We’ve been recognized as a leader in sustainability, named for the second year in a row the #1 ranked food products company on the Global Sustainability Index at the 2018 Davos World Economic Forum. And in February, we were also recognized on Barron’s inaugural 100 Most Sustainable Companies.

Our Power of People principle embodies our commitment to our employees and high-performance culture rooted in respect for their contributions and our shared values. Keeping McCormick a great place to work is one of our priorities, along with us remaining competitive in the marketplace. As such, we are investing a portion of the benefit of the U.S. Tax Act into a bonus of $1,000 in wage adjustments for the majority of our U.S. hourly employees.

Mike is now going to provide some more details on the financial results for the quarter and on our financial guidance. But before I turn it over to him, let me provide a few summary comments on Slide 13.

At the foundation of our sales growth is the rising consumer demand for flavor. We are aligned with the consumers’ increased interest in bolder flavors, demand for convenience and focus on fresh, natural ingredients as well as with emerging purchase drivers, such as greater transparency around the sourcing and quality of food. With this increased interest, flavor continues to be an advantaged global category, which combined with our execution against effective strategies will drive strong results as we go through the year.

We are balancing our resources and efforts to drive sales with our work to lower cost to build fuel for growth and higher margins. Our first quarter financial results across both our consumer and flavor solutions segments were a strong start to the year. We have confidence in our fiscal year outlook and are well positioned to deliver another strong year in 2018. Around the world, McCormick employees are driving momentum and success. And I thank them for their efforts and for their engagement.

Thank you for your attention. And it is now my pleasure to turn it over to Mike.

**Michael R. Smith** - McCormick & Company, Incorporated - Executive VP & CFO

Thanks, Lawrence, and good morning, everyone. As Lawrence indicated, we delivered strong growth with our first quarter results. I’ll begin with a discussion of our results and then follow with comments on our current full year 2018 financial outlook.

As seen on Slide 15, we grew sales 19%, including a 4% favorable impact from currency. Acquisitions, pricing and higher volume and product mix each contributed to the increase. Both our consumer and flavor solutions segments delivered strong top line growth with increases on all 3 regions within both segments. We have also started the year with significant increases in adjusted operating income and adjusted earnings per share as well as significant operating margin expansion. The consumer segment grew sales 15% in constant currency. Our acquisition of RB Foods contributed 13% of the sales growth.

On Slide 16, consumer segment sales in the Americas rose nearly 22% in constant currency versus the first quarter of 2017, the 20% of the increase from the acquisition of RB Foods. The remaining increase was driven by pricing related to the incremental impact of 2017 pricing actions and higher volume and product mix.

EMEA consumer sales increased 1% in constant currency. The sales growth was driven by growth in France within both our branded portfolio and private label as well as the acquisition of RB Foods. Partially offsetting these increases was an impact from the timing of trade promotional activities. We grew consumer sales in the Asia/Pacific region 6% in constant currency. In China, sales increases were driven by successful Chinese New Year holiday promotions. Sales growth in India was led by increased sales from our new consumer spice mixes.
For the consumer segment in total, we grew adjusted operating income 35% to $132 million. In constant currency, adjusted operating income rose 32% from the year-ago period. The impact of sales growth and cost savings more than offset increases in brand marketing and freight cost. And as Lawrence mentioned, we expanded our consumer adjusted operating margin compared to the first quarter of last year by 220 basis points.

Turning to our flavor solutions segment and Slide 20. Starting with sales growth, we grew constant currency sales 15%. Our acquisitions of RB Foods and Giotti contributed 12% of the sales growth. In the Americas, RB Foods drove 17% of the 18% constant currency increase in the first quarter’s flavor solutions sales. The remaining growth was driven by U.S. flavors and branded foodservice sales as well as sales of snack seasonings in Mexico. Partially offsetting this growth was a major customer’s global realignment of our flavor solution sales, effectively transferring those sales from the Americas to the EMEA region and the elimination of some low-margin business due to the continued migration of our business to higher-margin products.

We grew flavor solutions sales in EMEA 12% in constant currency with Giotti and RB Foods contributing 4%. We had solid growth with quick service restaurants and within our flavors category. Sales growth was also favorably impacted by the global realignment of the major customer’s sales from the Americas to EMEA as previously mentioned. Asia/Pacific region’s flavor solutions sales grew 4% in constant currency, led by strong new product sales to quick service restaurants in China with the partial offset from the exit of low-margin business in the region.

As shown on Slide 24, adjusted operating income for the flavor solutions segment ended the quarter up 56% at $62 million with a 4% favorable impact from currency. The increase was driven by the favorable impact of higher sales, a shift to more value-added products and the impact of our CCI program and led to adjusted operating margin expansion compared to last year of 320 basis points.

Across both segments, adjusted operating income, which excludes the integration cost related to the RB Foods and special charges, rose 41% in the first quarter from the year ago period, including a 3% favorable impact from currency. And this increase includes the impact of increase in our brand marketing by 18% in the first quarter. As Lawrence mentioned, our focus on profit realization had driven significant margin expansion.

As seen on Slide 26, in the first quarter, we increased gross profit margin 240 basis points year-on-year. While this expansion includes an accretion impact from the addition of the Frank’s and French’s portfolio, the core business was also a significant driver of the margin growth. Our portfolio shift to more value-added products and CCI-led cost savings continued to drive gross profit expansion across both our segments.

Our selling, general and administrative expense as a percentage of net sales was down year-on-year by 10 basis points from the first quarter of 2017. Leverage from sales growth as well as CCI-led cost savings drove the decline, partially offset by the increase in brand marketing I previously mentioned as well as absorbing increased freight costs driven by constrained carrier capacity. With the gross margin expansion and SG&A leverage, adjusted operating margin expanded 250 basis points from the first quarter of 2017. Below the operating income line, interest expense increased $27 million in the first quarter from the year ago period, primarily driven by the debt secured for the RB Foods financing.

Turning to income taxes on Slide 27. Our first quarter adjusted effective tax rate was 18.9% as compared to 27.9% in the year ago period and included a favorable impact from the U.S. Tax Act, which reduced the U.S. corporate tax rate from 35% to 21%. Our first quarter adjusted rate was lower than anticipated principally due to the higher-than-anticipated stock option exercises as well as the favorable impact of other discrete tax items. As a result, we now expect that our adjusted effective tax rate for the full year will approximate 23%. There can be volatility in that rate quarter-to-quarter due to the impact of discrete items, such as stock option exercises and changes to our forecasted mix of earnings.

Income from unconsolidated operations was $8 million compared to $7 million in the first quarter of 2017, a 16% increase, led by our joint venture in Mexico. For 2018, we continue to expect our income from unconsolidated operations to be comparable to 2017.

At the bottom line, as shown on Slide 29, first quarter 2018 adjusted earnings per share was $1, up 32% from $0.76 for the year ago period, mainly due to higher adjusted operating income and the lower adjusted income tax rate, partially offset by higher interest expense and shares outstanding.

On Slide 30, we’ve summarized highlights for cash flow and the quarter-end balance sheet. Our cash flow from operations was an outflow of $21 million for the first quarter of 2018 compared to an inflow of $44 million in the first quarter of 2017. This change was driven by timing associated with certain working capital payments as well as a higher level of interest payments. These interest payments associated with the financing of our
RB Foods acquisition are more heavily weighted in our first and third fiscal quarters. We continue to see improvements in our cash conversion cycle finishing the first quarter at 73 days, down 3 days versus our fiscal year-end, primarily driven by our extended terms and inventory programs.

We returned $68 million of cash to shareholders through dividends and used $31 million for capital expenditures this period. We expect 2018 to be another year of strong cash flow. And the priority is to continue to have a balanced use of cash, making investments to drive growth, returning a significant portion to our shareholders through dividends and to pay down debt.

Let’s now move to our current financial outlook for 2018 on Slide 31. Our strong outlook for the year is unchanged, except for a more favorable impact of foreign currency exchange rates on sales, a lower adjusted income tax rate and a lower net favorable nonrecurring impact of the U.S. Tax Act. We now estimate a favorable impact to the net sales growth rate of 2%, up from our original estimate of 1%. As I mentioned earlier, we now expect that our adjusted effective tax rate for the full year will approximate 23%.

And finally, related to our GAAP earnings per share. The net impact of 2 nonrecurring items required by the U.S. Tax Act, the favorable noncash impact of the revaluation of our U.S. net deferred tax liabilities less the favorable impact of our transition tax, this net impact is now expected to be a tax benefit in 2018 of approximately $298 million.

Our previous sales growth guidance of the 12% to 14% included an 8% incremental impact of the RB Foods acquisition, underlying base business and new product growth of 3% to 5% from higher volume, product mix and pricing as well as a 1 percentage point favorable impact due to currency. We now expect to grow sales 13% to 15%, including our updated estimate of a 2 percentage point favorable impact from currency rates.

We expect a low single-digit increase in material costs, which combined with CCI and strategy execution on shifting to a more value-added portfolio, leads to 2018 adjusted gross profit margin that is projected to be 150 to 200 basis points higher than 2017. We expect to increase adjusted operating income 23% to 25% from $786 million in 2017, which includes a 1 percentage point impact from foreign currency rates. Our cost savings target is approximately $100 million. And we are planning to increase brand marketing at a rate above our sales growth.

Our original guidance for 2018 adjusted earnings per share was $4.80 to $4.90, an increase of 13% to 15% versus our $4.26 adjusted earnings per share in 2017. This range of growth included an estimated 1 percentage point impact from favorable currency rates. Based on our new effective tax rate estimate, we are increasing our adjusted earnings per share estimate to $4.85 to $4.95, an increase of 14% to 16% versus 2017, which includes an expected 1 percentage point impact from foreign currency rates. Overall, we expect currency favorability to be greater in the first half of the year than in the second half. For the fiscal year, we expect our higher profit and working capital initiatives to lead to another year of strong cash flow.

In summary, we are projecting excellent growth in our 2018 constant currency outlook for sales, adjusted operating profit and adjusted earnings per share following record double-digit performance across each objective in 2017. Our 2018 GAAP earnings per share range is projected to be $6.85 to $6.95. There are several projected 2018 adjustments, which are expected to drive our GAAP to non-GAAP reconciliation: first, approximately $23 million for the integration expenses related to RB Foods, which is in line with our previous estimate; second, approximately $80 million of special charges related to previously announced organizational and streamlining initiatives; and as I mentioned, a few minutes ago, the net impact of 2 nonrecurring items required by the U.S. Tax Act is currently expected to be a tax benefit in 2018 of approximately $298 million. The total net impact of these adjustments is anticipated to be a $2 favorable impact to our GAAP earnings per share for fiscal year 2018.

Finally, before we move to your questions, let me recap the key takeaways from our remarks this morning. With our first quarter results, we have a strong start to the year for both our core business and our Frank's and French's portfolio. We are delivering against our plans for both sales and profit realization and are confident in the momentum of our business. Our updated outlook reflects a more favorable impact on sales from foreign currency and the benefit of a lower first quarter tax rate on our full year adjusted earnings per share. And this reaffirms our strong 2018 outlook for our underlying sales, adjusted operating income and adjusted earnings per share growth.

Now let’s turn to your questions.
Robert Bain Moskow - Crédit Suisse AG, Research Division - Research Analyst

I was hoping to get a little bit of an update on revenue synergies. I think EMEA was up about 1% as a result of RB Foods. Lawrence, would you consider that revenue synergies? And if so, can you help us quantify it? Is it $8 million or $9 million or so? And then secondly, on the bonuses that are being given to hourlies, was that part of your original guidance? And can you give us a sense of how it affects operating income for the year?

Lawrence E. Kurzius - McCormick & Company, Incorporated - Chairman, President & CEO

And regarding RB, we don’t have anything new to report on RB. We’re really tracking right on our plans for RB both from an internal budget standpoint and from the model that we’ve built when we bought the business. We hit a couple of important milestones this quarter, as we mentioned on the call, with the transfer to our systems, we put the business on our SAP system and at the end of the transition services agreement that really gives us control of the business. Regarding the 1% in EMEA, really again I’d still would call it a synergy. We’ve built a certain amount of growth into our plans for RB. And we’re still confident in getting those. And I think that we’re on track with that. Frankly, on the international part of the business, the biggest, I’d say, kind of net positive story that we had for the quarter, outside of the U.S. business, was in Mexico, where we transitioned the business to our long-standing joint venture partner down there and have gotten off to a very strong start. But I wouldn’t say that -- the EMEA, I would say, is more of what we had originally planned for the business. It’s part of its wrap of the existing business that was there and their sales team just starting to get traction on that. Regarding the hourly bonuses, that original guidance was -- did not contemplate that, but our current guidance does reflect the full impact of tax reform, including that. When we gave that initial guidance, the tax reform act was still new. We were deciding how we were going to -- how we were going to use it. We said we would make investments in growth and in making ourselves more competitive. And we’ve used the majority of the benefit though to pay down debt, which would mean dropping it down to the bottom line and to cash. And that is still our plan. Nonetheless, we thought that this was a good and prudent action for us to take as well. Mike, do you want to elaborate on that at all?

Michael R. Smith - McCormick & Company, Incorporated - Executive VP & CFO

I think as you said, it’s included in our guidance. And I’ll leave it at that.

Robert Bain Moskow - Crédit Suisse AG, Research Division - Research Analyst

Just quantitatively, I think I said $7 million. Is that roughly the new expense that we should be thinking about in the guidance?

Michael R. Smith - McCormick & Company, Incorporated - Executive VP & CFO

No, way less than that. It’s not material.

Operator

Our next question is from the line of Alexia Howard with Bernstein.
Alexia Jane Burland Howard - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So I just wanted to ask about, what are the risks to the margin expansion from here? Compared with a lot of the maybe more U.S.-centric food companies, you seem to be defying gravity on margin expansion across many pieces of the business. Is it that your (inaudible) costs are a little bit more favorable? Or are there other more favorable dynamics, I guess, with operational leverage from growing expansion? And also more specifically, what are the risks to margin expansion going forward, given the more challenging retailer environment, particularly in the Americas?

Michael R. Smith - McCormick & Company, Incorporated - Executive VP & CFO

Alexia, it’s Mike. I’ll take the first crack at it. As we mentioned, a significant part of the margin expansion was due to RB Foods. And the accretion we’re getting from that has come through our P&L. We really like that. But our underlying business has been strong as you alluded to. We’ve had a really good CCI performance. That is -- our fuel for growth, as we talked about, last year, we hit $170 million. And we’re off to a strong start in the first quarter of fiscal 2018. You’ve also seen a shift, as we talked about, a shift to some higher value products across our portfolio, especially on the flavor solutions side of the business. And then if you think about it, we had high -- or mid-single-digit inflation last year as we took pricing mid-last year. So we’ve had some positive wrap that’s happened in the first half of 2018. So that’s helped the margins on the core business. As far as risk going forward, we have low single-digit cost increases this year. We have low single-digit pricing plan. The environment, as you alluded to, is more difficult than it has been in the past from a retailer perspective. It’s a lot more fact-based selling. But we feel that all these price increases are justified and are supportable. And frankly, most of our pricing impact this year is from pricing actions we took -- implemented in 2017.

Lawrence E. Kurzius - McCormick & Company, Incorporated - Chairman, President & CEO

And if I could just to elaborate on that, I don’t want to miss the fact that there’s been portfolio migration. So we’ve had great growth in the high-margin end of our business. And we’ve actively discontinued some low-margin business. We have a strong overall growth rate this year. And so we’re taking advantage of that to use this as an opportunity to get rid of some low-margin business, which has a slight dampening effect on the sales line but which really runs through and you can see -- I mean, you can just see it in the margins that we’re achieving. And so we think it’s pretty sustainable.

Operator

Our next question comes from the line of Ken Goldman with JPMorgan.

Kenneth B. Goldman - JP Morgan Chase & Co, Research Division - Senior Analyst

So there’s been a lot of discussion lately obviously about maybe the balance of power between manufacturers and retailers in the food-at-home industry. You guys obviously have some of what I would consider the best brands in food-at-home. But if you look at a couple different things, right, we had a deload. Your pricing this quarter was up by the lowest amount, by my model anyway, in over 7 years. And if you look at your LTM receivables as a percentage of sales, they’ve been creeping up, too, even before the RB deal. So I guess I’m just trying to get a sense, in your opinion -- I know we’ve talked about this a little bit in the past. But are these trends, these factors, are they somewhat one time in nature? Obviously, the deload is. But has it really become -- is this indicative to some extent of how much more difficult it is to manage these customer relationships than it used to be? I’m just trying to get a sense of how much the world continues to change because it feels like every week we’re hearing about more and more maybe manufacturers unable to pass on pricing.

Lawrence E. Kurzius - McCormick & Company, Incorporated - Chairman, President & CEO

Well, there’s always an appropriate amount -- I think we’ve used the word commercial tension in the discussion of the pricing with customers. And I would say that the environment on -- for taking pricing right now is pretty challenging. And for any kind of general price increase, you’re going to get a lot of pushback. That’s pretty hard. The reason there’s not that much pricing in our quarter is that most of the pricing that we’ve got, as
Mike mentioned, is a wrap. The pricing that we've taken has been more of a surgical nature that has been justified by commodity increases. And our commodities are different than everybody else's commodity. So those increases have been fairly specific. And we've really been able to get the pricing away. I haven't -- I'm not saying that it was easy, I'll say just the opposite that these are challenging conversations with the customer. But we're still able to get the pricing that we need to get to cover our commodities. On the industrial side of our business, we tend to operate with transparency on cost, so the customer understands where the cost is coming from. And many of our longer-term customers, their exposure to commodity is really booked back-to-back. We'll take coverage of the physical commodity to back up their needs. And so really the pricing discussions across the full spectrum of our business, while challenging, are pretty well managed. The deload that we mentioned really has nothing to do with the pricing or balance of power. In the U.S. in particular, trade inventories did come down during the first quarter. I'm talking about in the consumer side of the business. I think others have commented on this. It's no secret that everyone is trying to be more efficient with their working capital. We certainly are and our customers are as well. And especially around the end of the fiscal year, there's a lot of pressure on customer inventory. They're trying to, I'll say, dress up their year-end numbers. And that falls into our first quarter, which is our lowest volume quarter of the year. Now it does have a meaningful impact. We estimate that actually the customer inventory drawdown in the first quarter of the year was about a 2% headwind on our consumer business, which means that versus actual consumption, it took up about half of the growth that we would have otherwise seen. And I'd say that we're not overly worried or surprised by that. We saw this similar pattern last year, where in the first quarter of the year was a strong drawdown of trade inventory and then relatively flat for the rest of the year. And so I would hope to see a similar pattern this year. Now [Rob], you mentioned something about receivables. I didn't really understand.

**Kenneth B. Goldman** - JP Morgan Chase & Co, Research Division - Senior Analyst

I can follow up with that afterward. It's not a big deal. I just had one quick follow-up, and that's a very helpful answer. When you said it was about 2% of consumer, was that total consumer or consumer Americas? And if it was total consumer...

**Lawrence E. Kurzius** - McCormick & Company, Incorporated - Chairman, President & CEO

Consumer Americas.

**Kenneth B. Goldman** - JP Morgan Chase & Co, Research Division - Senior Analyst

Consumer Americas. Okay.

**Michael R. Smith** - McCormick & Company, Incorporated - Executive VP & CFO

And Ken, just one follow-up on your point on pricing. We've talked about it being a low pricing quarter. Last year's mid-single-digit price increases really were driven a lot by vanilla. And we saw a lot of vanilla in the second half of the year. First quarter, we don't sell a lot of vanilla. So that's the reason for the percentage is a little less than it might have been last year.

**Operator**

The next question today comes from the line of Jonathan Feeney with Consumer Edge.

**Jonathan Patrick Feeney** - Consumer Edge Research, LLC - Senior Analyst of Food & HPC and Managing Partner

You've had some pretty impressive growth in the flavor solutions business. And I know part of that, going back historically, has been strength in your one key but several quick serve customers. But overall, it seems like you're gaining a little bit of share and certainly emphasizing that a little bit more. And I'm wondering, Lawrence, about the competitive landscape, when you talk about the new capabilities you're bringing to customers, how do those -- are you typically winning new business from other players? Or as you move upmarket, not to just the coatings and ingredients,
where maybe if you lift it out of your business historically to more flavor systems, where are you sourcing that business? Is it competitors? Or is it new business wins?

Lawrence E. Kurzius - McCormick & Company, Incorporated - Chairman, President & CEO

Jonathan, well, for us, it’s new business wins. But there’s no such thing as white space out there. So those new business wins from us are definitely coming from other competitors. Flavor is a growing business. So I expect that flavor on the industrial side is growing as well. But we're definitely winning new business. Both — even within our existing customer base, I believe we're continuing to win. But the new customers that we've added definitely puts us -- we're definitely gaining share in that part of the business. So we really wanted to call it out because I think that this has been something that's been underappreciated. For the last 3 years, we've made a real concerted effort to be more of a value-added flavor supplier, more of a flavor house and to migrate away from some of the legacy commodity business that was in that industrial business. And so yes, agree, these are share gains. Mike, do you want to...

Operator

Our next question comes from the line of Chris Growe with Stifel.

Christopher Robert Growe - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Analyst

So I just wanted to ask, and just to be clear on a bit of a follow-up from an earlier question, it sounds like you expect the inventory levels to remain at these low levels going forward. This is the second year of a reduction though early in the year. Are they too low? I'm just trying to -- and we've heard this from other companies that at times, they're reaching down to quite low levels in relation to the shelf being fully stocked. Are you seeing any issues with that at the retailer now?

Lawrence E. Kurzius - McCormick & Company, Incorporated - Chairman, President & CEO

I think that's a good point. I think with individual customers, they very often do overshoot and come back. But I don't want to lose -- I don't want to get too caught up in individual customer anecdotes. When you roll it up together, the general trend of trade inventories is downward. Everybody is applying new technology and putting greater emphasis on trying to be more efficient. So there is a general downward trend. And while -- we have, just looking back at our historical data, seen that the impact tends to be biggest in our first quarter. Again, it's the combination of most customers having their year-end spend and it's our lightest seasonal quarter of the year. So that is a factor. But we don't generally see it coming back over the course of the year. So there is a downward step in inventory. How low is too low for the industry? I don't know. I mean, once the inventory is taken out, it's out. And so they continue to have the same impact if they've got to take out another tranche of inventory. But we think that this is a long-term trend. And frankly, it's not a surprise to us. And we think that it's actually healthy for the industry.

Michael R. Smith - McCormick & Company, Incorporated - Executive VP & CFO

There’s been a lot of consolidation in the industry, too. Some recent (inaudible) that takes out inventory in the supply chain. And it really drives us to drive our (inaudible). And we're doing the same thing.

Christopher Robert Growe - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Analyst

Okay. And just another question, if I could, in relation to you discussed more value-added products, I think, in relation to like the gross margin performance. So I'm just curious what the private label performance versus the branded performance for McCormick. And have we lapped that conversion of that large customer to private label? Is that an ongoing negative for the business? Is it due to their promotional efforts or due to their actual still lapping of that label change?
Lawrence E. Kurzius - McCormick & Company, Incorporated - Chairman, President & CEO

Well, first of all, that label change, we have not lapped it. That was the label change that really happened over this last -- really mostly over this last quarter. It started in the fourth quarter and had -- and was fully in effect early, I won't say, maybe not even fully in effect for this quarter. It might have been only partially in effect for December. So no, we haven't lapped it. But 2 things happened there. First was the conversion from a control brand to private label. For us, that was financially neutral. That control label already had a margin structure that was comparable to our private label. And you know we're a large supplier of private label in herbs and spices. This is a profitable business for us. It does not have the same gross margins as brands but has a decent operating margin. And the impact of that label change was really neutral. The parts that hurt is that there was a decision by the customer to do some extraordinary pricing and merchandising on that product. And to the extent, it traded down consumers from brand to that label, it was a negative for both for us and frankly it was a negative for the customer's profitability as well, which they fully understand at this point.

Christopher Robert Growe - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Analyst

And if I just, from a higher level, private label versus branded for McCormick overall and what that meant for your gross margin, was there a mix of factor from the benefit of your gross margin there?

Michael R. Smith - McCormick & Company, Incorporated - Executive VP & CFO

I mean, overall, it's a slight detriment. As Lawrence mentioned, it has a lower gross margin. But from a operating profit perspective and a working capital business perspective, it's not that far from a bottom line operating profit for consumer. I mean, it (inaudible) a lot of overhead in our plants. We only do private labels for the large customers. We don't do a lot of (inaudible) type private labels. So it's good business for us, not only in the U.S., but we do in the EMEA also.

Operator

Our next question comes from the line of Adam Samuelson with Goldman Sachs.

Adam L. Samuelson - Goldman Sachs Group Inc., Research Division - Lead Analyst

Maybe, first, just on the point on the mix within the portfolio. And you talked about that being a quick tailwind to the results this quarter. Any clarity or color you could provide by business line or region where that was a particularly notable benefit? Or was that pretty broad-based across the whole business?

Michael R. Smith - McCormick & Company, Incorporated - Executive VP & CFO

No. I think, Adam, if you look how we described in Asia/Pacific, as an example, exiting some low-margin business there. We had time to make sure we optimize our portfolio. We're focusing more flavors globally for flavor solutions. But an example, a very clear example we talked about in Asia/Pacific, we walked away from very low-margin business. And we want to use those resources to move up the value chain for other product lines. And that's a consistent message across flavor solutions, but Asia/Pacific is one we specifically highlighted.

Adam L. Samuelson - Goldman Sachs Group Inc., Research Division - Lead Analyst

Okay, that's helpful. And then just a question in consumer in EMEA. I know the U.K. business has been challenged there for some time, given a host of dynamics. But any updates there? I don't hear any color on the U.K. business in the consumer discussion.
Actually, for the U.K. business, that business has stabilized. I know that for a great deal of last year, there was a drag on EMEA performance. We actually -- we had slight growth in the U.K. this last quarter. It wasn't so spectacular that we were going to call it out. But it's no longer a drag on the business as it was. We're optimistic that we've got that business on track.

The next question is from the line of Brett Hundley with The Vertical Group.

I just have a two-part question on your flavor solutions business. So the first part of it, maybe for you, Mike. We estimate EBITDA margins for that business somewhere near 14.5%. And the previous management team was really loath to kind of talk about where margins could go over time. And you guys don't have to give a number this morning. But have you guys updated your thoughts and beliefs on what type of margin structure might be possible for this business or rather if there is continued growth opportunities, just especially relative to what some of your ingredient peers are doing in the overall pursuit of kind of 20% EBITDA margins over time? So that's the first part of my question. And then the second part of my question, there was a transaction announced yesterday, where one of the largest flavor and fragrance producers is buying a natural-based ingredient company. And the multiple paid was well over 20x forward EBITDA. And it really showcases just how much more established F&F companies are willing to pay for market positioning and elevated revenue growth prospects. And your industrial flavor solutions business is attractively positioned. It's also really interwoven into your consumer platform in many respects. But I guess my question is are there select areas of your flavor solutions business, maybe the 50% that's more leveraged to food and beverage peers -- but are there select areas of your flavor solutions business where McCormick might be willing to take advantage of heightened strategic demand from other ingredient entities and divest these assets into financial capital that could be used for debt pay-down or consumer uses or anything like that?

Well, I know you directed this to Mike. But this is Lawrence, I'm going to start on this. I'm going to start on the second one and then let Mike talk about the EBITDA margin. Of course, we're aware of that transaction. We are currently out of the market. This would have been a target that would have been on our list of possible targets as well, I would say, on the list of the usual suspects. As we said, we're not doing any transactions right now because we're going to pay down the debt from the one that we just did. But we're certainly aware of the asset. And the valuation that was paid for, I think was 24x. And now we're also kind of pleased to see a bunch of deals being done since we bought RB Foods that were at higher multiples than we paid for that. But it just shows the demand in the market for assets that are growing. As far as our -- we see that flavor -- we see our business as being a broad flavor business, both consumer and industrial. We've got the benefit of scale from both of those -- from having both of those businesses. They are well intertwined. And at this time, we're into growing that flavor business with the intent of making it an even bigger, stronger part of our business and not with the eye to building something that we would be divesting. We do constantly look at our portfolios for opportunities. And right now, really what we're thinking, we're thinking more in terms of pruning the low-margin businesses rather than selling off the high-margin businesses.

Yes, as far as the EBITDA margin, I wouldn't say we loathe at giving targets, but we're not giving a target. We talked about this. A portion of the flavor solutions portfolio have really nice consumer-like margins, the flavor side of the business, the foodservice side. And you've seen with the RB Foods asset how accretive that is. So as we continue to migrate that portfolio, you should see continued increases there. From an ROIC perspective, it actually right now is pretty close to consumer ROIC because it's a higher working capital efficiency. But you should see improvements there going forward. And we do have internal targets.
Lawrence E. Kurzius - McCormick & Company, Incorporated - Chairman, President & CEO

And I’ll say there was a long period of time, for those of you who have followed us for a long time, where there was a goal of getting this up to a 10% margin. We’ve gotten well past that. I’m talking about operating profit margin. We’ve gotten well past that. And while we haven’t set a long-term target for it, we continue to see opportunities for that margin to improve.

Operator

The next question comes from the line of Rob Dickerson with Deutsche Bank.

Robert Frederick Dickerson - Deutsche Bank AG, Research Division - Research Analyst

Just one quick question, then a couple of follow-ups. The seasonality on the RB business, I know you said before, I think Q4 was obviously the most heavily weighted for the year. Can you give us any perspective as to kind of what the breakout would be Q1, Q2, Q3, just for sales?

Michael R. Smith - McCormick & Company, Incorporated - Executive VP & CFO

This is Mike. Q1 is the lowest quarter. It’s a little less than 20% of the total year. But that 20% — yes, about 20%, but a little over 20%, in that range. The fourth quarter is the strongest. The second and third quarter, obviously the grilling season, they’re roughly comparable after that. But they’ll increase from this base. It’s not that different than our core business, heavily weighted (inaudible) and for cash, too, kind of the same trends.

Robert Frederick Dickerson - Deutsche Bank AG, Research Division - Research Analyst

Okay, cool, perfect. And then in terms of tax rate on ’19 — I mean, I know ’18 changes because of the, I guess, the onetime we saw this quarter. So the 23% essentially implies you still get 24% for the remainder of the year. And then what you put in the K, the 25% to 26% on ’19, I’m assuming that still holds?

Michael R. Smith - McCormick & Company, Incorporated - Executive VP & CFO

Yes, I would go with that right now. We haven’t — and there’s so many moving parts with this tax act. And as the [department of revenue] gets into it and into technical adjustments, we’ll assess it then.

Robert Frederick Dickerson - Deutsche Bank AG, Research Division - Research Analyst

Okay, perfect. And then just last question, in terms of the implied organic for the year, the 3% to 5%, correct me if I’m wrong, I mean, I know you did 2.2% in Q1 and the comp scale a little bit more difficult for the year. But yes, I mean, it sounds like the inventory reductions are onetime in nature. It would sound like you wind up accelerating shipments then based off of consumption go-forward. So I’m just curious, to kind of get to that 3% to 5% with more difficult compares, but at 2.2% in Q1, what drives the implied acceleration? Is it just — it’s better innovation, it’s volume-driven, doesn’t seem like there’s a ton of pricing coming? So any color on that would be helpful.

Lawrence E. Kurzius - McCormick & Company, Incorporated - Chairman, President & CEO

Well, I’ll start, and I’ll pass it to Mike. It follows — I mean, it pretty much follows the same case as last year. Last year, we had a very modest growth in the first quarter and then accelerated as we went through the year and ended up with solid organic growth. And I’d say that this year, it looks
pretty much the same. There's no -- in our look at the year, there's no extraordinary hockey stick or anything like that. It's pretty much shipping to consumption.

**Michael R. Smith - McCormick & Company, Incorporated - Executive VP & CFO**

And new products generally launched have an impact later in the year. Fourth quarter, the biggest quarter, as we've talked about, so having a 2% increase in the first quarter, which is our smallest quarter, can easily be offset by having a strong third and fourth. So we're comfortable with the outlook.

**Operator**

Our final question today is from the line of Akshay Jagdale with Jefferies.

**Akshay S. Jagdale - Jefferies LLC, Research Division - Equity Analyst**

I wanted to also ask about the base business. You mentioned the conversion. But I wanted to ask about the promotional aspect. I know 1 or 2 large retailers have specifically been reacting to the hard discounters with certain promotions that were expected to go away. Can you give us an update on that? And just related to the U.S. business, I want to make sure I understand your commentary on inventory. So yes, inventories are coming down over time and that will continue. But relative to consumption though, you haven't been -- over a long period of time, your consumption generally has matched shipments, right? I mean, there's no material gap there that is widening or even if there's a gap, right? Like over time, shouldn't shipments just match what you are -- what people are consuming? And I want to make sure there's no changes there. And if you could just comment on the retailer promotions on some of the private label items and where that's trending.

**Lawrence E. Kurzius - McCormick & Company, Incorporated - Chairman, President & CEO**

Sure, Akshay. Well, first of all, on the -- regarding the retailer promotion that you're talking about, we only really highlighted one customer, who's a non-grocery customer. We don't like to say names of customers on calls. So I'm not going to say the name. But everyone probably knows who that is. And this is -- it's the exact situation that we talked about on the January call. There was a control label product that we sold them, they converted it to private label. And again, as we've already said, I won't dwell on it again, that was really financially neutral to us. But then there was some heavy promotions that were run on that. And to the extent that traded brand down, that was a negative. The trade consumer is down from brand. That was a negative for us. And it was a financial negative for the retailer. They did this as part of an overall floor-wide program that included many, many other product categories to be price-competitive against what they perceived as a strong threat from discount retailers who are entering the market. And it was not specifically targeted at us or at our category. (inaudible) the customer who's responsible for that category and its P&L has heard our category management story and understands what the impact of that decision was on category profitability. And they (inaudible) through in their own numbers as well. We told them what was going to happen beforehand. They went ahead anyway. They now know what the impact really was, what we said it would be. And so they're reconsidering doing -- how that moves ahead. And that promotion is really winding down, I would say. And if you were to visit that customer's store, you would find that, that special pricing and promotional display is very much the exception on a store-by-store basis rather than the rule. So we think it was transitory, might happen again. It goes to the customer's strategy for their overall business and not to the strategy on the spice category. But we think we have that partially behind us. On the trade inventory, it was the Americas inventory that we were talking about. There was and has been a reduction in customer inventory over time. And it had a more pronounced impact on the last quarter. In previous quarters, it just hasn't really been worth talking about. But in the large -- in the customer's fourth quarter was that they're driving probably the largest reduction. And when that's up against our first quarter, which has our lowest volumes, it turns into a meaningful percentage. And that was why we felt it was worth commenting on, on this call. Mike, do you want to add anything...

**Michael R. Smith - McCormick & Company, Incorporated - Executive VP & CFO**

Perfect. And the question about consumption over time, we're still shipping to consumption over time generally.
I will now turn the floor to Lawrence Kurzius for closing remarks.

Lawrence E. Kurzius - McCormick & Company, Incorporated - Chairman, President & CEO

Great. Well, thanks, everyone, for your questions and for participating on today’s call. McCormick is a global leader in flavor. And we’re differentiated with a broad and advantaged portfolio, which continues to drive growth. We are responding readily to changes in the industry with new ideas, with innovation and with purpose. And with a clear focus on growth, performance and people, we continue to perform strong globally and build shareholder value. I’m pleased with our strong results to start the year. And I’m confident in our continuing momentum for growth in 2018, and look forward to reporting to you on shareholder value we will continue to create.

Kasey Jenkins

Thank you, Lawrence. And thanks to all for joining today’s the call. If you have any further questions regarding today’s information, you can reach us at (410) 771-7140. This concludes this morning’s conference call.